



**THE STATE OF WORKING**  
**ALABAMA**  
**----- 2008 -----**

**ARISE CITIZENS' POLICY PROJECT**

# **THE STATE OF WORKING ALABAMA 2008**

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# THE STATE OF WORKING ALABAMA 2008

## ABOUT THIS PUBLICATION

Arise Citizens' Policy Project (ACPP) has teamed with the Economic Policy Institute (EPI) to assess the economic condition of Alabama's working families in 2008 against the backdrop of national, regional and historical trends. Since 1988, the EPI has released a biennial publication titled *The State of Working America*. The publication offers a wealth of data on working families, including analysis of trends in wages, income, jobs and employment. ACPP is one of many groups nationwide that have joined with the EPI to produce state-level reports using the EPI's analysis of the U.S. Census Bureau's 2007 Current Population Survey and other data sources. Unless otherwise noted, this report uses 2007 dollar figures, adjusted for inflation.

This report was written by ACPP policy analyst Chris Sanders, with editing by ACPP executive director Kimble Forrister and ACPP communications director Jim Carnes.

## ARISE CITIZENS' POLICY PROJECT

Arise Citizens' Policy Project (ACPP) is a nonprofit statewide citizens' organization comprising 152 congregations and community groups dedicated to improving the lives of low-income Alabamians. ACPP analyzes the impact of current and proposed state policies and educates its members on poverty issues.

# OVERVIEW

What if this is as good as it gets? That's a question many Alabama workers may ask themselves in the near future as this year's national economic slump continues.

The state's economy has been healthy in a number of areas since the business cycle last peaked in 2001. The unemployment level is below the national and regional averages. Alabama has added a net of almost 100,000 jobs since 2001. The labor force is more diverse than it was when the decade began. And the state is still ahead of the national curve for the percentage of children with health insurance coverage.

But warning signs of a potential downturn abound for many working Alabamians. Unemployment has climbed throughout 2008. The state's percentages of people living in poverty or without health insurance were about the same last year as they were when the decade began. Alabama's median household income has been flat even as productivity has grown by leaps and bounds. Median wages are stagnant or down across the spectrum of educational achievement since 2001. The state has hemorrhaged manufacturing jobs at an even higher rate than the nation as a whole in this decade. And even as information has become a booming, high-paying field nationally, the number of Alabamians in the industry has dropped 17 percent since 2001.

Longtime racial and gender disparities continued in 2007, though some narrowed from the year before. Median wages for African Americans increased more than 5 percent last year, and African American unemployment, though still more than twice as high as that for Whites, fell about 11 percent in 2007. The median wage gap between Alabama's men and women closed slightly, but it is still higher than the regional and national disparities. Women remained less likely than men to participate in the workforce and more likely to work part-time.

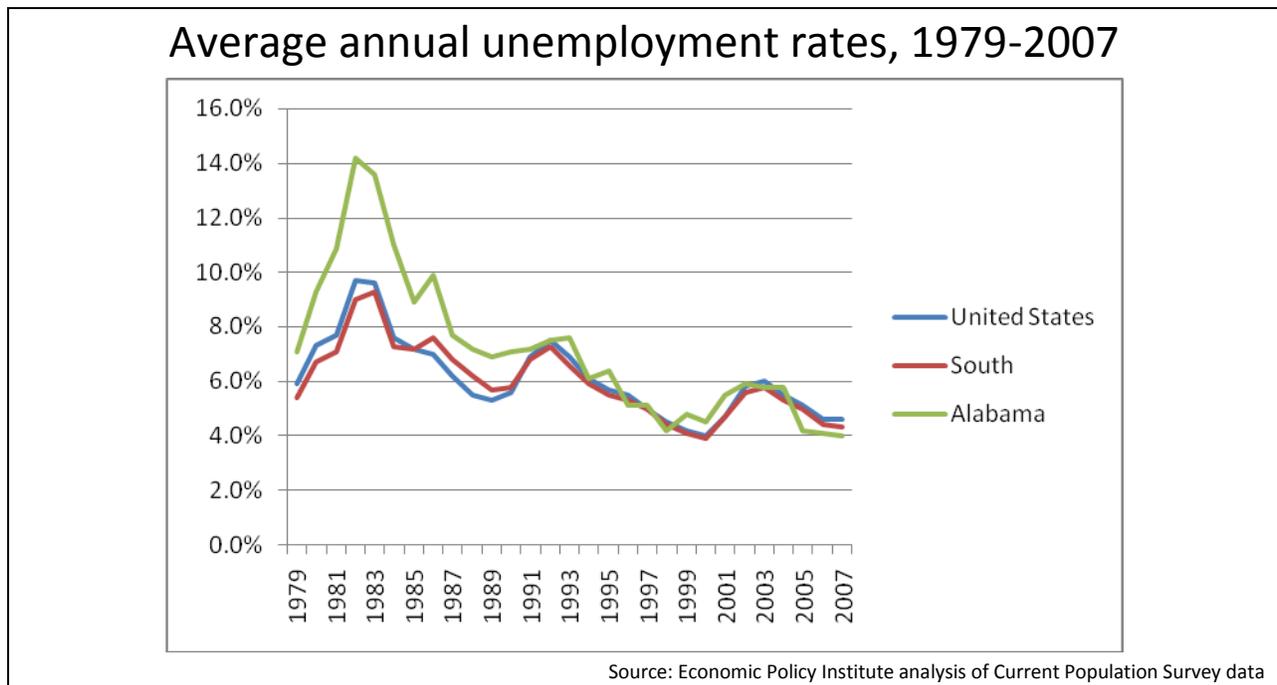
State workers still face broader challenges in their efforts to climb the economic ladder. Many of the state's four-year public universities have enacted double-digit tuition increases, making it tougher for low-income people to afford the bachelor's degree that is the surest route to a higher income. The state's heavy reliance on regressive sales taxes continues even as the cost of necessities soars. And low-income Alabamians still pay more than twice as much of their income in state and local taxes as the citizens with the highest incomes do.

Alabama's economy was strong in many ways in 2007, but with the national economy projected to cool as the decade draws to a close, the slowdown may reach the state level, too. Last year surely wasn't as good as it ever will get for working Alabamians. Time will tell, though, whether it will stand as the high-water mark for a few years.

# EMPLOYMENT

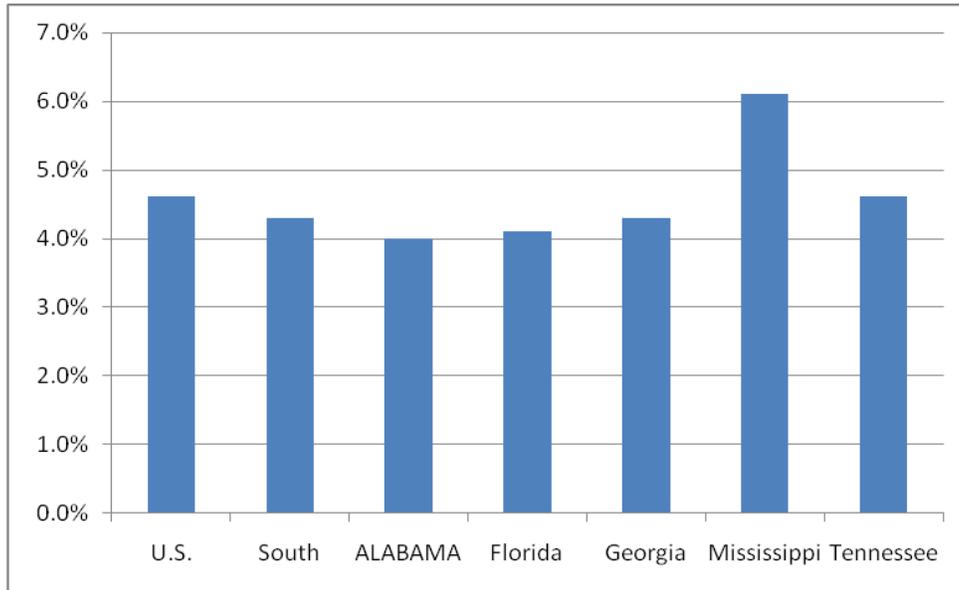
Alabama's workforce in 2007 had lower unemployment and more racial diversity than it did when the decade began. But the state also had a much larger share of older workers than it did in 2001, and a labor force participation rate that was already one of the country's lowest fell even lower in this decade.

Alabama's unemployment rate dropped to 4 percent last year, below both the regional and national levels and lower than that for all four neighboring states. But after years of steady decline, the rate has ticked up this year, climbing to 5.2 percent before seasonal adjustment in June 2008. The current level still is an improvement from 1979, when unemployment stood at 7.1 percent, and from the recession level in 2001, when the rate was 5.5 percent.



Alabama's unemployment rate was lower than the national rate (4.6 percent) and the lowest in the Deep South. Of Alabama's neighbors, Florida (4.1 percent) and Georgia (4.3 percent) came the closest to matching the state's unemployment rate. Tennessee's unemployment rate stood at 4.6 percent, while Mississippi checked in at 6.1 percent. The overall rate for the South was 4.3 percent.

## Average annual unemployment rates, 2007



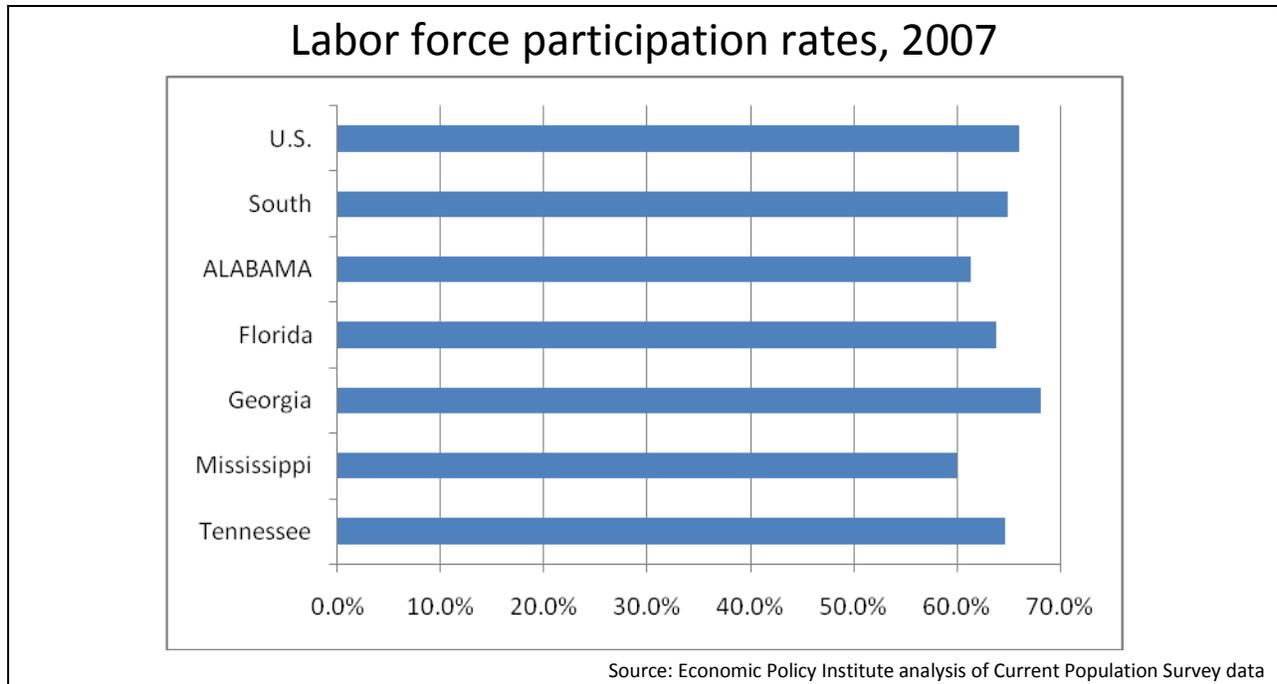
Source: Economic Policy Institute analysis of Current Population Survey data

Though unemployment was down across Alabama in 2007, it remains well above the national average in many rural areas. That's especially true in Black Belt counties like Chambers and Wilcox, where unemployment in June 2008 was well more than twice the statewide level.

