

IN 7 CHARTS: TODAY'S STATE OF WORKING MASSACHUSETTS

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%.

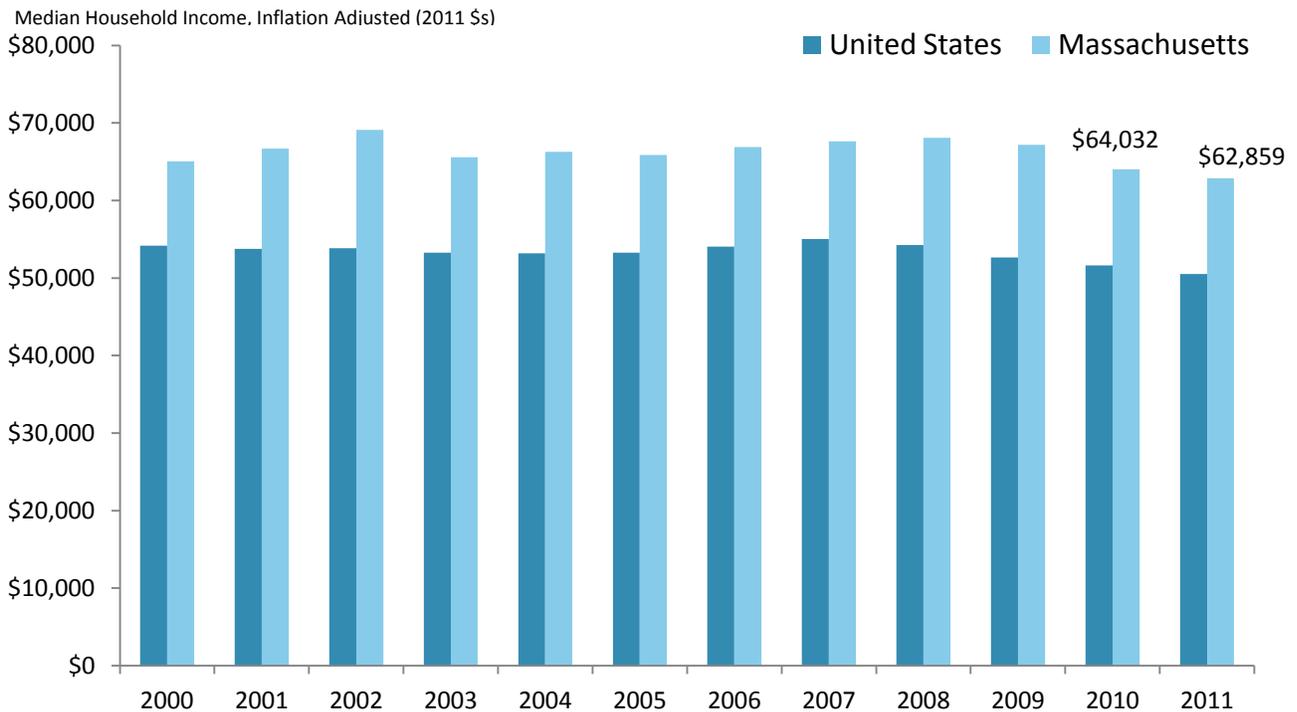
Note: This factsheet is drawn from [The State of Working Massachusetts](#), an ongoing project of the Massachusetts Budget and Policy Center. A full version is released each January, but excerpts come out at different times during the year – depending on when new data becomes available.

1) Median Income Fell

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.

