



PRESS RELEASE

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Income gap growing in Washington State Lower- and middle-income families at risk in economic downturn

Seattle - Washington's lower and middle income families never fully recovered from the last recession so are ill-prepared to weather the brewing economic storm, according to a national study released today that shows most families were losing ground even when the economy was growing.

The report shows that income inequality in Washington State grew significantly during the most recent period of economic growth. The highest income families saw their average income grow by nearly 12 % since the late 1990s, while incomes stagnated for those at the middle and bottom of the income scale, after adjusting for inflation.

"The continually growing income gap is a matter of broad public concern," said Jeff Chapman, Research Director, Washington State Budget & Policy Center. "It should be a priority of national and state public policy to ensure that economic growth translates into shared prosperity."

Census data shows Washington is one of 37 states where family incomes of the top fifth grew significantly faster than the incomes of the bottom fifth between the late 1980s and now. In marked contrast, between World War II and the 1970s, the benefits of economic growth were broadly shared by families at every income level.

State leaders have policy options that can lessen the gap and help struggling families, notes Marilyn Watkins, Policy Director for the Economic Opportunity Institute. "Washington has been a leader in some areas such as our minimum wage law. But we've fallen behind on others, like tax policy. Low and moderate wage earners in Washington pay a far higher percentage of their income in state and federal taxes than those in high income brackets," she said.

Watkins and Chapman point out state leaders have recently enacted two forward-thinking solutions that can address the impact of income inequality on low- and middle-income families:

- **Family Leave Insurance** provides an important economic safety net for families and improves business productivity by reducing turnover, improving children's health, and helping children become better learners - all essential for economic growth. Beginning in October 2009, the program will allow workers to take up to five weeks off work to care for a newborn or newly adopted child with a benefit of \$250 per week.
- **The Working Families Credit**, developed by the Budget & Policy Center, will give a tax cut to 350,000 families in Washington State, reducing their sales and consumption taxes by 30 percent on average.

The additional state rebate would boost a worker's income by up to 31 percent when combined with their federal Earned Income Tax Credit.

"Pulling Apart: A State By State Analysis of Income Trends," authored by the Center on Budget and Policy Priorities and the Economic Policy Institute and released nationwide by a network of state-level think tanks, is one of the few studies to examine income inequality at the state level.

The full report, press release and state fact sheets are available under embargo by visiting: <http://www.cbpp.org/4-9-08sfp.htm>. These materials will remain under embargo until 12:01 a.m. (ET) on Wednesday, April 9.

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The Washington State Budget & Policy Center is a progressive think-tank committed to improving the lives of people with lower incomes. We use sound research to create bold solutions for change.

The Economic Opportunity Institute forges realistic and robust public policies that promote long-term economic security and opportunity for Washington's middle-class and low-income workers and families.