

DOCUMENT RESUME

ED 439 802

PS 028 411

AUTHOR Huddleston, Rich; Duran, Angela
TITLE The State of Working Arkansas: How Families are Faring in the Booming Economy. A Special Report from the Arkansas Working Families Project.
INSTITUTION Arkansas Advocates for Children and Families, Little Rock.; Good Faith Fund, Pine Bluff, AR.
SPONS AGENCY Mott (C.S.) Foundation, Flint, MI.
PUB DATE 2000-04-00
NOTE 23p.
AVAILABLE FROM Arkansas Advocates for Children and Families, 103 East 7th Street, Suite 931, Little Rock, AR 72201. Tel: 501-371-9678; Web site: <http://www.aradvocates.org>.
PUB TYPE Numerical/Quantitative Data (110) -- Reports - Descriptive (141)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Demography; Early Childhood Education; *Economic Factors; *Employed Parents; Employment Patterns; Family Characteristics; Living Standards; *Quality of Life; Social Indicators; Tables (Data)
IDENTIFIERS *Arkansas; Indicators

ABSTRACT

Using a wide array of government data, this report examines the impact of the 1990s economy and other developments on the living standards of Arkansas's working families and their children. Information is provided on: (1) unemployment rates by geographic region, educational level, and race; (2) employment and average weekly earnings by industry group; (3) income trends; (4) poverty and child poverty rates; (5) income gap between rich and poor; (6) the impact of welfare reform; (7) child care, health care, and housing needs; (8) tax burden; and (9) Arkansas usage of the federal earned income tax credit. The report concludes with a discussion of issues facing working Arkansas, including economic development, workforce development, assets and savings, tax policy, health care, quality child care and early childhood education, food and nutrition, welfare to work, housing, and unemployment insurance. (EV)

Reproductions supplied by EDRS are the best that can be made
from the original document.

This document has been reproduced as received from the person or organization originating it.

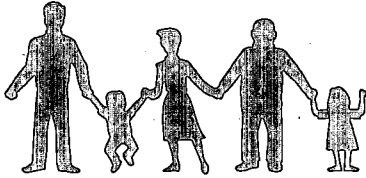
Minor changes have been made to improve reproduction quality.

Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

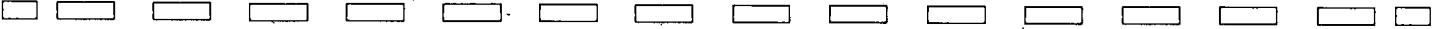
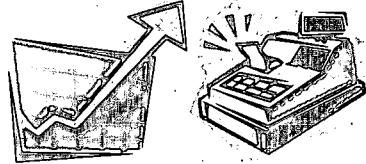


How Families Are Faring In The Booming Economy

The State of Working Arkansas



ARKANSAS
Working Families
PROJECT



A Special Report from the Arkansas Working Families Project

PERMISSION TO REPRODUCE AND
DISSEMINATE THIS MATERIAL HAS
BEEN GRANTED BY

Amy L. Rossi

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)

1

028411



BEST COPY AVAILABLE

April 2000

by Rich Huddleston, Research Director
Arkansas Advocates for Children & Families

103 E. 7th St., Suite 931
Little Rock, AR 72201
501/371-9678
www.aradvocates.org

by Angela Duran, Director of Policy Development
Good Faith Fund

2304 W. 29th Ave.
Pine Bluff, AR 71603
870/535-6233
www.arenterprise.org

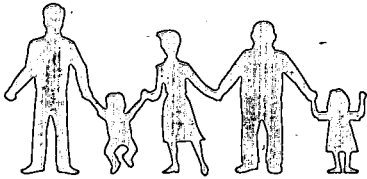
Funding provided by the Charles Stewart Mott Foundation.

*The information contained herein is not copyrighted. When citing information from this publication, please credit
Arkansas Advocates for Children & Families and/or the Good Faith Fund.*

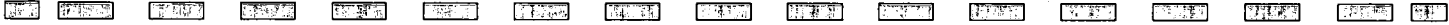
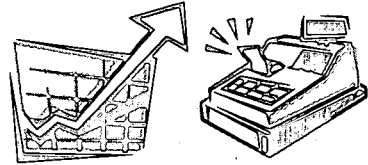


How Families Are Faring In The Booming Economy

The State of Working Arkansas



ARKANSAS
Working Families



A Special Report from the Arkansas Working Families Project

Introduction

The 1990s have been prosperous economic times for many Arkansans. Historically-low unemployment, a skyrocketing stock market, record corporate profits, and dramatic innovations in technology and communications have made Arkansans and businesses wealthier than many could have predicted at the start of the decade.

Not all Arkansans, however, are sharing in the state's booming economy. While more low-income families are working than ever before and earning higher incomes (due in part to the 1997 increase in the federal minimum wage), most still don't earn an income adequate to support their family. Many of the state's low- and middle-income working families with children lack basic health care coverage and access to quality early childhood education programs. Too many of the jobs being created in the state are in industries paying the lowest wages. And, far too many of the state's citizens lack the education, training, or skills to compete for those jobs that do pay wages and benefits that provide economic self-sufficiency. Arkansas' state and local tax system is regressive, imposing a high financial burden on the state's families least able to pay it.

There are signs the state is moving in the right direction. A higher proportion of Arkansas' low-income families work compared to those in other states, and several important policy reforms have been adopted to support these low-income working families. In 1997, the state established ARKids First, a program that provides health care coverage for uninsured children up to 200 percent of the poverty line. That same year, the state also took steps to provide limited tax relief for low-income working families by removing some of the state's poorest families from the state income tax rolls.

In 1999, Arkansas established a new Individual Development Account (IDA) program to encourage families to develop financial assets for starting a small business, buying a house, or paying for their education or their children's future education. As part of its welfare reform effort, known as the Transitional Employment Assistance (TEA) program, the state adopted rules to allow local welfare reform coalitions to use funds on programs that serve not only TEA clients but also low-income working families whose economic well-being is at risk. More and more citizens also recognize the need to do something about improving access to quality child care and early childhood programs; the Kids Count Coalition recently formed a committee of more than 50 organizations interested in improving access to quality early childhood programs.

Despite these initiatives, more work needs to be done. This report is the first step in a new multi-year initiative designed to improve the well-being of the state's working families. It is an initial effort to provide the first comprehensive look at the state of working families in Arkansas. This will be an annual report that regularly updates how well working families are doing. Using a wide array of government data, this report examines the impact of the 1990s economy and other developments on the living standards of the state's working families and their children.

