PULLING APART

A STATE-BY-STATE ANALYSIS OF INCOME TRENDS

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The authors are solely responsible for the contents of this report.

Table of Contents

List of Tables and Figures

Map

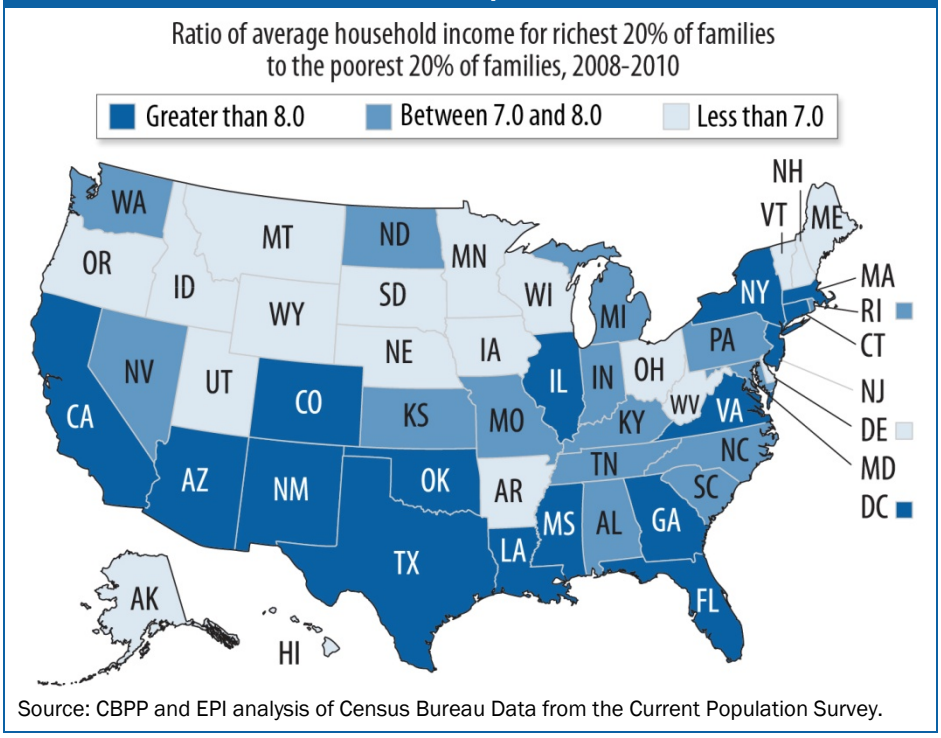
Executive Summary

A state-by-state examination finds that income inequality has grown in most parts of the country since the late 1970s. Over the past three business cycles prior to 2007, the incomes of the country's highest-income households climbed substantially, while middle- and lower-income households saw only modest increases.

During the recession of 2007 through 2009, households at all income levels, including the wealthiest, saw declines in real income due to widespread job losses and the loss of realized capital gains. But the incomes of the richest households have begun to grow again while the incomes of those at the bottom and middle continue to stagnate and wide gaps remain between high-income households and poor and middle-income households. As of the late 2000s (2008-2010, the most recent data available at the time of this analysis):

Figure 1

States Face Wide Income Gaps Between Rich and Poor



Source: CBPP and EPI analysis of Census Bureau Data from the Current Population Survey.

- In the United States as a whole, the poorest fifth of households had an average income of $20,510, while the top fifth had an average income of $164,490 — eight times as much. In 15 states, this top-to-bottom ratio exceeded 8.0. In the late 1970s, in contrast, no state had a top-to-bottom ratio exceeding 8.0.

- The average income of the top 5 percent of households was 13.3 times the average income of the bottom fifth. The states with the largest such gaps were Arizona, New Mexico, California, Georgia, and New York, where the ratio exceeded 15.0.

Methodology

This analysis uses the latest Census Bureau data to measure post-federal-tax changes in real incomes among high-, middle- and low-income households in each of the 50 states and the District of Columbia at four points: the late 1970s, the late 1990s, and the mid-2000s — similar points ("peaks") in the business cycle — and the late 2000s.

In order to generate large enough sample sizes for state-level analysis, the study uses combined data from 1977-1979, 1998-2000, 2005-2007, and 2008-2010. The study is based on Census income data that have been adjusted to account for inflation, the impact of federal taxes, and the cash value of food stamps, housing vouchers, and other government transfers, such as Social Security and welfare benefits.

Realized capital gains and losses are not included, due to data limitations. *As a result, our results show somewhat less inequality than would be the case were we to include realized capital gains.*

In this analysis, changes in income inequality are determined by calculating the income gap — i.e., the ratio between the average household income in the top fifth of the income spectrum and the average household income in the bottom fifth (or the middle fifth) — and examining changes in this ratio over time. These changes are then tested to see if they are statistically significant.

States fall into one of two categories: (1) those where inequality increased (that is, the ratio increased by a statistically significant amount), or (2) those where there was no change in inequality (the change in the ratio was not statistically significant). In no state did inequality *fall* by a statistically significant amount.

Similarly, income gaps between high- and *middle*-income households remain large.

- Nationally, the average income of the richest fifth of households was 2.7 times that of the middle fifth. The five states with the largest such gaps are New Mexico, California, Georgia, Mississippi, and Arizona.

Gaps Separating High-Income Households from Others Grew Prior to Recession

The long-standing trend of growing income inequality continued between the late 1990s and the mid-2000s.[1]

- On average, incomes fell by close to 6 percent among the bottom fifth of households between the late 1990s and the mid-2000s, while *rising* by 8.6 percent among the top fifth. Incomes grew even faster — 14 percent — among the top 5 percent of households.

[1] The late 1990s are compared to the mid-2000s (rather than to more recent years) because these periods reflect comparable points in the economic cycle — namely, when the economy was at or near a peak. These peak periods are compared to show how inequality has changed. Currently, the nation is in the middle of an economic cycle that started when the economy began to expand in 2009. It is too soon to track the *changes* in inequality during the current economic cycle at the state level.

- In 45 states and the District of Columbia, average incomes grew more quickly among the top fifth of households than among the bottom fifth between the late 1990s and the mid-2000s. In no state did the bottom fifth grow significantly faster than the top fifth.

Similarly, households in the *middle* of the income distribution fell further behind upper-income households in most states between the late 1990s and the mid-2000s.

- On average, incomes grew by just 1.2 percent among the middle fifth of households between the late 1990s and the mid-2000s, well below the 8.6 percent gain among the top fifth. Income disparities between the top and middle fifths increased significantly in 36 states and declined significantly in only one state (New Hampshire).

An examination of income trends over a longer period — from the late *1970s* to the mid-2000s — shows that inequality increased across the country.

- In every state plus the District of Columbia, incomes grew faster among the top fifth of households than the bottom fifth. Nationally, the richest fifth of households enjoyed larger average income gains in dollar terms *each year* ($2,550, after adjusting for inflation) than the poorest fifth experienced during the *entire three decades* ($1,330).

- Middle-income households also lost ground compared to those at the top. In all 50 states plus the District of Columbia, the income gap between the average middle-income household and the average household in the richest fifth widened significantly over this period.

Top 5 Percent of Households Pulling Away Even Faster

The widening income gap is even more pronounced when one compares households in the top 5 percent of the income distribution to the bottom 20 percent over the last three decades. We conducted this part of our analysis for the 11 large states that have sufficient observations in the Current Population Survey to allow the comparison of the average income of the top 5 percent of households between different time periods.[2]

- In these 11 large states, the average income of the top 5 percent rose between the late 1970s and mid-2000s by more than $100,000, after adjusting for inflation . (In New Jersey and Massachusetts, the increase exceeded $200,000.) By contrast, the largest increase in average income for the bottom fifth of households in these states was only $5,620. In New York, for example, average incomes grew by $194,000 among the top 5 percent of households but by less than $250 among the bottom fifth of households.

- In the 11 states, the incomes of the top 5 percent of households increased by 85 percent to 162 percent between the late 1970s and mid-2000s. By contrast, incomes of the bottom fifth of households didn't grow by more than 27 percent in any of these states, and in one state — Michigan – they actually fell.

[2] These states are California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, and Texas.

- The average income of the top 5 percent pulled away from those in the middle as well. In the late 1970s, the incomes of the top 5 percent were 2.5 to 3 times those of the middle fifth in these 11 states. By the 2000s they were more than 4 times as much in all 11 states.

Causes of Rising Inequality

Several factors have contributed to the large and growing income gaps in most states.

- **Growth in wage inequality.** This has been the biggest factor. Wages at the bottom and middle of the wage scale have been stagnant or have grown only modestly for much of the last three decades. The wages of the very highest-paid employees, in contrast, have grown significantly.

  The erosion weakness of wage growth for workers at the bottom and middle of the income scale reflects a variety of factors. Over the last 30 years, the nation has seen increasingly long periods of high unemployment, more intense competition from foreign firms, a shift in the mix of jobs from manufacturing to services, and advances in technology that have changed jobs. The share of workers in unions also fell significantly. At the same time, the share of the workforce made up of households headed by women — which tend to have lower incomes — has increased. Government policies such as the failure to maintain the real value of the minimum wage and to adequately fund supports for low-wage workers as well as changes to the tax code that favored the wealthy have also contributed to growing wage inequality.

  Only in the later part of the 1990s did this picture improve modestly, as persistent low unemployment, an increase in the minimum wage, and rapid productivity growth fueled real wage gains at the bottom and middle of the income scale. Yet those few years of more broadly shared growth were insufficient to counteract the decades-long pattern of growing inequality. Today, inequality between low- and high-income households — and between middle- and high-income households — is greater than it was in the late 1970s or the late 1990s.

- **Government policies.** Government actions — and, in some cases, inaction — have contributed to the increase in wage and income inequality in most states. Examples include deregulation and trade liberalization, the weakening of the safety net, the lack of effective laws concerning the right to collective bargaining, and the declining real value of the minimum wage. In addition, changes in federal, state, and local tax structures and benefit programs have, in many cases, accelerated the trend toward growing inequality emerging from the labor market.

- **Expansion of investment income.** Forms of income such as dividends, rent, interest, and capital gains, which primarily accrue to those at the top of the income structure, rose substantially as a share of total income during the 1990s. (Our analysis captures only a part of this growth, as we are not able to include capital gains income due to data limitations.) The large increase in corporate profits during the economic recovery after the 2001 recession also widened inequality by boosting investors' incomes.

States Can Mitigate the Growth in Inequality

Growing income inequality not only raises basic issues of fairness, but also adversely affects the nation's economy and political system. While it results to a significant degree from economic forces that are largely outside state policymakers' control, state policies can mitigate the effects of these outside forces. State options include:

- **Raise, and index, the minimum wage.** The purchasing power of the federal minimum wage is 13 percent lower than at the end of the 1970s. Its value falls well short of the amount necessary to meet a family's needs, especially in states with a high cost of living. States can help raise wages for workers at the bottom of the pay scale by enacting a higher state minimum wage *and* indexing it to ensure continued growth in the future.

- **Improve the unemployment insurance system.** Unemployment insurance helps prevents workers who lose their jobs from falling into poverty and keeps them connected to the labor market. Yet some states have cut benefits deeply. These states should restore those cuts and others should build on recent efforts to fix outmoded rules that bar many workers from accessing benefits.

- **Make state tax systems more progressive.** The federal income tax system is progressive — that is, it narrows income inequalities — but has become less so over the past two decades as a result of changes such as the 2001 and 2003 tax cuts. Nearly all state tax systems, in contrast, are regressive. This is because states rely more on sales taxes and user fees, which hit low-income households especially hard, than on progressive income taxes. (The income inequality data in this report reflect the effects of federal taxes but not state taxes.)

  Many states made their tax systems *more* regressive during the 1990s. Early in the decade, when a recession created budget problems, states were more likely to raise sales and excise taxes than income taxes. Later in the decade, when many states cut taxes in response to the strong economy, nearly all made the majority of the cuts in their income taxes rather than sales and excise taxes.

  There are many ways a state can make its tax system more progressive. For example, it can reduce its reliance on sales taxes. States can offset the impact of state taxes on those least able to pay by enacting or expanding tax credits targeted to low-income taxpayers. For example, more states could follow the lead of the 24 states that have adopted earned income tax credits.

  As state revenues slowly recover from the recent recession, some states are cutting taxes. The bulk of the tax cuts enacted this year, however, disproportionately benefited higher-income families. If these trends continue, states will make their tax systems even more regressive and diminish their ability to restore the large spending cuts of the last few years.

- **Strengthen the safety net**. States play a major role in delivering social safety net assistance, which pushes back against growing inequality by helping low-wage workers move up the income ladder and shielding the nation's most vulnerable citizens from the long-term effects of poverty.

Table A Top Ten States for Selected Income Inequality Measures	
Greatest Income Inequality Between the Top and the Bottom, Late-2000s	**Greatest Income Inequality Between the Top and the Middle, Late-2000s**
1. New Mexico	1. New Mexico
2. Arizona	2. California
3. California	3. Georgia
4. Georgia	4. Mississippi
5. New York	5. Arizona
6. Louisiana	6. New York
7. Texas	7. Texas
8. Massachusetts	8. Oklahoma
9. Illinois	9. Tennessee
10. Mississippi	10. Louisiana
Greatest Increases in Income Inequality Between the Top and the Bottom, Late 1990s to Mid-2000s	**Greatest Increases in Income Inequality Between the Top and the Middle, Late 1990s to Mid-2000s**
1. Mississippi	1. Mississippi
2. South Dakota	2. New Mexico
3. Connecticut	3. Illinois
4. Illinois	4. South Dakota
5. Alabama	5. Alabama
6. Indiana	6. Connecticut
7. Massachusetts	7. Missouri
8. Colorado	8. Colorado
9. Kentucky	9. Florida
10. New Mexico	10. Oregon
Greatest Increases in Income Inequality Between the Top and the Bottom, Late 1970s to Mid-2000s	**Greatest Increases in Income Inequality Between the Top and the Middle, Late 1970s to Mid-2000s**
1. Connecticut	1. Connecticut
2. Massachusetts	2. California
3. New York	3. Oklahoma
4. Kentucky	4. New York
5. Illinois	5. New Mexico
6. California	6. Illinois
7. West Virginia	7. Oregon
8. Colorado	8. Texas
9. Rhode Island	9. Massachusetts
10. Mississippi	10.Rhode Island

There are a host of options states can consider to strengthen their safety nets. States can create a more streamlined process for enrolling in work supports such as food stamps and child care as they retool their health insurance systems under the Affordable Care Act. States also can boost the prospects of poor children by increasing temporary cash assistance to the neediest families in state Temporary Assistance for Needy Families (TANF) programs. Improving access to SNAP (food stamps) and providing assistance with rent can help low-income families afford food and housing.

In addition, states can improve the child care system by providing child care subsidies with affordable co-payments and by investing in quality early care and education programs as well as after-school programs.

- **Protect workers' rights.** States can raise wages by protecting workers right to bargain collectively and by strengthening and enforcing laws and regulations to prevent abusive employer practices that deprive workers of wages that they are legally owed.

While these are all useful steps, federal as well as state policies will have to play an important role if low- and middle-income households are to stop receiving steadily smaller shares of the income pie.

I. Introduction

This report analyzes trends in the distribution of income from the late 1970s to the mid-2000s in each of the 50 states and the District of Columbia. First, it presents the most recent data on state-by-state income inequality from the end of the 2000s. Then, it compares the high points of the economic expansions of the last three decades to show the extent to which inequality has grown in the states. Changes in the incomes of low-, middle-, and high-income households between the late 1990s and the most recent peak (the mid-2000s) show how inequality grew in the decade before the Great Recession. Finally, it compares the late 1970s to the mid-2000s to show the long-term trend of widening income gaps.

The report does not analyze the effects of the Great Recession on inequality because it is not possible to disentangle the short-term effects of high unemployment and stock-market fluctuations from the ongoing, longer-lasting changes in the economy that have widened (and likely will continue to widen) the gap between people with high incomes and everyone else. The longer-term structural effects will be clearer when the economy reaches its next peak, but there is strong evidence that inequality continues to grow.

This analysis finds that low- and moderate-income families did not share in the most recent economic expansion. Over the course of the last economic cycle, from the late 1990s to the mid-2000s, the incomes of the poorest families declined and those of moderate-income families barely grew, after adjusting for inflation. This trend is just the latest chapter in the continuing story of growing inequality. The incomes of the country's richest families have climbed substantially over the past three decades, while middle-income families have seen only modest increases and the incomes of lower-income families have stagnated.

At the national level, this trend of rising inequality has been well-documented by data from the Congressional Budget Office and many other sources. Few analyses, however, have focused on changes in income inequality in individual states and regions. *Pulling Apart* finds that the growth in income inequality since the late 1970s has not been a geographically isolated phenomenon: in the vast majority of states, the gap between the highest-income families and middle-class and poor families has grown by a large margin over the period.[3]

The only period in the last three decades in which the large majority of Americans enjoyed the benefits of economic growth was a few years in the late 1990s, and this broad-based growth ended with the 2001 downturn. During both recessions of the last decade, families at all income levels saw declines in real income due to increases in unemployment and the loss of realized capital gains. But the incomes of the richest families grew rapidly once they recovered from the losses of the recessions. In contrast, job growth has been weak following the recent recession and has not yet translated into significant income gains for low- and moderate-income families.

[3] Households that fall in the bottom 20 percent of the income distribution are "poor" in this report. Over half of these households have income below the official poverty line.

Methodology

To assess how households at different income levels in each state have fared over the past two decades, this report measures income inequality at four points in time: the late 1970s, the late 1990s, and the mid- and late- 2000s. The first three periods reflect comparable points in the economic cycle — namely, when the economy was at the peak of an expansion. The fourth is the most recent three years for which data are available. All households are ranked by household income (adjusted for household size) and then divided into five groups (or "quintiles"), each containing the same number of persons.[a] The average income of households in each quintile is then calculated for each of the three time periods. The amount shown is equivalent to income for a four person household.

The data source for this analysis is the Bureau of the Census's March Current Population Survey — a survey of a nationally representative sample of households conducted every year. The survey provides information on household income, which includes not only wages and salaries, but also other sources of cash income such as interest income and cash benefits, including veterans assistance, welfare payments, and child support income. The starting point is the official Census definition of cash income. This analysis then uses additional Census Bureau data to construct a more comprehensive measure of income. The measure used here accounts for the impact of the federal tax system (including the Earned Income Tax Credit) and the value of food stamps, and housing vouchers. Income from capital gains is *not* included, due to limitations of the data.[b] (If capital gains — which go chiefly to high-income households — were included in this analysis, the levels of inequality shown would likely be even greater.) The incomes shown are adjusted for inflation and expressed as their value in 2009 dollars. This income definition is different from the one used in previous editions of Pulling Apart. Thus, the figures in this report cannot be compared to those in the earlier reports.

This study is based on three year averages of income data for each of the states. The use of three year averages is necessary in order to have a large enough sample to accurately estimate average income for each of the five income groups for each state.

This Analysis Underestimates Inequality

National data from other sources such as the Congressional Budget Office (CBO) show that the growth in the incomes of the top quintile was especially rapid at the very top of the income scale. The CBO data, which include capital gains and a comprehensive set of other income sources, show that incomes rose nationwide by 107 percent for the richest fifth from 1979 to 2007, while rising 304 percent for the richest 1 percent.[c] This suggests that, because the Census data preclude analysis of the gains of the top 1 percent, the results in this report understate the extent of growing inequality at the state level.[d]

In addition, average incomes for the highest-income households are understated because the Census Bureau's official measure of income does not include income from capital gains — a source of income that accrues mainly to high-income households.

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[a] The quintiles are constructed to contain an equal number of people rather than households, using an approach similar to method used by the Congressional Budget Office (CBO) to sort households into quintiles. See methodological appendix for details.

[b] The Census Bureau did calculate an estimate of realized capital gains income. We did not include this "imputed" data because changes in the Census Bureau's methodology over time make it an unreliable measure of changes in capital gains income and the Census Bureau has discontinued the estimates. See methodological appendix.

[c] Congressional Budget Office, *Historical Effective Federal Tax Rates: 1979-2005*. Washington, DC: December 2007.

[d] For more on national trends, see Chad Stone, Danilo Trisi, and Arloc Sherman, "A Guide to Statistics on Historical Trends in Income Inequality," Center on Budget and Policy Priorities, revised October 23, 2012; and Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, *The State of Working America, 12th edition,* forthcoming, Cornell University Press, Chapter 2.

The experiences of individual states are broadly similar, but the mix of industries, geography, and government policies in different states makes each state's story unique, as the next two chapters show.

II. Recent Trends: Changes From the Late 1990s to the Present

Nationwide, income gaps between the richest households and both the poorest households and middle-income households have widened significantly since the late 1970s. The incomes of the country's richest households have climbed substantially over the past three decades, but middle- and lower-income households have seen only modest increases or actual declines after adjusting for inflation. This trend is in marked contrast to the broadly shared increases in prosperity that prevailed between World War II and the 1970s.

To assess how households at different income levels have fared, this report measures income inequality at four points in time: the late 1970s, the late 1990s, and the mid- and late 2000s. It ranks all households by household income (adjusted for household size and for inflation) and then divides them into five groups (or "quintiles"), each containing the same number of persons.[4] It then calculates the average income of households in each quintile for each of the four time periods. The first three periods reflect comparable points in the economic cycle — namely, when the economy was at or near a peak. Finally, it compares these peak periods to show how inequality has changed over time.

