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VIII. INCOME & POVERTY

BY THE NUMBERS

-$2,241
Change in real median household income, United States, 1999 to 2008

+8.2% / -17.1%
Change in real median household income, Worcester / Detroit metro areas, 1999 to 2008

53%
Share of poor individuals living in suburbs, 100 largest metro areas, 2008

+2.2
Projected percentage-point change in poverty rate, 100 largest metro areas, 2008 to 2009

OVERVIEW

- **The middle class shrank over the course of the decade as income for the typical U.S. household declined.** In 2008, U.S. median household income was $52,029—a real decline of $2,241 since 1999. Over the same period, the share of households earning "middle class" incomes fell by 1.8 percentage points. In 2008, racial income disparities persisted, with the typical black household lagging U.S. median income and the typical Asian household exceeding it by nearly the same margin ($17,000 and $18,000, respectively).

- **Even as incomes fell for the typical metropolitan household, large disparities persisted across and within metro areas.** Between 1999 and 2008, metro areas in every Census region saw median incomes decline. Midwestern metro areas—led by regions like Detroit, Grand Rapids, and Youngstown—experienced the greatest decline in median income (8.2 percent). Meanwhile, the difference in median income between the 10th-ranked and 90th-ranked metro area rose from $19,500 to $22,000.

- **Suburbs are home to the fastest growing and largest poor population in the country.** Between 1999 and 2008, the suburban poor population grew by 25 percent—almost five times the growth rate of the primary city poor—so that by 2008 suburbs were home to almost one-third of the country's poor population, and 1.5 million more poor than primary cities. While city and suburban poor residents generally resemble one another, slightly more of the suburban poor are high-school graduates, married, and white; blacks and Latinos make up a disproportionate share of the poor in both cities and suburbs.

- **Income declined and poverty increased in the first year of the Great Recession, particularly in Sun Belt metro areas.** Metro areas in California and Florida saw some of the greatest declines in median household income, along with the largest increases in city and suburban poverty between 2007 and 2008, likely reflecting the early timing and impact of the housing market collapse. Based on unemployment increases over the past year, Sun Belt metro areas like Cape Coral, Modesto, and Stockton, and manufacturing metro areas like Detroit and Youngstown may see their poverty rates rise by at least 3 percentage points in 2009.

Income growth for the typical American household had stalled even before the onset of the Great Recession.

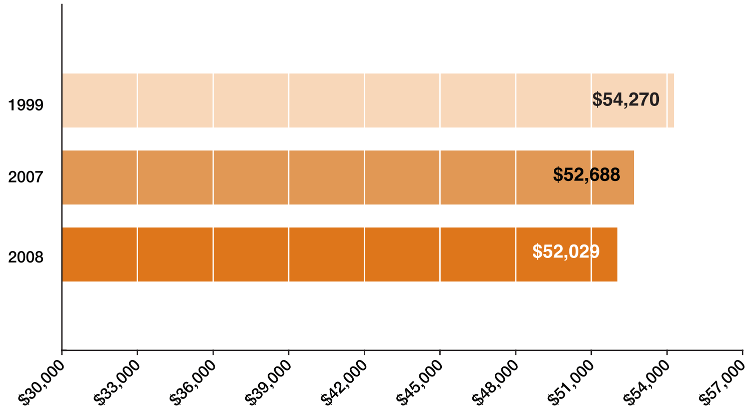
NATIONAL TRENDS

The Great Recession has brought about falling incomes and increased economic hardship across the country. But income growth for the typical American household had stalled even before its onset (Figure 1). By 2007, median household income in the United States had fallen by almost $1,600 since the start of the decade. It fell further in 2008 to $52,029, a real decrease of 4.1 percent, or $2,241, from its level in 1999.

