

# Advancing Employment Equity in Alabama



ALABAMA ASSET  
BUILDING COALITION

**PolicyLink**



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## Preface

Alabama is at a crossroads and our trajectory will be determined by whether or not the state is truly ready to deal with racial inequity. As people of color make up an increasing share of the state's population, ensuring that all Alabamians are able to reach their full potential will become even more critical if we are to be competitive in a 21st century economy. To accomplish this, policymakers must tap into Alabama's biggest untapped resource, its people. This will require an open dialogue about the barriers that Alabama residents of color face in both obtaining employment and building wealth.

It is easy to become distracted from this very urgent path. Recent labor data indicates that unemployment is nearing historic lows. Many will view this milestone as a success that affords us the luxury of scaling back efforts to reduce income inequality. On the contrary, this progress hasn't reached everyone. Black workers in Alabama continue to have an unemployment rate almost twice that of White workers.

Furthermore, 850,000 working-age Alabamians are economically insecure, lacking sufficient income to support the basic needs of their families or save for their futures. For these residents, the notion of "shared prosperity" is a fantasy easily dispelled by walking a mile in their shoes.

State leaders and advocates must focus on advancing employment equity—when everyone who wants to work has a good job that pays family-supporting wages and the lack of a good job cannot be predicted by race or gender. Achieving employment equity would not only benefit those individuals and families struggling to make ends meet, it would also strengthen Alabama's economy and move us toward more inclusive and sustainable prosperity. In fact, Alabama's economy would be \$3.9 billion stronger with employment equity.

This report, *Advancing Employment Equity in Alabama*, offers a framework to guide policymakers as they consider how to best connect residents to good jobs that pay family-sustaining wages and remove the barriers that have held back far too many for far too long. The Alabama Asset Building Coalition is prepared to be a partner in this effort and further our mission of building an economic foundation that allows underserved Alabamians to reach their highest potential and secure their financial future.

Ken Walker  
Executive Director  
Alabama Asset Building Coalition

## Introduction

After finishing high school in Birmingham, William Miller worked in a series of minimum-wage fast-food jobs. By the time he turned 25, he understood that more education was the best way for him to get ahead. He enrolled in community college, and now wakes up at 4:30 each morning to catch the bus that takes him two hours away to school. If he needs to stay after class for tutoring or additional help, he has to wait even longer or pay for a rideshare service to get home because of the limited bus schedule. William's part-time job barely earns him enough to pay his neighbor to babysit his young son, and staying motivated to get his degree is a daily struggle.

Anita Johnson had been working at her job in Mobile for three years when her sister Marie became gravely ill. Fortunately, Anita's job offered paid sick leave and vacation time, so she was able to take some time off to help Marie recover. But Marie was still sick after Anita exhausted all of her paid leave, and Anita was forced to decide whether to go back to work and abandon the care of her sister, or resign to be Marie's caretaker. Ultimately, she quit her job, but she is now uncertain how long she can sustain herself. She wonders if she will be able to find another job, let alone one that offers the same pay or benefits.<sup>1</sup>

Anita and William are far from alone. Across Alabama, a third of working-age adults—850,000—are economically insecure, defined as living below 200 percent of the federal poverty line, or about \$41,000 for a family of three.<sup>2</sup> These economically insecure Alabamians are struggling to find good jobs—jobs that pay enough to support a family, offer safe working conditions, and provide meaningful opportunities to move up the economic ladder. One out of every 10 economically insecure Alabamians is actively looking for work. Among the rest, half are out of the labor force—some have given up on finding work and others care for family members, attend school, or have a disability that prevents them from working.<sup>3</sup> The other half actually have jobs, but those jobs are low-wage, precarious jobs that do not pay enough to ensure economic security.<sup>4</sup>

Changing this situation and achieving employment equity—when everyone who wants to work has a good job that pays family-supporting wages and the lack of a good job cannot be predicted by race or gender—is crucial to Alabama's economic future. This is particularly true in the context of Alabama's changing demographics: the state's population is aging, and many baby boomers are retiring while workers of color are replenishing the workforce. Ensuring that workers of all races and ethnicities can access good jobs will matter even more as the state's workforce and population becomes more diverse.

This brief describes why employment equity is critical to Alabama's economic future and lays out a policy roadmap to achieving employment equity. This roadmap is based on data analysis and modeling of a “full-employment economy” (defined as an economy in which everyone who wants a job can find one) that was conducted by the Program for Environmental and Regional Equity (PERE) at the University of Southern California as well as policy research and focus groups conducted by PolicyLink and the Alabama Asset Building Coalition (AABC). Unless otherwise noted, data presented in this brief are from PolicyLink/PERE analysis of the Integrated Public Use Microdata Series (IPUMS) 2015 5-year American Community Survey.<sup>5</sup> For more information on data and methodology, see <http://plcyllk.org/2ApazHr>. The AABC oversaw the research, and will take the lead on implementing the recommendations presented in this report. This is the second in a series of reports about employment equity in Southern states co-produced by PolicyLink, PERE, and local partners with support from the W.K. Kellogg Foundation.<sup>6</sup>

## Key Findings

- **Alabama's economy is improving, but communities of color are still struggling.** Alabama's overall unemployment rate has steadily declined since 2010 and remains lower than that of the nation as a whole.<sup>7</sup> However, this progress has not reached everyone. Workers of color and their families are disproportionately being left behind; the unemployment rate for African American workers (10.7 percent) is twice that of White workers (4.6 percent).
- **Economic inclusion is critical for Alabama's long-term competitiveness and prosperity.** The exclusion of many Alabamians from the job market negatively affects families and hinders businesses from filling their needs for new talent. If the state achieved full employment across all racial and gender groups, bringing 260,000 people age 16 or older into employment, Alabama's economy could be \$3.9 billion stronger every year, with lower poverty and higher tax revenues.
- **Bringing more Alabamians into the labor market requires removing barriers to employment and creating more good jobs that are accessible to this population.** In addition to continued racial discrimination in the labor market and lack of access to skills training that leads to careers, many workers face multiple barriers to employment. Barriers include limited transit options, criminal records, the high cost of childcare, and poor credit. It is also necessary to create more quality jobs with living wages and benefits that are accessible to this population.
- **Strengthening Alabama's labor market will help families build assets to protect against economic hardship.** The impact of employment inequity goes beyond restricting access to income and the lack of good wages. People of color in Alabama who are struggling in the labor market are also unable to build savings that could help them move up the economic ladder or recover from a financial setback. Among Alabama's Black households, 62 percent lack the liquid assets necessary to subsist at the poverty level for at least three months in the absence of income.<sup>8</sup>

Employment equity is the path to long-term prosperity. Policymakers, the business community, foundations, and community-serving organizations must work together to implement multifaceted jobs and workforce strategies to achieve employment equity.

