



TIME TO END INCOME INEQUALITY: MICHIGAN'S TOP 1% MAKES 21.4 TIMES MORE THAN REST OF WORKERS

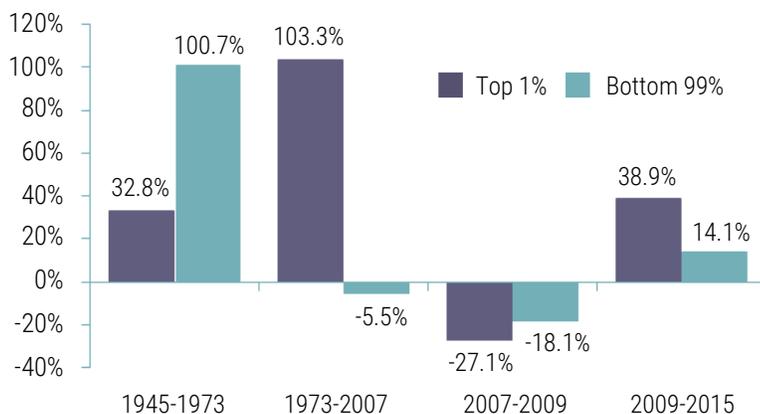
Brandon Betz, Tax Policy Analyst | March 2020

Michigan's income inequality is a persistent and increasing problem that has a negative impact on the state's residents and economy.¹ Between 1950 and the late 1970s, incomes at all levels increased at relatively similar rates for Michigan residents as well as nationally. A significant divergence began in the late 1970s as most of the income growth started going to the top earners and leaving the rest of Michigan residents behind.

MICHIGAN INCOME INEQUALITY FAST FACTS:

- ◆ 15th most unequal state in the nation, 2nd most unequal in the Midwest
- ◆ Top 1% makes 21.4 times more than the bottom 99%
- ◆ Most unequal county: Leelanau
- ◆ Least unequal county: Baraga
- ◆ Median earnings for full-time working males: \$52,004
- ◆ Median earnings for full-time working females: \$44,573
- ◆ Michigan ranks near the bottom nationally in gender pay disparities
- ◆ In 2019, workers of color made \$5.20 less per hour than White workers in the United States
- ◆ Racial disparities in average hourly wages exist regardless of educational attainment

Real income growth of the top 1% earners in Michigan has far outpaced growth of the bottom 99%



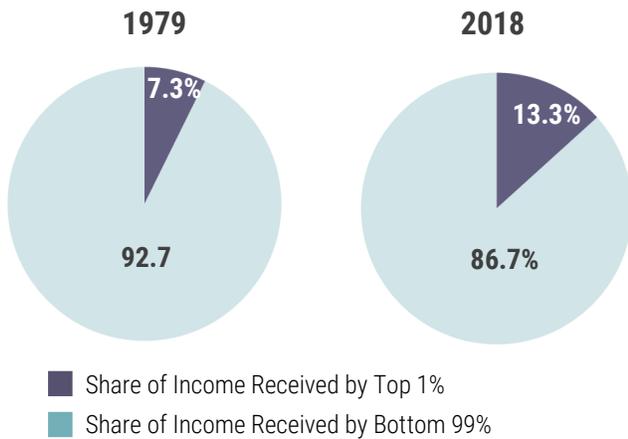
Source: Economic Policy Institute

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Over the next 30-plus years, Michigan incomes fared worse than most of the rest of the nation. Between 1979 and 2013, incomes declined in the bottom 99%, while incomes rose for the top 1%. In 1979, the top 1% of Michigan households held 7.3% of the total income in the state. By 2018, the amount taken home by this group had nearly doubled to 13.3%, while the rest of Michigan residents saw their incomes decline.²

Major income disparities exist between different genders and races. In 2018, Michigan women working full time still made only 79 cents for every \$1 a full-time working man made. This is below the national average and ranks Michigan 6th out of the 12 states in the Midwest region, trailing all of our immediate neighbors. In addition, women of color, and most men of color, continue to have lower median incomes than White, full-time working men.³

Share of income received by the top 1% of Michigan earners has nearly doubled



Source: Economic Policy Institute

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Why Does This Matter?

Simply put, poverty in Michigan—especially for children—is still too high, and our state’s economic recovery is leaving too many people behind. Many workers have full-time jobs, but are still barely getting by as they struggle to provide for their families. At the same time, Michigan continues to favor policies that benefit the wealthy, such as its regressive tax structure, while reducing, capping and eliminating programs that help the most vulnerable.

Unfortunately, income inequalities do not simply affect what ends up in a person’s bank account. According to the national Economic Policy Institute, increasing inequality might lead to lower income mobility in future generations. Lower-wage earners are less likely to have access to employer-sponsored health insurance coverage and paid sick and family leave, and are more likely to have underfunded retirement accounts. Income gaps affect the ability

