One Recession, Two Americas

Those Who Lost Ground Slightly Outnumber Those Who Held Their Own

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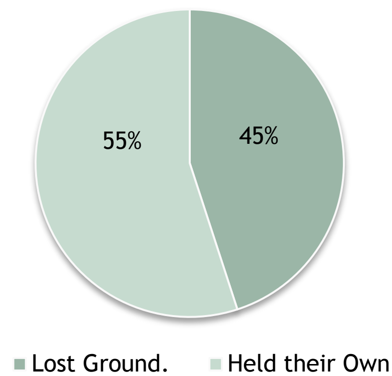
A Social & Demographic Trends Report

One Recession, Two Americas

By Rich Morin, Pew Research Center

Same Recession, Different Impacts

Proportion of adults who fall into each group



Note: Based on full sample N=2,967

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The Great Recession has divided America into two groups that are roughly the same size but that experienced very different economic downturns.

For a narrow majority of Americans (55%), the Great Recession brought a mix of hardships, usually in combination: a spell of unemployment, missed mortgage or rent payments, shrinking paychecks and shattered household budgets, according to a recent survey by the Pew Research Center's Social & Demographic Trends project. But for the other 45% of the country, the recession was largely free of such difficulties.

These two groups differ in their demographic makeup. About seven-in-ten retirees and other older adults largely held their own during the recession, while an equally lopsided majority of 20-somethings did not. Where you live also is associated with how well you fared during hard times: Easterners are significantly more likely than residents of the South, West or Midwest to have better weathered the economic storm. At the same time, suburban and rural residents experienced fewer problems than city dwellers.

Republicans, too, are somewhat disproportionally represented among those who had an easier passage through hard times, while Democrats and political independents are more likely to have lost ground. And as other research has consistently shown, a college diploma is a strong shield against hard times: nearly six-in-ten college graduates count themselves among the 45% who experienced fewer difficulties during the recession, compared with 38% of those whose educational attainment was a high school diploma or less.

This portrait emerges from an analysis of survey data collected from a national representative sample of 2,967 respondents interviewed May 11-31, 2010.[1] Using a statistical technique called cluster analysis, the sample was grouped on the basis of how the respondents answered eight questions designed to measure the economic hardships Americans experienced as a result of the Great Recession.[2] The recession officially began in December 2007 and was recently determined to have ended in June 2009.

The remainder of this report examines the two groups—those who **Lost Ground** and those who **Held their Own**—in more detail. The first section examines the different ways the recession affected each group; the second section provides group demographic profiles; the third section looks at how the two groups differ in their experiences on the job; and a final section examines the different ways the groups view the economy.

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[1] A total of 22 respondents did not fit into either cluster. These cases were coded as "Not Categorized" and included in the analysis but did not affect the results because they constituted less than one-half of one percent of the weighted sample.

[2] See the accompanying topline at the end of this report for the exact question wording. /assets/pdf/766-topline.pdf

It is important to understand the limitations of this analysis. Not everyone in each cluster answered each question in exactly the same way. But overall, members of each group are more similar to each other in terms of their responses to the questions than they are to those in the other group. Also, while these two clusters describe these data well, different questions or questions that more precisely measured recession-related harms may have further divided these two major groupings into smaller, even more sharply defined groups. The survey, for example, asked whether an individual owned stocks, bonds or other investments but did not ask for precise estimates of changes in the value of investment holdings. Had such questions been asked, the number, size or the characteristics of the clusters may have been somewhat different.

One final caveat: This analysis is not intended to assert or imply that those in the **Held their Own** group suffered no economic reversals. In a recession such as this—featuring not just high unemployment but also a bursting of the stock market and housing bubbles—nearly everyone got hurt in one way or another. However, the questions that form the basis of this cluster analysis were designed to measure serious economic hardship. So, for example, someone who saw the value of a home decline but who did not experience the sort of day-to-day financial strains and behavioral changes measured by this survey would wind up in the Held their Own cluster.

About the Survey

Results for this survey are based on telephone interviews conducted with a nationally representative sample of 2,967 people ages 18 and older living in the continental United States. A combination of landline and cellular random digit dial (RDD) samples was used to represent all adults in the continental United States who have access to either a landline or cellular telephone. A total of 1,893 interviews were completed with respondents contacted by landline telephone and 1,074 with those contacted on their cell phone. The data are weighted to produce a final sample that is representative of the general population of adults in the continental United States.

- Interviews conducted May 11-31, 2010
- 2,967 interviews, including 1,761 respondents in the group that Lost Ground and 1,184 who Held their Own.
- Margin of sampling error is plus or minus 2.2 percentage points for results based on the total sample at the 95% confidence level, 3.3 points for the group that Lost Ground and 4.0 points for those who Held their Own.
- Survey interviews were conducted under the direction of Princeton Survey Research Associates International. Interviews were conducted in English or Spanish.

