

The State of Working Alabama

2010



Arise Citizens' Policy Project

The State of Working Alabama

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The State of Working Alabama

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About this publication

The State of Working Alabama 2010 examines the economic condition of Alabama's working families in 2010 along with broader historical trends. This Arise Citizens' Policy Project (ACPP) report uses the Economic Policy Institute's analysis of the U.S. Census Bureau's 2009 Current Population Survey and other state and national data sources. Unless otherwise noted, this report adjusts dollar figures into 2009 dollars to enable comparisons over time.

ACPP policy analyst Chris Sanders wrote this report. ACPP communications director Jim Carnes designed the cover, and Carnes and ACPP executive director Kimble Forrister edited the report. *The State of Working Alabama 2010* was published in November 2010.

About the cover

Montgomery photographer Stanley Paulger took this photo of oystermen in Mobile Bay in August 1938. Paulger was one of a team of photographers who documented Alabama's economic and cultural life during the Great Depression for the Federal Writers' Project, a New Deal program. Today, Alabama's seafood industry is recovering from both the Great Recession and the BP oil disaster. *Used by permission, Alabama Department of Archives and History, Montgomery.*

Arise Citizens' Policy Project

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

Overview

Like this summer's BP oil disaster, the Great Recession started for many Alabamians as something far away and impersonal, a growing list of news stories about how bad things were getting somewhere else. It was heart-wrenching to watch, and many people knew someone who suffered the consequences, but it wasn't *here* yet. For a little while, we hoped against hope that it never would be. Then the inevitable happened: The disaster hit Alabama, and it hit hard. The resulting devastation was far-reaching, with scars that could last for decades even as things begin to return to normal.

The Great Recession came later to Alabama than to most places. But after its arrival in late 2008, it hammered the state throughout 2009 with wave after wave of job losses, driving Alabama's unemployment rate twice as high as it was a year earlier. The joblessness was persistent and intense: Almost a third of the state's unemployed workers last year had been out of a job for more than six months.

As many Alabamians have lost their jobs, they also have lost the health insurance that their employers provided. That has led to enormous growth in public insurance programs like Medicaid and ALL Kids. The health care reform law enacted in March 2010 already has provided new protections for many young adults and children, but other reforms to expand coverage for millions of low- and middle-income Americans will not take effect until 2014.

Income trends in Alabama have not been promising in the last decade. The state's median household income, which already was stagnating even before the recession, is now lower than it was in 2000-01. Median wages have increased slightly in that time, but the growth has not come close to matching that of the state's gross domestic product (GDP). Flat incomes and higher unemployment have fueled more poverty in Alabama, especially for children, for whom the poverty rate was almost 25 percent last year. And the state had the nation's highest share of households with "very low food security" in 2007-09.

Broader challenges remain for Alabama workers trying to climb the economic ladder. More than two in five workers have a high school diploma or less. Tuition and fees have soared throughout the last decade at the state's two-year colleges and four-year public universities. And the state still requires low- and middle-income Alabamians to pay a larger share of their incomes in state and local taxes than residents with the highest incomes do.

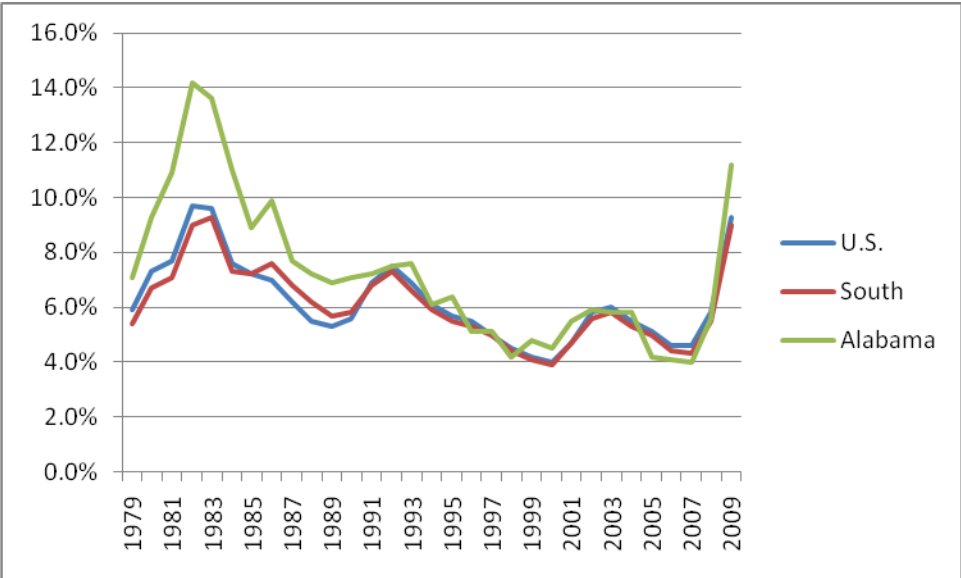
The economic devastation that washed over Alabama during the Great Recession began to recede in 2010. Left in its wake are workers with more economic insecurity, great challenges ahead, and cautious optimism that the worst, at long last, is finally behind us.

Employment

If you had to pick two words to encapsulate the Great Recession’s effects on Alabama, *unemployment* and *underemployment* would be a good starting point. The economic downturn brought an explosion in 2009 in the number of Alabamians who are out of work, who work part-time jobs because they can’t find full-time ones, or who have gotten discouraged with a fruitless job search and given up entirely on finding work for now. The unemployment news has gotten slightly better in 2010, but as federal stimulus money dries up, the state faces the specter of thousands of public employee layoffs unless revenue collections pick up quickly.

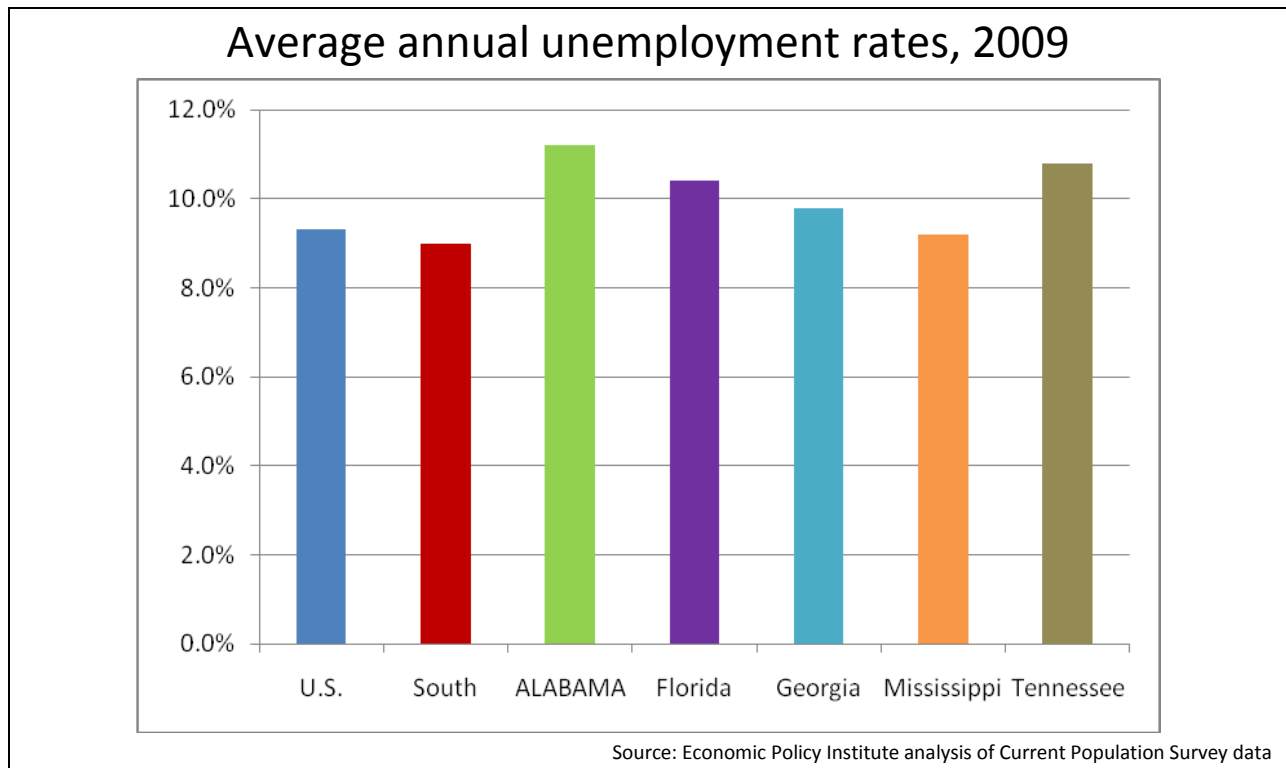
Unemployment in Alabama soared to 11.2 percent last year, twice what it was in 2008 and well above both the regional and national averages. The state’s unemployment rate, which had been lower than those for Florida, Georgia, Mississippi and Tennessee in 2008, jumped above the jobless rates of all four states in just one year. The state’s unemployment rate in 2009 was more than double the 5.5 percent yearly average during the last recession in 2001. Alabama’s monthly unemployment rate declined to 8.9 percent by September 2010, but that mark was still higher than all other yearly averages since 1986. For much of the last decade, Alabama boasted one of the lowest unemployment rates in the country. After two years of recession, the state’s rate is now one of the nation’s highest.

Average annual unemployment rates, 1979-2009



Source: Economic Policy Institute analysis of Current Population Survey data

Alabama's 2009 unemployment rate was higher than the national rate (9.3 percent) and the second highest in the South, better only than South Carolina. Of Alabama's neighbors, Tennessee (10.8 percent) and Florida (10.4 percent) came the closest to matching the state's unemployment rate last year. Georgia's unemployment rate stood at 9.8 percent, while Mississippi checked in at 9.2 percent. The overall rate for the South was 9 percent.



Alabama claimed an unwanted distinction in 2009: The state's 5.6 percent increase in unemployment was the highest one-year percentage-point increase in the country. (Utah and Wyoming, beginning and ending the year at lower rates than Alabama, saw their overall shares of jobless workers more than double.) Alabama's unemployment rate last year was the nation's fifth highest, besting only California, Michigan, Nevada, Oregon and South Carolina.

Compounding the economic pain, almost a third of unemployed Alabamians last year were considered long-term unemployed, meaning they had been without a job for more than 26 weeks. A total of 17.1 percent of the state's workers were classified as underemployed, meaning they were jobless workers, involuntary part-time workers, or people who stopped looking for work because of discouragement or a lack of child care or other support services.

Unemployment increased all across Alabama during the Great Recession, but the effects were especially pronounced in the Black Belt and other rural counties far from urban and

suburban areas where jobs tend to be more readily available. Two counties – Greene and Wilcox – had unemployment rates more than double the state average in September 2010. Thirty-two counties – almost half – saw joblessness of 10 percent or more.

