A PROFILE OF THE SOUTHERN ECONOMY: LIVING STANDARDS, ECONOMIC STRUCTURE, AND LOWER INCOME WORKERS

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1. INTRODUCTION

Broad economic indicators generally portray the Southern economy as vibrant and fast growing. According to measures such as employment growth, personal income growth, and unemployment rates, the Southern region does perform very well. Over the last three decades, the South has experienced faster total economic growth than the United States as a whole, and is typically second only to the Western region of the four major regions including the South, Midwest, Northeast and West.

For example, between 1970 and 2002, total personal income in the South grew a total of 1,193 percent while the U.S. figure increased a total of 965 percent. Meanwhile, the Midwest Region saw personal incomes increase by 747 percent over the same period. Likewise, total employment in the South increased by 106 percent between 1970 and 2000, compared with 83.3 percent for the entire United States.

These numbers are important; they indicate strong improvement in the Southern economy over a long period of time. Yet, these broad economic indicators do not tell the whole story. Behind this record of rapid economic growth lies other statistics that portray the South as being last in the nation in terms of many different measures of living standards. Southern poverty rates are the highest in the nation. Southern per capita incomes and average wages are the lowest in the nation.

Improvements are being made, but the South is home to a greater prevalence of lower income workers than the United States as a whole. Health insurance coverage rates are lower in the South than the national average. Labor turnover rates are higher in the South than the national average. There are many statistics that reveal that, despite the economic gains over the last three decades, the Southern economy is still struggling

to ‘catch up’ in the sense that material living standards remain lower in the South than the rest of the country.

The purpose of this report is to synthesize many different types of data to uncover what the statistics have to say about the Southern economy. The emphasis is on exploring the underlying factors explaining the South’s lower level of living standards, developing a profile of lower income workers in the South, and considering long-term structural changes in the economy that will affect the future for the Southern economy and its lower income population.

The goal here is to present the facts about the Southern economy. The intent is not to serve as an encyclopedia of all available facts and figures – there are certainly more data available than are given here. Also, there are features of the Southern economy that should be explored but for which data simply do not exist. In other words, this report represents one distillation of the available data for the purpose of providing a profile of an economy that has made gains, but in which a large portion of the population continues to face obstacles in improving material well-being.

The findings of this report include, for example:

- Per capita income in the South stands at 91.9 percent of the national average, with only four northernmost border states posting per capita income greater than the U.S. average.
- Low per capita income is not just a rural problem; the South’s metropolitan areas also trail the average metropolitan area in the U.S.
- The South’s generally low unemployment rate is misleading because it is affected by lower than average labor force participation. The six lowest rates of labor force participation in the U.S. are all in the South.
- One out of five Southern workers lives below 200% of the federal poverty level.
- More than one out of four low income workers in the South work in retail trade – an industry with high turnover and low rates of health insurance coverage.

- About one out of sixty low income workers in the South work for the government – an employer offering low rates of turnover and high rates of health insurance coverage.
- More than 40 percent of low income workers are employed by very small firms where benefits are generally scarce.
- The loss of manufacturing jobs across the South over the last 30 years has diminished the availability of stable jobs with good wages and benefits at even relatively low rates of educational attainment.
- The rapid growth of outsourcing and temporary help usage further impairs lower income workers from finding stable employment. Temporary work is a positive when providing a bridge to permanent placement, but not when temporary work is itself an ongoing arrangement.

The remainder of this report is organized as follows. Section 2 provides an overview of Southern living standards, focusing on various measures of poverty rates and per capita income levels. Section 3 explores the explanations for the South's lower living standards. This section begins by considering the 'statistical' explanations for lower incomes and higher poverty, including lower average wages and lower labor force participation. Then, some of the 'economic' explanations underlying these factors are considered, including institutional factors such as unionization and education. Section 4 then considers lower income workers in particular and examines the labor force characteristics and benefits coverage of low income workers. Two specific structural economic changes are discussed in Section 5: the long-term decline of manufacturing employment, and the rapid growth of temporary help employment. A summary is then provided in Section 6.

2. LIVING STANDARDS IN THE SOUTH

A consideration of the business environment in the South must begin with an overview of the economic well-being of residents in the region. Even casual analysis of some major indicators of regional living standards makes it clear that the South has, and still does, face obstacles in achieving material living standards comparable to those seen in the other major regions of the United States. In terms of widely accepted measures of living standards, such as poverty rates and per capita incomes, the South consistently ranks last in the U.S.

The notion of living standards considered here is strictly an economic one. That is, what can we say about the economic well-being of people in the South? The general notion of a person's "standard of living" has to do with not only economic characteristics such as income and consumption levels, but also an array of other characteristics that are difficult or impossible to measure. Therefore, while they can only serve as an approximation to a measure of the overall standard of living, these economic measures are among the most commonly used metrics to gauge individual, family, and household living standards.

This section provides a snapshot of the economic well-being of the South relative to other regions in the U.S. The statistics presented – poverty rates and per capita income levels – are both income-based measures of well-being. This serves to set the stage for a more detailed look at the nature of the Southern economy, with an eye toward employment and compensation trends currently and over time.

Southern Poverty Rates

Poverty rates measure the portion of a population with incomes below a specified poverty threshold -- as given in Table 2.1 -- or some multiple of that threshold. These rates provide an indication of the prevalence of an extreme lack of access to goods and services. In other words, poverty rates provide information not just

about, for example, median incomes, but also about the *distribution* of incomes. In particular, they are useful in considering to what extent incomes may be skewed away from the poorest individuals, families, and households. That is, poverty rates indicate the relative size of the population at the lowest ends of the income distribution.

There are many different ways to slice the poverty statistics. No matter which specific statistic is looked at, the South typically sees the highest rates. The broadest poverty rate statistic, given in Table 2.2, measures the percentage of individuals that were living in poverty during 2001. Nationwide, 11.7 percent of the population was below the official poverty threshold, while 16.1 percent were below 125 percent of the poverty line.[1]

In the South, 13.3 percent of all individuals (14.1 million out of 105.9 million) were below the poverty line, while 18.2 percent fell below 125 percent of the poverty threshold. Overall, these were the highest rates of the four major U.S. regions. The largest regional difference was between the South and the Midwest. The difference between the South's 13.3 percent poverty rate and the Midwest's 9.3 percent rate amounts to nearly 4.2 million people. That is, 4.2 million people in the South would have to shift to the other side of the poverty line for the region's poverty rate to fall from 13.3 percent to 9.3 percent.

These regional statistics tend to understate the prevalence of poverty in the South. Of the eighteen states in the region, only four have single-digit poverty rates, and the remaining fourteen have poverty rates of at least 12.5 percent. Nationally, nine states have poverty rates of at least 15 percent, and other than New Mexico all of these are in the Southern Region. Excluding four of the 'border' Southern states -- Delaware, Maryland, Missouri, and Virginia -- the regional poverty rate rises to 14.3 percent. There is more variation in poverty rates between the Southern states than within any other region.

Another broad poverty indicator is the poverty rate for families. Table 2.3 presents the recent statistics on the portion of families that had incomes below the poverty line and 125 percent of the threshold. Again, the South posted the highest rates

[1] The U.S. Census Bureau routinely reports these summary statistics in terms of people below the poverty level ('the poor') and below 125% of the poverty level ('the near poor').

of family poverty, while the Midwest saw the lowest rates. Of 28.5 million families in the South, nearly 3.1 million had incomes below the poverty cutoff in 2001. The difference between the South and the Midwest is striking. For the South's family poverty rate to fall enough to match the Midwest's, nearly 1.1 million Southern families would need to rise out of poverty.

The South has a higher prevalence of family poverty, but the average poor Southern family is actually closer to the poverty threshold than poor families elsewhere. One indication of the average degree of poverty is the income deficit faced by those in poverty. This income deficit measures the amount by which total family income is below the poverty cutoff. Table 2.4 presents statistics on the income deficit for families below the poverty line. Here, the mean and median income deficits are lower in the South than in any other region or the U.S. These statistics on family poverty point to a situation in the South such that it is more *likely* for a family to live in poverty, but the average *severity* of poverty is not greater in the South.

Two areas of specific concern, not just for the South but for the entire U.S., are the relatively higher rates of poverty among children and within female-headed families. Table 2.5 shows that nationwide, 16.3 percent of children were in poverty during 2001. In the South, 18.6 percent of children – nearly one in five – were below the poverty line. During 2001, children accounted for 26.3 percent of the total population in the South. However, children made up 37.0 percent of all individuals below the poverty line.

Table 2.6 provides the alarming poverty statistics for families with a female head-of-household. For the U.S., 35.1 percent of people in female-headed families had incomes below the poverty line. Again, the South posted the highest regional rate at 38.3 percent. Looking at a slightly higher poverty threshold of 125 percent of the poverty level, nearly half of all people in female-headed families in the South were in poverty. Overall, people in female-headed families account for 11.6 percent of the Southern population and 10.4 percent of the population nationwide.

The particularly high prevalence of poverty among these last two groups, children and female-headed families, is not just a Southern problem. Rather, these high

poverty rates are endemic across the U.S. The excess of Southern poverty rates relative to the U.S. average is fairly constant across these different types of poverty statistics. That is, the higher prevalence of poverty in the South is apparent regardless of which major poverty statistic is considered. The following sections of this report will look more closely at explanations for higher poverty in the South, as well trends that may shape the future of poverty in the South.

Per Capita Income

A second common measure used to gauge living standards is per capita income. Total personal income is comprised of three elements: earnings (wages, salaries, and benefits), transfer payments (unemployment insurance, public means tested benefits), and dividends, interest and rent (interest income, rental income). This broad measure indicates all sources of income that can grant residents with access to goods and services. Dividing by the population of a given area yields per capita income.

Per capita income, therefore, provides a measure of the average ability to purchase goods and services for residents of a particular geographic area. Per capita income thus provides a convenient average measure of living standards and provides a complement to poverty rates that measure the prevalence of officially designated low-income segments of the population.

Comparisons of per capita income across regions of the U.S. consistently put the South at the bottom. As shown in Table 2.7, per capita income for the U.S. was $30,832 during 2002. Per capita income in the South stood at $28,344, 91.9 percent of the national average. Fourteen of the 18 Southern states – accounting for 87% of the Southern population – have per capita income levels below the national average. Of the Southern states, only the northernmost states Maryland, Virginia and Delaware, and Washington D.C., can boast per capita income greater than the U.S. average.

The South's standing relative to the U.S. and other regions improves if we look at disposable per capita income. Disposable income accounts for taxes and savings that

reduce total income to a measure of disposable or *spendable* income. Therefore, disposable income is a better indicator of the level of discretionary income directly available for consumption. Table 2.8 shows disposable per capita income across regions, and suggests that the South is now closer to other areas. However, this isn't necessarily a benefit for the South. In part, this reflects lower taxes in the South, and therefore fewer dollars available to fund state and local governments in the South, especially when compared with higher tax areas such as the Northeast. It is not necessarily true, however, that Southern residents have access to fewer state and local services, or services of lower quality. This would depend on the efficiency of these governments and on differential costs facing these governments.

Rural areas tend to have lower per capita income than metropolitan areas. In 2001, for example, per capita income in all U.S. metropolitan areas stood at $32,336. Nonmetropolitan areas posted per capita income of $22,472 – just under 70 percent of the metropolitan figure. It may be tempting to propose, then, that the lower per capita incomes in the South are due to a more rural landscape. It is true that the South region, along with the Midwest, is considerably more rural than the Northeast and West regions, as shown in Table 2.9. However, this alone does not explain lower per capita incomes in the South. As Table 2.10 shows, Southern metropolitan areas posted lower per capita incomes than their counterparts in other parts of the country.

Taken together, using the poverty rate and per capita income statistics as indicators of living standards, these data portray the Southern U.S. as lagging the rest of the country in material well-being. Further, this is not simply a function of the rural nature of the South – Southern living standards are below average in both rural and urban areas.

At a basic level, the higher prevalence of poverty and lower per capita incomes could be a function of two phenomena. These indicators may be driven by lower average incomes per job in the South, and/or fewer people working in the South. The next sections of this report will explore this issue, with the ultimate conclusion that both factors are work. First, labor force participation rates are generally lower in the South. Second, of those that are working, average incomes are generally lower in the South.

Other important issues to consider concern the access to benefits for those that are living and working with lower incomes, and the ability of these individuals and households to find stable employment and see improving living standards.

Table 2.1 Federal Poverty Levels, 2001

Size of family unit	Weighted Average thresholds	Related children under 18 years								
		None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual)	9,039									
Under 65 years	9,214	9,214								
65 years and over	8,494	8,494								
Two persons	11,569									
Householder under 65 years	11,920	11,859	12,207							
Householder 65 years and over	10,715	10,705	12,161							
Three persons	14,128	13,853	14,255	14,269						
Four persons	18,104	18,267	18,566	17,960	18,022					
Five persons	21,405	22,029	22,349	21,665	21,135	20,812				
Six persons	24,195	25,337	25,438	24,914	24,411	23,664	23,221			
Seven persons	27,517	29,154	29,336	28,708	28,271	27,456	26,505	25,462		
Eight persons	30,627	32,606	32,894	32,302	31,783	31,047	30,112	29,140	28,893	
Nine persons or more	36,286	39,223	39,413	38,889	38,449	37,726	36,732	35,833	35,610	34,238

Source: U.S. Census Bureau

Table 2.2 Individual Poverty Rates by State, 2001

	Percent below 100% Poverty Level	Percent below 125% Poverty Level
Alabama	15.9	21.7
Arkansas	17.8	23.6
Delaware	6.7	9.5
District of Columbia	18.2	21.9
Florida	12.7	17.6
Georgia	12.9	17.2
Kentucky	12.6	18.2
Louisiana	16.2	22.7
Maryland	7.2	10.9
Mississippi	19.3	28.3
Missouri	9.7	13.2
North Carolina	12.5	17.3
Oklahoma	15.1	19.6
South Carolina	15.1	18.0
Tennessee	14.1	19.8
Texas	14.9	20.4
Virginia	8.0	11.1
West Virginia	16.4	21.5
Southern Region	**13.3**	**18.2**
Illinois	10.1	13.8
Indiana	8.5	12.9
Iowa	7.4	11.0
Kansas	10.1	14.0
Michigan	9.4	13.2
Minnesota	7.4	9.9
Nebraska	9.4	12.5
North Dakota	13.8	17.0
Ohio	10.5	13.5
South Dakota	8.4	12.4
Wisconsin	7.9	10.5
Midwestern Region	**9.3**	**12.7**
Connecticut	7.3	10.2
Maine	10.3	15.8
Massachusetts	8.9	12.7
New Hampshire	6.5	9.0
New Jersey	8.1	11.4
New York	14.2	18.8
Pennsylvania	9.6	13.3
Rhode Island	9.6	13.1
Vermont	9.7	14.4
Northeastern Region	**10.7**	**14.6**
Alaska	8.5	11.9
Arizona	14.6	19.4
California	12.6	17.9
Colorado	8.7	12.6
Hawaii	11.4	15.1
Idaho	11.5	16.9
Montana	13.3	20.2
Nevada	7.1	10.8
New Mexico	18.0	22.8
Oregon	11.8	16.5
Utah	10.5	13.9
Washington	10.7	15.0
Wyoming	8.7	12.7
Western Region	**12.1**	**16.9**
Untied States	**11.7**	**16.1**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 2.3 Family Poverty Rates by State, 2001

	Percent below 100% Poverty Level	Percent below 125% Poverty Level
Alabama	12.7	18.0
Arkansas	14.6	19.6
Delaware	5.3	7.6
District of Columbia	16.4	19.9
Florida	10.5	14.6
Georgia	11.3	15.0
Kentucky	10.4	15.9
Louisiana	13.5	19.2
Maryland	5.5	8.1
Mississippi	16.5	24.1
Missouri	7.0	9.6
North Carolina	9.5	13.1
Oklahoma	12.0	15.4
South Carolina	11.2	13.6
Tennessee	11.7	16.9
Texas	11.6	16.1
Virginia	7.2	10.0
West Virginia	13.2	17.6
Southern Region	**10.7**	**14.8**
Illinois	7.8	10.3
Indiana	6.1	9.6
Iowa	6.8	9.7
Kansas	7.4	10.2
Michigan	7.0	9.7
Minnesota	5.3	7.4
Nebraska	7.3	9.2
North Dakota	11.1	12.9
Ohio	8.0	10.6
South Dakota	5.6	7.9
Wisconsin	5.5	7.3
Midwestern Region	**7.0**	**9.6**
Connecticut	4.8	7.1
Maine	7.4	11.9
Massachusetts	7.2	10.3
New Hampshire	4.4	6.2
New Jersey	6.4	8.8
New York	12.0	16.4
Pennsylvania	7.2	9.8
Rhode Island	7.5	9.9
Vermont	6.6	10.7
Northeastern Region	**8.5**	**11.8**
Alaska	7.1	10.2
Arizona	12.0	16.0
California	9.4	13.9
Colorado	5.6	9.0
Hawaii	9.8	13.5
Idaho	8.7	13.9
Montana	9.5	15.9
Nevada	4.5	7.3
New Mexico	14.4	18.4
Oregon	8.6	12.4
Utah	8.7	11.8
Washington	9.1	13.3
Wyoming	6.0	9.1
Western Region	**9.2**	**13.4**
Untied States	**9.2**	**12.8**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 2.4 Mean and Median Income Deficit for Families in Poverty by State, 2001

	Mean Deficit	Median Deficit
Alabama	$6,561	$5,329
Arkansas	$7,023	$6,427
Delaware	$6,757	$5,912
District of Columbia	$8,128	$7,853
Florida	$7,566	$6,859
Georgia	$7,241	$5,022
Kentucky	$6,315	$5,255
Louisiana	$8,571	$8,069
Maryland	$6,829	$5,305
Mississippi	$7,714	$7,600
Missouri	$7,502	$7,007
North Carolina	$5,891	$5,065
Oklahoma	$6,623	$5,207
South Carolina	$7,110	$6,771
Tennessee	$7,408	$6,060
Texas	$7,232	$5,467
Virginia	$7,180	$6,760
West Virginia	$6,413	$5,605
Southern Region	**$7,170**	**$5,845**
Illinois	$7,805	$6,327
Indiana	$6,901	$5,022
Iowa	$6,236	$5,105
Kansas	$7,006	$6,422
Michigan	$7,204	$5,437
Minnesota	$6,125	$4,369
Nebraska	$6,701	$5,480
North Dakota	$7,124	$6,922
Ohio	$7,954	$7,547
South Dakota	$7,655	$8,247
Wisconsin	$6,868	$5,022
Midwestern Region	**$7,317**	**$6,003**
Connecticut	$7,623	$7,493
Maine	$6,082	$5,560
Massachusetts	$6,654	$5,575
New Hampshire	$5,278	$3,850
New Jersey	$6,653	$6,060
New York	$7,460	$6,987
Pennsylvania	$7,775	$7,135
Rhode Island	$6,148	$4,551
Vermont	$6,352	$5,390
Northeastern Region	**$7,262**	**$6,269**
Alaska	$5,853	$4,185
Arizona	$7,518	$6,422
California	$7,528	$6,005
Colorado	$7,434	$6,453
Hawaii	$8,083	$6,400
Idaho	$6,575	$4,960
Montana	$7,132	$5,622
Nevada	$6,091	$5,107
New Mexico	$8,044	$7,772
Oregon	$6,222	$5,021
Utah	$6,837	$5,499
Washington	$8,812	$9,161
Wyoming	$7,763	$6,110
Western Region	**$7,528**	**$6,183**
Untied States	**$7,286**	**$6,047**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 2.5 Child Poverty Rates by State, 2001

	Percent below 100% Poverty Level	Percent below 125% Poverty Level
Alabama	23.2	30.7
Arkansas	28.3	35.3
Delaware	9.3	12.4
District of Columbia	30.8	35.5
Florida	18.8	24.9
Georgia	19.5	23.1
Kentucky	17.2	23.3
Louisiana	23.1	29.7
Maryland	7.6	12.9
Mississippi	23.2	35.1
Missouri	12.9	17.7
North Carolina	16.4	22.4
Oklahoma	21.4	27.1
South Carolina	23.0	26.2
Tennessee	20.4	26.9
Texas	21.1	28.0
Virginia	8.4	12.3
West Virginia	22.2	27.6
Southern Region	**18.6**	**24.6**
Illinois	15.8	21.0
Indiana	11.3	17.8
Iowa	7.6	12.9
Kansas	14.4	19.3
Michigan	13.0	18.7
Minnesota	8.4	12.2
Nebraska	13.5	18.1
North Dakota	19.5	23.6
Ohio	16.2	19.3
South Dakota	8.2	12.6
Wisconsin	12.0	15.2
Midwestern Region	**13.4**	**18.1**
Connecticut	9.3	12.9
Maine	12.4	18.7
Massachusetts	11.9	16.1
New Hampshire	8.2	11.2
New Jersey	9.6	12.8
New York	20.0	25.8
Pennsylvania	14.0	19.2
Rhode Island	11.0	14.4
Vermont	12.2	17.0
Northeastern Region	**14.7**	**19.6**
Alaska	12.5	16.4
Arizona	22.3	28.7
California	16.4	23.2
Colorado	10.6	15.5
Hawaii	15.9	20.7
Idaho	15.9	22.8
Montana	16.4	26.4
Nevada	9.1	14.5
New Mexico	25.4	31.3
Oregon	15.1	21.3
Utah	12.5	16.3
Washington	13.7	20.0
Wyoming	10.7	16.5
Western Region	**16.0**	**22.4**
Untied States	**16.3**	**21.9**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 2.6 Female Headed Households Poverty Rates by State, 2001

	Percent below 100% Poverty Level	Percent below 125% Poverty Level
Alabama	50.6	60.8
Arkansas	47.5	59.7
Delaware	26.2	30.8
District of Columbia	39.9	46.5
Florida	37.7	44.6
Georgia	42.4	47.6
Kentucky	32.9	43.8
Louisiana	56.9	66.9
Maryland	19.7	31.3
Mississippi	41.4	57.4
Missouri	28.0	35.5
North Carolina	39.9	48.8
Oklahoma	40.9	52.5
South Carolina	42.7	48.6
Tennessee	37.8	49.3
Texas	36.1	47.5
Virginia	23.9	36.0
West Virginia	45.6	57.9
Southern Region	**38.3**	**47.9**
Illinois	37.7	46.7
Indiana	23.1	37.3
Iowa	26.9	35.3
Kansas	31.2	40.2
Michigan	36.9	48.9
Minnesota	26.0	37.7
Nebraska	38.7	46.6
North Dakota	46.8	57.4
Ohio	38.9	46.9
South Dakota	25.0	33.3
Wisconsin	29.0	37.0
Midwestern Region	**34.3**	**44.2**
Connecticut	26.2	35.3
Maine	36.0	44.4
Massachusetts	34.8	45.8
New Hampshire	19.1	28.1
New Jersey	27.7	33.1
New York	39.1	50.1
Pennsylvania	31.7	42.1
Rhode Island	30.6	35.9
Vermont	26.0	38.0
Northeastern Region	**34.2**	**44.1**
Alaska	30.5	39.0
Arizona	48.2	52.4
California	28.8	37.1
Colorado	23.2	32.0
Hawaii	38.4	40.2
Idaho	35.0	52.7
Montana	36.6	50.9
Nevada	16.2	25.1
New Mexico	46.4	50.4
Oregon	29.0	37.8
Utah	29.2	41.9
Washington	26.6	41.3
Wyoming	23.7	31.6
Western Region	**30.4**	**39.1**
Untied States	**35.1**	**44.6**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 2.7 Per Capita Income by State, 2002

