



North Carolina's Tomorrow:

Seeking Good,
Quality Jobs to
Build an Economy
that Works for All

STATE OF
WORKING NORTH
CAROLINA **2014**

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An Uneven Recovery and the Two North Carolinas

North Carolina’s recovery from the Great Recession began officially with the rest of the nation in 2009, but has continued to be slow and uneven across the state, with some communities doing much better than others and a very few experiencing economic gains and greater economic security. The result is that many communities and many groups of workers in North Carolina continue to experience a recession-like shortage of jobs, as well as the pernicious effects of a boom in low-wage work. Taken together, the uneven recovery and growth in jobs that pay less than what it takes for families to make ends meet are splitting North Carolinians into two states economically depending on where workers live and their background. Such conditions are making it much harder for the state to fully recover and succeed in the next economy, which will require inclusion, innovation, and diversity to once again position North Carolina competitively in the world.

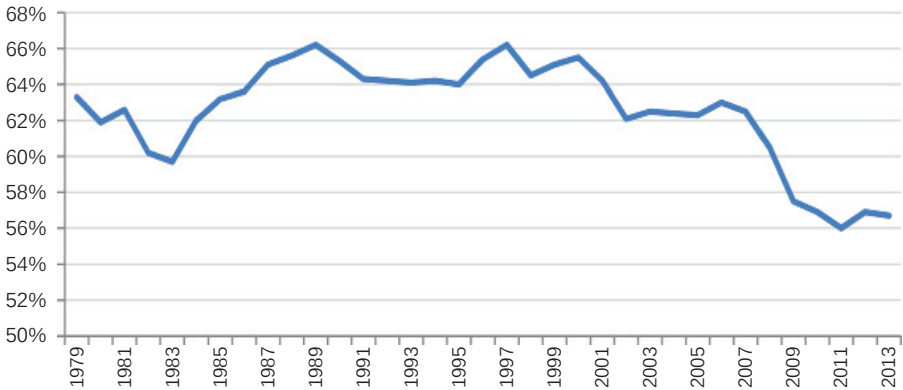
There is little doubt that North Carolina continues to face a significant jobs crisis. The state is more than 470,000 jobs short of the number needed to reach pre-recession levels and accommodate population growth. At the current annual rate of job creation, it will take five years for North Carolina to close that gap.¹

In light of the scarcity of jobs, it is not surprising that long-term unemployment has remained high: more than 40 percent of the state’s unemployed workers have been out of work for 26 weeks or longer since 2010, the highest recorded since 1979 and more than twice the pre-recession level.² The proportion of working-age North Carolinians who are employed—known as the employment-to-population ratio—remains below pre-recession levels (see Figure 1).³

While the state’s unemployment rate has fallen, the low levels of employment relative to the working-age population and a labor force that is smaller than pre-recession levels—despite a growing population—point to an economy that is failing to deliver jobs to all who want to work. In fact, alternative employment measures that estimate the number of workers who would be employed or looking for work today if job opportunities were stronger suggest 240,000 North Carolinians are missing from the labor force.⁴

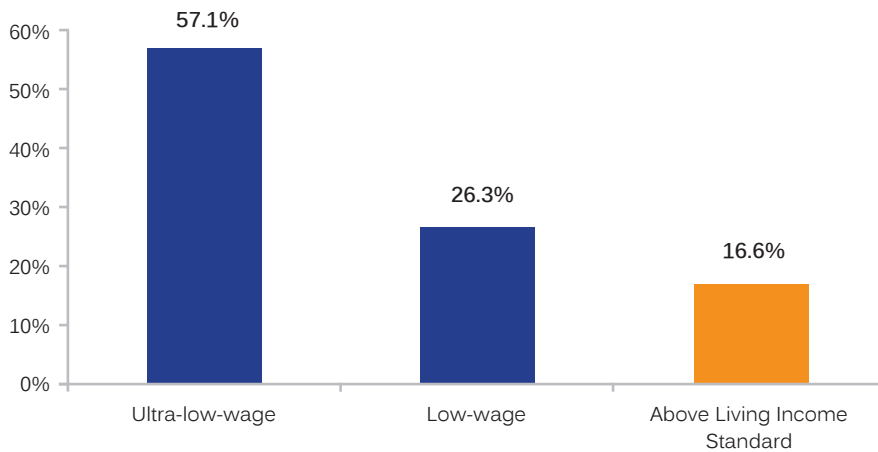
Beyond the fact that there are too few jobs, the jobs that are available increasingly pay far less than what it takes to make ends meet. North Carolina saw an explosion of jobs in low-wage and ultra-low-wage industries between June 2009—the formal end of the Great Recession—and the third quarter of 2013, the most recent data available. More than 80 percent of the jobs created

Figure 1: North Carolina’s Employment-to-Population Ratio Well Below Pre-Recession Levels



SOURCE: Economic Policy Institute Analysis of Current Population Survey, 1979 to 2013, Employment to Population Ratio.

Figure 2: Low-wage and Ultra-low-wage Jobs Account for Majority of Job Creation in North Carolina



SOURCE: Freyer, Allan and Alexandra Sirota, June 2014. North Carolina's Low Wage Recovery is Hurting Workers and the Economy. Budget and Tax Center Report: North Carolina Justice Center: Raleigh, NC.

during that period were in industries that pay workers less than \$33,709, the annual income required to meet basic needs for one worker and one child (see Figure 2).⁵

Even worse, almost six out of every ten new jobs created pay 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 the recovery to date.⁶

Ultimately, this means that

too many workers simply don't have enough opportunities to earn a living wage and are locked into work that forces them to raise their children in tough economic conditions.

While North Carolina has a long history of low-wage work—from share-cropping to mill jobs that paid less compared to similar jobs in the northern U.S.—from the late 1940s until the mid-1990s, the

North Carolina's History of Low-Wage Work

North Carolina is certainly no stranger to the problems of a low-wage labor market. As a state whose agricultural industry in cotton and tobacco particularly relied on the free labor provided through slavery and the later adoption of sharecropping, reliance on low-cost labor has strong historical roots. Even with the movement towards industrialization—which continued to exclude most Blacks despite the end of slavery after the Civil War—many of the mill jobs that attracted agricultural workers still paid low-wages relative to Northern wages. Traditional narratives of

