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FP-11-01 U.S. Families and Households: Economic Well-being

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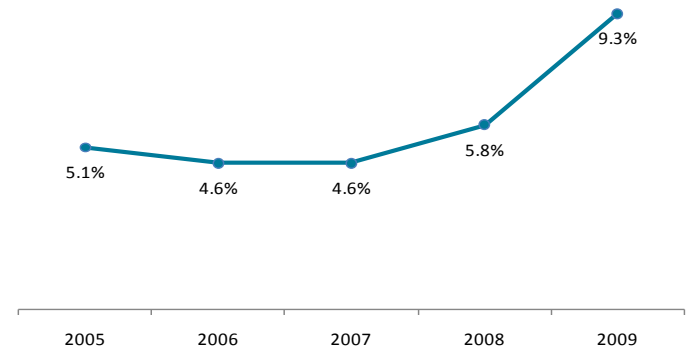
U.S. Families and Households: Economic Well-being

Krista K. Payne



December 2007 through June 2009 marks the longest recession the United States has experienced since World War II (National Bureau of Economic Research, 2010). Termed the Great Recession, this economic downturn has been characterized by bank failures, the collapse of the U.S. housing market, and a global tightening of credit. Consequently, the U.S. is experiencing unemployment rates not seen since the early 1980s (Bureau of Labor Statistics, 2010), record numbers of home foreclosures (Realty Trac, 2010), and drops in household income (ACS, 2010). This situation has created a national sense of economic uncertainty with potential deleterious consequences for American families. This profile examines the economic circumstances of American households immediately prior to, during, and immediately after the official end of the Great Recession. Additionally, it integrates findings from the NCFMR's *Familial Responses to Financial Instability* Pilot Data projects.

Figure 1. Annual Average Unemployment Rate, Civilian Labor Force 16 Years and Over, CPS 2005-2009

