

Stuck: Low-Wage Jobs Are Holding Alabama Back

An ACPP Fact Sheet made possible by the Working Poor Families Project

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This fact sheet begins a four-part series examining Alabama's adult education and workforce development resources. Part One looks at the state's low-income workers – who they are and the special challenges they face. Part Two will examine adult paths to a high school education. Part Three will focus on post-secondary education and worker training. Part Four will place all of these components into the overall framework of Alabama's labor market and economy. Unless otherwise noted, data in this report was generated for the Working Poor Families Project by the Population Reference Bureau from the 2008 American Community Survey.

Getting ahead vs. getting by

The wish of parents for their children to have a brighter future is universal, but we like to claim it as the American Dream. Work hard and play by the rules, the Dream tells us, and you can get ahead. But the Alabama Reality is that many people who work hard and play by the rules remain trapped in jobs that will never pay them enough to get by without government or private assistance, much less get ahead.

The difference between getting by and getting ahead is something families understand from experience but policymakers often find difficult to define. Since the 1960s, federal assistance programs and many related state programs have used a measure called the federal poverty level (FPL) to determine eligibility. Though updated each year for inflation, the measure's core formula reflects outdated research on family structure and household expenses. Even by this inadequate standard, more than 10 percent of Alabama's families in 2008 worked for "poverty wages," or annual income falling below that year's FPL (\$21,834 for a couple with two children). And 8 percent of Alabama's hourly workers earned at or below the federal minimum wage (\$7.25 an hour), which amounts to \$15,080 a year before taxes. Only Texas and West Virginia had higher proportions of hourly workers at this lowest pay level.

Wage earners at the median of Alabama's income range (with half of the state's workers making less and half making more) brought in \$42,586 per household in

2008, which is well below the national median of \$52,029. While cost-of-living differences lessen the impact of this disparity, a closer look tells a different story: For the state's Black workers, the median was \$27,695, roughly half the national median and three-fourths of the national African American median.

The income level required to support a family without government subsidies (such as public housing, food stamps, Medicaid or child care) and without private or informal assistance (such as free babysitting by a relative or friend, food provided by churches or food banks, or shared housing) falls at roughly 200 percent of the FPL. One-third of Alabama's working families – almost 170,000 households with children – live at or below this modest

income level. Again, this burden falls disproportionately on historically disadvantaged groups. Members of racial/ethnic minority groups make up around 29 percent of Alabama's population, yet nearly half of low-income working families have at least one parent in a racial/ethnic minority group.

A more effective tool than the federal poverty level for measuring workforce stability and security is the Self-Sufficiency Standard, which reflects more up-to-date household needs such

as child care, health care and transportation and takes into consideration regional variations in the cost of living. To learn about the Self-Sufficiency Standard for Alabama communities, visit arisecitizens.org and search for the keyword "self-sufficiency."

Opting out

Low earning potential may drive many workers out of the labor force altogether. Alabamians in 2008 showed a workforce participation rate of 60.8 percent, ranking 48th in the nation. This measure takes into account "discouraged workers" who have given up hope of finding jobs. Employment rates for those in their late teens or early 20s and not in school rarely surpasses 50 percent, economist Harry J. Holzer told the U.S. Congress Joint Economic Committee in May

Trapped at the bottom

Eight percent of Alabama's hourly workers earned at or below the federal minimum wage of \$7.25 in 2008. Only Texas and West Virginia had higher proportions of workers at the lowest pay levels.

SOURCE: U.S. Bureau of Labor Statistics

2010. Labor force participation among less-educated Black men has trended downward for decades, Holzer reported. Data from 2008, which do not fully reflect the recession, show Alabama's women at a 54 percent workforce participation rate, nearly the lowest in the nation.

The education gap

Any attempt to explain why so many Alabamians are “stuck” in low-wage jobs quickly points to education. According to the Southern Education Foundation, only around 60 percent of the state's 18-year-olds finish high school each year, which puts us near the bottom in national rankings of graduation rates. Only 80 percent of Alabamians age 25 and older have a high school diploma. Alabama ranks 43rd nationally in the percentage of adults age 18-54 with an associate's degree or higher. And only 21 percent of our residents in that age group hold a bachelor's degree. The national average is more than 27 percent.

Who looks out for the training needs of our existing workforce? Political leaders line up in support of better public schools, though they rarely champion tax increases to fund them. The state's higher education system runs a well-oiled public relations machine, even if the closest contact most people have with a college is a sweatshirt logo. But advocates for adult education and worker training have a harder time getting their message heard. Expanded education and training opportunities for low-income and low-skilled adults in their prime working years (18-54) are critical for the well-being not only of the workers themselves but of the state's economy as a whole.

Invisible workers

After fueling its first half-century with slave labor, Alabama continued to depend on uneducated agricultural, mining and manufacturing workers to keep the economy humming. This legacy lasted well into the 20th century, and our economy could absorb dropouts and illiterate workers. Now our K-12 and higher education systems are re-tooling to prepare future workers for the rapidly evolving information- and technology-driven global economy. Meanwhile, thousands of adults educated the old way hold down jobs that pay little, offer few prospects for advancement, and may soon be obsolete. If we continue to neglect these “invisible workers,” waiting for them to age out of the workforce, they will become an increasing drag on our transition to the new economy.

Economists generally agree that Alabama's manufacturing sector will continue to decline as a

share of total employment. But predictions of what will replace it differ sharply. Optimists think our workforce needs technical training and additional skills to attract employers seeking high-skilled workers in the growing information and technology fields. Pessimists, citing evidence of employers' reluctance to invest in workers with weaker skills and credentials, see the job growth coming in low-wage service sectors that will lock workers into jobs that are dead ends rather than springboards. The deciding factor between these two outcomes may well be our investment in workforce readiness and our effectiveness in training the state's large pool of adult workers.

No matter what lies ahead for Alabama's economy, a high school diploma is no longer a ticket for employment. We emphasize this point with students, but we leave underprepared adults in the lurch. And it will require more than just each year's crop of high school graduates to meet the new economy's demands. Of the fastest-growing occupations through 2014, a full 90 percent will require some post-secondary education, according to the Executive Office of the President's Council of Economic Advisors. Health care and construction jobs are among those projected to experience greatest growth. Alabama's investment in post-secondary education would not only make our workers more employable in these growth sectors, it would also enrich the state's tax base through higher wages and reduce reliance on costly state services.

Bottom line

Effective workforce development policies for adults in their most productive years – between 18 and 54 – are vital for equipping the current generation of workers with the skills and flexibility to support their families and command a living wage. More broadly, such advances are essential for attracting new industries to Alabama, for increasing consumer spending capacity, and for relieving the strain on state social services. This is not just a question of fairness and dignity or improving lives, although these are primary considerations. It is also a matter of sound economic policy.

This fact sheet was prepared by ACPP policy analyst Stephen Stetson with financial and research support from the Working Poor Families Project (WFPF), a national initiative focused on assessing and improving state workforce development policies. Visit www.workingpoorfamilies.org to learn more about WFPF. We encourage you to reproduce and distribute this fact sheet with acknowledgment of Arise Citizens' Policy Project, Box 1188, Montgomery, AL 36101; (800) 832-9060; arisecitizens.org.