State of the North Carolina Workforce

An Assessment of the State's Labor Force Demand and Supply 2007 – 2017

Executive Summary

The North Carolina Commission on Workforce Development

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NORTH CAROLINA
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The North Carolina economy is transforming in many ways and on many levels. One key transformation involves the State's shift from an economy based on traditional manufacturing to a new economy driven increasingly by knowledge-intensive, business services activities. In response to this transformation, many firms are changing their products or production processes and offering expanded services as they adapt new technologies and build closer ties with suppliers and customers. Just as important is continued service sector growth, which is creating a large demand for both jobs requiring high skills and offering high wages and jobs requiring minimal skills, leaving a significant gap in the demand for jobs in the "middle." When viewed in the aggregate, economic and occupational shifts are having dramatic impacts on the state's workforce.

This "State of the North Carolina Workforce" report seeks to shed light on statewide trends and to unmask significant regional patterns in job creation and its impact on the demand for workers. In particular, the study examines economic and workforce development patterns in the state's urban areas, small towns, and rural communities as well as North Carolina's geographic regions–the Mountains, Piedmont, and Coast. Based on an in-depth quantitative analysis of the current and projected labor market supply and demand, the goal of the study is to describe North Carolina's progress to date and the challenges and opportunities for completing a successful economic transformation.

Important caveats should be noted related to this analysis. First, this analysis uses data calibrated to the US Bureau of Economic Analysis (BEA) definition for employment. The BEA combines employment data from the North Carolina Employment Security Commission's unemployment insurance administrative records (the most commonly used data source in counting jobs) with data on proprietors, farm workers, and government workers. Second, the forecasts are based on both past trends and assumptions about anticipated future developments, assuming no changes in policy or economic conditions. Thus, these forecasts should be used in the spirit in which they are provided, as a tool for assessing likely future growth patterns *in the event that no policy action takes place to change that future and there are no major unforeseen economic upheavals*. Third, other analyses may differ slightly in their outlook for certain industries or occupations. These differences come from using different projection tools and models. However, the core predictions hold true across methodologies and represent an accurate picture of the future, assuming current trends do not change.

Following are the eight key trends identified in the report:

- **Many of North Carolina's traditional manufacturing industries continue to shed jobs as part of an on-going economic transition.**
- **North Carolina's traditional "middle jobs"—those that paid a family-sustaining wage and required minimal formal education or training—are disappearing as part of this transition.**
- **New job creation is concentrating in certain fast-growing metropolitan areas.**
- **Many areas of North Carolina are not prospering from the economic transformation.**
- **The future prosperity of all North Carolinians depends on achieving higher educational attainment levels for all citizens.**
- **Impending baby-boom retirements will exacerbate an emerging skills gap among experienced, skilled workers.**
- **High-skill in-migrants will help fill part, but not all, of this skills gap.**
- **Low-skill in-migrants present both opportunities and challenges in meeting the state's workforce needs.**

This report reviews each of these trends, identifies key issues and challenges for North Carolina, and examines both industry's demand for labor and the supply of workers available to meet those needs. It should be noted that while these trends are presented separately, many are integrally linked and are only presented discretely for ease of assimilation. Policy actions should take into account the whole of the picture and the relationship among the trends. Following is a brief discussion regarding the eight key trends from the study.

Many Traditional NC Manufacturing Industries Are Shedding Jobs

Mature manufacturing industries still account for a sizable portion of the North Carolina economy, and many are expected to continue shedding jobs during the next decade. For instance, certain industry sectors—such as elements of textiles, apparel, furniture, and computer/electronics—are shedding a large number of jobs, offsetting employment gains in other industries. Losses in these industry sectors are occurring throughout the state, but their greatest impacts are being felt in smaller communities that once relied almost entirely on recently down-sized or closed manufacturing facilities.

