METROSTATS
Exploring regional issues that matter
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Income Growth and Inequality in the Region's Cities

In March 2020, the Census Bureau released new data from the American Community Survey (ACS), which samples about 3.5 million U.S. residents each year. This dataset reveals many important characteristics of the U.S. population over the 2016-2020 period, which encompasses the last years of a decade-long economic expansion as well as the beginning of the COVID-19 pandemic and the 2020 recession. While we will have to wait for future releases of ACS data to trace the local impacts of the pandemic, we can get a broad portrait of the pre-pandemic decade by examining changes between the 2011-2015 and 2016-2020 periods.[1]

One of the key findings from the data is that incomes have increased over the past decade. This analysis takes a deeper dive into income trends and uncovers some interesting patterns. While households across the income spectrum experienced gains during this period, this overall trend masks ongoing income inequality as well as disparities by race and Hispanic/Latino origin.[2]

Key Findings

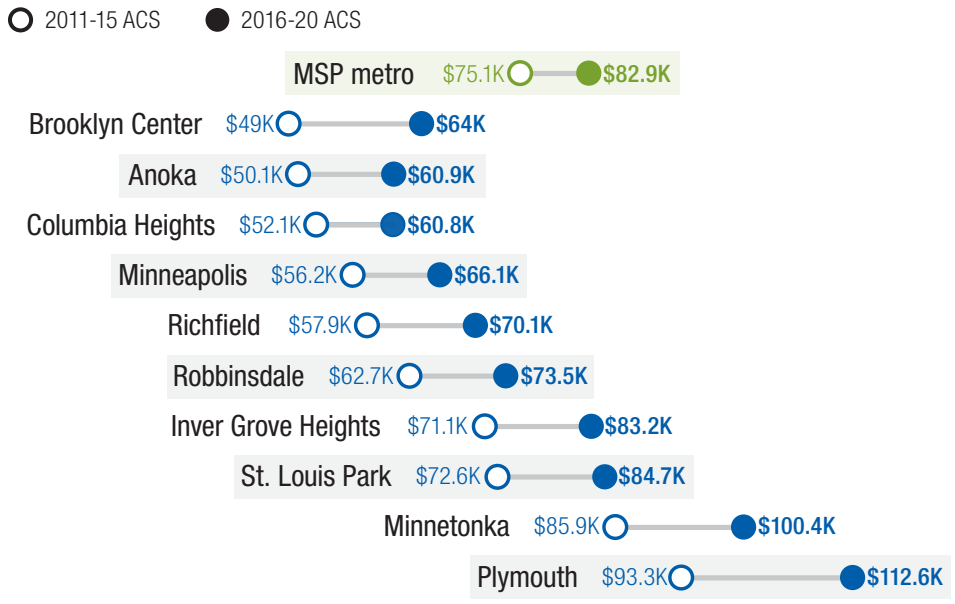
- **Over the past decade, median household incomes increased by almost $8,000 in the MSP metro. Many of the region's cities saw even larger gains.**
- **In several cities, lower-income households experienced the largest income gains. Still, income inequality was largely unchanged and remains high in many of the region's cities.**
- **Large racial disparities in income exist across the region. In many cities, Black and Hispanic/Latino household incomes are far below white household incomes.**

Gains for middle-income households

Middle-income households saw income gains over the past decade. The region's median household income increased by 10% between the first and second halves of the decade, while ten cities saw increases of more than 15%.[3, 4] As shown in Figure 1, these cities have widely varying income profiles. Some (Brooklyn Center, Anoka) have substantially lower incomes than the 15-county metro area; others started the decade with much higher incomes (Plymouth, Minnetonka).

