



**North Carolina's
Greatest Challenge:**

Elevated Poverty Hampers Economic Opportunity for All

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Introduction

North Carolina's economy isn't working for everyone, and for some it's downright broken. Many families wake up to financial insecurity every morning as the shortage of jobs paying family-supporting wages persists, household income remains below pre-recession levels, and the gap between the wealthy and everyone else widens. The ability of families and individuals to get ahead as well as the resilience and growth of North Carolina's economy are hindered as a result.

From the mountains to the coast, poverty-level incomes are a harsh reality for more than 1.6 million North Carolinians, who find affording the basics such as rent, food, and utilities to be a daily challenge. In 2015, poverty in North Carolina—which for a family of four means living on \$24,250 or less per year—was still 15 percent higher than when the Great Recession hit in 2007. The depth of economic hardship in the state is closely tied to race, gender, and age, as well as where one lives. This pattern of economic exclusion is nothing new in the Old North State and keeps us from achieving a better future.



Key Findings

- ▶ **Poverty in North Carolina is still 15 percent higher than pre-recession levels.** The state's poverty rate was 16.4 percent in 2015, a drop from 17.2 percent in 2014.
- ▶ **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 were each the 12th highest in the nation in 2015.
- ▶ **Race and gender play significant roles in poverty.** Communities of color, women, and children are more likely to face economic hardships than whites, men, and older adults, respectively.
- ▶ **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 high-poverty areas.** Urban and suburban areas are contending with the growing concentration of poverty. In fact, the state's metropolitan areas experienced some of the biggest jumps in the country in the number of people who are poor and living in high-poverty areas.
- ▶ **North Carolina's off-kilter economy and policymakers' decisions are keeping poverty high.** 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. Unfortunately, North Carolina's leaders are enacting policies that compound these economic and labor-market disparities and make it more difficult for working families to get ahead.
- ▶ **Work and income supports reduce the number of North Carolinians living in poverty by half and boost economic mobility.** These supports lifted more than 1.6 million North Carolinians—including 341,000 children—out of poverty each year, on average, from 2011 to 2015. They also enabled workers and families to succeed, contributing to a stronger and more inclusive economy.

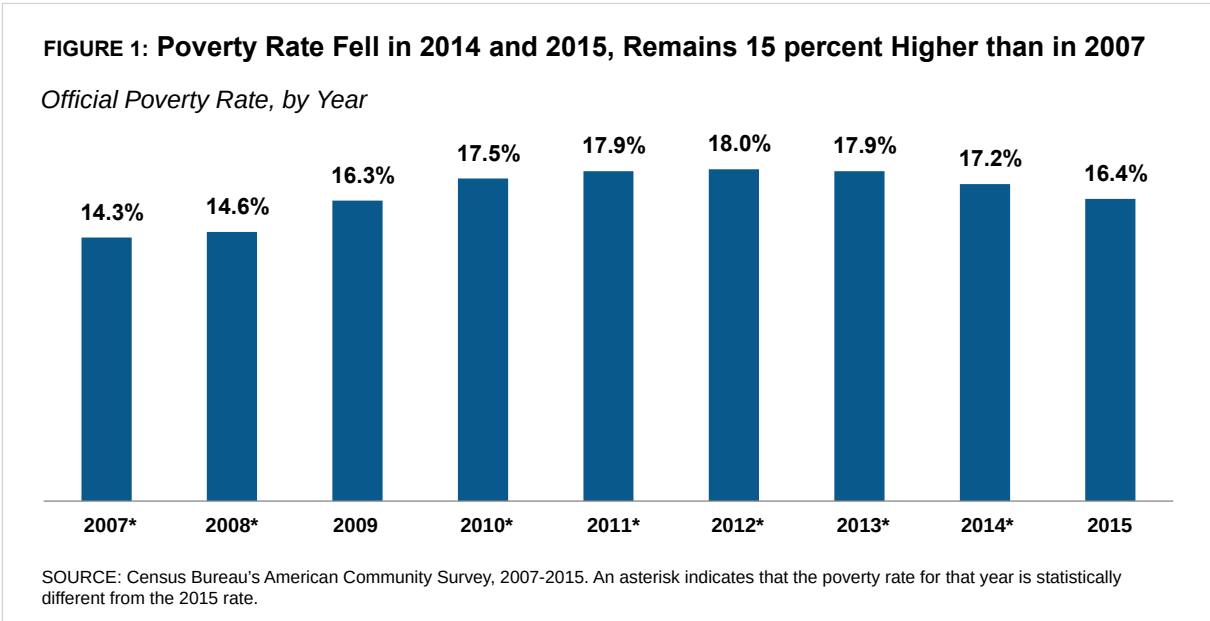
The good news is that North Carolina has the tools to address these problems, and we know what works. Making sure that parents can put food on the table; have access to supports like affordable, quality child care to help them work and their children learn; and earn wages they can live on are part of building an economy that works for all.

Building a recovery from the Great Recession that can deliver broad-based wage growth and widespread prosperity should be a priority for lawmakers. At the very least they should refrain from chipping away at work and income supports. Unfortunately, in the past few years both state and federal lawmakers have cut back on these supports, making it harder for people who live paycheck to paycheck.

Economic Growth Is Not Being Shared in North Carolina

Despite a slowly rebounding economy, poverty in North Carolina remains 15 percent higher than when the Great Recession began.¹ The Great Recession, which lasted from December 2007 to June 2009, was the worst economic downturn since the Great Depression in the 1930s, plunging many families into poverty. The state’s annual unemployment rate remained above 10 percent in 2010 and 2011, keeping poverty on the rise in the early part of the official economic recovery.²

This represents a sharp break from what normally happens after a recession. In the past, economic growth that followed downturns delivered lower poverty rates. This was the case during the economic recoveries of the 1960s, 1970s, and 1980s—in all cases, the United States experienced declines in poverty within two years of the recession ending.³ The recoveries from the recessions of 2001 and 2007 broke this pattern, with poverty rates failing to fall. In fact, North Carolina never made it back to pre-recession levels of poverty following the 2001 recession before the 2007 downturn began.⁴



Progress at reducing poverty remained stagnant between 2011 and 2013. The first statistically significant drops in poverty after the recession occurred in 2014 and again in 2015 (see Figure 1).

