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Ten Years After the Great Recession, N.C. has an Economy that Works for Some

Policy decisions and continued barriers to economic opportunity means the recovery has left many behind.

BY PATRICK McHUGH, BTC ECONOMIC ANALYST

The ten years since the start of the Great Recession have done little to address the fundamental economic problems facing North Carolina. The worst of the recession may have passed, but many barriers to economic opportunity and security remain.

This report documents the persistence of long-standing economic inequalities (particularly along racial lines), a deepening divide between wealthy investors and everyone else, a lack of robust job growth overall, and the continued concentration of economic opportunity in a few metropolitan areas. None of these pathologies are natural, but rather the lack of adequate policy response, and their continued existence demands real solutions.

Job growth not cutting it

The Great Recession was a historic event that drove families from their homes, destroyed once-stable careers, and left entire communities grasping to comprehend how everything went so disastrously wrong.

The Great Recession created a deeper hole than any downturn since the Great Depression, and the subsequent recovery has been slower than any growth period in recent memory. This section compares the current period to the previous four recessions, shows that North Carolina has not been creating enough jobs to meet the demands of a growing population, and documents the overall decline in the share of North Carolinians who are working. All of these data point to the severity of the Great Recession and the inadequacy of the subsequent recovery.

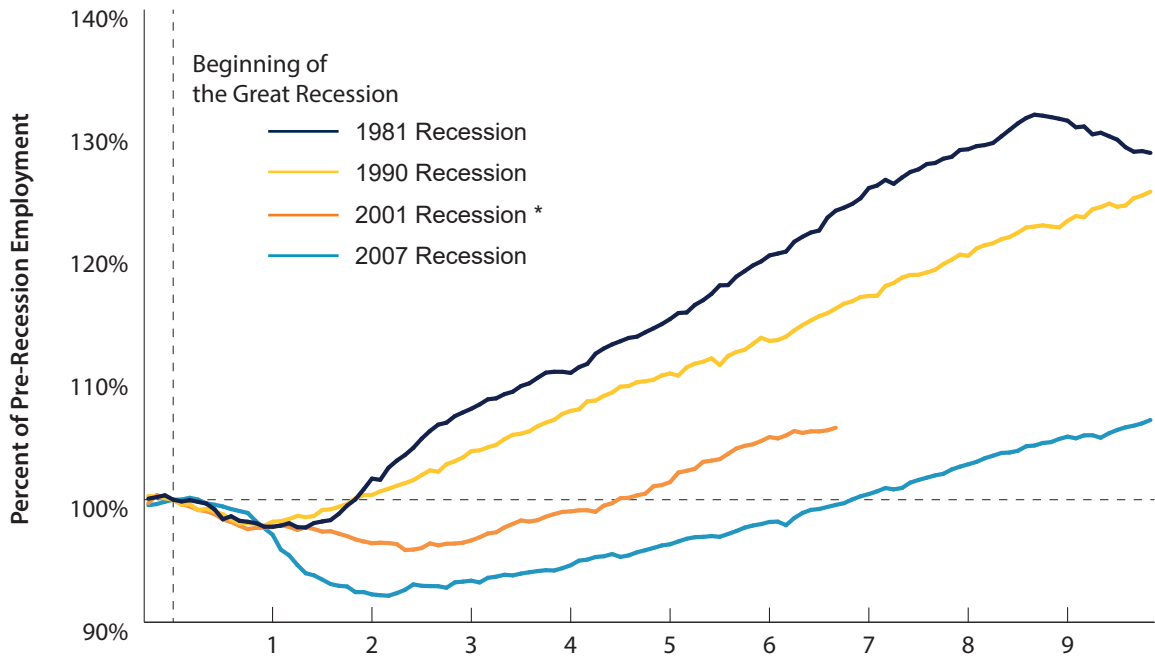
A historically meager recovery

Employment in North Carolina decreased by 7.8 percent during the Great Recession, nearly double the decline we experienced during the 2001 recession and almost four

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Figure 1: Current recovery the slowest in a generation

The number of jobs compared to pre-recession level for the past four recessions.



Source: Economic Policy Institute Analysis of Current Employment Statistics.

* 2001 recession data not included beginning at 81st month. 81st month of 2001 recession was first month of 2007 recession (December 2007).

times worse than the job losses set off by the previous two recessions in 1981 and 1990.

