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Prepared for:

The Workforce Solutions Group—
A partnership led by The Women's
Union, the Massachusetts
Workforce Board Association,
and the Organizing and Leadership
and Training Center

Funding provided by:

The Boston Workforce Develop-
ment Initiative

The Widening Income Gap

Changes in the Economic Well Being of Families in Substate Areas of Massachusetts: Implications for the Future Targeting of Economic Development and Workforce Development Programs, June 2004

Introduction

Knowledge of changes in the real incomes of families and workers is indispensable for planning workforce development programs at the state and local level. These income developments influence the number of families and adults in poverty, with low incomes, and with incomes below self-sufficiency standards. Knowledge of variations in income developments across substate areas is important to guide the targeting of resources to address income inadequacy problems.

This paper examines changes in the median real incomes of all families and selected subgroups of families in metropolitan areas, counties, central cities, the 20 most affluent and the 20 least affluent cities and towns across the Commonwealth over the 1990s and in some cases the 1980s.

Growth in Median Family Incomes Across Metropolitan Areas

Despite strong job growth from 1992 through 2000 and record low unemployment rates at the end of the decade, the entire decade of the 1990s in the Commonwealth was characterized by very modest growth in the median real incomes of the state's families. Between 1989 and 1999, median real income (in constant 1999 dollars) increased from slightly over \$59,600 to nearly \$61,700, a gain of \$2,055 or 3.4%. This growth rate was several percentage points below that of the U.S. (5.7%) during the same decade and far below the state's nearly 26% growth rate during the 1980s. This low rate of growth during the 1990s was not sufficient to reduce the incidence of family poverty or low income problems and prevented a relatively high share of the state's families, especially in large central cities and lower income counties, from achieving economic self-sufficiency as defined by the Women's Union. A major share of the gains in income and real earnings accrued to families in the top ten percent of the income distribution, making rising earnings and income inequality the norm in Massachusetts.

At the time of the 1990 Census, median family incomes in Massachusetts varied fairly widely across

Key Points

- Growth in the median real incomes of families over the 1990s was very modest.
- A major share of the gains that were seen accrued to families at the top ten percent of the income distribution.
- Income gaps between the lowest and highest income counties in the state grew, and family poverty, low income and economic self-sufficiency problems became more geographically concentrated in the 1990s.
- The absolute and relative size of the gaps in family incomes between the state's most affluent and least affluent cities and towns rose during the past decade, meaning the state's richest communities got richer while the poorer communities typically got poorer in an absolute as well as relative sense.
- The benefits of increased prosperity were unevenly shared, making Massachusetts less of a "Common Wealth" in the past decade.
- More effective targeting of resources will be needed to guarantee that more funds are available to serve adults in those areas where the incidence of low-income problems is highest and the attainment of economic self-sufficiency is well below average.

metropolitan areas, ranging from lows of \$45,600 in the New Bedford metropolitan area and \$51,000 in the Springfield metro area to a high of just under \$66,200 in the Boston metro area. Families in the central and western regions of the state fared least well in boosting their real incomes. Median real family income was estimated to have declined by nearly five percent in the Fitchburg-Leominster metropolitan area, remained stagnant in the Springfield metro area, and increased by less than two percent in the Worcester metropolitan area. Median real family incomes increased by three to four percent in most of the remaining metropolitan areas.

Lower median family incomes are typically accompanied by higher poverty rates and a higher incidence of low-income families. Given the higher cost of rental housing and child care in major segments of the Boston metro area, a relatively high share of families in the Boston metro area will fail to achieve economic self-sufficiency, especially single parent families and younger married couple families with pre-school aged children.

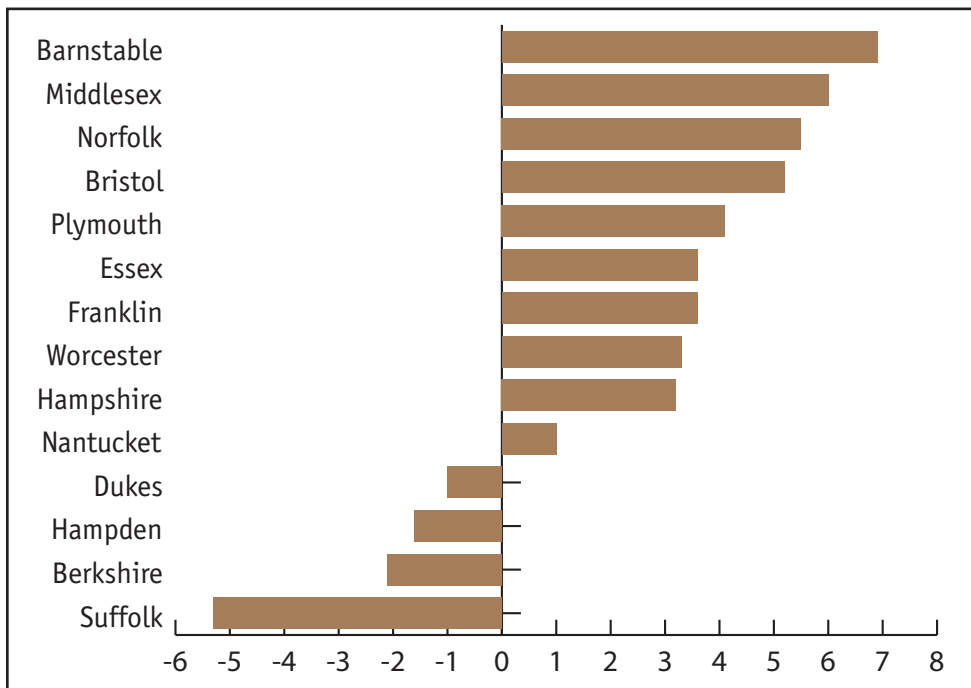
Trends in Family Incomes Across Counties

