

THE STATE OF WORKING ARKANSAS

POLICY CHANGES TO BOOST OUR ECONOMY

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HERE'S WHAT YOU NEED TO KNOW ABOUT ARKANSAS'S ECONOMY

Arkansas's economy is gaining speed. However, low-income groups, minorities, and less-educated workers are being left behind. The new jobs and pay raises mostly benefit people who are already well-off. And recent policy changes have made unemployment insurance less accessible.

Arkansas lawmakers have an opportunity to do more to improve the lives and prospects of children and families. Policy recommendations in this report include increasing access to childcare, tax credits for working families, stronger laws to protect workers, and closing the education achievement gap.



INTRODUCTION

Arkansas's economy is gaining speed. However, low-income groups, minorities, and less-educated workers are being left behind. The new jobs and pay raises mostly benefit people who are already well-off. And recent policy changes have made unemployment insurance less accessible.

African Americans in Arkansas are still more likely to be stuck at part-time jobs when they need full-time work. They're also unemployed at nearly twice the rate of whites. The burdens of the recession are also lingering for many older workers, who saw their savings dry up during the downturn and were forced to put off retirement.

The rate of Arkansans who go to college is higher than ever before, but it's still modest compared to our neighboring states. Some of the fastest growing industries require new skills and more education. So we have to make quality education accessible for all Arkansans if we want our workforce to remain competitive.

New jobs and increased wages are great news for Arkansas, but we still have a long way to go. Our poverty rate is still well above national averages, and our wages are low compared to neighboring states. Child poverty in Arkansas is also disturbingly high, particularly for minority children.

Arkansas lawmakers have an opportunity to do more to improve the lives and prospects of children and families. Policy recommendations in this report include increasing access to childcare, tax credits for working families, stronger laws to protect workers, and closing the education achievement gap.

UNEMPLOYMENT

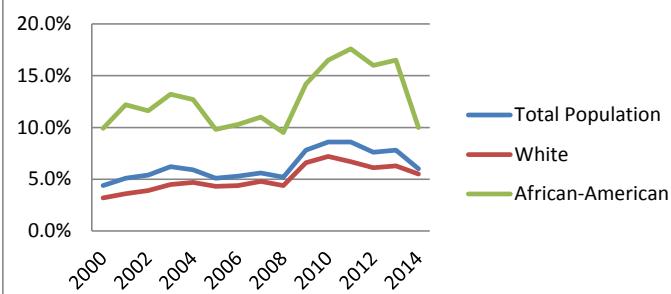
MORE ARKANSANS ARE FINDING JOBS

More Arkansans are getting back to work. After a sobering unemployment spike (reaching nearly 9 percent in 2010) we are approaching unemployment levels we had before the recession. Now, unemployment is at 6 percent and closing in on the rates we had before the recession (5.1 percent in 2005). That is great news for our economy and for working families in our state, but not all Arkansans are fully benefiting from the economic recovery. African-American families were hit the hardest by unemployment during the recession, experiencing rates that skyrocketed from 10 percent in 2005 to 17 percent in 2010. During that same time, the unemployment rate for white workers never varied more than a few percentage points from year to year. The gap between white and African American unemployment is getting smaller, but African Americans in Arkansas are still out of work at nearly twice the rate as their white counterparts (10 percent compared to 5.5 percent in 2014).

Unemployment is down but

"race gap" remains

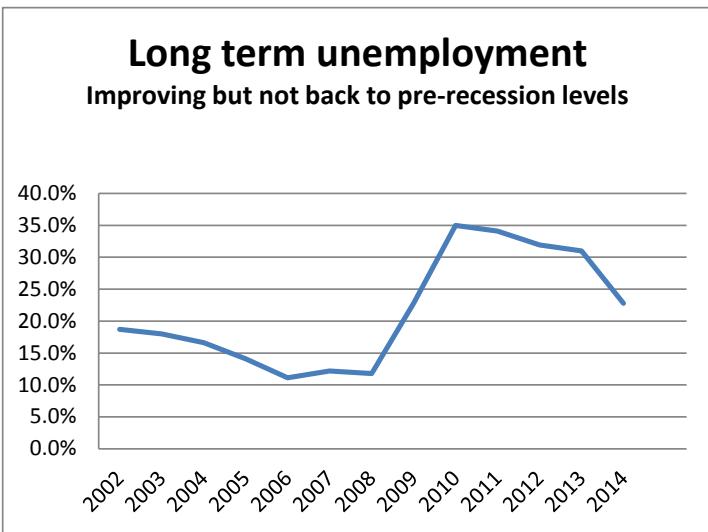
African American workers still struggle with higher unemployment rates





LONG TERM UNEMPLOYMENT IS IMPROVING

The longer you are out of the workforce, the more difficult it can be to find a job. But Arkansans who have been out of work for a long time are finally starting to be able to find work again. Long-term unemployment (the share of unemployed people who haven't been able to find work for more than 26 weeks) is improving, but hasn't fully recovered to pre-recession levels. In 2005 the rate of unemployed Arkansans who had been looking for a job for more than 26 weeks was 14.1 percent; in 2014 it was 22.8 percent. That is still much higher than pre-recession levels, but it is a drastic improvement over the 35 percent peak rate that occurred in 2010.