## Alabama Is Experiencing Slow, Unequal Growth

Alabama's unemployment rate has steadily decreased since 2011.<sup>9</sup> Yet, compared with other states, Alabama fares poorly on standard measures of economic growth, and economic output (measured by gross domestic product, or GDP) has not kept pace with the national average.<sup>10</sup> For these reasons, Alabama tends to rank among the bottom 20 states on comparative analyses of economic activity.<sup>11</sup> Projections indicate that the state will continue to gain jobs and grow at a moderate pace.<sup>12</sup> Alabama's slow recovery is expected to continue, driven by the state's auto manufacturing and wood manufacturing, leisure and hospitality, and health-care industries.<sup>13</sup>

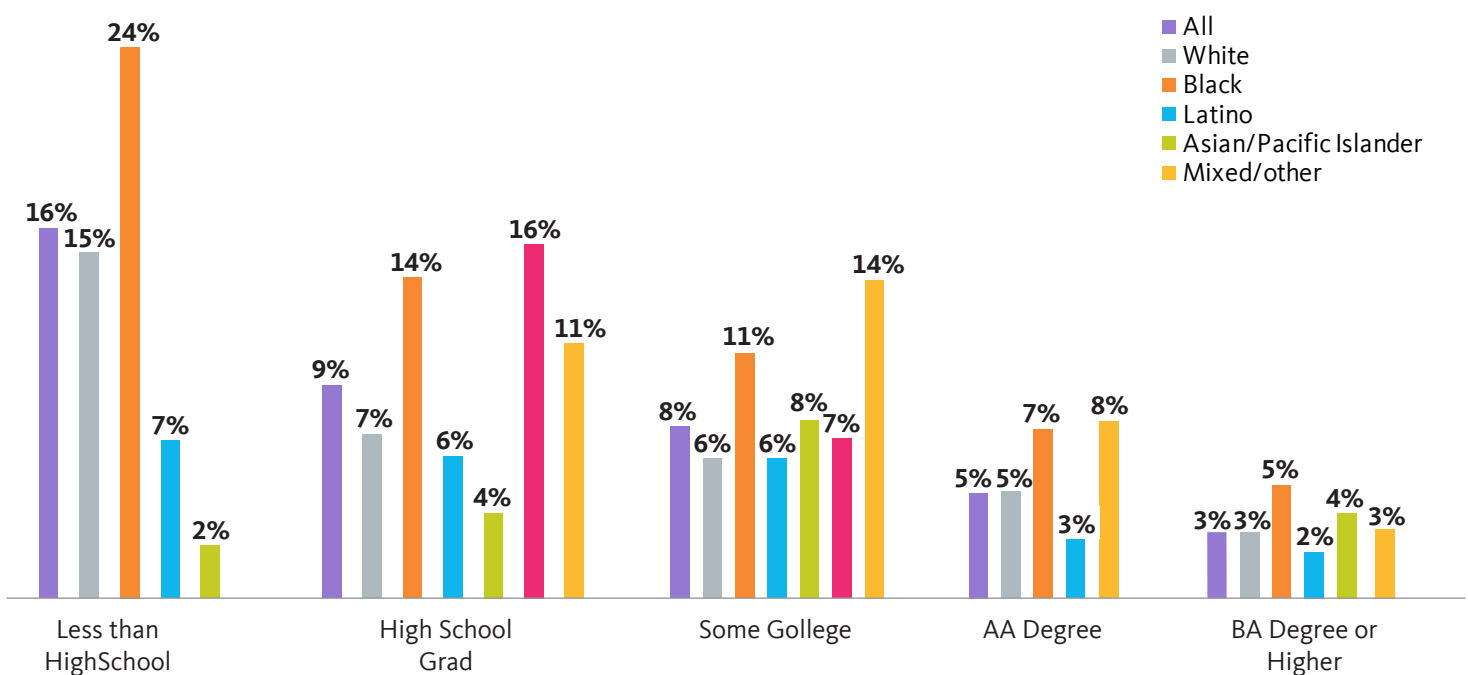
In addition to experiencing tepid growth, Alabama's growth has also been unequal, deepening economic divides by race and gender. Key indications that Alabama's growth has been unequal are described below.

## Wide racial and gender inequities exist in employment status

As part of his campaign in 2010, Governor Bentley pledged that he would not take a salary until the state reached full employment, which he defined as an unemployment rate of 5.2 percent.<sup>14</sup> While the unemployment rate has decreased significantly since the 2010 election, Alabama's unemployment rate is expected to remain higher than the pre-recession level for years to come.<sup>15</sup> Overall unemployment in the state in 2016 was slightly higher than the national average (6.4 percent compared with 5.8 percent).<sup>16</sup> However, the unemployment rate for Black workers in Alabama (10.7 percent) is almost twice that of White workers (4.6 percent).<sup>17</sup> As illustrated in the chart below, while Alabamians with higher levels of education are less likely to be unemployed than those with lower levels of education, in 2015 Alabama's Black, mixed race, and Native American workers, in particular, faced higher unemployment rates than their White counterparts across all education levels. Most notably, the unemployment rate for Black Alabamians in the labor force without a high school diploma is 24 percent.<sup>18</sup>

### Alabama's Black workers experience higher unemployment rates than White workers, even when they have a bachelor's degree

Unemployment Rate by Race/Ethnicity and Education: Alabama, 2015



**Source:** PolicyLink/PERE analysis of Integrated Public Microdata Series 2015 5-Year American Community Survey data.

**Note:** Data reflects a 2011 through 2015 average. Universe includes the civilian non-institutional population ages 25-64 years.

## Too many of Alabama’s jobs do not pay enough for workers to make ends meet, much less save for the future

A growing share of jobs do not pay a living wage. Between 1990 and 2015, the majority of Alabama’s job growth (48 percent) was in low-wage jobs, and the least growth (5 percent) was in middle-wage jobs that tend to provide pathways into the middle class for workers without college degrees.<sup>19</sup> An analysis by the Economic Policy Institute ranked the state third in the country for the share of employment paying less than the federal poverty level. Among the jobs in Alabama, 33 percent did not even pay enough to bring a family of four above the federal poverty threshold.<sup>20</sup>

Researchers at the University of Alabama also found that 24 percent of workers in the state are underemployed in occupations that underutilize their experience, skills, and training.<sup>21</sup> These workers are disproportionately African Americans who have been forced to take jobs for less pay, or

with less potential for promotion, because of constraints such as limited access to transportation, childcare responsibilities, low wages at available jobs, and taking care of someone other than a child.<sup>22</sup>

## Workers are losing ground, especially workers of color

Alabama’s workers have seen their wages remain flat since 2000, especially workers of color who had lower wages to begin with and who represent a growing segment of the workforce.<sup>23</sup> In 2015, 62 percent of workers earned at least \$15 an hour compared with 65 percent in 2000. The wage gap between workers of color and White workers has remained constant. As the below chart indicates, by 2015, more than two-thirds of White workers were earning at least \$15 an hour compared with about half of Black workers. Latinos are one of the fastest growing segments of the workforce, yet Latino workers are particularly likely to be concentrated in low-wage jobs.

