Economic Vulnerability in the United States: Measurement and Trends

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This paper examines trends in families’ economic security and differences in security across demographic groups using data from the 1989–2007 U.S. Survey of Consumer Finances (SCF) cross-sections and panel data from the 2007–09 SCF. The paper examines twelve household-level measures of: i) vulnerability to health, employment, or income shocks; ii) adequacy of household savings and income; and iii) borrowing constraints. It also constructs a composite vulnerability index, following the approach of Alkire and Foster (2011a). Vulnerability decreases with income, age, and education, but the strength of the relationship depends on how the measures are combined. There is little evidence of an overall trend in household economic security between 1989 and 2007, though vulnerability declined for older and lower-income families. The measures suggest a slight decrease in economic vulnerability between 1995 and 2007, but this trend is not significant after controlling for changes in the age distribution. By comparison, the “Great Recession” is apparent in increases in nearly all of the individual vulnerability measures between 2007 and 2009. Together, the results suggest that, by these measures, the marked decline in the households’ financial position over the recent recession is not explained by a longer-term decrease in economic security.