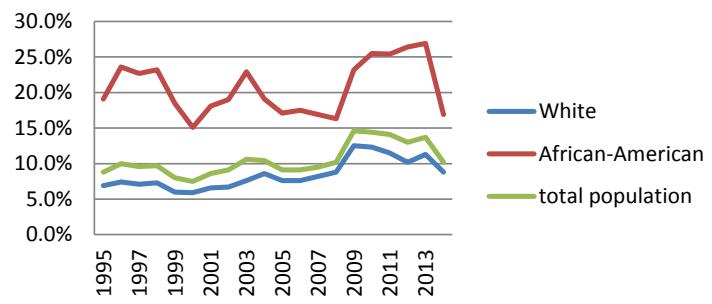
THE JOB MARKET IS ALSO OPENING UP FOR UNDEREMPLOYED WORKERS

Even if you can find work, sometimes you might have to settle for a part-time job when you really need full-time work. Workers like this fall under the category of "underemployed." Those who are unemployed - and those who aren't looking for a job right now but want to work and have looked for a job in the last year - are also considered underemployed. White workers are

underemployed at 8.8 percent, which is about half the underemployment rate for African-American workers (16.9 percent). However, both groups have seen major improvements since the end of the recession in 2009. Sample sizes are too small to report on other minority groups like Hispanics and Asian or Pacific Islander workers. The number of Arkansans overall who are underemployed is approaching pre-recession levels (10.2 percent in 2014 compared to 9.1 percent in 2005).

Under-employment rates by race

Minority workers are more likely to work part-time jobs when they need full-time work



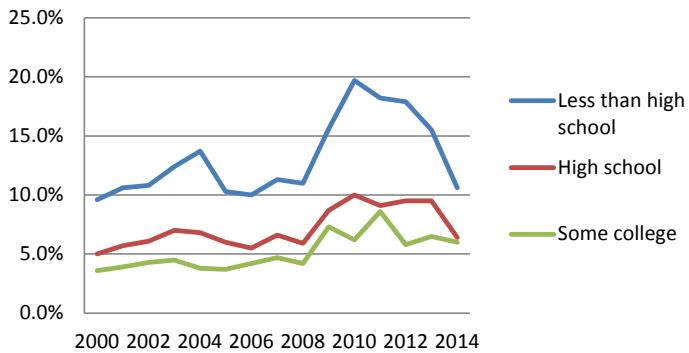
HIGH SCHOOL GRADUATION REMAINS A MAJOR INDICATOR FOR UNEMPLOYMENT

Keeping kids in school is critical to their ability to get and keep good jobs later in life. Once you graduate from high school, the chances of being unemployed are almost cut in half. Folks with some college education have an edge over high school grads, too, but it is not nearly as drastic. See graph on next page.



Graduation rates matter

High School graduates have lower unemployment rates



If states or the federal government cut back on unemployment insurance, that can also result in a lower rate of unemployed workers getting benefits. There was a reduction in federal unemployment benefits at the end of 2013 (the Emergency Unemployment Compensation program was not renewed). Unemployment insurance receipt rates could drop farther because of recent state-level legislation to reduce the length of time you can draw benefits. The Arkansas Legislature, for example, recently struck a huge blow to unemployment insurance. Act 412 reduces total benefits to unemployed workers by \$50 million a year. It also lowers the number of weeks a worker can draw unemployment benefits from 25 to 20.

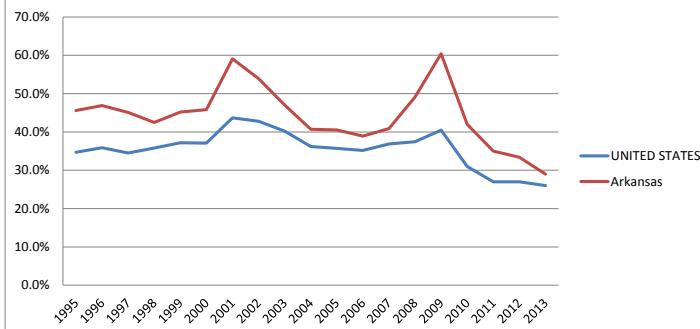
RECENT POLICY CHANGES HAVE MADE UNEMPLOYMENT INSURANCE LESS ACCESSIBLE

The proportion of jobless workers who receive unemployment insurance is on the decline in Arkansas as well as across the nation. In 2000, about half (46 percent) of Arkansas workers who were without jobs ended up getting unemployment insurance. Now only about one third (29 percent) do. Lower participation rates mean that more people who are out of work aren't getting access to benefits that are designed to support people in their search for a new job.

But what could be causing this? Unemployment insurance receipt rates tend to jump up in bad economic times. So, at first blush this could look like an indicator of a recovering economy, but that is not the whole story. Lower receipt rates can also indicate that more people have been unemployed for so long that they no longer qualify. Since 2000, the share of workers who use up all of their available unemployment benefits has increased from 31 percent to 39 percent. That means that more and more people are running out of benefits before they are able to find a new job.

Unemployment insurance receipts are down

Fewer unemployed people are getting help



WORKFORCE TRENDS

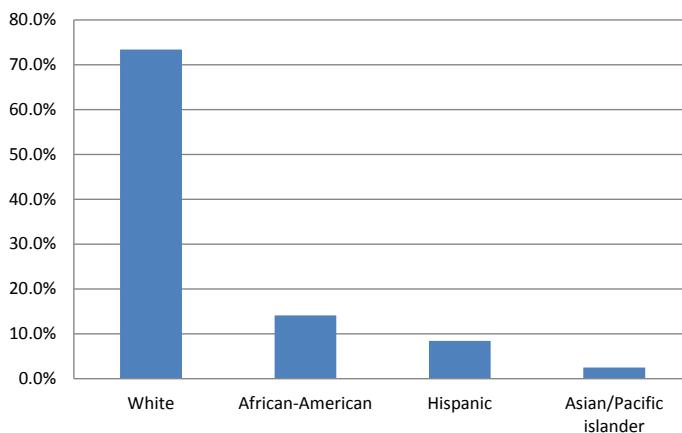
ARKANSAS BENEFITS FROM INCREASED DIVERSITY

The Arkansas labor force has become increasingly diverse since the early 1990s when white workers made up nearly 85 percent of the workforce (now they make up only 73 percent). Immigrants still make up a small share of the total Arkansas population (5 percent), but they contribute to the state's economic competitiveness and tax base by making up a relatively large share of the workforce (7 percent). Immigrants represent 13 percent of manufacturing workers and

also have a strong presence in other industries like poultry processing, agriculture and construction.¹

