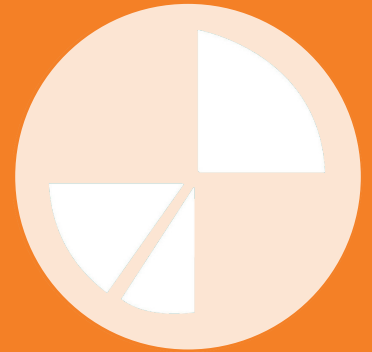


How North Carolina

Should Be Taking Advantage of the Recovery



Our state is missing out on opportunities when we don't address poverty
— and all North Carolinians are paying the price



By Brian Kennedy II
Public Policy Fellow, Budget & Tax Center

Introduction

Seven years into the economic recovery, the poverty rate in North Carolina still remains well above historical averages. While the economic recovery is evident for some, it is falling short of expectations for our state's economic performance. That performance should be measured by how many North Carolinians struggle each year to avoid hardship and how many North Carolinians have incomes so low that they are faced with impossible choices to pay for the growing cost for the basics. It is clear that every household and the economy are being held back when North Carolina doesn't address these numbers.

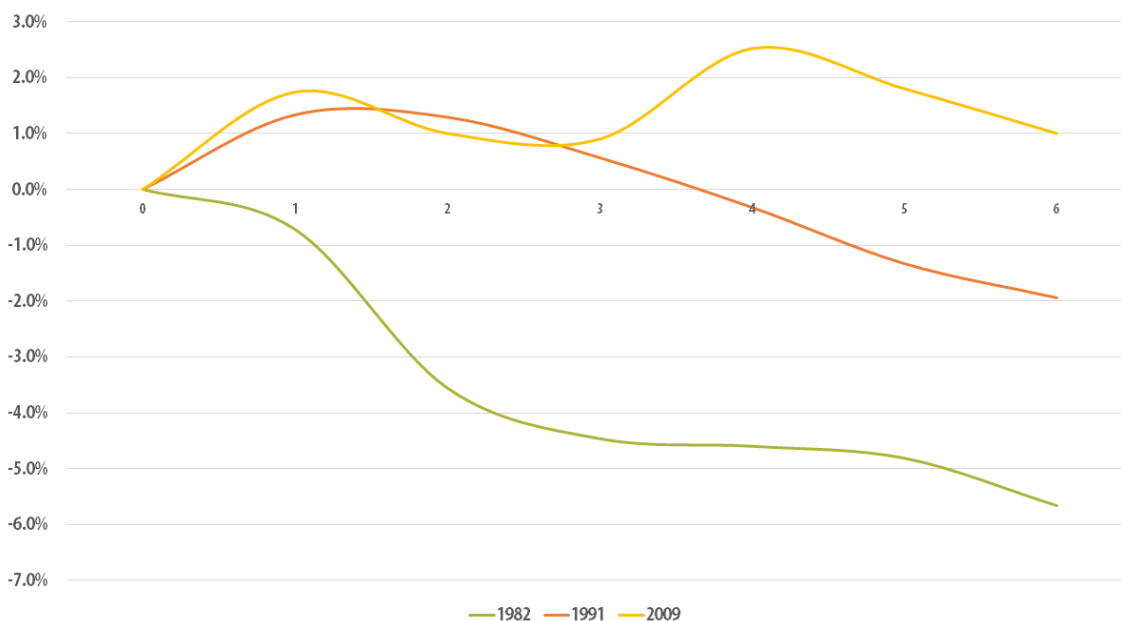
Even though our state is experiencing economic growth as measured by more jobs and increased productivity, far too many North Carolinians are being left behind. In 2016, more than 1.5 million North Carolinians faced serious barriers in just paying for the basics such as food, rent, and transportation. Poverty, which means living on less than \$24,600 a year for a family of four, touches individuals in every part of our state and every walk of life. And while last year marked the first year we saw the income of the households in the middle of the distribution (the median) rise above 2009 levels, the typical worker still makes \$1,130 less annually than they did before the recession, after adjusting for inflation.

For three consecutive years now, the state's poverty rate has fallen. But its persistently elevated level and our state's lack of progress compared to other states is troubling. The poverty rate still remains 1.1 percentage points higher than before the recession began.

North Carolina is not just experiencing a slow recovery; we are living in an economy that is simply unable to recover. In the past, economic growth that followed downturns resulted in lower poverty rates. Following the recessions in the early 1980's and 1990's, the poverty rates declined steadily, eventually returning to pre-recession levels or below. The recovery following

Figure 1: Unlike previous recessions, N.C. has been unable to fully recover from the Great Recession

Percent change in poverty rate over time after the beginning of the official recovery



Source: NC Budget & Tax Center analysis of American Community Survey, 1980-2016

the 2007 Great Recession broke this pattern. Over the past 20 years, policies and decisions have changed the way people experience economic recoveries. This time, North Carolina's poverty rate has failed to return to normal levels.

Policy choices and our priorities have significantly changed the nature of our economy. The 1996 Personal Responsibility and Work Reconciliation Act, also known as "Welfare Reform", significantly changed one of our most important national anti-poverty programs. The creation of the Temporary Assistance for Needy Family (TANF) block grant marked the end of entitlement programs that provided struggling families with the cash assistance that they needed.¹ While 74 percent of families with children in poverty received cash assistance in 1996, only 7 percent of those same families receive help today.²

Additionally, various trade, tax, and economic policies have also hampered our state's ability to recover from recession. Trade deals that depress wages globally, tax policies and regulations that disproportionately advantage the wealthy while they disadvantage workers, and the failure to substantially raise the minimum wage have all made it harder for struggling North Carolinians to afford the basics.^{3,4}

In addition to policies and choices that have affected North Carolinians in every corner of the state, we have also failed to address the systemic barriers that drive racial and gender disparities in the experience of poverty. Like the rest of the nation, North Carolina's population is increasingly growing younger and more racially diverse. From 1980 to 2014, the percentage of youth who are people of color has increased from 30.7 to 45.8 percent, representing more than 1 million children in North Carolina.⁵ While youth of color make up more of our state's population, we have not made serious gains in reducing poverty rates experienced by children of color. Systemic barriers — such as lack of access to quality education, housing segregation, and job and wage discrimination — have prevented many Black and brown North Carolinians from enjoying the fruits of North Carolina's pre-recession economy and continue to prevent those same groups from enjoying the benefits of the recovery. In 2016, 33.2 percent of children of color were in poverty compared to 12.4 percent of white children.⁶ Fixing these disparities so every North Carolinian has a chance to succeed is critical to building a strong economy. Doing so would have a \$66 billion impact on North Carolina's economy.⁷

In addition to policies and choices that have affected North Carolinians in every corner of the state, we have also failed to address the systemic barriers that drive racial and gender disparities in the experience of poverty.

