

SUMMARY

STATE OF WORKING MISSISSIPPI

2016

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Working families seek economic security, meaning that they earn enough to pay for basic living expenses while saving enough to pay for larger and longer-term costs. Increasingly in the United States workers and their families are not able to achieve this security, especially minority households. This pattern is particularly prevalent in Mississippi.

The reasons for the gap in what Mississippi families earn and what they need are multifaceted. *The State of Working Mississippi 2016* analyzes trends in population, education, labor force, jobs, employment, wages, income, and poverty. It focuses specifically on the period from 2007 through 2015 to measure economic conditions just before, during, and since the Great Recession. Major findings for each topic are included at the beginning of the corresponding section and are followed by more detailed analyses.

The report concludes with recommendations for improving economic conditions for the state's workers. Mississippi is a vibrant state with much economic potential. By making strategic public

In 2014, 17.7% of working Mississippi families lived below the poverty line, more than 100,000 workers did not have healthcare, and the median wage of African-American workers was just 72% of the median wage for white workers.

investments and policy changes, the state's leaders have an opportunity to improve the economic reality for the state, its workers, and their families.

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EXECUTIVE SUMMARY

Mississippi experienced a period of economic growth in the late 1990s that increased wages and improved economic outcomes, but the turn of the 21st century brought economic stagnation that has persisted through 2015.

The Great Recession exacerbated this problem and the Mississippi economy has not recovered at the same pace as neighboring states or the nation. Low and middle-income workers have been impacted most significantly, while wages for the wealthiest Mississippians and corporate profits have risen steadily. Rates of workers with employer-sponsored health insurance and pensions also have declined over time, further damaging the economic security of working families.

The National Bureau of Economic Research declared December 2007 to June 2009 a period of economic contraction for the U.S., which is now known as the **Great Recession**.¹

The slow and uneven recovery from the Great Recession combined with growing income inequality has created an economic environment in Mississippi in which working families cannot afford basic necessities, let alone save for retirement or pay for their children to attend college. What's more, the state's increasingly inequitable system

of taxation places a disproportionate burden on low and middle-income families, while tax breaks for the wealthiest individuals and corporations have left the state without adequate revenue for critical public services and infrastructure, including public schools and hospitals.

The challenging economic environment in Mississippi particularly affects African-American workers and families. African-Americans in the state do not have equitable access to quality education and post-secondary opportunities, which has contributed to a disproportionate number of black workers being unemployed and racial disparities in wages. As a result, an alarmingly high number of African-American children live in poverty, which threatens their ability to learn, achieve, and earn to their full potential.

Mississippi also ranks low on measures of quality of life and education levels of the labor force, making it an unattractive state for new and growing businesses despite its generally business-friendly state tax system. Accordingly, if Mississippi is going to rebound economically the state must invest more in its current and future workforce and improve its public services and infrastructure. Without concerted policy changes, the economic struggles of the state and its workers will continue and grow worse. Specific recommendations derived from the findings of this study include:

- ▶ Fully fund Mississippi public education, from pre-kindergarten to high school
- ▶ Increase access to childcare assistance through TANF funding
- ▶ Increase funding for need-based tuition assistance for higher education
- ▶ Expand Medicaid
- ▶ Raise the minimum wage
- ▶ Establish a state Earned Income Tax Credit
- ▶ Reduce or eliminate the sales tax on groceries
- ▶ Increase state tax revenues without placing additional burdens on the poor
- ▶ Local government action to improve economic justice

More detailed descriptions of these policy recommendations are included in the final section of the report on pages 42-43.

KEY FINDINGS

Population

- ▶ Mississippi's population grew from 2,844,658 to 2,992,333 between 2000 and 2015, a 5.2% increase.
- ▶ Mississippi population growth rates are substantially lower than U.S. rates, with particularly slow growth among the white population.
- ▶ Mississippi historically has had a larger share of African-Americans in its population than the U.S. as a whole, and 37.6% of Mississippi residents are African-American as of 2015, compared to 13.3% nationally.

Educational Attainment

- ▶ Mississippi's population is far less educated than the nation as a whole and significant educational disparities exist between the African-American and white populations within the state.
- ▶ Mississippi public schools are underfunded, with state per pupil spending at only \$8,263 in 2014. That is only 75% of the national average, and places Mississippi at 47th on measures of per student state education funding compared to the other 49 states and Washington D.C.

