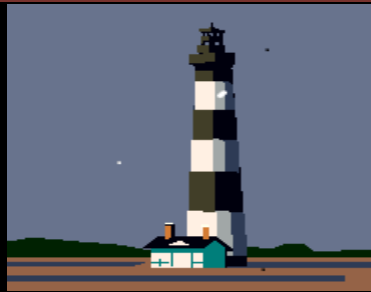


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North Carolina in Transition: Demographic Shifts during the First Decade of the New Millennium

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Summary. North Carolina was one of the nation's most rapidly growing states during the first decade of the new millennium. Most of the growth came from migration—movers from other states and abroad. Combined with a more general aging in place of the resident population, newcomers are dramatically changing the state's demography. But undergirding this demographic dynamism are major geographical, socio-economic, and racial/ethnic disparities in the human condition in our state, which require immediate attention if we are to thrive and prosper in the years ahead.

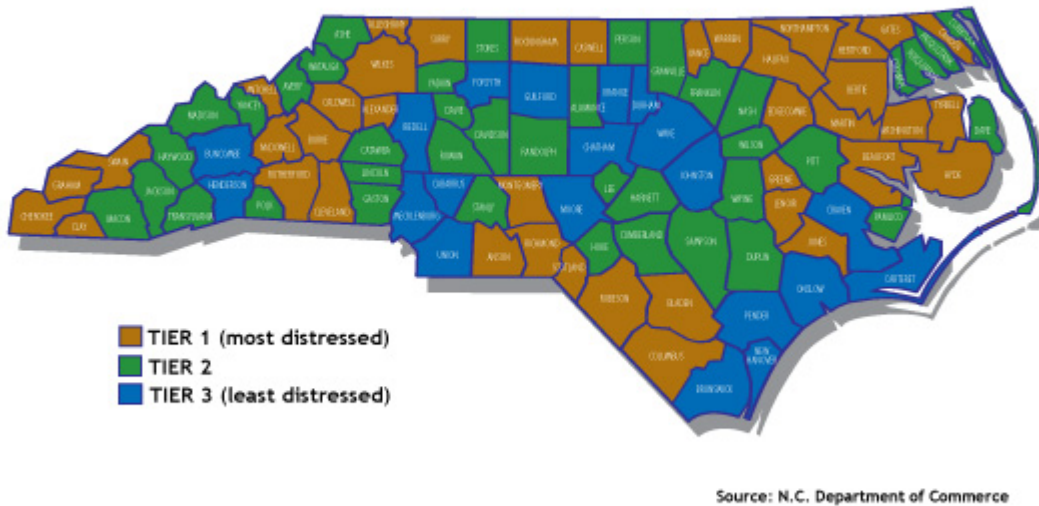
Introduction, Purpose, and Data Sources

Prior research demonstrates that North Carolina has been one of the nation's primary population growth magnets for the past several decades.¹ Our goal in this essay is to document some of the most recent manifestations of demographic dynamism in the state of North Carolina. To achieve this goal, we analyze recent demographic trends at the statewide level and population shifts across the State's three economic tier designations (see Figure 1).²

¹ Alfred M. Stuart, 2006, "Recent Population Change in North Carolina," *Tar Heel Junior Historian*, Vol. 45, No. 2, pp. 1-4; Karen D. Johnson-Webb, 2003, *Recruiting Hispanic Labor: Immigrants in Non-Traditional Areas*. LFB Scholarly Publications; James H. Johnson, Jr., Karen D. Johnson-Webb, and Walter C. Farrell, Jr., 1999, "A Profile of Hispanic Newcomers to North Carolina," *Popular Government*, Fall, pp. 2-12; James H. Johnson, Jr. and John D. Kasarda, 2010, *Six Disruptive Demographic Trends: What Census 2010 Will Reveal*, Chapel Hill, NC: Frank Hawkins Kenan Institute of Private Enterprise, available at http://www.kenan-flagler.unc.edu/~media/files/kenaninstitute/UNC_KenanInstitute_2010Census; James H. Johnson, Jr., 2008, *North Carolina's Higher Education Demographic Challenges*. Prepared for The University of North Carolina Tomorrow Commission, available at http://www.northcarolina.edu/nctomorrow/Johnson_-_Demographics_Brief-Final1.pdf; John D. Kasarda and James H. Johnson, Jr., 2006, *The Economic Impact of the Hispanic Population on the State of North Carolina*, Chapel Hill, NC: Frank Hawkins Kenan Institute of Private Enterprise, available at http://www.kenan-flagler.unc.edu/~media/Files/kenaninstitute/UNC_KenanInstitute_HispanicReport.ashx.

² Under the 2007 Tax Credits for Growing Business Act, the North Carolina Department of Commerce annually ranks the economic well-being each of the state's 100 counties to determine the level and form of tax credits available for economic development. Rankings are derived from a Development Factor, an un-weighted measure based on four indicators: 1) 12-month average unemployment rate; 2) median household income; 3) 36-month population growth rates; and 4) per capita adjusted assessed property values. The 40 most distressed counties are classified as Tier 1, the next 40 are Tier 2 and the 20 least-distressed counties are Tier 3. Counties with populations under 12,000 are automatically designated as Tier 1. Counties with populations under 50,000 must be classified as

Figure 1: Economic Tier Designations (2011)



Our analysis is anchored in data from Census 2010, Census 2000, the American Community Survey, and the Internal Revenue Service migration file, as well as the North Carolina State Center for Health Statistics. After describing the nature, magnitude, and geographical trajectories of recent population shifts, we then assess the consequences and discuss the implications for overall population wellbeing. We conclude with a set of recommendations that address demographic-driven challenges and opportunities that are central to future economic growth and prosperity in the State.

Overview of Change

North Carolina grew at roughly twice the national average during the first decade of the new millennium (18.5% versus 9.7%). It was the 5th most rapidly growing state in the nation. Within

either Tier 1 or Tier 2. 2011 Tier designations are available at: <http://www.nccommerce.com/research-publications/incentive-reports/2011-county-tier-designations>). The methodology and alternative indicators are presented in the “Tax Credits for Growing Business Act 2011 Report” from the North Carolina Department of Commerce. Tier designations have become an important policy indicator and are widely used beyond the original purpose of designating economic development tax credits. For example, some foundations and not-for-profit organizations in North Carolina use the tier designations to target outreach and philanthropic giving.

the South, according to Census 2010, only Texas, Florida, and Georgia added more people than North Carolina, and only Texas grew at a faster rate.

In absolute terms, North Carolina’s population grew by 1.5 million between 2000 and 2010. With a population totaling 9.5 million, North Carolina ranked as the nation’s 10th most populous state in 2010. In 2000, North Carolina—with a population totaling 8.1 million—was the nation’s 11th most populous state.

North Carolina’s population growth during the first decade of the new millennium was not evenly distributed across the state. In fact, it was highly concentrated. As Table 1 shows, the State’s most economically prosperous region, the Tier 3 counties, captured nearly three quarters of the State’s net population growth. At the other extreme, the State’s most economically distressed region, the Tier 1 counties, captured less than 5 percent of net growth. The region in between the most prosperous and the most distressed regions, made up of Tier 2 counties, captured about one-fifth (21.8%) of the State’s net population growth between 2000 and 2010.

As expected, rates of population growth across the three economic tiers paralleled this overall uneven pattern of growth. Tier 3 counties grew most rapidly (28%)—far outpacing the statewide growth rate (18.5%)—while Tier 1 counties grew most slowly (4.9%). The rate of growth for the Tier 2 counties (12%) fell in between these two extremes.

Table 1: Absolute and Relative Population Change in North Carolina by Economic Tier, 2000-2010

Area	Number of Counties	2010 Population	Absolute Change 2000-2010	Percent Change - 2000-2010	Share of Net Growth
All Counties	100	9,535,483	1,486,170	18.5%	100%
Tier 1 Counties	40	1,589,586	69,365	4.6%	4.7%
Tier 2 Counties	40	2,970,323	327,859	12.4%	22.1%
Tier 3 Counties	20	4,975,574	1,088,946	28.0%	73.3%

Source: Census 2000 and Census 2010

Components of Change

North Carolina's rapid population growth during the first decade of the new millennium was a function of both natural population increase—the difference in births and deaths—and net migration—the difference between in-migration and out-migration. The contributions of these two demographic forces to overall net population change are highlighted below.

Migration accounted for most of North Carolina's growth during the first decade of the new millennium. Between July 1, 2000 and July 1, 2009, according to Census Bureau estimates, the number of migrants moving in exceeded the number of migrants moving out of North Carolina by 889,589. Movers from other states accounted for the majority (76% or 675,016) of this net migration. Movers from abroad accounted for the balance (24% or 214,573).