Executive Summary Figure 1:

NC Employment in Selected Manufacturing Industries

North Carolina Employment	2002	2005	Δ Employ, 2002-05	% Change
Textile and textile product mills	99,091	68,580	-30,511	-30.8%
Apparel	35,697	26,426	-9,271	-26.0%
Furniture & related products	67,695	59,280	-8,415	-12.4%
Computer & electronic products	46,741	39,215	-7,526	-16.1%
NC MFG Industries	662,354	590,346	-72,008	-10.9%

Source: US Bureau of Economic Analysis

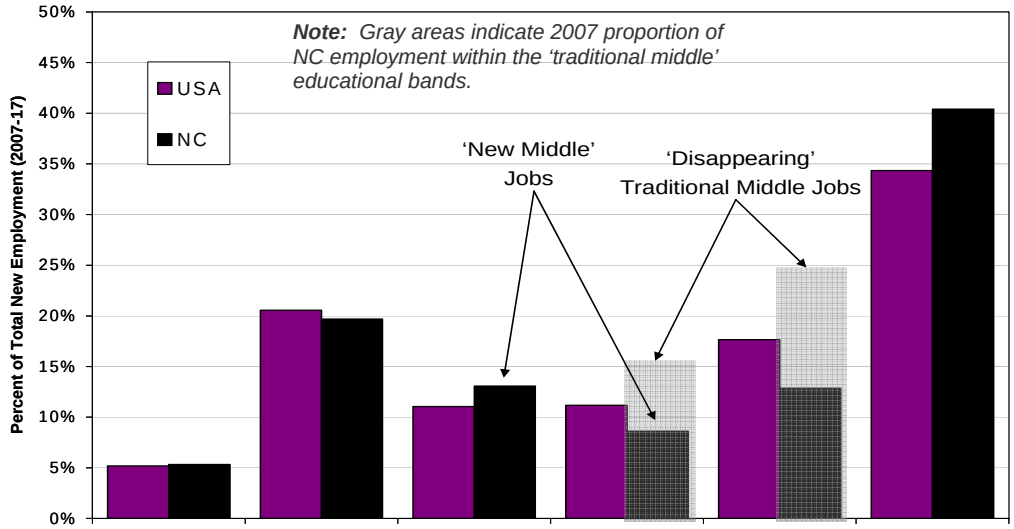
North Carolina's Traditional "Middle Jobs" Are Disappearing

The tragedy of the state's manufacturing jobs loss is that many semi-skilled workers are finding they do not have the skills to compete for jobs in high demand occupations. The difficulties facing these workers are exacerbated by two facts: (1) those high demand jobs are disproportionately being created in a few urban areas while the losses are occurring in other parts of the state, and (2) the level of skills needed to be competitive for good paying jobs is rising dramatically with time. The lost manufacturing jobs represented many of the 'traditional middle jobs' that offered family-supporting wages but did not require extensive education and training. Many of the state's dislocated workers did not have a high school education because manufacturers did not require a diploma. Dislocated or unprepared workers who do not have the resources or inclination to obtain the skills required from significant investments in education often must settle for low-skill jobs. Yet, available jobs offering middle-income pay now demand more formal education, often beyond a high school degree. To compete for these 'new middle jobs,' workers must invest years in more education or re-training.

At the same time, the economy is creating many new high-skill, high-wage jobs but they are now concentrated in a few major urban hubs. Creating opportunities for workers in less populated areas of the state will take new and innovative approaches to economic development. It is clear, however, that education levels must increase for these new approaches to gain any traction.

Executive Summary Figure 2:

US and NC Net New Jobs by Required Education (Estimated Change 2007-2017)



There simply are not enough skilled workers to fill the high-skill, high-wage jobs in the occupations where they are now growing. Those being squeezed from their traditional middle jobs are not ready to compete for available opportunities. Furthermore, few opportunities are available within easy commuting distance of many displaced workers. Thus, it becomes even harder for the unprepared to gain access to higher income jobs leaving them to compete primarily for low-skill, low-paying wages. The result is an increasingly polarized workforce – those who have skills and access to good-paying jobs and those without skills and only access to primarily lower-paying jobs.

New Job Creation Is Concentrating in Fast-growing Urban Areas

As North Carolina's traditional economic base declines, the data reveal that the state's overall economy is becoming more diverse and more similar to the rest of the country. The state's services sector is expected to grow more rapidly in the coming decade, as a combination of high-skill, high value-added services and low-skill, low value-added services replace the jobs lost in mature goods-producing sectors. Whereas the state's traditional manufacturers are often located in small towns, we see that the bulk of these emerging new activities, particularly those that require higher skills and thus have higher pay are concentrating in the state's larger metropolitan areas. Many of the metropolitan counties of the Piedmont region, for instance, enjoy the most dynamic economies. The companies in the Piedmont account for 64 percent of current jobs and 68 percent of new jobs projected to be created in the next decade. Statewide, metropolitan counties have 74 percent of current jobs while 81 percent of projected new jobs are expected to be created in these metropolitan areas.

