

Thriving State, Strained Households: Tennesseans Face Rising Costs Despite Economic Boom

Tennessee has experienced tremendous economic growth—with dramatic increases in population, employment, and Gross Domestic Product (GDP) over the last decade. Yet even so, costs of essentials—housing, transportation, child care, and food—are increasing faster than wages, leaving many Tennessee families struggling to make ends meet.

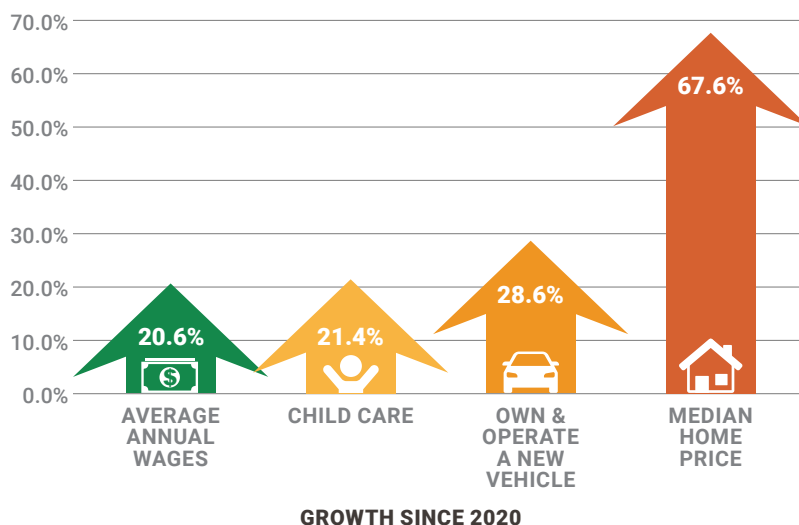
Tennessee has experienced among the highest growth in population, employment, and GDP.

POPULATION 2015-2024	JOB 2014-2023	GDP 2015-2024
	Increase	
636,000	840,500	\$223.3B
	Growth Rate	
9.7%	22.3%	68.4%
	TN Growth Rank	
13th	10th	10th

Source: U.S. Census and U.S. Bureau of Economic Analysis



Annual wages have increased since 2020, yet the costs of essentials have increased faster.



Sources: Bureau of Labor Statistics, Construction Coverage, TN Department of Human Services, AAA

Notes: Child care cost is for a toddler at center-based care.



In ThinkTennessee's comprehensive State of Working Tennessee Report, we present data on where and how our economy is thriving—**Tennessee is now the 15th largest state by population and employment and 17th largest economy by GDP**—and where Tennessee families are being left behind.¹ The report identifies opportunities to lean into our strengths as we think about how to grow with more intention over the next decade and how to leverage our economic growth into a path of prosperity for Tennessee's working families.

In this policy brief, we share the report's key takeaways and policy recommendations.

