



New England Has Highest Increase In Income Disparity In The Nation

Carsey Brief Finds Top Earners Gaining, Middle Class Diminishing

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DURHAM, N.H. -- Income inequality in New England is rising at the highest rate in the nation, a new brief from the Carsey Institute at the University of New Hampshire finds. Between 1989 and 2004, the region experienced the largest increase in income inequality in the country, due to both growth among top earners and the hollowing out of the middle class caused by significant changes in the nation's economy.

"This is not simply the 'rich getting richer'," said brief author Ross Gittel, the James R. Carter Professor at UNH and a senior fellow at the Carsey Institute. "The loss of manufacturing employment for low-skilled workers has been coupled with increased demand, and rewards, for high-skilled and high-tech employment. These shifts were more pronounced in New England because of the region's highly educated population, strong research and development base, and relatively high cost of business operations, which pushes low-skilled jobs elsewhere."

Over the last decade and a half:

- Income disparity increased in New England more than in any other region in the nation.
- Household average real income declined between two and five percent for the lowest-income families.
- Mid-range incomes grew less than national counterparts.
- Income growth was concentrated in the top quintile of households: average real income has grown 20 percent for this group, and 27 percent for households in the top five percent.
- Three states in the region – Connecticut, Massachusetts and New Hampshire – ranked among the top five nationally in the increase in income disparity.
- Six of the 20 metropolitan areas with the highest income disparity in the nation are in New England: Nashua, N.H.; New Bedford, Mass.; and Stamford-Norwalk, Bridgeport, Waterbury and Danbury, Conn.

The brief finds that the shift from traditional commodity-based manufacturing to technology and knowledge-based businesses has created a new economic structure and context for the New England states. This shift is more pronounced in New England, due in part to the region's

highly educated population and strong research and development base, as well as the high cost of business in the region.

Gittell cautions that a more economically divided region with a disappearing middle class has consequences. "Diverging household incomes can fray the social fabric as social connections and the opportunities for families to mix with members of different classes diminish, and the opportunities for lower- and middle-income individuals to move up in social status may decrease," he says.

Because the region is relatively prosperous and does not suffer from wide-ranging poverty and poor educational achievement as do some other regions, it is in a stronger position to combat the trend. The brief offers several policy suggestions:

- Upgrade the education and technological skills and economic opportunities of all individuals in the region with workforce "re-preparation" programs to help those displaced from manufacturing jobs by off-shoring.
- Improve quality of and access to lower-cost education.
- Expand programs designed to meet entry-level, incumbent workers' needs for opportunities to advance toward positions with more responsibility, skill, and compensation, across the region.
- Ensure available child care, affordable housing, and transportation assistance for low and middle income families and workers.

"With a concerted effort by policymakers and residents, New England could return to its traditional position of providing good economic opportunities for all of its citizens," says Gittell.

The complete brief can be downloaded at the Carsey Institute's Web site:
www.carseyinstitute.unh.edu.

The Carsey Institute at the University of New Hampshire conducts research and analysis on the challenges facing families and communities in New Hampshire, New England, and the nation. The Carsey Institute sponsors independent, interdisciplinary research that documents trends and conditions affecting families and communities, providing valuable information and analysis to policymakers, practitioners, the media and the general public. Through this work, the Carsey Institute contributes to public dialogue on policies that encourage social mobility and sustain healthy equitable communities. The Carsey Institute was established in May 2002 with a generous gift from UNH alumna and noted television producer Marcy Carsey.