	Per Capita Income	Per Capita Income as a Percent of U.S.
Alabama	$25,096	81.4
Arkansas	$23,417	76.0
Delaware	$32,307	104.8
District of Columbia	$43,371	140.7
Florida	$29,559	95.9
Georgia	$28,703	93.1
Kentucky	$25,657	83.2
Louisiana	$25,370	82.3
Maryland	$36,121	117.2
Mississippi	$22,370	72.6
Missouri	$28,841	93.5
North Carolina	$27,566	89.4
Oklahoma	$25,136	81.5
South Carolina	$25,395	82.4
Tennessee	$27,378	88.8
Texas	$28,401	92.1
Virginia	$32,676	106.0
West Virginia	$23,628	76.6
Southern Region	**$28,344**	**91.9**
Illinois	$33,320	108.1
Indiana	$28,233	91.6
Iowa	$28,141	91.3
Kansas	$28,838	93.5
Michigan	$30,222	98.0
Minnesota	$33,895	109.9
Nebraska	$29,544	95.8
North Dakota	$26,567	86.2
Ohio	$29,317	95.1
South Dakota	$26,694	86.6
Wisconsin	$29,996	97.3
Midwestern Region	**$30,518**	**99.0**
Connecticut	$42,829	138.9
Maine	$27,804	90.2
Massachusetts	$39,044	126.6
New Hampshire	$34,276	111.2
New Jersey	$39,567	128.3
New York	$35,708	115.8
Pennsylvania	$31,663	102.7
Rhode Island	$31,107	100.9
Vermont	$29,464	95.6
Northeastern Region	**$35,865**	**116.3**
Alaska	$31,792	103.1
Arizona	$26,157	84.8
California	$32,898	106.7
Colorado	$33,170	107.6
Hawaii	$30,040	97.4
Idaho	$25,042	81.2
Montana	$24,906	80.8
Nevada	$30,169	97.8
New Mexico	$23,908	77.5
Oregon	$28,533	92.5
Utah	$24,157	78.3
Washington	$32,661	105.9
Wyoming	$30,494	98.9
Western Region	**$31,093**	**100.8**
Untied States	**$30,832**	**100.0**

Source: Calculated from data provided by the Bureau of Economic Analysis

Table 2.8 Disposable Per Capita Income by State, 2002

	Disposable Per Capita Income	Disposable Per Capita Income as a Percent of U.S.
Alabama	$22,504	83.4
Arkansas	$20,970	77.7
Delaware	$28,021	103.9
District of Columbia	$36,888	136.8
Florida	$26,207	97.2
Georgia	$25,221	93.5
Kentucky	$22,650	84.0
Louisiana	$22,866	84.8
Maryland	$30,990	114.9
Mississippi	$20,408	75.7
Missouri	$25,552	94.7
North Carolina	$24,250	89.9
Oklahoma	$22,376	83.0
South Carolina	$22,704	84.2
Tennessee	$24,891	92.3
Texas	$25,527	94.6
Virginia	$28,336	105.0
West Virginia	$21,223	78.7
Southern Region	**$25,148**	**93.2**
Illinois	$29,052	107.7
Indiana	$24,983	92.6
Iowa	$25,083	93.0
Kansas	$25,393	94.1
Michigan	$26,541	98.4
Minnesota	$29,297	108.6
Nebraska	$26,137	96.9
North Dakota	$24,048	89.2
Ohio	$25,600	94.9
South Dakota	$24,263	89.9
Wisconsin	$26,336	97.6
Midwestern Region	**$26,753**	**99.2**
Connecticut	$35,982	133.4
Maine	$24,503	90.8
Massachusetts	$33,179	123.0
New Hampshire	$30,285	112.3
New Jersey	$34,109	126.5
New York	$30,443	112.9
Pennsylvania	$27,804	103.1
Rhode Island	$27,384	101.5
Vermont	$26,066	96.6
Northeastern Region	**$30,845**	**114.4**
Alaska	$28,381	105.2
Arizona	$23,240	86.2
California	$28,286	104.9
Colorado	$28,773	106.7
Hawaii	$26,716	99.0
Idaho	$22,325	82.8
Montana	$22,251	82.5
Nevada	$26,636	98.7
New Mexico	$21,429	79.4
Oregon	$24,782	91.9
Utah	$21,289	78.9
Washington	$28,703	106.4
Wyoming	$26,734	99.1
Western Region	**$27,009**	**100.1**
Untied States	**$26,974**	**100.0**

Source: Calculated from data provided by the Bureau of Economic Analysis

Table 2.9 Metropolitan and Nonmetropolitan Population Shares by State, 2001

	Percent in Metro Areas	Percent in Nonmetro Areas
Alabama	70.1	29.9
Arkansas	49.8	50.2
Delaware	79.8	20.2
District of Columbia	100.0	0.0
Florida	92.9	7.1
Georgia	69.6	30.4
Kentucky	48.9	51.1
Louisiana	75.5	24.5
Maryland	92.8	7.2
Mississippi	36.3	63.7
Missouri	67.9	32.1
North Carolina	67.8	32.2
Oklahoma	61.1	38.9
South Carolina	70.1	29.9
Tennessee	67.9	32.1
Texas	85.2	14.8
Virginia	78.4	21.6
West Virginia	42.4	57.6
Southern Region	**75.3**	**24.7**
Illinois	85.1	14.9
Indiana	72.3	27.7
Iowa	45.6	54.4
Kansas	57.1	42.9
Michigan	82.2	17.8
Minnesota	70.7	29.3
Nebraska	53.1	46.9
North Dakota	44.8	55.2
Ohio	81.2	18.8
South Dakota	35.2	64.8
Wisconsin	67.9	32.1
Midwestern Region	**74.5**	**25.5**
Connecticut	91.4	8.6
Maine	40.2	59.8
Massachusetts	98.5	1.5
New Hampshire	62.5	37.5
New Jersey	100.0	0.0
New York	92.1	7.9
Pennsylvania	84.6	15.4
Rhode Island	91.9	8.1
Vermont	32.8	67.2
Northeastern Region	**89.8**	**10.2**
Alaska	41.7	58.3
Arizona	88.5	11.5
California	96.7	3.3
Colorado	84.1	15.9
Hawaii	72.1	27.9
Idaho	40.0	60.0
Montana	33.9	66.1
Nevada	88.0	12.0
New Mexico	57.2	42.8
Oregon	73.3	26.7
Utah	76.5	23.5
Washington	83.2	16.8
Wyoming	30.2	69.8
Western Region	**87.0**	**13.0**
Untied States	**80.5**	**19.5**

Source: Calculated from data provided by the Bureau of Economic Analysis

Table 2.10 Metropolitan and Nonmetropolitan Per Capita Income by State, 2001

	Metro Area Per Capita Income	Metro Area Per Capita Income as Percent of U.S. Metro Areas	Nonmetro Area Per Capita Income	Nonmetro Area Per Capita Income as Percent of U.S. Nonmetro Areas	Nonmetro as Percent of Metro
Alabama	$26,325	81.4	$20,151	89.7	76.5
Arkansas	$25,739	79.6	$19,781	88.0	76.9
Delaware	$34,424	106.5	$23,232	103.4	67.5
District of Columbia	$40,539	125.4	$0	0.0	0.0
Florida	$29,582	91.5	$22,061	98.2	74.6
Georgia	$31,595	97.7	$21,495	95.7	68.0
Kentucky	$29,211	90.3	$20,727	92.2	71.0
Louisiana	$26,102	80.7	$19,377	86.2	74.2
Maryland	$35,889	111.0	$27,465	122.2	76.5
Mississippi	$25,466	78.8	$19,479	86.7	76.5
Missouri	$31,620	97.8	$21,020	93.5	66.5
North Carolina	$29,550	91.4	$22,588	100.5	76.4
Oklahoma	$27,933	86.4	$20,261	90.2	72.5
South Carolina	$25,934	80.2	$22,273	99.1	85.9
Tennessee	$29,618	91.6	$20,862	92.8	70.4
Texas	$29,794	92.1	$20,886	92.9	70.1
Virginia	$35,220	108.9	$21,898	97.4	62.2
West Virginia	$25,955	80.3	$20,584	91.6	79.3
Southern Region	**$30,166**	**93.3**	**$21,098**	**93.9**	**69.9**
Illinois	$34,702	107.3	$23,229	103.4	66.9
Indiana	$28,989	89.6	$23,687	105.4	81.7
Iowa	$30,146	93.2	$24,773	110.2	82.2
Kansas	$32,218	99.6	$23,394	104.1	72.6
Michigan	$31,296	96.8	$21,930	97.6	70.1
Minnesota	$36,601	113.2	$24,526	109.1	67.0
Nebraska	$33,109	102.4	$24,059	107.1	72.7
North Dakota	$28,389	87.8	$23,699	105.5	83.5
Ohio	$29,947	92.6	$23,325	103.8	77.9
South Dakota	$30,478	94.3	$24,439	108.8	80.2
Wisconsin	$31,592	97.7	$24,118	107.3	76.3
Midwestern Region	**$32,064**	**99.2**	**$23,639**	**105.2**	**73.7**
Connecticut	$43,254	133.8	$33,022	146.9	76.3
Maine	$29,853	92.3	$24,834	110.5	83.2
Massachusetts	$38,980	120.5	$31,361	139.6	80.5
New Hampshire	$35,867	110.9	$30,804	137.1	85.9
New Jersey	$38,625	119.5	$0	0.0	0.0
New York	$36,935	114.2	$23,526	104.7	63.7
Pennsylvania	$32,057	99.1	$23,580	104.9	73.6
Rhode Island	$29,824	92.2	$35,162	156.5	117.9
Vermont	$31,591	97.7	$27,369	121.8	86.6
Northeastern Region	**$36,601**	**113.2**	**$25,458**	**113.3**	**69.6**
Alaska	$36,949	114.3	$26,798	119.3	72.5
Arizona	$26,845	83.0	$18,460	82.1	68.8
California	$33,006	102.1	$22,298	99.2	67.6
Colorado	$34,936	108.0	$25,641	114.1	73.4
Hawaii	$31,115	96.2	$23,666	105.3	76.1
Idaho	$28,056	86.8	$22,144	98.5	78.9
Montana	$26,751	82.7	$22,657	100.8	84.7
Nevada	$30,388	94.0	$28,227	125.6	92.9
New Mexico	$26,345	81.5	$18,711	83.3	71.0
Oregon	$30,107	93.1	$23,035	102.5	76.5
Utah	$25,132	77.7	$20,465	91.1	81.4
Washington	$33,722	104.3	$23,304	103.7	69.1
Wyoming	$31,510	97.4	$28,757	128.0	91.3
Western Region	**$32,001**	**99.0**	**$22,758**	**101.3**	**71.1**
Untied States	**$32,336**	**100.0**	**$22,472**	**100.0**	**69.5**

Source: Calculated from data provided by the Bureau of Economic Analysis

3. EMPLOYMENT, EARNINGS AND THE SOUTH'S LOWER LIVING STANDARDS

The previous section presented various statistics on living standards in the South relative to the rest of the country. In terms of poverty rates and per capita income levels, the South appears to post the lowest living standards of any U.S. region. The purpose of this section is to explore the factors in the Southern economy that contribute to these lower levels of material well-being.

There are a few ways to explore this issue of higher poverty and lower per capita income in the South. One is to look at statistics that can help explain why we see these results in the South. For example, on a fairly basic level, the South could post these lower living standards if workers in the South earn lower incomes than their counterparts elsewhere. At the same time, it could be the case that fewer people in the South are working in general. It turns out that both explanations appear to be the case in the South. Of those that are working, average incomes tend to be lower in the South. Additionally, labor force participation rates reveal a smaller portion of the population in the South is in the labor force.

While these factors can add to our understanding of the living standards comparison, we also need to go further to explain these factors themselves. That is, why are Southern average incomes generally lower? And, why are Southern labor force participation rates generally lower? This section considers these questions, and looks towards some economic, demographic, and institutional characteristics of the South that may shed light on these factors.

To begin, a snapshot of the Southern economy shows the current structure of the economy in terms of employment by industry and employment by occupation. Following this is a discussion of incomes in the South, again with a focus on the pattern of income differences between the South and the U.S. at a detailed level. Then the nature of unemployment and labor force participation in the South is considered. This sets the stage for a look at various factors, including educational attainment,

unionization and the regulatory environment, the dispersed rural landscape of the South, and demographic characteristics that could help explain the prevalence of lower incomes and lower labor force participation in the South.

A Snapshot of the Southern Economy: Employment by Industry

There are many different ways to try to distill the complex structure of an economy into a manageable set of numbers. The most common approaches include looking at output by industry, employment by industry or occupation, and income by industry or occupation. Of primary interest here is what relationship might exist between the primary sources of employment and income within the South that contribute to lower living standards in the South. Therefore, this section begins with a look at employment by industry in the Southern states and the South as a whole relative to other parts of the U.S.

There are many different sources of employment data for the U.S., regions, states, and local areas. There are measures stemming from household surveys (such as the Current Population Survey), there are surveys of businesses (such as the Current Employment Statistics program), and there are other publications that deal in other sources that are typically benchmarked to one of the major surveys. For a consistent look at employment by industry down to the state level, this section focuses on estimates of total full- and part-time jobs generated by the U.S. Bureau of Economic Analysis.

Table 3.1 provides a look at employment by industry for the states, regions and the U.S. as a whole. Across these ten broad industry groups, there are five instances in which the South varies by more than one-half of a percentage point from the U.S. average. Of these, the South has a slightly larger representation of construction and

government jobs, and a slightly smaller share in durable goods manufacturing, services, and finance, insurance and real estate.[2]

On the basis of the regional patterns alone there is little that can be said about the importance of these variations, although there are a few interesting observations. First, of the four regions the South had the smallest share of employment in durable goods manufacturing. The manufacturing sector was clearly the hardest hit by the recession of 2001, and this generally is the case during a recession. Because of this, a large presence of manufacturing can cause a local economy to be more susceptible to cyclical downturns. Additionally, the 'new economy' that developed during the 1990s accelerated the shift away from manufacturing and towards services, especially in terms of a source of employment. Further, manufacturing – especially in nondurable goods industries – continues to face tremendous obstacles into the future due to both increased productivity and global competition.

All of these comments regarding manufacturing could appear to imply that manufacturing is no longer an important piece of the economy. However, this is certainly not the case. Manufacturing is a vital sector that generates value-added output, typically has a well-organized workforce, and often offers its workers above average wages and benefits. For example, during 2002, average hourly earnings for production workers in all industries were $14.95, while production workers specifically in durable goods manufacturing industries averaged $16.01 an hour.[3] While the economy does continue its trend away from manufacturing as a source of employment, the industry continues to be an important one for providing well-paying jobs and offering benefits.

Several studies have demonstrated the relationship between manufacturing employment and poverty or other measures of living standards. For example, Levernier, Partridge & Rickman (2000) analyzed poverty rates at the county level in the U.S. Their regressions find a statistically significant negative relationship between the share of goods-producing industry employment and county level poverty rates. That is,

[2] Durable goods refer to manufactured products that typically last 3 years or longer, such as appliances, automobiles and furniture. Nondurable goods last a shorter period and include apparel, chemicals, paper and textiles.

[3] From the U.S. Bureau of Labor Statistics.

counties with a larger share of employment in manufacturing tend to have lower poverty rates. Meanwhile, Morrill (2000) looks at income inequality in the U.S. as opposed to poverty rates. In that study, the analysis shows that manufacturing employment growth strongly correlated with a reduction in income inequality.

The manufacturing sector is unique in that is has historically provided 'good' jobs – employment at relatively high wages with good benefits – while being accessible to workers with lower educational attainment. A dilemma arises because of the fact that manufacturing employment has seen a sharp decline, at least relative to fast growing service industries, over the last several decades. This shift away from manufacturing towards services will be considered in Section 5 of this report.

A second noteworthy result from Table 3.1 is the under representation of services in the South. The service sector is a broad group encompassing many different types of businesses and occupations, and substantial variation in wages. Many of the highest paying jobs are in the services sector, especially within the 'high-tech' occupations in the industry. A smaller share in services can therefore be an important result in explaining lower living standards in the South.

However, the regional patterns in Table 3.1 mask the more substantial state-by-state variation in economic structure. For example, while the South has only a slightly higher than average share of employment in nondurable goods manufacturing, the top four states in terms of the share of nondurable goods employment – Arkansas, South Carolina, Delaware, and North Carolina – are all in the South region.

The relatively low level of service sector employment in the South is even more pronounced when looking at Southern states such as Alabama, Arkansas, Kentucky, Mississippi, and South Carolina, where employment in the service sector accounts for less than 27 percent of total employment. In terms of financial services, the Southern region's average share is somewhat inflated due to the large presence of this industry in Delaware (14.3 percent, largest in the U.S.) and Florida (9.0 percent, 10th largest in the nation).

A Snapshot of the Southern Economy: Employment by Occupation

A second way to look at the distribution of jobs is via occupational employment statistics. The previous discussion considered employment by industry, though within any given industry, there are a variety of occupations. Concerns over employment prospects often center on issues such as, "What types of jobs are available for a particular segment of society?" These questions are probably better answered by looking at the range of possible occupations as opposed to the industry in which those occupations are. The data in this section are generated by the Occupational Employment Statistics program at the U.S. Bureau of Labor Statistics.

Table 3.2 presents the shares of employment by occupation for the four regions and the U.S. Once again, there appears to be little variation between the South and the U.S. as a whole. Indeed, the Southern occupational shares never differ from the U.S. average by more than 0.3 percentage points.

While the employment by occupation data do not reveal much information, they are nonetheless important to include in the current analysis because of the counterpart data on average wages by occupation.

A Snapshot of the Southern Economy: Wages by Occupation

The Occupational Employment Statistics program also provides detailed wage data by occupation down to the metropolitan area level. While the *distribution* of jobs in the South did not differ markedly from the national averages, there are significant differences in terms of wage levels by occupation.

Average annual wages by occupation for the four regions and the U.S. are given in Table 3.3. Also shown here is the Southern annual wage as a percentage of the U.S. average wage for each occupation. The average annual wage for the U.S. for all occupations is $34,019. There is significant variation across occupations, with the highest average annual wage at $70,794 for Management Occupations, and the lowest at $16,721 for Food Preparation and Serving Occupations.

The average annual wage for all occupations in the South is $31,674 – the lowest of any of the four regions, and just 93.1 percent of the national average. The highest average wage across regions is $37,389 in the Northeast. The highest and lowest paid occupations in the South are the same as those for the U.S. as a whole. However, Management Occupations in the South provide average annual wages of $65,301 while Food Preparation and Serving Related Occupations in the South have an annual wage of just $15,731.

The only occupational group that provides a higher wage in the South relative to the national average is Farming, Fishing and Forestry. Even here the Southern annual wage is only about 1 percent higher than the national average. Further, these occupations only account for about 0.3 percent of all jobs in the South. For every other occupation, the South trails the U.S., and in most cases, the South trails every other region of the U.S.

The five largest occupations in the South, accounting for 52.4 percent of all jobs in the region, are Office and Administrative Support Occupations, Sales and Related Occupations, Production Occupations, Food Preparation and Serving Related Occupations, and Transportation and Material Moving Occupations. These five occupations each provide annual wages in the South that are between 92.2 and 95.3 percent of the national averages. The greatest relative deficiency occurs in Construction and Extraction Occupations. Southern workers in construction or extraction make an average of 84 cents for every dollar earned in similar occupations nationwide. The occupations that provide Southerners with the greatest wages relative to the national averages – those occupations with wages at least 95 percent of the U.S. average – employ a total of just 16 percent of all Southern workers. Table 3.4 provides total average annual wages by state, with patterns very similar to those for the per capita income statistics from the previous section.

These statistics on occupational wages portray quite clearly one of the major explanations for higher poverty rates and lower per capita incomes in the South. Those that are working in the South can expect to see lower wages than workers in comparable occupations across the rest of the country. Yet, this is not the only reason for lower

living standards in the South. Not only do Southern workers earn less than their national counterparts, fewer Southerners in general are working.

A Snapshot of the Southern Economy: Unemployment and Labor Force Participation

Regardless of average wage levels, if an area has relatively fewer people working there is the possibility of a higher prevalence of poverty and lower per capita incomes. One way to address this issue may be to look at regional unemployment data. Table 3.5 provides the average unemployment rate during 2002 for each region and for the U.S. It turns out that the South region's unemployment rate was less than the national average. This consistently is the case. Not only does the South regularly post lower unemployment than the U.S., it also tends to enjoy faster rates of job growth.

However, these 'headline' statistics do not tell the whole story. While the unemployment rate is an attention getter, it is also one of the more complicated economic statistics to garner widespread attention. Indeed, the level of and changes in the unemployment rate can paint a misleading picture of an area's labor market conditions. This is because the unemployment rate doesn't represent the portion of the *population* that is without work; rather, it is a measure of the fraction of the *labor force* that is currently out of work. This is an important difference, because it implies that to understand what an unemployment rate is indicating, we must understand trends in the labor force itself.

The labor force is made up of all individuals who are either: 1) working, or 2) actively seeking work. Among the major demographic groups not in the labor force are children and the elderly. However, even among the working-age population, there can be a significant fraction of people not in the labor force, for many different reasons. People may be out of the labor force for voluntary reasons, such as returning to school or choosing to stay home with children, or for involuntary reasons, such as in the case of discouraged workers – those who have given up looking for work because of the inability to find an acceptable job.

This information is summarized by the labor force participation rate. This measure indicates the fraction of the noninstitutionalized population 16 years and older that is either working or actively seeking work. Excluded from the population are the institutionalized – those in prison, the military, or other types of group quarters.

Whatever the reason for being excluded from the labor force, a lower labor force participation rate can cause an area to post lower measures of per capita income and rank higher according to poverty statistics – even if wages themselves are not any lower. In other words, it would be possible for the available jobs in an area to offer average wages, yet the area can have lower living standards if fewer people are in the labor force.

Table 3.6 provides a first look at labor force participation rates for the Southern states, the four regions, and the U.S. These statistics show the percentage of the civilian population 16 years and older that were in the labor force during 2001. The U.S. average participation rate was 65.4 percent. The South posted the lowest labor force participation rate at 64.1 percent, while the Midwest had the highest rate at 68 percent.

