Insight

Understanding the 2018 Income and Poverty in the United States Report

ISABEL SOTO | SEPTEMBER 10, 2019

Today the Census Bureau released the 2018 edition of *Income and Poverty in the United States*. The economic welfare of the population is, of course, of interest in and of itself. But 2018 was also the year that macroeconomic growth dramatically accelerated. Accordingly, this release acts in part as a report card for the Trump Administration's performance over the past year and how its policies are affecting income and rates of poverty – fairly fundamental metrics for a healthy economy. The administration would like to see indicators that point to strong economic performance, especially as campaign season ramps up.

Here are the highlights:

- The typical worker saw a pay increase – real median earnings of all workers increased by 3.4 percent;
- There are more workers – approximately 2.3 million additional full-time, year-round workers are in the labor force, with a particularly strong showing from women making up 1.6 million of the total increase;
- Inequality has not increased by any measure; and
- Poverty is down 0.5 percentage points, putting it at its lowest rate since before the Great Recession.

Do these data tell an irrefutable story of rapid, sustained growth and a flourishing economy? Not exactly. There is both unambiguously good news and some mixed news.

The good news starts with earnings. Real earnings overall for men and women increased by 3.4 and 3.3 percent, respectively, and 3.4 percent overall.

Next, the labor force has more workers. During a time when large numbers of workers are retiring, it is encouraging to see an increase in the sheer number of workers in 2018. This rise, in addition to stable labor force participation and declining unemployment in 2019, is a good sign.

Finally, there is a significant overall decrease in poverty that brings the poverty rate down to the lowest (11.8 percent) it's been since before the recession. This overall drop is tempered by the fact that the poverty rate for low-skilled workers (those 25 and older without a high school diploma) rose 1.4 percentage points, and this group's overall poverty rate is lagging at 25.9 percent. This increase is not all that surprising to see, given the dynamics of the job market. While the labor market is tight, this group typically is employed last. If the economy continues to grow, this group will likely see improvement in next year's poverty measure as a greater number of jobs become available and more workers are needed.

The mixed news is that median household income increased, but was not statistically significant, despite a rise in median earnings, and the direction of inequality measures is murky.

Based on both equivalence-adjusted income and money-income inequality measures, inequality has not risen.

The equivalence-adjusted changes in inequality are only significant by the Gini index and Atkinson measures, which show a slight decrease in inequality, while the only significant increase under the money-income measure was shown in the aggregate household income in the second quintile, which increased 2.3 percent. When it comes to inequality measures, nothing is particularly alarming, but there is nothing necessarily to celebrate, either.