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## HIGH POVERTY LEVELS RESISTANT TO ECONOMIC RECOVERY:

Families Still Reeling from the Great Recession

BY TAZRA MITCHELL

### KEY FINDINGS

- North Carolina's poverty rate was 17.9 percent in 2011, statistically unchanged from the rate in 2010. The poverty rate jumped more than 25 percent since 2007, the beginning of the Great Recession.
- Nearly 1.7 million North Carolinians were officially in poverty in 2011, and more than 737,000 lived in deep poverty.
- The poverty rate for children in North Carolina was 25.6 percent in 2011, compared to 9.7 percent for seniors.
- People of color experienced higher rates of poverty. In 2011, 28 percent of African-Americans, 34.9 percent of Latinos, and 27 percent of American Indians in the state lived in poverty.
- Median household income fell to \$43,916 in 2011, down 1.8 percent from \$44,726 in 2010.

#### CONTACT:

TAZRA MITCHELL  
Public Policy Fellow  
919/861-1451  
[tazra@ncjustice.org](mailto:tazra@ncjustice.org)

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north carolina  
JUSTICE CENTER

P.O. Box 28068  
Raleigh, NC  
27611-8068

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### Overview

The United States Bureau of the Census released the latest poverty numbers from its American Community Survey confirming that millions of North Carolinians continue to cope with the enduring effects of the Great Recession.<sup>1</sup> The data indicate that the modest but significant improvement in the economy has not been strong enough to reverse the state's jobs deficit, high unemployment rate, and rapid acceleration of low-wage work.<sup>2,3</sup> The result is unshared economic growth and prolonged economic insecurity.

The trends of the Great Recession's aftermath come on top of decades of growing income inequality and a weak economy throughout the 2000s. Unemployment is predicted to remain high over the next several years, suggesting North Carolinians may be facing another lost decade of shrinking

income growth and high poverty. It is important for policymakers to continue to invest in policies that bolster economic security and spur broadly shared economic growth for all North Carolinians.

### Poverty Persists Above Pre-Recession Levels, Certain Communities Harder Hit

The Bureau of the Census' American Community Survey recorded that North Carolina's poverty rate held steady at 17.9 percent in 2011. Nearly 1.7 million North Carolinians were living on incomes below the federal poverty level, which is \$23,021 annually for a family of four. Some 737,380 North Carolinians were living in deep poverty, meaning they earned half or less of the annual poverty-level income for their family size. North Carolina's poverty and deep-poverty rates are the 13th highest in the nation.

Of the 39 counties in North Carolina for which 2011 data is available, 21 counties had poverty rates higher than the state average. Nine of the ten highest county-level poverty rates were in rural counties.<sup>4</sup> The highest county-level poverty rate was in Robeson County, where nearly 1 in 3 residents lived in poverty. Among urban counties, the highest poverty rate was in Durham County, where more than 1 in 5 residents lived in poverty. Overall, the average poverty rate in rural counties in the state was 18.3 percent, which is 1.7 percentage points higher than the average for urban counties.

In addition to poverty disproportionately impacting certain geographic communities, certain demographic groups were also particularly hard hit in 2011. The state's child poverty rate was 25.6 percent in 2011, which is above the national child poverty rate of 22.5 percent. Child poverty in the state grew more than 30 percent since 2007. The poverty rate for North Carolinians aged 65 and older stood at 9.7 percent, while the poverty rate for those with disabilities was 24 percent. Also, 44.2 percent of female-headed households with children lived in poverty, compared to 21.3 percent of all families with children.

People of color were also more likely to experience poverty in 2011. Approximately 28 percent of African Americans, 34.9 percent of Latinos, and 27 percent of American Indians in the state lived in poverty.<sup>5</sup> These poverty rates are well above the rate of 12.1 percent for whites. The racial disparity is even more pronounced among children. The poverty rates for African American, Latino, and American Indian children are 2.5 to 3 times higher than the rate for white children.<sup>6</sup>

Women and people with lower levels of educational attainment continued to experience higher poverty compared to other groups. In 2011, 19.2 percent of females lived in poverty, compared to 16.4 percent of males. North Carolinians aged 25 or older with at least a bachelor's degree had a poverty rate well below the state average at 4.2 percent, compared to 30.7 percent of those without a high school diploma.