Chapter 1: The Two Faces of the Great Recession

By most broad measures of economic well-being, those who Held their Own and Americans who Lost Ground could hardly be more different. Among those who disproportionately experienced economic hardships during the recession, more than half (54%) say they are just getting by or fall short of meeting their monthly expenses and more than four-in-ten say the recession forced them to make "major" changes in the way they live.

In contrast, eight-in-ten of those who Held their Own during the recession say that they're "living comfortably" or that they have money left over each month after paying their bills. And unlike their less fortunate counterparts, not a single one says the recession has forced major lifestyle changes.

It's not surprising that some people were harder hit by the recession than others, or that people who, for example, suffered a spell of unemployment also had trouble making their rent or mortgage payments. What is striking, however, is the fact that the groups are roughly the same size yet the differences between them are so great.

Forming Clusters to Help Understand the Great Recession

Did the Great Recession affect Americans more or less equally, or did some Americans face few hardships while others caught the full fury of the economic storm? And if the recession hit some much harder than others, what are the relative sizes of these groups and what are their demographic characteristics?

To find out, a statistical technique known as cluster analysis was applied to these survey data. The analysis looked across the sample of 2,967 adults and grouped together those who answer key questions in similar ways.

For purposes of this analysis, eight questions were used to gauge the impact of the recession. They measured how people have fared since the recession began in December 2007, including whether the recession forced them to make "major" changes in their lives and how their family incomes and overall financial status were affected. Other questions tested whether people had personally experienced specific recession-related hardships such as a spell of unemployment, difficulty paying their rent or mortgage, or trouble finding or paying for medical care, as well as whether they had to borrow money from friends or family members, take money out of their savings or retirement accounts, or sell stocks and other investments to help them pay their bills. Only questions that were asked of all or nearly all of the entire sample were included in the analysis so as to produce the best possible model. Some of the omitted questions were asked of only half the sample, while others were asked of a relevant subsample such as homeowners or those who owned stocks, bonds and other investments.

Cluster analysis typically produces a number of "solutions," each containing different numbers of clusters, or groups. These cluster solutions are then evaluated on the basis of their statistical properties as well as on the more subjective criteria of how easily explainable the clusters are and how well they appear to describe the data. In the end, a simple two-cluster solution described in this report emerged as the one with the best statistical properties as well as the one that made the most substantive sense.

For example, more than four-in-ten adults who Lost Ground (43%) say they were unemployed at some point during the recession, compared with less than 1% of those who Held their Own. Fully a third (35%) of those who Lost Ground had problems paying their rent or mortgage, while not a single one of those who Held their Own reported similar difficulties. Likewise, no one who Held their Own during the recession reported having trouble finding or paying for medical care, or having to borrow money from friends or family to pay bills, compared with 48% and 42%, respectively, of those who Lost Ground.

The Two Americas

% in each group who ...

	Held their Own	Lost Ground
Were unemployed at some point during recession*	1	43
Say recession brought "major" changes to lives	0	44
Had to borrowed money from friends/family to pay bills	0	42
Had trouble finding or paying for medical care	0	48
Had trouble paying rent or mortgage	0	35
Say household finances "worse" now than before recession	29	64
Say family income declined during recession	14	48
Withdrew money from savings, retirement to pay bills	19	60
Average number of hardships	0.6	3.7

*Includes those currently in the labor force who are unemployed or employed but were unemployed during the recession.

Nearly half of those who Lost Ground (48%) say their family incomes declined during the recession—more than three times the proportion of those who Held their Own (14%). Similarly, nearly two-thirds of those who Lost Ground say their family's overall financial condition is worse now than it was before the recession. Again, that is more than twice the proportion of those who Held their Own (29%) who say their financial position worsened.[3]

So far this report has examined differences between the two groups only on the eight core questions that were used in the cluster analysis to form the groupings. Do differences exist between the groups on other questions measuring recession-related hardships?

The answer is, yes. For example, nearly one-in-five (19%) of those who Lost Ground during the recession say they had to increase their credit card debt to pay their bills, compared with 4% of those who Held their Own. Nearly three-quarters (74%) of those who suffered the most during the recession say they had to cancel or cut back on vacation travel, compared with 36% of those who Held their Own.

Those who Lost Ground are twice as likely as those who Held their Own to have cut back on the amount they saved during the recession (61% vs. 30%) and are significantly more likely to say they cut back on spending (74% vs. 47%). When both groups were asked whether their total amount of personal debt in the form of credit card bills, mortgage loans and other types of loans increased or decreased during the recession, those who Lost Ground were more than four times as likely to say they owed more during the recession than before the downturn began (19% vs. 4%).

