



**September 18, 2014**

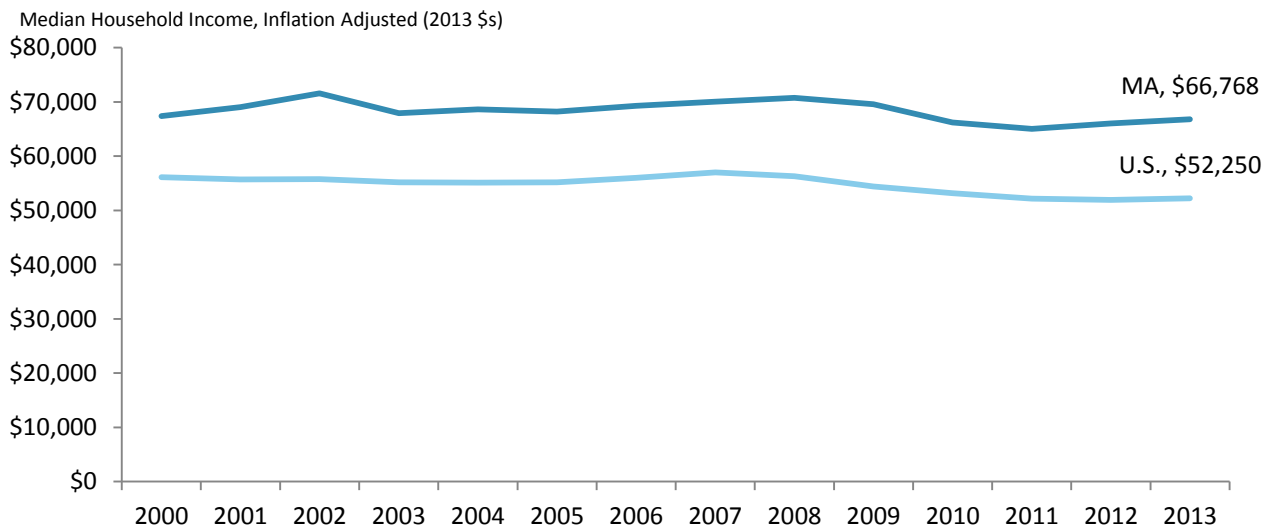
## U.S. & MA Households See Few Gains during Recovery, New Census Data Show

By Sam Beckwith and Kurt Wise

The economic security of working families depends on reliable access to opportunities that offer good incomes and that allow workers to share in the benefits of economic growth. Unfortunately, data made available today by the U.S. Census Bureau show that four years into an economic recovery many working families across the nation and in Massachusetts have seen only very modest gains.

Today's U.S. Census Bureau data show that real median household income in Massachusetts stood at \$66,768 in 2013. Since bottoming out in Massachusetts in 2011, median household income grew at an annual rate of about 1.3 percent through 2013 (or about \$1,730 total over two years).

### Median Household Incomes Rise Little in MA and U.S., 2011-2013



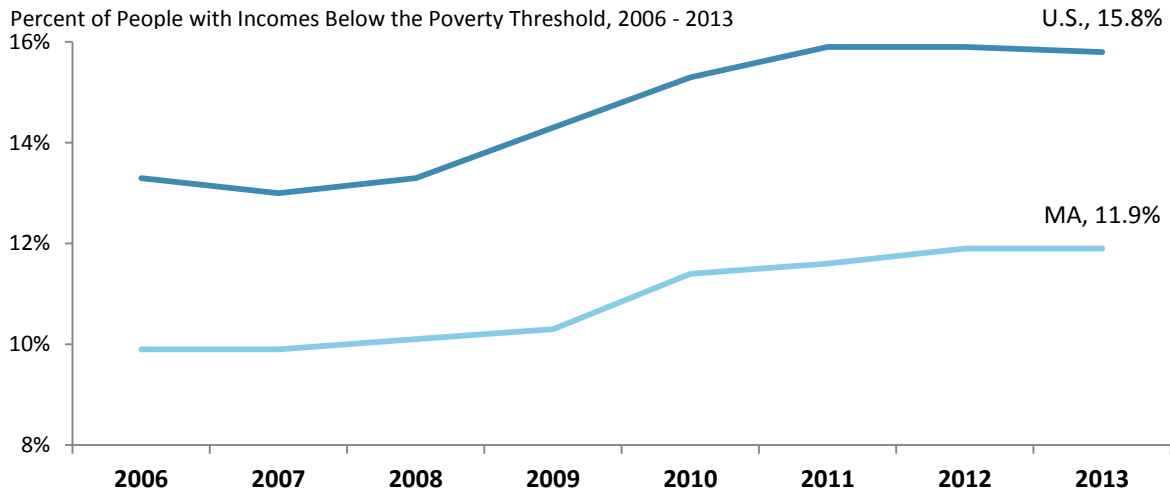
Source: U.S. Census, American Community Survey

One of the effects of weak income growth is that many working families cannot make meaningful headway toward raising their standard of living. For some low-income families this means they cannot work their way out of poverty. We see this dynamic revealed in

This research was funded in part by the Annie E. Casey Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of MassBudget alone, and do not necessarily reflect the opinions of the Foundation.

today’s data: during four years of economic recovery, the poverty rate in Massachusetts has remained stubbornly high. Today’s Census data show that the overall poverty rate in Massachusetts stood at 11.9 percent in 2013, a level that is statistically indistinguishable from levels going back to 2010. The last year in which the data indicate a clear difference in the poverty rate from 2013 levels is 2009, when the Massachusetts rate stood at 10.3 percent.

