



INCOME INEQUALITY ON THE RISE IN TEXAS

The gap between the richest and poorest families, and between the richest and middle-income families grew substantially in Texas over the past two decades, according to a new study by the national Center on Budget and Policy Priorities and the Economic Policy Institute. Growing income inequality tears at the fabric of our economy, and shows our public policies are failing to promote shared prosperity. In fact, inequality has accelerated since the late 1990s as incomes have fallen for poor families and virtually stagnated for middle-income families in Texas. (The full report can be found at <http://www.cbpp.org/4-9-08sfp.htm>.)

Texas Ranks High in Inequality

According to the study, Texas ranks 9th nationally for the widest gap between the top fifth and the bottom fifth of families, and 5th for the widest gap between the top fifth and the middle fifth. Over the past decade, Texas ranked 8th in terms of the greatest increase in income inequality between the top fifth and the middle fifth.

The study, based on inflation-adjusted Census data comparing 2004-2006 with the late 1980s and late 1990s, is one of the few to examine income inequality at the state level. It measured and compared income trends among the highest-, middle-, and lowest-income families in three periods—the late 1980s, the late 1990s, and the mid-2000s. (The study probably understates inequality because it does not include income from capital gains, which goes overwhelmingly to those at the top.)

During the most recent period of economic prosperity—from the late 1990s to the mid-2000s—low- and middle-income Texas families reaped few gains. Average incomes actually fell by 1.8 percent for those in the bottom fifth of the income scale and rose by just 1.3 percent for those in the middle fifth. Meanwhile, incomes climbed 11.4 percent for those in the top fifth.

“Texas has fared well recently with regard to job creation. However, real income gains have been hard to come by for the majority of Texas families and many of our households do not have substantial assets that can cushion the blow when the economy begins to wobble,” said Don Baylor, senior policy analyst at the Center for Public Policy Priorities. “As consumer prices rise and household budgets tighten, these families are ill-prepared to weather the storm.”

Texas Can Reduce Growing Inequality

Texas can improve economic opportunity. For example, Texas can:

- Avoid raising sales taxes and fees, which hit low-income families the hardest;
- Update our unemployment insurance system to better reflect today’s workforce, for example, by extending the amount of time workers receive benefits during an economic downturn;
- Raise the state minimum wage and index it for inflation; and
- Maintain or improve work supports, such as transportation, child care, and health care.

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