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MEDIA CONTACT:

ALEXANDRA
FORTER SIROTA

919/861-1468
alexandra@ncjustice.org

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GROWTH WITHOUT PROSPERITY:

Seven Years After the Great Recession Started, Recovery Still Eludes North Carolina

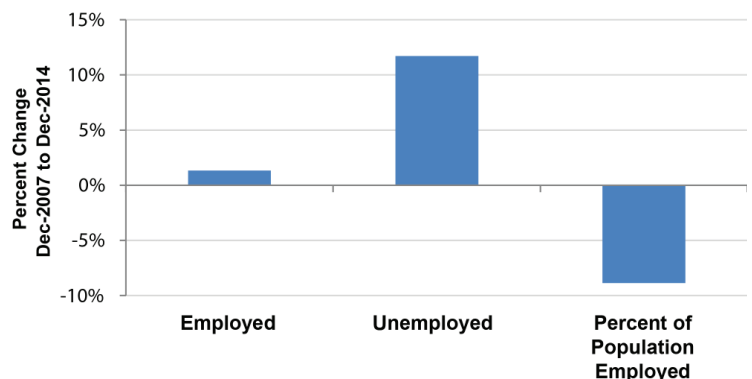
BY PATRICK MCHUGH, ECONOMIC ANALYST

The worst of the Great Recession is behind us, but the damage lingers, weighing down communities and families across North Carolina. We are now seven years removed from the financial crisis of 2008, but in North Carolina wages are down, job creation is lagging, and many communities are still stuck in recession.

Given all of the positive headlines lately, it's easy to get the impression that the recovery is in full swing. Last year was the best since the financial crisis, with North Carolina and the nation finally getting back to the number of jobs that existed before the recession. The unemployment rate has also been dropping since the bottom of the Great Recession in 2009. However, these positive trends do not tell the whole story, particularly in North Carolina.

As can be seen in Figure 1, there are still not enough jobs for everyone who wants to work in North Carolina, but that's far from the only problem. Simply put, North Carolina's economy is not working for everyone:

FIGURE 1: Insufficient Job Creation



SOURCE: Bureau of Labor Statistics. *Local Area Unemployment Statistics*. Data reflect change from Dec 2007 to Dec 2014.

- **Growth without prosperity:** Economic output has rebounded nicely since the worst days of the recession, but it is not translating into larger paychecks for many North Carolinians. Adjusting for inflation, gross state product—which measures the value of all goods and services sold—is up 18.5% compared to 2007, but wages are actually down slightly.¹
- **North Carolinians still looking for work:** North Carolina has not created enough jobs over the last seven years to keep pace with its growing

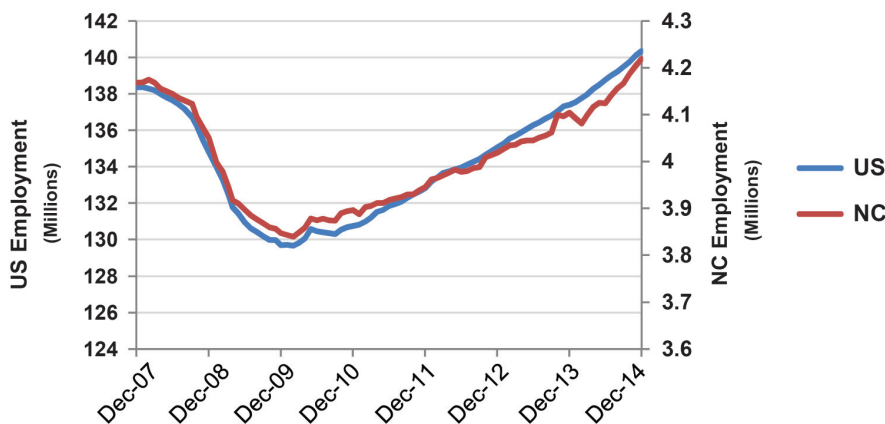
population. The percentage of North Carolinians who are employed is still well below pre-recession levels.² North Carolina has also fallen below the national average for employment, where it had been consistently ahead of the nation in the years before the recession.

- **North Carolina needs a raise:** Paychecks in North Carolina are not keeping pace with inflation, and have fallen further behind the national average since 2007. Employment has declined in many industries that had been the foundation for middle-class North Carolina families while many of the new jobs that have been created in the last seven years have been in extremely low-wage positions.
- **Recovery bypassing many communities:** Looking at statewide data hides startling disparities between different communities in North Carolina. Most of the job growth in the last seven years has been clustered around North Carolina's metropolitan areas³, leaving vast swaths of the state largely untouched by the recovery. Ethnic disparities also persist and the recovery has not brought down the level of poverty in the state. While we should be encouraged that some parts of the state are doing quite well, we should not allow communities that are still suffering to fall into the shadows.

