

STATE OF WORKING RHODE ISLAND 2007

The Poverty Institute



ACKNOWLEDGEMENTS

The Poverty Institute at Rhode Island College is pleased to publish the State of Working Rhode Island 2007. This report documents trends in Rhode Island's economy including job growth, unemployment, wages, inequality, and occupations. This year we are pleased to include information about programs that protect unemployed and low-wage workers.

Once again we wish to thank the Economic Policy Institute (EPI) and its affiliate, the Economic Analysis and Research Network (EARN), for their technical assistance. We also thank the Center on Budget and Policy Priorities for the support they provide to the State Fiscal Analysis Initiative affiliate organizations.

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EXECUTIVE SUMMARY

Rhode Island's economy weathered the 2001-2002 recession well, adding new jobs as growth in the rest of the country stalled. Since 2004, however, the Rhode Island economy has fallen behind. Job growth is slowing, unemployment rising and the median wage fell by 0.6% since 2000, making Rhode Island the only state in New England to experience a declining median wage. Rhode Islanders are also contending with a widening gap between high and low earners and a continued deterioration in employer-sponsored health and pension benefits.

Since 1990, Rhode Island lost a greater proportion of manufacturing jobs than any other state in the nation. These jobs have been replaced by jobs in an expanding service sector. Labor market experts predict that the state will continue to see growth in services and expect that a number of high-wage, high-skill jobs will be created over the next several years. Yet the bulk of annual job openings will continue to be concentrated in relatively low wage, low-skill service-sector occupations, like food service workers.

Rhode Island's changing job market points to the need for greater investments in the state's untapped asset – its immigrant workforce and the 41% of working age adults who have never attended college. Investments in education and training for these lower skilled Rhode Islanders is the best way to improve the state's economic competitiveness by building a skilled workforce as well as increasing the state's tax base.

At the same time, the decline in employment-based benefits and the persistence of a large number of poorly paid jobs highlight the need for continued investments in public work support programs for those low-wage workers struggling to support themselves and their families.

I. RHODE ISLAND WORKERS IN A CHANGING JOB MARKET

Rhode Island's labor force of 578,000 is older, more diverse and better educated than it was twenty or even ten years ago. Rhode Island workers are more likely to have completed high school and college than they were two decades ago. Census data shows no evidence of a "brain drain" of young, college-educated adults from the state. Hispanic workers are by far the fastest growing segment of Rhode Island's labor force, having increased their share of the workforce six-fold over the past two decades. The Rhode Island Department of Labor and Training projects that the fastest growing jobs over the next decade will require a college degree or other specialized training, while the bulk of annual openings will be in lower-skill direct service jobs that require fluent English. An important challenge for policy-makers is to ensure that all Rhode Island's workers are equipped with the language, job-training and education and critical thinking skills needed to secure available jobs.



2. WAGE DISPARITIES AND GROWING INEQUALITY

Since 2000, Rhode Island was the only state in New England to experience a decline in the median wage. Nearly one-fifth of all jobs in the state pay less than \$20,000 per year, the federal poverty level for a family of four in 2006. Wage increases at the bottom of the wage scale have been modest, while wage increases for the top 10% of workers far exceeded national averages. The result is a broadening gap between the highest and lowest paid workers. From 1990-2006, Rhode Island had the fifth highest rate of growth in wage inequality in the country.

3. UNEMPLOYMENT AND UNDEREMPLOYMENT

Since 2005, Rhode Island's unemployment rate has exceeded the national average as well as the rates in Massachusetts and Connecticut. The underemployment rate, at 8.9% in 2006, was nearly double the official unemployment rate of 5.2%. Un- and under-employment rates in Rhode Island are especially severe for minorities, younger workers, and those without a high school diploma.

4. PROTECTING WORKERS

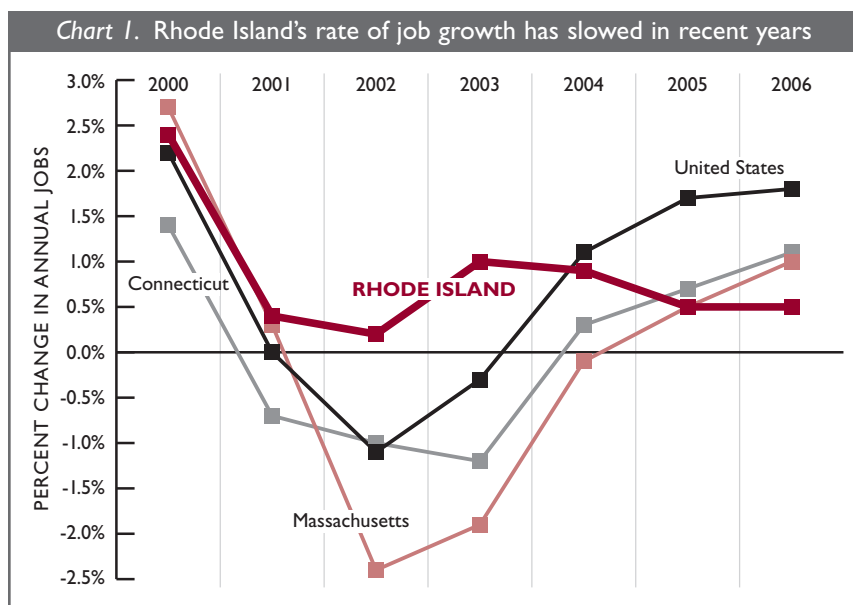
Rhode Island has a number of programs in place to protect workers from the hardships of unemployment, low wages and declining health benefits, including unemployment insurance and cash assistance, an earned income tax credit, a minimum wage above the federal level and subsidized child care and health insurance for low-wage workers with children. Yet in many of these programs, Rhode Island workers receive less generous protection and more stringent eligibility requirements than in neighboring states.



Rhode Island Workers in a Changing Job Market

I. SLOWING JOB GROWTH

Rhode Island weathered the 2000 recession very well, with job growth above neighboring states and the United States economy as a whole. Since 2004, however, Rhode Island's rate of job growth fell below national rates and by 2005, both Massachusetts and Connecticut began creating jobs at a faster pace than Rhode Island. It is difficult to tell whether this is a short-term dip in Rhode Island's rate of job creation or the beginning of a long-term trend. (Chart 1) Over the entire period of 2000-2006, Rhode Island had the highest rate of job growth in New England, as Massachusetts and Connecticut struggled to recover from the lingering effects of the 2001 recession. (Chart 2)

