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BTC Brief

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THE LOST DECADE:

Low- and Moderate-Income Families Lose Ground as Unemployment and Poverty Rise in NC

*Timely,
accessible,
and credible
analysis of
state and local
budget and tax
issues*

KEY FINDINGS:

- During the 2000s, the poverty rate in North Carolina jumped 24.5 percent—from 14.1 percent in 2001 to 17.5 percent in 2010.
- Median household income in North Carolina dropped from 9.4% over the course of the decade—from \$47,823 in 2001 to \$43,326 in 2010, adjusted for inflation.
- Policymakers should consider the decade-long trends of growing poverty and stalling middle-class living standards when proposing solutions to ease economic distress in North Carolina.

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The 2000s represent a unique economic experience characterized by shortened business cycles that failed to provide adequate time for the economy to gain a foothold before downturns began again. During that decade, two recessions hit the national and state economies—with the recovery from the first recession occurring just before the Great Recession struck in 2007. While the 1990s was a decade of economic expansion, the 2000s represent a lost decade for families in North Carolina.

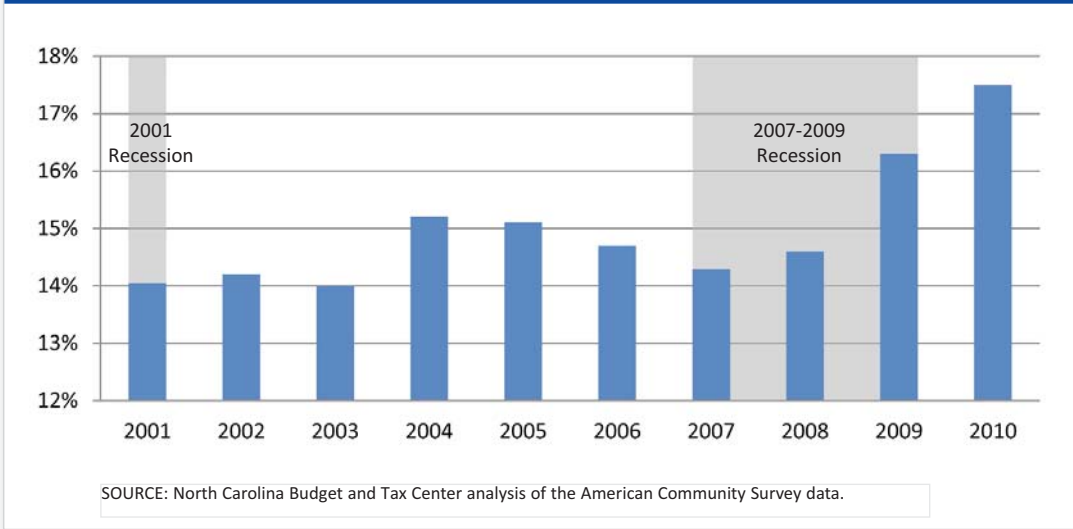
Putting the year-to-year changes in poverty, household income and employment levels into the context of this decade-long trend is of particular importance when considering policies to address economic hardship. This broader perspective suggests that solutions cannot be limited to addressing the current economic downturn, but instead policies should address the restructuring of the state's economy and its effect on all of North Carolina's workers.

Poverty Rose 24.5 Percent over the Last Decade

Driven by the persistent weakness in the economy, North Carolinians at the bottom of the income scale fell further behind during the decade. The poverty rate climbed from 14.1 percent in 2001 to 17.5 percent in 2010—its highest rate since 1981.¹

The 24.5 percent jump in poverty over the last decade corresponds to more than 517,000 additional North Carolinians living below the federal poverty line, which in 2010 was an annual income of \$22,314 for a family of four. Whereas the poverty rate in the state increased slightly after the 2001 recession, the poverty rate spiked during and after the 2007-2009 recession (see Figure 1 on page 2).

FIGURE 1: Poverty Rate Climbs over the Decade



The number of extremely poor North Carolinians also swelled 38 percent from 2001 to 2010. The percentage of people living below 50 percent of the federal poverty level—an income of \$11,157 for a family of four—climbed from 5.6 percent to 7.8 percent during the decade.

Poverty also rose for the youngest people in North Carolina.

More than 166,000 children have fallen into poverty in the state since the beginning of the decade. One out of every four children lived in poverty last year, up from the one in five children in 2001.

Middle-Class Living Standards Stalled during the Last Ten Years

North Carolina households brought in less income at the end of the decade than they did at the beginning. From 2001, when median household income peaked at \$47,823, to 2010, family incomes in the state dropped 9.4% to \$43,326, adjusted for inflation. Median household incomes in 2010 fell to levels last seen in 1993—a sign that middle-class living standards were increasingly out of reach for many families.²

The largest year-to-year decrease in median household income during the last ten years was \$2,454 and occurred between 2008 and 2009. North Carolina experienced a year-to-year increase in median household income in only three of the ten years (see Figure 2 below).

