

## **Brief 1**

# **The State of North Carolina: Jobs, Poverty and Family**

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The connection among jobs, poverty and family well-being is well established. Research shows that the majority of families rely on employment earnings for income. Therefore, as unemployment rises, so does poverty. This brief describes the historical, as well as current, conditions of employment and poverty in North Carolina, and where the intersection between unemployment and poverty lies. If we can better understand poverty trends and barriers to employment, we will be better equipped to find ways to reduce poverty.

### **North Carolina's History of Unemployment and Poverty**

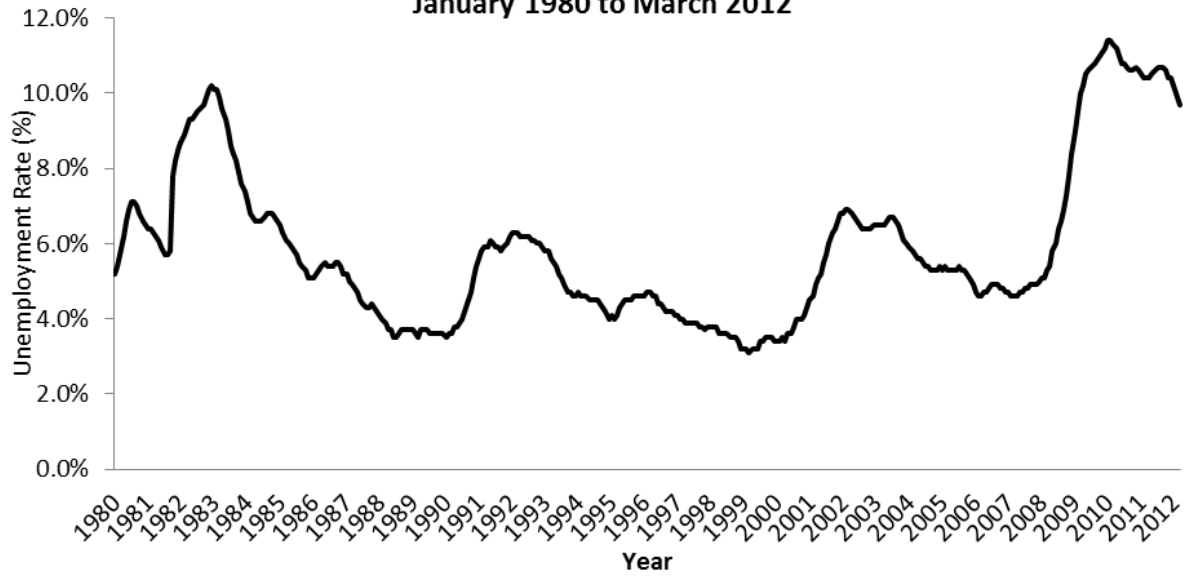
In 2012, North Carolina's economy has many strengths, but it faces many challenges. New opportunities in manufacturing are burgeoning. Farming exports are strong. The population is growing and housing is more stable than in many other states. However, the economic recession that began in 2007 has tested the state budget, stretched federal financial safety nets and destabilized family economic security. More troubling is the fact that unemployment remains high in North Carolina. The unemployment rate reached 11 percent in 2010. In March 2012, the rate stood at 9.7 percent, the fifth highest unemployment rate in the country. The good news is that unemployment in North Carolina has seen a significant drop in the first quarter of 2012.<sup>i</sup> The seasonally adjusted national average for March 2012 was 8.2 percent.

Historically, North Carolina's unemployment has followed the national trends of economic growth and contraction. Still, the rates have fluctuated wildly since the 1980s. At around 3 percent, the unemployment rate was low in 2000. It jumped to nearly 8 percent between 2002-2004, only to lower again and level off to about 5 percent until 2008, when the recent economic crisis led to a very rapid doubling of the unemployment rate.

