

Income Inequality

In the previous issue of Miami-Dade County's series "At A Glance," wages were analyzed and shown to have an inequality higher in Miami-Dade County than in the nation as a whole. This inequality was revealed by comparing wage earners both at the high and low end of the wage spectrum. Wages at the high end in the County were above those in the nation and at the low end were less than the national average.

This issue examines household income to determine the presence and extent of income inequality within the County. Household income includes wages, social security benefits, interest earnings, dividends, etc.

Higher income inequality in Miami-Dade relative to the U.S. can be observed by looking at the disparity in household income between mean (average) and median (half the households are above and half below). This measurement is 35 percent for the U.S. with a much larger difference of 48 percent for the County. (See Chart 1 that shows frequency distribution of households by income.)

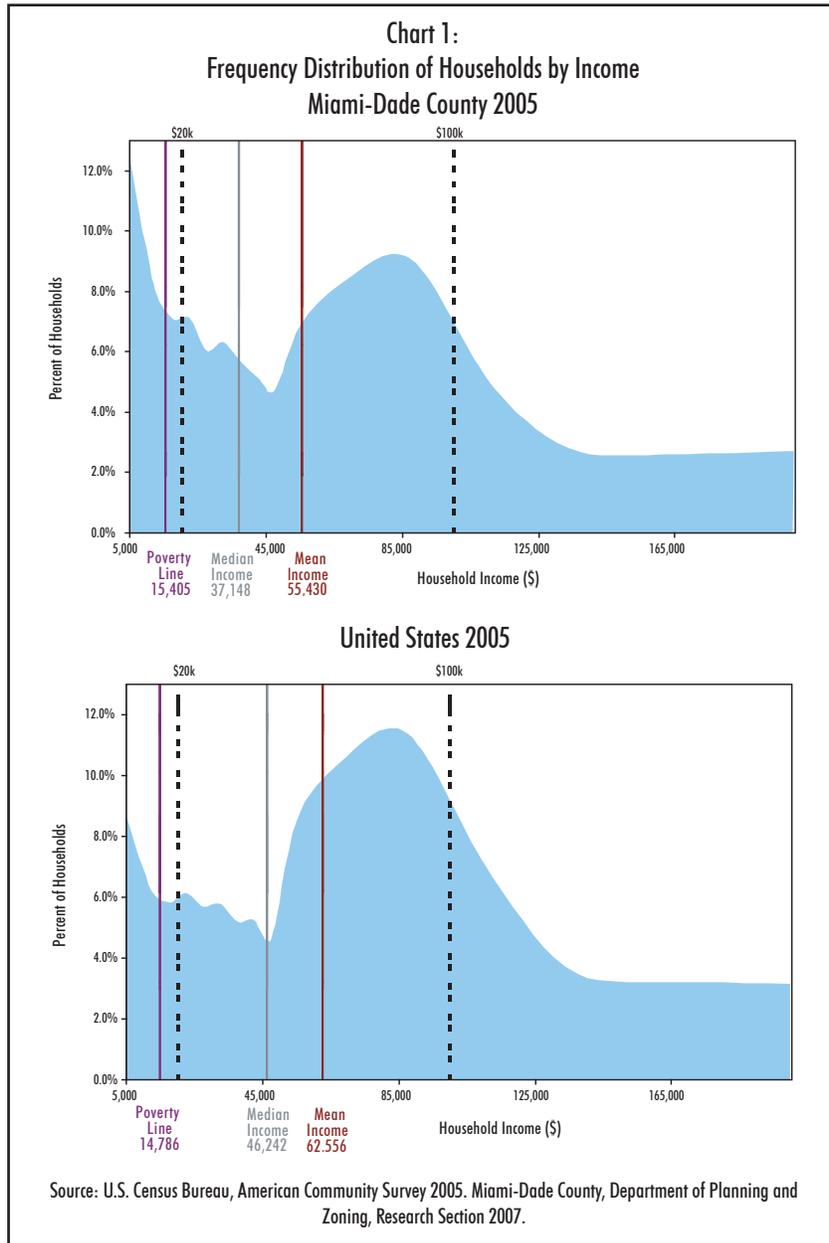
A second way to observe the magnitude of inequality is by dividing the population by income levels and examining the resulting distribution.

