

# Economic Brief

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## Where Has Three Years Of Recession and “Recovery” Left NC Workers?

### Employment remains below pre-recession levels

While the country as a whole enjoyed solid job growth in March, generating a net gain of over 300,000 jobs, North Carolina continued to struggle with job loss. Payroll employment (“jobs”) in our state dropped by 2,200. Since North Carolina, and the country, officially entered recession three years ago, our state has lost over 139,000 jobs (this marks a 3.5% decline in employment). National statistics reveal a 1.6% decrease in payroll employment.

During the more than two years of “recovery”, North Carolina has continued to experience a net loss in jobs. In order for the state to reach pre-recession payroll employment figures, North Carolina needs to be adding 15,500 jobs per month through the end of 2004.

It is no surprise that the jobs picture for the state’s manufacturing industry has been especially bleak during this same time period. Payroll data reveals a drop of almost 20% since the recession began – 13% of which occurred during the 27 months of “recovery”. See *Figure 1*.

**Figure 1**  
**Changes in NC Payroll Employment (in 000s)**

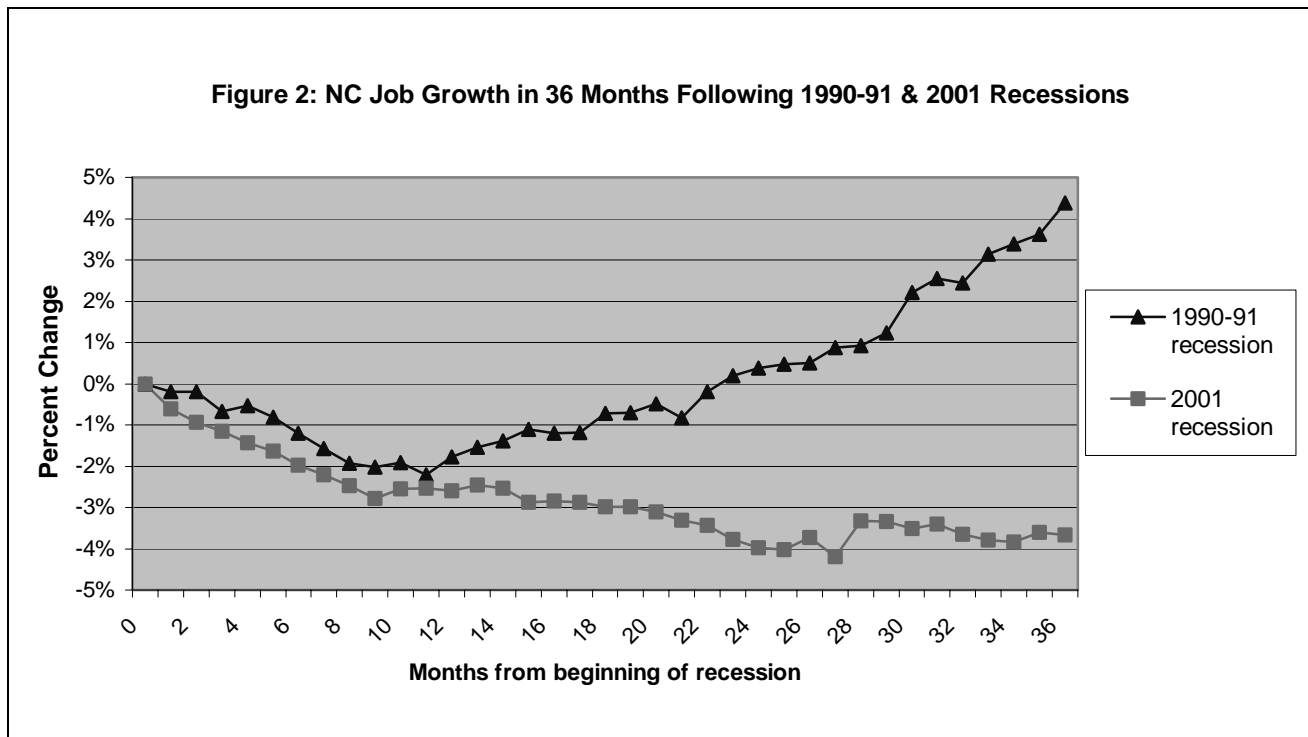
	March 2001	Nov 2001	March 2004	36 months after recession start		28 months of recovery	
				#	%	#	%
Total Payroll Employment	3,944.9	3,849.7	3805.5	-139.4	-3.5%	-44.2	-1.1%
Manufacturing Employment	727	671.3	584.8	-142.2	-19.6%	-86.5	-12.9%

Source: Economic Policy Institute using BLS data, April 2004

### This is not a typical recovery.

As is clearly reflected in the payroll data, the labor market has been left behind in the current recovery. This is highly unusual. According to the Economic Policy Institute, the current business cycle is the only one since the 1930s to feature job losses three years after a recession began. The average change in national employment in the three years following the start of the previous three recessions was 2.7% growth.

In North Carolina, the contrast with past recoveries is particularly stark. Comparing the current business cycle with the most recent recession and recovery of the early 1990’s illustrates the difference. Three years into the previous cycle, North Carolina had experienced an increase of 4.6% in total payroll employment as opposed to the 3.5% decline that the state’s workforce has experienced over the last three years. Similarly, the recovery following the 1990 recession produced a payroll employment gain of 6.6% - not a loss of 1.1%. See *Figure 2*.



Source: BTC calculations using Economic Policy Institute data, April 2004

While it is helpful to track changes in payroll employment to get a sense of economic and labor market strength, it is also important to think about how many jobs the state NEEDS to keep pace with population growth and promised political projections.

### Jobs Have Not Kept Up with Population Growth

Each year new workers enter the workforce and it is critical that our economy creates enough new jobs to absorb the growth. Since the beginning of the recession, this has not been the case. In fact, while North Carolina's working age population grew by 4.3% over the last three years, jobs declined by 3.5% - creating a gap of 7.8 percentage points.<sup>i</sup> In other words, if job growth had kept up with working age population growth, our state would have approximately 310,600 more jobs than it actually has today. North Carolina needs almost 40,000 new jobs per month for the rest of 2004 just to get back the jobs lost in the recession and to provide work for the state's emerging workforce.

### Federal Stimulus has Failed Thus Far

The federal government adopted a major policy initiative in 2003 that was supposed to create jobs for millions of American workers. The current administration's "Jobs and Growth" plan was supposed to have generated over 101,000 jobs in North Carolina to date, beginning in June 2003 when the tax cuts were enacted. Unfortunately, the economic growth strategy has failed to deliver. In fact, the plan has fallen over 82,000 jobs short in North Carolina.<sup>ii</sup> The state must add 20,500 jobs per month for the rest of the year to hit the federal target.

**A Note ON NC Unemployment** While the recent drop in unemployment is encouraging news, there is still reason to exercise caution before celebrating. First, the current rate of 5.2% is still higher than the pre-recession level of 4.8% (March 2001). Second, this is only one month's data. Economists consistently stress not putting too much stock in one month's numbers - it is the trend that is important. In order for this to be truly positive news, it is critical that the unemployment and labor market figures, as well as the corresponding job data, continue to move in the right direction. Finally, the unemployment rate is derived from a complex model that relies on a small sample of self-reporting households - i.e. there is room for error. This is just another reason to use these data with caution.

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<sup>i</sup> Economic Policy Institute, April 2004.

<sup>ii</sup> Ibid.