

Advancing Employment Equity in Rural North Carolina



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Preface

When it comes to growth, North Carolina's urban-rural divide is omnipresent. While our large cities such as Charlotte, Raleigh, Greensboro have experienced rapid population and economic growth over the last three decades, many of our rural areas have suffered from a significant loss of jobs and population.

The reality is that we have the power to address this divide by investing in our greatest asset—our residents. As the research in this report reveals, North Carolina stands to gain more than \$5 billion by simply ensuring that every rural worker who wants full-time employment can find work, and not allowing gender, geography or race to predict their employment status.

Longstanding barriers to opportunity and the creation of new ones only threaten to hinder the state's true role of being a competitive leader, not only in the South but the nation as a whole. It is time to return to what we know works: connecting more people to opportunity, removing barriers to education and work, and building communities that thrive from the coast to the mountains.

In recent years, some have sought to grow our economy through sending benefits to the wealthiest residents and providing tax breaks to corporations. Such a path will neither drive better outcomes nor improve the lives of all North Carolinians.

Every day, communities across our state are showing the real path forward, through practices that support access to meaningful, quality jobs. Whether it is by creating career pathways in health care that connect workers to better paying jobs, or removing barriers to employment for those people who have a criminal record, or simply ensuring that workers can meet the rising cost of living through their wages, community leaders are proving that North Carolina has the ability and resources to make full employment for all our reality.

Unlocking our state's economic potential requires more than a policy agenda. It requires a recognition of the value and contribution of every person from each of our communities, a commitment to strive to reconcile the hard realities of today's labor market with the vision that it can be better through our collective design. It requires a willingness to recognize what works and to work together to will better outcomes into being. Most importantly, unlocking our state's economic potential depends upon the participation and inclusion of all North Carolinians. We are excited to work with all who will join us in making sure our state's economic future is bright through a focus on equity.

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Introduction

After searching unsuccessfully for months to find employment in rural Lumberton, Regina decided to take a temporary position driving fork lifts at a factory two towns away. Despite the one-hour commute, she was hopeful that her strong work ethic would encourage her employer to hire her permanently. But, after two years with the company, Regina is still considered a temporary employee. She is doing her best to support her family on her \$7.95/hour salary, which is \$12 less than the \$19.95/hour her coworkers earn doing the same work in permanent positions.

Michael was excited to find a new job as a cashier at a fast food restaurant in Eden, the small hometown where he was raised and most of his family still lives. The area has limited employment options because most of the factories and large employers near him have closed down over the last 20 years. But shortly after starting his job at the restaurant, one of Michael's coworkers began making rude comments about his weight. After several months of trying to ignore the harassment, Michael complained to his supervisor and asked to be assigned an alternate schedule. He was told that he needed to figure out how to get over it or find a new job because he could be easily replaced. Michael feels helpless, but can't afford to lose his job. He wonders if he should just move out to the city like so many of the folks he grew up with have done.

Regina and Michael's experiences are far from unique among North Carolinians, particularly among rural residents. North Carolina has the second largest rural population in the country, with one in three residents living in rural areas.¹ Rural North Carolinians face higher levels of unemployment and poverty than their urban counterparts, and earn lower incomes.²

Among these economically insecure rural working-age adults, one in 10 is unemployed and actively looking for work. Four in 10 are out of the labor force—some have given up on finding work and others attend school, care for family members, or have a disability that prevents them from working.³ And half of them actually have jobs, but those jobs are low-wage, and often temporary jobs, and do not pay enough to ensure economic security.⁴

Changing this situation and achieving employment equity—when everyone who wants to work has access to a job that pays family-supporting wages and the lack of a good job cannot be predicted by race, gender, or geography—is crucial to the economic future of not only rural North Carolina, but that of the entire state. This is particularly true in the context of North Carolina's changing demographics. Since 1980, people of color have contributed an increasing share of the growth in the state population. For example, between 2000 and 2010 the White population in North Carolina grew by 10 percent while the Latino population grew by 111 percent.⁵ Ensuring that all workers in both urban and rural communities can access good jobs will become even more critical as the state's workforce and population becomes more diverse.

This brief describes why employment equity in rural North Carolina is critical to the state's economic future and lays out a policy roadmap to achieving employment equity. This roadmap is based on data analysis and modeling of a "full-employment-for-all economy" (defined as an economy in which everyone who wants a job can find one) that was conducted by the Program for Environmental and Regional Equity (PERE) at the University of Southern California as well as policy research and focus groups conducted by PolicyLink, Rural Forward, and the North Carolina Budget and Tax Center. Unless otherwise noted, data presented in this brief are from a PolicyLink/PERE analysis of the Integrated Public Use Microdata Series (IPUMS) 2016 5-year American Community Survey.⁶ (For more information on data and methodology, see <http://plcyllk.org/2ApazHr>.) Rural Forward and the North Carolina Budget and Tax Center oversaw the research, and are prepared to take the lead on implementing the recommendations presented in this report. This is the fourth in a series of five reports about employment equity in Southern states co-produced by PolicyLink, PERE, and local partners with support from the W.K. Kellogg Foundation.⁷

Key Findings

- **North Carolina's economy is growing, but rural areas and communities of color are still struggling.** North Carolina's overall unemployment rate has declined since 2010, but remains higher than that of the nation as a whole. It is even higher in rural parts of the state, where workers of color and their families are disproportionately being left behind; the unemployment rate for African American workers in rural North Carolina (11.4 percent) is nearly twice as high as for White workers (5.9 percent).
- **Economic inclusion of rural workers is critical for North Carolina's long-term competitiveness and prosperity.** The exclusion of many North Carolinians from the job market negatively affects families and hinders businesses from filling their needs for new talent. If the state achieved full employment across all racial and gender groups, 323,000 people ages 16 or older would be brought into employment, with 146,000 brought into the workforce in rural North Carolina alone.
- **Bringing rural North Carolinians into the labor market requires removing barriers to employment and creating more good jobs that are accessible.** In addition to continued racial discrimination in the labor market and lack of access to skills training that leads to careers, many workers face multiple barriers to employment. Barriers include limited transit options, criminal records, the high cost of childcare, and poor credit. It is also necessary to create more quality jobs with living wages and benefits that are accessible to this population.
- **Investing in rural residents is a win-win for the economy.** North Carolina's rural areas are an important part of the state's economic engine. Accordingly, when rural residents are locked out of the economy, the broader region, and the state as a whole lose out. North Carolina's rural economy would have been \$5.2 billion stronger in 2016 if everyone who wanted to work was able to get a job. This is nearly half of the total statewide gain with a full-employment-for-all economy of \$11.3 billion.

Employment equity is the path to long-term prosperity. Policymakers, the business community, foundations, and community-serving organizations must work together to implement multifaceted jobs and workforce strategies to achieve employment equity.

North Carolina's Economy Is Experiencing Steady Growth, but not All Are Benefitting

A comparative analysis of southern states shows that North Carolina has a robust economy. In 2016, it had the 10th largest economy by GDP in the country at nearly \$518 billion, making it about the size of Sweden's economy.⁸ The state added 99,000 net new jobs in 2016, reaching an annual average of 4.26 million jobs. Despite this growth, North Carolina's unemployment rate has remained higher than that of the nation since 2000. The state is expected to add 550,000 jobs by 2024, but most of them will be low-wage jobs.⁹ The number of new jobs in today's low-paying occupations is expected to outnumber the increase in high-paying jobs by a ratio of almost three to one by 2024¹⁰ and 90 percent of the new jobs created will be in the service-providing sector.

