

THE STATE OF WORKING MASSACHUSETTS 2012

Introduction

Even now at the close of 2012, workers across Massachusetts are still hampered by the lingering effects of the "Great Recession." Though the economy has stopped shrinking and begun to grow, that growth is too slow to restore the losses experienced by workers and families in recent years. In Massachusetts—as across the nation:

- Incomes are still below their pre-recession level, and the latest data show that they actually fell between 2010 and 2011.
- The unemployment rate remains significantly higher than it was when the recession began.
- Child poverty is rising.

Also, according to the Census bureau's new "supplemental poverty measure," Massachusetts is not among the states with the lowest poverty level (as under the official measure). It is somewhere in the middle.

When we look at long-term trends—and when we compare Massachusetts with other states—the picture is somewhat brighter. Median incomes in Massachusetts have risen substantially over the last 30 years. The poverty rate is still below the national average. And even when the recession was at its most severe, our economy outperformed most other states.

There are many reasons for Massachusetts's relative strength, but one of them has to do with the policy choices we made to develop a highly-skilled and highly-educated workforce. Today, Massachusetts has the best-educated workers in the country, which has helped to make ours a relatively strong, high wage economy. In 2011, Massachusetts workers with a bachelor's degree or higher earned over twice as much as those with just a high school degree. If we provided greater educational opportunities and other supports young people need to thrive, we could help those who aren't currently graduating from college to move up the wage scale.

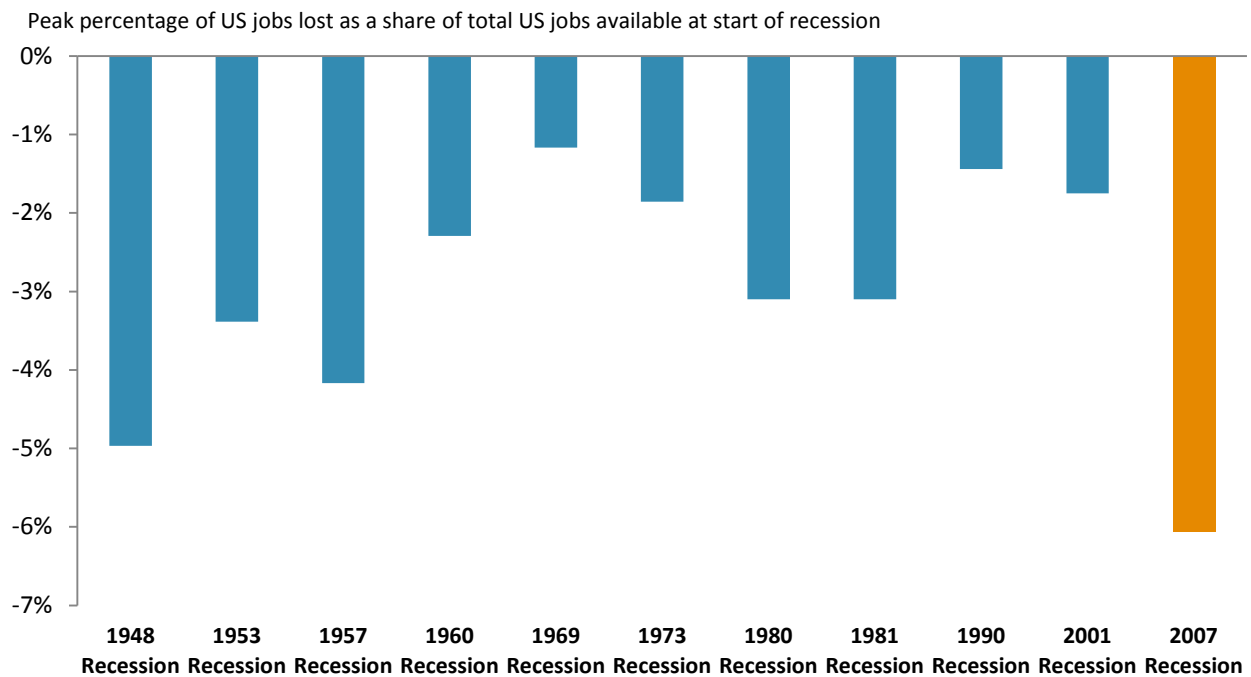
Another way to help ensure that all workers can find jobs that support their families is to update the minimum wage. Over time, the value of the minimum wage has been eroded by inflation. In 1968, the Massachusetts minimum wage was worth \$10.58 (adjusted for inflation). Today it is \$8.00, a decline of more than 24%.

Note: *The State of Working Massachusetts* is an ongoing project of the Massachusetts Budget and Policy Center. A full version is released each January, but different parts are updated at different times during the year—depending on when new data becomes available. Through each iteration, much of the structure remains the same, as do our descriptions of measures that have not changed.

JOBS

The most recent recession is the worst on record for the U.S. since the Great Depression in terms of the peak share of jobs lost. By this measure, the depth of the downturn in terms of share of jobs lost was reached in February of 2010, with the US having shed 6.1 percent of the jobs it had in December 2007, the official start of the recession.

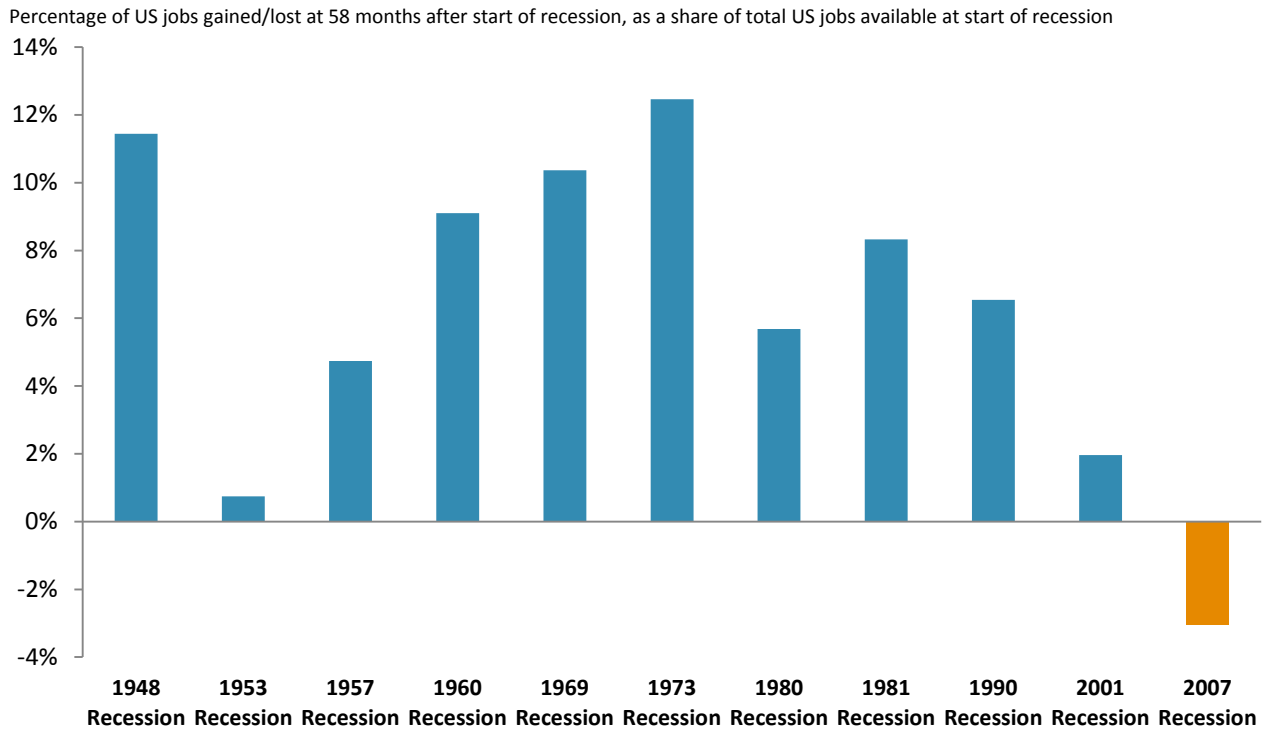
The 2007 Recession Is The Worst Since The Great Depression for Peak Percent of US Jobs Lost



Source: EPI analysis of BLS Current Establishment Survey data and NBER recession data

The economic recovery following the Great Recession has been too weak to restore all the jobs that were lost during the downturn. As of October 2012, fifty-eight months from the official start of the recession, the U.S. still has 3.1 percent fewer jobs than were available at the recession's start. In each recession since the Great Depression this many months after the onset of the downturn, the US has regained all the jobs lost during the recession and in most cases added substantially to the number of jobs available (see chart, below). The slow progress in closing the jobs gap and returning to more robust economic growth is most likely the result of a failure to adopt economic policies that adequately respond to the depth and severity of the recession and provide the sort of stimulus needed to increase demand.¹

The 2007 Recession and Its Aftermath Have Been The Worst Since The Great Depression for Duration of Deep Job Losses

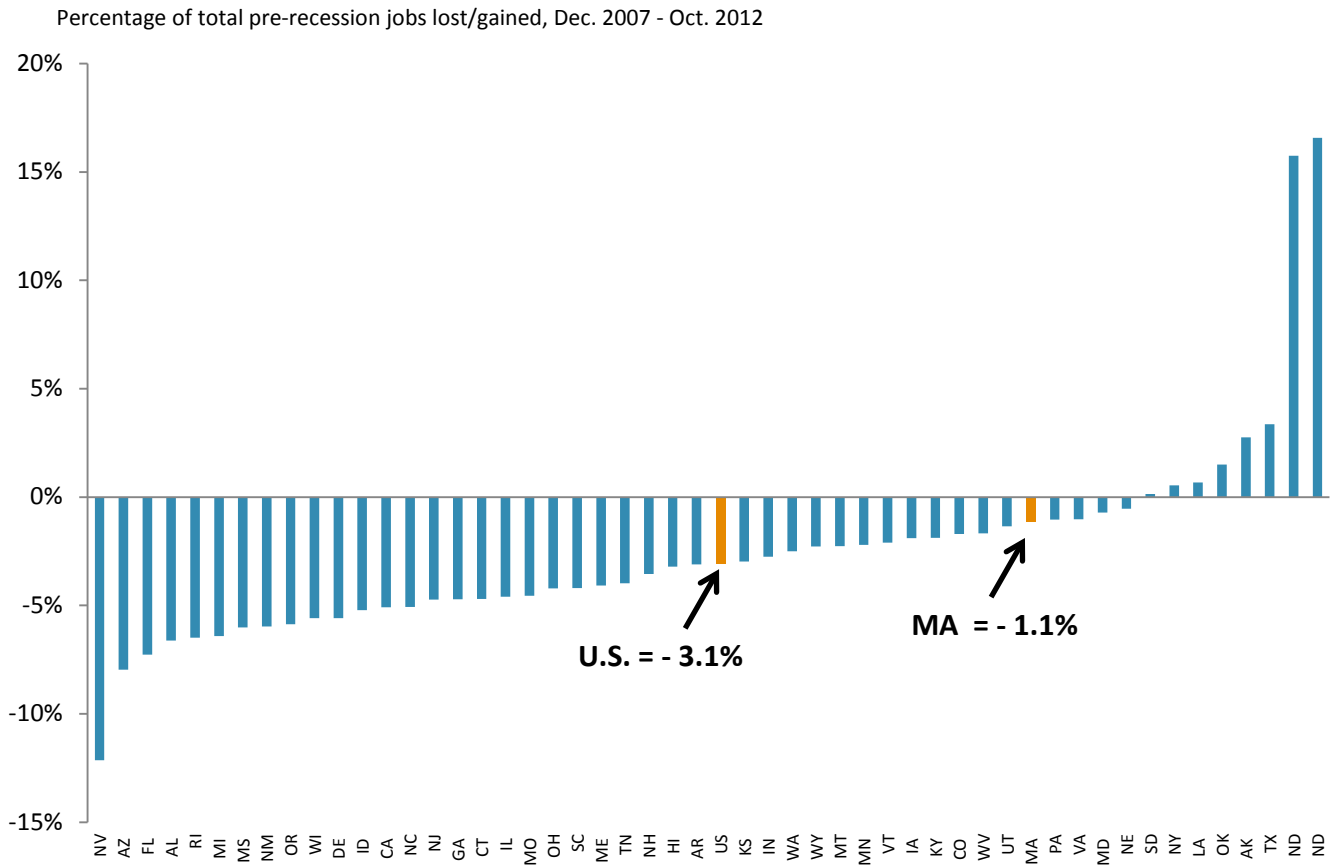


Source: EPI analysis of BLS Current Establishment Survey data and NBER recession data

¹ While there is good evidence that the federal stimulus prevented an even longer and deeper recession (see, for example, Alan Blinder and Mark Zandi, "How the Great Recession Was Brought to an End", July 27, 2010) the weakness of the recovery suggests a need for additional measures. See "Generate Jobs Now", a recent commentary on this topic from the Economic Policy.

In Massachusetts, however, a smaller share of the total number of jobs that were available just prior to the onset of the Great Recession remain lost (1.1 percent) than is true for most other states (US average = 3.1 percent).

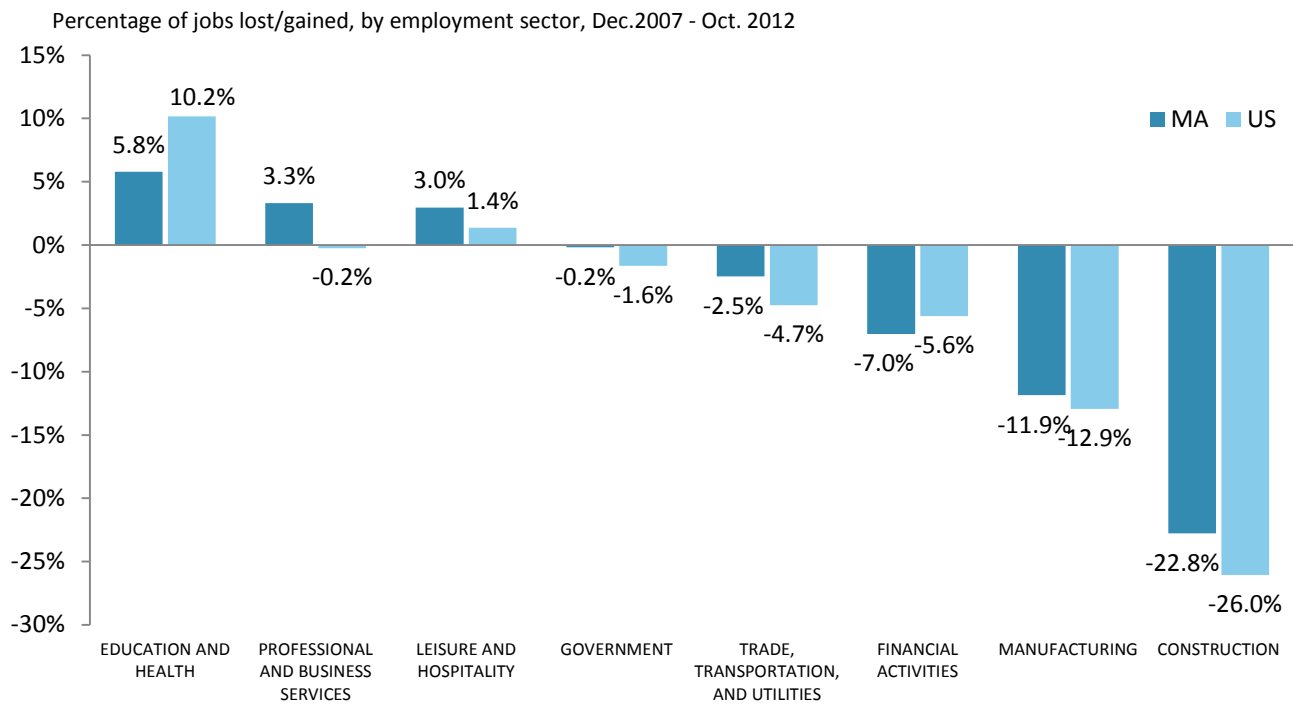
Percentage of Total Jobs That Remain Lost Is Smaller in MA Than in Most States (Dec. 2007 - Oct. 2012)



Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

The jobs that have been lost in Massachusetts to date—a net loss of about 38,000 jobs since the start of the recession in December 2007—have not been spread evenly across all employment sectors. Both Construction and Manufacturing jobs have been hard hit, while the Education and Health sector, the Professional and Business Services sector, and the Leisure and Hospitality sector all have seen modest growth in the number of jobs available in Massachusetts. With few exceptions, a similar pattern of sectoral job losses/gains also has been true for the US as a whole.

