



THE POWER OF WAGE POLICIES:

How **raising public sector wages** can promote living incomes and boost North Carolina's economy

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 north carolina
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Municipal and county governments still have opportunities to take positive action to raise wages for workers living in their communities, despite recent state legislation that limits local government authority. One such policy opportunity involves raising the wages of their own public employees, a strategy that can play an important role in combatting wage stagnation and income inequality by increasing the number of jobs that help boost the economy.

Also known as “living-wage” jobs, these economy-boosting jobs allow workers to earn enough to afford the basics—to put food on the table, pay the rent, put gas in the car, and cover childcare expenses. When that happens, workers help boost sales and profits for local businesses and, in turn, the entire economy. Over the past decade, dozens of states and local communities across the nation have recognized that the federal minimum wage simply doesn’t pay enough for families to cover their everyday needs and as a result have acted to establish stronger wage policies.

Economy-boosting jobs allow workers to earn enough to afford the basics

Yet, at the same time, years of state and local budget cuts have drastically reduced the number of public employees and driven down their wages to the point where City and County workers in North Carolina and across the nation earn less than their private sector counterparts.¹ This challenging trend will only continue to hold down private sector wages, as the total supply of economy-boosting jobs in local communities remains depressed along with consumer spending.

Although communities define “living-wage” jobs in different ways, local governments across North Carolina share a critical opportunity to join the growing movement to raise wages in their communities in ways that best fit their needs. City and County officials should jump at the chance to join the ranks of communities like Greenville, Greensboro, Asheville, Durham, Chapel Hill, and Carrboro to enact living wage standards for their public employees and invigorate our economy.

What local governments CAN and CAN’T do to raise wages

The North Carolina Constitution—along with recent state Supreme Court decisions and legislative action—limits the authority of local governments to raise wages for the workers in their communities. Yet municipal and county governments still have the ability to take positive action to promote quality jobs—especially by raising the wages of their own public employees.

Municipalities in New Jersey and Connecticut recently set wage floors for private employers above the federal or state minimum wage. North Carolina, however, is a modified “Dillon Rule” state. Here, local governments only have as much power as they are given by the

General Assembly. They may act either by enabling legislation passed by the GA authorizing them to do so, or through their statutory powers to take action to prevent harm to the health and safety of their citizens (so-called “police powers”).

Unfortunately, recent legislative and judicial decisions in North Carolina have dramatically scaled back the authority of local governments to exercise these police powers in ways that can help raise wages. This is a policy known as “preemption,” in which state government preempts the power of municipalities and counties to act. On the judicial side, the North Carolina Supreme Court found in the case of *Williams v. Blue Cross Blue Shield* (2003) that an Orange County employment discrimination ordinance was unconstitutional.² The Court found that the state Constitution prohibits the General Assembly from passing legislation that allows local governments to regulate labor, trade, mining or manufacturing, arguing

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that such legislation could lead to a “patchwork of employment discrimination standards varying from county to county.”³ Although local governments do have the statutory “police powers” authority to pass ordinances protecting the health, safety, and welfare of its citizens, the Court said that cities and counties *don’t* have the ability under their police powers to create a new way for citizens to sue their employers if it involves regulating labor.⁴

On the legislative front, the N.C. General Assembly further restricted local governments’ ability to pass ordinances affecting employee wages and working conditions in 2013 by passing House Bill 74. Prior to the bill, a number of local governments, including Durham and Asheville, required certain private employers that contracted with the public sector to pay their employees a living wage. Section 5 of HB 74 now prohibits cities and counties from requiring a private contractor to abide by restrictions that a local government can’t impose on all employers, including a requirement to pay a living wage or to provide paid sick leave.

Despite these obstacles, city and county governments still have options to raise wages in their communities. While HB 74 may have blocked local governments from requiring living wages from private employers (including contractors), city and county governments still have the authority to raise the wages of their own public employees—and a growing number of local governments are pursuing this opportunity.

