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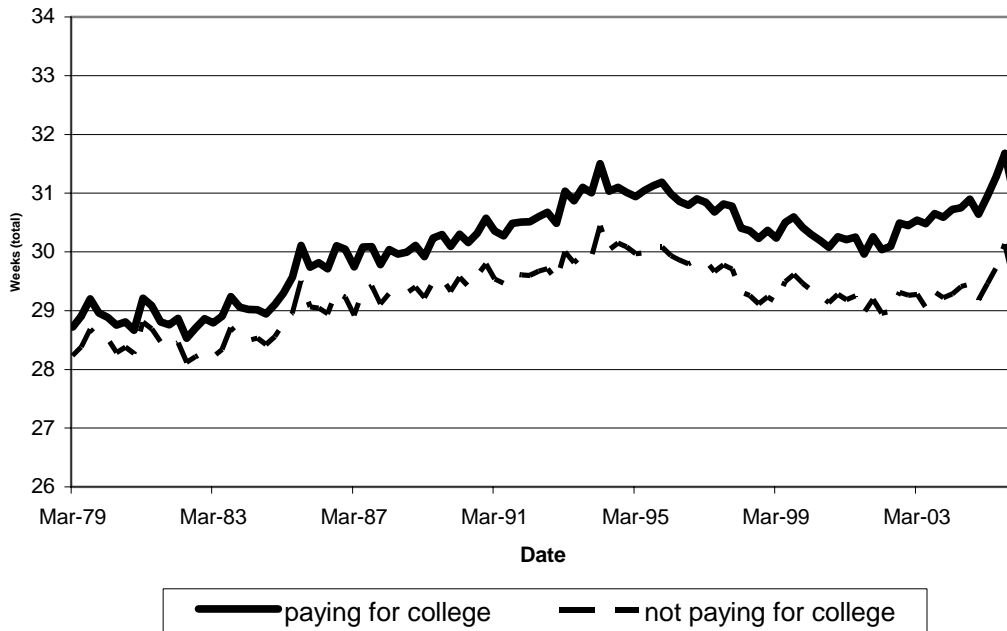
The Middle Class Squeeze at 25-Year High in 2005

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America's middle class is getting squeezed. Costs for typical middle-class expenses — housing, transportation, medical care and college — have risen faster than prices in general. At the same time, earnings have largely been flat in inflation-adjusted terms. Weekly earnings had fallen three years in a row by December 2005, according to data from the Bureau of Labor Statistics.

As a result, in 2005, households had to work more hours in 2005 to pay for these four expenses than at any point in the past 25 years. At the end of 2005, a typical two-earner couple had to work close to 31 weeks to afford these items (figure 1). This is a decline from the high of almost 32 weeks in September 2005 and more than 31 weeks in June of last year, but it is still higher than at any point prior to 2005.

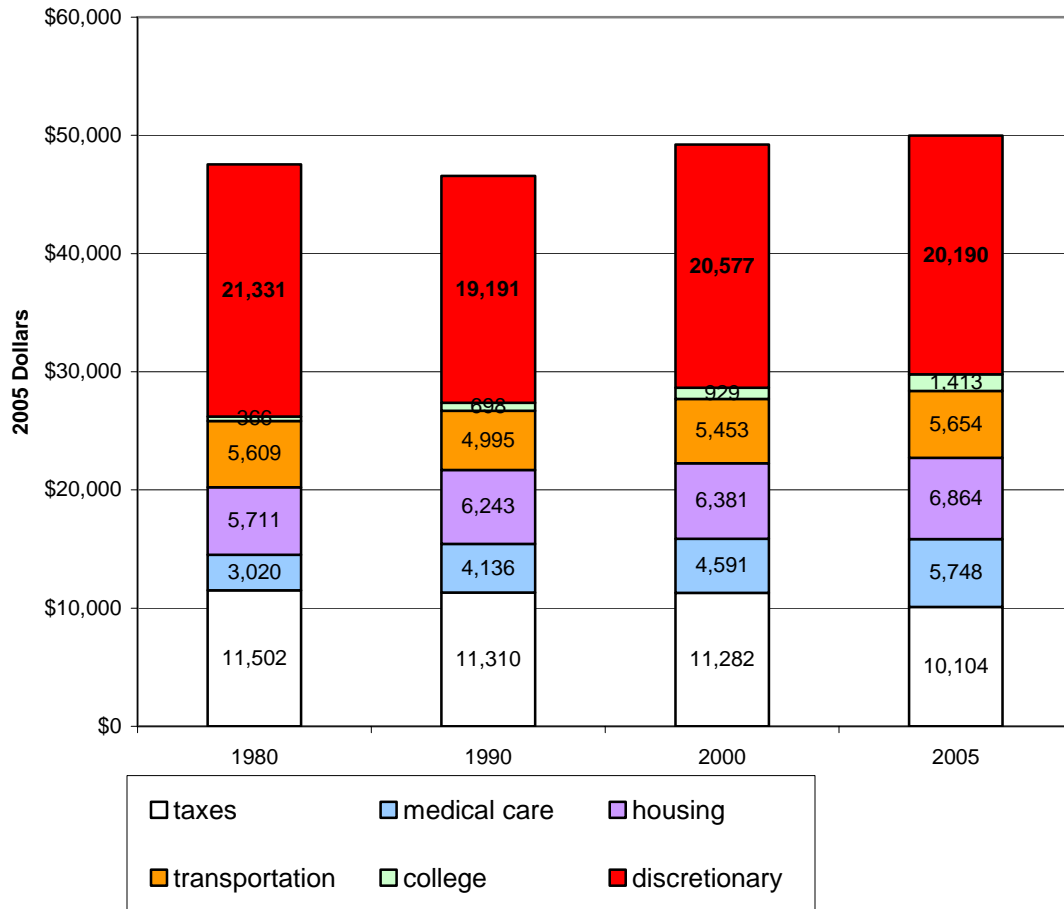
Figure 1: Number of Weeks for Two-Earner Couple Needed to Pay for Housing, Health Care, Transportation and College