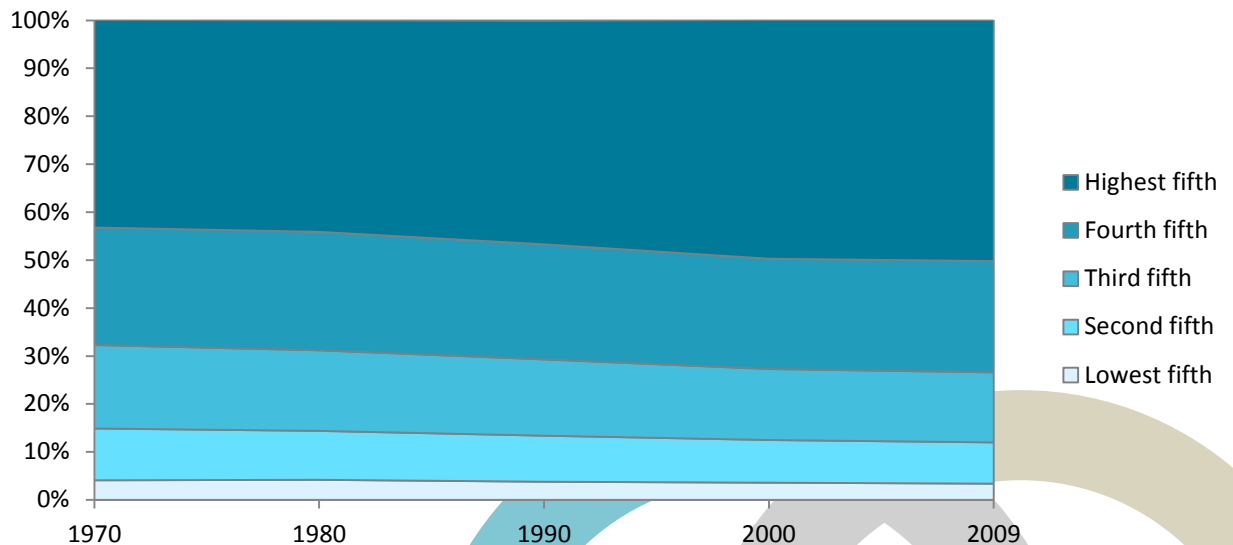


Source: Bureau of Labor Statistics, Current Population Survey, 2005-2009

Share of Aggregate Income Received by Each Fifth of U.S. Households, 1970-2009

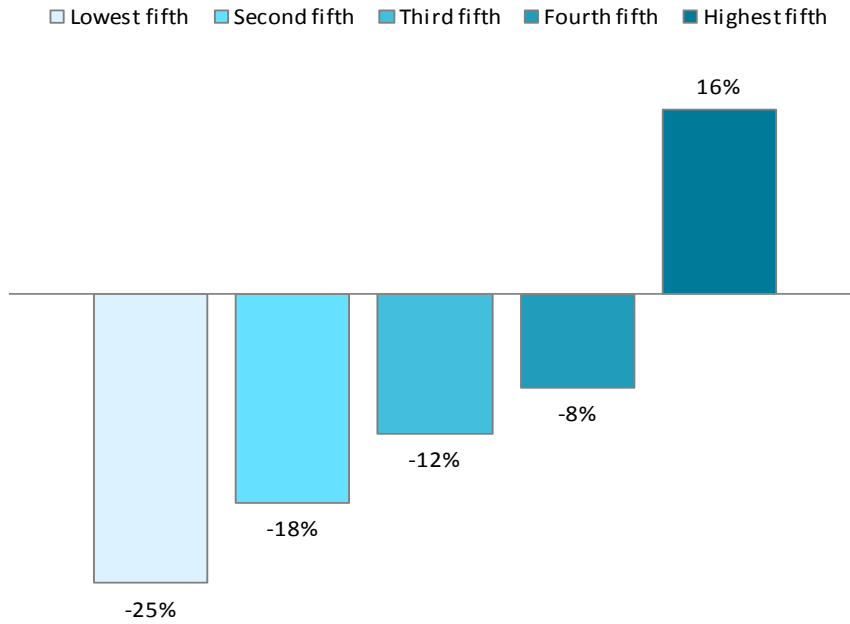
- Since 1970—through seven recessions—the top 20% of U.S. households experienced an increase in their proportion of total income in the U.S., whereas the remaining 80% of U.S. households experienced decreases in the same time period (Figure 2 and Figure 3).
 - » The top 20% of U.S. households earned 43% of the total U.S. income in 1970 and half of the total income in 2009, a 16% increase.
 - » The bottom 20% of U.S. households earned 4% of the total U.S. income in 1970 and 3% of the total income in 2009, a 25% decrease.
 - » The declines experienced are larger for the lowest income quintiles (Figure 3).

Figure 2. Shares of Aggregate Household Income by Quintile, 1970-2009



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Figure 3. Percentage Change in Share of Aggregate Income from 1970-2009