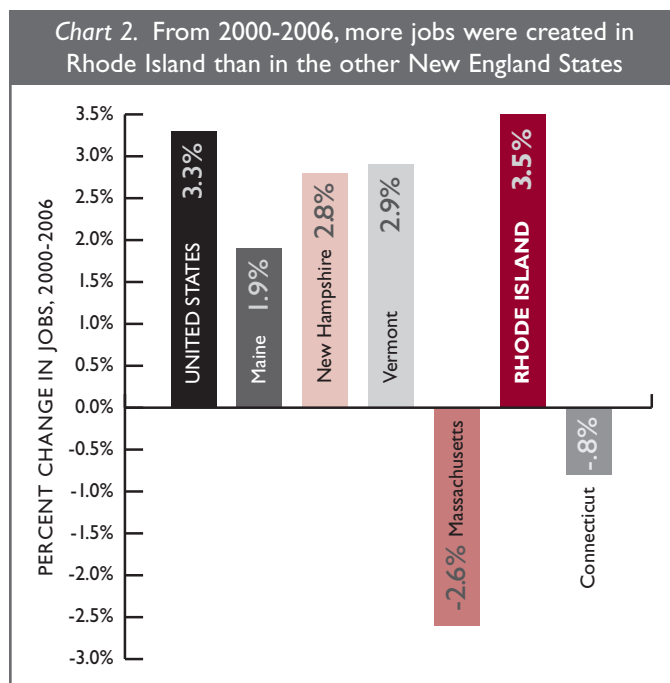


Source: Economic Policy Institute analysis of Current Employment Statistics

Rhode Island's poor job performance in the past two years may reflect the continued sharp declines in manufacturing jobs. As Table 1 (see page 4) shows, between 1990 and 2006, Rhode Island manufacturing employment declined by 45% percent, a loss of 42,600 manufacturing jobs, the sharpest decline of any state in the nation.

These lost manufacturing jobs have been replaced by the rapid expansion of construction, finance, health, education, hospitality, professional and other service industries. Rhode Island's fast-growing service and construction sectors replaced all of the jobs lost in manufacturing and added an additional 40,000 jobs since 1990.

The state's ongoing economic transformation comes at some cost to less skilled Rhode Islanders, who were able to find employment and earn good wages in the manufacturing sector but now struggle to find work in a labor market that, increasingly, demands higher levels of education. In addition, even entry-level positions in the health, hospitality and retail sectors require workers to have the communications, decision making and interpersonal skills that add value to the customer experience.



Source: Economic Policy Institute analysis of Current Employment Statistics

2. CHANGING WORK

An analysis of job openings in both newly created positions and replacement jobs shows that the 50 occupations expected to add the most new jobs over the decade impose significant demands on the skills and training of the workforce. Close to half (44%) require a bachelor's degree or higher and another 16% entail some college or specialized training. In only one-third of fast-growing occupations is short to moderate term on-the-job training sufficient to meet employer needs. (Chart 3)

Nevertheless, for Rhode Islanders seeking work over the next decade, the majority of jobs will not be found in the new and growing occupations, but in the relatively low skilled service sector, which will continue to generate thousands of replacement jobs each year. These jobs will account for more than half of all projected job openings. Many Ocean State workers will continue to find work as waiters, cooks, child care workers or retail clerks, occupations that require only limited on-the-job training. Still, nearly one-third of these jobs (32%)—including nurses, nursing assistants, carpenters, chefs and electricians—require either extensive experience or specialized vocational or college training. (Chart 4) Furthermore, many occupations entailing only limited training, like retail clerks and customer service representatives, expect workers to possess good English language and communications skills.

2. RHODE ISLAND'S WORKFORCE

Rhode Island's labor force of 578,000 is older, more diverse and better educated than it was twenty or even ten years ago. Since 1986, there has been a substantial decline in the percentage of workers who have not completed high school and a fifty percent increase in the number of workers with a bachelor's or advanced degree. (Chart 5) The percentage of Hispanic workers in Rhode Island's labor force has risen more than six-fold since 1986. (Chart 6)

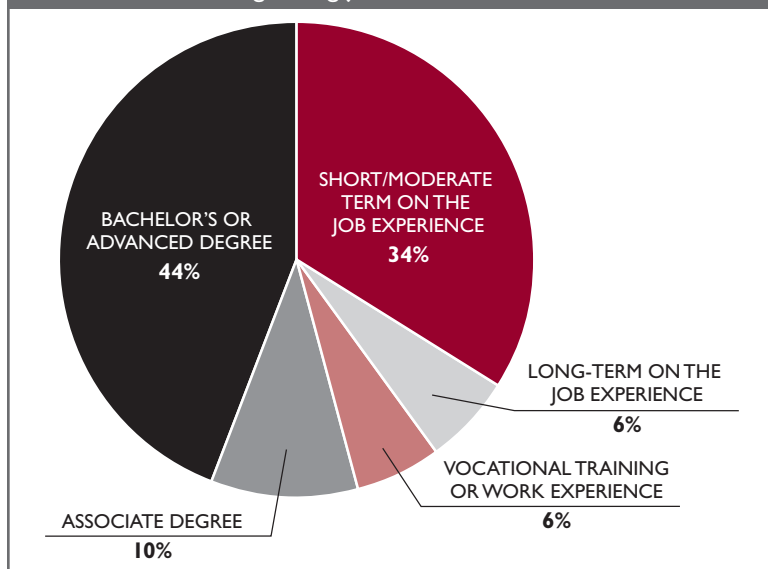
Also striking is the increase in workers aged 55 and older; the beginning of a population shift as the baby-boom generation ages. From 2000 to 2030, the population aged 65 and

Table 1. Rhode Island suffered worst loss of manufacturing jobs in the nation since 1990

State	% Change	Rank
CONNECTICUT	-35.6	46
MAINE	-35.3	45
MASSACHUSETTS	-37.8	47
NEW HAMPSHIRE	-21.7	30
RHODE ISLAND	-44.6	50
VERMONT	-15.5	26

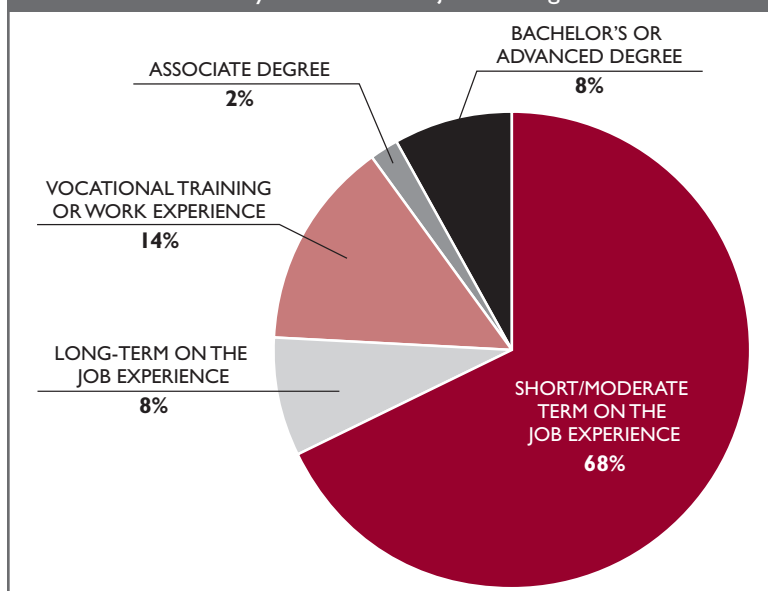
Source: Economic Policy Institute analysis of Current Employment Statistics survey data and Poverty Institute calculations

Chart 3. Fastest growing jobs demand increased skill levels



Source: RI Department of Labor and Training and Poverty Institute analysis (www.dlt.ri.gov/lmi)

