

## The United States Conference of Mayors

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## WAGE GAP WIDENS FROM RECESSION AS INCOME INEQUALITY GROWS:

## ON-GOING TREND GIVES TOP 5% NEARLY HALF-TRILLION DOLLARS IN ADDED ANNUAL INCOME IN 2012

New York -- Jobs gained during the economic recovery from the Great Recession pay an average 23% less than the jobs lost during the recession according to a new report released today by The U.S. Conference of Mayors (USCM) under the leadership of President Sacramento Mayor Kevin Johnson. The annual wage in sectors where jobs were lost during the downturn was \$61,637, but new jobs gained through the second quarter of 2014 showed average wages of only \$47,171. This wage gap represents \$93 billion in lost wages.

Under a similar analysis conducted by the Conference of Mayors during the 2001-2002 recession, the wage gap was only 12% compared to the current 23% -- meaning the wage gap has nearly doubled from one recession to the next.

Prepared for the Conference of Mayors by IHS, the report was released in conjunction with the inaugural meeting of the USCM Cities of Opportunity Task Force at Gracie Mansion in New York City. The Task Force is led by New York City Mayor Bill de Blasio and Boston Mayor Martin Walsh and was established at the Conference's Annual Meeting in June to identify strategies for addressing income inequality, promoting economic mobility and creating jobs in America's cities.

"While the economy is picking up steam, income inequality and wage gaps are an alarming trend that must be addressed," said U.S. Conference of Mayors President Sacramento Mayor Kevin Johnson. "This Task Force, led by New York City Mayor Bill de Blasio, will recommend both national and local policies that will help to give everyone opportunity. We cannot put our heads in the sand on these issues," he said. "The nation's mayors have an obligation to do what we can to address issues of inequality in this country while Washington languishes in dysfunction."

The report also shows the gap between low and higher income-households is growing and will continue into the foreseeable future. In 2012, the latest year for which figures are available, 261 (73%) out of 357 metros had a larger share of poorer households (those making less than \$35,000 per year), than upper income households of above \$75,000.

The report forecasts that middle-income households will continue to fall behind as higher income levels capture a greater share of income gains. In 2014 median household income is projected to increase by 2.5% in nominal dollars, and then by 3.8% per year from 2015 through 2017. But average (mean) income is expected to rise faster, 2.7% in 2014 and by 4.1% through 2017. Faster growth in mean income compared to median income demonstrates growing income inequality.

Adjusted for inflation, average household income fell 3.0%, while median income fell 5.5% from 2005-2012, according to the report.

"The inequality crisis facing our cities is a threat to our fundamental American values. Reducing income inequality and ensuring opportunity for all is nothing less than the challenge of our times. As mayors, we are on the front lines and we must act now," said New York City Mayor and Chair of the Mayors' Cities of Opportunity Task Force Bill de Blasio. "The Cities of Opportunity Task Force is bringing mayors from all corners of the country together to work together and leverage the power of municipal governments to advance a national, common equity agenda, and to also encourage action on a federal level."

Boston Mayor and Vice Chair of the Mayors' Task Force Martin Walsh added, "Recognizing that each city has both universal and unique challenges, we identified three areas in which many of us believe there can be short-term, meaningful impact. In addition to this work we are committing to do together, we will all continue to work in our respective cities on disparity across all policy areas. In our conversations to date, we have identified additional factors related to housing, transportation, financial empowerment and a whole host of other issues that we plan to address moving forward. This is a long-term commitment for all of us, to effect lasting change in the lives of real people in our cities."

Most notably, the report also found that since 1975, the increasing share of income earned by the highest quintile -- the 20% of households with the highest incomes – rose from 43.6% in 1975 to 51.0% in 2012. Most of that gain occurred in the highest 5% of incomes, which rose from 16.5% in 1975 to 22.3% in 2012, a gain of \$490 billion in 2012 income.

The lowest two quintiles, or 40% of households, received just 6.6% of all US income gains since 2005, while the share of total income gains from the top 20% was 60.6% and the top 5% received 27.6%.

The report concludes that according to IHS economic models, the drift toward income inequality will persist in the coming years as it is a structural feature of the 21<sup>st</sup> Century economy. "Unless policies are developed to mitigate these trends, income inequality will only grow larger in the future," according to Jim Diffley, director of US Regional Economics at IHS and author of the report.

More than 30 mayors from cities across the country attended the first meeting of the USCM Cities of Opportunity Task Force. See the list of participating mayors below:

## **PARTICIPATING MAYORS (subject to change)**

KEVIN JOHNSON, Sacramento, CA - USCM President BILL DE BLASIO, New York, NY - USCM Cities of Opportunity Task Force Chair MARTIN WALSH, Boston, MA - USCM Cities of Opportunity Task Force Vice Chair KATHY SHEEHAN, Albany, NY RICHARD BERRY, Albuquerque, NM ED PAWLOWSKI, Allentown, PA LEE LEFFINGWELL, Austin, TX BILL FINCH, Bridgeport, CT BYRON BROWN, Buffalo, NY RAHM EMANUEL, Chicago, IL JAMES BRAINARD, Carmel, IN STEPHEN BENJAMIN, Columbia, SC NAN WHALEY, Dayton, OH J. CHRISTIAN BOLLWAGE, Elizabeth, NJ PEDRO SEGARRA, Hartford, CT ANNISE PARKER, Houston, TX STEVEN FULOP, Jersey City, NJ SYLVESTER JAMES, Kansas City, MO PAUL SOGLIN, Madison, WI TONI HARP, New Haven, CT MITCHELL LANDRIEU, New Orleans, LA SETTI WARREN, Newton, MA FRANK ORTIS, Pembroke Pines, FL MICHAEL NUTTER, Philadelphia, PA BRIAN WAHLER, Piscataway, NJ CHARLIE HALES, Portland, OR LOVELY WARREN, Rochester, NY RALPH BECKER, Salt Lake City, UT JAVIER GONZALES, Santa Fe, NM GARY MCCARTHY, Schenectady, NY STEPHANIE MINER, Syracuse, NY MARILYN STRICKLAND, Tacoma, WA JOHN MARKS, Tallahassee, FL VINCENT C. GRAY, Washington, DC DENNIS P. WILLIAMS, Wilmington, DE

The U.S. Conference of Mayors is the official nonpartisan organization of cities with populations of 30,000 or more. There are nearly 1400 such cities in the country today, and each city is represented in the Conference by its chief elected official, the mayor. Like us on Facebook at facebook.com/usmayors, or follow us on Twitter at twitter.com/usmayors.