Dēmos

North Carolina Justice Center

Building North Carolina's Future Middle Class

Addressing the Challenges Facing Young Adults

About Dēmos

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world.

Dēmos was founded in 2000

About North Carolina Justice Center

The North Carolina Justice Center is the state's leading progressive advocacy and research organization. Our mission is to end poverty in North Carolina by ensuring that every household has access to the resources, services and fair treatment it needs to achieve economic security. The Justice Center works to improve the lives of low- and moderate-income North Carolinians through five main strategies: **Litigation** of cases that will have widespread impact on public policy and protections; **Analysis** of current public policies and **research** on alternatives that will reduce poverty; **Advocacy** for policy changes that will benefit disadvantaged communities; **Community Education** that empowers individuals and groups to pursue change; **Communication** that influences state leaders and shapes public opinion.

About A Better Deal Initiative

Dēmos' Postsecondary Success Project is part of a larger initiative on expanding opportunity for young people, A Better Deal: Expanding Opportunity for a New Generation. This initiative is a multi-year policy and advocacy campaign designed to address the declining economic opportunity and security facing anew generation of young people. Over the last 30 years, it has become increasingly difficult for young people to enter and remain in the middle class. All the hallmarks of a middle-class life—a college education, a job with decent pay and benefits, home ownership, the ability to provide opportunity for one's children, and a secure retirement—are harder to come by in today's America.The goal of the A Better Deal initiative is to reverse decades of declining opportunity and growing insecurity by developing and advocating for bold new policy ideas. Working closely with advocates, policymakers, young leaders, and other stakeholders, we seek nothing short of a new social contract for the 21st Century that will provide a bridge into the middle class for those at risk of being left behind.

Acknowledgements

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Author's Bios

Lucy Mayo has over 10 years of experience working on public policy issues in the non-profit and government sectors. Lucy has worked in local and state government and at national policy and community based service organizations. She has experience in a number of issue areas including welfare reform, voting rights, education, reproductive rights and health and human services. Prior to coming to Demos in 2010, Lucy was Vice President of Development at Teach For America – New York City. Prior to Teach For America, Lucy was the Policy Director for New York City Council. Under Lucy's leadership, the Council's Policy Division pushed through many innovative initiatives including increasing access to primary healthcare services in low-income neighborhoods, expanding full-day Universal Pre-Kindergarten, increasing access to healthy food options for all New Yorkers, helping first time homebuyers access safe, affordable loans and strengthening middle schools. Prior to her role as Policy Director for the New York City Council, Lucy served as Associate Director of the Democracy Program at Demos. In this role, Lucy developed and led a national effort to improve compliance with the National Voter Registration Act (NVRA) in social service agencies and worked to eradicate barriers that prevent those with criminal conviction from voting.

Viany Orozco joined Dēmos in October 2008 to provide research and analysis on the economic challenges facing young people, with a particular focus on state-based policy solutions. She has co-authored several reports on postsecondary success, including *Work Less Study More and Succeed: How Financial Supports Can Improve Postsecondary Success and Graduated Success: Sustainable Economic Opportunity Through One- and Two-Year Credentials*. Viany's writings have appeared in *The American Prospect, The Hill, and WireTap.* As a researcher at MDRC and the Drug Policy Alliance, Viany's previous work focused on program evaluation and drug policy. She has a B.A. in political science from UC Berkeley and a Masters in Pubic Affairs from Princeton University.

Alexandra Forter Sirota joined the N.C. Budget and Tax Center as a Public Policy Analyst in April 2010. In this role, she conducts research on workforce development, income inequality and low-wage work, economic development and job creation as well as other issues related to state fiscal policy. Before joining N.C. Justice Center, Alexandra coordinated research on child well-being and policy analysis on family economic security at Action for Children North Carolina. Alexandra has a broad range of experience at non-profit organizations and government agencies both in the United States and abroad in the areas of human rights, community development and anti-poverty programs and asset building policy. Alexandra received a bachelor's degree from Haverford College and a joint master's degree from the University of Chicago.

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INTRODUCTION

Young adults in North Carolina and across the country are confronting an economic reality vastly different from that of their parent's generation. Over the past three decades, economic opportunity and security for all but the most affluent and most highly educated has declined. Today, North Carolina's workers in their early twenties earn almost a fifth less in real terms than workers their age forty years ago, while those in their mid twenties earn only three percentage points more than workers their age four decades ago.

The Great Recession that began in December 2007 has only worsened the economic state of our nation's young adults. Young workers have been particularly hard hit in this newly changed jobs environment, experiencing higher rates of unemployment and underemployment than older workers. Not only will young adults' lifelong earnings be lower as a result, their path to the middle class, tenuous even before the recession, will be uphill. North Carolina and the nation, however, through a reorientation in its public policies, can remove the roadblocks and detours to the middle class and build a more secure economic future for this and future generations.

It has done so before. The road to the middle class that was built in the post-war period ushered in unprecedented economic growth and set new expectations for economic security. In the decades following World War II, Americans experienced rapid economic growth and social mobility, which produced a strong and burgeoning middle class. But the postwar middle class was no accident: our government, business leaders, workers and veterans forged an implicit commitment to work together productively, which ushered in unprecedented prosperity.

After World War II, first the GI Bill and then the Higher Education Act of 1965 increased college access and affordability. Homeownership increased as government programs enabled more people to obtain home loans, made mortgage interest tax deductible, promoted suburban housing development, and enacted reforms targeting discriminatory lending practices. Income and wealth grew as public policy fueled the economy by ensuring a tight labor market, promoting full employment, and erecting fewer barriers to union organizing; federal legislation raised the minimum wage to a historic high in 1968. Over time, as overt discrimination declined, opportunities expanded for women, blacks and Latinos, and these groups continue to reap the benefits of a more inclusive society.

North Carolina took part in this national transformation. Largely a rural state dependent on agriculture, by the end of the war, with a per capita income 56 percent of the national level in 1941, it developed a manufacturing base in the post-war years. It upgraded its educational system, developed an advanced road system and modernized its tax code which enabled it to fund key public services.[1] Today, North Carolina has one of the finest systems of public higher education. These postwar policy efforts and investments in North Carolina and the nation, combined with the commitment of employers to provide health and pension benefits, created a system through which millions of Americans could enter the middle class.

However, the world has changed dramatically since the mid 1970s. Technology and globalization has vastly altered the nature of work. Global competition has put downward pressure on American wages and many of the new jobs created in the service economy pay less than the manufacturing jobs they replaced. And, high skill service jobs have benefited only those with high levels of formal education.

Although our economy remains extremely productive, prosperity is no longer broadly shared. Productivity rates grew each year between 1979 and 2007, but middle class Americans did not, for the most part, share in this growth. During the post-war period, typical families saw much more of the gains from the rising productivity to which they contributed.

Employment has also become less stable and less secure, especially for those without a college degree. Although more young North Carolinians are enrolling in college than in the past, rising costs are hindering the ability of low- and middle-income students to stay in school and graduate. Young adults are racking up debt not only to pay for school but also just to cover basic expenses.

Smarter policy at the federal level and in North Carolina can rebuild the entryways to the middle class, provide more opportunity and ensure that prosperity is broadly shared for the next generation. North Carolina's revenue system must be updated so it can invest in the future of young people and meet the demand for core public services. For young adults, in particular, post secondary education is a primary route to middle class status in today's economy; projections on job opportunities in North Carolina suggest that by 2018 fully 2 out of 3 jobs will require some postsecondary education. Eliminating financial barriers to accessing and completing a credential is fundamental to setting out a pathway to the middle class in today's economy. Ensuring that rising costs for raising a family and debt do not overwhelm the gains from education is equally important. And ensuring that young adults have the opportunity and protection to save and move up a career ladder will accelerate their progress.

The unraveling of economic opportunity and security predates and sets a harsh context for the current economic crisis. The nation and North Carolina, however, can take action to rebuild solid pathways to the middle class to ensure a stable and prosperous future for our young adults.

* * * * * *

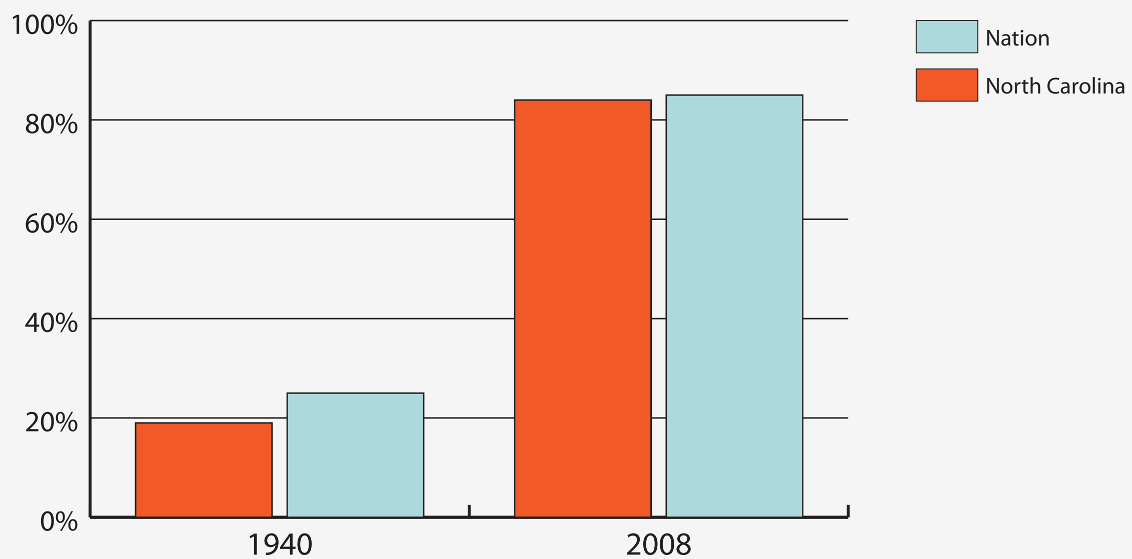
This report provides a comprehensive portrait of today's young adults in North Carolina and, where possible, compares their economic status to that of the previous generation. The term "young adults" in the report generally refers to 18- to 34-year-olds. The report is organized into four key areas: postsecondary education, employment and earnings, debt and assets and raising a family. It concludes with a set of policy recommendations that would help rebuild and restore the middle class.

POSTSECONDARY EDUCATION

Over recent generations, North Carolina residents have become more highly educated, and young adults continue to pursue higher education in growing numbers. Earnings grow dramatically with each additional level of schooling completed. In 2008, workers with a bachelors degree earned more than twice as much as those without a high school diploma.