At the end of the 1980s, median family incomes ranged across the state's 14 counties from a low of \$46,800 in Suffolk County to a high of nearly \$73,800 in Norfolk County. A gap of 37 percentage points separated the median family incomes of these two counties.

During the 1990s, family income growth was far less favorable in all 14 counties. In the Berkshire, Dukes, Hampden, and Suffolk Counties, median real incomes of families were estimated to have declined by anywhere from one to five percent, and no county achieved a growth rate as high as seven percent. The state's two most affluent counties (Middlesex and Norfolk) experienced above average family income growth rates over the decade, thereby widening the income gaps between the most and least affluent counties in the state. By 1999, Berkshire, Hampden, and Suffolk Counties had median incomes that were 36, 37, and 43 percent, respectively, below those of Norfolk County, the highest income county, and 31 to 38 percent below those of Middlesex County, the second highest income county. Family poverty, low income, and economic self-sufficiency problems became more geographically concentrated in the 1990s.

Income growth rates were also estimated for the following four subgroups of families: all married couple

Chart 1: Percent Change in the Median Real Incomes of Families in Massachusetts Counties, 1979–1989



families, married couple families with at least one own child under 18 years of age, all female headed families, and female headed families (no male spouse present) with one or more own children under 18 present in the home. Married couple families tended to fare better than all families in boosting their real incomes over the past decade, with some gains seen for these families (between four and ten percent) in all but the Berkshire and Suffolk Counties.

The additional earnings from the employment of wives played a key role in improving the real incomes of these married couple families. The situation for married couple families with children in the home was far more mixed. In four counties, incomes of

such families either declined or were stagnant. In contrast, in half of the counties, double-digit income gains took place, including Middlesex and Norfolk.

Female-headed families in the aggregate in most counties did not fare that well in boosting their real incomes. In ten of the 14 counties, the median real incomes of female-headed families either declined or remained unchanged. In three other counties (Barnstable, Essex, and Franklin), they increased by five to six percent. In sharp contrast, however, single mother families with one or more children under 18 achieved the highest growth rates in their median real incomes. A combination of strong labor demand for women, better educational attainment, and the impacts of welfare reform helped boost the annual earnings of these women, although the median incomes of these single mother families remained quite low, ranging from a low of \$13,573 in Hampden County to a high of \$29,143 in Norfolk County.

Despite these considerably stronger growth rates in their real incomes, in nine of the 14 counties, the median incomes of single mother families were under \$20,000, and in seven counties median incomes were below \$18,000. The vast majority of these single mother families (over 75%) were unable to achieve incomes high enough to raise them above the family self-sufficiency standards of the Women's Union.

Trends in the Median Incomes of Families in the State's Central Cities

During the 1990s, a major reversal took place in the economic fortunes of families in the state's central cities. In every one of the eleven central cities, median real family incomes declined over the decade, with the relative size of these declines ranging from -3 % in Fall River, Leominster, and Lowell to -10% to -20% in five other cities. The demographic and economic forces producing these declines in real family incomes are quite complex and still not fully understood. They include shifts in the demographic composition of families (a decline in the share of married couple families), a rise in the number of new immigrant families, a loss of well paid manufacturing jobs, and the shift toward lower paid jobs in the retail and service industries for less educated workers.

In eight of the eleven cities, median real incomes of married couple families either declined or were stagnant. In the three other cities (Boston, Leominster, and Fall River), the gains in median real incomes were in the one to six percent range. On average, married couple families with one or more children present in the home fared about the same as all married couples. In seven cities, married couple families with children either experienced declines in their median real incomes or had the same income as in 1989.