The current economic cycle started when the economy began to expand in 2009. It is too soon to track the *changes* in inequality during the current cycle at the state level. The most recent data (from the late 2000s), however, give a snapshot of how households at different income levels are doing, and they show that inequality is both high and growing across the country. This recent growth reflects numerous factors. Notably, unemployment did not fall far enough in the expansion prior to the Great Recession to generate the income gains among low- and middle-income households that occurred in the late 1990s. In addition, the 2001 and 2003 federal tax cuts, targeted primarily on wealthy households, are helping widen the income gap between the wealthiest households and those with low and moderate incomes. (See Chapter 5 for a more detailed discussion of the causes of growing inequality.)

This chapter starts with a look at the most recent data from the late 2000s. It then examines trends in state income inequality during the last full economic cycle: the seven years between the economic peaks of the late 1990s and the mid-2000s. The chapter concludes with a look at some national-level data on income trends following the recession of 2007-2009.

Income Inequality Today

One way to assess income inequality in the states is by calculating the income gap — the ratio between the average household incomes in the top fifth of the income spectrum and the bottom or middle fifth.

- **Comparing the top and bottom fifths.** Table 1 provides a snapshot of each state's top-to-bottom ratio in the late 2000s (the most recent data available) and its corresponding national ranking. In New Mexico, which had the highest ratio of any state, the average income of the

[4] Please note that each quintile does not necessarily contain the same number of households. For more information, see the methodology section.

Table 1

Ratio of Incomes of Top and Bottom Fifths of Households 2008-2010 (2009 Dollars)

State	Rank	Average Income of Bottom Fifth of Households	Average Income of Top Fifth of Households	Top-to-Bottom Ratio*
New Mexico	1	16,319	161,162	9.9
Arizona	2	16,191	159,223	9.8
California	3	19,445	184,074	9.5
Georgia	4	17,310	161,071	9.3
New York	5	19,296	177,587	9.2
Louisiana	6	16,861	148,528	8.8
Texas	7	17,924	153,416	8.6
Massachusetts	8	24,577	204,877	8.3
Illinois	9	20,850	173,458	8.3
Mississippi	10	16,129	133,858	8.3
New Jersey	11	24,268	201,024	8.3
Florida	12	18,723	154,878	8.3
Connecticut	13	27,129	221,926	8.2
Colorado	14	22,460	183,230	8.2
Virginia	15	23,729	192,051	8.1
Oklahoma	16	19,827	158,135	8.0
North Carolina	17	19,011	149,797	7.9
Alabama	18	18,667	145,704	7.8
Tennessee	19	18,816	146,506	7.8
Kentucky	20	17,991	136,746	7.6
Nevada	21	21,186	160,614	7.6
Maryland	22	24,631	185,910	7.5
Rhode Island	23	22,482	167,950	7.5
Michigan	24	20,425	152,450	7.5
Indiana	25	19,113	142,262	7.4
South Carolina	26	18,559	137,810	7.4
Missouri	27	20,882	151,980	7.3
Kansas	28	21,269	153,673	7.2
Pennsylvania	29	22,970	165,496	7.2
Washington	30	24,836	176,603	7.1
North Dakota	31	23,029	160,057	7.0
Ohio	32	20,478	142,103	6.9
West Virginia	33	18,650	129,202	6.9
Delaware	34	22,297	153,361	6.9
Minnesota	35	24,403	167,676	6.9
Oregon	36	22,508	154,332	6.9
Alaska	37	24,919	169,832	6.8
South Dakota	38	22,031	149,246	6.8
Montana	39	21,308	143,517	6.7
Hawaii	40	24,902	166,713	6.7
Arkansas	41	18,117	120,247	6.6
Maine	42	23,593	155,980	6.6
Idaho	43	21,564	137,749	6.4
Nebraska	44	24,138	151,973	6.3
Wisconsin	45	24,684	151,104	6.1
New Hampshire	46	29,347	177,679	6.1
Vermont	47	25,516	153,871	6.0
Wyoming	48	25,046	147,258	5.9
Utah	49	25,884	144,583	5.6
Iowa	50	24,840	138,748	5.6
District of Columbia		**16,972**	**247,964**	**14.6**
Total U.S.		20,510	164,494	8.0

*Rankings based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 1A

Ratio of Incomes of Top 5 Percent and Bottom Fifth of Households 2008-2010 (2009 Dollars)

State	Rank	Average Income of Bottom Fifth of Households	Average Income of Top 5 Percent of Households	Top-to-Bottom Ratio*
Arizona	1	16,191	274,705	17.0
New Mexico	2	16,319	273,494	16.8
California	3	19,445	315,638	16.2
Georgia	4	17,310	274,909	15.9
New York	5	19,296	301,187	15.6
Illinois	6	20,850	303,500	14.6
Texas	7	17,924	255,768	14.3
Louisiana	8	16,861	238,571	14.1
Connecticut	9	27,129	383,415	14.1
Mississippi	10	16,129	224,729	13.9
Massachusetts	11	24,577	339,820	13.8
Oklahoma	12	19,827	273,250	13.8
Florida	13	18,723	251,995	13.5
Virginia	14	23,729	318,985	13.4
Tennessee	15	18,816	252,556	13.4
Colorado	16	22,460	299,845	13.4
New Jersey	17	24,268	323,154	13.3
North Carolina	18	19,011	251,773	13.2
Nevada	19	21,186	275,401	13.0
Alabama	20	18,667	238,174	12.8
North Dakota	21	23,029	283,314	12.3
South Carolina	22	18,559	226,585	12.2
Michigan	23	20,425	246,200	12.1
Kentucky	24	17,991	215,215	12.0
Indiana	25	19,113	228,163	11.9
Kansas	26	21,269	253,708	11.9
Rhode Island	27	22,482	263,933	11.7
Pennsylvania	28	22,970	269,375	11.7
Maryland	29	24,631	288,770	11.7
Missouri	30	20,882	243,794	11.7
Washington	31	24,836	289,428	11.7
Montana	32	21,308	235,019	11.0
Minnesota	33	24,403	269,051	11.0
South Dakota	34	22,031	241,331	11.0
Hawaii	35	24,902	272,043	10.9
Ohio	36	20,478	221,795	10.8
Alaska	37	24,919	267,132	10.7
Oregon	38	22,508	240,690	10.7
Maine	39	23,593	251,285	10.7
Idaho	40	21,564	227,506	10.6
Delaware	41	22,297	233,641	10.5
West Virginia	42	18,650	195,012	10.5
Nebraska	43	24,138	244,835	10.1
Arkansas	44	18,117	181,641	10.0
Wisconsin	45	24,684	245,839	10.0
New Hampshire	46	29,347	281,797	9.6
Vermont	47	25,516	243,947	9.6
Wyoming	48	25,046	226,803	9.1
Utah	49	25,884	229,824	8.9
Iowa	50	24,840	215,877	8.7
District of Columbia		**16,972**	**436,918**	**25.7**
Total U.S.		20,510	272,495	13.3

*Rankings based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

top fifth of households was 9.9 times greater than the average income of the bottom fifth of households. For the nation as a whole, the average income gap was 8.0.

The ten states with the largest income gaps were New Mexico, Arizona, California, Georgia, New York, Louisiana, Texas, Massachusetts, Illinois, and Mississippi. For eight of these ten states, this high inequality was driven by the lower-than-average incomes among the bottom fifth of households.

The ten states with the smallest income gaps were Iowa, Utah, Wyoming, Vermont, New Hampshire, Wisconsin, Nebraska, Idaho, Maine, and Arkansas. With the exception of Arkansas, the average income of the bottom fifth of households in all of these states was greater than the national average.

Inequality was greatest in the Southeast and Southwest and smallest in the Great Plains and Mountain states, as Map 1 on page 6 shows.

- **Comparing the top 5 percent and the bottom fifth.** Table 1A shows the ratios of the incomes of the very richest households — the top 5 percent — to the bottom fifth. In the late 2000s, the average income of the top 5 percent of households was 13.3 times that of the bottom fifth. The states with the largest such gaps were Arizona, New Mexico, California, Georgia, New York, Illinois, Texas, Louisiana, Connecticut, and Mississippi.

- **Comparing the top and middle fifths.** Like households in the bottom fifth, those in the *middle* fifth also failed to match the income growth in the top fifth. Table 2 shows the top-to-middle income ratios for each state in the late 2000s. New Mexico had the largest gap: the average income of the top fifth of families was more than three times that of the middle fifth. The other states in the top five were California, Georgia, Mississippi, and Arizona. The five states with the smallest top-to-middle ratios were Iowa, New Hampshire, Wyoming, Vermont, and Utah.

- **Comparing the top 5 percent and the middle fifth.** Table 2A compares the top 5 percent of households to the middle fifth. In the late 2000s, the average income of the top 5 percent was 4.5 times that of the middle fifth. The states with the largest such gaps were New Mexico, California, Arizona, Georgia, and Oklahoma. The five states with the smallest gaps were Iowa, Wyoming, New Hampshire, Delaware, and West Virginia.

Income Trends Among High- and Low-Income Households

As they did for the country as a whole, income gaps widened in the majority of states between the late 1990s and the mid-2000s.

In 45 states and the District of Columbia, income gaps widened between the top fifth of households and the bottom fifth (see Table 3). In the remaining five states, inequality stayed at the high levels of the late 1990s. In 29 of the states where inequality increased, the incomes of the poorest households fell significantly; in Florida, for example, average incomes fell by 7 percent among the bottom fifth but *rose* by 13 percent among the top fifth.

Table 2
Ratio of Incomes of Top and Middle Fifths of Households 2008-2010 (2009 Dollars)

State	Rank	Average Income of Middle Fifth of Households	Average Income of Top Fifth of Households	Top-to-Middle Ratio*
New Mexico	1	51,136	161,162	3.2
California	2	59,942	184,074	3.1
Georgia	3	55,100	161,071	2.9
Mississippi	4	45,822	133,858	2.9
Arizona	5	54,571	159,223	2.9
New York	6	61,568	177,587	2.9
Texas	7	53,228	153,416	2.9
Oklahoma	8	54,940	158,135	2.9
Tennessee	9	51,568	146,506	2.8
Louisiana	10	52,669	148,528	2.8
Connecticut	11	78,760	221,926	2.8
Illinois	12	61,654	173,458	2.8
Alabama	13	52,549	145,704	2.8
North Carolina	14	54,228	149,797	2.8
Massachusetts	15	74,782	204,877	2.7
Florida	16	56,596	154,878	2.7
Virginia	17	70,874	192,051	2.7
Nevada	18	60,010	160,614	2.7
Colorado	19	68,915	183,230	2.7
New Jersey	20	75,972	201,024	2.6
Pennsylvania	21	62,700	165,496	2.6
Montana	22	54,375	143,517	2.6
Idaho	23	52,345	137,749	2.6
Kansas	24	58,651	153,673	2.6
South Carolina	25	52,649	137,810	2.6
Washington	26	68,049	176,603	2.6
Kentucky	27	52,915	136,746	2.6
Oregon	28	59,921	154,332	2.6
Michigan	29	59,226	152,450	2.6
Missouri	30	59,173	151,980	2.6
Maine	31	60,920	155,980	2.6
South Dakota	32	58,724	149,246	2.5
Indiana	33	56,236	142,262	2.5
North Dakota	34	63,450	160,057	2.5
Arkansas	35	47,733	120,247	2.5
Hawaii	36	66,457	166,713	2.5
Rhode Island	37	67,194	167,950	2.5
Nebraska	38	60,921	151,973	2.5
Minnesota	39	67,936	167,676	2.5
Ohio	40	58,117	142,103	2.4
Maryland	41	76,139	185,910	2.4
West Virginia	42	53,128	129,202	2.4
Alaska	43	70,850	169,832	2.4
Delaware	44	64,140	153,361	2.4
Wisconsin	45	63,614	151,104	2.4
Utah	46	61,667	144,583	2.3
Vermont	47	65,667	153,871	2.3
Wyoming	48	63,483	147,258	2.3
New Hampshire	49	78,046	177,679	2.3
Iowa	50	61,964	138,748	2.2
District of Columbia		**69,200**	**247,964**	**3.6**
Total U.S.		60,132	164,494	2.7

*Rankings based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 2A

Ratio of Incomes of Top 5 Percent and Middle Fifth of Households 2008-2010 (2009 Dollars)

State	Rank	Average Income of Middle Fifth of Households	Average Income of Top 5 Percent of Households	Top-to-Middle Ratio*
New Mexico	1	51,136	273,494	5.3
California	2	59,942	315,638	5.3
Arizona	3	54,571	274,705	5.0
Georgia	4	55,100	274,909	5.0
Oklahoma	5	54,940	273,250	5.0
Illinois	6	61,654	303,500	4.9
Mississippi	7	45,822	224,729	4.9
Tennessee	8	51,568	252,556	4.9
New York	9	61,568	301,187	4.9
Connecticut	10	78,760	383,415	4.9
Texas	11	53,228	255,768	4.8
North Carolina	12	54,228	251,773	4.6
Nevada	13	60,010	275,401	4.6
Massachusetts	14	74,782	339,820	4.5
Alabama	15	52,549	238,174	4.5
Louisiana	16	52,669	238,571	4.5
Virginia	17	70,874	318,985	4.5
North Dakota	18	63,450	283,314	4.5
Florida	19	56,596	251,995	4.5
Colorado	20	68,915	299,845	4.4
Idaho	21	52,345	227,506	4.3
Kansas	22	58,651	253,708	4.3
Montana	23	54,375	235,019	4.3
South Carolina	24	52,649	226,585	4.3
Pennsylvania	25	62,700	269,375	4.3
New Jersey	26	75,972	323,154	4.3
Washington	27	68,049	289,428	4.3
Michigan	28	59,226	246,200	4.2
Maine	29	60,920	251,285	4.1
Missouri	30	59,173	243,794	4.1
South Dakota	31	58,724	241,331	4.1
Hawaii	32	66,457	272,043	4.1
Kentucky	33	52,915	215,215	4.1
Indiana	34	56,236	228,163	4.1
Nebraska	35	60,921	244,835	4.0
Oregon	36	59,921	240,690	4.0
Minnesota	37	67,936	269,051	4.0
Rhode Island	38	67,194	263,933	3.9
Wisconsin	39	63,614	245,839	3.9
Ohio	40	58,117	221,795	3.8
Arkansas	41	47,733	181,641	3.8
Maryland	42	76,139	288,770	3.8
Alaska	43	70,850	267,132	3.8
Utah	44	61,667	229,824	3.7
Vermont	45	65,667	243,947	3.7
West Virginia	46	53,128	195,012	3.7
Delaware	47	64,140	233,641	3.6
New Hampshire	48	78,046	281,797	3.6
Wyoming	49	63,483	226,803	3.6
Iowa	50	61,964	215,877	3.5
District of Columbia		**69,200**	**436,918**	**6.3**
Total U.S.		60,132	272,495	4.5

*Rankings based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 3

Dollar and Percent Change in Average Incomes of Bottom and Top Fifths of Households 1998-2000 to 2005-2007 (in 2009 Dollars)

State	Bottom Fifth			Top Fifth		
	Dollar Change		Percent Change	Dollar Change		Percent Change
45 States Where the Incomes of the Top Fifth Grew Faster Than the Incomes of the Bottom Fifth[a]						
Alabama	(2,569)	*	-13.5%	17,095	*	12.8%
Alaska	(2,571)	*	-9.2%	1,035		0.6%
Arizona	(2,055)	*	-9.9%	9,790	*	6.5%
California	56		0.3%	21,588	*	12.7%
Colorado	(2,975)	*	-11.7%	23,376	*	13.9%
Connecticut	(2,542)	*	-9.8%	33,188	*	17.2%
Delaware	(1,776)	*	-7.5%	11,206	*	7.4%
Florida	(1,499)	*	-7.2%	20,068	*	13.2%
Georgia	(439)		-2.2%	7,378	*	5.1%
Illinois	(3,539)	*	-15.2%	18,455	*	11.4%
Indiana	(5,849)	*	-23.5%	4,546		3.2%
Iowa	(1,512)	*	-6.1%	12,054	*	8.5%
Kansas	(754)	*	-3.3%	11,437	*	7.6%
Kentucky	(3,329)	*	-17.2%	2,033		1.4%
Louisiana	282		1.7%	21,967	*	17.0%
Maine	(193)		-0.8%	9,005	*	6.4%
Maryland	(1,739)	*	-6.4%	6,285		3.2%
Massachusetts	(1,233)	*	-5.3%	34,380	*	19.4%
Michigan	(2,445)	*	-10.3%	(5,286)	*	-3.2%
Minnesota	(793)	*	-2.9%	9,771	*	5.9%
Mississippi	(3,127)	*	-17.3%	23,429	*	19.1%
Missouri	(2,062)	*	-8.8%	10,318	*	6.9%
Montana	(174)		-0.9%	13,894	*	11.7%
Nebraska	474		2.1%	10,478	*	7.4%
Nevada	(144)		-0.6%	9,778	*	6.4%
New Jersey	991	*	3.9%	26,303	*	13.7%
New Mexico	1,183	*	7.4%	37,357	*	30.2%
New York	(129)		-0.7%	17,421	*	10.2%
North Carolina	(735)	*	-3.7%	8,054	*	5.5%
North Dakota	479		2.3%	23,524	*	18.6%
Ohio	(1,565)	*	-6.9%	(2,662)		-1.7%
Oklahoma	(1,497)	*	-7.5%	11,177	*	7.7%
Oregon	404		1.9%	12,267	*	7.7%
Pennsylvania	(1,907)	*	-7.9%	11,190	*	7.2%
Rhode Island	(771)		-3.2%	18,922	*	11.1%
South Carolina	(1,227)	*	-5.9%	2,364		1.7%
South Dakota	(2,939)	*	-12.5%	33,076	*	25.7%
Tennessee	(2,380)	*	-12.1%	(4,570)		-3.1%
Texas	(1,892)	*	-10.0%	10,601	*	6.9%
Utah	(2,965)	*	-11.3%	14,600	*	10.5%
Virginia	(507)		-2.0%	17,138	*	9.4%
Washington	162		0.7%	15,120	*	9.4%
West Virginia	(2,109)	*	-11.7%	11,291	*	9.2%
Wisconsin	(1,438)	*	-5.7%	8,113	*	5.3%
Wyoming	(385)		-1.7%	8,113	*	13.3%
5 States Where the Incomes of the Bottom Fifth and the Top Fifth Increased at about the same rate						
Arkansas	474	*	2.5%	6,148	*	5.0%
Hawaii	2,050	*	8.3%	17,312	*	11.3%
Idaho	852	*	4.1%	8,185	*	5.9%
New Hampshire	2,162	*	7.6%	6,688	*	3.9%
Vermont	961	*	3.8%	11,433	*	7.6%
District of Columbia	**(3,369)**	*****	**-18.5%**	**36,090**	*****	**16.3%**
Total U.S.	(1,278)	*	-5.8%	13,581	*	8.6%

* Dollar changes marked with an asterisk are "statistically significant." That is, using statistical methods recommended by the Census Bureau, we calculate with at least 90 percent certainty that — despite the uncertainty inherent in any estimate based on surveys with a limited sample size — the true income change for these groups is greater than zero. For example, in California, we cannot say with 90 percent certainty that the $56 increase in average income of the bottom fifth reflects a true income increase. However, we can say with 90 percent certainty that the $21,588 gain in the income of the top fifth does reflect a true gain.

[a]For the states in this group, the income of the top fifth grew by a larger percentage than the income of the bottom fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 3A

Dollar and Percent Change in Average Incomes of Bottom Fifth and Top 5 Percent of Households 1998-2000 to 2005-2007 (in 2009 Dollars)

State	Bottom Fifth Dollar Change		Bottom Fifth Percent Change	Top 5 Percent Dollar Change		Top 5 Percent Percent Change
11 States Where the Incomes of the Top 5 Percent Grew Faster Than the Incomes of the Bottom Fifth^						
California	56		0.3%	54,111	*	19.5%
Florida	(1,499)	*	-7.2%	40,676	*	16.1%
Illinois	(3,539)	*	-15.2%	58,687	*	22.7%
Massachusetts	(1,233)	*	-5.3%	82,759	*	29.6%
Michigan	(2,445)	*	-10.3%	(830)		-0.3%
New Jersey	991	*	3.9%	66,380	*	21.1%
New York	(129)		-0.7%	46,826	*	16.2%
North Carolina	(735)	*	-3.7%	20,645	*	8.8%
Ohio	(1,565)	*	-6.9%	(162)		-0.1%
Pennsylvania	(1,907)	*	-7.9%	27,387	*	11.2%
Texas	(1,892)	*	-10.0%	26,915	*	10.7%
Total U.S.	(1,278)	*	-5.8%	35,698	*	13.9%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

^ For the states in this group, the income of the top 5 percent grew by a larger percentage than the income of the bottom fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

On average across the 50 states, incomes fell by close to 6 percent among the bottom fifth between the late 1990s and the mid-2000s while rising by 8.6 percent among the top fifth.

Incomes grew considerably faster among the very richest households — the top 5 percent — than the bottom fifth in 9 of the 11 states where there are sufficient data to make the comparison (see Table 3A). In the remaining two states — Michigan and Ohio — inequality also grew as the incomes of the top 5 percent remained steady while the incomes of the bottom dropped. The largest such increase in inequality occurred in Illinois, where the bottom fifth saw a decline of 15 percent (-$3,539) while the top 5 percent saw an increase of 23 percent ($58,687).

