



# **What About the Rest of Us?**

## **Top 1% Takes Home All the Increase in Pennsylvania Income in Current Economic Recovery**

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### **Executive Summary**

Our national report released today by the Economic Analysis Research Network (EARN) and the Economic Policy Institute presents updated estimates of top incomes from 1917 to 2012 for all 50 U.S. states and multi-state regions. (See the national report at <http://goo.gl/AnFnMt>). This brief expands on the Pennsylvania findings of the national report and presents updates by county and metropolitan area on trends in the share of income earned by the top 1 percent in 1978 and 2012.

- Between 2009 and 2012, adjusted for inflation, average incomes increased 3.7% in Pennsylvania. All of the overall income growth was driven by an increase of 28.6% in the income of the top 1 percent of earners. Over the same period the bottom 99 percent of earners in Pennsylvania saw their real incomes decline 1.1%. Because the income of the bottom 99 percent fell, the top 1 percent accounted for more than 100% of overall income growth (124.4% to be precise).
- The current expansion through 2012 is the worst on record measured by the inequality of income growth skewed towards the top 1 percent of Pennsylvania earners. It also continues the pattern of increasingly unequal income growth evident in economic expansions since the early 1980s. On average over the last four economic expansions the top 1 percent of earners in Pennsylvania have received 61% of overall income growth. This stands in stark contrast to the six economic expansions between 1949 and 1979 a period in which the top 1 percent of Pennsylvania earners received just 7.1% of overall income growth.
- The top 1 percent's share of all income has climbed steadily from 8.6% in 1978 to 19.8% today. Within Pennsylvania, the top 1 percent's share of income has increase in every county and metropolitan areas of Pennsylvania.
  - The 10 counties with the highest top 1 percent share of all income in 2012 were: Potter (26.1%), Allegheny (23.1%), Montgomery (23.0%), Delaware (21.3%), Chester (20.6%), Erie (19.5%), Philadelphia (19.5%), Warren (18.9%), Berks (17.7%), and Washington (17.4%).
  - The 10 counties with the lowest top 1 percent share of all income in 2012 were: Cameron (11.6%), Columbia (11.4%), Mifflin (11.4%), Bedford (11.2%), Monroe

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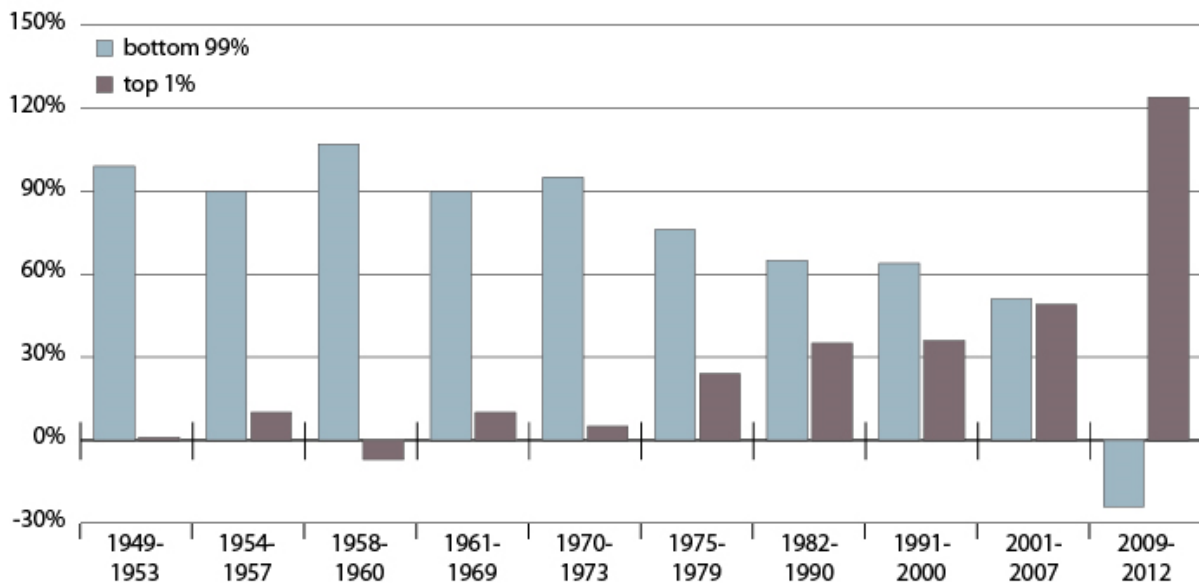
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(10.8%), Snyder (10.7%), Carbon (10.2%), Juniata (9.3%), Fulton (9.1%), and Perry (8.5%).