In six of the eleven cities, median real incomes among female headed families were either unchanged or they declined. In two cities, Lowell and Lawrence, fairly substantial increases in median incomes took place, especially in the city of Lawrence where a 41% gain was posted. Similar to the findings for counties, gains in the median real incomes of single mother families were

Table 1: Changes in the Median Real Family Incomes Between 1989 and 1999 in Massachusetts' 20 Least Affluent Cities and Towns with Populations of 20,000 or More

| | (A) Median Family Income, 1989 | (B) Median Family Income, 1999 | (C) Percent Change |
|-------------|--------------------------------------|--------------------------------------|--------------------------|
| Taunton | \$51,772 | \$52,433 | 1.3 |
| Somerville | 51,770 | 51,243 | -1.0 |
| Pittsfield | 51,062 | 46,228 | -9.5 |
| Everett | 50,245 | 49,876 | -0.7 |
| Revere | 49,997 | 45,865 | -8.3 |
| Worcester | 48,718 | 42,988 | -11.8 |
| Lynn | 48,139 | 45,295 | -5.9 |
| Chicopee | 47,777 | 44,136 | -7.6 |
| Gardner | 47,602 | 47,164 | -0.9 |
| Lowell | 47,210 | 45,901 | -2.5 |
| Boston | 46,187 | 44,151 | -4.4 |
| Fitchburg | 44,817 | 43,291 | -3.4 |
| Yarmouth | 44,716 | 48,148 | 7.7 |
| Springfield | 41,414 | 36,285 | -12.4 |
| Holyoke | 39,455 | 36,130 | -8.4 |
| Chelsea | 39,015 | 32,130 | -17.6 |
| Fall River | 38,925 | 37,671 | -3.2 |
| New Bedford | 38,120 | 35,708 | -6.3 |
| Lawrence | 35,467 | 31,809 | -10.3 |

widespread and substantial. In ten of these eleven central cities, double digit gains in median real incomes took place over the decade, with percentage increases of 20% or more taking place in eight of these cities, and gains of 30% or more occurring in four cities (Lawrence, Lowell, Pittsfield, and Worcester).

Despite the substantial percentage increases in the median real incomes of single mothers, their median incomes in 1999 remained quite low, ranging from lows of \$13,500 in New Bedford and \$14,300 in Fall River to highs of \$20,000 to \$21,000 in Boston and Leominster.

Poverty rates among such families remained quite severe at the end of the 1990s, with eight cities characterized by poverty rates of 43% or more and six cities with poverty rates of 48% or higher among single mother families. A substantial majority of such families would have been classified as “low income” in 1999, and the overwhelming majority (close to 90%) would not have been able to achieve economic self-sufficiency.

Income Growth in the State’s 20 Most and Least Affluent Cities and Towns

We looked at family income growth rates across all cities and towns in the state with a 2000 resident population of at least 20,000.10 to compare the 20 most and least affluent cities and towns. Nineteen of the state’s 20 most affluent cities posted some gains in their median real incomes, five of them increased their median family incomes by 14% or more, and the median change in income was slightly over 10%.

Table 2: Changes in the Median Real Family Incomes Between 1989 and 1999 in Massachusetts’ 20 Most Affluent Cities and Towns with Populations of 20,000 or More

| | (A) Median Family Income, 1989 | (B) Median Family Income, 1999 | (C) Percent Change |
|---------------|--------------------------------------|--------------------------------------|--------------------------|
| Wellesley | \$120,960 | \$134,769 | 11.4 |
| Lexington | 102,661 | 111,899 | 9.0 |
| Winchester | 100,620 | 110,226 | 9.5 |
| Andover | 95,065 | 104,820 | 10.3 |
| Acton | 94,806 | 108,189 | 14.1 |
| Newton | 94,144 | 105,289 | 11.8 |
| Needham | 93,397 | 107,570 | 15.2 |
| Marblehead | 87,363 | 99,892 | 14.3 |
| Westford | 84,707 | 104,029 | 22.8 |
| Canton | 83,933 | 82,904 | -1.2 |
| Milton | 83,252 | 94,359 | 13.3 |
| Brookline | 83,030 | 92,993 | 12.0 |
| North Andover | 82,585 | 91,105 | 10.3 |
| Belmont | 82,018 | 95,057 | 15.9 |
| Reading | 81,850 | 89,076 | 8.8 |
| Burlington | 81,047 | 82,072 | 1.3 |
| Chelmsford | 79,764 | 82,676 | 3.7 |
| Walpole | 76,834 | 84,858 | 10.4 |
| Easton | 76,300 | 82,190 | 7.7 |
| Tewksbury | 76,295 | 76,443 | 0.2 |

Of the state’s 20 least affluent cities and towns, eight also were central cities. In contrast to income developments in the state’s 20 most affluent cities and towns, families in these less affluent cities faced declining real incomes in the past decade. In 18 of these 20 cities, median real incomes of families declined, with five cities experiencing reductions of 10% or more. The median change in real family incomes among these 20 cities was -5%. The absolute and relative size of the gaps in family incomes between the state’s most affluent and least affluent cities and towns rose during the past decade, meaning the state’s richest communities got richer while the poorer communities typically got poorer in an absolute as well as relative sense. The benefits of increased prosperity were unevenly shared, and Massachusetts became far less of a “Common Wealth” in the past decade.

These findings have a number of important implications for future efforts to combat problems of poverty, low incomes and the inability of families to obtain economic self-sufficiency. Such economic problems are becoming more concentrated in specific cities and counties across the Commonwealth. Knowledge of the magnitude and sources of these growing geographic disparities is critical for planning future economic development and workforce development strategies to combat these problems. More effective targeting of available resources also will be needed to guarantee that more funds are available to serve adults in those areas where the incidence of low-income problems is highest and the attainment of economic self-sufficiency is well below average.