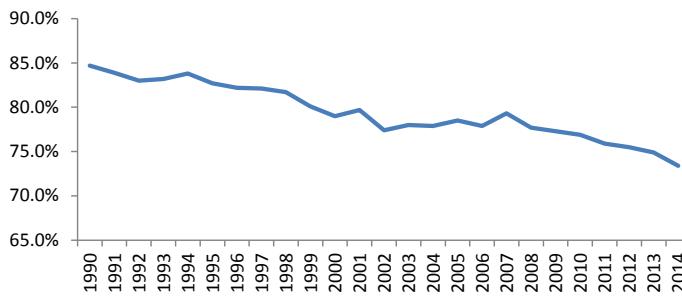
Workforce demographics in Arkansas

Share of Arkansas labor force by race



Diversity in Arkansas

The share of white workers in the labor force is decreasing



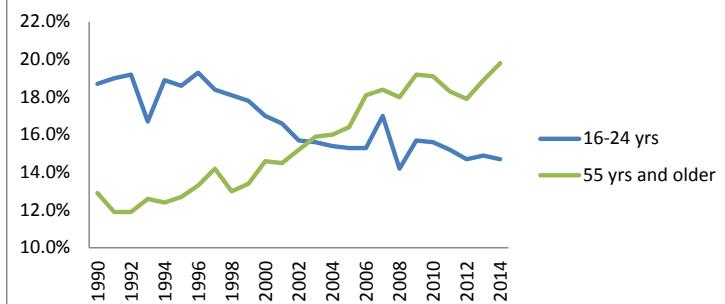
ARKANSANS ARE STAYING IN THE WORKFORCE LONGER

The average Arkansas worker is getting older. The share of workers 55 years or older has nearly doubled since the early 1990s. During that time, the share of younger workers in the labor force has been steadily declining. In 2003, workers 55 years and older finally surpassed the share of young workers for the first time. Since then, older workers have continued to take up a growing share of the workforce. Savings

and retirement accounts that were hit hard by the recession are keeping many older workers in the workforce instead of retiring.

Pushing back retirement

Older workers are taking up a record share of the workforce

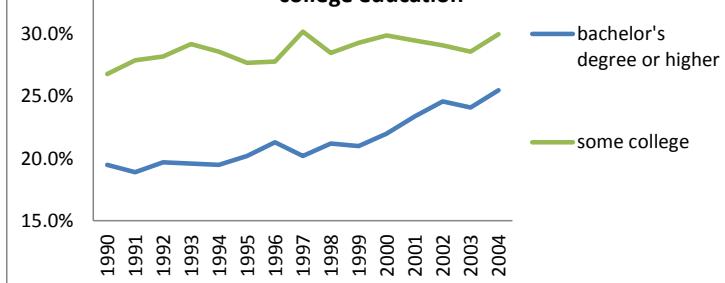


MORE ARKANSANS ARE STAYING IN SCHOOL, BUT WE STILL LAG BEHIND OTHER STATES

Arkansans are more educated now than ever before. More than half of the workforce (55 percent) has at least some college education. The share of employees who have a bachelor's degree has increased from 15 percent to 26 percent in the past 25 years. The share of workers who have less than a high school education has also nearly been cut in half during that same time.

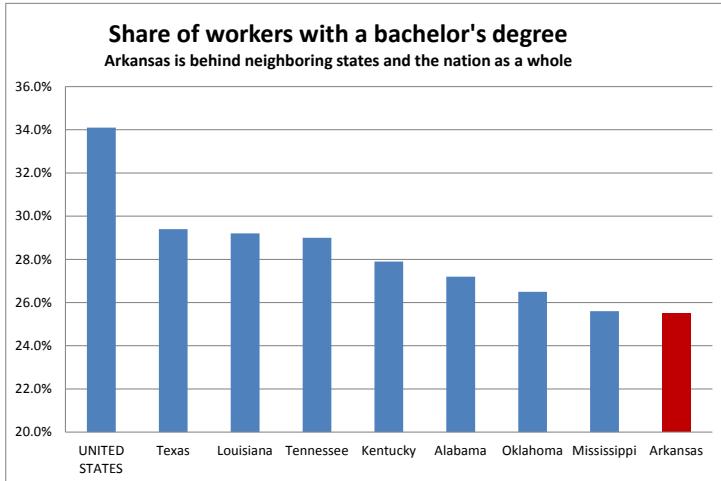
More Arkansans are getting at least some college education