Income Gaps Between High- and Low-Income Households

Examining income gaps — the average income of the top fifth of households divided by the average income of the bottom fifth — can demonstrate changes in income inequality over time. From the late 1990s to the mid-2000s, this top-to-bottom ratio grew significantly in all but five states (see Table 4). Mississippi's ratio grew the most: in the late 1990s, the income of the richest fifth of Mississippi households was 6.8 times the income of the poorest fifth, but by the mid-2000s that ratio had grown to 9.8.

Table 4
Change in Ratio of Incomes of Top and Bottom Fifths of Households 1998-2000 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top-to-Bottom Ratio 1998-2000	Top-to-Bottom Ratio 2005-2007	Change in Top-to-Bottom Ratio[a]	
Mississippi	1	6.8	9.8	3.0	*
South Dakota	2	5.5	7.9	2.4	*
Connecticut	3	7.4	9.6	2.2	*
Illinois	4	6.9	9.1	2.2	*
Alabama	5	7.0	9.1	2.1	*
Indiana	6	5.8	7.8	2.0	*
Massachusetts	7	7.6	9.5	2.0	*
Colorado	8	6.6	8.5	1.9	*
Kentucky	9	7.4	9.1	1.7	*
New Mexico	10	7.7	9.4	1.6	*
West Virginia	11	6.8	8.4	1.6	*
Florida	12	7.3	8.9	1.6	*
Texas	13	8.1	9.6	1.5	*
Arizona	14	7.3	8.6	1.3	*
Utah	15	5.3	6.6	1.3	*
Oklahoma	16	7.3	8.5	1.2	*
Louisiana	17	7.9	9.1	1.2	*
Missouri	18	6.5	7.6	1.1	*
Pennsylvania	19	6.4	7.4	1.0	*
Rhode Island	20	7.0	8.1	1.0	*
Delaware	21	6.4	7.4	1.0	*
California	22	8.2	9.2	1.0	*
North Dakota	23	6.0	7.0	1.0	*
New York	24	8.7	9.7	1.0	*
Wyoming	25	5.9	6.8	0.9	*
Iowa	26	5.7	6.6	0.9	*
Virginia	27	7.3	8.2	0.9	*
Tennessee	28	7.6	8.4	0.8	*
Montana	29	6.1	6.8	0.8	*
Kansas	30	6.6	7.4	0.8	*
Maryland	31	7.1	7.9	0.7	*
Wisconsin	32	6.1	6.8	0.7	*
New Jersey	33	7.5	8.2	0.7	*
North Carolina	34	7.4	8.1	0.7	*
Alaska	35	6.2	6.8	0.7	*
Washington	36	6.6	7.1	0.6	*
Michigan	37	6.9	7.5	0.5	*
Minnesota	38	6.1	6.6	0.5	*
Georgia	39	7.3	7.8	0.5	*
South Carolina	40	6.6	7.2	0.5	*
Nevada	41	6.4	6.8	0.5	*
Maine	42	5.9	6.3	0.4	*
Oregon	43	7.3	7.8	0.4	*
Ohio	44	6.8	7.2	0.4	*
Nebraska	45	6.2	6.5	0.3	*
Vermont	46	6.0	6.2	n/a	
Hawaii	46	6.2	6.4	n/a	
Arkansas	46	6.5	6.7	n/a	
Idaho	46	6.7	6.8	n/a	
New Hampshire	46	6.0	5.8	n/a	
District of Columbia		**12.1**	**17.3**	**5.2**	*****
Total U.S.		7.2	8.3	1.1	*

* The changes in the top-to-bottom ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.
[a] Change in top-to-bottom ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 4A

Change in Ratio of Incomes of Top 5 Percent and Bottom Fifth of Households 1998-2000 TO 2005-2007 (2009 Dollars)

State	Rank of Change	Top 5 percent-to-Bottom Ratio 1998-2000	Top 5 percent-to-Bottom Ratio 2005-2007	Change in Top 5 percent-to-Bottom Ratio[a]	
Illinois	1	11.1	16.1	5.0	*
Massachusetts	2	11.9	16.3	4.4	*
Texas	3	13.3	16.4	3.1	*
Florida	4	12.2	15.2	3.1	*
California	5	13.5	16.0	2.6	*
New York	6	14.8	17.3	2.5	*
Pennsylvania	7	10.1	12.2	2.1	*
New Jersey	8	12.3	14.3	2.0	*
North Carolina	9	11.9	13.4	1.5	*
Michigan	10	11.1	12.4	1.2	*
Ohio	11	10.8	11.6	0.8	*
Total U.S.		11.7	14.1	2.4	*

* The changes in the top 5 percent-to-bottom ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top 5 percent-to-bottom ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

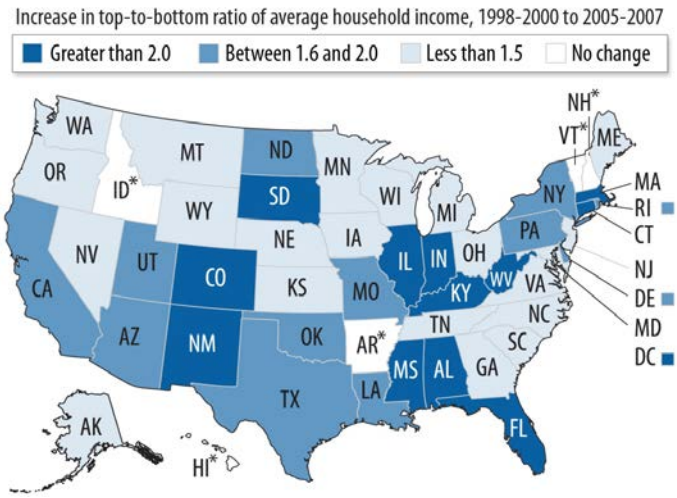
These changes in inequality follow no clear regional pattern, although states in the Southwest and Midwest were somewhat more likely to face increased inequality. (See map 2.) Income gaps grew the most in Mississippi, South Dakota, Connecticut, Illinois, and Alabama.

The income gap between the top 5 percent and bottom fifth of households grew in all 11 states where this comparison was possible (see Table 4A). The increase was most dramatic in Illinois. In the late 1990s the top 5 percent of Illinois households had 11.1 times the income of the bottom fifth. By the mid-2000s this ratio had grown to 16.1.

Nationwide, in the late 1990s the top 5 percent had 11.7 times the average income of the bottom fifth. This ratio grew to 14.1 by the mid-2000s.

Figure 2

Inequality Grew in Most States



*The change in the ratio was not statistically significant at the 90% level.

Source: CBPP and EPI analysis of Census Bureau Data from the Current Population Survey.

Table 5

Dollar and Percent Change in Average Incomes of Middle and Top Fifths of Households 1998-2000 to 2005-2007 (in 2009 Dollars)

State	Middle Fifth		Top Fifth		
	Dollar Change	Percent Change	Dollar Change		Percent Change
36 States Where the Incomes of the Top Fifth Grew Faster Than the Incomes of the Middle Fifth[a]					
Alabama	(1,154)	* -2.1%	17,095	*	12.8%
Arizona	785	* 1.4%	9,790	*	6.5%
California	2,340	* 3.9%	21,588	*	12.7%
Colorado	1,398	* 2.0%	23,376	*	13.9%
Connecticut	1,899	* 2.5%	33,188	*	17.2%
Delaware	(177)	-0.3%	11,206	*	7.4%
Florida	1,928	* 3.3%	20,068	*	13.2%
Hawaii	5,229	* 7.7%	17,312	*	11.3%
Illinois	(2,569)	* -3.9%	18,455	*	11.4%
Indiana	(1,830)	* -3.0%	4,546		3.2%
Iowa	2,610	* 4.3%	12,054	*	8.5%
Kansas	1,181	* 1.9%	11,437	*	7.6%
Kentucky	(3,485)	* -6.2%	2,033		1.4%
Louisiana	3,792	* 7.8%	21,967	*	17.0%
Maryland	(1,428)	* -1.8%	6,285		3.2%
Massachusetts	6,757	* 9.6%	34,380	*	19.4%
Michigan	(3,658)	* -5.5%	(5,286)	*	-3.2%
Minnesota	(1,465)	* -2.0%	9,771	*	5.9%
Mississippi	(2,642)	* -5.4%	23,429	*	19.1%
Missouri	(2,898)	* -4.6%	10,318	*	6.9%
New Jersey	6,235	* 8.4%	26,303	*	13.7%
New Mexico	4,457	* 9.2%	37,357	*	30.2%
New York	1,864	* 3.0%	17,421	*	10.2%
North Carolina	(1,978)	* -3.4%	8,054	*	5.5%
North Dakota	6,701	* 12.3%	23,524	*	18.6%
Oklahoma	(360)	-0.7%	11,177	*	7.7%
Oregon	(1,022)	* -1.7%	12,267	*	7.7%
Pennsylvania	1,169	* 1.9%	11,190	*	7.2%
Rhode Island	4,079	* 6.2%	18,922	*	11.1%
South Carolina	(1,575)	* -2.8%	2,364		1.7%
South Dakota	4,404	* 7.9%	33,076	*	25.7%
Texas	(176)	-0.3%	10,601	*	6.9%
Utah	1,054	* 1.7%	14,600	*	10.5%
Virginia	2,231	* 3.3%	17,138	*	9.4%
Washington	1,633	* 2.4%	15,120	*	9.4%
Wisconsin	(288)	-0.4%	8,113	*	5.3%
13 States Where the Incomes of the Middle Fifth and the Top Fifth Increased at about the same rate					
Alaska	1,292	* 1.9%	1,035		0.6%
Arkansas	2,692	* 5.7%	6,148	*	5.0%
Georgia	2,351	* 4.0%	7,378	*	5.1%
Idaho	2,907	* 5.4%	8,185	*	5.9%
Maine	1,732	* 2.9%	9,005	*	6.4%
Montana	4,852	* 9.6%	13,894	*	11.7%
Nebraska	3,866	* 6.5%	10,478	*	7.4%
Nevada	2,181	* 3.6%	9,778	*	6.4%
Ohio	(1,823)	* -2.9%	(2,662)		-1.7%
Tennessee	(239)	-0.4%	(4,570)		-3.1%
Vermont	6,026	* 10.0%	11,433	*	7.6%
West Virginia	4,231	* 8.8%	11,291	*	9.2%
Wyoming	6,175	* 11.1%	17,687	*	13.3%
1 State Where the Incomes of the Middle Fifth Grew Faster Than the Incomes of the Top Fifth[b]					
New Hampshire	6,903	* 9.9%	6,688	*	3.9%
District of Columbia	**1,850**	*** 3.0%**	**36,090**	*****	**16.3%**
Total U.S.	742	* 1.2%	13,581	*	8.6%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

[a] For the states in this group, the income of the top fifth grew by a larger percentage than the income of the middle fifth and this difference was statistically significant.

[b] For New Hampshire, the income of the middle fifth grew by a larger percentage than the income of the top fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 5A

Dollar and Percent Change in Average Incomes of Middle Fifth and Top 5 Percent of Households 1998-2000 to 2005-2007 (in 2009 Dollars)

State	Middle Fifth			Top 5 Percent		
	Dollar Change		Percent Change	Dollar Change		Percent Change
10 States Where the Incomes of the Top 5 Percent Grew Faster Than the Incomes of the Middle Fifth^						
California	2,340	*	3.9%	54,111	*	19.5%
Florida	1,928	*	3.3%	40,676	*	16.1%
Illinois	(2,569)	*	-3.9%	58,687	*	22.7%
Massachusetts	6,757	*	9.6%	82,759	*	29.6%
Michigan	(3,658)	*	-5.5%	(830)		-0.3%
New Jersey	6,235	*	8.4%	66,380	*	21.1%
New York	1,864	*	3.0%	46,826	*	16.2%
North Carolina	(1,978)	*	-3.4%	20,645	*	8.8%
Pennsylvania	1,169	*	1.9%	27,387	*	11.2%
Texas	(176)		-0.3%	26,915	*	10.7%
1 State Where the Incomes of the Middle Fifth and the Top 5 Percent Increased at about the same rate						
Ohio	(1,823)	*	-2.9%	(162)		-0.1%
Total U.S.	742	*	1.2%	35,698	*	13.9%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

^ For the states in this group, the income of the top 5 percent grew by a larger percentage than the income of the middle fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Income Trends Among High- and Middle-Income Households

Between the late 1990s and the mid-2000s, income inequality grew not only between low- and high-income households but also between *middle*- and high-income households. Nationwide, incomes grew by only 1.2 percent among the middle fifth but by 8.6 percent among the top fifth. The states show a similar pattern. In 36 states and the District of Columbia, incomes grew faster among the top fifth than the middle fifth (see Table 5). In 12 of these states, the incomes of the middle fifth declined significantly while those of the top fifth grew. In Mississippi, for example, middle-income households saw an average decline of 5 percent (-$2,642), while the top fifth saw their income rise by 19 percent ($23,429). Income inequality between the middle and the top declined in only one state: New Hampshire.

Incomes grew considerably faster among the top 5 percent of households than the middle fifth in 9 of the 11 states with sufficient data to make the comparison (see Table 5A). In one of the two remaining states, Michigan, inequality also grew, as incomes remained unchanged among the top 5 percent but dropped among the middle fifth.[5]

[5] In Ohio, the remaining state, the difference in changes in income between the middle fifth and top 5 percent was not statistically significant.

Table 6
Change in Ratio of Incomes of Top and Middle Fifths of Households 1998-2000 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top-to-Middle Ratio 1998-2000	Top-to-Middle Ratio 2005-2007	Change in Top-to-Middle Ratio[a]	
Mississippi	1	2.5	3.1	0.6	*
New Mexico	2	2.6	3.1	0.5	*
Illinois	3	2.4	2.8	0.4	*
South Dakota	4	2.3	2.7	0.4	*
Alabama	5	2.4	2.8	0.4	*
Connecticut	6	2.6	2.9	0.4	*
Missouri	7	2.4	2.7	0.3	*
Colorado	8	2.4	2.7	0.3	*
Florida	9	2.6	2.9	0.3	*
Oregon	10	2.6	2.8	0.2	*
California	11	2.8	3.1	0.2	*
North Carolina	12	2.6	2.8	0.2	*
Oklahoma	13	2.7	3.0	0.2	*
Louisiana	14	2.7	2.9	0.2	*
Massachusetts	15	2.5	2.7	0.2	*
Kentucky	16	2.6	2.8	0.2	*
Texas	17	2.8	3.0	0.2	*
Utah	18	2.3	2.5	0.2	*
New York	19	2.8	3.0	0.2	*
Minnesota	20	2.3	2.4	0.2	*
Delaware	21	2.3	2.5	0.2	*
Washington	22	2.4	2.6	0.2	*
Virginia	23	2.7	2.8	0.2	*
Indiana	24	2.4	2.5	0.2	*
Kansas	25	2.5	2.6	0.1	*
Arizona	26	2.7	2.8	0.1	*
Wisconsin	27	2.3	2.5	0.1	*
North Dakota	28	2.3	2.4	0.1	*
Pennsylvania	29	2.5	2.6	0.1	*
Maryland	30	2.5	2.6	0.1	*
New Jersey	31	2.6	2.7	0.1	*
Rhode Island	32	2.6	2.7	0.1	*
South Carolina	33	2.4	2.5	0.1	*
Iowa	34	2.3	2.4	0.1	*
Hawaii	35	2.3	2.3	0.1	*
Michigan	36	2.5	2.5	0.1	*
Maine	37	2.4	2.4	n/a	
Nevada	37	2.5	2.6	n/a	
Wyoming	37	2.4	2.4	n/a	
Montana	37	2.4	2.4	n/a	
Ohio	37	2.4	2.5	n/a	
Georgia	37	2.5	2.5	n/a	
Nebraska	37	2.4	2.4	n/a	
Idaho	37	2.6	2.6	n/a	
West Virginia	37	2.6	2.6	n/a	
Arkansas	37	2.6	2.6	n/a	
Alaska	37	2.5	2.4	n/a	
Vermont	37	2.5	2.4	n/a	
Tennessee	37	2.7	2.7	n/a	
New Hampshire	50	2.4	2.3	-0.1	*
District of Columbia		**3.5**	**4.0**	**0.5**	*****
Total U.S.		2.6	2.8	0.2	*

* The changes in the top-to-middle ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top-to-middle ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.
Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 6A

Change in Ratio of Incomes of Top 5 Percent and Middle Fifth of Households 1998-2000 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top 5 percent-to-Middle Ratio 1998-2000	Top 5 percent-to-Middle Ratio 2005-2007	Change in Top 5 percent-to-Middle Ratio[a]	
Illinois	1	3.9	5.0	1.1	*
Massachusetts	2	4.0	4.7	0.7	*
California	3	4.6	5.3	0.7	*
New York	4	4.7	5.3	0.6	*
Florida	5	4.4	4.9	0.5	*
North Carolina	6	4.1	4.6	0.5	*
Texas	7	4.7	5.2	0.5	*
New Jersey	8	4.3	4.7	0.5	*
Pennsylvania	9	3.9	4.2	0.4	*
Michigan	10	4.0	4.2	0.2	*
Ohio	11	3.9	4.0	n/a	
Total U.S.		4.2	4.7	0.5	*

* The changes in the top 5 percent-to-middle ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top 5 percent-to-middle ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Income Gaps Between High- and Middle-Income Households

The ratio of the average income of the top fifth of households to the average income of the middle fifth grew significantly in 36 states plus the District of Columbia from the late 1990s to the mid-2000s (see Table 6). Mississippi saw the largest increase, followed by New Mexico, Illinois, South Dakota, and Alabama. Middle-to-top income inequality declined in only one state — New Hampshire — and only by a small amount.

The income gap between the top 5 percent of households and the middle fifth grew in ten of the 11 states where this comparison is possible (see Table 6A). The increase was most dramatic in Illinois. In the late 1990s the top 5 percent of Illinois households had 3.9 times the income of the middle fifth. By the mid-2000s this ratio grew to 5.0.

Income Trends Following the Great Recession

No one can predict with certainty where wage growth is heading. Nevertheless, there are good reasons to be concerned that a return to the broad-based wage growth last seen in the late 1990s, which led to gains for low- and middle-income workers, remains elusive. There are unmistakable signs that low- and middle-income workers — who were hard hit by the economic downturn — are again being left behind in the economic recovery.

In the latter half of the 1990s, a number of factors helped boost the incomes of low- and moderate- income families. Economic growth sped up, and productivity and average real wages grew more quickly. This by itself did not guarantee that low- and middle- income families would receive larger pieces of the growing economic "pie"; what enabled the faster growth to translate into higher real wages and incomes was a historically tight labor market. The robust job growth and full employment of that period meant that for the first time in decades, lower-wage workers gained the ability to push for a larger share of the benefits of economic growth. In addition, government policies raised the take-home pay of low-income workers, such as through federal minimum wage increases and expansions of the Earned Income Tax Credit.

Low- and moderate-income wage earners did not fare nearly as well in the 2001-2007 expansion. Even though productivity grew more quickly during this period than in the latter 1990s, slow job creation led to stagnating or declining real wages for these workers, even as *high*-income families recovered from the hit their incomes took as a result of the stock market decline and saw their incomes grow rapidly.

Average household incomes fell among all income classes during the 2007-2009 recession, but the large capital losses associated with the stock market crash — which disproportionately affected wealthier households — drove inequality down. The economy has since begun to grow again, and while incomes at the top have begun to rebound, incomes among poor and middle-income households have not.

Because of data limitations, this report cannot analyze changes in inequality in each state between the mid- and late 2000s.[6] However, a number of national-level wage and income series provide detail on changes in inequality during the economic recovery that began in 2009. State patterns should be similar to the national trends shown in these data, which clearly suggest that the pattern of widening income gaps has returned following a brief interruption during the downturn. The economy is once again expanding, but wage and income growth is once again accruing largely to households at the top of the income scale.

Part of this trend toward greater inequality reflects the unequal growth of wages, a trend that has continued through the recession and recovery. Between 2007 and 2011, real hourly wages fell for low- to median-wage workers but rose for those at the top of the scale. As Table B shows, for example, wages at the 10th percentile (that is, wages that were lower than the wages of 90 percent of workers) fell by 3.4 percent over this period, while wages at the 90th percentile rose by 0.7 percent.

Table B
Real Growth of Hourly Wages By Percentile, 2007-2011

	Wage Percentile				
Percent Change	10th	20th	Median	80th	90th
2007-2011	-3.4%	-3.9%	-2.0%	1.0%	0.7%

Source: EPI Analysis of Current Population Survey Outgoing Rotation Group Microdata

[6] First, the need to use three-year averages precludes comparisons over a six-year time period. In addition, trends in income inequality are best measured from the peak of one economic cycle to the next and the current economic cycle has not reached its peak.

The recovery of the stock market has further boosted incomes at the top of the scale. The most recent Census data confirm this.[7] As Table C shows, the share of the nation's total income accruing to the top fifth and top 5 percent of households grew last year, while the bottom fifth's share remained largely unchanged and the share going to the middle fell. (Note that this income measure differs from the measure used elsewhere in this report in that it does not account for federal taxes; it does account for government transfer programs.) In 2011, each of the bottom three income quintiles had its smallest share of national income on record, while the top quintile had its largest share on record.[8]

Table C

Shares of Household Income, 2010 and 2011
United States

	2010	2011	Percent Change
Bottom Fifth	3.4%	3.4%	0.1%
Second Fifth	9.2%	9.0%	-1.6%*
Middle Fifth	15.0%	14.8%	-1.9%*
Fourth to Top Fifth	23.1%	22.8%	-1.6%*
Top Fifth	49.2%	50.0%	1.6%*
Top 5%	21.1%	22.1%	5.3%*

*Change is statistically significant from zero with 90% confidence.