KEY TAKEAWAYS

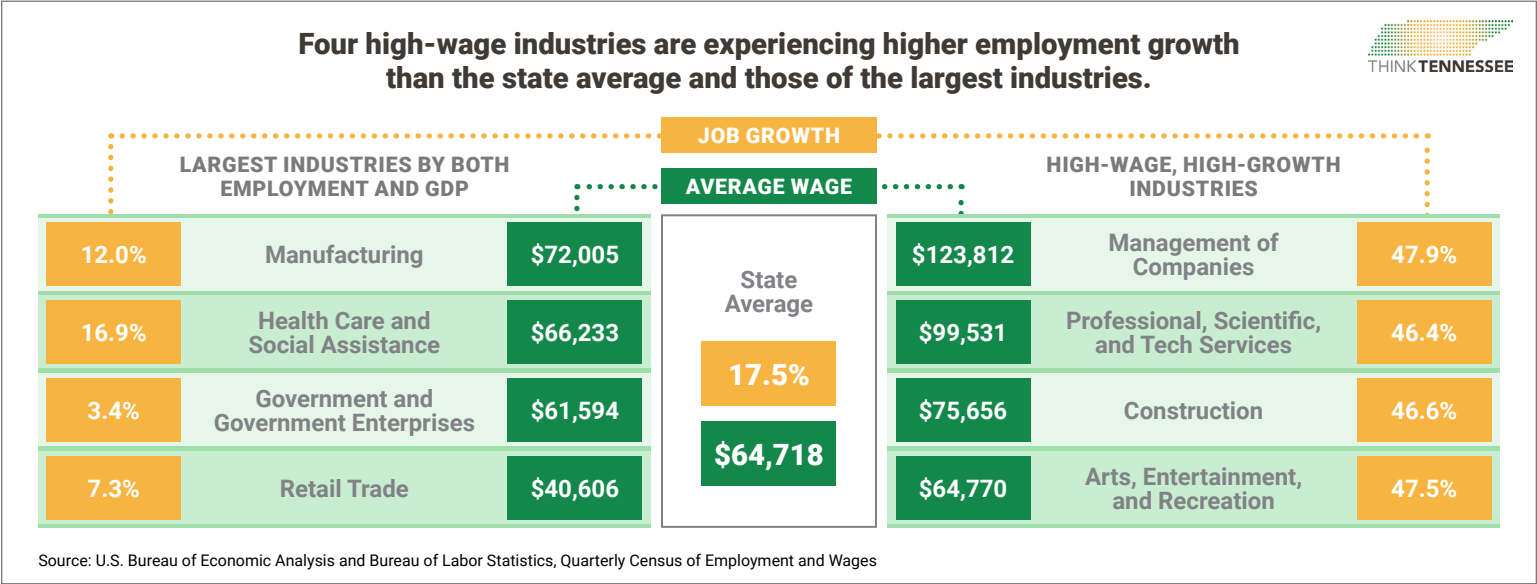
- Nearly one in two employed Tennesseans work in the state's four largest industries. But they are not the fastest growing or highest wage industries.
- Workers in several critical industries are not earning a living wage.
- While growth is occurring in most of the state, some counties are not sharing in the state's prosperity.
- Tennessee has invested heavily in tax incentives for businesses, though more can be done to ensure these jobs are benefiting Tennessee workers.
- Tennessee's low labor force participation rate is contributing to a worker shortage.
- Wages aren't keeping up with rapidly rising costs, leaving families struggling to pay for basic necessities.

Key Takeaways

Tennessee's economy is thriving, but not all Tennesseans are sharing in the growth. Some areas of the state are not growing, and though wages are rising statewide, they are not keeping up with rising costs.

Nearly one in two employed Tennesseans work in the state's four largest industries. But they are not the fastest growing or highest wage industries.

Manufacturing, health care, government, and retail trade are the state's largest industries in both GDP and employment.² While the biggest source of jobs in our state, these industries are not growing the fastest or providing the highest wages.³ Of the state's highest wage industries, four are growing faster than average, with two—**professional, scientific, and tech services** and **management of companies**—among the top four fastest growing and highest wage jobs in the state.⁴



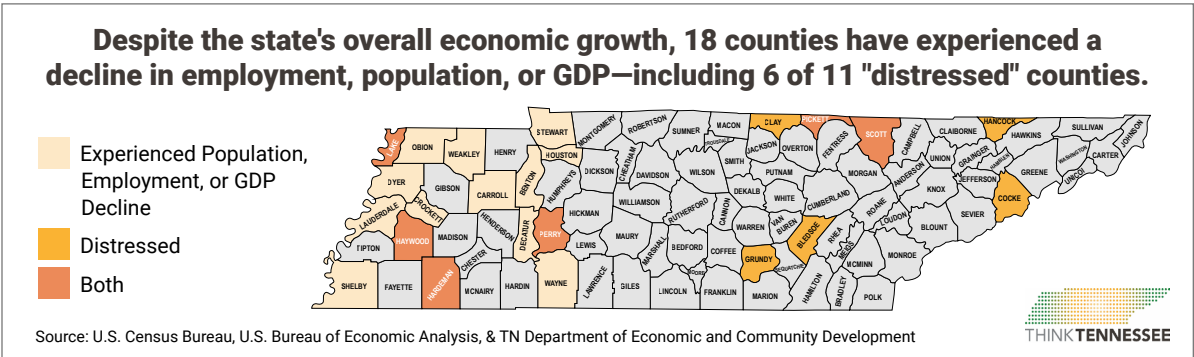
Workers in several critical industries are not earning a living wage.

Some of Tennessee's largest and most critical industries are not paying living wages. Workers in agriculture, retail trade, food and accommodation services, and education (particularly early childhood care workers) are **earning from \$9 to \$20 less an hour** than Tennessee's estimated living wage of \$36.31.⁵



While growth is occurring in most of the state, some counties are not sharing in the state's prosperity.

