



# JOINT ECONOMIC COMMITTEE DEMOCRATS



SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

ECONOMIC POLICY BRIEF

AUGUST 2006

## HOUSEHOLD INCOME UP SLIGHTLY IN 2005, BUT DOWN SINCE 2000

New estimates by the Census Bureau show that real (inflation-adjusted) median household income increased slightly between 2004 and 2005. From 2000 to 2005, however, real median household income fell by 2.7 percent. That drop occurred despite a 2.4 percent average annual increase in inflation-adjusted gross domestic product (GDP) over the same period.

### The National Picture

- Real median household income (after inflation) was \$1,273 lower in 2005 than it was in 2000, a decline of 2.7 percent.
- The decline in real median household income of more than half a percent per year on average since 2000 stands in sharp contrast to the strong growth of the 1990s (**Chart 1**).
- The real income of American households has declined since 2000 across the income distribution (**Chart 2**). The poorest fifth of all households experienced the greatest decline in average real income (7.5 percent) between 2000 and 2005. The average real income of the richest fifth of all households fell by 1.0 percent over the same period.
- The share of aggregate household income going to the poorest 20 percent of households matched its all-time low of 3.4 percent in 2005, while the share of aggregate income received by the 20 percent of households with the highest incomes reached an all-time high of 50.4 percent. (The Census Bureau reports shares of household income dating back to 1967.) The 5 percent of households with the very highest incomes had 22.2 percent of aggregate household income in 2005, also an all-time high. The share of income received by the top 5 percent of households exceeded the share going to the bottom 50 percent of households.
- Real median household income has decreased since 2000 by different amounts among different racial and ethnic groups (**Chart 3**). It declined by 1.8 percent among non-Hispanic whites, by 8.0 percent among blacks, and by 4.3 percent among Hispanics.
- Productivity in the nonfarm business sector has grown at a robust 3.1 percent average annual rate from 2000 through 2005, but full-time, year-round workers have not experienced similar increases in earnings. The real median earnings of female full-time, year-round workers rose by just 0.5 percent per year on average, while male earnings declined at an average annual rate of 0.4 percent.
- In 2005 the median earnings of full-time, full-year working women declined by 1.3 percent and the median earnings of full-time, full-year working men fell by 1.8 percent. In 2005 the ratio of women's to men's earnings among full-time, full-year workers was 0.77, equal to its all-time high.

## The State Picture

Following Census guidance on how to use state level data, this report compares the two-year average for 1999-2000, the last years of the Clinton Administration, to the two-year average for 2004-2005 to analyze changes in household income under President Bush. Over that period:

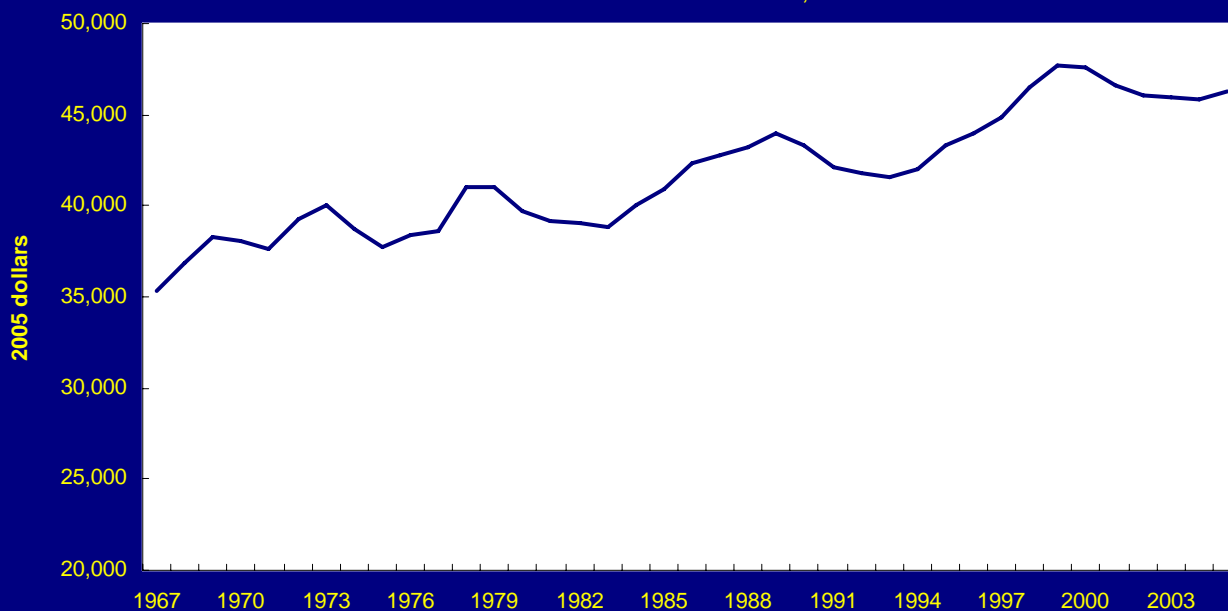
- In 16 states, real median household income fell by a significant percentage (**Table 1**). In four of these states (Michigan, Mississippi, Missouri and Wisconsin), the drop in income exceeded 10 percent. Households living in Michigan experienced

the greatest decline (nearly \$8,000, or 15.1 percent). Only three states (Arkansas, Hawaii and Vermont) saw a significant percentage increase in real median household income.

