

On Labor Day, Alabama Workers Face High Unemployment, Lost Jobs, Stagnant Wages and Increased Inequality

By Carol Gundlach, policy analyst
Aug. 29, 2014

Many Alabama workers may find little reason to celebrate as we approach the 130th Labor Day. The Great Recession is officially over, but the average Alabama worker has not yet recovered from it, as employment and jobs continue to lag behind and wages remain stagnant.

The recent news has been troubling in many areas of Alabama's economy. Unemployment remains high. Jobs have disappeared. Wages are stagnant. The wealth gap between the rich and the rest of us has grown even bigger. And trends in unemployment, job loss, wages and income inequality all indicate that the state will continue to feel the effects of the recession for years to come. As they make decisions about budgets and expenditures, state officials should prioritize education funding, Medicaid expansion and other policy choices that support people struggling with unemployment, help people get back to work and build the foundation for a stronger economy in both the near and long terms.

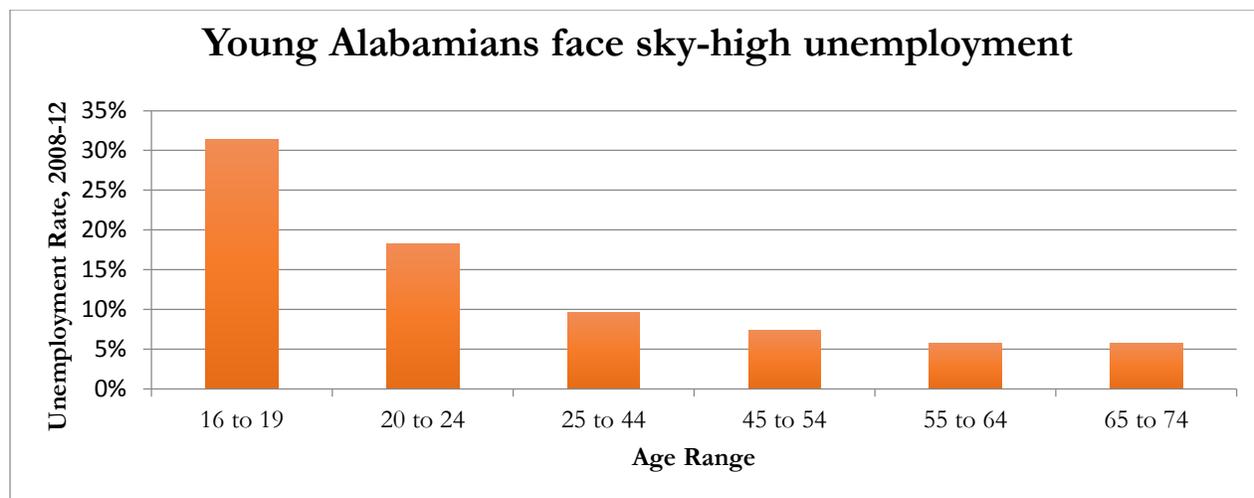
Alabama's unemployment rate remains critically high

Alabama is the only state in the nation whose unemployment rate is higher today than it was in July 2013. The state's July 2014 unemployment rate of 7 percent was higher than the national rate and more than 3 percentage points higher than it was when the Great Recession began. Unemployment in Alabama tripled during the recession, and despite improvement, it still has not returned to pre-recession levels. Alabama's unemployment rate last month was tied with Arizona's for the nation's ninth highest. *(Data from the Economic Policy Institute.)*

Some Alabama counties have unemployment rates that greatly exceed the state rate, while other counties have comparatively low rates. County-level unemployment rates in July 2014 ranged from a high of 18.4 percent in Wilcox County to a low of 5.3 percent in Shelby County. Sixteen largely rural counties – Barbour, Bullock, Clarke, Conecuh, Dallas, Greene, Lowndes, Macon, Marion, Monroe, Perry, Russell, Sumter, Washington, Wilcox and Winston – continue to suffer unemployment rates greater than 10 percent. *(Data from the Alabama Department of Labor.)*

Alabama's unemployment rate is sharply higher for young workers than for older ones. Nearly one in three, or 32 percent, of young Alabamians participating in the labor market who were 16 to 19

were jobless in 2012, according to the American Community Survey, as were 18 percent of those aged 20 to 24. The unemployment rate for adults over age 25 is much lower than that for younger Alabamians, ranging from 5 percent to 10 percent, depending on age.



