Impact of Inflation Index Choices on Income and Earnings Estimates and Operational Challenges

Expert Meeting on Adjusting Historical Income and Earnings Estimates for Inflation: Selecting the Optimal Inflation Index

March 22, 2022



## Real Median Household Income: 1967 to 2020





Notes: The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. Income rounded to nearest \$100.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2021 Annual Social and Economic Supplements (CPS ASEC).

## Real Median Earnings: 1960 to 2020





Notes: Workers aged 15 and older as of March of the following year with earnings. The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. Earnings rounded to nearest \$100.

Source: U.S. Census Bureau, Current Population Survey, 1961 to 2021 Annual Social and Economic Supplements (CPS ASEC).

## Previous Changes to the Inflation Adjustment

Year	Change	Process
1954?	First CPS report to show inflation- adjusted income – used CPI-U	"This adjustment is a very rough one and the results cannot be regarded as more than approximations." Technical working papers in 1963 and 1967.
1991	Hybrid Index: CPI-U-X1 for pre-1982 CPI-U for 1983+	Published estimates comparing this to the CPI-U in 1989 and 1990 income and poverty reports.
2001	CPI-U-RS Extrapolated pre-1978 using ratio of CPI- U-RS to the CPI-U-X1	Appendices in 1999 and 2000 income reports comparing estimates and requesting comments.
2022	Proposal: C-CPI-U Using PCEPI for pre-2000 estimates	Interagency Technical Working Group on Consumer Inflation Appendices in 2020 and 2021 income and poverty reports requesting comments.

