

The State of Working Georgia 2009

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STRENGTHENING THE FOUNDATION

A GEORGIA BUDGET AND POLICY INSTITUTE SERIES

WHAT IS THE STATE OF WORKING GEORGIA?

Every year, government and research institutes produce a wealth of data that provides insight into the health of Georgia's economy. Research charting the number of business start-ups, gross state product, and other economic indicators gauge the vitality of the Peach State's economy.

The State of Working Georgia seeks to provide another side of that economic picture — the vitality of Georgia's workforce. How are the workers, the engine behind Georgia's economy, faring? Are wages and benefits growing and unemployment declining? Is economic opportunity widely shared?

To address these questions, *The State of Working Georgia* examines jobs, incomes, poverty, health insurance, and other workforce conditions using data from the Bureau of Labor Statistics and the Census Bureau, as well as technical assistance from the Economic Policy Institute.

The report is part of Georgia Budget & Policy Institute's *Strengthening the Foundation* series, which assesses state policies and programs designed to help low-income, working families succeed in the labor market and achieve economic security.



The State of Working Georgia 2009

By Sarah Beth Gehl, Deputy Director

Summary

Georgia, along with the rest of the nation, has experienced more than 20 months of recession. Although economists are announcing the official end of the recession, Georgia has a long road to full recovery:

- Georgia has lost 7.6 percent of jobs in this recession, the 5th highest of all states. Compared to other recent recessions, the current prolonged job loss is unparalleled.
- The working age population of Georgia has grown by 19 percent between January 2001 and September 2009, yet there are fewer jobs today than in 2001.
- Unemployment doubled since the beginning of the recession. Roughly 480,000 Georgia workers (10.1 percent) were unemployed in September 2009. Additional workers have stopped looking for work or taken part-time jobs, making nearly 1 in 6 workers underemployed.

Many Georgia workers face short-term economic crises, such as unemployment and long-term economic challenges, including stagnant incomes and declining employer-sponsored health coverage. Median household income in 2008 did not increase from the 2001 level (after adjusting for inflation). Employer-sponsored health coverage for non-elderly Georgians declined from 64.4 percent in 2000-2001 to 59.5 percent in 2007-2008. Only 27.2 percent of low-income, non-elderly adults received employer-sponsored coverage in 2007-2008.

The task facing Georgia leaders today is not to solve the national economic recession, but rather to protect and preserve the quality of life of families and communities in Georgia as they weather the economic downturn.

For the short-term, the Georgia Budget and Policy Institute recommends that leaders:

- Protect vital public services as workers face unemployment and increased income insecurity.
- Use a balanced approach to solving the state fiscal crisis rather than relying solely on cutting services.
- Draw down TANF Emergency funds for subsidized employment.
- Call on Congress to phase out state fiscal relief more gradually.

For the long-term, the Institute recommends that policymakers focus on raising adult education levels and strengthening work and income supports for workers in low-paying jobs.

How did the recommendations from The State of Working Georgia 2008 fare?

See page 13 for an update.

Employment

Job loss severe in Georgia

Between December 2007, when the recession officially began, and September 2009, Georgia lost 316,000 jobs, according to preliminary Bureau of Labor Statistics (BLS) data.¹ This is double the amount of jobs lost in the aftermath of the 2001 recession. Although the national economic downturn has ravaged employment levels in states across the country, Georgia fared among the worst. Georgia's job loss is 7.6 percent, the fifth highest percentage decrease in jobs (Table 1).²

Since the beginning of the recession, Georgia has lost one-quarter of its construction jobs (56,000 jobs) as a result of the real estate crash.³ Manufacturing employment, which offers comparatively high pay, has declined by 18.2 percent, or 77,000 jobs.⁴

Compared to other recent recessions, the current prolonged job loss is unparalleled. In the 1981 recession, employment took only a two-month dip before returning to pre-recession levels.⁵ In 1990 and 2001, although not increasing to pre-recession levels, employment leveled off and stopped falling 10 to 12 months after the start of the recessions. The current recession continues to show job loss a full 20 months into the recession (Figure 1).

