



Lessons from the 2021 Census Income Report

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 15, 2022

Tuesday, the Census Bureau released its annual report on [Income in the United States](#). This is often a favorite of the partisan left, which uses it as a cudgel to beat up its opposition over poor income growth – especially at the low end – and the level of inequality. But this year’s report has been greeted with relative silence, perhaps because the median household income (adjusted for inflation) fell from \$71,186 in 2020 to \$70,784 in 2021. At the same time, measures of inequality rose.

Unfortunately, those two years encompass the steepest economic fall in U.S. history during the second quarter of 2020, a sharp recovery thereafter, and massive transfers as a result of the various stimulus bills. It is useful to recognize there are three things going on.

First, the massive amount of taxpayer dollars transferred to households clearly distorts the underlying economic trends, so put that aside and focus on labor earnings. As shown below, median labor earnings rose overall between 2020 and 2021 – from \$43,461 to \$45,470. Earnings by men and women went in opposite directions, however, as male earnings fell while female earnings rose.

But notice that among full-time, full-year workers, earnings fell for both men and women, and, thus, overall as well. The rise in total women’s earnings reflects the fact that many fewer women were full time in 2020 (58 percent versus 68 percent), and this gap closed a year later (65 percent versus 74 percent). So, second, a big part of the earnings story was the return to more full-time work in 2021.

| Labor Earnings | | | | |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| (in 2021 dollars) | | | | |
| | 2020 | | 2021 | |
| | Number (1,000s) | Median Earnings | Number (1,000s) | Median Earnings |
| Total Workers | 168,148 | \$43,461 | 168,401 | \$45,470 |
| Men | 88,645 | \$51,446 | 89,941 | \$50,983 |
| Women | 79,504 | \$37,527 | 79,100 | \$39,201 |
| Full-time, Full-year | 106,297 | \$58,897 | 117,357 | \$56,473 |
| Men | 60,295 | \$64,217 | 66,366 | \$61,180 |
| Women | 46,002 | \$53,387 | 50,991 | \$51,226 |

But why did median earnings fall among the full-time workers? Here, it is informative to compare 2019 and 2021. This is shown below. This table paints a picture in which the median earnings are rising but the number of workers is falling. Comparing the two tables reveals the massive swing in the number of full-time workers, from 119.2 million in 2019, to 106.3 million a year later, and back up to 117.4 million in 2021.

| Labor Earnings | | | | |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| (in 2021 dollars) | | | | |
| | 2019 | | 2021 | |
| | Number (1,000s) | Median Earnings | Number (1,000s) | Median Earnings |
| Full-time, Full-year | 119,158 | \$56,189 | 117,357 | \$56,473 |
| Men | 67,123 | \$60,890 | 66,366 | \$61,180 |
| Women | 52,035 | \$50,126 | 50,991 | \$51,226 |

Moreover, one knows that not all workers were equally exposed to losing full-time work. This was disproportionately the fate of the less-educated, less-skilled workers in the service sectors such as leisure and hospitality. The third part of the story is that the full-time workforce in 2020 was much more educated and skilled than the corresponding workers in 2019 and 2021. The median earnings reflect this fact.

Yes, overall income fell, and inequality rose. But this can be traced to government policy and shifts in the availability of full-time work. It does not reflect a change in the return to that work.