With regards to specific regional destinations within the State, Tier 3 counties were the primary migration magnets, capturing 80% (722,545) of this net migration. Tier 2 counties were the second most attractive migration destinations, capturing about 19 percent of net migration. Not surprising, given the level of economic distress, Tier 1 counties were the least attractive migration destinations, capturing less than one percent (1,505) of net migration between 2000 and 2009 (see Table 2). In fact, in the absence of movers from abroad, this group of counties would have lost population through migration as home grown talent continued to flee these areas in search of education and economic opportunities elsewhere.

Table 2: Shares of Net Migration by Economic Tier, 2000-2009

Area	Net -migration	Share of Total Net Migration
The State	889,589	100.0%
Tier 1 Counties	1,505	0.2%
Tier 2 Counties	165,539	18.6%
Tier 3 Counties	722,545	81.2%

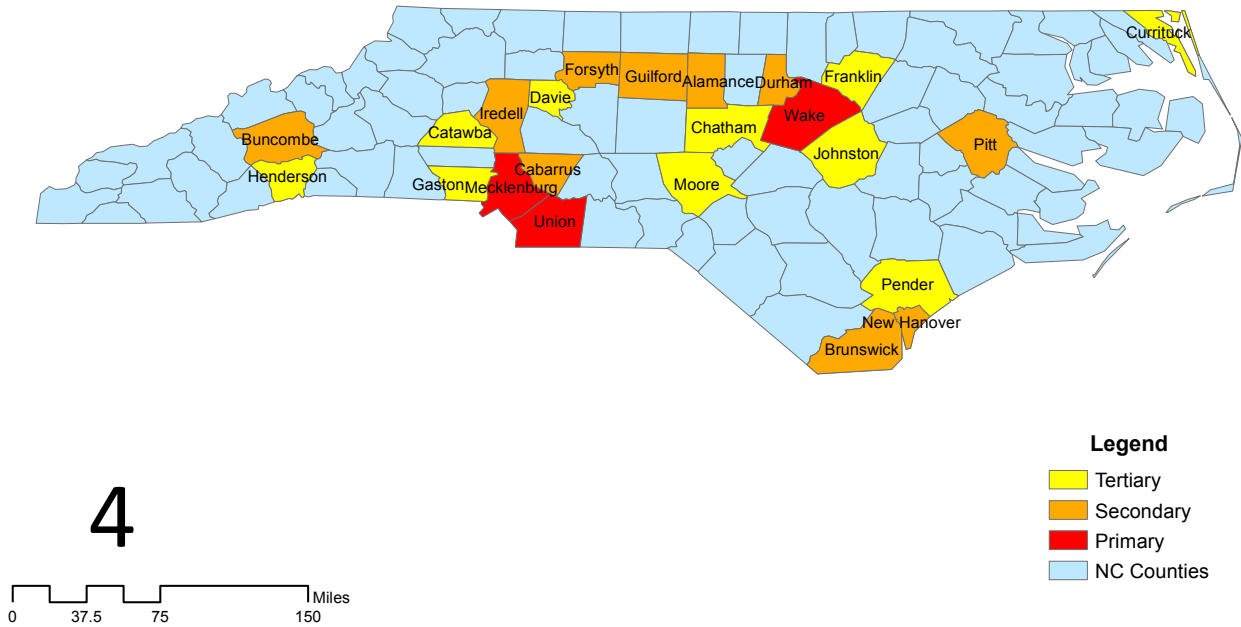
Source: Census Bureau Estimates, 2000-2009

Between 2004 and 2008, according to data extracted from the Internal Revenue Service migration file, eight states were the primary redistributors of migrants to North Carolina (Table 3). They included the nearby southern states of Virginia, South Carolina, Georgia and Florida, as well as more distant non-southern states of New York, New Jersey, Pennsylvania, and California. Across the State, as Figure 2 shows, metropolitan areas and amenity-rich retirement destinations attracted the largest number of these migrants. And notably, as Table 4 shows, the per capita income of arriving migrants were significantly higher than the per capita incomes of departing migrants between 2004 and 2008—a value add for the State.

Table 3: State Origins of Migrants to North Carolina, 2004-2008

State of Origin	Number of Arriving Migrants
Florida	62,528
Virginia	53,536
New York	49,284
South Carolina	39,096
Georgia	28,264
California	27,813
Pennsylvania	23,185
New Jersey	22,620
Foreign	22,533

Figure 2: Migration Magnet Counties



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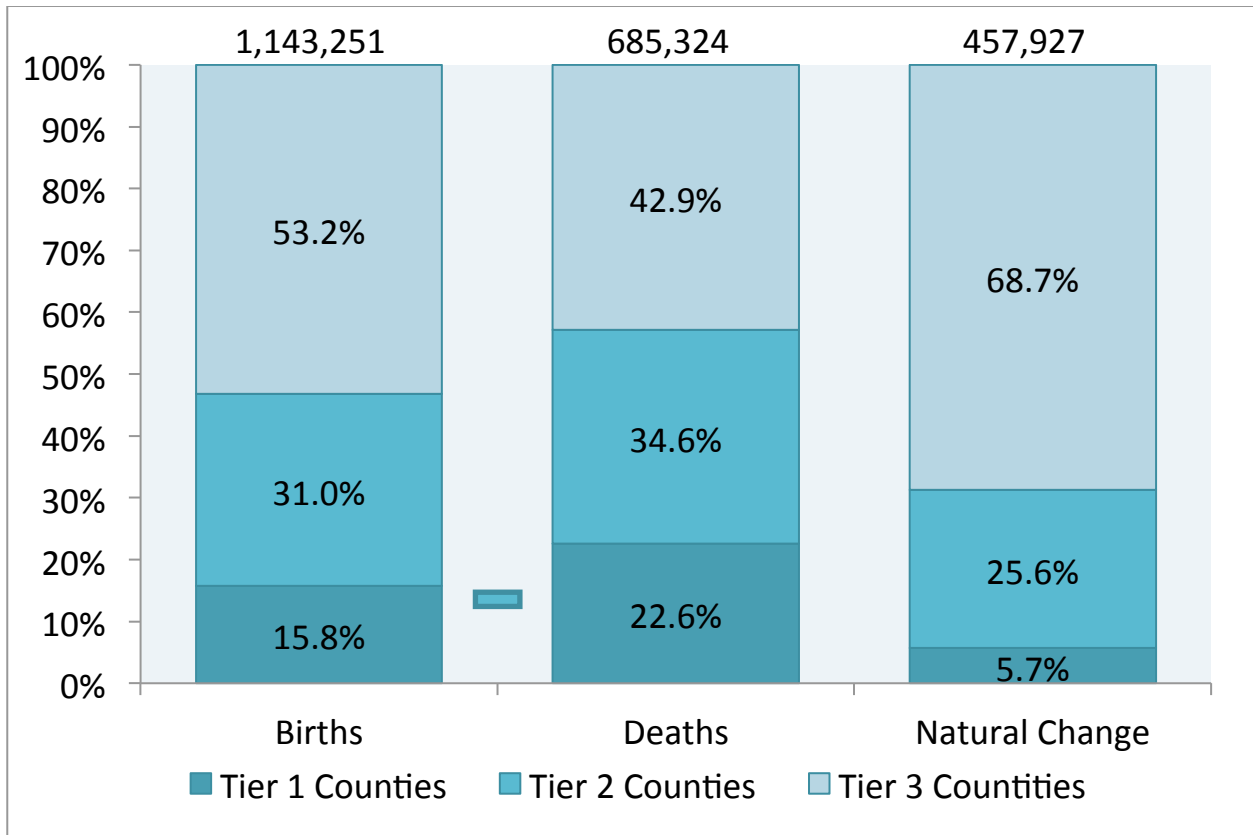
Table 4: Per Capita Income of Arriving & Departing Migrants, North Carolina, 2004-2008

Year	Arriving Income	Departing Income	Difference
2004-05	\$22,464	\$21,124	\$1,522
2005-06	\$23,327	\$22,333	\$ 994
2006-07	\$24,576	\$22,422	\$2,154
2007-08	\$25,000	\$23,530	\$1,470

Beyond this migration influx, there were, according to Census Bureau estimates, 1,143,251 births and 685,324 deaths in North Carolina between 2000 and 2009. This translates into about 1.7 births for every death in the State during this period. Subtracting births from deaths yields a net population increase of 457,927 (Figure 3).

