



# Earnings, Poverty and Income Inequality in the City of Boston

A Publication of Community Labor United

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# Community Labor United

Community Labor United (CLU) is a coalition of community and labor organizations that run joint campaigns to counteract the growing gap between rich and poor, while highlighting the connections between jobs and community issues. Our mission is to protect and promote the interests of working class communities in the Greater Boston region. CLU unites many of the strongest community organizations and unions in our region to drive forward policies that promote quality jobs, secure healthcare, affordable housing, job access, and environmental justice for the area's low and moderate-income people. Through collaborative research, leadership development and organizing, CLU unites our organizations and communities around a common vision and plan of action.



CLU carries out two types of research: campaign research that helps to frame and support our campaigns, and policy research on other issues of concern to working class communities in our region. In 2006, we published *The Hourglass Challenge: Creating a More Equitable Economy for Greater Boston*, which examines a range of policy and organizing opportunities for stemming this region's rapidly growing economic and racial inequality.

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# Earnings, Poverty and Income Inequality in the City of Boston

Analysis of city data from the US Census Bureau  
2007 American Community Survey

## Key Findings

- In 2007, the last year of an economic upswing, one out of five Boston individuals and families continue to live below the federal poverty threshold. Almost twice that many live in economic hardship (defined as 200% of poverty). Almost half of all adults living in poverty worked full or part-time jobs in 2007.**

  - Real household income *increased* by \$1,141 (or 2.3%) from \$49,335 in 2006 (in inflation-adjusted to 2007 dollars). But at the same time, real median earnings for the population 16 years+ *decreased slightly*, from \$31,103 in 2006 to \$31,034 in 2007 (in 2007 dollars), a change of 0.22%.
  - And despite modest increases **118,125 or 20.4%** of Boston's residents live below the federal poverty threshold, a **slight increase from 19.8% in 2006**.
  - 218,777 or 37.7% of individual residents live in economic hardship**, defined as twice (200%) the poverty threshold.
  - Almost half of adults living under the federal poverty threshold (41.4%) work full or part-time.**
- The city continues to have significant racial and gender gaps in income and poverty.**

  - Residents of Latino, Asian and African American heritage are much more likely to live in poverty than White residents.** Poverty rates for Latino residents are 158% of the citywide average; for Asians are 149% of average; and for African Americans are 129% of average. While a significant number of white Boston residents also live below the poverty threshold (more than 33,000), the White poverty rate is only 11.8%, or 58% of the citywide average.
  - Median household income for Latinos is \$26,344, for African Americans is \$29,826 and for Asians is \$43,735, all of them below the citywide median of \$50,476, and all significantly lower than \$65,991 household median for White residents.
  - For full-time year-round work, male Boston residents earned \$49,252 a year, whereas females earned \$42,825. **The overall gender gap in wages across all industries is 13%.**

Summary of Census Data

| Indicator                                    | Number   | Percentage |
|--|----------|------------|
| People living below 100% of the poverty line | 118,125  | 20.4%      |
| People living below 200% of the poverty line | 218,777  | 37.7%      |
| Families living in poverty                   | 18,672   | 17.3%      |
| Children living in poverty                   | 35,927   | 30.9%      |
| Income inequality index (Gini index)         | 0.533    | N/A        |
| Median Household Income                      | \$50,476 | N/A        |

### 3. Distribution of incomes shows an emerging “tear drop” economy and growing inequality, with a very high concentration of income among the richest households. This signals a shift from the “hourglass economy” that we found in our analysis of 2000 census data.

- Distribution of incomes shows an emerging “tear drop” shaped economy, with a concentration of people near the bottom of the income scale. The proportion of households with low incomes grew, while the proportion of middle and upper income households shrank. Among the city’s households, 49.4% have an annual household income of less than \$50,000. This is below the ‘self-sufficiency income,’ the amount a family of two adults and two schoolage children need to earn to meet their basic needs with no subsidies and no frills (\$53, 600).<sup>1</sup>
- **At the same time, incomes in Boston are more unequal than ever.** In 2007, the top fifth of all households with the highest income claimed 56% of all income in the region (up from 54% in 2006), while the bottom fifth of households got a 2% sliver of the pie. The US Census reports that the Gini index<sup>2</sup>, a widely used measure of inequality, was 0.533 for Boston, up from .516 in 2006. This continues the trend described in a recent statewide report documenting income trends from 1990 to 2006 issued by the University of Massachusetts Donahue Institute. They found that while middle and upper-income families in the Boston region enjoyed among the greatest increases in income of any Massachusetts residents, *“Ironically, the greatest decline in income for the neediest families took place in the Greater Boston region, where cost of living is highest.”*<sup>3</sup>