As is often the case, the inclusion of states such as Delaware, Maryland, Missouri, as well as the District of Columbia, tends to skew the figures for the Southern region. The South includes the six states with the lowest labor force participation rates nationwide: Alabama (59.7 percent), Florida (61.0 percent), Louisiana (60.2 percent), Mississippi (61.1 percent), South Carolina (60.1 percent), and West Virginia (54.3 percent). Nationwide, Minnesota posts the highest labor force participation rate at 75.7 percent.

There are many factors explaining the differences in these rates. In some states, such as Florida and South Carolina, a larger retiree population drives down the labor force rate. In other states, such as West Virginia, low rates are largely due to discouraged workers – those who have dropped out of the labor force after failing to find a job.

A more detailed look at labor force participation rates is given in Table 3.7 (by gender and race) and Table 3.8 (by age). For the South overall, the low labor force participation seems to be driven by low participation among the white population. The

white male participation rate in the South is 1.5 percentage points lower than the U.S. average, and the white female rate is 2.2 points less.

Helping to counteract these low participation rates are the relatively higher participation rates among the black population. The black labor force participation rate in the South is 64.7 percent – higher than the national average and every other region. Comparing the white and black population, black men have lower participation rates than white men – 66.5 percent versus 73.1 percent nationally – while black women have higher participation rates than white women – 61.1 percent versus 58.7 percent nationally. Recall that these figures refer to the portion of the noninstitutionalized population, 16 years and older, that is either employed or unemployed but actively seeking work.

In terms of age comparisons, the Southern labor force participation rate is very close to the national average for individuals between 25 and 44 years old and those 65 years and older. In contrast, participation rates are lower in the South for those between ages 16 and 24, and for those between 45 and 64 years old. For this latter group, only six states across the U.S. saw participation rates less than 70 percent -- all are Southern states.

Factors Explaining Lower Wages and Labor Force Participation

Lower living standards in the South seem to be rooted in two facts: average wages in the South are lower than national averages, and relatively fewer people are in the labor force in the South. What factors can explain these conditions? Before turning to other economic, demographic, and institutional features of the South, first recognize that these two conditions can reinforce themselves to some extent.

Lower average wages have the effect of lowering the opportunity cost of staying out of the labor force. Economists use the term opportunity cost to refer to the value of a foregone alternative – the opportunity cost of not working is the income that could be earned if an individual was working. Lower wages provide a lower incentive to enter

the labor force when there are costs imposed for working, such as finding child care, transportation costs, and the value of leisure time foregone.

Also, lower labor force participation suggests that even though official unemployment rates can be very low, there still may be large groups of people who are not working but may be willing to enter the labor force if an opportunity arises. That is, the low reported unemployment rate belies the fact that there is actually a relatively larger pool of people currently not working. With this reserve of individuals *not currently* in the labor force, there may be more *slack* in the labor market than first appears. That is, the excess of labor supply over labor demand is even greater than the reported unemployment statistics would imply. In this case, wages can be held lower than they could be under tighter labor market conditions.

The standard story is that low unemployment rates imply a small pool of potential replacement workers, and firms will be willing to pay higher wages to retain and attract employees. If labor force participation is low, then low unemployment rates do not signify this upward wage pressure because more potential workers are available than as suggested by the low unemployment rate.

Given that these conditions can be self-reinforcing, what factors might explain initially low wages and participation? Among the explanations for lower wages in the South are institutional factors such as low unionization and potentially business-friendly regulation, and economic factors such as the relationship between lower education quality, educational attainment, and worker productivity.

Unions as an organizing force for workers have quite clear positive effects on both wages and non-wage benefits. Unions may result in higher costs for businesses, and perhaps some negative effects on employment levels. However, those workers within a union tend to enjoy greater incomes and benefits, and may also therefore be more productive.

Worker productivity can be positively influenced by higher incomes and benefits through a few channels. First, there are economic theories that imply that a worker's productivity depends, in part, on the worker's wage. If higher wages make workers more satisfied with their employment, and if a more satisfied worker is willing

to work harder, then this seems like a logical conclusion. Additionally, the provision of more benefits, such as health care and child care assistance, can directly affect productivity by increasing the amount of time the worker can spend at work (as opposed to being sick) and the concentration level of the worker (as opposed to worrying about child care arrangements). These productivity effects can work to offset the higher costs of employing unionized workers.[4]

Many studies have considered the role of unions in labor markets. For example, Buchmueller, Dinardo & Valletta (2002) look specifically at the relationship between unionization and health insurance provision. They find that a strong correlation exists between unionization and employer based health insurance. Similar conclusions are given in Wiatrowski (1994) and Lemieux (1998).

Historically, the South has been less unionized than other parts of the U.S. Table 3.9 shows the prevalence of union membership across states. Nationally, 13.2 percent of all workers are members of a union. The South has, by far, the lowest rate at 7.1 percent – less than half the rate of the next least-unionized region, the West. The three lowest state unionization rates are in the South: North Carolina (3.2 percent), South Carolina (4.9 percent), and Texas (5.1 percent).

These low rates of unionization in the South are certainly part of the explanation for lower wages in the South. At the same time, a history of low unionization has also helped attract some industry and businesses to the South, creating more job opportunities -- albeit at lower wage rates.

A regulatory issue related to unionization involves "right-to-work" legislation. Right-to-work legislation is designed to allow workers access to employment without being forced to join a union. For example, this legislation would allow a worker to work at a 'unionized' plant without having to become a union member. In this sense, these laws can be viewed as potentially business-friendly in that they tend to weaken the power of organized labor.

As Table 3.10 indicates, there is a higher prevalence of right-to-work laws in the South than elsewhere in the U.S. The regional and national figures in this table refer to

[4] For a collection of works related to the economic theory behind this see Akerlof, George and Janet Yellen, *Efficiency Wage Models of the Labor Market*, Cambridge University Press, 1986.

the portion of the relevant population that lives in states with a right-to-work law. For example, 83.1 percent of the Southern population lives in the twelve Southern states with a right-to-work law. Meanwhile, no Northeastern state has this legislation.

Such as in the case of union membership, there are other effects of right to work legislation to consider. These laws are designed to ease access to employment opportunities for workers, and in this sense they can be a benefit to workers. Yet, these laws may tend to have a dampening effect on income levels. Overall, the empirical evidence on the impact of right to work laws is less than compelling. For example, Wilson (2002) strongly argues the positive economic impacts of right-to-work legislation, specifically in terms of measures such as total employment and income growth. However, there are many factors besides right-to-work laws that influence economic growth, and these are generally not controlled for in Wilson's work. At the same time, other studies including Mishel (2001) find a negative impact on wages from right-to-work laws after controlling for other wage-affecting characteristics. Steelman (2003) provides a summary of the arguments and evidence on right-to-work legislation.

Institutional features of the South such as low unionization help explain the lower than average wage rates seen in the region. Another explanation of lower average incomes lies in the South's below average indicators of education. In terms of measures such as adult literacy rates and levels of educational attainment, the South lags the rest of the country.

Economic theory states that the demand for labor and market wage rates depend, in part, on worker productivity. Theory also tells us that investments in human capital through education add to worker productivity, and that human capital is vital in providing for economic growth and gains in living standards. Of course, very little economic theory is needed to recognize that a better education workforce is able to be more productive and can therefore command greater compensation.

Given the importance of education in determining incomes, how does the South stack up against the rest of the country? One measure of human capital is educational attainment. Educational attainment is an imprecise measure of the stock of human capital. The missing ingredient here, of course, is the *quality of the education attained.*

Nevertheless, the data in Table 3.11 show that the South also lags the nation when looking at rates of educational attainment.

Specifically, these figures indicate the portion of the population 25 years and older for which the given level of education is the highest level attained. For example, 15.9 percent of the population 25 years and older do not have a high school diploma nationally. In the South, this figure climbs to 18.1 percent – the highest of any region. Overall, relative to the national averages, the South has a higher portion of the population without a high school diploma, the same portion with only a high school diploma, and a smaller percentage of the population at each level of post-secondary educational attainment.

The role of education in the Southern economy is dynamic. One side of the argument has been given: lower levels of education quality are a major determinant of lower incomes. At the same, a lack of high-paying jobs demanding educated workers reduces the returns to education for Southern workers. This creates a disincentive to invest in education, and also creates an incentive for those who do become well-educated to migrate to other areas of the country where there are higher paying jobs and greater demand for educated workers.

A classic study highlighting the importance of differences in education regionally is Topel (1994). Topel considers explicitly the determinants of wage inequality across U.S. regions. He concludes that differences in labor force quality, as proxied by differences in education, are critical in explaining regional wage differentials.

Topel's argument is rooted in a study by Chinhui, Murphy & Brooks (1993) that set a standard for analyses of wage differentials. The essence of the argument there is that the 'modern economy' that is shifting towards services is placing a higher premium on skill. Therefore, the relative returns to education and increased labor skills are increasing. This has the effect of increasing the wage differential between low- and high-skilled workers. Regionally, then, differences in labor quality may work to increasingly exacerbate regional wage differences. Meanwhile, Dewar (1998) finds a

significant positive correlation between worker education and health insurance coverage.

This relationship between education and living standards drives the fact that improving education is such a priority, especially in the South. In terms of encouraging economic development, it is often said that the most important role state and local governments can play is to improve education quality, as well as to work to improve healthcare and the transportation infrastructure.

Lending credence to the importance of the transportation infrastructure are statistics on labor force participation by urban versus rural areas. Indeed, a major factor explaining the South's lower labor force participation rate is the rural landscape of the South.

Table 3.12 provides labor force participation rates for the nonmetro and metro areas of each state. With this additional detail, we can see that the labor force participation rate within Southern metropolitan areas (67.1 percent) is greater than the comparable national figure (66.3 percent). Meanwhile, the Southern nonmetropolitan areas have a participation rate of 60.1 percent, lower than the U.S. average of 62.4 percent, and the lowest of any region.

These statistics, coupled with the metro and nonmetro population shares considered in the previous section, tell an important story. The South sees lower labor force participation rates primarily because of low participation within rural areas and because of the large share of rural areas across the region. This suggests that a geographic mismatch may occur in the South between potential workers and sources of employment.

Indeed, rural areas in the South have been especially susceptible to the long-term decline of manufacturing in the U.S. As factories close in rural areas, it is difficult for economic developers to attract new businesses to fill the gap, leaving the area with a lack of employment opportunities. If businesses cannot be attracted to the rural areas, then the next challenge is to provide the rural population with the means to get to where the jobs are. This involves long-term structural patterns in terms of movement from rural to urban areas. However, this also suggests there may be a role for governments to

provide more transportation alternatives to match the rural unemployed and discouraged workers with the available jobs in urban centers.

The lack of transportation options in rural areas has been considered in several studies. Lambert (1998) considers the importance of transportation costs as an additional burden on lower income workers and as an explanation for relatively lower labor force participation in rural areas. Dewee (1998) addresses specifically the lack of public transportation in the rural South and the need for reliable transportation in these areas.

Having considered the structure of the Southern economy, with an eye towards understanding the causes of lower living standards, the next section looks specifically at the condition and characteristics of lower income workers in the South. For example, what are the demographic characteristics of low income workers? In what industries and occupations are they working? What types of non-wage benefits are available to the low income workers?

Table 3.1 Employment Shares by Industry, 2001

	Ag.	Const.	Durables	Non-durables	TCPU	Wholesale Trade	Retail Trade	FIRE	Services	Govt.
Alabama	3.5	6.5	7.8	6.6	4.8	4.3	16.9	6.3	26.9	15.9
Arkansas	5.6	5.9	8.8	7.7	5.9	3.7	17.0	5.7	25.5	13.8
Delaware	4.0	6.2	3.4	7.7	3.8	3.1	16.8	14.3	29.8	13.1
District of Columbia	0.0	1.7	0.2	1.4	3.0	0.8	6.6	5.8	47.3	31.9
Florida	3.0	6.1	3.4	2.0	4.8	4.4	17.6	9.0	37.3	12.3
Georgia	2.6	6.2	5.0	6.5	6.2	5.4	16.7	7.3	29.5	14.4
Kentucky	6.0	5.8	8.2	5.3	5.4	3.9	16.9	5.8	26.5	15.1
Louisiana	2.9	6.8	3.9	3.8	5.7	4.1	16.8	6.3	30.1	17.0
Maryland	1.8	6.7	3.0	2.9	4.4	3.8	16.3	8.3	35.9	16.7
Mississippi	5.1	5.7	9.2	5.6	4.8	3.3	16.4	5.4	25.4	18.5
Missouri	4.5	5.9	6.5	4.7	5.8	4.5	16.8	7.8	29.7	13.5
North Carolina	3.0	6.9	7.7	7.6	4.3	4.2	16.5	6.7	27.7	15.2
Oklahoma	6.1	5.2	5.8	3.2	5.1	3.6	16.4	6.6	28.8	16.4
South Carolina	2.6	6.7	7.0	7.7	4.8	3.6	18.0	6.4	26.6	16.5
Tennessee	4.1	6.0	8.3	5.7	6.1	4.4	16.8	7.0	29.3	12.2
Texas	3.6	6.6	5.4	3.5	5.7	4.7	16.5	8.2	29.9	14.0
Virginia	2.5	6.4	4.6	4.1	4.8	3.5	16.1	7.3	32.1	18.3
West Virginia	3.4	5.6	5.5	3.6	5.0	3.6	17.7	5.4	30.1	16.8
Southern Region	**3.4**	**6.3**	**5.6**	**4.5**	**5.2**	**4.2**	**16.7**	**7.5**	**30.8**	**14.9**
Illinois	2.3	5.1	7.3	5.1	5.5	5.0	15.6	9.4	32.4	12.2
Indiana	3.1	5.8	12.8	5.1	4.9	4.2	17.8	6.5	27.7	11.9
Iowa	7.0	5.2	7.8	5.5	4.7	4.5	16.9	7.2	27.7	13.3
Kansas	5.6	5.1	7.1	4.7	5.8	4.5	16.5	6.7	27.1	15.8
Michigan	2.3	5.3	12.8	4.0	3.8	4.3	17.3	6.9	30.5	12.6
Minnesota	4.0	5.3	7.7	5.3	4.7	4.9	16.7	7.8	31.1	12.2
Nebraska	6.9	5.4	4.7	5.3	5.7	4.7	16.4	7.7	29.3	13.8
North Dakota	9.8	5.0	3.6	2.2	5.4	4.9	16.4	6.3	28.1	17.1
Ohio	2.4	5.2	10.2	5.1	4.5	4.5	17.6	7.6	30.3	12.2
South Dakota	8.7	5.4	6.2	3.1	4.4	4.1	17.1	8.5	27.0	15.1
Wisconsin	4.1	5.1	10.6	6.9	4.6	4.3	17.3	6.9	27.7	12.3
Midwestern	**3.5**	**5.2**	**9.5**	**5.1**	**4.8**	**4.6**	**16.9**	**7.7**	**29.9**	**12.6**
Connecticut	1.5	5.1	8.6	3.7	4.1	4.0	15.4	11.2	33.9	12.3
Maine	4.0	6.6	5.9	5.1	3.9	3.7	18.5	6.7	32.0	13.6
Massachusetts	1.3	5.2	6.7	3.8	4.0	4.3	15.6	8.8	39.1	11.1
New Hampshire	1.9	6.3	9.8	3.7	3.3	4.5	19.3	7.5	32.4	11.2
New Jersey	1.3	4.6	4.1	5.6	6.3	6.2	15.3	9.6	34.2	12.9
New York	1.3	4.4	4.4	3.8	5.0	4.4	14.1	10.5	37.8	14.1
Pennsylvania	2.2	5.3	7.6	5.5	5.1	4.2	16.8	7.5	34.2	11.3
Rhode Island	1.4	4.8	8.2	4.1	3.4	3.5	17.0	8.5	35.9	13.0
Vermont	4.1	6.5	8.9	3.9	3.7	3.5	16.3	5.9	33.9	13.2
Northeastern	**1.6**	**4.9**	**6.0**	**4.5**	**4.9**	**4.6**	**15.5**	**9.2**	**36.0**	**12.6**
Alaska	4.5	5.4	1.0	3.0	8.0	2.4	15.1	5.8	27.6	24.0
Arizona	2.4	7.2	6.0	1.7	4.5	4.2	17.3	10.3	32.1	13.9
California	3.5	5.4	6.3	3.7	4.5	4.5	15.4	8.9	34.5	13.2
Colorado	2.9	7.7	4.5	2.5	5.4	3.9	16.7	10.4	32.0	13.1
Hawaii	2.8	4.1	0.8	2.0	6.1	3.3	17.9	8.2	32.9	21.8
Idaho	7.5	7.2	6.3	3.8	4.4	4.3	17.1	6.9	27.1	15.0
Montana	7.5	6.4	3.3	1.7	4.9	3.5	18.6	6.8	30.3	15.7
Nevada	1.5	8.1	2.4	1.4	4.9	3.2	16.1	9.9	41.2	10.4
New Mexico	3.6	6.3	3.4	1.6	4.4	3.3	17.6	6.6	30.6	20.7
Oregon	5.3	5.6	8.7	3.1	4.4	4.6	17.1	7.9	30.0	13.2
Utah	2.3	6.7	6.3	3.1	4.8	4.0	16.8	9.9	30.5	14.8
Washington	4.2	5.9	7.0	3.0	4.7	4.5	16.5	7.8	30.1	16.0
Wyoming	5.4	7.5	1.8	2.1	5.1	2.7	17.2	6.6	25.5	19.6
Western Region	**3.6**	**6.0**	**5.9**	**3.1**	**4.7**	**4.2**	**16.1**	**8.8**	**33.0**	**14.1**
Untied States	**3.1**	**5.7**	**6.6**	**4.3**	**5.0**	**4.4**	**16.4**	**8.1**	**32.1**	**13.8**

Source: Calculated from data provided by the Bureau of Economic Analysis

Note: Ag. = Agriculture, Const. = Construction, Durables = Durable goods manufacturing, Nondurables = Nondurable goods manufacturing, TCPU = Transportation, communications, and public utilities, FIRE = Finance, Insurance, and Real Estate, andGovt. = Government (Federal, State, and Local)

Table 3.2 Employment Shares by Occupation, 2001

	United States	Southern Region	Midwestern Region	Northeastern Region	Western Region
Architecture and Engineering	1.9	1.8	2.0	1.7	2.3
Arts, Design, Entertainment, Sports, and Media	1.2	1.0	1.1	1.4	1.4
Building and Grounds Cleaning and Maintenance	3.3	3.3	3.2	3.4	3.4
Business and Financial Operations	3.7	3.4	3.6	3.9	3.9
Community and Social Services	1.2	1.1	1.2	1.5	1.2
Computer and Mathematical	2.2	2.1	1.9	2.4	2.6
Construction and Extraction	4.9	5.2	4.5	4.0	5.5
Education, Training, and Library	6.0	5.9	5.6	6.8	5.8
Farming, Fishing, and Forestry	0.4	0.3	0.2	0.1	0.9
Food Preparation and Serving Related	7.7	7.8	7.9	6.9	8.2
Healthcare Practitioners and Technical	4.8	4.9	5.0	5.2	4.1
Healthcare Support	2.4	2.4	2.5	2.9	2.1
Installation, Maintenance, and Repair	4.2	4.5	4.1	3.8	4.0
Legal	0.7	0.7	0.6	0.8	0.7
Life, Physical, and Social Science	0.8	0.8	0.7	0.9	1.0
Management	5.6	6.0	5.3	5.6	5.5
Office and Administrative Support	17.8	17.6	17.0	19.1	18.0
Personal Care and Service	2.2	2.0	2.1	2.6	2.2
Production	8.8	8.8	11.6	7.6	7.0
Protective Service	2.3	2.4	1.9	2.5	2.4
Sales and Related	10.5	10.6	10.2	10.5	10.6
Transportation and Material Moving	7.4	7.6	7.8	6.5	7.1

Source: Calculated from data provided by the Bureau of Labor Statistics

Table 3.3 Average Annual Wages by Occupation, 2001

	United States	Southern Region	Midwestern Region	Northeastern Region	Western Region	Southern Wage as Percentage of U.S. Wage
Architecture and Engineering Occupations	$56,330	$54,241	$54,258	$57,449	$60,117	96.3
Arts, Design, Entertainment, Sports, and Media Occupations	$39,766	$35,511	$36,384	$42,841	$44,716	89.3
Building and Grounds Cleaning and Maintenance Occupations	$20,377	$18,104	$20,957	$23,219	$21,079	88.8
Business and Financial Operations Occupations	$50,584	$48,316	$48,271	$55,116	$52,129	95.5
Community and Social Services Occupations	$34,190	$32,240	$33,242	$36,372	$35,633	94.3
Computer and Mathematical Occupations	$60,354	$57,716	$56,851	$63,657	$63,912	95.6
Construction and Extraction Occupations	$35,455	$29,774	$38,974	$41,499	$37,831	84.0
Education, Training, and Library Occupations	$39,130	$35,819	$38,365	$44,518	$39,952	91.5
Farming, Fishing, and Forestry Occupations	$19,629	$19,822	$22,731	$23,354	$18,535	101.0
Food Preparation and Serving Related Occupations	$16,721	$15,731	$16,156	$18,423	$17,627	94.1
Healthcare Practitioners and Technical Occupations	$49,930	$47,178	$47,851	$53,291	$54,291	94.5
Healthcare Support Occupations	$21,902	$20,046	$21,536	$23,531	$23,900	91.5
Installation, Maintenance, and Repair Occupations	$34,961	$32,714	$35,838	$37,323	$36,355	93.6
Legal Occupations	$69,034	$65,419	$64,785	$76,014	$71,236	94.8
Life, Physical, and Social Science Occupations	$49,711	$48,956	$45,162	$52,893	$51,616	98.5
Management Occupations	$70,794	$65,301	$68,200	$79,647	$75,566	92.2
Office and Administrative Support Occupations	$27,234	$25,630	$26,519	$29,259	$28,695	94.1
Personal Care and Service Occupations	$21,011	$19,918	$20,483	$21,455	$22,767	94.8
Production Occupations	$27,601	$25,935	$29,513	$28,599	$26,990	94.0
Protective Service Occupations	$32,526	$29,191	$31,389	$36,309	$35,557	89.7
Sales and Related Occupations	$28,924	$26,669	$28,184	$32,244	$30,580	92.2
Transportation and Material Moving Occupations	$26,565	$25,320	$27,395	$27,750	$26,960	95.3
Total, All Occupations	**$34,019**	**$31,674**	**$33,254**	**$37,389**	**$35,812**	**93.1**

