



INSTITUTE *for*
RESEARCH *on*
POVERTY

UNIVERSITY OF WISCONSIN-MADISON

Whither the US Middle Class ?

for the roundtable discussion :

“The Decline of the Middle Classes around the World?”
Segovia, Spain, 28-30 2014

Tim Smeeding
University of Wisconsin and OECD

The Middle Class in America :

Three questions to answer

- **Who are they ?**

Working class -depend on labor earnings for their income (vs. those with extensive financial capital)

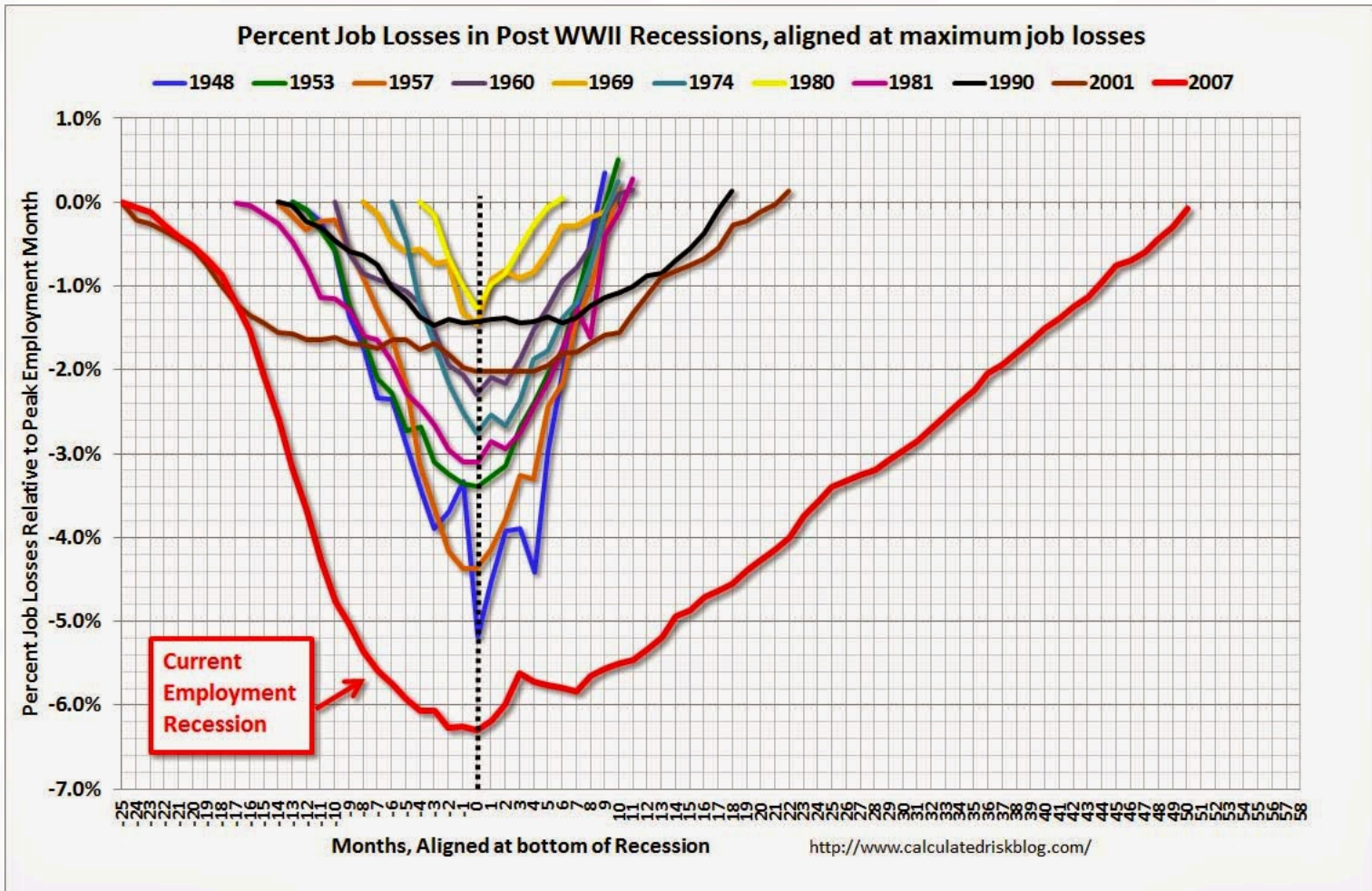
- **Where did they go ?**

Down (incomes, wages) since the GR and before

- **Why does it matter ?**

Smaller slice of a smaller pie below the 97th percentile ; flat and falling wages; not healthy for democracy or future upward mobility for their children

