

Income Inequality in the Twin Cities Region: Part I

With our high rates of employment and homeownership and low poverty, the Twin Cities has an impressive social and economic profile compared to other large U.S. metro areas.¹ However, these successes do not insulate our region from disparities and inequality. Inspired by a *New York Times* analysis published in September 2016, "[The Geography of U.S. Inequality](#)" [LINK], we're analyzing income inequality in the Twin Cities region between 1990 and 2015 in a three-part series.

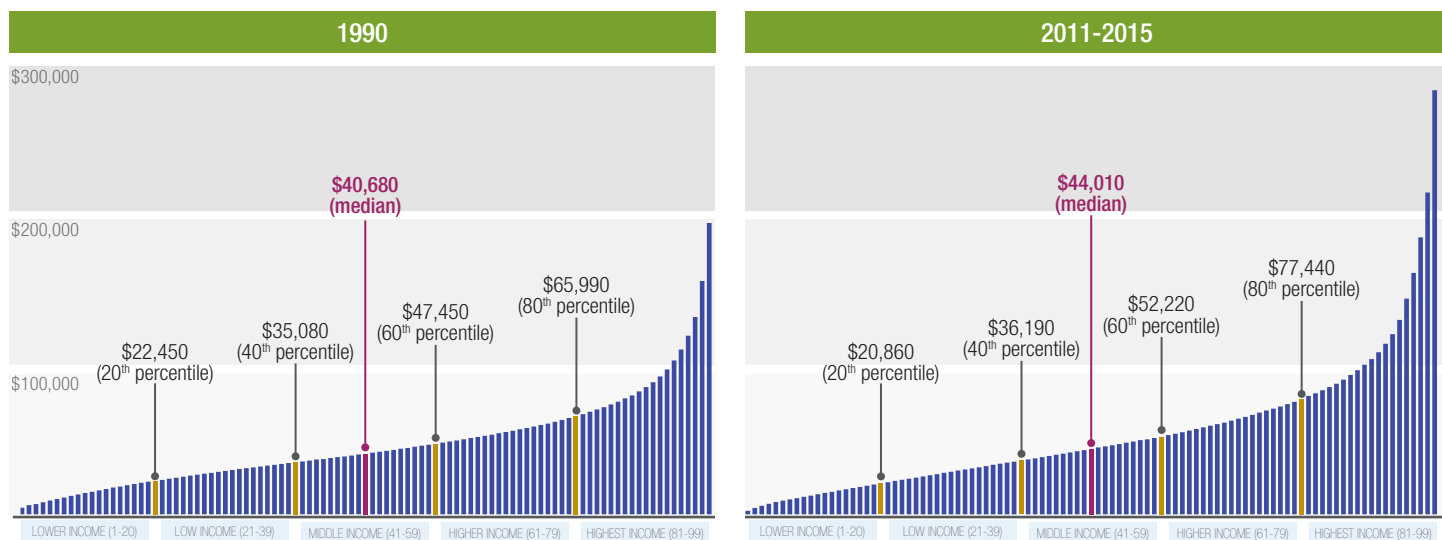
Some households—but not all—saw increased income over the past 25 years

Percentiles, shown in Figure 1, help compare the region's household income distributions in two different time periods. All households in the region are split into 100 equally sized groups based on income. A household with an income that falls in the 40th percentile, for example, has an income higher than 39% of other households but lower than 60% of the other households in the region.

At a glance, incomes for most households rose between the two time periods. The Twin Cities region's median household income increased 8.2%, going from \$40,680 in 1990 to \$44,010 in 2011-2015. However, the change in median income masks trends at both ends of the spectrum—in fact, income gains were not spread evenly across all households. Most obvious are the considerable upticks at and above the 80th percentile (the higher- and highest-income households in the region) between the two time periods. Incomes at the 80th percentile increased 17.3% between 1990 and 2011-2015. For the region's "one-percent" (households with income above the 99th percentile), the increase was even greater—46%. At the same time, households with income at or below the region's median had an average net loss of 5.1%. Further, lower-income households (at or below the 20th percentile) experienced a decrease in their income of 7.1% between 1990 and 2011-2015.

In short, income inequality in the Twin Cities region increased considerably over this 25-year period.

FIGURE 1. HOUSEHOLD INCOME IN THE TWIN CITIES REGION



Source: U.S. Census Bureau, Public Use Microdata Samples, 1990 and 2011-2015.

