SUPPORT NC Workers, STRENGTHEN the Economy, SHARE Prosperity

STATE OF WORKING NORTH CAROLINA

By Alexandra Forter Sirota

NORTH CAROLINA
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THE WELL-BEING OF NORTH CAROLINA'S WORKERS: The Most Important Barometer of the Economy

NORTH CAROLINA'S WORKERS PRODUCE, EARN AND SPEND in the state's economy, and their well-being is requisite for a strong economic recovery. However, as North Carolina policymakers try to set the state on a path of economic growth, they often ignore the primary role workers play in a successful economy.

More than 24 months after the official end of the Great Recession, North Carolina's working families continue to struggle with a lack of job opportunities, staggering loss of earnings and wealth, and the continued transformation of the state's economy. This transformation—which has coincided with stagnating wages, expanding income inequality and an over-reliance on low-wage industries to generate jobs for the state's growing working-age population—has been unfolding for decades. Now in the aftermath of the Great Recession, the acceleration of these longer-term trends has reduced the pathways to economic security available to North Carolina's families.

This 2011 State of Working North Carolina report describes the status of the state's workers with a particular focus on labor-market conditions, earnings and income and their connection to the sound function of the state's economy. By providing the latest data on working North Carolinians, this report seeks to inform and explain the context within which policymakers must act to rebuild economic opportunity and shared prosperity in the state.

The Failed Economic Recovery

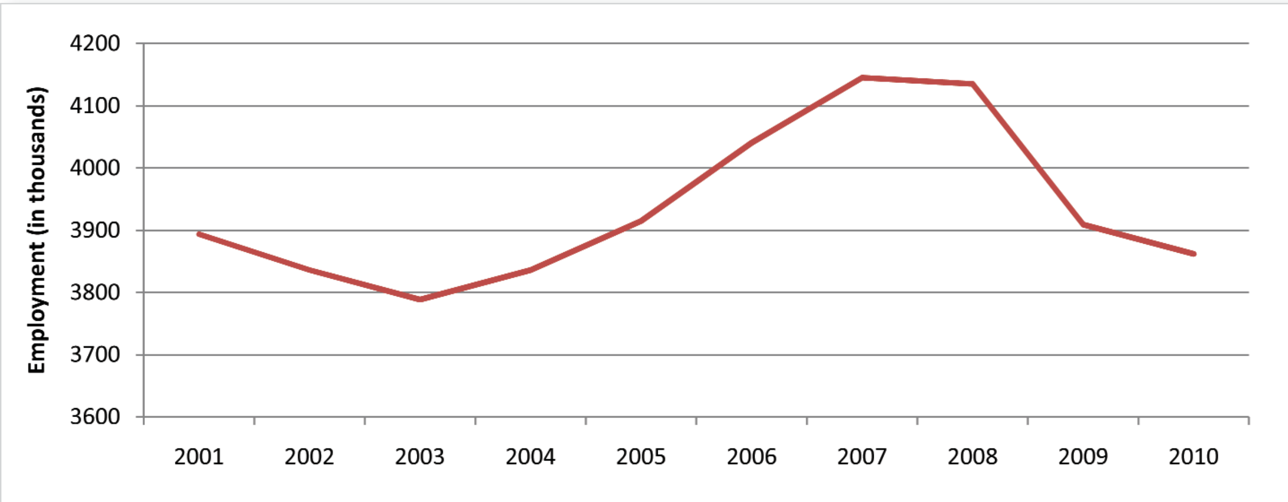
The nation's official economic recovery began more than 24 months ago. As defined by the National Bureau of Economic Research (NBER), the Great Recession ended in June 2009 when real Gross Domestic Product and Gross Domestic Income—two broad measures of economic activity—began to rebound. However, as the NBER noted in a September 2010 press statement, "the committee did not conclude that economic conditions since that month [June 2009] have been favorable or that the economy has returned to operating at normal capacity."[1]

This uncertainty in economic conditions continues, as does a general sense that the official economic recovery is falling far short of a recovery for working families. In part this is because the economic recovery has failed to make up for the loss of jobs during the Great Recession, much less create the jobs needed to employ those aging into the labor force.

At the same time, the financial impact of the Great Recession led to a collapse in revenue for the federal government and almost every state, shifting attention away from the jobs deficit to budget deficits. The resulting response to the fiscal challenges at the federal and state levels has likely hurt the economic recovery. Congress and many state legislatures, including North Carolina's, took a cuts-only approach to dealing with budget shortfalls, resulting in public-sector job losses that continue to drive sustained high

FIGURE 1:

Employment Lower in 2010 than at the beginning of the decade



SOURCE: Economic Policy Institute analysis of Current Employment Statistics survey data.

unemployment. The failure to maintain a commitment to a fundamental role of government in times of economic crises—countercyclical spending—has created uncertainty not only in the markets but in the day-to-day lives of workers across the country.

And yet, data released by the U.S. Department of Commerce in July 2011 showed that corporate profits represented the highest proportion of national income since WWII. Meanwhile, earnings and benefits combined represented the lowest proportion of national income since 1965.[2] Despite growing corporate profits, workers have not benefited and business has failed to provide employment opportunities for the growing workforce.