Chart 4. Majority of job openings require only limited on-the-job training



Source: Rhode Island Department of Labor and Training and Poverty Institute analysis

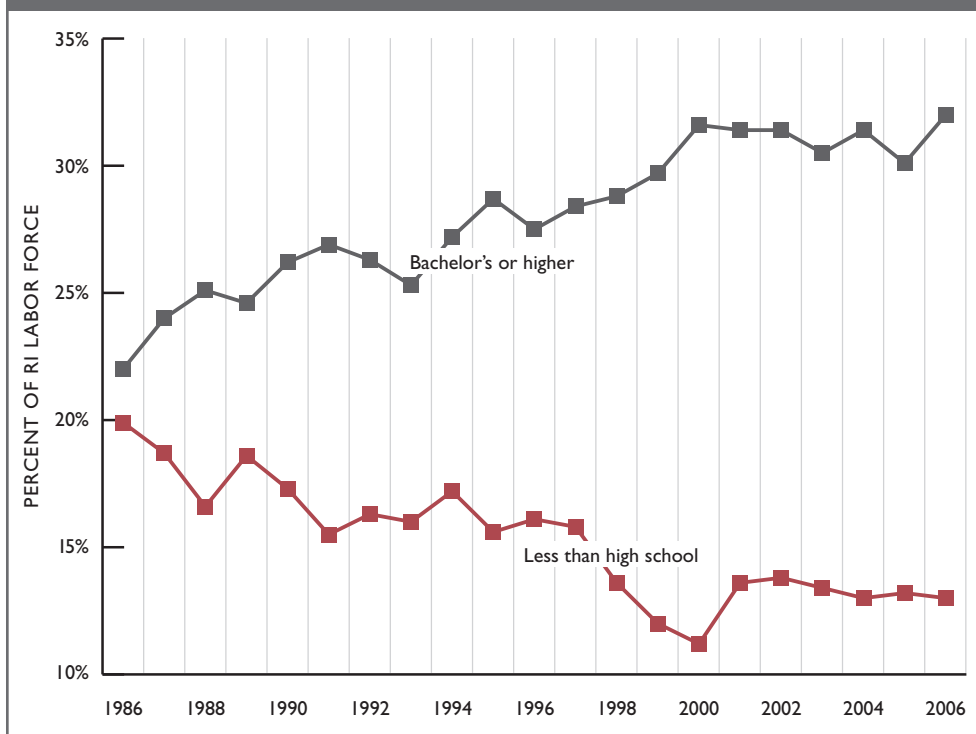
older in Rhode Island is expected to grow by 62 percent, a rate of growth similar to other states in the US. Fortunately, current trends show no evidence of a “brain drain” from the Ocean State. Although the population of col-

lege educated young adults aged 25-34 dipped slightly from 2004-2005, the change was not statistically significant. According to longer term Census data, the number of young Rhode Islanders aged 25-34 with at least a bachelor's degree increased by 7,285 or 16 percent from 1999-2006.¹

For policy-makers in Rhode Island, the challenge is to ensure that Rhode Island residents possess the skills to compete for jobs in the state's changing economy. This includes increasing access to higher education and the technical training required by many growth industries and ensuring that Rhode Island residents seeking entry-level work possess the communication and problem-solving skills employers expect.

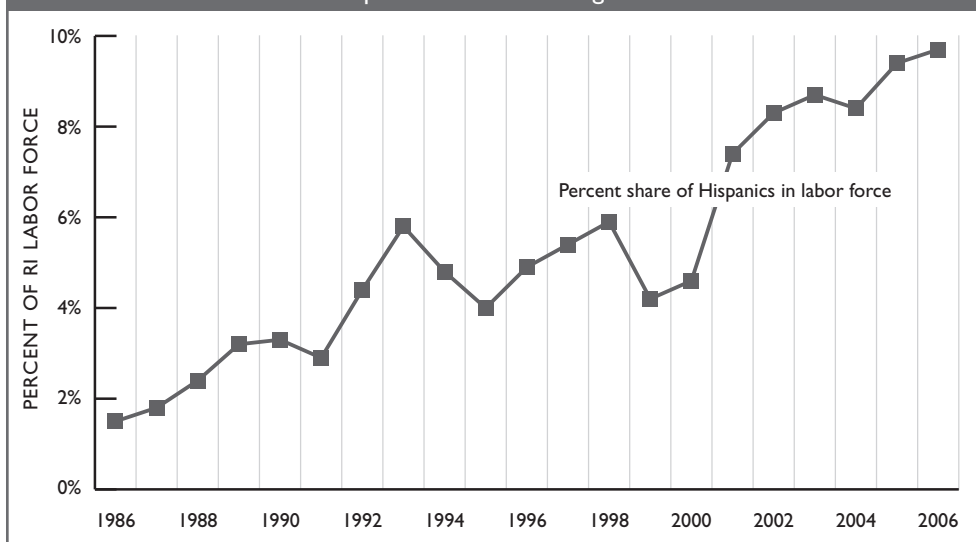
There is no question that education yields significant economic gains, both for the individual and for the economy. The 74,000 Rhode Islanders between the ages of 25 and 64 who lack a high school diploma earn only half as much, on average, as those who have attended at least one year of college and less than a third of what those with a four-year college degree earn. Just completing high school or a GED increases average earnings by 58% – from \$17,847 to \$28,141. Yet 13% of Rhode Island working age adults lack

Chart 5. Educational attainment of Rhode Island's labor force rose from 1986-2006



Source: Economic Policy Institute analysis of Current Population Survey data

Chart 6. Share of Hispanics in labor force grew six-fold 1986-2006



Source: Economic Policy Institute analysis of Current Population Survey data

high school diplomas and 41% have never attended either a two or four-year college. (Table 2)

As education and training become increasingly necessary for Rhode Islanders, public higher education is growing increasingly unaffordable, with tuitions rising two to three times as fast as the rate of inflation. In the most recent Measuring Up report from the National Center for Public Policy and Higher Education, Rhode Island received an F for public college affordability, as did all the New England states. State and local appropriations for higher education amounted to only \$5 per \$1000 of state personal income in 2006, a 17% drop from 2000. According to the report:

“(Rhode Island’s) net college costs for low- and middle- income students to attend community colleges represent 45% of their annual family income. (Net college costs equal tuition, room, and board after financial aid.) For those students at public four-year colleges and universities, net college costs represent 58% of their annual family income.”³

Equally important is to implement policies and programs to meet the needs of the state’s growing immigrant population, most of whom are from Spanish-speaking countries in South and Central America.

Lack of fluency in English among Hispanics severely depresses the earnings potential of this growing population and contributes to relatively high poverty rates in the Latino community. Forty-eight percent of Latinos in Rhode Island speak English poorly or not at all and those with limited English earn only one-quarter to one-half as much as those who speak English well or very well.⁴ Investing in the skills of Rhode Island’s immigrant workers is critical to attracting and retaining jobs and ensuring that all state residents are able to move up in the workforce.