### Fewer Alabama workers earn a living wage now than in 2000, and racial inequities in wages have persisted

Share of Workers Earning at least \$15/hour by Race/Ethnicity: Alabama, 2015



**Source:** PolicyLink/PERE analysis of Integrated Public Microdata Series 2015 5-Year American Community Survey data.

**Note:** Data reflect a 2011 through 2015 average. Universe includes civilian non-institutional full-time wage and salary workers ages 25-64 years.

## Alabamians have few assets to protect against economic hardships

During the recession, many unemployed Alabamians were able to tap into assets such as retirement savings or home equity as a buffer against temporary losses in income. Unfortunately, this option was not available to a significant number of the state's African American residents. In Alabama, the net worth of White households (\$88,030) is more than six times that of Black households (\$13,890).<sup>24</sup> Given that homeownership is the primary source of wealth for most Black and Latino families in this country, the disparate homeownership rates in Alabama leave many families of color vulnerable to any financial emergency.<sup>25</sup> The chart below confirms that less than half (46 percent) of Latino households, and 51 percent of Black households are homeowners, compared with 76 percent of White households.

People of color in Alabama are also hindered from building wealth because of the proliferation of predatory lending practices. Many low-wage workers turn to payday and auto title loans during financial crises or, far too often, just to keep up with their cost of living. The payday lending industry has grown vastly, and capitalizes on those in desperate need of cash to the point where the United States now has more payday loan stores than McDonald's restaurants.<sup>26</sup> In Alabama, payday lenders are permitted to charge an annualized percentage rate of up to 456 percent.<sup>27</sup> This interest rate is often insurmountable and forces the borrower to take out another loan to pay off old ones, perpetuating a cycle that only further strips wealth from the families who need it the most.

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### Black and Latino households are less likely to be homeowners

Percent Owner-Occupied Households by Race/Ethnicity: Alabama, 2015



Source: PolicyLink/PERE analysis of Integrated Public Microdata Series 2015 5-Year American Community Survey data.

## Employment Equity Will Help to Strengthen Alabama's Economy

Alabama's slow economic growth is not benefitting all workers, and ultimately will undermine the state's ability to be competitive. The University of Alabama Center for Business and Economic Research projects that the state will have a large shortfall in workers in the years to come due to increasing education and skills requirements for jobs. It will not be possible to fill the worker shortfalls projected in the coming years: 176,000 for 2022 and 350,600 for 2030.<sup>28</sup> It is essential that Alabama tap the talent already embodied in its workers and young people. As the analysis presented in this report suggests, simply closing racial gaps in employment by race and gender would go a long way toward filling the projected worker shortfall.

Bringing many more Alabamians into employment would be a win-win-win, for workers, their families and communities, and the state's employers. To estimate these potential benefits, PolicyLink and PERE modeled a "full-employment-for-all" economy, defined as one in which full employment—when everyone who wants a job can find one—is achieved not simply for the workforce as a whole, but also for each major racial/ethnic and gender group. This full-employment scenario set the unemployment rate at 4 percent maximum with labor force participation rates of at least 71 percent for men and 57 percent for women.

### Defining a "Full-Employment-for-All Economy"

A full-employment economy is one in which everyone who wants a job can find one in a reasonable time frame. Economists typically characterize the economy in the year 2000 as a full-employment economy because the unemployment rate reached 4 percent for the first time since 1969. Despite having reached "full employment" in 2000, the United States has never achieved full employment for all. While Black workers experienced employment gains and the Black/White gap in employment began to narrow during the economic prosperity of the late 1990s, Black unemployment remained twice as high as White unemployment in 2000 (7.6 percent compared with 3.5 percent).

For the purpose of this analysis, we modeled a "full employment for all" economic scenario for the year 2016, using benchmarks for unemployment and labor force participation based on the full-employment economy of the year 2000, but with labor force participation rates adjusted downward to reflect the aging of the population that has occurred since then. The benchmarks we apply set the maximum unemployment rate at 4 percent and the minimum labor force participation rates at 71 percent for men and 57 percent for women, but with adjustments made to account for the different age structure of each racial/ethnic and gender group. This is necessary because young workers have consistently higher unemployment rates, and some racial/ethnic groups include many more young people.

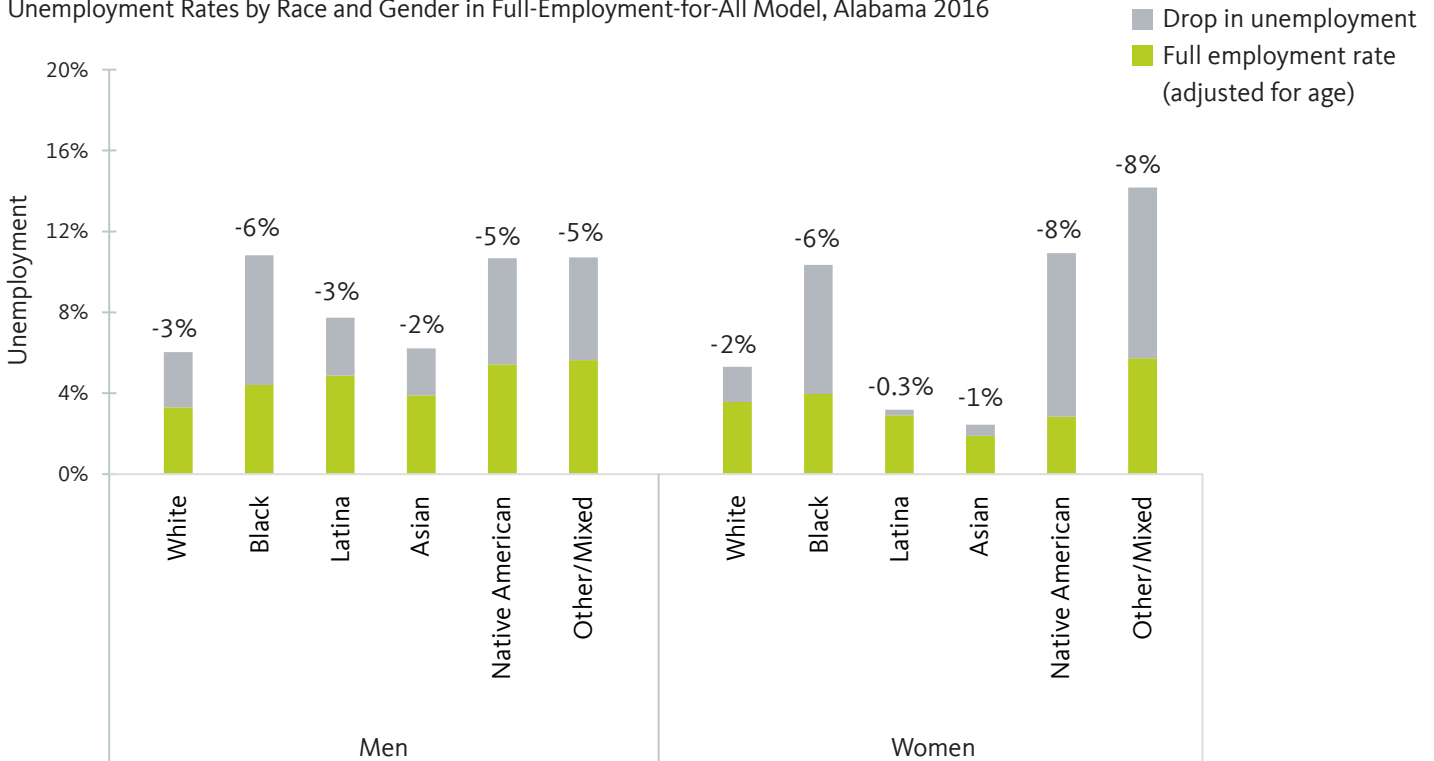
For our full methodology, see <http://plcyk.org/2ApazHr>.