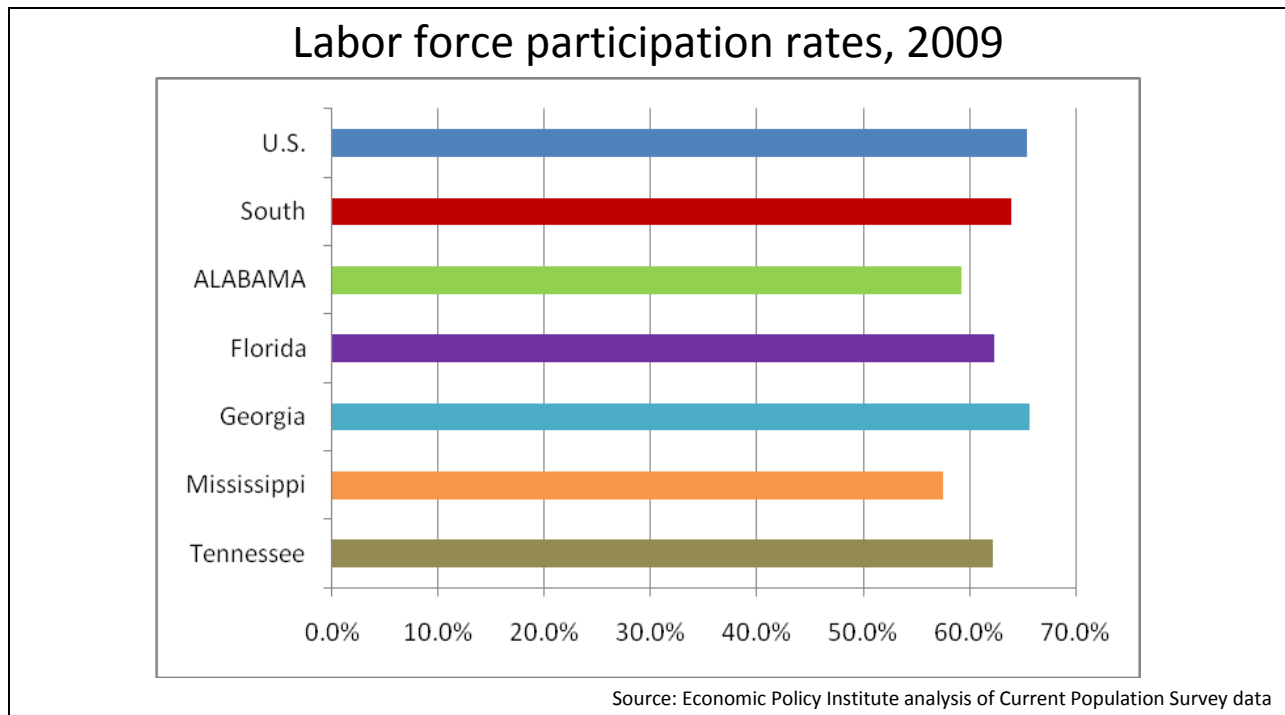
Unemployment rates in selected Alabama counties, September 2010			
Alabama (seasonally adjusted): 8.9%			
Ten highest:		Ten lowest:	
Wilcox	20.9%	Shelby	6.8%
Greene	19.8%	Madison	7.1%
Dallas	17.2%	Coffee	7.2%
Perry	16.1%	Limestone	7.4%
Monroe	15.6%	Pike	7.5%
Bullock	15.4%	Tuscaloosa	7.5%
Clarke	15.3%	Lee	7.7%
Conecuh	15.1%	Houston	7.8%
Lowndes	14.6%	Dale	7.8%
Sumter	14.1%	Marshall	8.0%
Source: Alabama Department of Industrial Relations * Note: September 2010 figures are preliminary			

Provisions of the American Recovery and Reinvestment Act (ARRA), also known as the stimulus package, have helped to stem the tide of job losses in Alabama. ARRA aid to state budgets has averted hundreds of thousands of layoffs of teachers and other public employees nationwide. Public infrastructure spending and targeted tax cuts under ARRA have fueled tens of thousands of private-sector jobs as well. The Council of Economic Advisers estimated in July 2010 that the overall effects of ARRA money created or saved 42,000 jobs in Alabama through the second quarter of this year.

ARRA has helped unemployed workers stay afloat as they search for new jobs in an economy that is still short of them. The Recovery Act provides up to 73 weeks of additional unemployment benefits for workers who have exhausted their 26 weeks of regular state-funded benefits. This emergency program is set to expire Nov. 30, 2010, and as this report went to press, Congress was debating whether to extend it and for how long. Federal lawmakers never have allowed emergency benefits to expire while the national unemployment rate is above 7.2 percent, according to the National Employment Law Project (NELP). In October 2010, that rate was 9.6 percent. An extension would protect benefits for almost 27,000 Alabama workers and more than 2 million nationwide, according to NELP estimates.

Additional “unemployment modernization” funding is available under ARRA to states that implement reforms such as considering more recent work in determining benefits eligibility and extending benefits to groups such as part-time workers or people who leave their jobs to flee domestic violence. Alabama stands to receive \$100.5 million in modernization funds, but Gov. Bob Riley has said he opposes taking the money because he believes the new eligibility categories would result in a tax increase after the ARRA money runs out. To accept the money, state lawmakers would have to pass a bill to expand eligibility during the 2011 legislative session.

In addition to its unemployment woes, Alabama continues to lag behind most other states in the share of working-age people who are employed or looking for work. The state’s labor force participation rate dropped in 2009 to 59.3 percent, the third lowest in the United States and the third straight year of decline for Alabama. The national rate in 2009, by contrast, stood at 65.4 percent. Only Mississippi and West Virginia had lower labor force participation rates than Alabama last year.



Whites and African Americans both have felt the heavy hammer of unemployment during the Great Recession, but long-standing racial disparities persist in Alabama’s employment statistics. White unemployment in Alabama more than doubled last year, soaring from 4 percent in 2008 to 8.5 percent in 2009, a 113 percent jump. Among African Americans, unemployment soared from 10 percent in 2008 to 19.4 percent last year, a 94 percent increase.

Of Alabama’s White part-time workers, 16.2 percent worked part-time for economic reasons last year, but almost twice as large a share of such African American workers (29.1 percent) did.

The percentage of underemployed workers — those workers who are unemployed, have stopped looking for work because of discouragement, are involuntarily part-time or face other logistical barriers to their entry into the workforce — also remained more than twice as high among African Americans as among Whites in 2009. One gap that has narrowed in recent years, though, is the state’s racial disparity in labor force participation. Whites had a 58.8 percent rate in 2009, compared to 58.3 percent for African Americans.

Alabama labor force statistics by race, 2009				
	White	African American	Hispanic	Asian/Pacific Islander
Labor force participation rate	58.8%	58.3%	77.7%	73.4%
Unemployment rate	8.5%	19.4%	(x)	(x)
Underemployment rate	13.3%	27.5%	25.4%	(x)
Part-time workers share	25.1%	25.5%	25.8%	(x)
Part-time for economic reasons share	16.2%	29.1%	(x)	(x)
Source: Economic Policy Institute analysis of Current Population Survey data (x) Insufficient sample size				

Unemployment has been higher among women than men in Alabama for much of the last three decades, but the gender disparity has disappeared amid the Great Recession, with 11.1 percent of men jobless in 2009 compared to 11.2 percent of women. Still, women take part in Alabama’s workforce at a significantly lower rate than men, and they are far less likely to be working full-time. The labor force participation rate for men last year was 66.2 percent, compared to a rate of 53.1 percent for women. That gap has been shrinking steadily for the last three decades and was about 2 percentage points smaller last year than it was in 2001. More than 30 percent of the women in the state’s labor force worked part-time in 2009, compared to about a fifth of men.

Alabama labor force statistics by gender, 2009		
	Male	Female
Labor force participation rate	66.2%	53.1%
Unemployment rate	11.1%	11.2%
Underemployment rate	16.9%	17.3%
Part-time workers share	19.9%	30.7%
Part-time for economic reasons share	25.5%	17.1%
Source: Economic Policy Institute analysis of Current Population Survey data		

The share of women in Alabama’s labor force has declined slightly since the decade began. Men represented 52.9 percent of Alabama’s labor force in 2009, with women making up 47.1 percent. That reflects almost a half-percentage-point decrease in the share of women in the state’s workforce since 2001. But Alabama has a larger share of female workers than the South and nation as a whole, in each of which the share was 46.7 percent last year.

As in the rest of the country, the share of the Alabama workforce aged 16 to 24 has trended downward for the last three decades, falling from 23.3 percent in 1979 to 16.3 percent in 2001 and 15.9 percent in 2009. Meanwhile, as the nation’s baby boomers approach retirement age, the number of workers over age 55 in Alabama has soared, jumping from 13.6 percent of the state’s workforce in 2001 to 18.9 percent in 2009.

Shares of Alabama labor force by demographic						
	1979	1989	1995	2001	2008	2009
Gender						
Male	59.7%	55.5%	53.5%	52.5%	53.0%	52.9%
Female	40.3%	44.5%	46.5%	47.5%	47.0%	47.1%
Age						
16-24 years	23.3%	17.4%	19.3%	16.3%	15.3%	15.9%
25-54 years	62.3%	70.1%	69.5%	70.1%	65.8%	65.1%
55 years and older	14.4%	12.5%	11.3%	13.6%	18.9%	18.9%
Race / ethnicity						
White	76.8%	78.6%	74.1%	74.1%	68.8%	69.6%
African American	22.4%	20.5%	24.5%	23.4%	24.3%	24.1%
Hispanic	(x)	0.6%	0.7%	1.7%	4.0%	3.7%
Asian/Pacific Islander	(x)	(x)	(x)	0.6%	1.2%	1.3%
Source: Economic Policy Institute analysis of Current Population Survey data (x) Insufficient sample size						

Whites make up more than two-thirds of Alabama’s labor force, but the share of African Americans has increased slightly since 2001. Though the reported share of Hispanic workers fell from 4 percent to 3.7 percent between 2008 and 2009, it has more than doubled in the last decade. Still, Hispanic workers constitute a far smaller portion of Alabama’s labor force than that of the South (14.9 percent) or nation (14.5 percent).

Asians and Pacific Islanders made up 1.3 percent of Alabama’s labor force last year, compared to 0.6 percent in 2001. As with Hispanics, Alabama’s share of Asians and Pacific Islanders in the labor force also was smaller than the regional (2.9 percent) or national (4.5 percent) levels in 2009.

Jobs

Alabama is ending the decade with more people but fewer jobs. The Great Recession hammered the state in 2009, erasing 106,400 jobs to bring the state to a net loss of 23,000 jobs since 2001. Every sector in the state lost jobs, but stimulus money from the American Recovery and Reinvestment Act (ARRA) prevented thousands of layoffs among government, education and health workers. The federal aid kept joblessness in Alabama from climbing even higher.

Amid massive private-sector job losses, government employment became Alabama’s largest industry last year, while trade transportation and utilities fell to second. Manufacturing was No. 3, followed by retail trade at No. 4 and education and health services at No. 5.

Employment by industry in Alabama*					
	1990	1995	2001	2008	2009
Total non-farm	1635.8	1803.7	1908.7	1992.1	1885.7
Total private	1309.1	1460.5	1556.8	1608.4	1502.4
Natural resources and mining	18.9	18	13.5	12.6	11.8
Construction and mining	104.3	107.5	118.6	121.1	103.2
Construction	85.4	89.5	105.1	108.5	91.4
Manufacturing	363.8	370.3	325.5	284.3	247.8
Manufacturing of durable goods	173.4	179.5	177	179.4	153.7
Manufacturing of non-durable goods	190.3	190.8	148.4	104.8	94
Trade transportation and utilities	317.7	360	380.5	389.5	365.6
Wholesale trade	68	77.4	83.3	80.6	74.2
Retail trade	191.6	218.5	229.3	237.9	225.5
Transportation and utilities	58.2	64.2	67.9	71	65.9
Information	30	29.4	34.1	26.9	24.8
Financial activities	80.2	83.6	98	99.1	95.7
Professional and business services	117.2	149.7	186.9	220.3	204.7
Education and health services	128.5	159.2	177.3	211.1	210.6
Leisure and hospitality	106.4	131	151	174.6	170
Other services	61.1	69.8	85.1	81.7	80
Government	326.7	343.2	352	383.8	383.4

