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The State of Working Arkansas



ARKANSAS ADVOCATES FOR
CHILDREN AND FAMILIES

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Report authored by:
Dr. Ginny Blankenship, Research and Fiscal Policy Director
Yann Tientcheu, AACF Intern and Economics Major at Howard University

Arkansas Advocates for Children and Families
Union Station, Suite 306
1400 West Markham
Little Rock, AR 72201
(501) 371-9678
www.aradvocates.org

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On the cover:
Thomas Sande Puryear, Little Rock
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INTRODUCTION

Arkansas's economy has followed the national downward slide over the past year or so, though experts still debate whether the “r” word — recession — truly applies. No matter what you call it, most low- and middle-income working Arkansans are feeling squeezed, as salaries fail to keep up with the skyrocketing cost of living. As Arkansas's next general election and legislative session approach, it is critical for child advocates to remind state and federal policymakers of the daily struggles facing most Arkansans. Children and families, especially our most vulnerable, should be their top priority when a new U.S. Congress and Arkansas General Assembly convene in 2009.

This report is Arkansas Advocates for Children and Families' (AACF) fourth installment of *The State of Working Arkansas*. In previous editions (2000, 2002, and 2005), AACF identified major issues that needed to be addressed to move families forward in an increasingly volatile state and global economy. In our 2008 report, AACF makes sense of the latest economic trends and what they mean for Arkansas's children and families.

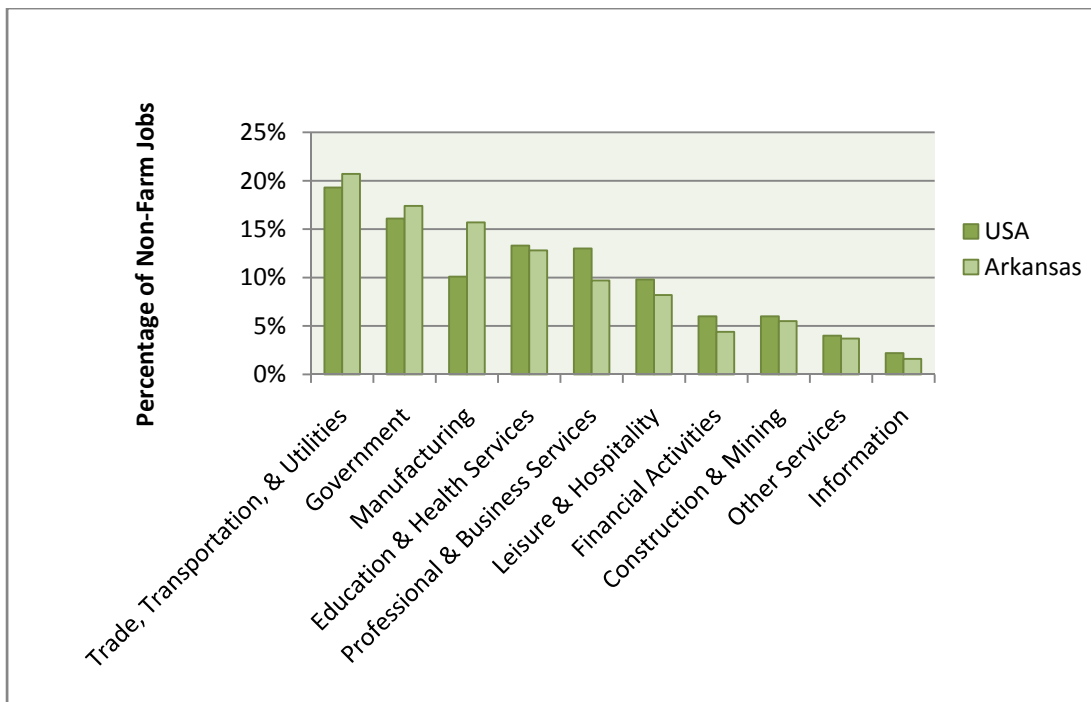
Unless otherwise noted, this report uses the most recent data available from the Current Population Survey (CPS), a national survey of households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. Most data only goes through 2007, and in some cases, only 2006; therefore, it does not yet reflect the bad economic turn that has occurred in 2008. CPS data used in this report was compiled by the Economic Policy Institute (EPI), a nonprofit economic research organization based in Washington, D.C. For the past two decades, EPI has produced its own *State of Working America* report every two years. We gratefully acknowledge their support in making this data available to us.

ARKANSAS'S ECONOMY IS GROWING AND CHANGING

Over the past two decades, the Arkansas economy has been growing steadily. Our workforce has increased 30 percent since 1990, now totaling 1.2 million non-farm jobs as of 2007.

But like the U.S. economy, our economy has also experienced some major growing pains. Manufacturing, once widely considered a source of higher-paying jobs, has been replaced by trade, transportation, and utilities as the largest segment of the Arkansas economy (20.7 percent). Although manufacturing still plays a much greater role in Arkansas (with 15.7 percent of all jobs) compared to the national average of 10.1 percent, our manufacturing sector lost 30,000 jobs (13.7 percent) between 1990 and 2007 (down 7 percent since 2004). It could have been worse: over the same period nationally, manufacturing plummeted by 21.5 percent.

Table 1: Composition of Non-Farm Employment in Arkansas vs. U.S., 2007



Source: Economic Policy Institute (EPI) analysis of Current Employment Survey data

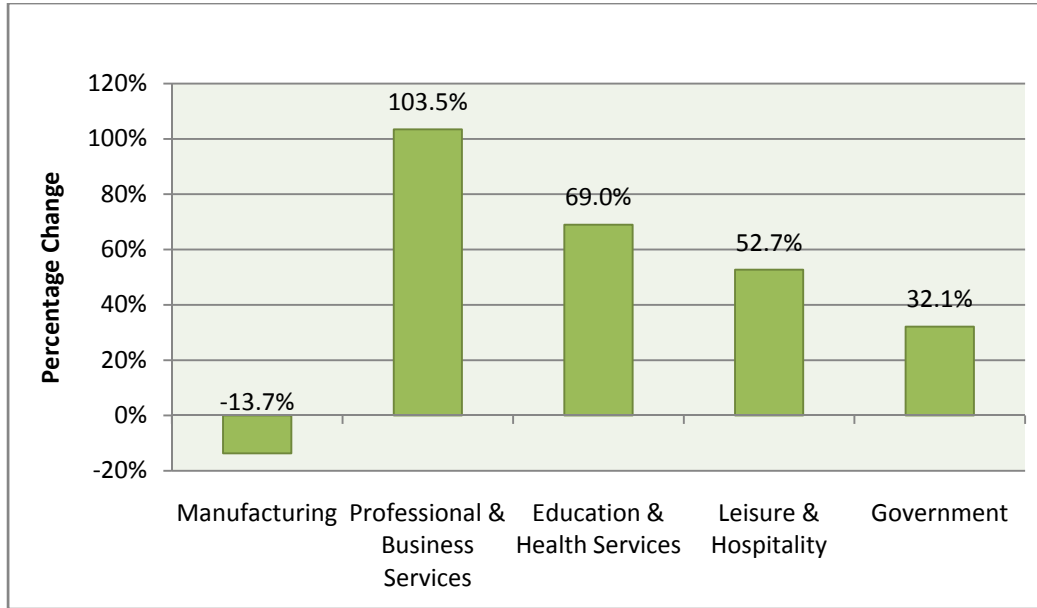
Table 2: Total Non-Farm Employment by Sector in Arkansas, 1990-2007 (In Thousands)

