

Long Island's Thinning Middle-Class



LIA Research Institute

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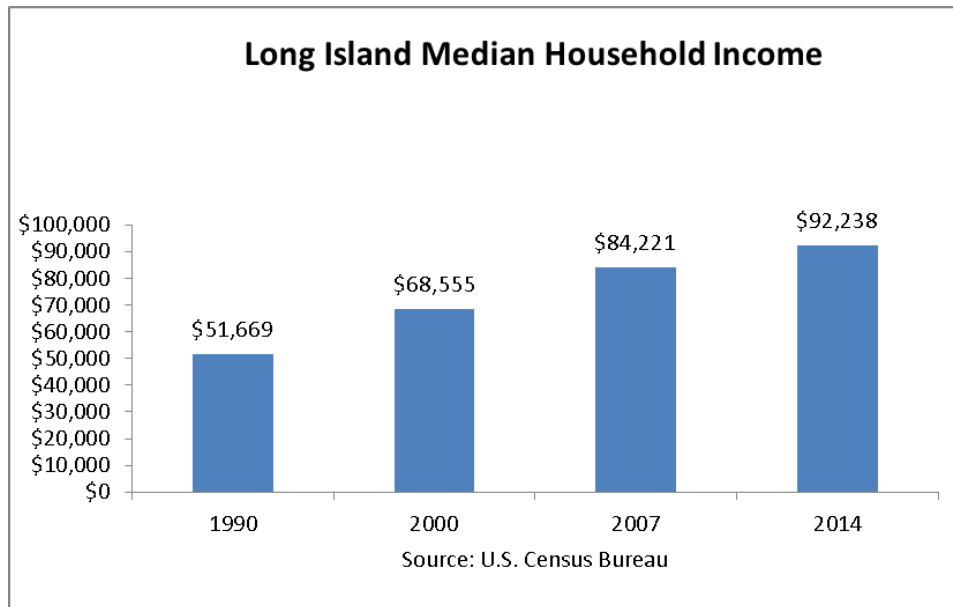


Introduction

Numerous recent reports have indicated that the distribution of income in the United States has become more unequal over the past few decades and that the middle-class is shrinking. The Census Bureau, for example, calculates the Gini index, a summary statistic that measures the dispersion of incomes on a scale of zero (everyone has exactly the same income) to one (one person has all the income). The Gini index was 0.362 in 1967 and 0.464 last year (The Gini index for Nassau in 2014 was 0.448 and 0.422 for Suffolk). The University of California, Berkeley’s Emmanuel Saez found that between 1993 and 2014 the real income of the top 1% of households grew by 80% while that of the other 99% of households grew by only 10.8%. A 2016 Pew Research Center report found that from 2000 to 2014 the share of adults living in middle-income households fell in 203 of the 229 U.S. metropolitan areas examined. The decrease in the middle-class share was often substantial, measuring 6 percentage points or more in 53 metropolitan areas, compared with a 4-point drop nationally. Pew also found in 2015 that for the first time in forty years America’s middle-class were no longer in the majority, its 120.8 million adults being surpassed by the 121.3 million adults either above or below it in income.¹

Methodology

The following analysis attempts to identify what is taking place at the regional level on Long Island as it relates to income. It does this by measuring the changes in the distribution of household income among five income groups (or “quintiles”) since 1990. The U.S. Census Bureau defines a household as any occupied housing unit. The median household income (half of households have higher incomes and half have less) is the most inclusive unit of measure for income. The median household income for Long Island for the years analyzed are given in the figure below.



The quintiles developed for this study are: 1. Lower (50% or less of median income - \$46,164); 2. Lower middle (51% of median income to median income – \$46,165 to \$92,238); 3. Middle (101% of median income to 150% of

¹ *Historical Income Tables: Income Inequality. Found on world wide web at*

<https://www.census.gov/hhes/www/income/data/historical/inequality/>; Emmanuel Saez, “Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2014 preliminary estimates), UC Berkeley, June 25, 2015, 7; “America’s Wealth Gap Between Middle Income and Upper Income Families is Widest on Record,” Pew Research Center, December 17, 2014; “America’s Shrinking Middle Class: A Close Look at Changes Within Metropolitan Areas,” Pew Research Center, May 11, 2016; see also *Income and Poverty in the United States: 2014*, U.S. Census Bureau, Washington, D.C., September 2015. “Equivalence-Adjusted” incomes adjusts for differences in household size and composition; “The American Middle Class Is Losing Ground,” Pew Research Center, December 9, 2015; Drew DeSilver, “The Many Ways to Measure Economic Inequality,” Pew Research Center, September 22, 2015

median income - \$92,238 to \$138,493); 4. Upper middle (151% of median income to 200% of median income - \$138,494 to \$184,657); and 5. Upper (over 200% of median income – over \$184,657). The Appendix at the end of this report includes a table with the number and percentage of all households in each quintile for each year analyzed and a table with the income thresholds for each quintile for each year.

