

PERSONALLY SPEAKING

Number 87

October 7, 2011

**ARE THE RICH GETTING RICHER, THE POOR GETTING POORER?
IS INCOME INEQUALITY GREATER FOR WHITE OR BLACK HOUSEHOLDS?
ARE WOMEN GETTING AHEAD IN THE WORKPLACE?
IS ANYONE FINDING WORK IN A WEAK ECONOMY?**

Edward J. O'Boyle, Ph. D.

Mayo Research Institute

Permission to quote is granted when the source is acknowledged.

While talking heads on cable TV jabber away on the latest economic data, routinely disregarding the differences between headcounts of the population and estimates based on sample surveys, four questions regarding work and living standards have been largely neglected. Are the rich getting richer and the poor poorer? Is income inequality greater for white compared to black households? Are women getting ahead in terms of workplace earnings? Is anyone finding work in a weak economy? We address each question in turn.

► Across the board, mean household income adjusted for price-level changes according to the Census Bureau was lower in 2010 than in 2000. For instance, for the poorest 20 percent of all households mean household income in 2000 was \$12,860 compared to \$11,034 in 2010. For the richest 20 percent mean household income in 2000 was \$180,129 compared to \$169,633 in 2010. Across all five quintiles, the decline in household income started in 2006-2007.

Extending the comparison back to 1970, 1980, or 1990, household income was higher in 2010 whether reference is made to the poorest 20 percent of all households or the richest 20 percent. To illustrate, while real household income for the richest 20 percent climbed by 56.1 percent since 1970 and their share of total household income has increased from 43.3 percent to 50.2 percent, real household income for the lowest 20 percent has risen by 10.5 percent.

Similar findings apply to the top 5 percent of all households. To illustrate, the minimum constant-dollar household income to qualify as super-rich fell from \$188,175 in 2006 to \$180,180 in 2010. The last time this threshold was below \$180,000 was in 1998.

Though some pundits and academics are preaching that the “rich get richer and the poor get poorer,” the latest data from the Census Bureau indicate clearly that, with the exception of the last three to four years, over the long haul even the poorest U.S. households are better off in absolute terms. Further, most recently rich and poor and middle-income households alike have taken an income haircut.

► For blacks and whites alike, household income inequality has increased appreciably since

the late 1960s. However, Census Bureau data show that in 2010 household income inequality was *greater* among blacks than among whites. Specifically the Gini coefficient (GC) for black household income in 2010 was 0.486; for whites it was 0.461. Further, in every year since 1967 when this data series begins, household income inequality was greater for black households than for white. This difference by race has been so substantial and persistent that one has to go back to the mid-to-late 1980s to find a GC for black households low enough -- closer to equality -- to approximate the GC for whites in 2010.

One important reason for the higher income inequality for black households is that there has been a very large increase in the number of blacks in female-headed households (no spouse present) where typically one finds only one wage earner. Since 1969 when these data first are available from the Census Bureau, there has been a 55 percent increase in the number of persons in all black families while there has been a 257 percent jump in the number of persons in black families headed by a female.

► While median annual earnings adjusted for price-level changes have increased by only 2.3 percent for working men since 1970, working women have seen their annual earnings climb by 94.1 percent. Among those working year round, full time, the *price-adjusted* advance among men was only 6.2 percent. For women, it was 38.5 percent.

► A special data set prepared and released by the Bureau of Labor Statistics indicates that there were 6.2 million persons not employed in August 2011 who were classified as employed in September. At the same time, 5.5 million who were not counted among the unemployed in August were classified as unemployed in September, and another 6.4 million in the labor force in August who dropped out in September. Thus, even though the establishment survey indicates that with the return to work of 45,000 striking telecommunications employees there was *no statistically significant* change in the number of payroll jobs between August and September, and the household survey for September points to no change in the jobless rate, 18.1 million persons changed labor force status over that period.

Included among the 18.1 million were: (a) younger persons leaving a temporary job to return to school, older persons entering retirement after years of work, and adult children on leave of absence from work to care for a dying parent; (b) workers who quit their job because it made them miserable and others who were fired because they were miserable workers; (c) discouraged workers who stopped looking for work because there is no suitable work available in their area; (d) persons who found work quickly after losing their job and others who finally found a job after months of looking; (e) the formerly sick who are well enough to resume working, persons returning to civilian life after military service, and mothers of newborn infants coming back to their job after maternity leave; (f) new college graduates entering the labor force for the first time as young professionals.

Are the rich getting richer, the poor getting poorer? It depends. Over the last ten years, the poor are getting poorer, but the rich are not getting richer. Going back to 1970, however, both the rich and the poor are doing better.

Is income inequality greater for white or black households? No. Household income inequality is higher for blacks due importantly to the growth of single-earner, female-headed households.

Are women getting ahead in the workplace? Yes. Given the long-term hollowing out of the U.S. manufacturing sector that has eliminated countless high-paying jobs for men, the surge in women's earnings deriving from the growth in the service sector has made it possible over time to improve living standards for millions of American households.

Is anyone finding work in a weak economy? Yes. Even in a weak economy and notwithstanding the conventional wisdom to the contrary, millions of persons unemployed or not in the labor force in one month are employed in the following month.

Lesson: don't always accept as fact what the talking heads on cable TV say about work, earnings, and income inequality. Some of them are paid to repeat the talking points handed them by their party bosses. Others are academics with an ideological ax to grind. Others are sincere but haven't done their homework.

*Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute
Offices in New Orleans, Lake Charles, and West Monroe
www.mayoresearch.org 318-381-4002 edoboyle@earthlink.net*