Source: Calculated from data provided by the Bureau of Labor Statistics

Table 3.4 Average Annual Wage by State, 2001

Alabama	$29,530
Arkansas	$26,962
Delaware	$35,838
District of Columbia	$49,440
Florida	$30,916
Georgia	$32,453
Kentucky	$30,030
Louisiana	$28,923
Maryland	$36,757
Mississippi	$26,293
Missouri	$31,598
North Carolina	$31,385
Oklahoma	$28,631
South Carolina	$29,657
Tennessee	$30,224
Texas	$32,343
Virginia	$34,591
West Virginia	$27,957
Southern Region	**$31,674**
Illinois	$34,989
Indiana	$31,069
Iowa	$29,332
Kansas	$31,018
Michigan	$36,016
Minnesota	$35,280
Nebraska	$29,906
North Dakota	$27,531
Ohio	$32,698
South Dakota	$26,886
Wisconsin	$32,163
Midwestern Region	**$33,254**
Connecticut	$39,970
Maine	$30,179
Massachusetts	$39,781
New Hampshire	$32,860
New Jersey	$38,988
New York	$39,157
Pennsylvania	$33,262
Rhode Island	$34,308
Vermont	$31,797
Northeastern Region	**$37,389**
Alaska	$39,028
Arizona	$32,141
California	$37,736
Colorado	$36,027
Hawaii	$33,007
Idaho	$30,132
Montana	$27,601
Nevada	$31,558
New Mexico	$29,954
Oregon	$33,851
Utah	$31,276
Washington	$37,674
Wyoming	$29,472
Western Region	**$35,812**
Untied States	**$34,019**

Source: Calculated from data provided by the Bureau of Labor Statistics

Table 3.5 Unemployment Rate by State, 2002

Alabama	5.9
Arkansas	5.4
Delaware	4.2
District of Columbia	6.4
Florida	5.5
Georgia	5.1
Kentucky	5.6
Louisiana	6.1
Maryland	4.4
Mississippi	6.8
Missouri	5.5
North Carolina	6.7
Oklahoma	4.5
South Carolina	6.0
Tennessee	5.1
Texas	6.3
Virginia	4.1
West Virginia	6.1
Southern Region	**5.6**
Illinois	6.5
Indiana	5.1
Iowa	4.0
Kansas	5.1
Michigan	6.2
Minnesota	4.4
Nebraska	3.6
North Dakota	4.0
Ohio	5.7
South Dakota	3.1
Wisconsin	5.5
Midwestern Region	**5.5**
Connecticut	4.3
Maine	4.4
Massachusetts	5.3
New Hampshire	4.7
New Jersey	5.8
New York	6.1
Pennsylvania	5.7
Rhode Island	5.1
Vermont	3.7
Northeastern Region	**5.6**
Alaska	7.7
Arizona	6.2
California	6.7
Colorado	5.7
Hawaii	4.2
Idaho	5.8
Montana	4.6
Nevada	5.5
New Mexico	5.4
Oregon	7.5
Utah	6.1
Washington	7.3
Wyoming	4.2
Western Region	**6.5**
Untied States	**5.8**

Source: Calculated from data provided by the Bureau of Labor Statistics

Table 3.6 Labor Force Participation Rate by State, 2001

Alabama	59.7
Arkansas	62.9
Delaware	67.5
District of Columbia	67.2
Florida	61.0
Georgia	65.7
Kentucky	61.9
Louisiana	60.2
Maryland	69.9
Mississippi	61.1
Missouri	68.5
North Carolina	65.2
Oklahoma	65.2
South Carolina	60.1
Tennessee	65.0
Texas	65.7
Virginia	66.3
West Virginia	54.3
Southern Region	**64.1**
Illinois	66.8
Indiana	66.3
Iowa	71.4
Kansas	66.6
Michigan	64.6
Minnesota	75.7
Nebraska	73.7
North Dakota	71.6
Ohio	66.3
South Dakota	73.4
Wisconsin	71.8
Midwestern Region	**68.0**
Connecticut	66.9
Maine	62.8
Massachusetts	69.7
New Hampshire	68.6
New Jersey	64.0
New York	62.0
Pennsylvania	65.0
Rhode Island	65.4
Vermont	70.8
Northeastern Region	**64.6**
Alaska	70.3
Arizona	63.4
California	65.5
Colorado	71.4
Hawaii	64.7
Idaho	68.5
Montana	63.4
Nevada	68.5
New Mexico	61.3
Oregon	66.4
Utah	71.7
Washington	65.1
Wyoming	69.6
Western Region	**66.0**
Untied States	**65.4**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 3.7 Labor Force Participation Rate by Gender and Race by State, 2001

	Men Total	Women Total	White Total	White Men	White Women	Black Total	Black Men	Black Women
Alabama	65.8	54.2	61.1	69.1	53.6	55.3	54.7	55.7
Arkansas	70.7	55.9	61.9	71.0	53.6	66.7	66.2	67.0
Delaware	73.5	62.2	67.1	74.4	60.5	69.1	69.4	68.8
District of Columbia	75.5	59.6	78.7	87.9	68.9	59.7	66.9	53.9
Florida	67.5	54.9	59.9	66.8	53.3	67.0	71.5	63.1
Georgia	72.2	59.9	66.3	73.8	59.1	63.9	68.1	60.7
Kentucky	68.5	55.9	61.6	67.9	55.9	66.5	77.2	58.1
Louisiana	68.5	52.6	59.8	69.3	50.7	60.7	65.7	56.8
Maryland	75.9	64.3	68.9	76.5	61.4	71.6	72.9	70.5
Mississippi	68.2	55.3	62.4	71.5	54.7	58.7	62.3	55.9
Missouri	73.3	64.0	69.5	74.8	64.5	60.1	59.4	60.7
North Carolina	71.9	59.2	65.0	72.5	57.9	65.7	67.3	64.4
Oklahoma	73.4	57.4	65.3	73.6	57.6	60.1	72.8	48.4
South Carolina	64.6	56.1	60.3	66.0	54.7	59.6	59.9	59.4
Tennessee	72.4	58.7	63.8	72.8	55.7	69.4	68.8	69.8
Texas	74.3	57.5	65.3	74.4	56.7	70.2	73.2	67.6
Virginia	72.9	60.5	66.5	73.8	59.8	64.1	66.3	62.4
West Virginia	62.0	47.5	54.3	62.1	47.5	48.9	54.3	44.2
Southern Region	**71.1**	**57.7**	**63.8**	**71.6**	**56.5**	**64.7**	**67.5**	**62.4**
Illinois	74.1	60.0	68.0	76.2	60.2	60.5	60.8	60.2
Indiana	74.2	59.3	66.8	74.9	59.7	59.1	65.0	55.4
Iowa	77.3	66.0	71.3	76.9	66.1	75.1	82.4	66.9
Kansas	73.2	60.9	66.8	73.0	61.2	66.2	78.6	56.2
Michigan	70.8	59.0	64.9	71.2	59.1	60.7	65.1	57.0
Minnesota	80.6	70.9	75.9	80.8	71.1	71.8	62.4	81.6
Nebraska	78.7	69.1	73.8	79.3	68.7	61.9	56.5	66.2
North Dakota	76.4	66.9	72.7	77.8	67.8	60.5	53.0	76.8
Ohio	73.2	60.0	66.7	73.9	60.0	62.6	65.7	60.2
South Dakota	79.1	67.8	73.9	80.0	68.1	80.0	77.0	87.1
Wisconsin	77.7	66.1	72.8	78.7	66.9	55.6	53.1	57.2
Midwestern Region	**74.6**	**62.0**	**68.7**	**75.6**	**62.3**	**61.2**	**63.7**	**59.3**
Connecticut	73.3	60.9	67.1	73.6	61.1	68.0	70.9	65.5
Maine	68.0	58.1	62.9	68.2	58.2	(X)	(X)	(X)
Massachusetts	76.7	63.2	69.8	76.4	63.7	66.5	76.2	57.7
New Hampshire	76.2	61.4	68.5	75.7	61.9	56.0	65.8	47.7
New Jersey	70.9	57.8	62.9	70.2	56.3	67.2	70.0	65.0
New York	69.3	55.3	62.5	70.3	55.3	60.2	64.6	56.8
Pennsylvania	71.2	59.4	65.8	72.2	59.8	58.7	58.6	58.8
Rhode Island	71.9	59.7	65.5	72.2	59.6	69.5	71.4	67.1
Vermont	75.7	66.2	71.2	75.9	66.9	48.2	47.8	48.8
Northeastern Region	**71.4**	**58.3**	**65.0**	**71.9**	**58.5**	**62.2**	**66.2**	**59.2**
Alaska	74.1	66.6	71.2	76.1	66.2	67.2	66.6	67.7
Arizona	71.8	55.2	63.0	71.3	55.1	61.7	64.8	57.6
California	73.0	58.1	66.2	74.3	58.3	62.2	65.1	59.4
Colorado	78.0	64.5	71.7	78.5	64.3	65.3	61.5	68.6
Hawaii	68.9	60.7	62.2	65.7	58.6	73.8	84.8	64.1
Idaho	75.1	62.5	68.4	75.0	62.2	(X)	(X)	(X)
Montana	68.7	58.4	63.2	68.7	57.9	(X)	(X)	(X)
Nevada	75.2	61.7	69.0	75.8	61.8	61.8	65.8	58.3
New Mexico	67.9	55.2	62.1	68.3	56.2	66.1	65.7	66.6
Oregon	73.9	59.3	65.9	74.0	58.3	58.6	71.4	44.3
Utah	79.7	64.0	71.8	79.8	64.2	59.0	79.2	44.3
Washington	71.8	58.7	64.9	72.2	57.9	72.0	71.2	72.8
Wyoming	75.5	63.9	69.7	75.6	64.1	54.7	43.6	73.7
Western Region	**73.3**	**58.9**	**66.4**	**74.1**	**58.9**	**63.1**	**65.7**	**60.4**
Untied States	**72.4**	**59.0**	**65.7**	**73.1**	**58.7**	**63.5**	**66.5**	**61.1**

Source: Calculated from the Current Population Survey March Supplement, 2002
Note: (X) denotes cases where the sample size is too small to estimate the participation rate

Table 3.8 Labor Force Participation Rate by Age by State, 2001

	Age 16-24	Age 25-44	Age 45-64	Age 65+
Alabama	53.6	81.7	65.1	8.1
Arkansas	63.4	84.0	72.6	11.8
Delaware	64.9	89.1	75.5	13.4
District of Columbia	51.5	85.5	77.3	14.5
Florida	60.0	83.4	71.8	12.8
Georgia	51.4	82.4	74.0	15.9
Kentucky	65.0	81.9	67.4	10.1
Louisiana	54.7	81.4	66.3	13.1
Maryland	59.0	88.4	79.4	21.4
Mississippi	49.0	82.1	69.5	7.4
Missouri	69.9	86.9	77.3	14.6
North Carolina	58.8	85.4	72.8	14.5
Oklahoma	62.4	84.6	75.4	12.5
South Carolina	49.8	83.5	70.4	11.6
Tennessee	58.1	84.1	71.3	12.0
Texas	56.9	83.5	73.9	15.0
Virginia	55.7	86.0	75.9	15.1
West Virginia	53.4	79.2	60.9	9.6
Southern Region	**57.8**	**84.0**	**72.6**	**13.5**
Illinois	59.7	84.4	77.0	13.0
Indiana	64.4	85.7	76.7	13.2
Iowa	70.3	89.8	84.1	15.8
Kansas	70.1	84.2	80.5	18.4
Michigan	61.2	83.6	71.6	11.4
Minnesota	70.1	90.4	85.0	17.2
Nebraska	74.5	90.5	85.7	19.3
North Dakota	70.3	89.0	85.4	16.2
Ohio	63.8	85.1	76.2	12.1
South Dakota	70.6	91.9	87.4	20.3
Wisconsin	72.7	89.1	83.3	16.7
Midwestern Region	**65.2**	**86.0**	**78.1**	**14.0**
Connecticut	56.5	86.4	81.2	14.4
Maine	61.9	85.4	73.8	11.8
Massachusetts	61.6	85.5	83.2	13.7
New Hampshire	64.4	86.6	81.1	15.1
New Jersey	54.7	82.8	77.2	10.6
New York	53.2	79.5	73.9	13.3
Pennsylvania	61.0	85.4	75.3	13.4
Rhode Island	59.4	86.8	80.7	13.7
Vermont	65.4	87.3	80.4	13.1
Northeastern Region	**57.0**	**83.1**	**76.7**	**13.0**
Alaska	55.5	84.8	77.3	14.3
Arizona	63.1	82.5	73.8	9.5
California	56.5	82.2	75.1	11.3
Colorado	69.7	87.5	77.9	12.0
Hawaii	55.9	84.2	77.3	14.5
Idaho	63.5	86.9	78.7	17.4
Montana	60.7	87.0	75.0	11.5
Nevada	61.0	87.4	77.1	15.1
New Mexico	60.6	81.1	72.6	11.7
Oregon	60.2	84.8	74.1	12.2
Utah	74.0	83.1	79.0	18.0
Washington	58.5	84.2	72.1	14.0
Wyoming	71.2	87.7	79.8	14.7
Western Region	**59.7**	**83.3**	**75.1**	**12.1**
Untied States	**59.6**	**84.1**	**75.1**	**13.2**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 3.9 Unionization Rate by State, 2001

	Unionization Rate
Alabama	8.9
Arkansas	5.9
Delaware	11.1
District of Columbia	13.8
Florida	5.7
Georgia	6.0
Kentucky	10.0
Louisiana	8.1
Maryland	14.1
Mississippi	6.6
Missouri	13.2
North Carolina	3.2
Oklahoma	8.9
South Carolina	4.9
Tennessee	9.0
Texas	5.1
Virginia	5.9
West Virginia	13.3
Southern Region	**7.1**
Illinois	19.6
Indiana	13.3
Iowa	11.1
Kansas	8.2
Michigan	21.1
Minnesota	17.6
Nebraska	7.9
North Dakota	8.1
Ohio	16.7
South Dakota	5.6
Wisconsin	15.6
Midwestern Region	**16.3**
Connecticut	16.7
Maine	12.9
Massachusetts	14.2
New Hampshire	9.7
New Jersey	19.4
New York	25.3
Pennsylvania	15.5
Rhode Island	17.2
Vermont	9.5
Northeastern Region	**19.3**
Alaska	24.3
Arizona	5.5
California	17.5
Colorado	7.8
Hawaii	24.4
Idaho	7.1
Montana	14.1
Nevada	15.2
New Mexico	6.6
Oregon	15.5
Utah	6.2
Washington	18.4
Wyoming	7.8
Western Region	**14.8**
Untied States	**13.2**

Source: Calculated from data provided by the Bureau of Labor Statistics

Table 3.10 Right to Work Legislation by State

	Right to Work	
Alabama	Yes	
Arkansas	Yes	
Delaware	No	
District of Columbia	No	
Florida	Yes	
Georgia	Yes	
Kentucky	No	
Louisiana	Yes	
Maryland	No	
Mississippi	Yes	
Missouri	No	
North Carolina	Yes	
Oklahoma	Yes	
South Carolina	Yes	
Tennessee	Yes	
Texas	Yes	
Virginia	Yes	
West Virginia	No	
Southern Region		**83.1**
Illinois	No	
Indiana	No	
Iowa	Yes	
Kansas	Yes	
Michigan	No	
Minnesota	No	
Nebraska	Yes	
North Dakota	Yes	
Ohio	No	
South Dakota	Yes	
Wisconsin	No	
Midwestern Region		**14.8**
Connecticut	No	
Maine	No	
Massachusetts	No	
New Hampshire	No	
New Jersey	No	
New York	No	
Pennsylvania	No	
Rhode Island	No	
Vermont	No	
Northeastern Region		**0.0**
Alaska	No	
Arizona	Yes	
California	No	
Colorado	No	
Hawaii	No	
Idaho	Yes	
Montana	No	
Nevada	Yes	
New Mexico	No	
Oregon	No	
Utah	Yes	
Washington	No	
Wyoming	Yes	
Western Region		**18.0**
Untied States		**38.6**

Source: Calculated from data provided by the National Right to Work Committee
Regional and United States figures represent the percentage of the relevant population that is covered by a right to work law.

Table 3.11 Educational Attainment by State, Percent of Population Age 25+ with Given Education, 2001

	<HS Diploma	High School Diploma	Some College	Associate Degree	Bachelor's Degree	Graduate or Professional Degree
Alabama	21.1	32.6	14.8	8.7	14.8	7.9
Arkansas	19.0	39.3	17.7	5.6	12.1	6.2
Delaware	11.5	33.9	18.3	6.8	19.1	10.4
District of Columbia	16.5	20.5	14.9	3.7	20.2	24.2
Florida	16.7	32.2	16.4	9.0	18.0	7.7
Georgia	17.1	34.0	16.4	7.5	17.9	7.1
Kentucky	19.2	35.5	16.9	6.9	12.6	9.0
Louisiana	21.2	35.0	15.3	6.4	16.1	6.1
Maryland	12.5	28.6	15.2	6.2	21.8	15.7
Mississippi	20.9	31.8	16.2	10.2	16.3	4.6
Missouri	11.9	36.9	17.9	6.6	18.4	8.2
North Carolina	19.9	32.3	14.8	10.6	15.0	7.4
Oklahoma	14.9	36.5	21.3	7.0	13.7	6.7
South Carolina	19.8	32.4	16.0	8.4	15.1	8.3
Tennessee	19.9	34.3	17.0	7.4	14.2	7.3
Texas	21.9	27.0	18.4	6.5	18.2	8.0
Virginia	13.3	29.2	16.7	6.3	22.7	11.9
West Virginia	21.5	42.6	14.3	5.7	10.2	5.7
Southern Region	**18.1**	**32.1**	**16.7**	**7.6**	**17.2**	**8.3**
Illinois	14.1	32.4	19.0	7.2	18.7	8.6
Indiana	14.7	37.4	15.6	8.6	14.5	9.3
Iowa	11.7	37.4	16.5	11.3	16.0	7.0
Kansas	12.5	31.0	19.6	7.8	19.1	10.1
Michigan	13.5	36.6	19.1	8.2	14.1	8.5
Minnesota	7.8	29.7	19.0	12.9	21.6	9.0
Nebraska	10.2	33.0	19.5	10.2	18.4	8.7
North Dakota	11.0	32.0	18.7	13.0	20.3	5.1
Ohio	12.7	39.0	16.2	7.6	16.4	8.1
South Dakota	10.8	37.9	16.1	11.5	17.7	5.8
Wisconsin	13.2	35.5	15.4	11.1	17.3	7.4
Midwestern Region	**12.8**	**35.3**	**17.7**	**8.8**	**17.0**	**8.4**
Connecticut	12.0	33.7	13.0	8.7	21.1	11.5
Maine	12.6	39.8	13.9	9.9	15.9	7.9
Massachusetts	13.5	31.1	13.4	7.8	21.2	13.0
New Hampshire	9.8	34.6	15.2	10.3	20.5	9.6
New Jersey	14.1	34.3	14.3	5.9	20.8	10.6
New York	16.3	32.6	13.5	8.9	17.6	11.2
Pennsylvania	13.9	40.0	12.1	8.0	16.3	9.7
Rhode Island	19.9	29.1	13.6	7.3	18.9	11.1
Vermont	12.6	36.1	11.8	8.7	19.6	11.2
Northeastern Region	**14.6**	**34.7**	**13.3**	**8.1**	**18.6**	**10.9**
Alaska	7.8	31.7	26.6	8.4	17.5	8.2
Arizona	15.4	27.5	21.5	9.2	17.8	8.5
California	19.8	24.0	19.0	9.4	18.6	9.3
Colorado	12.4	26.3	18.8	6.8	23.3	12.4
Hawaii	12.1	31.9	18.2	11.0	19.3	7.6
Idaho	13.2	35.3	21.9	8.7	15.3	5.6
Montana	10.3	33.6	23.5	9.1	16.7	6.8
Nevada	14.2	35.4	21.4	6.8	15.4	6.7
New Mexico	18.4	30.2	17.6	8.4	14.5	10.9
Oregon	12.3	28.5	23.2	8.9	18.0	9.1
Utah	9.0	30.5	25.6	8.2	19.3	7.5
Washington	9.6	29.6	22.4	10.1	19.4	8.9
Wyoming	8.4	37.6	23.5	10.9	14.3	5.2
Western Region	**16.3**	**26.7**	**20.2**	**9.1**	**18.6**	**9.1**
Untied States	**15.9**	**32.1**	**17.0**	**8.3**	**17.7**	**9.0**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 3.12 Labor Force Participation Rates in Metro and Nonmetro Areas, 2001

	Nonmetro Areas	Metro Areas
Alabama	54.2	62.1
Arkansas	61.9	64.1
Delaware	58.0	69.4
District of Columbia	(X)	67.2
Florida	54.8	61.3
Georgia	61.5	67.3
Kentucky	57.2	68.8
Louisiana	54.5	61.6
Maryland	63.3	70.4
Mississippi	60.6	64.1
Missouri	66.7	69.6
North Carolina	63.7	66.1
Oklahoma	61.6	67.6
South Carolina	56.9	61.2
Tennessee	59.1	67.7
Texas	60.7	66.9
Virginia	60.2	68.8
West Virginia	54.4	53.9
Southern Region	**60.1**	**67.1**
Illinois	60.4	68.1
Indiana	62.6	69.3
Iowa	69.3	75.8
Kansas	68.0	65.5
Michigan	61.0	65.1
Minnesota	72.8	77.3
Nebraska	71.8	75.2
North Dakota	69.3	80.1
Ohio	61.3	67.5
South Dakota	71.3	81.5
Wisconsin	70.9	72.4
Midwestern Region	**66.1**	**67.4**
Connecticut	71.8	66.6
Maine	62.6	63.6
Massachusetts	67.2	69.9
New Hampshire	66.1	71.0
New Jersey	(X)	64.0
New York	60.8	62.1
Pennsylvania	62.8	65.5
Rhode Island	67.0	65.2
Vermont	69.0	75.3
Northeastern Region	**63.5**	**66.5**
Alaska	67.2	74.4
Arizona	56.5	64.7
California	41.9	65.8
Colorado	70.7	71.5
Hawaii	65.4	64.4
Idaho	66.2	72.9
Montana	63.4	(X)
Nevada	69.1	68.4
New Mexico	57.4	64.0
Oregon	61.7	67.9
Utah	69.9	72.1
Washington	53.8	68.2
Wyoming	69.6	(X)
Western Region	**61.3**	**65.3**
Untied States	**62.4**	**66.3**

Source: Calculated from the Current Population Survey March Supplement, 2002

Note: (X) denotes cases where the state does not have any of the given area, for example there are no nonmetro areas in the District of Columbia

4. A PROFILE OF LOWER INCOME WORKERS IN THE SOUTH

The previous sections of this report have detailed the conditions and structure of the Southern economy. The purpose of the current section is to look more closely at the Southern poor by considering the labor force characteristics of lower income individuals and workers and the benefits coverage for low income workers.

