

Chapter 3

Income and Poverty: Making Ends Meet



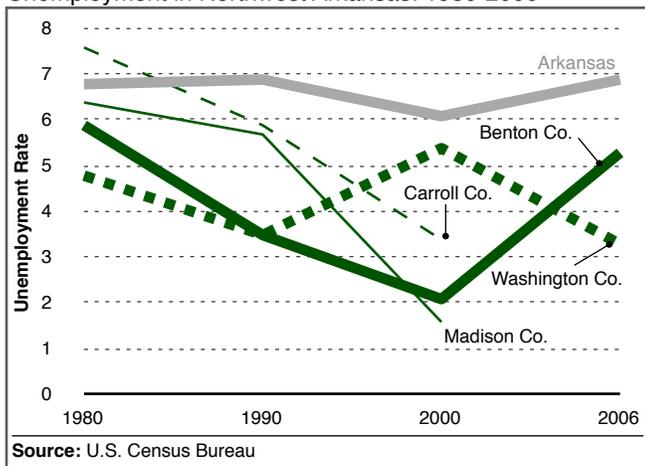
Income and Poverty in Northwest Arkansas

Quality of life is directly tied to the strength and robustness of the local economy. Not only does a more vibrant and diverse mix of economic activity provide opportunities for productive employment, but it also creates the capacity to fund public services. A community is healthier and generally happier when public services (education, highways, protection, etc.) are adequately provided for and when residents can undertake meaningful and important work for which they feel like they are being adequately compensated for.

For these and other reasons, a strong economy is correlated with a healthy workforce and individual prosperity. Ultimately, the economic vitality of an area does not only result in good quality of life--it is often the cause of it. Unhealthy forces that are structurally created and locally maintained, clearly threaten the quality of life of any region. Below is a discussion of economic opportunity and limitations.

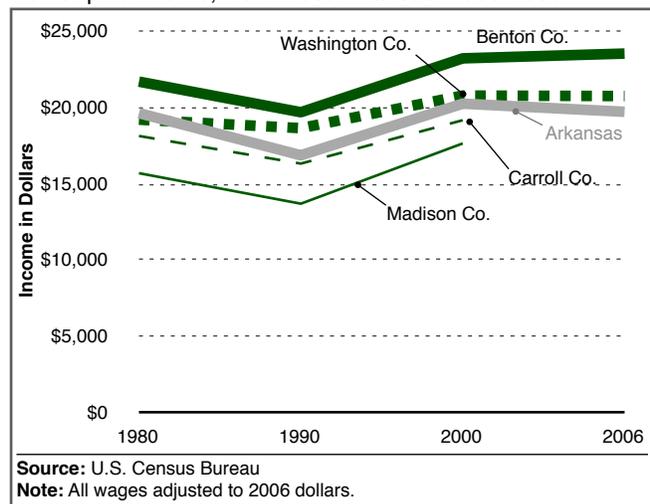
Individuals

Figure 3.1
Unemployment in Northwest Arkansas: 1980-2006



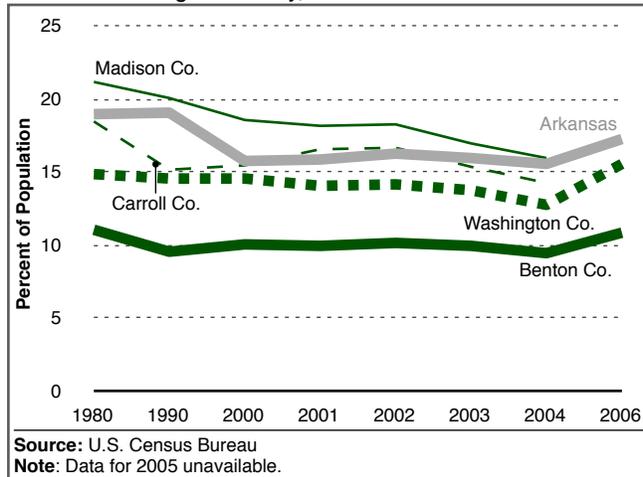
For the most part since 1980, Northwest Arkansas counties have enjoyed lower unemployment rates relative to the rest of the state - a testament to the increasing economic opportunities in Northwest Arkansas during the latter part of the 20th Century.

