

# Inequality, Economic Crisis & the Future of American Democracy

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Southern Regional Asset Building Coalition

October 17, 2013

# Economic Insecurity

**USA TODAY**

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## 4 in 5 in USA face near-poverty, no work

Hope Yen, AP Business Writer4:12 p.m. EDT July 28, 2013



(Photo: Debra McCown AP)

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### STORY HIGHLIGHTS


- 4 in 5 struggle with joblessness, near-poverty, reliance on welfare
- Widening income gap, globalization and loss of manufacturing jobs are key factors
- Hardship growing among whites, new data show

WASHINGTON (AP) — Four out of 5 U.S. adults struggle with joblessness, near-poverty or reliance on welfare for at least parts of their lives, a sign of deteriorating economic security and an elusive American dream.

Survey data exclusive to The Associated Press points to an increasingly globalized U.S. economy, the widening gap between rich and poor, and the loss of good-paying manufacturing jobs as reasons for the trend.

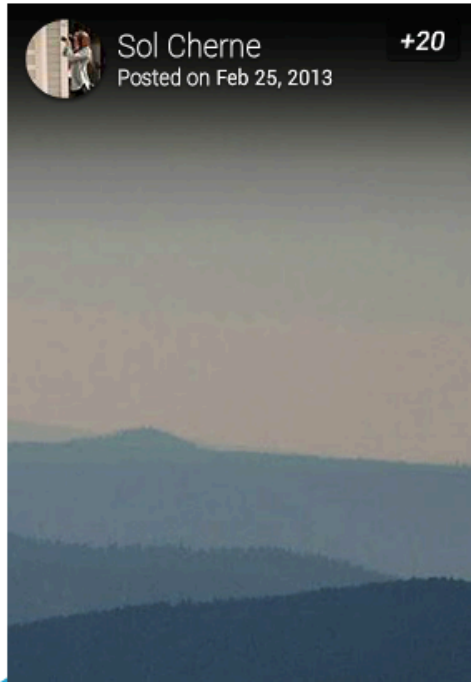
The findings come as President Obama tries to renew his administration's emphasis on the economy, saying in recent speeches that his highest priority is to "rebuild ladders of opportunity" and reverse income inequality.

As nonwhites approach a numerical majority in the U.S., one question is how public programs to lift the disadvantaged should be best



Sol Cherne  
Posted on Feb 25, 2013

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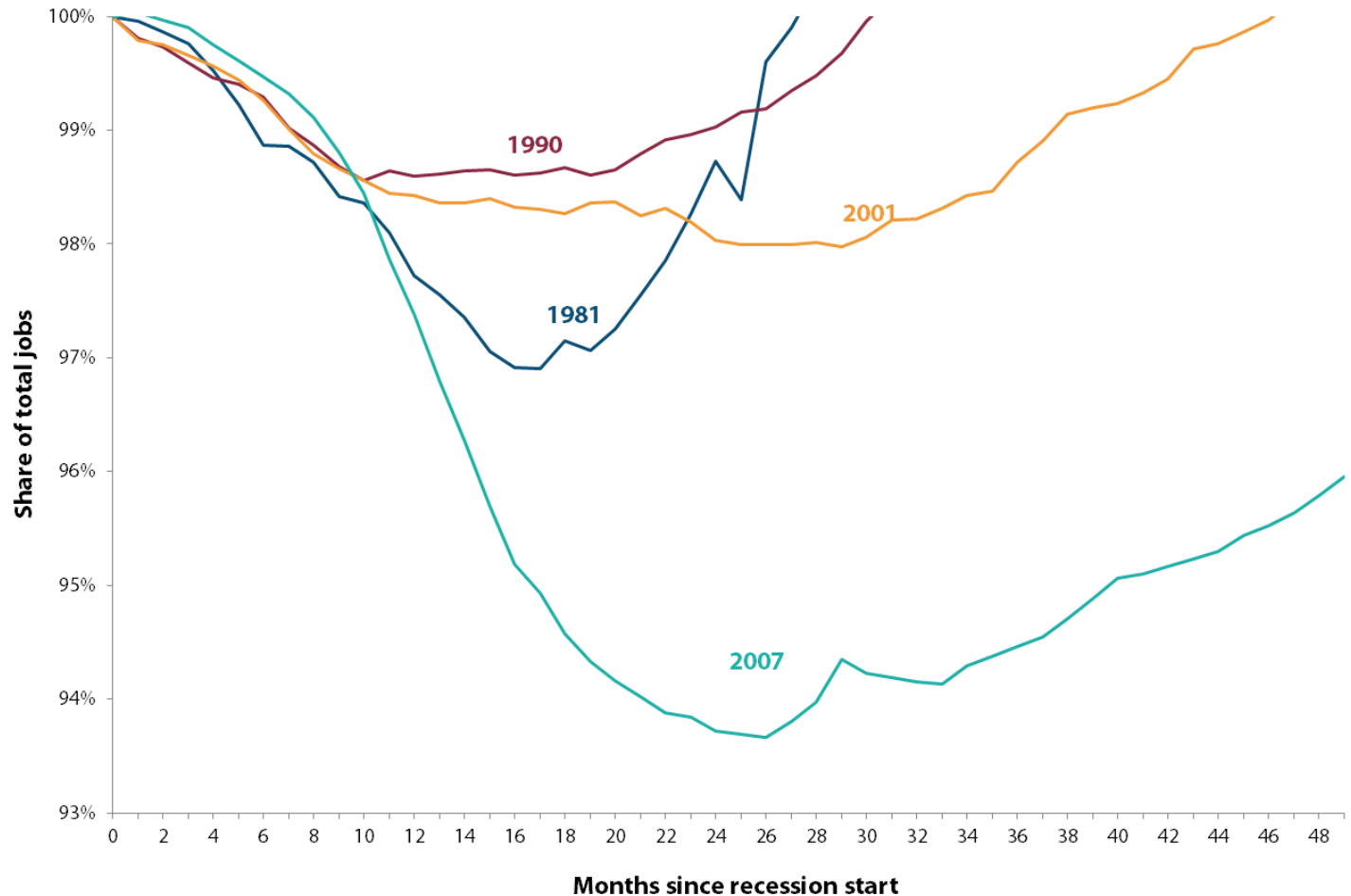


Collaborate and

# The Great Recession

## The Worst Recession:

Indexed job loss for prior four recessions

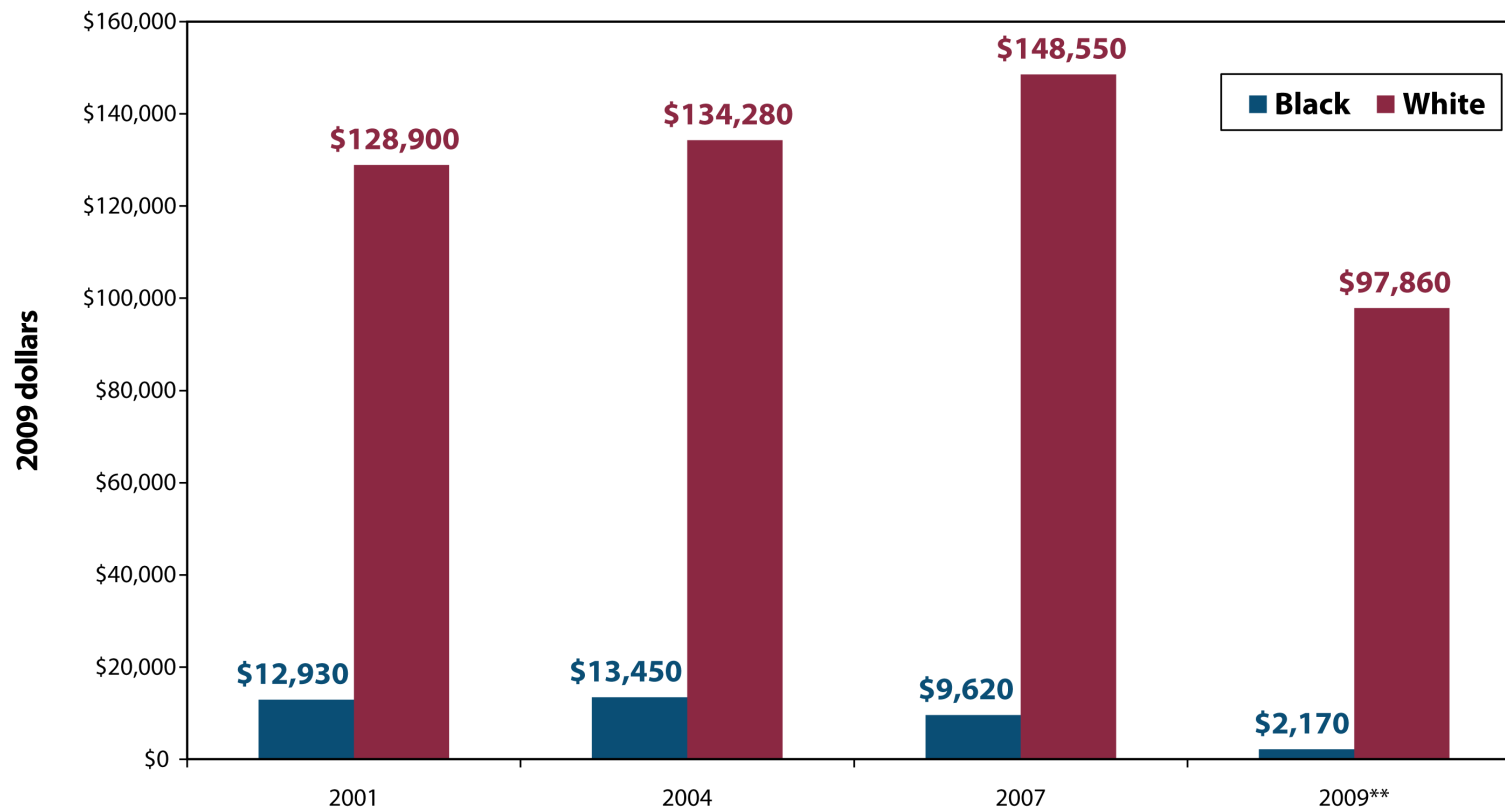


Source: EPI analysis of Bureau of Labor Statistics data

# The Great Recession

## Household wealth declines over the Great Recession

Median net worth\* of households by race, 2001-09



\* Net worth is defined as total assets less total liabilities.

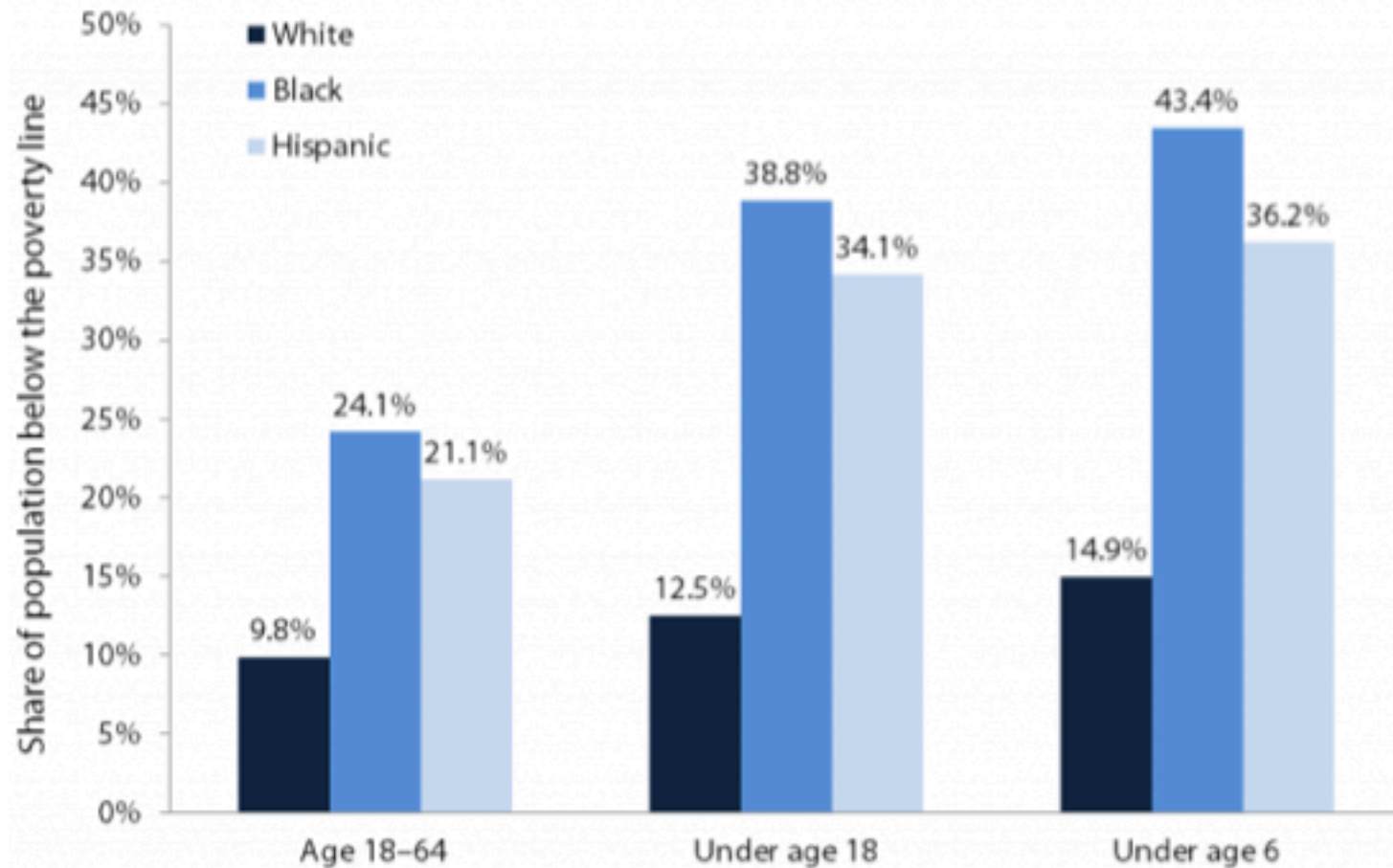
\*\* 2009 data is estimated based on asset changes from the Federal Reserve Flow of Funds data.