1 Greenstein, Robert. "Welfare Reform and the Safety Net." Center on Budget and Policy Priorities. June 2016. Available here: <https://www.cbpp.org/research/family-income-support/welfare-reform-and-the-safety-net>

2 Kennedy, Brian. "TANF: A Cautionary Tale." NC Budget and Tax Center. March 2017.

3 North Carolina Justice Center. "State of Working North Carolina, 2017. Available here: <http://www.ncjustice.org/sites/default/files/SOWNC%20Report%202017.pdf>

4 Bivens, Josh. "Adding insult to injury." Economic Policy Institute. July 2017. Available here: <http://www.epi.org/publication/adding-insult-to-injury-how-bad-policy-decisions-have-amplified-globalizations-costs-for-american-workers/>

5 PolicyLink and PERE. National Equity Atlas Tool. 2014 Dollars. Available here: www.nationalequityatlas.org

6 Author's analysis of the United States Census Bureau's American Community Survey, 2016.

7 PolicyLink and PERE. National Equity Atlas Tool. 2012 Dollars. Available here: www.nationalequityatlas.org

Key Findings

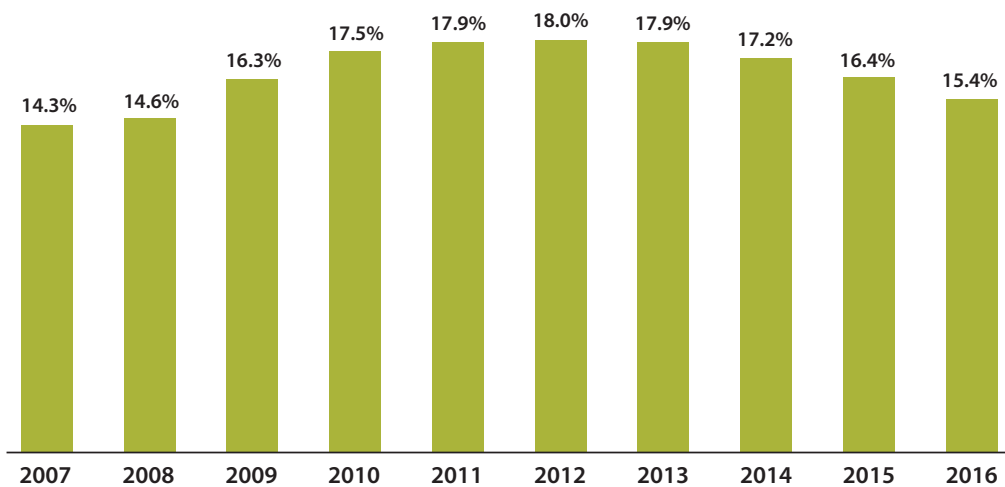
- ▶ **Poverty in North Carolina is still higher than pre-recession levels.** The state's poverty rate was 15.4 percent in 2016, down from 16.4 percent in 2015.
- ▶ **North Carolina has higher rates of poverty, deep poverty, and child poverty than the majority of states.** The state's poverty rate, child poverty rate, and deep poverty rate rank 13th, 17th, and 15th highest in the nation, respectively.
- ▶ **Race and gender play significant roles in poverty.** Communities of color, women, and children are more likely to face economic hardship than white people, men, and older adults.
- ▶ **Poverty's reach varies considerably across the state, revealing a stark rural-urban divide.** Out of the state's 100 counties in 2014, the 20 highest county-level poverty rates were all in rural counties.
- ▶ **More North Carolinians live in areas of concentrated poverty.** The state's metropolitan areas are experiencing some of the largest growths in the number of people living in high-poverty neighborhoods.
- ▶ **North Carolina's high poverty rates are the results of poor policy decisions.** Most North Carolinians are not experiencing the positive effects of the economic recovery. Tax cuts that benefit the wealthy and decreasing public investments are keeping our economy from working for everyone.

North Carolina has the tools to address these problems.

Building an economic recovery that is inclusive and that addresses systemic inequality should be a priority for lawmakers, not the afterthought it is today. Addressing poverty is demonstrated to generate strong economic performance for the whole state in the form of productivity growth and increased economic activity. Addressing poverty is the pathway to a higher quality of life for us all.

Figure 2: After seven years of recovery, poverty in N.C. is still higher than pre-recession levels

Poverty Rate in North Carolina, by year



Source: US Census Bureau's American Community Survey, 2007 - 2016

More Than One In Seven North Carolinians Live in Poverty

In 2016, 15.4 percent of North Carolinians struggled to make meet with incomes below the federal poverty level, which was \$24,600 annually for a family of four. Nearly 659,000 North Carolinians lived in deep poverty, meaning they earned half or less of the annual poverty-level income for their family size. It takes more than double the federal poverty level for a family of four in the state to afford the basics such as housing, food, and child care.⁸

North Carolinians were more likely to live in poverty and face economic hardship compared to the average American. The state's poverty rate and deep poverty rate were the 13th highest in the nation. Compared to bordering states, North Carolina's poverty rate was higher than in South Carolina and Virginia but lower than in Georgia and Tennessee.