Concerns Coming out of the Great Recession



Mean duration of unemployment remains high

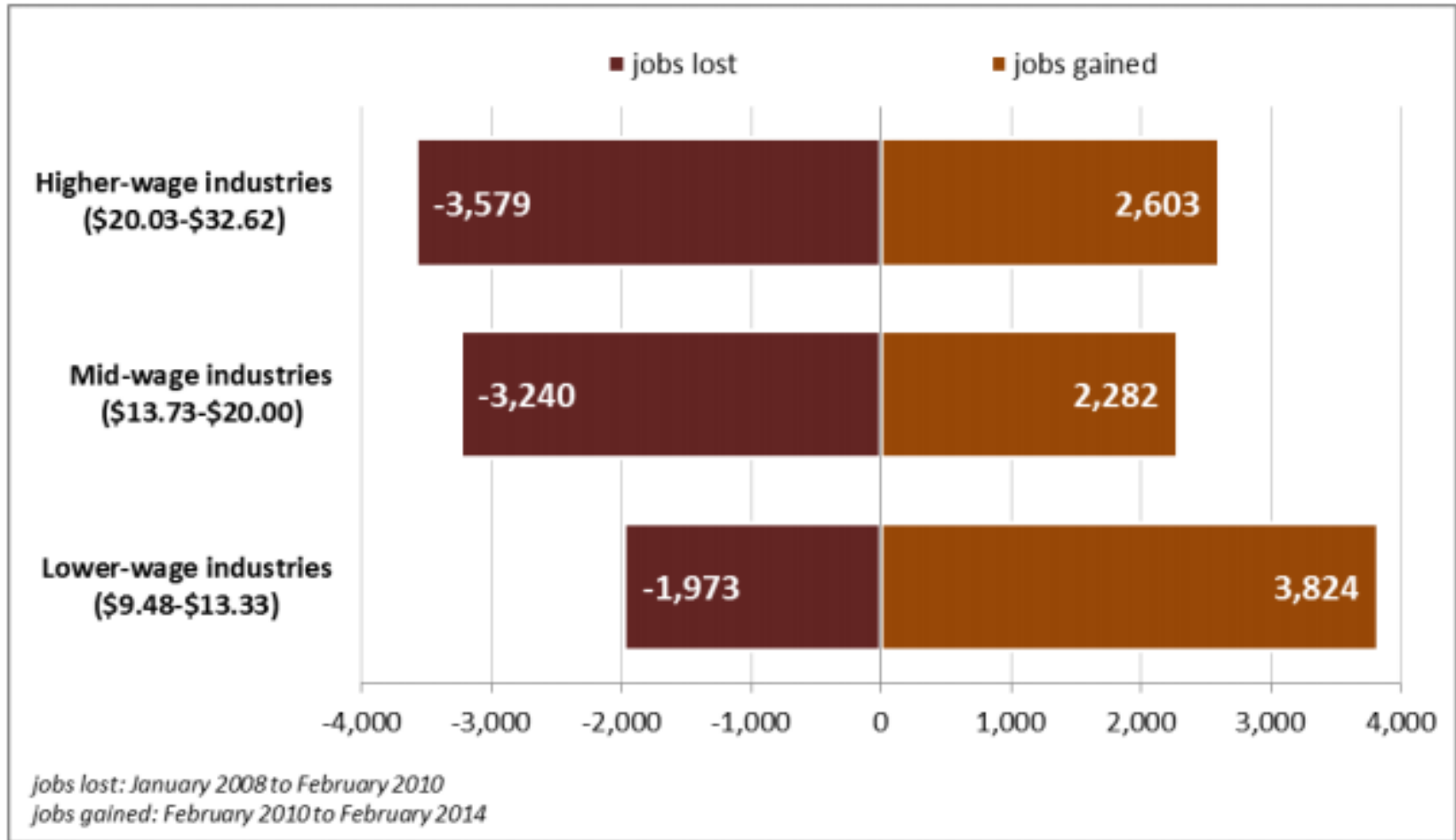
FRED 

— Average (Mean) Duration of Unemployment



Source: U.S. Department of Labor: Bureau of Labor Statistics
2014 research.stlouisfed.org

