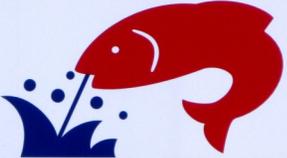


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THE STATE OF WORKING ALABAMA 2009

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THE STATE OF WORKING ALABAMA 2009

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 2009 against the backdrop of national, regional and historical trends. Since 1988, the EPI has released a biennial publication called *The State of Working America*. The publication offers a wealth of data on the nation's 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 2008 Current Population Survey and other state and national data sources. Unless otherwise noted, this report adjusts dollar figures into 2008 dollars to account for inflation and enable comparisons across time.

This report was written by ACPP policy analyst Chris Sanders, with cover design by ACPP communications director Jim Carnes and editing by Carnes and ACPP executive director Kimble Forrister. The report was published in November 2009.

ARISE CITIZENS' POLICY PROJECT

Arise Citizens' Policy Project (ACPP) is a nonprofit statewide citizens' organization comprising 150 congregations and community groups that promote public policies to improve the lives of low-income Alabamians. ACPP analyzes the impact of current and proposed state policies and educates its members on poverty issues.

OVERVIEW

The economic recession took longer to crash the party in Alabama than in many other states. But once it did arrive in late 2008, it made its presence known swiftly and severely.

Alabama's unemployment rate has been perhaps the most visible indicator of the recession in the last year. The state's ranks of jobless workers began to swell late last year, and the growth in their numbers has accelerated through much of 2009. Alabama once boasted a far lower unemployment rate than the national average. Now it has one of the nation's highest.

But soaring unemployment is far from the only concern facing Alabama families in these difficult economic times. Despite a decade of solid growth in the state's productivity, the shares of Alabamians who live in poverty or lack health insurance have shown no appreciable declines since 2001. Child poverty is up in the state since that time, but the median household income is not. Median wages have stagnated or declined for Alabamians without a bachelor's degree in this decade, and the increase for four-year degree holders has been only a slight one. Despite attracting several automakers, Alabama has hemorrhaged manufacturing jobs since 2001. And the share of state residents who have had to cut back their food intake because they cannot afford all the food they need has increased by more than 60 percent since 1996-98.

Many of Alabama's longtime racial and gender gaps remained in 2008, but some have narrowed or even reversed. Bucking a decades-long trend, unemployment last year was higher for men than women in Alabama. Whites and African Americans also participated in the workforce at about the same rates in 2008. But some disparities were more persistent than others. Whites and African Americans in Alabama still had a larger median wage gap than the regional and national averages, as did the state's men and women. Alabama's racial disparity in unemployment also exceeds the national one and is projected to grow even larger in 2010.

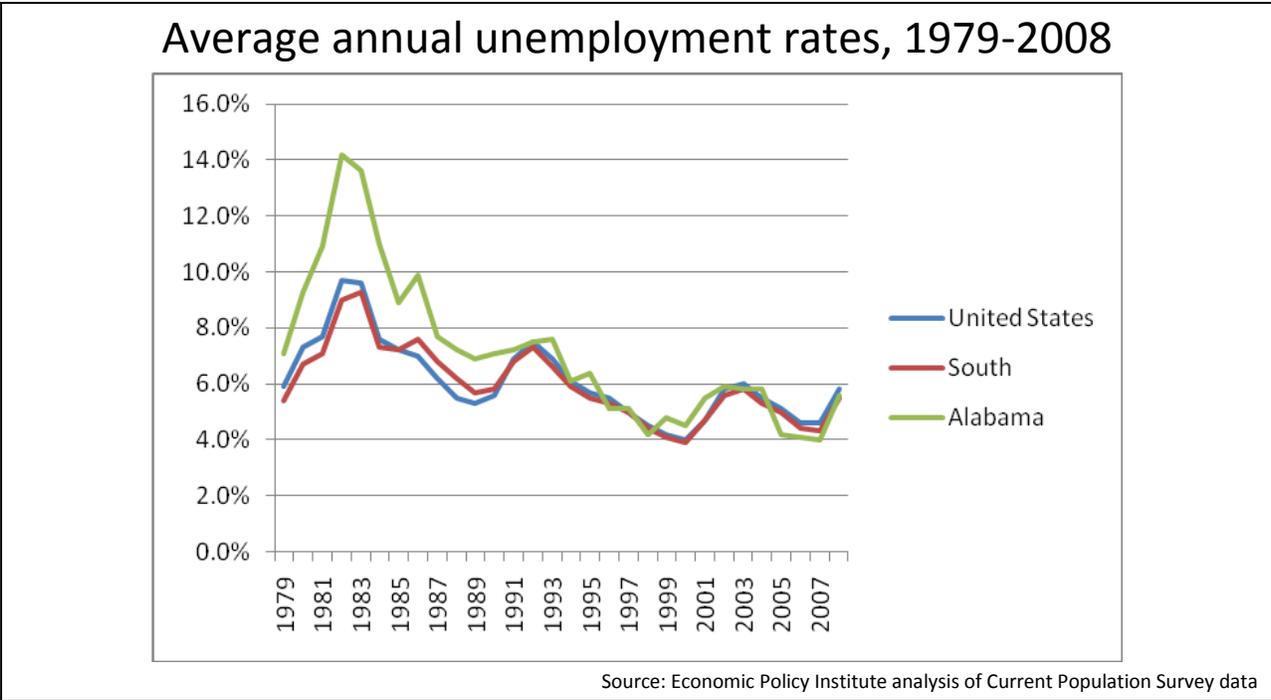
State workers also face broader challenges in their efforts to climb the economic ladder. Many of Alabama's four-year public universities have continued a years-long trend of sizable tuition increases, making it even tougher for low-income people to afford the bachelor's degree that is the surest route to a higher income. The state still relies heavily on regressive sales taxes that apply even to basic necessities. And low-income Alabamians still pay more than twice as big a share of their income in state and local taxes as the citizens with the highest incomes do.

For many Alabamians, a decade of relative economic prosperity has been a decade of lost potential, bringing little in the way of increased earnings or economic stability. Now, with the nation striving to emerge from a severe recession, the main question on the minds of many of the state's workers is a simple one: How much worse will it get before it starts to get better?

EMPLOYMENT

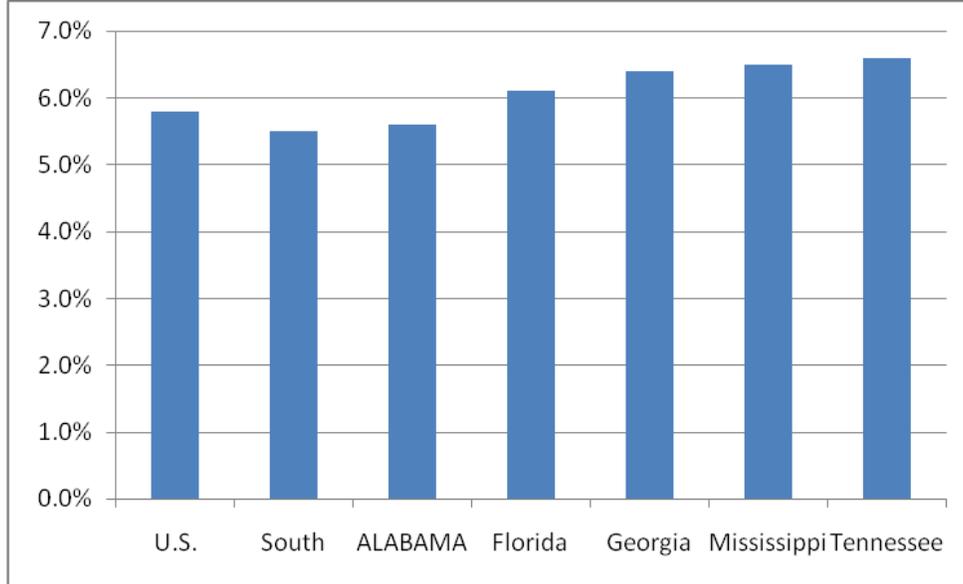
Alabama’s years with one of the nation’s lowest unemployment rates are over. In fact, as the recession has continued in 2009, that long-standing distinction has reversed: The state’s unemployment rate is now one of the highest. Even so, an infusion of federal money into Alabama’s budgets has prevented layoffs that would have driven unemployment even higher.

Alabama’s unemployment rate rose to 5.6 percent last year, up from 4 percent in 2007 but still below both the regional and national averages and lower than that for all four neighboring states. But Alabama’s joblessness has soared in 2009, climbing to 10.9 percent in October 2009. The state’s current unemployment rate far exceeds the 5.5 percent yearly average during the last recession in 2001. Alabama’s unemployment rate in October 2009 was the state’s highest in a quarter-century and almost twice as high as a year earlier.



Alabama’s 2008 unemployment rate was lower than the national rate (5.8 percent) and the third lowest in the Deep South, behind Arkansas and Louisiana. Of Alabama’s neighbors, Florida (6.1 percent) and Georgia (6.4 percent) came the closest to matching the state’s unemployment rate last year. Tennessee’s unemployment rate stood at 6.6 percent, while Mississippi checked in at 6.5 percent. The overall rate for the South was 5.5 percent.

Average annual unemployment rates, 2008



Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment increased all across Alabama in both 2008 and 2009, but the effects were especially pronounced in many rural areas. Two Black Belt counties – Dallas and Wilcox – had unemployment rates that were more than double the statewide average in October 2009.

Unemployment rates in selected Alabama counties, October 2009

Alabama (seasonally adjusted): 10.9%			
<i>Ten highest:</i>		<i>Ten lowest:</i>	
Wilcox	25.1%	Shelby	7.4%
Dallas	21.9%	Madison	7.5%
Conecuh	20.5%	Coffee	8.3%
Monroe	20.1%	Pike	8.6%
Chambers	19.9%	Lee	8.8%
Perry	19.1%	Tuscaloosa	8.8%
Winston	18.8%	Elmore	8.9%
Bullock	17.6%	Houston	8.9%
Lowndes	17.5%	Autauga	9.2%
Clay	17.1%	Dale	9.2%

Source: Alabama Department of Industrial Relations
 * Note: October 2009 figures are preliminary

Alabama's unemployment rate in October 2009 was the nation's 11th highest. The state also had the country's third largest percentage-point increase in unemployment between October 2008 and October 2009, according to the Bureau of Labor Statistics. Many of the best-paying jobs in Alabama are in the manufacturing and professional services industries, which were particularly hard-hit nationally in 2009.

But even government and education jobs, traditionally viewed as more secure than private-sector employment, have not been immune to the economic downturn. In September 2009, for the first time in five years, Alabama's state agencies had fewer workers than a year ago. (See David White, "Number of State Workers in Alabama Declines," *Birmingham News*, Nov. 9, 2009.) And 75 percent of the state's public schools cut jobs over the summer, according to a survey released last month. (See "85% of Schools in State Expect to Cut Jobs Next Summer," *Huntsville Times*, Oct. 27, 2009.)

