**Income Inequality**

President Barack Obama has called income inequality the “defining challenge of our time.”[[1](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] According to the Institute for Policy Studies, income inequality refers to the extent to which income is distributed in an uneven manner among a population – and in the United States, income inequality has been growing markedly for the past 30 years. [[2](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)]

**How It’s Developing**

In 2010, the richest 1% of the population had 34% of the accumulated wealth (the very top 0.1% had some 15%) – and during the most recent recession from 2009 to 2012, the top 1% captured 95% of income growth, if capital gains are included. [[3](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)]

Education, long viewed as key to securing high-paying jobs, is becoming even more important. According to a Georgetown University study, since the recession started in the U.S. in 2007, the number of jobs needing a college degree has risen by 2.2 million while the number of jobs for those with only a high-school education fell by 5.8 million. [[4](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Households headed by someone with at least a bachelor’s degree received nearly a majority (49.7%) of aggregate U.S. household income – and with one in three homes now college educated, half of the aggregate U.S. income goes to one third of the households, up from 37% in 1991. [[5](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] While this provides clearer indication of education’s value, it also points to a trend where only those who can afford and have access to quality education will be able to earn a decent income.

At the same time that education is demonstrating its importance, technology is dominating the economy and income opportunities and, therefore, helping to shape the type of education that is most important. Traditional beliefs held that as technology improved, opportunities would increase and income inequality would decrease. But in today’s economy, technology-driven jobs provide higher salaries and greater opportunities for those most closely associated with the technology sector. Equally important, advances in technology may displace or eliminate many middle-class jobs. In the US and other advanced economies, declines in manufacturing and the replacement of clerks and secretaries with software, mean there have been fewer high-paying jobs for less skilled workers. [[6](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Advances in software that can be more easily reproduced, distributed, and updated, have begun to eliminate the need for more skilled professionals like tax consultants or legal professionals - and improvements in automation likely to happen in the coming decades may eliminate the need for positions in the service industry. [[7](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Technology that is distributed and regularly updated also leads to a culture where a single top product often dominates a market, minimizing the opportunity for a competitive pool of providers and maximizing the earning potential of those associated with the dominating product - an “economics of superstars.” [[8](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)]

Technology is also driving new categories of work such as app-based platforms - Uber, AirBnB, Taskrabbit – that provide new ways to connect independent workers to clients. But there is concern that these programs may fail to provide cumulative income streams that generate enough to make a living, further increasing income inequality in a technologically-driven world. [[9](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] While these programs help keep people in the labor force, part-time and temporary work may not be able to replace full-time or salaried income and benefits, a concern for younger and less educated demographic groups that might be particularly involved in this sector. [[10](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)]

These factors and the weak economy have contributed to a growing number of people experiencing poverty, including over 12 million (in 2011) adults of working age with no children at home, of which over 5 million receive no assistance from any of the major federal welfare programs (food stamps, Medicaid, cash welfare, housing assistance and tax credits) – the highest number since 1992. [[11](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] This population of adults experiencing poverty is growing even as government spending on poverty programs has increased.

The income and opportunity gap may be of particular concern as it widens along racial lines, with data showing that African American populations experience high rates of child poverty, declining rates of employment to population, and continuing high rates of single parenthood as well as indications that African Americans may have lost more wealth during the recession. [[12](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Even as policies and practices seek to provide greater opportunities for all people, diverse communities may experience income inequality in disproportionate ways.

As a growing number of people experience poverty, a growing proportion of wealth is concentrated in fewer hands. The longer-term concern for income inequality focuses on this  concentration of wealth in just a few hands. If the rate of return on capital exceeds the economic growth rate, then the money that the wealthy make from their wealth will rise faster than the rate that wages rise, limiting the opportunities for a merit-based system where individuals can rise in the economic ranks. [[13](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)]

**Why It Matters**

As income inequality widens, so too does the “achievement gap” in education. A [Stanford University study](http://cepa.stanford.edu/content/widening-academic-achievement-gap-between-rich-and-poor-new-evidence-and-possible) found that the achievement gap between rich and poor students on standardized tests is 30 to 40 percent wider than it was a quarter-century ago. [[14]](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources) In an economy where income potential is dependent on educational achievement, programs that combat the “achievement gap” – pre-school, tutors, summer camps, after-school activities – will be recognized as opportunities to also address income inequality.

Income inequality limits the upward mobility of people, especially the ability of those at the bottom of the distribution to rise. Melissa Kearney, senior fellow and director at the Brookings Institution’s Hamilton Project and an economics professor at the University of Maryland, recognizes the complicated nature of the issue but sees “massive skill upgrading” as the most obvious, though incredibly difficult, solution. [[15](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Library service in support of skills development will likely become more important, especially for administrators and funders, but libraries will need to make sure the skills they seek to develop align with the types of skills needed in the economy, especially STEM skills.

The library space - or any opportunities the library provides that bring different people together - could be especially important in combating income inequality. High-income and low-income people increasingly live in separate spaces, with city governments, schools, and communities more fragmented and less inclusive than before. [[16](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Spaces and programs that bring people together may help improve the dialog across inequality and provide important economic opportunities for the community.

Income inequality may be especially important in large urban areas, where the wealth have significantly higher incomes and the poor may be challenged by costs of living. Across the 50 largest cities, households in the 95th percentile of income earned 11.6 times as much as households at the 20th percentile, a considerably wider margin than the national average ratio of 9.3. [[17](http://www.ala.org/transforminglibraries/future/trends/incomeinequality#Notes and Resources)] Even as many large cities debate minimum wage increases meant to support lower income earners, longer-term issues like educational disparities and housing and zoning policies may maintain or even advance inequality. For libraries in larger cities, this inequality could change user populations, funding structures, or even workforce availability.

**Notes and Resources**

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[10] “How Uber-Type Jobs Are Driving Inequality, And What To Do About It.” Lydia DePillis. *The Washington Post*. May 21, 2015. Available from [http://www.washingtonpost.com/blogs/wonkblog/wp/2015/05/21/how-uber-type...](http://www.washingtonpost.com/blogs/wonkblog/wp/2015/05/21/how-uber-type-jobs-are-driving-inequality-and-what-to-do-about-it/)

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