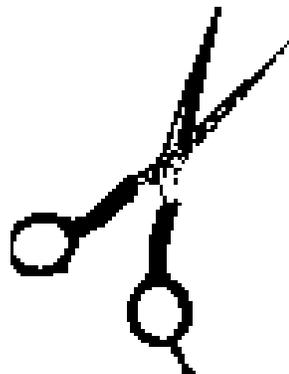
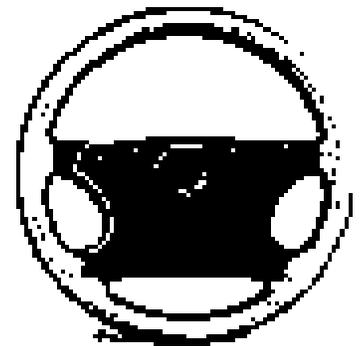


# THE STATE OF WORKING ALABAMA



**ARISE CITIZENS' POLICY PROJECT**

# THE STATE OF WORKING ALABAMA



2006

Arise Citizens' Policy Project (ACPP) has partnered with the Economic Policy Institute (EPI) to assess the economic condition of Alabama's working families in 2006, against the backdrop of national and historical trends. Since 1988, EPI has released a biennial publication titled *The State of Working America*. This publication offers a wealth of data on working families, including an analysis of trends in wages, income, jobs and unemployment. ACPP is one of several groups that have joined with EPI to produce state-level reports using EPI's analysis of the Census Bureau's 2005 Current Population Survey and other data sources.

*This report was written by ACPP policy director Ron Gilbert, with ACPP communications director Jim Carnes.*

# OVERVIEW

In some respects, Alabama's economy has enjoyed significant growth since the recession of 2001-02. Unemployment levels are below the national average, and some areas of the state have experienced what economists would characterize as full employment. Sixty thousand new jobs were created during the period 2002 through 2005, wiping out job losses from the recession and providing the state with a net increase in jobs. Closer analysis of the data, however, reveals that the improving economy has failed to reach all segments of the workforce.

## Employment concerns

- ▶ In June 2005, while the state showed an unemployment rate of 4.0 percent – a full percentage point below the national rate – 65 percent of Alabama's counties had an unemployment rate at or above the national level. Low unemployment rates in urban and suburban areas were offset by high unemployment rates in rural areas of the state, particularly the Black Belt. The unemployment rate for Wilcox and Dallas counties approached 10 percent.

- ▶ The unemployment rate in 2005 for African Americans was more than two-and-one-half times the rate for White workers.
- ▶ Alabama has the third lowest labor force participation rate in the nation at 61.9 percent. This figure reflects that almost 40 percent of Alabamians aged 16 and over have either left the job market or never entered it.

### Income concerns

- ▶ The state's poverty rate remained virtually unchanged in 2005 at 16.7 percent. The poverty threshold for a family of four was \$19,961 in 2005. A full-time worker required an hourly wage of \$9.60 to reach that level. In 2005, more than one-fourth of Alabama's workers earned an hourly wage less than that amount.
- ▶ 36,000 of Alabama's workers earned a wage at or below the federal minimum wage of \$5.15 an hour in 2005.
- ▶ The median wage for African American employees was only 67 percent of that for White employees. Female employees earned a median wage that was 76 percent of what their male co-workers earned.

- ▶ The gap between wages for the lowest-paid workers and highest-paid workers increased 27 percent between 1979 and 2005.
- ▶ Of the 61,000 jobs created since 2002, eighty-seven percent were in service sectors, which generally pay significantly lower wages.
- ▶ In spite of the economic expansion, the median household income in Alabama declined 5 percent between 2000-01 and 2004-05, falling from \$39,465 to \$37,502.
- ▶ Alabama's single parents are working more to provide for their families. The average annual number of hours worked for single-parent families increased from 1,760 in 2000 to 1,930 in 2005.
- ▶ Child poverty remains an urgent concern. In 2005, Alabama's poverty rate for those under age 18 was 24.7 percent – 7.1 percent above the national average. Only the District of Columbia and Mississippi had higher child poverty rates.