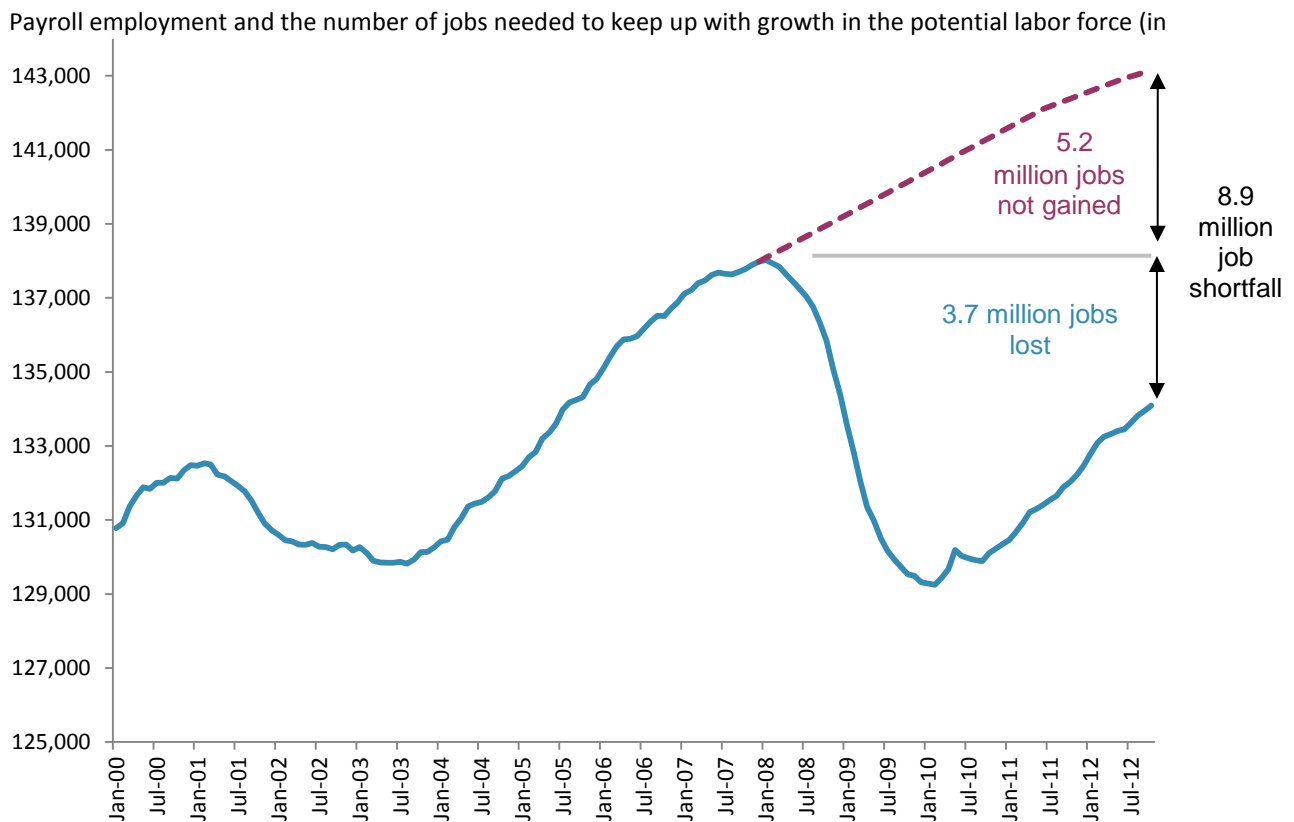
In MA and US, The Share of Jobs Lost or Gained Has Varied Substantially by Employment Sector (Dec. 2007 - Oct. 2012)



Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

The Great Recession is notable both for its length and for the severity of the job losses experienced. The nation lost a record share of its jobs and the recovery has been more typical of the weak, slow return to growth and jobs characterizing recoveries during the last several decades.² Simultaneously, the potential labor force has grown throughout this period. The result is that 8.9 million jobs are now needed in order to restore the US economy to rates of employment in effect prior to the recession's onset. As the US working age population continues to grow, the number of jobs needed in order to reach pre-recession employment rates will increase. Taking this potential labor force growth rate into account, the US will need to create over 330,000 jobs per month during the next three years to attain pre-recession employment rates by the close 2015.

From Start of Great Recession to Present, Total US Job Shortfall Approaches 9 Million (Dec. '07 - Nov. '12)



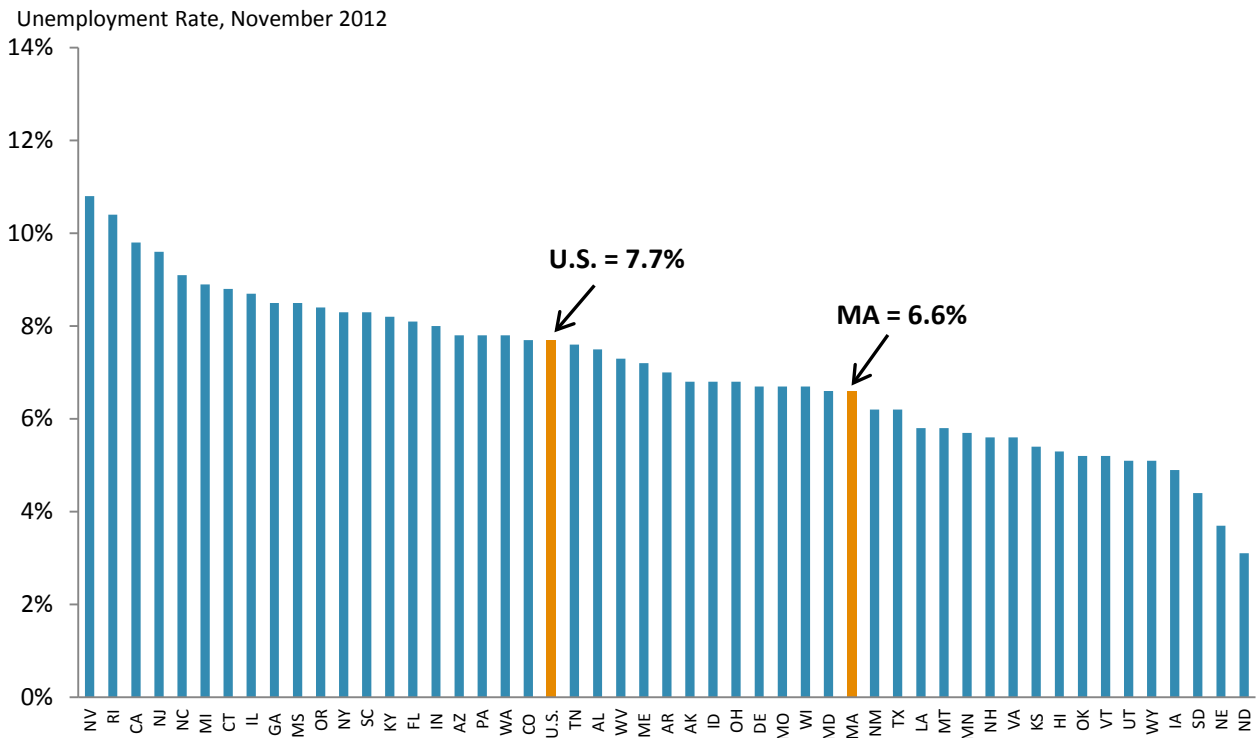
Source: EPI analysis of BLS and CBO data

² Economic Policy Institute, "Historically Deep Job Loss, But Not An Unusual Recovery", July 2011: http://www.epi.org/publication/historically_deep_job_loss_but_not_an_unusual_recovery/

Unemployment

Five years after the start of the Great Recession, Massachusetts has lower levels of unemployment than most other states. With the Massachusetts unemployment rate at 6.6 percent, however, this still means that about 230,000 workers are actively seeking work but remain without jobs, while thousands of others have given up the search entirely. For those Bay Staters experiencing the income loss and uncertainty that accompanies short or long-term unemployment, the impact of the current downturn is both very real and deeply problematic.

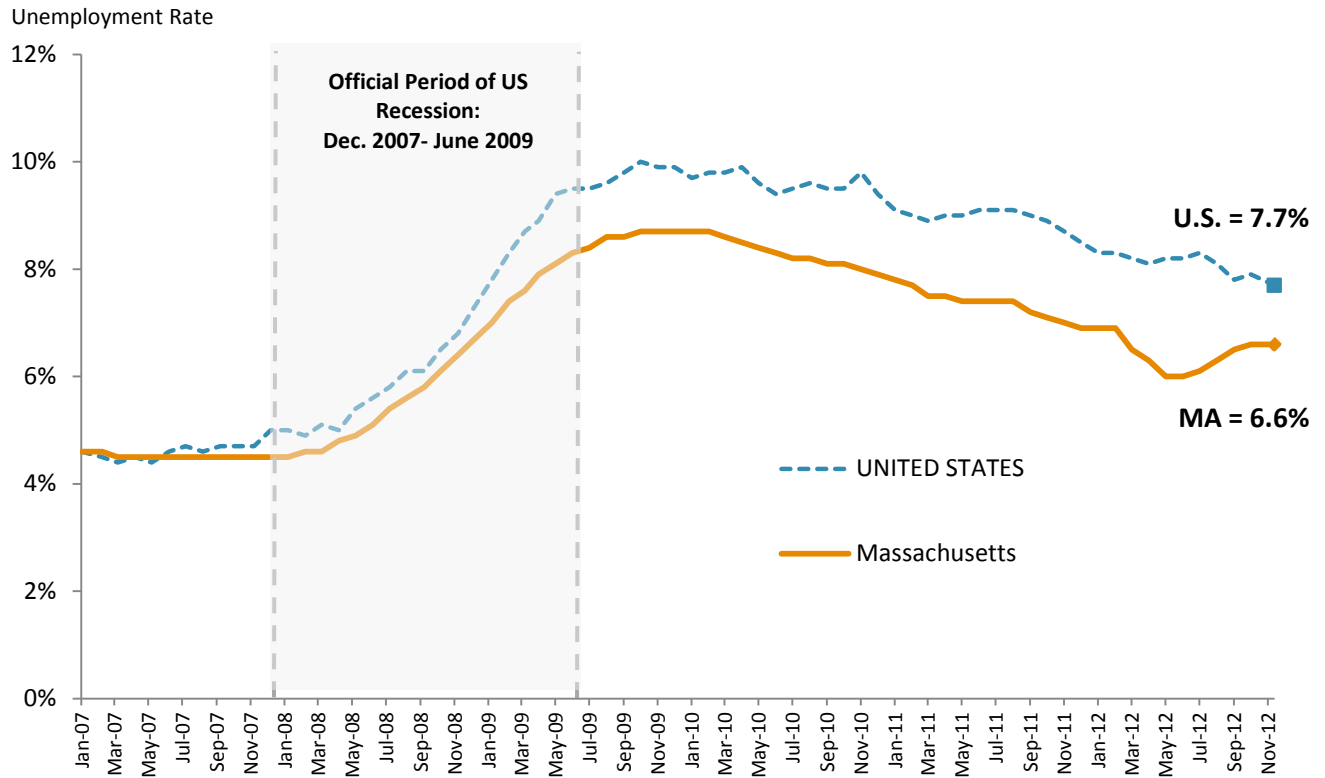
Massachusetts Has Lower Levels of Unemployment Than Most States



Source: US Bureau of Labor Statistics

Massachusetts has maintained lower unemployment rates than the US throughout the duration of the Great Recession and its aftermath.

Throughout the Great Recession and Its Aftermath, Massachusetts Has Maintained a Lower Unemployment Rate Than the US

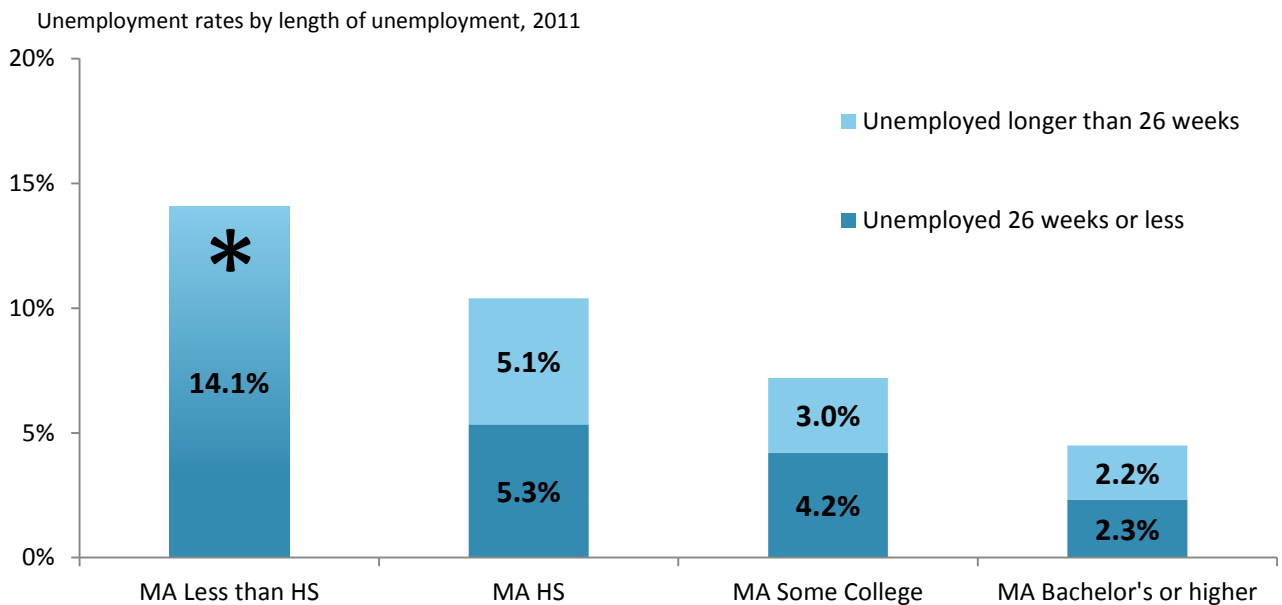


Source: EPI analysis of US Bureau of Labor Statistics, Local Area Unemployment Statistics

The overall lower rate of general unemployment that Massachusetts has maintained relative to other states, however, conceals the large disparities in unemployment rates experienced by different groups of workers within the Massachusetts economy. Massachusetts workers with lower levels of education have experienced much higher levels of both regular unemployment (unemployed for 26 weeks or less) and long-term unemployment (unemployed for more than 26 weeks) than have Massachusetts workers with more education.

