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### **The Rising Tide of Poverty in North Carolina**

The percent of households living in poverty in North Carolina declined from 40.6 percent of the population in 1959 to 12.3 percent in 1999; this heartening result stands as one of the battles won in the war on poverty. At the beginning of the 21<sup>st</sup> Century, North Carolina's poverty rate was below the national average.

This positive conclusion has not carried forward into the 21<sup>st</sup> Century: by 2009 the poverty rate had once again risen to above 16 percent, about where it was in 1980. While poverty rates have risen throughout the US in recent years, North Carolina's rise is larger than that of all but four states. As a state, we are once again at a higher poverty rate than the national average.

It is not surprising that the poverty rate rises during a recession: losing your paycheck from unemployment is one of the driving causes of descent into poverty. In work done at the Global Research Institute of UNC-Chapel Hill, I've investigated the evolution of the poverty rate by county in North Carolina from 1998 to 2009. The most recent recession (2008-2009) added about 1.8 percentage points to the poverty rate. Strikingly, though, over 2 percentage points of the increase in the poverty rate occurred in the period 2000-2007 while the unemployment rate was not rising. This part reflects the state's transition from traditional manufacturing (such as textiles, apparel and furniture) to modern manufacturing and services as employment opportunities.

This upturn in the poverty rate is important to keep in mind during the upcoming budget debates here in North Carolina.

- It is important to realize that the number of households in poverty would have been higher if the Unemployment Insurance system were not in place. By my calculation, nearly 50000 North Carolinians on average each year are kept from falling into poverty by the Unemployment Insurance payments.
- Returning to full employment will automatically eliminate the cyclic rise in the poverty rate, but the transitional contribution to poverty will remain. Retraining and skill-building are essential in these cases to keep households out of poverty, and the state government provides such opportunities through its university and community college system.
- Poverty is disproportionately observed among Hispanic migrants to the state. These came to provide services (such as construction and hospitality) during our recent rapid-growth episodes; the downturn in such services has left them unemployed to an even greater degree than the overall population.

North Carolina's record in reducing poverty among its residents has been a model for other states and a benefit to its lowest-income citizens. Current budget decisions will set the trajectory for the next decade. A commitment to retraining, education and the safety net for low-income households is desirable if we are to return to the path of poverty reduction.