As income in the typical household fell, the relative size of the middle class declined. Between 1999 and 2008, the share of middle-income households (i.e., between 80 and 150 percent of median income) dropped to 28.2 percent, while the share of households at both the upper and lower ends of the income spectrum increased (Figure 2).[1] In 2008, lower-income households continued to make

Figure 1. Median Household Income in the United States Declined Over the Course of the Decade

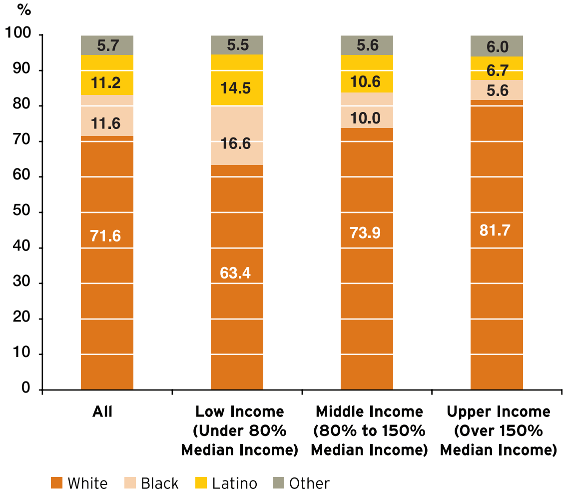
U.S. Median Household Income, 1999, 2007, and 2008 ($2008)



Source: Brookings analysis of Census 2000 and 2008 American Community Survey data

Figure 3. Minority Householders are Over-Represented Among Low-Income Households

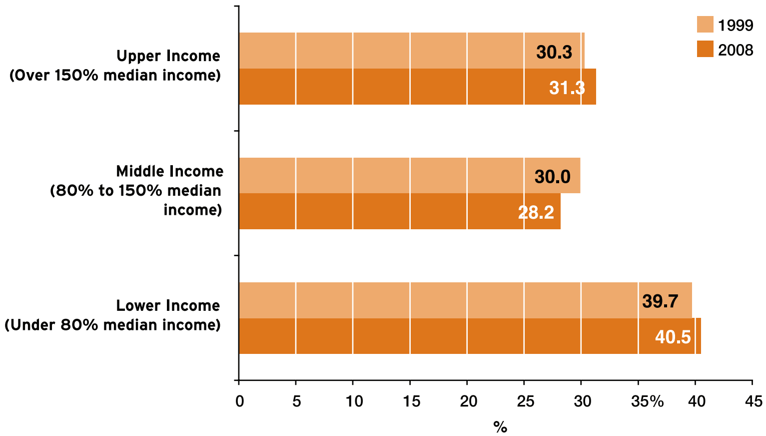
Share of U.S. Households by Race and Income Category, 2008



Source: Brookings analysis of internal 2008 American Community Survey data

Figure 2. The Share of Middle Class Households Declined in the 2000s

Share of U.S. Households by Income Category, 1999 and 2008



Source: Brookings analysis of Census 2000 and 2008 American Community Survey data

up the largest share of American households (40.5 percent).

The country also saw significant increases over the 2000s in the number of individuals living below the poverty line, which was $21,834 for a family of four in 2008. From 1999 to 2008, the poor population in the United States grew by 5.2 million people, or 15.4 percent—almost twice the growth rate of the population as a whole. By 2008, more than 39.1 million individuals lived in poverty, or 13.2 percent of the nation's population. That represented a significant increase over 1999 (12.4 percent) and put the rate on par with that in 1990 (13.1 percent).

Amid a decade of economic stagnation or decline for most American households, large economic disparities among different racial and ethnic groups persisted. Nationally, the median income for African American households ($35,425) was almost $17,000

Table 1. As Metropolitan Median Incomes Fell Overall, the Gap Between City and Suburban Incomes Narrowed Slightly
Change in Median Income by Primary Cities and Suburbs and Region, 95 Metro Areas*, 1999 to 2008

	1999			2008			% Change, 1999 to 2008		
Region	**Metro Total**	**Primary Cities**	**Suburbs**	**Metro Total**	**Primary Cities**	**Suburbs**	**Metro Total**	**Primary Cities**	**Suburbs**
Midwest	61,181	46,604	68,524	56,135	41,593	62,303	-8.2%	-10.8%	-9.1%
Northeast	61,839	45,833	69,863	61,598	46,229	68,875	-0.4%	0.9%	-1.4%
South	56,823	48,009	62,054	54,724	45,398	59,497	-3.7%	-5.4%	-4.1%
West	62,126	55,373	66,797	61,143	54,441	65,436	-1.6%	-1.7%	-2.0%
95 Metro Area Total	**60,080**	**49,317**	**66,345**	**57,970**	**47,317**	**63,525**	**-3.5%**	**-4.1%**	**-4.3%**

All income figures are reported in 2008 dollars
All changes significant at the 90 percent confidence level
**Primary city and suburb data are reported for 95 of the largest 100 metropolitan areas for which data are available*
Source: Brookings analysis of Census 2000 and 2008 American Community Survey data

below the median for all households in 2008, while the gap for the typical Latino household ($41,470) was $11,000. In contrast, white households had a median income of $56,826—almost $5,000 above the median for all households—and the typical income for an Asian household ($70,069) exceeded the overall median by $18,000. At the same time, black and Latino households made up a disproportionate share of low-income households and were under-represented among middle- and upper-income households (Figure 3).

