

# Income

Contents updated February 2005

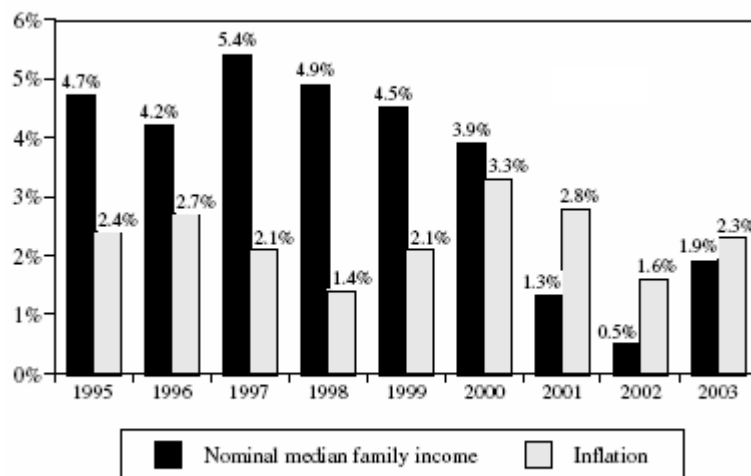
From 2000-2003, average income fell for middle-income families primarily because of a slack labor market in which employment opportunities contracted. In some cases, this contraction meant someone in the household was unemployed; in others it meant fewer work hours were available to those who were employed. But either way, families found themselves with reduced purchasing power. And looking ahead, if current trends hold, young families starting out today should expect to see their income grow more slowly than for previous generations of families.

## Median Families

- ❖ Real median family income declined 0.9% per year from 2000 to 2003, a three-year drop of \$1,500 in 2003 dollars.
- ❖ For the average family (in the middle fifth of the income range) income dropped by 2.0% during 2000-2003. About 80% of that decline occurred because of a decrease in annual work hours.
- ❖ 2002 set the record for the slowest growth in nominal income growth for the median family since 1954. Income rose only 0.5% and fell behind inflation in 2001 and 2002. The cumulative two-year real income decline for 2000-2002 reached 2.4%, the largest two-year percentage loss since 1992.

## Wages & Inflation

**FIGURE 1B** Annual growth in nominal median family income and inflation, 1995-2003



Source: Authors' analysis of U.S. Bureau of the Census data.

Productivity	<ul style="list-style-type: none"> <li>❖ Historically, an increase in productivity meant a comparable increase in income for the median family. But from 1973 to 2003 median family income grew less than one-third as fast as productivity.</li> </ul>
Minorities	<ul style="list-style-type: none"> <li>❖ Minority families lost income in the 2000 to 2003 downturn three times as fast as whites: -1.5% for blacks and -2.3% for Hispanics, compared to -0.5% for whites.</li> <li>❖ Although the racial gap compressed during the 1990s, black median income never reached two-thirds of white median income. Even if the faster growth of the late '90s had continued, it would have taken until 2054 to close the black/white income gap.</li> </ul>
Impact of Age	<ul style="list-style-type: none"> <li>❖ Over the course of their work life, incomes of median families starting out in 1949 grew 138.1%. Total growth was 100.7% for those starting out in 1959; 61.7% for 1969; and 59% for 1979's young families.</li> <li>❖ Income is more sensitive to rising unemployment among the youngest families (25 and under), where a one-point rise in unemployment correlates with a 1.6% drop in income. For families between 55 and 64, the corresponding income drop is 0.6%.</li> <li>❖ Today's slower growth of median income means that the living standards of today's working families are improving less as they age, compared to families from earlier periods.</li> </ul>
Family Structure	<ul style="list-style-type: none"> <li>❖ By 2000, 47.7% of all families were two-earner, married-couple families, while one-earner, married couples had dropped to 29.1% of the total. However, the rate of increase of working wives is slowing: from an annual increase of about 1% in the 1960s and '70s, to 0.8% in the 1980s, and 0.4% from 1989-2000.</li> <li>❖ Median income for single-mother families, which had risen by 3.1 per year from 1995-2000, reversed course in 2000-2003, falling by 1.2 percent per year. Median income for these families, in 2003 dollars, went from \$27,553 to \$26,550.</li> </ul>
Shrinking the Middle	<ul style="list-style-type: none"> <li>❖ The middle-earning group of households, defined as those with income from half to twice the median, shrunk to 60.7% in 2002 from 68.0% in 1979.</li> </ul>
Request Your Review Copy	<ul style="list-style-type: none"> <li>❖ Call Nancy Coleman, Karen Conner, or Stephaan Harris at 202-775-8810.</li> <li>❖ Email your request to <a href="mailto:news@epinet.org">news@epinet.org</a>.</li> </ul>