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

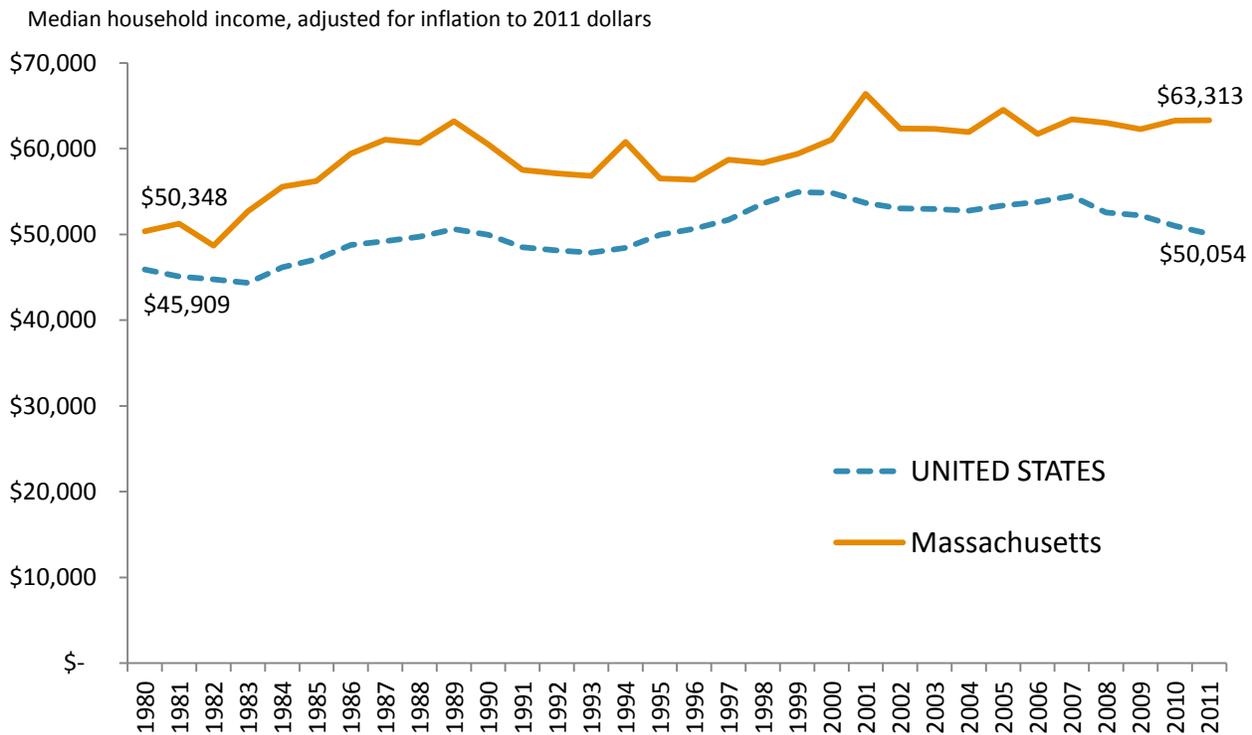


Source: U.S. Census, American Community Survey

2) Incomes Have Grown over the Long-Term

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 \$50,054.¹

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.

