



Shaping Policy...
Creating Opportunities

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NATIONAL REPORT FINDS LOW-, MIDDLE-INCOME MISSOURIANS' WAGES FALLING BEHIND

St. Louis, MO – Low- and middle-income Missourians are continuing to fall farther behind in income gains as the state and nation brace for a recession, according to a new report from the Center on Budget and Policy Priorities (CBPP) and the Economic Policy Institute (EPI). The report, entitled *Pulling Apart: A State-by-State Analysis of Income Trends*, was released today by the two national organizations, in coordination with state-based groups including the Missouri Budget Project.

Income inequality has increased in Missouri since the late 1990s, the report found. During this period the gaps between the richest and poorest fifths of families widened, as did the gaps between the richest fifth of families and families in the middle. **The growth in inequality between the richest families and families in the middle in Missouri was the 3rd largest in the country during this period, as incomes for the middle fifth of families actually fell on average by \$2,839 (5.6 percent).** By comparison, the incomes of the wealthiest Missourians grew by 12 percent over that same period.

“This is further evidence that the potential recession we are facing could be much more devastating for Missouri families than the last one we experienced in 2001,” said Amy Blouin, Executive Director of the Missouri Budget Project.

For a longer-term perspective, the income of the wealthiest fifth of Missourians has grown at a rate three times that of the poorest since the late 1980s. In 2005 dollars, the income of the poorest fifth of Missouri families grew by only \$1,745 (or 10.9 percent), while the income of the wealthiest fifth of Missourians grew by \$32,790 (or 34.9 percent). The middle fifth of families in Missouri saw their incomes increase by \$6,021 (or 14.3 percent) over this same period.

The growth in Missouri’s income gap since the late 1980s is the 22nd worst in the nation (with “1st” being the largest gap). **The average income of the wealthiest Missourians (\$126,619 per year) is 7.1 times that of poorest fifth of Missouri families (\$17,722 per year).** This ratio, which describes the income inequality between the poorest and wealthiest families, has grown from 5.9 to 7.1 over the past two decades.

“The inequality in income growth is broadening the gap between low-income and high-income families in Missouri,” Blouin said. **“While those with the highest incomes are continuing to move ahead, the least fortunate among us are falling behind at an alarming rate.”**

Causes of the Widening Gap

According to the report by CBPP and EPI, the causes of the increasing income gap are related to both economic conditions and government policy change. **The decrease in manufacturing jobs and increase in service industry jobs is contributing to lower wages and larger income inequality.**

Between 1989 and 2006, manufacturing jobs decreased from 17 percent of all jobs in the United States to 11 percent, while the service industry's share of all jobs rose from 78 percent to 83 percent. The average pay rates in the service industry tend to be considerably lower than jobs in manufacturing.

Government policies that have limited supports for working families have also played a part in the erosion of income for low- and middle-income families. **Budget cuts for health care, and the erosion of child care assistance, are examples of how support for families has been hard hit during the state fiscal crisis. Cuts to these services have resulted in decreased access to services that support work, thereby increasing the wage gap.**

Missouri's Legislative Environment

“The information contained in this report is all the more urgent as the Missouri General Assembly enters into the final month of the 2008 legislative session,” Blouin said. “Missouri legislators must choose to support policies that will help to close the income gap for Missouri families, including policies that support work and economic growth.”

There are two policies currently under consideration, which the Missouri Budget Project feels are vital:

- The Governor's Insure Missouri proposal, which could provide health care to tens of thousands of low income families, should be a priority. The legislature should choose to pass the Governor's version of the plan to maximize federal funds for health care in Missouri.
- In addition, the state budget should contain increases for child care services and other supports. The Governor's budget included recommended funding increases. The legislature should pass these increases.

For more information about the release of the *Pulling Apart* report, please visit:

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

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The Mission of the Missouri Budget Project is: To advance public policies that improve economic opportunities for all Missourians – particularly low and middle-income families – by providing reliable and objective research, public education and advocacy. More information is available at www.mobudget.org.