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Still Not Back: Six Years into an Economic Recovery, North Carolina's Labor Market Limp Along

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Judging by top-level economic indicators, North Carolina appears to have rebounded from the economic downturn that started this decade. The state's gross domestic product has grown, productivity is up and per capita personal income has ticked up slightly.

Yet the indicators of greatest importance to working families – indicators pertaining to jobs, employment and incomes – tell a different story. A six-year-old economic recovery has yielded little job creation, stagnant wages, static poverty rates, longer spells of unemployment and greater underemployment. Furthermore, a smaller share of the population is employed than in 2000, with the sharpest declines having occurred among younger, African-American and less-educated workers.

Employment Trends in North Carolina, 2000-2006

Employment is fundamental to the financial well-being of most North Carolina families. Though the share of the workforce that is unemployed dropped between 2002 and 2006, the unemployment rate is significantly above the 2000 level (4.8 percent vs. 3.7 percent). The share of unemployed people out of work for six or more months nearly also nearly doubled, going from 10.6 percent in 2000 to 19.3 percent in 2006.

During the same period, the underemployment rate, a more telling measure of labor underutilization, increased for virtually every demographic group. Underemployment rates, moreover, vary with demographic characteristics. Underemployment rates are higher for women than men, younger workers than older ones, African Americans than whites and less-educated people than more-educated ones.

Particularly noteworthy is the fact that the share of North Carolina's population with jobs has fallen. In 2006, only 55 percent of North Carolinians between the ages of 16-24 were employed, as were 60 percent of African Americans and 40 percent of individuals with less than a high school education. **(Figure 1, over, presents key indicators for 2006.)**

Job Trends in North Carolina, 2000-2006

The underutilization of North Carolina's workforce is tied to weak job creation. Jobs typically are created during expansions, eliminated during recessions and recreated during the next expansion. North Carolina's current expansion, though, has deviated from this cyclical pattern.

In 2000, the total number of non-agricultural jobs in North Carolina peaked at 3.92 million before declining to a low of 3.79 million in 2003. Total employment remained below the pre-recessionary peak until 2006, when it reached 4.02 million.

Put differently, it took 63 months (June 2000 – September 2005) for the state’s total non-farm employment to surpass its peak level. The rebound took even longer – 71 months – for private non-farm employment (June 2000 – May 2006). In contrast, it took 24 months for the labor market to recover from the 1990 recession (June 1990 – June 1992).

This “jobless recovery” points to an economy undergoing structural changes. Most notably, manufacturing employment – long the backbone of the state’s labor market – fell by 27 percent between 2000 and 2006. Many of those jobs have been lost permanently.

Today, a variety of service industries are responsible for much of the state’s job creation. Between 2000 and 2006, employment in education and health services grew by 29 percent, followed by a 16-percent rise in the leisure and hospitality industry and a 12-percent jump in professional and business services. Many service jobs, though, pay low wages and offer few benefits. The average annual wage in the accommodation and food service industry, for instance, totaled \$13,100 in 2006, and the average annual retail wage equaled \$23,700.

The Bottom Line: Wage and Income Trends

Sluggish job creation and a slack labor market have prevented North Carolina’s working families from increasing their incomes. Take hourly wages. After adjusting for inflation, the median hourly wage in North Carolina was the same in 2006 as it was in 2000: \$13.49 per hour. During this period, the wages of the lowest paid workers (bottom two deciles) fell, while those paid to most other wage groups increased slightly or experienced little change. Stagnant wages, in turn, help explain the lack of change in North Carolina’s median household income and poverty rate – an unusual development for this late in an economic recovery.

Reversing the Trends

Recent events illustrate how economic growth, while important, is insufficient to improve the living standards of working families. Absent a robust job market, workers have limited opportunities to benefit from or contribute to the larger economy. Wise public policies that strengthen the bargaining power of workers, improve the quality of jobs, buttress social insurance systems and help workers upgrade their skills therefore are needed to translate economic growth into expanded opportunities for working North Carolinians.

Figure 1: Key Labor Market Indicators, North Carolina, 2006

	Employment to Population Ratio	Unemployment Rate	Long-Term Unemployment Share	Underemployment Rate
All Workers	63.0%	4.7%	19.3%	8.6%
Men	70.2%	4.4%	19.5%	7.6%
Women	56.4%	5.1%	19.1%	9.7%
Ages 16-24	54.8%	11.2%	-	18.6%
Ages 25-54	80.2%	3.7%	20.5%	7.0%
Ages 55+	34.6%	2.9%	-	6.3%
White	62.7%	3.5%	20.8%	6.7%
African American	59.7%	9.1%	17.5%	15.0%
Hispanic	78.6%	-	-	7.8%
< H.S. Degree	41.2%	9.9%	-	17.1%
H.S. Degree	62.7%	5.6%	26.0%	10.3%
Some College	68.5%	4.3%	-	7.7%
BA +	76.4%	1.4%	-	3.1%

Source: Economic Policy Institute, analysis of Current Population Survey

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