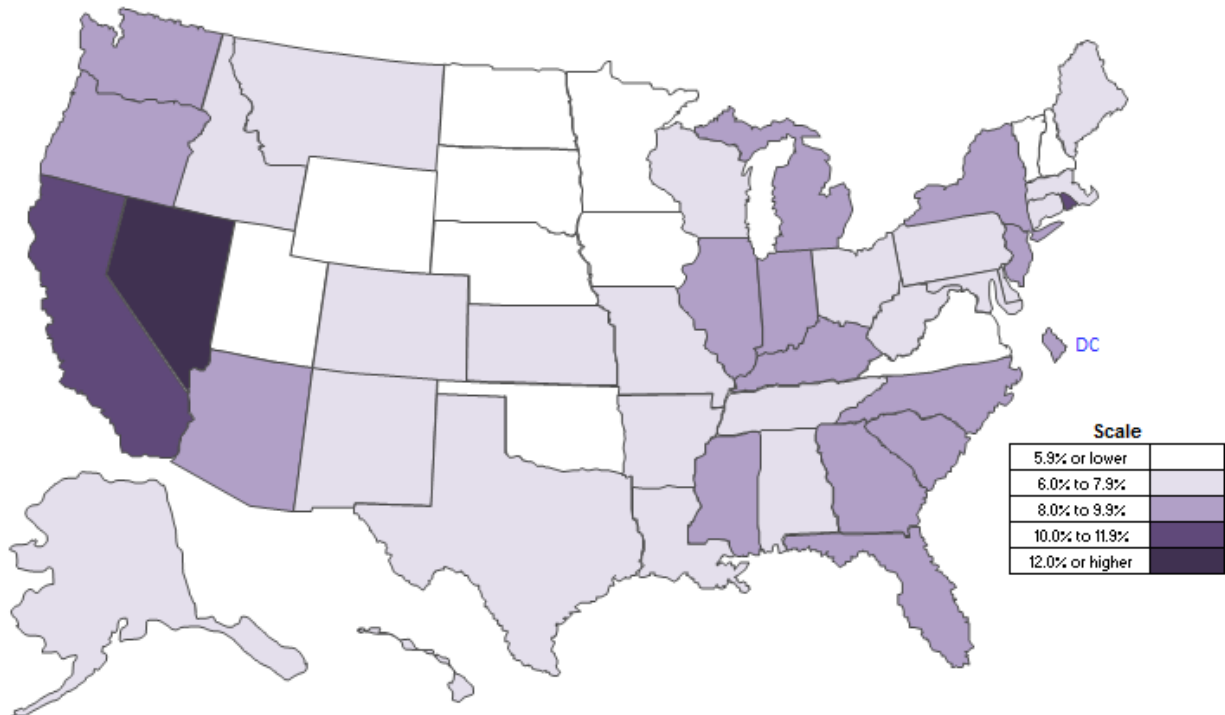
Since the recent recession, North Carolina has experienced high unemployment rates not seen since the mid-1980s. Between 2008 and 2011, unemployment in North Carolina grew from about 5 percent to its peak at about 11 percent in 2010 (see Figure 1). From there, the decline in unemployment has been steady but excruciatingly slow, causing the state's economic recovery to lag behind other states (see Map 1).

