



NEWS The United States Conference of Mayors

1620 Eye Street, N.W. • Washington, D.C. 20006
Phone (202) 293-7330 • Fax (202) 293-2352
E-mail: info@usmayors.org URL: usmayors.org

For Immediate Release
Friday, May 26, 2006

Contact: Rhonda Spears
202-861-6766 (rspears@usmayors.org)
Elena Temple
202-861-6719 (etemple@usmayors.org)

HIGH GAS AND FUEL PRICES EAT INTO CONSUMER WAGE GAINS

The U.S. Conference of Mayors Issues 2006 Wage Report

Washington, D.C. – On the eve of the Memorial Day holiday, when many Americans will hit the highways, a report issued by the U.S. Conference of Mayors indicates that while consumers may be enjoying slight increases in wages, rising gas costs have significantly eroded their total wage gains.

Authored by Global Insight, Inc., the report on annual wage growth prepared for the Conference of Mayors shows the average job in 2005 earned a salary of \$43,500 -- a 4.6% increase over 2004. The spike in energy costs, however, wiped out almost one-third of those increased earnings.

“We have known for months that families have been feeling the pinch from rising cost of gasoline. Now because of the latest Metro Economy Report, we see that the high cost of gasoline has significantly impacted people’s disposable income -- despite recent wage gains. This is concrete proof that our nation needs a comprehensive energy policy that addresses these new economic realities,” said Long Beach Mayor Beverly O’Neill, President of the U.S. Conference of Mayors.

Total energy expenditures in the U.S. in 2005 represent 5.9% of all consumer spending last year; and energy expenditures in 2005 increased a whopping 20.3% over 2004. U.S. households spent \$287 billion to fuel cars and trucks, and \$225 billion for heating, cooling, and electricity -- an amount equal to 9.0% of wages and salaries.

This compares to \$230.4 billion spent by U.S. households on gasoline to power cars and trucks, and \$195.4 billion spent on other energy costs in 2004 – an amount equal to 7.9% of wages and salaries.

The report also illustrates the effect of rising fuel costs on consumer wage gains in individual cities. For example, the Atlanta metro area had wage increases of \$1,740, but saw 45.6 % of that gain eaten up by gasoline price increases of \$792.90. In the Miami metro area, wage gains were \$2,109, but gasoline price increases consumed 48.2%, or \$1,016.10, of the increase. In Detroit, gasoline price increases were 41.7 % of wage gains, \$686 out of \$1,646 wage gains. The impact was greatest in Spokane, Washington, where an increase of \$549.70 in the price of gasoline ate up 78.2% of the area’s average wage increase of \$761.

“We are pleased that wages are starting to rise, but we remain concerned that the high cost of gasoline is negating much of that growth. The gasoline squeeze is especially hard on families that have seen minimal wage increases over the last several years,” said Detroit Mayor Kwame Kilpatrick, Chair of the Conference’s *Council on the New American City* that issues the wage report.

The Global Insight report also projects that energy expenditures in 2006 will increase by an additional 7.5%, eating further into discretionary income. Spending on gasoline alone will top \$300 billion-- more than double that of five years ago.

Global Insight and the US Conference of Mayors have documented the conditions of the U.S. workforce and of its metro economies since the depths of the 2001 recession. Most recently, the January 2006 report concluded that the measured wage gap (considering the composition of actual job gains in 2004 and 2005) between jobs lost and jobs gained is, in fact, 21%. This current report examines the impact that this wage gap has had on income gains throughout the economy with an eye toward the stress placed on consumer spending by the recent dramatic increases in the price of oil and gasoline.

The report also concluded that employment gains in 2005 were robust, with more than 2 million new jobs created. Despite job growth, the report found that increases in wages were unequally distributed, with the top 5% wage earners seeing the bulk of wage increases. In 2004, the real average income of the top 5% of the income distribution increased by 1.7%. On the other hand, the bottom 80% of workers suffered wage losses: The income of the lowest 20% declined slightly, the second quintile lost 0.5%, the middle quintile lost 0.7% and the fourth quintile lost 1.1%.

The complete report is available online at www.usmayors.org.

###