A bigger share of the workforce has at least some college education



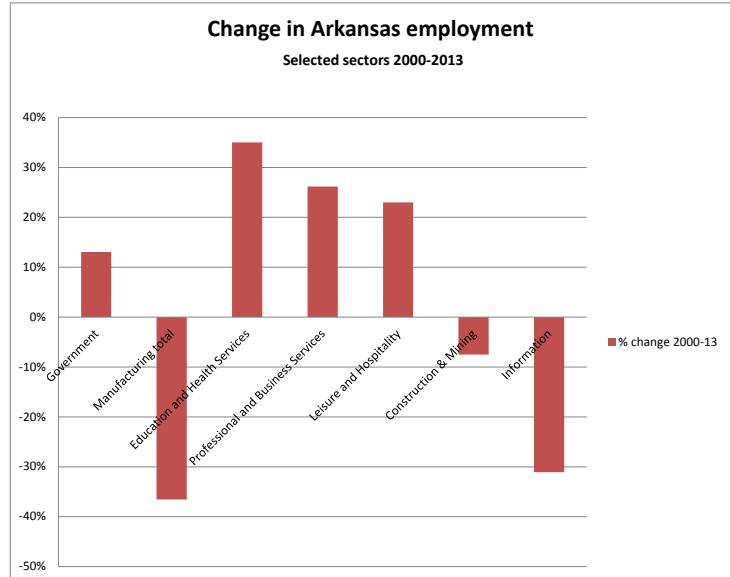


These improvements to Arkansas education rates are great news! It means our workforce is becoming more competitive, and Arkansas is becoming a more attractive place for new businesses. Despite this progress, though, we still lag behind most other states. Just over a quarter of Arkansas workers have a bachelor's degree or higher, which falls short of the U.S. average of 34 percent. Neighboring states, like Louisiana, Oklahoma, and Texas, also have slightly higher rates than Arkansas.



TRENDS IN JOB SECTORS (TOP INDUSTRIES)

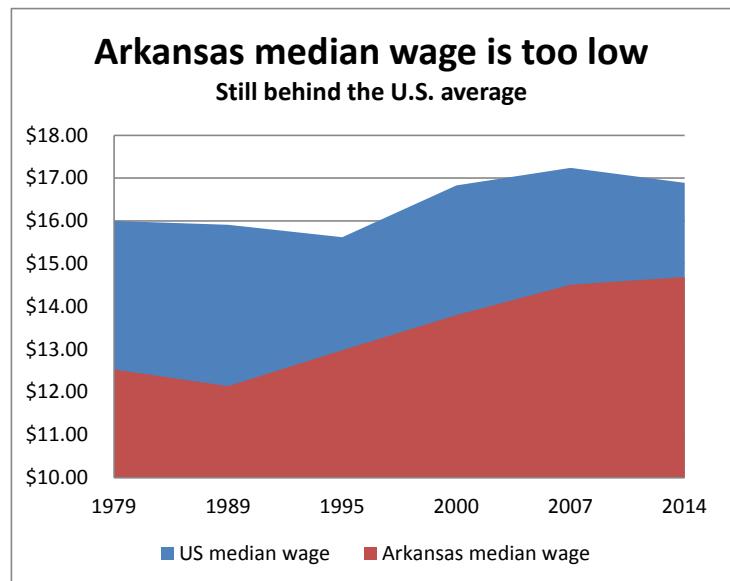
There are more Arkansans working at places that provide services. These industries represent places like hospitals, restaurants, and law offices. Since 2000, education and health services, leisure and hospitality, and professional and business services have been responsible for most of the new jobs added to the Arkansas economy. Others job sectors related to production, on the other hand, have been lagging. There are fewer people in manufacturing in Arkansas and fewer people with construction jobs. Newer jobs, especially those in education, health care, professional services, and technology, require more and different skills than the old manufacturing jobs. This is related to the widening skills gap between older jobs and the jobs of the future, which are more technological. This



trend also mirrors the decline in manufacturing and construction employment for the country as a whole. See table on next page.

WAGES FOR MANY ARKANSANS REMAIN LOW

Arkansans voted to increase the state minimum wage from \$6.25 to \$8.50 over the next three years, but the median wage still lags behind the national average. The median wage in Arkansas in 2014 was \$14.69 an hour, or about \$30,500 a year. This is considerably lower than the national average of \$16.89 an hour (about \$35,000 a year).





Employment by Industry by Year in the United States

(Not seasonally adjusted, in thousands)

	2013	2014	% change 2000-13
Total Nonfarm	136368	138907	3%
Total Private	114504	117007	3%
Natural Resources and Mining	868	912	45%
Construction & Mining	6695	6950	-9%
Construction	5827	6038	-14%
Manufacturing	12006	12142	-30%
Manuf Durable Goods	7543	7670	-31%
Manuf Non Durable Goods	4463	4472	-30%
Trade Transportation and Utilities	25870	26409	-1%
Wholesale Trade	5746.8	5867	-3%
Retail Trade	15076.6	15363.6	-1%
Transportation and Utilities	4494.8	4625.5	2%
Information	2685	2674	-26%
Financial Activities	7880	7957	1%
Professional and Business Services	18560	19235	11%
Education and Health Services	21102	21487	38%
Leisure and Hospitality	14242	14642	20%
Other Services	5464	5511	6%
Government	21864	21900	5%
State Government	5048	5067	5%
Local Government	14050	14116	7%

Source: Economic Policy Institute analysis of Current Employment Statistics survey data

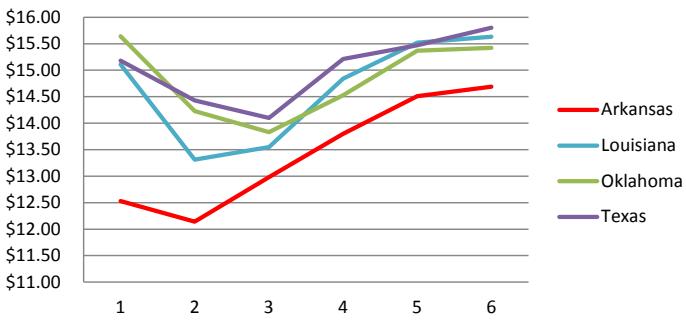


OUR WAGES ARE LOW FOR OUR REGION

Arkansas even has lower wages than our neighboring states with similar economies and costs of living. We are catching up to our neighbors, but we have still been one or two dollars behind the regional average since the 1980s. The Arkansas median wage was about \$1 an hour behind Louisiana, Oklahoma, and Texas in 2014. For a full-time worker, that extra dollar translates to over \$2,000 a year.