Poverty and economic hardship are expected to remain high for years to come. Poverty across the United States is not expected to fall to pre-recession levels by 2024, according to the Brookings Institution.⁵ State-level projections are not available. But for the first time in a generation, the national economic recovery has been stronger than North Carolina's in terms of employment growth since the start of the recession. While the state's employment growth has outpaced the national growth for the last two years, if it is not sustained there is a good chance that it may take North Carolina until after 2024 to get back to pre-recession levels of poverty unless policy changes are made to redirect the state's course.⁶

As such, North Carolina may be facing another lost decade similar to the 2000s in terms of high poverty and prolonged deterioration in middle class income.

Nearly One in Six North Carolinians Live in Poverty

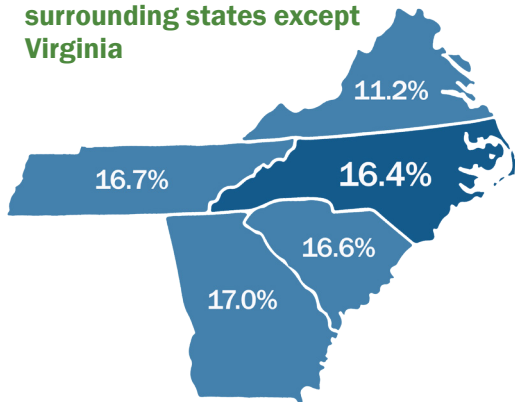
In 2015, 16.4 percent of North Carolinians struggled to make ends meet with incomes below the federal poverty level, which was \$24,250 annually for a family of four. Nearly 698,000

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 (see the break out box on page 4).⁷

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 12th highest in the nation. Compared to bordering states, North Carolina's poverty rate was higher than in Virginia but lower than in Georgia, Tennessee, and South Carolina.

While the state employment growth has outpaced the national growth for the last two years, if it is not sustained there is a good chance that it may take North Carolina until after 2024 to get back to pre-recession levels of poverty unless policy changes are made to redirect the state's course.

North Carolina's poverty rate is lower than in surrounding states except Virginia



Federal Poverty Level is a Flawed Measure of Economic Hardship

The federal poverty level (FPL) is used as a baseline measure of economic hardship across the country. But there is a consensus among researchers, anti-poverty advocates, and others that this measure is too narrow, inadequate, and outdated.⁸ It was designed in the 1960s to determine the minimum income necessary for a family to survive, not to be financially secure. The FPL has been criticized for:

- ❑ Being based only on the cost of food and assuming that cost accounts for one-third of family expenses. Food costs today are 14 percent of expenses for a family of four in the state.⁹
- ❑ Failing to account for what it takes for people to afford life's essentials by ignoring expenses that are significant today but were not common in the 1960s, such as child care.

- ❑ Measuring pre-tax income instead of after-tax income, thereby inaccurately portraying the amount of money a family truly has available to spend.

- ❑ Failing to take into account of cost-of-living differences throughout the country.

A better baseline measure of economic hardship that avoids these flaws is the North Carolina Living Income Standard (LIS). It estimates how much income a working family with children must earn to pay for basics such as housing, food, child care, health care, transportation, taxes, and other necessities. The LIS shows that for an average Tar Heel family of two parents and two children, it takes more than double the federal poverty level—or roughly \$52,000—to afford basic expenses.¹⁰ There is an LIS available for all 100 of the state's counties.

Poverty is Skewed Sharply by One's Background

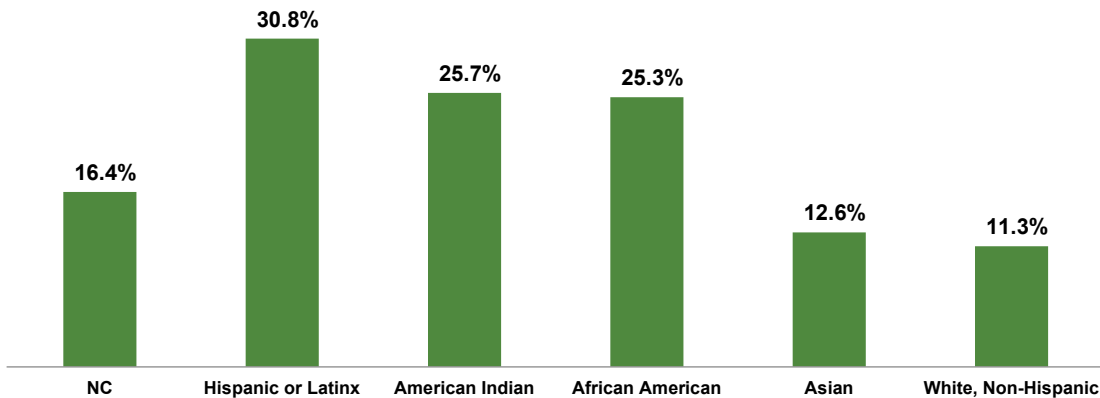
The depth of economic hardship in the state varies sharply by race, gender, and age.