### Median Income Falls as Unemployment Remains High

The official economic recovery that began in June 2009 has been dubbed "the jobless recovery" because high rates of unemployment abound. The jobs deficit surpassed one-half million jobs at the end of 2011 in North Carolina.<sup>7</sup> In part due to persistently high unemployment rates, median household income in North Carolina dropped to \$43,916 in 2011, down 1.8 percent from \$44,726 in 2010. As of 2011, North Carolina has the 12th lowest median household income in the nation.

Median household income varied considerably across the state. Of the 39 counties for which 2011 data is available, Wilkes County had the lowest median household income at \$30,181, and Wake County had the highest median household income at \$62,141.

Many of the counties with high unemployment had low median household incomes. For example, Rutherford County—which had the highest average unemployment rate in 2011 of the 39 counties—had the 7th lowest median household income in the state.

For households of color, the median household income was considerably lower than the median household income for the state in 2011. African Americans' median household income was \$30,829, Latinos' median household income was \$32,852, and American Indians' median household income was \$33,827. In contrast, the median household income for whites was \$50,273.

Income inequality is widespread in North Carolina, with the top and bottom fifth of the income distribution separated, on average, by an annual income of \$144,246. The top fifth of households held more than half of all income in the state in 2011, compared to the 14.5 percent and 3.3 percent held by the middle and bottom fifths, respectively. Income inequality is also growing. For the average household in the bottom fifth, income dropped by 10.4 percent between 2007 and 2011, compared to 9.2 percent and 6.4 for the average household in the middle fifth and top fifth, respectively.

## Conclusion

High rates of poverty and prolonged deterioration in income come as no surprise given North Carolina's jobs deficit and rapid growth in low-wage employment. As job seekers remain unemployed and the share of workers earning low incomes increases, poverty persists and opportunities for robust and shared economic growth decline. Reversing these trends requires adequate and long-term investments in economic policies designed to generate jobs that pay living wages and offer benefits. Meanwhile, North Carolina policymakers should be careful not to dismantle work supports that fight poverty, like the refundable state Earned Income Tax Credit, and job training that supports career mobility. Nor should policymakers reduce support for safety net programs, such as food, housing and energy assistance that help struggling North Carolinians to make ends meet.

- 1 The data reported in this brief are from the United States Bureau of the Census' American Community Survey, 2011.
- 2 The jobs deficit is the difference between the number of jobs North Carolina has and the number it needs to regain its pre-recession employment rate. This includes the number of jobs required to return to pre-recession levels and the number needed to keep pace with population growth since the Great Recession began.
- 3 For more information on these trends, see: North Carolina Budget and Tax Center. "State of Working North Carolina 2012." September 2012. Available here, <http://www.ncjustice.org/?q=budget-and-tax/state-working-north-carolina-2012>
- 4 North Carolina § 143B-437.45 (6) provides the historical definition of a rural county as a county with a density of fewer than 250 people per square mile based on the 2000 United States decennial census. Under current law, 85 of North Carolina's 100 counties are "rural."
- 5 The data cited in this brief for American Indians also includes Alaska Natives.
- 6 In 2011, the child poverty rate for African Americans was 39.4 percent, 33.9 percent for Latinos, 37.5 percent for American Indians, and 13.5 percent for whites in North Carolina.
- 7 See footnote 2 for the definition of "jobs deficit." North Carolina Budget and Tax Center. "North Carolina's Job Deficit Persists." Prosperity Watch. Issue 9, Number 3. Available here, <http://www.ncjustice.org/?q=node/1281>