North Carolina's poverty rate is lower than Tennessee and Georgia but higher than other surrounding states

Georgia	16.0%
Tennessee	15.8%
North Carolina	15.4%
South Carolina	15.3%
Virginia	11.0%

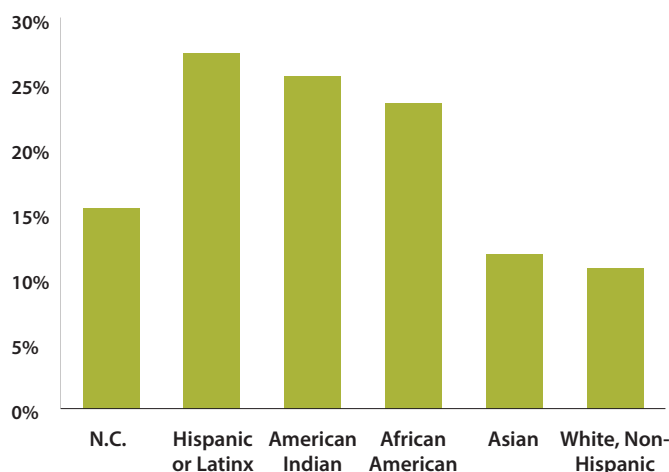
Poverty Is Skewed Sharply By One's Background

Communities of color have historically lacked equal access to jobs and been paid lower wages than whites. They have also lived disproportionately in areas that often had less access to high-quality public and private investments like schools and businesses. Other previous policy decisions — such as government-sanctioned exclusion from buying homes in certain neighborhoods and the initial exclusion of people of color from the GI bill — also resulted in fewer pathways to middle-class earnings for people of color.⁹

The total number of non-Hispanic whites living in poverty is greater than any other group in North Carolina, but this group makes up

Figure 3: Barriers to Equality Mean People of Color Are More Likely to Live in Poverty

Poverty Rate in North Carolina by Race or Ethnicity, 2016



Source: Census Bureau's American Community Survey, 2016. American Indian includes Alaskan Native.

⁸ Sirota, Alexandra, Tazra Mitchell, and Cedric Johnson. "Living Income Standard 2014: Boom in Low-Wage Work Means Many North Carolinians Don't Make an Adequate Income." NC Budget and Tax Center. June 2014. Available here: <http://www.ncjustice.org/?q=budget-and-tax/living-income-standard-2014-boom-low-wage-work-means-many-north-carolinians-dont-make>.

⁹ Coates, Ta-Nehisi. "The Case for Reparations." The Atlantic. June 2014. Available here: <http://www.theatlantic.com/features/archive/2014/05/the-case-for-reparations/361631/>

a relatively small share of the state's white population. And while the actual number of people who are poor may be smaller in communities of color, they make up a bigger share of those communities. For example, in 2016, 27.3 percent of Hispanics or Latinx families, 25.5 percent of American Indians, and 23.5 percent of African Americans lived in poverty, compared to 11.9 percent of Asian Americans and 10.8 percent of whites (see Figure 3).¹⁰

Racial disparities in income not only harm people of color but have consequences for all of us because inequities keep the economy from reaching its full potential. North Carolina's Gross Domestic Product — a measure of all goods and services produced in the state — would have been \$66.06 billion higher in 2014 if there had been no gaps in income by race.¹¹ So clearly, bringing down poverty among people of color is an economic imperative. Doing so requires lifting thousands of people above the poverty line (see Figure 4). However, to truly build an inclusive economy requires entirely eliminating poverty and its harmful effects on people and places.

Figure 4: Closing the Racial Poverty Gap Requires Lifting at Least 436,890 North Carolinians Out of Poverty

To match the state's non-Hispanic white poverty rate of 10.8 percent:

- **266,149 African Americans** would have to be lifted out of poverty
- **150,532 Hispanics and Latinxs** would have to be lifted out of poverty
- **17,273 American Indians** would have to be lifted out of poverty
- **2,935 Asians** would have to be lifted out of poverty

Source: Author's analysis of Census Bureau's American Community Survey, 2016. American Indian includes Alaskan Native.

Women Face More Economic Hardship than Men

Women have made tremendous economic strides over the past few decades. Yet, women are still more likely than men to live paycheck to paycheck and struggle to pay the bills. The poverty rate for women in the state was 16.6 percent in 2016 compared to 14.1 percent for men. That year, Tar Heel women who worked full-time, year-round earned just 86 cents for every dollar men earned.¹² When looking at the intersection of race and gender, we find that many women of color face even more barriers. In North Carolina, Latina, Native American, African American, and Asian American women make 48, 58, 64, and 78 cents for every dollar men earn, respectively.¹³ As long as women continue to earn less than men when working full-time

¹⁰ Authors' analysis of United States Census Bureau's American Community Survey, 2013. American Indian includes Alaskan Native.

¹¹ PolicyLink and PERE. National Equity Atlas Tool. 2012 Dollars. Available here: www.nationalequityatlas.org

¹² National Women's Law Center. "The Wage Gap by State for Women Overall 2015." September 2016. Available here: <https://nwlc.org/resources/wage-gap-state-women-overall-2015/>

¹³ Johnson, Marion. "North Carolina's wage gap continues to hurt working families." NC Budget and Tax Center. January 2017. Available here: <http://www.ncjustice.org/?q=budget-and-tax/prosperity-watch-issue-69-no-1-north-carolina%E2%80%99s-wage-gap-continues-hurt-working>

jobs, the greater incidence of poverty among women will persist and the economy will fail to reach its potential.

The Great Recession and its aftermath slightly narrowed the disparities in gender poverty rates. Men and women alike lost ground in the downturn, but men lost more due to major job losses in male-dominated industries, such as manufacturing and construction.¹⁴ In 2007, the gender-poverty gap was 3.7 percentage points; it dropped to 3 percentage points in 2012 when poverty rates peaked for both groups and fell slightly to 2.5 percentage points in 2016. Still, more than 128,000 women in the state would have to be lifted out of poverty for women to have the same poverty rate as men.

