



Working Families  
and the New Economy

# How Are Arkansas Families Really Faring in Today's Job Market?

EXECUTIVE SUMMARY

ARKANSAS  
Working  
Families  
PROJECT

*A Project of the Good Faith Fund,  
Arkansas Advocates for Children & Families,  
and the Arkansas Public Policy Panel*

**A**rkansas is in the midst of an unprecedented period of economic boom. More Arkansans are working than ever before. The state's unemployment rate has been less than 5.5 percent every year since 1995. In 1999, the unemployment rate dropped below 4.5 percent.

Similarly, the income of many of the state's citizens has increased dramatically during the past decade. From the late 1980s to the late 1990s, the income of Arkansas' poorest and richest families grew by nearly 19 percent.

Although low unemployment and increasing household income are cited as evidence of a healthy economy, these figures mask economic distress that thousands of Arkansas families continue to experience. The report *How Families Are Faring in the Booming Economy: The State of Working Arkansas*, issued earlier this year by the Arkansas Working Families Project, showed that many families are not doing well despite the good economy. That report, while illustrating many of the problems facing working families, only scratched the surface of several important questions, such as:

- Do working Arkansas families have adequate incomes to meet their basic daily living needs?
- Is Arkansas' economy creating enough jobs that can support a family?
- What is the gap between the jobs that can support a family and Arkansans seeking work?
- What public policies might Arkansas enact to promote the creation of jobs that pay self-sufficiency wages and help working families meet their basic needs?



This report summarizes a three-part study that explores the relationship between work, the Arkansas labor market, and the economic self-sufficiency of Arkansas families. After reviewing this study, we hope policy-makers and other citizens will better understand why, in this new high-growth economy, many hard-working Arkansas families continue to live at incomes that cannot cover their basic daily living needs; and, more importantly, what we can do about it.

## The Income Needed to Cover the Basic Expenses of Arkansas Families Is Higher Than You Think

How much income do working families need to adequately provide for their children? This question is addressed in *Making It Day-to-Day: A New Family Income Standard for Arkansas*, a 1999 report by Arkansas Advocates for Children & Families.

This report established the Family Income Standard (FIS), which is defined as the amount of money required by a working Arkansas family to meet its ongoing, basic living needs without assistance from governmental agencies or private charities. The 1999 FIS ranges from \$18,805 for a single-parent family with one child to \$28,541 for a two-parent family with two children.

In addition to establishing the Family Income Standard or benchmark for this study, two findings from *Making It Day-to-Day* are particularly important:

- The FIS is significantly higher than the federal poverty line (about 185 percent of poverty), indicating that the federal poverty line seriously underestimates the income needed to meet basic needs.
- The federal minimum wage, currently \$5.15 per hour, is far below the FIS wage needed by each family type. Even in families in which both parents work, two minimum wage jobs would not provide sufficient income to meet the basic needs of their children.

## Over a of Families Do Not Have Incomes To Cover Their Basic Expenses

Of the more than 360,000 Arkansas families with children under 18, over 130,000 (36%) are estimated to have incomes that are too low to provide for their basic needs. Single parent families with children are particularly at risk -- 2 in 3 families have incomes below the Family Income Standard (FIS).

However, contrary to popular belief, the problem is not limited to single parent families. Many two-parent working families are also struggling. Nearly 1 in 4 (23%) two-parent families have incomes that do not meet their needs.

### Arkansas' Economy Does Not Generate Enough Jobs Paying Self-sufficiency Wages

Why do many Arkansas families not have enough income to meet their basic needs? The answer, put simply, is that their jobs don't pay enough.

Despite an unemployment rate that has remained under 5.5 percent since the end of 1995, Arkansas doesn't have enough jobs that allow families with children to be self-sufficient and meet their basic needs. Many of these jobs do not pay wages that meet or exceed the FIS.