- The Midwest region was hit the hardest. Half the states in that region experienced a statistically significant percentage decline in real median household income. The South also suffered disproportionately. Seven of the 17 states in the region experienced a significant percentage decline in income.

**Chart 1 - Household Income Has Slipped Since 2000,  
Following Strong Growth During the 1990s**

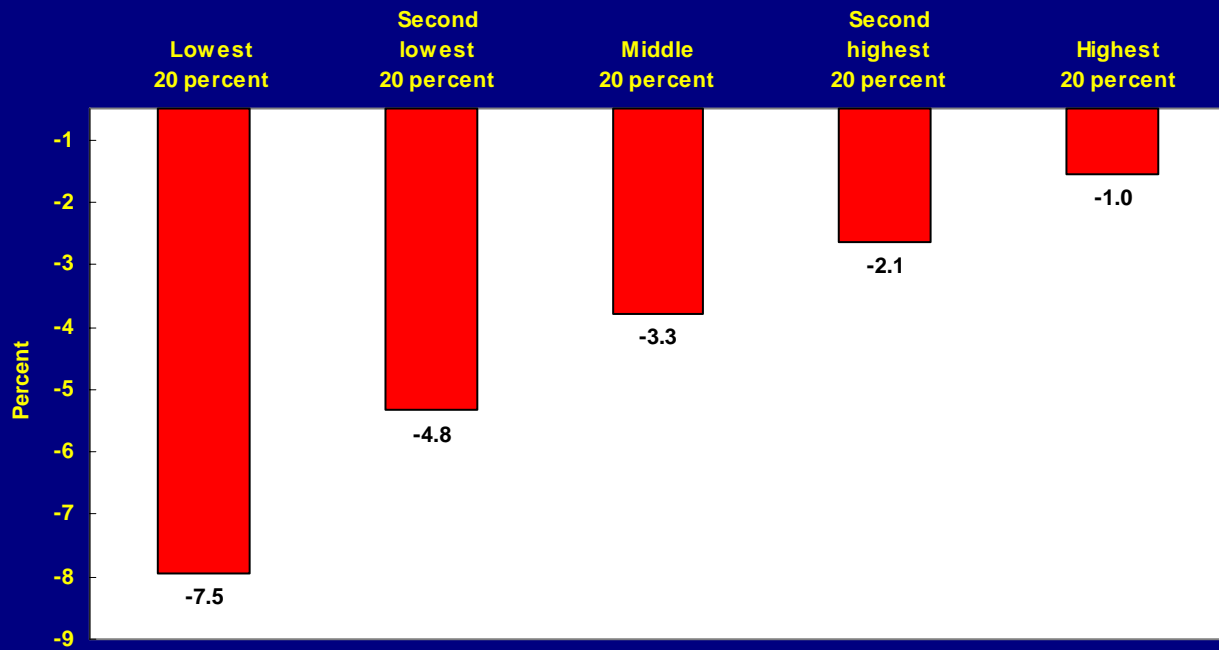
Real Median Household Income, 1967-2005



Source: Bureau of the Census, U.S. Department of Commerce.