## Health insurance concerns

- ▶ Following a national trend, Alabamians are increasingly reliant on government health insurance programs. The number of Alabamians covered by private health insurance declined 6 percent between 2000 and 2005, while those covered by government insurance programs increased 7.4 percent.
- ▶ The percentage of Alabamians without any health insurance coverage increased from 13.3 percent in 2000 to 15.4 percent in 2005.
- ▶ Alabama has shown great strides in providing health insurance coverage for children. In 2005, 5.3 percent of Alabama children under 18 had no insurance coverage, compared to the national average of 11.2 percent

## Challenges and opportunities

The new Census data show that the four-year economic recovery hasn't reached those Alabamians who need it most. Yet even those disturbing numbers fail to reflect the full extent of poverty. Most experts agree

that the poverty threshold measure is unrealistically low, and that the amount of income required to maintain a minimally self-sufficient standard of living is twice that amount. In 2005, more than a third of Alabamians – 36.5 percent – had incomes less than 200 percent of the poverty level.

*Arise recommends the adoption of a federal poverty measure that more accurately reflects the income required for adequate food, housing, health care and child care.*

**Alabama still has a tax structure that hits poor and middle classes much harder than the wealthy.** In 2005, Alabama had the nation's lowest threshold for income taxes on its working citizens. Legislation enacted in 2006, effective January 1, 2007, will raise this threshold from \$4,600 to \$12,600, still far below the federal poverty level.

*Arise recommends that the Alabama Legislature make further changes to the tax system to ensure that low-income Alabamians are not disproportionately taxed, and that high-income citizens pay their fair share of taxes.*

Alabama is one of six states that have no minimum wage law. Congress has repeatedly rejected efforts to increase the federal minimum wage since 1997. Meanwhile, the rising cost of living continues to erode the purchasing power of low-wage earners. Since September 1997 (the time of the last increase in the minimum wage), the purchasing power of the minimum wage has deteriorated by 20 percent. After adjusting for inflation, the value of the minimum wage is at its lowest level since 1955. In response to this decline, 21 states (including Arkansas and Florida) and the District of Columbia have enacted minimum wages higher than the federal figure of \$5.15 per hour. In 2005, thirty-six thousand Alabama workers held jobs that paid at or below the federal minimum wage.

*Arise recommends that the Alabama Legislature adopt a law establishing a state minimum wage of \$7.25 an hour, matching the federal increase recently proposed in Congress.*

# ALABAMA'S LABOR FORCE

- ▶ Alabama's labor force totals 2.1 million people, including those employed and those seeking employment. Alabama had twice as high a percentage of African American workers in both 1995 and 2005

## Share of Labor Force by Demographic, Alabama and U. S., 1995 and 2005

	Alabama		United States	
	1995	2005	1995	2005
<b>Gender</b>				
Male	53.5%	53.8%	53.5%	53.6%
Female	46.5%	46.2%	46.5%	46.4%
<b>Age</b>				
16-24 yrs	19.3%	13.9%	15.8%	14.9%
25-54 yrs	69.5%	70.9%	71.1%	68.8%
55 yrs and older	11.3%	15.2%	13.1%	16.2%
<b>Race/Ethnicity</b>				
White	74.1%	72.2%	72.0%	69.6%
African-American	24.5%	22.7%	11.1%	11.0%
Hispanic	0.7%	1.9%	11.7%	13.3%
Asian/Pacific Islander	(a)	1.2%	4.3%	4.3%
<b>Education</b>				
Less than high school	17.3%	12.1%	13.5%	12.4%
High school	34.6%	34.3%	31.3%	30.1%
Some College	29.0%	29.2%	28.3%	28.6%
Bachelor's or higher	19.0%	24.4%	27.0%	28.9%

Source: Economic Policy Institute analysis of Current Population Survey data

(a) Does not meet standards for sample size.

as did the nation as a whole. A growing Hispanic and Asian/Pacific Islander population was reflected in the 2005 data, although state percentages for both groups were significantly less than the national level. The percentage of workers aged 16-24 years declined during this period, while the percentage of workers over age 54 increased. Educational attainment of Alabama workers increased at a far higher rate than the national average during the same period.