Median wages by state

Arkansas isn't keeping up with neighboring states



WOMEN STILL MAKE LESS, BUT THEIR WAGES ARE INCREASING FASTER THAN MEN'S

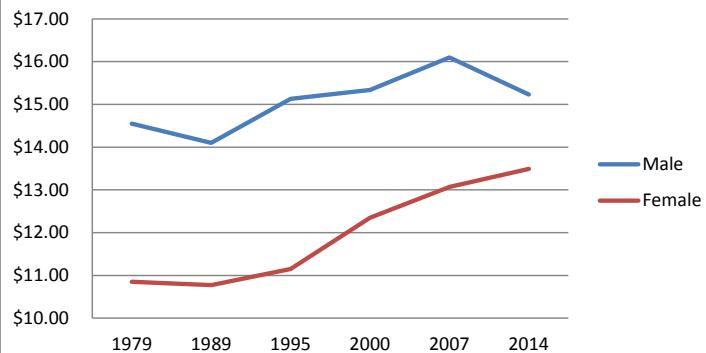
Men are making more than women in Arkansas, but not by as much as they were 15 years ago. The median wage for men in our state is about \$2 an hour (or \$4,000 a year) higher than for women. That gap was twice as big in 1995. If wages continue to grow at the same rate as they have since 1995, it will take until 2030 for men and women to earn the same median wage.

MINORITY WORKERS STILL MAKE FAR LESS

The earnings gap between white workers and minority groups in Arkansas has been, and remains, much larger than the gender wage gap. The median wage for a white worker in Arkansas is \$15.99 an

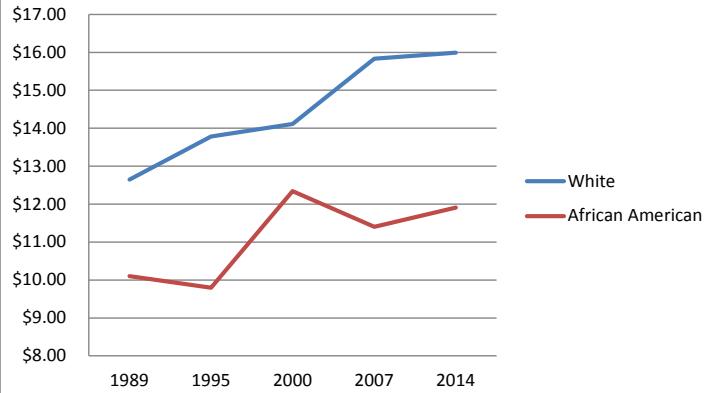
Wages and gender

Median wages for men and women are getting closer



Median wage by race

Income gap for minorities is troubling



hour, but for an African American worker it is only \$11.91. That difference means that African-American workers make a median wage that is about \$4 an hour (or \$8,000 a year) less than white workers. That gap has been about the same in Arkansas for the past 20 years. Sample sizes are too small to report on other minority groups in Arkansas.

IT PAYS TO GO TO COLLEGE IN ARKANSAS

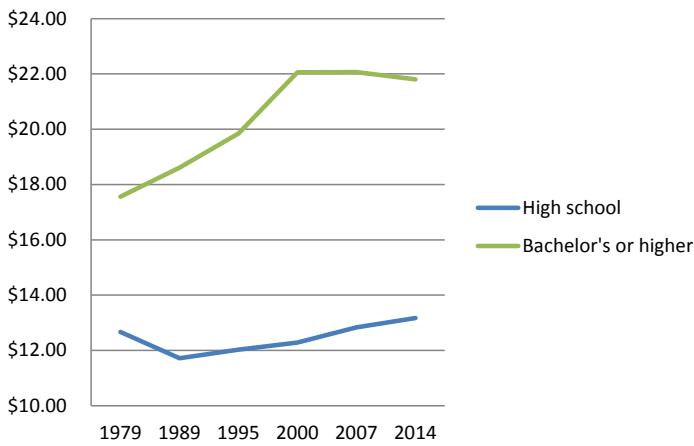
Median wages for high school graduates in Arkansas are only about \$1 an hour more now than they were 20 years ago. Folks with more education tend to earn more money, but the difference in pay in Arkansas is getting bigger. In 1979, the median wage for someone



with a bachelor's degree was 39 percent higher than the median wage for a high school graduate. Today it is 66 percent higher. Arkansas lawmakers need to make access to an affordable college education for all students a priority.