	1990		2007		Change, 1990-2007	
	# of Jobs	% of Jobs	# of Jobs	% of Jobs	# of Jobs	% of Jobs
Trade, Transportation, and Utilities	194.5	21.1 %	249.8	20.7 %	55.3	28.4 %
<i>Wholesale Trade</i>	38.7	4.2 %	48	4.0 %	9.3	24.0 %
<i>Retail Trade</i>	103.9	11.3 %	134.2	11.1 %	30.3	29.1 %
<i>Transportation and Utilities</i>	51.9	5.6 %	67.6	5.6 %	15.7	30.2 %
Government	159.2	17.2 %	210.3	17.4 %	51.1	32.1 %
Manufacturing	219.3	23.7 %	189.2	15.7 %	-30.1	-13.7 %
<i>Manuf. Durable Goods</i>	118.1	12.8 %	99.9	8.3 %	-18.2	-15.4 %
<i>Manuf. Non-Durable Goods</i>	101.2	11.0 %	89.3	7.4 %	-11.9	-11.7 %
Education and Health Services	91.3	9.9 %	154.3	12.8 %	63.0	69.0 %
Professional and Business Services	57.1	6.2 %	117	9.7 %	59.5	103.5 %
Leisure and Hospitality	65.0	7.0 %	99.3	8.2 %	34.3	52.8 %
Construction and Mining	45.4	4.9 %	65.8	5.5 %	20.4	45.0 %
<i>Natural Resources and Mining</i>	7.2	0.8 %	9.5	0.8 %	2.3	32.0 %
<i>Construction</i>	38.2	4.1 %	56.3	4.7 %	18.1	47.4 %
Financial Activities	40.1	4.3 %	53.3	4.4 %	13.2	33.0 %
Other Services	33.3	3.6 %	45.3	3.7 %	12.0	36.0 %
Information	17.7	1.9 %	19.8	1.6 %	2.1	11.8 %
Total Private Sector Employment	764.6	82.8 %	993.7	82.5 %	229.1	30.0 %
Total Non-Farm Employment	923.9	100.0 %	1,204	100.0 %	280.1	30.3 %

Source: AACF calculations using EPI analysis of Current Population Survey data

Meanwhile, Arkansas's service sectors are booming, with jobs in professional and business services more than doubling since 1990. Jobs in education and health services and the leisure and hospitality sectors also grew by 69 percent and 52.7 percent, respectively, during this same period. Despite political rhetoric about the growth of government, this sector has grown at about the same rate as growth in total non-farm employment since 1990. Government comprises the same share of jobs in Arkansas today (17 percent) as it did in 1990 (17 percent).

Table 3: Change in Arkansas Employment in Selected Sectors, 1990-2007

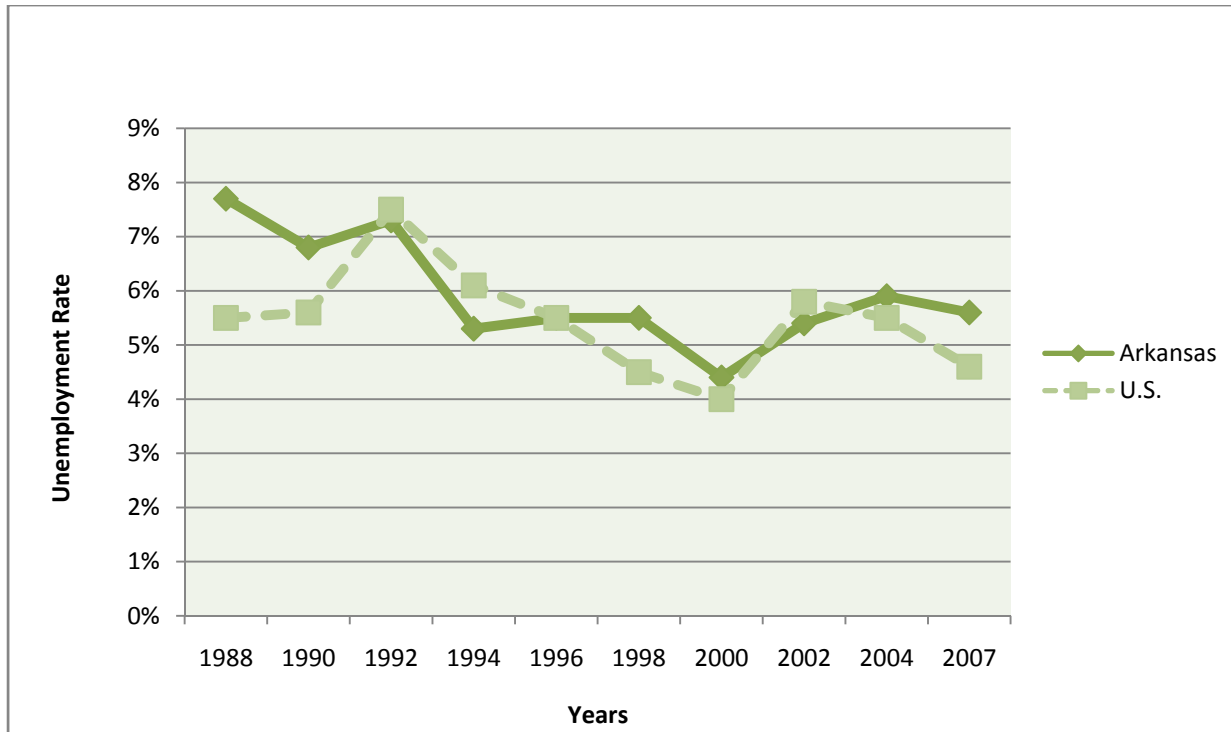


Source: EPI analysis of Current Population Survey data

Unemployment is Down... But Not Out

Unemployment in Arkansas has steadily decreased over the past 20 years, as it has in the rest of the nation. Although unemployment figures shot up again after the 2001 recession — hitting 6.2 percent in 2003 — it has since fallen back down to 4.7 percent as of April 2008. Still, the level of unemployment in Arkansas remains significantly greater than the national rate. In 2007, the average unemployment rate stood at 5.6 percent in Arkansas, compared to the U.S. average of 4.6 percent.

Table 4: Unemployment Rate in Arkansas vs. U.S., 1988-2007



Source: EPI analysis of Current Population Survey data

Arkansas also trails most neighboring states in combating unemployment. Arkansas hit a 5.6 percent unemployment rate in 2007, the second highest behind Mississippi.

Table 5: Unemployment Rate in Arkansas and Neighboring States, 2000-2007

	2000	2004	2007	% Change 2004-2007
Arkansas	4.4 %	5.9 %	5.6 %	-0.3 %
Louisiana	5.4 %	6.0 %	4.3 %	-1.7 %
Mississippi	5.6 %	6.2 %	6.1 %	-0.1 %
Missouri	3.4 %	5.7 %	5.0 %	-0.7 %
Oklahoma	3.1 %	4.9 %	4.4 %	-0.5 %
Tennessee	3.9 %	5.1 %	4.6 %	-0.5 %
Texas	4.2 %	6.0 %	4.3 %	-1.7 %
UNITED STATES	4.0 %	5.5 %	4.6 %	

Source: EPI analysis of Current Population Survey data

Some Counties are Faring Better Than Others

There are even larger employment gaps among counties in Arkansas. For example, Lee County was struck with a heavy 10.1 percent unemployment rate averaged between 2004 and 2007, while only 3.5 percent were unemployed in Benton County during this same period. Even so, economic growth in the richest part of our state — northwest Arkansas — has shown signs of slowing down in 2008, which is expected to continue into next year.

Table 6: Counties with Lowest and Highest Unemployment Rates, 2004-2007

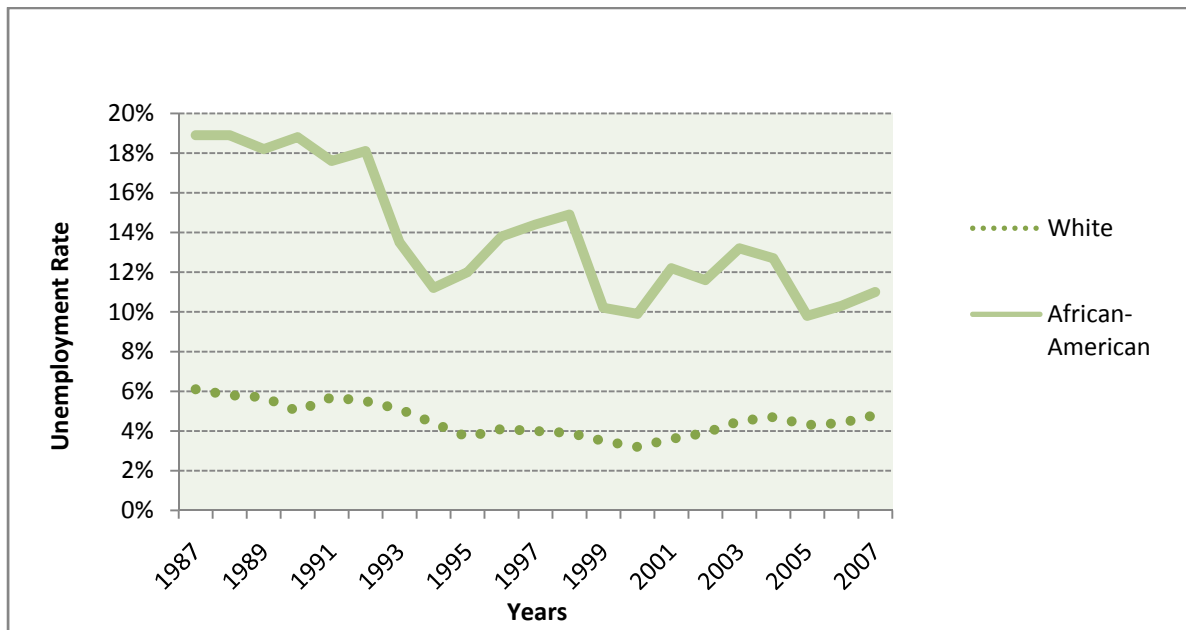
Counties with Lowest Unemployment		Counties with Highest Unemployment	
Benton	3.5 %	Lee	10.1 %
Washington	3.7 %	Desha	9.3 %
Madison	3.9 %	Chicot	9.5 %
Sevier	4.3 %	St. Francis	9.1 %
Lonoke	4.4 %	Woodruff	9.1 %
Saline	4.4 %	Clay	8.5 %
Carroll	4.5 %	Phillips	8.5 %
Franklin	4.5 %	Mississippi	8.5 %
Faulkner	4.6 %	Drew	7.9 %
Scott	4.7 %	Lincoln	7.8 %