- ▶ Alabama's labor force participation rate – those working or actively seeking employment – was 61.9 percent of the population aged 16 and over in 2005. This rate was significantly lower than the national rate; only West Virginia (55.0 percent) and Mississippi (61.0 percent) had rates lower than Alabama. Among Alabama's residents, Hispanics had the highest labor force participation rate at 86.0 percent. A higher level of education brought significantly higher levels of work force participation, ranging from 35.9 percent for those with less than a high school education to 79.8 percent for those with a college degree.

Alabama enjoyed an unemployment rate almost a full percentage point below the national average in 2005. Among neighboring states, only Florida had a lower 2005 unemployment rate at 3.6 percent. But as reflected below, young workers, African Americans and those with less than a high school education had unemployment rates of two to three times the state average.

### Unemployment Rate in Alabama by Demographic by Year

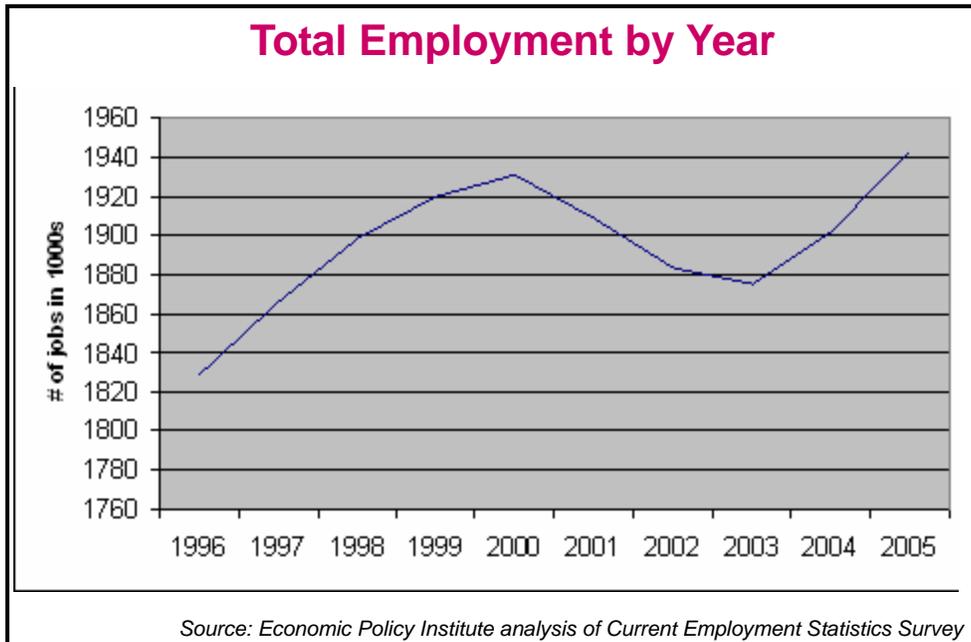
	1995	2000	2005
<b>All</b>	6.4%	4.5%	4.2%
<b>Gender</b>			
Male	6.4%	4.4%	3.8%
Female	6.3%	4.7%	4.7%
<b>Age</b>			
16-24 yrs	16.1%	12.5%	12.2%
25-54 yrs	4.1%	3.2%	2.9%
55 yrs and older	(a)	(a)	(a)
<b>Race/Ethnicity</b>			
White	4.1%	3.3%	3.1%
African-American	13.3%	8.2%	8.2%
Hispanic	(a)	(a)	(a)
Asian/Pacific Islander	(a)	(a)	(a)
<b>Education</b>			
Less than high school	13.1%	12.1%	10.6%
High school	6.3%	4.6%	4.5%
Some college	4.8%	3.1%	3.3%
Bachelor's or higher	2.7%	(a)	(a)

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

(a) Does not meet standards for sample size.

# ALABAMA'S JOBS

Alabama has seen significant growth in employment since the recession of 2001-02, adding 60,000 jobs by 2005. But as in most states, the Alabama economy is changing, with the service sector expanding and manufacturing jobs declining. Of the 60,000 jobs added between 2002 and 2005, eighty-eight percent were in professional and business services, education and health services and leisure and hospitality services. During the same period, manufacturing jobs declined by 3.2 percent.