The state also needs to increase opportunities for native and foreign-born residents who have not attained a high-school degree. Total state and federal investment in Adult Basis Education for services that include basic education, ESOL,

Table 2. Earnings by educational attainment for adults aged 25-64, 2005

Educational Attainment	Average Earnings 2005	Percent of RI Residents, 25-64 2005
LESS THAN HIGH SCHOOL	\$17,847	13.1%
HIGH SCHOOL DIPLOMA OR GED	\$28,141	27.8%
SOME COLLEGE	\$34,566	27.3%
BACHELOR’S OR ADVANCED DEGREE	\$56,090	31.7%

Source: Poverty Institute analysis of American Community Survey and Current Population Survey



Table 3. English ability and earnings among Hispanics, 2006

Speak English	Average Earnings	Percent of RI Latino Population
VERY WELL	\$27,132	30.2%
WELL	\$23,132	21.2%
NOT WELL	\$12,263	33.7%
NOT AT ALL	\$7,520	14.8%

Source: Poverty Institute analysis of American Community Survey data

GED and transition to college is \$10 million and the system is expected to serve almost 10,000 Rhode Islanders in FY 08. Current services fail to meet the demand for Adult Education, which is estimated by the Rhode Island Department of Education Office of Adult Ed to be between 15,000 and 20,000.⁵

Further, most adult education programs meet during working hours, making it difficult for those with jobs to improve their skills.

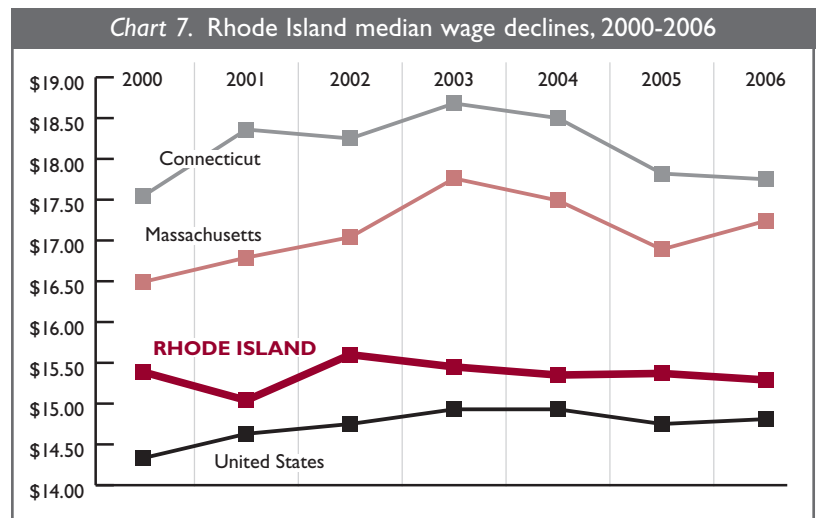


Wage Disparities and Growing Inequality

I. DECLINING EARNINGS

Rhode Island is the only state in New England to see its median wage decline from 2000-2006. (Chart 7) While Rhode Island's median wage has been consistently higher than the national median, it lags Connecticut and Massachusetts by approximately \$2.00 an hour. In New England, only the rural and relatively low-cost states of Maine and Vermont have lower median wages. (Table 4)

Recent Census data also show that median household income declined by 2% between 2005 and 2006, the second largest drop in the country.



Source: Economic Policy Institute analysis of Current Population Survey data

Table 4. Rhode Island only state in New England to experience decline in median wage, 2000-2006

	2000	2001	2002	2003	2004	2005	2006	2000-2006
UNITED STATES	\$14.33	\$14.63	\$14.75	\$14.93	\$14.93	\$14.75	\$14.81	3.35%
NEW ENGLAND	\$16.14	\$16.41	\$16.77	\$16.95	\$16.80	\$16.44	\$16.70	3.47%
MAINE	\$12.94	\$13.56	\$14.13	\$13.60	\$13.59	\$13.59	\$13.94	7.73%
NEW HAMPSHIRE	\$15.38	\$15.71	\$15.92	\$16.48	\$16.54	\$16.45	\$16.61	8.00%
VERMONT	\$13.69	\$14.18	\$14.17	\$14.93	\$14.72	\$14.59	\$14.95	9.20%
MASSACHUSETTS	\$16.49	\$16.79	\$17.04	\$17.76	\$17.49	\$16.89	\$17.24	4.55%
RHODE ISLAND	\$15.39	\$15.04	\$15.60	\$15.45	\$15.35	\$15.37	\$15.29	-0.65%
CONNECTICUT	\$17.54	\$18.36	\$18.25	\$18.68	\$18.50	\$17.82	\$17.75	1.20%

Source: Economic Policy Institute analysis of Current Population Survey data; ** Using CPI-U-RS.

2. DECLINING HEALTH BENEFITS

Throughout the United States employment-based health insurance has declined steadily over nearly three decades. Rhode Island has been no exception to this national trend. According to a report issued by the Office of the Health Insurance Commissioner, from 2000 to 2005, the percentage of Rhode Islander's with employer-provided health coverage fell from 77.7% to 67.6% and the percentage of Rhode Islanders without health insurance rose from 6.9% to 13.3%, so that there are now 119,157 state residents under age 65 without health coverage. Virtually all the newly uninsured (92%) earned less than 300% of the federal poverty line and 32% of the uninsured are eligible but not enrolled in Rlte Care, the state's subsidized Medicaid Managed Care Program.⁶

Table 5. Rhode Islanders without health coverage, two year average 2004-2006

	Percent in Rhode Island	Percent in US	Rank among 50 states*
ALL PERSONS WITHOUT HEALTH COVERAGE	10.1%	15.3%	7TH
CHILDREN UNDER 18 WITHOUT HEALTH COVERAGE	6.3%	11.0%	8TH

Source: Economic Policy Institute analysis of Current Population Survey data; ** Using CPI-U-RS. *1= lowest un-insurance

The Current Population Survey's two year average 2004-2006 finds that just over 10 percent of all Rhode Islanders were uninsured and 6.3 percent of children under age 18 had no insurance. (Table 5).

3. FAMILY-SUSTAINING WAGES

According to the Poverty Institute's *Rhode Island Standard of Need*, a single parent with two children needed to earn approximately \$27.00/hour without government work supports (like subsidized child care or health care) in order to meet their monthly expenses for food, transportation, housing, child care and health coverage. Table 6 shows the 2006 distribution of wages broken down from the lowest-paid ten percent of workers to the highest paid 10 percent of workers. The wage shown is the highest wage for that 10 percent (or decile). According to Table 6, less than twenty percent of workers in Rhode Island earned this amount in 2006.

However, in 2006, this same family would be able to make ends meet at \$14.76/hour because of the subsidized health care and child care available. Still, more than forty percent of workers in Rhode Island were earning less than this wage in 2006.

A large number of Rhode Island workers earn wages that leave them with incomes below the federal poverty level wage for a family of four (\$20,000 for FY 2006). At 19.3% of all jobs in the state, Rhode Island's share of poverty-wage employment is higher than all other New

England states except Maine, though it is still significantly below the rate for the United States as a whole.