Note that "change in income" does not necessarily mean that the same households that were middle-income in the 2011-15 period had

FIGURE 1 - TEN CITIES THAT EXPERIENCED GAINS OF +15% OR MORE IN MEDIAN HOUSEHOLD INCOME HAD VARYING INCOME PROFILES



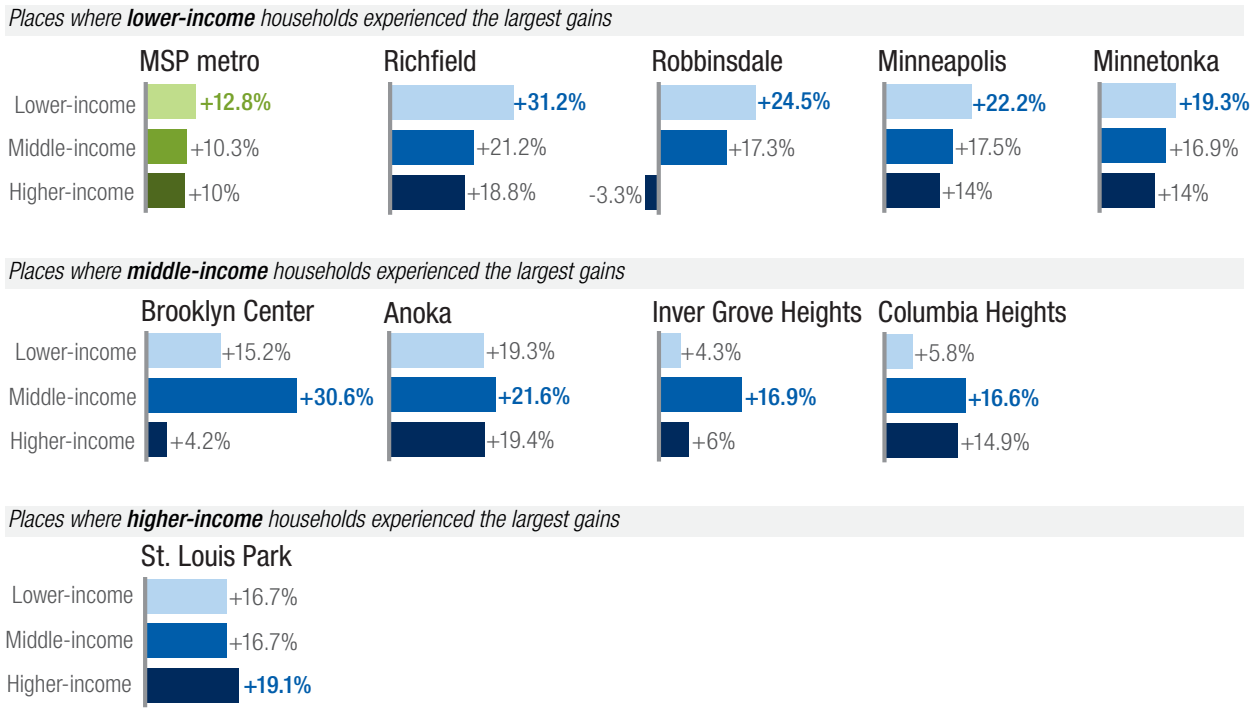
Source: U.S. Census Bureau, 2011-15 and 2016-20 American Community Survey five-year estimates.

higher incomes in 2016-20—those households may have moved to a different geographic area. Rather, it means that the median household in the 2016-20 period had a higher income than the median household in the 2011-15 period (after adjusting for inflation). To elaborate, consider two groups of households: (A) those that were considered middle-income (for example) in the 2011-15 period, and (B) those that were considered middle-income in the 2016-20 period. Here, 'income gains' means that Group B had higher incomes than Group A (after adjusting for inflation).

Monetary gains were broadly shared across the income spectrum

What is true for middle-income households is not necessarily the case for lower- or higher-income households. For example, lower-income households were hit harder by the Great Recession than middle- and higher-income households and recovered more slowly. (See our 2017 report here.) Based on the new ACS data, though, income gains over the past decade were shared across the income spectrum, with lower-income households in the MSP metro seeing slightly greater increases (+12.8%) than middle-income (+10.3%) and higher-income (+10%) households.[5] This is true for many cities as well. Figure 2 below shows the percent change in incomes for lower-income, middle-income, and higher-income households in the same cities that appeared in Figure 1.