Labor Force Characteristics of Lower Income Workers

The labor force participation rate overall is about 66 percent. Poverty comes about not only because some individuals are working for below average wages, but also because of lower labor force participation. Table 4.1 presents statistics on labor force participation rates for the total civilian population 16 years and older as well as the comparable rates for the segment of the population in poverty. Of those individuals 16 years and older below the poverty line, the labor force participation rate nationally falls to just below 40 percent. That is, more than 60 percent of the *working age* population living in poverty is not part of the labor force. Further, of those that are in the labor force, the unemployment rate is much higher than for the population as a whole. The unemployment rate for people below the poverty line is about 20 percent.

These patterns are revealed clearly in Table 4.2, which shows the ratio of employed to the total working age population in total and for those in poverty. In terms of the total population figures, note that the South's employment-population ratio is the lowest among the four regions and reflects the South's lower labor force participation. Recall that the South had relatively low unemployment, but with lower participation, the region still ends up with a lower employment to population ratio.

This difference in the employment to population ratio between the total population and those in poverty is striking and points to the fact that poverty is more than simply a problem of low wages. Of course, higher wages would improve this situation because this would help draw more people into the labor force and also

provide an incentive to invest in education or seek out job training and job assistance services. Yet, Southern wages could rise with only a less than proportionate increase in living standards as long as a smaller than average portion of the Southern population is working.

Again, there is substantial variation among the Southern states. For example, Delaware, Maryland, Missouri and Virginia all have employment to population ratios greater than 63.5 percent. Meanwhile, six of the seven lowest states in the U.S. are in the South. West Virginia has the lowest employment ratio at just 50.7 percent. That is, only slightly more than half of all working age people in West Virginia are working.

Turning to the characteristics and conditions faced by lower income workers, Table 4.3 provides the estimated percentage of low income workers by region and by state for various poverty thresholds. Specifically, this table indicates the percentage of all workers that are classified as low income workers. Nationwide, it is estimated that 5.6 percent of all workers have total family income less than the poverty level.

The West has the largest fraction of lower income workers, with 6.8 percent of all workers in families with family income less than the poverty cutoff. The South is second highest at 6.2 percent. Overall, the South region has just more than 3 million workers in poverty while the West has just more than 2 million. Expanding the definition of a low income worker to include those with family incomes less than 2 times the poverty level, the U.S. figure climbs to 18.6 percent. While the South, at 20.5 percent, remains second behind the West, the difference between the South and the Northeast and Midwest regions becomes even more pronounced.

Given these statistics on the prevalence of lower income workers, the next logical issue concerns the types of jobs held by this group of workers. First, in what industries and what occupations are low income workers employed? Table 4.4 provides a look at the national level distribution of low income workers relative to the distribution of all workers.

Of the aggregate sectors given in this table, retail trade employs the largest portion of low income workers. For example, of all workers whose family incomes are less than 150 percent of the poverty level, 28.1 percent work in the retail trade sector.

Note that there are many individual service sectors listed here, and that an even broader group of non-financial service sectors employs about 37.2 percent of all low income workers. However, the greatest difference does occur in retail trade. While 28.1 percent of lower income workers below the 150 percent threshold are in retail trade, 16.9 percent of *all* workers -- poor and non-poor -- work in retail trade.

Table 4.5 compares these statistics across the four regions, considering only the distribution of lower income workers below the 150 percent threshold. There is not a great deal of regional variation in the distribution of lower income workers. In each region, retail trade is the largest employer of low income workers. The South does have a relatively larger portion of its lower income workers in the construction sector, with the difference made up by slightly smaller representation in several of the individual service sectors.

Another way to look at these numbers is to consider what fraction of all workers within an industry are considered to be lower income workers. Table 4.6 indicates, for each industry group, the fraction of total workers that are below various poverty thresholds at the national level. Across the different poverty thresholds, the industry that is most dominated by low income workers is private household services. For example, 21.7 percent of all workers in this sector have family incomes less than the official poverty level, while 46.8 percent of all workers have incomes less than 2 times this level. Private household services includes all private households employing domestic help such as cooks, butlers, gardeners, personal secretaries, and others. Overall this is a relatively small industry, employing only about 0.6 percent of all workers nationally.

Among the larger sectors, those that see lower income workers account for a large portion of the total workforce include retail trade, business services, personal services, repair services, entertainment and recreation services, social services, and construction. The business services sector includes firms in advertising, mailing, security provision, and others. However, the largest component of the business services sector is personnel supply services, including employment agencies and help supply firms (temporary help agencies). Someone working through a temporary agency is

recorded on the payroll of that agency, not of the firm for which they are currently working. Therefore, regardless of the industry in which they are working, temporary help workers are counted in the business services sector.

The repair services sector includes firms in automobile repair, automobile renting, and other automobile services. It also includes electrical, jewelry and furniture repair firms, for example. The personal services sector includes those firms engaged in laundry and cleaning, and beauty and barber shops. The social services industry is made up of firms providing services including childcare and family counseling, job training, and residential care.

Within this group of industries, retail trade is the sector that relies most heavily on low income workers. Nearly 19 percent of all workers in retail trade have family incomes less than 150 percent of the poverty level, while nearly 29 percent of workers are below 200 percent of the poverty cutoff. The industries that see a lower prevalence for employing low income workers are the financial services firms in the banking, finance, insurance and real estate industry group, health and educational services, and the government.

The regional breakdown of these numbers is given in Table 4.7, again focusing on workers with family incomes less than 150 percent of the official poverty level. At the industry level, the South region does not seem to differ substantially from the national averages, though there are some differences across the four regions. For example, for retail trade firms in the Midwest, 14.3 percent of all workers are low income workers. For the South and West regions, the comparable figure climbs to 21.1 percent and 22.1 percent, respectively.

Another useful way to look at the labor force characteristics of low income workers is to look at the distribution across occupations. Table 4.8 presents the distribution of low income workers across different occupations, just as Table 4.4 did for different industries. The dominant occupation for low income workers is the catch-all group of ‘other service’ occupations. The other major occupations for these workers include sales, administrative support, and precision production occupations. Comparing the distribution of low income workers with all workers, the largest gaps occur in

executive occupations, professional specialty occupations, and the other service occupations. For example, 15.2 percent of the all workers are in executive occupations, while 4.9 percent of all lower income workers below the 150 percent threshold are in these occupations.

Yet another interesting way to consider the distribution of lower income workers is to look at employment by size of the employer. Table 4.9 shows the distribution of low income workers across firms of different sizes relative to the distribution of all workers.

The most striking result from these statistics is the fact that lower income workers are much more likely to be working in very small firms, especially those with fewer than 10 employees. For example, workers who lie below 150 percent of the poverty line are employed by these small firms 29.7 percent of the time, while 19.6 percent of all workers are in these smallest firms. Also noteworthy is the result that these workers are much less likely to be employed by the largest firms, those with more than 1,000 employees. For workers below 150 percent of the poverty level, 29.8 percent work at these largest businesses, while 39.3 percent of all workers are in large firms.

These figures become especially important when considering the prevalence of employer provided health insurance and other benefits by size of employer. If the smallest employers are less likely to offer health insurance and other benefits, then lower income workers are at a disadvantage given the importance of small firms as employers of this group of employees.

So far, this consideration of the labor force statistics has revealed that, relative to the population of all workers, lower income workers are more likely to be employed in sales and support occupations within the retail trade and service sectors. Further, they are more likely to be employed by small firms, especially those with fewer than 10 employees, and less likely to be employed by large firms such as those with more than 1,000 workers.

Before turning to the implications of these findings as far as wage and non-wage compensation, there is yet one more set of numbers to consider. The U.S. Bureau of

Labor Statistics produces data from its Job Openings and Labor Turnover Survey (JOLTS) program. These data can be used to estimate the degree of labor turnover by industry and by region, though the numbers are not available at the state level. Labor turnover represents the flow of workers into and out of employment.

Employment separations, the flow out of employment, can be for many reasons. Workers could be voluntarily leaving one job for another, exiting the labor force, or taking time off for any number of reasons. Separations can also represent involuntary layoffs and discharges. The extent to which a particular industry experiences separations indicates a lack of employment stability in that industry regardless of the reasons for those separations.

One of the problems facing low income workers is the challenge to find a stable source of employment. If it is the case that these workers are subject to higher turnover rates, this represents a serious impediment to the goal of obtaining reliable employment. High turnover can prevent an employee from gaining valuable experience that makes the employee more productive and allows the employee to command higher wages and better benefits. Meanwhile, higher turnover also presents increased costs for employers. These costs come in the form of time and expense spent training new hires, the time and expense of searching for new hires, as well as the value of lost institutional knowledge.

The industry and region specific turnover rates are given in Table 4.10. Here, the *average monthly turnover rate* is calculated as the average monthly level of *employment separations* as a percentage of the average monthly *employment level*, calculated each month from July 2002 to July 2003. For example, the average turnover rate for all industries in the U.S. is 3.1 percent. That is, each month on average, 3.1 percent of all workers nationwide are separated from their job. Note that this doesn't mean these people are becoming unemployed because many of them may be finding another job almost immediately. Further, this clearly doesn't mean that total employment is decreasing at this or any other rate. During a period of stable employment levels, this separation rate could be offset by an equal rate of new hires.

The industry level data provides interesting comparisons. The highest rates of turnover among the broad industry groups shown here are in leisure and hospitality

services (which include the arts, entertainment, and recreation and the accommodation and food service sub-sectors), construction, and retail trade. While these industry groupings are not exactly comparable with the data on the distribution of lower income workers because of different broad industry groups, the correlation is still apparent. Among the sectors that employ large numbers of low income workers are retail trade, construction, and several individual service sectors (from Tables 4.4 through 4.6). Therefore, these low income workers are likely to be employed in an industry with relatively high turnover, and therefore face a greater challenge in finding stable employment.

Among the industries with lower turnover rates are government, finance and insurance, and educational services. All of these are among the sectors that the previous statistics indicated are less likely to employ the low income population. If the lower income workers currently in retail trade, construction, and some of the service sectors were able to move into some of the more stable industries, their prospects for becoming more productive and for seeing higher wages and benefits would almost certainly improve.

One of the major obstacles preventing this employment shift is educational attainment. Whereas those that are currently low income workers have relatively low levels of educational attainment, the more stable industries and the higher paying industries are generally comprised of employees with relatively higher levels of education. For example, about 15 percent of all retail trade workers have earned a bachelor's degree or higher, while almost 40 percent of employees in finance, insurance and real estate have reached that level, and nearly 38 percent of government sector employees have at least a bachelor's degree.

Lower Income Workers and Health Care

The data indicate that lower income workers are more likely to work for small firms in the sectors that experience the highest rates of labor turnover. Given these

conditions, it should come as no surprise that these employees are faced with below average access to important employer provided benefits, such as health insurance, child care assistance, and retirement plans. This section presents various statistics illustrating these facts.

To consider health insurance, we can first look at the broad regional patterns of coverage. Table 4.11 presents the fraction of the population that is covered by some type of health insurance plan as well as the comparable rates for individuals below various poverty thresholds. Overall, 85.4 percent of the population was covered by health insurance in 2001. The regional rates of coverage vary from 82.5 percent in the West to a high of 89.2 percent in the Midwest. The South was below the national average and third regionally with 83.7 percent of the population covered.

For those individuals living below the official poverty line, the coverage rate nationally drops to 68.9 percent. Of all people in poverty, 31.1 percent were uninsured in 2001. The regional variation of health coverage for the poor is similar to the variation for the total population. In the West, only 64.9 percent of those in poverty are covered by health insurance, while 73.4 percent in the Midwest are covered. In the South, the coverage rate for those in poverty is 67.9 percent.

Health insurance coverage for the total population in the South ranges from a low of 76.5 percent in Texas – also the lowest nationally – to a high of 90.8 percent in Delaware. The same pattern generally holds for those in poverty as well with the lowest coverage in Texas and the highest coverage in Delaware, the District of Columbia, and perhaps more surprisingly, South Carolina.

Looking more closely at the source of insurance, the data in Table 4.12 reveal that the gap between the South and the U.S. is driven by the lower rate of private insurance, while the coverage rate for government insurance is higher. The largest percentage difference in government coverage occurs specifically within the military health plans reflecting a larger presence of veterans and active military in the South. However, Medicaid and Medicare coverage is also marginally higher in the South. Of course, there is always more variation when looking at the state-level data. Tables 4.13 and 4.14 show the health insurance coverage rates for the total population and for those

in poverty by state for: private health insurance (Table 4.13) and government health insurance (Table 4.14).

The private health insurance coverage rate in the South drops from 68.0 percent for the total population to just 24.1 percent for those below the official poverty threshold. In both respects, the Southern region is below the U.S. average. Across the Southern states, private health insurance coverage for those in poverty ranges from a low of 17.1 percent in West Virginia (the lowest rate in the nation) to a high of 35.8 percent in Maryland.

In terms of government health insurance, the Southern coverage rate is 26.6 percent for the total population – the highest of the four regions largely because of the higher prevalence of military-related health benefits. In the South, 4.6 percent of the population is covered by military health insurance compared with 3.4 percent nationally. Turning to the population below the poverty line, government health coverage climbs to 50.3 percent. Government coverage rates for the population in poverty range from a low of 40.6 percent in Texas to a high of 67 percent in Tennessee. These differences are driven by the state-level differences in the makeup and eligibility for the Medicare and Medicaid programs.

Given the primary gap in private health insurance provision, we can now consider more closely the prevalence of private -- and then specifically employer-based -- health insurance for low income workers relative to all workers. Table 4.15 provides the rates of private health insurance coverage for all workers and for low income workers. Note that Table 4.13 was concerned with private insurance for the *population*, whereas Table 4.15 deals with private insurance for *workers*.

Nationally, 80.7 percent of all workers are covered by a private health plan. A significantly lower fraction of lower income workers are covered by private health plans. For those workers below 100 percent, 150 percent, and 200 percent of the poverty line, the private health insurance coverage rates are just 35.0 percent, 42.3 percent, and 49.8 percent, respectively. Overall, the South always has private coverage rates below the national average, though it is not necessarily the lowest of the four regions.

Of the Southern states, West Virginia posts the lowest rate of private health coverage for low income workers below the official poverty cutoff, with just 21.8 percent covered. South Carolina posts the highest rate of private coverage for its comparable group of low income workers.

Private health insurance can take the form of employment-related health insurance or privately purchased insurance. Further, employment-related insurance can be based on the worker's own employment or on a family member's employment. The next statistics, given in Table 4.16, consider only the prevalence of coverage provided through the worker's own employer. Nationally, 57.4 percent of all workers are covered by a health plan provided through their own employer or own union. The South, at 57.1 percent, is only slightly less and is third overall ahead of the West where just 55.0 percent of workers have own-employment based coverage.

Shen and Zuckerman (2003) estimate individual-level regressions to explain variation in employer-sponsored health insurance. They find that various demographic, employment and labor market characteristics significantly explain this variation at the individual level. They then find that the state-level variation in insurance is driven primarily by state-level variations in these major factors. That is, the state-level variation in employer-sponsored insurance is primarily because of state-level variations in these demographic, employment, and labor market characteristics. Therefore, the state-level variation in insurance coverage is essentially beyond the state government's control, because it is driven by differences in demographics and employment characteristics such as firm size, and presumably other variables such as industry and occupational mix.

Employment-based health coverage drops considerably moving from all workers to just the lower income workers. For example, only 20.8 percent of Southern low income workers below the official poverty line have coverage through their own employer. The lowest rate in the South and in the U.S. is in West Virginia where just 9.2 percent of these lowest income workers have employer-provided coverage. Other Southern states with below average coverage rates for low income workers include Arkansas, Florida, Maryland, Mississippi, Missouri, and Tennessee. However,

expanding the range of incomes to those workers with family incomes less than 200 percent of the poverty threshold, many of these states improve to above average. At this broader definition of low income workers, the Southern states with the lowest coverage rates include Florida, Maryland, Oklahoma, Tennessee and Texas.

The Southern states with substantially higher rates of own-employment health insurance coverage include Alabama, Georgia, Kentucky, South Carolina and Virginia. Across the U.S., the region with the lowest rates of coverage for low income workers is the West region. The Western statistics are driven largely by what happens in California, and in this case California posts relatively low rates of employment-related health insurance coverage for both low income workers and all workers in general.

Lower income workers are much less likely to have private health insurance in general, and employer based insurance in particular. Not only is the prevalence of coverage lower for these workers, but the quality of coverage – in terms of the employer contribution for coverage – is also much lower. The first look at this issue is given in Table 4.17. Of those workers that are covered by own-employment based health insurance, these figures indicate the portion of these workers for whom the employer contribution to the health plan is full, partial, or zero. Specifically, this table considers the conditions for low income workers below 150 percent of the poverty threshold and for all workers.

In the South, employers pay part of the health insurance premium in the case of 72.9 percent of all workers. The health insurance is fully-paid by the employer for 20.7 percent of all workers, and the employer contributes nothing for 6.4 percent of all workers. These statistics only refer to the case where an employee is actually covered by a plan provided through their own employer. These data are unable to explicitly reveal the *incidence* of insurance offerings because the numbers are based on a survey of the employee. We should expect a higher incidence of zero contributions in terms of actual insurance offerings relative to the coverage rate, because it is likely that the participation rate in such a plan would be lower than in the case of a full- or partially-paid insurance plan. Therefore, these numbers likely understate the prevalence of zero-

contribution offerings, and likely overstate the prevalence of fully-paid insurance availability.

For lower income workers in the South, fully-paid plans cover only 16.6 percent of workers, down from the 20.7 percent incidence for all workers. In this respect, the South is below the U.S. average of 22.9 percent and is also the lowest of the four regions. Meanwhile, lower income workers face a relatively higher likelihood of being covered by a plan with no contribution from the employer. Lower income workers in the South have a zero employer contribution plan 9.5 percent of the time. That is, nearly 1 in 10 low income workers in the South, with an employer provided health plan, receives no contribution from that employer.

Not only is there a higher incidence of zero-contribution plans among lower income workers, but of those with a partially-paid plan, the average dollar value of the employer contribution is also substantially less. That is, looking at just the group of workers with a partially-paid employment-based health plan, the average value of that partial payment is less for low income workers than it is for all workers in general. These data are given in Table 4.18. Specifically, this table shows the average employer contribution in the case of partially-paid health plans, for low income workers and for all workers. The average employer contribution for workers with fully-paid plans is also provided. For comparison purposes, the average partial-payments are also given as a percentage of the average fully-paid contribution.

For example, for all workers in the U.S. with a partially-paid plan, the average annual employer contribution is $2,880. For all workers in the U.S. with a fully-paid plan, this contribution is $4,110. Therefore, the average partial contribution is 70.1 percent of the average full contribution. In the South, the comparable figure stands at 68.4 percent. That is, for all workers with a partially paid plan, the average employer contribution is 68.4 percent of a fully-paid plan. This is the lowest of any region, and in fact the next lowest region is the Midwest where partial contributions average 72.6 percent of the full contribution.

The figures for lower income workers show that the average partial contribution is substantially lower. In the South, low income workers below the poverty cutoff with

a partially-paid health plan, receive an average employer contribution of $1,260. This figure is roughly half of the average received by all such partial-plan workers, and only 36.5 percent of the amount received under full-contribution plans. Even at the higher income threshold of 200 percent of the poverty cutoff, the average partial contribution is less than half of the full contribution value.

These statistics reveal the depth of the problem faced by low income workers in acquiring quality health insurance coverage. For low income workers, private and employer-provided health coverage rates are low, there is a higher incidence of zero-contribution plans and lower incidence of full-contribution plans, and the average contribution for partially-paid plans is well below that received by higher income workers.

Why is it that low income workers face this lack of private health insurance? The answer lies, in large part, in the labor force characteristics of low income workers as discussed previously. These workers are more likely to work in small firms and in high-turnover sectors including retail trade, several service industries, and construction. It turns out that these labor force conditions tend to presuppose low income workers to a lack of private health insurance.

In Table 4.19, the prevalence of an own-employer provided health plan appears to be highly positively correlated with firm size. Here, coverage rates range from a low of 27.4 percent within the smallest firms to a high of 72.5 percent within the nation's largest firms. Lower income workers, therefore, are more likely than the average worker to be employed at a small firm with a lower incidence of employment-based health insurance. Similarly, they are less likely to be employed at large firms that have a higher incidence of private health insurance coverage.

Meanwhile, the industries that employ large shares of low income workers tend to be associated with lower rates of own-employer provided health insurance coverage. Table 4.20 presents these industry-specific rates of coverage for the U.S. Here, the lowest coverage rates occur in the following industries: agriculture, construction, retail trade, private household services, repair services, personal services, entertainment and recreation services, and social services. Meanwhile, the highest rates of coverage are

seen in mining, manufacturing, transportation, financial services, health and educational services, and the government sector.

As is the case with firm size, there is a strong (negative) correlation between employer provided health insurance coverage rates and the distribution of lower income workers. The industries that are the dominant employers of low income workers are generally the same industries with a lower prevalence of employment-based insurance coverage.

These same patterns are given in Cubbins & Parmer (2001). That study considers the provision of health benefits and finds significant positive relationships between health care provision and firm size and union membership, and negative correlations between benefits and retail trade and non-professional service industries.

Lower Income Workers and Retirement Plans

Another important work-related benefit is the provision of a retirement plan. Access to a group retirement plan is especially critical given the uncertainty around the future of the social security system. For a low income worker, an employer provided retirement plan is even more critical because of the difficulty of private saving for retirement at low income levels. Given the types of industries and occupations in which low income individuals are often employed, it would seem as though they may also have difficulties accessing a retirement plan, and therefore are more dependent on the uncertain future of the U.S. social security system.

There are two issues to consider here. First, to what extent do low income workers have access to a retirement or pension plan? Second, to what extent do these workers participate in an employer offered retirement plan? Table 4.21 shows the percentage of low income workers whose employers offered a retirement plan. For all workers in total, 56.5 percent were employed by an employer that offered a retirement plan. The prevalence of even the possibility of a retirement plan is about half that in the

case of low income workers. For example, at the 150 percent threshold, only 27 percent of low income workers were at a firm offering a retirement plan.

The South does not vary significantly from the U.S. averages in this case though there is more substantial state-level variation. For low income workers below the 150 percent cutoff, the availability rates range from a low of 22.9 percent in Arkansas to a high of 35.6 percent in Tennessee.

Turning to participation in a retirement plan, it seems that low income workers may be less likely to join a retirement plan because of their already lower wages. If participation in the retirement plan is voluntary, then at low wage levels the immediate marginal cost of contributing towards retirement may be greater than the perceived longer-term marginal benefit of preparing for retirement. Table 4.22 bears this out. Nationally, for those workers with access to a retirement plan, 79.9 percent of workers participated in the plan. Meanwhile, a much smaller fraction of lower income workers were included in a retirement plan. Workers below 150 percent of the poverty line whose employers have a retirement plan were part of that plan only 44.4 percent of the time. In the South, 78.2 percent of all workers participated in a retirement plan where available, while only 43.6 percent of low income workers below 150 percent of the poverty cutoff participated in an available retirement plan.