**Source:** EPI analysis of 2007 Survey of Consumer Finances data.



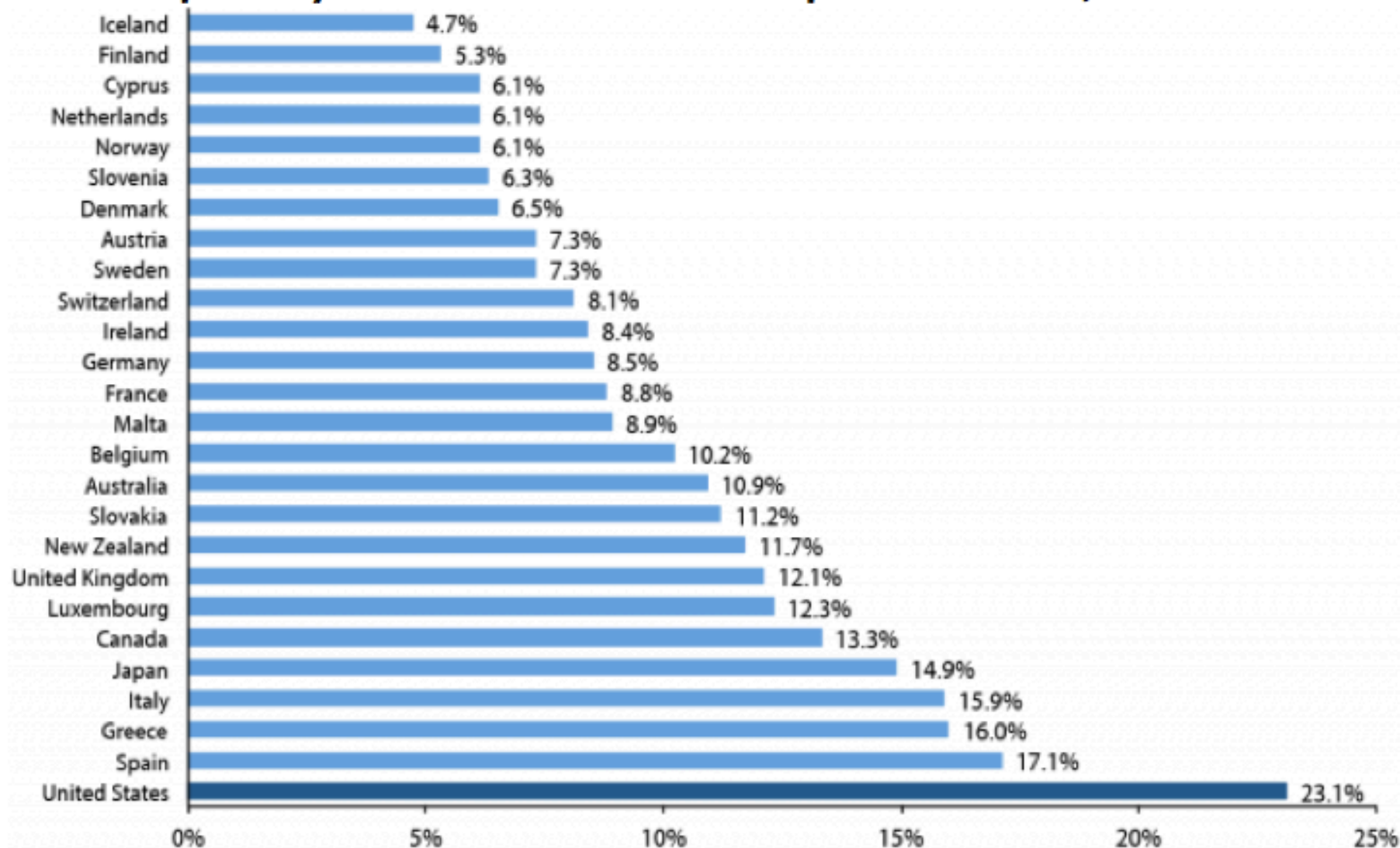
# The Great Recession

**Poverty rate, by race and ethnicity, and age, 2011**



Source: Authors' analysis of Current Population Survey Annual Social and Economic Supplement (CPS-ASEC) *Historical Poverty Tables* (Table 3) and CPS-ASEC microdata

## Child poverty rate in selected developed countries, 2009



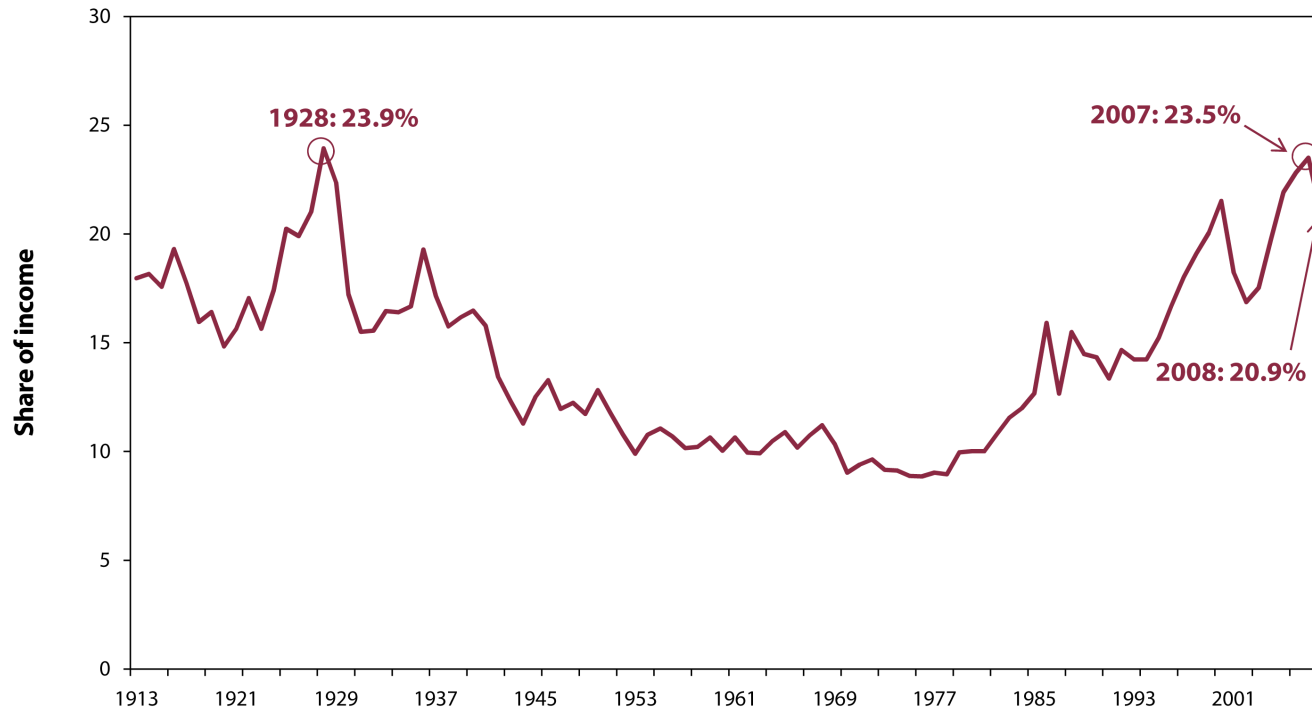
Note: The child poverty rate is the share of children living in households with income below half of household-size-adjusted median income.

Source: Adamson (2012, Figure 1b)

# Growing Economic Inequality

## 2007 most unequal of any year barring one--1928

Share of income (including capital gains) held by top 1%, 1913-2008

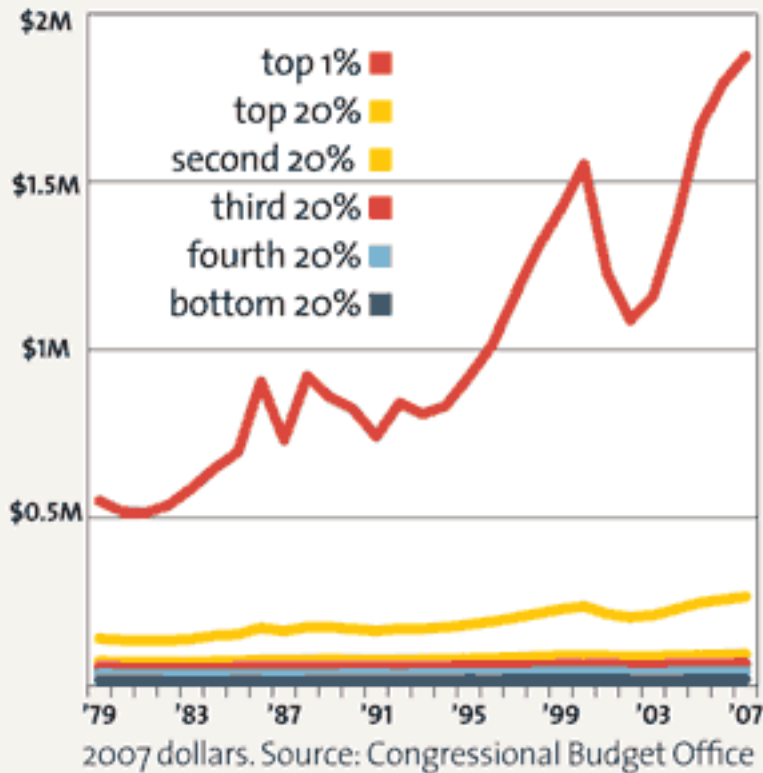


**Note:** Sharp drops in income share around 2000 and 2008 are due to the dot-com bubble bursting and the financial crisis of the 2007 recession.

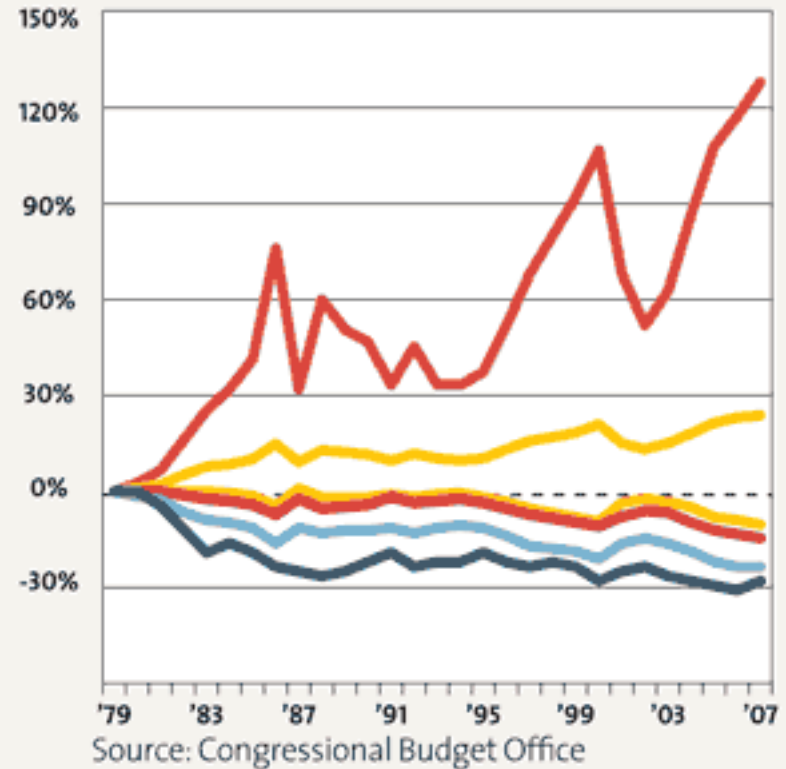
**Source:** Atkinson, Piketty, and Saez (2010).

# Growing Economic Inequality

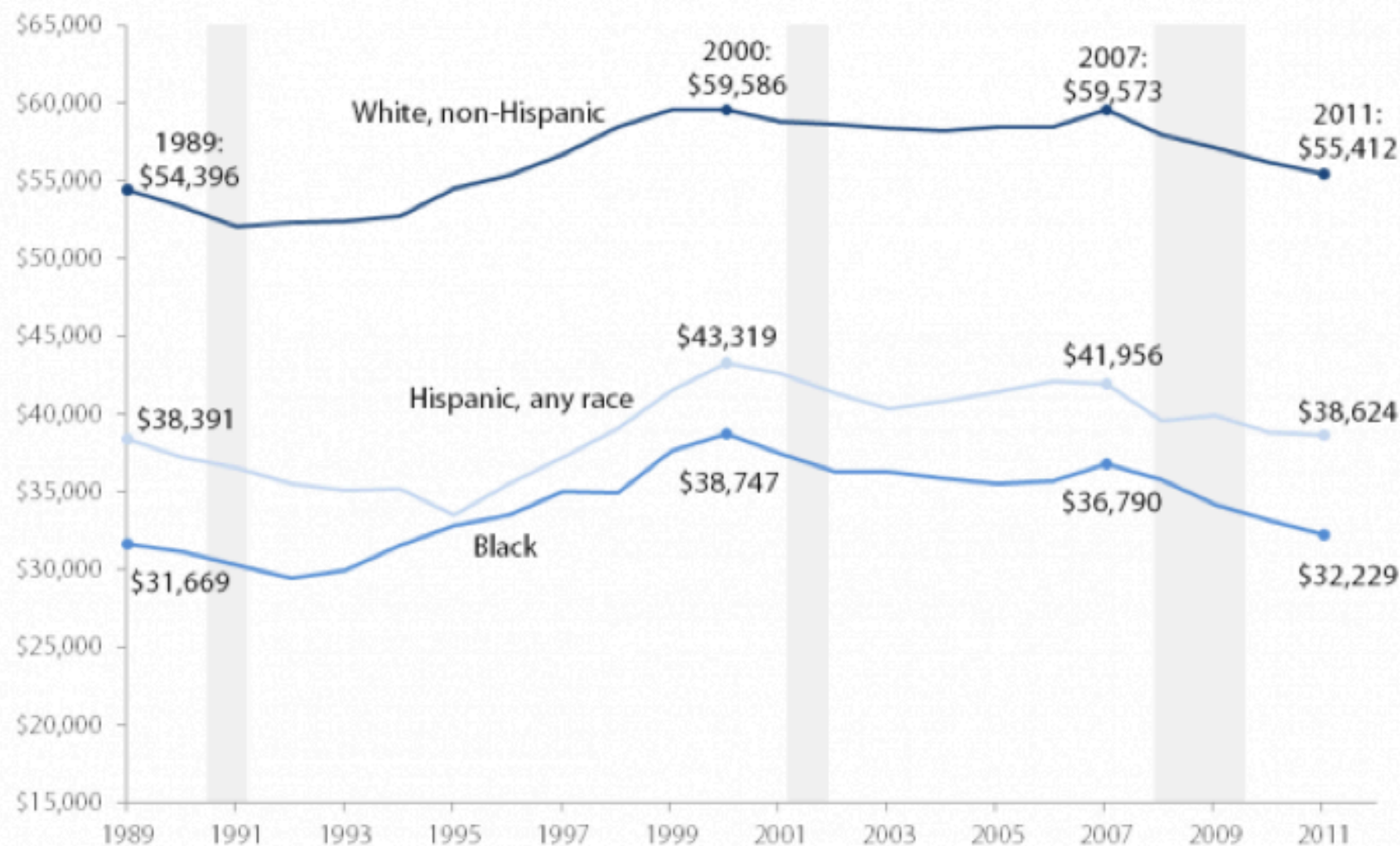
**AVERAGE HOUSEHOLD INCOME**  
before taxes



