 north carolina  
**JUSTICE CENTER**

STATE OF WORKING  
NORTH CAROLINA

# Equity in Employment

Embracing systems that connect people to good jobs and eliminating barriers helps all of N.C. thrive.

2019

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## INTRODUCTION

# Historic barriers for some hold everyone in North Carolina back

**T**he past need not dictate our future, but only if we look clear-eyed at the present. Honestly confronting North Carolina’s fractured and unbalanced economic landscape can be daunting. The scope of human hardship is vast, and all the more outrageous when a few people have enough wealth to last many lifetimes. But ignoring the reality facing so many North Carolinians, and pretending everyone has an equal opportunity to succeed, only works to protect the barriers that made our economy so lopsided in the first place.

We need not accept an economy that oppresses so many while elevating a lucky few; we have the tools to build a better tomorrow. Building a better tomorrow starts with breaking down barriers to opportunity so all North Carolinians — Black, brown and white, of all genders and ages — can walk the path to prosperity.

Section I of this report starts by looking at what happens when so many North Carolinians face barriers to getting and keeping good jobs. Digging past the headline unemployment rate reveals a host of barriers including unstable and uncertain work arrangements, racial inequalities in access to good-paying jobs, gender pay gaps that actually increase with levels of employment, and wages in our state that remain well below the national and regional average.

Section II goes more deeply into some of the specific barriers responsible for inequities discussed in Section I, and how these barriers can be battered down. By helping low-income communities connect to centers of employment, smoothing the path back to stable employment for people with criminal records, and keeping people from falling through the gaps in our education and training systems, our state has the opportunity to reverse the systems that currently keep so many North Carolinians in poverty and economic insecurity.

Section III addresses why bringing down historical barriers is work that benefits us all. Barriers to prosperity aren’t just immoral and oppressive to the people they constrain, they hold our whole state back from reaching its full social and economic potential.

## PART I: THE STATE OF NORTH CAROLINA

## CHAPTER 1: DON'T TRUST THE HEADLINE UNEMPLOYMENT RATE IN NORTH CAROLINA

Economic statistics have a funny way of taking on a life of their own. When rubbed against the gritty sandpaper of political debate, academic economic measures tend to lose the color and texture that gave them meaning in the first place. Such has been the fate of the headline unemployment rate. Never designed to paint a fulsome picture of our economic condition, the headline unemployment rate has nevertheless become a shorthand way of talking about our economy. The problem is, the headline unemployment rate often hides the real challenges and trials that so many North Carolinians live out every day.

### NEARLY 200,000 UNDEREMPLOYED NORTH CAROLINIANS ARE MISSING FROM THE HEADLINE COUNT

While the headline unemployment count would indicate that fewer than 200,000 North Carolinians are officially out of work, that figure tells only part of the story. The most recent data available show over 130,000 North Carolinians can find only part-time work, even though they want to work full time; this is what economists call “part-time for economic reasons.” Another 36,000 North Carolinians reported being “marginally attached” to the labor force, meaning they have looked for work in the past year but were prevented, for a variety of reasons, from searching in the last four weeks. Finally, over 20,000 North Carolinians reported wanting to work but not searching in the last four weeks due to fruitless jobs searches in the past year. All told, workers who were marginally attached, discouraged, or involuntarily working part time accounted for nearly as many North Carolinians as those who were officially captured as unemployed.

### SHARE OF NORTH CAROLINIANS WHO ARE WORKING STILL HASN'T REBOUNDED

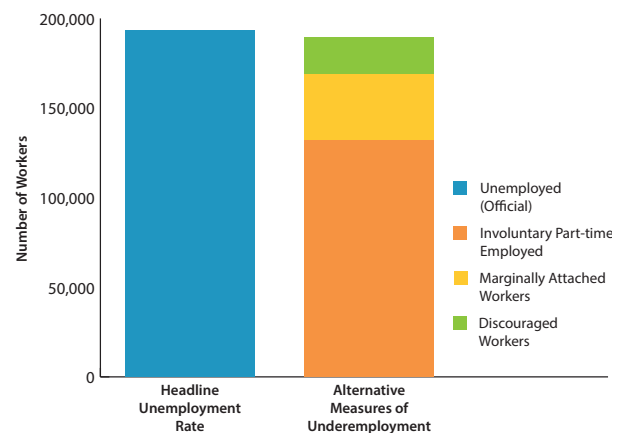
North Carolina's headline unemployment rate may be lower than it was before the Great Recession, but that's not the same thing as actually recovering to levels of employment that existed in decades past. Less than 60 percent of North Carolinians have reported being employed during most of 2019, which is both lower than the national average and well shy of the levels that North Carolina reached in the past 30 years. North Carolina regularly achieved levels of employment throughout the 1990s that were substantially above the national rate, but the state has seen that record erode during the last few economic cycles



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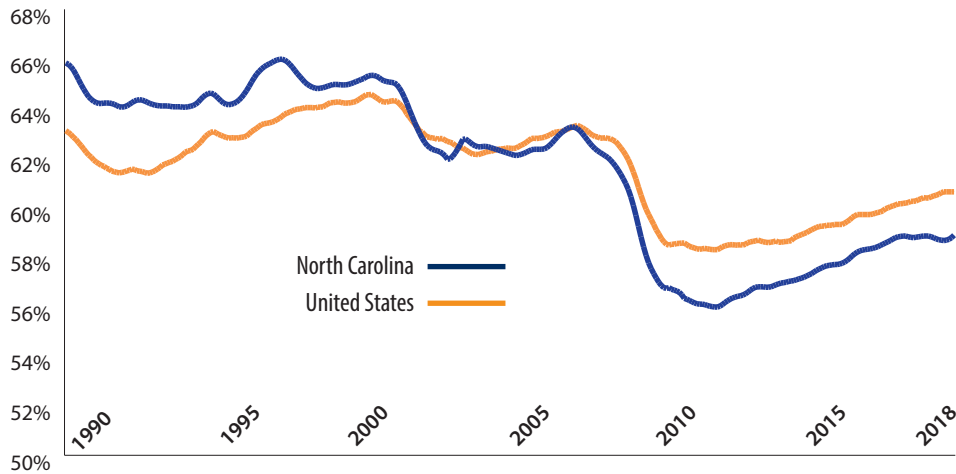
**Figure 1: Official unemployment tells only half of the story**  
Different measures of unemployment and underemployment, Q2-2018 through Q1-2019



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Alternative Measures of Labor Underutilization for States.



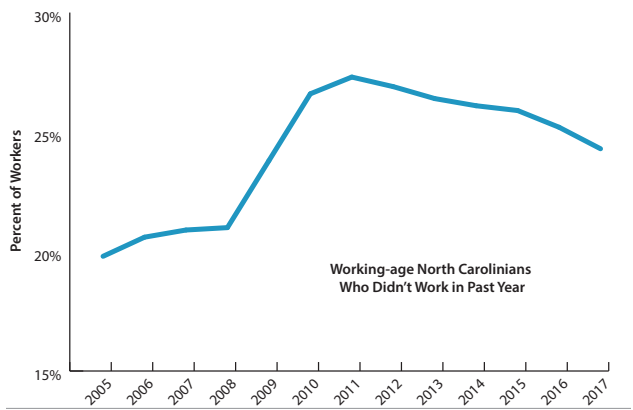
**Figure 2: Percentage of North Carolinians who are working still hasn't rebounded (1990-2018)**



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Employment-to-Population Ratio.

**Figure 3: Elevated share of working-age North Carolinians still out of work**

Share of North Carolinians who didn't work in past 12 months, ages 16-64



Source: U.S. Census, American Community Survey, 2017 1-Year Estimates

(See Figure 2). During the recession following the 9/11 attacks, employment dipped and never fully recovered. Then when the Great Recession hit, the share of working North Carolinians plunged by over 6 percentage points. There has been some improvement since 2011, but North Carolina has never recovered to pre-recession levels and remains substantially below the average nationwide.

Some of the slide in North Carolina's level of employment is due to an aging population shrinking the share of people in the workforce. However, that dynamic does not fully explain the decline we have seen over the past 10 years. A larger share of North Carolinians in their prime working age report having been unemployed than was reported before the Great Recession. In 2017 (the most recent data available), roughly 24 percent of North Carolinians between the ages of 16 and 64 reported they had not worked at all in the previous 12 months. That's an improvement over the worst periods of the Great

Recession but still far higher than in the years that preceded it.

## RACIAL BARRIERS TO EMPLOYMENT REMAIN

We have failed to erase the historic racial inequalities in employment, proof that many communities of color still face barriers to employment that their white neighbors do not. While North Carolina's overall unemployment rate in 2018 has steadily declined since the worst of the Great Recession, that gradual improvement has not erased racial inequalities that long predate the last downturn. In the most recent data available, Hispanic North Carolinians experienced an unemployment rate roughly 50 percent higher than that of whites, and Black workers faced nearly double the rate of official unemployment.

The Great Recession hit many communities of color much harder and lasted far longer. The Great Recession pushed unemployment for white workers in North Carolina from 3.4 percent in 2007 to a high of 8.9 percent in 2009—a devastating jump to be sure, but far less grievous than what happened for Black North Carolinians. Black workers saw unemployment increase from 8 percent in 2007 to 14.6 percent in 2009, and at the point when white unemployment started to decline, Black unemployment in North Carolina continued to escalate for another two years. By 2011, nearly 1 in 5 Black people in the labor force were looking for a job. Hispanic workers also experienced a much larger growth in joblessness during the Great Recession, with unemployment topping out at 13.6 percent in 2009.

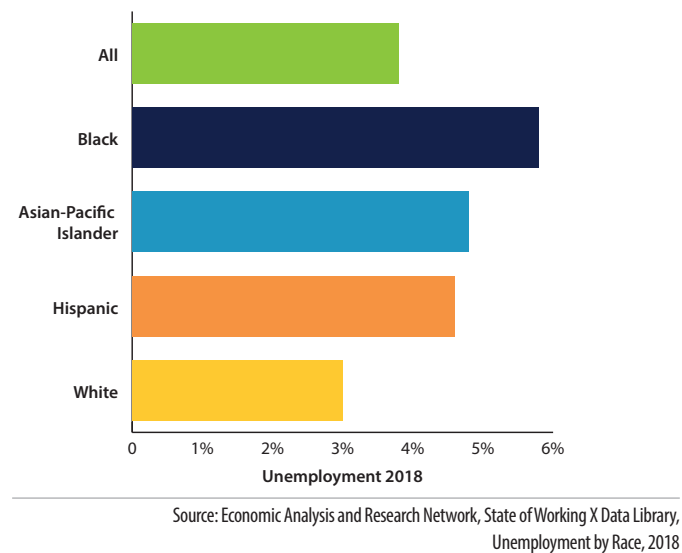
Racial gaps in unemployment have narrowed over the past decade, but that doesn't reflect the kind of progress that many political leaders want us to believe. The unemployment gap between Black and white workers last year was the same as when the Great Recession took hold, while the gap between non-Hispanic whites and Hispanic workers has actually increased.

## EMPLOYMENT GROWTH BYPASSES MUCH OF NORTH CAROLINA

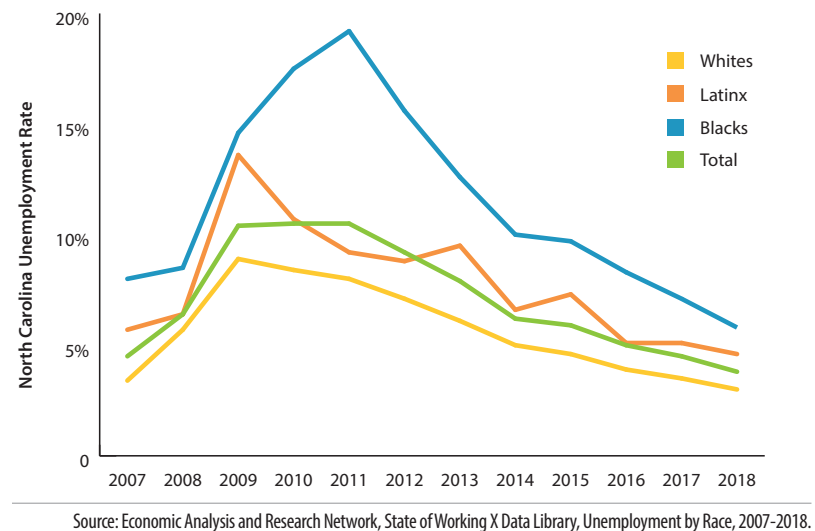
The headline unemployment rate hides deep geographic divides across North Carolina. A huge share of the employment growth in recent years has been concentrated in a handful of metropolitan areas, and those gains tend to mask losses elsewhere. As of May, 40 mostly rural counties still had fewer jobs than existed before the Great Recession, and 13 of those counties actually lost jobs in the last year.

Large swaths of rural North Carolina have struggled to access the economic opportunities coming to places like Raleigh and Charlotte. Reality is starkly different from what the statewide unemployment rate would make it seem, particularly in parts of Eastern North Carolina where geographic distance from employment centers exists on top of historical barriers that have kept people of color from economic opportunity.

**Figure 4: Communities of color face larger barriers to employment**

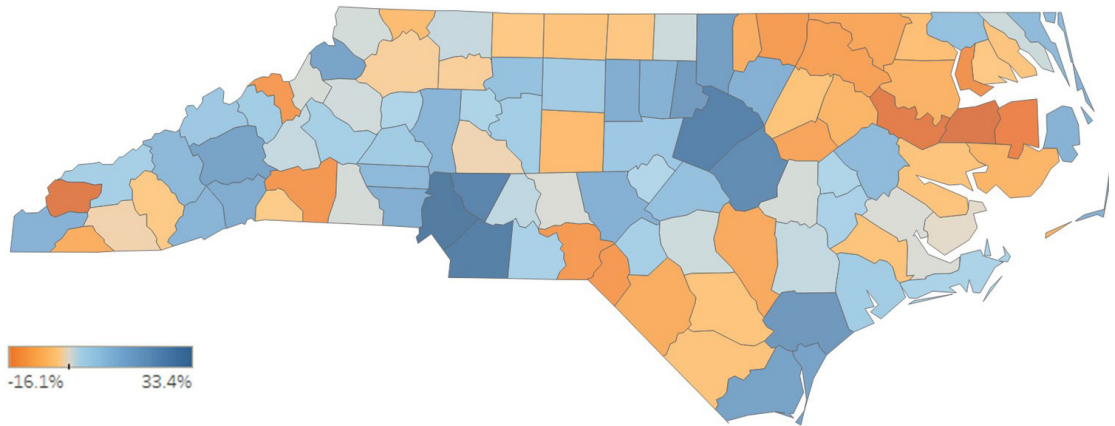


**Figure 5: Many workers of color experienced a deeper and longer Great Recession**



**Figure 6: North Carolina is not ready for economic downturn**

County job growth trends from December 2007 to May 2019



Source: <https://www.ncjustice.org/publications/highs-and-lows-in-job-market-leave-the-state-vulnerable-for-the-next-downturn/>

## CHAPTER 2: STABLE EMPLOYMENT REMAINS ELUSIVE

### UNSTABLE EMPLOYMENT IS ON THE RISE

Finding year-round work is hardly a given in today’s economy. In 2017 (the most recent data available), just over half of North Carolinians between the ages of 16 and 64 worked at least 50 weeks during the year. Ten percent of working-age people worked between 27 and 49 weeks of the year, and the remaining one-third of North Carolinians did not work at all or worked fewer than 26 weeks. Of course, some of the people who worked less than full time did so by choice, but many were either forced to work less than they might have due to family and life circumstances or because they could not find stable year-round employment.