**Figure 1**

**North Carolina Seasonally Adjusted Unemployment Rate(%)  
January 1980 to March 2012**



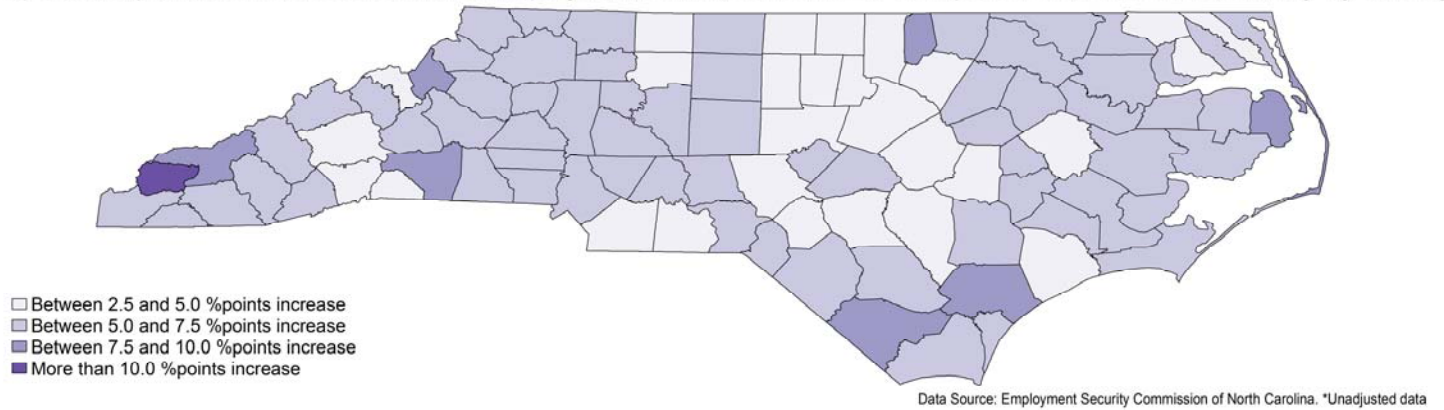
**Map 1. Unemployment Rate Across the United States, March 2012**



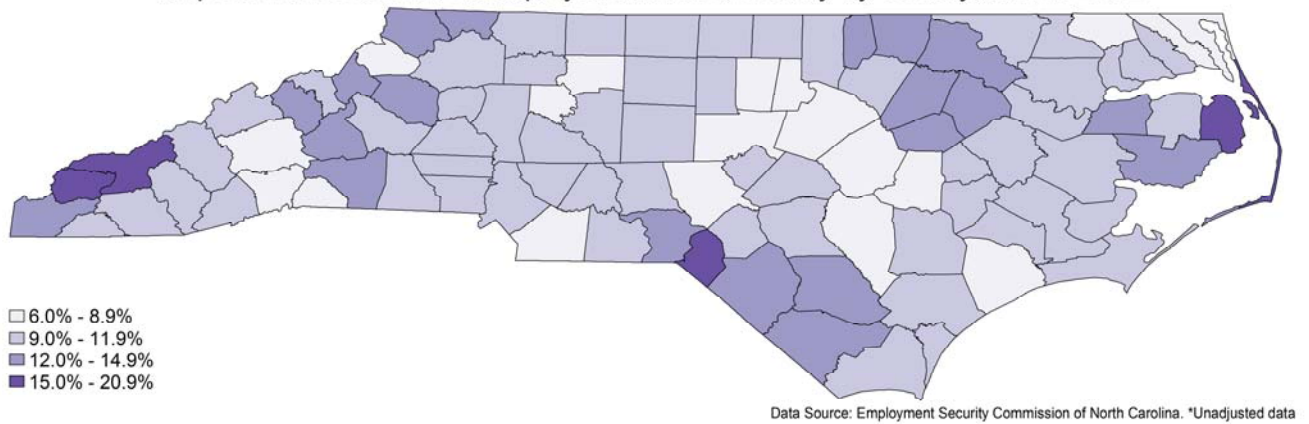
Source Data: United States Department of Labor, Bureau of Labor Statistics. \*Seasonally adjusted

A comparison of unemployment rates in North Carolina counties between March 2007 and March 2012 shows that unemployment increased in all counties (see Map 2). However, urban counties saw more modest unemployment increases during this period (average of 2.5 to 5.0 percentage point rise.) Most non-urban counties saw more significant increases of five points or higher. Current unemployment rates show that most out-of-work North Carolinians reside in rural northeastern, southern and far western counties (see Map 3).

