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# Who Is Middle Class?

**C**hances are you believe you are in the middle class—nearly everyone does. This is true no matter what someone’s occupation is and how much schooling, earnings, savings, or debt they have. Doctors and lawyers believe they are middle class; so, too, do masons and millwrights, welders and waiters. Data from a Pew survey (Pew Social and Demographic Trends, 2015) indicates that only 10 percent of Americans considered themselves lower class and only 1 percent thought they were upper class. This means that a whopping 89 percent of the U.S. population believes itself to be of the middle class. This perception is not unique to Pew’s survey—in multiple years of a survey run by Northwestern Mutual (undated), approximately 70 percent of respondents identified as middle class.

Of course, how people define *middle class* varies. For many Americans, the term evokes specific attributes, such as thriftiness and dedication to work. Others define it in relation to income; in the minds of many, those in the middle class are likely to have some retirement savings, own a house, and send their children to college. Here, we take a closer look at two additional ways that researchers define the term and examine what has happened to this segment of the population over time. We then discuss lack of income mobility and the potentially long-lasting effects of the coronavirus disease 2019 (COVID-19) pandemic—both of which threaten the stability of the middle class.

## Americans Are Not Equally Middle Class

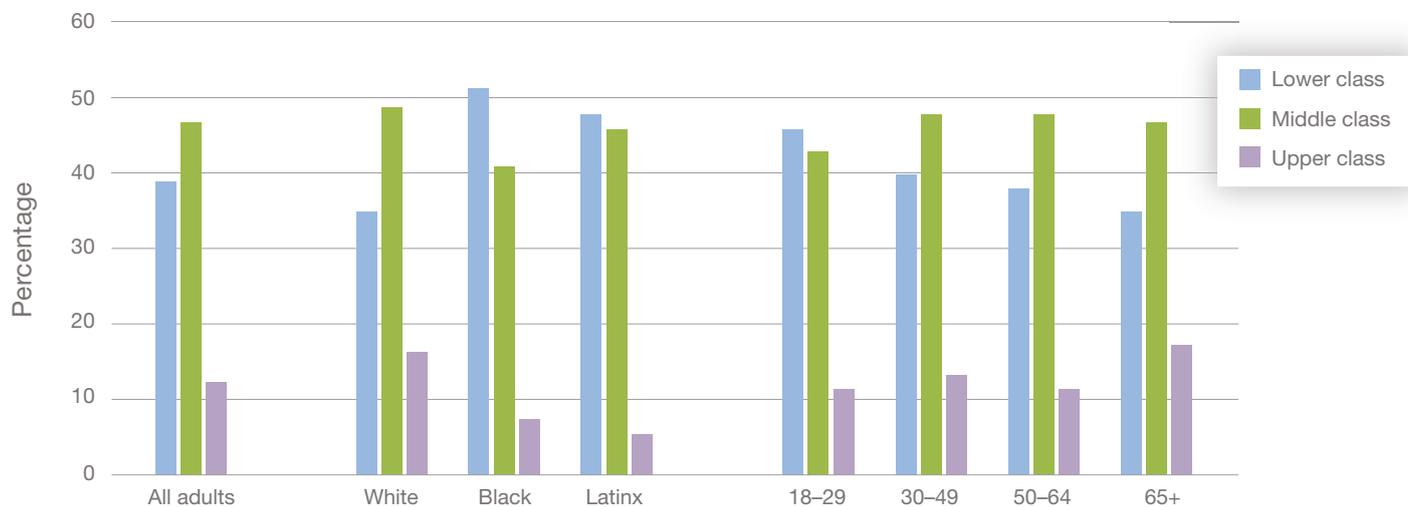
Despite its expansive self-ascribed membership, those who claim membership to the middle class are also aware of the segment in that group to which they belong. We follow the approach that Pew researchers took in a prior survey (Pew Social and Demographic Trends, 2012) and reclassify those who say they are lower middle class and upper middle class into the lower and upper classes, respectively. Doing this yields a much more sensible assessment of the middle class (shown in Figure 1), putting just shy of 50 percent of the population in this group.

Notably, Black and Latinx respondents were far less likely than White respondents to identify themselves as belonging to the middle and upper classes.<sup>1</sup>

## Americans Believe That the Middle Class Is Struggling—and They Are Right

Along with an intrinsic understanding of how the expansive term *middle class* can be broken into different income-related segments, most Americans also share a broad belief that the middle class is struggling. Seven

FIGURE 1  
Proportions of Self-Reporting Membership in Lower, Middle, and Upper Classes, by Race and Age



SOURCE: Pew Social and Demographic Trends, 2015.

