

# State of Working Arkansas



May 2024



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# State of Working Arkansas

## Introduction

Arkansas has all the essential components for success: hardworking people, robust industries, and abundant resources. Our state can thrive, and it is our collective responsibility to ensure that every Arkansan enjoys economic security and the opportunity to prosper. By implementing the right policy tools, we can build a future that is both more prosperous and equitable for all Arkansans.

This report explores our state's economic landscape, from job market trends and labor conditions to the assessment of worker protections and socioeconomic indicators. We also investigate how misguided policy choices have caused Arkansas to fall short of our collective potential. Despite positive efforts such as an increased minimum wage, Arkansas has a recent history of policy choices that have harmed average workers and led to increases in income inequality.

In recent years, the Arkansas Legislature has reduced government jobs that serve important roles, shifted the tax structure against the interests of working people, constricted workers' ability to collectively bargain, failed to prioritize affordable child care, and cut protections for workers who lose their jobs. Despite these barriers, smart policy choices can move our economy in the right direction and create opportunities for all Arkansans to thrive.

Policy recommendations in this report include:

- increasing access to quality child care,
- tax credits for working families, and
- stronger laws to protect workers.



*Misguided policy choices have caused Arkansas to fall short.*

# Jobs and Labor

## Industry Trends

### Key Takeaways:

- Arkansas's population is growing, but jobs for government workers who fill important roles in our community are decreasing.
- Total non-farm jobs increased 15% in our state from 2010 to 2022, slightly behind the U.S. rate of 17%.

### There are more Arkansans now, and fewer government workers to serve them

Investment in our state and local government workforce is not keeping up with population growth in Arkansas. This hinders the quality and accessibility of government services that help our state thrive. Since 2010, the population in Arkansas has grown 4%.<sup>1</sup> During that time, state government jobs grew at less than half that rate and local government jobs dropped 8%.

Recent tax cuts, as well as a pattern of hiring freezes from current and past governors, have limited our state's ability to grow and adapt to the needs of our population. Texas is our fastest growing neighbor,<sup>2</sup> and the only nearby state to have increased both state and local government jobs since 2010.

### Growth in Top 5 Largest Industries (by job count) in Arkansas 2010-2022

Industry	% Change in Arkansas	% Change in US
Trade transportation and utilities	15%	17%
Government	-5%	-1%
Education and health services	20%	22%
Manufacturing	1%	11%
Professional and business services	30%	34%

### Top 5 Fastest Growing Industries (by percent change in job count) in Arkansas 2010-2022

Industry	% Change in Arkansas	% Change in US
Other services <sup>3</sup>	74%	7%
Financial activities	45%	18%
Professional and business services	30%	34%
Transportation and utilities	28%	52%
Leisure and hospitality	24%	21%

**Arkansas is home to dynamic industries**

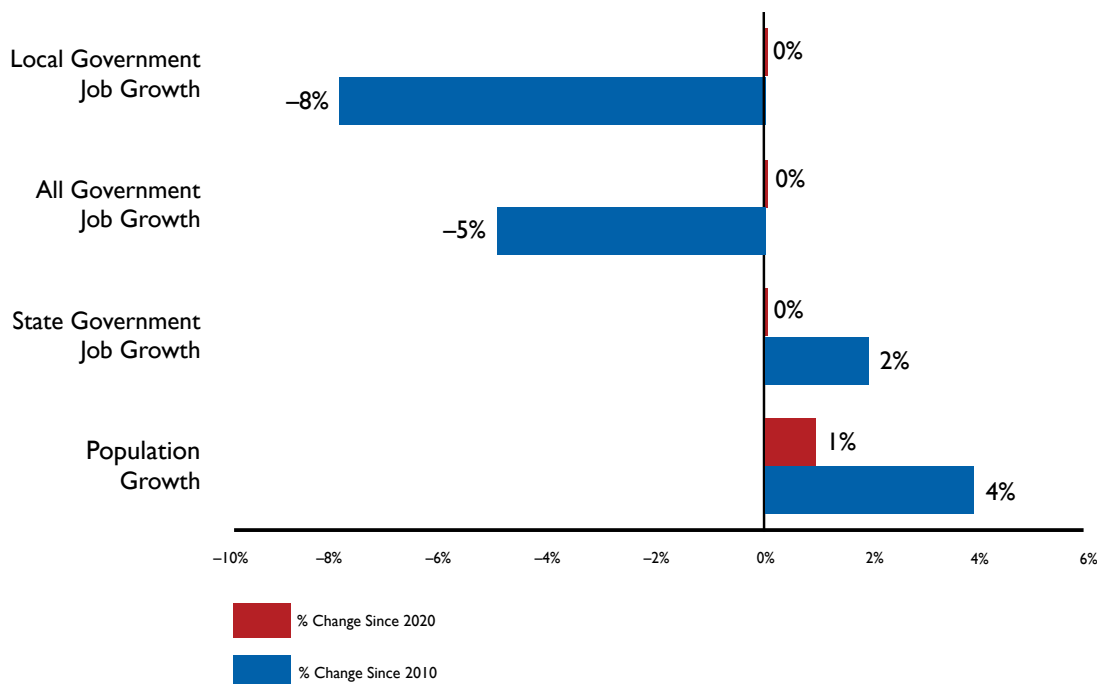
Jobs are growing and industries are changing in Arkansas. Total non-farm jobs<sup>4</sup> increased 15% in our state from 2010 to 2022, slightly behind the U.S. rate of 17%. Some of Arkansas’s largest industries were driving much of that growth: Trade and Transportation grew 15%, Education and Health Services grew 20%, and Professional & Business grew 30%. More recently, Arkansas followed a national trend of increased demand for services and hospitality following the pandemic. Both of those sectors increased 15% from 2020 to 2022.

Government is the second largest employer in the state. However, it is employing fewer and fewer Arkansans while the state and other industries grow. Arkansas Government jobs decreased 5% from 2010 to 2022, joining only the Information and Natural Resources/ Mining categories to lose jobs over the same period.<sup>5</sup>



*Government is employing fewer and fewer Arkansans.*

**Government Job Growth Falls Behind Population Change in Arkansas**



Source: AACF analysis of EARN State of Working X Data Library and US Census data

## Labor Force

### Key Takeaways:

- The rate of unpaid care work is much higher in Arkansas than in most other states. This unpaid care work accounts for \$5.8 billion in total economic value every year in Arkansas.
- The cost of child care is making it difficult for parents to enter and stay in the workforce. The annual cost of infant child care in Arkansas is nearly as expensive as public college tuition (\$6,074 versus \$7,882).
- The makeup of Arkansas's labor force is shifting. Arkansas's workforce has an increasing share of older workers, workers with higher education, and Hispanic workers.

### Unpaid caregiving is a hidden economic force

The Labor Force Participation Rate is an estimate of the proportion of working-age people actively participating in the labor market. This is a valid economic measure, but it leaves out an important group: unpaid caregivers. People who work as unpaid caregivers are “out” of the labor force,<sup>6</sup> even though they provide significant economic benefit to our communities.

Arkansas has 420,000 unpaid caregivers.<sup>7</sup> These caregivers look after adult friends or family members who are elderly, disabled, or have serious health conditions. This type of care accounts for \$5.8 billion in total economic value to our state, and the average caregiver workload comes to more than 900 hours per year in Arkansas.<sup>8</sup> Compared to most other states, Arkansas has a much higher share of the population (14%) who act as unpaid caregivers. Only two other states (Mississippi and West Virginia) have higher rates of unpaid care workers.

### The cost of child care is squeezing parents out of the labor force

The United States Chamber of Commerce Foundation estimates that approximately one in four parents who leave the workforce do so because they cannot afford child care.<sup>9</sup> More than half of the workers in Arkansas are parents, and 20% are parents with young children.<sup>10</sup> This makes child care an essential factor in sustaining our workforce. Unfortunately, the child care industry in Arkansas is shrinking, falling 4% or by about 500 workers after the start of the pandemic.<sup>11</sup>

The cost of child care in Arkansas is frequently unaffordable for parents who would otherwise enter the workforce. The recommended budget for child care is 7% of household income, but in Arkansas, the cost of child care takes up 12% of our median household income. For single parents of multiple children, the situation can be even more unaffordable. In our state, child care eats up more than half (54.6%) of the income of a typical single parent with two children.<sup>12</sup> The annual cost of infant child care in Arkansas is nearly as expensive as public college tuition (\$6,074 versus \$7,882).<sup>13</sup> In Arkansas, the data show availability and accessibility are greater problems than affordability. Even though other states may have much higher costs, Arkansas families struggle just as much or more to find child care.<sup>14</sup> In fact, just one in 10 parents in Arkansas are able to find quality care.<sup>15</sup>

### Worker compensation is not matching increases in output

In Arkansas and across the country, there was a time when increased economic output and growth translated into shared prosperity for both business owners and the workforce. In the decades leading up to the 1980s, workers generally saw their wages go up along with increases in productivity.

However, in recent decades, worker pay has fallen farther and farther behind. From 1979 to 2021, productivity from the hard work of typical employees has increased 3.7 times as fast as their compensation.<sup>16</sup> Over the same period, CEO compensation shot up 1,209%.