METROPOLITAN, CITY, AND SUBURBAN TRENDS

Median Household Income

Taken together, the country's largest metro areas saw income in the typical household fall more than $2,100, or 3.5 percent, between 1999 and 2008 (Table 1). By far the most marked decreases occurred in Midwestern metro areas, which experienced a drop of over 8 percent—more than $5,000—in their median household income. Driving this regional trend were metro areas like Detroit, Grand Rapids, Toledo, and Youngstown (Table 2). Each of these metro areas saw their median incomes decline by 10 percent or more, likely reflecting the economic toll of job losses in the region's auto manufacturing sector during the 2000s.

Southern metro areas, however, have the lowest median household income among all regions ($54,724), while Northeastern metro areas have the highest ($61,598). Among other factors, the considerable income gap between these two regions likely reflects differences in costs of living and average wage levels. That gap widened in the 2000s, as incomes fell more steeply in Southern metro areas than in the Northeast.

The income gap across individual metro areas also widened over the decade, increasing the "distance" between metro areas at the top and bottom of the list for median household income. For

Table 2. Changes in Median Household Income Varied Widely Across Metro Areas
Metro Areas Ranked by Percent Change in Median Household Income, 1999 to 2008

	Largest Increases			*Largest Declines*	
Rank	**Metro Area**	**Change, 1999-2008 (%)**	**Rank**	**Metro Area**	**Change, 1999-2008 (%)**
1	Worcester, MA	8.2	81	Akron, OH	-10.1
2	New Orleans, LA	5.9	82	Little Rock, AR	-10.2
3	Washington-Arlington-Alexandria, DC-VA-MD-WV	5.1	83	Cleveland, OH	-10.8
4	San Diego, CA	4.7	84	Greenville, SC	-11.2
5	Honolulu, HI	4.6	85	Dayton, OH	-11.2
6	Virginia Beach-Norfolk-Newport News, VA-NC	3.9	86	Youngstown, OH-PA	-13.6
7	Stockton, CA	3.5	87	Greensboro-High Point, NC	-13.9
8	Poughkeepsie, NY	3.5	88	Toledo, OH	-14.3
9	Albany, NY	3.1	89	Grand Rapids, MI	-14.6
10	Riverside-San Bernardino-Ontario, CA	2.9	90	Detroit-Warren, MI	-17.1

Changes were statistically insignificant at the 90 percent confidence level in 10 metro areas, thus 90 metro areas are ranked
Source: Brookings analysis of Census 2000 and 2008 American Community Survey data

instance, the difference between median household income in the 10th ranked metro area and the 90th ranked metro area increased from roughly $19,500 in 1999 to $22,000 in 2008.[2]

Wide disparities in income also exist within metro areas, though the income gap between city and suburban households varies by region (Table 1). In 2008, the median income in large metropolitan suburbs was $63,525—roughly $16,000 more than median income in primary cities ($47,317). This disparity, however, is somewhat less stark in Southern metro areas, and even more muted in the West. In contrast, median incomes in Northeastern and Midwestern suburbs outstripped those in their primary cities by over $20,000. The gap reached almost $30,000 in metro areas like Milwaukee, Cleveland, and Detroit, and as much as $40,000 in Bridgeport and Hartford. In part, the magnitude of these disparities reflects long-standing racial and ethnic divisions between cities and suburbs in these regions.

While these differences are striking, between 1999 and 2008 the gap between suburban and city median incomes did narrow slightly—overall and in three of the four regions—reversing the widening seen during the 1990s. With the exception of Northeastern metro areas, this narrowing has not occurred because of gains in primary cities, but because of declining median incomes in the suburbs.