Job losses were not just more severe, they kept piling up for a much longer time in the Great Recession than in the four downturns that preceded it. It took almost seven years (82 months) for North Carolina to claw its way back to the number of jobs that existed before the recession. By comparison, the state regained pre-recession job numbers within 54 months of the 2001 recession, and only 22 months in the wake of the 1990 and 1981 recessions.

Job growth not meeting demands of a growing state

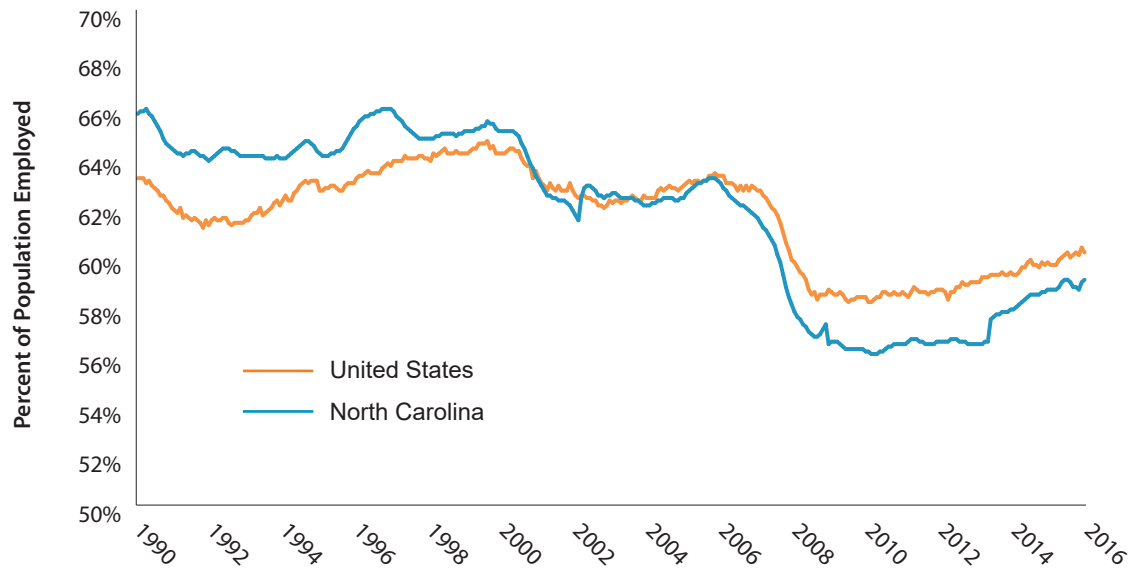
Simply looking at the number of jobs does not fully reveal the gap between the supply of jobs and the need for employment in North Carolina. Like many states in the south and west, North Carolina's population has continued to expand over the past decade, creating even more demand for work during a time when job opportunities have been slow to expand.

Total employment in North Carolina is 6.5 percent higher than it was on the eve of the Great Recession, but the state's population has expanded at more than twice that rate (15.6 percent) over the same period. This combination of rapid population growth and slow improvements in the job market mean that North Carolina is still well below the level of employment that existed before the Great Recession. Had job offerings in North Carolina kept pace with the pace of population growth over the past ten years, we would have roughly 375,000 more jobs today than currently exist.¹

1. Economic Policy Institute Analysis of Current Employment Statistics, Local Area Unemployment Statistics, and Current Population Survey.

Figure 2: Share of North Carolinians with a job still depressed

Percentage of the population employed (1990-2016)



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

Gap between supply and demand for jobs particularly bad in North Carolina

Employment has not kept up with population growth nationally, but the gap is particularly large in North Carolina. The national rate of job growth has been almost identical to North Carolina's over the past decade (6.2 percent and 6.5 percent), but North Carolina's population has swelled much more rapidly (15.6 percent for North Carolina vs. 9.7 percent for the United States).

As a result, the overall share of North Carolinians working today remains more depressed than we find nationwide. Throughout much of the 1990s and early 2000s, North Carolina and the United States saw somewhere between 61 and 65 percent of residents employed at any one time. Sometimes North Carolina was slightly ahead of the national rate of employment, sometimes slightly behind, but there was rarely much daylight between the two.

