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New report finds wide income gap in Ohio Split between highest, lowest earners has grown since 1990s

An already-troubling income gap between Ohio's richest and poorest households has widened since the late 1990s, according to a new report by the Center on Budget and Policy Priorities and the Economic Policy Institute.

"Ohio's low- and middle-income families have seen their incomes drop in the short term and stagnate in the long term, while earning just a fraction of what the wealthiest in Ohio make," said Amy Hanauer, executive director of Policy Matters Ohio, a non-profit, non-partisan research institute that released the report in Ohio.

As of the late 2000s (2008-2010, the most recent data available), income levels of Ohio households revealed a troubling degree of income inequality:

- The average income of the most-affluent 5 percent of households was 10.8 times greater than the average income of the bottom fifth of households in Ohio;
- Households in the top 5 percent had incomes exceeding \$220,000 annually in Ohio, while households in the bottom fifth subsisted on roughly \$20,500 a year;
- The average income of the top fifth was nearly seven times greater than the average income of the bottom fifth of households in Ohio.

The report, *Pulling Apart: A State-by-State Analysis of Income Trends*, finds that low- and moderate-income Ohio families lost ground in the most recent economic expansion. Over the course of the last economic cycle, from the late 1990s to the mid-2000s, income gaps widened.

"Poor and middle-income families are seeing their income fall in real dollars and relative to higher earners," Hanauer said. "When households already subsisting on less than \$23,000 a year see their incomes drop, that means hunger, instability, poor school performance, and worse. Ohio needs to do more to improve the lives of families in this state."

The report finds that income gaps between the richest households and both the poorest households and middle-income households have widened significantly in all states since the late 1970s.

Since the 1970s, the top fifth of wage earners in Ohio have seen incomes grow on average by more than 50 percent, while the bottom fifth have seen incomes stay flat. The income of the top 5 percent has grown, on average by 85 percent. In the 1970s, average income for the top fifth was 4.8 times

greater than the bottom fifth, but by the mid-2000s, the state's most affluent had income that was more than seven times greater.

Income inequality is rising in states across the nation for a range of reasons, including high unemployment, record rates of long-term unemployment, a shift from manufacturing to service jobs, and declines in unionization. In Ohio, sharp cuts in taxes on the most affluent have worsened the problem and diverted needed revenue from important public services, hurting schools, public safety, parks, libraries and communities.

Many of the reasons for growing income inequality are outside of Ohio's control. However, Ohio policymakers can reduce the disparity between rich and poor by adding a top income tax bracket of 8.5 percent for income over \$500,000, and by reinstating the 7.5 percent tax on incomes over \$250,000, which existed prior to 2005. These two steps together would generate \$650 million annually and would affect just 1.3 percent of Ohio taxpayers. The revenue could be used to assist the middle- and low-income Ohioans who are not benefitting from our economy as the wealthiest are, and to ensure that Ohio has excellent schools, libraries, infrastructure, and safety services.

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*Policy Matters Ohio, a non-partisan, non-profit research institute
with offices in Cleveland and Columbus, released this report in Ohio.
The Center on Budget and Policy Priorities and the Economic Policy Institute
are based in Washington, D.C.*