

# North Carolina's Low-Wage Recovery Is Hurting Workers And The Economy

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## EXECUTIVE SUMMARY

**N**orth Carolina's recovery from the Great Recession has been marked by slow job growth and persistent challenges for working families struggling to make ends meet as costs rise. The job growth that has occurred is concentrated in low-wage industries and will only make the challenges greater for North Carolina's workers and the economic recovery.

Low-wage work can be measured in many different ways, but it is fundamentally work that pays less than what it takes for a family or an individual to make ends meet. The Living Income Standard, a measure produced by the Budget & Tax Center, provides a realistic marker of how much families across the state must earn to afford a basket of basic goods like food and clothing. A worker with one child has to earn \$16.21 an hour to meet the standard.

The vast majority of jobs created in North Carolina since the start of the official recovery in 2009 pay less than the Living Income Standard and, even more disturbing, the growth in poverty-wage jobs has exploded.

- North Carolina still has to create 482,400 jobs to replace the ones lost during the recession and keep up with the growth in the state's population.
- The state saw an explosion of jobs in low-wage and ultra-low-wage industries between June 2009 — the formal end of the Great Recession — and the third quarter of 2013, the most recent data available. More than 80 percent of the jobs created since the end of the recession were in industries that pay workers less than the \$33,709 they need to make ends meet every year.
- Despite recent economic growth, workers have actually seen their wages fall. Output per worker, as measured by the North Carolina's share of all the goods and services produced in the U.S. (the Gross Domestic Product), increased by 3.3 percent between the end of the recession and the end of 2012, 42 months into the recovery. Over the same period, however, inflation-adjusted wages (in 2012 dollars) fell by 5.5 percent, indicating that workers are not being rewarded for their more efficient work and increased output.

When workers earn low wages, they struggle to meet the rising costs for their most basic needs: food on their table, roofs over their heads and clothes for their children. The broader economy also suffers from a shrinking middle class and increased public spending to help working families afford housing, health care and food.

One key tool in building a stronger middle class and ensuring jobs are good, quality jobs that support families is supporting workers ability to collectively bargain for better wages and working conditions. This means both removing current policy barriers to unionization as well as supporting employers as they seek to ensure their workplace and supply chains support labor rights. Workers, too, must be able to seek better wages and a stronger pathway to the middle class.

## NORTH CAROLINA'S OMINOUS JOB TRENDS

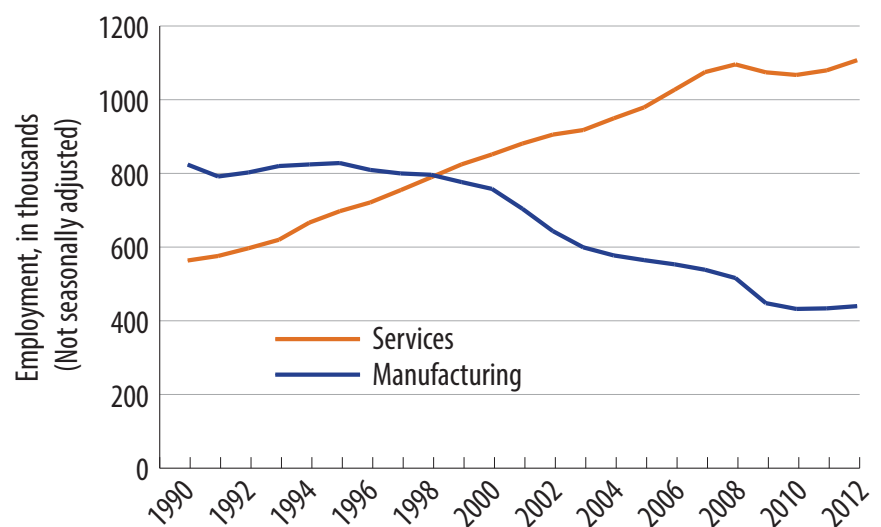
As North Carolina continues to recover from the Great Recession, the state faces a fundamental challenge rooted in the long-term transformation of its economy — a shift away from relying on manufacturing products to relying on delivering services. This shift — which accelerated during the 2001 recession and the Great Recession — has eliminated thousands of manufacturing jobs that once paid middle class wages and replaced them with service jobs that either pay less and require little in the way of skills and training, or pay high wages and require extensive and expensive education and training. This transformation is locking thousands of North Carolina workers out of jobs that provide a path to the middle class and into jobs that pay low-wages with little opportunity for advancement. This is leading to growing economic inequality, with the benefits concentrated more and more among the wealthiest households, and diminishing the potential for all in the state to benefit from economic growth.

### *The Long Transformation*

For most of the past 100 years, North Carolina leaned heavily on textile, apparel, and furniture manufacturing, which, along with tobacco growing, provided plentiful jobs for workers across the state, especially in rural counties. These jobs also paved a vital path to the middle class, paying workers with less than a college degree decent wages.

Beginning in the 1970s, however, North Carolina's economy underwent a significant transformation, moving away from reliance on manufacturing and tobacco growing and increasingly toward services such as education and health services, leisure and hospitality. Although the national economy has experienced a similar transition, it was more pronounced in North Carolina, since manufacturing historically constituted a larger share of the state's total employment base than what was true for the nation overall.

**Figure 1. Employment by Industry by Year in North Carolina**



Source: Economic Policy Institute analysis of Current Employment Statistics survey data

Many manufacturing industries proved to be uncompetitive in the face of global trade pressures in the late 1990s and early 2000s. The result has been more than a decade of plant closures, layoffs and significant job losses — particularly in the state’s rural communities. In 2001, North Carolina’s manufacturing industries employed more than 16% of the state’s workforce, more than any other surrounding state and well above the national average. Over the following decade, the state lost more than 43 percent of these jobs — and they have largely been replaced by jobs in low-paying service industries like leisure and hospitality. From 2000 to 2011, this loss of jobs in manufacturing is more than any other neighboring states and well above the national average of 30 percent job losses in the sector.<sup>1</sup>

As these manufacturing jobs vanished, the state’s employment growth has been concentrated in the lower-wage industries of the service sector, rather than in higher-wage services. For example, more than half of the state’s job creation over the last year has occurred in just three, very-low-wage service industries—administration support and waste management, which together accounted for 32 percent of all job created last year and paid just \$14.83 an hour; retail trade, which accounted for 12 percent of the state’s total employment growth and paid \$12.28 per hour; and accommodation and food services which together accounted for 13 percent of the state’s job growth and paid just \$7.40 an hour.

1 Freyer, Allan. BTC Reports: North Carolina’s Economy is Competitive with Other States. May 2013

## Agricultural Workers an Often Forgotten Piece of the Puzzle

North Carolina’s history, like America’s history, is rooted in working the land. While the movement of workers from farming to manufacturing was an important economic transformation in the early part of the last century, agriculture still makes a significant contribution to the state’s economy. Today, North Carolina’s agricultural industry, including food, fiber and forestry, and its workers contribute \$70 billion annually to the State’s economy, and accounts for 18% of the State’s income. Nearly 17% of the work force is employed in agricultural labor.<sup>1</sup>

North Carolina produces more tobacco and sweet potatoes than any other state and ranks second in Christmas tree cash receipts, and the production of hogs and turkeys. Workers employed in cultivating and harvesting these crops often face poor working conditions. Moreover, because this work is seasonal, these workers often struggle on very low wages and piece rate wages. In 2005, survey data on national farmworkers find that the average annual income for a family of four is \$16,000.<sup>2</sup> Nearly five out of ten farmworker households in North Carolina cannot afford enough food for their families.<sup>3</sup>

An estimated 150,000 farmworkers in North Carolina are migrant farmworkers, some of whom are here on H2A visas, others are here without documents, U.S. citizens and legal residents.