In 1999, only 57 percent of all Arkansas jobs paid enough (\$8.90 or more an hour) to support a single-parent family with one

child. Only 1 in 4 (26%) Arkansas jobs paid enough (\$13.51 an hour) to support a two-parent, two-child family.

ARKANSAS FAMILY INCOME STANDARD, 1999			
Family Type	Federal Poverty Line	Annual FIS	Hourly FIS
Single Adult	\$8,316	\$14,841	\$7.03
1 Adult/ 1 Child	\$11,235	\$18,805	\$8.90
2 Adults/ 1 Child	\$13,120	\$22,372	\$10.59
1 Adult/ 2 Children	\$13,133	\$24,833	\$11.76
2 Adults/ 2 Children	\$16,530	\$28,541	\$13.51

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

ARKANSAS HOUSEHOLDS BELOW THE FIS			
Household Type	# of Households	# of Households Below FIS	% of Households Below FIS
Total Households	845,875	295,831	35
Families w/ Children	362,096	131,597	36
Single-adult Families	112,854	74,608	66
Two-adult Families	249,242	56,989	23
Household w/o Children	483,779	163,934	34

Source: Calculations from the 1997-99 March Current Population Survey (CPS).

ARKANSAS JOBS PAYING THE FIS, 1999			
Family Type	Hourly FIS	# of Jobs Paying the FIS or More	% of Jobs Paying the FIS
1 Adult/ 1 Child	\$8.90	667,174	57
2 Adults/ 1 Child	\$10.59	490,340	42
1 Adult/ 2 Children	\$11.76	400,469	34
2 Adults/ 2 Children	\$13.51	304,361	26

Source: Analysis of 1998 CES and 1996-2006 Industry and Occupational Projections Data.

## All Jobs Are Not the Same! Service Jobs Rarely Pay Enough to Support a Family

What types of jobs in Arkansas pay a self-sufficiency wage and what are the education and skill-levels required to get those jobs? Current Arkansas jobs can be classified into three categories:

- jobs that fail to meet the FIS (\$8.90 an hour or \$18,805 annually) for a one-parent, one-child family;
- jobs that meet the FIS (\$8.90 - \$13.50 an hour) for smaller

family sizes -- such as a one-parent, one-child family or a two-parent, one-child family; and

- jobs that pay the FIS (\$13.51 or more an hour) for a two-parent, two-child family.

Service-sector jobs, such as those in restaurants, hotels, etc., comprise nearly 15 percent of all jobs. Service-sector jobs represent 29 percent of all jobs that don't pay the minimum FIS (\$8.90 an hour); less than 6 percent of the jobs that pay the FIS for smaller families; and only 1 percent of the jobs can support a two-parent, two-child family.

In contrast, professional and technical jobs represent 17 percent of all jobs, but are the largest source of jobs (42%) that pay FIS wages for a two-parent, two-child family.

### Education and Training is Key to Better-Paying Jobs

A strong and clear connection exists between education and training and jobs that pay FIS-level wages. For example, only 16 percent of all Arkansas jobs require at least a bachelor's degree, but fully half of all jobs that pay the FIS for a two-parent, two-child family require a bachelor's degree or more.

Jobs requiring medium- or long-term OJT (on-the-job-training) represent only 23 percent of all jobs; 36 percent of the jobs that meet the FIS (\$8.90 - \$13.50 an hour) for smaller family sizes; and 17 percent of the jobs that meet the FIS for a two-parent, two-child family.

At the other end of the spectrum, jobs that require only short-term OJT comprise 44 percent of all jobs; about 35 percent of the jobs that pay the FIS for smaller family sizes; but only 8 percent of the jobs that pay FIS wages for a two-parent, two-child family. Clearly, a bachelor's degree or more advanced education and training is critical to economic success.

