The South's Difficult Decade: Jobs, Employment, Income, & Economic Hardships, 2000-2009

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Even before the onset of the "Great Recession" in December 2007, the 2000s had proven to be a difficult decade for Southerners, especially low-income ones. The decade began with a recession (2001) that gave way to a weak expansion (2001-2007) that ended in the most severe downturn of the postwar era.

Compared to a decade ago, the South has fewer jobs and more underemployment. A smaller share of the prime-age workforce is employed, and individuals with jobs, particularly low-paying ones, have seen little wage growth. In most states, median household income has fallen, and the share of persons living in low-income families has risen. And the decade cost the region many of the gains made during the 1990s; in many states, for example, poverty rates have returned to levels last seen 15 years ago.

Contrasting the 2000s to the 1990s illustrates the link between strong labor markets to economic opportunity. A full-employment economy and supportive public policies allowed individuals to find jobs and better make ends meet during the 1990s, and the reversal of those conditions contributed to the economic difficulties of the 2000s.

Alarmingly, the difficulties of the last decade are spilling into the current one due to the severity of the recession and the likelihood that the recovery will be a "jobless" one. Absent change, the South's low-income people and places will continue to struggle.

To better understand the challenges, this briefing paper uses public datasets to document regional trends in employment, jobs, wages, income, and hardships.

A Decade without Job Growth

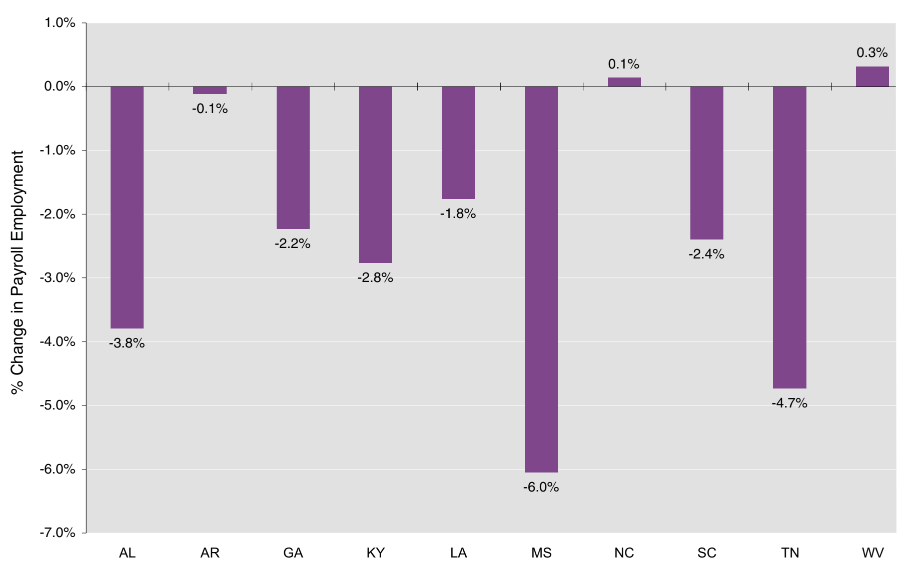
The business cycle that stretched from 1990 to 2001 was a period of rapid job growth in the South. The total number of payroll positions grew by 4.1 million (24%) with every state posting double-digit growth rates.

The 2001 recession ended that growth. While the downturn was relatively short and shallow at the national level, it exacted a heavy toll from southern communities, especially rural ones. Between March and November 2001, the South lost, on net, 338,000 positions or 1.6% of its total jobs base.

Unfortunately, job growth never returned to the 1990s pace. During the business cycle that ran from 2001 to 2007, southern payrolls netted 858,000 positions – a 4.1% increase. Yet those modest gains have been lost during the recession that began in 2007. Since then, the region has shed, on net, 1.4 million positions or 6.5% of its total jobs base.

The ongoing recession has erased the job growth that occurred during the expansion. Overall, the South ended the decade with 12.4% or 480,000 fewer jobs than with which it started. Apart from North Carolina and West Virginia, every state posted net job losses during the decade *(Figure 1)*.

