

# Middle Class Security Project

An Initiative of the AARP Public Policy Institute

## Tracking the Decline: Middle-Class Security in the 2000s

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**Tracking the Decline: Middle-Class Security in the 2000s**

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AARP's Public Policy Institute informs and stimulates public debate on the issues we face as we age. Through research, analysis, and dialogue with the nation's leading experts, PPI promotes development of sound, creative policies to address our common need for economic security, health care, and quality of life.

The views expressed herein are for information, debate, and discussion, and do not necessarily represent official policies of AARP.

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## EXECUTIVE SUMMARY

The findings in this paper are based on a new Middle Class Tracking Index developed by the Institute on Assets and Social Policy (IASP) at Brandeis University in conjunction with AARP's Public Policy Institute. Its purpose is to quantify recent trends regarding the precarious nature of middle-class status among working-age households in the United States. AARP commissioned this look at working-age households because of the importance of building toward retirement security at every stage of life.

The Middle Class Tracking Index identifies five factors that are important to attaining and maintaining middle-class security—level of income, health insurance coverage, housing affordability, budgets with enough left over after meeting basic needs, and assets sufficient to cover emergencies. Households may be classified as “secure” or “vulnerable” on each of these factors, as well as “secure” or “vulnerable” overall based on being secure or vulnerable on three of five of these factors. This report documents the extent to which middle-class security has decreased and vulnerability has increased between 2004 and 2010, a period covering the recent Great Recession. Major findings are as follows:

- *The number of “income-vulnerable” households (below 250 percent of poverty, or about \$55,000 for a family of four in 2010) increased by 20 percent from 2004 to 2010.*
- *Among working-age middle-income households, the proportion that was secure overall decreased by 38 percent from 2004 to 2010 and the proportion that was vulnerable overall increased by 42 percent. These changes represent a major shift in middle-class security over a relatively short period.*
- *Among households at all income levels, younger households (age 25–44) saw a greater decline in security, but preretirees (age 45–64) have fewer years in which to recover from economic setbacks. Security declined by 32 percent among middle-class preretirees and by 47 percent among middle-class younger households.*
- *Among all households, those with a bachelor's degree experienced the highest level of security and the greatest stability. Households with less than a college education experienced much greater declines in security. Declines were especially severe for middle-class households with some college but less than a bachelor's degree, for whom security plummeted by 51 percent and vulnerability skyrocketed by 68 percent.*
- *Among households at all income levels, whites were almost three times as likely to be secure as African-Americans and more than twice as likely to be secure as Latinos.*
- *Single parents had by far the lowest levels of security among households at all income levels; couples without children in the home, the highest.*



## INTRODUCTION

The recent Great Recession has drawn attention to the declining economic security of middle-class Americans. Almost daily, major studies document income losses, home mortgages under water, increasing debts, and declining assets among the middle class.<sup>1</sup> Meanwhile, the costs of some basic goods and services have risen faster than incomes—confronting middle-class families with stressful choices related to basic needs such as housing, health care, and education.<sup>2</sup> Faced with pressing needs for daily living expenses, many middle-class families are forced to scrimp on saving for their future retirement, and too many are accruing mounting debts.<sup>3</sup>

It is no wonder that nearly two-thirds (64 percent) of respondents to a 2012 survey felt that “maintaining a ‘middle class’ life in America” was more difficult than it was five or six years ago, and only 2 percent said it was easier.<sup>4</sup> A 2010 poll found that more than half of respondents were “concerned about maintaining [their] living standard” (60 percent), “under economic stress” (56 percent), or “worried about finances” (58 percent).<sup>5</sup>

To understand the degree to which the recent recession has dealt a blow to middle-class security, AARP’s Public Policy Institute turned to the Institute on Assets and Social Policy (IASP) at Brandeis University to develop a tracking index to measure recent trends among the working-age population. IASP has an established record in measuring security with its Middle Class Security Index,<sup>6</sup> to which this research effort has made significant modifications to improve its ability to track changes over time. The resulting new Middle Class Tracking Index documents the extent to which middle-class security has decreased and vulnerability has increased among the working-age population between 2004 and 2010, a period covering the recent Great Recession. AARP commissioned this look at working-age households because of the importance of building toward retirement security at every stage of life.

## WHO IS MIDDLE CLASS?

In the popular media, middle-class status is often measured simply in terms of how much income a family has. But middle-class security is multifaceted, depending on many factors in addition to how much *income* the household has, such as whether all members

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<sup>1</sup> Pew Research Center, *Fewer, Poorer, Gloomier: The Lost Decade of the Middle Class*. (Washington, DC: Pew Research Center, 2012).

<sup>2</sup> U.S. Department of Commerce, *Middle Class in America*. (Washington, DC: U.S. Department of Commerce, 2010).

<sup>3</sup> Jesse Bricker, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus, “Changes in U.S. Family Finances From 2007 to 2010: Evidence from the Survey of Consumer Finances,” *Federal Reserve Bulletin*, June 2012.

<sup>4</sup> Center for the Study of the American Dream, *Eye Opener Results* (Cincinnati, OH: Xavier College, January 2012).

<sup>5</sup> ABC World News, *Within the Middle Class, Four in 10 Are Struggling*. March 15, 2010.