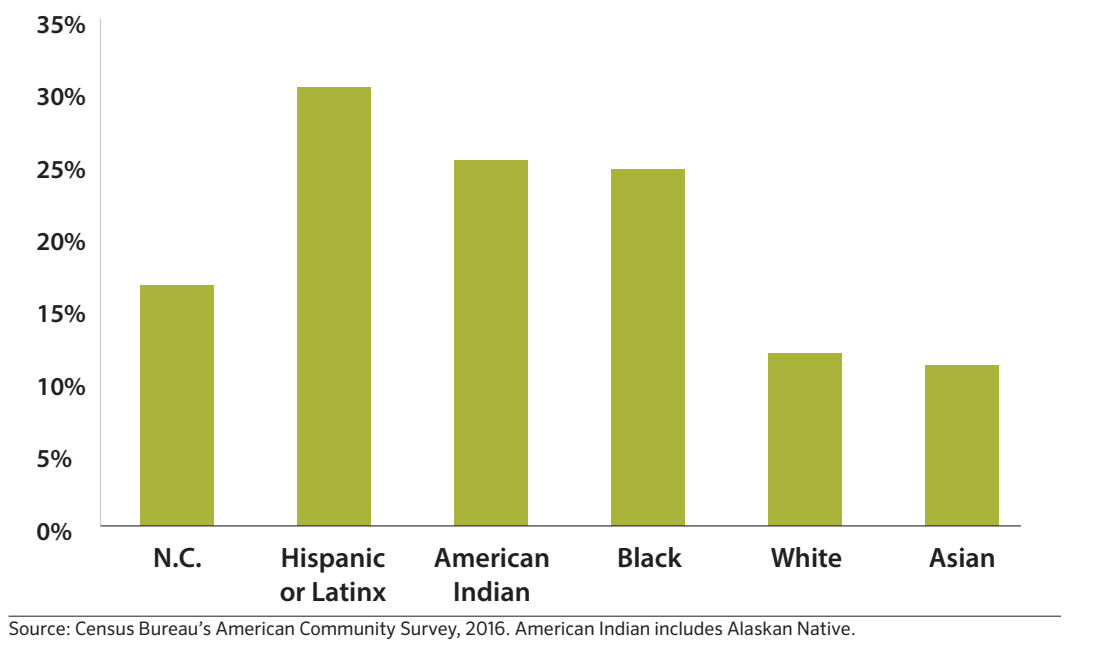
Women of color also face particularly high rates of poverty. In 2016, Latina, American Indian, and African American women were more than twice as likely to live in poverty as Asian and white women (see Figure 5).¹⁵

Poverty rates also vary widely by family composition and age, with poverty maintaining a tight grip on families of female-headed households. In 2016, 40.4 percent of female-headed households with children lived in poverty compared to 22.2 percent of male-headed households.¹⁶

Gender inequality extends into retirement age, too. Older women are far more likely to struggle to make ends meet than men: 10.8 percent of women over 65 lived in poverty compared to 7.5 percent of men in 2016.

Figure 5: Hispanic and Latinx Women Face the Higher Poverty Rates Among N.C. Women

Poverty Rate in Women in North Carolina by Race or Ethnicity, 2016



¹⁴ Sirota, Alexandra, Tazra Mitchell, and with Allan Freyer. "State of Working North Carolina 2014: North Carolina's Tomorrow—Seeking Good, Quality Jobs to Build an Economy that Works for All." NC Justice Center. September 2014. Available here: <http://www.ncjustice.org/?q=budget-and-tax/state-working-north-carolina-2014-north-carolinas-tomorrow-seeking-good-quality-jobs>

¹⁵ Author's analysis of the United States Census Bureau's American Community Survey, 2016. American Indian includes Alaskan Native.

¹⁶ Author's analysis of the United States Census Bureau's American Community Survey, 2016.

Children Have the Highest Poverty Rates of Any Age Group

Poverty has the fiercest grip on children — especially children of color — compared to any other age group. North Carolina's child poverty rate was 21.7 percent in 2016, above the national rate of 19.5 percent. The economic downturn pushed more than 160,000 children into poverty between 2007 and 2012, increasing the child poverty rate by more than one-third to its post-recession peak level of 26 percent. Child poverty has since declined, but it remains 2.2 percentage points higher than in 2007, harming families and the state economy in the short term and for decades to come.

For the more than 1 in 5 children growing up in poverty, the consequences are devastating. For the youngest children, the effects of poverty — such as unhealthy stress levels — can disrupt their brain development.¹⁷ Such damage can hurt their chances of success in school and dampen their earning potential as adults.¹⁸ More than 4 in 10 children who grow up in poverty are likely to remain there as adults.¹⁹ The cycle of intergenerational poverty is especially prevalent in North Carolina. Multiple studies have found that many of North Carolina's metropolitan areas, specifically Charlotte and Raleigh, rank lowest in the nation in economic mobility.²⁰

The state's child poverty rate was the 14th highest in the nation in 2016. Compared to bordering states, the rate was higher than Virginia's but lower than Georgia's, South Carolina's, and Tennessee's.

Economic hardship remains high for all children, but children of color are facing crisis levels of poverty. The child poverty rate was 35.8 percent for Hispanics or Latinx, 33.8 percent for African Americans, and 66.6 percent for American Indians, compared to 12.4 percent for whites and 9.9 for Asians (see Figure 6).²¹ Poverty had an even fiercer grip on children under age 5, during the years of rapid brain development.

Even with North Carolina's economy struggling to create enough jobs for everyone who wants to work, nearly 42 percent of children in families where parents worked were still considered low-income, defined as income less than twice the federal poverty line, and more than 300,000 children in North Carolina in working families are in poverty.²²

North Carolina's child poverty rate was higher than Virginia but lower than other nearby states

South Carolina	23.0%
Georgia	22.9%
Tennessee	22.6%
North Carolina	21.7%
Virginia	14.3%

17 Duncan, Greg, et al. "The Long Reach of Early Childhood Poverty: Pathways and Impacts." The Center on the Developing Child at Harvard University. Accessed January 2015. Available here: http://developingchild.harvard.edu/index.php/download_file/-/view/623/

18 Sherman, Arloc. "Poverty in Early Childhood Has Long and Harmful Reach." The Center on Budget and Policy Priorities. March 2011. Available here: <http://www.offthechartsblog.org/poverty-in-early-childhood-has-long-and-harmful-reach/>

19 Isaacs, Julia. "Economic Mobility of Families Across Generations." The Brookings Institution. 2008 Available here: http://www.brookings.edu/~media/Research/Files/Reports/2008/2/economic%20mobility%20sawhill/02_economic_mobility_sawhill_ch1.PDF ; and Reeves, Richard. "Saving Horatio Alger: Equality, Opportunity, and the American Dream." The Brookings Institution. August 2014. Available here: <http://www.brookings.edu/research/essays/2014/saving-horatio-alger>

20 MDC, Inc. "North Carolina's Economic Imperative" Available here: <http://stateofthesouth.org/north-carolinas-economic-imperative/>

21 Author's analysis of the United States Census Bureau's American Community Survey, 2016.

22 Working Poor Families Project analysis of 2015 Census data.

Public Education is a Critical Anti-Poverty Tool

One pathway for achieving economic security that North Carolina has neglected in recent years is through the schoolhouse door. The likelihood of being pushed into poverty is nearly cut in half for high school graduates, compared to people who drop out of high school. The investment of public dollars into a public education system that is free and accessible is critical in education's success as an anti-poverty measure. In 2016, North Carolinians ages 25 or older with at least a bachelor's degree had a poverty rate of 4.3 percent, compared to 28.2 percent of those without a high school diploma (see Figure 7).