In the decades following World War II, North Carolina and the U.S. experienced a rapid rise in education levels. In 1940, 19 percent of North Carolina adults had a high school degree or more, and less than 5 percent had a bachelor's degree or higher credential. By 2008, 84 percent of North Carolina residents had a high school degree or more and 26 percent had a four-year degree or more (Figure 1).[2] Attainment rates nationwide were comparable to North Carolina's in 1940 and 2008.[3]

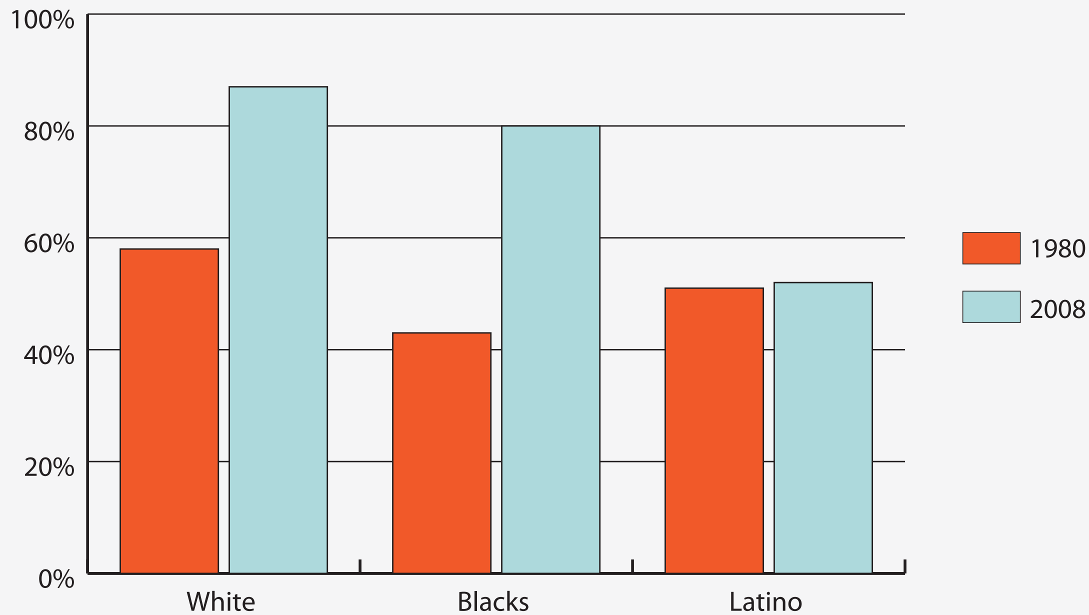
Figure 1. Percentage of Population Over 25 Years Old in North Carolina and the Nation with a High School Credential or More, 1940 and 2008



Source: U.S. Census Bureau, "North Carolina Educational Attainment of the Population, 1940-2000."

These gains, however, have not been shared by all North Carolinians; in recent decades, educational attainment has risen most dramatically for women and blacks while Latinos have fallen behind (Figure 2). During the 1980s education levels among Latinos increased, but since 1990 have sharply declined. The percent of Latinos over 25 years old with a high school diploma or more dropped from 71 percent in 1990 to 52 percent in 2008. Latinos of the same age with a bachelors degree or more dropped from 18 percent in 1990 to 13 percent in 2008. Educational attainment levels among whites and blacks in 2008 are comparable to national levels. Latinos nationwide, however, have higher levels of educational attainment than Latinos in North Carolina.[4]

Figure 2. Percentage of Over 25 Years Olds with a High School Degree or More in North Carolina by Race and Ethnicity, 1980 and 2008



Source: U.S. Census Bureau, "North Carolina Educational Attainment of the Population, 1940-2000."

Despite this setback in attainment among Latinos, the thirst for education continues to grow among young people of all backgrounds in North Carolina and in the nation. Nationally, the percent of high school seniors who said they expect to earn a bachelor's degree or higher nearly doubled from 35 percent in 1980-81 to 69 percent 20 years later. Rising educational aspirations are evident across racial and ethnic groups, with low-income students showing the most striking increases: in 1980-81, only 16 percent of 12th graders in the lowest socioeconomic quartile[5] expected to earn a bachelors degree or higher, but by 2003-04, that figure had more than tripled to 51 percent. During that same period, women's educational aspirations have outpaced men's. [6]

Rising aspirations have translated into steadily increasing enrollment at colleges and universities. Between just 2000 and 2008, undergraduate enrollment increased 24 percent.[7] Improvements in college attainment rates, though, have been slow; during nearly the same period (2000 to 2009), the percent of young adults ages 25 to 29 years old with a bachelor's degree held steady at roughly 29 percent.[8] Substantial gaps remain in college attainment rates by income, race, and ethnicity, while women have surpassed men in educational attainment.

Additionally, over the last 25 years, going to college has become less affordable. Dramatic increases in tuition and fees have not been matched by increases in financial aid, as states cut aid to colleges and universities. As a result, students and their families now pay (or borrow) more for a college degree, and more students work longer hours to put themselves through school. All of these factors increase the risk that young people, especially those from low- to moderate-income families, will enroll in college only to drop out because of financial constraints.

In both North Carolina and the nation, the outcome is low completion rates: roughly half of all four-year college students drop out within six years of enrolling. The percentage of dropouts is even higher for two-year students. Below we discuss these trends in greater detail.

College Enrollment Has Grown Steadily in North Carolina

» **Enrollment gains.** Among 18 to 24 year olds in North Carolina, the percent enrolled in college increased from 29 to 33 between 1991 and 2007.[9] And there are reasons to be hopeful that college enrollment levels will continue to grow in North Carolina. Both the North Carolina Community College system and the UNC system have experienced an increase in enrollment in the last year.[10]

» **Gaps by income, race and ethnicity.** Young adults from high-income families in North Carolina are twice as likely to enroll in postsecondary education as low-income young people.[11] The gap in college enrollment between white and black 18 to 24 year olds in North Carolina is 6 percent and the gap in college enrollment between whites and Latinos of the same age group is 29 percent.[12] By 2018, Latinos are expected to comprise 35 percent of high school graduates in North Carolina. Without closing the college enrollment gaps for all racial and ethnic groups, North Carolina is unlikely to increase its college attainment levels among young people.

Many Who Seek Higher Education Are Unable to Complete Degrees

» **Completion rates.** In North Carolina, just over half (58 percent) of students who seek a bachelors degree graduate within six years, which compares favorably to the nation as a whole. Among two-year students, only a fifth (21 percent) complete a degree within three years.[13]

» **Gaps by income, race and ethnicity.** North Carolina does not report graduation rates by student income. This information gap makes it difficult to identify or address retention gaps between low-income students and their peers in the state. Nationwide, low-income students end their studies without completing a degree at much higher rates than their higher-income peers. In 2007, the estimated gap in attaining a bachelor's by age 24 between low-income and high-income youth was about 60 percentage points.[14]

While 62 percent of white students in North Carolina seeking a bachelors degree graduate within six years, only 47 percent of black students do. The national gap in completion rates between whites and blacks is higher (19 percent) than in North Carolina.[15] Based on the graduation rates at ten public and private four-year colleges and universities in North Carolina, there was a 6 percent gap in six-year graduation rates between full-time Latino freshman and their white counterparts. [16]

College Attainment Rates in North Carolina are Increasing, But Slowly

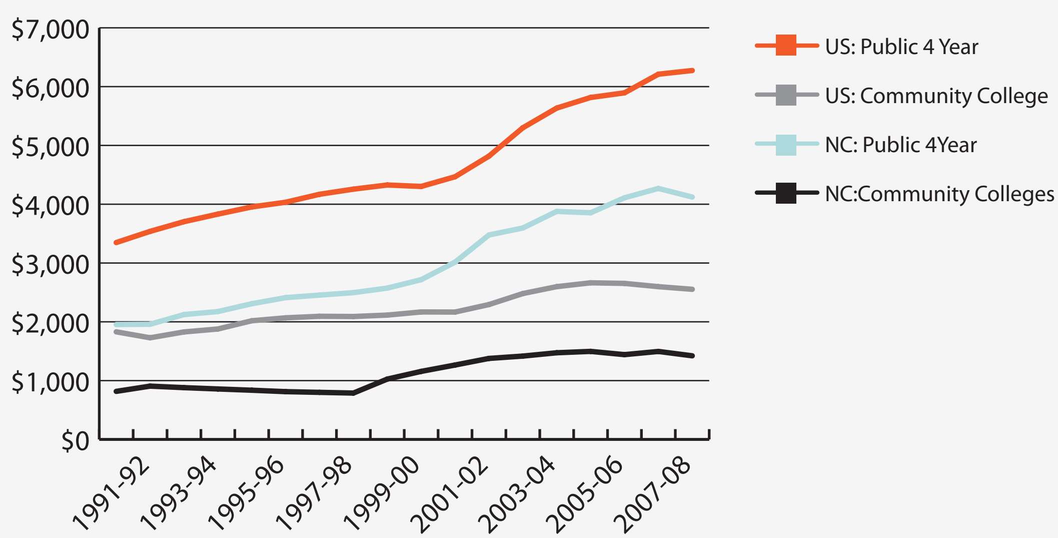
» In 2008, 36 percent of North Carolina adults (age 25 to 64) had an associate's degree or higher, up from 27 percent in the early 1990s. This attainment rate is lower than that of the best states, where 44 percent of adults have an associate's degree.[17] In 2008, 21 percent of 25 to 34 year olds in North Carolina had completed a bachelors degree (the national figure for bachelors degrees of this age group is 30 percent).[18] Both nationally and in North Carolina, the rates are gradually improving. However, given the declining labor market returns to those with less than a college degree, the increases have not been sufficient to protect living standards.

Tuition Costs are Below National Averages But Have Been Increasing Rapidly

» **Tuition and fees**. Over nearly two decades (1991-2009), tuition and fees at public four-year universities in North Carolina increased by 111 percent. Over the same time period, tuition and fees at community colleges rose by 74 percent.[19]

» **North Carolina compared to the US**. The average tuition levels for public two- and four-year colleges and universities in North Carolina, which enroll 84 percent of college students in the state, have consistently been below national averages from 1991 to 2009. In 2008-09, average tuition and fees in North Carolina public four-year colleges and universities were 34 percent lower than the national average, and that of community colleges were 44 percent below the national average (Figure 3).

