

Consequences of Seattle’s Income Inequality

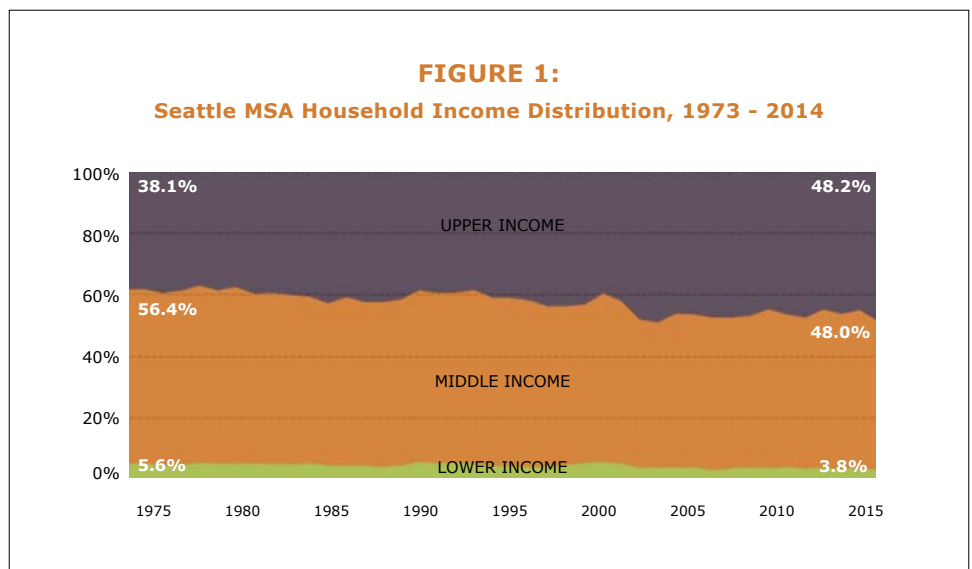
As recovery from the Great Recession continues, discussion increasingly turns to the topic of income inequality. Throughout the country there is a sense that only the rich are prospering, while middle and lower class families are left behind to struggle. Unfortunately, the data backs this up. From 2010 to 2013, the Federal Reserve found that the share of income held by the top 3% of families rose to 30.5% from 27.7%, while the bottom 90% saw its share fall to 52.7%.¹

The state of Washington is not immune from this disturbing trend. Recently, it was identified as having the tenth highest income disparity in the nation.² What about income inequality in Seattle? Seattle Jobs Initiative set out to answer this question by analyzing data on the Seattle metropolitan statistical area (MSA) from the annual March Current Population Survey (CPS)

for 1973 through 2014.³ The term “middle-income” is used hereafter to identify the middle three-fifths of households in the Seattle MSA; “upper-income” and “lower-income” represent the highest-earning fifth and lowest-earning fifth of households, respectively.

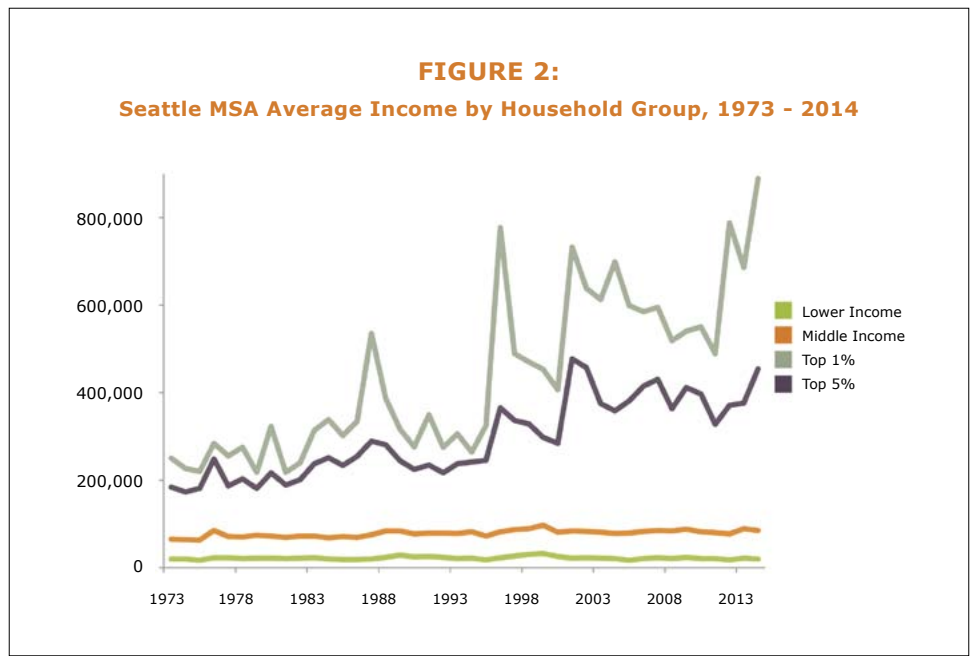
Figure 1 demonstrates the share of total income held by upper-income, middle-income, and lower-income households. Forty

years ago, middle-income families claimed a majority of total income in Seattle. Since 1973, this share fell over 8% while upper-income households today command 10% more of the MSA’s total income. Lower-income households saw their income share decrease less dramatically (1.8%), but they command a miniscule amount of total income.



