

Income Inequality Continues to Grow in Maryland

Although the latter half of the 1990s were characterized by strong employment gains and rising real incomes, recent research by the Maryland Department of Planning has revealed that income inequality continued to grow during the 1990s at about the same pace as occurred in the previous decade. Both changing demographics and industrial restructuring may have played a role in the increase in income inequality over this 20-year period.

Wealthiest Households Show Biggest Gains

For the State as a whole during the last decade, the broad middle class saw its share of total income decline while the wealthier households made favorable gains and the poor continued to lose its disproportionately small share.

In a world of perfect income equality, all households would have the same share of total income. (See equity line in [Chart 1](#).) However, in 2000 the poorest 20 percent of all households in the State had only 3.9 percent of total income, down from 4.1 percent in 1990. (See [Chart 2](#).) For the middle 60 percent of households, the decline was much more pronounced, from 50.6 percent in 1990 to 48.9 percent in 2000. While these two groups had a disproportionately low share of total income, the wealthiest 20 percent of all households had more than twice its share, 47.9 percent of income in 2000, up from an estimated 45.3 percent share in 1990.¹

The change in income shares over the last decade was not much different from the decade of the 1980s. Altogether, the share of total income of the wealthiest one-fifth of all households increased by 3.7 percentage points since 1980, while the middle 60 percent declined by 3.4 percentage points. The poorest one-fifth of all households declined by 0.3 percentage points since 1980.

Changing Demographics and Industrial Structure

Maryland is not unique in showing increasing income inequality. Other reports using different measures of income have shown similar increases for the U.S. as a whole and for individual states.² A variety of explanations have been offered for the overall increase in income inequality, including:

- Changing household structure – the number of one-person households has increased dramatically over the last 20 years. In Maryland, one-person households have increased nearly 63 percent over the last 20 years, compared to a 28 percent increase for all other households. One-person households in Maryland now comprise 25 percent of

¹ Following the Census convention, income is for the prior year of households, i.e., income in 1999 for households in 2000, income in 1989 for households in 1990 and income in 1979 for households in 1980.

² See, *Money Income in the U.S., 2001*, U.S. Census Bureau, September 2002. Also, *Pulling Apart, A State-by-State Analysis of Income Trends*, Jared Bernstein, et al, Center on Budget & Policy Analysis, April 2002

all households, up from 20.8 percent in 1980. Additionally, single, female-headed households with children have grown by 51 percent in Maryland since 1980, and now comprise 8 percent of all State households. One-person households and female-headed households with children will typically have fewer workers and lower incomes than other types of households.

- Increasing minority population – Minority population in Maryland has grown quite significantly over the last 20 years. Between 1980 and 2000, minority population in the State (defined as everybody who is not non-Hispanic white), increased from 26 percent to 38 percent. Additionally, between 1990 and 2000 the non-Hispanic white population in Maryland declined by just over 39,500, meaning the entire net population gain for the State was the result of minority population growth. On average, minority households, with the exception of Asian households, have lower incomes than non-Hispanic white households. (See [Chart 3](#).)

- Increasing investment income – Investment income, consisting of dividends, interest and rent, has been growing more rapidly than earnings from work. Between 1979 and 1999, investment income in Maryland grew by 454 percent compared to a 261 percent increase for earnings by place of residence. As a result, investment income as a percent of total personal income in Maryland grew from 13.4 percent in 1979 to 18.8 percent in 1999. Typically, the overwhelming portion of investment income goes to the wealthiest households. (See [Chart 4](#).)

- Declining manufacturing and increasing service and retail jobs – with the exception of a few brief periods in the 1980s and 1990s, manufacturing jobs continued its historical decline in Maryland over the last 20 years. Manufacturing jobs in Maryland dropped from 252,300 (12.2 percent of total jobs) in 1979 to 185,000 (6.1 percent of total jobs) in 1999. At the same time, service jobs climbed from a total of 478,800 in 1979 (23.2 percent of the total) to 1,081,800 in 1999 (35.8 percent of the total). The importance of this historical shift in terms of income equity is that manufacturing jobs typically offer good wages to blue-collar, semi-skilled workers, allowing those with a high school diploma, or less, the opportunity to earn a decent wage. While these jobs have declined substantially in Maryland and elsewhere, the economy was adding thousands of low-wage service jobs. For example, in 1999 the average wage per service job in Maryland was \$32,777 while the average wage per manufacturing job was \$43,192. While the service sector does generate many high-paying jobs, typically these jobs require a college degree or highly specialized training. The erosion of wages of the unskilled may have been exasperated by the failure of the minimum wage to keep up with inflation over the last 20 years, the decline of the share of jobs represented by unions and the large number of foreign immigrants, particularly in the last 10 years which have filled many of the low-wage jobs.

Income Inequality Among Maryland's Jurisdictions

The degree of income inequality is not uniform across jurisdictions in Maryland. One way to compare income inequality among the political jurisdictions in Maryland is

to examine the “Gini Index,” an index of income concentration, which summarizes in a single statistic the dispersion of the income shares across the whole income distribution. (See [Table 1](#).) The Gini Index ranges from 0, indicating perfect equality (where every household receives an equal share) to 1.0 perfect inequality (where all income is received by only one recipient).

Examining the Gini index numbers reveals that, in general, the more rural and/or poorer jurisdictions tended to have greater income inequality, while the wealthier, suburban jurisdictions had more equal income distributions. (See [Table 1](#) and [Chart 5](#) and [Chart 6](#).)