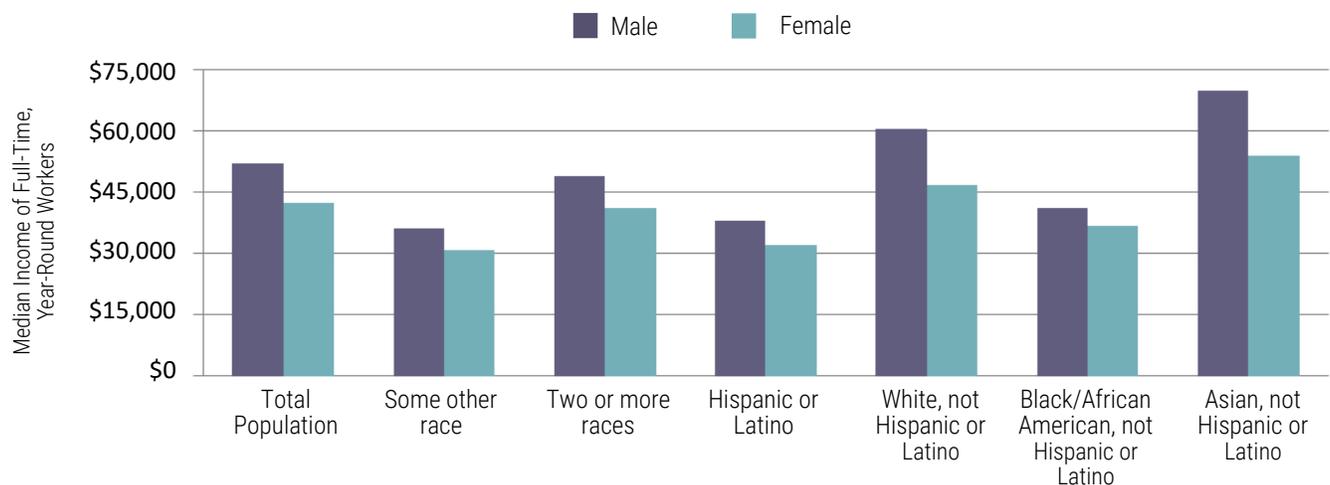
to pay for healthcare or save for retirement or a child’s college education, and reducing these gaps will have a positive impact on Michigan’s residents, communities and economy.

What Can Policymakers Do to Reduce Income Inequality?

Michigan can implement state policies that can help bridge the divide:

- **Improve working conditions:** Michigan’s minimum wage is improving, and rose to \$9.65 per hour in 2020. However, more can be done to help Michigan’s lowest paid workers, such as further raising the minimum wage or eliminating the tipped wage

Women's median earnings still continue to lag behind men and racial disparities exist



Source: American Community Survey 1-year estimates, 2018

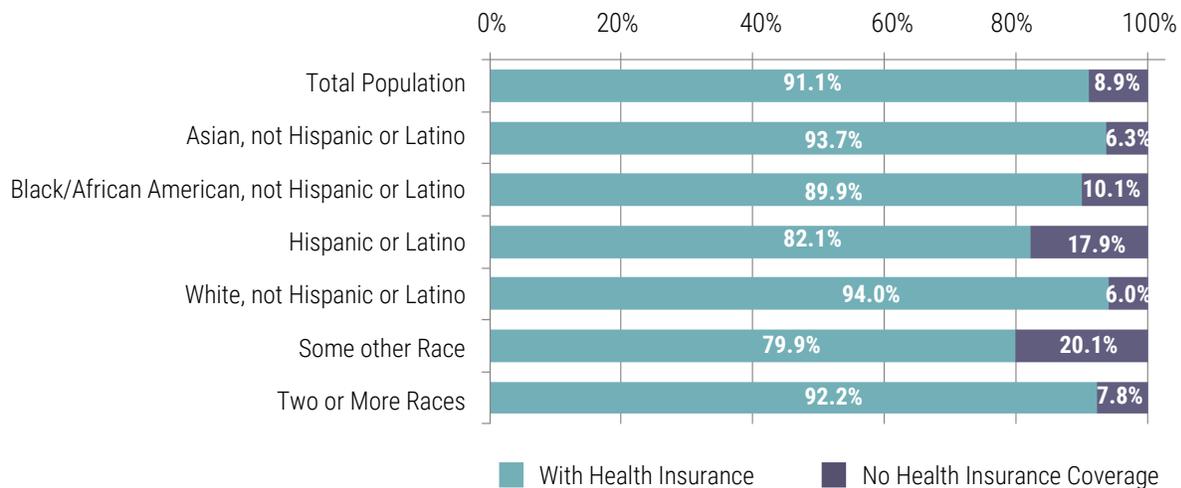
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to narrow the gap. Expanding access to high-quality child care would allow more low-wage earners the ability to find more secure and higher-paid employment. Finally, enacting earned paid leave policies would provide workers the necessary flexibility to care for themselves or family members without risking losing money or even their jobs.

- **Improve tax implications:** Currently, Michigan’s lowest income earners pay a higher rate in total state and local taxes than Michigan’s top earners; in fact, they pay nearly double the rate of the top 1%. Restoring Michigan’s Earned Income Tax Credit (EITC) to 20% of the federal credit, expanding the Homestead Property Tax Credit or implementing a fairer income tax, such as a graduated income tax, would help Michigan’s lowest-paid workers keep more of their hard-earned wages.
- **Improve job opportunities:** As our economy expands, more jobs will require at least some college education, if not a certification, associate degree or bachelor’s degree. Improving K-12 education—especially for children at risk of educational failure,—increasing adult education and expanding access to post-secondary education would help retool Michigan’s workers for its new economy.

For almost four decades, Michigan’s income gap has been widening and it’s time to change that. State lawmakers must do more to adopt policies that will strengthen our economy, alleviate poverty and reduce income inequality for Michigan workers.

Michigan residents of color less likely to have health insurance coverage



Source: American Community Survey 1-year estimates, 2018

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Endnotes:

¹ Estelle Sommeiller, Mark Price, and Ellis Wazeter. Economic Policy Institute. "Income inequality in the U.S. by state, metropolitan area, and county." Economic Analysis Research Network (EARN) Report. June 16, 2016. American Community Survey 1-year estimates, 2014. PolicyLink/PERE, National Equity Atlas, www.nationalequityatlas.org.
² Estelle Sommeiller and Mark Price. Economic Policy Institute. "The New Gilded Age, Income Inequality in the U.S. by State, Metropolitan Area, and County." July 19, 2018. <https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/>. Accessed on 2/21/2020.
³ American Community Survey 1-year estimates, 2018