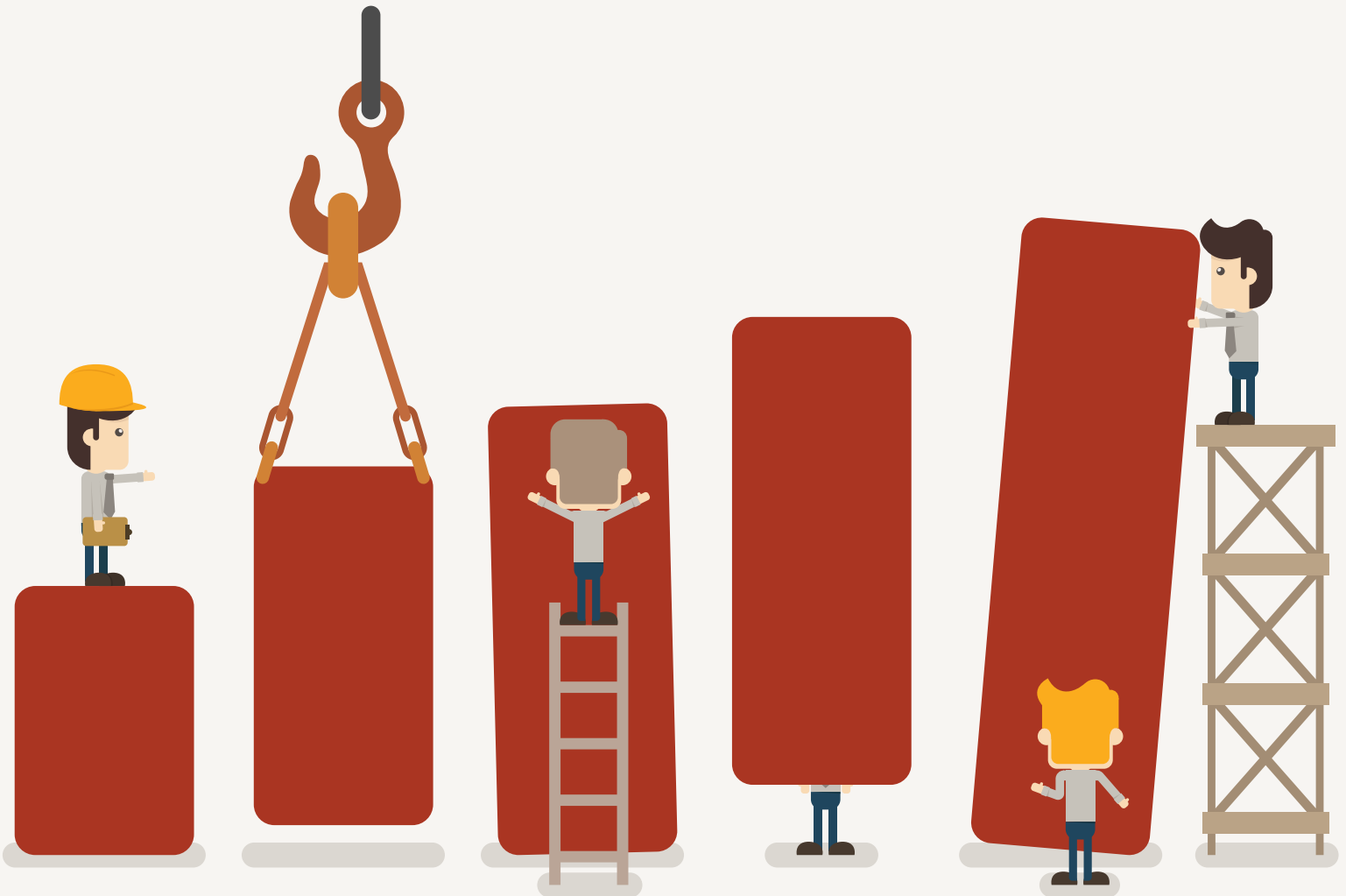


FIGHTING UNEMPLOYMENT

WILL BOOST ARKANSAS'S ECONOMY



APRIL 2014

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FIGHTING UNEMPLOYMENT WILL BOOST ARKANSAS'S ECONOMY

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Arkansas Advocates for Children and Families
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5 Things you need to know about working — or not working — in Arkansas:

- **High unemployment threatens our economic well-being** and the ability of working families to not only make ends meet but to thrive and make better lives for their children.
- **Arkansas has maintained a high rate of unemployment since the recession.** The African-American population has historically experienced unemployment at a much higher rate than whites, but that gap widened during the economic downturn.
- **Many workers in Arkansas are underemployed.** Underemployed workers have part-time jobs when they need full-time work or do not use all of their training for their current job.
- **A worker's education level has the greatest impact on how much he or she will earn in the future.**
- **We can fix unemployment** by investing in pre-K education, implementing a state-level EITC (earned income tax credit), making higher education more accessible, and rewarding work with a higher minimum wage.