### 4. Most of Boston’s lowest-wage industries are growing faster than high-wage industries.

- The total number of jobs in the city of Boston increased by 2.3% between 2006 and 2007. **But in all but two of the lowest wage service industries, the number of jobs increased faster than that.** Five of the seven lowest-wage industries, including two of the city’s largest sectors, grew between 3.6 and 9.8% between 2006 and 2005. Among low-wage industries, only Retail lost jobs during this period.

## The Data

The following data comes from the 2007 American Community Survey (ACS) which was released on August 26, 2008 by the US Census Bureau. ACS provides demographic, economic and social data for individuals and households. The data is made available for geographic areas with populations of 65,000 or more.

National analysis of the data is available from the Economic Policy Institute in Washington at (202)775-8810 or by direct link at:

[http://www.epi.org/content.cfm/webfeatures\\_econindicators\\_income\\_20080826](http://www.epi.org/content.cfm/webfeatures_econindicators_income_20080826).

Statewide analysis of the Massachusetts data is available from Massachusetts Budget and Policy Center at (617) 426-1228 <http://www.massbudget.org/>.

## Poverty in Boston

1. In 2007, the last year of an economic upswing, one out of five Boston individuals and families continued to live below the federal poverty threshold. Almost twice that many lived in economic hardship (defined as 200% of poverty). Almost half of all adults living in poverty worked full or part time jobs in 2007.

- In 2006, a total of 118,125 individuals (20.4%) lived in poverty according to Federal poverty measures.

- The federal poverty level (FPL) is set nationally according to family size (in 2007: \$10,787 for a single adult under 65 years and \$21,027 for a family of four with two children). The official measure significantly undercounts the region's poor. The national level is also widely acknowledged to be far less than the real poverty level based on the cost of living in high-cost areas.

- A more realistic measure of economic disadvantage is 200% of the Federal poverty threshold. A total of 218,777 or 37.7% of individuals in the city of Boston were economically disadvantaged by this measure.

| Indicator   | Number  | Percentage |
|---|---------|------------|
| Individuals living below 100% of the poverty line | 118,125 | 20.4%      |
| Individuals living below 200% of the poverty line | 218,777 | 37.7%      |
| Families living below 100% of the poverty line    | 18,672  | 17.3%      |
| Other Households below 100% of the poverty line   | 26,306  | 21.6%      |
| Children living below 100% of the poverty line    | 35,927  | 30.9%      |

### Family & Child Poverty

- Households: 44,978 Boston households have income below federal poverty level:
  - ◊ 18,672 of them are family households (*defined by Census Bureau as a group of two or more people who reside together and who are related by birth, marriage, or adoption.*)
  - ◊ 26,306 other households (*defined by Census Bureau as including single adults and people living together that are not related by marriage, birth or adoption.*)
- Almost one in three (30.9%) Boston children lives in poverty, a total of 35,927 children in poverty.

|  |               |              |
|--|---------------|--------------|
| <b>Families in Poverty (below 100% of federal poverty level)</b> | <b>18,672</b> | <b>17.3%</b> |
| Married couples with children                                    | 1,866         | 7.6%         |
| Married couples with no related children                         | 1,712         | 5.2%         |
| Single dads with children  | 833           | 21.3%        |
| Single moms with children  | 11,724        | 44.2%        |
| Single adults without children                                   | 2,537         | 12.8%        |
| <b>Other Households in Poverty</b>                               | <b>26,306</b> | <b>21.6%</b> |
| Female Householder   | 14,467        | 23.0%        |
| Male Householder   | 11,839        | 20.1%        |

