

# Income Inequality

2010-2014

Income inequality refers to how income is unevenly distributed among a population. One way to think about why income inequality matters is to think about how much \$1,000 means to a family that is desperately poor, relative to how much \$1,000 means to a family that is extraordinarily rich. The transfer of \$1,000 away from a family living in poverty would create great hardship, while the transfer of \$1,000 to a family with great wealth does not create a great improvement in total welfare. The transfer of \$1,000 away from a family with great wealth does not create great hardship, while the transfer of \$1,000 to a family living in poverty may create an improvement in total welfare.

There is a general acceptance of the idea that dollars are valued differently by different members of society. In the survey behind the University of Michigan's Index of Consumer Sentiment, 90 percent of respondents agreed that "one thousand dollars is worth more to a poor family than to a rich family."<sup>1</sup> However, there is not general agreement on how to address income inequality within society. There is not general agreement that income inequality is an issue to be addressed. As Warren Buffett said in his 2015 letter to shareholders, "Though the pie to be shared by the next generation will be *far* larger than today's, how it will be divided will remain fiercely contentious."<sup>2</sup>

On a contentious topic, such as income inequality, it can be helpful to first understand the current level of income inequality in the area in which we live, and how it has changed over time. This trend can be seen by looking at the income captured by households by quintiles. Income quintiles are determined by organizing all of the households in the economy by income, highest to lowest, and then dividing them into five equal groups.

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<sup>1</sup> Kimball, M. (2016, March 3). Inequality is About the Poor, Not About the Rich [Web log post]. Retrieved March 7, 2016, from <http://blog.supplysideliberal.com/>

<sup>2</sup> Buffett, W. E. (n.d.). [Letter written February 27, 2016 to To the Shareholders of Berkshire Hathaway Inc.]. Retrieved March 9, 2016, from <http://www.berkshirehathaway.com/letters/2015ltr.pdf>

### Wichita Households by Quintile

Percent of Households	Quintile	2014 Income Threshold
0% to 20%	Lowest	\$0 to \$22,391
21% to 40%	Second	\$22,392 to \$40,461
41% to 60%	Third	\$40,462 to \$62,726
61% to 80%	Fourth	\$62,727 to \$97,402
81% and over	Highest	\$97,403 to and over

Source: U.S. Census Bureau, American Community Survey 5-yr estimates

Households in the three highest quintiles of income, in the Wichita area, captured an increasing share of total income between 2010 and 2014, of 0.17 percent. The households at the highest income levels captured a decreasing percentage of total area income between 2010 and 2012 and an increasing percentage of total income between 2013 and 2014. Over the five year period there was a total decrease of 0.09 percent of total income captured by the household at the highest income levels in the Wichita area. The households in the third and fourth quintiles of income distribution in Wichita captured an increasing portion of total income between 2010 and 2013, and then decreased between 2013 and 2014. Over the five year period this middle class portion of the households captured 0.26 percent more of total area income, with the majority of this, 0.2 percent, going to the fourth quintile of households.

### Wichita Percent of Total Income by Household Quintile

	2010	2011	2012	2013	2014
Lowest	3.90	3.95	3.93	3.84	3.77
Second	9.50	9.52	9.54	9.49	9.46
Third	15.40	15.49	15.54	15.57	15.46
Fourth	23.50	23.65	23.74	23.82	23.70
Highest	47.70	47.39	47.24	47.27	47.61
Change from Preceding Year					
Lowest		0.05	-0.02	-0.09	-0.07
Second		0.02	0.02	-0.05	-0.03
Third		0.09	0.05	0.03	-0.11
Fourth		0.15	0.09	0.08	-0.12
Highest		-0.31	-0.15	0.03	0.34