Notes: Details of underlying calculation can be found in C. Weller, Middle Class Progress?, CAP Economic Policy Report, Washington, D.C.: Center for American Progress, October 2005.

In absolute terms, in 2005, after these basic expenses, a two-earner couple had less money left over than in 2000 or 1990 after paying for health care, transportation, housing and college (figure 2). This decline in money left over came at a time, when the amount of taxes paid by middle-class families declined.

Figure 2: Expenditures by Typical 2-Earner Couple (in 2005 Dollars)



Notes: All figures are in 2005 dollars. Details of underlying calculation can be found in C. Weller, Middle Class Progress?, CAP Economic Policy Report, Washington, D.C.: Center for American Progress, October 2005.

The primary driving forces for the growing squeeze, aside from slow earnings growth, were a continuous slow increase in the share of time dedicated to pay for housing and a faster increase in the time dedicated to paying for health care and college education. The spike in the middle of 2005, though, was largely driven by costs associated with transportation. Specifically, a two-earner couple had to work 7.1 weeks to pay for housing at the end of 2005, up from 6.7 weeks at the end of 2000 (table 1). In comparison, the time needed to pay for health care rose from 4.9 to 6.0 weeks, and the time needed to pay for college rose from 1.0 week to 1.5 weeks. In the meantime, the

time needed to pay for transportation was essentially unchanged — it was 5.9 weeks in December 2005 compared to 5.8 weeks in December 2000. Yet, this measure jumped to 6.4 weeks in September 2005, largely due to substantially higher oil prices.

Table 1
Average Weeks Needed Per Year for Two-Earner Couple
to Pay for Specific Items

Year	Taxes	Housing	Transportation	Health care	College
1979	12.6	6.2	6.5	3.2	0.4
1980	12.6	6.2	6.1	3.3	0.4
1981	12.9	6.4	5.7	3.4	0.4
1982	12.3	6.5	5.9	3.6	0.6
1983	12.1	6.5	6.1	3.8	0.5
1984	12.4	6.5	6.0	3.7	0.5
1985	12.5	6.7	6.1	3.8	0.7
1986	12.5	6.9	5.9	3.9	0.8
1987	12.3	6.9	5.9	4.0	0.7
1988	12.5	6.9	5.8	4.2	0.7
1989	12.5	6.9	5.6	4.3	0.8
1990	12.6	7.0	5.6	4.6	0.8
1991	12.6	7.1	5.1	4.9	0.9
1992	12.4	6.9	5.3	5.0	1.0
1993	12.4	6.9	5.5	5.1	1.1
1994	12.3	7.0	5.7	5.1	0.9
1995	12.3	7.0	5.6	5.1	1.1
1996	12.3	6.9	5.7	5.0	1.0
1997	12.3	6.8	5.7	4.9	1.1
1998	12.0	6.8	5.7	4.8	1.1
1999	12.1	6.8	5.8	4.8	1.0
2000	11.9	6.7	5.8	4.9	1.0
2001	11.1	7.1	5.8	5.2	1.1
2002	10.7	7.2	5.8	5.6	1.2
2003	10.4	7.2	5.8	5.8	1.4
2004	10.4	7.1	5.9	5.8	1.5
2005	10.5	7.1	5.9	6.0	1.5

Notes: All figures are annual averages. All figures are in weeks. Details of underlying calculation can be found in C. Weller, *Middle Class Progress?*, CAP Economic Policy Report, Washington, D.C.: Center for American Progress, October 2005.