## Working Poverty

- **Almost half of all adults living in poverty in 2007 worked.** Among those 16 years and older and who lived below the federal poverty line in 2007, 41.4% of them worked full or part-time during the previous year.
- **More than 3,000 Boston residents who worked full-time year-round in 2007 lived below the poverty level (3,045).**
- **Almost 7,000 full-time, year-round Boston workers earned less than \$15,000, which (at \$7.21/hr) was below the state's 2007 legal minimum wage, \$7.50.**

## Comparison with State and Regional Poverty

The city of Boston's poverty rates continue to be much higher than other parts of the Greater Boston region:

| Geography  | Poverty Rate (for individuals) | Child Poverty Rate (related) |
|--|--------------------------------|------------------------------|
| City of Boston   | 20.4%                          | 30.9%                        |
| Suffolk County   | 19.7%                          | 29.0%                        |
| Boston-Quincy MA Metropolitan Division                       | 11.3%                          | 14.3%                        |
| Boston-Cambridge-Quincy MA/ NH Metropolitan Statistical Area | 9.2%                           | 11.1%                        |
| Middlesex County   | 6.8%                           | 7.7%                         |
| Commonwealth of Massachusetts                                | 9.9%                           | 12.6%                        |
| United States  | 13.0%                          | 17.6%                        |

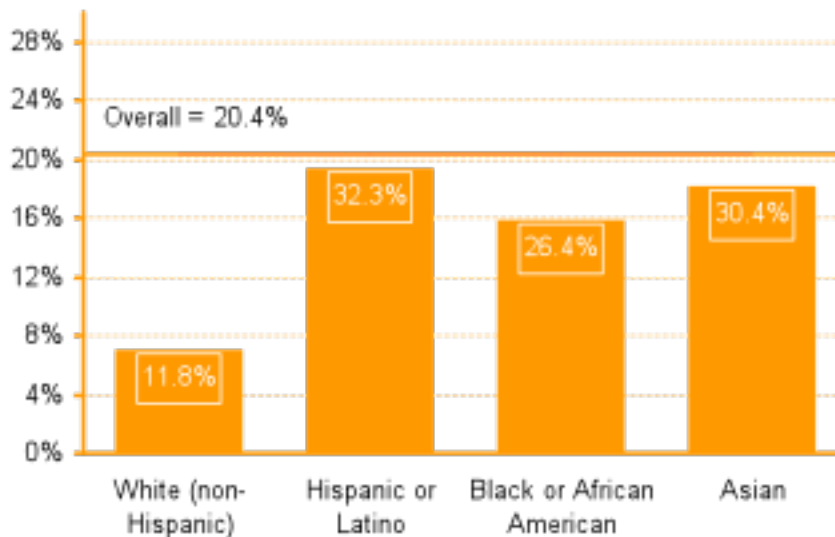
## Racial, Ethnic and Gender Disparities in Boston

2. The city continues to have significant racial and gender gaps in income and poverty.

### Poverty Rates By Race

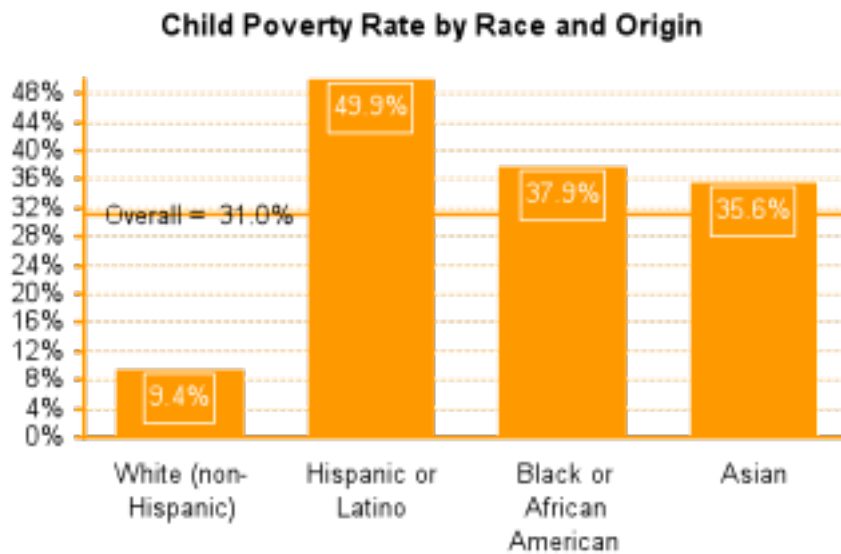
- Residents of Latino, Asian and African American heritage are much more likely to live in poverty than white residents. Poverty rates for Latino residents are 158% of the citywide average; for Asians are 149% of average; and for African Americans are 129% of average. While a significant number of white Boston residents also live below the poverty threshold (more than 33,000), the White poverty rate is only 11.8%, or 58% of the citywide average.