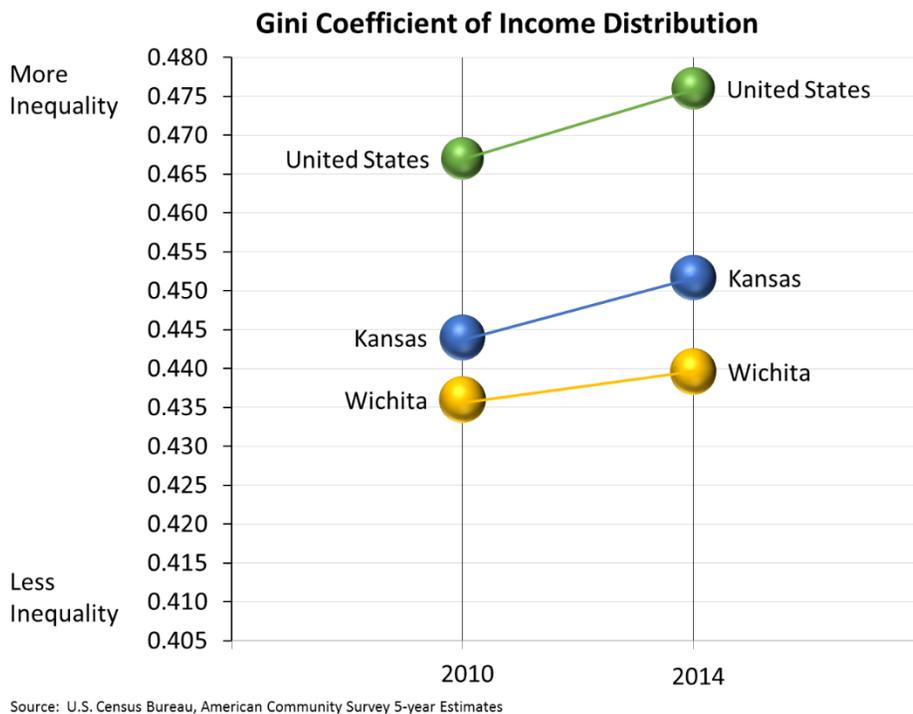
Source: U.S. Census Bureau, American Community Survey 5-yr estimates

The households in the two lowest quintiles of income, in the Wichita area, had a decreasing share of total income between 2010 and 2014, of 0.17 percent. The households in the second quintile of income distribution captured increasing income between 2010 and 2012 and decreasing income between 2013 and 2014, for a total decrease over the five year period of 0.04 percent. The households at the lowest

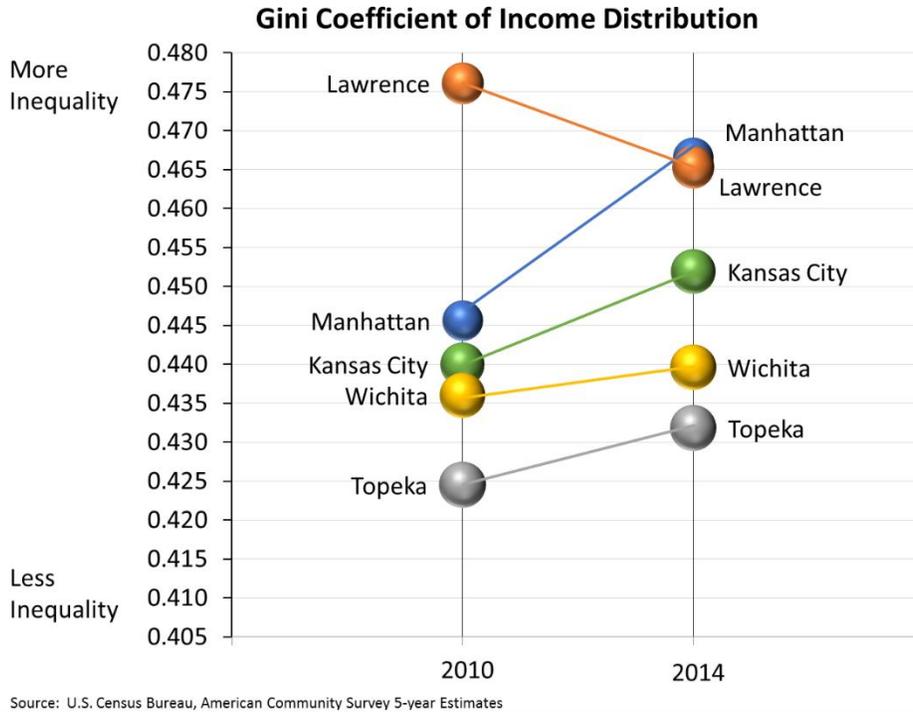
income levels in Wichita captured an increasing share of total income between 2010 and 2011 and decreasing share of income between 2011 and 2014.