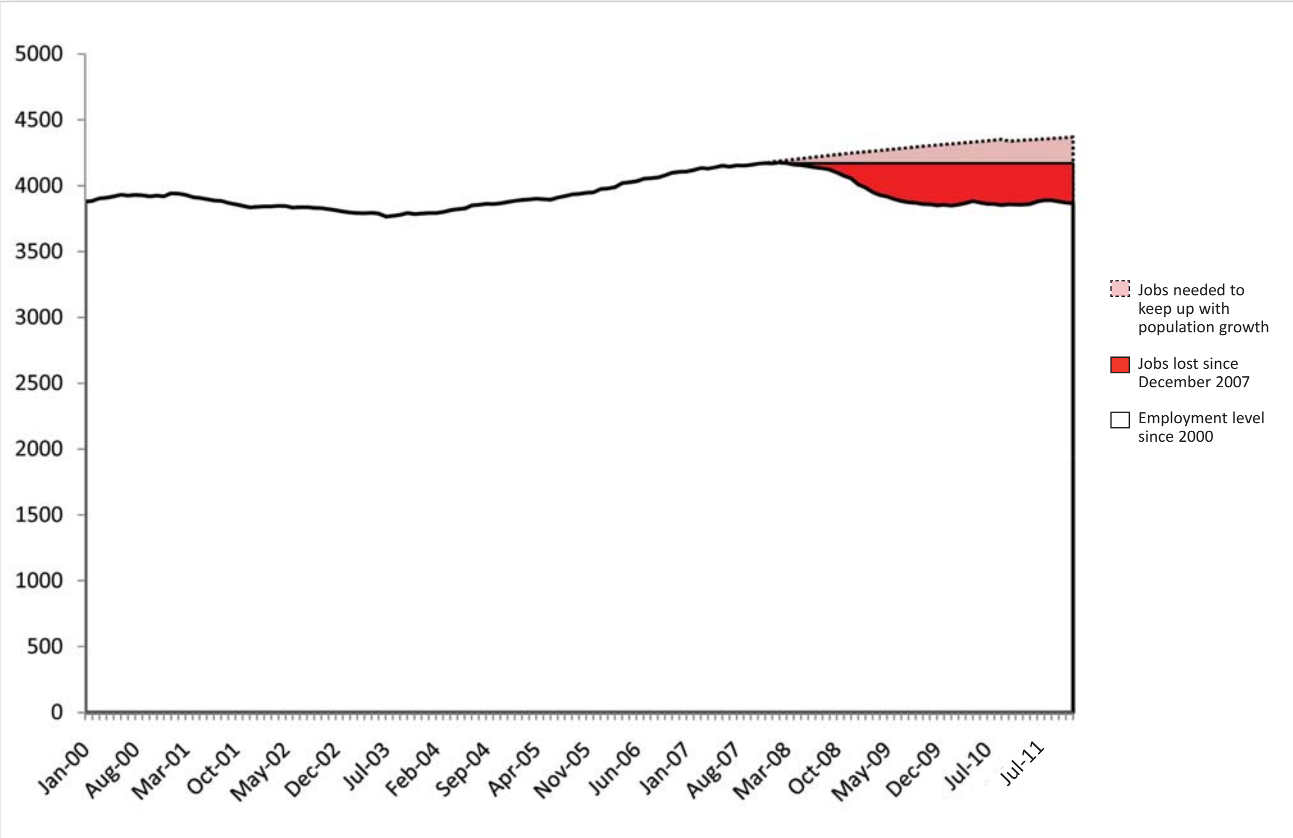
The result of this failed, albeit official, economic recovery is that ongoing challenges in the labor market have kept unemployment high and discouraged workers from staying in the labor force. These labor-market woes have in turn held down consumer spending and reduced demand for goods and services. The reality is that without an improved outlook for workers and working families in North Carolina, there is little likelihood that the economy can expand and sustain growth over a longer period.

Jobs, Jobs, Jobs

When the recession began in December 2007, North Carolina had 4,171,800 jobs. Since then, the state has experienced 30 months of job loss, and as of July 2011, North Carolina had 303,700 fewer jobs.[3] But perhaps most staggering is that employment in

FIGURE 2:

The jobs deficit in North Carolina continues to grow, surpassing half a million jobs



SOURCE: Economic Policy Institute analysis of Bureau of Labor Statistics, July 2011.

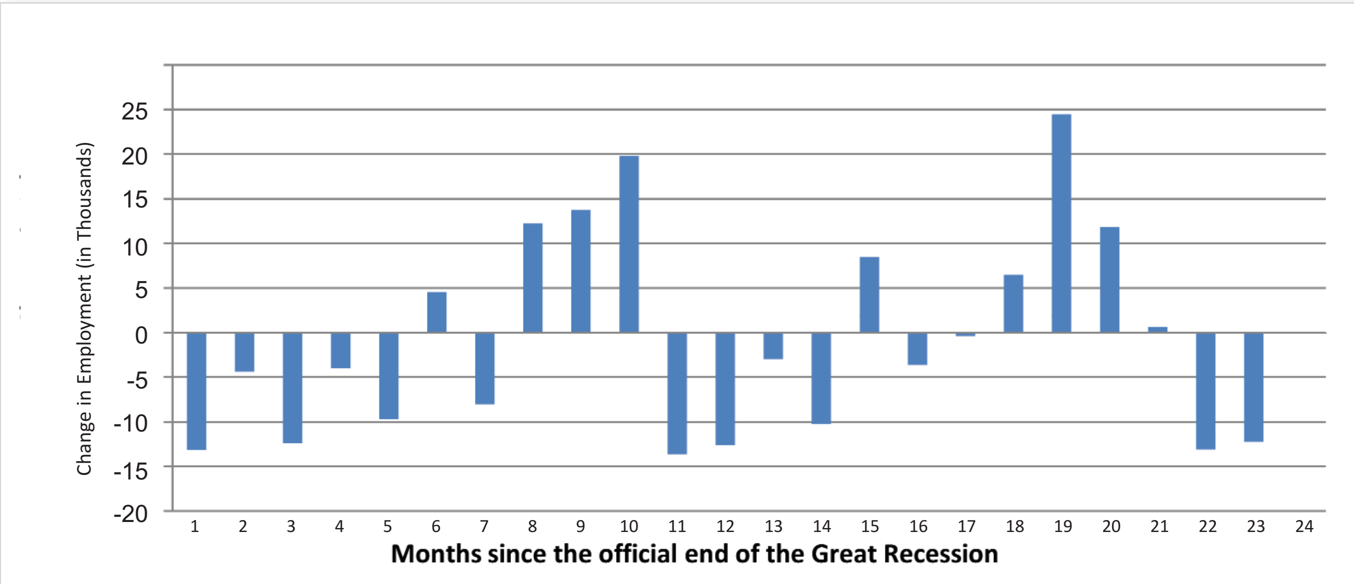
the aggregate was lower at the end of the decade than it was at the beginning.

North Carolina's jobs deficit, or the difference between the number of jobs the state has and the number it needs to regain its pre-recession employment rate, was 502,500 as of July 2011. That number includes the 303,700 jobs North Carolina lost plus the 198,800 jobs needed to keep up with the 4.8 percent growth in population the state experienced in the 43 months since the recession began.[4]

Of the 24 months since the beginning of the official economic recovery, North Carolina has experienced job growth in only nine. From May to July 2011, North Carolina lost jobs, largely because of declines in government employment.[5] The lack of job creation and continued job loss during the official recovery period has created significant challenges for working families and the stability of the broader economy.

FIGURE 3:

Since the official end of the Great Recession, North Carolina has experienced 9 months of meager job growth



SOURCE: Current Employment Statistics, June 2009 to July 2011. Accessed through the Employment Security Commission of NC, Demand Driven Database.

Long-term unemployment and underemployment

THE REALITY OF A LABOR MARKET without sufficient jobs has translated into various negative outcomes — unemployment, underemployment, and workers dropping out of the labor market. These outcomes result in significant strain on workers' finances and health, and they can translate into generational challenges as children growing up in families experiencing unemployment, foreclosure, and other economic hardships are less likely to do well in school, remain attached to the labor market, and earn at the same level as their unaffected peers.[6]

During and after the Great Recession, unemployment in North Carolina has been higher, and has remained higher for longer, than in any of the most recent recessions.