Unemployment rates in selected Alabama counties, June 2008			
Alabama (not seasonally adjusted): 5.2%			
Ten highest:		Ten lowest:	
Chambers	13.9%	Shelby	3.4%
Wilcox	13.1%	Madison	3.9%
Perry	12.0%	Baldwin	4.0%
Lowndes	10.6%	Limestone	4.0%
Dallas	10.4%	Cullman	4.2%
Monroe	10.1%	Blount	4.3%
Bullock	9.0%	Chilton	4.3%
Clarke	8.9%	Marshall	4.3%
Sumter	8.6%	Houston	4.4%
Barbour	8.5%	Tuscaloosa	4.5%

Source: Alabama Department of Industrial Relations

Despite its comparatively low unemployment rate, Alabama continues to lag behind most other states in the share of working-age people who are employed or looking for work. The state’s labor force participation rate dropped in 2007 to 61.4 percent, the third lowest in the United States and 1.4 percent below the state’s 2001 performance. The national rate in 2007, by contrast, was 66 percent. Only Mississippi and West Virginia had lower labor force participation than Alabama.



Racial disparities continue to rear their heads in Alabama’s employment statistics, but the gaps in many areas narrowed between 2006 and 2007. White unemployment was 3.1 percent in Alabama last year, just as it was in 2006, but the state’s African American unemployment fell from 7.5 percent in 2006 to 6.7 percent in 2007. Almost twice as many of the state’s African American workers (17.8 percent) as Whites (9.2 percent) were part-time for economic reasons last year, down from almost three times as many in 2006. And the state’s racial disparity in labor force participation virtually disappeared in 2007.

Not all gaps closed, however. The percentage of underemployed workers — those workers who are unemployed, have stopped looking for work because of discouragement, are involuntarily part-time, or face other logistical barriers to their entry into the workforce — remained more than twice as high among African Americans as among Whites in 2007.

Alabama labor force statistics by race, 2007				
	White	African American	Hispanic	Asian/Pacific Islander
Labor force participation rate	60.8%	60.4%	77.5%	70.4%
Unemployment rate	3.1%	6.7%	(a)	(a)
Underemployment rate	5.4%	11.7%	(a)	(a)
Part-time workers share	19.8%	20.4%	(a)	(a)
Part-time for economic reasons share	9.2%	17.8%	(a)	(a)

Source: Economic Policy Institute analysis of Current Population Survey data  
(a) Does not meet standards for sample size.

Women take part in Alabama’s workforce at a significantly lower rate than men, and they are far less likely to be working full-time. The labor force participation rate for men last year was 68.4 percent, while the rate for women was 55 percent. Still, that disparity was smaller than it was in 2001. Twenty-seven percent of the women in Alabama’s labor force worked part-time in 2007, compared to 13.4 percent of men. The state’s gender gap in underemployment, which neared 35 percent in 2006, disappeared last year as the rate increased for men and decreased for women.

Alabama labor force statistics by gender, 2007		
	Male	Female
Labor force participation rate	68.4%	55.0%
Unemployment rate	4.3%	3.7%
Underemployment rate	7.0%	7.1%
Part-time workers share	13.4%	27.0%
Part-time for economic reasons share	14.5%	10.2%

Source: Economic Policy Institute analysis of Current Population Survey data

The share of women in Alabama’s labor force has declined slightly since the decade began. Men represented 52.9 percent of Alabama’s labor force in 2007, with women making up 47.1 percent. Those numbers indicate nearly a half-percentage-point decrease in the share of women in the state’s workforce since 2001. But they also show that Alabama has a larger share of female workers than the South (46.6 percent) and nation (46.4 percent).

As in the rest of the country, the share of the Alabama workforce aged 16 to 24 has trended steadily downward for the last three decades, falling from 23.3 percent in 1979 to 16.3 percent in 2001 and 14.7 percent in 2007. Meanwhile, as the nation’s baby boomers approach retirement age, the number of workers over age 55 in Alabama has soared, jumping from 13.6 percent of the state’s workforce in 2001 to 18.1 percent in 2007.

Share of Alabama labor force by demographic						
	1979	1989	1995	2001	2006	2007
<b>Gender</b>						
Male	59.7%	55.5%	53.5%	52.5%	53.3%	52.9%
Female	40.3%	44.5%	46.5%	47.5%	46.7%	47.1%
<b>Age</b>						
16-24 yrs	23.3%	17.4%	19.3%	16.3%	14.8%	14.7%
25-54 yrs	62.3%	70.1%	69.5%	70.1%	67.5%	67.2%
55 yrs and older	14.4%	12.5%	11.3%	13.6%	17.7%	18.1%
<b>Race / ethnicity</b>						
White	76.8%	78.6%	74.1%	74.1%	71.8%	69.3%
African American	22.4%	20.5%	24.5%	23.4%	23.3%	24.0%
Hispanic	(a)	0.6%	0.7%	1.7%	2.4%	3.8%
Asian/Pacific Islander	(a)	(a)	(a)	0.6%	(a)	0.9%
Source: Economic Policy Institute analysis of Current Population Survey data						
(a) Does not meet standards for sample size.						

Whites still make up the vast majority of Alabama’s labor force, but the reported share of Hispanic workers has grown substantially in the last decade, up more than 440 percent since 1995. Census data last year indicated that 3.8 percent of the state’s workforce was Hispanic, a 58 percent increase from 2006. Hispanic workers constitute a far smaller portion of the labor force in Alabama than in the region or nation as a whole, however.

The share of African Americans in the state’s workforce was slightly higher last year than in 2001. Asians and Pacific Islanders made up about 1 percent of Alabama’s labor force last year, compared to 0.6 percent in 2001.

# JOBS

Alabama’s job numbers have climbed steadily in recent years, but the increase hasn’t been uniform. The state has added about 98,000 new jobs since 2001, but growth in many of the highest-paying industries has been slow or nonexistent. Alabama realized a net gain of 26,800 non-farm jobs last year, down from 34,700 new jobs in 2006. And even though several major automakers have set up shop here in the last decade, Alabama has lost manufacturing jobs even more quickly than the nation at large since 1990.

Trade transportation and utilities was the largest industry in Alabama last year, followed by government and manufacturing. Rounding out the top five are retail trade at No. 4 and professional and business services at No. 5.

Employment by industry in Alabama*					
	1990	1995	2001	2006	2007
Total non-farm	1635.8	1803.7	1908.7	1979.6	2006.4
Total private	1309.1	1460.5	1556.8	1609.4	1630
Natural resources and mining	18.9	18	13.5	13.1	12.9
Construction and mining	104.3	107.5	118.6	122.9	125.7
Construction	85.4	89.5	105.1	109.8	112.8
Manufacturing	363.8	370.3	325.5	302.9	296.7
Manufacturing of durable goods	173.4	179.5	177	187.2	187.1
Manufacturing of non-durable goods	190.3	190.8	148.4	115.6	109.6
Trade transportation and utilities	317.7	360	380.5	387.9	395.7
Wholesale trade	68	77.4	83.3	81.5	82.6
Retail trade	191.6	218.5	229.3	236.2	241.8
Transportation and utilities	58.2	64.2	67.9	70.2	71.3
Information	30	29.4	34.1	28.5	28.3
Financial activities	80.2	83.6	98	98.8	100.2
Professional and business services	117.2	149.7	186.9	214.8	220.5
Education and health services	128.5	159.2	177.3	203.6	208.5
Leisure and hospitality	106.4	131	151	169.8	173.8
Other services	61.1	69.8	85.1	80.3	80.7
Government	326.7	343.2	352	370.2	376.4

Source: Economic Policy Institute analysis of Current Employment Statistics survey data  
\*Not seasonally adjusted, in thousands

Professional and business services have been Alabama’s fastest-growing industry since 1990. More than 100,000 of those jobs have been added since 1990, an increase of 88.1

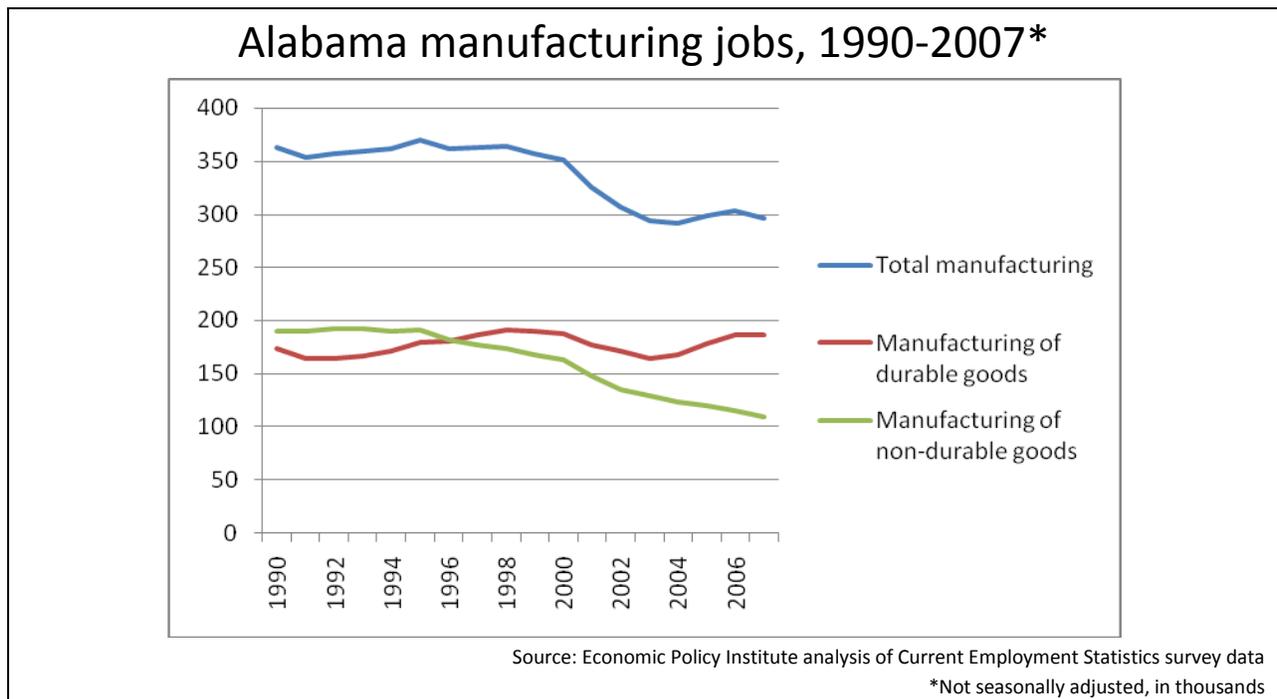
percent. Other high-growth areas include leisure and hospitality (up 63.3 percent), education and health services (up 62.3 percent), and construction (up 32.1 percent).