Source: AACF calculations of data from the Arkansas Department of Workforce Services

Who's Most at Risk?

Unemployment for African-Americans fell from 19 percent in 1987 to 11 percent in 2007. But African-Americans are still about twice as likely to be unemployed (11.0 percent) or underemployed (16.9 percent) than their white counterparts (4.8 percent and 8.2 percent, respectively). Underemployment — defined as being employed at a level and, usually, a salary, below one's qualifications, or being employed part-time but wanting to work full-time — is also highest among those with less than a high school degree (18.2 percent) and Hispanic workers (13.4 percent).

Table 7: Unemployment by Race in Arkansas, 1987-2007



Source: EPI analysis of Current Population Survey data; data for Hispanics do not meet standards for sample size.

Arkansas's Workforce is More Diverse Than Ever

Arkansas's workforce is now more diverse than ever. More workers aged 55 years and older have been entering and staying in the workforce, representing 18.4 percent of workers in 2007, up from 12.9 percent in 1990.

While the percentage of African-Americans in Arkansas's workforce has held steady at 12.7 percent since 1990, the percentage of Hispanics has grown from 1.2 percent to 5.4 percent of the total non-farm workforce over the same period.

Table 8: Characteristics of Arkansas's Workforce, 2007

	Workforce Partici- pation Rate	Employ- ment to Population Ratio	Unemploy- ment Rate	Under- Employ- ment Rate	Employed Part-Time Due to Economic Reasons*	Share Of Labor Force
GENDER						
Male	70.2 %	66.2 %	5.6 %	9.5 %	21.8 %	53.4 %
Female	56.8 %	53.7 %	5.6 %	9.6 %	12.4 %	46.6 %
AGE						
16-24 yrs.	63.8 %	57.2 %	10.3 %	16.7 %	15.2 %	17.0 %
25-54 yrs.	80.8 %	77.0 %	4.7 %	8.4 %	21.4 %	64.6 %
55 yrs. +	35.7 %	34.1 %	4.4 %	6.9 %	(a)	18.4 %
RACE / ETHNICITY						
White	63.8 %	60.7 %	4.8 %	8.2 %	13.9 %	79.3 %
African-American	57.2 %	51.0 %	11.0 %	16.9 %	23.7 %	12.7 %
Hispanic	77.8 %	72.4 %	(a)	13.4 %	(a)	5.4 %
Asian/Pacific Islander	67.7 %	67.7 %	(a)	(a)	(a)	1.1 %
EDUCATION						
Less than high School	39.9 %	35.4 %	11.3 %	18.2 %	17.6 %	12.5 %
High school	63.5 %	59.3 %	6.6 %	11.2 %	20.3 %	37.1 %
Some college	72.4 %	69.0 %	4.7 %	7.9 %	12.9 %	30.2 %
Bachelor's or higher	75.9 %	74.6 %	(a)	3.4 %	(a)	20.2 %
ALL	63.3 %	59.7 %	5.6 %	9.5 %	16.1 %	100.0 %

Source: EPI analysis of Current Population Survey data

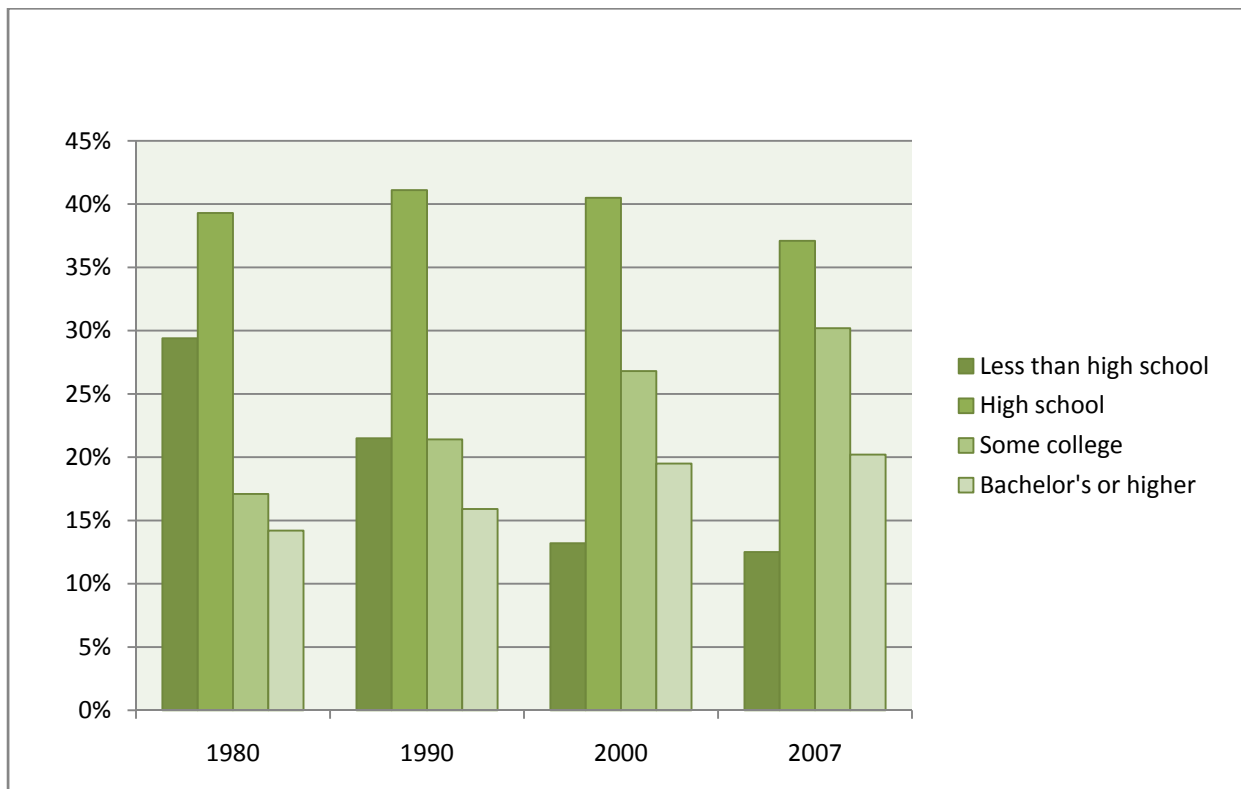
* = The percentage of part-time workers who could not find full-time employment but were actively seeking it.

(a) Does not meet standards for sample size.

Arkansas Workers Are Becoming Better Educated...

Arkansas's workforce has become far better educated over the past few decades. In 2007, there were far fewer workers with less than a high school diploma (12.5 percent), compared to 20.3 percent in 1990. Not surprisingly, workers with less than a high school degree are far more likely to be unemployed (11.3 percent) than workers with at least some college (4.7 percent). Only 2.8 percent of those with a bachelor's degree or higher could not find a job in 2007.

