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## **Household Income Trends During the Recession and Economic Recovery**

### **Summary of Key Findings**

Sentier Research today released a report that introduces a new monthly series that will examine trends in the income (before taxes) of American households. This new series should prove to be a very valuable addition to existing statistical series such as the employment and unemployment data released monthly by the U.S. Bureau of Labor Statistics. It will provide the only measure of changes in household income from this point forward until the Fall of 2012 when the U.S. Census Bureau will issue its report for income and poverty in calendar year 2011.

This report includes: (1) estimated changes in household income during the recent recession and post-recessionary period, and (2) the new Household Income Index (HII) that tracks median household income by month starting in January 2000.

First, it examines household income trends during the recent recession lasting from December 2007 to June 2009, and two full years of the “economic recovery” beginning in June 2009 up through June 2011. It shows that there has been no recovery in terms of household income. To the contrary, it shows that median household income has continued to decline up through June 2011.

Highlights include the following:

- Real median annual household income has fallen significantly more during the economic recovery period from June 2009 to June 2011 than during the recession lasting from December 2007 to June 2009.
- During the recession, real median annual household income fell by 3.2 percent, from \$55,309 in December 2007 to \$53,518 in June 2009. During the economic recovery, real median annual household income fell by an additional 6.7 percent, from \$53,518 in June 2009 to \$49,909 in June 2011.

- For the entire period from December 2007 to June 2011, real median annual household income has declined by 9.8 percent. A decline of this magnitude represents a significant reduction in the American standard of living.

Second, the report examines changes in real median annual household income during the “economic recovery” (from June 2009 to June 2011) for key demographic, social, and economic groups. During this period income declined for all but a few groups in the population, and some of the largest declines occurred for groups with incomes well below the overall median annual household income.

Highlights of the income declines between June 2009 and June 2011 include the following:

- Real median annual household income for family households with a male or female head and no spouse present (many with children in the household) declined by 7.3 percent (from \$39,321 to \$36,465) compared to a decline for married-couple households of 4.5 percent (from \$76,783 to \$73,324).
- Real median annual household income for households with a head under 25 years old declined by 9.5 percent (from \$32,123 to \$29,060) compared to a decline for households with a head 45 to 54 years old of 5.5 percent (from \$65,911 to \$62,315).
- Real median annual household income for households with a head looking for work or on layoff (unemployed) declined by 18.4 percent (from \$41,037 to \$33,487) compared to a decline for households with a head working full-time of 5.1 percent (from \$72,104 to \$68,454).
- Real median annual household income for households with a Black (not Hispanic) head declined by 9.4 percent (from \$35,072 to \$31,784) compared to a decline for households with a White (not Hispanic) head of 4.7 percent (from \$59,111 to \$56,320). The decline for households with a Hispanic head was 4.9 percent (from \$41,945 to \$39,901).

Third, the report releases Sentier Research’s new index number called the Household Income Index (HII) to track monthly changes in real median annual household income over time. Using January 2000 as the starting point, with the HII set equal to 100.0, the value of the index in each subsequent month shows household income measured as a percentage of the January 2000 base value.

Highlights include the following:

- The most recent value for the index was 89.4 for June 2011, down from the January 2000 base of 100.0 (the lowest value for the index was 89.3 registered in May 2011).
- Looking back to January 2000, the HII has risen above 100.0 in only nine of the 138 months covered by the series so far. The highest index value was 100.8 occurring in February 2002. With a few exceptions, the HII has declined each month since December 2008. (See the enclosed chart showing the HII and the unemployment rate.)

- Declines in the HII during both the recession and the economic recovery have been highly correlated with high levels of unemployment, increases in the duration of unemployment, and the large number of persons who have experienced “employment hardship” (currently unemployed persons, marginally attached or discouraged workers, and those currently working part-time for economic reasons).

