

State of Working Georgia 2012

Great Recession Wiped Out Two Decades of Progress for Georgia's Poor and Middle Class

By Wesley Tharpe, Policy Analyst

■ Introduction: Working Georgians Take Big Step Backwards Due to Great Recession

The *State of Working Georgia* brings together a wide range of data on jobs, incomes, poverty, health insurance, and other economic conditions to explore the most important question facing Georgia's leaders: how are working Georgians, the engine behind the state's economy, faring?

According to the most recent and comprehensive data available, the short answer is “not very well.” Working Georgians continue to struggle through the difficult aftermath of the worst economic crisis since the 1930s, and the downturn's impact on Georgians' financial well-being – their incomes, wealth, and wages – has been quite severe. Due to the almost unprecedented impact of the Great Recession, **working Georgians have seen essentially two decades worth of economic progress disappear.**

State of Working Georgia 2012 explores several important aspects of this core finding:

- **Battered annual incomes** for Georgia households, which have compromised their ability to meet basic needs. Inflation-adjusted income for the typical Georgia household is now virtually the same as in 1990.
- **Decreased wealth** for Georgia families, which has compromised workers' capacity to invest in the future and made them more susceptible to sudden declines in income, like losing a job. While available data on families' overall net worth (e.g. home equity, savings accounts) are not as precise as that for annual income, recent evidence suggests that the recession reduced Georgians' wealth levels substantially.
- **Depressed wages** for low- and middle-income Georgians, who have seen their annual pay fall thousands of dollars since the recession began. Because wages are far-and-away the largest source of income for working people, lower wages are the primary reason family wealth and income are shrinking.
- **Historically high poverty**, especially among Georgia's children. Georgia's poverty rate is now at its highest point since 1983. Poverty severely limits opportunities for economic advancement and has life-long “scarring” effects on young people that can last a lifetime. It also harms the entire economy by limiting consumer spending, discouraging personal savings, and straining social services.

Despite promising signs of increasingly strong job growth on both the state and national levels, average Georgians will clearly feel the effects of the Great Recession for many years. Low- and middle-income families remain stuck with historically high unemployment, depressed wages, shrunken incomes, and historically high poverty. Many experts believe that these challenges are likely to persist for the foreseeable future, meaning working Georgians are still a long way from fully recovering. Addressing the situation should be a top concern for state policymakers.

Although no set of specific policy actions could fully address the challenges outlined in this report, state policies can make a considerable difference. Sustained commitments to education and job training, for example, can enhance career opportunities and bolster family incomes. Investments in transportation and public safety can lay the foundation for future growth and make Georgia an attractive place to live and work. Maintaining an adequate safety net can help get those in rough times back on their feet, while strengthening health coverage can protect workers from going bankrupt simply because they get sick.

Continued budget cuts to crucial programs, on the other hand, undermine the path to full recovery and exacerbate the hardship of Georgia families. That is why, moving forward, Georgia's leaders must shift from the bone-deep cuts of recent years and instead pursue a more balanced approach. Only by coupling strategic investments in the future with the revenue needed to pay for them will Georgia have a chance of building an economy that works for everyone – an economy that alleviates the plight of working families, promotes long-term prosperity, and provides low- and middle-income families the opportunities for advancement they deserve.

What is the State of Working Georgia?

Government and research institutes produce a wealth of data looking at the health of Georgia's economy every year. Research charting the number of business startups, the state's perceived business friendliness, and other economic indicators gauge the vitality of the Peach State's economy. The State of Working Georgia seeks to provide another side of that economic picture – the vitality of Georgia's workforce. How are low-income and middle class workers, the engine behind Georgia's economy, faring? Are wages and benefits growing and unemployment declining? Is economic opportunity widely shared?

The State of Working Georgia addresses these questions by examining jobs, incomes, poverty, health insurance and other workforce conditions using data from the Bureau of Labor Statistics and the Census Bureau and technical assistance from the Economic Policy Institute. The report is part of the Georgia Budget & Policy Institute's Strengthening the Foundation series, which assesses state policies and programs designed to help low-income, working families succeed in the labor market and achieve economic security.

Where We Are: The State of Working Georgia is Dire

As of 2011 – the most recent data available – Georgia families are struggling across the board. Household incomes are at historically low levels, wages are down, and poverty is high. In many cases, these problems got even worse from 2010 to 2011 (Table 1).

Median household income – or the annual income for the middle household in the state where half of households earn less and half earn more – fell by nearly \$2,000 between 2010 and 2011, dropping that figure to its lowest point since the early 1990s. The annual wages for the median Georgia worker also fell drastically – a dip of more than \$2,500, a sharper decline than in any other state in the country.¹ And, the number of poor Georgians spiked significantly, so that the state now ranks fifth highest nationwide in the percentage of residents living in poverty and 10th highest in the percentage of children doing likewise. Conversely, recent 2011 data reveal at least one noteworthy sign of hope: the share of Georgians living without health insurance remained virtually unchanged from 2010, after rising steadily over prior years.

¹ Measured another way, Georgia's median annual wages fell by 7.3 percent, which was also the highest drop in the country in 2011.

Table 1 In 2011, Incomes and Wages Decline for Working Georgians, Poverty Jumps Markedly, and Health Coverage Stabilizes

	2011	Change from 2010 to 2011
Median Household Income (2011 dollars)	\$46,007	-\$1,902
Annual Wages for Bottom 20%	\$19,531	-\$1,290
Median Annual Wages	\$31,782	-\$2,517
Annual Wages for Top 20%	\$56,326	-\$2,808
Number of Poor	1,827,743	+ 138,811
Poverty Rate	19.1%	+1.2 pts
Child Poverty Rate	26.1%	+1.3 pts
Percentage without Health Insurance	19.6%	-0.1 pts

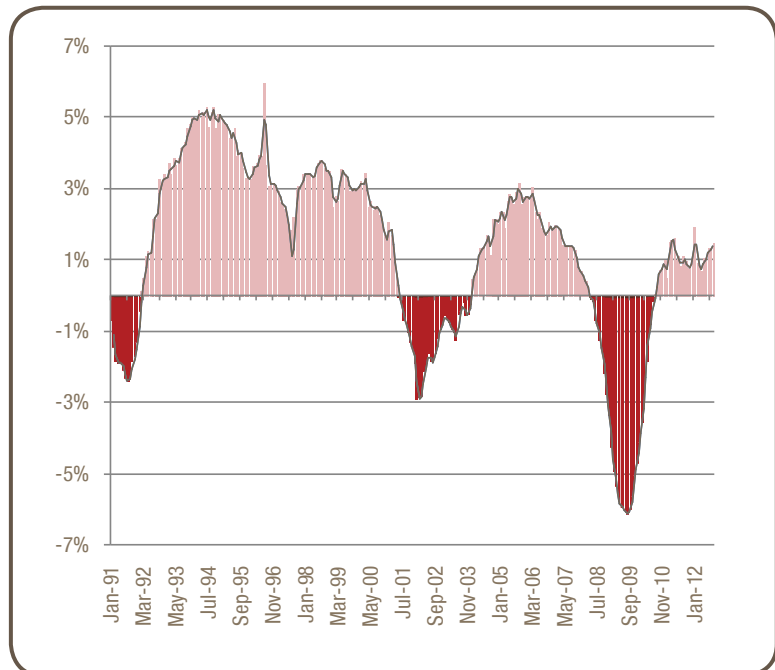
Source: U.S. Census Bureau American Community Survey (ACS);
Economic Policy Institute analysis of Current Population Survey

How We Got Here: Great Recession Battered Georgia Families

While Georgia has long had lower incomes and higher poverty than the country as a whole, the *severity* of the current situation is largely attributable to lingering impact from the Great Recession.

The U.S. economy officially entered recession in December 2007, due primarily to the rapid decline of the nation's housing and commercial real estate markets the previous year. The economy completely fell through the floor in late 2008 and early 2009 after the nation's financial sector crashed as well. At the height of the crisis, Georgia was losing about 26,000 jobs per month, while the national economy was shedding approximately 750,000 per month.[¶] The event is generally considered to be the worst economic crisis since the 1930s, and was definitely more

Figure 1 Rise and Fall in Jobs in Georgia Since Start of 1990s
Year-over-Year % Change in Nonfarm Employment



Source: Author's calculations using Economic Policy Institute analysis of Current Employment Statistics

[¶] Figures represent average month-to-month job change between November 2008 and April 2009.

disastrous than anything to hit Georgia's labor market in the last 20 years (Figure 1).

After a series of emergency measures at the national level, including the American Recovery and Reinvestment Act (ARRA) and several employer and employee tax cuts, the crash finally abated, officially ending in June 2009. By that point, Georgia had lost more than 276,000 jobs and the country had lost nearly 7.5 million jobs.

This historic event was then followed, unfortunately, by a stubbornly slow “jobless recovery,” which was especially anemic in states like Georgia, Florida, and Nevada that had been overly exposed to the housing bubble. For eight months after the official start of the national recovery, Georgia continued losing jobs. In fact, between the beginning of the U.S. recovery (June 2009) and the month when Georgia's job market finally bottomed out (February 2010), Georgia lost more jobs (62,100) than all but two other states.

All told, between the official start of the recession in December 2007 and February 2010, the state's economy lost a total of 338,500 non-agricultural jobs, which was the sixth largest total nationwide. Looked at another way, this decline represented a loss of more than 8 percent of Georgia's employed workforce, which was the eighth highest decline nationwide (Table 2). While things have gradually improved since that low point, Georgia's economy has still gained back only a little more than a third (38.3 percent) of the jobs that were lost. Further details on Georgia's recent and historical trends in job creation are available in Appendix A.