### ARKANSAS JOBS BY OCCUPATIONAL GROUP AND WAGE, 1999

Occupational Group	Percent			
	Total	Less Than \$8.90	\$8.90 to \$13.50	\$13.51 or more
Columns = 100%				
Managerial/ Administrative	6	0	2	18
Professional/ Technical	17	5	13	42
Sales, etc.	12	17	8	9
Clerical/ Administrative Support	14	15	20	4
Service	15	29	6	1
Agriculture, etc.	1	2	1	1
Production/ Craft/ Operators	35	31	49	25
Share of Total				
Total, All Jobs	100%	43%	31%	26%

Source: Analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data.

### ARKANSAS JOBS BY EDUCATION/TRAINING AND WAGE, 1999

Education/ Training Level	Percent			
	Total	Less Than \$8.90	\$8.90 to \$13.50	\$13.51 or more
Columns = 100%				
Bachelor's Degree or higher	16	2	8	50
Associate's Degree or Vocational Training	8	4	12	10
Work Experience	8	3	9	15
Medium- or Long-term OJT	23	18	36	17
Short-term OJT	44	73	35	8

Source: Analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data.



## But Education and Training May Not Be Enough

Obviously, advanced education and training is critical to getting a job that pays the FIS-level wage, but is it enough?

In the short-term at least, the ability to obtain a good-paying job depends not only on an individual worker's skills and abilities, but also on the local job market. A review of the 25 occupations expected to generate the most job openings in 2000 illustrates how much low-skill (and low-wage) jobs dominate new jobs openings.

- Of the Top 10 occupations with the most job openings, only three -- truck drivers, general managers and top executives, and registered nurses -- pay FIS-level wages for a two-parent, two-child family.
- Overall, only 10 of the Top 25 occupations will produce FIS-level wages.

These numbers clearly suggest that while education and training may improve the likelihood of finding a better paying job, an individual worker cannot be guaranteed he will obtain a job that pays FIS-level wages. Jobs paying FIS-level wages must exist in the local job market if workers are to be successful.

OCCUPATIONS w/ THE MOST PROJECTED JOB OPENINGS, 2000

Occupation	Job Openings	Median Wage	Education/ Training Requirement
Retail Salespeople	2,059	\$7.26	Short-term OJT
Cashiers	1,973	\$6.31	Short-term OJT
Heavy/ Tractor-Trailer Truck Drivers	1,320	\$12.56	Short-term OJT
Other Helpers/ Laborers/ Handlers	1,302	\$7.52	Short-term OJT
Food Preparation/ Service	1,248	\$5.88	Short-term OJT
General Managers/ Top Executives	949	\$20.28	Work Experience + Bachelor's Degree
Waiters/ Waitresses	891	\$5.76	Short-term OJT
Registered Nurses	861	\$16.66	Associate's Degree
Assemblers/ Fabricators	838	\$8.78	Short-term OJT
Packaging/ Filling Machine Operators	824	\$7.86	Medium-term OJT
Nursing Aides/ Orderlies/ Attendants	813	\$6.20	Short-term OJT
General Office Clerks	786	\$8.08	Short-term OJT
Secondary School Teachers	754	\$18.63	Bachelor's Degree
Food Preparation Workers	697	\$5.95	Short-term OJT
First-line Supervisors - Sales Workers	691	\$11.20	Work Experience in Related Occupations
First-line Supervisors - Clerical Workers	493	\$12.23	Work Experience in Related Occupations
Licensed Practical Nurses	485	\$10.68	Post-secondary Vocational Education
Hand Packers/ Packagers	465	\$7.17	Short-term OJT
Meat/ Poultry/ Fish Cutters and Trimmers	445	\$7.85	Short-term OJT
Maintenance Repairers/ General Utility	444	\$9.74	Long-term OJT
Freight/ Stock/ Material Movers	440	\$8.32	Short-term OJT
Landscaping/ Groundskeeping Laborers	402	\$7.45	Short-term OJT
All Other Machine Operators/ Tenders	401	\$9.48	Medium-term OJT
Elementary School Teachers	384	\$18.08	Bachelor's Degree
Tellers	384	\$7.68	Short-term OJT
<b>TOTAL</b>	<b>20,349</b>	<b>\$9.52</b>	

Source: Analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data.