Table 9: Educational Attainment in Arkansas Workforce, 1980-2007

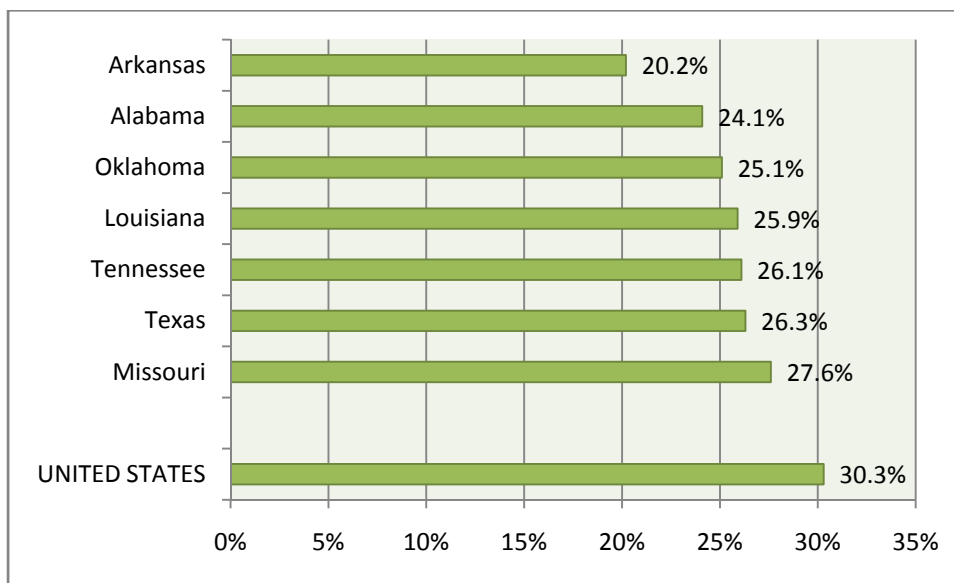


Source: EPI analysis of Current Population Survey data

But We Still Rank Last in College Degrees

Unfortunately, the state still has a long way to go in improving educational achievement. Most Arkansas workers (37.1 percent) have only earned a high school degree, and just 20.2 percent have a bachelor's degree or higher — far lower than the national average of 30 percent. In fact, we're ranked dead last nationally in the percentage of residents with college degrees.

Table 10: Percentage of Workforce With a Bachelor's Degree or Higher, 2007



Source: EPI analysis of Current Population Survey data

WAGES HAVE INCREASED... BUT SO HAS INCOME INEQUALITY

Overall wages in Arkansas have stagnated since 2000 (after adjusting for inflation). The real median wage has increased from \$12.08 to \$12.70 from 2000 to 2007 (4.8 percent). Low-wage workers (those at the bottom 20 percent of the wage scale) saw an increase of just 4.0 percent over this same period. Still, median wages are barely keeping pace with the increased cost of living, and the lowest-income families are falling farther behind those at the top. According to the Center on Budget and Policy Priorities, Arkansas is ranked 32nd in the U.S. in terms of the gap between the richest and poorest families.

Table 11: Average Hourly Wages by Year in Arkansas, by Decile (In 2007 Dollars)

	20th percentile (Bottom 20%)	50th percentile (Median)	80th percentile (Top 20%)
2000	\$8.25	\$12.08	\$19.65
2001	\$8.44	\$12.09	\$19.75
2002	\$8.12	\$12.39	\$21.12
2003	\$8.38	\$12.68	\$20.31
2004	\$8.64	\$12.36	\$20.05
2005	\$8.40	\$12.37	\$20.21
2006	\$8.57	\$13.33	\$20.94
2007	\$8.61	\$12.70	\$20.67

Source: EPI analysis of Current Population Survey data, using Consumer Price Index Research Series Using Current Methods (CPI-U-RS)

Capital Gains and Dividends Add to Wealth Disparities

Income inequality is even greater when one considers other income sources beyond wages, such as capital gains. A realized capital gain is the new income from the sale of assets, such as the sale of stocks and bonds or the appreciation in the value of a home when it is sold. Higher-income households typically have more capital gains income because they are more likely to have assets that increase in value over time.

According to 2006 tax data from the Internal Revenue Service (IRS), only 8.8 percent of Arkansas taxpayers with incomes less than \$50,000 had any realized capital gains income. Despite comprising nearly 73.9 percent of all returns filed, this group generated only 7.4 percent of all capital gains income reported to the IRS, with an average capital gain of \$238 per return. In contrast, three-quarters (74.5 percent) of taxpayers with incomes over \$200,000 reported capital gains income. This group generated 67.6 percent of all capital gains income, despite representing only 1.6 percent of all Arkansas taxpayers.

Table 12: Arkansas Net Capital Gains for Tax Year 2006

Income Level	Total Tax Returns Filed	% of All Returns Filed	Returns with Capital Gains	% of Income Level with Capital Gains	Total \$ Capital Gains in Millions	% of All Capital Gains Income
< \$50,000	875,057	73.9 %	77,306	8.8 %	\$208.5	7.4 %
\$50,000-\$74,999	148,076	12.5 %	30,460	20.6 %	\$137.0	4.9 %
\$75,000-\$99,999	76,213	6.4 %	22,162	29.1 %	\$150.0	5.4 %
\$100,000-\$199,999	65,910	5.6 %	29,443	44.7 %	\$412.0	14.7 %
\$200,000 or more	19,309	1.6 %	14,389	74.5 %	\$1,893.0	67.6 %
TOTAL	1,184,565	100 %	173,760	14.7 %	\$2,800.0	100 %

Source: AACF calculations of IRS data for tax year 2006

Another source of wealth comes from dividends paid to shareholders who invest in a company's stock. Again, taxpayers with incomes under \$50,000 are far less likely to receive stock dividends than those at the top. While those making under \$50,000 a year file 73.9 percent of all tax returns, they receive only 9.6 percent of all dividend income. Inversely, taxpayers with incomes over \$200,000 receive 69.3 percent of all dividend income. On average, taxpayers with incomes under \$50,000 receive dividends of \$155 per year, compared to nearly \$70,000 for those at the top of the income scale.

Table 13: Arkansas Stock Dividend Income for Tax Year 2006

Income Level	Total Tax Returns Filed	Returns with Dividends	% of Income Level with Dividends	Total \$ of Dividends in Millions	% of All Dividend Income	Average Dividend Per Return
< \$50,000	875,057	90,628	10.4 %	\$140.7	9.6 %	\$155
\$50,000-\$74,999	148,076	36,586	24.7 %	\$80.6	5.5 %	\$220
\$75,000-\$99,999	76,213	26,491	34.8 %	\$72.3	4.9 %	\$273
\$100,000-\$199,999	65,910	33,530	50.9 %	\$155.9	10.7 %	\$465
\$200,000 or more	19,309	14,516	75.2 %	\$1,013.2	69.3 %	\$69,799
TOTAL	1,184,565	201,751	17.0 %	\$1,462.7	100.0 %	\$725

Source: AACF calculations of IRS data for tax year 2006

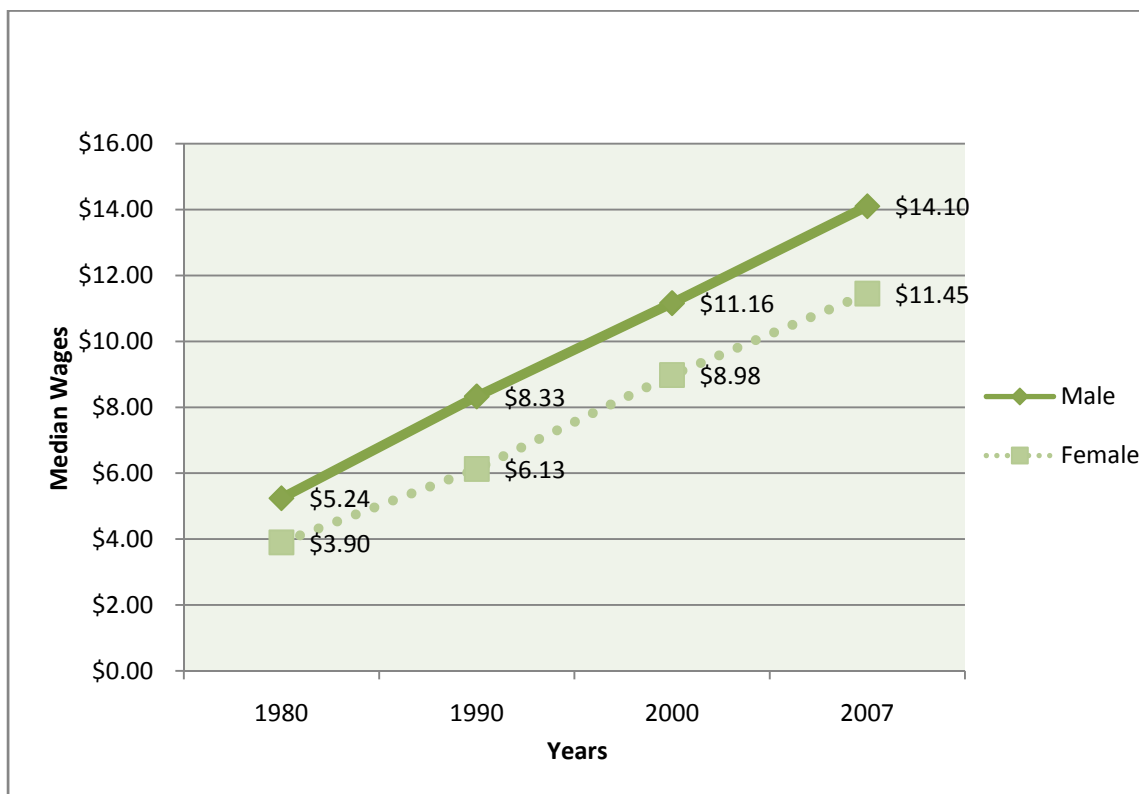
Women Still Lag Behind Men in the Workforce

