

The State of Working NORTH CAROLINA

Lagging recovery
highlights need for
quality job creation,
investments in
workers

 north carolina
JUSTICE CENTER

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September 2013





*The North Carolina Justice Center is the state's preeminent voice
for economic, social and political justice.*

Introduction

North Carolina continues to struggle to create jobs and grow the economy in a way that will improve the lives of working families in the state. More than four years after the Great Recession officially ended, the state remains mired in persistently high unemployment, growing underemployment, and declining incomes and wages. The jobs that are being created pay low wages, and the increased productivity of workers is not being rewarded with higher pay. North Carolina's economy is stuck and many of its workers—especially those in rural communities and communities of color—are suffering. To turn things around, policymakers must make the sort of investments, particularly in education, which will lay the foundation for economic revival and long-term prosperity.

The State of Working North Carolina is published each year to provide an assessment of the economy with a focus on how workers are faring. The report pulls together the latest data on jobs, wages and the makeup of the labor force, with additional data on economic and geographic inequality. The picture is bleak:

- North Carolina's median wage is now lower than it was in 1999, when inflation is taken into account. **Nearly a quarter of workers earn less than the poverty threshold for a family of four -- \$22, 811 in 2011.**
- North Carolina has yet to recover all of the jobs it lost during the recession, and **job growth is failing to keep up with population growth.**
- Most of the jobs created since the end of the recession have been in **lower-paying services like food processing, retail and hospitality**, and now account for 83 percent of employment in the state.
- Income inequality between the top wage earners and those at the bottom has grown markedly. **African Americans have been hit particularly hard**, earning nearly \$5 less per hour on average than their white counterparts.
- **Rural areas of the state continue to lose jobs**, while large and small metropolitan areas are slowly adding jobs.

The State of Working North Carolina will give policymakers, the public and advocates for meaningful change insight into the economic trends that made North Carolina so vulnerable during the last recession and that continue to hamper the state's recovery.

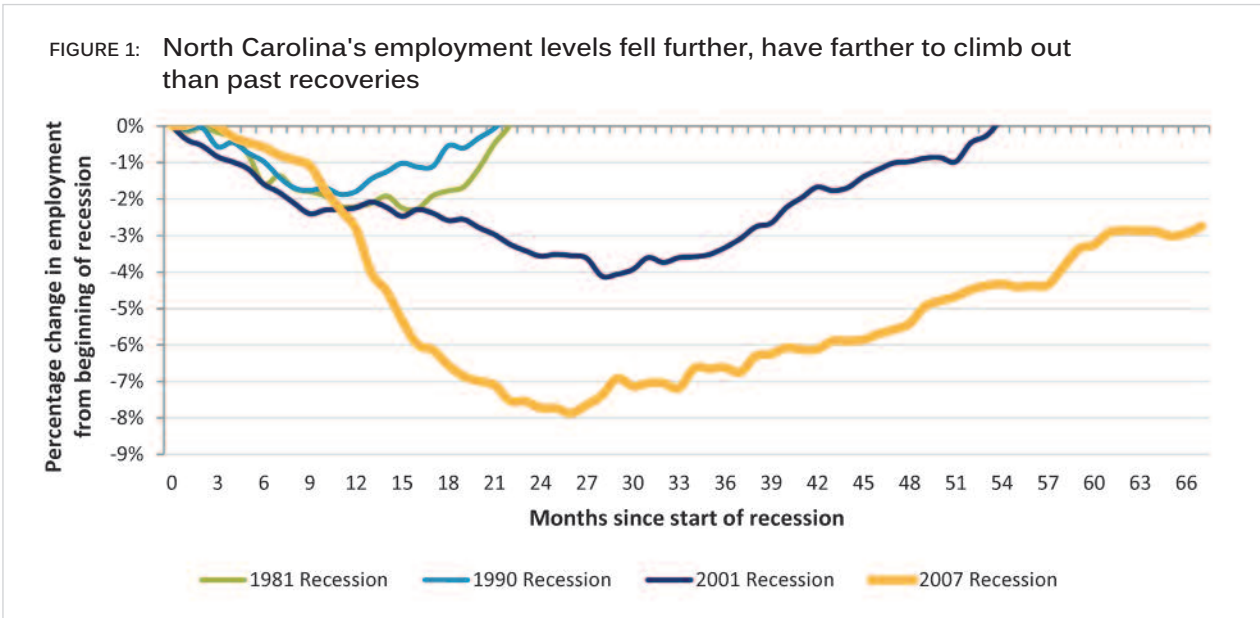
Workers in a Jobless Recovery

Over the past year, North Carolina's job picture has seen modest improvement, with the state's unemployment rate dropping to 8.9 percent in July from 9.6 percent a year ago. Despite this good news, the state's recovery from the Great Recession is clearly lagging. Job creation is trailing compared to previous economic recoveries, including those following the recessions that began in 1981, 1990, and 2001. North Carolinians are facing significant challenges in finding employment, and if they do, it's often in jobs that pay less than those that existed before the recession.

One of the main reasons North Carolina was hit so hard by the recession and has been so slow to recover is the long-term transformation of the state's economy, particularly the shift away from manufacturing jobs that did not require post-secondary education but paid middle-class wages.

