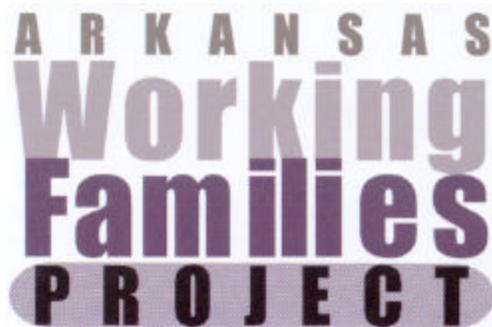

Working Families and the New Economy

Part Two

Is Arkansas' Economy Creating Enough Jobs That Can Support A Family?



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

The Arkansas Economy Is Strong, But Does Not Generate Enough Jobs Paying Self-Sufficiency Level Wages

Despite an unemployment rate that has remained under 6% since the end of 1993, more than a third of Arkansas' working age households have incomes that do not meet their basic needs. Clearly, Arkansas does not have enough jobs that pay a self-sufficiency wage.

A self-sufficiency wage is a wage that equals or exceeds the hourly Family Income Standard (FIS). (See Part 1 of this series for a more in-depth discussion on the FIS and how household income compares to the FIS). In other words, it is a wage that provides a full-time, full-year worker with enough income to meet his or her family's basic living needs. Table 1 provides estimates of the number and percent of jobs in Arkansas that pay a self-sufficiency wage. Estimates are given for each of four different self-sufficiency wages based on family type. The estimates show that only 57% of jobs in Arkansas in 1999 paid enough to support a single parent family with one child (i.e., paid \$8.90 per hour or more), 42% paid enough to support a 2 adult, 1 child family, and 34% a 1 adult, 2 child family. Only about one in four jobs (26%) paid enough to support a 2 adult, 2 child family.

Table 1
Arkansas Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
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%
Total Jobs		1,165,914	

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

All Jobs Are Not the Same! Service Sector 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 obtain these jobs? We classified current jobs in Arkansas into one of three categories: (1) jobs that fail to meet the FIS for a one adult, one child family (i.e., those jobs paying less than \$8.90 per hour or \$18,805 annually); (2) jobs that meet the FIS for a one adult, one child family, but that fail to meet the FIS for a two parent, two child family (wages from \$8.90-\$13.50 per hour and annual income from \$18,805-\$28,540); and (3) jobs that meet the FIS for a two parent, two child family (wages of \$13.51 per hour or more and annual income of at least \$28,541).

Table 2 shows the percent distribution of jobs in Arkansas in 1999 by occupational group for each of the three wage categories. (See Appendix Table 1 for more details.) The figures in Table 2 are based on estimates of both public and private employment, as well as the self-employed. However, most farm workers and some other agricultural laborers are

excluded from the “Agricultural and Related Occupations” category because wage data is not available for them. For all jobs, Table 2 shows that 43% pay less than \$8.90 per hour, 31% pay between \$8.90 and \$13.50 per hour, and only 26% meet the FIS for a two adult, two child family (i.e., pay \$13.51 per hour or more).

Table 2
Arkansas Jobs By Occupational Group and Wage Level, 1999

<u>Occupational Group</u>	<u>Total</u>	<u>Less than \$8.90</u>	<u>\$8.90 – \$13.50</u>	<u>\$13.51 or more</u>
Managerial and Administrative	6%	0%	2%	18%
Professional and Technical	17%	5%	13%	42%
Sales and Related Occupations	12%	17%	8%	9%
Clerical and Admin. Support	14%	15%	20%	4%
Service	15%	29%	6%	1%
Agricultural and Related Occs.	1%	2%	1%	1%
Production, Craft, and 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.

There are obvious and dramatic occupational differences between the lowest and highest paying jobs. For example, 17% of all Arkansas jobs are professional or technical jobs, but only 5% of the lowest wage jobs are in this occupational group compared to 42% of the jobs paying \$13.51 or more. At the other extreme are service jobs which make up 15% of all jobs, 29% of the lowest wage jobs, and only 1% of jobs which meet the FIS for a two adult, two child family.