- ▶ The Alabama Department of Industrial Relations projects that employers in the state will add 294,270 new jobs between 2002 and 2012, most of them in low-wage sectors. Of the five occupational sectors with the greatest anticipated growth, three are in low-wage sectors.

**Greatest Percentage of Projected Employment  
2002-12**

Sector	Net Increase in Jobs	% of Total New Jobs
Sales and sales related	32,920	11.1%
Office & administrative support	29,750	10.1%
Healthcare practitioner & technical	25,570	8.7%
Food preparation & serving	24,010	8.2%
Education, training & library	22,570	7.7%

*Source: Alabama Department of Industrial Relations*

- ▶ Private industries generated 84.62 percent of the earnings in Alabama in 2004; government generated 15.38 percent.
- ▶ Within the private sector, Alabama has a lower percentage of earnings in several high-wage industries, and a higher percentage of earnings in the low-wage industries such as retail trade.

**Percent of Earnings by Industry Share  
of Total Earnings**

Industry	Alabama	United States
Manufacturing	17.74%	12.18%
Retail Trade	8.03%	6.78%
Information	0.43%	4.62%
Finance and Insurance	5.2%	7.96%
Real Estate	9.46%	12.74%
Management of Companies	0.69%	1.89%
Government	15.38%	12.05%

*Source: U.S. Department of Commerce, Bureau of Economic Analysis*

# ALABAMA'S WAGES

Alabama remains a low-wage state, falling below the national average earnings across the board. In 2005, thirty-six thousand Alabama workers earned wages equal to or less than the federal minimum wage of \$5.15 per hour. According to the Economic Policy Institute, 157,000 Alabama workers (7.9 percent of the workforce) would directly benefit by an increase in the minimum wage to \$7.25 per hour. Assuming that those making within a few dollars of the minimum wage would also see an increase in order to preserve internal wage structures, a total of 345,000 Alabama workers (17.4 percent of the workforce) would benefit by an increase to \$7.25 per hour.

While the median hourly wage of Alabama workers has increased, these increases have not been spread across all demographic groups equally. In fact, between 2000 and 2005, the median hourly wage for African American workers *decreased* by 2.2 percent, while wages for workers with a high school diploma remained virtually unchanged.

## Alabama's Median Hourly Wage by Demographic, 1979, 1989, 2000 and 2005

	Hourly Wages (inflation-adjusted 2005 dollars)				Percent Change in Hourly Wages	
	1979	1989	2000	2005	1979 to 2005	2000 to 2005
<b>All</b>	\$12.02	\$11.30	\$12.30	\$13.60	13.14%	10.57%
<b>Gender</b>						
Male	\$14.88	\$13.23	\$14.06	\$15.44	3.76%	9.82%
Female	\$8.64	\$9.02	\$10.73	\$11.76	36.11%	9.60%
<b>Race/Ethnicity</b>						
White	\$12.97	\$12.18	\$13.48	\$15.09	16.35%	11.94%
African American	\$8.44	\$8.73	\$10.35	\$10.12	19.91%	-2.22%
Hispanic	*	*	*	*		
<b>Education</b>						
Less than high school	\$9.21	\$8.50	\$8.70	*		
High school	\$12.14	\$10.42	\$11.06	\$11.17	-7.99%	0.99%
Some college	\$12.29	\$18.99	\$20.20	\$21.64	3.91%	9.05%
Bachelor's or higher	\$17.01	\$18.99	\$20.20	\$21.64	27.22%	7.13%

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

\*Not available due to insufficient sample size.

- ▶ Between 1979 and 2005, the wages for the lowest-paid Alabamians (in 2005 dollars) decreased by 3.11 percent, while the wages for the highest-paid increased by 20.81 percent.
- ▶ The gap between the lowest wage earners and the highest wage earners widened from 1979 to 2005 – from \$16.91 to \$22.12 (in 2005 dollars).