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# Do Large Numbers of Americans Struggle to Make Ends Meet?

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**Abstract**
In spite of the lengthy 2009 to 2019 economic expansion, the media reported through 2019 that large numbers of Americans struggled to make ends meet. This study assembles a large set of responses to diverse survey questions involving financial well-being, spanning the period 1976 to 2019. I take care to distinguish the degree of financial distress elicited in these survey questions, and I use spline-curve econometrics to extract a time series of the percent of Americans who struggle to make ends meet. The exercise indicates that this number has ranged from about 10 percent to about 25 percent; during 2019, it was near its historic low. I then briefly discuss the relationship of financial distress to the business cycle.

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## I. Introduction

After peaking at 11.1 percent in October 2009, the official US unemployment rate fell to 3.5 percent in September 2019. This was its lowest reading since 1969 (3.4 percent). The more inclusive U-6 unemployment rate fell from a peak of 17.2 percent in April 2010 to a reading of 6.8 percent in December 2019, besting its prior all-time low of 6.8 percent recorded in 2000.[1]

Consistent with these indicators of a strong economy, measures of consumer confidence were at or near all-time highs during 2019. The venerable index published by the Survey Research Center of the University of Michigan, which touched bottom at 55.3 in November 2008, registered in the high 90s from 2017 to 2019. The Conference

[1] The U-3 unemployment rate is the official US unemployment rate. The U-6 unemployment rate considers workers who are discouraged and marginally attached to the labor force, and part-time workers who would prefer full-time work, in addition to those who are not working and who are actively seeking employment.

Board's index fell to 25.3 in February 2009, and fluctuated in the 120 to 130 range from 2017 to 2019.

In spite of these measures of a vibrant economy, the media reported that large numbers of Americans struggled to make ends meet during the late 2010s. The American Payroll Association (2018) said that 70 percent of workers live paycheck to paycheck. The US Consumer Financial Protection Bureau (2017, p. 72) said that 43 percent of Americans indicated they had trouble making ends meet. The United Way (Luhby 2018) obtained the same number—43 percent—taking a different approach. It found many families above the poverty line to be "Asset Limited, Income Constrained, Employed" (ALICE). The report notes that 66 percent of jobs pay less than $20 per hour, or, in the case of high-cost metropolitan areas, less than $42 per hour. Is there something badly wrong with our relatively market-oriented economy that so many people are struggling financially at the end of a long period of sustained growth?

In some cases, the claim that large numbers of Americans struggle to make ends meet is easy to explain as a loose definition of "struggle to make ends meet." A Marist Poll (2016) found that "more than one-third of Americans [have] trouble making ends meet." This finding came from conflating the 24 percent that "just meet their basic needs" with the 10 percent that "do not have enough money to meet their basic needs." Thus, "just meeting" basic needs is characterized as "struggling."

A Harris Poll conducted on behalf of CareerBuilder (2017) found that 78 percent of workers lived from paycheck to paycheck. The number 78 percent was obtained by adding the 38 percent who "sometimes" live paycheck-to-paycheck" to the 17 percent who "usually" and the 23 percent who "always" live paycheck-to-paycheck. Yet, if workers only sometimes live paycheck-to-paycheck, many aren't living paycheck-to-paycheck at any given time. Gutman et al. (2015, p. 1), examining a sample of 7,152 persons drawn from the GfK KnowledgePanel, say that 57 percent of Americans "are struggling, to varying degrees." In part, they "struggle" because they don't have sufficient liquidity, retirement savings, or insurance.

High rates of financial distress among Americans would not be surprising. International comparisons show that US workers live paycheck-to-paycheck at the highest rate among workers of the developed world (Willis Tower Watson 2017). In an annual survey of financial literacy from 2014 to 2019, 70–75 percent of Americans indicated that they had financial worries (National Foundation for Credit Counseling 2019, p. 8).

A more sanguine picture of Americans' finances is obtained in the Federal Reserve's still-new Survey of Household Economics and Decision-Making (Board of Governors 2019, p. 5). According to this survey, in 2018, only 7 percent of American households were "finding it difficult to get by," 18 percent were "just getting by," 41 percent were "doing okay," and 34 percent were "living comfortably." Financial well-being highly correlates with household income and family structure, and is only moderately correlated with race and ethnicity (p. 6).