Map 2. Comparison of North Carolina Unemployment Rates; March 2007 Compared to March 2012, County-by-County



Map 3. North Carolina Unemployment Rates, County-by-County, March 2012

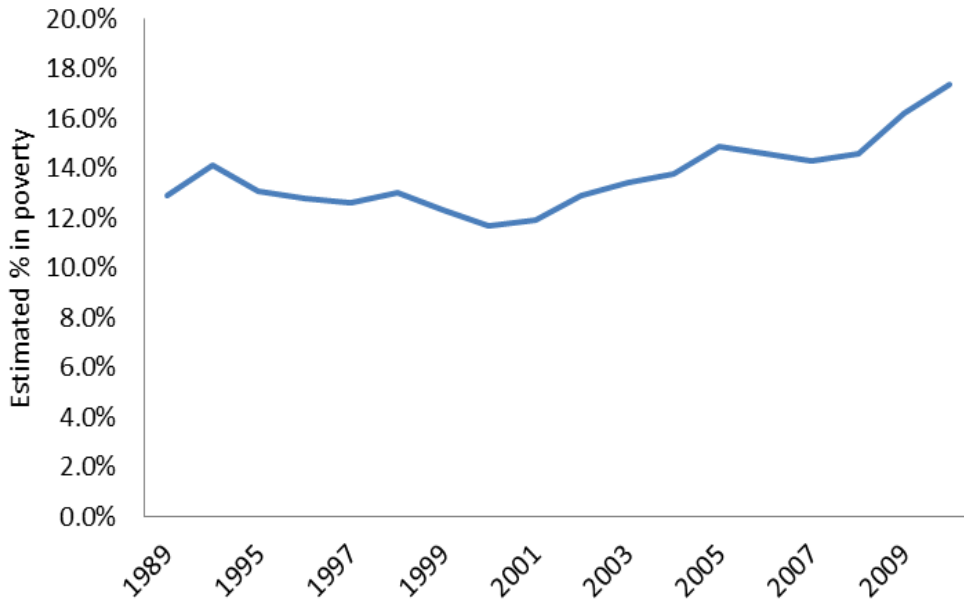


While recent decades have seen significant job growth in urban areas, poverty in North Carolina, especially rural poverty, has increased. Before the great recession, poverty peaked in North Carolina between 1993 and 1994 at about 14 percent. It reached a low point in 2000 at around 11 percent, corresponding to the low unemployment rate. However, after the recession, poverty spiked to 17.5 percent statewide in 2010 (see Figure 2).

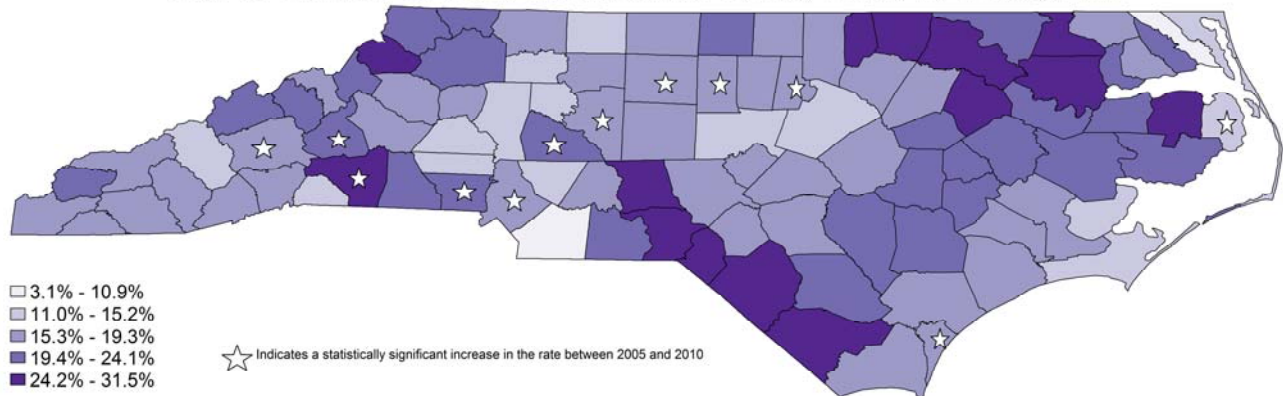
More telling are the poverty rates of individual counties. Rural counties in northeastern and southern North Carolina with the highest unemployment rates also have the highest poverty rates. Some counties, such as Rutherford in the west, Columbus in the south and Bertie in the east, have poverty rates of 24 percent or higher. In fact, there are 14 counties where, as of 2010, at least a quarter of the population was living in poverty (see Map 4). For 12 counties, poverty increased by a statistically significant amount (based on estimates with a 5 point margin of error).