The rise of temp agencies provides one window into how companies are increasingly looking to distance themselves from the traditional responsibilities inherent in the employer-employee relationship. The number of North Carolina workers employed by temp agencies has exploded over the past decade, going from just over 70,000 in 2008 to north of 100,000 last year.<sup>1</sup> Temporary staffing has grown more than four times faster during the current economic expansion than overall employment, a telling sign of how working North Carolinians are being pushed into unstable and uncertain employment situations.

### UNPREDICTABLE WORK SCHEDULES HURTING NORTH CAROLINA WORKERS

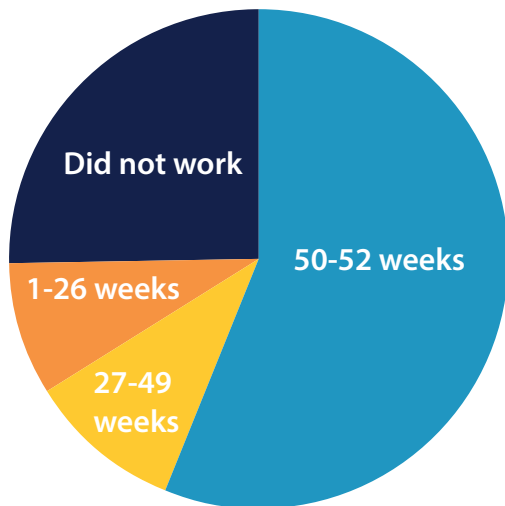
Another way that companies shift risk onto their employees is through the increasing use of changing and unguaranteed work schedules. In 2017, nearly one-quarter of North Carolina employees had typically worked less than 35 hours in the last 12 months, and many of these workers don’t know

<sup>1</sup> Analysis of Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Change in “Temporary help services” industry employment.



**Figure 7: Year-round employment eludes many working-age North Carolinians**

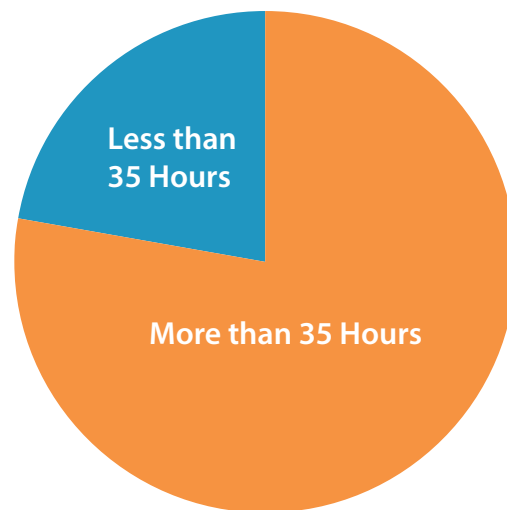
Number of weeks worked in last 12 months for North Carolina residents aged 16 to 64 in 2017



Source: U.S. Census Bureau. American Community Survey. 2017 5-year estimates

**Figure 8: Nearly one-quarter of working North Carolinians work less than full time**

Share of North Carolina residents aged 16 to 64 who usually work at least 35 hours per week in 2017



Source: U.S. Census Bureau. American Community Survey. 2017 5-year estimates

from one day to the next how many hours they are likely to receive. Routine scheduling instability means workers don't know how much they will earn from week to week and, according to a recent study, this causes "psychological distress, poor sleep quality, and unhappiness."<sup>2</sup> Workers dealing with uncertain work schedules are more likely to be poorly paid, so these negative health impacts are being disproportionately imposed on workers who already have to deal with not earning enough to get by.<sup>3</sup>

2 Schneider, D. & K. Harknett. (2019). "Consequences of Routine Work-Schedule Instability for Worker Health and Well-Being." *American Sociological Review*.

3 Golden. L. (2015) "Irregular Work Scheduling and its Consequences." *Economic Policy Institute*

## CHAPTER 3: LONG-TERM UNEMPLOYMENT REMAINS ELEVATED IN NORTH CAROLINA

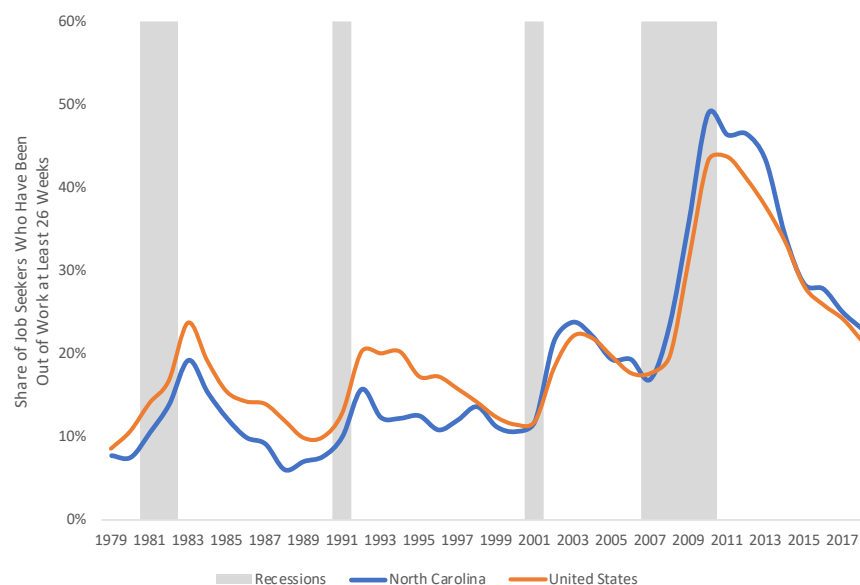
Prolonged periods of unemployment have become inherent to the North Carolina economy. Even after one of the longest periods of sustained economic growth on record, roughly one-quarter of unemployed North Carolinians had been job hunting for more than 26 weeks. While the rate of long-term unemployment has come down from the worst of the Great Recession, long-term unemployment remains far more common today than in most periods dating back to the 1970s. The rate of long-term unemployment last year was actually about the same as during the height of the post-9/11 recession.

The Great Recession may have been the worst collapse since the Great Depression, but the impact on long-term unemployment follows a deeply problematic pattern dating back to the late 1970s. In several instances, periods of growth have come to an end before the incidence of long-term unemployment returned to the level that existed before the previous recession. This happened after the 9/11 recession when long-term unemployment peaked at 24 percent, then never declined back to levels that were the norm during most of the middle 1990s, and that was on top of the same pattern that played out following the recession of 1990-91.

Rising levels of long-term unemployment is a reality across the United States, but it has increased more dramatically here in North Carolina. From the late 1970s through the turn of the millennium, long-term unemployment in North Carolina was consistently below the national rate, and the state

**Figure 9: Many N.C. workers face long periods of unemployment**

*Share of unemployed workers who have been out of work at least 26 weeks, 1979-2018*



Source: Economic Analysis and Research Network, State of Working X Data Library, Long-term Unemployment 1979-2018

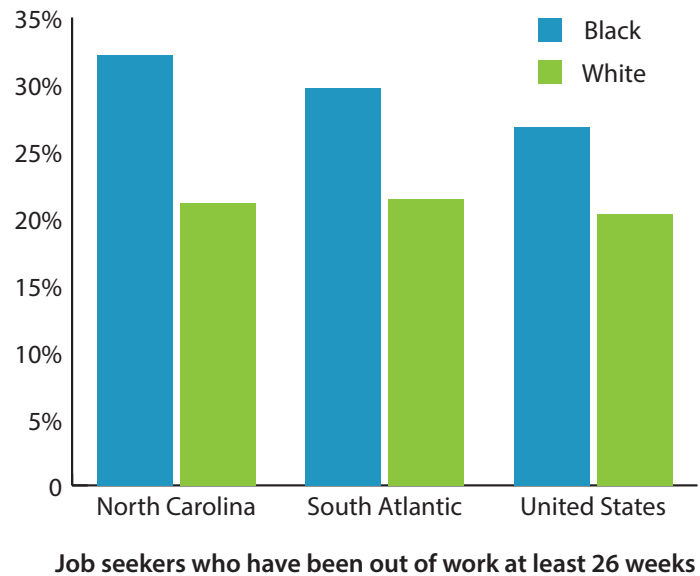
mirrored the national rate for most of the 2000s. The Great Recession then pushed long-term unemployment up faster and further in North Carolina than across the country, and that gap remains to this day.

All of this has dramatically eroded the power of working North Carolinians. The larger the pool of people who can't find work, the more leverage that companies have over both job applicants and their existing employees. First, long-term unemployment creates a negative feedback loop, making people who have been out of work for a sustained period less likely to find a job, even when their qualifications are essentially the same as people who have been unemployed for less time.<sup>4</sup> Second, people who have been out of work for a long period of time are forced to take wages and working conditions that they otherwise would never accept, an impact that can last far longer than the gap between jobs. One analysis found that being out of work for more than 26 weeks can create a dip in earnings that takes 20 years to recover from, compared with peer workers who did not experience a similar gap in employment. This, in turn, drives down homeownership rates and lifetime earnings.<sup>5</sup> Second, the larger the pool of people who are desperate to find work, the more power that companies have to suppress wages for their existing workers.

As with unemployment overall, prolonged joblessness weighs far more heavily on communities of color. Long-term unemployment topped out at around half of all Black and white unemployed workers in 2010, but inequality has grown substantially in the past several years. Last year, nearly one-third of all Black North Carolinians in the labor market had been searching for a job for at least 26 weeks, a rate more than twice what white workers faced. Racial inequalities are particularly acute in North Carolina. The gap surpasses the national rate as well as the average for states in the South Atlantic region that share North Carolina's legacy of racial disenfranchisement and oppression. All told, North Carolina remains a particularly hard place for people of color to find work.

**Figure 10: Racial inequality in long-term unemployment more severe in N.C. than national or regional average**

Share of job seekers who have been out of work for at least 26 weeks, 2018



Source: Economic Analysis and Research Network, State of Working X Data Library, Long-term Unemployment by Race, 2018

4 Abraham, K. et al. (2018). "The Consequences of Long-Term Unemployment: Evidence from Linked Survey and Administrative Data." National Bureau of Economic Research. Working Paper No. 22665

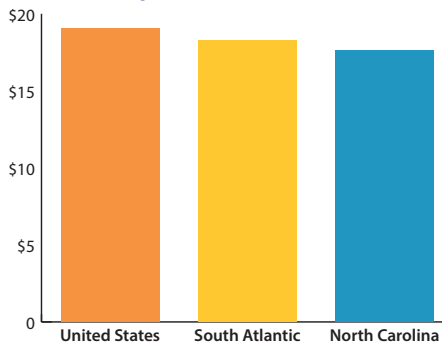
5 Cooper, D. (2014). "The Effect of Unemployment Duration on Future Earnings and Other Outcomes." Federal Reserve Bank of Boston. Working Paper No. 13-8.

## CHAPTER 4: EMPLOYMENT DOES NOT GUARANTEE A DECENT INCOME IN NORTH CAROLINA

Simply finding a job is no sure path to economic security. Even while the level of unemployment has dropped in recent years, wage growth in North Carolina has been extremely slow, and we remain a low-wage state where workers are paid less than the national average and less than many of our neighbors in the Southeast. Moreover, structural barriers to good jobs continue to plague many women and people of color, perpetuating racial- and gender-pay gaps.

### STAGNANT NORTH CAROLINA WAGES REMAIN SUBPAR

**Figure 11: N.C. hourly wages fall short of nation and region, 2018**



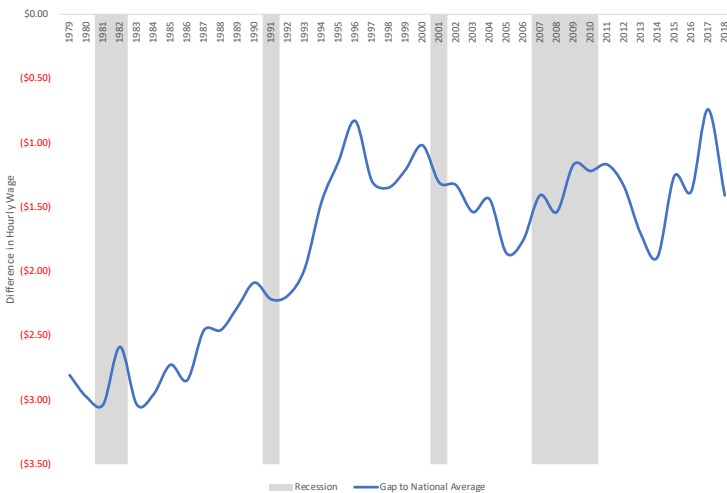
Source: Economic Analysis and Research Network, State of Working X Data Library, Average Wage, 2018

North Carolina has not escaped its history as a low-wage state. Even decades after manufacturing companies, which moved here in search of low wages and lax labor laws, have decamped overseas in an ongoing race to the bottom, workers in North Carolina are still paid less than the national and regional average. Compared to hourly wage earners nationwide, North Carolinians are paid roughly \$1.40 less per hour, which translates into nearly \$3,000 over the course of a full working year.

Perhaps even more alarming, progress in closing that pay gap has largely stalled in recent years. An hourly pay gap of about \$3 below the national average in 1980 had been trimmed to just over \$1 by the turn of the millennium as high-tech and other industries increasingly moved to the state. The wage gap to the national and regional average has fluctuated in the nearly 20 years since then, but the previous long-term trend of improvement has essentially stopped.

**Figure 12: Progress in closing N.C. wage gap has stalled since mid-1990s**

*Difference in hourly wage between N.C. and U.S. – 1979 to 2018*



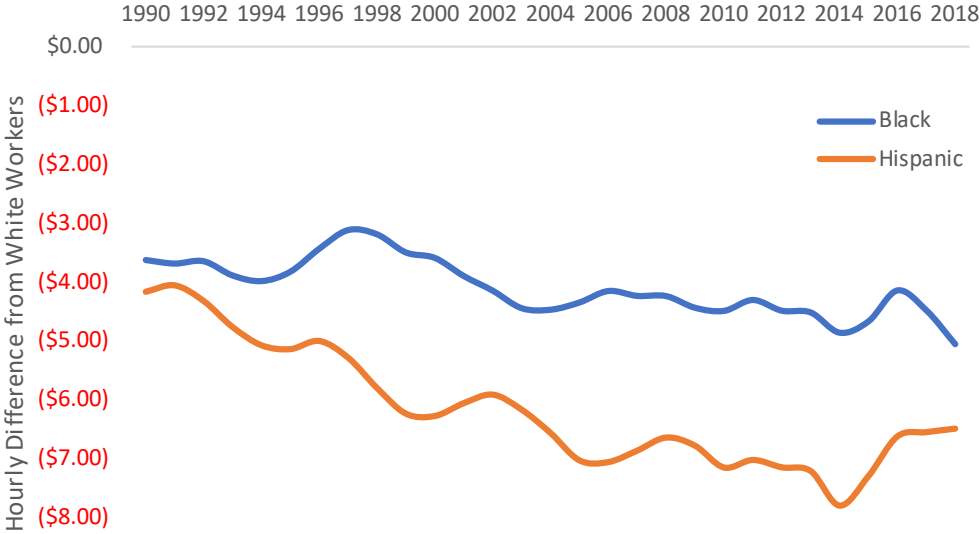
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Employment-to-Population Ratio.

