

# PULLING APART 2016

FOCUS ON WISCONSIN'S 1 PERCENT  
JUNE 2016

## INTRODUCTION

The economy is growing again, but gains are concentrated on the state's richest residents. As in the nation, inequality is on the rise. Over the last 40 years, Wisconsin's richest residents have experienced dramatic increases in income, yet the rest of the state's residents have experienced little or no income growth.

The widening chasm between the very highest earners and everyone else poses hardships for Wisconsin's families, businesses, and communities. Families can't thrive when income growth is nearly non-existent for everyone except those at the top, and businesses need a strong middle class bolstered by broad-based income growth to generate customers. Wisconsin communities pay the price if too many families and businesses fail to prosper.

Growing income inequality is also bad for Wisconsin's economic growth. To build a solid, fast-growing economy, we need to make sure that Wisconsin has a healthy, well-educated workforce. But if nearly all the gains from economic growth benefit only a few, many Wisconsin residents won't have the resources they need to become the kind of skilled workers our economy needs for the future. That hurts everyone.

All data in this report comes from *Income Inequality in the U.S. by State, Metropolitan Area, and County, 1917 to 2013*, written by Estelle Sommeiller, Mark Price, and Ellis Wazeter for the Economic Analysis and Research Network. The report describes the evolution of top income shares at the state and local levels and provides the figures that allow this analysis of top incomes in Wisconsin. Income figures are presented in 2014 dollars.

## ABOUT WBP

The Wisconsin Budget Project is an initiative of the Wisconsin Council on Children and Families engaged in analysis and education on state budget and tax issues, particularly those relating to low- and moderate-income families. The Budget Project seeks to broaden the debate on budget and tax policy through public education and by encouraging civic engagement on these issues.

## ABOUT COWS

COWS is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. Through our various projects, we work with cities around the country to promote innovation and the implementation of high road policy. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.



WISCONSIN  
BUDGET  
PROJECT

COWS

BUILDING THE  
HIGH ROAD

## AT THE TOP: HOW MUCH DOES THE TOP 1% MAKE?

There is a vast gap between the incomes of the highest earners in Wisconsin and the incomes of typical Wisconsin residents. In Wisconsin, the top 1% of earners had incomes of \$312,000 or higher in 2013. The top .01% in Wisconsin – the top 1 out of 10,000 – had incomes of at least \$6.2 million.

In Wisconsin, the top 1% make, on average, 19 times the average annual income of \$47,000 that the remaining 99% of residents make. Wisconsin ranked 26th among U.S. states in the ratio of the top 1% of income to the remaining 99% of income. The average income of the top .01% in Wisconsin is 405 times the average income of the bottom 99% of Wisconsin residents.

*Table 1*

### INCOME THRESHOLD OF TOP 1% AND TOP .01% AND AVERAGE INCOME OF TOP .01% IN 2013

<i>State/region</i>	<i>Income threshold of top 1%</i>	<i>Income threshold of top .01%</i>	<i>Average income of the top .01%</i>
Wisconsin	\$312,000	\$6,246,000	\$18,879,000
Midwest	\$343,000	\$6,187,000	\$17,580,000
United States	\$389,000	\$8,325,000	\$26,107,000

*Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report*

*Table 2*

### RATIO OF TOP 1% OF INCOME TO REMAINING 99% OF INCOME, IN 2013

<i>State/region</i>	<i>Average income of the top 1%</i>	<i>Average income of the remaining 99%</i>	<i>Top-to-remaining ratio</i>
Wisconsin	\$888,000	\$47,000	19.0
Midwest	\$914,000	\$46,000	20.1
United States	\$1,153,000	\$46,000	25.3

*Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report*

## SHARE OF INCOME GOING TO TOP 1% HAS CLIMBED

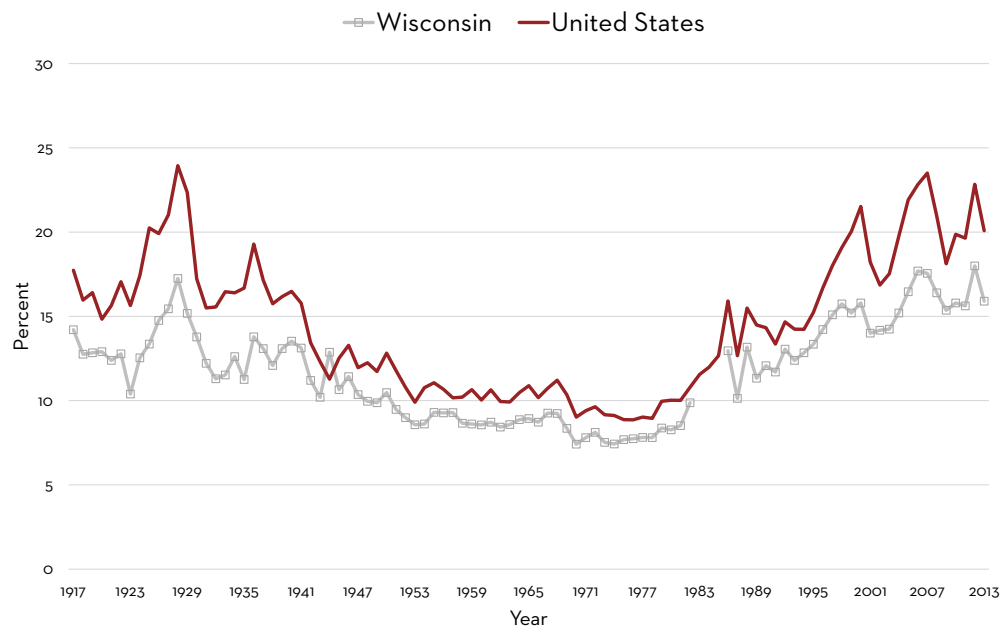
The share of income taken home by the highest earners in Wisconsin has climbed over the last forty years, to the point where the top 1% took home 1 out of every 6 dollars of income in the state in 2013.

Figure 1 shows the U-shaped pattern measuring income inequality in Wisconsin and the nation over the last 100 years. In the late 1920s and into the 1930s, income inequality was stark, with the highest earners taking home a large share of the total income. After the crash in the late 1920s, and over the era of the New Deal— with its collective bargaining, retirement and unemployment security, financial regulation, progressive taxation— inequality fell as the income share claimed by top earners fell. In the 1970s, however, the trend in inequality reversed and it has been on the rise. Inequality is now back to the high levels posted just before the Great Depression.

Wisconsin, like many of the less urbanized and less populated states in the West and Midwest, has traditionally had less concentration of income at the very top. But while Wisconsin's income distribution is slightly more equal than that of many other states, Wisconsin is keeping pace with the national trend of dramatic increases in inequality. After a period in the middle of the century when economic gains were widely shared, income inequality in Wisconsin and the nation has climbed steadily since the mid-1970s.

Figure 1

### THE SHARE OF ALL INCOME HELD BY TOP 1 PERCENT



Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. *Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report*

Table 3

## INCOME SHARE OF TOP 1% IN WISCONSIN

Income share of top 1%				Change in income share of the top 1% (percentage points)	
1928	1974	2007	2013	1928 to 1974	1974 to 2013
17.2	7.4	17.6	15.9	-9.8	8.5

Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report

Table 4

## INCOME GROWTH FROM 1979 TO 2013

State/ region	Overall income growth			Share of growth captured by top 1% (percent)
	Overall	Top 1%	Remaining 99%	
Wisconsin	13.7%	119.8%	4.0%	73.1%
Midwest	11.2%	105.5%	1.7%	85.9%
United States	17.3%	141.1%	3.7%	80.7%

Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report

The overall trend has been towards increased levels of income inequality, but not every year fits into this pattern – including 2013, the most recent year for which there is information. The share of income held by the top 1% in Wisconsin actually decreased from 2012 (18.0%) to 2013 (15.9%). However, a one-year decrease hasn't done much to turn back the effects of several decades worth of increases in inequality, and it's too early to tell if the decrease will be sustained for the period that would be necessary to have a meaningful effect on decreasing the share of income going to the very highest earners.