People of Color Are More Likely to Live in Poverty

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.¹¹

The total number of non-Hispanic whites living in poverty is greater than any other group in North Carolina, but this group makes up a relatively small share of the state's white population. And while the 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 2015, 30.8 percent of Hispanics or Latinxs, 25.7 percent of American Indians, and 25.3 percent of African Americans lived in poverty compared to 12.6 percent for Asian Americans and 11.3 percent of whites (see Figure 2).¹²

While struggle and hardship has grown for all racial and ethnic groups since the start of the Great Recession, Hispanics and Latinxs have faced the largest jumps in poverty in North Carolina. Since 2007, the poverty rate for Hispanics or Latinxs has increased by 5 percentage points compared to less than 2 percentage points for all other major racial groups.

FIGURE 2: Racial Disparities Persist--Poverty in Any Community Hurts Us All*2015 Poverty Rate in North Carolina by Race or Ethnicity*

SOURCE: Census Bureau's American Community Survey, 2015. American Indian includes Alaskan Native.

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 \$63.53 billion higher in 2012 if there had been no gaps in income by race.¹³ So clearly, bringing down poverty among people of color is an economic imperative. Doing so requires lifting hundreds and thousands of people above the poverty line (see Figure 3). However, to truly build an inclusive economy requires entirely eliminating poverty.

FIGURE 3: Closing the Racial Poverty Gap Requires Lifting at Least 486,393 North Carolinians Out of Poverty

- 291,398 African Americans would have to be lifted out of poverty
- 174,656 Hispanics and Latinxs would have to be lifted out of poverty
- 16,944 American Indians would have to be lifted out of poverty
- 3,395 Asians would have to be lifted out of poverty

SOURCE: Authors' analysis of Census Bureau's American Community Survey, 2015. American Indian includes Alaskan Native.

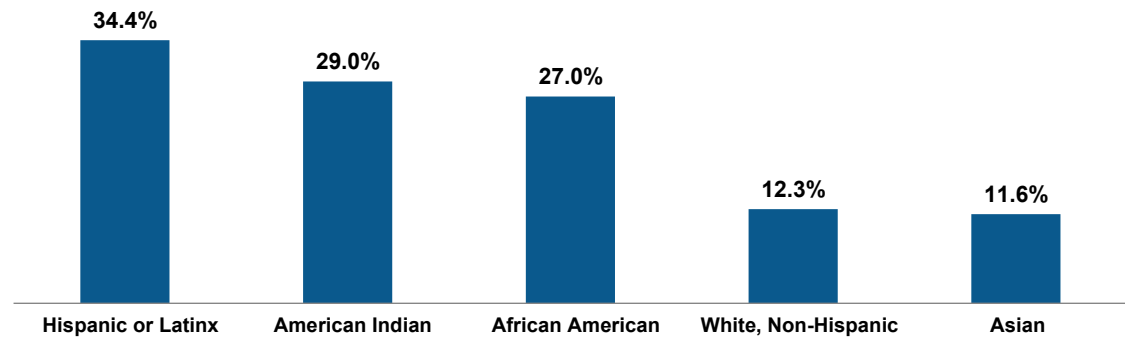
Women Face More Economic Hardships than Men

Women have made tremendous economic strides over the last 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 17.8 percent in 2015 compared to 14.9 percent for men. That year, Tar Heel women who worked full-time, year-round earned just 86 cents for every dollar men earned.¹⁴ As long as women continue to earn less than men when working full-time 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

FIGURE 4: Hispanic or Latinx Females Face the Highest Poverty Rates Among Women in North Carolina

2015 Poverty Rate by Race or Ethnicity, All Ages



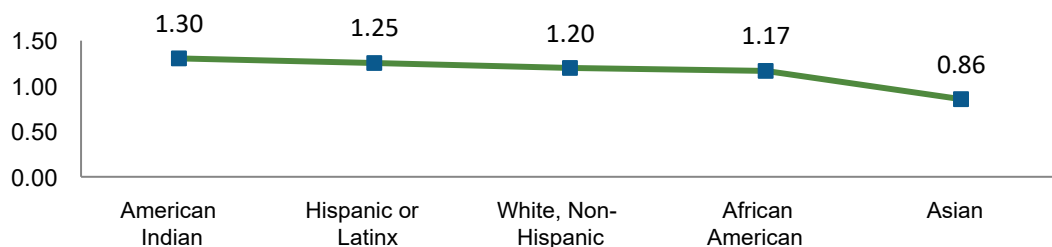
SOURCE: Census Bureau's American Community Survey, 2015. American Indian includes Alaskan Native.

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.¹⁵ 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 2.9 percentage points in 2015. Still, nearly 144,376 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 face particularly high rates of poverty. In 2015, Latinx, American Indian, and African American women were more than twice as likely to live in poverty as Asian and white women (see Figure 4).¹⁶

In North Carolina, women are more likely to live in poverty than men in all major racial groups except Asian Americans (see Figure 5). American Indian and Latinx women represent the largest shares of women living in poverty compared to men. And while white women have lower poverty rates than women of color, their women-to-men poverty ratio ranks third, higher than African Americans and Asians. Differences in education levels, employment, and

FIGURE 5: American Indians and Latinx Face Largest Female-to-Male Poverty Ratios



SOURCE: Census Bureau's American Community Survey, 2015. American Indian includes Alaskan Native.

family structure, along with racial and ethnic differences, are likely driving the disparities.¹⁷

Poverty rates also vary widely by family composition and age, with poverty maintaining a tight grip on families of female-headed households. In 2015, 42.4 percent of female-headed households with children lived in poverty compared to 26.5 percent of male-headed households and 8.5 percent married couples with children.¹⁸

Gender inequality extends into retirement age too. Older women are far more likely to struggle to make ends meet than men: 11.0 percent of women over 65 lived in poverty compared to 6.9 percent of men in 2015.

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 23.5 percent in 2015, well above the national rate of 20.7 percent. The economic downturn pushed more than 160,000 children into poverty between 2007 and 2012, increasing the child poverty rate by over one-third to its post-recession peak level of 26 percent. Child poverty has since declined but remains 4 percentage points higher than in 2007, harming families and the state economy in the short term and for decades to come.