### RACIAL, GENDERED BARRIERS TO GOOD JOBS PERPETUATE WAGE INEQUITIES

Racial wage inequities in North Carolina have gotten worse in recent years, and the gap between what many people of color earn and what their white colleagues earn continues to grow. Before the Great Recession, Black workers were paid nearly \$4.70 less per hour than white workers, a gap that grew to about \$6 last year. The wage gap between white and Hispanic workers has decreased slightly in the past few years, but it is still significantly larger than the gap was in most of the 1990s. Over the course of a full year of work, the current wage inequities result in both Black and Hispanic workers taking home more than

**Figure 13: People of color paid less than white colleagues**

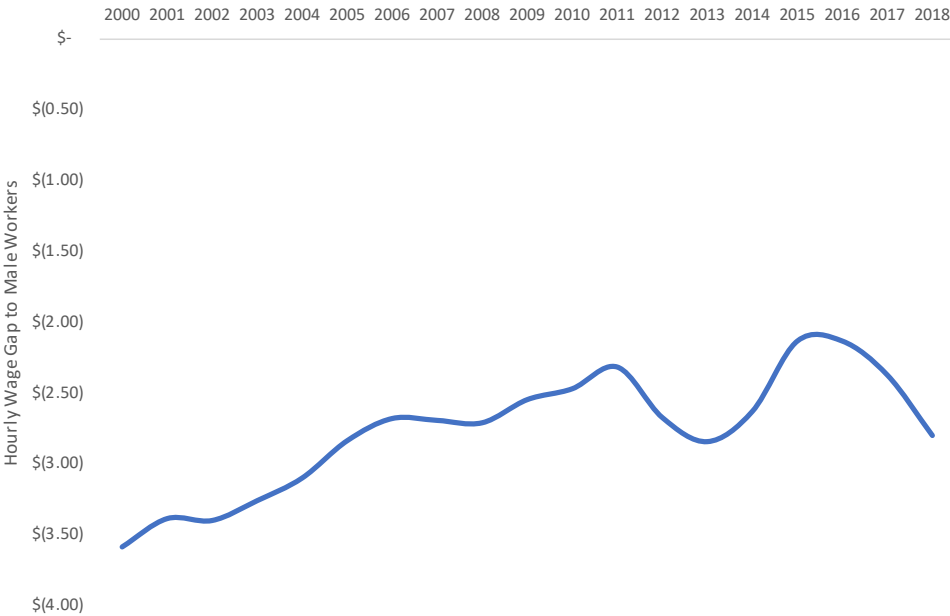
*Difference in average hourly pay – 3 year moving average*



Source: Analysis of Economic Analysis and Research Network, State of Working X Data Library, Average Wage, 1990-2018

**Figure 14: Gender pay gap widens in recent years**

*Difference between female and male hourly wage – 3-year moving average*



Source: Analysis of Economic Analysis and Research Network, State of Working X Data Library, Average Wage, 2000-2018



\$12,500 less than the white people they work with.

With an average annual income under \$35,000 per year, women’s pay in North Carolina is 32nd in the nation, and stalled progress in closing the gender pay gap means it could take another 40 years to bring women’s pay up to that of their male colleagues.<sup>6</sup> To make matters even worse, women’s hourly pay has actually slipped further behind their male colleagues in the past few years. Following decades of slow progress that brought the gender wage gap in North Carolina from nearly \$5 difference per hour in 1980 to under \$2 in 2015, it grew again to \$3 last year.

As in the case of race, some of this gap is due to women being paid less for doing the same work as men, and some of the gap is rooted in barriers that women face in accessing some high-paying fields and positions.

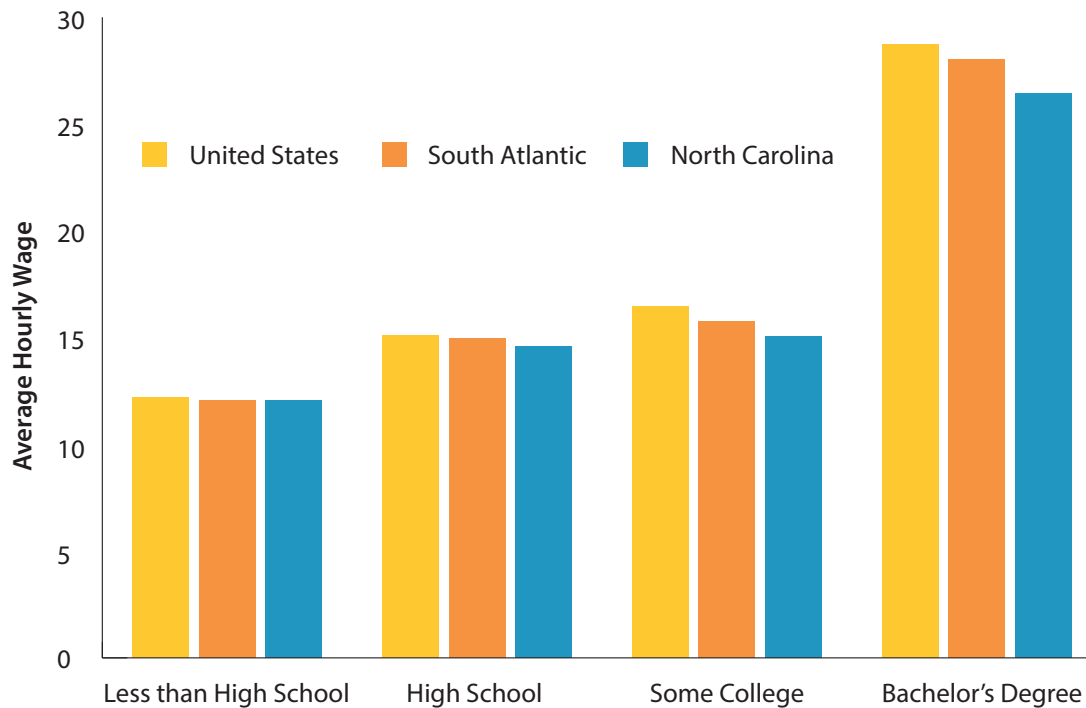
### EDUCATION ALONE WON’T FIX OUR WAGE PROBLEMS

It has become nearly an article of American economic faith that getting more education is the best route to prosperity. This belief — often tinged with an implicit or explicit accusation that people who can’t follow this advice have only themselves to blame for low wages — wilts in the face of modern economic reality. In North Carolina, the ivy-curtained paths of the academy don’t necessarily lead to a life of economic security.

6 <https://governor.nc.gov/news/equal-pay-day-gov-cooper-issues-executive-order-address-gender-pay-gap>

**Figure 15: N.C. workers underpaid regardless of education level**

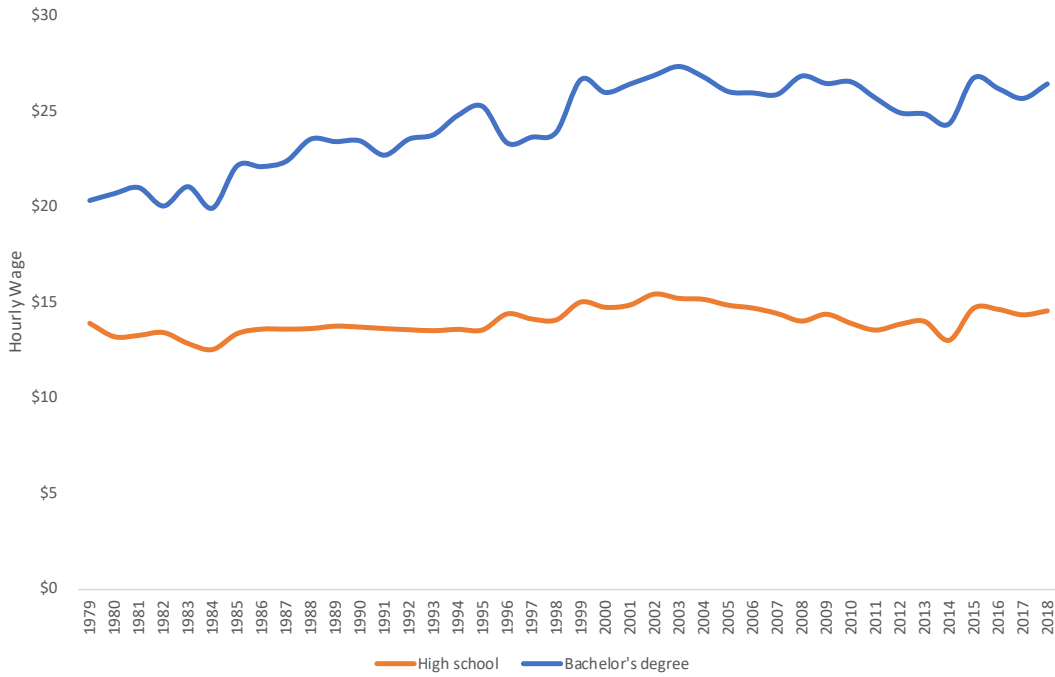
*Hourly wage, 2018*



Source: Economic Analysis and Research Network, State of Working X Data Library, Average Wage by Educational Attainment, 2018

**Figure 16: Wage premiums for college graduates stopped growing**

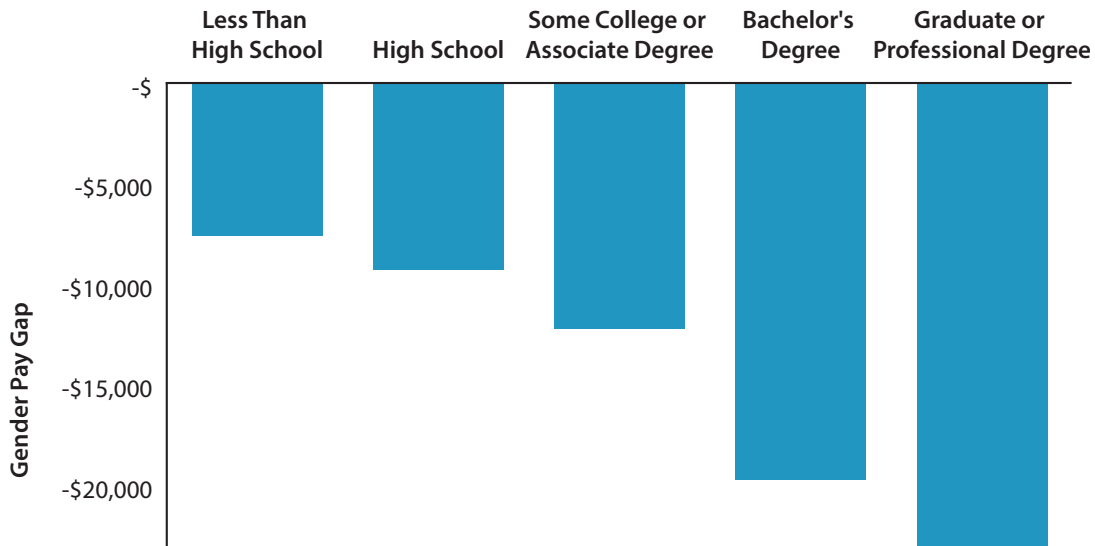
Hourly wage, 1979-2018



Source: Economic Analysis and Research Network, State of Working X Data Library, Average Wage by Educational Attainment, 1979-2018

**Figure 17: Gender income gap grows with educational attainment**

Difference in annual income between men and women, 2017



Source: Analysis of U.S. Census Bureau, American Community Survey, 2017 5-Year Estimates

North Carolinians are underpaid in comparison to their peers across the country and region, up and down the educational spectrum. We've already seen that workers in North Carolina are paid less than the national and regional average, and the trend largely holds regardless of how educated North Carolinians make themselves.

In fact, the wage gap largely increases with educational attainment. North Carolinians with a high school diploma earn around 50 cents less per hour than the national average, and that gap expands to nearly \$2.30 for people with a bachelor's degree. Over the course of a full working year, these gaps translate into \$1,100 for people with a high school diploma, nearly \$3,000 for working North Carolinians with some college, and \$4,700 for people with a bachelor's degree.

Gone are the days when having a bachelor's degree was the sure-fire path to increased incomes. From the early 1980s through the turn of the millennium, having a bachelor's degree tended to secure wages that outpaced inflation and a growing wage premium compared with workers with a high school diploma. The past two decades, however, have been a very different story. Adjusting for inflation, the average wage for North Carolinians with a bachelor's degree in 2018 was virtually identical to where it stood in 2001, and it was actually slightly lower than in 2010 in the immediate aftermath of the Great Recession. With last year's average wage for North Carolinians with a high school diploma also nearly identical to where it stood in 2001, the wage premium for higher education has stalled at just under \$12 per hour. The advantage of having a bachelor's degree remains, but the advantage has stopped growing in the way it did throughout most of the 1980s and 1990s.

Stagnating wages for people with a bachelor's degree undermine a core tenant of received economic wisdom: The idea that investing in education provides a path to security and ever-improving financial prospects. After years of reduced state appropriations for the UNC system shifted the burden onto students, North Carolinians now hold \$44 billion in educational debt.<sup>7</sup> The combination — rising debt burdens along with a lack of wage growth — cuts off a core path to economic security, particularly for young people from families without the resources to pay for a bachelor's degree.

Counter to what many might suppose, the gender pay gap does not dissolve with higher levels of education — it actually expands. Women with advanced degrees are actually more radically underpaid in comparison with their similarly credentialed male colleagues than are women with less formal education. Women with graduate or professional degrees in North Carolina are paid nearly \$30,000 less than men with the same level of education. The growing income gap is not just a function of both men and women being paid better as they attain more advanced degrees. The average income for women in North Carolina with a high school diploma is 30 percent lower than men with the same level of education, while the deficit expands to 36 percent for women with graduate or professional degrees.

.....

**Women with graduate or professional degrees in North Carolina are paid nearly \$30,000 less than men with the same level of education.**

7 Center for Responsible Lending. (2019). "North Carolina's Student Debt: Dimensions of a Crisis." <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-aug2019.pdf>

## PART II: THE BARRIERS TO EMPLOYMENT EQUITY

## CHAPTER 1: HOW TRANSPORTATION AND LOCATION AFFECT ACCESS TO JOBS IN NORTH CAROLINA

**M**any North Carolinians are isolated from centers of employment. With jobs increasingly concentrated in metropolitan areas where housing prices are on the rise, working North Carolinians often can't afford to live anywhere near where jobs can be found. Many workers who do bridge the divide between where they live and work face a daily grind of long commutes and onerous transportation costs. Making it easier, faster, and cheaper to access jobs is key to expanding economic security and prosperity, particularly for North Carolina communities that are already on the economic margins.

