

Middle Class Index

2011

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The Massachusetts Institute for a New Commonwealth (MassINC) is a non-partisan think tank and civic organization focused on putting the American Dream within the reach of everyone in Massachusetts. MassINC uses three distinct tools—research, journalism, and civic engagement—to fulfill its mission, each characterized by accurate data, careful analysis, and unbiased conclusions.

MassINC sees its role not as an advocacy organization, but as a rigorously non-partisan think tank, whose outcomes are measured by the influence of its products in helping to guide advocates and civic and policy leaders toward decisions consistent with MassINC’s mission, and in helping to engage citizens in understanding and seeking to influence policies that affect their lives.

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ABOUT THE AMERICAN DREAM INITIATIVE

The American Dream Initiative is a multi-dimensional project that includes the MassINC Middle Class Index, long-form journalism in a special fall issue of *Common Wealth* magazine, and a major forthcoming research report prepared jointly with the Center for Labor Market Studies at Northeastern University.

ACKNOWLEDGEMENTS

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Dear Friends:

We are proud to present the first MassINC Middle Class Index. This new product was made possible with generous support from Partners Health Care and Blue Cross Blue Shield of Massachusetts, underwriters of our American Dream Initiative.

MassINC was founded 15 years ago to support the health and vitality of the middle class. Our new index provides a powerful tool to guide the organization as we pursue this increasingly critical endeavor.

In our information age, it is truly astounding that data to track the well-being and trajectory of middle income residents are extremely limited. During the past year, we looked far and wide for examples of from other states, and for the US as a whole. Our search turned up few models that track the progress of the middle class across a broad range of indicators.

Without accessible statistics, it is difficult to gauge the impact of economic change on families. The void created by the absence of standard, commonly reported metrics explains some of the futility in the current dialogue around the state of the middle class. And clearly, a more productive debate is needed to inform the many tough decisions that must be made to improve economic policy at both the state and federal level.

While our index is still a work in progress, it begins to define and connect issues, such as the relationship between rising housing, health care, and education costs, and the difficulty families faces accumulating financial assets for economic security.

Synthesizing the web of issues that influence the success of middle class families is a challenging undertaking. While our index certainly has its imperfections, we believe it provides a benchmark that adds real value.

As always, we encourage those who see opportunities to improve the index to provide feedback and become more involved in this important work.

Sincerely,



Greg Torres
President



Benjamin Forman
Research Director

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MIDDLE CLASS INDEX 2011

Massachusetts has come out near the top in several rankings of the states by economic competitiveness, quality of life, and the like. One attribute that almost always works in our favor is the state's highly educated workforce, which enjoys a relatively high standard of living.

But these skin-deep studies rarely take into account that the Bay State's middle class is not as solid as it may first seem. It is not a geographic feature that can be counted on to endure for decades. Instead, it comprises hundreds of thousands of families, many of whom find it increasingly difficult to attain financial security. Changes for the worse in several factors — housing costs, health care costs, and income security — could make it more difficult for Massachusetts families to realize the American Dream. They could also prompt many to move elsewhere. Tens of thousands did just that in the years before the latest economic recession essentially froze people into place, and the exodus could resume if the job market improves in other states.

MassINC is aiming to build a meaningful set of data that allows both policymakers and interested citizens to measure changes in the middle class at the micro level. Through the Middle Class Index, we've developed a more nuanced picture of how Massachusetts residents are faring, both in comparison with residents in other states and in comparison with Bay Staters in earlier years.

Starting with an MCI index of 100 for the year 2000 and using information from the past decade, the MCI currently measures 97.4 — meaning a slight decline over the course of the decade in the state of the middle class in Massachusetts.

The MCI draws upon a wealth of data — 26 different measurements in all. In contrast to the poverty rate, which overlooks middle-income families who may be on a path of downward mobility, the MCI gives us an indication of the

state of middle class residents across multiple dimensions. And the set of standard indicators provides national and state leaders some benchmarks with which to determine the success of economic policy.

The need for such an index is underscored by declining confidence in government and financial institutions, as evidenced by the Tea Party and Occupy Wall Street movements, as well as numerous studies documenting the precarious state of the American middle class. (An October study by the Congressional Budget Office found increasing household income inequality over the past three decades, noting that “the mid-

WE'VE DEVELOPED A MORE NUANCED PICTURE OF HOW MASSACHUSETTS RESIDENTS ARE FARING.

dle three income quintiles all saw their shares of after-tax income decline by 2 to 3 percentage points” while the share for the 1 percent with the highest incomes more than doubled.)

Our index is broad enough to detect trade-offs in which progress in one area may be outweighed by greater difficulties in another. For example, are higher wages being wiped out by higher housing costs? Does the opportunity to send one's child to college come at the cost of saving for one's retirement?

The MCI is also designed to detect long-range trends that persist beyond national economic cycles. Massachusetts has been fortunate enough to do better than most states in the most recent economic downturn. But what happens after a national recovery? Will we see across-the-board improvement in our economic indicators, or will recent changes for the worse — lower savings rates, for example — become permanent? The MassINC Middle Class Index will be one way to determine if a recovery is truly complete.

THE MASSINC MIDDLE CLASS INDEX

	MA 2010	PERCENT CHANGE, 2000-2010			MA AS % OF US AVERAGE, 2010			TREND	STATE RANK 2010
		-100%	0	100%	0	100%	200%		
Financial Security Subindex									
Median Family Income	\$77,194		●			●		▲	5
Median Household Income	\$60,843		●			●		—	6
Income Volatility Index	66		●			●		▼	33
Personal Bankruptcies per 100,000 Residents	3.5			●		●		▼	19
Middle-Income Households without Interest Income	37%		●			●		▼	8
Middle-Income Households without Dividend Income	74%		●			●		—	13
Middle-Income Households Housing Cost Burden	22%		●			●		▼	40
Health Care Cost Burden	4.5%			●		●		▼	4
Student Debt	\$24,417			●		●		▼	14
Working Conditions Subindex									
Union Membership	14.5%		●			●		▲	16
Middle-Income Households with Multiple Jobs	5.1%		●			●		▲	19
Middle-Income Full-Time Workers, Mean Weekly Hours	43		●			●		—	2
Travel Time to Work (minutes)	27		●			●		—	46
Employment Rate	92%		●			●		▼	23
Achieving the Dream Subindex									
Middle-Income Households Homeownership Rate	69%		●			●		▲	35
Residents with Health Coverage	96%		●			●		▲	1
Middle-Income Households Retirement Plan Participation	58%		●			●		▲	10
K-12 Student Teacher Ratio	14:1		●			●		▲	16
College Going Rate	75%		●			●		▲	2
College Completion Rate, Four-Year Degree	69%		●			●		▲	1
Middle-Income Residents Marriage Rate, Age 35-44	66%		●			●		—	26
Equal Opportunity Subindex									
90/10 Household Income Inequality Percentile Ratio	13.7		●			●		▼	49
Nonwhite Median Household Income	\$39,000		●			●		▲	16
Foreign-Born Median Household Income	\$47,897		●			●		—	16
Nonwhite Homeownership Rate	36%			●		●		▲	48
College Completion Rate, Two-Year Degree	20%		●			●		▲	40

TREND: ▲ = getting better, ▼ = getting worse, — = stable STATE RANK: 1 = best

METHODOLOGY

Before discussing individual indicators, an explanation of how the MCI was constructed is in order.

Surveys suggest about 60 percent of Americans consider themselves part of the middle class. Using this figure as a starting point, we assembled data for residents in each state's middle three income quintiles, counting income annually from all sources. For families in Massachusetts, this covers a range from around \$32,000 to over \$141,000.

Our goal is to see whether residents in this range are achieving the American Dream, which includes financial security, a comfortable retirement, access to quality and affordable health care, homeownership, strong families, and educational opportunity.

Since the 26 indicators in our index all come in different units, we look at how each has moved in percentage terms since the beginning of the last decade. By weighting each indicator by their Coefficient of Variation, we give more power to measures that are fairly stable over time. This means that a small but significant movement in a key indicator, such as the increasing homeownership rate, isn't overshadowed completely by large changes in a measure like student debt, which has grown dramatically.

Though we detected improvement in 16 of the 26 MCI indicators, we wound up with a slight decline in the Index, from 100 at the beginning of the decade to 97.4 in 2010. That's because the mostly slight improvements (including the homeownership and college completion rates) were more than offset by dramatic slides in such indicators as student debt, health care costs, income volatility, and income inequality.

The decline of the index at the national level was worse: It dropped from 100 to 77.2 and showed improvements in only nine indicators, reflecting the strong hits to the economy in such places as California and Michigan. But Massachusetts fared worse than the nation as a whole in sev-

eral indicators, most notably in income inequality. In some respects, such as the college-going rate, other states are catching up to our leadership status; other indicators, such as personal bankruptcy, suggest that the Bay State is no longer immune to problems that had once been concentrated in other parts of the US.

HIGHLIGHTS

The MCI can be broken into four main components, which we'll examine in detail.

Financial Security

The most striking result of the MCI for 2011 is the precipitous decline in the nine measures that form the Financial Security subindex. They chart weak income growth and increasing income volatility coinciding with spikes in the costs in education, health care, and housing. Low savings rates and a persistently high number of personal bankruptcies underscore how close many families are to falling out of the middle class altogether.

Median household income and median family income showed the only gains among Financial Security indicators, finishing at 106.6 and 102.1, respectively — better than the national counterparts of 96.9 and 94.0.

But income volatility, measured by the standard deviation of two-year changes to household earnings, was up substantially, leading to a drop in that indicator's index to 82.8. As sudden changes to income became more common, so did personal bankruptcies. That indicator's index tumbled to 53.1 in Massachusetts, far worse than the 86.3 at the national level.

Non-wage income also took a big hit. The share of middle class households in Massachusetts without interest income was up substantially over the decade, with the index for that indicator

ending at 83.3 (still better than the 69.7 for the US as a whole). And the decline in the savings rate has not been compensated by more households joining the “investor class.” As of 2010, the percentage of middle class households in Massachusetts reporting dividend income was pretty much where it was before the recession hit, leaving that index at 97.8 (again, better than the national counterpart of 90.3).

The rise in the state’s housing cost burden caused the index for that indicator to fall to 84.1, but since costs had already taken a huge leap in the 1990s, the less dramatic change during the past decade is of small comfort to Bay State families.

Health insurance costs, meanwhile, provided plenty of unwelcome drama. The cost of staying covered went up significantly during the past decade, making health insurance costs as a percentage of median family income the second-worst indicator in the entire MCI. (And it doesn’t include the cost of deductibles and prescription drugs.) It ended 2010 with an index of 31.6 — which is actually enviable compared with the national index of 12.2.

Finally, student debt took the dubious honor of delivering the most alarming news of any of the 26 MCI indicators for Massachusetts, ending up at 24.6 (versus the national index of 56.1). The 27 percent rise, over a single decade, in average debt for graduates of Bay State four-year colleges and universities makes it increasingly difficult for young residents to buy homes, start families, and attain financial security.

Working Conditions

The Working Conditions subindex changed very little over the decade, ending at 100.6 for Massachusetts and 100.1 for the US.

Union membership was up slightly in Massachusetts while declining in the US at large, suggesting that organized labor is not necessarily incompatible with the Bay State’s post-indus-

trial economy.

The prevalence of Bay State residents with multiple jobs fell, which we count as a positive development bringing that indicator’s index to 107.3. But the available data do not show much change in the average workweek for full-time, middle-income employees, and that index stayed at exactly 100.

After a jump in average commute time in the 1990s, both nationally and in Massachusetts, the number seems to have leveled off in the past decade, but “job sprawl” is now as much of a concern as a spread-out population. And the sizable number of residents who commute via public transportation — 9.1 percent of all Massachusetts workers and 32.8 percent of those in the city of Boston — must worry whether the combination of a crumbling infrastructure and chronic underfunding will lead to longer trips in the near future.

Finally, except for 2006, the employment rate in Massachusetts has slightly exceeded that for the United States as a whole over the past decade. But that still left an indicator index of 94.0, proof that even the Bay State has a long way to go before reaching its pre-recession level.

Achieving the Dream

The Achieving the Dream subindex actually climbed to 105.2. This improvement suggests that, at least compared with the beginning of the decade, residents are still attaining a middle class standard of living.

Homeownership became more common among middle class families in the Bay State during the last decade, hitting nearly 70 percent by 2010. That meant the index for this indicator rose to 106.8 in Massachusetts while falling nationally to 98.3. However, the Bay State’s weak record of increasing its housing supply may preclude further progress on this indicator: In 2010, Massachusetts issued permits for 9,075 units of new housing, tying us for 26th place with Michigan

(the only state to lose population over the past decade), even though we were 14th in population.

Massachusetts is closer than any state to full health insurance coverage in 2009: 95.6 percent of the population, up from 91.1 percent in 1999. This rise occurred even as the national rate of coverage dropped 3 points over the same period. But participation in employer-sponsored retirement plans has not quite returned to its pre-recession level in Massachusetts, even though it remains ahead of the national rate.

Education brought largely good news. The average student-teacher ratio in Massachusetts has fluctuated but always stayed below the national average. And we have made steady progress in the college going rate, with nearly three-quarters of high school graduates heading directly to higher education.

The six-year graduation rate for students pursuing bachelor's degrees showed the most improvement among our Achieving the Dream indicators, with 69 percent of undergraduate students in Massachusetts earning a degree within six years. This index for this indicator was at 109.1 last year, but progress was even stronger at the national level, where the index hit 111.6.

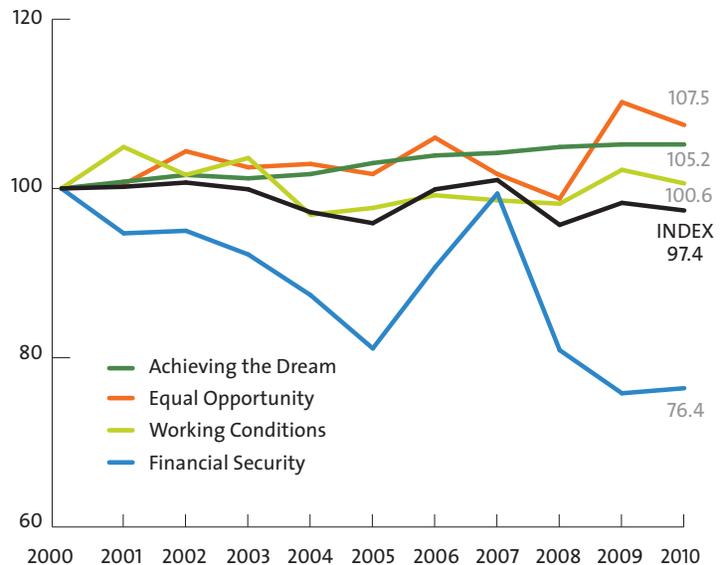
The marriage rate was the only negative among Achieving the Dream indicators for Bay State residents, ending up at 98.5. But this was part of a national phenomenon, and the index was a lower 95.6 for the US as a whole.

Equal Opportunity

Despite a large increase in income inequality, Massachusetts made some progress over the last decade on our Equal Opportunity subindex, ending up at 107.5.

Income inequality was, in fact, the only negative among Equal Opportunity indicators. The widening gap between the wealthiest tenth and poorest tenth of the population is another national phenomenon (detailed by the recent CBO study),

MASSINC MIDDLE CLASS INDEX AND SUBINDEXES, 2000-2010



but while the US as a whole ended 2010 with an index of 93.5 on this indicator, Massachusetts fell to 80.9. The nearly 14-to-1 ratio in household income for the highest tenth versus the lowest 10th was exceeded only in New York.

Other indicators, however, showed measurable gains. For example, as late as 1997, minority households in Massachusetts appeared to fall behind their counterparts in other states. But from 2000 to 2010 the median income for Massachusetts households headed by Hispanics and non-whites rose by 18 percent, putting the Bay State 1.3 percent above the US average. And though there's been a lot of fluctuation in the median income of households headed by the foreign-born, 2010 data found the Bay State at 9 percent above the US average, or the 16th-highest in the US.

In 2010, only New York and Rhode Island were below Massachusetts in homeownership rates among Hispanics and non-whites. Nevertheless, this was the most improved indicator in the entire MCI, ending up at 132.8 in Massachusetts.

And though Massachusetts ranks a weak 40th in associate degree's completion rates a credential that lifts many up into the ranks of the middle class, a slight increase over the decade left this indicator with an index of 103.6.

The MassINC Index of Middle Class Sentiment

The economic data compiled in the Middle Class Index provide an objective indication of how residents are faring, but an equally important question is how residents feel about the current economic situation and their prospects for maintaining a middle class lifestyle in the future.

MassINC polled a representative sample of adults living in the Bay State over the summer and combined five survey questions into an Index of Middle Class Sentiment, which will complement our Middle Class Index in the future by tracking year to year movement in public opinion.

The public opinion data we collected this summer backup the economic data. While Massachusetts has a large middle class, increasingly difficult financial conditions are taking a toll. Among those who self-identified their households as middle class, one-third said they were in danger of falling out of the middle class.