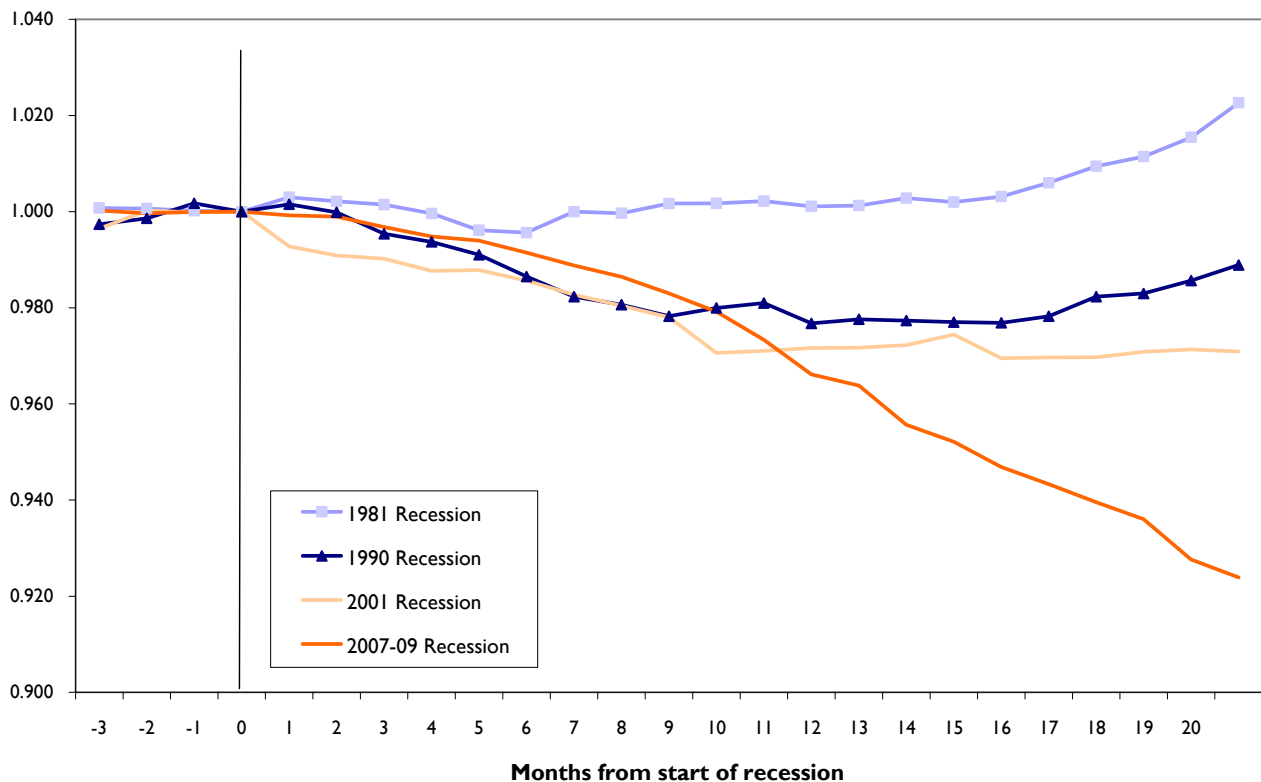
Table 1 Top States for Job Loss

State	Percent Job Loss Dec '07-Sept '09
Arizona	10.0%
Michigan	9.8%
Nevada	8.5%
Florida	7.8%
Georgia	7.6%

Source: EPI analysis of CES

Georgia has lost one-quarter of its construction jobs.

Figure 1 Job Loss in Recent Recessions in Georgia



Source: EPI analysis of Current Employment Statistics

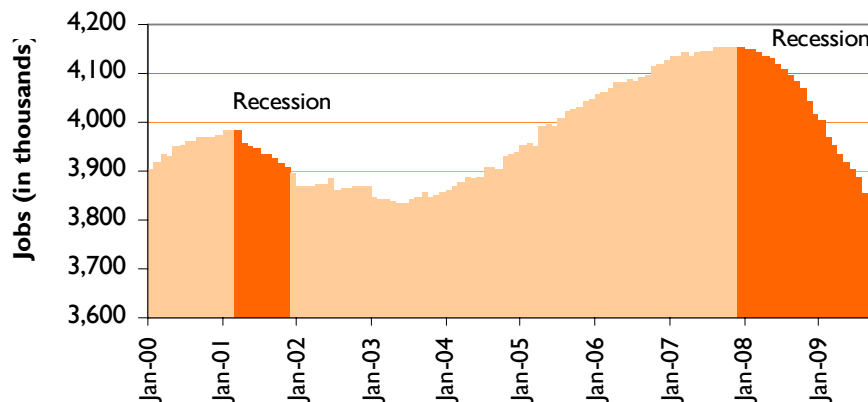
Fewer jobs now than at the start of the decade — and more workers

Even as Georgia lost 316,000 jobs during the recession, its population has continued to grow. Since the beginning of the recession, Georgia has gained 2.8 percent more people aged 16 and over.⁶ More startling than the job-population mismatch during the recession is the mismatch for the decade. Since January 2001, Georgia's civilian population aged 16 and over grew by 19 percent.⁷ However, Georgia has fewer jobs today than in January 2001 or even January 2000. Compared to other states, Georgia had the 5th highest percentage population gain and the 8th highest percentage job loss over the decade.

Georgia's overall job growth for the decade trails most states because its job loss during economic slowdowns has been more severe than that of most states. Following the 2001 recession, Georgia lost almost 150,000 jobs and did not return to pre-recession job levels until April 2005 (Figure 2).⁸ Job growth continued from April 2005 to December 2007, and has since fallen by more than 300,000 jobs.⁹

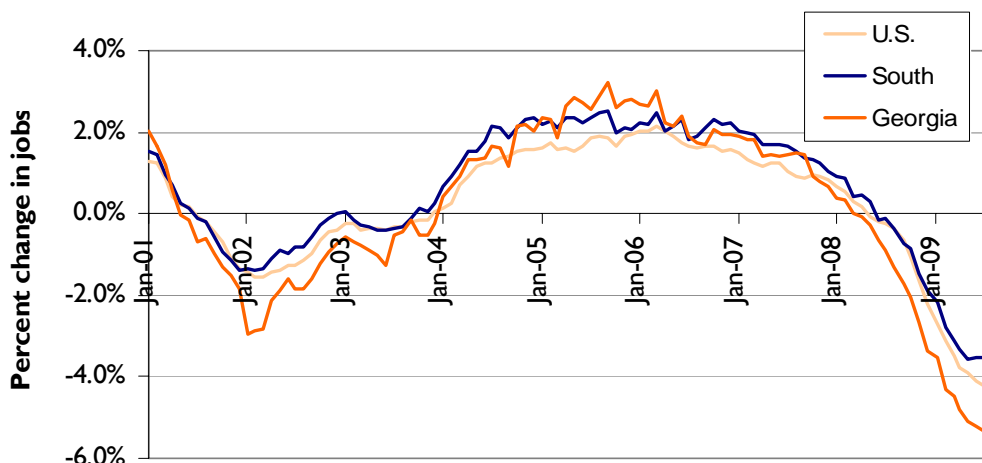
Although Georgia's job growth ranked in the middle among its neighbors during the recovery years of 2003 through 2007, it suffered more significant job loss than most surrounding states and the nation during the downturns of 2001-2003 and 2007-2009 — giving Georgia lagging job growth overall during the 2000s.

Figure 2 **Total Nonfarm Employment in Georgia**
Jan 2000 - Sept 2009, seasonally adjusted



Source: EPI analysis of Current Employment Statistics

Figure 3 **Year-Over-Year Percent Change in Monthly Employment**



Source: EPI analysis of Current Employment Statistics

Surveys and Definitions

The **employment** statistics cited on page 3 are from the Bureau of Labor Statistics' Current Employment Statistics (CES), which surveys payroll establishments. The BLS also produces Local Area Unemployment Statistics (LAUS), which offer an alternate measure of employment using household surveys. In short, the CES measures nonfarm **jobs**, and the LAUS measures **workers**. A few of the key differences are:

- LAUS includes agricultural workers, self-employed persons, and unpaid family workers. CES does not.
- LAUS is based on residence, whereas CES is based on workplace. A Georgia resident who works in Alabama is counted in Georgia in the LAUS and in Alabama in the CES.