Arkansas works

Arkansans have always been defined by our work ethic. We don't back down from a challenge, and we believe our word is our bond. For generations we have taught our children that working hard and playing by the rules means they'll have a chance to earn a good living in their home state. Thanks to the mistakes and, in many cases, greed of others (especially on Wall Street) too many of our working Arkansans find themselves underemployed or desperately searching for a paycheck they can earn.

High unemployment threatens our economic well-being and the ability of working families to not only make ends meet but to thrive and make better lives for their children. Arkansans have also been defined by our willingness to help our neighbors in need. We have overcome challenges like these in the past by working together. It's time we answer the bell once again. Together we can make better choices when it comes to our state's economy and our children's education and make sure all Arkansans — no matter what part of the state they live in — have an equal opportunity to capitalize on the American Dream.

Unemployment is too high

One unemployed person has an impact on his or her community. Thousands of these would-be workers have a huge impact on the entire state. Imagine if you or someone you know well lost his or her job. Let's say it's your friend from high school, Timothy. Timothy will inevitably spend less on himself and his family. This not only makes it hard on Timothy's kids, but on the local businesses he usually supports to keep his family healthy and strong. He won't buy as much from his grocer. He'll put off going to see the dentist. Maybe the kids won't get new summer clothes this year. A small vacation to one of our state parks is completely out of the question. Every month in

UNEMPLOYMENT BY THE NUMBERS

8

Overall unemployment is just under 8 percent

6

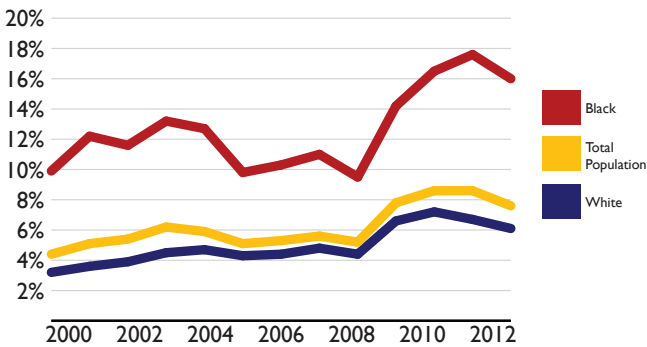
Percent of white Arkansans who are unemployed

16

Unemployment rate for African-Americans in Arkansas

Arkansas, there are nearly 100,000 people (a lot of them just like Timothy) who find themselves without a job.

UNEMPLOYMENT RATE IN ARKANSAS IS TOO HIGH
Gap between white, black populations troubling



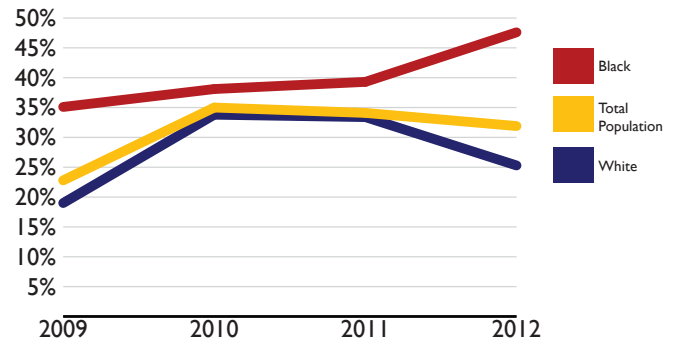
SOURCE: Source: Economic Policy Institute analysis of Current Population Survey data

Unfortunately, Arkansas has maintained a high rate of unemployment since the recession. In 2012, the overall unemployment rate was just under eight percent. That includes all segments of the population, but when you look at how that breaks down by race, it's even worse. The African-American population has historically experienced unemployment at a much higher rate than whites, but that gap widened during the economic downturn. In order for our state and our communities to thrive, all Arkansans need to have the opportunity to work and achieve. We need to ensure that employment opportunities are available to all Arkansans in every part of the state and that these jobs allow a family to have a secure future.

