



RAISE THE STATE MINIMUM WAGE

North Carolina needs an economy that works for all and ensures broadly shared prosperity. That means creating jobs that pay workers enough to afford the basics for themselves and their families—enough to buy groceries, pay the rent, put gas in the car, and keep their children in day care. Unfortunately, the jobs that paid decent wages are largely vanishing, as low-wage service jobs replace the manufacturing positions that once provided generations of North Carolinians with vital pathways to the middle class. This trend has only accelerated since the end of the Great Recession.¹

Raising the minimum wage in North Carolina provides a critical antidote to the ongoing boom in low-wage work. The state’s current minimum wage is identical to the nation’s wage at \$7.25 an hour. But our elected officials have the opportunity to join a growing list of state governments—including Arkansas, Nebraska, Alaska, South Dakota, New York, and California—that have recently acted to raise the wage floor for employers within their jurisdictions. These states have recognized that the current national minimum wage simply doesn’t pay enough to make ends meet, and that by raising their own wage floors they can help workers and boost their overall economies. Joining this movement will benefit North Carolina’s businesses, help workers, and boost the state’s overall economy.

The current minimum wage just isn’t enough

According to the Living Income Standard (LIS)—a market-based assessment of what it takes to make ends meet—a family with one adult and one child needs to earn \$33,700 per year in order to afford the basics.² Yet the majority of the jobs created over the past seven years don’t pay enough to meet these needs or lift families out of poverty, and one in five North Carolina families now fall below this threshold.³ Women and people of color are disproportionately affected—people in families with incomes below the LIS are more likely to be women (59 percent), working age (56 percent), and have a high school degree or less (63 percent). A greater share of Latinos (23 percent), African-Americans (13.5 percent), and Asians (14.1 percent) are living under the LIS compared to whites (9 percent).⁴

At the current North Carolina minimum wage of \$7.25 an hour, a full-time minimum-wage worker earns approximately \$15,080 per year. This is approximately \$1,000 less than the federal poverty level for 2016 for a family of one adult and one child⁵ and more than \$18,000 less than what it truly takes to make ends according to the LIS.⁶ Additionally, over the last 40 years, the inflation-adjusted value of the minimum wage has eroded by nearly one-third. While food, healthcare, and housing costs continue to increase, the purchasing power of the minimum wage has decreased dramatically.⁷ The minimum wage has lost approximately 7 percent of its value⁸ since the last time the federal minimum wage was raised in 2007.

Given these trends, it is clear that the minimum wage does not provide workers with sufficient income to make ends meet or escape poverty despite working full-time.

FOR MORE INFORMATION: **Allan Freyer, Director, Workers’ Rights Project**
(919) 856-2151 | allan@ncjustice.org
P.O. BOX 28068 | 224 S. Dawson Street | Raleigh, NC 27611





TIME FOR A RAISE: Increasing the minimum wage helps build an economy that works for all

Raising the wage is good for the economy

Raising the state's minimum wage will boost businesses and the state's economy without hurting overall employment. Although the economics literature in the 1980s and 1990s suggested that raising the minimum wage would result in minor job losses, recent advances in statistical analysis since the turn of the century—coupled with a flood of new state-level decisions to raise the wage in the 15 years since—have contributed to new, more accurate

studies that paint a very different picture. Economists have increasingly found states that increased their minimum wages have seen better economic performance, lower unemployment, and higher job creation rates than states that didn't raise their wages, controlling for regional economic trends.⁹ The empirical 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.¹⁰ Indeed, recent studies provide compelling evidence showing states that raised the minimum wage actually outperformed those that did not in terms of overall job creation.¹¹

Workers benefitting from increase in minimum wage:

1.3 million
will see a raise

90%
are over the age of 20

62%
work full-time

750,000
children affected

Raising the minimum wage creates more customers, more sales, and bigger profits. 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.¹² Additionally, this would put more money in the pockets of those workers most likely to spend it. For example, boosting the wage floor to \$12 an hour would affect approximately 1.3 million workers in North Carolina. 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,

teenaged workers who once filled the bulk of entry-level jobs in past generations. Now, more than 90 percent of those benefitting from a minimum wage increase to \$12 are workers older than 20 years of age, and more than half work full-time.¹³ Three-quarters of a million children in the state would experience increased security thanks to their parents' higher wages.¹⁴

Raising the minimum wage also 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.¹⁵ 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 applications, interview applicants, and provide on-the-job training and supervision for new workers once they are hired. Higher wages also persuade workers to stay on the job longer. Taken together, the additional sales and stronger employee productivity more than outweigh the additional wage costs to businesses, making layoffs unnecessary. Even where businesses do feel the need to reduce labor costs, 25 years' worth of studies by labor economists have shown that businesses



TIME FOR A RAISE: Increasing the minimum wage helps build an economy that works for all

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.¹⁶ 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.

Policy Recommendation

● **North Carolina should raise the state's minimum wage to a level that allows workers and their families to make ends meet and then index it to inflation to ensure that its purchasing power does not erode over time.**

But it may take time for the positive spill-over effects in increased sales and productivity to compensate for the up-front increase in labor costs. This is why several states, notably New York and California, have scheduled a phase-in of their minimum wage increases over time—for example, a \$1 an hour increase every year through 2020—and provide different phase-in schedules for rural and urban areas. Policymakers should carefully consider a similar approach. Policymakers should phase-in the new wage over a five-year period in metro counties and a seven-year period in non-metro counties to allow businesses time to realize the spill-over effects in higher sales and productivity.

-
1. State of Working North Carolina, 2016.
 2. Living Income Standard, 2014.
 3. Your Voice, Your Vote, 2016. Jobs That Pay Enough to Afford the Basics
 4. Ibid.
 5. LIS, 2014.
 6. LIS, 2014.
 7. NELP, 2012. "New Minimum Wage Bills Would Accelerate Recovery and Improve Job Quality."
 8. Ibid.
 9. Dube, Lester, Reich. (2011). Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. IRLE Working Paper.
 10. See for example, the award winning book, Dale Belman and Paul J. Wolfson. (2015). What does the minimum wage do? Upjohn Institute Press, which reviewed more than 200 studies on the minimum wage to reach this conclusion.
 11. Arindrajit Dube, T. William Lester, and Michael Reich. (2010). Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. *Review of Economics and Statistics* 2010 92:4, 945-964.
 12. 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.
 13. Analysis by the Economic Policy Institute. STATE TABLES: Characteristics of workers who would be affected by increasing the federal minimum wage to \$12 by July 2020.
 14. Working Poor Families Project analysis of American Community Survey.
 15. Baker, Dean and Schmitt, John. (2012). The Bogus Case Against the Minimum Wage Hike. Center for Economic and Policy Research.
 16. Ibid.