FIGURE 2 - CHANGE IN INCOME FOR LOWER-INCOME, MIDDLE-INCOME, AND HIGHER-INCOME HOUSEHOLDS



Source: U.S. Census Bureau, 2011-15 and 2016-20 American Community Survey five-year estimates. Not all changes in household incomes are statistically meaningful.

Income inequality remains

Although household incomes at the lower end of the income distribution have increased more than those at the higher end, overall income inequality did not change much between the 2011-15 and 2016-20 periods. The MSP metro's Gini index, a popular measure of inequality that ranges from 0 to 1, was 0.445 in the 2016-20 period—unchanged from the 2011-15 period. Only seven cities showed statistically significant changes in income inequality as measured by the Gini index, which decreased in Burnsville, Coon Rapids, and Minneapolis *and increased* in Blaine, Champlin, Ham Lake, and Maplewood.

Figure 3 shows the extent of income inequality in the ten communities featured above in two ways. First, the bars on the left represent inequality between low-income and middle-income households in each city. For example, the 20th percentile of household income in the MSP metro is about $37,000, which is 55% lower than the median income of $83,000. The bars on the right show inequality between high-income and middle-income households.

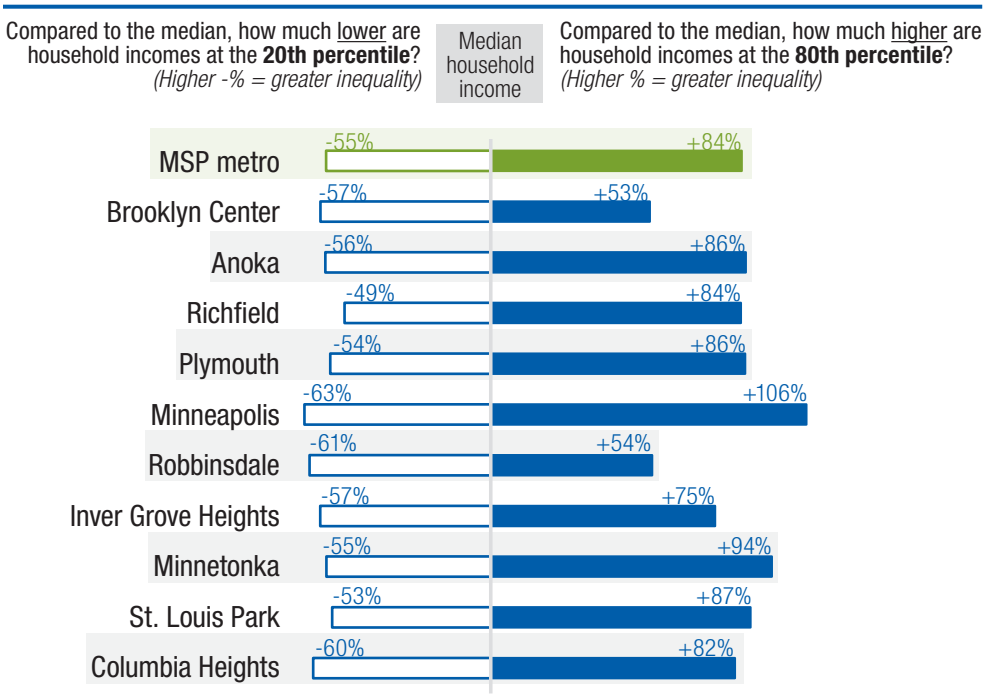
In the MSP metro for example, the 80th percentile of household income is $153,000—84% higher than the median. Median household incomes, shown in Figure 1, are specific to each city, so longer bars indicate more inequality within cities.

Inequality at the lower end of the income distribution does not vary substantially across cities. Among the ten cities featured in the chart, low-income and middle-income households are the least unequal in Richfield, where their incomes are 49% smaller than Richfield's median. They are most unequal in Minneapolis, where incomes 63% are smaller than Minneapolis' median.