Unemployment is lasting longer

Anyone unemployed and still looking for work after a year or more falls into the category of "long-term unemployed."¹ This devastates families and puts an enormous strain on our economy as a whole. Imagine being forced to spend through your savings or make choices between necessary purchases like food, electricity, or needed health care – all because you lost your job due to no fault of your own. This happens every week in Arkansas. Some of our neighbors even lose their homes and cars. The long-term unemployment rate for rural Arkansans is even worse, driving up the impact it has on African-American families.

LONG-TERM UNEMPLOYMENT HURTS FAMILIES
Percentage of Arkansans still looking for work after one full year



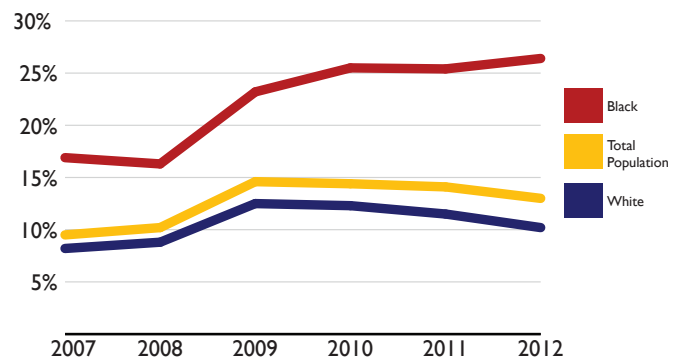
SOURCE: Source: Economic Policy Institute analysis of Current Population Survey data

When working isn't enough

Sometimes having just one job isn't enough. Many workers in Arkansas are underemployed. Underemployed workers have part-time jobs when they need full-time work or do not use all of their training for their current job.² Though being underemployed provides income that helps make ends meet, it leaves people struggling to pay their bills. These jobs often make it more difficult, too, for those workers to find more suitable employment. This further strains the economy. If a trained, skilled laborer in the Delta gets laid off and is forced to work beneath his or her training, that limits his or her ability to spend money in the economy.

Businesses of all sizes will be forced to shut their doors if they don't have enough customers. In order to truly invigorate our state's economy, all Arkansans need to be able to find full-time employment that makes use of all of their skills in order for our state to have a brighter future.

UNDEREMPLOYMENT RATE BY RACE
Gap between white, black populations persists



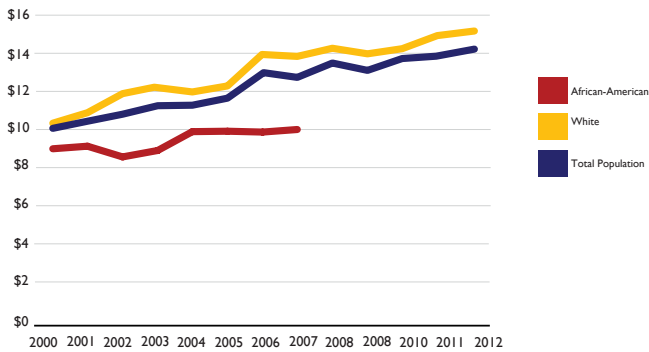
SOURCE: Source: Economic Policy Institute analysis of Current Population Survey data

Hourly wages can't provide for families' needs

For Arkansans who have jobs, the money they earn helps provide necessities for their families. But making ends meet is getting harder and harder. A recent study found that an Arkansan working for an hourly wage, who has more than one child, does not make enough to support their family.³ Researchers at MIT found that an adult with one child would need \$16.37 per hour to earn a “living wage” - the wage rate required to meet minimum standards of living, according to the study.

HOURLY WAGE FOR ARKANSAS WORKERS

Median hourly wage not considered “living wage”



(A note on the above chart: There is a large gap in data hourly wages for African-Americans in Arkansas because the number of African-American survey participations dropped below 200. This drop was most likely caused by the recession and high levels of unemployment experienced by Arkansans, especially African-Americans. With such a low number, the Current Population Survey has not been able to calculate hourly wages between 2008 and 2011.)