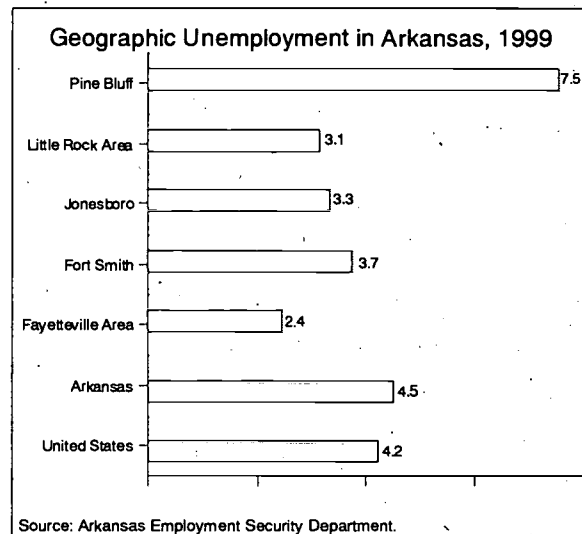
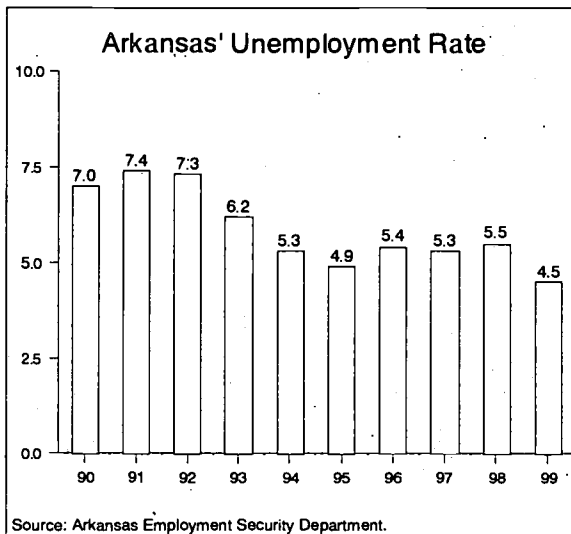
The State of Working Arkansas

The 1990s: A Good Decade for Employment

Reflecting the national economy, Arkansas' employment picture has been relatively good during most of the 1990s. The state's average annual unemployment rate fell during the 1990s, decreasing from 7.4 percent in 1991 to a low of 4.5 percent in 1999.

But Not All Arkansans Benefit

Some groups and geographic areas benefitted more than others from the state's booming economy and low unemployment rate during the 1990s. The Pine Bluff area, for example, had an average annual unemployment rate of 7.5 percent in 1999, a rate much higher than the state's other metropolitan areas. There were also major differences in the employment picture across counties. Eight of Arkansas' 75 counties had an average annual unemployment rate that was at least twice the state average (9.0 or higher). These counties (Bradley, Calhoun, Chicot, Desha, Jackson, Mississippi, St. Francis and Woodruff) are located mostly in eastern or southern Arkansas.



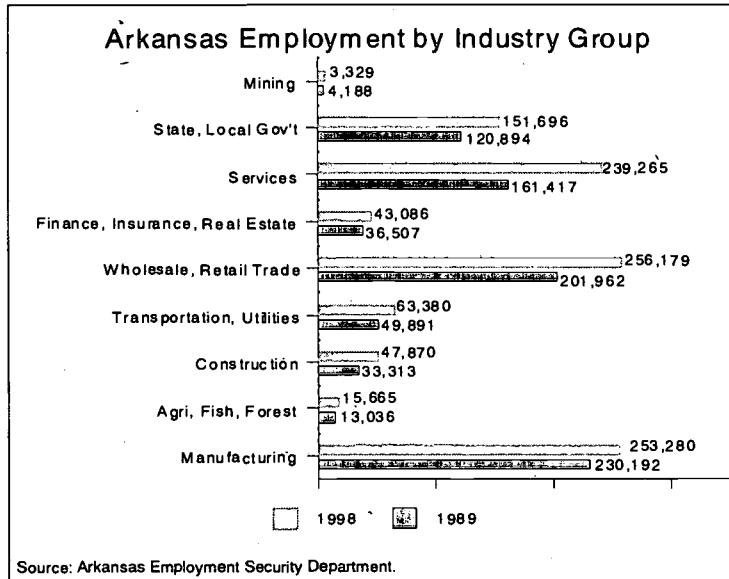
Education and race are key factors in who is employed. The 1997-1999 unemployment rate for blacks (9.8%) was much higher than the rate for whites (3.4%). Those with less than a high school education, were more likely to suffer from high rates of unemployment during the late 1990s.

Education	Rate	Race	Rate
Less than high school	10.0	White	3.4
High school	5.3	Black	9.8
Some college	3.3	Hispanic	NA
College degree	NA	Other	NA

NA: Not Available, due to small sample size of this group
Source: Preliminary analysis by Economic Policy Institute of 1999 CPS data.

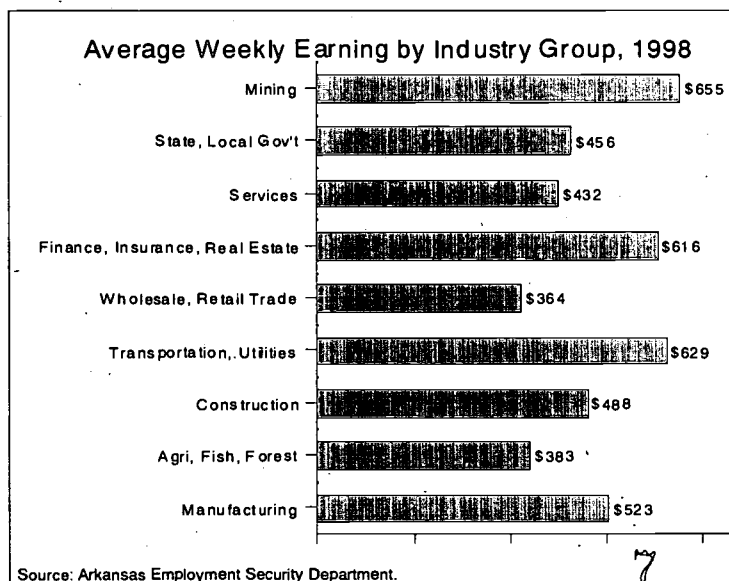
Some Employment Sectors Growing More Than Others

The economic sectors that employ the most Arkansans are manufacturing, wholesale and retail trade, and services. From 1989 to 1998, services and wholesale and retail trade had the largest increases in employment (increases of 77,848 and 54,217 jobs respectively). The sectors with the largest growth rates were services and construction (increases of 48.2% and 43.7%, respectively). The only sector with a decrease in employment was mining.



Earnings Are Lowest in the Fastest-Growing Employment Sectors

The sectors with the highest weekly earnings were mining; transportation and public utilities; and finance, insurance, and real estate. All had average weekly earnings greater than \$600. However, these sectors employ relatively few Arkansas workers. Two of the sectors that employ the most people and had the largest increases in employment during the 1990s — services, and wholesale and retail trade — also had the lowest earnings (average weekly earnings of \$432 and \$364, respectively).



Mixed News on Wages for Arkansas Workers

While economic expansion was good for employment during the 1990s, its impact on the wages of Arkansas workers was mixed. The real, inflation-adjusted wages of the state's *low-wage* workers saw moderate growth during the 1990s (low-wage workers are those at the bottom 20% of the wage scale). Their hourly wages increased from \$5.70 an hour in 1989 to \$6.16 in 1998 (an increase of 8%). The *typical* Arkansas worker, however, saw very little real wage growth during the 1990s. From 1989 to 1998, the state's median hourly wage increased from \$8.69 to \$8.93, an increase of less than 3 percent.