Table 2 Georgia's Slow Recovery from the Great Recession

	Timespan	Change in # of Jobs	% Change in Jobs	National Ranking in Job Creation (%) (1 is best)
Great Recession in Georgia	December 2007 to February 2010	-338,500	-8.2%	43
Recovery in Georgia	February 2010 to September 2012	130,300	3.4%	20
Great Recession + Recovery	December 2007 to September 2012	-208,200	-5.0%	35

Source: Author's calculations using Economic Policy Institute analysis of Current Employment Statistics (CES)

Massive Drop in Jobs Hammered Georgia's Workforce

The Great Recession had a disastrous impact on Georgia's workforce. People who were previously gainfully employed and lost their jobs through no fault of their own found it increasingly hard to find new positions, especially in jobs of comparable quality as the ones they lost.

While these trends were felt by all Georgians, it is worth noting that they appear to have been particularly severe for African-Americans and those without college degrees. Further details on important labor market disparities between Georgians of different genders, races, and educational levels can be found in Appendix B.

Based on the *unemployment rate*, the most commonly used indicator of a labor market's strength, Georgia's labor market took a massive hit beginning in 2007, which it has yet to fully recover from. The state's unemployment rate more than doubled to 10.5 percent from 5.1 percent between December 2007 and late 2009 and has remained around 9 percent or higher ever since. After ranking 22nd in the nation on unemployment rates in 2007 (where 1 is the lowest), Georgia fell to 42nd in 2010, then ticked up even higher to 43rd in 2011.¹ As of October 2012, Georgia's unemployment rate is 8.7 percent, down from 9 percent in September.

To understand the full severity of this, it is best to view the unemployment rate in tandem with the *employment to population*

ratio, which shows the percentage of people within a certain age group who are employed at a given time. Doing so minimizes the “noise” that is inherent in raw unemployment rates, which can sometimes be skewed by factors other than people finding jobs (e.g. becoming discouraged and dropping out of the workforce).¹

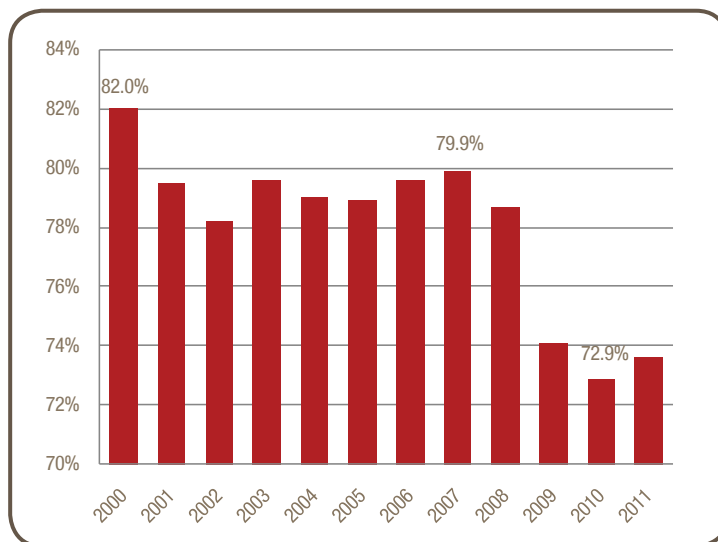
As shown in Figure 2, the percentage of Georgia adults in their prime working years (25-54 years old) fell off a cliff between 2007 and 2010, before ticking up slightly in 2011. The decline of 7 percentage points in Georgia’s employment to population ratio between 2007 and 2010 was the fifth largest drop among the states, which was a truly catastrophic decline when viewed in historical terms: **over the past two years, the percentage of prime-age Georgia adults with jobs has been lower than at any point since at least 1979.**

Despite some popular misconceptions, the falling share of Georgians with work is not due to a sudden decline in skills or an abrupt increase in laziness. It is instead due to the sheer lack of available positions. The national *job-seeker ratio*, or the number of employed persons per available job opening, illustrates that fact. When the recession began in December 2007, there was one job opening for every 1.8 unemployed people nationwide. By the time the recession officially ended in June 2009, that ratio had spiked to 6.2. It was down to 3.5 as of August 2012, which simply means there are currently more than three times as many active job seekers as there are available jobs.²

Because of this lack of job openings, the share of unemployed Georgians who are *unemployed long-term*, or in other words for more than 26 weeks, has skyrocketed as well. The share of long-term unemployed Georgians essentially quadrupled to 51.3 percent in 2010 from 12.4 percent in 2001, before falling back slightly in 2011 (Figure 3). This is especially troubling because evidence shows that it becomes harder and harder for workers to find jobs the longer they remain unemployed, due to both erosion of professional skills and employers’ reluctance to hire the long-term jobless.³

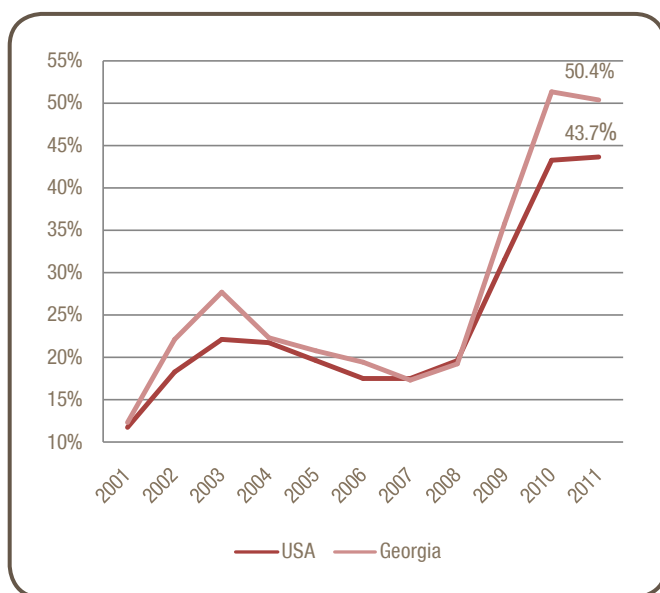
Furthermore, as anyone who has struggled through the tough economy knows, finding a job is not the

Figure 2 Great Recession Causes Catastrophic Employment Drop Among Georgia Workers
Employment to Population Ratio for prime-age workers (25-54)



Source: Economic Policy Institute analysis of Current Population Survey data

Figure 3 Georgia’s Long-Term Unemployment Spikes from Recession
Long-Term Share of Unemployment (more than 26 weeks)



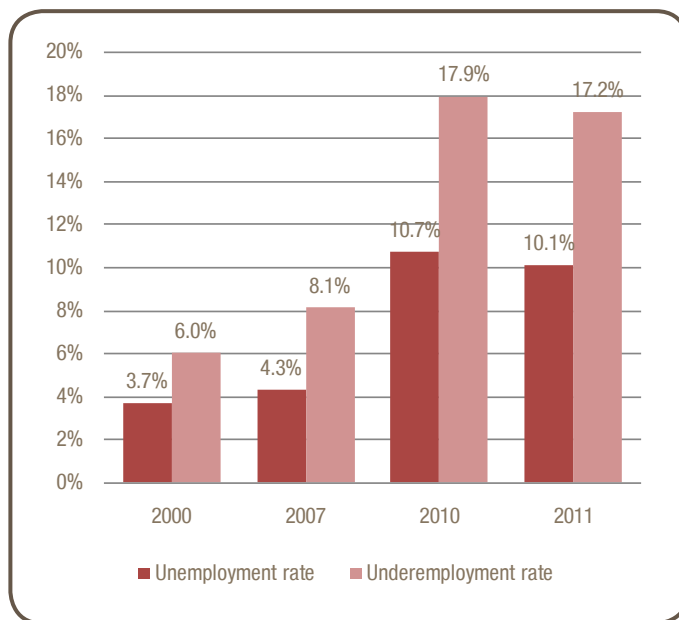
Source: Economic Policy Institute analysis of Current Population Survey data

¹ The unemployment rate only includes individuals who have been actively seeking employment in the previous four weeks, rather than all people without a job at a given time. As a result, unemployment will vary not only due to positive trends in the economy (i.e. people finding work) but also negative ones (i.e. people involuntarily leaving the workforce, sometimes temporarily and sometimes for longer periods).

only battle. It has also become increasingly difficult to remain gainfully employed with full-time hours, rather than simply cobbling together whatever one can find.

This idea is captured through another vital economic measure – the *underemployment rate*. This statistic essentially takes the official unemployment rate and adds in three additional categories of struggling workers: those who are working beneath their skill level, those working part-time when they would prefer a full-time position, and those who are “marginally attached” to the workforce, meaning they have recently looked for work but have taken a break over the past four weeks. Reflecting the national trend, Georgia’s underemployment rate more than doubled during the Great Recession, after a rise during the earlier 2000s (Figure 4). Georgia’s rate also remained high in 2011.

Figure 4 Underemployment Remains Highly Elevated Through 2011, Mirroring Official Unemployment



Source: Economic Policy Institute analysis of Current Population Survey

The Result: Great Recession Erased Two Decades Worth of Georgia’s Gains

As one might imagine, the Great Recession caused families’ financial well-being to suffer greatly. But what may be less known is how truly massive the hit really was. The stark reality is that due to almost unprecedented impact of the economic collapse, **working Georgians have seen essentially two decades worth of economic progress disappear.**

This fact is especially startling because of the solid gains that Georgia made during the 1990s, a period of sustained growth that Georgians consider a point of pride. During that decade, Georgia was one of the country’s fastest growing states, with people from around the country flocking here in search of opportunity and jobs. Importantly, the benefits of that growth were shared fairly broadly among the state’s residents, as wages and income rose across the board and poverty went down. Economic growth slowed in the early 2000s, but working Georgians still made smaller progress in some areas. The Great Recession, however, reversed those gains considerably – in some cases completely.

Median Drives Household Income Dropped Back to 1990 Level

Let us start with one of the most commonly used measures of working families’ well-being: *median household income*, or the annual income for the middle household in the state where half of households earn less and half earn more. After reaching a peak of about \$55,000 in 2006, Georgia’s median household income in 2011 is virtually the same as it was in 1990, considering inflation (Figure 5).^{iv}

^{iv} These figures are from the U.S. Census Bureau’s Current Population Survey (CPS), which provides state-level income estimates going back to 1984. The specific income level listed here for 2011 differs slightly from the figure provided on page 3, because the latter statistic is from a different data set – the Census Bureau’s American Community Survey (ACS). While the ACS figures are more precise and thus superior for single-year estimates, the dataset only goes back to 2000, meaning the CPS must be used for longer-term historical comparisons.

