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CIC Report 55
March 2010

Income Inequity and
the United States

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Income Inequity and the United States



What is this indicator?

Income inequality describes the extent to which income is distributed unevenly among residents of an area. High levels of inequality indicate that a small number of people receive most of the total income, and that most people receive only a small share of the total. Inequality can be a barrier to social cohesion and democratic participation when income determines access to social settings and political institutions. Income inequality is measured using a variety of methods, including comparing income shares across different quintiles of the income distribution, or using an index such as the Gini coefficient. By most measures, income inequality has increased steadily in the United States during the past four decades (University of Washington, 2010, Definitions).

What are the key findings?

Key findings reported in Economic Policy Institutes' *The State of Working America 2008-2009* include:

The rich got the lion's share: From 1979 to 2006, the richest 1% more than doubled their share of the country's total income, rising from about 10% to nearly 23%, for an average income of about \$1.3 million per household within this group. About 91% of all income growth in the country went to the top 10% by income – leaving just over 9% to be parceled out among the remaining 90%.

Worker output raced ahead but pay trailed farther behind: The typical worker's compensation (wages plus benefits), which has traditionally risen in sync with productivity gains, began falling behind in the 1970s. Since then the gap has widened dramatically as pro-

ductivity kept climbing while compensation has remained essentially stagnant.

The CEO-worker pay gap grew by a factor of 10: In 1973, the average CEO was paid \$27 for every dollar paid to a typical worker; by 2007 that ratio had grown to \$275 to \$1

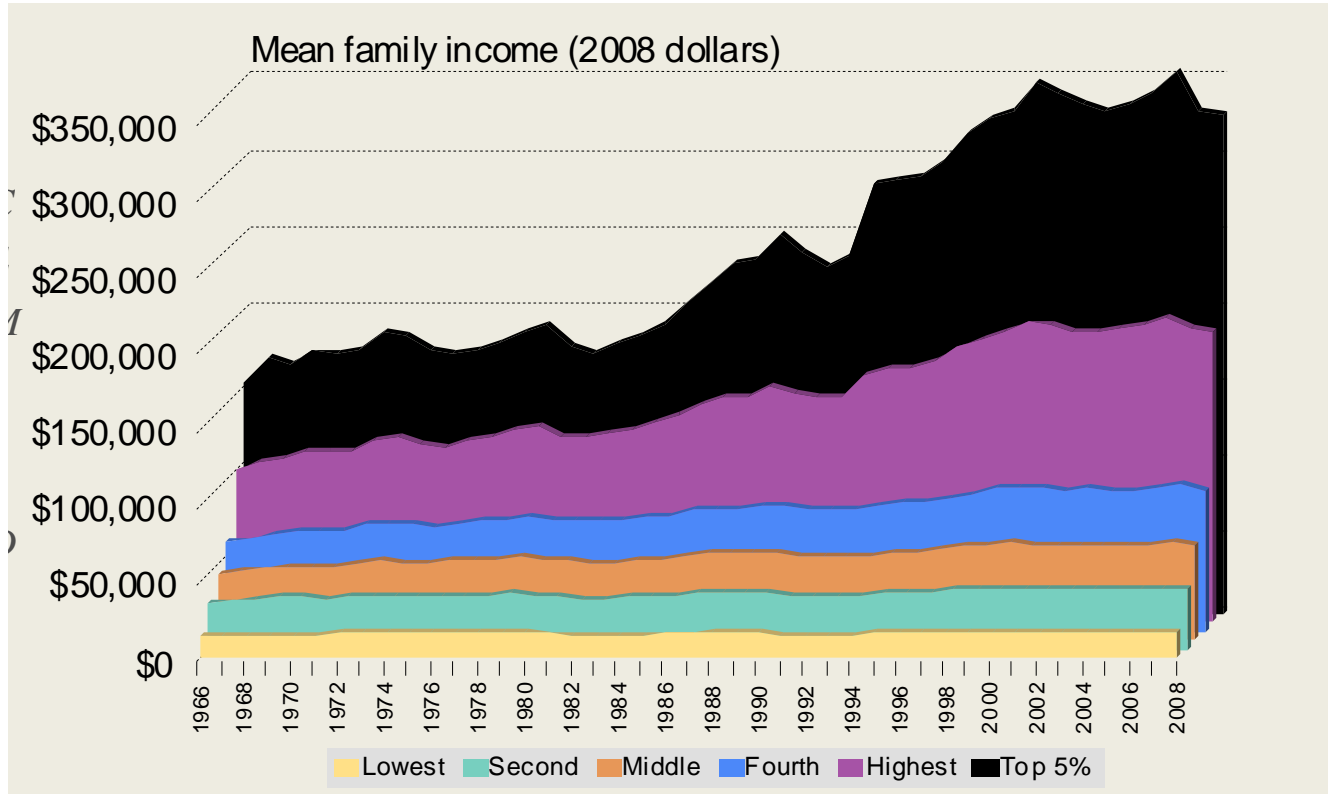
Young workers now start out behind their peers from previous generations: Young men with only a high school education earned \$2.55 less per hour in 2007 (after inflation adjustment) than their predecessors did in 1973 (down from \$14.34 to \$11.79). Real hourly pay for young women fell \$1.05 per hour (from \$10.50 to \$9.45) over the same period.

Hourly pay for young college grads has declined: Real hourly wages were lower in 2007 than in 2000 for young college-educated workers - \$.69 per hour lower for men (a drop from \$21.78 to \$21.09) and \$.32 less for women (from \$18.49 to \$18.17).

Jobs requiring a college degree or some college are at the highest risk of being off-shored: 34% of jobs in the "college degree" category and 38% requiring "some college" are rated as "highly off-shorable."

Job growth in the most recent cycle was dramatically slower than in past ones. While job growth averaged 1.8% a year during previous business cycles, average annual growth dropped by about two-thirds – to 0.6% - during the 2000-2007 cycle. Regaining the jobs lost during the 2001 recession took nearly four years (47 months) – more than twice as long as the 21-month average in all other post-World War II cycles.

Figure 1. Mean family income in quintiles and top five percent from 1963 to 2008 in the United States



References

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Census questions?
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