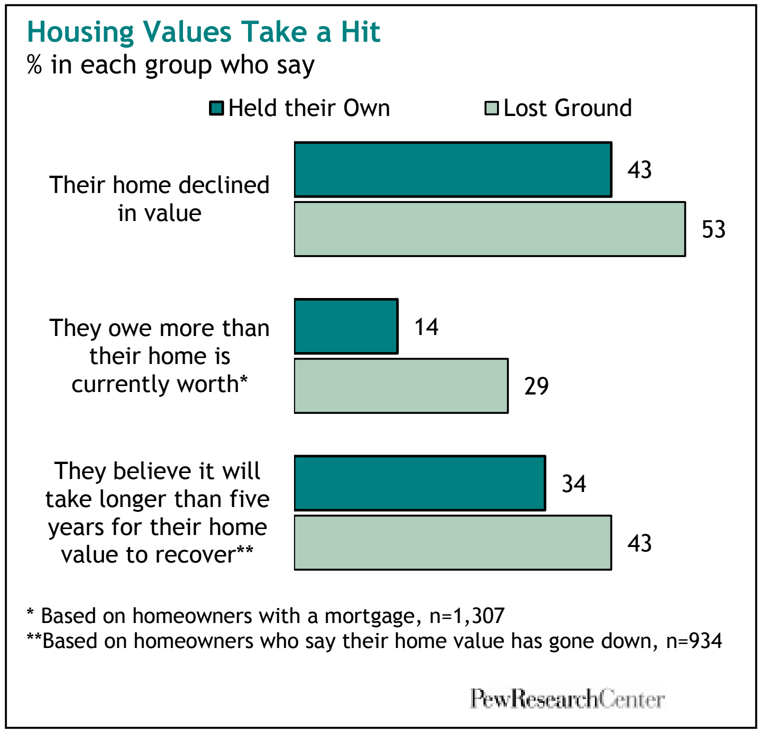
[3] Other evidence also suggests these two groups are very different. Those who Lost Ground experienced, on average, slightly more than four of the eight hardships tested in the survey. In contrast, those who Held their Own experienced less than one hardship compared with nearly four less than one for those who Held their Own.

And when it came to two of America's favorite guilty pleasures, those who Lost Ground were more than twice as likely as those who Held their Own to say they cut back spending on alcohol or tobacco (41% vs. 16%) because of the recession.

Home Values and the Two Americas

The housing slump has affected nearly all American homeowners. But it has been particularly hard on those already reeling from other recession-related blows.

More than half (53%) of homeowners who Lost Ground during the recession say the value of their home declined in the past 2½ years, compared with 43% of those who Held their Own. While only 13% of all homeowners say their home increased in value, those who Held their Own are slightly more likely to report their house or condo is now worth more than it was before the recession (15% vs. 10%).



Moreover, while a smaller proportion of those who Lost Ground are homeowners than those who Held their Own (53% vs. 75%), those hardest hit owe a significantly larger share of their properties. More than four-in-ten (42%) of those who Lost Ground say they have paid off less than half of what they owe on their home, compared with 30% of those who Held their Own. It may come as no surprise, then, that they are twice as likely to say they owe more than they could get if they sold their home (29% vs. 14%) in today's depressed housing market.

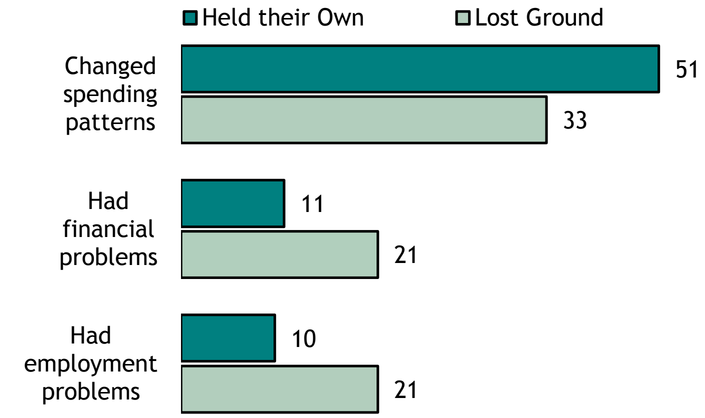
Still, the bad economy and dismal housing market may have only slightly dimmed their belief in homeownership as an investment: fully three-quarters (77%) of those who Lost Ground during the recession agree that "buying a home is the best investment that the average person can make," a belief they share with 83% of those who Held their Own during the recession.

Belt-tightening vs. Pay Cuts

The different recession experiences of the groups is underscored when members are asked to say in their own words what has been the single biggest way the economic downturn has changed their lives.