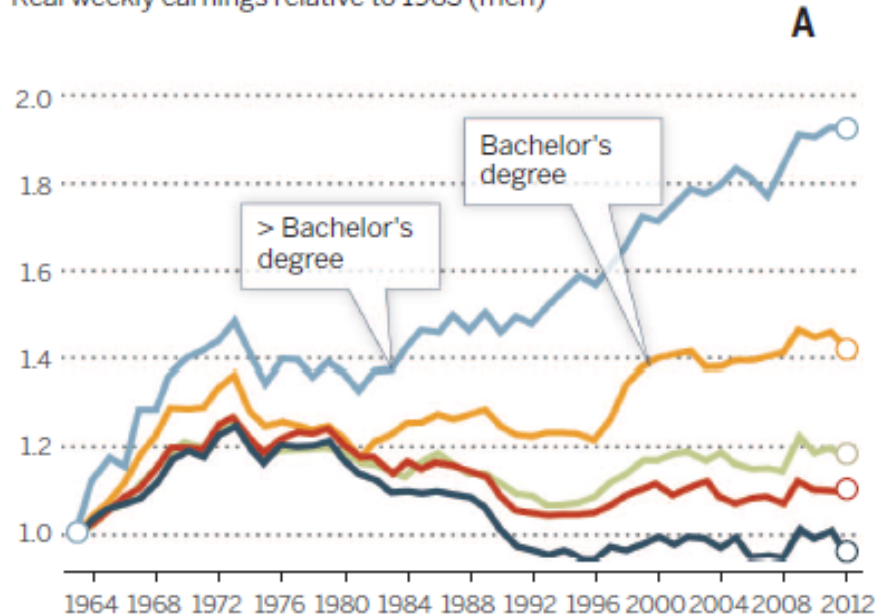
Where are the job gains?



Wage growth for men and women by education level

Changes in real wage levels of full-time U.S. workers by sex and education, 1963–2012

Real weekly earnings relative to 1963 (men)



Real weekly earnings relative to 1963 (women)

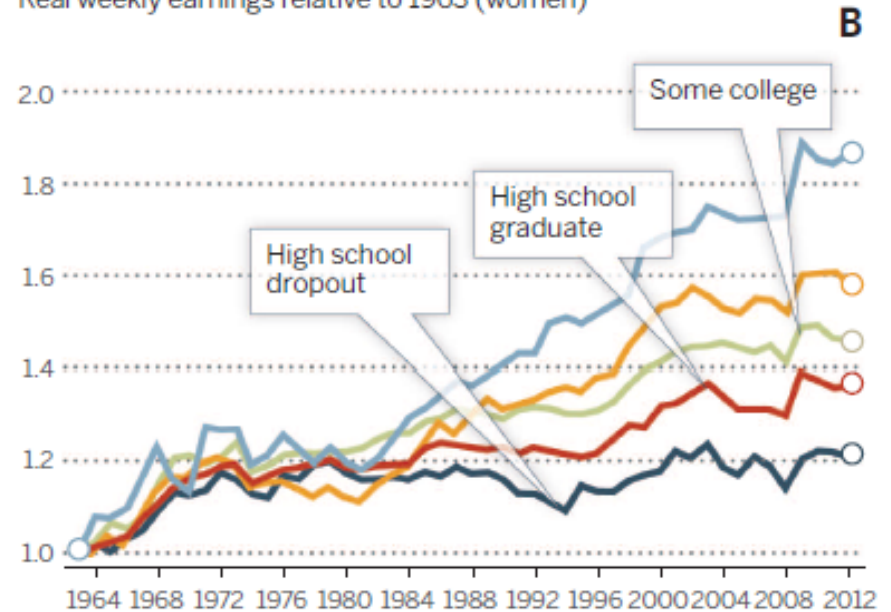


Fig. 6. Change in real wage levels of full-time workers by education, 1963–2012. (A) Male workers, (B) female workers. Data and sample construction are as in Fig. 3.