Racial and Ethnic Disparities in Income

Similar to national figures, black and Latino households in the 100 largest metro areas lagged behind the median income for all households in 2008, while white and Asian households exceeded it. The Bridgeport metro area showed the greatest level of income inequality across races in 2008; the median income for black households there was $42,000 less than the median for all households, while the gap was more than $37,000 for Latino households. In general, metro areas in the Northeast and Midwest, and along the coasts, exhibited considerably larger racial and ethnic income disparities than metro areas in the South and interior West. Disparities between black households and all households topped $30,000 in Minneapolis-St. Paul, San Francisco, Des Moines, Madison, and San Jose. Metro areas where Latino households faced income gaps of that magnitude included Boston, Hartford, and Worcester. In contrast, metro areas like Albuquerque, Greensboro, Las Vegas, and Oklahoma City all exhibited below-average racial and ethnic income disparities.

Size and Characteristics of the Middle Class

In addition to declining median incomes, this decade has also seen the metropolitan middle class lose ground. Of the top 100 metro areas, 52 experienced a significant change in the size of their middle class. Fully 42 of these metro areas saw the share of their households with middle incomes decline, with 10—including Ogden, Wichita, Virginia Beach, and Madison—experiencing a drop of at least 5 percentage points. For the metro areas that saw an increase in their middle-income household share—including Knoxville, New York, and McAllen—that growth coincided with a drop in the share of upper-income households, rather than a relative decline in lower-income households.

Suburbs accounted for a majority of this middle-class decline in metropolitan areas in the 2000s. Led by metro areas like Denver, Minneapolis-St. Paul, Chicago, and Dallas, suburbs saw their middle-class share of households drop by 1.8 percentage points between 1999 and 2008, compared to a decline of 1.5 percentage points in primary cities. However, suburbs experienced somewhat greater growth than primary cities in their upper-income household share (1.2 percentage points versus 0.9 percentage points) and, in turn, less growth in their lower-income household share. Even with these changes, the middle class makes up a larger share of households in suburbs than in primary cities (30.2 percent versus 26.5 percent), though they are increasingly rare in both types of places.

Interesting differences emerge between the characteristics of middle-income households in cities and suburbs (Table 3). White households make up nearly three-fourths of the suburban middle class, while black and Latino households account for a greater share of the middle class in primary cities. Middle-class households in primary cities are

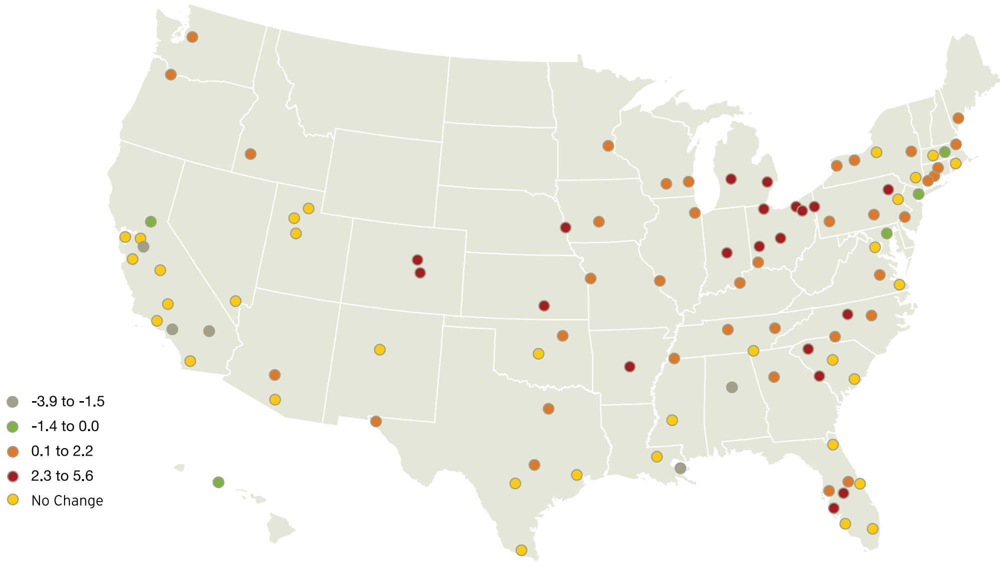
Table 3. Middle-Class Households in Cities Are More Diverse and More Highly Educated than Those in Suburbs

Characteristics of City and Suburban Middle-Class Householders, 100 Metro Areas, 2008