A frequently quoted finding of this survey is the percent of Americans that would be able to cover a $400 emergency expense with cash or its equivalent. This number increased from 50 percent to 61 percent over the short life of the survey (Board of Governors 2019, p. 21). Considering other options, such as covering the expense with a credit card, only 12 percent would not be able to handle a $400 emergency expense (p. 22).

Health care finance is indicated to be problematic, as 38 percent of persons without health insurance went without medical treatment because of inability to pay, as did 22 percent of persons with health insurance (Board of Governors 2019, p. 23). Student loans, on the other hand, are not indicated to be very problematic. Forty-eight percent of those who incurred student loans had paid them off, 43 percent were current, and only 8 percent were behind. Student loan delinquencies were concentrated among those who attended private for-profit schools, and were higher among Blacks and Hispanics, and among first-generation college students (p. 45).

Garman et al. (2005) estimated that one-in-four Americans suffers financial distress. Among the data sources they cite are surveys conducted by Bankrate, MetLife, Principal Financial Group, American Express, Cigna, AARP, Caravan, Roper and Gallup, and ten academic studies. These sources indicate considerable interest among financial institutions and the general public in measuring financial distress. Reflecting this interest, internet search and poll archives reveal sufficient data beginning in 1976 to construct a time series.

## II. Financial Well-Being

Financial well-being can be considered an antecedent of subjective well-being (SWB) (Netemeyer et al. 2018). In addition to direct interest, SWB has significant social implications, including sick days, disease burdens (e.g., high blood pressure), reduced engagement at work, and low social and community well-being (Rath and Harter 2010).

Dolan, Peasgood, and White (2008), in their review of the literature, find that unemployment, poor health, divorce and separation, and lack of social contact are strongly negatively associated with SWB. Kahneman and Krueger (2006, p. 15) find "large increases in the standard of living have almost no detectable effects on life satisfaction or happiness." *Changes in*, but not the *levels of* employment, income, and asset values can therefore be expected to impact SWB.

Deaton (2011), examining the then-daily surveys of 1,000 persons being conducted by the Gallup Poll, found that SWB fell during the 2008 financial crisis, and then subsequently recovered. Significantly, he also found that this self-assessment was sensitive to question order and was affected by daily news.

To illustrate the potential effect of question order, consider the Monmouth Poll (2019). Its "financially struggling" question immediately followed a question disposing respondents to be negative. In one question, people were asked to name their "biggest concern." The question solicits an unmet need. The most frequent answer was health care costs. In the next question, those who identified a concern were asked whether the actions of the federal government have helped or hurt. Only 14 percent said "helped." Twenty percent then indicated that they were "financially struggling." At about the same time, a Fox News Poll found that 13 percent of households were "falling behind"; a University of Southern California survey found that 11 percent of households found it "very difficult" to make ends meet; and 10 percent in the aforementioned Marist Poll said they "don't have enough" to meet basic needs.

In addition to the effect of question order, the list of alternatives to financial distress has an effect on responses. The Fox News Poll (2018) asked two similar questions regarding financial distress in a split sample. Half the respondents were given the alternatives of "getting ahead," "just able to get by," and "falling behind." The other half, "getting ahead," "holding steady," and "falling behind." With the middle position indicating a degree of struggle ("just able to get by"), only 13 percent responded "falling behind." With the middle position not indicating a degree of struggle ("holding steady"), 26 percent responded "falling behind." Care needs to be taken when comparing survey-based measures of distress when gathering information from similar but differently worded questions.

## III. A Time Series of Financial Distress

Table 1 describes much of the survey data assembled in this study. These data, together, span the period from 1976 to 2019. However, in addition to minor differences in wording, there are notable differences in the type of distress addressed.

**Table 1. Examples of types of questions**

| Type | Question | Polling organization, years of question |
|---|---|---|
| 1 | not making ends meet<br>just able to get by/falling behind | Roper, 1976–1979<br>Fox News, 2007–2018 |
| 2 | often don't make ends meet<br>find it hard to make ends meet<br><br>worry about having enough<br>holding steady/falling behind<br>personal finances poor<br>personal finances very dissatisfied | PSRA, 1989–2012<br>All-State/National Journal, 2009–2015<br>Gallup, 2002–2019<br>Fox News, 2018–2019<br>NBC, 1987–2001<br>NBC, 1994–2019 |
| 3 | concerned about having enough<br>usually or always live paycheck-to-paycheck | MetLife, 2007–2011<br>CareerBuilder, 2007–2017 |
| 4 | harder to make ends meet<br>personal finances worse | McKinsey, 2009–2015<br>NBC, 1981–1986 |

- Type 1 questions solicit current and actual shortfalls of means; e.g., *don't* make ends meet.
- Type 2 questions are less precise; e.g., *often don't* make ends meet; also, *worry* about not making ends meet. (Some questions were placed into this category only after experimentation showed that responses to them were statistically indistinguishable from responses to questions already included.)
- Type 3 questions are even less precise, e.g., *concern* (as opposed to worry) about making ends meet.
- Type 4 questions involve changes, e.g., hard*er* to make ends meet.