For the nearly 1 in 4 Tar Heel 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.¹⁹ Such damage can hurt their chances of success in school and dampen their earning potential as adults.²⁰ In fact, poverty can fuel intergenerational cycles of deprivation. More than 4 in 10 children who grow up in poverty are likely to remain there as adults—and there is even less economic mobility for African American children.²¹

The state's child poverty rate was the 12th highest in the nation in 2015. 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 39.5 percent for Hispanics or Latinx, 36.2 percent for African Americans, and 32.8 percent for American Indians, compared to 13.7 percent for whites and 13.4 percent for Asians (see Figure 6). Poverty had an even fiercer grip on children under age

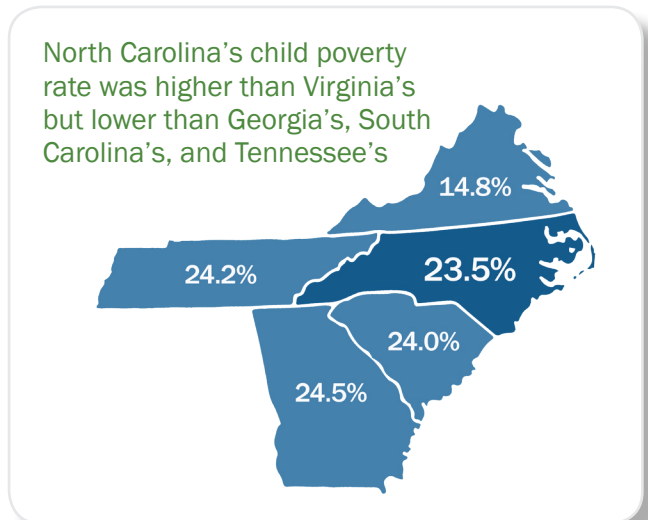
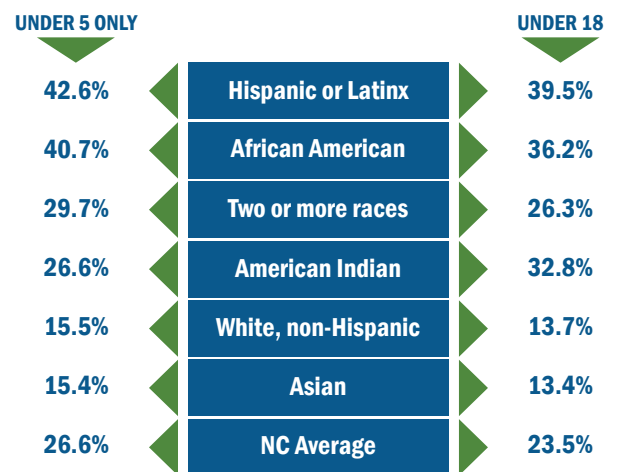


FIGURE 6: Child Poverty Remains High for All Children, Highest among Children of Color under 5



SOURCE: Source: Census Bureau's American Community Survey, 2015. American Indian includes Alaskan Native.

5, during the years of rapid brain development, with rates exceeding 40 percent for African American and Latinx children.²²

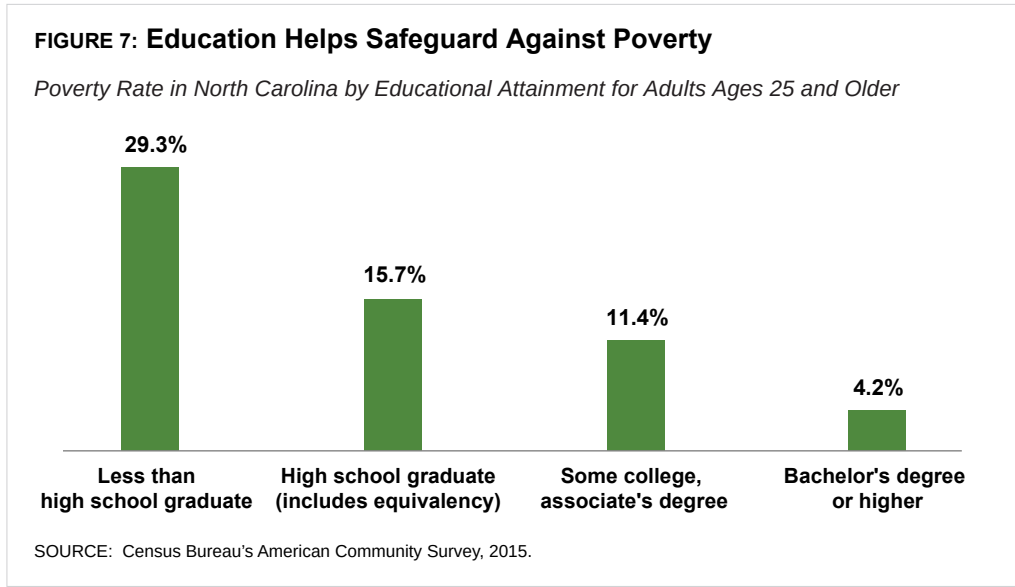
Even with North Carolina’s economy struggling to create enough jobs for everyone who wants to work, 3 in 4 children who were poor lived in families with at least one worker and 3 in 10 were in families with at least one worker employed full-time, year-round in 2014.²³

Education Helps Fend Off Poverty

One of the best paths to achieving economic security 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. In 2015, North Carolinians ages 25 or older with at least a bachelor’s degree had a poverty rate of 4.2 percent, compared to 29.3 percent of those without a high school diploma (see Figure 7).