Figure 2

### Estimated Percent of People of All Ages in Poverty in North Carolina, 1989 to 2010



Map 4. Percent of All North Carolinians in Poverty, County-by-County, 2010



Data Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE).

Information about regional unemployment and how it correlates to poverty is useful in policymaking, especially in selecting job programs that are appropriate and sustainable in low- resource counties.

#### High Unemployment and Why It Matters

The correlation between unemployment and poverty is well documented. One study shows that the effect of unemployment is seven times higher than inflation in increasing the poverty rate.<sup>ii</sup> During an economic downturn, unemployment has the largest effects on low-wage earners who are already close to falling below the poverty level.<sup>iii</sup> U.S. Census data shows that poverty increases as the number of weeks unemployed grows. In 2010, the poverty rate of the unemployed was double that of those who did not experience unemployment that year.

More distressing is the number of long-term unemployed. The prevalence of long-term unemployment

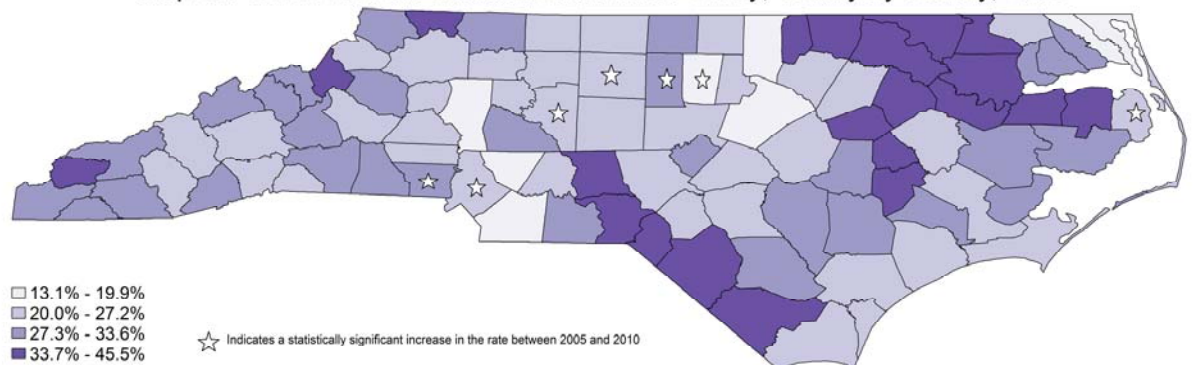
has become so common that the Current Population Survey (CPS), which tracks unemployment, changed its data collection method in January 2011. CPS previously asked individuals to report unemployment for up to two years, but has now extended this duration to five years. CPS states that there was “an unprecedented rise in the number of persons with very long durations of unemployment during the recent labor market downturn.” It approximates that 11 percent of those unemployed have been looking for work for more than two years.<sup>iv</sup> In 2010, 30 percent of those who were long-term unemployed (unemployed 27 weeks or longer) were in poverty. Of course, unemployment affects not just the poor, but everyone in a community. As unemployment has risen and earned income has declined, the overall median household income has fallen. In 2010, the median household income in North Carolina fell by 12.3 percent to \$43,326.<sup>v</sup> Many of these households may be just one job loss away from poverty, a circumstance discussed in Brief 2 of this briefing report.

### Repercussions of Unemployment

For North Carolina families and families across the country, unemployment often means poverty, which may mean hunger, homelessness and other major challenges. Food insecurity is often an indicator of poverty. The United States Department of Agriculture (USDA) estimates that an average of 15.7 percent of households were food insecure in North Carolina between 2008 and 2010. Another 5.2 percent of households had very low food security during the same period. The food insecurity rate has increased significantly from the 2005 to 2007 average estimates of 12.6 and 4.0 percent respectively.<sup>vi</sup> In essence, North Carolina families are struggling to pay bills, afford housing and even put food on the table. Thousands of families are going hungry because of unemployment and poverty.