Achieving full employment in Alabama would mean decreasing unemployment for all racial and gender groups. With full employment, the unemployment rate would decrease by 6 to 8 percentage points for Black men and women, Native American men, and mixed-race men. Most other groups would experience drops of 2 to 5 percentage points.

**In a full-employment economy, unemployment would decrease for all, with the steepest decreases for Black women and men of mixed race**

Unemployment Rates by Race and Gender in Full-Employment-for-All Model, Alabama 2016

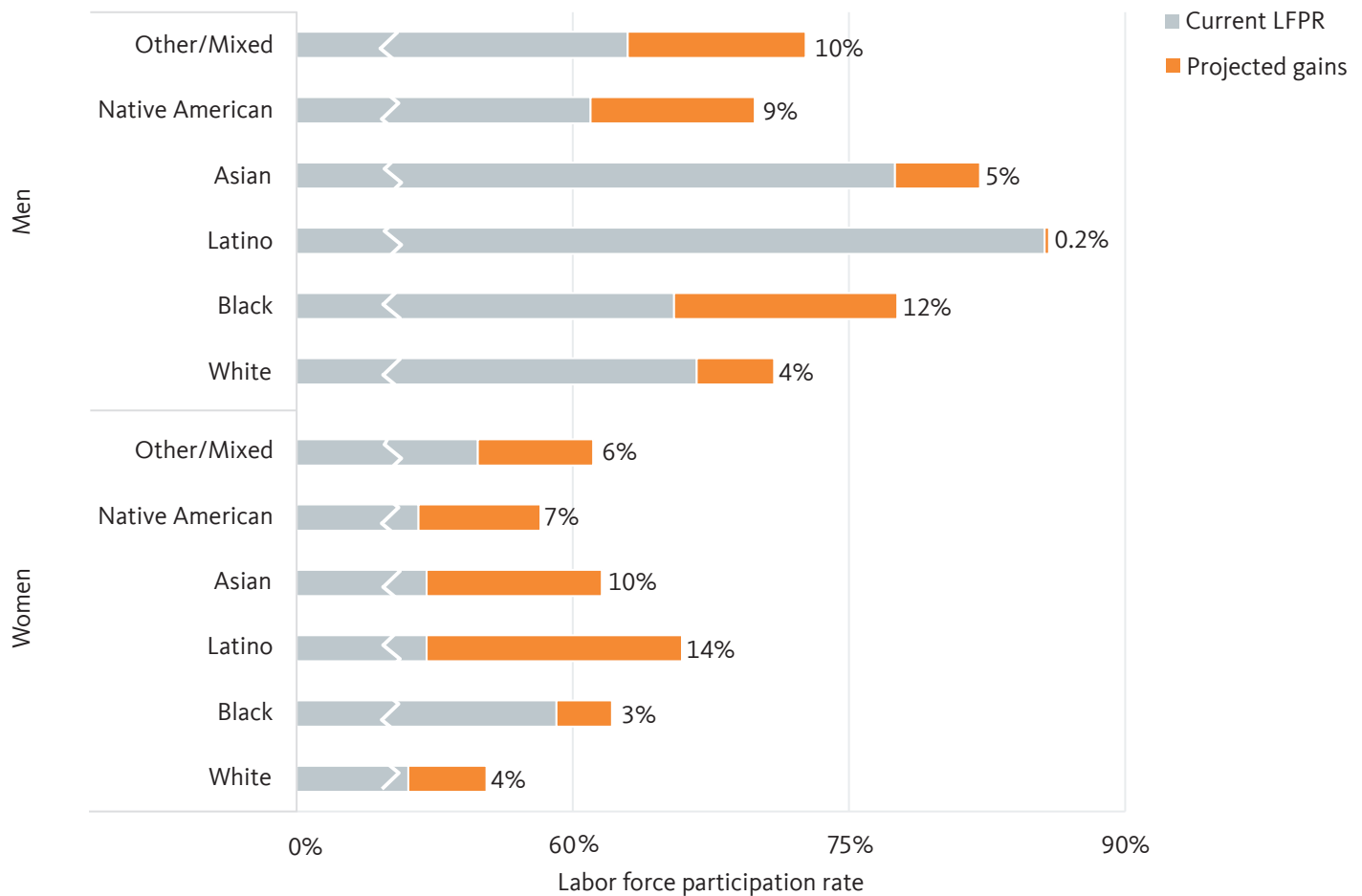


Source: PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series. See the methodology for details.

Achieving full employment would also mean increasing labor force participation rates for all groups. Latina women would see the greatest increase in labor force participation (14 percentage points), followed by Black men (12 percentage points), Asian women and men of mixed race (10 percentage points), Native American men (9 percentage points), and Native American women (7 percentage points).

## In a full-employment economy, labor force participation rates would increase the most for Latina women and Black men

Labor Force Participation Rates by Race and Gender in Full-Employment-for-All Model, Alabama 2016



