

Tools to reduce economic inequality *and build income and wealth in the South*

Several tools exist to reduce economic inequality, each with different focuses and impacts:

- **Guaranteed income** provides immediate financial support to those in need, boosting short-term consumer spending.
- **Raising the minimum wage** ensures fair pay for workers, supporting those currently employed and the businesses they frequent.
- **Baby bonds** create long-term economic mobility by giving young adults the resources to invest in education, homeownership, or entrepreneurship, which helps reduce wealth disparities over time.

Together, these policies address immediate financial needs and long-term economic stability. All three policies directly increase disposable income for individuals, leading to more spending in local communities, which stimulates small businesses and boosts state tax revenue.

Guaranteed Income (GI)

The Georgia Resilience and Opportunity (GRO) Fund and GiveDirectly support a guaranteed income program, [In Her Hands](#), that serves 650 women of color in select Georgia communities. Each participant receives an average of \$850 per month for two years that they can use to pay down debt, buy groceries, cover childcare, or support other activities that bolster their economic stability. The average participant has a job, but only earns about \$15,000 annually and carries about \$35,000 in debt, while raising at least one child. After the program's first year, the GRO Fund found:

- A 15% rise in full-time employment within the first six months;
- Notable improvements in housing stability and food security; and
- A 20% increase in participants' ability to pay their full rent.

The [City of Durham, North Carolina](#), conducted a 1-year Guaranteed Income (GI) pilot that provides unconditional cash transfers to program participants. The pilot ran from February 2023 through February 2024 and provided \$600 per month to 109 formerly incarcerated residents. Participants saw significant improvements in their quality of life, and none reoffended during their year of receiving GI. Although the future of the City's program is being determined, [Durham County will implement a GI pilot in 2025](#).



See what guaranteed income means to In Her Hands participants

Baby Bonds

Baby bonds could [shrink the racial wealth gap from 91 percent to 25 percent](#) if administered nationally.¹ A 2019 study analyzed the potential impact of a national Baby Bonds program if implemented in the mid-1990s, with participants reaching adulthood (ages 18-25) by 2015. The results showed a dramatic reduction in the racial wealth gap: instead of White households having 15.9 times the wealth of Black households, they would have had just 1.4 times the wealth.²

Some essential elements of state and local baby bonds policies include: automatic enrollment, children from lower-resourced households receive higher amounts, and excluding baby bonds from asset limits for state benefits.



How "baby bonds" could help close the wealth gap

¹Johnson, Abigail. *Baby Bonds: A Path Toward Prosperity for Future Generations*. ACLU, October 13, 2023. <https://www.aclu.org/news/racial-justice/baby-bonds-a-path-toward-prosperity-for-future-generations>
²Zewde, Naomi et al. *Universal Baby Bonds Reduce Black-White Wealth Inequality, Progressively Raise Net Worth of All Young Adults*. *The Review of Black Political Economy*, Vol 47, Issue 1, March 2020. <https://journals.sagepub.com/doi/10.1177/0034644619885321>

Raise the Minimum Wage

Since the federal minimum wage was last raised in 2009, its purchasing power has [declined by more than 21%](#), further exacerbating the inequity between states that have raised their minimum wages and states that have not. ¹

According to [an article](#) in the nonpartisan Berkeley Political Review, “if minimum wage growth had tracked the growth in workers’ productivity since 1968, the [minimum wage would be \\$18.42](#) [in 2022], more than double the federally mandated minimum wage.”

Research suggests raising the minimum wage benefits small businesses. The higher wage makes it easier to recruit workers and retain them, so turnover rates decrease.² Another study found that significant minimum wage increases had no significant employment reductions in six different cities.³

Raising wages benefits workers, families, and communities

A \$17 minimum wage by 2028 would generate \$86 billion in higher wages for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages will help stimulate the economy and spur greater business activity and job growth.⁴

In larger metro areas of the South and Southwest, a single adult without children will also need more than \$17 an hour to get by, for example, \$24.30 in Fort Worth and \$26.20 in Miami.