*In our state, child care eats up more than half of the income of a typical single parent with two children.*

In 2022, CEOs were paid 344 times as much as a typical worker in contrast to 1965 when they were paid 21 times as much as a typical worker.<sup>17</sup>

**Labor Force Participation Rate is slowing**

Arkansas has a relatively low and decreasing Labor Force Participation Rate. A higher rate can help an economy grow faster, but there are many valid reasons for “exiting” the labor force. Some examples include going back to school, becoming a caregiver, or suffering a disability or illness. People may also choose to leave the labor force because they have given up on finding a job, or because they retire or elect not to work. The Labor Force Participation Rate fell 10% since a recent peak in 2006. Since then, the gap between the U.S. and Arkansas Labor Force Participation Rate has nearly doubled.

**Labor Force demographics are changing**

A large share of our labor force is nearing retirement age. The “graying” workforce in Arkansas mirrors national trends. Arkansas workers who are 55 or older make up a 23% larger share of our workforce compared to in 2010. At the national level, this age group grew slightly faster at 27%.

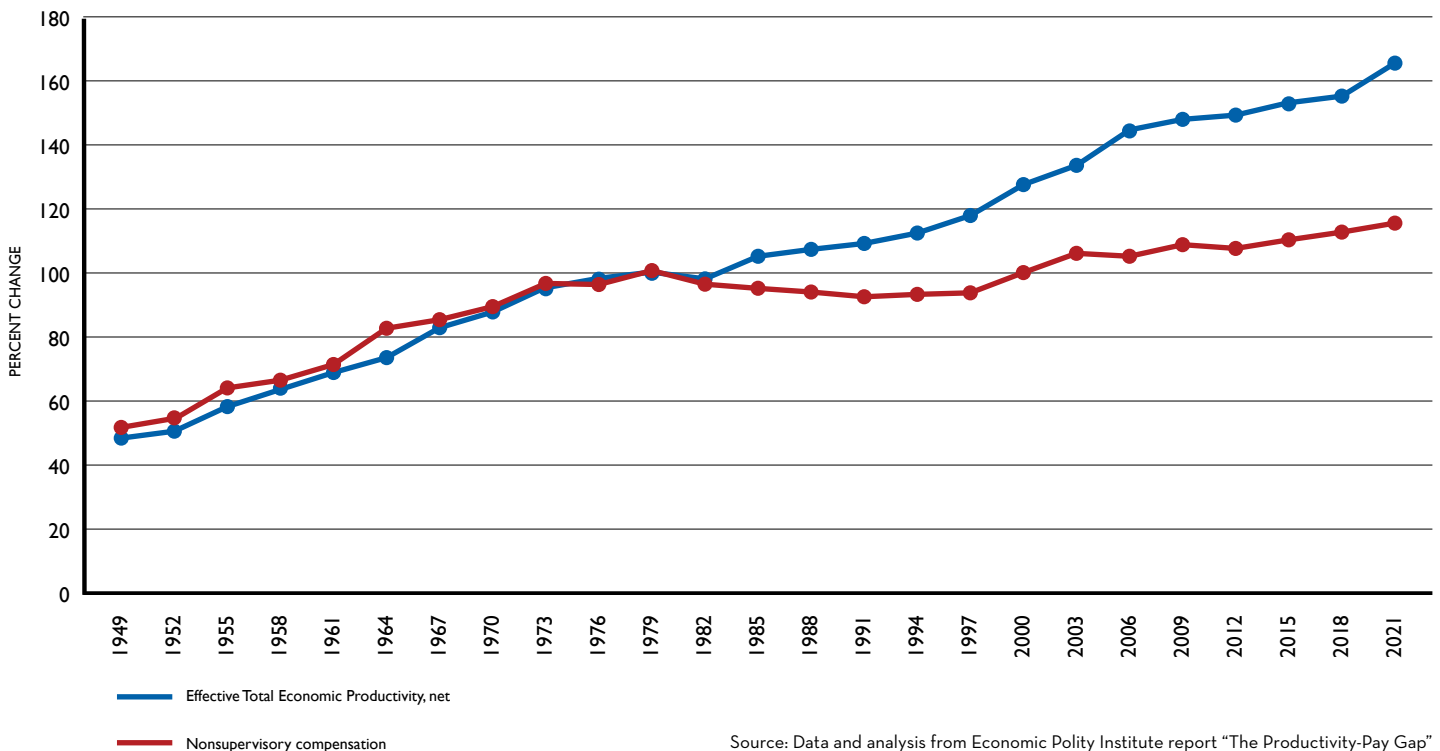
In addition to having a larger share of older workers, Arkansas is also seeing growth in the portion of the labor force with higher education. The fastest growing share of the labor force by educational attainment was among the group with a bachelor’s degree or higher. Arkansans with at least a college degree make up 37% more of the labor force now than they did in 2010.

The demographics of our labor force is also changing. Hispanic workers still make up a small but growing portion of our labor force. The share of Hispanic workers in our labor force grew by 60% since 2010.

*A large share of our state’s labor force is nearing retirement age.*

**Productivity is Growing, Typical Worker Pay is Not**

*Productivity growth and hourly compensation growth, 1948-2021*



Source: Data and analysis from Economic Polity Institute report “The Productivity-Pay Gap”

## Unemployment

### Key Takeaways:

- Arkansas's employment levels recovered more quickly from the COVID-19 pandemic than the 2008 recession.
- Unemployment is relatively low in Arkansas, and unemployment gaps among demographic groups are decreasing.
- Young workers without a college education are most likely to suffer job losses during economic downturns.

### Arkansas rebounded relatively quickly from COVID-19 related unemployment

The COVID-19 pandemic was a historic disruption to businesses and workers, but recovery in Arkansas has been relatively swift. Although Arkansas's employment loss during the COVID-19 pandemic was greater than the 2008 recession, workers returned to their jobs faster than before. After the COVID-19 recession, it took about 27 months for Arkansas's employment numbers to return to pre-pandemic levels. It took much longer (over 90 months) for employment to recover from the 2008 recession.

Arkansas's employment rate was also more resistant to COVID related impacts compared to the national unemployment rate. The 2020 annual unemployment rate for Arkansas was 6.2% compared to 8.1% nationally. By the end of 2022, the Arkansas unemployment rate of 3.7% was nearly the same as that of the overall United States (3.6%).

However, many of the Arkansas jobs added since the pandemic are in the leisure, hospitality, and other services sectors. These low-paying jobs led the Arkansas post-COVID recovery.

*Low-paying jobs led the Arkansas post-COVID recovery.*





**Employment is rising and equalizing across groups in Arkansas**

In general, current unemployment is low in Arkansas and the nation compared to historic levels. Arkansas unemployment has closely followed the national downward trend, dropping 57% from 2010 to 2022. It is currently comparable to surrounding states and just slightly behind the national average.

The gap in the unemployment rate between Black and White workers in Arkansas remains, but has narrowed substantially in recent years. This unemployment rate gap has decreased 81% since 2010.

**Young workers with low levels of education are most vulnerable to economic downturns**

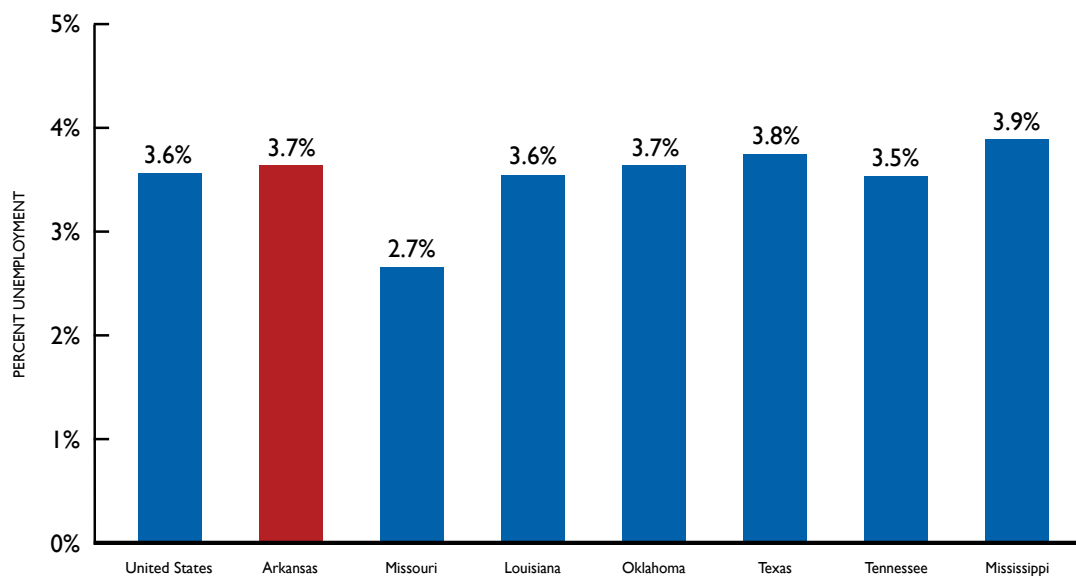
Arkansans across the spectrum experienced increased unemployment during the pandemic, but socioeconomic factors insulated some groups from the most severe economic impacts. Older workers and workers with college degrees experienced far less pandemic job loss rates than many younger, less educated workers.

From 2019 to 2020, unemployment in Arkansas jumped up 5.4% for our youngest workers (16-24 years old). Unemployment rose substantially less for older age groups: 2% for those in the middle of their career (25-54) and 3% for those 55 and older.

