Nebraska Economist

Economic Disparities in Nebraska

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Economic disparities in Nebraska existed well before the 2020 pandemic.

Economic disparities in Nebraska existed well before the 2020 pandemic. Prior to the pandemic, Nebraska's economy was well positioned, with low unemployment, steady job gains and an upward trend in household incomes. These economic indicators, however, have differed markedly across the state, particularly in the urban areas of Omaha and Lincoln.

A Snapshot of High Unemployment and Low Income Areas

Prior to the pandemic, Nebraska had one of the lowest unemployment rates in the country. From late 2014 to early 2020, Nebraska's unemployment never exceeded 3.1% (Chart 1). Despite a significant increase in job losses early in the pandemic that was in line with other states, Nebraska's unemployment rate has remained among the lowest in the nation.

Chart 1: Unemployment Rate by State
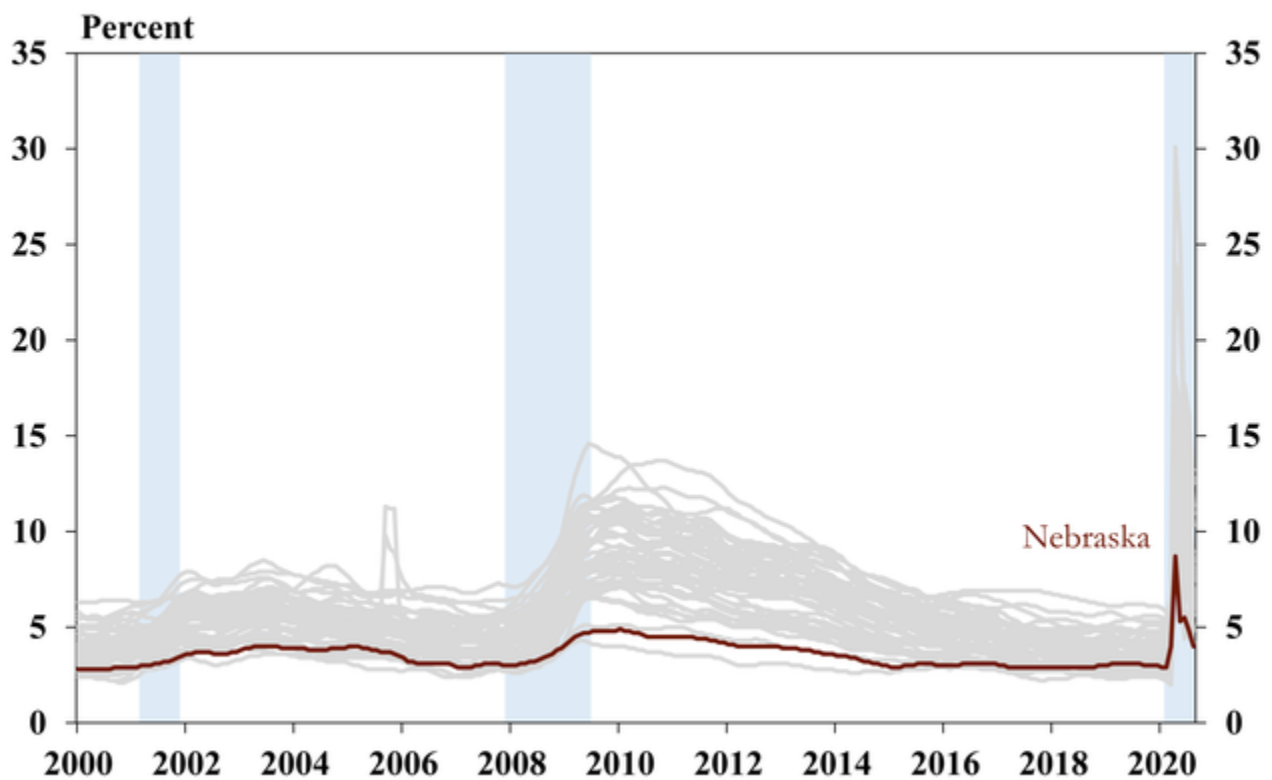
Sources: BLS, Haver Analytics.
Note: Blue bars indicate NBER-defined recessions.

Following the Great Recession of 2007-09, household income in Nebraska advanced at a pace slightly faster than the nation. From 2010 to 2019, median household income increased 28% in Nebraska and 18% in the U.S. overall (Chart 2). In 2018, half of Nebraska's households earned an income greater than $73,000, up from less than $55,000 in the late 1990s when adjusted for inflation.

