



North Carolina's economy is competitive with neighboring states

Declining manufacturing, not tax policy, cause for higher unemployment

May 2013

North Carolina is competing effectively with its neighbors, despite claims that the state's economy is falling behind.

Our state is leading or in the middle of the pack in nearly every major indicator of economic competitiveness, except one: unemployment. And that last category is due to North Carolina's over-reliance on disappearing manufacturing jobs. The most promising response to that would be to invest in transitioning our workforce for a 21st century economy through job training and affordable higher education—not wasteful tax cuts for the wealthy.

FIGURE 1: North Carolina's Economy Compared to Neighboring States

State	Poverty, 2011 ⁱ	Median Household Income, ⁱⁱ 2011	Change in Median Household Income, ⁱⁱⁱ 2000-2011	Annual Per Capita GSP Growth, ^{iv} 2000-2011	Unemployment Rate, ^v December 2012
Georgia	19.1	\$46,007	-\$9,410	-0.66	8.6%
South Carolina	18.9	\$42,367	-\$6,062	-0.54	8.4%
Tennessee	18.3	\$41,693	-\$5,793	0.46	7.6%
Virginia	11.5	\$61,882	\$922	0.92	5.5%
North Carolina	17.9	\$43,916	-\$7,258	0.17	9.2%

- **North Carolina's overall economy is competitive.** The state is doing as well or better than neighboring states in such key areas as poverty, household income, and annual per capita economic growth. Since unemployment is the only area the state is lagging, it's clear that North Carolina faces a job creation challenge, not a problem of overall economic competitiveness.
- **The state's unemployment challenge is due to long-term over-reliance on declining manufacturing industries in comparison to surrounding states—not an uncompetitive business climate.** In 2000, more than 16 percent of North Carolina's employment was concentrated durable and non-durable goods manufacturing industries—the most of any surrounding state. This included greater reliance on industries like textiles, apparel, and furniture, which proved most vulnerable to decline in the years since recessions of 2001 and 2007. As a result, North Carolina lost almost 42 percent of its manufacturing employment between 2000 and 2011, greater than the loss experienced by any other neighboring state.
- **If North Carolina's mix of jobs had more closely resembled our neighbors' in 2000, then the unemployment rate would be lower today.** In fact, we would have up to 108,000 more jobs than we do today if North Carolina had resembled the national average in share of total manufacturing employment.

North Carolina has real challenges, but they don't stem from our income tax. Investing in job training, good schools, affordable universities, and efficient transportation systems to attract, retain, and grow competitive industries of the future is a far better approach to reducing unemployment than the tax cuts being debated by the legislature.