Raising the wage is good for the economy and local budgets

Raising wages are critically important to promoting widely shared prosperity and boosting economic growth. Yet North Carolina’s economy continues to suffer from stagnant wages and growing income inequality. In fact, the majority of private-sector jobs created in North Carolina since the end of the recession have occurred in industries whose average wage isn’t enough to make ends meet or lift workers out of poverty.⁵ This isn’t a short-term trend—total median household income in North Carolina has fallen by \$5,000 since 2000.⁶

Despite almost doubling worker productivity since 1979, individual worker compensation has risen by just 22 percent.⁷

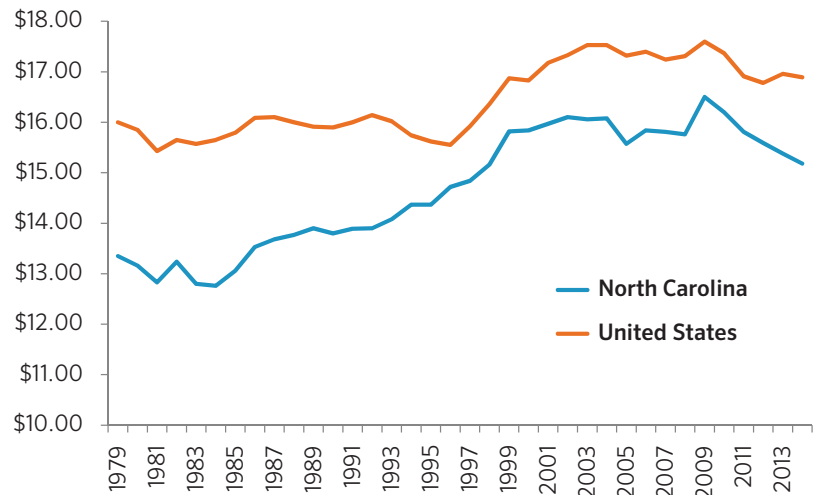
In the absence of action to increase the federal or state minimum wage for all workers, city and county governments have a crucial opportunity to address the looming challenge of wage stagnation by raising the pay of their own employees, and in the process, creating more economy-boosting jobs. In turn, workers will have more money to afford the basics and support their local businesses as customers, resulting in higher sales, bigger profits, and more jobs. This virtuous cycle explains why states that raised their minimum wage above the national average have outperformed states that didn't in terms of job creation and income growth.⁸ That's because the failure of wages to keep up with the costs of basics holds down economic growth and creates barriers to economic opportunity. After all, if workers can't shop at stores or pay for housing, local businesses can't thrive and the economy will stall.

Moreover, raising wages for public employees sets an important standard that can encourage private employers to also raise wages for their own workers. As long as local government workers are paid more than their private sector counterparts in similar occupations, there's an enormous incentive for private employers to raise their own wages in order to compete for hiring and retaining the best workers. It also sends a signal about what it truly takes to make ends meet in a community.

This has been the case with many small businesses in Asheville and Durham, which have voluntarily chosen to pay their workers the same living wage as those local governments pay.⁹ While no substitute for a true minimum wage increase, these voluntary certification efforts take their lead from local governments in increasing the supply of quality jobs in their communities.

FIGURE 1: Wages for the median North Carolina worker fall over the course of the official recovery, widening the gap with nation

Hourly Wage Rate, 2000 to 2014



SOURCE: Economic Policy Institute Analysis of Current Population Survey data, 1979 to 2014

North Carolina's economy continues to suffer from **stagnant wages** and **growing income inequality**

Raising wages for local government employees plays an important role in balancing local budgets

Lastly, raising wages for local government employees plays an important role in balancing local budgets in the long-term. Greater consumer spending improves sales tax revenue collections, while rising incomes contribute to higher home prices and higher property tax collections. In effect, broad-based economic growth achieved by rising wages also puts local governments on sounder fiscal footing, ensuring financial sustainability for public programs that promote vibrant communities such as housing, transportation, and social services.