The story of how this happened is straightforward. During the 1990s, Georgia enjoyed a 19.8 percent increase in median household income – \$54,725 in 2000 from \$45,977 in 1990– which was nearly double the nation’s average increase for that span and the seventh largest rise among the states. The typical Georgia household at the end of the ‘90s was bringing in nearly \$9,000 more in inflation-adjusted dollars than it was at the beginning.

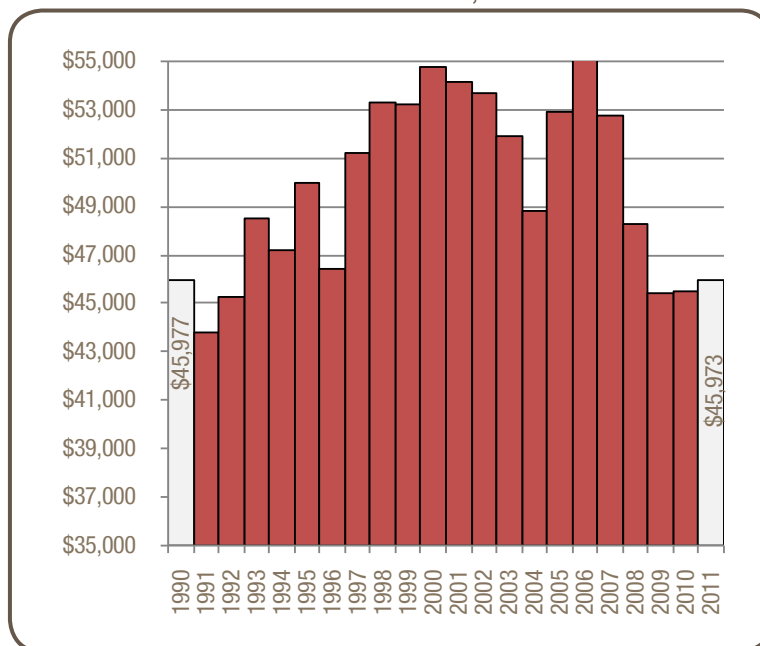
This growth spurt was followed, by a much more lackluster period in the early 2000s: Georgia’s median household income fell by nearly \$2,000 between 2000 and 2007, a 3.6 percent decline that was 11th worst in the nation.

If the early 2000s put an initial dent in Georgia’s gains from the ‘90s, the Great Recession was a death knell for them.

Between 2007 and 2010, the median household in Georgia saw their annual income drop by about \$7,300, worse than the national average and one of the sharpest declines of any state (Table 3). Even worse, a sizable chunk of this decline – \$1,902 – occurred from 2010 to 2011, meaning that family income has yet to begin turning around (let alone recover) from the economic crisis.

Figure 5 Georgia’s Median Household Income Falls Back to 1990 Level

Median Household Income, 2011 dollars



Source: U.S. Census Bureau Current Population Survey

Table 3 Great Recession Leads to Disproportionately Large Drop in Median Household Income

Changes in Median Household Income, 2007-2011

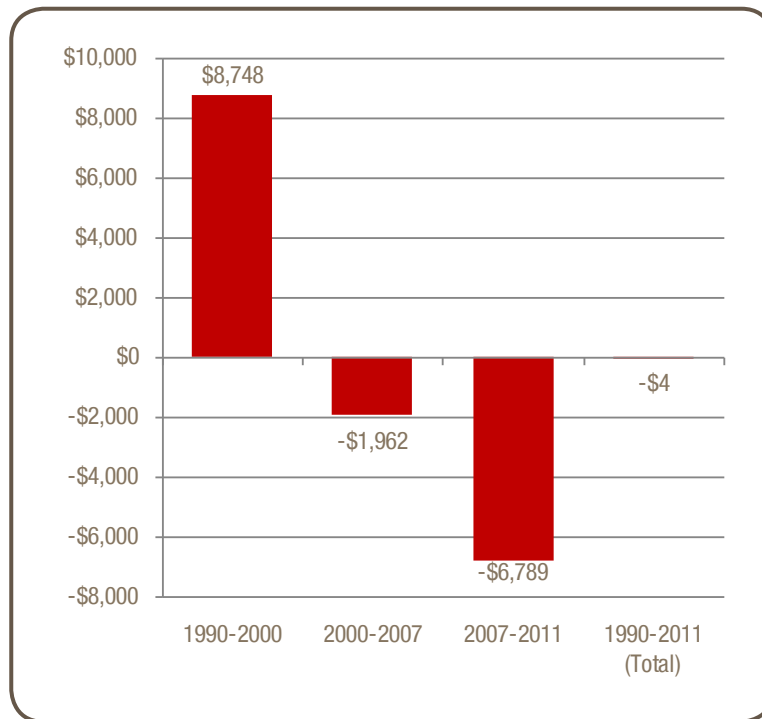
	\$ Change	Rank	% Change	Rank
USA	-\$4,554	n/a	-8.3%	n/a
Georgia	-\$7,308	45	-13.7%	47

Source: Author’s calculations using U.S. Census Bureau American Community Survey (ACS) 1-year Estimates

After this sharp decline in family income post-2007, typical Georgians have now experienced an income wash since 1990 (Figure 6). This is a devastating development for average Georgia families, but it also harms the state economy because it means people have less disposable income to spend, save, or invest. It is also unfortunately a problem that experts suggest will not go away anytime soon: according to the nonpartisan Economic Policy Institute, for example, incomes for the middle class American families will remain below their 2000 levels *until at least 2018*.⁴

Figure 6 '90s Income Growth Washed Away

Change in Median Household Income, 2011 dollars



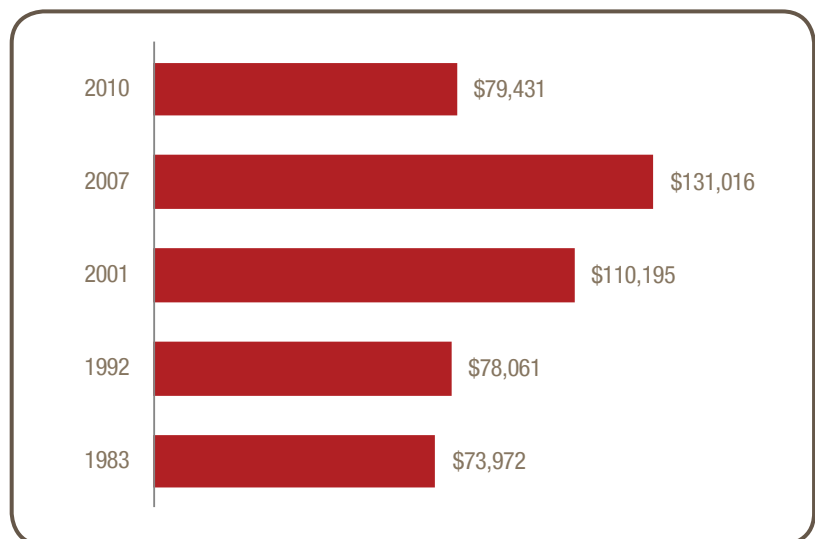
Source: Author's calculations using U.S. Census Bureau Current Population Survey historical income data

Family Wealth Falls Back Two Decades As Well

Looking deeper into working families' checkbooks, recent reports indicate that the impact of the Great Recession on family *wealth*, or net worth (total assets minus liabilities), was even worse than its effect on annual income. Lower net worth means that working families are less able to invest in the future, for example by starting a business or sending kids to college, and live at greater day-to-day risk of a single economic shock, like an illness or job loss, driving them over the edge.

The most seminal study, released in 2012 by the U.S. Federal Reserve, paints a disturbing picture for the country as a whole: between 2007 and 2010, family net worth in the U.S. declined by a shocking 39 percent, which obliterated two full decades of wealth creation for

Figure 7 Median Net Worth of U.S. Families Plummets, 1983-2010



Source: Pew Research Center tabulations of Survey of Consumer Finance data, 1983-2010. Notes: In 2011 dollars. Median net worth is the difference between the assets owned and liabilities held by a family.

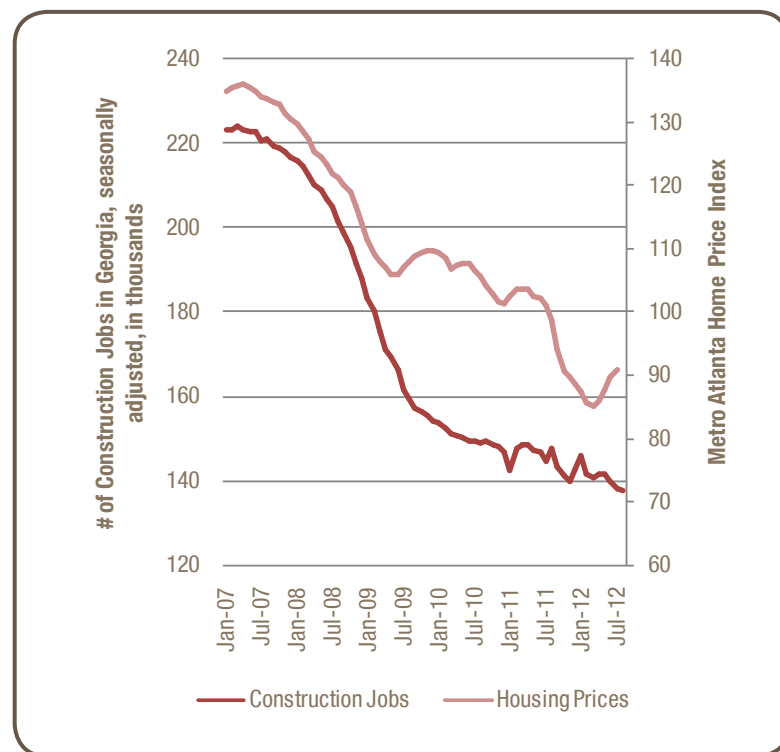
average Americans (Figure 7). As of 2010, the median net worth of American families was about \$79,400, which is only a few hundred dollars more than it had in 1992, once adjusting for inflation.