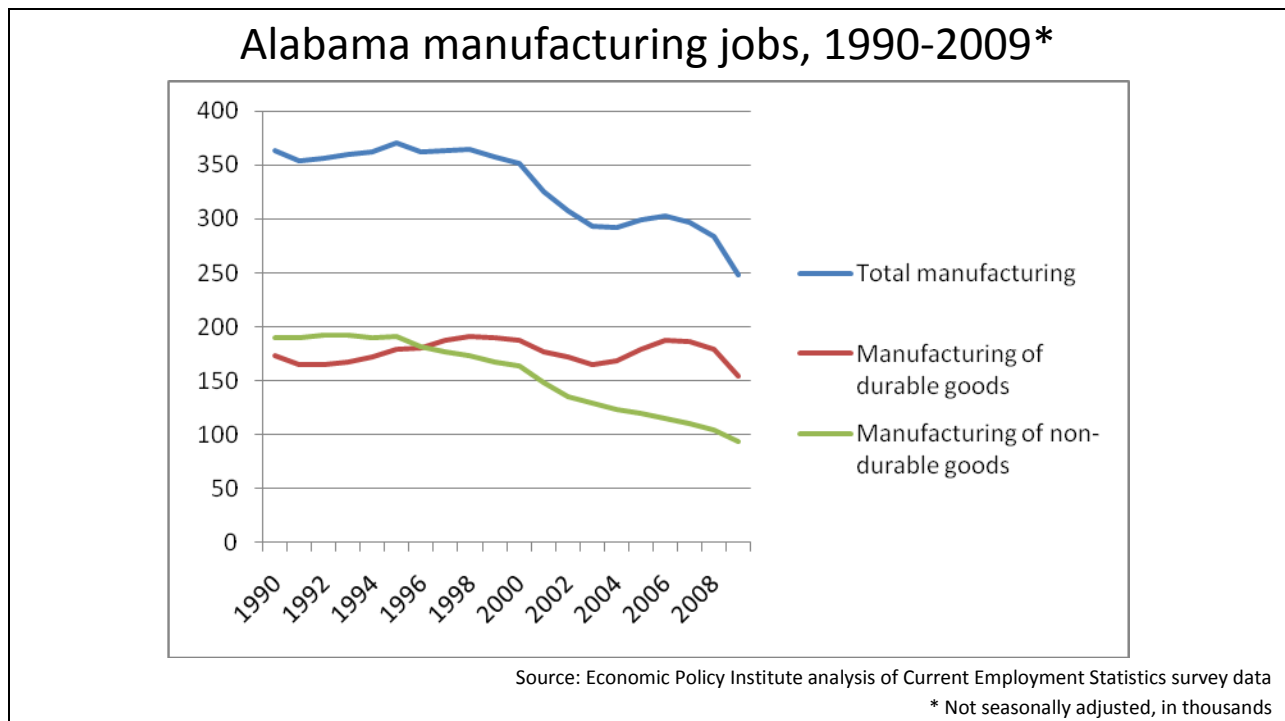
Source: Economic Policy Institute analysis of Current Employment Statistics survey data
* Not seasonally adjusted, in thousands

One of the few industries to have seen growth in Alabama since 2001 is education and health services. More than 33,000 of those jobs have been added in the last decade, an increase of 18.8 percent. Other growth areas include leisure and hospitality (up 12.6 percent), professional and business services (up 9.5 percent), and government (up 8.9 percent).

The decade has been tough for most other parts of Alabama’s economy, however. The number of Alabamians working in the construction and mining sector has fallen 13 percent since 2001, outstripping the decline nationally. Since 2001, the state also has lost more than a quarter of the jobs it had in the high-paying information industry. Overall, net job losses in Alabama since 2001 have exceeded the national rate.

Manufacturing’s decline has accounted for a bigger portion of Alabama’s recent job losses than anything else. The state has hemorrhaged manufacturing jobs in the last decade, shedding more than 77,000 net positions since 2001 for a decline of 23.9 percent. Twenty years ago, manufacturing was far and away Alabama’s largest industry; today, it is the third largest and falling. Even manufacturing of durable goods has fallen by 13.2 percent since 2001, despite the decision of several major automakers to build plants in the state.

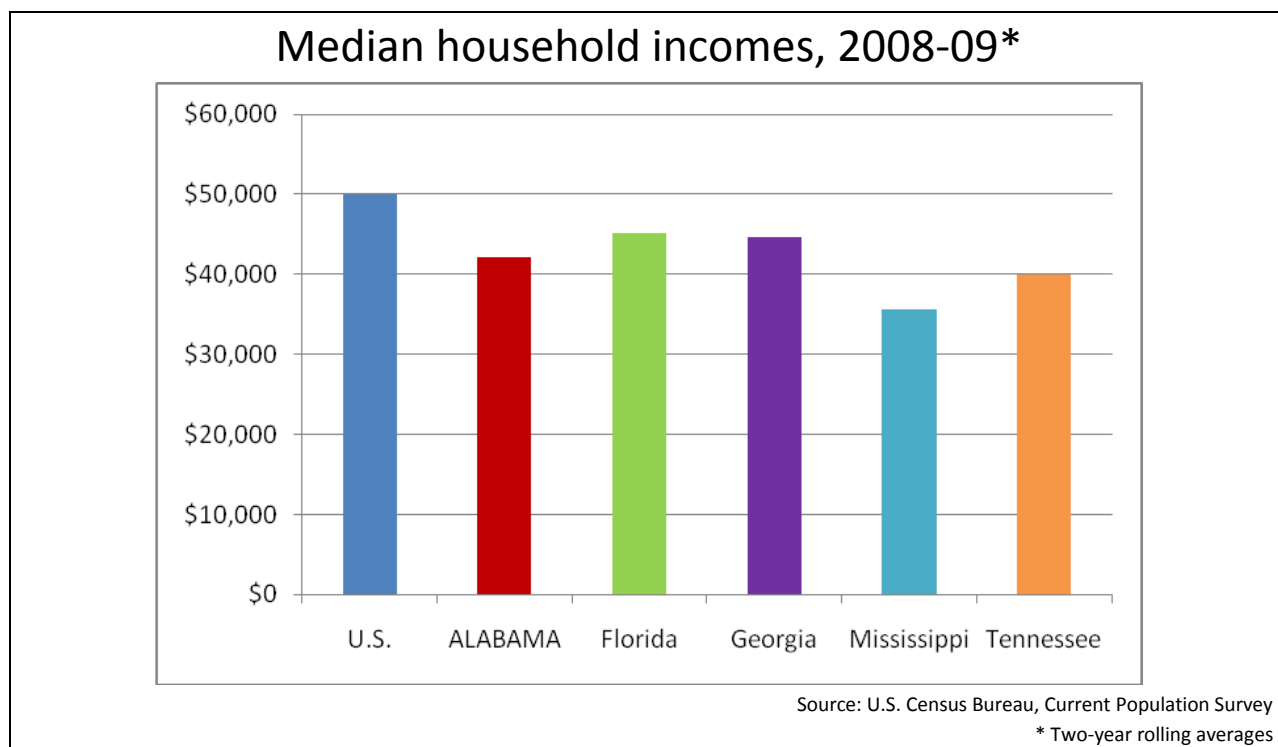
More than 70 percent of Alabama’s drop in manufacturing jobs in the last decade has resulted from a precipitous decline in jobs in the manufacturing of non-durable goods like clothing and textiles. New jobs in the manufacturing of durable goods have mitigated the state’s overall manufacturing losses somewhat, but the net number of those jobs also has been falling since 2006. That decline has caused Alabama’s manufacturing industry to shrink further.



Income and wages

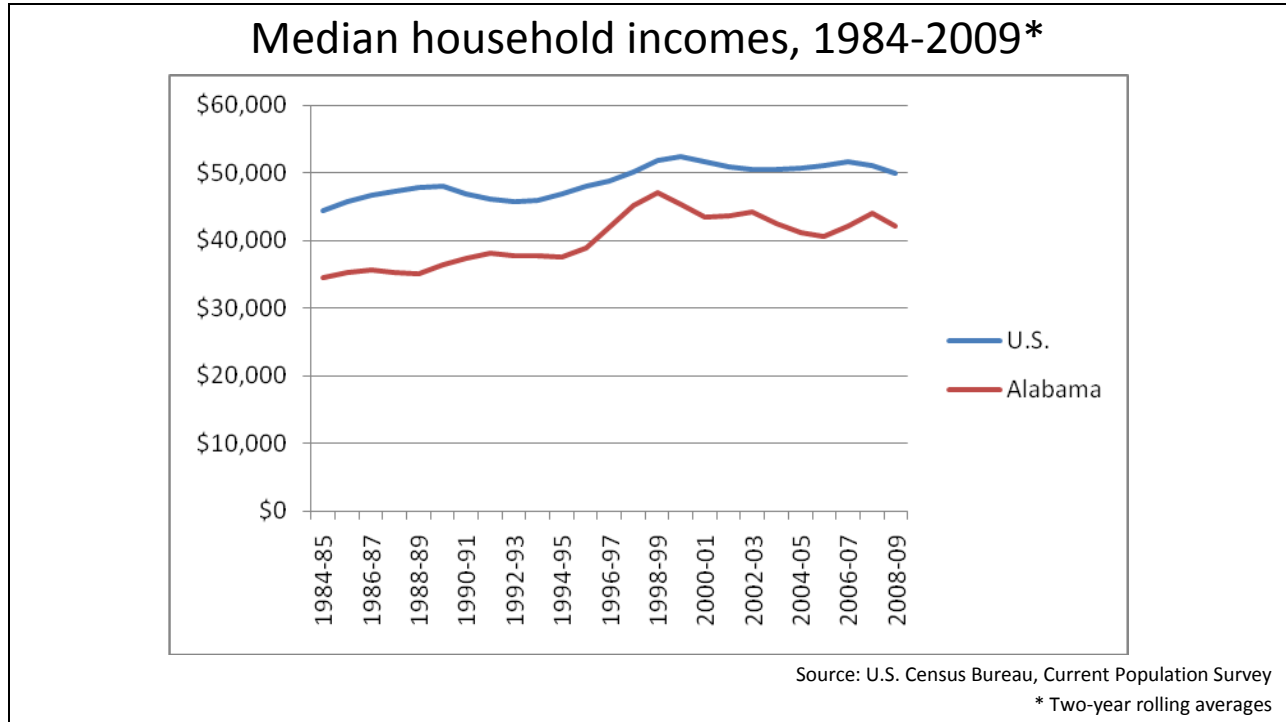
The last decade brought Alabama an increase in economic productivity, but most of the state's workers have not shared in the gains. Despite significant growth in the state's gross domestic product (GDP), Alabama's median household income, adjusted for inflation, is actually lower than it was when the decade began. Median hourly wages have increased since 2000-01, but their growth has come nowhere close to the increase in GDP.

Alabama's median household income in 2008-09 was \$42,144, virtually unchanged from its level in 2006-07 and the eighth lowest in the country. But as median household income has fallen nationally, the state's figure has crept closer to the national level. Alabama's median household income was 15.6 percent below the national average in 2008-09, compared to an 18.6 percent gap in 2006-07.



Median household income in Alabama has decreased 2.8 percent, in constant dollars, from the 2000-01 mark of \$43,360. Nationally, median household income has declined even more sharply in the last decade, falling 3.5 percent, from \$51,732 in 2000-01 to \$49,945 in 2008-09. (Alabama's per capita income has risen in recent years, but that measure is an average

that can be distorted by increases at the top end of the scale. Median household income gives a more accurate overall picture of everyday workers' well-being.)



For the bottom fifth of Alabama earners, average income has fallen 17.4 percent since the late 1990s, compared to a national decline of 2.5 percent, according to *Pulling Apart*, a 2008 report by the Center on Budget and Policy Priorities and the Economic Policy Institute. Meanwhile, the top fifth of income earners nationally have seen their average income increase 9.1 percent since the late 1990s. Though the figures for Alabama's top fifth could not be stated to a statistical certainty, the apparent increase reflected the national trend. In addition, the report found the increase in the income gap between Alabama's top fifth and bottom fifth since the late 1990s has been the nation's second largest.

The state's productivity is up, but as the *Pulling Apart* study suggests, workers' pay does not reflect it. Alabama's GDP has increased by 18.6 percent since 2001, exceeding the national growth rate. However, as mentioned earlier in this section, Alabama's median household income actually has fallen in the last decade, going from \$43,360 in 2000-01 to \$42,144 in 2008-09. Median hourly wages for Alabama workers also have not kept pace with GDP growth. Despite a 6 percent jump in 2009, the increase in the state's median wages has been less than a third of the GDP increase in the last decade.