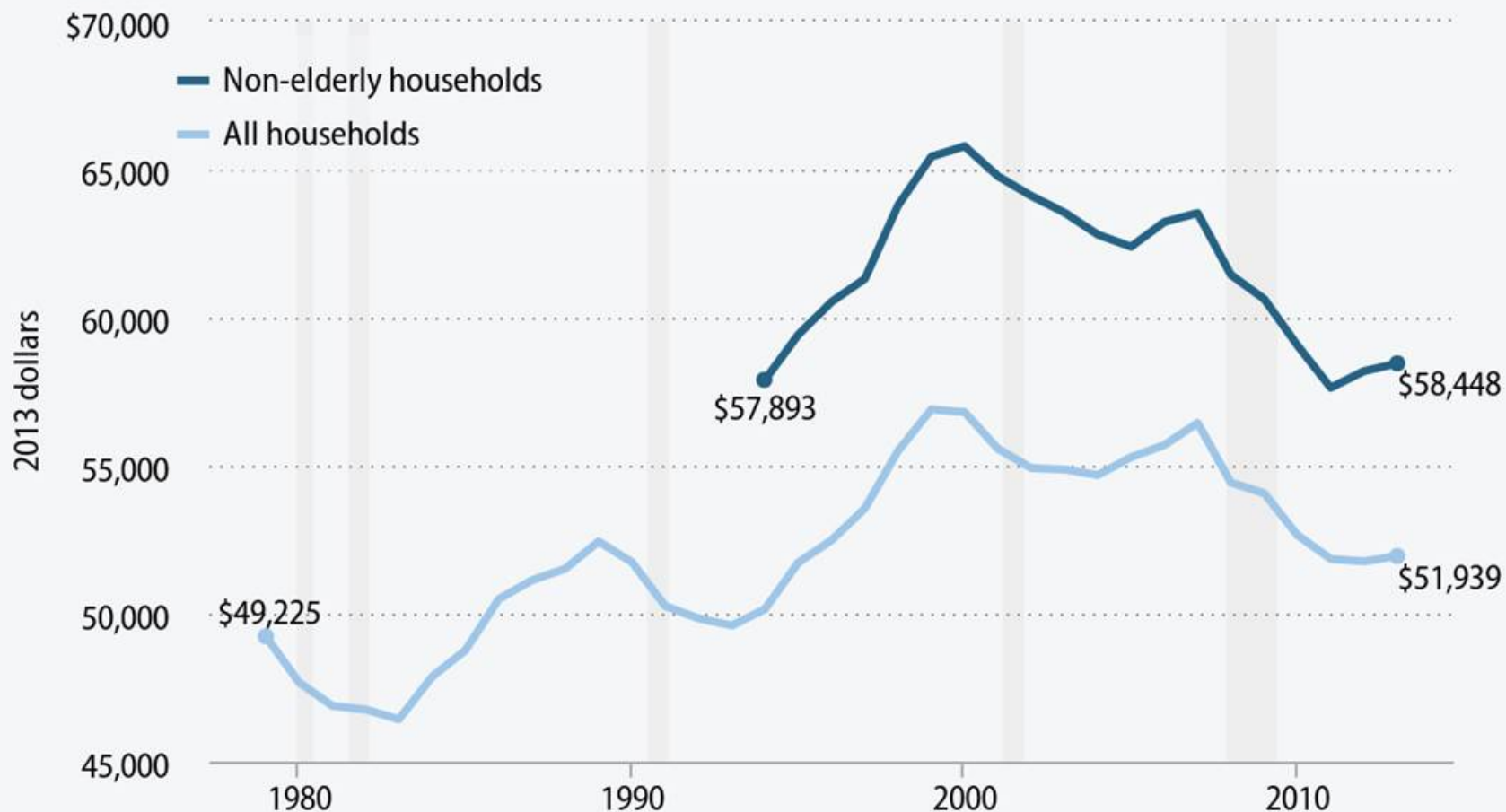
Source:

Autor, David H. 2014. "Skills, education, and the rise of earnings inequality among the 'other 99 percent'". *Science* 344(6186), pp. 843-851. Source: CPS