On the other hand, cities have quite different levels of inequality at the higher end of the income distribution. In Brooklyn Center and and Robbinsdale, incomes for high-income households are around 50% higher than middle-income households and much lower than the MSP metro at 84%. In Minnetonka, though, high-income households have an income 94% larger than middle-income households, while Minneapolis' high-income households take in more than twice as much money (106%) as middle-income households. In short, income inequality is much higher in Minneapolis than in Brooklyn Center, where the income distribution is much more compressed.

We have seen that inequality exists across cities: places like Minnetonka and Plymouth have higher household incomes than cities like Brooklyn Center and Anoka (as shown in Figure 1 above). Often overlooked, though, are the considerable levels of inequality *within* each city.

FIGURE 3 - INCOME INEQUALITY WITHIN CITIES IS COMPARABLE TO INEQUALITY WITHIN THE REGION



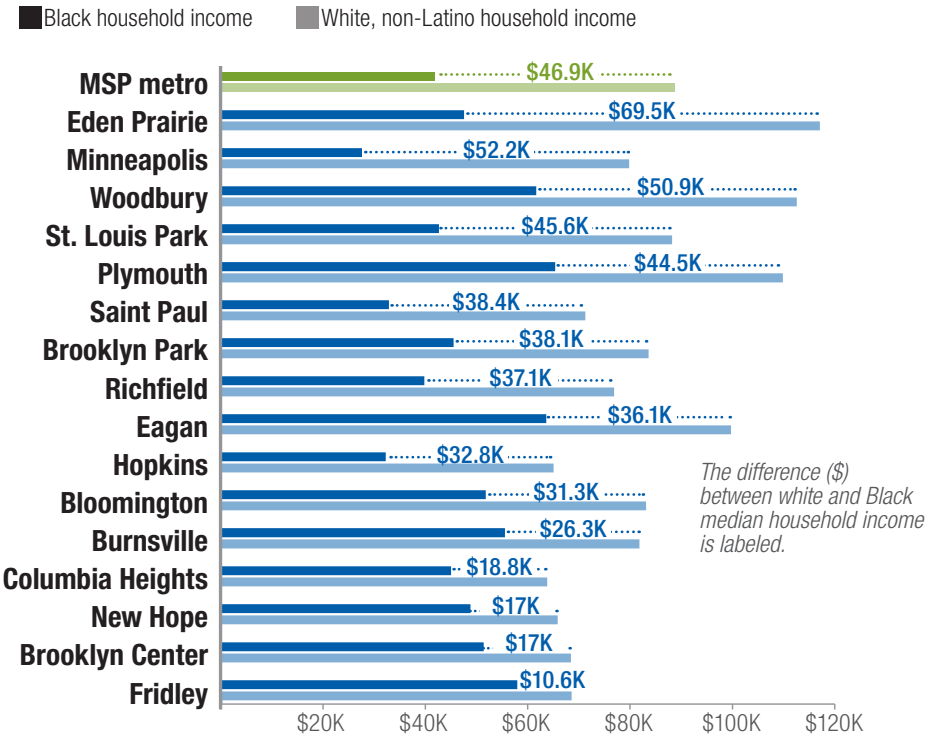
Source: U.S. Census Bureau, 2011-15 and 2016-20 American Community Survey five-year estimates.

Income disparities by race and Hispanic/Latino origin

The ACS statistics also allow for a comparison of income trends for major race groups and those of Hispanic or Latino origin. Changes to the ACS questionnaire and the processing of race data complicate comparisons over time, but looking only at the 2016-20 period, we can see obvious disparities by race.

These disparities are well-known at the regional level; what is important here is that they exist locally as well, at the city level. The following charts show median household incomes for cities with at least 1,000 households in each race group. Sections are sorted by the size of the population in the Twin Cities region according to the 2020 Census: Black alone (10.4%); Asian alone (8.2%); Hispanic or Latino (7.2%); and Native American alone (0.8%).