**Poverty Rate by Race and Origin**



| Race                      | Poverty Rate | Percentage of the Citywide Poverty Rate |
|---------------------------|--------------|---|
| Hispanic or Latino        | 32.3%        | 158%                                    |
| Asian                     | 30.4%        | 149%                                    |
| Black or African American | 26.4%        | 129%                                    |
| White (non-Hispanic)      | 11.8%        | 58%                                     |
| Citywide Poverty Rate     | 20.4%        | 100%                                    |

- Child poverty amplifies the racial and ethnic disparities that we find in overall poverty in Boston. Half of all Latino children and more than one-third of African American and Asian children lived below the federal poverty level in 2007.

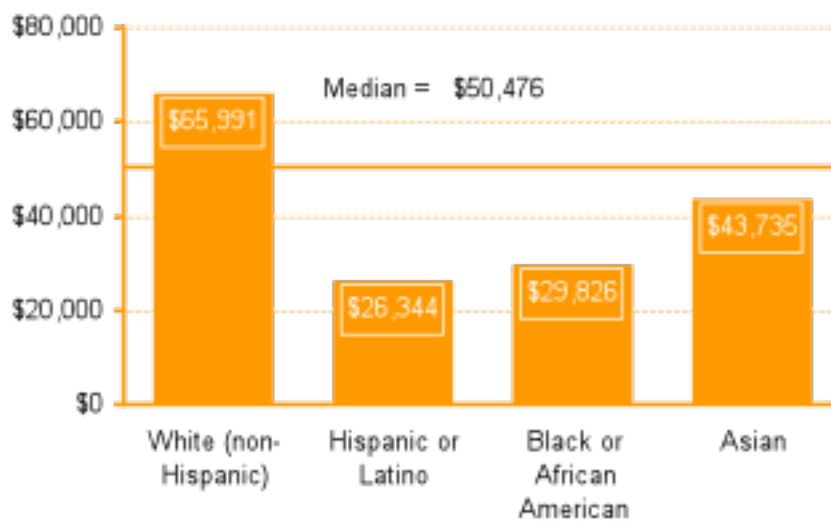


## Household Incomes by Race

- Household incomes also show marked racial disparity for 2007. The median income for Latino households was just over half (52%) the citywide median and for African American households it was only 59% of median. Income for Asian households in Boston was also below the citywide median. Income for all of these groups was significantly lower than the lower than the \$65,991 household median for White residents.

| Race                            | Median Household Income | Percentage of Overall Median Income |
|---------------------------------|-------------------------|-------------------------------------|
| White (non-Hispanic)            | \$65,991                | 130.7%                              |
| Asian                           | \$43,735                | 86.6%                               |
| Black or African American       | \$29,826                | 59%                                 |
| Hispanic or Latino              | \$26,344                | 52%                                 |
| <b>Total – Overall Citywide</b> | <b>\$50,476</b>         | <b>100%</b>                         |

**Household Income by Race and Origin**



## Earnings by Gender

- Income inequality in the city of Boston is characterized by gender and racial gaps. For full-time year-round work, males earned \$49,252 a year, whereas females earned \$42,825. **Thus the overall gender gap in wages across all industries is 13%.**