Figure 3. Annual Tuition and Fees in North Carolia and the US, 1991-92 to 2008-09 (2008 Dollars)



Source: The University of North Carolina, Statistical Abstract 1996-97 to 2008-09 The College Board, Trends in College Pricing, Table 5b

Financial Aid Has Not Kept Pace with College Costs

» **Limits of current financial aid.** Despite the state's increased commitment to need-based aid since the 1990s and the relatively low tuition at its community colleges and universities (in comparison to national averages), North Carolina families still devote a large percentage of their income toward college expenses. Families in the two lowest income quintiles spend nearly a third of their income (32 percent) on the college costs of one child after accounting for the grant aid received.[20]

» **Financial aid versus cost.** Full-time students from low- to moderate-income families attending four-year public universities in North Carolina face an average of $5,528 a year in uncovered expenses after accounting for all grant aid received. At the lowest-priced colleges in the state—community colleges—full-time students from a low- to moderate-income household face an average of $5,489 in uncovered expenses annually.[21]

Long Work Hours and Part-Time Enrollment Impede Success

» **Long work hours.** Financial constraints lead many young people to work long hours in order to finance their education, compromising their academic progress. A national study finds that about 40 percent of students who worked full time while enrolled left school within three years, compared to about 20 percent of those who worked part time. Young community college students are particularly affected by the need to work since they do not receive adequate funding and tend to be debt-averse. Nationwide, a larger percentage of young community college students work than their counterparts at public four-year institutions—and they work much longer hours.[22]

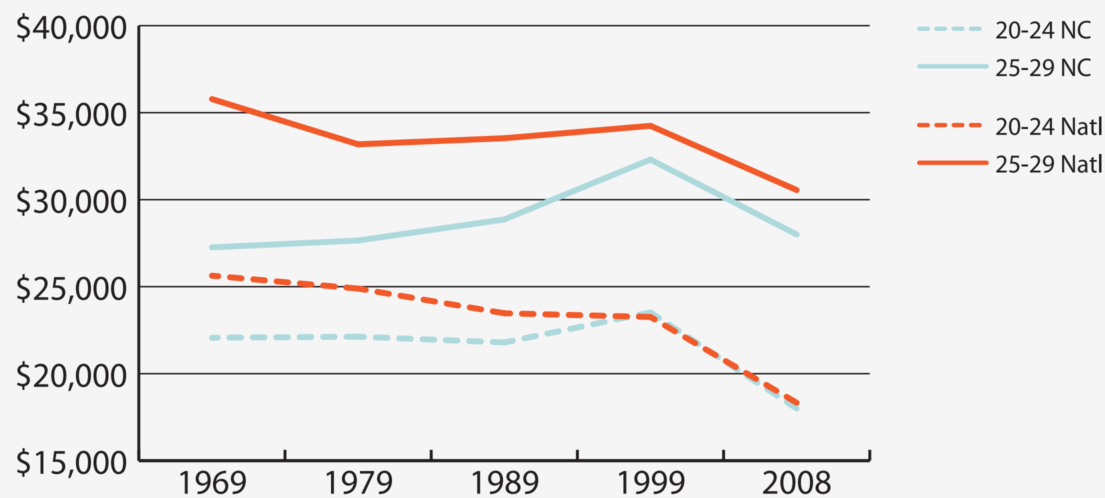
» **Part-time enrollment.** In addition to the pernicious effects of employment on their studies, long work hours also lead many young community college students to enroll part time. In North Carolina nearly two thirds of undergraduate students attending a community college (62 percent) enroll part time.[23] A slightly higher percentage of community college students enroll part-time nationwide (70 percent in 2007-08).[24] Yet part-time enrollment is not conducive to success in college. Nationally, research has shown that part-time students at community colleges have a higher departure rate than their full-time peers by the end of a three-year period. [25]

EMPLOYMENT AND EARNINGS

Median earnings of young workers in North Carolina have been significantly lower than the median earnings for young workers nationally for the last several decades. This was especially true for young workers between the ages of 25 and 34 in 1969. In the postwar period, the state economy relied heavily on manufacturing and, partly as a result of the lack of unionization within major industries, many workers received incomes that were lower than the national average.[26] From 1969 to 1999, however, due to a growing state economy, median earnings for young workers in North Carolina increased.

Between 1970 and 2000, North Carolina's economic base shifted from low-wage manufacturing to services and retail. The growth in these sectors was substantial, with a 264 percent increase in services and 163 percent in retail over the thirty year period. Many of the high skill service jobs paid high wages, which led to an increase in median incomes over these decades.[27] During the same period, meanwhile, national median earnings for young workers stagnated or declined. By 1999, median earnings for young workers in North Carolina were much closer to national median earnings (Figure 4).

Figure 4. Median Earnings of 20 to 29 year Old Workers in the US and North Carolina, 1969-2008

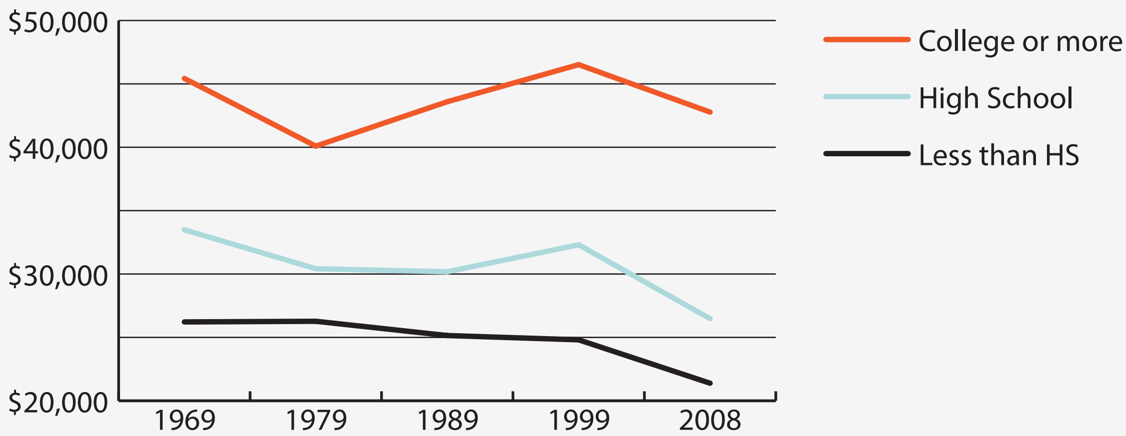


Source: U.S. Census Bureau, Decennial Census 1960-99 and American Community Survey 2008. Workers defined as individuals who worked at least 40 weeks in the year.

Over the last decade, however, incomes of workers under age 35 declined in North Carolina at about the same rate as median incomes nationally, with the youngest workers (ages 20 to 24 years) experiencing the steepest decline (figure 2d). The recent recession has accentuated this trend, as the state experienced increased rates of unemployment and underemployment, as well as slow job creation.[28]

In summary, the earnings of workers in their mid twenties and thirties in North Carolina today, while generally higher than those of their peers forty ago, are still below the national average—and the earnings of those ages 20 to 24 have decreased substantially since 1969.[29] Differences by education, which were always present in the state, have also become more pronounced (Figure 5)[30]

Figure 5. Median Earnings for Young Workers in North Carolina by Education, 1969-2008

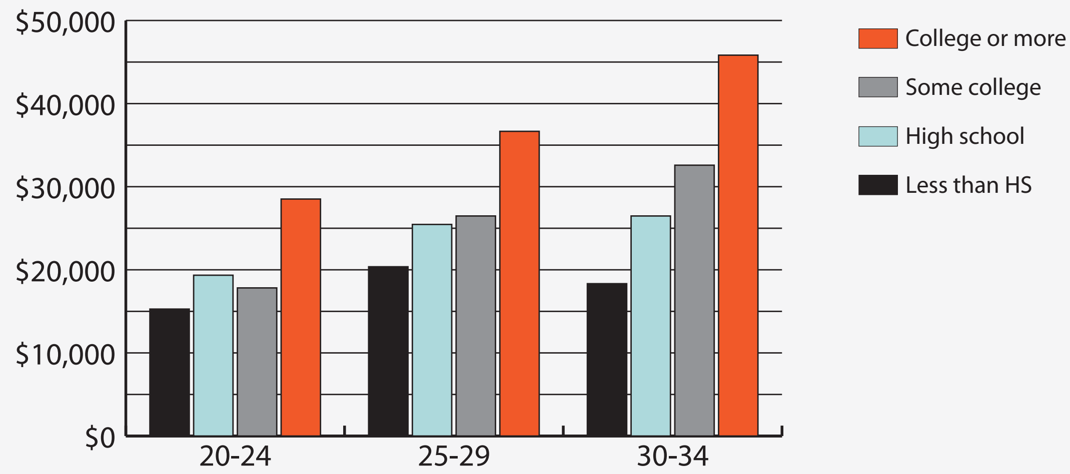


Source: U.S. Census Bureau, Decennial Census 1960-99 and American Community Survey 2008. Workers defined as individuals who worked at least 40 weeks in the year.

Stark Differences in Earnings by Education, Race and Gender

» **Education.** The earnings of young workers in North Carolina show the dividends of higher education – dividends that increase as workers get older (Figure 6). In 2008, workers ages 30 to 34 with at least a four-year college degree earned 42 percent more than workers with only a high school diploma; the difference in earnings between college and high school graduates ages 25 to 29 was 31 percent. Figure 6

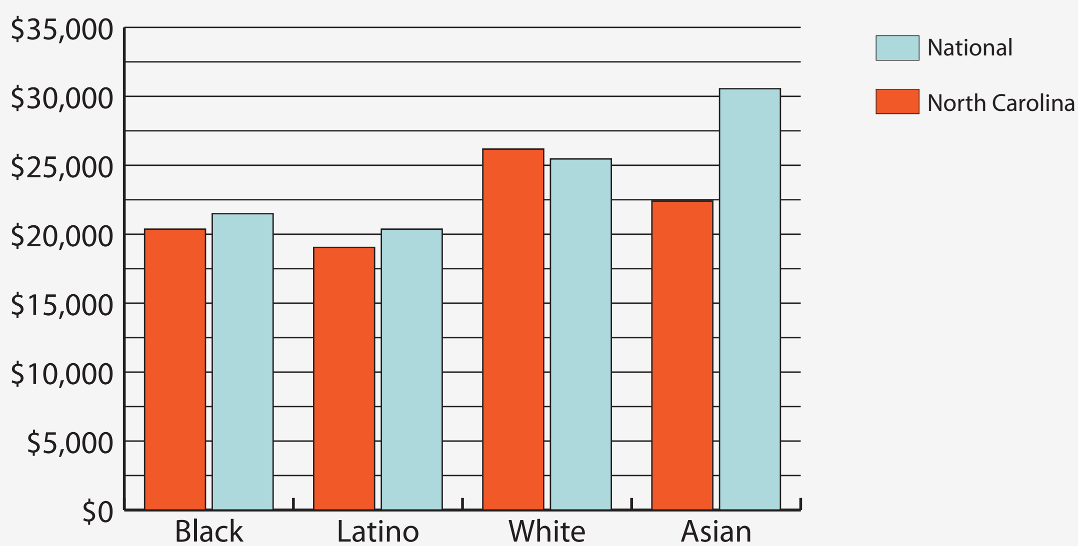
Figure 6. Median Earnings for Young Workers in North Carolina by Education and Age, 2008



Source: U.S. Census Bureau, 2008, American Community Survey. Workers defined as individuals who worked at least 40 weeks in the year.

