

INCOME INEQUALITY HAS INCREASED IN INDIANA SINCE THE 1970s

Inequality has increased in Indiana over the past two decades. This can be observed by ranking all Indiana 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 7.0 times as large as the poorest 20 percent of families.
- The richest 20 percent of families had average incomes 2.5 times as large as the middle 20 percent of families.

The Long-Term Trend

Since the late 1970s, income inequality has increased in Indiana. 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 5.8 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 7.0.

- The average income of the poorest fifth of families increased by \$2,760 between the late 1970s and the late 1990s, from \$15,110 to \$17,870.
- The average income of the middle fifth of families increased by \$8,620 between the late 1970s and the late 1990s, from \$42,650 to \$51,270.
- The average income of the richest fifth of families increased by \$38,280 between the late 1970s and the late 1990s, from \$87,330 to \$125,620.

The Recent Trend

Over the past decade, income inequality has decreased in Indiana.

In the late 1980s, the richest 20 percent of families had average incomes 7.9 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had fallen to 7.0.

- The average income of the poorest fifth of families increased by \$5,100 between the late 1980s and the late 1990s, from \$12,760 to \$17,870.
- The average income of the middle fifth of families increased by \$7,730 between the late 1980s and the late 1990s, from \$43,540 to \$51,270.
- The average income of the richest fifth of families increased by \$25,320 between the late 1980s and the late 1990s, from \$100,300 to \$125,620.

Indiana

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

Income Gaps, Late 1990s

	Rank (1 is most unequal)
Richest fifth vs. poorest fifth	50
Richest fifth vs. middle fifth	50

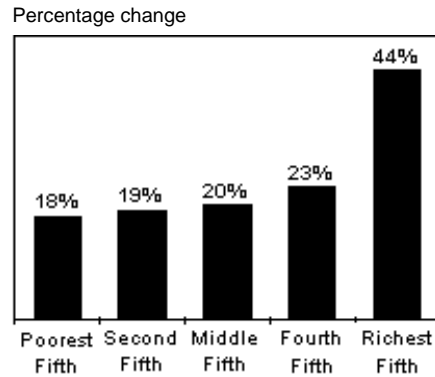
Income Gaps, Late 1990s

	Ratio
Richest fifth vs. poorest fifth	7.0
Richest fifth vs. middle fifth	2.5

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

	Dollar Change	% Change
Poorest Fifth . . .	2,760 *	18.3% +
Middle Fifth	8,620 *	20.2% +
Richest Fifth	38,280 *	43.8%

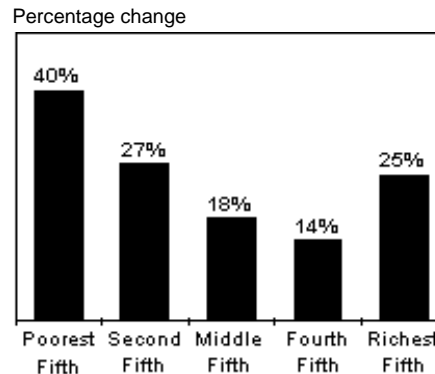
Income Changes for Indiana Families Late 1970s to Late 1990s, by Fifth of Families



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

	Dollar Change	% Change
Poorest Fifth . . .	5,100 *	40.0% +
Middle Fifth	7,730 *	17.8%
Richest Fifth	25,320 *	25.2%

Income Changes for Indiana 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.

Source: Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends*, April 2002.