Median wages and education

Arkansas' college grads earn more

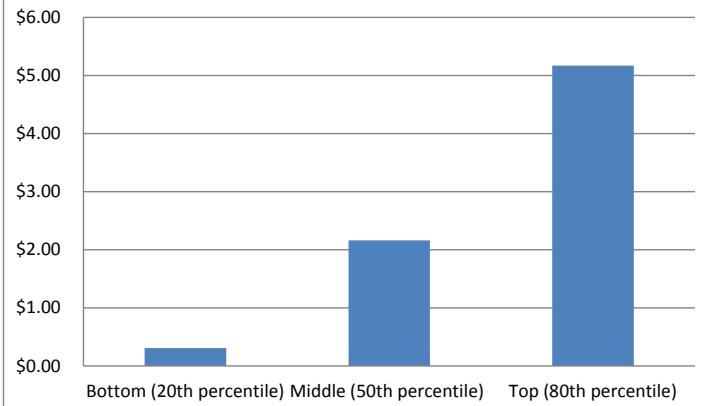


MOST WAGE INCREASES HAVE GONE TO THE WEALTHY

The top 20 percent in Arkansas have seen big income increases over the past several decades while most other people haven't gotten much of a raise. The bottom 20 percent of earners have had their average wage only increase by about 31 cents since 1979. Middle income earners got just a \$2.16 raise (adjusting for inflation). Incomes for the top 20 percent rose by \$5.17 during that same time, over twice the pay increase that the middle earners received. *This means that the poorest working people in Arkansas aren't benefiting from the economic growth in Arkansas, while the richest in our state are getting richer.*

Average Hourly wage change from 1979-2014

Top earners are getting most of the raises in Arkansas



RECENT INCREASE TO ARKANSAS MINIMUM WAGE IS A GOOD STEP

Arkansas voters improved wage fairness in our state by voting in a measure to gradually increase the state minimum wage to \$8.50 an hour from a shamefully low \$6.25 an hour. About 15 percent of Arkansans (almost 170,000 employees) will see their paychecks grow because of this legislation. They won't be the only ones benefiting, though. Research has shown that increases in wages benefit employers as well as workers without harming job growth. This is a step in the right direction, especially considering that the federal minimum wage would be about \$10 an hour if it had kept up with inflation over the past 40 years (right now it is \$7.25).



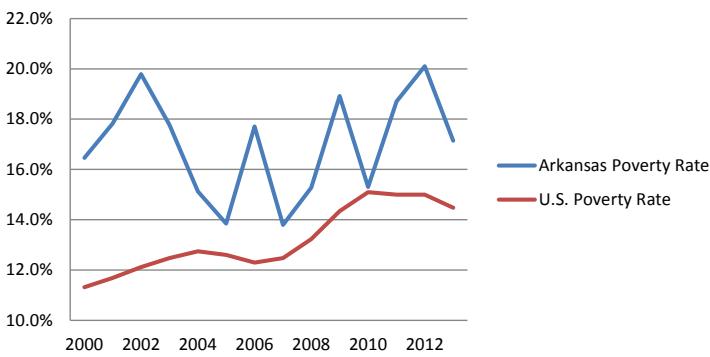
POVERTY TRENDS

ARKANSAS HAS A HISTORY OF HIGH POVERTY RATES

Despite a recovering economy, and extraordinary wealth in our country, the number of working poor in Arkansas continues to linger well into the double digits. In 2013, 17 percent of Arkansans lived in poverty, compared to a national average of 14.5 percent. Poverty rates are also on the rise in the U.S., but poverty in Arkansas has consistently remained a few percentage points higher than the U.S. average.

Arkansas poverty is too high

Remains higher than U.S. average

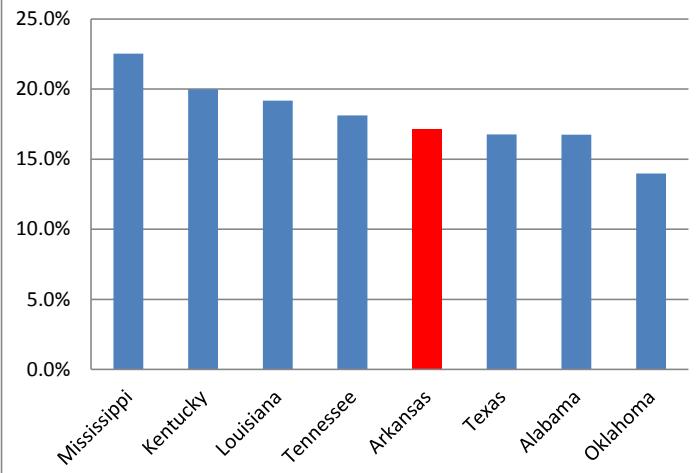


POVERTY IN ARKANSAS IS SIMILAR TO OUR NEIGHBORING STATES

Arkansas has higher poverty rates than the nation as a whole (Arkansas is 17 percent, the U.S. is 14.5 percent), but we are about average for our region. Among seven nearby states, only Alabama (16.7 percent), Oklahoma (14 percent), and Texas (16.8 percent) have lower poverty rates.

Poverty rates by state

Arkansas is about average for our region

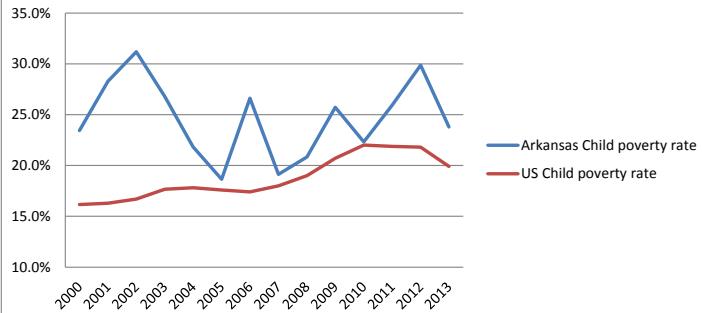


CHILD POVERTY REMAINS A SERIOUS CONCERN

Even more troubling is the percentage of Arkansas children who live in poverty. About one in four (24 percent) Arkansas kids live in households with incomes below the federal poverty line. This is much higher than the national average which is about one in five (20 percent).