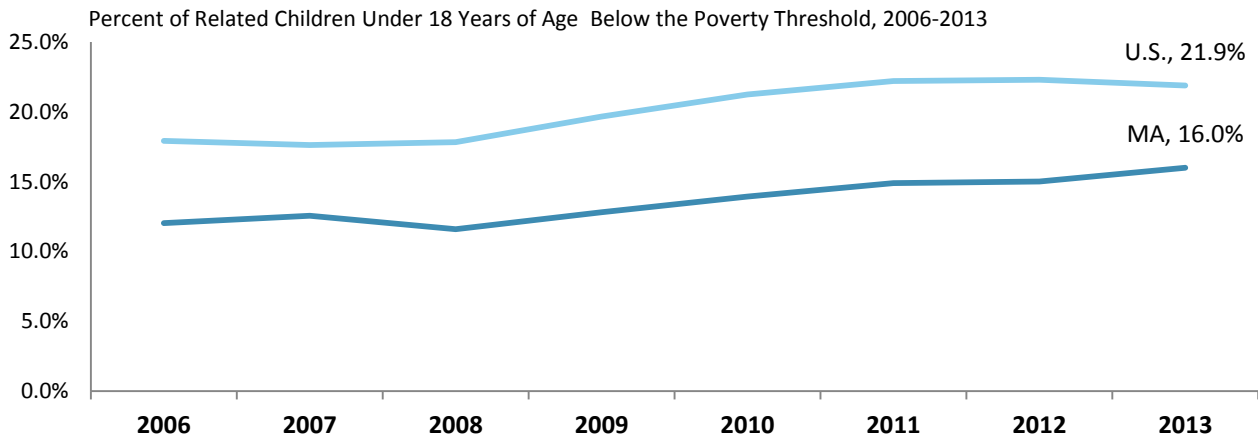
### MA and U.S. Poverty Rates Are High and Stagnant Despite Years of Recovery



Source: U.S. Census, American Community Survey

Still more troubling than the slow to stagnant income growth and the intractability of the overall poverty rate in Massachusetts during the last several years is what today’s Census data reveal about childhood poverty in the Commonwealth. In 2013, 16.0 percent or almost 1 in 6 Massachusetts children lived below the poverty line. This is up from a rate of 12.8 percent at the start of the national economic recovery in 2009 and 13.9 percent in 2010 (there is no statistically significant difference between the 2013 rate and the rates in 2012 or 2011).

### Poverty among Related Children Remains High in Massachusetts & US



Source: U.S. Census, American Community Survey

While the new data released today reflect some short term trends, they also show patterns that we have seen for decades. Throughout the 1950s, 1960s, and much of the 1970s, workers' wages rose in lock-step with productivity gains. During the 1970s, this connection was broken and as a consequence, both U.S and Massachusetts working families have paid a steep economic price in the decades since. [For more on the historical connection between wages and productivity gains, see MassBudget's [Labor Day release](#).]

## METHODOLOGY

### Differences between the CPS and the ACS

The Census Bureau's recent data on household income derive from two main sources: the Current Population Survey (CPS) and the American Community Survey (ACS). Today's data come from the ACS. The CPS is the older of the two surveys – dating back to the 1940s – and is therefore a more reliable source for making comparisons over longer periods of time (though, due to sample size constraints, data is best pooled over two or three years to do so). The CPS is also the official source for national level poverty and income data. However, the ACS is based on a larger sample and is thus able to provide information on a *state* and *sub-state* basis that does not have to be pooled over multiple years.

### Measuring Income

Median household income is a statistical measure indicating the exact middle of the range of all household incomes, such that half of all households have incomes below the median and half have incomes above the median. Under the Census Bureau's methodology, income refers only to before-tax money income and therefore does not include reductions (or increases) in net, take-home income due to tax liabilities (or credits), or the value of non-cash benefits such as Medicaid or food stamps.

### Measuring Poverty

To determine the poverty rate the Census Bureau counts all money income earned by a family before taxes – in other words, non-cash benefits such as Medicaid and Supplemental Nutrition Assistance Program (SNAP) benefits are excluded, as are tax liabilities and credits. The federal poverty threshold varies depending on the size and composition of the family and is updated each year for inflation. For 2013, the poverty threshold was just over \$12,100 for a single person under the age of 65 and just over \$23,600 for a family of four (thresholds for individuals and couples over the age of 65 are somewhat lower). The poverty thresholds do not vary by geography and thus do not reflect differences in cost of living among states. The Census Bureau has begun to provide national-level data using an alternate poverty measure that takes into account taxes (including the value of the Earned Income Tax Credit) and non-cash support such as Supplemental Nutrition Assistance Program (SNAP) benefits.

## Note on Statistical Significance

The CPS and ACS data come from surveys of a random sample of households and thus one cannot be certain that the estimates produced by the sample reflect the actual rates for the entire population. To a certain extent, results will vary from one sample to another, depending on sample size and the particular characteristic that is being measured.

When comparing two measures – for instance, the poverty rate in two different years or two different states – it is important to consider how this sampling variability affects the difference between the two measures. If the difference between the two rates would occur due to sampling variability less than 10 times out of 100, then we can say that we have a 90 percent level of confidence that the difference between the two rates reflects a true difference and is not due to this potential variation. In other words, the chance that the difference between the two estimates is simply the result of random chance is less than 10 percent.

While different levels of confidence (e.g., 95 or 99 percent) can be used to measure significance, the 90 percent level is typically used when analyzing CPS and ACS data, and that is the measure we use here when defining a difference as significant. For more on calculating levels of confidence and testing for significance, see [Appendix 4 in the ACS user guide](#).