But how well-off one’s parents are also plays a major role in learning and later economic success. 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.²⁴

Even if 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 scale as adults. But for most children growing up in poverty, a college degree helps them overcome the disadvantages of growing up in a low-income family.²⁵ This 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 all.



Poverty Differs Greatly by Geographic 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-eight counties had poverty rates above 20 percent in 2014.

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.

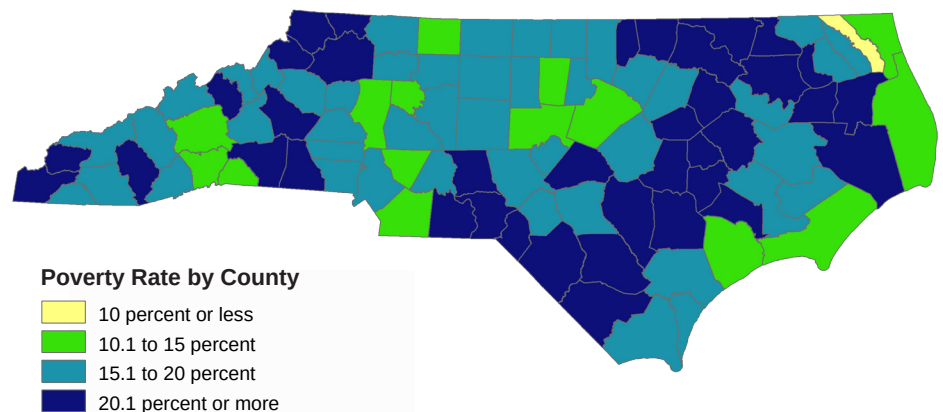
Poverty's Rural-Urban Dimension

In 2014 (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 Camden County to 33.1 percent in Robeson County. Six in 10 counties had poverty rates higher than the state average in 2014 (see Figure 8).

The geography of poverty at the county level reveals the bleak economic reality that many rural residents face. In 2014, the 20 highest poverty rates were all in rural counties. 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.²⁷

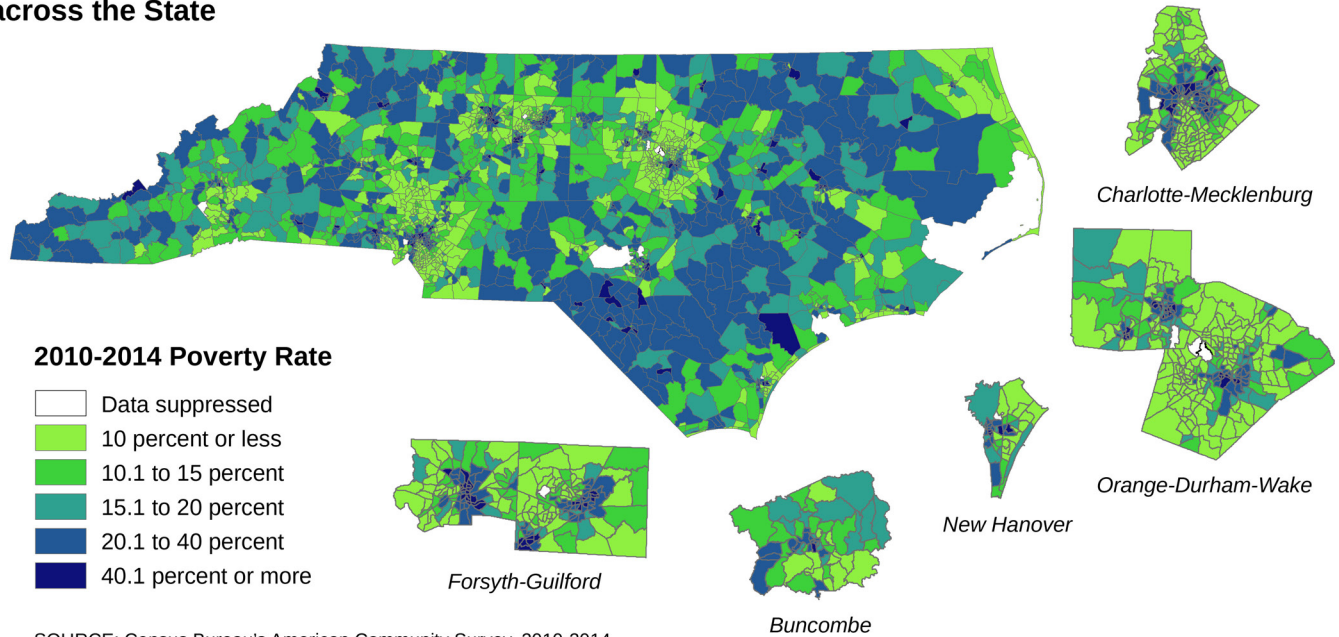
When looking across the total rural, suburban and urban population—using the Rural Center's definitions—residents in rural counties are more likely to live in poverty (20.9 percent) than their suburban (16.3 percent) and urban (15.7 percent) neighbors.²⁸ These findings in-part reflect how urban areas are fueling the state's economic recovery. For

FIGURE 8: High Poverty Rates Persist, with Rates Varying Considerably across the State



SOURCE: : US Census Bureau's Small Area Income and Poverty Estimates, 2014.

FIGURE 9: Poverty Remains Stubborn to Economic Recovery, with Rates Varying Considerably across the State



example, two urban counties—Wake and Mecklenburg—contributed to 40 percent of the job growth since the recovery began in 2009.²⁹ 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.³⁰

Clusters of poverty became more common in the state during the 2000s. 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 2000.³¹ 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 rates in the nation's 100 largest metropolitan areas were in North Carolina.³² High-poverty areas are also rapidly increasing in the state's suburban areas as well.³³

The second decade of the 21st century seems to continue that trend as indicated by the most recently available five-year data (2010-2014) at the census tract level. There were 129 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 1 in 3 census tracts in the state had poverty rates of 20 percent or higher, and these communities were home to 3.2 million North Carolinians.