While the Federal Reserve study unfortunately does not contain state-level data, other sources suggest that Georgia was not immune from these forces:

- According to the Corporation for Enterprise Development (CFED), median net worth in Georgia fell by 35 percent, to about \$48,500 from just less than \$74,500, between 2006 and 2009—the sixth largest drop in the country.⁵
- CFED also ranked Georgia dead last nationwide in its comprehensive 2012 index of “financial security,” which includes factors like high debt load, lack of savings and assets, and personal bankruptcies. Georgia ranked in the bottom fifth of states on a number of specific categories, including bankruptcies (50th), poor credit (48th), overdue debt (48th), and households without a savings or checking account (49th).⁶
- One way of thinking about “low financial security” is that it means people are extremely susceptible to sudden changes in income. A separate study⁷ that examined family wealth from this perspective found that between 2008 and 2010, Georgia suffered the nation’s fifth largest rise in “economic insecurity”—a complex measure that tracks the number of people who (a) lose at least 25 percent of their available household income from one year to the next, due to either job loss, pay cuts or medical spending, and (b) lack sufficient liquid savings to cushion the loss^v. In 2010 alone, nearly 1.7 million Georgians suffered the financial losses necessary to meet these criteria.

There is also an additional, more circumstantial, reason to believe that family wealth in Georgia may have taken a particularly hard hit from the Great Recession: overexposure to the collapse of the real estate market.

Figure 8 Construction Jobs and Housing Values Both Plummet With Great Recession



Sources: Economic Policy Institute analysis of Current Employment Statistics; and Case-Shiller Home Price Indexes

^vFor example, imagine an individual who experiences an unexpected injury that drops his annual income to \$21,000 from \$28,000. If that person also lacks the \$7,000 in savings needed to compensate for the loss, he would qualify as economically insecure.

Georgia is typically mentioned along with California, Florida and Nevada as states where the housing crash was particularly severe. It has consistently had one of the highest foreclosure rates in the country, and housing values in Atlanta have fallen more than 33 percent since their peak in April 2006.⁸ Tellingly, one of the biggest job losers in Georgia's Great Recession was the state's construction industry, where jobs fell sharply alongside housing prices starting in 2007 (Figure 8).⁹

The bursting of the housing bubble destroyed an estimated \$7 trillion in family wealth nationwide, and property values in Georgia fell by nearly \$154 billion between 2008 and 2010. This was disastrous for the average Georgians because **housing equity is the primary source of wealth for working families**. It accounts for approximately 45 percent of wealth for low- and middle-income families nationwide, compared to only about 22 percent for upper-income ones. In other words, working people are roughly twice as dependent on housing equity as wealthier people.

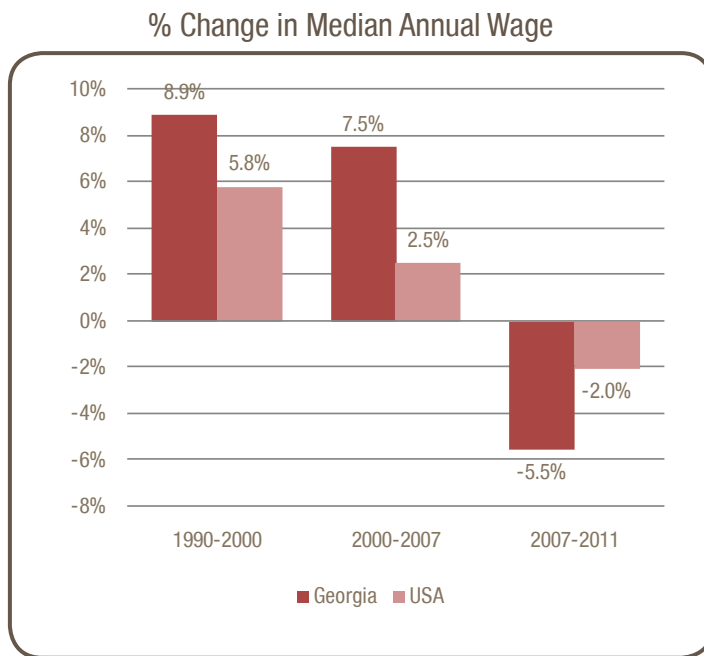
Wages Take Major Hit Too, Especially for Low- and Mid-Wage Workers

One of the main culprits for these income and wealth trends, aside from outright job-loss, is a striking drop in workers' annual pay. Because most low- and middle-income people do not have the diversified portfolios (e.g. stock dividends, business income, real estate) of their wealthier counterparts, wages account for the vast majority of families' yearly earnings.

Unlike household income, annual wages for working Georgians grew relatively well in *both* the 1990s and early 2000s – increasing 17 percent for the median wage-earner between 1990 to 2007, which was the eighth best growth rate nationwide and double the performance of the country as a whole. After 2007, however, wages for the Georgia worker crashed (Figure 9).

Between 2007 and 2011, annual median wages in Georgia fell by approximately \$1,850, or 5.5 percent, which in percentage terms was a sharper drop than all but three other states. The decline was most severe from 2010 to 2011, when Georgia's drop (\$2,517, or 7.3 percent) was the sharpest of any state.

Figure 9 Median Georgia Worker's Wages Outgrow Nation Pre-Recession, Crash More Sharply Post-Recession



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

⁹ As of August 2012, Georgia's construction industry lost 79,000 jobs since the start of the downturn, more than a third (28,800) were shed after the recession officially ended.

As a result, working Georgians lost a considerable chunk of the gains they achieved prior to the Great Recession. Georgia workers lost nearly 38 percent of their increased wages from the prior period, while lower-wage workers lost nearly 66 percent. In contrast, the top-fifth of Georgia's wage earners lost less than 3 percent of their previous gains (Figure 10, next page). Put another way, the Great Recession hit the paychecks of Georgia's low- and middle-income families much harder than higher-earners. As of 2011, the top 20 percent of Georgia workers are now making about \$7,400 more in yearly salary than they were in 1990, compared to only \$3,000 more for median-wage workers and \$1,000 more for the bottom 20 percent of workers.

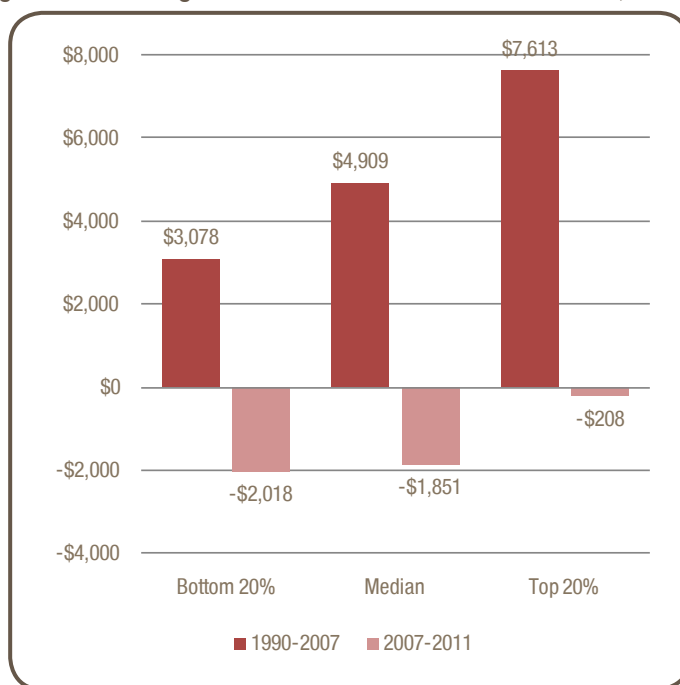
Thousands of Georgia Families Driven into Poverty, Reversing Gains of 1990s

The massive job loss and financial impact of the Great Recession markedly increased poverty in Georgia as well. Between 2007 and 2011, the percentage of Georgians living below the federal poverty line (\$22,891 for a family of four in 2011) shot up to 19.1 percent from 14.3 percent—the third largest increase in the country during this span.^{vi} Georgia now has the fifth highest poverty rate among the states and remains far above the national average (Figure 11).

This increase unfortunately wiped out the prior gains Georgia made against poverty in the 1990s. Georgia's overall poverty rate dropped by 3.7 percentage points between 1990 and 2000, which was the ninth largest decline nationwide. By 2002, poverty in Georgia had fallen below 12 percent for the first time since 1980. However, Georgia subsequently experienced disproportionately large spikes in poverty. As of 2011, the state's poverty rate is now even higher than it was in the early 1990s, and in fact is higher than at any point since 1983.^{vii}

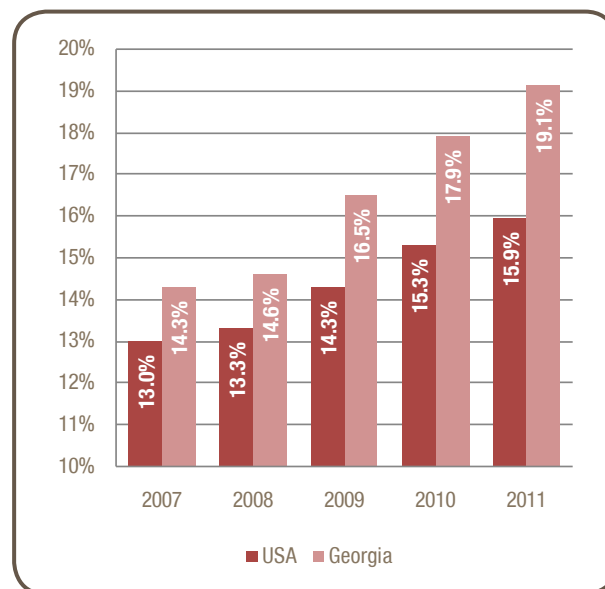
No one has felt this spike in poverty more than children. More than a quarter (26.1 percent) of Georgians under 18 years old now live in poverty as of 2011, significantly more than before the Great Recession (19.7 percent in 2007). As further proof that Georgia continues to experience an outsized impact from