While farmworkers are among the less unionized in the country, North Carolina is home to the only union of H2A workers in the country.

1 North Carolina Farm Bureau, Profile of the Agricultural Industry.

2 National Agricultural Workers Survey, 2005. US Department of Labor.

3 North Carolina Council of Churches, 2012. Facts About North Carolina Farmworkers.

## JAVIER

*33 years old, farmworker in Wilson, NC*

Javier is a farmworker from San Luis Potosi, Mexico. Since 2009, he has worked planting and harvesting tobacco and sweet potatoes in North Carolina, initially earning \$6 an hour. He currently earns \$7.25 an hour.

Like many low-wage workers, Javier has had wages stolen and been paid below minimum wage. Like many farmworkers, Javier has endured squalid housing and work-related illnesses such as green tobacco sickness, which causes nausea and vomiting from absorption of nicotine and other chemicals into the skin when handling the tobacco leaf.

Says Javier, “People are afraid to speak up. They might get fired, or deported, and they’ll have no options. I know that I have a pretty big wage claim against my employer, but I’d rather leave it alone so I can keep my job. If one person complains, nothing will probably come of it, but if we can get a good group, maybe we will see some change. That is why I am helping FLOC talk to other tobacco workers this summer. The wage is too low for the work we do.”



## A Lost Decade for Workers

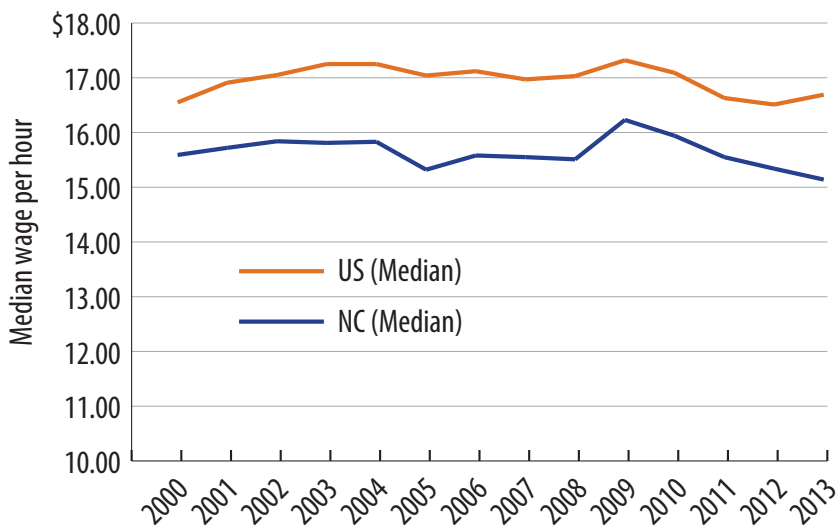
This transformation and the severity of the recent recession has meant a lost decade for North Carolina's workers, characterized by falling wages, growing economic inequality and a widening gap between how productive they are and how much they are paid.

North Carolina's median wage, or the earnings of a worker in the middle of the wage distribution, was on track to catch up to the U.S. median in the 1990s, largely due to the continued strength of the state's manufacturing industry and the growing number of workers with a post-secondary education. In the past decade, however, the median wage in North Carolina has fallen by 4 percent, to \$15.14 from \$15.59.

Perhaps most startling, the decline occurred just as the wages for the top 10 percent of workers in North Carolina saw their wages increase by 14 percent.

The wage trends experienced by the median worker mask the disparities that exist between men and women and workers of color and white workers. These wage gaps are pronounced when looking at the median wage data for 2013 by gender and race/ethnicity. A female worker at the middle of the wage distribution earns \$14.03 compared to a male worker in the same position who earns \$16.93. Meanwhile, the median white worker earns \$7 more per hour than a Latino worker and nearly \$5 more than an African-American worker.

**Figure 2. Median wages for North Carolina Workers Fall Over the 2000s**



Source: Economic Policy Institute analysis of Current Population Survey data, 2000 to 2013.

**Figure 3. The Racial & Gender Wage Gap**

|                         | Median Wage | Percent Change in Median Wage (2000 to 2013) |
|-------------------------|-------------|--|
| <b>All</b>              | \$15.14     | -3%  |
| <b>Gender</b>           |             |  |
| <b>Male</b>             | \$16.93     | -2%  |
| <b>Female</b>           | \$14.03     | 1%   |
| <b>Race / ethnicity</b> |             |  |
| <b>White</b>            | \$17.27     | 3%   |
| <b>African-American</b> | \$12.66     | -8%  |
| <b>Hispanic</b>         | \$10.12     | n/a  |

Source: Economic Policy Institute analysis of Current Population Survey data, 2013 and 2000.

The 2000s period saw a reversal in the long-term trend of greater income equality in North Carolina. Compared to the rest of the nation, North Carolina experienced a longer period in which income growth (adjusted for inflation) for 99 percent of earners was more robust than for the top 1 percent. It ran from the 1940s until the 1990s in North Carolina, while at the national level the decline in the share of income growth for 99 percent of earners began in the 1970s.<sup>2</sup> In the 2000s, particularly post-2009, North Carolina's income inequality has accelerated, with the top 1 percent — those with average income of \$702,503 — experiencing income growth of 6 percent while the other 99 percent saw their income fall by 3 percent.

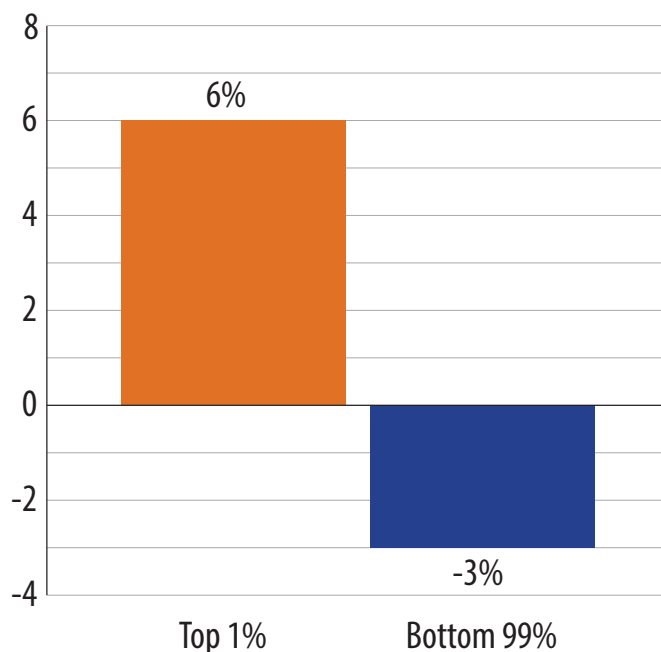
The state's historic job losses during the Great Recession, combined with the long economic transformation that was already underway has resulted in persistently high unemployment, growing geographic disparities in economic opportunity, stagnating or falling wages for workers, and limited opportunities for advancement.

North Carolina has taken much longer to recover the jobs lost during the Great Recession than was the case after the previous three recessions. The vast majority of the state's job loss has been concentrated in state and local government employment (61 percent), construction (30 percent), and manufacturing (16 percent).

The Great Recession officially ended five years ago. By this point in previous recoveries, the state's economy had already replaced all of the jobs lost to recession and was expanding employment opportunities. In the current recovery, the state is still 482,400 jobs short of where it should be compared to pre-recession employment and growth in the state's population.

Recent dips in North Carolina's official unemployment rate are misleading. Much of the decline is a result of men and women leaving the labor force because there are no jobs for them. These discouraged workers are not counted as unemployed. An estimated 240,000 more North Carolinians would be in the labor force today if job opportunities were stronger.<sup>3</sup> There are 3 jobless workers for every job opening, and the jobs available often pay far less than what it takes to make ends meet.