Figure 3.2
Per-Capita Income, Northwest Arkansas: 1980-2006



- ★ Madison and Carroll Counties consistently had decreasing unemployment rates since 1980.
- ★ Most Northwest Arkansas counties enjoyed a significant drop in their unemployment rates between 1980-90.
- ★ More recently, Benton County's 2006 unemployment rate (5.3) more than doubled since 2000. Washington County's 2006 unemployment rate (3.3) declined by a similar amount since peak in 2000.
- ★ Per capita income has grown over the last several decades in Arkansas and in the Northwest Arkansas region.
- ★ By 2006, both Washington and Benton Counties had higher per-capita incomes than the Arkansas state average (\$19,756)

Figure 3.3
Individuals Living in Poverty, Northwest Arkansas: 1980-2006



Poverty continues to plague our nation's communities. The elderly, children, women with children, minorities, the disabled...hardly any social or demographic category escapes it. And even now, in the 21st Century, the percentage of those living in poverty is increasing.

Poverty rates for all individuals mask important subgroup differences - rates for Hispanics and Blacks, single-families headed by a female, and foreign-born residents are higher than the national average. While these more complicated relationships between income and demographics are not explored in this report, they remain as stark reminders of who, how many, and where persons are living in poverty.

In 2007, Arkansas ranked in the highest quintile among states with the largest percentages of people living in poverty. A similarly low ranking was true for both youth (under the age of 18) and the elderly (65 years of age and over) in Arkansas.

- ★ Since 1980, all Northwest Arkansas counties except for Madison County had lower percentages of people living in poverty than the state as a whole.
- ★ By 2004, the percentage of persons living in poverty in Madison County had dropped to the state average of 16 percent.

★ Benton and Washington County had lower percentages of persons living in poverty than the rest of Northwest Arkansas and the state.

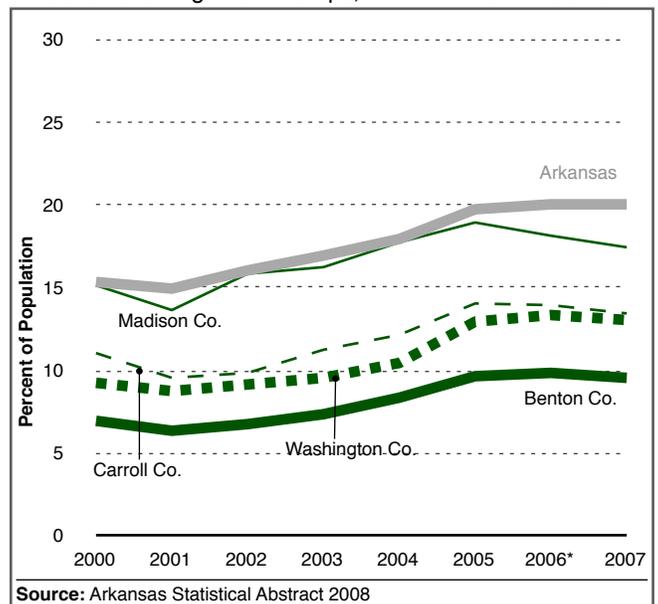
★ Benton and Washington County percentages of persons living in poverty increased by nearly 2 percent between 2004-2006.

★ In 2006, over 17 percent of Arkansas' population was living in poverty (at or below the federal level of \$9,800 for an individual) compared to 12 percent in the United States.

★ Since 2000, the percent of residents on food stamps in both the state and Northwest Arkansas counties has steadily increased.

★ Food stamp recipients in Northwest Arkansas counties have been on a similar trajectory as the state; Madison and Carroll Counties in 2007 had the highest percentage of residents on food stamps in the region.

Figure 3.4
Percent Receiving Food Stamps, NW Arkansas: 2000-2007



"The test of our progress is not whether we add more to the abundance of those who have enough; it is whether we provide enough for those who have too little."

Franklin Delano Roosevelt, 1936

Families

According to the U.S. Census Bureau 9.8 percent of American families (7.5 million) lived at or below the poverty line in 2006. Poverty was most prevalent among families headed by single women. More than a quarter of all female-headed families (more than 4 million) were impoverished. The figure for married-couple families was 4.9 percent .

