Rhode Island’s Economy Needs a Workers’ Agenda

Douglas Hall, Ph.D.
April 26, 2016
Big Picture Economic Context
Smallest State, Biggest Manufacturing Losses
RI sheds largest share of manufacturing jobs since early 1990s

December 1990: 92,700
July 2013: 40,400

-56%

Source: Bureau of Labor Statistics, CES Data (JobWatch)

www.economicprogressri.org
Paradigm Shift in Rhode Island Economy: 1990-2014

Leveling off of decline since 2009

Rhode Island's Shifting Economy, 1990-2014
(1990 = 100%)

- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Trade Transportation and Utilities
- Government
- Retail Trade
- Manufacturing

The Economic Progress Institute
www.economicprogressri.org
Education Pays
Rhode Island Median Wages by Educational Attainment, 2000-2012

Growth of real hourly median compensation for production/nonsupervisory workers and productivity, 1979-2013

Rhode Island and United States

# Myth-Busting: Truth is RI supports among least generous in NE

## Supports for Working Families

<table>
<thead>
<tr>
<th>MEDICAID (Rite Care)</th>
<th>CHILD ELIGIBILITY LIMITS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT</td>
<td>$31,248</td>
</tr>
<tr>
<td>NH</td>
<td>$27,821</td>
</tr>
<tr>
<td>VT</td>
<td>$27,821</td>
</tr>
<tr>
<td>MA</td>
<td>$27,821</td>
</tr>
<tr>
<td><strong>RI</strong></td>
<td><strong>$27,821</strong></td>
</tr>
<tr>
<td>ME</td>
<td><strong>$21,168</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHILD CARE ASSISTANCE ELIGIBILITY LIMITS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH</td>
</tr>
<tr>
<td>ME</td>
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<tr>
<td>CT</td>
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<tr>
<td>MA</td>
</tr>
<tr>
<td><strong>RI</strong></td>
</tr>
<tr>
<td>VT</td>
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</table>

## Supports for Underemployed or Unemployed Families

<table>
<thead>
<tr>
<th>WELFARE (RI Works) MONTHLY BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT</td>
</tr>
<tr>
<td>NH</td>
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<tr>
<td>VT</td>
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<tr>
<td>MA</td>
</tr>
<tr>
<td><strong>RI</strong></td>
</tr>
<tr>
<td>ME</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WELFARE (RI Works) LIFETIME LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA</td>
</tr>
<tr>
<td>VT</td>
</tr>
<tr>
<td>ME</td>
</tr>
<tr>
<td>NH</td>
</tr>
<tr>
<td>CT</td>
</tr>
<tr>
<td><strong>RI</strong></td>
</tr>
</tbody>
</table>

*All state credits are refundable except for Maine’s
**New Hampshire does not have an income tax
Recent Economic Trends & Where We Are Today
To Account for Population Growth, Rhode Island Needs to Add Additional 10,800 Jobs, February 2016

Remaining Jobs Deficit is 10,800 jobs, needed to keep up with population growth since beginning of recession.


Rhode Island
United States

11.3%

5.4%

4.8%

5.0%

4.6%
Improved (?) Unemployment Situation

• Rhode Island one of only 13 states with reduction in year over year unemployment rate of 1 Percentage Point or more

• In 2014, RI unemployment rate highest in the country – now down to 17th highest

• Caveat on “improved” labor market situation is that RI one of just ten states with shrinking labor force (February ‘15 to February ‘16); only 5 states had greater reduction in labor force (as percent of previous).
Rhode Island's Declining Labor Force: The Flip Side of the Reduced Unemployment Coin

The Gap Between High and Low Wage Earners has Grown by 54%, 1979 to 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>20th Percentile</th>
<th>80th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$10.28</td>
<td>$22.91</td>
</tr>
<tr>
<td>2015</td>
<td>$10.36</td>
<td>$29.84</td>
</tr>
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</table>

As Rhode Island recovered from the Great Recession, ALL of the income growth was realized by the top 1 Percent.

Low (20th percentile) Wages, Rhode Island, Massachusetts, and Connecticut (2000-2015, inflation adjusted to $2015)

Rhode Island's Median Household Income Continues Downward Trend ($2014)

Source: Economic Progress Institute analysis of US Census Bureau ACS data.
The Rhode Island economy is not kind to workers of color
Median Wages Stagnant Over Past Decade
Large Gap Between Latino & White Wages

FIGURE 12
Median Wage by Race/Ethnicity, 2002-2014


Note: Inadequate data to show median wages for Black or Asian workers.
Wide Disparities in Unemployment Rate by Race/Ethnicity
Highest White Unemployment Lower than Nearly the Lowest Minority Unemployment Rates

FIGURE 9
Rhode Island Unemployment Rates by Race/Ethnicity, 2007-2014

## Table 1


<table>
<thead>
<tr>
<th>RACE/ETHNICITY</th>
<th>US</th>
<th>CT</th>
<th>ME</th>
<th>MA</th>
<th>NH</th>
<th>RI</th>
<th>VT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>17%</td>
<td>17%</td>
<td>22%</td>
<td>18%</td>
<td>17%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Asian</td>
<td>14%</td>
<td>12%</td>
<td>20%</td>
<td>16%</td>
<td>14%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Latino</td>
<td>37%</td>
<td>31%</td>
<td>16%</td>
<td>33%</td>
<td>24%</td>
<td>38%</td>
<td>11%</td>
</tr>
<tr>
<td>White</td>
<td>9%</td>
<td>7%</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Note: Percentages in blue indicate highest rate among New England states.*