The one occupational group that traditionally has offered a significant number of low and middle skilled workers the opportunity to earn a higher wage is Production, Craft and Operators. This occupational group includes production, construction, operating, maintenance, material handling and laborer jobs. These jobs make up 35% of all jobs, 31% of the lowest wage jobs, 49% of jobs paying from \$8.90 to \$13.50 per hour, and 25% of jobs paying \$13.51 per hour or more. Unfortunately, as we shall see below, this occupational group is among the slowest growing in the state.

Education and Training Are Key to Better-Paying Jobs

Table 3 compares the education and training requirements for jobs at the three different wage levels. (The estimated number of jobs by education and training requirements are in Appendix Table 2). The results clearly illustrate the connection between education and training and pay. For example, only 16% of all jobs require at least a bachelor’s degree, but fully half of the jobs which meet the FIS for a two adult, two child family require a bachelor’s degree or more. At the other end of the skill spectrum, jobs that require only short term on-the-job training (OJT) make up 44% of all jobs, 73% of the lowest wage jobs, and only 8% of the jobs that pay \$13.51 per hour or more.

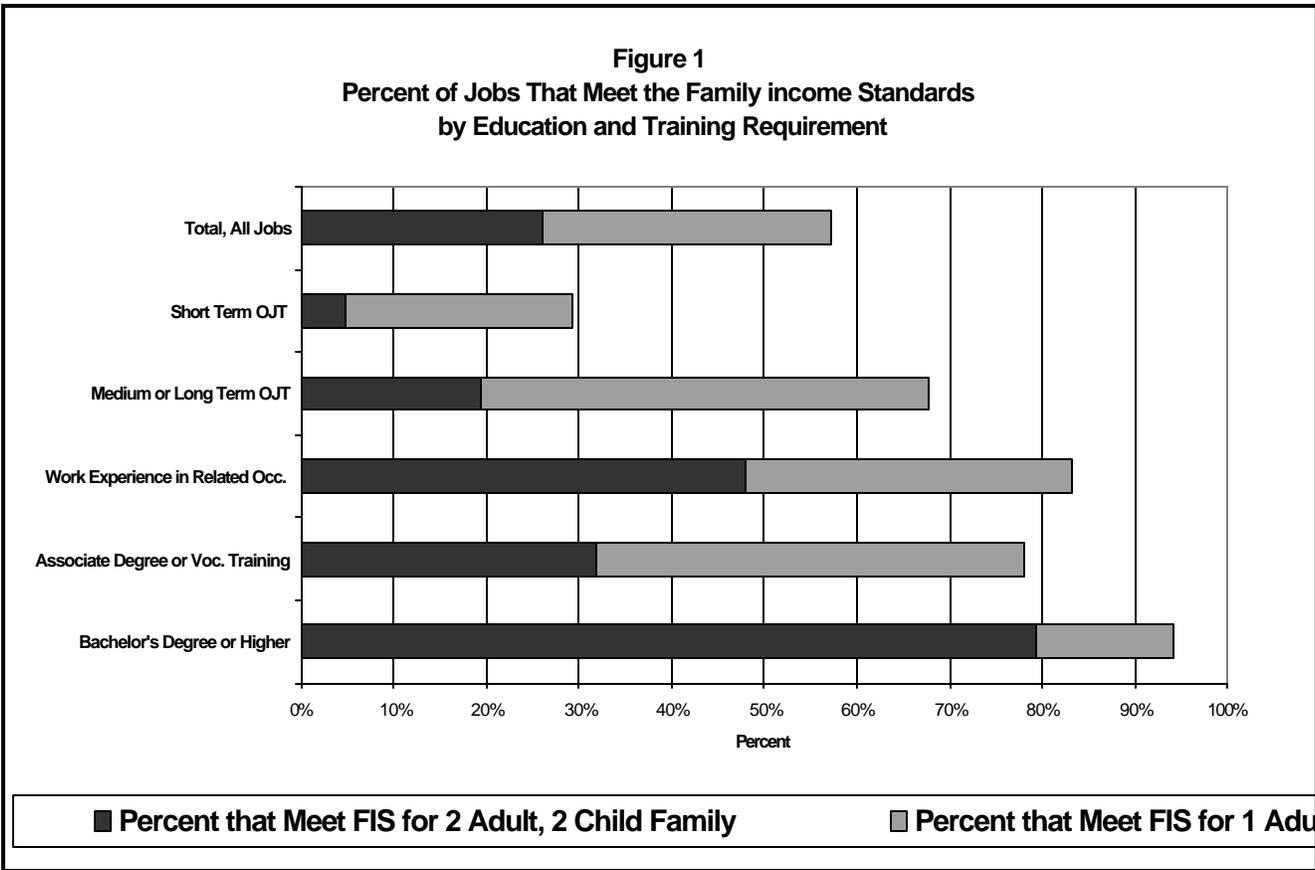
Table 3
Arkansas Jobs By Education and Training and Wage Level, 1999