Data limitations and the future

Though the MCI covers a wide range of economic conditions, more data would be valuable. There are no reliable figures at the state level to understand what families have for assets, so we don't have a good idea of how prevalent "rainy day funds" are among middle-income households. We also don't

know how far residents in different age groups have come in accumulating retirement savings.

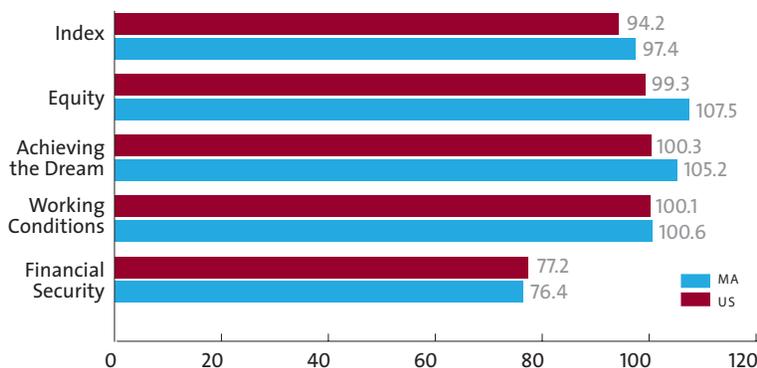
Our Working Conditions subindex would benefit from better data on how residents use their time. Family vacation is a pillar of middle class status for many. Do Bay Staters have the time and money to escape the winter chills? Can they enjoy all that New England has to offer in the summer months? It would also help to get some idea of how much time middle-income workers spend on "work away from work" — answering e-mails and doing other tasks on smart phones and computers that, in many cases, workers pay for out of their own income.

This report includes detailed charts and tables for each of our 26 indicators, covering all 50 states and year-to-year changes at the state and national level. Most of the data come from government surveys, such as the Bureau of Labor Statistics' Current Population Survey. To increase precision, in some cases multiple years of data are combined to produce a single estimate. This produces fairly precise estimates for large states like Massachusetts; but figures for less populous states have considerable variability. As we gain more years of data from the American Community Survey, many of these indicators can be calculated using that much larger dataset.

But the MCI as it now exists is a better foundation than any we have found for other states. Given the technological advances that make it easier to assemble such data, we would hope to see more in the near future, perhaps compiled by the Federal Reserve Banks or the White House's Task Force on the Middle Class of data on middle class residents compiled at the state level.

In the meantime, MassINC will strive to maintain and improve upon the Middle Class Index. We encourage readers to provide feedback on our data and offer suggestions on how to improve the index in the future.

2010 INDEX SCORES, MASSACHUSETTS RELATIVE TO THE NATION



FINANCIAL SECURITY SUBINDEX

Median family income

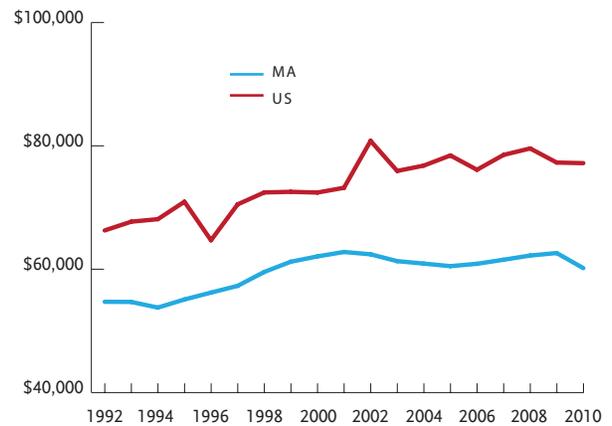
Median family income showed the best improvement among our nine Economic Security indicators. But it was a rather meager gain: Adjusted for inflation, median family income in Massachusetts rose from \$72,427 to \$77,194, for an increase of 6.6 percent (thus ending the decade with an MCI of 106.6). That made us the fifth-most affluent state in the US, and it was better than the 3.1 percent drop in median family income at the national level (from \$62,074 to \$60,174). But it hardly compensated for the rapid rise in costs for housing, health care, and higher education.

Data from the American Community Survey showed some differences among types of families. Married-couple households in Massachusetts had a much higher median income in 2010 (\$95,233) than did families with single fathers (\$50,346) or single mothers (\$36,514). Family households with children had a median income of \$80,452, slightly higher than the \$77,524 for those without (and the reverse of the national data, which showed slightly higher incomes for childless families).

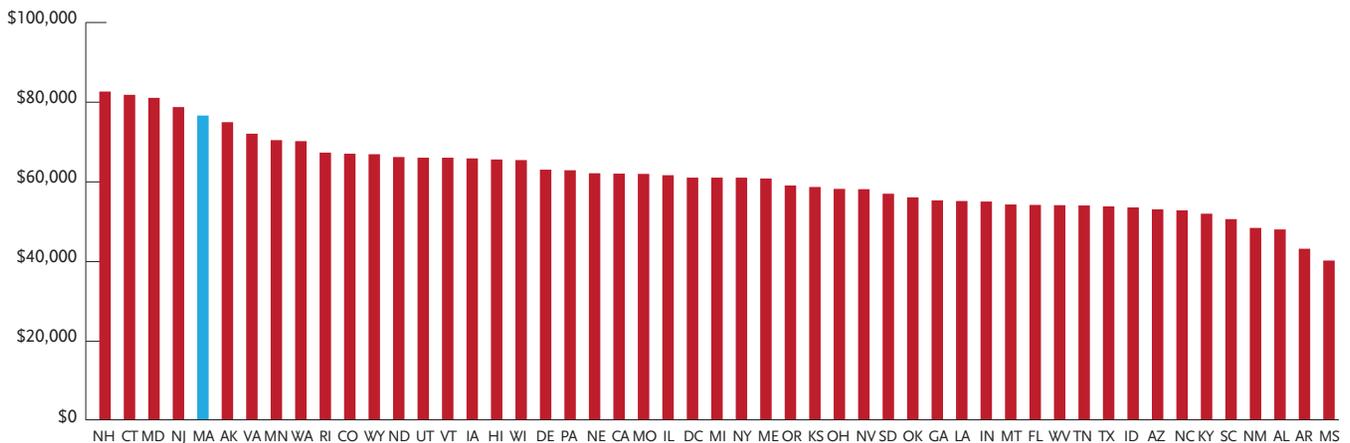
Median family income ranged from \$53,088 in Berkshire County to \$102,668 in Norfolk County. Among only

families with children however, the lowest median was in Boston’s Suffolk County — \$44,095 versus \$68,469 for family households without children.

Among major communities in Massachusetts, the median income in 2010 for families with children was highest in Wellesley (\$229,152), Winchester (\$181,000), and Brookline (\$169,880). It was lowest in Holyoke (\$23,999), Lawrence (\$31,228), and Fall River (\$31,432). Peabody came closest to the statewide median, with \$80,383.



Source: MassINC’s analysis of the Current Population Survey, March Supplement, 2-year averages



FINANCIAL SECURITY SUBINDEX

Median household income

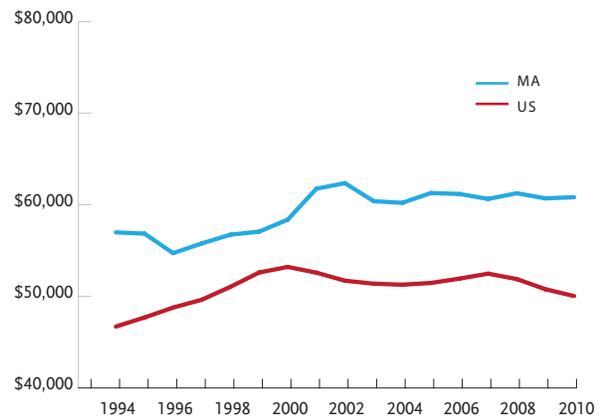
Median household and family incomes showed the only gains among our Economic Security indicators, but the former rose more modestly.

According to data from the Census Bureau’s Current Population Survey, the median income for Bay State households (adjusted for inflation) went up by 4.2 percent from 2000 to 2010, from \$58,388 to \$60,843. By comparison, median income for all US households actually fell, from \$53,208 to \$50,022.

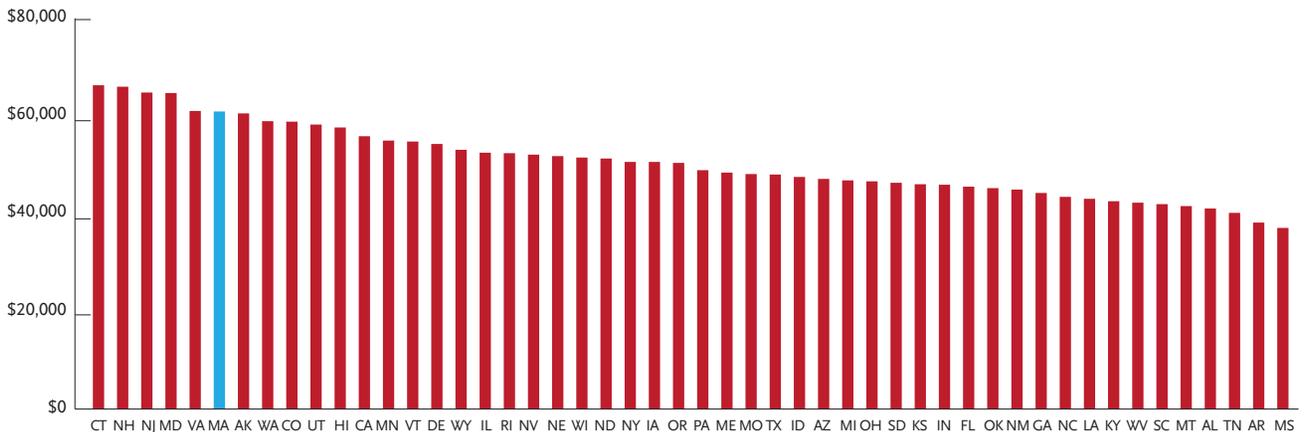
Another set of data, from the 2010 American Community Survey, showed variations within the state. Median household income ranged from \$44,190 in Berkshire County to \$80,440 in Norfolk County. Statewide, the median income was \$70,691 for households headed by 25-to-44-year-olds and \$76,886 for those headed by 45-to-64-year-olds (with a big drop for older residents). But there was a noticeable age gap in Springfield’s Hampden County, with a median \$46,385 for the younger group and a much higher \$63,278 for the cohort closer to retirement.

Statewide, non-family households (including people living alone) reported a median income of only \$36,803, or 46.8 percent of the median income for families — a wider difference than in the US as a whole, where median

income for non-family households was 50.2 percent of that for families. There was also a gender gap, similar to that at the national level, in this category: \$31,295 for non-family households headed by women and \$43,282 for those headed by men. Only in Franklin County did the difference work the other way, with non-family households headed by women earning a median \$33,545 versus \$29,346 for those headed by men.



Source: U.S. Census Bureau, Current Population Survey, March Supplement, 2-year averages



Note: Median household income in Massachusetts fell over the last decade according to data in MassINC’s American Dream report. In that analysis, income was adjusted for inflation using the Greater Boston Consumer Price Index. Because all 50 states are included here, the CPI for All Urban Consumers was used to adjust for inflation.

FINANCIAL SECURITY SUBINDEX

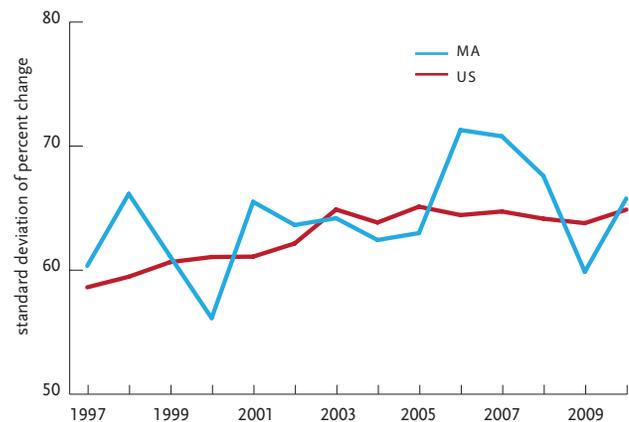
Income volatility (year-to-year income shocks)

Income volatility, which rises as more households experience large and sudden changes in earnings, jumped in Massachusetts in 2010 after three straight years of decline. That put the Bay State in 18th place in the frequency of year-to-year income shocks, as measured by the standard deviation of two-year percent changes in income. Only Delaware and New York had higher rates in the Northeast; the most volatility was in the energy-dependent states of New Mexico and Louisiana. (Stoic, dependable Vermont was at the bottom.)

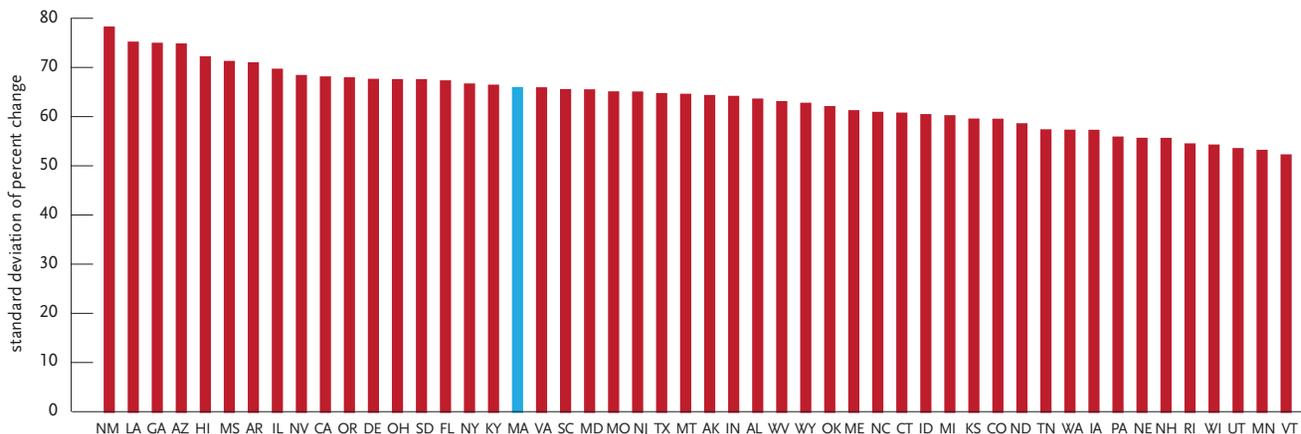
Volatility in earnings makes it more difficult for families to reduce debts, save for retirement, and stick to financial planning. Unfortunately, our data shows income volatility in Massachusetts increasing by nearly one-third since the early 1990s, matching national trends. And while “income shocks” can occur as a result of the job cuts that come during an economic downturn, volatility is not necessarily a symptom of recession. In Massachusetts, its recent peak was in 2006, when the economy was still growing at a steady pace.

Research by University of Kentucky economists James Ziliak, Bradley Hardy, and Christopher Bollinger suggest that family income volatility in the US rose by 38 percent

between 1973 and 2008. This period coincides with major changes in the workforce (more working women and a greater dependence on two incomes) and in family structure (more divorces) that introduce more uncertainty on year-to-year earnings. Whether there is also a connection between income volatility and increasing income inequality is something that may become more clear in the near future.



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-Year Averages



FINANCIAL SECURITY SUBINDEX

Non-business bankruptcy filings

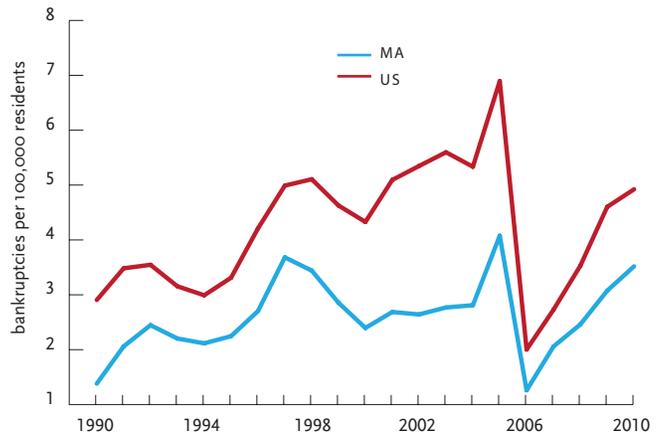
Personal bankruptcies have become more common in both Massachusetts and in the United States as a whole over the past two decades. Nationwide, the number of consumer bankruptcies per 100,000 residents was 2.9 in 1990; by 2000, it was up to 4.3, and in 2010 it climbed to 4.9.

During that time, Massachusetts became less of a positive outlier, going from 1.4 bankruptcies per 100,000 residents in 1990, or less than half the national average, to a rate of 2.4 in 2000. By 2010, it was at 3.5, or nearly three-quarters the national average.