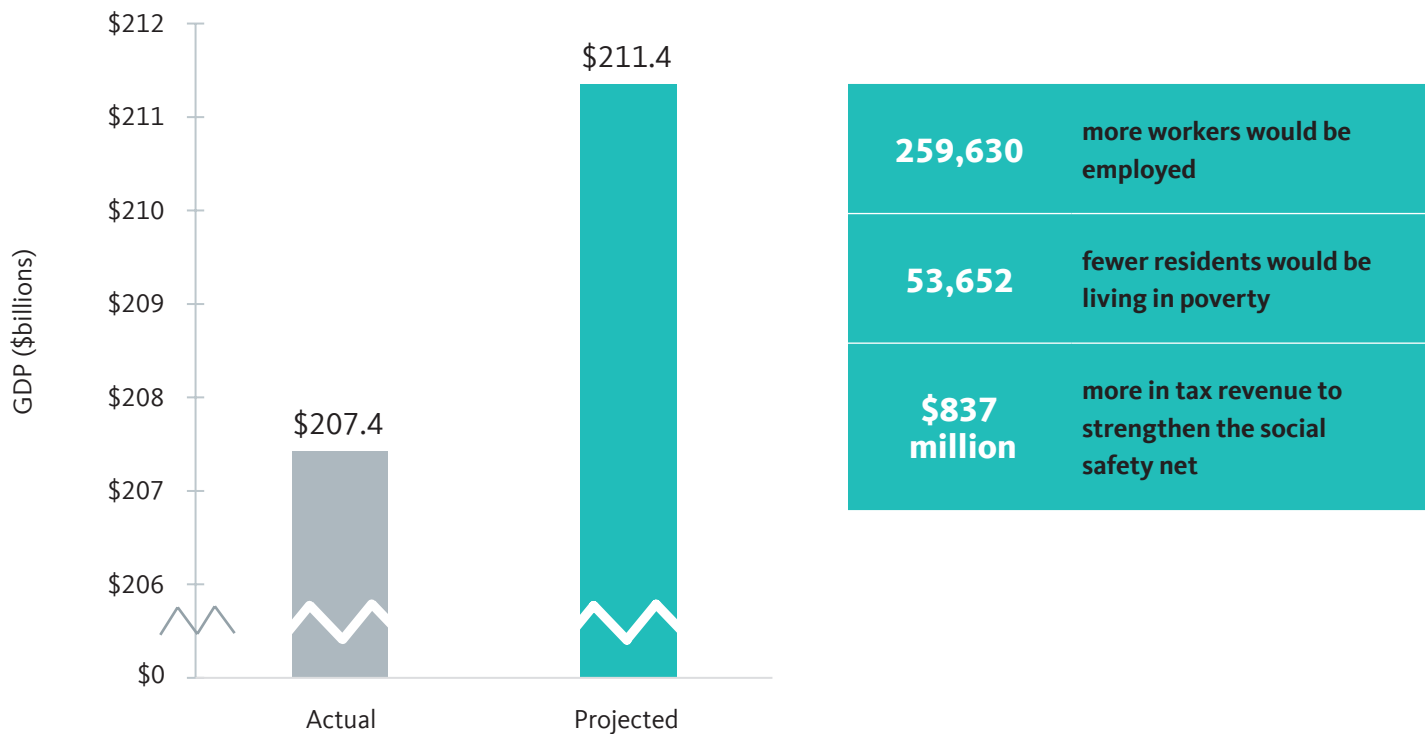
**Source:** PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series. See the methodology for details.

Decreasing unemployment and increasing labor force participation in this way—achieving full employment for all in Alabama—would bring cascading benefits, including the following.

- Increased economic output:** With full employment for all, the state's economy would be \$3.9 billion stronger every year.
- Increased employment:** Decreasing unemployment and increasing labor force participation rates would bring about 260,000 workers into employment.
- Increased incomes:** Black households would see their median incomes grow by 4 percent on average, mixed race and Native American households would see a 3 percent increase in incomes, and all other groups would see average incomes rise by 1 percent.<sup>29</sup>
- Decreased poverty:** Employment is the surest way to decrease poverty, and achieving full employment for all would mean about 54,000 fewer Alabamians living in poverty.
- More tax revenue:** More employed workers means higher incomes and more state and local tax contributions, adding up to \$837 million in annual tax revenues to support needed programs and services throughout the state.

## If there were full employment for all in 2016, Alabama's economy would be \$3.9 billion stronger

Economic Gains to State Economy under Full-Employment-for-All Scenario, Alabama 2016



**Source:** PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. See the methodology for details.

Every region in the state would benefit from achieving full employment for all. Applying the same model to Birmingham, Huntsville, Mobile, and Montgomery, we found the following.

- Birmingham's economy would be \$737 million stronger per year with \$142 million in additional tax revenues to deliver high-quality services to needed communities and 7,900 fewer residents living in poverty.
- Huntsville's economy would be \$362 million stronger each year with \$78 million in additional tax revenue and 4,700 fewer residents living in poverty.
- Mobile's economy would be \$443 million stronger annually with \$83 million in additional tax revenue and 4,800 fewer residents living in poverty.
- Montgomery's economy would be \$251 million stronger annually with almost \$54 million in additional tax revenue and 4,000 fewer residents living in poverty.

The benefits of increased employment extend far beyond a paycheck. Work reduces social isolation by providing networks of friends and colleagues with whom to build community relationships, connects people to critical resources and institutions, and provides many health benefits both in the literal form of health insurance as well as broader mental health benefits associated with economic security and the ability to manage financial obligations.

Full employment for all would also produce an "equity dividend" for businesses. A more diverse workforce attracts more customers, produces higher revenues, and captures a larger share of the market.<sup>30</sup> Increasing employment boosts the incomes of the newly employed and also creates a "tighter" labor market that lifts wages. These increases in income would generate more consumer spending in the local economy, creating a "multiplier effect" that leads to stronger local businesses, more entrepreneurial opportunities, and additional sales tax revenue for local governments.

## Getting to Employment Equity Requires Dismantling Barriers to Accessing Good Jobs

Focus groups with adult workers in Birmingham and Mobile who are seeking employment or higher wages underscored several barriers that harm their chances of securing family-supporting jobs and careers.

- Transportation:** Traveling to work in Alabama is often challenging for low-income workers and workers of color given the combination of lack of car access; the “spatial mismatch” between where workers of color can afford to live and where jobs are located;<sup>31</sup> and public transit systems that are scant, disconnected, and unreliable for effectively connecting people to jobs.<sup>32</sup> Alabama leads the nation in the percentage of residents relying on automobiles to access employment.<sup>33</sup> Unfortunately, Alabama is also one of only five states that provide no state funding to supplement federal and local public transportation spending. This dubious distinction is compounded by wide racial disparities in car ownership. Fourteen percent of African Americans in Alabama live in households without a car, compared with just 4 percent of Whites, according to the National Equity Atlas.

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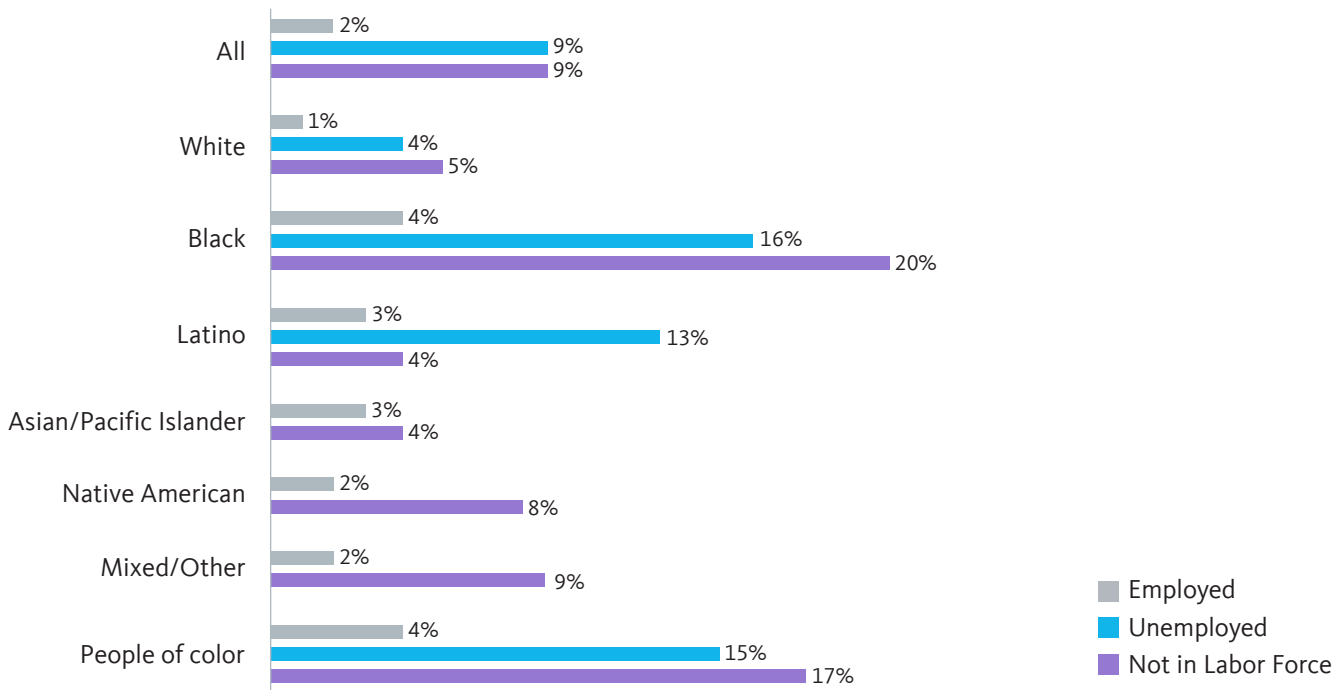
Florida had more transportation options. Here I have to choose: do I leave early to catch the last bus or do I stay to get extra hours in and be unsure how to get home?