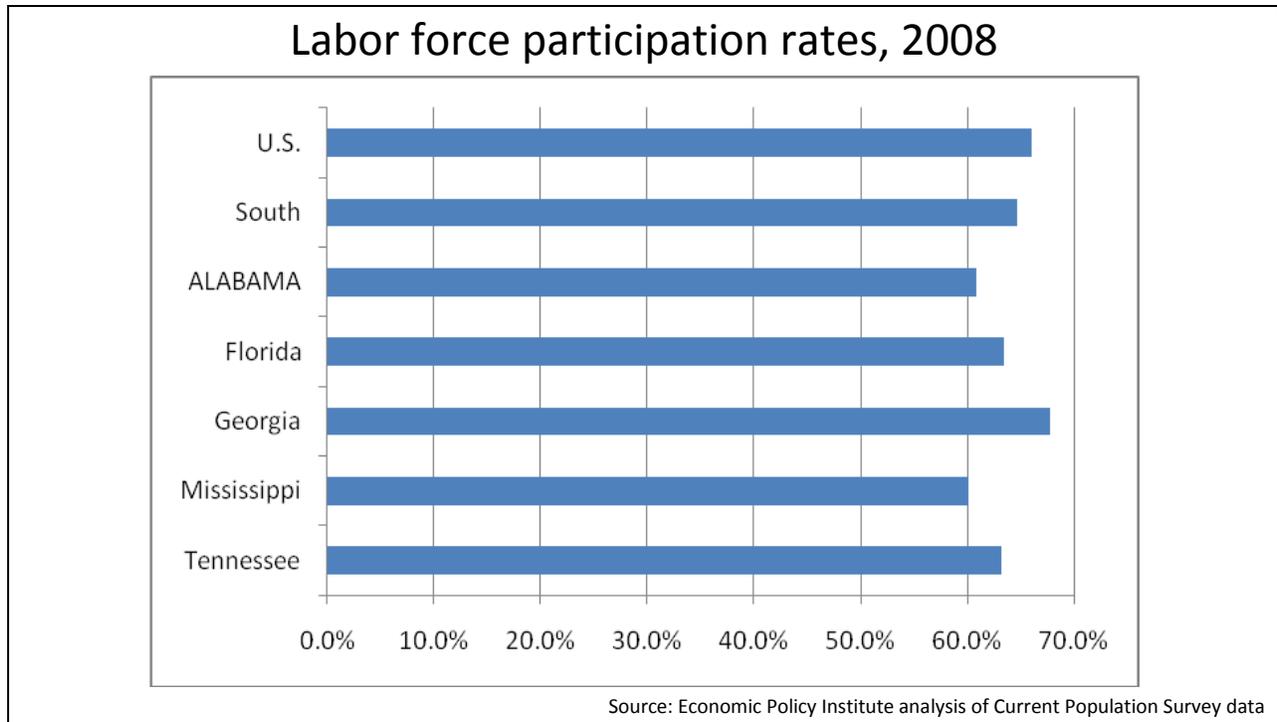
Provisions of the American Recovery and Reinvestment Act (ARRA), also known as the stimulus package, have helped to prevent further job losses. ARRA aid to state budgets has averted hundreds of thousands of layoffs nationwide. Alabama officials estimated earlier this year that ARRA funds would save almost 3,800 teacher jobs. ARRA money thus far has created or saved 4,884 jobs in Alabama, according to a White House report in October 2009.

However, the October report covers only 16 percent of the ARRA money spent through September, according to the Center on Budget and Policy Priorities (CBPP), because most of the money has gone directly to states or individuals. (See Michael Leachman, "The Administration's October 30 Data Release on Jobs Created by the Economic Recovery Law: What It Will Tell Us and What It Won't," CBPP, Oct. 28, 2009.) The CBPP notes that the October report does not reflect jobs created or saved by additional Medicaid spending, direct benefit payments to individuals, and individual and business tax cuts. The Council of Economic Advisers estimated in September that the overall effects of ARRA money created or saved 13,500 jobs in Alabama in the third quarter of 2009.

ARRA also has helped unemployed workers stay afloat as they search for new jobs in an economy that seems short on them. ARRA provides up to 53 weeks of extended unemployment benefits, increases their amount by \$25 a week and partially exempts benefits from federal taxation. (A law passed in November 2009 will add up to 20 more weeks of benefits.) ARRA also offers additional "unemployment modernization" funding to states that consider more recent work in determining benefits eligibility and that extend benefits to groups such as part-time workers or people who leave their jobs to flee domestic violence.

Alabama stands to receive \$100.5 million in modernization funds, but Gov. Bob Riley has said he opposes taking the money because he believes the new eligibility categories would result in a tax increase after the ARRA money runs out. A bill to expand eligibility and accept the modernization money died in the Alabama Senate this year but could be reconsidered in 2010.

In addition to its unemployment woes, 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 2008 to 60.8 percent, the third lowest in the United States and 2.4 percent below the state's 2001 performance. The national rate in 2008, by contrast, stood at 66 percent. Only Mississippi and West Virginia had lower labor force participation rates than Alabama last year.



Long-standing racial disparities persist in Alabama's employment statistics, and that is particularly true of the state's unemployment rate. White unemployment in Alabama increased from 3.1 percent in 2007 to 4 percent in 2008, a 29 percent jump. But among the state's African Americans, unemployment soared from 6.7 percent in 2007 to 10 percent in 2008, an increase of 49 percent. Whites in Alabama were part-time for economic reasons at a 12.6 percent rate last year, but almost twice as large a share of African American workers (24.4 percent) were.

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 — also remained more than twice as high among African Americans as among whites in 2008. One gap that has closed in recent years, though, is the state's racial disparity in labor force participation. Whites had a 59.8 percent rate in 2008, while the rate for African Americans was 60.1 percent.

Alabama’s racial disparity in unemployment probably will continue to grow in 2010, according to a July 2009 report from the Economic Policy Institute (EPI). The unemployment gap between whites and African Americans in the state will grow to 12 percentage points by the second quarter of 2010, according to the report, which projects that almost a fifth of African Americans in Alabama will be jobless by that time. The state’s racial disparity is larger than the national one, the EPI reports. (See Algernon Austin, “Unequal Unemployment: Racial Disparities by State Will Worsen in 2010,” EPI Issue Brief No. 257, July 21, 2009.)

Alabama labor force statistics by race, 2008				
	White	African American	Hispanic	Asian/Pacific Islander
Labor force participation rate	59.8%	60.1%	82.7%	76.0%
Unemployment rate	4.0%	10.0%	(x)	(x)
Underemployment rate	7.4%	15.8%	(x)	(x)
Part-time workers share	22.1%	19.1%	(x)	(x)
Part-time for economic reasons share	12.6%	24.4%	(x)	(x)
Source: Economic Policy Institute analysis of Current Population Survey data (x) Insufficient sample size				

Unemployment has been higher among women than men in Alabama for much of the last three decades, but the gender disparity now has reversed, with 6.4 percent of men jobless in 2008 compared to 4.7 percent of women. Still, 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 68.1 percent, compared to a rate of 54.3 percent for women. That gap was only slightly smaller than it was in 2001. More than a quarter of the women in the state’s labor force worked part-time in 2008, compared to 15 percent of men.

Alabama labor force statistics by gender, 2008		
	Male	Female
Labor force participation rate	68.1%	54.3%
Unemployment rate	6.4%	4.7%
Underemployment rate	10.5%	9.0%
Part-time workers share	15.0%	27.4%
Part-time for economic reasons share	23.0%	12.5%
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 53 percent of Alabama’s labor force in 2008, with women making up

47 percent. That reflects 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 and nation as a whole, in each of which the share was 46.5 percent last year.

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 15.3 percent in 2008. 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 18.9 percent in 2008.

Shares of Alabama labor force by demographic						
	1979	1989	1995	2001	2007	2008
Gender						
Male	59.7%	55.5%	53.5%	52.5%	52.9%	53.0%
Female	40.3%	44.5%	46.5%	47.5%	47.1%	47.0%
Age						
16-24 years	23.3%	17.4%	19.3%	16.3%	14.7%	15.3%
25-54 years	62.3%	70.1%	69.5%	70.1%	67.2%	65.8%
55 years and older	14.4%	12.5%	11.3%	13.6%	18.1%	18.9%
Race / ethnicity						
White	76.8%	78.6%	74.1%	74.1%	69.3%	68.8%
African American	22.4%	20.5%	24.5%	23.4%	24.0%	24.3%
Hispanic	(x)	0.6%	0.7%	1.7%	3.8%	4.0%
Asian/Pacific Islander	(x)	(x)	(x)	0.6%	0.9%	1.2%
Source: Economic Policy Institute analysis of Current Population Survey data						
(x) Insufficient sample size						

Whites still make up more than two-thirds of Alabama’s labor force, but the share of African Americans has increased slightly since 2001. The reported share of Hispanic workers, while still comparatively small, has grown substantially in the last decade, up 135 percent since 2001. Census data last year indicated that 4 percent of the state’s workforce was Hispanic, a 5.3 percent increase from 2007. Hispanic workers constitute a far smaller portion of the labor force in Alabama than in the South (14.6 percent) or nation (14.3 percent) as a whole, however.

Asians and Pacific Islanders made up 1.2 percent of Alabama’s labor force last year, compared to 0.6 percent in 2001. As with Hispanics, Alabama’s share of Asians and Pacific Islanders in the labor force share also was smaller than the regional (2.8 percent) or national (4.6 percent) levels in 2008.

JOBS

After several years of steady growth, Alabama’s total number of non-farm jobs fell last year for the first time since 2003 as the economic recession began to take its toll in the state. The state shed about 11,500 jobs in 2008, lowering Alabama’s number of new non-farm jobs since 2001 to about 85,500. Even after several good years, growth in some of the highest-paying industries has been slow or nonexistent in the last decade. And despite the many major automakers that have set up shop in the state, Alabama has lost manufacturing jobs since 1990.

Trade transportation and utilities was Alabama’s largest industry last year, followed closely by government employment, which has increased by 17.3 percent since 1990 and by almost 9 percent since 2001. Rounding out the top five are manufacturing at No. 3, retail trade at No. 4, and professional and business services at No. 5.

Employment by industry in Alabama*					
	1990	1995	2001	2007	2008
Total non-farm	1635.8	1803.7	1908.7	2005.7	1994.2
Total private	1309.1	1460.5	1556.8	1629	1610.9
Natural resources and mining	18.9	18	13.5	12.9	12.6
Construction and mining	104.3	107.5	118.6	125.6	121.4
Construction	85.4	89.5	105.1	112.7	108.8
Manufacturing	363.8	370.3	325.5	296.3	284.7
Manufacturing of durable goods	173.4	179.5	177	186.4	179.9
Manufacturing of non-durable goods	190.3	190.8	148.4	109.9	104.9
Trade transportation and utilities	317.7	360	380.5	394.8	390.1
Wholesale trade	68	77.4	83.3	82.2	80.8
Retail trade	191.6	218.5	229.3	241.2	238.3
Transportation and utilities	58.2	64.2	67.9	71.4	71
Information	30	29.4	34.1	28	27.1
Financial activities	80.2	83.6	98	99.8	99.6
Professional and business services	117.2	149.7	186.9	220.8	220.2
Education and health services	128.5	159.2	177.3	208.7	211.7
Leisure and hospitality	106.4	131	151	174	174.9
Other services	61.1	69.8	85.1	81.1	81.3
Government	326.7	343.2	352	376.7	383.2