Given the previously described migration patterns, it should not be surprising that the bulk of growth due to natural population change (68.7% or 314,596) was highly concentrated in Tier 3 counties, the most prosperous areas of the State. In these counties there were 2.1 births for every death between 2000 and 2009. Also, it should not come as a surprise that Tier 1 counties—the most economically distressed—accounted for the smallest share of population growth due to natural change (26,206 or 5.7%). Due in large measure to low rates of in-migration and the continued out-migration of young adults in their childbearing years, the ratio of births to deaths was much lower in Tier 1 counties—about 1.2 births for every death—than in the Tier 3 counties. Falling in between Tier 1 and Tier 3 counties, Tier 2 counties accounted for about one quarter of North Carolina’s population growth attributable to natural change (26% or 117,296). Between 2000 and 2009, there were 1.5 births for every death in Tier 2 counties.

Figure 3: Changes in North Carolina’s Vital Statistics, 2000-2009



Source: North Carolina State Center for Health Statistics

Sources of Change

Paralleling national trends, two colorful processes undergird North Carolina’s changing demographic landscape: the “browning” and “greying” of the State. “Browning” refers to the growing role of non-white immigrants, especially Hispanic newcomers, and native born people of color in transforming the racial and ethnic complexion of the State. “Greying” refers to the influences of retiree migration and the aging of the boomer population on the State’s shifting age structure.

North Carolina’s population, as previously noted, grew by 1.5 million between 2000 and 2010. Consistent with the notion of the “browning” of the population, people of color accounted for 61% of this net growth (Table 5). Among non-white groups, Hispanics (28%), Blacks (20%), and Asians (6%) accounted for over half of net growth. Non-Hispanic whites accounted for only 39% of this net growth.

Table 5: Contributions of Non-Whites and Hispanics to North Carolina Population Change, 2000-2010

Area	Absolute Population Change, 2000-2010	Percent Non-White*	Percent Hispanic
The State	1,486,170	61.2	28.5
Tier 1 Counties	69,365	84.1	51.5
Tier 2 Counties	327,859	63.2	34.2
Tier 3 Counties	1,088,946	59.1	25.0

Source: Census 2000 and Census 2010. *Non-whites include Blacks, Hispanics, American Indians and Alaskan Natives, Asians, Native Hawaiians & Pacific Islanders, and people of two or more races.

In terms of race/ethnic sources of growth, Tier 2 and 3 counties were a microcosm of the State. That is, nonwhite groups accounted for about 60 percent of net growth and non-Hispanic whites accounted for the balance. Tier 1 counties experienced very slow aggregate growth between 2000 and 2010 (4.9%). But clearly growth would have been negligible in the absence of non-white (84% of net growth) and especially Hispanic (51% of net growth) population increases.³ Non-Hispanic whites accounted for only 16% of the region’s net growth during the first decade of the new millennium.

At the same time the racial/ethnic complexion of the State was changing, the population was also aging. Between 2000 and 2010, the median age of the population increased by 2.1 years—from 35.3 to 37.2—and the proportion of the population age 65 or older increased from 12.0% to 12.9%. These increases were in part a function of retirees migrating to the State and partly

³ Between 2000 and 2010, every county in the state experienced Hispanic population growth. All seven of the counties that lost population (Halifax, Martin, Lenoir, Washington, Hyde, Jones and Mitchell)) would have lost even more were it not for the growth of the Hispanic population. Ten counties (Richmond, Sampson, Rockingham, Yancey, Scotland, Montgomery, Northampton, Caswell, Surry and Pamlico) would have lost population without the increase in the Hispanic population. In 14 other counties, Hispanics accounted for over half of the growth that occurred in 14 counties between 2000 and 2010 (Randolph, Lee, Cumberland, Edgecombe, Avery, Beaufort, Greene, Rowan, Yadkin, Wayne, Cleveland, Burke, Chowan and Alleghany)—and for close to half of the growth in two major metropolitan counties, notably Forsyth County (49.8%) and Durham County (43%).

due to considerable aging in place, that is, increased longevity among the State’s resident senior population. Also, the boomer cohort—those born between 1945 and 1964—moved completely into the 45-64 age range during this decade, with those born in the first year of the post-World War II baby boom (1945) turning 65 in 2010. Over the next 20 years, the State will continue to age as 2.5 million boomers currently between the ages of 45 and 64 enter the retirement years.

As Table 6 shows, these two demographic cohorts—the 45-64 and 65+ groups—grew most rapidly and accounted for nearly two-thirds of North Carolina’s net population growth between 2000 and 2010. In both absolute and relative terms, these two groups outpaced by substantial margins the corresponding increases in the 25 and younger and 25-44 age cohorts.

But the greying of the State’s population is not occurring uniformly across the State. Between 2000 and 2010, Tier 1 and Tier 2 counties captured 55% and 24% of the net growth in the 65+ population, respectively. As a consequence, Tier 1 (15.8%) and Tier 2 (13.8%) counties had above average concentrations of the State’s elderly population in 2010. Areas of slow/no employment growth, these two regions experienced a considerable brain drain during the first decade of the new millennium, together losing population younger than 25 (-5,900) and ages 25-44 (-86,039). An older, aging in place population was left behind in these two areas.

As the State’s primary migration magnet for prime working age adults, Tier 3 counties captured the smallest share of net elderly population growth (13.7%). However, with the largest absolute number of baby boomers, the potential for elderly population growth in the years ahead is greatest in Tier 3 counties.

Table 6: North Carolina Population Change by Age, 2000-2010

The State

Age	2010 Population	Absolute Change 2000-2010	Percent Change 2000-2010	Share of Net Growth
Total	9,535,483	1,486,170	18.5%	100%
<25	3,220,253	449,385	16.2%	30.2%
25-44	2,573,744	73,209	2.9%	4.9%
45-64	2,507,407	698,545	38.6%	47.0%
65+	1,234,079	265,031	27.3%	17.8%

Tier 1 Counties

Age	2010 Population	Absolute Change 2000-2010	Percent Change 2000-2010	Share of Net Growth
Total	1,589,586	69,365	4.6%	100%
<25	498,957	-5,914	-1.2%	-9.1%
25-44	382,426	-49,900	-11.5%	-76.6%

45-64	457,349	88,739	24.1%	136.2%
65+	250,854	36,440	17.0%	55.9%

Tier 2 Counties

Age	2010 Population	Absolute Change 2000-2010	Percent Change 2000-2010	Share of Net Growth
Total	2,970,323	327,859	12.4%	100%
<25	1,001,701	85,481	9.3%	26.1%
25-44	762,492	-36,139	-4.5%	-11.0%
45-64	796,775	199,101	33.3%	60.7%
65+	409,355	79,416	24.1%	24.3%

Tier 3 Counties

Age	2010 Population	Absolute Change 2000-2010	Percent Change 2000-2010	Share of Net Growth
Total	4,975,574	1,088,946	28.0%	100%
<25	1,719,595	369,818	27.4%	34.0%
25-44	1,428,826	159,248	12.5%	14.6%
45-64	1,253,283	410,705	48.7%	37.7%
65+	573,870	149,175	35.1%	13.7%

Source: Census 2010

Consequences of Demographic Changes

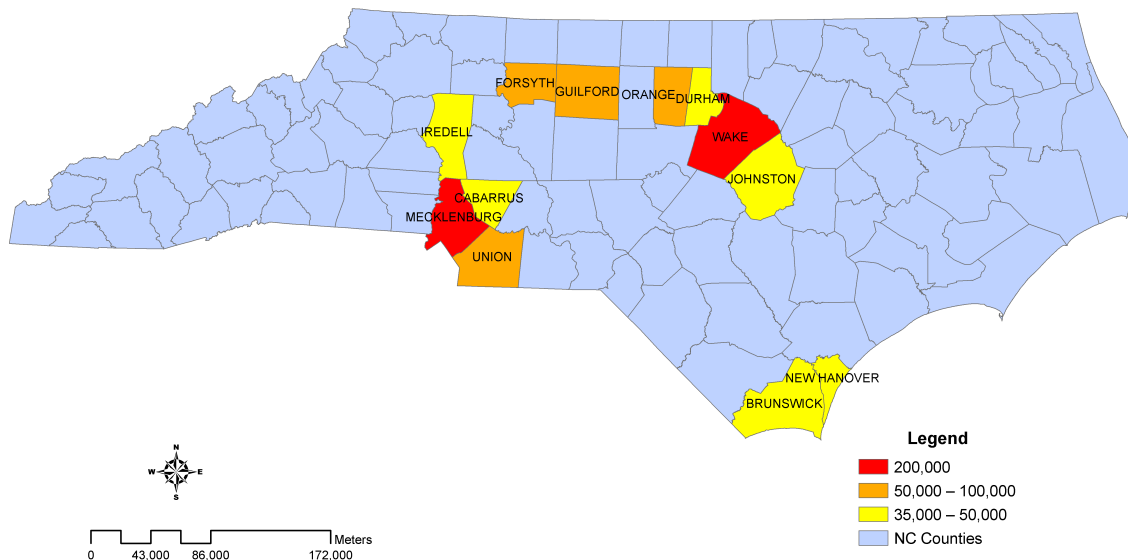
The previously described demographic shifts have created a patchwork of rapidly growing, slow growing, and declining communities in the State. At one extreme, 15 counties—mainly I/40-I/85 corridor communities—captured 70% of the State’s net population growth between 2000 and 2010 (Figure 4). At the other extreme, 7 counties—located mainly in the State’s coastal plains with one Mountain county—lost population during the first decade of the new millennium (Figure 5). The former (mainly Tier 3 counties) experienced significant economic expansion during the decade which attracted migrants to growing job markets, while the latter (mainly Tier 1 but also some Tier 2 counties) experienced plant closings, capital flight, and economic stagnation as well as an exodus of prime working age individuals in search of better opportunities elsewhere. In between these two extremes, the remaining counties experienced either slow or no growth during the decade.

