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For More Information, Contact:
Ted Boettner (304) 720-8682
tboettner@wvpolicy.org

WEST VIRGINIA'S WEALTHIEST SOARING ABOVE THE REST Incomes of Richest Five Percent 12 Times Greater than Low-income Families

(*Charleston*) – The income gap that separates West Virginia's wealthiest families from the rest of the state's households has widened dramatically over the past two decades, according to a study released today. Over the past two decades the incomes of West Virginia wealthiest families – top 5 percent – grew much faster than middle and low-income families in the mountain state. From the late 1980s to the mid-2000s, the average income of families in the top five percent is 11.9 times as large as the poorest 20 percent of families and 4 times more than middle-income ones. The growth in income inequality between the richest 20 percent of families and the poorest 20 percent is the 12th largest in the nation.

"This trend is not surprising since the typical worker in West Virginia makes almost a dollar less per hour today than 30 years ago," said Executive Director Ted Boettner. "Unlike the post-war period after 1945 when wages grew with productivity and prosperity was broadly shared, the last thirty years has left most workers economically insecure while the benefits have largely gone to a narrow few."

Several other factors have also contributed to the growing incomes gaps, including expansion of investment income (dividends, rent, interest, and capital gains) to members at the top of the income ladder and specific government policies such as weakening of the social safety net, the lack of effective labor laws regulating collective bargaining, and the declining real value of the minimum wage.

This data comes from the new report [Pulling Apart](#), released by the [Economic Policy Institute](#) and the [Center on Budget and Policy Priorities](#), two non-partisan research organizations in Washington, D.C. This 50 state study was conducted using modified census data to measure state level income trends from the last three economic cycles, the late 1980s, late 1990s and the mid-2000s.

The key findings in the report include the following:

- Between 2004-2006, the richest 20 percent of families had an average income (\$103,911) 7.5 times greater than the average income of the poorest 20 percent (\$13,941). In the late 1980s this ratio was 5.9.
- Between the late 1980s and the middle of this decade, the average income of the poorest 20 percent increased by only \$86 per year or 11.7 percent, while the richest fifth of families saw their income increase by \$1,796 per year or by 41.6 percent.

- The gap between middle-class families and the rich also grew over the past two decades. In the late 1980s the richest 20 percent of families had average incomes 2.2 times as large as the middle 20 percent. That ratio has now grown to 2.5, making this growth in income inequality the 29th largest in the nation.

One limitation of this study is that capital gains and losses are not included. Because capital gains income has been concentrated at the top of the income scale over the last two decades the report underestimates income inequality.

“It’s very troublesome that West Virginia’s poorest families’ income increased only \$86 per year while the wealthiest families experienced an increase of \$1,796 per year,” said Boettner. His group is one of the only in the state studying federal and state financial policy and its effect on West Virginia. “The citizens who desperately need the increased income the most aren’t receiving it and those who need it the least are experiencing income growth by leaps and bounds,” added Boettner.

State lawmakers interested in mitigating this growth in inequality have a number of tools at their disposal. West Virginia could help raise wages for workers at the bottom of the pay scale by enacting a higher minimum wage and indexing it to inflation. Other proven policy tools include enacting a State Earned Income Tax Credit (EITC) based on the federal, expanded job training, and by improving the regressive features of our state tax system.

“West Virginia’s state and local tax system is not based on the ability to pay, with high income families paying less in taxes as a share of their income than low income families,” said Boettner. “Enacting a refundable State EITC would improve the progressivity of our tax system while rewarding work.”

The Full Report and West Virginia Fact Sheet can be found at: <http://www.cbpp.org/4-9-08sfp.htm>

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The **West Virginia Center on Budget and Policy** is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families.