COVID era unemployment increased the most for workers with just a high school diploma (up 3.4%) or some college education (up 4.0%). Workers with at least a bachelor's degree were much less likely to lose their jobs from 2019-2020 in Arkansas; their unemployment rates increased 1.4%. Although workers without a high school diploma saw surprisingly steady unemployment rates through the pandemic, their overall unemployment rates remained among the highest.

*Unemployment rates for workers without a high school diploma remain among the highest.*

**Unemployment by State 2022**



Source: EARN State of Working X Data Library

# Protections and Benefits for Workers

## Unemployment Insurance

### Key Takeaways:

- The Arkansas General Assembly has repeatedly reduced Unemployment Insurance benefits since 2011, making workers and our broader economy more vulnerable to economic downturns.
- Arkansas allows just 12 weeks of support, which is the lowest among all states. Most states allow for at least 26 weeks.<sup>18</sup>

### Arkansas's weak UI system leaves us vulnerable

Unemployment Insurance (UI) helps workers, and the entire state economy, weather economic losses.<sup>19</sup> When widespread job loss hits the economy, workers face hardship because they stop receiving income, and businesses suffer because there are less dollars from paychecks circulating in the economy. UI helps stabilize both sides of this equation. It provides workers with temporary income while they look for another job, and those UI benefit dollars feed back into businesses in the local economy.

Unfortunately, Arkansas's UI system is not as prepared as it could be for a downturn. Jobless workers in Arkansas have an especially short window of time to find a new job or face running out of UI benefits. Arkansas allows just 12 weeks of support, which is the lowest among all states.<sup>20</sup> Most states allow for much more time for jobless workers to find their next position; only 12 have fewer than 26 weeks of UI.<sup>21</sup>

### Legislative action has weakened vital unemployment benefits

The reason for Arkansas's relatively weak UI system is obvious: our Legislature has repeatedly acted to dismantle UI benefits. Less than 15 years ago, Arkansas had 26 weeks of UI benefits like most other states. Since then, the Arkansas General Assembly has gradually stepped down the available weeks of UI benefits by more than half.

### Summary of recent legislation:

- Act 861 of 2011: Reduced the length of time a worker can withdraw unemployment benefits from 26 weeks to 25 weeks.
- Act 412 of 2015: Reduced benefits from 25 weeks to 20 weeks.
- Act 734 of 2017: Reduced benefits from 20 weeks to 16 weeks.
- Act 196 of 2023: Reduced benefits from 16 weeks to 12 weeks.<sup>22</sup> This act went into effect on Jan 1, 2024.<sup>23</sup>

*Most other states allow for much more time for jobless workers to find their next position.*



All workers in our state pay into the UI system with every paycheck, which allows them to withdraw from that system in the form of UI benefits if they lose their jobs. This structure is comparable to a traditional insurance policy, where you make regular payments to avoid a sudden financial jolt in the future; like a traditional insurance policy, it is not a handout. Workers in our state directly built up the balance of the UI system in Arkansas out of their own paychecks, and they deserve a system that supports them when they lose a job through no fault of their own.

### Fewer jobless workers are receiving benefits

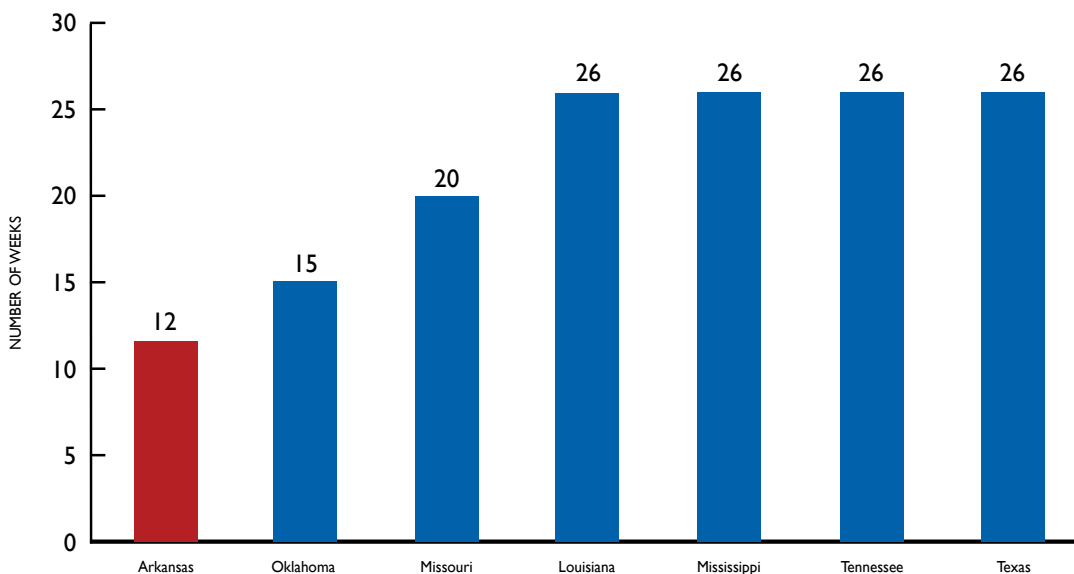
The UI receipt rate represents the share of jobless workers who are receiving UI benefits. For the UI system to act as an economic stabilizer, it is important that a high share of jobless workers receive UI benefits. Unfortunately, Arkansas UI receipts have been decreasing at a faster rate than the United States (dipping below the U.S. rate for the first time in 2017).

When Arkansas had a full 26 weeks of unemployment benefits in 2010, the UI receipt rate was 42%. After almost a decade of legislative dismantling of the UI system, the receipt rate in 2019 was down to 23%. We can expect further declines in the share of jobless workers who receive benefits now that the most recent benefits cut is in effect.



*Workers deserve a system that supports them when they lose a job through no fault of their own.*

### Maximum Number of Weeks of Benefits Available



Source: CBPP "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" 2023

# Union Membership

## Key Takeaways:

- Arkansas’s current rate of union membership is less than half of the national average.
- Arkansans are less able to collectively bargain for fair wages and other benefits because of a long history of anti-union legislation in our state.
- Our state Legislature has struck down important protections against child labor abuse in recent years despite alarming reports of child labor violations in Arkansas.

## Eroding union membership leads to inequality

Union membership has fallen in Arkansas and across the nation since the 1950s. This has lowered workers’ ability to bargain

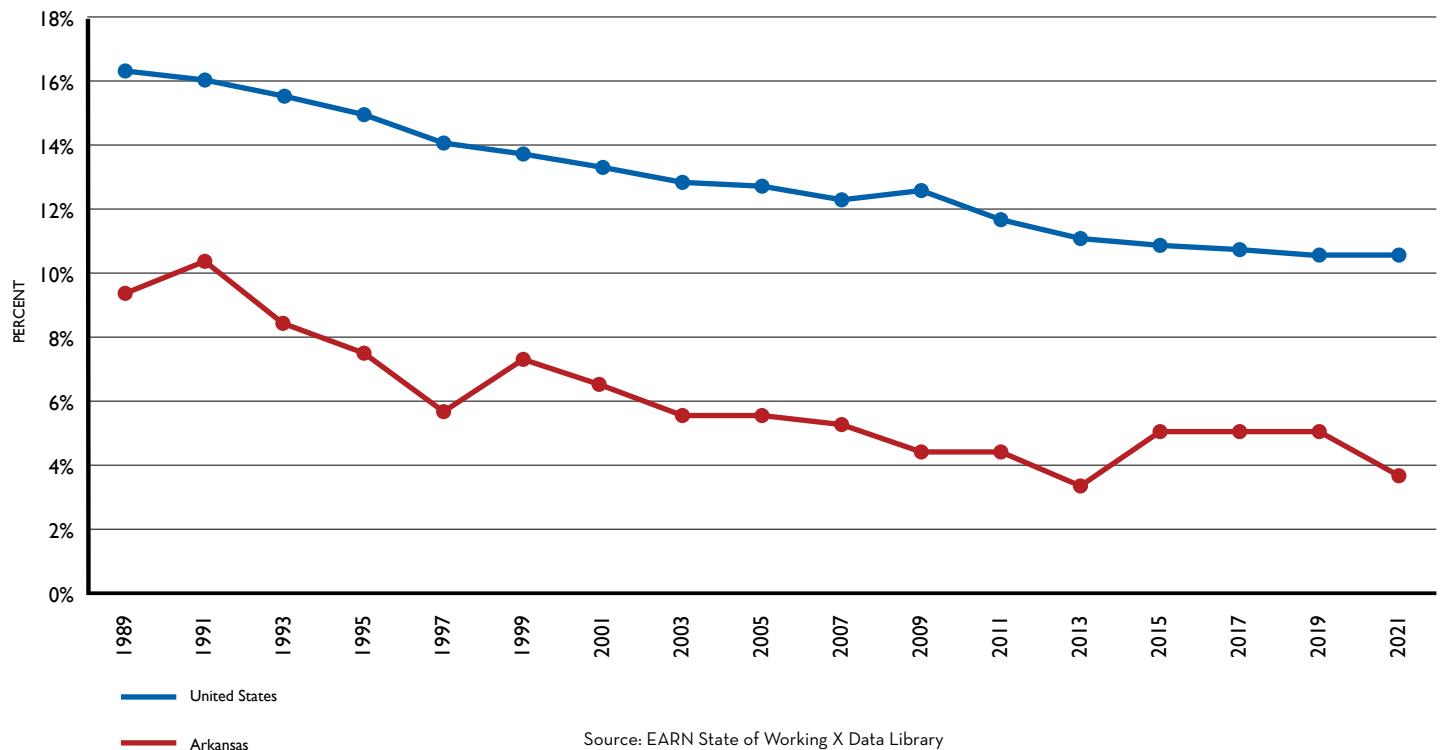
for fair wages and has corresponded with steady increases in inequality. The share of income going to the top 10% has increased substantially in the past half century, from around 30% to nearly 50%. During this time, union membership declined from about 25% to 10% nationally.