All data comes from the U.S. Census Bureau’s American Community Survey Summary Files or Public Use Micro Survey (PUMS) data.

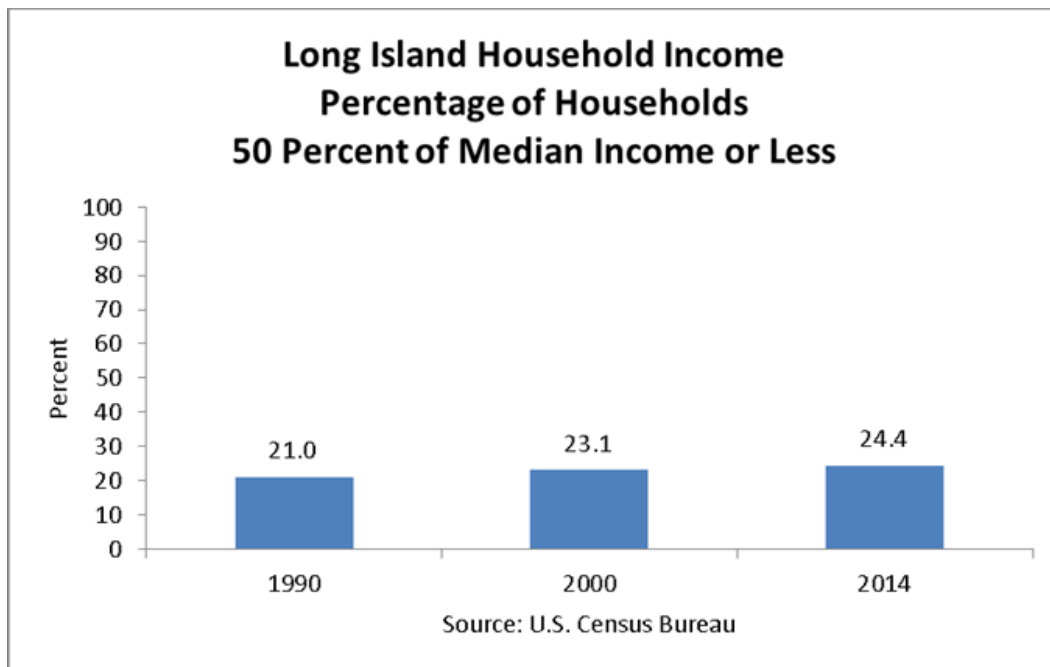
Definition of Middle Class

Defining the middle class in terms of income is not an exact science. Middle class existence means different things to different people in different regions and changes over time. It is with an understanding of its inherent limitations that this report ascertains the middle quintile as the “middle class,”- those households with anywhere from just above the median income to 150% of median income (or from \$92,238 to \$138,493) for 2014. This threshold was established with the average household size of three persons and the high cost of living on Long Island in mind².