Figure 3.5
Families Living in Poverty, Northwest Arkansas: 1980-2006

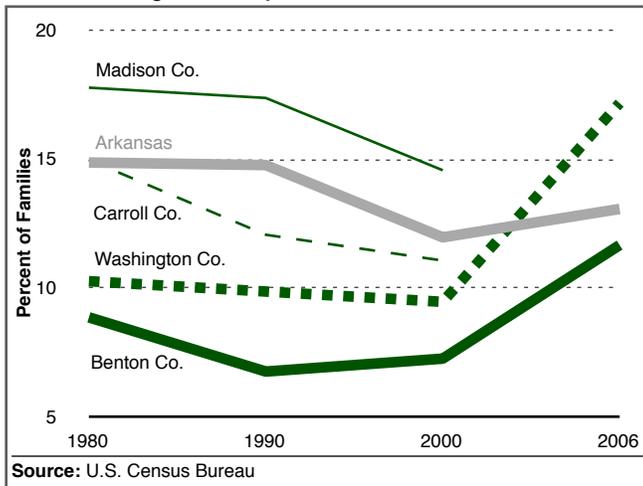
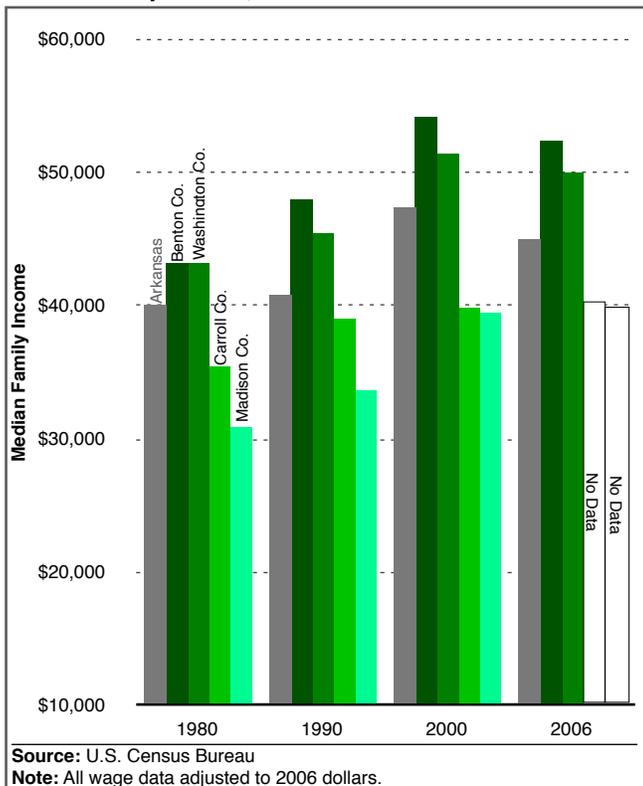


Figure 3.6
Median Family Income, Northwest Arkansas: 1980-2006



- ★ Similar to the percentage of persons living below the poverty level, Madison County was the only county since 1980 to have a higher percentage of families living below the poverty level relative to other Northwest Arkansas counties and the state.
- ★ All the Northwest Arkansas counties and the state had declining percentages of families living in poverty between 1980-2000.
- ★ Washington and Benton County experienced sharp increases in the percentage of families living in poverty between 2000-2006.
- ★ Since 1980, median family income has steadily increased in all of the Northwest Arkansas counties until 2000. In the two most populous counties (Washington and Benton), median family income was higher than the state average.
- ★ Since 1980, Benton County median family income has outpaced all the other counties in the region and the state. The 2006 median family income in Benton County was more than \$52,000.
- ★ Since 1980, Madison and Carroll Counties have lagged behind the state's average median family income.

Children

Nearly 13 million American children live in families with incomes below the federal poverty level, which currently is \$20,650 a year for a family of four. The number of children living in poverty increased by 11 percent between 2000-2006. Today there are 1.2 million more children living in poverty in the United States than in 2000.

Like adults, poverty among children is not equally distributed. Thirty-three percent of Black children, 27 percent of Latino children, and 10 percent of White children live in poverty in the United States. Of particular concern for states

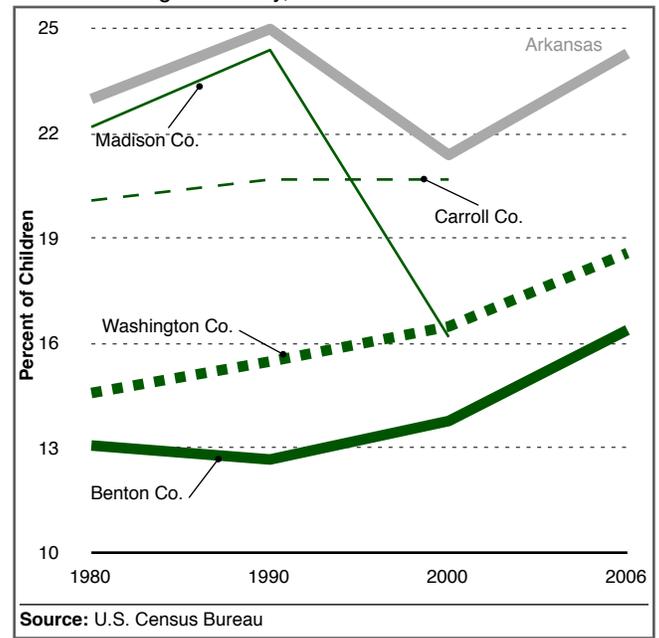
- ★ In 2006, nearly 25 percent of children under the age of 18 were living in poverty in Arkansas.
- ★ In 1990, Madison County had 22 percent of children under 18 living in poverty and that percentage dropped by nearly 8 percent in 2000.
- ★ While there have been gradual percentage increases in children living in poverty since 1990, the percent of children living in poverty in Benton and Washington Counties has jumped by almost 4 percent between 2000 and 2006.
- ★ Arkansas ranks in the top ten of states in the U.S. with children living in poverty.