	Median	Low Wage (20th percentile)
1989	\$8.69	\$5.70
1996	\$8.64	\$5.78
1997	\$8.72	\$6.00
1998	\$8.93	\$6.16

Source: Calculations by the Economic Policy Institute of Current Population Survey data from the U.S. Census Bureau.

Our Poorest Families Still Have Low Incomes

Many of Arkansas' poorest families appear to have benefitted from the low unemployment rate, rising hourly wages for low-wage workers, and a 1997 increase in the federal minimum wage (to \$5.15 an hour). From the late 1980s (1988-90) to the late 1990s (1996-98), the average income of state's poorest families (the bottom 20%) increased by 18.9 percent. This was the largest gain, in percentage terms, of any income group. *However, the average annual income for the state's poorest 20 percent of families is only \$10,771, not enough to adequately meet all of their the basic daily living needs.*

The Incomes of Middle-Class Families are Stagnant

The state's middle-income workers were the big losers during the 1990s. While the state's booming economy may have created many low-wage jobs that helped family members who were previously unemployed, it has not resulted in higher wages for the state's middle-income families. The average income of the state's middle 20 percent of families increased less than 4 percent in real terms during the 1990s.

	Average Income			% Change	
	1978-80	1988-90	1996-98	1978-80 to 1996-98	1988-90 to 1996-98
Top 20%	\$80,538	\$84,336	\$99,519	23.6	18.0
4th 20%	\$45,569	\$47,652	\$48,157	5.7	1.0
Middle 20%	\$32,337	\$32,656	\$33,954	5.0	3.9
2nd 20%	\$21,336	\$21,260	\$23,084	8.2	8.6
Lowest 20%	\$ 9,408	\$ 9,066	\$10,771	14.5	18.9

Source: Center on Budget and Policy Priorities and the Economic Policy Institute, *Pulling Apart: A State-by-State Analysis of Income Trends*, January 2000.

Poverty Rates Have Fallen, But Remain High

The poverty rate is a key indicator of economic well-being for families. It represents the percentage of Arkansas families who don't earn enough resources to meet their basic needs. Since the late 1980s, poverty rates have slowly fallen, but remain high. Currently, about 17.2 percent of all Arkansans live in poverty. Despite the period of economic expansion for the state, Arkansas' poverty rate is still significantly higher than the national average of 13 percent.

	<u>Arkansas</u>	<u>U.S.</u>
1988-89	20.0%	12.9%
1990-91	18.5%	13.9%
1992-93	18.8%	15.0%
1994-95	15.1%	14.2%
1996-97	18.4%	13.5%
1997-98*	17.2%	13.0%

* A moving average was used because 1999 data is unavailable.
Source: U.S. Census Bureau Web site

Child Poverty Still a Major Problem

Child poverty continues to be a chronic problem for Arkansas families. More than 1 in 4 of Arkansas children under age 18 live in poverty; this represents 173,406 children. The incidence of poverty among younger children is even higher. Nearly 1 in 3 children under age 5 live in poverty. Despite the strong state economy, the incidence of poverty among Arkansas' children has not changed much since 1989. In fact, poverty appears to have worsened slightly for some groups of Arkansas children. The poverty rate for children under age 5, for example, has seen a significant increase (from 27.6% in 1989 to 31.2% in 1996).

	<u>1989 # (%)</u>	<u>1993 # (%)</u>	<u>1995 # (%)</u>	<u>1996 # (%)</u>
Under 5	46,914 (27.6)	55,805 (31.3)	60,099 (32.8)	56,485 (31.2)
5-17	100,652 (22.3)	109,670 (23.4)	119,221 (24.6)	111,181 (23.2)
Under 18	153,544 (24.4)	170,943 (26.0)	182,607 (27.0)	173,406 (25.8)

Source: Small Area Income and Poverty Estimates Program, U.S. Bureau of the Census.

Poverty-Level Wages Are Not Enough To Support a Family

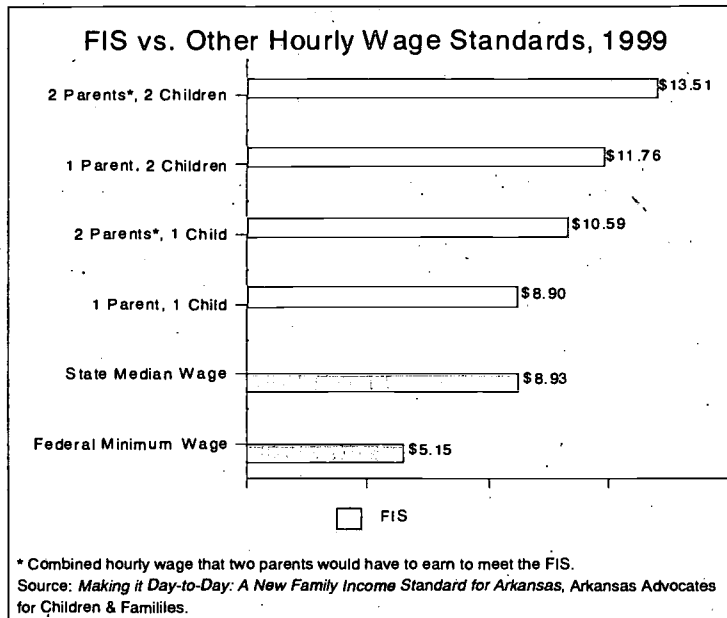
What is economic self-sufficiency for families? True self-sufficiency is earning an income level adequate to meet all of a family's basic daily needs, including food, housing, utilities, health care, child care, transportation, clothing, personal and household care expenses, and taxes without government assistance or assistance from private charities. A recent study by Arkansas Advocates for Children & Families found that families must earn an income level, the Family Income Standard (FIS), significantly higher than that generally recognized by the federal government, or earned by most Arkansans, in order to meet their basic daily living needs.

In 1999 this level ranged from \$18,805 for a single-parent with one child to \$28,541 for a two-parent family with two children. This is significantly higher than the federal poverty threshold of \$16,530 for a family of four in 1999.

	Federal Poverty Line	FIS	\$ Difference	% Difference	FIS as % of Fed. Pov. Line
1 adult with 1 child	\$11,235	\$18,805	\$ 7,570	67.5	167.4
2 adults with 1 child	\$13,120	\$22,372	\$ 9,252	70.5	170.5
1 adult with 2 children	\$13,133	\$24,833	\$11,700	89.1	189.1
2 adults with 2 children	\$16,530	\$28,541	\$12,011	72.7	172.7

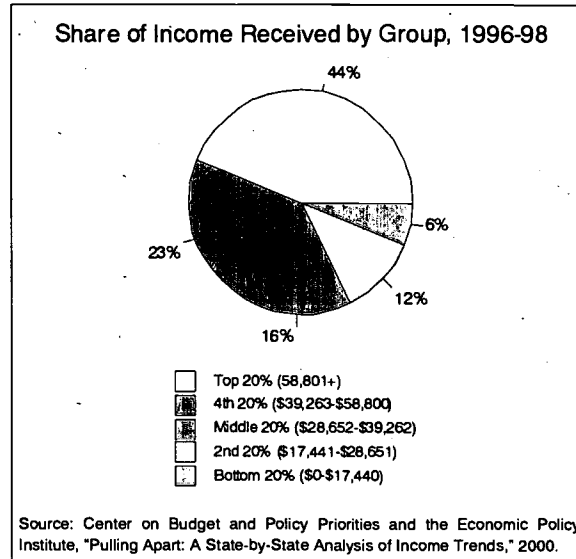
Source: Arkansas Advocates for Children & Families. (1999) *Making it Day-to-Day: A New Family Income Standard for Arkansas*.