FIGURE 4 - WHITE MEDIAN HOUSEHOLD INCOMES FAR EXCEED THOSE OF BLACK HOUSEHOLDS



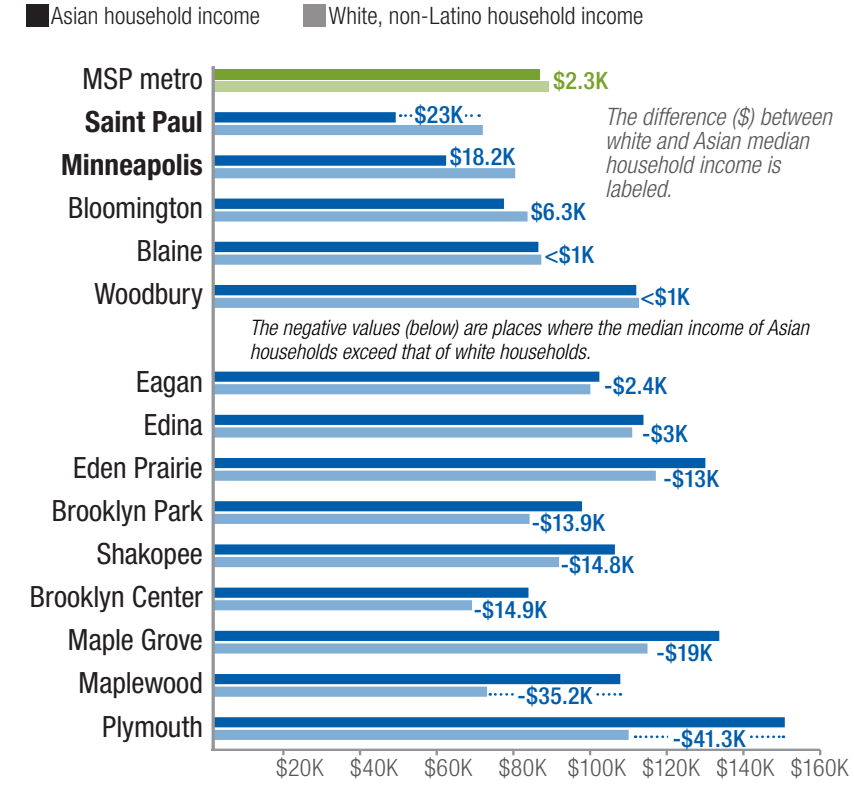
Source: U.S. Census Bureau, 2016-20 American Community Survey five-year estimates. Bolded city names show where Black and white incomes are statistically different.

Disparities between Black and white households

Disparities for Black and white residents are larger than for any other major race group with the median Black household in the MSP metro taking in $46,900 less than the median white household (Figure 4).

They exist in cities around the region as well; among all cities with at least 1,000 Black households, Black median household income is significantly lower than the white median. Even Black residents of higher-income suburbs like Plymouth and Woodbury have dramatically lower median incomes than their white counterparts.

FIGURE 5 - ASIAN MEDIAN HOUSEHOLD INCOMES ARE SIMILAR TO OR HIGHER THAN THOSE OF WHITE HOUSEHOLDS



Source: U.S. Census Bureau, 2016-20 American Community Survey five-year estimates. Bolded city names show where Asian and white incomes are statistically different.

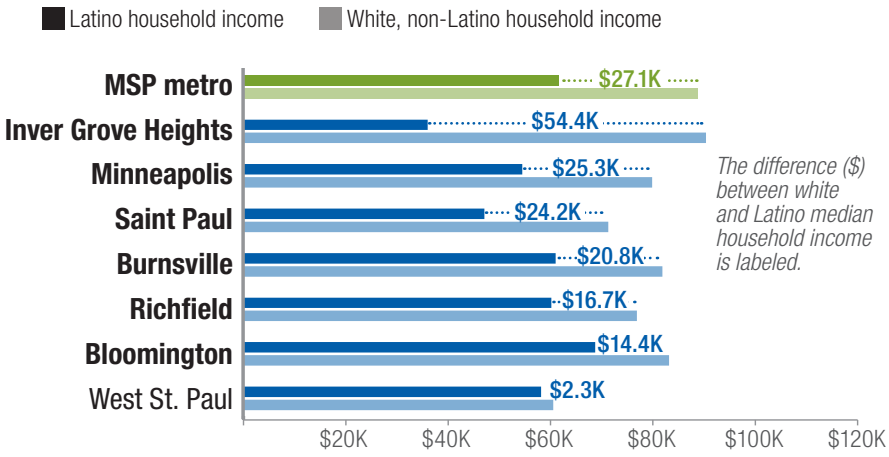
Disparities between Asian and white households