Although education has long been touted as the "great equalizer", educational achievement is, in many ways, tied to the economic status of a student's family rather than the talent and effort of the student. A low-income student is less likely to show up to kindergarten ready to learn, to graduate from high school, and to make it to college compared to a middle- or higher-income student.²³

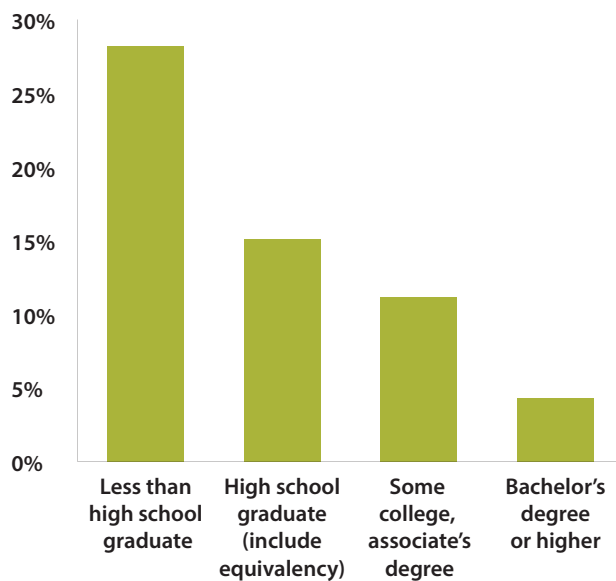
Once they make it to college, American children growing up with economic hardships are less likely to cross the finish line and graduate than students living in financially secure families. Of the ones who get college degrees, 16 percent remain stuck at the bottom of the income

Figure 6: Child Poverty Rate Remains High for All Children, but It's Especially High for Children of Color

	Under 5	Under 18
Hispanic or Latinx	37.2%	35.8%
African American	39.0%	33.8%
Two or more races	25.3%	23.4%
American Indian	37.8%	66.6%
White, non-Hispanic	14.2%	12.4%
Asian	11.2%	9.9%
N.C. Average	24.3%	21.7%

Figure 7: Public Education is a Critical Anti-Poverty Tool

Poverty Rate in North Carolina by Education Attainment for Adults Ages 25 and Older, 2016



Source: Census Bureau's American Community Survey, 2016.

23 Isaacs, Julia. "Starting School at a Disadvantage: The School Readiness of Poor Children." Brookings Institution. March 2012. Available here: http://www.brookings.edu/~media/research/files/papers/2012/3/19%20school%20disadvantage%20isaacs/0319_school_disadvantage_isaacs.pdf and NC Department of Public Instruction statistics on graduation rates by background, available here: <http://www.ncpublicschools.org/graduate/statistics/>

scale as adults.²⁴ And with student debt reaching \$1.3 trillion last year, college graduates are facing new obstacles limiting their access to homeownership and other types of wealth building tools. In North Carolina, from 2004 to 2014, the average debt held by graduates rose from \$16,863 to more than \$25,000. Much of this burden has fallen on students whose families do not have the resources to pay for books, tuition, or other expenses out of pocket.²⁵

The power of education and the inequity in achievement and school success underscores the importance of strong state investments in education, from pre-kindergarten to college, so that North Carolina's schools can be a stepping stone to economic security for every child.

Poverty Differs Greatly By Geographical Area

The depth of economic hardship varies strikingly by locale. Some regions are more susceptible to poverty than others due to differences in job availability; public and private investments in schools, businesses, and transportation; and historic patterns of hardship. Rural parts of the state – especially in the mountains and in the East – are plagued by persistent inter-generational poverty and face high unemployment rates. All 10 counties that have had poverty rates above 20 percent for the past three decades are rural and located in the Eastern region of the state.²⁶ Thirty counties had poverty rates above 20 percent in 2015.

While most urban and suburban areas are reaping the gains of the recovery and have some of the lowest poverty rates, they also have the deepest pockets of economic hardship, hunger, and disadvantage. Targeted investments in poor and isolated communities can bring opportunity to those communities and build a stronger, more inclusive economy for them and the entire state.

Poverty's Rural-Urban Divide

In 2015 (the latest 1-year estimates available for all counties), poverty's reach varied considerably across North Carolina's counties, with rates ranging from 9.7 percent in both Camden and Union County to 30.6 percent in Robeson County. More than 3 in 5 counties had poverty rates higher than the state average in 2015 (see Figure 8).

The geography of poverty at the county level reveals the bleak economic reality that many rural residents face. In 2016, the 40 highest poverty rates were all in rural counties.²⁷ The persistence of regional patterns of economic distress also contributes to a widening rural-urban divide driven by job losses in rural areas, long-term changes in the state's economy, and inadequate levels of targeted state aid to economically-stressed areas.²⁸

24 Refers to students growing up in the bottom fifth. Haskins, Ron. "Education and Economic Mobility." The Brookings Institution. 2008. Available here: http://www.brookings.edu/~media/Research/Files/Reports/2008/2/economic%20mobility%20sawhill/02_economic_mobility_sawhill_ch8.PDF

25 Calculations by The Institute for College Access & Success (TICAS) on data from: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) and Peterson's Undergraduate Financial Aid and Undergraduate Databases.