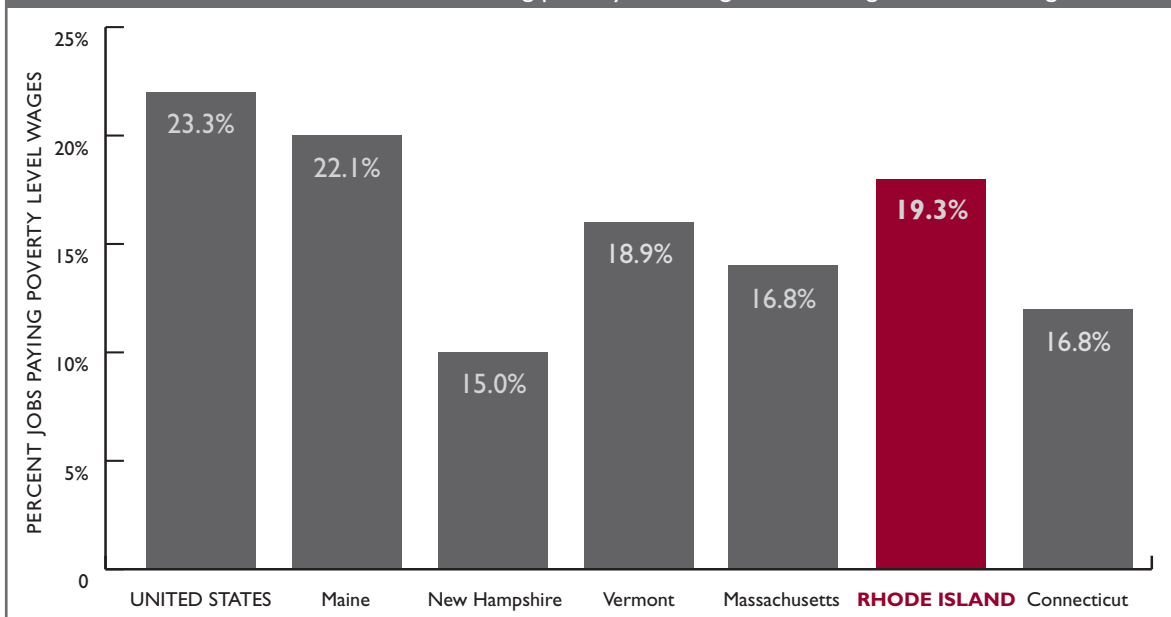
Projections of future jobs highlight the need for continued investment in work support programs. The bulk of job openings in Rhode Island over the next decade will continue to be in relatively low-paid employment. Poverty Institute analysis of data from the Rhode Island Department of Labor and Training finds that, of the 50 occupations which are expected to have the highest number of openings from

Table 6. Lowest-paid 10% to highest-paid 10%, 2006 dollars

	2006
10th (BOTTOM) PERCENTILE	\$7.99
20th PERCENTILE	\$9.87
30th PERCENTILE	\$11.68
40th PERCENTILE	\$13.18
50th (MEDIAN) PERCENTILE	\$15.29
60th PERCENTILE	\$18.07
70th PERCENTILE	\$21.09
80th PERCENTILE	\$26.01
90th (TOP) PERCENTILE	\$35.46

Source: Economic Policy Institute analysis of Current Population Survey data

Chart 8. Rhode Island share of workers earning poverty level wages second highest in New England, 2006

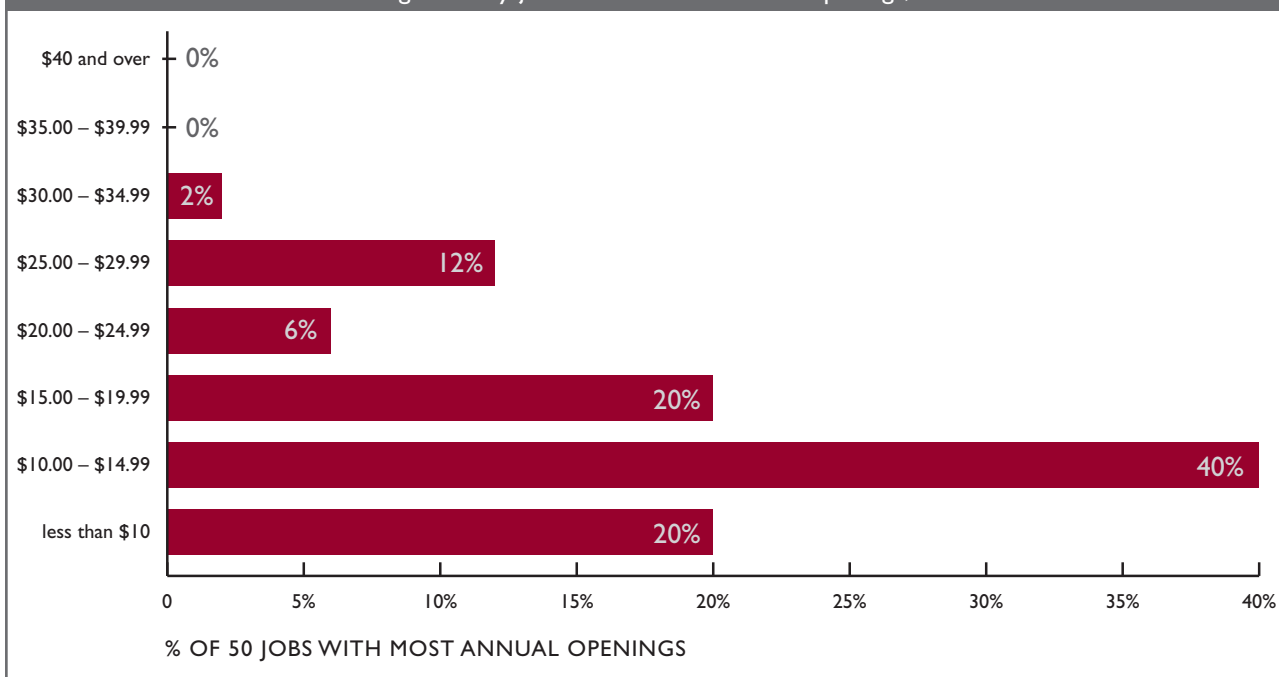


Source: Economic Policy Institute analysis of Current Population Survey data.