Labor Force

- ▶ Mississippi's labor force has become smaller, older, more diverse and better educated in recent years.
- ▶ While the state's labor force grew by 1.9%, or 25,040 workers, between December 2007 and December 2010, the labor force shrunk considerably between December 2010 and May 2016, by 5% or 54,840 workers.
- ▶ Mississippi's labor force participation rate declined by 3.9 percentage points between 2007 and 2015. This decline has been more dramatic than trends in the U.S. labor force participation rate, which declined by 3.3 percentage points between 2007 and 2015.

Employment

- ▶ The number of persons employed in Mississippi decreased from 2000 to 2014 by 3.1%, from 1,155,000 to 1,119,500 persons, as the number employed in the U.S. increased by 5.3%.
- ▶ The statewide *unemployment* rate in May 2016 was 5.8%, which is down from 10.9% in 2010 and 6.1% in 2007, but still higher than the unemployment rate of 5.6% in 2000.
- ▶ The unemployment rate of white Mississippi residents is similar to the national average for white workers, while the unemployment rate of African-American Mississippi residents has been consistently higher than that of the national average for African-Americans.
- ▶ Mississippi counties vary considerably in unemployment rates, from a low of 4.2% for Rankin to 16.9% for Issaquena. Counties with urban and large white populations enjoy unemployment rates substantially lower than counties with rural and large African-American populations.
- ▶ Mississippi's 2015 *underemployment* rate of 11.7% is similar to neighboring states but higher than the national rate of 10.5%.

Jobs

- ▶ Mississippi lost 76,100 jobs during the Great Recession, or 6.6% of all jobs in the state, between December 2007 and January 2010. Due to limited economic growth in the state, Mississippi still had 18,400, or 1.6%, fewer jobs in May 2016 than in December 2007.
- ▶ Growth and recovery have been uneven across industries. Manufacturing and construction jobs were down 24,000 and 15,100 jobs respectively between December 2007 and May 2016, while education and health jobs increased by 14,200 jobs and professional and business services grew by 6,500 jobs during the same period.
- ▶ Growth and recovery were also uneven across regions. While metropolitan regions generally have recovered from the Recession more successfully, much of rural Mississippi has experienced a considerable decline in jobs since 2007.

Wages

- ▶ Wage inequality has grown in Mississippi over time. Workers in the lowest wage group (10th percentile) have experienced a 6.4% decrease in real (inflation-adjusted) wages since 1979, while those in the highest wage group (90th percentile) experienced a 24% increase in real wages.
- ▶ Mississippi's median wage in 2015 was \$14.49 per hour, which is still below the pre-Recession level of \$14.67 in 2007 and is \$2.70 lower than the national median wage of \$17.19 per hour.
- ▶ Men and workers with just a high school education experienced the largest drops in wages between 2007 and 2015, with decreases of 8.2% and 6.9% respectively. Workers with a college degree also have been impacted by the Recession, as their wages in 2015 were 5.9% lower than in 2007.
- ▶ In 2015, the median wage of African American workers in Mississippi was 72% of the median wage for white workers, a gap that has persisted for decades.
- ▶ Wages have not kept pace with business and productivity growth. Gross state product per worker increased cumulatively by 8% between 2000 and 2013 while the cumulative increase in median wage during the same time period was less than 2%.

Household Income, Poverty, and Assets

- ▶ Real (inflation adjusted) median household income in Mississippi declined by 12%, or \$5,316, between 2000 and 2014, which mirrored the trend of the national median wage.
- ▶ The gap in median household income between white and black households was \$21,592 in 2014, with a median household income for black households of \$27,252 per year compared to \$48,844 for white households.
- ▶ Mississippi's overall poverty rate in 2014 was 5 percentage points higher than the U.S. average, and the poverty rate for African Americans is 7.3 percentage points higher than the U.S. average for African Americans.
- ▶ Child poverty rates in Mississippi have declined to 29% since reaching a high of 35% in 2009. Still, 45% of African American children in the state live in poverty.
- ▶ Nearly half of Mississippi workers do not have any paid sick leave and more than 60% do not have an employer-sponsored pension.
- ▶ The rate of liquid asset poverty in Mississippi, meaning households that do not have enough money to live at a subsistence level for three months, is 61.9%—the second highest rate in the country.

RECOMMENDATIONS

► Increase state tax revenue without increasing burden on the poor.

