

# Median Income Decline Tied to Demographic Shifts

By **STAFF** , Futurity.org September 3, 2013

The median household income for Americans reached an all-time high in 2000, and has been falling ever since, a trend that's likely to continue for the next two decades due to demographic shifts, experts predict.

“The average American is increasingly going to be black, Hispanic, and older. Unless [these demographic groups] earn considerably more than has been the case in previous decades, the average American’s household income is likely to fall,” says Richard Burkhauser, a professor of policy analysis at Cornell University.

## RELATED: HOUSEHOLD INCOME FALLS TO LOWEST POINT SINCE 1995

Without important changes in public policy, these forces will drive down median income by about 0.5 percent per year over the next two decades, according to an analysis by Burkhauser and Jeff Larrimore, a former member of Burkhauser’s research group now with the Joint Committee on Taxation of the U.S. Congress.

The report by Burkhauser and Larrimore will be a chapter in a Russell Sage Foundation book, *Changing Times: America in a New Century*, to be published later this year.

Mathematically, a median is the number exactly in the middle of a list; the report focuses on the person with median income as representing the “average American.” If the average American has less money to spend, economic growth will be slowed.

Burkhauser and Larrimore drew on data from the Current Population Survey, in which the U.S. Census Bureau annually interviews a sample of 60,000 households nationwide. Cornell has access to confidential census data through the Cornell Institute for Social and Economic Research.



They employed “shift-share” analysis, which shows how a particular group contributes to a change in the overall numbers.

## DEMOGRAPHIC SHIFTS

The most important contribution to declining income over the past decade, and particularly during the Great Recession and its aftermath, was the large number of unemployed men, they found. But looking ahead, they predict that over the next two decades demographic shifts will be an important factor pulling the median down.

The Fiscal Times  
FREE Newsletter



In the 1990s and 2000s the baby boom generation, maturing into their peak earning years, helped to boost the median income. But as they retire over the next two decades their household incomes will fall sharply. According to the U.S. Census Bureau the Hispanic population will increase from 16 to almost 22 percent of the U.S. population by 2030 and almost 28 percent by 2050. The black population will increase more modestly from around 13 percent to 14 percent by 2050.

Since minority mean household incomes are only 60 percent of those of white households, this will reduce median income growth by an additional 0.34 percentage points per year through 2020 and by 0.35 percentage points per year between 2020 and 2030, the report indicates.

## JOBS AND RETIREMENT

Noting that “demography is not destiny,” the report urges action to improve the education of ethnic minorities to enable them to move into better-paying jobs, and incentives for older workers to delay retirement or measures to increase retirement income, such as higher Social Security benefits.

In previous business cycles, the report shows, the increasing employment and growing earnings of women helped to raise median household income, but “Women aren’t going to bail us out this time,” Burkhauser says, because their employment levels plateaued in the early 2000s.

Demographic trends produced a small headwind against median income growth in previous business cycles, the report notes. As the make-up of the population changes, it said, “This mild headwind is likely to become a gale.”

*This article originally appeared in Futurity.org. Source: Cornell University.*