2004-2014, only 14% pay anywhere near the \$27.50/hour a single parent of two would need to pay child care and family health coverage while still covering basic needs.^{vi} (Chart 9) Forty-six percent (46%) of the fastest growing, better paid jobs offer such wages. (Chart 10)

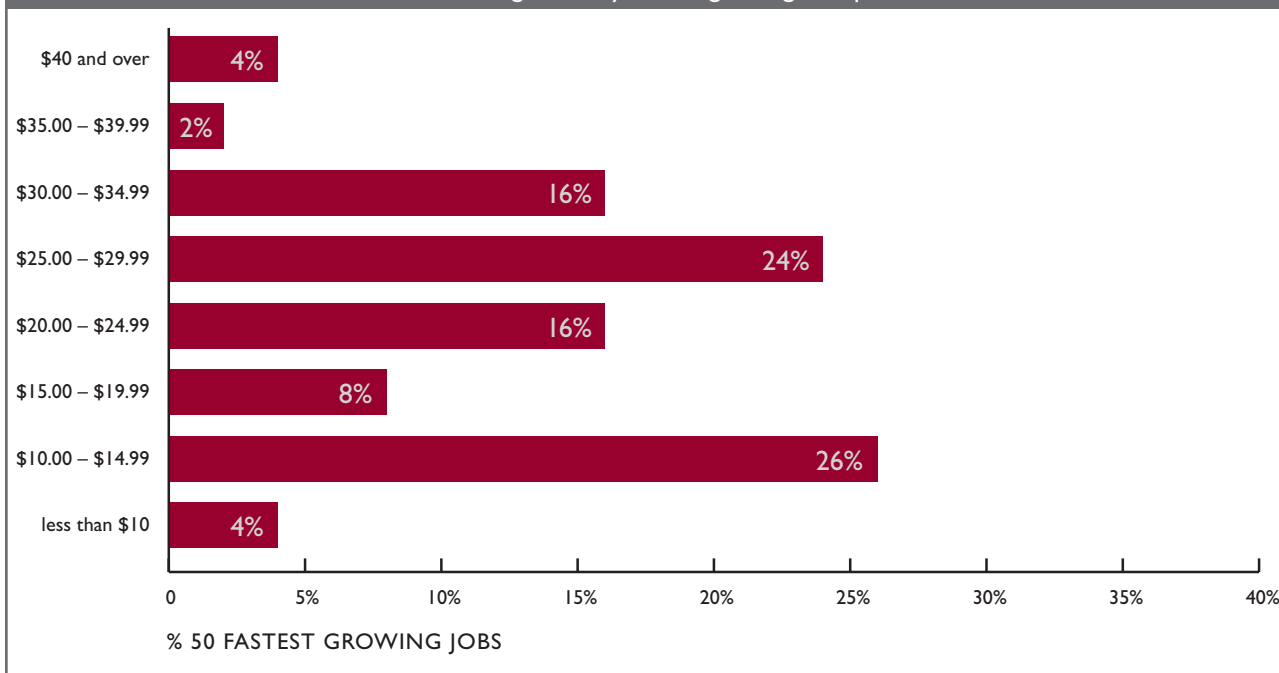
Nearly 60% of expected job openings and 30% of the new growth jobs pay less than the \$14.76/hour that a single parent of two would need to meet basic needs with state subsidies for health care and child care.

Chart 9. Wages of fifty jobs with the most annual openings, 2004-2014



Source: Poverty Institute analysis of RIDLT data.

Chart 10. Wages of fifty fastest growing occupations



Source: Poverty Institute analysis of RIDLT data.

4. GROWING INEQUALITY

Wages in Rhode Island have become increasingly unequal. Table 7 shows the ratio of wages for the highest-earning ten percent of workers compared to the lowest-earning ten-percent of workers. From 1990-2006, this ratio rose from 3.6 to 4.4. This is the fifth highest rate of growth in inequality of wages in the nation. (Massachusetts is number 1 and Connecticut number 3 in the nation). This trend—due, no doubt, to the rise of the service sector, especially finance and health care, where highly unequal wages between top earners like physicians or executives and low-earners like certified nursing assistants or call center operators are the norm—is unhealthy for Rhode Island’s economic and civic future. Economic studies over the past decade are concluding that inequality suppresses economic growth while exacerbating social and political tensions.⁷



Table 7. Growth in inequality in Rhode Island among the highest in the nation, 1990-2006

	1990 Inequality Ratio	2006 Inequality Ratio	% Change 1990-2006	Rank of Percent Change*
CONNECTICUT	3.8	4.8	25.0%	3
MAINE	3.2	3.7	14.6%	9
MASSACHUSETTS	3.8	4.9	29.8%	1
NEW HAMPSHIRE	3.8	4.1	10.1%	13
RHODE ISLAND	3.6	4.4	23.0%	5
VERMONT	3.5	3.7	5.8%	20

Source: Economic Policy Institute analysis of Current Population Survey data and Poverty Institute calculations.

*1= worst inequality growth

Chart 11 compares the rise in wages by decile for Rhode Island and the United States from 1990-2006. Rhode Island workers with incomes below the median wage have fared much worse than in the nation as a whole, while those at the upper end of the wage scale recorded income gains that far outstripped national averages.

Chart 11. Workers at bottom of wage scale fare worse than US average while workers at top fare better, 1990-2006



Source: Economic Policy Institute analysis of Current Population Survey data.





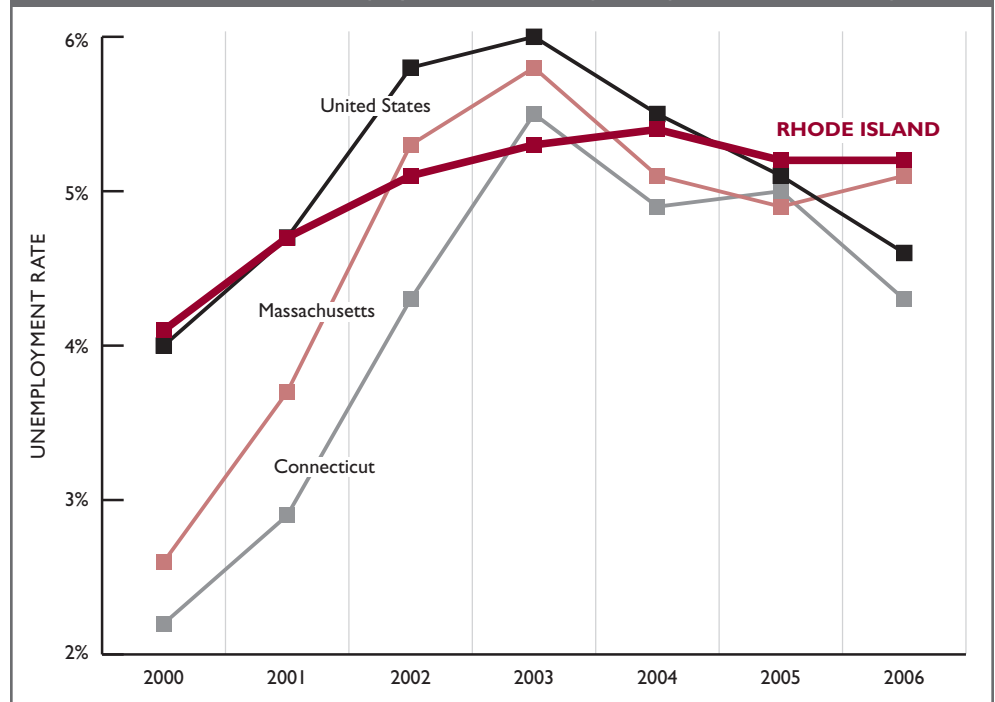
Unemployment and Underemployment

Rhode Island's unemployment rate has exceeded that of neighboring states since 2004 and that of the nation since 2005. (Chart 12) At 5.2 percent for 2006, the state's unemployment rate exceeded the national rate by 0.6 percentage points, a statistically significant difference. An unemployment rate of 5.2 percent translates into some 28,000 Rhode Islanders without work and actively seeking work. Furthermore, African Americans and Hispanics suffer from lack of work at almost twice the rate as Whites. Those without a high school education experience particularly high

unemployment rates, highlighting the need for greater efforts by the state to invest in upgrading the skills of working adults. (Table 8)

The US Department of Labor's official unemployment measures are frequently criticized for systematically underestimating actual labor market conditions in the country. The official measure fails to include so-called discouraged workers, who have given up searching for work but would take a job if offered. It also fails to account for people working part-time "involuntarily" – those who would like full-time work but can find only part-time jobs. To correct this, the Bureau of Labor Statistics includes an alternative measure of "labor underutilization" which includes discouraged and involuntary part-time workers. By this measure young adults and those without a high school diploma face a very harsh market, with underemployment rates of 16.9 and 18.3 percent.

