Don’t Call It a Comeback
State policy choices have violated the promise of hard work for North Carolinians
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Introduction

Hard work is supposed to provide the income to allow people to get by and set their children up for future success. North Carolina policymakers have violated that promise, both with their policy choices that make it more difficult for North Carolinians to connect to good jobs and with their failure to enact the policies that make sure work translates into greater economic security.

The national economic recovery began in 2009, but it has yet to reach North Carolinians across the state. Too many workers have failed to find work or left the labor market for lack of jobs in their community. Far too many who are working find their wages falling short of what it takes to make ends meet and otherwise contribute to their communities’ improvement.

The precarious state of working North Carolina in the so-called “Carolina Comeback” is a result of policymakers’ failure to embrace the current reality: We need a policy response to address a number of long-term trends, including:

- The economic transformation away from manufacturing and towards a service economy;
- The changing nature of work and relationships between workers and employers; and
- Demographic shifts in the workforce.

State policy choices have instead prioritized trickle-down economics over common sense, which makes North Carolina workers’ struggle for economic well-being even greater in the current context.

Our 2016 analysis of the State of Working North Carolina demonstrates clear evidence that contradicts the trumpeting of a “Carolina Comeback” — and shows that low taxes, low regulation and lax labor standards largely do not lead to better economic outcomes nor address the challenges facing North Carolina. The following pages detail critical ways in which overall economic growth, jobs, and the changing nature of industry opportunities are falling short of what our economy, our communities and our people need to thrive. While North Carolina has benefited somewhat from the national economic expansion, the state has not done enough to make sure this period of economic expansion reaches every North Carolinian and every community.

Workers across the state and from diverse backgrounds are at a disadvantage relative to their peers across the country and in the South — even relative to the generations of North Carolina workers before them — because of bad policy choices. Policymakers have chosen to shrink investments in institutions that have built bridges to new careers and protected workers from poverty, and to reduce the standards and guidelines that make it possible for businesses to compete, new markets to expand and workers to thrive. These choices hurt all North Carolinians.
61 percent of the private-sector workforce — 1.3 million workers — lack access to any earned paid sick days.

In N.C., Latinas are paid 48 cents, black women are paid 64 cents, and Asian women are paid 78 cents for every dollar paid to white, non-Latino men.

About 1 in 3 N.C. workers earned wages at or below the official poverty line for a family of four in 2014. This is the 2nd-worst ranking in the nation.

If N.C. employment had kept up with the growing population, there would be over 400,000 more people working today.

150,000 workers in North Carolina are trapped in part-time jobs.
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A LACK OF JOBS HOLDS WELL-BEING BACK

With the headline unemployment rate hovering around 5 percent in North Carolina and across the country — roughly where we stood on the eve of the Great Recession 1 — it might seem like recovery is at hand. But that’s not the whole story. Many North Carolina families and communities contend daily with limited economic opportunity and lingering vestiges of the deepest economic collapse in generations. Any digging into the economic data reveals plenty of evidence that our economy has not fully recovered.

Judged against the standard of history, the current recovery in North Carolina has been remarkably slow. As shown here, the past three economic expansion periods saw a much faster recovery to pre-recession levels of employment and more rapid expansion thereafter. For example, compare the job creation record for the current expansion period to the growth cycle that followed the recession of 1990; 100 months out from the start of the recession in the 1990s, total employment was more than 20 percent higher than pre-recession levels, compared to a net gain of only 3.4 percent this time around.

Indeed, the sluggish pace of employment growth is leaving many working North Carolinians out of work, under-employed, and with fewer new job prospects than most of our neighboring states. There are two key results of not having enough jobs for the state’s workforce that affect us all. First, employers don’t feel the same pressure to increase wages as they do when the number of jobs is a tighter fit to the number of workers and they must compete. Second, when there aren’t enough jobs, people leave the labor market even though they would prefer working. This results in an under-utilization of one of the state’s key assets: its workers.

Figure 1: Economic Growth in North Carolina is Historically Weak

Employment growth for each recession is compared to the level of employment that existed before the recession began. A value of 1.1, for example, would indicate that there were 10 percent more jobs in a given month than existed in the last month before the preceding recession began.