Children in Arkansas are more likely to live in poverty

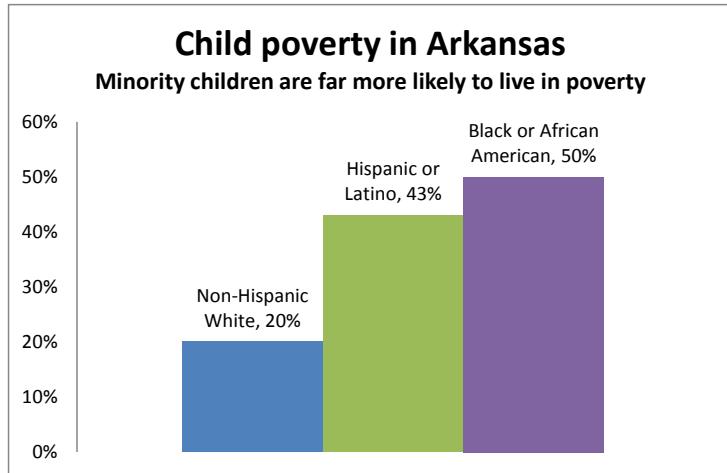
Almost one in four Arkansas kids live in poverty





POVERTY IS MORE COMMON FOR MINORITY CHILDREN

Growing up in poverty negatively impacts a child's life in an abundance of ways, including worse health outcomes, less success in school and weaker job earnings later in life. That is why it is so concerning that minority children in particular are doing poorly in Arkansas - even compared to our already disturbingly high state averages. Half of all African American kids in Arkansas live in poverty. Hispanic or Latino children are not far behind at 43 percent. White kids in Arkansas are consistently well below that number and live in poverty at about the same rate as the U.S. as a whole (20 percent).



THE FEDERAL POVERTY GUIDELINES UNDERESTIMATE REAL POVERTY LEVELS

Many more families who technically live above the federal poverty line (FPL) are still not able to provide basic necessities for their families. FPL levels are generally considered to be well below what is actually needed to provide a safe and healthy household environment. The federal poverty line for a family of four is only \$23,850 a year. This is not even close to what families need to make ends meet. A new

budget calculator from the Economic Policy Institute estimates that a family of four in Little Rock needs over twice that (\$59,000) to provide for all of their basic needs.² That number drops by a few thousand for more rural parts of the state, but is still well above the amount indicated by the FPL.

Federal Poverty Guidelines

Persons in family/household	Income Threshold
1	\$11,770
2	15,930
3	20,090
4	24,250
5	28,410
6	32,570
7	36,730
8	40,890

For families/households with more than 8 persons, add \$4,160 for each additional person.

Source: *federal register*

MANY ARKANSANS LACK BASIC FINANCIAL SECURITY TOOLS

Financial stability doesn't just depend on income, savings and assets are important to make sure families can weather any unexpected expenses. Could you afford to go three months without income because of a



sudden job loss or emergency? Over half of Arkansans don't have enough in easily accessible savings to make that happen.³ This is due to the exceptionally low use of basic financial tools like savings and checking accounts. More than half of Arkansas households don't use savings accounts, worse than any other state. We are also fourth from the bottom for use of checking accounts.

HOUSING IS AFFORDABLE IN ARKANSAS FOR OWNERS, NOT RENTERS

Arkansas has a relatively inexpensive real estate market compared to other states (we rank number 11 in housing affordability), but the benefits of these lower prices are going mostly to homeowners and not to renters. Most homeowners in Arkansas don't have to spend too much on housing costs like mortgage and property taxes. Three out of four Arkansas homeowners spend less than 30 percent of their household income on housing costs. For renters in our state, it is a different story. Half of the renters in Arkansas spend more than 30 percent of their household income on rent.

INCOME INEQUALITY: THE RICH ARE GETTING RICHER

Income in Arkansas has been growing, but not everybody is doing well. The share of all income held by the top 1 percent in Arkansas is higher than it has ever been. That is because, while low- and middle-income workers' wages have been growing modestly, wages for the super-rich have been growing faster and faster. From 1979-2007, the top 1 percent of earners in our state saw their paychecks grow at about five times the rate of everyone else (top 1 percent grew by 122 percent and everybody else's income grew by only 26 percent). If we take a look at how things have changed more recently, the difference in growth rates is even more troubling. From 2009- 2012, the top 1 percent in Arkansas saw their income increase at a rate

that was an incredible 24 times that of the income growth of everyone else in the state (top 1 percent grew by 29 percent, bottom 99 percent grew by 1.2 percent).⁴