<sup>6</sup> See the website of the Institute on Assets and Social Policy at <http://iasp.brandeis.edu/> for a series of publications applying the Middle Class Security Index to look at economic security among various population groups. It has also developed a parallel Senior Financial Security Index, which it has applied to various segments of the older population.

of the family are covered by *health insurance*, how much of that income must go for *housing*, whether the household can *budget* its income to save for the long term and deal with extraordinary expenses, and how much of an *assets* cushion the household has for emergencies. These five factors make up the Middle Class Tracking Index used in this research. Table 1 defines the measures that make up the index and the thresholds used to determine whether a household is economically “secure” or whether its security is threatened (referred to as “vulnerable”). The data used to measure these factors come from the Bureau of Labor Statistics’ Consumer Expenditure Survey, which is the best tool for measuring household expenditures for basic living needs.<sup>7</sup>

In order to be classified as “secure” in the overall index, a household must meet the measure of security in three or more of the five components of the index. Conversely, households classified as “vulnerable” overall are vulnerable in at least three of the five index components. As a result, the two categories are not exhaustive. Many middle-class households fall in between—vulnerable in some respects and secure in others. About a third of all households, and more than half of middle-income households, are in this “in between” status—neither vulnerable nor fully secure.<sup>8</sup>

The index can be applied to households of all income levels, as a way of measuring what proportion of the population has a secure hold on middle-class or higher economic status, and what proportion has only a tenuous hold at best. Or the index can be applied to middle-income households to determine what proportion can truly be said to be securely middle class. For the analysis of middle-income households, we used the middle two income quartiles or middle

**Table 1**  
**Measuring Economic Security for the Middle Class Tracking Index**

	<b>Optimal for Financial Security (Secure)</b>	<b>Threat to Financial Security (Vulnerable)</b>
<b>Income:</b> Household income as a percentage of poverty	> 500% of poverty	< 250% of poverty
<b>Health Insurance:</b> Number of family members covered by private or government health insurance	All family members covered	At least one family member not covered
<b>Housing:</b> Percentage of after-tax income spent on housing	< 20% monthly income	≥ 30% monthly income
<b>Budget:</b> Amount left at the end of the year after paying taxes and covering living expenses	≥ \$25,000 (about \$480 per week)	< \$5,000 (less than \$100 per week)
<b>Assets:</b> Number of months able to live at 75% of current living expenses using net financial assets	≥ 9 months	< 3 months

<sup>7</sup> For more information about the Consumer Expenditure Survey, see the Bureau of Labor Statistics website at: <http://www.bls.gov/cex/>. This survey instrument is not a panel survey, using the same respondents repeatedly to track the experiences of individual households. Instead, the trends in this report depend on a series of annual surveys of nationally representative households.

<sup>8</sup> We selected 500 percent of poverty as the threshold for “income secure” and 250 percent for “income vulnerable” for several reasons. These thresholds produced roughly thirds at each level – in the base year of 2004, 32.4 percent of all households were income secure, 30.8 percent were income vulnerable, and 36.8 percent were in between. This distribution fairly closely matched the distribution of all households that were “secure overall” (37.1 percent) and “vulnerable overall” (30.5 percent) in 2004. These thresholds also provide for a distribution within the middle class by which to measure trends in security between 2004 and 2010.

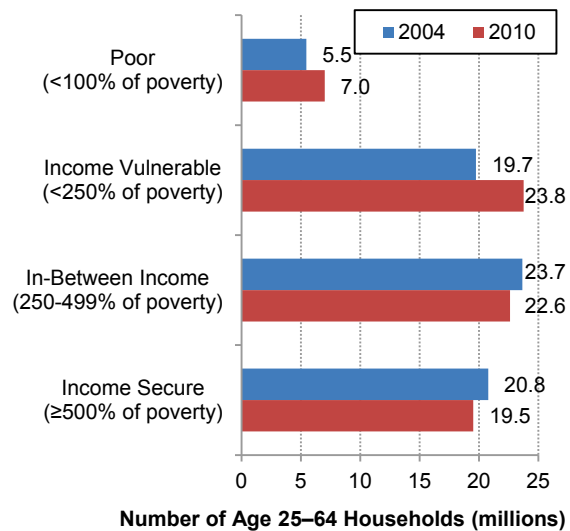
half of the income distribution, controlling for household size and composition. We used the middle two quartiles rather than fixed thresholds in order to track trends among the middle half of households. We controlled for household size and composition by using income quartiles as a percentage of the poverty level, which includes such adjustments. In other words, for our report, we define the middle class as including households whose incomes are greater than the 25th percentile and less than the 75th percentile of incomes as a percentage of the poverty level ratio. In 2010, these thresholds translated into a range of \$37,150 to \$115,430 per year for a four-person household (two adults and two children).

## THE GREAT SHIFT DOWNWARD: MORE HOUSEHOLDS ARE POOR OR INCOME VULNERABLE

Between 2004 and 2010, the total number of households that were income vulnerable (incomes below 250 percent of poverty) increased by 20 percent; indeed, the number below the poverty threshold increased even more, by 28 percent, even though the total number of households increased by only 3 percent. On the other hand, the number of households with a secure income (500 percent of poverty or more) and those “in between” decreased modestly. Figure 1 illustrates these trends. Tables A1 and A2 in the appendix supply more detailed information about these income breaks by social and demographic characteristics. Younger people, households with lower education levels, and racial and ethnic minorities had lower income levels, although a shift downward in income level relative to poverty affected all groups.