Share of North Carolinians working has not recovered

Tepid job growth has left a smaller percentage of North Carolinians employed today than before the Great Recession. The past seven years mark the first time in recent history that North Carolina’s employment rate has been consistently below the national average for a sustained period. Both our state and nation are still below pre-recession levels of employment, but the drop-off has been particularly dramatic here in North Carolina.

North Carolina hit its modern employment high-water mark in 1990 when 66 percent of North Carolinians had a job, a full 3 percentage points higher than the national average. After the economic downturns around the turn of the millennium, North Carolina lost ground and was largely on par with the national average rate of employment. The Great Recession saw North Carolina’s employment rate decline dramatically again, and to this day it has not fully recovered.

When the Great Recession took hold at the end of 2007, approximately 63 percent of North Carolinians were working. Even after several years of employment growth, the share of North Carolinians with a job has only inched back up to 58.5 percent in June of this year. To put that decline in context, if employment in North Carolina had kept up with our state’s growing population, there would be over 400,000 more people working today. ²

North Carolina’s growing labor force is an asset

The growth in North Carolina’s working age population far outpaces the national average and thus sets the state up to leverage it as a significant asset for improved economic outcomes. Since the start of the recovery in July 2009, the state’s labor force has grown by 6.1 percent relative to the national average of 2.8 percent. Despite the growing size of the labor force, the rate at which people are participating in the labor market, either working or looking for work, is declining — which signals the economy is in worse shape than other indicators may suggest.

While many argue that the decline in labor force participation is primarily due to long-run demographic trends like the aging and retirement of the baby boomers and the increased college enrollment of young people, there is significant evidence to suggest the lack of jobs deserves equal weight. North Carolina-specific data provides evidence that there is something amiss. First, Figure 3 shows that even prime working-age labor force participation has declined over the recovery. Second, if one were to calculate what anticipated labor force participation would be based on the trend from 1989 to 2007 (the period between two high points in the business cycle), the actual figures are often

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² Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

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Figure 3: Even Prime Working-Age Labor Force Participation Has Declined Over the Recovery

Workforce participation in North Carolina, actual and anticipated if pre-2009 trend had continued.

<table>
<thead>
<tr>
<th></th>
<th>Actual 2009</th>
<th>Actual 2015</th>
<th>Actual Difference</th>
<th>2015, if pre-2009 trend had continued</th>
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<tr>
<td>All</td>
<td>64.2%</td>
<td>61.5%</td>
<td>-2.6</td>
<td>62.6%</td>
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<td>Age</td>
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<tr>
<td>16-24 yrs</td>
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<td>53.0%</td>
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<td>25-54 yrs</td>
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<td>55 yrs and older</td>
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<td>64.3%</td>
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<td>Education</td>
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<td>Less than high school</td>
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<td>40.8%</td>
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<td>Bachelor’s or higher</td>
<td>75.6%</td>
<td>73.5%</td>
<td>-2.1</td>
<td>73.1%</td>
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Unemployment insurance changes made in 2013 continue to play out poorly in communities across the state. Jobless workers have lost access to a system designed to provide temporary support while they seek new jobs, and communities facing significant job loss and persistently high unemployment have lost a stabilizing resource in their local economies.

This is a problem for the economy overall because unless the amount each worker produces grows substantially, a decline in the labor force participation will suppress the potential for the economy to grow. At a more individual level, workers who are unemployed for long stretches are likely to see their skills erode, find it more difficult to get a job due to gaps in their employment history, and suffer severe financial and health challenges. This economic scarring can also create hurdles for these workers’ children, who may fall into poverty and find it difficult to move up the economic ladder.