Different Groups, Different Impacts

% in each group who said each was the biggest impact of the recession on their lives



Note: Based on those who say the recession has caused changes in the way they live, n=2,137

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More than seven-in-ten respondents answered the question, and their responses were transcribed by the interviewers.

Some respondents mentioned specific problems: "I lost my job" or "My sons have moved in because they could not find jobs." Others spoke of the psychological toll the recession has taken: "Everybody is in a lot of stress" and "I'm not in control of my life." Others talked about more modest impacts: "We've had to cut back on luxuries and vacations" or "We eat out less often and [spend] less money on entertainment."

Grouping these responses together by subject reveals a telling pattern. Slightly more than half (51%) of those who Held their Own say the single biggest adjustment they had made during the recession was to change their spending habits, compared with 33 percent of those who Lost Ground.

In contrast, those who Lost Ground during the recession were more likely to name a specific financial problem (21% vs. 11%) or a job-related hardship (21% vs. 10%) as the way the recession most affected them.

Chapter 2: Different Groups, Different Demographics

Demographics as well as experiences differentiate Americans who Lost Ground during the recession from those who Held their Own. In most—but not all—important ways, these differences mirror those reported in earlier Pew reports based on this survey.[4]

Whites, older adults, the better educated and more affluent were significantly less likely to suffer recession-related hardships and thus were significantly more likely to have Held their Own. In contrast, minorities, younger people and those with a high school education or less are significantly more likely to have Lost Ground.

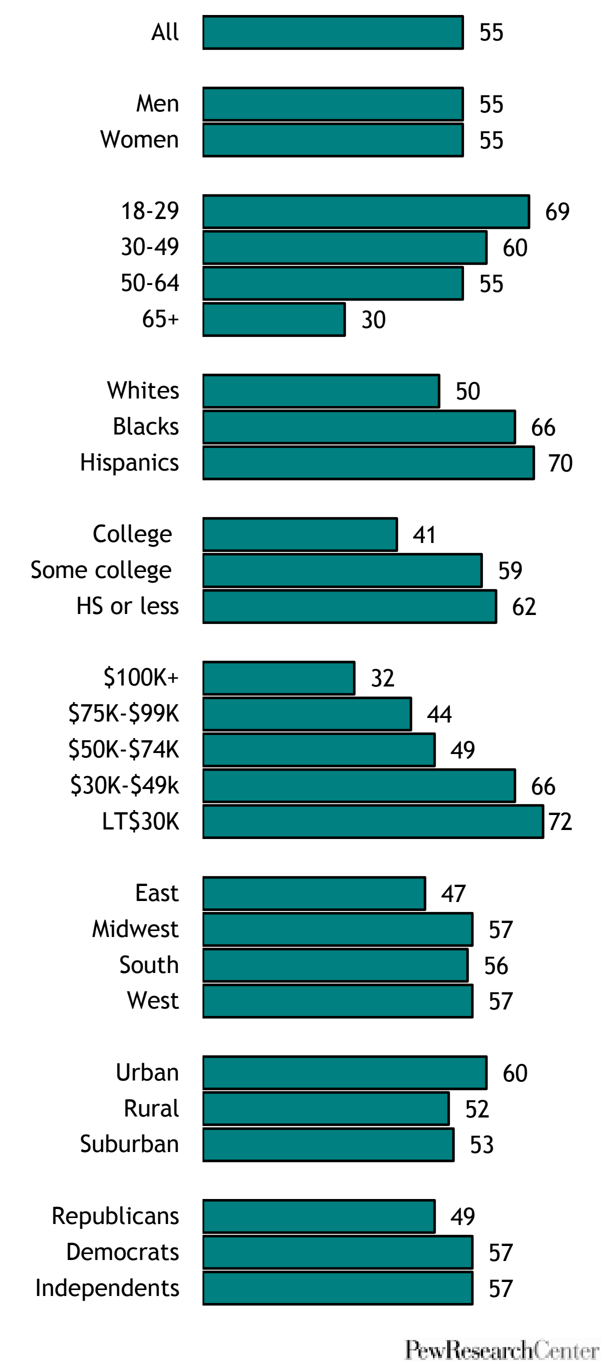
Whites are significantly more likely to be in the Held their Ground group than Hispanics (49% vs. 29%) or blacks (33%). At the same time, minorities are more likely to fall into the group that Lost Ground (70% of all Hispanics and 66% of blacks but 50% of whites).

As seen in earlier reports, older adults have been more sheltered from the worst of the recession than younger people. According to the analysis, about seven-in-ten people 65 and older Held their Own during the recession, compared with 31% of those 18 to 29 and about four-in-ten adults ages 30 to 49 (40%) and 50 to 64 (44%).

