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Income gap widens

Report rates Ariz. No. 1 in growth of wealth disparity

By Jane Erikson

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Rosemary León wants to get ahead in life, to make a better future for herself and her children.

To reach her goal, the divorced mother of three works two jobs and is taking classes toward a degree from Pima Community College.

"I have a goal," says León, 42, dental program director for St. Elizabeth of Hungary Clinic and a part-time teacher at Pima. "I just don't have a life."

León is not alone. Across the country, and especially in Arizona, all but the wealthiest families have to work harder than ever just to make ends meet, recent reports show. And even for families that are keeping up with the daily cost of living, saving for the future is becoming far more difficult, experts say.

"I can afford a house payment and a car payment," León says. But savings for the kids' college education? "Nonexistent," she says. "Once you pay your bills, you don't have that."

An ever-widening "income gap" is separating the nation's poor and middle-class families from those living at the top of the income scale. In 38 states, including Arizona, the wealthiest families saw their incomes grow an average of \$45,800 — or 62 percent, from the early 1980s to the early 2000s, according to "Pulling Apart," a report from the Center on Budget and Policy Priorities and the Economic Policy Institute.

But the poorest families in those states increased their incomes by just \$3,000 — or 21 percent — over the same two decades, the report says.

The trend is particularly striking in Arizona. From the early 1980s to the early 2000s, the income gap grew faster in this state than in any other, the report says. Over those two decades, the poorest one-fifth of Arizona families saw their annual incomes increase, on average, by a mere \$854 to an average of \$15,719.

But the wealthiest fifth of Arizona families saw their incomes grow an average of \$44,500 to \$121,135.

Looking at just the first few years of this decade, Arizona had the fourth-highest income gap in the nation, behind New York, Texas and Tennessee, according to "Pulling Apart," which is based on survey data from the U.S. Census Bureau.

The nation's income inequality also has been documented by the Internal Revenue Service and the Congressional Budget Office. IRS data show that after-tax incomes for the wealthiest 1 percent of Americans shot up an average of nearly \$49,000 to \$620,700 in 2003, while the bottom 75 percent saw their after-tax incomes stay almost unchanged from 2002. In between those two extremes, the incomes of 24 percent of tax filers increased 1.4 percent in 2003.

"We are a state of haves and have-nots."

Marshall Vest, University of Arizona economist

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John Schwarz, retired UA political scientist

Income inequality existed but did not grow between World War II and the late 1970s, when Americans' incomes grew at about the same rate, said Elizabeth McNichol, co-author of "Pulling Apart."

That shared prosperity came to an end in the late 1970s, when globalization began sending more higher-paying manufacturing jobs overseas and unions started to weaken, McNichol said. Income disparity was offset somewhat by low unemployment and wage increases in the late 1990s and the recession in 2001 that affected nearly all Americans, she said.

"Now, all indications are that the strong growth at the top of the income scale has been restored, but incomes of the poor and middle class are growing very slowly," she said.

She would get no argument from Jo Jensen, for 21 years the owner of an ice cream shop now called Santa Barbara Ice Creamery, 2502 N. Campbell Ave. Jensen, 51 and divorced, works up to 70 hours a week at the store, where the increasing costs of doing business have forced her to cut corners in other ways.

She recently dropped her comprehensive health-care coverage and replaced it with less-expensive catastrophic coverage. The trade-off: Her new policy won't cover mammograms and other preventive care.

Jensen's 20-year-old daughter, Brooke, attends Pima College on an academic scholarship but will transfer next fall to the University of Arizona. They haven't saved for tuition, Jensen said, but Brooke hopes to get scholarships.

"I have it good, overall," she said. "I just have to work hard."

The income gap is blamed on several factors, two of which apply particularly to Arizona: a growing pool of immigrants, many of whom are willing to work for low wages, and a minimum wage of \$5.15 an hour, set by the federal government more than eight years ago.

"We are a state of haves and have-nots," said University of Arizona economist Marshall Vest, who also points to the state's low income tax rate and its high percentage of Hispanics, who make up 30 percent of Tucson's population and have higher birthrates and lower incomes, on average, than Anglos.

That translates to a greater need for social services but less revenue to pay for them — "a clash of class and culture that could get ugly," Vest said.

John Schwarz, a retired UA political scientist, said he is alarmed by "the absence of real wage increases for the average worker despite substantial increases in productivity. ... It goes against all the values we hold dear in American culture."

College-educated workers saw their wages increase about 16 percent over the last 30 years, Schwarz said, while American productivity increased 70 percent, and the wealthiest 3 percent of Americans nearly doubled their salaries and benefits.

"Reaping the fruits of your labor is simply not happening," Schwarz said, "so what you have is a kind of disenfranchisement — not simply of the poor but of the broad middle class as well. They can't raise their incomes by doing better on the job, so they have to work longer hours or have more people in the family work. And people are exhausted and over-extended as a result."

Noah Clarke, an economist with the Goldwater Institute in Phoenix, agrees that there is an income gap but doubts its importance to most Americans.

The "Pulling Apart" report shows the income gap was much smaller 20 years ago than it is today — but the people who were counted at the lower income levels are not the same people at those levels today, Clarke said.

"What's happening is new people are entering that bottom rung, and the people who were there in 1980 have moved on and are catching up," he said. "Very few people stay at the bottom for very long."

Tens of thousands of people move to Arizona each month because of job opportunities here, Clarke said.

"Perhaps I have more faith than other economists, but I think people know where the jobs are and where the opportunities are, and they move accordingly," he said.

That's what Artemisa Zepeda did Friday, her last day as a medical assistant at El Pueblo Health Center. She's moving on to a job in medical-equipment sales that will pay more — enough that she can afford a baby sitter for her 9-month-old daughter, Nevaeh.

Both Zepeda and her husband, Tomás, a bus driver for the Tucson Unified School District, work full time to be able to keep up with house payments and other costs of living. The family — which also includes Tomás' daughter, Esperanza — is covered through his health insurance. It's costing an extra \$500 a month to insure the baby.

"Maybe in a couple years down the road" the family will have an easier time making ends meet, Artemisa Zepeda said. "Now, we have to be very careful."

Hundreds of families struggling to make ends meet get financial help each year from Chicanos por la Causa Inc.

"It's difficult for people to pull themselves up," said Maggie Amado-Tellez, the organization's housing director.

The median home price in Tucson was just under \$216,000 in January, according to the Tucson Association of Realtors Multiple Listing Service. But the median income for a Tucson family of four is \$50,375 — only enough to buy a home selling for up to \$153,000, Amado-Tellez said.

Rosemary León is pulling herself up, but she hopes to get financial aid when she gets to the UA. She wants to finish as soon as she can and start her next career as a full-time faculty member at Pima.

"I'm ambitious. I set goals. I consider myself reasonably intelligent," León said. "But I'm going to have to kick it into high gear a little bit."

"We are a state of haves and have-nots."

Marshall Vest, *University of Arizona economist*

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