Arkansas union membership fell by about half from 1989 to 2021. Our state’s current rate of union membership is 4.9%, which is substantially lower than the national average of 10.1%. Many surrounding states have comparably low union membership rates, with the exception of Missouri, which has a rate of 9.5%. It is worth noting that Missourians have repeatedly defeated efforts to enact anti-union “Right to Work” legislation in their state.<sup>24</sup>

Union membership in the private sector makes up 72% of all union memberships in Arkansas. However, membership rates are much higher in the public sector compared to the private sector (8.1% compared to 4.2%).

*Arkansas union membership fell by about half from 1989 to 2021.*

Union Membership Arkansas and US 2000-2022



Source: EARN State of Working X Data Library

**Arkansas policies are contributing to union decline**

A history of policy actions is making it more difficult for Arkansans to participate in organized labor groups. Most recently, Arkansas legislators have taken away basic conveniences that help public employees participate in unions. Teachers can no longer pay union dues directly from their paycheck because of Act 776 of 2023.<sup>25</sup>

Some legislative actions have had a much more severe impact on collective bargaining rights. The Arkansas Legislature has now barred public employers from recognizing or entering into agreements with any union or public employee association (Act 612 of 2021).<sup>26</sup> Several years earlier, the State Board of Education used new requirements for school districts per Act 728 of 2019<sup>27</sup> to stifle recognition of the Little Rock Education Association, a prominent teachers Union in Arkansas.<sup>28</sup>

Recent anti-union sentiment at the Arkansas Legislature builds on a history of efforts in our state to dismantle collective organization. Arkansas was one of the first two states to enact misleadingly titled “Right to Work” legislation

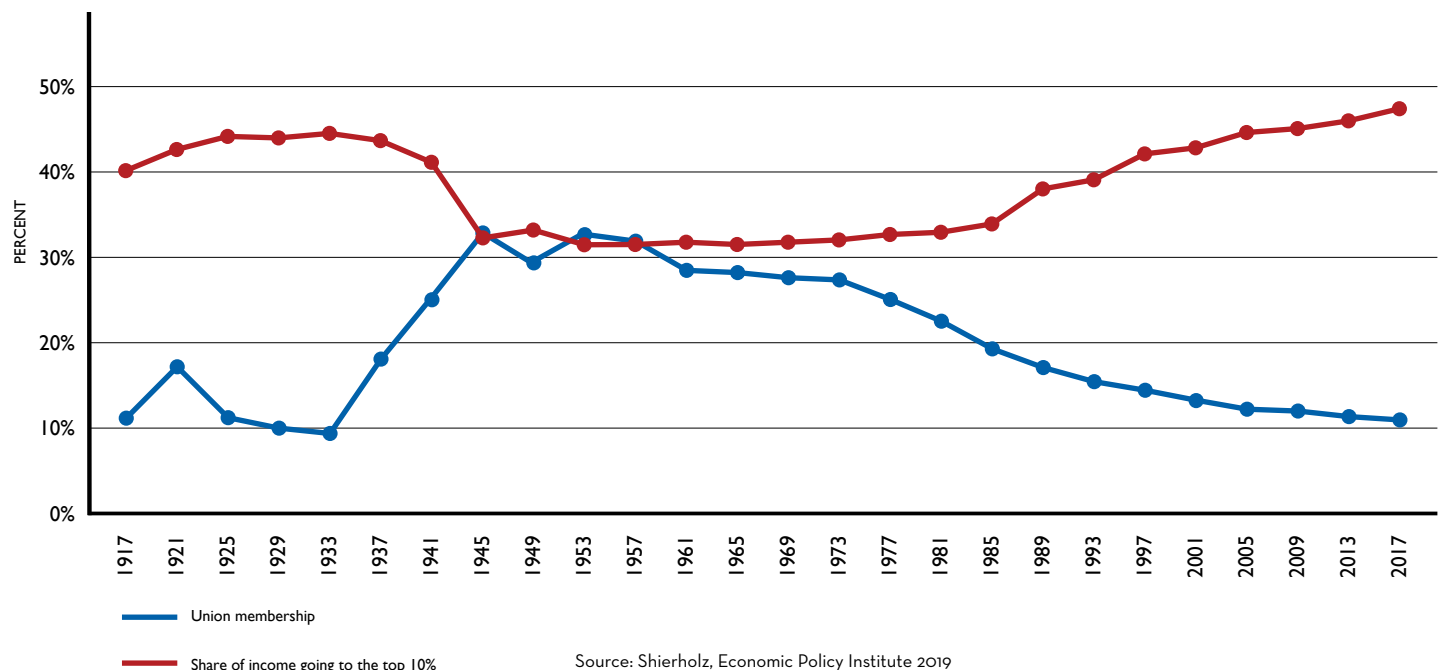
in 1944.<sup>29</sup> By federal law, unions cannot force workers to join a union. In “Right to Work” states, though, workers can benefit from union related bargaining and protection even if they choose not to become a paying member. The effect is to undercut the incentive to contribute to a union and decrease membership rates. Employees in “Right to Work” states today have less bargaining power and make \$1,558 less per year for full-time work.<sup>30</sup>

**Protections for children are disappearing**

The Youth Hiring Act of 2023 removes important protections against child labor abuses. Workers under 16 no longer must apply for special permits, and the state is no longer required to verify their age before they begin work. Governor Sanders signed this bill in the wake of recent headlines that the Department of Labor penalized two Arkansas companies for illegal and dangerous child labor practices.<sup>31</sup>

*The Youth Hiring Act of 2023 removes important protections against child labor abuses.*

**Degrading Union Membership Leads to Higher Income Inequality**



Source: Shierholz, Economic Policy Institute 2019

# Health Insurance

## Key Takeaways:

- From 2010 to 2019, the rate of Arkansans who lacked health insurance fell from almost one in five to just one in 10.
- The rate of children who are uninsured in Arkansas is rising, increasing from a low of 4% in 2016 to almost 6% in 2019.

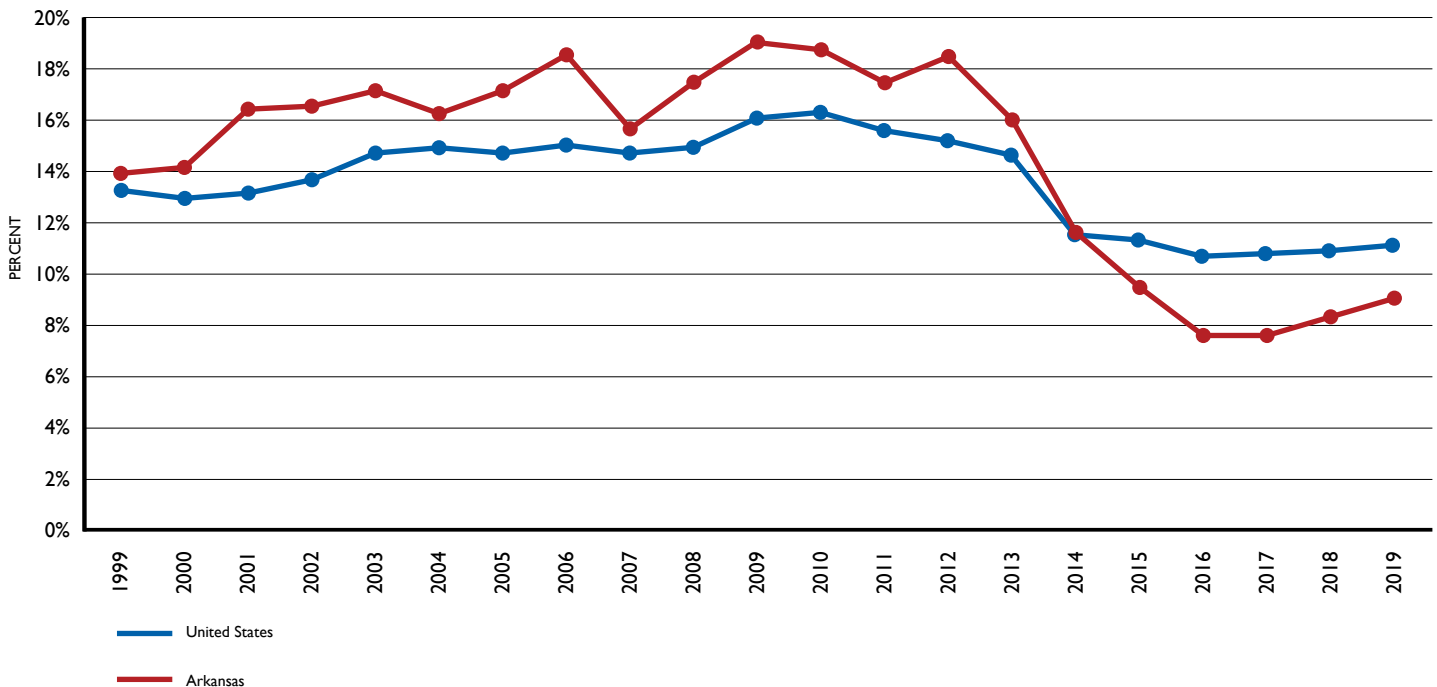
Health insurance is an important facet of our labor force. Insured people have better access to care and are more likely to remain healthy and able to work. In 2010, almost one in five Arkansans was uninsured. Almost a decade later in 2019 that rate fell to one in 10. In recent years, uninsured rates have remained relatively low, hitting a minimum of 7.9% in 2016. Since then rates have increased slightly, but have remained at or below the national rate and surrounding states. The percent of children not covered by health insurance has

also fallen since 2010 but is creeping up. The child uninsured rate in Arkansas rose from a low of 4% in 2016 to almost 6% in 2019.