That equilibrium, shattered by the Great Recession, has never returned. In spite of some recovery over the last few years, North Carolina remains below historical levels of employment and meaningfully below the national rate. To put this in context, North Carolina has logged 108 months in a row with less than 60 percent of the population employed, while the only other time since the 1970s when North Carolina dipped below 60 percent employment was for a twelve month span in the wake of the 1981 recession.

Racial barriers to prosperity remain

Barriers to economic security and well-being remain for communities of color. The Great Recession fell hardest on many communities and families that were already suffering economically, and the supposed recovery has done little to unmake economic systems that disproportionately benefit white people while creating barriers to economic prosperity for people of color in North Carolina.

Far too often, these persistent structural barriers facing many communities of color lead to starkly higher levels of economic insecurity and poverty. As shown here, the poverty rate for Latinx, American Indian, and African American people in North Carolina remains much higher than for whites and people of Asian descent. Some of these gaps have narrowed slightly, largely driven by a generational change as older white people exit the labor force and are replaced by more young

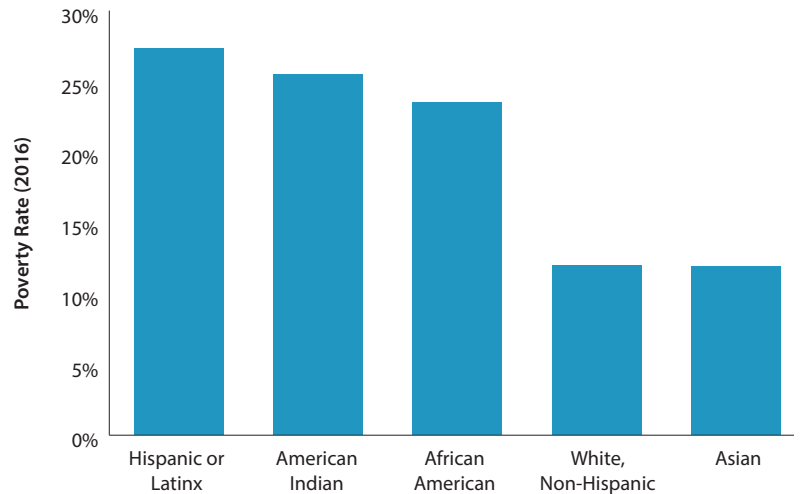
people of color, but the racial barriers to economic security are clearly with us still.

Disparities in outcomes did not come out of thin air; they arise from systems and policies, past and present, that create barriers to economic opportunity for people of color. For example, inequity in pay, rooted both in occupational segregation and in people of color being paid less for doing the same work as their white colleagues, are a major reason that communities of color struggle with higher levels of poverty.

As shown here, African American workers in North Carolina were paid roughly \$3.25 per hour less on average than their white colleagues in 2016, a gap that compounds rapidly over time into a monthly pay disparity of almost \$600 and a deficit of more than \$6,700 annually. The gap is even larger for Hispanic or Latinx workers in North Carolina, who are paid \$5.34 less than whites on average, which compounds into a pay gap of over \$11,000 annually.

Of course, disparities in current income is not the only factor that continues to be a barrier to economic security for people of color in North Carolina, but income gaps clearly show that the past decade has not fixed fundamental racial inequities in our economic system.

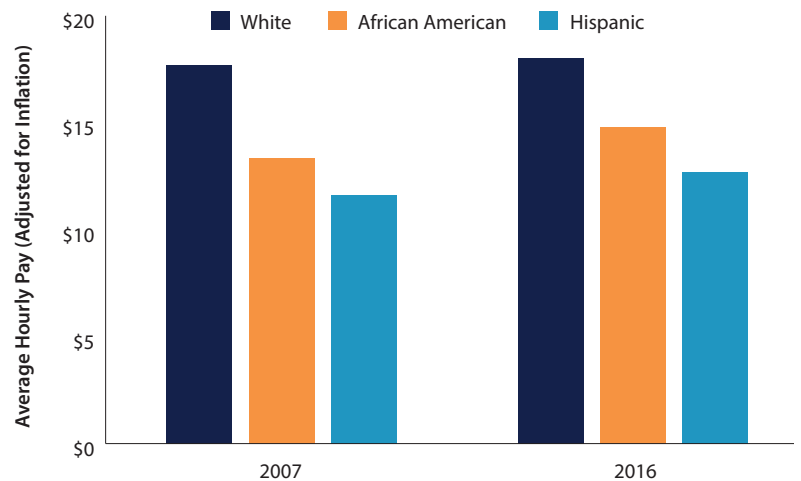
Figure 3: Barriers to opportunity elevate poverty in communities of color Poverty rate by race (2016)