Changes in Unemployment Insurance

Unemployment insurance is a proven tool that keeps workers connected to the labor force and minimizes their risk of falling out of the middle class during an economic downturn. It also provides an important source of stabilization to our consumption-based economy when downturns occur.
SOLUTIONS: HOW TO CREATE MORE JOBS

- Provide access to capital for start-up firms and expansion of existing firms
- Subsidize employment opportunities for long-term unemployed and low-income workers
- Reform the unemployment insurance system so that it is adequate for workers and thus stabilizes local economies
- Create the conditions that attract and retain businesses by investing in quality schools, safe neighborhoods and natural resources that deliver a high quality of life

NORTH CAROLINA NEEDS MORE GOOD JOBS

Not only has the economy failed to create enough jobs to meet the needs of North Carolina’s workers, but the majority of the jobs that have been created don’t pay enough to make ends meet, provide necessary benefits to help families get by, nor create sustainable pathways into middle-class prosperity. In short, North Carolina is not creating enough quality jobs: employment opportunities that pay workers enough to afford the basics like food and doctor visits, ensure retirement security, and provide paid time off when they or family members are sick. And without enough quality jobs, the middle class will shrink, consumer spending will drop, local business sales will suffer, and the overall economy will contract.

One of the biggest drivers behind the decline of quality jobs is the shift in the state’s economy from manufacturing, such as production, construction and materials transportation, to services, and the consequent loss of so-called “middle-wage” jobs that required minimal education and paid middle class wages. In their place, workers face employment growth in occupations that pay low wages and demand little in the way of education, coupled with growing job opportunities in high-wage industries that remain out of reach without significant education and training. The state is following a very similar national trend. 7

As seen in Figure 4, employment in middle-wage occupations that pay a median wage between $25,000 and $54,999 per year declined by 81,000 jobs from 2009 to 2016.

At the same time, many of these middle class jobs were replaced by jobs in service occupations,
which puts workers in a serious dilemma. On the one hand, the fastest growing occupations required little in the way of skills or retraining, but they paid a lot less. On the other, the occupations that pay decent wages often require significant formal education and skill development, which may be out of reach for many workers due to cost or other factors.

As a result, many workers found themselves locked into low-wage occupations with little opportunity to achieve basic financial security, upward mobility, or middle-class prosperity. For example, the single fastest-growing occupation is Food Preparation, which pays just $18,658 per year and expanded its payrolls by more than 48,000 jobs over the past 7 years. Similarly, these three occupations together increased by 41,000 jobs, equivalent to half of the middle-wage jobs lost to manufacturing decline:

- Personal Care ($20,613)
- Healthcare Support ($23,109)
- Sales Occupations ($24,600).

When added together with other similar occupations, the low-wage segment of the economy (occupations paying between $0 and $24,499 per year) saw significant expansion, growing by 90,590 jobs from 2009 to 2016. And at the same time, the state’s high-wage occupations (which pay median wages from $55,000 and above) experienced similar expansion, growing by about 88,270 jobs over the same period, including occupations that require significant education and training such as:

- Computer Programming ($79,000 per year)
- Management of Companies ($102,000)
- Architecture ($69,800).

**Wages have not experienced a comeback**

In most periods following a recession, workers typically see their wages grow over time. Yet, in this recovery, Tar Heel workers have seen their wages actually fall in the years since the end of the Great Recession. In fact, the median North Carolina worker (the person in the middle of the earnings distribution) saw the value of an hour's work decline nearly 1.5 times as much as median workers in the rest of the South, a region already long associated with low wages (see Figure 5). So not only have wages not experienced a “comeback” from the recession, workers are actually getting paid less than they were before the 2007 recession, and are seeing their wages fall faster than every other state in the South except Georgia.

In the current economic recovery, not only are workers grappling with the lack of a meaningful “comeback” in wages, they are also experiencing a similar erosion in the kinds of jobs that provide them with the stability and benefits they need to adequately support their families over the long term. Stable work provides a contract for long-term employment and provides workers with sufficient work time to earn enough to meet the financial needs of themselves and their families. Moreover, workers count on regular income and benefits in order to make ends meet month to month, plan for their retirement or their children's educations, and survive when illness or unexpected disaster strike.

But in the years since the end of the recession, workers have seen this kind of stability increasingly vanish. One of the most obvious signs of rising instability in the North Carolina labor market
involves the growing number of underemployed workers — people who are involuntarily working in part-time jobs because there are no full-time job opportunities available. In 2016, 3.7 percent of workers are underemployed, which in North Carolina translates to about 150,000 workers who are trapped in part-time jobs. Even more troublingly, this number has grown since the end of the recession, up from 109,000 involuntarily part-time workers in 2009. As shown here, the real level of unemployment and underemployment is almost twice what it would seem based solely on the headline unemployment rate.