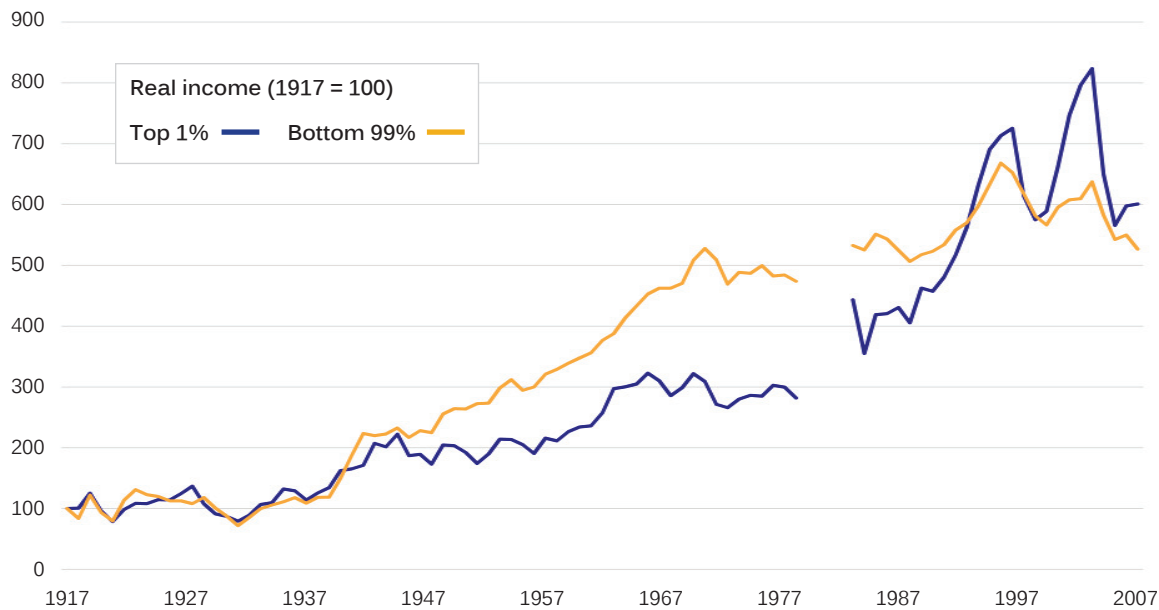
southern industrial development have suggested that the reliance on cheap labor, low taxes, and regulation were used by local leaders to attract external capital and business interest.⁷

And yet, alternative models to this economic development model did exist.⁸ In the immediate post-war period through the 1970s in particular, North Carolina made significant investments in public education and skills training alongside support for industrial growth that yielded benefits to more North Carolinians and successfully supported

business attraction while also expanding opportunity to more workers.⁹ Of course, benefits of industrial growth and commensurate improvements to wages overall were still not broadly shared given the persistence of segregation that created physical barriers to employment opportunities and discrimination.¹⁰ Combined with the focus on community-based economic development efforts and anti-poverty programs that accelerated in the 1960s, however, gains were made across the board supporting a period of more robust economic growth.

majority of North Carolina workers saw income growth that outpaced that of the top 1 percent of earners (see Figure 3). This was largely a result of a rising minimum wage standard, the adoption of progressive income tax codes, and the expansion of labor protections and collective bargaining rights in private industries. Public policy worked in this period to ensure that workers were paid as their productivity increased and that they had a voice in their workplaces. Public policy through state budgets and adequate revenue systems also helped ensure that workers could develop the skills and get the education needed to demand higher wages and protections on the job needed to climb the economic ladder.

Figure 3: The Bottom 99 Percent Saw Real Income Gains in the Post-war Period through the Early 1990s



SOURCE: Sommelier and Price, 2014. The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011. Economic Analysis and Research Network (EARN) Report. <http://www.epi.org/publication/increasingly-unequal-states-of-america-income-inequality-by-state>

The return to a low-wage, low-tax, low-regulation model of economic development and policymaking in recent years rejects the successes that came from a clearer focus on public investments—in education, skills training, and community economic development that sought greater inclusion in and expansion of economic opportunity—for an approach that has failed to build an economy that works for all.

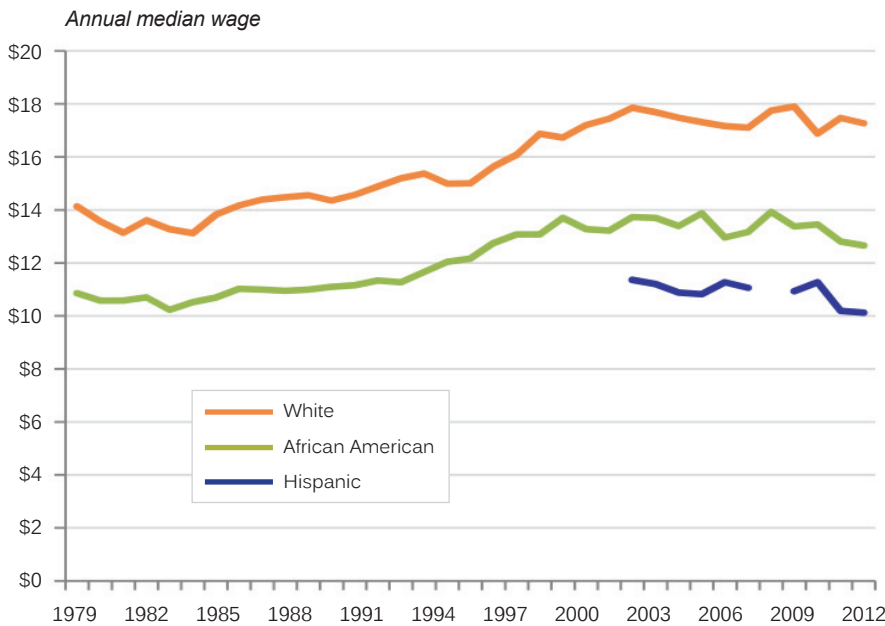
The Demographics of Work in North Carolina

The post-war improvements in wages and income were not equally shared by all workers in North Carolina. This trend persists because of the failure to ensure that opportunity is available to all through targeted public investments, smart public-private partnerships, and strong pathways to the middle-class for communities of color and women in particular. For the healthy functioning of the economy, the exclusion of workers of color and women from the benefits of income growth challenges the ability of the state to meet the need for a growing labor force that is skilled for the jobs of the future and can innovate in an increasingly global economy.

