

Which Households Could Have Expected a Substantial Income Drop During the Great Recession?

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We used the 2007-2009 Panel of the Survey of Consumer Finances to estimate the likelihood that a household would have a decrease in income of at least 50% between 2006 and 2008. Over 8% of U.S. households experienced at least a 50% decrease in real income, and the likelihood of experiencing such a large drop in household income ranged from 3% for households in the lowest income decile in 2006 to 52% for those in the highest 1% of income. We ran a logistic regression on whether households had a 50% decrease in income, with independent variables being household characteristics in 2007, plus change in presence of a dependent child under 18. The results showed that many household characteristics were related significantly to the probability of suffering such a dramatic decrease, including the income level in 2006, which had similar patterns to the descriptive results. Households in the top income categories were much more likely to have a substantial income decrease than households in the bottom income categories.

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