### Earnings by Industry for Full-time, Year-round civilian employment (16 years +)\*

| Industry  | Male            | Female          |
|---|-----------------|-----------------|
| Construction  | \$50,717        | \$28,532        |
| Manufacturing   | \$60,258        | \$54,793        |
| Wholesale trade   | \$51,386        | \$75,331        |
| Retail trade  | \$36,670        | \$39,190        |
| Transportation and warehousing, and utilities:  | \$48,819        | \$49,657        |
| Transportation and warehousing  | \$46,258        | \$37,174        |
| Utilities   | \$64,030        | \$64,118        |
| Information   | \$71,482        | \$51,029        |
| Finance and insurance, and real estate and rental and leasing:                              | \$58,755        | \$53,435        |
| Finance and insurance   | \$63,503        | \$54,182        |
| Real estate and rental and leasing  | \$41,416        | \$52,660        |
| Professional, scientific, and management, and administrative and waste management services: | \$58,569        | \$53,423        |
| Professional, scientific, and technical services  | \$73,732        | \$57,952        |
| Administrative and support and waste management services                                    | \$31,847        | \$31,585        |
| Educational services, and health care and social assistance:                                | \$51,190        | \$41,873        |
| Educational services  | \$48,476        | \$43,915        |
| Health care and social assistance   | \$52,557        | \$40,764        |
| Arts, entertainment, and recreation, and accommodation and food services:                   | \$26,899        | \$26,471        |
| Arts, entertainment, and recreation   | \$41,431        | \$38,062        |
| Accommodation and food services   | \$26,292        | \$25,104        |
| Other services, except public administration  | \$35,928        | \$30,777        |
| Public administration   | \$74,203        | \$50,233        |
| <b>All Industries</b>   | <b>\$49,153</b> | <b>\$42,972</b> |

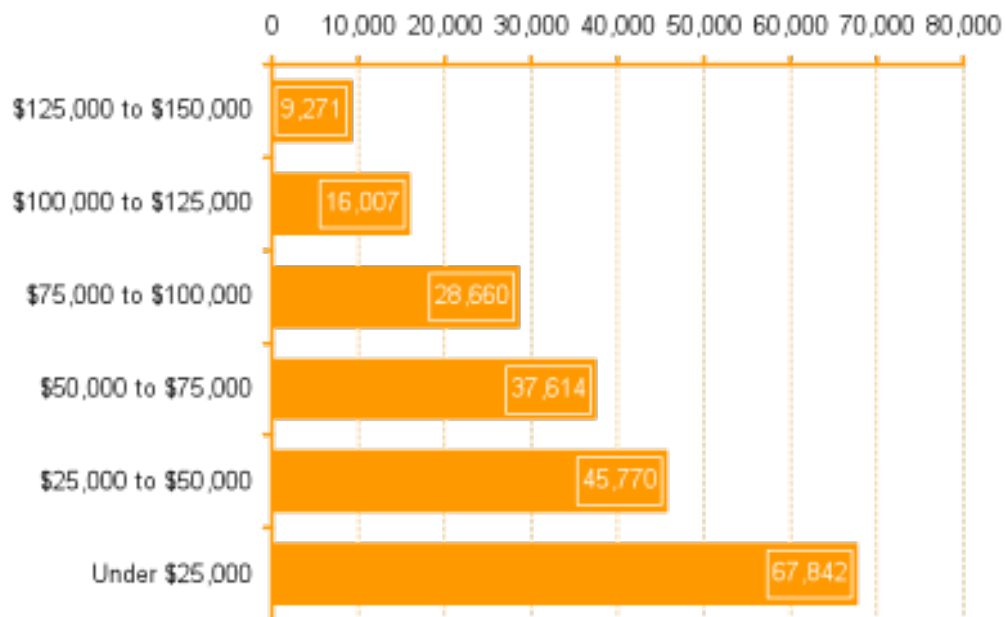
\* Non-agricultural industries only

## Income and Earnings in Boston

### 3. The Teardrop Economy Emerges

- Income in the city of Boston is distributed in a teardrop shape. Almost half of the city's households, 49.4% have an annual household income less than \$50,000. The chart shows the distribution in household income up to \$150,000 for which data in comparable increments is available. Only 10.7% of the city's households have income greater than \$150,000. The proportion of households with low incomes grew, while the proportion of middle and upper income households shrank. This is a shift from the "hourglass" shaped economy that Community Labor United described in our analysis of the 2000 census data. This shape would be even more bottom heavy if non-earnings income from capital gains and other investments was included in this calculation (but the Census data does not include it, only reports income).