High unemployment in combination with slow to no job creation has meant many unemployed workers face long-term unemployment—that is, they have been without work for more than six months. These long-term unemployed workers made up 48.9 percent of North Carolina's jobless workers in 2010, higher than the national average of 43.3 percent.[7]

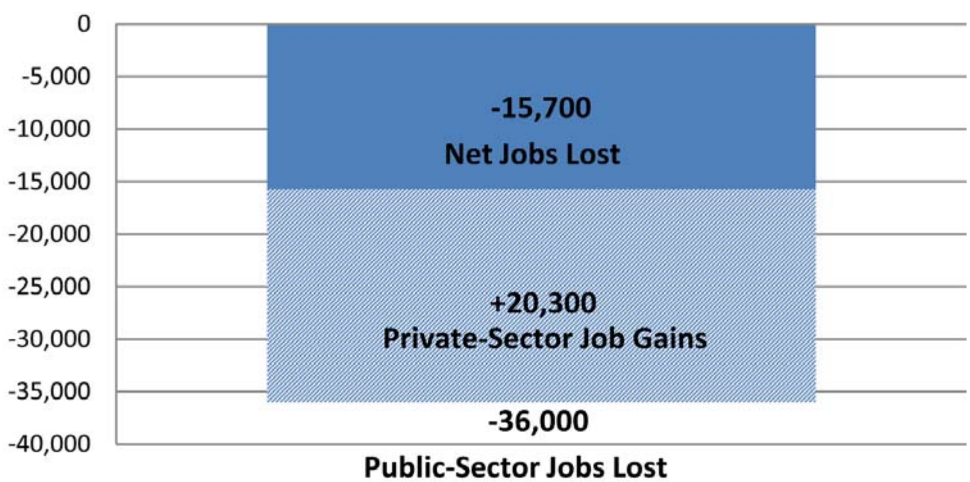
While the unemployment rate is the most common indicator used to assess the labor

Public-sector employment has supported private-sector employment and served to hold up total employment

Having a job is critical to making ends meet and contributing to the broader economy, whether that job is in the private or public sector. And yet much of the rhetoric of those opposed to government spending suggests that public employment is a drain on private-sector job growth. To the contrary, public-sector employment sustains private-sector employment and can serve to minimize high unemployment during an economic downtown.[8] Public-sector workers provide important services, must support their families, and through spending, sustain much-needed economic activity that can lead to growth and job creation.

FIGURE A:

Private-Sector Job Gains Inadequate to Offset Public-Sector Job Losses

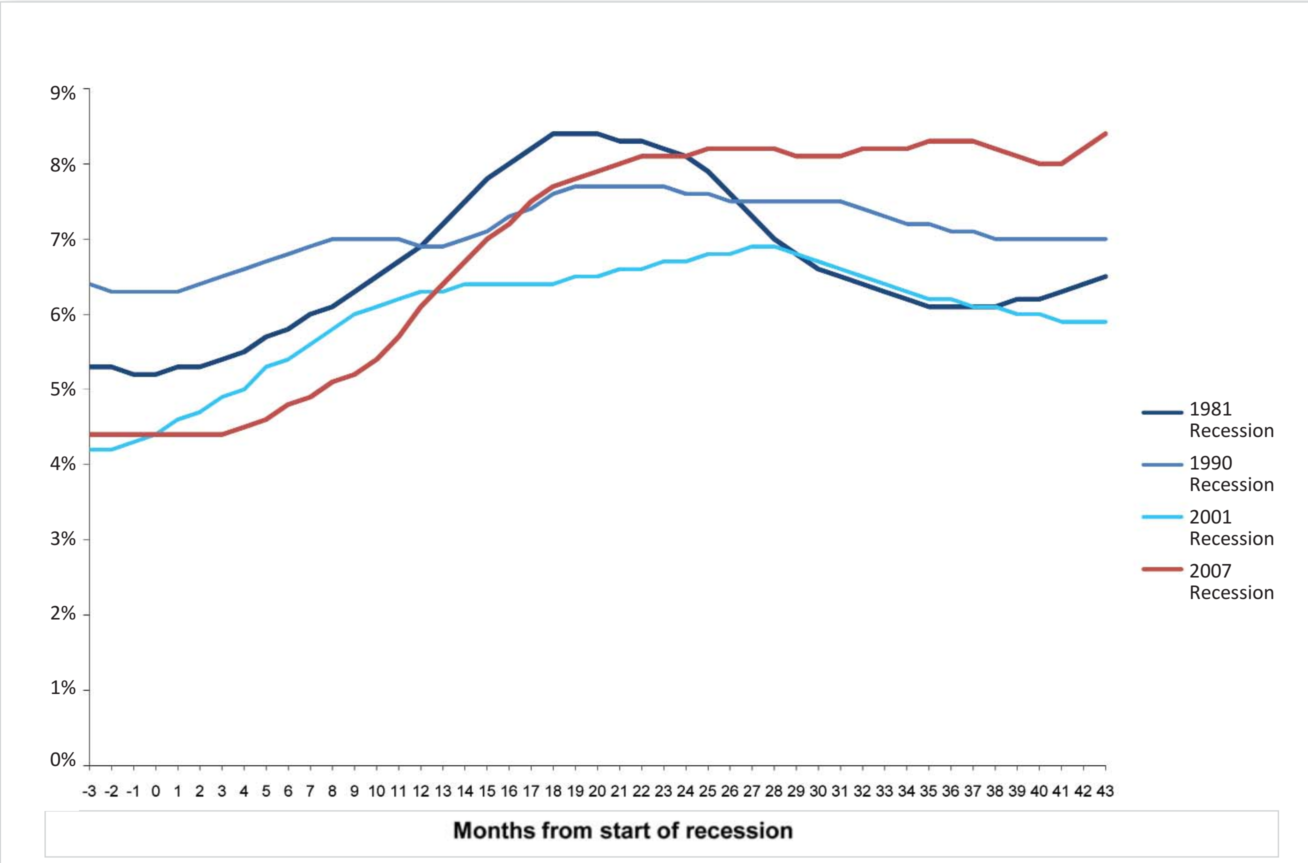


SOURCE: Economic Policy Institute analysis of Current Employment Statistics survey data.

Over the official recovery period, private-sector job gains have been inadequate to offset public-sector job losses. The result is a net loss of employment opportunities totalling 15,700 jobs.

