

# Defending the Middle Class and Protecting Worker's Rights

## Points for Conversations about the Future of Opportunity in America

### The Income Gap is Growing

- The state Franchise Tax Board reports that during the two decades between 1987 and 2008: Inflation-adjusted incomes of the top 10% of California taxpayers increased by 43%; the top 1% by 81%. Meanwhile, incomes of the lower 60% dropped by around 12%.
- In 2008, the top 1% enjoyed 39 times the income of the middle class. In 1987, it was about 19 times. The income gap doubled between the top 1% and the average middle-class Californian.
- The average inflation-adjusted income of the middle-class taxpayer actually dropped from \$41,800 to \$36,600. Other estimates have these numbers virtually stagnant at \$33,400 in 1988 and \$33,000 in 2008.

### We Have a Jobless Recovery and Shrinking Middle Class

- The stock market has rebounded quite well since 2009, but only the rich really benefit. The top 10% of income earners own 90% of stocks, bonds and mutual funds. The bottom 50% of income earners own only .5% of the market.
- With the unemployment rate still excessively high, stagnant wages, dwindling rates of savings, and the real estate market showing few signs of rebounding, the American middle class is bearing the brunt of the Great Recession.

### Public Sector Compensation is Neither the Cause, Nor the Solution to the Budget Deficit

- Wages received by California public employees are about 7% lower, on average, than wages received by comparable private-sector workers.
- When total compensation—both the cost of employer-provided benefits and direct pay—is taken into account, state and local public sector workers in California are similarly compensated to workers in the private sector.
- The only thing that will solve the budget deficit is economic recovery.

### Progressive Tax Reform Needs to be Part of the Solution

- The top 1% wealthiest Californians receives twice the share of state income today (24%) than they did in 1993 (12%), yet pay a lower rate in state taxes than they used to.
- A 1% increase on the top 1% (from 9.3 to 10.3%, less than the rich paid under Pete Wilson) would raise at least \$2 billion dollars.
- 25% of the biggest US corporations do not pay federal income tax.

### All Workers Deserve Reasonable and Dependable Retirement Income

- There is no immediate funding problem with public employee pensions. Unfunded liabilities fluctuate with market returns, which dipped drastically in 2009 then rebounded, and should be looked at as a long-term diagnostic for fund management. Prudent contribution rates and reform of executive pension perks will keep pensions sustainable.
- Pensions are predicable, dependable and cost effective relative to 401(k) plans.

### Unions Bolster the Middle Class through Increased Wages, Improved Job Security and Benefits

- Unions reduce wage inequality because they raise wages more for low- and middle-wage workers than for higher-wage workers, more for blue-collar than for white-collar workers, and more for workers who do not have a college degree.