### MANY LOW-INCOME COMMUNITIES FACE GROWING COMMUTES

In many cases, getting to work requires not only having access to transportation but also living near where jobs are located. However, a spatial mismatch between where workers live and where jobs can be found frequently presents barriers both for workers seeking to access jobs and for employers looking to fill openings. For workers, this mismatch often means that quality jobs are located far away from high-poverty areas, a trend that makes exiting poverty difficult.



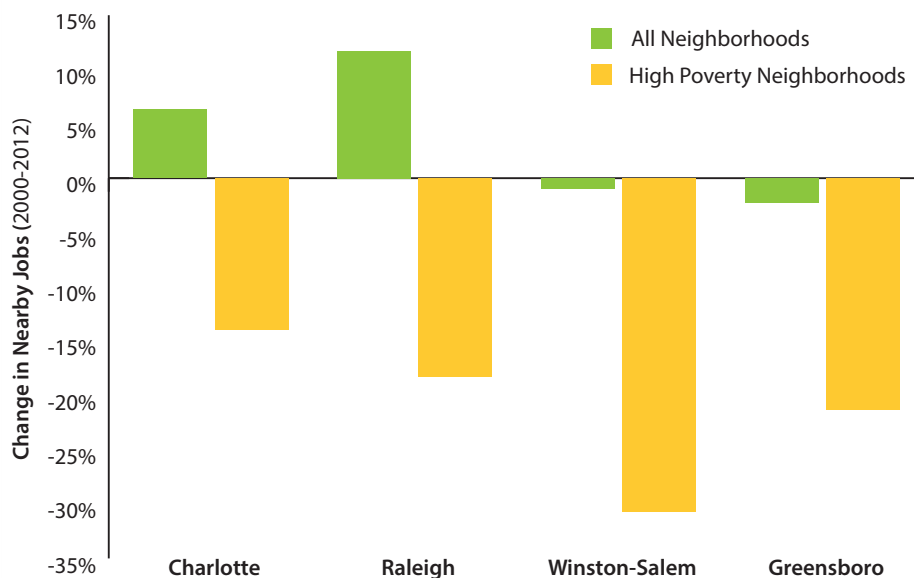
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Senior Economic  
Analyst

**Figure 1: Low-income neighborhoods increasingly cut off from access to jobs**

Change in number of jobs near the average resident (2000-2012)



Source: Kneebone, E. & N. Holmes. (2015). "The growing distance between people and jobs in Metropolitan America." The Brookings Institution.  
<https://www.brookings.edu/research/the-growing-distance-between-people-and-jobs-in-metropolitan-america/>

The distance that low-income workers have to travel for work has been growing in all of North Carolina's largest cities. Between 2000 and 2012, the number of jobs in or near low-income neighborhoods dropped dramatically, forcing many residents to travel farther afield to find work. In Raleigh and Charlotte, overall access to jobs increased as employment options expanded, but high-poverty neighborhoods actually saw the number of nearby jobs decline. In Winston-Salem and Greensboro where overall access to jobs dropped modestly, jobs disappeared from low-income areas much more dramatically. For example, the number of jobs near the average resident in the Greensboro-High Point Metro Area declined by just over 2 percent between 2000 and 2012. For the average resident of a high-poverty neighborhood, however, this same number declined by 21.3 percent.<sup>1</sup> This trend has only gotten worse since 2012 for many communities. As housing prices balloon in many of North Carolina's growing cities, low-income residents have been increasingly priced out of neighborhoods that are close to centers of employment.

Looking beyond North Carolina's major metropolitan areas, long commutes weigh more heavily on many rural areas and communities of color. More than 7 percent of residents in rural counties face at least an hour-long commute, a nearly 50 percent larger share of commuters than in urban counties. Counties with majority non-white populations also face long commutes at higher rates than majority white counties. In both cases, these long commutes affect communities that already contend with a range of other economic barriers.

Lack of access to jobs nearby can perpetuate cycles of poverty and economic instability. One recent study showed workers living in job-rich areas spent 4 percent less time searching before finding a job and up to 7 percent less time searching before finding a job with relatively high earnings.<sup>2</sup> Even for workers who can find jobs far from home, the economic and social costs can be enormous. Gas and car repairs are a constant drain, and long commutes undermine the time available for family, productive work, and people's broader communities.

Spatial mismatch also affects employers. When centers of employment are distant from where workers live, it can be hard to fill positions, and current employees are more likely to be late or miss shifts entirely, all of which create costs and challenges for employers. In the words of one researcher: "Unfilled job vacancies can coexist with qualified jobless workers, in sizable part because of a basic spatial mismatch — jobs are often geographically separated from areas with affordable housing."<sup>3</sup>

The extent of mismatch between where jobs can be found and where people live clearly extends beyond the specific examples noted here. Regardless of how one approaches the question, long commutes tend to reinforce and perpetuate barriers facing many communities that are often pushed to the economic margins. Whether we're talking about communities of color, rural parts of North Carolina, or low-income neighborhoods, just getting to and from work is often a daily herculean task contributing to economic instability.

## **COST OF MAINTAINING A CAR KEEPS MANY WORKERS FROM GOOD JOBS**

Access to a reliable vehicle remains essential to work in today's labor market. Workers who have cars are more likely to be employed, generate higher earnings, and are less likely to experience job instability than those who do not.<sup>4</sup>

1 Kneebone, E., & Holmes, N. (2015). The growing distance between people and jobs in metropolitan America. Retrieved from <https://www.brookings.edu/research/the-growing-distance-between-people-and-jobs-in-metropolitan-america/>

2 Andersson, F., Haltiwanger, J. C., Kutzbach, M. J., Pollakowski, H. O., & Weinberg, D. H. (2018). Job displacement and the duration of joblessness: The role of spatial mismatch. *Review of Economics and Statistics*, 100(2), 203-218.

3 Brandtner, Christof, Anna Lunn, and Cristobal Young. "Spatial mismatch and youth unemployment in U.S. cities: public transportation as a labor market institution." *Socio-Economic Review* (2017).

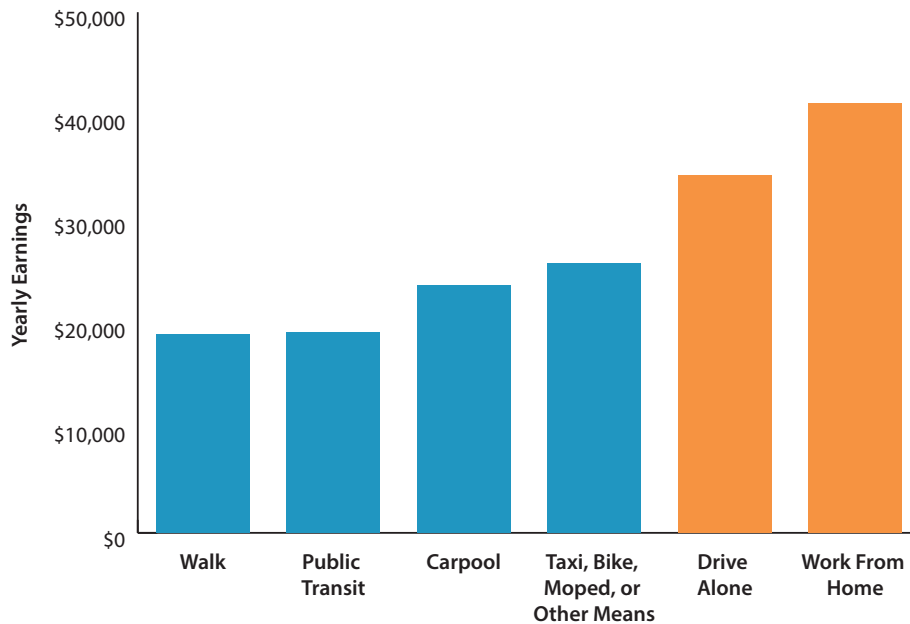
4 Smart, M., & Klein, N. (2018). Disentangling the role of cars and transit in employment and labor earnings. *Transportation*, 1-35.



Here in North Carolina, people who can work from home or drive themselves usually earn more than their peers who rely on other forms of transportation. In 2017, people who work from home averaged higher incomes than workers who drive alone. Earnings for people who drive alone surpassed workers who carpool by over \$10,000 and people who walk or use public transit by over \$15,000.

**Figure 2: Access to a car is key to finding good paying jobs**

*Earnings in the past 12 months by mode of transportation to work, 2017*



Source: Analysis of Bureau of Labor Statistics, American Community Survey – 2017

The importance of driving creates an enormous barrier for workers who cannot afford to buy and maintain a car. Rural workers are equally as likely to lack access to a car as non-rural workers, but for them, owning a car may constitute a more necessary precondition for employment. Limited public transportation access and longer commute distances make transit commuting less tenable for some rural workers, rendering car ownership an important factor in their ability to get to work.

However, merely owning a car does not guarantee that a worker will succeed in getting to work each morning. High costs for car repair and maintenance present barriers even for those workers who are able to secure a vehicle of their own. The average car repair bill now runs \$600, or close to 2 percent of annual income for North Carolina's median solo car commuter.<sup>5</sup> For North Carolina's more than 700,000 solo car commuters who make less than \$15,000 a year, one repair can drain 4 percent or more of their annual income. Routine car expenses also burden workers. In 2015, the median annual expense for all basic car operations was over \$300 higher for poor car-owning families, often because poorer workers frequently own used cars.<sup>6</sup> Because many low-income North Carolinians are forced to live far from their places of work, the burden of paying for vehicle upkeep often compounds the

5 Edmonds, E. (2017). One-in-three U.S. drivers cannot pay for an unexpected car repair bill. <https://newsroom.aaa.com/2017/04/one-three-u-s-drivers-cannot-pay-unexpected-car-repair-bill/>

6 Smart, M., & Klein, N. (2018). Disentangling the role of cars and transit in employment and labor earnings. *Transportation*, 1-35.

economic divide created by the spatial mismatch described above.

Our state's rurality and urban sprawl contribute to the high cost of commuting by car. North Carolina's metropolitan areas are among the nation's most sprawling, and the state has an unusually high proportion of residents living in rural areas.<sup>7,8</sup> Workers living in less compact areas pay more for gas and car repairs, and they generally don't recoup those costs through savings on housing. One study estimated that workers see a 3.5 percent increase in transportation costs for every 10 percent increase in sprawl.<sup>9</sup> As roads continue to become more crowded in North Carolina, high gas expenditures for those living in sprawling areas are paired with increased commute times — and higher repair costs. More time on the road means more wear and tear on vehicles, a worrisome trend for drivers who can't afford to pay for car repairs.

In light of the high costs of car maintenance, the low-income workers most disadvantaged by spatial mismatch are also those least able to overcome it through commuting by car. Owning a car may enable some low-income workers to travel farther for high-paying jobs, but the data show that high car maintenance costs frequently cancel out these income gains.<sup>10</sup> In part as a result, low-income workers frequently transition in and out of car ownership, unable to afford to maintain their cars when repair needs build.<sup>11</sup> Resolving the employment problems associated with spatial mismatch requires more than just owning a car — car ownership can improve employment options for some workers, but it's no panacea.

## PUBLIC TRANSIT CAN BOOST EMPLOYMENT AND INCOME

For workers without access to a car, public transit represents a critical means of overcoming barriers associated with spatial mismatch — and a key to employment. More than a quarter of North Carolina's public transit commuters do not have access to a private vehicle, and the state's public transit system frequently benefits workers for whom the costs of car ownership would represent a considerable burden. The share of low-income North Carolinians who rely on public transit is much higher than the national and regional average, a clear sign that access to public transit is particularly important in our state. In 2017, over 22 percent of North Carolinians below the federal poverty level used public transit, more than twice the national rate of transit usage for people below the poverty line and substantially higher than the average across the South.

Young workers also benefit uniquely from North Carolina's public transportation system. Since young workers often lack the capital necessary to purchase cars, research demonstrates that those with access to strong public transit systems are less likely to become unemployed.<sup>12</sup> North Carolina's transit commuters are much younger than those elsewhere in the South, suggesting that our state's employment statistics likely see a special boost from youth transit ridership. Expanding public transit services to young people may assist in further decreasing youth unemployment rates in North

7 Tippet, R. (2016). The persistent "rurality" of North Carolina. Retrieved from <https://demography.cpc.unc.edu/2016/03/21/the-persistent-rurality-of-north-carolina/>

8 Goodyear, S. (2014). A ranking of the most sprawling U.S. metro areas, and why you should care. <https://www.citylab.com/life/2014/04/ranking-most-sprawling-us-metro-areas-and-why-you-should-care/8782/>

9 Hamidi, S., & Ewing, R. (2015). Is sprawl affordable for Americans? Exploring the association between housing and transportation affordability and urban sprawl. *Transportation Research Record*, 2500(1), 75-79.

10 Smart, M., & Klein, N. (2016). The effect of car ownership and transit access on employment and income: Fourteen years of evidence from the Panel Study of Income Dynamics. TRID: The TRIS and ITRD database. Retrieved from <https://trid.trb.org/view/1393125>

11 Klein, N., & Smart, M. (2017). Car today, gone tomorrow: The ephemeral car in low-income, immigrant and minority families. *Transportation*, 44(3), 495-510.

12 Brandtner, Christof, Anna Lunn, and Cristobal Young. "Spatial mismatch and youth unemployment in U.S. cities: public transportation as a labor market institution." *Socio-Economic Review* (2017).

Carolina, which continue to remain above the national average for young men.<sup>13,14</sup>

Workers who are able to access high-quality public transportation often benefit from higher earnings. One recent study showed increasing the number of jobs by accessible public transit substantially boosted future earnings for currently unemployed workers.<sup>15</sup>

## OVERCOMING TRANSPORTATION BARRIERS

Fortunately, strategies abound for making getting to work a positive boost for the economy, rather than a barrier to employment. Promoting equitable transit-oriented development, expanding and strengthening public transit, and making changes to the ways we fund infrastructure are some of the ways North Carolina can assist workers in overcoming the barriers to employment associated with spatial mismatch while boosting wages across the state.

### Expand and strengthen public transit:

The current public transit system fails to adequately connect many low-income workers to enough job opportunities that can generate economic stability. Nationwide, transit systems fail to connect workers to nearly 60 percent of all jobs, limiting employment opportunities for transit commuters.<sup>16</sup> In North Carolina, public transit riders face an average commute nearly 75 percent longer than people who drive alone.<sup>17</sup> Since less-affluent families often live in areas with access to bus transportation, researchers have suggested that distributing bus stops more effectively may make more neighborhoods accessible to low-income workers.<sup>18</sup> Expanding and upgrading public transit systems can open up job opportunities currently closed to many low-income North Carolinians while erasing the economic uncertainty that comes with vehicle upkeep on a modest income.

.....

**Nationwide, transit systems fail to connect workers to nearly 60 percent of all jobs, limiting employment opportunities for transit commuters.**

### Promote equitable transit-oriented development

Equitable transit-oriented development, or eTOD, incentivizes developers to produce housing that allows residents to live near quality jobs and use public transit to commute. This often entails bringing mixed-income housing and public transit together in walkable developments proximate to job centers. Many eTOD agreements require that some percentage of housing units remains affordable as developments grow, ensuring that the low-income families who stand to gain the most from the transportation and job accessibility benefits of eTOD do not get priced out of living within them.