The FIS hourly wage for a two-parent family with two children — a combined hourly wage for both parents of \$13.51 — is significantly higher than the federal minimum wage of \$5.15 an hour, or the hourly wage earned by many Arkansans (state median wage of \$8.93 in 1998).



The Income Gap Between Rich and Poor Remains Wide

Despite the booming economy of the 1990s and a 1997 increase in the federal minimum wage, income inequality remains high in Arkansas. By the late 1990s, the average income of the state's richest 20 percent of families was *more than nine times* greater than the income of the state's poorest 20 percent of families (\$99,519 versus \$10,771). The richest 20 percent of families continue to generate most of the income earned in the state. This group received 45 percent of all income, compared to only 6 percent of the income received by the bottom 20 percent.



Capital Gains Income Adds to Inequality

A realized capital gain is income from the sale of stocks and bonds or the appreciation in the value of a house or other property that is sold. As a general rule, higher-income taxpayers have more capital gains income because they are more likely to own assets, such as houses or stock, that appreciate over time. For tax year 1998, the Arkansas Department of Finance and Administration estimated that only 6.6 percent of all returns filed with incomes less than \$15,000 had any realized capital gains income. This percentage increases with income. The percentage of returns with income in the \$15,000-\$30,000 range that have capital gains income is somewhat higher at 10.4 percent. In contrast, nearly 42 percent of those with incomes in the \$100,000 to \$200,000 range will have realized capital gains income, while nearly 58 percent of the returns filed with incomes more than \$200,000 had capital gains income.

Arkansas Realized Capital Gains Income (Estimated), 1998				
Income Level	Returns Filed	% at Income Level w/ Capital Gains	Total Capital Gains Income	% of All Capital Gains Income
Less than \$15,000	401,057	6.6	\$ 50,712,200	4.8
\$15,000-\$30,000	275,247	10.4	\$ 65,491,800	6.1
\$30,000-\$50,000	184,930	14.8	\$ 84,374,400	7.9
\$50,000-\$75,000	100,284	21.3	\$110,907,500	10.4
\$75,000-\$100,000	32,873	29.6	\$ 80,144,900	7.5
\$100,000-\$200,000	24,221	41.9	\$164,928,500	15.5
More than \$200,000	8,910	57.5	\$510,565,000	47.8

Source: Arkansas Department of Finance and Administration, April 1999.

Declines in Assets for Low-Income Families Adds to Inequality

Income is only one part of the inequality picture. Also important are the ownership of assets (stocks and bonds, homes, savings accounts, etc.) and net worth (the measure of total assets minus total liabilities). According to national data, net worth increased or remained relatively steady for families with incomes greater than \$25,000. This is mostly due to increased stock ownership and an increase in the value of stocks. The percentage of families owning stock increased for all income categories except those between \$10,000 and \$25,000. *However, families with the lowest incomes (below \$25,000) saw a decrease in their net worth.* A very small percentage of these families own stock; therefore, they have not benefitted as much as higher income families from stock market growth. And the percentage of these same low-income families who own their own home has decreased as well.

Income Group	Family Assets in the United States					
	Median Net Worth		Percent Who Own Stock		% Who Own Primary Residence	
	1995	1998	1995	1998	1995	1998
Less than \$10,000	\$4,800	\$3,600	2.3	3.8	36.1	34.5
\$10,000-\$24,999	\$31,000	\$24,000	8.4	7.2	54.9	51.7
\$25,000-\$49,999	\$56,700	\$60,300	13.9	17.7	67.0	68.2
\$50,000-\$99,999	\$126,600	\$152,000	24.7	27.7	84.5	85.0
\$100,000 or more	\$511,400	\$510,800	43.6	56.6	91.1	93.3

Source: Federal Reserve, 1995 and 1998 Survey of Consumer Finances, January 2000.

The Impact of Welfare Reform

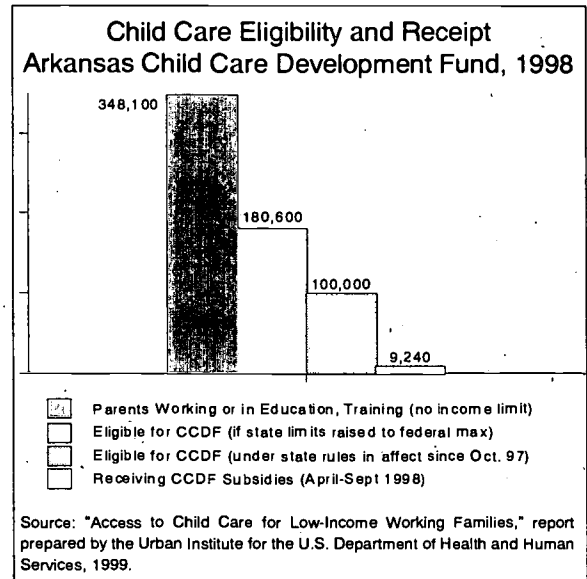
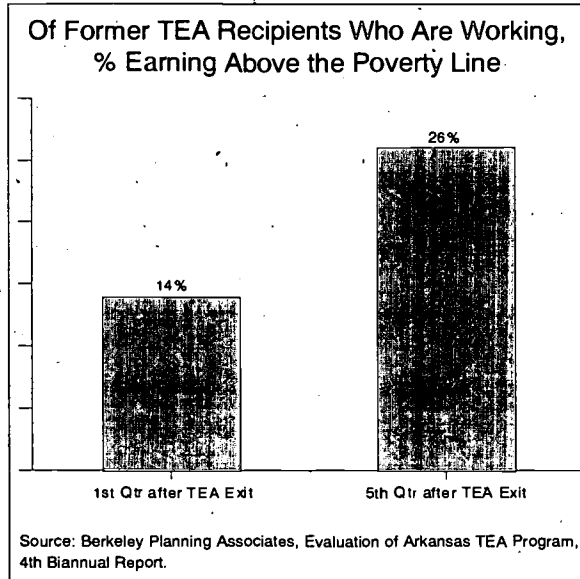
It is too early to determine what impact welfare reform will have on Arkansas' poorest families. Findings from an early evaluation of the state's welfare reform program suggest that the economic well-being of some families leaving welfare may be improving, but it may be getting worse for others. According to the study, *only 50 percent of families leaving welfare were employed six months later.*

The news is a little better for those who leave the state's welfare reform program, known as the Transitional Employment Assistance program (TEA), find work, and stay employed. Of those employed, only 14 percent earned wages above the Federal Poverty Line in their first quarter of leaving TEA. Family earnings do improve over time for families who leave TEA and stay employed, but only at a very modest pace. The incomes of former TEA families who were working increased by an average of 13 percent between the first and fifth quarters of employment (16 months). Of those families working, the percentage of families earning wages that would lift them out of poverty also increased from only 14 percent in the first quarter to 26 percent in the fifth quarter after leaving TEA.