Source: Census Bureau, September 2012

Similarly, a recent study of IRS data found that the share of income flowing to the wealthiest 1 percent of households rose in 2010.[9] And a Congressional Budget Office report based on data from the IRS, the Census Bureau, and the Bureau of Economic Analysis concluded that, "income for households toward the higher end of the distribution increased more rapidly than income for households elsewhere in the income distribution in 2010." By 2010, these households had already recovered close to one-third of their income losses from the recession, while the incomes of average households continued to decline.[10]

[7] Census data underestimate the effect of the recovery of the stock market. The Census income measure includes interest and dividend income but not capital gains.

[8] Arloc Sherman and Danilo Trisi, "Decline in Uninsured is Largest in 13 Years But Median Incomes Fell, Inequality Widened, and Poverty Stayed Flat," Center on Budget and Policy Priorities, September 17, 2012.

[9] Emmanuel Saez, "Striking it Richer: The Evolution of Top Incomes in the United States," University of California, Berkeley, March 2, 2012.

[10] Congressional Budget Office, "The Distribution of Household Income and Federal Taxes, 2008 and 2009," July 2012, p. 16.

III. The Long-Term Trend: The Late 1970s to the Mid-2000s

As the previous chapter noted, income gaps between the richest households and middle-income and poor households widened across the United States between the late 1970s and the mid-2000s. Incomes at the top climbed substantially, while middle- and lower-income households saw only modest increases or actual declines. This chapter examines this three-decade trend by comparing income changes at the top to those in the middle and bottom over this period.

Income Trends Among High- and Low-Income Households

While the average incomes of both the top and bottom fifths of households grew somewhat between the late 1970s and mid-2000s, the top fifth grew substantially more in every state. Nationally, the average income of the top fifth grew by 71 percent ($71,301) over this period, compared to 7 percent ($1,331) for the bottom fifth.

The average income of the bottom fifth grew significantly in 38 states between the late 1970s and mid-2000s, as Table 7 shows. But most of the increases were small, especially when compared to the income gains at the top. And in seven states — Arizona, Connecticut, Indiana, Kentucky, Michigan, West Virginia, and Wyoming — the average income of the bottom fifth fell. (In the remaining five states, the average income among the bottom fifth did not change by a statistically significant amount.)

In short, the poorest households — whose purchasing power rose by only 0.25 percent per year over this period — did not fare nearly as well as the richest households. Most of the growth for the bottom fifth occurred during the second of the three business cycles we examined — the 1990s. The poorest households fell behind in the most recent business cycle.

Within the top fifth of households, the wealthiest households enjoyed the largest income growth. Nationwide, the average income of the richest 5 percent of households grew 114 percent ($155,435) between the late 1970s and the mid-2000s. In the 11 large states where such a comparison is possible, incomes grew significantly faster among the top 5 percent than the bottom fifth (see Table 7A).[11] Average incomes of the top 5 percent grew by more than 80 percent (over $100,000) in all 11 states and more than doubled in eight of them. Meanwhile, the greatest income growth for the bottom fifth anywhere in the country was only 27 percent ($6,593), in New Hampshire.

Income Gaps Between High- and Low-Income Households

As noted, another way to assess changes in income inequality is by examining changes in the income gap (the ratio between the average household incomes in the top and bottom fifths) over

[11] Only 11 states had sufficient observations in the Current Population Survey to allow reliable comparisons between the average incomes of the top 5 percent of households in the late 1970sand the late 1990s and the average incomes of the top 5 percent in the mid 2000s.. We were, however, able to calculate the ratio of incomes of the top 5 percent to the bottom fifth for all states for the late 2000s. (See Table 2A.)

Table 7

Dollar and Percent Change in Average Incomes of Bottom and Top Fifths of Households 1977-1979 to 2005-2007 (in 2009 Dollars)

State	Bottom Fifth			Top Fifth		
	Dollar Change		Percent Change	Dollar Change		Percent Change
50 States Where the Incomes of the Top Fifth Grew Faster Than the Incomes of the Bottom Fifth[a]						
Alabama	2,371	*	16.8%	62,566	*	71.0%
Alaska	2,516	*	11.0%	38,679	*	28.9%
Arizona	(887)	*	-4.6%	59,204	*	59.0%
Arkansas	4,711	*	32.2%	44,059	*	51.5%
California	623	*	3.1%	81,674	*	74.6%
Colorado	934	*	4.3%	84,285	*	78.4%
Connecticut	(981)	*	-4.0%	118,682	*	110.3%
Delaware	703		3.3%	63,316	*	63.5%
Florida	2,946	*	18.0%	77,285	*	81.7%
Georgia	3,966	*	25.4%	57,214	*	59.6%
Hawaii	3,025	*	12.7%	64,798	*	61.0%
Idaho	2,352	*	12.0%	57,071	*	62.8%
Illinois	(282)		-1.4%	73,346	*	68.6%
Indiana	(1,378)	*	-6.7%	53,906	*	57.2%
Iowa	1,809	*	8.4%	58,749	*	62.1%
Kansas	2,257	*	11.5%	64,698	*	66.8%
Kentucky	(2,142)	*	-11.8%	55,357	*	61.7%
Louisiana	1,460	*	9.6%	57,839	*	61.9%
Maine	5,106	*	27.3%	60,266	*	66.6%
Maryland	1,417	*	5.9%	87,322	*	77.5%
Massachusetts	478		2.2%	107,568	*	103.3%
Michigan	(873)	*	-3.9%	52,992	*	49.7%
Minnesota	4,130	*	18.4%	77,019	*	78.3%
Mississippi	1,694	*	12.7%	62,855	*	75.3%
Missouri	3,775	*	21.6%	64,974	*	67.7%
Montana	2,250	*	13.2%	40,220	*	43.7%
Nebraska	4,634	*	24.8%	55,890	*	58.4%
Nevada	3,395	*	16.8%	59,759	*	58.6%
New Hampshire	6,593	*	27.4%	81,764	*	85.0%
New Jersey	5,619	*	26.7%	110,250	*	101.9%
New Mexico	1,983	*	13.0%	68,341	*	73.8%
New York	226		1.2%	84,626	*	81.4%
North Carolina	2,096	*	12.3%	65,336	*	73.0%
North Dakota	3,587	*	20.1%	54,004	*	56.3%
Ohio	118		0.6%	50,980	*	50.6%
Oklahoma	927	*	5.3%	61,013	*	63.9%
Oregon	1,115	*	5.3%	70,863	*	71.0%
Pennsylvania	1,602	*	7.7%	69,289	*	71.9%
Rhode Island	2,480	*	11.8%	94,170	*	99.0%
South Carolina	3,944	*	25.3%	52,349	*	59.6%
South Dakota	4,023	*	24.3%	77,427	*	91.7%
Tennessee	1,825	*	11.8%	54,615	*	60.7%
Texas	398	*	2.4%	60,471	*	58.9%
Utah	3,051	*	15.1%	60,813	*	65.5%
Vermont	6,378	*	32.5%	69,109	*	75.1%
Virginia	4,249	*	21.1%	89,321	*	81.3%
Washington	4,707	*	23.6%	71,979	*	69.5%
West Virginia	(1,246)	*	-7.3%	50,529	*	60.2%
Wisconsin	1,362	*	6.1%	64,402	*	65.7%
Wyoming	(1,917)	*	-7.9%	45,562	*	43.2%
District of Columbia	**(1,507)**	*****	**-9.2%**	**132,246**	*****	**106.0%**
Total U.S.	1,331	*	6.9%	71,301	*	70.9%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

[a] For the states in this group, the income of the top fifth grew by a larger percentage than the income of the bottom fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 7A

Dollar and Percent Change in Average Incomes of Bottom Fifth and Top 5 Percent of Households 1977-1979 to 2005-2007 (in 2009 Dollars)

State	Bottom Fifth			Top 5 Percent		
	Dollar Change		Percent Change	Dollar Change		Percent Change
11 States Where the Incomes of the Top 5 Percent Grew Faster Than the Incomes of the Bottom Fifth^						
California	623	*	3.1%	182,567	*	122.0%
Florida	2,946	*	18.0%	159,480	*	119.3%
Illinois	(282)		-1.4%	175,059	*	123.0%
Massachusetts	478		2.2%	218,354	*	151.9%
Michigan	(873)	*	-3.9%	120,827	*	84.7%
New Jersey	5,619	*	26.7%	235,679	*	162.0%
New York	226		1.2%	193,877	*	135.8%
North Carolina	2,096	*	12.3%	131,479	*	105.3%
Ohio	118		0.6%	112,699	*	85.1%
Pennsylvania	1,602	*	7.7%	144,289	*	113.5%
Texas	398	*	2.4%	136,766	*	96.0%
Total U.S.	1,331	*	6.9%	155,435	*	114.1%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

^ For the states in this group, the income of the top 5 percent grew by a larger percentage than the income of the bottom fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

time. As Table 8 shows, the top-to-bottom ratio in every state grew between the late 1970s and mid-2000s.

Nationwide, overall inequality increased significantly between the late 1970s and the mid-2000s. The richest fifth of households had 5.2 times the income of the poorest fifth in the late 1970s; by the mid-2000s this ratio had grown to 8.3. In the late 1970s, only six states had a top-to-bottom ratio of more than 6.0; by the mid 2000s, only one state had a top-to-bottom ratios of *less* than 6.0.

The five states with the largest increases in income inequality over these three decades were Connecticut, Massachusetts, New York, Kentucky, and Illinois. Between the late 1970s and mid-2000s, Connecticut's top-to-bottom ratio rose from 4.4 to 9.6. The average income of the bottom fifth of Connecticut households declined by $981 (from $24,451 to $23,470) during this period, while the income of the richest fifth of households *rose* by $118,662 (from $107,554 to $226,237).

Comparing the top 5 percent of households to the bottom fifth shows an even more dramatic increase (see Table 8A). Nationally, the top-5-percent-to-bottom-fifth ratio rose from 7.1 to 14.1 between the late 1970s and mid-2000s.

Among the 11 large states analyzed, all experienced a significant increase in income inequality. In the late 1970s, none of these states had a top-5-percent-to-bottom-fifth ratio greater than 9.0. By the mid-2000s, all of these states had ratios higher than 11.

Table 8
Change in Ratio of Incomes of Top and Bottom Fifths of Households 1977-1979 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top-to-Bottom Ratio 1977-1979	Top-to-Bottom Ratio 2005-2007	Change in Top-to-Bottom Ratio[a]	
Connecticut	1	4.4	9.6	5.2	*
Massachusetts	2	4.8	9.5	4.7	*
New York	3	5.4	9.7	4.3	*
Kentucky	4	4.9	9.1	4.1	*
Illinois	5	5.3	9.1	3.8	*
California	6	5.5	9.2	3.8	*
West Virginia	7	4.9	8.4	3.6	*
Colorado	8	5.0	8.5	3.5	*
Rhode Island	9	4.5	8.1	3.5	*
Mississippi	10	6.3	9.8	3.5	*
Arizona	11	5.2	8.6	3.4	*
Texas	12	6.2	9.6	3.4	*
New Mexico	13	6.1	9.4	3.3	*
Maryland	14	4.7	7.9	3.2	*
Indiana	15	4.6	7.8	3.2	*
Florida	16	5.8	8.9	3.1	*
New Jersey	17	5.1	8.2	3.1	*
Oklahoma	18	5.4	8.5	3.0	*
Oregon	19	4.8	7.8	3.0	*
Louisiana	20	6.2	9.1	2.9	*
Alabama	21	6.2	9.1	2.9	*
North Carolina	22	5.3	8.1	2.8	*
Pennsylvania	23	4.7	7.4	2.8	*
South Dakota	24	5.1	7.9	2.8	*
Delaware	25	4.7	7.4	2.7	*
Virginia	26	5.5	8.2	2.7	*
Michigan	27	4.8	7.5	2.7	*
Tennessee	28	5.8	8.4	2.5	*
Wisconsin	29	4.4	6.8	2.5	*
Kansas	30	4.9	7.4	2.4	*
Wyoming	31	4.4	6.8	2.4	*
Ohio	32	4.8	7.2	2.4	*
Minnesota	33	4.4	6.6	2.2	*
Iowa	34	4.4	6.6	2.2	*
Idaho	35	4.7	6.8	2.1	*
Missouri	36	5.5	7.6	2.1	*
Utah	37	4.6	6.6	2.0	*
Washington	38	5.2	7.1	1.9	*
Hawaii	39	4.5	6.4	1.9	*
New Hampshire	40	4.0	5.8	1.8	*
Nevada	41	5.0	6.8	1.8	*
Georgia	42	6.1	7.8	1.7	*
North Dakota	43	5.4	7.0	1.6	*
South Carolina	44	5.6	7.2	1.5	*
Vermont	45	4.7	6.2	1.5	*
Maine	46	4.8	6.3	1.5	*
Montana	47	5.4	6.8	1.5	*
Nebraska	48	5.1	6.5	1.4	*
Alaska	49	5.9	6.8	0.9	*
Arkansas	50	5.8	6.7	0.9	*
District of Columbia		**7.6**	**17.3**	**9.7**	*****
Total U.S.		5.2	8.3	3.1	*

* The changes in the top-to-bottom ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top-to-bottom ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 8A

Change in Ratio of Incomes of Top 5 Percent and Bottom Fifth of Households 1977-1979 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top 5 percent-to-Bottom Ratio 1977-1979	Top 5 percent-to-Bottom Ratio 2005-2007	Change in Top 5 percent-to-Bottom Ratio[a]	
New York	1	7.4	17.3	9.9	*
Massachusetts	2	6.6	16.3	9.7	*
Illinois	3	7.1	16.1	9.0	*
California	4	7.5	16.0	8.6	*
Texas	5	8.6	16.4	7.8	*
New Jersey	6	6.9	14.3	7.4	*
Florida	7	8.2	15.2	7.0	*
North Carolina	8	7.3	13.4	6.1	*
Pennsylvania	9	6.1	12.2	6.0	*
Michigan	10	6.4	12.4	5.9	*
Ohio	11	6.3	11.6	5.3	*
Total U.S.		7.1	14.1	7.1	*

* The changes in the top 5 percent-to-bottom ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top 5 percent-to-bottom ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Of these 11 states, New York had the largest increase in income inequality. Its top-5-percent-to-bottom-fifth gap more than doubled over this period, from about 7.4 to over 17. Over the last three decades, incomes grew by just $226 among the bottom fifth of New York households (from $19,213 to $19,439), while rising by $193,877 among the top 5 percent (from $142,754 to $336,630).

Income Trends Among High- and Middle-Income Households

The poorest households were not the only ones that did not fare as well as those at the top of the income distribution. The middle class also failed to keep pace with the top.

As Table 9 shows, the average incomes of both the middle and top fifths of households rose over the last three decades. In all 50 states, however, incomes grew significantly faster at the top —71 percent, compared to 27 percent (or only about 1 percent per year) for the middle fifth. In many states the growth was even more unequal.

Incomes grew even faster among the top 5 percent than the top fifth, as Table 9A shows.

Income Gaps Between High- and Middle-Income Households

Because incomes rose faster in the top fifth than the middle fifth between the late 1970s and the mid-2000s, the top-to-middle ratio grew significantly in all states (see Table 10). The greatest such

Table 9

Dollar and Percent Change in Average Incomes of Middle and Top Fifths of Households 1977-1979 to 2005-2007 (in 2009 Dollars)

State	Middle Fifth			Top Fifth		
	Dollar Change		Percent Change	Dollar Change		Percent Change
50 States Where the Incomes of the Top Fifth Grew Faster Than the Incomes of the Middle Fifth[a]						
Alabama	12,872	*	31.5%	62,566	*	71.0%
Alaska	8,056	*	12.9%	38,679	*	28.9%
Arizona	7,793	*	16.1%	59,204	*	59.0%
Arkansas	13,591	*	37.0%	44,059	*	51.5%
California	10,270	*	19.6%	81,674	*	74.6%
Colorado	16,593	*	30.9%	84,285	*	78.4%
Connecticut	22,190	*	40.1%	118,682	*	110.3%
Delaware	13,929	*	26.9%	63,316	*	63.5%
Florida	16,957	*	39.6%	77,285	*	81.7%
Georgia	16,102	*	36.1%	57,214	*	59.6%
Hawaii	16,744	*	29.9%	64,798	*	61.0%
Idaho	12,120	*	26.9%	57,071	*	62.8%
Illinois	10,144	*	18.8%	73,346	*	68.6%
Indiana	10,567	*	21.9%	53,906	*	57.2%
Iowa	14,094	*	28.9%	58,749	*	62.1%
Kansas	13,257	*	27.3%	64,698	*	66.8%
Kentucky	8,486	*	19.3%	55,357	*	61.7%
Louisiana	10,110	*	23.9%	57,839	*	61.9%
Maine	19,669	*	46.8%	60,266	*	66.6%
Maryland	18,504	*	31.6%	87,322	*	77.5%
Massachusetts	23,770	*	44.6%	107,568	*	103.3%
Michigan	8,776	*	16.2%	52,992	*	49.7%
Minnesota	21,001	*	41.3%	77,019	*	78.3%
Mississippi	11,524	*	32.7%	62,855	*	75.3%
Missouri	12,661	*	27.1%	64,974	*	67.7%
Montana	10,332	*	23.0%	40,220	*	43.7%
Nebraska	15,769	*	32.9%	55,890	*	58.4%
Nevada	10,287	*	19.7%	59,759	*	58.6%
New Hampshire	24,272	*	46.1%	81,764	*	85.0%
New Jersey	25,676	*	47.0%	110,250	*	101.9%
New Mexico	10,801	*	25.8%	68,341	*	73.8%
New York	14,118	*	28.9%	84,626	*	81.4%
North Carolina	11,216	*	25.4%	65,336	*	73.0%
North Dakota	15,216	*	33.1%	54,004	*	56.3%
Ohio	10,704	*	21.1%	50,980	*	50.6%
Oklahoma	7,262	*	16.0%	61,013	*	63.9%
Oregon	10,463	*	20.9%	70,863	*	71.0%
Pennsylvania	15,129	*	31.0%	69,289	*	71.9%
Rhode Island	20,827	*	42.2%	94,170	*	99.0%
South Carolina	13,358	*	31.9%	52,349	*	59.6%
South Dakota	19,718	*	48.6%	77,427	*	91.7%
Tennessee	13,115	*	31.7%	54,615	*	60.7%
Texas	7,598	*	16.4%	60,471	*	58.9%
Utah	17,042	*	38%	60,813	*	65%
Vermont	21,912	*	49.2%	69,109	*	75.1%
Virginia	19,091	*	37.1%	89,321	*	81.3%
Washington	17,290	*	33.6%	71,979	*	69.5%
West Virginia	10,446	*	24.9%	50,529	*	60.2%
Wisconsin	13,405	*	25.5%	64,402	*	65.7%
Wyoming	9,011	*	17.0%	45,562	*	43.2%
District of Columbia	**16,594**	*****	**34.8%**	**132,246**	*****	**106.0%**
Total U.S.	13,175	*	26.9%	71,301	*	70.9%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

[a] For the states in this group, the income of the top fifth grew by a larger percentage than the income of the middle fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 9A Dollar and Percent Change in Average Incomes of Middle Fifth and Top 5 Percent of Households 1977-1979 to 2005-2007 (in 2009 Dollars)						
	Middle Fifth			Top 5 Percent		
State	Dollar Change		Percent Change	Dollar Change		Percent Change
11 States Where the Incomes of the Top 5 Percent Grew Faster Than the Incomes of the Middle Fifth^						
California	10,270	*	19.6%	182,567	*	122.0%
Florida	16,957	*	39.6%	159,480	*	119.3%
Illinois	10,144	*	18.8%	175,059	*	123.0%
Massachusetts	23,770	*	44.6%	218,354	*	151.9%
Michigan	8,776	*	16.2%	120,827	*	84.7%
New Jersey	25,676	*	47.0%	235,679	*	162.0%
New York	14,118	*	28.9%	193,877	*	135.8%
North Carolina	11,216	*	25.4%	131,479	*	105.3%
Ohio	10,704	*	21.1%	112,699	*	85.1%
Pennsylvania	15,129	*	31.0%	144,289	*	113.5%
Texas	7,598	*	16.4%	136,766	*	96.0%
Total U.S.	13,175	*	26.9%	155,435	*	114.1%

* Dollar changes marked with an asterisk are "statistically significant." The direction of the change is known with 90 percent certainty. See the footnote in Table 3 for details.

^ For the states in this group, the income of the top 5 percent grew by a larger percentage than the income of the middle fifth and this difference was statistically significant.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

increase was in Connecticut, followed by California, Oklahoma, New York, and New Mexico. In the late 1970s, no state had a top-to-middle ratio of 2.5 or greater; by the mid-2000s, 35 states did[12].

The income gap between the top 5 percent and middle fifth of households grew even faster (see Table 10A). In the 11 states where the top 5 percent of households could be measured, income inequality between these two groups increased most in California, followed by New York and Illinois.