There are many ways to measure the number of people who can’t find a job. The headline rate only captures people who have actively looked for work in the past few weeks, which is an important thing to know, but excludes other groups of people who are struggling to find decent employment. When we include people who have not sought employment recently because they believe that there are no jobs to be found and workers who are settling for part-time work because they cannot secure a full-time position, the depth of North Carolina’s employment problem becomes more readily apparent.

Moreover, many part-time workers face erratic scheduling that results in unpredictable hours and, thus, significant fluctuations in earnings week to week. National estimates suggest that one in ten workers cannot predict the hours that they will work the following week. These workers are most likely to earn low wages, be from communities of color, have only a high school education and work in sales or retail.

Alongside the steady replacement of full-time jobs with involuntary part-time work, North Carolina’s workers have seen their opportunities to ensure financially sound retirement steadily diminish. Americans’ retirement security traditionally rested on three pillars: Social Security, individual savings, and an employer-provided pension. Unfortunately, the boom in low-wage work has seriously undermined the ability of...
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families to earn enough income — after paying necessary bills like groceries, rent, and healthcare — to set aside money for retirement. And employer-provided pensions have declined over the course of the recovery. 11

Since 2009, the percentage of workers without some kind of employer-provided pension or retirement savings plan has increased from 60 percent in 2009 to 61 percent in 2013 (the most recent data available). This means that almost 45,000 fewer workers have a pension or employer-assisted retirement plan in 2013 than they did in 2009. Unfortunately, this is part of a long-term trend undermining retirement security — only 54 percent of workers lacked a pension in 2001. And at this rate of decline, more than two-thirds of North Carolinians will lack an employer-provided pension by 2025.

Lastly, a quality job allows employees to take time off when they’re sick or when they need to take care of a sick family member. Unfortunately, far too many of jobs fail to provide these important protections, forcing thousands of North Carolina’s workers to choose between their paycheck and going to work sick. In North Carolina, 61 percent of the private-sector workforce — 1.3 million workers — lack access to any earned paid sick days, up from 53 percent in 1999. 12 And even more troublingly, the workers who lack access to paid time off are often concentrated in those

SOLUTIONS: HOW TO ENSURE THE JOBS CREATED ARE QUALITY JOBS

• Provide paid leave insurance that is available to all workers regardless of whether their employers provide it
• Allow employees access to a retirement savings program
• Maintain job quality standards for all corporate subsidy programs
• Establish a state minimum wage that more closely aligns with the cost to make ends meet
• Invest in skills training programs that allow workers to have career mobility
occupations that pay the lowest wages and pose the greatest public health risks for transmitting disease: More than 77 percent of all workers in food service occupations and 69 percent of workers in personal and home care occupations don’t have access to paid leave. Given that many people of color work in these occupations, the lack of paid leave hits communities of color especially hard (Figure 7).

This is bad news for an economy already struggling to benefit everyone in North Carolina — sick workers, or workers with sick children, are less productive, and more likely to spread infectious diseases that spread to others in their workplace and their communities, further reducing business productivity.

The decline in the quality of jobs is not inevitable. Lawmakers need to develop a system of policy supports that provide workers with essential benefits they are no longer receiving from their jobs to ensure that the economy works for everyone.

**ECONOMIC GROWTH WITHOUT EQUITY HARM US ALL**

The economy grows best when the gains of economic growth are shared, hard work is rewarded with pay, and inequality is low. Bigger paychecks for the typical worker mean that they can keep up with rising costs and afford the family basics, in turn spending locally to support businesses and the economy. Yet, wages are failing to grow in tandem with economic growth because the gains of hard work are not being shared like they were in the past.

For a good chunk of the 20th century, workers saw their hard work pay off. As workers increased their productivity — i.e. the output of goods and services per hour worked — they boosted profits and earned higher pay. In other words, productivity gains translated into wage gains, boosting living standards and enabling the vast majority of workers to buy what they produced.