Times haven't been as good for other parts of Alabama's economy in recent years, however. The number of Alabamians working in the natural resources and mining field is down almost 32 percent since 1990, compared to a 5.5 percent decline nationally. The state also has lost 17 percent of its jobs in the high-paying information sector since 2001. Overall, net job growth in Alabama since 1990 has lagged behind the national growth rate, though the state's net job growth since 2001 exceeds that of the United States as a whole.

**ACPP has called for Alabama to require industries qualifying for corporate tax credits to provide the prevailing Alabama average wage and provide health insurance benefits.**

By far, manufacturing is the industry in which Alabama has lost the most jobs in the last two decades. More than 67,000 net manufacturing jobs have disappeared in the state since 1990. That's a decrease of 18.4 percent, despite an automobile industry that helped increase the number of jobs in the manufacturing of durable goods by about 8 percent in that time.

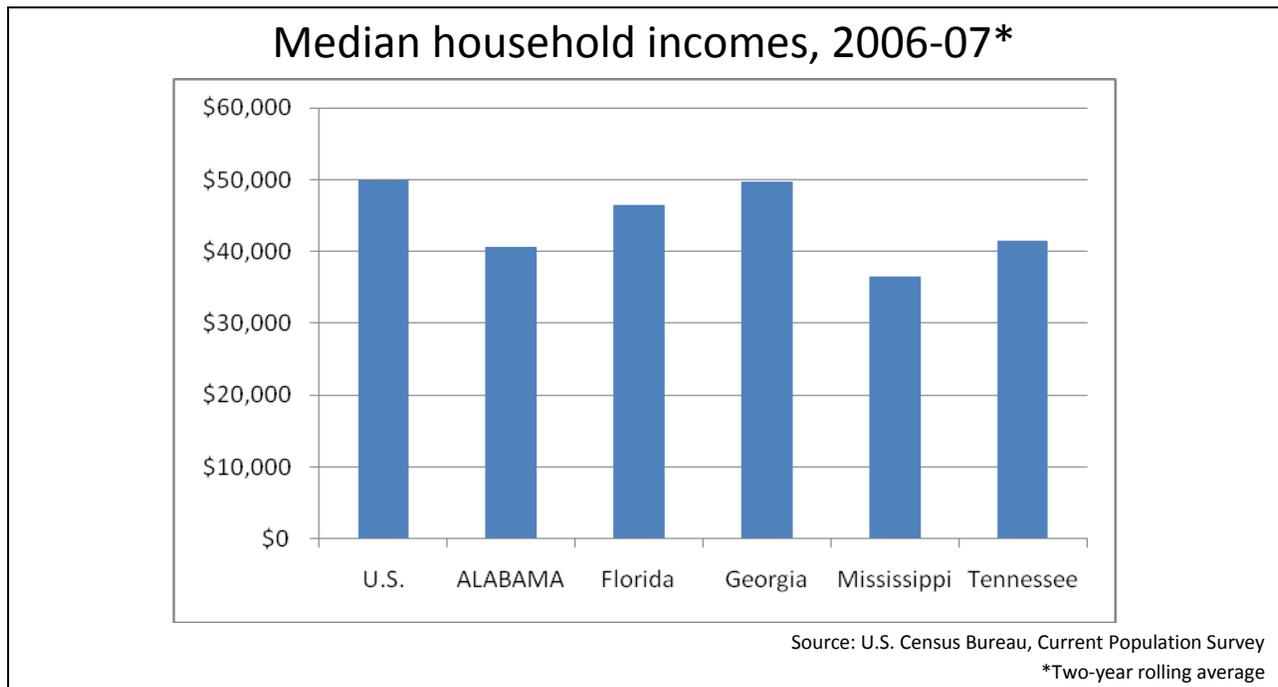
More than 80 percent of the manufacturing drop has occurred since 2000, fueled by a precipitous decline in the number of jobs in the manufacturing of non-durable goods like clothing and textiles. New jobs in the manufacturing of durable goods have helped to mitigate Alabama's overall manufacturing losses, but the number of such jobs has stagnated since 2006.



# INCOME AND WAGES

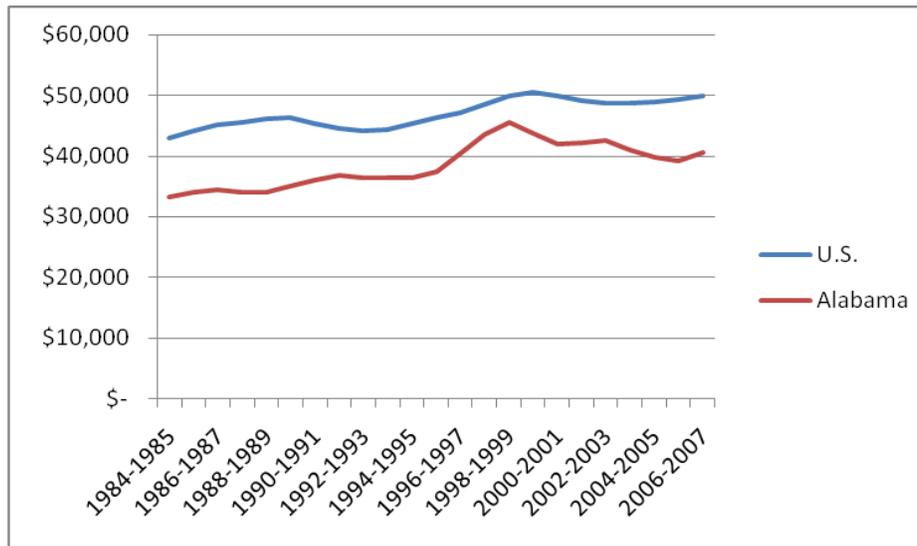
Much has been made of the fact that American workers' gains in median household income this decade have been nonexistent, even as productivity has soared. But in Alabama, the news for the average worker has been, if anything, even worse: Median household income has dropped slightly, though within the margin of error, since the decade began.

After falling for three straight two-year cycles, Alabama's median household income rose in 2006-07, climbing 3.5 percent to \$40,620. Still, that number was the fifth lowest in the country, trailing all but Arkansas, Kentucky, Louisiana and Mississippi. It also was about 18.6 percent below the national median household income of \$49,901.



Alabama's 2006-07 median household income was down 3.1 percent, in constant dollars, from the 2000-01 mark of \$41,915, though the drop was within the margin of error. Nationally, median household income saw no significant change in this decade, going from \$50,007 in 2000-01 to \$49,901 in 2006-07. (Alabama's per capita income has risen in recent years, but median income gives a more accurate overall picture of workers' well-being, because per capita income is an average that can be distorted by increases at the top end of the scale.)

## Median household incomes, 1984-2007\*



Source: U.S. Census Bureau, Current Population Survey  
\*Two-year rolling averages

For the bottom fifth of Alabama earners, average income has fallen 17.4 percent since the late 1990s, compared to a national decline of 2.5 percent, according to *Pulling Apart*, a report released earlier this year by the Center on Budget and Policy Priorities and the Economic Policy Institute. Meanwhile, the top fifth of income earners nationally have seen their average income increase 9.1 percent since the late 1990s. Though the figures for Alabama's top fifth could not be stated to a statistical certainty, the apparent increase reflected the national trend. In addition, the report found the increase in the income gap between Alabama's top fifth and bottom fifth since the late 1990s has been the nation's second largest.

Alabama workers are producing more than ever, but as the *Pulling Apart* study suggests, their pay isn't reflecting it. The state's gross domestic product has increased by more than 18 percent since 2001, outstripping the national rate. However, Alabama's median household income has fallen from \$41,915 in 2000-01 to \$40,620 in 2006-07. (Median household income has been effectively flat this decade, because the drop was within the margin of error.) In addition, a 3.7 percent fall in median hourly wages for Alabama workers since 2006 leaves inflation-adjusted wages down more than 3 percent from where they stood during the recession year in 2001.

Alabama's median wages fell further behind the U.S. and Southern medians last year, even though median wages in its four neighboring states were up or flat. In 2007, the state's median wages were almost 12 percent below those for U.S. workers as a whole and 7.4 percent behind the regional average.

Real gross domestic product, 2001-07*								
	2001	2002	2003	2004	2005	2006	2007	Change since 2001
U.S.	\$9,836.6	\$9,981.9	\$10,225.7	\$10,580.2	\$10,899.7	\$11,240.1	\$11,467.5	16.6%
Alabama	\$115.6	\$118.2	\$121.6	\$127.8	\$131.9	\$134.6	\$137.0	18.5%

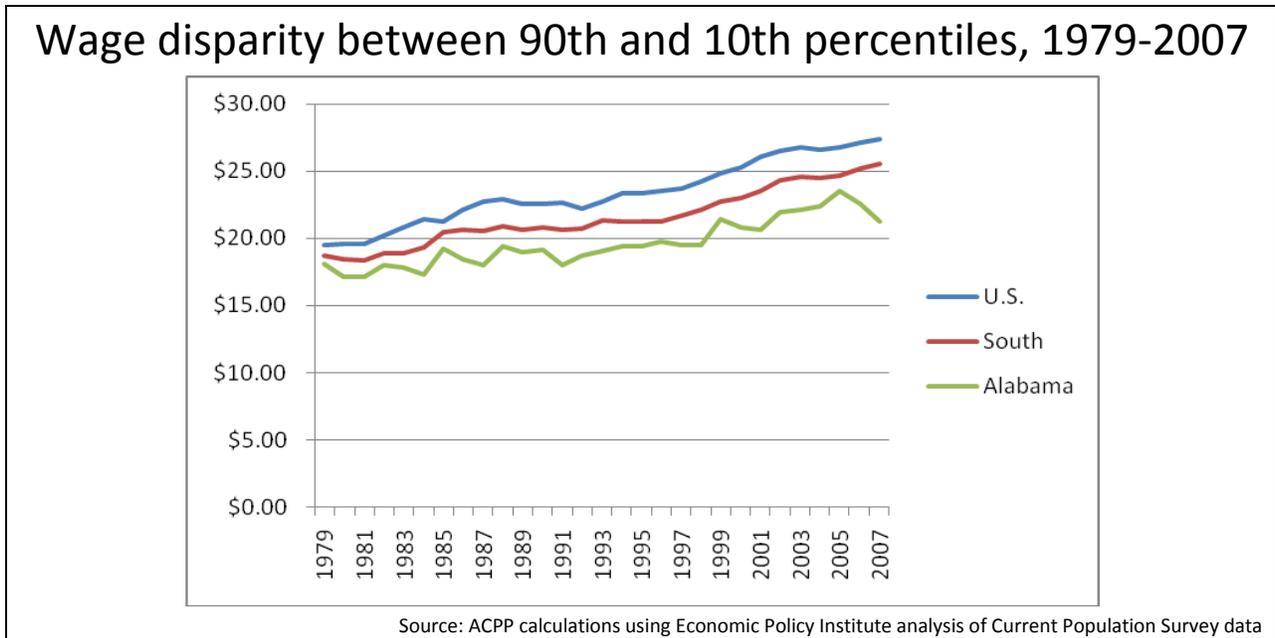
Source: Bureau of Economic Analysis, U.S. Department of Commerce  
\*Chained 2000 dollars, in billions

