There’s some good news this month as families’ economic security is slowly improving: The labor market is adding jobs and household wealth is gradually rising. But substantial challenges remain including comparatively high unemployment rates, especially among vulnerable population groups; high poverty rates; a depressed housing market; large household debt burdens; and rising gasoline prices.

Unfortunately no single policy can quickly bring solid gains to families’ economic security. It will take comprehensive and targeted policy to secure America’s struggling middle class.

Sustained and faster job creation should be policymakers’ top concern, especially for vulnerable groups such as African Americans, young labor-force participants, and people without a high school degree. Other priorities require income support through things like extended unemployment insurance benefits, higher minimum wages, and more opportunities for employees to join a union.

Policymakers also need to focus on helping households build wealth faster through measures to strengthen the housing market, help households save more money, and allow families to lower their debt burden even more than in the past.

1. Economic growth remains robust. Gross domestic product, or GDP, grew at an annual rate of 3 percent in the fourth quarter of 2011, the strongest growth rate since the second quarter of 2010. Government spending actually fell by 4.2 percent in the fourth quarter of 2011, consumption grew by only 2.1 percent, and exports expanded at a slow 2.7 percent growth rate. But business investment grew at a reasonable 5.2 percent. Weak economic growth would be stronger if not for low consumer demand, high unemployment, and households’ crushing debt burden. Growth also remains weak because of slow demand for U.S. exports in the wake of European economic turmoil and because of fiscal struggles at federal, state, and local levels.
2. **Competitiveness grows at slow pace.** Worker productivity, the amount of goods and services produced in an hour of work in the nonfarm business economy, is a key measure of the economy’s global competitiveness. It increased by 0.9 percent in the fourth quarter of 2011. Productivity now stands 6.9 percent larger than in December 2007, at the start of the Great Recession, but well below the average increase of 10.5 percent for similar periods in the past. 

3. **The labor market recovery continues.** The economy has continuously added jobs since October 2010 and had 2.3 million more jobs in March 2012 than in June 2009, when the economic recovery started. The private sector added 2.9 million jobs during this period. The difference between the net gain and private-sector gain is explained by the loss of 584,000 state and local government jobs, as budget cuts reduced the number of teachers, bus drivers, fire fighters, and police officers, among others. Job creation is a top policy priority since private-sector job growth is still too weak to overcome other job losses and improve the economic fortunes of America’s middle class.

4. **Suffering of the unemployed stays high.** The unemployment rate stood at 8.2 percent in March 2012. Long-term unemployment ballooned in recent years as the unemployment rate stayed high. In March 2012, 42.5 percent of the unemployed were out of work and looking for a job for more than six months. The average length of unemployment stayed high with 39.4 weeks in March 2012. The long-term unemployed are still struggling even as private-sector job creation accelerates since millions of unemployed workers are still vying for the newly created jobs.

5. **Labor market pressures especially hurt communities of color, young workers, and those with less education.** The African American unemployment rate in March 2012 stayed well above average at 14 percent, the Hispanic unemployment rate was 10.3 percent, and the white unemployment rate was 7.3 percent. Youth unemployment stood at a high 25 percent. And the unemployment rate for people without a high school diploma stayed high with 12.6 percent, compared to 8 percent for those with a high school degree, 7.3 percent for those with some college education, and 4.2 percent for those with a college degree. Vulnerable groups have struggled disproportionately more amid the weak labor market than white workers, older workers, and workers with more education. But even those groups that fare better than their counterparts in the weak labor market suffer tremendously from high unemployment.
6. **Household incomes continue to drop amid prolonged labor market weaknesses.** Median inflation-adjusted household income—half of all households have more and the other half has less—stood at $49,445 in 2010, its lowest level in inflation-adjusted dollars since 1996. It fell again by 2.3 percent in 2010, an accelerated decline after median income dropped by 0.7 percent in 2009. American families saw few gains during the recovery before the crisis hit in 2008 and experienced no income gains during the current economic recovery after 2009. 

7. **Gasoline prices grow rapidly.** A gallon of regular gas cost $3.939 in the second week of April 2012. This represents an increase of 19.4 percent since the start of the year. Rapidly rising gasoline prices put pressure on other consumption, typically on spending on cars in the short term.