Not every resident has been able to capitalize on North Carolina's economic recovery from the Great Recession. In recent decades, the state has moved from an economy based on textiles, tobacco, other agriculture, and light manufacturing to one dominated by technology, pharmaceuticals, and financial services. This has created an economic divide between the urban and rural parts of the state.¹¹ Urban counties have become more prosperous, while many small towns and rural areas have struggled. Residents of these struggling rural areas are more likely to be people of color. While African Americans comprise slightly more than 20 percent of the population in North Carolina, they represent 45 percent of residents in economically distressed rural census tracts in the state.¹²

North Carolina's economic growth has been unequal, deepening divides by race, gender, and geography. Key indications that North Carolina's growth has been unequal are described below.

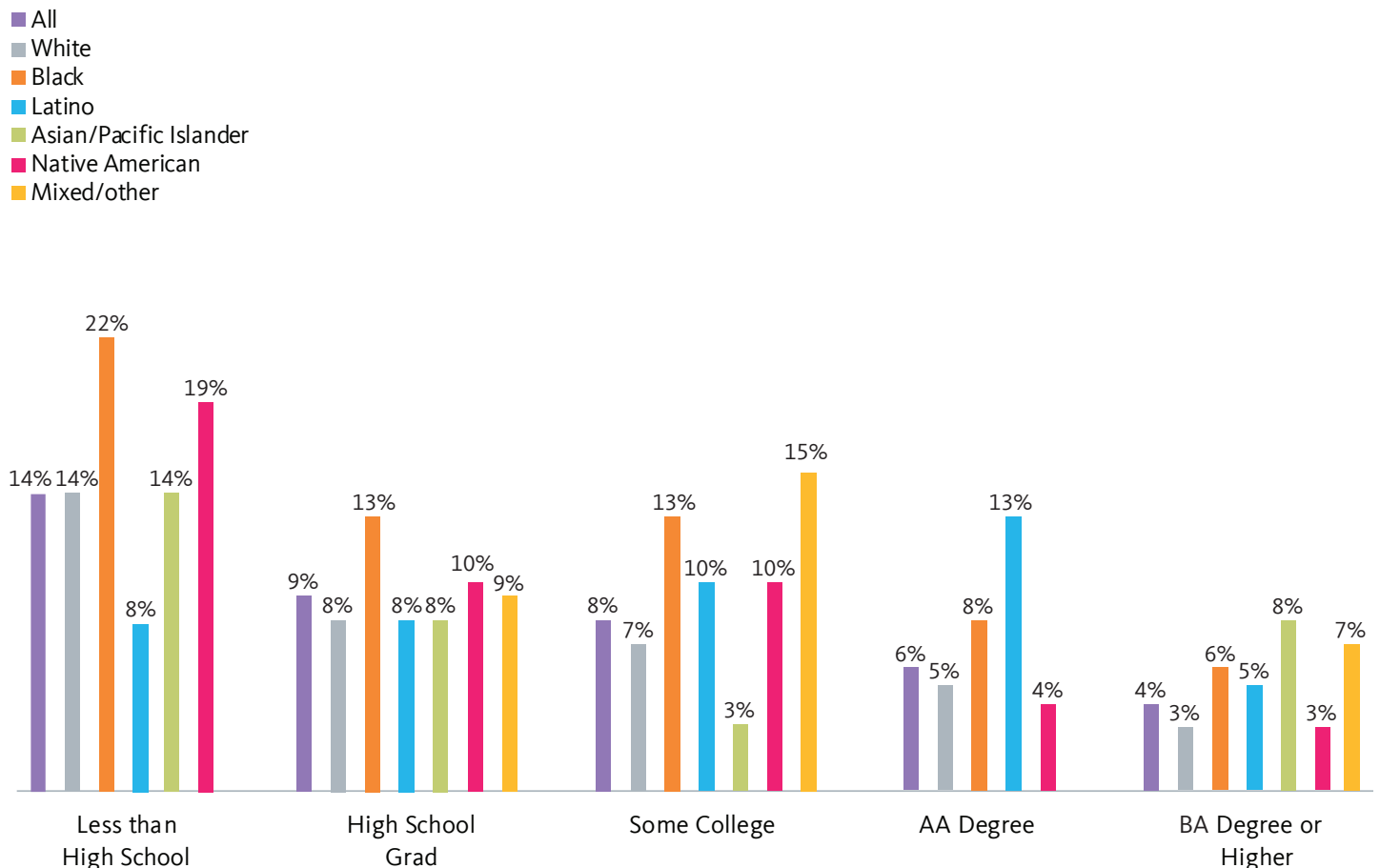
Wide racial, gender, and geographic inequities exist in employment status

The overall unemployment rate in North Carolina has decreased significantly since peaking at 10.9 percent in 2010.¹³ However, unemployment remains higher than the national average (6.3 percent compared with 5.8 percent), and is higher still in rural parts of the state. The unemployment rate in rural North Carolina is 7.5 percent, compared with 5.7 percent in the rest of the state. In rural North Carolina, the unemployment rate for Black workers (11.4 percent) is nearly twice as high as for White workers (5.9 percent).¹⁴ Disaggregating the data by race as well as

educational attainment, we find that while rural North Carolinians with higher levels of education are less likely to be unemployed than those with lower levels of education, the state's Black, mixed race, and Native American workers in particular tend to face higher unemployment rates than their White counterparts across education levels. Most notably, the unemployment rate for the Black working-age labor force without a high school diploma in rural North Carolina is 21.6 percent. Unemployment rates are also notably high in rural North Carolina for Latinos with some college or an AA degree only and Asian or Pacific Islanders with BA degree or higher compared with their White counterparts.

Rural North Carolina's Black and mixed-race workers experience higher unemployment rates than White workers, even when they have a bachelor's degree.

Unemployment Rate by Race/Ethnicity and Education: Rural North Carolina, 2016



Source: PolicyLink/PERE analysis of Integrated Public Microdata Series 2016 5-Year American Community Survey data.

Note: Data reflects a 2012 through 2016 average. Universe includes the civilian noninstitutional population ages 25-64. Rural North Carolina is defined as all parts of the state that do not fall within the nine largest metro areas of Asheville, Charlotte, Durham, Fayetteville, Greensboro, Hickory, Raleigh, Wilmington, and Winston-Salem.

