# The Upper Middle Class Continued to Grow from 2014 to 2019

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As we look to the new year with hopes for an end to the pandemic and the beginning of an economic recovery, it is instructive to consider what happened to American families' incomes as the recovery from the Great Recession sped up between 2014 and 2019. Over that period, the share of people in poor and near-poor families declined, the share in middle-class families held steady, and the share in upper middle class and rich families swelled. The tail end of the recovery extends trends in the income distribution seen from 1979 to 2014 (Rose 2016). The past isn't necessarily prologue, but the recovery from the previous recession may help us anticipate the trends in family income we will see into the coming decade.

In a 2016 report (Rose 2016), I defined income classes on the basis of multiples of the poverty threshold (which varies depending on the number of people in a family—a single person is a family of one, roommates are considered separate families of one each, cohabitators are considered married and a family of two, a couple with a child is a family of three, and so on). I place the heads and spouses of families in five income classes (adult children living at home are not included):

- poor and near poor: income at or below 149 percent of the federal poverty level (FPL)
- lower middle class: income from 150 to 249 percent of FPL
- middle middle class: income from 250 to 499 percent of FPL
- upper middle class (UMC): income from 500 to 1749 percent of FPL
- rich: income above 1749 percent of FPL

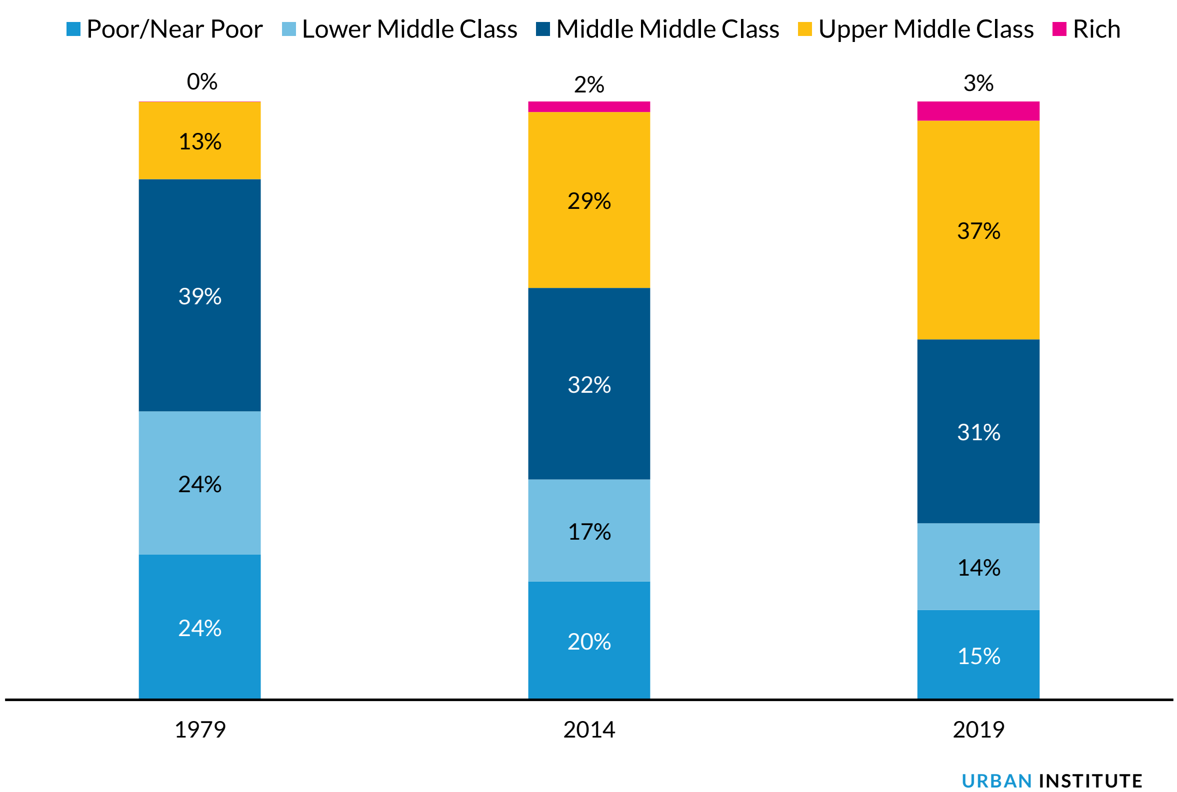
Poverty-level income for a family of three in 2014 was about $20,000. As such, the family-of-three equivalent income for the upper middle class ranges from $100,000 to $350,000. This is a useful but crude approach for examining the UMC. It would be better to adjust for costs of living in different parts of the country, but these data aren't available. Overall, the approach is sound because the overestimate of the number of people being in the UMC in high-cost areas of the country is offset by the underestimate in low-cost areas of the country. The 2019 threshold for UMC family-of-three incomes is just under $107,000; the level for a single person is just under $62,000, and the level for a family of four is a bit more than $123,0000.