Householder Characteristic	Primary Cities	Suburbs
Race/Ethnicity (%)		
White	55.3	73.6
Black	18.3	9.0
Latino	17.7	11.2
Other	8.7	6.1
Gender (%)		
Male	55.0	58.7
Female	45.0	41.3
Educational Attainment (%)		
No diploma	10.2	7.8
High school only	20.3	24.9
Some college	23.0	24.9
Associates degree	8.1	9.3
Bachelor's degree	23.9	21.5
Graduate degree	14.5	11.5

Source: Brookings analysis of internal 2008 American Community Survey data

Map 1. Most of the Largest Increases in Metropolitan Poverty Occurred in Midwestern Metro Areas
Change in Poverty Rates, 100 Metro Areas, 1999 to 2008



All estimates of change are significant at the 90 pcerent level
Source: Brookings analysis of Census 2000 and American Community Survey 2008 data

somewhat more likely to be headed by a female than such households in suburbs. And while middle-class householders in cities are slightly more likely to have not completed high school, they also have higher shares of bachelor's and advanced degree holders than their suburban counterparts.

Poverty Trends

As metropolitan incomes declined and the middle class shrank, the country's 100 largest metro areas also saw their collective poverty rate increase significantly between 1999 and 2008, from 11.6 percent to 12.2 percent. However, these increases were not shared evenly across all 100 metro areas (Map 1). As with the steepest declines in income, many of the greatest increases in poverty were concentrated in Midwestern metro areas like Grand Rapids and Youngstown, and Southern metro areas like Greenville, Greensboro, and Little Rock. In contrast, some regions showed significant decreases in poverty between 1999 and 2008, like Los Angeles, Modesto, and Riverside, though as the recession deepened and spread in 2009, this progress likely stalled and probably reversed.

These poverty trends across metropolitan areas occurred amid an important shift in poverty within metro areas. In 1999, 400,000 more people below the poverty line lived in primary cities of the country's largest metro areas than in their suburbs. Between 1999 and 2008, however, the number of suburban poor increased by 25 percent—10 points above the national average and almost five times the growth in primary city poor (Figure 4). Overall, suburbs gained more than 2.5 million poor individuals, and by 2008 they were home to almost one-third of the country's poor population. Between 1999 and 2008, the balance of metropolitan poverty had effectively "tipped" so that by 2008 suburbs were home to 1.5 million more poor than their primary cities. Metro areas including Cleveland, Baltimore, Detroit, Rochester, Minneapolis-St. Paul, Jackson, and San Diego exemplify the shift in poverty from majority urban to majority suburban, as they saw the share of poor living in the suburbs pass the 50 percent mark this decade.

As the suburban poor population grew, the gap between city and suburban poverty rates narrowed slightly. Suburbs saw a greater increase in their poverty rate than cities from 1999 to 2008—0.9 percentage points versus 0.3. Despite this narrowing, by 2008 primary-city residents were still almost twice as likely as suburban residents to live in poverty (18.2 percent versus 9.5 percent, respectively).

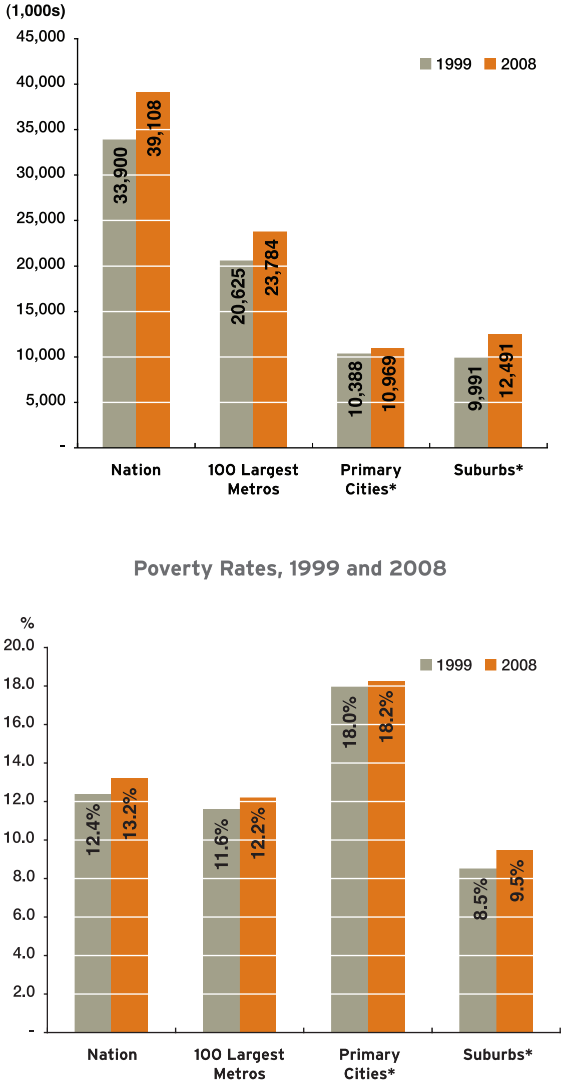
Characteristics of the City and Suburban Poor