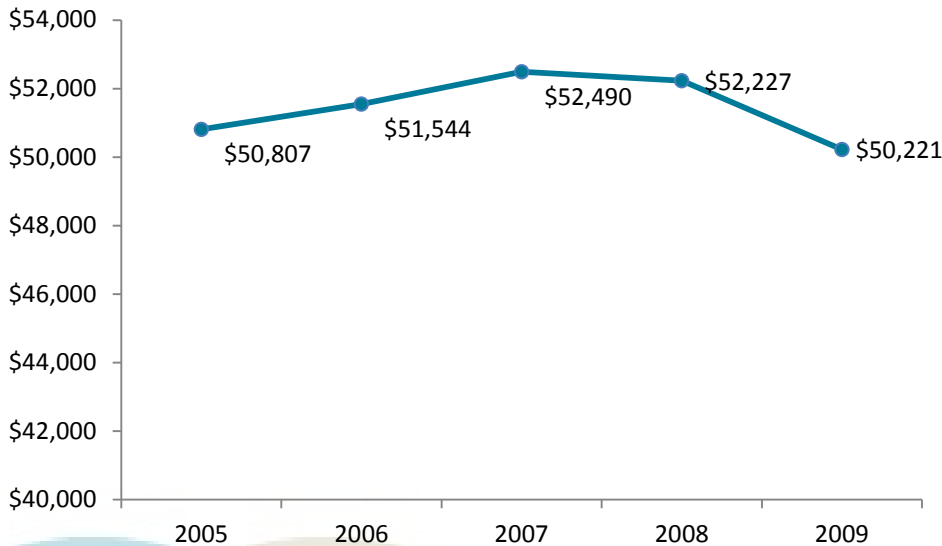


Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

Change in the Median Household Income in the U.S., 2005-2009

- Data from the American Community Survey (ACS) indicate a median household income in 2009 of \$50,221—a figure lower than the median household income for the four years prior (data in Figure 4 are adjusted for inflation and represent median household income in 2009 dollars).

Figure 4. Median Household Income in the Past 12 Months in 2009 Dollars, ACS 2005-2009

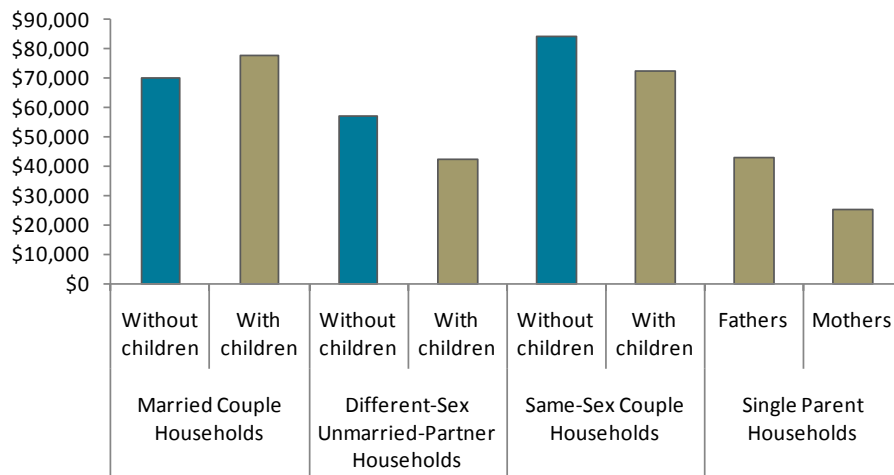


Source: U.S. Census Bureau, American Community Survey, 1-year estimates 2005-2009

Median Household Income by Household and Family Type

- Among all household and family types examined, same-sex couple households without an own child had the highest median household income in 2009 at \$84,000 followed by married couple households with own children at \$78,000.
- Among all household and family types examined, single-mother households (i.e., unmarried and unpartnered female-headed households with an own child) had the lowest median household income in 2009 at \$25,000 followed by different-sex unmarried-partner households with an own child at \$42,100.

Figure 5. Median Household Income in the Past 12 Months by Household and Family Type, ACS 2009



Source: U.S. Census Bureau, American Community Survey, 1-year estimates 2009

National Center for Family & Marriage Research Pilot Data

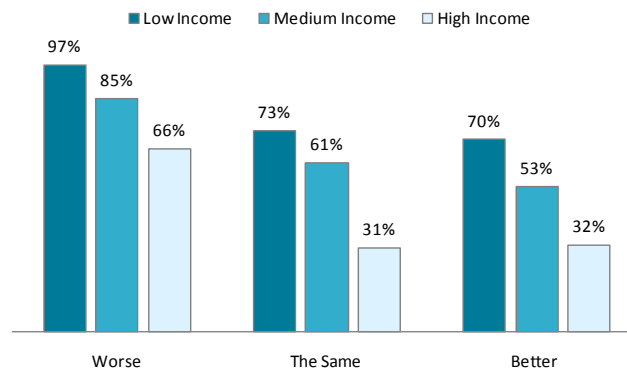
The reality of job and household income losses among the American people raise important questions about familial consequences of economic uncertainty and how family environments influence coping and stress associated with financial instability. Hard economic times can have negative effects on couples and families—in their experience of financial strain, relationship quality, and money management behaviors. These possible deleterious effects were investigated by leading social scientists supported by the NCFMR *Familial Responses to Financial Instability* Pilot Data project. Data were collected during the Great Recession—August and September of 2009—using a large, web-based household survey (Knowledge Networks panel). Results from three of these projects are presented below. For more information on the NCFMR *Familial Responses to Financial Instability* Pilot Data, please visit the following sites:

