Bigger paychecks, **more** good jobs, & **thriving** communities

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Why raising the minimum wage is good for ***everyone*** in North Carolina

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$15
per hour
by 2024

North Carolina needs an economy that works for all and ensures broadly shared prosperity. That means creating good 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, as wages have fallen for a majority of the state's residents and high poverty continues to persist.[1] As a result, hundreds of thousands of working North Carolinians don't earn enough to make ends meet, which in turn hurts business sales, hiring, and long-term economic prosperity.

Raising the minimum wage in North Carolina plays an essential role in addressing the problem of low wages by providing families with bigger paychecks, creating more good jobs, and building thriving communities. North Carolina's current wage floor is identical to the nation's at $7.25 an hour, but legislators have introduced a plan that would raise the state's minimum wage to $15 an hour over five years. By 2024, this plan would boost paychecks for almost 1.6 million working people, giving each of them a raise of $4,422 per year, and a combined $7 billion for all workers across the state. It will transform thousands of low-wage jobs into good-paying, family supporting jobs without increasing overall unemployment. It will also create an unparalleled opportunity for boosting local business sales and bringing historically marginalized communities into the mainstream economy.

1. Low wages are a problem for families, businesses, and the entire economy

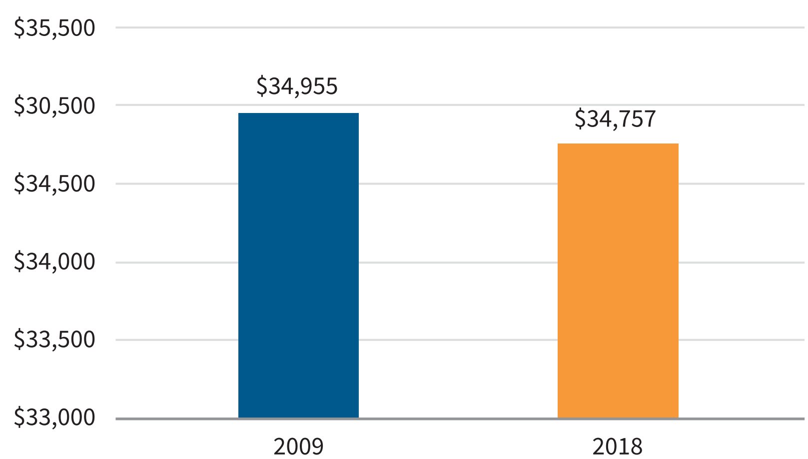
Ten years after the Great Recession, too many working families haven't seen many meaningful financial benefits from this long, post-2009 economic expansion. Despite historically low unemployment rates, there are still more jobless people looking for work than there are available job opportunities in 49 counties, many of which still haven't replaced the jobs they lost during the recession.[2] The boom of wealth creation at the very top of the economic ladder hasn't come close to trickling down to the paychecks of working people.[3] Median hourly wages have actually fallen by 10 cents over the past decade, from $16.81 an hour in 2009 to $16.71 in 2019. Adding this up over an entire year, working families have seen their annual income shrink by almost exactly $200 over the past decade (see Figure 1).[4]

Wages are down
$200
per year since 2008

Part of the problem involves big, long-term shifts in the state's economy away from good-paying manufacturing jobs with those in the service sector that either pay a lot but require expensive education to get, or pay a lot less. Between 2009 and 2016, the state lost more than 80,000 middle-wage jobs, while more than 90,000 low-wage jobs were added to the North Carolina economy at the same time.[5]

1.6 million
workers benefit

FIGURE 1: Median Wages Have Fallen over Last Decade



SOURCE: Author's analysis of Occupational Employment Survey Data, 2009-2018

Policy decisions also play a crucial role in shaping the future of wages in North Carolina— and North Carolina's failed tax cutting experiment will only keep the state on its dark road of wage stagnation and inequality. Since 2013, the General Assembly has enacted significant tax reductions for the highest income earners in the state, yet as we've seen, the annual paycheck for the median worker has shrunk by $200.[6] At the national level, the recently enacted 2017 tax cut—like the high-end tax cuts of 1981, 2001, and 2003 before it—did nothing to boost paychecks for working people. The very wealthy and highly profitable multinational corporations received millions (and billions) of dollars from the tax cut, yet this never trickled down to higher wages for regular employees.[7] Instead, these recipients spent almost all of their tax cut windfall on stock buybacks, executive compensation, and investor income, none of which translated into better wages.[8] A few highly publicized examples of bonuses turned out to be both very rare and very temporary, reinforcing the obvious reality that tax cuts are not an effective long-term tool to raise wages.

