



PRESS RELEASE
Embargoed until 2:00 pm on Thursday, August 23, 2012

Household Income Down by 4.8 Percent Overall Since “Economic Recovery” Began – Many Groups with Larger Income Declines

These key findings come from Sentier Research’s new report, *Changes in Household Income During the Economic Recovery: June 2009 to June 2012*. This report presents data on household income changes during the recession lasting from December 2007 to June 2009 and changes since the “economic recovery” began in June 2009. These findings update an earlier report, *Household Income Trends During the Recession and Economic Recovery*, issued in October 2011 that reported on household income changes during the recession and the first two years of the “economic recovery.” The contents of this report include new estimates of income changes for households living in red states, blue states, and purple (swing/battleground) states.

Summary of Key Findings

Based on new estimates derived from the monthly Current Population Survey (CPS) conducted by the U.S. Census Bureau, real median annual household income, while recovering somewhat during late 2011 and the first half of 2012, has fallen by 4.8 percent since the “economic recovery” began in June 2009. The overall decline since June 2009 was larger than the 2.6 percent decline that occurred during the officially defined recession lasting from December 2007 to June 2009. Adding this post-recession decline to the 2.6-percent drop that occurred during the recession leaves median household income 7.2 percent below the December 2007 level.

After adjusting for changes in consumer prices, median annual household income declined during the recession, from \$54,916 in December 2007 to \$53,508 in June 2009. During the “economic recovery,” real median annual household income continued to decline, standing at \$50,964 in June 2012. (Income amounts in this report are before-tax money income and are presented in terms of June 2012 constant dollars).

Compared to January 2000, the beginning date for our monthly statistical series, real median annual household income has declined by 8.1 percent, from \$55,470 to \$50,964 in June 2012.

According to Gordon Green of Sentier Research: “This latest report continues our efforts to help chronicle one important dimension of the economic hardships now being experienced by a large number of American households. Our data complement data on the unemployment rate, GDP estimates, leading economic indicators, etc. In many ways, median household income provides a measure of the net effect of economic activity on the middle class and how well they are able to buy food, housing, and other necessities every month, especially now during this unprecedented period of economic stagnation. Based on our data, almost every group is worse off now than it was three years ago, with the exception of households with householders 65 years old and over. For some groups of households—Blacks, men living alone, younger and upper-middle age brackets, those with some college but no degree, the unemployed, the self-employed, and those living in the West—the declines tended to be larger than average.”

Highlights for Income Changes Between June 2009 and June 2012 for Selected Household Subgroups

- Real median annual income for family households declined by 4.7 percent, from \$66,365 to \$63,276. Real median annual income for nonfamily households declined by 7.5 percent, from \$33,002 to \$30,512. Within this group, the percentage decline for men living alone (9.4 percent) was significantly larger than for women living alone (4.5 percent).
- Real median annual household income for householders between 25 and 34 years old declined by 8.9 percent, from \$54,520 to \$49,659. Among households with a householder between 55 and 64 years old, real median annual household income declined by 9.7 percent, from \$61,716 to \$55,748. In contrast, real median annual household income for householders 65 to 74 years old showed an increase of 6.5 percent, from \$39,548 to \$42,113.
- Real median annual income of households in which the householder was working (or had a job but was not at work during the survey reference week) declined by 4.7 percent, from \$69,758 to \$66,459. For households in which the householder was looking for work or on layoff, real median annual household income declined by 22.6 percent, from \$40,749 to \$31,558. This steep decline in income likely reflects a larger proportion of long-term unemployed persons in the later time period.
- Real median annual income for households with a White householder (not Hispanic) declined by 5.2 percent, from \$59,324 to \$56,255. The real median annual income for households with a Black householder (not Hispanic) declined by 11.1 percent, from \$36,567 to \$32,498. Households with an Hispanic householder experienced a decline in their real median annual household income of 4.1 percent, from \$41,967 to \$40,265.
- Among households in which the householder has some college but no degree, real median annual income declined by 9.3 percent, from \$50,948 to \$46,200. For households whose householder has an Associate degree, real median annual income declined by 8.6 percent, from \$60,602 to \$55,374.

- Households in which the householder is self-employed had a decline in real median annual income of 9.4 percent, from \$73,695 to \$66,752. Households in which the householder is a private-sector worker had a decline in real median annual income of 4.5 percent, from \$66,793 to \$63,800. Households in which the householder is a government-sector wage worker had a decline in their real median annual income of 3.5 percent, from \$80,828 to \$77,998.
- Real median annual income of households living in the West region declined by 8.5 percent, from \$59,065 to \$54,071. In contrast, for households living in the Midwest region, the measured decline of 1.1 percent, from \$51,447 to \$50,868, was not statistically significant.
- The median annual income of households in blue states was \$56,441 in June 2012, down by 5.2 percent since June 2009. The median annual income of households in red states was much lower at \$46,215 in June 2012, down by 5.0 percent since June 2009. The median income of households in purple (swing/battleground) states was intermediate between the other two categories at \$51,430 in June 2012, down by 5.7 percent since June 2009.