Too many of North Carolina's jobs do not pay enough for workers to make ends meet

While job growth in the state aligns with the national average, it has not been significant enough to bring employment back to the levels that existed prior to the Great Recession. In fact, job growth in North Carolina lags behind neighboring states in the southeast region.¹⁵ The largest shortfalls are in sectors that have historically been the foundation of the working middle class in the state, such as manufacturing.¹⁶ Also, current job growth has not delivered robust wage growth.¹⁷ Wages have remained largely stagnant despite record business productivity.¹⁸ In 2016, half of North Carolina's jobs paid less than \$33,920 per year, while the U.S. median annual wage was \$37,045.¹⁹ The state's median wage has actually fallen since 2009, meaning that workers today receive fewer dollars for an hour's work than they did prior to the recession.²⁰ Wage stagnation disproportionately impacts workers of color, particularly African Americans, who have seen their wage disparity with White workers grow even wider since 1979.²¹

Beyond wages, many workers in North Carolina are struggling to access quality jobs with benefits. Two-thirds of workers now lack access to a pension, up from just over half in 2000.²² Overall, 40 percent of workers lack access to paid sick days.²³ Finding quality jobs with benefits is particularly challenging in the industries that predominantly employ people of color. For example, more than 70 percent of workers in industries like food preparation, construction, and domestic work lack access to paid sick days.²⁴

Workers are losing ground, especially workers of color

In recent years, North Carolina workers have witnessed a decline in the share of quality jobs with benefits and opportunity for upward mobility, and a dramatic increase in the number of temporary jobs. These temporary jobs are characterized by low pay, lack of benefits, minimal job security, high turnover, and higher rates of health and safety violations.²⁵ Unfortunately, the number of temporary jobs is growing much faster in North Carolina than in the nation as a whole. Between 2009 and 2014, the number of temporary workers in the state grew by 52 percent, compared to 39 percent nationally.²⁶ The proliferation of temporary jobs is particularly troubling given that these positions tend to pay less than permanent jobs. As illustrated in the chart below, temporary workers in North Carolina earned an average of \$30,627 in 2014, which was significantly lower than the \$45,022 average earned by workers in the state overall.²⁷

Temporary workers in North Carolina earn less on average compared to workers in the overall state economy.

Average Annual Wage for North Carolina Workers, 2014



Source: Reproduced with permission Clermont Ripley and Allan Freyer. *The Age of Contingent Employment*. (Raleigh, NC: North Carolina Justice Center, 2015, p. 14.) Data source: Quarterly Census of Employment and Wages.

Employment Equity Will Help to Strengthen North Carolina’s Economy

North Carolina’s economic growth is not benefitting all workers, and disparities will ultimately undermine the state’s ability to be competitive. A majority of projected job openings in the state are expected to come from replacement needs rather than new growth.²⁸ It is essential that North Carolina tap the talent already embodied in its workers and young people. As the analysis presented below suggests, simply closing racial gaps in employment by race and gender would go a long way toward filling the projected employer needs.

Bringing many more North Carolinians into employment would be a win-win-win for workers, their families and communities, and the state’s employers. The heightened barriers faced by the state’s rural residents, such as lack of access to transportation to get to quality jobs and workforce training programs, make them a particularly underutilized resource in North Carolina’s economy. To estimate these potential benefits, PolicyLink and PERE modeled a “full-employment-for-all economy,” defined as one in which full employment—when everyone who wants a job can find one—is achieved not simply for the workforce as a whole, but also for each major racial/ethnic and gender group. This full-employment scenario set the unemployment rate at 4 percent maximum with labor force participation rates of at least 71 percent for men and 57 percent for women.

Defining a “Full-Employment-for-All Economy”

A full-employment economy is one in which everyone who wants a job can find one in a reasonable time frame. Economists typically characterize the economy in the year 2000 as a full-employment economy because the unemployment rate reached 4 percent for the first time since 1969. Despite having reached “full employment” in 2000, the United States has never achieved full employment for all. While Black workers experienced employment gains and the Black/White gap in employment began to narrow during the economic prosperity of the late 1990s, Black unemployment remained twice as high as White unemployment in 2000 (7.6 percent compared with 3.5 percent).

For the purpose of this analysis, we modeled a “full employment for all” economic scenario for the year 2016, using benchmarks for unemployment and labor force participation based on the full-employment economy of the year 2000, but with labor force participation rates adjusted downward to reflect the aging of the population that has occurred since then. The benchmarks we apply set the maximum unemployment rate at 4 percent and the minimum labor force participation rates at 71 percent for men and 57 percent for women, but with adjustments made to account for the different age structure of each racial/ethnic and gender group. This is necessary because young workers have consistently higher unemployment rates, and some racial/ethnic groups include many more young people.

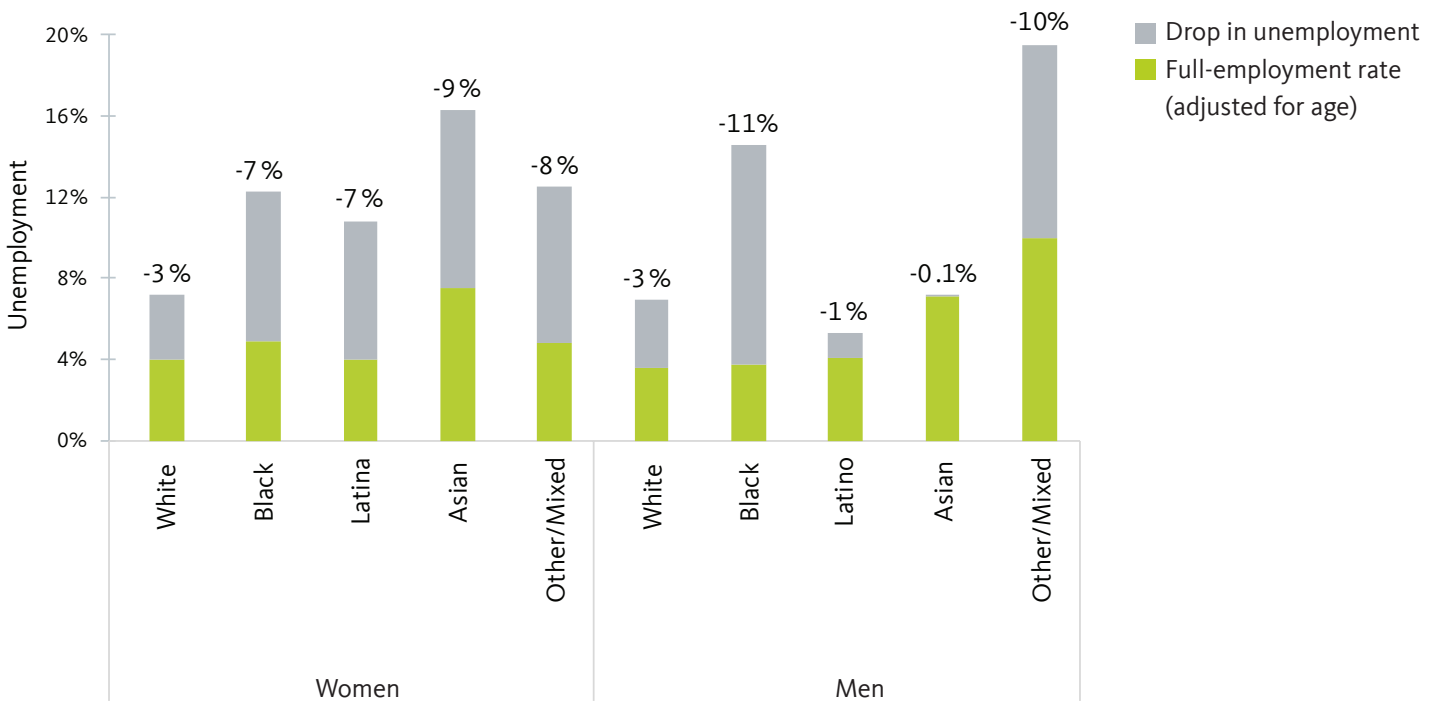
For our full methodology, see <http://plcyk.org/2ApazHr>.