In this brief, I extend my analysis to 2019, carrying my analysis over the final years of the recently concluded economic expansion. I use data from the March 2020 Annual Social and Economic Supplement to the US Census Bureau's Current Population Survey; these data measure respondent's incomes for 2019. The years 2014 to 2019 had steady income growth leading to higher incomes across the income ladder. The share of families in the UMC went from 13 percent in 1979 to 31 percent in 2014 to 37 percent in 2019 (figure 1). Meanwhile, the rich share went from less than 0.5 percent in 1979 to 3 percent in 2019. In contrast, the share of families in the other three income classes declined between 1979 and 2019 by 5 percentage points for the poor and near poor, 10 points for the lower middle class, and 8 points for the middle middle class.

FIGURE 1

**A Growing Upper Middle Class: 1979, 2014, and 2019**

*Share of families in each of five income classes*




**Source:** March 2020 Annual Social and Economic Supplement to the US Census Bureau's Current Population Survey; data measure respondent's incomes for 2019.

In addition to more families moving into the top two income classes (UMC/R), those classes also experienced strong income growth over these years, leading to their share of total income going from 13 percent in 1979 to 61 percent in 2014 to 72 percent in 2019.

## The Demographics of the Upper Middle Class and Rich

There is considerable diversity in UMC/R group even though certain demographic groups are more likely than others to reach this plateau (having incomes in 2019 of over $109,000). In table 1, I show both the probability that a member of a specific demographic group is in the UMC/R (incidence) as well as the composition of UMC/R along demographic lines. I examine incidence and composition by household type, race and ethnicity, educational attainment, and age.

Across household types, individuals in married or cohabiting households have the highest incidence of being UMC/R and make up the lion's share of those in the upper classes. For example, 48 percent of those in couples have incomes that qualify them to be UMC/R, and they make up 81 percent of all people in these top income groups. In contrast, 26 percent of single men with or without dependents, 21 percent of single women, and 15 percent of women with dependents reach UMC/R. Among noncoupled household types, none has even 10 percent that are UMC/R.

In terms of race and ethnicity, UMC/R incidence values divide into high ratios for white and Asian people (57 and 59 percent respectively) and low values for Black and Hispanic people (40 and 28 percent respectively). The vast majority of people (77 percent) in the UMC/R group are non-Hispanic white people. Another 9 percent are Asian people; 6 percent are non-Hispanic, Black people; and 7 percent are Hispanic people.

People with higher levels of educational attainment both (1) are more likely to be UMC/R and (2) compose a larger portion of the group than those with less formal schooling. With respect to UMC/R incidence, 55 percent of those with a bachelor's degree make it to the UMC/R group, and 68 percent of those with a graduate degree make it (many highly educated people who don't reach this income level are young or retired). These numbers compare with 34 percent of those with a two-year degree or some college but no postsecondary degree, 24 percent of those who graduated from high school, and 9 percent of those that didn't complete high school. The UMC/R group is composed of many people with a four-year or graduate degree, 60 percent in all. Among those individuals in the UMC/R group without a four-year degree, many are married to or cohabiting with someone who holds at least a bachelor's degree. Overall, 74 percent of those who are UMC/R either have a college degree or live with someone with a degree).