Because educational attainment is closely correlated with annual earnings,³ these less educated workers are very likely to be among the portion of the Massachusetts workforce with low incomes. They are also likely to have experienced little or no growth in earning power in recent decades (see discussion below). As a result, the burdens of unemployment experienced by workers in the Bay State during this historic downturn have been borne disproportionately by those residents with the fewest personal financial resources upon which to draw. In 2011, (the most recent year for which data are available for both measures), the long-term unemployment rate for workers with only a high school degree was almost two and half times as high as the rate for workers with a B.A. degree or higher.

MA Workers with More Education Had Lower Levels of Unemployment During the Economic Downturn



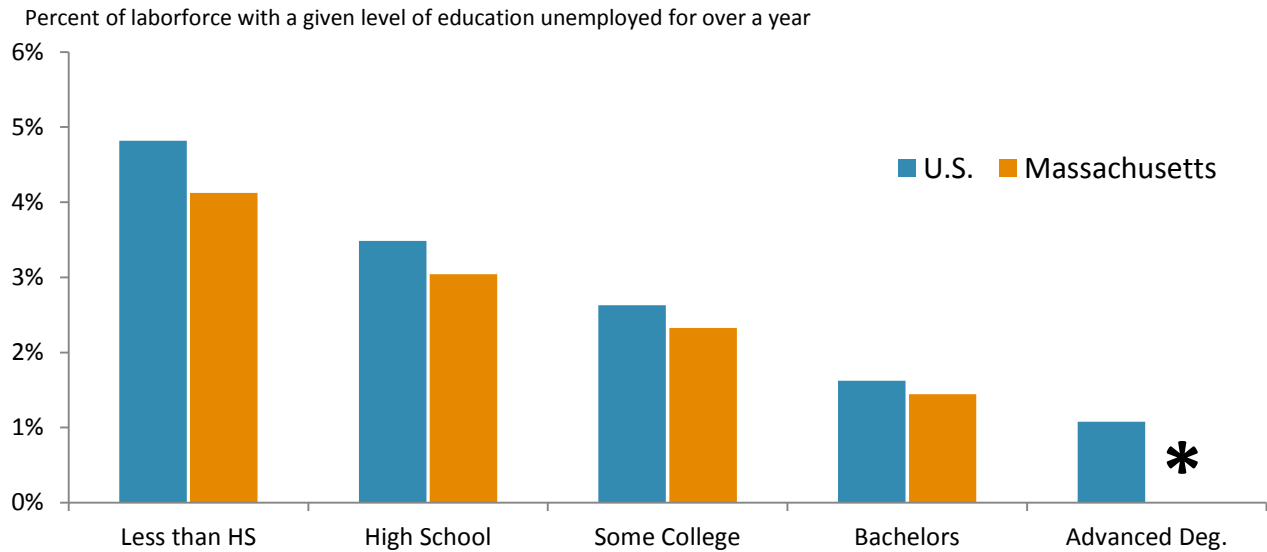
* The 2011 CPS sample size was inadequate to generate a reliable estimate for the rate of unemployment exceeding 26 weeks for Massachusetts workers with less than a high school education. In 2010, the rate was 7.4% for these workers.

Source: Economic Policy Institute analysis of US Census, Current Population Survey (CPS) data

³ Bauer, Paul et al. "State Growth Empirics: The Long-Run Determinants of State Income Growth" (Working Paper 06-06, May, 2006, Federal Reserve Bank of Cleveland).

This pattern also holds true for workers experiencing a period of unemployment lasting for more than one year. In the aftermath of the recession, Massachusetts workers with lower levels of education experienced higher rates of unemployment that lasted over a year than did workers with college degrees or higher.

During Downturn, Workers with Less Education Had Significantly Higher Rates of Unemployment Lasting More Than One Year

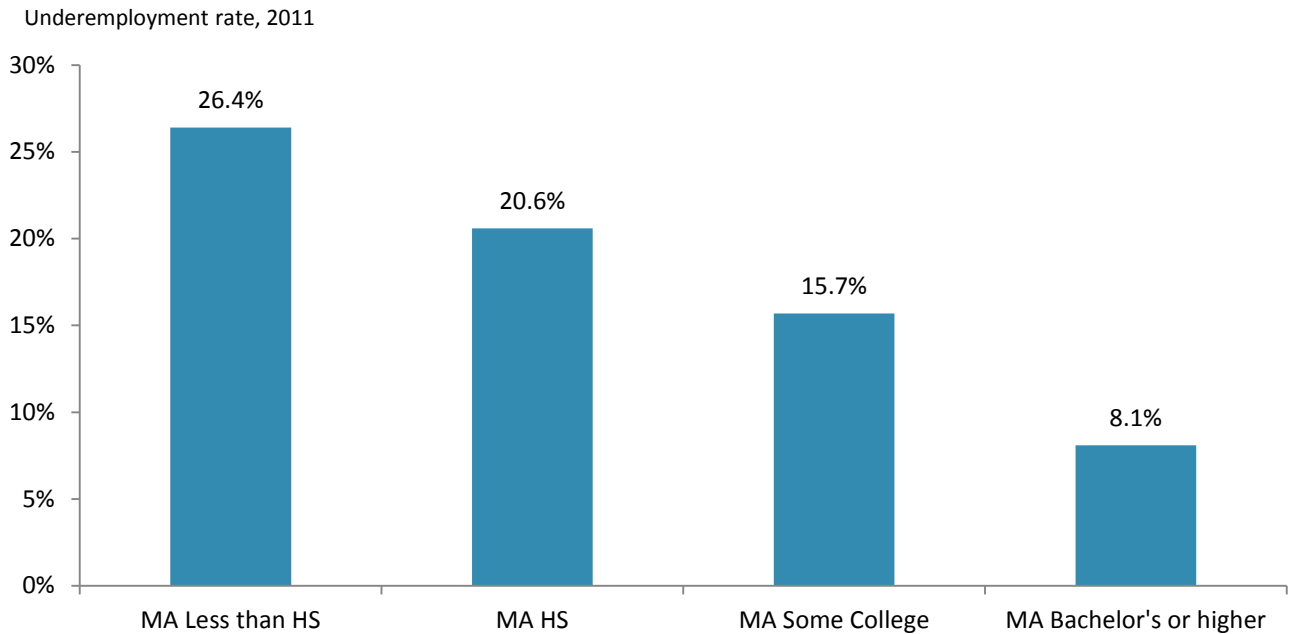


Source: Source: EPI Analysis of Pooled Monthly CPS data 2010Q2 - 2012Q3

* Note: Figure for MA advanced degree holders is unknown due to limitations in sample size for this population. As MA rates appear to track national rates fairly closely for other categories of workers, one might reasonably expect the same pattern with advanced degree holders as well.

Looking at a broader measure of workers whose employment status has been negatively affected during the current downturn – a measure termed "*underemployment*" – it is similarly clear that rates among Massachusetts workers vary greatly by educational attainment. Once again, workers with low levels of education have been affected disproportionately, with underemployment rates almost four times higher than those for workers with college degrees or higher. Underemployed workers are defined as: 1) unemployed workers, 2) workers who are working part time because full time opportunities are not available, and 3) workers defined as only "marginally attached" to the labor force.⁴

MA Workers with Higher Levels of Education Have Much Lower Levels of Underemployment* in the Current Recovery



Source: EPI analysis of US Census , Current Population Survey data for 2011

* The category "underemployed" includes unemployed workers, marginally attached workers, and workers working part time for economic reasons. It does not include people who have quit seeking work altogether.

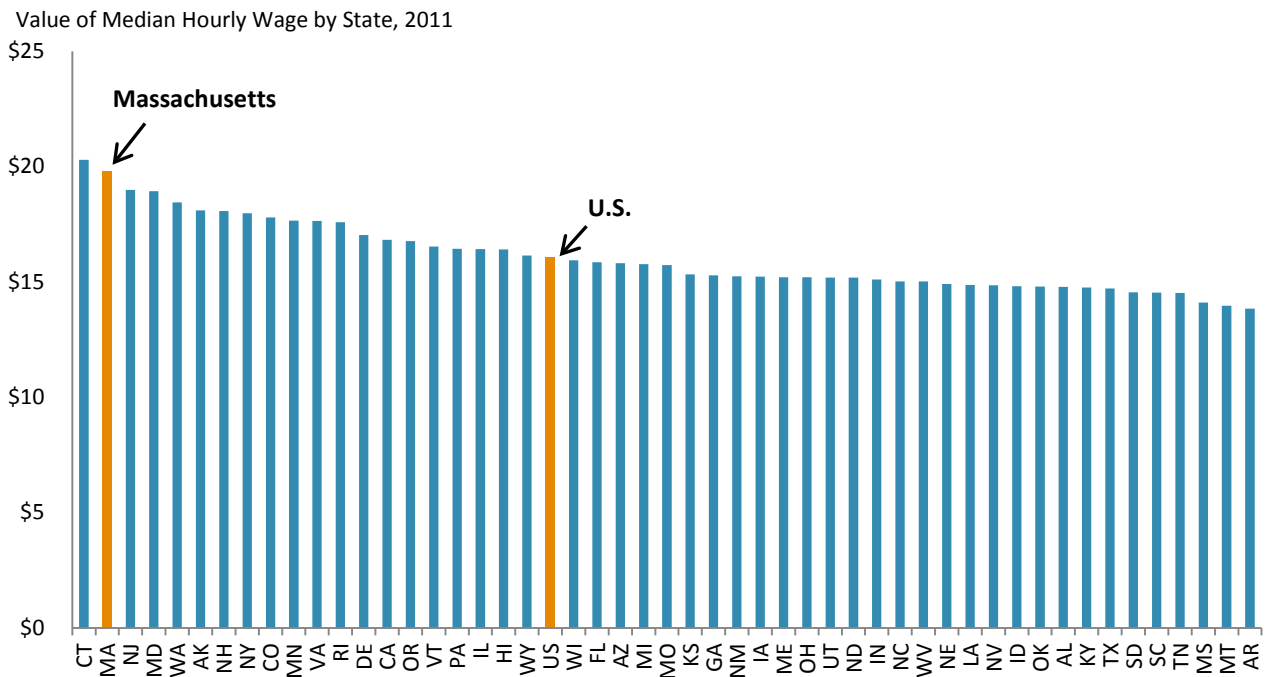
⁴ The definition for "underemployed" used by the U.S. Census bureau includes all three of these groups of workers. The figures presented in this chart for Massachusetts, however, do NOT include those workers defined as "marginally attached". The sample size in Massachusetts was too small for the Census to provide accurate estimates of the number of workers in the marginally attached group and hence this group is omitted from the totals.

Wages

Wages account for the majority of income received by most workers – on average, about two-thirds of income is derived from wages, but this proportion is generally much higher for middle- and low-wage earners who do not receive income from capital gains or other investments.⁵ Because of the importance of wages to working families, looking at wage levels and growth in *real* wages (i.e., wages that have been adjusted for inflation) over time is one way to measure the well-being of workers in Massachusetts. When we do so we see a picture similar to that of other aspects of the state's economy – that is, while Massachusetts is generally doing better than the rest of the country, not all residents of the state have shared equally in the gains of recent decades. Lack of substantial real growth among lower-wage workers, along with more rapid growth at the high end, has widened the wage gap in Massachusetts.

In 2011, the average median hourly wage in Massachusetts was \$19.81 per hour, among the highest in the country, and 23 percent higher than the U.S. average median wage of \$16.06 per hour.

Massachusetts Had the Second Highest Median Wage in 2011

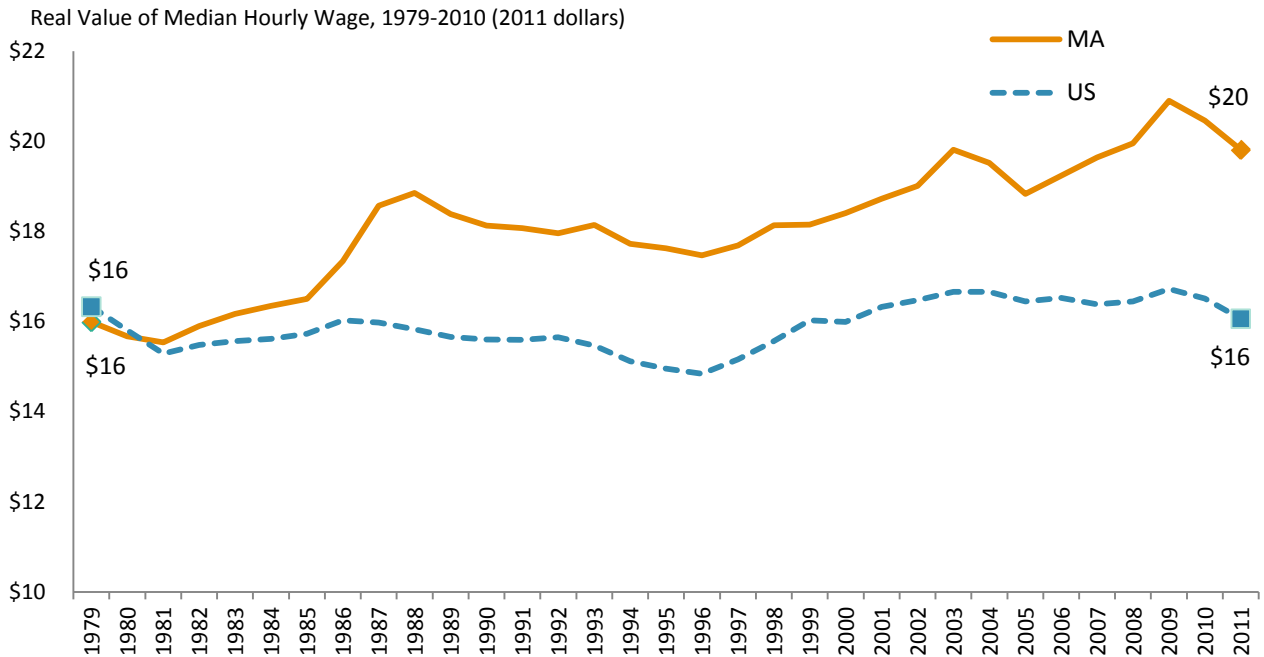


Source: Economic Policy Institute analysis of Current Population Survey data

⁵ For a breakdown of sources of income for different income groups, see Mishel, Lawrence et al, *The State of Working America 2008-2009* (Cornell University, 2009), p. 82.

The relatively high median wage level in Massachusetts follows three decades during which the median wage grew faster in this state than in the country as a whole. In 1979 the median hourly wage in the state was \$15.99 per hour in inflation-adjusted (2011) dollars (\$5.16 in nominal dollars), slightly lower than the inflation-adjusted U.S. average of \$16.33 per hour (\$5.27 nominal). By 2009 the Massachusetts median hourly wage had risen to nearly \$21.00 hour and, despite a decline over the past two years, it remains almost a quarter higher than it was in 1979 and 23 percent higher than the U.S. median wage.