Achieving full employment for all in rural North Carolina would mean decreasing unemployment for all racial and gender groups. With full employment for all, the unemployment rate in rural North Carolina would decrease by 7 to 11 percentage points for Black men and women, Native American men, and mixed-race women. Most other groups would experience drops of 2 to 5 percentage points. Given the pronounced disparity

between the urban and rural areas of the state, the following analysis focuses on the impact of full employment for all on the rural economy in North Carolina. For this analysis, we define “rural North Carolina” as all parts of the state that do not fall within the nine largest metro areas of Asheville, Charlotte, Durham, Fayetteville, Greensboro, Hickory, Raleigh, Wilmington, and Winston-Salem.

In a full-employment economy, rural unemployment would decrease for all workers, with the steepest decreases for Black and Mixed-Race men

Unemployment Rates by Race and Gender in Full-Employment-for-All Model: Rural North Carolina, 2016

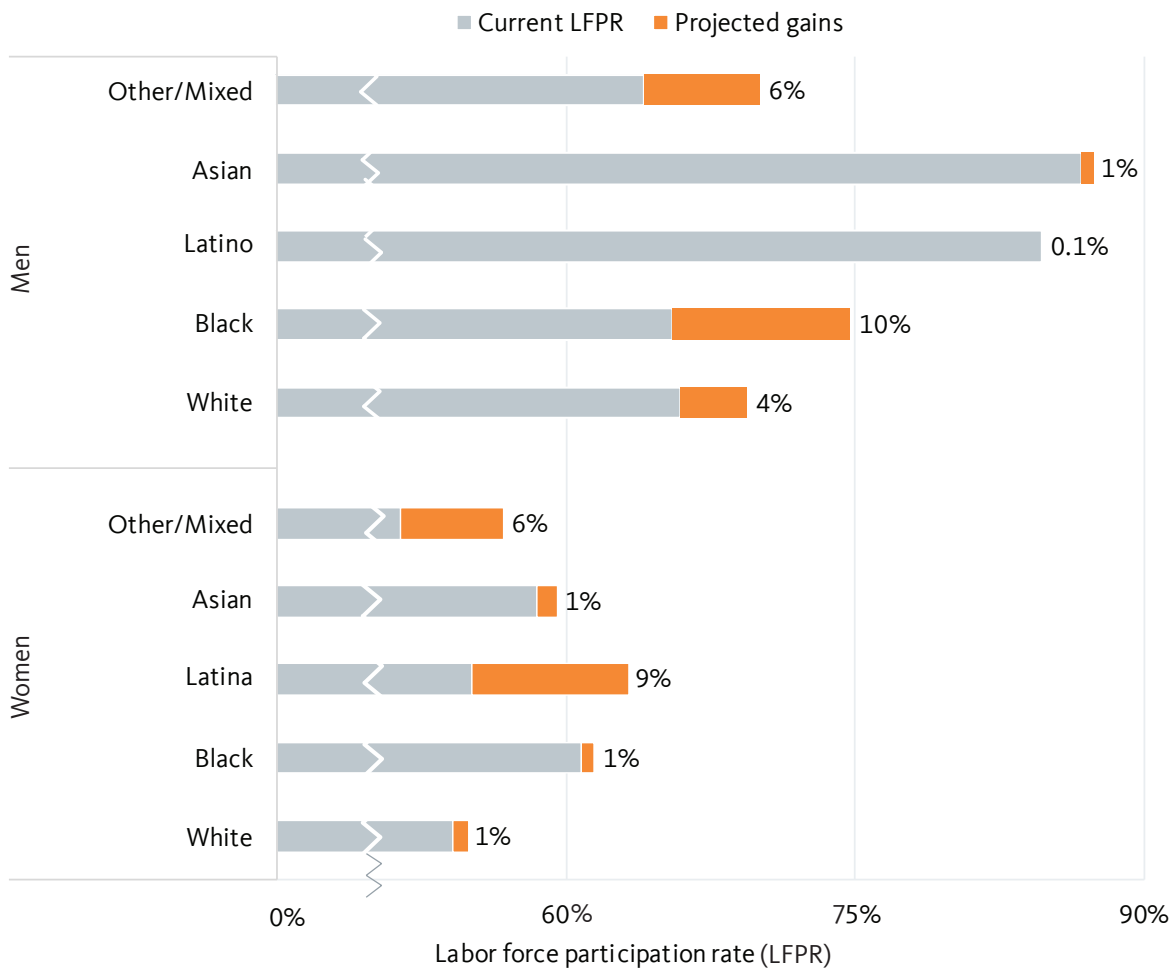


Source: PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series. See the methodology for details.

Achieving full employment for all in rural North Carolina would also mean increasing labor force participation rates for all groups. African American men would see the greatest increase in labor force participation (10 percentage points), followed by Latina women (9 percentage points).

In a full-employment economy, rural labor force participation rates would increase the most for Black men and Latina women.

Labor Force Participation Rates by Race and Gender in Full-Employment-for-All Model: Rural North Carolina, 2016



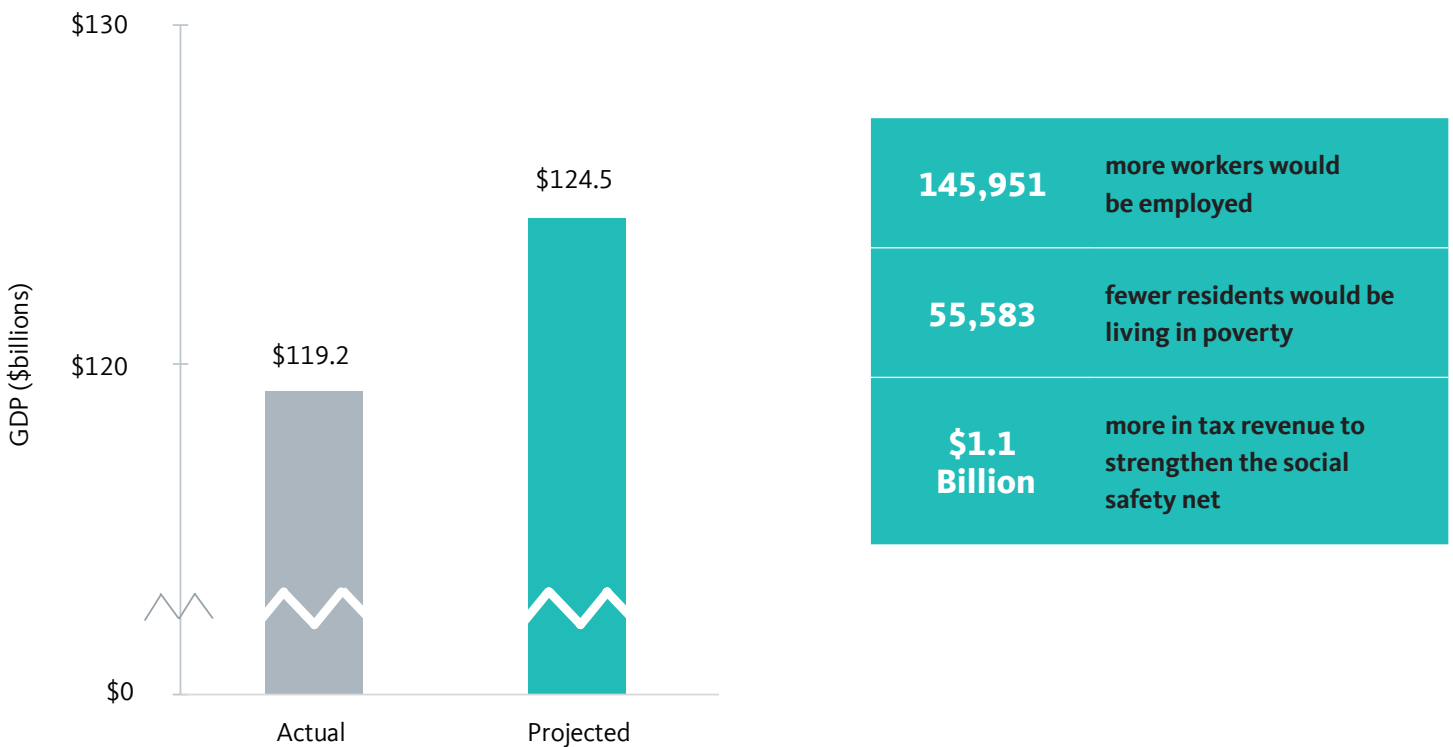
Source: PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series. See the methodology for details.

