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<https://www.wsj.com/articles/u-s-household-incomes-rose-in-2016-to-new-record-1505226727>

## ECONOMY

# U.S. Household Incomes Rose in 2016 to New Record

The median household income last year was \$59,039



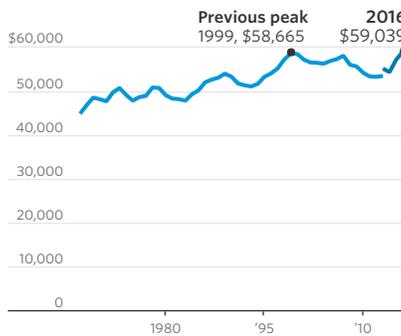
The median U.S. household income last year was \$59,039, up an inflation-adjusted 3.2% from 2015, the Census Bureau said Tuesday. PHOTO: DANNY JOHNSTON/ASSOCIATED PRESS

By Ben Leubsdorf

Updated Sept. 12, 2017 4:47 p.m. ET

WASHINGTON—American households are enjoying the strongest sustained income growth this century after a long stretch of stagnation marked by financial crisis, recession and slow recovery.

## Median household income, in inflation-adjusted 2016 dollars



Note: Figures for 2013 and beyond are based on redesigned methodology.

Source: Census Bureau  
THE WALL STREET JOURNAL

Median household income last year was \$59,039, up an inflation-adjusted 3.2% from a year earlier, on top of a 5.2% gain in 2015, the Census Bureau reported Tuesday. It was a new high for this widely followed measure of well-being, surpassing the previous peak for household income reached in 1999. However, government officials cautioned against historical comparisons due to changes in how they calculate the figures over time.

Incomes still hadn't fully recovered from the 2001 recession after the technology boom and bust and then families were battered by the 2007-09 downturn, which was accompanied by a housing crash and global financial crisis. A slow and uneven recovery followed.

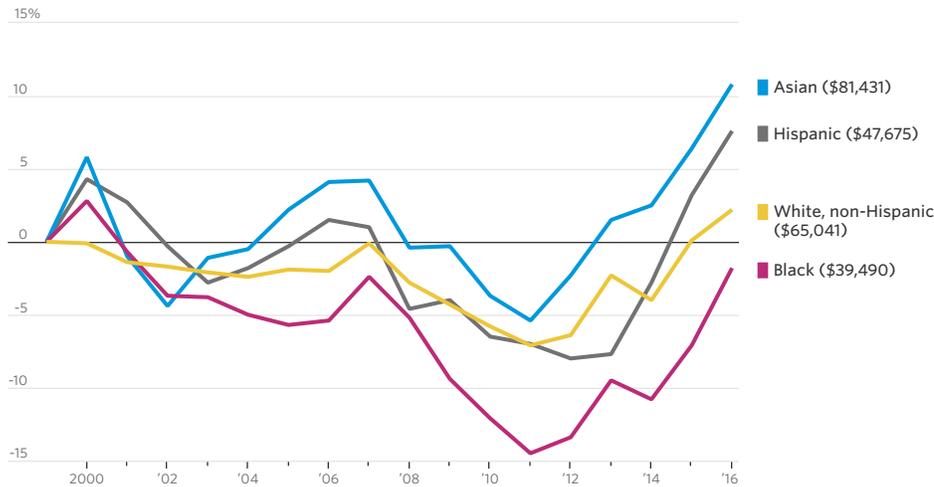
“Since 1999, we’ve had two economic recessions that have really hurt working families at and below the median of the income distribution,” said Scott Allard, a professor of public policy and governance at the University of Washington. “For many of those families, it has taken a lot of time for work hours and earnings to recover from those recessions.”

The recovery may not be as complete as the headline income figure suggests, due to a change in the survey several years ago aimed at better capturing some sources of

income. An analysis by the Economic Policy Institute, a left-leaning think tank, said income in 2016 remained 1.6% below its 2007 level after backing out those methodology changes.

### All Groups Gain, but Gaps Remain Wide

How inflation-adjusted median household income has changed since the previous time the overall measure was at its highest point on record, by race and ethnicity



Notes: Adjusted for inflation; figures for 2013 and beyond are based on redesigned methodology.  
Source: Census Bureau

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Even so, many families appear finally to be making up for long-lost ground. Incomes rose last year across all racial and age categories, inside cities and outside metropolitan areas, for native-born Americans and

immigrant households. Poverty rates also fell for most groups.

Gains were uneven geographically. Median household incomes rose 5.4% in major cities, 2.1% in their suburbs and were little changed in smaller towns and rural areas. The urban surge continues a recent trend that has reversed the pattern of previous recoveries.

The economic expansion, slow by historical standards but now in its ninth year and the third-longest on record, created nearly 5 million nonfarm jobs in 2015 and 2016. Despite still-sluggish growth in worker paychecks, “more people are employed, and more of those who are employed are employed full-time year-round,” said Jed Kolko, chief economist at job site Indeed.

A stretch of unusually low inflation has helped boost household purchasing power. Consumer prices were up 1.3% last year after rising 0.1% in 2015, according to the Labor Department.

“When inflation is low, as you’d expect, you’re going to get larger increases in real income—and inflation has been low,” said Gordon Green, a partner at Sentier Research and former head of the Census Bureau’s income and poverty statistics program.