The persistence of racial and gender discrimination in the workplace as well as the lack of wage

standards and other workforce protections in industries, such as agriculture and domestic work, where workers of color were more concentrated have contributed to disparate income gains. The lack of family-friendly workplaces has also played a factor in the difference in earnings for women and men. Workers of color and women continue to earn less, on average, than white men. This disparity drags down the potential for the overall community to see robust wage growth and the support for local business and thriving main streets that results from broadly shared economic well-being. Research by PolicyLink and Center for American Progress finds that if all racial and ethnic groups, for example,

Figure 4: Income Divide Persists and Grows Post-Recovery in North Carolina



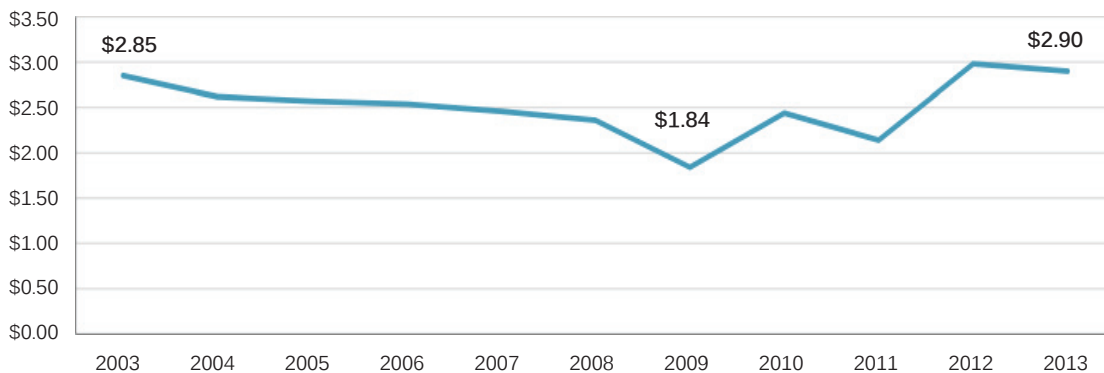
SOURCE: Economic Policy Institute, Analysis of Current Population Survey, 1979 to 2013, Median Wage by Race/Ethnicity. Note: Due to sample size, data on Asian and American Indian North Carolinians are not available. Adjusted for inflation in 2013 dollars.

earned the same median wages as non-Latino whites, total annual income would have increased by 8.1 percent and Gross Domestic Product, or the measure of the economy's productivity, would have been \$1.2 trillion higher.¹¹

Since the 2000s, the vast majority of workers have fallen behind economically, particularly after 2009. While workers were producing more goods and services in a typical year, wages continue to fall in North Carolina fell all workers. From 2009 to 2012, output per worker grew by 3.3 percent while wages fell by 5.5 percent.¹² For workers of color, the longstanding

Figure 5: Women's earnings fall behind Men's earnings in North Carolina

Difference between Male and Female Annual Median Wage, 2003 to 2013



SOURCE: Economic Policy Institute's analysis of Current Population Survey, 2003-2013. Adjusted for inflation in 2013 Dollars.

difference in earnings combined with losing wages at a faster rate in the recovery has contributed to their earnings falling behind (see Figure 4). For African-Americans the drop in median wages from 2009 to 2013 was 9 percent, while for Latinos it was 7 percent; median wages also fell for whites but by a smaller 3 percent.¹³

As for Tar Heel women, they earned just 82.9 cents for every dollar men earned in 2013.¹⁴ During the Great Recession, the long-standing difference in pay between men and women narrowed to its lowest point dating since the late 1970s, largely due to men losing more ground rather than women advancing. After the recession, the trend reversed and men saw their wages recover while women did not, as illustrated in Figure 5.

The narrowing of the gender gap during the Great Recession was largely due to major job losses in male-dominated industries—such as manufacturing and construction—during the downturn, especially in North Carolina. At the same time, female-dominated industries—such as retail, hospitality, and health care—experienced a boom. But as the economic recovery took hold from 2010 to 2013, the median wage for women declined, whereas men have seen their median wage fluctuate during this period (see Figure 6).

Diversity has an important role to play in the growth of the economy through the development of innovative work processes and products as well as the link it provides to global marketplaces.¹⁵ The growth in low-wage work is disproportionately impacting workers of color and women while the lack of jobs has had an additional negative impact on young workers just beginning their careers.

Of working families in North Carolina, 12.8 percent earn poverty-level wages, which is \$23,850 for a family of four. On this indicator, the state ranks marginally better than Alabama and worse than South Carolina, Florida, and Tennessee.¹⁶ Poverty is particularly prevalent in families of color due to the concentration of low-wage employment opportunities in communities where workers of color live. Continued workplace discrimination and limited access to education and skills training for people of color all of which that supports connections higher wage work also play a role in poverty-level earnings for working families of color. One in five working poor families in North Carolina (21 percent) has at least one parent who is Latino or not white compared to 16.4 percent for the nation.¹⁷

As Figure 7 shows, full-time workers earning poverty-level wages comprise a larger share of the

Figure 6: Female Annual Median Wage Has Been on the Decline for the Last Four Years in North Carolina

	Annual Median Wage		Year-to-Year Change in Annual Median Wage	
	FEMALE	MALE	FEMALE	MALE
2007	\$14.30	\$16.76		
2008	\$14.20	\$16.56	(\$0.10)	(\$0.20)
2009	\$15.31	\$17.15	\$1.11	\$0.59
2010	\$14.74	\$17.18	(\$0.57)	\$0.03
2011	\$14.54	\$16.68	(\$0.20)	(\$0.50)
2012	\$14.16	\$17.14	(\$0.38)	\$0.46
2013	\$14.03	\$16.93	(\$0.13)	(\$0.21)

SOURCE: Economic Policy Institute's analysis of Current Population Survey, 2007-2013. Adjusted for inflation in 2013 Dollars.

Figure 7: Characteristics of People in Families Below the Living Income Standard, and Characteristics of Full-Time, Full-Year Workers Earning Poverty-Level Wages

GROUP	Share of Population Under LIS, by Group	Share of Workers Who Earn Poverty-Level Wages, By Group
SEX		
Female	13%	24%
Male	10%	18%
AGE		
Under 18	16%	86%
18 - 24	8%	57%
25 - 64	12%	18%
65 or older	4%	24%
RACE/ETHNICITY		
White	9%	16%
Black or African American	13%	27%
Hispanic	23%	49%
Asian or other race/ethnicity	14%	24%
EDUCATION		
High school or less	14%	34%
Some college	12%	24%
Associates	10%	17%
Bachelors or higher	5%	7%
TOTAL	11%	21%

SOURCE: Economic Policy Institute analysis of American Community Survey microdata, 2012. Note: Workers earning "poverty-level wages" reflect workers with total annual wage income below \$23,583 in 2013 dollars.

African-American (27 percent) and Latino (49 percent) workforce compared to white workers (16 percent) who earn poverty-level wages. Also, a greater share of women (24 percent) earn poverty-level wages than men (18 percent).¹⁸

Poverty-level wages, however, are not the only way to assess the economic security of working families. The poverty threshold is very limited; measuring what it takes to be minimally secure, not

economically secure. This is because the poverty threshold is based only on the cost of food and ignores many expenses that are significant today that were not when the measure was designed in the 1960s. A better measure of earnings required to meet basic economic security in North Carolina is the Living Income Standard, which uses local costs for essential goods and services to establish how much income a family needs to afford a basic goods and services that are essential to economic well-being. As such, the standard reflects both geographic realities and rising costs.