Nicholas,  
Birmingham Focus Group

Alabama’s underdeveloped public transit system constrains the state’s economic development in a number of other ways. For example, it makes the state unattractive to workers from areas with stronger public transportation systems.<sup>34</sup> In addition, the lack of connectivity further isolates rural residents from getting into cities for needed health-care services or employment opportunities.<sup>35</sup> Without any state investment in the public transportation infrastructure, transit operators have been forced to cut service to certain neighborhoods and steadily increase fares in order to make necessary repairs.

### Jobless Alabamians are much more likely to be carless than their employed counterparts

Percent of Working-Age Adults Living in Carless Households by Race/Ethnicity, Employment, and Labor Force Status: Alabama, 2015



Source: PolicyLink/PERE analysis of Integrated Public Microdata Series 2015 5-Year American Community Survey data.

Note: Data reflect a 2011 through 2015 average. Universe includes the civilian non-institutional population ages 25-64 years living in households (excludes group quarters).

- **Criminal records:** Alabama has the third largest per capita prison population in the country.<sup>36</sup> Having a criminal record has multiple economic consequences that follow people well after incarceration. Studies show that more than 60 percent of formerly incarcerated individuals remain unemployed one year after being released, and those who are able to find employment after release earn 40 percent less income on average than what they earned prior to incarceration.<sup>37</sup> Overall, the economic prospects for returning citizens in the state are grim. Although a bill preventing state agencies from asking job applicants about their criminal background passed the Alabama Senate in May 2017, it failed to pass the House before the end of the legislative session later that month.<sup>38</sup>

Criminal backgrounds in Alabama minimize economic opportunity in other ways. Many formerly incarcerated residents in Alabama lose their ability to vote, effectively silencing their voice on issues impacting their communities. Alabama is one of nine states that preclude formerly incarcerated residents from voting until they pay off any outstanding court fines, legal fees, and victim restitution.<sup>39</sup> This requirement has perpetuated an underclass of residents, disproportionately Black, who are unable to vote simply because they do not have enough money. Research confirms that a majority of the more than 286,200 disenfranchised felons in Alabama, 7.62 percent of the state's voting-age population, cannot vote because of a debt they owe the state.<sup>40</sup>

- **Childcare:** Access to affordable childcare was a recurring challenge for focus group participants. In Alabama, half of all single mothers live in poverty—the third highest rate in the country.<sup>41</sup> Unfortunately, childcare is a growing expense for Alabama's working families, leaving them facing difficult choices in terms of the cost, quality, and availability of care. With the average annual cost of center-based childcare at about \$5,600 for an infant and \$4,800 for a school-aged child, a low-income family can expect to pay nearly 40 percent or more of their income on childcare.<sup>42</sup> For some, the tradeoff between paying for childcare and working for low wages simply does not make financial sense.

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**I don't know what I would do if my parents weren't able to help me with my son. When I finally found a job in my field, I made too much to qualify for childcare assistance. Even when you do qualify, you're on the waiting list for years. If you want to work, you need to have childcare that you can afford.**

Natasha,  
Mobile Focus Group

- **Inflexible schedules:** In addition to the cost of childcare, many low-income workers do not receive sick leave or personal days to take care of themselves, children, or other family members in the event of an illness. Only 34 percent of the lowest-paid workers are afforded some type of sick leave.<sup>43</sup> This forces far too many low-income caregivers to choose between working when sick or losing critical income, and with no options for caring for family members in need. Alabama state law currently preempts any effort to require employers to provide paid sick leave.<sup>44</sup> In 2016, the Alabama NAACP and Greater Birmingham Ministries filed a lawsuit in federal court to repeal the legislation. That case is still pending.
- **Credit checks:** Nearly half of employers nationwide require passing a credit check as a condition of employment, which unnecessarily locks out many potential candidates. A national survey conducted by Demos found that one in seven unemployed respondents reported losing a job opportunity because of a credit check.<sup>45</sup> In the same survey, participants reported that negative marks on their credit reports were often because of their job loss, thus creating a vicious cycle.<sup>46</sup>
- **Skills:** Alabama's education and workforce system is not adequately preparing workers for the jobs of the future. The level of educational attainment in the state is low for all racial and ethnic groups compared to the nation as a whole.<sup>47</sup> This is particularly troubling given that, by 2020, 37 percent of jobs in Alabama will require at least an associate's degree. Only 25 percent of the state's Black adults, 19 percent of Latino adults, and 37 percent of White adults have that level of education today.<sup>48</sup> Alabama also has the fifth highest share in the nation of disconnected youth (16- to 24-year-olds who are not in school or working).<sup>49</sup>

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**It's very frustrating. Now they want a credit check on top of your application. I have hospital bills and student loans. I shouldn't have to bargain with people to get a job that I am qualified for.**

Regina,  
Mobile Focus Group

Focus group participants raised several other challenges. For example, a shift to an almost exclusively on-line application process has confounded older workers. Most job training programs do not consider the unique training needs of older workers trying to reenter an economy that has drastically changed. Several participants also mentioned frustration with arbitrary firings or perceived racial discrimination in promotions. Other participants spoke about a lack of enforcement around federal contracting. This aligns with research documenting racial disparities in entrepreneurship rates and entrepreneurial success.<sup>50</sup> Lack of access to opportunities for these contractors is counterproductive to economic growth given that minority-owned businesses have been growing in number, gross receipts, and paid employment at a faster pace than non-minority firms.<sup>51</sup>

## The Way Forward: Employment Equity

To secure a prosperous future for Alabama, leaders at the state and local level must take action to ensure that all Alabamians can participate in the state's economic growth and contribute to building an economy that is more competitive, just, and sustainable. We suggest four policy priorities for achieving employment equity and inclusive growth in Alabama.