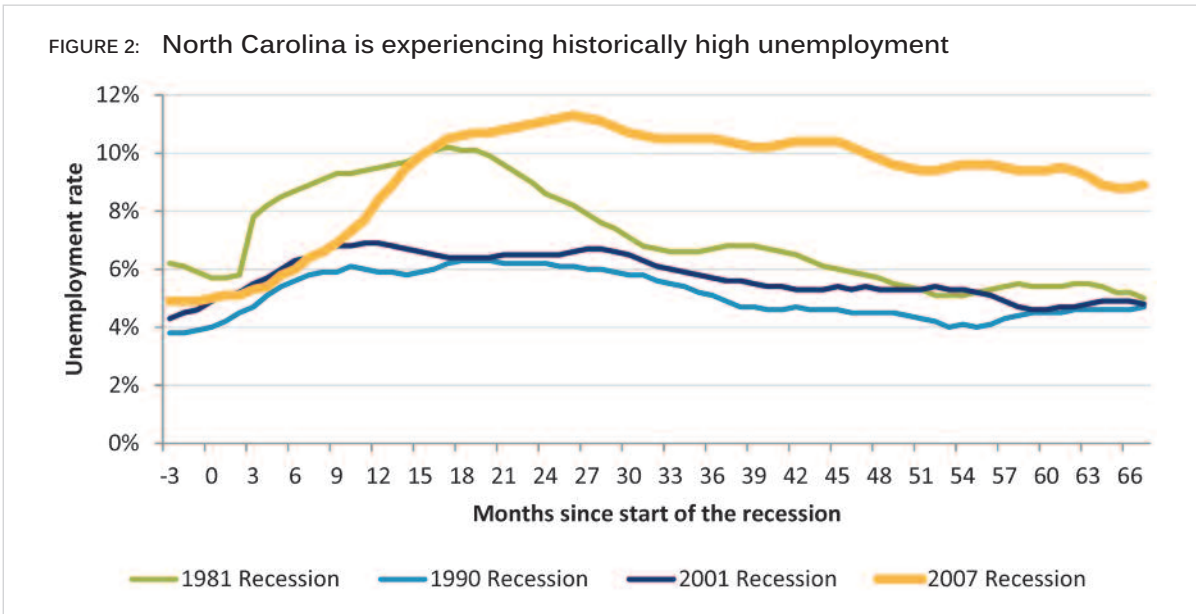
North Carolina's High Unemployment and Ongoing Job Shortage

The extent of North Carolina's economic woes can be seen in a single statistic: the state still has 114,000 fewer jobs than it had before the Great Recession. This is far from the experience the state had following the three previous recessions. By the fourth year into those recoveries, the state's economy had not only replaced all of the jobs lost, it had added significant numbers of new jobs (*see Figure 1*).

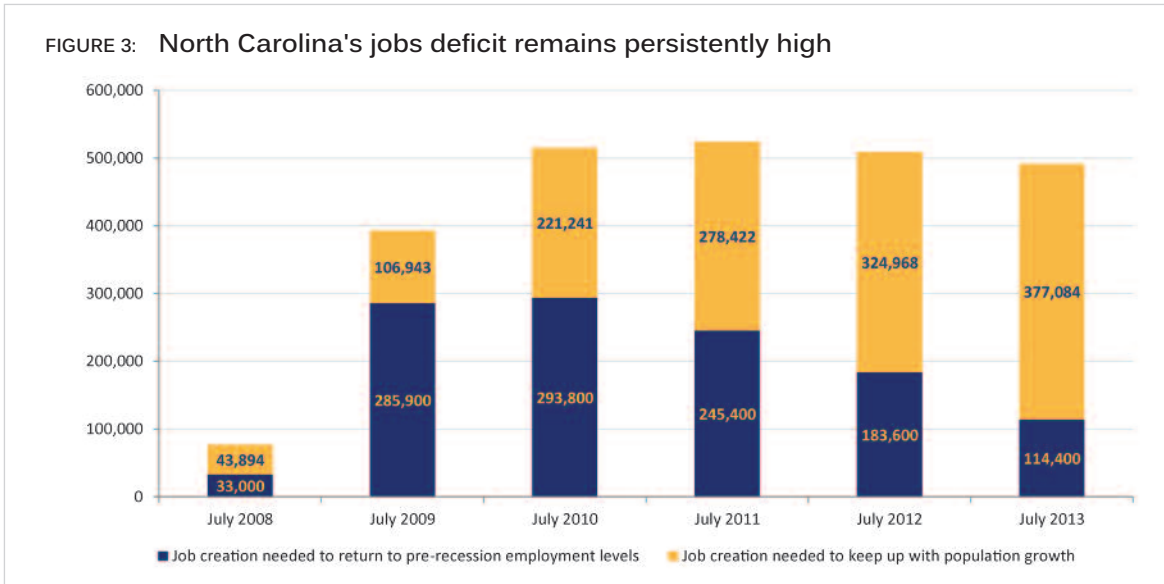


Source: Economic Policy Institute, Recession Watch series from analysis of Current Population Survey

In the current recovery, the unemployment rate has remained persistently high (*see Figure 2*).



Source: Economic Policy Institute, Recession Watch series from analysis of Current Population Survey



Source: Economic Policy Institute, Job Watch series from analysis of Current Population Survey

The problem is compounded by the state's rapid population growth. The number of jobs needed to replace recession-era job losses and keep up with population stands at 491,000, down only slightly from a peak of 523,000 in July 2011 (see Figure 3).

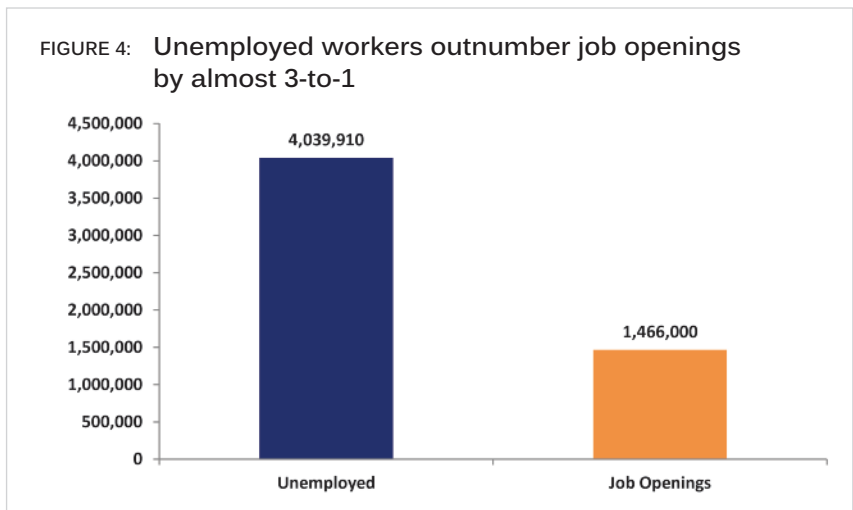
There are just not enough jobs available to meaningfully reduce unemployment and, as a result, thousands of men and women are simply giving up on the job search and dropping out of the labor force altogether (see Figure 4).

Economic transformation generates fewer jobs

One key reason for the state's struggles is the economic vulnerability of its main industries in the years prior to the recession.