## Enough FIS-Level Jobs May Not be Available for the Workers that Want Them

The ultimate question for policy-makers (and for individual workers) is whether Arkansas' new "high growth" economy is creating enough jobs that pay self-sufficiency wages for those Arkansans who seek those jobs.

To answer this question, we compared the number of "job openings" that pay FIS wages to the number of people seeking those jobs, or "job seekers." Job seekers include both the unemployed and "other job seekers," also known as the underemployed. These include discouraged workers (those who have given up looking for work because they can not find a job); other individuals who are constrained from working because of child care or other reasons; and those who are working part-time voluntarily but would work full-time if they could find a full-time job.

The ratio of these two is the "job gap," a measure of how difficult it is for Arkansans who want better jobs (or a job in the first place) to find them. In an economy where unemployment has fallen below 5 percent, one would hope that the job gap between job openings and job seekers would be small.

In 2000, there are four job seekers for each job opening in Arkansas. The competition for jobs paying FIS wages is much higher. There are seven job seekers for each job opening that pays the FIS wage (\$8.90) to support a one-parent, one-child family. For each opening that pays a self-sufficiency wage (\$13.51) for a two-adult, two-children family, the job gap is 14 to 1, or 14 job seekers for every one job paying \$13.51 or more.

While Arkansas' economy may be generating significant numbers of jobs, there are not enough jobs for all job seekers, and a majority of these jobs are at the lower end of the pay scale and do not pay a wage that will bring Arkansas' job seekers into self-sufficiency.

## For Less-skilled Job Seekers, the Competition for FIS-Level Jobs is Fierce

In many areas of the state, large numbers of low-wage, low-skill jobs are available. However, there are more job seekers than there are jobs available -- approximately 116,000 lower-educated job seekers (those with less than a high school degree). If this number is compared to the number of low-skilled job openings for which these workers qualify (about

34,197 jobs), there are about three lower-educated job seekers for every one lower-skilled job for which they qualify -- a job gap of only 3 to 1.

**While low-wage jobs may be available for many low-skill workers, these workers face far greater competition in their efforts to secure jobs that pay wages meeting the basic needs of their families.** For every one low-skill job that pays \$8.90 or more an hour, there are about eight low-skill job seekers. For every one low-skill job opening that pays enough to support a two-parent,

two-child family (\$13.51), there are 29 job seekers -- a job gap of 29 to 1.

The severe shortage of jobs that pay FIS wages has profound implications for Arkansas' families, especially for low-skill workers. Many analysts suspect that the job market is indeed splitting in two: a small market paying higher level wages and a much larger job market paying low wages. Middle-income jobs that pay enough to support families are disappearing. If true, Arkansas' low-skill workers will have few opportunities to obtain jobs paying the wages they need to support their children and families.

THE ARKANSAS JOB GAP					
	Total	FIS Wage			
		1 Adult/ 1 Child \$8.90+	2 Adult/ 1 Child \$10.59+	1 Adult/ 2 Children \$11.76+	2 Adults/ 2 Children \$13.51+
Job Seekers in 2000	162,041				
Job Openings	45,011	24,065	18,055	14,890	11,400
Job Seekers per Job Opening	4	7	9	11	14
% of Job Openings Paying Less than FIS		47	60	67	75

Source: Analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data.

THE ARKANSAS JOB GAP					
Job Seekers w/ a High School Education or Less					
	Total	FIS Wage			
		1 Adult/ 1 Child \$8.90+	2 Adult/ 1 Child \$10.59+	1 Adult/ 2 Children \$11.76+	2 Adults/ 2 Children \$13.51+
Job Seekers w/ H.S. Education or Less	116,721				
Job Openings that Require no More than H.S. Education	34,197	14,182	8,842	6,590	4,084
Job Seekers per Job Opening	3	8	13	18	29
% of Job Openings Paying Less than FIS		68	80	85	91

Source: Job openings from analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data; job seekers from analysis of 1999 Current Population Survey.