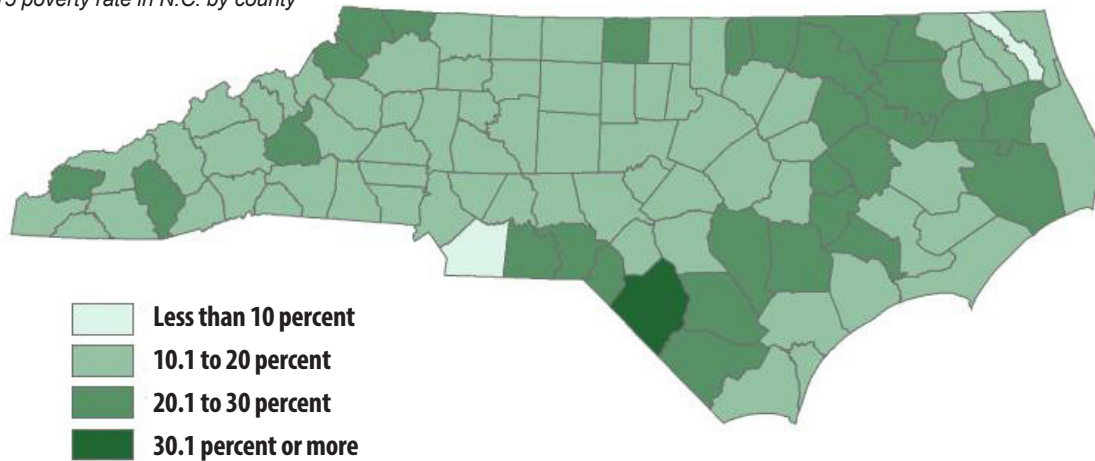
26 Sirota, Alexandra. "The Legacy of Hardship: Persistent Poverty in North Carolina." NC Budget and Tax Center. January 2012. Available here: <http://www.ncpolicywatch.com/wp-content/uploads/2012/01/BTC-Brief-Persistent-Poverty.pdf>

27 Note: Rural/Urban counties are defined as counties with population densities less/more than 300 people per square mile

28 Sirota, Alexandra et al. "State of Working North Carolina 2016: Don't Call it a Comeback." NC Justice Center. September 2016. Available here: <http://www.ncjustice.org/?q=state-working-north-carolina-2016-dont-call-it-comeback>

Figure 8: Poverty Rates in Counties Greatly Vary Throughout the State

2015 poverty rate in N.C. by county



Source: US Census Bureau's Small Area Income and Poverty Estimates, 2015.

North Carolinians in rural counties are more likely to live in poverty (19.2 percent) than their urban (15.2 percent) neighbors.²⁹ These findings, in part, reflect how urban areas are fueling the state's economic recovery. For example, two urban counties – Wake and Mecklenburg – contributed to 46.9 percent of the job growth since the recovery began in 2009.³⁰ As such, the uneven economic recovery is pushing some urban counties even further ahead of their rural and suburban counterparts.

Even in a county that is thriving overall, economic hardship differs greatly from one community and one neighborhood to the next. North Carolina is contending with the growing concentration of poverty in neighborhoods in both urban and suburban areas, an analysis of poverty at the neighborhood level shows. Living with poverty-level incomes and residing in a poor neighborhood magnifies economic disadvantage, creating a double burden. High-poverty areas are often afflicted with poorly performing schools, fewer job opportunities, and less access to healthy food options and quality health care – all of which make it harder for their residents to move out of poverty.³¹

Clusters of poverty became more common in the state during the 2000's. More than 1 in 2 North Carolinians who lived in poverty in 2010 also lived in areas with poverty rates 20 percent or higher; it was just 1 in 4 in 2000.³² In fact, over that decade, the state's metropolitan areas experienced some of the biggest jumps in the country for the number of people who are poor and living in high-poverty areas. Under this measure, 4 of the top 10 fastest-growing poverty

²⁹ Authors' analysis of U.S. Census Bureau's 2015 Small Area Income and Poverty Estimates.

³⁰ Authors' analysis of Local Area Unemployment Survey. NC Labor Market Analysis Division, NC Department of Commerce.

³¹ While these undesirable neighborhood effects are more pronounced as the neighborhood poverty rate reaches 40 percent, research shows that these effects start to appear at the 20-percent threshold. Galster, George. "The Mechanism(s) of Neighborhood Effects: Theory, Evidence, and Policy Implications." Department of Urban Studies and Planning. Wayne State University. 2010.

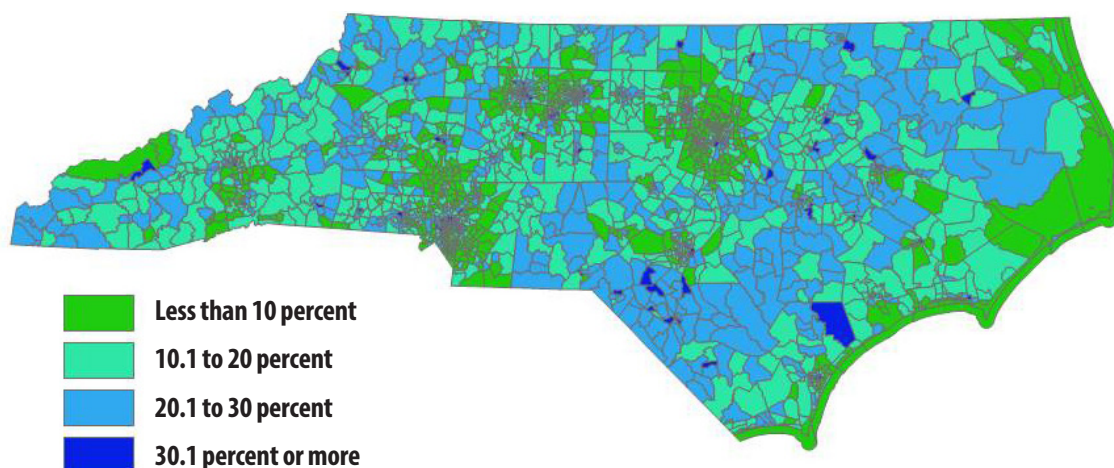
³² Bishaw, Alemayehu. "Changes in Areas with Concentrated Poverty: 2000 to 2010." US Census Bureau. June 2014. Available here: <http://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-27.pdf>

rates in the nation's 100 largest metropolitan areas were in North Carolina.³³ High-poverty pockets are also rapidly increasing in the state's suburban areas as well.³⁴

The second decade of the 21st century seems to continue that trend as indicated by the most recently available five-year data (2011-15) at the census tract level. There were 119 neighborhoods, the rough equivalent of a census tract, across the state with poverty rates above 40 percent, or nearly 6 percent of all neighborhoods in the state (see Figure 9). More than 37 percent census tracts in the state had poverty rates of 20 percent or higher, and these communities were home to 3.3 million North Carolinians.

Figure 9: Concentrated Poverty Continues to Persist in North Carolina's Urban and Counties

Poverty rate in N.C. by census tract, 2011-15



Source: US Census Bureau's American Community Survey, 2011-2015.