Figure 10 Georgia's Low- and Middle-Wage Earners Bear the Brunt of Recent Wage Decline
Change in Annual Wages in Pre- and Post-Recession Periods, 2011 dollars



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

Figure 11 Georgia 5th Highest Poverty Rate Above U.S. Average
% Living Below Federal Poverty Rate



Source: Census Bureau's American Community Survey 1-yr Estimates

^{vii} As with income data, historical comparisons before 2000 require data from the Current Population Survey (CPS), which differ slightly from the more precise and comprehensive poverty data from the American Community Survey. In this case, using the historical CPS data, Georgia's poverty rate was 18.4 percent in 2011 (rather than 19.1 estimated by the ACS), compared to 17.8 percent in 1992 and 18.9 percent in 1983.

the economy's collapse, Georgia went from having the 17th highest rate of child poverty in 2000, to the 13th highest in 2007, to the 10th highest in 2011. As with overall poverty, the rise in child poverty has eliminated Georgia's prior gains: the child poverty rate rose by 7.7 percentage points between 2000 and 2011, after falling by 7.9 percentage points during the 1990s (Figure 12).¹²

High poverty among children is especially troublesome, not only for those directly affected but for the state and nation as a whole. The reason why is that a broad consensus of research shows that poverty has considerable “scarring effects,” especially on children, which narrow economic opportunities, worsen health and social outcomes, and decrease earning potential for life.¹³

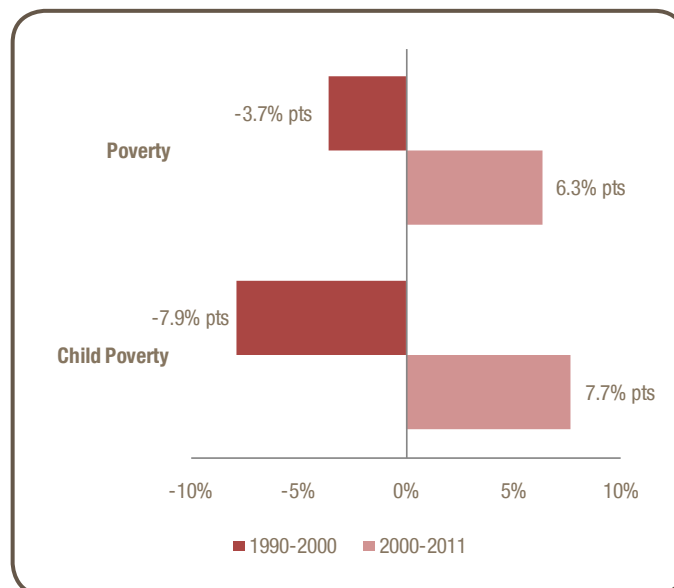
For example:

- Every year a child spends in poverty reduces his or her future productivity by \$11,800, leading to limited earnings-potential and decreased value to the workforce;¹⁴
- Children from low-income households are considerably more likely to perform poorly in school, such as having lower reading scores. They are also as much as six times more likely to drop out of high school than other students, according to a study that tracked graduation rates over 30 years.¹⁵
- Poverty severely limits economic mobility: 43 percent of Americans raised at the bottom of the economic ladder remain stuck there as adults, while 70 percent fail to ever reach the middle class. Only a mere 4 percent of American children born into poverty ever achieve the “rags to riches” story of going all the way from the bottom to the top (Figure 13).¹⁶

Looking beyond children, the Great Recession also increased the number of “near poor” Georgians: people who live at or below twice the poverty line, or about \$44,000 per year for a family of four. Nearly a fifth (19.4 percent) of Georgians fell into this category (between 100 percent and 200 percent of the federal poverty line) in 2011, which was slightly above the national average.

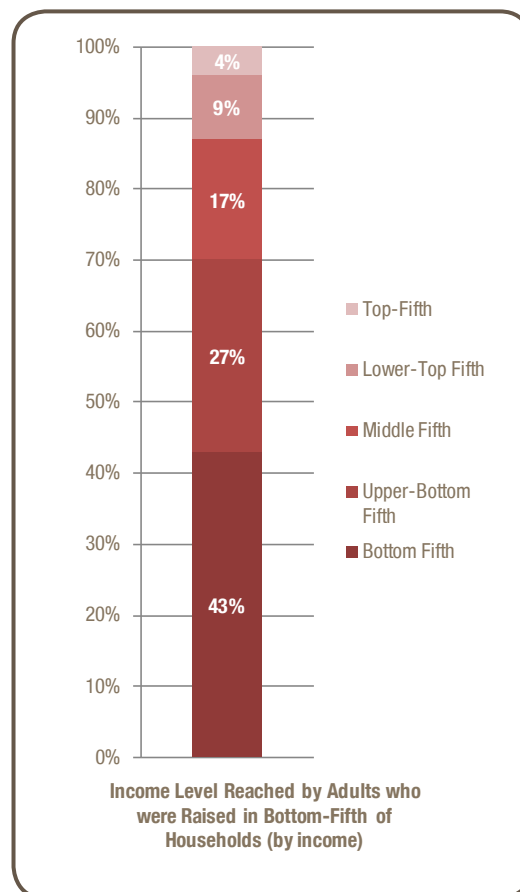
The near poor are individuals who, as one commentator put it, “drive cars, but seldom new ones. They earn paychecks, but not big ones. Many own homes. Most pay taxes. Half are married, and nearly half live in the suburbs. None are poor, but many describe themselves as barely scraping by.”¹⁷ In other words, they are

Figure 12 Georgia's Progress Against Poverty in 1990s Reversed Since 2000



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

Figure 13 Americans Raised at the Bottom Are Likely to Stay There as Adults



Source: Pew Charitable Trusts analysis of Panel Study of Income Dynamics (PSID) data through 2009.

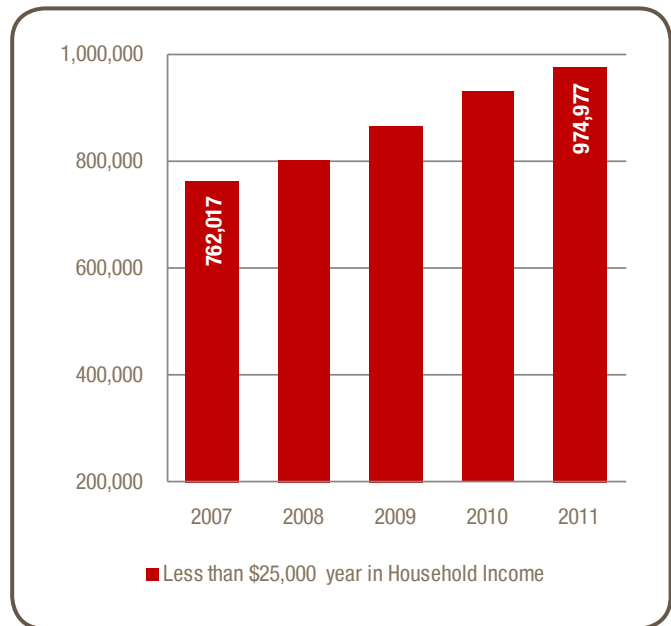
Georgians who do not live in abject poverty, but who instead hover very close to the edge—where a single unexpected expense, like job loss or a family member getting sick, can push them into dire economic straits.

The spike in *near-poverty* means that for an increasing number of Georgians, receiving their next pay check – and catching a break by staying healthy and avoiding unforeseen expenses – can be the difference between poverty and the middle class. Indeed, from the start of the economic calamity in 2007, the number of Georgia families with less than \$25,000 in annual income rose by nearly a quarter million (Figure 14). While some of these households were likely new migrants to the state, many others were simply middle class families who lost jobs, took pay cuts, or generally saw their incomes decline.

The striking connection between Georgia's job losses and its spikes in poverty and near-poverty underscore how much poverty is tied the strength of the labor market, rather than particular failings of individuals.

The huge spike in poverty since 2007 simply cannot be explained by thousands of Georgians suddenly becoming lazy or losing the individual initiative to care for their families. It simply means that without enough jobs to go around, people lose the income they need to pay their bills, or cover medical expenses, or afford both food and child care.

Figure 14 Number of Low-Income Georgia Households Spikes Due to Great Recession



Source: Census Bureau's American Community Survey 1-yr Estimates.

Potential Signs of Improvement: Rising Job Growth and Expanding Health Coverage

Despite the very difficult situation Georgians face, there are a few bright spots. The national job market has finally started to show signs of consistent growth, and though Georgia was slower to start recovering and is digging out of a comparatively large hole, the recent trends have improved here too. And, the number of Georgians lacking health insurance actually remained constant for the first time in years, suggesting that expanded private coverage through the Affordable Care Act – specifically for young adults up to 26 years old – may be starting to bear fruit.

Recent Job Growth Improving, But Not Yet Enough to Reverse Massive Damage

While the devastating impact of the Great Recession is clear, some have begun pointing to strengthening job growth as proof that the crisis is over. Indeed, positive signs have begun popping up on both the national and state levels, and any forward momentum on jobs is an unmitigated positive. However, recent job growth has not nearly been strong enough to start rolling back the damage of the Great Recession. Working Georgians still have a long journey in front of them.

Since hitting its low point in February 2010, Georgia's economy has created 130,300 jobs and has grown by 3.4 percent (20th highest nationwide) as of September 2012 (Table 4). Some 34,000 of these jobs have come in the last six months alone, a 0.9 percent growth rate that is the 11th highest among the states. Georgia's unemployment rate hovered around 9 percent throughout mid-2012, which while still exceedingly high, is down from a peak of 10.5 percent in late 2009. This momentum mirrors the increasingly positive signs for the country as a whole, which as of September 2012 had experienced 24 straight months of net job growth.

However, this progress needs to be viewed with some perspective. Georgia lost nearly 340,000 jobs between December 2007 and February 2010, and since that time has only gained back a little more than a third (38.3 percent) of those that were lost.