Since the 1980s Median Wages Have Grown Faster in Massachusetts than in Other States

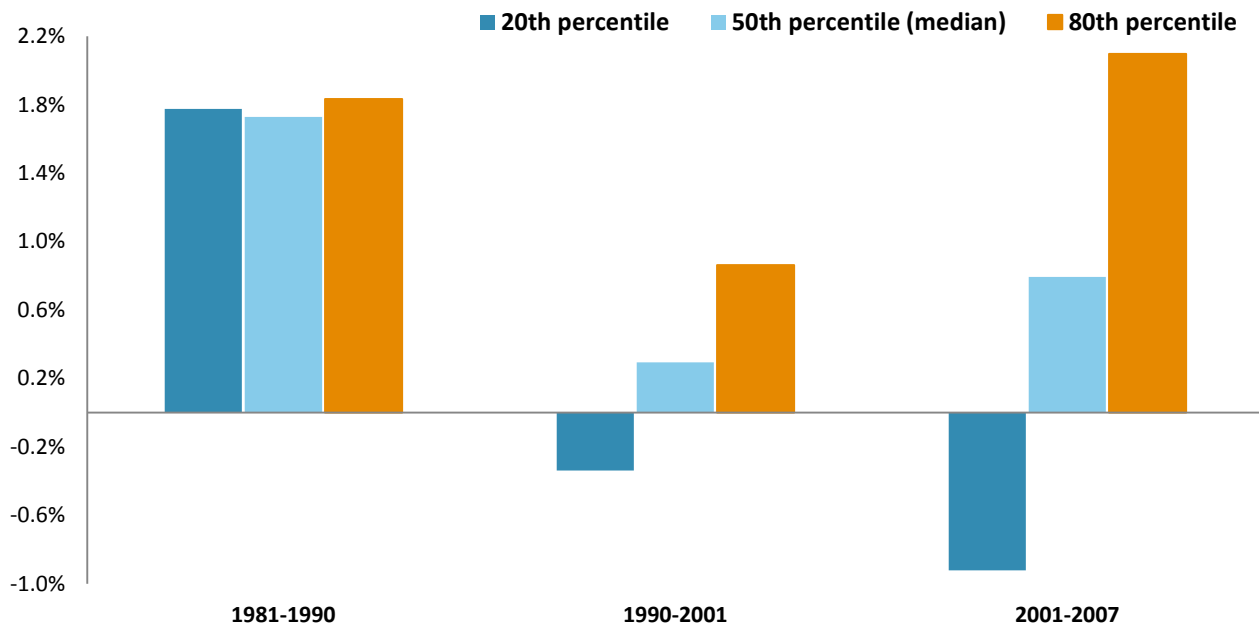


Source: Economic Policy Institute analysis of Current Population Survey data, values deflated using CPI-U

But while median wage earners may be better off in Massachusetts compared to other parts of the country, the experience among workers *within* Massachusetts has varied in recent years. During the 1980s, real hourly wages grew at roughly the same rate (about 1.8 percent a year) for workers at the 20th, 50th, and 80th percentiles. In the 1990s, however, real wages began to grow at very different rates for these groups. Growth in real wages for the top 20 percent of workers was robust, especially in the 2000s. Meanwhile, wages for the middle group grew at less than half the rate the higher earners experienced and wage earners at the 20th percentile saw a decline in real wages during most of the last two decades.

Real Wages Have Grown Faster for Higher Wage Earners in Recent Decades

Average Annual Change in Real Hourly Wages for Wage-Earning Groups in Massachusetts Over Recent Business Cycles

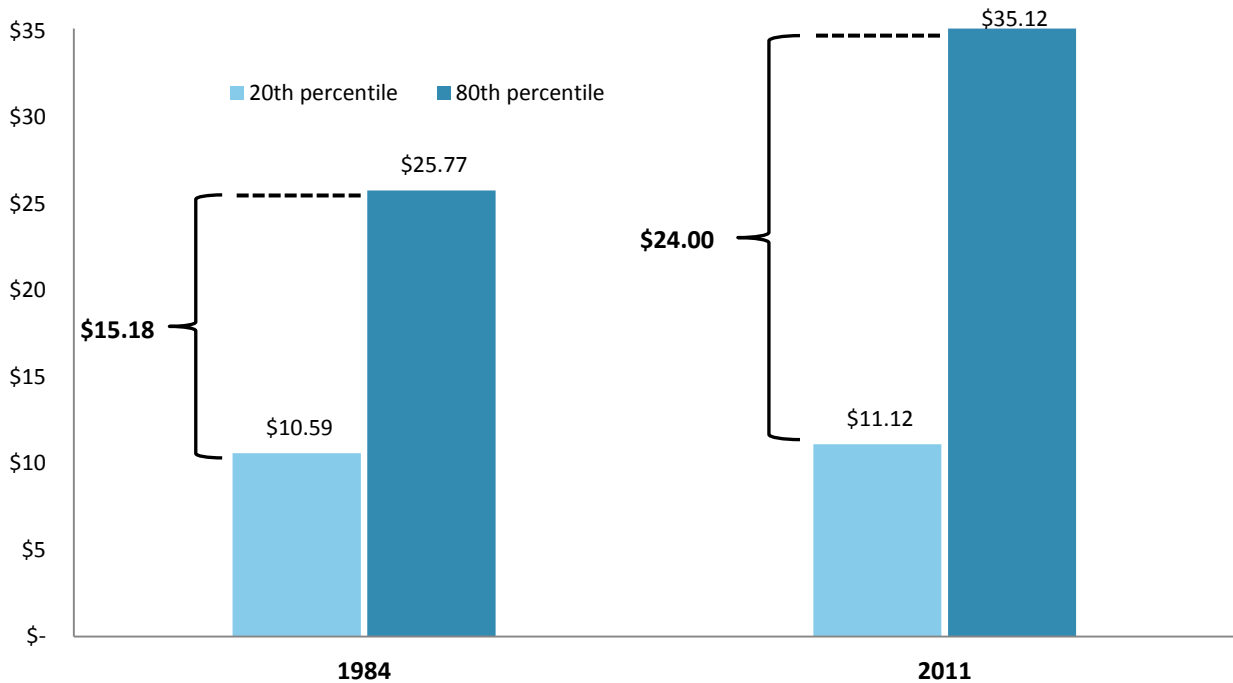


Source: Economic Policy Institute analysis of Current Population Survey data, deflated using CPI-U

The recent recession led to a drop in wages for all earning groups in Massachusetts, but the gap between hourly wages for high and low-income workers remains wide. Between 1984 and 2011 (in each case two years after the official end of a recession), this gap grew by nearly \$9.00, adjusted for inflation. While all wage earning groups saw declines in hourly wages over the last few years, the drop for lower-wage earners has been steeper, and thus the gap has continued to grow. If the trend of unequal wage growth resumes as the economy and wages begin to grow again, this gap will widen further.

The Gap Between High and Low Wage Earners Has Grown in Recent Decades

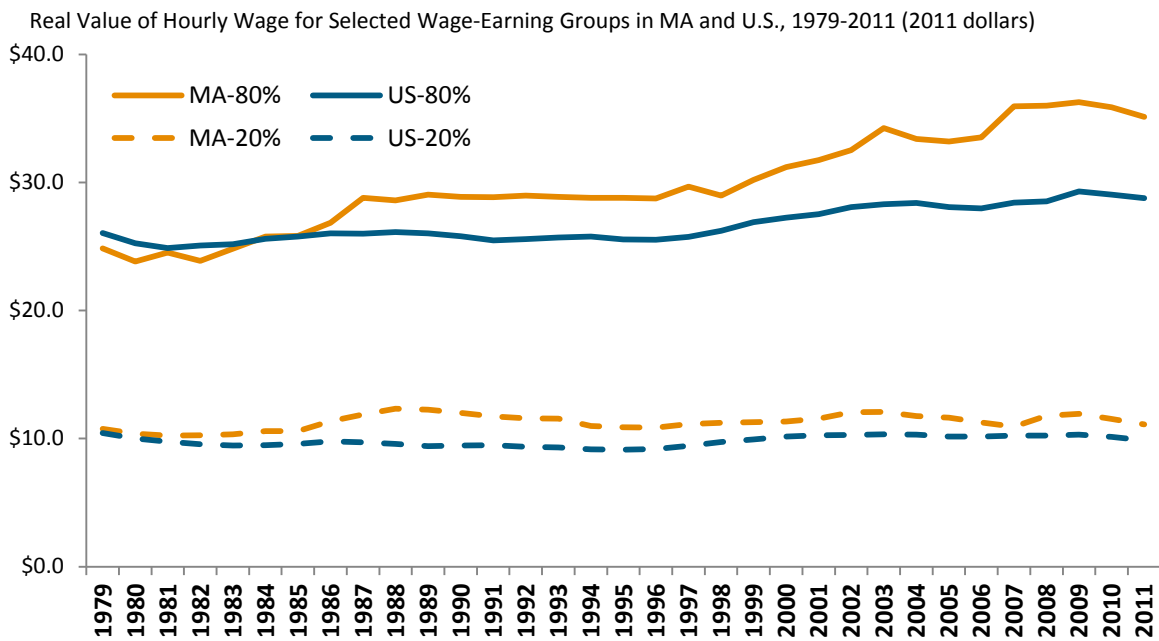
Real Hourly Wage for 20th and 80th Percentile of MA Wage Earners Two Years After the End of Recession



Source: Economic Policy Institute analysis of Current Population Survey data

Of course, inequality in wages and income has increased across the U.S., but the gap between high and low earners has widened more in Massachusetts. The figure below reflects the growth in hourly wages for the 20th and 80th percentiles of earners in both Massachusetts and across the U.S., and shows that the two groups have pulled further apart in Massachusetts than in the country as a whole. The Massachusetts gap narrowed somewhat during the recession, but remains wider than the U.S. average. The increase in wage inequality is largely the result of a lack of growth in wages at the bottom and suggests that many Massachusetts workers have not shared in the benefits of the state's economic growth in recent decades.

The Gap Between High and Low Wage Earners Has Grown Faster In Massachusetts



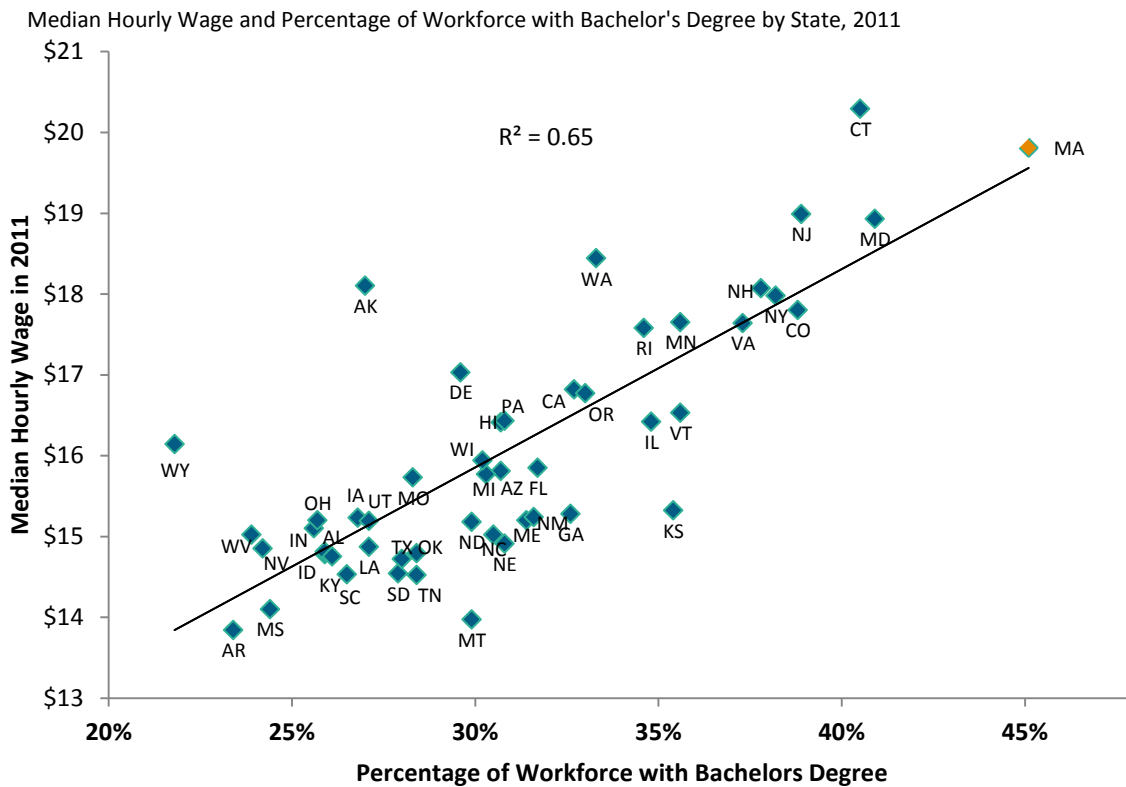
The Wage-Education Link

While a variety of factors affect wage levels, one likely explanation for Massachusetts' relatively higher median wage is the higher level of education among the state's workforce. Recent academic work has pointed to a connection between education and income and suggested that a state's high school and college attainment rates was an important factor in explaining its per capita income growth relative to other states between 1939 and 2004.⁶

This work is consistent with the experience in recent decades in Massachusetts. As the next two figures show, there was a strong correlation between education and jobs in 2011, while in 1979 the link between educational attainment and wage level was much weaker. The link persists, even though national data suggest that growth in wages for workers who have a Bachelor's degree but no advanced degree has been flat over the past decade. The change during this period is likely part of larger structural changes in the labor market – thirty years ago it was easier to find manufacturing jobs that paid relatively well even for people with lower levels of education; today many of these jobs have disappeared and higher-paying jobs tend to require a college degree.

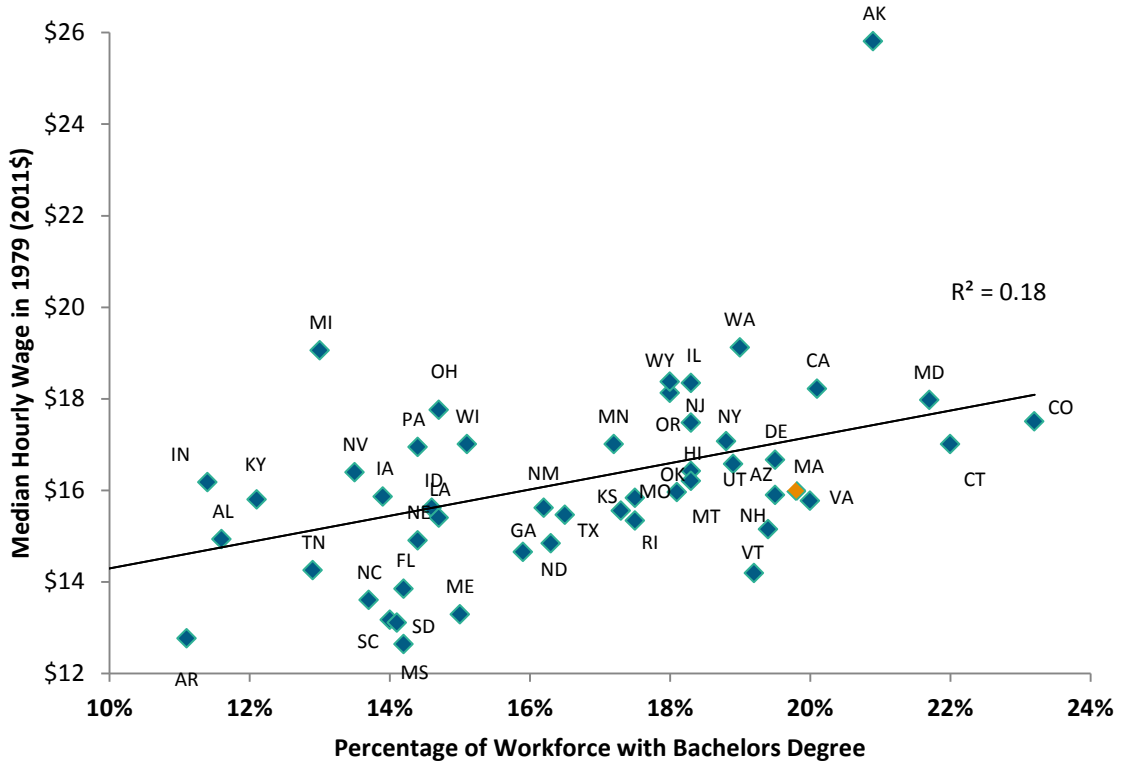
The charts below illustrate the changing relation between education and wages. Each diamond refers to a single state, and the trend line shows how strongly workforce education is correlated with median wages across states.