Inequality between the sexes is still a reality in Arkansas’s workforce. Although women make up nearly half (46.6 percent) of Arkansas’s workforce, men are still more likely to be employed full-time and less likely to be under-employed than women.

Plus, Arkansas’s men have seen their real median hourly salaries go from \$12.58 to \$14.10 between 2004 and 2007, while women’s median hourly salaries have moved from \$10.08 to \$11.45. In fact, since 1980, the gap between the male and female median hourly wage has increased by *117 percent*, when adjusted for inflation. Today, the typical female worker would need a raise of almost 19 percent to equal the wages earned by a male counterpart.

This disparity means that single-parent households run by women — which account for 83,877 (25 percent) of the 333,447 families with children in Arkansas — are having an even tougher time making ends meet than they would if headed by a male.

Table 14: Median Wages for Men and Women in Arkansas, 1980-2007



Source: EPI analysis of Current Population Survey data

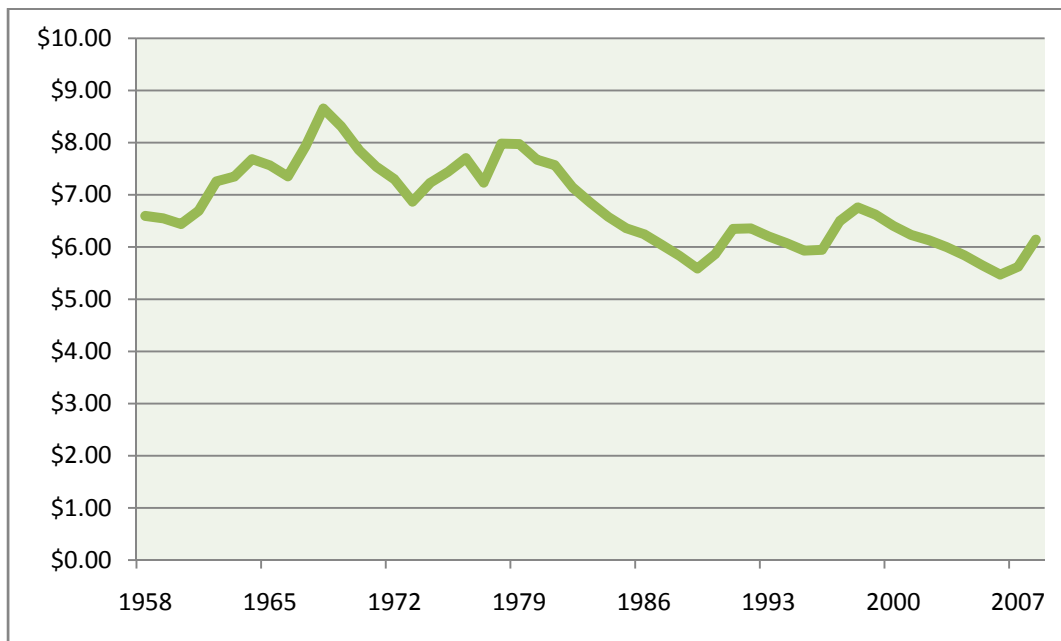
The Minimum Wage has Risen... But Not Enough to Support Working Families

As of July 2008, Arkansas’s minimum wage now matches the federal minimum wage of \$6.55 an hour, and both are scheduled to rise again to \$7.25 in 2009.

Although an estimated 127,000 working Arkansans are benefiting from this increase, it does little to raise most families out of poverty. If an employee worked full-time, year-round, at the current minimum wage, he or she would bring home \$13,624 — far below the federal poverty line for a family of four (\$21,200 in 2008). A living wage should certainly mean earning enough to live above the federal poverty line, an amount that is also widely acknowledged as not high enough to meet basic needs.

To make matters worse, the purchasing power of the minimum wage is actually *less* now than it was 50 years ago (after adjusting for inflation): In 1958, the minimum wage was worth nearly \$7; today, it’s worth a little more than \$6.

Table 15: Purchasing Power of the Federal Minimum Wage, 1958-2008



Source: EPI analysis of federal minimum wage data

Top Jobs in the Future Require Low Skills... And Pay Low Wages

According to the Arkansas Department of Workforce Services, many of the top 20 growth occupations in Arkansas over the next six years are likely to pay poverty-level wages. The retail sales industry is projected to have the most annual job openings between 2004 and 2014, at a median annual wage of \$17,750. Among the top 20 fields with the most annual openings, only three — registered nurses, sales representatives, and general and operations managers — are expected to have median annual wages above \$40,000. That is about 200 percent of the federal poverty line for a family of four.

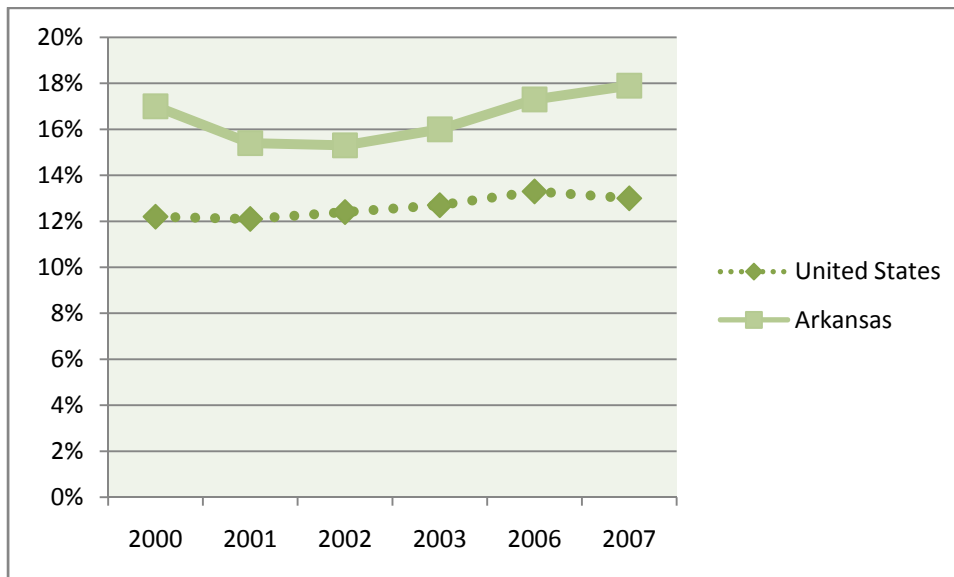
Table 16: Top 20 Occupations in Arkansas, 2004-2014