Many Areas Are Not Prospering

In contrast to the success in the Piedmont, especially around Charlotte and the Research Triangle, relatively slower growth has occurred throughout much of the rest of the state, especially in the Mountains and Coastal regions. While many of the largest metropolitan areas are growing rapidly, smaller urban (or "micropolitan") areas and rural counties are creating fewer jobs, many of which include lower wage consumer services or temporary jobs. In addition, the Piedmont Triad has also not yet gained traction in finding a new economic base to replace its declining manufacturing industries.

Overall, about 40 percent of the state's new jobs will require little more than short-term training (see "Below GED" in Executive Summary Figure 2), but in the micropolitan and rural areas, that figure is closer to 50 percent. Unfortunately, these low-skill jobs pay approximately 60 percent of the state's current average earnings.

The metro areas are enduring labor supply shortages even though they offer higher average wages. Increasingly, they are tapping the workforce in nearby micropolitan and rural labor markets for the best and brightest talent, requiring either relocation or extended commuting patterns.

Quite simply, the state's micropolitan and rural economies are not creating enough high- and middle-income jobs to meet all of their local employment needs. For some workers, the option is to settle for underemployment or no employment.

Future Prosperity Depends on Achieving Higher Educational Attainment Levels

Even in the most successful regions, North Carolina's earnings trail the rest of the country. Not only is this true statewide, but also in the state's high earning metro counties and Piedmont region where average earnings trail the US by 4 percent. Based on the mix of industries and occupations projected to grow the fastest in North Carolina, this relative earnings pattern will not change during the coming decade. To close that gap, the future prosperity of North Carolinians relies heavily upon further enhancing workers' education and skills.

Simply put, the more education that an occupation demands, the higher the average earnings. Workers with no post-secondary education or certification are finding it increasingly difficult to compete for jobs in high wage occupations. The highest wage occupations require an advanced degree and pay 106 percent greater than the state average. Those requiring a bachelor's degree pay 90 percent greater than the state average. Those occupations requiring some college or an associate's degree offer earnings 15 percent higher than the state average. Even jobs that required some college or at least one year of training and experience paid about 5 percent above average.

The good news is that, overall, the state's educational attainment levels are rising. In 1990, 70 percent of North Carolina adults aged 25 and older held a high school degree, increasing to 84 percent by 2005. Likewise, in 1990, only 17 percent of adult North Carolinians held a bachelor's degree or higher, but this rate increased to 27 percent by 2005. Even with this significant progress during the past 15 years, the state continues to trail the nation in educational attainment and still has far to go to ensure that workers without a formal post-secondary education, especially those without access to or the resources to take advantage of education opportunities, do not fall farther behind.

Baby-boom Retirements Will Deplete Labor Force Talent

Global demographic shifts will create additional challenges in meeting North Carolina's future workforce needs. Perhaps most pressing is the impending retirement of the first wave of the baby-boom generation (those born between 1946 and 1955). If this segment of the workforce is lost en masse, it could create tremendous upheaval in the workplace.

While the boomers are retiring, the state is projected to add about 30,000 new adults each year as potential workers, enough to replace the retirees but not enough to fill the new jobs being created. With 70,000 new jobs being created each year during the next 10 years, 40,000 net new jobs could go begging for workers annually. The retirement of one-quarter of the workforce, especially many of the state's most experienced workers, in just 13 years has the potential to leave a gaping hole in the supply of workers during the next two decades.

High Skill In-migrants Can Help Close the Skills Gap

Fortunately, new in-migrating workers are helping to mitigate the state's current labor shortages. New North Carolinians represent several key cohorts – including highly-prized college-educated, young adults (especially those aged 20-29). In addition, Hispanics, Asians, and foreign-born residents are also common in-migrants to North Carolina. While the state's overall age structure is relatively similar to the US, in-migrants are, on average, about seven years younger. In-migrants provide potential solutions to the demand for workers for both high-skill and low-skill occupations.