As was the case with health insurance coverage, the differences between all workers and low income workers for retirement plan coverage is largely a consequence of the industry mix faced by this group of workers. Again, the relatively small firms in the retail trade, construction, and certain service sectors are generally less likely to offer a retirement plan.

Lower Income Workers and Child Care

Currently, the labor force participation rate for women is near 60 percent. In 1950, this figure stood at just 33.9 percent.[5] This tremendous change in the role of

[5] From the U.S. Bureau of Labor Statistics

women in the labor force has created new challenges over time; a critical challenge is obtaining quality child care to support the entrance of women into the labor force. Since 1950 the male labor force participation rate has fallen quite dramatically, from nearly 87 percent to less than 74 percent. This reduction in male participation has to some extent created opportunities for women to go to work while fathers stay home. However, this case is certainly an exception to the rule, just as the traditional case of a working father and stay at home mother is more and more becoming an exception to the rule. Situations in which both parents are working, or the only parent present is working, are becoming increasingly prevalent.

A major impediment to joining the labor force, especially among those in poverty, is the lack of affordable childcare. Access to employer-provided child care would be an extremely valuable benefit, and would almost certainly help draw more workers into the labor force, as well as reduce employee turnover. A recent review of the status of employer-provided childcare by McIntyre (2000) references a particular case study showing a dramatic drop in employee turnover among workers utilizing on-site daycare, as well as additional benefits in terms of reduced absenteeism and reduced maternity leave. Therefore, employer-provided childcare is not only an attractive benefit for employees, but it can also provide cost-savings and a positive return for the employer.

Unfortunately, there is a lack of consistent, comparable data available to indicate the prevalence of employer-provided child care or employer-provided child care subsidies. A survey conducted by the Families and Work Institute indicates that as of the late 1990s, about 9 percent of all companies in the U.S. provided on-site childcare.[6]

The distribution of the firms providing child care is very similar to many of the patterns already uncovered regarding health insurance coverage and retirement plan availability. On-site child care is more prevalent among the largest firms and for firms in professional services and financial services sectors. Employer-provided childcare is much less prevalent within smaller firms and firms in retail trade, construction, agriculture, and miscellaneous service industries. The profile of lower income workers

[6] As cited by McIntyre (2000).

therefore suggests that, as difficult as it is for anybody to find employer-provided child care, it is even more unlikely that low income employees will have on-site child care available.

It is unrealistic to expect a typical small business to operate an on-site childcare center. Yet, there are many other options for even small businesses to provide some type of assistance. It is possible for a firm to offer a form of dependent care assistance program that allows employees to exclude a portion of taxable wages and pay for child care out of a non-taxable account. A firm could also choose to subsidize an employee's child care arrangement. There are many options for even small businesses to provide some form of child care assistance, directly or financially, that can benefit both workers and the firm.

Table 4.1 Labor Force Participation Rates, Total Population and by Poverty Threshold, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	Total Population
Alabama	34.6	36.3	39.9	59.7
Arkansas	45.3	44.9	48.6	62.9
Delaware	39.6	43.1	44.7	67.5
District of Columbia	32.2	37.3	42.0	67.2
Florida	37.9	42.3	44.3	61.0
Georgia	35.3	41.1	45.3	65.7
Kentucky	35.6	39.2	41.6	61.9
Louisiana	41.9	43.4	45.9	60.2
Maryland	32.5	35.6	44.3	69.9
Mississippi	33.3	40.7	44.1	61.1
Missouri	39.4	45.5	46.9	68.5
North Carolina	38.3	41.8	46.2	65.2
Oklahoma	44.2	47.0	49.7	65.2
South Carolina	30.1	33.6	37.6	60.1
Tennessee	39.7	41.7	44.9	65.0
Texas	42.6	46.9	50.8	65.7
Virginia	38.8	40.0	46.1	66.3
West Virginia	29.4	30.2	33.7	54.3
Southern Region	**38.4**	**42.1**	**45.7**	**64.1**
Illinois	41.6	42.2	45.3	66.8
Indiana	40.0	40.8	44.8	66.3
Iowa	49.4	52.1	52.3	71.4
Kansas	44.7	45.3	49.3	66.6
Michigan	38.4	40.7	43.9	64.6
Minnesota	48.7	49.5	53.1	75.7
Nebraska	51.8	54.9	56.8	73.7
North Dakota	49.6	51.5	51.8	71.6
Ohio	43.6	41.5	45.1	66.3
South Dakota	52.9	52.1	55.2	73.4
Wisconsin	46.6	50.1	53.3	71.8
Midwestern Region	**43.2**	**44.0**	**47.2**	**68.0**
Connecticut	36.3	38.7	41.6	66.9
Maine	28.6	34.2	39.0	62.8
Massachusetts	38.9	37.9	42.1	69.7
New Hampshire	36.5	39.2	43.5	68.6
New Jersey	32.9	37.0	42.6	64.0
New York	33.6	37.1	41.1	62.0
Pennsylvania	37.0	38.5	42.2	65.0
Rhode Island	36.6	35.4	38.9	65.4
Vermont	41.2	44.0	48.9	70.8
Northeastern Region	**34.9**	**37.5**	**41.7**	**64.6**
Alaska	42.5	45.6	49.1	70.3
Arizona	44.4	45.9	51.9	63.4
California	44.0	46.4	49.3	65.5
Colorado	51.9	53.1	55.3	71.4
Hawaii	37.9	45.1	47.9	64.7
Idaho	52.6	54.1	55.5	68.5
Montana	46.4	50.1	50.9	63.4
Nevada	41.0	44.7	50.6	68.5
New Mexico	39.7	45.4	49.4	61.3
Oregon	49.6	50.2	53.0	66.4
Utah	57.2	61.6	61.5	71.7
Washington	38.2	44.6	50.2	65.1
Wyoming	54.5	48.8	55.0	69.6
Western Region	**44.5**	**47.4**	**50.8**	**66.0**
Untied States	**40.0**	**42.9**	**46.4**	**65.4**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.2 Employment/Working Age Population Ratios by Poverty Threshold, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	Total Population
Alabama	27.0	30.1	33.6	55.8
Arkansas	33.8	35.2	40.3	57.9
Delaware	28.4	35.0	39.2	64.2
District of Columbia	23.8	29.3	34.9	62.5
Florida	32.8	37.7	40.1	57.8
Georgia	30.7	35.2	39.7	62.1
Kentucky	27.3	33.1	35.8	58.1
Louisiana	33.4	35.0	39.2	56.3
Maryland	28.1	31.2	39.3	66.3
Mississippi	27.4	34.5	38.1	56.8
Missouri	29.3	36.7	39.3	64.6
North Carolina	27.0	32.2	38.5	60.4
Oklahoma	35.8	41.7	44.9	62.1
South Carolina	20.1	25.7	31.4	56.7
Tennessee	29.6	34.0	37.3	60.6
Texas	35.1	40.3	45.0	61.7
Virginia	33.4	36.2	42.2	63.5
West Virginia	22.4	25.6	29.1	50.7
Southern Region	**30.9**	**35.7**	**39.9**	**60.3**
Illinois	32.1	34.1	38.6	62.1
Indiana	31.5	33.2	38.9	62.2
Iowa	40.1	46.1	47.2	68.2
Kansas	34.9	38.9	44.2	63.5
Michigan	29.7	32.8	37.1	60.2
Minnesota	41.1	43.0	48.1	71.7
Nebraska	42.5	47.2	50.5	70.5
North Dakota	41.0	43.7	45.5	68.1
Ohio	33.7	33.7	38.6	61.8
South Dakota	44.1	45.7	50.0	70.5
Wisconsin	35.3	40.5	44.5	67.0
Midwestern Region	**33.9**	**36.2**	**40.8**	**63.8**
Connecticut	32.6	34.2	37.3	64.2
Maine	20.4	29.4	34.7	59.8
Massachusetts	30.6	31.4	36.6	66.2
New Hampshire	32.6	36.4	40.3	65.2
New Jersey	27.1	30.3	36.7	59.9
New York	26.6	30.7	35.4	57.8
Pennsylvania	28.3	31.6	35.9	60.7
Rhode Island	26.8	28.4	32.7	61.9
Vermont	31.0	36.6	43.2	67.4
Northeastern Region	**27.7**	**31.1**	**36.0**	**60.6**
Alaska	32.9	35.8	39.0	64.8
Arizona	36.7	38.1	45.1	59.3
California	34.2	38.6	42.2	60.8
Colorado	45.7	47.3	49.9	67.2
Hawaii	33.1	40.1	43.6	61.5
Idaho	42.7	45.7	49.6	63.7
Montana	38.6	44.4	45.5	59.5
Nevada	35.0	39.0	45.7	64.5
New Mexico	32.2	39.2	43.8	57.9
Oregon	42.3	43.3	45.1	60.2
Utah	51.5	55.6	56.0	66.9
Washington	31.0	37.7	44.4	60.7
Wyoming	46.4	42.5	48.8	65.8
Western Region	**35.9**	**40.0**	**44.1**	**61.4**
Untied States	**32.0**	**36.0**	**40.3**	**61.3**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.3 Low Income Workers as a Percent of All Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level
Alabama	6.8	12.6	20.1
Arkansas	8.6	16.0	25.8
Delaware	2.7	6.6	12.2
District of Columbia	6.1	11.1	16.6
Florida	6.4	14.0	22.3
Georgia	5.7	11.9	19.2
Kentucky	5.4	12.4	19.9
Louisiana	8.5	16.2	26.8
Maryland	3.2	6.1	11.7
Mississippi	9.1	20.6	29.4
Missouri	4.2	9.6	15.7
North Carolina	5.4	11.4	19.0
Oklahoma	8.0	15.2	22.8
South Carolina	4.8	9.0	15.2
Tennessee	6.2	13.5	20.2
Texas	7.5	15.4	24.4
Virginia	4.4	8.3	14.9
West Virginia	6.7	13.2	21.4
Southern Region	**6.2**	**12.7**	**20.5**
Illinois	4.6	8.8	15.1
Indiana	4.0	8.7	16.2
Iowa	4.3	9.9	16.6
Kansas	5.1	10.6	18.1
Michigan	4.4	8.7	14.9
Minnesota	4.2	7.2	12.7
Nebraska	5.0	9.8	16.8
North Dakota	7.7	13.5	20.8
Ohio	5.0	8.9	15.9
South Dakota	5.5	11.4	18.5
Wisconsin	3.7	7.7	13.4
Midwestern Region	**4.5**	**8.8**	**15.3**
Connecticut	3.7	6.8	11.9
Maine	3.4	9.7	17.1
Massachusetts	4.0	7.6	12.8
New Hampshire	3.2	6.4	11.9
New Jersey	3.6	7.8	14.6
New York	6.1	11.7	18.4
Pennsylvania	4.1	8.2	14.5
Rhode Island	4.2	7.7	12.7
Vermont	4.2	9.5	17.5
Northeastern Region	**4.6**	**9.1**	**15.4**
Alaska	3.9	8.0	12.5
Arizona	7.9	14.2	23.8
California	6.9	13.9	21.5
Colorado	5.9	11.6	17.9
Hawaii	6.2	12.4	19.8
Idaho	7.1	14.0	24.2
Montana	8.2	17.1	27.1
Nevada	4.0	9.0	18.0
New Mexico	8.9	17.5	28.3
Oregon	8.0	14.0	22.7
Utah	7.7	15.3	22.1
Washington	5.3	11.3	19.8
Wyoming	5.9	10.8	20.6
Western Region	**6.8**	**13.4**	**21.4**
Untied States	**5.6**	**11.3**	**18.6**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.4 Industry Distribution of Lower Income Workers and All Workers in the U.S., 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Agriculture	5.6	5.0	4.5	2.3
Mining	0.1	0.2	0.3	0.4
Construction	7.9	8.1	8.3	6.8
Mfg - Durable	3.6	4.9	5.6	8.1
Mfg - Nondurable	3.7	4.4	5.0	5.4
TCPU	4.3	4.3	4.6	7.1
Wholesale Trade	2.2	2.4	2.5	3.7
Retail Trade	29.7	28.1	26.2	16.9
BFIRE	3.3	3.4	3.6	6.6
Private Household Services	2.2	1.7	1.5	0.6
Business Services	6.5	6.0	5.9	5.3
Repair Services	2.1	2.0	2.1	1.6
Personal Services	4.8	4.6	4.6	2.8
Entertainment and Recreation Services	2.5	2.3	2.1	1.9
Health Services	7.3	7.8	8.0	9.3
Educational Services	6.2	6.2	6.4	8.9
Social Services	4.2	4.2	4.1	2.7
Other Services	2.4	2.4	2.5	5.1
Government	1.5	1.7	2.1	4.5

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.5 Industry Distribution of Lower Income Workers (<150% Poverty Level) by Region, 2001

	Southern Region	Midwestern Region	Northeastern Region	Western Region
Agriculture	4.7	5.0	2.3	7.1
Mining	0.4	0.1	0.0	0.1
Construction	9.7	6.9	5.2	8.2
Mfg - Durable	4.4	7.6	5.4	3.8
Mfg - Nondurable	4.8	3.6	4.9	3.9
TCPU	4.5	3.7	5.9	3.6
Wholesale Trade	2.3	2.3	1.8	3.0
Retail Trade	28.3	28.0	28.4	27.8
BFIRE	3.1	3.5	3.9	3.5
Private Household Services	1.7	1.0	1.7	2.2
Business Services	5.9	6.2	6.9	5.7
Repair Services	2.1	1.8	1.6	2.3
Personal Services	5.0	4.3	4.0	4.8
Entertainment and Recreation Services	1.8	1.8	1.4	3.9
Health Services	8.0	8.8	10.5	5.2
Educational Services	6.3	6.7	5.5	6.3
Social Services	3.0	4.5	6.1	4.7
Other Services	2.2	2.4	2.9	2.4
Government	1.9	1.7	1.5	1.5

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.6 Percentage of Workers in each Industry that are Lower Income Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level
Agriculture	13.6	24.5	36.1
Mining	1.3	6.8	14.7
Construction	6.6	13.6	22.8
Mfg - Durable	2.5	6.9	12.9
Mfg - Nondurable	3.9	9.2	17.3
TCPU	3.4	6.9	12.1
Wholesale Trade	3.4	7.5	12.8
Retail Trade	9.9	18.9	28.7
BFIRE	2.8	5.8	10.3
Private Household Services	21.7	33.4	46.8
Business Services	6.8	12.9	20.5
Repair Services	7.4	14.1	24.2
Personal Services	9.6	18.7	30.7
Entertainment and Recreation Services	7.3	13.8	21.1
Health Services	4.4	9.5	16.0
Educational Services	3.9	7.9	13.3
Social Services	8.7	17.5	27.8
Other Services	2.6	5.3	9.3
Government	1.9	4.4	8.8
Total	5.6	11.3	18.6

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.7 Percentage of Workers in each Industry that are Low Income Workers (<150% Poverty Level) by Region, 2001

	Southern Region	Midwestern Region	Northeastern Region	Western Region
Agriculture	24.1	18.0	17.8	32.8
Mining	8.4	3.7	0.4	5.1
Construction	16.0	10.2	8.8	15.2
Mfg - Durable	8.3	5.6	6.7	7.1
Mfg - Nondurable	10.9	5.2	8.1	12.5
TCPU	7.6	4.9	7.4	7.0
Wholesale Trade	8.3	5.3	4.7	10.8
Retail Trade	21.1	14.3	15.8	22.1
BFIRE	6.6	4.8	4.6	6.8
Private Household Services	36.2	25.2	29.7	35.4
Business Services	14.2	12.0	11.4	12.9
Repair Services	15.7	11.1	10.8	16.2
Personal Services	20.7	16.0	16.3	19.1
Entertainment and Recreation Services	13.0	10.9	7.7	19.2
Health Services	11.3	8.0	8.5	9.1
Educational Services	9.2	6.9	5.0	9.7
Social Services	15.9	14.1	17.3	23.7
Other Services	5.5	4.5	4.8	6.2
Government	4.8	4.4	3.3	4.3
Total	12.7	8.8	9.1	13.4

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.8 Occupational Distribution of Low Income Workers and All Workers in the U.S., 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Executive, admin. & managerial	5.0	4.9	5.5	15.2
Professional specialty	5.7	5.9	6.4	16.1
Technicians & related support	1.4	1.6	2.0	3.3
Sales	14.6	13.3	12.4	11.7
Administrative support	10.0	11.0	11.8	13.6
Private household	2.1	1.6	1.4	0.5
Protective service	1.5	1.5	1.7	1.9
Other service	28.6	27.2	25.3	11.9
Precision production	9.4	10.2	11.0	10.6
Machine operators and assemblers	5.1	5.9	6.5	4.8
Transportation and material moving	4.1	4.4	4.6	4.2
Handlers, equipment cleaners, etc.	6.5	7.1	6.9	3.9
Farming, forestry & fishing	6.0	5.3	4.7	2.3

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.9 Distribution of Lower Income Workers and All Workers by Firm Size for the U.S., 2001

Total # of Employees	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Under 10	33.4	29.7	27.2	19.6
10 - 24	11.2	12.2	12.2	9.6
25 - 99	12.3	12.9	13.7	12.7
100 - 499	10.1	10.8	11.6	13.2
500 - 999	4.0	4.6	4.6	5.7
1000+	28.9	29.8	30.7	39.3

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.10 Labor Turnover Rates by Industry and by Region, Monthly Average July 2002 - July 2003

	Average Monthly Turnover Rate
Total	3.1
INDUSTRY	
Natural resources and mining	3.3
Construction	5.7
Manufacturing	2.8
Durable goods	2.8
Nondurable goods	2.8
Trade, transportation, and utilities	3.5
Wholesale trade	2.5
Retail trade	4.2
Transportation, warehousing, and utilities	2.7
Information	2.4
Financial activities	2.1
Finance and insurance	1.7
Real estate and rental and leasing	3.2
Professional and business services	3.4
Education and health services	2.3
Educational services	1.9
Health care and social assistance	2.4
Leisure and hospitality	5.9
Arts, entertainment, and recreation	6.5
Accommodation and food services	5.9
Other services	3.3
Government	1.3
REGION	
South	3.3
Midwest	3.0
Northeast	2.7
West	3.3

Source: Calculated from the Bureau of Labor Statistics JOLTS Program

Table 4.11 Health Insurance Coverage, Percent of Population Covered by Poverty Status, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	Total Population
Alabama	71.7	75.0	78.9	86.9
Arkansas	70.4	73.2	75.4	83.9
Delaware	77.6	80.0	81.5	90.8
District of Columbia	81.4	81.8	80.5	87.3
Florida	63.6	67.5	70.9	82.5
Georgia	68.6	69.8	72.8	83.4
Kentucky	75.1	76.6	78.3	87.7
Louisiana	67.6	67.0	69.6	80.7
Maryland	71.0	75.1	76.2	87.7
Mississippi	72.2	74.0	75.2	83.6
Missouri	78.7	80.5	81.3	89.8
North Carolina	71.4	74.4	75.9	85.6
Oklahoma	63.0	67.9	68.9	81.7
South Carolina	81.4	81.1	80.5	87.7
Tennessee	78.7	80.5	82.2	88.7
Texas	56.8	58.2	60.7	76.5
Virginia	73.3	76.1	79.2	89.1
West Virginia	74.5	78.6	80.1	86.8
Southern Region	**67.9**	**70.0**	**72.3**	**83.7**
Illinois	70.8	72.7	73.6	86.4
Indiana	67.2	74.5	77.8	88.2
Iowa	74.7	79.7	83.5	92.5
Kansas	70.9	75.7	78.6	88.6
Michigan	71.1	75.9	78.7	89.6
Minnesota	77.0	78.9	80.1	92.0
Nebraska	80.9	81.1	81.7	90.5
North Dakota	75.5	79.9	82.3	90.4
Ohio	77.0	77.1	79.0	88.8
South Dakota	70.2	77.2	80.2	90.7
Wisconsin	79.6	83.4	84.7	92.3
Midwestern Region	**73.4**	**76.4**	**78.5**	**89.2**
Connecticut	72.4	74.9	79.2	89.8
Maine	78.0	81.0	83.0	89.7
Massachusetts	85.4	86.8	86.4	91.8
New Hampshire	77.2	81.7	82.0	90.6
New Jersey	61.2	66.7	70.5	86.9
New York	72.7	73.8	74.6	84.5
Pennsylvania	71.2	77.4	81.3	90.8
Rhode Island	78.2	81.8	83.8	92.3
Vermont	84.7	85.6	87.8	90.4
Northeastern Region	**72.7**	**75.6**	**77.7**	**88.0**
Alaska	66.6	71.2	72.3	84.3
Arizona	64.0	62.9	66.5	82.1
California	63.4	66.9	68.2	80.5
Colorado	61.2	65.6	67.7	84.4
Hawaii	78.2	80.0	82.6	90.4
Idaho	63.1	69.5	72.0	84.0
Montana	77.1	77.2	78.7	86.4
Nevada	55.7	63.3	68.9	83.9
New Mexico	69.1	67.7	69.7	79.3
Oregon	70.2	73.9	75.8	87.2
Utah	69.9	70.0	72.4	85.2
Washington	68.7	71.7	75.1	86.9
Wyoming	64.3	71.7	72.6	84.1
Western Region	**64.9**	**67.7**	**69.8**	**82.5**
Untied States	**68.9**	**71.5**	**73.7**	**85.4**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.12 Health Insurance Coverage Rates by Source for the Total Population, 2001

	Any HI	Private HI	Medicare	Medicaid	Military
Southern Region	83.7	68.0	13.8	11.5	4.6
Midwestern Region	89.2	77.9	14.1	8.8	2.0
Northeastern Region	88.0	73.3	14.8	12.0	1.9
Western Region	82.5	67.1	11.3	12.3	3.8
United States	85.4	70.9	13.5	11.2	3.4