» **Race.** The earnings of young workers in North Carolina differ by race as well. In 2008, typical incomes for white workers ages 20 and 29 were 22 percent higher than earnings of blacks, 27 percent higher than those of Latinos and 14 percent higher than young Asian-American adults. For all racial and ethnic groups except Whites, the earnings of workers ages 20 and 29 in North Carolina are below the national average (Figure 7).

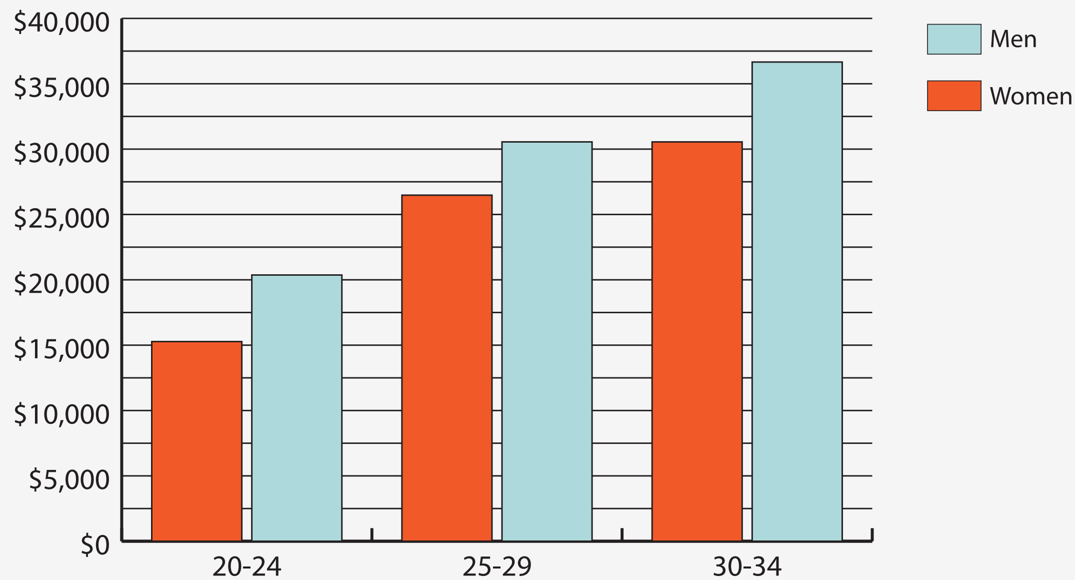
Figure 7. Median Earnings for 20-29 year olds in North Carolina, 2008



Source: U.S. Census Bureau, 2008, American Community Survey. Workers defined as individuals who worked at least 40 weeks in the year.

» **Gender.** The younger the worker in North Carolina, the more drastic the gender gap in income. Young male workers ages 20 to 24 earned 25 percent more than their female counterparts in 2008. Young male workers ages 30 to 34 in North Carolina earned 17 percent more in 2008 than their female counterparts. The gender gap was slightly lower (13 percent) for workers 25 to 29 years old. (Figure 8). This is also despite the fact that young women have surpassed young men in educational attainment.[31]

Figure 8. Median Earnings of young North Carolina workers by Gender and Age, 2008



Source: U.S. Census Bureau, 2008, American Community Survey. Workers defined as individuals who worked at least 40 weeks in the year.

Earnings for Young Workers Over Time

This section includes decade by decade trends in median earnings among North Carolina young workers ages 20 to 34 years old from 1969 to 2008. The trends are reported by gender, race and education, which more clearly show the high losses experienced by workers with less formal education, the gains made by young women over time, reductions in young men's earnings and persisting gaps in earnings between young whites and blacks and Latinos. The decade by decade analysis, however, shows that dramatic declines in earnings were concentrated in the 2000s and among workers in their early twenties. Highlights over the four decade period include:

» The median earnings of young male workers without a high school degree have generally declined since 1969. In 2008 male workers in their early twenties with less than a high school credential earned 35 percent less than workers their age in 1969. Male workers with a college degree or more also experienced declines in median earnings over this period but not nearly as large; 18 percent among male workers in their early twenties.

» Young women, with the exception of women in their early twenties, experienced some of the largest gains in median earnings from 1969 to 2008, ranging from 24 percent among those in their late twenties and 43 percent for women in their early thirties.

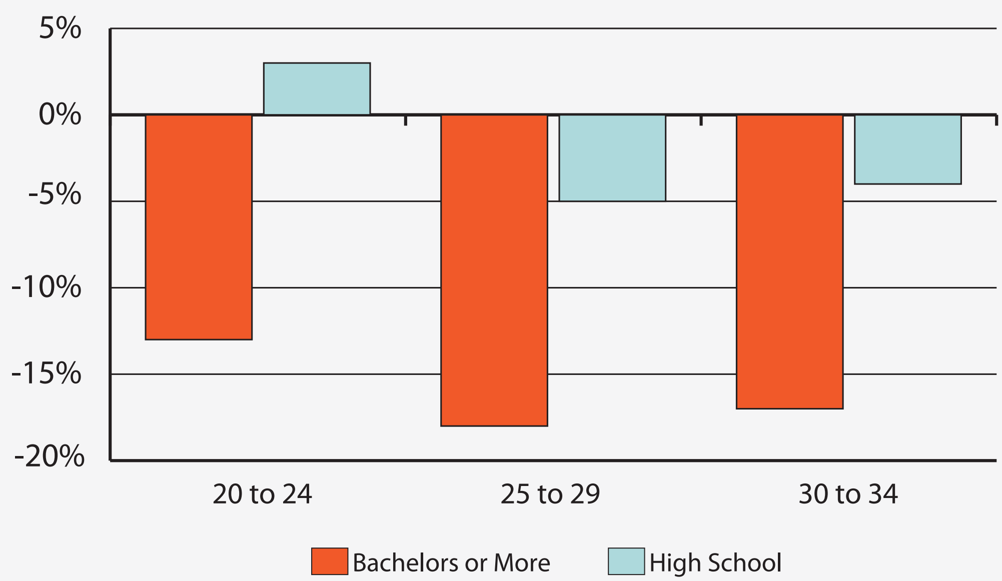
» Young blacks, while still earning less on average than young whites, experienced considerable increases in median earnings between 1969 and 2008. The median earnings of blacks in their late twenties increased by 19 percent while those in their early thirties increased by 40 percent in real terms over this period.

» Young Latinos experienced some of the largest declines in median earnings from 1969 to 2008, ranging from 40 percent for workers in their early thirties to 47 percent among workers in their late twenties.

1969 to 1979: Declines in earnings for young workers with high levels of formal education while women with less than high school experience gains

The poor economy of the 1970s had a significant impact on the educated workforce nationally, a trend that can be clearly seen in North Carolina (Figure 9).[32] The earnings of men under age 35 with at least a bachelor's degree dropped markedly during the decade, as did the earnings of workers with some college. Male workers with at least a bachelors degree and between the ages of 20 and 24 in North Carolina saw a 20 percent drop, those in their late twenties saw a 12 percent decline, and there was a 14 percent decrease for workers between 30 and 34. College-educated women younger than 30 years old saw decreases in their income as well, although not to the same degree as their male counterparts.[33]

Figure 9. 1969-1979 Percent Change in Median Earnings of Young North Carolina Workers by Education



Source: U.S. Census Bureau, 2008, American Community Survey. Workers defined as individuals who worked at least 40 weeks in the year.

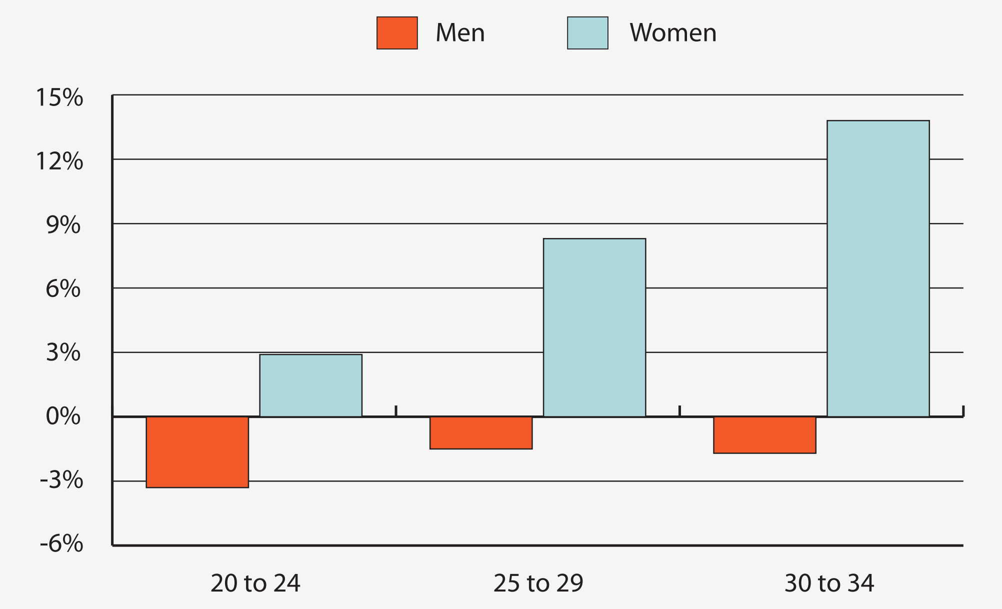
Young workers without a college education also experienced declines in their earnings from 1969 to 1979 but did not experience such dramatic decreases as those with postsecondary education. High school graduates in their mid twenties and thirties experienced a slight decline in earnings of 4 to 5 percent.[34] Earnings of young workers with less than a high school degree also declined by 2 to 5 percent by the end of that decade.

Meanwhile, earnings of women workers without a high school diploma actually made the most gains in all age groups over this decade.[35] However, even after the decline in earnings experienced by more educated workers, those with bachelors degrees still enjoyed higher absolute incomes than those with less education at all age groups.

1979 to 1989: Increases in earnings for young workers and women while young men experience declines

The earnings of young workers generally increased in real terms between 1979 and 1989, although workers between 20 to 24 years old experienced a slight decline. Workers in their mid twenties and thirties experienced increases in their earnings close to 5 percent.[36] Overall, earnings of North Carolina workers (ages 20 to 64), however, experienced increases considerably higher than that of young workers (9 percent). The general gains in earnings for most young workers, however, obscure decreases in earnings experienced by men and gains made by young women (Figure 10). While young men 20 to 34 years old experienced declines in earnings (no higher than 3 percent), women's earnings increased by as much as 14 percent for those between the ages of 30 to 34. The upward movement of women was part of a larger Southern trend, as the number of women in well-paying professional and technical positions increased to eventually outnumber men in the same field; the number of women in executive, administrative, sales and service occupations also grew.[37] Even with these increases in earnings by young women, however, their earnings were still significantly lower in absolute terms than those of young men.