Figure 1: Change in Seasonally-Adjusted Payroll Employment, Southern States, 1/00–12/09



Source: South by North Strategies, Ltd. analysis of Current Employment Statistics, U.S. Bureau of Labor Statistics

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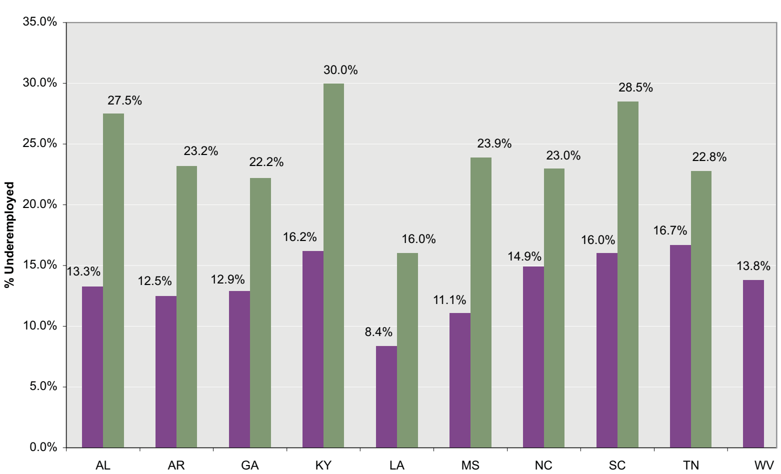
A Decade of Rising Joblessness

The South's inability to create enough jobs to accommodate its growing workforce led to a jump in joblessness. Over the decade, *unemployment rates* more than doubled in all but two states. In 2000, no state had an unemployment rate *above* 5.6% (Mississippi), but by 2009, no state had a rate *below* 7.1% (Louisiana).

Yet the unemployment rate actually understates joblessness. More useful is the *underemployment rate*, which counts the share of the (adjusted) labor force that is unemployed, working part-time on an involuntary basis, or marginally-attached to the labor market. Rates rose during the 2000s, and by 2009, underemployment equaled or exceeded 15% in all but two southern states.

Although joblessness is a broad problem, it harms some groups more than others. During the recession, men, African Americans, and young adults have been particularly affected. In 2009 the underemployment rate among African Americans exceeded 20% in every state but Louisiana (Figure 2). Similarly, national data show that men have accounted for 70% of all job losers and that a quarter of the unemployed are age 25 or younger.

Figure 2: Underemployment Rates by Racial Group, Southern States, 2009



Note: There are no data for African Americans in West Virginia. **Source:** South by North Strategies, Ltd. analysis of Current Population Survey

Weak job markets also have reduced employment among prime-age workers (ages 25-54). In every southern state, a smaller share of that population was employed in 2009 than in 2000; in Alabama the share of such workers with a job fell from 79% to 69%. This matters for two reasons. First, workers in this age range tend to be quite productive. Second, such individuals head the vast majority of households with children.

A Decade of Industrial & Job Change

During the 2000s, the South's industrial and occupational profile continued to shift from manufacturing towards service and retail. Just consider that, by mid-decade, service and retail industries accounted for 70% of all private-sector jobs.

The development of an economy based on service and retail industries has knocked the economic legs out from under many working Southerners and from many small metropolitan and rural communities. The traditional manufacturing community of Hickory, North Carolina, for example, lost 53.1% of its manufacturing employment base between 2000 and 2009.

Such trends likely will continue. The U.S. Bureau of Labor Statistics (BLS) estimates that national manufacturing employment will contract at an rate of 0.9% between 2008 and 2018, while service employment will expand at an annual rate of 1.2%. It is important to note that employment trends appear to be stabilizing. If forecasts hold, service fields will account for 78.8% of national employment in 2018, up from the 2008 level of 77.2%. Put differently, the employment profile of the future will resemble closely the current one, though the types of goods and services produced by those fields likely will evolve.

The Role of Education & Skills

Emphasizing on education and workforce skills has been one response to economic change. Education and skills indeed increase the odds of finding a quality job, but many of the occupations expected to have the greatest number of openings require little formal education. According to the BLS, just four of the ten occupations expected to have the most openings between 2008 and 2018, require postsecondary education; the rest require on-the-job training *(Figure 3)*.