## Chart 2: Nebraska Real Median Household Income

Thousand dollars
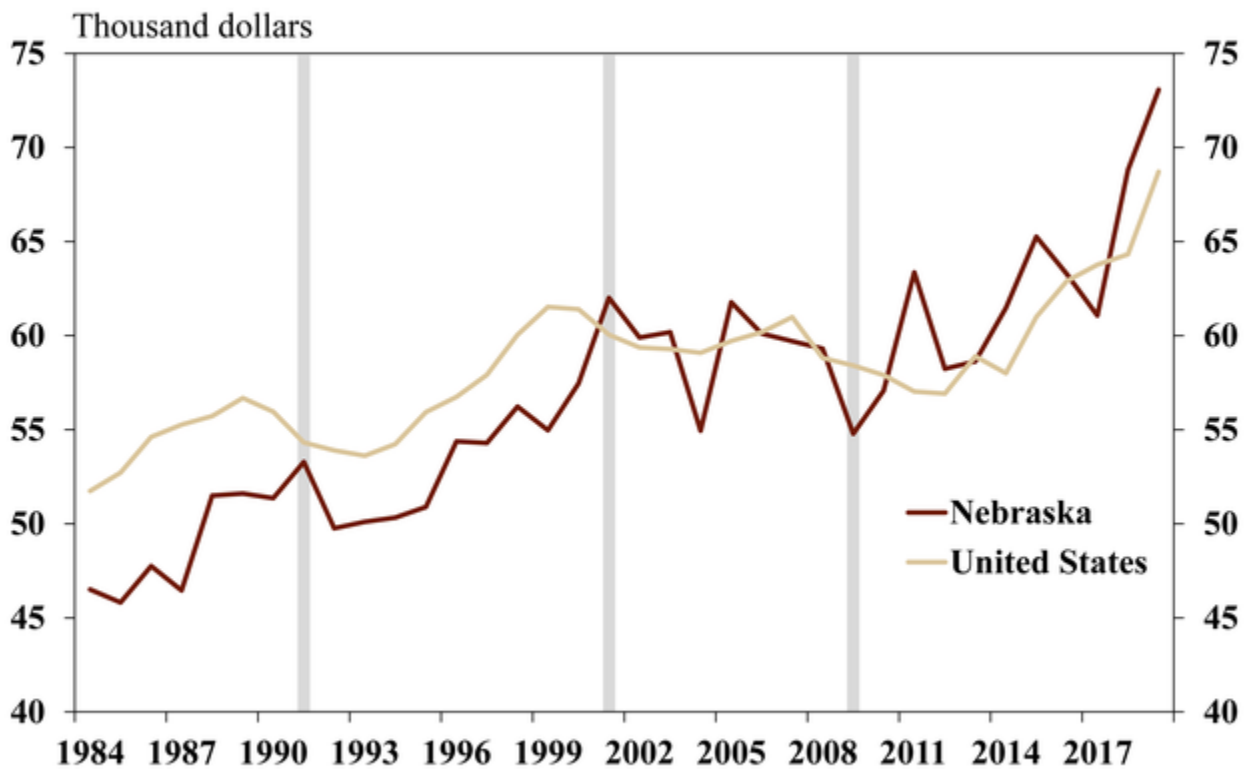
Sources: Census Bureau, Haver Analytics.
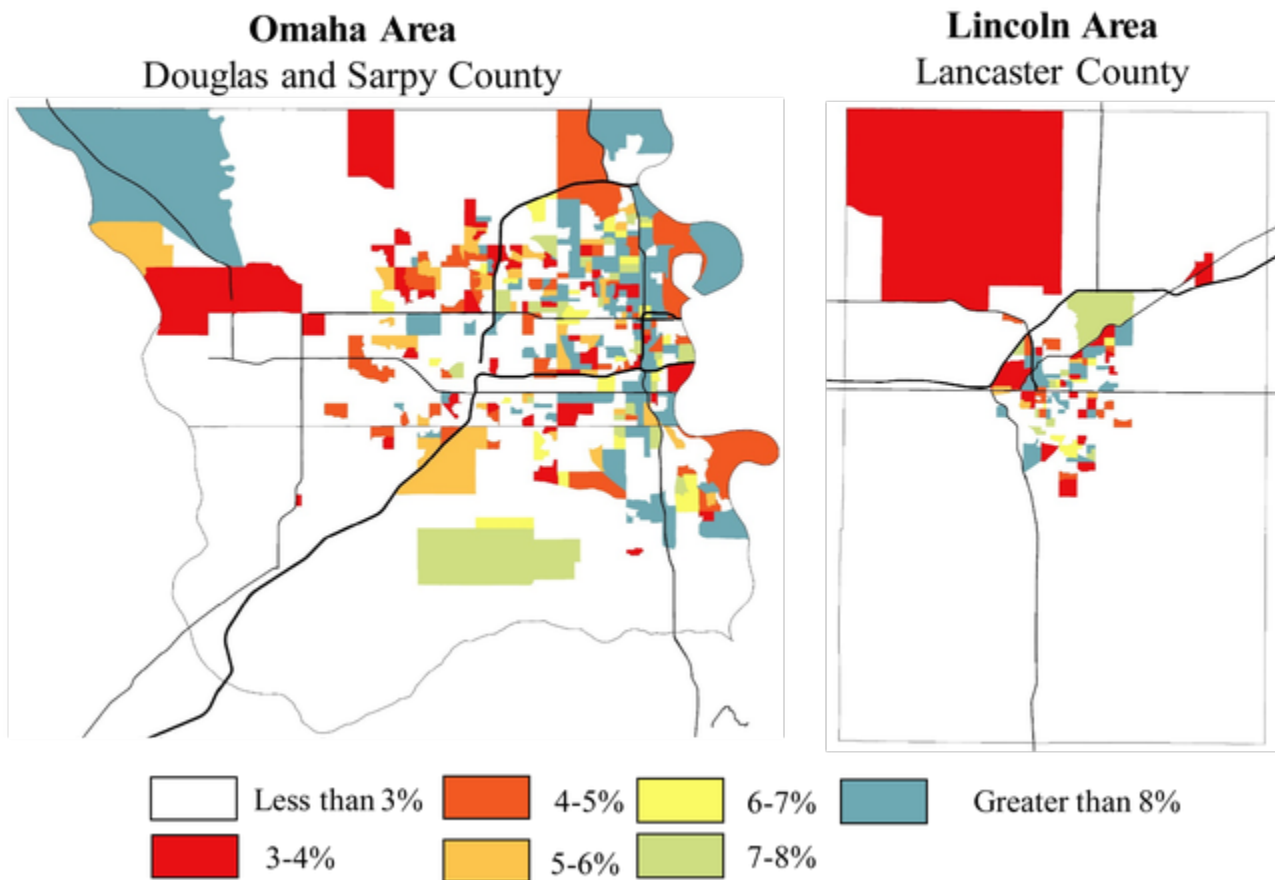Note: Gray bars indicate end year of NBER-defined recession.

Despite broad economic progress in Nebraska since the recession, there still were significant economic disparities well before the onset of the 2020 pandemic. When assessing labor markets at a local level based on census block groups, large portions of the state had unemployment rates less than 3% (Map 1). In fact, unemployment was less than 3% in more than half of these census block groups during the five-year period ending in 2018. However, this assessment also reveals a number of areas where unemployment rates were greater than 8%, a rate even higher than the months of peak unemployment during the 2020 pandemic. Disparities in local unemployment rates were especially pronounced in the state's largest metropolitan areas of Omaha and Lincoln (Map 2).

Map 1: Nebraska Unemployment Rates by Census Block Group
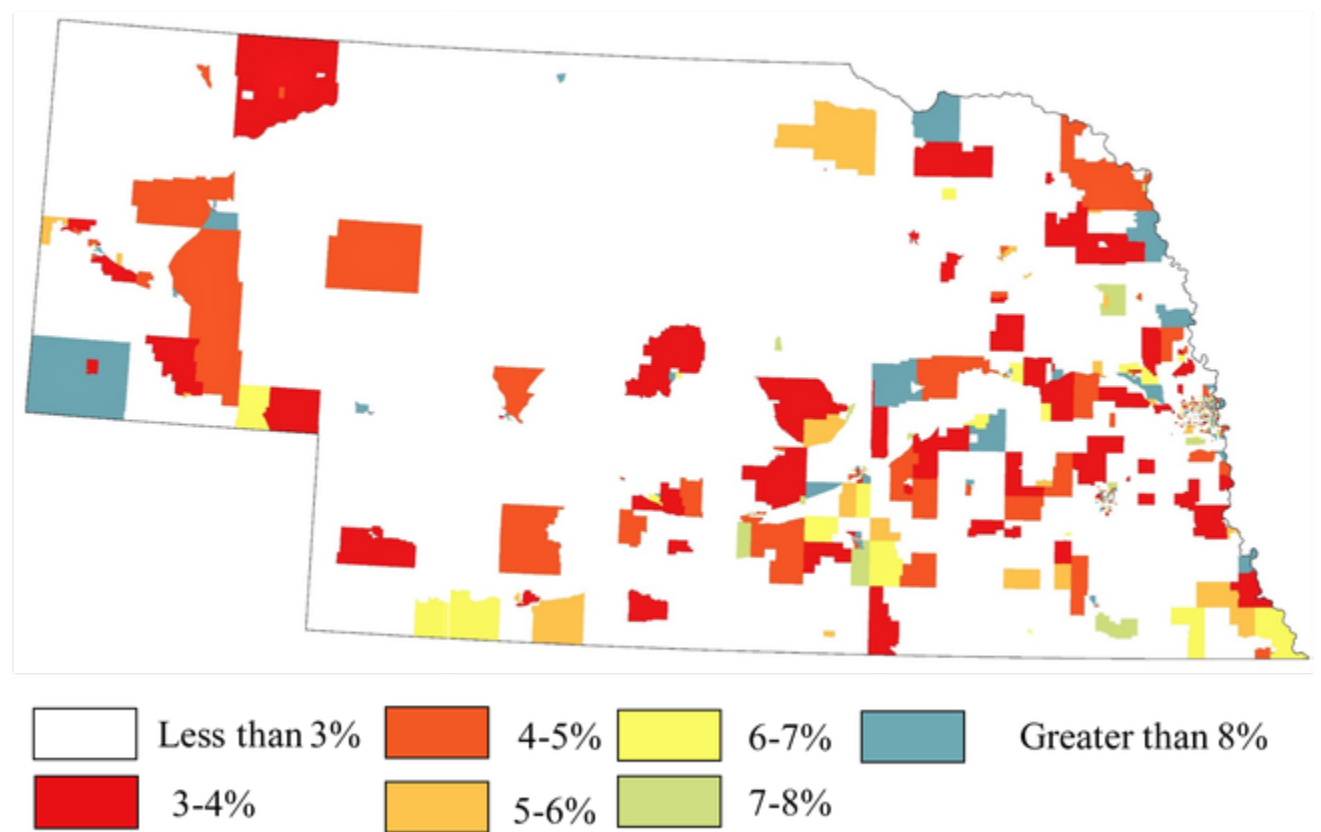
Legend:
- Less than 3%
- 3-4%
- 4-5%
- 5-6%
- 6-7%
- 7-8%
- Greater than 8%

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org.

