

INCOME INEQUALITY HAS INCREASED IN RHODE ISLAND SINCE THE 1970s

Inequality has increased in Rhode Island over the past two decades. This can be observed by ranking all Rhode Island 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 8.9 times as large as the poorest 20 percent of families.
- The richest 20 percent of families had average incomes 2.6 times as large as the middle 20 percent of families.

The Long-Term Trend

Since the late 1970s, income inequality has increased in Rhode Island. 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 6.3 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 8.9. This increase in inequality was the 14th greatest in the nation.

- The average income of the poorest fifth of families increased by \$2,370 between the late 1970s and the late 1990s, from \$14,610 to \$16,980.
- The average income of the middle fifth of families increased by \$13,990 between the late 1970s and the late 1990s, from \$43,860 to \$57,850.
- The average income of the richest fifth of families increased by \$59,060 between the late 1970s and the late 1990s, from \$92,130 to \$151,190.

The Recent Trend

Over the past decade, income inequality has increased in Rhode Island.

In the late 1980s, the richest 20 percent of families had average incomes 7.2 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had increased to 8.9. This increase in inequality was the ninth greatest in the nation.

- The average income of the poorest fifth of families decreased by \$510 between the late 1980s and the late 1990s, from \$17,490 to \$16,980.¹
- The average income of the middle fifth of families increased by \$5,490 between the late 1980s and the late 1990s, from \$52,370 to \$57,850.
- The average income of the richest fifth of families increased by \$24,850 between the late 1980s and the late 1990s, from \$126,340 to \$151,190.

¹The direction of this change is not statistically significant at the 95 percent level of confidence.

Rhode Island

Income Inequality Among Families In Rhode Island Has Increased Since the 1970s

Income Gaps, Late 1990s

	Rank (1 is most unequal)
Richest fifth vs. poorest fifth	25
Richest fifth vs. middle fifth	38

Income Gaps, Late 1990s

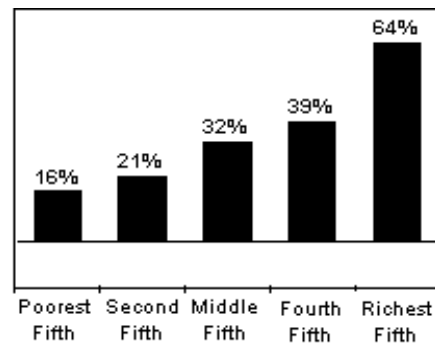
	Ratio
Richest fifth vs. poorest fifth	8.9
Richest fifth vs. middle fifth	2.6

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

	Dollar Change	% Change
Poorest Fifth . . .	2,370 *	16.2% +
Middle Fifth	13,990 *	31.9% +
Richest Fifth	59,060 *	64.1%

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

Percentage change

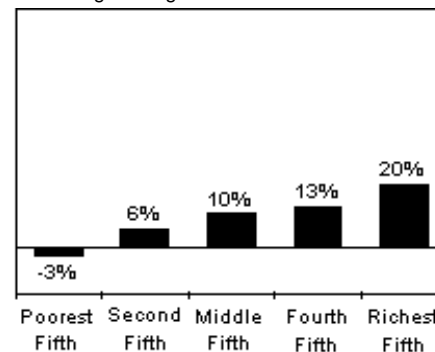


Inflation-Adjusted Change in Incomes Late 1980s to Late 1990s

	Dollar Change	% Change
Poorest Fifth . . .	-510	-2.9% +
Middle Fifth	5,490 *	10.5%
Richest Fifth	24,850 *	19.7%

Income Changes for Rhode Island Families Late 1980s to Late 1990s, by Fifth of Families

Percentage change



* 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.