Education remains a buffer against hard times. Nearly six-in-ten college graduates (58%) are among those who Held their Own during the recession, compared with 38% of those with a high school diploma or less education and 40% of those who had completed at least a year of college but did not earn a degree.

Losing Ground in the Great Recession

% of each group who Lost Ground



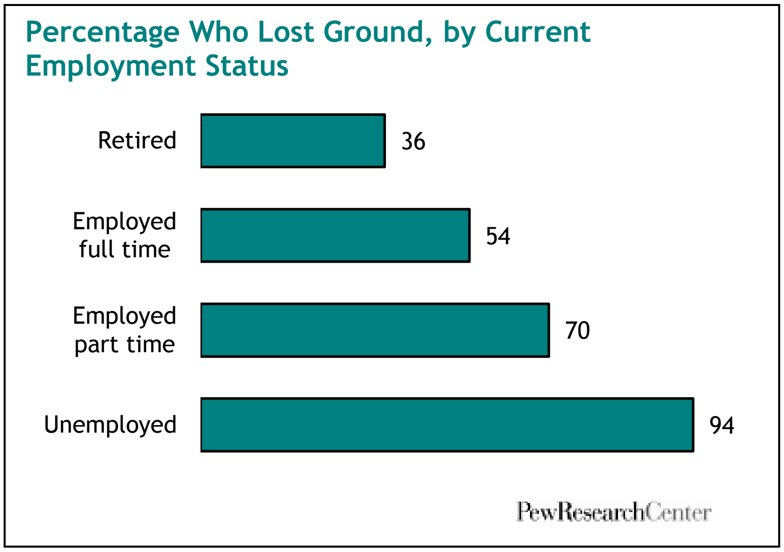
[4] For more details on the impact of the recession on different demographic groups, see "A Balance Sheet at 30 Months: How the Great Recession Has Changed Life in America," Social & Demographic Trends, Pew Research Center, June 30, 2010, and "The Impact of Long-term Unemployment: Lost Income, Lost Friends—and Loss of Self-respect," Social & Demographic Trends, Pew Research Center, July 22, 2010.

Consistent with findings reported in earlier Pew reports, Republicans are more likely than Democrats or political independents to fall into the group that suffered the least during the recession, likely because they have, on average, higher household incomes, more education or are older. When these demographic factors are controlled for, the differences by party largely vanish.

Where you live is associated with how you have weathered the Great Recession. About half of those living in the eastern United States were among those who Held their Ground, compared with slightly more than four-in-ten residents of the Midwest, South and East. About six-in-ten city-dwellers (60%) were among those who Lost Ground, compared with 53% of all suburbanites and 52% of those who live in rural areas.

Chapter 3: The Two Americas at Work

As highlighted in the previous section, older adults have weathered the recession significantly better than other age groups. So it is not surprising that in terms of employment status, retired adults as a group are significantly more likely than working Americans to fall into the group that Held their Own during the recession.

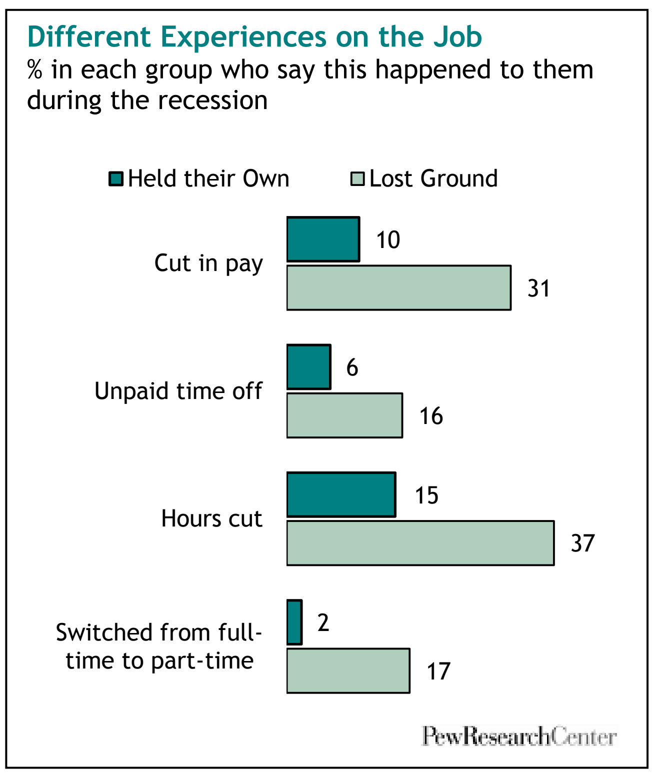


More than six-in-ten retirees (64%) have faced relatively few economic hardships during the recession and fall into the group that Held their Own while 36% Lost Ground. At the opposite extreme, virtually everyone who is currently unemployed or was jobless at some point during the recession is a member of the group that Lost Ground (94%).