Map 2: Unemployment Rates by Census Block Group – Omaha and Lincoln

Omaha Area
Douglas and Sarpy County

Lincoln Area
Lancaster County

☐ Less than 3%		■ 4-5%		■ 6-7%		■ Greater than 8%		
■ 3-4%		■ 5-6%		■ 7-8%				

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org.

The prevalence of high unemployment census blocks in Nebraska has been less than the nation, but still notable. Through 2018, 12.5% of census block groups in the state had an unemployment rate in excess of 8% (Chart 3). Nationally, more than 25% of census blocks had an unemployment rate higher than 8%, underscoring the overarching environment of low unemployment in Nebraska despite the variation.
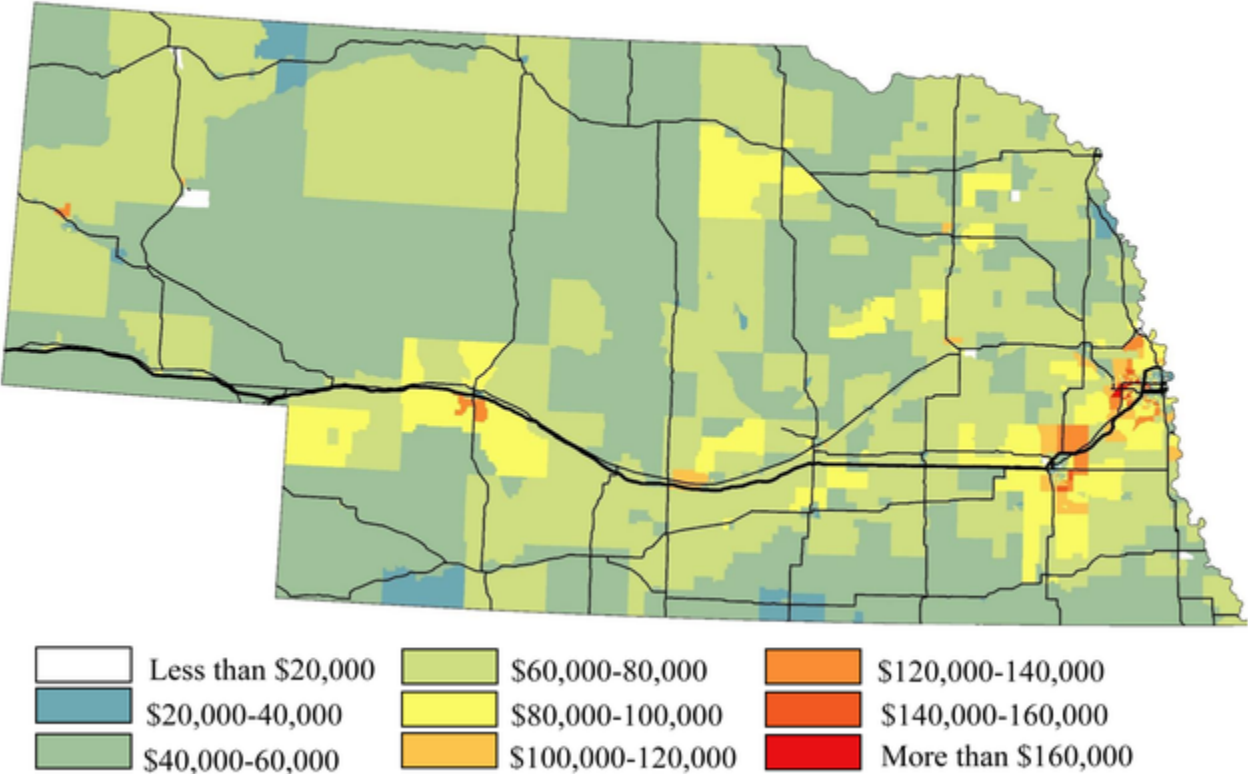
Chart 3: Unemployment Rate by Census Block Group
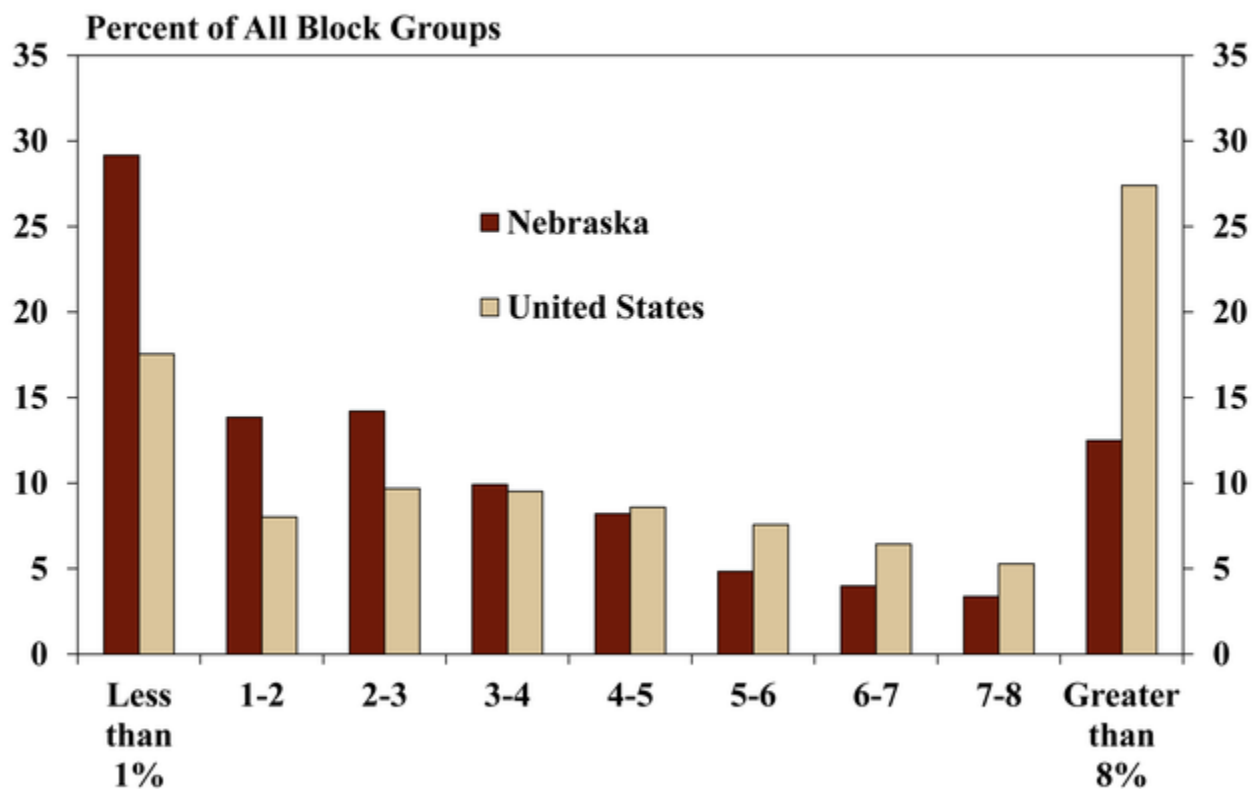
Percent of All Block Groups

Legend: ■ Nebraska　□ United States

Categories (x-axis): Less than 1%, 1-2, 2-3, 3-4, 4-5, 5-6, 6-7, 7-8, Greater than 8%