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

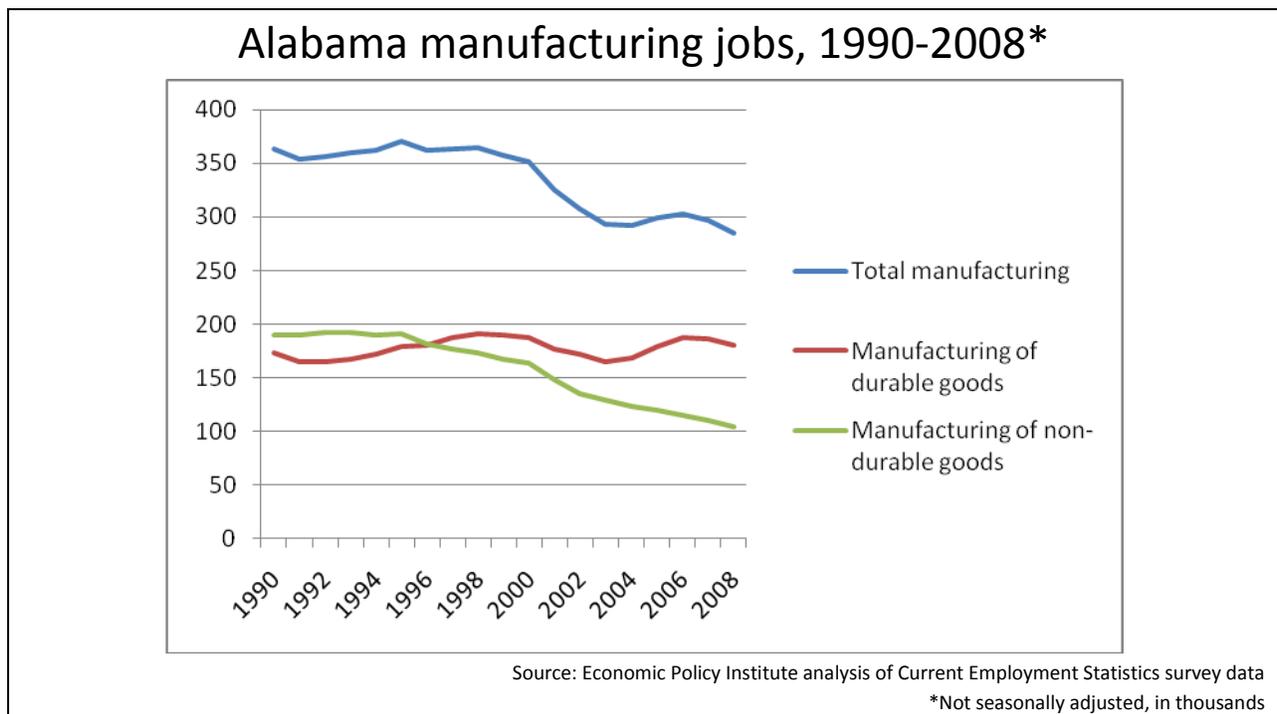
Professional and business services has been Alabama’s fastest-growing industry since 1990. More than 100,000 of those jobs have been added since 1990, an increase of

87.9 percent. Other high-growth areas include education and health services (up 64.7 percent), leisure and hospitality (up 64.4 percent), and construction (up 27.4 percent).

Times have not 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 has fallen by a third since 1990, even though the sector has grown slightly nationwide in that time. Since 2001, the state also has lost more than 20 percent of the jobs it had in the high-paying information sector. Overall, net job growth in Alabama since 1990 has lagged behind the national growth rate, though the state's net job growth since 2001 slightly exceeds that of the United States as a whole.

By far, manufacturing is the industry in which Alabama has lost the most jobs in the last two decades. More than 79,000 net manufacturing jobs have disappeared in the state since 1990, when manufacturing was far and away the state's largest sector. That is a decrease of 21.7 percent, despite an automobile industry that helped increase the number of jobs in the manufacturing of durable goods by 3.7 percent in that time.

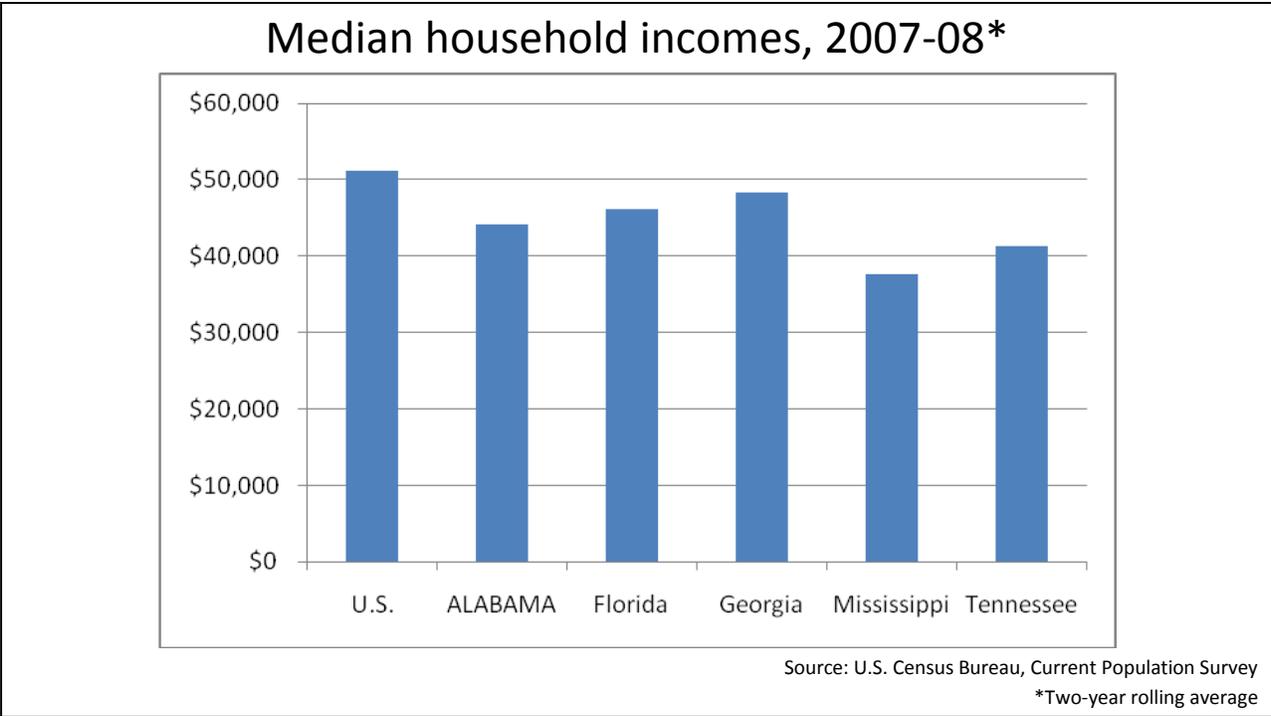
More than 80 percent of Alabama's drop in manufacturing jobs in the last two decades has come since 2000, fueled by a precipitous decline in jobs in the manufacturing of non-durable goods like clothing and textiles. New jobs in the manufacturing of durable goods have helped to mitigate Alabama's overall manufacturing losses, but the net number of those jobs also has been falling since 2006, causing further shrinking of the state's manufacturing sector.



INCOME AND WAGES

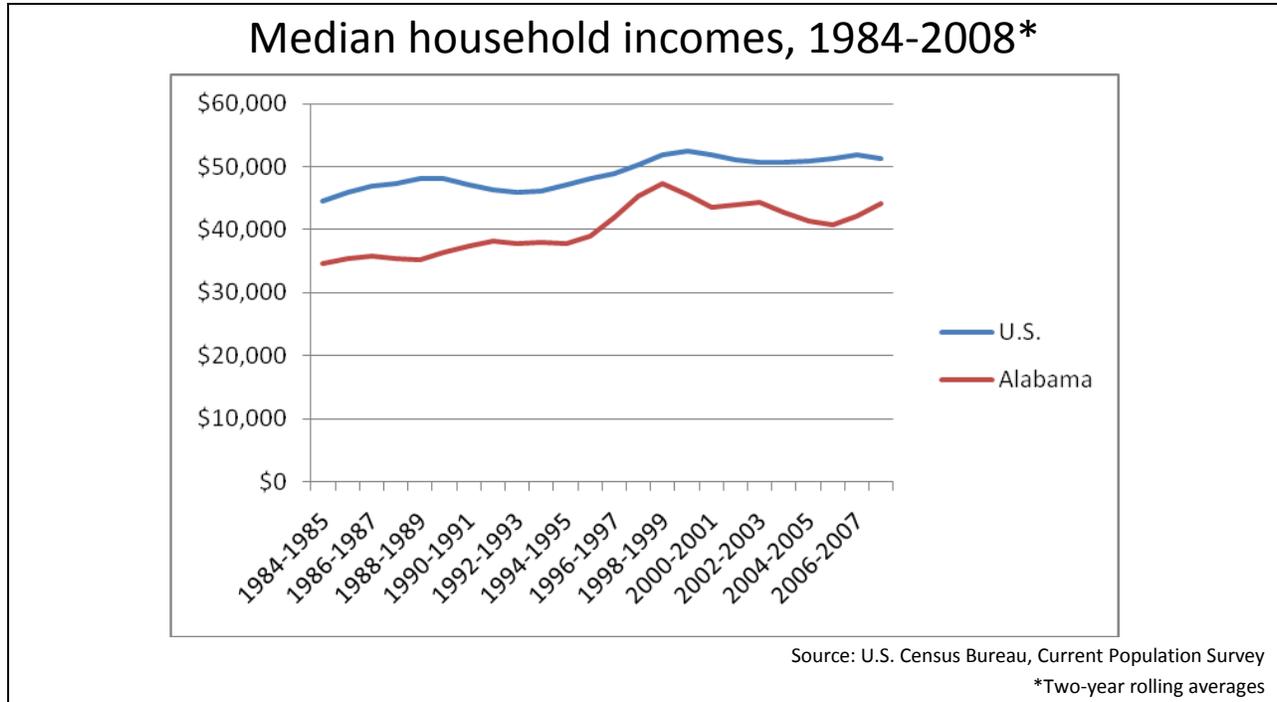
American productivity has soared in recent years, but that growth has brought the nation’s workers no gains in their median household income. The news is little different in Alabama, where median household income was actually down in the last decade until a sizable jump in 2007-08 brought it just above where it was when the 2000s began.

Bucking a downward national trend, Alabama’s median household income increased in 2007-08, jumping to \$44,155, or a 4.7 percent uptick from 2006-07. That improvement lifted Alabama’s median household income from the nation’s fifth lowest to the 11th lowest. It also brought the state’s median household income closer to the national level. Alabama’s median household income was 13.8 percent below the national average in 2007-08, compared to an 18.6 percent gap in 2006-07.



In this decade, Alabama’s median household income has increased 1.4 percent, in constant dollars, from the 2000-01 mark of \$43,525, but the increase was within the margin of error. Nationally, median household income declined slightly in this decade, falling from \$51,929 in 2000-01 to \$51,233 in 2007-08. (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.)



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 2008 report 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' productivity is up, but as the *Pulling Apart* study suggests, their pay is not reflecting it. The state's gross domestic product has increased by 18.6 percent since 2001, exceeding the national growth rate. However, as mentioned earlier in this section, Alabama's median household income has shown no significant change in this decade, going from \$43,525 in 2000-01 to \$44,155 in 2007-08. (The state's median household income has been effectively flat this decade, because the increase was within the margin of error.) Median hourly wages for Alabama workers also have flat-lined in the last decade. Even after a 3.1 percent increase in 2008, the state's median wages were no higher than they were in 2001.