The share of income in Wisconsin going to the top 1% in 2013 is comparable to levels reached prior to the Great Depression. The top 1% in Wisconsin captured 15.9% of the income in 2013, or the equivalent of 1 out of every 6 dollars of income in the state. This share of income has more than doubled since 1974, when the top 1% in Wisconsin took home a low of 7.4% of all income in Wisconsin, or just 1 out of every 13 dollars of income.

The trend toward growing concentration of income has been even more pronounced among higher income groups, within the top 1%. For example, the share of income captured by the top .01% in Wisconsin increased more than six-fold between its low point in the 1970s and its current level, and the share of income captured by the top 0.1% increased more than four-fold over this same period. At the same time that the share of income going to the top 1% in Wisconsin has steadily climbed, income for everyone else in Wisconsin has remained stagnant. Between 1979 and 2013, average incomes for the top 1% in Wisconsin increased by 120%, after being adjusted for inflation. In contrast, the incomes of the remaining 99% grew by just four percent over that period on average. Put another way, \$73 out of every \$100 of income growth that occurred between 1979 and 2013 in Wisconsin wound up in the pockets of the top 1%.

## RECOVERY FOR SOME: HIGHEST EARNERS IN WISCONSIN CAPTURE LARGE SHARE OF POST-RECESSION GAINS

Looking to the more recent past, it is clear also that the economic gains in the period of recovery from the 2007 recession have been captured by the top 1%. During the recession –as in any other economic downturn– top earners in Wisconsin experienced a sizable loss of income. The share of income claimed by the top 1% dropped from 17.6% in 2007 to 15.4% in 2009, and the average income for this group dropped by more than \$200,000 over that period.

In the aftermath of the recession, however, the pattern of growth in income inequality in Wisconsin has resumed. Between 2009 and 2013, the top 1% captured 31.3% of all income gains in Wisconsin. The average income of the top 1% increased by 12.0% in Wisconsin between 2009 and 2013, while the remaining 99% experienced an average income growth of just 4.7%.

## INCOME INEQUALITY WITHIN WISCONSIN

Within Wisconsin, there is considerable variation in income inequality among communities. Still, most Wisconsin metropolitan areas and counties have less income inequality than the national average.

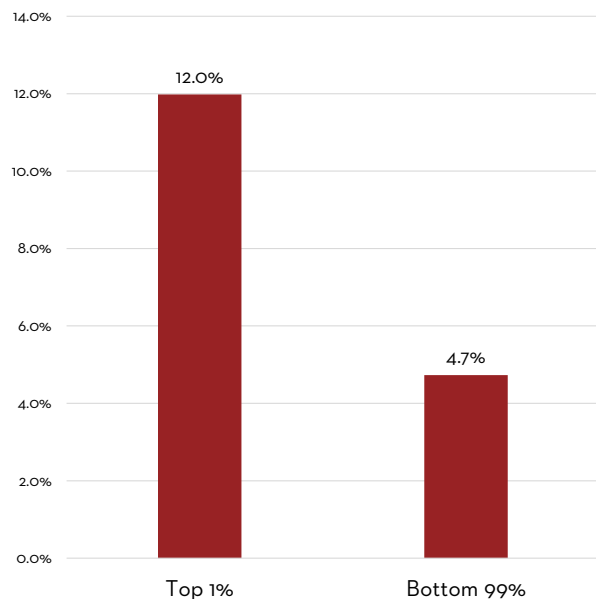
The metropolitan areas with the highest levels of income inequality, as measured by the share of total income going to the top 1%, are Whitewater-Elkhorn (23.6% in 2013), Milwaukee-Waukesha-West Allis (17.7%) and Green Bay (16.8%). Of those three, only Whitewater-Elkhorn had a greater share of income claimed by the top 1% than the national average. The metropolitan areas with the lowest levels of income inequality in Wisconsin are Watertown-Fort Atkinson (8.8%), Shawano (8.9%), and Platteville (9.3%).