Wages in Arkansas, adjusted for inflation, only increased modestly between 2000 and 2019 (from \$16.96 to \$19.49 for 50th percentile wages in 2022 dollars). Over the same period, participation in government sponsored health care increased dramatically, with 44% of Arkansans being covered by such a program in 2019. This participation increased further in response to the COVID-19 pandemic, with an additional 230,000 covered by Medicaid. At the end of March 2023, The Arkansas Department of Human Services reported 1,151,347 Medicaid beneficiaries. However, in the next five-month period, April-August 2023, the state’s total Medicaid enrollment dropped by about 248,000 Arkansans.<sup>32</sup> During the post-COVID Medicaid “unwinding,” more than 8% of Arkansans find themselves no longer on the state’s Medicaid roll. And for many, participation in the private health insurance market is out of reach.

*For many Arkansans formerly on Medicaid, participation in the private health insurance market is out of reach.*

Percent Not Covered by Health Insurance, Arkansas and US 1999-2019



Source: EARN State of Working X Data Library

# Worker Compensation

## Minimum Wage

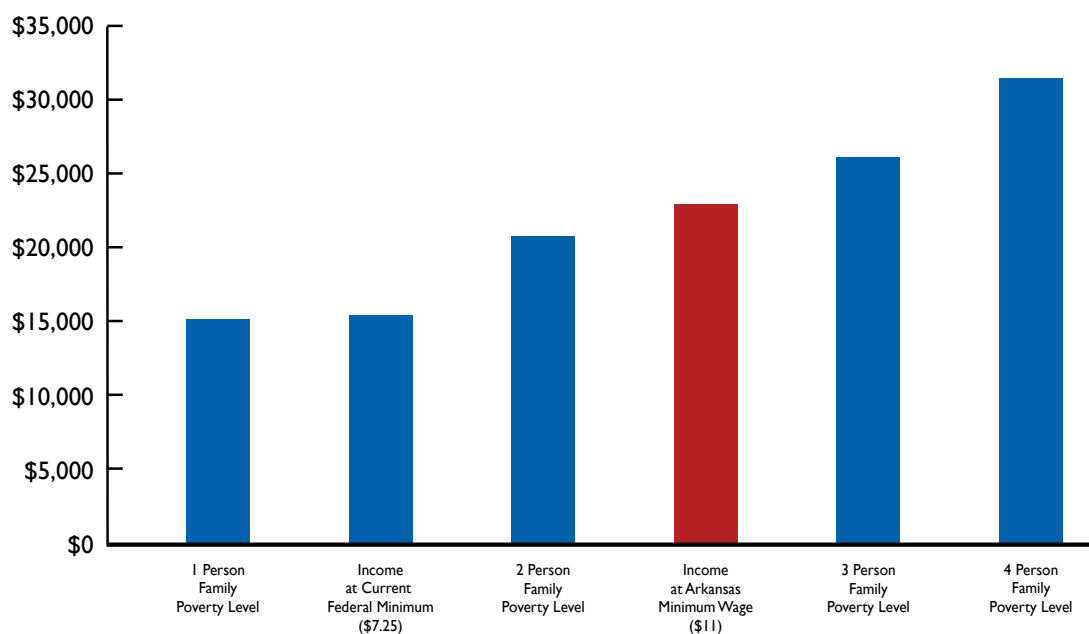
### Key Takeaways:

- Arkansas's minimum wage is strong compared to neighboring states, but it is vulnerable to inflation.
- When the \$11 minimum wage went into effect it was enough to lift a family of three out of poverty; now it is only enough to lift a family of two above the poverty level.

Arkansas's \$11 minimum wage is relatively strong compared to most surrounding states, and it has increased many times since its inception in the late 1960s.<sup>33</sup> The most recent change was due to a successful ballot initiative in 2018 that increased the minimum wage to \$11 an hour incrementally over several years.

Passing a new minimum wage was a triumph for voters and workers in Arkansas, but inflation is threatening the impact of this change. When Arkansas's new minimum wage law first went into effect in January 2021, \$11 an hour was enough to lift a family of three above the poverty level.<sup>34</sup> Now, because of inflation, it is only enough to lift a family of two above the poverty level.

### Arkansas Minimum Wage Lifts a Family of 2 Above the Poverty Level



*Inflation is threatening the impact of the new minimum wage.*

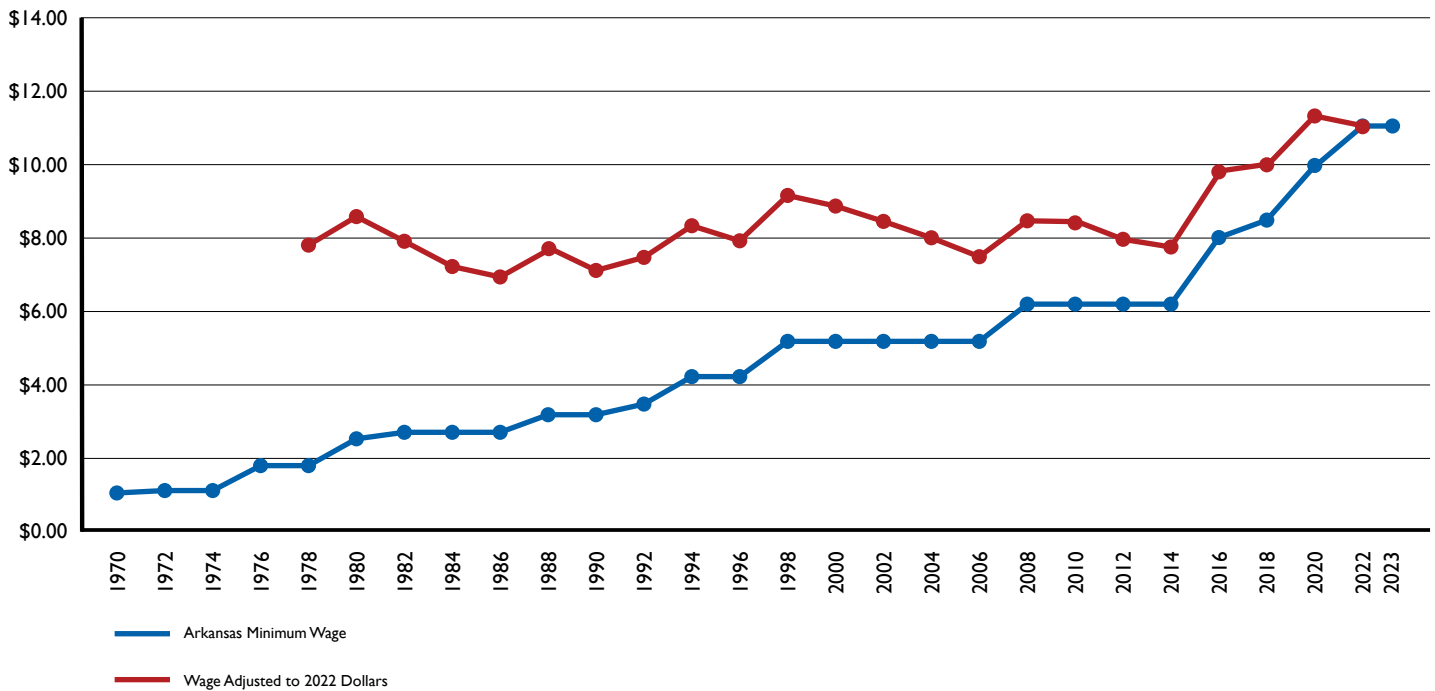
Source: HHS Poverty Guidelines for 2024



Because our minimum wage is not indexed to inflation, it will continue to lose spending power every year. This means workers making the minimum wage will have less to spend on their family’s basic needs, such as rent, utilities, food, educational supplies, and clothing. Other states have taken legislative action to protect their minimum wage. Missouri is one of 19 states that has enacted legislation to protect their minimum wage by indexing it to inflation.<sup>35</sup>



**Arkansas Minimum Wage, Nominal and Adjusted for Inflation, 1970-2022**



Source: AACF analysis of Federal Reserve Bank of St. Louis data

*Other states have taken legislative action to protect their minimum wage by indexing it to inflation.*



# Wages for Typical Workers

## Key Takeaways:

- Wages for typical workers in Arkansas have been gradually increasing, but for the past two decades, median wages have consistently lagged behind those in neighboring states.
- Median wage disparities persist, costing typical full-time workers thousands of dollars per year. These pay gaps amount to an annual cut in income of \$4,659 for Black workers, \$5,900 for Hispanic workers, and \$2,900 for women.