Real gross domestic product, 2001-08

	2001	2002	2003	2004	2005	2006	2007	2008	Change since 2001
U.S.	\$9,836.6	\$9,981.9	\$10,225.7	\$10,580.2	\$10,912.2	\$11,218.8	\$11,439.2	\$11,523.6	17.2%
Alabama	\$115.6	\$118.2	\$121.6	\$127.8	\$132.3	\$134.9	\$136.1	\$137.1	18.6%

Source: Bureau of Economic Analysis, U.S. Department of Commerce
Amounts are chained 2000 dollars, in billions

Median hourly wages, 2001-08

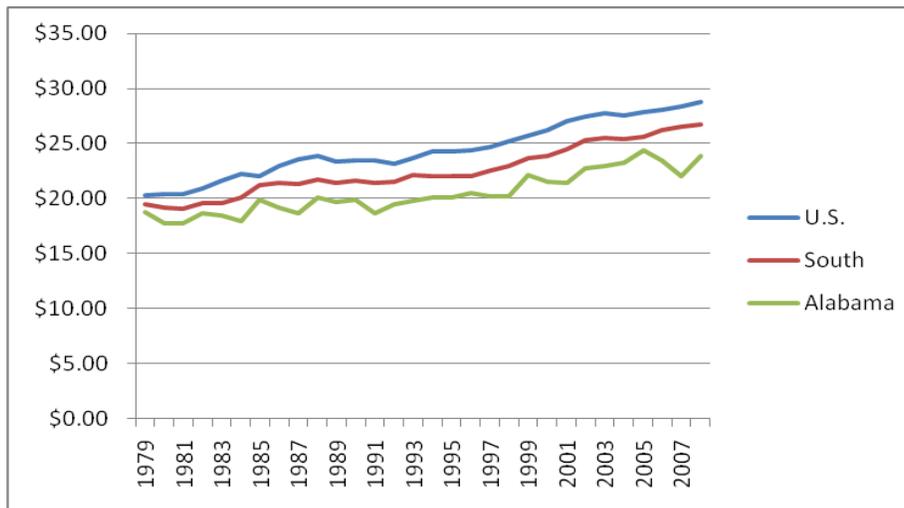
	2001	2002	2003	2004	2005	2006	2007	2008	Change since 2001
U.S.	\$15.63	\$15.76	\$15.95	\$15.95	\$15.75	\$15.82	\$15.68	\$15.74	0.7%
South	\$14.66	\$14.74	\$14.88	\$14.91	\$14.65	\$14.92	\$14.93	\$14.93	1.8%
Alabama	\$14.28	\$14.61	\$15.03	\$14.42	\$15.00	\$14.35	\$13.82	\$14.25	-0.2%

Source: Economic Policy Institute analysis of Current Population Survey data

Alabama's median wages gained some ground on the U.S. and Southern medians last year, as did those of its neighbors Georgia and Tennessee. (Median wages were flat or down in Florida and Mississippi.) Despite the improvement, a noticeable wage gap remains. In 2008, Alabama's median wages were 9.5 percent below those for U.S. workers as a whole and 4.6 percent behind the regional average. Alabama had the 10th lowest median wages in the nation.

One side effect of the state's comparatively low wages is that Alabama sees a lower disparity between its highest and lowest wage percentiles than the entire region and nation do. The hourly wage gap between workers in the state's 90th percentile and its 10th percentile last year was \$23.85. For the South, the gap was \$26.73, and for the nation, it was \$28.73.

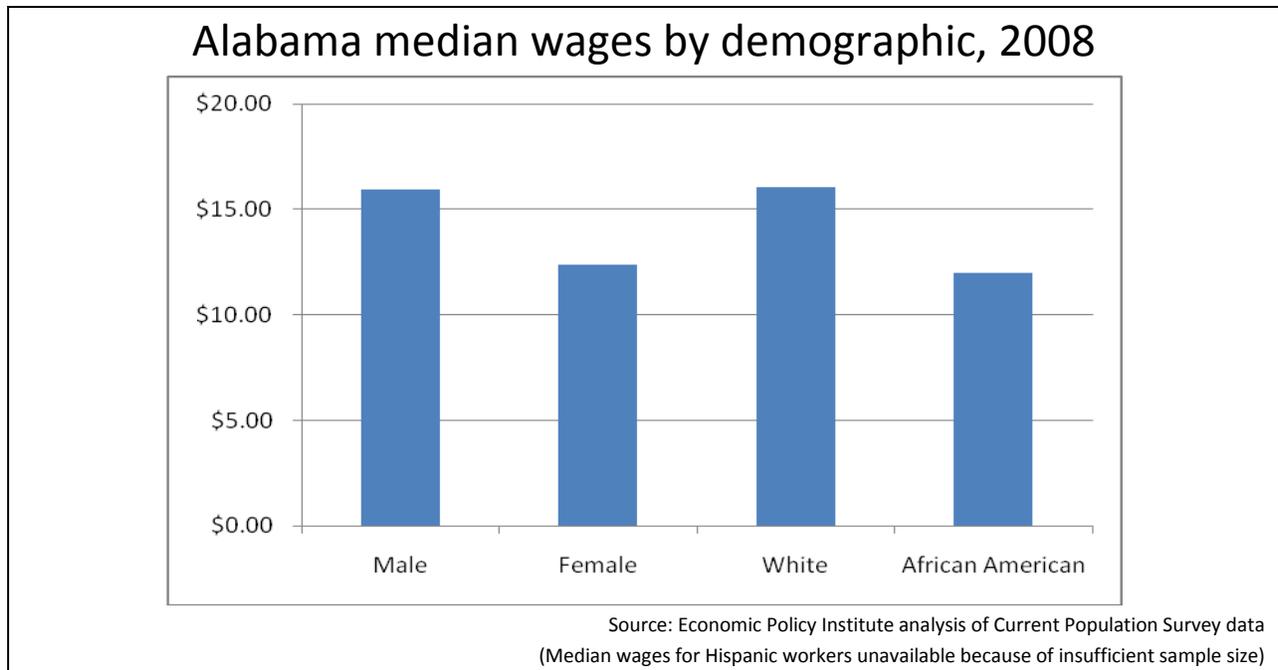
Wage disparity between 90th and 10th percentiles, 1979-2008



Source: ACPP calculations using Economic Policy Institute analysis of Current Population Survey data

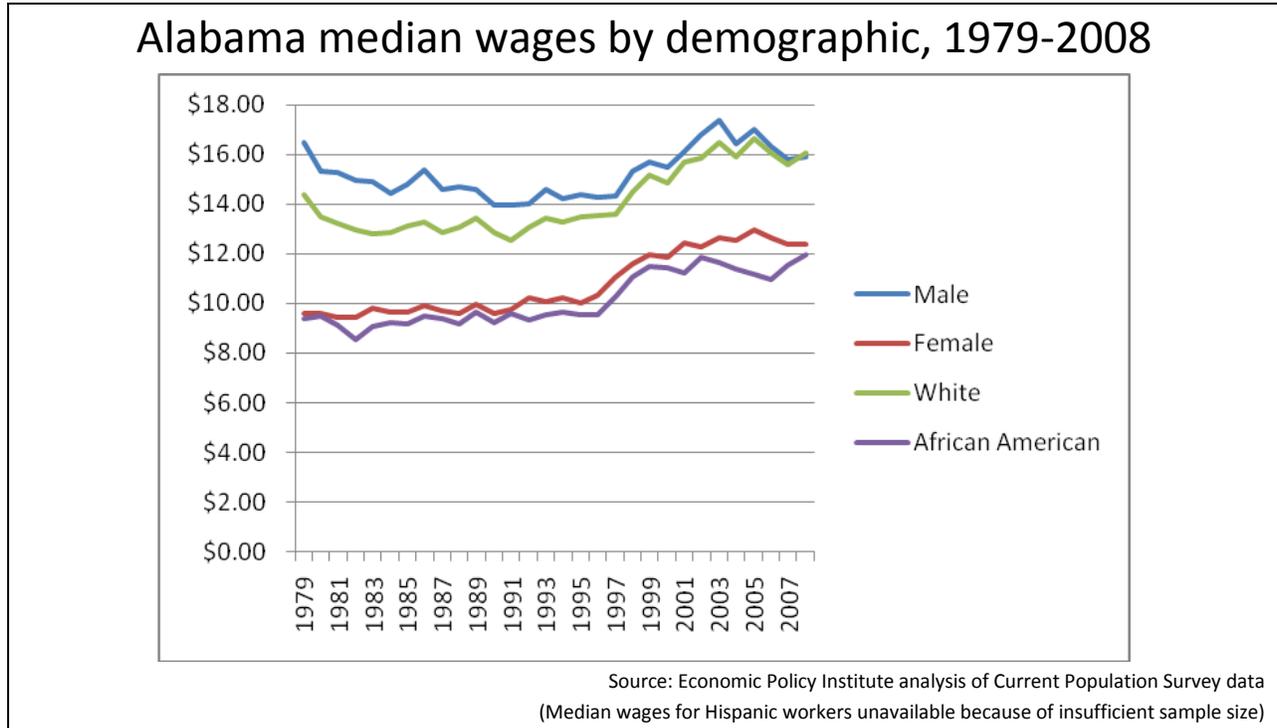
The wage disparity between the 90th percentile and the 10th percentile has grown substantially in Alabama since 1979, though at a lower rate than in the region and nation as a whole. Alabama’s gap has increased 27.1 percent since 1979, compared to 37.5 percent growth for the South and a jump of 41.8 percent for the United States. In the last decade, however, this disparity has increased more in Alabama than it has regionally or nationally. Since 2001, this gap has grown by 11.4 percent in Alabama, compared to 9.1 percent in the South and 6.2 percent in 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 22.2 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. Alabama’s gender wage disparity in 2008 was larger than the national gap of 17.5 percent and the Southern gap of 16.2 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 slightly in 2008. White workers’ median wages in Alabama were 25.3 percent higher than those of African American workers last year, compared to a 26 percent difference in 2007 and a 34.9 percent disparity in 1979.

The state's wage disparity between whites and African Americans narrowed last year even as median wages rose slightly for both groups. Still, Alabama's racial wage disparity in 2008 was greater than both the regional (23.8 percent) and national (23.9 percent) averages.



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. Median wages for Hispanic workers have increased by about 5.4 percent regionally and about 2 percent nationally since 2001.

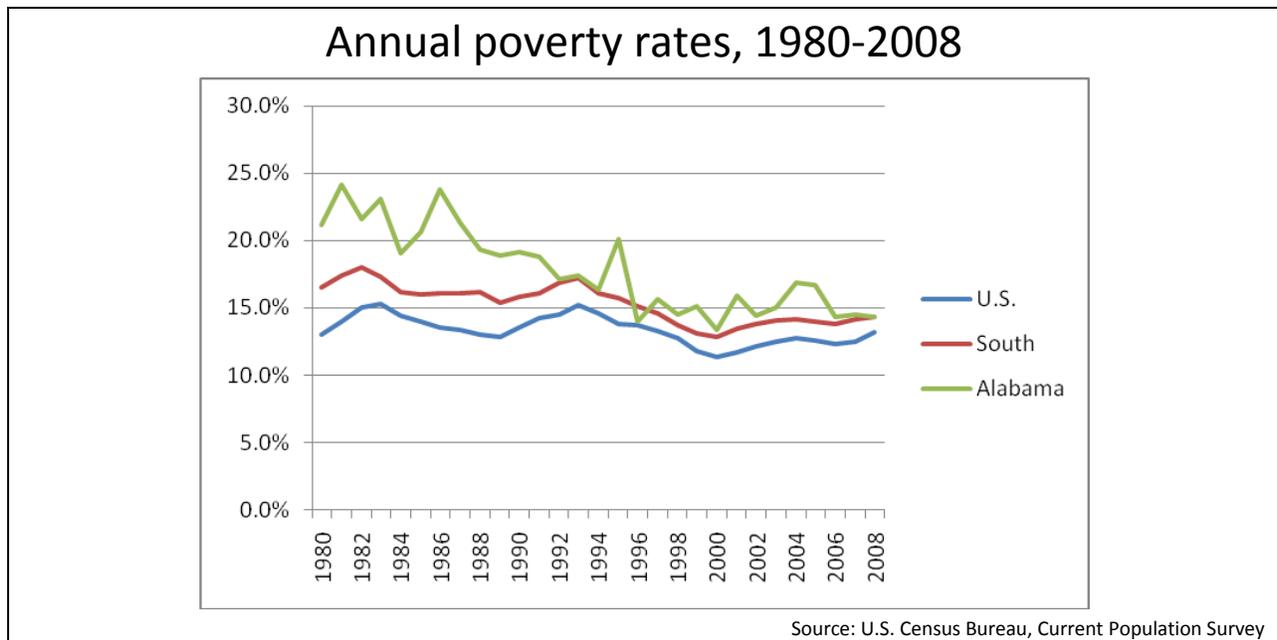
One bit of news that should concern younger workers, regardless of race or gender, is a September report from the Economic Policy Institute (EPI) about the long-lasting effects of entering the job market amid a recession. The EPI paper cites a Yale University study that found lower earnings for such workers even 15 years later compared to people who joined the workforce in better economic times. (See John Irons, "Economic Scarring: The Long-Term Impacts of the Recession," EPI Briefing Paper No. 243, Sept. 30, 2009, citing Lisa B. Kahn, "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy," Yale School of Management, http://mba.yale.edu/faculty/pdf/kahn_longterm labor.pdf.) Time will tell whether years of lower wages will plague young Alabamians who are finding their first jobs during the current recession.

