

Activity 4: Income Quintiles

Trainer's Goals: a. To engage participants in a discussion of income trends since WWII, through a *human graph* activity that illustrates the information contained in the charts: "Income Growth 1979-2014" and "1947-1979"

This activity compares income distribution in two recent periods of economic growth in the U.S. To demonstrate the growth and/or decline of incomes over time, five volunteer participants are asked to come up and stand in the front of the room. [For this activity to work well, the volunteers will need plenty of space to move forward and some space to move back.] It is important that the trainer focus the group's attention on the top one to five percent of the population — the greatest beneficiaries of the growing divide. It is also important that everyone gets a chance to see where they fit, in terms of income distribution. Most folks think they are "middle income" and it is often a revelation to learn otherwise. We demonstrate the 1979-2014 time period before the 1947-1979 period because our experience has shown the activity to be more memorable that way. It also gets folks thinking about public programs that generally supported greater economic equality in the 1950s and 1960s (e.g., the GI Bill, appropriations for higher education, housing, and infrastructure projects, more favorable law enforcement, etc.).

Props: It is helpful to have 8.5" x 11" placards for each volunteer participant to hold, identifying the quintiles and showing the income range.

- Instructions:*
1. We are going to look at the changes in *family* income during two recent periods of economic growth. First, let's talk a little about income. What are some examples of income? (wages, salary, savings account interest, social security check, rent from owning real estate, capital gains from selling investments, dividends from stocks, gifts, etc.) Now let's have five volunteers come to the front of the room. Please stand should to shoulder. [The trainer hands each volunteer a placard showing the income range — in pre-tax, year 2014 dollars — of the quintile they represent.]
 2. Listen to this introduction to the concept of income quintiles. Economists often talk about the U.S. population in "quintiles" or "fifths" of the population. They imagine the entire population of the U.S. lined up in order, from the lowest income to the highest. They then divide that line into five equal parts. This activity looks at what happened to the incomes during two periods of economic growth: 1947-1979 and 1979-2014. Let's look at some of the folks who are in these quintiles. What sorts of occupations or economic situations would you imagine fall into each quintile? Remember, this is *family* income. (A family is two or more related individuals living together.)
 3. The following demonstration may seem like the childhood game "Mother May I" (also known as "Giant Steps"). Each volunteer, representing a quintile or fifth (20 percent) of the U.S. population, will step forward or back according to whether their income gained or declined. Each step equals a five percent change, so, for example, two steps forward would indicate an income gain of 10%.
 4. Between 1979 and 2014 (Chart #5), here's what happened:

Quintile	Steps	Percent Change	Yearly Income Range (2014) (family income before tax)
Lowest	2 1/2 steps backward	- 12%	\$0 - 29,100
Second	1/2 step forward	+3%	\$29,101 - 52,697
Middle	2 steps forward	+12%	\$52,698 - 82,032
Fourth	5 steps forward	+26%	\$82,033 - 129,006
Highest	10 1/2 steps forward	+54%	\$129,007 & higher

5. Watch what happens when we break that top quintile down even further and look first at the richest five percent of the population. Rather than tear off the arm of our highest quintile volunteer, let's have another volunteer from the audience represent the top five percent—people with incomes of \$230,030 and up. From 1979 to 2014, the income of this group grew 78%! [From the spot where the top quintile is standing, the sixth volunteer takes 5.5 additional steps forward – 15.5 steps in total from the starting line].

And if we break down the top quintile even further and look at just the top one percent, we see exactly where the greatest income growth went. This small group gained 185 percent, 37 steps from the starting line. If we break out income growth further (not shown in the chart), we find that the top 0.1% gained 384% and the top 0.01% gained an almost unbelievable 685% (137 steps)!

Quintile	Steps	Percent Change	Yearly Income Range (family income before tax)
Top 5%	15 1/2 steps forward	+78%	\$230,030 and up
Top 1%	37 steps forward	+185%	\$423,090 and up

6. Watch this demonstration of what happened to the quintiles during the post war years: 1947-1979. We will start with the top four quintiles. This time (for space reasons), for every **ten** percent gain, the volunteer will take a step forward. How well (number of steps forward or back) do you think the bottom quintile fared. How about the top five percent. What strikes you about these two periods in history?

Quintile	Steps	Percent change
Lowest	12 Steps Forward	+116%
Second	10 Steps Forward	+100%
Middle	11 Steps Forward	+111%
Fourth	11.5 Steps Forward	+114%
Highest	10 Steps Forward	+99%
Top 5%	8.5 Steps Forward	+86%

7. What conclusions do you draw about family incomes? What questions do you have?
8. Listen to this review of *Chart #5 Real Family Income Growth from 1979 to 2014* and *Chart #6: Real Family Income Growth from 1947 to 1979*. What are your questions?