Median hourly wages, 2001-07								
	2001	2002	2003	2004	2005	2006	2007	Change since 2001
U.S.	\$15.05	\$15.17	\$15.36	\$15.36	\$15.17	\$15.23	\$15.10	0.3%
South	\$14.12	\$14.20	\$14.33	\$14.36	\$14.11	\$14.37	\$14.37	1.8%
Alabama	\$13.76	\$14.07	\$14.48	\$13.89	\$14.45	\$13.82	\$13.31	-3.3%

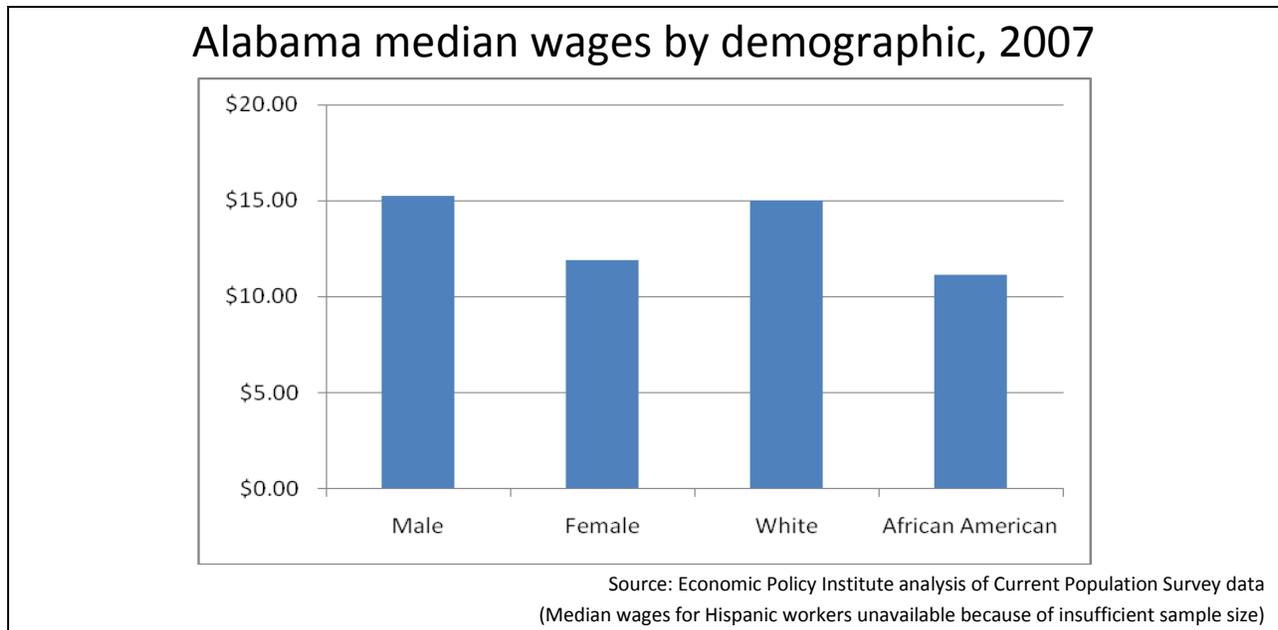
Source: Economic Policy Institute analysis of Current Population Survey data

One side effect of the state’s low wages is that Alabama sees less disparity between its highest and lowest wage percentiles than the region and nation. The hourly wage gap between workers in the state’s 90th percentile and its 10th percentile last year was \$21.24, down slightly from \$21.56 in 2006. For the South, the gap was \$25.56; for the nation, it was \$27.35.

The wage disparity between the 90th percentile and the 10th percentile has grown substantially in Alabama since 1979, though at a lower rate than the region and nation. Alabama’s disparity has increased 17.6 percent since 1979, compared to 36.6 percent growth for the South and a jump of more than 40 percent for the United States.



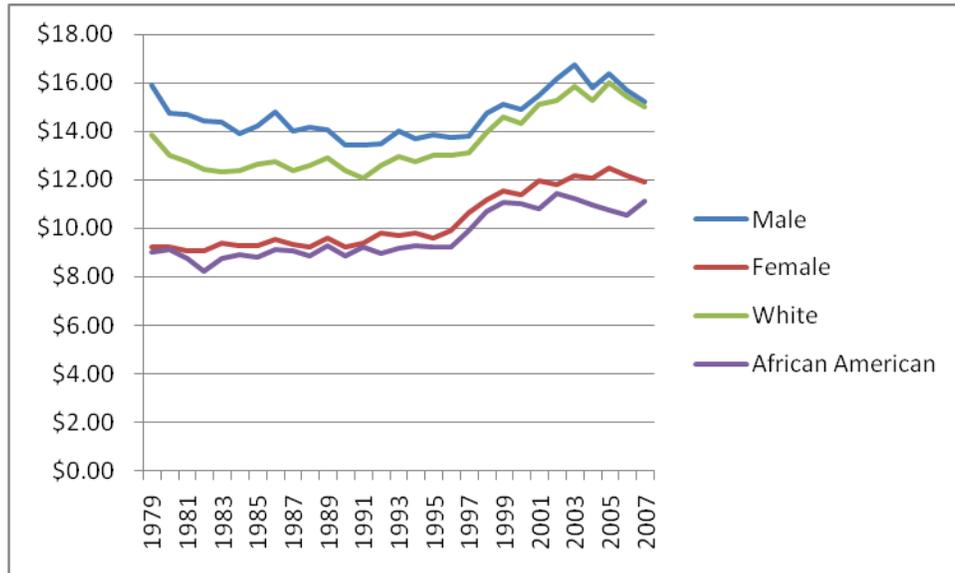
Women in Alabama make less per hour than men do on average, and their wage gap here is larger than the regional and national averages. Median wages for Alabama’s female workers last year were 21.7 percent lower than the corresponding figures for males. That disparity has closed considerably since 1979, when it stood at 41.9 percent, but it was little different last year from its 2001 level. Despite the decreases, Alabama’s gender wage disparity was still larger than the national gap of 18.6 percent and the Southern gap of 17.6 percent.



Alabama’s median wage gap between White and African American workers has been far more consistent than the gender wage gap, but it closed appreciably between 2006 and 2007. White workers’ median wages in Alabama were 26 percent higher than those of African American workers in 2007, compared to a 31.7 percent difference in 2006 and a 34.9 percent disparity in 1979.

The state’s wage disparity between Whites and African Americans narrowed last year because of both a 2.7 percent drop in Whites’ median wages and a 5.4 percent increase in African Americans’ median wages. Still, Alabama’s racial wage disparity in 2007 was greater than both the regional (23 percent) and national (23.7 percent) averages.

## Alabama median wages by demographic, 1979-2007



Source: Economic Policy Institute analysis of Current Population Survey data  
(Median wages for Hispanic workers unavailable because of insufficient sample size)

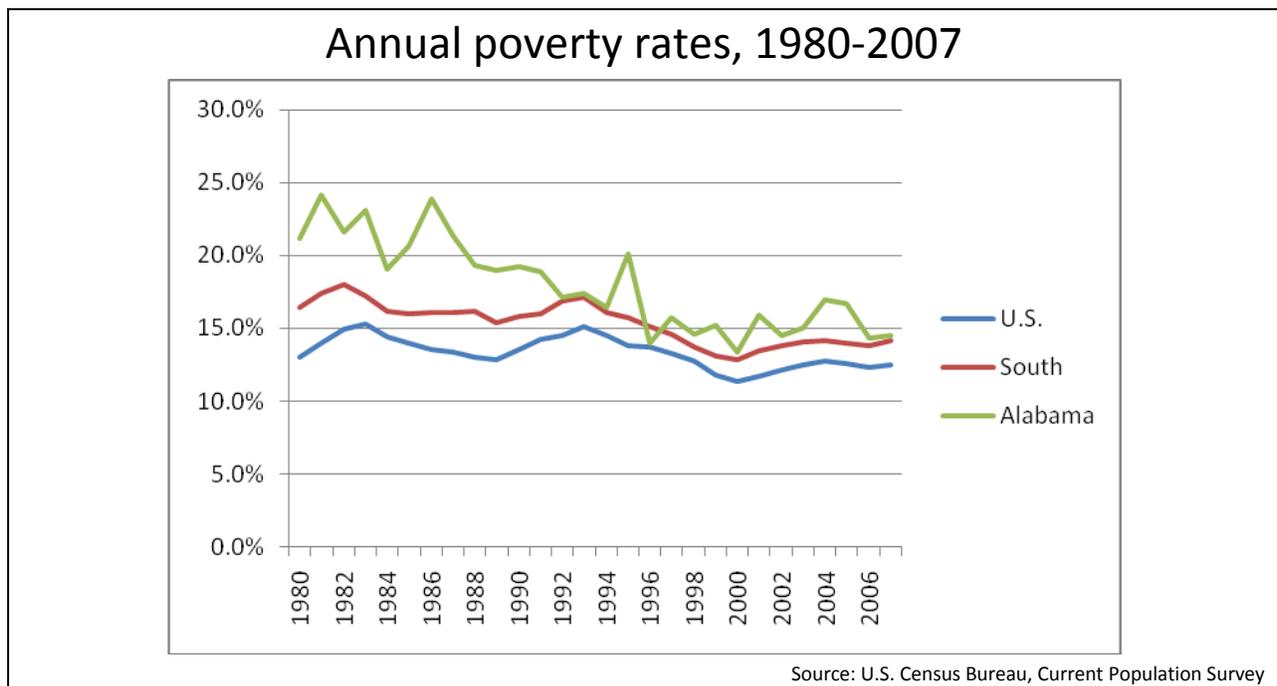
Median wages for Hispanic workers were unavailable for Alabama because of insufficient sample size. In the South and the United States, however, Hispanics' median wages remain below those of African Americans. Both regionally and nationally, median wages for Hispanic workers have increased by about 2.5 percent since 2001.