Recovery looks different for middle - income vs. wealthier families

- Middle income families still dealing with job losses, benefit cuts, depressed wage growth
- Inability to find two good middle wage jobs in one place is problematic for income growth and labor market mobility
- And so weak job demand , weak labor market, low quit rate , means floundering Middle Class
- Wealthier families, on the other hand, are benefitting from rising profits; wage gains and rising stock prices

Real median household income, all and non-elderly, 1979–2013

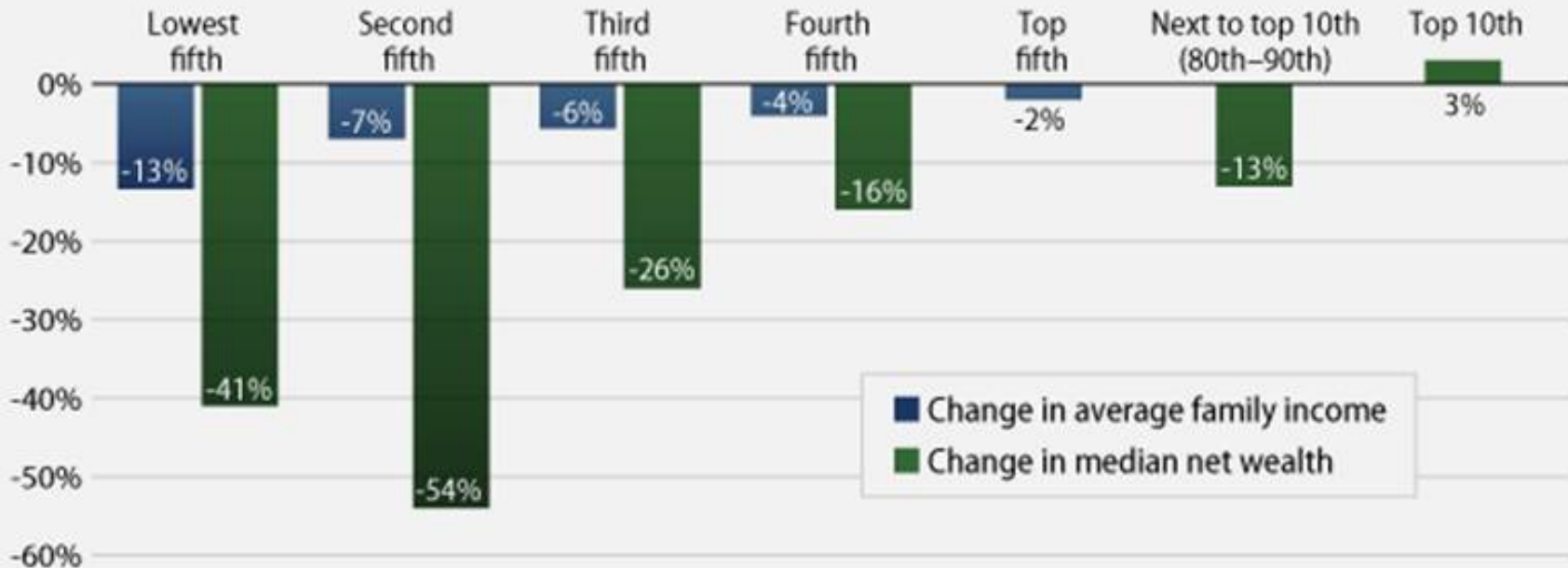


Note: Non-elderly households are those in which the head of household is younger than age 65. Data for non-elderly households are not available prior to 1994. Shaded areas denote recessions.

Source: EPI analysis of Current Population Survey Annual Social and Economic Supplement Historical Income Tables (Tables H-5 and HINC-02)

Wealth as well as income

FIGURE 1
Low- and middle-income families have lost ground in both income and wealth
Percentage change in average family income and median net wealth between 2001 and 2013, by income quintile