A Mixed Picture: Comparing North Carolina's Track Record to the Nation

When you look at how the recovery in North Carolina stacks up to the nation, there is more cause for alarm than celebration. As can be seen in Figure 2, North Carolina job creation has generally followed the national trend over the course of the recession and recovery. The fact is, most of the improvement in North Carolina's economy in the last few years is the result of the U.S. economy returning from the brink of depression.

FIGURE 2: Total US and NC Employment (2007-2014)



SOURCE: Bureau of Labor Statistics. *Current Employment Statistics*.

As can be seen in Figure 3, there are some ways in which North Carolina's economic performance has been stronger than the United States as a whole. First, North Carolina's 1.3 percent job creation rate since 2007 has modestly outpaced the nation's 0.8 percent over the same period. Second, the value of all goods and services sold by North Carolina companies has rebounded well, with 18.5 percent growth since the financial crisis, outperforming the national rate of 16 percent.

Unfortunately, as any two-handed economist would have to acknowledge, there are some ways in which the comeback in North Carolina has been decidedly

wanting. First, the number of unemployed people in North Carolina is still higher than it was before the recession, an increase that is larger in proportion than the nation's. As a consequence, North Carolina has seen a larger slide in the percentage of its residents who have a job than is true for the nation more broadly. Finally, the buying power of workers' wages has declined in North Carolina over the past seven years (down 1.9%) while wages nationwide have grown slightly faster than inflation (up 1.6%). None of these are good signs, and they show that many North Carolinians have not shared in the economic growth of the last few years.

FIGURE 3: Summary of National and State Economic Performance (2007 to 2014)

	2007	2014	% Change
NORTH CAROLINA			
GDP (Billions)	\$426	\$471	18.5%
Employed (millions)	4.3	4.4	1.3%
Unemployed (millions)	0.2	0.3	11.7%
Share of Population Employed	62.0%	56.5%	-5.5%
Average Hourly Wage	\$22.26	\$21.86	-1.9%
UNITED STATES			
GDP (Billions)	\$16,181	\$16,701	16.0%
Employed (millions)	146.2	147.4	0.8%
Unemployed (millions)	7.6	8.7	13.6%
Share of Population Employed	62.7%	59.2%	-3.5%
Average Hourly Wage	\$24.23	\$24.63	1.6%

SOURCE: Employment, unemployment, and share of population employed taken from the Local Area Unemployment Statistics. Average hourly wage taken from the Current Employment Survey. Gross Domestic Product taken from the Bureau of Economic Analysis. For GDP, comparison is between 2007 and 2013, the most recent year of data available. All dollar values are adjusted for inflation.

Growth without Prosperity

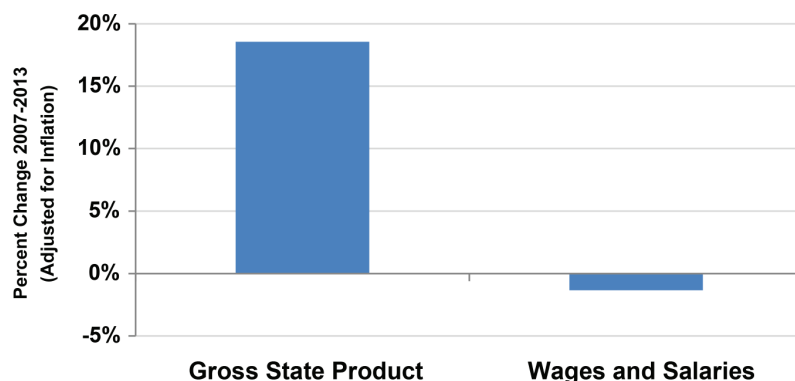
Workers not Reaping the Benefit of Improved Economic Output

We've heard a lot of positive news about the economy growing at a healthy pace. The stock market is up and financial experts are generally bullish about the prospects for continued expansion. However, the usual measure that is used to track economic growth, gross domestic product, does not really tell us anything about how much workers share in the prosperity that they are creating. By that measure, the economic growth of the last several years has not done much to boost wages and salaries in North Carolina.