North Carolina entered the 21st century with employment heavily concentrated in a narrow mix of declining manufacturing industries—notably textiles, furniture, and apparel. This increased the risk that further decline in those industries would deal a major blow to the overall economy, as indeed happened during the recession.

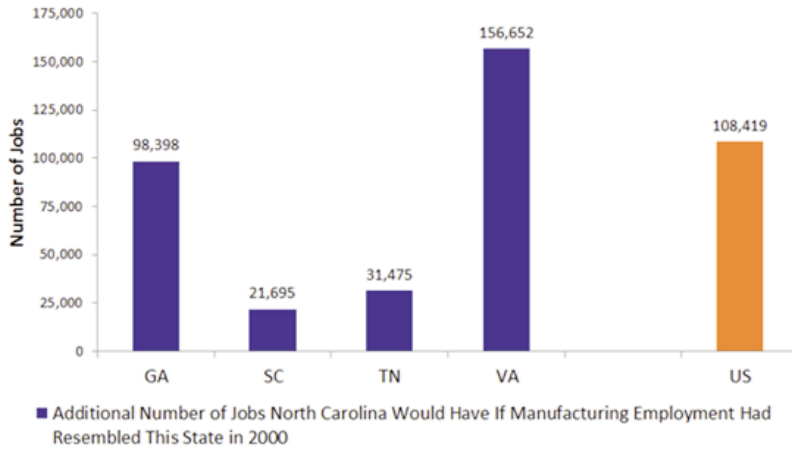
The problem is especially apparent when compared to neighboring states and the nation as a whole—all of which have lower unemployment today than North Carolina. In 2000, more than 16 percent of North Carolina's jobs were concentrated in manufacturing, more than in neighboring states and in the nation as a whole. And unfortunately, these industries—especially textiles,



Source: Bureau of Labor Statistics, Job Opening and Labor Turnover Survey (JOLTS)

apparel, and furniture manufacturing—bore the brunt of job losses over the last decade. In fact, North Carolina lost 42 percent of its manufacturing jobs from 2000 to 2011, more than any other neighboring state and well above the national average of 30 percent.

FIGURE 5: North Carolina would have 108,000 more jobs today if manufacturing employment had resembled the national average in 2000



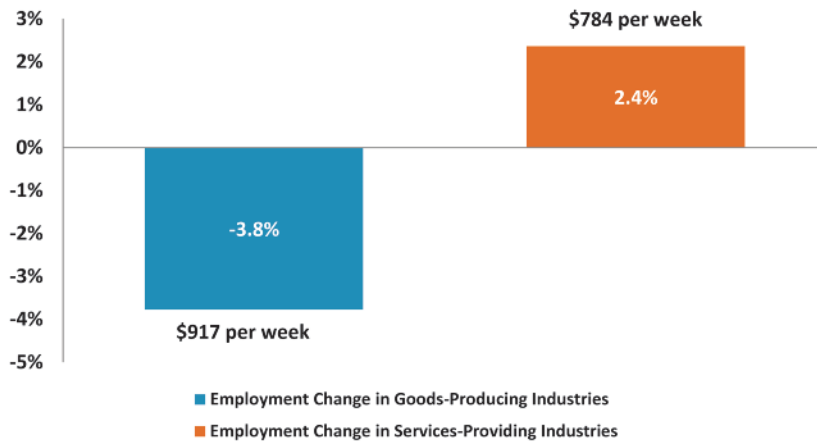
The state's failure to diversify its economy has taken a major toll. If North Carolina's share of total manufacturing employment had resembled that of the nation as a whole in 2000—and the state had still lost the same share of manufacturing jobs as were actually lost by 2011—it would have 108,000 more jobs today, and the state's unemployment rate would likely be below the national average of 7.4 percent (see Figure 5).

Source: Freyer, Allan, May 2013. North Carolina's Economy is Competitive with Neighboring States. BTC Brief: NC Justice Center, Raleigh, NC

Employment growth in low-wage jobs

As manufacturing declined, so did the number of jobs that provided a pathway to the middle class for many of the state's workers. They have been replaced largely by jobs in service-providing industries – food preparation, home health providers, and retail services, that often pay significantly lower wages than the state average.

FIGURE 6: North Carolina sees high-wage goods-producing jobs replaced by low-wage service jobs



As seen in Figure 6, jobs at companies that produce goods— pay an average of \$917 a week, well above the state's overall average of \$806. In sharp contrast service jobs pay an average \$784 per week. Employment in goods-producing industries fell by 4 percent between the third quarter of 2009 (the first full quarter of the recovery) and the last quarter of 2012 (the

Source: Quarterly Census of Employment and Wages, First Quarter of 2009 to Third Quarter of 2012.

most recent data available). Over the same period, the number of lower-wage service jobs grew by 2 percent, and now account for 83 percent of the state's total employment.

North Carolina faces both a short-term challenge of creating enough jobs to match the number of workers seeking employment and the long-term challenge of ensuring this job creation occurs in industries most likely to grow and pay decent wages.

Stagnating Wages and Growing Wage Disparities

For many in North Carolina, full-time work does not guarantee the ability to meet basic needs. The median wage in North Carolina was \$15.12 an hour in 2012.¹ This falls more than \$8-per-hour short of what an average four-person family would need to earn to afford housing, food, child care, health care, and transportation.² Almost 1 in 4 workers in North Carolina are in occupations with a median annual wage below the meager federal poverty threshold for a family for four \$22,881.³

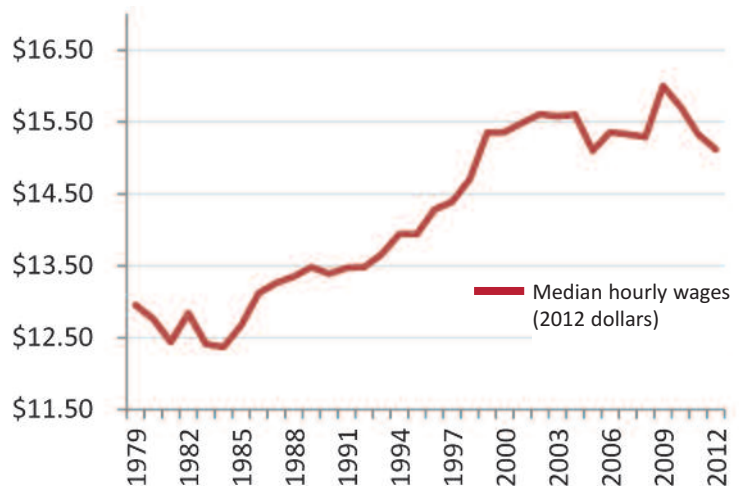
Over the last thirty years, the median wage in North Carolina has risen just 16.8 percent when adjusted for inflation, and by the early 2000s this slow but steady wage growth began to stagnate. Despite increases in the amount of goods and services workers produced each hour and a more educated workforce, median wages for North Carolinians are lower now than they were in 1999.⁴ Moreover, during this same period, wage inequality grew, and such groups as women and African American workers continue to earn significantly less than their male, white counterparts.