Child Care a Big Need for Working Mothers

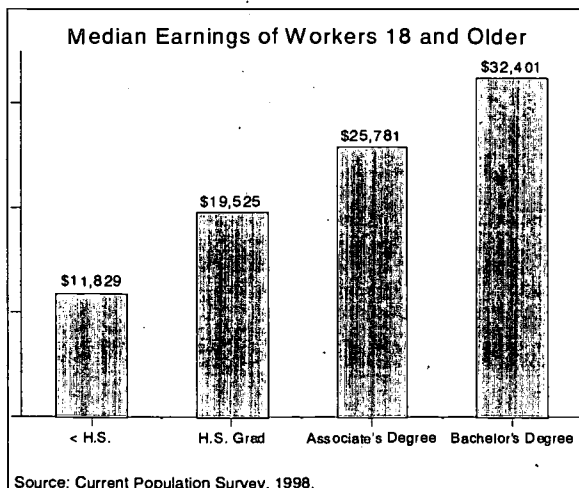
Child care is an important need for many working Arkansas families. One reason: a high percentage of Arkansas mothers with children under age 6 – 65 percent – work. This estimate does not take into account recent state and federal changes brought about by welfare reform. These changes, which include stricter work requirements (new Moms must go to work only three months after giving birth) and time limits, have probably increased the percentage of mothers with young children who work, especially single mothers.

Despite the need for child care, many families who need subsidized child care do not have access to it. One recent study found that the state is currently serving only 5 percent of low-income working families who are potentially eligible for subsidized child care. The reason: Arkansas has to limit access to subsidized care because it does not receive enough federal funding or commit adequate state resources to serve all low-income families who need care.



Education Still the Key to Higher Incomes

National data show that education is still the key to better paying jobs and higher incomes. Yet, the educational levels of the state's population age 25 and over are low compared to the national average. In Arkansas, 76.8 percent of that population have at least completed high school, and 16.2 percent have completed a bachelor's degree or higher. Almost one-fourth (23.2%), however, do not have a high school diploma or GED. For the United States as a whole, 82.8 percent are at least a high school graduates, and 24.4 percent have at least completed a bachelor's degree.



Education Level of People 25 and Older

	Arkansas	U.S.
No high school	23.2	17.2
High school grad or more	76.8	82.8
Bachelor's degree or more	16.2	24.4

Source: Current Population Survey, 1998.

Lack of Health Care Coverage Still a Concern

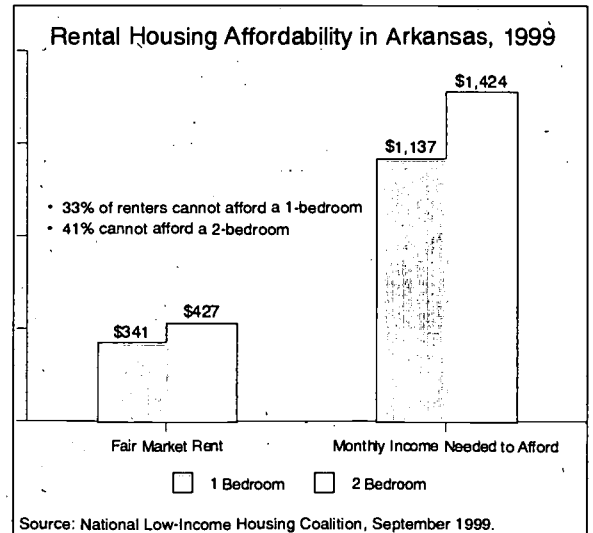
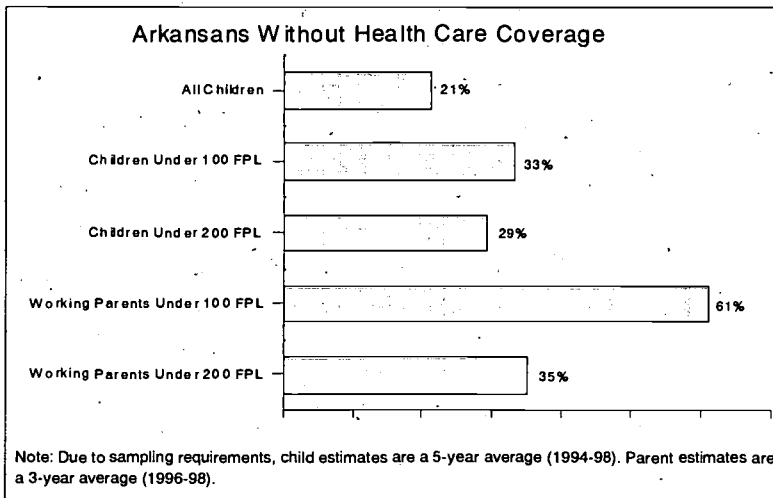
Health care coverage remains a major problem for many of Arkansas' low-income working families. The most recent estimates of uninsured children are for 1996 (a five-year average of 1994-1998). Twenty-one percent of the state's children do not have health care coverage. For children with incomes below 100 percent of the poverty line, 33 percent of all children have no coverage, while 29 percent of all children with incomes below 200 percent of the poverty line are uninsured.

With the advent of ARKids First, the state's health care coverage for uninsured children up to 200 percent of poverty, these rates likely overstate the percentage of children who are uninsured. As of January, 48,004 children were enrolled in ARKids First.

Lack of health coverage for parents is also a major problem for low-income working families. Sixty-one percent of the state's working parents with incomes below 100 percent of poverty are uninsured, while 35 percent of working parents with incomes below 200 percent of the poverty line have no health insurance.

Housing Not Affordable for Many Arkansans

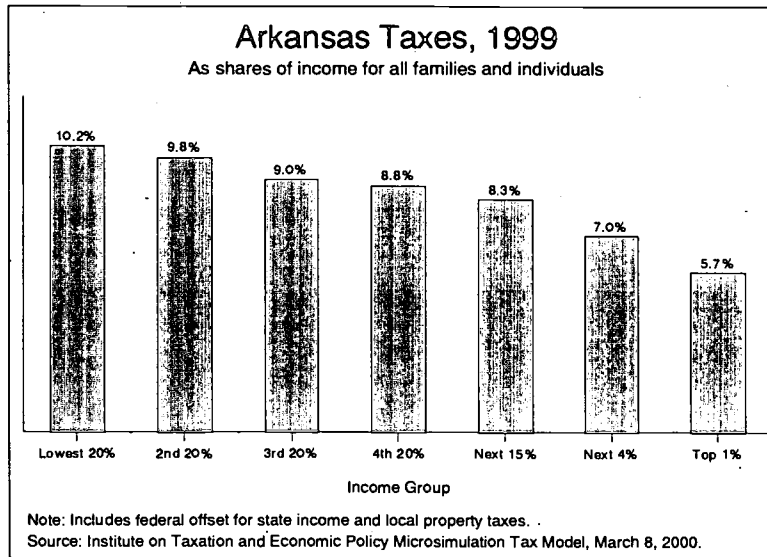
Although there has been a housing construction boom in some areas of Arkansas, many low-income families cannot afford the cost of decent rental housing. The Fair Market Rent in Arkansas for a one-bedroom unit is \$341, and for a two-bedroom unit it is \$427. The Fair Market Rent is the cost of minimally adequate housing as determined by the U.S. Department of Housing and Urban Development. To afford a two-bedroom unit, a family has to earn \$17,089 in annual income. Affordability is defined as spending no more than 30 percent of income on housing costs. *Forty-one percent of renters cannot afford a two-bedroom unit at the Fair Market Rent.*