The downward shift in incomes is also apparent in the percentage of poverty thresholds that define the two middle-income quartiles for the period 2004–2010 (see table 2), indicating that household incomes among the middle half have declined relative to the cost of living over the study period. In 2004, the 25th percentile of households was at 195 percent of the poverty threshold; by 2010, that number had fallen to 168 percent. Similarly, the median household income declined from 349 to 314 percent of poverty, and the 75th percentile fell from 551 percent of poverty to 522 percent.

**Figure 1**  
Working-Age Population Distribution by Percent of Poverty, 2004 and 2010



Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey. Note: The income-vulnerable group includes those who are poor (< 100 percent of poverty) and those who are above the poverty line but still vulnerable (100 percent to 249 percent of poverty).

**Table 2**  
Changes in Income to Poverty Ratio

	25th percentile	50th percentile (median)	75th percentile
<b>2004</b>	195%	349%	551%
<b>2006</b>	193%	342%	555%
<b>2007</b>	192%	339%	548%
<b>2008</b>	189%	337%	553%
<b>2009</b>	175%	330%	541%
<b>2010</b>	168%	314%	522%

## THE WORKING-AGE POPULATION BECAME SIGNIFICANTLY LESS SECURE BETWEEN 2004 AND 2010, WITH EVEN STEEPER DECLINES AMONG THE MIDDLE CLASS

The Middle Class Tracking Index documents a significant decrease in security and increase in vulnerability among households at all income levels, as illustrated in table 3. This trend is evident in each of the five factors that make up the Index, although the degree of change is smallest in the health factor, which changed only slightly. The largest declines in security were in housing and income security. Security declined and vulnerability increased more among the middle-income segment of the population than for the population as a whole. Middle-class households started with, on average, much lower security than the population as a whole, and their level of decline was much steeper. Among middle-income households, the percentage of households that were secure overall declined from 26 to 16 percent—a major decline of 38 percent. Overall vulnerability increased dramatically from 20 to 28 percent—a 42 percent increase. (See the appendix for trend data regarding security for more years between 2004 and 2010: table A3 for the working-age population at all income levels, and table A4 for middle-income households.)

**Table 3**  
Security among Working-Age Population (Ages 25–64)

	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	37	32	-13%**	26	16	-38%**
<b>Vulnerable overall (%)</b>	30	36	+18%**	20	28	+42%**
<b>Asset secure (%)</b>	16	14	-14%*	13	10	-20%**
<b>Housing secure (%)</b>	41	34	-16%*	40	31	-22%**
<b>Budget secure (%)</b>	41	39	-6%*	39	32	-18%**
<b>Income secure (%)</b>	32	30	-9%*	10	5	-51%**
<b>Health secure (%)</b>	76	74	-2%	76	74	-3%
<b>Asset vulnerable (%)</b>	76	78	+2%	78	81	+4%
<b>Housing vulnerable (%)</b>	33	38	+16%*	28	34	+21%**
<b>Budget vulnerable (%)</b>	29	31	+9%*	21	23	+14%**
<b>Income vulnerable (%)</b>	31	36	+17%*	17	27	+60%**
<b>Health vulnerable (%)</b>	24	26	+6%	24	26	+9%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

\* Statistically significant change 2004–2010 ( $p < .05$ ).

\*\* Statistically significant change 2004–2010 ( $p < .01$ ).

## OLDER WORKERS WERE MORE SECURE ON AVERAGE, BUT BOTH OLDER AND YOUNGER WORKERS HAVE EXPERIENCED DECLINES IN SECURITY

When the working-age population is segmented into preretirees (45–64, table 4) and younger workers (25–44, table 5), the preretirees are more secure overall—37 percent of preretirees were secure overall in 2010, compared to only 27 percent of younger workers. As expected, older workers have higher income, housing, and asset security because of their greater work seniority and more years to build up assets. Nonetheless, both age groups experienced substantial declines in security of similar magnitude during the period of this study. Although preretirement workers have higher levels of security than younger workers, they have fewer working years to recover from the recent recession, which may seriously affect their impending retirement security.

**Table 4**  
Security among the Preretirement Population (Ages 45–64)

	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	42	37	-12%**	28	19	-32%**
<b>Vulnerable overall (%)</b>	27	33	+21%**	19	27	+40%**
<b>Asset secure (%)</b>	21	18	-14%*	18	15	-16%**
<b>Housing secure (%)</b>	47	39	-16%*	44	35	-21%**
<b>Budget secure (%)</b>	44	42	-5%	37	32	-14%**
<b>Income secure (%)</b>	37	33	-10%*	11	5	-58%**
<b>Health secure (%)</b>	78	78	-1%	77	76	-0%
<b>Asset vulnerable (%)</b>	70	73	+4%*	73	77	+5%**
<b>Housing vulnerable (%)</b>	30	36	+20%*	28	34	+21%**
<b>Budget vulnerable (%)</b>	28	30	+5%	21	24	+13%
<b>Income vulnerable (%)</b>	27	33	+20%**	16	27	+62%**
<b>Health vulnerable (%)</b>	22	22	+2%	23	24	+2%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

\* Statistically significant change 2004–2010 ( $p < .05$ ).

\*\* Statistically significant change 2004–2010 ( $p < .01$ ).