**CHANGE IN SHARE OF INCOME**  
vs. 1979, after taxes



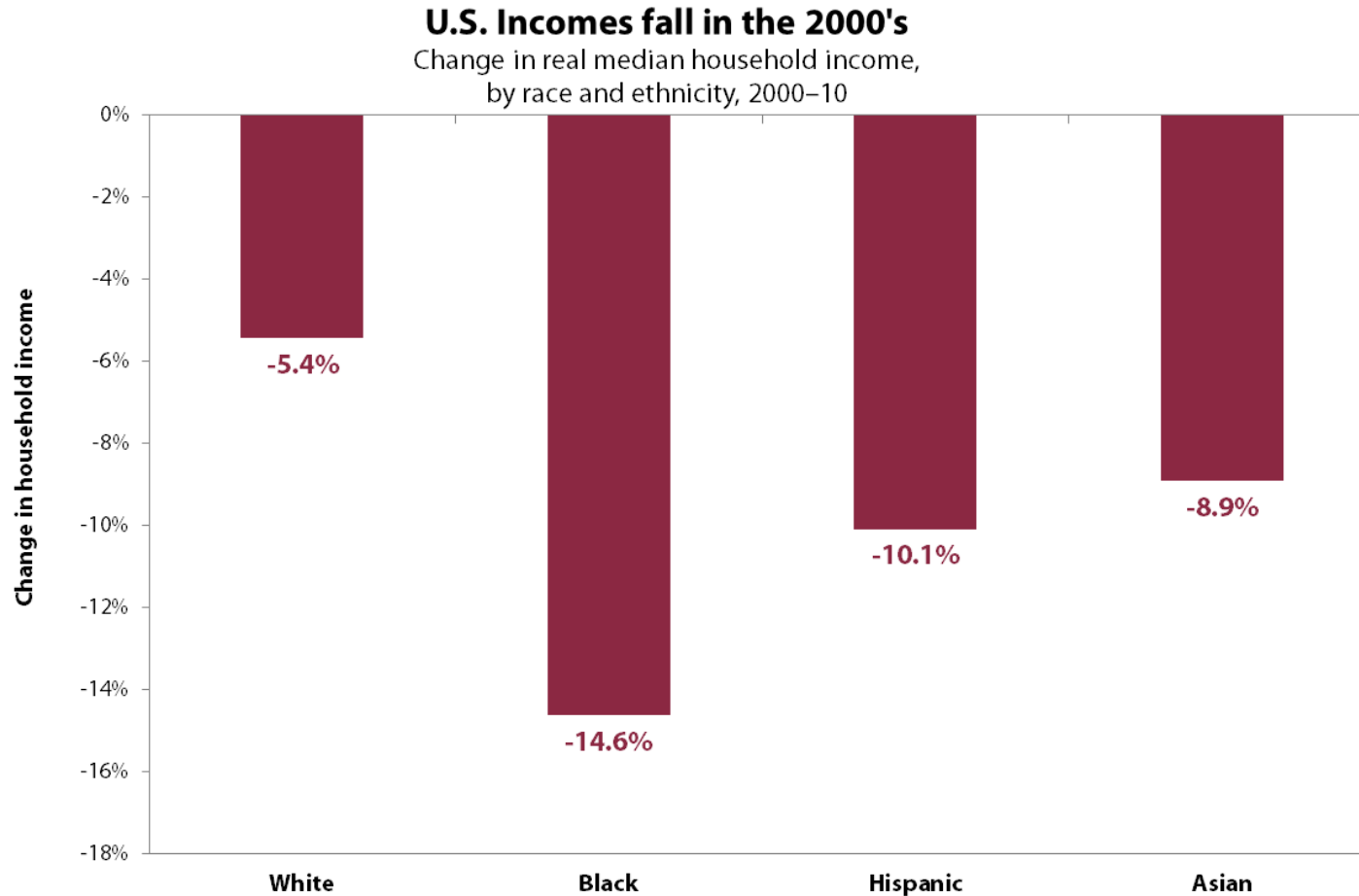
## Real median household income by race, 1989–2011



Note: Shaded areas denote recessions.

Source: Current Population Survey Annual Social and Economic Supplement *Historical Income Tables*, Table H-5, "Race and Hispanic Origin of Householder—Households by Median and Mean Income: 1967-2011."

# Growing Economic Inequality

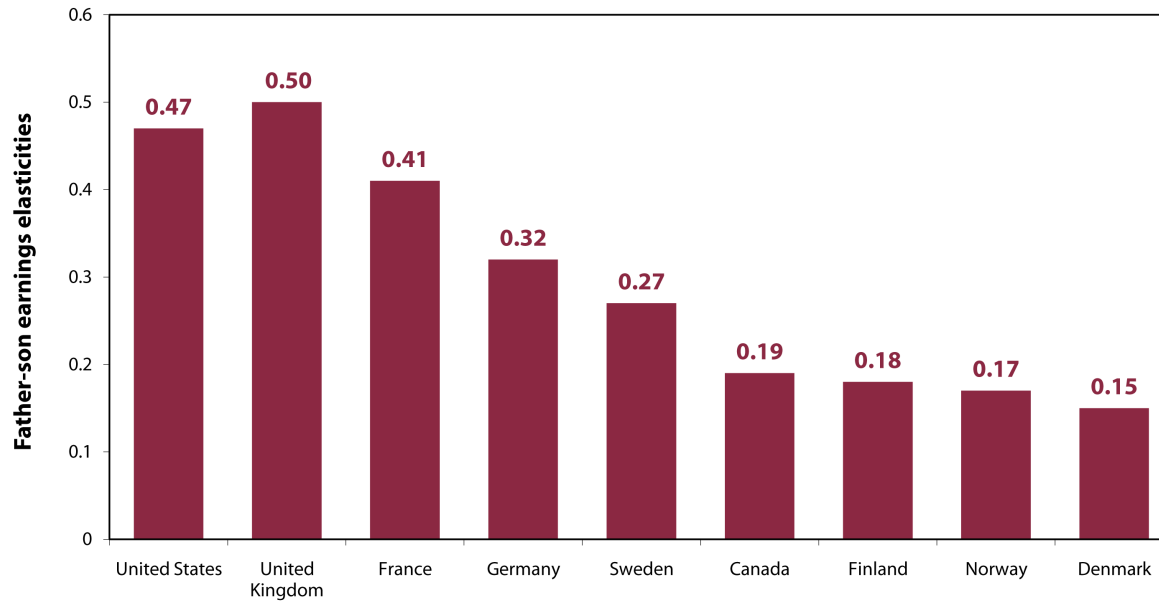


**Source:** EPI analysis of U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2010 – Historical Income Tables*, H 5: Race and Hispanic Origin of Householder–Household by Median and Mean Income.” Excel spreadsheet accessed November 23, 2011.

# Growing Economic Inequality

## **The United States produces less mobility than many of its international peers**

Intergenerational correlations, fathers and sons, U.S., U.K., Europe, and Scandinavia

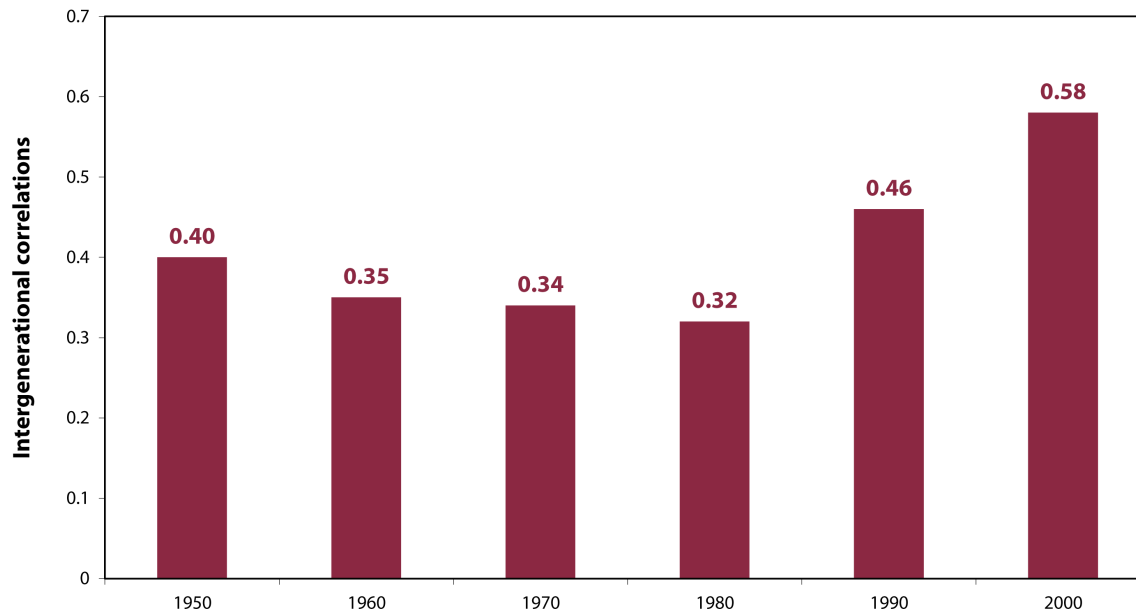


**Source:** Corak, Miles. 2006. "Do Poor Children Become Poor Adults? Lessons from a Cross Country Comparison of Generational Earnings Mobility." Discussion Paper No. 1993. Bonn, Germany: Institute for the Study of Labor.

# Growing Economic Inequality

## Mobility decreasing in recent decades

Estimated correlations between sons' and parents' incomes, 1950-2000



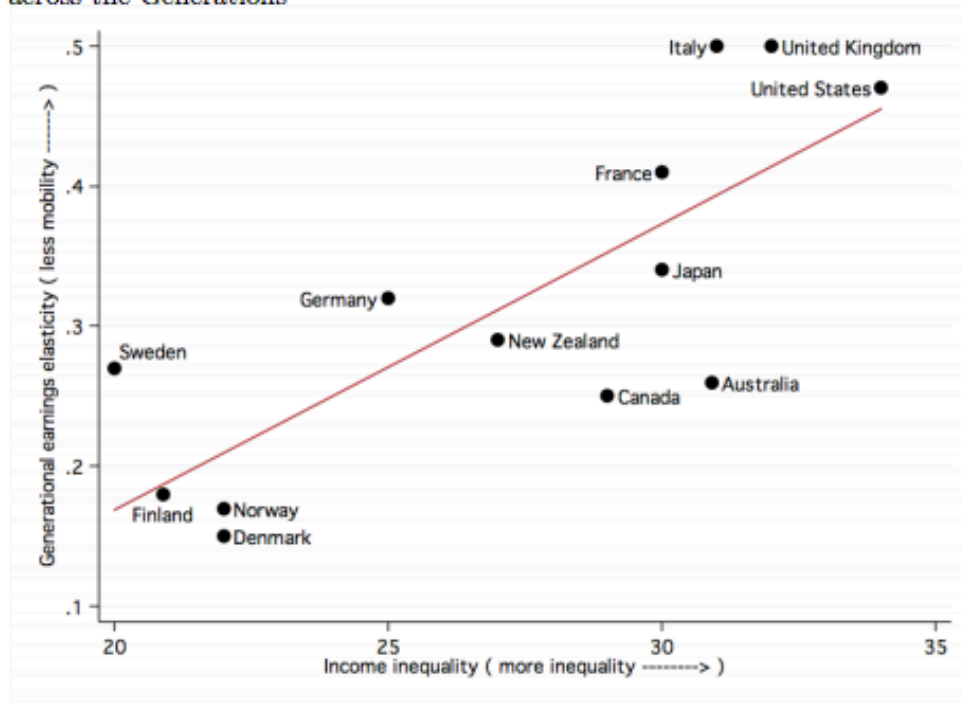
**Source:** Aaronson, Daniel & Bhashkar Mazumder. 2007. "Intergenerational Economic Mobility in the U.S., 1940-2000." Working paper WP 2005-12, Federal Reserve Bank of Chicago.



# Less Mobility

Figure 1

The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations



Source: Corak (2013) and OECD.

# Less Mobility

The New York Times

U.S.

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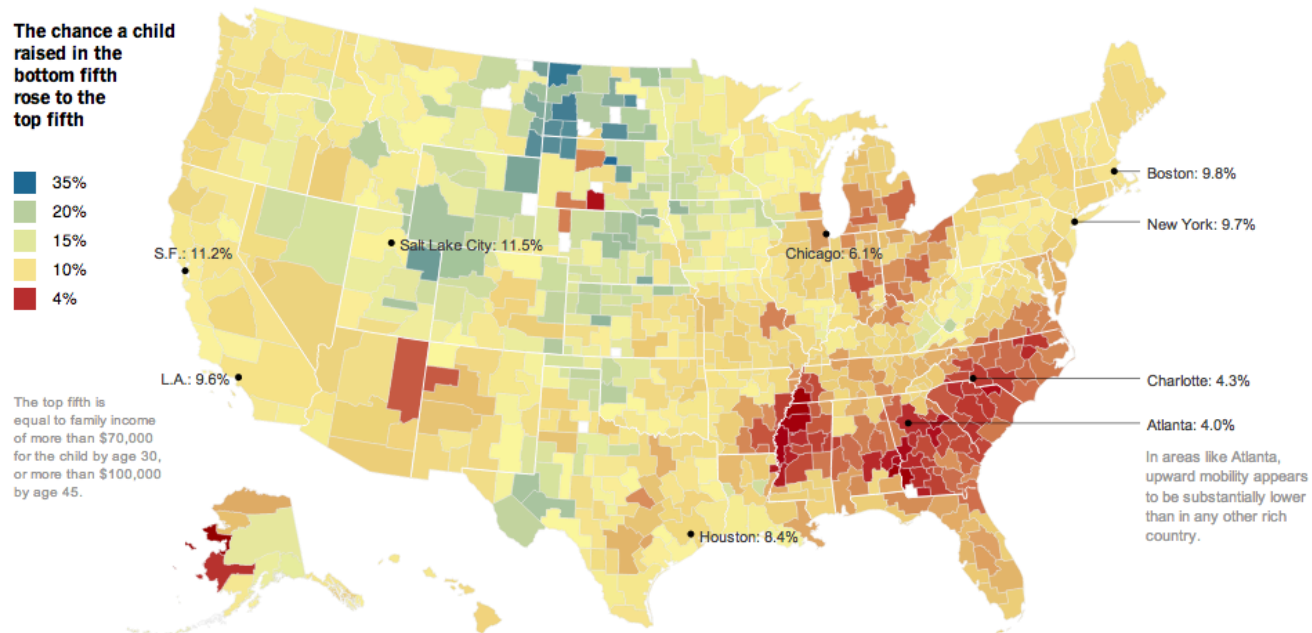
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## In Climbing Income Ladder, Location Matters