Figure 10. 1979-89 Percent Change in Median Earnings for Young North Carolina Workers by Gender



Source: U.S. Census Bureau, 2008, American Community Survey. Workers defined as individuals who worked at least 40 weeks in the year.

While most young workers saw increases in their earnings between 1979 and 1989, these increases were concentrated among women as highlighted above and also among those with higher levels of education. The gains in earnings for young women, for example, were concentrated among those with some postsecondary education. Young women in their twenties with less than a high school education experienced declines of up to 6 percent. While young men overall experienced declines in earnings during this decade, those with at least a college degree actually saw increases in their earnings.

1989 to 1999: Earnings for most young workers increase

The earnings of young workers continued to increase between 1989 and 1999, and by a higher percentage than the previous decade. Workers in their early to mid thirties experienced an increase in earnings of 14 percent, bringing their median earnings to $28,864 in real terms. Unlike the previous decade, young men ages 20 to 35 experienced increases in earnings. The increases of young men—ranging from 5 to 7 percent—however, were not nearly as high as those for young women, who experienced increases ranging from 9 to 20 percent. In contrast to the previous decade, when only workers with some postsecondary education experienced increases in earnings, workers at all levels of education experienced increases in earnings in this period—the only exception was for men with less than high school in their mid twenties and thirties who experienced slight declines of up to one percent.

Young black workers also experienced increases in earnings over this decade, ranging from 9 to 23 percent. Despite the increases in earnings by young black workers, their median earnings were still substantially below those of their white counterparts. The earnings of white workers ages 30 to 34 for example, were $33,531, compared to $25,148 for black workers of the same age group. The increases in earnings for young workers overall during this decade, however, were not experienced by young Latino workers. Latinos in their mid twenties and thirties witnesses declines in earnings of 16 and 18 percent respectively—Latinos between 20 to 24 years old did not experience declines in their earnings.

Underlying the growth of earnings of young workers in North Carolina between 1989 and 1999 was a very robust economy. The Southeast was one of the fastest growing regions in the country during this time.[38] During this decade North Carolina's Latino population also increased dramatically, as it did in the rest of the South. Between 1990 and 2000 the state's Latino population increased by 394 percent. More than half of Latinos living in the South[39] in 2000 were foreign-born (57 percent) and young (median age 27). Among the foreign-born Latinos, almost two thirds (62 percent) lacked a high school diploma, and were concentrated in manufacturing, construction and services occupations. The demographic and employment characteristics of young Latinos in North Carolina partially explain their overall decrease in earnings during a decade of economic growth and a tight labor market in the state.[40]

1999 to 2008: Workers with low levels of education see the steepest declines in earnings

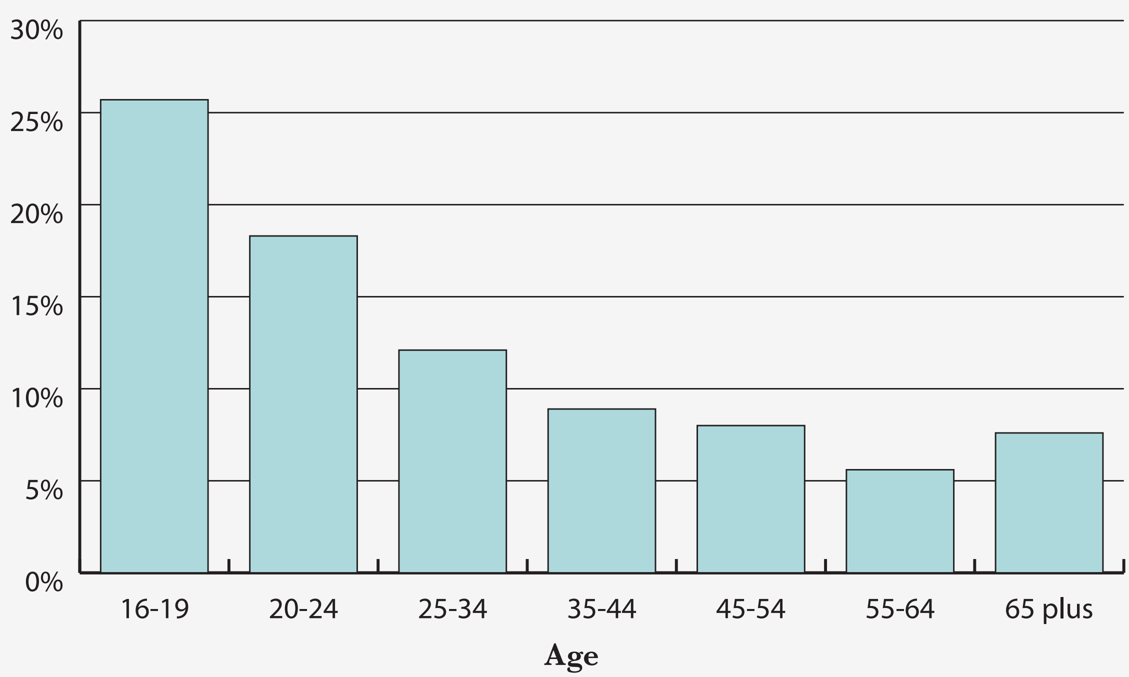
From 1999 to 2008, nearly all workers under age 35 experienced decreases in earnings. The decline, which followed national trends, continues today.[41] This decline in earnings has been most dramatic among those with lower levels of education. Over this time period, earnings for the workers without a high school diploma declined a staggering 26 percent for 20 to 24 year olds, 12 percent for 25 to 29 year olds, and 25 percent for 30 to 34 year olds. By comparison, workers with at least a bachelor's degree experienced declines ranging from 7 to 11 percent.

Women ages 20 to 24 also experienced a steep decline in earnings in this decade (31 percent), reducing their median earnings from $21,119 in 1999 to $15,276 in 2008. Earnings for 2008 do not show the full effects of the recession, which hit young workers the hardest. This is despite the fact that young workers today are more likely to have obtained a college degree than young workers of a previous generation.[42]

High Rates of Unemployment

» Young workers in North Carolina are more likely to be unemployed than middle-aged or older workers, despite the fact that young workers are significantly better educated than their older counterparts (Figure 11).[43] For 2009, the annual unemployment rate for workers ages 20 to 24 in North Carolina was 18 percent while it was 9 percent for workers ages 35 to 44 and 8 percent for workers age 45 to 54.[44] Unemployment has gotten worse for all groups, particularly for young people during 2009 and 2010.

Figure 11. North Carolina Unemployment Rate by Age, 2009



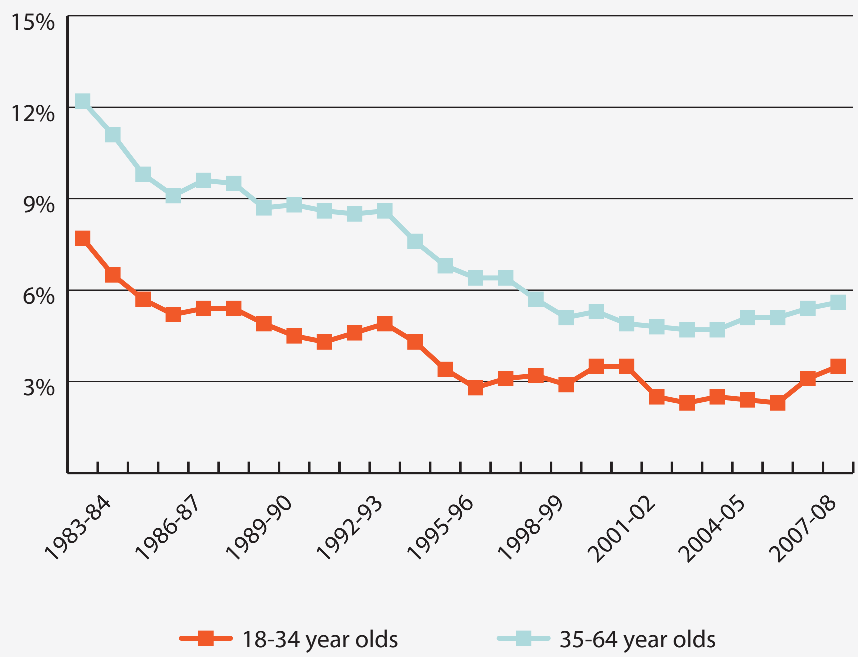
Source: U.S. Census Bureau, Current Population Survey

Dramatic Declines in Unionization Rates

» Unionization can provide workers with better wages and benefits, but a declining share of North Carolina's workers are unionized. Union coverage for all age groups in North Carolina has declined 50 percent over the last 25 years. In 1983, 8 percent of workers ages 18 to 24 and 12 percent of workers ages 35 to 64 were unionized. By 2008, these numbers had fallen to 4 percent and 6 percent, respectively. (Figure 12).

» A report focused on young people ages 18 to 29 found that union representation substantially improves the pay and benefits received by young workers. On average, unionized young workers' wages were 12 percent higher in comparison to non-union young workers with similar characteristics. Unionized workers were also more likely to have health-insurance and pension coverage.[45]

Figure 12. Union Coverage in North Carolina by Age, 1983-2008



Source: Economic Policy Institute's analysis of the Current Population

DEBT AND ASSETS

As incomes have failed to keep pace with rising costs, debt has become a generation-defining characteristic for today's young adults. Contrary to conventional wisdom, most debt accumulated by young people is not the result of frivolous spending (although some of it undoubtedly is). The problem typically begins with student loan debt, which affects both community college and four-year students. Nationally, two-thirds of students borrow money to pay for college, and graduates have an average of $23,200 in student debt (the average is lower in North Carolina). As tuition increases continue to outpace growth in family income and federal student loan limits, more young people are turning to private loans that typically carry higher interest rates and less flexible payment options.

Beyond student loans, today's young adults are increasingly relying on credit cards to cover basic living expenses, particularly during their first years in the labor force. Starting wages are often inadequate to cover the rising costs of housing, transportation, and health care while meeting student loan obligations.

Although credit can serve as a necessary and critical lifeline for adults of all ages, the problem for young adults comes with accumulating so much debt so early in adulthood. Furthermore, the large proportion of young adults without health insurance, coupled with inadequate coverage among those who do have health insurance, hurts young people's health and puts them at high risk of getting into medical debt, further limiting their ability to build assets. Recently passed health care reform, however, will begin to address these problems.

The challenge is to find solutions to help young people meet basic expenses for education and living in the short run without threatening their ability to meet future financial needs like supporting a family, building assets, and saving for retirement.

