



News Release

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Oregon Top State for Growing Inequality: Rich Getting Richer; Most Oregonians Do Worse or No Better

(Silverton, OR) Over the past two decades income inequality has increased more in Oregon than most other states, according to a new study by the Washington, D.C.-based Center on Budget and Policy Priorities (CBPP) and the Economic Policy Institute (EPI). Oregon's economy has grown and the state's highest-income families have seen large gains, but the majority of Oregon families saw little change or declining incomes.

The CBPP/EPI study shows that Oregon experienced the fastest growth in the nation in inequality between middle-income families and those at the top. While middle-income Oregonians gained only 0.7 percent per year on average over the 1990s, upper-income families gained 3.4 percent annually.

The study also shows that since the late 1980s the gap between the poorest 20 percent of Oregon's families and the richest 20 percent grew faster than any other state except Connecticut. Over that period, low-income families saw their average annual income fall by nearly \$1,000, while upper-income families saw an increase of nearly \$36,000. Oregon families in the richest 20 percent have incomes 10 times higher than the lowest 20 percent, up from 7 times higher in the late 1980s.

The study identifies increasing inequality in wages as the most important factor explaining growing income inequality. "Wages for workers at the bottom and middle of the income distribution did grow in the final few years of the 1990s, but not enough to overcome years of stagnation and decline," said Thompson.

Growing income inequality has important implications for a number of public policies, among them tax reform and the minimum wage. Thompson recommends voters and policy makers "consider whether policies will further concentrate Oregon's wealth. As Oregon struggles to recover from the current recession, we have to pursue policies that bring the benefits of growth to everybody, not just those at the top."

"Upper income families have seen their incomes grow by leaps and bounds in the 1990s, and they have benefited from big tax cuts," said Thompson. "Further tax cuts for the rich, such as cutting the often-discussed capital gains tax or implementing Measure 88, are unnecessary and would reward those who already benefited most from the economic boom of the late 1990s."

Thompson noted that the Legislature is considering Governor Kitzhaber's proposal to repeal or delay the Measure 88 tax cut, and other proposals for an across the board income tax surcharge to address the State's revenue shortfall.

"When coming up with revenue solutions for the State's fiscal crisis, the Governor, legislators, and voters should remember who has gained the most from recent economic growth," said Thompson. He noted that "reclaiming" the six percent kicker tax cut from the wealthiest 20 percent of Oregonians would generate about as much income as an across the board two percent income tax surcharge.

The study's findings were based on pre-tax income and were not influenced by changes in tax policy. "The economic difficulties experienced by low and middle-income Oregonians are not due to higher taxes," said Thompson. As other recent studies have shown, the tax burden on middle-income families is actually declining.

Increasing the minimum wage, according to the study, is one way to address inequality. This is the subject of an initiative that is currently being circulated in Oregon. The initiative would raise Oregon's minimum wage to \$6.90 per hour. It would also adjust the minimum wage in future years to keep up with changes in inflation. Thompson pointed out that this would prevent the erosion of the minimum wage's purchasing power over time.

Note to editors:

The CBPP/EPI study, *Pulling Apart: A State-by-State Analysis of Income Trends*, is based on an original analysis of before-tax income for families reported on the Census Bureau's March Current Population Survey. The analysis compares "pooled" data from the three most recent years available — 1998, 1999 and 2000 — to similarly pooled data from the late 1970s and late 1980s. Using pooled data rather than data collected within a single year increases precision. The three periods compared reflect similar stages in the economic cycle. All figures in the report are adjusted for inflation and are expressed in 1999 dollars. The study is available at <http://www.cbpp.org/4-23-02sfp.htm>.

The **Oregon Center for Public Policy** is a Silverton-based independent, public policy research institute that addresses tax, budget, economic, and public policies important to low and moderate income Oregonians, the majority of Oregonians.

A three-page summary of Oregon data is attached.

INCOME INEQUALITY HAS INCREASED IN OREGON SINCE THE 1970s

Inequality has increased in Oregon over the past two decades. This can be observed by ranking all Oregon families according to their income level, dividing them into five groups (or fifths) of equal size, and calculating the average income of each fifth of families. This analysis shows by the late 1990s:

- The richest 20 percent of families had average incomes 10.0 times as large as the poorest 20 percent of families.
- The richest 20 percent of families had average incomes 2.9 times as large as the middle 20 percent of families.

