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Ohio income inequality grew over past two decades Low and middle fall further behind top earners, according to new report

The gap between the richest and poorest families and between the richest and middle-income families grew in Ohio over the past two decades, according to a new study by the Center on Budget and Policy Priorities and the Economic Policy Institute, released in Ohio by Policy Matters Ohio.

The study, based on inflation-adjusted Census data, is one of the few to examine income inequality at the state level. It measured and compared income trends among the highest-, middle-, and lowest-income families in three periods – the late 1980s, the late 1990s, and the mid-2000s. The study understates rising inequality because it does not include income from capital gains, which goes overwhelmingly to those at the top.

Since the late 1990s, earners across the board saw their incomes fall in Ohio. This differs from the national picture where low- and middle-income family income declined and high-income family income grew. By the end of this period, on average, the bottom fifth of Ohio families earned \$18,337, the middle fifth of families earned \$49,051, the top fifth earned \$114,353 and the top five percent earned \$174,026.

Over the longer term – since the late 1980s – incomes grew only very slightly for low- and middle-income Ohio families, while they grew more substantially for the top fifth and skyrocketed for the wealthiest in Ohio. Incomes grew by 11.6 percent or \$1,905 for the bottom fifth of families, by 8.9 percent or \$4,020 for middle-income families, by 23.7 percent or \$21,933 for the top fifth of families and by 34.0 percent or \$44,178 for the top five percent of families.

“Income inequality has grown worse in Ohio,” said Amy Hanauer, Executive Director of Policy Matters. “This puts low- and middle-income families in a troubling position as the economic downturn becomes more entrenched in Ohio.”

Income inequality is not as severe in Ohio as it is in the nation as a whole, largely because top earners here do not earn as much as the highest-income do nationally. About three-fourths of states have higher levels of income inequality between top and bottom or top and middle than Ohio does. On average, nationally the income of the top fifth of families is more than seven times larger than the income of the bottom fifth of families. In Ohio, families in the top fifth earn 6.2 times as much as families in the bottom fifth on average.

Income growth among the top five percent has been more extreme for the nation as a whole than it has been in Ohio. The average income of the richest 5 percent of families nationally is now more than 12



times that of the poorest fifth of families. In Ohio, the richest 5 percent earn more than 9 times as much as families in the poorest fifth on average.

This income inequality growth is due to both economic trends and government policies. Wages and salaries grew faster for those at the top for various reasons including long periods of higher-than-average unemployment, globalization, the shift from manufacturing jobs to low-wage service jobs, immigration, and the weakening of unions.

Those in the highest reaches of the income scale also reaped the benefits of the growth in the stock market through income from interest, dividends, and the sale of assets such as stocks.

Ohio could do more to address growing inequality

“Some causes of growing inequality are outside of Ohio’s control, but Ohio could take a number of steps to assist those most hurt by the growing inequality,” said Amy Hanauer, Executive Director of Policy Matters Ohio, which released the report locally.

Ohio could reverse recent sweeping tax cuts, which disproportionately benefit wealthier families and deprive the state of revenues needed for programs that serve families and communities more broadly. When these changes are fully implemented, the state will have \$2 billion less a year than it would have without them, according to tax department estimates. Ohio policy makers should also:

- Enact a state Earned Income Tax Credit, which benefits working families earning less than about \$39,000 a year.
- Ensure that jobless Ohioans are able to qualify for unemployment compensation as easily as those in the rest of the United States. Ohio policymakers should also ask the federal government to extend unemployment compensation beyond 26 weeks, a common policy reform in an economic downturn like the one we are experiencing.
- Expand access to Medicaid, the state children’s health insurance program, child care assistance, food stamps and housing assistance. Nearly 2.1 million Ohioans are unable to meet their basic needs and need either better earnings or stronger public supports.

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, subsidized school lunches, and housing vouchers. The study compares combined data from 2004-2006 with data from the late 1980s and late 1990s, time periods chosen because they are comparable peaks of their respective business cycles. The full report can be found at <http://www.cbpp.org/4-9-08sfp.htm>.

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. The **Economic Policy Institute** is a nonprofit, nonpartisan think tank that seeks to broaden the public debate about strategies to achieve a prosperous and fair economy.

Policy Matters Ohio is a nonprofit, nonpartisan think tank dedicated to creating an Ohio economy that works better for all.