Tax Burden Highest on Arkansas' Low-Income Working Families

Arkansas' overall state and local tax system is decidedly regressive. Low- and middle-income families and individuals pay a higher share of their incomes in state and local taxes than the wealthier families and individuals. The poorest 20 percent of families (those earning less than \$10,000 annually) pay 10.2 percent of their income in state and local taxes. Families and individuals with incomes in the middle (the middle 20% of families and individuals with incomes from \$18,000-\$28,000)

pay 9 percent of their incomes in taxes. The richest 1 percent of Arkansas families and individuals (those making more than \$176,000 annually) pay state and local taxes equal to only 5.7 percent of their income.



Arkansas Usage of the Federal EITC

The federal earned income tax credit (EITC) is a refundable tax credit for low- and moderate-income workers with earned income, mostly families with children, designed to provide tax relief, supplement earnings, and complement efforts to help families make the transition from welfare to work.

According to IRS data for the 1997 tax year, over 257,000 Arkansas families took advantage of the EITC (assuming that one tax return equals one family). Nearly 1 in 4 families who filed federal income tax returns (23.7%) were eligible and took advantage of the federal EITC in 1997. Nearly 40 percent of families with incomes under \$20,000 received the EITC. However, many Arkansas families who are eligible for the credit don't claim it. According to unpublished IRS estimates, 27 percent of Arkansas families who were eligible for the EITC in 1997 did not take advantage of it. The reason: Arkansas does not have an effective organized, statewide EITC outreach campaign. Many low-income working families apparently don't know they are eligible for the EITC or that receiving it often means a cash refund.

Arkansas Usage of Federal EITC
(Selected Income Groups, 1997)

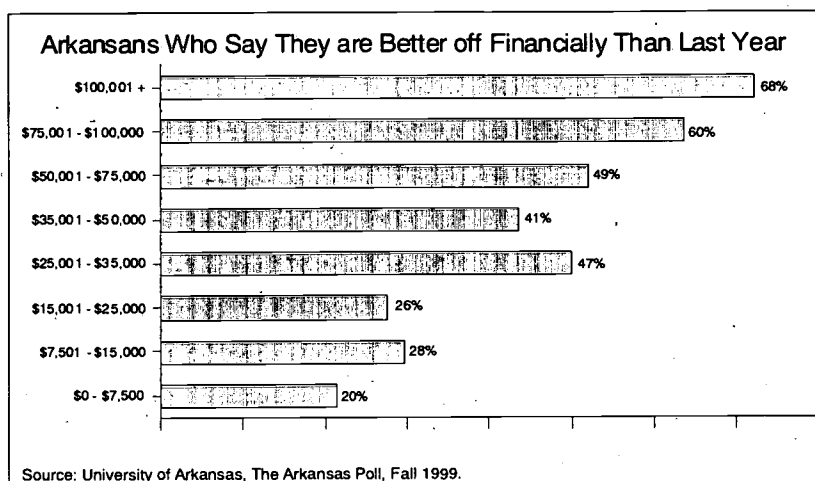
	All Returns	AGI* Under \$20,000	AGI \$20,000 - \$30,000
# of Returns	1,081,085	546,573	168,309
# of EITC Claims	257,224	217,738	44,486
Total Amount of EITC**	\$421,488,000	\$384,207,000	\$37,282,000
Avg. Amount of EITC	\$1,639	\$1,765	\$401
# of Refundable EITC	208,278	193,318	14,960
Total Amt. of EITC Refund**	\$344,487,000	\$333,195,000	\$11,292,000
Avg. Amt. of EITC Refund	\$1,654	\$1,724	\$755

* AGI: Adjusted Gross Income
** Total amount of EITC is the amount of credit received by taxpayers claiming it. In most cases, the EITC not only eliminates tax liability, but also results in a cash refund to the taxpayer. The total amount of EITC refund is the amount of EITC received that was directly returned to taxpayers in the form of a cash refund.
Source: IRS Statistics of Income Bulletin, Spring 1999.

Working Families Say Economic Problems Are Their Biggest Concerns

In a recent poll by the University of Arkansas, Arkansans said the biggest problems facing the state are related to the economy — unemployment and the lack of jobs, low wages, and poverty. A majority (50.3%) of respondents are unsatisfied with the opportunity for good jobs in their community. This is highest in rural areas (56%) and in South Arkansas (62%).

When asked how they were doing financially, 46.2 percent said they were worse off today than last year; 37.2 percent said they were better off; and 16.2 percent said about the same. These results varied drastically by income level. Only 26 percent of the families earning between \$15,001 and \$25,000 thought they were better off, while 60 percent of families making between \$75,001 and \$100,000 thought they were better off.



THE TRUTH ABOUT ARKANSAS' WORKING FAMILIES

Diversity

Poverty among Arkansas working families is *not* confined to any one family type, educational level, age or race. Poverty impacts all types of working families with children, including the young and old, black and white, and single- and two-parent families.

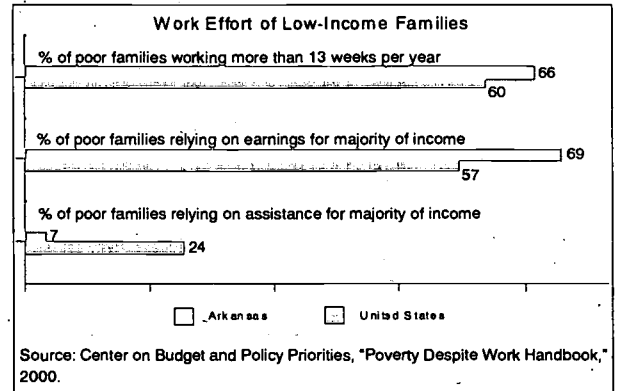
For example, 43.5 percent of all low-income working families are married-couple families, while a slight majority, 51.7 percent, are female-headed families.

Characteristics of Working Poor Families, 1996-98		
	Arkansas	U.S.
<i>Family Type</i>		
Married Couples	43.5	44.2
Female-headed	51.7	48.6
Male-headed	4.8	7.2
<i>Race and Ethnicity</i>		
White	61.2	45.4
Black	34.4	23.1
Hispanic	1.9	27.1
Other	2.5	4.4
<i>Education Level</i>		
< High School	31.1	37.5
HS or GED	46.8	37.4
Some College	19.8	20.3
College or more	2.4	4.8
<i>Age of Family Head</i>		
Under 25	18.8	14.8
24-34	45.1	39.6
35-44	25.1	32.8
45 and older	11.0	12.7
<i>Residence</i>		
Metropolitan area	35.5	75.3
Rural area	73.5	24.7

Source: Center on Budget and Policy Priorities, "Poverty Despite Work Handbook," 1999.