The shifting of income between quintiles can be summarized in a single measurement. There are many different ways to do this, the Gini-coefficient is one of the most common. It shows how equally, or unequally, income is distributed across society. A Gini-coefficient of zero reflects complete equality, for example each quintile of households would have 20 percent of the national income. A Gini-coefficient of one reflects complete inequality, for example the top 20 percent of households would have 100 percent of the income and all others have none.

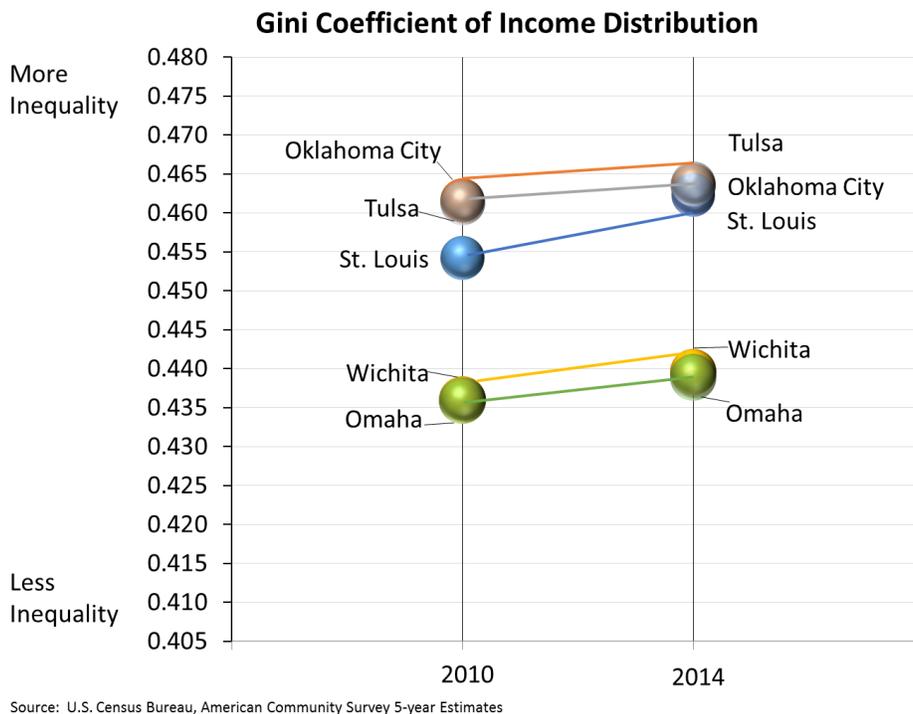
The level of income inequality is lower in Wichita than in the state of Kansas and the United States as a whole. Between 2010 and 2014 the level of income inequality in Wichita also increased at a slower rate than in the state and the nation. Wichita increased by 0.4 percent while Kansas and the United States increased at 0.8 percent and 0.9 percent, respectively.



When comparing Wichita to the other metropolitan areas in Kansas, Wichita has one of the lowest levels of income inequality. Only Topeka has a lower level of income inequality than Wichita. Manhattan had the highest level of income inequality in 2014, closely followed by Lawrence. Wichita also had the smallest increase in income inequality between 2010 and 2014, at 0.4 percent. The level of income inequality in Lawrence decreased by 1.1 percent between 2010 and 2014. However, the level of income inequality in Lawrence remains relatively high.