**Figure 1**

**Since 1979, the Top 1% Have Captured a Larger and Larger Share of Income Growth During Economic Expansions in Pennsylvania**

Distribution of Average Income Growth During Expansions in Pennsylvania



Source: Sommeiller, Estelle and Mark Price. 2015. The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012. Economic Analysis Research Network (EARN) Report. <http://goo.gl/AnFnMt>

**Broadly Shared and Not So Broadly Shared Income Growth**

Economic expansions are sustained periods of increasing economic activity marked by a combination of rising employment and output. For workers that lost a job during a recession, economic expansion is the period in which they are most likely to be called back to their old job or to find a new one. An expansion is also a period when workers are most likely to see their pay rise.

Our data, which track market incomes (before taxes and before the receipt of transfer payments like social security), allow us to evaluate the distribution of income growth during the 10 economic expansions that have occurred in Pennsylvania since 1949.

In the six economic expansions that occurred between 1949 and 1979 income growth was broadly shared (See Figure 1). Specifically, the bottom 99 percent of families in Pennsylvania, on average, captured 93 percent of overall income growth. This was a period in American history when a rising tide did, indeed, lift all boats. It was also a period characterized by tight labor markets, a rising minimum wage and high levels of unionization. In this policy and institutional

context, as the economy and profits expanded wages also grew for workers at the bottom and in the middle.

But since 1979 – an era characterized by falling unionization<sup>2</sup>, a minimum wage that has lost ground against inflation<sup>3</sup>, and an economy with longer periods below full employment -- income growth has been much less broadly shared. During the economic expansions of the 1980s (1982-1990) and 1990s (1991-2000), the bottom 99 percent of families in Pennsylvania captured between 64% and 65% of overall income growth in the commonwealth.

In the 21<sup>st</sup> century, income growth has become even more skewed. The bottom 99 percent of families captured just over half of all income growth from 2001 to 2007. In the current economic expansion, which began in 2009, the bottom 99% of families have lost ground so far and the top 1 percent has been the only group to see its real incomes rise in Pennsylvania. As a result the top 1 percent of earners in Pennsylvania have captured more than 100% of overall income growth (124.4% to be precise).

## **County and Metropolitan Top Income Shares**

The data summarized so far is based on summary tables of taxable income published annually by the Internal Revenue Service. Pennsylvania, which also has an income tax, has published similar tax tables since 1974, making it possible to estimate by county and metropolitan statistical area the share of income captured by the top 1 percent. Figure 1 shows that the share of all income received by the top 1 percent has more than doubled in Pennsylvania, from 8.6% in 1978 to 19.8%. As Table 1 and Table 2 below illustrates, the share of income flowing to the top 1 percent increased in every county and metropolitan area between 1978 and 2012.

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<sup>2</sup> In 1979 35.6% of Pennsylvania workers were covered by collective bargaining (Cooper and Mishel 2015), in 2014 that figure stands at just 13.6% (Hirsch and Macpherson 2015).

<sup>3</sup> After adjusting for inflation the minimum wage in Pennsylvania is 17.7% lower than it was in 1979.

Table 1.

Top 1% share of all income by county in Pennsylvania						
County	1978	Rank (1=highest, 67=lowest)	2012	Rank (1=highest, 67=lowest)	1978 to 2012	
					Change	Percent Change
<b>Pennsylvania</b>	<b>8.6%</b>		<b>19.8%</b>		<b>11.2%</b>	<b>130%</b>
Adams	6.1%	60	13.1%	48	7.0%	114%
Allegheny	9.0%	6	23.1%	2	14.2%	158%
Armstrong	6.3%	58	14.4%	40	8.1%	130%
Beaver	5.6%	64	12.0%	51	6.4%	115%
Bedford	7.1%	30	11.2%	61	4.1%	58%
Berks	7.1%	29	17.7%	9	10.5%	147%
Blair	7.3%	23	17.4%	11	10.1%	138%
Bradford	6.9%	36	13.7%	43	6.7%	97%
Bucks	5.9%	61	17.3%	12	11.4%	193%
Butler	6.6%	42	16.2%	21	9.6%	144%
Cambria	7.6%	20	15.1%	32	7.5%	99%
Cameron	5.3%	65	11.6%	58	6.3%	120%
Carbon	5.6%	63	10.2%	64	4.6%	83%
Centre	7.6%	19	15.1%	33	7.4%	97%
Chester	8.3%	9	20.6%	5	12.3%	149%
Clarion	8.3%	10	12.6%	49	4.4%	53%
Clearfield	9.0%	5	13.6%	44	4.6%	50%
Clinton	6.6%	44	11.9%	53	5.3%	81%
Columbia	6.4%	52	11.4%	59	5.0%	77%
Crawford	6.6%	43	13.5%	47	6.9%	103%
Cumberland	6.6%	45	17.1%	15	10.5%	160%
Dauphin	7.0%	35	15.8%	26	8.8%	127%
Delaware	7.9%	14	21.3%	4	13.3%	168%
Elk	7.9%	15	16.0%	23	8.1%	103%
Erie	7.6%	22	19.5%	6	12.0%	159%
Fayette	7.7%	18	14.0%	41	6.3%	82%
Forest	4.3%	67	15.0%	36	10.7%	249%
Franklin	6.5%	50	12.0%	52	5.5%	85%
Fulton	7.0%	34	9.1%	66	2.1%	30%
Greene	6.7%	41	15.1%	31	8.3%	124%
Huntingdon	6.5%	49	11.8%	55	5.3%	82%
Indiana	7.6%	21	16.0%	24	8.4%	111%
Jefferson	9.3%	4	17.1%	14	7.7%	83%

