

## INCOME INEQUALITY GROWING

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Last April, the National Urban League issued its annual State of Black America report titled “One Nation Underemployed: Jobs Rebuild America.” It found the income gap between Blacks and whites has expanded and likely won’t narrow without significant reductions in Black unemployment and actual changes in a (racist) system that favors the wealthy over the poor and middle-class. Marc Morial, Urban League president and CEO: “There is an urgent and growing disparity between the few who are reaping the rewards of economic recovery and the majority who are still reeling from the aftershocks of the Great Recession.”

The 2014 Equality Index is a yardstick used to measure how well African Americans are doing relative to whites. In computing the Equality Index, 30% of the final score is based on economics, while health and education each gets 25% and social justice and civic engagement receive 10% on a 100% scale. The larger the Equality Index, the closer Blacks are to reaching parity with whites. The Black Equality Index has declined from 73 percent in 2006 to 72.1 percent in 2010 to 71.2 percent in 2014

The report found: Black median household income (\$33,764) is about 60% of whites (\$56,565), down from 62% before the recession; the poverty index for Blacks compared to whites is 29%--28.1% for Blacks vs. 11% for whites; Black-white unemployment inequality is 50% or 2:1; concerning wealth, Blacks (\$6,314) have only a 6% Equality Index when compared with whites (\$110,500).

In a chapter titled, “Policies of Exclusion Perpetuate the Racial Wealth Gap,” Thomas M. Shapiro writes: “The dramatic and widening gap in household wealth along racial lines in the United States reflects policies and institutional practices that create different opportunities for whites and Blacks. In gross terms, the difference in median wealth between America’s white and African American households has grown stunningly large.”

“The wealth gap almost tripled from 1984 to 2009, increasing from \$85,000 to \$236,500. The median net worth of white households in the study grew to \$265,000 over the 25-year period compared with just \$28,500 for the Black households.”

Five factors account for two-thirds of the proportional increase in the racial wealth gap: number of years of home ownership, average family income, employment stability, college education and financial support and inheritance. Shapiro also found home ownership accounts for 27% of the growth in the racial wealth gap. He said reasons home equity rises dramatically faster for whites include: white families buy homes and start acquiring equity eight years earlier than Black families because they are more likely to receive family assistance or an inheritance for down payments; a larger up-front payment by white homeowners lowers interest rates;

residential segregation places an artificial ceiling on home equity in non-white neighborhoods; the home ownership rate for white families is 28 percent higher than rates for Blacks.

The evidence shows in stark terms it is not just the last recession and implosion of the housing market that contributed to the widening racial wealth disparities. Shapiro: “Past policies of exclusion such as discriminatory mortgage lending, which continues today, ensure certain groups reap a higher share of what America has to offer, while others are left out.... The wealth gap won’t narrow without “substantial” reduction in unemployment.....more than one-third of unemployed workers have been out of work for six months or longer and one in four has been jobless for a year or longer.”

Valerie Rawlston Wilson, an economist with the National Urban League’s Washington Bureau, noted in the introduction to the report: “Though the unemployment declined by 1.2 percentage points from January to December 2013--the largest decline over a single year since the recovery began—labor force participation also reached a 35-year low in December. This downward trend in labor force participation raises concerns about the underutilization of America’s labor capacity, or underemployment.”

“If we factored in the number of people who want and are available for work but are not actively looking for a job, along with the number of unemployed workers actively looking for a job, and those who are working part-time of necessity, the actual rate of underemployment was 13.1% at the end of 2013, nearly double the official the unemployment rate.”

Things are even worse for African Americans. “Though the Black employment rate briefly and narrowly dipped below 12% for the first time since 2008, at the end of last year, 42% of Black unemployed workers were long-term unemployed and 28% had been jobless for at least a year. The net rate of unemployment for African Americans was 25% compared to 11.8% for whites and 18.4% for Hispanics.”

For the first time, the State of Black America provides an Equality Index for 77 major metropolitan areas. And it provides charts for Black-white income equality and unemployment equality.

Morial summarized the discussion on income inequality thusly: “An Oxfam report released in January confirmed what the Urban League Movement has posited for the last few years: In the U.S., where the gap between rich and poor has grown at a faster rate than any other developed country, the richest 1% of Americans have received 95% of the wealth created since 2009—after the economic crisis—while the bottom 90% of Americans have become poorer.”

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