In August 2009, CES seasonally-adjusted employment for Georgia was 3,853,400. LAUS employment for Georgia was 4,262,840. That discrepancy is due, in part, to the definitional differences discussed above. LAUS employment has not dropped as substantially as CES employment over the recession (6.9 percent vs. 7.2 percent by August); this could be a factor of less job loss among self-employed workers, unpaid family workers, or Georgia residents working across state lines, as compared to nonfarm wage and salary workers.

Unemployed persons are those aged 16 and over who have no employment, are available for work, and have actively sought employment sometime during the last four weeks. Unemployed persons also include those who are waiting to be recalled to a job, and thus are without employment but not actively seeking other employment. The unemployment rate measures the number of unemployed divided by the labor force.

The unemployment rate does not include workers who have become discouraged and dropped out of the labor force. Instead, it only includes workers who have actively sought work within the last four weeks. Thus, workers who might have lost their jobs at the beginning of the recession, became discouraged at not finding work, and stopped looking for work are not included in the count of unemployed workers. Since these discouraged workers are not included, many scholars argue that the unemployment rate undercounts the number of people who are without work but want to work.

Part-time for economic reasons share is the share workers who would like to work full-time, but work part-time because they cannot find full-time employment (i.e. involuntary part-time). It is the number of involuntary part-time workers divided by the total part-time workforce.

Marginally attached workers are those who want to work and have sought employment in the last 12 months, but have not actively sought employment in the last 4 weeks.

Underemployment rate – This is similar to the unemployment rate, but it also includes part-time for economic reasons workers and marginally attached workers. It is calculated by adding the unemployed, part-time for economic reasons, and marginally attached workers and dividing the number by the civilian labor force and the marginally attached workforce.

Median household income – Income includes wages and salaries, self-employment income, Social Security, pensions, dividends, interest, public assistance, child support, and other sources. It is income in the middle of all household income. If you lined up all the households in Georgia, half would have incomes below the median household income and half would have incomes above. It is not an average.

Earnings – Earnings include wage and salary income, as well as self-employment income.

Sources: Census Bureau and Bureau of Labor Statistics

Unemployment

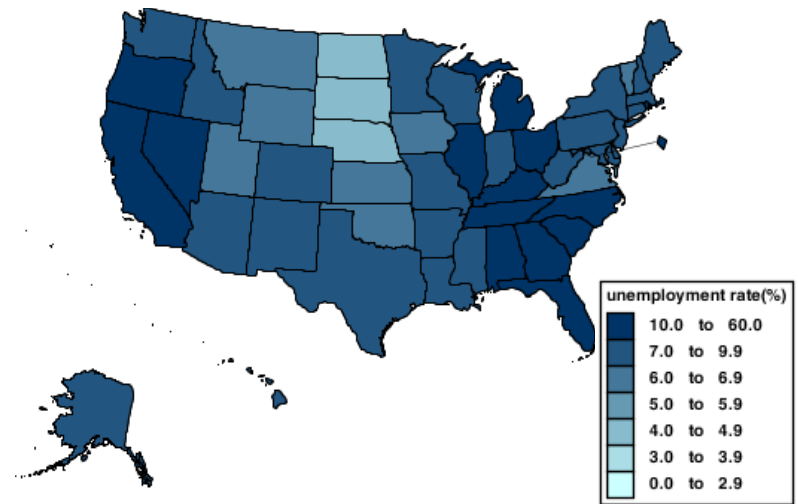
Rate doubles since start of the recession

Prior to the recession, roughly 240,000 Georgians were out of work and actively searching for a job. By September 2009, more than 480,000 Georgians were unemployed. This corresponds to an unemployment rate that doubled from 4.9 percent to 10.1 percent during that period, marking the highest unemployment rate in the state since recording began in 1976.¹⁰ The rate has remained between 10.1 percent and 10.3 percent from June through September 2009.

Georgia and other Southern states have some of the highest unemployment rates in the nation (Figure 4). Georgia and its neighboring states all ranked among the 15 worst unemployment rates in September. Michigan maintained the highest unemployment rate at 15.3 percent. The national rate was 9.8 percent in September.¹¹

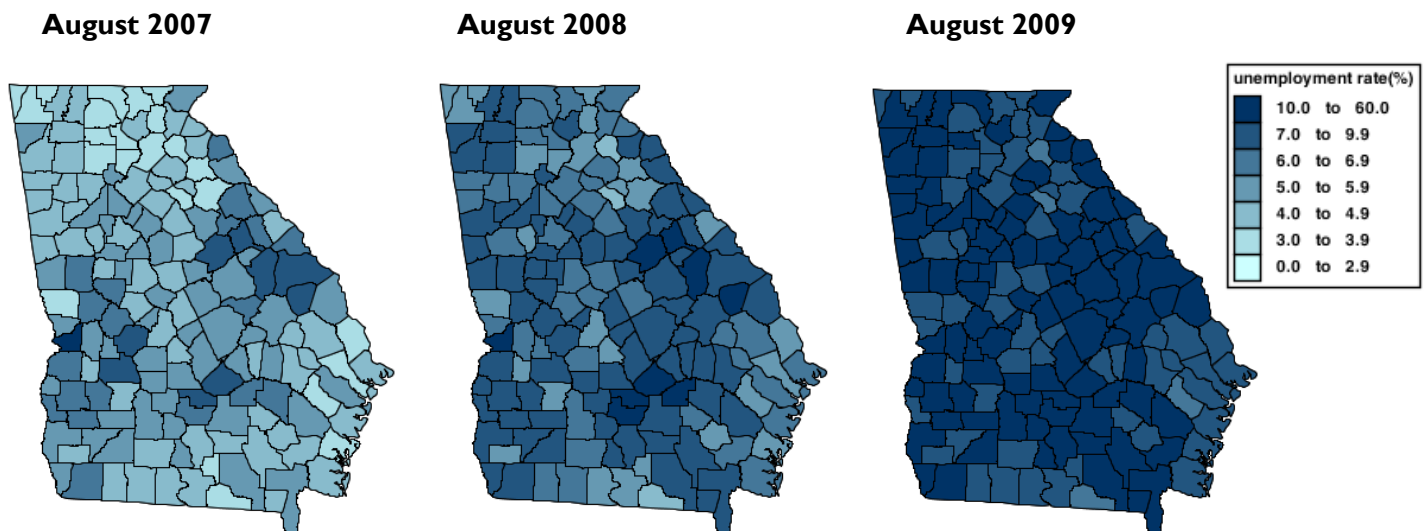
Although the overall unemployment rate in Georgia has exceeded 10 percent in recent months, local areas vary greatly. Local unemployment rates ranged from 5.9 percent in Long County to 19.6 percent in Jenkins County in September.¹² For Jenkins County, that means nearly one out of every five workers was out of work and actively looking for a job. Although unemployment rates among counties vary, the recession has been widespread, as shown in the maps below. Almost two-thirds of Georgia's 159 counties had unemployment rates exceeding 10 percent in August 2009.