Real gross domestic product, 2001-08

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

Source: Bureau of Economic Analysis, U.S. Department of Commerce
Amounts are chained 2000 dollars, in billions; 2009 data unavailable at press time

Median hourly wages, 2001-09

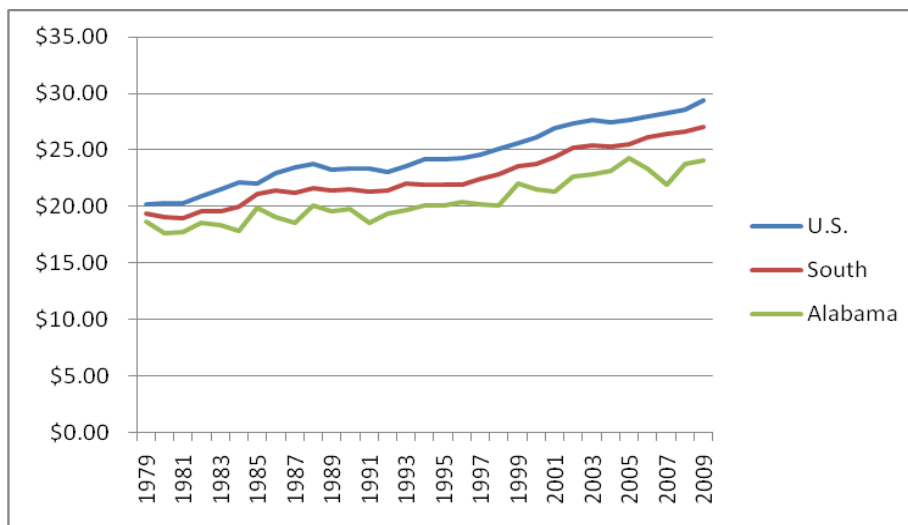
	2001	2002	2003	2004	2005	2006	2007	2008	2009	Since 2001
U.S.	\$15.57	\$15.70	\$15.88	\$15.89	\$15.69	\$15.76	\$15.62	\$15.68	\$15.95	+2.4%
South	\$14.60	\$14.69	\$14.82	\$14.85	\$14.60	\$14.86	\$14.87	\$14.87	\$15.07	+3.2%
Alabama	\$14.23	\$14.56	\$14.97	\$14.37	\$14.95	\$14.30	\$13.77	\$14.20	\$15.05	+5.8%

Source: Economic Policy Institute analysis of Current Population Survey data

Last year's increase lifted Alabama's median wages into parity with the state's Southern neighbors, but the state's wages remain lower than the national average. (By comparison, median wages were up slightly in Tennessee, effectively flat in Florida and Georgia, and down in Mississippi.) In 2009, Alabama's median wages were 5.6 percent below those for U.S. workers overall and ranked the 32nd highest among the 50 states and the District of Columbia.

One side effect of the state's comparatively low wages is that Alabama sees a lower disparity between its highest and lowest wage percentiles than the entire region and nation do. The hourly wage gap between workers in the state's 90th percentile and its 10th percentile last year was \$24.03. For the South, the gap was \$27.09, and for the nation, it was \$29.39.

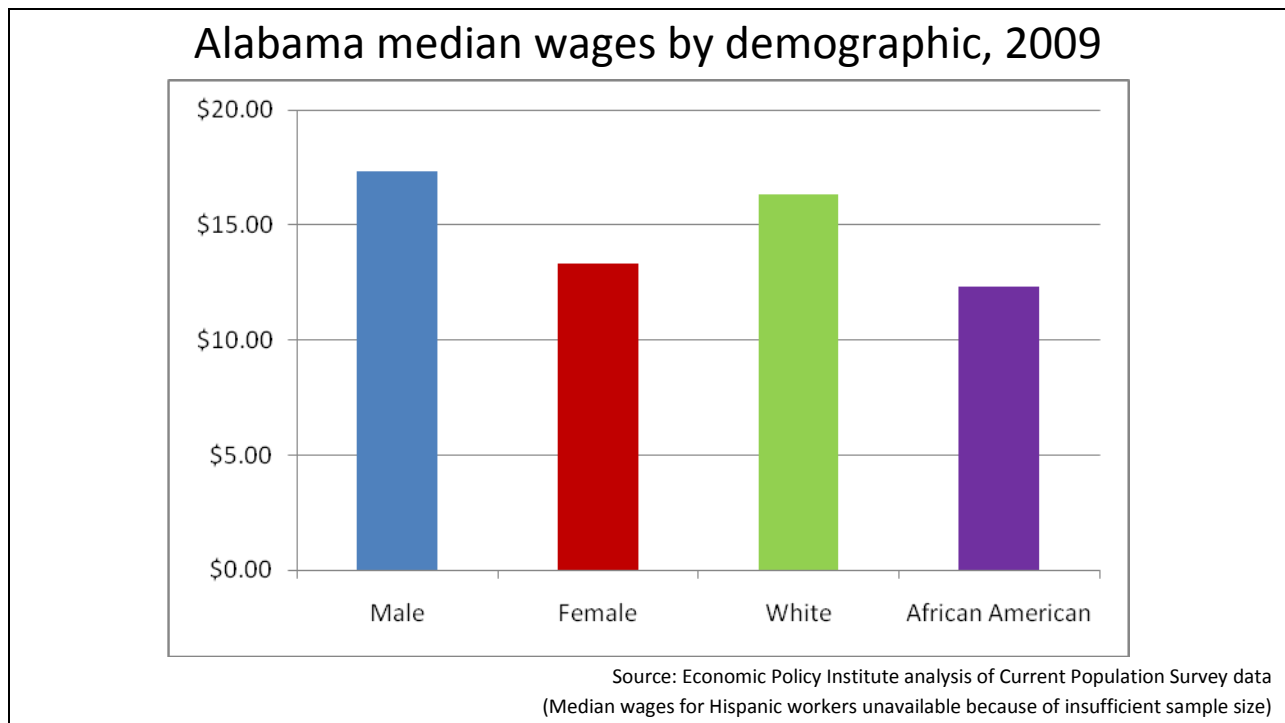
Wage disparity between 90th and 10th percentiles, 1979-2009



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

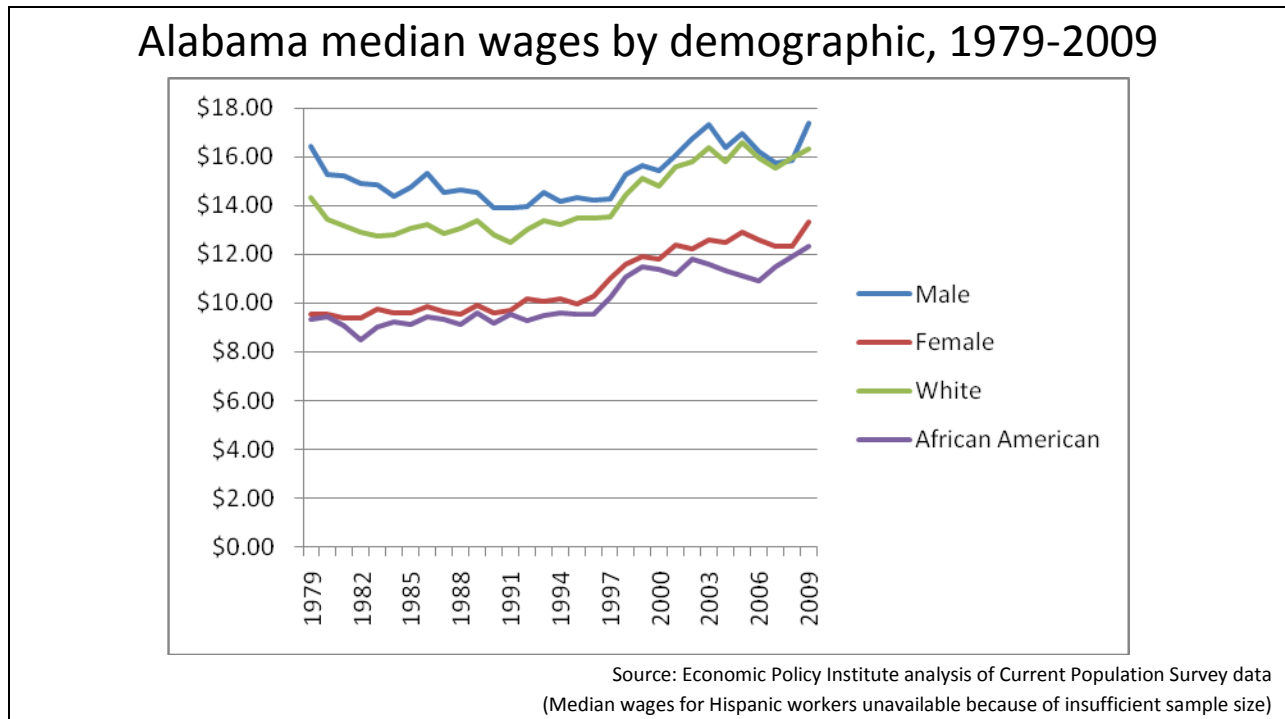
The wage disparity between the 90th percentile and the 10th percentile has grown substantially in Alabama since 1979, though more slowly than in the region and nation as a whole. Alabama's gap has increased 28.6 percent since 1979, compared to 39.9 percent growth for the South and a jump of 45.6 percent for the United States. In the last decade, however, this disparity has grown more in Alabama than it has regionally or nationally. Since 2001, this gap has increased by 12.7 percent in Alabama, compared to 11 percent in the South and 9.1 percent in the United States.

Women in Alabama make less per hour than men do on average, and their wage gap here is larger than the regional and national averages. Median wages for Alabama's female workers last year were 23.2 percent lower than the corresponding figures for males. The disparity has closed considerably since 1979, when it stood at 41.9 percent, but it was little different last year from its 2001 level of 22.7 percent. Alabama's gender wage disparity in 2009 was larger than the national gap of 18.4 percent and the Southern gap of 16.8 percent.



Alabama's median wage gap between White and African American workers has been far more consistent than the gender wage gap, but it closed slightly in 2009. White workers' median wages in Alabama were 24.5 percent higher than those of African American workers last year, compared to a 28.4 percent difference in 2001 and a 35 percent disparity in 1979.

Whites and African Americans in the state saw their wage disparity narrow last year even as median wages rose slightly for both groups. Still, Alabama’s racial wage disparity in 2009 was greater than both the regional (22.1 percent) and national (22.4 percent) averages.



Median wages for Hispanic workers were unavailable for Alabama because of insufficient sample size. In the South and the United States, however, Hispanics’ median wages remain below those of African Americans. Median wages for Hispanic workers have increased by 6.6 percent regionally and 2.8 percent nationally since 2001.

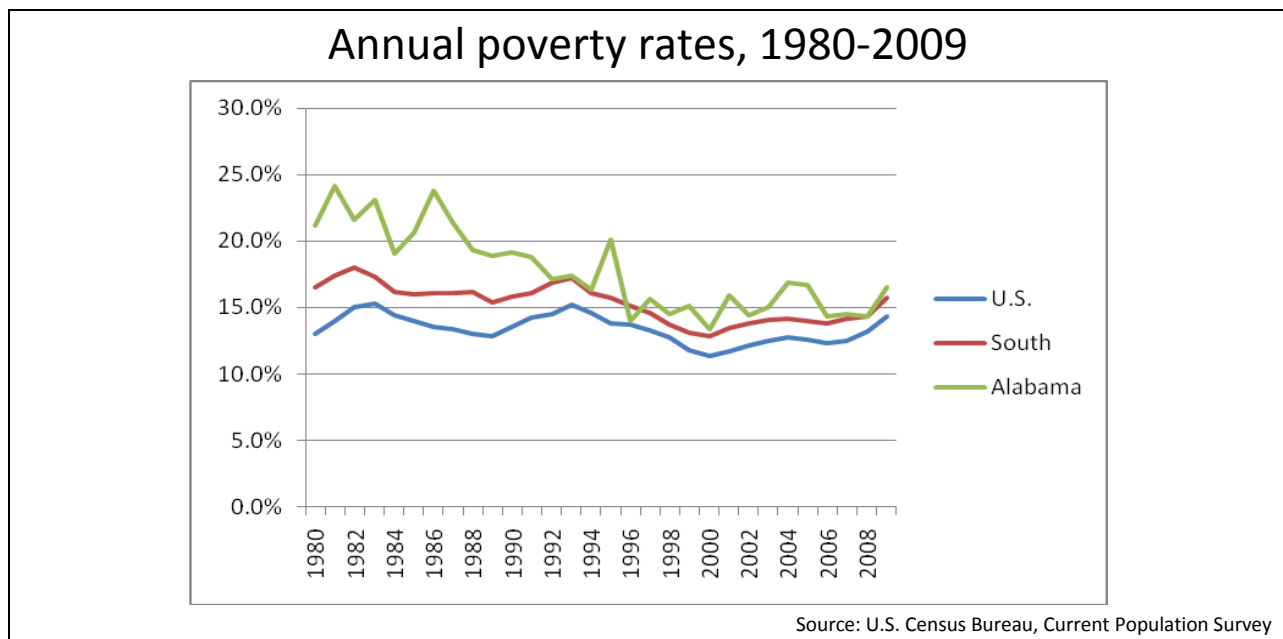
Some of the pay disparities between men and women and between minorities and non-minorities cannot be explained away by differences in education, experience or responsibilities. State legislators in 2009 approved a resolution to create an Equal Pay Commission to study the disparities, but the panel never reached full membership and never met. The new Alabama Legislature will have an opportunity to establish a permanent commission with representatives from business, labor, higher education and other interested stakeholders to examine the extent, causes and consequences of wage gaps in both the public and private sectors in the state. The commission also could offer a list of legislative recommendations for ways Alabama could narrow and eventually eliminate the pay disparities.