TABLE 1

**The Demographics of the Upper Middle Class and Rich by Incidence and composition**

| | UMC/R incidence (%) | UMC/R share (%) |
|---|---|---|
| **Household type** | | |
| Married couples and cohabitators | 48 | 81 |
| Single men | 28 | 8 |
| Single women | 20 | 7 |
| Male with dependents | 27 | 2 |
| Female with dependents | 15 | 2 |
| **Race and ethnicity** | | |
| Non-Hispanic white | 57 | 76 |
| Non-Hispanic Black | 40 | 7 |
| Hispanic | 28 | 8 |
| Asian | 59 | 8 |
| **Education** | | |
| No high school completion | 9 | 0 |
| High school or GED | 24 | 16 |
| Some college or associate's degree | 34 | 24 |
| Bachelor's degree | 55 | 34 |
| Graduate degree | 68 | 26 |
| **Age** | | |
| 19–29 | 25 | 6 |
| 30–49 | 43 | 38 |
| 50–64 | 48 | 36 |
| 65 and older | 31 | 20 |

**Source:** March 2020 Annual Social and Economic Supplement to the US Census Bureau's Current Population Survey; data measure respondents' incomes for 2019.

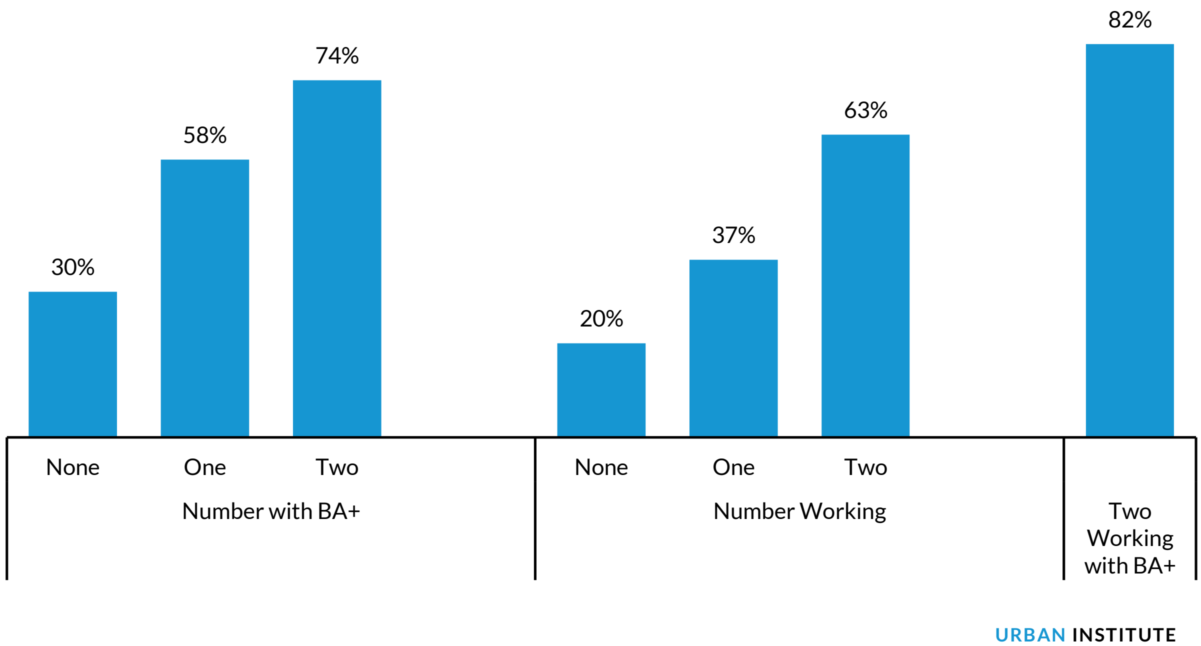
Finally, the incidence of being UMC/R shows a strong life-cycle pattern as people enter the labor market, find a good job, develop seniority and skills, marry, and retire. For those under 30, 25 percent have family-of-three incomes higher than $107,000 (just $62,000 for a single person). The ability to reach the UMC/R is 43 percent of those ages 30 to 49 and 48 percent of those ages 50 to 64. Finally, nearly one in three older people have incomes high enough to be UMC/R. The UMC/R group is made up predominantly of those between the ages of 30 and 64. Just 6 percent of all UMC/R individuals are below age 30, while 20 percent are 65 or older. A lot of attention is properly focused on low-income seniors, but those with strong earnings earlier in life can combine Social Security, other retirement accounts (pensions or individual retirement accounts), and investments. These people fuel an industry of upscale living for active older adults and can transition to assisted care when needed.