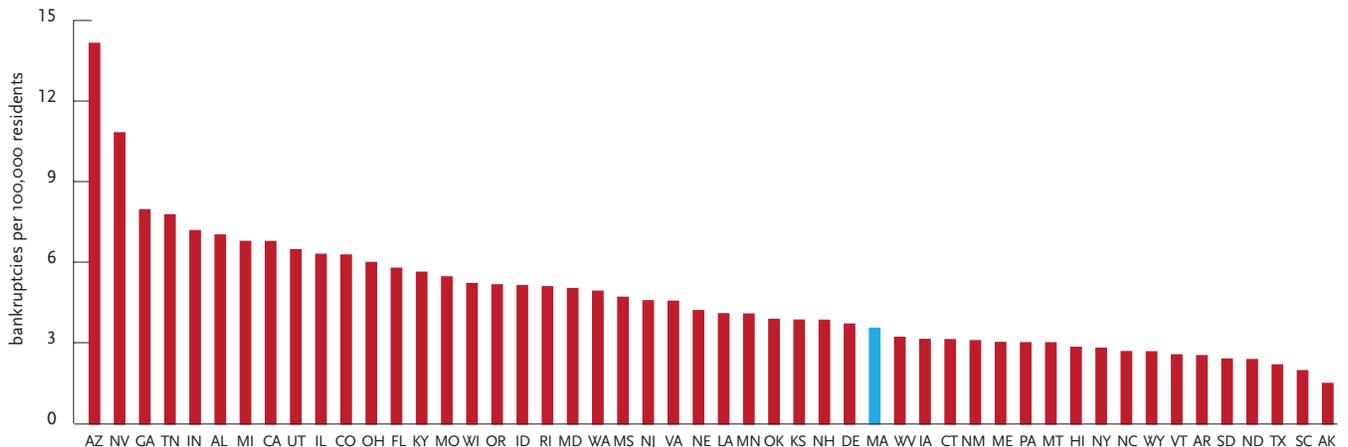
The 2010 rate in Massachusetts was the third highest in the past 20 years, surpassed only by 1997 and 2005 —when the rate was artificially high, due to a rush to file before the more restrictive Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 went into effect. The Bay State ranked 32nd in the US last year; Arizona and Nevada, still reeling from the real estate crash, had the worst rates, while Alaska and South Carolina were at the bottom of the list. Among economic competitor states, Connecticut, New Jersey, New York, and North Carolina all had lower personal bankruptcy rates than the Bay State did.

But the renewed increase in bankruptcy filings since 2006 may have finally leveled off. According to national

figure from the American Bankruptcy Institute, consumer bankruptcy filings were down 10 percent during the first nine months of 2011 (to just over 1 million), compared with the same period the previous year. During the first six months of 2011, filings in Massachusetts were down 12 percent from the same period last year, from 11,872 to 10,392.



Source: American Bankruptcy Institute



FINANCIAL SECURITY SUBINDEX

Percent of middle income households without interest income

In times of economic anxiety, many have an instinct to hunker down and save money for the future, but cash-strapped Americans may be finding it tough — and, thanks to low interest rates, not very profitable — to follow that strategy.

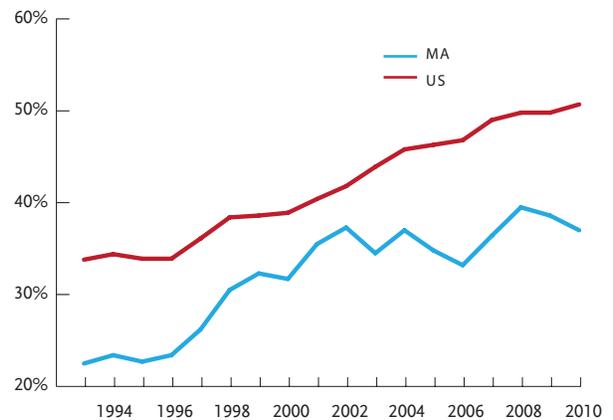
According to data from the Federal Reserve Bank of St. Louis, the personal savings rate in the US in 2010 was 5.3 percent of annual income, up from the meager 1.6 percent saved in 2005, but far below the levels of the 1970s and 1980. (The peak of the past half-century was in 1982, when the savings rate hit 10.9 percent.)

Another way to measure saving habits is to look at how many households receive income from interest-bearing bank accounts. As late as 1996, more than three-quarters of middle class households in Massachusetts reported interest income (versus two-thirds at the national level), but by 2010 that share had dropped dramatically.

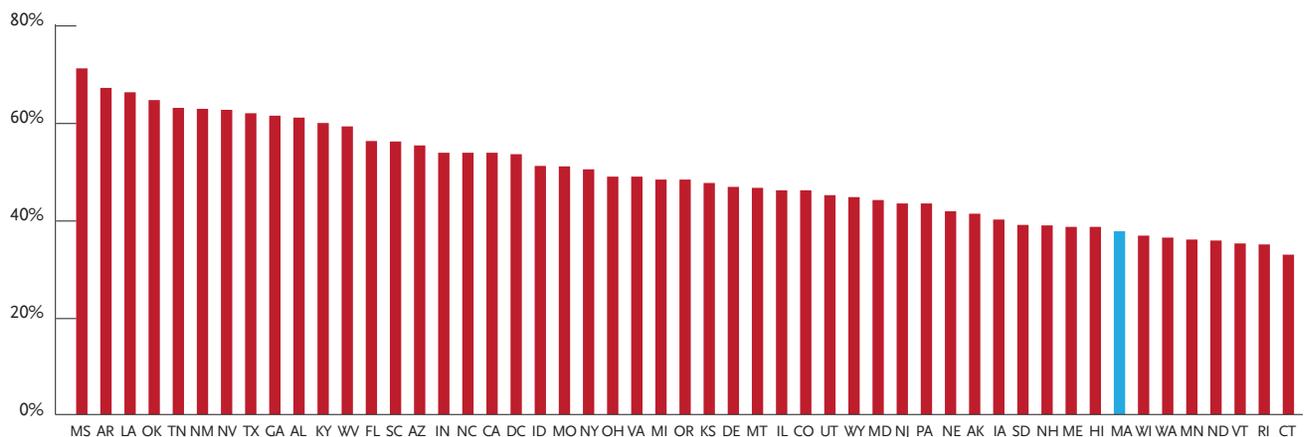
Last year, 37.0 of the state’s middle class households reported no interest income, down a bit from the 39.5 percent in that situation in 2008, but considerably above the norm of the 1990s.

Still, the Bay State is faring better than the rest of the country on this score. Overall, 50.7 percent of American middle class households had no interest income in 2010, the highest level in decades. By that measure, Massachu-

setts ranked 43rd in the nation. The dubious honor of first place went to Mississippi, where 70.4 percent of middle-class households reported no interest income — almost a mirror image of the situation in Massachusetts in 2000, when 68.3 percent of middle class households counted on a bit of cash every year from savings accounts. By last year, interest income had vanished from a majority of middle-class households in 21 states, mostly in the South, but also including Arizona, California, and Nevada.



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



FINANCIAL SECURITY SUBINDEX

Percent of middle income households without dividend income

The drop in the savings rate would be less worrisome if more Americans were joining the “investor class,” or shifting their economic resources to equities as a response to persistently low interest rates associated with bank accounts in the past few years — as well as low taxation rates on capital gains and dividends compared with other forms of income.

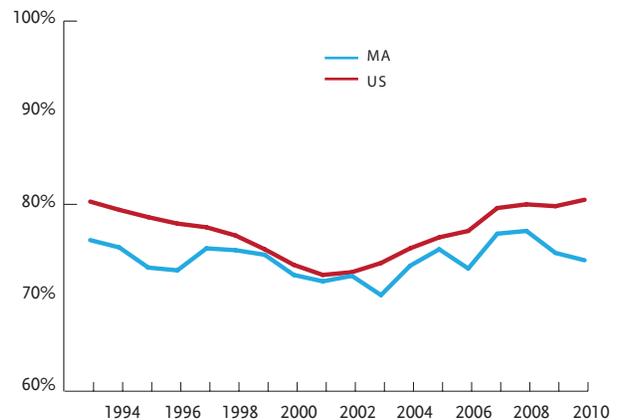
Before the recession, there was some evidence of this shift. From 1993 to 2003, the percentage of middle-income households without income from stock dividends dropped from 80.3 percent to 73.6 percent. In somewhat more investment-conscious Massachusetts, the drop was from 76.1 percent to 70.1 percent.

Unfortunately, these gains were pretty much wiped out in the past few years, at least in the United States as a whole. In 2010, the percentage of middle-income households without dividend income was back up to 80.5 percent nationally. Furthermore, dividend income is something of a senior citizen’s benefit: The Washington, DC-based Tax Foundation found that less than 10 percent of federal income tax filers under the age of 45 reported dividend income in 2008, compared with 42 percent of filers older than 65.

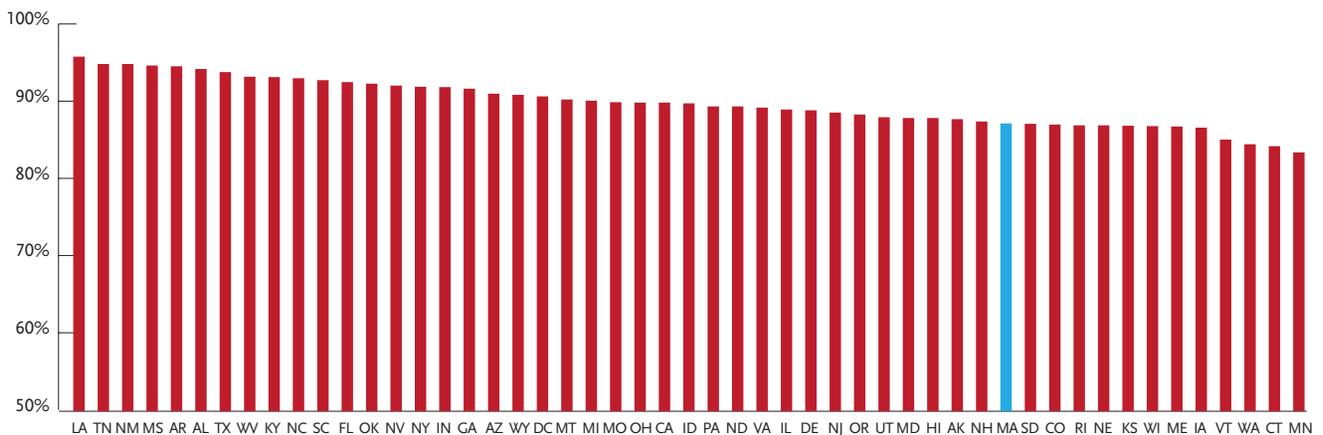
Massachusetts did somewhat better at keeping people in the investor class; by 2010, the percentage of middle-class households without dividend income was at 73.9 per-

cent, pretty much where we were before the recession hit. That number put the Bay State at 38th in a ranking where lower is better. Among our economic competitor states, the proportion of dividend-free middle-income households was noticeably lower in Minnesota (66.4 percent) and Connecticut (68.0 percent).

Dividend income among middle-income households was particularly rare in Louisiana, which ranked first with 91.2 percent. As with the percentage of middle-income households without interest income, Southern states generally fared the worst by this measure.



Source: MassINC’s analysis of the Current Population Survey, March Supplement, 2-year averages



FINANCIAL SECURITY SUBINDEX

Average housing costs as a percent of income for middle-income households

Housing costs as a share of income have grown steadily over the past two decades, seemingly without regard to economic cycles, both nationally and in Massachusetts. But the burden has consistently been a bit heavier in the Bay State.

Middle class households in Massachusetts devoted 22.1 percent of their income to housing costs (including property taxes and insurance) in 2010, according to Census data, up from 13.7 percent in 1990. Over the same period, the national average rose from 12.6 percent to 21.4 percent.

Massachusetts ranks 11th by this measure; California, Hawaii, Florida, and New York are at the top. Within Massachusetts, the median housing cost as a percentage of income for all households ranges from 20.9 percent in Hampshire County to 26.1 percent in Barnstable County.

The figure is below 20 percent in Minnesota and North Carolina, two of our major economic competitor states — and, in the case of North Carolina, one of the top destinations of people moving out of the state. Somewhat surprisingly, it is below 20 percent in Pennsylvania, also among the top 10 destinations of people leaving the Bay State. (Bay Staters with the itch to move are among the least likely to opt for Texas, tending to stay on the East Coast.)

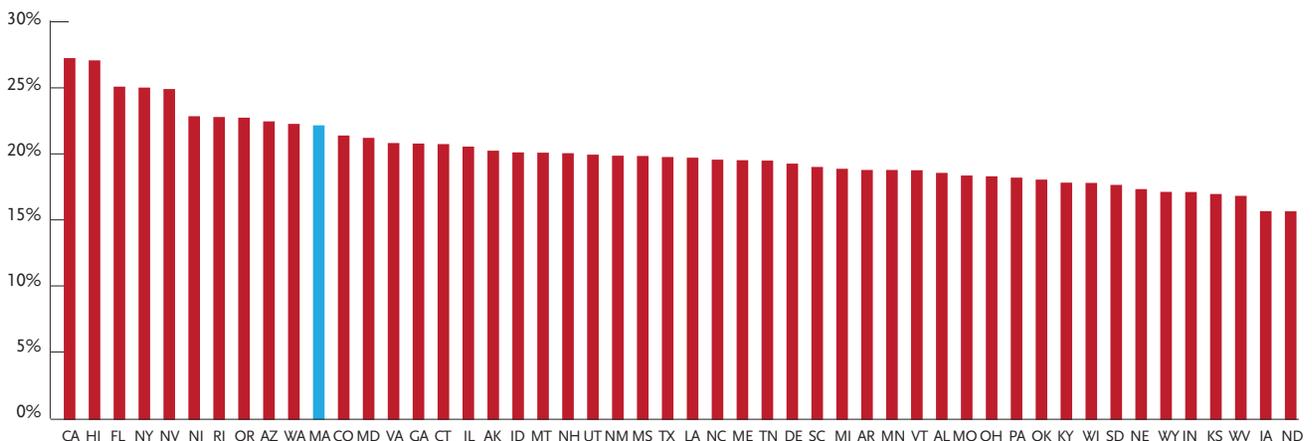
High housing costs were frequently cited as a major reason for outmigration from the Bay State during the early 2000s. The recession apparently put a stop to this trend —

and mobility in general, as the 1.4 percent of Americans who moved across state lines in 2009 was the lowest since the government began counting in 1948. In 2008-09, the Bay State was in the unfamiliar position of coming out ahead in domestic migration (by about 3,600).

One theory is that people were no longer moving long distances to new jobs; another is that people were “stuck in place” in declined-value housing they couldn’t sell without suffering a major loss. Both possibilities suggest that the Bay State’s high housing costs could once again drive away residents once a full economic recovery kicks in.



Source: MassINC's analysis of the Decennial Census and the American Community Survey



FINANCIAL SECURITY SUBINDEX

Average employee contribution for family health policy as a percentage of median family income

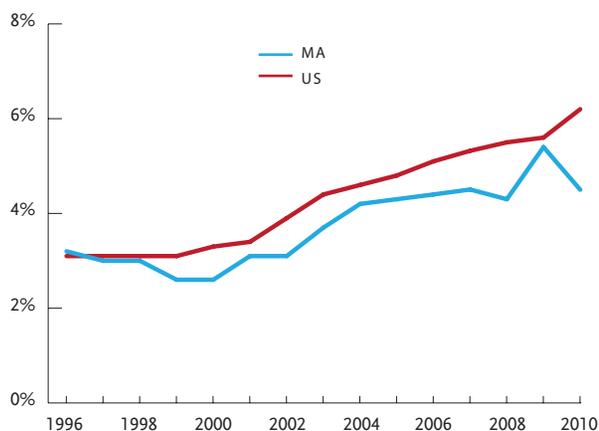
The cost of staying covered by health insurance has gone up significantly over the past decade, though Massachusetts may have been hit less than the rest of the country. That jump puts health insurance costs as a percentage of median family income second only to college debt as a worsening Economic Security indicator (or as any falling indicator in our index). And this increase doesn't include the cost of deductibles and prescription drugs.

In 2000, the average employee contribution for a family health care policy amounted to 2.6 percent of median family income in Massachusetts, compared with 3.3 percent nationally. By 2009, Massachusetts families were paying 5.4 percent of their income (amounting to \$4,088 annually), almost up to the national rate of 5.6 percent (\$3,473 annually on lower average income).