Decreasing unemployment and increasing labor force participation in this way—achieving full employment for all rural residents in North Carolina—would bring cascading benefits, including the following.

- **Increased economic output:** With full employment for all, the state’s rural economy would be \$5.2 billion stronger every year.
- **Increased employment:** Decreasing unemployment and increasing labor force participation rates would bring about 146,000 workers into employment.
- **Increased incomes:** Native American households in rural parts of the state would see their average incomes grow by 6 percent. Rural Black households would see a 5 percent increase in incomes, and all other groups would see average incomes rise by at least 2 percent.²⁹
- **Decreased poverty:** Employment is the surest way to decrease poverty, and achieving full employment for all would mean about 56,000 fewer rural North Carolinians living in poverty.
- **More tax revenue:** More employed rural workers means higher incomes and more federal, state, and local tax contributions, adding up to \$1.1 billion in annual tax revenues to support needed programs and services throughout the state.

In a full-employment economy, rural North Carolina’s economy would be \$5.2 billion stronger.

Economic Gains to State Economy under Full-Employment-for-All Scenario: Rural North Carolina, 2016



Source:PolicyLink/PERE analysis of 2011-2015 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. See the methodology for details. Note: GDP gain reported does not match the difference in actual and projected GDP in the chart due to rounding.

The urban areas in the state would also benefit from achieving full employment for all. Applying the same model to the largest metropolitan areas of the state, including Asheville, Charlotte, Durham, Fayetteville, Greensboro, Hickory, Raleigh, Wilmington, and Winston-Salem, we found the following gains.

Metropolitan Area Economic Gains with Full-Employment-For-All

Metropolitan Area	Additional growth in economy	Number of fewer residents living in poverty	Additional tax revenue generated
Asheville	\$206 million	2,000	\$58 million
Charlotte	\$2.4 billion	16,000	\$435 million
Durham	\$524 million	2,600	\$83 million
Fayetteville	\$370 million	4,650	\$75 million
Greensboro	\$715 million	7,000	\$137 million
Hickory	\$381 million	4,200	\$91 million
Raleigh	\$552 million	5,500	\$110 million
Wilmington	\$428 million	5,000	\$100 million
Winston-Salem	\$501 million	5,000	\$107 million

The benefits of increased employment extend far beyond a paycheck. Work reduces the social isolation common in many rural areas by providing networks of friends and colleagues with whom to build community relationships, connects people to critical resources and institutions, and provides many health benefits both in the literal form of health insurance as well as broader mental health benefits associated with economic security and the ability to manage financial obligations.

Full employment for all would also produce an “equity dividend” for businesses. A more diverse workforce attracts more customers, produces higher revenues, and captures a larger share of the market.³⁰ Increasing employment not only

boosts the incomes of the newly employed but also creates a “tighter” labor market that lifts wages. These increases in income would generate more consumer spending in the local economy, creating a “multiplier effect” that would lead to stronger local businesses, more entrepreneurial opportunities, and additional sales tax revenue for local governments.

Achieving Employment Equity for Rural Workers Will Require Dismantling Barriers to Accessing Good Jobs

Focus groups with adult workers in Eden, Lumberton, and Rocky Mount who are seeking employment or higher wages highlighted several barriers that impede their chances of securing family-supporting jobs and careers.

- Transportation:** The strength of the nation’s rural economy is greatly dependent on the quality of its transportation system, which links rural America with the rest of the country and to markets in other nations. Research by the U.S. Department of Agriculture has confirmed that an effective transportation system supports rural economies, reduces the prices that farmers pay for inputs such as seeds and fertilizers, increases the value of their crops, and greatly expands market access.³¹ In rural North Carolina, traveling to work is often challenging for low-income workers and workers of color given the combination of lack of car access, the “spatial mismatch” between where workers can afford to live and where jobs are located,³² and limited or no access to public transit. Several focus group participants discussed

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There is no public transportation. Some private companies have a van service, but it’s \$60 or \$65 a week. You basically have to travel at least an hour to get a job that you can afford to work at.