When looking at more detailed demographics for those who live below the Living Income Standard of \$52,275 for a family of four in North Carolina, women and workers of color have a higher proportion of their population living below that standard.¹⁹ Of North Carolina women, 13.2 percent earn below the Living Income Standard compared to 9.7 percent of men. In North Carolina, 13.5 percent of the African American population earns below the Living Income Standard, compared to 23 percent of Latinos, 14.1 percent of Asians, and 9 percent of whites.²⁰

Young People and North Carolina's Economic Future

In order for North Carolina to be economically competitive in the future, it is important for young people to gain additional skills through education and work experience given the changing nature of work opportunities. For many young people, entering the labor market during a recession has profoundly hampered their ability to find work, particularly jobs that provide the potential for advancement and higher earnings over time.

The unemployment rate for North Carolinians between the ages of 16 and 24 was 19.4 percent in 2013, up from 10.3 percent in 2007 and more than twice the 7.9 percent unemployment rate for North Carolinians overall. Nearly a third of young North Carolinians are underemployed, and a quarter of those who are working part-time are doing so because there are not full-time opportunities available. The number of young people in the workforce has dropped by 11 percent since 2007.²¹

Unfortunately, skyrocketing college tuition, inadequate education funding that limits access to skills training for jobs of the future, and increasing competition for low-wage

work have left many of North Carolina's youth disconnected from both school and work.²² In 2012, the last year for which data is available, North Carolina's population of 16 to 19 year olds that were not in school or work was 9 percent, one percentage point higher than the national average. And the employment rate for North Carolinians age 20 to 24 in that same year was 58 percent compared to 67 percent nationally.²³ In fact, North Carolina's Charlotte metropolitan area falls just behind Detroit, with the third-highest rate of youth falling into those two categories among the top twenty-five largest metropolitan areas in the United States.²⁴

Work experiences before the age of 25 have a profound effect on the lifelong earnings of a worker. Research shows that entering the labor force during a recession, when jobs are scarce and wages are low, continues to depress a person's wages for the next 10 to 15 years.²⁵ A young person without a successful work experience by the age of 25 has an increased risk of poverty, while youth who are unemployed or not in school are more likely to end up in the criminal justice system, both of which create broader costs to society.²⁶

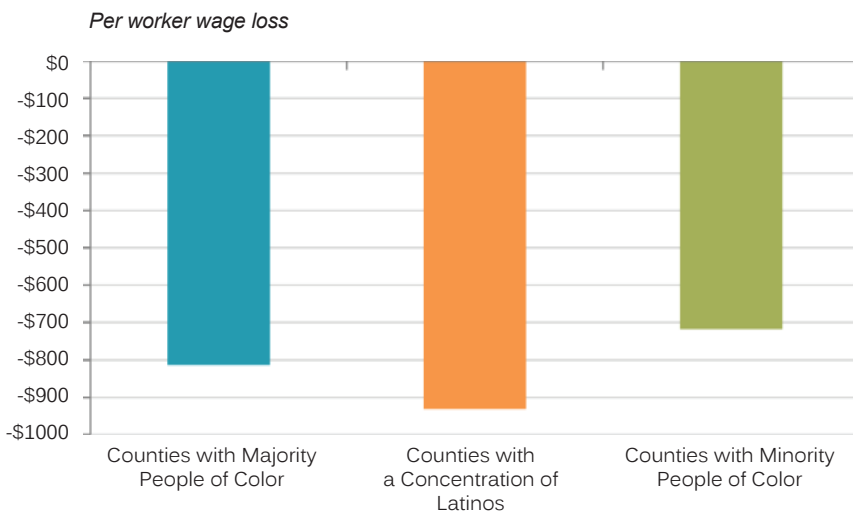
The Geography of Work in North Carolina

Place—and more specifically the concentration of industry in certain communities—shapes the availability of employment and the ability of workers to access work that pays a family-sustaining wage. Many communities in North Carolina remain mired in recession. Thirteen out of 14 metropolitan areas in the state saw their labor forces decline from June 2013 to June 2014, suggesting that too many workers are unable to find work and continue to drop out of the workforce as a result. Unemployed workers who moved out of the labor force, rather than into jobs, during this time period contributed to what can be called an artificial decline in the unemployment rate in more than half of the metropolitan areas in the state.²⁷

Outside of metropolitan communities, the economic picture is even bleaker. 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 micropolitan areas saw 2.1 percent growth. Not only is job growth bypassing rural counties but wages remain lower there too, particularly in the Eastern and Western regions of the state.²⁸

For counties with greater concentrations of workers of color, a pattern of lower overall wages and higher unemployment is driven primarily by a reliance on declining industries or low-wage ones.²⁹ Moreover, public investments for roads and other basic infrastructure has often lagged behind in these communities, limiting direct job creation in higher-paying construction jobs for example and the overall supports to businesses that are seeking to locate or expand in these

Figure 8: Workers in Counties with Majority People of Color or Concentrations of a Latino Population Have Lost More in Wages Since 2007 in North Carolina



SOURCE: Analysis of Quarterly Census of Employment and Wages, Fourth Quarter of 2007 to Fourth Quarter of 2013, Total Wages.

communities. The seventeen counties in North Carolina that have populations that are more than 50 percent people of color have unemployment rates one percentage point above non-majority people-of-color counties.³⁰ Most stark is that just half of the jobless workers in these counties found work since 2009; 53 percent have left the labor force entirely.³¹

Another disturbing trend that has occurred since the Great Recession in North Carolina is the sizeable contrast in wages lost across counties that differ by racial and ethnic makeup. Counties with majority people of color in North Carolina and counties with concentrations of Latino populations have seen greater wage losses per employee than other counties—\$814 per worker in wages annually, compared to \$718 per worker in all other counties, while counties with concentrations of Latinos lost \$931 per worker in wages (see Figure 8).³² All workers in these communities, regardless of race or ethnicity, are experiencing disproportionate wage losses.

