FORUM

You Decide: Where does the state economy stand at mid-year?

Mike Walden

Guest Columnist

The economy is one of the top issues in this year's elections, all the way from state and local races to the major contest of the year – the presidential election.

So it may be helpful to make a mid-year assessment of the economy – how it's been doing and identifying the important issues. And to do so I'll stay right here at home – in North Carolina – and then let you decide whether we're on a good track or not.

My first observation is that the state economy has been expanding; indeed, this has been the case since 2010.

The "big three" economic measures of total production of goods and services, employment, and worker earnings per hour are all higher today than in 2010. Total production has increased every year except one (2012), and payroll employment has increased in every year since 2010. But worker earnings per hour (adjusted for inflation) have only begun to improve in the last two years.

As a result, all of the alternative measures of the unemployment rate have fallen in the last six years. That's right – there are several official calculations of unemployment based on different definitions of being unemployed. Although at any point in time their levels are different, each of the unemployment rates is lower today than at their peak in 2010.

So this information paints a positive picture of the North Carolina economy, and these trends certainly are good news. But there are some issues. One concern is the recent slow pace of economic growth. For example, the average annual growth in total production of goods and services in North Carolina during the previous economic expansion from 2002 to 2006 was 3.4 percent, far higher than the annual average of 1.3 percent recorded in the current 2010-2015 expansion. The growth in jobs has also been relatively slow.

Worker productivity, which calibrates how much economic output a worker produces in a set period of time, has also been improving at a historically modest pace in the state. This is important because economists see a strong link between worker productivity, worker pay, and improvements in the standard of living. This suggests a chronic problem with a sizable number of working-age individuals in the state not having the skills necessary for the jobs being created.

Also, while jobs in North Carolina have increased and the unemployment rates have dropped, the number of workers in the state who want a job, but haven't found a job and have actually stopped looking for work (termed "discouraged workers") has stayed stubbornly constant at near 50,000 for over a decade.

All of these issues – relatively slow economic growth, weak gains in worker productivity, and significant numbers of discouraged workers – are not unique to North Carolina. We see the same issues in the national economy and in the economies of most states.

Some economists attribute slow economic growth to the simple fact that population growth has slowed. In the mid-2000s, North Carolina's population was growing over 2 percent per year. Since 2010 our population has been expanding only 1 percent per year. A slower growing population means fewer new people available to work, produce and spend.

Then there's also the continuing transformation of our economy. Machines and technology have taken many of the jobs that used to be in the factory, and they are now moving in to the service sector – witness the kiosks for ordering now appearing in many fast-food restaurants. Most jobs that are expanding are higher-paying ones in analytical and problem-solving occupations or lower-paying personal service occupations that cannot yet be duplicated by machines. Middle-income jobs are a shrinking part of the economy.

Unfortunately for North Carolina, compared to the nation our state has relatively fewer of the higher-paying analytical jobs and relatively more of the jobs that are susceptible to technological replacement, or that are personal service occupations at the bottom of the pay ladder. This is particularly the case in rural areas of the state, and is reflected by the fact that production per worker in North Carolina relative to production per worker in the nation has been falling since the end of the recession.

Thus, the on-going transformation occurring in the economy is bringing more negative side effects to our state than to the nation. Stated another way, North Carolina can be viewed as "ground zero" for the seismic shifts that are happening in the economy.

Of course, what this all means is that continued education and training of new workers and re-training of displaced and discouraged workers will be crucial for North Carolina to successfully navigate the economic transformation of future decades. Most say redoubled efforts in education and training are the needed responses to the economic challenges we face.

So for some, the economic glass in recent years has been rising, while for others it has been dropping. What will it take to get a full economic glass for the entire state? You decide!

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Action on illegal debt collection is moving in right direction

Charlene Crowell

Guest Columnist

If you are one of the 77 million Americans who are hounded each year by debt collectors, the Consumer Financial Protection Bureau (CFPB) is taking on this $13 billion industry.

At a July 28 field hearing in Sacramento, Richard Cordray, CFPB Director, announced the Bureau's intent to rein in illegal practices that harass and rob consumers.

"Today we are considering proposals that would drastically overhaul the debt collection market. Our rules would apply to third-party debt collectors and to others covered by the Fair Debt Collection Practices Act, including many debt buyers. . . . The basic principles of the proposals we are considering are grounded in common sense. Companies should not collect debt that is not owed. They should have more reliable information about the debt before they try to collect," said Cordray.

"In the debt collection market, notably," he continued, "consumers do not have the crucial power of choice over those who do business with them when creditors turn their debts over to third-party collectors. They cannot vote with their feet. They have no say over who collects their debts, and they likely know next to nothing about the collector until they receive a call or a letter. This can quickly lead to a barrage of communications, which in some cases are designed to be harassing or intimidating."

Reactions to CFPB's proposals were as swift as they were direct. Consumer advocates, like People's Action Institute, a national organization working in 30 states for economic, environmental, racial and gender justice weighed in.

"We're encouraged to see the CFPB take steps to end aggressive and abusive debt collection practices and protect consumers from the often illegal activities of debt collectors," said LeeAnn Hall, Co-Executive Director of People's Action Institute.

Similarly, Graciela Aponte-Diaz, the Center for Responsible Lending's California Policy Director, who testified at the hearing and was even more direct.

"We know from research and enforcement actions in the states that over the past decade that debt buyers and other debt collectors have extracted millions of dollars in payments and court judgments from U.S. households for debts that are too old to be sued on, can't be backed up with basic documentation like a contract or other proof the consumer actually owes a debt, or where the debt buyers or their attorneys filed false documents in court," noted Aponte-Diaz,

"Reports have shown that these debt collection activities have a disproportionate impact on communities of color," Aponte-Diaz continued. "Majority black neighborhoods are hit twice as hard by debt collection court judgments as majority white neighborhoods, even adjusting for differences in income."

A recent national consumer poll that was jointly commissioned by CRL and Americans for Financial Reform found broad and bipartisan concerns regarding debt collectors that sue without evidence.

Overall 84 percent of respondents expressed concerns about a million consumers being sued each year without evidence to prove their cases in court. When partisan preferences were factored into responses, 9 out of 10 Independents and Democrats were concerned, as were 78 percent of Republicans.

In recent years, several states – including California, Maryland, New York and North Carolina – have cracked down on enforcement actions that required among other things that debt collectors use full and accurate information and documentation when collecting debts.

At the federal level since 1977, the Fair Debt Collection Practices Act granted the Federal Trade Commission (FTC) oversight authority in debt collection. Following the enactment five years ago of the Dodd-Frank Wall Street Reform Act and the creation of CFPB, both offices now accept debt collection complaints.

Last year, 2015, more than 900,000 consumers filed complaints with the FTC. That same year, CFPB returned $360 million to consumers wronged by illegal debt collection practices. Additionally, CFPB collected $79 million in fines from debt collectors.

"Consumers deserve to be treated with dignity and respect, and businesses should be able to operate fairly and reasonably to collect the debts they are legitimately owed," Cordray said.

Lisa Stifler, deputy director of State Policy and leader of CRL's debt collection work, provided further assessment: "We commend the CFPB for seeking reforms to this issue that harms millions of people, particularly low-income consumers and communities of color."

"However, we are concerned that the proposals do not go far enough to protect consumers from unfair collection attempts. Specifically, the proposal does not go far enough to require that debt collectors adequately document that they are pursuing the right person for the right debt," Stifler added.

"When people are being wrongly pursued for debts they do not owe, it is time for action and reforms," she concluded.

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