

# THE MEASURE OF AMERICA

AMERICAN HUMAN DEVELOPMENT REPORT 2008-2009

For Immediate Release: July 16, 2008

## AMERICAN HUMAN DEVELOPMENT INDEX: INCOME AND STANDARD OF LIVING

### A Decent Standard of Living

Income enables valuable options and alternatives, and its absence can restrict access to many opportunities. Income is a means to a host of critical ends, including a decent education, a safe, clean living environment, security in illness and old age, dignity and societal respect, and a say in the decisions that affect one's life.

The United States experienced large drops in income poverty from the postwar period to the early 1970s as a result of overall post-WWII economic growth and policies like Social Security, the GI Bill, and Medicare. But since then, headway against poverty has slowed and the earnings of average Americans have stagnated. Today, job security and many benefits have eroded for all but the wealthiest Americans.

Despite a massive social and economic transformation from two-parent families with one-earner to two-earner and single-parent families, social institutions have not significantly adjusted to the "new normal" of both mothers and fathers in the workforce.

### American Human Development Index and Standard of Living

The American HD Index uses *earnings* as a proxy for standard of living. Median earnings of the population sixteen years and older was chosen because it is the only income measure currently available from the U.S. Census Bureau for all the groupings used in this report.

Median earnings include income from full- and part-time workers generated by labor such as salaries and wages. It does not include income from interest, dividends, rental income, Social Security income, and public assistance. Data come from the 2005 American Community Survey of the U.S. Census Bureau.

Overall median earnings in the United States for 2005 were \$27,299

### Measuring Poverty

The official measure for determining minimum income levels necessary for an adequate standard of living is published every year by the Census Bureau. The poverty thresholds, as they are formally called, determine the number of people each year who are officially considered "poor."

The formula for calculating this poverty threshold was developed in the 1960s. It has a number of serious shortcomings, which hamper the ability of public and private actors to develop lasting solutions to poverty. The current poverty measure reflects the consumption patterns of American families forty-five years ago; it does not include noncash benefits such as food stamps or tax liabilities; and it does not account for today's essential costs of working, such as child care and transportation. As a result, the current poverty threshold fails to address the reality of "near-poor," low-income, and moderate-income families.

In order to respond to the inadequacy of this measure, countless task forces, committees and researchers have made proposals and many groups have developed alternative ways of determining what constitutes enough income to maintain an adequate standard of living. This Report advocates urgent action be taken, drawing on recent research, to revise the federal poverty measure in favor of one that offers a far more realistic picture of what is needed for a safe and decent standard of living in America today.

## **Geographic Rankings**

The highest median earnings can be found in the Northeast (\$31,037), followed by the West, Midwest and lastly, the South (\$25,865).

The top five ranked states on the income index are, in order, Washington, DC (median earnings of \$36,948), New Jersey (median earnings of \$35,468), Connecticut (median earnings of \$35,387), Maryland (median earnings of \$35,144), and Massachusetts (median earnings of \$33,544).

The bottom five ranked states are New Mexico (median earnings of \$22,131), Arkansas (median earnings of \$22,122), Mississippi (median earnings of \$22,042), Idaho (median earnings of \$21,888), and Montana (median earnings of \$21,472).

Six of the ten states with the highest median earnings are in the Northeast (New Jersey, Connecticut, Massachusetts, New Hampshire, New York, and Rhode Island). The remaining four states (Washington, DC, Maryland, Virginia, and Delaware) lie just to the south, along the eastern seaboard.

Washington, DC, ranks first in income and education, but last in health.

Montana, which ranks last in income, ranks number twenty-ninth in health and thirty-fifth in education.

Among the 22 low-income states, 30.9 percent of families have incomes insufficient to support a basic budget. Surprisingly, among the thirteen states with medium-high incomes, a similar proportion – 29.9 percent – cannot provide enough income to meet a basic budget.

New York's Fourteenth Congressional District (Manhattan's East Side) leads the nation with the highest median earnings (\$51,000) followed by California's Fourteenth Congressional District (Palo Alto and Santa Cruz), Virginia's Eighth Congressional District (Northern Virginia), California's Forty-Eighth Congressional District (Newport Beach), and New Jersey's Eleventh Congressional District (Morristown).

California's Twentieth Congressional District (Fresno) has the lowest median income at \$17,000. Texas' Fifteenth Congressional District (Beeville), Texas' Sixteenth Congressional District (El Paso), California's Thirty-First Congressional District (Hollywood), and Texas' Twenty-Fifth Congressional District (Austin) complete the five bottom-ranked Congressional districts.

New York is home to the country's top-ranked congressional district in income, the Fourteenth Congressional District (East Side, Roosevelt Island and part of Queens), while less than three miles away, New York's Sixteenth Congressional District (South Bronx) is in the bottom ten, with median earnings below \$20,000 – a \$32,000 gap.

## **Gender and Racial/Ethnicity Rankings**

In every ethnic group, men earn more than women. White males (\$37,269) earn, on average, more than twice what Latino females (\$16,147) earn.

## **Factors Fueling Growth in Earnings Inequality**

Growing disparities in earnings over the last half century have been attributed to a number of factors, including:

- Globalization and technological change
- Declining real value of the minimum wage
- Decline in union membership
- Soaring earnings among the wealthiest
- Lower levels of educational attainment among the poor and new immigrants

## **Report Conclusions on Standard of Living in the United States**

Since 2001, the income of the typical American family has stagnated. The report recommends the following approaches to ease the struggles of middle- and low-income Americans:

- Make work pay for low-and moderate-income families.
- Revitalize institutions to reflect the economy and workforce of our era.

- Help people with significant employment challenges participate in the labor market.
- Asset-building programs are vital to creating economic security for all families.
- Greater financial, economic, and business literacy is required for the public to wisely invest money, prepare for retirement, and set and meet financial goals for themselves and their children.

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The **AMERICAN HUMAN DEVELOPMENT PROJECT** is an independent, non-profit initiative funded by Oxfam America, the Conrad N. Hilton Foundation, The Rockefeller Foundation, and the Social Science Research Council with additional funding from the Annenberg Foundation.