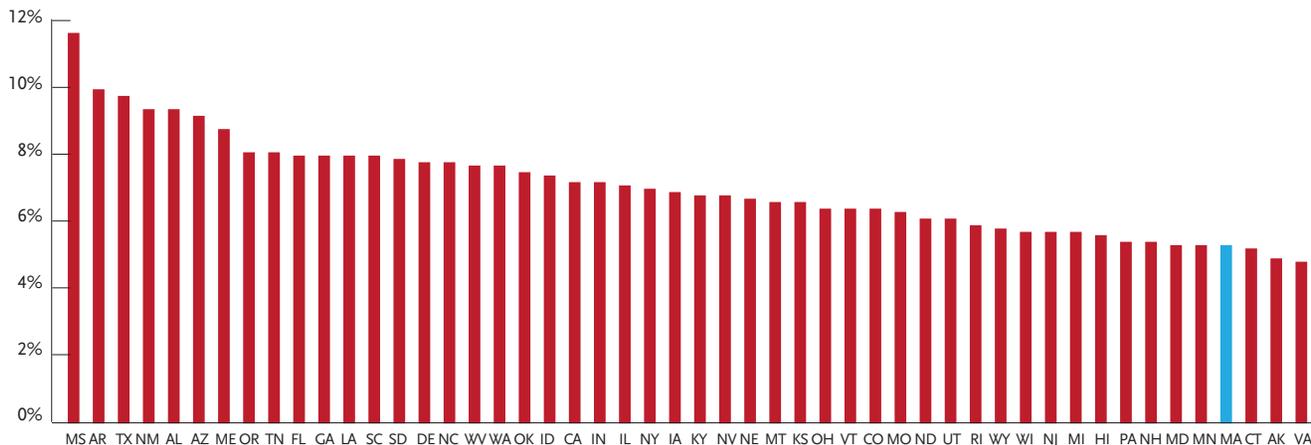
In 2010, however, the Bay State diverged from the US as a whole, with the share falling to 4.5 percent — still a hefty increase from the start of the century — even as the national figure continued rising to 6.2 percent. Only employees in Virginia, Alaska, and Connecticut devoted a smaller share of income to health insurance; at the other end of the scale, working residents of Mississippi and Arkansas paid more than 10 percent of median family income in health care premiums.

The decline in average employee contributions in Mas-

sachusetts between 2009 and 2010 came almost entirely at firms with fewer than 50 workers, with the annual amount dropping from \$5,107 to \$3,478. For firms with at least 50 workers, there was a slight decrease from \$3,797 to \$3,435. Costs were lowest at either end of the spectrum: \$3,004 for firms with fewer than 10 workers and \$3,043 for firms with more than 1,000 employees. The Bay State's leveling of costs among firms of different sizes was not duplicated at the national level in 2010, where the average contribution at firms with fewer than 50 workers (\$4,117) was still considerably higher than at firms with more than 1,000 (\$3,649).



Source: Medical Expenditure Panel Survey and March Current Population Survey



Note: Missing 2007 data calculated using linear extrapolation.

FINANCIAL SECURITY SUBINDEX

Average student debt for graduates of four-year colleges and universities

Student debt fared the worst of any of our Financial Security indicators (indeed, any of our indicators), as the average debt for graduates of Bay State four-year colleges and universities shot up from \$15,417 in 2000-01 to \$24,417 in 2008-09 (adjusted for 2010 dollars). This 37 percent rise makes health care costs seem under control. Furthermore, Massachusetts appears to be pulling away from the national average — and not in a good direction.

In 2000-01, the Bay State’s average student debt of \$15,417 was actually a bit lower than the national figure of \$15,661. But the newest figure is 8.4 percent higher than the national average of \$22,516, putting us in 14th place on the debt list.

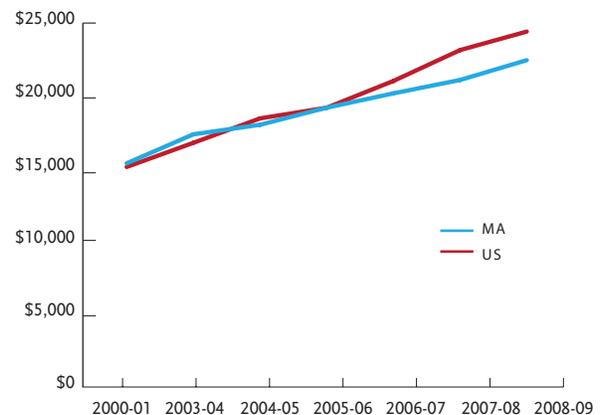
One reason for the high debt burden in not just Massachusetts but all of New England may be the region’s preference for private colleges and universities, whose average costs are higher in the Northeast than elsewhere. The average student debt for graduates of private schools was \$26,415 in 2008-09, considerably above the average debt of \$21,521 from public institutions.

According to The Project on Student Debt, 63 percent of Class of 2009 graduates from Bay State institutions granting bachelor’s degrees carried some form of student

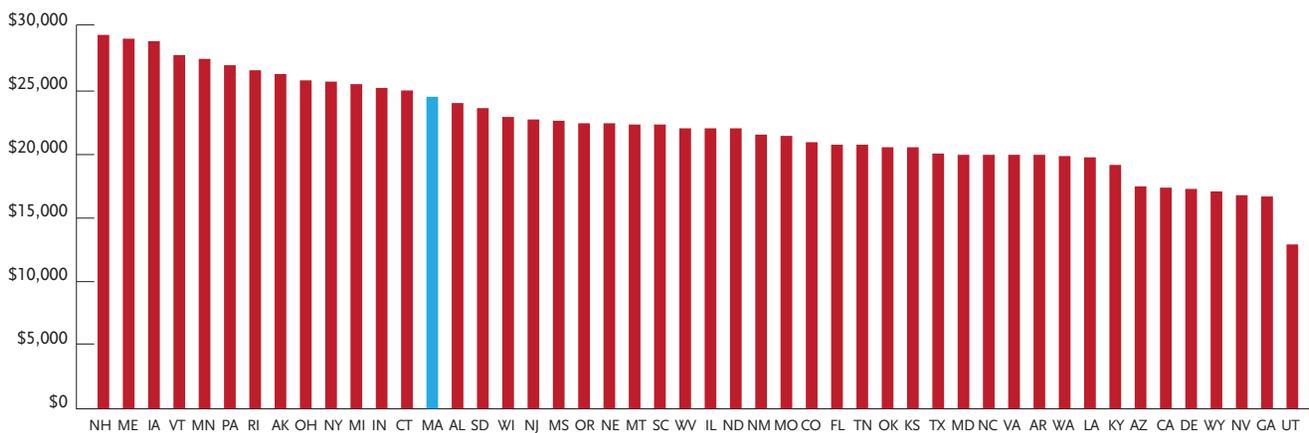
debt, putting us in 14th place overall. (In first-place New Hampshire the figure is 72 percent.)

For the school year 2007-08 (the last for which data are available), 59 percent of full-time freshmen at private institutions in Massachusetts took out student loans, compared with 43 percent at public schools.

One sign of the continuing financial stresses caused by student debt: In September, the US Department of Education reported that 8.8 percent of student loan borrowers who began repayment in 2009 had defaulted by the end of 2010, up from 7 percent for those entering beginning repayment in 2008.



Source: The Institute for College Access & Success



Note: Missing Hawaii and Idaho. Data for 2002-03 calculated using linear extrapolation. Index for 2009 and 2010 calculated using 2008 values.

WORKING CONDITIONS SUBINDEX

Percent of workers represented by a labor union

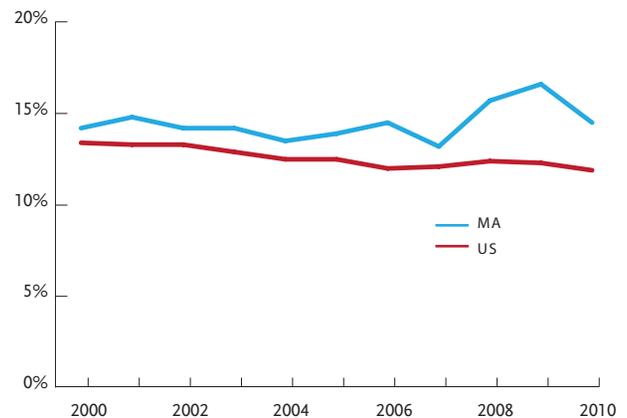
The role of organized labor in America has become a charged political issue in the past few years, but data still show that union membership is strongly correlated with higher wages. According to the Bureau of Labor Statistics, the median weekly earnings for labor members in the United States was \$917 in 2010, compared with just \$717 for those not in a union. This gap is even greater among women, with union members earning \$856 a week to non-organized workers' \$639; and among Hispanics, with union members taking home \$766 versus \$512.

From 2000 to 2009, union membership in Massachusetts ticked upward, from 14.2 percent to 16.6 percent — even though union membership nationwide fell from 13.4 percent to 12.3 percent during the same period.

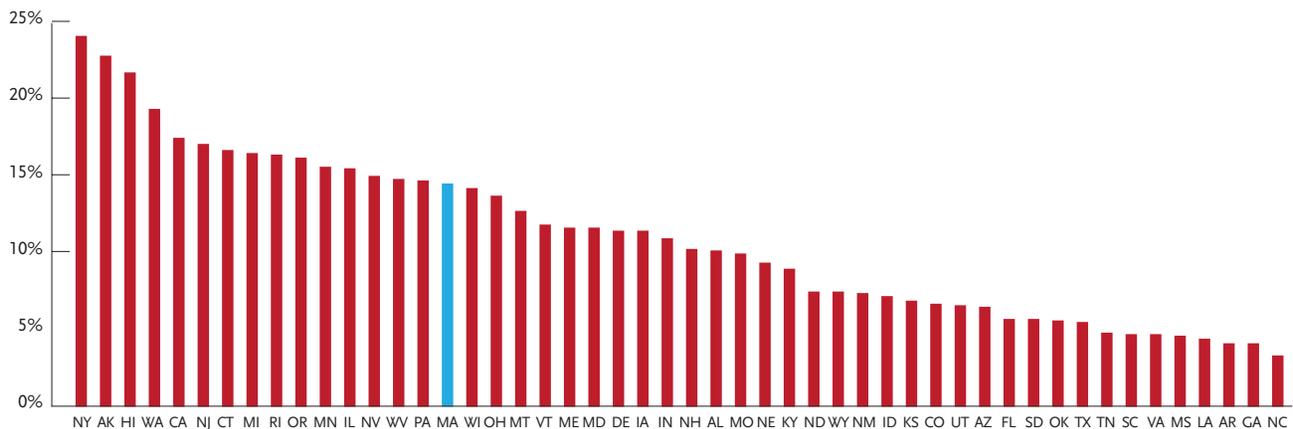
Data from 2010, however, show a reversal, with union membership in Massachusetts dropping back to 14.5 percent; meanwhile, the national rate continued falling, to 11.9 percent. One reason may be job losses in the public sector, a trend unlikely to be reversed soon.

The latest figures make the Bay State the 16th-most-unionized, well below first-place New York's 24.2 percent and significantly below other economic competitor states including California (17.5 percent) and New Jersey (17.1 percent). But another competitor, North Carolina, is dead last, at 3.2 percent.

The Bay State's relatively high unionization rate is hardly at odds with its post-industrial economy. According to national data from the BLS, "education, training, and library occupations" have the highest union membership rate, at 40.9 percent. Right behind are public sector workers at 40.0 percent (a number that hits 45.9 percent at the local government level). Even "managerial, professional, and related occupations" have a higher union membership rate than the manufacturing sector: 14.9 percent versus 11.6 percent.



Source: Bureau of Labor Statistics



WORKING CONDITIONS SUBINDEX

Percent of middle income residents with multiple jobs

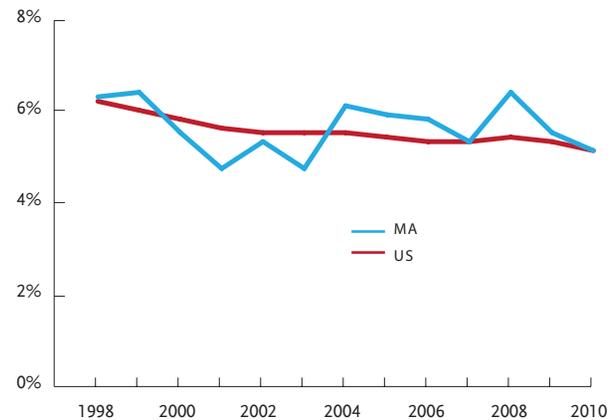
In film and on television, having a character work at two jobs is almost always a shorthand signal that he or she is having a rough time making ends meet. This is not always the case in real life, but depending on multiple paychecks (with multiple chances of getting laid off) can heighten the sense of economic insecurity in a household. When both jobs are part-time, there's also uncertainty about health insurance. (Only 16 percent of employers offer health insurance to part-timers, according to the Kaiser Family Foundation's most recent Employer Health Benefits Survey.)

In 2010, Massachusetts matched the national average of 5.1 percent of middle income residents holding multiple jobs. This is a significant drop from the late 90s; in 1999, 6.4 percent of Massachusetts middle income residents held more than one job, compared with 6.0 percent nationally.

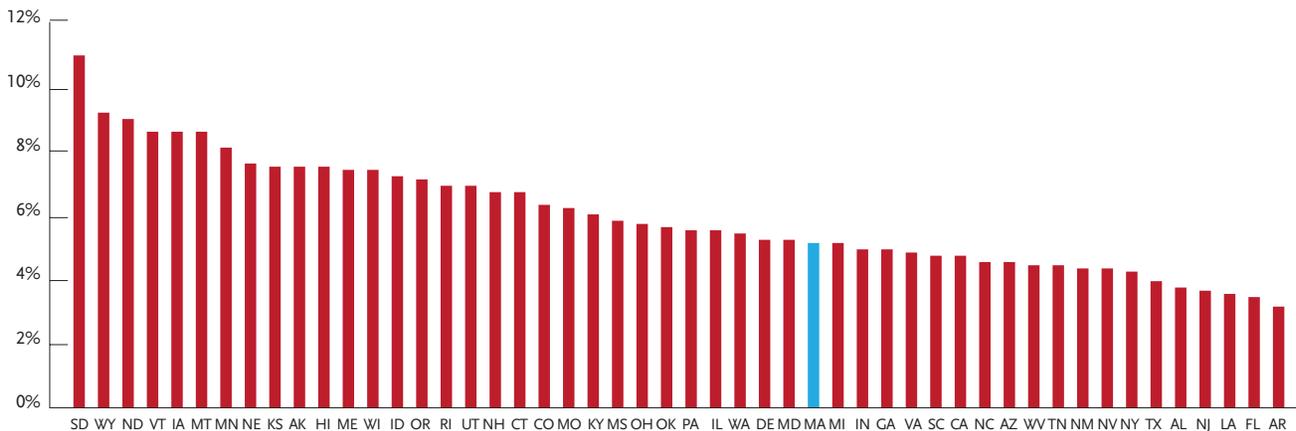
Massachusetts ranks 31st despite matching the national figure, which was pulled down by the relative scarcity of moonlighters in California, Texas, New York, and Florida. South Dakota, which has a low overall unemployment rate, is tops with 11.0 percent. In fact, seven of the 10 states where multiple jobs are the most common are also among the 10 states with the lowest unemployment rates (including both Dakotas, Vermont, Wyoming, and Iowa). Might multiple

jobs sometimes be more of an economic opportunity than a sign of economic stress?

Nationally, multiple job holders are most common among women aged 20 to 24 (6.5 percent) and unmarried women of all ages (6.2 percent). Women are also more likely to hold two part-time jobs as opposed to a full-time job plus other work. Moonlighting is least common among Asian men (2.7 percent) and all men aged 16 to 19 (2.9 percent, versus 4.7 percent for women in the same age group).



Source: MassINC's analysis of the Current Population Survey



Note: Ratio is multiple job holders to laborforce members. Income percentiles based on household earnings.

WORKING CONDITIONS SUBINDEX

Average hours worked per week, full-time middle income workers

As with the number of people with multiple jobs, a longer work week could mean the opportunity to make more money or it could mean increasing pressure to make ends meet. Measuring work hours is also increasingly difficult as people spend more and more of their personal time on work-related phone calls, email, and the like.

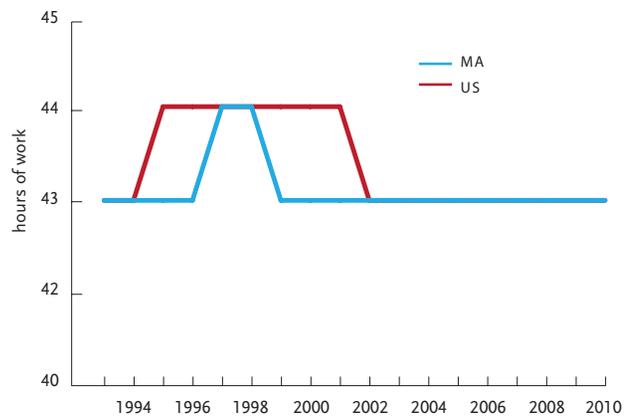
The best data available, from the US Census and the Bureau of Labor Statistics, do not show much change in hours for full-time, middle-income workers. The average work week was 43 hours in 1993 and 43 hours last year, both nationally and in Massachusetts (albeit with a slight and temporary bump upward in the late 1990s).

A few states were outliers in 2010. Wyoming, Alaska, and North Dakota were the only places where the average work week was above 44 hours; all three also had lower-than-average unemployment rates. Four states clocked in at only 42 hours: Delaware, Nevada (which had the highest unemployment rate in the US), New Jersey, and New York.

