

Who is middle class?

The definition varies widely, but key measures show that Ohioans in the middle class are a much smaller group than most people realize — and the group is shrinking

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COURTNEY HERGESHEIMER | DISPATCH

Ruth Kemp combs through her Clintonville garden for ripe vegetables. She and her husband are both out of work and earn cash by selling produce at a stand on High Street.

Ohioans will hear a lot about the middle class during the next two months as Republicans and Democrats, business leaders and unions engage in a battle over collective bargaining for state- and local-government workers.

“This fight isn’t about being a Democrat or a Republican. This has become an attack on the middle class,” Columbus Firefighter John Capretta said in June, speaking for the We Are Ohio campaign to repeal Senate Bill 5, which significantly weakens the collective-bargaining power of public unions.

The middle-class argument is No. 1 on the “myths” Web page of Building a Better Ohio, the GOP-backed group defending Senate Bill 5 by urging a “yes” vote on state Issue 2. “Issue 2 empowers the middle class,” the group says, arguing that it will give people more control over local-government budgets.

So everybody says they’re on the side of Ohio’s middle class — but what does that mean? Just who is the middle class? Does being part of it still mean you are successfully pursuing the American dream?

The Dispatch interviewed experts and examined studies to learn more about the middle class of 2011. Additionally, reporters fanned out to five communities in ZIP codes that are virtually in the middle of Ohio’s range of incomes to talk with people about their triumphs and struggles.

There is no standard way to define the middle class, and depending on perceptions and other social and economic factors, the meaning can shift.

One could use a statistical definition that reflects what most Ohio households in the middle-income ranges earn annually.

Dividing data from Claritas Inc., a market-research company, into five equal parts, the middle fifth in Ohio earned \$41,200 to \$49,850 in 2010. Some experts say it's better to lop off both the top and bottom 20 percent, which puts the range at \$31,900 to \$62,030.

For a family of four, the federal poverty level is \$22,350.

An ABC News poll in 2010 found that 45 percent of Americans define themselves as middle class (very similar to a CNN poll that year). They earned about \$55,000 a year, compared with about \$95,000 for those who defined themselves as above the middle class, and \$35,000 for those below.

But many argue it's not necessarily what you earn, but rather what you can do with the money.

Based on polls and experts, there are some generally agreed-upon elements necessary to a middle-class lifestyle: working in a stable job, owning a home in a safe neighborhood, having at least one reliable vehicle, having the ability to save for retirement and a child's tuition, and having enough left to sometimes buy things you don't necessarily need.

"That set of things is becoming increasingly unattainable for a lot of people," said Amy Hanaurer, executive director of Policy Matters Ohio, a liberal-leaning nonprofit group based in Cleveland.

This is where some economists say the middle class is shrinking.

"The rich are getting richer, and the poor are getting poorer," said Lucia Dunn, an economics professor at Ohio State University who has focused on consumer-finance and labor issues.

Adjusted for inflation, the median household in Ohio brought in just \$412 more in 2009 than it did in 1984, according to census figures.

Ohio's median household income in 2009 was \$45,879, compared with \$49,777 nationally. That gap of nearly \$3,900 was a record high for a state whose income consistently bettered the national average in the 1980s.

What little growth in income that Ohio has seen follows the national trend: It is concentrated among the state's most-affluent residents. According to the new "State of Working Ohio" report from Policy Matters Ohio, the median wage in Ohio, adjusted for inflation, has fallen 0.5 percent since 1980, but it has increased 17 percent for those at the 90th percentile (those who make more than 90 percent of everyone else).

The report also says the median wage in Ohio has declined more than in any other state since 2000.

Nationally, an analysis of tax-return data by economists Emmanuel Saez and Thomas Piketty, from the University of California, Berkeley, and Paris School of Economics, respectively, found that the bottom 90 percent of earners took home 65 percent of all income in 1980. That number dropped to 54 percent by 2008 — and most of the gains went to the top 1 percent, which in 2008 included those earning more than \$308,000.

In 1986, the wealthiest 1 percent took in 11.3 percent of all income, according to IRS data. By 2008, that number had grown to 20 percent.

“At the bottom end, there is no wage growth, and people are having a hard time getting work,” said David Cay Johnston, a Pulitzer Prize-winning reporter and author who has written extensively on America’s tax system. “People who have an education are pulling away.”

Had income growth not shifted to an upper-ended concentration, and instead continued on the national trend from 1950 to 1980, average incomes for the bottom 90 percent would be about \$21,000 higher, Johnston found.

Of course, those who make more also pay a larger share of taxes. The top 1 percent paid 38 percent of federal income taxes in 2008, at an average tax rate of 22 percent, according to IRS data. The tax rate in 1986 was 33 percent, and the group paid 26 percent of income taxes.

Ohio’s income-tax rate for all Ohioans has dropped 21 percent since 2005. Ohioans pay a rate of less than 3 percent on income up to \$20,000, and at the top pay 5.9 percent on income over \$201,800. In 2008, 2.5 percent of Ohioans earned more than \$200,000, earning 26 percent of all income and paying 33 percent of all state income taxes.

Experts say globalization has hammered a manufacturing sector that was once the backbone of the Ohio middle class, as companies turned to cheap labor in Mexico and overseas. American workers have found it increasingly difficult to get replacement jobs with comparable pay.

Some say it’s no coincidence that stagnant middle-class pay has coincided with a drop in union membership in Ohio, from 21 percent in 1989 to 14 percent in 2009. “Having negotiating power is one way workers have gotten a share of that growth,” Hanaurer said.

Many of those who have received modest pay hikes have seen them largely swallowed up by higher gas prices and health-insurance premiums, increased property taxes, rising tuition and new student extracurricular fees.

The shrinking income share of the middle class has “enormous implications,” Dunn said. “When you have a large middle class, people who can own a home, then people think they have a stake in the system. A shrinking middle class destabilizes a country.”

Matt Mayer, president of the Buckeye Institute for Public Policy Solutions, a Columbus-based conservative policy-research group, does not share the alarm.

“Of course, in the system we have, folks who are the higher achievers are going to outdistance folks who aren’t,” he said. “But the key is, for folks not getting the same increases, what kind of life are they living?”

Mayer points to a July study by the Heritage Foundation that, using 2005 data, found that based on census poverty levels, 78 percent of poor U.S. households had air conditioning, 65 percent more than one television, 38 percent a computer and 29 percent a video-game system.

Even the middle class didn’t have many of those things 25 years ago, Mayer said. “Today, when even the poor have those things, it makes the debate more nuanced than an income thing.”

Data from the federal Residential Energy Consumption Survey showed that in 2009, of U.S. households with incomes from \$40,000 to \$100,000, 88 percent had air conditioning, 81 percent more than one television, 87 percent a computer and 29 percent a video-game system.

“The middle class is a really hard thing to define,” Mayer added, noting that labor unions often categorize their ranks that way. “But their members, especially if you look at state government workers and teachers, the medians are close to being in the top 25 percent, which means a lot of them are doing far better than your average Ohioan.”

The most-alarming number, Hanaurer said, is the growing disconnect between productivity and wages. The two used to grow together, but while productivity continues to strongly increase, wages are stagnant.

“We are a country that likes when people get rich, and we want to let markets work,” she said. “But we used to see that greater prosperity translated into generally growing living standards for most people. That has disconnected.”

Dispatch senior analyst Hope V. Massie, cartographer Angela West and Public Affairs Editor Darrel Rowland performed data analysis for this series.

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