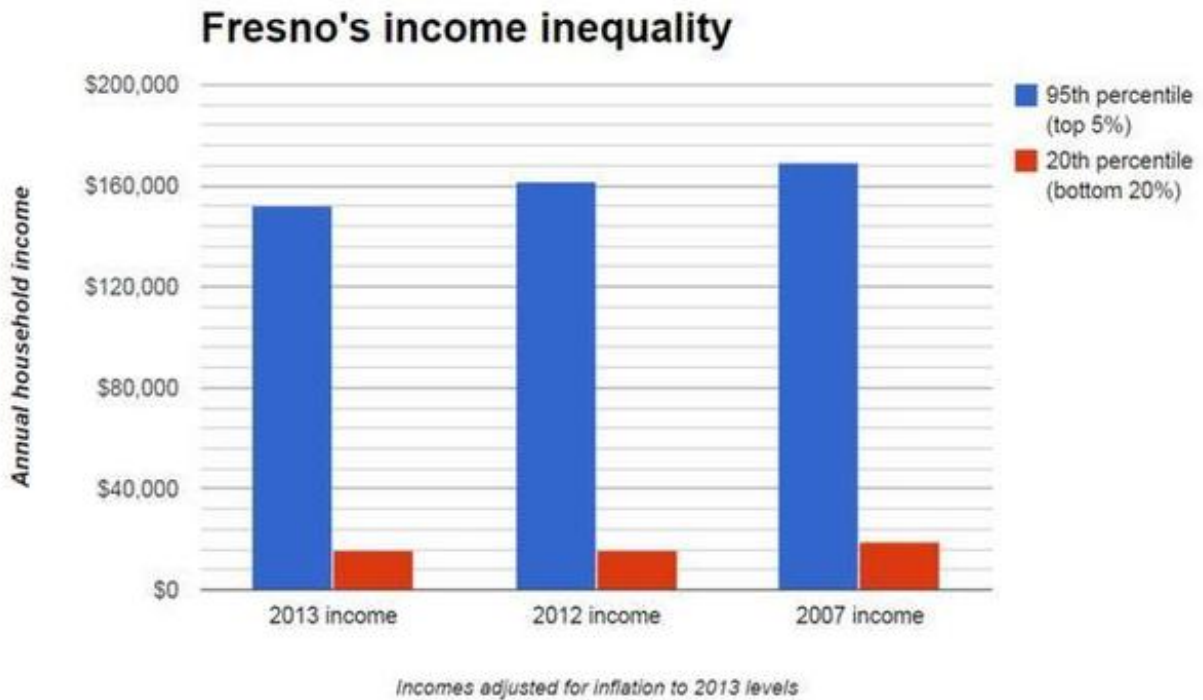


# Recession's aftermath widens gap between Fresno's rich and poor

By Tim Sheehan



- Income gaps

**Incomes for households at the 95th percentile (earning more than 95% of all households), compared to those at the 20th percentile (earning less than 80% of all households), and the multiples separating them, for California's large cities, 2013.**

City	95th percentile	20th percentile	Multiple
San Francisco	\$423,171	\$24,815	17.1 x
Los Angeles	\$229,310	\$18,322	12.5 x
Oakland	\$236,205	\$19,493	12.1 x
Long Beach	\$195,675	\$19,854	9.9 x
San Jose	\$310,325	\$32,018	9.7 x
Fresno	\$152,045	\$15,895	9.6 x
Sacramento	\$173,466	\$18,282	9.5 x
San Diego	\$236,093	\$26,719	8.8 x

Source: Brookings Institution analysis of U.S. Census Bureau 2013 American Community Survey data

#### A widening gap

- A new Brookings Institution report shows that the gap between Fresno's rich and poor has widened since 2007.
- The disparity in household wealth grew even as higher-end incomes in Fresno fell during and since the recession.
- Fresno may stand to gain more from minimum-wage increases than other parts of California.

The recession and its aftermath hit Fresno hard. But a new look at income inequality suggests that the economic upheaval put a bigger hurt on Fresno's poor than it did upper-income households.

[Research from the Brookings Institution](#) shows that in Fresno — as in many of the rest of the nation's large cities — the gap between the city's richest and poorest households grew wider between 2007 and 2013. The [Washington, D.C.-based think tank](#) used household income estimates from the U.S. Census Bureau for the 50 largest cities in the U.S. to study income inequality.

Researchers [Alan Berube](#) and Natalie Holmes focused their attention on two different points of the income spectrum: the 95th percentile (the point at which income is higher than 95% of all other households in the city), and the 20th percentile (the dividing line for incomes in the bottom 20% of all households in a city).

In Fresno, households at that lower-end 20th percentile had an annual income of less than \$16,000 in 2013. On the upper tier, household incomes at the 95th percentile were 9.6 times greater, at more than \$152,000. In 2007, high-end household incomes in Fresno were about 8.8 times higher than the 20th percentile, signaling slightly greater income inequality now than when the recession began.