like Arkansas and the Northwest Arkansas region, more than one-quarter of immigrant children are poor, compared to the 16 percent of children who live in poverty whose parents are native born.

In 2007, nearly 40 percent of children were living at or below the 200 percent poverty line - that number was 50 percent for children living in Arkansas. While money clearly matters for adults and children, the instability and unpredictability of low-wage work often leads to deteriorating financial circumstances in the household.

Figure 3.7

Children Living in Poverty, Northwest Arkansas: 1980-2006

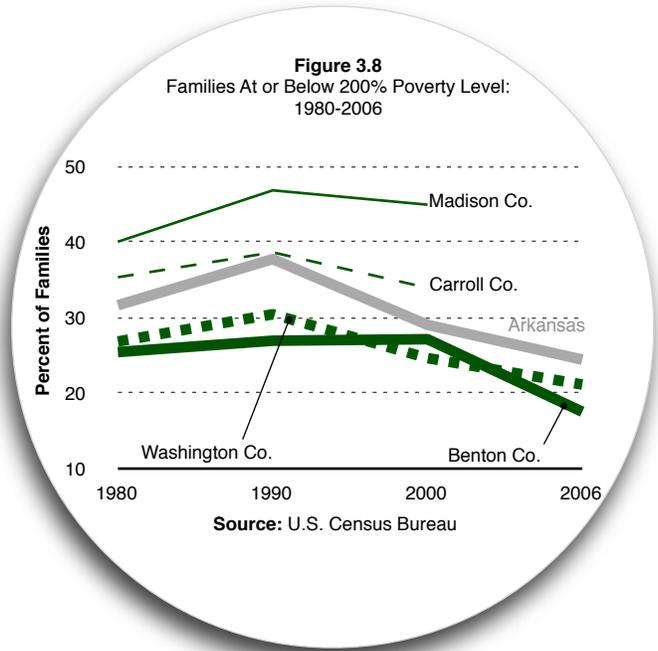


Indicator in the Spotlight:

Poverty and a Living Wage

Economic growth has been an important part of the transformation of the Northwest Arkansas region. With the economic boom starting in the late 1980's, opportunity has been growing in Northwest Arkansas.

- ★ Since the late 1980's, the number of families living at or below the 200% poverty line (families earning a living wage) in Arkansas decreased.
- ★ In 2000, Madison and Carroll Counties had a greater proportion of families living at or below the 200% poverty line compared to the rest of Arkansas.
- ★ By 2006, Benton and Washington County had less than one-fifth of its families living at or below the 200% poverty line.

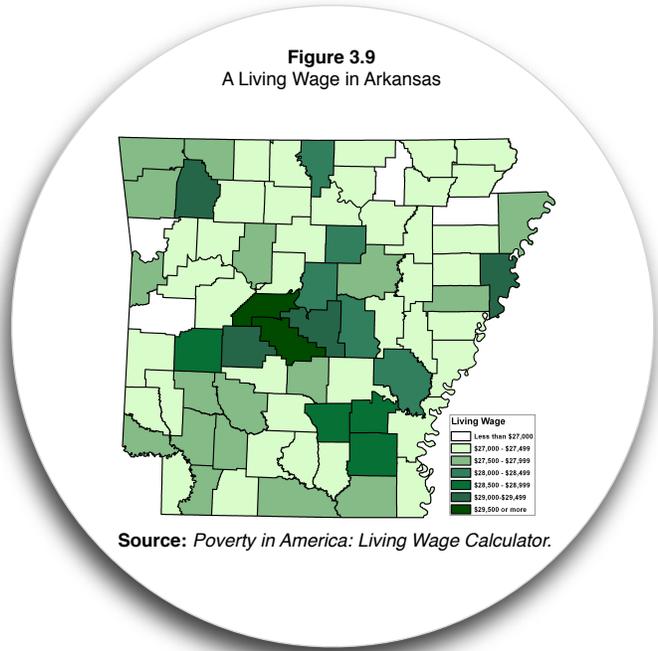


In many American communities, families working in low-wage jobs do not make a sufficient income to live, given the standard cost of living. This "living wage" is one benchmark used to better understand "functional poverty."