African-Americans have a lower median income than white Arkansans. This hinders the state’s ability to succeed and to provide for our children’s future. As a state, we need to make sure that all Arkansans have the opportunity to provide for their families.

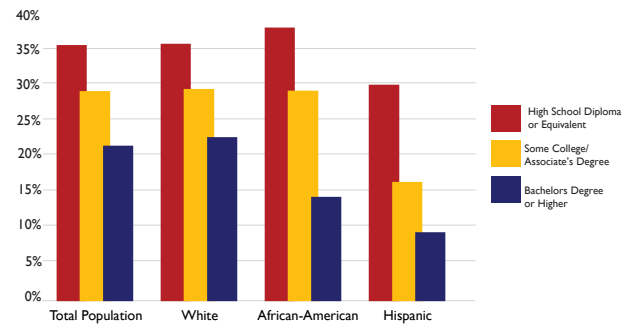
When everyone contributes to the economy, everyone does better – regardless of their geography, race, or gender. An important first step to achieving better balance is raising the state’s minimum wage so that it can actually cover a family’s necessary expenses. Arkansas is one of just nine states with a state minimum wage below the federal standards. That must change.

Education, education, education

A worker’s education level has the greatest impact on how much he or she will earn in the future. Arkansas ranks among the lowest in the nation in per capita college graduates. Minority students fare the worst in Arkansas when it comes to college education. This gap makes it harder for minorities in Arkansas to find jobs that allow them to move toward economic security. Where children live or what they look like should not determine whether they have a shot at a great education. As a state, we need to ensure that all Arkansans have the opportunity to receive a quality education at all levels.

EDUCATIONAL ATTAINMENT IN ARKANSAS

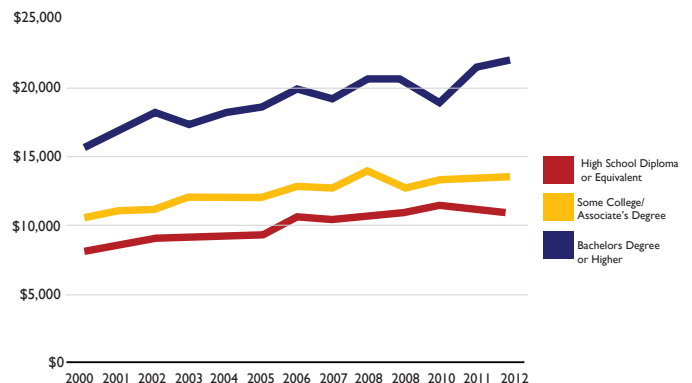
Just over 20 percent have college degree or higher



Workers with higher education levels generally have higher earnings. In order to ensure that all Arkansans have the opportunity to find jobs that pay for even the most basic necessities, we must improve access to higher education for all students. Providing educational opportunities for all ages, races and geographies is the only way we can ensure that our workforce is prepared for the jobs that are available.

MEDIAN WAGE OF ARKANSANS INCREASES WITH EDUCATION LEVEL

Access to higher education is key to earning potential



The earnings gap

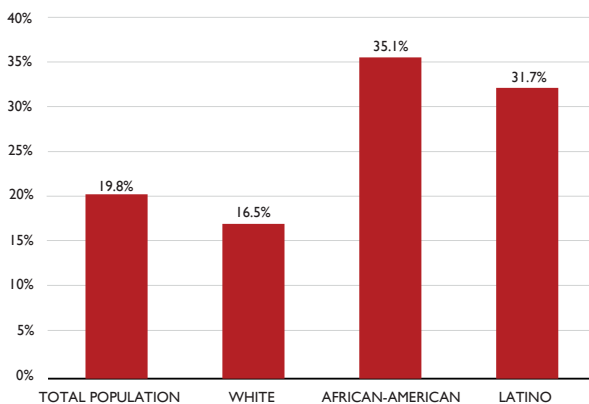
Median household income is another clear indicator of a worker's earnings. African-Americans have had the lowest level of household income for many years. Latinos have also had lower earnings than whites but higher earnings than African-Americans. As a state, we cannot improve or succeed if we leave any of our population so far behind.