All told, approximately 17.5 percent of households, or 1.6 million people, are now living below poverty in North Carolina.<sup>vii</sup> That is up from 16.3 percent in 2009, approximately an 18 percent increase. More troubling is the trend of poverty growing among children. In 2010, the child poverty rate in North Carolina was 24.9 percent (see Map 5). That is up from 19.5 percent in 2007, a 21 percent increase. Of the 24.9 percent, about one out of ten were living in deep poverty, which is defined as half the household national poverty threshold.<sup>viii</sup>

Map 5. Percent of North Carolina Children in Poverty, County-by-County, 2010



### Past Policy Recommendations

In 2010, the Joint Legislative Study Commission on Poverty Reduction and Economic Recovery delivered its report to the North Carolina General Assembly. In the report, the bi-partisan committee considered four main areas of concern for North Carolina: tax issues, jobs, state programs and persistent poverty.

Across the four areas, the Commission developed 22 recommendations for policymakers to consider. In the area of taxation, the Commission recommended expansion of the Earned Income Tax Credit (EITC). With regard to jobs, the Commission reported that “if cuts to Medicaid were restored, some 40,000 jobs in the health care industry could be brought back to the state.” It also recommended that the General Assembly invest in child care so that more parents of young children could work outside the home. This recommendation was partially fulfilled in 2011, when a higher proportion of Smart Start funds were allocated to child care subsidies.

Other jobs-related recommendations included expanding Prison Education Programs in the Community College System and Work Opportunity Tax Credits. Regarding State programs, the Commission recommended improving housing programs, providing transportation services to rural areas and improving access to nutritional foods.

To address persistent poverty, the Commission cited the need for effective financial education and parenting education programs beginning in middle school. It also recommended the creation of more charter schools, another recommendation that was fulfilled in the 2011 session by lifting the state’s cap on charter schools.

Finally, the commission recommended the creation of standing committees on poverty reduction in both the House and Senate.<sup>ix</sup>

## Conclusion

The correlation between employment and poverty reduction is well documented. North Carolina is experiencing high rates of unemployment, which has led to an increase in poverty, especially in rural counties which have fewer resources. Poverty is detrimental to families and damaging to society. Policies that support job creation and job programs that get people back to work are essential to lowering North Carolina’s unemployment and poverty rates and supporting families. As discussed elsewhere in this report, policymakers may look to existing policy recommendations by the Joint Legislative Study Commission on Poverty Reduction and Economic Recovery and/or evidence-based jobs programs outlined in the Family Impact Seminar to reduce the unemployment rate, reduce poverty and help families get back on their feet.

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<sup>i</sup>U.S. Department of Labor, Bureau of Labor Statistics unemployment rate. (2012).  
<http://www.bls.gov/cps/>

<sup>ii</sup>Powers, E. T. (1995). Inflation, unemployment, and poverty revisited. *Economic Review - Federal Reserve Bank of Cleveland*, 31(3), 2-2.

<sup>iii</sup>Nichols, A. & Callan, T. (2012). Urban Institute Research of Record: Unemployment and Poverty.

<sup>iv</sup>U.S. Department of Labor, Bureau of Labor Statistics unemployment rate. (2012).  
<http://www.bls.gov/cps/duration.htm>

<sup>v</sup>North Carolina Budget and Tax Center (2010). 2010 Poverty and Deep Poverty Estimates based on U.S. Census Bureau Data.

<sup>vi</sup>USDA (2012) Economic Research Service: Data Sets. State Fact Sheet: North Carolina.  
<http://www.ers.usda.gov/StateFacts/NC.htm#PIE>

<sup>vii</sup>U.S. Census Bureau (2011). Poverty: 2009 and 2010, *American Community Survey Briefs*.  
<http://www.census.gov/prod/2011pubs/acsbr10-01.pdf>

<sup>viii</sup>North Carolina Budget and Tax Center (2010). 2010 Poverty and Deep Poverty Estimates based on U.S. Census Bureau Data.

<sup>ix</sup>The Joint Legislative Commission on Poverty Reduction and Economic Recovery (2010). Final Report to the 2010 General Assembly. Findings and Recommendations. pp. 19-24.