**Table 5**  
**INCOME GROWTH FROM 2009 TO 2013**

State/ region	Overall income growth			Share of growth captured by top 1% (percent)
	Overall	Top 1%	Remaining 99%	
Wisconsin	5.8%	12.0%	4.7%	31.3%
Midwest	5.7%	16.8%	3.7%	44.8%
United States	3.7%	17.4%	0.7%	85.1%

Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. *Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report*

**Figure 2**  
**INCOME GROWTH FOR TOP 1% AND REMAINING 99%, 2009 TO 2013 IN WISCONSIN**



Source: Estelle Sommeiller, Mark Price and Ellis Wazeter. 2016. *Income inequality in the U.S. by state, metropolitan area, and county. Economic Analysis Research Network (EARN) Report*

The counties with the highest levels of income inequality are Ozaukee County, in which 24.6% of all income went to the top 1% of earners in 2013, Walworth County (23.6%) and Eau Claire County (18.2%). In both Ozaukee and Walworth Counties, a greater share of the income is claimed by the top 1% than the national average. The counties with the lowest levels of income inequality in Wisconsin are Kewaunee County (8.0%), Menominee County (8.3%), and Buffalo County (8.5%).

The appendix includes tables with the average income of the top 1%, average income for the remaining 99%, and the share of income going to the top 1% for all counties and metropolitan areas in Wisconsin.

## INEQUALITY BY INCOME; INEQUALITY BY RACE

This report focuses on income inequality in the state. While inequality is on the rise in the state, Wisconsin is actually more equal than the national average. But that doesn't mean Wisconsin is consistently more equal in all ways. In fact, in terms of inequality by race, Wisconsin is among the most unequal states in the nation. Both COWS and WCCF have documented these extreme disparities. See, for example:

- **Wisconsin's Extreme Racial Disparity**
- **Race for Results: Wisconsin's Need to Reduce Racial Disparities**
- **A Roadmap to Equity: A Two Generation Approach to Reducing Racial Disparities In Dane County**

## WISCONSIN CAN CHOOSE A DIFFERENT COURSE

There is no magic bullet to rectify the growth in inequality in our state—any more than there was a single cause. Many of the underlying trends causing the changes in our economic landscape are national and are related to broader changes in education, technology, and trade. Nevertheless, there are a number of steps we can take at both the state and federal level to keep income inequality from growing, including:

- **RAISE THE MINIMUM WAGE.** The real value of the minimum wage has eroded substantially in the last forty years. A proposal to increase it to \$12 per hour by 2020 would bring greater income to some 654,000 Wisconsin workers and would strengthen the economy as well. A report by COWS, [Raise the Floor Wisconsin](#), offers further information on who stands to gain from the policy.
- **BUILD THE SKILLS AND EDUCATION OF WISCONSIN'S WORKFORCE.** We also need to continue to invest in and improve skills for our current and future workforce. This means continued support of our technical colleges and continued innovation to secure strong connections from training to employment. The state of Wisconsin has made important steps forward to help build stronger connections between training and skills and the needs of employers. The progress is important and should be supported. Continuing investment and leadership on building a strong statewide system of career pathways and bridges from adult basic education into skills training and other occupational content is a concrete way to extend opportunity to the lower rungs of the economic ladder.
- **SUPPORT WORKING FAMILIES.** State and federal policy choices can help lessen the burden of income inequality by ensuring that work pays for low-income families and by removing impediments to work. One important way to accomplish those objectives is to approve the President's proposal to expand access to paid family leave and sick days. In addition, state policymakers should help make work pay by reversing the cuts made in 2011 to the Earned Income Tax Credit, and by restoring funding to the child care subsidy program in order to ensure access to quality child care for low-income workers.
- **ENSURE THAT WORKERS HAVE ACCESS TO AFFORDABLE HEALTH CARE.** Another way to help ensure that work pays for low-income families is to take advantage of the Medicaid option in the Affordable Care Act that would finance almost all of the cost of extending BadgerCare to adults between 100% and 138% of the federal poverty level. That would not only enable the state to cover about 82,000 more adults in BadgerCare, but would also significantly reduce state costs and help avoid cuts in Medicaid and other portions of the state budget.