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
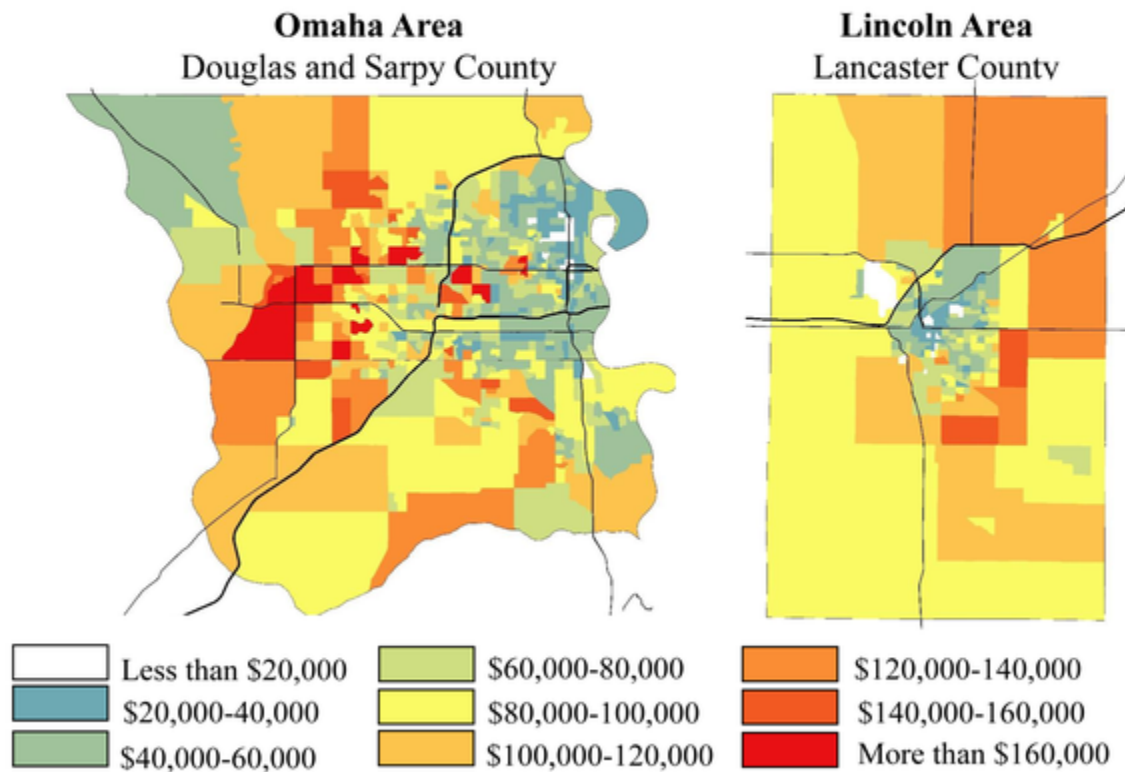
Similar to regional employment disparities, household incomes also have varied significantly throughout the state. Incomes earned in Omaha and Lincoln have been significantly higher than those in rural parts of the state (Map 3). However, significant disparities have remained even in Omaha and Lincoln. In eastern Douglas County, for example, household incomes were less than $60,000 per year in most neighborhoods (census block groups), in contrast to a large number of neighborhoods in West Omaha with incomes greater than $100,000 (Map 4).

Map 3: Nebraska Median Household Income by Census Block Group (2018 Dollars)

Less than $20,000	$60,000-80,000	$120,000-140,000
$20,000-40,000	$80,000-100,000	$140,000-160,000
$40,000-60,000	$100,000-120,000	More than $160,000

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org.

Map 4: Median Household Income by Census Block Group – Omaha and Lincoln (2018 Dollars)

Omaha Area
Douglas and Sarpy County

Lincoln Area
Lancaster County

Legend:
- Less than $20,000
- $20,000-40,000
- $40,000-60,000
- $60,000-80,000
- $80,000-100,000
- $100,000-120,000
- $120,000-140,000
- $140,000-160,000
- More than $160,000

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org.

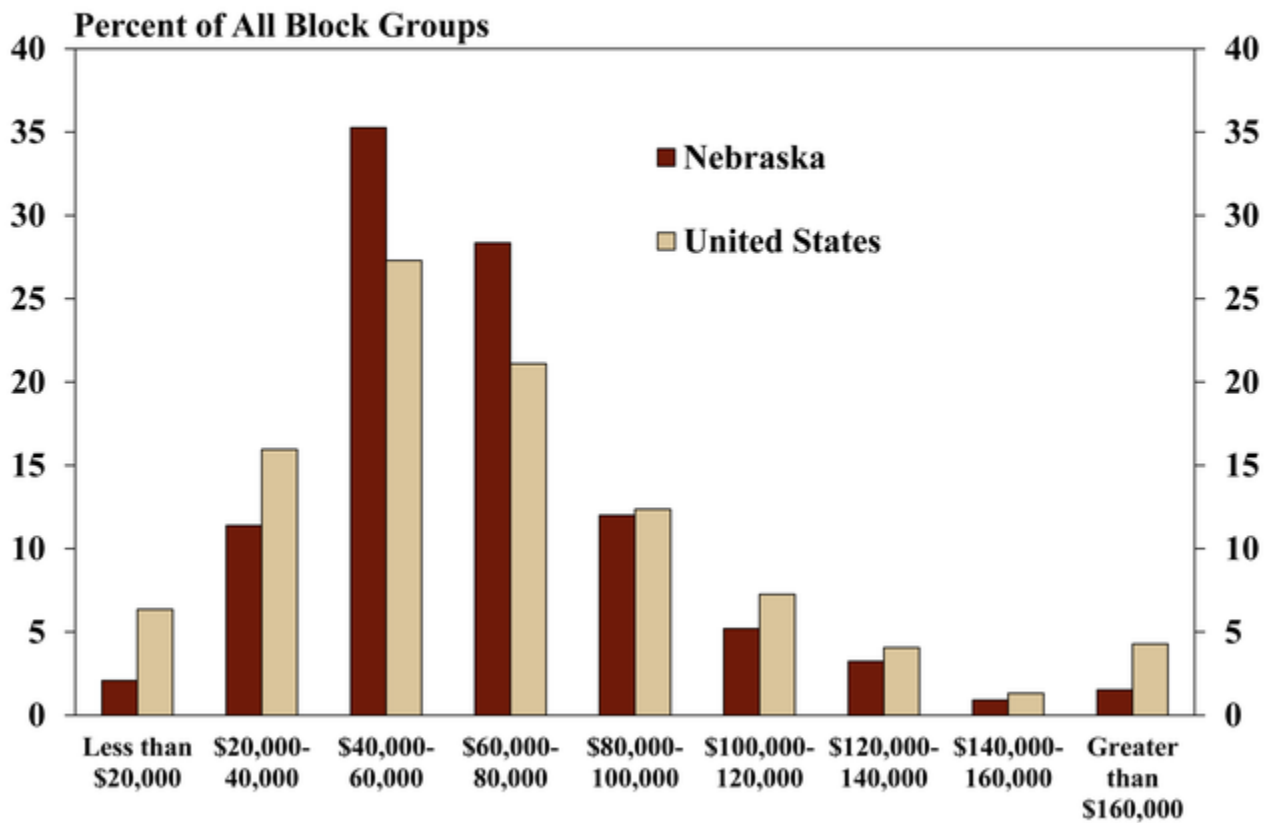Despite the wide variations in income across the state, Nebraska has had a larger concentration of moderate- and middle-income areas than in the nation. Through 2018, more than 75% of census block groups in Nebraska had a median annual household income between $40,000 and $100,000 (Chart 4). Although a notable share of block groups had median incomes less than $40,000 and more than $100,000 in Nebraska, the percentage of both high-income and low-income regions typically has been less than in the United States at large.