Chart 12. Rhode Island unemployment remains high compared to US and neighbors



Source: Economic Policy Institute analysis of Current Population Survey

Table 8. Unemployment worse for youth, minorities, less educated

	Rhode Island Unemployment Rate	United States Unemployment Rate	Rhode Island Underemployment Rate
ALL	5.2%	4.6%	8.9%
GENDER			
MALE	5.1%	4.6%	8.5%
FEMALE	5.3%	4.6%	9.4%
AGE			
16-24 YRS	9.3%	10.5%	16.9%
25-54 YRS	4.5%	3.8%	7.3%
55 YRS & OLDER	4.2%	3.0%	7.8%
RACE / ETHNICITY			
WHITE	4.5%	3.8%	8.0%
AFRICAN-AMERICAN	8.3%	9.0%	12.7%
HISPANIC	8.5%	5.2%	13.8%
EDUCATION			
< HIGH SCHOOL	11.3%	9.9%	18.3%
HIGH SCHOOL	5.8%	5.4%	9.9%
SOME COLLEGE	4.5%	4.0%	8.0%
BACHELOR'S & HIGHER	2.7%	2.2%	5.0%

Source: Economic Policy Institute analysis of Current Population Survey data.



IV

Protecting Workers From Unemployment, Low Wages and an Erosion of Benefits

I. UNEMPLOYMENT INSURANCE: A MIXED BAG FOR DISPLACED WORKERS

Rhode Island's unemployment compensation is a mixed bag. While the state's wage replacement rate ranks among the highest in the nation (46.6 percent of prior wages on average) only 40.6 percent of Rhode Island's unemployed received benefits, compared to 46.5 in Massachusetts and 49.2 percent in Connecticut. (Table 9 and Table 10) Rhode Island's relatively low reciprocity rate may be due to its relatively high minimum

Table 11. 29 states (and DC) with minimum wages above the federal minimum wage

State	Minimum Wage
UNITED STATES	\$5.85
MARYLAND, MINNESOTA, NORTH CAROLINA	\$6.15
MONTANA, NEVADA	\$6.15*
IOWA	\$6.20
ARKANSAS	\$6.25
MISSOURI	\$6.50*
WISCONSIN	\$6.50
DELAWARE	\$6.65
FLORIDA	\$6.67*
ARIZONA	\$6.75*
MAINE	\$6.75
COLORADO, OHIO	\$6.85*
MICHIGAN	\$6.95
DISTRICT OF COLUMBIA	\$7.00
ALASKA, NEW JERSEY, NEW YORK, PENNSYLVANIA	\$7.15
HAWAII	\$7.25
RHODE ISLAND	\$7.40
CALIFORNIA, ILLINOIS, MASSACHUSETTS	\$7.50
VERMONT	\$7.53*
CONNECTICUT	\$7.65
OREGON	\$7.80*
WASHINGTON	\$7.93*

Source: US Department of Labor, Employment Standards Administration.

*annually adjusted for inflation

Table 9. Rhode Island's weekly unemployment benefit higher than CT or MA

State	Weekly Benefit Amount for Wage of \$600	Rank Among 50 States*
RHODE ISLAND	\$360.00	3
MASSACHUSETTS	\$300.00	2
CONNECTICUT	\$300.00	4

Rhode Island Unemployment Benefits for Two-Child Family with No Dependent Spouse, 2006.

Source: Economic Policy Institute.

*1 = highest benefit

Table 10. Fewer workers qualify for unemployment benefits than CT or MA

State	Reciprocity Ratio (Insured Unemployed / Total Unemployed)	Rank Among 50 States*
UNITED STATES	35.2%	—
RHODE ISLAND	40.5%	15
MASSACHUSETTS	46.5%	7
CONNECTICUT	49.2%	6

Source: US Department of Labor, Employment and Training Administration and Economic Policy Institute.

*1 = highest reciprocity ratio

earning threshold to be eligible for benefits. Rhode Island requires workers to have earned \$8,800 in the base period compared to \$3,300 in Massachusetts and no minimum threshold in Connecticut. This means that low-wage workers in Rhode Island who cycle through part-time jobs may fail to qualify for unemployment insurance benefits.

2. RHODE ISLAND'S MINIMUM WAGE

Workers at the very bottom of the wage scale are not helped by the fact that Rhode Island's minimum wage is lagging behind rising minimums in neighboring states. In 2005, Rhode Island's minimum wage of \$7.40/hour was the sixth highest in the nation. In 2007, it slipped to 8th highest. Massachusetts minimum wage, for example, is currently \$7.50/hour and is scheduled to rise to \$8.00; Connecticut's minimum is now \$7.65/hour. The Ocean State's minimum wage is also lagging inflation. To keep pace with inflation since 1990, the state's minimum would need to have risen to \$8.21/hour in 2006.

3. UNION COVERAGE LIKELY FACTOR IN WAGE EROSION

Wage inequality has also worsened as union coverage in Rhode Island's workplaces continues to decline. While Rhode Island workers are more likely to be covered by a union contract than workers in the rest of the US as well as in Massachusetts, union coverage has declined from 19 percent of workers to 16 percent of workers – a three percentage point drop since 2000. The Economic Policy Institute calculates that union membership raises wages by 15% on average.⁸

