



Household Income Trends Series: December 2011

Household Income Shows Encouraging Signs of Growth for the Fourth Straight Month

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), real median annual household income increased by 4.0 percent between August 2011 and December 2011, from \$49,434 to \$51,413.

This change is the cumulative result of four consecutive monthly increases in real median annual household income: August to September (1.1 percent), September to October (0.8 percent), October to November (0.7 percent), and November to December (1.3 percent).

These findings come from a report issued today by Sentier Research, titled “Household Income Trends: December 2011,” which presents monthly trends in household income from January 2000 to December 2011.

According to Gordon Green of Sentier Research, “These increases stand in sharp contrast to the long downward trend that has defined income change in the post-recessionary period. They coincide with a period of job growth and a declining unemployment rate. This upward trend in household income embodies both the added earnings of unemployed household members finding jobs and changes in earnings that result from shifts in wage rates or hours worked for members with existing jobs. Prospects for continued improvement in the labor market, and subsequently household income, are uncertain and we must, therefore, continue to monitor the survey data closely in future months.”

Highlights

- Notwithstanding the 4.0 percent increase in income between August 2011 and December 2011, real median annual household income in December 2011 was

still 3.9 percent lower than the level of median annual household income in June 2009, the ending month of the recent recession (December 2007 to June 2009) and official start of the “economic recovery.”

- The level of real median annual household income in December 2011 (\$51,413) was 7.0 percent lower than in December 2007 (\$55,297).
- The Household Income Index (HII) shows the value of real median annual household income in any given month as a percent of the base value at the beginning of the last decade (January 2000 = 100.0 percent). The HII for December 2011 stood at 92.1, up from 90.9 in November, 90.3 in October, 89.5 in September, and 88.6 in August.
- Even though the HII reached 92.1 in December 2011, it is now back to the same level that occurred in May 2010, indicating that there is still a very long way to go before we reach the higher values of the index that existed in past years.
- The increase in the HII is correlated with some improvement in the labor market. Between August 2011 and December 2011, the unemployment rate declined from 9.1 percent to 8.5 percent, with the most significant decrease occurring between the months of October (9.0 percent) and November (8.6 percent). (See Figure 1.)
- Although there has been some improvement in the labor market, it is still in a very weakened state. Not only is the unemployment rate high, the average duration of unemployment is high (median of 21.0 weeks in December 2011), as well as a broad measure of employment hardship (15.2 percent in December 2011) that includes the unemployed, discouraged workers, and part-time workers who want full-time work.

This report updates the estimates presented in our earlier reports on “Household Income Trends During the Recession and Economic Recovery,” issued on October 10, 2011, and “Household Income Trends: November 2011,” issued on January 5, 2012. It is a monthly report that does not include any information on the characteristics of households. Data on the characteristics of households will be issued in our next quarterly report for the fourth quarter of 2011, which is scheduled for February 2012.

Estimates of median annual household income and the Household Income Index (HII) will provide the only measures of change in household income until the Fall of 2012 when the U.S. Census Bureau issues its report on income and poverty for calendar year 2011.

The estimates in the report are based on the Current Population Survey (CPS), the monthly household survey that provides official estimates of the unemployment rate. The CPS samples approximately 50,000 households and 135,000 household members each month. As is the case with all surveys, the estimates are subject to sampling and

nonsampling errors. All comparisons made in the report have been tested and found to be statistically significant at the 90-percent confidence level, unless otherwise noted.