# POVERTY

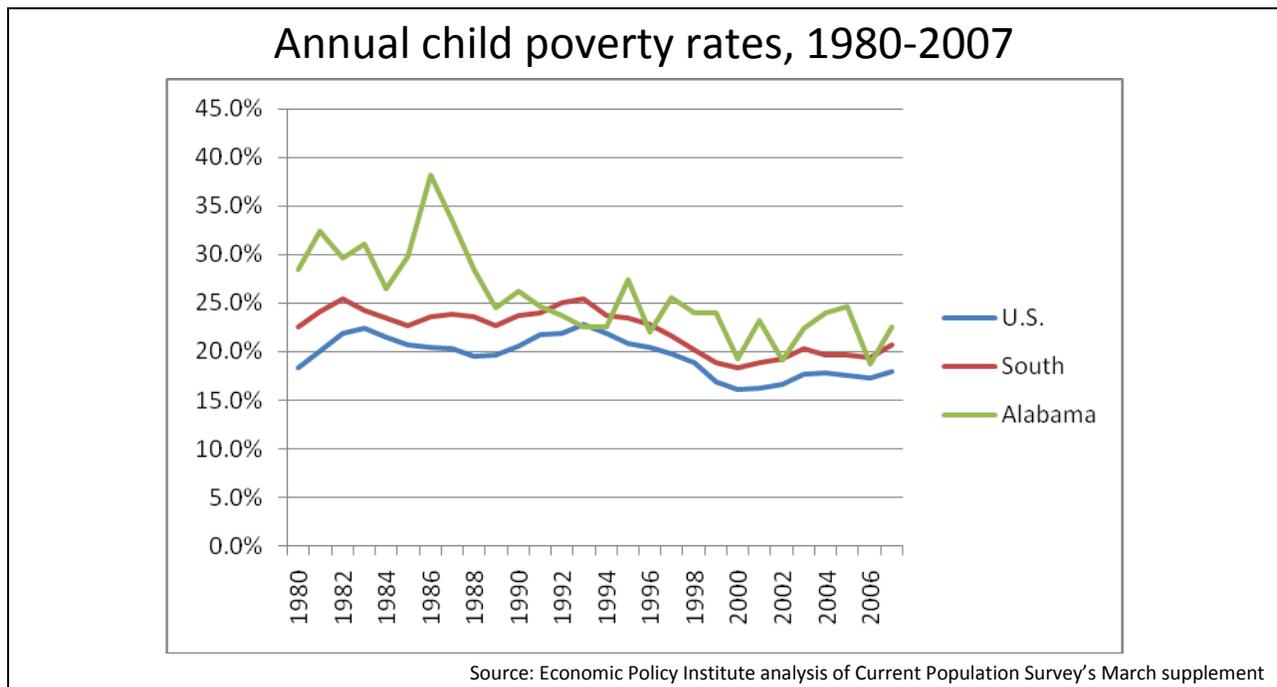
Alabama is one of the poorest states in the country, with a poverty rate consistently higher than the regional and national averages. And as prices continued to rise quickly for necessities like food and gasoline, the last economic cycle did little to change that.

The state's overall poverty rate and child poverty rate over the last two years were almost unchanged from their 2000-01 levels and remained higher than regional and national averages, despite a significant drop in Alabama's unemployment rate in this decade. The news was worse in the South and United States as a whole, though, as overall and child poverty rates ticked up from where they stood in 2000-01.

Nationwide, the poverty rate jumped almost 8 percent in the last six years, rising from 11.5 percent in 2000-01 to 12.4 percent in 2006-07. The South's poverty rate rose 6 percent, going from 13.2 percent in 2000-01 to 14 percent in 2006-07. Meanwhile, Alabama's poverty rate stayed roughly flat in that time, going from 14.6 percent in 2000-01 to 14.4 percent in 2006-07, according to the Current Population Survey. (The American Community Survey, the U.S. Census Bureau's other major survey, put Alabama's 2007 poverty rate at 16.9 percent. Our report uses CPS poverty data, however, because recent methodological changes could make comparisons between Alabama's ACS poverty estimates for 2001 and 2007 invalid.)



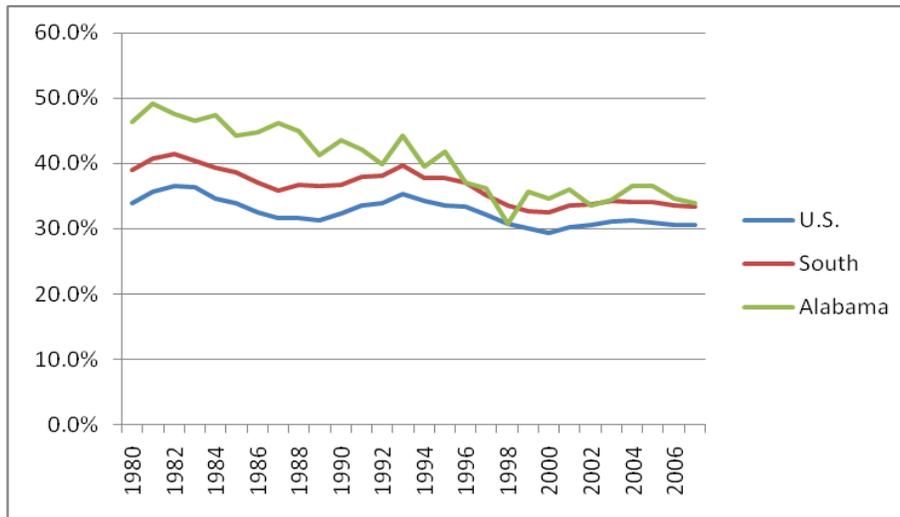
The trends for child poverty rates have mirrored those for overall poverty rates in this decade, with increases in the United States and South and relative stagnation in Alabama. The state’s percentage of children under age 18 living in poverty went from 21.3 percent in 2000-01 to 20.7 percent in 2006-07. The change in Alabama’s rate compares favorably to the South, where child poverty increased about 7.5 percent this decade, and the United States, which has seen an increase of about 8.6 percent from the 2000-01 average. Nonetheless, the two-year rolling average child poverty rate for Alabama remained higher than the rates for the South (20.1 percent) and United States (17.7 percent).



Many Alabama workers simply aren’t making enough to escape poverty. A full-time, year-round worker had to earn an hourly wage of \$10.28 last year to reach the federal poverty threshold for a family of four, which was \$21,386. Almost a third of Alabama’s workers – 32.4 percent – made less than that in 2007. That share increased almost 15 percent since 2006 and was up 11.3 percent from its 2001 level. In addition, Alabama’s share of workers making below the poverty wage in 2007 was higher than both the national average (26.8 percent) and the Southern average (29.6 percent), both of which also increased since 2006.

As large as those numbers might seem, many economists argue that they do not reflect the full extent of poverty. Instead, they say, the amount of income needed to maintain a minimally self-sufficient standard of living is twice the amount of the federal poverty threshold.

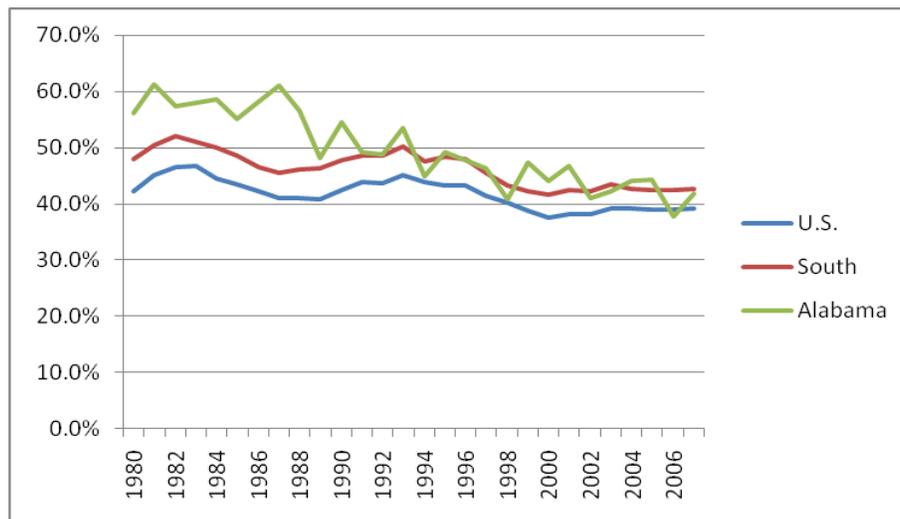
## Annual percentages of people below 200 percent of federal poverty threshold, 1980-2007



Source: Economic Policy Institute analysis of Current Population Survey's March supplement

In Alabama, 34.3 percent of people fell below that 200 percent threshold in 2006-07, compared to 33.5 percent in the South and 30.5 percent in the United States. Among children, the 2006-07 rates were 39.8 percent in Alabama, 42.5 percent in the South, and 39.1 percent in the United States.

## Annual percentages of children below 200 percent of federal poverty threshold, 1980-2007



Source: Economic Policy Institute analysis of Current Population Survey's March supplement

Alabama had considerably fewer children living below 200 percent of the poverty threshold in 2006-07 than it did when the decade began, but the total share of Alabamians living below 200 percent of the poverty threshold has shown little change, even as food and gas prices soar. In August 2008, the (Mobile) *Press-Register* reported that grocery costs increased 15.6 percent between May 2004 and May 2008. In those four years, 78,000 more Alabamians began receiving food stamps, including 31,000 since May 2007. (See George R. Altman, "More State Residents on Food Stamps," (Mobile) *Press-Register*, Aug. 18, 2008, at 1A.)

Meanwhile, gas prices that approached \$4 a gallon this summer hit Alabama, a largely rural state with little in the way of public transportation, harder than most other places. In April 2008, the *Los Angeles Times* reported that a study by the Oil Price Information Service found that people in Wilcox County spent a larger share of their income on gas than anyone else in the nation. (See Richard Fausset, "Price of Gas Adds to Town's Isolation," *Los Angeles Times*, April 18, 2008, at A1.)

Despite rising costs for necessities, the federal minimum wage remained at \$5.15 an hour for more than a decade, until Congress voted in January 2007 to phase in an increase over three years. The hourly minimum wage, which rose to \$5.85 in July 2007, is now \$6.55 and will increase to \$7.25 in July 2009. Even so, the minimum wage is well below the poverty wage for a family of four, which was \$10.28 last year.

The federal government may have increased its minimum wage, but Alabama remains one of only five states that do not have a state minimum wage law at all, according to the U.S. Department of Labor. Louisiana, Mississippi, South Carolina and Tennessee are the others.