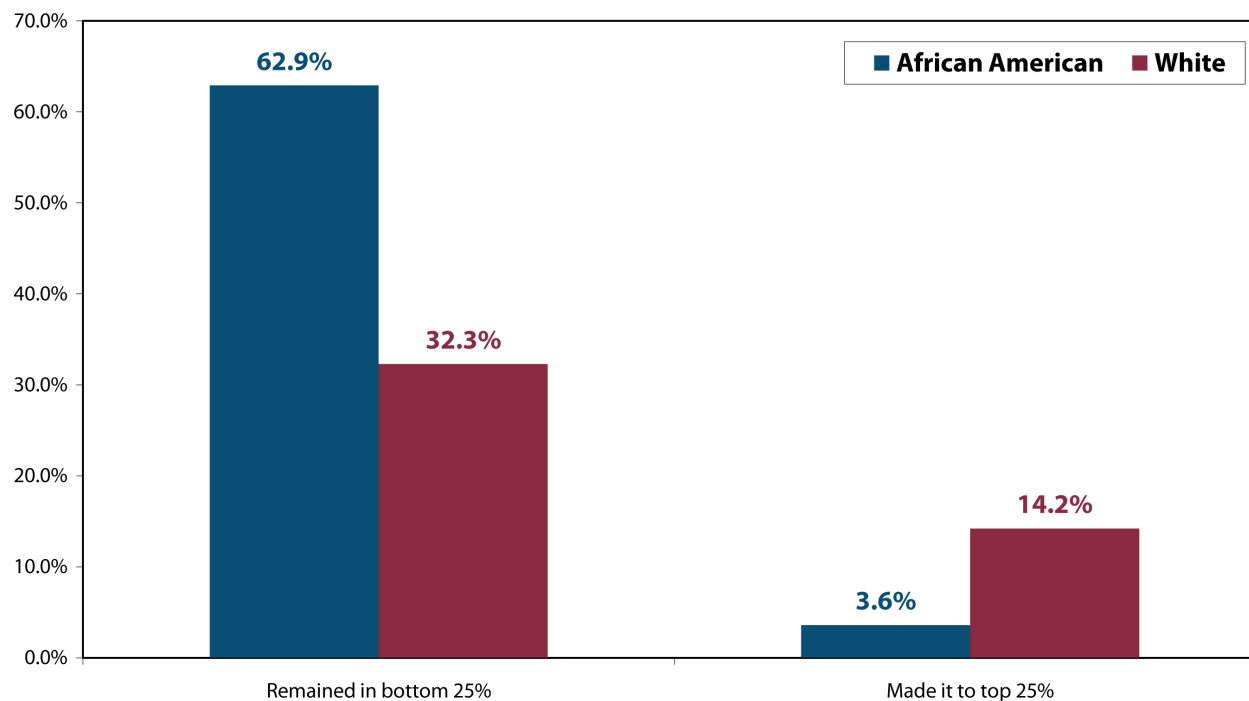
*A study finds the odds of rising to another income level are notably low in certain cities, like Atlanta and Charlotte, and much higher in New York and Boston.*



# Less Mobility

## Mobility differs by race

Probability that children born in bottom income quartile end up in either lowest or highest income quartile as adults



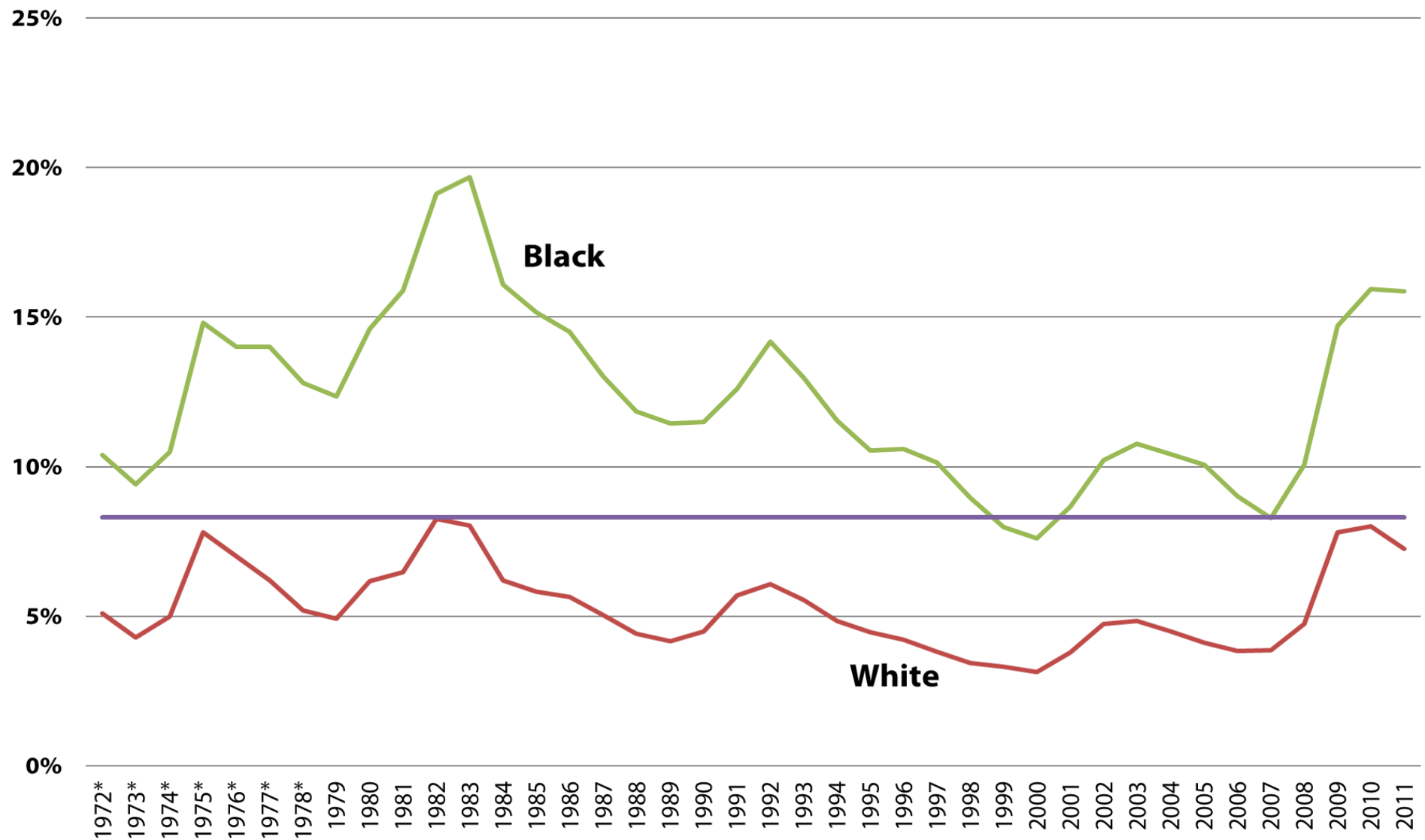
**Source:** Hertz, Tom. 2008. "Understanding Mobility in America." Washington, DC: The Center for American Progress.

# Common Explanations

- Education (human capital), skills-biased tech. change
- Globalization & structural transformation of the economy
- Changing social norms

But rising inequality, less mobility & economic crisis have not just “happened” ...

# Black and white annual unemployment rates, 1972 to 2011



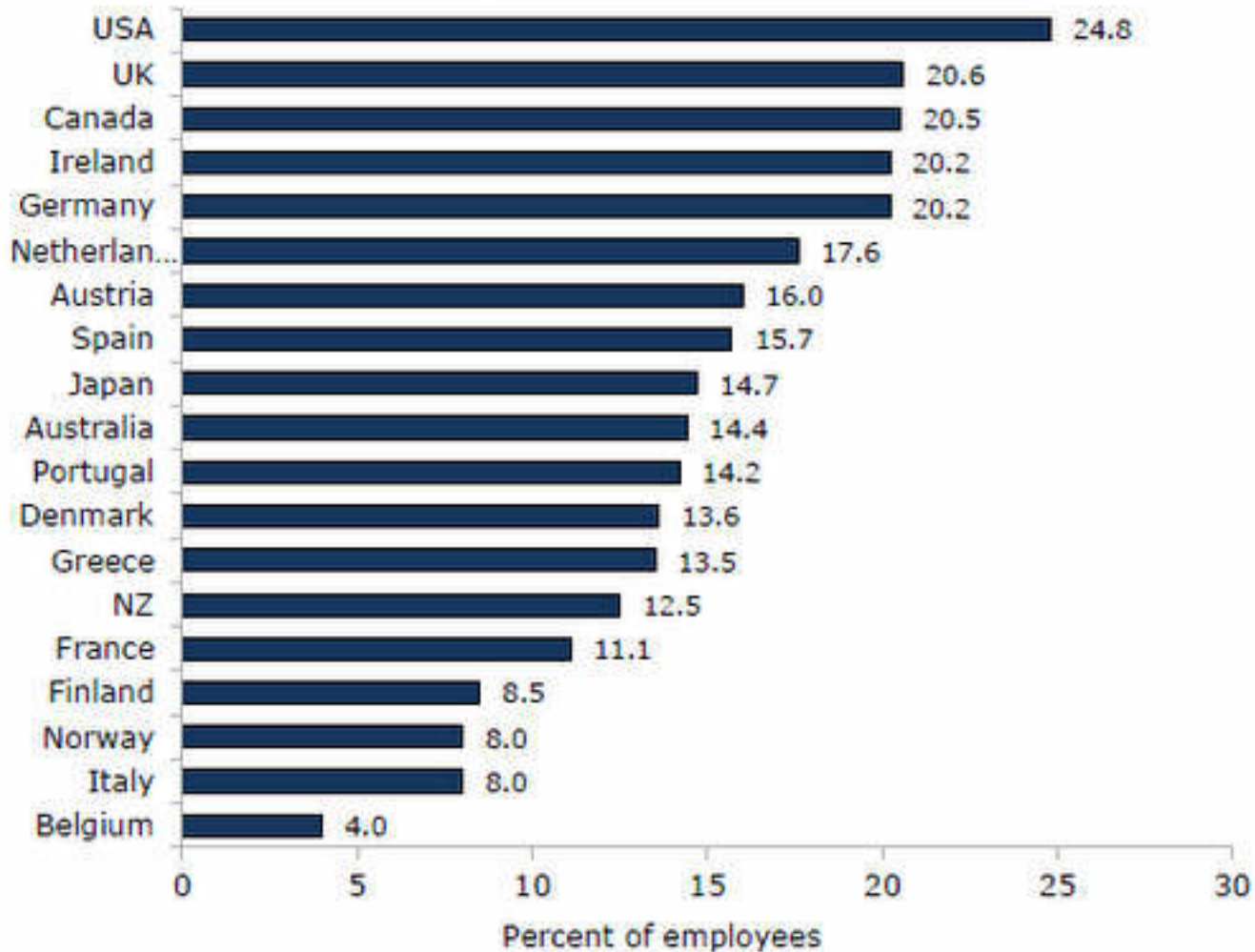
\*Data includes Hispanics only from 1972 to 1978

