

April, 2015

## It's Time for A Raise:

### Why increasing the minimum wage is good for business, good for workers, and good for North Carolina's economy

Many North Carolina workers are locked in low-wage jobs that don't pay enough to make ends meet, even though they're working full-time. Over the long-term, state lawmakers need to implement a comprehensive strategy that creates pathways *out* of this low-wage economy. But right now, they can provide an immediate boost to working families by increasing the minimum wage from the current level of \$7.25 an hour. Raising the wage floor would put more money in the pockets of workers, increase sales for local businesses, and strengthen the state's overall economic performance, without increasing unemployment.

#### Voters across the political spectrum support minimum wage increases

- During the 2014 elections, voters approved minimum wage increases everywhere they were on the ballot—from deep red states like Nebraska, South Dakota, Arkansas, and Alaska to blue cities like Oakland. Recent polling showed that **58 percent of North Carolinians support raising the minimum wage.**<sup>1</sup> More than half of self-identified conservative voters support local ordinances requiring that local businesses pay their employees a living wage.

#### Raising the minimum wage benefits adult workers and their families

- **Raising the minimum wage is a critical antidote to the boom in low-wage jobs.** Almost 6 out of every 10 new jobs created since the end of the recession are in industries that pay poverty-level wages. More than 80 percent of new jobs created since 2009 don't pay enough to cover life's necessities, including housing, healthcare, groceries, and gas costs.<sup>2</sup> Raising the minimum wage would make the difference between destitution and self-sufficiency for thousands of workers on the bottom rung of the state's labor market.
- **Raising the minimum wage puts more money in the pockets of those workers most likely to spend it.** For example, boosting the wage floor to \$10 an hour would affect approximately 1 million workers in North Carolina. And because of the boom in low-wage work, the vast majority of those North Carolinians benefitting from the wage increase are no longer the part-time, teen-aged workers who once filled the bulk of entry-level jobs in past generations. **Now, more than 85 percent of those benefitting from a minimum wage increase are workers older than 20 years of age, and more than half work full-time.**<sup>3</sup> A half-million children in the state would experience increased security thanks to their parents' higher wages—a critical support given that North Carolina has the eighth highest percentage of children living in poverty in the nation.<sup>4</sup>

For more  
information,  
contact:

Allan Freyer  
Workers' Rights  
[allan@ncjustice.org](mailto:allan@ncjustice.org)  
or (919) 856-2151

NORTH CAROLINA  
JUSTICE CENTER  
P.O. Box 28068  
Raleigh, NC  
27611-8068

(919)856-2570  
[www.ncjustice.org](http://www.ncjustice.org)

## **Raising the Minimum Wage will Boost Businesses and the State's Economy, without hurting overall employment**

- **Economists have repeatedly found that those states that increased their minimum wages have seen better economic performance, lower unemployment, and higher job creation rates than those states that didn't raise their wages**, controlling for regional economic trends.<sup>5</sup> The evidence clearly and repeatedly contradicts critics who claim that increasing the minimum wage forces employers to offset greater payroll costs by reducing the number of employees.
- **Raising the minimum wage creates more customers, more sales, and bigger profits.** For example, recent studies have indicated that raising the minimum wage to \$10 an hour would **increase paychecks for North Carolina's workers by \$2 billion a year**. That's \$2 billion in increased consumer spending at local businesses, boosting business sales, business profits, and **creating more than 5,000 new jobs**.<sup>6</sup>
- **Raising the minimum wage helps small businesses reduce payroll costs by reducing employee absenteeism and turnover while simultaneously boosting productivity.** Economists have long recognized that better-paid workers are more efficient, more effective, and more productive.<sup>7</sup> Most importantly, **increasing wages at the bottom rung reduces absenteeism and turnover—the two biggest drags on business productivity.** Turnover requires managers' time to review application, interview applicants, and provide on-the-job training and supervision for new workers once they are hired. Higher wages persuade workers to stay on the job longer.
- **These positive effects of a minimum wage increase outweigh the costs for local businesses and will not lead to layoffs.** Taken together, the extra sales and stronger employee productivity more than outweigh the additional wage costs to businesses. And even where businesses do feel the need to reduce labor costs, 25 years' worth of studies by labor economists have shown that businesses don't respond by laying off workers, they respond by reducing workers' hours—for example, a 10-percent increase in the minimum wage can reduce employee hours by about 1 or 2 percent.<sup>8</sup> **But low-wage workers still come out ahead—even after seeing their hours go down, they see a net increase in wages of 8 to 9 percent.**

**Raising the minimum wage is good for workers, good for businesses, and good for the economy. It's time to raise the minimum wage!**

This fact sheet was prepared with the support of the Working Poor Families Project

<sup>1</sup> Public Policy Polling. (2014). Survey of 856 likely voters, conducted August 14-17, 2014 on behalf of Blueprint.

<sup>2</sup> Sirota, Alexandra et al. (2014). North Carolina's Tomorrow: Seeking Good, Quality Jobs to Build an Economy that Works for All. N.C. Budget & Tax Center, Raleigh, NC.

<sup>3</sup> Schoenbach, Sabine. (2013). Time for a Raise: The impact of raising the minimum wage on North Carolina's working families and the economy. NC Justice Brief, March 2013.

<sup>4</sup> Working Poor Families Project analysis of American Community Survey.

<sup>5</sup> Dube, Lester, Reich. (2011). Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. IRLE Working Paper.

<sup>6</sup> Analysis of Current Population Survey data performed by the Economic Policy Institute, in Schoenbach, Sabine. (2013). Time for a Raise: The impact of raising the minimum wage on North Carolina's working families and the economy. NC Justice Brief, March 2013.

<sup>7</sup> Baker, Dean and Schmitt, John. (2012). The Bogus Case Against the Minimum Wage Hike. Center for Economic and Policy Research.

<sup>8</sup> *Ibid.*