Education and Training Level	Total	Less than \$8.90	\$8.90 – \$13.50	\$13.51 or more
Bachelor’s Degree or Higher	16%	2%	8%	50%
Associate Degree or Voc. Training	8%	4%	12%	10%
Work Experience in Related Occ.	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.

The results show that, as a group, workers who may have finished high school, but have no post-secondary education or training face significant problems in the labor market. About two out of three jobs in Arkansas require only short to long term on-the-job training. However, less than one in ten of these jobs are high wage jobs.

The relationship between education and training and pay is made even more evident in Figure 1. About 94% of jobs requiring a Bachelor’s Degree and 78% of jobs requiring an Associate Degree or Vocational Training meet the FIS for a 1 adult, 1 child family compared to less than 30% of the jobs requiring only short-term OJT. Although education and training are paths to higher pay, Figure 1 shows that, short of a Bachelor’s Degree, education and training offer limited guarantees for workers in a typical 2 adult, 2 child household. While obtaining a Bachelor’s Degree is very likely to result in a job that meets the FIS wage for a two adult, two child family, less than one in three of the jobs that require an Associate Degree or post-secondary vocational training (32%) pay \$13.51 or more per hour.



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

Clearly, policies that are designed both to create more jobs requiring post-secondary education and training and that provide low-income households with access to these education and training programs will help many households achieve self-sufficiency. ***However, as we have seen, attracting jobs that require post-secondary education and training may not be enough to pull all families with children into self-sufficiency. Other policies, such as those that will help make child care and health care more affordable for working families, will be needed as well.***

High-Skill, Higher Pay Professional and Technical Jobs And Low-Skill, Low-Pay Service Jobs Are the Two Fastest Growing Occupational Groups in Arkansas

Our analysis above shows that there are far too few jobs in Arkansas that pay a self-sufficiency wage -- only 26% of jobs pay enough to provide a two parent, two child

family with its basic living needs. But is Arkansas moving in the right direction? Are the new jobs the economy is creating the types of jobs that will provide families with enough income to meet their basic needs?

Every two years the state releases ten-year projections of job growth by occupation and industry. The latest projections were made in 1998 and cover the years from 1996-2006. Matching these projections with the occupations and wage data from the state's Occupational Employment Survey (OES), we are able to construct job growth projections to compare with the current job estimates used in the analysis above.

Table 4 compares Arkansas' jobs in 1999 to those the state is projected to have in 2006, by occupational group. Not including the agricultural occupational group, which is very small, the professional and technical group is projected to be the fastest growing occupational group with job growth of 18% from 1999-2006. Service is the second fastest growing occupational group with job growth of 16%. The slowest growing occupational group is production, craft, and operators, which is expected to grow by only 11%, and clerical and administrative support, which is projected to grow by only 9%.

Table 4
Projected Job Growth By Occupational Group, 1999-2006

	Employment	Employment	Growth in Employment,	Percent
Managerial and Administrative	64,463	74,165	9,702	15%
Professional and Technical	202,117	238,867	36,750	18%
Sales and Related Occupations	144,208	163,446	19,238	13%
Clerical and Admin. Support	158,325	171,920	13,595	9%
Service	170,749	197,700	26,951	16%
Agricultural and Related Occs.	17,249	20,691	3,442	20%
Production, Craft, and Operators	408,803	453,946	45,143	11%

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

This changing distribution of jobs has serious implications for the lower skilled and less educated labor force. The higher growth occupational groups are at the top and bottom of the wage spectrum. Professional and technical jobs are mostly out of reach of the low skilled worker. Service occupations, while attainable, do not often pay a self-sufficiency wage.