Stronger Correlation Between Education and Wages in 2011



Weaker Correlation Between Education and Wages in 1979

Median Hourly Wage and Percentage of Workforce with Bachelor's Degree by State, 1979

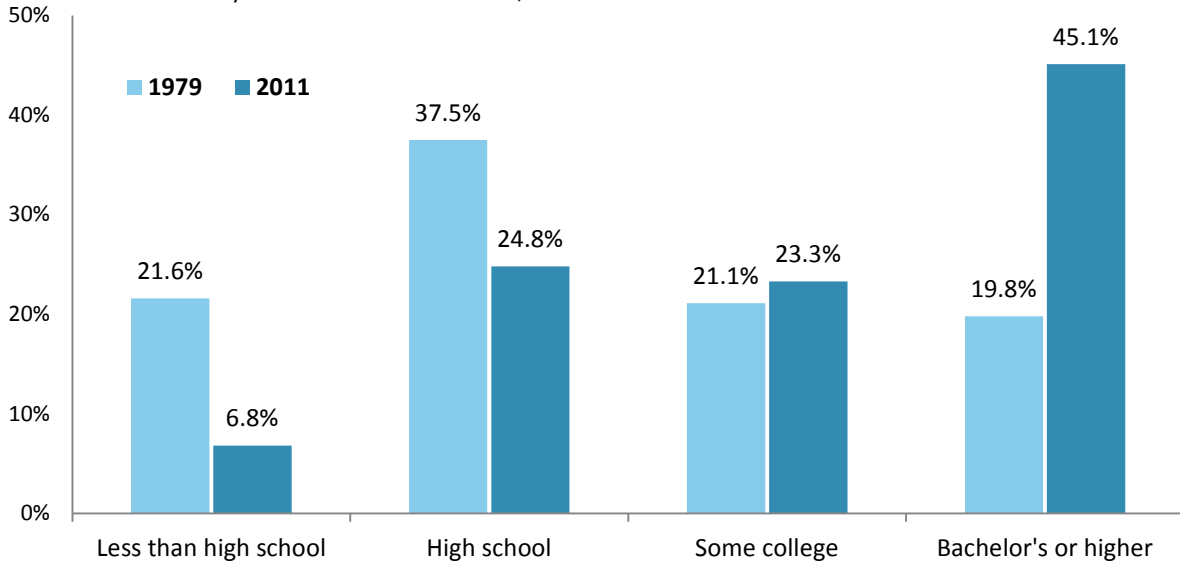


Source: Economic Policy Institute analysis of Current Population Survey data

In Massachusetts, the share of workers with a Bachelor's degree or higher has more than doubled over the past thirty years (see first figure, below). In fact, as the second figure below shows, Massachusetts now has the highest proportion of workers with a Bachelor's degree or higher of all U.S. states. Given the correlation between a state's educational attainment level and its median wage, it is not surprising that Massachusetts has high wage and income levels compared to many other states (see separate discussion of Massachusetts income in the following section).

The Proportion of Workers with a College Education Has Grown Since 1979

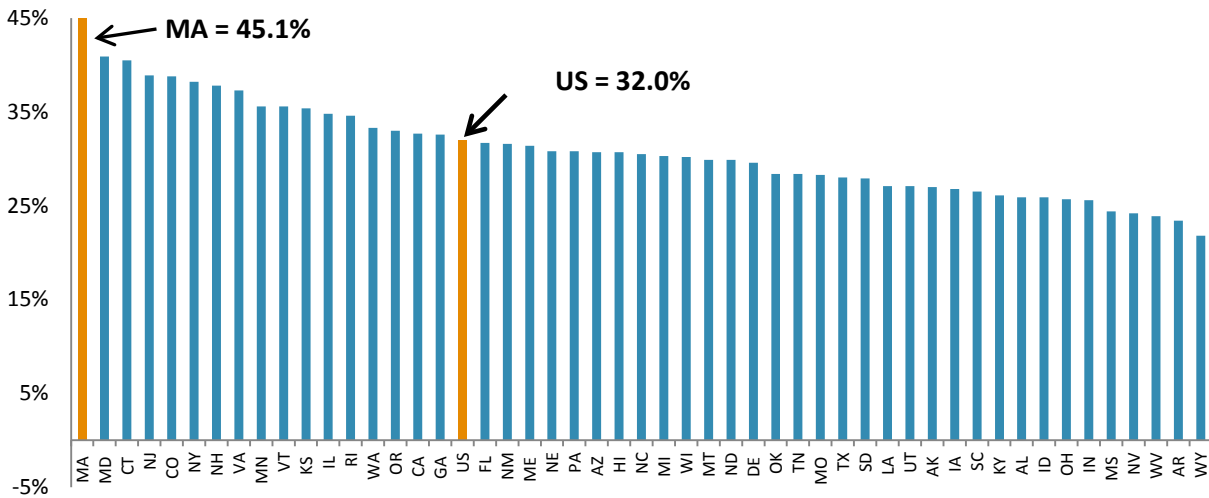
Share of Labor Force by Education in Massachusetts, 1979 and 2011



Source: Economic Policy Institute analysis of Current Population Survey data

Massachusetts Has the Largest Proportion of Workers with a Bachelor's Degree or Higher

Share of Labor Force with a Bachelor's Degree or Higher, by State (2011)

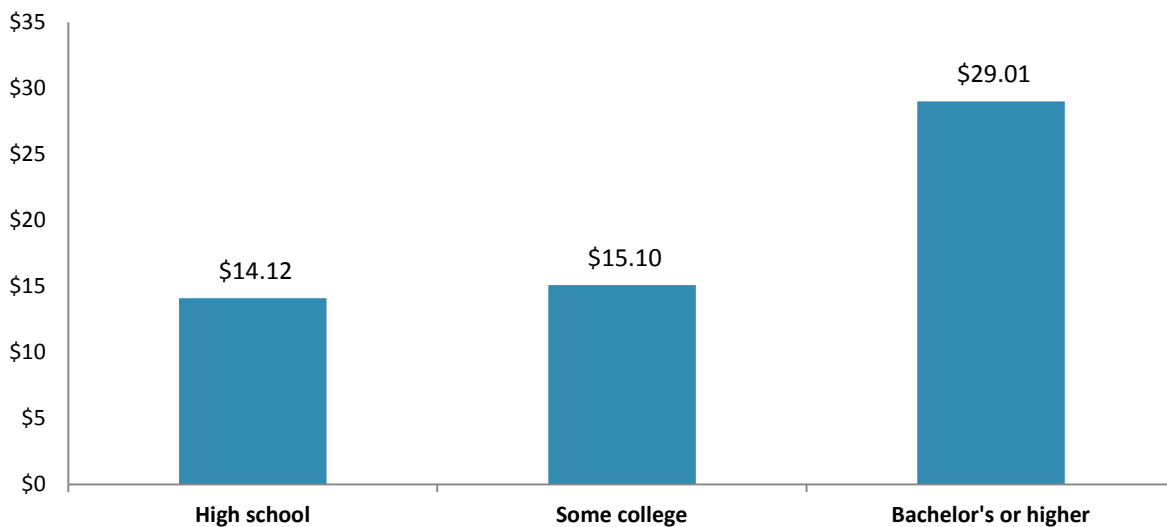


Source: Economic Policy Institute analysis of Current Population Survey data

In 2011, the median hourly wage for a Massachusetts worker with a Bachelor's degree or higher was more than twice as much as that for a worker with a high school degree (see first figure, below). This higher level follows three decades during which real hourly wages for workers with a Bachelor's degree or higher grew at an annual rate nearly one percentage point higher than inflation, while wages for those with some college education remained flat and workers with high school degrees saw a slight drop in real median wages (see second figure below). National data suggest, however, that during the 2000s wage growth slowed even for workers with a college degree, and that only those with an advanced degree saw any wage growth⁷

Median Wages for Those with a Bachelor's Degree or Higher Are Greater than Wages for Less-Educated Workers

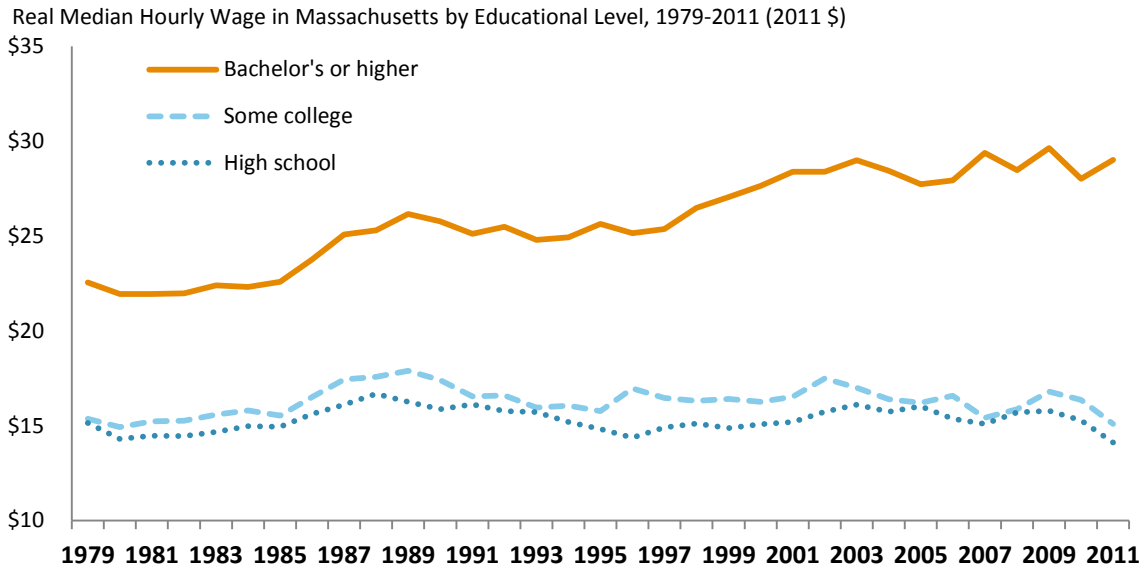
Median Hourly Wage in Massachusetts by Educational Level, 2011



Source: Economic Policy Institute analysis of Current Population Survey data

⁷ *The State of Working America*, Economic Policy Institute, 2012 (<http://stateofworkingamerica.org/fact-sheets/wages/>),

Real Wages Grew Faster for Workers with Higher Levels of Education



Source: Economic Policy Institute analysis of Current Population Survey data, values deflated using CPI-U

The Minimum Wage

The preceding discussion suggests that a high-quality educational system that ensures broad access to college and university training is an important tool for helping workers move to higher-paying jobs. Indeed, it is likely that our highly educated workforce helps attract high-wage employers to Massachusetts. It is also the case, however, that some jobs do not require a higher degree. In the past, federal and state requirements for a minimum wage have helped raise the salary floor for such jobs. In Massachusetts close to 130,000 workers earn hourly wages that are at or near the minimum wage of \$8.00 (this total includes workers earning up to \$8.25 per hour), and thousands more earn wages slightly above that level. Raising the Massachusetts minimum wage to \$10 per hour would lead to pay increases for about one in five Massachusetts workers (for more details on who would be affected, see <http://www.massbudget.org/827>).

A majority of workers earning at or near the minimum wage – 63 percent – are 20 years or older and already have a high school degree. Two-thirds of minimum wage earners work at least 20 hours per week and one-third work full time. Minimum wage workers are concentrated in a few industries – in fact 60 percent work in either the Retail or Leisure and Hospitality industries.

Minimum Wage Earners Are Heavily Concentrated in the Retail and Leisure & Hospitality Industries



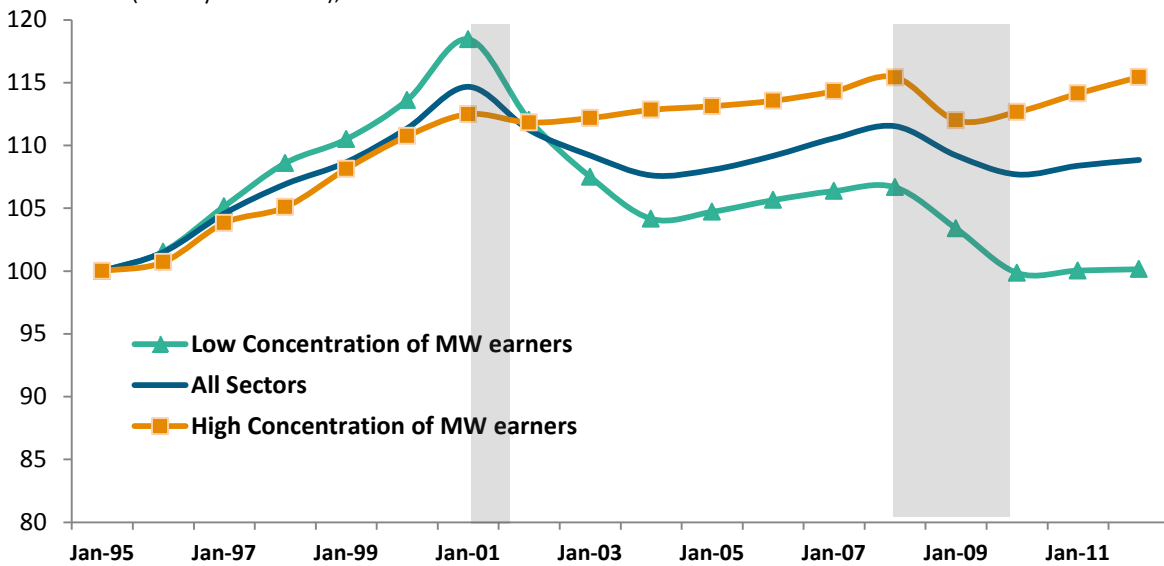
Source: Economic Policy Institute analysis of 2011 Current Population Survey data

Data on changes in the number of jobs in Massachusetts show that recent increases in the Massachusetts minimum wage have not resulted in job loss in industry sectors in which minimum wage earners typically work. Since 1996 Massachusetts has implemented three sets of increases to the state minimum wage (in 1996-1997, 2000-01, and 2007-08). Two of these sets of increases (2000-01 and 2007-08) were implemented right before or during the start of a recession that resulted in job loss for all sectors.