All these numbers add up to a UMC/R group that is mainly married white people between the ages of 30 and 64 who are part of a household with at least one person with a college degree. Focusing on nonelderly couples, I find that 74 percent of families where both partners have a college degree make it to the UMC/R group. If the couple has one person with a college degree, 58 percent have UMC/R incomes. And those in which neither spouse has a college degree have a UMC/R income rate of 30 percent, which is below the national average.

There is a similar gradient depending on the number of workers in the couple. Although 68 percent of the incomes of those with two workers are higher than the UMC/R threshold, 37 percent of those with one worker reach this level. Among the small group of nonelderly couples in which neither partner works, 30 percent are UMC/R because they either retired young or happened to be not working at the time of the survey. Finally, 82 percent of couples in which both partners have at least bachelor's degrees and both work are UMC/R.

FIGURE 2

**Share in Upper Middle Class or Rich among Nonelderly Married and Cohabiting Couples, 2019**




**Source:** March 2020 Annual Social and Economic Supplement to the US Census Bureau's Current Population Survey; data measure respondents' incomes for 2019.
**Note:** BA = bachelor's degree.

# Discussion

Trends in family incomes are important because incomes are a good proxy for standards of living. The US Census Bureau's 2019 income report (Semega et al. 2020) shows a median household income of just under $69,000, although the median for couples is $102,000. The Census Bureau median is widely cited and is incompatible with the finding that nearly 40 percent of the population have incomes over $107,000. In a 2018 study (Rose 2018), I showed how the Census Bureau's household approach leads to low median incomes because they treat both a family of four with two working parents and a single person as one household. Further, the Census Bureau analysis treats a single person with an income of $62,000 and family of three with an income of $62,000 as having the same income or standard of living.

The approach used here adjusts for family size and focuses on "independent adults," thus a single-person household is one adult while a married couple consists of two independent adults.

The numbers in this brief do not account for the economic decline caused by the pandemic. Clearly the 2021 shares of UMC/R people will decline, though those with high incomes have been less affected than those with moderate and low incomes. If vaccinations lead to the end of the pandemic, the 2022 shares will be larger than the 2021 shares but probably not as large as those for 2019. But by 2023, if all goes well, the size of the UMC should be growing again.

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# About the Author


**Stephen Rose** is a nonresident fellow in the Income and Benefits Policy Center at the Urban Institute. He is a nationally recognized labor economist and has spent the last 35 years researching and writing about the interactions between formal education, training, career movements, incomes, and earnings. His book *Social Stratification in the United States* was originally published in 1978, and the seventh edition was released in 2014. His book *Rebound: Why America Will Emerge Stronger from the Financial Crisis* addresses the causes of the financial crisis and the evolving structure of the US economy over the last three decades.

Rose has worked with large longitudinal and cross-sectional datasets to develop unique approaches to understanding long-term income and earnings movements. He recently coauthored the report "The Economy Goes to College," showing that the high-end service economy of work in offices, health care, and education was the main driver of the US postindustrial economy, responsible for 64 percent of employment, 74 percent of earnings, and over 80 percent of workers with a bachelor's or advanced degree.

Before coming to Urban, Rose held senior positions at the Georgetown University Center on Education and the Workforce, Educational Testing Service, the US Department of Labor, Joint Economic Committee of Congress, the National Commission for Employment Policy, and the Washington State Senate. His commentaries have appeared in the *New York Times*, *Washington Post*, *Wall Street Journal*, and other print and broadcast media. He has a BA from Princeton University and an MA and PhD in economics from the City University of New York.

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