- [Original Data: Pilot Data Collection Familial Responses to Financial Instability](#)
- [The Data Source: Familial Responses to Financial Instability](#)

Financial Strain Among Families with Children

- Over two-thirds (67.2%) of families with children report getting by with *difficulty* or *great difficulty* given their family's current income (Gauthier & Furstenberg, 2010).
- Furthermore, respondents' perceptions of financial strain are related to both the worsening of their financial situation and their current income (Figure 6) (Gauthier & Furstenberg, 2010).
- Factors found to protect respondents against feeling financially strained include:
 - » being married,
 - » having a higher education,
 - » having a high income, and
 - » having health insurance (Gauthier & Furstenberg, 2010).

Figure 6. Percentage of Respondents Having Experienced Financial Strain by Level of Income and Changes in Their Family's Financial Situation in the Past 12 Months

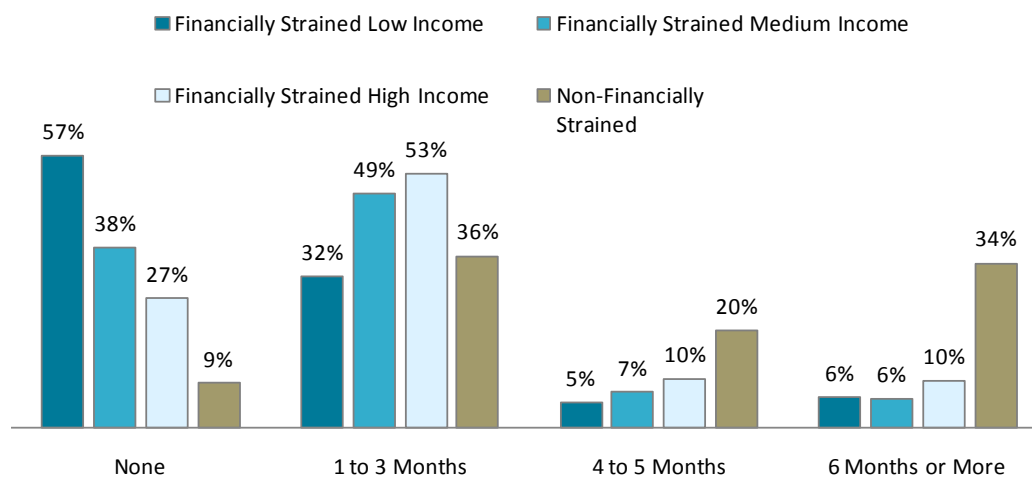


Source: National Center for Family & Marriage Research, Frank F. Furstenberg, Anne H. Gauthier, and Shelley Pacholok. *Familial Responses to Financial Instability, How the Family Responds to Economic Pressure: A Comparative Study, 2009* [United States] [Computer file]. ICPSR26541-v1. Ann Arbor, MI.

Recession Effects on Couples Financial Preparedness and Management

- Feeling financial strain is related to financial preparedness:
 - » A majority of individuals that report feeling financially strained—regardless of income—could manage without borrowing for three or fewer months (Gauthier & Furstenberg, 2010).