Table 4 Job Growth Slowly Accelerating in Georgia

	Timespan	Change in # of Jobs	% Change in Jobs	National Ranking in Job Creation (1 is best)
Recovery in Georgia	February 2010 to September 2012	130,300	3.42%	20
Last Year	September 2011 to September 2012	56,300	1.45%	16
Last Six Months	March 2011 to September 2012	34,200	0.90%	11

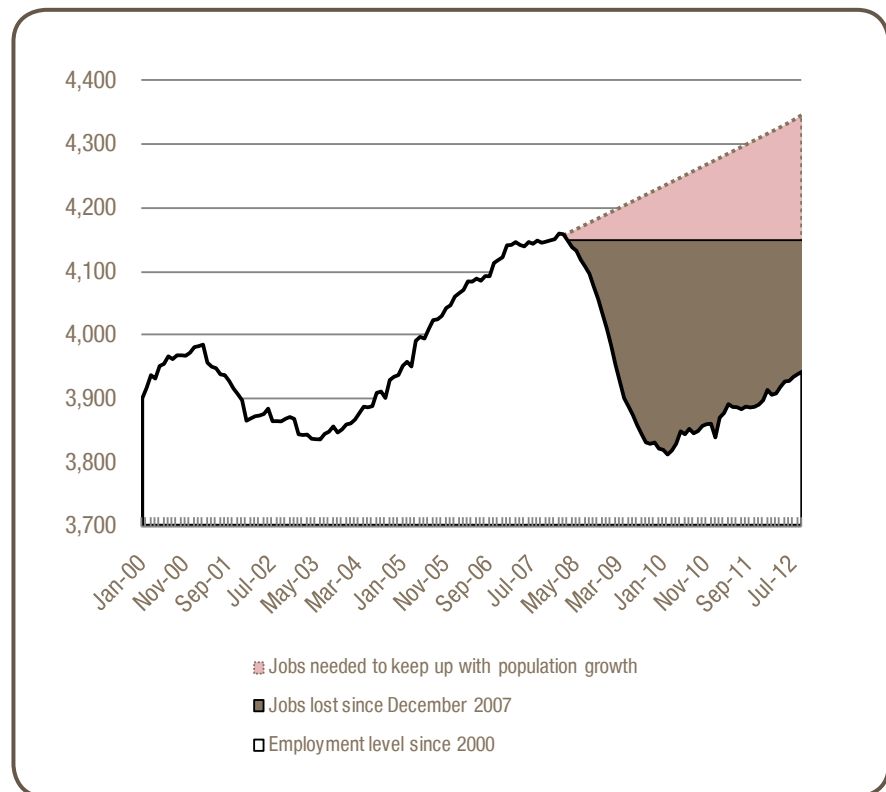
Source: Author's calculations using Economic Policy Institute analysis of Current Employment Statistics (CES)

Exacerbating this gap is the fact that **to fully return to pre-recession levels of employment, Georgia's economy must not only gain back all the jobs it lost but also create enough new ones to keep up with continued population growth.** Georgia's population has grown by 4.7 percent since the Great Recession began, meaning it needs 196,200 *additional* jobs just to stay even with the influx. As a result, Georgia has a total "jobs deficit" of 404,400 jobs as of September 2012, according to analysis by the nonpartisan Economic Policy Institute (Figure 15).

To fill the gap, Georgia's economy would need to add about 14,000 jobs per month for the next three years, a far cry from the 5,000 per month it has averaged since the start of 2012. It is also a far cry from the jobs performance that reputable economists and experts have forecasted for the state. For example:

- Georgia State University's Economic Forecasting Center projects that Georgia's unemployment rate will remain at or above 8.2 percent through at least 2014.¹⁸
- Moody's Analytics (a widely cited source of economic projections) agrees, noting it will also stay at or above 6 percent through at least 2020.¹⁹
- Three industries that are central to Georgia's economy – construction, manufacturing, and trade – are not projected to regain their nationwide 2007 employment levels until after 2017, according to the Urban Institute.²⁰
- On the national level, if job growth continues at its 2011 pace, the unemployment rate will not return to pre-recession 2007 levels until 2021, according to the Economic Policy Institute.²¹

Figure 15 Georgia's Jobs Deficit Remains a Daunting Challenge
Nonfarm Jobs in Georgia, in thousands



Source: Economic Policy Institute Analysis of Current Employment Statistics

Health Coverage Worsened Early in Recession, Though Positive Signs Emerging

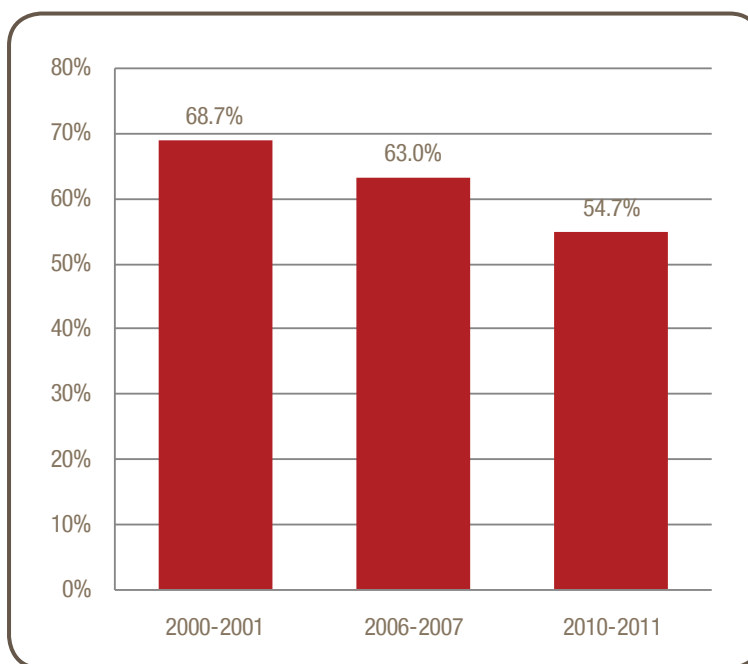
While the percent and number of Georgians without health insurance has increased since before the start of the recession, data also point to some possible areas of improvement over the last year or two.

The number of Georgians without coverage grew to approximately 1.9 million in 2010-2011 from 1.6 million in 2006-2007, an increase of more than 15 percent. More than 19 percent of all Georgians lacked health coverage in 2010-2011, which is up from an already-high rate of 17 percent in 2006-2007. Under both of these measures, Georgia ranks among the worst states in the country for access to health coverage.

The driver behind these declines is the fact that fewer Georgians are covered by employer-based health coverage than before the recession. The percent of Georgians under-65 with employer based insurance declined from 63 percent in 2006-2007 to less than 55 percent in 2010-2011, meaning that nearly 650,000 fewer Georgians had employer-based health insurance after the recession than before it began. Moreover, while the decline in employer-based coverage certainly got worse during the recent recession, the trend was actually negative before that as well (Figure 16). From 2000-2001 to 2006-2007, the percent of Georgians under age 65 who were covered by employer-based health insurance fell by nearly 6 points. Compared to 2000-2001, the rate in 2010-2011 fell by 14 percentage points, from 69 percent to 55 percent.

On the positive side, newly released 2011 data reveals more promising developments over the last year or two. First, the share of Georgians living without health insurance remained virtually the same in 2011 as in 2010, as did the percent of all Georgians with employer-based coverage. These trends represent positive developments since both overall and employer-based coverage had been declining in recent years.

Figure 16 Overall Drop in Health Coverage Driven by Fall in Employer-Based Coverage
% of Georgians under 65 with Employer-Based Coverage



Source: GBPI analysis of Current Population Survey data

Although Georgia has one of the highest uninsured rates of any state in the nation, key provisions of the Affordable Care Act appear to be improving coverage for some Georgians. In particular, young adults in Georgia benefit from new rules that allow individuals to remain on a parent's health insurance until they turn 26. It seems that the new rules are working as intended, as the percent of 19 to 25-year old Georgians without health insurance dropped by nearly 5 percentage points from 2010 to 2011. Since this decline is largely driven by a nearly identical increase in employer-based coverage among this population, it is very likely that the new rules for dependent coverage are a major driver of their gains in coverage.



Conclusion

It is clear that despite the occasional signs of improvement, it will likely be several years before Georgia's job market returns to normal. And on measures ranging from income to wages to poverty, working families have seen two decades of economic progress wiped away.

The question is, where does Georgia go from here?

What Georgia truly needs is a more balanced approach to address these economic challenges. A vibrant economy that works for everyone depends not only on a strong private sector, but also on equally strong public investments that lay the foundation for future growth. Sustained commitments to education and job training, for example, enhance opportunities and bolster family incomes. Investments in transportation and public safety heighten quality of life and make Georgia an attractive place to live, work, and invest. Maintaining an adequate safety net helps those in rough times get back on their feet, and strengthening health coverage protects workers from going bankrupt simply because they get sick.

Georgia has already proven this mantra in the past. Ambitious investments in roads and airports made Georgia a regional and even global hub for commerce and trade. The creation of the HOPE Scholarship gave thousands of Georgians access to higher education, which is increasingly the primary path to the middle class. Expansion of public Pre-K has allowed countless Georgians to better balance work and family while giving their children a stronger shot at success. The state's commitment to QuickStart has proven a model for job training programs nationwide.

Today though, policymakers have mostly abandoned what worked in the past. Deep budget cuts over the last several years have helped to undermine the well-being of average Georgians, and they continue to compromise the state's path to economic recovery. Georgia today is basically running on fumes from investments made by prior generations. To get back where we need to be, that will have to change – state leaders will have to find the political will that is needed to ensure our current generation pulls its weight.

By coupling strategic investments in the future (e.g. education, transportation) with the revenue needed to pay for them, Georgia will have a chance of building an economy that works for everyone – an economy that strengthens working people, promotes long-term prosperity, and provides low- and middle-income families the opportunities for advancement they deserve.



