THE WAGE GAP IN THE US

- The US has regained the 8.7 million jobs that were lost during the Great Recession, and employment has surpassed its pre-recession peak of 138.4 million jobs in 2008.
- Average annual wage of jobs lost in 2008-09 was $61,637, and average wage of job gains through the second quarter of 2014 equaled $47,171. This wage gap of 23% is significantly larger than that of the earlier recession and recovery (2000-2006), and implies $93 billion in lower wage income.
- In comparison, the wage gap following the 2000-2003 recession was 12%. Wages earned in advancing sectors fell $27 billion short of the annual wages lost in the declining sectors over 2000-2003.
- Extensive job losses in high-wage manufacturing ($63K) and construction ($58K) sectors were replaced by jobs in the lower wage sectors of hospitality ($21K), health care ($47K), and administrative support ($37K). (See Figures 2 and 3)

THE INCOME DISTRIBUTION IN THE US

- The 2012 household median income of $51,017 was, in real terms, the lowest since 1995. The median was greater in the West ($55,157), and Northeast ($54,627), than in the South ($48,033) and Midwest ($50,479).
- The highest-earning 20% of households saw their share of income rise from 43.6% in 1975 to 51.0% in 2012. Most of this gain was among those in the highest 5% of income, which rose from 16.5% in 1975 to 22.3% in 2012, a gain of $490 billion in 2012. (See Figure 4)
- Each of the lower quintiles experienced a declining share of income since 1975. The lowest two quintiles, or 40% of households, received just 6.6% of all US income gains since 2005, and 9.5% of gains since 1995.
- The highest 20% of households captured 60.6% of total income gains from 2005 to 2012, and the top 5% received 27.6% of total gains.
- In 2012 the 80th percentile (the lowest income in the top 20%) income of $104,906 was more than double (2.04x) the median. That ratio has increased from 1.73 in 1975.

METROPOLITAN AREA HOUSEHOLD INCOME

- In 2012, among US households, 34.8% earned less than $35,000, 31.8% earned between $35,000 and $75,000, while 33.5% earned more than $75,000.
- Metros with the largest percentage of households making less than $35,000 are largely in the South, especially in Texas and Georgia. The top three are Brownsville-Harlingen (55.1%), Dalton (52%), and McAllen-Edinburg-Mission (51.5%). (See Figure 5, full listing in Appendix Table 2)
• Jacksonville (NC) (42.8%), Fond du Lac (42%), and Holland-Grand Haven (39.4%) have the greatest share of households making between $35,000-$75,000. (Figure 6)

• Washington DC (57.5%), San Jose (57.3%), and Bridgeport-Stamford (52.5%) have the largest percentage of households making $75,000 and more. All metros in the top 10 are in the Northeast and coastal California with the exception of Anchorage, AK and Honolulu, HI. (Figure 7)

• 261 of 357 metros have a greater share of poor households (making less than $35,000) than of upper-income households.

• Phoenix, Riverside, Milwaukee, St. Louis, Cincinnati, Indianapolis, Charlotte and Providence are among the large metros that have a nearly equal number of low (less than $35,000) and high ($75,000 and more) income households.

**HOUSEHOLD INCOME INEQUALITY 2005-2012**

• Average income nationwide increased 14.0% from $62,556 in 2005 to $71,317 in 2012. Median income improved at a slower pace of 11.1% from $46,242 to $51,371. The ratio between the average and median household income increased by 2.6%, as wealth shifted to upper income households during these years.

• Adjusted for inflation, average household income fell 3.0%, while median income dropped by 5.5% from 2005-2012.

• 248 Metro areas experienced a shift in wealth towards upper-income households from 2005 to 2012, while 109 moved in the opposite direction.

**THE FORECAST FOR MEDIAN HOUSEHOLD INCOMES**

• In 2014 median household income will increase by 2.5%, and then by 3.8% annually through 2017. Mean household income will increase by 2.7% in 2014, and by 4.1% through 2017. Thus, the middle income household continues to fall behind as a greater share of income gains are captured by higher income levels.

• The metro areas with the fastest growing median income rates are geographically diverse, and several of the 10 fastest growing metros, each growing at a rate above 4%, share proximity to oil and gas plays (Williamsport, Wheeling, and Midland) or tech company agglomerations (San Jose and Boulder). (Figure 11, full listing in Appendix Table 4)

• With the exception of Vallejo-Fairfield, the ten slowest-growing areas in terms of median household income are all located in the South and Midwest.

**MINIMUM WAGE**

• The federal minimum wage, at $7.25 per hour, corresponds to a full time equivalent annual income of $15,080. In real, equal purchasing power terms, the real wage has declined dramatically from its 1968 peak of $10.69. Thus the annual income of a minimum wage earner has eroded by 32% from $22,235 to $15,080.