
Working Families and the New Economy

Part One

Do Working Arkansas Families
Have Adequate Incomes to
Meet Their Basic Needs?



October 2000

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Funding provided by the Charles Stewart Mott Foundation and the Charles and Mary Grant Foundation.

Introduction

The United States is in the midst of the longest economic expansion in its history. Unemployment has dropped to 4 percent, a thirty-year low, and the economy has created more than 2 million new jobs in just the last year. In Arkansas, the unemployment rate has fallen below 4.5 percent, and the number of unemployed individuals has dropped to an all-time low.

Although low unemployment and vigorous job creation are cited as evidence of a healthy economy, these figures mask the economic distress that thousands of Arkansas families continue to experience.

This report is the first of a three-part study that explores the relationship between work and economic self-sufficiency. It is designed so that policymakers and other citizens can better understand why, in this new, high-growth economy, many working Arkansas families continue to live at incomes that cannot cover their basic needs. This study seeks to provide answers to the following questions:

- Do working Arkansas families have adequate incomes to meet their basic needs?
- Is Arkansas' economy creating enough jobs that can support a family?
- What is the gap between the number of jobs paying enough to support a family and the number of Arkansans seeking work?
- What public policies can Arkansas enact to promote jobs that pay self-sufficiency wages and make it easier for working families to get and retain these jobs?

This report answers the first question. Parts Two and Three of the study answer the second and third questions respectively. An Executive Summary summarizes all three parts of the study and provides policy recommendations.

Arkansas Families Need a Minimum Level of Income to Cover Basic Expenses

How much income do 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 and Families. The report establishes 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.

Table 1 presents the results from *Making it Day-to-Day*. The annual FIS ranges from \$18,805 for a single parent with one child to \$28,541 for a two-parent family with two children. The hourly FIS wage ranges from \$8.90 for a single parent with one child to \$13.51 for a two parent, two child family.

	Federal	Family Income	Family Income
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: Arkansas Advocates for Children and Families, "Making it Day to Day: A New Family Income Standard for Arkansas," 1999.

Two important conclusions from *Making it Day-to Day* are particularly relevant for this study.

- The FIS for Arkansas is significantly higher than the federal poverty line (see Table 1) indicating that the federal poverty line seriously underestimates the income needed to meet basic needs (about 185% of the poverty line, depending on family size). Therefore, even though less than 20 percent of Arkansas families are living below poverty, a far greater number have incomes that do not provide for their basic needs.
- The federal minimum wage, which is currently \$5.15 per hour, is far below the FIS wage for each family type. Even in families in which both parents work, two minimum wage jobs would not provide sufficient income to meet their basic needs.

Over One-Third of Arkansas Families Have Incomes That Do Not Cover Their Basic Expenses

Table 2 shows the estimated number of working age Arkansas households and the percent of these households that have incomes falling below the Family Income Standard. Of the more than 360,000 Arkansas families with children under 18, over 130,000 or 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 -- two in three of these Arkansas families (66%) have incomes below the FIS. Many two parent families in Arkansas are also struggling -- more than one in five (23%) of these families have incomes which do not meet their basic needs. Table 2 also shows the results for Arkansas households without children under 18 years of age. These households are just as likely as families with children to have inadequate incomes -- 34% of households without children have incomes below the FIS.

Table 2
Arkansas Households with Incomes that Fall Below the Family Income Standard

	Number of	No. of Households	% of Households
Total Households	845,875	295,831	35%
Families with Children	362,096	131,597	36%
Single Adult Families	112,854	74,608	66%
Two Adult Families	249,242	56,989	23%
Households Without Children	483,779	163,934	34%

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

Those Families Who Are Less Educated, Black or Hispanic, or Headed by a Single Parent are More Likely to Have Incomes That Do Not Meet Their Basic Expenses

Arkansas families who are less educated, black or Hispanic, or headed by a single parent are more likely to have incomes that do not cover their basic expenses. Table 3 compares the characteristics of families with incomes below the FIS to all Arkansas families with children. The results show that:

- About 57% of Arkansas families with incomes below the FIS are headed by a single parent even though less than one in three (31%) of all Arkansas families are single parent families.
- Almost two out of three (64%) families with incomes below the FIS are white. However, blacks and other minorities make up a much larger portion of families below the FIS (36%) than they do of all Arkansas families (21%).

- While the majority of families with incomes below the FIS have a household head who is 35 years old or less (those families that tend to have young children, 43% of families below the FIS have a household head between the ages of 36 and 65.