Occupational Title	Total Annual Openings	% Change in Openings Since 2005	Entry Hourly Wage	Entry Annual Wage	Median Hourly Wage	Median Annual Wage
Retail Salespersons	2,268	19.7 %	\$6.39	\$13,290	\$8.53	\$17,750
Truck Drivers	1,782	25.9 %	\$11.06	\$23,010	\$17.58	\$36,570
Cashiers	1,703	-11.6 %	\$6.21	\$12,910	\$7.14	\$14,850
Combined Food Preparation and Serving Workers	1,285	-7.1 %	\$6.12	\$12,720	\$6.37	\$13,240
Laborers and Freight, Stock, and Material Movers	1,253	13.1 %	\$6.91	\$14,360	\$8.88	\$18,470
Waiters and Waitresses	1,118	-3.2 %	\$6.13	\$12,740	\$6.51	\$13,530
Registered Nurses	1,115	8.8 %	\$17.86	\$37,140	\$23.62	\$49,130
Janitors and Cleaners	975	14.9 %	\$6.40	\$13,320	\$8.26	\$14,120
Office Clerks	909	2.6 %	\$6.57	\$13,670	\$8.93	\$18,560
Team Assemblers	754	9.9 %	\$8.68	\$18,050	\$11.36	\$23,640
Nursing Aides, Orderlies, and Attendants	685	7.9 %	\$7.33	\$15,250	\$8.74	\$18,170
Stock Clerks and Order Fillers	621	2.9 %	\$6.34	\$13,180	\$8.54	\$17,760
Bookkeeping, Accounting, and Auditing Clerks	602	6.1 %	\$9.14	\$19,000	\$12.64	\$26,290
Child Care Workers	589	-2.2 %	\$6.15	\$12,800	\$6.79	\$14,120
Sales Rep., Wholesale & Manufacturing	544	-0.8 %	\$15.39	\$32,020	\$25.14	\$52,290
Maintenance and Repair Workers, general	519	-0.3 %	\$9.03	\$18,790	\$13.37	\$27,810
First-line Supervisors/Managers of Retail Sales Workers	511	-2.7 %	\$9.61	\$19,980	\$13.61	\$28,320
General and Operations Managers	506	-4.9 %	\$21.57	\$44,870	\$35.46	\$73,760
Farm Workers and Laborers, Crop, Nursery, and Greenhouse	199	-31.7 %	\$6.31	\$13,120	\$8.36	\$17,390
Packaging and Filling Machine Operators and Tenders	188	-15.4 %	\$8.03	\$16,710	\$10.54	\$21,930
			Lowest	\$12,720	Lowest	\$13,240
Source: Ark. Dept. of Workforce Services			Highest	\$44,870	Highest	\$73,760

TOO MANY WORKING FAMILIES LIVE IN POVERTY

Despite our nation’s unprecedented wealth, the ranks of the working poor in Arkansas keep growing. Arkansas’s poverty rate has increased from 17.0 percent in 2000 to 17.9 percent in 2007 — significantly higher than the U.S. average of 13.0 percent. Arkansas now ranks fourth in overall poverty nationally, behind only Mississippi (20.6 percent), Louisiana (18.6 percent), and New Mexico (18.1 percent). More than one out of every four Arkansas children (25.4 percent) lives in poverty.

Table 17: Poverty Rate in Arkansas vs. U.S., 2000-2007



Source: AACF analysis of American Community Survey (ACS) data

Note: Due to a methodology change adopted by the U.S. Census Bureau, data from 2004 and 2005 cannot be validly compared to 2007 data and thus are omitted.

The Real Poverty Rate is Even Higher

The federal poverty line has traditionally been the government’s measure of whether a family is earning enough to meet its basic needs and qualify for certain public assistance benefits. The current federal poverty line is \$21,200 for a family of four. This line is far below what it truly costs to survive in today’s economy.

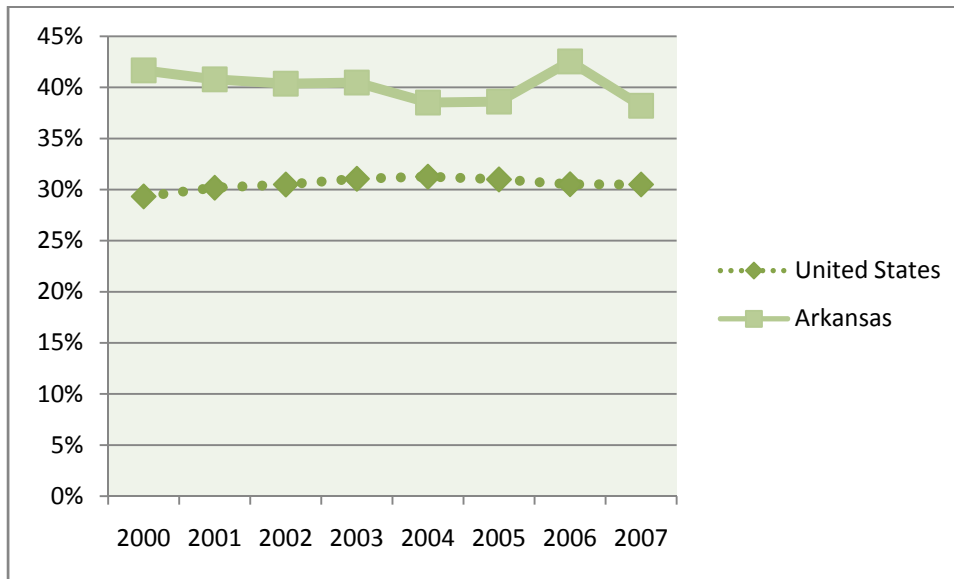
Table 18: 2008 Federal Poverty Guidelines

People in Family or Household	Income at Federal Poverty Level (100%)*	Income at 200% of Federal Poverty Level (“Low-Income”)
1	\$10,400	\$20,800
2	\$14,000	\$28,000
3	\$17,600	\$35,200
4	\$21,200	\$42,400
5	\$24,800	\$49,600
6	\$28,400	\$56,800
7	\$32,000	\$64,000
8	\$35,600	\$71,200
For each additional person, add:	\$3,600	\$7,200

* Income threshold is higher in Alaska and Hawaii.

Twice this amount, or 200 percent of the poverty line, is \$42,400 — a much more realistic standard of living, although still considered “low-income.” According to the U.S. Census Bureau’s 2007 CPS data, 38.2 percent of all Arkansans fall below this low-income threshold.

Table 19: Percentage of Low-Income Arkansans (Under 200% of Federal Poverty Line), 2000-2007



Source: EPI analysis of Current Population Survey data

More Families Face Food Insecurity

The number of Arkansans going hungry is staggering. According to the Food Research and Action Center, nearly 385,000 (14 percent) of all Arkansas households rely on food stamps to feed their families every month. That’s a 21 percent increase since 2003. A typical family received an average of only \$1.00 per person per meal in food stamp benefits in 2007. About 80 percent of food stamp benefits go to households with children, many of which work full-time jobs. Even so, only 68 percent of those eligible for food stamps are using them.

The Arkansas Hunger Relief Alliance notes that people across the state are also going to food banks in record numbers. Many of those seeking help from food banks are families in which one or both parents may work, but at minimum wage jobs. Food insecurity affects every area of the state: During the first three months of 2008, the amount of food distributed across the Arkansas Foodbank Network serving northwest Arkansas — our wealthiest region — rose by nearly 37 percent over the same period last year.

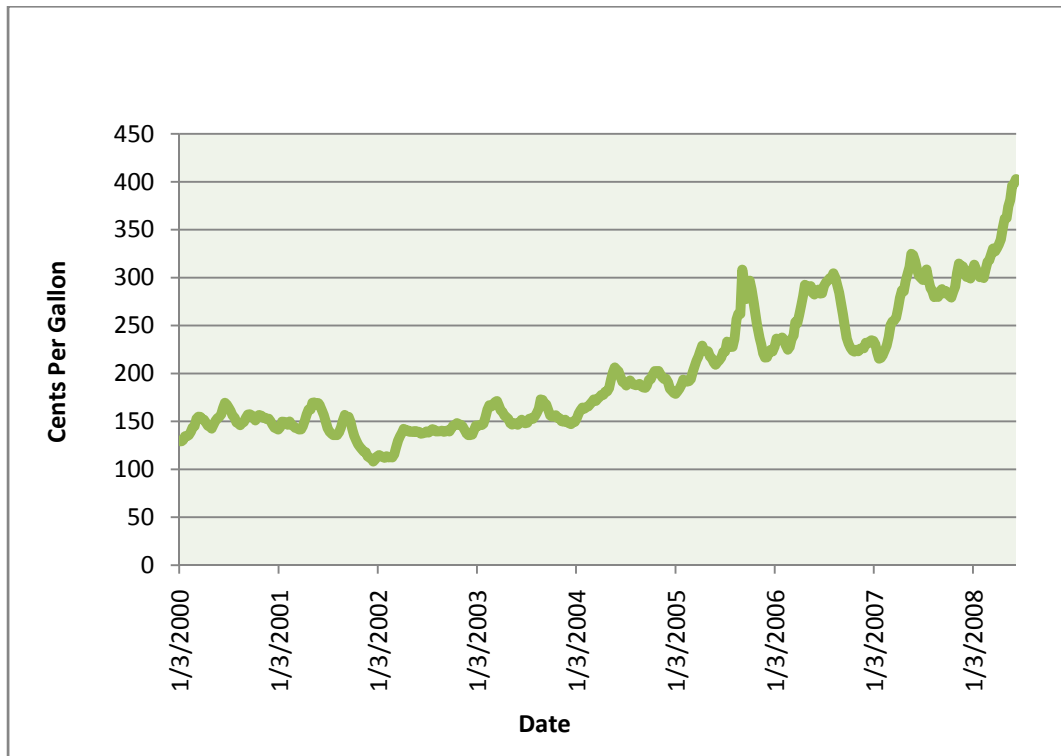
THE COST OF LIVING OUTPACES WAGES

While wages have only increased slightly in recent years, the price of consumer goods and services has risen out of the reach of many Arkansas workers. They struggle to provide basic needs for their families.