Poverty

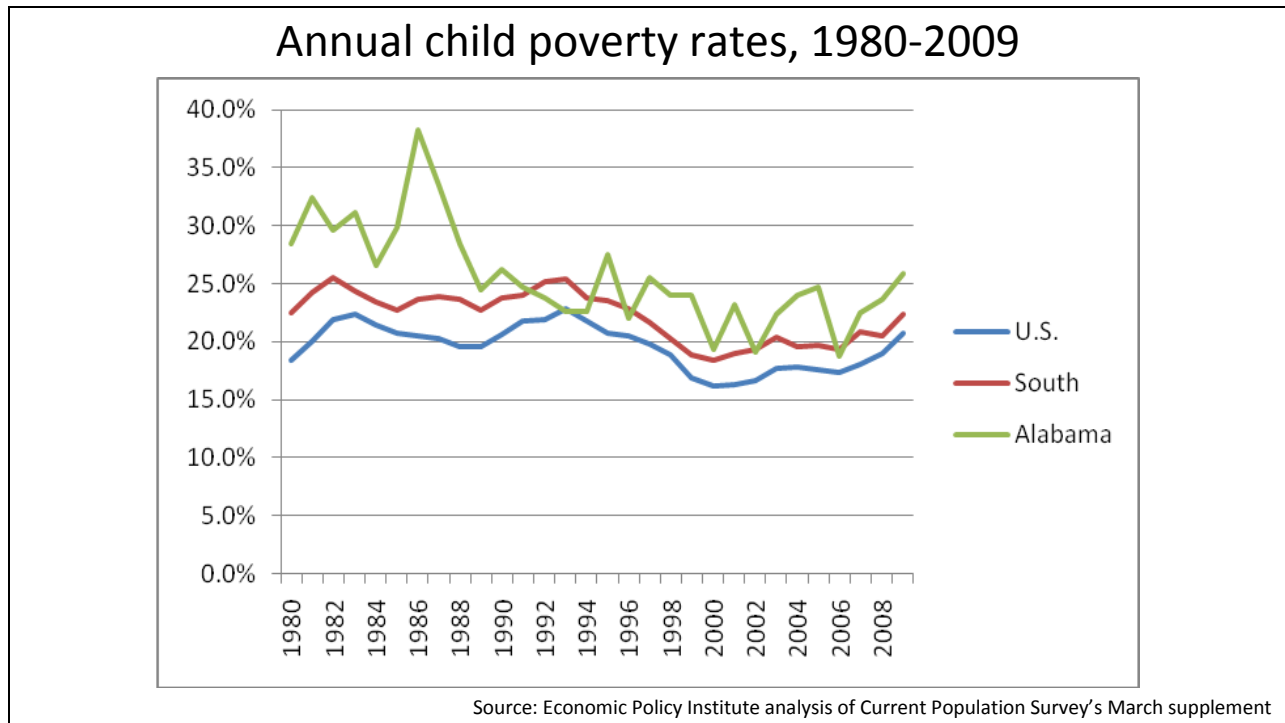
Poverty is both persistent and on the rise in Alabama as incomes continue to stagnate and breadwinners forced from their jobs during the Great Recession continue to struggle to find work. The increase has been especially pronounced among Alabama’s children, of whom almost one in four live in poverty. Still, the state retains a number of policy options to reduce poverty and help low-income Alabamians improve their lives.

The American Community Survey (ACS) placed Alabama’s poverty rate at 17.5 percent in 2009, up sharply from 15.7 percent a year earlier. The ACS also found a substantial increase in the state’s child poverty rate, from 21.7 percent in 2008 to 24.7 percent last year. To examine long-term trends, however, this report uses data from the Census Bureau’s other major survey, the Current Population Survey (CPS), because recent methodological changes could make comparisons between Alabama’s ACS poverty estimates for 2001 and 2009 invalid.

Both overall poverty and child poverty appear to have increased slightly in Alabama since 2000-01, CPS data show. Those trends mirror those in both the South and United States as a whole in that time. Nationwide, the poverty rate soared by 20 percent in the last decade, rising from 11.5 percent in 2000-01 to 13.8 percent in 2008-09. The South’s poverty rate increased more than 13 percent, going from 13.2 percent in 2000-01 to 15 percent in 2008-09. Alabama has seen an apparent poverty rate increase of about 6 percent, from 14.6 percent in 2000-01 to 15.5 percent in 2008-09.



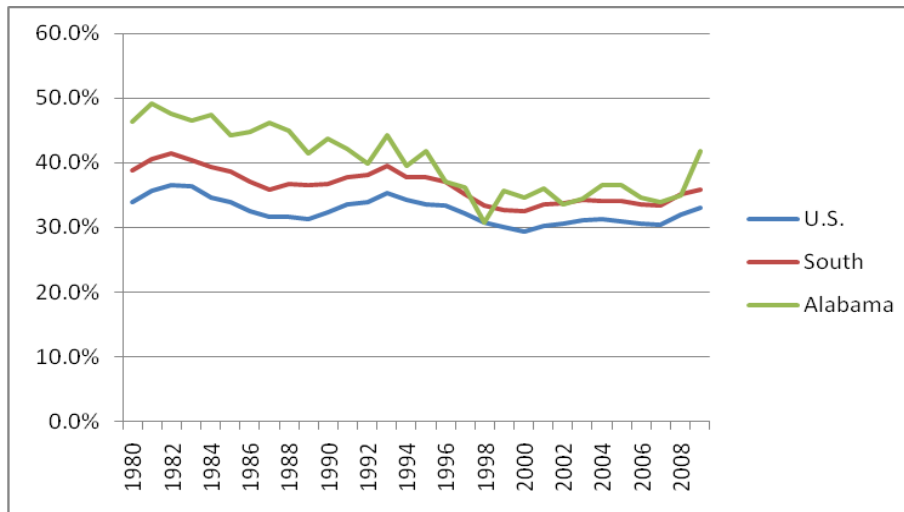
Child poverty has been more intense than overall poverty in Alabama in the last decade. The percentage of the state’s children under age 18 living in poverty went from 21.3 percent in 2000-01 to 24.8 percent in 2008-09, a 16.4 percent increase. Child poverty has increased more in the nation as a whole in the last decade (22 percent) than in Alabama, but the South (15 percent) has seen slower child poverty growth since 2000-01. The two-year rolling average child poverty rate for Alabama remained higher in 2008-09 than the rates for the South (21.5 percent) and United States (19.9 percent).



Many Alabama workers simply don’t make enough to escape poverty. A full-time, year-round worker had to earn an hourly wage of \$10.55 last year to reach the federal poverty threshold for a family of four, which was \$21,947. More than a quarter of Alabama’s workers – 28 percent – made less than that in 2009. That share is virtually unchanged since 2001. The state’s share of workers earning below the poverty wage in 2009 was higher than the national average (25.5 percent), but essentially the same as the Southern average (27.9 percent). Both the South and the nation have higher shares of workers below the poverty wage than in 2001.

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

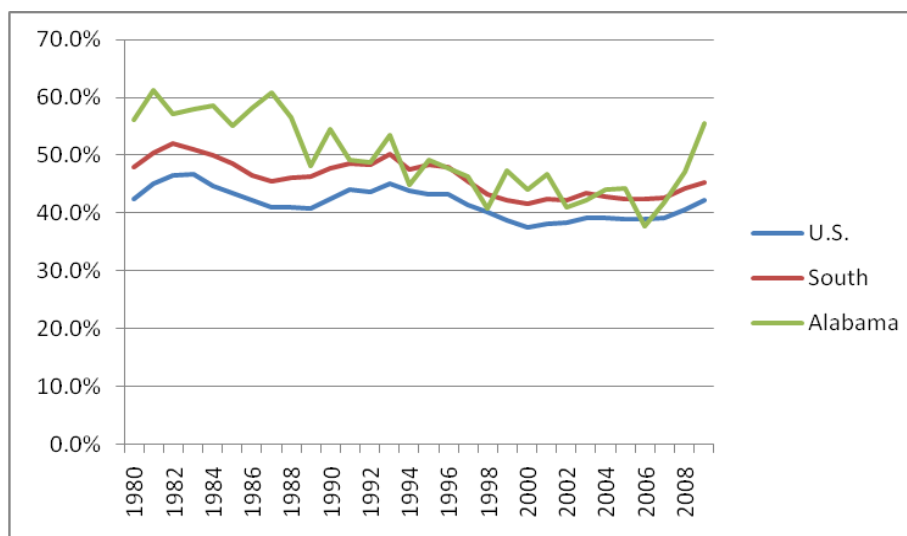
Annual percentages of people below 200 percent of federal poverty threshold, 1980-2009



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

In Alabama, 38.4 percent of people fell below that 200 percent threshold in 2008-09, compared to 35.5 percent in the South and 32.5 percent in the United States. Among children, the two-year rolling averages were far higher: 51.4 percent in Alabama, 44.8 percent in the South, and 41.4 percent in the United States.

Annual percentages of children below 200 percent of federal poverty threshold, 1980-2009



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

The share of Alabama children living below 200 percent of the poverty threshold has increased substantially during the Great Recession. The total share of Alabamians living below 200 percent of the poverty threshold also has increased since 2000-01.

The last decade also has brought an increase in the share of Alabama households that had to reduce food intake because of a lack of resources, according to the U.S. Department of Agriculture. The USDA said 6.8 percent of Alabama households had “very low food security” in 2007-09, the highest rate in the nation. In total, the USDA classified 15 percent of Alabama households as “food insecure” in 2007-09, meaning they were unable at some point during the year to afford adequate food. That was the seventh highest rate in the country.

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

Despite increasing poverty rates and a general upward trend in the cost of necessities in recent years, the federal minimum wage remained at \$5.15 an hour for more than a decade, until Congress voted in 2007 to phase in an increase over three years. The hourly minimum wage rose to \$5.85 in July 2007 and to \$6.55 in July 2008. As of July 2009, the federal minimum wage stands at \$7.25. Even so, the minimum wage is well below the poverty wage for a family of four, which was \$10.55 last year.

The federal government may have increased its minimum wage, but Alabama remains one of only five states that do not have a state minimum wage law at all, according to the U.S. Department of Labor. Louisiana, Mississippi, South Carolina and Tennessee are the others. In 26 states, the minimum wage rates match the federal one, while 14 states set a higher minimum wage. In five states, the official minimum wage is lower than the federal level, but the higher federal rate applies for most employers.

Families getting by on minimum wage or other low incomes often struggle to save enough money to buy a home or help their children pay for college. More than two-thirds of states have established Individual Development Account (IDA) programs to try to bridge this gap. IDA programs allow qualifying low-income participants to save up to \$2,000 and receive matching money from both the state and federal governments. Participants can use the funds to attend college, buy a first home or start a small business. The Alabama Legislature in 2009 approved a bill to set up a state IDA program and allow the state to provide matching funds, but the measure died after the legislative session when Gov. Bob Riley did not sign it.