Findings

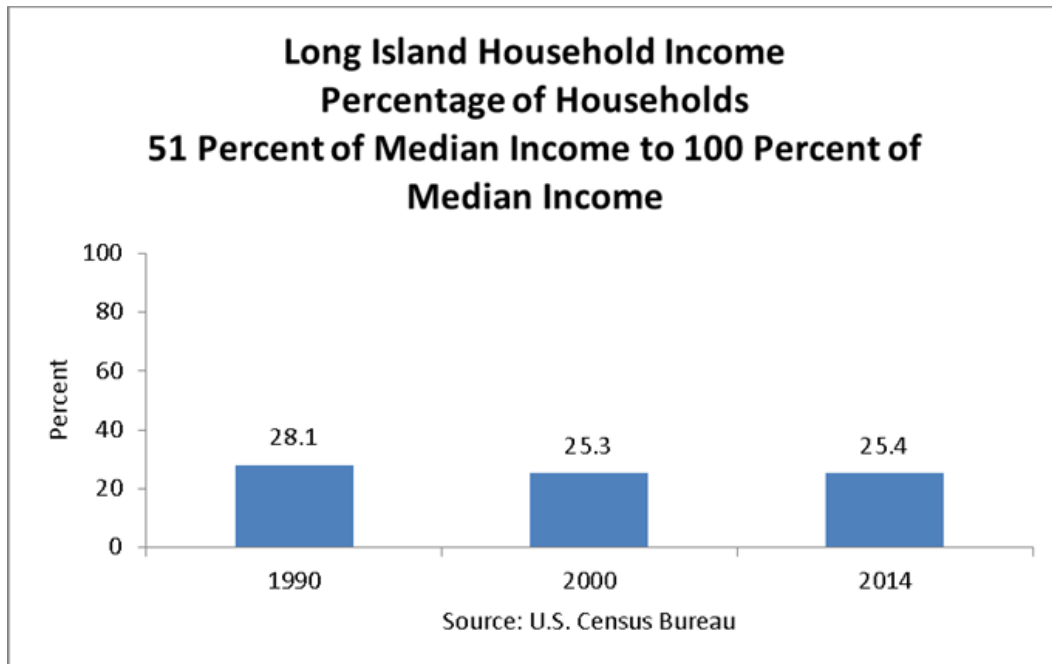
The following findings are based on changes in the distribution of household income among five income groups (or “quintiles”) since 1990. Income figures in parentheses are from 2014.

1. *The lowest income quintile, those households with 50% of median income (\$46,164) or less, has **grown** by 3.4 percentage points since 1990, making up 21% of all households in 1990 and 24.4% in 2014. Thus, almost 1 in 4 households on Long Island have a \$46,164 income or less, a figure that includes a growing number of retirees on Long Island.*

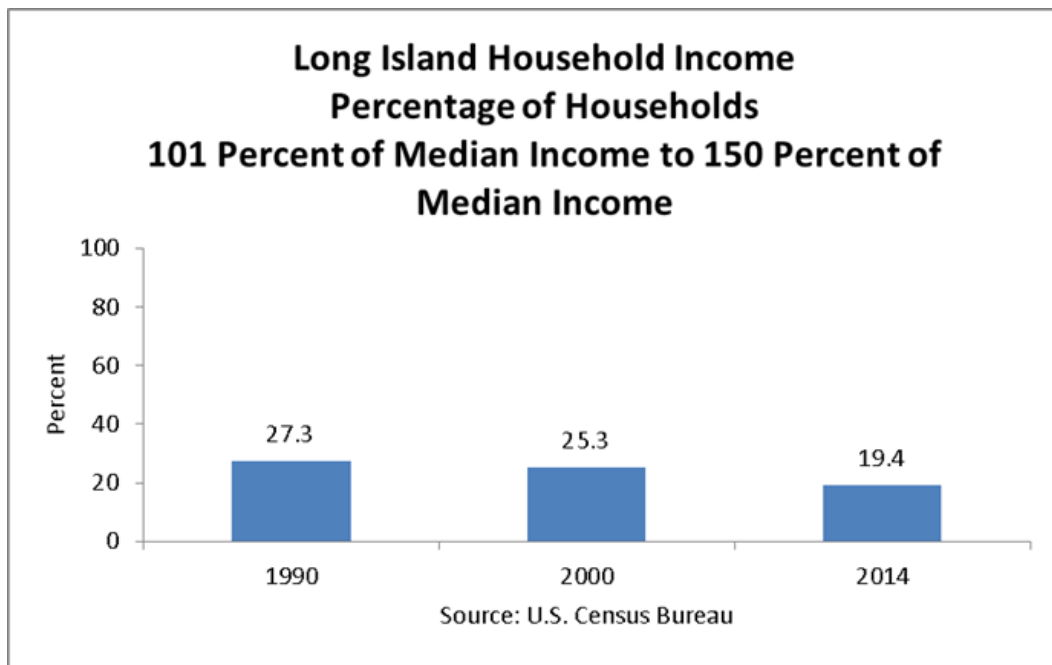


² For those favoring an expanded definition of the middle class, an alternative analysis for the three middle income quintiles together (lower-middle, middle, and upper-middle) is also provided.