Raising wages for City and County employees would almost certainly improve the efficiency and effectiveness of delivering public services. In the private sector, economists have long recognized that better-paid workers are more efficient, more effective, and less prone to absenteeism and turnover—the two biggest drags on productivity.¹⁰ There is every reason to expect that these effects of better wages would also carry over to government workers.

State tax and budget cuts reduce economy-boosting jobs in the public sector

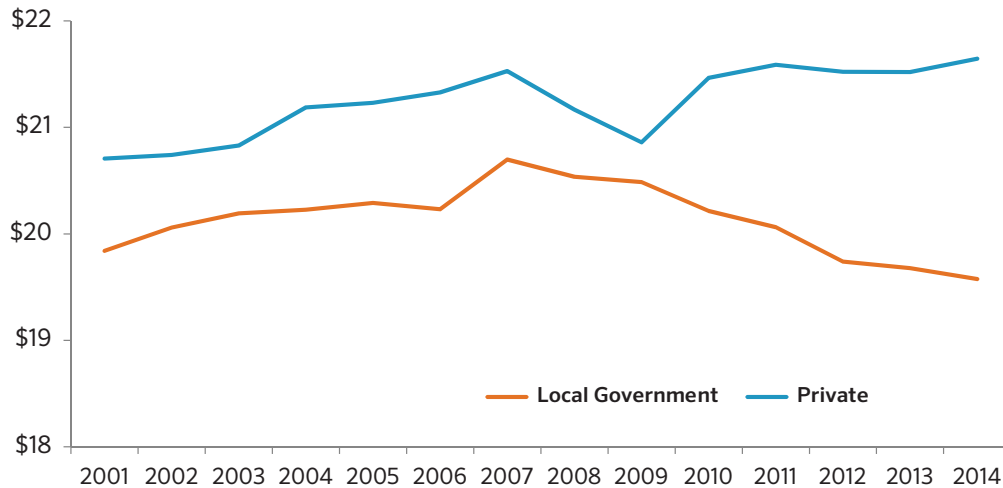
Local governments can boost the economy and promote fiscally sound, vibrant communities when they create jobs that pay workers enough to make ends meet. Yet since the onset of the Great Recession in 2009, the number of quality jobs offered through city and county government employment has dramatically contracted across the U.S., as budget cuts drove layoffs and wage cuts in the local public sector workforce.

The Great Recession and subsequent slow recovery have been particularly hard on North Carolina's local governments. Fiscal challenges at the state and local level initially brought on by job loss and the collapse of the housing market—and with it, property values—drove significant initial declines in consumer spending, personal income, and corporate profits. As a result, revenues from sales, income, and property taxes fell precipitously after 2008, contributing to reduction in state aid to local governments and declines in their own revenue that led to job losses in city and county governments. In fact, North Carolina lost more than 14,000 net jobs in state and local government through the deepest part of the recession.¹¹

Climbing out of this hole since the end of the recession has been challenging for local governments. Policy decisions by the General Assembly weakened City and County efforts to provide basic, quality services to residents, while the pursuit of tax cuts squeezed out reinvestment. The result is that despite the recovery, local government workers wages remain depressed and are failing to keep up with the very limited wage gains in the private sector (see Figure 2). Even these gains should not be overstated since rising inequality has resulted in wage declines for the *median* worker. The state's modest wage gains still fall far short of the nation's performance.

In 77 counties across North Carolina, local government employed fewer people in 2014 than in 2009, despite population increases in many of these localities and subsequent

FIGURE 2: Local government workers have always been paid below the private sector on average, but their pay has declined in the recovery



SOURCE: Quarterly Census of Employment and Wages, Annual Data of Average Wage by Ownership, NC Department of Commerce

greater need for public services. Earnings fell for City and County workers in 96 counties. The cumulative decline in hourly wages across these counties reduced earnings by an average of \$2,737 for each worker since 2009 (See Appendix for Data on Employment and Wage Trends in 100 Counties, 2009 to 2014).