FIGURE 4:

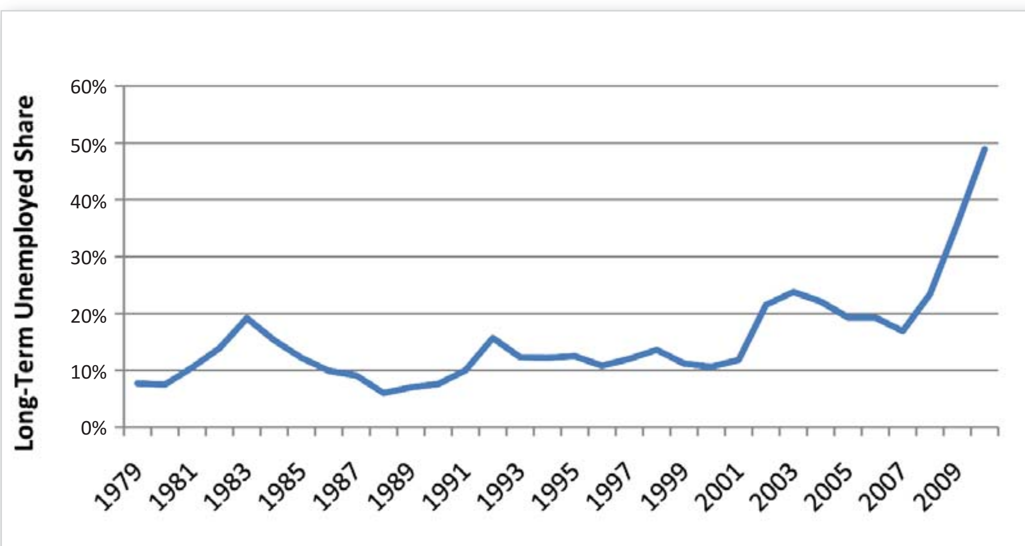
Unemployment rate remains persistently high 42 months after the start of the Great Recession, more than 24 months after the official recovery started



SOURCE: Economic Policy Institute analysis of CC for Recession Watch.

FIGURE 5:

Nearly half of North Carolina's workers without jobs have been out of work for more than 6 months



SOURCE: Economic Policy Institute analysis of Current Population Survey Data

FIGURE 6:

Underemployment remains high despite official economic recovery

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

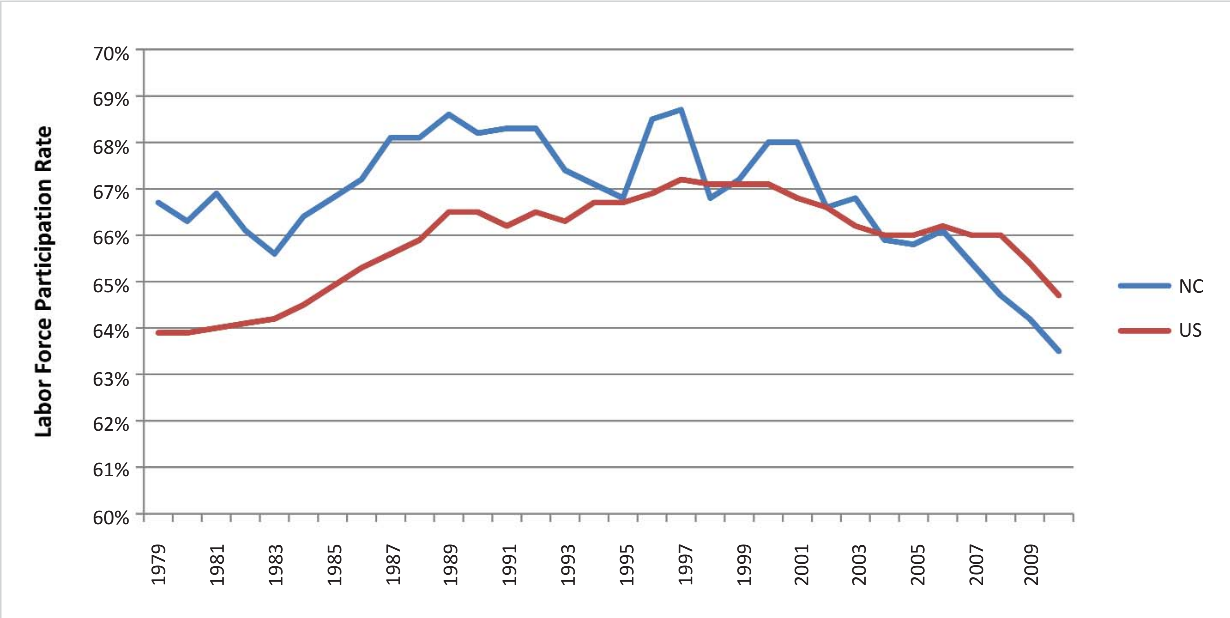
market, it does not reflect the full scope of the challenges workers face. First, because it only measures those actively seeking work, the unemployment rate cannot capture those who fall out of the labor force during a sustained economic downturn. Second, because it only measures whether workers have jobs but not the quality of jobs or whether those jobs fit workers' skills or needs (i.e. for full-time versus part-time work), the unemployment rate does not capture the economic pressures that a bad labor market puts on all workers.

Underemployment is an additional measure of labor underutilization reported by the U.S. Bureau of Labor Statistics regularly. The underemployment rate captures unemployed workers, discouraged workers who have dropped out of the labor force, and workers who want to work full-time but have taken part-time positions for economic reasons.[9] Despite the official economic recovery, underemployment hit 17.4 percent in 2010 and has remained above 16 percent, nearly twice the rate it was at the start of the Great Recession.

The bleak prospects for employment have pushed workers out of the labor force. In fact, since the start of the Great Recession, labor-force participation rates have reached a 30-year low.

FIGURE 7:

Labor force participation has declined steeply over the Great Recession and not recovered yet



SOURCE: Economic Policy Institute analysis of Current Population Survey.

