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**Innovating our way to job growth**

Just how are North Carolina’s leading industries doing in the nationwide competition for jobs? Much has been made of the so-called “Carolina Comeback.” Although we are seeing some limited, low-wage job growth, it is important to examine this trend in the context of the national economic turnaround. How much of North Carolina’s job growth is a function of broader global/national economic growth? And can we truly say we are outpacing other states?

We can use “shift share analysis” to determine how we fare compared to other states in capturing our share of the nation’s total job growth. The shift share metric tells us just how much of employment increases in North Carolina’s leading industries were due to growth in the overall U.S. economy, while isolating out the performance of our industries relative to the performance of those same industries nationally. Many of you are familiar with shift share, but for those new to the metric, EMSI provides a helpful primer on the topic.

**Shift-Share Analysis: NC Employment Growth, All Industries, 2008-2013**
What these indicators mean is that North Carolina’s overall industry mix was concentrated in industries with slower growth compared to the collected growth of all industries. Nationally, the growth rate for total employment (all major industries) was 1.47%. Comparatively, our industry mix produced 0.39% growth.

Essentially, our local industries did not perform as well as all industries did collectively on a national level. Comparing North Carolina to Southeast neighbors including Texas, we see that we ranked fifth out of seven in capturing job growth. Keep in mind that this time frame includes the Great Recession. Moreover, North Carolina’s performance was due in large part to its historic dependence on declining manufacturing firms.

When we look at our state’s performance in three key sectors (our leading industries) we see that we kept pace in Finance and Insurance (0.8% compared to 0.6% nationally), underperformed in Transportation (-0.3% compared to 0.0% nationally), and woefully underperformed in Manufacturing (-8.7% compared to -4.4% nationally, as all states lost manufacturing jobs). Looking at sectors where we performed well, we see Accommodation and Food (1.4% compared to 0.8% nationally) and Healthcare (2.7% compared to 2.3% nationally).

Looking at statewide performance doesn’t tell the whole story. A state’s brand, tax structure, industry mix, infrastructure, and institutional health (e.g., health and education) certainly are key factors when a company is deciding where to locate its operations. However, competition for jobs is more typically a regional affair that involves major city/county stakeholders in the considerations and negotiations.

Analysis of regions across the state reveal stark differences in how we are performing on the recovery trail. There we see that our state’s growth is led
primarily by only two urban centers, Charlotte and the Triangle, with other urban areas like the Triad not faring nearly as well, and the rest of the state playing catch up.

So, do we really believe that we’re going to win by relying on the same tired approaches that every other state and locale are pursuing? The buzz word for 2015 is innovation – in fact, IEI built our February 2015 Forum around the theme “Innovation Reconstructed” (full details here). There are some great indicators and metrics on innovation available through the NC Office of Science and Technology. But where the rubber hits the road is in translating that innovation into actual jobs for our citizens. If we can’t win playing the game the same old way, let’s change the rules and innovate!

We here at IEI are always interested in learning and sharing great ideas. So send me (dlcharle@ncsu.edu) some of the innovative ways your region, county, or city has found to grow jobs in the new economy. I’ll highlight some of your ideas in a future issue of my newsletter.

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