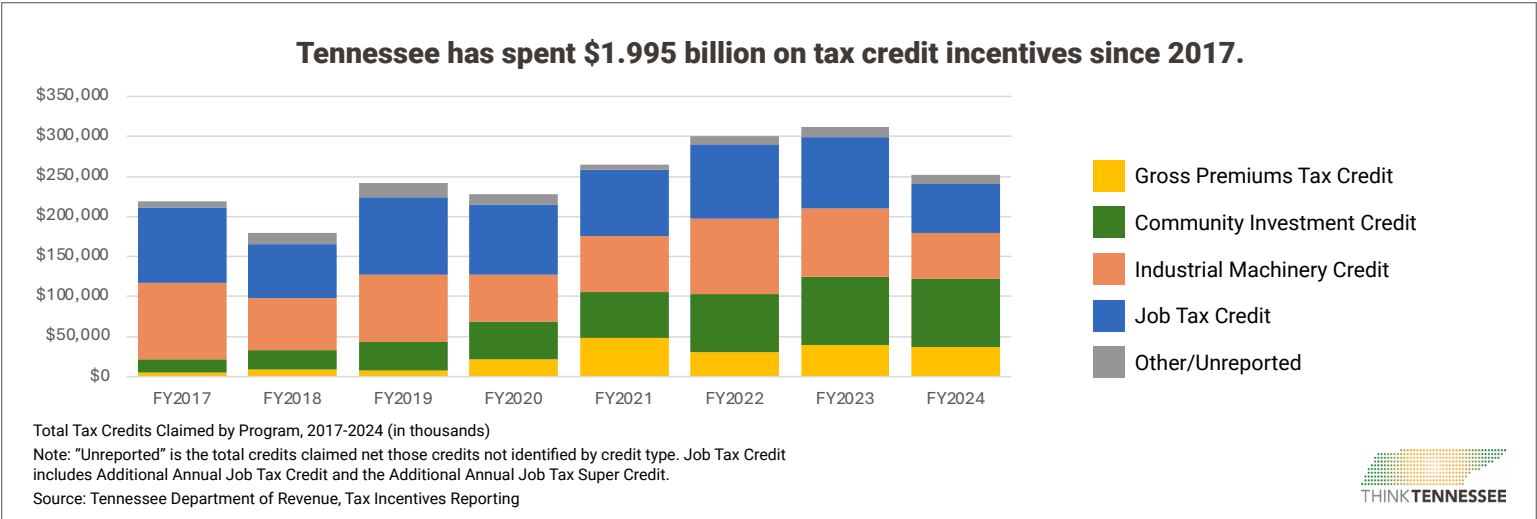
Just under a fifth of counties (18), primarily rural and in West Tennessee, have experienced a decline, rather than growth, in population, jobs, or GDP.⁶



Tennessee has invested heavily in tax incentives for businesses, though more can be done to ensure these jobs are benefiting Tennessee workers.

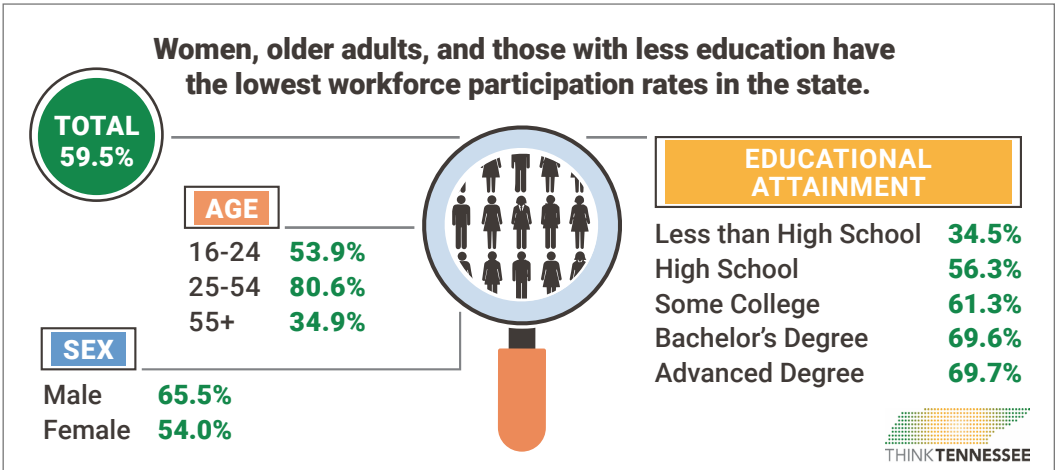
To encourage job growth and investment, the state has spent almost \$2 billion since 2017 on business incentives.⁷ Companies receiving these tax credits have seen higher employment growth and wages than others, though wage growth has been slower.⁸