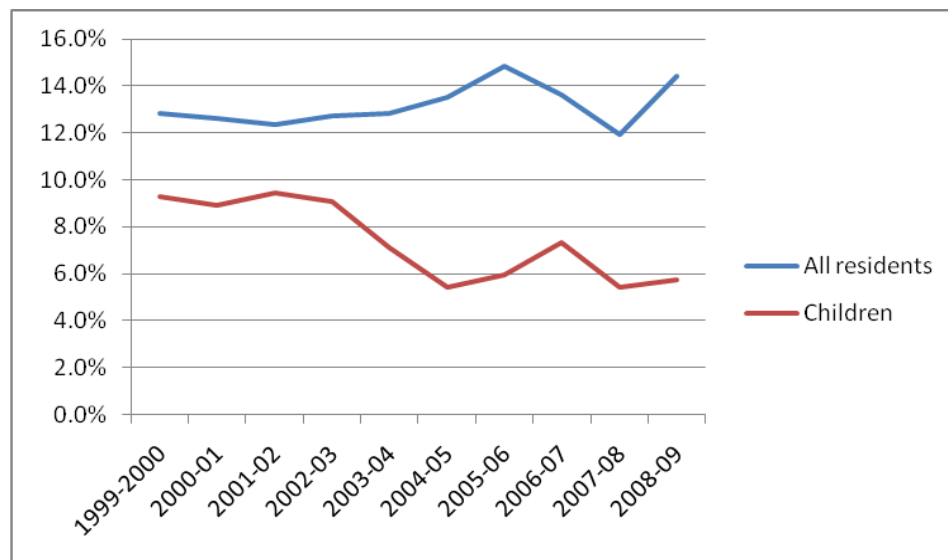
Health insurance

The landmark health care reform law that Congress passed in March 2010 will make insurance coverage more available and affordable in coming years while also taking steps to reduce long-term health care costs. The law's enactment came as the number of uninsured Americans swelled to 50.7 million, or 16.7 percent, last year. The percentage of uninsured people has been lower in Alabama than nationally in the last decade, partly because the share of Alabamians covered by public insurance programs is larger than the national average.

Alabama was the first state to participate in the State Children's Health Insurance Program (SCHIP), and the state's pioneering program, ALL Kids, has played a critical role in providing health insurance for thousands of children who otherwise might not receive it. Medicaid and ALL Kids have helped to drive Alabama's rate of uninsured children well below the national average. Nationwide, 10 percent of children under age 18 had no health insurance coverage in 2008-09. In Alabama, though, the figure was 5.8 percent.

The percentage of Alabama children who lacked health insurance coverage in 2008-09 was down substantially from the 2006-07 level of 7.4 percent. The state's share of uninsured children has trended downward through the last decade, which began with 8.9 percent of Alabama's children uninsured in 2000-01.

Shares of Alabamians without health insurance, 1999-2009*



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

* Two-year rolling averages

Despite the coverage gains among children, the ranks of uninsured Alabama adults are growing. The share of all Alabamians with no health insurance has increased from 12.6 percent in 2000-01 to 14.4 percent in 2008-09 as mounting job losses during the Great Recession have stripped many Alabama workers of their employer-sponsored insurance.

Significantly more Alabamians relied on public health insurance programs like Medicaid and ALL Kids in the last two years than at the start of the decade. The state's percentage of residents covered by private health insurance decreased 9.2 percent between 2000-01 and 2008-09, from 71.8 percent to 65.2 percent. In the same time period, the share of Alabamians covered by public insurance programs jumped by more than 24 percent, from 27 percent in 2000-01 to 33.5 percent in 2008-09.

The Alabama Medicaid Agency reported in March 2010 that the state's Medicaid enrollment has increased by nearly 90,000 since the Great Recession hit Alabama in early 2008. About 890,000 Alabamians, or almost a fifth of the population, were eligible for Medicaid in September 2010, the agency reported. ALL Kids covered about 7,400 more children in the last year, the program reported in September 2010, bringing its rolls to 75,842. Most of that increase is attributable to state legislators' vote last year to extend eligibility to children from families making 200 percent to 300 percent of the federal poverty level.

About \$350 million of federal stimulus money from the American Recovery and Reinvestment Act (ARRA) and the 2010 jobs bill is helping the state's Medicaid agency stay afloat and cover the new enrollees in fiscal year (FY) 2011, which began in October 2010. But neither funding source will be available for the 2012 budget year. General Fund revenues in October 2010 were up 26.9 percent from where they were a year earlier, according to the state Finance Department, roughly what legislators anticipated when they passed this year's budget.

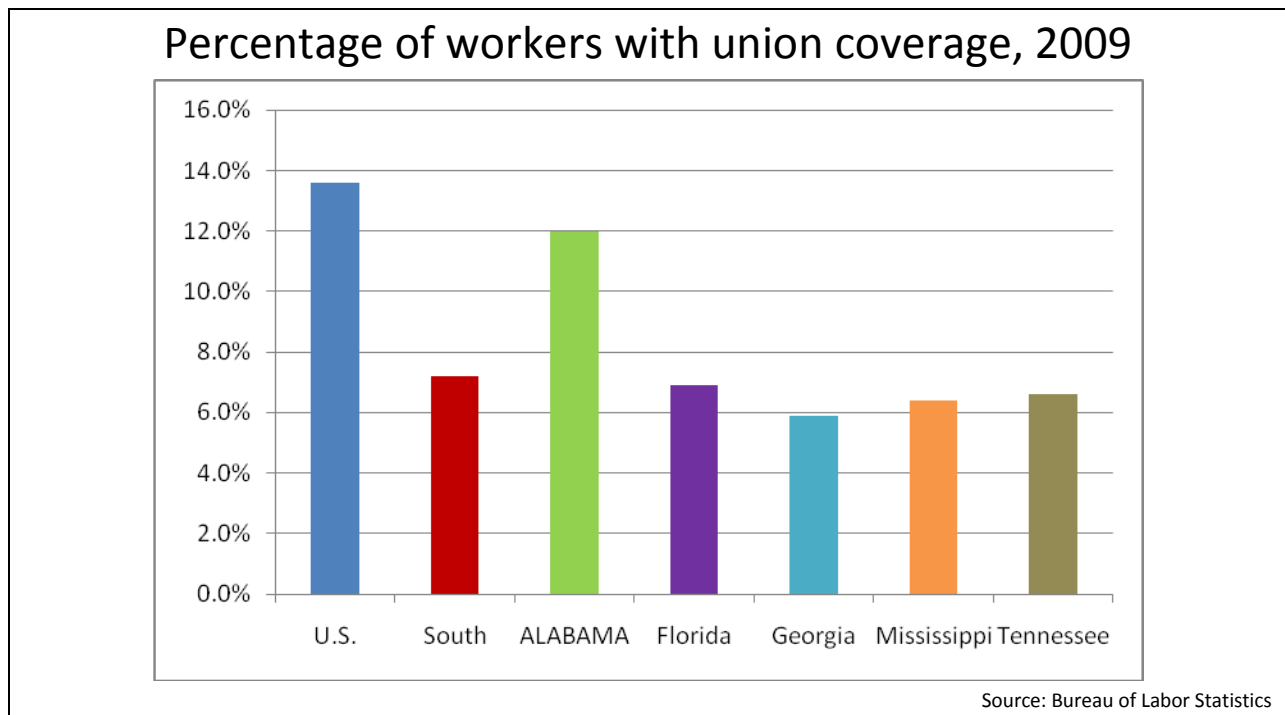
Major elements of the Affordable Care Act already have taken effect, including greater protections for children with pre-existing health conditions and young adults who want to stay on their parents' health insurance during college. Starting in 2014, many Americans will receive subsidies to help them buy private insurance. By then, Medicaid also will cover all individuals who have incomes up to 133 percent of the federal poverty level and who do not qualify for Medicare. That expansion is expected to add up to 300,000 people to Alabama's Medicaid rolls, but the federal government will pay the entire cost of the expansion for three years and up to 90 percent of the cost thereafter, giving the state six years to figure how to chip in its share.

States will play a key role in implementing the new health care reform law by 2014. In addition to the Medicaid changes, Alabama will have to increase consumer protections and design a health insurance exchange to allow eligible individuals and small businesses to compare and buy plans.

Unions

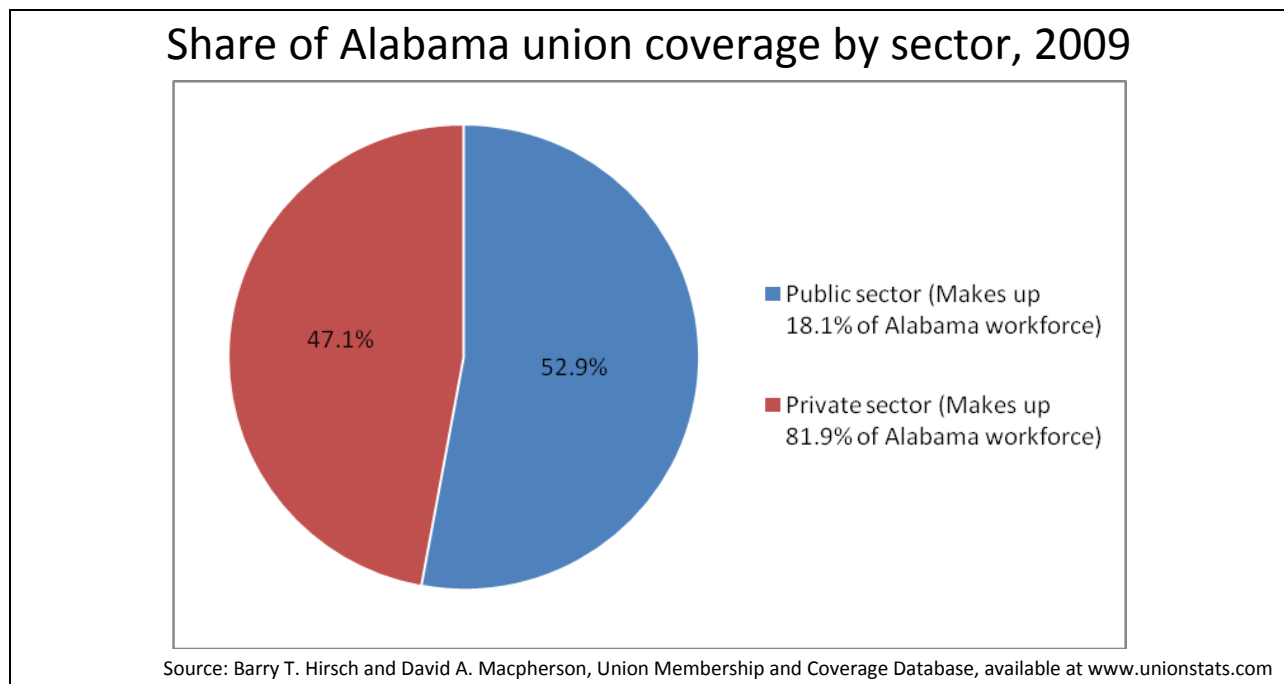
Union membership grew in Alabama in the last decade, even as it has fallen across the nation as a whole. The state's union membership increased for the third straight year in 2009, as unions gained about 10,000 members in Alabama, according to the Union Membership and Coverage Database at www.unionstats.com. The share of the state's labor force that has union membership rose to 10.9 percent last year, up from 9.8 percent in 2008. Alabama's union membership stood at 9.4 percent in 2001.

Alabama's union membership share last year was lower than the national average of 12.3 percent, but the state's rate remained above that of any of its Deep South neighbors, largely because of a high union membership rate among public employees. Alabama's unionization level was the fourth highest among Southern states, exceeded only by Delaware, Maryland and West Virginia. Among the states that border Alabama, Florida had the highest union membership rate in 2009, checking in at 5.8 percent.



Alabama also continued to have one of the region's largest percentages of workers who have union coverage, meaning they either are union members or are covered by a union contract at work. The state's union coverage rate of 12 percent last year was up from the 2001

level of 10.8 percent. Alabama's union coverage trailed the national average of 13.6 percent, but it was the fourth highest percentage among Southern states, behind only Delaware, Maryland and West Virginia. Among the four states contiguous to Alabama, the highest union coverage rate belonged to Florida at 6.9 percent.