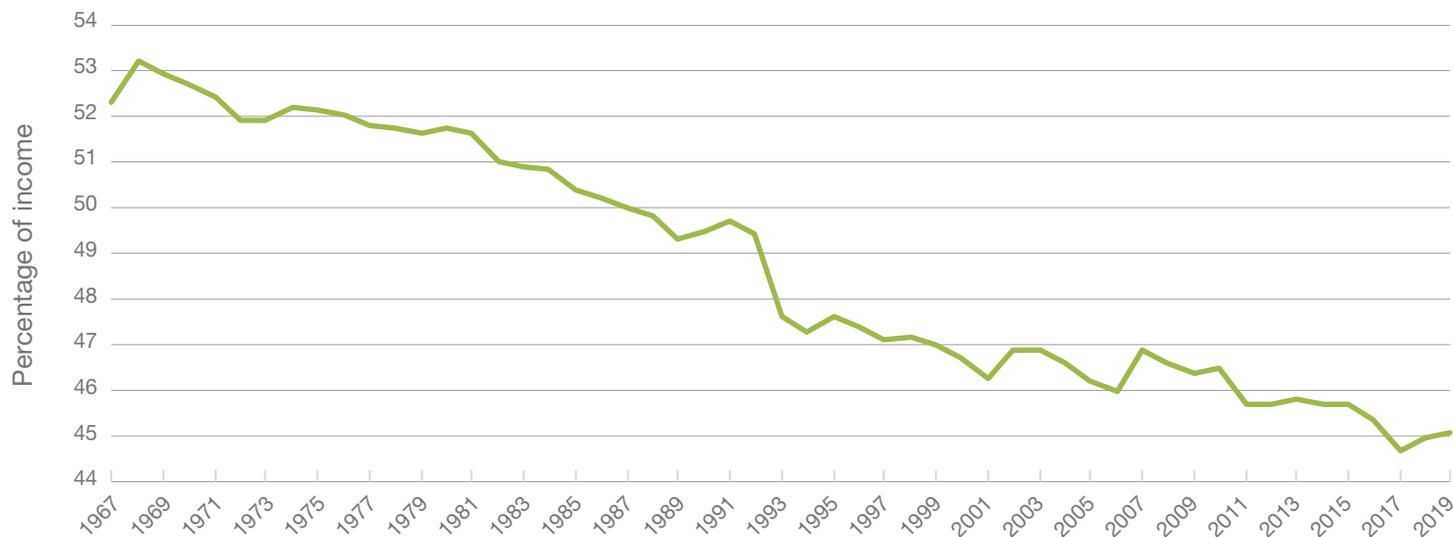
NOTE: "Don't know" was also a response option (not presented). Numbers might not add to 100 because of rounding.

in ten respondents to the Northwestern Mutual survey (undated) said that the middle class was staying the same or shrinking, and one-third of respondents said the middle class might disappear entirely. Earnings have been flat or stagnant for many middle-class workers in the United States while health care, education, and housing costs are rising (Peter G. Peterson Foundation, 2019; Maldonado, 2018; Fidler and Hicham, 2019). Americans in the middle class are feeling the pinch.

Figure 2 illustrates the total income accruing to the 60 percent of Americans falling in the middle of the income distribution.<sup>2</sup> All income is counted, including

investment income and earnings. As can be seen in the figure, there is a substantively large decline in total income share for this population. From 1967 through 1987, those who were in the middle 60 percent of the income distribution had a total income that exceeded one-half of the country's income. By 2019, that share had fallen to 45 percent. To put this in relatable terms, the difference in income would have allowed this segment of the population to enjoy two additional weeks of paid vacation. For a more detailed discussion of the shift in aggregate income, see Price and Edwards (2020), who detail the cumulative effects of four decades of growing income inequality.

FIGURE 2  
Share of Total Income Accruing to Middle 60 Percent, 1967–2019



SOURCE: U.S. Census Bureau, 2020.