POVERTY

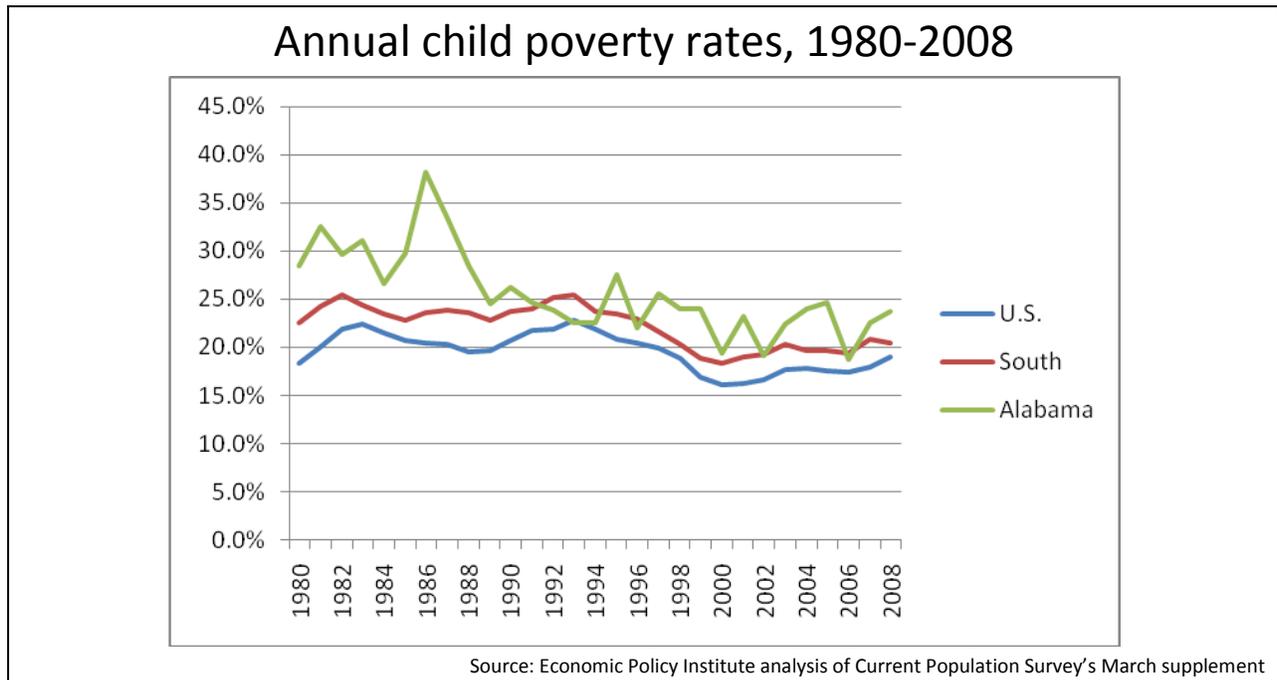
People’s views on the direction of Alabama’s poverty rate depend largely on which poverty rate they are viewing at the time. One U.S. Census Bureau measure showed a marked one-year decline last year, while the other showed almost no change in the last decade. But whichever measure one chooses, poverty remained higher in Alabama than the nation at large, and it likely is higher today than it was last year.

The American Community Survey put Alabama’s 2008 poverty rate at 15.7 percent, down from 16.9 percent in 2007 and the nation’s largest one-year numerical drop. The ACS also found a decline in the state’s child poverty rate, from 24.3 percent in 2007 to 21.7 percent last year. However, this report uses data from the Census Bureau’s other major survey, the Current Population Survey, because recent methodological changes could make comparisons between Alabama’s ACS poverty estimates for 2001 and 2008 invalid.

The state’s overall poverty rate over the last two years was almost unchanged from its 2000-01 level, CPS data show, while the child poverty rate increased in that time. Both overall and child poverty have ticked up in the South and United States as a whole since 2000-01. Nationwide, the poverty rate jumped more than 11 percent in the last seven years, rising from 11.5 percent in 2000-01 to 12.9 percent in 2007-08. The South’s poverty rate increased more than 8 percent, going from 13.2 percent in 2000-01 to 14.3 percent in 2007-08. In Alabama, the poverty rate stayed roughly flat, going from 14.6 percent in 2000-01 to 14.4 percent in 2007-08.



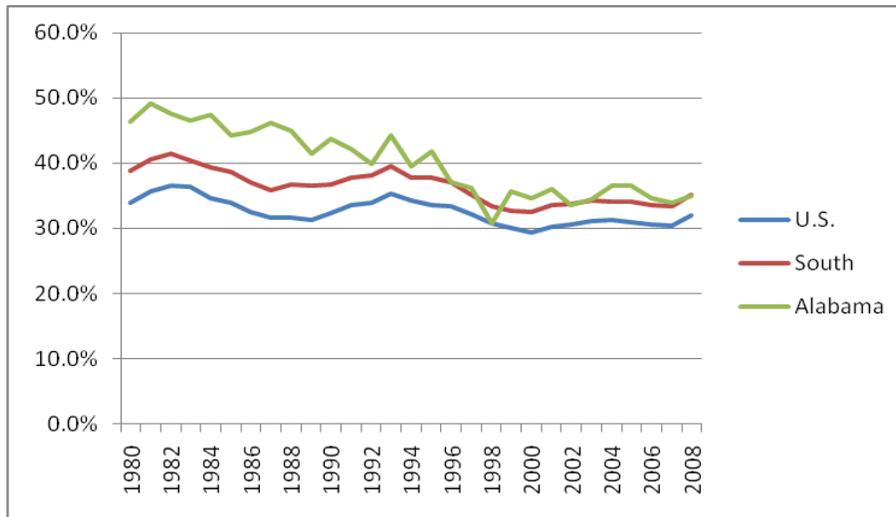
Child poverty has been more intractable than overall poverty in Alabama in this decade, with the state’s increases following those in the United States and South. The percentage of Alabama children under age 18 living in poverty went from 21.3 percent in 2000-01 to 23.1 percent in 2007-08, an 8.7 percent increase. Despite the jump, Alabama’s child poverty rate has risen less than in the South, where child poverty increased about 10.7 percent this decade, and the United States, which has seen an increase of about 13.8 percent since 2000-01. Still, the two-year rolling average child poverty rate for Alabama remained higher in 2007-08 than the rates for the South (20.7 percent) and United States (18.5 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 \$10.59 last year to reach the federal poverty threshold for a family of four, which was \$22,017. Almost a third of Alabama’s workers – 32.2 percent – made less than that in 2008. That share has increased about 12.6 percent from its 2001 level. Like its poverty rate, Alabama’s share of workers earning below the poverty wage in 2008 was higher than both the national average (26 percent) and the Southern average (28.7 percent), both of which also increased since 2006.

As large as those shares might seem, many economists say the poverty line is too low to reflect the modern cost of living. Instead, they say, the amount needed to maintain a minimally self-sufficient standard of living is closer to twice the amount of the federal poverty threshold.

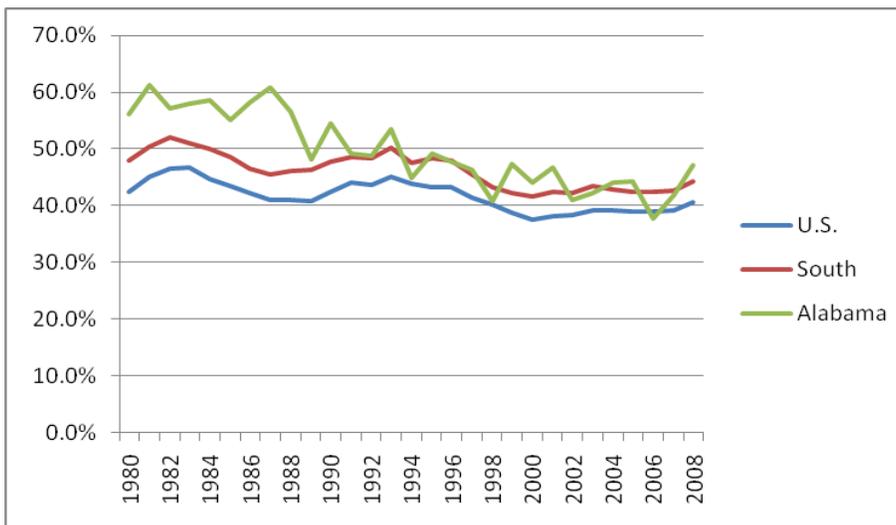
Annual percentages of people below 200 percent of federal poverty threshold, 1980-2008



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

In Alabama, 34.5 percent of people fell below that 200 percent threshold in 2007-08, compared to 34.3 percent in the South and 31.2 percent in the United States. Among children, the 2007-08 rates were far higher: 44.5 percent in Alabama, 43.5 percent in the South, and 39.9 percent in the United States.

Annual percentages of children below 200 percent of federal poverty threshold, 1980-2008



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

The total share of Alabamians living below 200 percent of the poverty threshold has changed little since 2000-01. Meanwhile, the percentage of the state's children living below 200 percent of the poverty threshold has shown only a slight decline in the last decade.

The last decade also has brought an increase in the share of Alabama households that had to reduce food intake because of a lack of resources, according to the U.S. Department of Agriculture. The USDA said 5.4 percent of Alabama households had "very low food security" in 2006-08, up from 3.3 percent in 1996-98. In total, the USDA classified 13.3 percent of Alabama households as "food insecure" in 2006-08, meaning they were unable at some point during the year to afford adequate food. Both shares exceeded the national averages for 2006-08.

For years, Alabama's persistent levels of poverty have led many editorialists, advocates and other citizens to call for the state to adopt a systematic approach toward reducing poverty. In May 2009, Alabama lawmakers voted to establish a statewide panel to take a broad look at poverty issues. The Alabama Commission to Reduce Poverty, which began meeting earlier this year, will report annually to the Legislature on legislation, policies and programs affecting low-income people. The commission includes a member appointed by Alabama Arise.

Despite increasing poverty rates and a general upward trend in the cost of necessities in recent years, 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 rose to \$5.85 in July 2007 and to \$6.55 in July 2008. As of July 2009, the federal minimum wage stands at \$7.25. Even so, the minimum wage is well below the poverty wage for a family of four, which was \$10.59 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. In 26 states, the minimum wage rates match the federal one, while 14 states set a higher minimum wage. In five states, the official minimum wage is lower than the federal level, but the higher federal rate applies for most employers.

Families getting by on minimum wage or other low incomes often struggle to save enough money to buy a home or help their children pay for college. More than two-thirds of states have established Individual Development Account (IDA) programs to try to bridge this gap. IDA programs allow qualifying low-income participants to save up to \$2,000 and receive matching money from both the state and federal governments. Participants can use the funds to attend college, buy a first home or start a small business. The Alabama Legislature earlier this year approved a bill to set up a state IDA program and allow the state to provide matching funds, but the measure died after the legislative session when Gov. Bob Riley did not sign it.