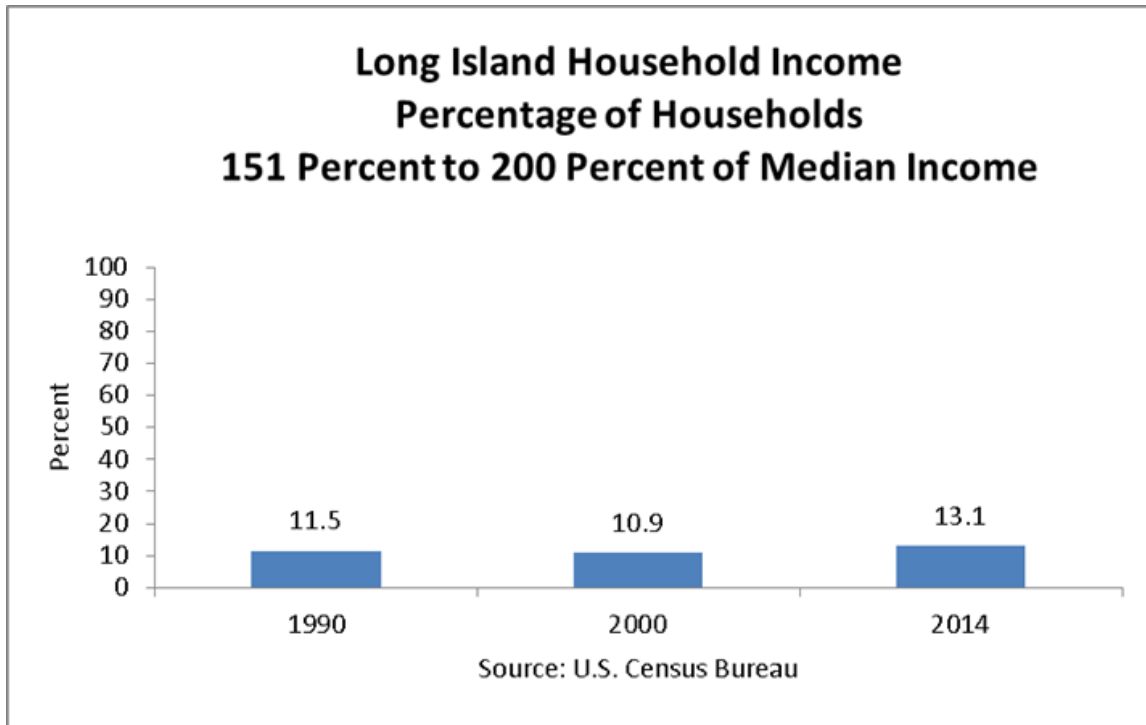
2. The second to lowest income quintile, those households with 51% of median income (over \$46,164) to 100% of median income (\$92,238), has **declined** by 2.7 percentage points since 1990, going from 28.1% of all households in 1990 to 25.4 percent of all households in 2014. Thus, over 1 in 4 households fall into the second lowest income quintile.



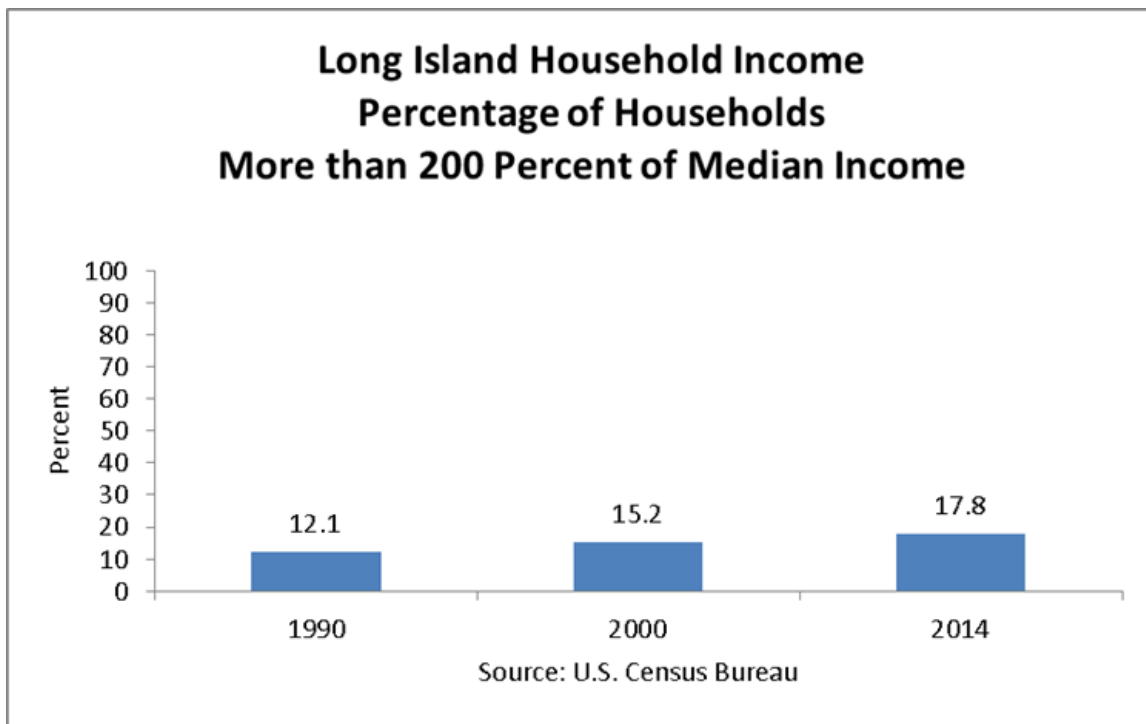
3. The third or “middle-class” quintile, households with 101% (over \$92,238) to 150% of median income (\$138,493) has **declined** by almost 8 percentage points since 1990, going from 27.3% of all households in 1990 to 19.4% of all households in 2014. Thus, fewer than 1 in 5 Long Island households are in the middle class.