FIGURE 8:

North Carolinians of color continue to fare worse than white North Carolinians

	WHITE	AFRICAN-AMERICAN	HISPANIC
Share of labor force	66.8%	20.4%	7.7%
Labor force participation rate	62.4%	63.2%	76.5%
Unemployment rate	8.4%	17.5%	10.7%
Long-term unemployment share	49.4%	51.3%	(a)
Underemployment rate	14.2%	26.0%	24.0%
Part-time for economic reasons share	22.1%	35.1%	55.6%

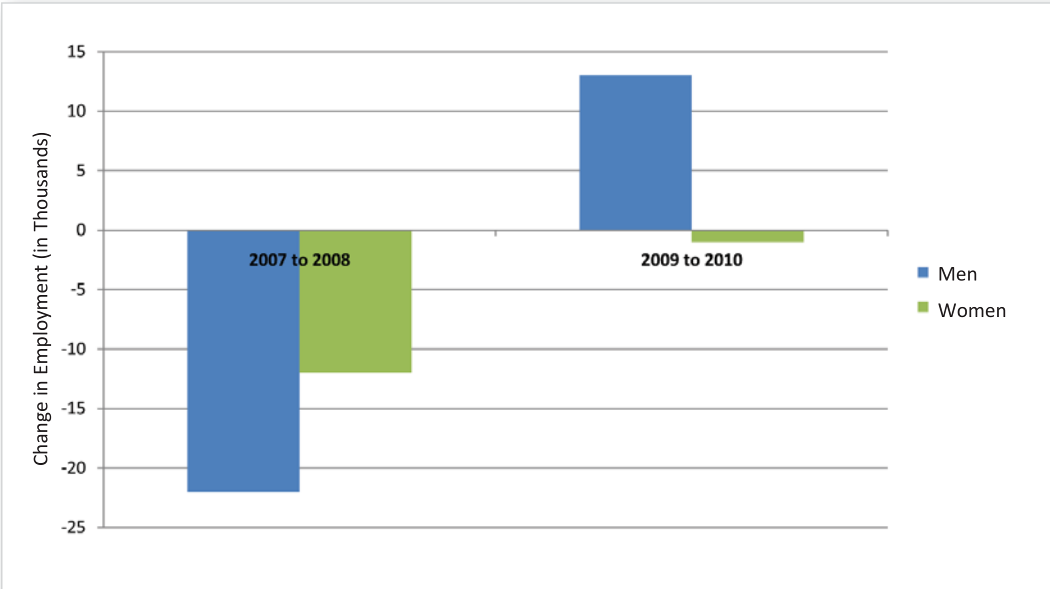
SOURCE: Economic Policy Institute analysis of Current Population Survey

The Great Recession hit some harder than others

The experience of the Great Recession and the economic recovery has not been the same for all North Carolinians. Indeed, workers of color were hardest hit by the Great Recession, with African-American and Hispanic workers facing considerably higher rates of unemployment and underemployment than white workers. Representing more than one-third of the state's labor force, the well-being of workers of color is important to the performance of the economy.

FIGURE 9:

No improvement in employment opportunities for North Carolina women in the recovery



SOURCE: Local Area Unemployment Statistics, annual averages, Bureau of Labor Statistics

The recession and recovery have alternately impacted both men and women at different points. Overall, women's labor-force participation declined by one percentage point more than men's since the start of the Great Recession. Nationally, for the first time since 1970, women lost jobs while men found them.[10] In North Carolina, a rough analysis of available annual data on employment levels for women and men show a similar picture during the recovery period, with women losing 1 job for every 13 that men gained from 2009 to 2010.

The loss of employment for women since the recovery officially started is largely driven by declines in government jobs, particularly at the local level.[11] Over the official recovery period, women have lost more than twice as many government jobs than men nationally.

In addition to the demographic disparities in labor market outcomes, there is a geographic component to disparities. While no community has been left untouched by the economic downturn, rural and micro-politan communities have been particularly hard hit. The loss of a significant portion of their employment base and the dominance of industries hit hard by the Great Recession in their local economies have combined to generate the highest unemployment rates in the state.[12]

FIGURE 10:

The majority of counties experienced a decline in the number of employed persons in the official recovery since June 2009

SOURCE: Local Area Unemployment Statistics, Employed Persons at the County Level, unadjusted.

Prior to the Great Recession, the state's urban areas were largely at the forefront of job creation. The recession has undermined some of the strides in urban areas, especially around Charlotte, where the impacts on the financial, construction and manufacturing industries have been significant to the employment base.

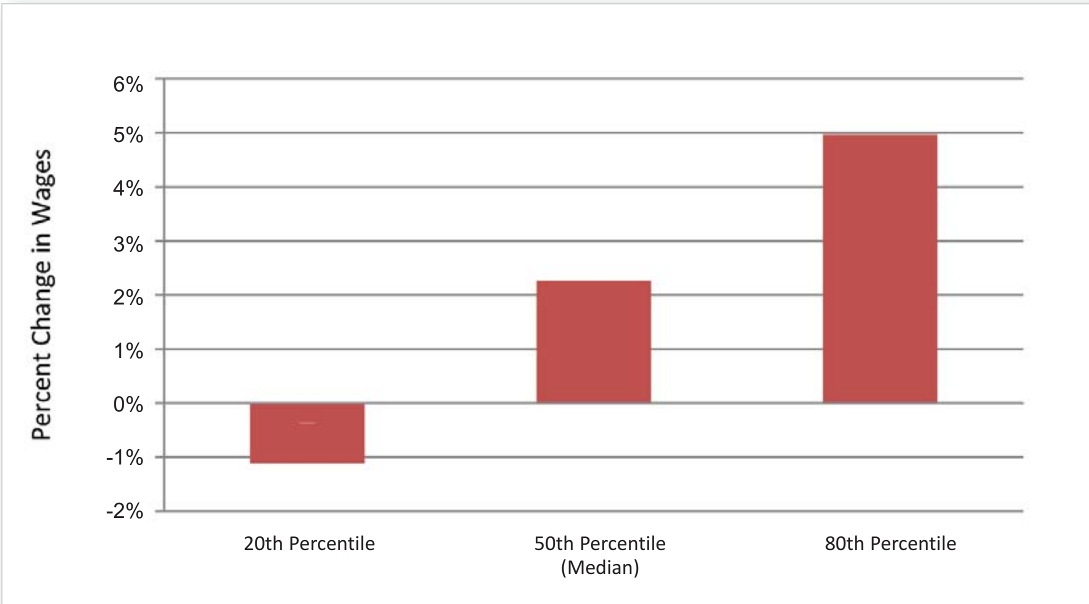
The majority of counties (53) experienced a decline in employment opportunities over the official recovery period. The range was significant; Avery County experienced a 12% decline in employed persons while Washington County experienced an 11% increase. Seventy-four counties experienced a change of employed persons of 1% or less.

A Decade of Growing Inequality

Even before the Great Recession and the jobless recovery, working families in North Carolina were struggling. Throughout the 2000s, North Carolinians experienced declining wages, the loss of benefits and hours, and greater economic hardship. During that decade, those who worked for the lowest wages saw their earnings decline in real dollars.

FIGURE 11:

From 2000 to 2010, workers in the lowest fifth of the income distribution saw their wages decline



SOURCE: Economic Policy Institute analysis of Current Population Survey.