Table 1 (cont).

## Top 1% share of all income by county in Pennsylvania

County	1978	Rank (1=highest, 67=lowest)	2012	Rank (1=highest, 67=lowest)	1978 to 2012	
					Change	Percent Change
Juniata	6.3%	56	9.3%	65	2.9%	46%
Lackawanna	8.9%	7	17.2%	13	8.3%	93%
Lancaster	7.0%	33	15.3%	30	8.2%	117%
Lawrence	6.5%	48	15.5%	29	8.9%	137%
Lebanon	6.3%	54	11.8%	56	5.4%	85%
Lehigh	7.2%	28	15.9%	25	8.7%	121%
Luzerne	8.0%	13	14.7%	38	6.7%	84%
Lycoming	6.8%	39	14.9%	37	8.2%	120%
Mckean	7.8%	17	16.9%	16	9.1%	118%
Mercer	6.9%	37	15.6%	28	8.7%	126%
Mifflin	7.1%	31	11.4%	60	4.3%	60%
Monroe	8.1%	11	10.8%	62	2.7%	33%
Montgomery	9.9%	1	23.0%	3	13.1%	132%
Montour	6.5%	46	15.0%	34	8.5%	129%
Northampton	6.3%	55	14.0%	42	7.6%	121%
Northumberland	7.1%	32	11.7%	57	4.6%	65%
Perry	4.6%	66	8.5%	67	3.9%	86%
Philadelphia	8.4%	8	19.5%	7	11.1%	131%
Pike	9.7%	2	11.8%	54	2.1%	22%
Potter	6.4%	53	26.1%	1	19.7%	306%
Schuylkill	7.2%	25	14.7%	39	7.4%	103%
Snyder	6.3%	57	10.7%	63	4.4%	69%
Somerset	9.4%	3	16.7%	18	7.3%	78%
Sullivan	6.5%	47	12.3%	50	5.7%	88%
Susquehanna	6.2%	59	15.8%	27	9.6%	156%
Tioga	7.2%	27	13.5%	46	6.3%	88%
Union	6.8%	40	16.2%	20	9.5%	140%
Venango	7.8%	16	16.8%	17	9.0%	116%
Warren	8.1%	12	18.9%	8	10.8%	132%
Washington	6.5%	51	17.4%	10	11.0%	169%
Wayne	7.3%	24	15.0%	35	7.8%	107%
Westmoreland	7.2%	26	16.1%	22	8.9%	123%
Wyoming	5.7%	62	16.4%	19	10.7%	188%
York	6.9%	38	13.5%	45	6.6%	96%

Source. Pennsylvania state data Sommeiller, Estelle and Mark Price. 2015. The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012. Economic Analysis Research Network (EARN) Report. County data Keystone Research Center analysis of Pennsylvania Department of Revenue data.

Table 2.

Top 1% share of all income by Metropolitan Statistical Area in Pennsylvania

County	1978	2012	1978 to 2012	
			Change	Percent Change
<b>Pennsylvania</b>	<b>8.6%</b>	<b>19.8%</b>	<b>11.2%</b>	<b>129.7%</b>
Allentown-Bethlehem-Easton	6.8%	14.9%	8.1%	119.4%
Altoona	7.3%	17.4%	10.1%	137.5%
Bloomsburg-Berwick	6.6%	13.1%	6.5%	99.1%
Bloomsburg-Berwick-Sunbury	6.8%	13.2%	6.4%	92.8%
Bradford	7.8%	16.9%	9.1%	117.6%
Chambersburg-Waynesboro	6.5%	12.0%	5.5%	84.7%
DuBois	9.0%	13.6%	4.6%	50.4%
East Stroudsburg	8.1%	10.8%	2.7%	32.6%
Erie	7.6%	19.5%	12.0%	158.6%
Erie-Meadville	7.4%	18.4%	11.0%	149.3%
Gettysburg	6.1%	13.1%	7.0%	114.0%
Harrisburg-Carlisle	6.7%	16.1%	9.4%	140.0%
Harrisburg-York-Lebanon	6.7%	14.6%	7.9%	118.0%
Huntingdon	6.5%	11.8%	5.3%	81.9%
Indiana	7.6%	16.0%	8.4%	111.3%
Johnstown	7.6%	15.1%	7.5%	99.4%
Johnstown-Somerset	8.1%	15.7%	7.5%	92.8%
Lancaster	7.0%	15.3%	8.2%	117.4%
Lebanon	6.3%	11.8%	5.4%	85.5%
Lewisburg	6.8%	16.2%	9.5%	139.8%