» **Student loans.** To pay for their education, more than half of students take out loans. In 2008, 55 percent of four-year college graduates in North Carolina had student debt. The average amount of debt was $18,400, putting North Carolina in 39th place in the nation in average student loan debt.[46]

Student Loans and Credit Cards as Lifelines

More than half (55 percent) of community college students (177,000 students) seeking a degree or certificate from a North Carolina community college have no access to federal student loans, which offer lower rates and more repayment options than loans from a private lender. Only 36 percent (21 colleges) of North Carolina's community colleges participate in the federal loan program.[47] Accordingly, in 2006-07 only 5 percent of first-time, full-time, degree-seeking community college students receiving financial aid took out a loan, of an average amount of $2,446.[48] In an effort to extend more consumer friendly loans to community college students, a legislative commission recommended this past April that the legislature require every campus to offer federal loans by 2011. This proposal was included in North Carolina's budget for fiscal year 2010-11 and was approved, considerably improving the borrowing options for community college students.[49]

In addition to federal loans, North Carolina students also rely on private loans. While there are no data available on the number of students in North Carolina who took out private loans – in 2007-08, 14 percent of all undergraduates in the nation had a private loan.[50]

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This figure likely understates reliance on private loans as many students get such loans through their parents. Private loans generally have higher interest rates and have fewer borrower protections.

» **Credit Card Debt.** Although there is little state-specific information about credit card debt, the national figures are cause for alarm. A recent national survey of low- and middle-income households conducted by Dēmos shows that in mid-2008, young adults (18 to 34 years) nationally had an average of $9,111 in credit card debt.[51] Further, those under 35 have the highest leverage ratio than any other age group—44 percent of debt to assets—according to the Survey of Consumer Finances.[52]

More college students are relying on credit cards and carrying larger balances. In 2008, the average credit card balance among undergraduates was $3,173. Median undergraduate credit card debt grew from $946 in 2004 to $1,645 in 2008 – an increase of 74 percent in just four years.[53]

Rents are High Relative to Incomes

» Although housing prices are substantially lower in North Carolina than in the Northeast and on the West Coast, many young people still have to spend large portions of their income on housing, hampering their ability to cover other expenses. Across all age groups in North Carolina, 43 percent of renters were "housing-cost burdened" in 2007—that is, they spent 30 percent or more of household income on rent and utilities. [54]

Many Young People Lack Health Insurance

» The percent of young people who lack health insurance, in North Carolina and nationally, is high. More than one quarter of North Carolina's young people – 26 percent of adults under age 35 –were uninsured in 2008. But the problem is worse nationally, with 28 percent of young people uninsured.

North Carolina has higher rates of employer-sponsored coverage than the nation as a whole. For all nonelderly adults, it also has higher rates of public coverage than the nation as a whole. However, public coverage for 18 to 34 year olds is slightly lower than the national average (Figure 13). Older adults are much more likely than younger adults to have health insurance. Recent federal reform -- the Health Care and Education Affordability Act – will make it much easier for people without employer-sponsored coverage, particularly those with low incomes, to obtain coverage. These reforms also allow young adults up to age 26 to stay on their parents' health plans regardless of their enrollment in school. These provisions should significantly reduce the number of uninsured young Americans.

Figure 13. Health Insurance Coverage in North Carolina and the U.S. by Age, 2008

	North Carolina		US
Insurance Status	All Nonelderly Adults (under 65)	18 to 34 Year Olds	18 to 34 Year Olds
UNINSURED	16%	26%	27.8%
PRIVATE (employer/union, purchased directly, TRICARE/other military)	72%	66%	62.2%
PUBLIC (Medicare, Medicaid/other gov't assistance, VA)	17%	9%	10.4%

Source: U.S. Census Bureau, American Community Survey, 2008.rent Population

Households Need More Opportunities to Build Assets

It is not surprising that in North Carolina as in other states, stagnant household incomes have made it much more difficult for young people and families to accumulate savings and other assets. There is little state-specific data on assets by age, but data for all households in North Carolina provide some sense of the challenges facing young adults.

» **Asset poverty.** A household is "asset poor" if it lacks sufficient resources to subsist at the poverty level (currently about $22,000 a year for a family of four) for three months if it were to lose its source of income. Fifty percent of North Carolina households in the lower-income quintile (annual income of less than roughly $25,000) are asset poor. But even among middle-income families in North Carolina (earning between roughly $45,000 to $69,000), 19 percent are asset poor. Young people in North Carolina, those under age 35, had the highest asset poverty rates (45 percent). North Carolina individuals with the lowest asset poverty rates were between the ages of 55 to 64 (13 percent).[55] The level of asset poverty grew faster in North Carolina between 2004 and 2006 than in any other state in the nation.[56] And the wealth gap for people of color and Whites was twice as large as the national racial wealth gap.[57 58]

» **Access to Mainstream Financial Services.** More than a quarter of U.S. households are "unbanked"—that is, they do not have checking, savings or money market accounts. Among younger households, 13 percent do not have bank accounts. In 2006, 30 percent of North Carolina households were unbanked. This lack of access to mainstream financial outlets makes families and individuals vulnerable because they are forced to rely on high-cost financial service providers, such as payday lenders and check cashing services that have been subject to minimal oversight to enforce fair rules of the road for consumers. The creation of the federal Consumer Financial Protection Bureau, however, will reduce abusive financial practices against consumers.

RAISING A FAMILY

Most parents with children under the age of six are in their late 20s or early 30s, making issues of family leave, child care and workplace flexibility of core concern to young adults. In North Carolina, 35 percent of household heads between the ages of 25 and 34 have a child under the age of six.[61] And now, unlike a generation ago, a majority of women with preschool-aged children are in the labor force. Nationally, 57 percent of women with a recent birth were in the labor force in 2006[62] and roughly two thirds of mothers with a child under age six held a paid job.

Today's young parents face steeper financial challenges than their parents did – they are deeper in debt yet also pay a larger share of their incomes for housing, health care, and child care. Child care is one of the biggest expenses for young families, with average monthly fees for two children in care exceeding the median cost of rent in almost every state.[63]

Most other countries treat children as a national resource – tomorrow's workers, teachers, and leaders – and therefore invest in their care. The U.S. is one of the lone countries in the world that does not provide some form of paid parental leave to help parents temporarily exit the labor force after the birth or adoption of a child. And despite the high cost of child care, especially for children below age five, the U.S. provides families with little help. A very limited number of child care subsidies are available through the states to low-income single mothers. The federal Child and Dependent Care Tax Credit provides a small subsidy, with an average benefit of $529 for a family with two children.[64] But the credit is non-refundable which means that the lowest-income families – who don't owe federal taxes – receive no assistance from this source. Most low- and moderate-income families don't qualify for any child care assistance at all.

The high cost of raising a family coupled with stagnant and declining wages, increased debt, and the high cost of housing and health care means that substantial numbers of young families face constant financial struggle. Well over 40 percent of the nation's children are growing up in low-income families during their formative years. Assisting families while their children are young pays off in the future – studies estimate that every dollar invested in high-quality early childhood programs yields roughly a seven dollar return in the future by decreasing the need for remedial education and welfare payments, improving health, and by reducing costs associated with crime.[65]

Young Working Parents Need Affordable Child Care

In 2007, 62 percent of North Carolina families with a child under age six had working parents as did 71 percent of families with a child older than six.[66] In 2008, 74 percent of low-income children under age six in North Carolina had an employed parent.[67]

» **Child care costs.** In North Carolina, as in other states, the cost of child care can be the largest expense that families face. Across the U.S. average child care fees in 2008 for an infant were higher than the average amount families spent on food. In the South, the cost of having two preschool children – an infant and a four-year-old – in care was the second highest monthly expense, exceeding rent (see Figure 14 for cost of child care in North Carolina).[68]

Figure 14. Average Annual Price of Full-Time Child Care in North Carolina, 2008

	Child Care Center	Family Child Care Home
Infant, full-time	$8,148	$6,264
4-year old, full-time	$6,804	$5,376

Source: "Most Recent Child Care Data by State," National Association of Child Care Resource and Referral Agencies.

The average annual price of full-time center-based care for two preschool-age children (an infant and a four-year-old) in North Carolina is $14,952. For low- and middle-income families, this price tag is unaffordable (Figure 15).

Figure 15. Average Annual Price of Full-Time Child Care for Two Preschool-Age* Children in North Carolina as a Percent of Income, 2008

Annual Family Income	Child Care as Percentage of Income
Poverty-level, family of 4: $21,200	71%
Low-income, family of 4: $42,400**	35%
Middle-income, family of 4: $63,600-$84,800***	24%-18%

* Twice the federal poverty line. ** Three to four times the federal poverty line.

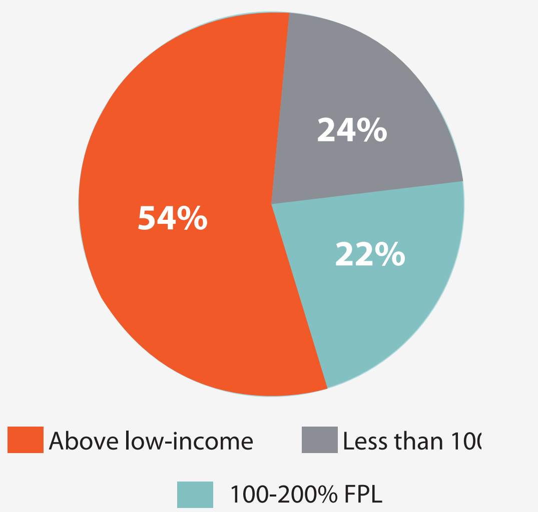
Source: "Most Recent Child Care Data by State," National Association of Child Care Resource and Referral.

North Carolina Does Not Offer Paid Parental Leave

» Only three states – California, New Jersey, and Washington – have enacted paid family leave policies that provide wage replacement to new parents who take time off from employment to care for and bond with a newborn baby or adopted child.[69]

Nearly Half of Young Children Are Growing Up in Low-Income Families

Figure 16. Children Under Age 6 in North Carolina by Family Income, 2008

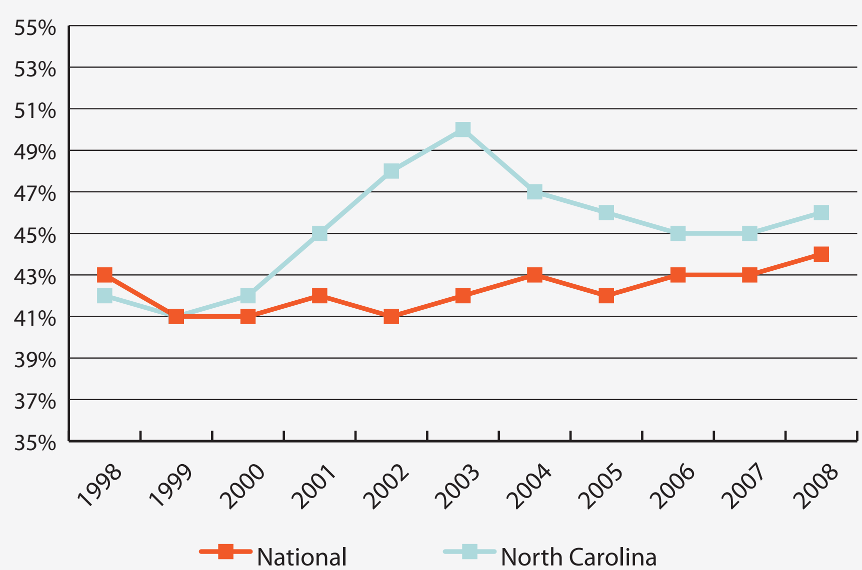


Source: National Center for Children in Poverty, North Carolina Demographic Profiles.