The state’s unemployment rate also showed marked differences by race. The 2012 unemployment rate among African Americans in Alabama was twice that of white Alabamians: 15.7 percent compared to 7.8 percent. Hispanics were slightly more likely to be unemployed than whites (9.2 percent compared to 7.9 percent).

Alabama women participating in the labor market were slightly more likely to be unemployed in 2012 than were men (9.9 percent of women compared to 8.6 percent of men). Alabama women who had children under age 6 and who participated in the labor market had a much higher jobless rate of nearly 15 percent in 2012.

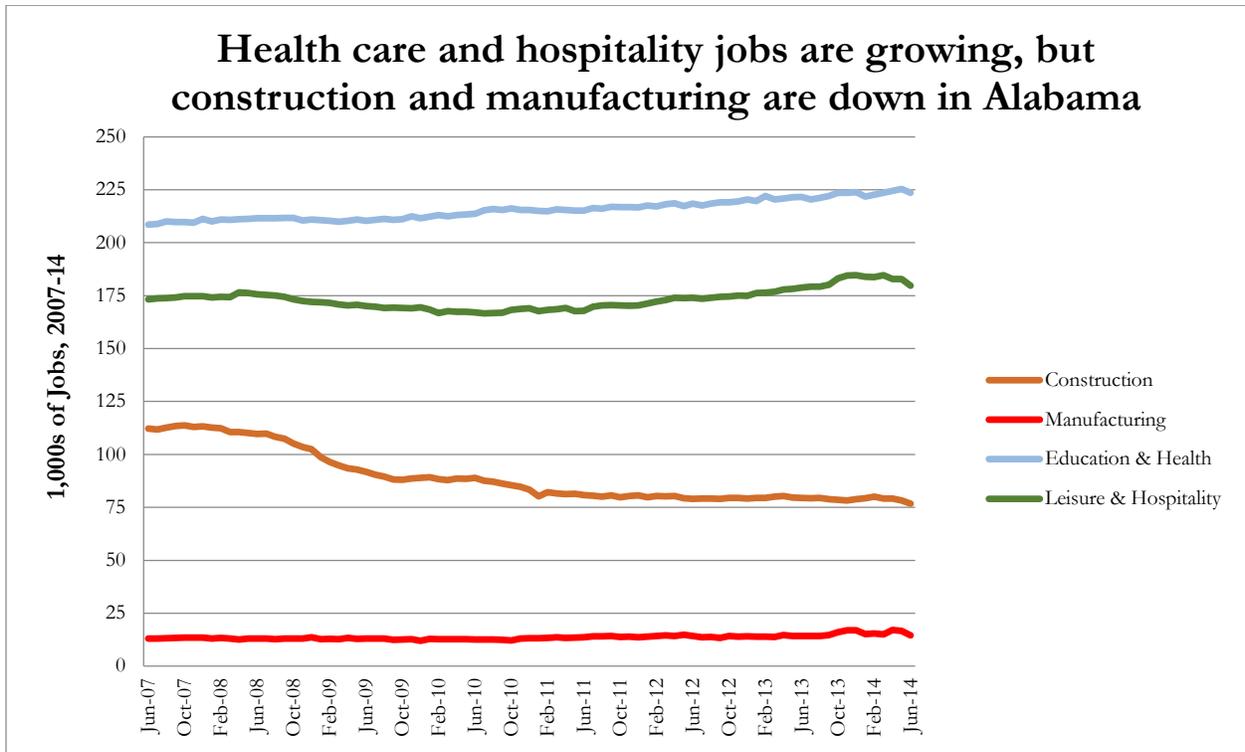
Lost jobs contribute to a weak labor market

While Alabama’s unemployment rate has declined since the height of the recession, the state has not seen an accompanying increase in available jobs. In 2007, at the beginning of the Great Recession, Alabama had 2,014,900 jobs. Since then, the total number of jobs in the state has fallen by 105,000, the nation’s second highest job loss rate. Alabama has lost 5 percent of its non-farm jobs in this time, more than 16 times worse than the national job loss rate of 0.3 percent.