[12] The figures in Table 10 are rounded. This count (35) include states that have a ratio that is slightly higher than 2.5 but rounds to 2.5.

Table 10

Change in Ratio of Incomes of Top and Middle Fifths of Households 1977-1979 TO 2005-2007 (2009 Dollars)

State	Rank of Change	Top-to-Middle Ratio 1977-1979	Top-to-Middle Ratio 2005-2007	Change in Top-to-Middle Ratio[a]	
Connecticut	1	1.9	2.9	1.0	*
California	2	2.1	3.1	1.0	*
Oklahoma	3	2.1	3.0	0.9	*
New York	4	2.1	3.0	0.9	*
New Mexico	5	2.2	3.1	0.8	*
Illinois	6	2.0	2.8	0.8	*
Oregon	7	2.0	2.8	0.8	*
Texas	8	2.2	3.0	0.8	*
Massachusetts	9	2.0	2.7	0.8	*
Rhode Island	10	1.9	2.7	0.8	*
North Carolina	11	2.0	2.8	0.8	*
Arizona	12	2.1	2.8	0.8	*
Mississippi	13	2.4	3.1	0.8	*
New Jersey	14	2.0	2.7	0.7	*
Colorado	15	2.0	2.7	0.7	*
Kentucky	16	2.0	2.8	0.7	*
Virginia	17	2.1	2.8	0.7	*
Louisiana	18	2.2	2.9	0.7	*
Maryland	19	1.9	2.6	0.7	*
Florida	20	2.2	2.9	0.7	*
Missouri	21	2.1	2.7	0.7	*
Alabama	22	2.2	2.8	0.6	*
Nevada	23	2.0	2.6	0.6	*
Kansas	24	2.0	2.6	0.6	*
Pennsylvania	25	2.0	2.6	0.6	*
South Dakota	26	2.1	2.7	0.6	*
Wisconsin	27	1.9	2.5	0.6	*
Idaho	28	2.0	2.6	0.6	*
Michigan	29	2.0	2.5	0.6	*
West Virginia	30	2.0	2.6	0.6	*
Indiana	31	2.0	2.5	0.6	*
Delaware	32	1.9	2.5	0.6	*
Washington	33	2.0	2.6	0.5	*
Minnesota	34	1.9	2.4	0.5	*
Iowa	35	1.9	2.4	0.5	*
New Hampshire	36	1.8	2.3	0.5	*
Ohio	37	2.0	2.5	0.5	*
Tennessee	38	2.2	2.7	0.5	*
Hawaii	39	1.9	2.3	0.5	*
Wyoming	40	2.0	2.4	0.4	*
South Carolina	41	2.1	2.5	0.4	*
Utah	42	2.1	2.5	0.4	*
Nebraska	43	2.0	2.4	0.4	*
Georgia	44	2.2	2.5	0.4	*
North Dakota	45	2.1	2.4	0.4	*
Vermont	46	2.1	2.4	0.4	*
Montana	47	2.1	2.4	0.3	*
Alaska	48	2.1	2.4	0.3	*
Maine	49	2.2	2.4	0.3	*
Arkansas	50	2.3	2.6	0.2	*
District of Columbia		**2.6**	**4.0**	**1.4**	*****
Total U.S.		2.1	2.8	0.7	*

* The changes in the top-to-middle ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top-to-middle ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 10A

Change in Ratio of Incomes of Top 5 Percent and Middle Fifth of Households 1977-1979 to 2005-2007 (2009 Dollars)

State	Rank of Change	Top 5 percent-to-Middle Ratio 1977-1979	Top 5 percent-to-Middle Ratio 2005-2007	Change in Top 5 percent-to-Middle Ratio[a]	
California	1	2.9	5.3	2.4	*
New York	2	2.9	5.3	2.4	*
Illinois	3	2.6	5.0	2.3	*
Texas	4	3.1	5.2	2.1	*
New Jersey	5	2.7	4.7	2.1	*
Massachusetts	6	2.7	4.7	2.0	*
North Carolina	7	2.8	4.6	1.8	*
Florida	8	3.1	4.9	1.8	*
Pennsylvania	9	2.6	4.2	1.6	*
Michigan	10	2.6	4.2	1.6	*
Ohio	11	2.6	4.0	1.4	*
Total U.S.		2.8	4.7	1.9	*

* The changes in the top 5 percent-to-middle ratio marked with an asterisk are statistically significant at the 90 percent level of confidence. That is, one can say with 90 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality. Those changes that are not statistically significant are listed as n/a.

[a] Change in top 5 percent-to-middle ratio may not match calculated difference due to rounding. Rankings are based on unrounded numbers.

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

IV. Causes, Consequences, and State Policy Options

The preceding chapters have shown that almost every state's economic growth since the 1970s has accrued largely to the highest-income households and that the enormous concentration of income at the top has persisted after the Great Recession and financial crisis of 2007-09. This chapter addresses three important questions related to these trends:

1. Why is growing income inequality a problem?
2. Why is income inequality large and growing in nearly every state?
3. What can state policymakers do to reduce inequality?

1. Why is growing income inequality a problem?

It is a basic American belief that hard work should pay off — that individuals who contribute to the nation's economic growth should reap the benefits of that growth. Over the past three decades, however, the benefits of economic growth have been skewed in favor of the wealthiest members of society. Rising income inequality not only raises basic issues of fairness but also adversely affects our economy and political system.

A widening gulf between the richest Americans and those at the bottom or middle of the income scale can reduce social cohesion, trust in government and other institutions, and participation in the democratic process. For example, two-thirds of respondents to a recent Pew Research poll indicated that they believe that there are strong conflicts between the rich and the poor.[13] Growing income inequality also has exacerbated discrepancies in political influence in federal, state, and local government — a particular problem given political candidates' heavy dependence on private contributions. For example, in the 2008 election, over 70 percent of funding for campaigns for the House of Representatives — which totaled $854 million — came from large donations (over $1,000) or Political Action Committees.[14] This may have contributed to the increase in the number of Americans who feel that their elected officials do not care much about the views of ordinary citizens.

In addition, inequality has negative effects on the nation's health, housing, and education. As the divide grows between families at the top of the income scale and everyone else , the richest Americans have less contact with everyone else — and thus less familiarity with the problems that typical Americans face. Metropolitan areas with rising income inequality experienced rapid growth in residential segregation by income between 1970 and 2000, according to a 2007 Brookings Institution study.[15]

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[13] *Rising Share of Americans See Conflict Between Rich and Poor*, Pew Research Center. January 11, 2012.

[14] Anthony J. Corrado, Michael J. Malbin, Thomas E. Mann, and Norman Ornstein, "Reform in an Age of Networked Campaigns: How to foster citizen participation through small donors and volunteers," The Campaign Finance Institute, American Enterprise Institute and Brookings Institution, January 2010.

[15] Tara Watson, *New Housing, Income Inequality, and Distressed Metropolitan Areas*, Brookings Institution, September 2007.

Because school systems depend heavily on local funding, increased income disparities have led to increased disparities in the quality of schools. As wealthier families have moved to the suburbs, low-income families have become increasingly concentrated in areas with low housing values. The result is lower property tax collections to support schools and other services. That makes it harder for children in low-income families to acquire the skills they need to succeed.

Segregation by income also reduces support for state taxes, which comprise almost half of funding for elementary and secondary schools. An upper-income family living in the suburbs may have trouble understanding the extent of the problems of schools in low-income neighborhoods. Similarly, wealthy families who can afford private schools for their children can lose sight of the need to support public schools. As a result, support for the taxes necessary to finance government programs declines, even as the nation's overall ability to pay taxes rises. The failure to invest adequately in programs that educate children, meet the health and housing needs of families at all income levels, and support low-wage workers can dampen the future economic growth of individual states and of the nation.

There is also evidence that income inequality causes more direct harm to people in poverty. For example, a number of papers prepared for a conference on income inequality sponsored by the Federal Reserve Bank of New York found a link between higher levels of inequality and poor schools, substandard housing, and higher levels of crime.[16]

The impact of inequality on public health has received considerable attention from researchers. A recent article summarized this research: "Demographers and public health researchers have found mounting though controversial evidence that greater inequality can boost mortality rates and contribute to poor health. Countries and communities with above-average inequality have higher mortality rates than countries or communities with comparable incomes and poverty rates but lower inequality."[17] The United States has substantially greater inequality than nearly all other developed nations. A recent study found that children in states with higher income inequality were less well-off than those in states with a more even distribution of income.[18]

In addition to the link to overall health, a recent paper that examined differences among countries and among U.S. states found a strong connection between income inequality and social problems such as mental illness, violence, drug abuse, and poor educational performance.[19]

Growing income inequality also widens the gap between housing costs and what households — particularly renters with very low incomes — can afford to pay. High housing costs reduce the disposable income that families have to pay for other essentials, such as food, transportation, and

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[16] "Unequal Incomes, Unequal Outcomes? Economic Inequality and Measures of Well-Being", Economic Policy Review, Volume 5, Number 3, September 1999.

[17] Gary Burtless, "Growing Income Inequality: Sources and Remedies" in Henry J. Aaron and Robert D. Reischauer, eds. *Setting National Priorities: The 2000 Election and Beyond,* Brookings Institution Press, 1999.

[18] Kate E. Pickett and Richard Wilkinson, "Child Well-Being and Income Inequality in Rich Societies," BMJ, September 27, 2007.

[19] Richard Wilkinson and Kate Pickett, "Income Inequality and Social Dysfunction", Annual Review of Sociology, 2009, 35:493-511.

medical care. They also contribute to housing instability and homelessness, which can have severe and enduring effects on families, particularly young children.

In addition, growing income inequality threatens to undermine efforts to move more families from welfare to work. When low-wage jobs do not pay enough to lift a family out of poverty and when the incomes of the poorest families grow only slowly or not at all, policies that encourage work cannot succeed.

The recent decline in the incomes of the poorest families is particularly disturbing. Research has shown that poverty in childhood has a long and harmful reach. Even modest changes in family income for young children in poor families significantly affect their educational success — and may have a big effect on their earnings as adults. Poverty researchers Greg J. Duncan of the University of California, Irvine and Katherine Magnuson of the University of Wisconsin found that children in low-income families that received an income boost when the children were under age 6 earned more and worked more as adults.[20]

2. Why is inequality large and growing in nearly every state?

The growth of income inequality in nearly every state mainly reflects two factors. The first is that the distribution of labor income (wages and salaries) is becoming increasingly unequal; in other words, the gap between high-wage and low-wage jobs is growing. The second is that investment income has grown faster than wage income. A combination of broad economic trends and state and national government policies has contributed to both of these developments.

The Growing Wage Gap

The growing wage gap is the primary cause of the growth in income inequality. Wages are a key factor because they constitute about three-fourths of total family income. Wages at the bottom and middle of the wage scale have been stagnant or have declined over much of the last three decades. The wages of the very highest-paid employees, however, have grown significantly.[21]

Wages have eroded for workers at the bottom and middle of the income scale for several reasons, as explained below.

Economic Trends

One factor that affects wages is the supply of workers relative to the number of jobs available. When jobs are available but there are relatively few workers, employers must pay higher wages to fill job openings. The unemployment rate is one measure of the supply of workers; a high

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[20] Greg Duncan and Katherine Magnuson, "The Long Reach Of Early Childhood Poverty," http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf ; See also, for example, Greg Duncan and Jeanne Brooks-Gunn, eds., *The Consequences of Growing Up Poor,* Russell Sage Foundation, 1997 and Greg J. Duncan, Kathleen M. Ziol-Guest, Ariel Kalil; "Early Childhood Poverty and Adult Attainment, Behavior, and Health," *Child Development,* vol. 81 no. 1 pp. 306-325, Jan-Feb 2010.

[21] The 1996-2002 period was the only time during the last three decades that real wages grew significantly for workers at all levels, including those at the lower end of the income distribution — in large part because unemployment was low.

unemployment rate means that employers will have an easier time of finding workers, so there is less pressure on them to increase wages. The unemployment rate was higher on average over the last three decades than between the 1940s and the late 1970s.[22] As a result, middle- and low-income workers have generally had much less bargaining power than in that earlier period.

The one significant exception to the trend of growing wage inequality highlights the importance of full employment. The later part of the 1990s, a time of broadly shared growth in wages, was also a time of persistent low unemployment. That, plus an increase in the minimum wage, an expansion of the earned income tax credit, and rapid productivity growth, fueled real wage gains at the bottom and middle of the income scale.

Unemployment rates vary significantly from region to region. In 2011, when the national rate averaged 8.9 percent, state unemployment rates ranged from 3.5 percent in North Dakota to 13.5 percent in Nevada. The particular mix of industries in a state and changes in their fortunes can have a large effect on the relative level of inequality and growth in inequality in that state.

International trade also plays an important role in rising wage inequality. As U.S. imports have grown, the number of higher-wage manufacturing jobs available to non-college-educated workers has declined. In addition, workers in the United States may agree to wage concessions in response to employers' threats of moving production facilities to other countries.[23] Research has generally found that the growth in imports has played an important role in the decline in relative earnings of non-college-educated workers and can explain about 15 percent to 25 percent of rising wage inequality.[24] The effect may be growing. There is also some recent evidence that expanded trade with very low-wage countries such as China has increased the inequality-inducing impact of international trade.[25]

Several other fundamental changes in the U.S. economy have also helped widen the wage gap. The economy's shift from manufacturing to services has led to an increase in the number of low-paying jobs and a decline in higher-paying jobs for workers with less than a college education. Between 1979 and 2011, employment in manufacturing fell from 22 percent of all U.S. jobs to 9 percent, while employment in service industries rose from 72 percent of jobs to 86 percent. Many service-sector jobs are lower paid than comparable manufacturing jobs; between 2008 and 2010, for

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[22] Unemployment rates not only have been larger on average in absolute terms since the late 1970s, but also have been considerably more likely to be above the "full employment" rate by one common measure. One useful way to assess labor market tightness is to compare the unemployment rate to a construct called the non-accelerating inflationary rate of unemployment, or the NAIRU. The idea behind the NAIRU is that a) there's a tradeoff between low unemployment and inflation, and b) there's a rate of unemployment that's consistent with stable inflation. The implication is that if unemployment falls below the NAIRU, inflation will keep accelerating. Full employment as measure by NAIRU was much more common in the period between the 1940s and the 1970s, when inequality was not growing, than it has been in the last three decades.

[23] Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz, *The State of Working America 12th edition*, forthcoming, Cornell University Press, p 254.

[24] Report of the United States Trade Deficit Review Commission, November 2000.

[25] See L. Josh Bivens, "Globalization and American Wages, Economic Policy Institute, October 10, 2007, http://www.epi.org/content.cfm/bp196.

example, average weekly earnings for an employee working in non-manufacturing industries were 20 percent less than in manufacturing industries.[26]

The specific mix of industries in a state will determine how much globalization and the shift to services affect it. States that have relied on manufacturing, such as midwestern states with auto factories or southern states with textile plants, have been hard hit, for example. Similarly, the effects of technological change, discussed below, will differ based on the make-up of a state's economy.

Technology also plays a role in wage inequality, though its magnitude is often exaggerated. Previously, a number of researchers, observing that wages for highly educated workers have risen even as the number of these workers has grown, concluded that technological change has increased the demand for educated workers and thus is a major factor in the growing pay gap between high- and lower-wage workers. But there is little evidence that this dynamic intensified much over the period in which wage inequality was growing most quickly. Thus, technology must have played a smaller role in the *increase* in wage inequality than is often claimed.

More recent research has found a different, more nuanced relationship between technology and inequality. One influential recent study argues that technological change has had little effect on the wage gap between high-wage and low-wage workers in recent years. The authors argue that since the 1980s, demand for higher-skilled, better-educated workers has driven wage increases at the *high* end of the wage scale, but wages also grew at the low end of the scale because of the continued demand for workers performing non-routine manual jobs that computers cannot perform. In the middle, however, routine jobs performed by moderately educated workers were more likely to be replaced by technology or outsourced, so these workers' wages fell.[27]

Labor Market and Demographic Trends

The continued decline in the percentage of workers who are union members has also contributed to increased wage inequality. Between 1979 and 2011, the percentage of workers belonging to unions dropped from 23.4 percent to 11.8 percent. By 2011, only 6.9 percent of private-sector workers were union members, compared to 37 percent of public-sector employees.[28]

Unions have historically succeeded in both raising wages and benefits and in lowering wage inequality by standardizing compensation across competing employers. Non-unionized workers typically are paid lower wages, have less job security, receive fewer benefits, and are more likely to

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[26] Calculations based on the Bureau of Labor Statistics, *Current Employment Statistics Survey*, various years, http://www.bls.gov/data/home.htm. For wage difference see: http://www.brookings.edu/~/media/research/files/papers/2012/2/22%20manufacturing%20helper%20krueger%20wial/0222_manufacturing_helper_krueger_wial.pdf.

[27] David H. Autor, Lawrence F. Katz, and Melissa S. Kearney, "The Polarization of the U.S. Labor Market," *American Economic Review*, 96(2), May 2006, pp. 189-194. Also, David H. Autor, Lawrence F. Katz, and Melissa S. Kearney, "Trends in U.S. Wage Inequality: Reassessing the Revisionists," NBER Working Paper 11627, September 2005, www.nber.org/papers/w11627.

[28] Bureau of Labor Statistics, *Union Affiliation data from the Current Population Survey*, various years, http://www.bls.gov/data/home.htm.

work part time than union members. Economic analysis of the decline in union participation during the 1980s confirms that declining unionization contributes to increased earnings inequality.[29]

One factor that has accelerated the decline of unions is the proliferation of state laws that prohibit unions from requiring union membership for all workers covered by a union contract. These so-called "right-to-work" laws are common in the South.

Demographic changes may also contribute to the growing wage gap. For example, the share of households composed of single individuals rose from 22 percent to 27 percent between 1979 and 2010, while the share of families headed by a woman rose from 14.3 percent to 19.6 percent.[30] These trends have reduced incomes at the low end of the income scale because both single-individual families and female-headed families generally have lower incomes. This report adjusts the income of households for the number of members so the changes in inequality reflected here do *not* result from the increase in families composed of single individuals, but to some degree they do reflect the increase in families headed by a single woman.

Another significant demographic trend, the increase in husband-wife families in which the wife works outside the home, has *lessened* income inequality among families. During the 1970s and 1980s, increasing numbers of women entered the workforce, in part to help stem the decline in family incomes that resulted from the fall in average male earnings. In addition, family members increased their hours of work. However, there is a point at which families can no longer increase their work effort to offset declining wages, and the United States may be approaching that limit. In the 1990s, wives' hours of work grew much more slowly than in the 1980s.[31] Between 2000 and 2009, wives' hours of work declined as a result of the weak labor market.[32]

Some have identified immigration as a potential cause of rising wage inequality. In theory, inequality would increase if the growth in the number of immigrants increases the supply of low-wage workers, thereby lowering wages at the bottom of the wage scale. The actual role of immigration in wage inequality is much less clear, however. A 2005 report from the Congressional Budget Office reviewed the research in this area and concluded, "The arrival of large numbers of immigrants with little education probably slows the growth of the wages of native-born high school dropouts, at least initially, but the ultimate impact on wages is difficult to quantify."[33] A recent study by economists at the Federal Reserve Bank of Atlanta found only a very small negative impact (0.15 percent) on the wages of documented workers in firms that also hire undocumented workers. They

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[29] See, for example, Richard Freeman, "Is Declining Unionization of the U.S. Good, Bad or Irrelevant?" in *Unions and Economic Competitiveness*, Economic Policy Institute Series, 1992; Richard Freeman, "How Much Has De-Unionization Contributed to the Rise in Male Earnings Inequality," in Sheldon Danziger and Peter Gottschalk, *Uneven Tides*, Russell Sage Foundation, 1993.

[30] http://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf

[31] Mishel, Bernstein, and Allegretto, *The State of Working America 2004-2005*.

[32] http://stateofworkingamerica.org/charts/married-men-show-ceiling-effect-with-little-increase-in-hours-of-work-while-married-women-contribute-substantially-more/

[33] Congressional Budget Office, "The Role of Immigrants in the U.S. Labor Market," November 2005.

also found that immigration increased wages slightly in sectors where there are opportunities for task specialization and in industries where communication skills are important.[34]

Outside of its effect on wages, if any, immigration has been shown to reduce inequality. For example, a study in a state with many immigrants, New York, found that immigrants have expanded the number of families in the middle of the income distribution thus reducing inequality. [35]

The potential impact of immigration on wage inequality — whether positive or negative — in a given state will depend in part on the number of immigrants in the state. For example, fewer than 5 percent of Montana and Wyoming residents are foreign-born, compared to over 20 percent of California and New York residents. Where immigrants make up a smaller share of the workforce, they will have less potential influence on wage levels.

Government Actions

Increasing wage inequality results initially from changes in the wages that employers pay. Government policies, however, also affect income inequality, both directly (by redistributing income through the tax system and through transfer programs such as unemployment insurance and food stamps) and indirectly (through the rules and regulations that apply to private markets, such as minimum wages, tariffs, and the rules governing the formation of unions).

Labor-market policies have had a major impact on wage inequality. The real value of the federal minimum wage has declined considerably since its high point in the late 1960s. By 2011, its value was still 13 percent less than in 1979, despite four legislated increases during the 1990s and three more in the 2000s. The minimum wage is not indexed to inflation — that is, it does not increase automatically as the cost of living increases — so its real value will continue to erode each year unless Congress acts. The impact of this reduction in the minimum wage since 1979 on wage inequality has been, by many accounts, very substantial, especially for low-wage women workers.[36]

Many states now have their own, higher minimum wage, which reduces inequality by raising wages at the bottom of the wage scale. This policy is discussed below.