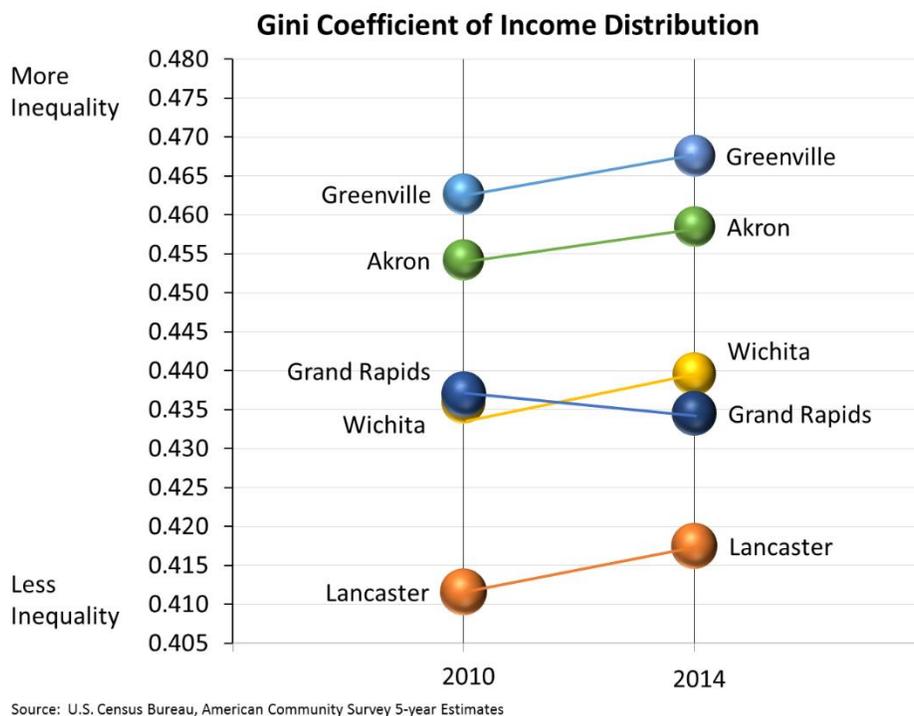


Wichita has a very similar level of income inequality to the region’s metropolitan areas outside of the state of Kansas. Omaha is the most similar to Wichita in income inequality, both areas had 0.44 Gini-coefficient in 2014. Between 2010 and 2014 Wichita had a slightly higher increase in income inequality than Omaha, 0.4 percent and 0.3 percent, respectively. Oklahoma City, St. Louis and Tulsa all had a Gini-coefficient of 0.46 in 2014.



When comparing income inequality in Wichita to areas outside of the region, there are more differences than similarities. For this comparison, the income inequality for four metropolitan areas similar to Wichita in population, demographics, and industrial mix are provided. These areas are Akron OH, Grand Rapids MI, Greenville SC, and Lancaster PA.

Within these areas, the level of income inequality in Wichita is in the middle. In 2014 Grand Rapids and Lancaster had less income inequality than Wichita, while Greenville and Akron had more income inequality than Wichita. Income inequality increased at a rate of 0.4 percent in both Wichita and Akron between 2010 and 2014. Income inequality increased at a slightly higher rate in Greenville and Lancaster during that time, 0.5 percent and 0.6 percent, respectively. Income inequality in Grand Rapids decreased by 0.3 percent between 2010 and 2014.



Income inequality has increased in the Wichita area between 2010 and 2014. Mostly attributable to a shift in income away from the lowest income households to middle class households. Although there has been an increase in income inequality in Wichita, income inequality in Wichita remains below the levels in the United States, Kansas and many other metropolitan areas.

## Gini Index

		2014 Value	2010-2014 Change
	U.S.	0.48	0.9%
	Kansas	0.45	0.8%
Kansas	Wichita, KS	0.44	0.4%
	Kansas City, MO	0.45	1.2%
	Manhattan, KS	0.47	2.1%
	Topeka, KS	0.43	0.7%
	Lawrence, KS	0.47	-1.1%
Region	Oklahoma City, OK	0.46	0.2%
	Omaha, NE	0.44	0.3%
	St. Louis, MO-IL	0.46	0.8%
	Tulsa, OK	0.46	0.2%
Peer	Akron, OH	0.46	0.4%
	Grand Rapids, MI	0.43	-0.3%
	Greenville, SC	0.47	0.5%
	Lancaster, PA	0.42	0.6%

Source: U.S. Census Bureau, American Community Survey 5-yr estimates