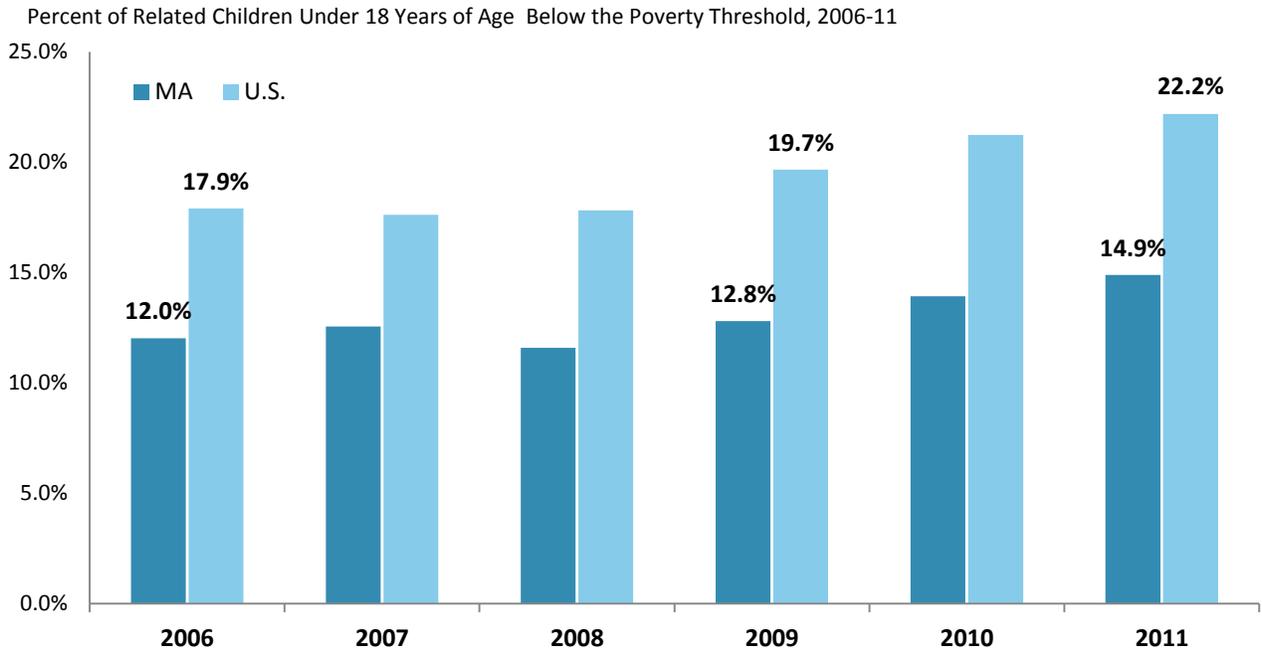
¹ The median household income figures presented here are derived from U.S. Census Current Population Survey data and therefore differ somewhat from the median household income figures provided in the preceding discussion, which drew upon American Community Survey data. For a more detailed discussion of the differences between these two data sets, please see the "Methodological Notes" section at the end of this report.

3) Child Poverty Has Increased

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

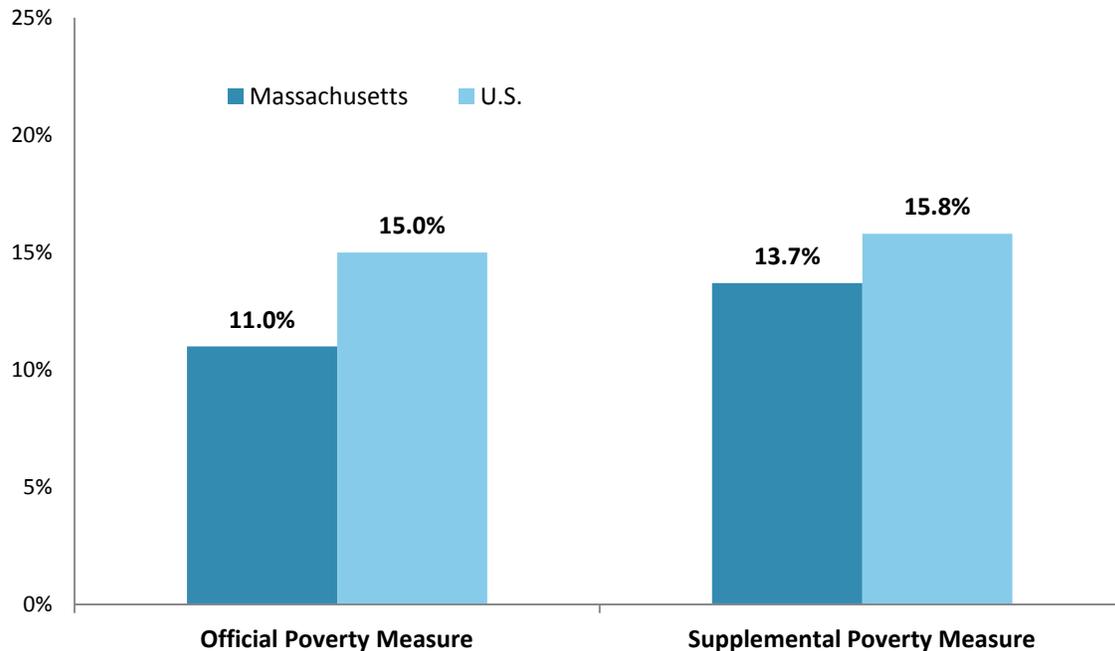
4) Supplemental Poverty Rate

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.²

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

Overall poverty rate, Massachusetts and U.S., 3-year average (2009-2011)