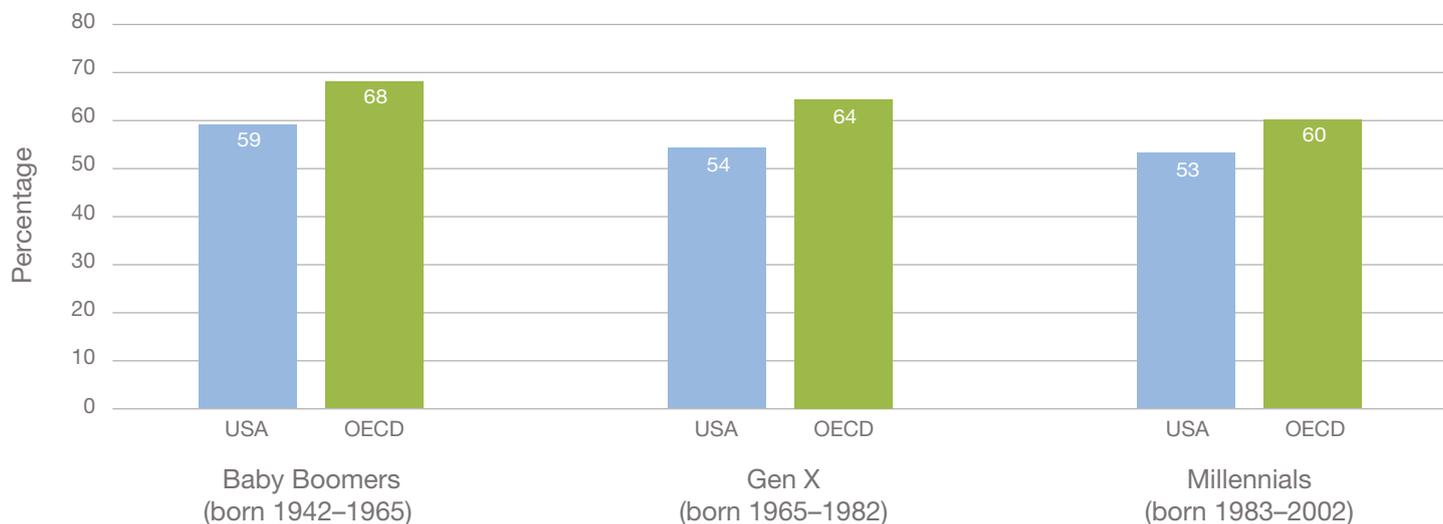
## But Wait—It's Worse

Demographics might obscure an even larger decline in the welfare of the middle class. In the 1960s, baby boomers were just entering the labor force. Earnings generally increase as workers age, peaking soon after age 40. The sheer number of baby boomers meant that the 1960s labor force comprised many young (lower-earning) workers—making the 53 percent share in 1969 even more remarkable. In contrast, today's labor force is older, leading us to expect the typical earner to be at a higher level. One would expect a larger number of mature workers at the peak of their earning profile to make the share of that middle 60 percent grow, not shrink. However, the reverse is true: Income inequality has grown

despite the baby boomers having peak earnings. Thus, things are not only bad, they are worse than they appear.

Not only has the share of income been falling for the middle 60 percent, but the proportion of each generation in a middle-class household has fallen (see Figure 3). If we assess membership in the middle class by income relative to the median, the United States has a smaller middle class than other Organisation for Economic Co-operation and Development (OECD) countries (OECD, 2019a). When baby boomers were in their 20s, 59 percent of them lived in middle-class households. By the time millennials were in their 20s, only 53 percent lived in middle-class households. The OECD countries fared similarly, with a decline of 8 percentage points across generations.

FIGURE 3  
Percentage of Population in Their 20s in Middle-Class Households, by Generation



SOURCE: OECD, 2019a.

NOTE: Calculation based only on those ages 20 to 29 years old.

## Defining the Middle Class for Today

Our initial discussion of the middle class looked at the share of income earned by the middle 60 percent of the earnings distribution. As we saw, their share of income has been declining for nearly 60 years. If we want to count the number of people in the middle class, then we will need a different measure. The middle 60 percent will always constitute 60 percent of the population—that number of people or households will grow or shrink as the population changes—thus, it will always remain the same share.

To benchmark the growth or decline of a middle class that is defined according to income, we need to develop earnings thresholds that constitute lower and upper bounds (Atkinson and Brandolini, 2013; Pressman, 2015). Most researchers suggest that these should be 75 percent of the median household earnings and 200 percent, respectively. (For more discussion, see OECD, 2019a). To make the numbers comparable across countries and over time, researchers focus on *disposable* household income, which generally means post-tax income.