Several cities in North Carolina have recently seen great success in leveraging eTOD to promote affordable living and transit access for workers and families. In April, the Charlotte City Council

13 U.S. Bureau of Labor Statistics. (2019). Unemployment Rate: 16 to 24 years, Men [LNS14024885]. Federal Reserve Bank of St. Louis. Retrieved from <https://fred.stlouisfed.org/series/LNS14024885>

14 U.S. Bureau of Labor Statistics. (2019). Employment status of the civilian noninstitutional population in states by sex and intermediate age, preliminary 2018 annual averages. Local Area Unemployment Statistics. Retrieved from <https://www.bls.gov/lau/ex14tables.htm>

15 Smart, M., & Klein, N. (2018). Disentangling the role of cars and transit in employment and labor earnings. *Transportation*, 1-35.

16 Tomer, A., & Kane, J. (2014). Cars remain king and barrier to economic opportunity. Retrieved from <https://www.brookings.edu/blog/the-avenue/2014/10/23/cars-remain-king-and-barrier-to-economic-opportunity/>

17 Analysis of U.S. Census, American Community Survey - 2017

18 Pathak, R., Wyczalkowski, C. K., & Huang, X. (2017). Public transit access and the changing spatial distribution of poverty. *Regional Science and Urban Economics*, 66, 198-212.

amended its zoning codes to create four new eTOD districts near transit centers.<sup>19</sup> The rules enable developers to bypass height restrictions if they devote 10 percent of new units toward affordable housing, incentivizing the construction of affordable housing near transit stations.<sup>20</sup> In 2010, the Town of Chapel Hill enacted an Inclusionary Zoning Ordinance mandating that at least 10 percent to 15 percent of housing units in new complexes be available at prices affordable to lower- and middle-income families.<sup>21</sup> Like Charlotte's eTOD effort, Chapel Hill's ordinance enables more families to live in transit-friendly areas close to jobs, cutting down on commuting costs for low-income workers. Raleigh and Durham have also made progress toward using eTOD principles in recent years.<sup>22</sup>

Providing support for eTOD at the state level can enable more North Carolina workers to benefit from its advantages. For example, modifying the state definition of transit-oriented development districts to allow communities without rapid transit systems to construct eTODs can enable more cities to build eTOD principles into their zoning regulations. Likewise, making state funding available to eTOD projects can help fill key funding gaps.<sup>23</sup>

### Create a less regressive system for financing transportation infrastructure

North Carolina relies heavily on the gas tax to finance transportation projects, a deeply regressive source of revenue that imposes a heavy burden on the people least able to pay. As rising housing prices force many North Carolinians to move farther from centers of employment, the gas tax effectively punishes low-income workers for not being able to afford to live near where they work. Moreover, as affluent drivers move to efficient or electric vehicles, the gas tax leaves low-income workers who cannot afford new cars on the hook for a larger share of paying for road infrastructure. Many states are exploring a vehicle miles traveled tax as a replacement for the gas tax, but simply taxing mileage would preserve the regressive nature of the current gas tax. Alternative designs should be implemented that tie transportation taxes to ability to pay, like progressive tax rates, exemptions for mileage traveled to work for low-income workers, or supplementing usage fees with other revenue sources that tax wealth.

### Increase local authority to connect affordable housing to employment centers

The North Carolina General Assembly has severely limited local governments' ability to connect low-income workers to centers of employment. For example, expanded zoning authority would give local governments more leverage to compel developers to build affordable housing units near employment centers. Expanding local governments' ability to charge impact fees on new developments can also create revenue to expand public transit systems. These and other steps to give city and county governments more tools to manage growth and generate new sources of revenue will allow communities to develop local solutions that fit their local challenges.

19 Chemtob, D. (2019). New rules for development near Charlotte transit may help affordable housing too. The Charlotte Observer. Retrieved from <https://www.charlotteobserver.com/news/business/biz-columns-blogs/development/article229273054.html>

20 Chemtob, D. (2019). Developers could build taller buildings if they add affordable housing under proposal. The Charlotte Observer. Retrieved from <https://www.charlotteobserver.com/news/business/biz-columns-blogs/development/article228132909.html>

21 Town of Chapel Hill. (2019). "Inclusionary Housing Program." Retrieved from <https://www.townofchapelhill.org/town-hall/departments-services/housing-and-community/affordable-housing-policy/inclusionary-zoning>

22 North Carolina Department of Transportation. (2018). Transit and affordable housing in North Carolina. Retrieved from <https://connect.ncdot.gov/business/Transit/Documents/Affordable%20Housing%20and%20Transit%20White%20Paper.pdf>

23 North Carolina Department of Transportation. (2018). Transit and affordable housing in North Carolina. Retrieved from <https://connect.ncdot.gov/business/Transit/Documents/Affordable%20Housing%20and%20Transit%20White%20Paper.pdf>

## CHAPTER 2: JUSTICE-INVOLVED NORTH CAROLINIANS FACE SIGNIFICANT BARRIERS TO EMPLOYMENT

**M**ore than 2 million North Carolinians have been involved in the criminal justice system at some point in their lives, and as a result, they continue to carry a criminal record with them today. But, these records are not emblematic of the types of circumstances and offenses we might assume.<sup>1</sup> These 2 million North Carolinians may carry a record indicating anything from being convicted of a crime to having dismissed charges. These records often serve as severe barriers to employment and can affect individuals for many years after their exit of the criminal justice system.

For years, activists and scholars have argued that erecting barriers to employment for people with a record has adverse effects on their ability to build and sustain lives. A growing body of evidence supports this and demonstrates that smoothing the path to employment for people with records can significantly reduce recidivism, strengthen families and neighborhoods, save state resources, and make communities more prosperous.<sup>2</sup> Studies have shown that gainful employment is the single best indicator of successful re-entry outcomes and that, in turn, a denial of economic activities contributes to higher rates of recidivism.<sup>3</sup> In North Carolina, 40 percent of people either re-offend or violate post-release supervision within 2 years of release, often as a result of the barriers denying them access to economic opportunities.<sup>4,5</sup>

Although nearly everyone who engages with the criminal justice system faces barriers to finding work, not all North Carolinians are affected by the criminal justice system in the same way. It can be argued that no other facet of our society is more impacted by both intentional and unconscious racism in a way that is both personal and systemic than our criminal justice system. Once used as a tool to enforce legal chattel slavery and later as the enforcement arm of the apartheid American South, our criminal justice system maintains many of the characteristics of those times. As a result, Black North Carolinians are over-policed, disproportionately charged and punished, and experience more negative economic effects of the criminal justice system compared with their white counterparts.

The impacts of systemic racism in the criminal justice system can be felt at every level. For example, in investigating the Ferguson (Missouri) Police Department following the murder of Michael Brown, the U.S. Department of Justice found the police had participated in a long practice of over-policing in the majority-Black town of Ferguson as a way to collect revenue in the form of fines and citations.<sup>6</sup> From traffic court on up, the likelihood of being justice-involved is higher for Black North Carolinians — not because of behavior but because of racism entrenched in our criminal justice system.



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- 1 U.S. Department of Justice, "Survey of State Criminal History Information Systems, 2012." Accessed here: <https://www.ncjrs.gov/pdffiles1/bjs/grants/244563.pdf> and Smyth, J. McGregor, Jr., "From Arrest to Reintegration: A Model for Mitigating Collateral Consequences of Criminal Proceedings," Criminal Justice Section, American Bar Association accessed here: [https://law.yale.edu/sites/default/files/area/center/liman/document/smyth\\_fall09\\_published.pdf](https://law.yale.edu/sites/default/files/area/center/liman/document/smyth_fall09_published.pdf)
- 2 "Evidence-Based Practices: Employment Reduces Recidivism," National Institute of Corrections. Accessed here: <https://nicic.gov/evidence-based-practices-ebp>
- 3 Subramanian, Ram, et. al., December 2014. "Relief in Sight: States Rethink Collateral Consequences of Criminal Convictions, 2009-2014," Vera Institute of Justice. Accessed here: <http://www.vera.org/sites/default/files/resources/downloads/states-rethink-collateral-consequences-report-v3.pdf> and Yelowitz, Andrew and Christopher Bollinger, March 2015. "Prison-To-Work: The Benefits of Intensive Job-Search Assistance for Former Inmates," The Manhattan Institute. Accessed here: <http://www.manhattan-institute.org/html/prison-work-5876.html#.VRNX82fwutg>
- 4 North Carolina Sentencing and Policy Advisory Commission, 2018. "Correctional Program Evaluation." Accessed here: [https://www.nccourts.gov/assets/documents/publications/recidivism\\_2018.pdf?4VQBsstuyzU5dH1Ap7SJQiMe0zTKYU1G](https://www.nccourts.gov/assets/documents/publications/recidivism_2018.pdf?4VQBsstuyzU5dH1Ap7SJQiMe0zTKYU1G)
- 5 Note: The 40 percent recidivism rate reflects incidents of re-arrest. The re-conviction rate for this same cohort is 21 percent.
- 6 U.S. Department of Justice, 2015. "Investigation of the Ferguson Police Department." Accessed here: [https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/03/04/ferguson\\_police\\_department\\_report.pdf](https://www.justice.gov/sites/default/files/opa/press-releases/attachments/2015/03/04/ferguson_police_department_report.pdf)



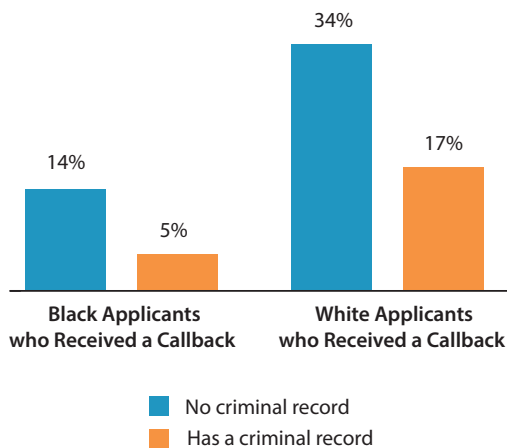
The implications of a racist criminal justice system are that Black workers are more likely to face barriers than whites.

## WHAT ARE BARRIERS TO EMPLOYMENT FOR CRIMINAL JUSTICE-INVOLVED NORTH CAROLINIANS?

### Discrimination in the hiring process

Returning citizens and people with records often are faced with discrimination at the very onset of searching and applying for jobs. Many job-hiring processes require applicants to indicate whether they have a history with the criminal justice system in the initial job application. In many cases, checking “the box,” thereby disclosing the existence of a record, results in the immediate disqualification from the job.<sup>7</sup> While in many cases, criminal background checks may be warranted and relevant to the nature of the job, overbroad hiring restrictions, such as “the box,” prevent qualified candidates from obtaining work — no matter what the nature of their interaction with the criminal justice system.

**Figure 1: White applicants without a criminal record most likely to get a job callback**



Source: Pager, Devah, 2013. “The Mark of a Criminal Record,” Northwestern University.

A 2003 seminal study demonstrated just how arbitrarily information about an applicant’s record was used in the hiring process, and more importantly, the racial discrimination inherent in the practice. Researchers found that white applicants with a criminal record were 50 percent less likely to receive a callback despite having the exact same resume and qualifications as applicants without a record.<sup>8</sup> For Black applicants, the effects of a criminal record were even worse. Just 5 percent of Black applicants with a fabricated criminal record received a callback compared with 17 percent of white applicants with the same qualifications and record.<sup>9</sup> In fact, white applicants with a record were more likely to receive a callback than Black applicants without a record.

Eliminating qualified candidates on the mere presence of a criminal record is not the only way North Carolinians with a record are discriminated against in the labor market. Having a record can automatically disqualify individuals from entire professions. Many of the state’s professional licenses and certifications are barred for people with criminal records, meaning roughly 30 percent of jobs across the state are out

of reach.<sup>10</sup> The criteria by which many of these licensing boards evaluate applicants with a criminal record is often inconsistent, ambiguous, and irrelevant to their ability to perform the work. For example, having a criminal record in North Carolina could prevent you from obtaining the necessary licensure to become a nurse or a cosmetologist.

In response to these unnecessary barriers to professional licensure and certification, the North

7 Rodriguez, Michelle Natividad and Maurice Emsellem, 2011. “65 Million Need Not Apply: The Case for Reforming Criminal Background Checks for Employment,” The National Employment Law Project. Accessed here: [https://www.nelp.org/wp-content/uploads/2015/03/65\\_Million\\_Need\\_Not\\_Apply.pdf](https://www.nelp.org/wp-content/uploads/2015/03/65_Million_Need_Not_Apply.pdf)

8 Pager, Devah, March 2003. “The Mark of a Criminal Record,” American Journal of Sociology, Vol. 108, No. 5 pp 937-975. Accessed here: [http://scholar.harvard.edu/files/pager/files/pager\\_ajs.pdf](http://scholar.harvard.edu/files/pager/files/pager_ajs.pdf)

9 Ibid.

10 Riemer, Clark, March 8, 2012. Held Back By Red Tape: Occupational Licensing in North Carolina. Civitas Institute. Accessed here: <https://www.nccivitas.org/2012/held-back-by-red-tape-occupational-licensing-in-north-carolina/>

Carolina General Assembly recently passed the Freedom to Work/Occupational Licensing Board Reforms Act to prescribe how licensing boards and agencies should consider an applicant's criminal record and to establish several procedural safeguards. Starting in December 2019, all professional licensing entities will be prohibited from automatically excluding an applicant based on the person's criminal record unless explicitly stated in a federal or state law. Instead, the agency reviewing the applicant's criminal record will be required to consider several common-sense factors, including the seriousness of the offense, how long ago the offense occurred, and — most importantly — the nexus between the offense and the ability to satisfy the duties and responsibilities of the specific occupation.

## Loss of driver's license


In addition to the direct ways in which individuals with a criminal record may be barred from work, there can be significant indirect consequences from interacting with the criminal justice system, no matter how small the offense.

The loss of one's driver's license, for example, can severely limit the ability of a worker to take or maintain a job, and in some cases may eliminate a worker from a job opportunity altogether. Although a simple traffic fine may seem insignificant, to many North Carolinians, it is the beginning of a long and compounding involvement with the criminal justice system. As of 2017, around 1.2 million North Carolinians had their driver's licenses suspended as a result of not being able to appear in court or pay a traffic ticket.<sup>11</sup> Far too often, individuals with suspended licenses may still need to drive in order to get to work, go to the grocery store, or take their children to school. Often, individuals who are

11 Special data request to the North Carolina Division of Motor Vehicles

## How a simple ticket can destroy someone's ability to work

**W**hat starts with a simple ticket often ends with low-income North Carolinians permanently losing their ability to drive and even losing their freedom.