States also play a major role in delivering safety net assistance, which pushes back against growing inequality by helping low-wage workers move up the income ladder and by shielding the most vulnerable citizens from the long-term effects of poverty.

The Shift from Labor Income to Capital Income

Besides wages, the other major source of income is capital income: investments that yield dividends, rent, interest, and capital gains. Investment income primarily accrues to those at the top

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[34] Julie L. Hotchkiss, Myriam Quispe-Agnoli, Fernando Rios-Avila, "The Wage Impact of Undocumented Workers," Federal Reserve Bank of Atlanta, Working Paper 2012-4, March 2012.

[35] "Working for a Better Life: A Profile of Immigrants in the New York State Economy," Fiscal Policy Institute, November 2007.

[36] *State of Working America 2004-2005;* David Lee, "Inequality in the United States During the 1980s: Rising Dispersion or Falling Minimum Wage?" *Quarterly Journal of Economics,* 1999, 114(3), pp. 977-1023.

Do Low-Income Families Move Quickly up the Economic Ladder?

As this analysis shows, income inequality has increased substantially in the majority of states over the past three business cycles. In many states, the average income of the poorest fifth of households there grown only modestly since the early 1970s, even declining in some states.

Some families, however, have low incomes for only a few years and quickly move into the middle class. For example, the parents of a young child may be working part time while finishing college. The family's income might be very low for a few years, but after both parents graduate from college and obtain well paying jobs, the family's income could increase substantially.

Nevertheless, studies show that most low-income families have low incomes for many years. Recent studies have found that in the short term, workers in the bottom fifth of the income distribution experience very little income mobility. For example, 71 percent of households that were in the bottom fifth in 2001 were still in the bottom fifth two years later.[a]

Income mobility improves somewhat when one analyzes a longer period of time. A study that examined the 10 years from 1994 to 2004 found that 61 percent of those in the bottom fifth remained there after 10 years.[b] In a study spanning the late 1960s through the early 2000s, 42 percent of those who started in the bottom fifth remained in the bottom fifth as adults, and two-thirds remained in the bottom two-fifths.[c]

Race is an important factor in determining which individuals move up the income ladder and how far; studies show that the upward mobility of black families is *half* that of white families.[d] Moreover, in a major national study, almost half (45 percent) of black children whose parents were solidly middle class ended up falling to the bottom of the income distribution, compared to only 16 percent of white children.[e]

Researchers have also examined whether income mobility has changed over time. Faster movement up the economic ladder could offset the problems of greater income inequality; slower movement would worsen those problems. Studies on this issue disagree but some recent research, including a Federal Reserve study, has shown that income mobility declined in the 1980s and 1990s. And there is widespread agreement that income mobility has not *increased* since the 1970s.[f]

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[a] John J. Hisnanick and Katherine G. Giefer, "Dynamics of Economic Well-Being: Fluctuations in the U.S. Income Distribution, 2001-2003," U.S. Census Bureau, 2007.

[b] EPI analysis of data from Gregory Acs and Seth Zimmerman, "U.S. Intergenerational Economic Mobility from 1984 to 2004: Trends and Implications", Economic Mobility Project, October 2008.

[c] Julia Isaacs, "Economic Mobility of Families Across Generations," Economic Mobility Project, 2007, www.economicmobility.org/assets/pdfs/EMP_Across_Generations.pdf.

[d] Tom Hertz, "Rags, Riches and Race – The Intergenerational Economic Mobility of Black and White Families in the United States" in *Unequal Choices: Family Background and Economic Success,* ed. Samuel Bowles, Herbert Gintis, and Melissa Osborn, Princeton University Press, 2005.

[e] Julia Isaacs, "Economic Mobility of Black and White Families," Economic Mobility Project, 2007, www.economicmobility.org/assets/pdfs/EMP_Across_Generations.pdf.

[f] See Daniel Aaronson and Bhashkar Mazumber, "Intergenerational Economic Mobility in the United States, 1940 to 2000," Federal Reserve Bank of Chicago, Working Paper 2005-12, November 2005; Isabel Sawhill, "Are We Headed to a Permanently Divided Society?" Brookings Institution, CCF Brief # 48, March 2012. Katherine Bradbury and Jane Katz, "Are Lifetime Incomes Growing More Unequal?," *Regional Review,* Fourth Quarter, 2002; and Peter Gottschalk, "Family Income Mobility - How Much Is There, and Has It Changed?" in James A. Auerback, and Richard S. Belous, eds., *The Inequality Paradox: Growth of Income Disparity*, Washington, DC: National Policy Association, 1998.

of the income scale, so any increase in investment income as a share of total personal income — as occurred over the last three decades — will widen income inequality. [37]

Between 1979 and 2007, capital income rose as a share of personal market-based income from 15 percent to 20 percent, while labor income (wages, salaries, and fringe benefits) fell from 76 percent of personal income to 71 percent.[38] Further, the share of national income growth going to corporate profits during the recovery from the recent recession was considerably higher than average.

One result of these trends is that the gains of economic growth show up increasingly as capital income such as interest and dividends rather than increased wages, salaries, or benefits. Thus, wage earners benefit less from economic growth than wealthier owners of assets like stocks and investment properties. A recent Economic Policy Institute analysis of the reasons why wage growth has lagged behind growth in the economy (measured by productivity growth) found that almost half of the increase in this gap since 2000 can be explained by the shift in shares of income from labor to capital.[39]

Higher-income families benefit disproportionately from the increase in the importance of investment income, since it makes up a larger share of their total income. In 2012, 87 percent of all capital gains income will go to families in the top 5 percent of the income distribution.[40]

3. What can state policymakers do to reduce inequality?

There are a number of ways that states can reduce inequality and mitigate the effects of increasing inequality.

Raise the Minimum Wage

State policymakers can help reverse or moderate the decline in wages for workers at the bottom of the pay scale by raising their minimum wages. As noted, the purchasing power of the federal minimum wage is now 13 percent lower than at the end of the 1970s. To offset this loss, some 18 states plus the District of Columbia have minimum wages that are higher than the federal wage.[41]

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[37] This study captures only part of this effect because capital gains income is not included.

[38] These figures are based on an Economic Policy Institute analysis of National Income and Product Accounts and Internal Revenue Service data. See State of Working America 12th edition, p. 100.

[39] Lawrence Mishel, "The Wedges Between Productivity and Median Compensation Growth," Economic Policy Institute, April 26, 2012, http://www.epi.org/publication/ib330-productivity-vs-compensation/

[40] Urban-Brookings Tax Policy Center, May 2012, http://www.taxpolicycenter.org/numbers/Content/PDF/T09-0492.pdf

[41] The 18 states whose minimum wage is above the federal minimum wage in 2012 are Alaska at $7.75, Arizona at $7.65, California at $8.00, Colorado at $7.64, Connecticut at $8.25, Florida at $7.67, Illinois at $8.25, Maine at $7.50, Massachusetts at $8.00, Michigan at $7.40, Montana at $7.65, Nevada at $8.25, New Mexico at $7.50, Ohio at $7.70, Oregon at $8.80, Rhode Island at $7.40, Vermont at $8.46, and Washington at $9.04. The minimum wage in the District of Columbia is $8.25 in 2012.

The arguments for a higher state-level minimum wage are clear. Simply put, the annual income ($15,080) of a full-time, full-year worker at the federal minimum wage is far below the typical, no-frills family budget for a family of three.[42]

A higher minimum wage also could reduce income inequality significantly. Each 25-cent increase in the minimum wage would boost the earnings of a full-time, minimum-wage worker by $520 per year.[43] Contrary to the popular stereotype, the vast majority of minimum-wage workers are not teenagers; 88 percent are at least 20 years old. The average minimum-wage worker earns 49.4 percent of her or his family income, close to the 60.4 percent the average worker contributes.[44]

One of the principal arguments against raising the minimum wage is that it would reduce the number of people with jobs. Some argue that states that raise their minimum wage will lose jobs to neighboring states with lower minimum wages. The research, however, does not support these claims. A number of studies have found that increases in state minimum wages did not have a negative impact on employment, even relative to neighboring states with lower minimum wages.[45]

Beyond raising the state minimum wage, a state can prevent it from eroding over time by indexing it to inflation, as ten states now do. Or they could go further and tie future increases in the minimum wage to changes in average wages.[46]

A related way to assist low-wage workers is to enact a living wage ordinance, which typically requires private contractors performing services for a city or other local government to pay their workers a minimum hourly wage that is higher than the minimum wage. These ordinances affect fewer workers than a state minimum wage because they are enacted at the local rather than state level and apply only to employers that receive public funds.

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[42] The annual income is the 2012 federal minimum wage multiplied by 2080 hours of work in a year. The 2012 poverty level for a family of three is $19,090. Figures are in 2011 dollars.

[43] For someone working 40 hours per week and 52 weeks per year at the minimum wage, a 25-cent increase would yield a gross annual wage increase of $0.25 times 2,080, or $520. After payroll taxes of 7.65 percent are deducted, the net gain is $480.

[44] These figures reflect workers who would have been affected by an increase in the minimum wage from $7.25 an hour to $9.80 an hour. They include workers with hourly wages in this range and salaried workers whose hourly wage equivalent (weekly earnings divided by number of hours worked) falls within this range, as well as workers earning just above those amounts. From: Doug Hall and David Cooper, "How Raising the Federal Minimum Wage Would Help Working Families and Give the Economy a Boost," Economic Policy Institute, August 14, 2012, http://www.epi.org/files/2012/ib341-raising-federal-minimum-wage.pdf.

[45] Jared Bernstein and John Schmitt, "Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase," Economic Policy Institute, 1998; David Card, "Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage," *Industrial and Labor Relations Review,* October 1992; Lawrence Katz and Alan Krueger, "The Effect of the Minimum Wage on the Fast Food Industry," *Industrial and Labor Relations Review,* October 1992; David Card, "Do Minimum Wages Reduce Employment? A Case Study of California, 1987-89," *Industrial and Labor Relations Review,* October 1992; and David Card and Alan Krueger, "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review,* Volume 84, Number 4, September 1994.

[46] For more information see "Fix It and Forget It: Index the Minimum Wage to Growth in Average Wages", by Heidi Shierholz, Economic Policy Institute, December 17, 2009 http://epi.3cdn.net/91fd33f4e013307415_rum6iydua.pdf

Strengthen Unemployment Insurance

Many workers experience temporary spells of unemployment. In states that have a high level of seasonal unemployment, such as in agriculture or tourism, intermittent unemployment can cause many workers to fall into poverty.

The unemployment insurance (UI) system, administered jointly by the federal and state governments, is designed to help workers in such situations. UI replaces a portion of workers' former earnings while they look for new jobs or wait to be called back to their old jobs; frequently it prevents the unemployed from falling into poverty or needing to rely on welfare. The Great Recession and its aftermath highlight the critical importance of UI as a part of the national safety net for low-wage workers.

Unfortunately, only about one-third of unemployed workers receive regular UI benefits.[47] One reason is that the UI system, designed when the majority of the workforce consisted of married men who were the sole breadwinners for their family, does not reflect the realities of work and family today. Partly as a result of federal incentives in the 2009 Recovery Act, states have made great strides over the last few years in modernizing the UI system, opening up the program to tens of thousands of additional workers. But there is still much that many states could do to further expand UI coverage among low-wage workers. (And some of the gains may be at risk.)

For example, states that have not already done so can help workers who have recently joined the workforce by considering a person's most recent earnings in the determination of UI eligibility and benefits. The number of states with such provisions has more than doubled over the last three years, from 19 (plus the District of Columbia) to 39.[48] The number of states expanding UI eligibility to workers available only for part-time work also doubled over this period, from 14 to 28 (plus D.C.). And a number of states have broadened the list of reasons that qualify as "good cause" for leaving a job voluntarily to include reasons like caring for a family member. A recent study found that if all states implemented these three changes, the share of unemployed workers eligible for benefits would be 20 percentage points higher than if no states implemented them. Despite the policy improvements of recent years, between half and two-thirds of this potential gain has yet to be realized, the study found.[49]

States could also adopt additional reforms such as further expanding the definition of good cause to such reasons as lack of child care or transportation problems. Eliminating restrictions on seasonal workers would also enable more jobless workers to receive benefits.[50]

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[47] "Regular benefits" does not include extended benefits offered temporarily as a result of a recession.

[48] For details see "Modernizing Unemployment Insurance: Federal Incentives Pave the Way for State Reforms," National Employment Law Project, Briefing Paper May 2012.

[49] See Urban Institute, May 2012 at http://www.urban.org/UploadedPDF/412582-How-Do-unemployment-Insurance-Modernization-Laws-Affect-the-Number-and-Composition-of-Eligible.pdf

[50] For more information, see Rebecca Smith, Rick McHugh, and Andrew Stettner, "Between a Rock and a Hard Place: Confronting the Failure of State UI Systems to Serve Women and Working Families," National Employment Law Project, July 2003, http://www.nelp.org/iu/initiatives/family/between.cfm.

To finance these sorts of improvements, many states will need first to restore the financial health of their UI systems. Years of inadequate employer contributions prior to the recession left most state trust funds unprepared for a downturn of any size, much less one of historic proportions.[51] As a result, an unprecedented number of states relied on loans from the federal government to assist unemployed workers during and after the recession. Unless these states restore the health of their UI financing systems, most will be back in debt when the next recession hits; some will remain in debt from the current recession. [52]

Although low employer contributions are largely to blame for the weakness of state UI systems heading into the recession, some states are responding to their debt problems primarily or entirely by cutting benefits. For example, in the last two years, seven states — Arkansas, Florida, Georgia, Illinois, Michigan, Missouri, and South Carolina — have reduced the maximum number of weeks of regular state UI benefits. Before these changes, workers in every state were eligible for at least 26 weeks of regular benefits. Now, in Florida the maximum varies from just 12 weeks to 23 weeks, depending on the unemployment rate; Georgia's maximum varies from 14 to 20 weeks, and in Michigan, Missouri, and South Carolina, the maximum is 20 weeks.[53]

Other states, in contrast, have taken steps to restore healthy financing. UI is funded through a tax on a portion of each employer's wages, called the taxable wage base. One way to improve financing is to raise the taxable wage base regularly over time as wages go up. A number of states have indexed the wage base so that it rises automatically when wages increase. In general, the UI programs of the states with indexed wage bases were better funded before the last downturn and these states were much less likely to need to borrow funds during the recession.[54] Colorado and Vermont recently acted to index their taxable wage bases once their trust funds have returned to solvency; Colorado implemented its increase at the beginning of 2012.

Make State Taxes More Equal Across Income Groups

Virtually all states collect more taxes from poor families than high-income families, relative to their incomes. States (including their local governments) also generally collect more taxes from middle-income families than high-income families.[55] These disparities increase income inequality by reducing the after-tax income of low- and middle-income families more than that of high-income families.

One major reason that state tax systems are regressive is that most states rely heavily on sales taxes. Sales taxes place a disproportionate burden on low-income families, largely because lower-income families spend most or all of their income on taxable items, while higher-income families do

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[51] National Employment Law Project, "Lessons Left Unlearned: Unemployment Insurance Financing After the Great Recession", Policy Brief, July 2012.

[52] For more details see Center on Budget and Policy Priorities and National Employment Law Project, "Rebuilding the Unemployment Insurance System," February 8, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3394.

[53] In Arkansas and Illinois, the maximum is now 25 weeks.

[54] Wayne Vroman, "Unemployment Insurance and the Great Recession," Urban Institute, December 2011, http://www.urban.org/UploadedPDF/412462-Unemployment-Insurance-and-the-Great-Recession.pdf.

[55] See, for example, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, November 18, 2009.

not pay sales taxes on portions of their incomes that they save or invest. The regressivity of sales taxes is a big reason why, in 2007, the poorest fifth of married, non-elderly families paid twice as large a share of their incomes in state and local taxes as the wealthiest 1 percent of such families, on average (10.9 percent versus 5.2 percent).[56] Property taxes also generally hit low- and middle-income families more heavily than high-income families.

State income taxes can mitigate the imbalance, but many states do not take advantage of this opportunity. A graduated-rate income tax affects high-income families more than low-income families, and in a few states this balances out the effects of sales and property taxes. But many states have flat-rate or nearly flat-rate income taxes, and a few don't have income taxes at all. In short, some states are doing much more than others to reduce inequality through their tax codes. (The data in chapters 3 and 4 of this report include the effect of federal taxes but not state taxes.)

Many states have made their tax systems even more regressive in recent years. Because almost all states must balance their budgets in good economic times and in bad, states often raise taxes during economic downturns in order to preserve services in the face of falling revenues. When the economy is stronger, states often reduce taxes.

When states raised taxes to meet recession-induced shortfalls in the early 1990s, they predominantly raised those taxes that fall most heavily on low- and moderate- income households. But when a stronger economy during the mid- and late 1990s enabled states to cut taxes, they targeted much of the benefit on *higher*-income families. The recent pattern has been somewhat similar: in 2009 and 2010, a number of states raised taxes as part of their response to recession-induced revenue declines, and while they raised both income taxes and sales taxes, the income tax increases were almost uniformly temporary while half of the sales tax-rate increases were permanent. Overall, state taxes appear to have become more burdensome to low- and moderate- income families than they were in the late 1980s.[57]

As state revenues slowly recover from the 2007-2009 recession, some states are cutting taxes. The bulk of the state tax cuts enacted in 2012 disproportionately benefited higher-income families. For example, Kansas enacted a large personal income tax cut, Arizona reduced taxes on capital gains, and Indiana and Tennessee are phasing out their inheritance taxes. If these trends continue, state tax actions will increase the regressivity of their tax systems in addition to diminishing their ability to restore the large spending cuts of the last few years.

One way states can mitigate the negative impact of their tax systems on low-income people is by broadening the sales tax base to include more services that high-income families consume and using the resulting revenue to finance a cut in the sales tax rate. In addition, if states choose to cut taxes as the economy grows, they can reduce the impact of their taxes on low- and moderate-income families

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[56] "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, November 18, 2009.

[57] Between 1994 and 2001, states lowered personal income taxes (the major taxes paid by upper-income families) and other progressive taxes by nearly $28 billion, an amount equal to about 6.5 percent of annual state tax revenues. Those reductions far exceeded the increases in progressive taxes states enacted in the early 1990s, which totaled about 3.7 percent of state revenues. By contrast, the sales and excise tax reductions of the last eight years have totaled just over $1 billion or about 0.3 percent of state tax revenue — just a small fraction of the 4.1 percent of state revenues by which sales and excise taxes were increased in the early 1990s.

by enacting tax credits targeted to low-income taxpayers or by raising personal exemptions or standard deductions rather than cutting top income tax rates or taxes on capital gains.

Enact State Earned Income Tax Credits

States can boost the incomes of low- and moderate-wage working families or offset the impact of a regressive tax increase by enacting or expanding a state earned income tax credit (EITC). Many states have created EITCs to build on the strengths of the federal EITC, which offsets the sizable burden of the Social Security payroll tax on low-wage workers, supplements the earnings of low- and moderate-income families, and complements efforts to help families move from welfare to work.

Many families with working parents remain poor even when their federal EITC benefits are considered. In addition, as noted above, low-income families pay a substantial share of their incomes in state and local taxes, particularly sales and excise taxes. Partly as a result of these factors, over half of the states with a state income tax and one state that has no state income tax — in all, 24 states plus the District of Columbia — have established their own EITCs.[58] State EITCs can boost the incomes of a state's poorest working families and reduce the gap between the state's poorest and richest residents.[59]

Strengthen the Safety Net

States play a major role in delivering safety net assistance, which pushes back against growing inequality by helping low-wage workers move up the income ladder and by shielding the most vulnerable citizens from poverty. When one counts both broad social insurance benefits (such as Social Security) and programs targeted on low-income people (such as food stamps), the safety net lifts tens of millions of people out of poverty. In 2010, the safety net as a whole cut the percentage of Americans living in poverty nearly in half (from 28.6 percent to 15.5 percent), lifting about 40 million people above the poverty line.[60]

Some of the harshest effects of rising inequality are borne by families living in "deep poverty" (family income below half the poverty line), a growing group that includes many children, who are especially vulnerable to its effects. About 44 percent of all poor children have cash incomes below half of the poverty line (or $8,687 a year for a family of three in 2010), Census figures show.

Safety net programs have shifted in focus in the past two decades, with greater emphasis on support for working families and less emphasis on cash assistance for nonworking households. The biggest changes occurred in welfare programs, with the replacement of Aid for Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). Other

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[58] State EITCs are in effect in Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, Washington, and Wisconsin.

[59] For more information on state EITCs, see Ami Nagle and Nicholas Johnson, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2011," Center on Budget and Policy Priorities, April 18, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3474.

[60] Arloc Sherman, "Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show," Center on Budget and Policy Priorities, November 7, 2011, http://www.cbpp.org/files/11-7-11pov.pdf.

changes in the mid- and late 1990s, including expansions to the EITC and increases in child care funding, also expanded assistance to low-income working families. But, as the poverty and deep poverty rates remain at near record highs, large numbers of low-income families have not been supported by the current safety net of anti-poverty programs.

States have a host of options for strengthening their safety nets, as described below.