**ACPP has called for Alabama to remove itself from that short list by enacting a state minimum wage law.**

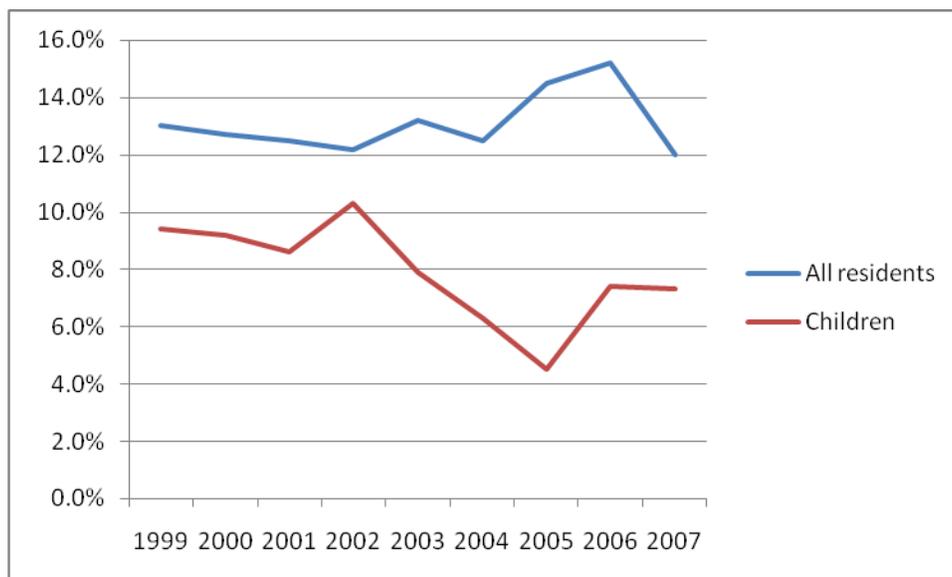
# HEALTH INSURANCE

Alabama has had fewer uninsured residents than the country as a whole in this decade, but following the national trend, their ranks have been growing in recent years. Even so, the state kept its percentage of uninsured children far below the national average in 2006-07.

Alabama was the first state to participate in the State Children’s Health Insurance Program (SCHIP), and the state’s pioneering program, ALL Kids, has played a critical role in providing health insurance coverage for thousands of children who otherwise probably wouldn’t receive it. ALL Kids also has helped to drive Alabama’s rate of uninsured children well below the national average. Nationwide, 11.4 percent of children under age 18 had no health insurance coverage in 2006-07. In Alabama, though, the figure was 7.4 percent.

The share of Alabama children who lacked health insurance in 2006-07 was up about 23 percent from the 2005-06 level of 6 percent. However, the state’s share of uninsured children is still down from 8.9 percent in 2000-01 and from 9.3 percent in 1999-2000, the earliest years for which reliable comparison data is available from the U.S. Census Bureau.

Annual percentages of Alabamians without health insurance, 1999-2007



Source: U.S. Census Bureau, Current Population Survey

But the insurance trends haven't been quite as promising in this decade for Alabama adults, as the state's overall percentage of uninsured residents has stayed about the same. The share of Alabamians with no health insurance coverage increased from 12.6 percent in 2000-01 to 13.6 percent in 2006-07, though the change fell within the margin of error.

In addition, slightly more Alabamians relied on government health insurance programs in the last two years than at the start of the decade. The percentage of Alabamians covered by private health insurance decreased about 3 percent between 2000-01 and 2006-07, from 71.8 percent to 69.5 percent, while the share of those covered by government insurance programs increased about 9 percent in that time, from 27 percent in 2000-01 to 29.5 percent in 2006-07.

These trends come on the heels of an extended debate in Alabama earlier this year over how to plug a Medicaid shortfall of more than \$150 million. In the end, state lawmakers came up with the revenue to shore up the 2009 Medicaid budget, but with the national economy slumping and state reserve funds dwindling, they may face tough times in providing the funds the program needs in the near future. That could be the case even though the state already provides little more than barebones services through Medicaid and doesn't extend eligibility to working parents who make more than \$4,391 a year.

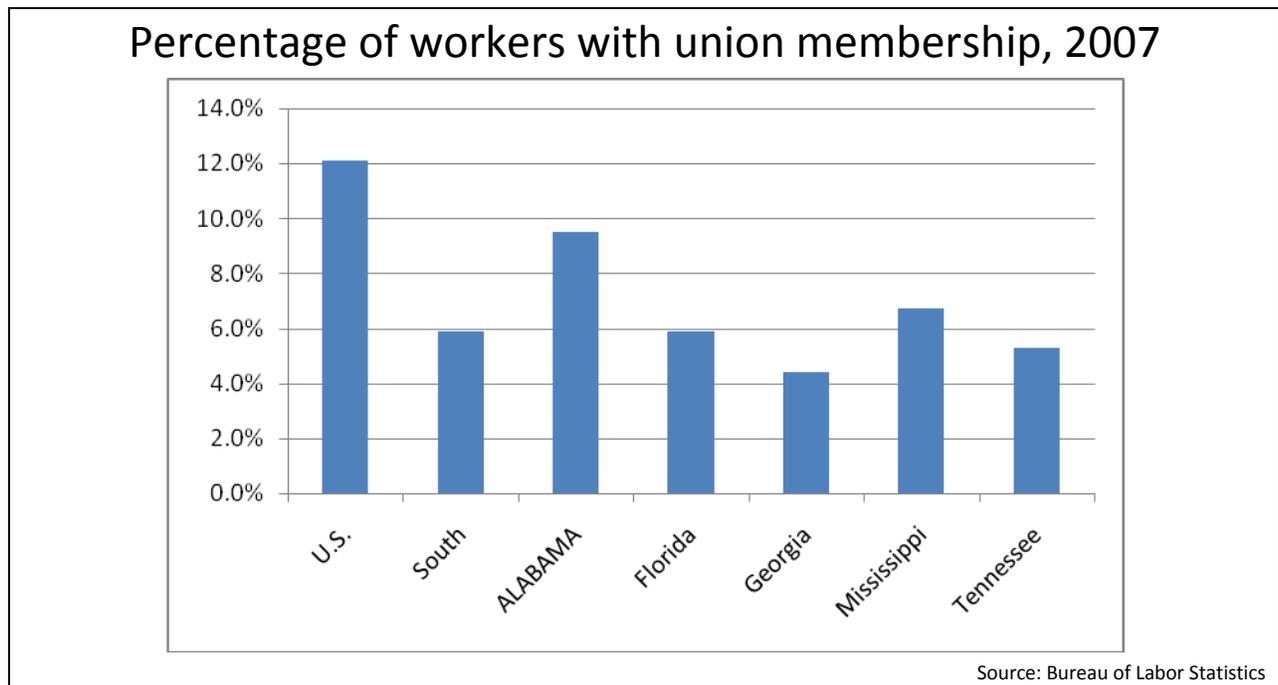
**ACPP has called for Alabama to raise the income cap for adult Medicaid eligibility to 130 percent of the federal poverty level (equal to the income cap for food stamps).**

This summer also brought a health care scare for elderly and disabled Alabamians who need assistance from Medicaid's Qualifying Individual 1 (QI-1) program to cover their monthly insurance premiums for outpatient services under Medicare Part B. The program expired on June 30, 2008, when Congress did not reauthorize it, leaving its 15,000 Alabama enrollees in the lurch. The program was revived weeks later, but the renewal came too late for about 4,000 Alabamians who have lost their QI-1 coverage until the new fiscal year begins in October 2008. (See Amanda Peterson, "Medicare Program Gets Funds," (Mobile) *Press-Register*, July 30, 2008, at 2B.)

# UNIONS

Union membership numbers have proved more resilient in Alabama than in most other Southern states, even as the national unionization rate has trended downward in recent decades. In 2007, the news was no different. Unions gained more than 10,000 members in Alabama last year as the share of state's labor force that has union membership rose about 8 percent to a level of 9.5 percent.

That figure is still significantly lower than last year's national average of 12.1 percent, but Alabama's rate remained above that of any of its Deep South neighbors, due largely to a high membership rate among public employees. With last year's increase from the 2006 rate of 8.8 percent, Alabama passed Kentucky to claim the fourth highest unionization level in the South. Only Delaware, Maryland and West Virginia (all of which the U.S. Census Bureau classifies as Southern states) had labor forces with a larger percentage of union members. Among the states that border Alabama, Mississippi had the highest union membership rate, checking in at 6.7 percent.

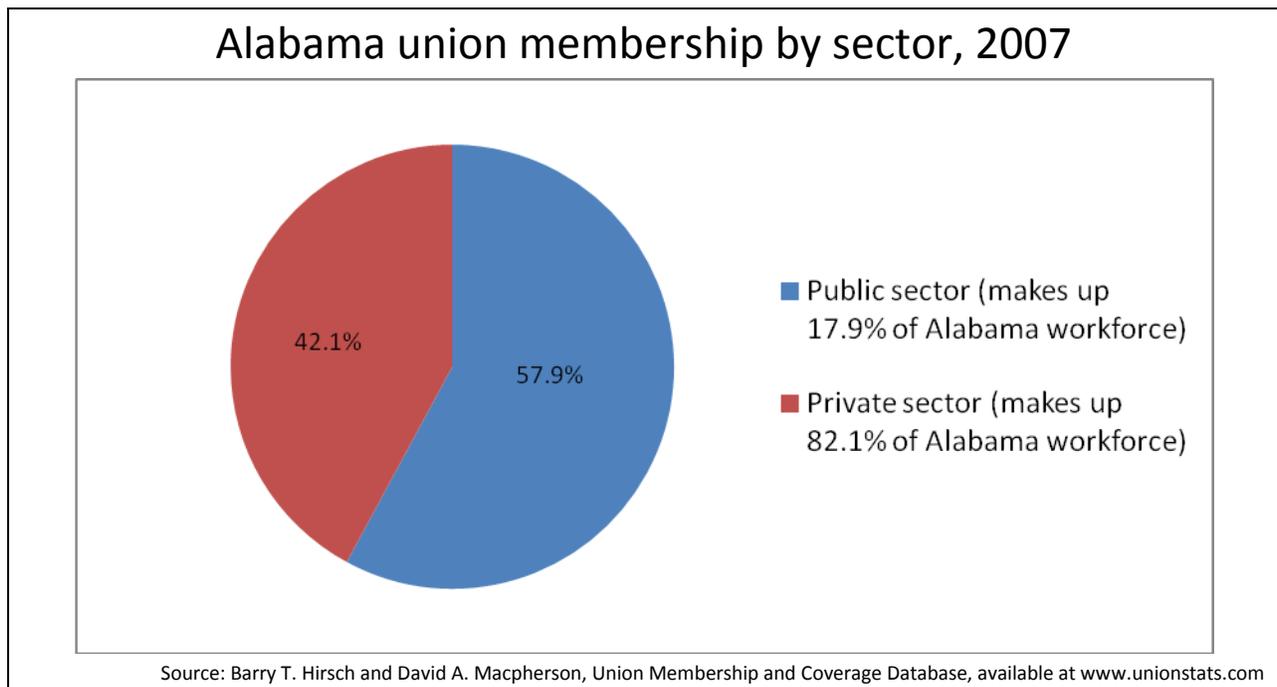


Alabama also continued to have one of the region's largest percentages of workers who have union coverage, meaning they either are union members or are covered by a union

contract at work. The state's rate of 10.6 percent was below the national average of 13.3 percent, but it was up 6 percent from 2006 and was the fifth highest percentage among Southern states, behind Delaware, Kentucky, Maryland and West Virginia. Among the four states contiguous to Alabama, the highest union coverage rate belonged to Mississippi at 8.9 percent.

