
The Birmingham News

Alabama income gap No.2 in nation

Wednesday, April 09, 2008

MARY ORNDORFF

News Washington correspondent

WASHINGTON - The gap between the rich and the poor in Alabama is the second-widest in the nation and has grown wider in recent years, according to a national study released Tuesday.

The 20 percent of families at the top of the state's income scale have average incomes 8.5 times higher than those in the lowest 20 percent, a gap second only to New York's 8.7 times difference.

Researchers tracked the trend over more than two decades, and there are signs it is persisting. The poorest families in the state lost ground in recent years as their average income, adjusted for inflation, dropped and as incomes at the upper level grew by almost 10 percent.

"The economic recovery was not experienced by much of America. And these families are ill-prepared to weather the storm," said Elizabeth McNichol, a senior fellow at the Center on Budget and Policy Priorities and a co-author of the report.

Poor losing ground:

The bottom 20 percent had an average household income of \$12,574 in the late 1980s, a figure that includes the value of tax credits, food stamps, subsidized school lunches and housing subsidies. In the late 1990s, the average had climbed to \$16,070, but in the mid-2000s, it fell backward to \$13,280.

"Falling income makes it harder to lift themselves and their children out of poverty," McNichol said.

Those on the higher end of the scale gained almost \$2,000 a year in average income over the same time period.

"It's clear the increases have been concentrated at the top in recent years," said Kimble Forrister, state director of Alabama Arise, which lobbies the Alabama Legislature for policies to fight poverty.

The report was released Tuesday by the Center on Budget and Policy Priorities and the Economic Policy Institute, nonprofits that analyze policies affecting low- and moderate-income Americans.

While the South had its share of states with wide income gaps, the trend was not limited to any one region. In fact, 37 states saw the gap widen from the late 1980s to the mid-2000s, according to the state-by-state report titled "Pulling Apart."

Researchers say the income gap has been exacerbated by a combination of economic trends and government policies at the state and federal levels, such as the shift from higher-wage manufacturing jobs to those in the service sector with lower wages, the declining value of the minimum wage, and the gains by those who have assets in the stock market.

The report did not pin blame, instead recommending ways state and federal policymakers could help narrow the gap.

In Alabama, Forrister said there are proposals in Montgomery to reduce the sales tax on groceries, a tax that disproportionately affects lower-income families, and create individual development accounts to encourage

lower-income workers to save money for more schooling or work force training.

Nationally, the authors of the report advocate expanding unemployment insurance and updating the minimum wage automatically every year.

McNichol said the gap contributes to a sense of unfairness and an increasingly divided society.

"Economic growth results from the contributions from people in all walks of life, from labor to corporate executives," she said. On the Net

Full report: www.cbpp.org morndorff@bhamnews.com

© 2008 The Birmingham News
© 2008 al.com All Rights Reserved.