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.13 Private Health Insurance Coverage Rates by Poverty Status, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	Total Population
Alabama	26.9	31.5	43.2	70.4
Arkansas	21.8	33.0	39.7	63.6
Delaware	33.3	41.0	50.3	79.6
District of Columbia	25.0	31.1	35.6	68.0
Florida	23.5	31.6	38.0	65.7
Georgia	25.5	32.8	42.0	68.9
Kentucky	23.3	31.5	41.4	70.4
Louisiana	26.5	31.0	37.6	62.7
Maryland	35.8	40.1	47.5	79.1
Mississippi	19.9	27.4	33.7	60.5
Missouri	27.5	40.0	46.9	76.5
North Carolina	25.2	35.3	41.5	68.5
Oklahoma	19.6	31.0	37.3	65.8
South Carolina	33.6	37.7	43.5	72.4
Tennessee	21.8	32.7	38.1	68.5
Texas	20.4	27.3	34.1	63.0
Virginia	30.0	36.3	45.9	74.3
West Virginia	17.1	28.3	37.4	65.3
Southern Region	**24.1**	**31.9**	**39.2**	**68.0**
Illinois	25.6	32.2	39.6	73.5
Indiana	31.0	45.0	54.2	78.3
Iowa	39.0	54.1	63.1	85.1
Kansas	37.2	42.8	50.4	75.6
Michigan	30.1	37.9	48.5	78.2
Minnesota	35.9	44.0	51.4	83.7
Nebraska	40.8	47.9	52.3	78.0
North Dakota	33.1	45.7	53.4	75.9
Ohio	26.2	35.3	46.2	76.9
South Dakota	29.6	43.6	53.8	79.9
Wisconsin	34.4	42.9	52.5	81.4
Midwestern Region	**30.1**	**39.1**	**48.3**	**77.9**
Connecticut	30.3	36.1	46.0	79.0
Maine	18.1	30.3	39.2	71.4
Massachusetts	23.4	30.2	37.3	74.4
New Hampshire	42.3	48.8	55.9	80.9
New Jersey	19.4	30.4	39.6	75.4
New York	22.0	27.7	34.0	66.7
Pennsylvania	28.8	42.0	50.8	79.2
Rhode Island	30.9	37.7	43.3	76.2
Vermont	31.7	35.2	44.5	73.5
Northeastern Region	**24.0**	**32.3**	**40.2**	**73.3**
Alaska	19.9	26.0	31.9	66.1
Arizona	29.0	31.2	37.8	66.8
California	23.5	28.7	33.7	63.6
Colorado	33.3	39.3	43.9	73.8
Hawaii	30.3	41.5	49.2	73.2
Idaho	23.1	36.2	45.4	70.8
Montana	36.8	42.7	48.4	70.7
Nevada	25.3	36.8	47.1	72.8
New Mexico	17.4	22.4	29.6	56.7
Oregon	27.5	33.2	43.2	72.8
Utah	36.4	41.3	49.7	75.5
Washington	37.9	40.6	45.4	74.1
Wyoming	22.2	34.1	41.3	70.1
Western Region	**26.4**	**31.6**	**37.7**	**67.1**
Untied States	**25.6**	**33.1**	**40.6**	**70.9**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.14 Government Health Insurance Coverage Rates by Poverty Status, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	Total Population
Alabama	51.7	51.4	47.7	28.3
Arkansas	54.6	50.5	47.9	33.2
Delaware	52.7	54.3	48.7	23.9
District of Columbia	63.9	59.5	54.4	28.7
Florida	46.0	44.3	43.4	29.1
Georgia	49.5	44.5	39.7	22.5
Kentucky	58.7	54.9	50.7	30.8
Louisiana	47.0	43.1	39.6	27.9
Maryland	44.4	45.8	39.8	18.8
Mississippi	58.8	53.7	51.3	34.7
Missouri	56.3	50.8	48.0	25.2
North Carolina	56.7	52.4	48.3	29.5
Oklahoma	48.6	47.2	42.7	27.8
South Carolina	57.9	56.0	49.4	29.1
Tennessee	67.0	58.9	56.1	31.3
Texas	40.6	36.3	33.0	21.4
Virginia	50.0	48.0	44.8	27.5
West Virginia	63.5	60.8	56.1	35.5
Southern Region	**50.3**	**46.7**	**43.3**	**26.6**
Illinois	49.3	47.0	42.1	22.0
Indiana	41.7	43.7	39.6	21.8
Iowa	49.6	46.7	44.6	22.8
Kansas	43.7	47.3	44.8	28.2
Michigan	52.0	50.1	44.0	23.5
Minnesota	49.5	46.2	42.9	18.4
Nebraska	54.2	51.3	48.0	26.7
North Dakota	52.1	49.7	47.4	29.0
Ohio	59.1	55.9	48.5	24.0
South Dakota	49.3	47.8	43.2	26.0
Wisconsin	54.0	51.5	46.8	23.4
Midwestern Region	**51.4**	**49.4**	**44.4**	**23.0**
Connecticut	49.3	48.4	46.0	22.8
Maine	66.9	64.9	60.2	33.0
Massachusetts	68.5	67.0	62.7	27.1
New Hampshire	47.7	46.4	42.7	22.7
New Jersey	48.7	46.4	42.1	23.1
New York	56.5	54.1	50.3	28.1
Pennsylvania	52.7	51.3	48.0	24.3
Rhode Island	57.4	59.9	58.4	29.1
Vermont	61.7	63.0	56.0	28.1
Northeastern Region	**55.9**	**54.0**	**50.1**	**26.0**
Alaska	51.6	54.6	51.0	31.1
Arizona	42.3	41.9	38.7	26.2
California	44.1	43.4	40.8	24.1
Colorado	32.9	34.3	33.8	19.5
Hawaii	55.5	49.9	44.9	32.9
Idaho	49.5	46.1	41.4	26.7
Montana	46.5	42.9	43.3	29.9
Nevada	33.9	31.1	27.6	19.4
New Mexico	54.6	51.6	46.4	33.7
Oregon	50.1	50.2	42.8	25.2
Utah	38.2	36.4	30.8	16.9
Washington	40.4	43.3	41.9	25.9
Wyoming	46.4	46.4	41.3	25.2
Western Region	**43.9**	**43.1**	**40.1**	**24.4**
Untied States	**49.9**	**47.5**	**43.9**	**25.3**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.15 Private Health Insurance Coverage Rates for Low Income Workers and All Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Alabama	37.7	45.3	58.7	83.3
Arkansas	30.6	46.4	55.1	77.5
Delaware	42.4	43.9	56.8	85.9
District of Columbia	46.9	46.5	49.2	83.2
Florida	29.6	39.9	47.3	75.9
Georgia	34.7	43.8	54.7	79.9
Kentucky	41.7	47.6	53.8	84.0
Louisiana	44.3	43.0	50.6	75.3
Maryland	39.9	45.2	52.9	83.3
Mississippi	31.5	45.2	50.8	78.0
Missouri	32.7	47.4	53.8	84.9
North Carolina	41.6	48.5	52.5	80.9
Oklahoma	27.0	36.0	43.8	75.6
South Carolina	49.3	50.5	56.1	83.0
Tennessee	37.8	49.5	54.0	81.1
Texas	28.2	34.9	40.6	72.9
Virginia	41.3	49.5	55.6	83.2
West Virginia	21.8	39.1	47.8	79.2
Southern Region	**34.0**	**42.2**	**49.3**	**78.8**
Illinois	40.8	45.8	50.5	82.7
Indiana	40.9	52.2	63.6	86.9
Iowa	46.9	55.6	64.0	89.2
Kansas	48.6	48.5	57.1	81.9
Michigan	32.8	44.3	55.4	86.3
Minnesota	42.8	48.6	55.3	88.0
Nebraska	61.9	58.9	62.4	85.7
North Dakota	50.0	60.5	66.1	85.3
Ohio	34.9	42.7	53.8	84.4
South Dakota	39.2	54.1	64.2	86.5
Wisconsin	47.9	56.5	65.3	88.4
Midwestern Region	**40.7**	**48.3**	**57.0**	**85.6**
Connecticut	37.9	39.2	54.0	85.8
Maine	18.7	38.3	48.5	81.5
Massachusetts	30.5	36.5	46.5	84.4
New Hampshire	54.4	59.9	63.1	87.2
New Jersey	20.9	35.5	46.9	83.9
New York	32.3	38.8	45.1	78.0
Pennsylvania	36.4	49.9	60.1	88.1
Rhode Island	54.6	55.6	58.4	87.3
Vermont	34.7	39.1	54.3	82.3
Northeastern Region	**32.4**	**41.0**	**50.0**	**83.2**
Alaska	24.9	34.8	39.2	77.0
Arizona	35.3	36.7	45.5	76.8
California	30.0	35.8	40.9	74.6
Colorado	43.1	42.9	47.9	80.3
Hawaii	44.6	57.7	67.0	85.8
Idaho	27.2	42.0	50.0	77.7
Montana	41.3	50.5	53.7	78.7
Nevada	32.9	45.4	56.8	81.4
New Mexico	31.2	33.2	41.8	69.1
Oregon	34.6	38.0	48.0	80.4
Utah	54.3	52.5	56.8	80.8
Washington	44.8	50.0	56.1	82.5
Wyoming	28.3	39.3	45.1	76.5
Western Region	**34.2**	**39.2**	**45.5**	**77.0**
Untied States	**35.0**	**42.3**	**49.8**	**80.7**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.16 Own Employment Health Insurance Coverage Rates for Low Income Workers and All Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Alabama	23.6	32.5	45.3	60.5
Arkansas	17.0	29.6	35.7	52.1
Delaware	18.9	24.3	36.6	62.7
District of Columbia	19.7	30.4	35.1	69.6
Florida	14.6	23.4	31.3	54.8
Georgia	27.0	32.1	40.1	59.6
Kentucky	26.4	35.3	39.7	60.1
Louisiana	28.4	30.8	36.3	53.9
Maryland	16.6	26.4	32.2	58.4
Mississippi	17.8	33.2	37.4	58.8
Missouri	16.7	27.0	37.2	58.7
North Carolina	23.8	33.6	37.3	60.7
Oklahoma	20.7	22.9	30.0	51.2
South Carolina	33.5	32.2	40.8	62.9
Tennessee	16.2	27.1	31.6	57.4
Texas	20.5	26.3	29.9	53.7
Virginia	27.4	34.9	35.6	59.6
West Virginia	9.2	24.7	34.9	55.7
Southern Region	**20.8**	**28.4**	**34.3**	**57.1**
Illinois	28.0	31.7	36.1	60.1
Indiana	24.0	36.3	45.9	59.8
Iowa	17.8	27.3	34.7	56.5
Kansas	21.0	25.2	33.6	53.7
Michigan	14.5	29.3	39.7	60.0
Minnesota	15.5	25.9	34.0	58.8
Nebraska	20.8	24.5	30.6	51.5
North Dakota	15.9	24.3	31.4	50.3
Ohio	17.8	26.5	36.6	58.2
South Dakota	13.8	26.6	38.9	53.1
Wisconsin	19.8	29.6	41.2	58.2
Midwestern Region	**20.1**	**29.1**	**37.7**	**58.4**
Connecticut	24.8	27.3	33.9	61.3
Maine	10.0	26.7	32.9	58.5
Massachusetts	14.0	21.2	30.9	58.4
New Hampshire	34.4	36.6	43.8	60.9
New Jersey	19.2	29.1	36.0	62.8
New York	21.9	27.3	31.2	56.9
Pennsylvania	19.2	31.5	39.2	61.0
Rhode Island	25.3	33.7	36.7	58.7
Vermont	17.5	18.7	37.5	54.7
Northeastern Region	**20.3**	**27.9**	**34.2**	**59.4**
Alaska	13.7	22.3	28.3	55.3
Arizona	24.2	24.9	32.2	53.9
California	15.7	22.1	26.3	53.8
Colorado	18.4	20.9	29.0	57.2
Hawaii	27.7	40.9	47.9	64.7
Idaho	10.8	27.2	33.8	53.3
Montana	13.4	23.7	26.7	49.7
Nevada	26.8	36.4	45.2	63.8
New Mexico	12.3	19.3	27.6	48.8
Oregon	15.9	17.5	27.8	55.8
Utah	20.6	25.6	30.9	49.4
Washington	17.0	23.9	32.7	60.1
Wyoming	9.4	21.8	29.5	50.4
Western Region	**17.1**	**23.0**	**29.0**	**55.0**
Untied States	**19.6**	**27.0**	**33.5**	**57.4**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.17 Employer Contribution to Own Employment Health Insurance for Low Income Workers and All Workers, 2001

	Lower Income (150%)			All Workers		
	All	Part	None	All	Part	None
Alabama	19.3	70.9	9.8	21.2	72.5	6.3
Arkansas	20.9	66.6	12.5	17.8	75.8	6.4
Delaware	10.6	89.4	0.0	20.7	74.4	4.8
District of Columbia	9.1	71.4	19.5	17.9	75.5	6.6
Florida	11.9	80.0	8.1	21.2	73.0	5.8
Georgia	14.0	84.7	1.3	16.2	77.0	6.8
Kentucky	20.9	74.5	4.6	19.9	73.5	6.6
Louisiana	15.8	77.9	6.3	14.3	79.9	5.8
Maryland	10.8	81.0	8.3	17.1	77.3	5.6
Mississippi	27.6	67.8	4.6	25.1	67.8	7.1
Missouri	33.4	60.9	5.8	28.8	65.7	5.6
North Carolina	13.7	76.9	9.5	23.8	68.9	7.2
Oklahoma	12.1	78.2	9.7	20.1	74.5	5.4
South Carolina	13.0	69.7	17.3	20.0	72.3	7.6
Tennessee	11.2	65.3	23.6	20.2	70.6	9.2
Texas	18.9	72.0	9.1	23.6	70.4	6.0
Virginia	12.3	70.0	17.7	13.9	80.3	5.8
West Virginia	20.0	58.6	21.4	22.3	71.8	5.9
Southern Region	**16.6**	**73.8**	**9.5**	**20.7**	**72.9**	**6.4**
Illinois	19.3	76.3	4.5	22.4	73.5	4.1
Indiana	16.9	70.5	12.7	21.0	72.1	6.9
Iowa	17.9	74.5	7.6	25.9	67.5	6.5
Kansas	13.0	77.9	9.2	26.0	68.2	5.8
Michigan	30.3	58.3	11.4	38.8	58.4	2.8
Minnesota	21.3	61.4	17.2	26.7	69.8	3.6
Nebraska	26.8	67.8	5.4	20.4	75.4	4.2
North Dakota	18.3	71.0	10.7	29.5	65.7	4.8
Ohio	25.1	71.5	3.4	26.4	69.0	4.6
South Dakota	24.9	69.3	5.7	19.6	74.6	5.9
Wisconsin	11.5	72.6	15.9	23.6	72.0	4.4
Midwestern Region	**21.1**	**70.0**	**8.8**	**26.5**	**69.0**	**4.5**
Connecticut	24.5	64.7	10.8	21.0	75.6	3.4
Maine	27.6	60.8	11.5	21.5	75.4	3.0
Massachusetts	9.6	87.2	3.2	14.7	82.0	3.3
New Hampshire	26.0	69.0	5.0	20.8	74.7	4.5
New Jersey	36.0	58.9	5.1	28.9	67.4	3.7
New York	33.6	60.1	6.3	28.7	66.3	5.0
Pennsylvania	33.2	63.0	3.8	34.5	62.3	3.2
Rhode Island	30.1	60.6	9.3	32.9	63.7	3.4
Vermont	18.3	70.4	11.4	22.5	73.8	3.6
Northeastern Region	**30.8**	**63.5**	**5.7**	**27.4**	**68.7**	**3.9**
Alaska	23.8	65.2	11.1	26.7	65.7	7.7
Arizona	32.4	60.8	6.9	24.9	70.2	4.9
California	35.4	54.9	9.7	33.6	62.1	4.3
Colorado	23.7	68.2	8.1	26.7	69.7	3.6
Hawaii	28.2	70.3	1.5	34.1	61.1	4.7
Idaho	17.2	63.8	19.0	25.5	65.9	8.7
Montana	27.6	57.5	14.9	26.9	67.2	5.9
Nevada	35.7	60.4	3.9	32.9	63.3	3.8
New Mexico	16.2	64.9	19.0	17.3	74.1	8.6
Oregon	22.7	67.3	10.0	31.5	65.0	3.5
Utah	19.9	70.9	9.2	23.7	72.9	3.4
Washington	24.5	61.0	14.5	31.1	63.4	5.5
Wyoming	32.6	52.6	14.8	31.2	62.7	6.1
Western Region	**30.7**	**59.3**	**10.0**	**31.0**	**64.5**	**4.6**
Untied States	**22.9**	**68.2**	**8.9**	**25.5**	**69.4**	**5.1**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.18 Average Partial Employer Contribution for Low Income Workers and All Workers, 2001

	<100%		<150%		<200%		All Workers		All Fully Paid
Alabama	$1,511	40.9	$1,946	52.7	$2,090	56.6	$2,498	67.6	$3,696
Arkansas	$1,161	39.7	$1,694	57.9	$1,621	55.4	$1,981	67.7	$2,927
Delaware	$1,655	43.8	$1,844	48.8	$1,906	50.4	$2,558	67.7	$3,780
District of Columbia	$947	27.0	$1,461	41.7	$1,609	46.0	$2,199	62.8	$3,501
Florida	$1,251	33.6	$1,449	38.9	$1,524	40.9	$2,228	59.8	$3,723
Georgia	$1,605	45.5	$1,473	41.8	$1,533	43.5	$2,303	65.3	$3,525
Kentucky	$723	21.7	$1,209	36.4	$1,281	38.6	$2,157	64.9	$3,323
Louisiana	$983	27.7	$1,399	39.5	$1,593	45.0	$2,244	63.3	$3,544
Maryland	$2,006	50.3	$1,440	36.1	$1,714	43.0	$2,746	68.8	$3,988
Mississippi	$1,175	39.2	$1,263	42.1	$1,509	50.3	$2,184	72.9	$2,998
Missouri	$2,096	51.4	$2,538	62.3	$2,382	58.4	$2,949	72.4	$4,076
North Carolina	$1,298	40.2	$1,669	51.8	$1,726	53.5	$2,193	68.0	$3,224
Oklahoma	$1,127	40.9	$1,377	49.9	$1,406	51.0	$2,161	78.3	$2,759
South Carolina	$1,252	40.7	$1,377	44.7	$1,468	47.7	$2,277	74.0	$3,079
Tennessee	$1,256	37.0	$1,597	47.0	$1,640	48.3	$2,387	70.3	$3,398
Texas	$1,362	42.9	$1,533	48.3	$1,702	53.6	$2,351	74.0	$3,175
Virginia	$447	13.0	$1,449	42.2	$1,665	48.5	$2,490	72.6	$3,432
West Virginia	$1,588	40.1	$1,989	50.2	$2,058	51.9	$2,384	60.1	$3,964
Southern Region	**$1,260**	**36.5**	**$1,541**	**44.7**	**$1,658**	**48.0**	**$2,360**	**68.4**	**$3,450**
Illinois	$2,198	48.5	$2,283	50.3	$2,639	58.2	$3,287	72.5	$4,535
Indiana	$2,067	45.6	$2,598	57.4	$2,452	54.1	$3,265	72.1	$4,528
Iowa	$2,125	52.9	$2,579	64.2	$2,628	65.4	$3,062	76.2	$4,018
Kansas	$2,027	51.6	$2,261	57.5	$2,324	59.1	$3,234	82.3	$3,931
Michigan	$2,119	42.9	$2,523	51.1	$2,802	56.8	$3,602	73.0	$4,936
Minnesota	$2,391	58.1	$2,257	54.9	$2,203	53.6	$3,099	75.4	$4,112
Nebraska	$2,099	52.4	$2,088	52.1	$1,946	48.5	$2,827	70.5	$4,009
North Dakota	$1,832	47.1	$1,814	46.6	$2,153	55.3	$2,867	73.7	$3,891
Ohio	$1,667	35.6	$2,327	49.7	$2,452	52.3	$3,349	71.5	$4,684
South Dakota	$1,229	35.7	$1,731	50.2	$1,812	52.6	$2,616	75.9	$3,446
Wisconsin	$1,676	37.2	$2,451	54.5	$2,718	60.4	$3,395	75.5	$4,500
Midwestern Region	**$2,023**	**44.6**	**$2,370**	**52.3**	**$2,518**	**55.5**	**$3,292**	**72.6**	**$4,536**
Connecticut	$1,913	38.8	$2,616	53.0	$2,688	54.5	$3,711	75.2	$4,932
Maine	$1,773	43.8	$1,876	46.4	$2,161	53.4	$3,065	75.8	$4,045
Massachusetts	$2,378	47.1	$2,571	50.9	$2,470	48.9	$3,446	68.2	$5,052
New Hampshire	$1,860	41.2	$2,373	52.6	$2,584	57.3	$3,413	75.7	$4,510
New Jersey	$1,766	39.1	$2,067	45.8	$2,207	48.9	$3,278	72.6	$4,515
New York	$1,748	39.8	$2,119	48.3	$2,200	50.1	$3,113	71.0	$4,388
Pennsylvania	$1,142	27.0	$2,021	47.8	$2,222	52.6	$3,076	72.8	$4,224
Rhode Island	$1,795	37.2	$2,219	46.0	$2,608	54.1	$3,403	70.6	$4,821
Vermont	$1,300	30.8	$1,950	46.3	$2,359	55.9	$3,098	73.5	$4,216
Northeastern Region	**$1,742**	**39.2**	**$2,169**	**48.8**	**$2,286**	**51.5**	**$3,241**	**73.0**	**$4,441**
Alaska	$1,770	39.1	$2,307	51.0	$2,632	58.2	$3,416	75.5	$4,524
Arizona	$2,250	63.7	$2,071	58.6	$2,117	59.9	$2,648	74.9	$3,533
California	$2,175	49.7	$2,508	57.4	$2,722	62.2	$3,330	76.2	$4,373
Colorado	$1,043	25.4	$1,761	42.9	$1,715	41.7	$2,806	68.3	$4,109
Hawaii	$1,794	46.8	$1,856	48.4	$2,027	52.8	$2,606	67.9	$3,837
Idaho	$1,593	45.2	$1,713	48.6	$1,778	50.4	$2,488	70.6	$3,525
Montana	$1,713	53.4	$1,232	38.4	$1,563	48.8	$2,384	74.4	$3,205
Nevada	$2,467	68.5	$2,251	62.6	$2,140	59.5	$2,556	71.0	$3,599
New Mexico	$1,928	57.2	$1,646	48.9	$1,868	55.4	$2,488	73.9	$3,369
Oregon	$1,609	37.0	$1,696	39.0	$2,130	49.0	$3,162	72.7	$4,350
Utah	$1,559	36.4	$2,012	47.0	$2,354	55.0	$2,854	66.7	$4,282
Washington	$1,307	29.8	$2,252	51.3	$2,196	50.0	$3,021	68.8	$4,388
Wyoming	$685	19.8	$1,900	55.0	$2,127	61.6	$2,773	80.3	$3,454
Western Region	**$1,930**	**45.9**	**$2,214**	**52.6**	**$2,354**	**55.9**	**$3,067**	**72.9**	**$4,207**
Untied States	**$1,599**	**38.9**	**$1,923**	**46.8**	**$2,069**	**50.4**	**$2,880**	**70.1**	**$4,110**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.19 Prevalence of Own Employer Provided Health Insurance by Firm Size for the U.S., 2001

Total # of Employees	Percentage of Employees Covered
Under 10	27.4
10 - 24	43.6
25 - 99	59.2
100 - 499	68.0
500 - 999	70.6
1000+	72.5
Total	57.4

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.20 Prevalence of Own Employer Provided Health Insurance by Industry for the U.S., 2001

	Percentage of Employees Covered
Agriculture	26.5
Mining	75.5
Construction	46.4
Mfg - Durable	76.8
Mfg - Nondurable	72.8
TCPU	71.8
Wholesale Trade	64.8
Retail Trade	38.1
BFIRE	64.9
Private Household Services	12.1
Business Services	52.7
Repair Services	39.2
Personal Services	35.7
Entertainment and Recreation Services	45.0
Health Services	62.5
Educational Services	66.3
Social Services	41.5
Other Services	60.4
Government	81.5
Total	57.4

Source: Calculated from the Current Population Survey March Supplement, 2002
Notes: TCPU refers to Transportation, Communications and Public Utilities. BFIRE refers to Banking, Finance, Insurance and Real Estate.