- **MAKING STATE TAXES MORE EQUAL ACROSS INCOME GROUPS.** Residents of Wisconsin who have low incomes pay a greater share of their income in state and local taxes than do the highest earners. We can slow the growth of income inequality by reforming regressive taxes and making sure that residents with high incomes pay at least as much taxes relative to their income as people with lower incomes do. One way of doing this is by strengthening measures like the Homestead Credit, which provides property tax relief to homeowners and renters with low incomes. In addition, Congress should significantly increase the small Earned Income Tax Credit for adults who do not have dependent children. That would help make work pay for childless adults, and it's a policy change that has been endorsed by Congressman Paul Ryan and President Obama.
- **EASING DRIVING SUSPENSIONS THAT CREATE BARRIERS TO WORK.** Another policy that holds down low-income individuals and families and contributes to disparities is the practice of suspending the driver's licenses of people who are unable to pay state or local fines. In 2013, three-fifths of the 418,000 suspensions in Wisconsin were for failure to pay forfeitures, compared to just 40% for driving-related reasons. Suspensions for failure to pay forfeitures exacerbate the severe racial and ethnic disparities in our state. In Milwaukee County, black males are seven times more likely to have such a suspension than white males. The state needs to alleviate this substantial barrier to employment by authorizing "occupational" licenses that enable people with suspended licenses to drive to work, and enabling judges to impose alternative sentences for people who cannot afford to pay fines.



## APPENDIX

## INCOME INEQUALITY IN WISCONSIN COUNTIES, 2013

County	Average income of the top 1%	Average income of the bottom 99%	Top-to-bottom ratio	Share of all income that goes to top 1%
Wisconsin average	\$888,000	\$47,000	19.0	15.9%
Adams	\$328,000	\$32,000	10.3	9.4%
Ashland	\$357,000	\$32,000	11.2	10.2%
Barron	\$563,000	\$38,000	14.9	13.1%
Bayfield	\$553,000	\$37,000	14.8	13.0%
Brown	\$1,089,000	\$50,000	21.9	18.1%
Buffalo	\$340,000	\$37,000	9.2	8.5%
Burnett	\$335,000	\$32,000	10.5	9.6%
Calumet	\$706,000	\$56,000	12.6	11.3%
Chippewa	\$528,000	\$43,000	12.2	11.0%
Clark	\$581,000	\$35,000	16.6	14.4%
Columbia	\$606,000	\$49,000	12.3	11.0%
Crawford	\$476,000	\$34,000	14.2	12.6%
Dane	\$1,075,000	\$59,000	18.3	15.6%
Dodge	\$727,000	\$46,000	15.8	13.8%
Door	\$820,000	\$42,000	19.4	16.4%
Douglas	\$398,000	\$37,000	10.8	9.8%
Dunn	\$475,000	\$40,000	11.8	10.7%
Eau Claire	\$945,000	\$43,000	22.0	18.2%
Florence	\$428,000	\$41,000	10.4	9.5%
Fond du Lac	\$763,000	\$45,000	17.1	14.7%
Forest	\$342,000	\$37,000	9.2	8.5%
Grant	\$380,000	\$37,000	10.2	9.3%
Green	\$641,000	\$47,000	13.5	12.0%
Green Lake	\$589,000	\$39,000	15.2	13.3%
Iowa	\$646,000	\$44,000	14.7	12.9%
Iron	\$347,000	\$30,000	11.5	10.4%
Jackson	\$714,000	\$36,000	19.6	16.5%
Jefferson	\$446,000	\$47,000	9.5	8.8%
Juneau	\$389,000	\$35,000	11.1	10.1%
Kenosha	\$503,000	\$48,000	10.5	9.6%
Kewaunee	\$386,000	\$45,000	8.6	8.0%
La Crosse	\$821,000	\$45,000	18.4	15.6%
Lafayette	\$434,000	\$40,000	10.8	9.8%
Langlade	\$414,000	\$33,000	12.6	11.3%
Lincoln	\$432,000	\$38,000	11.4	10.4%