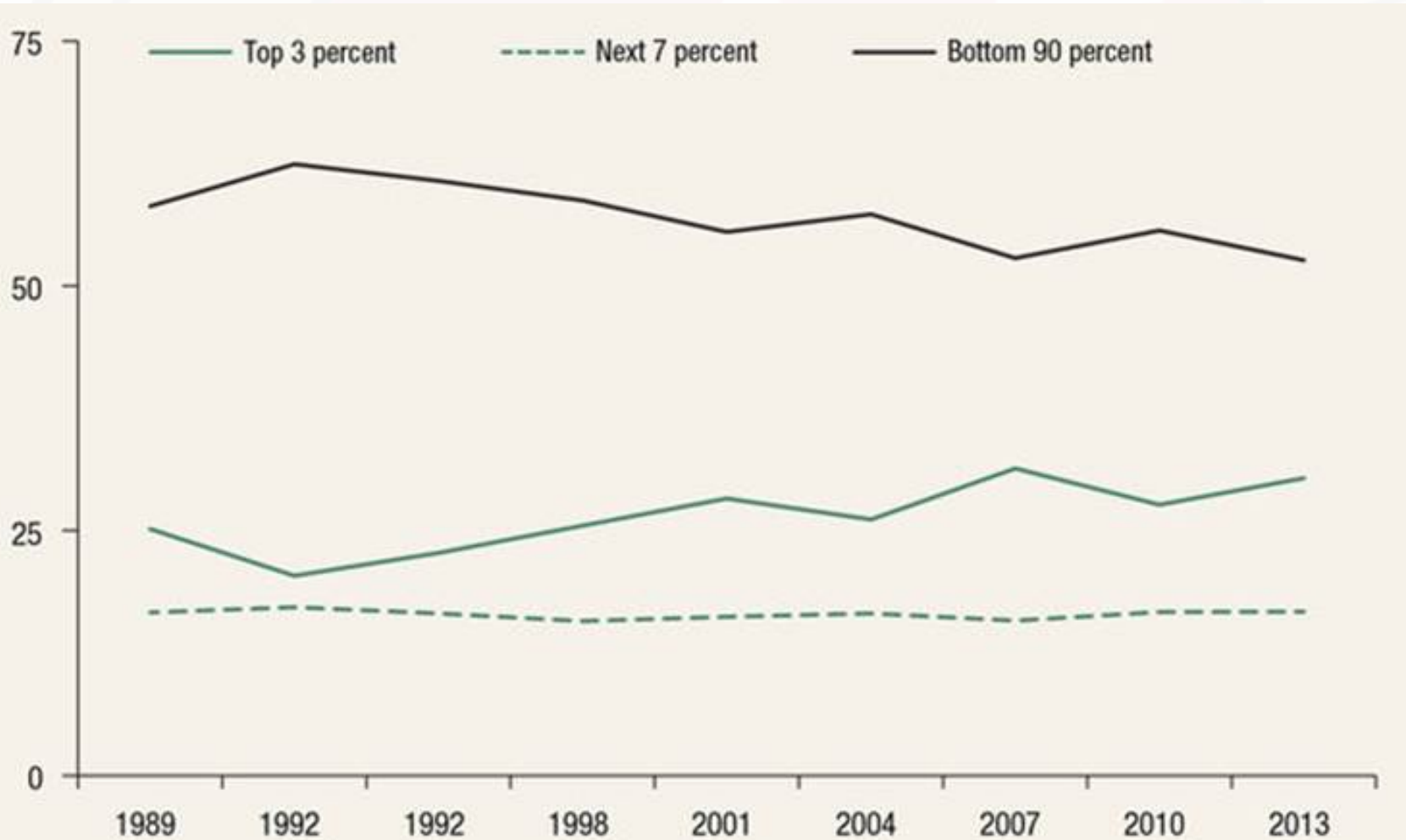


Note: For wealth data, families are grouped into income quintiles by the Federal Reserve using the Survey of Consumer Finances' concept of "usual" before-tax income. For income data, families are grouped into income quintiles by the Census Bureau using the Current Population Survey's concept of before-tax "money" income.

Sources: Income data from U.S. Bureau of the Census, *Current Population Survey* (U.S. Department of Commerce, 2014), Table F3, Historical Income. Net wealth data from Federal Reserve System, "Survey of Consumer Finances" (2014), Table 4, Historic Tables Based on Internal Data.

JTE for
RICH on

Income shares from SCF – Top get bigger share of a seemingly smaller pie



Current Middle Class Policy Issues in USA

- **Wage growth** (real wages down 3 percent for median worker since 2007; more since 2001) needed for increased living standards
- **Better jobs** (moving up the ladder)
- **Better workplaces** (scheduling, overtime, job flexibility)
- **Increased opportunity for one's children** (will the next generation be as well off as the current one ?)