Twenty-five North Carolina counties, according to U.S. Census estimates, experienced biological population decline between 2000 and 2008, that is, the death rate exceeded the birth rate.⁴

⁴ Hyde, Perquimans, Stokes, Martin, Yancey, Madison, Jones, Caswell, Warren, Chowan, Avery, Pamlico, Mitchell, Ashe, Clay, Macon, Northampton, Alleghany, Henderson, Rutherford, Cherokee, Carteret, Transylvania, Haywood and Polk.

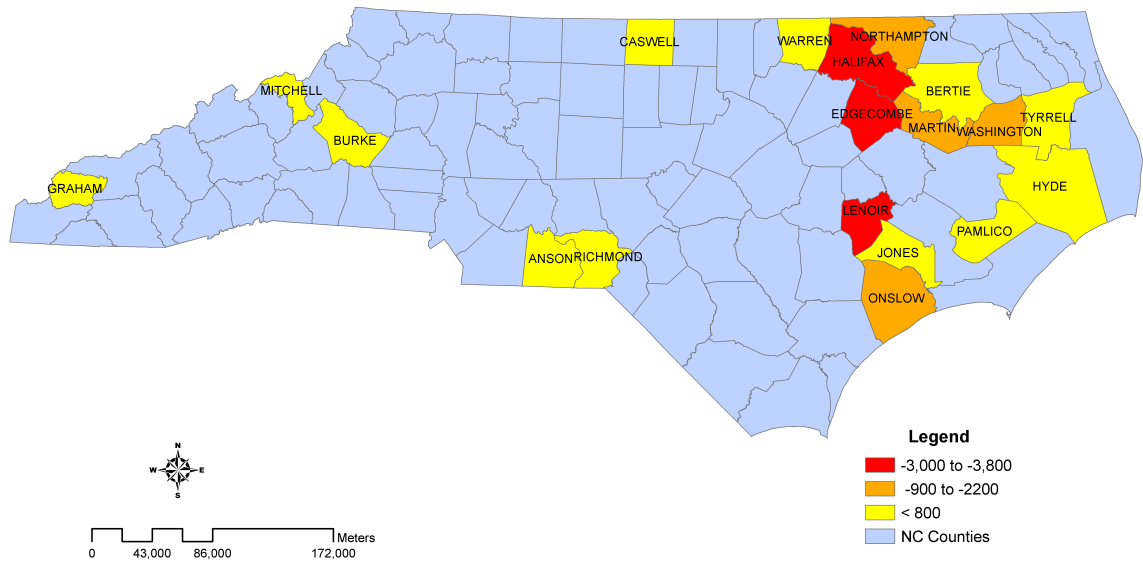
And three other counties were on the verge of biological population decline—they each had one more birth than death during this period (Anson, Graham and Tyrrell). In 2009, NCSCHS identified 35 North Carolina counties where deaths exceeded births. All 25 of the Census-identified counties with more deaths than births appeared on NCSCHS’s list of North Carolina counties with more deaths than births.⁵

Figure 4: North Carolina Counties with Largest Absolute Population Gains, 2000-2010



⁵ The additional ten counties are: Bertie, Bladen, Caldwell, Gates, Graham, Halifax, Moore, Rockingham, Swain, and Tyrrell.

Figure 5: North Carolina Counties Experiencing Population Decline, 2000-2010



These demographic shifts create a number of challenges for the State’s economic development policy makers and planners. Three are highlighted here.

The K-12 Education Challenge

Perhaps nowhere is the impact of recent demographic trends more apparent than in North Carolina’s public school system. The simultaneous “browning” and “greying” of the population is having a profound effect on fertility in the State—an effect that will continue well into the future—which is most clearly manifested in the school-age population. As Table 7 shows, foreign-born and non-white women are much younger and have significantly higher fertility rates than native-born and non-Hispanic white women. Even if migration was to slow considerably, North Carolina’s population, especially its school age population, would continue to grow and diversify owing to these enormous age and fertility gaps.

Between 2000 and 2009, as Table 8 shows, North Carolina public school enrollment increased by 159,538, a 12.6% rate of growth. Sharp absolute increases in Hispanic (96,373), Black

(51,158), and Asian (11,564) children propelled this growth. While these population subgroups were growing by 171% (Hispanic), 13% (Black), and 49% (Asian), respectively, white enrollment in North Carolina public schools declined by -0.2% during this period. In essence, fully 100% of net growth in the system was driven by children of color, with Hispanic youth accounting for the largest share (60%) of this growth.

Table 7: Median Age and Fertility for Females in North Carolina, 2005-2009

Demographic Group	Median Age	Fertility/1000 women*
All Females	38.1	56
White, Not Hispanic	41.6	49
Black	35.0	58
American Indian & Alaskan Native	34.1	74
Asian	32.8	67
Native Hawaiian & Pacific Islander	25.5	33
Some other race	22.1	108
Two or more races	17.8	78
Hispanic	22.3	101
Native Born	38.7	52
Foreign Born	35.3	92

Source: American Community Survey

*Women 15 to 50 with births in past 12 months.

Table 8: Changes in the Race/Ethnic Composition of North Carolina Public Schools, 2000-2009

Group	2009 Enrollment	2000 Enrollment	Absolute Change	Percent Change	Share of Net Change
Total	1,427,960	1,268,422	159,538	12.6	100.0%
AI/AN	20,378	18,651	1,727	9.6	1.2%
Black	444,870	393,712	51,158	13.0	32.1%
Asian	35,140	23,576	11,564	49.0	7.2%
Hispanic	152,605	56,232	96,373	171.4	60.4%
White	774,967	776,251	- 1,284	- 0.2	-

Source: DPI, The Statistical Profile Online.

In part as a consequence of the previously documented uneven pattern of population growth within the State, North Carolina's nonwhite youth increasingly find themselves growing up in three radically different demographic and geopolitical contexts, which place them at a substantial risk of falling through the cracks of our State's public education system, reduces their odds of qualifying for admission to college, and by extension acquiring the requisite skills

to compete in the unsparing global economy of the 21st century. Figure 6 highlights the nature and geographical extent of the problem.

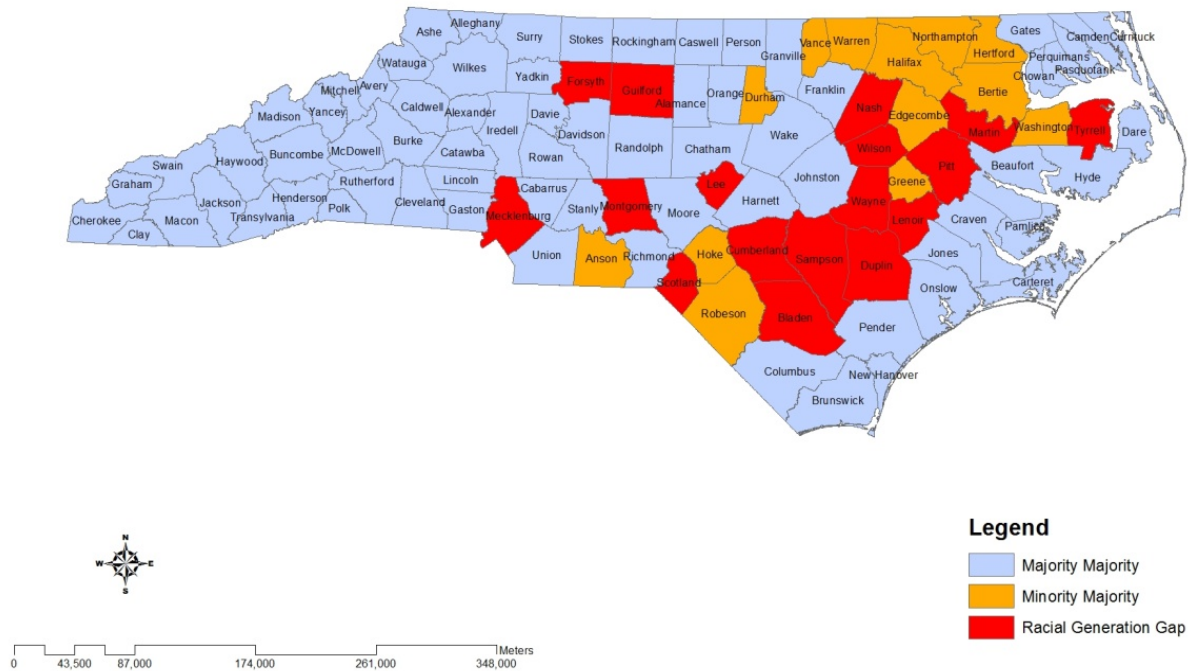
The counties colored red in this map are “racial generation gap” communities. In these counties, the youth population (younger than 15) is predominantly nonwhite, while the adult, voting age population (15 and older) is predominantly white, with many aging, empty nesters. In fiscal matters, the whites are more likely to advocate for property tax cuts and retirement amenities than to lobby for additional resources for public education and other child development activities. Because the whites make up a majority of the voters only limited financial support exists at the local level for the education of the predominantly minority youth in these racial generation gap communities.