**Source:** Author's analysis of Current Population Survey data from the Bureau of Labor Statistics

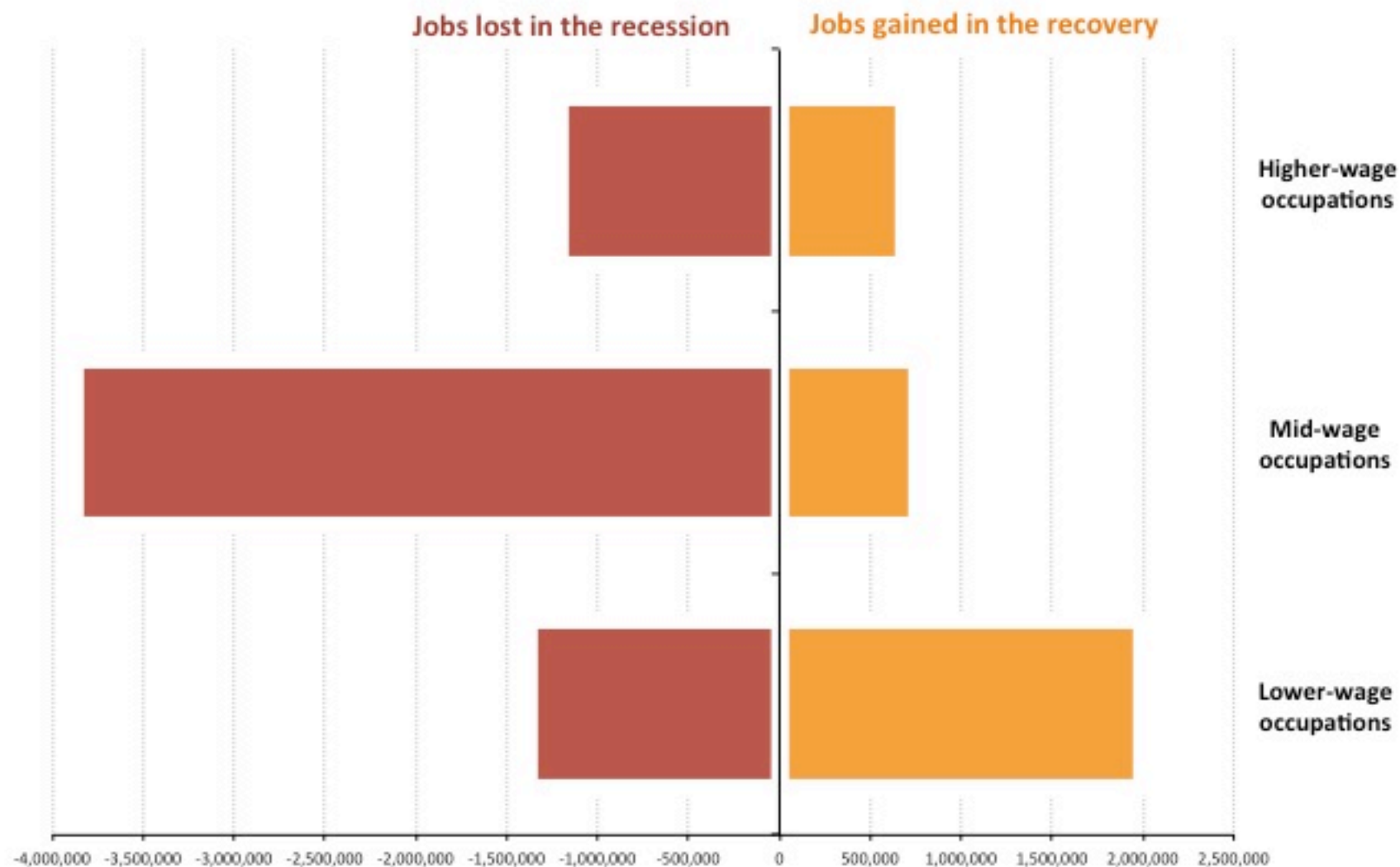
Source: Economic Policy Institute

# Low-Wage Work

Share of Employees in Low-wage Work, 2009

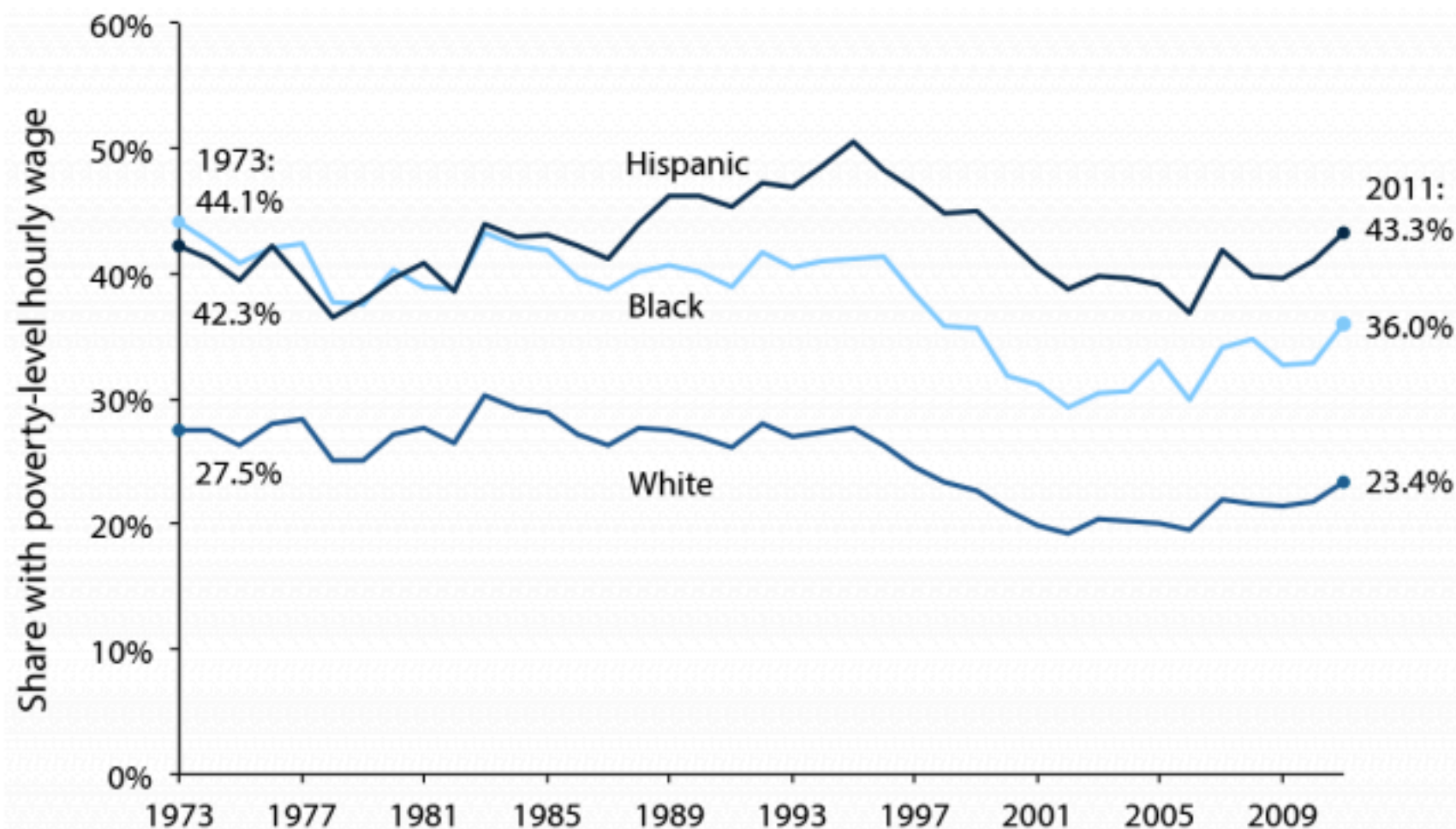


## Net change in occupational employment, during and after the Great Recession



Source: [www.nelp.org/LowWageRecovery](http://www.nelp.org/LowWageRecovery)

## ■ Share of workers earning poverty-level wages, by race and ethnicity, 1973–2011

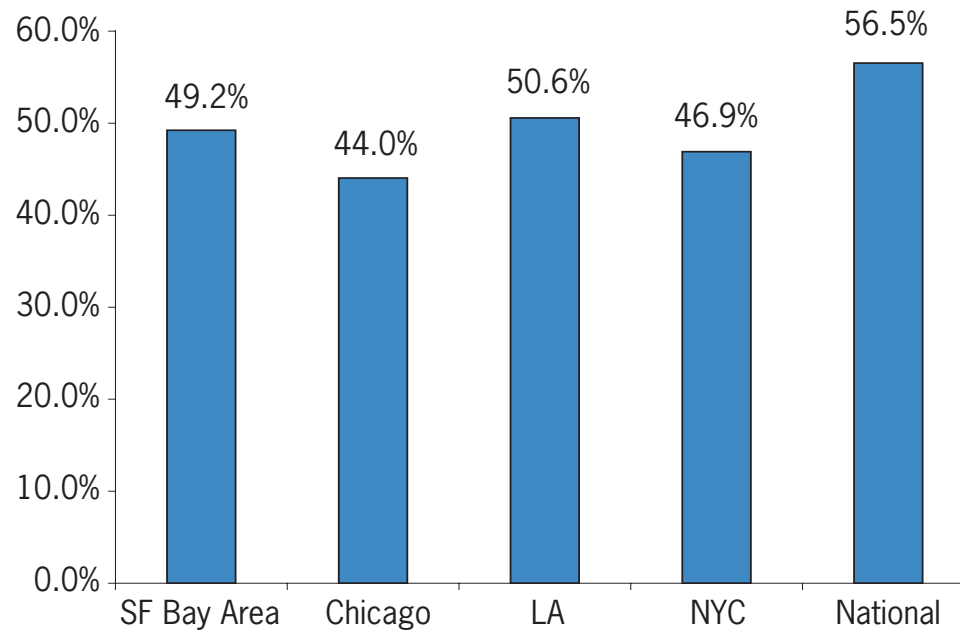


Source: Authors' analysis of Current Population Survey Outgoing Rotation Group microdata



# Low-Wage Work

**Chart 2.5—Proportion of Black Workers (Full- and Part-Time) Who Are Low Wage**



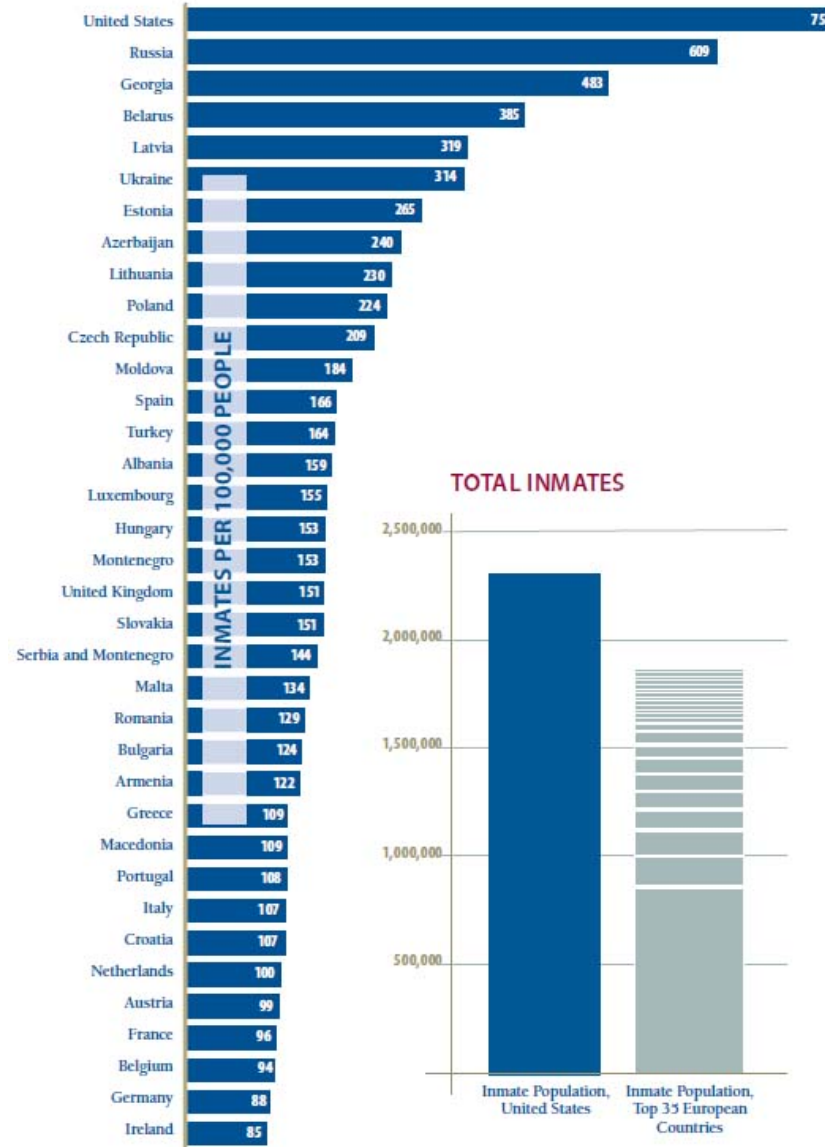
Source: Author's calculations using Public Use Microdata Sample files from the 2000 Census.

Source: Pitts, 2008

# The Carceral State













FIGURE 1

THE UNITED STATES HOUSES MORE INMATES  
THAN THE TOP 35 EUROPEAN COUNTRIES COMBINED



# Low-Wage Work

## JOBS WITH THE MOST OPENINGS—8 OF 12 ARE LOW WAGE

OCCUPATION	NUMBER OF JOBS ADDED, 2010–2020 (in 000s)	MEDIAN ANNUAL WAGE, 2010
 Registered Nurses	711.9	\$64,690
 Retail Salespersons	706.8	\$20,670
 Home Health Aides	706.3	\$20,560
 Personal Care Aides	607.0	\$19,640
 Office Clerks, general	489.5	\$26,610
 Combined Food Preparation & Serving, Including Fast Food	398.0	\$17,950
 Customer Service Representatives	338.4	\$30,460
 Heavy and Tractor-Trailer Truck Drivers	330.1	\$37,770
 Laborers & Freight, Stock, & Material Movers, Hand	319.1	\$23,460
 Teacher Assistants	191.1	\$23,220
 Nursing Aides, Orderlies and Attendants	302.0	\$24,010
 Childcare Workers	262.0	\$19,300

Source: Bureau of Labor Statistics, Occupational Employment Projections to 2020; Table 1.4: Occupations with the most job growth, 2010 and projected 2020. March 2012.

**Table 2. Occupations with the largest numeric growth, projected 2010-20**

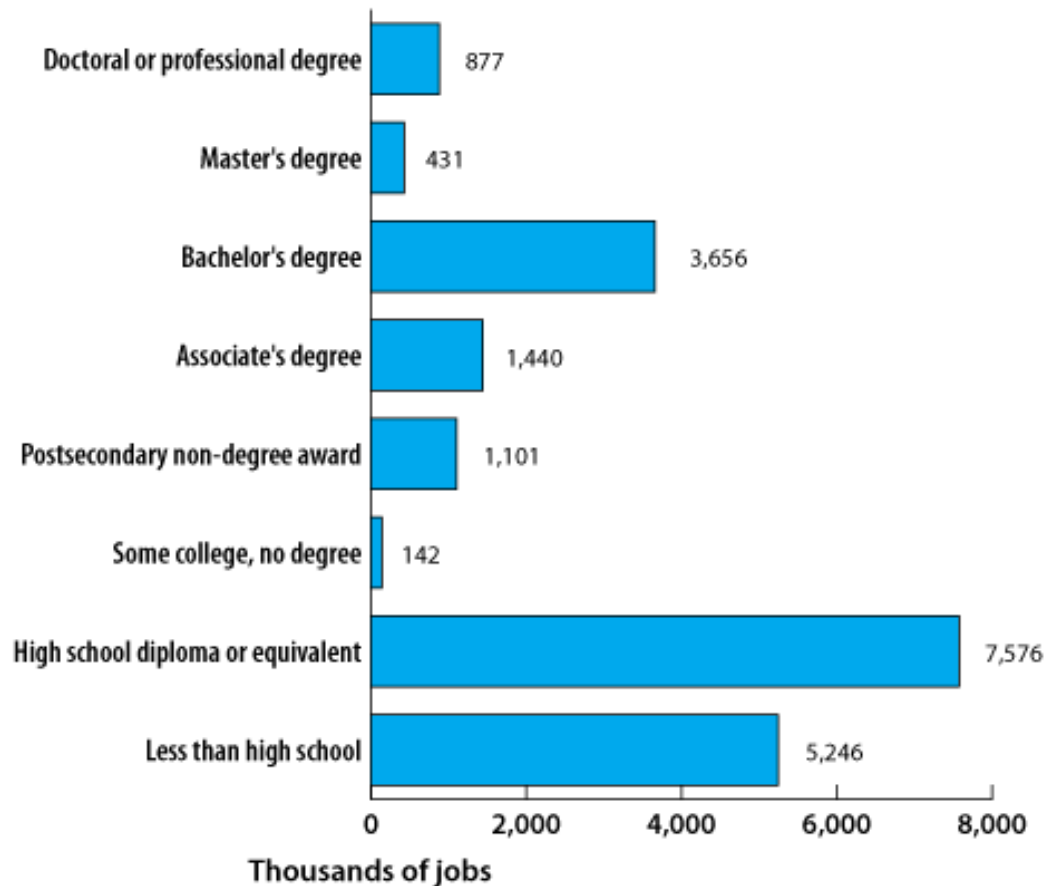
Matrix Code	Occupation	Number of new jobs added	Percent change	Wages (May 2010 median)	Entry-Level Education	Related Work Experience	On-the-job Training
29-1111	Registered Nurses	711,900	26	\$64,690	Associate's degree	None	None
41-2031	Retail Salespersons	706,800	17	20,670	Less than high school	None	Short-term on-the-job training
31-1011	Home Health Aides	706,300	69	20,560	Less than high school	None	Short-term on-the-job training
39-9021	Personal Care Aides	607,000	70	19,640	Less than high school	None	Short-term on-the-job training
43-9061	Office Clerks, General	489,500	17	26,610	High school diploma or equivalent	None	Short-term on-the-job training
35-3021	Combined Food Preparation and Serving Workers, Including Fast Food	398,000	15	17,950	Less than high school	None	Short-term on-the-job training
43-4051	Customer Service Representatives	338,400	15	30,460	High school diploma or equivalent	None	Short-term on-the-job training
53-3032	Heavy and Tractor-Trailer Truck Drivers	330,100	21	37,770	High school diploma or equivalent	1 to 5 years	Short-term on-the-job training
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	319,100	15	23,460	Less than high school	None	Short-term on-the-job training
25-1000	Postsecondary Teachers	305,700	17	62,050	Doctoral or professional degree	None	None
31-1012	Nursing Aides, Orderlies, and Attendants	302,000	20	24,010	Postsecondary non-degree award	None	None
39-9011	Childcare Workers	262,000	20	19,300	High school diploma or equivalent	None	Short-term on-the-job training
43-3031	Bookkeeping, Accounting, and Auditing Clerks	259,000	14	34,030	High school diploma or equivalent	None	Moderate-term on-the-job training
41-2011	Cashiers	250,200	7	18,500	Less than high school	None	Short-term on-the-job training
25-2021	Elementary School Teachers, Except Special Education	248,800	17	51,660	Bachelor's degree	None	Internship/residency
43-4171	Receptionists and Information Clerks	248,500	24	25,240	High school diploma or equivalent	None	Short-term on-the-job training
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	246,400	11	22,210	Less than high school	None	Short-term on-the-job training
37-3011	Landscaping and Groundskeeping Workers	240,800	21	23,400	Less than high school	None	Short-term on-the-job training
41-4012	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	223,400	16	52,440	High school diploma or equivalent	None	Moderate-term on-the-job training
47-2061	Construction Laborers	212,400	21	29,200	Less than high school	None	Short-term on-the-job training

SOURCE: BLS Occupational Employment Statistics and Division of Occupational Outlook

Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2012-13 Edition*, Projections Overview, on the Internet at <http://www.bls.gov/ooh/about/projections-overview.htm> (visited July 25, 2013).

