

NUL State of Black America: Growing income inequality

Written by George E. Curry, NNPA Editor-in-Chief
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WASHINGTON (NNPA) – The wealth gap between African Americans and Whites has expanded in recent years and is not likely to narrow without significant reductions in Black unemployment and changes in a system that favors the wealthy over poor and middle class Americans, according the National Urban League's 38th annual *State of Black America* report titled, "One Nation Underemployed: Jobs Rebuild America."

The report is scheduled to be released Thursday at a news conference at the National Press Club in the nation's capital. In a statement accompanying the report, Marc H. Morial, president and CEO of the National Urban League, said: "The 2014 State of Black America and corresponding Equality Index indicate that while each state and city has its own economic recovery story to tell, the consistent refrain is that 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 aftershocks of the Great Recession."

Morial added, "While 'too big to fail' corporations went into the bail-out emergency room and recovered to break earnings and stock market records, most Americans have been left in ICU with multiple diagnoses of unemployment, underemployment, home losses and foreclosures, low or no savings and retirement accounts, credit denials, and cuts in education and school

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funding. We must work to restore the very essence of 20th century America – the possibility of upward mobility for all – with a focus on meaningful solutions to these pressing challenges, including job creation and training, and ensuring that Americans are paid livable wages for the work they do."

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 percent of the final score is based on economics while health and education each gets 25 percent and social justice and civic engagement each receives 10 percent on a 100 percent scale.

Explaining the Equality Index, the authors say: "That means rather than having a whole pie (100 percent), which would mean full equality with Whites in 2014, African Americans [with an index of 71.2 percent] are missing about 29 percent of the pie."

In other words, the larger the Equality Index, the closer Blacks are to reaching parity with Whites.

The Equality Index has declined from 73 percent in 2006, to 72.1 percent in 2010 to 71.2 percent in 2014. However, scholars caution that the overall figure might reflect progress in some areas and retrenchment in others.

Relative to last year's Black Equality Index:

- Civic Engagement index improved from 99.9 percent to 104.7 percent;
- Economics dipped slightly, from 56.3 percent to 55.5 percent;
- Social justice declined barely from 56.9 percent to 56.8 percent;
- Health (76.8 percent) and education (76.8 percent) remained unchanged;

The report also found:

- Black median household income (\$33,764) is about 60 percent of Whites (\$56,565), down from 62 percent before the recession;
- The poverty index for Blacks compared to Whites is 29 percent – 28.1 percent of Blacks live in poverty vs. 11 percent of Whites;
- Black-White unemployment equality is 50 percent or 2:1 and when it comes to wealth, Blacks (\$6,314) have only a 6 percent Equality Index when compared with Whites (\$110,500).
- Unlike African Americans, Hispanics saw their Equality Index with Whites increase slightly, from 74.6 percent in 2013 to 75.8 percent in 2014, which was 4.6 percent higher than African Americans.

In a chapter titled, "Policies of Exclusion Perpetuate the Racial Wealth Gap," Thomas M. Shapiro wrote: "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

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whites and African Americans. Personal ambition and behavioral choices are but a small part of the equation."

Shapiro wrote, "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."

He said 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.

According to Shapiro, home ownership accounts for 27 percent 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 lower interest rates;
- Residential segregation places an artificial ceiling on home equity in non-White neighborhoods and
- The home ownership rate for White families is 28 percent higher than rates for Blacks.

"Hard evidence shows in stark terms that it is not just the last recession and implosion of the housing market that contributed to the widening racial wealth disparities," Shapiro wrote. "Past policies of exclusion, such as discriminatory mortgage lending, which continues today, ensure that certain groups reap a greater share of what America has to offer while others are left out."

No one expects the wealth gap to narrow without some reduction in unemployment.

Valerie Rawlston Wilson, an economist in the National Urban League's Washington bureau, noted in her introduction to the report: "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. Though the unemployment rate 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 underutilization of America's labor capacity, or underemployment."

She explained, "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 out of necessity (but would prefer full-time work), the actual rate of underemployment was 13.1 percent at the end of 2013, nearly double the

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official unemployment rate."

And things are even worse for African Americans, Wilson said.

"For African Americans, these challenges are even greater," she wrote. "Though the Black unemployment rate briefly and narrowly dipped below 12 percent for the first time since 2008 at the end of last year, 42 percent of Black unemployed workers are long-term unemployed and 28 percent have been jobless for at least a year. The rate of underemployment for African Americans was 20.5 percent, compared to 11.8 percent for white workers and 18.4 percent for Hispanic workers."

For the first time, the *State of Black America* provides an Equality Index for 77 major metropolitan areas. The report provided charts for Black-White income equality and unemployment equality.

Summarizing the discussion on income inequality, Morial said, "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 one percent of Americans have received 95 percent of the wealth created since 2009 – after the economic crisis – while the bottom 90 percent of Americans have become poorer."

Morial explained, "When we overlay that with the disproportionate impact of unemployment on African Americans and other people of color, as well as the impact of the twin terrors of racial income and wealth gaps, we see an even direr situation."