Chart 4: Median Household Income by Census Block Group

Percent of All Block Groups

■ Nebraska
□ United States

Income Range	Nebraska	United States
Less than $20,000		
$20,000-40,000		
$40,000-60,000		
$60,000-80,000		
$80,000-100,000		
$100,000-120,000		
$120,000-140,000		
$140,000-160,000		
Greater than $160,000		

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.

Economic Disparities by Type of Region

All types of communities in Nebraska typically have had lower unemployment than the nation. The state's metropolitan areas, ranging from the downtown urban core[1] to exurban metro communities far from downtown, all had lower rates of unemployment from 2014 through 2018 compared with the United States (Chart 5). Unemployment in the most rural areas of the state was less than 3%, in contrast to nearly 6% nationally. By geography, unemployment in Nebraska's urban core most closely has matched that of the nation relative to other types of regions. Unemployment in these most dense neighborhoods generally also has been much higher than less dense areas of all types across the state.
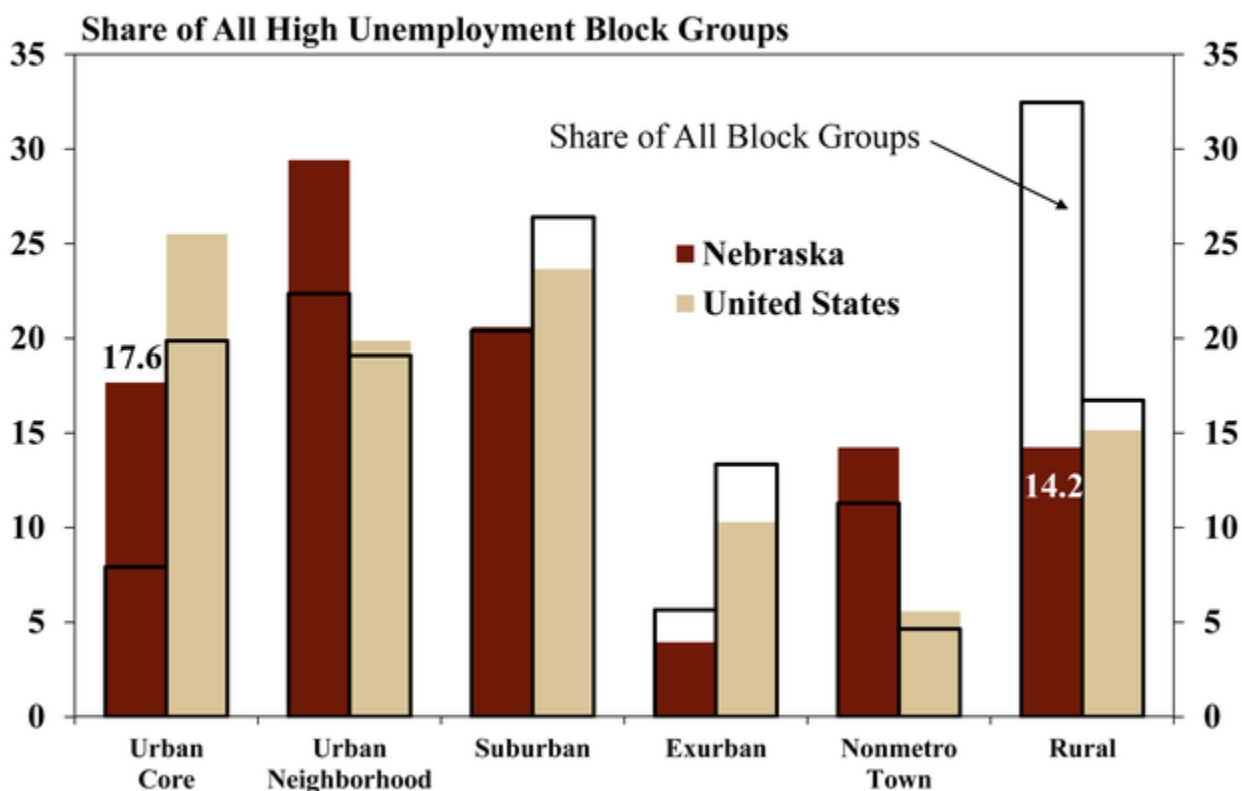
Chart 5: Unemployment Rate by Regional Type of Census Block Group
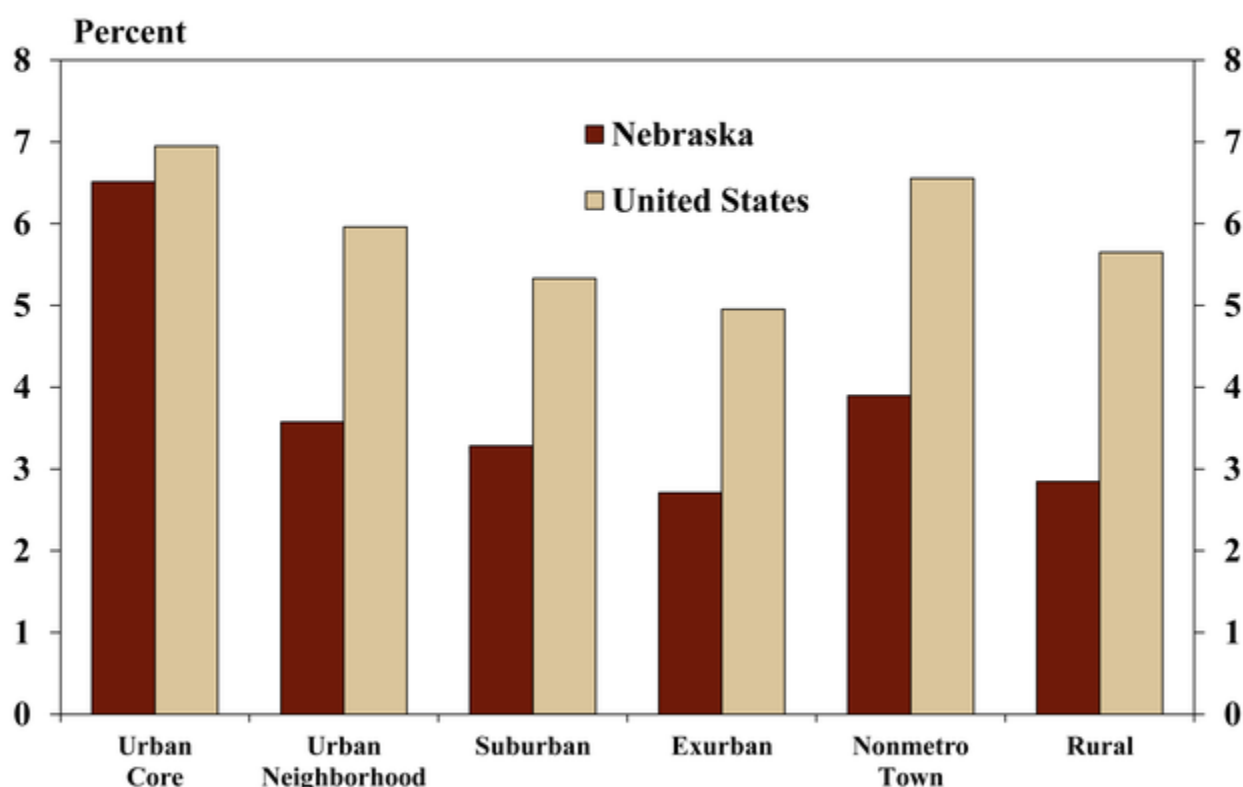
Percent

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.