Lower Income Families Also Have Less Education, But Post-Secondary Education Does Not Guarantee an FIS-Level Income

Table 3 also shows that families with incomes below the FIS have household heads who are less-educated, on average, than household heads in other families -- 27% have less than a high school education compared to only 15% of all families. However, having a well-educated household head is no guarantee that a family will have adequate income. Fully 27% of families with incomes below the FIS have a household head who has had some

Table 3
Characteristics of Arkansas Families With Children

	Percent of All Fami-	Percent of All Families
Family Type		
Single Adult Families	31%	57%
Two Adult Families	69%	43%
Education		
Less Than High School	15%	27%
High School	41%	46%
Some College or Associate Degree	26%	24%
College Degree or More	18%	3%
Race		
White	79%	64%
Black and Other	21%	36%
Age		
18-35	43%	57%
36-64	57%	43%
Work Status		
Full-Time	78%	53%
Part-Time, Not Working, or Unable to Work	22%	47%

Source: Calculations from the 1997-1999 March Current Population Survey (CPS).

post-secondary education. This suggests that while a lack of skills may limit the ability of some families to earn enough income, there is a shortage of higher paying jobs for those who already have higher skills.

Full-time Work Does Not Guarantee an FIS-level Income Either

Finally, Table 3 provides further evidence that having a job, even a full-time job, is no guarantee that a worker and his or her family will be economically self-sufficient. The majority of Arkansas families who have incomes below the FIS (53%) have a household head who works full-time.

A closer look at the relationship between working and self-sufficiency for Arkansas families with children shows the degree to which working families, especially single-parent families, continue to struggle despite having a job. Almost half of the single adult families in which the parent works full-time (47%) are living at incomes below the family income standard (see Table 4). While two adult families fare significantly better, it is still the case that nearly one in five two adult families with a household head working full-time (19%) are living below self-sufficiency. Even in two adult families in which both adults work, 15% have incomes below the family income standard.

Table 4
Arkansas Families With Children
Relationship Between Working and Self-Sufficiency

	Number of	Number	Percent
Two Adult Families			
All Two Adult Families	249,242	56,989	23%
Household Head Works Full Time*	224,900	42,500	19%
Both Adults Work at Least Part-Time*	189,000	28,900	15%
Single Adult Families			
All Single Adult Families	112,854	74,608	66%
Household Head Works Full-Time	63,600	29,600	47%

Source: Calculations from the 1997-1999 March Current Population Survey (CPS).

Conclusion

The Arkansas economy may be doing well, but many of the state's working families continue to struggle. While the state's poverty rate has fallen in recent years, many of the state's families with children still do not earn enough income (i.e., the level of the FIS) to meet their basic daily living needs. Although single-parent families are most at risk of earning incomes inadequate to meet the basic needs of their children, many two-parent families are also struggling. Similarly, although black and Hispanic families are more likely to earn lower incomes, most of the families with incomes below the FIS are white. Working full-time also does not guarantee a family will be self-sufficient. The majority of the state's families who have incomes below the FIS have a household head who works full-time. Finally, while higher education may be the key to earning a self-sufficiency income, it may not be enough. Many families with low incomes have at least some higher education.

This report, the first of a three-part study, has provided answer to the question of "do working Arkansas families have adequate incomes to meet their basic needs?" It has also provided greater details on the characteristics of these families. Parts 2 and 3 of this study address equally important questions. First, to what extent is the Arkansas economy creating enough jobs that can support a family? Secondly, what is the gap between the number of jobs paying enough to support a family and the number of Arkansans seeking work? Finally, what public policies can Arkansas enact to promote jobs that pay self-sufficiency wages and make it easier for working families to get and retain these jobs and meet the basic needs of their children?

Appendix A
Service Delivery Area (SDA) Tables

Appendix Table 1 Family Income Standards by SDA				
Hourly Family Income Standards				
	1 Adult &	2 Adults &	1 Adult &	2 Adults &
Central/Little Rock	9.76	11.42	12.79	14.54
Eastern	8.91	10.59	11.62	13.39
North Central	8.07	9.75	10.54	12.30
Northeast	8.40	10.09	11.07	12.83
Northwest	9.59	11.26	12.64	14.40
Southeast	8.61	10.29	11.34	13.10
Southwest	8.40	10.08	11.05	12.81
West Central	8.60	10.28	11.47	13.22
Western	8.58	10.26	11.36	13.11
Statewide	8.90	10.59	11.76	13.51

Source: Hourly Family Income Standards calculated from county standards in Table 6 of *Making It Day-To-Day: A*