**Household Income Distribution (Below \$150,000)**



- Median household income in the region was \$50,476 and per capita income was \$30,976. Real household income increased by \$1,141 (or 2.3%) from \$49,335 in 2006 (in inflation-adjusted to 2007 dollars).

### Worker Earnings

- At the same time, real median earnings for the population 16 years+ decreased slightly, from \$31,103 in 2006 to \$31,034 in 2007 (in 2007 dollars), a change of 0.22%. This indicates that workers are working additional hours to maintain their income.
- There were 196,477 full-time year round workers over 16 years old earning a living in the region in 2007. 6,848 (3.5%) of these workers earned less than

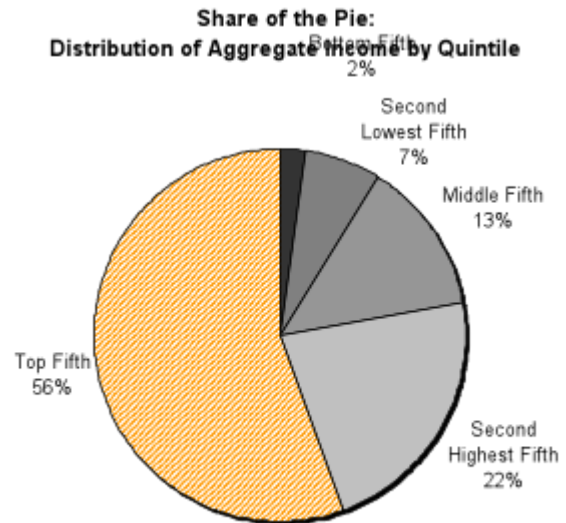
\$15,000 a year, or \$7.21 an hour, below the state's 2007 minimum wage of \$7.50 an hour. As of January 1, 2008, the Massachusetts minimum wage increased to \$8.00 an hour. 31,562 (16%) of full time workers earned less than \$25,000 a year or \$12.02 an hour.

### Earnings for Full-time Year-round Workers (over 16 years old)

|  | Number of workers | % of workers |
|--|-------------------|--------------|
| Workers earning less than \$15,000 (\$7.21/hr)   | 6,848             | 3.5%         |
| Workers earning less than \$25,000 (\$12.02/ hr) | 31,562            | 16%          |
| Workers earning less than \$35,000 (\$16.83/ hr) | 66,159            | 33.7%        |
| Workers earning less than \$50,000 (\$24.04/ hr) | 107,197           | 54.6%        |
| <b>All workers</b>                               | <b>196,477</b>    | <b>100%</b>  |

### Income Inequality in Boston

- Incomes in Boston are more unequal than ever. The city's highest income households (top 20%) **claimed more than half of Boston's total income (56%), and this share is increasing**, up from 54% last year. The lowest income households got a small 2% sliver of the income pie, the same proportion as last year.
- The US Census reports that the Gini index<sup>4</sup>, a widely used measure of inequality, was 0.533 for the city of Boston, up from .516 in 2006. This continues the trend described in a recent statewide report documenting income trends from 1990 to 2006 issued by the Donahue Institute at the University of Massachusetts.



They found that while middle and upper-income families in the Boston region enjoyed among the greatest increases in income of any Massachusetts residents, *"Ironically, the greatest decline in income for the neediest families took place in the Greater Boston region, where cost of living is highest."*

## Job Growth Concentrated in Lower-Wage Industries

### 4. Overall, Boston's lowest-wage industries are growing faster than other industries

- The total number of jobs in the city of Boston increased by 2.3% between 2006 and 2007. But in most of the lowest wage service industries, the number of jobs increased faster than that. Five of the seven lowest-wage industries, including two of the city's largest sectors, grew between 3.6 and 9.8% between 2006 and 2007. Among low-wage industries, only Retail lost jobs during this period.