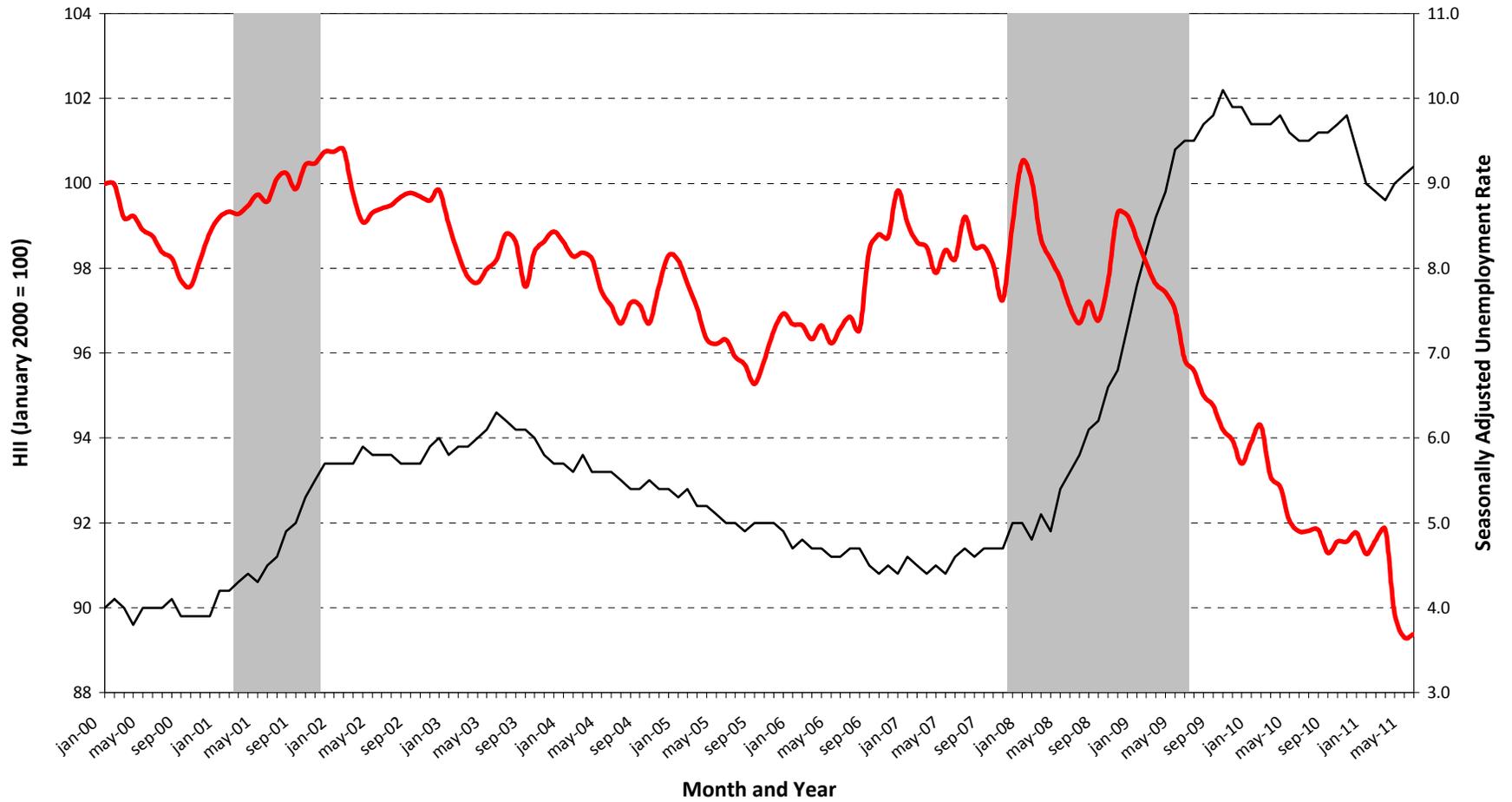
The estimates in the report are based on the Current Population Survey (CPS), the monthly household survey that provides official estimates of the unemployment rate. The CPS samples approximately 50,000 households and 130,000 household members each month. As is the case with all surveys, the estimates 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 During the Recession and Economic Recovery* (23 pages as .pdf), issued in September 2011, can be obtained from the Sentier Research website at [www.sentierresearch.com](http://www.sentierresearch.com) for a price of \$20.00 (USD).

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](mailto:gordonwgreen@sentierresearch.com), or by telephone on (703) 764-0249. Copies of the report will be made available to members of the media free of charge.

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



Recessionary Period\*
  Monthly Unemployment Rate (seasonally adjusted)
  Household Income Index (January 2000 = 100)