Stalled Wage Growth Amid Increased Productivity

North Carolina's median wage grew slowly from \$12.37 in 1984 to \$15.61 in 2002. But as figure 7 shows, working families lost significant ground over the last decade, and the median wage has declined over the course of the recovery from \$16.00 in 2009 to \$15.12 in 2012, in inflation adjusted dollars.

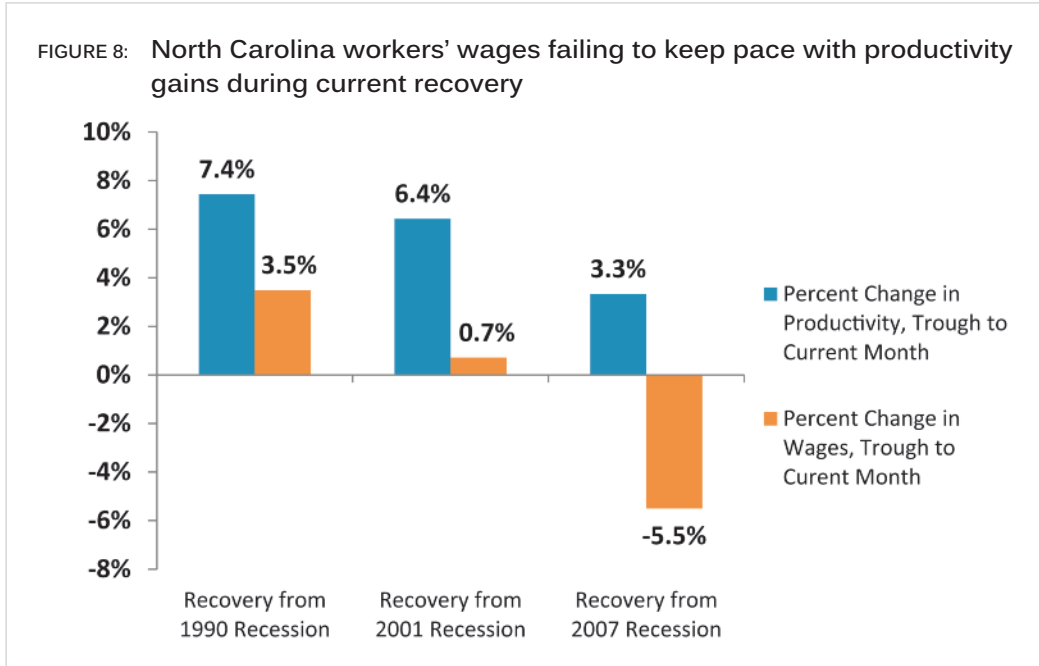
In fact, as figure 8 shows, for the first time since the end of World War II, wages fell during a post-recession recovery despite productivity gains – measured by the total amount of goods and services produced by each worker. In contrast to the recoveries from the 1991 recession and the 2001 recession, both of which saw productivity gains accompanied by wage increases, workers in the current recovery have seen their productivity increases rewarded by a sharp

FIGURE 7: North Carolina's wage growth has stalled over the last decade, and wages declined over the course of the Recovery



Source: Economic Policy Institute analysis of Current Population Survey data, 1979 – 2012 in 2012 dollars.

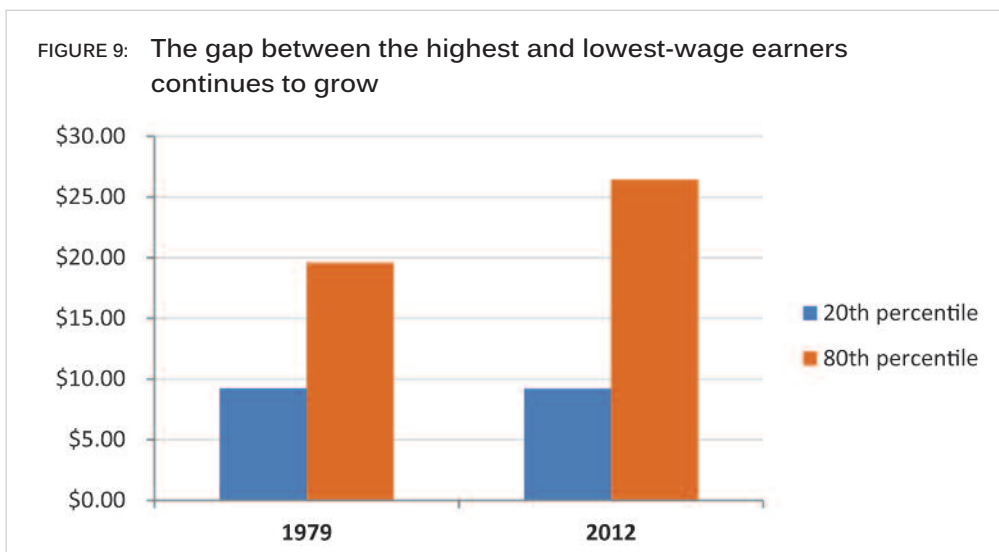
decrease in wages since the end of the recession. As indicated by the chart, output per worker, as measured by the state’s share of real Gross Domestic Product, has increased dramatically over the period between the formal end of the recession in June 2009—the so-called “trough” of the business cycle—and the end of 2012, 42 months into the recovery. Over the same period, however, inflation-adjusted wages (in 2012 dollars) have either stagnated or fallen, suggesting that workers are not being rewarded for their more efficient work and increased output.⁵



Source: Economic Policy Institute analysis of Current Population Survey, 2012.