Figure 4 Unemployment Rates, Sept. 2009
Seasonally adjusted



Source: BLS

Figure 5 Unemployment Rates by County in Georgia
Not seasonally adjusted



Source: BLS

State unemployment benefits reach 1 in 3 unemployed workers

One in three unemployed Georgia workers received state unemployment insurance benefits (UI) in 2009 for an average of 13.2 weeks.¹³ Of those workers who received benefits, 57 percent exhausted their state benefits by reaching their maximum allowable weeks of benefits, a full 22 percentage points higher than the 35 percent exhaustion rate in 2007.¹⁴ Georgia has the fifth lowest UI recipient rate, second lowest average weekly duration, and thirteenth highest exhaustion rate in the country.

1 in 3 unemployed workers received state unemployment benefits this year. Maximum benefits are \$330 per week, the equivalent of \$17,160 a year.

Since 6.3 job seekers are available for each job opening nationally, prolonged unemployment continues to be a reality for many Georgians.¹⁵ For workers exhausting their state UI, the federal government provides extended benefit programs, enacting Emergency Unemployment Compensation (EUC) in July 2008 to provide an additional 33 weeks of UI. As part of the American Recovery and Reinvestment Act of 2009 (ARRA) passed in February 2009, an Extended Benefits (EB) program offers 20 additional weeks to unemployed Georgians who exhaust both state benefits and EUC benefits; the federal government is funding 100 percent of the costs through December 2009. To take advantage of these federal benefits and additional federal funding, Georgia leaders modernized the state's UI system in 2009 by extending coverage to more part-time workers and workers- in-training. Forty-four percent of unemployed Georgia workers have received state and/or federal benefits in the past 12 months, making Georgia 49th in reciprocity rates for all programs.¹⁶

On November 6, President Obama signed legislation providing 20 additional weeks of federal UI benefits, assisting an estimated 60,000 Georgians who would have exhausted their extended benefits in December.¹⁷

Almost 1 in 6 workers underemployed

Although 480,000 Georgians are out of work and actively seeking employment, there are many more workers who have either stopped searching for employment or have taken a part-time job, but would like full-time work. These workers — referred to as marginally attached or involuntary part-time workers — are not counted as unemployed. Instead, they are among the “underemployed,” a measure that includes unemployed workers, marginally attached workers, and part-time workers who would like full-time work.

From fourth quarter 2008 through third quarter 2009, 16 percent of Georgia workers on average were underemployed, the highest level since the *Current Population Survey* was redesigned in 1994.¹⁸ Similar to the unemployment rate, Georgia's underemployment rate almost doubled since the start of the recession, moving Georgia from 21st highest to 14th highest in the nation.¹⁹ Georgia's ranking of 14th highest is unusual for the Peach State (see Table 2), again showing the severity of this recession for workers. All of Georgia's neighbors posted higher underemployment rates than the national rate.

Within the underemployed population, fully 21 percent of all part-time workers in Georgia wanted full-time employment, but could only locate part-time work in 2008. Georgia's 2008 rate was 5.4 percentage points higher than in 2007, and Georgia ranked 8th for its share of part-time workers who wanted full-time jobs.²⁰ The involuntary part-time workforce has likely increased in 2009 along with the overall underemployment rate.

Table 2
Underemployment

Year	GA Rank (1 = worst)
1994	36
1995	31
1996	36
1997	35
1998	34
1999	31
2000	36
2001	40
2002	39
2003	43
2004	38
2005	19
2006	19
2007	21
2008	13
Q4 2008 – Q3 2009	14

Source: EPI; BLS

Unemployment varies substantially by demographic

Rates for unemployment, underemployment, and part-time for economic reasons workers are twice the rates for the general workforce for some Georgians. For example, if a worker was young (16 to 24 years old) or had less than a high school diploma, he or she was twice as likely to be unemployed as someone in the general labor force in 2008. If a Georgia worker was young, Hispanic, or lacking a high school diploma, he was approximately twice as likely to be underemployed. If a Georgia worker was Hispanic, she was twice as likely to want a full-time job, but accepted part-time work.