North Carolina’s Future and Current Workforce

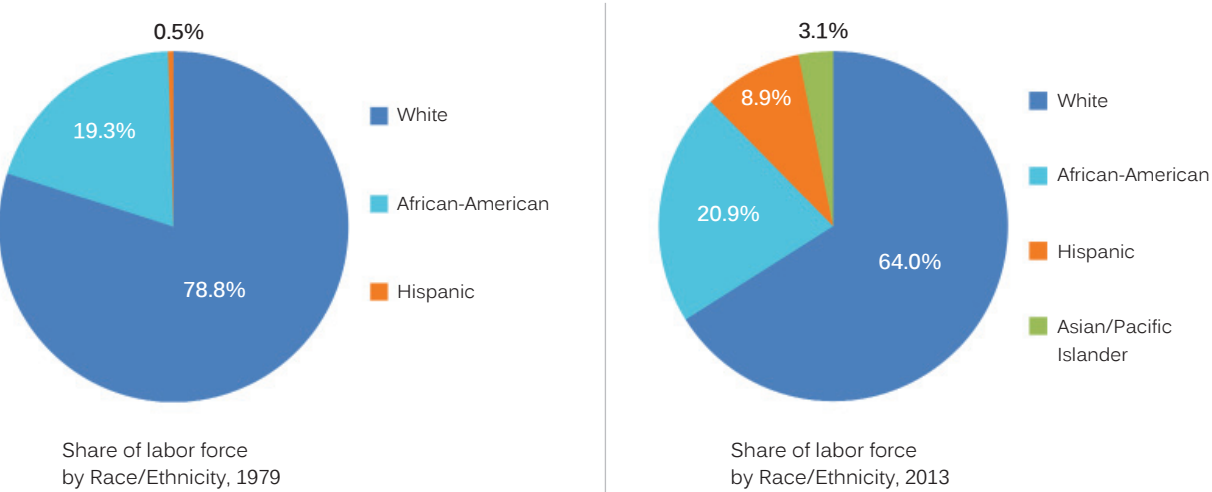
Profound Demographic Shifts Are Underway

The United States is undergoing a profound demographic shift: by 2042, people of color are expected to be a majority of the population. That transition is expected to happen even more quickly for youth under 18 years old: by 2020 a majority will be people of color.³³ In the same vein, North Carolina is experiencing a rapid change in its demographic profile as the Tar Heel population is becoming increasingly multiracial. Demographers predict that North Carolina will gradually become more diverse across all age groups over the next three decades.³⁴

By 2040, nearly half (48.3 percent) of the state’s youth will be people of color, compared to 30 percent now. This diversity is in great contrast to the state’s older adult population (65 and older) that is currently more than 80 percent white, and is expected to be 73 white by 2040.³⁵ Such diversity will shape North Carolina’s future labor force, paving the path to tomorrow’s economy. This is especially true as the state’s population continues to age rapidly and the Baby Boomer generation enters retirement—leaving a gap in the workplace to be filled by younger, more diverse workers. From 2000 to 2010, the older adult population increased by 27.3 percent, far surpassing the state’s total population growth.³⁶ And by 2030, the older adult population is expected to grow another 58.3 percent.³⁷

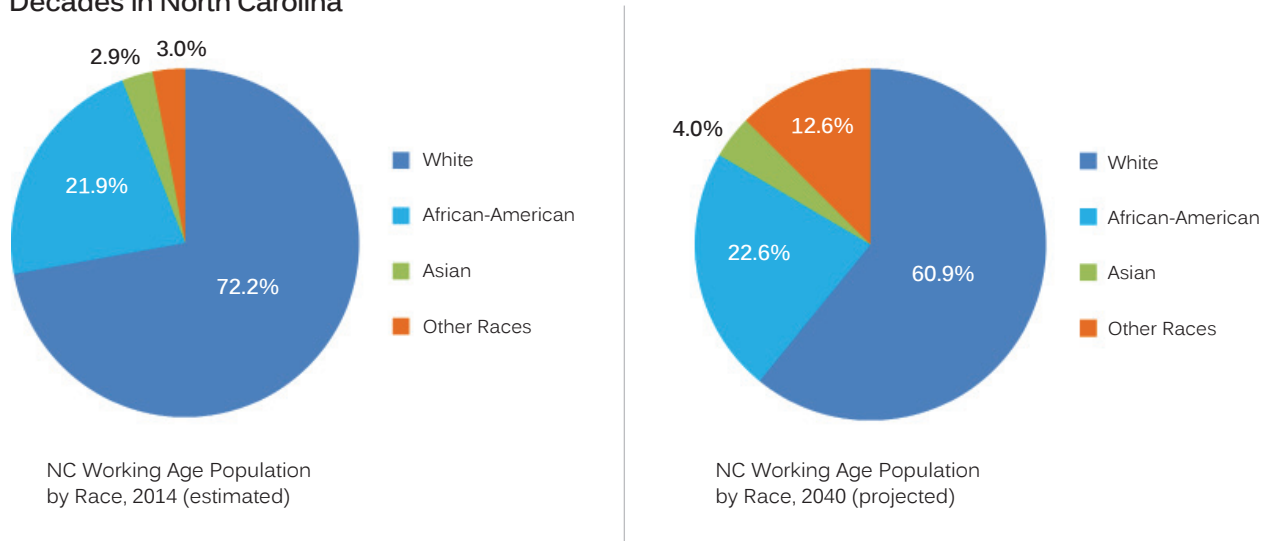
Already, the state’s labor force is starting to undergo a transformation. Leading up to 2003, 9 out of 10 workers in the state were white or African American; now it’s 8.5 out of 10 workers (see Figure 9). Hispanic and Asian workers began to make up a larger share of the labor force in the late 1980s and into the late 1990s, growing from nearly 2 percent to nearly 5 percent of workers. The growth in Hispanic workers began to accelerate in the early 2000s, from 4.3 percent in 2000 to 8.9 percent in 2013, compared to a smaller jump, from 2.1 percent to 3.1, among Asian workers. African American

Figure 9: North Carolina’s Labor Force is Already Transforming, with Higher Shares of Asian and Hispanic Workers in North Carolina



SOURCE: Economic Policy Institute’s analysis of Current Population Survey, 1979 and 2013. Adjusted for inflation in 2013 Dollars.

Figure 10: Share of White, Working-Age Population Expected to Decline Over the Next Three Decades in North Carolina



SOURCE: Authors' analysis of Office of State Budget and Management 2014 population estimates, and Weldon Cooper Center for Public Research 2040 population projections for North Carolina. Projected data is not available for Latinos and American Indians separately; the data for these groups are lumped together in an "other" category with other races and ethnicities.

workers remained a relatively steady share of the total labor force during this time, but the share of the labor force comprised of white workers shrank.³⁸

The working-age population (25 to 64 years old), the population for which data is available, is projected to become more diverse faster than the general population, potentially bringing with it harm to the state's economy to compete with a strong workforce given the barriers to economic opportunity that workers of color face. The share of the state's working-age population that is white is expected to drop from 7 in 10 workers to 6 in 10 by 2040, as illustrated in Figure 10. The share of the working-age population that is African American and Asian is expected to hold relatively steady, whereas the share of other races—particularly Latinos—is expected to more-than-quadruple.³⁹