**Figure 4. The 2009 To 2011 Period Saw Income Growth For The Very Top While 99 Percent Experienced A Decline In Income.**



Source: Sirota, February 2014.

<sup>2</sup> Sirota, Alexandra, February 2014. Increasingly Unequal in NC: A growing threat to a strong economic foundation Budget & Tax Center Report.

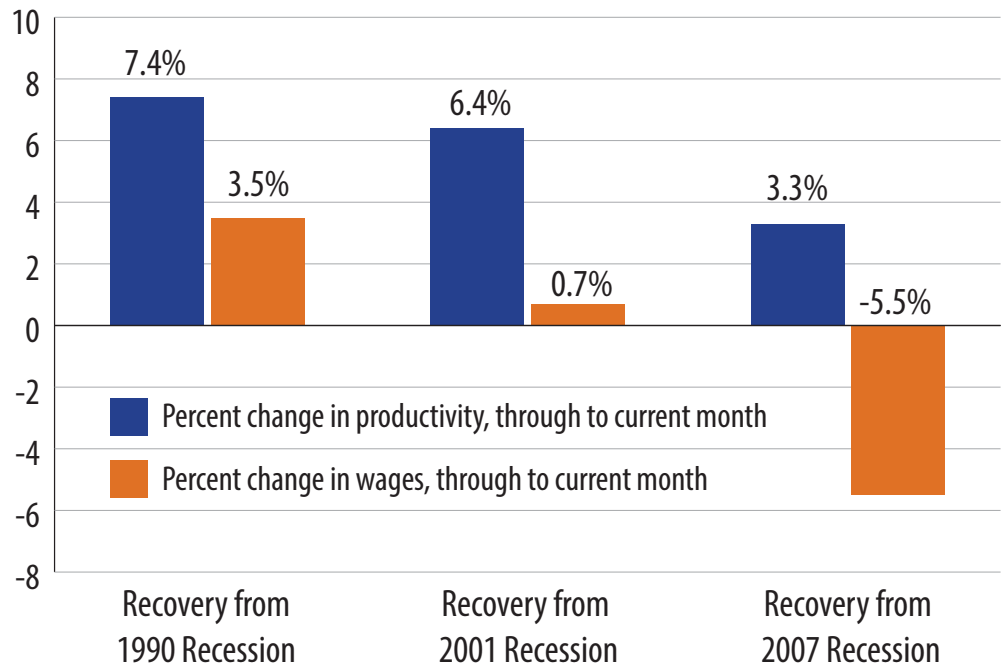
<sup>3</sup> Sirota, Alexandra, April 2014. Lack of Jobs Drives Exodus from Workforce in NC. Budget & Tax Center Brief. NC Justice Center: Raleigh, NC.

Another troubling trend in the recovery from the Great Recession has been a drop in wages despite an increase in worker productivity. While wages had not been keeping up with productivity increases nationally and in North Carolina for the past three decades—largely because of the decline of unions and tax cuts that largely benefited the wealthy—in the wake of the Great Recession wages have actually been declining in North Carolina despite growing productivity. As

indicated by Figure 5, output per worker, as measured by the state’s share of U.S. Gross Domestic Product, increased by 3.3 percent between the formal end of the recession in June 2009 and the end of 2012, 42 months into the recovery. Over the same period, however, inflation-adjusted wages (in 2012 dollars) fell by 5.5 percent, indicating that workers are not being rewarded for their more efficient work and increased output.

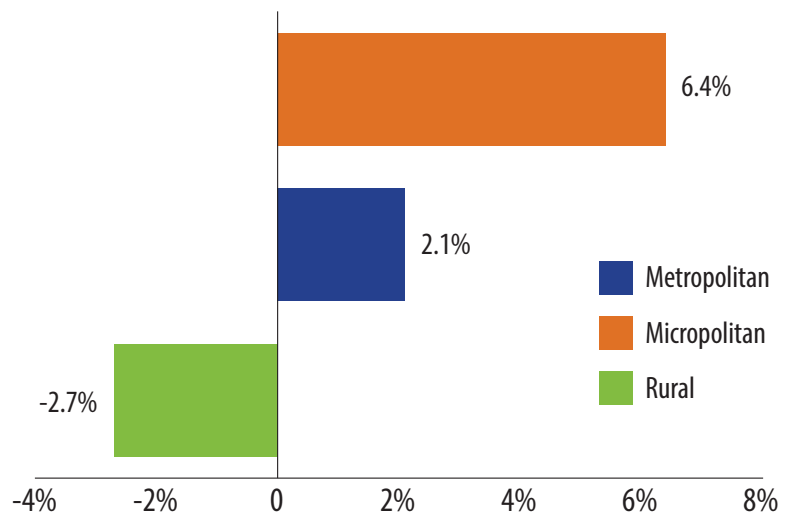
While the recovery continues to be slow throughout the state, in many individual communities economic conditions remain nearly as bad as they were during the recession. Rural North Carolina has been particularly hard hit and continues

**Figure 5. North Carolina Workers’ Wages Failing To Keep Pace With Productivity Gains During Current Recovery**



Source: US Bureau of Economic Analysis, NC Division of Employment Security

**Figure 6. Percent Change in Employment, February 2009 to February 2014**



Source: Local area unemployment statistics, unadjusted



## LOW-WAGE WORK DEFINITIONS

Low-wage work can be measured in many different ways but it is fundamentally work that pays less than what it takes to make ends meet. From the minimum wage to federal government's official measure of poverty, researchers and government officials use various standards to try to understand the economic needs of families. Increasingly, these measures have fallen short.

The federal poverty thresholds were developed in the early 1960's by Mollie Orshansky of the Social Security Administration, who based them on the minimum cost of food, multiplied by three to account for all other expenses. Each year since then, the Census Bureau has updated the data according to a matrix that includes family size and adjusts for cost of living to take into account inflation. Income used to calculate poverty status includes earnings before taxes and excludes non-cash benefits such as food and housing subsidies.<sup>1</sup> The federal poverty standards has been widely criticized for failing to accurately measure how much income families need to make ends meet. The basic food plan that the standards are based on does not correspond to current consumption levels and does not accurately measure today's cost of additional basic expenses. In addition, the federal standard does not vary by children's age (thereby not accounting for the high cost of child care) nor by geography.

The federal minimum wage was first set in 1938 as part of the Fair Labor Standards Act (FLSA), and currently provides a wage floor of \$7.25 for most workers. States can set a higher minimum, but North Carolina follows the federal wage. The minimum wage is not tied to a needs assessment or inflation, and it is widely recognized as inadequate. Over the last four decades, value of the minimum wage has fallen by almost 30 percent since Congress has not raised it enough to keep up with inflation, and many workers who work full-time, year-round at minimum wage fall below the federal poverty standard.<sup>2</sup>

The Budget & Tax Center created a measure called the Living Income Standard that uses market-based costs for basic needs to build a family budget based on the community where one lives and family type, that is, how many children and adults are in the household. The LIS measures what it takes to make ends meet in all 100 counties of North Carolina, and on average in the state overall.

