PRESS RELEASE

Household Income Down by 4.4 Percent Overall Post Recession -- Many Groups with Larger Income Declines

Summary of Key Findings

Based on new estimates derived from the monthly Current Population Survey (CPS), real median annual household income, while recovering somewhat from the low-point reached in August 2011, has fallen by 4.4 percent since the “economic recovery” began in June 2009. Adding this post-recession decline to the 1.8-percent drop that occurred during the recession leaves median annual household income now 6.1 percent below the December 2007 level.

After adjusting for changes in consumer prices, median annual household income declined during the officially-defined recession from $55,480 in December 2007 to $54,478 in June 2009. During the “economic recovery”, as the unemployment rate and the duration of unemployment remained high, median annual household income continued its decline, reaching a low point of $50,722 in August 2011. As of June 2013 median household income had recovered somewhat to $52,098 (seasonally adjusted estimates).

Compared to January 2000, the beginning point for our monthly statistical series, median annual household income is now lower by 7.2 percent. (All income amounts in this report are before-tax money income and are presented in terms of June 2013 dollars).

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 findings complement data on the unemployment rate, GDP estimates, leading economic indicators, and other economic data series. 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 four years ago, with the exception of households with householders 65 to 74 years old. For some groups of householders—Blacks, men living alone, young and upper-middle age brackets, part-time workers, the unemployed, females with children present, and those with only a high school degree or some college but no degree—the declines
have tended to be larger than average. Changes in educational attainment during the economic recovery have played a key role in the findings, as we describe in the report.”

Highlights for Income Changes Post Recession for Selected Household Subgroups

- Real median annual household income declined significantly for both family and nonfamily households. Median income for family households declined by 3.8 percent, from $67,804 to $65,225. The percentage decline for married-couple households (2.6 percent) was smaller than for those having a female householder with children present (7.5 percent). Median income for nonfamily households declined by 7.8 percent, from $33,815 to $31,166. Within this group, the percentage decline for men living alone (9.1 percent) was larger than for women living alone (6.5 percent).

- Real median annual household income declined more significantly for younger households and those with a householder between 55 and 64 years of age than for other age groups. Median income for householders under 25 years old declined by 9.6 percent, from $34,680 to $31,343. Among households with a householder between 55 and 64 years old, median income declined by 7.0 percent, from $62,842 to $58,432. Median income for householders 65 to 74 years old showed an increase of 5.1 percent, from $40,885 to $42,984. This was the only group within this entire study that had a statistically significant increase in income over the time period considered.

- The decline in real median annual household income for households with an unemployed householder far exceeded that of any other subgroup. Median income for households with an unemployed householder declined by 21.0 percent, from $41,806 to $33,036, during the post-recessionary period. This decline reflects, in part, the continued high number of long-term unemployed. In contrast, the median income for households with a working householder declined by only 4.1 percent, from $71,191 to $68,275. Within this category, median income declined by less for those in which the householder was working full-time (4.5 percent) than part-time (8.0 percent).

- The decline in real median annual household income was larger for Black households than for other categories of households. Median income for households with a White householder (not Hispanic) declined by 3.6 percent, from $60,139 to $58,000. The median income for households with a Black householder (not Hispanic) declined by 10.9 percent, from $37,617 to $33,519. Households with an Hispanic householder experienced a decline in their median income of 4.5 percent, from $42,931 to $40,979.

- Declines in real median annual household income are noted regardless of the level of educational attainment. Among households whose householder is a high school graduate (including equivalency), median income declined by 9.3 percent, from $43,325 to $39,282. Among households in which the householder has some college but no degree, median income declined by 9.8 percent, from $51,641 to $46,572. For households whose householder has an Associate degree, median income declined by 8.6 percent, from $61,706 to $56,390. Other households had somewhat smaller declines in their income.
For households in which the householder is not a high school graduate, median income declined by 6.9 percent, from $26,270 to $24,448. Finally, among households whose householder has a Bachelor’s degree or more, median income declined by 6.5 percent, from $90,580 to $84,705.

- *All* of the various educational categories, ranging from householders without a high school degree to those with a Bachelor’s degree or more, had larger declines in their real median annual household income than households overall (decline of 4.4 percent). This finding may appear counterintuitive, but it is the result of a pronounced shift in composition toward higher levels of educational attainment that took place during the economic recovery from June 2009 to June 2013. (See Figures 8a and 8b and their accompanying text in the report for a discussion of this subject.)

- The period following the recession has seen a somewhat larger decline in real median annual household income of the self-employed than for wage and salary worker households. Households in which the householder is self-employed experienced a decline in median income of 7.6 percent, from $75,123 to $69,383. Households in which the householder is a private-sector wage or salary worker had a decline in median income of 3.8 percent, from $68,243 to $65,644. Households in which the householder is a government-sector wage or salary worker experienced a decline in median income of 5.4 percent, from $82,488 to $78,041.

- Real median annual income declined for households in three of the four major regions of the nation. Median income for households living in the South declined by 6.2 percent, from $51,019 to $47,878. In contrast, for households living in the Midwest, the measured increase of 0.8 percent, from $52,202 to $52,620, was not statistically significant. Among households living in the Northeast, median income declined by 3.9 percent, from $59,176 to $56,841. For households living in the West, median income declined by 5.2 percent, from $59,538 to $56,445.

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 Post Recession Changes in the Household Income Index (HII):**

- During the recession, from December 2007 to June 2009, the HII declined from 98.8 to 97.0. Following the recession the HII continued to decline, from 97.0 to its current level of 92.8. The HII trended downward during the first two years of the economic recovery, then rose slightly and more or less stabilized during the subsequent two year period: June 2009 (97.0), June 2010 (93.3), June 2011 (90.6), June 2012 (92.7), and June 2013 (92.8). (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 discussed in the report, based on the income and labor force statistics presented, the last two years of the economic recovery have shown some improvement over the first two years of the recovery.

This report updates the estimates presented in our earlier report on *Changes in Household Income During the Economic Recovery: June 2009 to June 2012*, issued in August 2012. These estimates of median annual household income and the Household Income Index (HII) provide the only measures of change in household income during 2012 and 2013. The U.S. Census Bureau will issue its report on income, poverty, and health insurance coverage for calendar year 2012 sometime during September 2013.

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 2013 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 2013 by detailed characteristics of households, because the same month is being compared four years apart.

Copies of the report, *Household Income on the Fourth Anniversary of the Economic Recovery: June 2009 to June 2013* (27 pages as .pdf), can be obtained from the Sentier Research, LLC website at www.sentierresearch.com for a price of $50.00 (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 2013

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.