### It Depends on Where You Live

More important to job seekers than state-level labor market conditions are the opportunities available to them in their own communities. Arkansas has major regional differences in the availability of and competition for jobs that pay FIS wages.

Consider that in the Central Arkansas-Little Rock region, there are nine job seekers for every one job opening that pays a FIS

wage (\$13.51 an hour) to support a two-parent, two-child family.<sup>1</sup> Similarly, in Northwest Arkansas, the job gap is 13 job seekers for every one such job. In Southwest and Southeast Arkansas, however, 35 and 55 job seekers, respectively, are looking for every one job opening that pays an FIS wage to support a two-adult, two-child family.

Clearly, a worker's ability to find a job that adequately supports his family depends not only on individual job skills, but also whether such jobs exist in his community.

THE ARKANSAS JOB GAP BY AREA						
Area	Job Seekers in 2000	Total Job Openings	Job Seekers per Job Opening that Pay FIS			
			1 Adult/ 1 Child \$8.90+	2 Adult/ 1 Child \$10.59+	1 Adult/ 2 Children \$11.76+	2 Adults/ 2 Children \$13.51+
Central/ Little Rock	30,851	3	5	6	8	9
Eastern	11,403	6	12	17	23	26
North Central	15,699	4	8	12	14	19
Northeast	22,572	6	10	16	23	29
Northwest	19,057	2	5	7	10	13
Southeast	22,415	10	18	31	42	55
Southwest	19,526	7	13	17	20	35
West Central	17,417	4	8	11	15	22
Western	12,262	3	5	7	9	11
STATEWIDE AVERAGE		4	7	9	11	14

Source: Job openings from analysis of 1998 OES and 1996-2006 Industry and Occupational Projections Data; job seekers from analysis of 1999 Current Population Survey.

1. To facilitate analysis, the **Little Rock and Central Arkansas areas** have been combined into one area consisting of Faulkner, Lonoke, Monroe, Prairie, Pulaski and Saline counties. Other areas are defined as follows: **East** -- Crittenden, Cross, Lee, Phillips and St. Francis counties; **North Central** -- Cleburne, Fulton, Independence, Izard, Jackson, Sharp, Stone, Van Buren, White and Woodruff counties; **Northeast** -- Clay, Craighead, Greene, Lawrence, Mississippi, Poinsett and Randolph counties; **Northwest** -- Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy and Washington counties; **Southeast** -- Arkansas, Ashley, Bradley, Chicot, Cleveland, Desha, Drew, Grant, Jefferson and Lincoln counties; **Southwest** -- Calhoun, Columbia, Dallas, Hempstead, Howard, Lafayette, Little River, Miller, Nevada, Ouachita, Sevier and Union counties; **West Central** -- Clark, Conway, Garland, Hot Spring, Johnson, Montgomery, Perry, Pike, Pope and Yell counties; **West** -- Crawford, Franklin, Logan, Polk, Scott and Sebastian counties.



- develop the capacity of existing licensed programs to meet quality standards.

The state should develop a long-term plan and timetable, supported by the governor, for achieving these goals.

**WORKFORCE DEVELOPMENT** Workers should be provided with greater access to education and training and lifelong learning programs -- **because education remains the best guarantee of higher earnings and improved job prospects for individual job seekers.** To achieve this goal, Arkansas needs to develop a coordinated and comprehensive workforce development system. The new Workforce Investment Board has the opportunity to make such a system a reality. In this system, all public and private education and training institutions would work closely with government agencies and employers to ensure that all Arkansas families have access to a full range of life-long learning opportunities.

**MAKE WORK PAY** Education and training, by itself, will not be enough. Workers with less than a college degree should be able to earn enough income to provide for their families' basic needs. To help these workers move to self-sufficiency, policies should be enacted that will help ensure that "work pays." These policies should include supporting national efforts to raise the minimum wage or enacting a state minimum wage that is higher than the current federal minimum wage of \$5.15 an hour.