### Employment Growth in the Five Low-Wage Industries – City of Boston

| Rank | Five Lowest Wage Industries  | Employment in Boston |                    |              | Median Full-Time Year-Round Earnings by Industry |                          |
|------|--|----------------------|--------------------|--------------|--|--------------------------|
|      |  | 2006 (2nd quarter)   | 2007 (2nd quarter) | % change     | 2006**   | % of all-industry median |
| 1*   | Accommodation and Food Service                                       | 44,178               | 46,015             | +4.2%        | \$28,556   | 67.3%                    |
| 2    | Administrative Support and waste management and remediation services | 36,672               | 40,001             | +9.1%        | \$28,995   | 68.3%                    |
| 3    | Other Services, except public administration                         | 19,945               | 20,656             | +3.6%        | \$31,430   | 75%                      |
| 4    | Retail Trade   | 27,496               | 26,942             | -2%          | \$31,887   | 75.1%                    |
| 5    | Arts, entertainment and recreation                                   | 7,613                | 7,755              | +1.9%        | \$34,243   | 80.6%                    |
| 6*   | Health Care and Social Assistance                                    | 101,643              | 105,290            | +3.6%        | \$39,787   | 93.7%                    |
| 7    | Transportation and Warehousing                                       | 13,725               | 15,070             | +9.8%        | \$40,235   | 94.8%                    |
|      | <b>All industries</b>  | <b>547,681</b>       | <b>560,546</b>     | <b>+2.3%</b> | <b>\$42,462</b>                                  | <b>100%</b>              |

\* These are two of the city's three largest sectors. The other is Financial Activities.

\*\*This data is not yet available in aggregate form for 2007 (it is available disaggregated for Male workers and for Female workers; see Table B24042)

Source: Employment by industry Data is from ES-202 quarterly census of Employment and Wages, reported by the Massachusetts Executive Office of Labor and Workforce Development, Regional Labor Market Profile, Earnings data is from the American Community Survey, 2007

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## Conclusion

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The fact that one in five Boston residents and almost one in three children lives in poverty, while many more working families cannot make ends meet, threatens our entire region. In 2008, as we move into an economic downturn, it is clear from last year's Census data that the benefits of prosperity were not widely shared among Bostonians. For most of us, economic growth and increased worker productivity did not translate into higher earnings or better paying jobs. When the lowest-wage industries are growing faster than others; when more than half the income in the city goes to the richest households and only 2% goes to the poorest; when wide racial and gender gaps persist, these dynamics undermine our families and communities, as well as our economic security. Community Labor United is committed to working towards a more equitable region, where residents have access to jobs that pay enough for families to thrive; and where all residents share in the economic opportunities that Boston offers.

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## Endnotes

<sup>1</sup> Data Source: Crittenden Women's Union Self-Sufficiency calculator. <http://www.liveworkthrive.org/calculator.php>. Researchers have developed the notion of a "family self-sufficiency wage," in other words, the income a family of a particular size would need to earn simply to pay for basic necessities such as food and shelter—no frills—without receiving any public assistance. The Family Economic Self-Sufficiency standard (MASSFESS) is a location, family-size and child-age specific measure that has become a widely-used benchmark. This is based on the Massachusetts Family Economic Self-Sufficiency Standard (MASSFESS), developed by what is now Crittenden Women's Union. In the 10 years since its introduction, the MASSFESS has become a widely used benchmark.

<sup>2</sup> The Gini ratio, developed by Italian statistician Corrado Gini, assigns a higher number the more unequal the distribution. Within this index, a measurement of 0 is perfect equality and 1 or 100% is perfect inequality i.e. one person has all the income and the rest have none. The Gini index can be presented as a decimal (i.e. 0.254) or a percentage (i.e. 25.4%).

<sup>3</sup> Rebecca Loveland et al, "Income Inequality in Massachusetts 1980-2006," MassBenchmarks, 2008, Volume ten, two, pages 20-22.

<sup>4</sup> The Gini ratio, developed by Italian statistician Corrado Gini, assigns a higher number the more unequal the distribution. Within this index, a measurement of 0 is perfect equality and 1 or 100% is perfect inequality i.e. one person has all the income and the rest have none. The Gini index can be presented as a decimal (i.e. 0.254) or a percentage (i.e. 25.4%).





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