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.³⁴ 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.³⁵

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

Poverty remains 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.³⁶ At the same time, policymakers are enacting policies that make it more difficult for working families to get ahead.

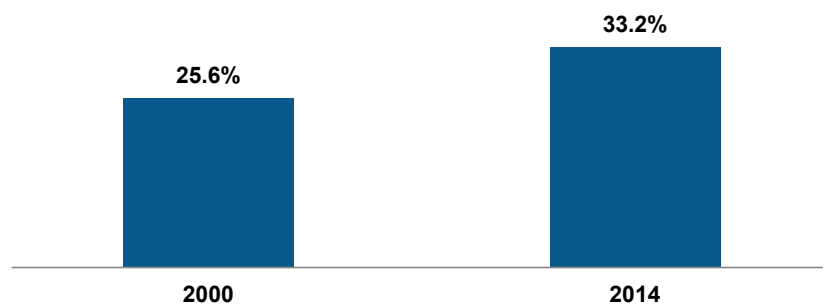
Hard work is no longer enough to climb out of poverty and allow families to meet basic needs. The share of North Carolina workers earning poverty-level wages is growing rapidly. More than 3 in 10 workers in the state earned wages at or below the official poverty line in 2014, up from 1 in 4 in 2000 (see Figure 10). This is the 2nd-worst ranking in the nation—behind Arkansas.³⁷

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.³⁸

In 2015, the median household income in North Carolina brought in \$47,830, which is \$1,216 more income than it did in 2014 adjusted for inflation. 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 \$4,400 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.

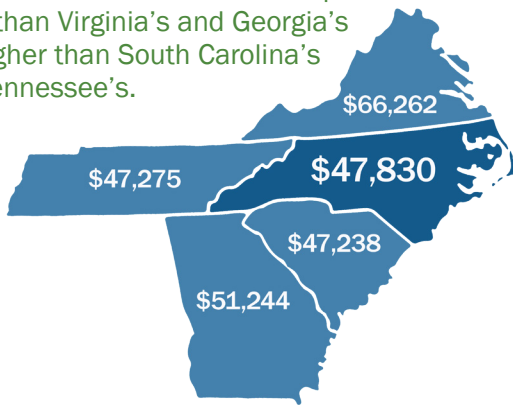
FIGURE 10: Share of NC Workers Earning Poverty Wages is Substantial, Up from 2000

Share of Workers Earning Poverty-Level Wages



SOURCE: EPI analysis of CPS-ORG. Poverty wage is \$11.65 in 2014 CPI-U-RS adjusted dollars.

North Carolina's median household income was in the middle of the pack—lower than Virginia's and Georgia's but higher than South Carolina's and Tennessee's.



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 \$3,200, or 6.3 percent, adjusting for inflation. A ten-year lookback shows that the median household had \$1,600 less in income in 2015 than in 2005 (see Figure 11). In other words, North Carolinians have experienced a decade of decline in middle-class living standards.^{38,39}

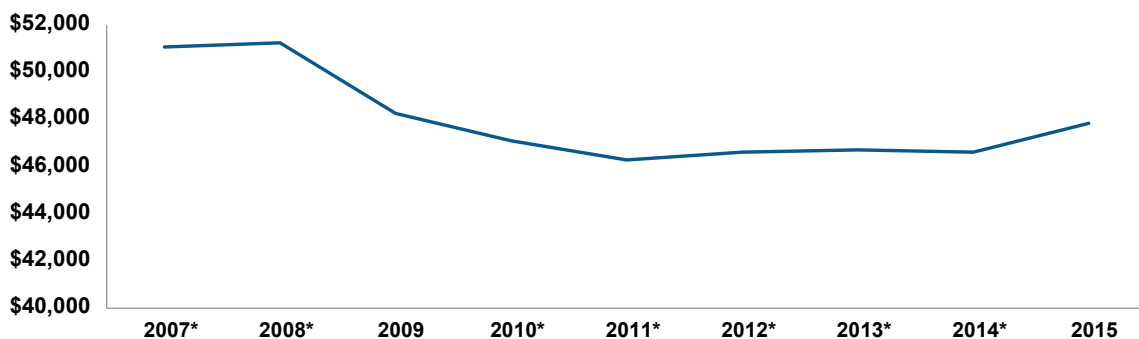
The state's median household income was the 10th-lowest in the nation—down from 11th in 2014. As such, North Carolina continued to trail the nation's median by more than \$7,900 in

2015. Compared to bordering states, North Carolina's median household income was in the middle 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.⁴⁰ The top fifth of households in the state—those with the highest incomes—had average annual incomes \$161,934 higher than the bottom fifth in 2015. The top 20 percent of households held more than half of all income in the state in 2013, compared to the 14.2 percent held by the middle fifth and the 3.3 percent held by the bottom fifth (see Figure 12).⁴¹ Those growing up at the bottom and top ends of the income scale tend to stay there during adulthood.⁴²

FIGURE 11: State Median Income Grew in 2015 But Remained Below Recession Levels

Median Household Income by Year, 2015 Dollars



SOURCE: Census Bureau's American Community Survey, 2007-2015. An asterisk indicates that the poverty rate for that year is statistically different from the 2015 rate.