8. **Income inequality on the rise.** Households at the 95th percentile, with incomes of $180,810 in 2010, had incomes that were more than nine times—9.04 times, to be exact—the incomes of households at the 20th percentile, with incomes of $20,000. This is the largest gap between the top 5 percent and the bottom 20 percent of households since the U.S. Census Bureau kept record in 1967.

9. **Poverty continues to rise across a wide spectrum.** The poverty rate rose to 15.1 percent in 2010—its highest rate since 1993. The African American poverty rate was 27.4 percent, the Hispanic rate was 26.6 percent, and the white rate was 9.9 percent in 2010. The poverty rate for children under the age of 18 stood at 22 percent. More than one-third of African American children (39.1 percent) lived in poverty in 2010 compared to 35 percent of Hispanic children and 12.4 percent of white children. The prolonged economic slump, following an exceptionally weak labor market before the crisis, has taken a massive toll on the most vulnerable.

10. **Employer-sponsored benefits disappear.** The share of people with employer-sponsored health insurance dropped from 59.8 percent in 2007 to 55.3 percent in 2010. The share of private-sector workers who participated in a retirement plan at work fell to 39.5 percent in 2010, down from 42 percent in 2007. Families have less economic security than in the past due to fewer employment-based benefits, requiring more private savings to make up the difference.

11. **Family wealth losses linger.** Total family wealth is down $14.4 trillion (in 2011 dollars) from June 2007—its last peak—to December 2012. Home equity stays low, such that homeowners on average own only 38.4 percent of their homes, with the rest owed to banks. Households, already struggling with low incomes in a weak labor market, consequently feel growing pressures to save more and consume less. The dual burden of low income and decimated household wealth puts the breaks on consumer spending, holding back economic and job growth.
12. **Household debt is still high.** Household debt equaled 112.8 percent of after-tax income in December 2011, down from a peak of 130.2 percent in September 2007, but still higher than at any point before March 2004. The unprecedented fall in debt over the past four years resulted from several factors—tight lending standards, falling interest rates, and massive foreclosures—that are unlikely to continue. Further deleveraging will likely slow, then, unless incomes rise faster than they have in the past. High debt will hence continue to slow economic growth as households focus on saving rather than on spending more.

13. **The housing market remains depressed.** New home sales amounted to a low annual rate of 313,000 in February 2012, and the median house price in February 2012 was 6.2 percent lower than a year earlier. Existing home sales were up by 8.8 percent in February 2012 from a year earlier, and the median price for existing homes was up by 0.3 percent during this period. The housing market is held back by high unemployment and crushing household debt burdens.

14. **Financial distress is widespread among families.** One in eight mortgages is still delinquent or in foreclosure even though mortgage troubles have gradually eased since March 2010. The share of mortgages that were delinquent was 7.6 percent in the fourth quarter of 2011, and the share of mortgages that were in foreclosure was 4.4 percent at the same time. High unemployment coupled with massive wealth losses has pushed many families to delay or even default on mortgage payments. Household economic distress reverberates across the economy as banks are nervous about extending new mortgages, prolonging the economic slump.
**Endnotes**

1. All GDP data are from the Bureau of Economic Analysis National Income and Product Accounts (U.S. Department of Commerce, 2011). Investment growth is expressed as year-over-year change, rather than the most recent quarterly change by itself, as quarterly investment data can be more volatile than consumption data.


3. The discussion here focuses on private-sector job creation since private-sector employment is vastly larger than public-sector employment and since public-sector employment fluctuated widely in 2010 due to temporary hiring associated with the 2010 Census. The private-sector employment numbers thus offer a more accurate picture of the health of the labor market than the total non-farm payroll numbers.


7. Data for family incomes are from the Income, Poverty, and Health Insurance Coverage in the United States: 2010 (U.S. Census Bureau, 2011). This report is occasionally referred to as the poverty report.


10. Other measures of income dispersion also show a growing gap between families in the top 5 percent, top 10 percent, and top 20 percent, relative to families in the bottom 20 percent and bottom 50 percent. See Income, Poverty, and Health Insurance Coverage in the United States: 2010 (U.S. Census Bureau, 2011).


15. Debt calculations are based on the Board of Governors, "Release Z.1 Flow of Funds Accounts of the United States" (Washington: Federal Reserve System, 2012). Debt levels are the ratio of the nominal debt levels divided by the nominal disposable personal income. Debt refers to total credit instruments.