» In 2008, nearly half (46 percent) of children under age 6 in North Carolina lived in low-income families--defined as having income below twice the federal poverty level, which in 2008 was $42,400 a year for a family of four and $35,200 for a family of three (Figure 16). Nationally, the figure was 44 percent.

» **Trends.** Over the last decade, the low-income rate for young children in North Carolina increased from 41 percent in 1999 to 50 percent in 2003. It has declined since but is still well above 1999 levels (Figure 17).

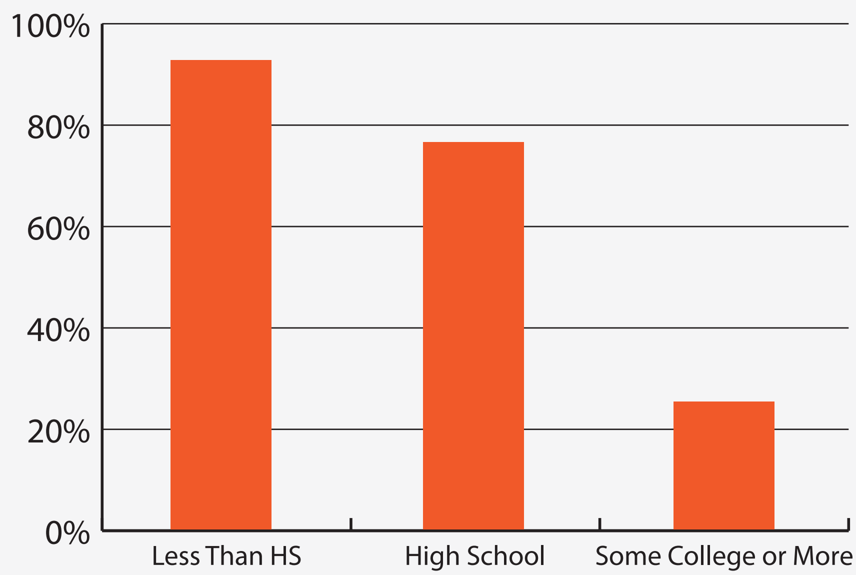
Figure 17. Percent of Children Under Age 6 in U.S. and North Carolina Living in Low-Income Families



Source: Economic Policy Institute's analysis of the Current Population

• **Education and low-income rates.** An alarming 89 percent of young children in North Carolina whose parents do not have a high school degree live in low-income families, as do 78 percent of young children whose parents have a high school degree but no college education. In comparison, 23 percent of young children in North Carolina with parents with at least some college credits (or more) live in low-income families. This reinforces the importance of helping young adults get a college degree. (Figure 18)

Figure 18. Young Children in Low-Income Families in North Carolina, by Parents Education, 2008



Source: National Center for Children in Poverty, 2009. Low income refers to family income below twice the federal poverty threshold.

POLICY RECOMMENDATIONS

North Carolina and the nation as a whole can have a thriving middle class. What is needed is a bold policy agenda to create reliable pathways into the middle class for hard-working Americans. The key to forging these pathways for the next generation is a strong federal framework that encourages and rewards innovative state action. Together, state and federal policy can restore the economic opportunity and security that are the hallmarks of a robust middle class. Below we discuss some policies that could create opportunity for North Carolina's and the nation's future middle class.

Our immediate priority has to be further relief from the recession. Federal action during the winter of 2009 prevented a collapse of the U.S. banking system and provided essential fiscal relief to the states, pulling the U.S. back from the brink of what many analysts feared could become a second Great Depression. The American Recovery and Reinvestment Act of substantially reduced growth in unemployment, generating more than two million jobs and keeping unemployment rates about two percentage points lower than they otherwise would have been. While last year's relief enabled states to fund basic services and avoid completely gutting their budgets, painful spending cuts were still necessary. Additional spending cuts will reduce public services, increase layoffs and further curb families' already compromised spending power. To increase available state funds while limiting spending cuts, progressive, well-balanced tax reform should be considered.

Key steps in such an effort could include implementing administrative efficiencies, identifying ineffective programs and tax expenditures and, perhaps most importantly, enacting reforms to the state's tax system to broaden the base of the state sales tax, add higher rates for higher income filers, and close corporate tax loopholes. Such reforms would help finance the recession relief that North Carolinians and Americans need. As one part of larger changes enacted by state and federal policymakers, they would also pave the way for a more upwardly mobile society and a strengthened middle class.

Below we offer specific policy recommendations, some federal reforms and some state, some short-term and some longer-term. Collectively, the goal of these recommendations is to reverse 30 years of declining investments in the public structures that benefit us all and are key to building and sustaining the middle class.

Postsecondary Education

Driven in part by the state's constitutional ideal of providing free higher education, North Carolina has one of the lowest tuition rates for postsecondary education in the nation. However, tuition has increased markedly— growing by nearly 80 percent at colleges from 2000-2001 to 2009-2010[70] — and is likely to increase in the coming year.[71] While the costs of going to college run high, the additional pressures of the current and projected economic context have not pushed down demand for postsecondary education, and enrollment at North Carolina public colleges and universities continues to increase. Higher education costs, however, translate into higher debt incurred by students along with longer work hours.

The Healthcare and Education Affordability Act passed by Congress in March 2010 made a historic investment in need-based financial aid.[72] This sizeable investment was originally part of a larger higher education bill, the Student Aid and Fiscal Responsibility Act (SAFRA), which passed the U.S. House of Representatives in September 2009, but was not considered in its entirety in the Senate.

To ensure postsecondary success for our nation's and North Carolina's young adults, especially those from low- and moderate-income families, policymakers should:

Invest in our Nation's Community Colleges.
Community colleges receive less per student funding than public four-year colleges, despite the fact that students with greater need for social and academic services are more likely to enroll. Increasing investments in community colleges would reduce the funding inequity and strengthen the community college system.

Make the American Opportunity Tax Credit Permanent.
The American Recovery and Reinvestment Act increased, expanded, and renamed the Hope Credit. In its current form, the American Opportunity Credit is worth up to $2,500, is refundable for up to $1,000, and can be claimed for tuition and fees paid during the first four years of postsecondary education. Many North Carolina low-income college students, including those without federal tax liability, have benefited as a result of the 2009 changes. Making the American Opportunity Credit permanent would continue to provide relief to low-income households that may not qualify for other federal tax assistance related to college study.

Allow Private Student Debt to be Discharged in Bankruptcy.
Congress should pass legislation that would once again allow private student loans to be discharged in bankruptcy. Even though private loans are just like any other commercial debt, such as credit card debt, they are treated differently under current bankruptcy law.

Therefore, students in the unfortunate situation of having to declare personal bankruptcy find it nearly impossible to discharge their private student loan debt. Legislation introduced by both houses of Congress (S. 3219 and H.R. 5043), would force lenders to offer more reasonable terms for repayment, allow deferments, and give financially distressed young people with high student debt a fresh start.

Strengthen and Expand Financial Aid and Promote College Savings.
The costs associated with postsecondary education present a barrier to attendance and completion for many North Carolinians from low- to moderate-income backgrounds. The impact of the full costs—beyond tuition and fees—of postsecondary education can be mitigated through a strong financial aid program. The following actions should be taken to ensure a stable and comprehensive financial support system for North Carolina's low-income students:

» *Stabilize the escheats fund and identify dedicated revenue to fill projected gaps in aid*. The solvency of North Carolina's escheats fund, the unclaimed property fund that is dedicated to need-based aid, is of growing concern and threatens to compromise the ability of the state to support students with limited means meet their higher education costs. In order to maintain state need-based grant aid, it will be essential to protect the principal of the escheats fund and supplement annual allocations of dollars to state need-based aid with General Fund dollars or other dedicated revenue sources.

» *Expand the Community College Grant Fund.* In North Carolina, student aid for community college students is received through the Community College Grant Fund and represents just 9 percent of the total state aid dollars. Expanding the aid dollars for community college students is a key component to increasing the number of North Carolinians with a postsecondary education, as is effectively implementing the federal student loan program that is now mandated for all community college campuses.

» *Support Campus Counseling and Benefit Assistance Services.* Students must have the information to make sound decisions regarding financing their education—and counseling and information services on college campuses on their aid and loan packages should be supported with state funding. North Carolina could also help students access state and federal benefit programs like the Earned Income Tax Credit by expanding programs like the Benefit Bank, which partners colleges with non-profit organizations that facilitate the application process for these benefits.

» *Make the state 529 plan more accessible to low- and moderate-income households.* To facilitate the ability of less affluent households to begin setting aside money for postsecondary education, the state could create an initial grant program, where low-income families who open a college savings account receive a starting deposit. The state could also match contributions made by low-income households and reduce administration fees.

» *Support Early College High Schools.* While the benefits of early college high schools extend beyond costs, these models are clearly a cost-effective way to increase postsecondary attainment levels.

Make postsecondary education work for students. In addition to easing the financial burdens that impair student success—including the need to work long hours—higher education institutions, with support from the state, should implement practices that better serve the needs of today's working students. Such practices include offering night and online classes, providing transportation subsidies, offering child care on campus and making student supports (such as the financial aid office, student counselors, the library and the computer lab) available evenings and weekends.

Employment and Earnings

After a period of postwar growth and expansion in North Carolina's state economy, earnings for young workers in North Carolina have stagnated or declined over the last decade, as have national median earnings for the same demographic; young workers without a high school diploma experienced especially steep declines.[73] Notably, however, women saw their paychecks rise prior to the 2000s due to their increased participation in professional occupations and their attainment of postsecondary education. And while earnings remained stubbornly low for workers of color, young black workers saw their earnings move in a positive direction while Latinos saw a decline over a similar period. Despite the progress made through the American Recovery and Reinvestment Act, unemployment and low-wage jobs with limited or no benefits remain prevalent. Below are policies that could provide relief.