Over the past 35 years, however, a wedge developed between wage growth and productivity gains (see Figure 8). Workers in North Carolina have been experiencing long-term wage stagnation despite delivering (modern) high productivity gains for their employers. Between 1979 and 2013, productivity grew 86.3 percent, while hourly compensation of the median worker in North Carolina grew just 22.0 percent. That means productivity grew nearly four times faster than typical worker compensation.

The Great Recession and its aftermath worsened the disconnect between productivity and broad-based wage gains. Workers continued to increase productivity from 2009 to 2013, by 2.6 percent, but employers failed to redirect any of those gains into the typical worker’s paycheck and benefits package. Median hourly compensation moved in the opposite direction,
Figure 8: NC Workers Not Benefitting from Increasing Productivity
Cumulative growth of productivity and real hourly median compensation for production/nonsupervisory workers, 1979-2013

Race and gender intersect in ways that contribute to a double burden for the typical female worker of color, who faces the largest wage deficit. In North Carolina, Latinas are paid 48 cents, African-American women are paid 64 cents, and Asian women are paid 78 cents for every dollar paid to white, non-Hispanic men.


...
In addition, earnings are skewed sharply by one’s background. Women and workers of color in the middle of the hourly wage scale continue to earn wages below the state median; the typical male worker and white worker earn above the median (see Figure 8). Race and gender intersect in ways that contribute to a double burden for the typical female worker of color, who faces the largest wage deficit. In North Carolina, Latinas are paid 48 cents, African-American women are paid 64 cents, and Asian women are paid 78 cents for every dollar paid to white, non-Latinx men. Wage disparities harm us all because they hold back the entire economy: North Carolina’s economy would have been $63.53 billion larger if there had been no racial gaps in income in 2012.

These wage disparities reflect historical and ongoing structural and economic barriers that limit women and people of color from fully competing with their counterparts. Government-sponsored discrimination created these disparities, and current low-tax, low-investment, and low-regulation policies exacerbate them. People of color in particular have long lacked equal access to good-paying jobs and high-quality schools, which in turn can limit skill sets, educational attainment, and access to economic opportunity. Occupation and labor force experience help explain some — not all — of the disparity, but a worker’s career path is shaped by discrimination, place, cultural norms, caregiving burdens, and other systemic factors.

Approximately 1 in 3 workers in North Carolina earned wages at or below the official poverty line for a family of four in 2014, up from 1 in 4 workers in 2000. This is the 2nd-worst ranking in the nation, only behind Arkansas.

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**STATE LAWMAKERS LIMIT EFFORTS TO RAISE THE WAGE**

Hard work is not always enough to keep the lights on, put food on the table, or provide for one’s children. Scores of workers right here in North Carolina know that all too well: they work full-time but don’t earn enough to afford the basics. This reality violates the promise of hard work in America — which is why a decent wage floor is needed.

But we don’t have a decent wage floor in North Carolina. State lawmakers went out of their way multiple times to ensure that private employers do not have to provide workers a decent standard of living:

- They have rejected multiple efforts to raise the $7.25 minimum wage that has been in place since 2009 and is set equal to the federal minimum. Just more than half of states and D.C. have raised their minimum wage since 2014.
- They barred local governments from requiring contractors to pay their workers a living wage, provide paid leave or other benefits, or pay its workers on time. Now, localities only have the power to establish wage standards above the state minimum wage for city and county employees. At least 26 localities, including a mix of counties and cities, have wage standards in place ranging from $8.12 per hour in Rocky Mount to $13.52 in Charlotte.

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1 Latinx is a gender-inclusive term referring to people of Latin American descent.
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Income Inequality Has Skyrocketed to Pre-Great Depression Levels

Workers are also facing entrenched and growing income inequality. Looking back to the 1979–2013 period, the shift in the distribution of income is stark. Average household incomes grew by 19.7 percent, but the incomes of the bottom 99 percent grew at just 11.7 percent. Incomes among the top 1 percent doubled (100 percent), meaning they grew five times as rapidly as overall average growth. 25

In 2013, the average income of the top 1 percent of households in the state was 17.7 times greater than everyone else in the bottom 99 percent (see Figure 9). That is near the level of inequality that workers in the state faced in 1929 just before the onslaught of the Great Depression. Notably, households in the state lost ground on the progress they achieved in reducing income equality following World War II through the late 1970s, known as the era of “Great Prosperity.” 26, 27

Stagnant wages for low- and moderate-income households is the root cause of rising income inequality, meaning that securing wage growth for the vast majority of workers is a key to reversing income inequality. 28 These trends and data illustrate why economic growth is not enough. Growth without prosperity — despite hard work — is a failed formula for truly positioning workers, families, and the state’s economy to be competitive today and in the future.