1. Remove the barriers that prevent economically insecure workers from accessing good jobs
2. Scale up workforce development efforts that connect struggling workers to quality jobs and career pathways
3. Grow the base of employers committed to hiring and providing quality jobs for struggling workers
4. Help families build savings and achieve financial stability

### Remove the barriers that prevent economically insecure workers from accessing good jobs

Addressing transportation, childcare needs, and background checks can alleviate some of the most significant barriers job seekers and low-wage workers face when trying to improve their economic conditions. Removing these barriers is a winning proposition for both workers and employers, who benefit from accessing new employees and reducing costly turnover due to their workers being unable to find childcare or get to work on time.

- **Expand public transit options and supports for low-income residents.** Inequitable transportation policy stunts the economic prospects of people of color and job seekers dependent on public transit, and limits the economic prospects of the entire state. Across the country, race and transportation have been closely linked for decades, ranging from federally funded highway projects that destroyed or isolated communities of color to segregated streetcars and trolleys.<sup>52</sup> Alabama is known throughout the world for the historic Montgomery Bus Boycott of 1955 and the indelible impact it left on the struggle for civil rights. Since then, public transportation in Alabama has remained a hotly contested boiling point of racial polarization, stigma, and class conflict.

Policymakers should revisit the 1952 amendment to the Alabama Constitution precluding the use of gasoline tax revenues on anything other than road and bridge projects, and seek additional sources of revenue to expand public transit, such as the Public Transportation Trust Fund promoted by Arise Citizen's Policy Project.<sup>53</sup> Emphasis must be placed on connecting communities that are most in need to opportunity, and on ensuring that existing residents can benefit from any expansion in the form of direct employment. In addition to more mass transit options, policymakers throughout the state should shore up transit subsidies to incentivize work by keeping costs affordable to low-income passengers.

- **Ban the box on criminal background checks.** More than 28 states and 150 cities have established policies to help reduce potential discrimination against candidates who have criminal backgrounds, allowing them to at least get to an interview stage of the employment process. In 2016, the City of Birmingham successfully passed ban-the-box legislation for all local public sector job applications.<sup>54</sup> Passage of the Alabama Senate's ban-the-box policy was a laudable step farther in the right direction. However, additional momentum and advocacy is needed to gain full passage in both chambers of the state legislature. Ban-the-box efforts should not stop at public-sector employment opportunities. A number of cities as well as the states of California and Minnesota extend their ban-the-box policies to private-sector jobs. Policymakers and employers may also want to consider additional "fair-chance" hiring policies, such as only screening for criminal activity directly related to the type of work the candidate would be doing.
- **Expand access to quality childcare.** Struggling to find childcare is not just an inconvenience, it can prevent workers from landing jobs, advancing, and earning promotions. Addressing the childcare needs of workers will also benefit employers, who experience high turnover and lost productivity because of the unstable childcare arrangements of their workers.<sup>55</sup> Alabama can increase access to quality, affordable childcare in several different ways.
  - Expand funding for professional development and technical assistance provided to childcare centers through the Alabama Quality STARS program. Alabama is one of only seven states that allows the operation of unregulated childcare centers. These unregulated centers are not required to meet the state's minimum standards regarding staff-to-child ratios, and educational and training levels for teachers.<sup>56</sup>

- Develop local revenue sources to increase childcare subsidies. In nine counties in the state of Florida, including Palm Beach County, voters approved the creation of a special tax to fund additional services for children and families, including childcare.<sup>57</sup>

- Encourage employers to expand childcare benefits for low-wage workers. ConAgra Foods, Inc., in partnership with a local Head Start program in Huntsville, Arkansas, helped to open a childcare center with extended operating hours to accommodate parents' late-night schedules and unexpected overtime.<sup>58</sup>

- **Ban employer credit checks.** Poor credit bears no relationship to a person's ability to perform on the job, and should not be a barrier to employment. Research has shown that states that have passed laws banning employer credit checks saw an increase in employment in low-credit census tracts, yet only 11 states, none of which are in the South, have established these laws.<sup>59</sup> New York passed the country's strongest legislation restricting employment credit checks in 2015.<sup>60</sup>

## Scale up workforce development efforts that connect struggling workers to quality jobs and career pathways

Policymakers throughout the state can take up several strategies to help workers build the skills needed to obtain and maintain employment. Additionally, they should ensure that skill-building and job-creation efforts target the most underserved populations.

- **Expand apprenticeships and paid training opportunities.** Apprenticeships are a win-win for workers who gain valuable skills on the job and employers seeking a steady source of employees. States can lead on expanding apprenticeship opportunities. Iowa, for example, established the Apprenticeship and Training Act in 2014, allocating \$3 million to expand apprenticeship programs throughout the state. Since then, Iowa has been among the top states to register new apprenticeship programs with the federal government.<sup>61</sup> South Carolina increased its apprenticeships by 750 percent by establishing a comprehensive expansion plan including direct state funding, tax credits, technical assistance, and access to training programs through technical colleges.<sup>62</sup>

- **Steer workforce development efforts toward growing sectors.** Fully tapping into Alabama’s talent base requires opening up employment opportunities across all sectors of the economy, particularly in the manufacturing; professional, scientific and technical services; and health-care occupations that are projected to grow in the coming years.

The EARN Maryland program was established by the state to support employers that were struggling to find workers. Cohorts or partnerships of at least 5 employers are eligible to apply for funds from the state to support employee training after coming together to assess their labor needs and designing a program that suits them while filling employment gaps for target populations.<sup>63</sup> In Northern Georgia, home to a large flooring industry, business leaders recognized a shortage of workers with the skills to handle modernized machinery. Twenty-five percent of the jobs in the region are in the manufacturing industry, yet only 5 percent of students were in vocational programs at local colleges and career programs. A robust group of leaders, including the community college system and seven flooring industry leaders, worked closely together to establish the Advanced Manufacturing Business Academy, which enrolled its first 200 students in fall 2016.<sup>64</sup>

- **Invest in youth employment.** Youth employment is a proven strategy to help youth build workforce skills and earn a paycheck. It also serves as a violence-prevention strategy because youth violence peaks during summers when kids are out of school. In St. Louis, STL Youth Jobs targets students in underserved neighborhoods, offers them job training and skill development, and placement in a summer internship. For 51 percent of their participants, this program offers them their first job. Also, 60 percent of youth continue to be employed years after participating in the program.<sup>65</sup> In Chicago, youth violence was decreased by 43 percent with the city’s summer youth employment program.<sup>66</sup> Youth employment is not only an opportunity to help youth earn their first paycheck, it is also a prime occasion to help young people build savings habits and form a healthy relationship with their finances. MyPath partnered with the City of San Francisco’s summer youth employment program to teach kids about the importance of savings and building credit. Youth in the program collectively have saved more than \$1 million. The MyPath model is now being replicated across the country.<sup>67</sup>