The neighborhood effects of living in concentrated- or high-poverty areas extend beyond those whose households are poor to middle- and upper-income children and families. Growing up in a high-poverty area can raise the chances of sliding down the income ladder by more than half.³⁵ This is troubling for the state's long-term economic viability because North Carolina has the fastest growth in the nation in the share of people of all incomes living in high-poverty areas.³⁶

33 Authors' analysis of metro data provided and collected by the Brookings Institution. Available here: <http://www.brookings.edu/research/interactives/2014/concentrated-poverty#/M10420>

34 Mitchell, Tazra. "Is Suburbia the New Frontier of Poverty in North Carolina? Suburban Poverty Rose Sharply over the 2000s." NC Budget and Tax Center. August 2012. Available here: <http://www.ncjustice.org/sites/default/files/BTC%20Brief%20-%20Suburban%20Poverty%20%282%29.pdf>

35 Sharkey, Patrick. "Neighborhoods and the Black-White Mobility Gap." Economic Mobility Project of the Pew Charitable Trusts. 2009. Available here: http://www.pewtrusts.org/~media/legacy/uploadedfiles/pes_assets/2009/PEWNEIGHBORHOODS1.pdf

36 Bishaw, Alemayehu. "Changes in Areas with Concentrated Poverty: 2000 to 2010." US Census Bureau. June 2014. Available here: <http://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-27.pdf>

Low Wages, Inequality, and Policymakers' Decisions Keep Poverty Rates High

Poverty rates remain high because North Carolina's economy is off-kilter. The state's middle-wage jobs in manufacturing, which provided a critically important ladder out of poverty, have been replaced by jobs in hospitality, retail sales, and other services that pay much less. North Carolinians are not seeing broad-based wage growth, middle-class living standards are out of reach for many, and top earners are reaping the majority of the economic gains.³⁷ At the same time, policymakers are enacting policies that make it more difficult for working families to get ahead.

Hard work is no longer enough to climb out of poverty and allow families to meet basic needs. The share of North Carolina workers earning poverty-level wages is growing rapidly. More than 3 in 10 workers in the state earned wages at or below the official poverty line in 2014, up from 1 in 4 in 2000 (see Figure 10). This is the 2nd-worst ranking in the nation — behind Arkansas.³⁸ Despite working full-time, a minimum-wage worker with two children earns a poverty-level wage. Raising the minimum wage would help families and the economy get back on track.³⁹

In 2016, the median household income in North Carolina brought in \$50,584, which is \$2,147 more in income than in 2015. That is significant for a household struggling to afford the basics because it is worth about a month of child care costs for a family of four. This level still falls short by more than \$3,384 of what a family of four needs to make ends meet on a thrifty budget without public assistance, according to the NC Living Income Standard.⁴⁰

While this income boost for the median household has been long-awaited, household incomes have yet to fully recover from the sizeable declines in the aftermath of the Great Recession. Since 2007, median household income in the state has dropped by more than \$1,130, adjusting for inflation. In other words, North Carolinians have experienced a decade of decline in middle-class living standards.⁴¹

The state's median household income was the 12th-lowest in the nation — up from 10th in 2015. As such, North Carolina continued to trail the nation's median by more than \$7,033 in 2016. Compared to bordering states, North Carolina's median household income was in the middle

North Carolina's median household income was lower than Virginia's and Georgia's but higher than South Carolina's and Tennessee's

Virginia	\$68,114
Georgia	\$53,559
North Carolina	\$50,584
South Carolina	\$49,501
Tennessee	\$48,547

37 Sirota, Alexandra et al. "State of Working North Carolina 2016: Don't Call it a Comeback." NC Justice Center. September 2016. Available here: <http://www.ncjustice.org/?q=state-working-north-carolina-2016-dont-call-it-comeback>

38 Economic Policy Institute's analysis of United States Census Bureau's Current Population Survey. Poverty wage is \$11.65 in 2014 CPI-U-RS adjusted dollars.

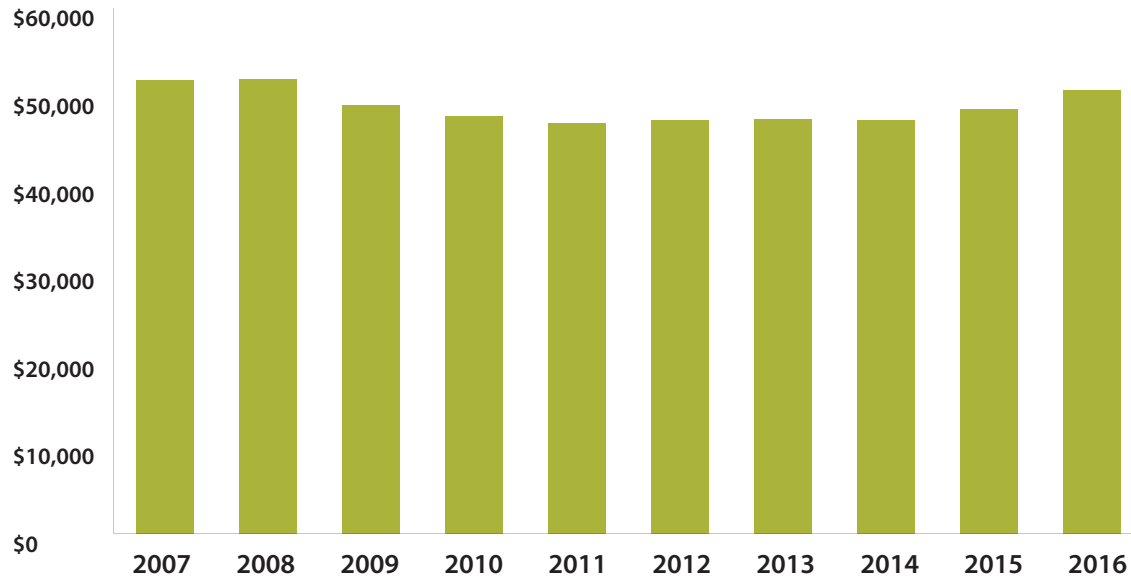
39 A full-time minimum-wage worker earns approximately \$15,080 per year, which is about \$4,500 less than the 2013 poverty threshold for a family of three with two children. To learn how raising the minimum wage would boost the economy, see: Schoenbach, Sabine. "Time for a Raise—The Impact of Raising the Minimum Wage on North Carolina's Working Families and the Economy." NC Justice Center. March 2013. Available here: <http://www.ncjustice.org/?q=workers-rights/nc-justice-center-brief-time-raise-impact-raising-minimum-wage-north-carolinas>