Attracting young talent is not the only solution for closing the state's skill gap. The state is also attracting retirees and, importantly, 'pre-retirees' (aged 50-64). These pre-retirees are often looking for their eventual retirement destination, but they are not yet ready to leave the workforce. Nearly one in four retirement and pre-retirement age in-migrants chose to move to Charlotte during the last decade. The Raleigh-Durham area has also served as a major destination for pre-retirees. Certainly, Asheville has also benefited from in-migrations among this group, with 9 percent of all 50-and-older in-migrants to North Carolina choosing the Asheville metropolitan area as their new home.

Low Skill In-migrants Present Opportunities and Challenges

Just as experienced in-migrants help in closing the state's skills gap, the state is also attracting a large number of unskilled or semi-skilled in-migrants. One of the largest cohorts within this group of in-migrants is Hispanic workers. This cohort of new North Carolinians poses new challenges for the state's workforce development leaders. Growth in the state's Hispanic population continues to far outpace the national average. In 2005, North Carolina was ranked 11th for total number of Hispanic residents, and official estimates put that number at over 600,000. However, recent research on unauthorized at the Pew Hispanic Center (www.pewhispanic.org) of unauthorized migrants suggests that the total may actually be as high as 1 million (or 11 percent) North Carolinians are of Hispanic origin.

The large scale influx of low-skill Hispanic workers provides a significant source of workers for many industries, including construction, agriculture, food processing and a number of other services. Nevertheless, this population also poses several real challenges for the state's education, workforce and social services providers. Many low-skill workers, especially persons whose first language is not English, could inhibit growth of the state's standard of living. Efforts to acculturate this new in-migrant community will be critically important to the state's economic success.

Call to Action

North Carolina's changing economy will demand an adaptable workforce. During the past decade, jobs losses in traditional manufacturing sectors have resulted in significant economic hardship across the state. Many of those dislocated workers settled for lower paying, low-skill jobs because they did not qualify for the new jobs that offered better wages, but demanded

higher skills or better education. Furthermore, many dislocated workers lacked access to educational resources, could not afford to take advantage of those educational opportunities, or simply were not inclined to disrupt their lives any further by going back to school. These issues continue in those basic sectors as certain manufacturing industries shed more jobs in the future, but North Carolina's future economy will look very different. New industries are emerging, many of which offer high wages to those with the most skills. Consequently, North Carolina finds itself with a widening gap: on one end is a growing shortage of high skill talent needed to fill emerging well paying jobs and on the other end are many low skill workers settling for jobs that do not offer a family-sustaining wage.

The state's workforce and education system faces the challenge of preparing an increasingly larger proportion of North Carolinians for better-paying, higher skill jobs. This challenge is made more daunting by the large existing pool of workers that lack the most basic skills or credentials (e.g., a high school degree or post-secondary training and education) necessary for these new higher quality jobs. As a result, North Carolina must seek to provide the state's existing workforce with better access to longer-term training and education to meet the needs of its fast-growing industries. Importantly the State must also create opportunities throughout all of North Carolina.

As leaders review the key trends facing the state, North Carolina must consider the implications for state policy. How do we respond most effectively to the painful transitions caused by worker dislocations in our traditional industries? How do we prepare workers for emerging, fast-growing industries? How do we help the entire state to prosper while encouraging the state's fast-growing urban economies to continue operating at their fullest capacity? How do we help our citizens to value education more highly to ensure that they are fully prepared for the opportunities that fast-growing new industries offer? These are some of the questions raised and key challenges facing our state.

State and local policy makers and practitioners involved in workforce development, education, and economic development must all participate fully in developing the solutions to address these challenges effectively. The responses from these existing networks and the state's multi-billion dollar investment in education, workforce development and economic development should be directed to efforts that create an environment in which the economy continues to develop and allows all citizens to contribute as valued members of that economy. These solutions must recognize that North Carolina is no longer a source for low-cost, low-skill labor for global markets. Our success will be based on innovation, new ideas, entrepreneurial behaviors, and continuously advancing education levels. How we achieve these ideals and create a more integrated system of life-long learning are at the heart of whether North Carolina can continue to prosper and truly become "The State of Minds."

For a copy of the complete State of the Workforce Report, please visit:
http://www.nccommerce.com/workforce/swr

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