Table 3 Annual Labor Force Conditions by Demographic in Georgia, 2008

Demographic	Unemployment Rate	Underemployment Rate	Part-Time for Economic Reasons
All	6.4%	11.1%	21.0%
Gender			
Male	6.0%	10.9%	30.1%
Female	6.9%	11.3%	14.7%
Age			
16-24 years	14.3%	22.4%	17.2%
25-54 years	5.5%	9.7%	24.8%
55 years and over	4.2%	8.2%	14.5%
Race/Ethnicity			
White	4.5%	7.8%	14.4%
African-American	10.2%	15.9%	25.7%
Hispanic	8.2%	20.6%	51.7%
Education			
Less than high school	13.5%	25.2%	35.9%
High school graduate	7.3%	13.5%	29.6%
Some college	6.7%	10.4%	13.2%
Bachelor's degree or higher	2.9%	4.3%	9.2%

Source: Economic Policy Institute analysis of Current Population Survey

Differences in education levels created the sharpest gaps in employment conditions in 2008. About 1 in 8 workers without a high school diploma were unemployed.²¹ In contrast, 1 in 35 college graduates were unemployed. Also striking is that one in two Hispanic part-time workers wanted full-time jobs in 2008.

More recent data is available for gender and race. In the third quarter of 2009, African-Americans experienced twice the rate of unemployment as white workers: 15.6 percent unemployment compared to 7.7 percent among whites.²² The divide between genders was less severe: 10.5 percent among male workers compared to 9.7 percent among female workers (Table 4). Rates among male workers and white workers more than doubled since the start of the recession, while unemployment rates for female workers and African-American workers were slightly less than double their pre-recession levels.

Table 4 Unemployment Rate in Georgia

	Start of Recession: 2007 Q4	Most Recent Data: 2009 Q3
All	4.9%	10.2%
Male	4.8%	10.5%
Female	5.1%	9.7%
White	3.2%	7.7%
Black	8.0%	15.6%

Source: EPI estimates using BLS LAUS and CPS data

Income and Benefits

Georgians remain average for median household income, but incomes continue to stagnate

Considering all forms of income combined — earnings, interest/dividends, self-employment income, Social Security, retirement income, child support, and other sources — the income of the typical Georgia household was the same in 2008 as in 2001, after accounting for inflation. Median income for households was \$50,861 in 2008, which is statistically unchanged from 2007 or even 2001, after adjusting for inflation.²³ Although Georgia’s middle-income earners did not make gains over the economic recovery, the Peach State is not a poor state at the median in comparison to other states, ranking 24th in median household income in 2008.²⁴

Compared to other states, Georgia has a higher percentage of households with earnings (i.e. wage and salary income and self-employment income) and a lower percentage of households with non-earnings income, such as Social Security, retirement income, and cash public assistance. Georgia had the 10th highest percentage of households with earnings in 2008, at 82.9 percent.²⁵ Distinguishing wage/salary workers from the self-employed, Georgia had the 11th highest percentage of households with wage and salary earners and the 31st highest percentage of households with self-employed earners, which includes sole proprietorships and partnerships.

In contrast, Georgia was in the bottom 10 states for income from interest/dividends/rent, Social Security, pensions, and cash public assistance. As one of the youngest states in the nation (ranking 48th for percentage of households that include individuals 65 years and over), Georgia has a smaller share of households with Social Security income than all but five states. Georgia also has a smaller share of households with retirement income than all but six states.

Georgia, along with Alabama and Wyoming, tied for the lowest percentage of households receiving cash public assistance. While Alaska and Maine topped the ranking with 6.1 percent and 4.8 percent of households receiving cash public assistance, respectively, only 1.3 percent of Georgia households received such assistance in 2008.²⁶ More than 1.3 million Georgians lived in poverty in 2008, as will be discussed on the following pages, yet the number of Temporary Assistance for Needy Families (TANF) recipients remains desperately low, with roughly 3,500 adult recipients and 35,000 child recipients in September 2009.²⁷

Table 5 Income and Benefits, 2008

	Georgia	US	GA Rank
Median household income	\$50,861	\$52,029	24
Per capita income	\$25,746	\$27,589	27
Percent of households with...			
Earnings	82.9%	80.3%	10
Social Security	23.7%	27.0%	45
Interest/dividends/rent	19.9%	25.2%	45
Pensions (retirement, survivor, etc)	15.1%	17.2%	44
Supplemental Security	3.3%	3.5%	22
Cash public assistance	1.3%	2.3%	49*

Source: American Community Survey

*Tied with Alabama and Wyoming for last

Education levels bookend the earnings spectrum

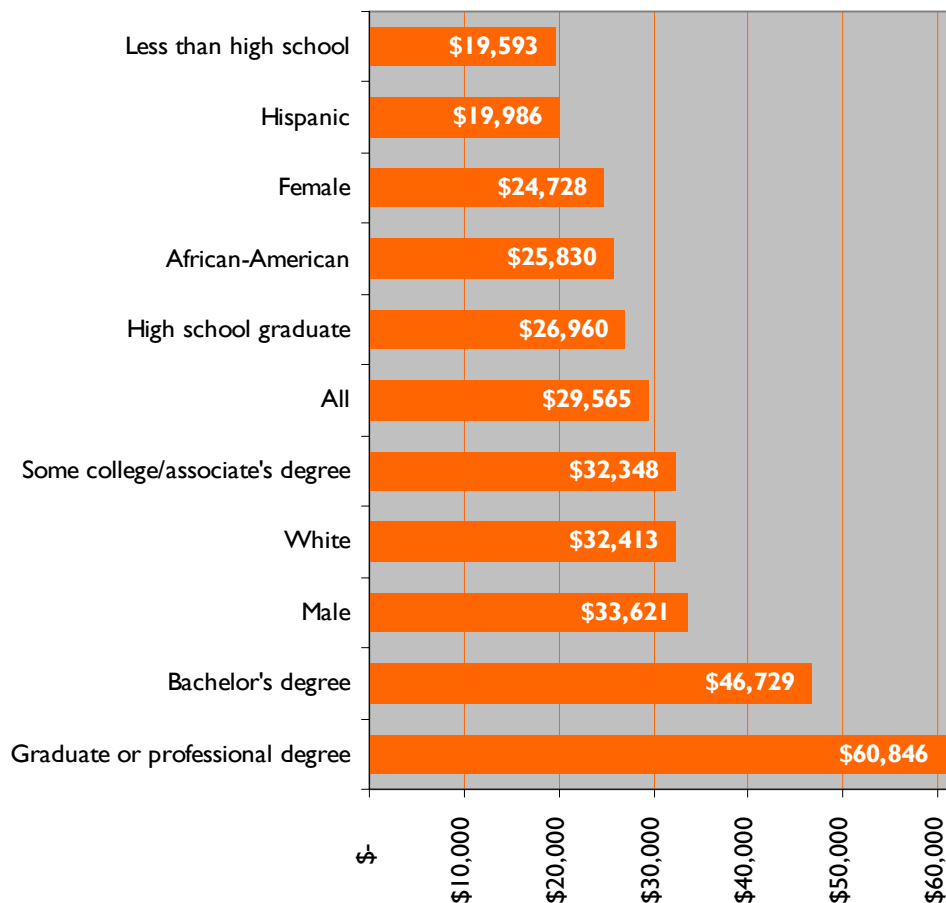
As with employment conditions, earnings vary greatly among different populations. Education created the most drastic earnings gap in 2008, as workers with a graduate degree had the highest median earnings and workers lacking a high school education had the lowest median earnings (Figure 6).²⁸