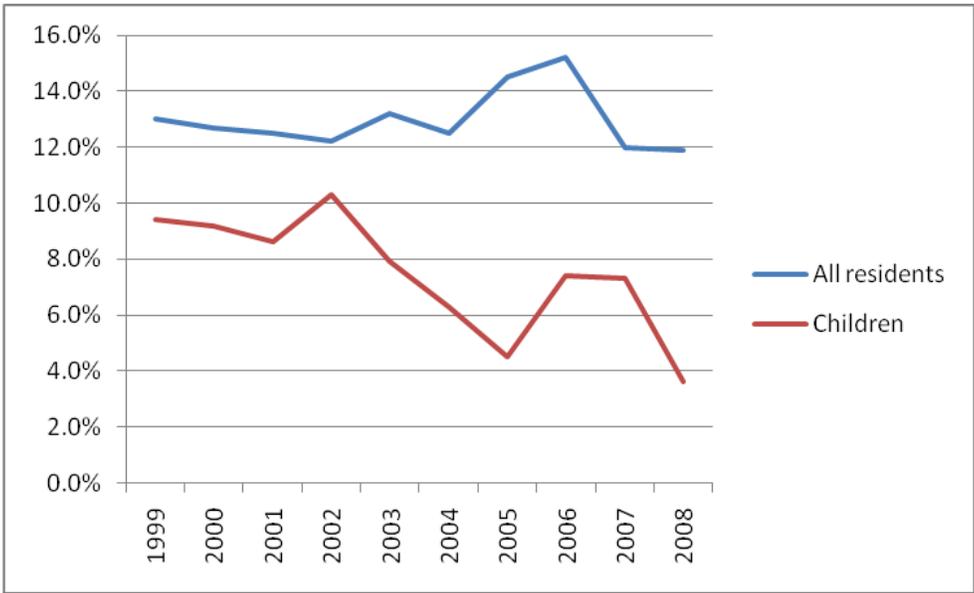
HEALTH INSURANCE

Health insurance reform has dominated the discussion on Capitol Hill for much of 2009, with policymakers debating proposals to reduce health care costs and provide coverage to the 46.3 million Americans who are uninsured – 15.4 percent overall. The percentage of uninsured people has been lower in Alabama than the nation as a whole in this decade, partly because the share of Alabamians covered by government insurance is larger than the national average.

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 for thousands of children who otherwise might not receive it. Medicaid and ALL Kids have helped to drive Alabama’s rate of uninsured children well below the national average. Nationwide, 10.5 percent of children under age 18 had no health insurance coverage in 2007-08. In Alabama, though, the figure was 5.5 percent.

The percentage of Alabama children who lacked health insurance coverage in 2007-08 was down slightly from the 2005-06 level of 6 percent. The state’s share of uninsured children has trended downward through the last decade, which began with 8.9 percent of Alabama’s children uninsured in 2000-01.

Annual percentages of Alabamians without health insurance, 1999-2008



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

The decade's uninsured trend has been slightly less promising for Alabama adults, with the overall share of uninsured residents down about half a percentage point. The share of Alabamians with no health insurance coverage fell from 12.6 percent in 2000-01 to 12 percent in 2007-08. But the news could be worse next year: A recent Families USA report found that 82,900 Alabamians have lost their health coverage in 2009 because of rising unemployment.

Significantly more Alabamians relied on government health insurance programs in the last two years than at the start of the decade. The state's percentage of residents covered by private health insurance decreased 3.6 percent between 2000-01 and 2007-08, from 71.8 percent to 69.2 percent. The share of Alabamians covered by government insurance programs increased 15.6 percent in that time, from 27 percent in 2000-01 to 31.2 percent in 2007-08.

As is often the case during economic recessions, more Alabamians are relying on public insurance even as those programs are struggling to maintain funding. The Alabama Medicaid Agency reported in September 2009 that the state's Medicaid enrollment has increased by nearly 50,000 since late 2006. The agency now provides health insurance for more than 815,000 Alabamians, or about 17 percent of the state's population.

For now, Medicaid is using more than \$830 million of federal stimulus money provided through the American Recovery and Reinvestment Act (ARRA) to help stay afloat and cover the new enrollees. But the state's Legislative Fiscal Office estimates that only \$148 million in ARRA money will remain in 2011 to help fill a General Fund hole that would have topped \$500 million without federal funds. And General Fund revenues in October 2009 were down 15.9 percent from where they were a year earlier, the state Finance Department reported.

Despite the revenue downturn, Alabama lawmakers in 2009 extended ALL Kids eligibility to children from families making between 200 percent and 300 percent of the federal poverty level. The question of whether the state can afford to keep eligibility at that level remains.

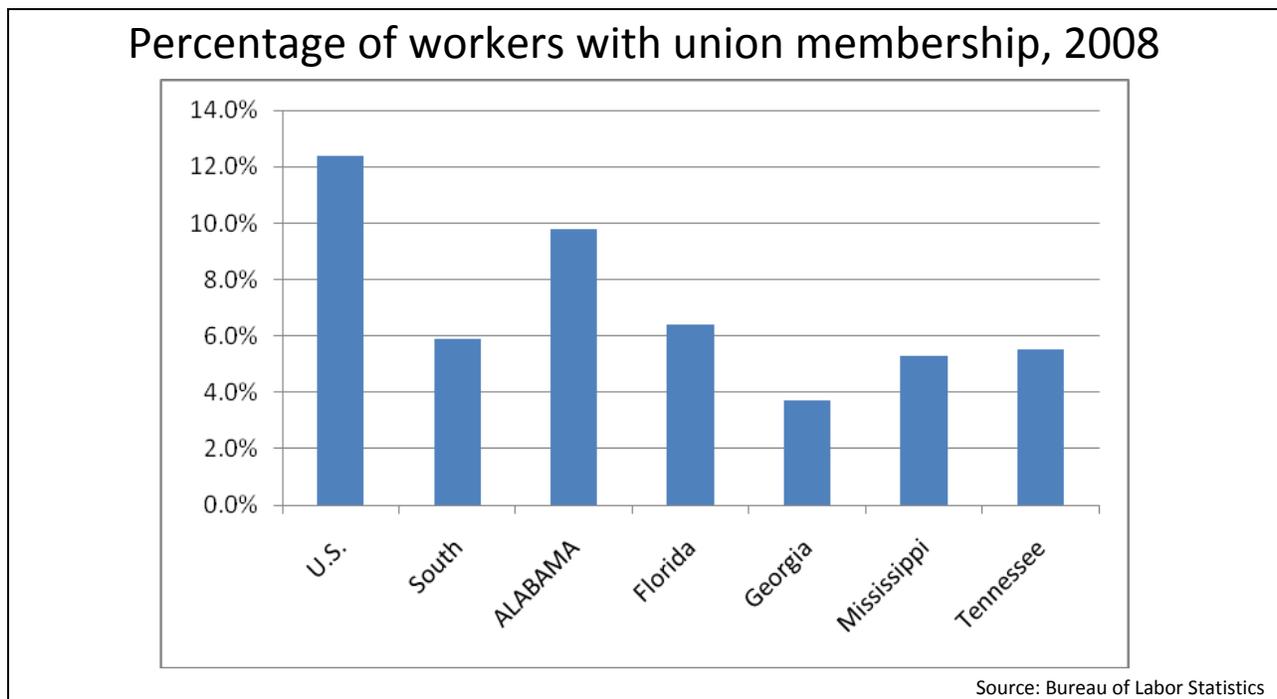
Alabama's budget woes also have led some state leaders to question whether the state could afford the proposed Medicaid expansions that the U.S. House approved 220-215 in November 2009 and that the U.S. Senate was considering as this report was published. The House bill calls for Medicaid to cover all individuals who have incomes up to 150 percent of the federal poverty level and who do not qualify for Medicare. That expansion would start in 2013 and add up to 300,000 people to Alabama's Medicaid rolls. The House bill would provide full federal funding for the expansion in 2013 and 2014. Thereafter, states would pay for 9 percent of the cost of the Medicaid expansion, with the federal government paying for the rest.

The final shape of health insurance reform – and even whether it will occur at all – remains unclear. The White House and U.S. Senate leaders have said they want to pass a bill by December 2009, but many media reports suggest the debate will continue into 2010.

UNIONS

Union membership has held steady in Alabama in the last decade, even as it has fallen across the South and the nation as a whole. The state's union membership increased for the second straight year in 2008, as unions gained about 1,000 members in Alabama, according to the online Union Membership and Coverage Database. The share of the state's labor force that has union membership rose to 9.8 percent last year, up from 9.5 percent in 2007 and 8.8 percent the year before. Alabama's union membership stood at 9.4 percent in 2001.

Alabama's union membership share was lower than last year's national average of 12.4 percent, but the state's rate remained above that of any of its Deep South neighbors, largely because of a high union membership rate among teachers and other public employees. Alabama's unionization level far exceeded the Southern average (5.9 percent) and was the fourth highest among Southern states. Only Delaware, Maryland and West Virginia had labor forces with a larger percentage of union members in the South. Among the states that border Alabama, Florida had the highest union membership rate in 2008, checking in at 6.4 percent.

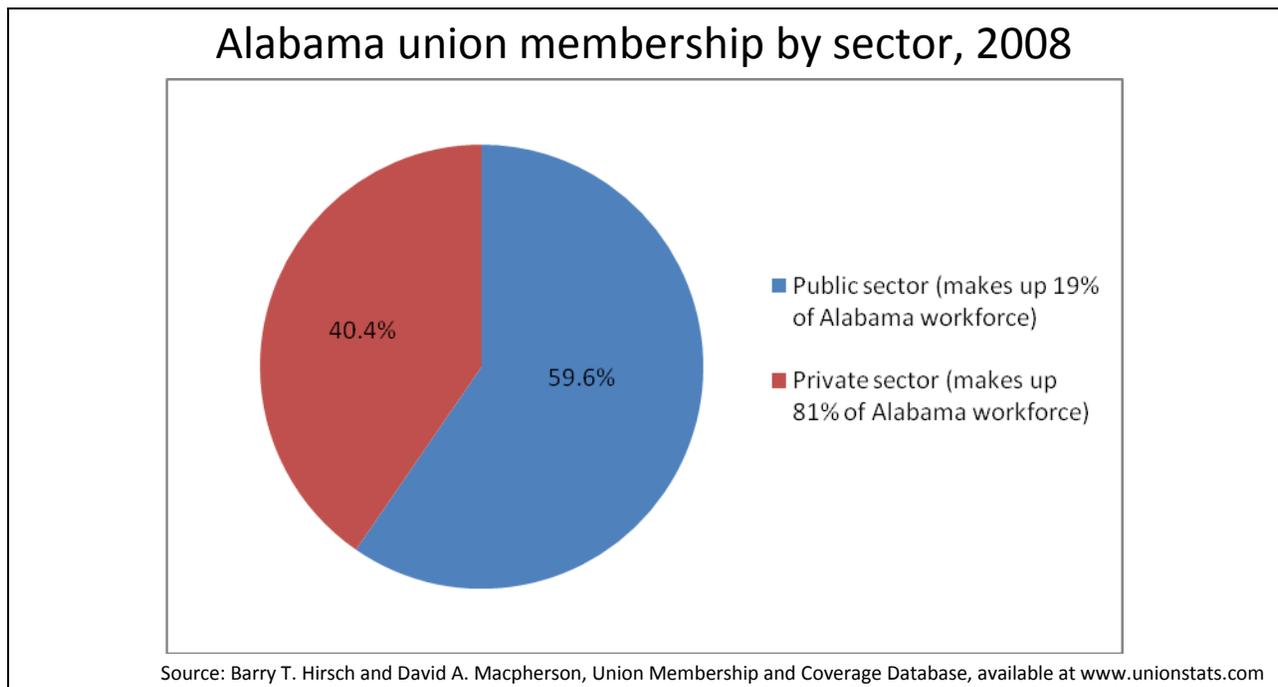


Alabama also continued to have one of the region's largest percentages of workers who have union coverage, meaning they either are union members or are covered by a union

contract at work. The state's union coverage rate of 10.7 percent last year was virtually unchanged from the 2001 level of 10.8 percent. Alabama's union coverage was below the national average of 13.7 percent, but it was the fourth highest percentage among Southern states, behind only Delaware, Maryland and West Virginia. Among the four states contiguous to Alabama, the highest union coverage rate belonged to Florida at 7.9 percent.