Figure 3: Ten Fastest-Growing U.S. Occupations, Ranked by Numerical Change, 2008-2018

Occupation	# Change (in 000s)	% Change	Annual Wages	Educational Qualifications
Registered Nurses	581,500	22.2%	$51,540+	Associate Degree
Home Health Aides	460,900	50.0%	< $21,590	Short-term Training
Customer Service Representatives	399,500	17.7%	$21,590-$32,380	Moderate Training
Combined Food Preparation + Serving Workers	394,300	14.6%	< $21,590	Short-term Training
Personal + Home Care Aides	375,800	46.0%	< $21,590	Short-term Training
Retail salespersons	374,700	8.4%	$21,590-$32,380	Short-term Training
Office Clerks (General)	358,700	11.9%	Low	Short-term Training
Accountants + Auditors	279,400	21.7%	$51,540+	Bachelor's Degree
Nursing Aides, Orderlies, + Attendants	276,000	18.8%	$21,590-$32,380	Vocational Training
Postsecondary Teachers	256,900	15.1%	$51,540+	Doctoral Degree

Source: Employment Projections Program, U.S. Bureau of Labor Statistics

The Role of Small Business

Another common response to industrial and occupational change is to emphasize entrepreneurship and small business development. Such strategies are favored based on the belief that small businesses are engines of job growth.

During the 2000s, the South did see an uptick in small business activity. Between 2000 and 2006, the latest year for which data are available, the number of southern firms with nine or fewer employees rose by 4.5%. Similarly, the number of non-employer firms, meaning those with no paid employees, grew by 38% between 2000 and 2007. Other Southerners likely engaged in entrepreneurship on a less formal basis.

When looking at small businesses, it is important to keep four points in mind. First, most small firms have no paid employees. Similarly, even firms some employees (nine or fewer) accounted for just 10% of region's payroll employment in 2006. Second, many small businesses have modest sales. In 2007, the average southern non-employer firm had receipts of just $43,000. Third, many small firms with employees offer wages and benefits lower than those found in larger firms. Finally, firms in distressed communities often struggle with profitability. Given the labor market problems discussed earlier, this likely has been a constant concern.

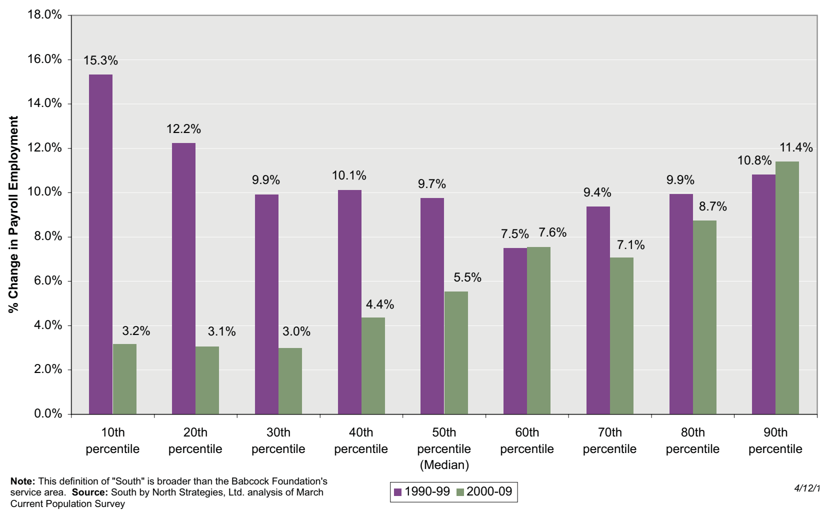
A Decade of Wage & Income Stagnation

Coupled with changes in public policy, the combination of weak job growth, widespread joblessness, and industrial limited wage growth during the 2000s.