Persistent Wage Gaps

Over the past 30 years, the gap between the lowest and highest earners has been increasing. Wages for the lowest quintile (those with a median income of approximately \$9.19) have fallen



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

slightly over this time while wages for the 80th percentile (those with a median income of \$26.42) have increased by almost seven dollars. The gap between the lowest and highest earners has increased from a difference of \$10.36 to a difference of \$17.23 in inflation-adjusted dollars.

Wage differences between genders, races and ethnic groups also persist in North Carolina. Despite advances in women’s education and increases in the number of women working outside the home, women who work full-time and year-round continue to have lower median annual earnings than men.

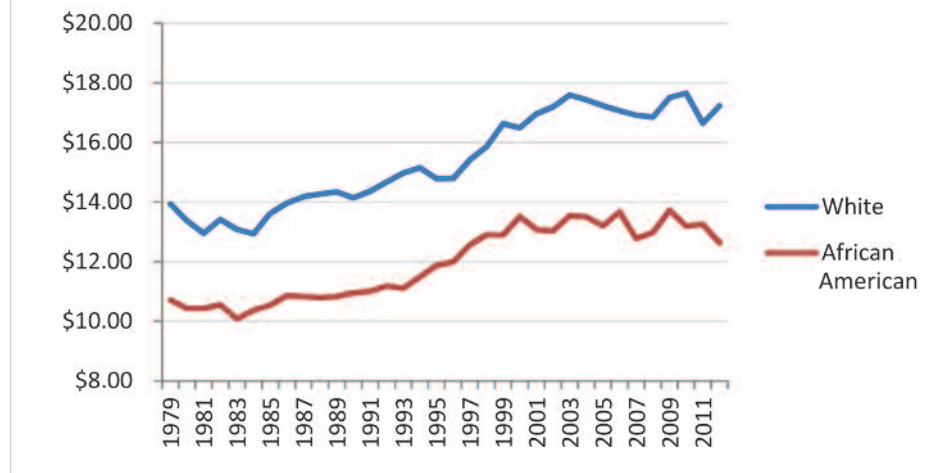
The disparity between North Carolina’s white and African American populations, both in poverty and wages, tells a story of ongoing racial inequality. African Americans earned an average of \$4.59 less per hour than their white counterparts in 2012; that gap was \$2.98 per hour in 2000.

FIGURE 10: Despite advances in women’s wages, women continue to make 83 cents on the dollar in North Carolina

GENDER	1979	1989	1995	2000	2012
Male	\$15.14	\$15.00	\$15.26	\$17.01	\$16.89
Female	\$10.89	\$11.94	\$12.56	\$13.72	\$13.96
Ratio	0.72	0.8	0.82	0.78	0.83

Source: Economic Policy Institute analysis of Current Population Survey, 2012.

FIGURE 11: The wage gap between African American and White wage earners has grown over the last decade



Source: Economic Policy Institute analysis of Current Population Survey, 2012.

The Uneven Economic Recovery

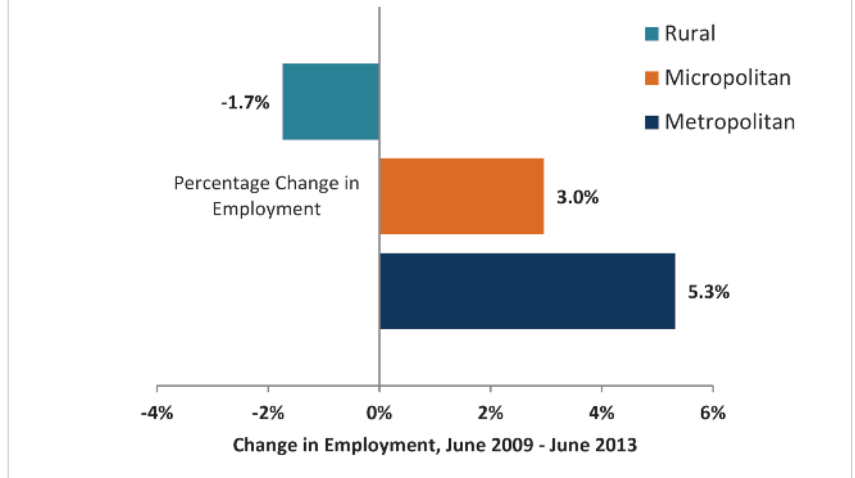
While no corner of the state was untouched by the downturn, the harm varied widely, hitting some regions and communities much harder than others. Some of the hardest hit communities continue to struggle with record-high unemployment and few opportunities for growth.

The Geographic Gap in the Economic Recovery

Rural North Carolina arguably is still in the grips of recession. It is continuing to lose jobs, while cities and suburbs have seen employment growth. Since the beginning of the economic recovery, the number of people employed has increased by more than 162,000 people in large metropolitan areas and by nearly 25,000 people in micropolitan—or smaller urban—areas (see Figure 12). At the same time, there were approximately 3,800 fewer people employed in rural areas over this time period.

The long-term trend away from manufacturing employment and toward service employment is a major reason the recovery is lagging in rural areas. Manufacturing jobs were historically concentrated in rural and small metropolitan areas of North Carolina. Without comprehensive changes in their economies and skills training for 21st century jobs, residents of these communities will continue to face the hardships of job loss and economic struggle.

FIGURE 12: Rural North Carolina continues to lag urban areas in post-recession job growth



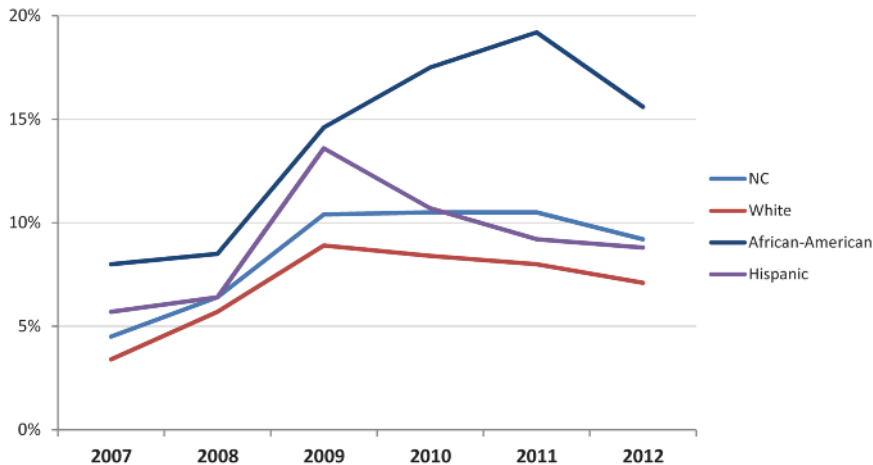
Source: Local Area Unemployment Statistics, unadjusted for June 2009 to June 2013.