As with the total population, the middle-class segments of both younger and older populations experienced especially dramatic declines in security and increases in vulnerability. The decline in overall security was particularly severe among the middle-class younger group, although it is significant that preretirees have fewer years in which to recover. The percentage of middle-class preretirees age 45–64 who were secure overall decreased from 28 percent in 2004 to 19 percent—a substantial relative decline of 32 percent. But among the younger middle-class group, overall security fell even more dramatically, from 26 percent in 2004 to 14 percent in 2010—a relative decline of 47 percent.

**Table 5**  
Security among the Younger Working-Age Population (Ages 25–44)

	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	33	27	-17%**	26	14	-47%**
<b>Vulnerable overall (%)</b>	33	39	+18%**	21	30	+44%**
<b>Asset secure (%)</b>	11	8	-23%*	9	5	-41%*
<b>Housing secure (%)</b>	37	30	-19%*	38	28	-27%*
<b>Budget secure (%)</b>	41	37	-10%	43	34	-20%*
<b>Income secure (%)</b>	28	26	-8%	10	5	-47%*
<b>Health secure (%)</b>	73	70	-3%	76	72	-5%*
<b>Asset vulnerable (%)</b>	81	83	+3%*	83	87	+5%*
<b>Housing vulnerable (%)</b>	34	40	+16%*	27	34	+24%*
<b>Budget vulnerable (%)</b>	29	32	+12%	20	22	+14%*
<b>Income vulnerable (%)</b>	33	40	+18%**	17	27	+64%**
<b>Health vulnerable (%)</b>	27	30	+9%	24	28	+16%*

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

\* Statistically significant change 2004–2010 ( $p < .05$ ).

\*\* Statistically significant change 2004–2010 ( $p < .01$ ).

## HIGHER EDUCATIONAL LEVELS ARE ASSOCIATED WITH HIGHER SECURITY AND LOWER VULNERABILITY

Education is one of the most powerful predictors of middle-class security, with levels of security rising with amount of education. Tables 6, 7, and 8 examine three educational groups: high school education or less, some college, and college graduates. Educational level is based on the highest level of education obtained by the household reference person or spouse, if present. More than half of households with a college education were secure overall throughout the period of 2004 to 2010, while more than half of households with a high school education or less were vulnerable throughout this period. Since the same pattern is evident for the measure of income security, nearly half of college graduates would not be in the middle-income group because their incomes exceed the middle-income thresholds—

**Table 6**  
Security among Those with High School Only or Less Education (Ages 25–64)

	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	18	14	-25%	21	16	-27%
<b>Vulnerable overall (%)</b>	50	57	+13%	25	32	+31%
<b>Asset secure (%)</b>	5	5	+5%	7	8	+10%
<b>Housing secure (%)</b>	34	27	-23%	43	37	-15%
<b>Budget secure (%)</b>	26	22	-15%	37	32	-13%
<b>Income secure (%)</b>	11	9	-15%	4	4	-12%
<b>Health secure (%)</b>	65	63	-4%	69	67	-3%
<b>Asset vulnerable (%)</b>	90	89	-1%	87	85	-3%
<b>Housing vulnerable (%)</b>	43	49	+16%	27	32	+21%
<b>Budget vulnerable (%)</b>	39	45	+15%	19	21	+15%
<b>Income vulnerable (%)</b>	54	61	+12%	23	34	+50%
<b>Health vulnerable (%)</b>	35	37	+8%	31	33	+7%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

**Table 7**  
Security among Those with Some College Education (Ages 25–64)

	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	32	24	-24%	26	13	-51%
<b>Vulnerable overall (%)</b>	30	40	+33%	19	32	+68%
<b>Asset secure (%)</b>	13	9	-28%	12	8	-32%
<b>Housing secure (%)</b>	39	32	-20%	42	30	-29%
<b>Budget secure (%)</b>	38	32	-15%	38	28	-26%
<b>Income secure (%)</b>	25	20	-20%	10	3	-71%
<b>Health secure (%)</b>	75	73	-3%	77	71	-7%
<b>Asset vulnerable (%)</b>	79	83	+5%	79	84	+6%
<b>Housing vulnerable (%)</b>	33	40	+22%	27	35	+27%
<b>Budget vulnerable (%)</b>	29	33	+12%	20	23	+14%
<b>Income vulnerable (%)</b>	31	41	+30%	17	30	+83%
<b>Health vulnerable (%)</b>	25	27	+8%	23	29	+25%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