4. The second highest income quintile, households with 151% of the median income (over \$138,493) to 200% (\$184,657), has **grown** by 1.6 percentage points since 1990, going from 11.5% of all households in 1990 to 13.1% of all households in 2014.

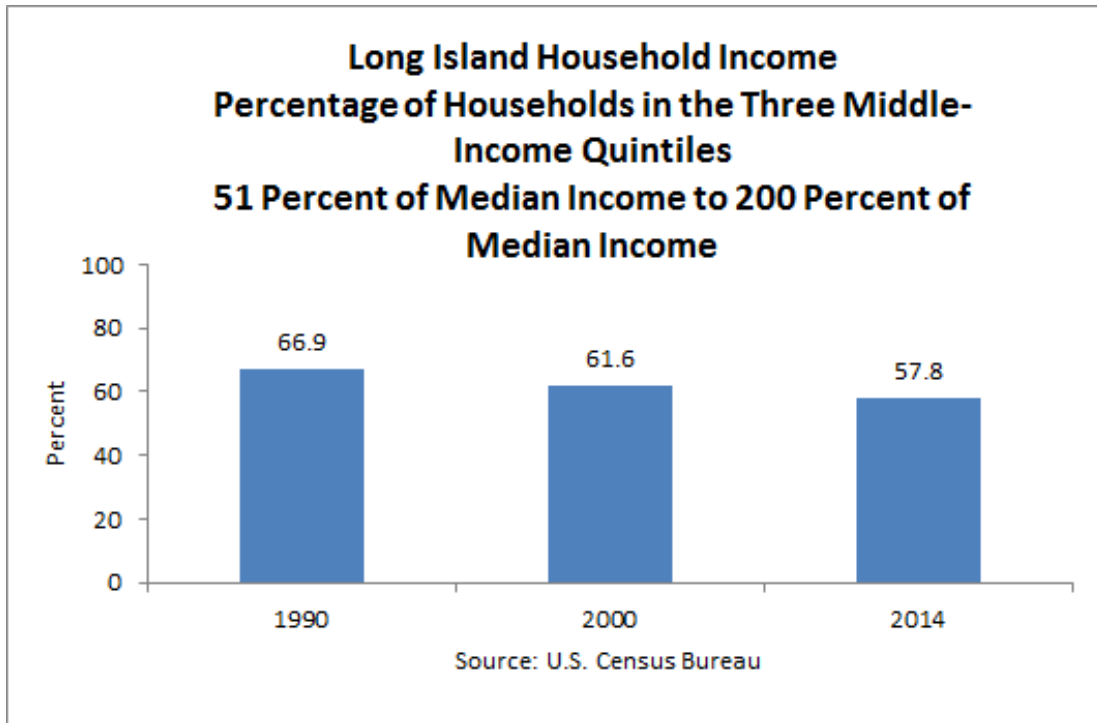


5. The highest income quintile, households with more than 200% of median income (over \$184,657), has **grown** by 5.7 percentage points since 1990, going from 12.1% of all households in 1990 and 17.8% of all households in 2014. Thus, close to 1 in 5 households are in the highest income quintile.