The results in Table 5 and Table 6 show how difficult it will be for lower skilled and less educated workers to find a job that pays a self-sufficiency wage. Table 5 shows that only 44,000 of the nearly 155,000 jobs Arkansas' economy is projected to create between 1999 and 2006 will meet the Family Income Standard wage for a two parent family with two children. Of these 44,000 jobs, over 70% are professional and technical or managerial jobs. About 17% of these jobs (roughly 7,300) are production, craft, and operator jobs. Only 1% are in the fast growing service sector.

Table 5
**Projected Jobs That Meet the Family Income Standard Wage
 For a 2 Adult, 2 Child Family, By Occupational Group**

	Growth in Employment	Percent	Jobs That Meet FIS for 2 Adult,	Percent
Managerial and Administrative	9,702	6%	8,194	19%
Professional and Technical	36,750	24%	22,840	52%
Sales and Related Occupations	19,238	12%	3,317	8%
Clerical and Admin. Support	13,595	9%	1,585	4%
Service	26,951	17%	541	1%
Agricultural and Related Occs.	3,442	2%	193	0%
Production, Craft, and Operators	45,143	29%	7,336	17%

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

The Link Between Post-Secondary Education and FIS-Level Wages Is Becoming Stronger

The changing occupational mix also affects the education and training levels required to get a job that pays a self-sufficiency wage. Table 6 shows the education and training level requirements for the new jobs that the economy is projected to create. Comparing the results in Table 6 to those in Table 3 for current jobs, ***we see an increase in the percent of jobs requiring a high-level of education and an increase in jobs requiring little or no training.*** A greater percent of all projected new jobs require at least a bachelor's degree (20% vs. 16% of current jobs). Among new jobs that meet the Family Income Standard for a two adult, two child family, 56% require at least a Bachelor's Degree compared to 50% of

current jobs that meet this FIS. At the lower end of the spectrum, almost half of all new jobs (48%) require only short-term on-the-job training compared to 44% of current jobs. Even though there is an increase in the percent of new jobs requiring only short-term OJT, very few of these jobs pay a self-sufficiency wage. Little more than 4,000 (or 9%) of the 44,000 new jobs which meet the FIS for a two adult, two child family require only short-term OJT.

Table 6
**Projected Jobs That Meet the Family Income Standard Wage
 For a 2 Adult, 2 Child Family, By Education and Training Level**

	Growth in Employment,	Percent	Jobs That Meet FIS for 2 Adult,	Percent
Bachelor's Degree or Higher	30,940	20%	24,672	56%
Associate Degree or Voc. Training	12,181	8%	5,827	13%
Work Experience in Related Occ.	10,001	6%	4,472	10%
Medium or Long Term OJT	28,062	18%	4,869	11%
Short Term OJT	73,637	48%	4,166	9%
Total	154,821	100%	44,006	100%

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

In sum, the Arkansas economy is not generating the types of new jobs that will help lower skilled and less educated Arkansans earn a self-sufficiency wage. Table 6 shows that the jobs these workers are likely to qualify for -- those which only require work experience or on-the-job training and not post-secondary education (the last three rows of Table 6) -- make up only 30% of the new jobs that pay a self-sufficiency wage for a two parent family with two children. This compares to 40% of the current jobs that meet the wage standard (See Table 3). Although the economy is growing and unemployment is low, the “new” economy is likely to leave behind more of the lower skilled, non-college educated Arkansans unless we create more high paying jobs and provide the training and education that Arkansans need to qualify for those jobs.

Conclusion

Arkansas clearly does not have enough jobs that pay FIS-level wages. This, in conjunction with family characteristics (see Part 1 of this study), helps explain why many families are not able to earn enough to meet the basic needs of their families. Two occupational groups—managerial and administrative and professional/technical – comprise most of the jobs that pay enough to meet the basic needs of a two-parent family with two children, but comprise a much smaller share of available jobs in the state. In the future, the state’s economy will be made up increasingly of jobs that pay either higher wages (professional and technical jobs) or low wages (service sector jobs). Advanced education and training is, and will increasingly be, the key to obtaining a job that pay self-sufficiency level wages. This link is projected to grow stronger in the future.

Given what we have learned in Part 1 and 2 of this study, several important questions remain. First, what is the gap between the number of jobs paying enough to support a family and the number of Arkansans seeking work? And what implications does this have for low-income families? Secondly, what public policies could Arkansas enact to promote jobs that pay self-sufficiency wages and make it easier for working families to get and retain these jobs and better support there families?