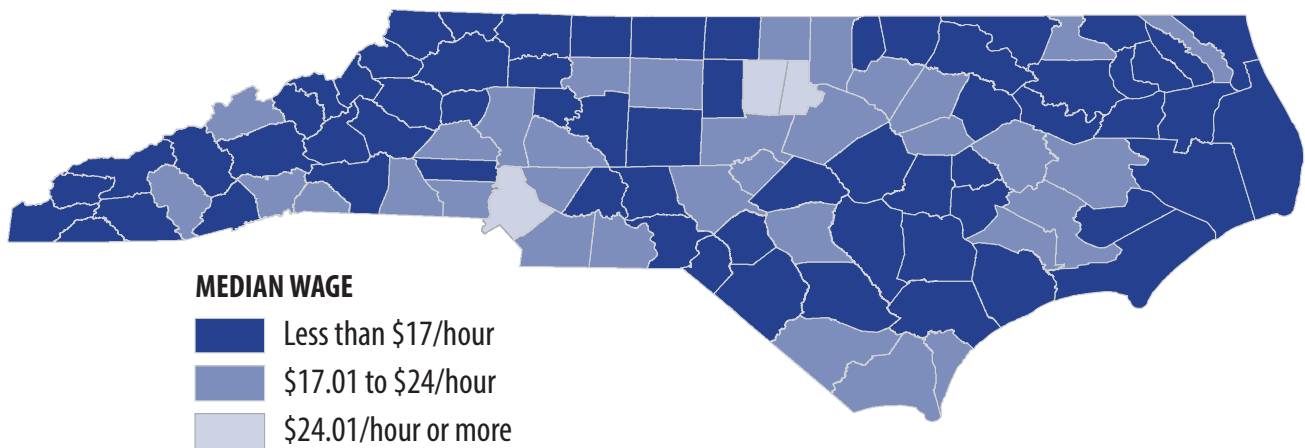
1 See <https://www.census.gov/hhes/www/poverty/data/threshld/>. The Census Bureau provides its preliminary poverty threshold numbers each January, and the final numbers are released in September for the prior year (for example, 2013 poverty data will be released in September 2014).

2 See Cooper, David, December 2013. "Raising the Federal Minimum Wage to \$10.10 would life wages for millions and provide a modest economic boost," Economic Policy Institute.

to lose jobs overall. Rural employment has dropped 2.7 percent since the start of the recovery, while the state's large metropolitan areas have seen 6.4 percent job growth and its smaller metro areas 2.1 percent growth (Figure 6).

Not only is job growth bypassing rural counties but wages remain lower in rural counties particularly in the Eastern and Western regions of the state. Among the counties with median hourly wages below \$15, meaning that half of workers earn below that amount, are Caswell, Warren, Bertie, Yancey and Swain. The counties with the highest median hourly wages above \$20 per hour are Forsyth, Wake, Mecklenburg, Orange and Durham. (See Figure 7).

**Figure 7. Rural Counties In The Eastern And Western Region Lag Metro Areas In The Hourly Wage Paid To The Median Worker**



Source: Estimated Median Wage from Occupational Employment and Wages in North Carolina, 2013

The long-term transformation of the state's economy, the historic job loss of the Great Recession and the slow recovery have dealt a body blow to North Carolina's middle class and low-income workers. Skills training and credentials beyond high school are more necessary than ever to land a job with a living wage. But state budget cuts have severely limited access to job training programs and pushed college tuition costs to record highs.

## TENESHA HUESTON

*39 years old, fast food worker from Wendell, NC*

Tenesha Hueston is 39 years old and works as a shift manager at Burger King in Zebulon, NC. Tenesha has been working in the fast food industry for over 16 years and currently makes \$7.75 an hour. Tenesha is a single mother supporting three children. She and her three children currently live with



her father in Wendell, North Carolina, because she cannot afford to buy a house or rent a place of her own with her current wages.

She has a hard time purchasing basic necessities for her children and accesses federal aid programs like the Supplemental Nutrition Assistance Program (SNAP) in order to make ends meet.

“Corporations like Burger King are making millions of dollars every year. It’s hard for me to understand why even as a full-time worker with years of experience I am still forced to rely on public assistance programs just to barely survive.”

## A CLOSER LOOK AT NORTH CAROLINA'S LOW-WAGE RECOVERY

**A**s low-wage work replaces the kinds of jobs that once provided North Carolina families with pathways to the middle class, the state’s long-term economic outlook is in serious jeopardy, because low-wage jobs don’t provide workers with enough income to make ends meet, much less support local businesses. Smaller paychecks means lower consumer spend-

ing. This, in turn, means fewer customers and lower sales for employers, resulting in fewer job opportunities and more downward pressure on wages—a dangerous cycle that will leave large swaths of the state’s workforce locked into low-wage jobs.

As seen in Figure 1, we can divide North Carolina’s industries into three categories based on the wages they pay. At the top end of the wage scale are the industries that pay their workers more than the Living Income Standard for families consisting of one adult and one child—\$33,708 per year. Moving down the wage scale are “low-wage” industries that pay their workers less than the Living Income Standard, but just enough to keep them above the poverty line (about \$23,584 per year). And at the bottom are “ultra-low-wage” industries that pay less than \$23,583 per year — or not enough to keep their families out of poverty despite full-time work.

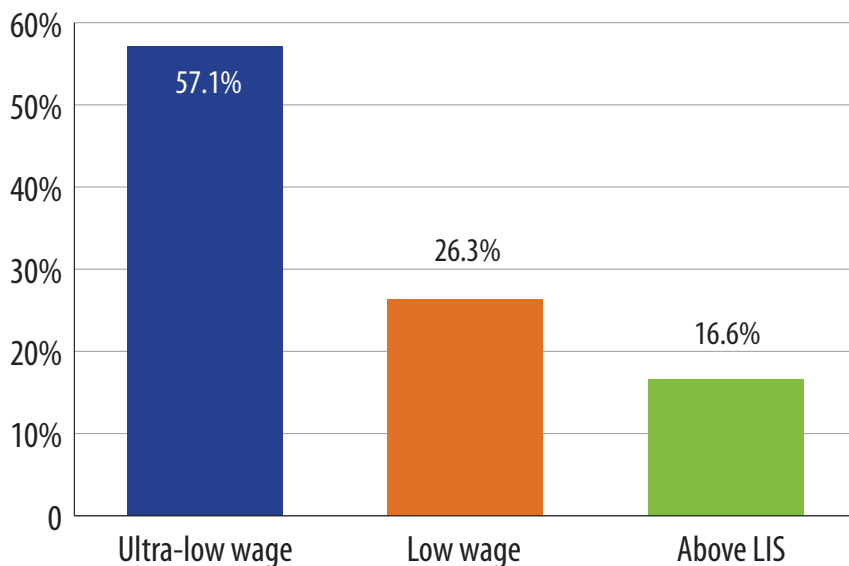
**Figure 8. Wage Categories, 2013**

| Category       | Minimum Wage Earned | Maximum Wage Earned |
|----------------|---------------------|---------------------|
| Ultra-low wage | 0                   | 23,583              |
| Low wage       | 23,584              | 33,708              |
| Above LIS      | 33,709              | -                   |

Source: Federal Poverty Threshold for Family of Four, U.S. Census Bureau and Living Income Standard for Family of One Adult, One Child from Sirota et al, June 2014.

Unfortunately, the state saw an explosion of jobs in low-wage and ultra-low-wage industries between June 2009 — the formal end of the Great Recession — and the third quarter of 2013, the most recent data available. Perhaps most troubling, the overwhelming majority of jobs in North Carolina since 2009 have been created in industries that pay low- and ultra-low-wages. As seen in Figure 2, more than 80 percent of the jobs created since the end of the recession were in industries that pay workers less than the \$33,709 they need to make ends meet every year.