Boost in Immigration Is a Lifeline in Some North Carolina Communities

In addition to this shift in North Carolina's racial profile, another demographic force is taking hold that is influencing local workforce and economies: many non-urban communities are losing population as people move to seek education and economic opportunities in a different place. Total population shrank in nearly half of the state's 100 counties between 2010 and 2012, according to researchers at the University of North Carolina at Chapel Hill. Far more counties would have suffered the same fate if not for immigrants from abroad who are "breathing new life into these communities, fostering both population growth and economic and employment growth through their entrepreneurial acumen," the researchers found.⁴⁰

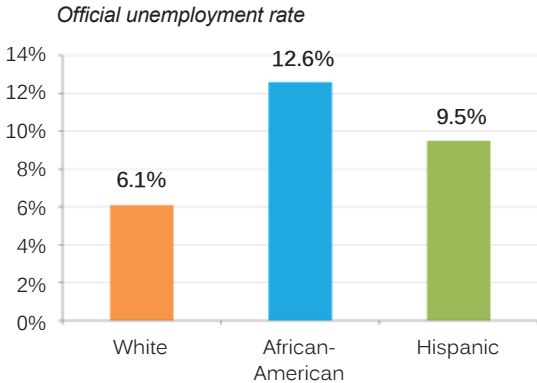
The foreign-born population is an increasingly important part of the labor force statewide. The share of the foreign-born population that is prime working age in North Carolina is 84.8 percent, while it is 61.3 percent for the U.S.-born population. Labor force participation is also higher for the foreign-born population, with 70.8 percent working or looking for work, compared to 61.6 percent of the U.S.-born population.⁴¹

In order to make North Carolina's economy more inclusive and put the state on a prosperous path, policymakers must not overlook the profound demographic shifts that are underway and accept diversity as an economic opportunity.

North Carolina's Missed Opportunity

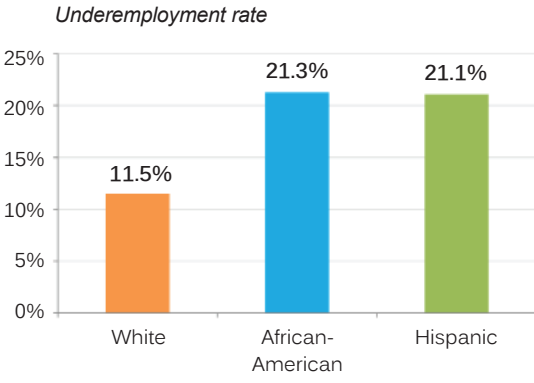
Unemployment and underemployment remain high for North Carolina workers. From 2007 to 2013, the state's unemployment rate rose from 4.5 percent to 7.9 percent while the underemployment rate—which takes account of those working part-time only because they couldn't find full-time jobs—rose from 8.5 percent to 14.7 percent. Most alarming, the share of unemployed workers who were out of work for 26 weeks or more grew by 26.4 percentage points from 2007, reaching 43.3 percent in 2013.⁴²

Figure 11: Workers of Color Experience a Higher Unemployment Rate Relative to Whites



SOURCE: Economic Policy Institute analysis of Current Population Survey data, 2013.

Figure 12: Workers of Color are More Likely to Be Underemployed



SOURCE: Economic Policy Institute analysis of Current Population Survey data, 2013.

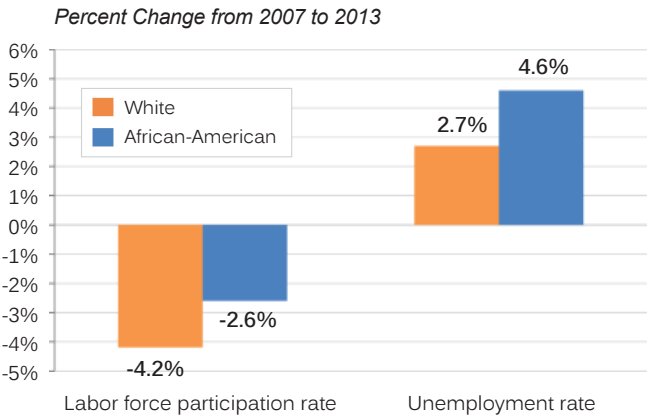
But these averages mask the devastating effect of the jobs crisis on communities of color that have long struggled economically and were hit hardest by the Great Recession. In 2013, the unemployment rate for African-Americans remains twice that for whites. Latinos also continue to experience an elevated level of unemployment compared to whites (see Figure 11).

The same is true of underemployment. Here again, the rate for African-Americans and Latinos is nearly double that for whites (see Figure 12).

Much of the decline is a result of men and women leaving the labor force because there are no jobs for them. Interestingly, in the nation as whole and North Carolina, the resiliency of African-American workers is clear (see Figure 13).⁴³ The unemployment rate for African-Americans remains much higher relative to whites, in part because African-Americans have been much less likely to leave the labor force altogether despite weak job prospects.

In light of the disparity in unemployment and underemployment among different groups of workers in North Carolina and the demographic transformation underway in the state, there is an urgent need to broaden economic opportunity.

Figure 13: Black Labor Force Has Proven More Resilient, Remaining in the Labor Force Despite High Unemployment Rates



SOURCE: Economic Policy Institute analysis of Current Population Survey data.

MOVING FORWARD: Policies for Improving Outcomes for Workers Today and in Tomorrow's Economy

North Carolina's economic model is broken. The economy is failing far too many workers and their families, especially people of color and women who have too often been left behind. Yet, we know that our economy grows best when the gains are broadly shared across all communities, regardless of race, ethnicity, gender, and geographic location. That is why the Old North State needs to rework its growth model in a targeted way to spur and sustain widespread economic prosperity for all North Carolinians.

An equity-driven growth model is the only way to fix North Carolina's broken economic model and build a more robust economy.⁴⁴ Policies that reverse decades of inequality and create pathways to opportunity should be prioritized so that all workers can contribute to growth and have a shot at realizing the American Dream. North Carolina policymakers should start by implementing policies that:

- **IMPLEMENT STRONG WAGE STANDARDS** to generate broad-based wage growth, fight poverty, and reduce the racial and gender income divide.
- **PROVIDE ADEQUATE WORK SUPPORTS AND BENEFITS** to remove barriers to getting a job, keep people on the job, and boost family economic security.
- **TARGET JOB CREATION AND WORKFORCE DEVELOPMENT IN COMMUNITIES OF COLOR AND DISTRESSED COMMUNITIES** to create good quality jobs in communities and equip today's workforce with the skills required to excel in 21st Century jobs.
- **BOOST PUBLIC INVESTMENTS** to support current and future generations as well as build communities of opportunity.

Strong Wage Standards

Restoring the promise of work in well-paying jobs with benefits is the central challenge confronting North Carolina. Thousands of middle-class jobs have been replaced by jobs that pay too little to keep full-time workers out of poverty and offer fewer chances to improve their earnings overtime. Working hard is simply not enough for many families to make ends meet.

