

Identifying the Characteristics of Households that Move Into and Out of the Middle Class: What Can Be Learned From National Survey Data?

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The U.S. prides itself on the mobility that individuals, families and households can, and have, achieved through the opportunities afforded from a robust economy. Since the middle of the 20th century, a vibrant middle class has been viewed as an antidote to poverty, an incentive for individuals to work and improve their economic position, as well as an answer to those who worried that the income disparity between those in the bottom and top of the income distribution was too large. In the post-war era the American dream of being part of the “middle class” was reached by many, however, discussions and data have suggested that in the later portion of the century this group of households experienced a decline in their portion of aggregate income, resulting in a more pronounced disparity between those at the bottom and top of the income distribution. Moreover, the relevant literature has argued that while the decline in domestic manufacturing affected the incomes of all U.S. households, those in the middle and lower ends of the distribution were more directly and severely impacted.

This paper continues the discussion regarding households in the middle of the income distribution using data available in the Survey of Income and Program Participation (SIPP), 2001 and 2004 panel. By using the SIPP it is possible to follow the same households over time and study their income dynamics. For example, of the 53.2 million households in the middle of the income distribution in 2004 by 2007, 13.7 million had moved out of the middle portion of the distribution, with 6.5 million moving below and 7.3 million moving above this income range. In contrast, there were 13.7 million households that moved into the middle of distribution between 2004 and 2007, with 6.8 million coming from below and 6.9 million coming from above the middle income range. The interesting question then becomes -- Is there a set of covariates in the survey data that can assist in explaining the income dynamics of households in the middle of the income distribution?