$4,422
in higher wages per year

93%
of people who benefit are older than 20

Instead of cutting taxes for millionaires and corporations, the best way to raise wages for working people is to raise the minimum wage. The current minimum wage in North Carolina is the same as the federal wage floor—$7.25 an hour, or about $15,000 per year. This is about half what economists estimate it takes for a family of one adult and one child to afford the basics in North Carolina.[9] It's also about $5 an hour and $5,000 a year less than what the minimum wage was worth in 1968 (adjusted for inflation).[10] This is a major reason why almost 1 out every 8 working families in the state don't make enough to escape poverty.[11]

Rather than allowing to stagnate, policy makers should raise the minimum to $15 an hour over the next five years—doing so will boost paychecks, create more good jobs, and build thriving communities.

2. Giving bigger paychecks to working people

Increasing the minimum wage to $15 an hour will give an average $4,422 raise per year to 1.6 million working people in North Carolina by 2024—for a total statewide wage boost of $7 billion.

This represents a significant shot in the arm for adult workers who rely on their paychecks to support themselves and their families, not just teenagers just trying to get their first jobs. Because of the changing economy and the rise of low-wage work, more than 93 percent of working people in the state who would benefit from the raise are older than 20 and rely on their minimum wage job as their families' primary income. They would see their paychecks grow by an average of $4,400 by 2024. One-quarter of all married parents and half of all single parents in the state would benefit, so that 765,000 children would have parents who see a raise.[12]

50%
of all single parents benefit

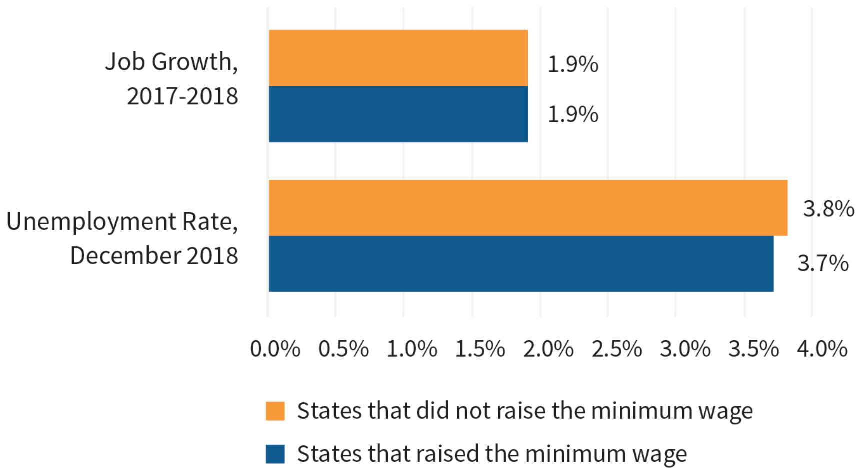
Taken together, these numbers represent transformational change for working people—a half million fewer people would live in poverty, and a million more living paycheck to paycheck would suddenly have the ability to make ends meet, provide financial stability for themselves and their families, and see middle-class prosperity in reach.

3. Creating more good jobs with local businesses

Growing people's paychecks will also create more good jobs, the kinds of jobs that pay a living wage and allow working people to afford the basics—groceries, rent and housing costs, childcare, healthcare, gas in the car, and start saving money for retirement or to buy a new home. Lifting the minimum wage to $15 an hour would by definition transform low-wage and poverty-wage jobs into these kinds of good jobs—and the impacts are enormous. For example, people working in fast-growing, ultra-low-wage industries would see significant wage increases—more than 260,000 retail workers would receive $4,100 more every year and 160,000 people working in the food services industry would receive almost $6,000 more every year, lifting their wages above poverty level.[13]

As a result of this raise, many more working people in North Carolina will have access to good jobs. But to access them, the jobs first need to exist. The good news is that, contrary to the fears of some conservative pundits, increasing the minimum wage will not increase unemployment or "kill jobs" by increasing business's labor costs. After a decade of state-level minimum wage increases, there is now abundant evidence that these fears are wildly overblown, for the simple reason that nowhere in the United States has any state that raised the minimum wage at any point seen the widespread joblessness that doomsayers predict.[14]

FIGURE 2: Raising the minimum wage doesn't kill jobs: "Raising" states saw virtually same job creation, unemployment as "not raising" states in 2018



SOURCE: Authors analysis of Local Area Unemployment Survey and Current Employment Statistics, 2017-2018