Appendix A
Additional State Level Tables

Appendix Table 1
Arkansas Jobs by Occupational Group and Wage Level, 1999

<u>Occupational Group</u>	Number of Jobs			
	<u>Total</u>	<u>Less than \$8.90</u>	<u>\$8.90-\$13.50</u>	<u>\$13.51 or more</u>
Managerial & Administrative	64,463	1,256	8,970	54,237
Professional & Technical	202,117	25,142	48,169	128,806
Sales & Related Occs.	144,208	85,757	30,541	27,910
Clerical & Admin. Support	158,325	75,183	71,726	11,416
Service	170,749	145,559	20,921	4,269
Agricultural & Related Occs.	17,249	11,444	4,203	1,602
Production, Craft & Operators	408,803	154,399	178,283	76,121
Total, All Jobs	1,165,914	498,740	362,813	304,361

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

Appendix Table 2
Arkansas Jobs by Education and Training and Wage Level, 1999

<u>Education and Training Level</u>	Number of Jobs			
	<u>Total</u>	<u>Less than \$8.90</u>	<u>\$8.90-\$13.50</u>	<u>\$13.51 or more</u>
Bachelor's Degree or Higher	190,600	10,900	28,596	151,104
Associate Degree or Voc. Training	93,576	20,504	43,208	29,864
Work Experience in Related Occ.	95,144	15,905	33,565	45,674
Medium or Long Term OJT	272,484	87,794	131,727	52,963
Short Term OJT	514,110	363,637	125,717	24,756

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

Appendix B
Service Delivery Area (SDA) Tables

Appendix Table 3
Central-Little Rock SDA

Jobs that Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$9.76	181,325	55%
2 Adults & 1 Child	\$11.42	138,615	42%
1Adult &2 Children	\$12.79	113,908	34%
2 Adults & 2 Children	\$14.54	92,162	28%
Total Jobs	- -	332,292	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 4
Eastern SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.91	25,937	53%
2 Adults & 1 Child	\$10.59	18,699	38%
1Adult &2 Children	\$11.62	13,717	28%
2 Adults & 2 Children	\$13.39	12,360	25%
Total Jobs	- -	48,958	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 5
North Central SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.07	49,984	56%
2 Adults & 1 Child	\$9.75	34,217	39%
1Adult &2 Children	\$10.54	29,087	33%
2 Adults & 2 Children	\$12.30	22,057	25%
Total Jobs	- -	88,571	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 6
Northeast SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.40	60,884	58%
2 Adults & 1 Child	\$10.09	35,038	34%
1Adult &2 Children	\$11.07	25,537	25%
2 Adults & 2 Children	\$12.83	20,333	20%
Total Jobs	- -	104,160	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 7
Northwest SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$9.59	86,522	43%
2 Adults & 1 Child	\$11.26	60,359	30%
1 Adult & 2 Children	\$12.64	39,505	19%
2 Adults & 2 Children	\$14.40	29,958	15%
Total Jobs	- -	203,557	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 8
Southeast SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.61	44,784	56%
2 Adults & 1 Child	\$10.29	28,788	36%
1Adult & 2 Children	\$11.34	23,078	29%
2 Adults & 2 Children	\$13.10	18,379	23%
Total Jobs	- -	80,265	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 9
Southwest SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.40	57,847	59%
2 Adults & 1 Child	\$10.08	43,929	45%
1Adult &2 Children	\$11.05	39,627	40%
2 Adults & 2 Children	\$12.81	24,455	25%
Total Jobs	- -	98,624	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 10
West Central SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.60	53,597	48%
2 Adults & 1 Child	\$10.28	37,130	33%
1Adult &2 Children	\$11.47	27,012	24%
2 Adults & 2 Children	\$13.22	17,867	16%
Total Jobs	- -	110,943	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.

Appendix Table 11
Western SDA

Jobs That Pay the Family Income Standard, 1999

		Number of Jobs	Percent of Jobs
1 Adult & 1 Child	\$8.58	61,721	57%
2 Adults & 1 Child	\$10.26	43,004	39%
1Adult &2 Children	\$11.36	34,889	32%
2 Adults & 2 Children	\$13.11	26,548	24%
Total Jobs	- -	109,050	- -

Source: Analysis of 1997 OES and 1996-2006 Industry and Occupational Projections Data.