Berube, deputy director of Brookings' [Metropolitan Policy Program](#) and a former policy adviser to the U.S. Treasury Department, said that generally falls in line with what he and Holmes observed nationwide. Across America's 50 largest cities, top-tier household incomes were an average of 11.6 times greater than the 20th percentile, up from 9.3

times in 2007.

“What we’re seeing is a rapid recovery at the top coming out of the recession, where wealthy households got hit hard yet are climbing their way back steadily,” Berube said. “But those at the bottom got whacked, too, and they were stuck in the first few years of the recovery.”

The gap expanded in Fresno even as [incomes deteriorated among upper-echelon households](#), defying a national trend identified in the Brookings report. “Most high-income households in cities have recovered the ground they lost during the recession,” the report states. But in Fresno, household income at that top 5% mark fell by almost \$17,000 since 2007, after accounting for inflation. Only four cities reported bigger six-year drops in top-end income: Las Vegas, Indianapolis, Los Angeles and Phoenix.

“That was a surprise,” Berube said. “From all indications, Fresno is having a pretty decent recovery in the housing market, which tends to drive a lot of the rest of the economy.” But, he added, the limited information available in the Census figures make it difficult to distill the reasons for declining incomes at the top.

[Economist Jeffrey Michael](#) from Stockton’s [University of the Pacific](#) said it can be tricky to deal with city-level Census information, which is based on a sample of the population. “Some of these changes reflect movement of households within a region,” he said, rather than loss of incomes across specific households.

“Inequality is not exceptional in the city of Fresno compared to other cities,” Michael added. “It has grown slightly in recent years, as real incomes have dropped across the board. The cities that have seen the biggest increases in inequality have seen strong income gains at the top of the distribution — like San Francisco.”

At Fresno’s lower tier, household incomes at the 20th percentile slid by more than \$3,300 since 2007.

“Fresno and the Central Valley have always been an area with a lower-wage labor market than you’d see on the coast because of the agricultural heritage and a longstanding history of migrant labor,” Berube said. “But there’s also a wealthy class of landowners in the Valley who do very well. It also means it’s not a manufacturing economy where everyone is more clustered around the middle (of the income scale).”

At both the local and national level, Berube said, there is more behind the numbers than the simple notion that the rich are getting richer and the poor getting poorer.

“We saw a number of cities where incomes rose at the top and also rose at the bottom,” he said. “When you see wealthy households do better, there is generally more income to spend on the kinds of things that tend to employ lower-income people — restaurants, landscaping and child care, for example.”

Yet the gap got wider in many cities. Berube said that in San Francisco, household incomes at the 95th percentile rose by a whopping \$66,000 between 2012 and 2013, growing to \$423,000 a year. “There was a significant percentage increase at the lower end as well (from around \$21,500 to \$24,800), but that only amounted to less than \$3,300 more per household,” he said. “It’s a very different world at the top and the bottom in some of these cities.” The high-end incomes in San Francisco were more than 17 times higher than households at the 20th percentile.

And in other cities, incomes went up for the 95th percentile but were stuck for the 20th percentile. “In some of these places, the rich and the poor are living in two different economies, side by side,” Berube said. “It suggests that if cities want to do something to help people near the bottom, it’s not enough to think a rising tide at the top is going to lift them.”

In their report, Berube and Holmes said that gridlock in Congress “has inspired growing interest and activity” among states and local governments to address income inequality, particularly through raising the minimum wage. Fourteen states and the District of Columbia raised their minimum wages last year, and a growing number of cities are looking at doing the same. “Some observers argue that cities themselves are better positioned to enhance social mobility for

low-income residents than the federal government,” the authors wrote.

But, they added, “while the minimum wage is a potentially important means for helping low-earner households living in high-cost places, local policymakers should not ignore the other tools they have at hand — from education to economic development to housing and zoning policies.”

In Fresno and other California cities, the income figures don’t reflect recent changes to [California’s minimum-wage law](#) — a \$1-per-hour increase that raised the hourly minimum to \$9 in mid-2014. Another \$1 increase will take effect at the beginning of 2016, bumping the minimum wage to \$10 per hour.

“I expect that Fresno and other Central Valley cities could see a bigger bump in income at the bottom than the rest of California where prevailing wages are higher and there are lower shares of the population at subminimum wage levels,” Berube said. “When it comes to issues like income inequality, Fresno could have more to gain (from minimum-wage increases) than some other cities.”

Michael, the UOP economist, isn’t so sure.

“The increase in the minimum wage could reduce this a little bit, but I do not anticipate it to make a large change,” Michael said. “Certainly, increased skills and education among lower-income households can help. Inequality can also be reduced when central cities are able to attract and retain middle-class households from suburban areas.”

Nationally, Atlanta was deemed the most unequal city in the Brookings study, with household incomes at the 95th percentile at just under \$288,000 a year, more than 19 times the 20th percentile income of \$14,988. The most income-equal city, where high-end incomes were only 6.2 times higher than the lower level, was Virginia Beach, Virginia.

Contact Tim Sheehan: [tsheehan@fresnobee.com](mailto:tsheehan@fresnobee.com), (559) 441-6319 or [@TimSheehanNews](https://twitter.com/TimSheehanNews) on Twitter.