Georgians who lack a high school degree earned 42 percent of the median earnings of Georgians with a bachelor's degree and 61 percent of median earnings of those with some college or an associate's degree. Georgia continues to make gains in education achievement: 27.5 percent of adults aged 25 and over held a bachelor's degree or higher in 2008 compared to 24.4 percent in 2002.²⁹ However, 45 percent of Georgians aged 25 and over have no post-secondary experience and an additional 21 percent have some college, but no degree.

Although the earnings gap between men and women has decreased in recent decades, Georgia's female workforce continued to experience a gap of nearly \$8,900 compared to male workers (i.e. earning 74 percent of male median earnings).³⁰ Hispanic workers earned 62 percent and African-American workers earned 80 percent of white, non-Hispanic median earnings.

Figure 6 **Median Earnings by Demographic, Georgia, 2008**



Source: American Community Survey

Note: Earnings are for aged 16 and over, except education, which is aged 25 and over.

Poverty increasing, inequality higher for some Georgians

Beyond the experience of middle income households, Georgians were more likely to be poor last year than at the start of the decade. More than 1.3 million Georgians lived below the poverty threshold in 2008, 57,000 more people than in 2007.

Georgia's 2008 poverty rate of 14.7 percent ranked 14th highest among states and remained well above the 2001 level of 11.7 percent.³² The child poverty rate in Georgia was 20.1 percent in 2008 — totaling more than 500,000 Georgia children in poverty — compared to a child poverty rate of 16.1 percent in 2001.³³ (Note, in 2008, a family of four with two children lived in poverty if their income was below \$21,834.³⁴)

Table 6 provides a breakdown of 2008 income by quintile. The lowest 20 percent of households had an average income of \$11,294 and held just 3.3 percent of total income in the state.³⁵ The highest income group — the top 20 percent — had an average income of \$172,885 and held 50.2 percent of total household income.

RESOURCES

- The Brookings Institution estimates that national poverty will peak at well over 14% and remain high for at least a decade. "In the absence of a stronger safety net or more opportunity for those at the bottom, the recession could end up widening income disparities in the U.S."³¹
- For a county-by-county guide on the wages and income needed to make ends meet for different family types, download The Self-Sufficiency Standard at www.GBPI.org.

Table 6 Household Income by Quintile in Georgia, 2008

Quintile	Income Range (rounding to 000)	Average Household Income	Share of Total Household Income
Lowest quintile	\$0 to \$21,000	\$11,294	3.3%
Second quintile	\$21,000 to \$40,000	\$30,477	8.9%
Middle quintile	\$40,000 to \$63,000	\$50,930	14.8%
Fourth quintile	\$63,000 to \$99,000	\$78,663	22.8%
Highest quintile	\$99,000 and above	\$172,885	50.2%

Source: U.S. Census Bureau, American Community Survey

According to recent analysis by the Georgia State University Fiscal Research Center, income inequality varied by race, with African-Americans experiencing the highest level of income inequality. African-American households at the 90th percentile of income had incomes 12.5 times greater than African-American households at the 10th percentile of income in 2007.³⁶ Overall, the income disparity among households has increased within the white population over the last 20 years by almost 10 percent, and has decreased within the African-American and Hispanic populations (Table 7). (For more detailed discussion, see GSU Fiscal Research Center analysis at http://aysps.gsu.edu/frc/files/Brief_199.pdf.)

Table 7 Georgia's Income Inequality

Race/Ethnicity	Ratio of Incomes For 90 th & 10 th Percentiles	
	1980	2007
White Households	9.2	10.1
Black Households	12.9	12.5
Hispanic Households	12.2	7.0

Source: Stoycheva and Sjoquist, "Household Income Inequality in Georgia," Georgia State University, 2009.

Majority of Georgians receive employer-provided health benefits, but benefits are steadily declining