**Figure 9. Jobs By Wage Category As Share Of Total Employment Change, 2009-2013**



Source: BTC Analysis of Quarterly Census of Employment and Wages

Even worse, almost six out of every ten new jobs created pay ultra-low-wages that keep workers trapped in poverty despite working full-time. Industries that pay workers enough to make ends meet accounted for just 16 percent of the state’s total job growth over this period. Ultimately, this means that too many workers simply don’t have enough opportunities to earn a living wage and instead are locked into work that doesn’t

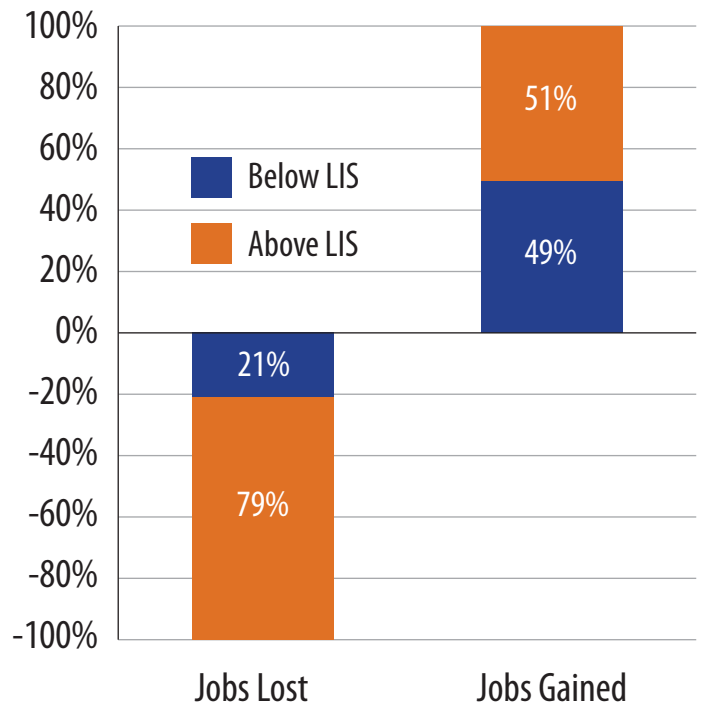
pay enough. (See Appendix 1 for Top 20 Fastest Growing Industries and their Average Wage Rates)

This picture is even more grim considering what many of these workers used to earn. As the state's economy continued to transition from one based on manufacturing to one oriented towards providing services, workers largely found that the jobs they lost were replaced by one that paid much less. Almost 80 percent of the jobs lost since the recession occurred in industries that paid above Living Income Standard, while just half of the jobs created over the same period paid their workers this living wage. Even more troubling, while ultra-low-wage jobs accounted for just 5 percent of the total job losses since June 2009, they accounted for almost 30 percent of all the jobs gained over this period.

While the state's overall job growth since June 2009 clocked in at an anemic 3.4 percent, jobs in low-wage industries grew much, much faster — more than twice as fast as the statewide average growth rate. And jobs in industries that pay ultra-low-wages insufficient to keep workers out of poverty grew three times faster, while jobs paying above the Living Income Standard remained essentially flat. This reinforces the reality that low-wage work is becoming far more available in this state than jobs that pay enough to make ends meet.

These trends are evident when comparing the two industries that lost the most jobs during this period to the two industries that gained the most jobs. Over the past five years, thanks to state and local budget cuts, North

**Figure 10. Jobs Lost Paid Better Than Jobs Gained, 2009-2013**



Source: BTC Analysis of Quarterly Census of Employment and Wages

**Figure 12. Industry Change by Wage Category, 2009-2013**

| Wage level     | Percent Change |
|----------------|----------------|
| Ultra low-wage | 8.6%           |
| Low-wage       | 6.5%           |
| Above LIS      | 0.9%           |

Source: BTC Analysis of Quarterly Census of Employment and Wages

**Figure 11. Jobs Lost Paid Better Than Jobs Gained, 2009-2013**

| Wage level     | Jobs lost | Jobs Gained | % Jobs Lost | % Jobs Gained |
|----------------|-----------|-------------|-------------|---------------|
| Ultra low-wage | -8,320    | 83,477      | 5.3%        | 29.0%         |
| Low-wage       | -24,231   | 58,916      | 15.5%       | 20.5%         |
| Above LIS      | -123,439  | 145,326     | 79.1%       | 50.5%         |

Source: BTC Analysis of Quarterly Census of Employment and Wages

Carolina’s elementary and secondary schools lost more jobs than any other field — more than 56,000 workers who earned about \$37,200 per year. Construction, which pays \$35,300 per year, lost the second most — more than 4,400 jobs. Both of these industries paid wages above the Living Income Standard and allowed workers to make ends meet. Many of these jobs were replaced by jobs in the two fastest-growing industries—both of which pay well below the Living Income Standard. Restaurants and other food services — including cooks, waiters, and dish washers — added 32,300 jobs, while temporary workers and other employer services expanded by more than 44,000 jobs. The explosion in temporary workers is especially concerning, given that these jobs can vanish at any time.

These trends are expected to continue. Of the 20 fastest-growing occupations between 2011 and 2020, six will pay below the Living Income Standard.<sup>4</sup> Fifty-two percent of workers in 2020 will be in occupations with an average wage below the Living Income Standard. (See Appendix for Top 20 Fastest Growing, Low-wage and Ultra-low-wage Industries between 2010 and 2020.) These trends raise the specter of a state dominated by low-wage jobs and no security for workers. It’s hard to see how such a future can provide a stepping stone to middle class prosperity and ensure a robust economic recovery.

4 Sirota, Alexandra, Tazra Mitchell and Cedric Johnson, May 2014. Living Income Standard 2014: Boom in Low-Wage Work Means Many North Carolinians Don’t Make an Adequate Income. North Carolina Justice Center: Raleigh, NC.

## Who are North Carolina’s Low-Wage Workers?

North Carolina workers who earn low wages are more likely to be women, people of color and have lower levels of education. The table below provides an overview of the percent of the population that is below the Living Income Standard for one adult and two children by various demographic characteristics.

| Group                         | Percent of Population Under LIS |
|-------------------------------|---------------------------------|
| <b>Sex</b>                    |                                 |
| Female                        | 13.2%                           |
| Male                          | 9.7%                            |
| <b>Age</b>                    |                                 |
| Less than 18                  | 15.8%                           |
| 18 - 24                       | 8.1%                            |
| 25 - 64                       | 12.1%                           |
| 65+                           | 4.1%                            |
| <b>Race/ethnicity</b>         |                                 |
| White                         | 9.0%                            |
| Black or African American     | 13.5%                           |
| Hispanic                      | 23.0%                           |
| Asian or other race/ethnicity | 14.1%                           |
| <b>Education</b>              |                                 |
| High school or less           | 13.7%                           |
| Some college                  | 11.6%                           |
| Associates                    | 10.4%                           |
| Bachelors or higher           | 4.5%                            |
| <b>Nativity</b>               |                                 |
| Foreign born                  | 18.0%                           |
| US born                       | 10.9%                           |
| <b>Total</b>                  | <b>11.5%</b>                    |

Source: Economic Policy Institute analysis of American Community Survey microdata, 2013.

## DILCIA RODRIQUEZ

*24 years old, poultry worker from Hope Mills, NC*

Dilcia Rodriguez is a proud member of the United Food & Commercial Workers Local 1208 in Tar Heel, North Carolina. Dilcia works for Smithfield Foods, where UFCW represents her and hundreds of her colleagues since 2008.

Dilcia is a single mother with two daughters, ages 5 and 2. She lives in Hope Mills, North Carolina.

Before working at Smithfield Foods, Dilcia was employed at Mountaire Farms in 2011-2013 in Lumber Bridge, where UFCW is attempting to organize the workers to form a Union. Dilcia said working at both a union plant (Smithfield) and a non-union company (Mountaire) has solidified what she already knew: Workers need a Union!



Not only does Dilcia make 75% more at Smithfield Foods than she did at Mountaire, she enjoys bathroom breaks, visits to the clinic when she is hurt or sick, and she is given respect and decency.

“I am respected at Smithfield,” said Dilcia. “The Union has my back, the contract protects me, and every worker in this state needs to fight for what I now have.”