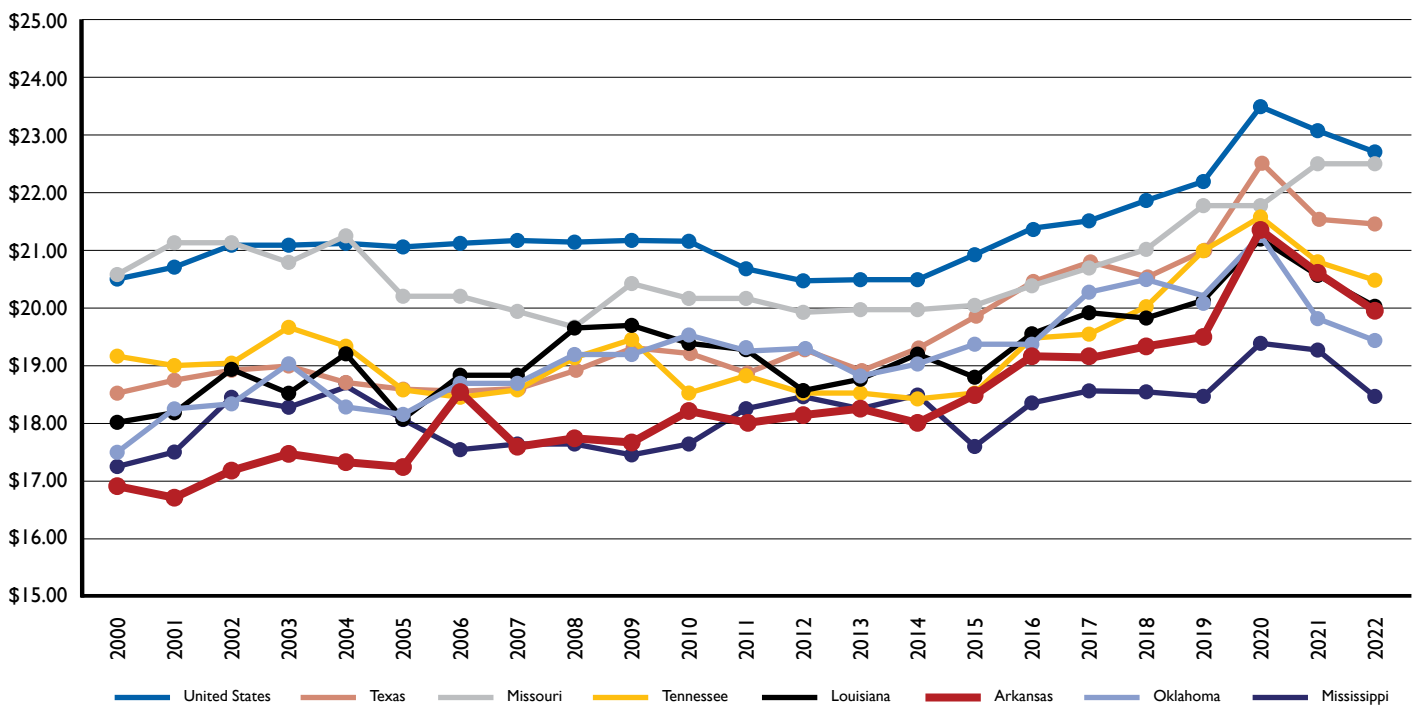
Despite having a comparatively strong minimum wage, wages for a typical worker in our state are low. For the previous two decades, Arkansas’s median wage fell below the national average and below that of most neighboring states after adjusting for inflation. However, our median wage is slowly catching up. The gap between the U.S. and Arkansas median wage narrowed 16% since 2000 (from a difference of \$3.51 to \$2.95).

Income disparities also persist by demographic group in Arkansas and can cost women and Black, Indigenous and other People of Color (BIPOC) thousands of dollars a year. The median wage in Arkansas is \$19.93 an hour, or about \$40,200 a year for a full-time worker. Black workers earn a median wage that is \$2.24 per hour less than average, which is equivalent to a \$4,659 annual pay cut for a full-time worker. For Hispanic workers it is \$2.84 an hour less, or \$5,900 less per year. Similarly, women in Arkansas have a median wage that is \$1.41 less than average, translating to a difference of about \$2,900 less per year for a full-time job.

*Income disparities persist by demographic group.*

## Median Wage Arkansas, Surrounding States, and US 2000-2022

Adjusted to 2022 Dollars



Source: EARN State of Working X Data Library

# Income Inequality

## Key Takeaways:

- Income inequality is on the rise in Arkansas and across the nation. Median wages for the top 10% in Arkansas grew 2.4 times faster than wages for typical workers from 2010 to 2022.

Wages are improving for typical workers in Arkansas, but not as quickly as wage growth for top earners. The top 10% of earners in Arkansas saw a 23% increase in real wages from 2010 to 2022. That represents growth that is 2.4 times faster than the median wage. At the national level, the top 10% also outpaced median wage growth during that time, but at a smaller scale (1.74 times).

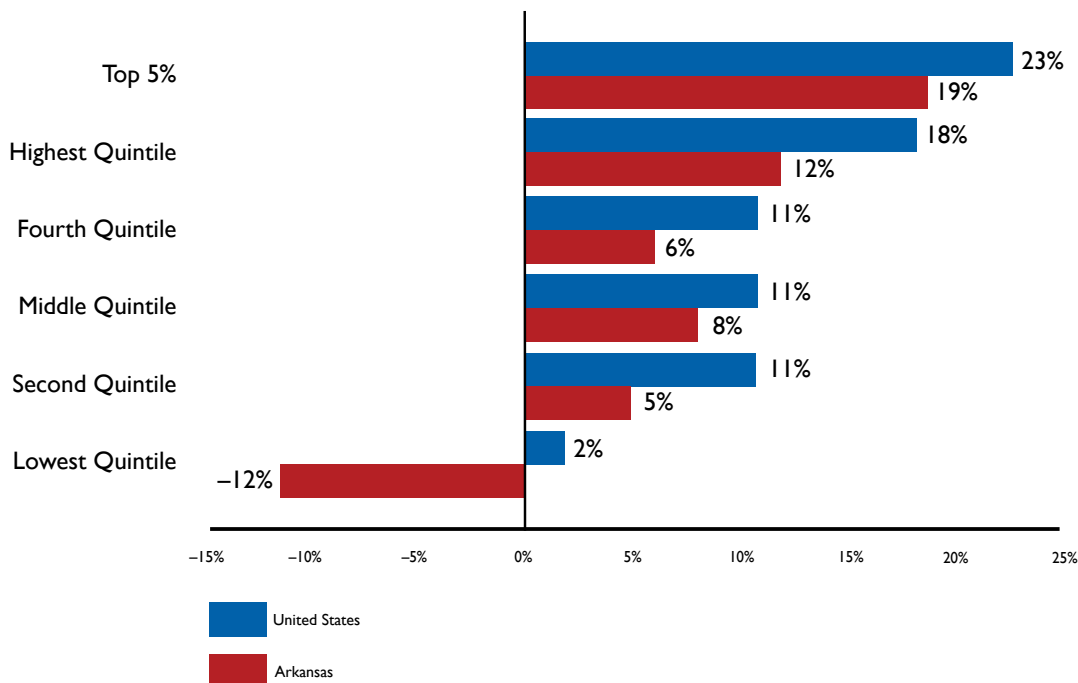


At the national level, the gap in mean household income between the lowest quintile and the top 5% grew by 24%.<sup>36</sup> Income inequality grew at a similar pace in Arkansas during that time. The gap in mean household income between the top 5% and the lowest quintile increased 21% in our state after adjusting for inflation. Adjusted mean household income for the top 5% of earners in Arkansas also rose at more than twice the rate of earners from the middle quintile. During that time, the lowest earning quintile in our state saw their real household income—that is, income adjusted for inflation—decrease by 12% on average.<sup>37</sup>

