

MEDIAN INCOME


Definition: Median income is the value which divides the income distribution into two equal groups: 1) half with income above the median, and 2) half with income below the median. The calculations reflect the three year averages for total household income earned in a single year. The estimates provided for 2007 were adjusted for inflation so that the median income values for all data are comparable and represent the same purchasing power in 2010 (Bureau of Labor Statistics, 2012).

Rationale: Median income is a better measure than average income because it is influenced much less by outliers. For example, a rise in average household income could be unequally shared across groups, benefiting only a few households and masking problems among low-income households. While average income is a meaningful statistic, it does not provide a complete picture about living standards without being accompanied by indicators that reflect their distribution. Therefore, median income provides a better measure of what is happening to the “typical” household than reporting average household income (Stiglitz, Sen, & Fitoussi, 2009).

The socioeconomic status of the county can be inferred, in part, from the level of income generated from its residents. According to the Human Development Index, personal wealth and income have a positive correlation to a person’s standard of living, and therefore, annual income is an important indicator for assessing the well-being of a community (Human Development Report, 2006). In addition, examining how the county compares to the state of Michigan and the United States can provide FACH with an idea of how households are faring in Newaygo County.

Analysis: When compared to Michigan and the United States, it is evident that households in the county earn considerably less. In addition, the overall trend for median household income declined between 2007 and 2010 when adjusting for inflation. **Table 1** represents the trend median household income within Newaygo County between 2007 (3-year estimates) to 2010 (3-year estimates). Median household income in 2010 was significantly lower than in 2008. **Table 2** represents compares median household income for Newaygo County, the state of Michigan, and the United States in in 2010. Against both benchmarks, median household income was significantly lower than either the United States or the state of Michigan. **Figure 1** provides a graphical representation of median household income for Newaygo County, Michigan, and the United States.

**Table 1: Inflation Adjusted Median Household Income in 2010 Dollars:
ACS 2007 to 2010 Trend**

| Measure | ACS 3 Year Estimates | | Trend* |
|--------------------------------|----------------------|-----------------|---|
| | 2005-07 | 2008-10 | |
| Median Household Income | \$42,818 | \$40,874 |  |

* Key to interpreting Trend



Improving – Statistically significant increase when comparing to 2007 and 2010





No Change - No statistically significant change when comparing 2007 and 2010



Declining – Statistically significant decrease when comparing to 2007 and 2010

**Table 2: Inflation Adjusted Median Household Income in 2010 Dollars:
2010 ACS Comparisons to US and Michigan**

| Comparison Groups | ACS 2008 – 2010 Estimate | Newaygo County Compared to Benchmark* |
|--------------------------------|--------------------------|---|
| Median Household Income | \$40,874 | |
| USA | \$51,222 |  |
| Michigan | \$46,861 |  |

* Key to interpreting Benchmark



Better – Newaygo County is performing statistically better when compared to benchmark

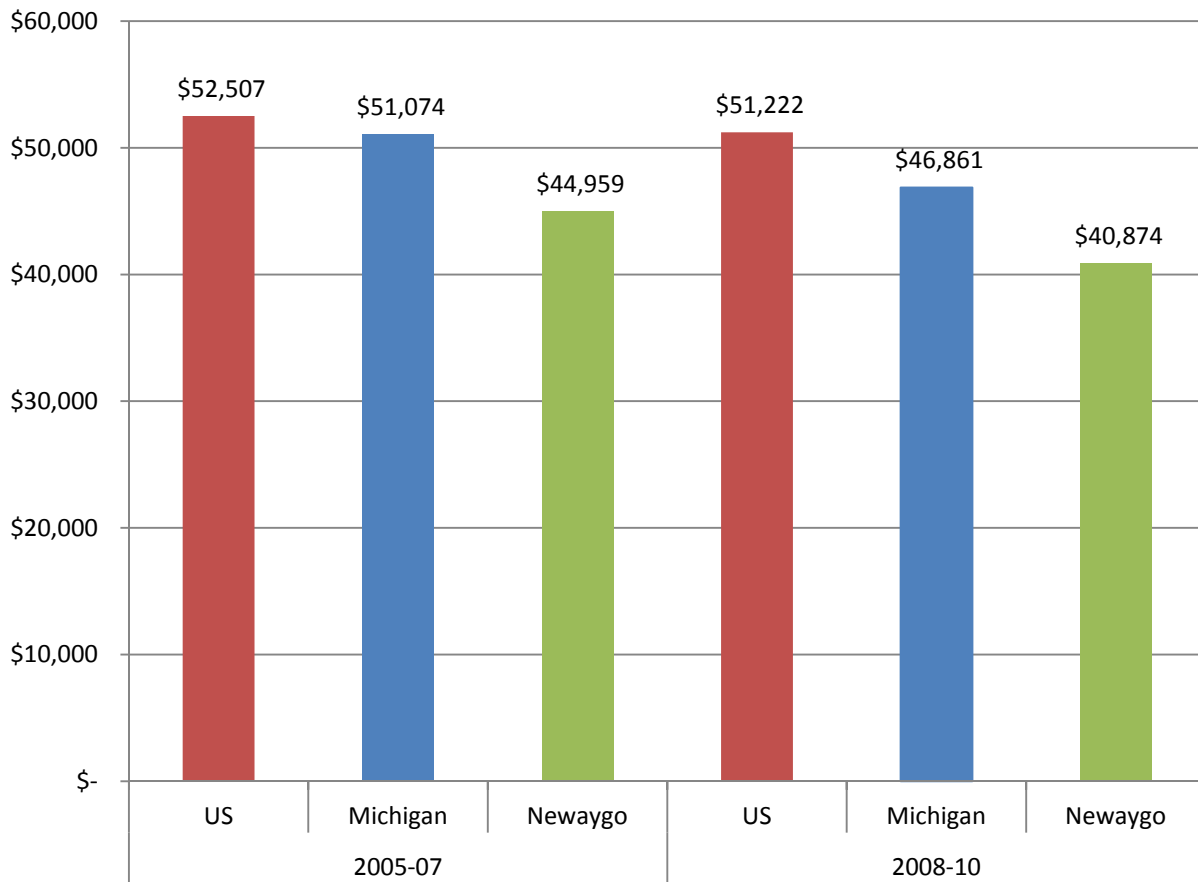


No Difference - there is no statistically significant difference between Newaygo County and benchmark



Worse – Newaygo County is performing statistically worse when compared to benchmark

Figure 1: Median Household Income: United States, Michigan and Newaygo County – 2007 & 2010 Estimates



Source: American Community Survey

References

Bureau of Labor Statistics. (2012). Consumer Price Index. Retrieved May 1, 2012, from U.S. Department of Labor: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>

Stiglitz, J., Sen, A., & Fitoussi, J. (2009). *Report by the Commission on the Measurement of Economic Performance and Social Progress*. Paris: The Commission on the Measurement of Economic Performance and Social Progress.