Yet a job was no guarantee that an individual would suffer few setbacks during the recession. A modest majority (56%) of all workers who did not face a spell of unemployment during the recession fell into the group that Held their Own while 44% Lost Ground.

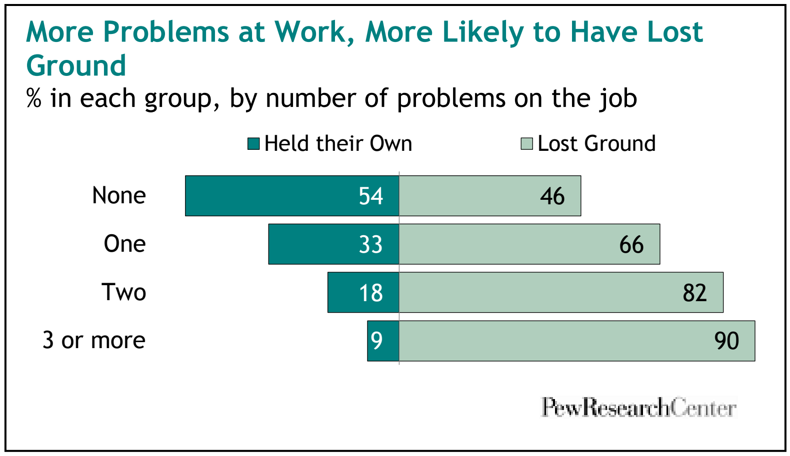
Workplace Experiences

A spell of unemployment is clearly related to whether an individual Lost Ground or Held their Own during the recession. Not surprisingly, a similar pattern emerges when the focus changes to other kinds of employment problems. The survey found those who faced work-related hardships such as a pay cut, furloughs or a forced switch from full- to part-time work are disproportionately represented among the ranks of Americans who Lost Ground.



Among the currently employed, those who Lost Ground during the recession are far more likely to say their pay was cut (31% vs. 10%), they were forced to take unpaid time off (16% vs. 6%), their work hours were reduced (37% vs. 15%) or they had to switch from full-time to part-time work (17% vs. 2%).

Those currently employed who Lost Ground also were more likely to face at least two of the job hardships tested than those lightly affected by the recession (30% vs. 7%).

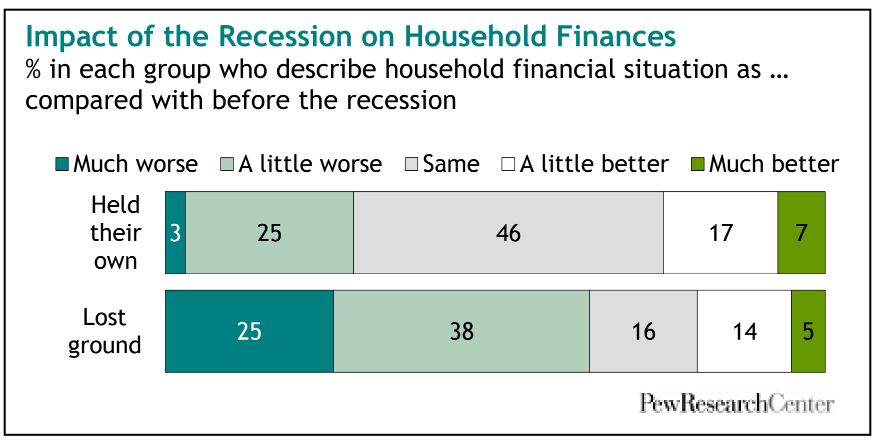


Conversely, a majority of those who Held their Own (54%) experienced none of the four job-related hardships, compared with 30% of their less fortunate colleagues. Among those who did not face any of the problems tested in the survey, fewer than half (46%) Lost Ground during the recession. That proportion increases to 66% among those who had one problem at work and 82% for those who experienced two of the four hardships on the job. For those who faced at least three of the hardships, the proportion soars to 90%.

Chapter 4: Views on the Economy and Personal Finances

Experiences during the recession are closely associated with perceptions of the recession. Nearly half (45%) of those who Lost Ground rate current economic conditions as "poor," compared with 29% of those who Held their Own. At the other extreme, those who Held their Own are nearly twice as likely as those who Lost Ground to say the economy is "excellent" or "good" (19% vs. 11%).