**Table 8**  
**Security among Those with a Bachelor’s Degree or Higher (Ages 25–64)**

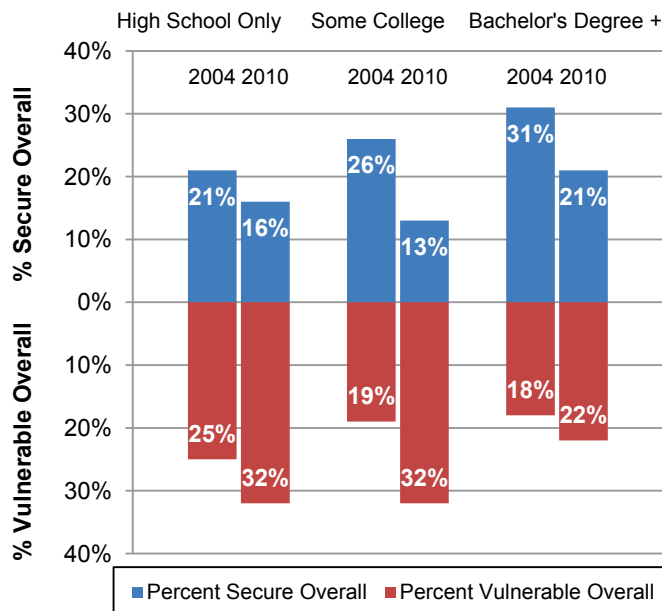
	All Income Levels			Middle-Income Households		
	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	55	53	-5%	31	21	-33%
<b>Vulnerable overall (%)</b>	16	18	+10%	18	22	+24%
<b>Asset secure (%)</b>	26	23	-12%	19	15	-22%
<b>Housing secure (%)</b>	47	42	-10%	36	28	-21%
<b>Budget secure (%)</b>	56	56	1%	42	36	-13%
<b>Income secure (%)</b>	55	52	-4%	15	8	-47%
<b>Health secure (%)</b>	84	83	0%	81	82	+2%
<b>Asset vulnerable (%)</b>	63	65	+3%	70	75	+8%
<b>Housing vulnerable (%)</b>	26	29	+11%	30	34	+16%
<b>Budget vulnerable (%)</b>	21	20	-3%	22	25	+13%
<b>Income vulnerable (%)</b>	13	14	+10%	12	17	+44%
<b>Health vulnerable (%)</b>	16	17	+1%	19	18	-8%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

and conversely, roughly half of households with a high school education or less would not be characterized as middle class because their incomes were too low. The high and relatively stable level of security among college graduates attests to the importance of a college education as a buffer against the challenges presented by the Great Recession.

For the middle-income segments, security declined and vulnerability increased at all education levels, but the biggest decline was with the group that had some college education but less than a bachelor’s degree (see figure 2). For households with some college education, which represented 22 percent of households in 2010, overall security declined by a whopping 51 percent, and vulnerability increased by 68 percent. This group, which had a tenuous hold on middle-class security, saw that security plummet during the recession.

**Figure 2**  
**Overall Security and Vulnerability among Middle Income Households, by Educational Attainment, 2004 and 2010**



Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

## LATINO AND AFRICAN-AMERICAN HOUSEHOLDS ARE MUCH LESS SECURE THAN WHITE HOUSEHOLDS

Racial and ethnic disparities continue to place major obstacles in the way of middle-class security for minority groups. As table 9 indicates, black and Latino households are more than twice as likely as white households to be income vulnerable; indeed, well over half of black (58 percent) and Latino (57 percent) households were income vulnerable in 2010, indicating that relatively few households of color would be in the middle class. Among all income groups, Latinos were only half as likely as whites to be secure overall, and blacks were only a third as likely to be secure. Conversely, both Latino and black households were twice as likely to be vulnerable as white households, and more than half of both groups were vulnerable overall. Asset security levels for blacks and Latinos are particularly low, while asset vulnerability is particularly high (over 90 percent) for households of color. Despite the similar levels of security and vulnerability overall between blacks and Latinos, these two groups show some striking differences on some individual measures of security. Most notable is the much lower level of health insurance security (and corresponding higher level of vulnerability) among Latinos. On the other hand, Latinos had somewhat higher levels of security regarding housing affordability, income, and budgets.

**Table 9**  
Working-Age Adults, 25–64, by Race/Ethnicity, 2010  
(%)

	All Income Levels				Middle-Income Households			
	All Races	Whites	Blacks	Latinos	All Races	Whites	Blacks	Latinos
<b>Secure overall (%)</b>	32	38	13	17	16	18	10	11
<b>Vulnerable overall (%)</b>	36	28	58	57	28	25	37	38
<b>Asset secure (%)</b>	14	17	4	4	10	13	3	4
<b>Housing secure (%)</b>	34	39	18	26	31	33	23	31
<b>Budget secure (%)</b>	39	43	22	28	32	32	29	34
<b>Income secure (%)</b>	30	35	11	16	5	6	2	4
<b>Health secure (%)</b>	74	79	68	52	74	77	70	59
<b>Asset vulnerable (%)</b>	78	73	93	92	81	78	93	90
<b>Housing vulnerable (%)</b>	38	33	56	48	34	32	43	34
<b>Budget vulnerable (%)</b>	31	27	47	42	23	23	23	23
<b>Income vulnerable (%)</b>	36	28	59	57	27	24	36	36
<b>Health vulnerable (%)</b>	26	21	32	48	26	23	30	41

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

While the differences are not as pronounced, racial and ethnic disparities in security and vulnerability persist even among the middle-income segments of the racial and ethnic groups included in this analysis. In relative terms, security declined most steeply among black middle-class households—plummeting by 50 percent from 2004 to 2010, from 20 percent to 10 percent of households who were secure overall. Among white middle-class households, overall security declined by 37 percent, from 29 percent to 18 percent; and among Latino middle-class households, overall security declined by 29 percent, from 16 percent to 11 percent (see table A5 in the appendix for more details).



The relative lack of security among households of color is related to other household characteristics that affect middle-class security—especially education levels and family status. Table A6 in the appendix documents these characteristics by race and ethnicity, showing, for example that whites, were more than twice as likely as blacks or Latinos to have a college education in 2010. On the other hand, blacks were nearly four times as likely as whites and twice as likely as Latinos to be in single-parent families. These differences follow the same pattern, but are less pronounced, for the middle-class segments of each of these groups, as documented in table A7 in the appendix.