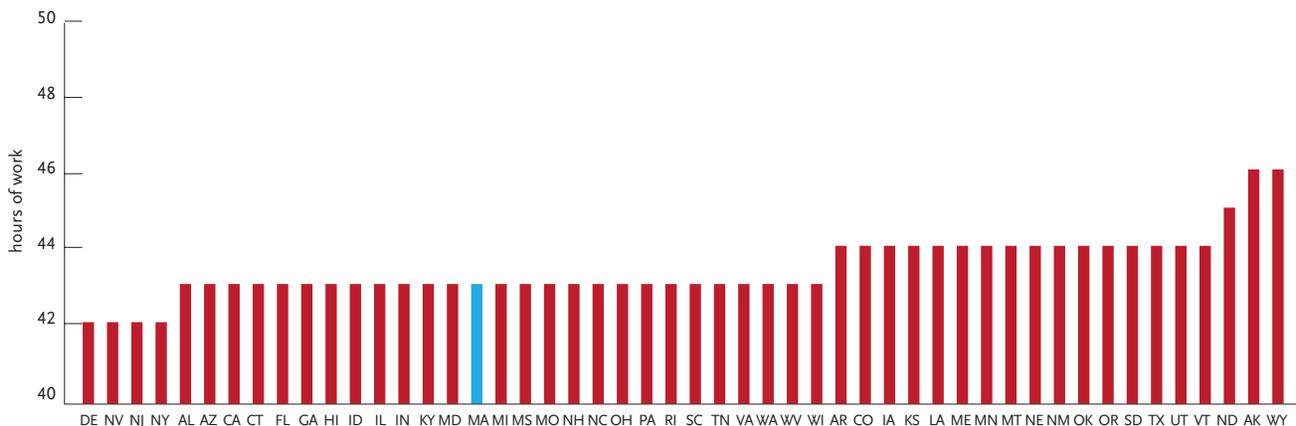
There were some demographic differences to be seen in the national data. Married men worked an average of 44.0 hours, noticeably higher than the 41.7 hours worked by men who had never married. But this gap was virtually non-existent among women: 40.6 hours for married women, 40.5 hours for those who had never married. Again, it's not clear

these differences were because of choice or because of different job demands.

Among specific occupations, full-time workers in "management, business, and financial operations" have the longest week, at an average 44.7 hours (46.1 hours for men, 42.7 hours for women). That's followed by sales jobs, at an average 43.2 hours (44.8 hours for men, 40.9 hours for women). At the other end of the scale are office and administrative support jobs at an average 40.1 hours per week (41.4 hours for men, 39.7 hours for women).



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



WORKING CONDITIONS SUBINDEX

Average travel time to work

After a jump in average commute time in the 1990s, both nationally and in Massachusetts, the number seems to have leveled off in the past decade, but “job sprawl” is now as much of a concern as a spread-out population.

From 1990, to 2000, the average time spent traveling to work in the US rose by 14.1 percent, from 22.4 to 25.5 minutes. In Massachusetts, it jumped by 18.5 percent, from 22.7 to 27.0 minutes. During this time, population growth was concentrated in “bedroom communities” far from urban centers.

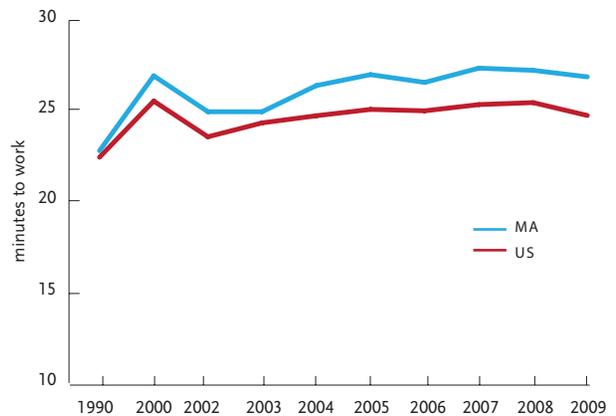
Average commute time rose more slowly in the early years of the new century. It hit 27.4 minutes in 2007 but started to fall the next year, coinciding with the economic slowdown, and was at 26.9 minutes in 2009 (the last year for which complete data is available).

Still, this was significantly higher than the national average of 24.7 minutes, and it was high enough for the Bay State to rank 5th in time spent getting to work. (New York, which happens to be the most dependent on public transit, is first, at 31.4 minutes.)

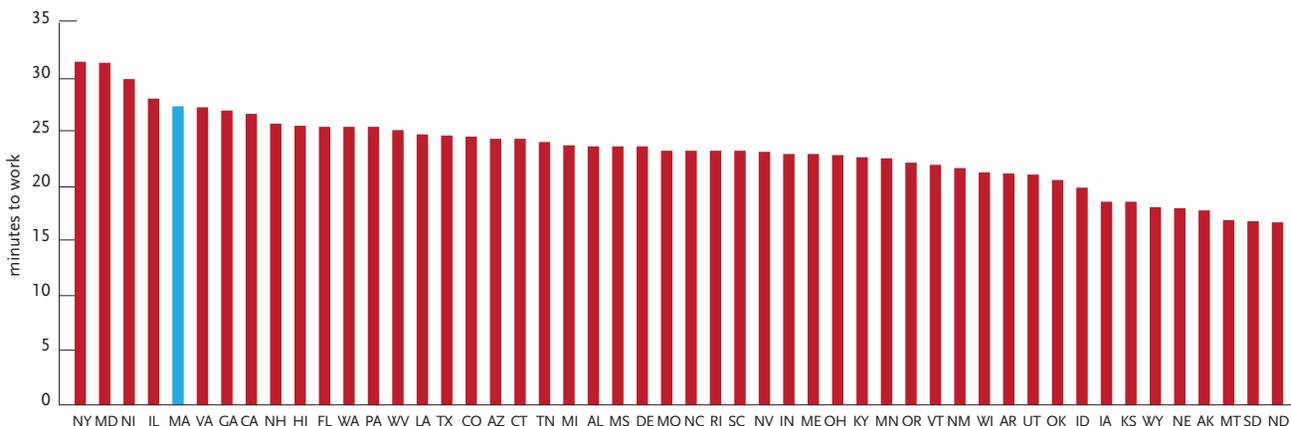
But there are a couple of worrying signs for the future. One is the possibility of further “job sprawl,” referring to employers locating farther away from population centers and public transit. A Brookings Institution study from earlier this year, *Missed Opportunity: Transit and Jobs*, esti-

mated that the typical resident of the Boston area could reach only 30 percent of the region’s jobs via public transit in less than 90 minutes. (The figures were worse in the rest of the state: 27 percent of the jobs in the Springfield area and 22 percent of the jobs in the Worcester area.)

Another danger is in the state’s limited housing supply. From 2000 to 2009, Massachusetts had the third-lowest growth in housing units in the US, according to the Census. And if the state adds jobs at a faster rate than it adds homes, it becomes more likely that residents will be forced to live at considerable distance from their workplaces.



Source: Decennial Census and American Community Survey



Note: 2001 figure calculated using linear extrapolation. Index for 2010 calculated using 2009 value.

WORKING CONDITIONS SUBINDEX

Percent of residents employed

Except for 2006, the employment rate in Massachusetts has slightly exceeded that for the United States as a whole over the past decade. In 2010, we were almost smack in the middle of the pack, ranking 24th with a 91.5 employment rate versus the national average of 90.4 percent. (The United States as a whole was pulled down by California's 87.6 percent.)

But there were notable regional differences within the Bay State, with the highest employment rates in Hampshire County (93.1 percent) and Middlesex County (93.0 percent). The lowest were in Fall River and New Bedford's Bristol County (88.8 percent) and Springfield's Hampden County (89.8 percent), both below the national average and proving that not every part of Massachusetts is outpacing the rest of the country.

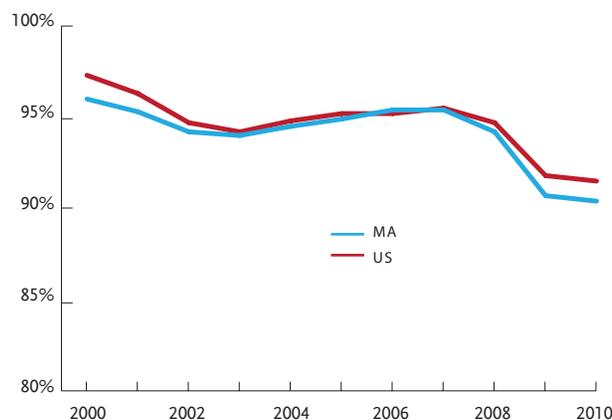
The relatively strong state employment rate of 91.5 percent also masked lower rates among certain demographic groups, including: 88.5 percent among African-Americans (and only 66.5 percent among African-Americans aged 20 to 24); 79.7 percent among Hispanics; and 84.5 percent among all men ages 20 to 24.

At 90.4 percent, the unemployment rate for men in Massachusetts was significantly lower than the 92.5 percent for women.

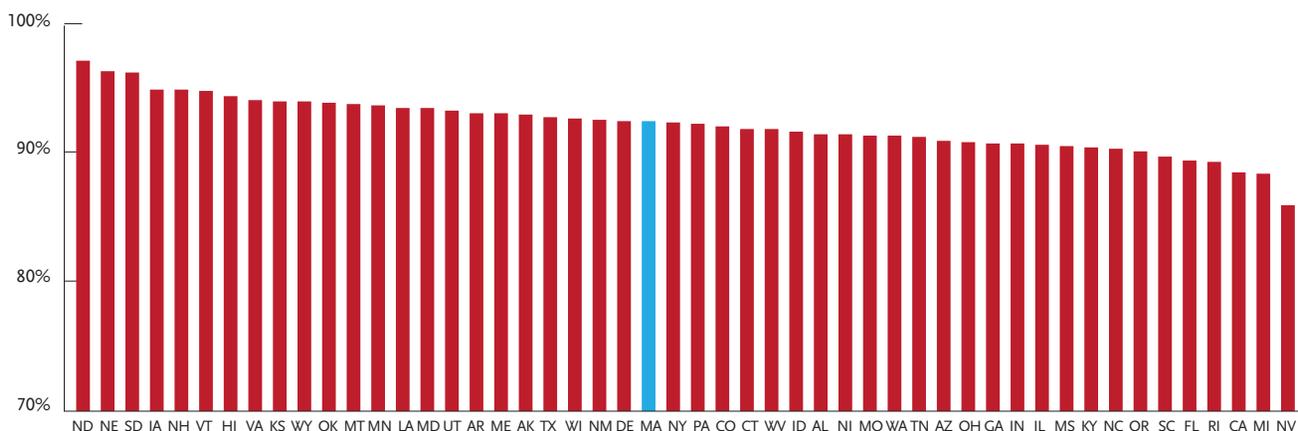
Massachusetts may be benefiting from its particular mix of jobs, which leans on growing industries. The lead-

ing employment sectors in Massachusetts in 2010 were "educational services, and health care and social assistance" ("eds and meds"), which accounted for 27.7 percent of all civilian jobs (significantly above the national average of 23.2 percent); "professional, scientific, and management," which provided 13.0 percent of jobs; and retail trade at 10.9 percent. Manufacturing was at 9.3 percent, compared with 10.4 percent nationally.

By September 2011, Massachusetts had risen to 92.7 percent employment, versus the national rate of 90.9, with the largest year-to-date job gains in the "professional scientific and business" sector (but overall losses in government jobs).



Source: Bureau of Labor Statistics



ACHIEVING THE DREAM

Homeownership rate, middle income households

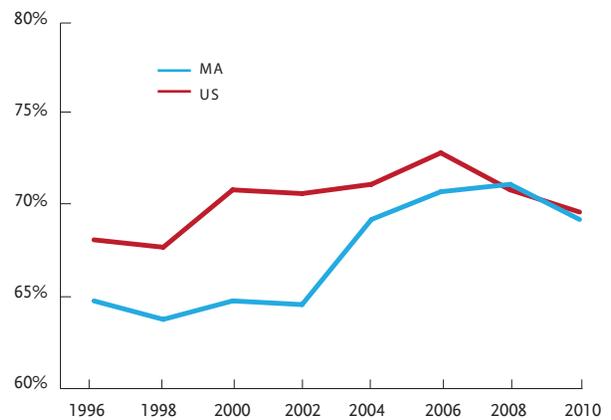
Homes are the only financial asset that became more common among middle class families in the Bay State during the last decade. After declining slightly in the 1990s, homeownership rates for middle income families rose to nearly 70 percent by 2010.

Massachusetts actually lagged behind the rest of the country on this measure in the 1990s, and the gap between national and state rate grew to more than five points in 2000 to 2002. (In 2002, 64.4 percent of middle income households in Massachusetts owned homes, versus 70.4 nationally.) But in 2008, the Bay State passed the national average -- 70.9 percent versus 70.6 percent -- and has been within a point of the US figure since. We now rank 35th in homeownership. (As with other indicators, low rates in heavily urbanized California, Texas, and New York pulled down the national average.)

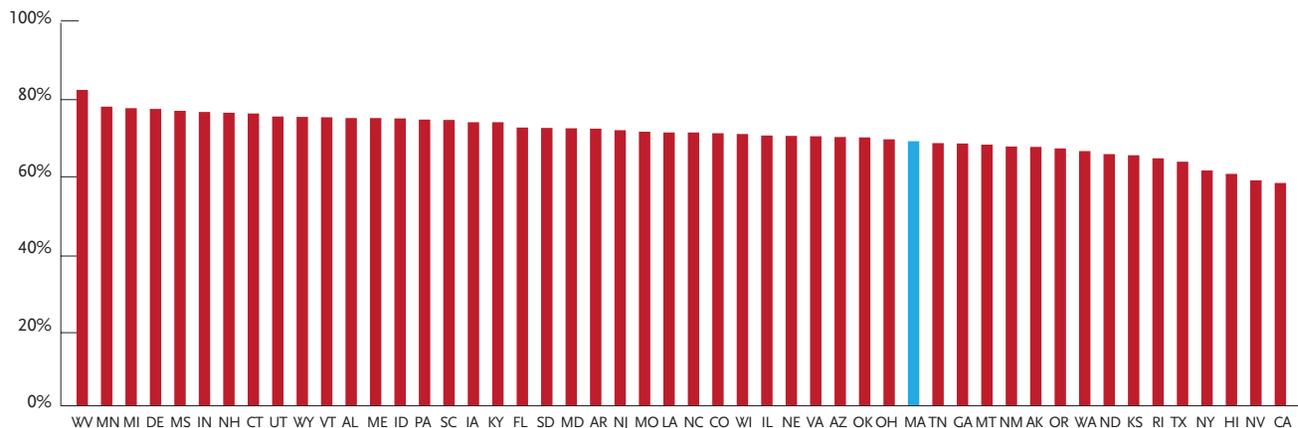
While homeownership overall has risen, this aspect of the American Dream has gotten grayer in recent years. In 2000, 35.3 percent of homeowners in Massachusetts were between under 45 years old; by 2010, only 26.6 percent of homeowners fell into this age category. During the same period, the percentage of homeowners over 65 vaulted from 24.2 percent to 31.1 percent. This aging phenomenon also happened at the national level, but some of our

economic competitor states had younger homeowners to begin with. In Minnesota, for example, the share of homeowners over 45 fell from 41.5 percent to a still-sizeable 32.4 percent.

Another sign of inertia in the Massachusetts real estate market: Only 41.6 percent of homeowners as of 2010 had moved into their residences in 2000 or later, below the national average of 49.1 percent. In Colorado, another economic competitor state, the figure was 57.4 percent.



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



ACHIEVING THE DREAM

Percentage of residents with health insurance

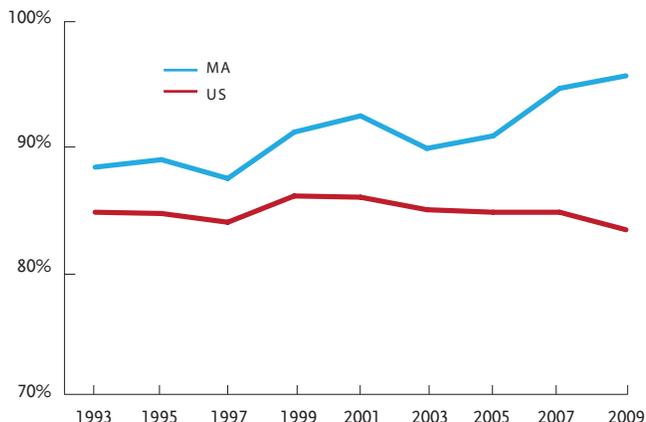
Massachusetts is the undisputed leader in this indicator, coming closer than any state to full health insurance coverage in 2009: 95.6 percent of the population, up from 91.1 percent in 1999. This rise occurred even as the national rate of coverage dropped 3 points over the same period. Nationally, 83 percent of the population had health insurance coverage in 2009, but the figure was below 80 percent in Texas, Florida, New Mexico, Nevada, and Georgia, all states with recent population spikes.