Public employees made up the large majority of unionized workers in Alabama in 2008. Even though the public sector employed just 19 percent of the state's labor force, public employees accounted for 105,410 of Alabama's 181,421 union members, according to the Union Membership and Coverage Database. Almost 30 percent of the state's public workers were union members last year, and more than a third of public employees had union coverage.

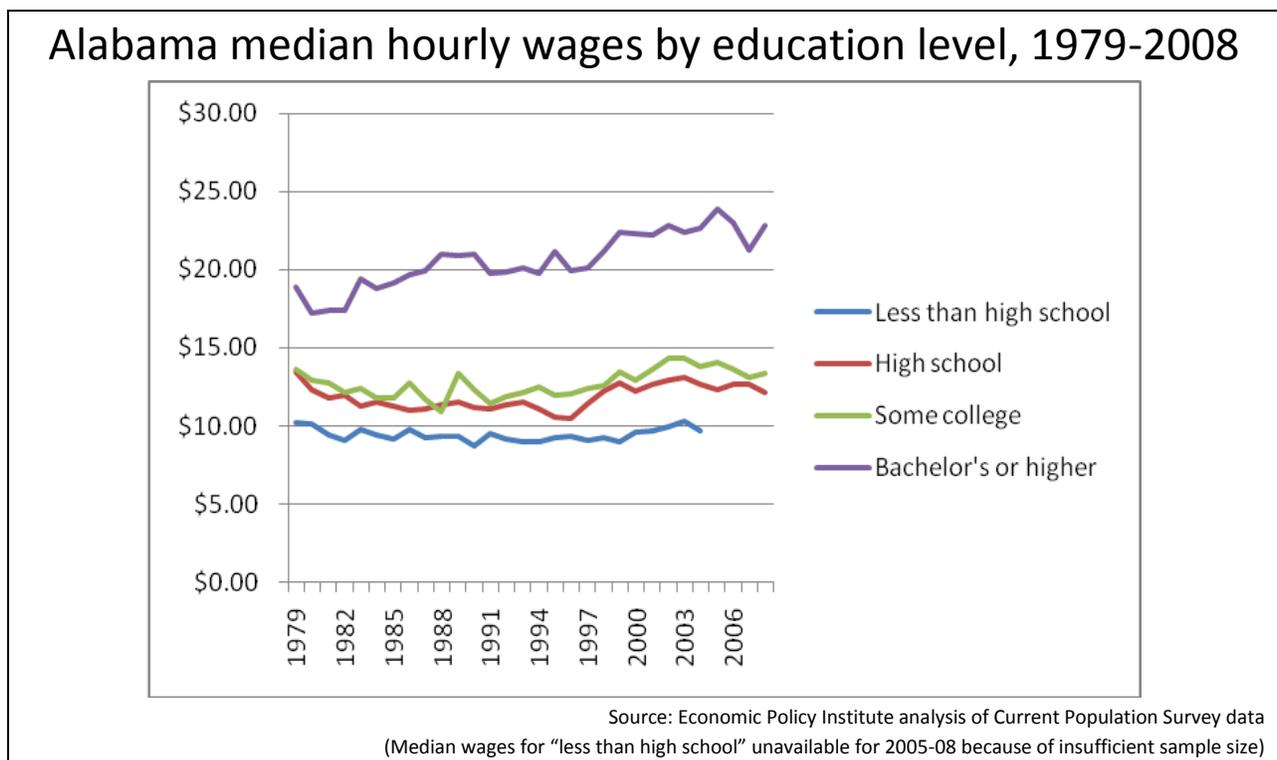
Union membership remains comparatively rare in Alabama's private sector, however. Of the more than 1.5 million Alabamians employed in private-sector jobs, about 76,000 were union members last year, a membership rate of 5.1 percent. Union coverage among Alabama's private employees stood at 5.4 percent.



EDUCATION

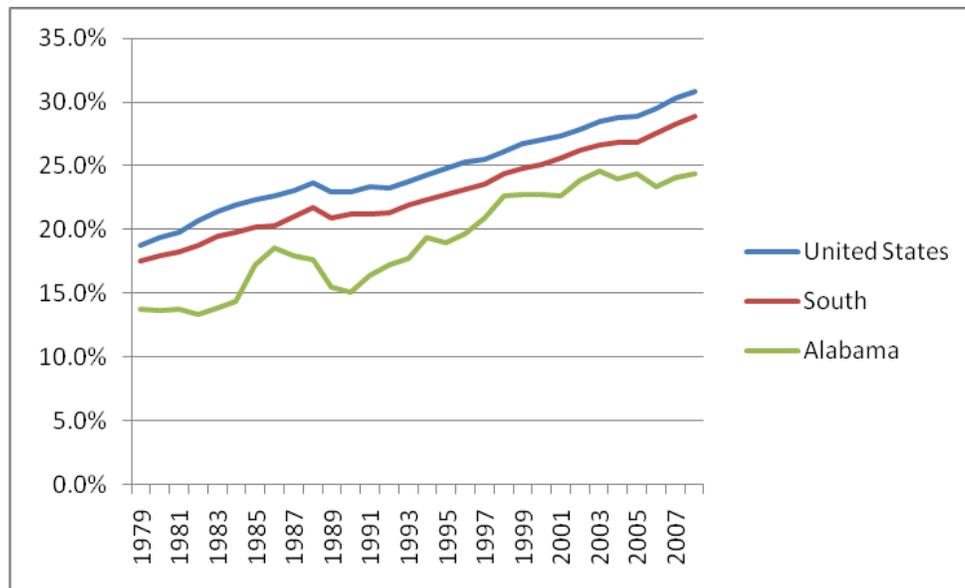
Alabama’s workforce includes more college graduates now than it did when the decade began, but it would be tough to tell by looking at median wages. As in the rest of the nation, Alabama workers of all educational levels have seen their median hourly wages stagnate since 2001. And even as those wages have stood still, the state’s workers have seen the median cost of obtaining a four-year college degree – perhaps the surest path to higher earnings in the modern American economy – increase far more quickly than inflation in the last decade.

Following a national trend, median wages for Alabamians with a high school diploma have fallen since both 1979 and 2001. (All wages are adjusted for inflation into 2008 dollars.) In 1979, the median wage for an Alabama high school graduate was \$13.46 an hour. That number dropped to \$12.66 in 2001 and fell to \$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 \$13.64 in 1979, compared to \$13.65 in 2001 and \$13.36 in 2008. Wage information for Alabama workers who did not complete high school was unavailable for 2008, but such workers in the South and the nation at large have seen declines in their median wages since 1979 – the national drop was 17 percent – and little change since 2001.



Wages for college graduates in Alabama continue to lag behind the national average, but they defied a broader trend by ticking up 7.6 percent last year. The median wage for Alabama workers who hold at least a bachelor’s degree was \$22.85 in 2008, up substantially from \$18.86 in 1979 and up slightly from \$22.18 in 2001. In the United States as a whole, college graduates have seen no change in their median hourly wages, from \$24.55 in 2001 to \$24.56 in 2007. As in Alabama, median wages for college-educated workers in the South also have inched up slightly since 2001, increasing from \$23.19 to \$23.52.

Percentage of labor force with bachelor’s degree or higher, 1979-2008

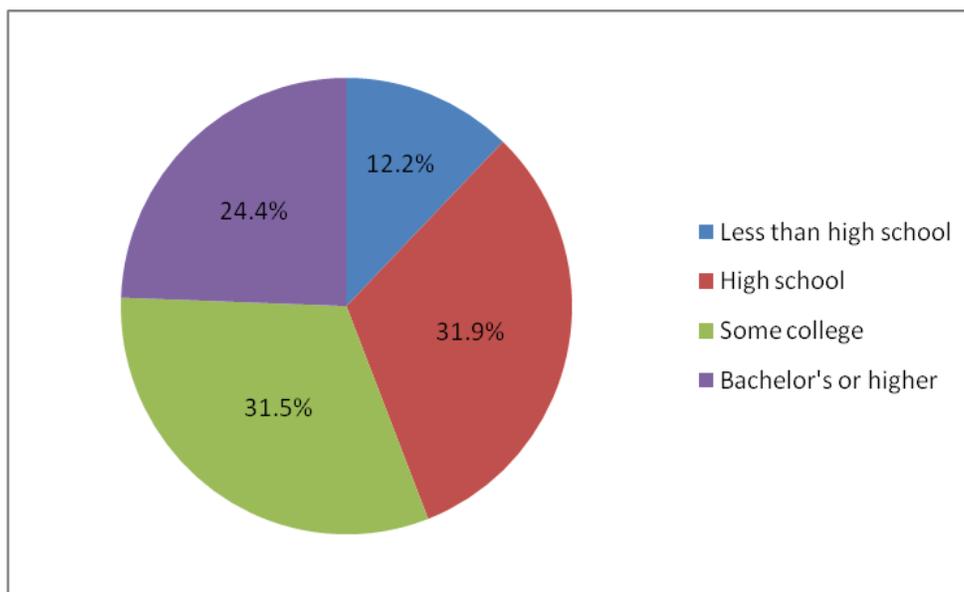


Source: Economic Policy Institute analysis of Current Population Survey data

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 24.4 percent in 2008. The percentage of state workers with some college also jumped from 29.3 percent in 2001 to 31.5 percent in 2008.

Alabama still lags considerably behind the region and nation in educational attainment, however. A substantial number of state workers – 44.1 percent – have a high school education or less, which means the nationwide stagnation of wages for high school graduates has hit Alabama harder than many other states.

Alabama labor force by education level, 2008



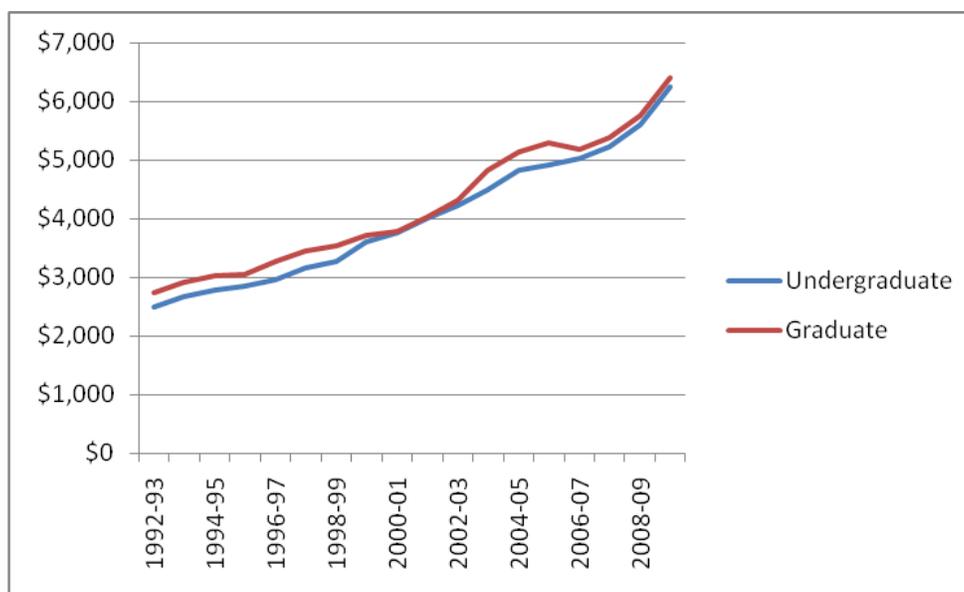
Source: Economic Policy Institute analysis of Current Population Survey data

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 the cost of attending college and obtaining a four-year degree that could increase a worker's earning power is growing many times more quickly than earnings in Alabama, and that trend has only accelerated during the 2009-10 school year.

The annual median in-state cost of undergraduate tuition and required fees at Alabama's public four-year universities, adjusted to 2008 dollars, has skyrocketed by 151.7 percent in the last two decades, jumping from \$2,480 per year in 1992-93 to \$6,243 (\$6,185 in 2009 dollars) for 2009-10. The increase since 2000-01 has been 66.1 percent, according to an analysis of information from the Alabama Commission on Higher Education (ACHE).

