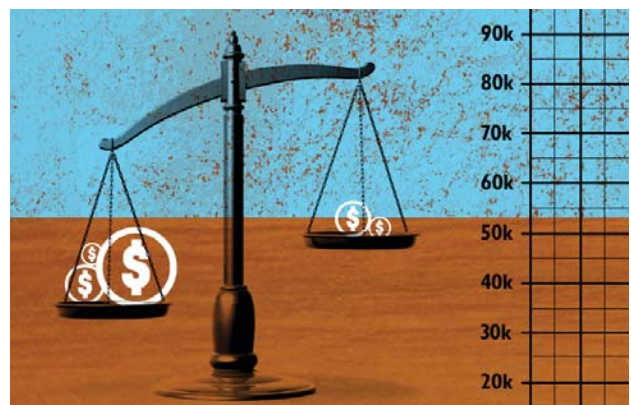


Income Inequality in Massachusetts, 1980-2006

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Overview

This article examines changing income distribution in the state and its regions. Our analysis divides the state’s population of families into “income quintiles.” We examine five family income groupings, ranked from lowest (the bottom 20 percent of family incomes) to highest (the top 20 percent of family incomes). To compare the changing family income of each quintile, we use U.S. Census data to track the median income for each quintile and analyze the real growth (growth adjusted for inflation) in the median family income between 1990 and 2006. It is important to note that, even when the median income of a quintile declines, individual family incomes within the quintile can increase.

Our analysis shows a long-term pattern of increasing income inequality in the Commonwealth, in which families with the largest median incomes have enjoyed the highest income growth. Since 1990, incomes of the wealthiest 20

percent of families increased by more than \$19,000 (from \$158,401 to \$175,722). This increase nearly equaled the entire median income of Massachusetts’ poorest 20 percent of families in 2006 (\$19,964).

Between 2000 and 2006, the trend shifted, with real income levels decreasing for family incomes at all levels. For those in the lowest income bracket, however, family income levels eroded dramatically: in inflation-adjusted dollars, this group ended 2006 with family income levels lower than they had been in 1980.

Increased Income for All Families

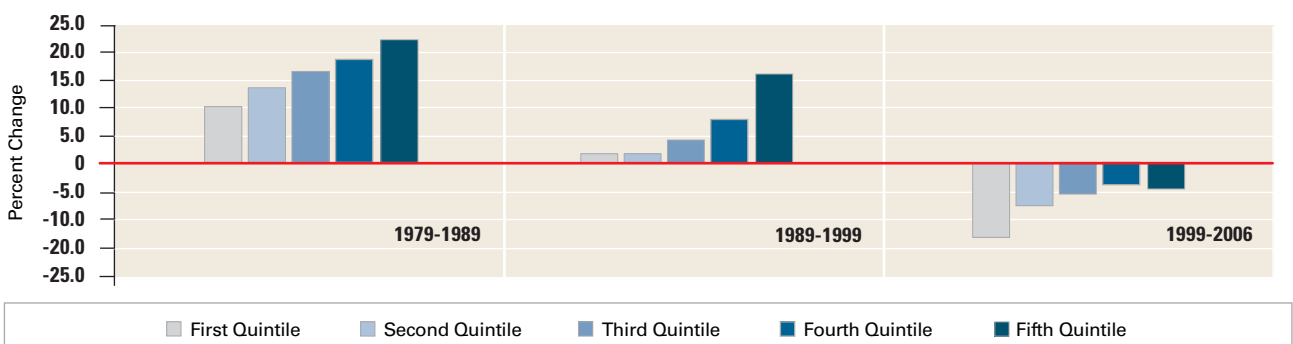
Between 1980 and 1990, families in the Commonwealth experienced dramatic increases across all income levels. Those in the highest (fifth) family income quintile gained the most over this period — median family income for this group increased by 22 percent. All other income levels

Massachusetts Family Median Income by Quintile — 1979, 1989, 1999, 2006 (\$2006)

	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile
1979	\$21,426	\$44,711	\$64,080	\$86,284	\$129,883
1989	\$23,559	\$51,009	\$74,763	\$102,337	\$158,401
1999	\$23,831	\$51,630	\$78,212	\$110,536	\$183,804
2006	\$19,964	\$47,599	\$74,043	\$105,935	\$175,722

Source: U.S. Bureau of the Census, Decennial Census and American Community Survey Public Use Microdata Series (PUMS)

Percent Change Massachusetts Family Median Income — 1979-1989, 1989-1999, 1999-2006 (\$2006)



Source: U.S. Bureau of the Census, PUMS

experienced robust income growth during this period — between 10.0 for the lowest quintile and 18.6 percent for the fourth quintile.