- **Implement targeted and local hiring.** Local and targeted hiring policies require or incentivize businesses that receive public resources, such as government contracts or tax breaks, to hire workers living in a particular geographic area or from specific populations within the community. These policies can be passed citywide, adopted by government agencies, or negotiated on large development projects (e.g., community workforce agreements and community benefits agreements). In New Orleans, Mayor Mitch Landrieu developed a hiring program as a strategy to reduce the city’s 52 percent jobless rate among Black men. Since the launch of the program, Black male unemployment has decreased to 44 percent.<sup>68</sup>

## Grow the base of employers committed to hiring and providing quality jobs for struggling workers

Alabama’s economic development efforts should foster inclusive growth and prioritize strategies that strengthen and multiply the number of employers who provide good jobs to the state’s workers who do not have a college degree. At a minimum, Alabama should ensure that economic development subsidies are accountable and deliver quality jobs and other community benefits. Additionally, community leaders in the state should promote employer awareness of how providing quality jobs and fostering greater racial economic inclusion can boost a company’s competitiveness and growth by reducing turnover and improving performance.<sup>69</sup>

- **Support the growth of minority- and women-owned business enterprises (MWBEs).** MWBEs are crucial agents in any effort to improve economic inclusion. Not only are these entities a significant wealth-creating engine for low- and moderate-income communities, they are also job centers. Minority-owned businesses have a strong record of hiring people of color and women.<sup>70</sup>

The City of Cincinnati conducted a disparity study to assess the number of city contracts going to MWBEs. The results showed that in a city that is 43 percent Black, less than 1 percent of contracts went to Black firms. The city leadership moved into action and developed a Minority Business Accelerator (MBA) program. Since its founding, there are three times as many Black-owned companies with revenues greater than \$10 million in the region. The MBA’s member companies employ more than 3,500 individuals, and the average portfolio revenue of an MBA business is \$34 million.<sup>71</sup>



States can also set aside a portion of funds to spur growth among MWBEs. The state of New York was the first to establish a \$2 million MWBE investment fund in 2015. Funds are to be used to support innovation and job creation in high-growth sectors throughout the state. The fund is making seed investments in start-ups, with a focus on the fields of advanced materials, clean technology, life sciences, and medical devices.<sup>72</sup>

- **Leverage the economic power of large “anchor institutions.”** State and local governments can coordinate with universities, community colleges, hospitals, and large private-sector employers to not only fill vacant positions, but also help grow new local businesses through contracting. This can be done by focusing on communities with high unemployment. The Chicago Anchors for a Strong Economy (CASE) is a network of 16 anchor institutions within the city that have made a commitment to using their procurement dollars for goods and service from local businesses. CASE has worked with more than 236 businesses, has created 180 new jobs, and has facilitated \$50.6 million in revenues to the local economy.<sup>73</sup>
- **Develop a cooperative ecosystem.** Cooperative businesses can achieve multiple goals of economic inclusion. They are not only a job creation mechanism, but also a wealth-building tool for workers who would typically not be able to earn enough to build assets on their own. Cooperative businesses typically have a governance structure that allows worker-owners to have a voice in the decision-making processes of the company, and they offer significant economic development directly in the communities where they operate. Developing a cooperative ecosystem involves many steps. However, policymakers can play a significant role by developing pro-cooperative legislation or allocating funds for technical assistance and capital access.<sup>74</sup> In Atlanta, the seeds of a cooperative ecosystem have been planted through the Atlanta Wealth Building Initiative. The Initiative used an anchor strategy to develop BetterLife Growers, a company that produces lettuce. By 2021, BetterLife is projected to provide half of the lettuce used by food companies in the Atlanta metro area, and will transition ownership of the company to its 25 employees.<sup>75</sup> In Alabama, the seeds of a cooperative ecosystem could be planted by the Alabama Asset Building Coalition. AABC’s mission, goals, and deep relationship with communities of color across the state make it uniquely positioned to explore innovative asset-building strategies, such as a cooperative business model.

## Help families build savings and achieve financial stability

During this era of receding government supports and uncertainty around the future of Social Security, it is increasingly important for families to consider individual wealth as a buffer for life events. There are steps that both employers and policymakers can take to help Alabama workers be better prepared for unanticipated emergencies and long-term financial health.

- **Incentivize businesses to provide their employees with access to financial counseling.** It can be challenging for individuals and families to make sound financial decisions if they are not properly informed about what pitfalls to avoid. Alabama is one of five states to require at least one semester of personal finance in high school.<sup>76</sup> This early education gives employers a potential foundation on which to build for discussions around retirement planning and age-appropriate investment strategies. Providing a retirement advisor or financial educator is beneficial for both employers and employees as more financially stable employees have been found to be more productive and more engaged.<sup>77</sup> The state of Delaware has an established office of financial empowerment—a program entitled \$tand By Me that offers financial counseling programs available across the state using a successful “train the trainer” model.<sup>78</sup>
- **Protect low-income workers from predatory lenders.** Policymakers should pursue tighter state regulations for payday and title lending, as well as other high-cost loans in Alabama. Several promising state legislative measures concerning this issue were proposed in 2017 that were ultimately unsuccessful, but should be reconsidered in future sessions. For example, HB 321 would have enacted a constitutional amendment to cap interest rates at 36 percent per year. Similarly, SB 284 would have provided more flexible repayment options for payday loans and capped interest rates on small loans of more than \$2,000.

While the above strategies focus on state and local efforts, the federal government has an important role to play in achieving employment equity in Alabama and elsewhere. The most effective approach to achieving employment equity would be to establish a federal job guarantee that would ensure everyone who wanted a job had one. Job-creation strategies typically require a very large infusion of capital, and no entity is better positioned to provide that infusion than the federal government. A National Employment Investment Corps (NEIC) has been proposed as a program that would guarantee employment through the federal government as a last resort for those who are not successful in the private job market.<sup>79</sup> Not only would the NEIC provide many societal and economic benefits of employment, it would provide the opportunity to upgrade our national infrastructure—roads, bridges, green homes, better education facilities, higher quality childcare and elder care, and more.<sup>80</sup>

## Conclusion

Economic inclusion in the state of Alabama will be key to acquiring a competitive edge in an evolving, more global economy. The state is experiencing a period of sustained growth with an increase in jobs in the pipeline. However, the burgeoning prosperity being experienced by some is not being shared by all Alabamians. Low-income communities and communities of color continue to be on the margins of the economy and are locked out of opportunity. Helping these residents more fully participate in the economy is clearly a win-win for all in Alabama. A focus on employment equity, or full employment for all—a scenario in which all people who want to work, regardless of their race or gender, are able to find employment—will bring many benefits throughout the state. If leaders invest in critical needs such as expanding public transit, and key strategies such as targeted and local hiring, ensuring that returning citizens can access employment, and increasing access to work supports such as childcare, Alabama will see billions of dollars in increased incomes, a lower poverty rate, and increased revenues to support needed programs for all Alabamians.

## Notes

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