In addition, the state should enact tax policy changes to reduce the tax burden on low-income working families. One option would be to establish a state earned income tax credit (EITC), modeled after the federal EITC, to support these working families.

Another option would be to raise the threshold at which families begin paying state income taxes so that families with incomes below the poverty line are not subject to such taxes. Currently, two-parent families with two children begin paying state income taxes at \$15,501, well below the 2000 federal poverty line of \$17,050. A third option, if it could be financed without devastating funding for critical state services, would be to remove the state sales tax on groceries.

**ECONOMIC DEVELOPMENT** Economic development programs should be targeted to those firms and industries that create jobs paying FIS wages. The largest economic development tool used by the state is tax incentives. Some of these incentives are designed so that businesses receive a greater incentive if they pay higher wages. More of these incentives should be designed to encourage the development of jobs that pay enough to support a family.

The state should also expand its range of economic development tools to include funding for loan programs that provide capital to companies that cannot access traditional lending institutions.

**SUPPORT THE TRANSITION FROM WELFARE TO WORK** This study clearly shows that the working families most at risk of failing to have incomes that meet their basic needs are single-parent households. Almost half of the single-parent households with a full-time working adult live at incomes below the Family Income Standard.

Most of the families making the transition from welfare to work fall into this single-parent category. Although the state made great strides in its last legislative session to help these families, more must be done. Local Transitional Employment Assistance (TEA) coalitions must develop the service delivery infrastructure needed to assist TEA and at-risk low-income families.

Greater participation and coordination between the various state agencies responsible for implementing welfare reform must be accomplished. Clients must actually receive the critical support services (such as transportation assistance and child care) they need to make a successful transition from welfare to work. Finally, welfare recipients should be encouraged and adequate resources should be provided to continue their education. By doing so, they can obtain the skills they need to command a higher wage and earn enough to become self-sufficient.

**ACCESS TO AFFORDABLE HEALTH CARE** Lack of affordable, quality health care is one of the biggest obstacles that working families must overcome in the struggle to become self-sufficient. In 1997, the state instituted the ARKids First program, a new health insurance program for uninsured children in working poor families (those with incomes up to 200% of poverty). While the program is a huge success by all accounts, one obstacle to insuring children remains: an assets test for determining Medicaid eligibility for children in families with incomes below 133 percent of the federal poverty line. Arkansas should join the ranks of the many states that have eliminated the assets test.

However, even if all children in low-income families are eventually covered under Medicaid and ARKids First, a way must be found to insure the many uninsured parents in low-income working families who do not have affordable access to a public or private health insurance program. This lack of coverage threatens the long-run financial stability and health of these families. The state's tobacco settlement takes a good first step by providing funding to extend coverage to some adults. And the state has received a federal grant that would allow it to develop a long-term strategy and funding plan for providing coverage to more adults.

**F**or at least a third of Arkansas' families, the new "high growth" economy feels more like the same old low-pay economy. Most of the new jobs created in this new economy are low-wage and require little education and training. While Arkansas must address the shortage of high-wage, high-skill jobs generated by this new economy, it must also find more immediate ways to help the thousands of working Arkansas families who cannot support themselves or their families on the incomes they are earning in the state's fast-growing, low-wage labor market.

Solutions are possible. Public support is growing for policies that make "all work pay," that provide increased opportunities for workers to obtain education and training to enhance their skills, and that provide working families with support and access to quality health care and child care programs.



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The "Working Families and the New Economy" study was researched and written by Dr. Paul Boldin, a labor market economist from Washington, D.C., under contract by the Arkansas Working Families Project. This executive summary was written by Rich Huddleston and Angela Duran. Technical assistance was provided by the Economic Policy Institute. The Arkansas Working Families Project is a collaborative effort of the Good Faith Fund, Arkansas Advocates for Children & Families, and the Arkansas Public Policy Panel.

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