Although job growth has been strongest in urban areas and weakest in rural areas in recent years, unemployment rates have been disproportionately high in some urban communities and low in rural areas. In Nebraska, regions defined as the urban core accounted for only 7.9% of all census block groups in the state. However, these urban core regions comprised 17.6% of all high unemployment (greater than 8%) census block groups (Chart 6). In contrast, rural areas accounted for 32.4% of Nebraska's census block groups, but only 14.2% of those with high unemployment. These disparities between Nebraska's urban core and its rural areas have been considerably wider than at the national level.
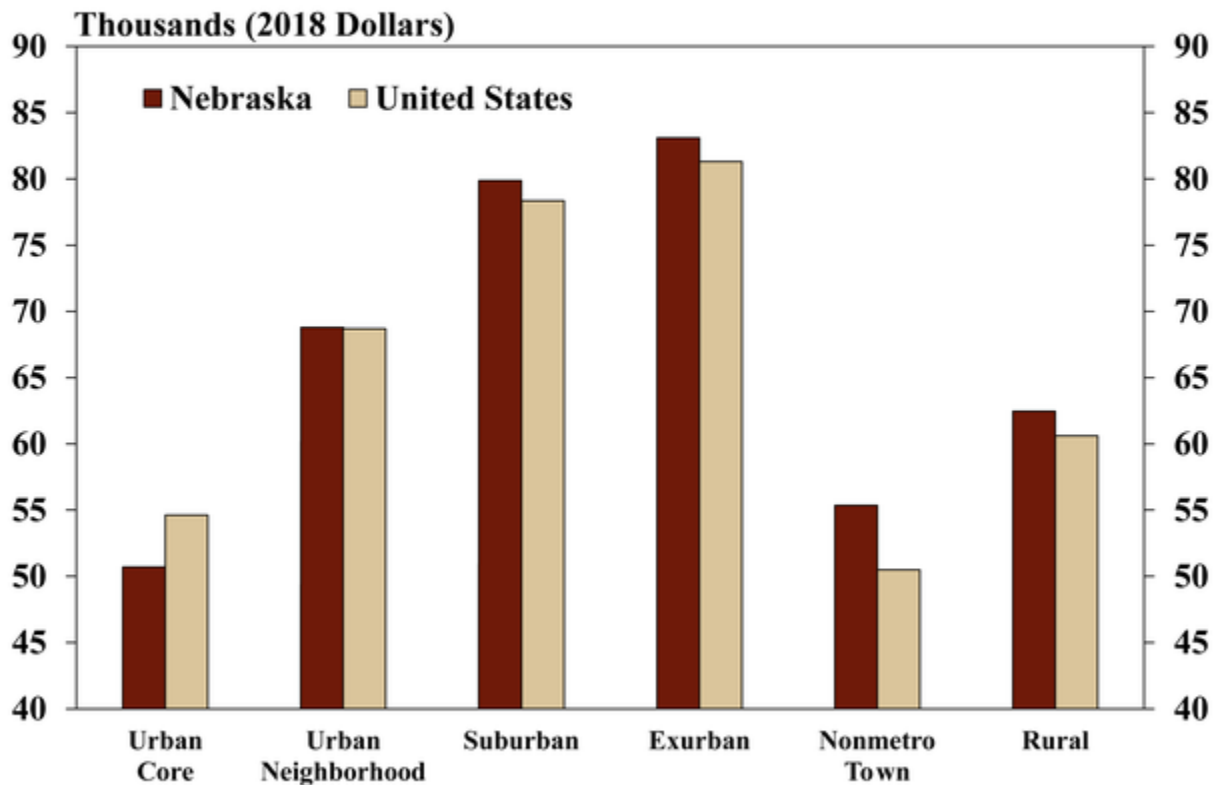
Chart 6: Composition of High Unemployment* Areas by Geography Type

Share of All High Unemployment Block Groups

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
Note: High unemployment areas are those with an unemployment rate of 8% or greater.

In contrast to employment disparities, average incomes of Nebraska households have been quite similar to national averages based on the type of region. From 2014 to 2018, household incomes were highest in regions classified as exurban at more than $83,000 per year (Chart 7). Household incomes in the urban core were about $50,000, on average, and were also the only region type with incomes less than the nation.
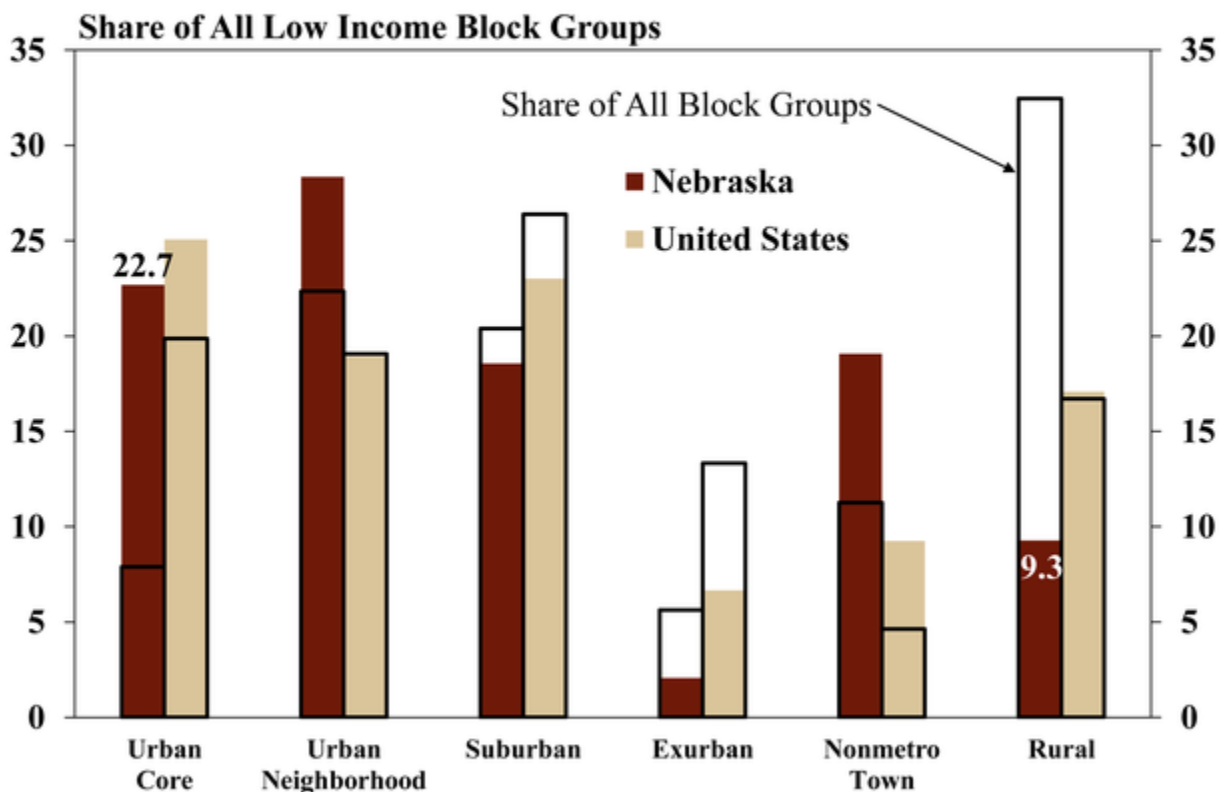
Chart 7: Average Household Income by Geography Type of Census Block Group

Thousands (2018 Dollars)

Legend: Nebraska, United States

Categories: Urban Core, Urban Neighborhood, Suburban, Exurban, Nonmetro Town, Rural

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.

However, income disparities across census blocks have been much wider in Nebraska than in the nation based on the type of region. The urban core in Nebraska accounted for 22.7% of low income (less than $40,000 per year) census block groups, a disproportionately large concentration based on the limited prevalence of urban core neighborhoods (Chart 8). Rural census block groups accounted for only 9.3% of low income groups, despite the high concentration of rural areas in Nebraska.

