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The Caution for Georgia? \$4 billion in lost wages.

North Carolina experienced a significant economic backlash to the enactment of HB 2 in 2016. This legislation, popularly referred to as a “bathroom bill,” set restrictions on LGBTQ protections. The legislature passed HB 2 in response to a local ordinance in Charlotte that allowed transgender people to use the bathroom of their choice. This article examines how Georgia could potentially fare based on North Carolina’s experience if a similar piece of divisive legislation became law in the Peach State.

Applying North Carolina’s HB 2 experience to Georgia:

- Businesses across the state would likely create 40,500 fewer jobs after passage in the first year than they otherwise would have.¹
- If Georgia similarly repealed the divisive piece of legislation the following year, Georgia would have 89,000 fewer jobs than the state would otherwise have had at the end of two years, after which some recovery began in North Carolina.
- If these jobs are uniformly distributed throughout the state’s economy, this experience will represent a loss of slightly more than \$4.1 billion in annual wage income at the state’s median wage.
- This disruption translates into just under one quarter of a billion dollars (\$248 million) in annual state income tax revenue lost. Since the decline in the rate of growth represents a downward shift in the level of employment, this loss is ongoing, even if growth rates rebound.
- However, this estimate is quite possibly too low for the state of Georgia because of the likelihood that film production would relocate away from Georgia.
- The loss of this industry would put the job losses (NC’s experience plus film losses) at over 100,000 total jobs along with higher wage loss and nearly \$280 million in tax shortfalls.²
- This loss of revenue would result in a 17 percent decrease of the new tax revenue generated year over year.³

Background on North Carolina & The Employment Growth

Before the passage of HB 2 in North Carolina, employment growth in the state was noticeably outpacing the rest of the nation. After the passage of HB 2, the North Carolina economy saw a marked deceleration of job growth. For instance, North Carolina added 10,500 jobs the month HB 2 passed, but then the rate of employment growth fell.

North Carolina is a large state, and some momentum in job creation (or the lack thereof) should be expected. However, if North Carolina had maintained the pace of 10,000 jobs created per month, it was short 40,200 jobs in the year after passage, and an additional 48,200 jobs in the second year,

¹ Georgia’s labor force is nearly one percent larger than North Carolina’s.

² This estimate is based on Georgia losing roughly half of the film jobs in the state.

³ The state budget reports suggest that using a rounded \$1.5 billion is a reasonable assumption, although with the change in the rate this is a rougher approximation than usual.

totaling over 88,000 jobs lost. Even with the assumption that the state would not have maintained its pre-HB 2 pace, this pattern points to a significant decline in job growth.

After a year of slowing job growth after the bill's passage, the state legislature essentially repealed HB 2 in March of 2017. The state's job growth continued to decelerate and flattened out at a rate matching growth in the rest of the nation. It took about a year before the state began to reaccelerate to a pace greater than that of the nation, and while the pace of job creation in North Carolina has recently increased, it should be noted again that it is erratic and still not reliably at its pre-HB 2 pace. The United States decelerated its job growth over the same period, but only marginally.

Conclusion

North Carolina's pace of job creation slowed markedly immediately after the passage of the so-called "Bathroom Bill." While the negative fallout from the bill prompted its repeal a year later, the state's rate of job creation took another year to recover to its pre-bill level. Had the state continued to create jobs at their pre-bill pace, they would have created something more than 88,000 additional jobs in their state over the course of those two years. This is a permanent reduction in the overall level of jobs in the state so even though the pace of job creation has rebounded, the overall path of job growth is below what it otherwise would have been.