The Long-Term Trend

Since the late 1970s, income inequality has increased in Oregon. The economic growth of the 1980s and 1990s was not shared evenly among the poor, the rich, and the middle class. Instead, the top fifth of families fared substantially better than other income groups.

In the late 1970s, the richest 20 percent of families had average incomes 6.4 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 10.0. This increase in inequality was the second greatest in the nation. The gap between the rich and the middle class also increased. This increase was the largest in the nation.

- The average income of the poorest fifth of families decreased by \$430 between the late 1970s and the late 1990s, from \$14,580 to \$14,150.¹
- The average income of the middle fifth of families increased by \$4,370 between the late 1970s and the late 1990s, from \$44,030 to \$48,400.
- The average income of the richest fifth of families increased by \$48,260 between the late 1970s and the late 1990s, from \$93,170 to \$141,430.

The Recent Trend

Over the past decade, income inequality has increased in Oregon.

In the late 1980s, the richest 20 percent of families had average incomes 7.0 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had increased to 10.0. This increase in inequality was the second greatest in the nation. The gap between the rich and the middle class also increased. This increase was the largest in the nation.

- The average income of the poorest fifth of families decreased by \$980 between the late 1980s and the late 1990s, from \$15,130 to \$14,150.¹
- The average income of the middle fifth of families increased by \$3,220 between the late 1980s and the late 1990s, from \$45,180 to \$48,400.
- The average income of the richest fifth of families increased by \$35,830 between the late 1980s and the late 1990s, from \$105,590 to \$141,430.

¹The direction of this change is not statistically significant at the 95 percent level of confidence.

Oregon

Income Inequality Among Families In Oregon Has Increased Since the 1970s

Income Gaps, Late 1990s

	Rank (1 is most unequal)
Richest fifth vs. poorest fifth	11
Richest fifth vs. middle fifth	8

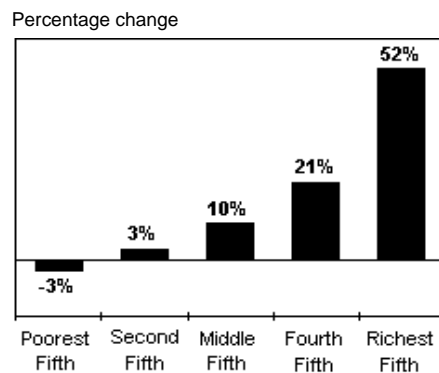
Income Gaps, Late 1990s

	Ratio
Richest fifth vs. poorest fifth	10.0
Richest fifth vs. middle fifth	2.9

Inflation-Adjusted Change in Incomes Late 1970s to Late 1990s

	Dollar Change	% Change	
Poorest Fifth . . .	-430	-3.0%	+
Middle Fifth	4,370 *	9.9%	+
Richest Fifth	48,260 *	51.8%	

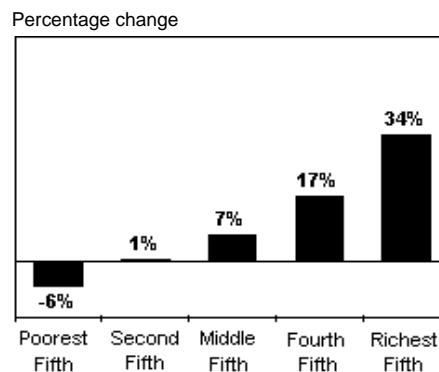
Income Changes for Oregon Families Late 1970s to Late 1990s, by Fifth of Families



Inflation-Adjusted Change in Incomes Late 1980s to Late 1990s

	Dollar Change	% Change	
Poorest Fifth . . .	-980	-6.5%	+
Middle Fifth	3,220 *	7.1%	+
Richest Fifth	35,830 *	33.9%	