Manitowoc	\$621,000	\$41,000	15.0	13.2%
Marathon	\$827,000	\$46,000	17.8	15.2%
Marinette	\$430,000	\$34,000	12.7	11.3%
Marquette	\$404,000	\$36,000	11.2	10.2%
Menominee	\$294,000	\$33,000	8.9	8.3%
Milwaukee	\$796,000	\$39,000	20.3	17.0%
Monroe	\$438,000	\$39,000	11.2	10.1%
Oconto	\$399,000	\$41,000	9.6	8.9%
Oneida	\$681,000	\$43,000	15.9	13.9%
Outagamie	\$857,000	\$53,000	16.2	14.0%
Ozaukee	\$2,629,000	\$81,000	32.4	24.6%
Pepin	\$793,000	\$40,000	20.0	16.8%
Pierce	\$506,000	\$53,000	9.6	8.8%
Polk	\$488,000	\$41,000	11.9	10.7%
Portage	\$565,000	\$44,000	13.0	11.6%
Price	\$305,000	\$32,000	9.7	8.9%
Racine	\$674,000	\$48,000	14.1	12.5%
Richland	\$374,000	\$33,000	11.5	10.4%
Rock	\$735,000	\$42,000	17.5	15.0%
Rusk	\$318,000	\$29,000	10.9	10.0%
St Croix	\$717,000	\$63,000	11.4	10.3%
Sauk	\$576,000	\$45,000	13.0	11.6%
Sawyer	\$521,000	\$34,000	15.5	13.6%
Shawano	\$397,000	\$36,000	11.0	10.0%
Sheboygan	\$728,000	\$46,000	15.8	13.8%
Taylor	\$487,000	\$33,000	14.8	13.0%
Trempealeau	\$501,000	\$44,000	11.5	10.4%
Vernon	\$376,000	\$36,000	10.4	9.5%
Vilas	\$533,000	\$34,000	15.6	13.6%
Walworth	\$1,393,000	\$46,000	30.5	23.6%
Washburn	\$463,000	\$35,000	13.3	11.8%
Washington	\$795,000	\$60,000	13.3	11.8%
Waukesha	\$1,386,000	\$73,000	18.9	16.0%
Waupaca	\$514,000	\$41,000	12.5	11.2%
Waushara	\$476,000	\$35,000	13.7	12.1%
Winnebago	\$776,000	\$45,000	17.3	14.9%
Wood	\$601,000	\$40,000	15.1	13.2%

## INCOME INEQUALITY IN WISCONSIN METROPOLITAN AREAS, 2013

Metropolitan Area	Average income of the top 1%	Average income of the bottom 99%	Top-to-bottom ratio	Share of all income that goes to top 1%
Wisconsin average	\$888,000	\$47,000	19.0	15.9%
Appleton	\$826,000	\$54,000	15.4	13.5%
Baraboo	\$576,000	\$45,000	13.0	11.6%
Beaver Dam	\$727,000	\$46,000	15.8	13.8%
Eau Claire	\$792,000	\$43,000	18.4	15.7%
Fond du Lac	\$763,000	\$45,000	17.1	14.7%
Green Bay	\$965,000	\$48,000	20.0	16.8%
Janesville-Beloit	\$735,000	\$42,000	17.5	15.0%
La Crosse-Onalaska	\$785,000	\$44,000	17.6	15.1%
Madison	\$1,001,000	\$56,000	17.7	15.2%
Manitowoc	\$621,000	\$41,000	15.0	13.2%
Marinette	\$424,000	\$31,000	13.6	12.1%
Menomonie	\$475,000	\$40,000	11.8	10.7%
Merrill	\$432,000	\$38,000	11.4	10.4%
Milwaukee-Waukesha-West Allis	\$1,092,000	\$51,000	21.3	17.7%
Oshkosh-Neenah	\$776,000	\$45,000	17.3	14.9%
Platteville	\$380,000	\$37,000	10.2	9.3%
Racine	\$674,000	\$48,000	14.1	12.5%
Shawano	\$351,000	\$36,000	9.7	8.9%
Sheboygan	\$728,000	\$46,000	15.8	13.8%
Stevens Point	\$565,000	\$44,000	13.0	11.6%
Watertown-Fort Atkinson	\$446,000	\$47,000	9.5	8.8%
Wausau	\$827,000	\$46,000	17.8	15.2%
Whitewater-Elkhorn	\$1,393,000	\$46,000	30.5	23.6%
Wisconsin Rapids-Marshfield	\$601,000	\$40,000	15.1	13.2%