The sad truth, and one that will come as no surprise to many North Carolinians, is that wages and salaries have been remarkably flat for the last seven years.

Once inflation is taken into account, North Carolina workers' income has actually declined slightly over the last seven years. As can be seen in Figure 4, the total value of goods and services sold by North Carolina companies has grown by more than 18% since 2007. Wages and salaries however have actually lost ground over the same period. North Carolina workers are still doing their part to support economic growth, but they are increasingly left out of the prosperity that their toils create.

FIGURE 4: Output Grows while Real Wages Decline (2007-2013)



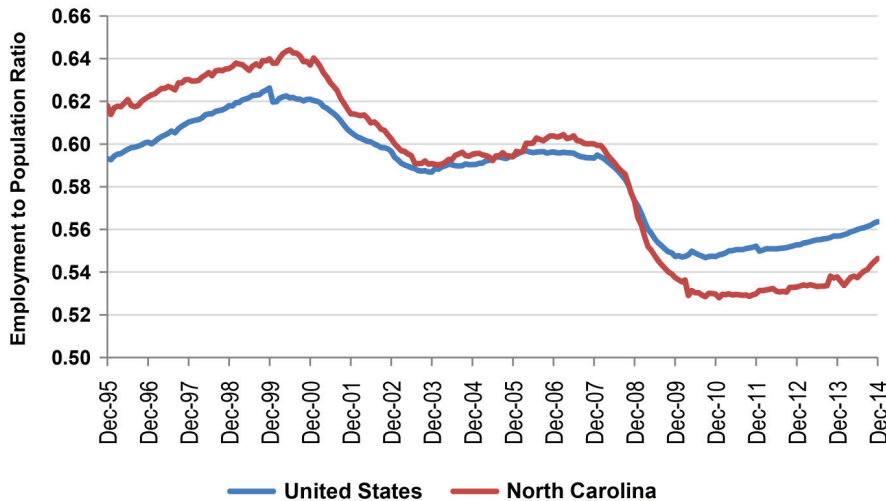
SOURCE: Bureau of Economic Analysis. State Income and Employment Summary. Data reflect the percent change from 2007 to 2013, the most recent year available.. Both GSP and wage data have been adjusted for inflation and put in 2013 dollars.

North Carolinians Still Looking for Work

Historically Low Level of Employment

Even after a generally good year for job creation in 2014, North Carolina is still near a historic low in the percentage of North Carolinians who are employed. The headline unemployment rate has come down since the depths of the Great Recession, but North Carolina has not returned to the level of employment that was the norm before the crash in 2008, as can be seen in the Figure 5. To put this decline in context, North Carolina would

FIGURE 5: Employment Level at Historic Low in North Carolina



have needed roughly 415,000 more jobs in December 2014 to match the level of employment that existed in December 2007.⁴

Before the Great Recession, North Carolina had a good track record of putting people to work, usually providing employment for over 60% of North Carolinians and generally outpacing the nation. However, the Great Recession hit North Carolina extremely hard, dropping the employment level to around 53%, well below the national average. While that figure has edged up over the last year and a half, employment growth has been nowhere near what would be required

to return North Carolina to the level of employment that we saw before the Great Recession. This is a sure sign that there still aren't enough jobs for everyone who needs one in North Carolina.

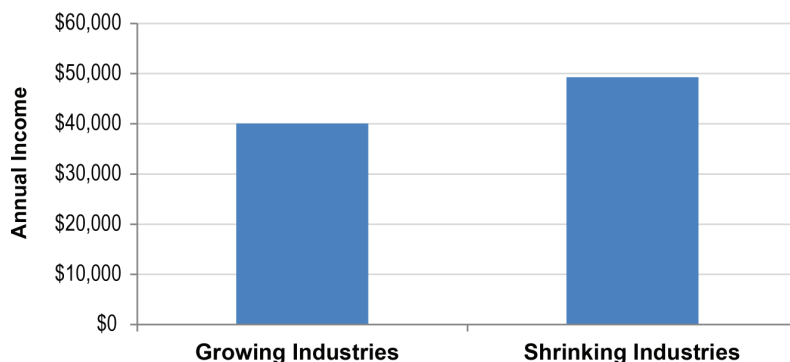
North Carolina Needs a Raise

Good Jobs Out, Low Wage Jobs In

One of the most distressing trends in the last seven years is the decline of middle-class careers and the explosion of low-wage work. As shown in Figure 6, the average income in industries that have increased employment over the last seven years is almost \$10,000 lower than the average income in industries that have seen employment decline.