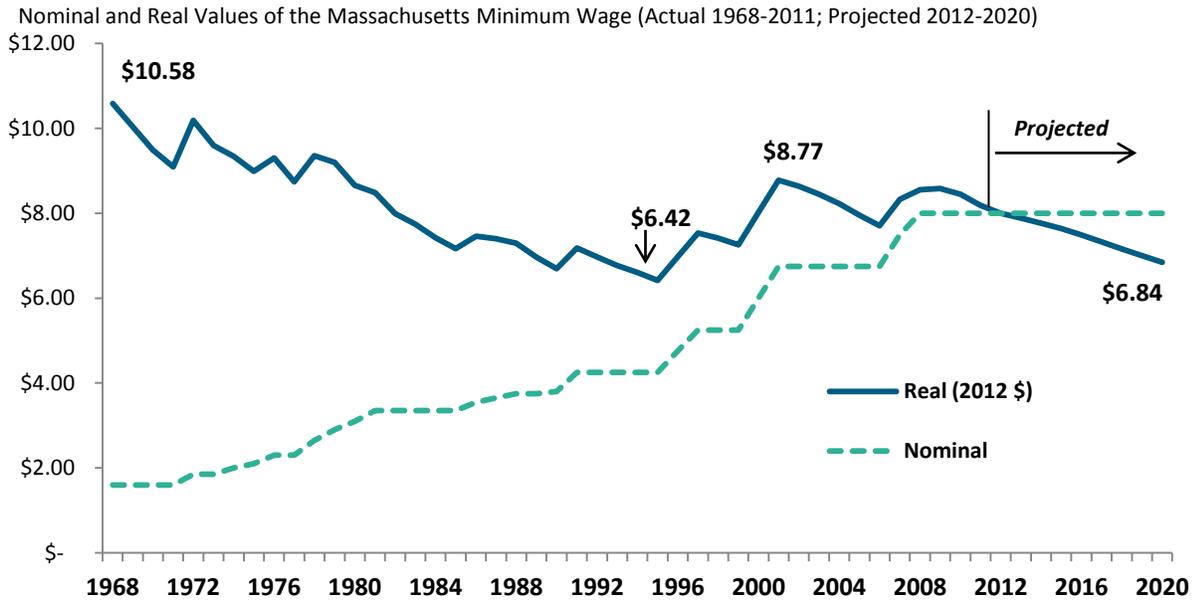
Source: U.S. Census Bureau, The Research Supplemental Poverty Measure: 2011 (Current Population Reports, November 2012)

² Unpublished analysis of Census SPM data by the Center on Budget and Policy Priorities (Washington, DC).

5) The Minimum Wage

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 a 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.