Thanks to a full employment economy and the adoption and expansion of public policies supporting low-wage workers (e.g. increases in the minimum wage and federal EITC), the 1990s were a time of rapid, fairly equitable wage growth across the South. Adjusting for inflation, the median hourly wage in the South rose by 9.7% over the course of the 1990s, climbing from $12.93 to $14.28. All wage groups saw significant increases with workers in the lowest two wage tiers enjoying the largest increases in percentage terms.

This pattern ended in the 2000s *(Figure 4)*. Since 2000, the median hour wage, adjusted for inflation, rose by 5.5%, inching up from $14.28 to $15.07. Wage growth slowed markedly for workers in the bottom half of the wage distribution while the top two income groups experienced the largest gains in both dollar and relative terms. As a result, wage inequality widened. Between 2000 and 2009, workers in the highest wage group went from earning 4.1 times per hour as much as those in the lowest group to earning 4.5 times as much; in contrast, this wage gap narrowed over the course of the 1990s.

Figure 4:
Percent Change in Hourly Wages (in 2009$), By Decile, South, 1990s vs. 2000s



Because most households derive most of their annual incomes form wages, slow wage growth serves to tamp down household incomes. During the 1990s, the inflation-adjusted annual income of the typical household rose in every state, but during the 2000s, median household income fell in six states and grew slightly in the other three.

A Decade of Rising Economic Hardships

Weak wage and income growth contributed to a rise in economic hardships during the 2000s. This is not surprising given that the majority of families with children—including an overwhelming share of low-income families—work. Sluggish growth in the bottom of the wage distribution increases the economic pressures placed on low-income families and increases the odds that some will slip into poverty.

Between 2000 and 2008, the latest year for which data are available, the share of Southerners living in poverty, as measured by the outdated federal poverty level (which was $21,834 for a four-person family) rose steadily, climbing to 15.4% from 13.4%. Additionally, poverty rates rose in every southern state except for Arkansas and West Virginia. Consequently, much southern progress against poverty has been reversed, and poverty rates in many states now stand at levels last seen 15 years ago.

Owing to data limitations, the poverty measure does not yet capture the hardships caused by the recession in 2009. Using Food Stamp caseload data as a proxy, however, suggests that poverty is rising. Between January 2009 and February 2010, the number of persons receiving food assistance grew by 1.4 million – a number roughly equal to the population of metropolitan Nashville, Tennessee. In February 8.6 million southerners participate in the Food Stamp program: this equals the combined populations of Louisiana and Kentucky.

The 2000s also saw jumps in the number of persons with low-incomes, defined as twice the federal poverty ($43,668 for a four-person family). The share of such persons rose, and by 2008, 35% of all southerners were living in low-income households. Specifically, 15.4% of Southerners had incomes below the poverty level while 19.7% had incomes between one and two times of the poverty level *(Figure 5)*. Persons in that category likely are living in households tied to low-wage work and they account for the bulk of low-income persons in every state.

Figure 5: Share of Low-Income Persons, by State and Income Category, Southern States, 2008

State	% Low Income Persons (below 2x poverty level)	% Persons Below Poverty Level	% Persons Between 1x and 2x Poverty Level
AL	35	14.3	20.7
AR	40.2	15.3	24.9
GA	35	15.5	19.5
KY	38.3	17.1	21.2
LA	40	18.2	21.8
MS	42.3	18.1	24.2
NC	35.2	13.9	21.3
SC	36.3	14.0	22.3
TN	38.4	15	23.4
WV	35.7	14.5	21.2

Source: March Current Population Survey

Looking Ahead to a New Decade

Unfortunately, the trends of the 2000s have spilled into the new decade. The ongoing recession has taken a heavy toll from southern labor markets, and while broad economic conditions have stabilized, a full employment recovery appears years away, due to sub-par economic growth and the federal government's reluctance to act.

For its part, organized philanthropy could play three rolls in fostering an equitable recovery. First, it could inform the public debate by supporting the kinds of regional-specific research absent from standard economic and analyses. Second, philanthropy should underwrite effective and innovative responses to local problems and spotlight effective programs. Finally, philanthropy should support the advocacy needed to ensure that disadvantaged people and places truly benefit from the eventual recovery.

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All data in this report were compiled from public sources by South by North Strategies, Ltd. Sources available upon request.