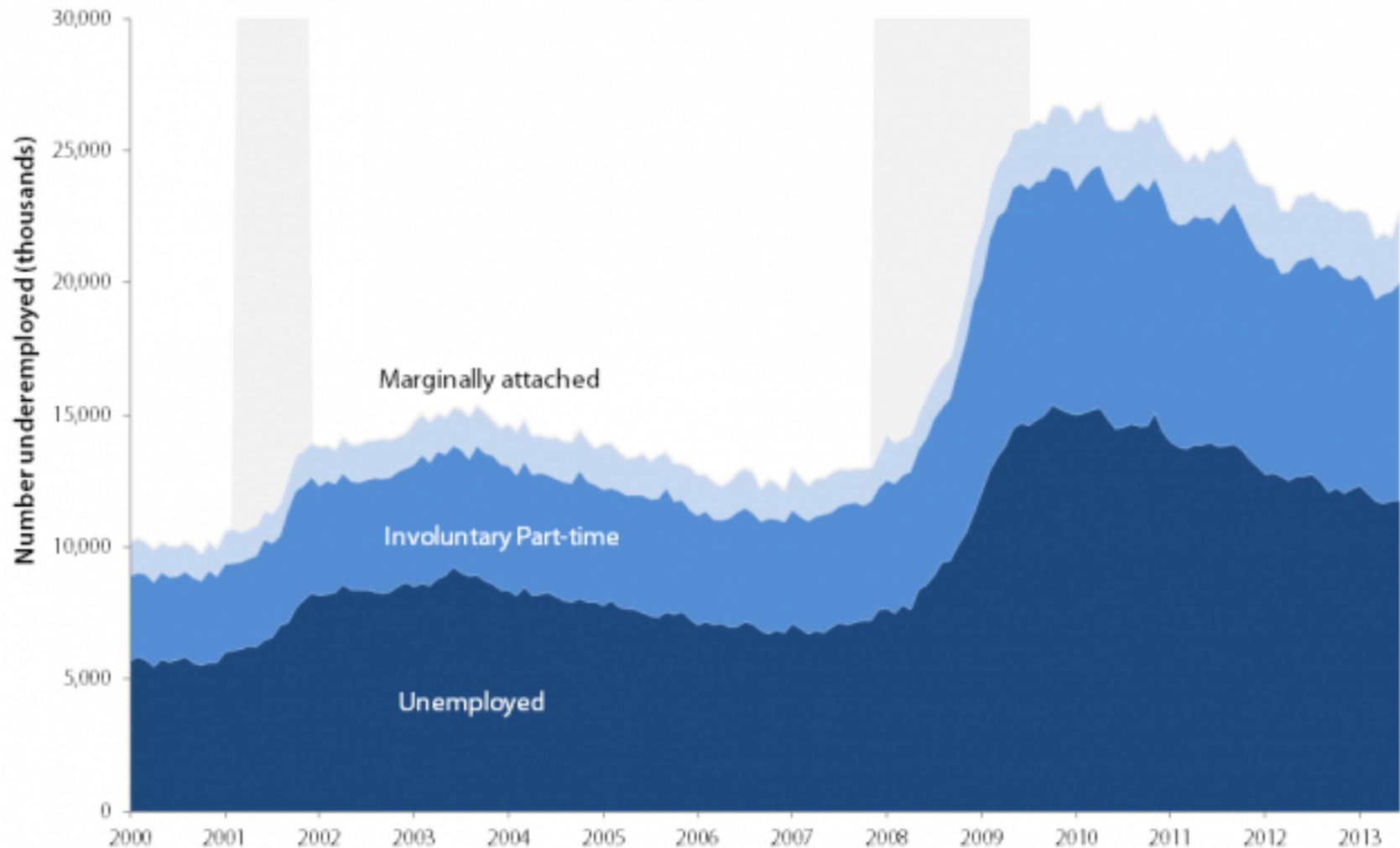
# Education & Job Growth

**Chart 8. New jobs, by education category, 2010–20 (projected)**



Source: BLS Division of Occupational Outlook

# Rise of Involuntary Part-time Work

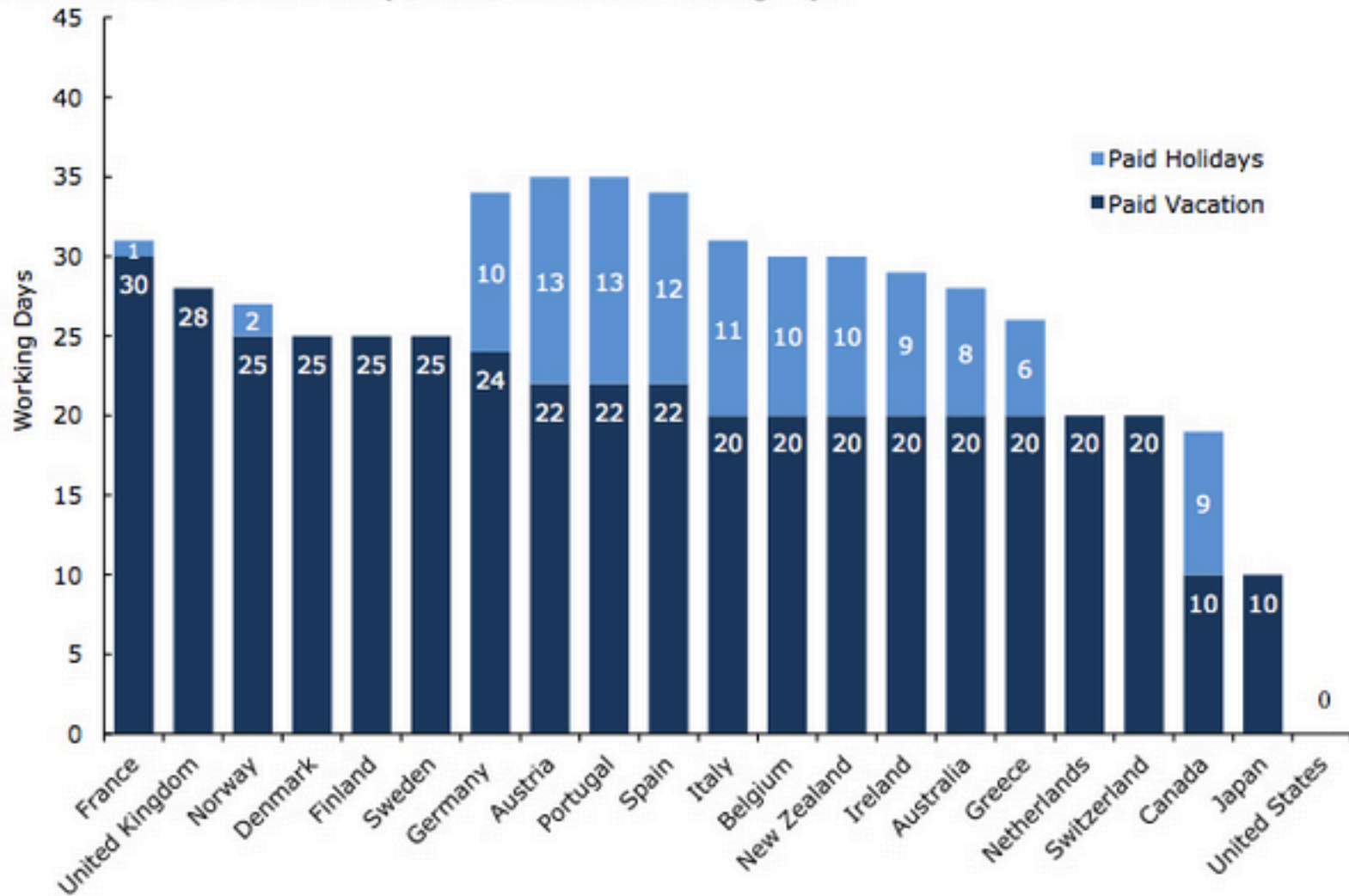


Note: Shaded areas denote recessions.

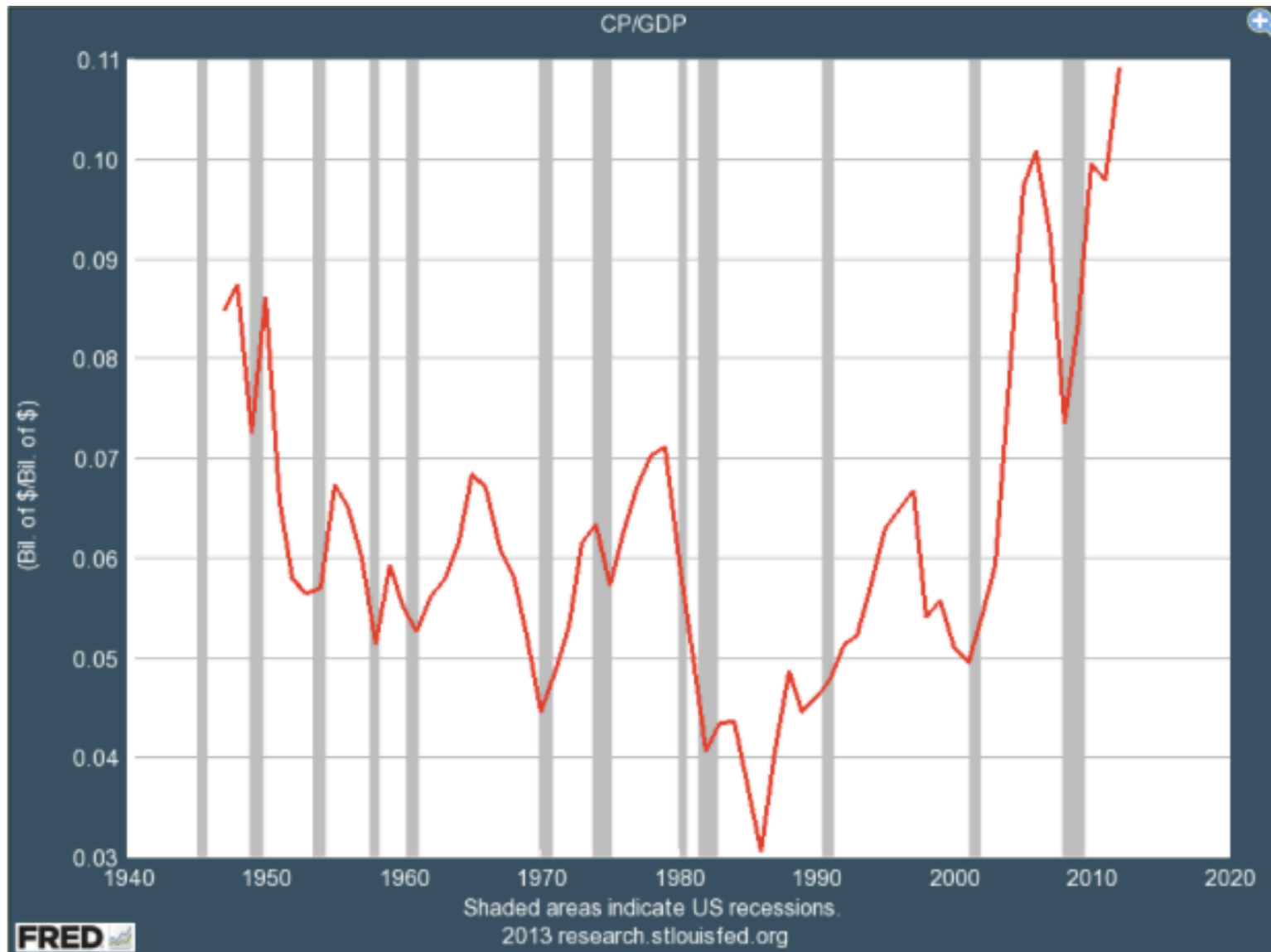
Source: Authors' analysis of Bureau of Labor Statistics' Current Population Survey public data series.