Work Ethic

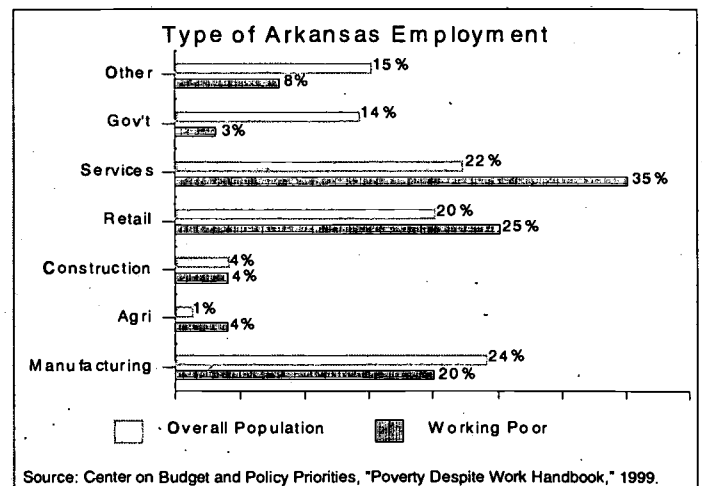
Contrary to popular myths and stereotypes, most low-income families hold jobs and work hard to support their children. In fact, Arkansas' low-income families are more likely to work and rely on earnings, not public assistance, than poor families in other states.



Employment Type

Working families who are poor are employed in all economic sectors. However, they are disproportionately represented in some sectors.

More than 1 in 3 low-income, working families (35%) are employed in service industries, a work sector that makes up 22 percent of all jobs. Similarly, retail trade comprises 25 percent of the jobs for working families, compared to only 20 percent for the entire population. Together, these two industries make up 60 percent of the jobs for working poor families.



The Issues Facing Working Arkansas

The state of working Arkansas is at best a mixed bag. While the strong economy has undoubtedly created many employment opportunities, it has not created the rising tide that lifts all boats. Upper-income families are faring quite well, but many lower and middle-income working families are still struggling to meet their basic daily living needs. The 1997 increase in the federal minimum wage has helped increase the wages of low-income families, but not enough. Many working families will continue to struggle until we address the issues that affect their ability to move up the economic ladder and better support themselves. Among the major issues we must address: economic development, workforce development, assets and savings, welfare to work, tax policy, health care, child care, food and nutrition, housing, and unemployment insurance.

Economic Development

Arkansas does not have enough jobs that pay wages that meet the Family Income Standard. We need economic development policies that support the development of better-paying jobs. A recent *Arkansas Democrat-Gazette* series reported that, over the last 10 years, the state has awarded \$543 million in economic development incentives, mostly in tax credits. According to state law, the state cannot report what has been accomplished with those incentives. Citizens have no idea how many jobs were created or retained, nor do they know how much the new jobs pay or the benefits they offer. In other states, there are laws requiring that the details of economic development deals be made public so that citizens know what they are getting for their tax dollars. Some states also tie incentive deals to decent wages and the provision of benefits and provide a "clawback" provision so the incentives must be paid back if the wage and job creation goals are not met. And other states have taken different approaches to economic development including educating the workforce, maintaining the infrastructure, and providing funding for access to capital.

Workforce Development

One of the best economic development policies a state can have is the development of an educated workforce. Arkansas does not have a workforce development system; it has the elements of a system, but those elements are not working together. The new Workforce Investment Board has the opportunity to make a comprehensive and coordinated workforce system a reality.* Such a workforce system would provide opportunities for all Arkansans to access higher education, regardless of their entry-level education. Community colleges, technical institutes, four-year colleges and universities, adult education, local Workforce Investment Boards, local TEA coalitions, high schools, and employers would all work together so that resources are used effectively. Movement up the education and career ladder, as well as access to a full range of life-long learning opportunities, would be the norm and would be actively supported by all the players in the system.

* The State Workforce Investment Board (WIB) was created as a result of recently passed federal and state workforce investment laws. The WIB is comprised of business leaders, legislators, state agency directors, local elected officials, disabled persons, and representatives from labor, community colleges, local WIBS, and community-based organizations. The WIB has a staff who report to the WIB and the Governor. Staff are independent from any state agency.

Assets and Savings

There is a large income gap between rich and poor. Income inequality, however, is only part of the problem. An equally important problem is the large asset gap between rich and poor families. The asset gap is the gap between rich and poor families in the ownership of assets such as stocks and bonds, bank accounts, homes, etc. Current policies only serve to exacerbate this problem. The federal government helps subsidize asset acquisition for the non-poor with over \$200 billion annually in the form of home mortgage deductions, preferential treatment of capital gains, and pension fund exclusions.

Policies for low-income families, however, have focused on maintaining a basic level of income rather than on building assets. In fact, policies under the former AFDC program prevented low-income families from accumulating more than a minimal amount of assets. New state policies do allow for more assets. For example, one car of any value is not counted against a family in determining eligibility for TEA.

Another new state policy that helps low-income and low-asset families accumulate assets is the Individual Development Accounts (IDAs) program. Through IDAs, individuals save money which is matched at a set rate. The savings can be used for home ownership, higher education, or starting a small business. During the 1999 legislative session, Arkansas enacted an IDA demonstration project, making it one of 36 states to try such policies. And the U.S. Congress also passed a federal IDA demonstration. Other kinds of policies being considered include Children's Savings Accounts and Universal Savings Accounts for retirement.

Tax Policy

Arkansas' tax system is clearly regressive. That is, low-income working families pay a higher proportion of their income in state and local taxes than do upper-income families. Arkansas also imposes the seventh highest state income tax burden on families with incomes below the federal poverty line (\$287 for the 1999 tax year). It is also one of the few remaining states that impose a state sales tax on groceries.

The tax burden on low-income families could worsen in the future because of a recent decision by the 1999 Arkansas General Assembly to refer to the voters an initiative that would cut property taxes and increase the state sales tax. Fortunately, the state does have options for reducing the tax burden on low-income families. Arkansas could permanently remove all low-income families with incomes below the federal poverty line from the state income rolls, eliminate the state sales on groceries, or establish a state earned income tax credit (similar to the proven federal EITC) to support working families with low incomes. Each of these options will need to be considered in light of the need to maintain a revenue stream essential to funding critical state services that support the state's low-income families.

Health Care

During the 1997 legislative session, Arkansas instituted the ARKids First program, a new health insurance program for uninsured children in working poor families (those earning up to 200% of the federal poverty line). While this initiative represents a dramatic step to improve health care coverage for Arkansas' children, it does not cover the uninsured parents

in low-income working families. Even if all children in low-income families are eventually covered by the ARKids program, purchasing health care coverage for uninsured parents will remain very prohibitive for working families.