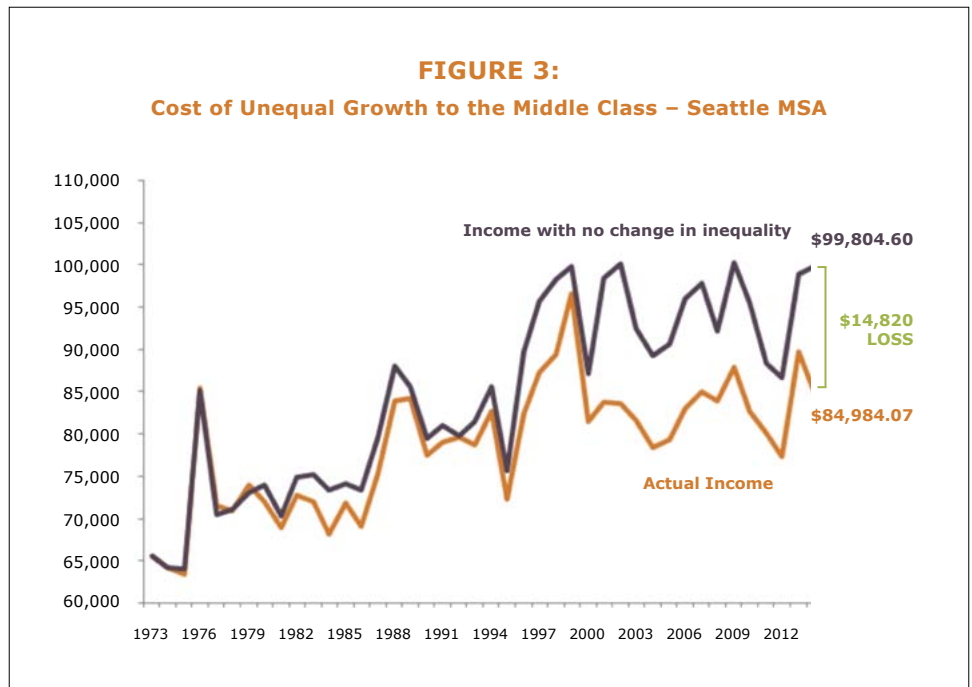
SOURCE: IPUMS-CPS, University of Minnesota, www.ipums.org

The most glaring conclusion seen in **Figure 2** is that top earners outpace all other household groups. Although middle-income households still command a significant share of total income (48%), both they and lower-income households experience nowhere near the astronomical earning growth of their wealthier peers. Since 1973, the top one percent saw their income rise 254% to an average income of \$889,245.78 in 2014. Middle-income (\$84,984.57) and lower-income households (\$20,113.32) only saw growth of 31% and 3%, respectively.



SOURCE: IPUMS-CPS, University of Minnesota, www.ipums.org

Earlier this year, the Economic Policy Institute released a report finding that the United States middle class at-large lost \$17,867 due to disproportionate growth.⁴ **Figure 3**, uses EPI’s methodology to reveal what Seattle’s middle-income households would earn without growth in income inequality over the past 40 years.



SOURCE: IPUMS-CPS, University of Minnesota, www.ipums.org

If earnings grew at the average rate for all households (including the enormous growth of the wealthiest), middle-income household earnings would rise to \$99,804.60, amounting to a loss of \$14,820. Moreover, lower-income families would have seen their income jump to nearly \$30,000.

These three charts demonstrate that income inequality is unquestionably present and growing in Seattle, though it may not be as deep as in other areas of the country. Last year, Seattle Mayor Ed Murray sought to address this crisis by forming the Income Inequality Advisory Committee, and signing into law an increase to the minimum wage.⁵ This was an absolutely vital step. The City should forge ahead and consider other measures to reverse this trend and ensure that equal growth will be felt by all.

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1. Jesse Bricker, et al., "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances, Federal Reserve Bulletin Vol. 100(4), September 2014, <http://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf>.
 2. Janet I. Tu, "State Ranks High in Disparity of Income Gains Since Recession," The Seattle Times, January 27, 2015, http://seattletimes.com/html/business/technology/2025557545_incomeinequalityxml.html.
 3. Note: From 1973 to 2004 the CPS gathered data on the Seattle-Bellevue-Everett MSA. In 2005 it altered the MSA to instead include Seattle-Tacoma-Bellevue. Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Tampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2010.
 4. Lawrence Mishel, Elise Gould, and Josh Bivens, "Wage Stagnation in Nine Charts," Economic Policy Institute, January 6, 2015, <http://www.epi.org/publication/charting-wage-stagnation/>.
 5. See "\$15 Minimum Wage," Office of the Mayor, <http://murray.seattle.gov/minimumwage/#sthash.t04S4USe.dpbs>.

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About Seattle Jobs Initiative

Seattle Jobs Initiative creates opportunities for students, workers and business to succeed by helping education and job training programs meet the demands of a new economy. We find and apply solutions for people to gain the skills they need for good jobs that create prosperity for all in today's marketplace.

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