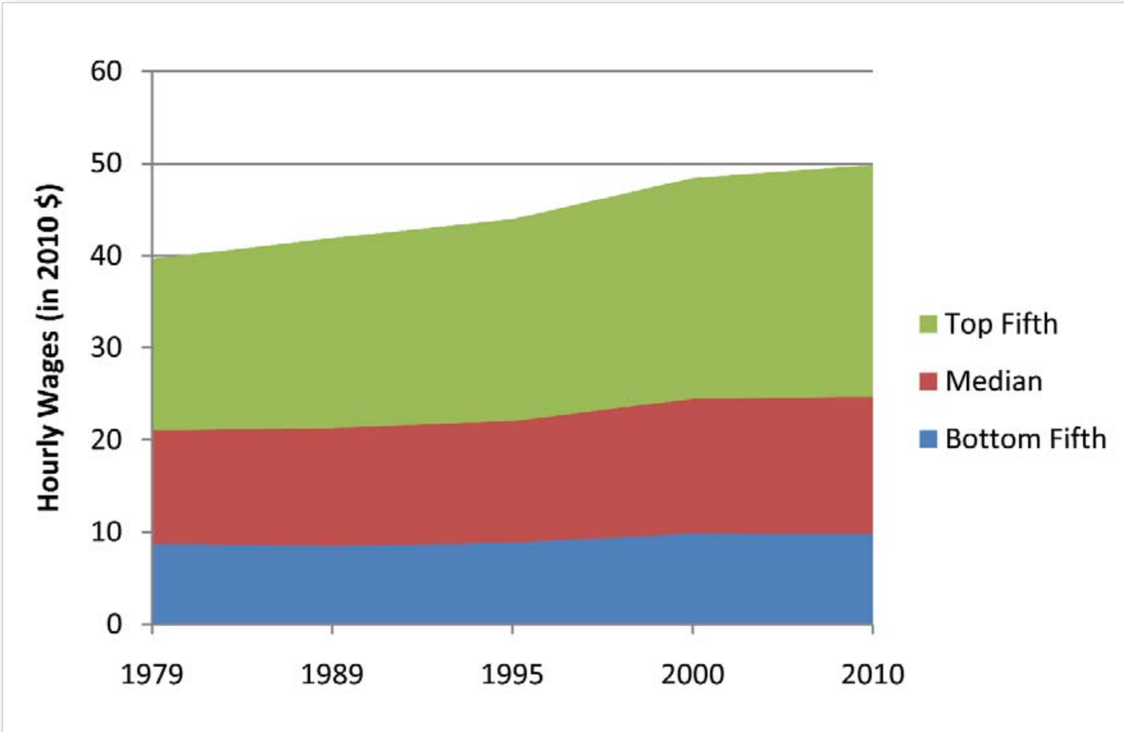
In addition to the erosion of wages and a decline in hours worked, North Carolina's workers have seen a reduction in benefits. Access to employer-sponsored pensions has declined by 14 percent since 1999-2000 to just 39 percent of workers aged 18 to 64 having access to this tool to save for retirement. In addition, access to employer-provided health insurance has declined by 21 percent since 1999-2000 to 19 percent in 2009.[13]

Economic hardship has increased over the decade. As of 2009, one in three North Carolina families was low-income and working. That is an increase of more than 4 percentage points since 1999-2000 when 30 percent of working families were low-income. Four out of every ten children in the state lived in a low-income working family in 2009, meaning the family's income is less than 200 percent of the federal poverty level.[14]

The decline in earnings for low-wage workers during the 2000s in North Carolina mimics a national and state-level trend over an even longer historical period. The past 30 years have delivered little wage growth for median- and low-wage workers, while those at the top of the income distribution have seen their wages increase.[15]

FIGURE 12:

The top fifth of the income distribution saw their wages increase while the bottom fifth's wages remained flat



SOURCE: Economic Policy Institute analysis of Current Population Survey.

In fact, even though the 2000s were a lost decade from the perspective of jobs, new wealth was created in North Carolina; between 2001 and 2008, Gross State Product per capita increased by 5 percent in real terms. Where did the wealth go? Just as in the rest of the nation, the wealthiest families and individuals saw growth in income, while middle- and low-income earners saw their earnings stall or decline in real terms.

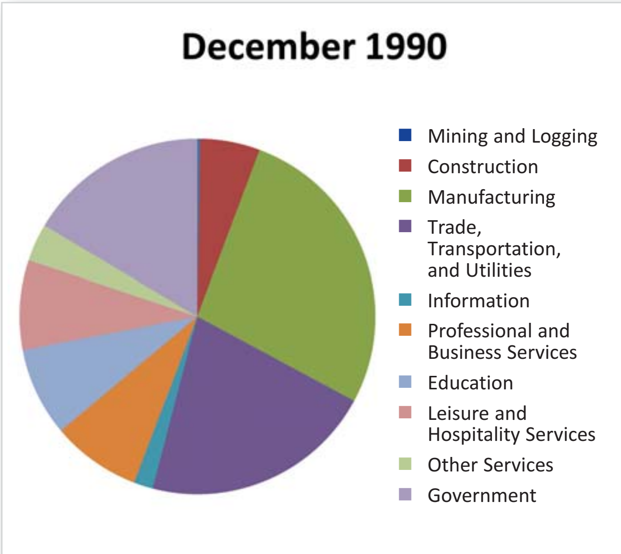
At the beginning of the decade, for every $1 a working family in the bottom quintile earned, a working family in the top quintile earned $8. By the end of the decade, that ratio grew such that for every $1 a working family in the bottom quintile earned, a working family in the top quintile earned $9.70.[16]

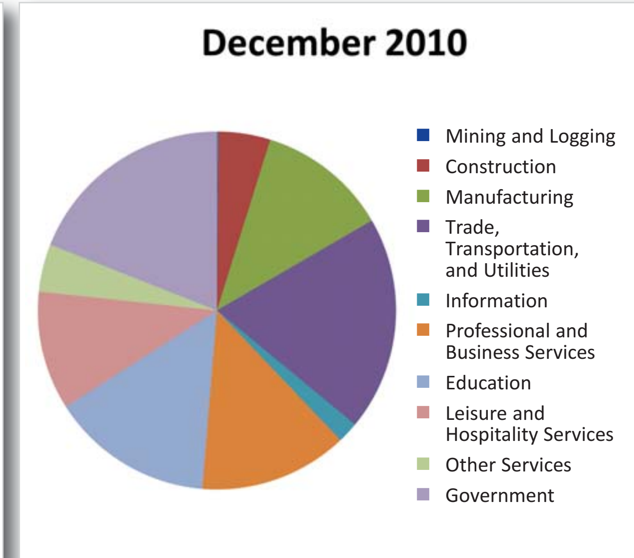
North Carolina's changing labor market

The greatest employment declines of the Great Recession occurred in manufacturing; construction; and trade, transportation and utilities. This only served to accelerate the 20-year decline in employment in these industries.