## REBUILDING PROSPERITY IN NORTH CAROLINA

Smart public policy decisions are essential to creating an economy that benefits everyone in the United States, including North Carolina. Historically, we've seen the broadest expansion of prosperity when our elected officials have pursued policies aimed at creating good, high-paying jobs. Such policies have helped reduce poverty and inequality. Unfortunately, the growth of low-wage work is holding the state back from making progress on economic security for more workers in the state. Numerous forces are at play, some entrenched, others more recent.

North Carolina's history of slavery, Jim Crow laws and segregation has continued to play out in the structure of the state's economy and the economic reality for workers of color. A reality that has led to a persistent wage gap and a concentration of workers of color in low-wage industries and counties with low employment growth or even decline.

Meanwhile, the state's public policy framework along with its economic development and job training policies have done little to reverse the rising tide of low-wage work across the state. After decades of plant closures, too many rural communities are struggling to compete for investment and job creation in a global economy that values skills and innovation. Yet continuing reductions in community college and workforce development funding have made it much more difficult to provide the training necessary to give workers the skills needed for today's industries. And because high-skill industries are often attracted to wealthy urban areas, rural North Carolina will continue to lack access to higher-wage job opportunities unless these skills challenges are addressed.

Fundamental to the economic progress of workers is a public policy framework that is oriented towards their economic well-being. This requires a greater orientation towards the creation of good, higher-paying jobs and as well as provide immediate support to low-wage workers. It is also critical to raise the minimum wage so that the wage floor is in closer alignment with what the lowest-earning workers need to make ends meet. Making sure that the state's tax code doesn't ask more from low-income workers than the wealthiest taxpayers by having a strong state Earned Income Tax Credit is also important. Enforcing and modernizing labor standards so that they prohibit discrimination, wage theft and other activities that harm workers creates an environment of better working conditions.

Public policies that target the creation of jobs by private employers should ensure that wage standards are met and living wage rates are encouraged. Moreover, public policies that subsidize the creation of employment opportunities for low-income or unemployed workers can be particularly powerful in the current economic context when enough jobs are not being created by the private sector alone.

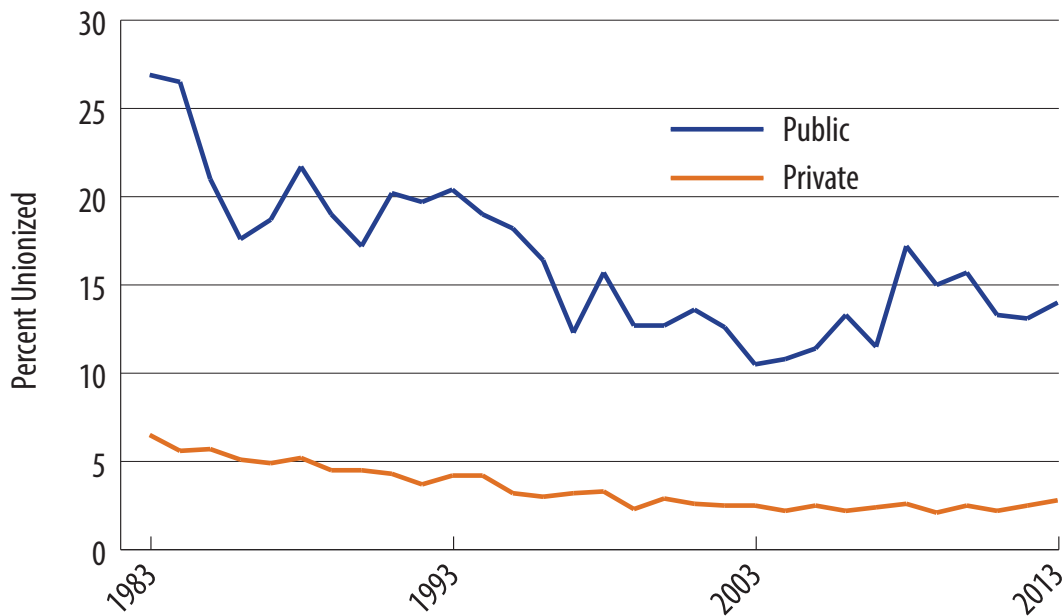
Ultimately, as a framework these public policies can support workers but also require an overall environment in which workers have a voice and can advocate for their interests. That is where unions and a broader support for them in the economy can serve to advance the goal of supporting a strong middle class.



## Unions' Role in Supporting a Strong Middle Class

Despite all that unions have done to improve the wages and working conditions of all Americans, North Carolina has historically had a low unionization rate. This is largely due to laws that make it illegal for a group of unionized workers to negotiate a contract that requires all employees who benefit to pay their fair share of the costs of administering and enforcing the contract. By design, these laws makes it much more difficult for unions to financially sustain themselves.

**Figure 13. Percent Of Employed Persons In North Carolina Covered By A Union In The Public & Private Sector**



Source: Union coverage from Current Population Survey, 1983 to 2013

North Carolina's union coverage is among the lowest in the country. The public sector union rate is higher than the private sector's: 15.7 percent vs. 2.5 percent. Overall union coverage in the state has dropped 58 percent since 1983.

The wage gap between union and non-union workers in North Carolina is significant (See Figure 14). Yet, even non-union workers suffer from restrictive bargaining laws. Wages in states with such laws are 3.2 percent lower than those in other states. Whether unionized or not, the average worker in an anti-union state earns approximately \$1,500 less per year than a similar worker in a state without such laws.<sup>5</sup>

5 Shierholz, Heidi and Elise Gould, February 2011. "The Compensation Penalty of 'Right to Work' Laws," Economic Policy Institute.

**Figure 14. North Carolina median wages and benefit rates by union status**

|                  | <b>Median Hourly Wage</b> | <b>Health Insurance Rate</b> | <b>Retirement Plan Rate</b> |
|------------------|---------------------------|------------------------------|-----------------------------|
| <b>Union</b>     | \$20.15                   | 73.5%                        | 59.6%                       |
| <b>Non-Union</b> | \$15.22                   | 57.8%                        | 42.4%                       |

Source: Economic Policy Institute analysis of 2009-2011 Current Population Survey Outgoing Rotation Group in 2013 dollars.

Union workers in North Carolina are also more likely to have employer-sponsored health insurance and pensions than non-union workers.<sup>6</sup>

If unionization increased by 10 percentage points in North Carolina, a typical middle-class household - not only those with union members — would earn an average of \$1,279 more per year.<sup>7</sup>

Lower wages and benefits hurt the broader economy as much as individual workers. By lowering wages and benefits, an environment in which the ability to collectively bargain is restricted by law or in practice means less buying power and less local economic activity. As a result, there are fewer jobs overall. For every \$1 million in wage cuts, for example, six jobs are lost in the service, retail, construction, real estate, and other industries.<sup>8</sup>

The growth of low-wage work makes the climb to the middle class more treacherous for too many North Carolinians. In the five years since the end of the Great Recession, the state's recovery has been marked by sluggish job growth, the lack of available job openings, and falling wages for the jobs that *are* being created. Despite increasing productivity and profitability for their employers, workers are being “rewarded” with lower wages. Most troublingly, the fastest growing industries in the state's economy pay wages below—and in many cases, well below—what it takes to make ends meet in North Carolina. Over the past five years, the majority of jobs created have occurred in jobs that don't even pay enough to keep workers out of poverty. As a result, North Carolina's workers are grappling with rising inequality and the breakdown of traditional pathways to middle class prosperity. A critical tool for responding to the rising tide of low-wage work involves supporting workers ability to collectively bargain for better wages and working conditions.

6 Shierholz, Heidi and Elise Gould, February 2011. “The Compensation Penalty of ‘Right to Work’ Laws,” Economic Policy Institute.