The report also contains Sentier Research’s bellwether index number called the Household Income Index (HII), which tracks 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 of Declines in the Household Income Index (HII):

- The most recent value for the index was 91.9 for June 2012, down from the January 2000 base of 100.0 (the lowest value for the index was 89.3 registered in August 2011). Looking back to January 2000 (the start of the new series) we find that the HII has risen above 100.0 in only ten of the 150 months covered by the series so far. (See Figure 1.)
- Declines in the HII during both the recession and the economic recovery have been highly correlated with sustained 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 persons which include discouraged workers, and those currently working part-time for economic reasons).

As noted above, this report updates the estimates presented in our earlier report on *Household Income Trends During the Recession and Economic Recovery*, issued in October 2011. These estimates of median annual household income and the Household Income Index (HII) provide the only measures of change in household income during 2011 and 2012. The U.S. Census Bureau will issue its report on income, poverty, and health insurance coverage for calendar year 2011 in September 2012.

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.

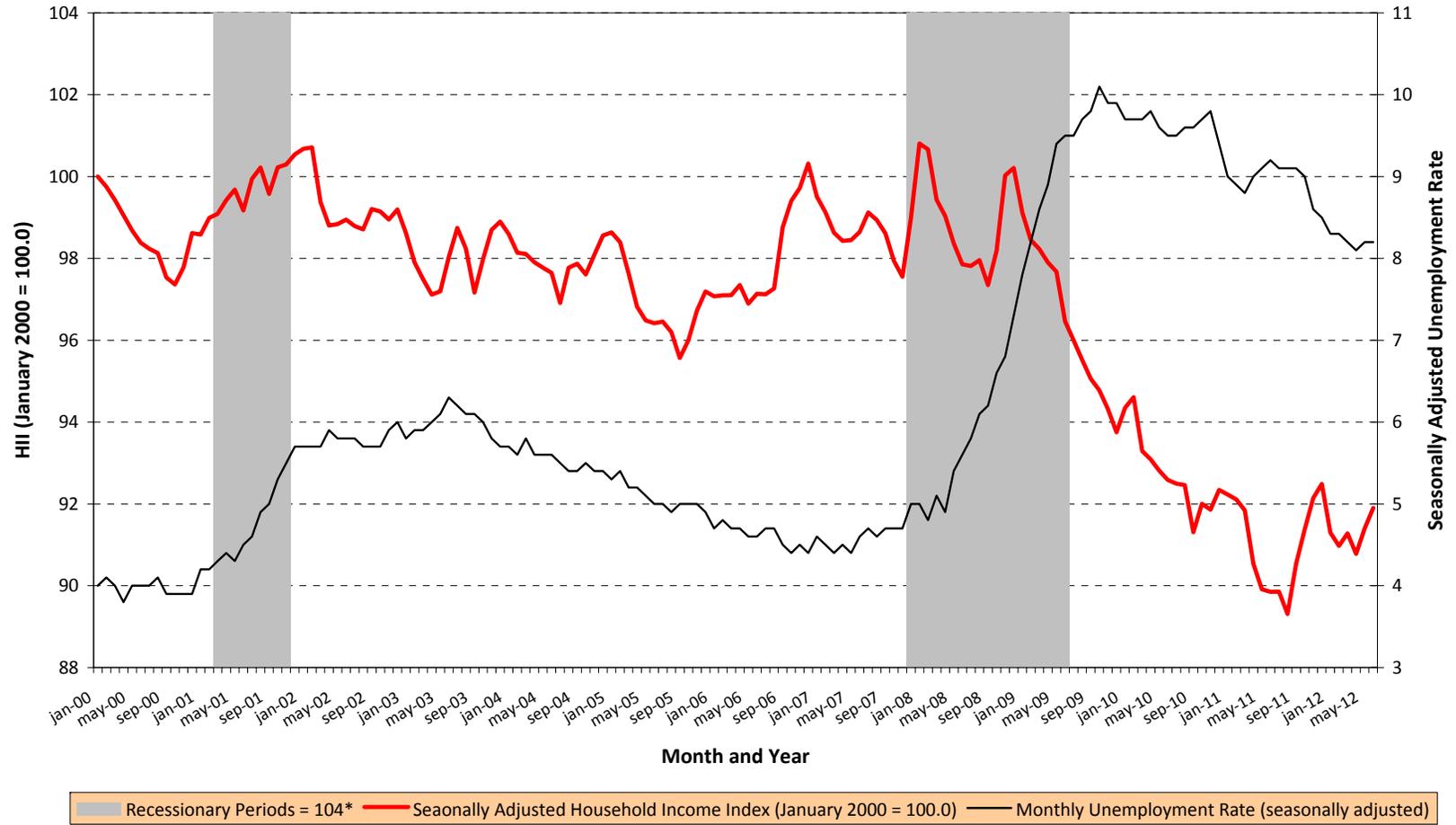
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans' benefits, etc. Income excludes capital gains and losses, and lump-sum payments. Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in June 2012 constant dollars. The income estimates have been seasonally adjusted for the monthly time series data, but not for the comparisons between June 2009 and June 2012 by detailed characteristics of households, because the same month is being compared three years apart.

Copies of the report, *Changes in Household Income During the Economic Recovery: June 2009 to June 2012* (27 pages as .pdf), can be obtained from the Sentier Research, LLC website at www.sentierresearch.com for a price of \$25.00 (USD).

The authors of the 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. Copies of the report will be made available to members of the media free of charge.

Figure 1.

Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to June 2012



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 labor force data: the U.S. Bureau of Labor Statistics.