FIGURE 13:

Long-term Shifts in Employment by Industry Accelerated during the Great Recession

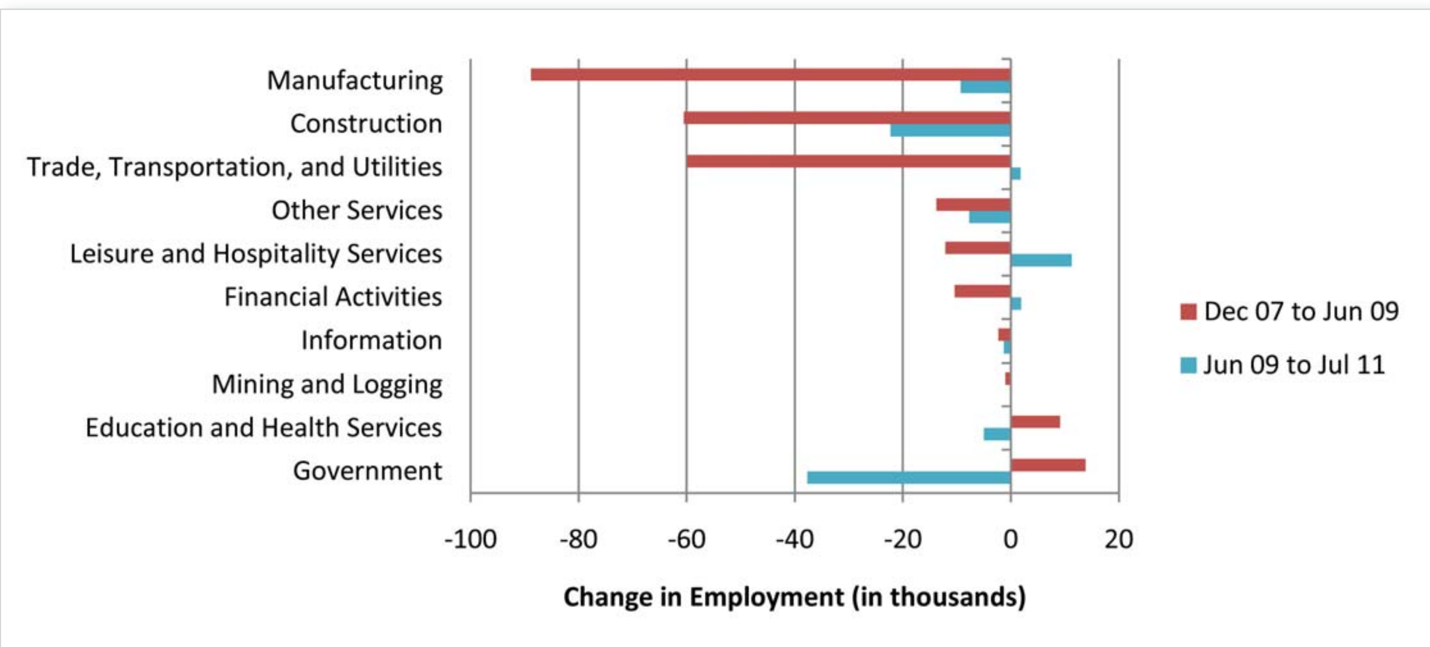




SOURCE: Current Employment Statistics, December 1990, 2007, 2010

FIGURE 14:

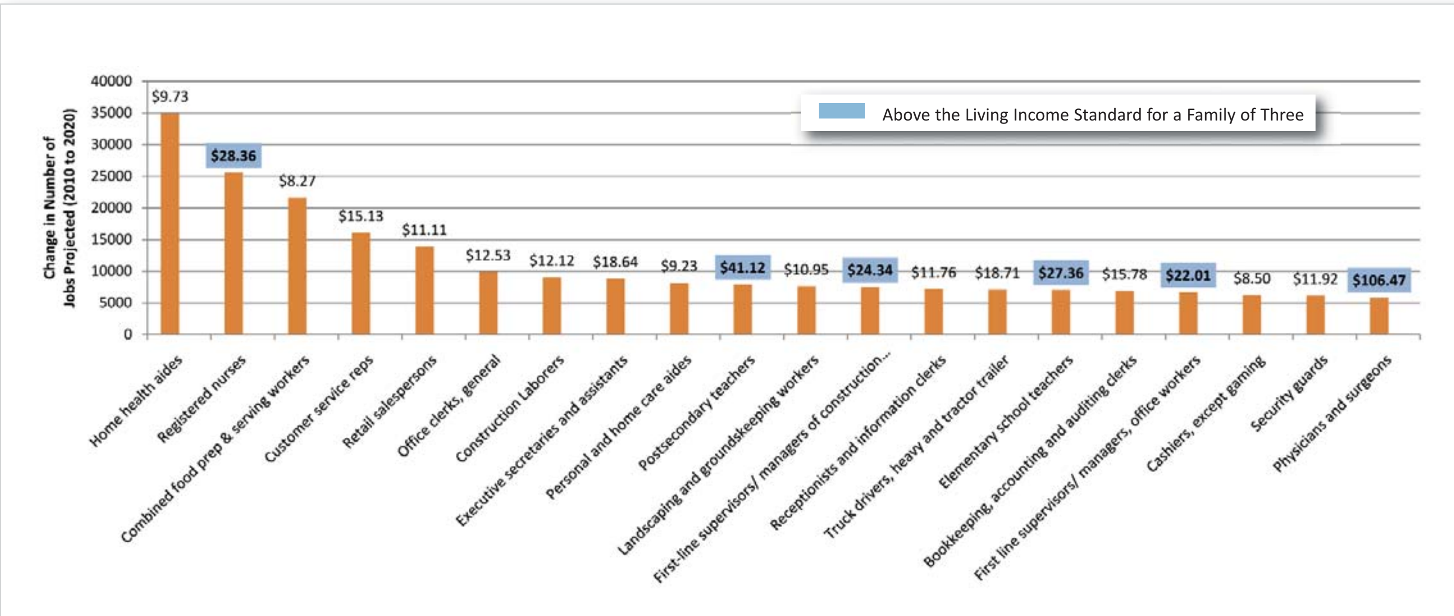
Only 3 industries have experienced employment growth in the official recovery period to date



SOURCE: Current Employment Statistics Survey, December 2007 to July 2011.