*Income inequality is on the rise in Arkansas and across the nation.*

## Mean Household Income Percent Growth by Quintile

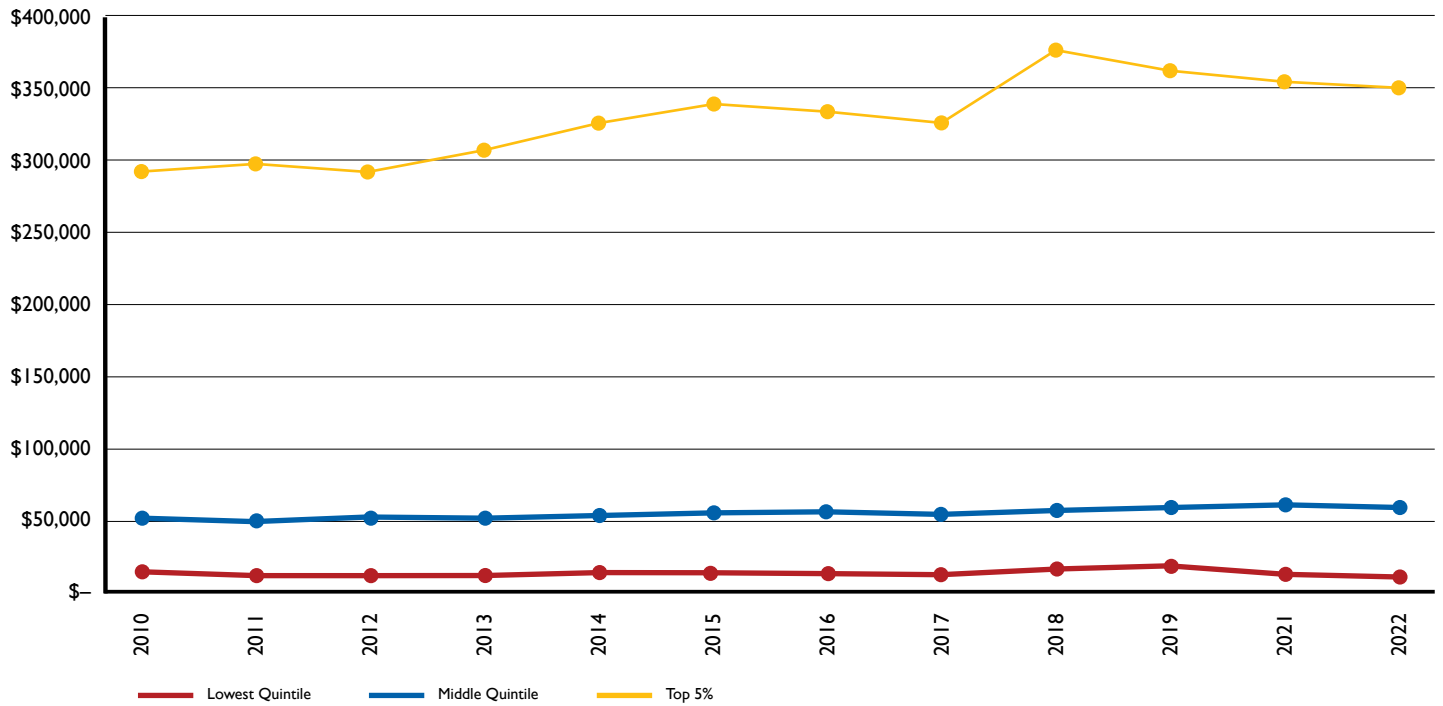
Arkansas and US 2010-2022



Source: US Census Data (table 819081)

## Income Gains Go to Top Earners in Arkansas

Mean Household Income by earnings group in 2022 dollars



Source: AACF analysis of ACS 1 Year Estimates



# Poverty in Arkansas

## Key Takeaways:

- Overall poverty rates and rates of child poverty in Arkansas are consistently above the national average. However, both have improved slightly after peaking in 2012.
- Child poverty rates for some BIPOC groups are improving quickly, while other groups see more persistently high poverty. Hispanic child poverty rates fell 34% from 2012 to 2022, while Black or African American rates improved slower than average (9%).

## Poverty rates in Arkansas are elevated

Nearly half a million Arkansans live below the federal poverty level. This puts Arkansas among the worst states for adult and child poverty rates. According to 2020 Census Data, Arkansas has the fourth highest rate of child poverty in the nation (21%) and sixth highest overall poverty rate (15%). Very young children are especially vulnerable to poverty in Arkansas. Nearly one in our children under age 5 in Arkansas lives in poverty (24%).<sup>39</sup>

Children in BIPOC groups suffer even higher child poverty rates in our state. In Arkansas, 43% of Black or African American children live below the poverty level as well as 27% of Hispanic or Latino children.<sup>40</sup> The good news is that poverty rates have improved slightly in recent years. The overall poverty rate in Arkansas fell from a recent peak of 20% in 2012 to 15% in 2020. Child poverty rates had also been on the decline, falling by 24% since 2012.

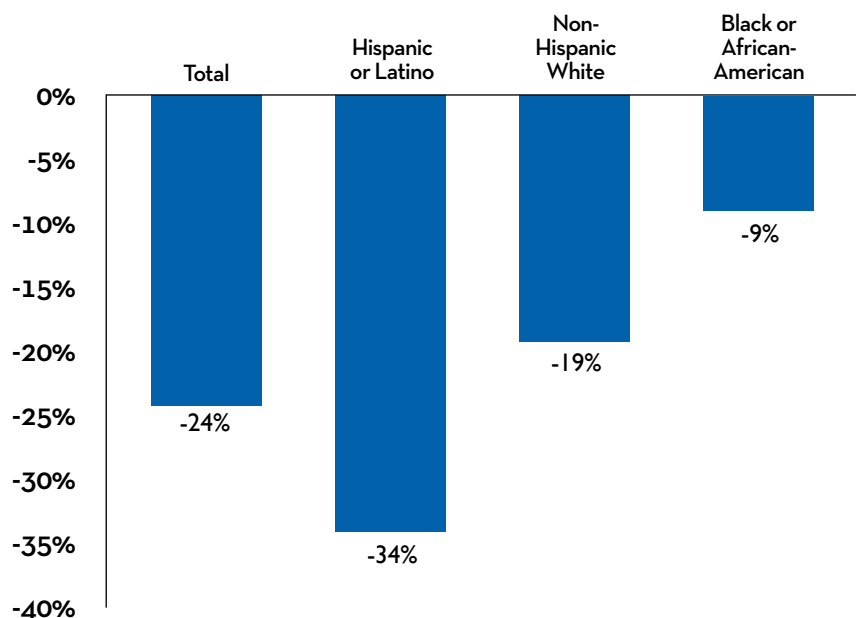
*Nearly half a million Arkansans live below the poverty level.*

## 2024 Poverty Guidelines, US Department of Health and Human Services

Persons in family/ household	Poverty guideline
1	\$15,060
2	\$20,440
3	\$25,820
4	\$31,200
5	\$36,580
6	\$41,960
7	\$47,340
8	\$52,720

For families/households with more than 8 persons, add \$5,380 for each additional person.

## Percentage Change in Child Poverty by Race, Arkansas 2012-2022



Source: AACF analysis of Kids Count Data Center

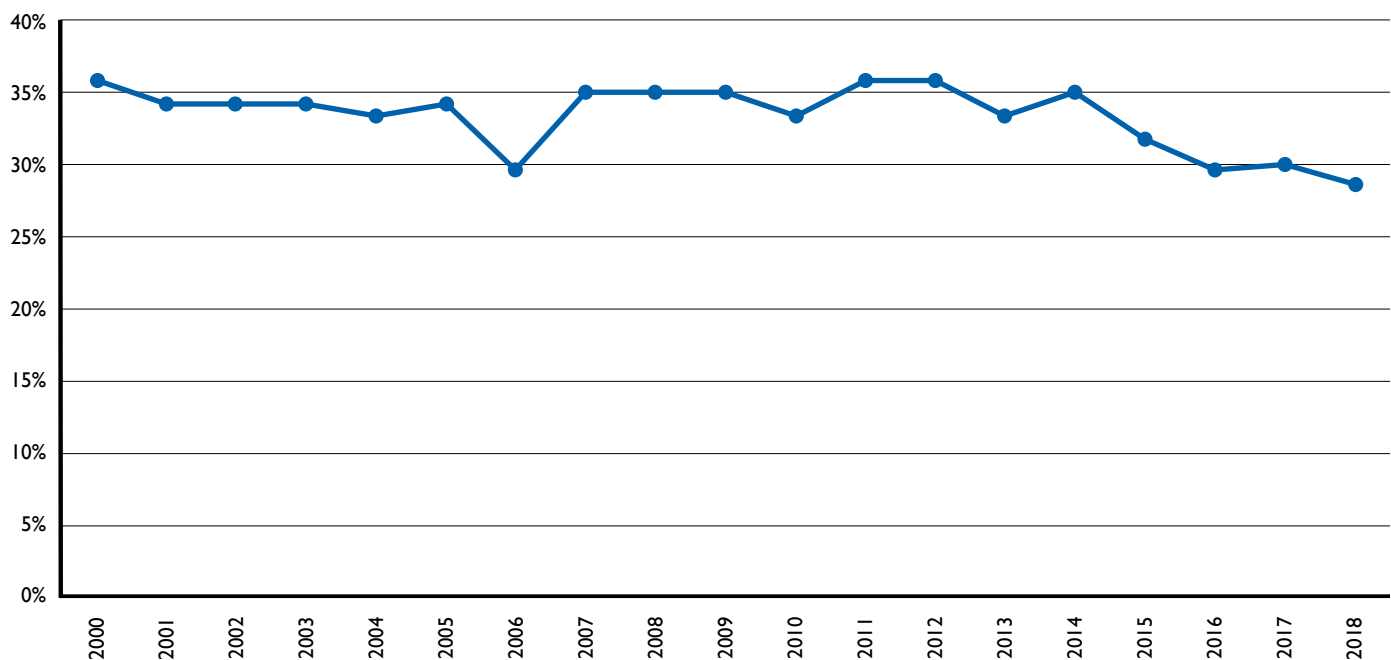
## Child poverty rates are declining unevenly

Child poverty rates have improved especially quickly for Hispanic children in Arkansas, whose poverty rate fell by 34% from 2012 to 2022. Black or African American children face more persistent poverty rates, which fell by 9% during that time, an improvement that is less than half the magnitude of the overall change in child poverty.

*Black or African American children face more persistent poverty rates.*



## Arkansas Share of Workers Earning Poverty Level Wages 2000-2018



Source: EARN State of Working X Data Library

## Beyond the Poverty Level

### Key Takeaways:

- ALICE stands for “Asset Limited, Income Constrained, Employed.” ALICE households represent working people who earn enough to put them over the poverty line, but not enough to meet basic needs for their families.
- Nearly half (47%) of families in Arkansas are either below the poverty level or are considered “ALICE.”
- Lower income households in Arkansas are more likely to spend more than 30% on housing and struggle to afford food.