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1. A person is ticketed for driving on an expired registration
  2. They cannot afford to pay fines and fees (\$190 or more).
  3. Their license is indefinitely suspended for failing to pay court costs.
  4. They drive without a license because they have to get to work or pick up their kids at school.
  5. They are ticketed and charged with driving while license revoked — a Class 3 misdemeanor that will appear on their criminal record.
  6. They still cannot afford to pay court costs.
  7. The person's license is indefinitely suspended.
  8. They now must choose between driving on a revoked license or relying on alternative and unreliable modes of transportation to get to work, which puts them at risk of losing their job.

unable to pay their fines risk continued and deeper involvement with the criminal justice system. Due to the compounding effects of traffic fines and court fees associated with having your driver's license suspended or revoked, a vast majority of North Carolinians who fall into suspensions never have their driving privileges restored. In 2017, less than 1 percent of North Carolinians with suspended or revoked licenses for failure to appear or pay a fine regained their right to drive.

## **POLICY RECOMMENDATIONS**

### **“Ban the Box”**

Preventing public and private employers from requiring job candidates to state whether they have a criminal charge or conviction on their initial applications would eliminate unnecessary barriers to employment. Generally, these policies delay consideration of an applicant's criminal record in order to facilitate a deeper, more holistic assessment of the applicant's suitability for the specific job position. Banning the box will ensure that qualified candidates are not barred from employment opportunities for a record that does not bear on positions they are seeking to fill. To date, more than 15 local governments in North Carolina have adopted “Ban the Box” policies for public hiring. Expanding this to all employers in North Carolina would greatly increase the economic opportunities for people with criminal records.

### **Ensure effective implementation of the Freedom to Work/ Occupational Licensing Board Reforms Act**

If implemented effectively, the Freedom to Work Act provides a chance to restore opportunities for people with criminal records to gain licensure and certification for jobs that generally pay more. In order to facilitate individualized assessments of applicants' suitability for license or certification, the implementation of this law must be monitored and enforced, including a regular review of the number of applicants who were denied based on their criminal records and the written findings detailing what factors were considered and why their criminal records were determined to be disqualifying. It is also essential to inform affected people of these transformative changes through institutions like community colleges, workforce development boards, local re-entry councils, and the N.C. Department of Public Safety.

### **Expand access to expungement**

In recent years, the General Assembly has passed several laws meant to make expunctions accessible to people with dismissed charges and old nonviolent convictions. Unfortunately, the General Assembly's commendable efforts have not resulted in a significant number of people obtaining expunction relief. As in many other states, there is a “second chance gap” between people being eligible for relief and people obtaining relief. In order to address this “second chance” gap, expunction laws must be changed to provide relief to eligible individuals automatically. In the past year, Pennsylvania and Utah have passed automatic expunction laws that dismissed charges for multiple nonviolent misdemeanors.

### **Restore driving privileges**

Restoring licenses to drivers who have indefinitely lost them because of outstanding fees and fines would eliminate a significant barrier to employment and economic opportunity. Several states,

including Mississippi, Virginia, and Texas, have stopped suspending driving privileges for failure to pay. Just this year, legislators in both the N.C. Senate and House have introduced bills that would require judges to consider a person's ability to pay fines and fees, limit suspended licenses for failure to pay to 12 months, and provide a waiver for DMV fees for those unable to pay. These reforms would address the large number of long-term driver's license suspensions for failure to pay and would prevent additional individuals from falling into a cycle of license suspension.

## **Establish local re-entry councils and invest in community-based re-entry services**

With the passage of the Justice Reinvestment Act of 2011, state leaders took steps toward a restorative-focused criminal justice system. These changes have resulted in a reduction of the prison population, less need for new prison facilities, and a total estimated savings and averted costs of more than half a billion dollars.<sup>12</sup> In order to fully realize the vision of Justice Reinvestment, a portion of these savings must be reinvested in community-based resources that support the three pillars of successful re-entry: employment, housing, and family unification. Local re-entry councils, first established by the General Assembly in 2013, have demonstrated the capacity to efficiently coordinate the delivery of such services in local communities across the state. A portion of annual Justice Reinvestment savings should be used to expand local re-entry councils to all North Carolina counties, with significant resources designated for distribution to community-based re-entry services.

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12 The Council of State Governments, November 2014, "Justice Reinvestment in North Carolina" Accessed here: <https://www.doc.state.nc.us/jr/files/JRinNCThreeYearsLater.pdf>

## CHAPTER 3: THE EDUCATION PIPELINE NEEDS CLEARING



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After nearly three decades of economic transformation in North Carolina culminated in the loss of jobs during the Great Recession, the state has recognized the need to focus on skills training and educational attainment that can support workers' connection to the jobs of the future. Numerous initiatives, including the recent myFutureNC Commission and earlier NC Promise efforts by UNC, have sought to define and orient the systems from birth to career to this goal, which should serve to boost the well-being of the state's workforce if done right.

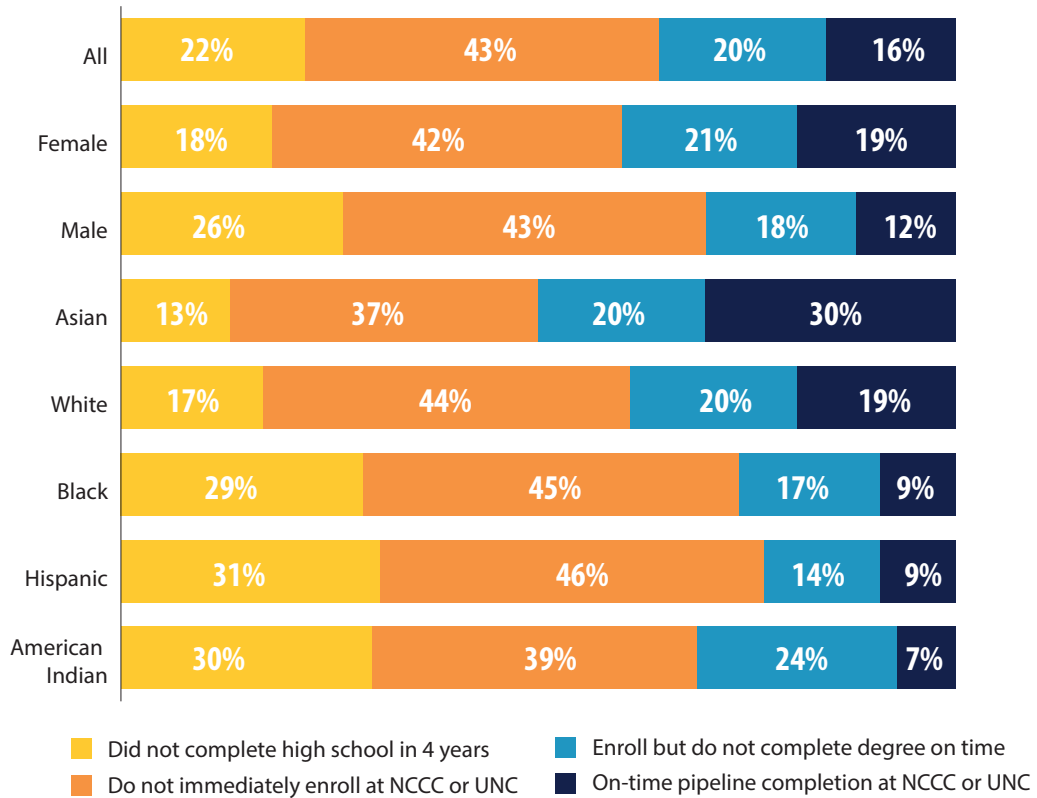
Credentials and degrees can boost earnings and secure movement through a career pathway. Broad-based efforts, however, are likely insufficient to address inequities built into the education pipeline. New research from Carolina Demography shows that the state's education pipeline is leaking at various points along the pathway, and these leaks reduce the ability of the state to meet the growing demand for a workforce with the credentials and degrees for the jobs of the future. Estimates suggest that 60 percent of jobs in North Carolina will require some kind of post-secondary training by 2030, which will require 253,000 more people to complete a post-secondary degree or non-degree



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**Figure 1: Educational attainment outcomes aren't enough to meet N.C.'s growing demand**

Percentage of 2008 NC 9th-graders by in-state, public postsecondary pipeline outcome



Source: North Carolina's Leaky Educational Pipeline & Pathways to 60% Postsecondary Attainment: Report for the John M. Belk Endowment.

credential.<sup>1</sup>

Analysis of the percent of North Carolinians with post-secondary credentials or degrees shows that, for all groups, attainment levels will rise, but for some groups — Blacks, Latinx, and American Indians — the rate of increase will need to be higher to drive stronger improvements overall in the state's attainment level.

Notably, researchers have identified the critical role that closing the difference in educational attainment can play in achieving this goal — focused attention on connecting Black and brown youths to the tools to support on-time graduation, enrollment in post-secondary institutions, and completion of a credential or graduation with a degree would contribute most effectively to the state's overall goal.

## BARRIERS DRIVE LEAKS IN THE EDUCATIONAL PIPELINE

The leaks in the education pipeline are not naturally occurring — they can be traced to policy choices that are man-made — the result of faulty design through policy choices about how to access and who can access skills training and through under-investment in public institutions that have trained a significant share of the workforce in the state.

The following list represents major barriers that offer significant potential, if addressed, to improve the overall outcomes on educational attainment and particularly to promote equitable outcomes across racial and ethnic groups as well as for low-income students of all racial and ethnic groups.

**The high cost of post-secondary training** can act as both a deterrent to enrollment and completion. Rising tuition costs in North Carolina have coincided with a decrease in public investment in the state's university and community college systems, effectively resulting in shifting the cost onto students and raising higher barriers for students with low incomes. Tuition increases are exacerbated by lack of access to grants and the limitations on financial aid for students who don't complete degrees in the traditional four- to five-year period. For those students who must work to afford study and their basic needs, there is a greater risk of not completing the degree.

**The eligibility limits on post-secondary training and student supports** present specific barriers to completion for certain students. For example, the lack of tuition equity for students who have immigrated to the United States as children presents a cost barrier that many states have addressed. North Carolina, however, still requires these students to pay the much higher out-of-state tuition. A barrier to student supports for young parents is the limited access to child care assistance to ensure that their children are in a quality setting while they are in class.

**The lack of information about job opportunities and necessary credentials** is another barrier to identifying the programs that make the most sense for students, and that lack of information is often further complicated by the need for ongoing education throughout a career that may or may not be facilitated by an institution of higher education.

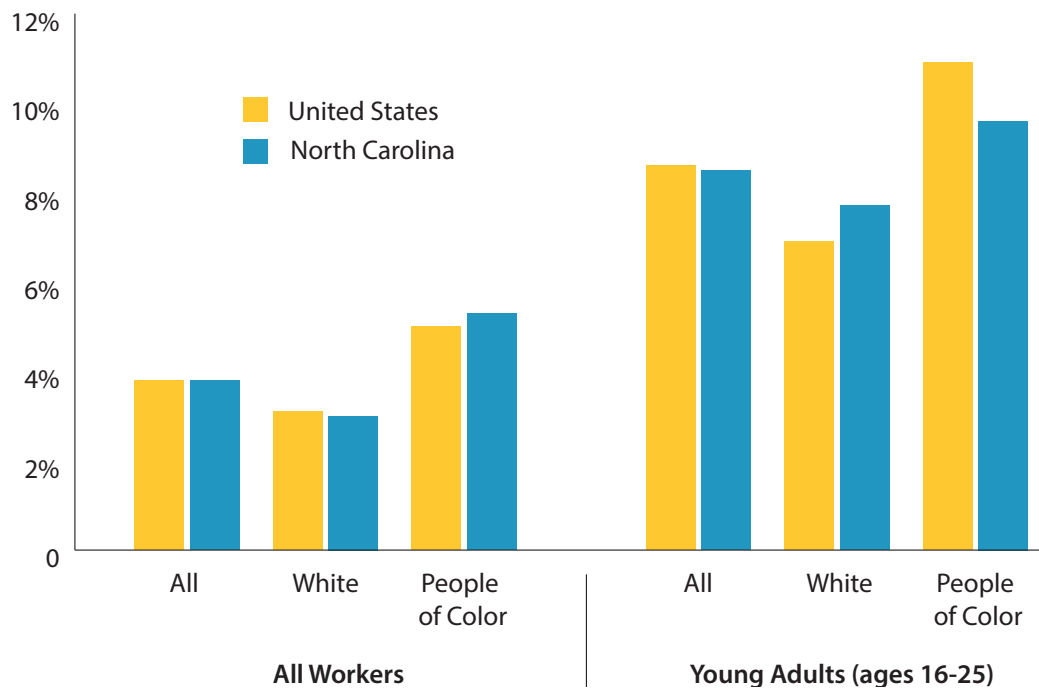
**The lack of partnerships between employers and higher education institutions** can mean

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**Focused attention on connecting Black and brown youths to the tools to support on-time graduation, enrollment in post-secondary institutions, and completion of a credential or graduation with a degree would contribute most effectively to the state's overall goal.**

<sup>1</sup> Tippett, Rebecca and Jessica Stanford. 2019. North Carolina's Leaky Educational Pipeline & Pathways to 60% Postsecondary Attainment: Report for the John M. Belk Endowment. Chapel Hill, NC: Carolina Population Center, University of North Carolina at Chapel Hill. [NCedpipeline.org](http://NCedpipeline.org)



**Figure 2: Unemployment among youths and young adults of color is higher than average, 2018-2019**


Source: EPI analysis of Current Population Survey microdata, rolling 12-month average, 2018Q2-2019Q1

that students attain costly post-secondary degrees with skills that employers do not want or need. Industry partnerships that involve direct employer engagement in the post-secondary curriculum and coursework — along with paid work experience — can help ensure students are connected to available jobs with appropriate skills.

**Skepticism of higher education options other than a four-year degree** can keep students from pursuing careers in technical or vocational occupations. Community college and high school administrators, faculty, and parents may push students toward high-cost four-year degrees instead of work-based learning opportunities, like apprenticeships, that provide students with paid work experience and a free associate degree in a technical occupation.

## A FOCUS ON DISCONNECTED YOUTH

The lack of good employment prospects combined with high barriers to education and skills training is contributing to the number of young adults who are not in school or working. Nationwide, 11.7 percent of people aged 16 to 24 are identified as disconnected from work or school, a figure that has dropped since its peak of 14.7 percent in 2010. In North Carolina, 14.7 percent of young adults were disconnected in 2015, the latest year for which state-level data is available.<sup>2</sup>

In North Carolina, the unemployment rate for youths and young adults (ages 16-24) is more than

<sup>2</sup> Measure of America. "Disconnected Youth by State, 2015 Dataset." In *Zeroing In on Place and Race: Youth Disconnection in America's Cities*. New York: Social Science Research Council, 2015.

double the jobless rate for all workers in both the state and nation. If the pipeline is challenging for young adults in general, it appears especially broken for youths and young adults of color. As seen in Figure 1, the unemployment rate for these workers is 2 to 4 points higher than for whites in North Carolina and the United States, underlining the fact that people of color and youths of color face systemic barriers to obtaining jobs.