Chart 8: Composition of Low Income* Areas by Geography Type

Share of All Low Income Block Groups

Legend: ■ Nebraska ■ United States

Annotation: Share of All Block Groups

Data labels: 22.7 (Urban Core, Nebraska), 9.3 (Rural, Nebraska)

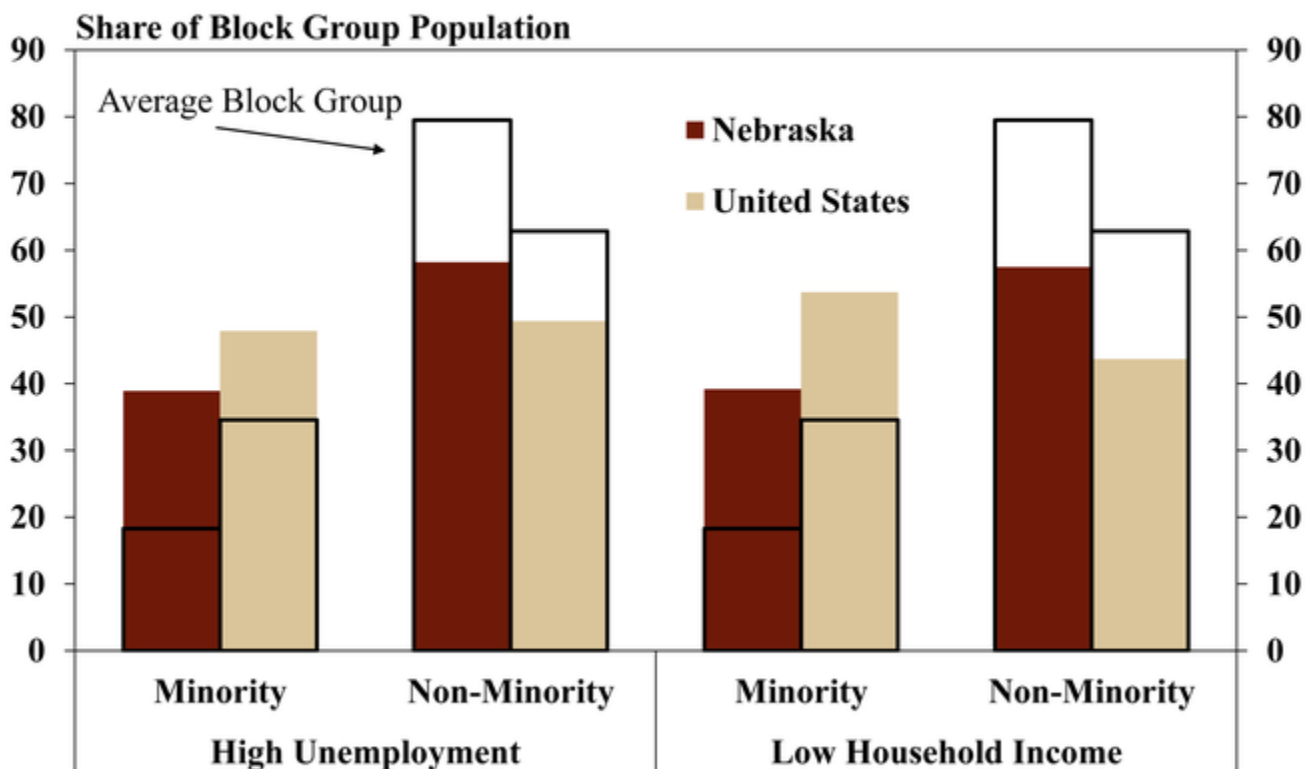X-axis categories: Urban Core, Urban Neighborhood, Suburban, Exurban, Nonmetro Town, Rural

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
Note: Low income areas are those with a median household income of $40,000/year or less.

Economic Disparities by Demographic Groups

Similar to the nation, high unemployment and low income areas of Nebraska have had a higher concentration of minorities. The share of minorities in census block groups defined as having high unemployment was almost 40% from 2014 to 2018, even though minorities accounted for less than 20% of the population, on average, across census block groups (Chart 9). Minorities also accounted for a disproportionately large concentration of residents in low income regions of the state.
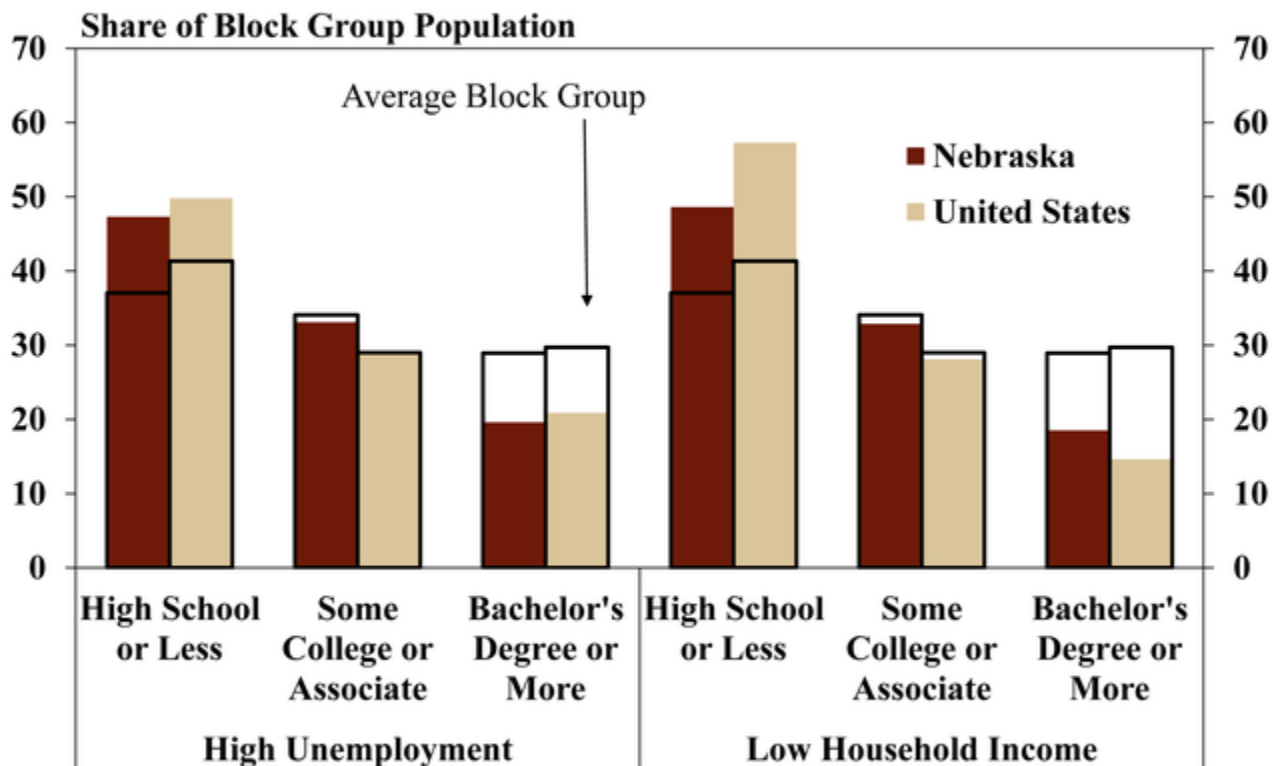
Chart 9: Share of Population in Low Income and High Unemployment Areas by Race & Ethnicity

Share of Block Group Population

Average Block Group

- Nebraska
- United States

High Unemployment
Minority — Non-Minority

Low Household Income
Minority — Non-Minority

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
Note: High unemployment areas are those with an unemployment rate of 8% or more. Low income areas are those with a median household income of $40,000/year or less.