Figure 9: Income Inequality in N.C. Near Pre-Great Depression Levels

Ratio of Incomes of Top 1 Percent and Bottom 99 Percent by Year

SOLUTIONS: HOW TO ACHIEVE BROAD-BASED WAGE GROWTH

- Directly raise the pay of state employees through the state budget
- Raise the state minimum wage for all workers
- Encourage local governments to increase the pay of their own workers and remove barriers to public contracting that rewards high-wage employers
- Adopt an Equal Pay policy that would require equal pay for comparable work
THE RECOVERY’S LIMITED REACH

Today’s reality of persistent economic hardship for many North Carolinians and their neighborhoods, towns and communities belies a “Carolina Comeback.” The failure of the current recovery to improve the well-being of all people and places across the state is a problem for the strength of the economy in the long-term.

Without a broader reach of the benefits of growth — availability of good jobs, rising wages and the ability to build assets to protect against the harm of a future downturn — a statistical recovery is without meaning for these North Carolina workers and their communities.

The damage of this policy failure will be felt broadly in the economy, beyond any one demographic group or place in North Carolina. With lower earnings for some, less access to employment for others, and greater barriers to connect to the tools to build wealth, there are fewer engaged in the work of contributing to thriving communities.

For example, the costs of discrimination in the workplace are real — failure to close the earnings differential between workers of color and white workers loses North Carolina billions in output.30

Beyond the immediate economic loss stemming from a failure to address unequal access to opportunity, the state’s missing an opportunity to prepare a stronger foundation for its economic future. North Carolina is becoming more racially and ethnically diverse across most age groups. The growing diversity is especially apparent when comparing today’s youth to today’s older adult population. Over 80 percent of North Carolina’s elders are white, and demographers predict that share will decrease to 73 percent by 2040. On the other hand, 30 percent of North Carolina’s youth are people of color, and that share will rise to nearly 50 percent in the same time.

North Carolina’s workforce is starting to reflect that demographic shift. This makes sense — as older, whiter generations age out of the workforce, younger, more diverse generations are aging in. Millennials, the youngest and most diverse working
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Figure 12: Many Black Workers Still Struggling to Find Jobs in North Carolina
Current unemployment rates in North Carolina by race

Carolina’s working-age population will be people of color. 31 This growing diversity should reflect our economy’s growing strength, but unfortunately it’s bringing our economy’s weakness to the fore. The American working classii will become majority-minority – meaning more than 50 percent people of color — in 2032 (see Figure 11). 32 That will happen in 2021 for older millennials (age 25-35). Latinx workers and other men of color will primarily drive that trend, with Latino men seeing a projected 7.2 percentage point increase in the working class while white men have a projected 5.1 point decrease. 33 White men and women are having an easier time climbing the ladder to the middle class, and they’re leaving their black and Latinx counterparts behind.

North Carolina’s unemployment rate also looks quite different when you factor in race and ethnicity. Unemployment for white and Latinx workers is below 5 percent, while for black workers it’s 9.6 percent. 34 In fact, since 2009, the unemployment rate has increased for black workers even though average unemployment has fallen.

ii The Economic Policy Institute (EPI) defines working class as working people without a college degree.

LAWMAKERS HAVE PURSUED AUSTERITY, LIMITED OPPORTUNITY

While North Carolina was unlike many states in pursuing a balanced approach to the fiscal challenges brought on by the Great Recession, by 2012 new leaders adopted the approach of austerity — significant cuts to investments which also allowed for tax cuts that primarily benefited the wealthy.