Appendix Table 2

Family Income Standards by County and SDA

<u>County</u>	Hourly Family Income Standards			
	<u>1 Adult & 1 Child</u>	<u>2 Adults & 1 Child</u>	<u>1 Adult & 2 Children</u>	<u>2 Adults & 2 Chil-</u>
Faulkner	9.55	11.18	12.38	14.12
Lonoke	9.58	11.21	12.41	14.16
Monroe	8.04	9.71	10.49	12.24
Prairie	8.23	9.92	10.89	12.64
Pulaski	9.85	11.51	12.93	14.69
Saline	9.98	11.63	13.17	14.92
Central/LR	9.76	11.42	12.79	14.54
Crittenden	10.09	11.75	13.08	14.85
Cross	7.88	9.56	10.15	11.91
Lee	8.23	9.92	10.89	12.64
Phillips	8.25	9.95	10.91	12.68
St. Francis	8.17	9.86	10.72	12.49
Eastern	8.91	10.59	11.62	13.39
Cleburne	8.15	9.83	10.70	12.46
Fulton	8.23	9.92	10.89	12.64
Independence	8.07	9.76	10.53	12.30
Izard	8.04	9.71	10.49	12.24
Jackson	8.06	9.74	10.51	12.27
Sharp	7.88	9.56	10.15	11.91
Stone	8.15	9.83	10.70	12.46
Van Buren	8.10	9.78	10.61	12.36
White	8.06	9.74	10.51	12.27
Woodruff	7.98	9.67	10.37	12.13
N. Central	8.07	9.75	10.54	12.30

Appendix Table 2 Continued
Family Income Standards by County and SDA

Hourly Family Income Standards

	1 Adult &	2 Adults	1 Adult &	2 Adults
Clay	7.87	9.55	10.14	11.90
Craighead	8.53	10.21	11.19	12.94
Greene	8.41	10.10	11.26	13.01
Lawrence	8.07	9.76	10.53	12.29
Mississippi	8.68	10.37	11.53	13.29
Poinsett	8.25	9.94	10.91	12.67
Randolph	7.88	9.57	10.16	11.92
Northeast	8.40	10.09	11.07	12.83
Baxter	8.56	10.24	11.22	12.97
Benton	10.01	11.66	13.14	14.89
Boone	8.24	9.93	10.76	12.52
Carroll	8.31	9.98	11.05	12.79
Madison	8.76	10.44	11.92	13.68
Marion	8.23	9.92	10.89	12.64
Newton	8.47	10.15	11.37	13.12
Searcy	8.41	10.10	11.26	13.01
Washington	10.14	11.79	13.38	15.14
Northwest	9.59	11.26	12.64	14.40

Appendix Table 2 Continued
Family Income Standards by County and SDA

	Hourly Family Income Standards			
	1 Adult &	2 Adults	1 Adult &	2 Adults
Arkansas	8.41	10.10	11.26	13.01
Ashley	7.99	9.68	10.36	12.13
Bradley	8.23	9.92	10.89	12.64
Chicot	8.06	9.74	10.51	12.27
Cleveland	8.23	9.92	10.89	12.64
Desha	8.07	9.76	10.53	12.29
Drew	8.65	10.35	11.33	13.09
Grant	8.60	10.28	11.67	13.42
Jefferson	9.15	10.82	12.01	13.77
Lincoln	8.46	10.15	11.31	13.06
Southeast	8.61	10.29	11.34	13.10
Calhoun	8.21	9.91	10.87	12.64
Columbia	8.24	9.93	10.90	12.66
Dallas	8.23	9.92	10.89	12.64
Hempstead	8.07	9.76	10.53	12.30
Howard	7.89	9.57	10.16	11.93
Lafayette	8.23	9.92	10.89	12.64
Little River	8.29	9.98	10.95	12.70
Miller	9.22	10.89	12.08	13.83
Nevada	8.15	9.83	10.70	12.46
Ouachita	8.22	9.90	10.87	12.62
Sevier	7.89	9.57	10.16	11.93
Union	8.56	10.26	11.42	13.19
Southwest	8.40	10.08	11.05	12.81

Appendix Table 2 Continued
Family Income Standards by County and SDA

	Hourly Family Income Standards			
	1 Adult &	2 Adults &	1 Adult &	2 Adults &
Clark	8.27	9.96	10.93	12.68
Conway	8.40	10.08	10.96	12.71
Garland	8.75	10.43	11.61	13.36
Hot Spring	8.15	9.83	10.70	12.46
Johnson	8.50	10.19	11.44	13.19
Montgomery	8.41	10.10	11.26	13.01
Perry	8.25	9.95	10.91	12.68
Pike	8.23	9.92	10.89	12.64
Pope	9.02	10.71	12.27	14.02
Yell	8.48	10.16	11.41	13.15
W. Central	8.60	10.28	11.47	13.22
Crawford	8.63	10.31	11.37	13.11
Franklin	8.09	9.77	10.59	12.35
Logan	8.33	10.01	11.07	12.83
Polk	8.28	9.96	10.98	12.73
Scott	8.13	9.80	10.67	12.42
Sebastian	8.76	10.45	11.62	13.38
Western	8.58	10.26	11.36	13.11
Statewide	8.90	10.59	11.76	13.51

Sources: Hourly Family Income Standards calculated from county standards in Table 6