### Chart 2 - Household Income for All Income Groups Has Declined since 2000

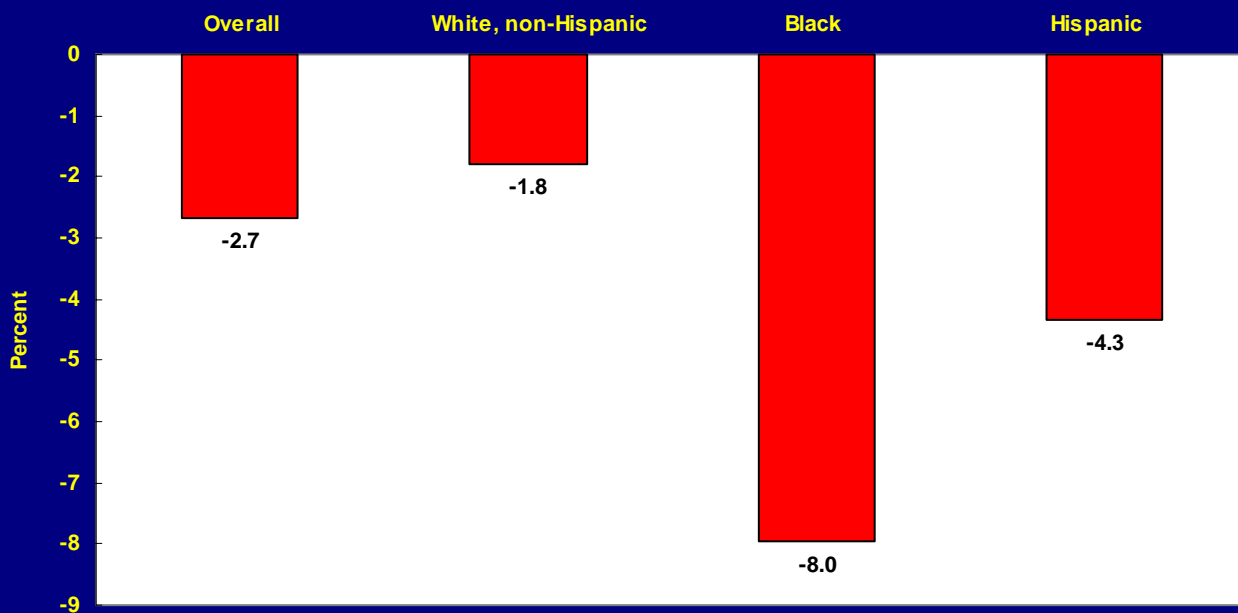
Change in Real Average Household Income, 2000-2005, by Income Group



Source: Bureau of the Census, U.S. Department of Commerce.

### Chart 3 - Household Income Has Declined the Most for Blacks and Hispanics since 2000

Change in Real Median Household Income, 2000-2005, by Race/Ethnicity



Source: Bureau of the Census, U.S. Department of Commerce.

Table 1			
Median Income of Households, by State, 1999-2000 and 2004-2005			
State	2-year average (1999-2000)	2-year average (2004-2005)	Change (from 1999-2000 to 2004-2005)
	2005 dollars	2005 dollars	Percent
United States	47,635	46,071	-3.3 *
Alabama	41,310	37,502	-9.2 *
Alaska	60,056	56,398	-6.1 *
Arizona	44,217	45,279	2.4
Arkansas	34,217	36,406	6.4 *
California	52,088	51,312	-1.5
Colorado	55,559	51,518	-7.3 *
Connecticut	58,069	56,889	-2.0
Delaware	55,856	50,445	-9.7 *
District of Columbia	46,013	44,949	-2.3
Florida	43,009	42,440	-1.3
Georgia	46,840	44,140	-5.8 *
Hawaii	55,282	58,854	6.5 *
Idaho	42,286	45,009	6.4
Illinois	53,244	48,008	-9.8 *
Indiana	47,081	43,091	-8.5 *
Iowa	47,304	45,671	-3.5
Kansas	45,146	42,233	-6.5
Kentucky	40,315	36,750	-8.8 *
Louisiana	36,536	37,442	2.5
Maine	43,883	43,317	-1.3
Maryland	61,486	59,762	-2.8
Massachusetts	52,273	54,888	5.0
Michigan	52,790	44,801	-15.1 *
Minnesota	58,299	56,098	-3.8
Mississippi	38,463	34,396	-10.6 *
Missouri	49,798	43,266	-13.1 *
Montana	36,757	36,202	-1.5
Nebraska	46,287	46,587	0.6
Nevada	50,219	48,496	-3.4
New Hampshire	55,839	57,850	3.6
New Jersey	57,698	60,246	4.4
New Mexico	38,969	39,916	2.4
New York	46,515	46,659	0.3
North Carolina	43,537	41,820	-3.9
North Dakota	39,533	41,362	4.6
Ohio	47,479	44,349	-6.6 *
Oklahoma	37,525	39,292	4.7
Oregon	47,878	43,262	-9.6 *
Pennsylvania	46,020	45,941	-0.2
Rhode Island	48,937	49,511	1.2
South Carolina	42,650	40,107	-6.0 *
South Dakota	41,658	42,816	2.8
Tennessee	40,716	39,376	-3.3
Texas	44,543	42,102	-5.5 *
Utah	53,922	53,693	-0.4
Vermont	46,797	49,808	6.4 *
Virginia	53,494	52,383	-2.1
Washington	50,736	51,119	0.8
West Virginia	33,829	35,467	4.8
Wisconsin	52,303	45,956	-12.1 *
Wyoming	44,277	45,817	3.5

\*Statistically different from zero at the 90-percent confidence level

Source: U.S. Census Bureau