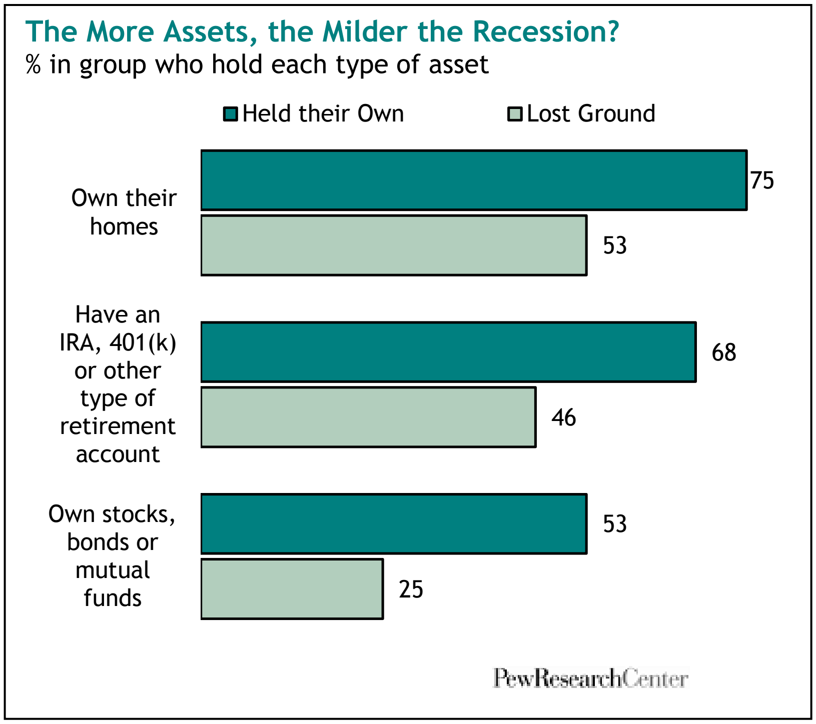
It is no surprise that these judgments appear to be rooted in how individuals and their families have fared economically over the past 2½ years. When asked to compare their household financial situation now with what it was before the recession, those who Lost Ground were more than twice as likely than those who Held their Own to say their families are worse off now (63% vs. 28%).



And when asked to judge their current financial condition, the gap is equally wide. Halfway into the third year of bad economic times, fully half (50%) of those who Held their Own report they "live comfortably," compared with only 14% of those who Lost Ground. At the same time, those who Lost Ground were more than three times as likely as those who Held their Own to say they either just meet their expenses or fall short each month (54% vs. 17%).

The economic perceptions gap narrows—but only a bit—when respondents are asked if the economy is currently in recession. A clear majority (60%) of those who Lost Ground says it is, compared with 45% of those who Held their Own. A plurality (48%) of those who fared relatively well say the economy is "starting to come out of a recession," a judgment shared by 35% of those who Lost Ground. Only a handful of both groups say the recession is over (4% for those who Held their Own, 3% for those who Lost Ground).

Assets: Shelter from the Storm?



By many key measures, the Great Recession was longer, deeper and more intense than any economic downturn since World War II. But in at least one way, this recession is no different than past economic slowdowns: the more wealth a person had going in, the more protected that person was from the worst of hard times.

Studies repeatedly show that wealth in the form of homeownership, savings, mutual fund holdings, and stocks, bonds and other investments is strongly correlated with income and education, factors that all help to insulate individuals from hard times. While job loss during an economic turndown means no paycheck,, having money in the bank, a house or other property or investment holdings provides a cushion to help people make it through rough patches.

While the survey did not directly test this relationship, it does provide some corroborating evidence that what one had before the recession is directly associated with how an individual fared over the past 2½ years. Fully 75% of those who Held their Own were homeowners, compared with 53% of those who Lost Ground. The gap widens when other forms of wealth are considered. For example, those who Held their Own were more than twice as likely to own stocks, bonds or mutual funds than those who Lost Ground (53% vs. 25%).

Even when other factors such as family income, age, education and race are taken into account, having a savings account, owning a home, or owning stock or other forms of investment holdings are powerful predictors of whether someone Held their Own or Lost Ground during the recession.[5]

[5] Based on the results of a logistic regression analysis that tested the independent effects of 8 variables in predicting whether someone is a member of the group that Lost Ground or Held their Own during the recession. The independent variables used in the model were income, age, race/ethnicity, education and party identification, as well as variables indicating whether a respondent owned stocks or other investments, had a savings account or was a homeowner. All of the variables except measuring party identification and whether someone was black were statistically significant.