Create a national public jobs program. Current levels of federal fiscal relief have not been large enough to relieve the high unemployment rate, which is expected to remain high for at least the next couple of years. The Economic Policy Institute has called for government spending of an additional $120 billion over the next three years to put more than a million unemployed Americans back to work. The national Apollo Alliance sketches out a blueprint to create jobs while also making America more energy efficient: upgrading our outdated electrical grid, weatherizing public buildings, supporting mass transit, and lending for and publicly funding

weatherization for homes and commercial buildings (what President Obama and others have dubbed "Cash for Caulkers"). In March 2010, Representative George Miller (D-CA) introduced the Local Jobs for America Act, which would create or save one million full-time jobs in education, community organizations, local government, law enforcement, and firehouses. This kind of creative federal policy will help us emerge from a brutal recession with our infrastructure and people more equipped to meet the future.

Improve the Unemployment Insurance system. Young people today face some of the highest rates of unemployment in more than 30 years. Unemployment rates for both college graduates and non-graduates under 25 years old are nearly double their pre-recession levels.[74] Unemployment insurance can help young unemployed workers regain some of their lost earnings while they find new employment opportunities as the economy recovers.

Yet the unemployment insurance system is under significant strain. The high number of claimants over longer periods of time, combined with the declining pool of resources, has resulted in the need for state governments to borrow significant funds from the federal government to keep the program solvent. In an effort to bolster states' unemployment trust funds in a difficult economy, the federal government should extend the waiver on interest paid on unemployment insurance trust fund loans through 2011. It should also increase the taxable wage base, the amount of an employee's annual earnings on which taxes are assessed, since it has not kept up with inflation and has remained at $7,000 since 1983.[75] Since the unemployment insurance program can serve as a counter-cyclical program to the extent that it allows unemployed workers to take the time to participate in qualified training, North Carolina should include postsecondary education in their definition of the "qualified training" that unemployed workers need to be involved with in order to be eligible for benefits.

Index the minimum wage to inflation. Young workers are disproportionately employed in nonunion, low-wage service-sector industries that pay the minimum wage. Indexing the federal and state's minimum wage to inflation would help protect their earnings over time.[76] In many states across the country, the minimum wage mandated by the government remains static unless acted upon by the legislature even as the value of the dollar in the national economy does not. To ensure that workers who get paid the minimum wage are able to retain the same purchasing power over time, without necessitating yearly changes in the law, the federal and North Carolina's minimum wage should be indexed to inflation. Currently, ten states index their minimum wage to inflation or changes in the cost of living.[77]

Build career ladders in high-demand occupations. In many growing fields there are both high numbers of low-wage jobs, shortages of workers prepared for better-compensated positions, and limited rungs between the two. Career ladder programs are partnerships between employers, labor, educators and workers to help employees move up in a company or industry. In North Carolina, there have been initial investments in the allied health sector statewide and regional efforts are developing to focus on industry clusters to align postsecondary education with projected high-demand occupations. Making certain that career ladders focus on industry-recognized certification and provide multiple entry points for workers is essential. Additional linkages of postsecondary education to economic development that can be strengthened in the state are the Career Readiness Certificate program, an assessment-based credential that enhances employability and identifies the work skills needed across a range of occupations for greater productivity and mobility, and the state's loan-for-service programs, which provide loan forgiveness to students who pursue careers in high-demand fields such as health care and education. The loan-for-service programs should be consolidated and guided by the best available data of where state dollars could support students' education in key fields.

Debt and Assets

To help young adults accumulate assets, we must first confront a new reality: for more and more young people, transitioning to adulthood means amassing debt at a young age. As students and their families assume a greater share of college costs, student loan debt has soared. Credit card debt has increased as well, as young adults are more likely to use credit cards to bridge the growing gap between earnings and living expenses. Being mired in debt makes it difficult to save and build assets. Savings opportunities, which require a relationship with a mainstream financial institution, and the opportunity to diversify assets will help young adults work towards future economic security. Yet many North Carolinians have a long way to go. The Corporation for Enterprise Development's (CFED) 2009-2010 Assets & Opportunity Scorecard reports that North Carolina experienced the largest increase in asset poverty and the sharpest decline in net worth among all 50 states and the District of Columbia. At the same time, net worth by race remains alarmingly low, with households of color owning 7 cents for every $1 owned by white households.[78] Below are some policies that can help reduce the trend of increasing debt and decreasing assets.

Create a strong Consumer Financial Protection Bureau that protects the interests of consumers. Two factors have exacerbated the debt burden for young people— private lenders commanding a larger share of the student loan market and deregulation of financial institutions, both of which increase the cost of credit to the consumer. The recent establishment of the Consumer Financial Protection Bureau recognizes the importance of economic security for American households, and marks an important step forward. As the Bureau takes shape, it is critical that it prioritize preventing institutions from circumventing consumer protection legislation, such as the Credit Card Accountability, Responsibility and Disclosure Act of 2009. Regulations implemented by the Bureau should be clear and aim to protect consumers, low- and moderate-income consumers especially, from fraudulent and potentially adverse practices such as the administration of high-interest payday loans.

Ensure accessible, affordable housing. For many young adults in North Carolina, there remains a staggering and largely unanswered need for affordable housing.[79] Currently, 300,000 North Carolina households spend more than half of their income on housing, resulting in many households with far too little to spend on food, health care, and other necessities.[80] In 1987, the General Assembly began funding the NC Housing Trust Fund, which is drawn upon for projects including rental apartment financing and affordable housing construction.[81] However, due to the Trust Fund's limited resources, many individuals are still without access to an affordable home. This dearth of affordable housing stock leads to especially acute problems in the context of North Carolina's housing market where homes are less affordable than comparable homes in half of the nation's other states.[82] The state should invest additional money to the NC Housing Trust Fund, especially in light of the recent recession and home loan crisis that adversely affected many low- and middle-income families. Likewise, the federal government should invest money to the National Housing Trust Fund, which was initially slated to receive payments from Fannie Mae and Freddie Mac but has not been able to do so since the two have faced financial difficulties.

Raising a Family

Everyone wants families to start off on the right foot—for parents to be able to provide their children with what they need to thrive and succeed. But too often, young parents are hindered by low-wage jobs, inflexible workplaces, and the inability to afford high-cost childcare. Even before the recession, many families struggled to pay the bills. A typical family in North Carolina with children must earn $41,184 per year to afford basic expenses, yet a staggering 37 percent of families fall below that modest income threshold.[83]

To improve the quality of life of their children, and North Carolina's future generations, young parents need access to basic necessities such as affordable and quality child care, paid sick time and family leave from work. To better support young families, policymakers should:

Provide universal child care. North Carolina and the nation should recognize that investments in early childhood education help children and families succeed. Implementing universal preschool programs would help ease burdens on young parents. At a minimum, existing successful early childhood programs should be fully-supported. Programs such as child care subsidies, which are vouchers provided to eligible low-income parents to use towards quality child care, would benefit from increased funding for slots to eliminate the long waiting list as well as tying provider reimbursement rates to market rates each year. Additionally, proven programs such as Smart Start and More at Four should receive adequate state funding to serve all eligible low-income children. Creating a cadre of preschool teachers funded by the public sector has the added benefit of providing a stable, socially beneficial source of middle class jobs while tapping into the talents of adults who want to work with children and enrich our future. Finally, the federal Community College Child Care Grant program, which provides essential child care support to community college students with children, should be expanded.

Expand the state EITC as a percent of the federal credit. Nearly 845,000 North Carolina households qualify for the federal and state Earned Income Tax Credit. An increased state Earned

Income Tax Credit would expand the impact of the federal EITC, further supplementing wages and improving tax fairness for low- and moderate -income working families. It would also leverage federal dollars and increase the money that is spent locally to stimulate economic activity and business hiring. A North Carolina refundable state EITC set at 10-percent of the federal credit would give close to $134 million to an estimated 824,626 low- and moderate-income working families, boosting their incomes by an average of $163.[84] The maximum state benefit would be $472 for families with two or more children and $285 for families with one child.

Provide paid family and medical leave. Although the federal Family and Medical Leave Act (FMLA) requires that employees receive time off from work to care for a new child or seriously ill family member, it does not mandate that employees be paid during this period. Many young low- to moderate-income parents may not have the resources or savings available to forgo pay for up to 12 weeks. Moreover, the FMLA only applies to workers in businesses with 50 or more employees, leaving out a majority of the workers who need it. A paid family leave program ensures that workers can afford taking time off to bond with and care for a new child and deal with other common life occurrences such as illness and death. In March 2009, a federal bill was proposed which would improve upon the Family and Medical Leave Act by providing for paid leave. Most recently, the Senate Appropriations Committee included appropriations for funding a Paid Leave fund; grants would be awarded to states to cover start-up costs associated with their programs. In North Carolina, efforts are underway to introduce legislation to create a state family and medical leave insurance program. But given budget challenges, a statewide or nationwide paid family leave program, may take time to materialize. Meanwhile, legislation that expands FMLA, such as reducing the business size threshold to reach more employees in smaller businesses as well as a promising a new policy called "Right to Request" that allows employees to request part-time work or more flexible hours, should be passed to help workers more immediately balance the needs of work and family.

Enact paid sick days legislation. An estimated 1.6 million North Carolinians lack paid sick days to care for themselves or a sick family member, and workers may risk losing their job for taking time off from work. Young workers are especially affected by this since many of them work in low-wage jobs that do not provide this benefit. The federal Healthy Families Act offers a solution as it would mandate seven paid sick days to take care of oneself or a family member. In North Carolina, the Healthy Families, Healthy Workplaces Act, introduced in North Carolina's House and Senate, would entitle all workers to paid sick time if passed into law. Employees would begin accruing paid sick time at the rate of one hour for every 30 hours worked. Passage of such bills would protect workers from having to choose between caretaking or recovering from an illness and keeping their job. Employers stand to benefit as well, as the spread of illness among employees would likely decrease as a result and employee turnover would decline.

The Federal Agenda: Future Middle Class	The North Carolina Agenda: Future Middle Class
Recession Relief	
• Provide fiscal relief to the states	• Introduce well-balanced tax reform
Higher Education	
• Increase funding for community colleges • Invest in state-based efforts toward college completion • Increase need-based financial aid • Make the American Opportunity Tax Credit permanent and allow private student loans to be discharged in bankruptcy	• Increase need-based financial aid • Support counseling and benefit assistance services on campus • Reform 529 plans and support early college high schools
Employment and Earnings	
• Create a national public jobs program • Improve state financing of the unemployment insurance program • Index the minimum wage to inflation	• Reform unemployment insurance to allow postsecondary education to count as "qualified training" • Index the state minimum wage to inflation • Build career ladders in high demand occupations
Debt and Assets	
• Ensure the Consumer Financial ProtectionBureau protects consumer interests • Invest in the National Housing Trust Fund	• Increase availability of affordable housing
Raising a Family	
• Provide universal child care • Increase funding of the Community College Child Care Grant • Provide paid family and medical leave • Enact paid sick day legislation	• Support Pre-K programs • Increase North Carolina's EITC • Create a state family and medical leave progra m • Pass into law the Healthy Families, Healthy Workplaces Act

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