By and large, poor residents of cities and suburbs resemble one another on key social and demographic characteristics (Table 4). City residents are just slightly more likely to live in "deep" poverty, with incomes less than half of the poverty line (44 versus 42 percent), whereas a somewhat higher share of suburban residents have incomes just below the poverty line (32 versus 30 percent). Comparable shares obtained a college degree, though the city poor are less likely to have completed high school (38 versus 32 percent). And immigrants make up only a slightly larger share of the city poor than the suburban poor

Figure 4. The Number of Poor, and the Poverty Rate, Increased Significantly Over the Decade in Metro Areas, Cities, and Suburbs

Individuals in Poverty by Location, 1999 and 2008

Poverty Rates, 1999 and 2008



*Includes 95 of the largest 100 metropolitan areas for which data are available

Source: Brookings analysis of Census 2000 and internal 2008 American Community Survey data

Table 4. Poor Residents of Cities and Suburbs Have Many Similar Characteristics

Characteristics of the Poor in Cities and Suburbs, Large Metro Areas, 2008

	Primary Cities	Suburbs
Share of individuals in poverty	18.2	9.5
Share of households in poverty	16.6	9.0
Share of poor individuals:		
With incomes:		
Below 50% of the poverty threshold	44.0	42.3
50 to 74% of of the poverty threshold	26.2	25.4
75% to 99% of the poverty threshold	29.8	32.4
Between 16 and 64 who:		
Work full-time, year-round	11.4	12.0
Work part-time or part-year	36.6	38.8
Did not work	52.0	49.2
25 and over who have completed*:		
Less than high school	38.1	31.8
High school only	28.7	31.9
Some college or associates degree	21.3	23.6
Bachelor's degree or higher	12.0	12.7
Who are:		
White	24.8	46.4
Black	32.4	17.0
Latino	34.3	29.1
Other	8.6	7.4
Who are foreign born	22.3	18.9
Share of poor households:		
That are:		
Married couples	15.5	20.3
Female-headed families	29.2	27.5
Male-headed families	4.8	5.1
Female-headed non-families	29.3	29.2
Male-headed non-families	21.2	17.8
That received Food Stamps*	39.2	32.0

** Includes 95 of the 100 largest metro areas for which data are available*
Source: Brookings Institution analysis of 2008 American Community Survey data

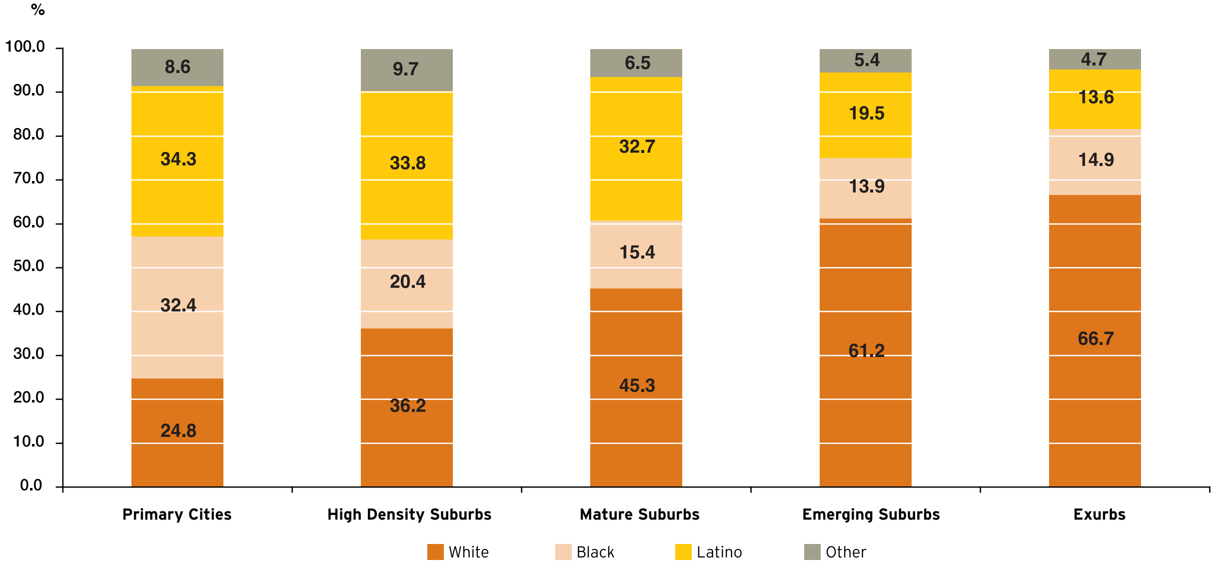
(22 percent versus 19 percent). Larger differences arise when it comes to family structure: Married-couple families make up more than 20 percent of poor suburban households, compared to less than 16 percent of poor city households. And though more poor now live in the suburbs, food stamp receipt in cities continues to outpace suburban uptake; only 32 percent of poor suburban households received food stamps in 2008, compared to 39 percent of poor city households.