One Recession, Two Americas: The Defining Characteristics

Eight questions were used in the cluster analysis. The questions consisted of two types. Some were overall measures of how individuals fared during the recession, including whether or not the recession forced them to make "major" changes in their lives; whether their family income increased, decreased or stayed about the same; and whether their family's overall financial condition is better or worse now than before the recession. Other questions measured whether people personally suffered a spell of unemployment during the recession, had trouble paying their rent or mortgage, had problems getting or paying for medical care, had to borrow money from family or friends to pay bills, or withdrew money from savings or retirement accounts to pay expenses. The table below summarizes the key differences between the two cluster groups on these core questions.

Holding their Own (45% of all adults)

- No members of this group say the recession has caused them to make "major" changes in the way they live. About half (51%) say the recession changed the way they lived in "minor" ways, while 48% did not change the way they lived at all.
- No member of this group reports problems paying the rent or mortgage
- None had to borrow money from friends or family to pay bills
- No one in this group reports problems finding or paying for medical care
- Less than 1% were unemployed at some point during the recession
- Only about one-in-seven (14%) say their family income declined during recession
- About two-in-ten (19%) say they withdrew money from savings, retirement to pay bills
- About three-in-ten (29%) say their overall household finances are worse now than before the recession

Lost Ground (55% of all adults)

- More than four-in-ten (44%) say the recession has brought "major" changes in the way they live, and 39% said it has caused them to make "minor" adjustments to their lifestyle. An additional 17% made no recession-related changes.
- More than a third (35%) had trouble paying rent or mortgage
- 42% had to borrow money from friends or family members
- 48% had trouble finding or paying for medical care
- 43% were unemployed at some point during recession
- Nearly half (48%) say their family income declined
- 60% withdrew money from savings or retirement funds
- Nearly two-thirds (64%) say household finances are worse now than before the recession

PEW SOCIAL & DEMOGRAPHIC TRENDS
MAY 2010 ECONOMIC SURVEY
TOPLINE FOR SELECTED QUESTIONS
MAY 11-MAY 31, 2010
TOTAL N=2,967

NOTE: ALL NUMBERS ARE PERCENTAGES. THE PERCENTAGES GREATER THAN ZERO BUT LESS THAN 0.5 % ARE REPLACED BY AN ASTERISK (*). COLUMNS/ROWS MAY NOT TOTAL 100% DUE TO ROUNDING. UNLESS OTHERWISE NOTED, ALL TRENDS REFERENCE SURVEYS FROM SOCIAL & DEMOGRAPHIC TRENDS AND THE PEW RESEARCH CENTER FOR THE PEOPLE & THE PRESS.

ASK ALL:

Q17 Has the recession caused major changes in the way YOU live, minor changes, or hasn't the recession changed the way you live one way or another?

25	Major
44	Minor
31	Hasn't changed the way you live
1	Don't know/Refused **(VOL.)**

ASK ALL:

Q20 Thinking about your household's current financial situation, are you in better shape or worse shape NOW than you were BEFORE the recession started?

21	Better
48	Worse
29	No different/stayed the same **(VOL.)**
2	Don't know/Refused **(VOL.)**

ASK ALL:

Q34 For each of the following, please tell me whether or not it is something that has happened to you during the recession….Have you **[INSERT ITEM; RANDOMIZE; OBSERVE FORM SPLITS]**?

	Yes	No	**(VOL.)**	
a. Had trouble getting or paying for medical care for yourself or your family	27	71	1	*
b. Had problems paying your rent or mortgage	20	76	5	*
c. Borrowed money from a family member or friend to help pay the bills	24	76	*	*

Q37a During the recession, did you have to withdraw money from your savings, 401K or other retirement accounts to meet expenses or pay your bills, or not?

41	Yes
58	No
1	Don't know/Refused **(VOL.)**

ASK ALL :

E3 (**IF E1=1,2**: Some people who have retired do some type of work for pay…/**IF E2=1,2 & E1=3,9**: Some students also do some type of work for pay/**IF E1=4**: Some people who are disabled do some type of work for pay…) Are you now employed full-time, part-time or not employed?

60	Employed
45	Full-time
15	Part-time
38	Not employed
2	Fully disabled/not able to work
*	Don't know/Refused **(VOL.)**

ASK IF EMPLOYED [n=1,604]

Q52 Since the recession started in December 2007, was there a time when you were out of work AND LOOKING FOR A JOB?

26	Yes
73	No **[SKIP TO Q67]**
1	Retired/Does not apply (student, homemaker, disabled) **(VOL.) [SKIP TO Q67]**
*	Laid off/break in work, resumed same job **(VOL.) [SKIP TO Q61]**
*	Don't know/Refused **(VOL.) [SKIP TO Q67]**

ASK ALL:

Q70 Compared to what it was before the recession, has your family income increased, decreased or stayed about the same?

14	Increased
34	Decreased
49	Stayed about the same
3	Don't know/Refused **(VOL.)**