Better Integrating Low-Income Assistance Programs

While federal and state governments offer a wide range of work supports, families often have difficulty obtaining and retaining the benefits for which they are eligible. In some instances, this is simply due to insufficient funding. But in many cases, families often miss out on programs that have sufficient funding to enroll all eligible people.[61] The reasons include lack of awareness of eligibility, stigma, inconsistent or contradictory policies across programs, and cumbersome enrollment processes.

Over the last 15 years, states have taken a number of steps to improve participation rates among eligible families, such as by reducing paperwork, dropping complicated and unnecessary rules, and providing multiple pathways to obtaining benefits. But much work remains to be done, especially in simplifying policies across different programs that serve similar populations.

The expansion of Medicaid and health insurance support in the Affordable Care Act (ACA) offers a unique opportunity to align rules and processes among programs serving low-income people. A large share of people whom the ACA will make eligible for Medicaid will already be enrolled in SNAP (food stamps) or other benefit programs.[62] In other cases, people who apply for health coverage due to the ACA will not have had contact with state human services in the past and many may be eligible for other benefits. This presents an opportunity to provide multiple services to families eligible for them, by aligning program requirements and enrollment procedures.

State options to improve and align low-income programs include:[63]

- Allowing "express lane" applications. States can address the problem of multiple applications and enrollment processes for multiple programs — and save time for everyone — by using information they have already gathered to determine a family's eligibility for one program to confirm its eligibility for other programs.

- Reducing "churning" on and off programs. All households must periodically renew their eligibility for SNAP, Medicaid, and other benefit programs, to ensure they remain eligible and receive the correct amount of benefits. But often, administrative rules prove overly complex

[61] For example, SNAP served only 60 percent of people in eligible working families in 2009, according to the Agriculture Department, despite being an entitlement for those who are eligible and the Urban Institute found that 4.7 million of the 7.3 million children who had no health insurance in 2008 were eligible for Medicaid or CHIP.

[62] CBPP estimates that approximately one-fourth of SNAP participants will gain Medicaid eligibility under the ACA. In some states the share will be as high as 47 percent.

[63] For a more detailed discussion of options for states to integrate public benefit programs, see "Improving the Delivery of Key Work Supports," Center on Budget and Policy Priorities, February 24, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3408.

and burdensome and families lose eligibility, only to reapply again within a few weeks. Under the ACA, states will renew Medicaid eligibility by first using electronically available information; if questions remain, they must then give families multiple opportunities to provide the needed information. This approach would improve recertification for other programs as well. States also have significant flexibility to coordinate and streamline renewals using "rolling" renewal periods or matching certification periods.

- Improving technology. The funding that the ACA will give states for Medicaid technology infrastructure development creates a unique opportunity to invest in new computer systems for determining eligibility, enrollment, and retention that can benefit human service programs like SNAP as well as health programs. Online multiple-program applications, electronic case files, and integrated eligibility systems that eliminate the need for a single eligibility worker to know multiple program rules can also improve access to benefits for eligible households.

- Minimizing in-person requirements. Trips to the benefit office can be a real barrier for working families or those in rural or underserved areas. States can address this problem by eliminating requirements that families appear in-person at a local welfare office to apply for or retain work support benefits. States have also developed on-line applications, and some have added electronic or telephonic signature options so households can apply without needing to mail in or deliver their applications.

- Streamlining documentation requirements. States have considerable latitude in how much documentation they require from applicants and in how they verify the information. They can limit documentation to those items required by law, maximize third-party verification, and eliminate unnecessary differences in verification requirements among programs.

Many states have begun integrating benefit programs for working families. For example, the Work Support Strategies project, funded by the Ford Foundation, is engaging six states in a multi-year project to streamline and align SNAP, health programs, and child care for low-income working families (more information is available at http://www.urban.org/worksupport/).

Expanding Medicaid Under the Affordable Care Act

Many low- and moderate-income families whose incomes have stagnated over the last decade struggle with the costs of health insurance and medical care. Many jobs do not provide health insurance and the price tag can be too high for those in low-wage jobs and the unemployed. The lack of affordable health insurance can create a barrier to employment for low-income people. In addition, the productivity and thus employability and potential for advancement of uninsured workers who go without needed care can suffer. Under the Affordable Care Act, states have the opportunity to expand access to health insurance for low-wage workers. Expanding access addresses one of the harmful results of inequality — uneven access to health insurance and health care — and could serve to reduce inequality in the future by helping people move into and keep jobs.

The Medicaid program financed by states and the federal government can fill in gaps in coverage for families who struggle on a daily basis to afford life's necessities. (Note that due to data constraints, the income measure in this analysis does not include the value of Medicaid or private

insurance.) Today Medicaid covers over 52 million low-income individuals, but it leaves out millions of uninsured people with incomes well below the federal poverty line. That will change in states that implement the Medicaid expansion in the Affordable Care Act (ACA).

All state Medicaid programs cover parents, but in most states only at very low income levels. In the typical or median state, working parents lose eligibility for Medicaid when their income exceeds just 63 percent of the poverty line ($12,027 for a family of three); non-working parents lose eligibility with incomes at just 37 percent of the poverty line ($7,063 for a family of three).[64] Adults who are not living with children generally cannot get Medicaid coverage at all even if they have little or no income.

Starting in 2014, the ACA provides a pathway to coverage for most uninsured adults under 65 with incomes up to 133 percent of the poverty line.[65] The federal government will pick up the vast majority of the costs of the expansion. The Supreme Court decision upholding the constitutionality of the ACA gives states the choice of whether or not to go ahead with the Medicaid expansion. Some governors and state legislative leaders have said they do not plan to implement the expansion despite the modest cost to their budgets. In states that do not expand Medicaid, people with incomes between 100 percent and 133 percent of the poverty line will be able to get subsidized coverage through the health insurance exchanges but the cost (in terms of premiums and cost-sharing charges) will be higher than if they were covered under Medicaid. People with incomes *below* the poverty line will *not* be eligible for such assistance, which is only available to people with incomes between 100 and 400 percent of the poverty line. More than 11 million poor adults with incomes too high to receive Medicaid today are at risk of remaining uninsured if states do not expand their Medicaid programs.[66]

If all states implement the Medicaid expansion, millions of poor uninsured individuals will obtain health coverage. They would no longer go without needed care and many would be more likely to secure and retain jobs that can be the first step up the income ladder**.**

Providing State Rental Assistance

A collateral effect of income inequality is the growing gap between housing costs and what households, particularly renters with very low incomes, can afford to pay. Since 2001, the number of households with "worst-case housing needs" — meaning they receive no housing assistance, have incomes below 50 percent of the area median, and have housing costs that exceed 50 percent of

[64]Martha Heberlein et al, "Performing Under Pressure: Annual Findings of a 50-State Survey of Eligibility, Enrollment, Renewal, and Cost-Sharing Policies in Medicaid and CHIP, 2011-2012," Kaiser Commission on Medicaid and the Uninsured, January 2012.

[65] The ACA does not increase the income eligibility threshold for seniors and people with disabilities. In addition, legal immigrant adults who have not been in the United States for five years will not be eligible for Medicaid but will be eligible to receive premium tax credits.

[66] Genevieve Kenney et al, "Opting out of the Medicaid Expansion under the ACA: How Many Uninsured Adults Would not Be Eligible for Medicaid?" Urban Institute, July 5, 2012.

income — has increased by 42 percent, to 7.1 million.[67] Most households with "worst-case needs" are families with children or other working households.

Federal rental assistance programs — the largest of which is the Housing Choice (Section 8) voucher program — help roughly 5 million low-income families to rent decent, stable housing at an affordable cost. Rental assistance lifts nearly half of these families out of poverty and frees up considerable resources that families may use for food, transportation, medical care, and other essentials.[68] Research also shows that rental assistance is highly effective at reducing housing instability and homelessness and very likely improves long-term health, educational, and employment outcomes for young children.[69]

Because only 1 in 4 eligible families receives federal rental assistance due to funding limitations, state investments in rental assistance are critical to reducing homelessness and its harmful consequences. More than 40 states have rental assistance programs, most of which provide subsidies in the form of tax credits or rebates. These state programs provide only a small fraction of the assistance available from federal programs but remain an important source of support for some low-income renters.[70]

Strengthening TANF Assistance for Low-Income Families

TANF's effectiveness as a key part of the safety net has declined significantly in recent years. TANF caseloads fell by 58 percent between 1995 and 2010, from 4.7 million families to 2.0 million. Meanwhile, the number of families with children in poverty rose by 17 percent over this period (from 6.2 million to 7.3 million) and the number of poor children climbed by 12 percent or 1.7 million. For families that do receive TANF cash assistance, benefits are very low and have dropped in value since the start of TANF in the 1990s. Cash assistance benefits are below 50 percent of the poverty line in all states and below 30 percent of the poverty line in most states.

Moreover, states have not effectively shifted from cash assistance to a work support system as welfare reform intended. Instead of using the state and federal funds freed up by the TANF caseload decline to invest in providing a different but stronger safety net or a pathway to work for families, states often have shifted these funds to other areas of their budgets.

To make TANF more responsive to the needs of very poor families and improve employment outcomes for TANF recipients, a state can:

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[67] Barry Steffen *et al.,* "Worst-Case Needs 2009: A Report to Congress," HUD Office of Policy Development and Research, 2011, http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds09.html. The 2001 data used for comparison are from the 2003 version of the report.

[68] Arloc Sherman, "Safety Net Effective at Fighting Poverty But Has Weakened for Very Poorest," Center on Budget and Policy Priorities, July 6, 2009, http://www.cbpp.org/files/7-6-09pov.pdf.

[69] Jill Khadduri, "Housing Vouchers Are Critical for Ending Family Homelessness," National Alliance to End Homelessness, 2008, http://www.endhomelessness.org/content/article/detail/1875/. See also, for example, Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," in *Pathways,* Winter 2011.

[70] Danilo Pelletiere *et al.,* "Housing Assistance for Low Income Households: States Do Not Fill the Gap," National Low Income Housing Coalition, 2008, http://nlihc.org/sites/default/files/Housing-Assistance-2008.pdf.

- Increase investments in work-related activities, which generally have received flat or declining funding in recent years. For example, states could provide additional funding to job-placement providers if they place individuals with the greatest barriers (e.g., criminal convictions or no previous work experience) in paid employment for a specified period of time.

- Retool work programs to respond to employers' skill needs and TANF families' work-preparation needs. For example, a state could use TANF funds to develop or expand industry-specific job training programs, which can significantly increase employment among unemployed and underemployed individuals. They could also fund additional staff to help TANF recipients enroll in and complete community college.

- Increase investments in work supports such as child care or supplemental payments to help families (including current or former TANF recipients) cover work-related expenses such as transportation.

- Improve access to cash assistance for the most vulnerable families. Some of those least able to navigate the TANF system due to disabilities or other barriers often fail to receive needed help because of problems such as the imposition of sanctions without a careful review of the family's circumstances.

- Strengthen TANF's ability to fight deep poverty by reversing the decline in the inflation-adjusted value of cash benefits.

Providing Child Care Assistance and Early Education

Child care assistance programs can help lift the disposable incomes of low- and moderate-income families in both the short and long run. In the short run, they help participating families work and reduce the high out-of-pocket costs of child care. Child care programs also can help low-income families afford higher-quality care, which can foster healthy child development and improve school readiness and, later, employment outcomes. Because child care subsidies help families afford more stable child care arrangements and reduce the "cost" of working, they have a positive effect on employment rates; research has shown that the availability of subsidies has a positive effect on employment among low-wage mothers.[71]

Census data show that in 2010, families with incomes below the poverty line ($17,400 for a family of three in 2010) who paid for child care spent 40 percent of their cash incomes on this expense.[72] The cost of licensed, center-based care can be particularly burdensome for low-income families. Yet due to a lack of funding, child care subsidy programs serve only a minority of those eligible.

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[71] See, for example, Blau, D., & Tekin, E. (2007). "The determinants and consequences of child care subsidies for single mothers in the USA". *Journal of Population Economics, 20,* 719-74; Herbst, C.M. (2010a). "The labor supply effects of child care costs and wages in the presence of subsidies and the earned income tax credit". *Review of Economics of the Household 8,* 199-230; Herbst, C.M. & Tekin, E. (2011). "Do child care subsidies influence single mothers' decision to invest in human capital?" *Economics of Education Review, 30,* 901-912.

[72] "Who's Minding the Kids: Child Care Arrangements: Spring 2010," U.S. Census Bureau, http://www.census.gov/hhes/childcare/.

Working families that need child care but cannot afford it and do not receive subsidies have few options. Studies of families on child care waiting lists have shown that these parents often are forced to go into debt, to choose lower-quality care, to face untenable choices between paying for child care and other household necessities, and to leave jobs. Expanding child care subsidy programs can both improve low-income families' ability to make ends meet and help them retain employment more consistently.

In addition, extensive research has documented that high-quality early education programs can improve low-income children's educational outcomes.[73] State investments in quality early care and education programs can identify health and developmental issues, link families to necessary supports, and ensure that those who care for infants and toddlers have the tools to stimulate early learning and development and ease transitions into the preschool and elementary years.

It is important to note that families' need for child care subsidies does not end when a child enters kindergarten. Families need access to quality, affordable after-school care — and, in many cases, before-school care — as well as summer activities to ensure that children have developmentally appropriate, safe, and enriching out-of-school experiences.[74]

Fostering Success in the Labor Market

Workers with higher skills have higher employment rates and higher earnings. States can take several steps to improve the skills of their workforce. As noted above, efforts should start with young children through the provision of high-quality early care and education. But efforts should not end with children. Effective education and training programs can help low-skilled adults acquire skills in industries and occupations that need workers and that offer the prospect of better wages, opportunities for advancement, and stable employment.

There are several ways states can provide these opportunities for low-skilled adults, including:

- funding community colleges to develop occupational programs — including certificate granting programs — that begin with remediation for those without the standard prerequisite skills;
- improving English language programs and basic skills remediation programs so students can move to occupational training more quickly;
- revamping financial aid policies to ensure that part-time students (who are balancing work, family, and schooling) are eligible;
- establishing proven sectoral training programs for individuals with high levels of unemployment and limited employment prospects including "opportunity youth" — those who are 16-24 and out of school and out of work;

[73] See, for example, Eric I. Knudsen *et al.,* "Economic, Neurobiological, and Behavioral Perspectives on Building America's Future Workforce," Proceedings of the National Academy of Sciences, July 2006, http://www.developingchild.net/pubs/peer/Economic_Neurobiological_Behavioral_Perspectives.pdf.

[74] For more information on quality out-of-school time programs, see "Expanding Learning Opportunities: It Takes More than Time," Afterschool Alliance, September 2007, http://www.afterschoolalliance.org/issue_briefs/issue_expand_learn_29.pdf.

- providing personal supports, such as mentoring or case management, to help those combining study, work, and child-rearing to access resources available to help them meet their families basic needs and resolve problems that may arise;

- creating financial aid packages that help students not only with tuition costs, but also with room and board, child care, and transportation.[75]

Protect Workers' Rights

The ability to join unions and bargain collectively with employers can raise the wages of low- and middle-income workers. States play an important role in protecting workers' right to bargain collectively. There are ongoing movements to weaken these protections. For example, a number of states have enacted so-called "Right-to-Work" laws that dilute union bargaining strength by making it harder for workers' organizations to collect dues from the workers they represent. Eliminating these laws where they exist and not enacting new ones will improve the ability of low- and moderate-wage workers to bargain for higher wages. States can also play a role by ensuring that their own employees receive adequate wages, retirement security, and health insurance and that their rights as workers are protected.

In addition, states (along with the federal government) enforce laws that ensure that employers do not deny workers pay for the overtime they work, pay less than the legally-required minimum wage or engage in other abusive practices. Strengthening the enforcement of these laws can serve to raise the pay of workers in a state.

[75] This brief discussion draws on the work of Julie Strawn and Amy-Ellen Duke at the Center for Law and Social Policy. See, "Overcoming Obstacles, Optimizing Opportunities: State Policies to Increase Postsecondary Attainment for Low-Skilled Adults," Center for Law and Social Policy, March 2008, http://www.clasp.org/publications/bbtpolicyoverview.pdf.

V. Conclusion

Over the three decades since the late 1970s, states have not experienced broadly shared growth. While overall, the economy of the United States has grown over the period, most of the benefits of that growth have accrued to families at the top of the income distribution; lower-income families and families in the middle of the income distribution have seen their incomes grow only slowly. This has widened the gap in income between high-income families and poor and middle-class families.

The trend of growing inequality continued during the most recent business cycle — the period between the late 1990s and the mid-2000s. On average, the incomes of the families at the bottom of the income distribution declined and the incomes of those in the middle stagnated. In contrast, the incomes of the richest fifth of families climbed over the past decade. Consequently, in most states, the gap between high-income families and the middle class and the poor has widened.

The increase in income inequality has resulted from a number of factors, including both economic trends and government policy. Both federal and state policies have contributed to the increasing gap in income, and both federal and state policies can be used to help mitigate or even reverse this trend in the future.

VI. Methodological Appendix

The Data Source: Census Bureau Annual Social and Economic Supplement

The data for this analysis are from the U.S. Census Bureau's Annual Social and Economic Supplement, formerly called the March Current Population Survey (CPS) — a survey of a nationally representative sample of households conducted every year. Each March, approximately 75,000 households (earlier years had smaller samples) are asked questions about their prior year's income (for instance, the income data in the March 2011 CPS refers to 2010). The survey provides information on family income from a wide variety of sources, including wages and salaries and other sources of cash income, such as interest, child support, Social Security, veterans' assistance, and public assistance payments.

To take a more comprehensive look at income trends, this analysis also used Census Bureau estimates of family and individual income tax liabilities and credits, payroll taxes, and the value of major cash-like benefits, including food stamps and housing assistance (chiefly public housing and Section 8 rent subsidies). We used these estimates to construct our income measure: income after taxes and major cash-like benefits. We did not include the imputed cash value of publicly-provided health care benefits, like Medicare and Medicaid, because of the lack of a generally accepted method of accounting for medical benefits or expenditures.

Capital gains or losses are largely received by high-income families, so are an important component of income inequality. The Census Bureau does not ask surveyed households directly about capital gains but uses a predictive model to estimate capital gains. In prior versions of this report, we included those estimations in our analysis. However, a few years ago, the Bureau began experimenting with a new model to estimate capital gains and losses. We found the results to be implausible, yielding levels of gains that are far below prior years' results (and far below administrative benchmarks, such as IRS data). In addition, the results showed an implausibly large surge in capital gains going to low-income households in 2006 (the Census capital gains estimates for families earning less than 200 percent of the poverty line were approximately 100 times larger than in the year before). Since these changes appeared to introduce a large bias into the analysis and since the Census Bureau subsequently stopped estimating capital gains income, we chose to exclude capital gains altogether. Had we been able to include a consistent measure of capital gains, the results in each of our study periods would have shown even greater inequality than they do.

The Census data have other limitations, including underreporting of certain types of income by surveyed households. Some of the most underreported income sources, such as public assistance payments, go disproportionately to the poorest households. Others, such as dividends, go disproportionately to wealthy families. It is unclear how underreporting affected our measures of inequality on balance.

In order to have enough cases to generate reliable estimates of income by quintile by state, we pooled data for three consecutive years for each period.

Top-Coding

Another challenge with using these data for inequality analysis relates to top-coding. In the data files that the Census Bureau makes available to researchers, the highest income amounts are replaced with capped or average amounts to protect the identity of the wealthiest Americans. In earlier reports, we used a common method — Pareto imputation — to estimate average income from various sources above the top-code ceiling. As discussed below, we again used this method for wage and salary income for the 1977-79 data in this report. But starting with the 1998 data, and thus covering the latter three time periods in our study, Census now provides the actual average values above the top-codes for the key income sources in our study. (In the most recent data year, Census goes one step further and provides actual income values that have been randomized across high-income respondents. This does not affect the results of this analysis.) This enabled us to calculate reliable averages for the richest fifth and the richest 5 percent of American households, including the top-coded households, without resorting to our own estimates. Note that only a very small share of households, typically fewer than 1 percent, has income levels above the top-code.

However, we still had to adjust data from our first period, 1977-79, to be comparable to the later years. For interest, dividend, and rental income, our method was to mimic the recent Census approach by estimating average incomes for individuals in the top-coded range. We used published income tables generated by the Census Bureau from its internal data files, which include values above those on the top-coded public-use files.[76] First we calculated the total aggregate income from each source for each year. Then, using the public-use data for those years, we computed the amount of aggregate income below the top-codes in each year and subtracted this from the "true" aggregate income levels for each income source derived from the published tables. This gave us the aggregate totals above the top-code, which we divided by the number of individuals with that type of income to obtain average income values for top-coded individuals analogous to those provided by Census for more recent years.

As noted, for wage and salary income, we judged this method to be too crude. For example, the method relies on only one average for everyone with that type of income (whereas, using their internal files, the Census produces about twelve different values, which vary based on gender, work status, and race). We judged this to be acceptable for non-labor income, but not for wage and salary income, where the use of one plug-in would have misrepresented important differences between men and women, as well as differences between states.