Slow Economic Recovery Taking Greatest Toll on Communities of Color

The Great Recession and its aftermath exacerbated vast disparities in economic conditions and opportunities between white North Carolinians and African Americans that have persisted throughout the state's history. African Americans bore the brunt of job losses during and after the

recession, and while the African American unemployment rate has fallen from its post-recession peak of 19.2 percent, it is still much higher than the rate for Hispanic and white North Carolinians (see Figure 13).

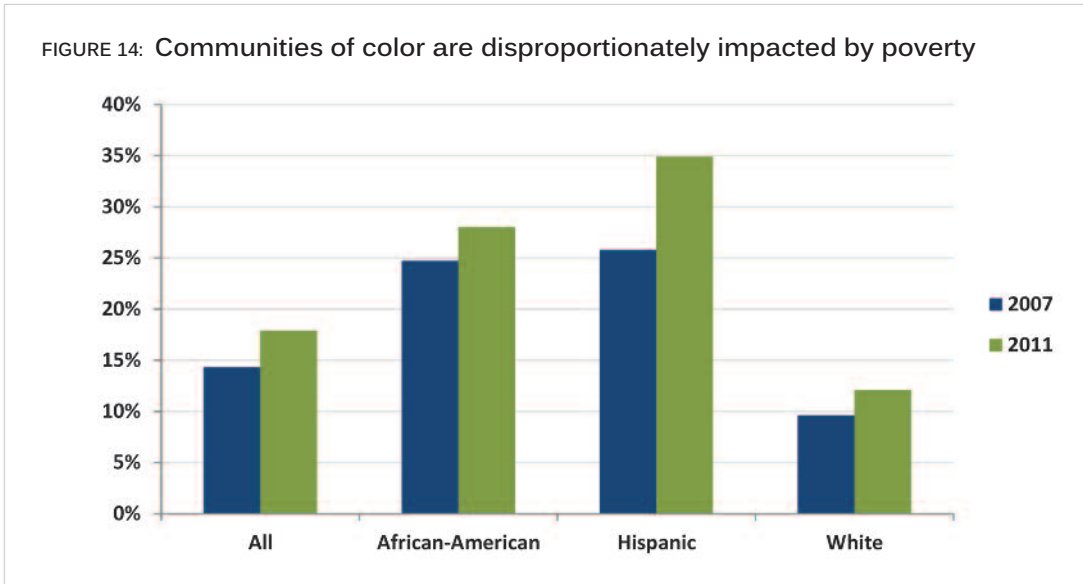
FIGURE 13: Unemployment rate remains elevated for African Americans



Source: Economic Policy Institute analysis of Current Population Survey, 2012.

In 2012, the unemployment rate for African Americans was 15.6 percent—more than double the rate for whites (7.1 percent). Although the unemployment rate for

African Americans was only one percentage point higher than the rate for Hispanics in 2009, the gap grew to 6.8 percentage points by 2012.



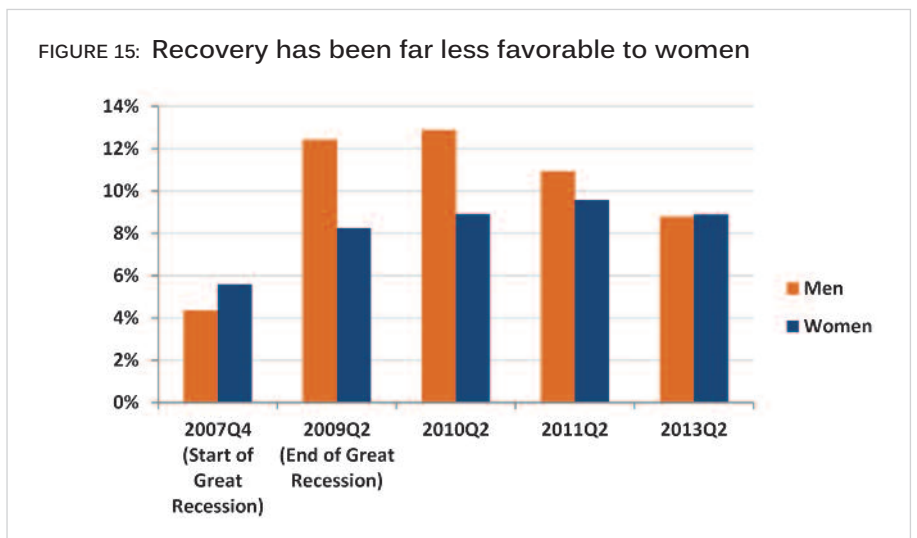
Source: American Community Survey, 2012.

African Americans also face disproportionately high levels of underemployment—a bracket that includes the long-term unemployed, discouraged job seekers who have stopped looking for work, and part-time workers who want a full-time job but cannot find one. In 2012, approximately 1 in 4 African Americans were underemployed compared to 1 in 5 Hispanics and 1 in 8 whites.⁶

Statewide, poverty remains above pre-recession levels. As high rates of unemployment and underemployment abound across the state, it is no surprise that North Carolina’s communities of color are also experiencing high rates of poverty. Twenty-eight percent of African Americans and 34.9 percent of Latinos live in poverty— well above the rate of 12.1 percent for whites. The racial disparity is even more pronounced among children. The poverty rates for African American, Latino, and American Indian children are 2.5 to 3 times higher than the rate for white children.

The Ongoing Gender Gap

Even though the Great Recession disproportionately hurt men, the recovery has been far less favorable to women. As illustrated in the chart at right, the unemployment rate for men nearly tripled from the beginning to the end of the downturn but the rate is now declining. The unemployment rate for women increased at a slower rate during the downturn but has yet to significantly reverse course and it is worse than it was during the recession.