Table 2 (cont).

Top 1% share of all income by Metropolitan Statistical Area in Pennsylvania				
County	1978	2012	1978 to 2012	
			Change	Percent Change
<b>Pennsylvania</b>	<b>8.6%</b>	<b>19.8%</b>	<b>11.2%</b>	<b>129.7%</b>
Lewistown	7.1%	11.4%	4.3%	60.4%
Lock Haven	6.6%	11.9%	5.3%	81.0%
Meadville	6.6%	13.5%	6.9%	103.4%
Montgomery, Bucks and Chester	8.6%	20.8%	12.1%	140.5%
New Castle	6.5%	15.5%	8.9%	136.9%
Oil City	7.8%	16.8%	9.0%	115.6%
Philadelphia	8.4%	19.5%	11.1%	131.5%
Pittsburgh	8.2%	20.2%	12.0%	147.7%
Pottsville	7.2%	14.7%	7.4%	102.6%
Reading	7.1%	17.7%	10.5%	147.2%
Sayre	6.9%	13.7%	6.7%	97.4%
Scranton--Wilkes-Barre--Hazleton	8.3%	15.8%	7.6%	91.5%
Selinsgrove	6.3%	10.7%	4.4%	69.0%
Somerset	9.4%	16.7%	7.3%	77.7%
State College	7.6%	15.1%	7.4%	97.0%
State College-DuBois	8.3%	14.9%	6.6%	79.8%
Sunbury	7.1%	11.7%	4.6%	64.9%
Warren	8.1%	18.9%	10.8%	132.3%
Williamsport	6.8%	14.9%	8.2%	120.0%
Williamsport-Lock Haven	6.8%	14.4%	7.6%	112.2%
York-Hanover	6.9%	13.5%	6.6%	96.5%

Source. Pennsylvania state data Sommeiller, Estelle and Mark Price. 2015. The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012. Economic Analysis Research Network (EARN) Report. County data Keystone Research Center analysis of Pennsylvania Department of Revenue data.

## Conclusion

The unprecedented degree of income inequality in the current economic expansion represents a confluence of long- and short-term forces. In the short run real wages have been falling for most workers in Pennsylvania thanks to the deepest recession since the Great Depression as well as weak job growth during the recovery (especially after 2010<sup>4</sup>). In the long run, the bargaining power of workers in Pennsylvania has been substantially weakened since 1979. Specifically there has been a steep decline the percentage of workers covered by collective bargaining as well as a steep decline in the purchasing power of the minimum wage.

Together these short- and long-term forces have left most workers in Pennsylvania unable to capture the fruits of economic and productivity growth in the form of higher inflation-adjusted hourly earnings. The beneficiaries of these shifts have been the top 1 percent of earners a group that consists predominantly of top managers and CEOs. With productivity rising but wage growth constrained the top 1 percent have managed to capture a large and rising share of income growth since 1979.

In addition to being the primary beneficiaries of trends in the growth of earnings before taxes, the highest earners in Pennsylvania have also been the primary beneficiaries of changes in Federal tax policy, with top marginal tax rates substantially lower today than prior to 1979. State and local tax policy is also currently heavily skewed in favor of the top 1 percent of earners.<sup>5</sup> In 2015 middle-class families in Pennsylvania will pay more than twice as much of their income in state and local taxes as the top 1 percent of earners.

Raising the minimum wage, strengthening unions, and requiring CEOs and other top earners to pay their fair share of taxes should be key priorities for Pennsylvania policymakers in 2015.

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<sup>4</sup> See *The State of Working Pennsylvania 2014* for more on the pattern of job growth in Pennsylvania since the end of the Great Recession; online at <http://keystoneresearch.org/state-working-pennsylvania-2014>

<sup>5</sup> Pennsylvania Budget and Policy Center, "Who Pays? Pa.'s Tax System Grows More Regressive: Low-Income Pay Highest Share of Income in Taxes"; online at <http://pennbpc.org/who-pays-pas-tax-system-grows-more-regressive-low-income-pay-highest-share-income-taxes>



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