Raise the Minimum Wage

For starters, North Carolina policymakers should raise the minimum wage to at least \$10.10 per hour and allow it to automatically grow with inflation. The current minimum wage of \$7.25 per hour fails to reflect the actual needs and household budget challenges of low-income families. The ability of the minimum wage to deliver even the most basic standard of living has eroded considerably over the last few decades since policymakers have refused to raise it regularly, allowing its value to be eroded by inflation. To have same value it did in the 1960s, the minimum wage in North Carolina would have to be \$17.54 per hour today.⁴⁵

Raising the minimum wage would make a considerable difference for workers in the state (see Figure 14). More than half of the workers who would benefit from raising the minimum wage to \$10.10 by 2016 (as proposed by a group of federal lawmakers) are women and whites. Because

African Americans and Hispanic make up a larger share of minimum-wage earners compared to their share of the total workforce, a raise in the minimum wage would significantly benefit these workers of color as well. Nearly one-third of African American workers and just over half of Hispanic workers would benefit from a raise in the minimum wage.⁴⁶

Establish a Living Wage Standard

While a raise to \$10.10 per hour is a modest step in the right direction, this wage would still leave far too many families living along the economic margins, with an annual income of roughly \$21,000. A better measure for policymakers to implement is a living income standard. In order for families to make ends meet without any assistance, a family of four needs to earn a wage of \$25.13 per hour, or \$52,275 annually, in North Carolina.⁴⁷

Seven localities in the state have living wage ordinances for city and county employees and many more private employers have adopted living wage standards as part of their business model.⁴⁸ Local governments in North Carolina cannot require private employers to pay a living wage but they can consider the wages paid by a private employer when awarding public contracts. Local governments can also require businesses seeking local economic development assistance or subsidies to pay a living wage. Implementing a living wage ordinance is a policy that can benefit the whole community and spur a stronger economy.

Ensure Equal Pay for Equal Work

Now that more than 4 in 10 of the state’s working women are their families’ primary breadwinner, it is an economic imperative that lawmakers end the gender pay gap. State lawmakers can start by passing the Equal Pay Act, ensuring that equally qualified and equally performing women earn the same wage as their male colleagues. North Carolina is only one of eight states that have yet to ban employers paying workers differently based on gender.⁴⁹ Equal pay for women is critical to families’ economic security, especially African American, American Indian, and Hispanic women who earn far less than white and Asian men and less than white and Asian women.⁵⁰ Equal pay is also critical to all families in North Carolina because it contributes to the better functioning of the labor market with women working in jobs that are a better match with their skills and more productive for the overall economy while also reducing the societal costs of poverty. If women received equal pay, women’s earnings would increase by nearly 14 times what federal and state governments invest in the anti-poverty Temporary Assistance for Need Families program.⁵¹

Adequate Work Supports

Beyond pay, other workplace policies are also out of step with North Carolina’s changing workforce. Paid sick leave, affordable child care and other supports allow workers to have a steady paycheck and keep their jobs, particularly when an illness or other emergency arises. These policies help ensure that workers don’t have to choose between getting ahead in the workplace and taking care of themselves or their families. Tax credits for working families also play a vital role in making sure that work pays and help parents support their children.

Figure 14: Raising the Minimum Wage to \$10.10 Will Benefit Many Workers in North Carolina

CATEGORY	Share of this Category Directly or Indirectly Affected
Female	29.8%
Male	23.3%
African American	32.6%
Asian or Other Race	24.6%
Hispanic	53.3%
White, non-Hispanic	21.2%

SOURCE: Economic Policy Institute. "Raising the Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost. Supplementary data." December 2013.

Expand Access to Paid Leave and Health Insurance

Currently, North Carolina does not require employers to provide paid sick days, and almost half of the state's private-sector workforce lacks them.⁵² A law enabling workers to earn paid leave would provide much-needed support for working families and help workers avoid financial ruin brought on by illness, injury, or another life event.

In addition, expanding Medicaid to more low-income adults, would provide hundreds of thousands of currently uninsured adults with healthcare and create a healthy, thriving workforce. Yet, state lawmakers are blocking federally funded Medicaid expansion, forgoing the opportunity to provide health coverage for a half-million poor, uninsured working parents and other adults.⁵³ Some of these workers are now facing a health coverage gap that prevents them from enrolling in Medicaid while at the same time making them ineligible for tax credits to buy coverage in the new health insurance exchange.

Support Collective Bargaining Rights

One key tool in building a stronger, more inclusive 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.

Enhance Access to Affordable, Quality Childcare

Affordable, quality childcare is a necessity for working parents, but it remains out of reach for many North Carolina families. For families with two or more children, child care costs are the largest share of the monthly budget, surpassing the price of housing.⁵⁴ Increasing state investments in child-care support can help parents who earn low wages keep their jobs and better support their families. Yet, state lawmakers recently passed a law making it harder for moderate-income families to qualify for childcare support, cutting off help for an estimated 12,000 children. The new law also raises the monthly co-pay for some families.⁵⁵

Making Work Pay with the Earned Income Tax Credit

State lawmakers should ensure that work pays for everyone by reinstating the state Earned Income Tax Credit (EITC), which would boost the incomes of low-wage working families in North Carolina. This tax credit helps families keep more of what they earn so that they can support their children, get a foothold in the labor market, and avoid public assistance. The EITC brings many more workers into the labor force and helps keep them on the job, by allowing them to afford things like child care and transportation. This is especially true among single mothers working for low wages.⁵⁶ This important and proven tool boosts earnings and economic security—both of which are desperately needed given the recent boom in low-wage jobs.

Targeted job creation in distressed communities

For many communities that remain stuck in recession, public policies that support job creation are vital. These investments must be accompanied by strong wage standards and workforce development programs that allow residents to compete for the jobs of the future. Such a dual focus on economic and workforce development that targets the state's hardest hit communities can boost the state's entire economy.

Unfortunately, the state's traditional tools for economic development—incentive programs like One

NC, JDIG and others—have proven ineffective at targeting the state’s most distressed communities. More than 70 percent of the economic development subsidies awarded since 2007 have gone to the state’s least-distressed counties.⁵⁷ And while the state’s standards of accountability for these programs are nationally recognized, there continues to be room for improvement to ensure that public dollars are not subsidizing the spread of low-wage jobs that won’t deliver broadly shared prosperity for communities and workers or supporting job creation in communities that would otherwise occur without subsidy.