How to fix unemployment

- We must start with education if we are going to fix Arkansas's unemployment problem. If we are going to start with education it only makes sense that we start early. Arkansas has done a great job of making pre-K available to our children; however, state funding for these programs has been flat for six years now. How can we expect continued growth if lawmakers neglect early learning? Study after study has shown that participation in pre-K education has an enormously beneficial impact on a student's educational outcome. Children who participate in pre-K have higher math and reading scores in later grades and higher graduation rates. With the waiting list for entry into pre-K growing longer, we can't afford to underfund future economic opportunity for Arkansas students.

- Another reason to start early? Arkansas is seeing the gap between low-income students and their more affluent counterparts grow wider. That same gap exists between minority and white students, rich and poor students, and urban and rural students. Pre-K helps to close these gaps. Out-of-school opportunities like after-school activities and summer learning initiatives keep kids out of trouble and in a positive learning environment. Investments in these vital public structures will strengthen the Arkansas education system and make our students more competitive when they enter the job market.

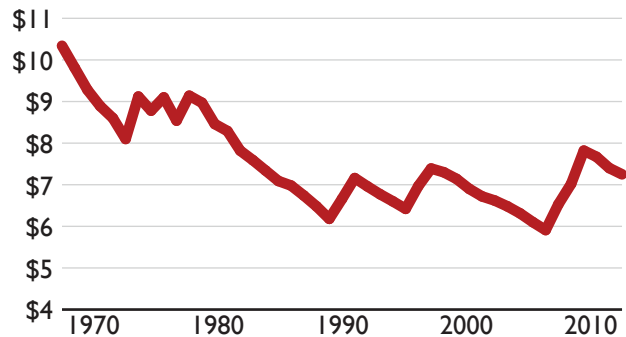
PERCENTAGE OF ARKANSANS LIVING IN POVERTY Nearly one fifth of the state's population is poor



- No one working a full-time job should live in poverty. Sadly, the Arkansas minimum wage guarantees a full-time worker a life of poverty. The Earned Income Tax Credit (EITC) has helped families lift themselves up, and a state-level EITC would help even more. The EITC is a credit for working families designed to help low-income earners as they transition to better paying jobs. Ronald Regan once called the EITC the best antipoverty, pro-family, job creating measure to come out of Congress. He's right, and a state-level EITC would help Arkansas families move up the economic ladder, allowing them to provide for their families and contribute to our economy.

FAMILIES GETTING LESS AND LESS FOR THEIR DOLLAR

Federal minimum wage decline in purchasing power since 1968



SOURCE: <http://www.dol.gov/minwage/chart1.htm>

- The state can also make sure our fellow Arkansans are able to take care of their families and fully participate in the economy by raising the minimum wage. Employees are becoming more and more productive, but they aren't seeing their paychecks increase. Economists estimate that if minimum wage had kept up with increases in worker productivity since the late 1960s, our current minimum wage would be \$16.54.⁴ A worker should be paid fairly for what he or she produces, and that paycheck should be periodically increased to keep up with rising prices. The minimum wage has not only failed to keep up with worker productivity, it hasn't even kept up with inflation. Because of inflation, the 2011 federal minimum wage is 12.1 percent lower than it was in 1967.⁵ By raising and indexing the minimum wage we can ensure that the average employee doesn't get left behind.

Conclusion

As Americans, and as Arkansans, we've proven we can pull ourselves out of an economic downturn and create a prosperous future – just look back to how the U.S. economy responded after the Great Depression. We've learned that investments in public systems and structures (like roads, bridges, and our education system) allow us to do things together that we could never do alone. Improved economic opportunity for those at the bottom benefits the entire state. When families are comfortable and financially secure, they contribute to our economy. This broadens the tax base, which leads to more investment in public structures, which yields positive results like improved infrastructure and better education outcomes, which leads to a stronger workforce, which attracts businesses that hire more Arkansans who then become more comfortable and financially secure. It's a cycle, and a good one. The good news is we can make it happen together.

Notes

¹ “OECD Factbook 2013: Economic Environmental and Social Sciences,” www.oecd-ilibrary.org

² “Underemployment,” [Wordnetweb.princeton.edu/perl/webwn?s=underemployed](http://wordnetweb.princeton.edu/perl/webwn?s=underemployed)

³ <http://livingwage.mit.edu/states/05>

⁴ Source: Baker and Kimball, Center for Economic and Policy Research

⁵ <http://www.epi.org/publication/declining-federal-minimum-wage-inequality/>

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