Barriers to employment and skills training for those transitioning into adulthood create significant costs to us all. Researchers have found that poorer outcomes for physical and mental health, lower lifetime earnings, and greater financial insecurity come with high levels of disconnection in a community.<sup>3</sup> As researchers from MDC noted in a 2017 report on the issue in North Carolina and the Research Triangle in particular, these challenges to our collective well-being are even more concerning as the number of disconnected youths remains high and disproportionately affects young people of color who are a growing share of the state's future workforce.<sup>4</sup>

## SOLUTIONS TO REMOVING BARRIERS TO TRANSITIONING INTO ADULTHOOD

Beyond efforts that seek to target public investments to keep skills training affordable and provide the supports to completion of skills training, there is a growing effort to not just remove barriers to existing systems but to build connections across those systems or new systems that can ensure people have the training for the jobs of the future.

Youth apprenticeships are now increasingly seen as a potential solution to the challenges of youth unemployment, stagnating wages, perceived mismatches of local skills, and the broken high school to employer pipeline.<sup>5,6</sup> Although less common in the United States, other countries — notably, Germany, Austria, Switzerland, and Australia<sup>7,8,9</sup> — have a long and successful history with these programs. Employers have reported a high degree of satisfaction in their return on investment with apprenticeships, including youth apprenticeships, as apprentices are often operating at full productivity before completing their programs.<sup>10</sup>

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- 3 Lewis, K., Burd-Sharps, S., and Ofrane, B., April 2018. Youth Disconnection Rates Highlight Structural Barriers to Achievement in US. Social Science Research Council, accessed at: <https://items.ssrc.org/youth-disconnection-rates-highlight-structural-barriers-to-achievement-in-the-us/>
  - 4 MDC, August 2008. Disconnected Youth in the Research Triangle Region: An Ominous Problem Hidden in Plain Sight. Accessed at: <https://www.mdcinc.org/wp-content/uploads/2017/12/disconnected-youth.pdf>
  - 5 Spaulding, S., Lerman, R. I., Holzer, H. J., & Eyster, L. (2015). Expanding economic opportunity for young men and boys of color through employment and training (p. 2). Urban Institute. <https://www.urban.org/sites/default/files/publication/39436/2000097-expanding-economic-opportunity-for-boys-and-young-men-of-color-through-employment-and-training-1.pdf>.
  - 6 Parton, B. (2017). Youth apprenticeship in America today. New America <https://na-production.s3.amazonaws.com/documents/Youth-Apprenticeship-Today.pdf> ; Howze, P. (2019). Building community partnerships for youth apprenticeship: A systems thinking approach. New America. <https://www.newamerica.org/education-policy/edcentral/building-community-partnerships-for-youth-apprenticeship-a-systems-thinking-approach/> ; Johnson, M. (2018). Southern states must build a skilled workforce for a stronger economy. National Skills Coalition. <https://www.nationalskillscoalition.org/news/blog/southern-states-must-build-a-skilled-workforce-for-a-stronger-economy>.
  - 7 Holzer, H., & Lerman, R. (2014). Work-based learning to expand jobs and occupational qualifications for youth. Memo in Full Employment, a Project of the Center on Budget and Policy Priorities. <https://www.cbpp.org/sites/default/files/atoms/files/4-2-14fe-holzer.pdf>.
  - 8 European Commission, Directorate-General for Employment, Social Affairs and Inclusion. (2013). The Effectiveness and Costs-benefits of Apprenticeships: Results of the Quantitative Analysis. <http://ec.europa.eu/social/BlobServlet?docId=11352&langId=en>.
  - 9 Muehleemann, S., & Wolter, S. C. (2014). Return on investment of apprenticeship systems for enterprises: Evidence from cost-benefit analyses. IZA Journal of Labor Policy, 3(1), 25. <https://link.springer.com/article/10.1186/2193-9004-3-25>; Jansen, A. Strupler Leiser, M., Wenzelmann, F., and Wolter, S.C. (2012). The Effect of Labor Market Regulations on Training Behaviour and Quality: The German Labor Market Reform as a Natural Experiment, Leading House working paper no. 83. Zurich, Switzerland: Swiss Federal Office for Professional Education and Technology. <https://edudoc.ch/record/106902/files/zu13027.pdf>
  - 10 Helper, S., Noonan, R., Nicholson, J. R., & Langdon, D. (2016). The Benefits and Costs of Apprenticeships: A Business Perspective. U.S. Department of Commerce. ERIC. <https://eric.ed.gov/?id=ED572260>.

Recent reports by the Center for American Progress<sup>11</sup> the U.S. Department of Commerce,<sup>12</sup> and the New American Foundation have found these programs gaining traction across the country, but low public awareness and a fragmented policy landscape have limited the effective expansion of the programs.<sup>13</sup> Emerging practice suggests that the most effective models of youth apprenticeship include several key elements:<sup>14</sup>

- **Pre-apprenticeship.** Paid on-the-job training with a sponsoring employer under the supervision and mentorship of an experienced and skilled co-worker. A pre-apprenticeship program should test students' interest and prepare them for a multi-year apprenticeship program with the sponsoring employer. It should also test their match or fit with the sponsoring employer, and assuming a successful experience, it should end with a formal apprenticeship offer.
- **Paid on-the-job training with an employer** under the supervision and mentorship of an experienced and skilled employee for the same company at which the student completed a pre-apprenticeship. This lasts between one and four years.
- **Post-secondary credential.** During the apprenticeship, the student must complete classroom training that culminates in an industry-recognized credential, usually an associate degree in a related occupation.
- **Journeyman certificate.** The apprentice gains the competencies and/or completes the hours to earn a journeyman certificate in the chosen occupation.

Taking a racial equity lens to the design of these programs and their components is also needed so that barriers for young people of color are removed or lowered to advance more equitable employment outcomes. As noted in recent research from the North Carolina Justice Center, the Center for Regional Economic Competitiveness, and the Work-Based National Learning Fund, key elements that would effectively reach more young people of color and thus deliver a greater return include leveraging social networks for recruitment, designing programs to link to job placement, and ensuring that community institutions are engaged in identifying and supporting the success of all students in apprenticeship programs.

11 Steinberg, S., & Gurwitz, E. (2014). Innovations in apprenticeship: 5 case studies that illustrate the promise of apprenticeship in the United States. Center for American Progress. <https://www.americanprogress.org/issues/economy/reports/2014/09/25/97772/innovations-in-apprenticeship/>.

12 Helper, S., Noonan, R., Nicholson, J. R., & Langdon, D. (2016). The Benefits and Costs of Apprenticeships: A Business Perspective. U.S. Department of Commerce. ERIC. <https://eric.ed.gov/?id=ED572260>.

13 Parton, B. (2017). Youth apprenticeship in America today. New America <https://na-production.s3.amazonaws.com/documents/Youth-Apprenticeship-Today.pdf>.

14 Parton, B. (2017). Youth apprenticeship in America today. New America <https://na-production.s3.amazonaws.com/documents/Youth-Apprenticeship-Today.pdf>.

## PART III: ACHIEVING EQUITABLE EMPLOYMENT OUTCOMES

### CHAPTER 1: ACHIEVING EQUITABLE EMPLOYMENT OUTCOMES BENEFIT US ALL

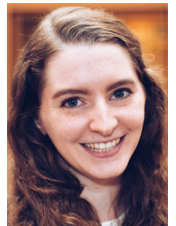
Our state is stronger when every single North Carolinian has access to a job that allows them to pay rent, put food on their table, and care for their family. Unfortunately, systemic barriers often prevent equitable access to good jobs. While legal segregation no longer locks individuals out of jobs and careers as a matter of law, those policies have had a lasting impact, and practices and policies that result in discrimination and bias still exist in our labor market. As a result, Black and brown workers are far too often blocked from positive employment opportunities — opportunities that boost their well-being and the well-being of their families and communities. The following section will detail how improving the connections to employment and dismantling barriers to good jobs can boost the economy and the well-being of people and communities in North Carolina.

Policies that create more equitable outcomes in employment and earnings<sup>1</sup> can provide some — although not all — of the support necessary to address an important and pressing issue for the state and country: the growing wealth gap. Among the drivers of the country's growing racial wealth gap, researchers have identified persistent difference in unemployment rates and household income, which drive different levels of homeownership and educational attainment and create differences in intergenerational wealth transfer, or the accumulation and transference of income into assets over a lifespan.<sup>2</sup> This inequity in wealth accumulation for people of color and for white Americans, however, was built on generations of income gains and wealth transfers that consolidated the stabilizing benefits of assets for white families but held back Black and brown families from accessing asset-building tools and realizing the full fruits of their labor.<sup>3</sup>

In the present moment, the differences — based on race and ethnicity — in North Carolinians' wealth is holding down economic mobility while concentrating hardship and suppressing the full potential for well-being across all communities in our state. In 2010, the median value of total wealth held by white households in North Carolina was 7 times that of Black households.<sup>4</sup> More current analysis of the trends across the country suggest that the recovery after the Great Recession has made worse the differences in wealth held by households of color relative to white households.<sup>5</sup> By failing



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- 1 Aliprantis, Dionissi and Daniel R. Carroll, February 28, 2019. What is Behind the Persistence of the Racial Wealth Gap. Federal Reserve Bank of Cleveland. Accessed at: <https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201903-what-is-behind-the-persistence-of-the-racial-wealth-gap.aspx>
- 2 Shaprio, Thomas, Tatjana Meschede, and Sam Osoro, February 2013. The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide. Research and Policy Brief, Institute on Assets and Social Policy. Accessed at: <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf> and Alexandra Killewald, Brielle Bryan, Falling Behind: The Role of Inter- and Intragenerational Processes in Widening Racial and Ethnic Wealth Gaps through Early and Middle Adulthood, *Social Forces*, Volume 97, Issue 2, December 2018, Pages 705–740, <https://doi.org/10.1093/sf/soy060>
- 3 Lui, Meizhu, Barbara J. Robles, Betsy Leondar-Wright, Rose M. Brewer, and Rebecca Adamson. 2006. The Color of Wealth: The Story Behind the Racial Wealth Divide and Oliver, Melvin and Thomas Shapiro. 1996. Black Wealth/White Wealth: A New Perspective on Racial Inequality. Routledge.
- 4 Center on Poverty, Work and Opportunity at UNC Chapel Hill, September 2010. Racial Wealth Disparity in North Carolina: A report for the Z. Smith Reynolds Foundation, page 5. Accessed at: <https://www.zsr.org/sites/default/files/documents/Racial%20Wealth%20Disparity%20in%20NC.pdf>
- 5 Kochhar, Rakesh and Richard Fry, December 12, 2014. Wealth inequality has widened along racial, ethnic lines since end of Great Recession. Pew Research Center, Accessed at: <https://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/> and Jones, Janelle, February 13, 2017. The racial wealth gap: How African-Americans have been short-changed out of the materials to build wealth. Working Economics Blog, Economic Policy Institute, Accessed at: <https://www.epi.org/blog/the-racial-wealth-gap-how-african-americans-have-been-shortchanged-out-of-the-materials-to-build-wealth/>

to stop the growth of the racial wealth gap, the daily efforts of individual families to achieve better employment outcomes and secure higher earnings don't translate into the higher financial security and intergenerational stability that wealth provides. In turn, by failing to include a discussion of assets and wealth in our discussion of employment and labor market outcomes, we have failed to recognize that assets and wealth have the potential to generate the stability that facilitates well-being, full participation in community life and democracy, and resilience in the face of shocks resulting from economic downturns, natural disasters, and violence.

Policies that create more equitable access to employment opportunities can boost earnings and facilitate the capacity to save, purchase assets that generate greater returns, and provide stability in an economy marked by increasingly extreme cycles. Research shows that between 1975 and 2015, as wage inequality grew across the nation, the Black-white wage gap expanded even further.<sup>6</sup> While wages have finally begun to grow following the Great Recession, the Black-white wage gap continues to widen. From 2007 to 2018, the earnings gap between Black and white workers has grown from 23.5 percent to 27.5 percent.<sup>7</sup> This gap is most pronounced for top income earners, and last year, the gap was 33.4 percent.<sup>8</sup>

While we know that workers with more education tend to earn higher wages, increased educational attainment has shown little to no effect on closing the racial earnings gap.<sup>9</sup> In fact, on average, Black workers with an associate degree earn less than white workers with a high school diploma.<sup>10</sup>

## EMPLOYMENT EQUITY

**“Employment equity or a truly 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).”**

Source: Policy Link. (2018). “Advancing Employment Equity in Rural North Carolina.” <https://www.policylink.org/resources-tools/advancing-employment-equity-rural-north-carolina>.

Occupational segregation and discriminatory policies and practices continue to persist, often negating the hard work and increasing levels of educational attainment by Black and brown workers. Only solutions that are rooted in dismantling these entrenched systems will create a labor market where workers are rewarded for their efforts and where opportunities for good jobs are available to all North Carolinians regardless of whether they are Black, brown, or white.

## MORE EQUITABLE OUTCOMES FOR BLACK, BROWN WORKERS BOOSTS THE ECONOMY FOR ALL

Eliminating disparities across the state would boost North Carolina's economy for all by closing employment and income gaps across geography, gender, and race. Last year, a full employment analysis by PolicyLink in North Carolina revealed that employment equity could bring

6 Wilson, Valerie and William M. Rodgers III, September 20, 2016. Black-white wage gaps expand with rising inequality. Economic Policy Institute. Accessed here: <https://www.epi.org/publication/black-white-wage-gaps-expand-with-rising-wage-inequality/>

7 Gould, Elise, February 27, 2019. Stark black-white divide in wages is widening further. Working Economics Blog, Economic Policy Institute. Accessed here: <https://www.epi.org/blog/stark-black-white-divide-in-wages-is-widening-further/>

8 Ibid.

9 Hershbein, Brad, et. al., March 31, 2015. Increasing education: What it will and will not do for earnings and earnings inequality. Brookings. Accessed here: <https://www.brookings.edu/blog/up-front/2015/03/31/increasing-education-what-it-will-and-will-not-do-for-earnings-and-earnings-inequality/>

10 Bureau of Labor Statistics, January 23, 2015. Median weekly earning by educational attainment in 2014. Accessed here: <https://www.bls.gov/opub/ted/2015/median-weekly-earnings-by-education-gender-race-and-ethnicity-in-2014.htm>

\$5 billion into the state’s rural economy.<sup>11</sup>

More recent data shows that closing the racial gap in employment would bring over 45,000 workers of color into the workforce.<sup>12</sup> Disparities in income are further limiting the state’s economy. If North Carolina eliminated racial disparities in income, the state would see an additional \$31 billion flowing through the economy.<sup>13</sup>

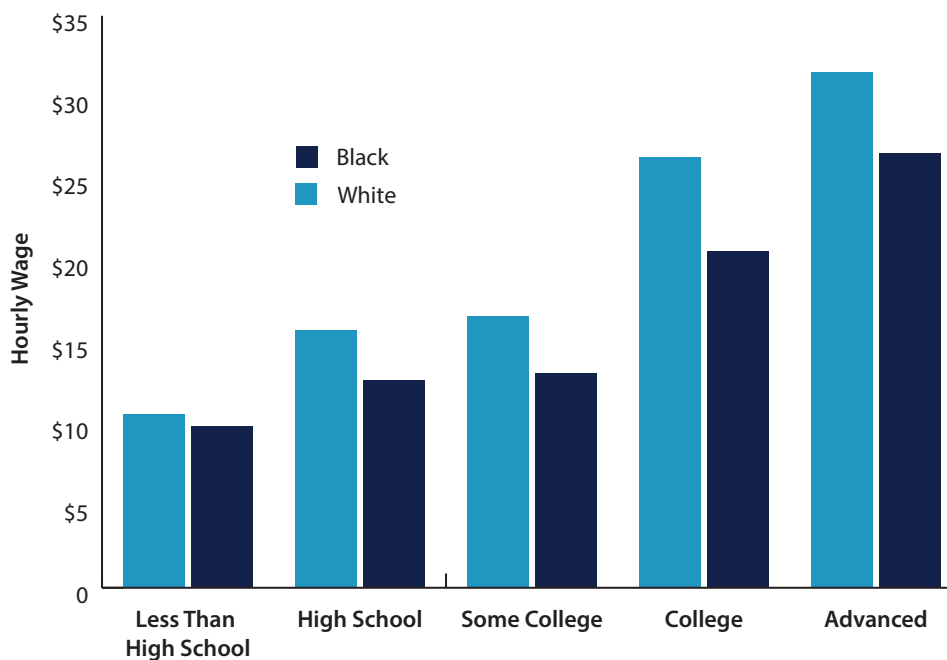
In order to realize more equitable employment outcomes, it is clear that workers — whether Black, brown, or white — must be able to reach their full potential. That means being able to gain the skills and education needed for the jobs of the future, securing the protections and standards of a good, quality job that provides for their families, and being able to participate fully in their family and community. Right now, many of our systems have created roadblocks on the pathway to economic progress for workers. With different policy choices, these systems can deliver a better life to all.