Rising Income Inequality

Between 1990 and 2000 income growth in the Commonwealth took a different turn, concentrating within the top 20 percent of families, which saw continued, relatively large real family income growth (16 percent over the ten-year time period), in contrast with other families in the state. The remaining 80 percent of families did not fare so well: middle-income families experienced slowing income growth while lower- income families experienced outright income stagnation.

Thus for the bottom 80 percent of families in the Commonwealth, income growth was modest to minimal during the 1990s. By the year 2000, the top 20 percent of families received almost eight times the income of the lowest 20 percent of families.

Uneven Income Decline

Between the years 2000 and 2006, income growth dynamics took yet another turn, this time with all income quintiles experiencing declines. As a consequence, the trend

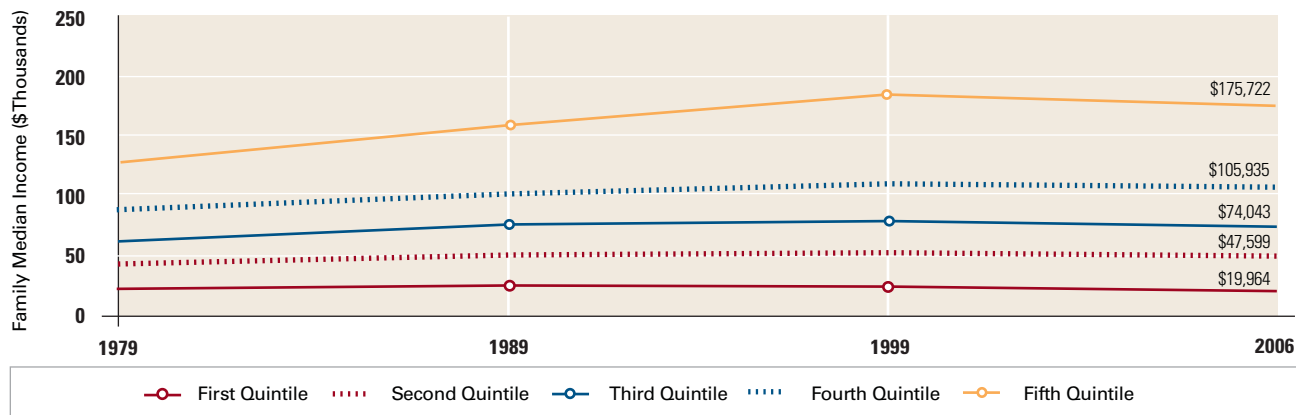
of increasingly unequal income distribution moderated. Likely due to the recession in 2001 and 2002, the trend was true across all regions of the Commonwealth.

While income declines affected families at all income levels, the bottom 20 percent of families still suffered most severely during this time period. This group experienced income declines of 16.2 percent in contrast with more modest declines (4.2 and 4.4 percent) for the top income-earning quintiles and more moderate declines (7.8 and 5.3 percent) for the quintiles in the middle. So while the trend of increasing disparity in income gains did level off, families with the lowest incomes in the state continued to lose. In this case, income inequality has manifested in another way — in the form of unequal and imbalanced wage erosion.

Regional Disparities in Income Growth and Decline

Just as income growth has disproportionately benefited the wealthiest families since 1990, it is also true that income growth has disproportionately benefited families in some regions in the state — especially in the Boston Metro and Northeast regions — while family incomes in other regions have lagged and even stagnated. These striking regional

Massachusetts Family Median Income by Quintiles — 1979, 1989, 1999, 2006 (\$2006)



Source: U.S. Bureau of the Census, PUMS

Family Median Income by Quintile — 2006 (\$2006)


	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile
Berkshire	\$17,863	\$38,494	\$63,084	\$84,060	\$129,702
Cape and Islands	\$24,884	\$46,619	\$69,066	\$94,987	\$153,514
Central	\$19,806	\$46,916	\$70,400	\$99,180	\$149,304
Greater Boston	\$20,314	\$50,331	\$80,067	\$118,225	\$211,667
Northeast	\$22,345	\$53,221	\$81,643	\$115,267	\$185,982
Pioneer Valley	\$15,761	\$37,827	\$60,943	\$85,317	\$132,038
Southeast	\$20,069	\$46,233	\$70,894	\$97,331	\$147,476
Massachusetts	\$19,964	\$47,599	\$74,043	\$105,935	\$175,722

Source: U.S. Bureau of the Census, PUMS

variations provide evidence of increasingly uneven economic development across the Commonwealth.

The period since 1980 has seen a continued increase in income discrepancies among families based on the region in which they live. The biggest ‘winners’, in this case, are middle- and upper-income families in the Boston Metro and Northeast regions of the state. For example, the highest-income families in the Boston Metro region make 62.4 percent more than their counterparts in the Pioneer Valley region (\$211,667 versus \$132,038). Alarming, real wages for this Boston Metro group have increased by 16.6 percent since 1990 in contrast to a growth rate of 1.6 percent for the same quintile in the Pioneer Valley.