For residents under 18, health insurance coverage in Massachusetts was at 97.1 percent (up from 92.3 percent in 1999). This compares with 90.0 percent nationally, up from 87.5 percent.

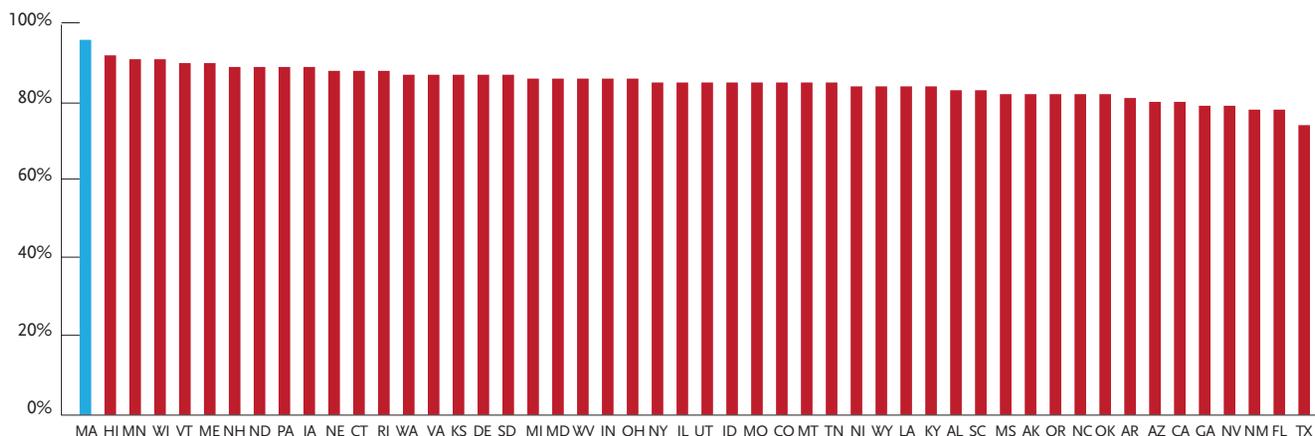
According to Census data, the private sector can take much of the credit for the Bay State’s near-universal health coverage. Most Bay Staters get health insurance through their employers – 66.7 percent in 1999 and an almost-identical 66.5 percent in 2009 (though the number peaked at 70.1 percent in 2008). This stability is notable given the implementation of the state’s health care reform law during that period. It’s doubly so given that the national picture was quite different. In the US as a whole, employer-based health insurance covered 63.9 percent of the popu-

lation in 1999; it was down to 55.8 percent in 2009. In the earlier year, a majority of residents in each of the 50 states had employer-based health insurance, but by 2009 majorities in seven states (including California and Texas) had to look elsewhere for coverage or go without.

From 1999 to 2009, the share of Massachusetts residents directly purchasing private plans rose from 6.5 percent to 8.6 percent, close to the national figure of 8.9 percent.



Source: U.S. Census Bureau



ACHIEVING THE DREAM

Percentage of middle-income residents participating in employer-sponsored retirement plan

One financial challenge that has become ever more difficult in recent years is saving for retirement when so many more immediate needs (mortgages, college tuition, insurance premiums) are eating up greater shares of household income.

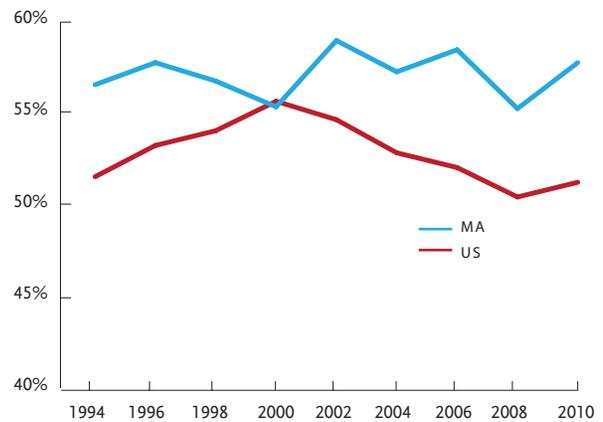
During the past two decades, the percentage of full-time, middle class workers participating in employer-sponsored retirement plans has stayed in the 50s, even with near-universal consensus that such plans are an excellent way to prepare for the future. (The book *Nudge*, by Richard Thaler and Obama administration economic advisor Cass Sunstein, used 401(k) participation as the prime example of effective behavioral economics. They showed that if the burden is on workers to opt out of such plans, rather than taking action to join them, participation is much higher.)

Given such publicity, and worries about the long-term outlook for Social Security, the stalled participation in retirement plans is a sign of how many financial pressures are competing for middle class families' attention. Another factor hampering participation was a decline in the number of employers offering matching funds for 401(k) accounts during the recession. However, a January study by the consulting firm Deloitte reported that there's been a rebound on this score, with the percentage

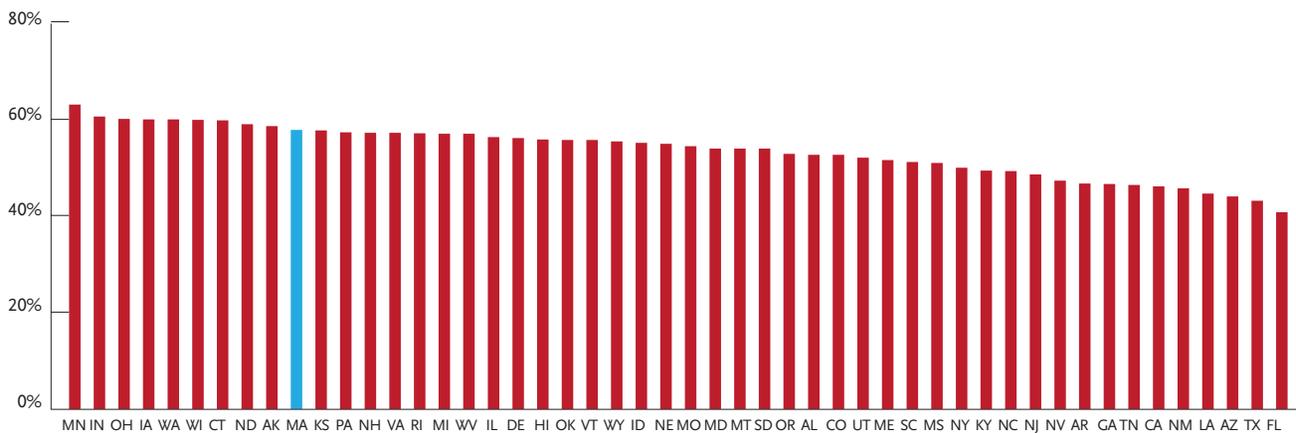
of employers offering matching funds rising from 59 percent in 2009 to 66 percent last year.

In Massachusetts, participation hit 59.0 percent in 2002, but it hasn't returned to pre-recession levels and was at 57.8 percent in 2010.

Still, that's significantly better than the national rate of 51.3 percent, and the Bay State ranks 10th among the 50 states. Minnesota, an economic competitor state, is first, with 63.1 percent participation; Connecticut also tops the Bay State with 59.8 percent. Real estate-ravaged Florida is in last place, at 40.6 percent.



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



ACHIEVING THE DREAM

K-12 student-teacher ratio

The average student-teacher ratio in US public schools dropped steadily over the past couple of decades before ticking upward in 2009-10, as cuts in government spending took effect. Over the same period, Massachusetts has fluctuated but always stayed below the national average.

With 13.7 students per teacher in grades through 12, Massachusetts now has the 17th lowest ratio and is still below the national average of 15.4. But it's a significant increase over the 12.5 students per teacher in 1999-2000.

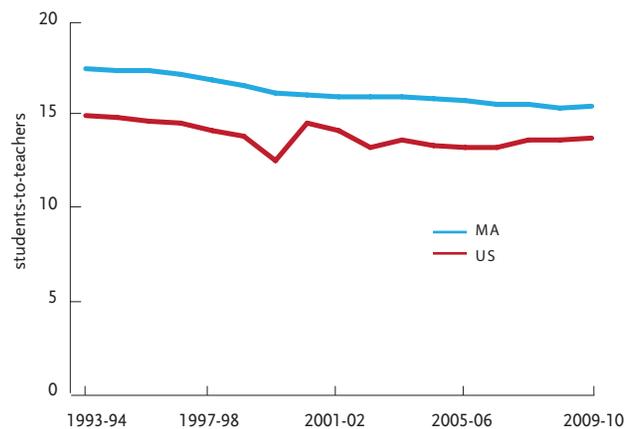
The latest available student-teacher ratios in Massachusetts were 19.9 for kindergarten students (versus 20.5 nationally), 13.7 for 1st through 8th grades (much lower than the national figure of 19.1), and 12.3 for high school (almost identical to the national figure of 12.1). The ratio of administrators and support staff to students was 28.2, well below the average of 42.2 and the 8th lowest in the US.

One economic competitor state, North Carolina, has a higher overall ratio (14.1 students for every teacher) than does the Bay State, but it's impressive that the number is so close, given that North Carolina has much higher population growth. Indeed, states with minimal (or negative) population growth have what is probably a temporary advantage on this indicator, as it takes time for governments to adjust public-education workforces to meet

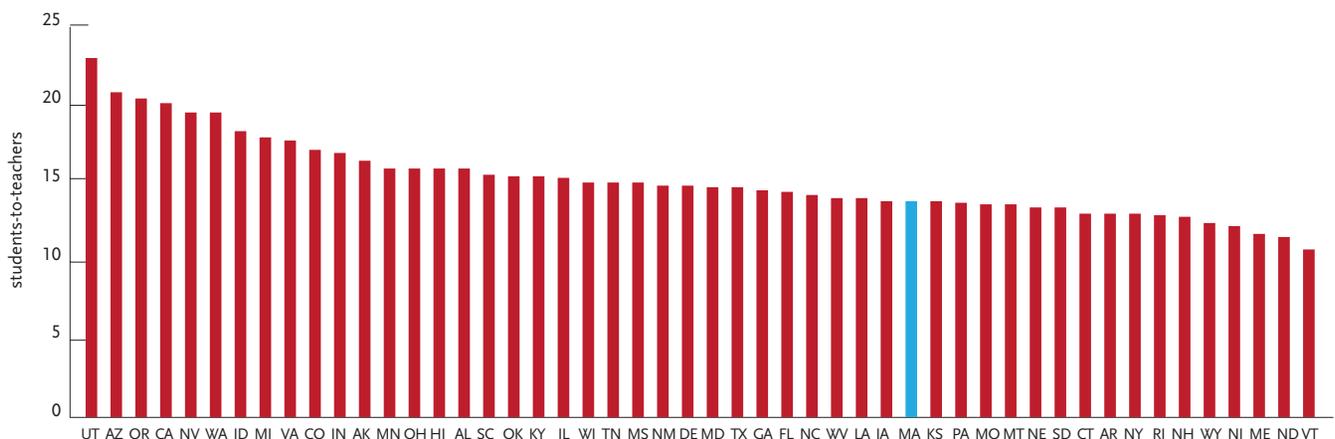
changes in demand.

Indeed, in 2009-2010, the low-growth states of Connecticut, New Jersey, New York, Pennsylvania, and Rhode Island all had even lower student-teacher ratios than Massachusetts did, but none of these states should count on fast-growing states such as Georgia and Virginia remaining relatively understaffed.

Vermont, which had the lowest birth rate in the nation in 2009, had the lowest student-teacher and staff-teacher ratios in 2009-10.



Source: National Center for Education Statistics



ACHIEVING THE DREAM

Percent of high school grads enrolling directly to 2- or 4-year degree program

“Among men and women raised in middle class homes, having no more than a high school education is strongly correlated with downward mobility.” That was one of the key findings in a September report by the Pew Charitable Trusts, *Downward Mobility from the Middle Class: Waking Up from the American Dream*.

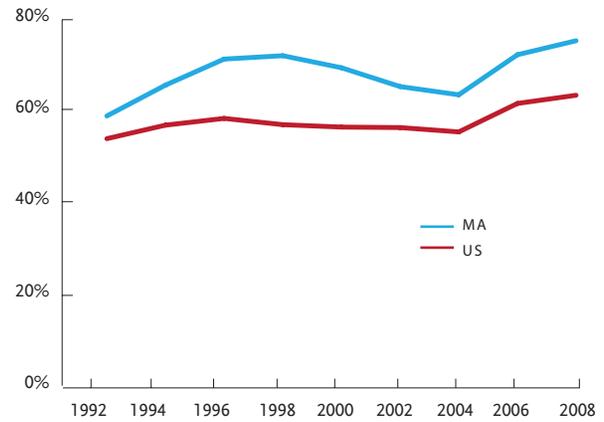
Fortunately, Massachusetts has made steady progress in the percentage of high school graduates who head directly to higher education. Only 59.0 percent of such graduates enrolled directly in college in 1992 (compared with 54.3 percent nationally). By 2008, 74.6 percent of Bay State high school graduates continued their schooling uninterrupted (versus 63.3 percent nationally).

That places us second among the 50 states, behind Mississippi (77.4 percent) and just ahead of New York (74.2 percent). Mississippi and Massachusetts make an odd couple at the top of the chart, but there are significant differences between the two. The four-year high-school graduation rate for the class of 2008 in Mississippi was 61.7 percent, the sixth-lowest in the country and far below the Bay State’s 77.0 percent. That meant a smaller, more select pool of potential college-goers.

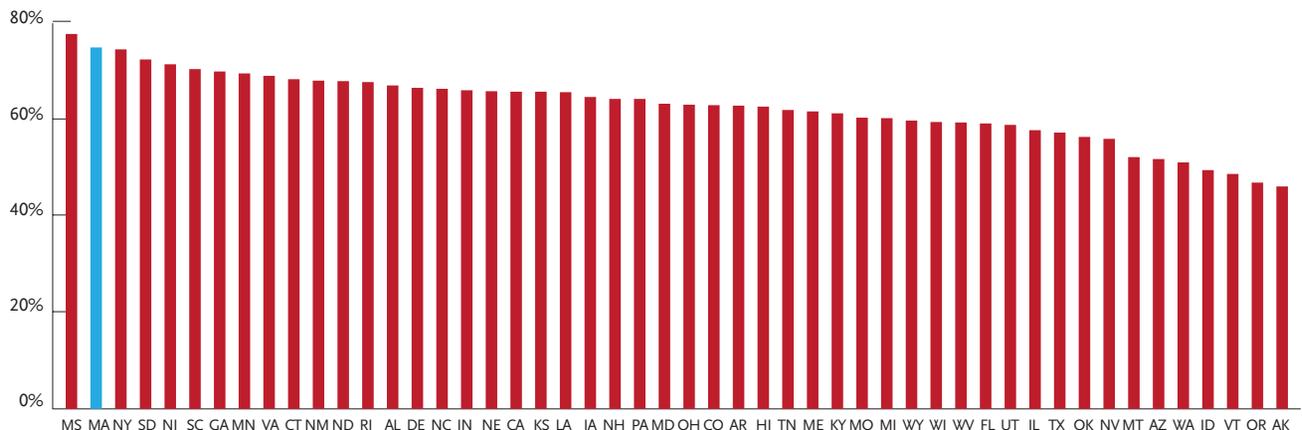
Then again, Massachusetts might have also received a boost on this score: 15 states had better public high-school graduation rates than we did. New Jersey, for example shepherded 85.2 percent of the Class of 2008 to a diploma. The

fact that 71.1 percent of this wider pool went onto college compares favorably with the Bay State’s 74.6 percent.

Mississippi’s first-place showing also coincided with steady enrollment increases at its public universities, and 48 percent of its 42,000 high school graduates going straight to college remained in the state, compared with 40 percent of the 95,000 new freshmen from Massachusetts. In terms of follow-through, Mississippi ranked 31st in the six-year completion rate for bachelor’s degrees (way below first-place Massachusetts) and also 31st in the three-year completion rate for associate’s degrees (ahead of 40th-place Massachusetts).



Source: Postsecondary Opportunity



ACHIEVING THE DREAM

Six-year graduation rates for bachelor's degree candidates

The six-year graduation rate for students pursuing bachelor's degrees showed the most improvement among our Achieving the Dream indicators. According to 2009 data from the National Center for Education Statistics (NCES), 69.2 percent of undergraduate students in Massachusetts earn a degree within six years.

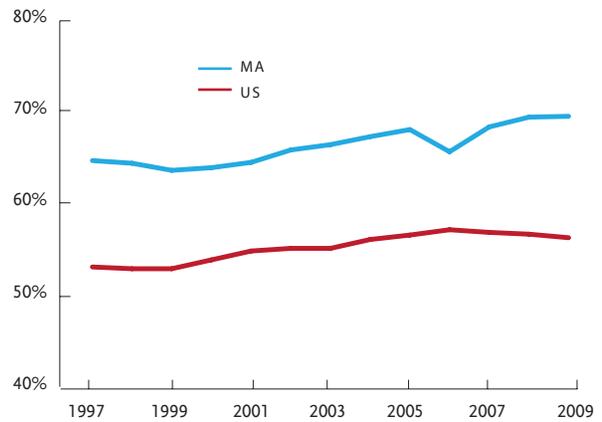
That's the highest rate in the US, and it went up 4 points from 2006 to 2009 even as the national rate declined by almost 1 point. The Northeast dominates the list of the highest completion rates, though California comes in sixth at 63.9 percent. Among our economic competitor states, Colorado is the furthest behind, at 53.3 percent.