Table 1 shows the income bands, by family size, for bookending the income levels of the middle class. We use post-tax income as the base measure. A person earning a median income can expect an average tax rate of approximately 25 percent (the average federal tax rate in the middle quintile is 14 percent, and payroll taxes are approximately 9 percent; state income taxes subtract an additional amount). Higher and lower earners have different tax rates: Progressive tax rates in the United States mean that the top 20 percent of households pay 26 percent on top of an additional 6.5 percent in payroll taxes (plus an additional amount for state income taxes) while lower-

income individuals pay approximately 10 percent combined federal and payroll taxes.<sup>3</sup>

By these measures, approximately 51 percent of the United States is in the middle class—strikingly close to the perceptions of the Pew survey respondents (if we recategorize those who say they are in the lower or upper middle class into the lower and upper classes, respectively). The advantage of measuring the middle class this way is that we can measure changes in the number of people and households in that group: This measure implies that the middle class has shrunk. From 2007 to 2017, the middle class shrank by about 2.7 percent, with about 2 percent moving to the upper class and about 0.8 percent falling into the lower class.

TABLE 1  
Income Thresholds for the Middle Class, by Family Size

Family Size	Income Thresholds for Middle Class (US\$)		
	75% of Median Lower Bound	Median	200% of Median Upper Bound
1	26,965	35,953	71,907
2	38,134	50,846	101,691
3	46,705	62,273	124,546
4	53,930	71,906	143,813
5	60,295	80,394	160,788

SOURCE: OECD, 2019b.

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For the 0.8 percent who fell into the lower class—about 2.6 million Americans—it is increasingly likely that they and their children will remain lower class.

### Who Is Middle Class? Looking Ahead

To the majority of those leaving the middle class, moving to the upper class might seem like good news. However, this hollowing out of the middle class is simultaneously accompanied by increasing rigidity in social class (Carr and Wiemers, 2016). For the 0.8 percent who fell into the lower class—about 2.6 million Americans—it is increasingly likely that they and their children will remain lower class. Worse yet, these changes add to the decline of the middle class that has been ongoing since the 1970s.

COVID-19 is likely to further accelerate the decline of the middle class. The pandemic displaced workers in service sector jobs, partly because of their inability to work remotely. These employment disruptions were so harmful that many firms are looking to automate these jobs (Ding and Molina, 2020). The increased costs and risks of interpersonal contact could speed firms' adoption of robot-

ics and other labor-saving technology. Efforts by the U.S. government to support workers and businesses will help prevent families from falling into poverty, but the massive restructuring of the economy resulting from the pandemic will likely generate further declines in the middle class and a disproportionate entry into the lower class. Forthcoming research by the RAND Lowy Family Middle-Class Pathways Center and other organizations will investigate these issues in more depth.

### Notes

<sup>1</sup> Black and Latinx membership in the middle class is a topic that deserves more in-depth attention than space permits, and this will be a topic of a future Perspective.

<sup>2</sup> There are myriad ways to define *middle class*. For examples, see Reeves, Guyot, and Krause, 2018. The 20th to 80th percentile definition that we apply is also used by Easterly, 2001.

<sup>3</sup> For more information on average tax rates, see the Tax Policy Center, Urban Institute, Brookings Institution, undated.

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## About This Perspective

Many people who self-identify as *middle class* think of themselves as lower or upper middle class. Researchers often use other concepts to define the term: the middle 60 percent of the income distribution and earning thresholds, such as 75 to 200 percent of median income. This Perspective describes how, depending on definition, the U.S. middle class has been either receiving less income (as a share of total) or shrinking in size (proportion of the population) since the 1970s and is now smaller than middle-class populations in comparable countries. Another point of concern is research showing an increasing likelihood that lower-income Americans and their children will remain stuck outside the middle class with limited opportunities for upward mobility.

This Perspective is the first piece of a multipart series that identifies problems related to the middle class, defines key terms, and determines research needs to support effective pathways to the middle class. It will be of interest to policymakers, practitioners, and the general public who wish to be able to benchmark growth and decline in the U.S. middle class.

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## RAND Lowy Family Middle-Class Pathways Center

This research was conducted within the RAND Lowy Family Middle-Class Pathways Center. The center aims to identify ways to create and sustain middle-class employment in the face of rapidly changing labor-market conditions. The center is part of RAND Education and Labor, a division of the RAND Corporation that conducts research on early childhood through postsecondary education programs, workforce development, and programs and policies affecting workers, entrepreneurship, and financial literacy and decisionmaking.

For more information about the RAND Lowy Family Middle-Class Pathways Center, visit [www.rand.org/mcpc](http://www.rand.org/mcpc). For more information on RAND Education and Labor, visit [www.rand.org/education-and-labor](http://www.rand.org/education-and-labor).

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