Table 4.21 Availability of a Retirement Plan for Low Income Workers and All Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Alabama	25.9	31.8	43.5	61.2
Arkansas	15.3	22.9	28.8	50.6
Delaware	14.3	30.1	37.8	62.7
District of Columbia	25.9	32.5	33.9	60.8
Florida	21.8	25.7	27.4	48.4
Georgia	26.2	34.3	41.8	59.1
Kentucky	19.5	28.4	32.0	58.7
Louisiana	25.8	27.2	34.5	53.6
Maryland	20.9	30.2	32.3	62.1
Mississippi	24.4	29.8	32.9	53.7
Missouri	28.8	30.7	36.5	57.6
North Carolina	24.0	31.6	35.9	56.3
Oklahoma	22.4	30.3	33.9	54.8
South Carolina	26.3	26.9	30.3	56.1
Tennessee	29.1	35.6	40.0	58.8
Texas	18.2	24.4	28.3	51.5
Virginia	21.2	33.2	36.6	61.3
West Virginia	15.6	25.0	33.3	54.5
Southern Region	**22.3**	**28.4**	**32.8**	**55.2**
Illinois	24.3	29.9	34.1	58.3
Indiana	24.3	32.7	40.8	58.6
Iowa	28.1	36.3	39.1	62.6
Kansas	31.6	34.5	37.3	58.1
Michigan	24.4	29.9	36.3	61.6
Minnesota	22.0	30.1	38.7	63.3
Nebraska	28.1	35.3	41.4	61.3
North Dakota	33.6	45.3	48.5	59.7
Ohio	24.8	31.7	38.5	61.6
South Dakota	29.8	35.1	44.9	59.0
Wisconsin	32.6	34.9	45.1	62.6
Midwestern Region	**25.8**	**32.1**	**38.4**	**60.7**
Connecticut	15.4	24.1	29.1	63.1
Maine	27.6	29.6	38.3	59.6
Massachusetts	18.8	20.8	26.4	58.4
New Hampshire	36.5	36.5	38.9	59.4
New Jersey	19.6	19.5	24.9	57.1
New York	19.3	25.6	29.7	55.2
Pennsylvania	20.3	32.4	40.8	65.1
Rhode Island	20.5	29.3	35.4	62.0
Vermont	26.7	30.7	35.7	55.9
Northeastern Region	**19.8**	**26.0**	**31.6**	**59.1**
Alaska	15.8	26.2	32.7	61.6
Arizona	22.2	24.6	27.9	52.9
California	11.8	18.3	21.8	49.3
Colorado	27.5	25.3	31.2	57.6
Hawaii	26.0	32.1	37.2	58.3
Idaho	25.0	30.8	37.1	56.2
Montana	15.0	26.7	28.9	48.8
Nevada	25.3	32.9	37.1	57.7
New Mexico	22.1	28.9	32.3	52.0
Oregon	13.6	19.0	27.0	56.6
Utah	31.7	37.6	42.0	56.6
Washington	18.2	23.7	32.1	56.2
Wyoming	23.9	29.2	38.7	57.0
Western Region	**16.6**	**22.0**	**26.7**	**52.4**
Untied States	**21.0**	**27.0**	**32.1**	**56.5**

Source: Calculated from the Current Population Survey March Supplement, 2002

Table 4.22 Participation in a Retirement Plan, if Available, for Low Income Workers and All Workers, 2001

	<100% Poverty Level	<150% Poverty Level	<200% Poverty Level	All Workers
Alabama	55.8	49.8	61.2	80.9
Arkansas	35.6	51.7	58.4	79.9
Delaware	31.1	56.6	68.6	82.7
District of Columbia	35.4	38.2	54.0	82.6
Florida	38.4	43.4	47.8	74.2
Georgia	32.0	44.4	53.3	78.5
Kentucky	33.1	51.3	58.1	82.0
Louisiana	52.9	53.8	53.5	76.7
Maryland	26.4	21.8	38.4	79.9
Mississippi	34.4	58.0	60.5	82.0
Missouri	35.6	46.7	55.2	80.7
North Carolina	30.8	35.5	47.7	77.4
Oklahoma	33.2	41.6	49.7	76.9
South Carolina	18.3	52.2	49.9	82.3
Tennessee	10.7	28.9	39.4	77.5
Texas	33.8	45.2	51.7	77.0
Virginia	46.9	40.4	45.2	79.0
West Virginia	35.5	48.4	63.6	79.5
Southern Region	**34.8**	**43.6**	**51.0**	**78.2**
Illinois	60.4	54.3	59.7	81.9
Indiana	18.4	39.2	51.3	82.9
Iowa	35.4	52.6	57.6	80.9
Kansas	24.6	44.8	55.2	79.6
Michigan	31.9	50.2	58.7	81.2
Minnesota	46.4	54.1	51.8	83.0
Nebraska	34.4	34.6	44.6	76.4
North Dakota	23.9	38.8	51.9	79.5
Ohio	25.2	37.9	48.2	80.5
South Dakota	12.2	26.9	44.8	76.9
Wisconsin	26.6	35.9	47.4	81.5
Midwestern Region	**34.8**	**45.0**	**53.1**	**81.3**
Connecticut	44.7	58.3	55.2	81.2
Maine	49.1	58.8	65.6	80.9
Massachusetts	56.8	58.7	54.6	82.8
New Hampshire	8.3	22.0	41.3	78.1
New Jersey	24.0	37.8	52.8	84.0
New York	43.5	51.7	57.3	84.2
Pennsylvania	38.6	39.0	57.6	80.4
Rhode Island	20.9	32.6	46.4	82.8
Vermont	12.6	34.6	49.6	77.2
Northeastern Region	**39.7**	**46.8**	**56.1**	**82.5**
Alaska	31.0	34.9	51.7	79.0
Arizona	35.0	36.2	47.9	76.4
California	40.6	48.7	56.8	80.9
Colorado	35.9	34.0	50.5	76.9
Hawaii	56.6	58.0	60.6	80.3
Idaho	37.1	43.7	51.2	76.0
Montana	25.8	47.5	57.3	83.5
Nevada	60.7	48.4	52.2	75.3
New Mexico	35.1	43.4	57.1	76.7
Oregon	31.6	27.3	46.2	80.7
Utah	27.3	35.8	48.3	72.9
Washington	48.9	45.0	50.1	75.7
Wyoming	41.1	52.3	58.4	79.7
Western Region	**38.9**	**43.9**	**53.4**	**78.9**
Untied States	**36.4**	**44.4**	**52.8**	**79.9**

Source: Calculated from the Current Population Survey March Supplement, 2002

5. STRUCTURAL ECONOMIC CHANGE AND THE IMPACT ON LOWER INCOME WORKERS

The U.S. economy is always evolving and adapting to changes in consumer demand, changes in technology, and changes in regulations, politics, and international relations. Short-term fluctuations in the economy, such as are seen over the course of the business cycle, can certainly affect different segments of the population differently. For example, unemployment rates for those with lower levels of educational attainment are generally more volatile than unemployment rates among those with college or graduate degrees. Aside from these business cycle movements, however, the economy is constantly undergoing long-term structural change.

Two specific long-term trends are considered in this section. First is the decades-old shift away from manufacturing and towards services in terms of the dominant source of employment. This section first discusses the causes and nature of this shift, and then considers the implications for lower income workers as this trend continues. Second, a trend that appears to have accelerated in recent years is the phenomenon of outsourcing jobs in a variety of sectors, both overseas and domestically towards temporary help employment. This section analyzes the implications of increased reliance on temporary help, specifically among low income workers.

The Long-Term Decline in Manufacturing

The most dramatic structural economic trend over the last third of the 20th century and continuing today has been the shift away from manufacturing as the dominant employer in the United States. In 1970, the manufacturing sector accounted for 21.6 percent of all jobs in the U.S. By 2001, manufacturing's share of employment

had fallen to just 10.9 percent.[7] It took just over thirty years for the nation's largest employer to see its relative employment share cut in half.

The rapid relative decline in manufacturing must have been offset by rapid growth elsewhere. The area of fastest growth over this period has been in the nation's service industries. Service sector employment as a share of total employment increased from 18.7 percent in 1970 to 32.1 percent as of 2001. In terms of employment levels, the service sector saw employment increase from 17 million jobs in 1970 to more than 53 million in 2001.

Meanwhile, not only did manufacturing experience this relative loss of jobs, it also posted an outright decline in employment levels. In 1970 there were 19.7 million manufacturing jobs in the U.S., today there are about 19 million manufacturing positions. The most dramatic shift is the decline of the relative share of manufacturing employment. While the actual level of manufacturing employment fell by about 700,000 since 1970, employment in services has grown by about 36 million jobs.

There are a few issues to consider relative to this trend. What caused this dramatic shift? How has this trend affected economic performance? How has this trend affected the lower income portion of the population? And finally, will this trend continue in the future?

There are generally three explanations for this rapid relative decline in manufacturing. First, the manufacturing sector has experienced tremendous rates of technological advance over the years. The development and implementation of new machines and techniques, the so-called *labor-saving* developments in manufacturing, have boosted worker productivity significantly. Gains in worker productivity are great for the economy as a whole. Productivity advances are vital for long-term gains in living standards. Increases in measures such as per capita income over time can come about only through increases in output per worker over time.

However, the side-effect of productivity gains is clear. Labor-saving developments, by definition, allow firms to produce the same or even greater levels of output with the same or even fewer numbers of workers. Therefore, the productivity

[7] From the U.S. Bureau of Economic Analysis

gains within manufacturing over the last thirty-plus years have allowed these firms to operate with fewer workers. This type of productivity-induced employment decline therefore does not necessarily mean that the manufacturing sector itself has lost importance in terms of how much output it is generating. Rather, it means fewer workers are needed to produce that output.

The second factor driving the long-term decline of manufacturing employment concerns shifts in household consumption over the last decades. More and more, a greater portion of the typical household budget goes towards purchasing services with less and less going towards purchasing tangible (manufactured) goods. Therefore, as household incomes grow, it is the service sector that receives an increasing portion of sales and manufacturing that receives a decreasing portion. This shift in consumption patterns affects not only the demand for manufactured goods and hence manufacturing employment, but it also has other side effects, such as eroding the sales tax base of state and local government and thereby affecting the ability of governments to provide services.

The third factor to consider turns out to be the one that many people will latch onto first, probably because it represents more of a political issue – the increased globalization of the economy. As economies become less and less defined by geographic boundaries, the manufacturing sector has been the largest to seek lower production costs elsewhere. For many years, some areas of the South were able to benefit from the movement of manufacturing jobs because the South itself offered lower wages and costs to manufacturers than other parts of the U.S. However, firms are now able to find much cheaper labor outside of the U.S., accelerating the erosion of manufacturing as a dominant employer in the U.S.

As far as the impact of this trend on broad economic performance, it generally depends on 1) how dominant manufacturing was as an employer in the local economy, and 2) what types of service sector job growth has occurred in the local economy. Note that this suggests it is necessary to look at the local level to determine the economic effects of this shift on the broad economy. For the aggregate U.S. economy, this period of rapid economic change has coincided with periods of unprecedented prosperity and

economic growth. Aside from the recessions that have occurred roughly once a decade in recent history, the U.S. economy and enjoyed strong economic growth, low inflation, and a stable monetary and banking system.

At a sub-national level, the 'winners' over the last decades have been those areas that have successfully evolved from manufacturing to high-paying service jobs. The 'service sector' includes a broad range of firms and occupations, consistent with a broad range of income levels. Areas that have seen rapid growth of high-paying 'high-tech' service jobs clearly have benefited the most. Meanwhile, areas that have seen fast service sector job growth at the lower end of the pay scale have not made the same type of gains in living standards.

A detailed analysis of the impact of the manufacturing decline on different areas of the U.S. is clearly beyond the scope of this report. What is important to consider, though, is what impact this trend may have had – and continue to have – on lower income workers.

The major characteristics of the manufacturing sector, at least on average across the U.S., are that it has a fairly well-organized workforce, provides relatively high-paying jobs, and often offers better than average benefits packages. Certainly the latter two are a function of the first. That is, a more organized workforce – such as in the case of a union – will be better equipped to bargain for higher wages and better benefits. Considering just the wage trends in manufacturing, for example, Figure 5.1 shows the average weekly earnings for production workers in manufacturing and for non-supervisory workers in the 'service-providing' industries, which in this case includes essentially everything except manufacturing and construction. In 2002, average weekly earnings in manufacturing were $618.87 – about 30 percent higher than the average service wage of $473.10.

Another characteristic associated with manufacturing is that these positive job conditions have been available even for workers with relatively low levels of educational attainment. The educational profile of manufacturing workers is given in Table 5.1. Relative to other industries that are associated with higher wages and better benefits, manufacturing has a relatively higher share of workers with relatively lower

levels of educational attainment. Therefore, manufacturing has historically been a source of employment for those with lower levels of education.

A conclusion concerning the impact of the manufacturing decline on lower income workers is now coming into focus. The loss of manufacturing employment opportunities has meant the loss of jobs that offered good wages and good benefits and were available to workers with lower educational attainment. Historically, the manufacturing sector could have served as a source of quality employment for many individuals that today are either lower income workers or low income individuals not even participating in the labor force.

The loss of manufacturing jobs, especially in the rural South, has certainly played a large role in the low labor force participation currently seen in these areas. As textile mills close in South Carolina, or coal mines have closed in West Virginia, the impact on rural communities has been clear. These areas have developed into pockets of high unemployment and low labor force participation – two factors that together suggest a very low percentage of the population is actually working.

Unfortunately, this long-term erosion of manufacturing jobs will continue into the future. No one can know when it may stop, but that it will continue is widely agreed. Communities in the South and across the U.S. that rely heavily on manufacturing are subject to losses as firms continue to experience productivity gains, consumption shifts, and global competition.

Are there solutions to this problem? For communities suffering manufacturing job losses, there are demand-side and supply-side considerations to local labor markets. One way towards improvement in rural areas in particular is to address the demand-side of the labor market by trying to recruit new businesses into the area to employ displaced manufacturing workers. This is certainly difficult, especially when trying to recruit a stable employer into a rural area without a large population center. Another approach is to address the supply-side by training potential workers with the necessary skills for whatever jobs may be available. Additionally, providing more transportation options can help connect available workers with available jobs.

Even if displaced manufacturing workers are able to find new employment, the fact remains that these new jobs may well offer lower wages and fewer benefits. It would appear unlikely that a new major source of employment will develop that can match the characteristics of the manufacturing sector that had been consistent with the characteristics and needs of lower income individuals.

The Growth of Temporary Help Employment

The business services sector has been among the very fastest growing industries in terms of employment over the last 10 to 15 years. In the South, employment in business services grew a total of 84.8 percent between 1990 and 2000 – almost 3.5 times faster than the 24.7 percent growth in total employment.[8] Many people consider the health services industry to be among the fastest growing sectors. While health services employment did grow faster than total employment during the 1990s, it did not keep pace with business services. In the South, health services grew a total of 37.4 percent. Business services managed to grow more than twice as fast as employment in health care during the 1990s. Employees specifically on the payrolls of temporary help agencies nationwide increased from 1.2 million in 1990 to over 2.6 million in 2000.[9]

This is a critical trend to monitor because much of the growth in this industry is driven by rapid growth in personnel supply services, the sub-sector that includes employment in temporary help agencies. As a move towards efficiency and cost-cutting, firms from all industries are relying more and more on temporary workers. It is likely easier and cheaper in the short-run for firms to expand employment and production by hiring temporary workers as opposed to permanent employees. At the same time, the use of temporary workers may impose additional costs to firms in the form of repeated training and inefficiency. Experienced workers provide boosts to productivity for firms through acquired human capital and institutional knowledge, characteristics the firm may lose by repeatedly turning to temporary workers.

[8] From the U.S. Bureau of Economic Analysis
[9] From the U.S. Bureau of Labor Statistics

From the point of view of the worker, temporary employment offers lower wages, fewer benefits, and is – by definition – not stable. Between 2000 and 2002, temporary help employment fell from 2.6 million to under 2.2 million. Because temporary workers offer an employer a liquid supply of labor, it is easy to reduce positions during a recession. In this case, temporary help nationwide was trimmed by roughly 20 percent during the recession of 2001.

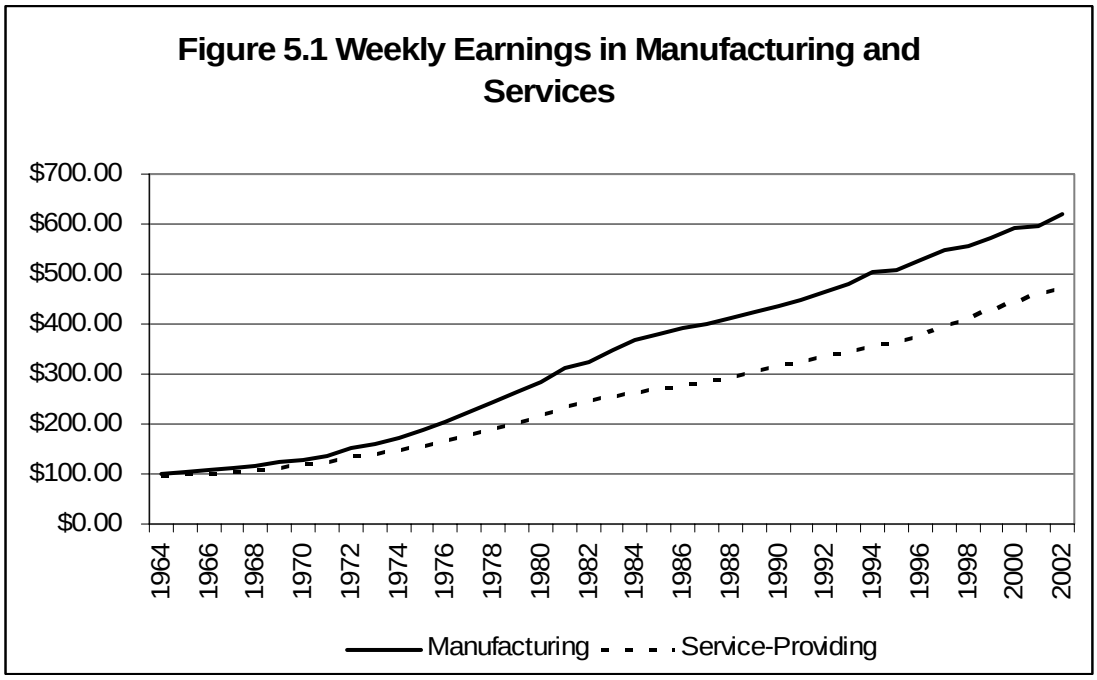
The impact of temporary employment on lower income or low-skilled workers was the subject of a recent review by Erickcek, Housemand & Kalleberg (2002). That study concludes that, as we might expect, the impact on the worker depends on the specific situation. If the temporary position is being used by a firm to screen for permanent employees, then temporary employment can be seen as a bridge to a more stable position, presumably offering higher wages and a better benefits package.

However, if the use of temporary workers is a form of long-term substitution away from a permanent workforce, then the effects are fairly unambiguously negative for those temporary workers -- if they are hoping to find stable employment, good wages, and good benefits. Certainly, this is not always the case. Some temporary employees will voluntarily choose that arrangement because they are only seeking a short-term source of income. The problem arises for those lower skilled and lower income workers who in the past may have been able to turn to temporary employment as a bridge to a permanent position.

The rapid rise of temporary help employment is a trend that continues to evolve, both in the scope (the types of firms and occupations that are being outsourced to temporary workers) and the reasons for hiring temporary workers (for short-term flexibility or long-term replacement of permanent workers). Because of the ongoing evolution, it is difficult for any data to paint a complete picture of the ultimate impact of the phenomenon of firms hiring temporary workers. Over the next few years, additional observations from longitudinal surveys will be able to shed more light on the impact of the growth of personnel supply services on the lower income population.

Even without data, though, it does seem that the growth of temporary help services in and of itself is not necessarily a good or a bad thing for the economy, or

even for lower income workers. Whether individuals are able to benefit from temporary work depends critically on whether the position serves as a bridge to a stable permanent position.



Source: Calculated from data provided by the U.S. Bureau of Labor Statistics

Table 5.1 Educational Attainment of Employees by Industry, Percentage of Workers with Given Attainment, 2001

	<HS	HS	HS degree or less
Agriculture	29.5	36.2	65.7
Mining	13.1	37.8	50.9
Construction	22.7	41.3	64.0
Manufacturing	**13.9**	**37.9**	**51.7**
TCPU	8.0	37.1	45.2
Wholesale Trade	10.9	32.8	43.7
Retail Trade	21.7	35.7	57.4
BFIRE	3.9	25.2	29.1
Private Household Services	39.7	29.4	69.1
Business Services	10.3	24.9	35.2
Repair Services	19.7	44.4	64.1
Personal Services	18.7	37.3	56.0
Entertainment and Recreation Services	15.5	24.5	39.9
Health Services	6.3	23.3	29.6
Educational Services	4.0	15.2	19.2
Social Services	11.7	29.5	41.2
Other Services	2.7	13.6	16.3
Government	2.7	22.3	25.0
Total	**12.5**	**30.2**	**42.7**

Source: Calculated from the Current Population Survey March Supplement, 2002
Notes: TCPU refers to Transportation, Communications and Public Utilities. BFIRE refers to Banking, Finance, Insurance and Real Estate.

6. SUMMARY

This report has presented many statistics on the Southern economy and the conditions faced by low income individuals and low income workers in the South. While the Southern economy has experienced rapid growth overall over the last three decades, it is apparent that the region continues to lag other parts of the United States in terms of living standards. Southern poverty rates are the highest in the nation and Southern incomes and wages are the lowest.

As troubling as these conditions are, it is perhaps even more concerning that the conditions faced by low income persons and low income workers are also generally worse in the South than the U.S. Further, structural changes in the economy that have reduced the availability of manufacturing employment and seen a surge in temporary help employment could prove to be especially detrimental to the goal of quality stable employment for lower income workers.

The goal of this report has been to present and discuss these various indicators of the Southern economy. This objective look at the numbers and discussion of the Southern economy can serve as an ingredient in plans that look ahead to the future of the South and the future of the South's low income population. As private and public institutions work with leaders and policymakers to try to effect changes in the region, it is vital to have a sound basis for the arguments. Hopefully, this report will work towards serving that purpose.

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