- ★ In 2007, the estimated living wage among the Northwest Arkansas counties was highest in Madison County.
- ★ The Northwest Arkansas region as a whole, was considerably lower as a living wage region compared to Central and Southeastern Arkansas.
- ★ The average 2007 living wage for a family of three in Arkansas was \$28,500.

"You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand."

Woodrow Wilson



The table below provides a detailed picture of both the 2007 annual income required to meet the living wage standard, and the breakdown of monthly expenses used to calculate these standards. The living wage estimates are based on a family of three--two adults and one child. This family size of three has been the statistical average size of Arkansas families since 1980.

Arkansans are spending, on average, \$450.00 on food each month. While child care estimates seem low for the state (\$324.00 per month), Northwest Arkansas families, on average, spend fifty dollars less than the average Arkansas family of three. Medical costs also appear to be low, and next to transportation, are the lowest proportional expenses for Arkansan families. Two interesting anomalies stand out in the table below: 1) Housing in all of the counties except for Carroll is higher than the average for the state; and 2) Transportation costs are lower in Benton and Washington County by more than forty dollars

compared to the state average, but those same costs are doubled in Carroll and Madison Counties compared to the rest of the counties in Northwest Arkansas. This “hidden” cost may be an important disadvantage for those rural residents who are bearing an even greater burden in 2008 with gasoline prices fluctuating around \$4.00 per gallon.

Keeping in mind that the current federal minimum wage is \$6.25, the average living hourly wage in Arkansas is \$13.70 per hour. Again this represents the wage necessary to meet minimum monthly expenses for a family of three. Benton, Carroll and Washington Counties all have living hourly wage estimates of \$13.37 per hour; Madison County is estimated to be at \$14.03 per hour. Again, Madison County residents appear to be paying the double burden of increasing housing and transportation costs relative to their neighbors in the region.

Table 3.10 Determining a Living Wage in Northwest Arkansas (2007)

	ARKANSAS	Benton County	Carroll County	Madison County	Washington County
Monthly Expenses					
Food	\$452	\$452	\$452	\$452	\$452
Child Care	\$324	\$274	\$274	\$274	\$274
Medical	\$259	\$259	\$259	\$259	\$259
Housing	\$520	\$554	\$482	\$554	\$554
Transportation	\$127	\$82	\$180	\$180	\$82
Other	\$327	\$339	\$315	\$339	\$339
Monthly After-Tax Income Required	\$2,101	\$1,961	\$1,962	\$2,058	\$1,961
Annual After-Tax Income Required	\$24,119	\$23,530	\$23,543	\$24,698	\$23,530
Annual Taxes					
Payroll Tax	\$2,180	\$2,127	\$2,128	\$2,233	\$2,127
State Tax	\$263	\$257	\$257	\$270	\$257
Federal Tax	\$1,938	\$1,891	\$1,892	\$1,985	\$1,891
Gross Annual Income Required	\$28,500	\$27,804	\$27,820	\$29,184	\$27,804

Source: *Poverty in America: Living Wage Calculator* (www.livingwage.geog.psu).

What's It All Mean?

In 2007, a living wage in Arkansas (gross annual income required) was \$28,500. Since 1990, the percentage of persons making a living wage in Arkansas and the Northwest Arkansas region has been declining. For the state as a whole, data indicates that there has been a nearly 12 percent decline in those making a living wage; Washington County saw a decline of nearly 10 percent during that same period of time. The question that these shifts raise is what is actually happening to these people? It may be that they are moving out of the living wage category (at or below 200 percent above the poverty level) and *into* poverty. Looking at the shifts between these two groups, the upturn in persons living in poverty, particularly in Washington County, may be accounting for some of this change.

Not unlike the rest of the country, Arkansas and the Northwest Arkansas region experienced a

significant period of prosperity during the 1990's. However, current income and poverty indicators suggest that the first decade of the 21st Century may not be as prosperous a period of growth. While there are a number of indicators that suggest a slowing down in the general economy, the upswing in the number of persons, families, and children living in poverty in the state and the region may be some early indication of what lies ahead. It is likely that these and other trends like them will be reflected in the 2010 census.

Good news and bad news for children in Northwest Arkansas. The good news is, the four Northwest Arkansas counties are all doing better than the rest of the state. The bad news is that Northwest Arkansas appears to be experiencing an increase in their percentages of children and families living in poverty.