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.⁴³ *State-level data is not available.*

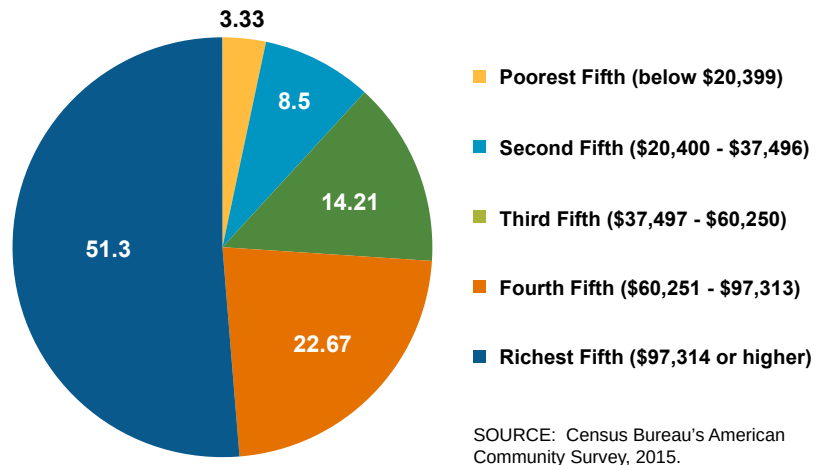
Poverty also remains high due to state lawmakers' decisions to dismantle or underinvest in things that reduce poverty, foster economic mobility, and lay the groundwork for an economic future that benefits everyone.

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. Within the last 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 made important steps forward to make permanent improvements to working family tax credits that served to boost the income and labor force participation of low-wage workers. Even as Congress and the President moved forward in the past year to make this important investment, many of the across-the-board cuts—known as sequestration—vital to public services that went into effect in 2013 remained in place. This continues to ensure that there are fewer opportunities to access child care subsidies, housing vouchers and no long-term unemployment benefits, making it harder to afford the basics for people already living on the edge.⁴⁴ Underinvesting in people and communities is not the way to help people move up and out of poverty, boost North Carolina's economy, or create a better future for everyone.

FIGURE 12: Top 20 Percent Holds More than Half of All Household Income in North Carolina

Share of Household Income by Quintile



Work and Income Supports Help Keep Poverty in Check, Boost Economic Mobility

The increases in poverty in the aftermath of the Great Recession were substantial. But far more North Carolinians would be living on the edge in the absence of work and income supports, which the federal government expanded at the start of the economic recovery to counter massive job losses and steep drops in family income.⁴⁵ Examples of these supports include tax credits for working families, temporary unemployment benefits, and Social Security for older adults and dependent children.

Work and income supports are effective anti-poverty tools because they provide people with a temporary bridge to meet basic economic needs and support healthy development among children. They reduce the number of North Carolinians living in poverty by half while

simultaneously reducing the depth of economic hardship for those who remain poor. The state poverty rate dropped from 29.9 percent to 14.6 percent, on average, from 2011 through 2015 when accounting for supports and tax credits (see Figure 13). This equates to lifting more than 1.6 million North Carolinians, including 341,000 children, out of poverty each year, on average. To put that in perspective, that is nearly double the population of Charlotte, NC.

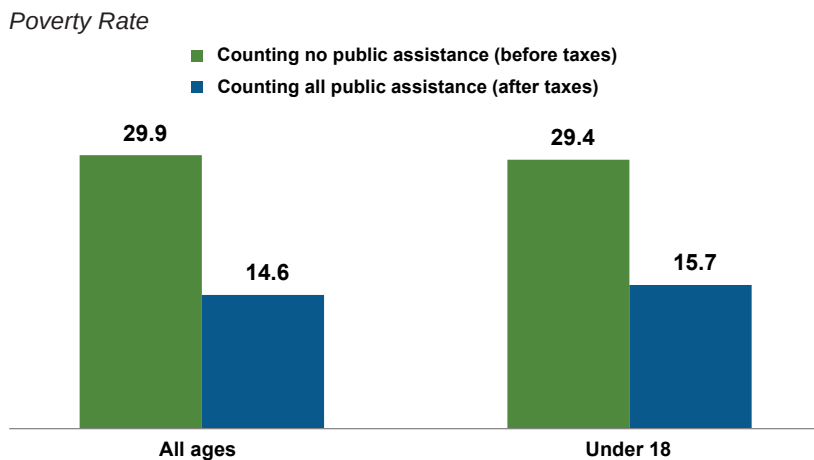
These figures are based on the Census Bureau's Supplemental Poverty Measure (SPM), which—unlike the official poverty measure—accounts for taxes, non-cash benefits such as rent subsidies, and cash assistance such as Social Security. The SPM also makes other adjustments,

taking into account out-of-pocket medical costs, work expenses such as child care, and differences in living costs across the country.

Work and income supports also blunt poverty's reach across the United States. Absent any safety net benefits in 2015, the supplemental poverty measure would have been 12 percentage points higher for the nation.⁴⁶ The case is similar when looking further back. Poverty across the country fell significantly over the last half-century—from 26 percent in 1967 down to 16 percent in 2012—when accounting for work and income supports, proving the critical role that effective public policies play in combating poverty and boosting economic security.⁴⁷

Keeping these robust work and income supports is vital to reducing poverty.

FIGURE 13: Work and Income Supports Cut Poverty Rate in Half in North Carolina Each Year, on Average, During 2011-2015