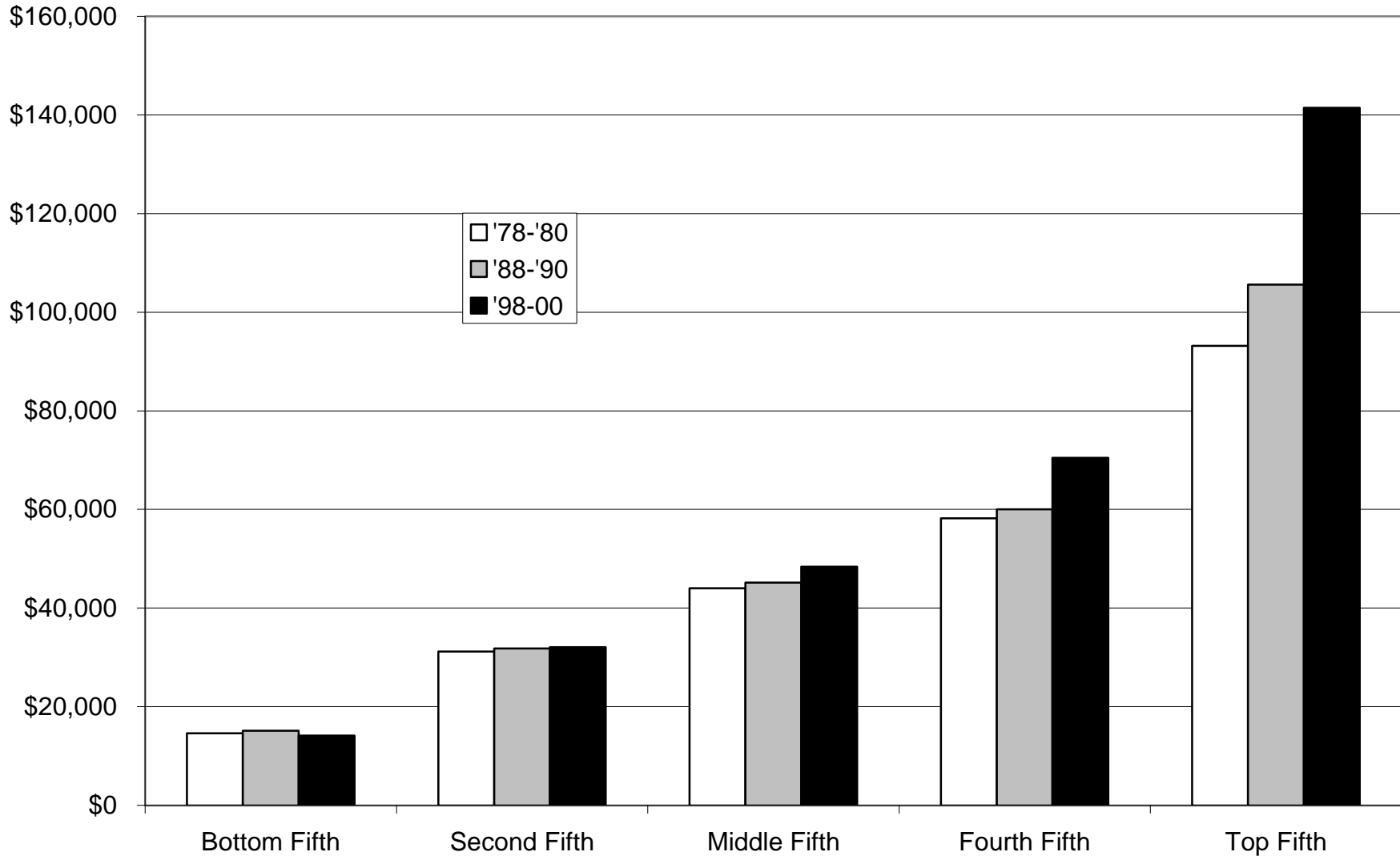
Income Changes for Oregon Families Late 1980s to Late 1990s, by Fifth of Families



* Change is statistically significant at the 95% confidence level.

+ Difference between this change and the percent change in the income of the top fifth is statistically significant at the 95% confidence level.

The Growing Income Divide Among Oregon Families



Source: OCPP presentation of EPI/CBPP analysis of Census March CPS.