Source: Current Population Survey for various quarters.

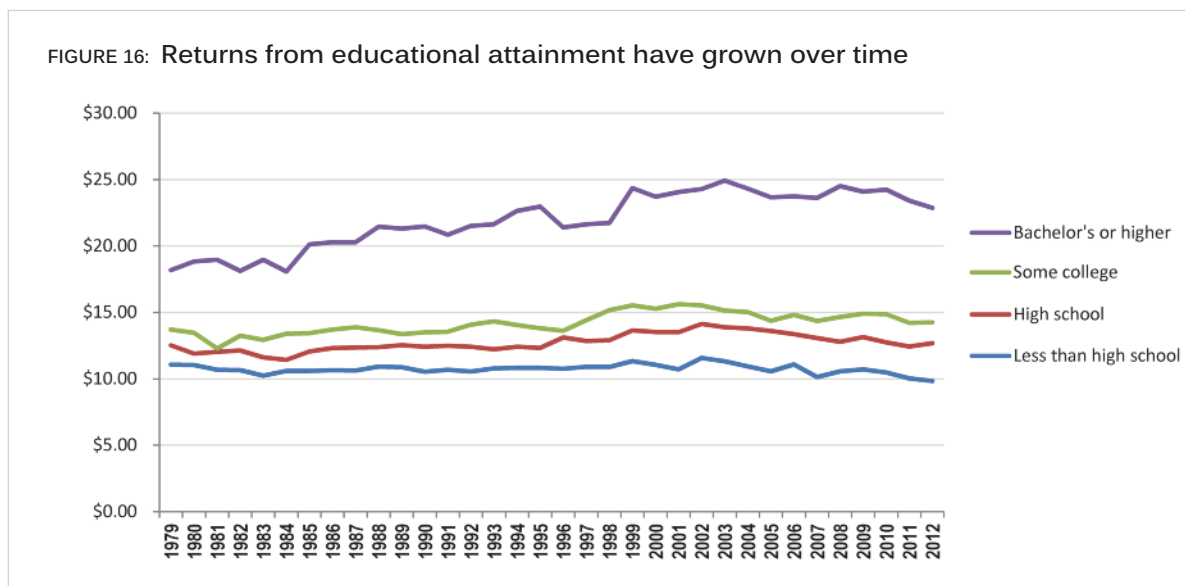
but has yet to significantly reverse course and it is worse than it was during the recession.

An Educated Workforce and the Road to Shared Prosperity

North Carolinians have long known that the road out of poverty leads past the school house, and this is true now more than ever. An educated, highly skilled workforce is the key to strengthening the state's economic recovery and fostering widespread prosperity. Recent tax cuts, reductions in education spending and a focus on creating low-wage jobs will only set North Carolina back.

Education & Wages

The returns on a robust investment in education are clear: In North Carolina, the median wage for a worker with a bachelor's degree is \$23 an hour, while it is only \$13 an hour for a worker with just a high school diploma (see Figure 16).

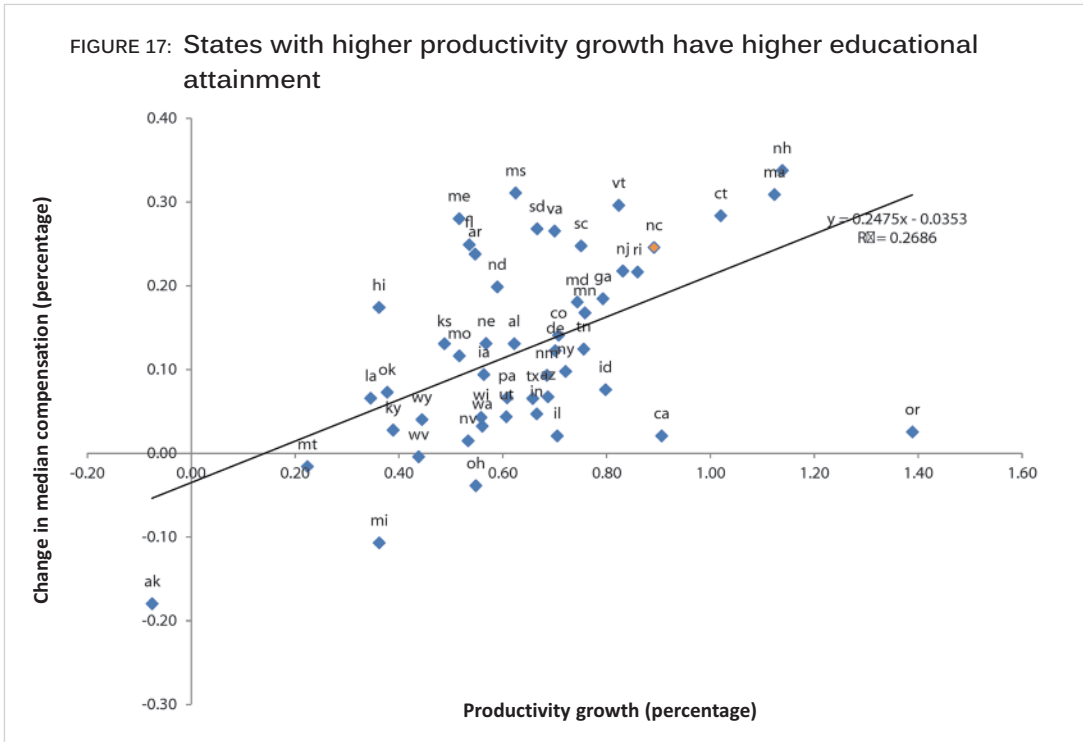


Source: Economic Policy Institute analysis of Current Population Survey data, 2012.

States are able to invest in education and thereby improve attainment levels. In so doing, they are also able to ensure that workers are more likely to share in growing corporate profits through higher wages. Recent research by Peter Fisher and Noah Berger found that in turn an educated workforce is related to an increase in a state's productivity.⁷

Consistent investment in boosting the education of a state's workforce also is a proven way to attract high-wage industries.⁸ As is clear from Figure X, North Carolina still has work to do to catch up to other states on the education of its workforce and strengthening this engine for economic growth.