**AMONG FAMILY TYPES, COUPLES WITH NO CHILDREN ARE THE MOST SECURE, AND SINGLE-PARENT HOUSEHOLDS ARE THE LEAST SECURE**

Family type can have an important impact on economic security because it shapes the number of potential earners and opportunities for professional careers, as well as caregiving responsibilities and the number of dependents. In general, households headed by a married couple were much more secure than households headed by a single person—and each type was less secure if children were in the household. Table 10 shows that households consisting of two adults with no children were most likely to be economically secure and least likely to be economically vulnerable; indeed, more than half of these households were secure throughout the study period. Such households have up to two potential earners and no dependent children, often leaving them with more resources per person. Many are empty-nesters, at their peak years for earnings and savings before retirement. Single-parent households, by contrast, are by far the least likely to be secure and most likely to be vulnerable, with just one potential breadwinner and at least one child to support. Roughly two-thirds of such households were vulnerable in both 2004 and 2010.

While the same patterns applied to middle-class households, the declines in security were much steeper among middle-income households. Married couples with children showed the highest percentage increase (51 percent) in vulnerability among middle-income households.

**Table 10**  
**Overall Security and Fragility by Family Status among Working-Age Households at All Income Levels, 2004–2010**  
 (%)

		All Income Levels			Middle-Income Households		
		2004	2010	Change	2004	2010	Change
<b>Secure Overall (%)</b>	H/W alone	55	58	+5%	31	26	-16%
	H/W w/children	43	37	-15%	34	19	-44%
	Single parent	10	9	-17%	16	9	-43%
	Single alone	28	24	-16%	19	10	-45%
	Other	26	22	-17%	19	14	-25%
<b>Vulnerable Overall (%)</b>	H/W alone	15	16	+4%	15	20	+30%
	H/W w/children	23	29	+26%	16	24	+51%
	Single parent	66	68	+3%	37	47	+24%
	Single alone	36	37	+2%	21	24	+10%
	Other	41	50	+23%	26	40	+52%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Note: H/W = Husband/Wife

## CONCLUSION

The Middle Class Tracking Index documents a substantial decline in economic security among the general population—and even more so among the middle class. Levels of security were higher among older workers, households with more education, whites, and couples without children. Conversely, security was lower among younger workers, households with lower educational levels, Latinos and African-Americans, and single-parent households. Despite these differences in levels of security, substantial declines in overall security were widespread among nearly all types of households between 2004 and 2010.

Declines were also spread among the dimensions of security that were measured as part of the Index, with the notable exception of health care security, which showed relatively little change over time. The lack of change in health insurance coverage is somewhat hard to explain in light of other evidence of declining health insurance coverage by employers.<sup>9</sup> Perhaps the relatively short period of this research masks the longer-term gradual trend away from employer-provided health insurance coverage. On the other hand, significant declines in other factors—especially housing affordability and income security—demonstrate the devastating impact of the recent recession on many middle-class households, which will affect the future retirement security of workers for many years to come.

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<sup>9</sup> Harriet Komisar, *The Effects of Rising Health Care Costs on Middle-Class Economic Security* (Washington, DC: AARP Public Policy Institute Research, 2013).

## APPENDIX. ADDITIONAL DATA TABLES

Tables A1 and A2 indicate differences in demographic characteristics in the sample by age, education levels, race/ethnicity, and income level in relation to the poverty line. Analysis of demographic characteristics by income level (in relation to the poverty line) confirms that higher education is associated with higher incomes, as seen in much literature. A substantially greater fraction of the population at 500 percent or greater of the poverty line has a college education or more, compared to those below 100 percent of the poverty line. Both singles and single parents make up much greater percentages of families at lower incomes, while partnered households, especially those without children, represent a greater fraction of households at higher incomes relative to the poverty line. Within the middle-age sample, the younger working-age cohort makes up a somewhat greater fraction of households in the lower income groups, compared to the preretirees. (Percentage totals for age groups in each income group may be greater than 100 percent because households with two partners that are in different age groups are included in each group.)

**Table A1**  
Income by Percent of Poverty by Demographic Characteristics, 2004 and 2010

	% of Poverty	2004				2010			
		< 100%	100–249%	250–499%	> 500%	< 100%	100–249%	250–499%	> 500%
<b>Age</b>	25–44	9.5%	24.0%	38.5%	28.1%	12.3%	27.3%	34.8%	25.7%
	45–64	7.1%	19.9%	35.7%	37.4%	8.9%	23.8%	33.8%	33.5%
<b>Education</b>	HS or less	18.1%	36.3%	35.0%	10.5%	21.7%	39.5%	29.8%	9.0%
	Some college	6.9%	24.2%	44.3%	24.6%	10.2%	30.3%	39.7%	19.7%
	BA+	2.6%	10.3%	32.4%	54.7%	2.9%	11.3%	33.5%	52.3%
<b>Race</b>	White	5.6%	18.3%	38.4%	37.7%	7.0%	21.4%	36.7%	34.9%
	Black	20.6%	31.2%	32.4%	15.8%	21.3%	37.7%	30.4%	10.6%
	Latino	15.6%	37.3%	33.4%	13.7%	19.5%	37.5%	27.2%	15.8%
	Other	6.5%	26.0%	32.7%	34.8%	11.1%	20.5%	30.4%	37.9%
<b>Married</b>	H/W alone	3.8%	10.0%	35.2%	50.9%	2.4%	12.4%	30.9%	54.3%
	H/W w/children	4.4%	21.3%	40.4%	34.0%	6.9%	23.8%	37.7%	31.6%
<b>Single</b>	Parent	29.5%	37.5%	25.0%	8.1%	29.8%	43.7%	20.2%	6.3%
	Alone	11.8%	24.6%	35.8%	27.8%	14.5%	23.1%	38.1%	24.3%
	Other	9.6%	29.2%	38.1%	23.1%	12.4%	34.3%	34.1%	19.3%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Note: HS = high school; BA = bachelor's degree; H/W = Husband/Wife.