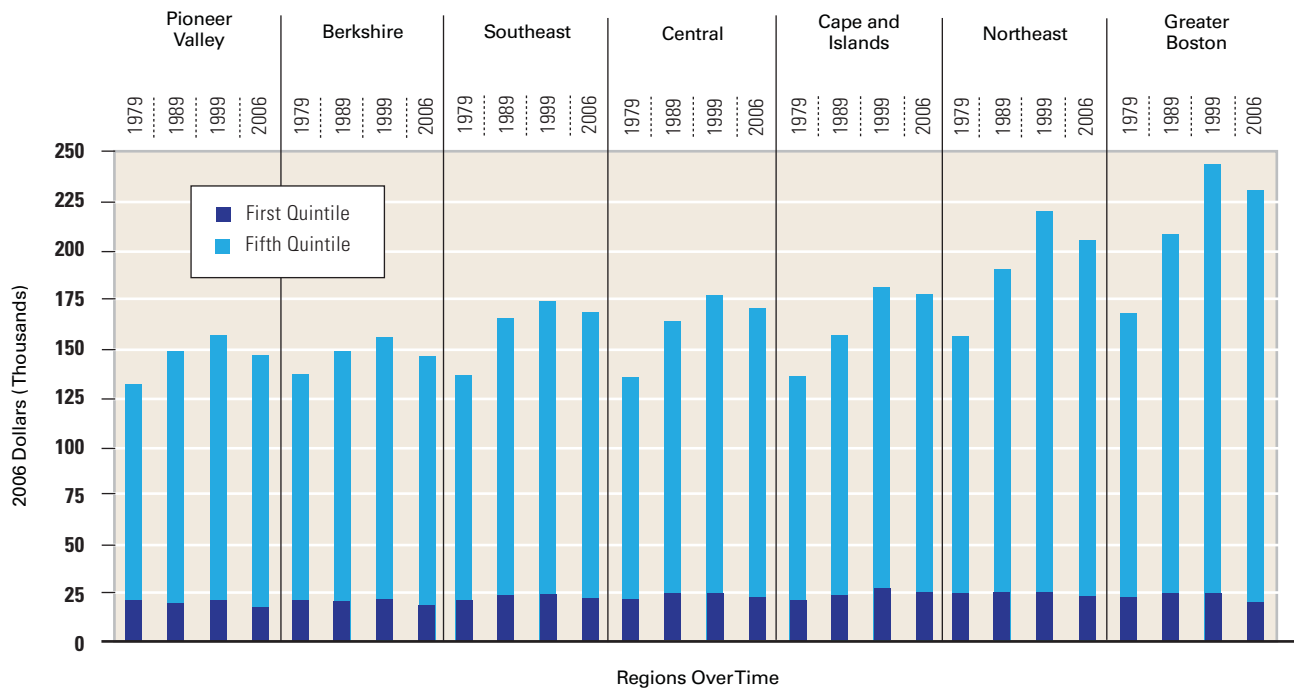
Income increases among the lowest-income families also vary across regions. Family incomes for this quintile were highest in 2006 in the Cape and Islands region

(\$24,884) and lowest in the Pioneer Valley (\$15,761), an overall difference of 63.3 percent. Real incomes for the lowest quintile on the Cape have increased 12.7 percent since 1990 in contrast to the decline of 15.6 percent for the same group in the Pioneer Valley. Ironically, the greatest decline in income for the neediest families took place in the Greater Boston region, where cost of living is highest. Family incomes here declined by 19 percent from 1990 (from \$25,086 to \$20,314). 

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Median of First and Fifth Quintiles of Family Income Across Benchmarks Regions



Source: U.S. Bureau of the Census, PUMS

Percent Change Family Median Income by Quintile, 1989-2006, (\$2006)

	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile
Berkshire	-15.0%	-12.9%	-2.4%	-3.9%	0.7%
Cape and Islands	12.7%	1.6%	5.6%	5.9%	12.9%
Central	-15.7%	-3.9%	-1.3%	4.2%	6.9%
Greater Boston	-19.0%	-8.9%	-1.8%	4.1%	16.6%
Northeast	-12.3%	-5.7%	-0.4%	4.7%	14.0%
Pioneer Valley	-15.6%	-12.5%	-5.6%	-1.7%	1.6%
Southeast	-13.7%	-6.4%	-0.7%	1.9%	4.3%
Massachusetts	-15.3%	-6.7%	-1.0%	3.5%	10.9%

Source: U.S. Bureau of the Census, PUMS