The counties highlighted in orange in Figure 6 are “minority-majority” communities. In contrast to the racial generation gap communities, the adult population and the youth population are both *predominantly non-white* in these communities. As the voting age majority, nonwhite adults are more likely than resident whites to lobby for greater support for public education. But these are mostly low wealth communities and therefore the local tax base is probably too small to ensure the predominantly non-white school age population a high quality education.

The counties highlighted in light blue in Figure 6 are “majority-majority” communities where both the adult population and the youth population are both *predominantly white*. But roughly one-quarter of the youth in these counties are *non-white*. What distinguishes these communities from the other two types of communities is the level of support for education; it is much stronger, especially among whites, than in the other two types of communities. But most of the minority youth in these communities, not unlike their counterparts in the “racial generation gap” and “minority majority communities,” attend schools that are undergoing re-segregation and thus do not fully benefit from the rich educational resources—financial and otherwise—that exist in these “majority-majority” communities.

In other words, no matter where they live and through no fault of their own the majority of North Carolina’s non-white children are between a rock and a hard place. Simply put, they are not receiving the type of high quality education they will need to propel the State and the nation forward in the years ahead. Resolving this problem is not just a social or moral dilemma; it also must be viewed as a strategic imperative in our efforts to remain globally competitive.

Figure 6: Racial Typology of North Carolina Counties, 2010



North Carolina’s Emergent Dependency Problem

Also undergirding the uneven pattern of population change during the first decade of the new millennium is a fiscal train wreck in the making.⁶ Simply put, owing to the uneven distribution of the State’s elderly population, there are far too many counties where the ratio of non-contributors (youth and seniors) to contributors to the tax base (employed workers) creates a huge dependency problem for the State. As Table 9 shows, the problem has increased sharply since 2000, especially in Tier 1 and Tier 2 counties.

Table 9: Absolute and Percent Change in Dependency Ratios, 2000-2009

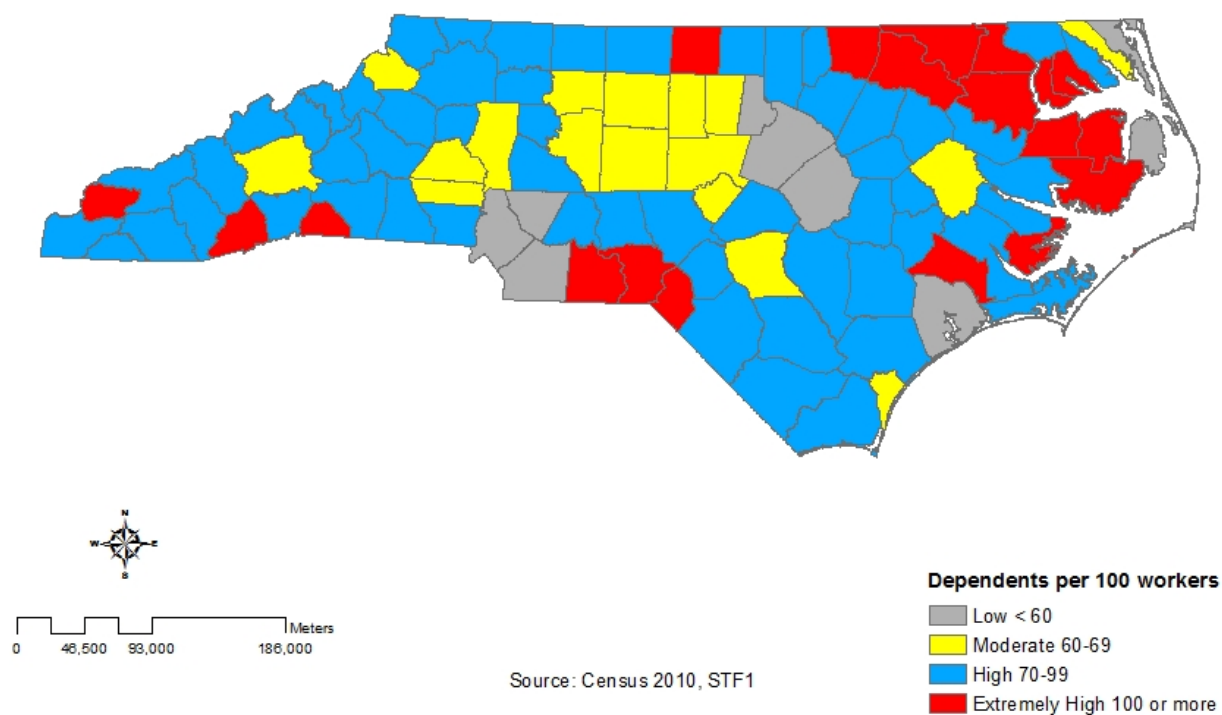
Area	2000	2009	Percent Change
All Counties	60.7	66.1	8.9
Tier 1 Counties	78.8	90.5	15.2
Tier 2 Counties	63.5	71.3	10.9
Tier 3 Counties	52.9	56.6	7.5

Source: compiled by authors from Census 2000 and Census 2010.

⁶ James H. Johnson, Jr., 2011, “In the Dependent Danger Zone,” News and Observer, September 18, available at <http://www.newsobserver.com/2011/09/18/1493991/in-the-dependent-danger-zone.html>

The map in Figure 7 illustrates the nature, magnitude, and geographical extent of the problem. Using Census 2010 data, the map specifies the number of non-contributors or dependents per 100 employed, taxpaying workers in each of North Carolina's 100 counties.

Figure 7: North Carolina Dependency Ratios, 2010



For the state as a whole, there were 66 dependents for every 100 employed workers in 2010. It is extremely difficult, if not impossible to regain and sustain the State's fiscal health and economic viability when there are—using the inverse of the dependency ratio—only 1.5 employed workers for every dependent.

Within the State, as the map shows, the situation is especially dire in the 18 counties coded red, signaling extremely high dependency ratios where there were between 101 and 145 dependents for every 100 employed workers in 2010. During the first decade of the new millennium, net outmigration of the working age population left a mostly aging population in these counties, most of whom were either not engaged in or weakly tied to the labor market.

The majority of the State's counties, coded blue in the map, had dependency ratios in the 70 to 99 dependents per 100 employed workers range. Not unlike the counties coded red, the dependency ratios are too high for the State to remain competitive.

Only 17 N.C. counties, coded yellow and gray in the map, had low-to-moderate dependency ratios (i.e., 40 to 69 dependents per 100 employer workers) in 2010. Between 2000 and 2010, these counties were the State’s primary population growth magnets. Also, because a higher percentage of the employed workforce was well educated, they were better off financially and therefore better able to provide essential services to their youth and seniors than the red- and blue-coded counties.

But even these counties are at a grave risk of fiscal calamity. Their future economic viability is at risk because the well-educated have not fared very well in the current economic downturn. Both long term joblessness, defined as being unemployed for six months or longer, and poverty have increased sharply among those with some college, a bachelor’s degree or higher since the onset of the great recession in 2007 (Table 10). Moreover, although they are net importers of population, out-migrants had higher per-capita incomes than in-migrants to several of these counties (e.g., Wake and Mecklenburg) between 2004 and 2008, according to IRS migration statistics (see Table 11).