Thus, for 1977-79 wage and salary income, we again used the Pareto method based on the assumption that the tails of these distributions follow a Pareto distribution.[77] Since the upper tails of empirical earnings distributions closely follow the general shape of the Pareto, this imputation method is commonly used for dealing with top-coded data. The estimate uses the shape of the upper part of the distribution (in our case, the top 20 percent) to extrapolate the part that is

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[76] We used the Census Bureau's Consumer Income Reports (P60) to determine these income aggregates. In most years, the aggregates listed for *reported* income in the "Underreporting of Income" appendix tables are slightly higher than the aggregates calculated from the detailed tables in the body of the report. In such cases, we used the higher figures from the appendix tables.

[77] The Pareto distribution is defined as c/(x^(a+1)) where c and a are positive constants which we estimated using the top 20 percent of the empirical distribution (more precisely, c is a scale parameter assumed known; a is the key parameter for estimation).

unobservable due to the top-codes. Intuitively, if the shape of the observable part of the distribution suggests that the tail above the top-code is particularly long, implying a few cases with very high income values, the imputation will return a high mean relative to the case where it appears that the tail above the top-code is rather short.

We made these imputations for both genders across three different geographical areas. For the areas, we sorted the states by share top-coded and divided them into thirds (any finer division would have yielded sample sizes too small for accurate imputation). We then plugged these means (available from authors) into the relevant cases above the top codes.

Assigning Households to Quintiles

For each time period examined in this analysis, all households are ranked by income adjusted for household size. Researchers use various methods to make such an adjustment; we followed the practice of the Congressional Budget Office and divided income by the square root of household size. This method creates a so-called "equivalence scale" designed to make incomes across families of different sizes more comparable. For example, with no adjustment a household of four with $40,000 is assumed to be just as well-off as a single individual with that same income level. But with the adjustment, the individual is actually considered to be twice as well off as the four-person household (because $40,000 divided by the square root of 4 is $20,000; while $40,000 divided by the square root of 1 is $40,000, or twice as much). Using these adjusted cutoffs, we then used average income of households in each quintile to calculate the values shown in the report. However, when we present the data, we always scale the income amounts back up for ease of interpretation; the scaled-up values are equivalent to incomes for a four-person household.[78]

Since household size can differ by income level, we structured the analysis so that each quintile contained the same number of persons, not the same number of households.

The income data presented in this report are adjusted for inflation to reflect 2009 dollars, using the Consumer Price Index Research Series (CPI-RS). This series adjusts the historical Consumer Price Index for All Urban Consumers (CPI-U) from 1978 to 2009 to include improvements made to the CPI over that time period. The CPI-U shows higher inflation than does the CPI-RS across the entire post-1978 time period; however, the difference in the growth rates was largest prior to 1982. The use of the CPI-RS rather than the CPI-U will not affect estimates of income inequality within each time period.

Estimating Non-Cash Income and Taxes for the Late 1970s

A final challenge was how to estimate income data for the peak business cycle years of the late 1970s. The CPS does not provide data on key elements of our income measure — non-cash benefits and taxes — before 1979. The sample from 1979 alone, however, is not large enough to ensure reliable state-level results. Moreover, the sharp downturn of 1980 ruled out simply using later years as a substitute for the late 1970s.

[78] We scaled incomes up by multiplying the size-adjusted values by two, which is the size-adjustment factor used for a four-person household. Two is the square root of four.

Therefore, we combined CPS numbers for 1979 with additional data to estimate 1977 and 1978. We did this for three components of our income measure: (1) cash income after taxes; (2) the value of housing assistance, and (3) food stamp income.[79] We calculated each of these three income components separately, using a different adjustment method for each component in order to take advantage of the best data available on each income source, and recombined the components to obtain total household income for 1977-79. All calculations were done separately for each quintile in each state.

For the first component, after-tax cash income, we started with 1979 and used CPS data on the change in before-tax cash income to obtain estimates of after-tax income for 1977 and 1978. Specifically, we estimated 1977 after-tax income as 1979 after-tax cash income multiplied by the ratio of 1977 to 1979 before-tax cash income for the given state and quintile, in inflation-adjusted dollars. We likewise estimated 1978 after-tax income as 1979 after-tax cash income multiplied by the ratio of 1978 to 1979 before-tax cash income. We then averaged our 1977 and 1978 estimates with our directly-calculated 1979 figure to obtain an estimate of after-tax income for the three years combined. A check of state-by-state IRS data suggests that this is an acceptable assumption.[80]

For the second component, housing assistance, we estimated the value of assistance in 1977 and 1978 by starting with the average Census-estimated value of housing assistance in 1979 (available from the CPS) and multiplied this by the change in the percentage of households with any housing assistance. (While the CPS for 1977 and 1978 does not show the value of housing assistance, it does include data on whether a household received any housing assistance.) For example, for 1977, we multiplied the 1979 value of housing assistance (by state and quintile) by the ratio of the percentage of households with any housing assistance in 1977 versus 1979 in that same state and quintile.[81] For 1978, likewise, we multiplied the 1979 value of housing assistance (by state and quintile) by the ratio of the percentage of households with any housing assistance in 1978 versus 1979. We further adjusted for changes in the average value of housing assistance by deflating the 1977 and 1978 figures by the change relative to 1979 in the residential rent component of the consumer price index. Finally, we averaged the 1977-79 housing assistance values.

For the final component, food stamp income, we estimated food stamps in 1977-79 by combining available CPS data with data from the U.S. Department of Agriculture on the change in total actual food stamps by state. We started by using the CPS to calculate a three-year average of food stamp income for 1979-81 by state and quintile. We multiplied this amount by the ratio of statewide per-capita food stamp spending in the three years 1977-79 to spending in 1979-81 based on statewide program data from USDA and state population figures from the CPS, in inflation-adjusted dollars. This method assumes that a state's total food stamp income was distributed similarly across income quintiles in these two overlapping three-year periods. A check of CPS data confirmed that, at least

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[79] As in the rest of this report, these income figures are adjusted for household size and are sorted into quintiles of post-tax, post-transfer income, with equal numbers of people in each quintile.

[80] The method assumes that there was little or no change in effective tax rates (the ratio of taxes to income) by state and quintile between 1977 and 1979 under our income measure. The IRS data suggest that in all 50 states, the ratio of income taxes paid to adjusted gross income never changed by more than a percentage point or two between 1977 and 1979, either for the top fifth or the bottom two-fifths of filers ranked by income.

[81] In calculating this ratio, the lack of non-cash and tax data before 1979 means that our quintiles must be based solely on before-tax cash income.

between 1979 and 1981, very little change occurred in the share of food stamp spending going to the bottom fifth of households nationwide.

We computed total household income for 1977-79 as the sum of these after-tax cash, food stamp, and housing assistance amounts. It is worth noting that our procedures could miss some nuances of changing program benefits or taxes between 1977 and 1979. [82] We judged this acceptable, since our goal is to improve the accuracy of our late 1970s estimates as much as it is to capture all facets of noncash benefits and taxes in the two earlier years.

[82] For example, food stamp program rules changed substantially in the late 1970s. Prior to 1979, families seeking food stamps had to pay for them upfront with cash; a federal law removing this requirement may have affected the share of food stamp dollars going to the poorest fifth of households. A check of CPS data suggest that, for the country overall, such shifting occurred very little in 1980 or 1981; nationwide, the bottom fifth's share of food stamps edged up from 80 percent in 1979 to 81 percent in 1980 and 82 percent in 1981. For particular states or prior to 1979, however, it is possible that the distribution of food stamp spending shifted. To the degree such a shift did occur, the food stamp component of our late-1970s income estimate could be thought of as representing more of a snapshot of food stamp income in 1979 than in the 1977-1979 period as a whole.

Appendix Table 1A

Average Incomes of Fifths of Households in '77-'79 Through '08-'10, by State (2009 Dollars)

	Bottom 20%				2nd 20%			
State	'77-79	'98-00	'05-07	'08-10	'77-79	'98-00	'05-07	'08-10
Alabama	14,105	19,046	16,477	18,667	26,342	37,672	35,925	34,898
Alaska	22,786	27,873	25,302	24,919	41,916	48,715	49,296	48,769
Arizona	19,486	20,654	18,600	16,191	35,320	37,990	37,918	35,350
Arkansas	14,627	18,865	19,338	18,117	26,031	33,623	35,061	33,770
California	20,074	20,641	20,696	19,445	37,030	39,266	41,150	39,290
Colorado	21,541	25,450	22,474	22,460	39,011	49,448	47,191	46,686
Connecticut	24,451	26,012	23,470	27,129	42,015	50,807	52,269	53,951
Delaware	21,354	23,833	22,057	22,297	37,737	46,756	46,370	43,652
Florida	16,323	20,768	19,269	18,723	30,249	39,841	40,584	38,019
Georgia	15,642	20,047	19,608	17,310	30,183	39,292	40,179	35,766
Hawaii	23,806	24,781	26,831	24,902	41,308	46,227	51,945	46,352
Idaho	19,523	21,022	21,875	21,564	34,543	38,062	40,960	37,872
Illinois	20,055	23,312	19,773	20,850	39,038	45,975	43,552	41,171
Indiana	20,467	24,938	19,089	19,113	35,937	44,417	41,080	38,606
Iowa	21,457	24,777	23,265	24,840	36,863	43,835	45,345	44,040
Kansas	19,631	22,641	21,888	21,269	35,444	42,821	42,837	39,950
Kentucky	18,135	19,322	15,993	17,991	31,876	38,360	35,038	35,443
Louisiana	15,138	16,316	16,598	16,861	28,714	32,806	35,072	33,721
Maine	18,719	24,017	23,824	23,593	31,215	43,461	43,723	42,875
Maryland	24,000	27,156	25,417	24,631	43,886	55,291	53,549	51,092
Massachusetts	21,729	23,439	22,207	24,577	39,162	47,406	49,475	49,926
Michigan	22,171	23,743	21,298	20,425	40,243	46,768	43,620	40,665
Minnesota	22,419	27,342	26,549	24,403	38,236	52,695	50,988	48,003
Mississippi	13,297	18,118	14,991	16,129	24,440	33,505	30,729	31,130
Missouri	17,481	23,319	21,257	20,882	33,424	45,382	41,350	40,265
Montana	17,068	19,492	19,318	21,308	32,755	35,921	39,427	38,623
Nebraska	18,661	22,821	23,295	24,138	35,705	42,501	44,687	43,872
Nevada	20,267	23,806	23,662	21,186	38,184	43,316	44,388	41,595
New Hampshire	24,050	28,481	30,643	29,347	40,005	50,810	55,929	56,089
New Jersey	21,058	25,686	26,676	24,268	39,411	50,335	53,183	49,749
New Mexico	15,199	15,999	17,182	16,319	28,315	32,026	35,134	34,204
New York	19,213	19,568	19,439	19,296	34,835	39,923	40,635	40,573
North Carolina	17,034	19,865	19,130	19,011	31,451	39,035	37,726	36,852
North Dakota	17,823	20,931	21,409	23,029	33,705	37,542	42,423	44,322
Ohio	20,936	22,618	21,054	20,478	38,240	44,558	42,852	39,733
Oklahoma	17,537	19,961	18,464	19,827	32,760	36,947	35,576	38,256
Oregon	20,888	21,599	22,003	22,508	37,631	42,214	41,618	41,364
Pennsylvania	20,721	24,230	22,323	22,970	36,414	44,006	44,269	43,142
Rhode Island	21,021	24,272	23,501	22,482	36,640	45,727	46,921	44,067
South Carolina	15,579	20,751	19,524	18,559	29,109	39,419	37,717	36,638
South Dakota	16,567	23,529	20,590	22,031	30,145	41,498	42,710	41,569
Tennessee	15,489	19,693	17,314	18,816	28,565	37,210	36,328	35,441
Texas	16,634	18,924	17,032	17,924	32,392	36,416	35,328	34,964
Utah	20,151	26,168	23,202	25,884	33,530	45,227	43,611	45,381
Vermont	19,636	25,052	26,013	25,516	32,231	43,643	47,327	46,227
Virginia	20,143	24,900	24,393	23,729	37,353	47,202	48,092	48,025
Washington	19,920	24,465	24,627	24,836	37,447	46,815	48,117	46,208
West Virginia	17,163	18,026	15,917	18,650	31,734	33,712	35,905	36,384
Wisconsin	22,475	25,275	23,837	24,684	39,748	47,369	46,308	45,136
Wyoming	24,223	22,691	22,306	25,046	41,632	40,836	42,942	45,250
District of Columbia	16,342	18,203	14,835	16,972	32,557	38,499	38,231	40,176
Total U.S.	**19,329**	**21,938**	**20,660**	**20,510**	**35,393**	**42,158**	**42,015**	**40,506**

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Appendix Table 1A
Average Incomes of Fifths of Households in '77-'79 Through '08-'10, by State (2009 Dollars) Cont'd

	Middle 20%				4th 20%			
State	**'77-79**	**'98-00**	**'05-07**	**'08-10**	**'77-79**	**'98-00**	**'05-07**	**'08-10**
Alabama	40,842	54,869	53,714	52,549	55,683	77,227	76,570	77,521
Alaska	62,429	69,193	70,485	70,850	89,017	94,025	97,421	96,668
Arizona	48,429	55,437	56,222	54,571	64,520	78,876	82,097	78,772
Arkansas	36,740	47,639	50,331	47,733	49,523	66,626	72,312	67,918
California	52,312	60,242	62,582	59,942	69,625	87,203	92,715	89,701
Colorado	53,642	68,838	70,236	68,915	71,217	93,107	98,717	97,182
Connecticut	55,302	75,593	77,492	78,760	71,324	103,350	108,689	108,869
Delaware	51,803	65,909	65,732	64,140	67,639	89,446	91,597	89,112
Florida	42,798	57,827	59,755	56,596	58,847	80,987	86,219	81,807
Georgia	44,618	58,369	60,720	55,100	60,488	80,861	85,903	80,599
Hawaii	56,084	67,599	72,828	66,457	70,904	92,978	97,070	91,260
Idaho	44,987	54,200	57,107	52,345	58,281	73,575	79,148	72,070
Illinois	53,883	66,596	64,028	61,654	70,554	89,796	89,387	87,909
Indiana	48,342	60,739	58,909	56,236	62,523	80,055	80,003	78,467
Iowa	48,828	60,312	62,922	61,964	63,417	80,840	84,552	82,572
Kansas	48,591	60,667	61,848	58,651	62,488	83,241	85,364	81,802
Kentucky	43,906	55,876	52,391	52,915	58,347	79,765	75,395	75,762
Louisiana	42,224	48,542	52,334	52,669	58,456	71,684	76,801	78,795
Maine	42,011	59,947	61,679	60,920	55,750	79,219	83,985	84,203
Maryland	58,556	78,488	77,060	76,139	75,348	102,696	107,280	105,571
Massachusetts	53,246	70,259	77,016	74,782	69,089	97,120	107,203	106,484
Michigan	54,129	66,563	62,905	59,226	70,434	89,303	86,359	83,021
Minnesota	50,796	73,262	71,797	67,936	66,267	93,962	96,724	92,597
Mississippi	35,191	49,357	46,715	45,822	50,041	69,796	71,995	68,403
Missouri	46,782	62,341	59,443	59,173	62,489	83,597	82,207	83,992
Montana	44,871	50,351	55,203	54,375	60,393	69,080	75,349	76,705
Nebraska	47,995	59,897	63,763	60,921	62,680	79,625	86,573	83,293
Nevada	52,124	60,230	62,411	60,010	67,549	83,637	86,752	83,042
New Hampshire	52,688	70,057	76,960	78,046	66,418	95,125	101,063	103,174
New Jersey	54,595	74,036	80,271	75,972	71,889	102,404	111,171	107,451
New Mexico	41,910	48,254	52,712	51,136	58,424	69,329	77,611	75,922
New York	48,889	61,143	63,007	61,568	65,598	87,913	90,168	89,823
North Carolina	44,162	57,356	55,378	54,228	57,974	80,817	79,497	78,648
North Dakota	46,024	54,540	61,240	63,450	60,541	72,479	81,075	84,510
Ohio	50,689	63,216	61,394	58,117	66,207	86,098	84,928	80,840
Oklahoma	45,489	53,112	52,751	54,940	61,263	75,298	74,624	76,132
Oregon	49,949	61,434	60,412	59,921	64,414	83,242	85,115	84,740
Pennsylvania	48,857	62,817	63,986	62,700	64,561	86,410	89,037	87,499
Rhode Island	49,388	66,136	70,215	67,194	64,407	92,310	97,244	95,278
South Carolina	41,833	56,766	55,191	52,649	56,213	78,927	76,151	74,204
South Dakota	40,613	55,927	60,331	58,724	53,659	75,672	81,801	80,989
Tennessee	41,405	54,759	54,520	51,568	56,598	75,422	76,521	73,954
Texas	46,450	54,224	54,047	53,228	63,297	79,419	79,659	77,815
Utah	44,596	60,584	61,638	61,667	58,851	80,321	84,285	81,554
Vermont	44,517	60,403	66,429	65,667	59,222	81,196	89,344	88,855
Virginia	51,523	68,383	70,614	70,874	68,510	95,683	100,032	99,848
Washington	51,483	67,140	68,773	68,049	67,558	91,117	95,129	94,625
West Virginia	42,022	48,238	52,469	53,128	54,702	69,386	72,250	74,027
Wisconsin	52,645	66,338	66,050	63,614	66,519	88,441	88,932	84,909
Wyoming	52,988	55,824	61,999	63,483	67,415	75,427	84,730	85,437
District of Columbia	47,700	62,444	64,293	69,200	67,616	99,438	104,507	112,279
Total U.S.	**48,961**	**61,395**	**62,137**	**60,132**	**64,875**	**85,377**	**88,025**	**85,900**

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.

Appendix Table 1A
Average Incomes of Fifths of Households in '77-'79 Through '08-'10, by State (2009 Dollars) Cont'd

	Top 20%				Top 5%			
State	'77-79	'98-00	'05-07	'08-10	'77-79	'98-00	'05-07	'08-10
Alabama	88,156	133,628	150,723	145,704				238,174
Alaska	133,978	171,623	172,658	169,832				267,132
Arizona	100,421	149,834	159,625	159,223				274,705
Arkansas	85,494	123,405	129,553	120,247				181,641
California	109,526	169,613	191,200	184,074	149,599	278,055	332,166	315,638
Colorado	107,538	168,446	191,822	183,230				299,845
Connecticut	107,554	193,049	226,237	221,926				383,415
Delaware	99,709	151,819	163,025	153,361				233,641
Florida	94,569	151,786	171,854	154,878	133,637	252,441	293,117	251,995
Georgia	95,941	145,777	153,155	161,071				274,909
Hawaii	106,264	153,750	171,062	166,713				272,043
Idaho	90,928	139,813	147,999	137,749				227,506
Illinois	106,874	161,766	180,221	173,458	142,309	258,681	317,368	303,500
Indiana	94,278	143,638	148,184	142,262				228,163
Iowa	94,661	141,357	153,411	138,748				215,877
Kansas	96,854	150,116	161,552	153,673				253,708
Kentucky	89,701	143,025	145,059	136,746				215,215
Louisiana	93,468	129,341	151,307	148,528				238,571
Maine	90,471	141,732	150,736	155,980				251,285
Maryland	112,728	193,765	200,050	185,910				288,770
Massachusetts	104,159	177,347	211,726	204,877	143,757	279,352	362,111	339,820
Michigan	106,626	164,904	159,618	152,450	142,591	264,248	263,419	246,200
Minnesota	98,340	165,588	175,359	167,676				269,051
Mississippi	83,520	122,945	146,375	133,858				224,729
Missouri	95,911	150,567	160,885	151,980				243,794
Montana	92,039	118,366	132,260	143,517				235,019
Nebraska	95,656	141,069	151,546	151,973				244,835
Nevada	101,998	151,980	161,757	160,614				275,401
New Hampshire	96,159	171,236	177,924	177,679				281,797
New Jersey	108,197	192,145	218,448	201,024	145,439	314,737	381,118	323,154
New Mexico	92,631	123,614	160,971	161,162				273,494
New York	103,917	171,122	188,544	177,587	142,754	289,804	336,630	301,187
North Carolina	89,457	146,738	154,792	149,797	124,823	235,657	256,302	251,773
North Dakota	95,955	126,434	149,958	160,057				283,314
Ohio	100,757	154,399	151,737	142,103	132,491	245,352	245,190	221,795
Oklahoma	95,488	145,324	156,501	158,135				273,250
Oregon	99,769	158,365	170,632	154,332				240,690
Pennsylvania	96,367	154,466	165,656	165,496	127,151	244,053	271,440	269,375
Rhode Island	95,090	170,338	189,260	167,950				263,933
South Carolina	87,766	137,752	140,116	137,810				226,585
South Dakota	84,442	128,794	161,870	149,246				241,331
Tennessee	90,008	149,194	144,624	146,506				252,556
Texas	102,693	152,563	163,164	153,416	142,456	252,307	279,222	255,768
Utah	92,880	139,093	153,693	144,583				229,824
Vermont	92,054	149,731	161,164	153,871				243,947
Virginia	109,839	182,022	199,160	192,051				318,985
Washington	103,578	160,437	175,556	176,603				289,428
West Virginia	83,936	123,173	134,464	129,202				195,012
Wisconsin	97,978	154,266	162,380	151,104				245,839
Wyoming	105,392	133,267	150,954	147,258				226,803
District of Columbia	124,722	220,877	256,967	247,964				436,918
Total U.S.	**100,499**	**158,219**	**171,800**	**164,494**	**136,269**	**256,006**	**291,704**	**272,495**

Source: Economic Policy Institute/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Survey.