Income levels for households were divided into three parts: low-under \$20,000; middle-from \$25,000 to \$99,999 and

high-\$100,000 and above. These ranges, at the national level, approximately correspond to the standard definition of low, middle and high income based on quintiles. Low income corresponds to those households in the lowest quintile or lowest 20 percent,

while high income corresponds to the highest quintile of 80 percent and above. Middle income includes the remaining 60 percent. Using these measures the higher income inequality in the County as compared to the country can be seen in that the Miami-Dade has a much smaller portion of its population in the middle range. This can be readily seen in graphic terms, by the much larger area in blue between the two white and black lines in the nation compared to the County. In Miami-Dade, 50 percent of its households fall in this range, whereas in the nation there are 63 percent of households in this middle income range. Also consistent with a pattern of higher income inequality, Miami-Dade's share of low income households is significantly higher than at the national level. Specifically, there is a difference of seven percentage points. There are 20.7 percent of households in

the U.S. in this low income range, while this figure jumps to 27.6 percent for the County. Therefore, in net percentage terms, a smaller portion of households are in the high income range in the County than in the country. Table 1



MIAMI-DADE COUNTY AT A GLANCE

presents the income distribution data in tabular form.

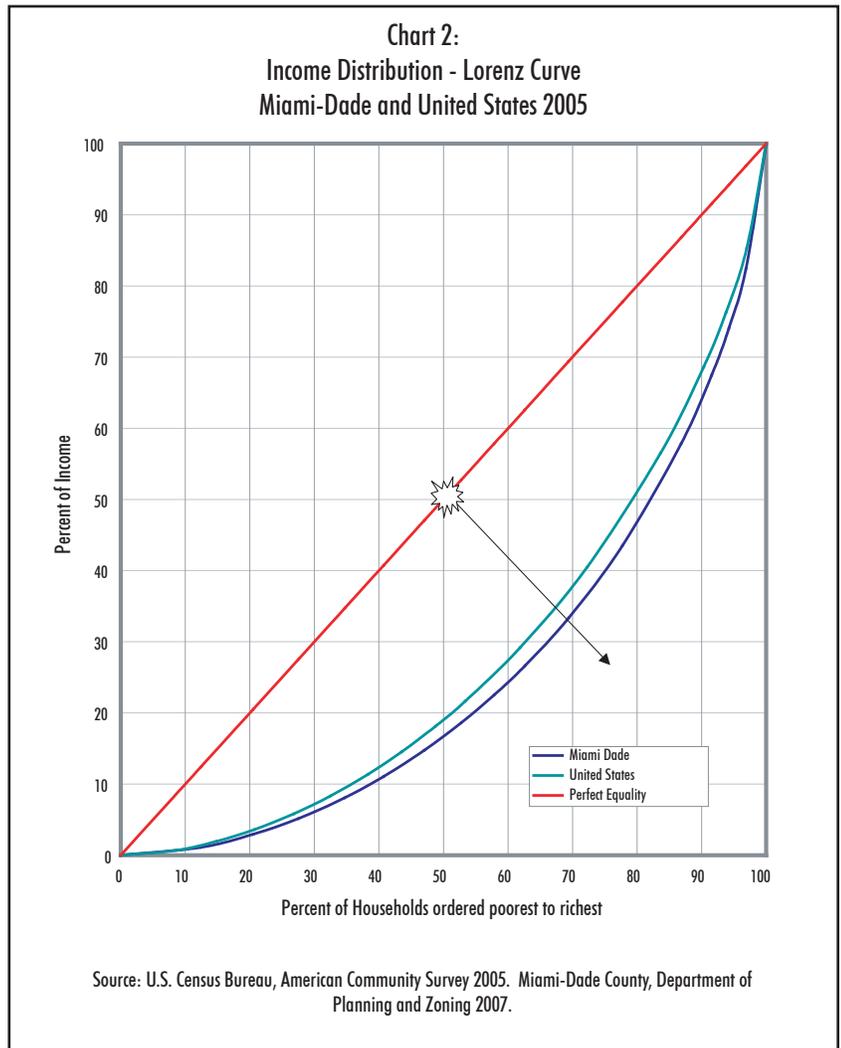
Another way to look at the income inequality is by graphically representing the percent of households to the percent of income from lowest to highest. The resulting line or curve is called a Lorenz Curve (See the blue lines in Chart 2). Income equality is shown by the red 45-degree line. Note that along this line 25 percent of households to receive 25 percent of the total income, while 50 percent of households corresponds to 50 percent of income and so on. A more equal income distribution pattern will exhibit a curve closer to the red line. The arrow indicates the direction of greater income inequality. The line constructed from the Miami-Dade data is farther from the red line than the line representing the U.S. data. The lowest 20 percent of households receive 2.5 and 3.5 percent of total income in Miami-Dade and U.S. respectively, while the richest 20 percent of households receive 51 percent and 48 percent of the income in Miami-Dade and U.S. respectively.