7 Center for American Progress, “Unions Make the Middle Class,” April 2011: <http://www.americanprogress.org/issues/labor/news/2011/04/04/9423/unions-make-the-middle-class/>

8 EPI, “Working Hard to Make Indiana Look Bad,” January 2012.

# APPENDIX

## 1. Top 20 Fastest Growing Ultra-Low-Wage Industries

| NAICS Industry Code | Industry Name   | 2013 Average Weekly Wage | 2013 Annual Wage | % Chg | Employment Change 2009-2013 |
|---------------------|---|--------------------------|------------------|-------|-----------------------------|
| 7212                | RV Parks and Recreational Camps<br><i>(Camp counselors/administrators)</i>                            | \$419                    | \$21,788         | 33.4% | 512                         |
| 4482                | Shoe Stores<br><i>(Footwear and related apparel retail sales)</i>                                     | \$341                    | \$17,732         | 9.8%  | 512                         |
| 1112                | Vegetable and Melon Farming   | \$423                    | \$21,996         | 23.9% | 537                         |
| 4453                | Beer Wine and Liquor Stores   | \$449                    | \$23,348         | 20.5% | 606                         |
| 7223                | Special Food Services<br><i>(Catering and food trucks)</i>  | \$411                    | \$21,372         | 7.2%  | 845                         |
| 1119                | Other Crop Farming  | \$442                    | \$22,984         | 23.3% | 1,147                       |
| 8141                | Private Households<br><i>(Maids, gardeners, other home services)</i>                                  | \$380                    | \$19,760         | 20.3% | 1,191                       |
| 8129                | Other Personal Services<br><i>(Photofinishing, pet care, parking lots)</i>                            | \$372                    | \$19,344         | 27.7% | 1,232                       |
| 4533                | Used Merchandise Stores<br><i>(Antiques, pawn shops, used books)</i>                                  | \$380                    | \$19,760         | 37.5% | 1,399                       |
| 4471                | Gasoline Stations   | \$349                    | \$18,148         | 5.4%  | 1,463                       |
| 4511                | Sporting Goods/Musical Instrument Stores  | \$350                    | \$18,200         | 13.9% | 1,725                       |
| 4529                | Other General Merchandise Stores<br><i>(Dollar stores, General stores)</i>                            | \$437                    | \$22,724         | 3.6%  | 2,164                       |
| 4521                | Department Stores   | \$402                    | \$20,904         | 6.5%  | 2,550                       |
| 6233                | Continuing care assisted living facilities<br><i>(Residential care providers for elderly and ill)</i> | \$422                    | \$21,944         | 7.4%  | 2,565                       |
| 6241                | Individual and Family Services<br><i>(Provision of social services outside the home)</i>              | \$443                    | \$23,036         | 11.0% | 3,361                       |
| 7211                | Traveler Accommodation<br><i>(Hotel services, including cleaning)</i>                                 | \$390                    | \$20,280         | 10.6% | 3,831                       |
| 7139                | Other Amusement & Recreation Industries<br><i>(Golf, bowling, fitness, skiing, marinas)</i>           | \$323                    | \$16,796         | 12.4% | 5,183                       |
| 4451                | Grocery Stores  | \$336                    | \$17,472         | 11.8% | 8,287                       |
| 5617                | Services to Buildings and Dwellings<br><i>(Janitorial, landscaping, pest control)</i>                 | \$443                    | \$23,036         | 17.2% | 9,733                       |
| 7225                | Restaurants & other eating places<br><i>(Food preparation and delivery, fast food)</i>                | \$279                    | \$14,508         | 11.3% | 32,309                      |

## 2. Top 20 Fastest Growing Low-Wage Industries

| NAICS Industry Code | Industry Name   | 2013 Average Weekly Wage | 2013 Annual Wage | % Chg  | Employment Change 2009-2013 |
|---------------------|---|--------------------------|------------------|--------|-----------------------------|
| 8122                | Death Care Services<br><i>(Funeral homes and cemeteries)</i>                          | \$573                    | \$29,796         | 2.3%   | 107                         |
| 4539                | Other Miscellaneous Store Retailers<br><i>(Specialty retail stores)</i>               | \$495                    | \$25,740         | 2.4%   | 190                         |
| 6231                | Nursing care facilities<br><i>(Skilled nursing facilities)</i>                        | \$521                    | \$27,092         | 0.5%   | 201                         |
| 1113                | Fruit and Tree Nut Farming  | \$479                    | \$24,908         | 37.9%  | 255                         |
| 8114                | Household Goods Repair and Maintenance<br><i>(Appliance repair, furniture repair)</i> | \$557                    | \$28,964         | 16.6%  | 388                         |
| 4542                | Vending Machine Operators   | \$576                    | \$29,952         | 36.6%  | 403                         |
| 4922                | Local Messengers and Local Delivery<br><i>(Couriers)</i>                              | \$630                    | \$32,760         | 57.5%  | 437                         |
| 4442                | Lawn & Garden Equipment/Supplies Stores   | \$504                    | \$26,208         | 12.3%  | 463                         |
| 6242                | Emergency and Other Relief Services   | \$627                    | \$32,604         | 14.5%  | 555                         |
| 8131                | Religious Organizations   | \$599                    | \$31,148         | 36.6%  | 569                         |
| 4884                | Support Activities Road Transportation<br><i>(Towing, bridge/tunnel operations)</i>   | \$613                    | \$31,876         | 25.2%  | 602                         |
| 5616                | Investigation and Security Services   | \$521                    | \$27,092         | 4.2%   | 769                         |
| 1111                | Oilseed and Grain Farming   | \$494                    | \$25,688         | 129.7% | 781                         |
| 7113                | Performing Arts and Sports Promoters  | \$505                    | \$26,260         | 54.5%  | 916                         |
| 4452                | Specialty Food Stores<br><i>(Bakers, butchers, seafood markets, fruit stands)</i>     | \$490                    | \$25,480         | 29.2%  | 954                         |
| 8111                | Automotive Repair and Maintenance   | \$608                    | \$31,616         | 6.3%   | 1,447                       |
| 5619                | Other Support Services<br><i>(Packaging, conventions, trade shows)</i>                | \$561                    | \$29,172         | 12.2%  | 1,472                       |
| 4461                | Health and Personal Care Stores   | \$644                    | \$33,488         | 6.4%   | 1,936                       |
| 4413                | Auto Parts Accessories and Tire Stores  | \$546                    | \$28,392         | 11.6%  | 2,038                       |
| 5613                | Employment Services<br><i>(Temporary employment services)</i>                         | \$583                    | \$30,316         | 54.3%  | 44,271                      |