## EARNING GAPS PERSIST DESPITE EDUCATIONAL ATTAINMENT

While many have often pointed to the role of increased levels of educational attainment in delivering higher earnings, new evidence continues to demonstrate that increased educational attainment does

**Figure 1: Inequitable effects of educational attainment create barriers to wealth for Black workers**

Median wages by educational attainment and race, 2018



Source: Special Data Request, Economic Policy Institute, August 2019.

11 Policy Link. (2018). “Advancing Employment Equity in Rural North Carolina.” <https://www.policylink.org/resources-tools/advancing-employment-equity-rural-north-carolina>.

12 Based on analysis of U.S. Census Bureau, American Community Survey, 2017 5-year estimates. Change reflects the increased level of employment if racial groups with a lower share of people over 16 employed were brought up to match the percentage of white North Carolinians employed.

13 Based on analysis of U.S. Census Bureau, American Community Survey, 2017 5-year estimates. Change reflects the total increased income if all racial groups were brought up to the per capita annual income for white North Carolinians over the age of 16.



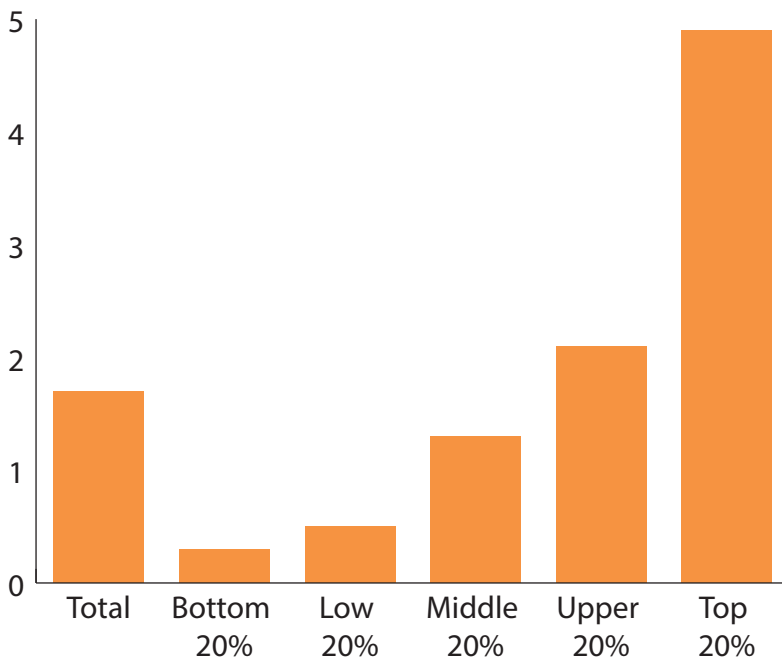
not deliver the same boosts for graduates of color as it does for whites.<sup>14</sup>

Available data on median wages for different educational attainment levels by racial groups at the state level, while more limited due to data constraints, confirms the differential earning outcomes for workers of color with post-secondary credentials or degrees compared with white workers who have the same educational attainment levels. A Black worker with an advanced degree earns the roughly equivalent median wage to a white worker with a college degree, while a Black worker with some college earns \$2 less than a white worker with just a high school degree.

If the difference in earnings by educational attainment were closed for Black workers with a college degree, their individual earnings would be \$12,000 higher each year — leading to a greater ability to make ends meet and build wealth over the long-term.<sup>15</sup>

**Figure 2: Wealth determines how likely children are to grow up to be inventors**

Inventors per 1,000 children in North Carolina in North Carolina, 1996-2014



Source: Analysis of Opportunity Insights dataset: Inventors in America: Commuting Zone Innovation Rates by Childhood Commuting Zone, Gender, and Parent Income.

Such an effort to close wage differences now can also work to close the racial wealth gaps that have persisted and created barriers across generations, and in so doing, advance the goals of a healthier society that delivers well-being to all. National researchers have found that, Black households, the returns from a college education amount to just 9 percent of the returns that accrue to white households. “For every \$1 in wealth that accrues to a Black family associated with a college degree at the median, white families accrue \$11.49.”<sup>16</sup>

### INCOME INEQUALITY DEPRESSES ENTREPRENEURSHIP AND INNOVATION

Invention and innovation are contributors to the country’s overall productivity and progress in meeting the needs of people and communities for goods and services as well as jobs. Researchers have found that propensity for innovation is closely related to the

economic status of the household that children grow up in. In other words, children with wealthy parents are much more likely to become inventors than their non-wealthy counterparts. Across the U.S., children whose parents were in the top 1 percent of income earners were 10 times more likely to become inventors than children whose parents earned below the 50th percentile.<sup>17</sup>

14 Traub, Amy, Catherine Ruetschlin and Tamara Draut, Sullivan, Laura, Tatjana Meschede, Lars Dietrich and Thomas Shapiro. *The Racial Wealth Gap, Why Policy Matters*. A publication of Demos and IASP.  
 15 Author’s calculation using Special Data Request from Economic Policy Institute to calculate the difference in earnings if Black workers with a college degree had the same median earnings in a year as a white worker with a college degree. Aliprantis and Carroll, February 2019.  
 16 Ibid  
 17 Bell, Alex, et. al., November 2018. *Who Becomes an Inventor in America?* Opportunity Insights. Accessed here: [http://www.equality-of-opportunity.org/assets/documents/inventors\\_paper.pdf](http://www.equality-of-opportunity.org/assets/documents/inventors_paper.pdf)

In addition to economic disparities, there are racial and gender disparities in who is most likely to become an inventor. Researching households between 1996 and 2014, researchers found that, while 5 out of every 1,000 kids from wealthy N.C. households became inventors, fewer than 1 out of every 2,000 children from low-income N.C. households became inventors.<sup>18</sup> And while nearly 3 out of every 1,000 boys became inventors, fewer than 1 out of 1,000 girls became inventors.<sup>19</sup>

What may be even more alarming about these disparities is the fact that, in many cases, they have no relation to the talent and achievement of children. Nationally, researchers found that among children who were top performers on third-grade standardized math tests, the children of wealthy parents were much more likely to become inventors than non-wealthy children with the same test scores.<sup>20</sup> If every child in North Carolina had access to the opportunities provided to children in households with the highest incomes, there would be three times more inventors and innovators in our state.<sup>21</sup>

## RE-ENTRY WITHOUT PENALTIES DELIVERS A BETTER LIFE TO ALL

For those North Carolinians who have served time and are re-entering the community, there are significant earnings penalties that are not experienced evenly across all residents with a criminal record. Due to over-policing in communities of color and the disproportionate rates of incarceration of Black and brown North Carolinians, the collateral consequences of criminal records — such as barriers to education and licensure, participation in the labor force, and entry into the field of entrepreneurship — contribute to inequitable economic outcomes.

The average returning citizen faces restrictions on what jobs they can apply for, receives fewer callbacks for interviews, and is given fewer hours of work.<sup>22</sup> These obstacles to full participation in the labor force are even more cumbersome for Black men and women, who are disproportionately policed and incarcerated by our criminal justice system. While 1 in 13 adults have a felony conviction nationally, the rate is 1 in 3 for Black men.<sup>23</sup>

Pew estimated that the combined effect of working 9 fewer weeks on average and receiving 11 percent lower hourly wages leads to an average 40 percent decrease in annual earnings for men who have served time.<sup>24</sup> This can lead to a loss of nearly \$180,000 by age 48 (compared with those who have never been incarcerated). As of August 2019, 92 percent of the 36,000 inmates in North Carolina were men.<sup>25</sup> If North Carolina reduced the impact of being incarcerated in half, the state could have almost \$3 billion more in earnings circulating in communities just from the impact on men.<sup>26</sup>

18 Analysis of Opportunity Insights dataset: Inventors in America: Commuting Zone Innovation Rates by Childhood Commuting Zone, Gender, and Parent Income. Accessed here: <https://opportunityinsights.org/data/>

19 Ibid.

20 Bell, Alex, et. al., November 2018. Who Becomes an Inventor in America? Opportunity Insights. Accessed here: [http://www.equality-of-opportunity.org/assets/documents/inventors\\_paper.pdf](http://www.equality-of-opportunity.org/assets/documents/inventors_paper.pdf)

21 Analysis of Opportunity Insights dataset: Inventors in America: Commuting Zone Innovation Rates by Childhood Commuting Zone, Gender, and Parent Income. Accessed here: <https://opportunityinsights.org/data/>

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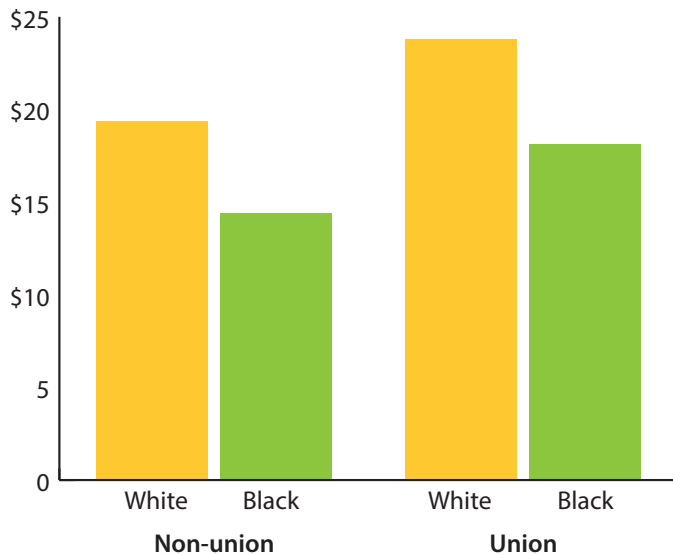
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## COLLECTIVE BARGAINING IS KEY TO LIFTING UP WORKERS OF COLOR

**Figure 3: Union workers earn more than non-union workers in N.C.**  
Median hourly wage of N.C. workers, 2018



Source: Special Data Request from Economic Policy Institute, August 2019.

The ability to organize and collectively bargain in the workplace to secure competitive compensation and higher work standards is a critical pathway to creating more equitable outcomes in the economy now and in the future.

Increasingly, workers of color and women are more likely to be members of unions than white men.<sup>27</sup> Workers across all races and ethnicities earn higher wages with union membership than non-union workers.<sup>28</sup> A growing body of research has found that collective bargaining works to reduce occupational segregation, protect against discrimination, and secure improved compensation packages and wages.<sup>29</sup> The evidence is mixed as to whether union membership closes the gaps in wage earnings for workers of color compared with whites, but the data for North Carolina shows that union wages for both white and Black workers are higher than those for workers not in unions.

Researchers have linked the decline in unions with increased racial inequality and the persistence of a racial wealth gap in the country.<sup>30</sup> Union membership has a direct wealth-building effect by

securing retirement savings and greater homeownership potential for members than for non-union members. Researchers have identified that:

“Non-white union members had almost five times the median wealth of their non-union member counterparts from 2010 to 2016.”<sup>31</sup>

and

“From 2010 to 2016, the median wealth for non-white union members amounted to \$33,551, compared with \$120,700 for white union members. ... Among non-union members, those who were non-white had less than one-tenth the wealth of whites — \$6,908 compared with \$86,691.”

If the difference in union median wages for Black workers and white workers were eliminated, Black workers would earn \$11,780 more each year.<sup>32</sup> In turn, the wealth-building potential for non-white union members would significantly change the trajectory of the growing racial wealth gap in the state.

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## ECONOMIC INCLUSION, EQUITY ARE NOT JUST ABOUT ECONOMIC OUTCOMES

A stronger economy as measured by higher levels of productivity, more dollars circulating, and higher incomes is important, but these should not be the final and only measures of the health of an economy. The ability to secure stability in this generation through assets and wealth is one important way to orient our current policymaking, but our approach can be even broader. The ability of more equitable economic outcomes to deliver higher levels of well-being, deeper civic engagement, and stronger levels of community resiliency are important goals for the long-term sustainability of our communities.

While emerging work in the field of economics continues to explore the connections between equity and these broader markers of well-being, there is sufficient evidence to suggest that important linkages can inform policymakers and communities as they seek to prioritize policies that remove structural barriers and intentionally pursue equitable outcomes.

- **Well-Being:** The ability to live a good life is a fundamental right and a value of modern societies. However, well-being often isn't clearly stated as a policy objective when we build the rules of our modern society. A broad body of literature has demonstrated that employment can foster better health outcomes by increasing economic security, establishing greater autonomy and power to pursue care and services, and greater support to do the same.<sup>33</sup> Equitable access to employment and the tools to build wealth also have been found to matter for health outcomes; more equitable economic outcomes lead to higher life expectancy and lower rates of chronic disease.<sup>34</sup>
- **Civic Engagement:** A hallmark of democracy is civic participation, whether that be directly in the voting booth or indirectly through various civic activities that people engage in to strengthen their community. When communities have high levels of inequality, researchers have found that there are low levels of trust, which reduces participation in communal activities.<sup>35</sup>
- **Community Resilience:** Resilience is the capacity of a community to survive, adapt, and bounce back from a crisis or disaster.<sup>36</sup> This is particularly relevant given the frequency of natural disasters caused by major hurricanes in Eastern North Carolina and the unpredictability of an increasingly unregulated, market-based economy. Evidence suggests that a key component of resiliency is equity in the distribution of resources and opportunity.<sup>37</sup> For example, the pursuit of equity can support greater resiliency because when there is less difference in income and wealth between people, community response is strengthened because there are more resources available to rebuild and greater equity in housing conditions and assets.<sup>38</sup>

By embracing the work of building systems that connect people to good jobs rather than pursuing policies that erect barriers, North Carolina can achieve improved economic outcomes and a higher quality of life for the state's people and communities.

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