In dollar terms, the 230,185 low income households in Miami-Dade had a combined income of \$2.4 billion while the 110,052 highest income households had a combined income of \$19.7 billion. In other words, on a per household basis the high income group received over eight times the income of the low income group.

Another way to look at income inequality is through the Gini coefficient. This is a ratio of the area between the Lorenz Curve and the 45 degree line to the entire area under the 45 degree line. Using the Miami-Dade data for 2005 the Gini coefficient is 0.49. (Table 2 shows the value for the coefficient for the U.S. and Miami-Dade). This is above the figure for the nation of 0.45 and comparable to the figure for Venezuela last calculated in 1998. While the pattern of income distribution is similar to that of Venezuela, it by no means is reflective of the condition of the lowest 20 percent of households in these two areas.

Importantly, the considerably lower level of mean household income and the barriers to upward economic mobility in Venezuela leave households in the lower income bracket markedly worse off.

According to a study published by the DC Fiscal Policy Institute*, Miami is the third highest ranking large metropolitan area in the U.S. in terms of income inequality out of 40, behind Washington, D.C., and Atlanta, GA.



* "Income Inequality In The District of Columbia Is Wider Than In Any Major U.S. City". DC Fiscal Policy Institute (www.dcfpi.org), 07/2004.

**Table 1: Annual Household Income
United States, and Miami-Dade 2005**

	Miami-Dade	United States
Less than \$10,000	12.4%	8.7%
\$10,000 to \$14,999	8.1%	6.2%
\$15,000 to \$24,999	14.2%	12.0%
\$25,000 to \$34,999	12.4%	11.5%
\$35,000 to \$49,999	15.5%	15.1%
\$50,000 to \$74,999	15.2%	18.9%
\$75,000 to \$99,999	9.1%	11.4%
\$100,000 to \$149,999	7.4%	10.1%
\$150,000 to \$199,999	2.7%	3.2%
\$200,000 or more	3.1%	3.0%
Median income	\$37,148	\$46,242
Mean income	\$55,430	\$62,556

Source: U.S. Census Bureau, 2005 American Community Survey, Miami-Dade County, Department of Planning and Zoning, Research Section, 2007.

* For the Occupations of Chief Executives, Obstetricians and Gynecologists Median Wage is not reported. Source: Agency for Workforce Innovation, Labormarketinfo.com. OES - Occupational Employment Statistics and Wages. Miami-Dade County Department of Planning and Zoning, Research Section 2007.

**Table 2: Gini Coefficient
United States and Miami-Dade
1999 and 2005**

Gini Coefficient based on Median Household Income		
	1999	2005
United States	0.446	0.451
Miami-Dade	0.494	0.490

Source: U.S. Census Bureau, 2000 Census and 2005 American Community Survey, Miami-Dade County, Department of Planning and Zoning, Research Section, 2007.

* Complete Name: Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products. Source: Agency for Workforce Innovation, Labormarketinfo.com. OES - Occupational Employment Statistics and Wages. Miami-Dade County Department of Planning and Zoning, Research Section 2007