**Source:** American Community Survey, 2009-2013, 5-year estimates

## Table 2

**Share of Population with Bachelor’s Degree or Higher: US & New England States**

<table>
<thead>
<tr>
<th>RACE/ETHNICITY</th>
<th>US</th>
<th>CT</th>
<th>ME</th>
<th>MA</th>
<th>NH</th>
<th>RI</th>
<th>VT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>23%</td>
<td>27%</td>
<td>18%</td>
<td>39%</td>
</tr>
<tr>
<td>Asian</td>
<td>50%</td>
<td>61%</td>
<td>38%</td>
<td>57%</td>
<td>56%</td>
<td>42%</td>
<td>44%</td>
</tr>
<tr>
<td>Latino</td>
<td>14%</td>
<td>15%</td>
<td>25%</td>
<td>17%</td>
<td>23%</td>
<td>12%</td>
<td>38%</td>
</tr>
<tr>
<td>White</td>
<td>32%</td>
<td>40%</td>
<td>28%</td>
<td>42%</td>
<td>34%</td>
<td>34%</td>
<td>35%</td>
</tr>
</tbody>
</table>

*Note: Percentages in blue indicate lowest rate among New England states. Percentages in brown indicate highest rate among New England states.*

**Source:** American Community Survey, 2009-2013, 5-year estimates
A Workers Agenda Takes Shape
Ideal Components of a “Workers’ Agenda”?

• “Economy building wages” – paying sufficiently to support a family comfortably (ideally minimum wage = living wage).
• Quality and affordable child care
• Federal and State EITC
• Health care coverage
• Employment based “Safety Net”
  • Unemployment Insurance
• Family Supporting Workplace Provisions
  • Paid family leave
  • Earned paid sick leave
  • Fair Scheduling
• Safe/healthy workplace (with enforcement of safety violations)
• Transportation alternatives that facilitate employment
Rhode Island Has Taken Significant Steps in Recent Years

- EITC made refundable (makes huge difference for low income earners).
- EITC increased to 12.5% of the federal EITC.
- Minimum wage increased modestly in ’13, ‘14, ‘15, and ’16 (but in inflation adjusted dollars, now just $1.10 higher than in 2007).
- Adoption of TCI “Temporary Caregiver Insurance” in 2013.
- Increased emphasis on education, training.
The RI Earned Income Tax Credit

• Common-sense tax credit that helps working RI families while boosting the economy.
• Currently at 12.5% of the federal EITC, increased from 10% in 2015.
• Rhode Island has had an EITC for many years, but only recently made it fully refundable.
• 2014 budget bill made EITC fully refundable, reduced from 25% to 10% of federal EITC.
• EITC helps about 83,000 tax filers.
• Neighboring states have higher EITC rates – 27.5% in CT, 23 percent in MA
Minimum Wage/Tipped Minimum Wage

- The minimum wage sets the floor for wages that employees can be paid.
- EPI’s Rhode Island Standard of Need for 2014 found that each parent in a two-parent family of four would need to earn $15.44/hour to meet their basic needs.
- The Legislature has increased the minimum wage each year for the past four years (to 7.75 in ‘13, 8.00 in ’14, 9.00 in ‘15, and 9.60 in ‘16), following 5 years with no increase. This year’s increase affects 73,000 workers, increasing their wages by $35 million.
- In 2015 the Legislature also increased the tipped minimum from $2.89 to $3.39 in 2016 and $3.89 in 2017.
Rhode Island's Minimum Wage, 1999-2016
(Nominal and Inflation Adjusted to $2015)

- Nominal Minimum Wage
- Inflation Adjusted Minimum Wage ($2015)

△ = Nominal increase in the minimum wage

Inflation adjusted using Bureau of Labor Statistics' CPI-U-RS
Temporary Caregiver’s Insurance

• Rhode Island is a state leader, providing paid family leave through the TCI program, adopted in 2013
• TCI provides up to four (4) weeks of wage replacement benefits to workers to care for seriously ill family members or to bond with a newborn child, adopted child, or foster child.
• Financed entirely by employee payroll deductions
• URI researchers have found that individuals using TCI “reported greater satisfaction with their ability to maintain financial stability and wage replacement, greater satisfaction with their transition back to work, and better physical health”.
Child Care

- Assisting RI families with affordable, quality child care allows more families to participate fully in the economy, lays foundation for child success and for future state prosperity.

- Changes to eligibility passed in 2007 decimated state investment in child care, closing door to 100s of needy families.

- "Exit Pilot", launched in 2013, allows families to increase their earnings and maintain a phased down subsidy up to 225% of the federal poverty level.

  - These changes have allowed 100s of children to remain in subsidized child care as their parents’ income increased.
Exit Pilot Program Makes Child Care More Affordable

Cost of Child Care With and Without Assistance for Samantha

- Child care cost without exit pilot program:
  - 180% FPL: $1,373
  - 181% FPL: $1,373
  - 217% FPL: $1,373
  - 225% FPL: $1,373

- Child care cost with exit pilot program:
  - 180% FPL: $238
  - 181% FPL: $299
  - 217% FPL: $501
  - 225% FPL: $520

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