This is a problem not just for these workers and their families but for local economies as well. In all 100 North Carolina counties, local governments represent at least one of the largest employers. Accordingly, their wage standards represent a significant factor in workers' purchasing power as well as a powerful signal to the business community as it sets the wage standards of its own employees. This is part of the reason why nine municipalities or counties in North Carolina have adopted wage standards that are above the state and federal minimum wage and more in line with the costs of basic household goods and services.

A living wage boosts the economy by ensuring workers earn enough to purchase basic goods and services

By setting a wage standard that reflects what it actually costs to make ends meet, local governments can provide workers with greater capacity to engage with the broader economy as well as increase the supply of economy-boosting jobs. At the same time, these local government standards show a commitment to ensuring that the economy works for all North Carolinians.

But how do we define a “living wage” standard? The figure below shows how various wage standards stack up to an average North Carolina household budget. The Living Income Standard reflects a conservative estimate of this basic household budget by using market-based estimates of the costs of housing, transportation, childcare, and food, as well as other essential items for all 100 counties. The statewide average hourly wage needed in 2014 to meet these basic household costs was estimated at \$16.21, more than double the current minimum wage standard.

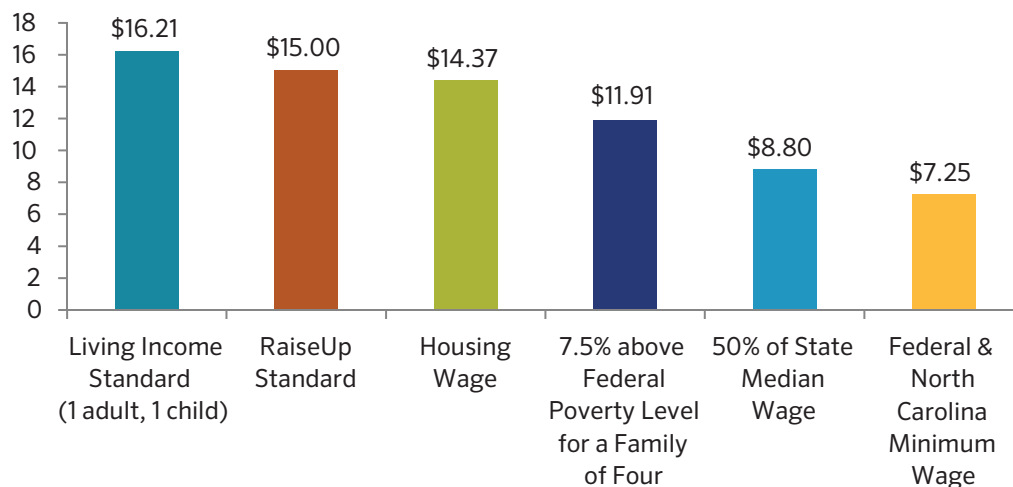
Momentum grows at City and County levels to boost the economy through stronger wage standards

Over the last 20 years, a number of local governments in North Carolina have seized the opportunity to increase the supply of economy-boosting quality jobs in their communities by raising the wage for their own public employees. Durham County, the City of Durham, Chapel Hill, Carrboro, Orange County, Buncombe County, the City of Asheville –and just this year, the Cities of Greenville and Greensboro and Wake County all adopted living wage laws for public employees. Hourly living wage standards vary across localities. But all of them recognize that current state and federal minimum wage standards are insufficient to make ends meet.¹²

Cities and counties set the pay plan or salary schedule for public-sector employees annually through a process that often consults the market-rate for similar functions in the

FIGURE 3: Current minimum wage standards fall far short of what it takes to make ends meet