While resulting in new jobs, most credits are not tied to job-quality standards or reporting requirements that help ensure commitments have been met. Tennessee ranks 38th in a comparison of incentive transparency, leaving room for improvement to help ensure they are generating the high-quality, high-growth, high-wage jobs most benefiting Tennessee workers.⁹



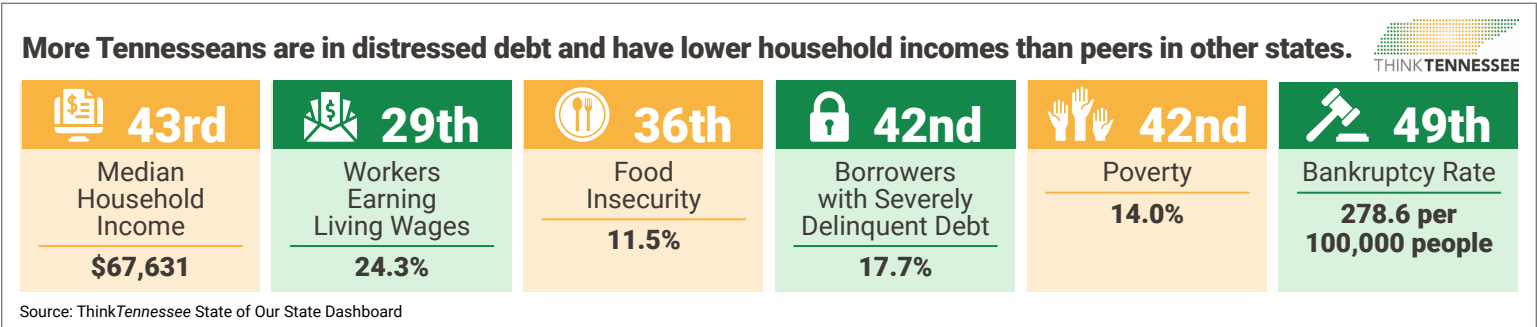
Tennessee’s low labor force participation rate is contributing to a worker shortage.

Tennessee is facing a shortage of 59,000 workers despite low unemployment (3.6%).¹⁰ Labor force participation (59.5%) is lower than both national (62.6%) and regional (61.3%) averages and varies widely across demographics.¹¹



Wages aren’t keeping up with rising costs, leaving families struggling to pay for basic necessities.

Median household income has increased 52.5% from 2014 to 2023, yet it is more than \$10,000 below the national average, and fewer than one in four Tennessee workers are earning a living wage.¹² At the same time, expenses have increased with home prices more than doubling, average auto debt increasing 22.5% over five years, and child care now averaging more than \$9,000 a year.¹³



Policy Recommendations

These key findings highlight opportunities to leverage Tennessee's impressive economic growth to better ensure more Tennessee families can strengthen their economic security by accessing high-wage employment that covers the cost of living expenses.



Increase access to high-quality jobs.

These policies will help ensure Tennessee workers are benefiting from the state's economic growth.

1

Support workforce development programs targeting living-wage, high-opportunity jobs in growing industries.

Invest in training that prepares Tennessee workers for the high-quality jobs needed in their communities.

2

Increase access to affordable child care and paid leave.

Support labor force participation, particularly for women, and increase productivity, revenues, and health outcomes.

3

Increase transparency and job standards for economic incentives.

Ensure public dollars are used effectively and job growth happens in high-wage, high-priority industries.

4

Ensure competitive wages and benefits for state employees.

High-quality employment in one of the state's largest industries will strengthen Tennessee's middle class.



Improve affordability and availability of basic household needs.

These policies will help Tennesseans struggling with increased costs.

1

Expand tools to reduce housing costs and increase supply.

State and local policies can support growth in attainable housing for families at all price points.

2

Invest in multimodal transportation options.

More options can reduce household transportation costs and improve health outcomes, particularly in mid-size and large urban areas.

3

Eliminate state tax on groceries.

Lowering food costs saves families money and reduces food insecurity.



Ensure Tennessee workers can benefit long-term from the state's growth.

These policies, programs, and investments require further exploration.

1

Identify regional opportunities.

Tailor investments to regional needs for the most impact for Tennessee families.

2

Understand the impact of federal policy changes.

Funding and program cuts will have an impact on Tennesseans that state policies can help address.

3

Monitor the impact of federal tariffs.

Understand the impact, challenges, and opportunities for Tennessee businesses and employment.

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