Figure 7. Time Individuals Could Manage Without Borrowing Money by Financial Strain and Income



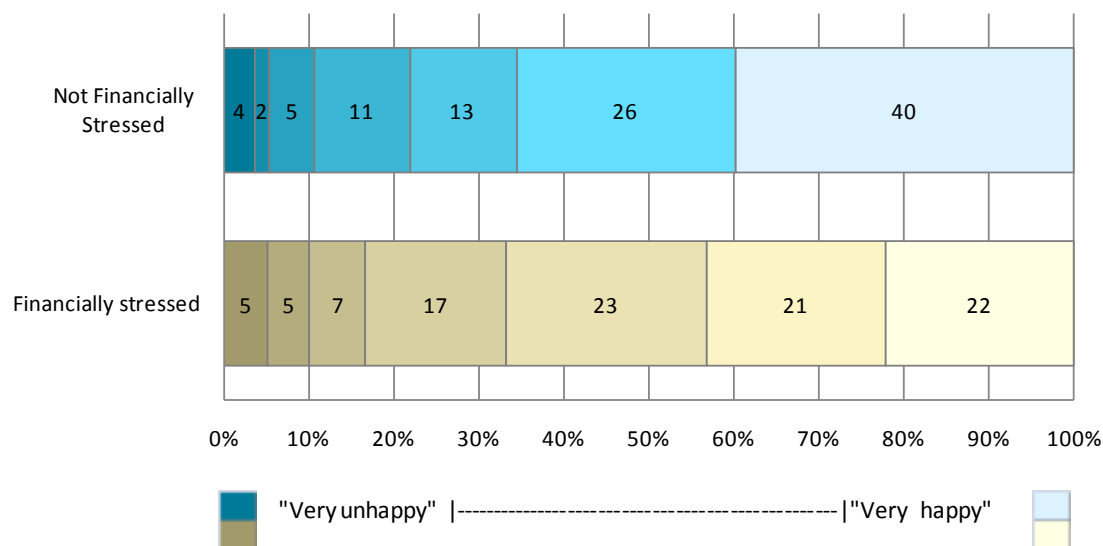
Source: National Center for Family & Marriage Research, Frank F. Furstenberg, Anne H. Gauthier, and Shelley Pacholok. *Familial Responses to Financial Instability, How the Family Responds to Economic Pressure: A Comparative Study, 2009* [United States] [Computer file]. ICPSR26541-v1. Ann Arbor, MI.

- Financial decline is associated with financial behaviors:
 - » Couples who report financial decline during the recession were saving less, using credit cards more, dropping insurance, and using budgets less (Dew & Xiao, 2010).

Relationship Quality

- The Great Recession influences the quality of relationships:
 - » Married and cohabiting couples who reported financial distress during the recession were less happy in their unions, on average, than those who felt financially secure. (Dew & Xiao, 2010).

Figure 8. Comparison of Relationship Happiness by Financial Stress among Married and Cohabiting Couples



Source: National Center for Family & Marriage Research, Jeffrey Dew, and Jing Jian Xiao. Familial Responses to Financial Instability: The Financial Management Behaviors Scale, 2009 [United States] [Computer file]. ICPSR26542-v1. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2010-05-20. doi:10.3886/ICPSR26542

- » Couples' perceptions of blame for current money problems affect their relationship quality:
 - Both men and women reported *higher* relationship satisfaction if the female partner blamed the national economic crisis for the household's problems (Diamond & Hicks, 2010).
 - Men only showed declines in relationship satisfaction as a function of worsening finances if their female partners blamed them for the household's money problems (Diamond & Hicks, 2010).
 - Women whose male partners had problematic patterns of debt, spending, or employment reported lower satisfaction unless these women blamed the national economic crisis for their financial problems (Diamond & Hicks, 2010).

WP-10-08 Dew, J., & Xiao, J. J. (2010, July). *Financial Behavior Scale: Development and Validation*.

WP-10-17 Gauthier, A. H., & Furstenberg, F. F. Jr. (2010, November). *The Experience of Financial Strain Among Families with Children in the United States*.

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