Various hourly wage rates



SOURCE: Schoenbach and Sirota, 2014

FIGURE 4: Municipal Wage Floors

City	Annual Wage Floor	Hourly Wage Floor	Living Income Standard (1 adult, 1 child)	Hourly Wage Floor as Share of LIS
Winston-Salem	\$21,010.00	\$10.10	\$14.32	71%
Asheville	\$26,000.00	\$12.50	\$15.83	79%
Burlington	\$18,096.00	\$8.70	\$14.64	59%
Cary	\$22,526.40	\$10.83	\$19.64	55%
Charlotte	\$25,480.00	\$12.25	\$17.16	71%
Chapel Hill	\$24,523.20	\$11.79	\$19.45	61%
Durham	\$26,166.40	\$12.58	\$18.41	68%
Fayetteville	\$21,108.00	\$10.15	\$15.35	66%
Goldsboro	\$21,420.71	\$10.30	\$14.55	71%
Greensboro	\$20,800.00	\$10.00	\$14.78	68%
Greenville	\$27,643.20	\$13.29	\$16.32	81%
Hickory	\$26,062.40	\$12.53	\$13.48	93%
Jacksonville	Not available		\$17.59	
Raleigh	\$15,080.00	\$7.25	\$19.64	37%
Rocky Mount	\$16,889.60	\$8.12	\$14.85	55%
Wilmington	\$23,171.20	\$11.14	\$16.26	69%

private sector, competition for labor, and changes in cost of living. In line with the national movement to raise wages for local government employees,¹³ a growing number of city and county governments in North Carolina are incorporating the living wage standard as one of these factors and accordingly paying their employees enough to make ends meet.

The Cities of Greensboro and Greenville both recently passed wage increases for their employees. Wake County also appears poised to provide its workers with a living wage. In

FIGURE 5: County Wage Floors

County	Annual Wage Floor	Hourly Wage Floor	Living Income Standard (1 adult, 1 child)	Hourly Wage Floor as Share of LIS
Alamance	Not available		\$14.64	
Buncombe	\$26,000	\$12.50	\$15.83	79%
Catawba	\$20,280	\$9.75	\$13.48	72%
Cumberland	\$21,754	\$10.46	\$15.35	68%
Durham	\$26,166	\$12.58	\$18.41	68%
Edgecombe	Not available		\$14.85	
Forsyth	\$15,080	\$7.25	\$14.32	51%
Guilford	\$21,893	\$10.53	\$14.78	71%
Mecklenburg	\$15,080	\$7.25	\$14.54	50%
Nash	Not available		\$14.85	
New Hanover	\$20,800	\$10.83	\$16.26	67%
Onslow	\$20,810	\$10.00	\$17.59	57%
Orange	\$24,521	\$11.79	\$19.45	61%
Pitt	Not available		\$16.32	
Wake	\$28,080	\$13.50	\$19.64	69%
Wayne	Not available		\$14.55	

Greenville, several City Councilmembers had long sought to increase the wages for their lowest paid employees. This summer, they succeeded in raising the wage to \$13.29, at a cost of roughly \$2 million—or less than half of one percent of the total budget.¹⁴

In Greensboro, efforts by worker advocates led to an even bigger increase to \$15 an hour (to be phased in fully in by 2020). Advocates canvassed hundreds of City employees to find out how much they were paid, when they last received a raise, and what they needed to make ends meet. They shared these stories with Councilmembers and the Mayor, and

worked with these officials to determine a wage level that provided workers with enough to afford the basics (what they called a “family wage”) at a fiscally responsible cost.

In Wake County, the Commission voted unanimously in November to raise the wage of County employees to \$13.50 an hour, arguing that the raise was morally necessary and economically effective.

These efforts point towards a growing momentum to set the pay of public sector workers, who are delivering core services in their community, so they can afford life’s basic necessities. The vast majority of local governments have already recognized that federal and state wage standards are ineffective at retaining and recognizing the talent they need to operate effectively and efficiently. Of the state’s major cities and counties where there is no current living wage policy, only three cities and three counties (Catawba, Forsyth, Mecklenburg) have wage floors below \$10 an hour. Interestingly, Charlotte and Hickory – often not recognized for their higher wage standard – have a wage floor set higher than \$12.