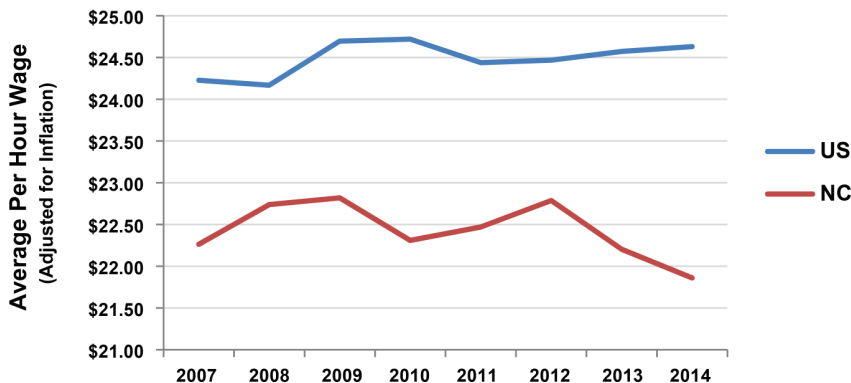
There are a few high-paying industries that have seen employment expand over the past seven years (for example, Professional and Technical Services), but the bulk of the job growth has been at the bottom of the wage scale. The three industries that added the most jobs since 2007 (Administrative and Waste Services, Health Care and Social Assistance, and Accommodation and Food Services) all pay less than the state average. At the same time, many of the industries that had been the bedrock on which the middle-class was built in North Carolina (for example, Manufacturing, Construction, Wholesale Trade) have taken a steep dive since the onset of the Great Recession.

FIGURE 6: Trading Good Careers for Low-Paying Jobs



At the same time, more North Carolinians have been forced into part-time work. Since 2007, the share of people employed part-time grew by 18 percent, well outpacing the 8 percent increase in nationwide. This has left one in five

FIGURE 7: North Carolina Hourly Wage Slipping



SOURCE: Bureau of Labor Statistics. *Current Employment Statistics*. Values adjusted for inflation.

North Carolinians who are forced to work part-time because they cannot find full-time employment.

The combined result is a shift away from careers that can support a family to jobs with marginal wages and limited advancement opportunities. With many new jobs paying less than the jobs that were lost, and more people turning to part-time work, the recovery has been incomplete at best.

North Carolina Wages Falling Behind the National Average

Because of the shift toward low-wage industries, hourly wages in North Carolina have actually fallen

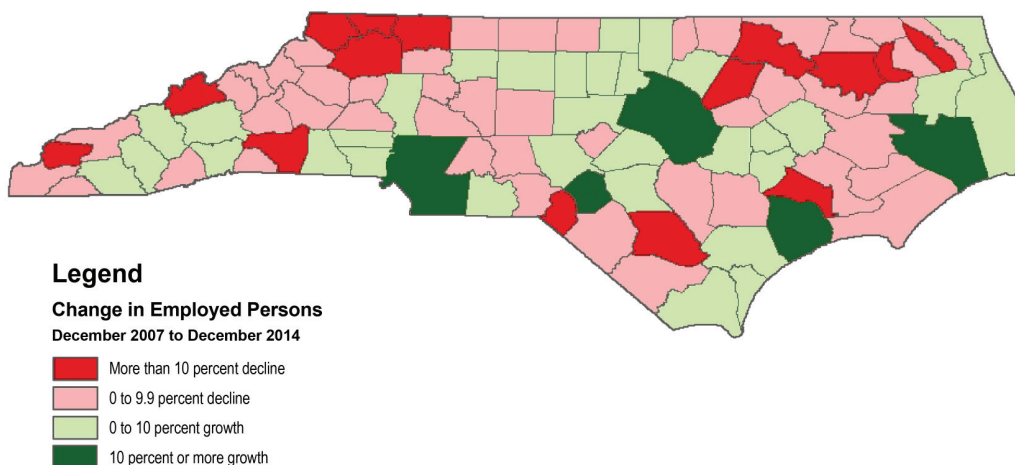
over the past seven years. Adjusting for inflation, the average hourly wage in North Carolina has lost roughly 40 cents since 2007. While wage growth across the nation has not exactly been robust, the average wage nationwide has at least kept pace with inflation.

Recovery Bypassing Rural North Carolina, Historically Excluded Communities

The last seven years have only deepened some of the lines that separate the prosperous parts of the state from communities that were already struggling when the financial crisis hit. That's not immediately apparent looking at broad statewide data, which shows a rosier picture. While it may be convenient

to speak in terms of a single North Carolina economy, that's not how things work on the ground.

