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MISSISSIPPI ECONOMIC POLICY CENTER

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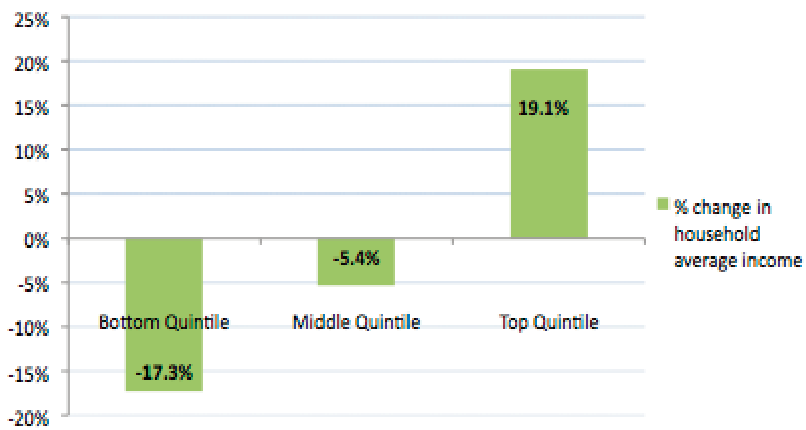
Income Inequality in Mississippi

A new report from the Center on Budget and Policy Priorities examines income inequality in the states. The Center looked at total income differences among bottom, middle, and top income groups as well as the rates of income growth among those income groups. According to the report, Mississippi has had the greatest increase among states in income inequality between the bottom, middle and top income groups from the late 1990's to the mid 2000's.

Income Growth for Mississippi Households by Income Group (1990s to 2000s)



Source: Center on Budget and Policy Priorities and the Economic Policy Institute, "Pulling Apart: A state-by-state analysis of income trends, November 2012

In Mississippi, the top quintile of households realized a 19% gain in income from the late 1990's to the mid 2000's, while the middle and bottom quintiles saw a decrease in average household income.

The largest decrease was for the bottom quintile of earners with a 17.3% drop in income.

Factors Contributing to Income Inequality in Mississippi

• Wages have remained stagnant. Mississippi's median hourly wage for workers has not changed substantially in the last 10 years and is below the Southern average.

• Education attainment affects family income and connecting more adults with education is a significant challenge in Mississippi. Over 500,000 Mississippi adults do not have formal education beyond high school, and over 350,000 of those Mississippians lack a high school degree.

• Manufacturing, traditionally a sector that pays quality wages and offers health insurance, has declined in employment in Mississippi. Since 2000, Mississippi's greatest job losses have been in the manufacturing sector. From 2000 to 2011, Mississippi lost over 88,000 jobs in manufacturing, a decline of 39%.

• High unemployment in the state means employers are under less pressure to raise wages to attract workers. Mississippi lost 5.5% of available jobs from 2000 to 2011, resulting in an unemployment rate above the Southern average. The latest jobs numbers show Mississippi with a 9.2% unemployment rate, which is higher than the national unemployment rate (7.8%) and higher than our neighboring states.

• Conversely, employers who are looking for highly skilled employees must raise wages to attract the high skilled workers. Thus, wages for higher income households would increase. Wages for Mississippians with a bachelor's degree ($21.26) were 1.8 times as much as workers with a high school degree ($11.77) last year.

• High skilled workers- those with a bachelor's degree or higher- experienced much greater job stability in the 2007 recession than those with only a high school degree. Unemployment for adults with a high school degree was double that of adults with a bachelor's degree in 2011. Job stability means more continuity in income, and advancement in wages and position.

Recommendations for Improving Income Equality

Develop Career Pathways for in-demand Careers that Pay Good Wages

Improve Education and Job Training to help families acquire the skills necessary to more up the economic ladder. Job training and higher education for adults and young students as well as improved investment in K-12 education would improve the educational attainment of Mississippi's workforce.

Support Work through Access to Health Care, Child Care and Transportation

Ensure work supports like childcare, healthcare, and transportation are available that allow workers to maintain sufficient employment. One immediate way to increase work and decrease income inequality is by expanding Medicaid through the Affordable Care Act. Expanding Medicaid will create over 9,000 jobs and connect uninsured workers to insurance – leading to a more productive workforce.

Create a tax system that invests in the future

Mississippi's tax system is regressive in that it requires people with low-incomes to pay more of their income towards taxes than people with high incomes. For example, a family of four earning $35,000 a year in Mississippi is in the same tax bracket as a similar family earning $1,000,000 a year. A system that takes a balanced approach that collects a little bit more from those who can afford to pay a little bit more rather would generate revenue to fund investments in the future such as education and training – the fundamental building blocks of economic security.