Gas Prices Keep Going Up, Up, Up....

The crude oil price nearly doubled between 2007 and 2008, and Arkansas families are now feeling squeezed more than ever at the gas pump. High gas prices not only drive up the amount that a family needs to earn in order to meet basic needs (such as getting to and from work), they also make the price of groceries and consumer goods even more expensive. Winter heating costs are also expected to reach record levels in winter 2008, making tight budgets even tighter.

Table 20: Retail Gasoline Prices, 2000-2008



Source: U.S. Energy Information Administration (EIA), retail prices for all grades

...And Grocery Prices are Following

According to the Department of Labor, the cost of food rose 7.1 percent from July 2007 to July 2008. Some staples experienced double-digit increases during this period. The rise in food costs is especially high for healthier, more nutritious foods, such as vegetables and lean meats, whose costs have risen by nearly 20 percent over the past two years. In July 2008, the U.S. Department of Agriculture warned that high prices will continue to climb into next year.

Table 21: Percentage Increase in Selected Grocery Prices, 2007-2008

Grocery Item	Percent Increase
Cheese	14.5 %
Eggs	16.3 %
Bread	17.3 %
Lean meats	20.0 %

Source: Food Research and Action Center; U.S. Department of Labor

College Tuition has Nearly Doubled in a Decade

Experts and advocacy groups like AACF have been emphasizing the need for more Arkansans to obtain a college education for many years. Meanwhile, the cost of doing so has spiraled out of control. In 2006, median annual tuition and fees reached \$4,400 among all states that are part of the Southern Regional Education Board (SREB). This was 75 percent more than in 1996 after adjusting for inflation. In Arkansas, tuition and fees were \$4,700 — an 88 percent increase since 1996.

ARKANSAS WORKERS OFTEN OWE MORE THAN THEY OWN

14 Percent have Zero or Negative Net Worth

A key measure of a person’s economic security is his or her net worth, defined as the value of all of his or her assets minus the value of all of liabilities (debt). In Arkansas, the median net worth was estimated at \$53,100 in 2004, ranking Arkansas 36th in the U.S. but significantly higher than four of our neighboring states. About 13.9 percent of Arkansas households had a zero or negative net worth that same year.

Table 22: Household Net Worth in Arkansas and Neighboring States, 2004

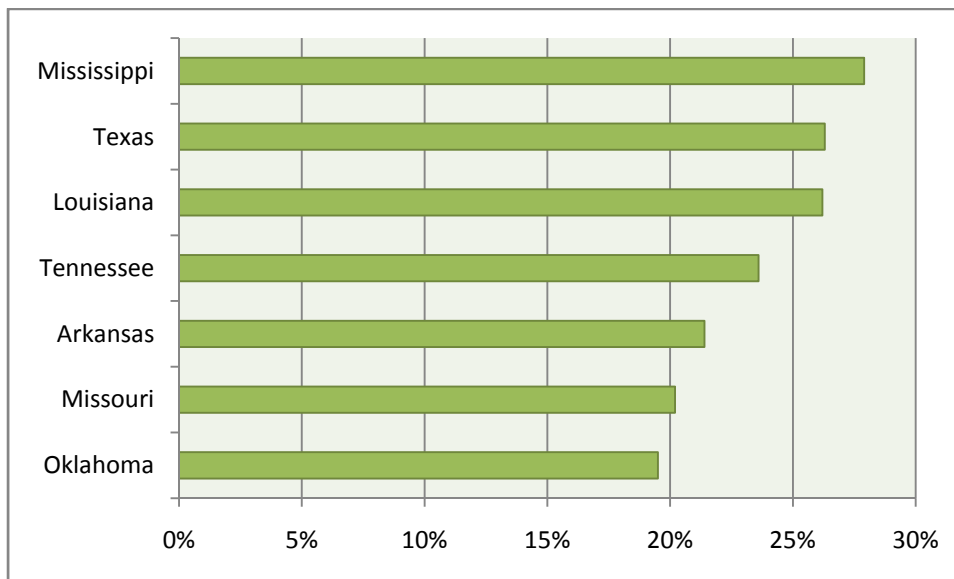
States	Net Worth	National Rank	% Households with Zero or Negative Net Worth	National Rank
Missouri	\$58,200	32	13.5 %	19
Oklahoma	\$53,927	35	12.2 %	9
Arkansas	\$53,100	36	13.9 %	20
Tennessee	\$45,500	40	14.6 %	23
Louisiana	\$38,300	43	20.0 %	45
Texas	\$35,942	45	18.1 %	40
Mississippi	\$22,495	49	18.4 %	41
UNITED STATES	\$65,150			

Source: The Corporation for Enterprise Development’s *2007-2008 Assets and Opportunity Scorecard*; U.S. Census Bureau

More Than One in Five in Asset Poverty

More than one in five (21.4 percent) Arkansas households were considered “asset poor” as of 2004. This means that they lack sufficient net worth to subsist at the federal poverty level for three months if they lost their job or other source of income. Of these, 15.9 percent of households were headed by men, while 27.5 percent were headed by women. Only two of our neighboring states—Missouri (20.5 percent) and Oklahoma (19.5 percent) — had lower percentages of asset poverty in 2004.

Table 23: Asset Poverty in Arkansas and Neighboring States, 2004



Source: The Corporation for Enterprise Development’s *2007-2008 Assets and Opportunity Scorecard*; U.S. Census Bureau

Low Wages Exclude Many From Homeownership

Owning a home has been long thought of as the American dream. But while Arkansas benefits from having the tenth most affordable homes on average, only 69.5 percent of Arkansans own their own homes, in line with the national average (69.0 percent).

Table 24: Home Ownership and Affordability in Arkansas and Neighboring States, 2005

States	Home Ownership Rate	National Ranking on Home Affordability
Oklahoma	72.9 %	1
Missouri	72.3 %	3
Texas	65.9 %	4
Arkansas	69.2 %	10
Mississippi	78.8 %	11
Tennessee	72.4 %	16
Louisiana	72.5 %	17
UNITED STATES	69.0 %	

Source: The Corporation for Enterprise Development's *2007-2008 Assets and Opportunity Scorecard*

The median mortgage debt in Arkansas is \$73,671. Not surprisingly, the wealthiest 20 percent of Arkansans are more than twice as likely to own a home as the poorest 20 percent. Nearly three quarters (72.2 percent) of whites own their own homes, while less than half (47.8 percent) of minorities have been able to do so.

And Too Many are Facing Foreclosures

Once many working families obtain the American dream, it too often slips from their grasp. There were 14,310 home foreclosures in Arkansas in 2007, up 23.6 percent since 2005. Fortunately, Arkansas’s housing market is still in better shape than that in many states. Home foreclosures have risen nearly 150 percent nationally since 2005.