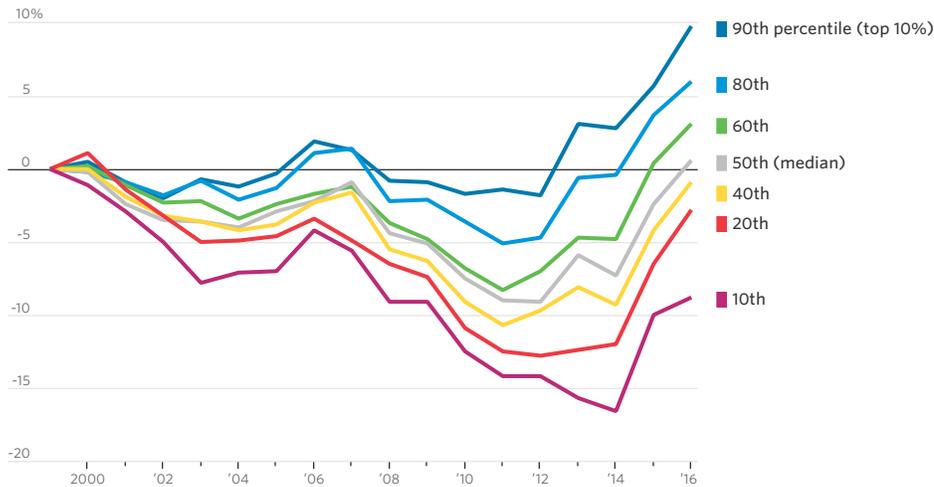
There were shifts in how income is divvied up.

The gender gap in earnings narrowed significantly in 2016 for the first time since the recession; women working full time last year made 80.5% of comparable male earnings, compared with 79.6% in 2015. But income inequality in the U.S. widened, according to some metrics. The top 20% of the income distribution took home 51.5% of total income in 2016, up from 51.1% a year earlier. The widely used Gini index was 0.481 in 2016 versus 0.479 in 2015; a score of 0 indicates perfect equality, meaning all households have an

equal share of income, while a score of 1 indicates perfect inequality, meaning one household has everything.

### Widening Inequality

How household-income thresholds have shifted since the previous time the median was at its highest point on record



Notes: Adjusted for inflation; figures for 2013 and beyond are based on redesigned methodology.  
Source: Census Bureau

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Still the benefits of a long economic expansion appear to be spreading now to lower-income families. The official U.S. poverty rate in 2016 was 12.7%, meaning 40.6 million Americans were living in poverty, the agency said. That was down from 13.5% in 2015 and around its 2007 level.

“It reflects an economic recovery that’s finally reaching working poor households,” Mr. Allard said. “But one in five people in our country still live below poverty or perilously close to the poverty level.”

Last year’s decline in poverty was broad-based, though poverty rates rose for elderly Americans and high-school graduates without a college education. Poverty in 2016 was defined as a family of four living on less than \$24,563.

An alternative poverty rate produced by the Census Bureau, known as the supplemental poverty measure and accounting for taxes and safety-net benefits, was 13.9% in 2016, higher than the official rate but down from 14.5% in 2015.

A different, privately produced metric pegged poverty last year at 3%, much lower than the standard measures. University of Chicago economist Bruce Meyer said his metric avoids several pitfalls, including undercounting of income and overestimating of inflation, that he believes afflict the official numbers.

“Poverty has fallen much more when you use a measure that doesn’t miss all of the things that we have done to reduce poverty over the past 50 years, and much of what we’ve done is missed by the official measure,” Mr. Meyer said.

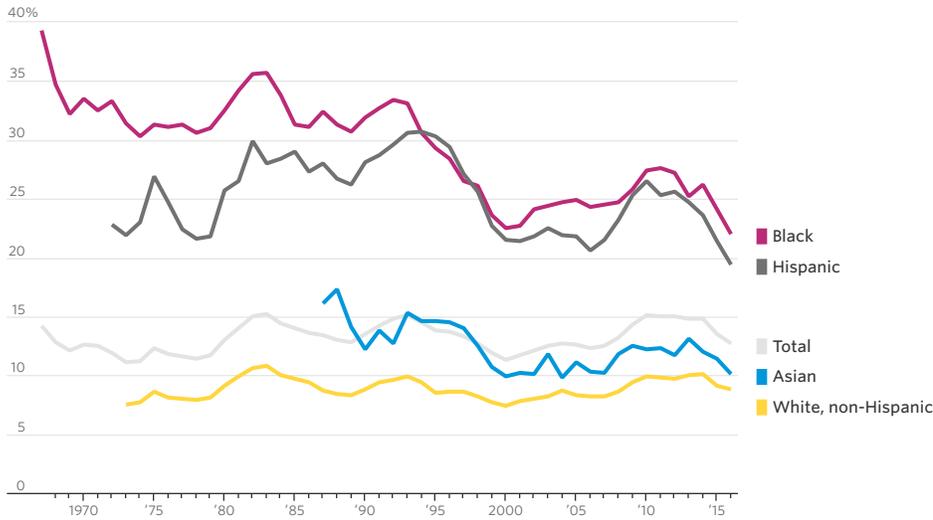
Some 8.8% of Americans lacked health-insurance coverage for all of last year, compared with 9.1% in 2015. Insurance coverage has expanded in recent years as more workers found jobs, provisions of the 2010 Affordable Care Act took effect and aging Americans became eligible for Medicare.

Tuesday’s report was based on survey data collected earlier this year from some 95,000 households for 2016, the final full year of the Obama administration. It excluded some Americans including prisoners, nursing-home residents, some active-duty military personnel and residents of Puerto Rico and other U.S. territories outside the 50 states and the District of Columbia.

Looking forward, Mr. Green said data analyzed by Sentier Research showed the pickup

**Fast-Falling Poverty Rates Don't Close Gaps**

Individuals living below the federal poverty line, by race and ethnicity



Note: Figures for 2013 and beyond are based on redesigned methodology.  
Source: Census Bureau

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for household incomes in 2015 and 2016 had continued into the first half of this year.

“We are seeing this upward trend over the past 2½ years now,” he said. “It’s very encouraging.”

—Sharon Nunn and Paul Overberg contributed to this article.

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