However, job growth in low wage sectors has tended to recover more quickly and has been positive over the entire period, in contrast to growth in sectors, such as manufacturing, with low concentrations of minimum wage earners. A recent report that looks at national data on low-wage workers shows that the majority of minimum and low-wage workers are employed by large businesses, most of which have recovered from the financial crisis and have higher revenues than before the recession.⁸

Minimum Wage Increases Have Not Been Followed by Job Loss in Massachusetts

Index of change in employment level by industry type as of each January, 1995-2012 (January 1995 = 100); shaded areas denote recession



Source: Economic Policy Institute Analysis of Current Employment Statistics survey data. High concentration industries include Retail Trade, Leisure and Hospitality and Other Services; Low concentration industries include Manufacturing, Construction, Transportation & Utilities, Information, Financial Activities, Professional & Business Svs, and Government

⁸ See "Big Business, Corporate Profits, and the Minimum Wage", National Employment Law Project Data Brief, July, 2012 (<http://www.nelp.org/page/-/rtmw/NELP-Big-Business-Corporate-Profits-Minimum-Wage.pdf?nocdn=1>).

Minimum wage standards tend to benefit other low-income workers who earn wages above the minimum wage. This is so because labor contracts may tie wages to the value of the minimum wage or the overall wage structure of an employer may shift upward when the minimum wage increases. This phenomenon can be seen in the last decade in Massachusetts. Increases in the required state minimum wage from \$5.25 per hour to \$6.00 per hour in 2000 and \$6.75 in 2001 (\$7.84 and \$8.57 in real 2011 dollars) were followed by increases in the average real hourly wage for workers at the 20th percentile in subsequent years (from \$11.33 to \$11.56 in 2001 and to \$12.07 in 2002); a similar pattern followed statutory increases in 2007 and 2008.

Wage Increases for Other Low-Wage Earners Have Followed Minimum Wage Increases

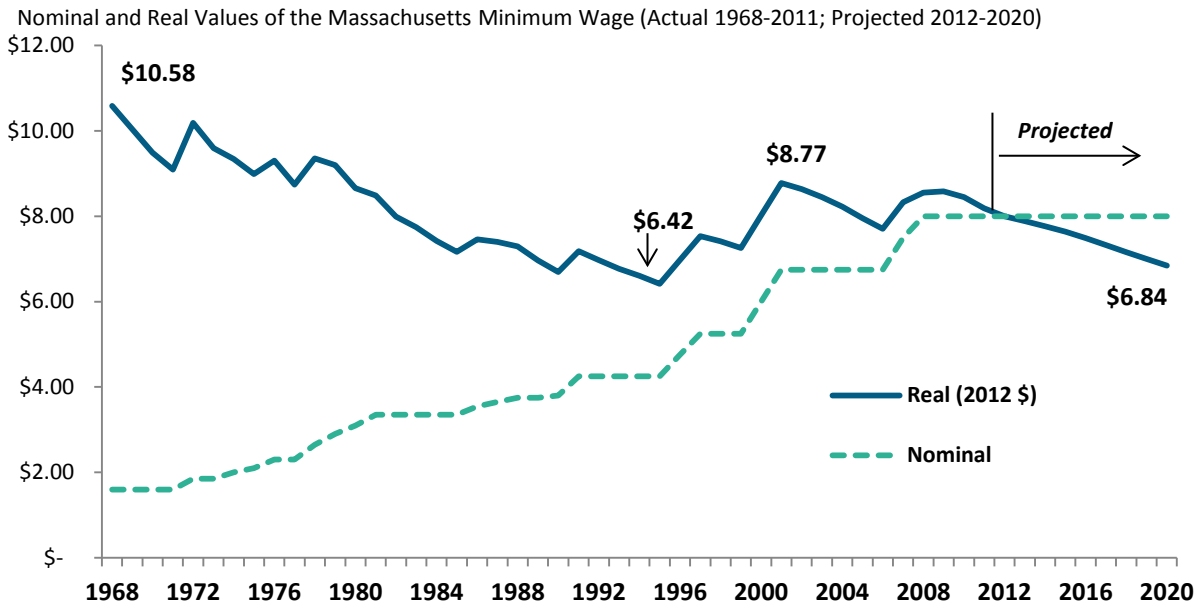
Real Value of the MA Minimum Wage and Median Hourly Wage for 20th Percentile of Wage Earners (2011 Dollars)



Source: Department of Labor; Economic Policy Institute Analysis of Current Population Survey data (deflated using the CPI-U)

Over the past forty years the value of the minimum wage has been eroded by inflation. A minimum wage earner working full time in Massachusetts will earn about \$16,000 this year, higher than the poverty threshold for an individual (a little over \$11,700 in 2011), but lower than the threshold for a family of three (around \$18,000). That same worker would have earned about \$21,160 back in 1968 (measured in real, inflation-adjusted dollars).

The Real Value of the Minimum Wage Has Dropped 24 Percent Since 1968



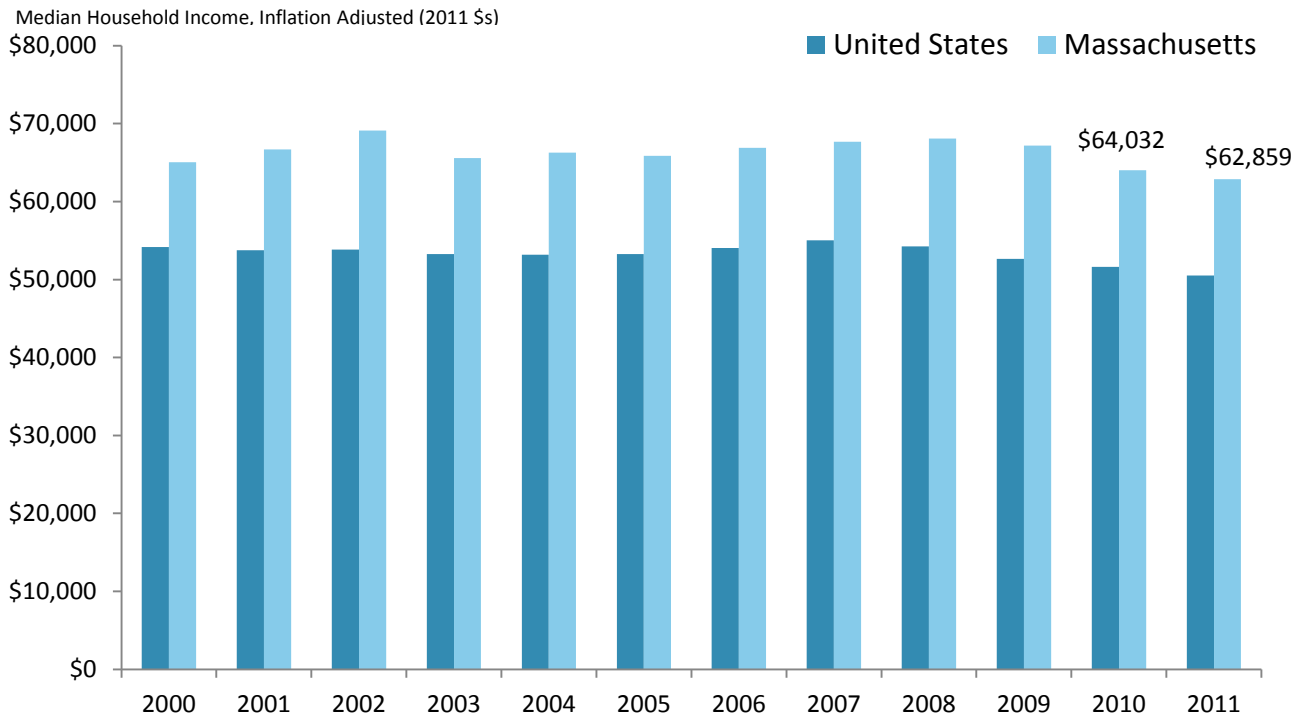
Source: U.S. Department of Labor; Bureau of Labor Statistics. Real value calculated using the Consumer Price Index for all Urban Consumers (CPI-U); 2012-2020 values based on Congressional Budget Office projections for the CPI-U.

Income

As noted in the preceding discussion of wages, for the majority of lower and middle income workers, hourly wages are the principal source of these workers' annual household income. While *wage* data allows us to gauge how well workers are being compensated on an hourly basis, we must turn to data on *income* in order to understand how workers are faring in terms of changes in their total annual purchasing power. At both the national and state levels, the data show that incomes for average working households have not fared well during the current economic downturn and weak recovery.

Data from the U.S. Census Bureau's annual American Community Survey (ACS) show that median household income in Massachusetts fell to \$62,859 in 2011. This is a statistically significant decline of \$1,108 or 1.7 percent from the 2010 level of \$63,967 (adjusted to 2011 dollars). For the U.S. as a whole, the ACS data show median household income stood at \$50,502 in 2011, a statistically significant decline of \$642 or 1.3 percent from the 2010 level. Since 2007 (in the final month of which, the nation officially fell into recession), median household income in Massachusetts dropped an inflation-adjusted \$3,509 or 5.4 percent. During the same period, U.S. median household income fell \$4,655 or 6.9 percent. [For a discussion of the differences between the American Community Survey and the Current Population Survey, please see the "Methodological Notes" section at the end of this report.]

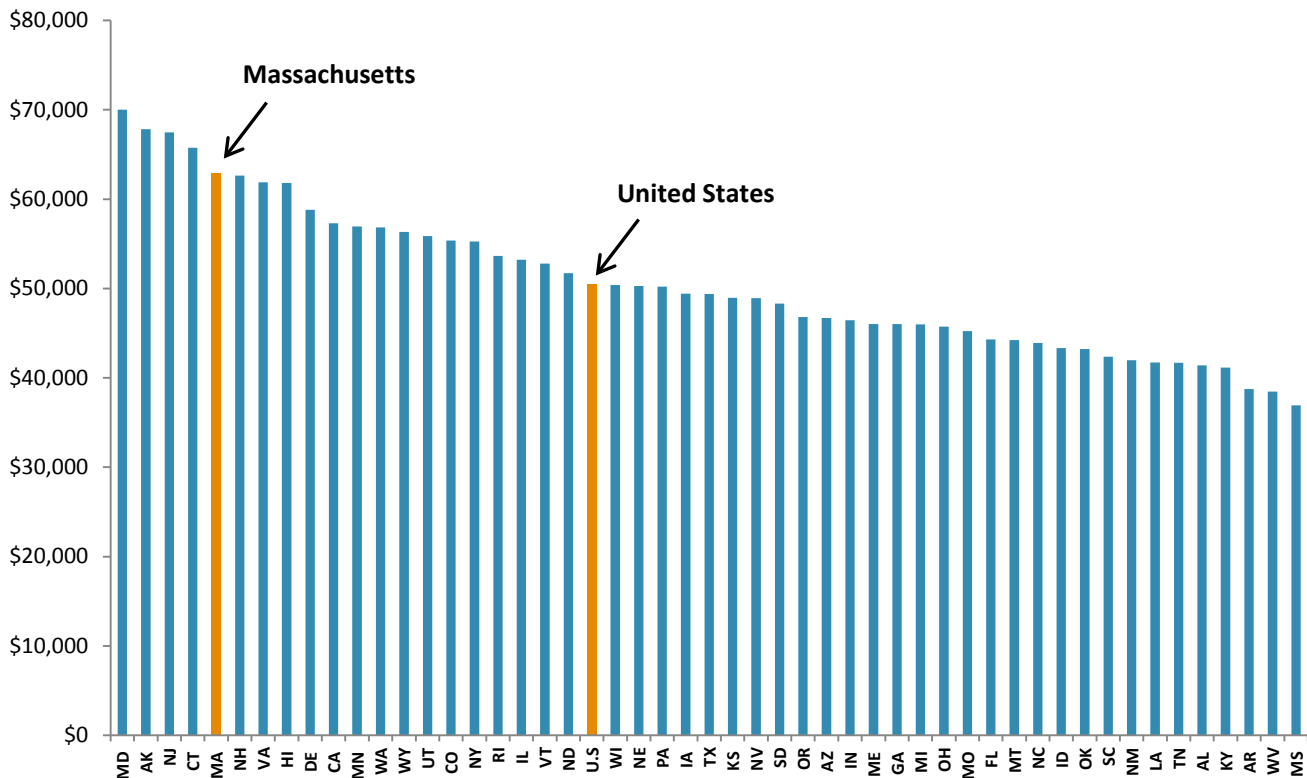
Median Household Income Fell in Massachusetts and The U.S, 2010-2011



Source: U.S. Census, American Community Survey

Despite the drop, Massachusetts's 2011 median household income continued to compare favorably to those of other states, remaining among the highest in the nation. As discussed elsewhere in this report, hourly wages (and therefore the resulting annual incomes which we are discussing here) are directly linked to educational attainment, an area in which the Massachusetts labor force has a substantial advantage over other states. The comparative strength of Massachusetts' median *incomes* (relative to median incomes in other states) is closely related to the high levels of education seen in Massachusetts' workforce.

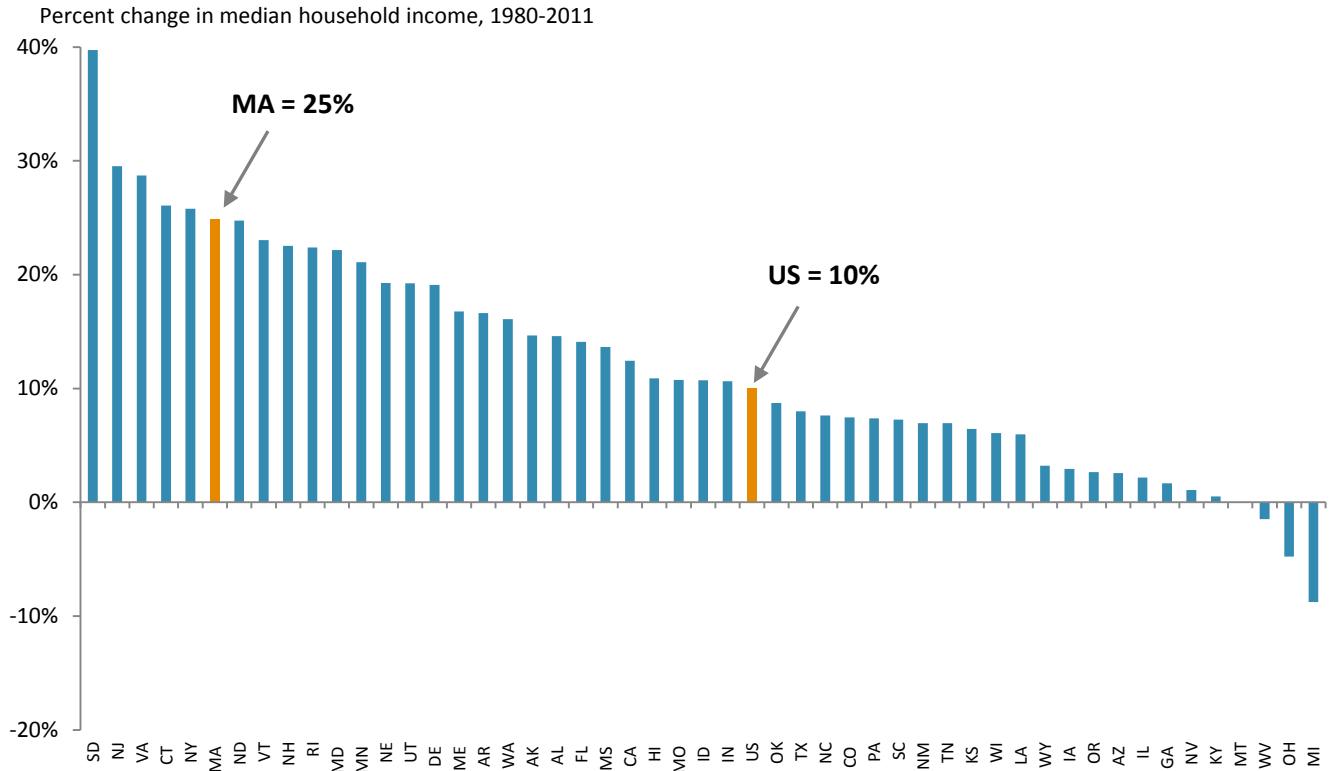
Massachusetts Median Household Income Among the Highest in U.S., 2011



Source: U.S. Census, 2011 American Community Survey

Not only is median household income higher in Massachusetts than in most other states, over the past three decades Massachusetts has seen among the highest percent increases in median household income in the nation. Between 1980 and 2011, median household income in Massachusetts increased by 25 percent (adjusted for inflation). By comparison, the national median household income increased 10 percent during this period.