# Quality of Jobs

Paid Vacation and Paid Holidays, OECD Nations, in Working Days

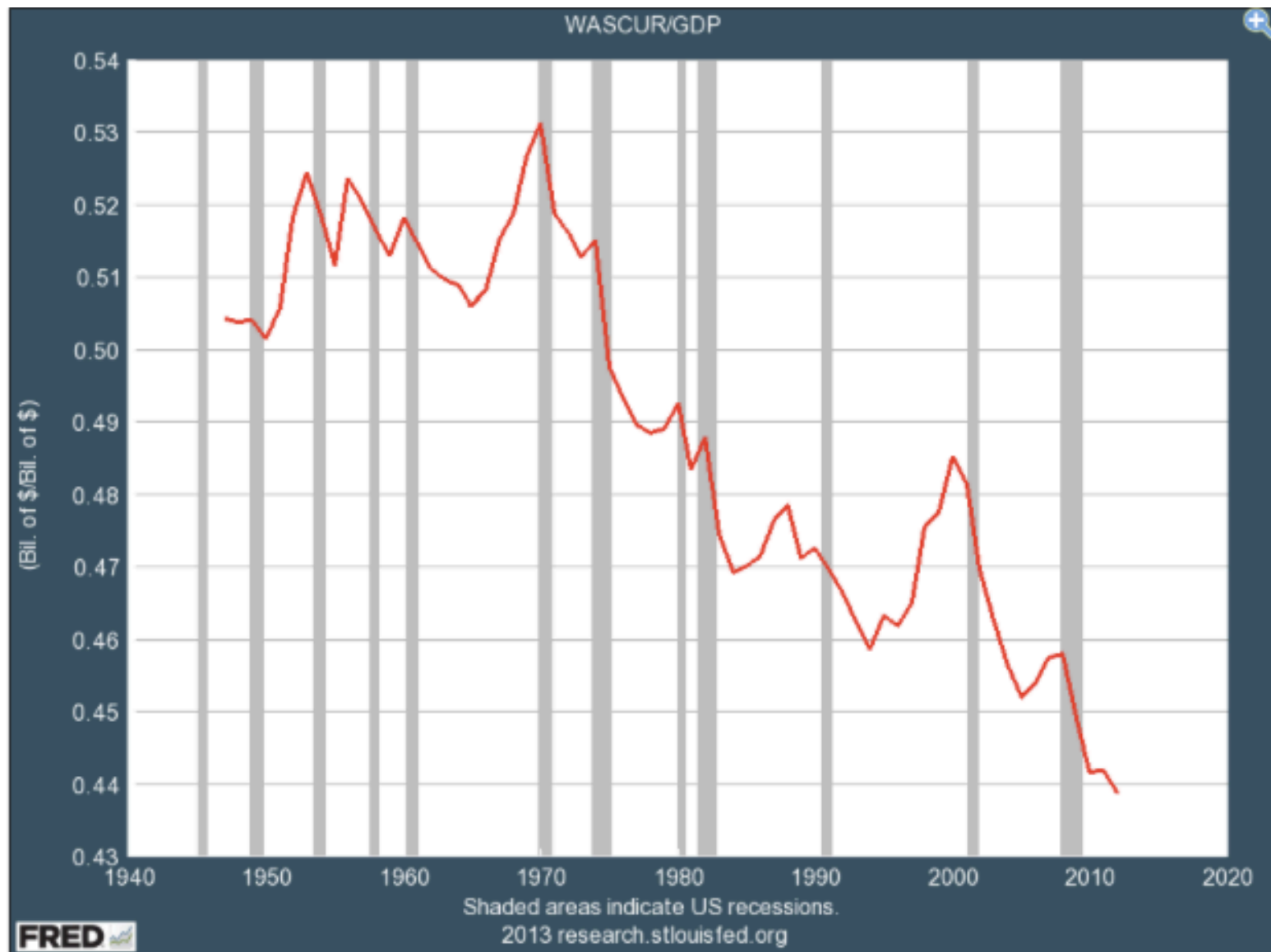


# Record Profits...

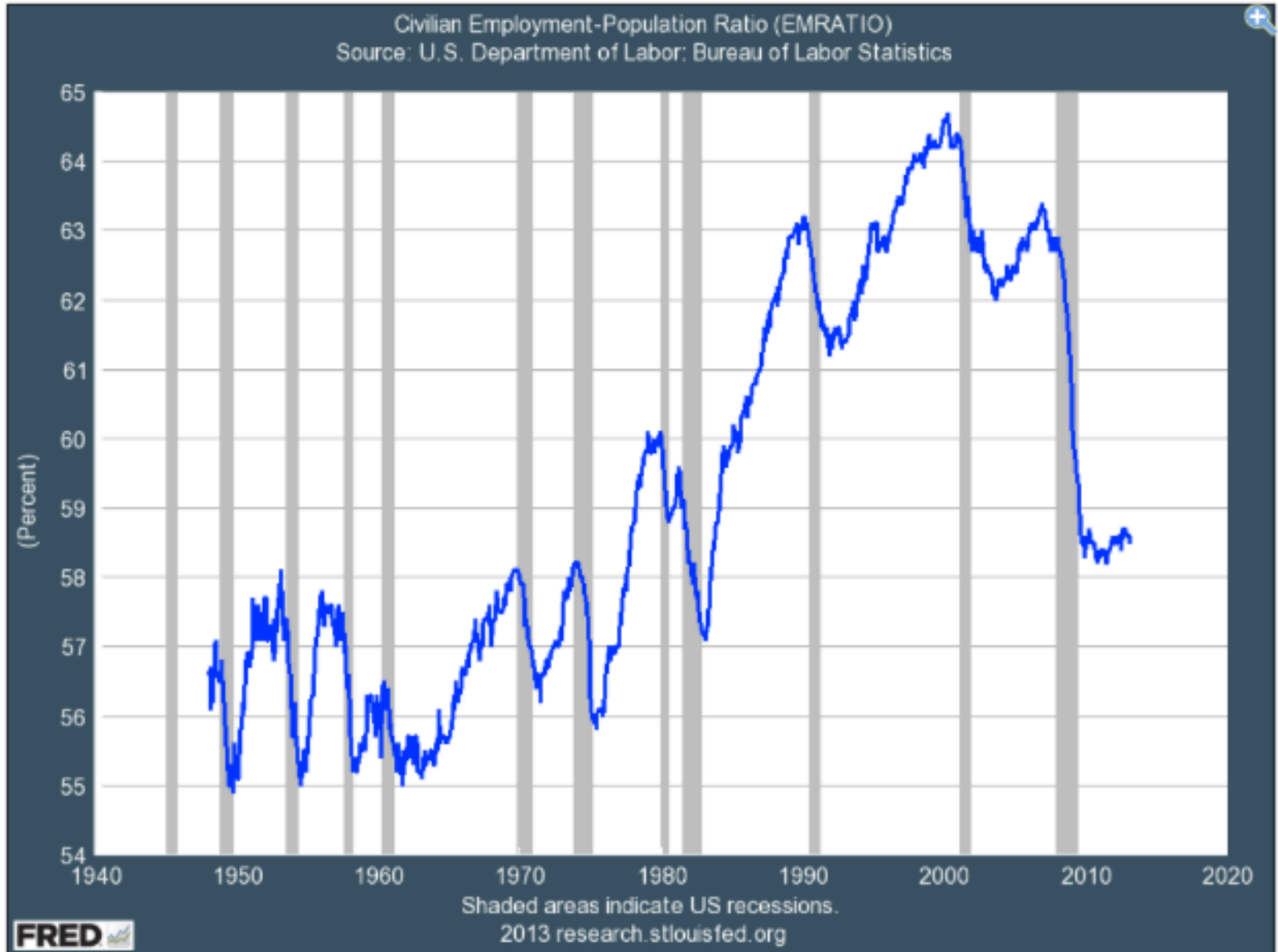




# Record Low wages...

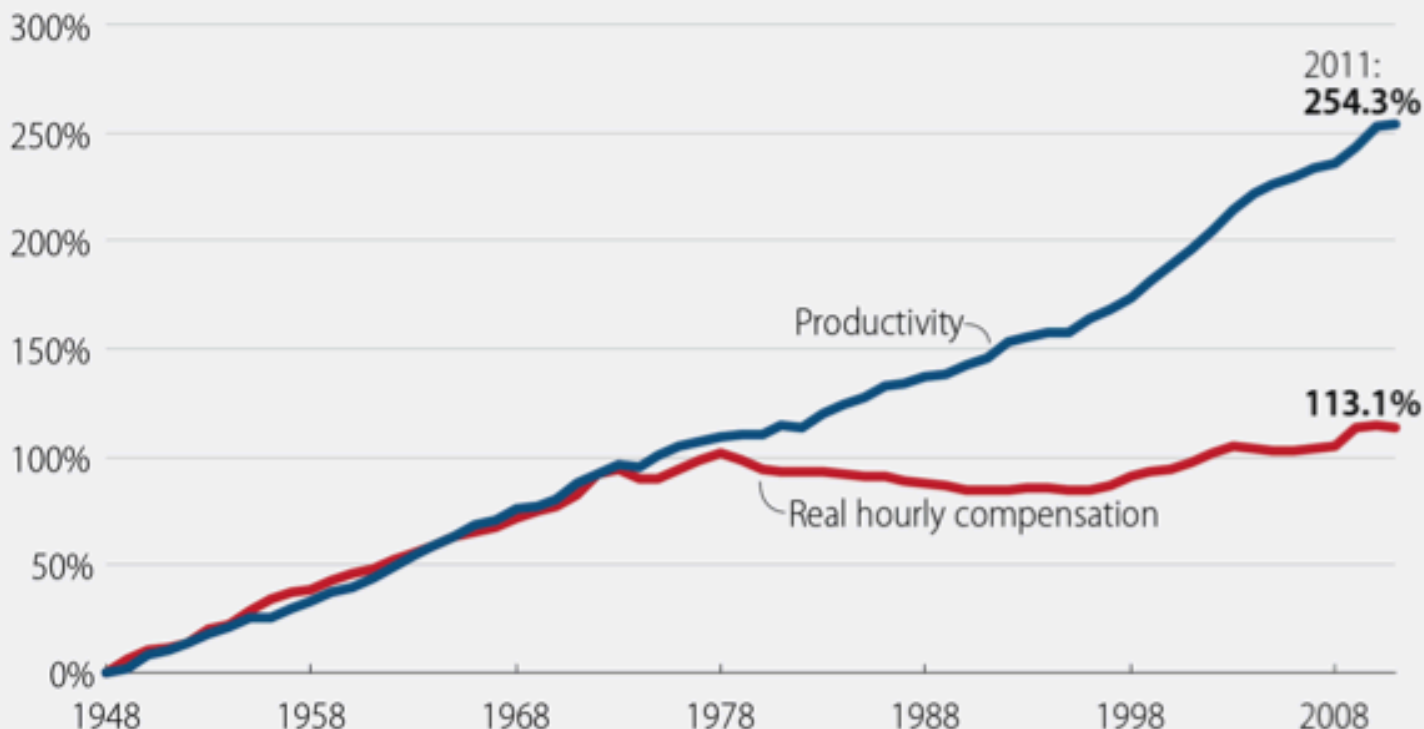


# Record Low Employment...



## Most Americans are not benefiting from increased productivity

Cumulative change in total economy productivity and real hourly compensation of production/nonsupervisory workers, 1948–2011



**Note:** Data are for compensation of production/nonsupervisory workers in the private sector and productivity of the total economy.

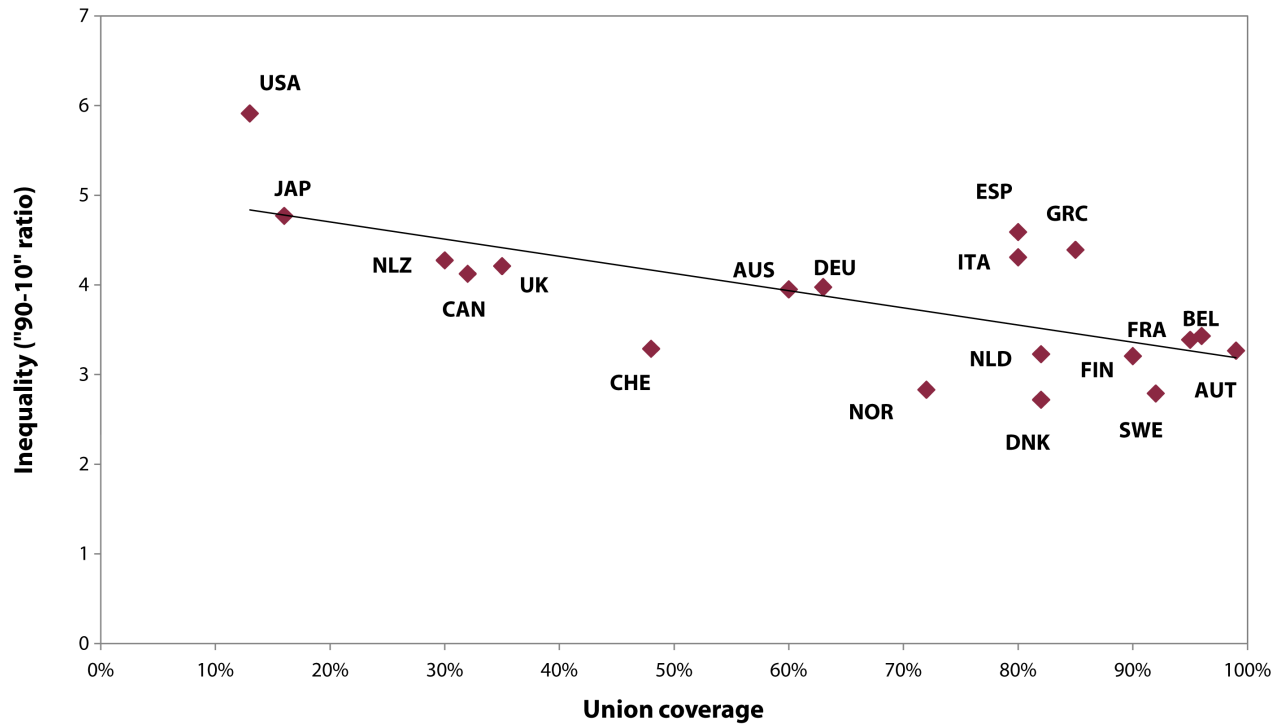
**Source:** EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics Labor Productivity and Costs program, wage data from BLS Current Employment Statistics program, and Bureau of Economic Analysis National Income and Product Accounts

Is a low-wage economy inevitable?

# Labor Unions/Worker Power

## Union coverage decreases inequality

Collective bargaining coverage in relation to inequality\*

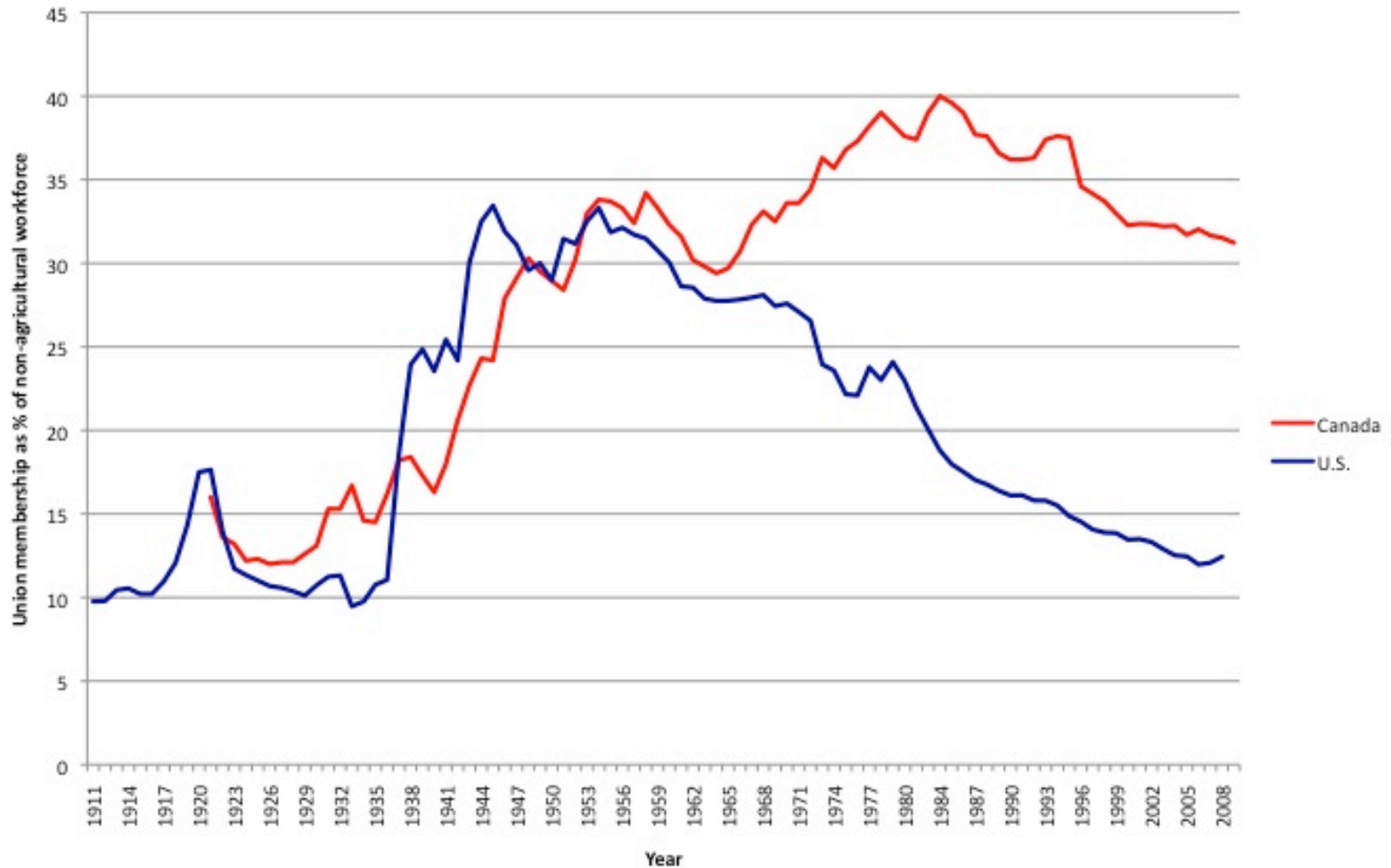


\* Inequality is measured using a 90-10 ratio, showing how many times more income a household in the 90th income percentile has than a household in the 10th income percentile.

**Source:** Venn (2009) OECD Working paper, Organisation for Economic Co-operation and Development, Society at a Glance (2009).