Regions with less education, in aggregate, also have had higher unemployment and lower incomes, mirroring the nation. In high unemployment or low income census block groups, the share of the population with an education at the high school level, or less, was nearly 50% (Chart 10). By comparison, only 37% of the state's population consisted of individuals with a high school education or less. Of residents in high unemployment and low income areas, only about 20% hold a bachelor's degree or higher.

Chart 10: Share of Population in Low Income and High Unemployment Areas by Educational Attainment

Share of Block Group Population

Average Block Group

Legend:
- ■ Nebraska
- ■ United States

X-axis categories:
- High School or Less | Some College or Associate | Bachelor's Degree or More — **High Unemployment**
- High School or Less | Some College or Associate | Bachelor's Degree or More — **Low Household Income**

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
Note: High unemployment areas are those with an unemployment rate of 8% or more. Low income areas are those with a median household income of $40,000/year or less.

Relative to other demographic breakdowns, the age distribution of regions across the state have shown the least amount of economic disparity. High unemployment and low income census block groups have tended to have a slightly higher concentration of young adults than the share of the population this age group accounts for (Chart 11). As might be expected by a lifetime progression of increasing employment potential and income gains, older individuals comprise a smaller share of these high unemployment and low income regions.

Chart 11: Share of Population in Low Income and High Unemployment Areas by Age
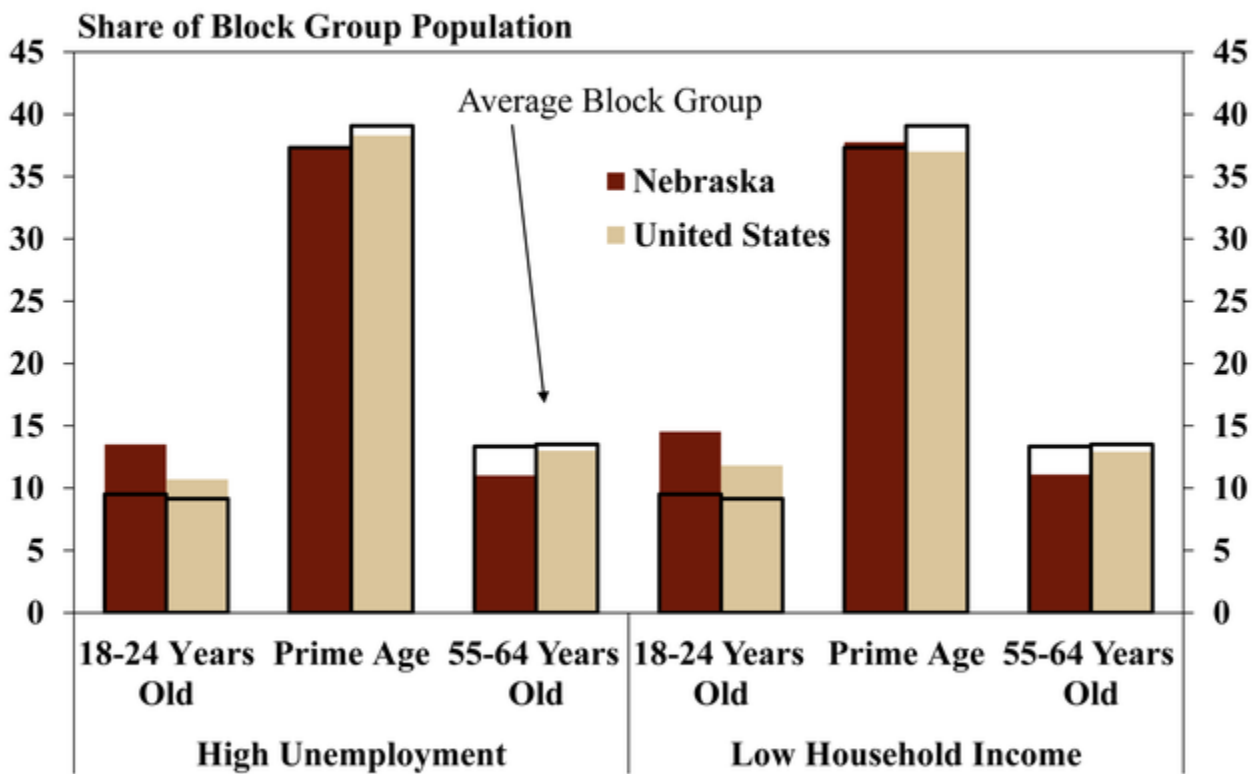
Share of Block Group Population

Sources: Census Bureau 5-year ACS Estimates (2014-2018), IPUMS NHGIS, University of Minnesota, www.nhgis.org, staff calculations.
Note: High unemployment areas are those with an unemployment rate of 8% or more. Low income areas are those with a median household income of $40,000/year or less.

Conclusion

Nebraska's economy has improved in recent months, following the initial impact of the 2020 pandemic and associated lockdowns. Unemployment has edged lower and consumer spending appears to have rebounded somewhat. However, economic disparities have persisted in Nebraska over time. The pandemic likely has exacerbated some of these disparities more recently as its effects have been most pronounced on low-wage jobs concentrated in the services sector. Addressing these economic disparities may remain a significant challenge for the state in the years ahead.

Notes:

[1] Geography types are defined based on the number of residents per square mile as follows:

a. Metropolitan Counties:

i. Urban Core - greater than 7,747

ii. Urban Neighborhood – less than 7,747 but more than 3,770

iii. Suburban – less than 3,770 but more than 738

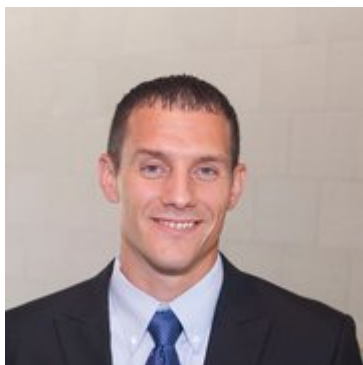iv. Exurban – less than 738 but more than 54

v. Rural – less than 53

b. Nonmetropolitan Counties:

i. Nonmetro Town block groups – more than 738

ii. Rural – less than 738 or in a county with a total population of less than 2,500

Authors

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Nate Kauffman is Senior Vice President and Omaha Branch Executive at the Federal Reserve Bank of Kansas City. In his role as the Kansas City Fed's lead economist and representative in the state of Nebraska, Nate provides strategic direction and oversight for the Omaha Branch, regional research, and economic outreach throughout the state. He serves as a local connection to the nation's central bank and is responsible for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on regional economic and business activity.In addition, Nate is the Kansas City Fed's principal expert in agricultural economics. He is a leading voice on the agricultural economy throughout the seven states of the Tenth Federal Reserve District and the broader Federal Reserve System. Nate oversees several Bank and Federal Reserve efforts to track agricultural economic and financial conditions. He also speaks regularly on the agricultural economy to industry audiences and the news media, including providing testimonies at both U.S. Senate and U.S. House Agriculture Committee hearings.Nate joined the Federal Reserve in 2012. He received his Ph.D. in economics from Iowa State University. Prior to receiving his Ph.D., Nate spent three years in Bosnia and Herzegovina coordinating agricultural economic development projects.Nate lives in Omaha with his wife and four children.

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John McCoy is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he supports research and outreach efforts surrounding economic developments in the state of Nebraska. His responsibilities include serving as Board Secretary to the Omaha Branch Board of Directors and co-authoring *The Nebraska Economist*.John joined the Bank in 2017 as a research associate in the Regional Affairs Department at the Omaha Branch. Prior to 2017, he spent two years as an intern with the department. John holds a BA and MA from Creighton University.