4. HELP FOR LOW-WAGE WORKERS

The Earned Income Tax Credit

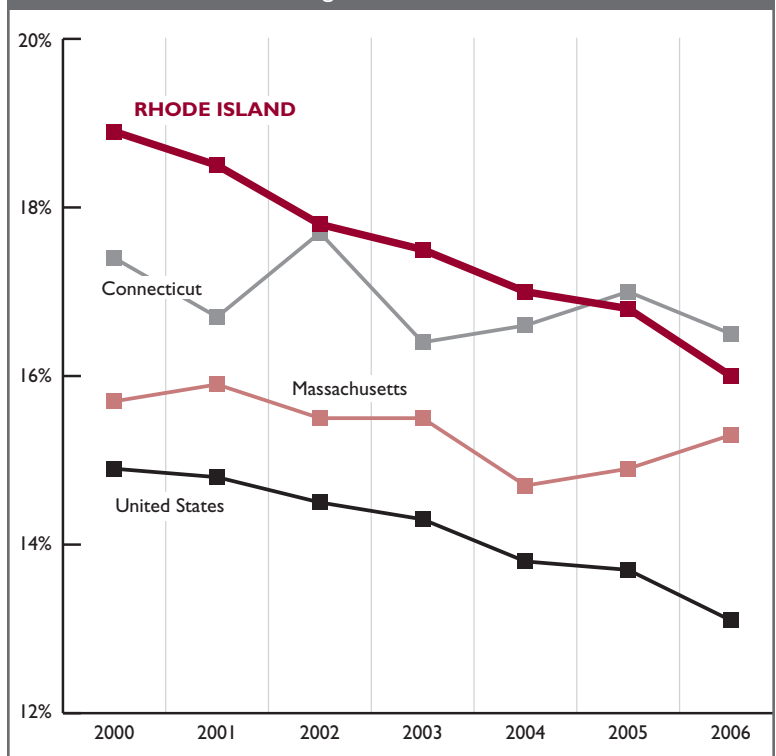
Rhode Island is one of 19 states (plus the District of Columbia) to provide a state Earned Income Tax Credit and was one of the first states to do so. However, the lowest earning workers do not receive as much help from the state's Earned Income Tax Credit as workers in other states because only a small portion of the credit is refundable. (Table 12) The state EITC is worth 25% of the federal credit. Yet only 15% of the state's credit (or 3.75% of the federal credit)—a maximum of \$165—is refundable. Other states offer higher refundable credits and thus, much larger refunds to workers with earnings below taxable levels.

Work Supports in Rhode Island and other New England States

As documented in previous sections of this report, at any time thousands of Rhode Island workers may be unemployed, underemployed, or earning low wages. In addition to unemployment insurance and the earned income tax credit, states often provide supports that can help families meet their basic needs during periods of unemployment or when wages are not enough.

The federally-funded Food Stamp Program is offered in all states. In Rhode Island, the Starting Right Child Care Assistance Program and the Rite Care/Rite Share Health Insurance Program help families with limited earnings have a safe place for their children while they are working

Chart 13. Union coverage in Rhode Island has declined but is still higher than US, 2000-2006



Source: Bureau of Labor Statistics.



Table 12. State EITC as a percentage of the Federal EITC, 2007

State	% of Federal EITC	Max. Refund Allowed
COLORADO	10%	\$460
DELAWARE	20%	NOT REFUNDABLE
DISTRICT OF COLUMBIA	35%	\$1610
ILLINOIS	5%	\$230
INDIANA	6%	\$276
IOWA	6.5%	NOT REFUNDABLE
KANSAS	15%	\$690
MAINE	5%	NOT REFUNDABLE
MARYLAND	20%	\$920
MASSACHUSETTS	15%	\$690
MINNESOTA	33%	\$1518
NEBRASKA	8%	\$368
NEW JERSEY	20%	\$920
NEW YORK	30%	\$1380
OKLAHOMA	5%	\$230
OREGON	5%	\$230
RHODE ISLAND	25%	\$165
VERMONT	32%	\$1472
VIRGINIA	20%	NOT REFUNDABLE
WISCONSIN	4%-43%	UP TO \$920

Source: Center for Budget and Policy Priorities

and access to primary and preventive health care. The Family Independence Program (FIP), Rhode Island's cash assistance and work readiness program, can also supplement the wages of very poor families and/or provide cash assistance while parents are unemployed and preparing for or looking for work.

With the exception of the Food Stamp Program (which sets income eligibility at 130% of the federal poverty level), states have considerable leeway in setting in-come and resource limits for the major federal-state public benefit programs. A review of the income eligibility criteria for these programs documents that Rhode Island is generally in-line with other New England states.

In some areas Rhode Island lags behind the other states. Rhode Island's TANF cash assistance benefit is lower than all but one other state and eligibility for health insurance for children is second lowest in the region. Rhode Island now has the lowest eligibility limit for Child Care Assistance as a result of the roll-back of eligibility enacted in the FY 2008 budget.

In other areas, Rhode Island does better than neighboring states. The Ocean State has the second highest eligibility limit for parent health care coverage (tied with Vermont) and does better at providing supplemental cash assistance to very poor working families.

Table 13. Benefit eligibility and comparisons for major work support programs

	Rhode Island	CT	ME	MA	NH	VT
RITE CARE HEALTH INSURANCE ⁹ CHILD ELIGIBILITY (2006) (as a % of Federal Poverty Level) ¹⁰	250% FPL	300% FPL	200% FPL	300% FPL	300% FPL	300% FPL
RITE CARE PARENT ELIGIBILITY (2006) (as a % of the FPL)	185% FPL	150% FPL	200% FPL	133% FPL*	45% FPL	185% FPL
TANF/FIP CASH ASSISTANCE						
Max. monthly cash benefit for family of 3 (FY05) ¹¹	\$554	\$636	\$485	\$618	\$625	\$709
FIP monthly eligibility limit for a supplemental benefit for working Family (FY06) ¹²	\$1,279	\$1,220	\$1,023	\$1,047	\$1,200	\$989
CHILD CARE (2007) (as a % of FPL) ¹³	180% (effective 9/07)	218% (incoming) up to 338% (exit)	275%	202% (incoming) up to 343% (exit)	184%	181%
FOOD STAMP ELIGIBILITY (2006) (as % of FPL) ¹⁴	130% FPL	130% FPL	130% FPL	130% FPL	130% FPL	130% FPL

*Mass Health Plan provides subsidy up to 300% of the federal poverty level

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- 1 Source: American Community Survey and Current Population Survey, 2000 and 2006
 - 2 See *Equipped for the Future*, Center for Literacy Studies, Knoxville, TN. <http://effcls.utk.edu>
 - 3 *Measuring Up: The National Report Card on Higher Education*, National Center for Public Policy and Higher Education, <http://measuringup.highereducation.org/reports/>
 - 4 Note that these figures are not comparable to prior years because of a change in sample size used by the Census Bureau.
 - 5 Rhode Island Department of Education
 - 6 Rhode Island Office of the Health Insurance Commissioner, *Rhode Island's Uninsured*, 2007.
 - 7 See, for example, Eicher and Turnovsky, *Inequality and Growth*, 2003, MIT Press.
 - 8 Economic Policy Institute, *State of Working America, 2006-2007*.
 - 9 Health insurance includes coverage through the Medicaid or SCHIP programs for a family size of 3. Data is from Kaiser Family Foundation, Statehealthfacts.org.
 - 10 The 2006 Federal Poverty Level for a family of 3 was \$16,600/yr.
 - 11 Data from CRS 2006 report, reflecting 2005 Benefit amounts.
 - 12 Data from ACF 2006 Report to Congress. (2003 data, but hasn't changed since then). Note that the higher the earnings, the lower the TANF supplemental benefit. For instance, in Rhode Island, a parent working full time at minimum wage could receive a monthly supplement of \$78.
 - 13 Data from National Women's Law Center. The 2007 Federal Poverty Level for a family of 3 was \$17,170/yr.
 - 14 The 2006 Federal Poverty Level for a family of 3 was \$16,600/yr.



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