For the region as a whole, white residents and Asian residents have statistically similar levels of median income: $88,771 and $86,441, respectively. Further, among all cities with at least 1,000 Asian households, only Minneapolis and Saint Paul have statistically significant differences between Asian and white median household incomes. In several cities, the ACS estimates suggest that Asian households have higher incomes than white households, even though the two groups are not statistically different. This points to the socioeconomic diversity among Asian residents of our region. Minneapolis and Saint Paul continue to have the largest populations of Hmong, Vietnamese, or Karen (who tend to have lower incomes; see Minnesota Compass's profiles of cultural communities). For more information on the prevalence of different groups in different areas, see our Equity Considerations dataset.

Disparities between Hispanic /Latino and white households

There is clear evidence of disparities between Hispanic or Latino households and white households, though they are not as large as Black-white disparities. Hispanic or Latino median household incomes are statistically different from white median household incomes in six of the seven cities with at least 1,000 Hispanic or Latino households (Figure 6).

FIGURE 6 - HISPANIC/LATINO MEDIAN HOUSEHOLD INCOMES ARE CONSIDERABLY SMALLER THAN THOSE OF WHITE HOUSEHOLDS

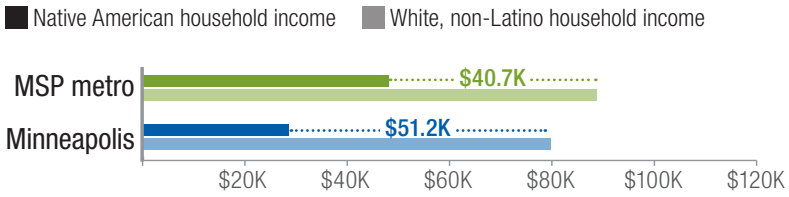


Source: U.S. Census Bureau, 2016-20 American Community Survey five-year estimates. Bolded city names show where Latino and white incomes are statistically different.

Disparities between Native American and white households

Sample sizes are too small to obtain accurate estimates for Native American households; only Minneapolis meets the minimum threshold of 1,000 households. Nevertheless, for both Minneapolis and the MSP metro as a whole, Native American median household incomes are substantially lower than white incomes (Figure 7).

FIGURE 7 - NATIVE AMERICAN MEDIAN HOUSEHOLD INCOMES ARE SMALLER THAN THOSE OF WHITE HOUSEHOLDS



Source: U.S. Census Bureau, 2016-20 American Community Survey five-year estimates.

Endnotes

[1] To maximize the reliability of data and protect respondents' privacy, the Census Bureau releases local data only in five-year groupings.

[2] In addition to wage/salary income, 'household income' includes income from self-employment (businesses and farms), investments, rents, Social Security, Supplemental Security Income, state and local public assistance, retirement accounts or pensions, and other regular sources of income like unemployment benefits or child support

[3] The median household income is the midpoint of the household income spectrum. Half of households have incomes below the median, and half have incomes above the median.

[4] Only cities with at least 5,000 households are included here. Unless otherwise noted, all changes are statistically significant at the Census Bureau's customary 90% confidence level – that is, we can be 90% confident that incomes changed in the general population and not just in the ACS sample we can observe.

[5] "Lower-income households" means households at the 20th percentile of household income; "higher-income households" means those at the 80th percentile of household income. For example: In the same way that the median, also known as the 50th percentile, splits the income distribution at 50%, the 20th percentile splits the income distribution at a different level: 20% of households have an income below the 20th percentile; the remaining 80% have an income above the 20th percentile.

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