Public employees made up the majority of unionized workers in Alabama in 2007. Though the public sector employed less than 18 percent of the state's labor force, public employees accounted for 104,535 of Alabama's 180,397 union members. Almost 31 percent of the state's public workers were union members last year, and more than a third of public employees had union coverage.

Union membership remains a comparative rarity in Alabama's private sector, however. Of the more than 1.55 million Alabamians employed in the private sector, about 76,000 were union members last year, a rate of 4.9 percent. Union coverage among Alabama's private employees stood at 5.5 percent.

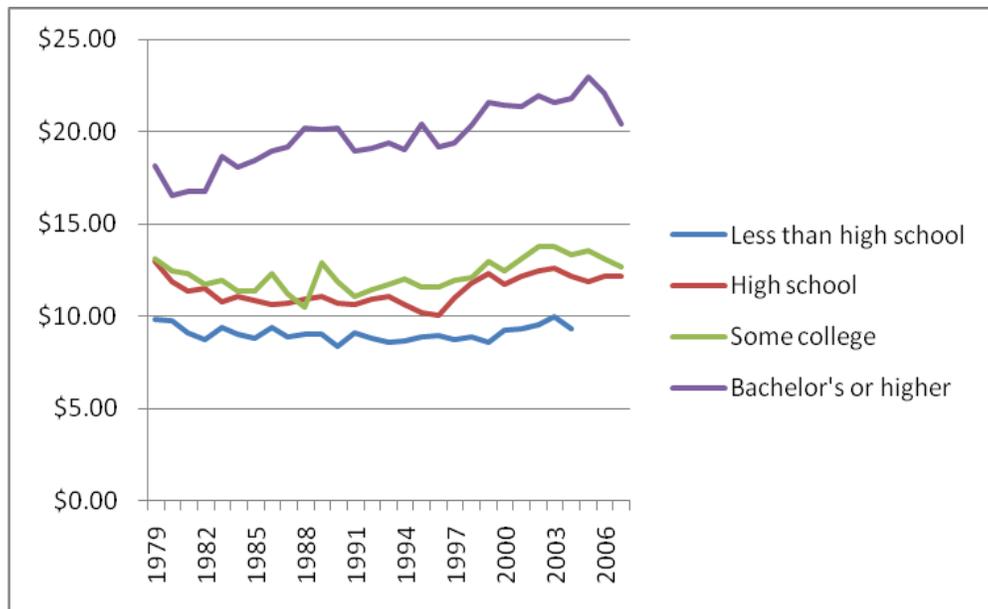


# EDUCATION

It's old news that Alabamians whose education ended after high school or community college have seen their wages stagnate or decline in this decade. It's also old news that college costs are escalating rapidly. But what *isn't* old news is that Alabama's college graduates, some of whom still owe thousands of dollars in student loans, have seen their median wages fall between 2001 and 2007.

As in the rest of the country, median wages for Alabamians with a high school diploma have fallen since 1979 and have remained at the status quo since 2001. In 1979, the median wage for an Alabama high school graduate was \$12.97 an hour. That number fell to \$12.19 in 2001 and sat at \$12.15 last year. Likewise, wages for Alabama workers who completed some college have not risen from their levels in 1979 and 2001. The median wage for such workers was \$13.13 in 1979, compared to \$13.14 in 2001 and \$12.65 in 2007. (Wage information for Alabama workers who did not complete high school was unavailable for 2007, but such workers have seen slight increases in their median wages in the South and the nation since 2001.)

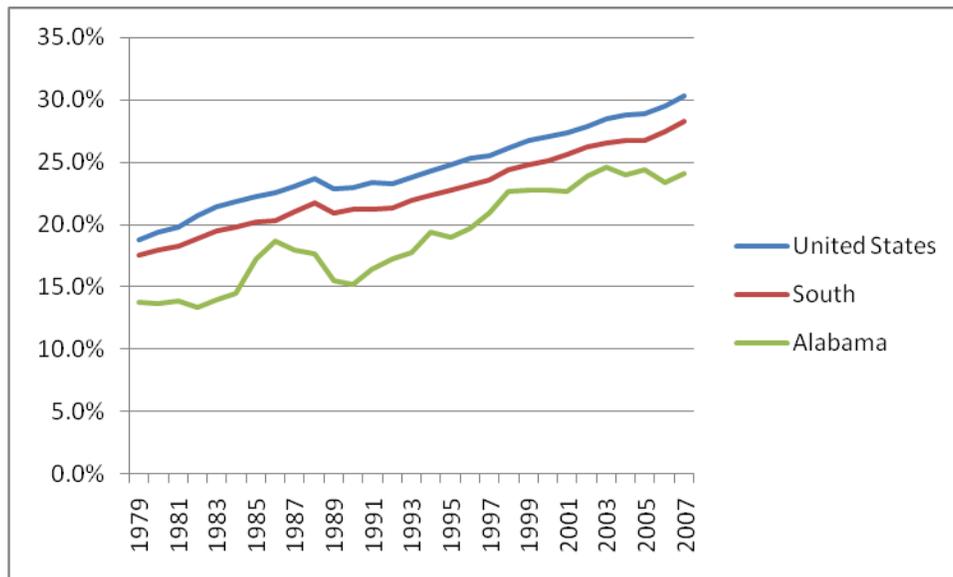
Alabama median hourly wages by education level, 1979-2007



Source: Economic Policy Institute analysis of Current Population Survey data (Median wages for "less than high school" unavailable for 2005-07 due to insufficient sample size)

Wages for college graduates in Alabama long have trailed the national average. But thanks largely to a 7.5 percent drop last year, median wages for the state’s college-educated workers have fallen below their 2001 level even as they have stagnated for such workers nationally. The median wage for workers who hold at least a bachelor’s degree was \$20.45 in 2007, up from \$18.17 in 1979 but down from \$21.36 in 2001. In the United States as a whole, college graduates have seen only a relatively insignificant increase in median hourly wages, from \$23.64 in 2001 to \$23.85 in 2007. Median wages for college-educated workers also have inched up slightly in the South since 2001, increasing from \$22.33 to \$22.55.

### Percentage of labor force with bachelor’s degree or higher, 1979-2007

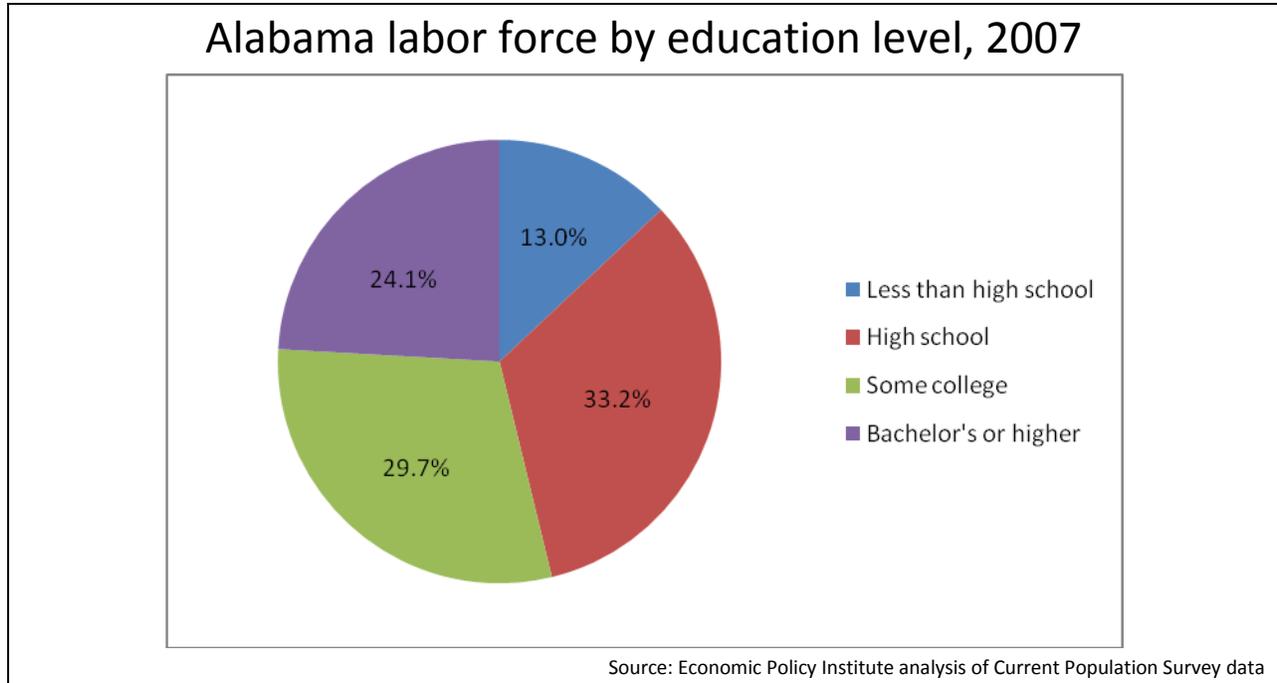


Source: Economic Policy Institute analysis of Current Population Survey data

A growing number of Alabamians are able to cash in on the wage benefits that accompany a bachelor’s degree, but the state still trails the South and the nation in the percentage of highly educated workers. Following a national trend, the share of Alabama’s workforce that is college-educated has increased in the last three decades, rising from 13.7 percent in 1979 to 22.6 percent in 2001 and 24.1 percent in 2007. The percentage of state workers with some college has hovered around 29 percent throughout this decade.

Alabama still lags considerably behind the region and nation in educational attainment, however. Just under half of the state’s workers – 46.2 percent – have a high school education

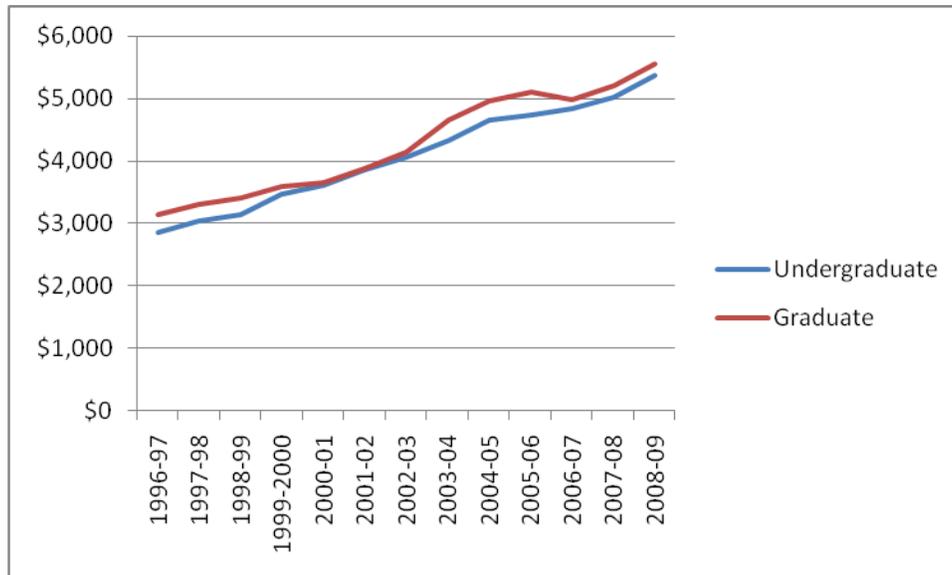
or less, so the nationwide stagnation of wages for high school graduates has hit Alabama harder than many other states.