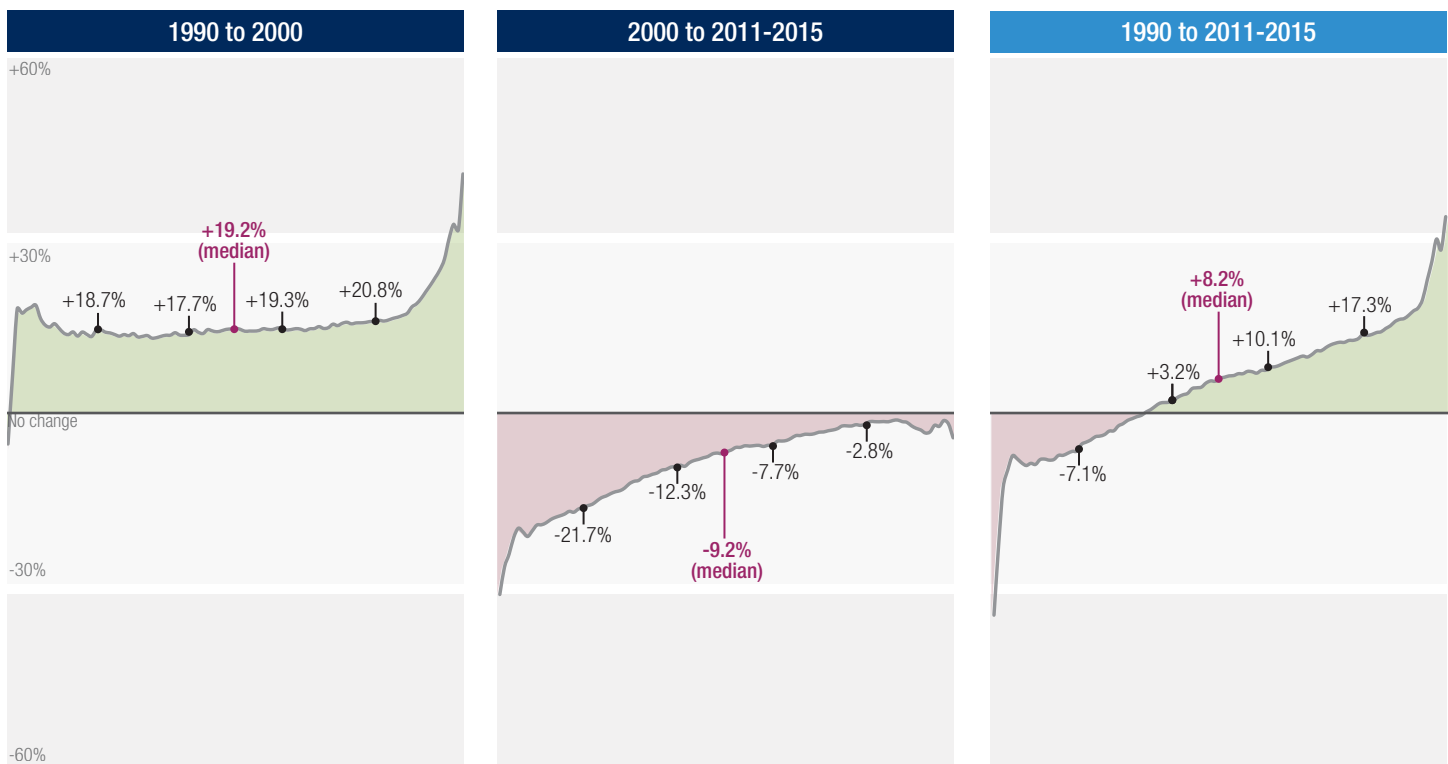
Note(s): We adjusted the household income for household size to best reflect how much money is available to different households using the U.S. Census Bureau's methodology [LINK]. Therefore, our medians and percentiles here (all in 2015 dollars, rounded to nearest \$10) may differ from other published data at metro council.org/data.

Lower-income households bore the brunt of the Great Recession, increasing inequality

Digging deeper into not just how but *when* household incomes changed reveals different dynamics during this 25-year period. During the economic expansion of the 1990s, most households (i.e., those between the 20th and 80th percentiles) experienced income gains of similar proportions (Figure 2). In contrast, household incomes declined across the income spectrum between 2000 and 2011-2015 as a result of the Great Recession. The region's low- and middle- income households experienced the largest net losses, which virtually wiped out their gains from the previous decade. The net losses for higher-income households (at or above the 80th percentile) were slight.

Much of the conversation around income inequality has focused exclusively on the income gains of the "one percent", which is certainly part of the story. As Figure 2 shows, the 1990s brought the region's highest income households large gains—which these households mostly retained—resulting in an average net increase of 26%. However, the lesser-mentioned trend—that the region's low- and middle-income households both suffered the greatest losses and had the most stunted recovery—was another important factor in increasing the Twin Cities region's income inequality over the past 25 years.

FIGURE 2. HOW HOUSEHOLD INCOMES IN THE TWIN CITIES REGION CHANGED



Source: U.S. Census Bureau, Public Use Microdata Samples, 1990, 2000, and 2011-2015.

Note(s): We adjusted the household income for household size to best reflect how much money is available to different households using the U.S. Census Bureau's methodology [LINK]. Therefore, our medians and percentiles here (all in 2015 dollars, rounded to nearest \$10) may differ from other published data at metro council.org/data.

Our series will continue with two additional summaries released later in 2017: 1) income inequality by different races and ethnicities within the Twin Cities region, and 2) how income inequality in the Twin Cities metro compares with trends in other large metro areas.

Endnotes

¹See our *MetroStats*, "Behind the Curve: Racial and Ethnic Disparities in the Twin Cities Metro in 2015," [LINK] for a full discussion.