Yet the fight for fair living wage standards is far from over. More city and county governments in North Carolina can—and should—join the growing movement for living wages by paying their own employees enough to support themselves and their families. These efforts will not only help workers and the economy, but also demonstrate the power of state policies that raise the minimum wage and ensure that quality jobs are available to all North Carolinians. ■

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1. Morrissey, Monique, February 5, 2014. Another Drag on the Post-Recession Economy: Public-Sector Wages. Economic Policy Institute, Washington, DC. Accessed at: <http://www.epi.org/publication/snapshot-public-sector-wages/>
 2. *Williams v. Blue Cross Blue Shield of NC*, 357 N.C. 170 (2003).
 3. *Williams*, 357 N.C. at 170.
 4. NCGS 160A-174 (cities) and 153A-121(a) (counties).
 5. Analysis of QCEW, 4th Quarter 2009 to 4th Quarter 2014.
 6. Analysis of Median Household Income, American Community Survey, 2000 to 2014
 7. Freyer, Allan, Alexandra Sirota, Patrick McHugh, Brian Kennedy and Ciara Zachary, September 2015. *State of Working North Carolina 2015: The Future of Work and Ensuring Job Quality in North Carolina*. North Carolina Justice Center: Raleigh, NC
 8. Dube, Lester, Reich. (2011). *Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties*. IRLE Working Paper.
 9. For more on the Living Wage Certification Program in Asheville visit www.justeconomicswnc.org and on the Durham Living Wage Certification Project visit www.durhamlivingwage.org.
 10. Baker, Dean and Schmitt, John. (2012). *The Bogus Case Against the Minimum Wage Hike*. Center for Economic and Policy Research.
 11. Economic Policy Institute, September 2015, *Job Watch*
 12. Schoenbach and Sirota, 2014, *Policy Basic: Measuring a Living Wage*. North Carolina Justice Center: Raleigh, NC.
 13. Between January and September of 2015, eight cities across the country passed wage increases, raising wages to between \$10.10 and \$15.00 per hour. Likewise, workers in six cities and counties won paid sick days during that same time period in 2015.
 14. Analysis of the City of Greensboro’s annual budget of \$488 million and estimated cost of between \$1.9 and \$2.1 million for raising the wage.

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Appendix

2009 County	Change in Local Government Employment (2009 to 2014)	Change in Local Government Wages (2009 to 2014)	Change in Total Government Wages (2009 to 2014)	Local government employment as a percent of total employment (2014)
Alamance	-44	-8%	-1%	9.9%
Alexander	-39	-5%	1%	15.1%
Alleghany	-82	-3%	6%	15.5%
Anson	-198	-4%	-1%	17.3%
Ashe	-80	-7%	3%	13.5%
Avery	-10	-3%	-11%	12.9%
Beaufort	-92	-5%	-1%	12.6%
Bertie	5	-13%	-11%	13.3%
Bladen	-75	0%	1%	14.3%
Brunswick	-60	-6%	-1%	14.7%
Buncombe	-341	-5%	-1%	7.1%
Burke	-341	-8%	-1%	10.7%
Cabarrus	217	-1%	-3%	18.6%
Caldwell	-116	-9%	-1%	13.3%
Camden	0	-11%	-3%	29.3%
Carteret	-23	-5%	-2%	15.3%
Caswell	-58	-12%	-5%	27.6%
Catawba	-272	-3%	0%	9.5%
Chatham	-27	-6%	-2%	13.5%
Cherokee	-3	-12%	-5%	14.6%
Chowan	-16	-13%	1%	15.1%
Clay	8	-8%	-2%	23.8%
Cleveland	-23	-7%	1%	13.4%
Columbus	-196	-5%	-1%	14.0%
Craven	-233	-4%	0%	14.3%
Cumberland	-376	-3%	-3%	16.0%
Currituck	-54	-6%	-2%	16.1%
Dare	22	-10%	-3%	11.3%
Davidson	-205	-7%	2%	12.9%
Davie	-43	-7%	0%	13.4%
Duplin	-285	-9%	-1%	11.6%
Durham	90	-7%	-2%	5.5%
Edgecombe	-270	-11%	-11%	18.2%
Forsyth	-620	-7%	5%	7.6%
Franklin	9	-4%	2%	18.1%
Gaston	-341	-8%	0%	11.4%
Gates	-12	-13%	-4%	34.5%
Graham	15	-8%	9%	22.2%
Granville	-102	-6%	-2%	11.8%
Greene	-39	-11%	-4%	20.1%
Guilford	-111	-11%	1%	7.2%
Halifax	-293	-7%	0%	19.9%
Harnett	271	-5%	-1%	20.3%
Haywood	-466	-10%	-1%	16.6%
Henderson	-68	0%	-1%	12.5%
Hertford	-22	-11%	6%	12.6%
Hoke	-17	-4%	0%	24.3%
Hyde	-15	-11%	-2%	15.8%
Iredell	-330	-5%	8%	10.7%