The wage drop in 2007 aside, Alabamians with bachelor’s degrees have seen the sort of sustained, meaningful wage growth that has eluded their less-educated counterparts in the last three decades. But it’s costing more and more for the state’s workers to seek the college education that could increase their earning power – at least if they’re looking to do it at a state-funded institution.

The annual median in-state cost of tuition and required fees at Alabama’s public four-year universities, adjusted to 2007 dollars, has skyrocketed by 88.5 percent in the last decade or so, jumping from \$2,854 per year in 1996-97 to \$5,594 (\$5,379 in 2007 dollars) for 2008-09. Costs have risen more slowly for graduate students, but advanced degrees nonetheless are noticeably more expensive than they were a decade ago. The median annual in-state cost of graduate school tuition and required fees at an Alabama four-year public university, adjusted to 2007 dollars, has increased almost 77 percent since 1996-97, rising from \$3,139 then to today’s mark of \$5,768 (\$5,546 in 2007 dollars), according to figures from the Alabama Commission on Higher Education.

## Median in-state tuition and required fees at Alabama's public four-year institutions, 1996-present\*



Source: ACPH analysis of data from Alabama Commission on Higher Education Annual Tuition and Fee Schedule

\*Adjusted to 2007 dollars in August 2008 using online Consumer Price Index calculator from Federal Reserve Bank of Minneapolis

The tuition increases accelerated this year after lawmakers slashed about \$370 million from Alabama's 2009 education budget, including an 11 percent cut for higher education. State universities responded quickly, with many imposing double-digit tuition increases to try to fill the funding shortfall. The biggest increase came at Troy University, where tuition for some students rose more than 30 percent.

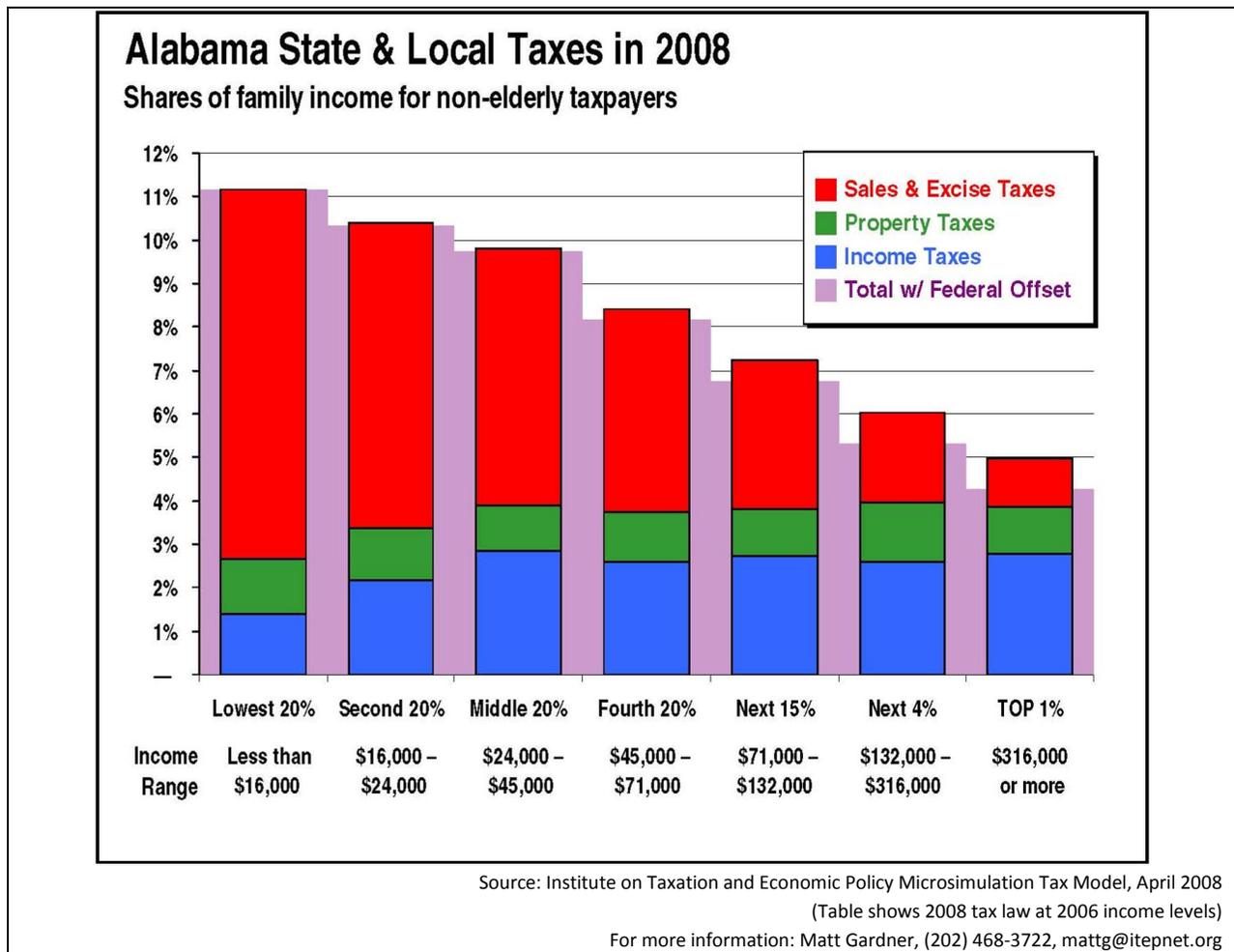
Alabama's stagnant median income and stagnant median wages have left many families unable to afford the growing cost of college. For the 40 percent of Alabama families with the lowest incomes, the net college cost – tuition, room and board, minus financial aid – in 2006 would have been about 36 percent of annual income for a community college and 39 percent for a public four-year college or university, according to the National Center for Public Policy and Higher Education (NCPPE).

More than 100,000 students at two- or four-year state institutions qualified for need-based financial aid in 2005-06, but the Alabama Student Assistance Program gave grants, averaging \$555 apiece, to only 3,742 of those eligible. (See Thomas Spencer, "House Doubles Need-Based College Aid," *Birmingham News*, May 10, 2007, at 5C.) Because of these statistics and others, the NCPPE gave Alabama an *F* in the affordability category of its *Measuring Up 2006* state report card on higher education.

# TAXES

Alabama taxes consistently rank among the nation’s lowest per capita, but that’s almost entirely because they’re so low for the top earners. For decades, the state’s tax system has demanded more from those who make the least than from those who make the most.

The bottom fifth of Alabama’s income earners – those who made less than \$16,000 – on average pay 11.2 percent of their income in state and local taxes, according to the most recent update to *Who Pays?*, a study by the Institute on Taxation and Economic Policy (ITEP) that takes a state-by-state look at the shares of income people in each income range pay annually in state and local taxes. By contrast, the top 1 percent of Alabama’s earners pay 5 percent, and the effective rate falls to 4.3 percent when the federal offset for state income taxes is taken into account. Every step of the way, the trend holds true: The more people make in Alabama, the smaller share they pay in state and local taxes.



High sales taxes and an effectively flat income tax are key factors in the state tax system's imbalance. Alabama's sales and excise taxes are 34 percent above the national average as a share of income, according to the ITEP report. Income taxes for the top 1 percent of earners in Alabama are the third lowest among the 42 states that have a broad-based income tax, ITEP said. But for middle-income Alabamians, state income taxes are the 14th highest in the country, and for the bottom fifth, the state's income taxes are the third highest.

Alabama lawmakers in 2006 increased the state's income tax threshold – the lowest level at which people must pay income tax – for a family of four from \$4,600 to \$12,600. Even after the change, though, Alabama continues to tax workers whose earnings fall far below the federal poverty line, which was \$21,386 for a family of four in 2007. Further, the state's income tax on a family of four at the poverty line last year (\$433) was the nation's highest.

Alabama does offer a deduction for Social Security contributions, but this relief is available only for taxpayers who, unlike many low- and middle-income earners, itemize their deductions. That quirk means the break often doesn't help low-income people, even though they pay a larger share of their income toward Social Security. The state also permits a deduction for federal income tax paid, which mainly helps wealthier Alabamians; 82 percent of the nearly \$550 million tax break goes to the top fifth of earners, according to ITEP.

**ACPP has called for the Legislature to raise the state's income tax deductions and exemptions to federal levels and to link them to federal levels to keep pace with annual increases in the cost of living.**

**ACPP also has called for constitutional change to eliminate the state's deduction for federal income taxes paid, a tax break that primarily benefits high-income taxpayers and costs the state almost \$550 million a year.**

The current income tax threshold, though more balanced than the pre-2006 model, still burdens many people trying to climb out of poverty. Alabama's threshold of \$12,600 for a family of four is the second lowest in the country, ahead of only Montana, and the state begins to apply the income tax to residents at about 60 percent of the federal poverty income. Most states with an income tax have thresholds above the poverty line.

Alabama's income tax rates have not changed since 1935. Yearly taxable income under \$500 (\$1,000 for a couple) is assessed at 2 percent, while income between \$500 and \$2,999 (double for couples) is taxed at 4 percent. All taxable income of \$3,000 or more (double for couples) is subject to a rate of 5 percent. That means most Alabamians, whether low-income or high-income, owe income tax at the same rate. Indeed, almost 80 percent of state families pay at the top rate, ITEP said. For workers at the middle or bottom of the income scale, who must

use a larger share of their earnings to buy basic necessities, this rate schedule works against their efforts to get ahead.

**ACPP has called for a new top state income tax rate of 6 percent on taxable income above \$150,000 per couple (\$75,000 for singles).**

As hard as the state's income tax hits low-income Alabamians, sales taxes hit them even harder. Alabama relies heavily on regressive sales taxes, and the overall rates here are some of the highest in the United States. (Sales taxes are regressive because low-income workers must pay a larger share of their income in them.) Further, the state's sales tax attaches mainly to spending on goods and entertainment, but not on most personal and professional services, on which wealthier taxpayers tend to spend a larger percentage of their incomes than lower-income people do. Alabama also taxes over-the-counter medications, and it is one of only two states in the country – the other is Mississippi – that tax groceries fully without any discount for low- and middle-income families.

**ACPP has called for sales tax relief for low- and middle-income people buying basic necessities like groceries, through a targeted sales tax rebate on food purchases for low- and middle-income Alabamians, removal of the state portion of the grocery tax, or a complete removal of the state and local sales taxes on these necessities.**

**ACPP also has called for a reduction in the state sales tax rate and for the sales tax to be modernized to reflect new buying patterns. Proposed measures include applying the sales tax to many personal and professional services and implementing the Streamlined Sales Tax Agreement, an interstate effort to simplify state sales tax laws.**