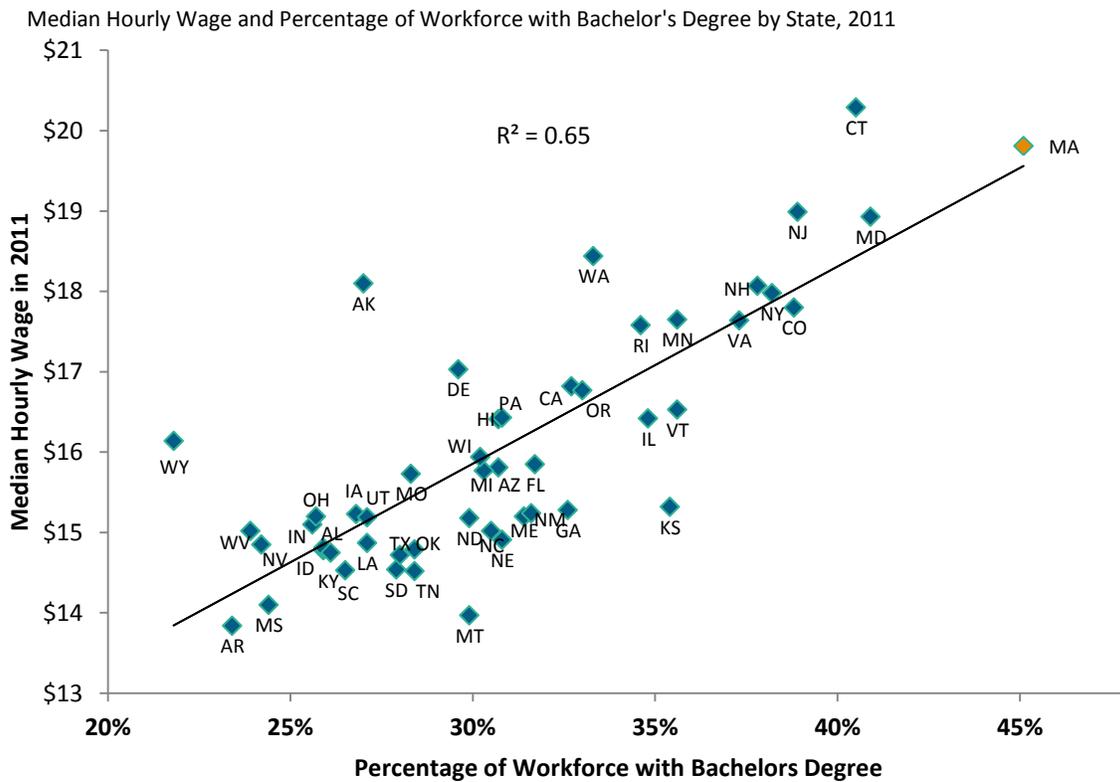
6) Wage-Education Link

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 2004.³

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.

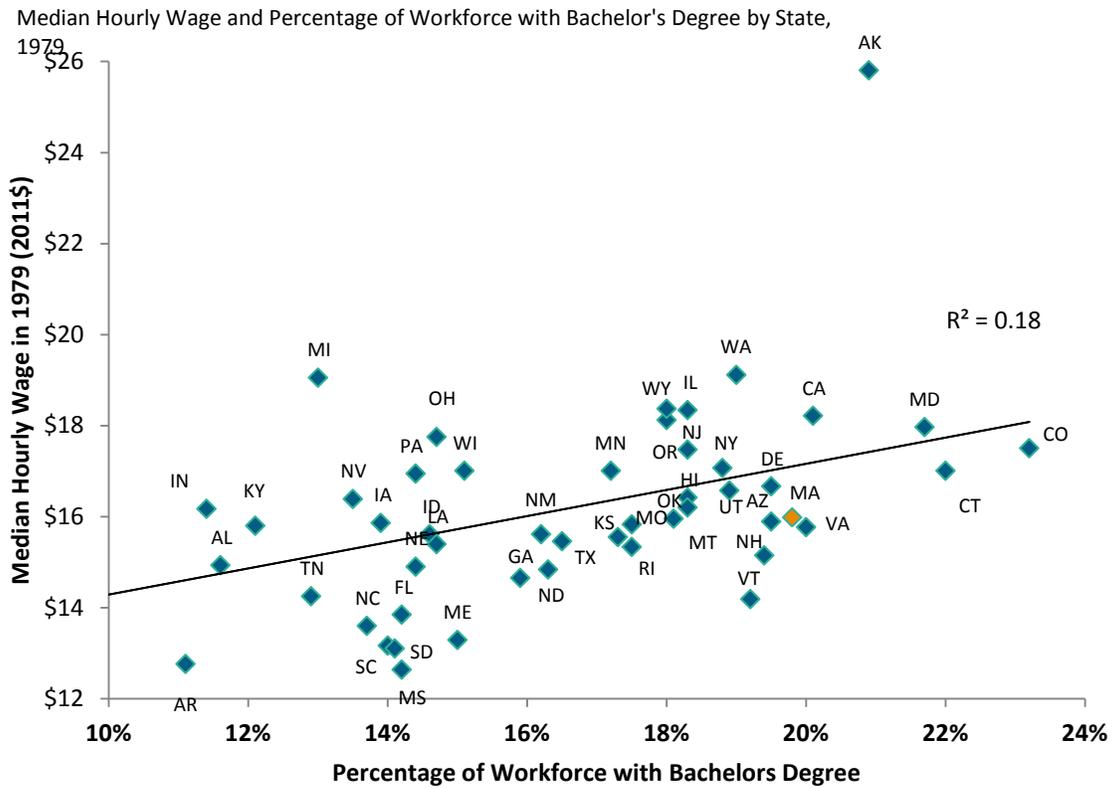
Stronger Correlation Between Education and Wages in 2011



Source: Economic Policy Institute analysis of Current Population Survey 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).