Source: 2016 American Community Survey 1-Year Estimates

Figure 4: Communities of color face income deficits

Real change in North Carolina hourly wage by race, 2007-2016



Source: Economic Policy Institute analysis of Current Population Survey, adj. for inflation using CPI-U-RS

How pay differences hurt people of color over time

The damage of pay disparities for workers of color over decades and generations is even more profound. If it remains, the 2016 pay gap would mean that white workers in North Carolina take home roughly \$67,000 more than their African American colleagues over a decade, and \$111,100 more than their Hispanic or Latinx coworkers. To put that in context, an African American worker earning the state average for their demographic group in 2016 (\$14.81) would have to work more than two entire extra years to make up the pay gap that runs up in just a decade. A Hispanic or Latinx worker would have to work nearly another half decade (4.2 years) to take home the wages a white worker would be paid over a decade.

Income and wealth inequality has continued to expand

Not everyone has had a rough go of it in the last few years. Even as thousands of working people and families in North Carolina have continued to fight an uphill battle, wealthy people put even more distance between themselves and everyone else.

Investors getting rich while wages stagnate

The fortunate few who derive most of their income from investments have had a particularly good run recently, even while most working people have not seen a meaningful increase in pay. The stock market has repeatedly set new record highs, fattening already wealthy investors' portfolios. Wall Street has been disconnecting from Main Street for decades, but it is threatening to become a permanent feature of the current economic system. Quarter after quarter, the stock market rallies, but hiring remains modest and virtually none of that new wealth actually makes it into the paychecks of working people.

The Great Recession started on Wall Street, and many investors experienced sharp losses during 2008 and 2009. However, after the initial shock of the collapse was contained, wealthy investors have benefitted from a remarkable run-up in stock values, while people who rely on paychecks for a living have been left further and further behind. By the second quarter of 2017, the Dow Jones index has surpassed its pre-recession valuation by 69.5 percent while the S&P 500 index has racked up gains of over 77 percent. Over the same period, the average weekly wage paid in North Carolina has only increased by 14.5 percent, which basically means no wage gains once inflation is taken into account.

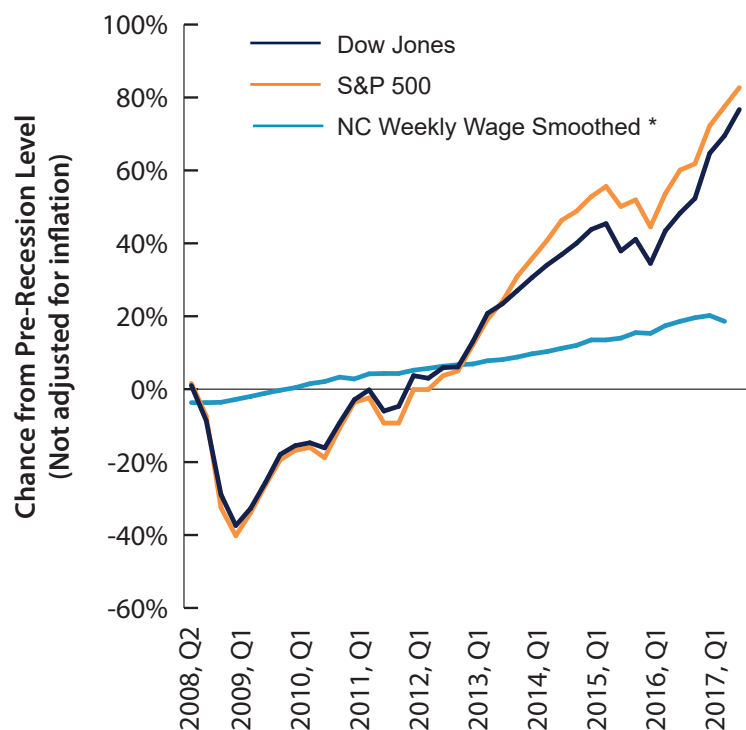
Wage gains tilted toward the already well-paid

Real wage growth has been largely limited to the already well-paid in North Carolina over the past decade. The top 10 percent have seen their pay surge by over \$5 per hour in the past decade, while the median wage showed virtually no improvement and workers at the bottom of the wage scale actually saw the buying power of their pay decline.