FIGURE 15:

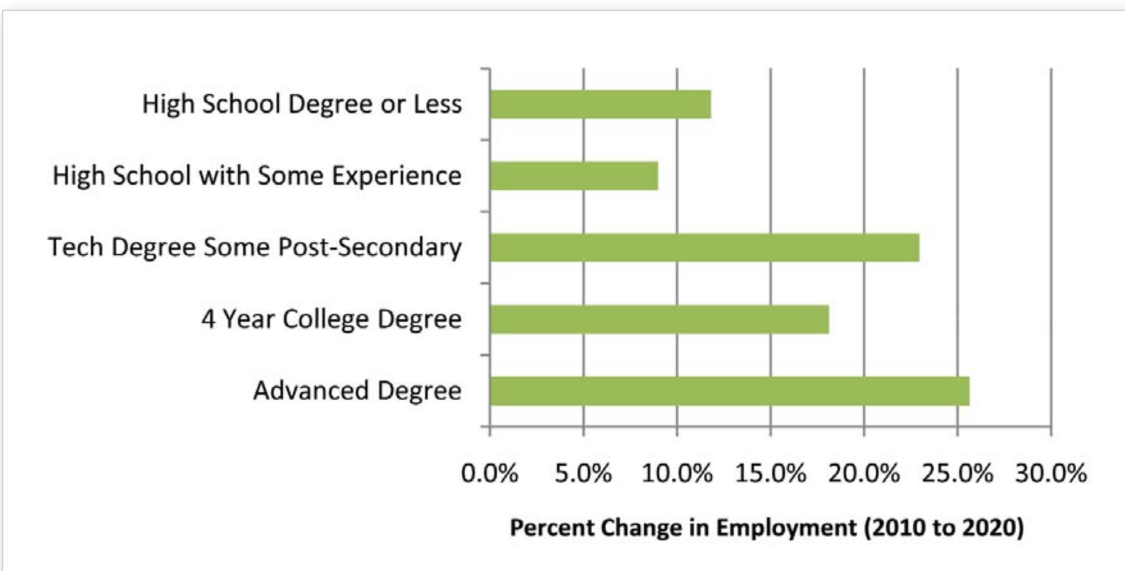
Projected Job Growth Concentrated in Occupations Paying Below Living Income Standard



SOURCE: N.C. Commission on Workforce Development, June 2011. Living Income Standard is for a three-person family: one adult, two children.

FIGURE 16:

Projected employment growth will be in jobs that require middle-skills or advanced degrees



SOURCE: N.C. Commission on Workforce Development, 2011 State of the N.C. Workforce.

The official economic recovery period has also begun to reveal a changing pattern in the industry composition of the state's economy. From June 2009 to June 2011, the industries that experienced the greatest growth are administrative and waste management and professional and business services.

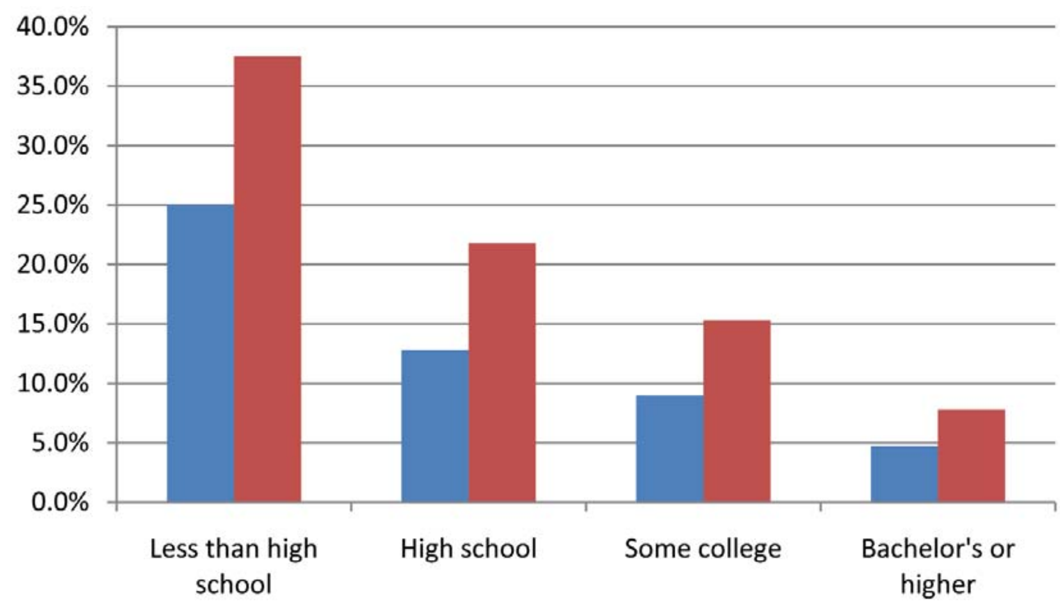
The Protective Force of More Education in a Bad Labor Market

THE GREAT RECESSION has demonstrated that post-secondary education provides some protection against the worst of labor outcomes—unemployment and underemployment—of an economic downturn.

Despite the lower rates of unemployment or underemployment for North Carolinians with higher educational attainment, it is important to note that for all North Carolinians these rates have nearly doubled over the period of the Great Recession and official recovery. In combination with evidence of the lack of jobs available to job-seekers, there is little support for the notion that the primary driver of labor market troubles is structural, that is a mismatch between the skills of workers and the jobs available.[17]

FIGURE B:

Workers with more education have lower unemployment and underemployment rates



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

The high-growth occupations of the next decade will be concentrated in health care, retail service and business services.[18] However, many occupations in these industries pay below the state's Living Income Standard for a family of three. The Living Income Standard, a market-based approach to estimating how much income a working family with children must earn in order to pay for basic expenses, shows that a family of one adult and two children needs an annual income of between $34,454 and $47,377, depending on where they live.[19]

Conclusion

The Great Recession presents new challenges for employers, policymakers and workers seeking to negotiate the economic changes in North Carolina. The state's economic success requires good-paying jobs and a productive, engaged workforce that is supported in its employment.

It is essential, then, that North Carolina's policymakers refocus on the state's job deficit and immediately work to create good, quality jobs and maintain countercyclical programs, like unemployment insurance, which can maintain consumer spending. Making sure that work is supported through investments in policies that make work pay and that workers have multiple career pathways towards advancement is equally critical for the economy to expand.

North Carolina faces a significant challenge in closing the nearly half-million jobs deficit. The commitment of policymakers, engagement of the private sector and attention to the important role that workers play in growing an economy will all be required to meet that challenge.

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