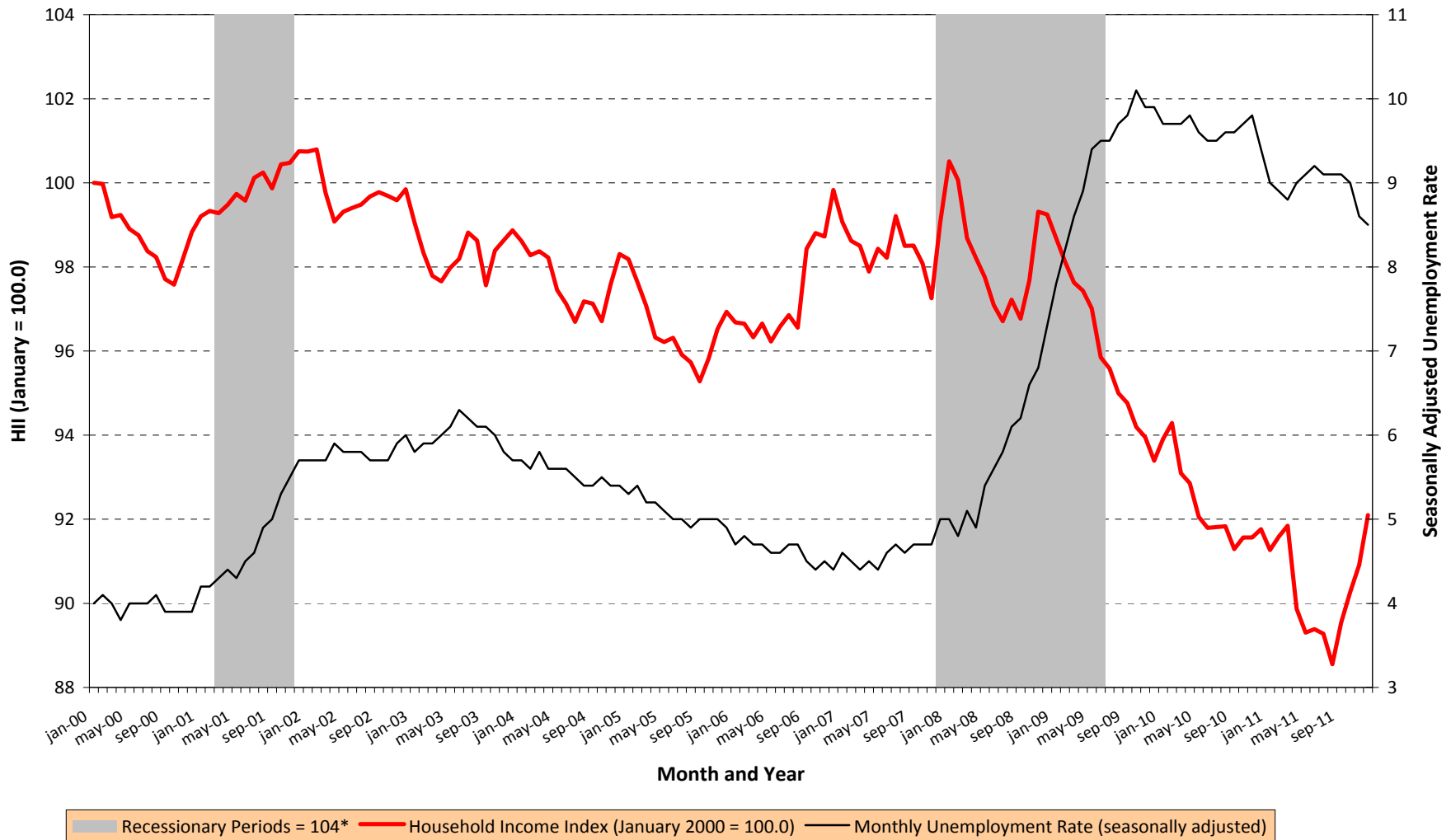
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans' benefits, etc. Income excludes capital gains and losses, and lump-sum payments. Household income is measured before federal and state income taxes and payroll taxes.

Copies of the report, *Household Income Trends: December 2011* (9 pages as .pdf), issued on January 31, 2012, can be obtained from the Sentier Research, LLC website at www.sentierresearch.com and are available to the public free of charge. It is permissible for media organizations to link directly to the report or to our website in their articles.

The authors of the new report are Gordon Green and John Coder, both former officials at the U.S. Census Bureau. All media inquiries should be addressed to Gordon Green at the email address gordonwgreen@sentierresearch.com, or by telephone on (703) 764-0249.

Figure 1.

Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to December 2011



Sources: For income data: Sentier Research, LLC estimates of annual household income derived from the monthly Current Population Survey (CPS) conducted by the U.S. Census Bureau; for the unemployment rate and the CPI-U: the U.S. Bureau of Labor Statistics.