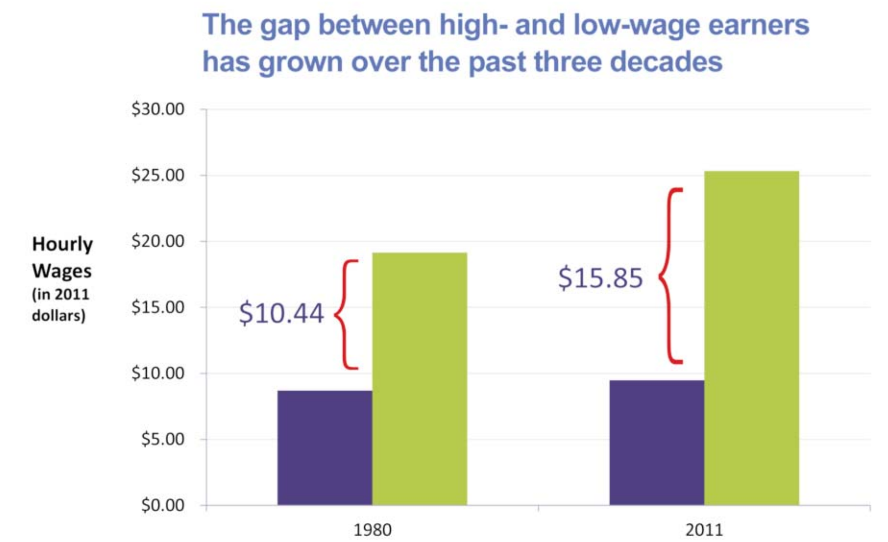
THE STATE OF WORKING NORTH CAROLINA:

# Growing Wage Inequality

September 2012

OVER THE PAST 30 YEARS, North Carolina has experienced growing wage inequality, with high-wage earners enjoying income gains while middle- and low-income families saw their wages stagnate or fall. The growth in income inequality has serious implications for all North Carolinians. More unequal societies are more likely to have low levels of economic mobility and enjoy shorter the periods of growth. In contrast, research has found that cutting income inequality in half can double the length of an economic expansion.

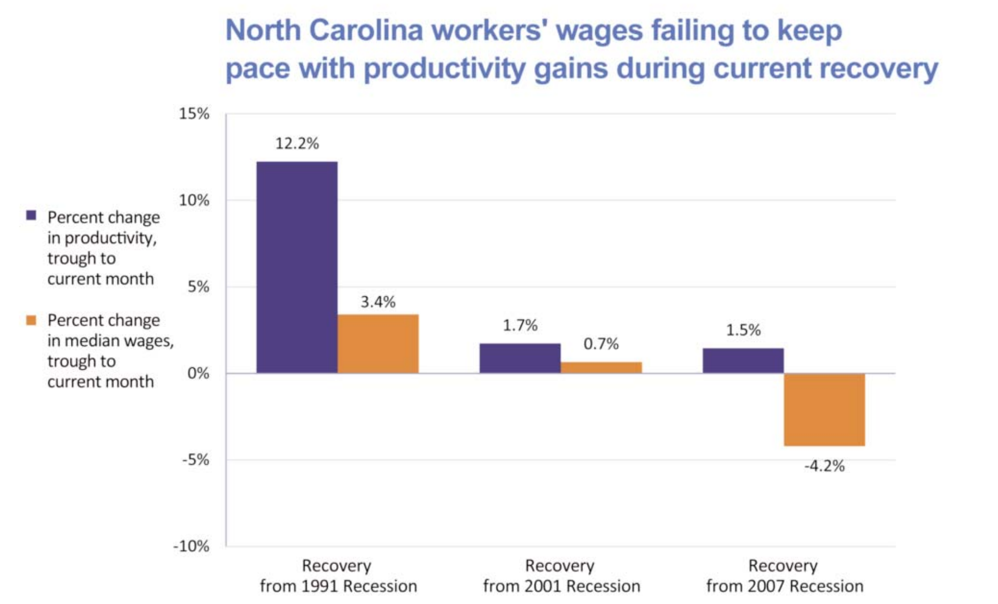



Source: Economic Policy Institute analysis of Current Population Survey data, adjusted in 2011 dollars

## Stagnating Wages for All But Those at the Top

Hourly wages for those in the bottom 20 percent of the income distribution have remained flat, while those in the top 20 percent have seen their wages grow. The result is a growing gap between high- and low-wage earners. In 1981, the gap between the top 20 percent and bottom 20 percent was $10.44 per hour, but by 2011 the gap had grown to $15.85.

Those at the bottom and middle of the income distribution in North Carolina saw their wages decline over the past decade, in contrast to the trend in the 1990s where all groups—but especially the median and low-income households—saw wage improvements.




Source: BEA Regional GDP and Personal Income. Real GDP in millions of chained 2005

## Disconnect between Productivity and Wages

A prevalent trend during the current economic recovery threatens to further increase income inequality over the next decade: North Carolina workers are working harder but are not seeing increased benefits from their increased labor.

Productivity, the amount of goods produced by each worker, is a key measure of economic growth. As a worker improves his efficiency, he increases the economic output of his employer while reducing his employer's costs and expanding its profits. In past business cycles (including the recoveries from the recessions of 1981, 1990, and 2001), employers passed these savings along to workers in the form of higher wages. Unfortunately, the reality of the current recovery is different than the past: despite increasing productivity by 1.5 percent since the end of the Great Recession, North Carolina's workers have seen their wages fall by 4 percent and employment fail to return to pre-recession levels.