Selena,
Lumberton Focus Group

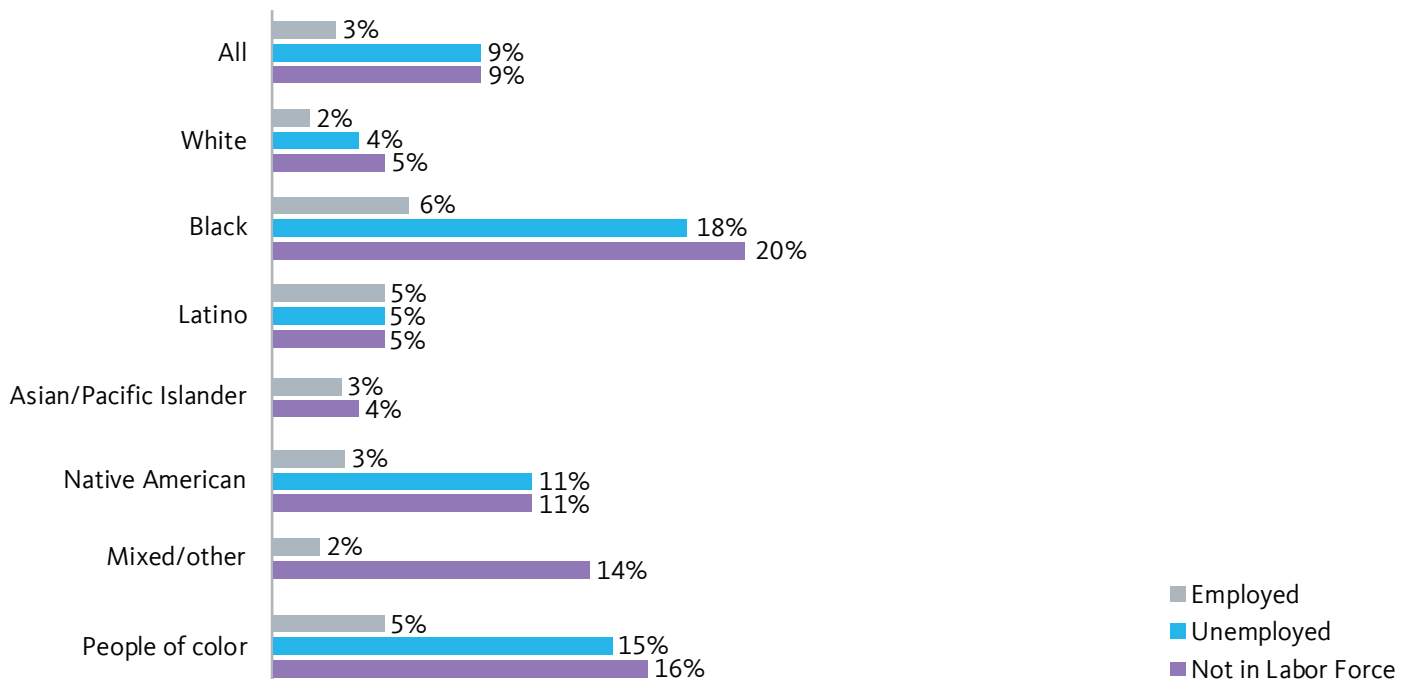
having to travel great distances to find jobs with decent wages. This aligns with research documenting an increase in the volume of out-of-county commuting. Only 12 of the 100 counties in North Carolina had more than 50 percent of their workers living and working in the same county in 2014, down from 47 counties in 2002.³³

In addition to the spatial mismatch facing rural residents seeking employment in North Carolina, the public transportation available is inadequate in helping them reach high-quality job opportunities.

For residents with access to a vehicle, getting around in rural North Carolina is also particularly dangerous. The state ranked third highest among states with the most fatalities in car crashes on non-Interstate, rural roads.³⁴

Jobless rural North Carolinians are much more likely to be carless than their employed counterparts.

Percent Living in Carless Households by Race/Ethnicity, Employment, and Labor Force Status: Rural North Carolina, 2016



Source: PolicyLink/PERE analysis of Integrated Public Microdata Series 2016 5-Year American Community Survey data.

Note: Data reflect a 2012 through 2016 average. Universe includes the civilian noninstitutional population ages 25-64 years living in households (excludes group quarters). Rural North Carolina is defined as all parts of the state that do not fall within the nine largest metro areas of Asheville, Charlotte, Durham, Fayetteville, Greensboro, Hickory, Raleigh, Wilmington, and Winston-Salem.

- **Growth of contingent employment:** The number of temporary jobs in North Carolina is growing at a faster rate than the nation as a whole as employers seek to keep labor costs down.³⁵ These temporary positions tend to pay less than permanent jobs doing the same work. Temporary workers in North Carolina earn on average \$30,627, compared to the \$45,022 average earned by workers in the state economy as a whole.³⁶ Several participants in each focus group indicated that their previous temporary jobs had rarely yielded an offer for permanent employment.

An increasing share of this temporary work is in the state's manufacturing sector rather than clerical or administrative jobs. In 2014, 37 percent of all temporary workers in North Carolina were employed in industrial jobs while only 28 percent worked in office-clerical and administrative jobs.³⁷ Whereas manufacturing jobs once served as an opportunity for workers without a college degree to earn family-sustaining wages, now these temporary positions tend to pay lower wages without health benefits. In North Carolina, 39 percent of temporary manufacturing production workers are themselves or have a family member enrolled in a public safety net program such as Medicaid/CHIP, food stamps, or TANF.³⁸ Enrollment in public safety net programs by temporary manufacturing production workers cost the state's taxpayers \$424 million between 2009 and 2013.³⁹

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You have to go through a temp service. I managed to find a temp job driving forklifts making \$7.95 an hour doing the same job as guys making \$19.95 an hour. The same job for way less money.

Regina,
Lumberton Focus Group

The proliferation of contingent employment has also fostered a culture of noncompliance as firms are shielded from their obligation to uphold fair labor standards.⁴⁰ Contractors are incentivized to reduce labor costs to underbid competitors through strategies that often entail unsafe work conditions, violating workers' compensation laws, skimping on unemployment insurance taxes, or paying workers less than the required minimum or prevailing wage.⁴¹ Unfortunately, the low wages associated with many temporary jobs prevents workers from affording legal assistance and puts them in a poor position to defend themselves.⁴²

- **Workplace intimidation:** Several focus group participants shared accounts of feeling helpless trying to navigate hostile work environments. Currently, workers have no legal recourse from workplace harassment that is not clearly discriminatory or based on a protected status. This category of behavior is considered general harassment or bullying, and is defined as “the deliberate hurtful and repeated mistreatment of a target driven by the desire to control another person at their place of employment.”⁴³ In the United States, 35 percent of workers have experienced bullying firsthand,⁴⁴ and it is one of the most common and serious problems facing employees in the workplace.⁴⁵ Low-wage rural workers have a more difficult time seeking justice in cases of workplace harassment because they are more geographically removed from locations where they can receive legal assistance.⁴⁶ In addition, unpredictable scheduling and lack of access to paid time off to pursue litigation by meeting with a lawyer, having his or her deposition taken, or testifying at trial can make it challenging to compile a strong case.⁴⁷

- **Criminal records:** More than 1.6 million people in North Carolina have a criminal record.⁴⁸ Nearly 45 percent of those under the supervision of the North Carolina Department of Corrections are African American, despite making up only 21 percent of the state's population.⁴⁹ Having a criminal record has multiple economic consequences that follow people well after incarceration. Studies show that more than 60 percent of formerly incarcerated individuals remain unemployed one year after being released, and those who are able to find employment after release earn 40 percent less income on average than they earned prior to incarceration.⁵⁰ Overall, the economic prospects for returning citizens in the state are grim. Although a bill preventing state agencies from asking job applicants about their criminal background passed the North Carolina House of Representatives in April 2017, it has languished and has not yet been codified by the state's senate.⁵¹

Criminal backgrounds in North Carolina minimize economic opportunity in other ways. Individuals convicted of a felony in North Carolina temporarily lose their citizenship rights, including their right to vote, until they have completed all of the terms of their sentence, including parole, probation, and restitution.⁵²