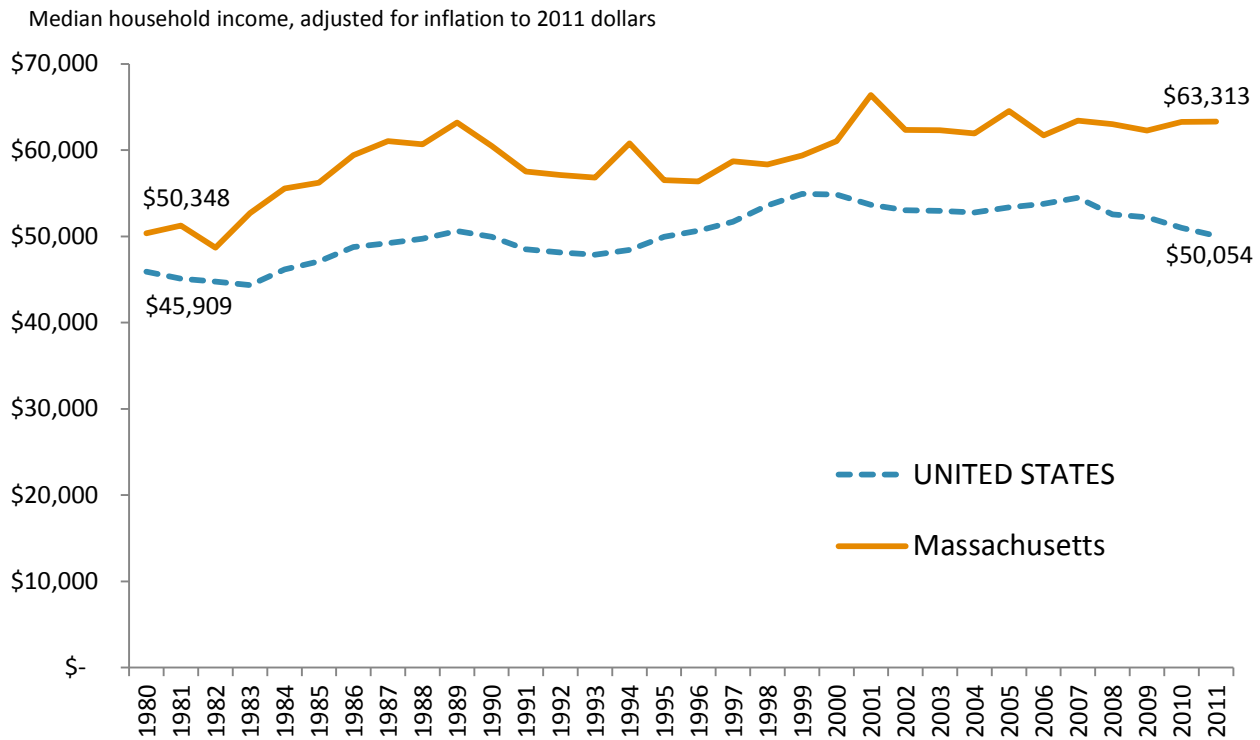
Massachusetts' Change in Median Household Income Among Top Ten in Nation, 1980-2011



Sources: Economic Policy Institute analysis of CPS data. Adjusted for inflation using CPI-U-RS.

As is true of hourly wages (discussed earlier in this report), median household *annual income* for Massachusetts began to diverge markedly from the U.S. average back in the late 1970s and early 1980s. In 1980, the Massachusetts median household income was \$50,348, which was modestly higher than the national median household income of \$45,909 (1980 figures are adjusted for inflation to 2011 dollars). Since then, median income in Massachusetts has grown at an average annual rate of about three-quarters of a percent, while for the U.S., median income has grown less than half as quickly, at a rate slightly below 0.3 percent. As a result, by 2011 the Massachusetts median household income of \$63,313 was \$13,259 (or more than 25 percent) higher than the national median household income of \$50,054.⁹

Growth in Massachusetts Median Household Income Exceeds U.S., 1980-2011



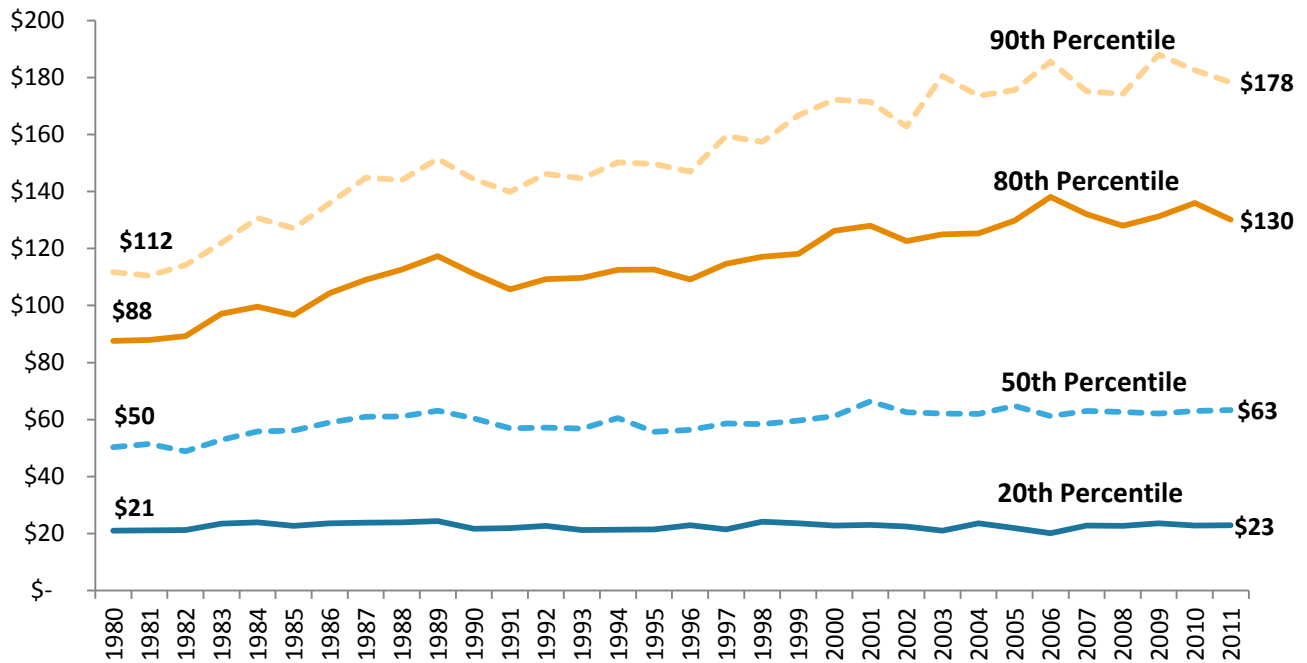
Sources: 1979-1983 data from Economic Policy Institute analysis of CPS. 1984-2011 from Census. Adjusted for inflation using CPI-U-RS.

⁹ The median household income figures presented here are derived from U.S. Census Current Population Survey data and therefore differ somewhat from the median household income figures provided in the preceding discussion, which drew upon American Community Survey data. For a more detailed discussion of the differences between these two data sets, please see the "Methodological Notes" section at the end of this report.

The data showing an increase in median household income in Massachusetts over the last three decades, however, do not reveal important differences among households at different income levels. In 1980, the difference in income between Massachusetts households with high incomes (families in the 90th percentile of all incomes) and those with lower incomes was much smaller than it is today. Thirty years ago, households in the 90th percentile (i.e., those families whose incomes were *higher* than 89 percent of other Massachusetts families) had median incomes about five times larger than the median incomes of households in the 20th percentile (i.e., those families whose incomes were *lower* than 80 percent of other Massachusetts families). By 2011, these higher income households had median incomes that were eight times higher than the median incomes of households in the 20th percentile.¹⁰

Growth in Income Has Been Much Weaker for Low-Income Massachusetts Households Than for Others

Change in median MA household incomes by income group, inflation-adjusted to 2011 dollars (in thousands)

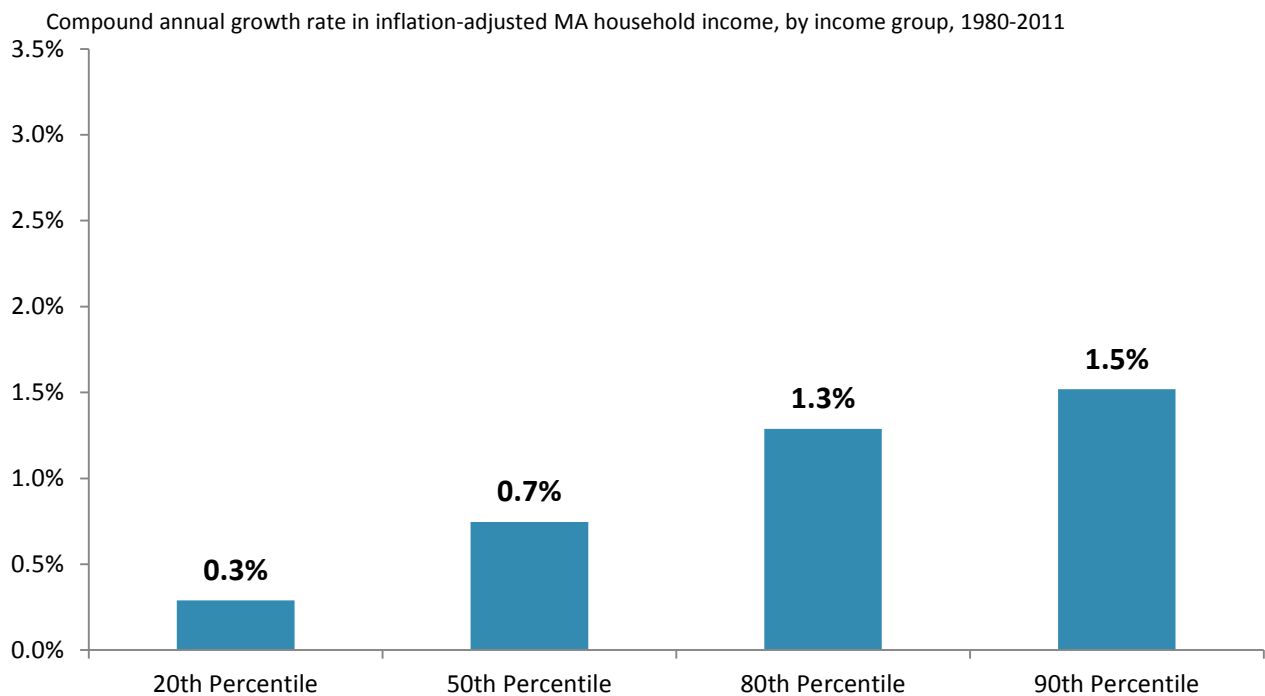


Source: EPI Analysis of March CPS, 1980-2011

¹⁰ The median household income figures presented here are derived from U.S. Census Current Population Survey data and therefore differ somewhat from the median household income figures provided in the preceding discussion, which drew upon American Community Survey data. For a more detailed discussion of the differences between these two data sets, please see the "Methodological Notes" section at the end of this report.

Looking at the differences in the *rate of growth* of median household incomes tells the same story in clearer terms. From 1980-2011, low-income Massachusetts households (those in the 20th percentile) saw an average income gain of just 0.3 percent each year over that full thirty-one year span, adjusted for inflation.¹¹ Households in the 50th percentile (i.e., those households in the very middle of the income distribution, with half of all households making more and half making less than they do) saw their incomes rise by 0.7 percent each year over the same period.¹² By contrast, households in the 90th percentile saw their inflation-adjusted incomes grow by 1.5 percent each year, or five times faster than the rate of income growth experienced by low-income Massachusetts households.

Annual Growth in Incomes of Low and Moderate-Income MA Households Has Been Slower than That of Higher-Income Households, 1980-2011



Source: EPI analysis of March CPS, 1980-2011.

¹¹ Specifically, this statistic compares the incomes of those households that were in the 20th percentile in 1980 with the incomes of those households that were in the 20th percentile in 2010 (adjusted for inflation). It does not track the same set of households over that 31-year period. It therefore is not necessarily the case that the *same* households were included in that 20th percentile in both years.

¹² The median household income figures under analysis here are derived from U.S. Census Current Population Survey data and therefore differ somewhat from the median household income figures provided in the earlier income discussion, which drew upon American Community Survey data. For a more detailed discussion of the differences between these two data sets, please see the "Methodological Notes" section at the end of this report.

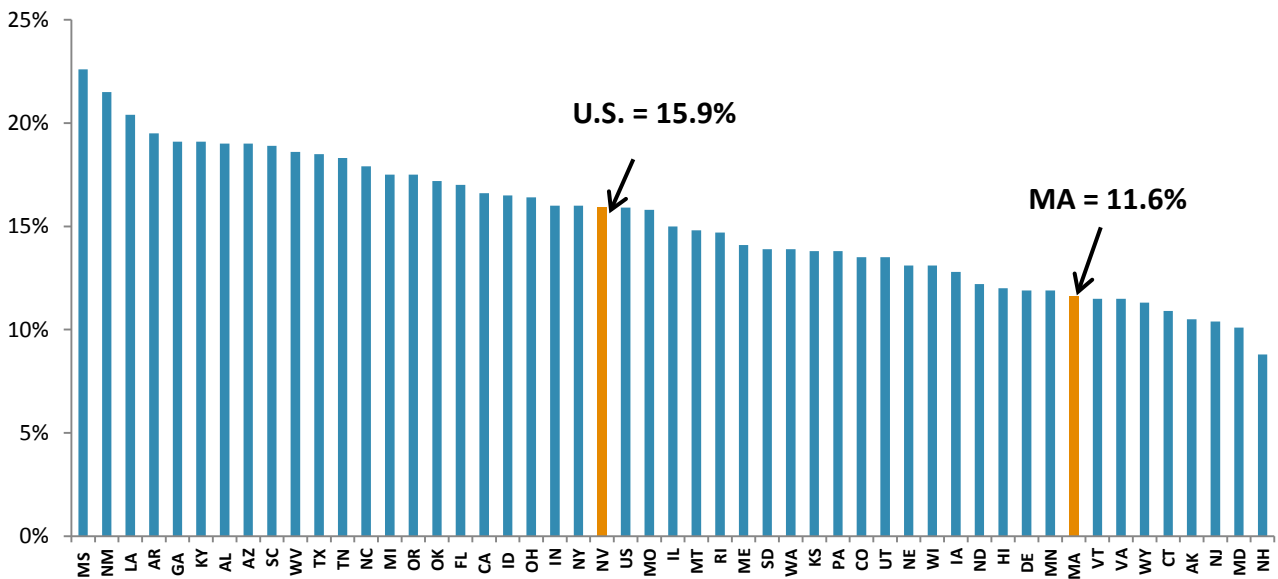
Poverty

The poverty rate measures the percentage of people who live in households with cash income below a certain level, known as the poverty threshold (cash income includes wages, social security, and unemployment benefits, but excludes non-cash benefits, such as food stamps and the effect of tax payments and credits received.) For 2011, the poverty threshold was about \$11,700 for a single person under the age of 65 and about \$22,800 for a family of four (thresholds for individuals and couples over the age of 65 are somewhat lower).