Mississippi will continue to lag behind other states on a variety of indicators including business climate, economic productivity, health outcomes, educational attainment, workforce readiness, and quality of life standards until the state government is able to raise sufficient revenue to fund the basic functions of government. In recent years, the state has not had sufficient tax revenue to fully fund public education, transportation infrastructure, mental health services,

child welfare services, and Medicaid. Additional revenue also is needed to increase access to childcare assistance, pre-kindergarten programs, and need-based tuition assistance so that Mississippi can develop the work force needed to attract new businesses. Because the state's poor already pay a disproportionately high portion of their income in state and local taxes, tax increases must be focused on the highest income earners and corporations.

► Raise the minimum wage.

Productivity of Mississippi workers has increased over the past several decades but their wages have not. As a result, more than one quarter of workers in Mississippi earn below poverty wages. Establishing a state minimum wage that is higher than the federal minimum wage is the most direct way to increase

economic security of hard working Mississippi families. Not surprisingly, there is widespread public support for this long overdue policy change: public polling in the state indicates that 56 percent of voters support raising the state's minimum wage to \$10 per hour.³⁰

► Expand Medicaid.

Mississippi cannot afford to wait any longer to expand Medicaid eligibility. Access to healthcare is a basic human right being denied to roughly 200,000 Mississippians. The majority of these persons (58%) are working or part of a working family.³¹ Many of the others are disabled, students, or people who have left

the workforce. In addition to the moral reasons for doing so, expanding Medicaid eligibility will improve economic security of Mississippi families, create new jobs, increase worker health and productivity, improve labor force participation rates, and bring a significant new infusion of federal funding to the state.

► Invest more in Mississippi public education, from pre-K to high school.

If the Legislature provided full funding to the state's public school system as required by the state's funding formulas, the Mississippi Adequate Education Program (MAEP) it would particularly benefit students in low-income areas, where property values depress local-level school funding. Full funding of MAEP would allow all Mississippians to receive the education they deserve and help create the educated workforce the state largely lacks.³²

Additionally, Mississippi's recent funding initiatives for pre-kindergarten should be expanded. Given the well-documented effects of quality early childhood education on outcomes for vulnerable children, expansion of Pre-K programs would particularly benefit African-American children, who are disproportionately likely to live in poverty.³³

► Increase access to childcare assistance through TANF funding.

Increased state funding for childcare assistance would rectify two of Mississippi's greatest challenges: low labor force participation rates and sub-optimal educational outcomes. Dedicating a portion of

Temporary Assistance for Needy Families (TANF) funding, especially unobligated TANF funds, to childcare assistance would be one way to increase access to the program.

► Increase need-based tuition assistance for higher education.

While high costs prevent many students from receiving a higher education, Mississippi's economic future depends upon a college-educated workforce. Increased state funding for *need-based tuition*

assistance will help close the racial gaps in education in Mississippi and help all Mississippians get the education they deserve.

► Establish a state Earned Income Tax Credit.

A refundable state Earned Income Tax Credit would provide a boost to low and middle-income households and improve labor force participation rates in Mississippi. The Earned Income Tax Credit (EITC) is widely recognized as a proven bipartisan way to incentivize work and boost pay, especially for single parents.³⁴ Studies also have found longer lasting effects of EITC programs including better school performance and greater rates of college enrollment

for children whose parents received state and federal EITCs.³⁵ State EITCs have the most significant impact when they are refundable; when workers can receive a cash refund if their state tax credit equals more than their state income tax liability. Called a "blue collar tax dividend" by Mississippi Governor Phil Bryant, a state EITC would be a win-win for the state's economy and its workers.

► Reduce or eliminate the sales tax on groceries.

Applying the state sales tax to groceries hits the budgets of low and middle-income families the hardest, which is why 31 states fully exempt groceries from state sales tax. Another seven states substantially reduce the rate of sales tax applied to groceries and five states offer credits or rebates to low and middle-income

earners.³⁶ This leaves Mississippi and Alabama as the only two states that apply the state sales tax fully to groceries. Eliminating or significantly reducing the sales tax on food is critical to increasing tax fairness and would allow Mississippi workers to keep a little more of their paycheck for other household expenses.

► Local governments take action to improve economic justice.

County and city governments in Mississippi also can take action to improve economic security of their residents. The state legislature has prohibited local governments from establishing a local minimum wage or minimum standards for vacation or sick days for private employers. Still, local government entities

can enact policies that ensure that *public employers*, which often are major sources of jobs in small towns and cities, pay a living wage with adequate benefits. County and city governments that do so will serve as a model for private employers in the area, other local governments, and the state.

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