- **Childcare:** Access to affordable childcare was a recurring challenge for focus group participants. Childcare is a growing expense for North Carolina’s working families, leaving them facing difficult choices in terms of the cost, quality, and availability of care. In North Carolina, the average annual cost of center-based infant care is more than \$8,800.⁵³ For many low-income parents and caregivers, the tradeoff between paying for childcare and working for low wages simply does not make financial sense.
- **Inflexible schedules:** In addition to the cost of childcare, many low-income workers do not receive sick leave or personal days to take care of themselves, children, or other family members in the event of an illness. Only 34 percent of the lowest-paid workers are afforded some type of sick leave.⁵⁴ This dilemma forces far too many low-income caregivers to choose between working when sick and losing critical income, and leaves them with no options for caring for family members in need.
- **Credit checks:** Nearly half of employers nationwide require passing a credit check as a condition of employment, which unnecessarily locks out many potential candidates. A national survey conducted by Demos found that one in seven unemployed respondents reported losing a job opportunity because of a credit check.⁵⁵ In the same survey, participants reported that negative marks on their credit reports were often because of their job loss, thus creating a vicious cycle.⁵⁶
- **Skills:** North Carolina’s education and workforce system is not adequately preparing workers for the jobs of the future. Overall, the level of educational attainment in the state is low for residents of color compared to White North Carolinians.⁵⁷ This is particularly troubling given that, by 2020, 42 percent of jobs in North Carolina will require at least an associate’s degree. Only 34 percent of U.S.-born Latino adults, 27 percent of U.S.-born Black adults, and 24 percent of Native American adults have that level of education today.⁵⁸ North Carolina also ranks 17th among states in the nation for its share of disconnected youth (16- to 24-year-olds who are not in school or working).⁵⁹ The state has about 167,000 disconnected youth.⁶⁰

Focus group participants raised several other challenges. For example, a shift to an almost exclusively on-line application process has confounded older workers. Most job training programs do not consider the unique training needs of older workers trying to reenter an economy that has drastically changed. Several participants also mentioned frustration with inadequate on-the-job training. Others discussed widespread nepotism, cronyism, and gender bias making it even more difficult to find and maintain a good job.

The Way Forward: Employment Equity

To secure a prosperous future for North Carolina, leaders at the state and local level must take action to ensure that all North Carolinians can participate in the state’s economic growth and contribute to building an economy that is more competitive, just, and sustainable. We suggest three policy priorities for achieving employment equity and inclusive growth in North Carolina.

1. Remove the barriers that prevent economically insecure workers from accessing quality jobs with benefits and opportunities for advancement
2. Scale up workforce development efforts that connect struggling workers to quality jobs and career pathways
3. Grow the base of employers committed to hiring and providing quality jobs for struggling workers

Remove the barriers that prevent economically insecure workers from accessing quality jobs with opportunities for advancement

Addressing transportation, childcare needs, and background checks can alleviate some of the most significant barriers job seekers and low-wage workers face in rural areas and across the state when trying to improve their economic conditions. Removing these barriers is a winning proposition for both workers and employers, who benefit from accessing new employees and reducing costly turnover due to their workers being unable to find childcare or get to work on time.

- **Expand transit options and supports for low-income residents.** Inequitable transportation policy stunts the economic prospects of people of color and job seekers dependent on public transit, and limits the economic prospects of the entire state. However, meeting the transportation needs of residents in low-density rural communities is uniquely challenging. Issues of urban sprawl, farmland preservation, and air and water quality have been pushed to the forefront of transportation policy debates at both the local and national levels.⁶¹ In addition, race and transportation have been closely linked for decades, ranging from federally funded highway projects that destroyed or isolated communities of color to segregated streetcars and trolleys.⁶²

Policymakers can look to several innovative transportation models for guidance in developing strategies to meet the needs of rural residents. For example, a rural area of Massachusetts won a “National Award for Smart Growth Achievement” from the U.S. Environmental Protection Agency for promoting “fix-it-first” policies that ensured that expansion, growth, and new construction are funded only after existing infrastructure needs have been properly addressed.⁶³ Similarly, the now-defunct Job Access and Reverse Commute (JARC) program used federal transportation and TANF funds to incentivize collaboration between human services organizations and transit providers to design programs to help get low-income rural residents to employment centers.⁶⁴

- **Ban the box on criminal background checks.** More than 28 states and 150 cities have established policies to help reduce potential discrimination against candidates who have criminal backgrounds, allowing them at least to get to an interview stage of the employment process. In 2011, the City of Durham (followed by Durham County) became the first municipality in North Carolina to remove questions about criminal history from the early stages of the employment process.⁶⁵ Passage of the North Carolina General Assembly’s -ban-the-box policy was a laudable step farther in the right direction.⁶⁶ However, additional momentum and advocacy is needed to gain full passage in both chambers of the state legislature. In addition, ban-the-box efforts should not stop at public-sector employment opportunities. A number of cities as well as the states of California and Minnesota extend their ban-the-box policies to private-sector jobs. Policymakers and employers may also want to consider additional “fair-chance” hiring policies, such as only screening for criminal activity directly related to the type of work the candidate would be doing.

- **Expand access to quality childcare.** Struggling to find childcare is not just an inconvenience, it can prevent workers from landing jobs, advancing, and earning promotions. Addressing the childcare needs of workers will also benefit employers, who experience high turnover and lost productivity because of the unstable childcare arrangements of their workers.⁶⁷ North Carolina can increase access to quality, affordable childcare in a few ways.

- **Develop local revenue sources to increase childcare subsidies.** In nine counties in the state of Florida, including Palm Beach County, voters approved the creation of a special tax to fund additional services for children and families, including childcare.⁶⁸

- **Encourage employers to expand childcare benefits for low-wage workers.** ConAgra Foods, Inc., in partnership with a local Head Start program in Huntsville, Arkansas, helped to open a childcare center with extended operating hours to accommodate parents’ late-night schedules and unexpected overtime.⁶⁹

- **Ban employer credit checks.** Poor credit bears no relationship to a person’s ability to perform on the job, and should not be a barrier to employment. Research has shown that states that have passed laws banning employer credit checks saw an increase in employment in low-credit census tracts, yet only 11 states, none of which are in the South, have established these laws.⁷⁰ New York passed the country’s strongest legislation restricting employment credit checks in 2015.⁷¹

Scale up workforce development efforts that connect struggling workers to quality jobs and career pathways

Policymakers throughout the state can take up several strategies to help rural workers build the skills needed to obtain and maintain employment. Additionally, they should ensure that skill-building and job-creation efforts target the most underserved populations.

- **Expand apprenticeships and paid training opportunities.** Apprenticeships are a win-win for workers who gain valuable skills on the job and employers seeking a steady source of employees. States can lead on expanding apprenticeship opportunities. Iowa, for example, established the Apprenticeship and Training Act in 2014, allocating \$3 million to expand apprenticeship programs throughout the state. Since then, Iowa has been among the top states to register new apprenticeship programs with the federal government.⁷² South Carolina increased its apprenticeships by 750 percent by establishing a comprehensive expansion plan including direct state funding, tax credits, technical assistance, and access to training programs through technical colleges.⁷³
- **Steer workforce development efforts toward growing sectors.** Fully tapping into North Carolina's talent base requires opening up employment opportunities across all sectors of the economy, particularly in the manufacturing, construction, and health-care and social assistance occupations that are projected to grow in the coming years.