Alternative Analysis

When the three middle income quintiles are combined into one group with households ranging from 51% of median income (over \$46,164) to 200% of median income (\$184,657), this expanded middle income group (i.e. lower middle, middle, and upper middle) **declined** by 9.1 percentage points, going from 66.9% of households in 1990 to 57.8% of households in 2014.



Conclusion

If the trends from as recently as 2000 -- when the expanded definition of the middle-class constituted 61.6% of all households -- continue, the middle-class on Long Island will drop to under 50% of all households on Long Island in approximately 29 years. The policy implications of these changing demographics may have profound impacts on the Long Island economy and should be discussed by the regions businesses, labor and government leaders.

Appendix

Number of Households

	1990	1990	1990
	Number of Households	Number of Households	Number of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	91,125	88,754	179,879
51% to 100% of Median	125,565	114,519	240,083
101% to 150% of Median	111,136	122,586	233,722
151% to 200% of Median	45,800	52,959	98,759
>200% of Median	57,523	45,806	103,329
Total Households	431,149	424,624	855,772

Percent of Households

	1990	1990	1990
	Percent of Households	Percent of Households	Percent of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	21.1	20.9	21
51% to 100% of Median	29.1	27	28.1
101% to 150% of Median	25.8	28.9	27.3
151% to 200% of Median	10.6	12.5	11.5
>200% of Median	13.3	10.8	12.1
Total Households	100	100	100

Number of Households

	2000	2000	2000
	Number of Households	Number of Households	Number of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	105,342	105,834	211,176
51% to 100% of Median	103,819	127,400	231,219
101% to 150% of Median	115,114	115,942	231,056
151% to 200% of Median	37,134	62,648	99,782
>200% of Median	78,344	60,702	139,045
Total Households	439,753	472,526	912,278

Percent of Households

	2000	2000	2000
	Percent of Households	Percent of Households	Percent of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	24	22.4	23.1
51% to 100% of Median	23.6	27	25.3
101% to 150% of Median	26.2	24.5	25.3
151% to 200% of Median	8.4	13.3	10.9
>200% of Median	17.8	12.8	15.2
Total Households	100	100	100

Number of Households

	2014	2014	2014
	Number of Households	Number of Households	Number of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	108,248	119,666	227,914
51% to 100% of Median	108,165	128,530	236,695
101% to 150% of Median	73,942	106,871	180,813
151% to 200% of Median	69,281	52,994	122,275
>200% of Median	80,532	85,227	165,758
Total Households	440,168	493,287	933,455

Percent of Households

	2014	2014	2014
	Percent of Households	Percent of Households	Percent of Households
Household Income	Nassau	Suffolk	Long Island
<50% of Median	24.6	24.3	24.4
51% to 100% of Median	24.6	26.1	25.4
101% to 150% of Median	16.8	21.7	19.4
151% to 200% of Median	15.7	10.7	13.1
>200% of Median	18.3	17.3	17.8
Total Households	100	100	100

Household Income on Long Island

	50% of Median	50% of Median	50% of Median
	Nassau	Suffolk	Long Island
1990	\$27,142	\$24,564	\$25,834
2000	\$36,015	\$32,644	\$34,278
2007	\$43,829	\$40,565	\$42,110
2014	\$49,518	\$43,133	\$46,164

Household Income on Long Island

	100% of Median	100% of Median	100% of Median
	Nassau	Suffolk	Long Island
1990	\$54,283	\$49,128	\$51,669
2000	\$72,030	\$65,288	\$68,555
2007	\$87,658	\$81,130	\$84,221
2014	\$99,035	\$86,266	\$92,238

Household Income on Long Island

	150% of Median	150% of Median	150% of Median
	Nassau	Suffolk	Long Island
1990	\$81,425	\$73,692	\$77,503
2000	\$108,045	\$97,932	\$102,833
2007	\$131,487	\$121,695	\$126,331
2014	\$148,553	\$129,399	\$138,493

Household Income on Long Island

	200% of Median	200% of Median	200% of Median
	Nassau	Suffolk	Long Island
1990	\$108,566	\$98,256	\$103,338
2000	\$144,060	\$130,576	\$137,110
2007	\$175,316	\$162,260	\$168,441
2014	\$198,070	\$172,532	\$184,657