2009 County	Change in Local Government Employment (2009 to 2014)	Change in Local Government Wages (2009 to 2014)	Change in Total Government Wages (2009 to 2014)	Local government employment as a percent of total employment (2014)
Jackson	21	1%	-6%	11.0%
Johnston	231	-7%	-7%	17.5%
Jones	55	-3%	-1%	31.8%
Lee	-58	-7%	-8%	9.6%
Lenoir	-183	-7%	-3%	12.4%
Lincoln	-144	-2%	1%	15.8%
Macon	-10	-8%	-1%	12.9%
Madison	-4	-12%	2%	21.8%
Martin	-153	-7%	-13%	14.5%
McDowell	-37	-9%	0%	10.2%
Mecklenburg	5766	1%	5%	9.5%
Mitchell	-111	-4%	1%	14.9%
Montgomery	-118	-8%	1%	11.6%
Moore	-78	-3%	-3%	9.9%
Nash	111	-2%	1%	13.3%
New Hanover	733	-3%	-3%	12.4%
Northampton	-92	-8%	1%	17.3%
Onslow	34	-1%	0%	13.8%
Orange	92	-12%	0%	9.0%
Pamlico	-31	-12%	-7%	14.1%
Pasquotank	-915	-14%	0%	14.3%
Pender	32	-4%	-1%	18.6%
Perquimans	2	-12%	5%	29.7%
Person	-213	-1%	4%	14.9%
Pitt	560	-4%	2%	18.2%
Polk	11	-16%	-9%	16.5%
Randolph	-281	-6%	0%	10.5%
Richmond	-159	-4%	2%	15.1%
Robeson	-177	-9%	-1%	15.0%
Rockingham	-261	-9%	0%	13.0%
Rowan	-353	-8%	-4%	10.6%
Rutherford	-148	-10%	0%	14.0%
Sampson	-44	-8%	-2%	17.3%
Scotland	-338	-5%	3%	13.8%
Stanly	-181	-8%	-3%	12.2%
Stokes	-78	-10%	-5%	22.9%
Surry	-383	-5%	-2%	12.7%
Swain	922	0%	0%	53.0%
Transylvania	-20	-2%	-2%	14.4%
Tyrrell	-2	-14%	-6%	23.0%
Union	-65	-3%	4%	16.5%
Vance	-145	-11%	-5%	12.8%
Wake	1009	-6%	2%	6.7%
Warren	-80	-4%	3%	24.8%
Washington	-121	-10%	38%	24.1%
Watauga	-168	-11%	-1%	7.2%
Wayne	-1840	-14%	0%	11.0%
Wilkes	-186	-7%	-1%	15.0%
Wilson	-1025	-10%	4%	9.8%
Yadkin	-143	-8%	0%	13.8%
Yancey	-9	-8%	-4%	19.5%

SOURCE: Quarterly Census of Employment and Wages, Annual Data, NC Department of Commerce