In 2011, Massachusetts was among the twelve states with the lowest poverty rates in the country (due to sample size, it is not possible to establish a more precise rank order). The Massachusetts poverty rate was 11.6 percent, about four percentage points lower than the U.S. average of 15.9 percent (for a discussion of how the rate changes under the census bureau's new supplemental poverty measure, see the end of this section).

Massachusetts Ranks Among the States with the Lowest Poverty Rates in the U.S.

Percent of People Below Poverty Level, by State, 2011*



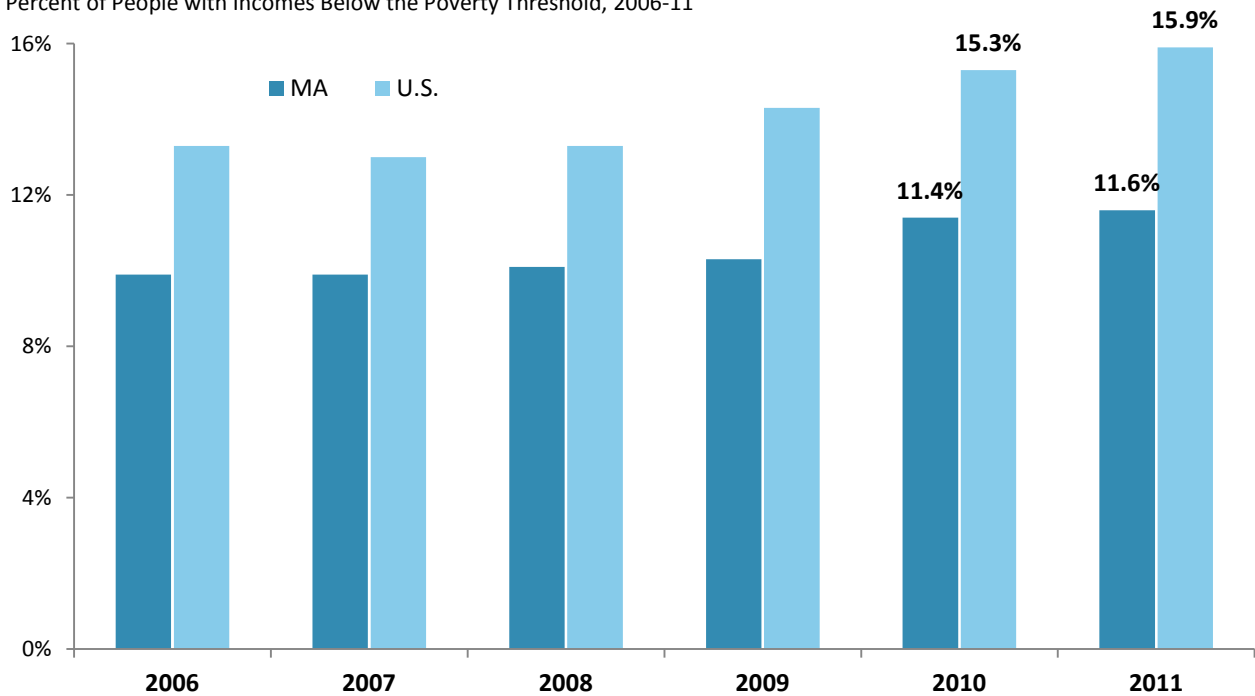
Source: U.S. Census Bureau, 2011 American Community Survey

*Due to size of the margin of error for some state poverty rates, precise ranking is not possible. Massachusetts falls among the 12 states with the lowest poverty levels.

While Massachusetts compares favorably with much of the rest of the U.S., we saw in preceding sections that wages and income have either stagnated or dropped at the lower end of the economic spectrum and thus it is not surprising that poverty has increased in recent years. After remaining relatively stable for four years, the poverty rate in Massachusetts showed a statistically significant increase in 2010, and remained level in 2011 (the 0.2 percentage point increase was not statistically significant). This means that between 715,000 and 762,000 people had incomes below the official poverty threshold in Massachusetts in 2010. Around 38 percent of adults aged 18-64 who were in poverty in 2011 worked either full or part time.

The Massachusetts Poverty Rate Remained Level in 2011 as the U.S. Rate Rose

Percent of People with Incomes Below the Poverty Threshold, 2006-11

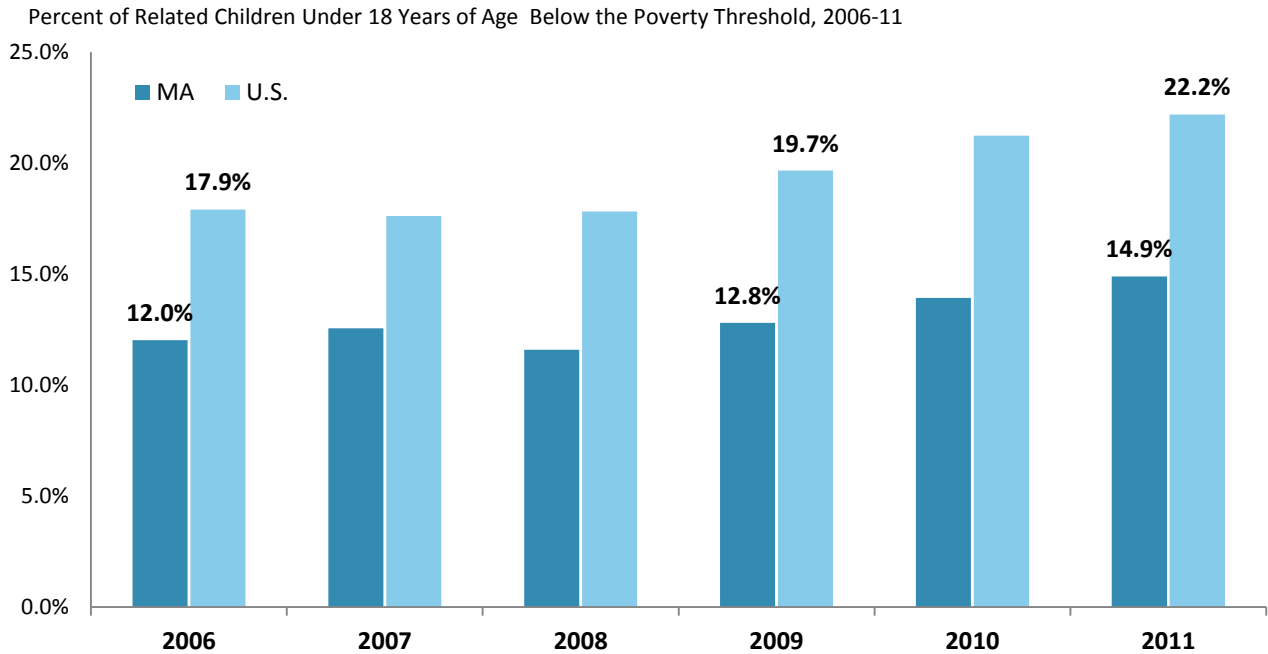


Source: U.S. Census Bureau, American Community Survey

One out of every seven Massachusetts children lived in poverty in 2011. Since 2006, before the start of the Great Recession, the rate of children living in poverty in Massachusetts has risen by nearly three percentage points, and it has risen by 2.1 percentage points since 2009, the year in which the recession officially ended.

Nationwide, more than one of every five children lives in poverty.

Poverty Among Children is Rising in Massachusetts and the U.S.

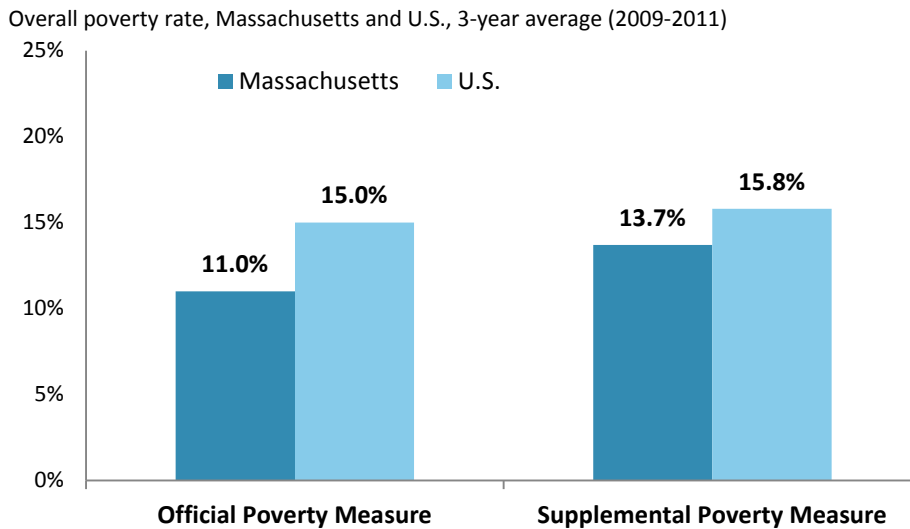


Source: U.S. Census, 2011 American Community Survey

In recent years the Census Bureau has begun to calculate a second measure of poverty, the Supplemental Poverty Measure (SPM). Unlike the official poverty measure, the SPM takes into account the cost of housing and other necessities, such as utilities. It also accounts for taxes – including tax credits such as the Earned Income Tax Credit (EITC) – and the value of non-cash benefits such as Supplemental Nutrition Assistance Program (SNAP) benefits. When measured using the SPM, Massachusetts' poverty rate rises closer to the overall U.S. rate, and Massachusetts ranks near the middle of states rather than at the low end, as under the official measure. The higher rate of poverty under the SPM is likely due in part to higher costs for housing and other living expenses in Massachusetts. At the same time, a preliminary analysis of the new data shows that in Massachusetts approximately 144,000 people on average were kept above the poverty line each year from 2009 to 2011 through a combination of the EITC and the Child Tax credit. About 99,000 were kept out of poverty by Unemployment Insurance benefits.¹³

For details on the SPM see Appendix A. Note the SPM state poverty rates are based on a 3-year average of Current Population Survey data and thus vary somewhat from the rates described earlier in this section, which are based on 1-year of American Community Survey data.

Massachusetts Had a Higher Poverty Rate Under the Supplemental Poverty Measure



Source: U.S. Census Bureau, The Research Supplemental Poverty Measure: 2011 (Current Population Reports, November 2012)

¹³ Unpublished analysis of Census SPM data by the Center on Budget and Policy Priorities (Washington, DC).

Appendix A: Poverty and the Role of Social Programs

The Supplemental Poverty Measure

The official poverty measure produced by the U.S. Census Bureau has limits. It uses a poverty threshold – the level against which household incomes are measured – that is based on the cost of food in 1963 (multiplied by three and adjusted for inflation) and does not account for housing or costs related to employment (such as child care and transportation). It counts only cash income and thus does not account for the effect of income transfer programs, such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps). It also measures income on a pre-tax basis, and thus does not reflect income, payroll and other taxes paid or tax credits, such as the Earned Income Tax Credit (EITC), received.

Recently the Census Bureau has begun to publish a Supplemental Poverty Measure (SPM) based on a set of calculations that incorporates additional components such as those noted above. The SPM calculates income using a wider definition of resources that includes non-cash benefits like SNAP, as well as other resources such as housing subsidies, reflects tax payments and credits, and subtracts out-of-pocket medical and employment-related costs. It measures this income against a threshold that uses current data on consumer expenditures on food, clothing, shelter and utilities, and that varies depending on whether a household rents or owns its home, and whether or not it has a mortgage on a home that is owned. Under the SPM, the 2011 U.S. poverty rate is higher than under the official measure, 16.1 percent compared to 15.1 percent.¹⁴

Shifts in the Poverty Rate Using the SPM

The increase in the poverty rate under the SPM does not simply reflect a higher number of people in poverty. Rather, the use of new criteria to set the poverty threshold and measure income leads to a shift in the demographic composition of those in poverty, as people who were previously counted as poor are now above the threshold and others who were not considered poor fall below the threshold. For example, under the SPM the number of children in poverty across the U.S. drops from 22.3 percent to 18.1 percent, while poverty rates among adults and the elderly rise. These shifts reflect the fact that the official poverty measure does not account for the EITC and Child Tax Credit (which tend to lift households with children out of poverty), and also does not account for medical out-of-pocket costs (which tend to be higher for adults, particularly those over 65).

The Census Bureau has provided data for 2011 showing how the poverty rate changes when certain components of the SPM calculation are excluded. This information allows us to better understand the role of social programs in reducing poverty. For instance, when refundable tax credits such as the EITC and the Child Tax Credit are excluded from the SPM measure, the number of people in poverty rises by over 8 million, while about 4.5 million people are counted as poor when SNAP benefits are not included in the SPM. To put it another way, the EITC lifts about 8 million people out of poverty, and SNAP benefits raise 4.5 million people above the poverty threshold. The 2011 SPM release marks the first year in which state-level data are available (due to sample size, the Census Bureau provides only three-year average estimates for state-level poverty rates). An initial analysis based on this newly-available data is provided in the Poverty section above.

¹⁴ For a description of the official poverty measure and a description of differences between it and the new Supplemental Poverty Measure, see Short, Kathleen. "The Research Supplemental Poverty Measure: 2011 (U.S. Census Bureau, November 2012).

Appendix B: Methodological Notes

CPS vs. ACS Data

Data on income, wages and poverty (among other information) are collected by the U.S. Census Bureau using two different annual surveys, the Current Population Survey (CPS) and the American Community Survey. Due to the large number of households that are surveyed annually by the U.S. Census Bureau for the ACS, this survey provides the most accurate data on state-level measures such as median household income. The Census Bureau, however, first began collecting data using the ACS in 2000, meaning that ACS data exist only for the last ten years. To examine changes over longer periods of time, the best data available come from the Census Bureau's Current Population Survey (CPS) which provides data running back to the 1940s.

Because the data from the ACS and the CPS are collected using different methodologies, there are differences in the results from the two surveys; estimates of various measures (such as median household income or poverty rate, for example) may not agree perfectly between the two surveys. These discrepancies can be observed in some of the charts and discussion presented in this report.

Like most researchers, for recent state-level data we rely on the ACS, while for analyses of historical trends, we rely on data from the CPS.

Statistical Significance

The ACS data come from surveys of a random sample of households and thus one cannot be certain that the estimate produced by the sample reflects the actual rate for the entire population. Results will vary from one sample to another to a certain extent, 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 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 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](#).