The contraction of federal, state and local funding contributed to the slow pace of employment growth. As economist Josh Bivens notes: “If government spending following the Great Recession’s end tracked spending that followed the recession of the early 1980s for the first 27 quarters, governments in 2015 would have been spending an additional trillion dollars in that year alone, translating into several years of full employment.” 42

In North Carolina, policymakers have held down state spending as a share of the economy well below historic levels, even as our population and needs are growing. Among the investments that have been hit by this approach are many of the historic investments that have lifted up struggling communities and built bridges to economic opportunity for people of color and women.

These cuts have included, but are not limited to, elimination of the majority of state funding for community development organizations and minority economic development institutions, elimination of programming for women through the Governor’s Office, elimination of state funding to the NC Rural Center and reduction to the dollars available for infrastructure investment in rural communities. 43
So how does this bear on our state’s economic future? If white North Carolinians increasingly dominate the middle and upper class while making up a shrinking part of the workforce, it means that wealth and upward mobility are concentrating within white families. Meanwhile, workers of color will continue falling behind even though they’re the majority of the workforce. This is damaging to workers regardless of race or ethnicity because it is increasingly clear that economies that deliver more broadly shared benefits grow for longer periods of time and develop greater resilience in the face of economic shocks. After all, if North Carolina barriers to employment and higher earnings persist for a growing share of the workforce, overall incomes will fall, poverty rates will rise, and our economy will be weaker.

The limited reach of the economic recovery is true for places as well. Much of the debate in North Carolina has focused on the ways in which rural North Carolina is being left behind. While an important part of the story, it is also the case that within urban areas, neighborhoods have remained disconnected from growth and, in some instances, have experienced the challenges of displacement brought on by high growth rates that were not broadly benefiting every neighborhood.

The majority of job growth has happened in major metropolitan areas. In fact, since 2009, more than 40 percent of the jobs that have been created in the state were created in Wake and Mecklenburg counties alone. Employment growth over the recovery in urban areas has far outpaced less densely populated communities. Even those rural areas adjacent to metros grew 4 times slower than urban areas. The result of the slow growth in rural areas resulted in much slower growth in total wages. The result is that, since 2009, total wages in rural areas would have been $35.9 million higher if they had grown at the same pace as urban communities.

**Figure 13: N.C. Job Growth Concentrated Urban Areas**

percent of employment growth


**Figure 14: Wages in Rural, Suburban Areas Growing Slower Than Urban Areas, Overall State**

percent change in total wages

State policy choices have violated the promise of hard work for North Carolinians. But the impressive job growth in Wake and Mecklenburg counties has failed to ensure that workers across those counties have the same access to opportunity. Neighborhoods with high unemployment (rates of more than 20 percent) over the five-year period from 2009-2014 in those two counties exist despite the recovery. Twenty-five census tracts (areas roughly equivalent to neighborhoods) in Mecklenburg County had unemployment rates above 20 percent. One in ten high-unemployment neighborhoods in the state were in Mecklenburg County. In Wake County, there was one census tract with unemployment at that level and 10 with unemployment rates above 15 percent.

Alongside the urbanization and suburbanization of North Carolina’s employment opportunities, there has been a weakening of the historic strength of North Carolina’s manufacturing sector, which boosted employment growth in small towns and cities (micropolitan areas) across North Carolina for decades. With the acceleration of job losses — and, particularly, the loss of better-paying manufacturing jobs — in the Great Recession and the failure of these jobs to rebound in the recovery due to global trends and federal policy choices, small cities that were once traditionally gateways to opportunity for more rural parts of the state have failed to see the benefits of the economic expansion.

Of the 26 designated micropolitan areas in the state, 16 have seen their labor force decline, which could be attributable to declines in overall population as well as too few jobs available. Indeed, of the 16 counties where the labor force was declining, the number of employed people also remains below levels when the recovery began. The decline in jobs and the associated loss of earnings means that...
the majority of these gateway communities continue to struggle to secure a foothold in the recovery. It also sets out a bigger hurdle for North Carolinians in more remote parts of the state as they seek to connect to regional opportunity.

Given the growing evidence that inclusive growth is critical to sustaining high levels of economic benefits for more Americans, the experience of North Carolina’s exclusive economic recovery that has failed to reach certain groups and communities is problematic for us all.