If job losses were an inevitable result of raising the wage, then we would expect substantively weaker job growth and higher unemployment for "raising" states when compared to "not raising states." But **this simply hasn't happened—anywhere at the state level**. The most statistically robust studies conducted by professional economists of actual state minimum wage increases over the past decade have found that states that enacted a raise did not see meaningful job losses when compared to states that did not raise the wage.[15, 16]

25%

of married parents benefit

These findings are echoed by a simple, straightforward descriptive analysis comparing states that raised the wage to those that did not. As seen in Figure 1, total employment growth over the course of 2018 for the 18 states that saw minimum wage increases take effect on January 1, 2018, is almost identical to the job growth in the states that did not see an increase that year. Likewise, the average unemployment rate is also virtually the same between "raising" states (3.8 percent) and "not-raising" states (3.7 percent).[17] Taking the findings of this simple analysis together with bulk of the rigorous, academic literature on minimum wage increases, the story is straightforward: raising the wage floor doesn't kill jobs.

765,000

children have parents who would benefit

While it's true that raising the minimum wage increases labor costs for businesses, the reality is that employers in the short term can reduce workers' hours, rather than lay them off. Workers still benefit because they are earning more per hour. For example, a 10 percent increase in the minimum wage can reduce employee hours by about 1 or 2 percent. 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.[18] Additionally, businesses benefit by reducing employee turnover and improving their productivity because well-paid employees show up, work hard, and stay in their jobs rather than quit and look for better paying work.

Perhaps most importantly, however, is that businesses will directly benefit from the higher wages paid to 1.6 million new customers who can spend their additional $4,422 dollars every year

on their goods and services. Wage increases largely translate into higher business sales, and these sales drive more employer investment and bigger business profits.

Taken together, these business benefits explain why minimum wage increases create a lot of good jobs without creating unemployment.

4. Building thriving communities that include everyone

Bigger paychecks and good jobs help build thriving communities, with vibrant businesses, a high quality of life, and full participation and inclusion in the local economy. When people earn more money, they spend it at local businesses. This virtuous cycle not only helps business sales and encourages more business investment, it also significantly boosts local government revenues—more sales taxes and property taxes—which in turn supports significant public investments in quality of life amenities like schools, roads, parks, libraries, community stadiums, and higher education institutions. In other words, raising wages helps communities build the investments that create great places to live.

260,000
retail employees would benefit

Most importantly, raising the minimum wage helps ensure that historically marginalized people are included and allowed to fully benefit from our communities' prosperity. When these groups are brought from the margins into full engagement with the economy, their skills, wages, and social networks can play a significant role in boosting local economic growth.[19] Unfortunately, the legacy of segregation and other discriminatory practices have long kept people of color from full participation in our economy, and the results of these barriers are clear: families of color have disproportionately suffered from wage inequality. In 2018, for example, Black families earned $20,000 less than their white counterparts—in some counties, they earned less than 45 cents for every dollar earned by white families.[20]

160,000
food service employees would benefit

As a result, the minimum wage for everyone will have an even greater positive impact on many families of color—boosting their earnings and ensuring their full participation in the economy. Specifically, more than 720,000 Black and Latinx workers will see their paychecks go up by between $4,659 and $5,134 by 2024.[21] This is partly because raising the wage will help ensure that fewer workers of color are paid less for the same work and partly because workers of color who are disproportionately represented in low-wage industries will see the wages in those industries rise. Although this will not eliminate racial wage disparities altogether, raising the wage will take a significant step forward to ensuring greater paycheck equity.

Additionally, there are several categories of working people who have long been prohibited from earning the minimum wage altogether who would benefit from lifting the state's wage floor. Thanks to deliberately racially discriminatory labor policies enacted in the 1930s and never repealed in the following decades, there are about 85,000 domestic workers[22] and 80,000 farmworkers[23] who are not covered by the minimum wage. Moreover, there are about 155,000 tipped workers—mostly restaurant servers, hair dresser, and taxi drivers—who earn a subminimum wage of $2.13 an hour and must earn the rest of their paychecks through tips.[24] Sexual harassment, wage theft, and discrimination are rampant in these tipped occupations. People color are heavily represented in all of these occupations, and their exclusion from full minimum wage protections are a major contributor to the racial wage gap.

461,920
black workers would benefit

265,340
Latinx workers would benefit

Including them in the minimum wage would help reverse these problems and bring these marginalized communities into full participation in our local economy.

In conclusion, the message is clear: raising the minimum wage will benefit everyone in North Carolina—working people, businesses, and the entire economy.

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