### Rising above the poverty level is not enough

Many families whose income officially places them above the federal poverty level continue to struggle to meet the basic needs of their households. These working families are categorized as “ALICE,” which stands for “Asset Limited, Income Constrained, Employed.”

The ALICE threshold for financial survival acknowledges that the federal poverty levels are inadequate to provide a safe and healthy household environment. The ALICE threshold comes from the Household Survival Budget, which includes minimum costs for necessities like child care, housing, food, and transportation. ALICE budgets are unique to each state because they include regional prices.

For a family of four, the Arkansas ALICE household threshold is \$54,948 per year (the federal poverty level for a family of four is \$31,200 a year). That is equivalent to a \$27.47 hourly wage for a single earner.

The increasing cost of basic family needs, like housing and child care, means that even earning above the poverty level is unsustainable for working families in Arkansas. In addition to the 16% of households in our state that were below the federal poverty level, 31% are “ALICE” households, who earned more than the poverty level but not enough to afford basic needs in their area. Nearly half (47%) of families in Arkansas — more than half a million households — are either below the poverty level or considered “ALICE.”

### ALICE households are on the rise in Arkansas

United for ALICE reports that the price of household basics in Arkansas is far outpacing wage increases. For a family of four, the cost of those household necessities increased by 32% from 2007 to 2018.<sup>41</sup> As we have seen overall poverty rates decline in Arkansas, the share of households categorized as “ALICE” is increasing. In Arkansas, ALICE households increased from 26% of all households in 2010 to 31% in 2021.<sup>42</sup>

### Many essential workers are in ALICE households

Families in ALICE households are working hard at jobs that are critical to our communities, but their incomes are not enough to sustain household necessities. Some of the most common occupations for ALICE households in Arkansas are truck drivers, food service workers, retail workers, and cashiers. Most cashiers (60%), food service workers (65%) and cooks (54%) in Arkansas are in ALICE households. So are half of teaching assistants, 60% of personal care aids and more than a quarter of truck drivers (26%). During the COVID pandemic, we saw just how critical many of these roles are to our society. They take care of us, but many do not make enough to meet their own needs.

*These workers take care of us, but many do not make enough to meet their family needs.*

**Rent and food costs squeeze Arkansas budgets**

Households that spend more than 30% of their income on housing are cost burdened. The risk of being a cost-burdened household increases as income levels go down. Households making less than \$35,000 a year in Arkansas are far more likely than other groups to spend more than 30% of their household budget on rent. More than three quarters of households in the \$10,000-\$20,000 per year group spend at least 30% of their household budget on rent.<sup>43</sup>

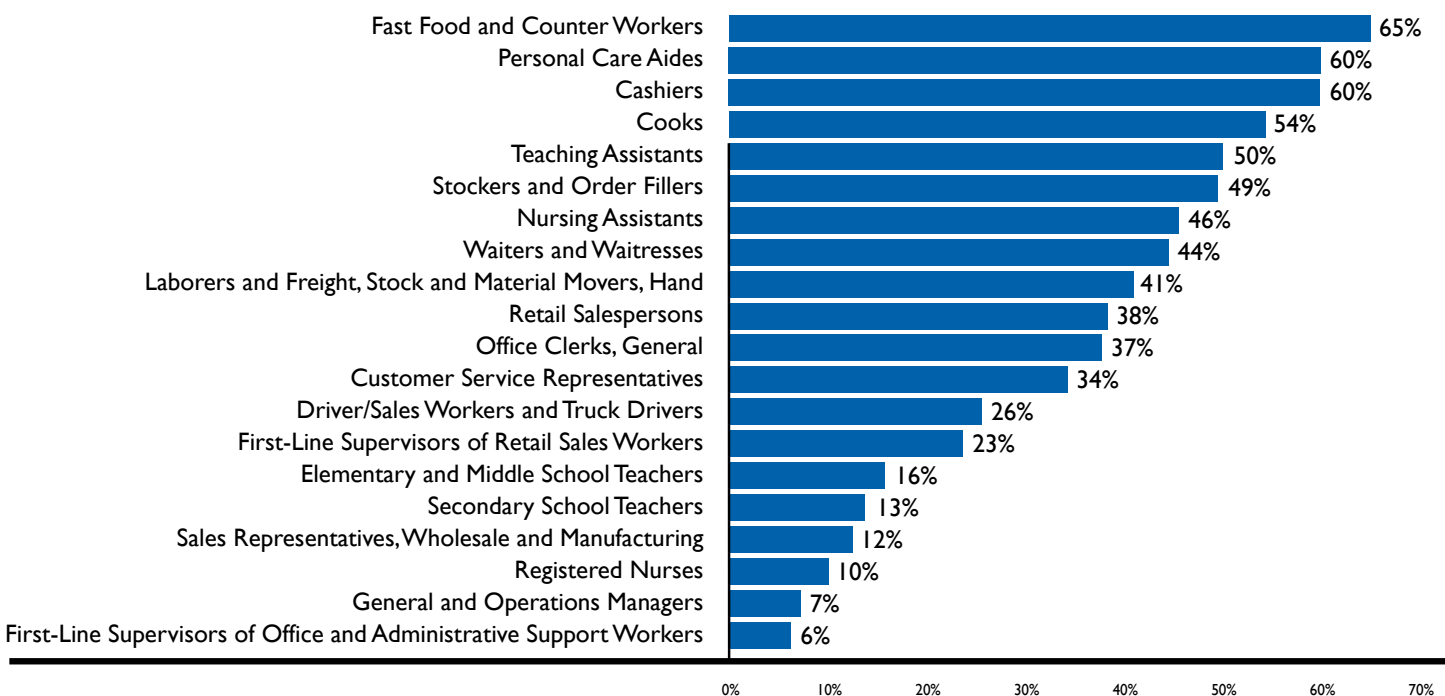
Many families in Arkansas are also struggling to afford food, and 15% are food insecure. Of the food-insecure people in our state, most of them (59%) are not eligible for SNAP assistance because they earn slightly more than the limit of 130% of the federal poverty guidelines or they have more than \$2,750 in assets.<sup>44</sup> Arkansas could raise the income limit if it contributed state funds to the program. Arkansas could also raise the asset limit. Both policy choices would lift more families out of poverty.

In a 2021 report, Feeding America projected that Arkansas is second in the nation for overall food insecurity. The report also showed that Arkansas has the highest projected rate of the most severe category of food insecurity for the third straight year. This level of food insecurity involves “reduced food intake and disrupted eating patterns.”<sup>45</sup>

Children in Arkansas face even higher rates of food insecurity (23%).<sup>46</sup> Arkansas ranks 6th in the nation for the highest rate of projected child food insecurity, improving slightly from 4th place in 2019.<sup>47</sup> Philips County in Arkansas stands out as the seventh worst county in the nation for projected child food insecurity in 2021.<sup>48</sup>

*Many families in Arkansas are struggling to afford food, and 15% are food insecure.*

**Percent of Workers Below ALICE Threshold in Arkansas**



Source: United for Alice 2021 data

# Policy Tools

## Prioritize Earned Income and Child Tax Credits

More than half of other states (31) have enacted their own state-level Earned Income Tax Credit (EITC) and 11 have their own Child Tax Credits (CTC), both of which allow working families to keep more of what they earn.<sup>49</sup> The EITC and CTC are among the simplest and most effective policy tools we have to reduce poverty and support working families. One study finds that a state-level child tax credit would cost 2.6% of state revenue and reduce child poverty in Arkansas by 25%.<sup>50</sup> Nationally, the temporary expansion of the federal CTC during the COVID pandemic lowered the child poverty rate to a record 5.2%.<sup>51</sup>

## Empower Arkansas working families with equitable taxation

Arkansas should avoid further tax cuts that benefit high-income individuals and leave out average working families. Since 2014, Arkansas has cut \$1.6 billion in personal income taxes, with the majority (67%) of those benefits going to households with incomes over \$264,000 a year.<sup>52</sup> A typical Arkansan saved \$439 from these tax cuts from 2014 to 2023; during that time an Arkansan in the top 1% (over \$1.6 million) kept an additional \$26,984.<sup>53</sup>

By requiring upper-income earners to pay their fair share, Arkansas can generate additional revenue to invest in crucial public services and infrastructure improvements that benefit all residents. These funds should support child care, education, health care, and other essential programs critical to a thriving workforce and enhance the overall quality of life for Arkansans.

## Bolster our workforce with investments in affordable, quality child care

Child care is a linchpin of Arkansas's workforce and economic growth, but it is not accessible or affordable for many families. Businesses in Arkansas are paying the price because of the lack of quality, affordable child care. Arkansas employers lose an estimated \$665 million a year due to employee absence and turnover related to child care, and three quarters of parents missed work in the last three months because of problems with child care.<sup>54</sup>

The state should prioritize accessible, affordable, quality child care services; allowing more parents to participate in the workforce and helping children build a strong foundation for their future education. By expanding state-funded pre-K programs and subsidizing child care costs for low and middle-income families, Arkansas can promote a stronger and more resilient workforce and economy.

## Other Tools

- Avoid further cuts to Medicaid. Ensure workers and their families have access to quality health care.
- Restore collective bargaining rights and remove anti-union restrictions.
- End state government job cuts and consider requiring the state to keep a state government workforce in proportion to state population.
- Restore 16 weeks of unemployment insurance.
- Restore child labor protections.

*By implementing the right policy tools, we can build a future that is prosperous and equitable for every Arkansan.*



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