**Table A2**  
Demographics by Percentage of Poverty among Adult Households Ages 25–64, 2004 and 2010

% of Poverty		2004				2010			
		< 100%	100–249%	250–499%	> 500%	< 100%	100–249%	250–499%	> 500%
<b>TOTAL</b>		<b>5,460,012</b>	<b>14,286,537</b>	<b>23,660,567</b>	<b>20,781,137</b>	<b>7,011,843</b>	<b>16,746,699</b>	<b>22,621,111</b>	<b>19,522,685</b>
<b>Age</b>	25–44	3,373,317	8,546,238	13,699,199	10,005,845	4,106,357	9,115,690	11,617,947	8,577,455
	45–64	2,375,820	6,608,012	11,868,421	12,436,860	3,247,223	8,666,585	12,326,430	12,203,938
<b>Education</b>	HS or less	3,430,245	6,870,620	6,629,043	1,996,497	4,195,252	7,629,473	5,762,112	1,733,120
	Some college	1,376,045	4,804,162	8,801,097	4,896,477	2,058,197	6,137,146	8,032,614	3,993,306
	BA+	653,722	2,611,755	8,230,427	13,888,163	758,394	2,980,080	8,826,385	13,796,259
<b>Race</b>	White	2,614,116	8,512,809	17,844,791	17,503,120	3,192,355	9,710,707	16,670,315	15,879,453
	Black	1,568,199	2,377,061	2,463,072	1,203,027	1,776,127	3,150,605	2,537,979	888,690
	Latino	1,064,314	2,548,040	2,284,729	939,877	1,618,681	3,104,079	2,252,690	1,309,363
	Other	213,382	848,627	1,067,976	1,135,112	424,680	781,308	1,160,127	1,445,179
<b>Married</b>	H/W alone	502,364	1,341,314	4,704,334	6,799,121	287,966	1,506,712	3,743,546	6,576,173
	H/W w/children	967,807	4,705,182	8,912,904	7,501,727	1,476,253	5,061,400	8,041,381	6,726,176
<b>Single</b>	Parent	1,432,687	1,818,348	1,211,048	391,170	1,627,267	2,389,134	1,102,636	343,563
	Alone	1,425,481	2,978,291	4,333,098	3,366,047	1,912,684	3,057,403	5,028,197	3,214,319
	Other	1,131,671	3,443,402	4,499,184	2,723,073	1,707,671	4,732,049	4,705,351	2,662,454

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Note: HS = high school; BA = bachelor's degree; H/W = Husband/Wife

Table A3 provides trend data for more years between 2004 and 2010 for security among the working-age population at all levels of income.

**Table A3**  
Security among Total Working-Age Population (25–64), All Income Levels

	2004	2006	2007	2008	2009	2010
<b>Secure overall (%)</b>	37.1	34.1	31.9	33.5	34.5	32.5
<b>Vulnerable overall (%)</b>	30.5	33.7	34.5	36.0	35.7	35.9
<b>Asset secure (%)</b>	15.8	16.0	14.5	13.7	14.3	13.6
<b>Housing secure (%)</b>	40.9	34.2	36.3	36.9	35.1	34.5
<b>Budget secure (%)</b>	41.4	38.9	37.5	38.6	39.9	38.8
<b>Income secure (%)</b>	32.4	32.4	31.6	32.6	31.6	29.6
<b>Health secure (%)</b>	75.6	73.9	72.5	72.6	75.7	74.2
<b>Asset vulnerable (%)</b>	75.9	75.2	76.7	78.4	77.7	77.7
<b>Housing vulnerable (%)</b>	32.8	38.1	36.8	39.1	39.4	38.1
<b>Budget vulnerable (%)</b>	29.0	32.0	32.6	32.3	31.5	31.5
<b>Income vulnerable (%)</b>	30.8	31.7	31.6	32.6	34.6	36.1
<b>Health vulnerable (%)</b>	24.4	26.2	27.5	27.5	24.3	25.8

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Table A4 provides trend data for more years between 2004 and 2010 for security among the middle-income working-age population.

**Table A4**  
Security among the Middle Income Working-Age Population (25–64)

	2004	2006	2007	2008	2009	2010
<b>Secure overall (%)</b>	26.4	20.9	18.7	19.1	20.5	16.3
<b>Venerable overall (%)</b>	20.0	23.2	24.7	28.0	26.8	28.4
<b>Asset secure (%)</b>	13.0	13.4	11.3	10.0	10.6	10.4
<b>Housing secure (%)</b>	40.1	32.7	35.4	34.4	32.6	31.1
<b>Budget secure (%)</b>	39.0	33.6	32.9	32.2	34.8	32.2
<b>Income secure (%)</b>	10.2	10.4	9.4	10.7	8.6	5.0
<b>Health secure (%)</b>	76.2	73.9	72.6	71.9	75.7	74.1
<b>Asset vulnerable (%)</b>	78.2	77.2	80.7	82.8	80.8	81.2
<b>Housing vulnerable (%)</b>	28.0	34.4	32.6	35.7	35.3	34.0
<b>Budget vulnerable (%)</b>	20.6	23.2	23.0	23.4	22.1	23.5
<b>Income vulnerable (%)</b>	16.7	17.4	17.8	19.9	23.5	26.7
<b>Health vulnerable (%)</b>	23.8	26.1	27.4	28.1	24.3	25.9

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Table A5 documents changes in security among middle-class households by race and ethnicity between 2004 and 2010.