This problem is not unique to the Tar Heel state, but wage gains have been more heavily tilted toward the top in North Carolina than in many of our neighbor states. Wages for the top 10 percent in North Carolina surged by 14.2 percent between 2007 and 2016 (adjusting for inflation), compared to an average jump of 11 percent in neighboring states. At the other end of the scale, North Carolina

Figure 5: Gains for investors far outpaced wages for workers

Dow Jones and S&P 500 Indexes, NC Weekly Wage (2008-2017)



Sources: Stock Market indicators provided by Federal Reserve Bank of St. Louis, Federal Reserve Economic Data, accessed at fred.stlouisfed.org; Weekly wage provided by Bureau for Labor Statistics, Quarterly Census of Employment and Wages.

*Smoothed weekly wage data produced by taking 1-year rolling averages of quarterly readings.

workers in the bottom 10 percent have seen the real value of their wages decline by 2.6 percent in the past decade, more than twice the average loss for North Carolina's neighbors.

Traditional pillars of the middle-class in decline

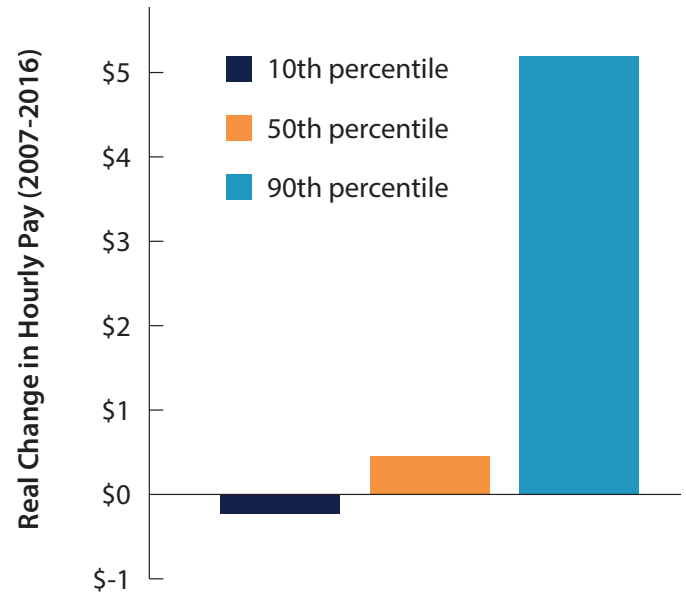
The middle rungs of the job ladder are crumbling in North Carolina. As many of the traditional sources of middle-class jobs dry up, new barriers now stand between many North Carolina families and the dream of economic security.

The fastest growing industries in have mostly been either at the top of the wage scale (e.g. Professional and Business Services), or industries with very low average pay (e.g. Leisure and Hospitality). At the same time, the past decade has seen dramatic declines in Construction and Manufacturing, two of the traditional sources of middle-class jobs in North Carolina.

The disappearance of middle-wage jobs is not unique to North Carolina, but the trend has been particularly aggressive in our state. As shown here, the loss of Manufacturing and Construction jobs was even more dramatic in North Carolina than for other states in our region of the country. All of this has made it very difficult for workers who were laid off in the midst of the recession to find jobs that can support a family, and trapped younger workers in entry-level positions that pay extremely meager wages.