Among students who enrolled at a US four-year college full-time in fall 2002, according to the NCES, 54.1 percent of men and 59.7 percent of women received a bachelor's degree within six years. The completion rate was 64.6 percent for students at private, nonprofit institutions, 54.9 percent at public institutions (which are less popular in New England), and 22.0 percent at private, for-profit schools.

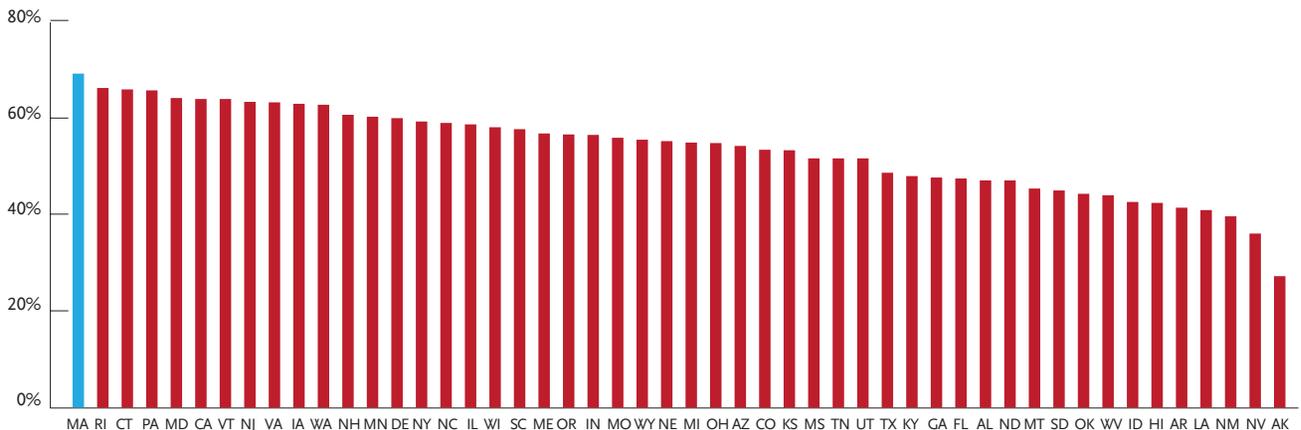
The higher earnings potential of college graduates is well documented. Data from the Bureau of Labor Statistics

for the third quarter of 2011 showed that adults 25 and over with full-time jobs and at least a bachelor's degrees had median weekly earnings of \$1,152, compared with \$636 for high school graduates without college and \$459 for those without a high school diploma.

Compared with the third quarter of 2001, the newest data show a 23.7 percent increase for college graduates (from \$931), a 21.8 percent increase for high school graduates (from \$522), and a 20.4 percent increase for those who did not complete high school (from \$381).



Source: National Center for Education Statistics



ACHIEVING THE DREAM

Marriage rate for middle income residents age 35-44

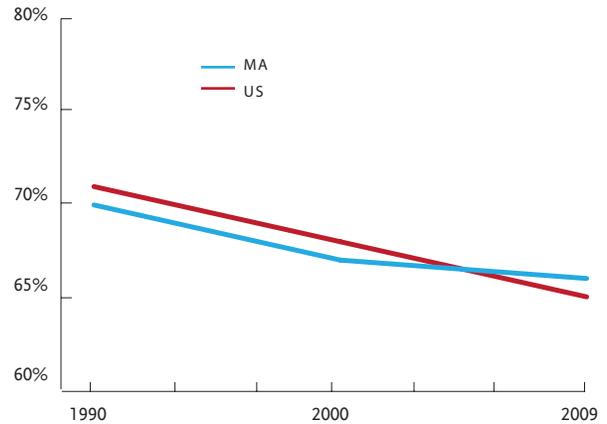
The slow but steady fall in the marriage rate was the only negative among our Achieving the Dream indicators, but Massachusetts is actually doing better than the rest of the US on this score. We include marriage as an indicator because it is correlated with higher and more stable income. For example, a recent study by the Pew Charitable Trusts, *Downward Mobility from the Middle Class: Waking Up from the American Dream*, found that “Those who are divorced, widowed or separated are more likely to fall down the economic ladder than those who are married.”

The latest data show that 66 percent of middle-income Bay State residents between the ages of 35 and 44 were married, or one point above the national average. Twenty years earlier, we were one point below the national average (70 percent versus 71 percent).

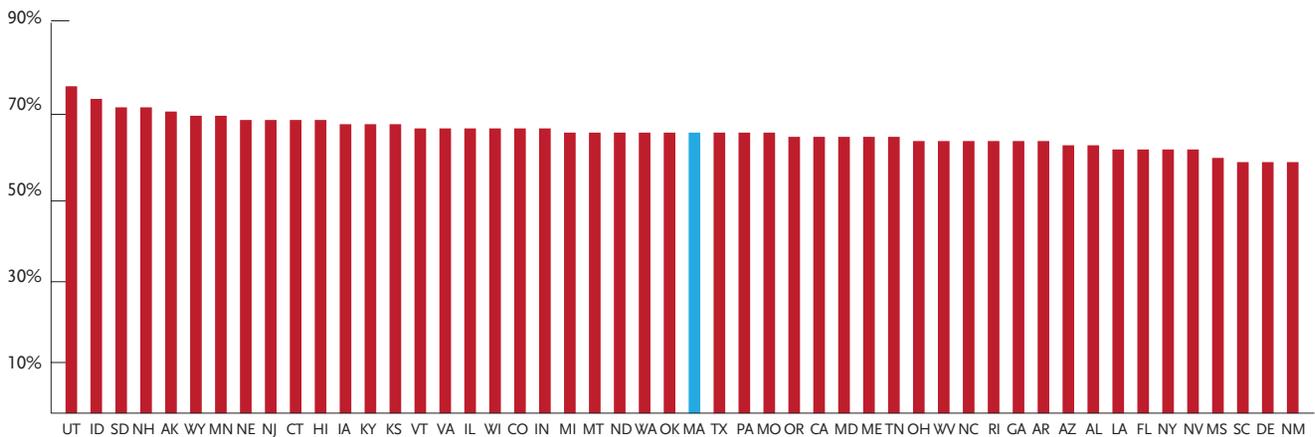
Whether because of cultural norms or the high costs of starting a family, Massachusetts is an outlier in terms of the age at which people get married. According to Census data for 2010, the median age for men getting married for the first time was 30.3 in the Bay State, tied with New York for the oldest in the US (the national median was 28.7

years). Among women, we were clearly the oldest, with a median age of 29.2 versus the national average of 26.7.

Our unusually long waiting period may be one reason that we have the lowest divorce rate in the US, according to the Centers for Disease Control (which counts divorces per 1,000 residents but does not calculate how many marriages end in divorce). Divorces are most common in Nevada and Arkansas, both of which have median ages for first marriage below the national average.



Source: MassINC's analysis of the Decennial Census and the American Community Survey



EQUAL OPPORTUNITY SUBINDEX

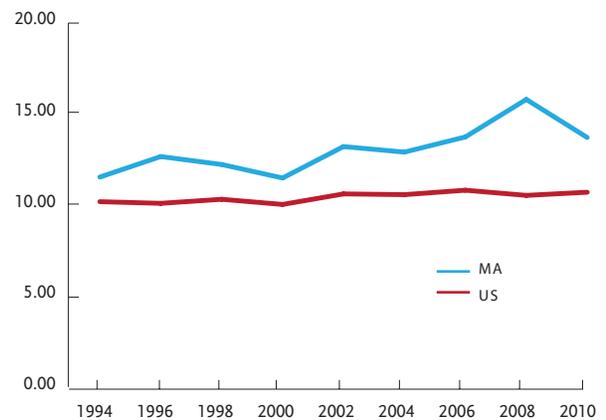
Ratio of the 90th percentile's household income to the 10th's

Income inequality has become more prominent as a political and public policy issue during the past few months, thanks to a protest movement (Occupy Wall Street) and a white paper from a highly respected source. The Congressional Budget Office, which showed a strong shift in the distribution of household income from the bottom four to the top quintile during the 28 years before the economy crashed in 2008. According to *Trends in the Distribution of Household Income Between 1979 and 2007*, inflation-adjusted average household income increased by just under 40 percent for the middle three quintiles of American Households, compared with 65 percent for the top quintile and 275 percent for the 1 percent of the population with the highest income.

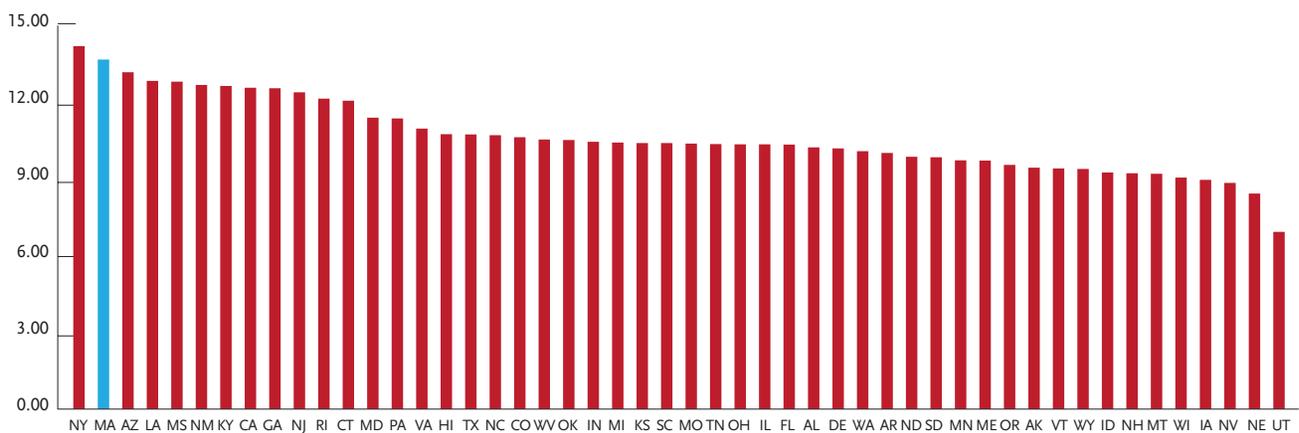
So it's not surprising that the ratio of income earned by the top 10th of the population to the bottom 10th in Massachusetts was the only negative indicator in our Equal Opportunity subindex. And while growing income inequality is a national phenomenon, it is more pronounced in the Bay State.

In 2010, the Bay State was second only to New York in its income ratio between the top and bottom: 13.67-to-1, compared with the national average of 10.71-to-1. This is

down a bit from 2008 but substantially higher than 1990s levels. Overall, the gap in Massachusetts widened by 19 percent between 2000 and 2010, compared with 7 percent at the national level. (By another measure, the ratio between the 95th percentile and 20 percentile, Massachusetts drops to seventh place, suggesting more extremes of wealth in Connecticut and the Gulf Coast states of Louisiana, Mississippi, Texas, and Alabama.)



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



EQUAL OPPORTUNITY SUBINDEX

Median income of non-white households

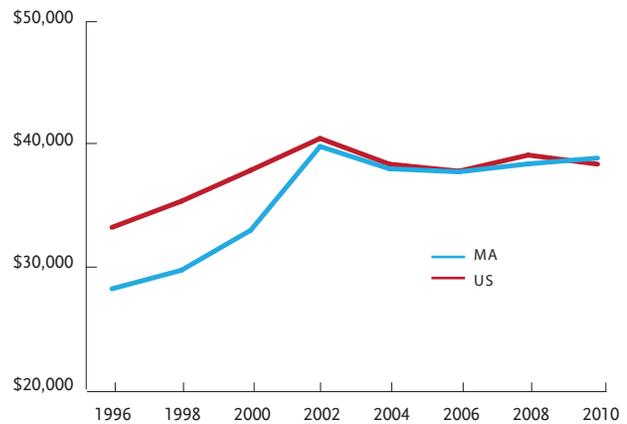
As late as 1997, minority households in Massachusetts appeared to fall behind their counterparts in other states, with median income 20 percent below the national average. From 2000 to 2010, however, the median income for Massachusetts households headed by Hispanics and non-whites rose by 18 percent, from \$33,061 to \$39,000. That was better than the mere 1 percent rise at the national level (from \$37,995 to \$38,500), and it put the Bay State 1.3 percent above the US average.

It also put us at 17th in the US for median income of minority households. The top two places go to overwhelmingly white New Hampshire and to Maryland, which has a large African-American middle class in the suburbs of Washington, DC. In last place was Mississippi, which has a large but much more rural African-American population.

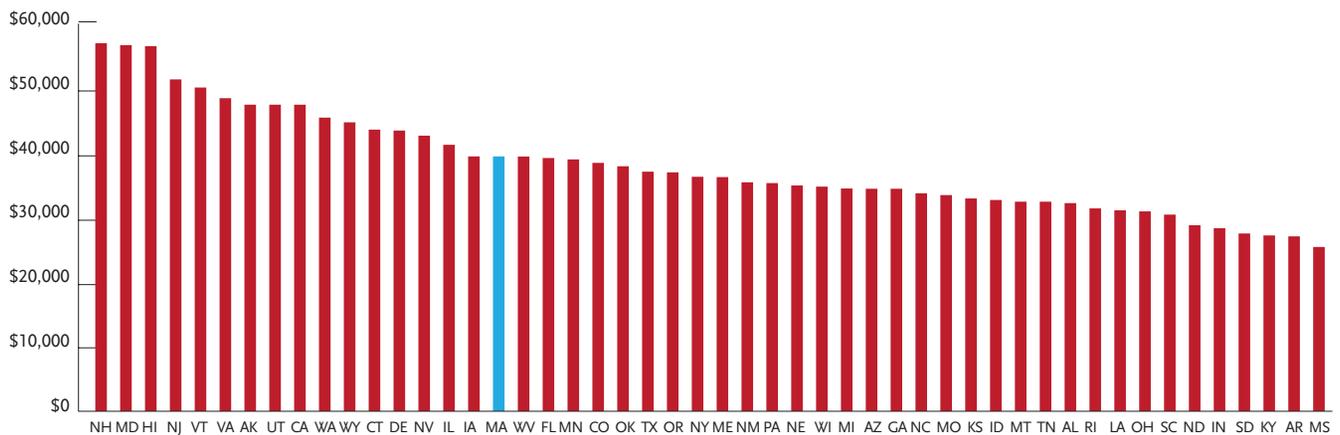
How does median income differ within racial groups? Data from the 2010 Census showed that households in Massachusetts headed by African-Americans reported a median income of \$41,057, or 66.1 percent of the median for all households (\$62,072). For Hispanics, the figure was \$31,036, or exactly half of the figure for all households. Households headed by Asian-Americans, however,

reported a median income of \$70,032, or 13.0 percent above the figure for all households.

In Boston's Suffolk County, the differences are less stark, with median income for African-American households at 71.5 percent of the total households for that county, for Hispanic households at 60.7 percent, and for Asian households at 77.4 percent. But in Springfield's Hampden County, the most Hispanic in the state, the median income for households headed by Hispanics is only 45.3 percent of that for all households.



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



EQUAL OPPORTUNITY SUBINDEX

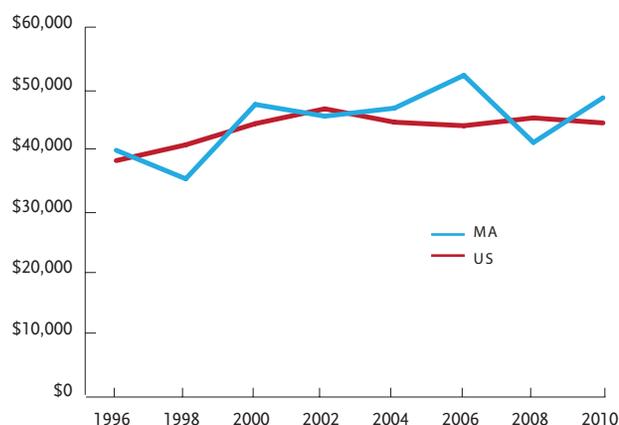
Median income of foreign-born households

On most of our indicators, Massachusetts has been consistently above, below, or near the national average, but there's been a lot of volatility in the median income of households headed by the foreign-born. In 1998, such households in Massachusetts had a median income 14 percent below that of households headed by foreign-born population in the US as a whole. By 2006, the Bay State figure was 19 percent above the national average; four years later, it was 9 percent above the US average and was the 16th-highest in the US.

