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Gap Between Rhode Island Richest and Poorest Grows Significantly

Recent study shows that Rhode Island income inequality has grown in past two decades

Providence, RI, April 7, 2008 – The gap between the richest and poorest families, and between the richest and middle-income families, has grown significantly in Rhode Island over the past two decades. This is information according to a new nationwide study, “Pulling Apart,” just released by the Center on Budget and Policy Priorities and the Economic Policy Institute. After-tax incomes of the top one-fifth of Rhode Island families have risen by \$43,438, six times more than the middle fifth of Rhode Islanders, whose real after-tax income grew by only \$6,744 since the late 1980s. Even more dramatic is the widening gap between the top fifth and bottom fifth, where average income for the bottom fifth, including federal benefits, stagnated.

While the study found growing inequality in most states and in the nation, the rise in the income gap was particularly sharp in Rhode Island. The study reports the following facts:

- Rhode Island is second in the nation for the growth in inequality between the top and bottom fifths and eighth in the nation for growth in inequality between the top and middle fifths over the past two decades.
- The gap between Rhode Island’s richest and poorest families is 12th largest in the nation.
- The average income of the top fifth rose by 43.5% --the 11th highest rate of growth in the nation.
- The top fifth of families in the state has after-tax income of \$143,211 on average, the sixth highest income in the nation.

The rise in inequality is probably even greater than reported, since the study did not include income from capital gains which goes overwhelmingly to the top-earning fifth of Rhode Island families.

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“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,” said Ellen Frank, economist at The Poverty Institute. “This study sends a strong message that we must do more to help low-skilled Rhode Islanders gain the skills they need to advance in the workforce. As policymakers deal with the budget crisis, they must keep this study in mind and make choices that close this widening gap between the top and the bottom. Cutting income support programs like RIte Care and cash assistance for low-income families will only further exacerbate growing inequality in the Ocean State.”

Elizabeth McNichol, senior fellow at the Center and the other co-author the Pulling Apart report added, “Rising inequality raises basic issues of fairness, and harms the nation’s economy and political system. It dampens economic prosperity as incomes stagnate for tens of millions of average Americans and it threatens to widen the nation’s political cleavages, generating more cynicism about political institutions.”

Data for the study is based on Census data that have been adjusted for inflation, federal taxes, and the cash value of food stamps, subsidized school lunches and housing vouchers.

The full report, press release and state fact sheets are available at:

<http://www.cbpp.org/4-9-08sfp.htm>.

About The Poverty Institute

The Poverty Institute is a non-partisan organization that develops and promotes policies to improve the economic security of low and modest-income Rhode Islanders and to ensure that tax and budget policies are equitable and adequate to fund vital public services.

About The Center on Budget and Policy Priorities

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.

About the Economic Policy Institute

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.