Public employees made up the large majority of unionized workers in Alabama in 2009. Even though the public sector employed just 18.1 percent of the state's labor force, public employees accounted for about 105,000 of Alabama's roughly 191,000 union members, according to the Union Membership and Coverage Database. Almost a third of the state's public employees were union members last year, and 35.1 percent of them had union coverage.

Union membership remains comparatively rare in Alabama's private sector, however. Of the more than 1.4 million Alabamians employed in private-sector jobs, about 86,000 were union members last year, a membership rate of 6 percent. Almost 100,000 private-sector employees in Alabama had union coverage last year, for a rate of 6.9 percent.

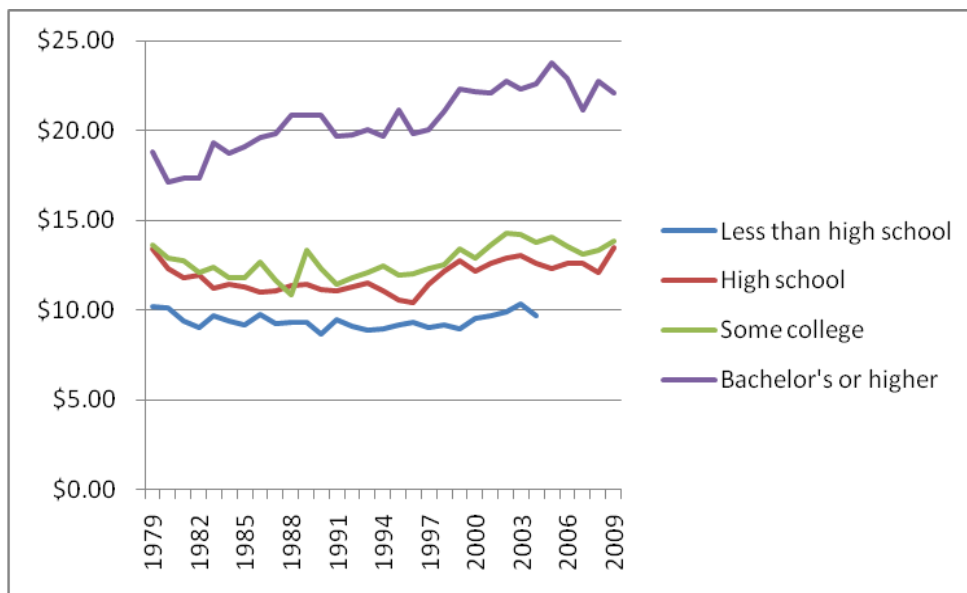
Median wages for union workers historically have been higher than those for non-union workers, and that trend held in 2009. Union employees in Alabama last year earned a median hourly wage of \$20.11, compared to \$14.44 for workers outside a union. Nationally, union workers' median wage was \$20.40, while non-union employees' median wage was \$15.14.

Education

Alabama’s workforce includes more college graduates now than it did when the decade began, but it would be tough to tell by looking at median wages. As in the rest of the nation, Alabama workers of all educational levels have seen little or no improvement to their median hourly wages since 2001. And even as wages largely have stood still, Alabamians have seen the median cost of a college education – perhaps the surest path to higher earnings in the modern American economy – increase far more quickly than inflation in the last decade.

One bright spot for Alabama last year was an increase in median wages for workers with a high school diploma. (All wages are adjusted for inflation into 2009 dollars.) In 1979, the median wage for an Alabama high school graduate was \$13.41 an hour. That number fell to \$12.61 in 2001 but climbed to \$13.50 last year. However, wages for Alabama workers who completed some college – often those with a two-year associate’s degree – have not increased much from where they were in 1979 and 2001. The median wage for such workers was \$13.59 in both 1979 and 2001 and rose only slightly to \$13.87 in 2009. Wage information for Alabama workers who did not complete high school was unavailable for 2009, but such workers in the South and the nation at large have seen declines in their median wages since 1979 – the national drop was 16.6 percent – and little change since 2001.

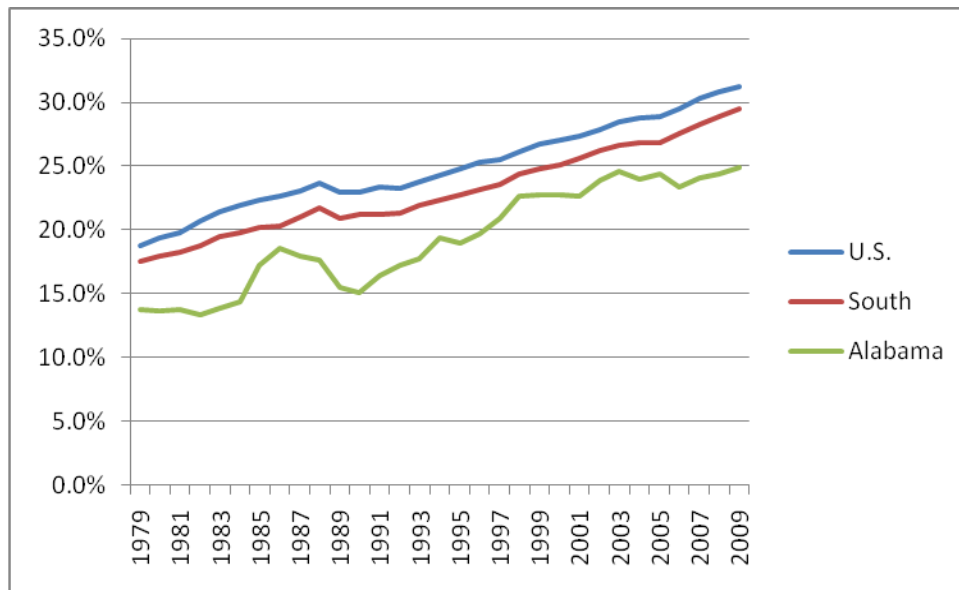
Alabama median hourly wages by education level, 1979-2009



Source: Economic Policy Institute analysis of Current Population Survey data (Median wages for “less than high school” unavailable for 2005-09 because of insufficient sample size)

Wages for university graduates in Alabama continue to lag behind the national average and were no higher last year than they were in 2001. The median wage for Alabama workers who hold at least a bachelor’s degree was \$22.08 in 2009, up substantially from \$18.79 in 1979 but unchanged from \$22.10 in 2001. The state’s decade-long trend for university graduates mirrors the national one, as median wages have gone from \$24.45 in 2001 to \$24.81 in 2009. Median wages for such workers in the South have inched up only slightly since 2001, increasing from \$23.10 to \$23.59.

Percentage of labor force with bachelor’s degree or higher, 1979-2009

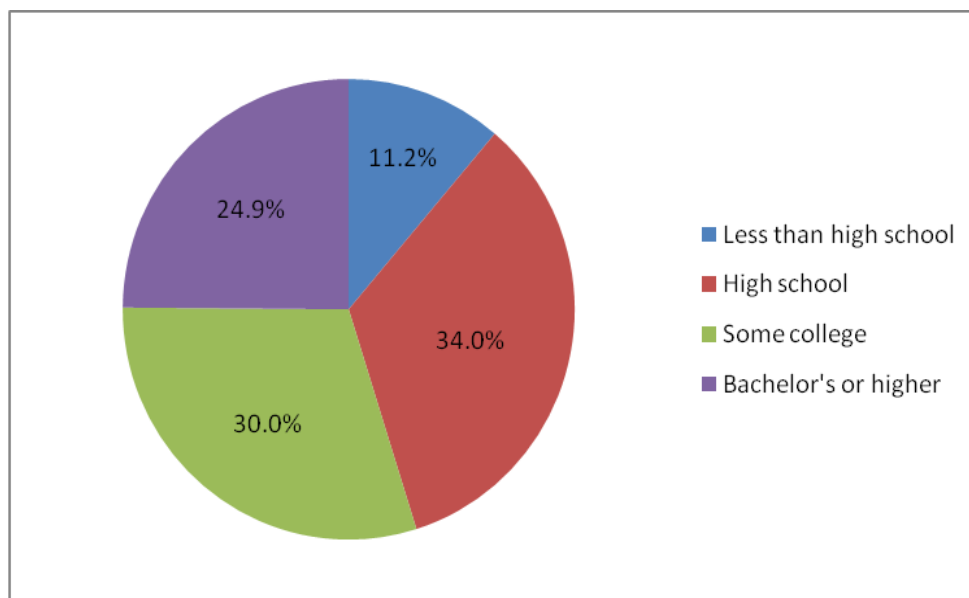


Source: Economic Policy Institute analysis of Current Population Survey data

A growing number of Alabamians are able to cash in on the wage benefits that accompany a bachelor’s degree, but the state still trails the South and the nation in its share of highly educated workers. Following a national trend, the share of Alabama’s workforce with a four-year degree has increased in the last three decades, rising from 13.7 percent in 1979 to 22.6 percent in 2001 and 24.9 percent in 2009. The percentage of state workers with some college has seen little change since 2001, improving from 29.3 percent to 30 percent.

Alabama still lags considerably behind the region and nation in educational attainment, however. A substantial number of state workers – 45.2 percent – have a high school education or less, which means the 30-year stagnation of wages for high school graduates has hit Alabama harder than many other states.

Alabama labor force by education level, 2009



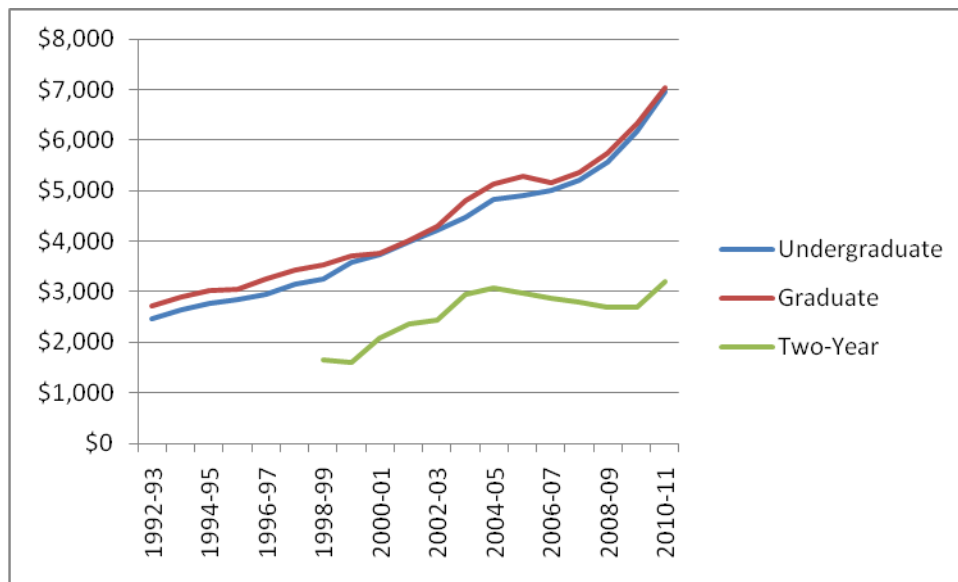
Source: Economic Policy Institute analysis of Current Population Survey data

Alabamians with bachelor's degrees have seen the sort of sustained, meaningful wage growth that has eluded their less-educated counterparts in the last three decades. But the cost of attending college and obtaining a four-year degree to increase earning power is growing much more quickly than earnings in Alabama, and that trend has only accelerated in the face of consecutive years of proration, or across-the-board cuts, to the state's education budget.

The annual median in-state cost of undergraduate tuition and required fees at Alabama's public four-year universities, adjusted to 2009 dollars, has skyrocketed by 181.8 percent in the last two decades, jumping from \$2,472 per year in 1992-93 to \$7,136 (\$6,967 in 2009 dollars) for 2010-11. The increase since 2000-01 has been 86 percent, according to an analysis of data from the Alabama Commission on Higher Education (ACHE). Costs have risen more slowly for graduate students since the early 1990s, but the median annual in-state cost of graduate school tuition and required fees at an Alabama four-year public university still has increased 158 percent since 1992-93, rising from \$2,724 then to today's mark of \$7,198 (\$7,028 in 2009 dollars), according to ACHE figures. The increase since 2000-01 has been 86.4 percent, slightly exceeding Alabama's growth rate for comparable undergraduate expenses.