40 Kennedy, Brian and Alexandra F. Sirota. "Living Income Standard 2016." NC Budget and Tax Center. November 2016. Available here: <http://www.ncjustice.org/?q=budget-and-tax/living-income-standard-2016-1-5-families-can%E2%80%99t-afford-basics-north-carolina>

41 Authors' analysis of the United States Census Bureau's American Community Survey, one-year estimates, 2001-2007.

Figure 10: State Median Income Grew in 2016 but Remains Below Pre-Recession Levels

Median Household Income by Year, 2016 Dollars



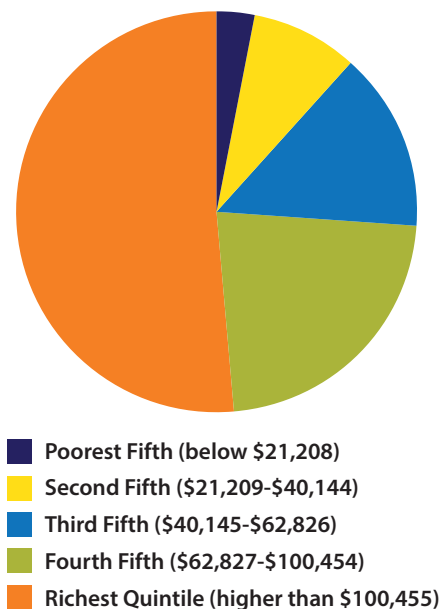
Source: US Census Bureau's American Community Survey, 2007-2016.

of the pack – lower than Virginia’s and Georgia’s but higher than South Carolina’s and Tennessee’s.

North Carolina is also grappling with a growing disparity between the richest households and everyone else – the current gap is at a historic level. The trend concentrates wealth at the top and erodes income and opportunity for low-income and middle-class households.⁴² The top fifth of households in the state – those with the highest incomes – had average annual incomes \$169,364 higher than the bottom fifth in 2016. The top 20 percent of households held more than half of all income in the state in 2016, compared to the 14.3 percent held by the middle fifth and the 3.3 percent held by the bottom fifth (see Figure 11).⁴³ Those growing up at the bottom and top ends of the income scale tend to

Figure 11: Top 20% Holds More than Half of All Household Income in N.C.

Share of Household Income by Quintiles



Source: US Census Bureau's American Community Survey, 2016.

42 Sommeiller, Estelle and Mark Price. "The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012." Economic Policy Institute. January 2015. Available here: <http://www.epi.org/publication/income-inequality-by-state-1917-to-2012/>

43 Authors' analysis of the United States Census Bureau's American Community Survey, 2016.

stay there during adulthood.⁴⁴

The disconnect between hard work and wage growth is keeping North Carolina and the nation from substantially reducing poverty, and it's also the root cause of growing inequality. In fact, if the economy were at full employment and if wages grew at the same rate as productivity from 1979–2013, the poverty rate (before safety-net supports) for Americans under age 65 would be 4.2 percentage points lower, according to the Economic Policy Institute.⁴⁵ State-level data is not available.

Poverty also remains high due to state lawmakers' decisions to dismantle or under-invest in things that reduce poverty, foster economic mobility, and lay the groundwork for an economic future that benefits everyone.

State lawmakers chipped away at work and income supports when they were most needed. In 2015, they prohibited the state from implementing a waiver of time limits on access to food assistance in high unemployment areas affecting many North Carolinians out of work and struggling to put food on the table. Additionally, state policy makers have continued to block attempts to expand Medicaid, which would have huge anti-poverty effects for the nearly 500,000 North Carolinians who do not have access to health care.⁴⁶ In the past year, state leaders also limited the policy tools available to local leaders who are seeking to secure good, quality job opportunities for their residents and boost the wages of workers.

Meanwhile, federal lawmakers are pushing for policies that would hurt our ability to collect revenue and limit our ability to provide critical anti-poverty services. The current budget resolution in Congress would cut Medicaid nationally by \$1 trillion and slash programs such as Pell Grants, food and housing assistance, disability insurance and others by \$4 trillion over the next decade.⁴⁷ This continues to ensure that there are fewer opportunities to access child care subsidies and housing vouchers, as well as no long-term unemployment benefits, making it harder to afford the basics for people already living on the edge.⁴⁸ Under-investing in people and communities is not the way to help people move up and out of poverty, boost North Carolina's economy, and create a better future for everyone.

Conclusion

North Carolina needs policies that create equal opportunity, rebuild entryways to expand the ranks of the middle class, and ensure that prosperity is broadly shared so that all North Carolinians can reach their potential. Until local, state, and federal lawmakers fix the state's and the nation's broken economic model, large numbers of people from Murphy to Manteo will wake up to poverty, struggle to put food on the table, and be unable to afford the basics like rent and child care.

44 Isaacs, Julia. "Economic Mobility of Families Across Generations" The Brookings Institution. 2008 Available here: http://www.brookings.edu/~media/Research/Files/Reports/2008/2/economic%20mobility%20sawhill/02_economic_mobility_sawhill_ch1.PDF

45 Gould, Elise, Alyssa David, and Will Kimball. "Broad-based Wage Growth Is a Key Tool in the Fight Against Poverty." Economic Policy Institute. May 2015. Available here: <http://www.epi.org/publication/broad-based-wage-growth-is-a-key-tool-in-the-fight-against-poverty/>

46 Toledo, Luis A. "Understanding Medicaid and Its Impact in North Carolina." NC Budget and Tax Center. March 2017. Available here: <http://www.ncjustice.org/?q=budget-and-tax/chartbook-understanding-medicaid-and-its-impact-north-carolina>

47 H.Con.Res.71 - Establishing the congressional budget for the United States Government for fiscal year 2018 and setting forth the appropriate budgetary levels for fiscal years 2019 through 2027.

48 Sherman, Arloc. "Understanding Next Week's Census Figures on Poverty and Inequality." Center on Budget and Policy Priorities. September 2014. Available here: <http://www.cbpp.org/cms/?fa=view&id=4200>.



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