See **Talking Points** on the next page.

Talking Points

- ◆ From 1979-2014, there was much growth in income, but the distribution of that growth was extremely uneven. Although the top 20% as a whole did well, the ones who really made out were the folks at the very top. The top 1 percent gained 185% between 1979 and 2014 (37 steps), and the top .1 percent gained 361% between 1979 and 2014 (72 steps) — the divide between the top income earners and everyone else is enormous!
- ◆ Why this skew of income from 1979 - 2014?
 - At the top, the main source of growth was income from assets (capital gains from sales of property and investments, earnings from stocks, bonds and other investments, and rental income). Since asset ownership is heavily concentrated in the wealthiest 1%, it is not surprising that that's where the biggest gains were.
 - There was also explosive growth in CEO and top management salaries, particularly in the financial sector.
 - At the bottom, the real value of the minimum wage was allowed to fall during the 1980s and '90s.
 - A weakened labor movement was less able to prop up the wages of workers at the bottom of the scale.
- ◆ From 1947 to 1979, incomes for each quintile as a whole — from top to bottom — basically doubled. In fact, the greatest increase was experienced by the bottom 20%, while the smallest increase was experienced by the top 5%. In other words, the divide between top and bottom in America actually narrowed during this period of substantial income growth.
- ◆ However, while the *rate* of income growth from 1947 to 1979 was generally the same for everyone within each quintile — the significant gap between the incomes of African Americans and white Americans remained wide (see Chart #8). The purpose of Chart #7 is not to glorify the 1950s but to point out that we achieved greater income equity across the quintiles. Also, the chart reflects the positive impact of social programs from the 1950s through the 1970s.
- ◆ The period from 1947 to 1979 demonstrates that the great disparity in the distribution of income growth, as happened from 1979 to 2014, is not inevitable. Rather, it is in part, the result of deliberate government policies.
- ◆ One of the explicit goals of the federal government during the early post-war period was to build a middle class, people and families who could consume the output of the rapidly growing manufacturing capacity of the US. Programs such as the GI Bill of Rights — which enabled hundreds of thousands of returned veterans to go to college and purchase homes — were funded in large part by relatively high taxes on the wealthy (the top marginal tax rate was 91%). It is important to acknowledge that these programs disproportionately favored white men. For example, the VA and FHA loan programs for housing, both of which utilized racially-restrictive underwriting criteria, assured that hardly any of the \$120 billion in housing equity loaned from the late 1940s to the early 1960s would go to families of color. These loans helped finance over half of all suburban housing construction in the country during this period, however less than two percent of this housing ended up being lived in by people of color.
- ◆ In contrast to the post-WWII period, the primary goal of economic policy since 1980s, was to let the rich accumulate great capital in the belief that it would trickle down ("Reaganomics").

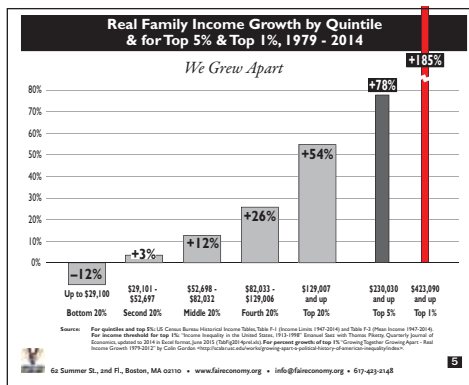


Chart #5: Family Income Growth, 1979-2014

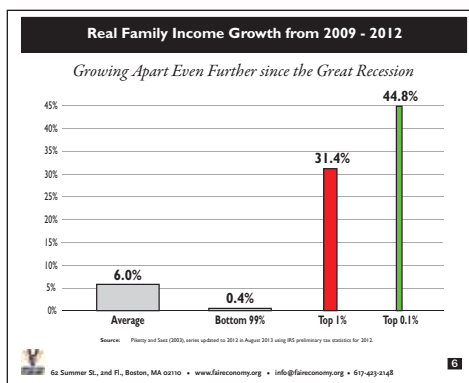


Chart #6: Family Income Growth, 2009-2012

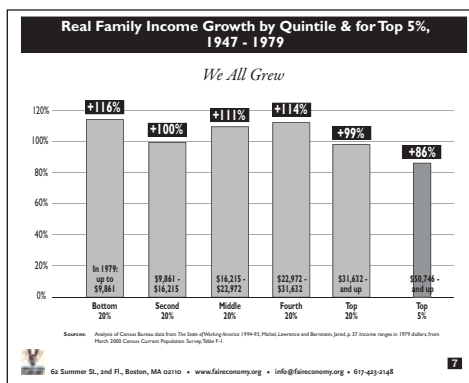


Chart #7: Family Income Growth, 1947-1979

Activity 5: Viewing Income Through Gender and Race Lenses

- Trainer's Goals:*
- To illustrate that the gap in income among racial groups overall remained approximately the same from 1947 through 2010.
 - To demonstrate that the narrowing of the income gap between men and women between 1973 and 2010 was due as much to the decline in men's incomes than the growth of women's incomes.