Job loss has not affected all types of jobs equally. The construction sector, which often employs younger and entry-level workers, lost nearly one-third, or 32 percent, of its Alabama jobs. Almost every industry in the state, including manufacturing, has seen a decline in employment. The



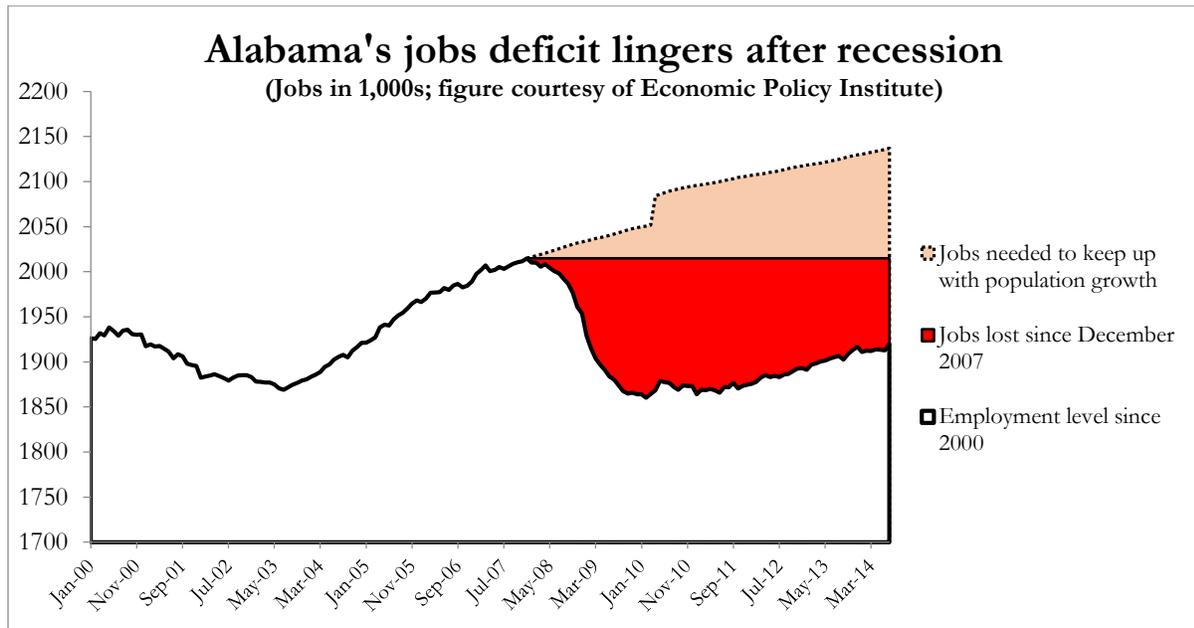
exceptions were education and health (a 7 percent increase), leisure and hospitality (a 3.7 percent increase), and government employment, which remained level. While education and health jobs tend to be relatively stable and well-paying, Alabama’s only other growth industry since 2007 is leisure and hospitality, where jobs tend to come with much lower pay. The concurrent loss of many good construction and manufacturing jobs in recent years likely has contributed significantly to wage stagnation in the state. *(Data from the Bureau of Labor Statistics.)*



The total number of jobs available in Alabama has declined by 5 percent since 2007. During the same period, the state’s population has increased by 6 percent while the civilian labor force has shrunk by 2 percent. By July 2014, nearly 38,000 fewer Alabamians were in the labor market than were in July 2007.

Those missing workers are not included in Alabama’s official unemployment rate, which is based on the number of active workforce participants who are seeking work but are unable to find it. As discouraged workers who are competing for a smaller pool of available jobs leave the job market, the unemployment rate declines. If the labor market improves and those workers renew their job search, they once again would be factored into the unemployment rate.

Accounting for these discouraged workers, Alabama would need 217,100 additional jobs to put everyone who wanted to work back to work, to replace jobs lost during the recession, and to keep up with the 6 percent population growth we've seen since 2007. Unfortunately, Alabama's job growth rate is well below what is needed to support a full recovery and to meet the needs of a future working-age population. *(Data from the Economic Policy Institute.)*