Table 10: Changes in the Incidence of Poverty by Educational Attainment in North Carolina, 2007-2009 and 2008-2010

Educational Attainment	2005-2007	2008-2010	Percent Change
Less than High School	253,304	276,757	9.3%
High School Graduate	216,667	234,371	8.2%
Some College, Associate Degree	136,185	186,834	37.2%
Bachelor’s degree or higher	49,082	57,919	18.0%

Source: American Community Survey

Table 11: Per-Capita Income of Non-Migrants, Arriving- and Departing- Migrants, Charlotte MSA, 2004-08

Year	Non-migrants	Arriving Migrants	Departing Migrants	Difference (Arriving - Departing)
2004-05	\$26,420	\$24,894	\$26,070	-\$1,176
2005-06	\$27,248	\$25,393	\$27,624	-\$2,231
2006-07	\$28,509	\$26,521	\$28,007	-\$1,486
2007-08	\$29,309	\$27,559	\$28,144	-\$ 585

Source: IRS Migration File

It is unlikely that major fiscal contributions will be forthcoming from the State’s higher education pipeline. Today’s college graduates take on average six years to complete their degrees and enter a currently depressed job market with on average \$20,000 in college loan debt.

Shifting Demography and Population Wellbeing

How have recent demographic shifts affected the overall well-being of the State's population? To answer this question, we use a widely accepted measure of wellbeing, the Human Development Index (HDI).

HDI was developed initially for international comparisons. For our purposes here, we use the American version of HDI, developed by the Social Science Research Council,⁷ which measures three key dimensions of well being: 1) a long and healthy life; 2) access to knowledge; and 3) a decent standard of living. The health index is based on life expectancy at birth relative to high and low benchmarks. The education index incorporates measures of both school enrollment and educational attainment, again relative to high and low benchmarks.⁸ And the living standard index is measured using earnings relative to high and low benchmarks.

When these three indices are combined to create the HDI, the resulting values range between 0 and 10. An index of 10 signals the highest level of human development and an index of zero signals the lowest level of human development. Rather than having an intuitive meaning, the HDI for a particular area or group is interpreted relative to the corresponding value for other areas or groups.⁹

For our purposes, we calculated the HDI for the state of North Carolina and for each of the three economic tier designations. We also calculated the HDI for the White population and the Black population in each of these geographical areas. Our findings are presented in Table 12.¹⁰

⁷ Using publically available data from the U.S. Census Bureau, the Social Science Research Council calculated the HDI for the 50 states and for a range of racial and ethnic groups. See Sarah Burd-Sharps, Kirsten Lewis, and Eduardo Borges Martin (2008) *The Measure of America: American Human Development Report: 2008-2009*, New York, Columbia University Press; and Kristen Lewis and Sarah Burd-Sharps, (2010) *The Measure of America: American Human Development Report, 2010-2011: Mapping Risks and Resilience*, New York University Press.

⁸ In calculating the Education Index, educational attainment is assigned twice the weight as enrollment.

⁹ At the country level, the HDI has been interpreted as the level of economic and social development with markers showing transitions, but this interpretation has not been developed for the American HDI.

¹⁰ Data for the earnings indicator and both education measures that comprise the education index are from the pooled 2005-2009 American Community Survey (www.census.gov). Data for the counties in each tier are combined to obtain the tier-specific measures. The ACS is designed to sample approximately 3% of the population annually. However, in small counties, some of the measures used have large sampling errors, and some estimates are not consistent with prior measures of the same variables. This should not affect the overall accuracy after the counties are combined. There are other issues with the ACS data at the county level. Individuals with graduate degrees are identified for the total population but combined with college graduates without graduate degrees for race/ethnic groups. The HD Index of educational attainment uses information on graduate degrees. We estimated the number of graduate degrees based on the 2000 Census.

We used the most-recent measures of life expectancy available below the state level (2006-2008) for the entire population, the white population and the African American population, which were provided by the North Carolina Center of Health Statistics (www.schs.state.nc.us/SCHS/data/lifexpectancy/).

The HDI for the total population of North Carolina (4.94) is below the 2010 HDI value for the United States (5.06), suggesting that the State lags the nation in terms of human development.¹¹ As Table 12 shows, the HDI for Tier 3 counties (5.55) exceeds and the HDI for Tier 2 counties (4.59) approaches the HDI for the State (4.94). But the HDI for Tier 1 counties (3.90) lags by a substantial margin the State's HDI (4.94).

It should be noted that the populations are too small for accurate calculations of life expectancy for African Americans in 13 mountain counties and one coastal county, so they are not included in any estimates for African Americans. It should also be noted that NCSCHS has not calculated life expectancy for Latinos. The specific variables and formulas for each component of the American Human Development Index can be found at www.measureofamerica.org/wp-content/uploads/2009/05/measureofamerica_methodology.pdf. Differences in the data and the level of analysis result in slight differences from the SSRC calculations.

¹¹ See www.measureofamerica.org/wp-content/uploads/2009/05/measureofamerica_methodology.pdf

Table 12: Human Development Index for North Carolina and its Economic Tiers

	North Carolina	Tier 1 Counties	Tier 2 Counties	Tier 3 Counties
State Human Development Index	4.94	3.90	4.59	5.55
Health Index	4.71	3.29	3.81	4.86
Earnings Index	5.03	3.91	4.43	5.11
Education Index	4.05	2.05	3.42	3.92
White Human Development Index	5.25	3.85	42.8	5.41
Health Index	5.04	4.22	4.82	5.90
Earnings Index	5.93	4.96	5.17	5.95
Education Index	4.57	2.36	2.85	4.37
African American Human Development Index	3.64	2.28	2.91	3.37
Health Index	3.25	2.99	3.53	3.97
Earnings Index	4.57	2.34	3.09	3.17
Education Index	3.67	1.50	2.11	2.96
White-Black Differences in Human Development Index	1.60	1.57	1.37	2.04
Health Index	1.79	1.23	1.29	1.93
Earnings Index	2.36	2.62	2.08	2.78
Education Index	0.90	0.86	0.74	1.41

Sources: ACS 2005-2009, NC State Center for Health Statistics.

The scores on the indices that make up the HDI provide insights into the magnitude of the differences in human development across North Carolina’s three economic tiers. For example, notable disparities exist in life expectancy at birth, which are clearly reflected in the Health Index values for the State (4.71) and for Tier 1 (3.29), Tier 2 (3.81), and Tier 3 (4.86).

As Table 13 shows, there is a substantial life expectancy at birth dividend of being born in a Tier 3 county. On average an individual born in a Tier 3 county (79.3 years) can expect to live 1.5 years longer than the average North Carolinian (77.8 years). A person born in a Tier 1 (75.4 years) or Tier 2 (77.0 years) county, by contrast, will not reap benefits of such a life expectancy dividend. Their life expectancies at birth are on average 2.4 years and .8 years, respectively, shorter than the average North Carolinian.

Average life expectancy at birth differentials across the three economic tiers is even greater. The life expectancy at birth of a person born in a Tier 3 county (79.3 years) is on average 3.9 years and 2.3 years longer, respectively, than that of a person born in a Tier 1 (75.4 years) or Tier 2 (77.0 years) county. And a person born in a Tier 2 county can expect to live on average 1.6 years longer than a person born in a Tier 1 (75.4 years) county.

Table 13: Average Life Expectancy at Birth Indices for the State and Economic Tiers

Group	The State	Tier 1 Counties	Tier 2 Counties	Tier 3 Counties
All	77.8	75.4	77.0	79.3
White	78.6	76.1	77.6	80.2
Black	74.7	73.2	74.4	75.5

Source: NC State Center for Health Statistics.

Similar disparities exist in levels of educational attainment and earnings in the State. Both the education and earning indexes are higher in Tier 3 counties (3.92 and 5.11, respectively) than in Tier 1 (2.05 and 3.91, respectively) and Tier 2 (3.42 and 4.43, respectively) counties.

Prior research suggests that a bachelor’s degree or higher is required to compete successfully for employment in the highly volatile global economy of the 21st century. Herein lays another one of the State’s major challenges. Only one quarter of the State’s population age 25 or older has achieved this level of educational attainment (Table 14). While a significantly higher percentage of the population in Tier 3 counties has earned a bachelor’s degree or higher (34.8%), only 18 percent of the population in Tier 2 counties and 13 percent of the population in Tier 1 counties has reached this level of education attainment.

If the State is to maintain its attractiveness as a place to live and do business, concerted efforts are needed to improve levels of educational attainment for close to half of the State’s population age 25 or older (46%) who have earned a high school diploma or less. A disproportionate share of the 25 and older population in Tier 1 (69.7%) and Tier 2 (51.9%) counties fall into this group (Table 14). With such low levels of education, it will be difficult for this demographic subgroup to participant in the increasingly knowledge-based economy.

