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North Carolina's Jobs Problem

Analysts seem to agree that the US jobs market has rebounded, based on steady progress in job growth and a decline in the unemployment rate. Despite the exuberance over these numbers, little attention has been paid to other numbers which paint a less rosy picture of the US and North Carolina jobs markets.

The nation’s employment to population ratio (EPR) presents a dismal picture of the economy’s health. This indicator is a statistical ratio that measures the proportion of the country’s employed working-age population relative to its total population. Many economists prefer the EPR over measures like the unemployment rate because it is straightforward and avoids the potential to underestimate discouraged workers and effects of seasonal changes in the labor market. They regard the EPR as a better measure of an economy’s vitality, in that it captures the productivity of an economy as a function of its producers (workers) and non-producers.

Currently, the nation’s EPR sits at 59.3%. This figure is 5.4 percentage points lower than in 2000 (64.7%) when the national economy was cranking on all cylinders. The current post-recession decline is the worst in the nation’s history. In earlier recessions, the dip in EPR was much smaller and lasted for a shorter
time period. To put these numbers in perspective, the recession low point of 58% EPR in 2010 matches the 58% ratio of March 1953. At that time, our economy under President Eisenhower was predicated on the one-income household model, with a much smaller proportion of the population in the labor force. Based on today’s typical two-income households, this rate of employment participation is alarming.

Source: NC Department of Commerce Data

Looking at this graph, North Carolina’s current EPR, which sits at a low of 56.3%, down from 64.4% in 2000 (the high water mark for the national economy), is clearly troubling. We have a much smaller number of people engaged as productive members of the workforce. Since the end of the recession, North Carolina’s EPR has essentially not budged. In the previous recession, our EPR dipped only slightly (recessions indicated by grayed areas in the chart), but our EPR wasn’t able to fully recover before tumbling again after 2008. In contrast, the unemployment rate has decreased significantly since the recession from a high of 10.6% in 2009 to 6.3% in 2014. But, as noted above, the unemployment rate suffers from some serious deficits in that it does not count discouraged workers – those that have given up on finding work.

To be clear, this is a problem at both the national and state levels. Though many tout our leadership position in the global economy, they should look at our EPR ranking relative to other nations. According to the Organisation for Economic Co-operation and Development, in 2013 the U.S. ranked 19th out of 47 nations. Above and below us on that list are the Czech Republic and Israel. Leading the world are Iceland, Switzerland, and Norway. Nationally, there are 39 states with higher EPRs than North Carolina. Our ranking suggests that we are one of the least effective
states in the nation with respect to our ability to create employment.

Having emerged from the Great Recession, we are at a crossroads as a nation and as a state. If we don’t figure out how to engage a larger share of our workforce, our future will only get bleaker as the economy shifts towards increased automation, fewer workers, and a more contingent labor force (temporary workers). Otherwise, we just may need to redefine the whole idea of work and our entire social support system. I contend that engaging our workforce is far easier and more politically palatable to both sides of the aisle.

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