North Carolina's investment in an educated workforce can also support additional spending on education and skills training. By increasing earnings, the state could increase the amount of revenue it takes in. Southern states that double their educated workforce could reap between 75 and 150 percent increases in tax revenues, according to one study.⁹ This presents an opportunity

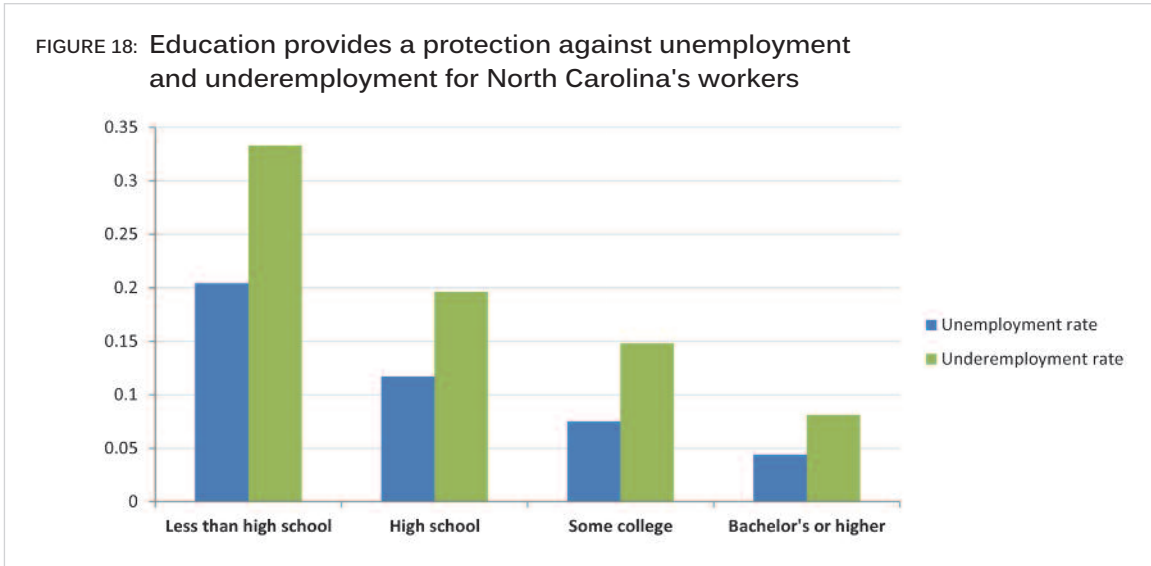


Source: Berger and Fisher, 2013

to continue to invest in the expansion of opportunity that will improve working families' quality of life and their prospects for improved lifetime earnings.

Education & Employment

More education not only translates into higher wages, it also gives workers better protection when economic times are tough. The unemployment rate for North Carolina workers with



Source: Carnevale and Smith, 2012.

bachelor's or advanced degrees is 25 percent lower than the jobless rate for workers with less than a high school diploma. Better-educated workers also have a lower underemployment rate: 8.1 percent of those with Bachelor's degrees are underemployed, whereas 33 percent of those with less than a high school diploma are underemployed, that is unemployed, part-time for economic reasons or marginally attached to the labor market.

Opportunities and Challenges in Health Care

Job projections for North Carolina suggest that there will be some growth in higher wage occupations that require an advanced education, alongside the growth in occupations that require lower-skills and pay lower-wages. The health care field is expected to provide both kinds of jobs.

Among the health care support occupations that are expected to grow the fastest, the average wage for an experienced worker is \$13.56 an hour, well below what a worker with two children needs to make ends meet. Less than a quarter of those occupations

FIGURE 19: Opportunities and challenges in Health Care

OCCUPATION	JOBS GROWTH RATE (%)	JOBS REQUIRING ASSOCIATE'S DEGREE OR HIGHER (in thousands)	PERCENT OF JOBS REQUIRING ASSOCIATE'S DEGREE OR HIGHER
Healthcare Support	38	14	23.3%
Social Sciences	28	7	100.0%
Healthcare Professional and Technical	27	67	77.9%
Food and Personal Services	25	65	23.0%
STEM	24	51	76.1%
Community Services and Arts	24	51	72.9%
Managerial and Professional Office	23	151	68.9%
Education	21	83	83.0%
Sales and Office Support	20	169	68.7%
Blue Collar	15	48	13.6%

Source: Carnevale and Smith, 2012.

require an associate's degree or higher. But another area of high growth will be in health care professional and technical occupations, with more than three-fourths of the jobs requiring more than an associate's degree. For experienced workers in these fields, the average wage is \$40.88 an hour, well above what it takes to make a good living in North Carolina.¹⁰ The health care field has the potential to create more than 67,000 jobs for workers with the necessary training. For those in healthcare support occupations, building a pathway into higher paying jobs should be a priority.

Conclusion

As North Carolinians continue to wait for a recovery that creates good jobs and delivers broad economic benefits, it is clear that the state is on the wrong path. Job creation has been concentrated in urban areas and in low-wage industries, driving what could be another decade of declining wages for the majority of North Carolinians.

North Carolina's current struggles have been a long time in the making. An economic transformation that began as early as the 1970s can't be undone in a few short years, especially after a historic national recession. But rebuilding with a focus on increasing the wages of workers in the state should be the priority. It is critical that policymakers invest in education and skills training for the jobs of the future. This will mean abandoning the false promise that tax cuts will improve our economy. In reality, they only drain resources from our schools, colleges and the other building blocks of a strong economy.

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 - 2 Sirota, Alexandra, 2011. "Making Ends Meet After the Great Recession: The 2010 Living Income Standard for North Carolina," NC Budget & Tax Center.
 - 3 Working Poor Families data, table 3.A.5a Percentage of Jobs in Occupations with Median Annual Pay Below Poverty Threshold for Family of Four, 2011. Source: Analysis of May 2011 Occupational Employment Statistics, BLS
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 - 5 Freyer, Allan M., July 2012. "Working Hard for an Economy That's Hardly Working: North Carolina's workers increase productivity, get paid less for the first time in 30 years," NC Budget & Tax Center.
 - 6 Economic Policy Institute analysis of Current Population Survey, 2012.
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