

Study finds gap growing in R.I. between haves and have-nots

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PROVIDENCE — Over the past two decades, the gap between the richest and poorest families increased more in Rhode Island than in any other state except Connecticut, according to a national study that is being released this morning.

Leaders of The Poverty Institute at the Rhode Island College School of Social Work hope the report will help guide state officials grappling with a projected \$384-million budget deficit in the coming fiscal year. They say it highlights the need to avoid cutting government programs aimed at keeping people in the work force.

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“We need to bring up the bottom,” said Linda Katz, policy director for The Poverty Institute. “That’s where the real problem is in the Rhode Island economy. The report sends the message that programs that help people remain in the work force, like medical assistance and child-care support, are becoming more vital as the economy hits a recession.”

The study, “Pulling Apart: A State-by-State Analysis of Income Trends,” was conducted by the Center on Budget and Policy Priorities, a nonprofit research organization, and the Economic Policy Institute, a nonprofit think tank. Both organizations are based in Washington, D.C., and receive much of their money from foundations. The center was founded in 1981 to analyze federal budget priorities “with particular emphasis on the impact of various budget choices on low-income Americans.” The institute was founded in 1986 “to broaden the and discussion of economic policy to include the interests of low- moderate-income workers.”

The study found that from the late 1980s through the mid-2000s, Rhode Island ranked second in the growth of the gap between the richest 20 percent of families and the poorest 20 percent of families. Connecticut ranked first and Massachusetts ranked third.

Those numbers probably reflect a shift in the New England economy from manufacturing to a more service-based economy, said Ellen Frank, senior economist for The Poverty Institute. The health-care and finance industries, which are a big part of the Rhode Island economy, tend to have large gaps in pay between the top earners, such as doctors, and bottom earners, such as nurse’s aides and maintenance workers, she said.

“Given the state’s economic and budget crisis, there is tremendous need to pay attention to this report,” Frank said. “Through a 17-year period, inequality is growing and now we are going into a recession. That means the gains of the middle- and low-income families, so these growth in the past have not reached middle- families, especially at the bottom of the economic scale, are very ill prepared to weather this recession.”

The growth in the income gap is probably even greater than reported because the study did not include income from capital gains, which go mostly to the top earners, the report said.

While Rhode Island ranked second in the growth of its income gap, it ended up ranked 12th in the nation in the size of its income gap. Massachusetts ranked fourth and Connecticut was seventh.

In Rhode Island, the average after-tax income for the bottom 20 percent of families was \$18,974, while the average after-tax income for the top 20 percent was \$143,211, according to figures for 2004-2006. With that \$143,211 average for its top 20 percent, Rhode Island ranked sixth in the nation, the report said.

“We hear a lot that Rhode Island doesn’t have high-income people,” Frank said. “But the average income of the top 20 percent is higher than in 44 other states.”

By contrast, the bottom 20 percent of Rhode Islanders saw their average income drop from \$19,966 to \$18,974 over the past two decades, the report said. Although that was not a statistically significant drop, it did make Rhode Island one of only two states, along with Connecticut, where the average income for the bottom 20 percent fell during that period, Frank said. The figures are adjusted for inflation, using 2005 dollars.

“Wages and incomes in Rhode Island are becoming increasingly unequal, with living standards rising fast at the top and falling dramatically at the bottom of the income scale,” Frank said. “This study sends a strong message that we need to do more to help low-skilled Rhode Islanders gain the skills they need to advance in the work force.”

For example, Katz called for state government to invest in adult education and English language classes, saying 142,000 Rhode Islanders lack a high school diploma and 35,000 have “limited English proficiency,” including 10,000 who would qualify for high-skilled jobs if they could speak English better.

Katz said The Poverty Institute is concerned about Governor Carcieri’s proposal to require parents receiving welfare benefits to look for jobs first, before receiving subsidized education or job training. “Parents who have an ability to read below a sixth-grade level need a program that includes learning and work,” she said. “The governor, to his credit, has recognized the need for adult education to help low-skilled workers become knowledge workers, so it’s ironic he is closing the door on adult education services for low-skilled parents who receive cash assistance.”

Katz said the institute is also concerned about Carcieri's proposal to roll back income eligibility requirements for RItCare, the subsidized health-insurance program.

Carcieri spokesman Jeff Neal said, "Under the Carcieri administration, Rhode Island has made historic investments in adult education. This has been one of Governor Carcieri's work-force development and job creation priorities. Unfortunately, Rhode Island's welfare system has not been nearly as successful. Compared to many other states, Rhode Island does poorly in helping low-income individuals get off welfare and into work. That's why the governor has proposed a reform of Rhode Island's welfare system that will more effectively assist people in getting jobs."

Also, Neal said, "From the governor's perspective, the very last thing we should do is raise taxes. Rhode Island already has the seventh-highest total tax burden in the nation. Higher taxes will only hurt our ability to grow new jobs and to raise everyone's incomes."

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