Appendix A: A Closer Look at Changes in Jobs Over Time

This reports uses statistics from the U.S. Bureau of Labor Statistics to describe changes in the number of jobs in Georgia over certain periods of time (e.g. the 1990s, Great Recession, etc.). Appendix Table 1 provides a closer look at those numbers and compares them to changes in the Southeast region and United States as a whole.

Table 1 Job Numbers in Key Months for Georgia, the Southeast, and the U.S. as a Whole, Including Changes During Key Periods

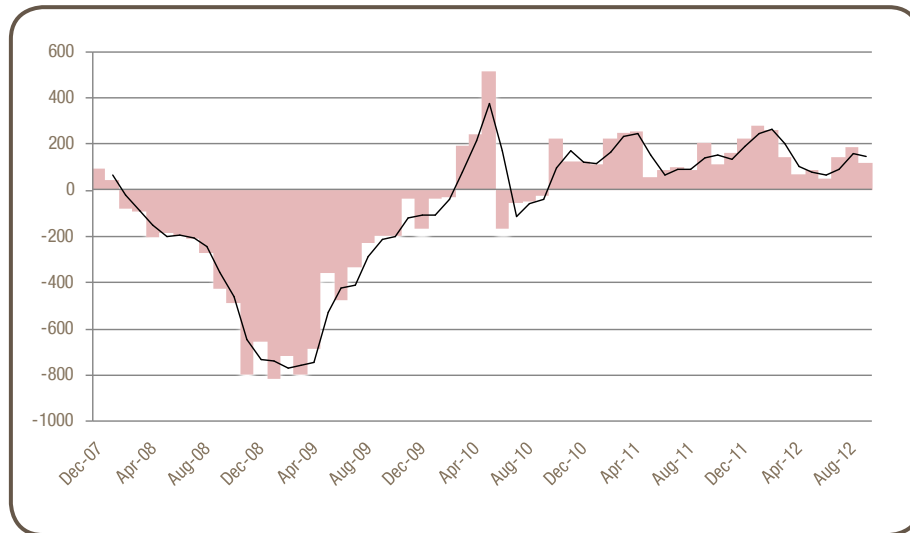
	Number of Nonfarm Jobs on Employer Payrolls in Given Month (thousands)							Percentage Change Over Specified Period			
	Jan-90	Jan-00	Dec-07	Jun-09	Feb-10	Sep-12	1990s	Pre-Recession 2000s (Jan-00- Dec-07)	Great Recesssion (Dec-07- June-09)	Jobless Recovery (Jun-09- Feb-10)	Jobs Recovery (Feb-10- Sept-12)
USA	109,147.0	130,781.0	137,982.0	130,503.0	129,244.0	133,500.0	19.8%	5.5%	-5.4%	-1.0%	3.3%
South	31,552.9	40,054.2	43,515.3	41,138.1	40,763.9	42,279.0	26.9%	8.6%	5.5%	-0.9%	3.7%
Georgia	2,981.0	43,900.1	4,150.3	3,873.9	3,811.8	3,942.1	30.8%	6.4%	-6.7%	-1.6%	3.4%

Source: Author's calculations using Economic Policy Institute Analysis of Current Population Statistics. Note: South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia

On the following page, Appendix Figures 1 and 2 illustrate that while the national recovery has been consistently positive for the last 24 months, Georgia's job recovery has been somewhat more uneven, although still positive overall.

Figure 1 National Jobs Recovery Positive for Last 24 Months, as of September 2012

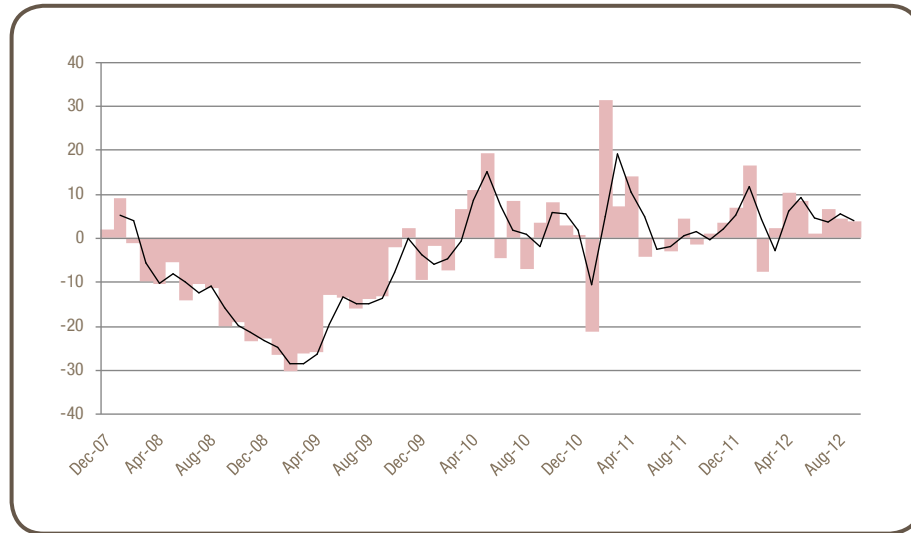
Monthly Change in Nonfarm Jobs, seasonally adjusted, in thousands



Source: Author's calculations using Economic Policy Institute analysis of Current Employment Statistics.

Figure 2 Georgia's Job Recovery Remains Uneven

Monthly Change in Nonfarm Jobs, seasonally adjusted, in thousands



Source: Author's calculations using Economic Policy Institute analysis of Current Employment Statistics.

Appendix B: State of Working Georgia Varies by Race and Educational Level

While the disastrous impact of the Great Recession on all working Georgians is the core story of this report, it is also noteworthy that the state of working Georgia varies considerably based on race and educational level. In particular, it is clear that as of 2011, the situation is especially dire for African Americans, as well as those who lack a college degree.

Labor Market Disparities by Race

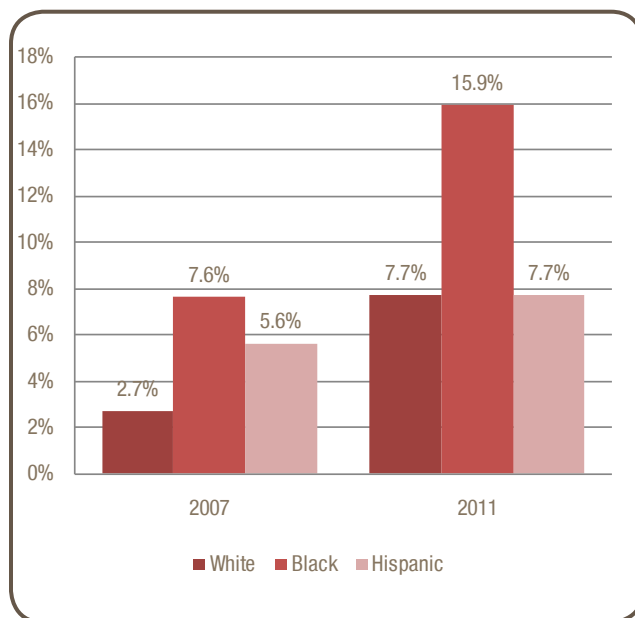
First, looking at unemployment, African American experienced a sharp increase of more than 8 percentage points between 2007 and 2011, a larger jump than Georgia's two other main demographic groups (Appendix Figure 3). As of 2011, whites and Hispanics Georgians had an unemployment rate essentially equal to that of African American *before the economic collapse*, illustrating how the Great Recession amplified pre-existing racial disparities in unemployment.

Georgia's racial disparity is especially striking when it comes to long-term unemployment, which was nearly 10 percentage points higher among black African Americans than white Georgians during 2010 and 2011 (Appendix Figure 4). Georgia outpaces the national average among both groups on this measure, providing further evidence that Georgia's labor market as a whole was disproportionately weakened by the economic crisis.

Labor Market Disparities by Educational Level

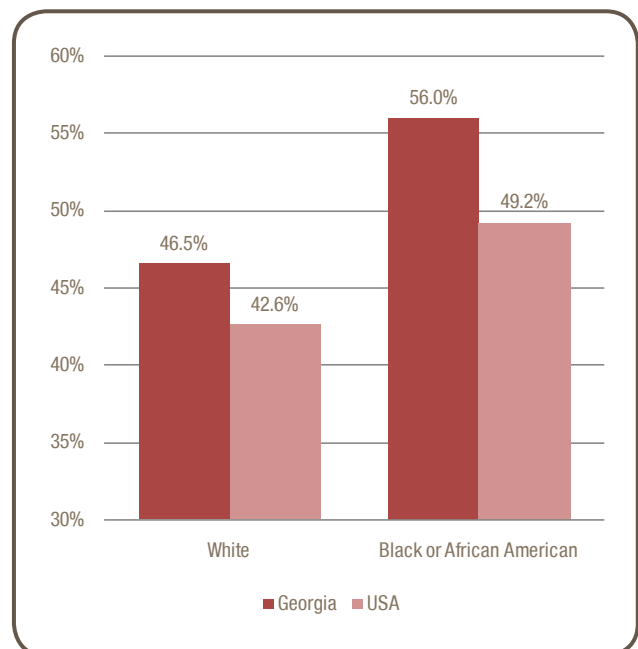
Georgia's declining labor market has also been especially hard on the less-educated. For example, unemployment among college graduates was less than 6 percent in 2011, versus nearly 19 percent for those without a high school diploma. The educational groups in between – high school graduates and those who attended college without graduating – also struggled compared to those with a bachelor's degree or higher.