Costs have risen more slowly for graduate students since the early 1990s, 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 2008 dollars, has increased almost 134 percent since 1992-93, rising from \$2,733 then to today's mark of \$6,393 (\$6,334 in 2009 dollars), according to ACHE figures. The increase since 2000-01 has been 69 percent, exceeding the growth rate for median in-state undergraduate tuition and fees.

Median in-state tuition and required fees at Alabama's public four-year institutions, 1992-present*



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

*Adjusted to 2008 dollars in November 2009 using online Consumer Price Index calculator from Federal Reserve Bank of Minneapolis

The tuition increases are unlikely to slow down in light of cuts to the state education budget, which is in its second straight year of proration despite about \$1 billion of federal stimulus money under the American Recovery and Reinvestment Act (ARRA) that limited the size of the cuts. Many state universities have responded with sizable tuition increases to try to address their funding shortfalls. In-state undergraduate tuition at Alabama State University has jumped by 21.8 percent. The fall tuition increase at the University of Alabama was 9.4 percent, while Auburn University hiked its fall tuition by 5.7 percent. The state's two-year college system also imposed a 15 percent increase in tuition and fees this year, the first increase in four years.

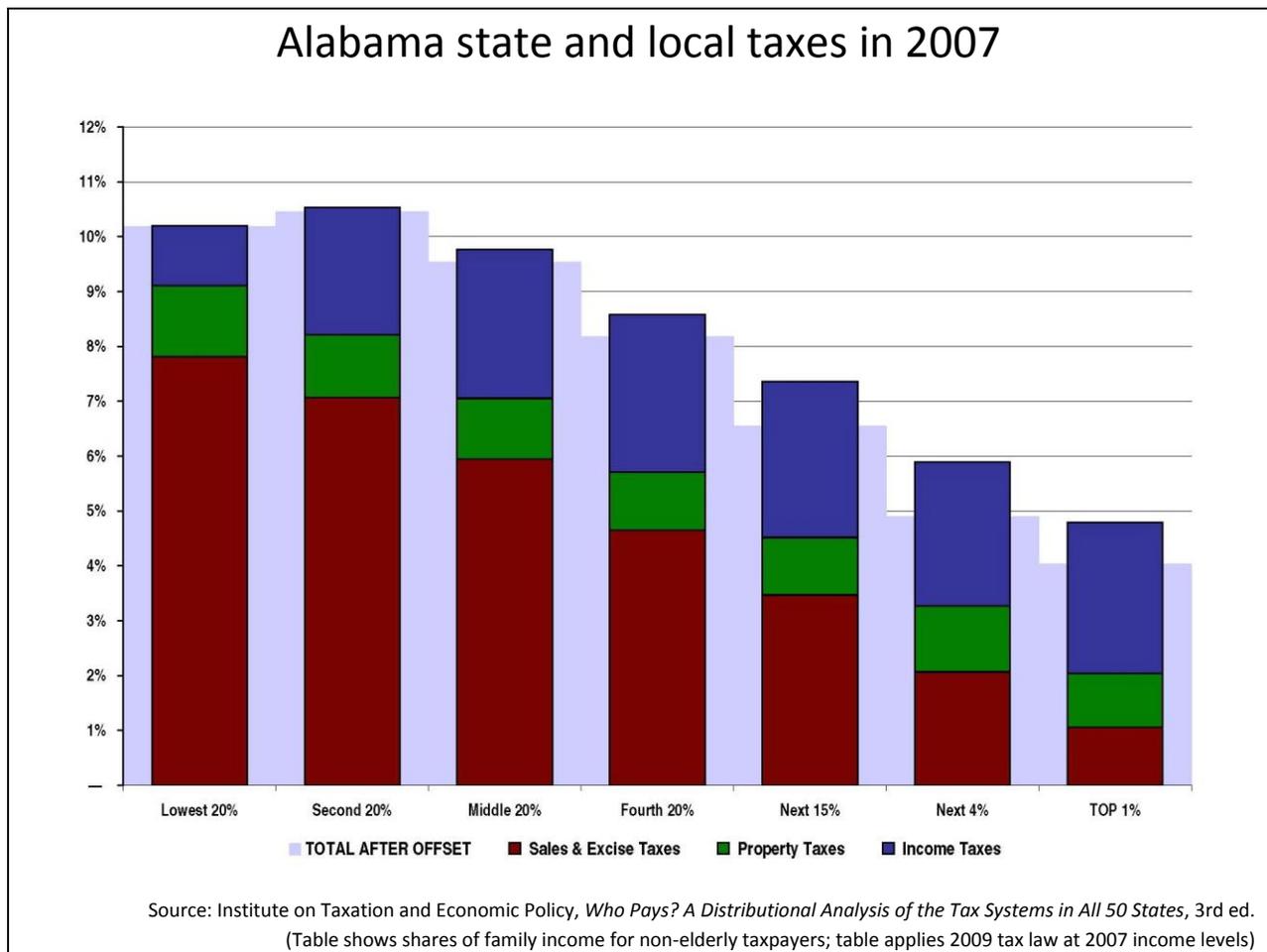
Alabama's stagnant median income and stagnant median wages have left many families unable to afford the growing cost of college. For the 40 percent of Alabama families with the lowest incomes, the net college cost – tuition, room and board, minus financial aid – in 2008 would have been about 36 percent of their annual income for a community college and 51 percent for a public four-year college or university, according to *Measuring Up 2008*, a report by the National Center for Public Policy and Higher Education (NCPPE).

Because of these statistics and others, the NCPPE ranked Alabama 48th in the college affordability category of its biennial state report card on higher education. The report also gave Alabama low marks on preparing students for education and training after high school.

TAXES

Alabama has the lowest per capita taxes in the nation, but its taxes are not low for everyone. In fact, the state’s income tax for a family of four at the poverty line is the nation’s highest. That fact is part of a decades-long trend in which 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 in 2007 – on average pay 10.2 percent of their income in state and local taxes, according to the 2009 third edition of *Who Pays? A Distributional Analysis of the Tax Systems of All 50 States*. The study, conducted by the Institute on Taxation and Economic Policy (ITEP), 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 – those who made at least \$384,000 in 2007 – pay 4.8 percent in taxes, and the effective rate falls to 4 percent when the federal income tax offset for state income and property taxes is taken into account.



High sales taxes and an effectively flat income tax are key factors in the Alabama tax system’s imbalance. Across the board, the overall trend is clear: The more people make in Alabama, the smaller share of it they pay in state and local taxes.

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. But even after the change, Alabama continues to tax workers whose earnings fall far below the federal poverty line, which was \$22,017 for a family of four in 2008. Further, the state’s income tax on a family of four at the poverty line last year (\$483) was the nation’s highest, according to the Center on Budget and Policy Priorities. Only 16 states require families with incomes that low to pay any income tax at all.

Alabama offers a deduction for Social Security contributions, but this relief is available only to 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 incomes toward Social Security. The state also permits a full deduction for federal income taxes, which mainly benefits wealthier Alabamians. Eighty percent of the tax break goes to the top fifth of earners, according to ITEP. Only two other states – Iowa and Louisiana – offer a full state deduction for federal income taxes.

Income tax thresholds in selected states, 2008	
Montana	\$12,200
ALABAMA	\$12,600
Georgia	\$15,900
Mississippi	\$19,600
Louisiana	\$20,300
Arkansas	\$21,300
Source: Center on Budget and Policy Priorities (Income tax thresholds are for two-parent family of four)	

The current income tax threshold, though much higher 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 (\$12,200). And because Montana’s threshold rises along with inflation but Alabama’s does not, Alabama likely will have the nation’s lowest income tax threshold in the near future if nothing changes.

Alabama begins to apply the income tax to residents at less than 60 percent of the federal poverty income. Most states with an income tax have thresholds above the poverty line. If Alabama increased its income tax deductions and exemptions and linked them to federal levels, the state's threshold would keep pace with annual increases in the cost of living and would not slip below 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 top (or marginal) rate.

In Alabama, almost two-thirds of families pay income tax at the top rate, according to ITEP. And though the state's income tax is nominally progressive, Alabama's full deduction for federal income taxes results in an effective income tax rate that declines slightly at upper income levels, ITEP says.

The income tax rate schedule also contributes to the regressive nature of the state's tax system. Sales taxes are regressive, requiring people who make less money to pay a larger share of their income than people who make more. Many states try to balance that effect with a progressive income tax that requires wealthier people to pay more than people who make less. But because most Alabamians pay at the top income tax rate, the state's income tax is effectively flat and does little to offset the regressive nature of the sales tax. As a result, Alabama has the nation's 10th most regressive tax system, according to ITEP.

Even though the sales tax is one of the most regressive taxes in existence, Alabama relies heavily on it to fund education, and the overall rates here are some of the highest in the United States. The combined state and local sales tax rate in some localities tops 10 percent.

One reason Alabama's sales tax is especially regressive is that it applies to necessities. Alabama taxes over-the-counter medicines, 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. Reduction or removal of the sales tax on groceries would make Alabama's tax system more progressive and put Alabama in line with the practices of the vast majority of states.

Another factor in the regressive nature of the state's sales tax is what is not subject to the tax. Alabama's sales tax applies mainly to spending on goods and entertainment, but not to most personal and professional services, on which wealthier taxpayers tend to spend a larger percentage of their incomes than lower-income people do. If Alabama expanded its sales tax base to include such services, the state could reduce its overall sales tax rate of 4 percent without reducing revenues for education and other public services.

OUTLOOK

When will economic conditions improve for Alabama's workers? Many analysts say the nation is at or near the bottom of the recession and already has begun to rebound. But that does not necessarily mean that recovery is just around the corner for many Alabamians.

The state's unemployment rate is certain to show a dramatic increase when the U.S. Census Bureau releases its 2009 data next year, and that fast-growing level of joblessness is likely to trigger a chain reaction in other areas. With more people out of work, Alabama's poverty rate and its share of residents without health insurance coverage are likely to rise. The state also may see near-term declines in its median household income and median wages.

When the economy does start to turn around in Alabama, the recovery's effects will not be felt immediately, and they will not be distributed equally across the entire state. The state's unemployment rate could surge to 12 percent next year before it begins to fall, a University of Alabama researcher said in October 2009. Moody's Economy.com predicted in November 2009 that larger cities like Huntsville and Mobile and college towns like Auburn and Tuscaloosa would see some of the nation's fastest job growth in the first quarter of 2010. But in more rural areas where jobs are harder to come by, the recovery is likely to be much slower.

A similar story may play out on the national stage. The gross domestic product (GDP) jumped 3.5 percent in the most recent quarter after four straight quarters of declines. But that growth has yet to cut unemployment, which increased to 10.2 percent nationally in October 2009. Federal Reserve chairman Ben Bernanke predicted in November 2009 that joblessness will stay "quite high" in 2010, slowing economic growth. Many economists have called for additional federal stimulus spending to create jobs and quicken the pace of recovery.

Amid falling revenues, state governments have cut spending in the last two fiscal years, and some economists warn that deeper cuts could threaten the economic turnaround. Federal aid to states under the American Recovery and Reinvestment Act (ARRA) has reduced the size of state budget cuts thus far, but the Center on Budget and Policy Priorities warns that without further federal action, state spending reductions in fiscal year 2011 could cost 900,000 jobs nationwide. ARRA funds helped Alabama avert massive cuts to its 2010 budgets, but without more federal money, the state likely will have to slash spending on education, health care and other services that help its residents stay ready and able to contribute to the economy.

Times are indisputably tough for many Alabama workers right now. But this recession, like all recessions, will end, and economic growth will follow. Whether the next boom period will offer average Alabamians real gains or more lost potential is a question for another day.