¹ Barber, Rebekah. “Despite historic minimum wage increases, the South still trails behind.” *Facing South*. January 12, 2022. <https://www.facingsouth.org/2022/01/despite-historic-minimum-wage-increases-south-still-trails-behind>

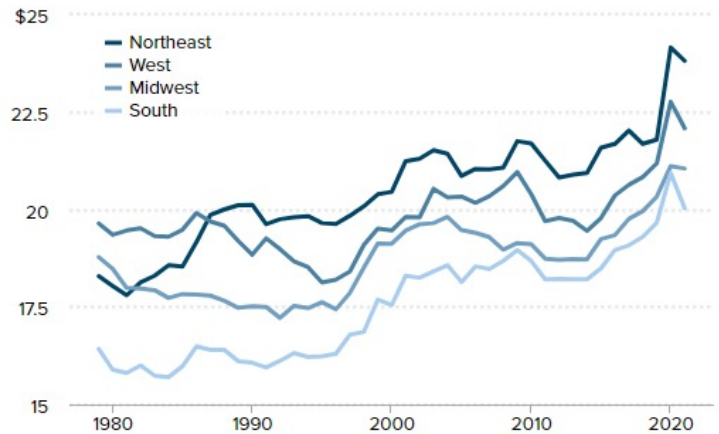
² World Economic Forum. *Raising the minimum wage actually benefits small businesses.* April 3, 2023. <https://www.weforum.org/stories/2023/04/study-suggests-raising-the-minimum-wage-actually-benefits-small-businesses/>

³ Sullivan, Jacqueline. *New Study: High Minimum Wages in Six Cities, Big Impact on Pay, No Employment Losses.* Institute for Research on Labor and Employment. September 6, 2018. <https://irle.berkeley.edu/publications/press-release/high-minimum-wages-in-six-cities/>

⁴ Economic Policy Institute. “Why the U.S. needs at least a \$17 minimum wage.” July 31, 2023. <https://www.epi.org/publication/why-17-minimum-wage/>

For 40 years, workers in the South have been paid less than their counterparts in every other region

Real median hourly wages (\$2021) of workers by region, 1979-2021



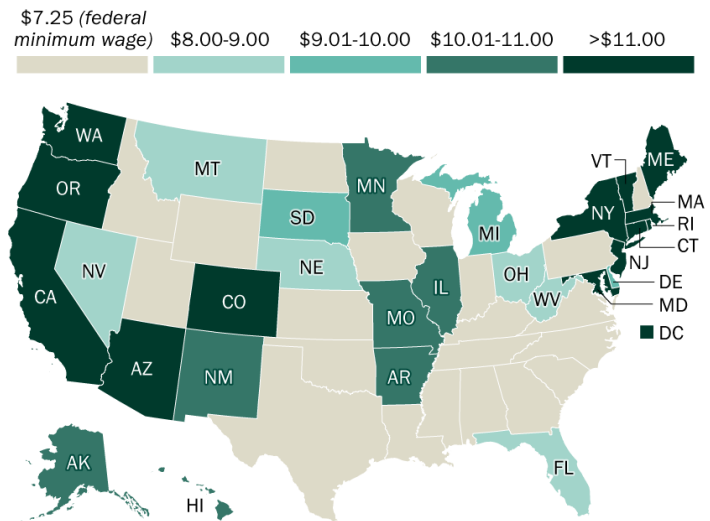
Note: All dollar amounts are in constant 2021 dollars.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group (ORG) microdata

Economic Policy Institute

In 21 states, minimum wage workers earn only the federal rate; workers elsewhere get more

State hourly minimum wage as of Jan. 1, 2021



Note: States are grouped based on most broadly applicable minimum wage rate; different minimums may apply to different regions, employer classes or occupations. Rate shown for New York State is that for New York City, which accounts for nearly half of all payroll jobs in the state. Rate shown for Oregon is that for the Portland metro area, which accounts for about half of all payroll jobs in the state.

Sources: U.S. Labor Department; National Conference of State Legislatures; Economic Policy Institute; state employment departments.

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Source: Desilver, Drew. “When it comes to raising the minimum wage, most of the action is in cities and states, not Congress.” *Pew Research Center*, Washington, D.C. (2021). <https://www.pewresearch.org/short-reads/2021/03/12/when-it-comes-to-raising-the-minimum-wage-most-of-the-action-is-in-cities-and-states-not-congress>