Figure 6: Wage gains mostly limited to already highly-paid workers

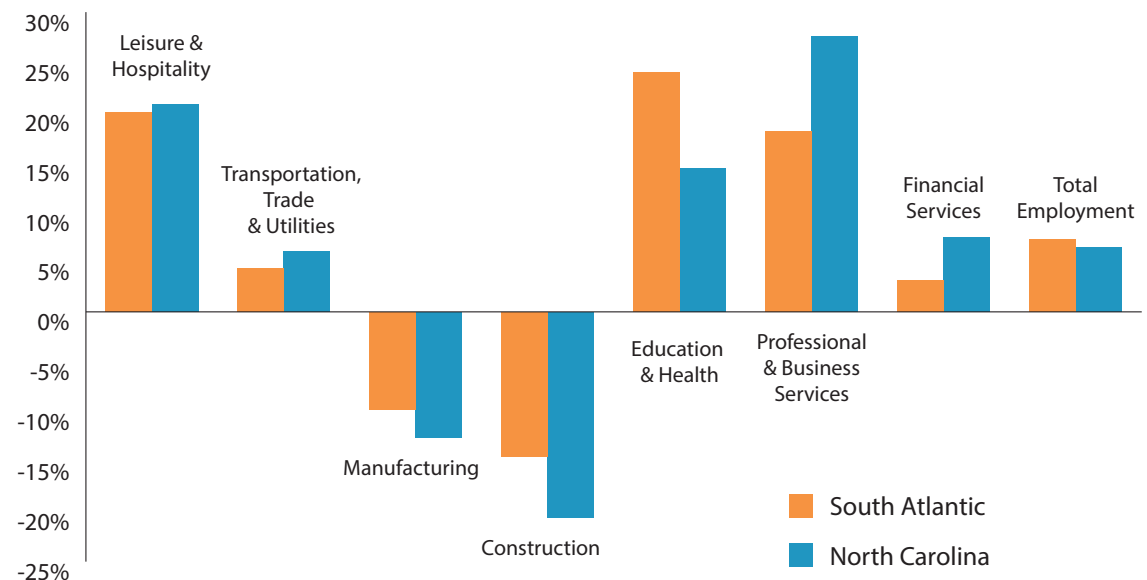
Change in North Carolina hourly pay (2007-2016)



Source: Economic Policy Institute analysis of Current Population Survey data

Figure 7: Many middle class jobs have not returned

Change in North Carolina employment by industry sector (2007-2016)



Source: Economic Policy Institute analysis of Current Employment Statistics

Many communities have not recovered

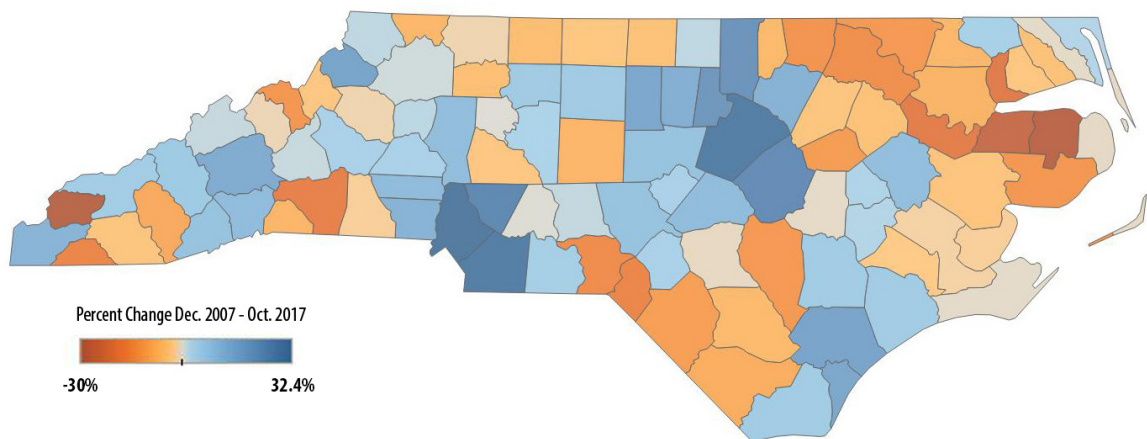
Several urbanizing areas across the state account for a huge share of the jobs created in recent years, but that shouldn't distract from the huge barriers to employment that many communities face.

In simple job terms, half of the counties in North Carolina still have not gotten back to where they were before the recession. Even over the past year as the plodding national recovery continues, one-third of the counties in our state have lost jobs.

The lack of recovery in many parts of the state is even more plain to see when looking at the employment level of towns and cities, which is often closer to how we form and interact with communities. Fifteen of the 24 micropolitan areas in North Carolina have lost jobs since the start of the recession, and only five of small cities managed to hit 5 percent growth. By comparison, the majority of the larger cities in North Carolina have surpassed 5 percent growth in the past decade, and only four of the fifteen metropolitan areas are still below 2015 levels.

Figure 8: Much of North Carolina has never recovered from the recession

Change in employment by county (2007-2016). Counties in orange experienced a decrease in employment, while blue counties experienced an increase.



Source: Analysis of Bureau of Labor Statistics, Local Area Unemployment Statistics.