By far the greatest differences between the city and suburban poor are found in their racial and ethnic makeup. In primary cities, 25 percent of the poor population was white in 2008 versus 46 percent in the suburbs, while 32 percent of poor city residents were black, compared to 17 percent in the suburbs. Some of the differences in the makeup of the city and suburban poor can be explained by differences in the racial and ethnic composition of their total populations. However, even accounting for these differences, African Americans and Latinos make up a disproportionate share of the poor in both cities and suburbs. Only in outer suburbs and exurbs do whites account for a majority of the poor, and, even there, minorities make up a disproportionate share of the poor (Figure 5). In both cities and low-density exurban communities, African Americans account for an outsized share of the poor, whereas in older and denser suburbs, the poor are disproportionately Hispanic.

LOOKING AHEAD: INCOME, POVERTY, AND THE GREAT RECESSION

Whether in large cities, suburbs, or the nation as a whole, income and poverty trends are inextricably

Figure 5. Minorities Make Up More than Half the Poor in Cities and Most Types of Suburbs
Race and Ethnicity of the Poor by Metropolitan Community Type, 100 Metro Areas 2008



Source: Brookings analysis of internal 2008 American Community Survey data

Though more poor now live in the suburbs, food stamp receipt in cities continues to outpace sub-urban uptake.

linked to the performance of the economy. Declining median incomes, a shrinking middle class, and rising poverty this decade reflect in part the economic challenges the nation faced in the early 2000s, as well as the onset of the deepest and longest recession of the post-World War II era. But these trends also reflect several years of aggregate economic growth that failed to produce real gains for the typical American household.

Undoubtedly, we have yet to see the full extent of the Great Recession's impact on these trends, but early indications reveal that the nation was already feeling the negative effects of the downturn by the end of 2008. Nationally, median income declined over the first year of the recession, falling 1.3 percent, or $659, between 2007 and 2008. At the same time, the country saw the middle class contract 0.4 percentage points, with an accompanying slight, but significant, uptick of 0.2 percentage points in the share of lower-income households.[3] The nation's poor population grew by more than 1 million, a roughly 3 percent increase over the course of one year, leading to an increase of 0.2 percentage points in the U.S. poverty rate.

The 100 largest metro areas also experienced declines in real median income between 2007 and 2008, with the suburbs bearing the brunt of the decreases overall: the typical suburban household saw income drop $388 while primary city median income remained statistically unchanged on the whole. Suburban decreases were driven by declines in Sun Belt metro areas, like Modesto, Bakersfield, Fresno, Palm Bay, and Tampa. This likely reflects the early timing of the housing market collapse, which

Table 5. Western Metro Areas Saw the Greatest Growth in Both City and Suburban Poor Populations in the First Year of the Great Recession

Change in City and Suburban Poor Population by Region, 95 Metro Areas*, 2007 to 2008