FIGURE 2: A Decade with No Gains in Median Household Income

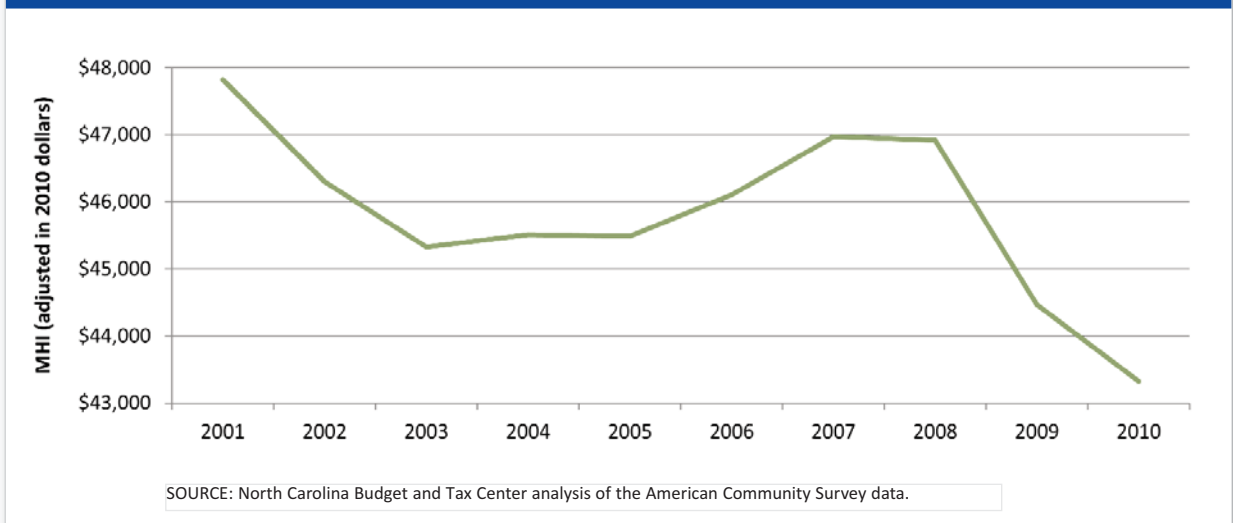
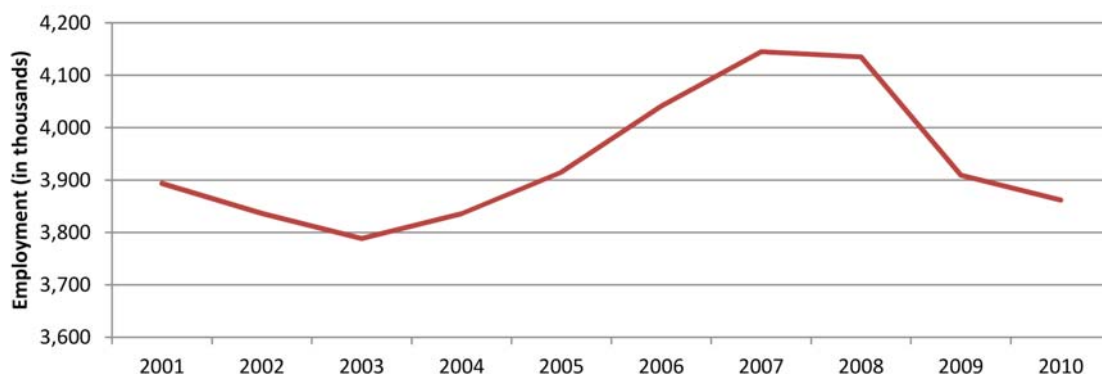


FIGURE 3: Employment Lower in 2010 than at the Beginning of the Decade



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

No Gains in Employment during the Last Ten Years

Job creation slowed during the last part of the decade, driving increased unemployment and compounding the losses in family incomes. North Carolina’s working-age population grew by more than 819,000 people over the decade. Yet, employment was lower at the end of the decade. There were approximately 356,600 more working-age adults employed at the beginning of the decade than in 2010 (see Figure 3 above).^{3,4}

In addition, the latter part of the decade experienced an increase in the share of working families who earned low incomes, meaning they earned less than 200 percent of the official poverty threshold.⁵ In 2009, more than 360,000 of North Carolina’s working families earned low incomes, an increase of more than 70,000 families from 2000.⁶

Conclusion

The data released by the Census Bureau demonstrates that the 2000s were a lost decade for low- and middle-income families in North Carolina. Prolonged deterioration in income and rising poverty is no surprise given the lack of job creation and continued job loss. As job seekers remain unemployed and the share of working families who earn low incomes increases, family incomes and opportunities decline and poverty rises. Policies that rebuild the state’s economy must not just contend with the impact of the Great Recession, but should address the longer-term trends—the growth of low-wage work, for example—that have created an economy characterized by persistent and growing poverty and a struggling middle-class.

1 North Carolina Budget and Tax Center analysis of United States Census Bureau data.
 2 North Carolina Budget and Tax Center analysis of American Community Survey data.
 3 “Intercensal Estimates of the Resident Population by Sex and Age for NC: April 1, 2000 to July 1, 2010.” United States Census Bureau, Population Division. September 2011.
 4 Economic Policy Institute analysis of Current Employment Statistics survey data.
 5 “Great Recession Hit Hard at America’s Working Poor: Nearly 1 in 3 Working Families in United States are Low-Income.” The Working Poor Families Project. Winter 2010-2011.
 6 “A fair day’s pay for a fair day’s work: The importance of family-supporting wages during the economic Recovery.” North Carolina Budget and Tax Center. September 2011.