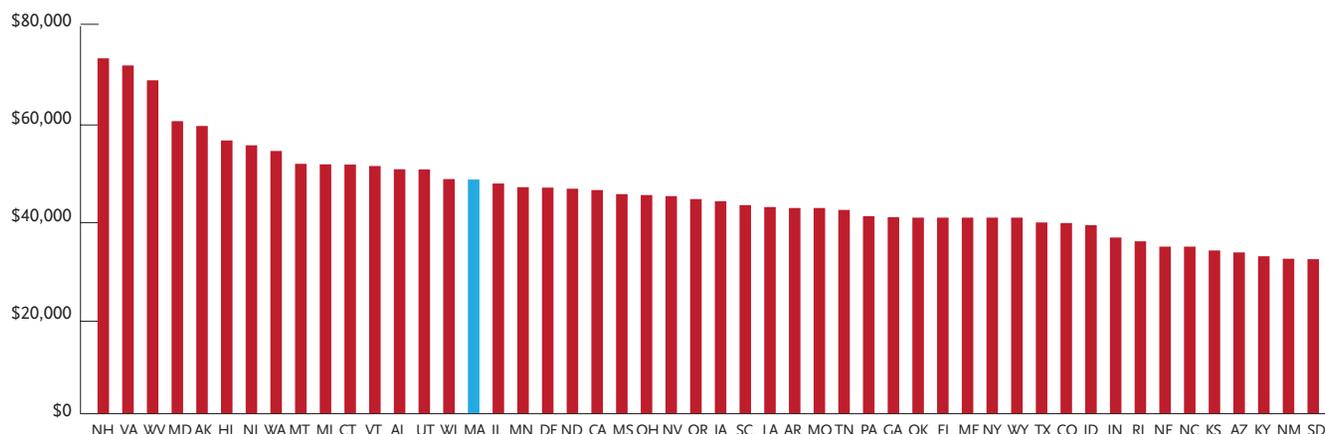
One reason for the fluctuation may be the steady of inflow of immigrants to Massachusetts, which significantly changes the composition of the foreign-born population each year. In 2009, according to Census figures, 14.3 percent of the Bay State's population was foreign-born, the eighth-highest share in the US. More than one-third of this population (34.2 percent) entered the US in 2000 or later. (In the city of Boston, 25.1 percent of the population was foreign-born, and 37.2 percent entered the US in 2000 or later).

For all the fits and starts, there's been a general upward trend in median income for immigrant households. In Massachusetts, the figure rose from \$41,149 in 1995 to \$47,897 in 2010 — a 16.4 increase, close to the national average of a 17.6 percent increase.

One advantage for the foreign-born population in Massachusetts is education. We rank 13th in the country percentage of foreign-born residents aged 25 or older who have college degrees: 34.4 percent. The four states with the highest median incomes among foreign-born residents all had even higher percentages of college graduates among that demographic group: New Hampshire (38.3 percent), Virginia (38.4 percent), West Virginia (42.1 percent), and Maryland (40.6 percent). By contrast, the lowest median incomes were in South Dakota (28.0 percent college graduates), New Mexico (16.3 percent), and Kentucky (30.2 percent).



Source: MassINC's analysis of the Current Population Survey, March Supplement, 2-year averages



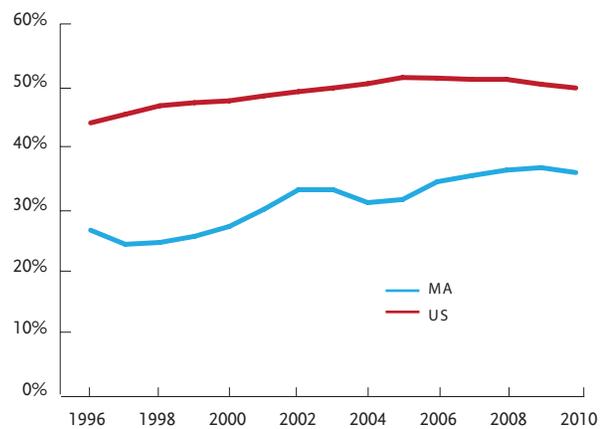
EQUAL OPPORTUNITY SUBINDEX

Nonwhite homeownership rate

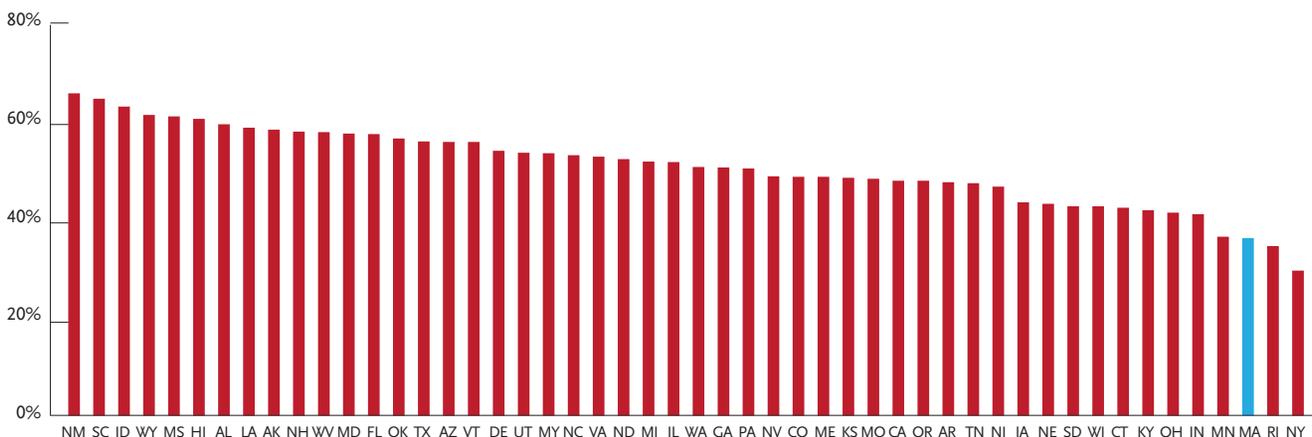
The homeownership rate among households headed by nonwhites and Hispanics showed the most improvement of any of our 26 MCI indicators, ending at 135.8, versus 105.7 at the national level. But this was a case of the abysmally low “improving” to well below average. In 2010, Massachusetts still ranked 48th (above only New York and Rhode Island) in the nonwhite homeownership rate: 35.6 percent versus the national average of 49.4 percent. This was only barely above half the homeownership rate for all middle-income households in Massachusetts.

And while this was a big improvement over 2000 (when only 26.8 percent of nonwhite households in the Bay State were homeowners), the gain may be tenuous. Predatory lending practices brought more people of color into the state’s housing markets, but they also resulted in a foreclosure crisis that disproportionately affected minority neighborhoods. Furthermore, the political fallout from the foreclosure epidemic may also hit nonwhite households the hardest. The Greater Boston Housing Report Card 2011, released by The Boston Foundation in October, warns, with tightened mortgage credit and the possibility of changes in federal institutions that have encouraged homeownership since the 1930s, the large racial and ethnic gaps in homeownership may become much more difficult to eradicate.”

There are other factors that raise doubts about further gains in this indicator, the state’s unusually high housing costs, income disparities between white and nonwhite households, and a minimal construction of new housing units in urban areas where most of the state’s minority population lives. They add up to a significant challenge for households striving for financial security and a key piece of the American Dream. And since homeownership is associated with strong civic engagement, a reversal in this indicator may also be problematic in efforts to build stable and safe neighborhoods in many Massachusetts cities.



Source: MassINC’s analysis of the Current Population Survey, March Supplement, 2-year averages



EQUAL OPPORTUNITY SUBINDEX

Three-year graduation rates for full-time associate’s degree candidates

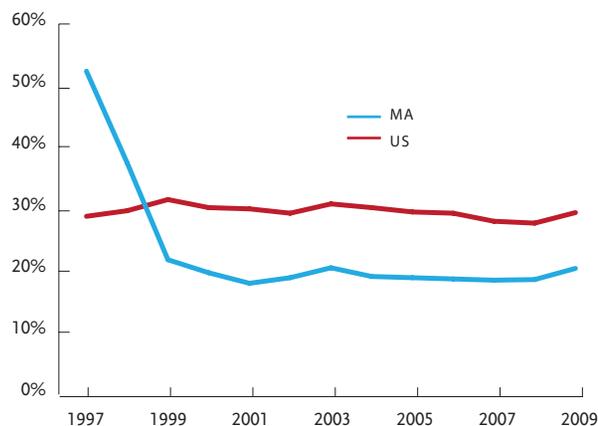
Two-year community colleges have long been seen as an affordable gateway to the middle class; unfortunately, they have also become associated with poor graduation rates, especially for older and part-time students. The nonprofit Complete College America put the problem succinctly in a recent report called *Time Is the Enemy*: “As the clock runs and the calendar turns, we all know what happens: Students’ lives fill up with jobs, relationships, marriages, children, and mortgages; the list goes on and on. Not surprisingly, college often gets left behind: a few years of courses, no degree, and a lot of debt.”

According to the latest data from National Center for Education Statistics, only 20.2 percent of full-time candidates for associate’s degrees in Massachusetts complete their programs within three years. (That figure was 52.0 percent for students who began in 1994, but that was with a reported class of 1,636 students, compared with 13,384 students who entered associate’s degree programs in 2006.) The national average is 29.2 percent, and we rank 40th in the US, possibly hurt by a high cost of living that makes it increasingly difficult for students to postpone work in order to complete their studies.

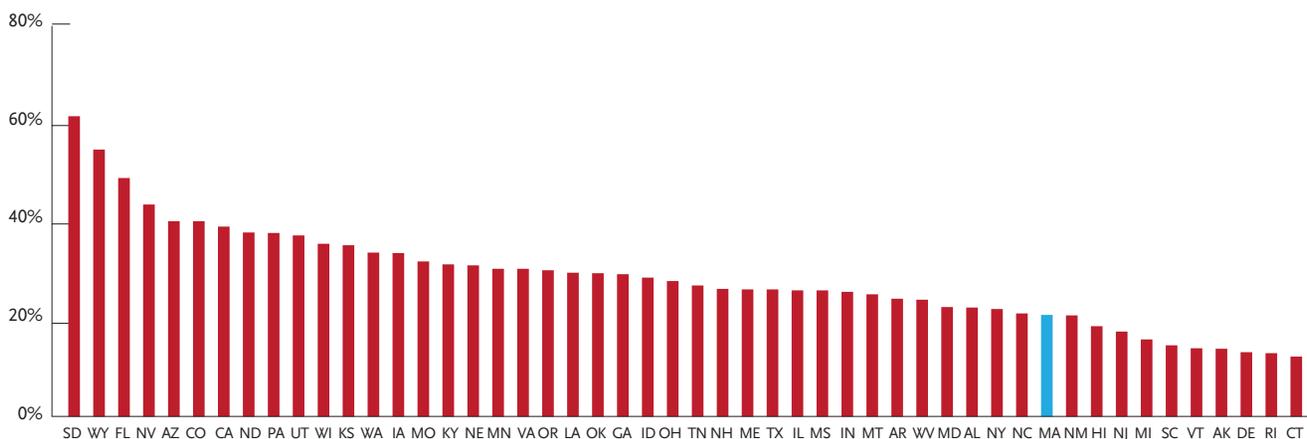
Not that part-time status is a solution: Complete Col-

lege America reports that the three-year graduation rate for part-time associate’s degree candidates in Massachusetts is a pathetic 9 percent. It also reports that only 53 percent of full-time students in Bay State two-year colleges (and 40 percent of part-time students) return for a second year of study.

One reason for the poor graduation rates may be a lack of preparedness for college studies. Complete College America estimated that 62 percent of Bay State students at two-year colleges require remediation courses, and those students have even lower graduation rates.



Source: National Center for Education Statistics



INDEX OF MIDDLE CLASS SENTIMENT

Along with monitoring economic data, another way to assess how residents are faring in their pursuit of the American Dream is to simply ask them. MassINC has developed an Index of Middle Class Sentiment (IMCS) which does just that. The data for this index come from surveys taken by The MassINC Polling Group in July and October of 2011. Each poll included a representative sample of 500 adults living in Massachusetts.

Our IMCS is composed of two subindexes, an Economic Circumstances Subindex and an Economic Mobility Subindex. The index is scaled to top 50 when we receive more positive responses than negative responses to the five questions that make up the IMCS. Conversely, the score will fall below 50 when negative responses outnumber positive.

The current IMCS score of 40.4 reflects both concern over current conditions, as well as deep anxiety regarding opportunity for upward mobility.

The Economic Circumstances Subindex, which stands at 37.7, shows middle class residents in Massachusetts are feeling the squeeze. Forty-five percent say their financial situation has worsened over the past year, compared with just 27 percent who say they are better off than one year ago. One in three middle class residents (32%) say they are in danger of falling out of the middle class, while only 9 percent tell us they are moving up from the ranks of the middle class.

Despite the notable difficulties of the past year, about half (55%) say their financial situation will be about the same a year from now, 22 percent say they will be better off, while just 18 percent say they will be worse off. While this question was one of the two that produced a positive ratio, this is not to say that residents are overly optimistic about the future.

The score on the Economic Mobility Subindex (44.5) reflects doubt about the potential for

upward mobility in the Bay State economy. A core tenet of the American Dream is that, however difficult the current situation, the next generation will have it better. Members of the middle class still say they have been beneficiaries of this trend — 43 percent believe they have done better than their parents at the same age, while 24 percent say they have done worse — but looking ahead, belief in this core component of the dream disappears. Just 18 percent feel the next generation will be financially better off, compared with 48 percent who say they will be worse off.

Different pollsters have different ways of measuring self-reported membership in the middle class. Some use working class, middle class, and upper middle/upper class as the main groupings. Our research follows the Pew Research Center's method of offering lower class, lower-middle, middle, upper-middle, and upper class as options. The vast majority of the state's residents place themselves into one of the three categories of middle class, describing themselves as middle

ONE IN THREE MIDDLE CLASS RESIDENTS SAY THEY ARE IN DANGER OF FALLING OUT OF THE MIDDLE CLASS

class (49%), lower middle class (24%), or upper middle class (11%).

For the purposes of the indices reported above, we have used the broadest definition of middle class, including all three categories. So the index scores reported in this section include the opinions of the 84 percent of residents who put themselves anywhere in the middle class in Massachusetts.

But there are real differences in the experiences between those who assign themselves to the various levels of the middle class in Massachusetts. Among lower middle class residents, 47 percent say they are in danger of falling out

of the middle class, compared with 10 percent of those self-identifying as upper middle class. The economic downturn has been especially hard on lower middle class residents — 53 percent said their financial picture has worsened in the last year, compared with 28 percent of upper middle class residents.

THE MASSINC INDEX OF MIDDLE CLASS SENTIMENT

Economic Circumstances Subindex

Would you say that you are better off or worse off financially than you were a year ago?

45

WORSE OFF

BETTER OFF

27

Do you think that a year from now you will be better off financially, or worse off, or just about the same as now?

18

WORSE OFF

BETTER OFF

22

Would you say you are securely in the middle class, moving up beyond the middle class, or in danger of falling out of the middle class?

32

IN DANGER

MOVING UP

9

SUBINDEX SCORE: 37.7

Economic Mobility Subindex

Would you say you are financially better off than your parents were when they were your age, financially worse off, or about the same?

24

WORSE OFF

BETTER OFF

43

Looking ahead, do you think the next generation will be financially better off when they are your age, financially worse off, or about the same?

48

WORSE OFF

BETTER OFF

18

SUBINDEX SCORE: 44.5

IMCS COMPOSITE INDEX SCORE: 40.4

Note: The first two questions are also components of the Index of Consumer Sentiment. These measures were devised in the late 1940's by George Katona at the University of Michigan. Question text is abbreviated. The IMCS and its subindexes are computed by subtracting the percent giving unfavorable responses from the percent giving favorable responses and adding 50 for each question. For a final score, these figures are summed and divided by the total number of questions.

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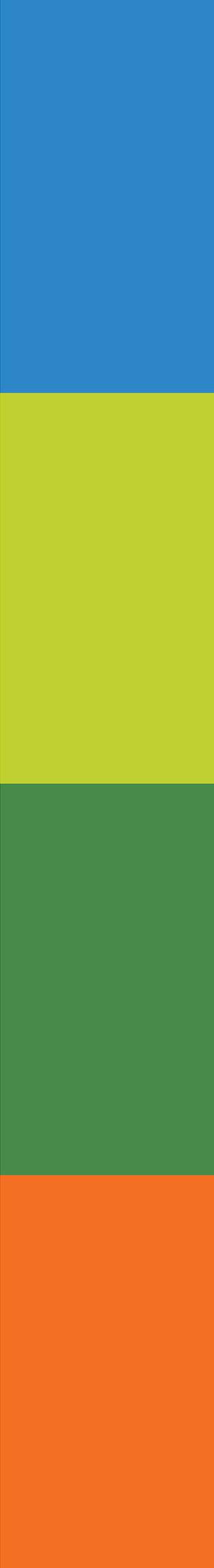
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