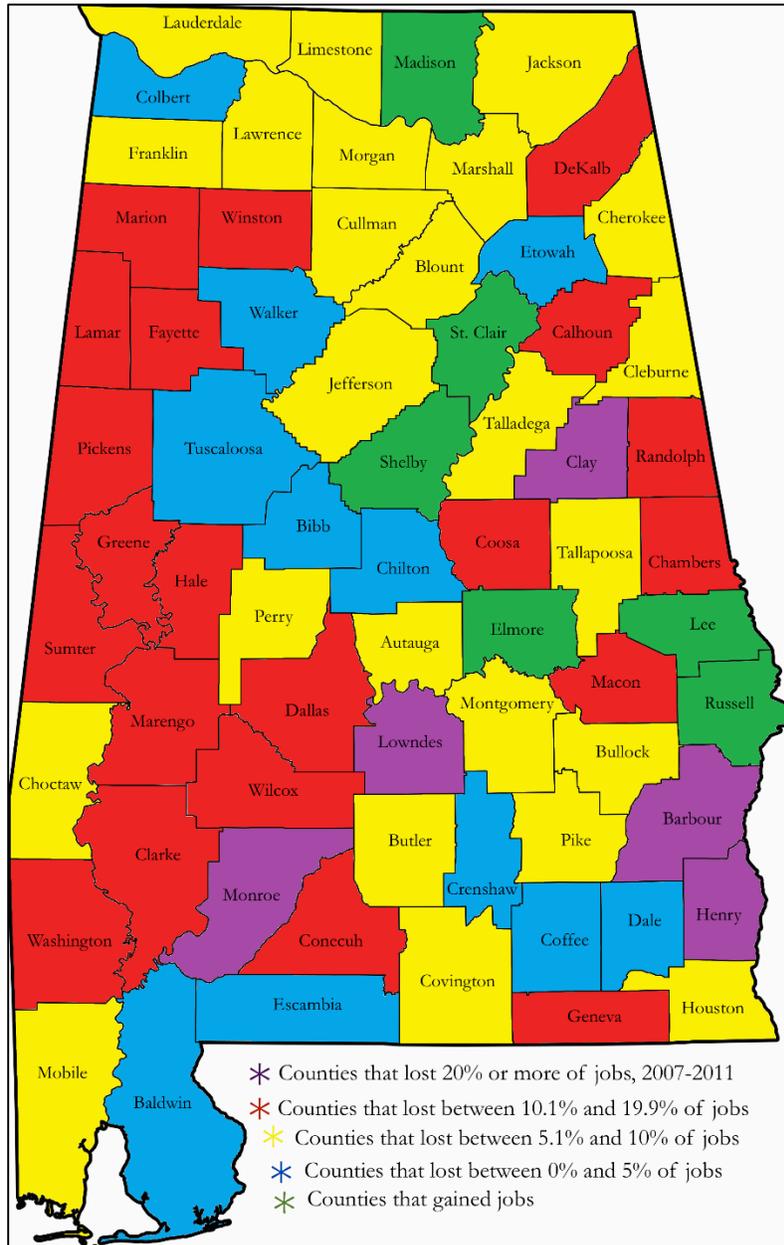
Job losses during the Great Recession have affected nearly every Alabama county, but some counties have been hit much harder than others. The losses have been particularly pronounced in many Black Belt counties and other rural areas. Twenty-six Alabama counties lost more than 10 percent of their jobs from 2007 to 2011. Five of these counties – Barbour, Clay, Henry, Monroe and Winston – lost more than 20 percent of their jobs during this period. Clay County suffered the state's hardest job loss hit, shedding nearly 25 percent of its available jobs.

Only a handful of areas in Alabama experienced overall job growth in the years during and after the recession. Just six counties – Elmore, Lee, Madison, Russell, Shelby and St. Clair – saw more jobs become available between 2007 and 2011. Even there, the increases were relatively small. Five of these six counties realized job growth of less than 1 percent. Russell County, which enjoyed the state's strongest job growth, saw its number of available jobs grow by less than 2 percent.

The overwhelming magnitude of job losses in particularly hard-hit counties indicates that Alabama's economic recovery will not be shared equally. It also suggests that pockets of deep poverty and unemployment likely will continue to afflict the state for years to come. *(Data from the U.S. Department of Commerce.)*



Job Loss by County, 2007-11



Wage stagnation leads to rising income inequality

Following seven years of job loss, high unemployment and a weak labor market, it is not surprising that Alabama's real average wages have seen virtually no increase since 2003. That year, the average weekly wage in Alabama was \$607. By 2013, it had risen to \$796. But when adjusted for inflation,

the 2013 average weekly wage was worth only \$629 in 2003 dollars, a real increase of only 4 percent in the last decade.