Weaker Correlation Between Education and Wages in 1979

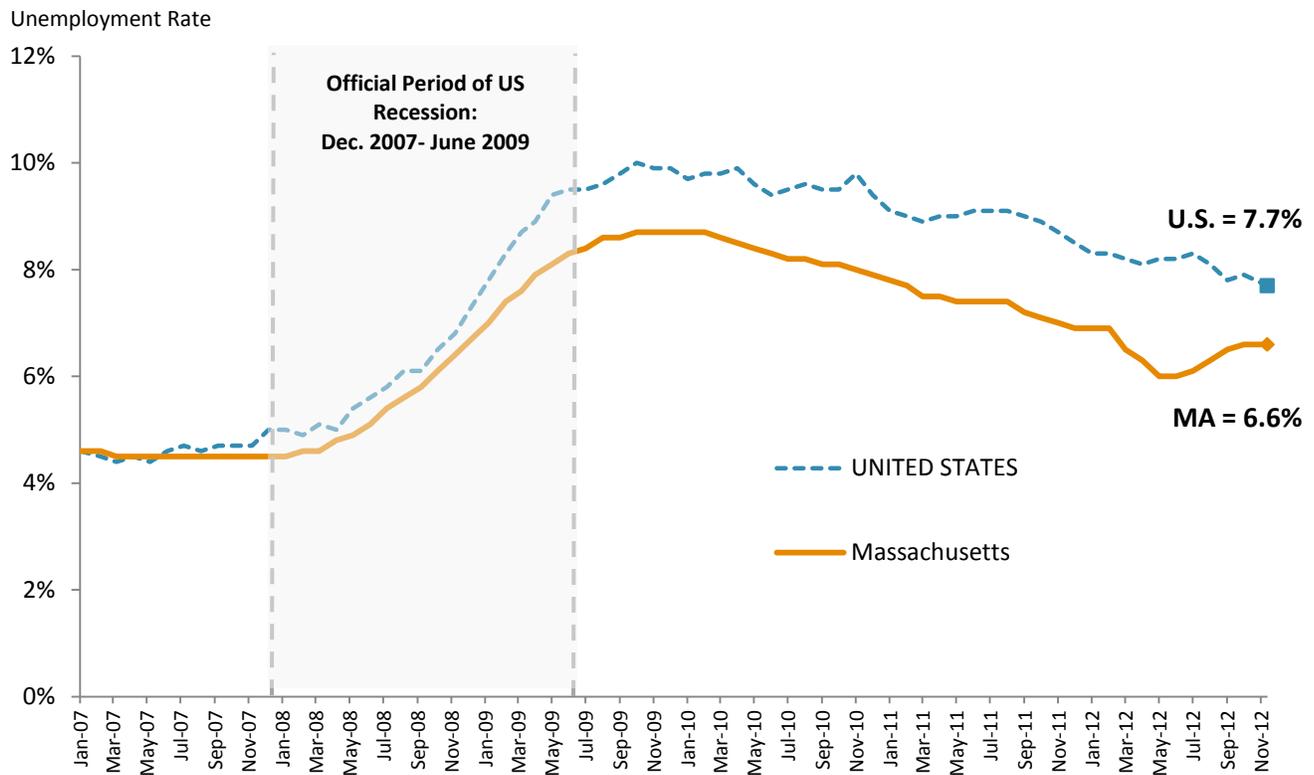


Source: Economic Policy Institute analysis of Current Population Survey data

7) Unemployment

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

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