Alternative tools to job creation do exist. One option is providing wage subsidies to employers who hire new workers in order to encourage businesses to add jobs. These wage-subsidy programs should give employers an incentive to hire people facing long-term unemployment in order to give them the chance to get back to work. They should also require businesses to meet minimum standards of pay and labor conditions. North Carolina has experience implementing such programs. The results demonstrate potential if implemented alongside reforms that address some of the lessons learned: roughly a third of participants were hired after the subsidy period.⁵⁸

Federal dollars can also be used for community economic development that builds greater economic inclusion and specifically encourages industries that pay higher wages to locate in distressed communities. The reform and expansion of Empowerment Zones that support business development in distressed communities and encourage hiring of local residents can deliver targeted benefits to struggling communities.⁵⁹

Efforts to ensure that newly created jobs are available to local residents are critical and there are effective models to connect low-income, communities of color to job opportunities. Made in Durham, a public-private effort being created in the city of Durham is pioneering one model for making these connections by designing an education-to-career system that provides education and skills training to workers. This initiative also points employers toward the skills of local residents, assets in local communities, and the need to prepare the future workforce in local communities for jobs of the future.⁶⁰

Boost Public Investments

Creating a well-prepared and productive workforce regardless of color, gender or ethnicity is essential to building a stronger economy and requires targeted investments of state resources. Yet, state policymakers are retreating from the very public investments that support current and future workers, including education and policies that build out the transit networks, digital infrastructure, and other tools for places to connect residents to employment. This is occurring just as researchers are projecting that nearly 6 in 10 of the state’s jobs will require some form of post-secondary education or training by 2020—a mere six years away.⁶¹

Funding for Early Childhood Programs and Public Schools Remains Inadequate

The foundation for a strong workforce begins in early childhood when most brain development occurs, making investments in children’s earliest years critical to the state’s economic vitality. Not only do early childhood programs build a pathway to economic security and the middle class for more of North Carolina’s children, they also help meet the state’s goal of having all students read at the level they should be by the end of the third grade.⁶² Some of these benefits were larger for children from disadvantaged families, according to one study conducted in North Carolina.⁶³

Yet, state policymakers are failing to protect and adequately invest in North Carolina’s early childhood system. There are fewer slots in the state’s pre-kindergarten program today than when the Great Recession began, and there are long waiting lists for this program as well as the state’s child care subsidy program. Lawmakers see these investments as a low priority despite the fact that

Figure 15: Child Poverty by Race

	Under 18	Under 5 only
American Indian	44.1%	53.2%
Hispanic or Latino	43.6%	46.5%
African American	40.9%	47.1%
Two or More Races	29.9%	32.7%
Asian	14.5%	18.0%
White, non-Hispanic	15.1%	17.9%
State Average	26.0%	30.2%

SOURCE: US Census Bureau’s 2012 American Community Survey. Data for American Indian population includes data for the Alaskan Native population.

poverty maintains a fierce grip on the state’s children, especially children of color (see Figure 15). As North Carolina shifts to being a state where a majority of residents are people of color, persistently high poverty rates among children of color will harm the state’s economy in the long run.

The state’s K-12 public education system also plays an essential role in building and maintaining a high-quality education pipeline that will produce tomorrow’s workers .

Yet, state spending on public schools is falling far short of what’s needed, as per pupil funding continues to decline.⁶⁴ Failing to adequately support children in public schools with enough classroom supplies and textbooks, supplemental funding for economically distressed areas and at-risk students, and professional development for teachers ultimately undermines the state’s ability to meet its long-term economic goals.

Higher Education and Workforce Development

Colleges, universities, and trade schools continue to play a critical role in the state’s economic recovery by providing skills training and retraining for the jobs of the future. The University of North Carolina system, the oldest public university system in the country, and the Community College System serve as anchors for learning, engagement, and economic development in communities across the state. In recent years, the UNC system has been particularly hard hit by budget cuts. To a lesser degree, the Community College System—which is the main provider of job training programs in the state—has also faced budget cuts.⁶⁵

To plug the budget gap, these institutions have turned to students and their families by raising tuition. As such, college education remains of the biggest financial challenges facing North Carolina families. Making college more affordable is crucial to ensuring that educational attainment does not add to a student’s financial burden and maximizes the potential for completion, especially for people of color who are already far less likely to have the privilege of a post-secondary degree.

Investments in Economically Lagging Communities

Unfortunately, a child’s shot at the American Dream depends to a great extent on where they grow up. Living in areas of concentrated disadvantage can undermine one’s health and economic opportunities. It doesn’t have to be this way. North Carolina can build a more prosperous state only

if lawmakers extend ladders of opportunities to all communities in the state.

Policymakers have the tools available to make economically distressed areas a priority for investment, but so far they have failed to do so. These tools include general funds for low-wealth school districts as well as more targeted funding such as the new community eligibility nutrition program that allows all students in high poverty schools or districts access to school meals at no cost. A child with an empty stomach has a harder time learning and excelling later in life as a worker. Economic development dollars also are available for areas that are economically lagging compared to their peers. Yet, policymakers are using those tools to make the wrong investments. They are bypassing distressed areas in North Carolina: the state awarded more than triple the amount of incentive dollars to the wealthiest 20 counties than the 40 most distressed counties.⁶⁶

Unfortunately, last year state lawmakers shifted away from economic development investments targeted at low-income, distressed populations and communities and toward encouraging general economic growth through industrial recruitment—an approach that often leaves rural communities behind. Notably, they eliminated funding for programs serving minority communities that have historically been excluded from much of the economic gains in the state, even though racial and economic inclusion helps foster a stronger state economy. One program that lost funding was the Institute for Minority Economic Development and its Women’s Business Center, which provide future entrepreneurs with technical and financial assistance on developing business plans, loan applications, and branding strategies.⁶⁷

Building a more inclusive economy requires state policymakers to make a U-turn from this course and be more intentional in building communities of opportunity. Expansions in public transit, as many counties in the state are pursuing, provide an opportunity for policymakers to help ensure that economic development investments generate broad returns. When expanding transit in a community, policymakers should — make affordable housing and community benefits agreement that ensure local residents can connect to newly available opportunities and build local assets part of the package, in order to ensure that transit investments generate a return for all residents, regardless of income. Otherwise, transit investments can harm lower-income and transit-dependent residents by displacing low-income residents or increasing costs for remaining in the neighborhood, straining rather than enhancing their ability to reach jobs and services.⁶⁸

These policies offer state lawmakers a path forward for reworking North Carolina’s growth model in a way that will spur and sustain widespread economic prosperity for all residents by ensuring the state has good, quality jobs for all and the supports in place for workers. The troubling trends in North Carolina’s economy and labor market—and particularly the disparities for North Carolinians based on who they are and where they live that have grown as a result of policy choices—require immediate and targeted attention. Doing so can put North Carolina on a clearer path to building an economy that works for all.

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