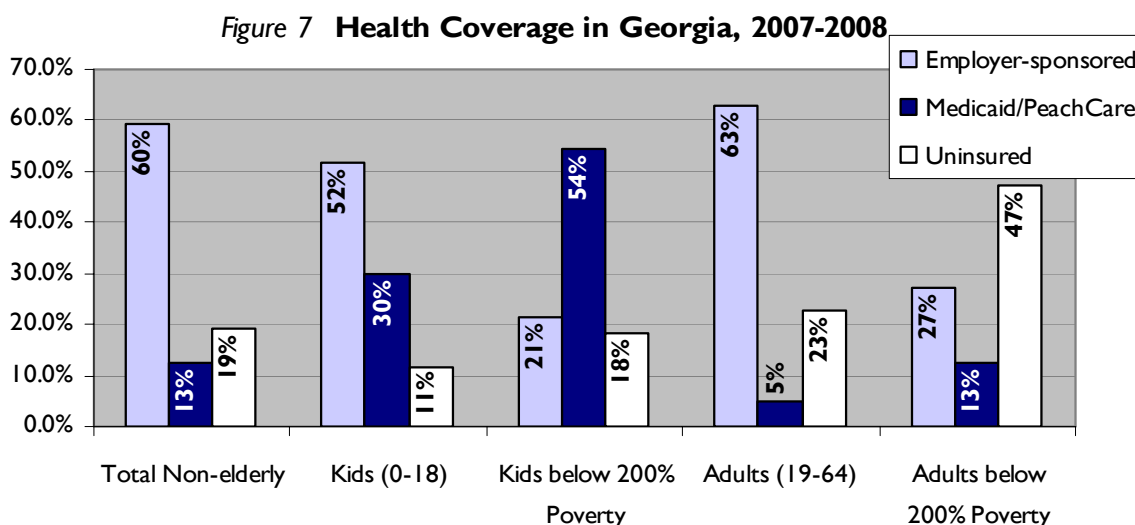
Employer-sponsored health coverage is a significant benefit for families. In 2008, the average premium for employer-sponsored, family health coverage in Georgia was \$11,659. Employees contributed \$3,814 to premiums, on average — nearly one-third of the cost — employers covered roughly two-thirds of premium costs.³⁷ (Note: this represents a shift since 2006, when employers covered three-quarters of average premium costs.)

Employer-sponsored health insurance covered 59.5 percent of non-elderly Georgians in 2007-2008, compared to 64.4 percent in 2000-2001. Nationally, employer-sponsored insurance covered 59.7 percent, declining from 65.5 percent in 2000-2001.³⁸

As workers' health benefits erode and costs increase, the number of uninsured has increased both in Georgia and across the nation. Nearly 1.7 million Georgians, 17.7 percent of the population, were uninsured in 2007-2008, giving Georgia the 10th highest share of uninsured people among the states.³⁹ In 2000-2001, 15 percent of Georgians were uninsured.

Only 27% of low-income, non-elderly adults were covered by employer-sponsored health insurance last year compared to 63% of all non-elderly adults.

A closer look at who is covered illustrates the enormous disparity in coverage (Figure 7). Low-income adults are much less likely to have employer coverage or to be able to afford coverage in the individual market than those with middle and high incomes. Although 63 percent of adult Georgians (aged 18 to 64) received employer coverage, only 27.2 percent of adult Georgians earning below 200 percent of the federal poverty threshold received employer coverage in 2007-2008.⁴⁰ The disparity among children was less significant than adults, due to Medicaid and PeachCare for Kids. Low-income children were less likely than the overall child population to have employer-provided coverage, with only 21.3 percent covered by employers compared to 52 percent for all children; however, 54 percent of low-income children had coverage through Medicaid and PeachCare.⁴¹



Source: Center on Budget and Policy Priorities analysis of CPS data

RECOMMENDATIONS

Many Georgia workers face short-term economic crises such as unemployment, as well as long-term economic challenges, including stagnant incomes and declining employer-sponsored health coverage. Several public policies, many of which are used in other states, can help to address these challenges.

Short-term recommendations

The task facing Georgia leaders today is to protect and preserve the quality of life of families and communities in Georgia as they weather the economic downturn and pave a path towards recovery; not to solve the national economic recession. As the federal government grapples with national economic policy, Georgia leaders must ensure that the conditions of today do not create lasting consequences for the well-being of our communities and the long-term investments the state has made in education, human services, and infrastructure. We cannot afford to disinvest in our priorities and lose momentum for our past efforts. The Georgia Budget and Policy Institute recommends that Georgia leaders:

1. **Seek a balanced approach to deficit reduction.** The demand for many state services increases during recessions. For example, technical colleges have experienced a 24 percent increase in enrollment in fall 2009 compared to fall 2008. As workers and families seek services during the recession, we must ensure they are available. Rather than relying on budget cuts as the deficit continues to grow, lawmakers should take a balanced approach to the budget shortfall, including:
 - a. Targeted tax increases.
 - b. Maximizing federal stimulus funds for state stabilization in FY 2010. As the revenue situation continues to deteriorate, the governor should move the \$690 million in ARRA funds set aside for fiscal year 2011 to the FY 2010 budget and seek solutions for the ensuing FY 2011 budget shortfall.
 - c. Enacting temporary reductions to tax breaks.
2. **Call on Congress to phase out ARRA state fiscal relief.** Increased Medicaid funding expires in December 2010, and state stabilization funds run out in FY 2011. Georgia leaders should be aggressively making the case to our national leaders that federal aid should phase out more gradually to avoid additional harmful cuts to vital public services.
3. **Draw down ARRA funds to provide temporary subsidized employment and short-term benefits.** Georgia can use \$165 million from the Temporary Assistance for Needy Families (TANF) Emergency fund in the ARRA through reimbursement. Georgia should maximize these funds to expand existing summer youth employment programs, create a new temporary subsidized employment program like Mississippi, and/or provide short-term benefits like car down-payments in the formerly statewide Wheels to Work program. Although the state must match 20 percent of ARRA funding, they may do so with other TANF funds or private funds.
4. **Protect health coverage for Georgians.** Medicaid and PeachCare programs have already seen enrollment increase by 80,000 members from June 2008 to June 2009, while thousands of eligible Georgians remain unenrolled. Continued enrollment increases along with rising unemployment will likely further increase the state's budget shortfall and hinder efforts to cover more Georgians. Georgia lawmakers should ensure that more of their constituents have health care, especially those facing long and painful periods of poverty or instability. The choice in January could be to cut state services by \$477 million (the projected FY 2011 Medicaid deficit due to expiring one-time funds) or seek new revenues, such as raising the per pack cigarette tax \$1 or implementing the governor's previously proposed CMO fee.⁴² Raising revenues to minimize cuts in public health insurance is critical to helping hard-pressed families stay afloat.