The lack of coverage may be an incentive for some parents to neglect their own health care. This increases the likelihood that the parents in low-income working families will suffer negative, long-term health consequences if sickness or injury do occur. The lack of coverage represents potential, major financial liabilities for low-income families, threatens the long-term employability and earnings capacity of parents, and endangers the long-term, economic well-being of children and their families. Currently, there is a proposal to use funds from the Tobacco settlement to expand health care coverage for uninsured adults. The funds would be used to provide matching funds to increase the income limits for which adults may qualify for Medicaid.

Quality Child Care and Early Childhood Education

The demand for quality subsidized child care and early childhood education far exceeds the state's capacity to provide access to all low-income families who need it. According to the Division of Child Care and Early Childhood Education, there are currently not enough funds to serve all TEA families, former TEA families making the transition from welfare to work, and other low-income working families who are potentially eligible for child care (low-income families are eligible up to 133% of poverty). Currently, there is a waiting list of 4,000 families statewide. The waiting list doesn't include the many discouraged families who have given up any hope of receiving subsidized care. The lack of adequate funding, in conjunction with state policies that give TEA families priority access to child care, has forced the Division to implement policy changes that restrict access to subsidized child care for low-income, non-TEA families. Obviously, policies that restrict the ability of one low-income group to access child care in favor of another are not in the state's best long-term interest. However, policies that simply improve access to any type of subsidized child care, without regard to quality, are also not the answer.

The best option is to have a program that provides all low-income families with access to child care and early childhood education programs that meet "quality" standards. This would include enough funding to serve all low-income families who are currently eligible under state rules (up to 133% of poverty). It would also include funding for the many low-income working families who can't afford child care but who are not eligible under current state rules (such as those with incomes from 134% to 200% of poverty). It would also include enough funding for subsidies that cover the cost of "quality" programs that may be 2 to 3 times the cost of typical care. Currently, less than 10 percent of the state's child care programs meet "quality-approved" standards.

Food and Nutrition

Despite the availability of federal funding, there has been a shortage of providers willing to participate in the Summer Feeding program, a key food program for low-income children during the summer months. The investigatory focus of the state agency responsible for administering the Summer Feeding Program has had a "chilling" effect on the number of

providers participating in the program. This situation is likely to be exacerbated by the Arkansas General Assembly's recent decision to scale back requirements for summer school programs in the state's schools, a move that will likely further reduce participation in the Summer Feeding program.

In contrast, the state has done a good job of maintaining Food Stamp eligibility for families leaving welfare for work. We must build on this success by ensuring that the state adopts new federal options, such as those allowing car ownership and simplifying income reporting requirements, that make it easier for low-income working families to work and continue receiving Food Stamps. Finally, there is the issue of food insecurity. According to Arkansas data, nearly 12 percent of all households in 1998 were food insecure, meaning they did not have access to enough food to fully meet their basic needs within a given month.

Many families are turning to food pantries and food banks because they run out of food during the month. This includes (1) working families who may be eligible for Food Stamps but don't participate because of the negative stigma often associated with the program; and (2) families with incomes too high for Food Stamps but too low to purchase all of the food they need. The increased usage of food banks and pantries is occurring at a time when many are reporting declines in food contributions by the major food operations.

Welfare to Work

Arkansas made great strides during the last legislative session. It adopted policies that should improve the ability of families making the transition from welfare to work to achieve long-term economic self-sufficiency. Among the many changes: mandating greater access to educational opportunities for TEA families; establishing an IDA program to promote savings and assets development by low-income families; mandating an improved process for assessing clients needs for supportive services (such as transportation, child care, etc.); strengthening guarantees of greater access to these services; and improved monitoring to ensure that needed services are delivered.

The success of these changes, however, will depend on factors such as: (1) the ability of local TEA coalitions to develop the service delivery infrastructure needed for assisting TEA and at-risk low-income families; (2) the degree of participation and coordination between the wide range of state agencies, not just DHS, who have legal responsibility for implementing welfare reform; and (3) the extent to which clients actually receive critical supportive services needed to make a successful transition from welfare to work. These implementation issues will require careful monitoring in the coming years.

Housing

Low-income families face a range of housing-related issues. A major issue is the affordability of decent and safe housing. According to the last five-year housing plan for Arkansas, there is approximately one unit of subsidized rental housing for every four very low-income households. Another issue is the gap between eligibility for various programs and the limited resources for existing programs. Some families make too much to qualify for rental assistance, but not enough to qualify for assistance with purchasing a home. And even if families do

qualify, there are waiting lists for existing programs. A third issue is fair housing and discrimination in rental and housing sales. Finally, there is the issue of supportive housing for people with disabilities or special needs. This includes the elderly, those with physical or mental disabilities, the homeless and near-homeless, and people with HIV/AIDS.

Unemployment Insurance

One of the problems with the Unemployment Insurance (UI) program is that many workers who need unemployment insurance don't receive it. In 1998, only 42 percent of Arkansas' unemployed workers received unemployment insurance. Other states have implemented laws designed to broaden the coverage of UI. Eleven states, including Maine and North Carolina, have Alternative Base Period legislation, which allows the state to count the most recent earnings of workers when qualifying for UI benefits. This provision would help low-wage, part-time, and seasonal workers. Arkansas has yet to adopt this provision.

In addition, the U.S. Department of Labor has issued draft regulations that would allow states to enact laws to use UI for taking care of a newborn or newly adopted child. In response, four states have already introduced legislation that would provide UI benefits to individuals who take leave under the Family and Medical Leave Act. Finally, there is the issue of the UI program's financial stability. Recent data from the U.S. Department of Labor found that Arkansas was one of the 10 states most at risk of not being to adequately fund its UI program if a major recession were to occur.

The Role of the Working Families Project

Even if the current cycle of economic expansion continues, many Arkansas' working families will struggle in the years ahead. These families are not earning income to meet the Family Income Standard. We must create more jobs that pay wages at the Family Income Standard. We need a workforce development system that trains people for those jobs. Arkansas needs child care, health insurance, and housing policies that support working families who are doing the best they can to take care of their children. We need a tax system that rewards rather than punishes working families. And finally, we need a safety net that is there to help when the economy goes bad or when families cannot afford to take care of themselves.

The issues raised in this report are serious problems that require serious solutions. The Arkansas Working Families project will address these issues. The goals of the project are as follows:

- Create an understanding of the amount of income a family needs to cover basic expenses
- Provide data and information in an easy-to-understand format
- Organize a grassroots voice for working families to help set and advocate policy reforms.
- Build a coalition in support of progressive policy options.

Over the next two years, the Working Families Project will work to achieve these goals through the following products:

- *A Labor Market Study* that examines the match between available jobs and the ability of families to make a self-sufficiency level wage.
- *Focus Groups and Community Forums* that engage working families to identify issues and solutions and develop a grassroots constituency focused on working family issues.
- *Policy Reports* that examine alternatives for addressing issues such as economic development, workforce development, child care, health care, taxes, and the other issues that impact working families.
- *Training* in public policy, political process, and advocacy for grassroots leaders.



*U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)*



NOTICE

Reproduction Basis



This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.



This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (3/2000)