Table 14: Level of Educational Attainment for Population 25 and Older, North Carolina and Three Economic Tiers, Age 25+, 2009

Education Attainment	Tier 1	Tier 2	Tier 3	State
		ALL		
High School or Less	69.7%	51.9%	36.9%	45.6%
Bachelor or more	13.1%	18.3%	34.8%	25.8%
		WHITE		
High School or Less	55.5%	49.2%	31.7%	41.4%
Bachelor or more	15.3%	20.3%	39.3%	29.0%
		BLACK		
High School or Less	68.2%	57.5%	46.8%	54.2%
Bachelor or more	7.6%	12.2%	22.1%	16.3%

Source: ACS 2005-2009

Low levels of educational attainment translate into subpar earnings. Median earnings in Tier 3 counties, the region with the highest levels of educational attainment, are on average \$2,556 and \$4,337 higher than the median earnings in Tier 2 and Tier 1 counties, respectively (Table 15). Median earnings in the latter two tiers of counties border on poverty level wages, which means that a sizeable working poor population exists in these two areas.

Table 15: Individual Earnings, State of North Carolina and Economic Tiers, 2005-2009

Area	All	White (Non-Hispanic)	Black
Tier 1	\$22,849	\$26,601	\$18,229
Tier 2	\$24,630	\$27,400	\$20,289
Tier 3	\$27,186	\$30,677	\$20,528
State	\$26,653	\$30,038	\$21,796

Source: ACS

Racial disparities in human development are even more pronounced than the geographical disparities across the economic tiers. For the State and Tier 1, Tier 2, and Tier 3 counties, the HDI values for African Americans (3.64, 2.28, 2.91, and 3.37, respectively) are substantially lower than the corresponding HDI values for Whites (5.25, 3.85, 4.28, and 5.41, respectively). As Table 12 shows, differences in black-white health as measured by life expectancy at birth, educational attainment of the population age 25 or older, and living standard as measured by earnings all contribute significantly to the racially disparate human development outcomes in the State and across the economic tiers.

For example, life expectancy at birth for whites (78.6) is on average 3.9 years longer than it is for blacks (74.7). The racial gap in life expectancy at birth is most disparate in Tier 3 counties, the State's most prosperous economic region, where whites can expect to live on average 4.7 years longer than blacks. The racial gap in life expectancy is narrowest in Tier 1 counties, the State's most economically depressed region, where whites can expect to live on average 2.9

years longer than blacks. Tier 2 counties, as Table 13 shows, fall in between these two extremes: life expectancy at birth is on average 3.2 years longer for whites than it is for blacks.

While the HDI does not capture all aspects of life and wellbeing, it is widely recognized as a - highly reliable method for monitoring and assessing spatial and temporal changes in the human conditions in communities and among various demographic groups. What is clear from the foregoing analysis is that concerted efforts are needed to eliminate both geographical and racial disparities in human development in North Carolina. If this is not done, it is highly unlikely that the State will remain a highly attractive place to live and do business.

Conclusions and Recommendations

North Carolina was one of the nation's most rapidly growing states during the first decade of the new millennium.¹² Most of the growth came from migration—movers from other states and abroad. Combined with a more general aging in place of the resident population, newcomers are dramatically changing the State's demography. But undergirding this demographic dynamism are major geographical, socio-economic, and racial/ethnic disparities in the human condition in our State, which require immediate attention if we are to thrive and prosper in the years ahead.

Young, highly-educated adults and their families are moving to take advantage of economic opportunities in the State's metropolitan areas. Retirees are moving to amenity rich destinations in the mountains, on the coast, in the Sand Hills, and near the State's major universities. This demographic strength is reflected in the Human Development Index measure of overall well-being and the low dependency rates in the Tier 3 counties. But North Carolina's greatest challenge is the disparity that exists between the economic opportunity and demographic growth in metropolitan areas of Tier 3 counties and the lack of opportunity and loss of young adults and families in small towns and rural communities in Tier 2 and especially Tier 1 counties.

For much of the last century, North Carolina's economy was built on small family farms—especially tobacco farms—and textile, furniture and other manufacturing. But these sectors are largely gone. Agriculture is now largely dependent on scale and capital, not on the family farm model. Traditional, labor intensive manufacturing jobs have moved to low cost destinations offshore.¹³ And most Tier 1 counties and some Tier 2 counties are unable to compete for high valued-added manufacturing jobs, in large measure because levels of educational attainment in these communities are too low.

These areas therefore are hemorrhaging young adults who, in the absence of any job prospects locally, leave either for North Carolina's metropolitan areas in Tier 3 counties or destinations outside the state. Those who remain in Tier 2 and especially Tier 1 counties are increasingly old

¹² According to the most recently released census estimates, North Carolina was one of the five fastest growing states in 2011.

¹³ The economic development coordinator in one Tier 1 county told us that his goal was to keep his county from being the low-cost manufacturing alternative to China.

and poor, existing in a general climate of despair—a circumstance that makes future economic growth and development extremely difficult.

The combined effects of this geography of opportunity and despair are most evident in the disturbing differentials in the well-being of North Carolina citizens. Residents of Tier 1 counties have significantly shorter life expectancy, significantly lower earnings, and significantly lower levels of education than their fellow citizens living in Tier 2 and especially Tier 3 counties. This gap in well-being, quantified in the Human Development Index, must motivate us to develop new opportunities in these poorest areas of our state.

When race is considered, the geographic gap in well-being is magnified. The extremely low values on the Human Development Index for the State’s black population (especially for blacks in the Tier 1 counties) show clearly how far we have to go to build a sustainable and socially equitable opportunity structure and economy across North Carolina. Racial gaps in the HDI exist for all three economic tier designations, but the poor health, the low educational opportunities, and the lack of jobs clearly has created harsh conditions for minorities in our poorest, Tier 1 counties. These are the counties without a sufficient economic base (or political will) to adequately fund public education and health services are increasingly limited. And, of course, there are no jobs in these counties.

Below we offer three specific recommendations that may help pave the way to enhanced economic opportunity and increased well-being for all North Carolinians, but especially for our fellow citizens who reside in the most economically and demographically depressed parts of the State.

Political Geography of the State

Given the dramatic shift in the racial/ethnic and age composition, as well as the geographic distribution of the State’s population, it may be high time to consider redrawing the political map of the State, especially in view of the enormous geographical, socio-economic, and racial disparities in human development. Our current geo-political structure and system of governance is a holdover from the agrarian era. And our efforts to redraw district boundaries every ten years following the release of the decennial census results have a political-favoritism face, not a human and economic face that is sensitive to the State’s contemporary demographic realities and challenges.¹⁴

North Carolina needs a new political map and system of electoral representation that will enable us to brand the State as a sustainable place to live and do business. That is, a community where the triple-bottom line principles of sustainability—social justice and equity (people), environmental stewardship (planet), and shareholder/stakeholder value (profits)—

¹⁴ James H. Johnson, Jr. and Stanley D. Brunn, 2011, “Districts that Reach Beyond Politics,” News and Observer, January 6, available at <http://www.newsobserver.com/2011/01/06/901558/districts-that-reach-beyond-politics.html>

hold equal weight in government decision-making, especially in matters related to access to high quality education and health care, workforce development, and employment growth. This will require political leaders to incorporate factors other than race and political affiliation in the political reorganization decision-making process.

A reconfigured map based on sustainability criteria would reflect, first and foremost, that we are living in a hyper-competitive world characterized by the global sourcing of blue- and white-collar jobs.¹⁵ It would simultaneously leverage the intellectual talent and innovation capacity of our most vibrant and diverse regions, including the entrepreneurial acumen of emerging immigrant communities, and hone in on regions that are struggling or barely surviving.

A diverse array of objective, public data—demographic, socio-economic, health and environmental—should be used to define these two types of regions. Once reconfigured in this way, policymakers must engage in a concerted and concentrated effort to maintain the vibrancy of the high growth regions and bring people and jobs back to the State’s declining regions.¹⁶

Dependency and Economic Growth

One way to bring people and jobs back to the State’s declining regions, which will help us avoid the fiscal train wreck in the making in the form of steadily rising dependency ratios, is to augment efforts to recruit plants with strategies to recruit people who can help propel the State forward in the years ahead. We should target homegrown talent that moved away and has done well, especially those who are likely to have elder care responsibilities in counties with high dependency ratios. As with industrial recruitment, we should create incentive packages for these individuals to return and use their creative entrepreneurial acumen to develop viable businesses and sustainable jobs in the State.