Table 25: Home Foreclosures in Arkansas and Neighboring States, 2007

States	Total Foreclosures, 2007	% Change from 2005	National Rank
Tennessee	45,834	65.7 %	11
Texas	149,703	9.2 %	12
Missouri	32,022	176.7 %	13
Oklahoma	13,594	0.7 %	23
Arkansas	14,310	23.6 %	26
Louisiana	7,331	90.6 %	41
Mississippi	1,997	4.6 %	45
UNITED STATES	2,203,295	148.8 %	

Source: www.realtytrac.com

Card Credit Debt is Low... But Only Because Many Don't Qualify for Credit

Arkansas has one of the lowest amounts of revolving credit card debt in the U.S., with a median amount of \$1,313 (seventh) in 2006. Neighboring states such as Mississippi (first in the nation) and Louisiana (fifth) fare better, with averages of \$1,098 and \$1,285, respectively (CFED's *2007-2008 Assets and Opportunity Scorecard*). However, these low averages can be attributed to the fact that too few residents have enough income to qualify for higher lines of credit.

Predatory Lending Exacerbates High Cost of Being Poor

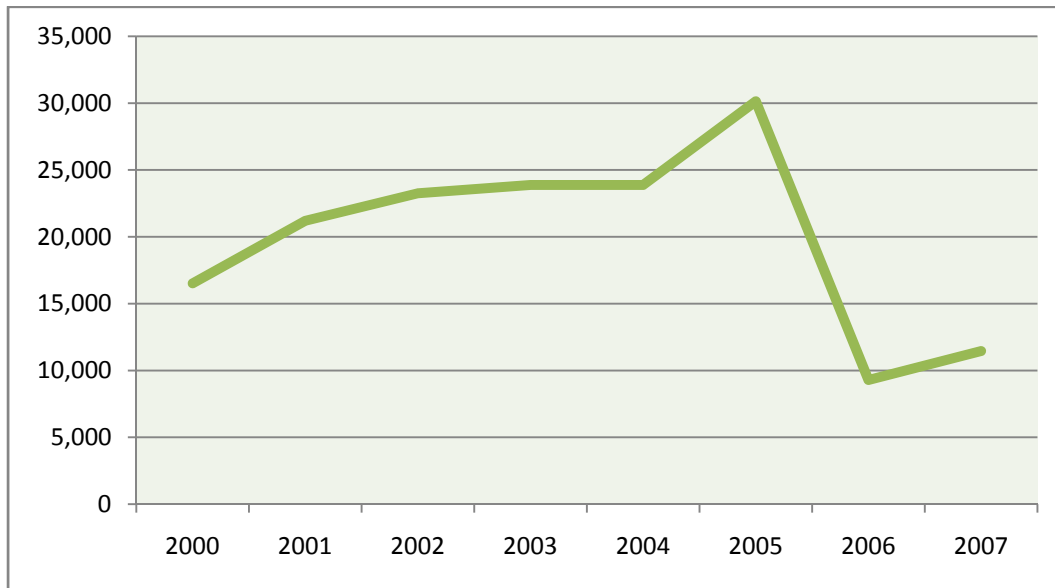
Because so many Arkansans lack access to credit, they often have no choice but to rely on payday lenders to make it from one paycheck to the next. Arkansans Against Abusive Payday Lending (AAAPL) defines payday loans as small loans, usually \$100 to \$400, typically made for two weeks. These types of loans are notorious for their astronomical interest rates, which can be as high as 372 percent to 869 percent (sometimes more). Once consumers fall into the payday lending debt trap, it is hard to get out. It becomes a cycle of not having enough money to pay back the original loan and resorting to taking out another loan to cover the original. Payday lenders prey upon the needs of our most vulnerable citizens, particularly the elderly, minorities, low-income families, and military personnel.

Arkansas has taken notable steps to lessen the stranglehold of payday lenders in our state. The number of payday lenders has dropped from 275 lenders in March 2006 to 136 in July 2008, a 50 percent decrease.

Arkansas Ranks Third in Bankruptcy Filings

Without a savings or asset cushion, many Arkansans facing an economic crisis and overwhelming debt have no choice but to file for bankruptcy. In 2007, 11,455 Arkansans declared bankruptcy, a sharp decline from 30,142 in 2005 (61.9 percent). However, while this sounds like great progress toward economic security for more families in our state, this drop may be primarily due to the enactment of the federal Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which has made it much more difficult for individuals to declare bankruptcy on consumer debt.

Table 26: Bankruptcy Rate in Arkansas, 2000-2007



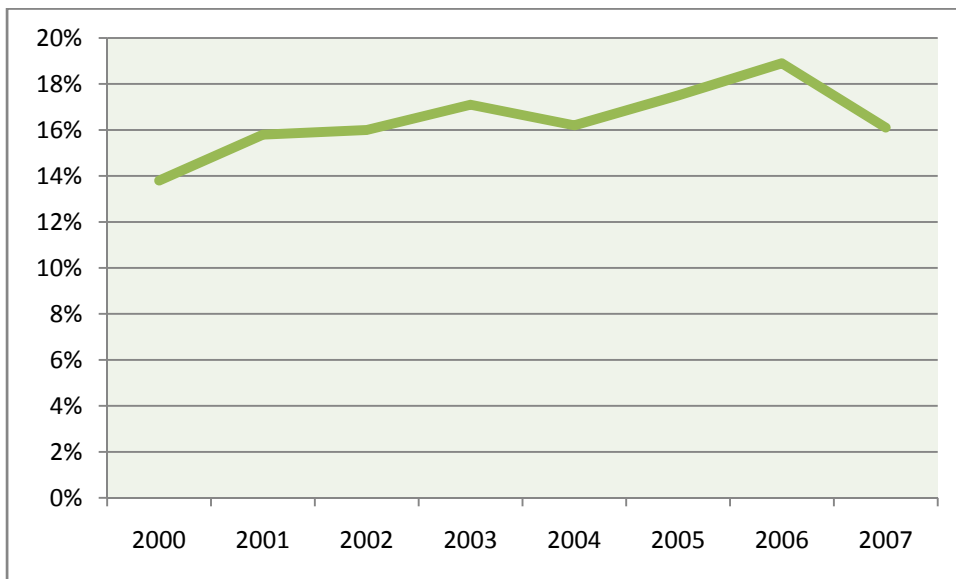
Source: American Bankruptcy Institute

Health Insurance is a Growing Concern

As health care costs continue to rise, employers are being forced to re-evaluate their benefit structures and premiums. More and more families are being dropped from company policies or having their benefits reduced, leaving many families at risk of financial catastrophe, serious health risks, or worse. As of 2007, 16.1 percent of all Arkansans lacked health insurance, up from 13.8 percent in 2000.

In addition, over 10 percent of Arkansas children still have no health care coverage. Over half of Arkansas's uninsured children (44,000 out of 70,000) are already eligible for the state's Medicaid and ARKids First health insurance programs for low-income families. The remainder live in families with incomes too high to qualify for ARKids First (set at only 200 percent of the federal poverty level, or \$42,400 for a family of four).

Table 27: Percent of Uninsured Arkansans, 2000-2007



Source: EPI analysis of CPS data

POLICY OPTIONS FOR ARKANSAS

Although Arkansas families are working harder and longer, their wages are still not keeping up with the cost of living. There are a number of things that state and federal policymakers can do to help Arkansas families survive these tough economic times and rise from poverty to economic self-sufficiency, such as:

- Providing targeted tax relief for low-income working families;
- Improving access to affordable, quality health care;
- Expanding the availability of small, low-interest, short-term loans to families that need help; and
- Increasing access to supports for working families, such as child care and transportation.

RESOURCES

A State EITC for Arkansas's Working Families: Giving Credit Where It's Long Overdue. AACF's "Paychecks and Politics" Issue Brief No. 42, April 2008.

Education in the Post-Lake View Era: What is Arkansas Doing to Close the Achievement Gap? Report written by Drs. Jay Barth and Keith Nitta for AACF, the Arkansas Public Policy Panel, and the Clinton School of Public Service, 2008.

Tax Relief for Low-Income Arkansans: What are the Options? AACF, January 2007.

The Food Stamp Program in Arkansas. AACF Fact Sheet, 2007.

Income Inequality in Arkansas: The Rich Get Richer and the Poor Get Poorer. AACF's "Paychecks and Politics" Issue Brief No. 39, August 2006.

Existing Options for Arkansas Consumers: Avoid the Payday Loan Debt Trap. AACF's "Paychecks and Politics" Issue Brief No. 38, June 2006.

Revisiting the Arkansas Capital Gains Tax Cut: Is it Time to Reconsider? AACF's "Paychecks and Politics" Issue Brief No. 35, December 2005.

Workers, Businesses, and the Minimum Wage in Arkansas. AACF's "Paychecks and Politics" Issue Brief No. 32, December 2005.