ARKANSAS'S TAX SYSTEM IS FLAWED

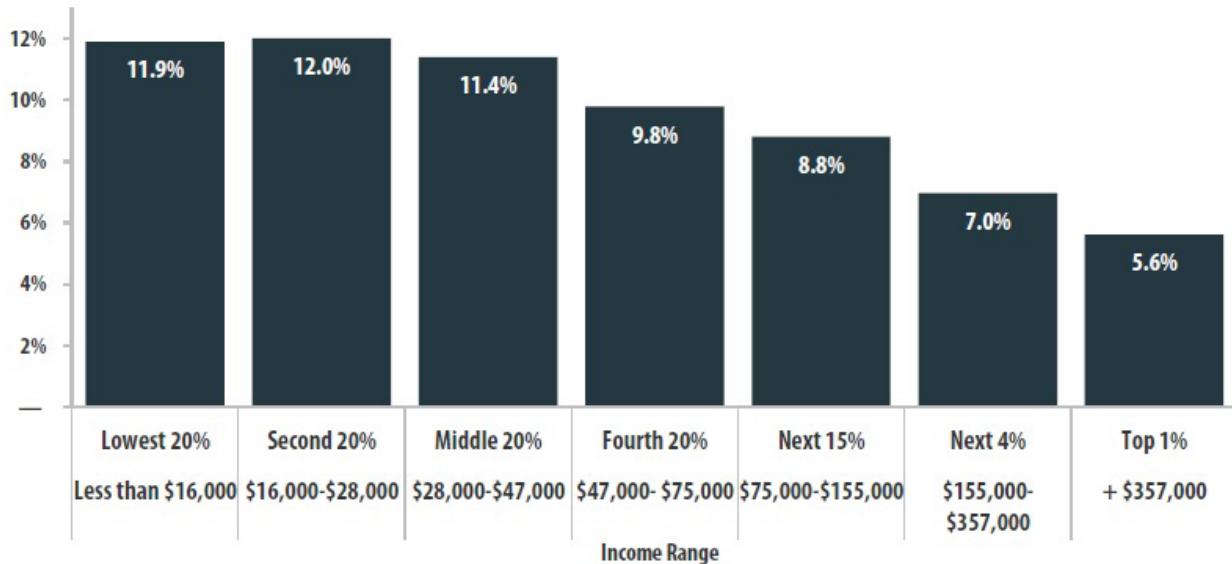
Arkansas is among the most unfair tax systems in the country, ranking 11th in the nation when it comes to taxing the poor.⁵ The poorest Arkansans, those making under \$16,000 per year, pay two times more in taxes as a percentage of their income than wealthy Arkansans who make over \$357,000 per year (See chart on next page).⁶ Arkansas already has a lot of income inequality. And our tax system is making the gap between the rich and poor even wider. Recent changes in the tax code, like increased capital gains tax exclusion and individual income tax cuts, have done nothing to ease the tax burden of low-income Arkansans. Changes like these have made our unfair tax structure even more imbalanced.

POLICY TOOLS: HOW CAN WE IMPROVE OUR STATE?

INCREASING ACCESS TO CHILDCARE HELPS PARENTS AND KIDS SUCCEED

Access to quality childcare gives kids and parents a strong start. It can reduce poverty and help close the educational achievement gap. Kids who go to great pre-K centers do better in school, have better health outcomes, and are less likely to be involved in the criminal justice system. Their parents are also less likely to miss work if they can count on quality childcare for their kids. The Arkansas Better Chance (ABC) pre-K program got \$3 million in one-time money during the last legislative session. This is a step in the right direction, but it falls far short of the \$16 million gap in funding that has developed because of no permanent budget increases over the past 8 years. Because of this, the waiting list for subsidized

Shares of family income for non-elderly taxpayers



childcare is making it hard for many parents to get and keep steady jobs.

TAX CREDITS FIGHT POVERTY AND INCOME INEQUALITY

The cheapest way to help low-income Arkansans move permanently out of poverty is with a state Earned Income Tax Credit (EITC). State EITCs are tax credits that piggyback on the federal version that is already in place. These credits help working Arkansans keep more of what they earn, and they are the nation's most effective tool for reducing poverty among working families and children. It is not a handout; you have to work to receive the credit. The working families who would be eligible already pay a much higher share of their income to state and local taxes than wealthy Arkansans. The lowest 20 percent of Arkansans pay the highest state and local tax rates as a share of their income than any other group (twice the rate as the top 1 percent). This is a direct, proven,

and straightforward way to confront the shocking level of child and adult poverty in our state.

ARKANSAS NEEDS STRONGER LAWS TO PROTECT WAGES AND ETHICAL EMPLOYERS

Tougher wage protection laws can help workers, especially low income and minority workers, from having their pay unfairly docked by employers. There are millions of workers each year who are cheated out of hard-earned money by fraudulent employers who do not pay at least the minimum wage, require "off-the-clock" work, steal tips, do not pay overtime, do not give final paychecks, misclassify their workers as independent contractors, or do not pay their workers at all. This practice is called wage theft. Wage theft is prevalent in Arkansas, where a recent survey suggests that wage theft may have a bigger impact on women and minority groups. Arkansas can help protect wage theft victims by requiring employers to provide paystubs that show hours worked and wages earned, and give notice of wages or paydays at the time of hire and when wages or paydays change. Arkansas workers



also need strengthened anti-retaliation laws so that they are not afraid to complain or inquire about wage theft. Wage theft robs workers but also from the government's tax coffers, resulting in cutbacks of vital services. It also puts ethical employers at a competitive disadvantage.

THERE ARE OPPORTUNITIES TO CLOSE THE EDUCATION ACHIEVEMENT GAP

Lawmakers have an opportunity to make fundamental changes in educational opportunities and continue to close the achievement gap between white and minority students in Arkansas. The achievement gap persists because of differences in property wealth across districts, family poverty, and ineffective use of extra school funding for poor students. A variety of public policy interventions are available to combat these barriers such as a wide variety of school improvement strategies, programs that prepare students for technical career opportunities, improved school discipline policies, increased broadband access and programs that reduce the word gap.

NOTES

¹ "A Profile of Immigrants in Arkansas" commissioned by the Winthrop Rockefeller Foundation - 2013

² What Families Need to Get By: EPI's 2015 Family Budget Calculator

³ <http://scorecard.assetsandopportunity.org/latest/state/AR>

⁴ <http://www.epi.org/publication/income-inequality-by-state-1917-to-2012/>

⁵ The Institute on Taxation and Economic Policy

⁶ <http://www.itep.org/whopays/states/arkansas.php>