Figure 3 High Unemployment Worsens African Americans from 2007-2011
Annual Unemployment Rate in Georgia



Source: Economic Policy Institute Analysis of Current Population Survey data

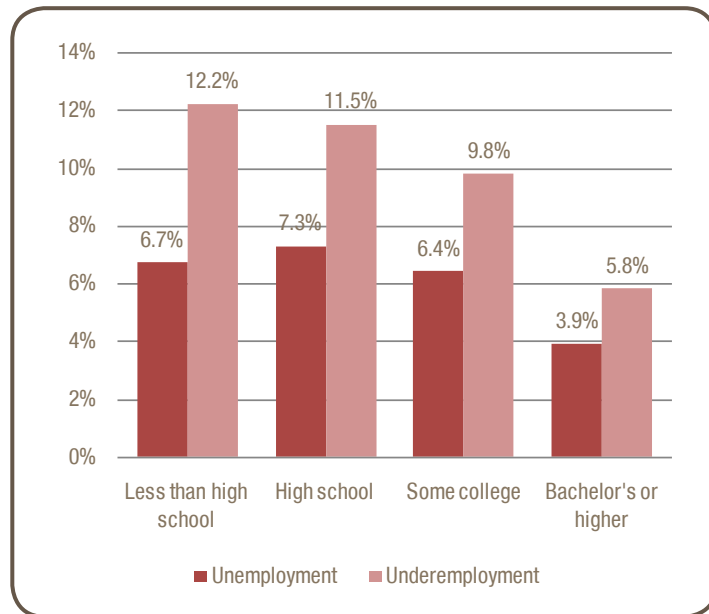
Figure 4 After the Great Recession, African Americans More Likely to be Unemployed Long-Term
Long-Term Share of Unemployment
(more than 26 weeks), 2010-2011 Average



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

Evidence of these educational differences can also be seen by examining how Georgia's rates of unemployment and underemployment have changed since 2007. For all three groups below the bachelor's degree level, unemployment increased by around 7 percentage points between 2007 and 2011, whereas it rose by only 4 points for college graduates. The difference in underemployment – those working beneath their skill level or for fewer hours than desired – is also striking: it rose by more than 9 percentage points for all three non-college-graduate groups, compared to only 6 points for graduates (Appendix Figure 5).

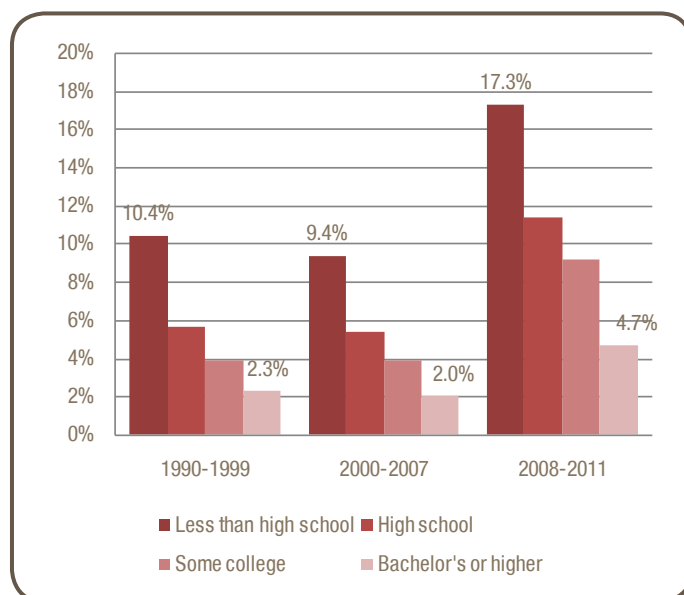
Figure 5 Unemployment and Underemployment Rise Much More for Non-College Grads
Percentage Point Increase, 2007-2011



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

The fact that Georgians with higher education have better weathered the economic storm points to an important point: a college degree does in fact appear to provide at least some protection against the worst of an economic downturn. While certainly not a surefire ticket in every situation, college education certainly appears to provide a kind of economic shield. Looking at average unemployment rates over three economic periods, those with bachelor's degrees or higher have stayed employed at high rates regardless (Appendix Figure 6).

Figure 6 Even During Downturn, Unemployment Remains Low Among College Graduates
Average Annual Unemployment Rate



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data.

Wage Disparities by Race

In addition to the labor market disparities, the Great Recession also drove down the pay of African American and Hispanic Georgians to a greater degree than whites. Between 2007 and 2011, the median annual wage fell by 6.4 percent for African Americans in Georgia and 7.7 percent for Hispanics, compared to less than 3 percent for whites (Appendix Table 2).

Table 2 African Americans and Hispanics See Larger Wage Declines Since Start of Recession

	Median Annual Wage		Change, 2007-2011	
	2007	2011	\$ Decline	% Decline
White	\$38,064	\$37,003	-\$1,061	-2.8%
Black	\$28,704	\$26,853	-\$1,851	-6.4%
Hispanic	\$24,731	\$22,818	-\$1,914	-7.7%

Source: Author's calculations using Economic Policy Institute analysis of Current Population

While the data on Hispanics does not go back far enough for a similar comparison, the evidence also shows that this sharp wage decline for African-Americans completely wiped out that group's gains from earlier in the decade. After seeing their annual pay increase by nearly \$1,400 in inflation-adjusted dollars between 2000 and 2007, typical black workers in Georgia saw their wages plunge during the recession and are now taking home nearly \$500 less in annual pay than at the start of the decade. This contrasts with a \$1,768 increase in inflation-adjusted pay for typical white workers in Georgia (Appendix Figure 7).

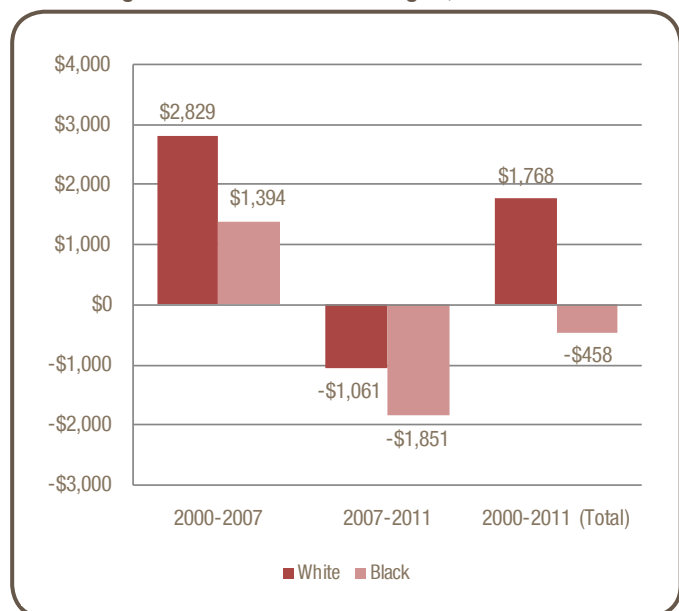
Wage Disparities by Educational Level

The changes in wages for Georgians of differing educational levels are equally striking. As one might assume, wages fell more sharply after the downturn for those with less education: between 2007 and 2011, median annual wages dropped 12 percent for those without a high school diploma, 9 percent for high school graduates, 7 percent for those with some college, and 6 percent for Georgians with a bachelor's degree or higher.

This story is even more interesting, however, when viewed in a broader perspective. Specifically, in the nearly two decades before the recession (1990-2007), all educational groups in Georgia made at least some progress on wages. College graduates certainly did the best, but other groups saw their annual wages increase as well. But, because the Great Recession hit those with less education harder, college graduates were the only group in Georgia that did not have all – or very close to all – of their pre-recession gains wiped out.

Figure 7 African Americans Now Earning Less than in 2000

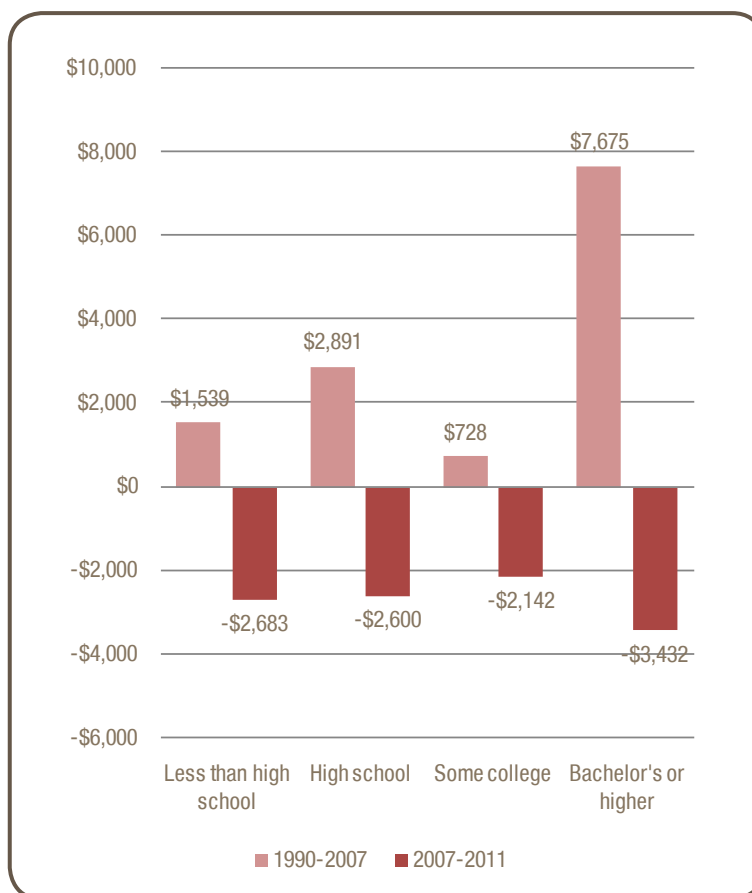
Change in Median Annual Wages, 2011 dollars



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

As explained in Appendix Figure 8, those without a high school diploma experienced a small gain in annual wages from 1990 to 2007, but lost all of it and more due to the crisis – as of 2011 the typical Georgian in that category now makes \$1,144 less in annual wages than at the start of the 1990s, adjusted for inflation. High school graduates managed to come out slightly ahead, though not nearly as much as college graduates, who despite a rocky recession still experienced a more than \$4,200 increase in annual pay from 1990. Clearly, the recession's impact on wages affected almost all Georgians. Those with a college degree, however, came out noticeably better.

Figure 8 Georgians Without a College Degree Lost All or Most of their Pre-Recession Wage Gains
Change in Annual Wages in Pre- and Post-Recession Periods, 2011 dollars



Source: Author's calculations using Economic Policy Institute analysis of Current Population Survey data

End Notes

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