State community colleges have been subject to the same kind of soaring costs. Median in-state tuition and required fees at two-year colleges have jumped 52.6 percent since 2000-01, going from \$2,093 then to \$3,270 today (\$3,193 in 2009 dollars), according to ACHE data.

Median in-state tuition and required fees at Alabama public higher education institutions, 1992-present*



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

*ACHE data on two-year colleges' median in-state tuition and required fees begin in 1998-99 school year

(Adjusted to 2009 dollars in October 2010 using online Consumer Price Index calculator from Federal Reserve Bank of Minneapolis)

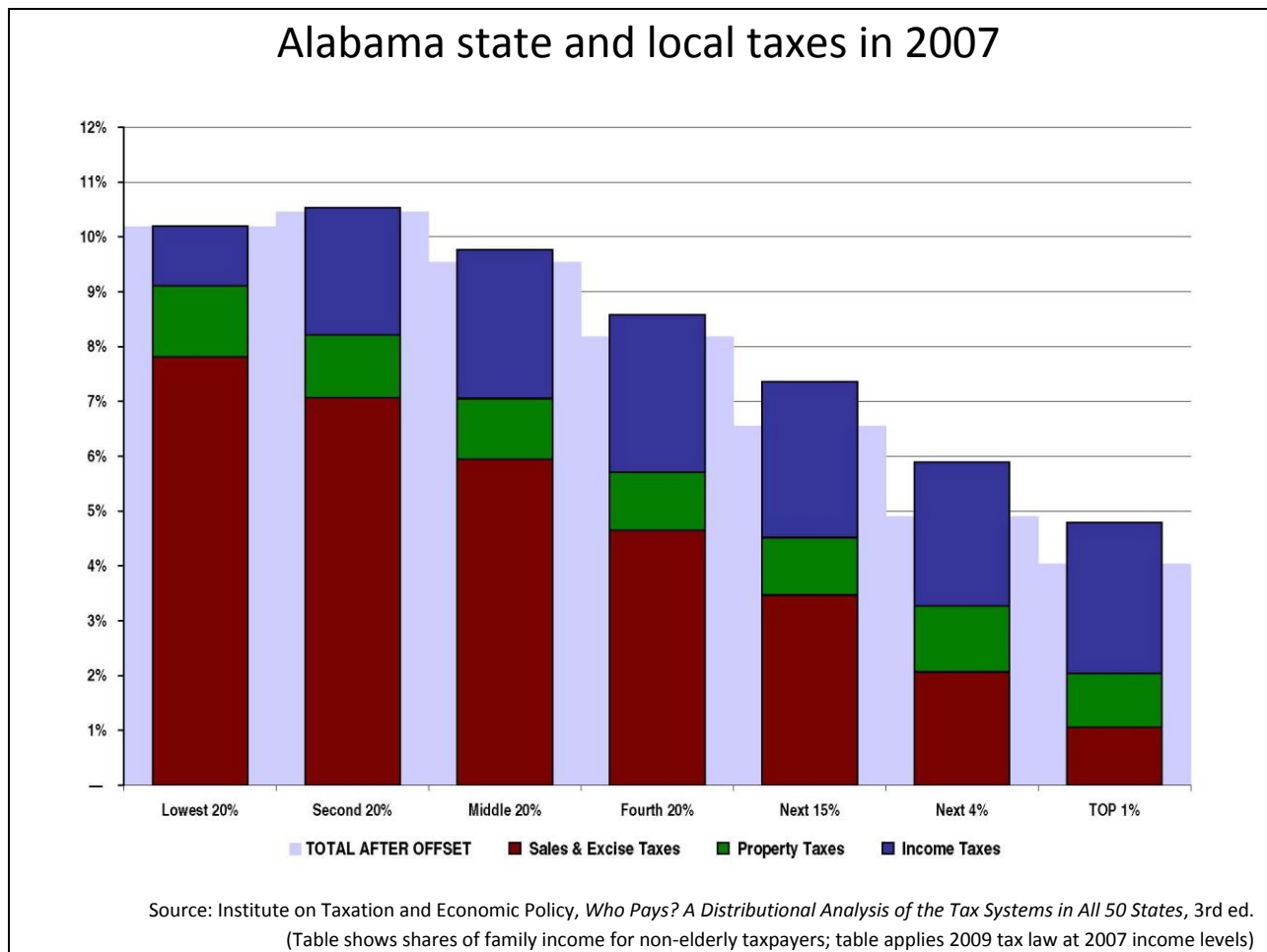
The tuition increases are unlikely to slow down in light of slumping revenues for the state education budget, which has endured back-to-back years of proration despite \$1 billion of federal stimulus money under the American Recovery and Reinvestment Act (ARRA) to limit the size of the cuts. Many state universities have responded with substantial tuition increases to address the resulting shortfalls. In-state undergraduate tuition at Alabama A&M University has jumped by 23 percent. The fall 2010 increase at the University of Alabama was 12.8 percent, while Auburn University hiked tuition by 13 percent. Other double-digit increases included Troy University (19.4 percent) and the University of Alabama at Birmingham (13.9 percent).

Alabama's stagnant median income and stagnant median wages have left many families unable to afford the growing cost of college. For the 40 percent of Alabama families with the lowest incomes, the net college cost – tuition, room and board, minus financial aid – in 2008 would have been about 36 percent of their annual income for a community college and 51 percent for a public four-year college or university, according to *Measuring Up 2008*, a report by the National Center for Public Policy and Higher Education (NCPPE). Because of these statistics and others, the NCPPE ranked Alabama 48th in the college affordability category of its biennial state report card on higher education. The report also gave Alabama low marks on preparing students for education and training after high school.

Taxes

Alabama’s per capita taxes are the second lowest in the nation, but taxes aren’t low for most workers. The income tax for a family of four at the poverty line is the nation’s highest, and sales taxes also claim a big chunk of low-income families’ earnings. The state’s upside-down tax system demands more from those who make the least than from those who make the most.

The bottom fifth of Alabama’s income earners – those who made less than \$16,000 in 2007 – on average pay 10.2 percent of their income in state and local taxes, according to the 2009 third edition of *Who Pays? A Distributional Analysis of the Tax Systems of All 50 States*. The study, conducted by the Institute on Taxation and Economic Policy (ITEP), takes a state-by-state look at the shares of income people in each income range pay annually in state and local taxes. By contrast, the top 1 percent of Alabama’s earners – those who made at least \$384,000 in 2007 – pay 4.8 percent in taxes, and the effective rate falls to 4 percent when the federal income tax offset for state income and property taxes is taken into account.



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

Lawmakers in 2006 increased the state’s income tax threshold – the lowest level at which people must pay income tax – for a family of four from \$4,600 to \$12,600. But even after the change, Alabama continues to tax workers whose earnings fall far below the federal poverty line, which was \$21,947 for a family of four in 2009. Further, the state’s income tax on a family of four at the poverty line last year (\$468) was the nation’s highest, according to the Center on Budget and Policy Priorities. Only 13 states require families with incomes that low to pay any income tax at all.

Alabama offers a deduction for Social Security contributions, but this relief is available only to taxpayers who, unlike many low- and middle-income earners, itemize their deductions. That quirk means the break often doesn’t help low-income people, even though they pay a larger share of their incomes toward Social Security. The state also permits a full deduction for federal income taxes, which mainly benefits wealthier Alabamians. Eighty percent of the tax break goes to the top fifth of earners, according to ITEP. Only two other states – Iowa and Louisiana – offer a full state deduction for federal income taxes.

Income tax thresholds in selected states, 2009	
Montana	\$12,000
ALABAMA	\$12,600
Georgia	\$15,900
Mississippi	\$19,600
Louisiana	\$21,000
Arkansas	\$21,400
Source: Center on Budget and Policy Priorities (Income tax thresholds are for two-parent family of four)	

The current income tax threshold, though much higher than the pre-2006 model, still burdens many people trying to climb out of poverty. Alabama’s threshold of \$12,600 for a family of four is the second lowest in the country, ahead of only Montana (\$12,000). And because Montana’s threshold rises along with inflation but Alabama’s does not, Alabama likely will have the nation’s lowest income tax threshold in the near future if nothing changes.

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

Income tax rates in Alabama have not changed since 1935. Yearly taxable income under \$500 (\$1,000 for a couple) is assessed at 2 percent, while income between \$500 and \$2,999 (double for couples) is taxed at 4 percent. All taxable income of \$3,000 or more (double for couples) is subject to a rate of 5 percent. That means most Alabamians, whether low-income or high-income, owe income tax at the same top (or marginal) rate. In Alabama, almost two-thirds of families pay income tax at the top rate, according to ITEP. And though the income tax is nominally progressive, the state's full deduction for federal income taxes results in an effective income tax rate that actually declines at upper income levels, ITEP says.

The income tax rate schedule also contributes to the regressive nature of the state's tax system. Sales taxes are regressive, requiring people who make less money to pay a larger share of their income than people who make more. Most states try to balance that effect with a progressive income tax that requires wealthier people to pay more than people who make less. But because 66 percent of Alabamians pay at the top income tax rate, the state's income tax is effectively flat and does little to offset the regressive nature of the sales tax. As a result, Alabama has the nation's 10th most regressive tax system, according to ITEP.

Even though the sales tax is one of the most regressive taxes in existence, Alabama relies heavily on it to fund education, and the overall rates here are some of the highest in the United States. The combined state and local sales tax rate in Birmingham, Montgomery and other localities is 10 percent. Another reason the state's sales tax is especially regressive is that it applies to necessities. Alabama taxes over-the-counter medicines, and it is one of only two states in the country – the other is Mississippi – that tax groceries fully without any discount for low- and middle-income families. Reduction or removal of the sales tax on groceries would make the state's tax system more progressive and put Alabama in line with the practices of the vast majority of states.

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

Outlook

The Great Recession officially ended in the summer of 2009, but its fallout is hanging around in Alabama. Unemployment, which soared throughout last year, has trended downward in 2010, but it remains high compared to other post-recession years. Even though foreclosures are declining, the state's real estate market still struggles amid general consumer uncertainty and fears that another wave of foreclosures may be on the way. The national economic downturn has battered already stagnating incomes, left more people in poverty, and increased demand for Medicaid, food stamps and other public services.

Unemployment in the state has improved slowly but steadily after peaking in early 2010, and Alabama's most recent monthly unemployment rate was 8.9 percent. That is still more than twice as high as the rate was at its low point in mid-2007, but it means tens of thousands more workers in the state have a job now than when the year began. Though more improvement is probable next year, unemployment both statewide and nationally may take several more years to return to pre-recession levels.

Economic growth is likely to be too slow throughout 2011 to make an appreciable dent in unemployment, which stands at 9.6 percent nationally. The nation's gross domestic product (GDP) grew at a 2 percent rate in the most recent quarter, slightly higher than the previous quarter. The economy will grow 2.7 percent next year, reducing the nation's unemployment only to 9 percent, economists predicted in an October 2010 survey by the Associated Press. But on the bright side, most economists say the recession's return is increasingly unlikely.

Many experts credit the American Recovery and Reinvestment Act (ARRA) for helping to lift the nation out of recession and acting as a firewall to prevent unemployment from climbing even higher. ARRA saved or created up to 3.3 million jobs, according to a Congressional Budget Office estimate. The Recovery Act also propped up funding for Medicaid, education and other vital state services, helping them meet growing needs even amid record revenue declines. But for Alabama and other states, that federal aid will run out after 2011, and Congress is unlikely to provide further assistance. Unless revenues rebound quickly, Alabama may face sizable budget cuts in fiscal year 2012 that could force layoffs and slow the state's economic recovery. A more balanced approach, combining both spending cuts and new revenues, has served the state well in previous recessions, minimizing layoffs and preserving essential public services.

Alabamians will struggle with the lingering effects of the Great Recession throughout 2011, but better times lie ahead. With wise investments now in education, health care and other public services that help people contribute to the economy, Alabama can position itself to reap the benefits of those brighter days for decades to come.



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