FIRST STEPS TOWARD INCLUSIVE ECONOMIC GROWTH

North Carolina’s economy is not working well for many workers and their families. The state’s economic model is broken: Wage inequality, too few jobs for everyone who wants to work, a boom in low-wage employment, and the disconnect between work and place are all holding back widespread prosperity. Because poor policy decisions helped shape today’s economic reality, it will take an equity-driven policy platform to restore the promise of work and ensure that the economy works for everyone.

State lawmakers this year, however, showed no signs of reversing course from their pursuit of a low-tax, low-investment, and low-regulation policy agenda, which is out of line with what research shows will spur and sustain widespread economic prosperity.

There is a better way forward. Here are the first steps that must be taken in the remaining months of 2016 and particularly when legislators return in 2017:

- **Implement strong wage standards to generate broad-based wage growth, fight poverty, and reduce the racial and gender income divide.** State lawmakers should raise the minimum wage to a more adequate wage floor and allow it to automatically grow with inflation. Lawmakers should also remove the prohibition on local governments’ ability to set local wage standards above the state minimum wage for all public and private sector workers. Implementing a living wage ordinance is a local
policy that can improve family economic security, benefit the whole community, and spur a stronger economy. 45

- Invest in public workforce development programs — especially in distressed communities — to equip today’s workforce with the skills required to excel in 21st-century jobs. Lawmakers need to develop a comprehensive plan for retraining the long-term unemployed and people facing barriers to work. The plan should include policies that ensure jobless workers can get the training they need to find a good-paying job and support their economic mobility over the long run, including customizable job training programs that help people build basic skills and apprenticeships that provide on-the-job training and credentials.

Lawmakers should also develop ways to better align work and income supports with job training programs in order to expand career opportunities for low-skilled, low-income adults. One strategy would be to provide state funding for the SNAP (formerly known as food stamps) Employment and Training Program, which is a workforce development program that is locally administered and combines education, training, and support services for SNAP recipients.

- Prioritize building an inclusive economy and design policies and investments accordingly. The state currently employs traditional economic development tools, such as incentives programs, that have failed to effectively target the state’s most economically distressed and under-resourced communities. 46 Given that many communities are not benefiting from economic growth, lawmakers should develop a robust economic development strategy specifically for rural and economically distressed parts of the state. This process should revisit the state’s recent decision to shift away from economic development investments targeted at low-income, distressed populations through community development corporations and various community development finance institutions, as well as ensure that federal Community Development Block Grant dollars are available for the range of purposes that best target low-income household needs.

Hard work should mean a decent living for North Carolinians, but that will only happen if policymakers work to fulfill that promise again by committing to proven policy solutions to build an economy that works for everyone.
ENDNOTES


2. Economic Policy Institute analysis of Current Employment Statistics and Local Area Unemployment Statistics. Estimate reflects the difference between the actual number of jobs in June of 2016 and how many would exist if the level of employment in North Carolina were the same as it was in December 2007.


10. Golden, April 2015


12. SOWNC 2015


16. This data reflects compensation, including all employer-provided benefits along with wages, to avoid understating the trend line in North Carolina workers’ pay.


24. Economic Policy Institute’s analysis of CPS-ORG. Poverty wage is $11.65 in 2014 CPI-U-RS adjusted dollars. 2014 data is the latest available data that is accessible to the authors.


26. Ibid.

27. Again, because some of past government policies were racially discriminatory—notably housing policies that helped build household wealth—this era missed an opportunity to build a more inclusive economy for everyone.


33. See note xxxii.

34. Wilson, Valerie. 2016. State unemployment rates by race and ethnicity at the start of 2016 show a plodding recovery, with some states continuing to lag behind. Economic Policy Institute. Retrieved
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36. Local Area Unemployment Survey (LAUS), July 2009 to June 2016, Change in Employed Persons.


38. Author’s calculation based on Quarterly Census of Employment and Wages.


41. Local Area Unemployment Survey, July 2009 to June 2016, Micropolitan Areas

42. Bivens, Josh, August 11, 2016. Why is recovery taking so long—and who’s to blame? Economic Policy Institute: Washington, DC.

43. See analysis of the state budget at www.ncjustice.org/statebudget