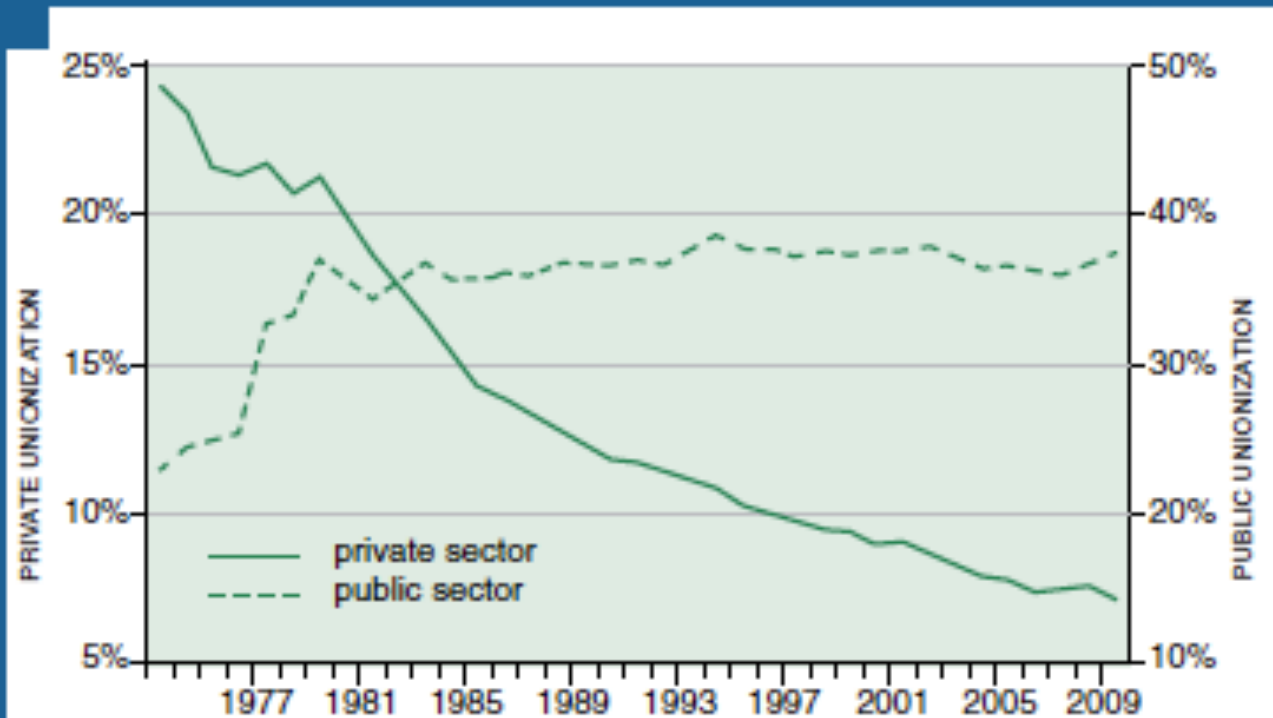
# Declining Union Density

Figure 2: Union Density Rates, U.S. and Canada, 1911-2008



# Declining Union Density

FIGURE 1 Unionization rates by sector, 1973–2009

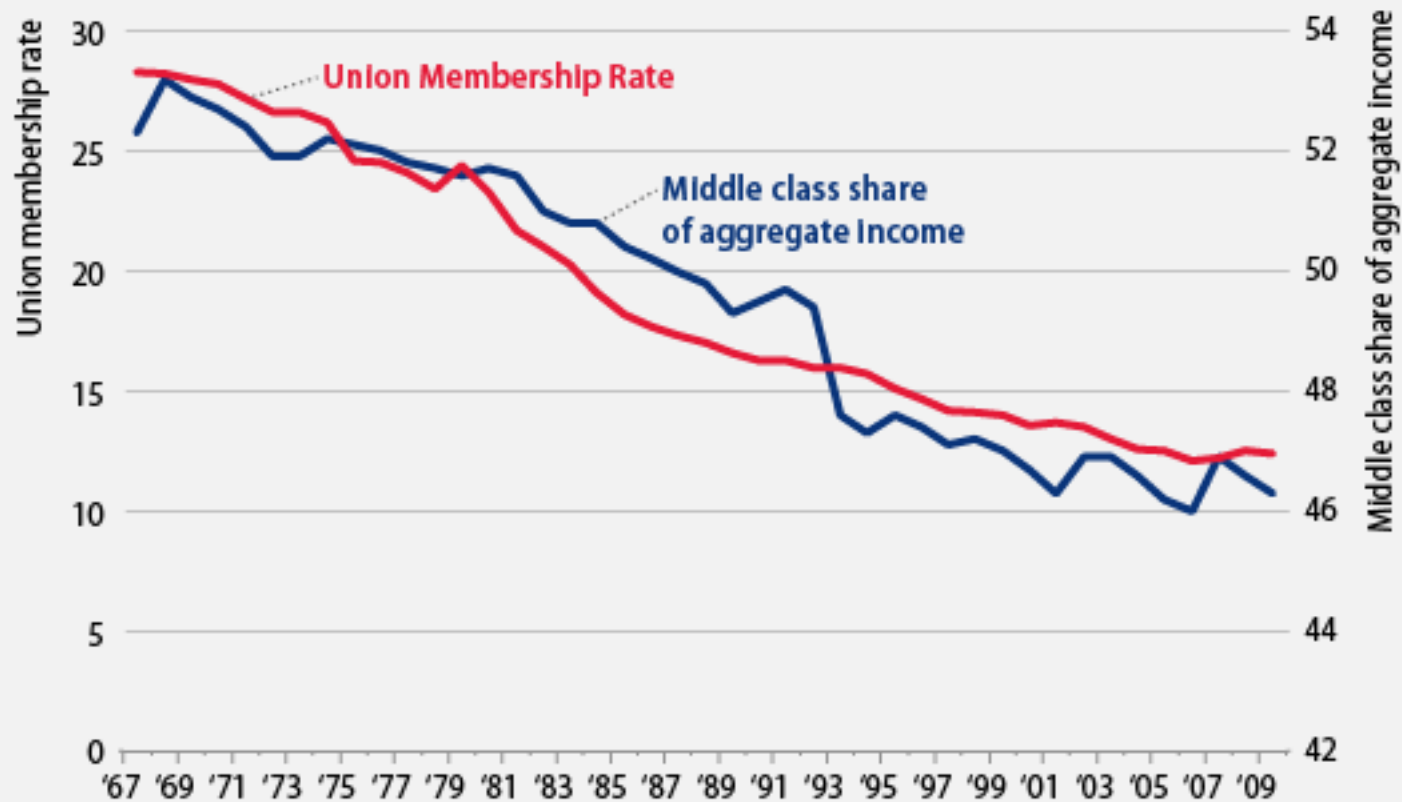


Data are provided by Barry T. Hirsch and David A. McPherson's [www.unionstats.com](http://www.unionstats.com) database (2010), and are based on Current Population Survey (CPS) data. Unionization data for 1982 are unavailable; I generate 1982 estimates by averaging 1981 and 1983 rates.

# Declining Union Density

## Ties that bind

As union membership rates decrease, middle class incomes shrink



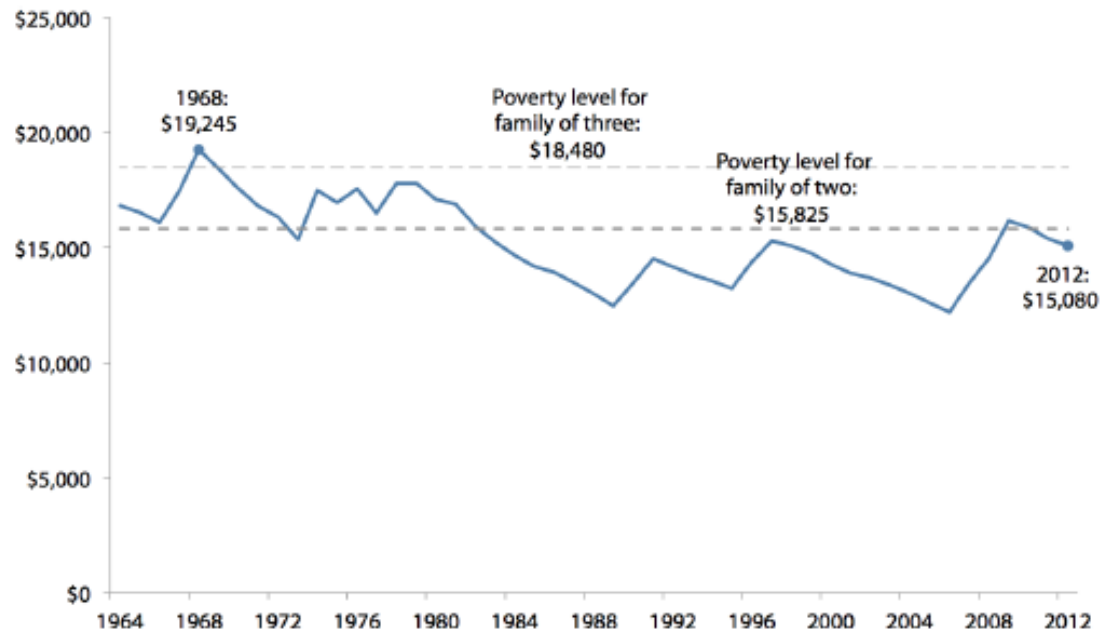
Original figure by David Madland, Karla Walters, and Nick Bunker. Sources: Union Membership Rate is from Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman, "Estimates of Union Density by State," Monthly Labor Review, Vol. 124, No.7, July 2001. Middle Class Share of Aggregate Income is from United States Census Bureau.



# Minimum Wage

FIGURE A

Annual minimum-wage earnings and poverty level for families of two or three, 1964–2012  
(2012 dollars)

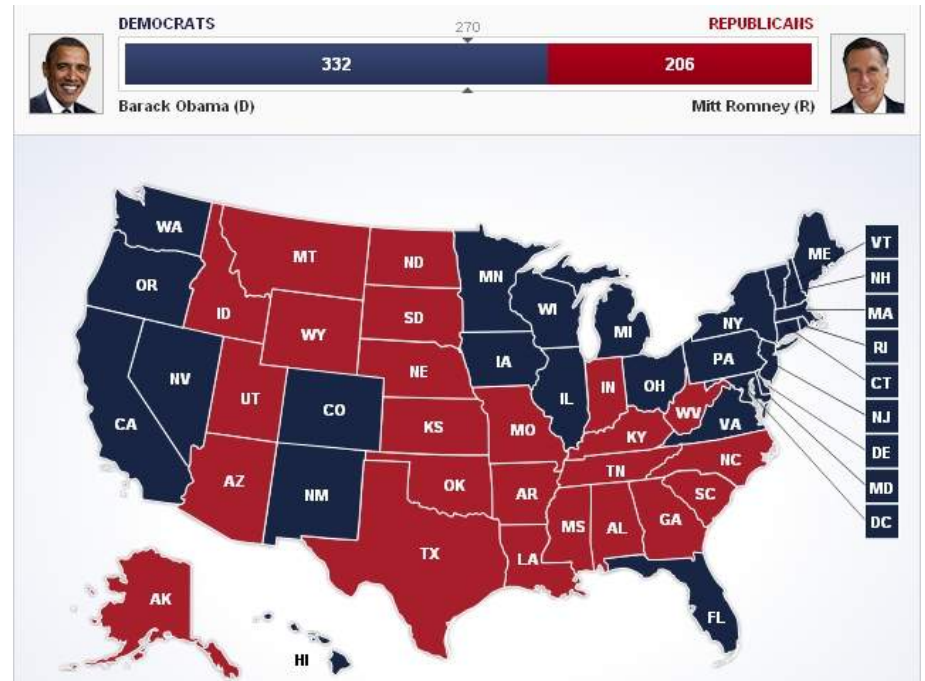
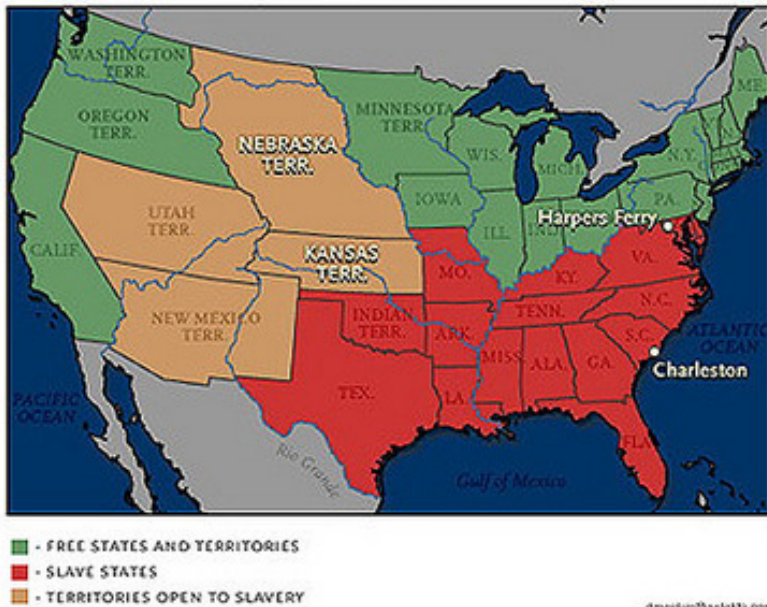


Note: Poverty thresholds are 2012 levels for families of two (one adult, one child) and three (two adults, one child). Note that the poverty threshold for a family of one adult, two children is slightly higher (\$18,498). Annual earnings are calculated assuming workers work full time (40 hours per week) and 52 weeks per year (i.e., with no vacation). Minimum wage is deflated using CPI-U-RS.

Source: Authors' analysis of U.S. Census Bureau (2012) and U.S. Department of Labor Wage and Hour Division (2012)

# Political Polarization: 1860-2012

Pre-Civil War Free vs. Slave States

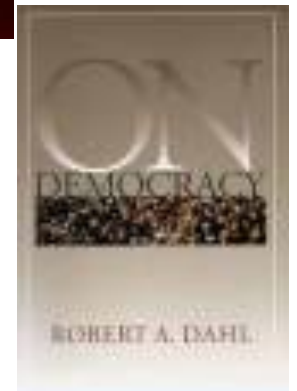
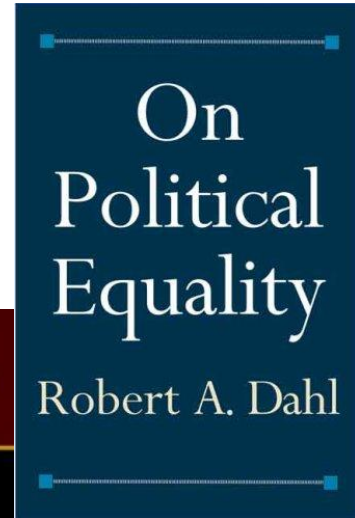
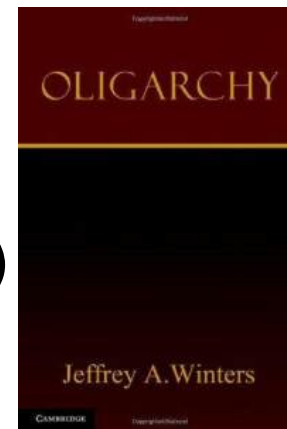


# End of the Great Divergence?



# Implications: Democracy & Justice?

- Effective participation
- Equality in voting
- Gaining enlightened understanding
- Final control of the agenda
- Inclusion
- Fundamental rights (civil and political)
  - freedom of expression
  - alternative sources of information
- Free, fair and frequent elections
- Associational autonomy





# Spark in 2013?