### 3. Top 100 Occupations Projected To Grow From 2010 To 2020 That Pay Low Wages

| Occupational Title  | Total Percentage Change | N.C. Average Annual Wage |
|---|-------------------------|--------------------------|
| Veterinary Technologists and Technicians                                    | 40.5                    | \$26,509                 |
| Helpers--Brickmasons, Blockmasons, Stonemasons, and Tile and Marble Setters | 38.4                    | \$23,415                 |
| Helpers--Carpenters   | 38.4                    | \$24,143                 |
| Personal Care Aides   | 31.2                    | \$19,135                 |
| Tree Trimmers and Pruners   | 31.1                    | \$29,354                 |
| Emergency Medical Technicians and Paramedics                                | 30.8                    | \$31,619                 |
| Helpers--Pipefitters, Plumbers, Pipefitters, and Steamfitters               | 29.6                    | \$26,767                 |
| Landscaping and Groundskeeping Workers                                      | 29.3                    | \$22,717                 |
| Rock Splitters, Quarry  | 28.6                    | \$30,209                 |
| Medical Secretaries   | 27.9                    | \$28,455                 |
| Glaziers  | 25.7                    | \$29,780                 |
| Insulation Workers, Mechanical  | 24.3                    | \$28,377                 |
| Bicycle Repairers   | 23.7                    | \$23,979                 |
| Nonfarm Animal Caretakers   | 23.2                    | \$20,788                 |
| Pharmacy Technicians  | 22.9                    | \$26,061                 |
| Paving, Surfacing, and Tamping Equipment Operators                          | 22.4                    | \$29,704                 |
| Drywall and Ceiling Tile Installers   | 22.3                    | \$28,447                 |
| Forging Machine Setters, Operators, and Tenders, Metal and Plastic          | 21.9                    | \$33,118                 |
| Home Health Aides   | 21.6                    | \$20,199                 |
| Medical Assistants  | 21.1                    | \$28,343                 |
| Fitness Trainers and Aerobics Instructors                                   | 20.7                    | \$30,857                 |
| Receptionists and Information Clerks  | 20.7                    | \$24,418                 |
| Manicurists and Pedicurists   | 20.6                    | \$23,188                 |
| Stonemasons   | 20.0                    | \$30,648                 |
| Hairdressers, Hairstylists, and Cosmetologists                              | 19.5                    | \$24,819                 |
| Meat, Poultry, and Fish Cutters and Trimmers                                | 19.4                    | \$20,544                 |
| Animal Control Workers  | 19.3                    | \$30,512                 |
| Cement Masons and Concrete Finishers  | 19.3                    | \$30,535                 |
| Assemblers and Fabricators, All Other                                       | 19.1                    | \$30,187                 |
| Refuse and Recyclable Material Collectors                                   | 18.9                    | \$24,760                 |
| Tile and Marble Setters   | 18.5                    | \$31,293                 |
| Residential Advisors  | 18.2                    | \$23,860                 |
| Amusement and Recreation Attendants   | 18.0                    | \$18,144                 |
| Firefighters  | 18.0                    | \$32,149                 |
| Operating Engineers and Other Construction Equipment Operators              | 18.0                    | \$32,912                 |
| Septic Tank Servicers and Sewer Pipe Cleaners                               | 17.9                    | \$31,897                 |
| Highway Maintenance Workers   | 17.9                    | \$26,769                 |
| Insulation Workers, Floor, Ceiling, and Wall                                | 17.8                    | \$29,559                 |
| Police, Fire, and Ambulance Dispatchers                                     | 17.4                    | \$31,090                 |
| Helpers, Construction Trades, All Other                                     | 17.0                    | \$24,933                 |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners               | 17.0                    | \$20,837                 |
| Protective Service Workers, All Other                                       | 16.9                    | \$31,427                 |
| Library Assistants, Clerical  | 16.8                    | \$22,357                 |
| Helpers--Painters, Paperhangers, Plasterers, and Stucco Masons              | 16.7                    | \$19,032                 |
| Pesticide Handlers, Sprayers, and Applicators, Vegetation                   | 16.7                    | \$30,656                 |
| Teacher Assistants  | 16.7                    | \$20,904                 |
| Religious Workers, All Other  | 16.6                    | \$26,701                 |
| Hazardous Materials Removal Workers   | 16.5                    | \$26,482                 |
| Combined Food Preparation and Serving Workers, Including Fast Food          | 16.3                    | \$17,038                 |

### 3. Top 100 Occupations Projected To Grow From 2010 To 2020 That Pay Low Wages

| Occupational Title  | Total Percentage Change | N.C. Average Annual Wage |
|---|-------------------------|--------------------------|
| Pipelayers  | 16.2                    | \$30,478                 |
| Painters, Construction and Maintenance                                    | 16.1                    | \$29,462                 |
| Material Moving Workers, All Other  | 16.0                    | \$20,729                 |
| Recreational Vehicle Service Technicians                                  | 15.8                    | \$33,503                 |
| Outdoor Power Equipment and Other Small Engine Mechanics                  | 15.7                    | \$30,423                 |
| New Accounts Clerks   | 15.6                    | \$30,594                 |
| Excavating and Loading Machine and Dragline Operators                     | 15.5                    | \$32,008                 |
| Library Technicians   | 15.5                    | \$30,080                 |
| Security Guards   | 15.4                    | \$24,525                 |
| Pharmacy Aides  | 15.1                    | \$22,557                 |
| Transportation Workers, All Other   | 14.8                    | \$26,637                 |
| Electronic Home Entertainment Equipment Installers and Repairers          | 14.7                    | \$31,758                 |
| Coin, Vending, and Amusement Machine Servicers and Repairers              | 14.3                    | \$31,965                 |
| Mail Clerks and Mail Machine Operators, Except Postal Service             | 14.2                    | \$26,250                 |
| Recreation Workers  | 14.2                    | \$25,083                 |
| Tellers   | 14.1                    | \$24,463                 |
| Billing and Posting Clerks  | 14.0                    | \$31,754                 |
| Ambulance Drivers and Attendants, Except Emergency Medical Technicians    | 14.0                    | \$24,817                 |
| Meter Readers, Utilities  | 14.0                    | \$28,787                 |
| Helpers--Electricians   | 13.9                    | \$26,406                 |
| Automotive and Watercraft Service Attendants                              | 13.9                    | \$19,749                 |
| Bus Drivers, Transit and Intercity  | 13.7                    | \$31,565                 |
| Locker Room, Coatroom, and Dressing Room Attendants                       | 13.6                    | \$20,099                 |
| Electromechanical Equipment Assemblers                                    | 13.6                    | \$31,014                 |
| Childcare Workers   | 13.6                    | \$18,801                 |
| Customer Service Representatives  | 13.5                    | \$31,428                 |
| Medical Records and Health Information Technicians                        | 13.5                    | \$30,748                 |
| Floor Sanders and Finishers   | 13.2                    | \$28,156                 |
| Welding, Soldering, and Brazing Machine Setters, Operators, and Tenders   | 13.2                    | \$32,306                 |
| Social and Human Service Assistants                                       | 13.1                    | \$27,072                 |
| Gaming and Sports Book Writers and Runners                                | 13.0                    | \$15,097                 |
| Slaughterers and Meat Packers   | 13.0                    | \$21,370                 |
| Farm Equipment Mechanics and Service Technicians                          | 12.9                    | \$32,702                 |
| Office Clerks, General  | 12.6                    | \$25,995                 |
| Concierges  | 12.5                    | \$23,501                 |
| Lay-Out Workers, Metal and Plastic  | 12.5                    | \$32,539                 |
| Taxi Drivers and Chauffeurs   | 12.2                    | \$21,856                 |
| Demonstrators and Product Promoters                                       | 12.2                    | \$25,115                 |
| Construction Laborers   | 12.2                    | \$25,167                 |
| Fence Erectors  | 12.2                    | \$24,431                 |
| Medical Equipment Preparers   | 12.1                    | \$27,318                 |
| Helpers--Installation, Maintenance, and Repair Workers                    | 12.1                    | \$24,291                 |
| Cooks, Restaurant   | 12.0                    | \$21,574                 |
| Motorboat Mechanics and Service Technicians                               | 11.9                    | \$33,608                 |
| Cooks, Institution and Cafeteria  | 11.8                    | \$22,054                 |
| Locksmiths and Safe Repairers   | 11.8                    | \$30,379                 |
| Dietetic Technicians  | 11.4                    | \$25,652                 |
| Rolling Machine Setters, Operators, and Tenders, Metal and Plastic        | 11.4                    | \$32,370                 |
| Crushing, Grinding, and Polishing Machine Setters, Operators, and Tenders | 11.1                    | \$31,556                 |

Source: Special Data Request to NC Department of Commerce, Projections for 2010 to 2020



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