The EARN Maryland program was established by the state to support employers who were struggling to find workers. Cohorts or partnerships of at least five employers are eligible to apply for funds from the state to support employee training after coming together to assess their labor needs and designing a program that suits them while filling employment gaps for target populations.⁷⁴ In Northern Georgia, home to a large flooring industry, business leaders recognized a shortage of workers with the skills to handle modernized machinery. Twenty-five percent of the jobs in the region are in the manufacturing industry, yet only 5 percent of students were in vocational programs at local colleges and career programs. A robust group of leaders, including the community college system and seven flooring industry leaders, worked closely together to establish the Advanced Manufacturing Business Academy, which enrolled its first 200 students in fall 2016.⁷⁵

- **Invest in youth employment.** Youth employment is a proven strategy to help youth build workforce skills and earn a paycheck. It also serves as a violence-prevention strategy because youth violence peaks during summers when kids are out of school. In St. Louis, STL Youth Jobs targets students in underserved neighborhoods, offers them job training and skills development, and placement in a summer internship. For 51 percent of their participants, this program offers them their first job. Also, 60 percent of youth continue to be employed years after participating in the program.⁷⁶ In Chicago, youth violence was decreased by 43 percent with the city's summer youth employment program.⁷⁷ Youth employment is not only an opportunity to help youth earn their first paycheck, but also a prime occasion to help young people build savings habits and form a healthy relationship with their finances. MyPath partnered with the City of San Francisco's summer youth employment program to teach kids about the importance of savings and building credit. Youth in the program collectively have saved more than \$1 million. The MyPath model is now being replicated across the country.⁷⁸
- **Implement targeted and local hiring.** Local and targeted hiring policies require or incentivize businesses that receive public resources, such as government contracts or tax breaks, to hire workers living in a particular geographic area or from specific populations within the community. These policies can be passed citywide, adopted by government agencies, or negotiated on large development projects (e.g., community workforce agreements and community benefits agreements). In New Orleans, Mayor Mitch Landrieu developed a hiring program as a strategy to reduce the city's 52 percent jobless rate among Black men. Since the launch of the program, Black male unemployment has decreased to 44 percent.⁷⁹ The City of Durham successfully developed a local hire program in 2009 that can serve as a model in North Carolina.⁸⁰

Grow the base of employers committed to hiring and providing quality jobs for struggling workers

North Carolina's economic development efforts should foster inclusive growth and prioritize strategies that strengthen and multiply the number of employers who provide good jobs to workers who do not have a college degree. At a minimum, North Carolina should ensure that those who receive economic development subsidies are accountable and deliver quality jobs and other community benefits. In addition, community leaders in the state should promote employer awareness of how providing quality jobs and fostering greater racial economic inclusion can boost a company's competitiveness and growth by reducing turnover and improving performance.⁸¹

- **Restore corporate responsibility and protect temporary workers.** Temporary work in North Carolina is growing at the expense of more stable and permanent work, and the share of stable work available in the state is lower than in the nation as a whole.⁸² Policymakers can take several steps to support workers as the share of temporary jobs in the state continues to grow.

- **Explore automatic coverage laws and presumption of employment.** Similar to how many state labor standards laws have exclusions for certain types of workers, they can have inclusions for others as well. Massachusetts has instituted a presumption of employment under state law unless an employer can confirm that (1) the individual is free from control and direction with regard to the performance of their work; (2) the service is performed outside the usual course of business of the employer; and (3) the individual is customarily involved in independently established trade, occupation, profession, or business.⁸³

- **Forbid public contracts from using temporary workers.** Taxpayer money should only be used to create stable, quality jobs, with pathways to opportunity. Accordingly, public contracts should include requirements that all workers in the project supply chain are paid a living wage and are covered by state wage and hour laws and worker protections.⁸⁴

- **Curb the over-use of temporary workers.** Although there are plenty of legitimate instances where temporary workers are critical to a firm's operations, far too often companies are using temporary workers as a way to evade the legal responsibilities associated with fair labor practices. Policymakers could protect temporary workers by requiring that firms provide the same wages and benefits to temporary employees as they offer to permanent employees, or by limiting the amount of time a company is permitted to use temporary workers before being required to hire them directly.⁸⁵

- **Support the growth of minority- and women-owned business enterprises (MWBEs).** MWBEs are crucial agents in any effort to improve economic inclusion. Not only are these entities a significant wealth-creating engine for low- and moderate-income communities, they are also job centers. Minority-owned businesses have a strong record of hiring people of color and women.⁸⁶

The City of Cincinnati conducted a disparity study to assess the number of city contracts going to MWBEs. The results showed that in a city that is 43 percent Black, less than 1 percent of contracts went to Black-owned firms. The city leadership moved into action and developed a Minority Business Accelerator (MBA) program. Since its founding, there are three times as many Black-owned companies with revenues greater than \$10 million in the region. The MBA's member companies employ more than 3,500 individuals, and the average portfolio revenue of an MBA business is \$34 million.⁸⁷

States can also set aside a portion of funds to spur growth among MWBEs. The state of New York was the first to establish a \$2 million MWBE investment fund in 2015. Funds are to be used to support innovation and job creation in high-growth sectors throughout the state. The fund is making seed investments in start-ups, with a focus on the fields of advanced materials, clean technology, life sciences, and medical devices.⁸⁸

- **Leverage the economic power of large “anchor institutions.”** State and local governments can coordinate with universities, community colleges, hospitals, and large private-sector employers to not only fill vacant positions, but also help grow new local businesses through contracting. This can be done by focusing on communities with high unemployment. The Chicago Anchors for a Strong Economy (CASE) is a network of 16 anchor institutions within the city that have made a commitment to using their procurement dollars for goods and services from local businesses. CASE has worked with more than 236 businesses, has created 180 new jobs, and has facilitated \$50.6 million in revenues to the local economy.⁸⁹
- **Develop a cooperative ecosystem.** Cooperative businesses can achieve multiple goals of economic inclusion. They are not only a job creation mechanism, but also a wealth-building tool for workers who would typically not be able to earn enough to build assets on their own. Cooperative businesses typically have a governance structure that allows worker-owners to have a voice in the decision-making processes of the company, and they offer significant economic development directly in the communities where they operate. Developing a cooperative ecosystem involves many steps. However, policymakers can play a significant role by developing pro-cooperative legislation or allocating funds for technical assistance and capital access.⁹⁰ In Atlanta, the seeds of a cooperative ecosystem have been planted through the Atlanta Wealth Building Initiative. The Initiative used an anchor strategy to develop BetterLife Growers, a company that produces lettuce. By 2021, BetterLife is projected to provide half of the lettuce used by food companies in the Atlanta metro area, and will transition ownership of the company to its 25 employees.⁹¹

Conclusion

Economic inclusion in the state of North Carolina will be key to maintaining a competitive edge in an evolving, more global economy. The state is experiencing a period of sustained growth with an increase in jobs in the pipeline. However, the burgeoning prosperity being experienced by some is not being shared by all North Carolinians. Rural communities and communities of color continue to be on the margins of the economy and are locked out of opportunity. Helping these residents to participate more fully in the economy is clearly a win-win for all in North Carolina. A focus on employment equity, or full employment for all—a scenario in which all people who want to work, regardless of their race or gender, are able to find employment—will bring many benefits throughout the state. If leaders invest in critical needs such as expanding public transit, and key strategies such as targeted and local hiring, ensuring that formerly incarcerated residents can access employment, and increasing access to work supports such as childcare, North Carolina will see billions of dollars in increased incomes, a lower poverty rate, and increased revenues to support needed programs for all North Carolinians.

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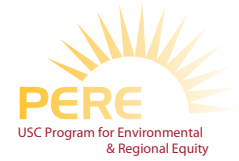
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