The State also must embrace recent immigrants, who tend to be younger and far more entrepreneurial than the native born, and aggressively recruit new foreign born talent and leverage their presence to develop export markets in their home countries for locally produced goods and services. Given the rapid aging of the State’s native born population, especially in our Tier 1 and Tier 2 counties, this must become a strategic imperative to be leveraged in the highly competitive and ever changing global marketplace.

Finally, the State must recognize the business development and job creation potential of the emergent elder-care economy, the diverse ethnic markets that undergird North Carolina’s amazing demographic growth and change over the last decade, and the nascent freelance

¹⁵ See James H. Johnson, Jr. and John D. Kasarda, 2008, “Jobs on the Move: Implications for U.S. Higher Education,” *Planning for Higher Education*, April-June, pp. 22-33.

¹⁶ We have the intellectual capital, analytical capabilities, and data mining and mapping tools in our university system to develop a reconfigured political map with a human and economic face, as opposed to a political, footprint. Our elected officials must recognize that this is a strategic imperative for the State’s future competitiveness in the highly volatile global economy of the 21st Century and demonstrate the political will to enact it.

economy. Given that it is a relatively new trend, a brief description of the freelance economy is perhaps in order.¹⁷

Support for Freelance Entrepreneurs

The freelance economy is comprised of a new generation of entrepreneurs who are leveraging the power of cloud-based computing, social networking technologies, and a host of apps to provide a broad range of services in the online global marketplace. Constituting a human cloud of talent, these Internet entrepreneurs are variously referred to as freelancers, e-lancers, soloists, project employees, or pay-as-you-go help.

Worldwide there are reportedly close to 3 million freelance entrepreneurs.¹⁸ The majority is based in the United States, but significant concentrations also exist in India, the United Kingdom, Canada, and Pakistan. Freelancers are dispersed in smaller numbers in such countries as the Philippines, Australia, Bangladesh, Romania, Indonesia, the Russian Federation, and Uruguay. Regardless of location, freelance entrepreneurs strive to offer high quality services at globally competitive prices in such areas as computer programming, creative writing, and graphic design as well as accounting, law, engineering, and sales.

U.S.-based freelancers are a diverse group. They include laid off professionals who were previously employed full-time in the private sector or government; high school and college graduates who are unable to find work in the mainstream economy; and boomers who are trying to remain economically active after retirement. For some, freelancing is viewed as either a hedge against a pink slip or a way to weather the current economic downturn. For others, it is a source of extra income to deal with life challenges such as elder care or a not-so-recession proof retirement portfolio. And for still others—mainly millennials who saw their parents get laid off—freelancing is viewed as the “new normal” in the highly volatile global economy of the 21st century.

To date, small businesses have been the primary consumers of the services of freelance entrepreneurs. But medium- and large-sized businesses increasingly are tapping into the online entrepreneurial marketplace, largely in an effort to remain competitive in the current economic downturn.

Conscious of the need to create jobs in America, many of these firms are outsourcing contract work specifically to U.S.-based freelancers—a trend call “home shoring”—rather than offshore vendors. Reflecting market demand for the services offered by freelancers, 112,000 jobs were posted on one online market website during the month of October 2011.

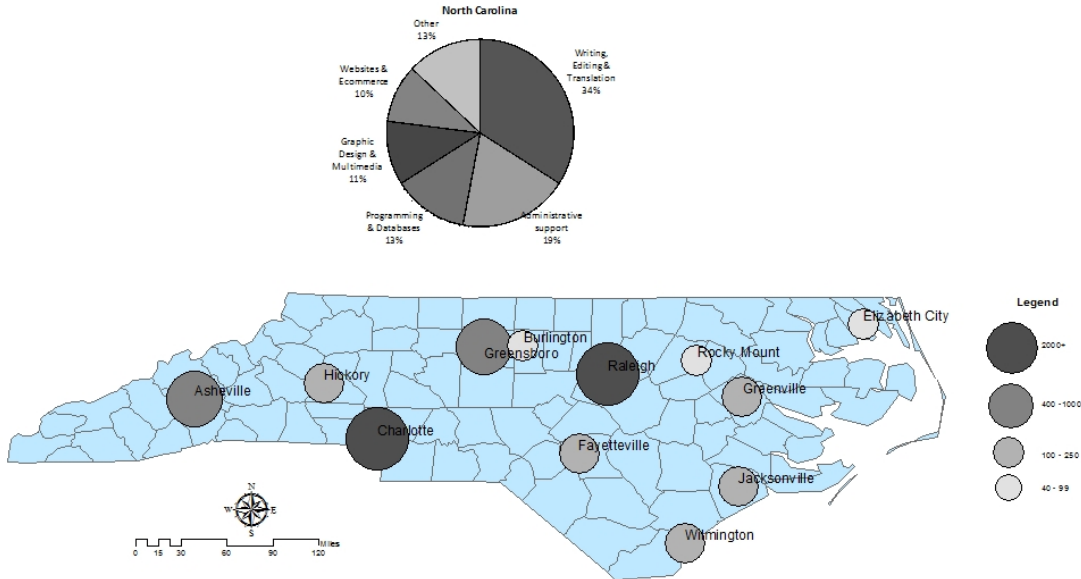
¹⁷ James H. Johnson, Jr., 2011, “Doing Business with High-Tech Freelancers,” The News and Observer, December 12, available at <http://www.newsobserver.com/2011/12/12/1700927/doing-business-with-high-tech.html>

¹⁸ Elance, 2011: Online Employment Review, available at <https://www.elance.com/q/online-employment-review-2011>

One study estimates that freelancers will constitute 35 percent of the U.S. workforce within a decade. Given the accelerating pace of corporate downsizing, rightsizing, and global sourcing for talent, this is probably a reasonable estimate of the future role of freelance entrepreneurship in the U.S. economy.

Currently how big is N.C.'s freelance economy? And what must the State do to foster further growth and development? In absolute numbers, there are, according to one online market site, close to 6,500 freelance entrepreneurs in North Carolina. Not surprisingly, as Figure 8 below illustrates, the majority are concentrated in the Charlotte and Raleigh-Durham areas. But there are also significant concentrations in Greensboro, Asheville, Fayetteville, and Wilmington, as well as smaller concentrations in Jacksonville, Hickory, Greenville, Rocky Mount, Burlington, and Elizabeth City.

Figure 8: Distribution of Freelance Entrepreneurs in North Carolina



Area	Total Number of Freelancers	Writing, Editing & Translation	Administrative support	Programming & Databases	Graphic Design & Multimedia	Websites & Ecommerce	Other
North Carolina	6,435	34%	19%	13%	11%	10%	13%
Raleigh-Durham	2,230	17%	17%	16%	10%	10%	30%
Charlotte	2,247	14%	16%	11%	11%	8%	40%
Asheville	465	26%	16%	10%	8%	13%	27%
Burlington	71	27%	30%	7%	6%	7%	23%
Fayetteville	210	21%	29%	9%	11%	9%	24%
Greensboro	889	20%	18%	12%	13%	9%	28%
Hickory	154	17%	26%	10%	10%	12%	25%
Jacksonville	155	17%	31%	5%	12%	6%	29%
Greenville	110	17%	32%	14%	12%	5%	20%
Wilmington	244	25%	18%	7%	12%	9%	29%
Elizabeth City	46	17%	35%	9%	7%	15%	19%
Rocky Mount	88	24%	31%	9%	10%	9%	17%

Source: Guru.com

North Carolina freelance entrepreneurs offer professional services in 17 different skill categories. But across the State, as Figure 8 shows, they are highly concentrated in five skill

areas: writing, editing and translation; administrative support; programming and databases; graphic design and multimedia; and websites and e-commerce. In the Charlotte and Raleigh-Durham areas, there are also noteworthy concentrations—not shown on the map—in business consulting; illustration and art; networking and telephone systems; photography and videography; marketing and communications; and engineering and computer assisted design.

Why does this matter to North Carolina? Freelance entrepreneurship is a viable form of job creation – in all likelihood, one of the main ways jobs will be created in the foreseeable future. Given the depth and breadth of freelance expertise in our state, government officials must make a concerted effort to ensure that North Carolina’s business climate supports the continued growth and development of the freelance economy.

The necessary ingredients for a highly viable and thriving freelance economy include: statewide broadband access and affordable health care, protection for unpaid wages, retirement plans, and unemployment insurance for practicing and aspiring freelance entrepreneurs. Addressing these issues will go a long way toward ensuring that the State’s online market place is globally competitive—unquestionably a good thing for small towns and rural communities where job creation and employment growth have proven to be most elusive.

By pursuing these strategies, North Carolina leaders can simultaneously stem population decline in many parts of our State, especially the drain of young talent from our most economically distressed communities; reduce unacceptably high dependency ratios; and enhance the long-term financial health and viability of the State.