This activity shows that the concentration of income of those who own things rather than those who work for a living hit people of color and women especially hard, since these groups depend on labor for more of their income than do white males as a group.

- Instructions:
1. Read Chart #8: Median Family Income by Race. What strikes you about this information. What do you feel is most significant? How would you explain the data?

Talking Points

- ◆ In spite of claims made by opponents of affirmative action, there remains a huge chasm among racial groups in terms of income. For example, the income gap between White people on the one hand and African Americans on the other has actually increased since 1947. Neither of the two periods we looked at in the Income Quintiles activity were times of increasing racial income equality.
- ◆ The data in Chart 8 are not inclusive of all families for 1947-2010 for several reasons. First, U.S. Census Bureau figures for white and African-American families go back much further than other groups; coverage of Asian Americans, Native Americans and “others” is spotty. Second, it’s risky to generalize about the Latino (Hispanic) population. The Census Bureau uses “Hispanic.” But many people so labelled don’t like it, and the population it’s applied to is diverse in origin, residence, and status. “Hispanic,” as statisticians always point out, is unrelated to race. (See comments by Michael Omi on the next page.)

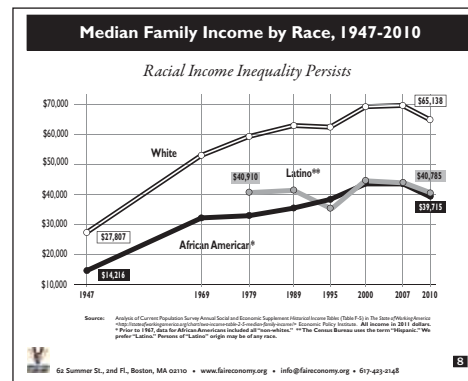


Chart #8: Median Family Income by Race

2. Look at *Chart #9: Median Annual Earnings for Women & Men*. How would you describe the factors that have enabled women to make the modest gains reflected in the data?

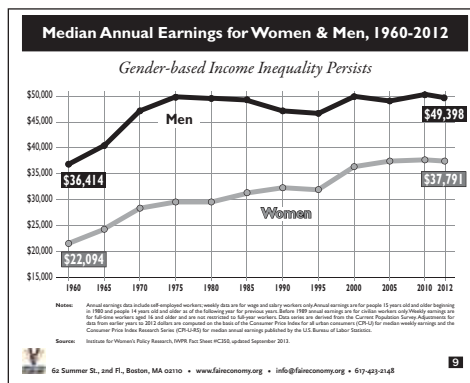


Chart #9: Annual Earnings for Women & Men

Talking Points

- ◆ About 40% of the narrowing of the gender gap over the past 40 years has been due to the decline in men's wages. About 60% is due to an increase in women's wages.
- ◆ While there are more well-paid women in the professions than thirty years ago, there are many more women who have been forced to enter the low-paid service sector.
- ◆ Most of these low-paid service jobs are low-paid precisely because they have traditionally been classified as "women's work" (cleaning, food preparation, child care, secretarial, etc.).
- ◆ Studies (e.g., *Boston Globe*, 10/9/05) indicate that even among senior level corporate executives, women earn less than 79¢ for every \$1 earned by their male counterparts.

Race and Statistics

“Racial and ethnic classifications are increasingly mediated by the Census Bureau. While originally conceived simply to provide consistent categories for use by federal agencies, the census’ definitions of race and ethnicity have had the unintended consequence of shaping the very discourse of race and the distribution of vast resources in the U.S. These categories have become the de facto standard for state and local agencies, the private and nonprofit sectors, and the research community. In addition, these categories inordinately influence group identities and forms of political mobilization.

Yet racial categories are inherently unstable and shifting. We can never have categories that will be conceptually valid, measurable, and reliable over time. Yet we cannot simply abandon the use of racial and ethnic categories. Without them, we cannot monitor and track racial inequity and discrimination — for example, racial profiling. However “unscientific” and imprecise these categories may be, some form of racial classification is needed to discern trends and discriminatory patterns.”

— Michale Omi, "Counting in the Dark" in *ColorLines* (Spring 2001).