**Table A5**  
Security Among Middle-Income Households, Ages 25–64, by Race/Ethnicity, 2004 and 2010 (%)

	Whites			Blacks			Latinos		
	2004	2010	Change	2004	2010	Change	2004	2010	Change
<b>Secure overall (%)</b>	28.8	18.2	-37%	20.4	10.2	-50%	15.6	11.0	-29%
<b>Venerable overall (%)</b>	17.5	25.4	+45%	28.4	36.9	+30%	32.0	37.6	+17%
<b>Asset secure (%)</b>	15.1	12.6	-17%	2.0	2.7	+34%	8.6	3.6	-58%
<b>Housing secure (%)</b>	41.2	33.2	-19%	36.6	22.5	-39%	36.9	31.0	-16%
<b>Budget secure (%)</b>	38.9	32.1	-18%	42.1	29.2	-31%	36.9	34.2	-7%
<b>Income secure (%)</b>	11.6	5.6	-52%	5.7	1.9	-67%	3.7	3.8	+4%
<b>Health secure (%)</b>	79.3	77.4	-2%	69.2	70.2	+1%	62.7	58.9	-6%
<b>Asset vulnerable (%)</b>	74.8	78.3	+5%	95.1	92.7	-2%	86.8	89.6	+3%
<b>Housing vulnerable (%)</b>	26.8	31.8	+19%	31.3	42.5	+36%	34.5	33.7	-2%
<b>Budget vulnerable (%)</b>	20.3	23.4	+15%	18.8	22.6	+20%	24.7	23.4	-5%
<b>Income vulnerable (%)</b>	15.1	23.9	+59%	22.7	35.5	+57%	22.0	35.7	+62%
<b>Health vulnerable (%)</b>	20.7	22.6	+9%	30.9	29.9	-3%	37.3	41.1	+10%

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Tables A6 and A7 provide social and demographic characteristics by racial and ethnic group, comparing these characteristics in 2004 and 2010. Table A6 shows characteristics of all income groups, and A7 shows characteristics of the middle-income segments of each group.

**Table A6**  
**Select Characteristics by Race/Ethnicity, All Incomes, Ages 25–64, 2004 and 2010**

		All Races		Whites		Blacks		Latinos	
		2004	2010	2004	2010	2004	2010	2004	2010
<b>Age</b>	Mean	44.2	45.3	44.9	46.2	44.1	44.2	40.6	42.2
	Median	44	46	45	47	43	44	39	41
<b>Education (%)</b>	HS or less	29.5	29.3	24.3	23.7	45.3	42.8	52.2	49.6
	Some college	31.0	30.7	32.4	30.7	27.6	35.7	26.2	29.7
	BA+	39.6	40.0	43.3	45.6	27.0	21.5	21.6	20.7
<b>Family Status (%)</b>	H/W alone	20.8	18.4	23.8	22.2	12.0	7.9	12.8	9.4
	H/W w/children	34.4	32.3	35.8	32.9	21.6	18.8	38.6	39.7
	Single parent	7.6	8.3	6.1	5.8	17.9	21.9	7.9	10.2
	Single alone	18.9	20.1	18.9	21.2	22.6	22.1	12.8	11.2
	Other	18.4	21.0	15.5	17.8	25.9	29.3	27.9	29.4

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Note: HS = high school; BA = bachelor's degree; H/W = Husband/Wife

**Table A7**  
**Select Characteristics of Middle Class by Race/Ethnicity, Ages 25–64, 2004 and 2010**

		All Races		Whites		Blacks		Latinos	
		2004	2010	2004	2010	2004	2010	2004	2010
<b>Age</b>	Mean	43.9	44.9	44.3	45.5	43.8	44.7	41.3	42.2
	Median	43.0	45.0	44.0	46.0	43.0	45.0	40.0	41.0
<b>Education (%)</b>	HS or less	28.1	28.1	26.1	25.7	35.4	29.6	39.2	44.2
	Some college	37.1	36.4	38.0	35.9	34.0	42.6	35.6	36.5
	BA+	34.8	35.5	35.9	38.4	30.6	27.9	25.3	19.3
<b>Family Status (%)</b>	H/W alone	19.2	15.3	20.8	18.0	13.3	6.6	14.1	10.2
	H/W w/children	37.7	34.9	38.6	34.3	29.1	28.1	39.8	41.4
	Single parent	5.9	6.6	5.7	5.9	11.9	13.8	2.5	5.3
	Single alone	18.1	21.0	18.8	22.2	19.9	22.3	12.7	11.8
	Other	19.1	22.2	16.2	19.6	25.8	29.2	31.0	31.3

Source: IASP and AARP Public Policy Institute analysis of data from the Consumer Expenditure Survey.

Note: HS = high school; BA = bachelor's degree; H/W = Husband/Wife