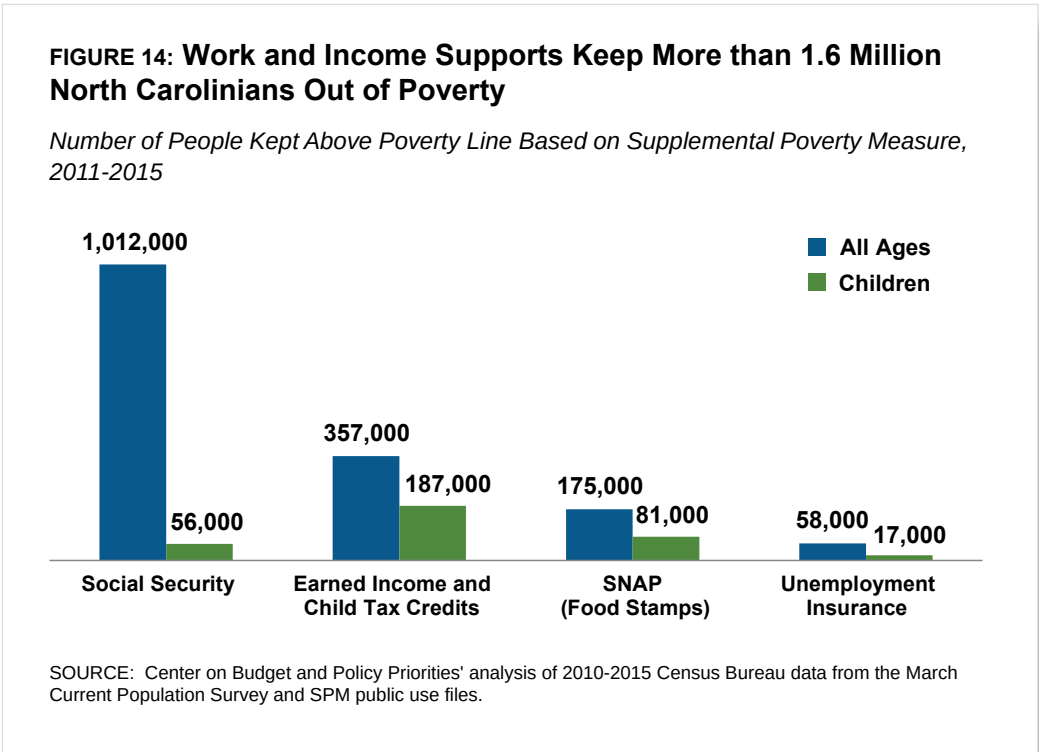


NOTE: Figures use the federal government's Supplemental Poverty Measure (SPM).
SOURCE: Center on Budget and Policy Priorities' analysis of 2011-2015 Census Bureau data from the March Current Population Survey and SPM public use files.

Numbers Tell a Powerful Story

There are four core federal work and income supports that are effective at lifting adults and children out of poverty (see Figure 14). Social Security reduces poverty substantially in North Carolina, especially among older adults. The cash assistance lifted more than 1 million people out of poverty each year, on average, from 2011 to 2015. This includes 56,000 children. Throughout the United States, the number of older adults struggling to make ends meet would have more than doubled without Social Security in 2015.⁴⁸

The strongest anti-poverty tools for children, besides a job that pays a family-sustaining wage, come in the form of tax credits for families. The federal Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) kept 357,000 North Carolinians—including 187,000 children—out of poverty each year, on average, from 2011 to 2015. The EITC allows workers earning low wages to keep more of what they earn so they can support their families and afford work-related expenses such as child care and transportation. North Carolina had a state credit that was as high as 5 percent of the federal credit, but lawmakers allowed it to expire in 2013. The CTC offsets some of the additional costs that parents incur for their children.



If not for the Supplemental Nutrition Assistance Program (SNAP), an additional 175,000 North Carolinians—including 81,000 children—would have lived in poverty each year, on average, from 2011 to 2014. SNAP helps families struggling to put food on the table get a nutritionally adequate diet. Compared to other work and income supports, SNAP is particularly effective at targeting people living in extreme poverty who often face the prospect of spending days with little or no food.⁴⁹ Two in five American families receiving SNAP earn incomes below half of the poverty line.⁵⁰

In addition to reducing poverty, SNAP also reduces the likelihood that a family will go through periods of food insecurity, defined as reduced food intake or disrupted eating patterns in a household due to lack of money or other resources.⁵¹ This is particularly important in North Carolina, which has the 8th-highest level of food insecurity in the nation.⁵²

Work and Income Supports Provide Long-Term Benefits

Work and income supports are good economic policy not only because they reduce the depth of poverty but also due to their long-term benefits. These supports take a two-generation approach and have lasting benefits for children and adults, including improved health, better learning, and more employment opportunities. For children, these benefits can reach into adulthood.

Young children who benefit from SNAP are healthier adults and are more likely to graduate from high school, according to a recent study.⁵³ They are 13 percentage points less likely to be obese in adulthood and 18 percentage points more likely to graduate from high school, compared to children who lacked access to food assistance. They are also less likely to experience heart failure as adults.

Children who grow up in low-income families are also more likely to fare better during adulthood if their families receive income boosts from tax credits such as the EITC and CTC. These children perform better in school, are more likely to go to college, and tend to earn more when they reach adulthood, according to several studies.⁵⁴ For families earning below \$25,000, a \$3,000 increase in income from the EITC during a child's early years can lead to a significant increase in earnings in adulthood, as well as increased work hours for individuals between the ages of 25 and 37.⁵⁵

The EITC also has lasting benefits for adults by making low-income work more viable, especially among less-educated single mothers. By increasing the number of women who work and their earnings, the EITC boosts the Social Security benefits they eventually receive—potentially leading to lower poverty rates and greater financial security during their retirement.⁵⁶

Early childhood programs, like the state's Child Care Subsidy Program and NC Pre-K program, build a pathway for more of North Carolina's children to achieve financial security and middle-class status. Early childhood education has been proven to enhance school readiness and produce substantial long-term educational and economic gains. Not only does NC Pre-K in particular build a pathway for more of North Carolina's children to achieve financial security and move into the middle class, it also reduces the odds of third-grade special education placement.^{57, 58} The strength and competitiveness of North Carolina's economy depends on a competent, high-quality workforce, and these programs play a vital role in meeting that need.

All told, a growing body of research confirms that work and income supports benefit North Carolinians at every stage of life and are stepping stones in today's economy. They help adults and children move out of poverty and up the income scale both in the short and long terms. These investments enable workers and families to succeed, contributing to a stronger and more inclusive economy.

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.

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