	Primary Cities			Suburbs		
	2007	2008	Change (%)	2007	2008	Change (%)
Metro Total	**10,748,398**	**10,969,243**	**2.1%**	**11,941,943**	**12,491,486**	**4.6%**
Midwest	2,127,005	2,143,793	0.8%	2,138,486	2,198,817	2.8%
Northeast	2,520,359	2,516,153	-0.2%	2,184,478	2,289,853	4.8%
South	3,320,929	3,356,181	1.1%	4,419,690	4,612,951	4.4%
West	2,780,105	2,953,116	6.2%	3,199,289	3,389,865	6.0%

All changes significant at the 90 percent confidence level
**Includes 95 of the largest 100 metropolitan areas for which data are available*
Source: Brookings Institution analysis of Census 2000 and 2008 American Community Survey data

hit many Sun Belt metro areas—with concentrations in the construction and real estate industries—particularly hard. At the same time, a number of metro areas managed to buck this trend—many of them in the Northeast (e.g., Worcester, Poughkeepsie, and Buffalo)—and experienced real increases in their median incomes in the first year of the recession.

Changes in metropolitan poverty over this time period largely mirror the income dynamics in these regions. Much of the nation's increase in poverty was concentrated in the largest metro areas, and particularly in the suburbs, which accounted for more than half the nation's increase in the number of poor. Contrary to the longer-run trend from 1999 to 2008, Western metro areas led among regions for increases in both city and suburban poverty between 2007 and 2008, again likely reflecting the early onset of the recession in the Sun Belt (Table 5). At the same time, primary cities in the Northeast actually saw their central-city poor population decline overall, even as the poor population in the surrounding suburbs increased almost 5 percent.

While it is notable that some areas saw household income growth and falling poverty during the first year of the recession, research indicates that 2009 is likely to bring higher poverty rates across all major metropolitan areas.[4] Based on the increases in unemployment seen over the course of 2009 as the recession deepened and spread, the 100 largest metro areas may see a 2.2 percentage-point increase in their collective poverty rate, with increases of 3.5 percentage points or more in Sun Belt metro areas like Cape Coral, Stockton, and Modesto; and manufacturing centers like Detroit and Youngstown. In general, these trends are driven by high unemployment increases in both cities (e.g., Stockton, CA) and suburbs (e.g., Modesto, CA) between 2008 and 2009.[5] Altogether, more than half of metropolitan areas may see a rise of 2 percentage points or more in their poverty rates in 2009.

In the wake of the recession at the start of the decade, the nation lost ground on incomes for typical households and reducing poverty. Now, as the country works to emerge from a much deeper and more protracted recession, the trends explored in this chapter are likely to get worse before they get better, especially in communities hit hardest by recent job losses and rising unemployment. But the future trajectory of these trends will depend on how the economy recovers: Will this recovery be a repeat of the one we saw earlier this decade, which brought increased productivity but stagnating income and growing poverty? If so, what will that mean for metro areas that have already fallen behind as metropolitan income disparities widened over the decade? Or will this recovery bring the kind of shared prosperity the country experienced in the 1990s—one that increased incomes for the average family, reduced poverty in cities and suburbs, and brought economic gains to metropolitan areas now in danger of suffering permanent losses?[6] ■

Much of the nation's recent increase in poverty was concentrated in the largest metro areas, particularly in the suburbs.

ENDNOTES

1. In 2008, U.S. median household income was $52,029, thus nationally middle-income households were those with incomes between $41,623 and $78,044. The 80 percent threshold is in keeping with the U.S. Department of Housing and Urban Development's definition of low-income (see, e.g., **www.huduser.org/portal/datasets/il/index_il2009.html**). While no one definition of "middle income" exists in the literature, we use the 150 percent income cutoff as in Paul Taylor, et al, "Inside the Middle Class: Bad Times Hit the Good Life" (Washington: Pew Research Center, 2008).
2. Dollar amounts in 1999 were adjusted to 2008 for comparison purposes.
3. The increase of 0.2 percentage points in the share of upper-income households did not meet the test for statistical significance at the 90 percent level.
4. Elizabeth Kneebone and Emily Garr, "The Suburbanization of Poverty: Trends in Metropolitan America, 2000 to 2008" (Washington: Brookings Institution, 2010).
5. Elizabeth Kneebone and Emily Garr, "Landscape of Recession: Unemployment and Safety Net Services Across Urban and Suburban America" (Washington: Brookings Institution, 2009).
6. Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" (Washington: Brookings Institution, 2003).