Total wages in the state likewise have increased little over the last 10 years. In 2003, total private-business wages in Alabama were \$46.8 billion. By 2013, total private-business wages had increased to \$61.5 billion. But adjusted for inflation, 2013 wages were worth only \$48.5 billion in 2003 dollars, barely more than the total wages paid in that year. (*Data from the Bureau of Labor Statistics.*)

Alabama's productivity has increased in the last decade, but as in the national economy, wage growth has not kept pace for most workers. This wage stagnation has fueled a dramatic increase in income inequality in Alabama, measured by the income gap between the very rich and the rest of the population. Between 2009 and 2011, the income of the richest 1 percent in Alabama increased by 4.3 percent while the average incomes of the rest fell by 2.9 percent. Alabama is in the top half of all states for income inequality, and its rate of increased inequality is one of the highest in the nation. (*Data from "Pulling Apart," written by Elizabeth McNichol, Douglas Hall, David Cooper and Vincent Palacios.*)

What can be done to boost job growth, reduce unemployment and support Alabama workers?

- **Establish a state Earned Income Tax Credit**
- **End the state sales tax on groceries**
- **Eliminate the state income tax deduction for federal taxes**
- **Extend unemployment compensation for people facing long-term unemployment**
- **Adequately fund safety net programs for low-income families**
- **Invest in public infrastructure**
- **Expand Medicaid**

The situation may sound dire, but there are numerous ways for policymakers to help. One of the most effective employment supports is the federal Earned Income Tax Credit (EITC). More than 500,000 Alabama families received the federal EITC in 2011, lifting 166,000 of them out of poverty and pumping \$1.4 billion into the Alabama economy. In addition to the federal credit, 25 states and the District of Columbia have created state-level EITCs for low-wage workers. Alabama should follow their lead and develop a state EITC that would reward work, mitigate the effects of Alabama's regressive taxes and pump needed consumer spending into the state economy.

Alabama should further reform its outdated, upside-down tax structure by removing the state sales tax on groceries and replacing the lost revenue by ending the state income tax deduction for federal income taxes (FIT). Ending the grocery tax would increase the disposable income of ordinary working families and offset some of the income loss they have suffered over the last 10 years. Ending the state's FIT deduction would help address income inequality in Alabama and would help provide the revenue the state needs to make critical, job-producing investments.

State and federal policymakers should ensure the safety net remains stable for unemployed people, low-income people and those who live near poverty. A good start would be for Congress to extend



unemployment compensation for the long-term unemployed. Another key step would be the elimination of participation barriers in programs like Supplemental Nutrition Assistance (SNAP) and Temporary Assistance to Needy Families (TANF), including Alabama's lifetime eligibility ban for people with a felony drug conviction in their past. Public assistance, education and job training programs are vital tools to help people endure and escape poverty, and it is equally vital that these programs have enough resources to do their jobs adequately.

Both the state and federal governments should invest resources in critical public infrastructure that creates jobs and supports the state's economy. Congress, for its part, should reauthorize and stabilize the Highway Trust Fund. And Alabama lawmakers should address the state's very real need to expand public transportation so more low-income people who live in pockets of high unemployment can access reliable transportation to help them find and keep employment.

Finally, Alabama should take advantage of the fantastic opportunity to expand Medicaid under the Affordable Care Act to provide health coverage for more than 340,000 uninsured low-income people, including [nearly 185,000 working adults](#). Such a move would provide a critical health insurance safety net for the tens of thousands of Alabamians still waiting for a full economic recovery, and the benefits would far outweigh any costs for the state. Medicaid expansion would create thousands of new jobs, pump billions of new dollars into Alabama's economy and provide badly needed tax revenue to support public services.

Medicaid expansion would generate nearly \$1 billion in additional tax revenue for Alabama, according to [an estimate by David J. Becker and Michael A. Morrissey of the University of Alabama at Birmingham](#). Expansion also would create more than 30,000 new jobs and increase state business activity by \$34 billion over six years, concluded [a study conducted by Samuel Addy and Ahmad Ijaz of the Center for Business and Economic Research at the University of Alabama](#).

Labor Day in Alabama is a day for barbecue, picnics and family fun. But for many Alabama families, anxiety over unemployment, underemployment and lost jobs may make celebration difficult this year. Policymakers can and should enact policies to reduce unemployment and improve the lot of people who have not yet recovered from the Great Recession. We hope our leaders will take this Labor Day as an opportunity to renew their commitment to working people and enact reforms that will make Alabama a more prosperous state for all.

The State of Working Alabama is a regular series of reports by Arise Citizens' Policy Project (ACPP) examining the economic condition of Alabama's working families and historical trends in employment, income, poverty and other areas. This report may be reproduced with acknowledgment of Arise Citizens' Policy Project, P.O. Box 1188, Montgomery, AL 36101; 800-832-9060; arisecitizens.org.

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