With the exception of Baltimore City, all nine jurisdictions with the greatest degree of inequality (and exceeding the statewide average) are either located on the Eastern Shore or in Western Maryland. All nine jurisdictions also have 1999 median household incomes, which are below the statewide average. (See [Chart 5](#).) The county with the greatest degree of inequality in 1999 was Talbot County on the Upper Eastern Shore Region. Here the top 20 percent of all households in 2000 had 54.9 percent of all income in the county, while the bottom 20 percent had just 3.3 percent. The middle 60 percent of all households had 41.8 percent of total county income. (See [Table 2](#).) In 1999, well over one-third (36.3%) of total personal income in Talbot County was derived from investment income, the highest share in the State. (See [Chart 7](#).)

In contrast, Charles County, located in the Southern Maryland Region, had the most equal distribution of household income in 1999. Here the top 20 percent of all households had 39.6 percent of total income while the bottom 20 percent of households had 5.6 percent. (See [Chart 8](#) for a comparison of cumulative income shares between Charles and Talbot counties.) A relatively small portion of Charles County’s total personal income comes from investment income (14.9%) and a relatively large percentage comes from earnings (76.4%). (See [Chart 9](#).)

Suburban Jurisdictions More Homogeneous

In general, the Gini coefficient as well as the share of aggregate household income by household income class is showing that the poorer as well as the more rural jurisdictions are more heterogeneous, i.e., they have more of a mix of poor and wealthy households. The suburban jurisdictions, in contrast, are more homogeneous with the greater likelihood of your typical household being well educated and possessing two incomes. For example the share of all families with two or more workers is highest in Howard (63.2%), Carroll (62.5%), Calvert (61.4) and Frederick (61.3%) counties, all of which have lower income inequality than the statewide average. In contrast, the lowest percentages of families with two or more workers are found in Baltimore City (29.8%), and Somerset (42.8%), Allegany (46.0%), Dorchester (46.0%), Worcester (46.0%) and Kent (46.1%) counties, all of which have higher income inequality than the statewide average. (See [Chart 10](#).)

The change in income inequality over the 1990s among the jurisdictions can be measured by the percent change in the Gini Index. In general, those areas experiencing the largest percentage increase in their Gini Coefficients included the poorer and/or more rural jurisdictions like Somerset (13.7%), Dorchester (7.6%), and Talbot (6.2%) counties, but also dynamic metropolitan suburban jurisdictions like Howard (8.9%), Prince George's (8.4%), Montgomery (7.4%) and Baltimore (7.1%) counties. (See [Table 1.](#))

Growth in Suburban Minority and Foreign Born Populations

The relatively large increases in income inequality for the suburban jurisdictions may well have something to do with the changing race/ethnic composition of their populations over the last decade. For example, the four suburban, metropolitan jurisdictions above had the largest absolute increases in the State's minority population between 1990 and 2000.³ (See [Chart 11.](#)) As mentioned above, on average minority households, with the exception of Asians, have lower median household incomes than white households. Along with increasing minority populations, three of the four jurisdictions (Prince George's, Montgomery and Baltimore counties) had some of the largest declines in the State for non-Hispanic whites. (See [Chart 12.](#))

Additionally, each of these four suburban jurisdictions had significant inflows of the foreign born over the decade, either in absolute terms, or relative to their total population gain. During the 1990s for example, Montgomery County was the recipient of over 103,000 foreign born, 45.4 percent of all foreign immigrants in the State during the decade, while Prince George's County received more than 52,000, 23.0 percent of the State total. Baltimore County had the third highest total of foreign-born entrants (24,550), 10.7 percent of the State's total, while Howard County had the fifth highest total (11,372), 5.0 percent of the state total. (See [Chart 13](#) and [Chart 14.](#)) These recent foreign immigrants may well have filled many of the low-wage jobs created during the decade.⁴

The number of foreign born becomes even more significant when viewed in the context of total population gain for the 1990s. For instance, the foreign born made up nearly 90 percent of the net population gain to Montgomery County and 72 percent in Prince George's County. (See [Chart 15.](#)) In both jurisdictions the foreign born's extraordinary high share of total population gain is also due to the fact that both experienced significant domestic out migration during the 1990s, mostly to other parts of Maryland. For Baltimore and Howard counties, the foreign born share of total population gain was 39.5 percent and 18.8 percent respectively.

³ Minority population is defined as everyone who is NOT non-Hispanic white.

⁴ See, *Immigrant Workers and the Great American Job Machine: The Contributions of New Foreign Immigration to National and Regional Labor Force Growth in the 1990s*, prepared by Andrew Sum, et. al., Center for Labor Market Studies, Northeastern University. Prepared for the National Business Roundtable, Washington, D.C., August 2002. This report finds that new immigrants accounted for 76 percent of the labor force growth in Maryland during the last decade.

A Few Areas of Declining Inequality

Only four jurisdictions in Maryland experienced declines in their Gini Coefficients indicating reductions in income inequality: Kent (-4.5%), Allegany (-2.5%), Caroline (-1.1%) and Cecil (-0.4%). The first three counties are all relatively rural jurisdictions, which experienced population growth rates below the statewide average (Allegany even lost population). All but Kent County had median household income gains greater than the statewide average and overall reductions in poverty over the 1990-2000 period.

Despite the reductions in income inequality, Kent and Allegany counties still have relatively high levels of inequality. Both counties have inequality measures above the statewide average, as measured by the Gini Coefficients, with Kent ranked fourth in 1999 (down from first 10-years prior), and Allegany ranked sixth in 1999, down from fourth in 1989.

Caroline County is the only jurisdiction in the State to experience decreased inequality over the entire 1979-1999 period, dropping 1.0 percent in the first 10 years and 1.1 percent in the most recent 10-year period. Inequality is now well below the statewide average and ranked 14th in the state, down from 10th highest 20 years ago.

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