ONE YEAR LATER

UPDATE ON 2008 STATE OF WORKING GEORGIA SHORT-TERM RECOMMENDATIONS

1. **Call on Congress to pass an economic recovery package.** Georgians should call on Congress to grant further assistance to workers and states through an economic package that includes additional weeks of unemployment benefits, a temporary increase in Food Stamp benefits, and state fiscal relief.
 - **Achieved.** Congress passed and President Obama signed the ARRA into law in February 2009. Among the funds flowing to Georgia, the state is receiving more than \$3 billion in state fiscal stabilization and Medicaid funds, and families are gaining an estimated \$666 million in additional food stamp benefits over five years. The governor and General Assembly modernized the state's unemployment insurance system to assist additional workers and received more than \$200 million in federal aid, also as part of ARRA. Thus far, more than 26,000 jobs have been retained or created in Georgia directly due to ARRA spending, with two-thirds of those jobs in education and public safety.
2. **Target budget cuts to lower priority programs.** To address a potential \$2 billion budget shortfall, the state has made across-the-board budget cuts to most state agencies. As Georgia families experience dramatic financial strain in 2008, leaders must ensure that vital services are adequately funded. Across the board cuts that deteriorate vital services are not in the best interest of workers, their families, or our communities. Medicaid, PeachCare, child care, and education, to name a few, should be spared as much as possible.
 - **Achieved, but...** The FY 2009 and FY 2010 budgets include substantial cuts to services. Education and Medicaid received smaller percentage cuts than other programs. The scope of the problem grew to such magnitude (from the fall 2008 prediction of \$2 billion to \$4 billion by July 2009) that vital services like education were somewhat spared, but only in a relative sense. Georgia leaders cut K-12 education by 7 percent and the University System and Technical Colleges System by 10 percent in FY 2010, and protected Medicaid and PeachCare using federal stimulus funds. Other services experienced more significant cuts, such as the 20 percent cut to the Department of Human Services. In total, more than \$1.3 billion in state agency cuts are in effect for FY 2010, with more service cuts likely.
3. **Raise revenues through strategic tax increases.** Rather than relying overwhelmingly on budget cuts, there should a balanced approach to the budget shortfall, including strategic tax increases. Raising the cigarette tax or implementing a temporary income tax surcharge, for example, would provide needed revenues to avoid further cuts to public services.
 - **Failed.** In the 2009 legislative session, revenue increases such as a \$1 increase in the cigarette tax and expanded health assessment fees were proposed. Georgia leaders did not enact the proposed increases, other than a \$23 million super-speeder fine and associated penalties. Over 30 states sought new revenues in 2009, with a majority of southern states among them. For example, Florida, Mississippi, North Carolina, Kentucky, and Arkansas increased the cigarette tax. North Carolina implemented an income tax surcharge, among other tax increases. In contrast, Georgia passed more tax breaks, further diminishing the state's revenue. For a review of state strategies and Georgia options, see the GBPI report — <http://www.gbpi.org/documents/20090911.pdf>.
4. **Use the revenue shortfall reserve.** Through good fiscal management, Georgia has a \$1 billion rainy day fund. Now is the time to use it.
 - **Achieved.** Governor Perdue used the maximum reserve funds allowable in FY 2010. After the midterm education adjustment in January 2010, the reserve funds will total approximately \$50 million.

For more information, see Recovery.gov and GBPI reports *Summary of Federal Recovery Funds, FY 2010 Budget Cuts: The Hole Gets Deeper*, and *States Seek New Revenues to Balance Budget Deficits*.

Strengthening the Foundation series recommendations

The *State of Working Georgia* is part of the Georgia Budget and Policy Institute's Strengthening the Foundation series, which assesses a range of state policies and programs designed to help low-income working families succeed in the labor market and achieve economic security. The series examines three areas:

- **Workforce development:** The capacity of public adult and post-secondary education systems to serve Georgia's workforce and to connect to Georgia's low-income working families.
- **Economic development:** How economic development efforts are targeted to low-income working Georgians and to quality job growth.
- **Work and income supports:** How work and income support systems can remove barriers to work and advancement and how they can assist families in achieving self-sufficiency.

Among the series' long-term recommendations are:

1. **Increase Georgia's capacity to provide adult basic education.** As illustrated in this report and in countless studies, education matters. Georgia must focus more attention on raising the education levels of its one million adults who lack a high school diploma and encouraging transition from adult education to post-secondary education. Career Pathways is one such model. Georgia invests approximately \$14 per adult without a GED in adult basic education, compared to the national average of \$64. Georgia should increase its investment in this area, along with outreach efforts towards nontraditional students and support services for families seeking education opportunities.
2. **Undertake additional outreach efforts for Medicaid and PeachCare.** Among the 300,000 uninsured children in Georgia, an estimated 200,000 are eligible for Medicaid or PeachCare, but not enrolled. Enrolling eligible children and families in existing programs is good for Georgia families and the overall healthcare system. The federal government pays the majority of the cost of these programs, with an almost 2 to 1 match for Medicaid and 3 to 1 match for PeachCare.
3. **Increase child care assistance for low- and moderate-income working families.** Child care can be one of the greatest expenses faced by a family and directly relates to workforce availability and reliability. Georgia uses federal dollars to assist very low-income families with child care costs, but continues to have a waiting list and stagnant service levels (excluding the temporary increase due to ARRA). Georgia has decreased its TANF investment in child care from a high of \$30 million in FY 2007 to a low of \$600,000 in FY 2010. At the same time, Georgia subsidizes child care through the tax system, with millions of forgone tax dollars subsidizing child care for upper-income families. Policy-makers should end or reduce the child care subsidy for higher-income Georgians as long as low-income families remain on the waiting list for assistance.
4. **Create a state earned income tax credit (EITC) and enhance outreach efforts for the federal EITC.** Georgia should link to the successful federal program by creating a state EITC. As other states have learned, linking to the federal EITC improves tax fairness at the state level and provides wage enhancements for low-income families.

RESOURCES

For additional workforce development, economic development, and work supports policy recommendations and data, see reports in GBPI's Strengthening the Foundation series:

Investments in the Adult Workforce Build a More Prosperous Georgia

Strategies Georgia Can Use to Reduce Rising Poverty

An Investment in Children and Working Families: Subsidized Child Care for Ages Birth to Four

Endnotes

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