FIGURE 8: Recovery Largely Bypassing Rural North Carolina



Rural County Employment Lags Metro Areas

The last seven years look very different from a new condo balcony in downtown Raleigh than they do from a porch in Halifax County. As can be seen in Figure 8, which shows the counties that have added jobs since 2007 in green and

counties where employment has fallen in red, the recovery has largely been limited to urban and suburban areas. Almost all of the counties that posted employment gains are in or near a major metropolitan area, with a handful of others benefiting from tourism or military installations.

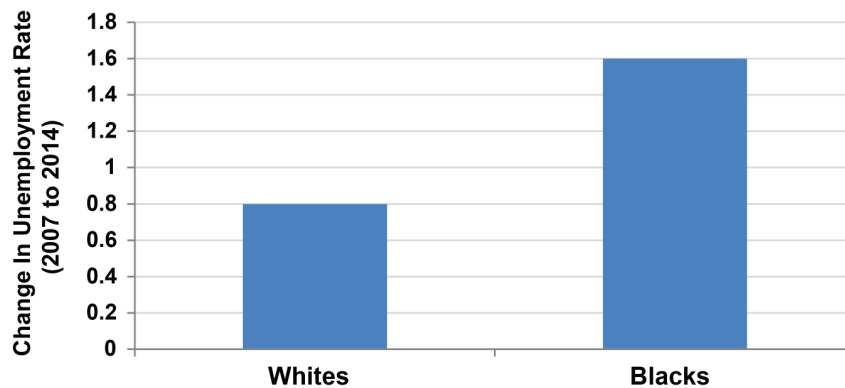
For the rest of the state the recovery remains incomplete at best. Sixty of North Carolina's 100 counties lost jobs between December 2007 and December 2014, some by more than 10 percent. The plight of many rural communities does not show up in statewide data because there are simply so many more people living in the urban areas of the state, but it is clear that the damage of the Great Recession is still lingering in many parts of the state.

Unemployment Higher Among Black North Carolinians

When it comes to unemployment, the story is particularly dire within some communities that have historically struggled to access economic opportunities. As shown in Figure 9, the unemployment rate for black North Carolina residents jumped more dramatically over the last seven years than for white North Carolinians. Both groups still have unemployment rates that surpass pre-recession levels,

but black North Carolinians struggle more, on average, to find jobs in the post-recession economy.

FIGURE 9: Black Unemployment Double That of Whites



SOURCE: Economic Policy Institute analysis of Local Area Unemployment Statistics and Current Population Survey. Data shown here reflect change in headline unemployment rate from Q4 of 2007 to Q4 of 2014.

A variety of factors have produced the elevated increase in black unemployment since 2007. There is evidence, at least at the national level, that black workers are less likely stop looking for work and drop out of the labor force, which means that they are included when the headline unemployment rate is calculated.⁵ Black North Carolinians are more likely to live in economically distressed areas, which are often the last areas to see employment return during the recovery. There is

some evidence that the difference in unemployment levels across racial groups may finally be easing somewhat, but recent improvements for African-Americans also underscore how disproportionately the recession hit African American workers and how much farther the state has to go to achieve equitable outcomes for all North Carolinians.⁶ The evidence is clear that doing so will ensure that North Carolina comes back stronger than before the recession started.

Where will the Next Seven Years Take Us?

The last seven years have seen North Carolina partially recover from the worst economic shock in generations, but the state remains on an uneven footing. There are not enough jobs for everyone who wants to work, wages are flat or falling in many industries, and many rural parts of the state still have not recovered the jobs that were lost during the recession. While it's welcome news that the worst of the recession is past, there is no time for complacency given the work that still needs to be done.

1. Bureau of Economic Analysis. *Gross Domestic Product by State*.
2. Bureau of Labor Statistics. *Local Area Unemployment Statistics*.
3. Bureau of Labor Statistics. *Local Area Unemployment Statistics*.
4. Economic Policy Institute. (2015). *Job Watch December 2014*.
5. Wilson, Valarie. (2014). "Resilience of the Black Labor Force: Unemployed African Americans and Less Likely to Give Up Job Search." *Economic Policy Institute: Economic Snapshot*.
6. Wilson, Valarie. (2015). "Single-Digit Black Unemployment May Not be So Far Away." *Economic Policy Institute: Working Economics*.