Table 2 gives the distribution of questions by type and year. What follows is the derivation of a method to smooth the data where the data are plentiful, interpolate where the data are sparse, and infer the relation of the responses to one type of question to the responses to other types of questions, type 2 being the reference type.

**Table 2. Distribution of questions by type and year**

| | Type 1 | Type 2 | Type 3 | Type 4 | All Types |
|---|---|---|---|---|---|
| 1976–1980 | 7 | 0 | 0 | 8 | 15 |
| 1981–1984 | 0 | 0 | 0 | 12 | 12 |
| 1985–1988 | 0 | 3 | 0 | 5 | 8 |
| 1989–1992 | 2 | 17 | 0 | 5 | 24 |
| 1993–1996 | 1 | 10 | 0 | 2 | 13 |
| 1997–2000 | 3 | 12 | 0 | 0 | 15 |
| 2001–2003 | 3 | 34 | 2 | 0 | 39 |
| 2004–2006 | 2 | 9 | 1 | 0 | 12 |
| 2007–2009 | 8 | 26 | 5 | 1 | 40 |
| 2010–2012 | 8 | 21 | 4 | 5 | 38 |
| 2013–2015 | 9 | 14 | 1 | 3 | 27 |
| 2016–2019 | 14 | 19 | 5 | 0 | 38 |
| All years | 57 | 165 | 18 | 41 | 281 |

If $p_{1t}$ is the percent at time $t$ that "don't make ends meet," then the percent that "*often* don't make ends meet," $p_{2t}$, would be a multiple, $b_2$, of $p_{2t}$. Analogously, the percent that is "*concerned* about making ends meet," $p_{3t}$, would be a larger multiple, $b_3$, of $p_{1t}$, and the percent that finds it "harder to make ends meet," $p_{4t}$, would be a possibly different multiple, $b_4$, of $p_{1t}$. Suppose that $p_{1t}$ evolves smoothly over time, and approximate this evolution with a quadratic spline curve.

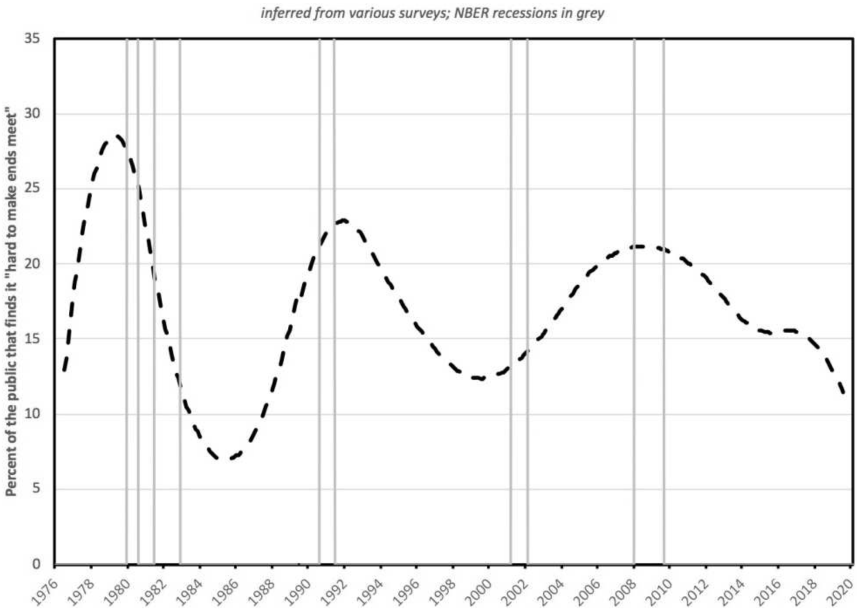
$$p_{it} = (T_{1it} + b_2T_{2it} + b_3T_{3it} + b_4T_{4it})(a_0 + a_1t + a_2t^2 + a_3\text{MAX}(0,t-k_1)^2 + a_4\text{MAX}(0,t-k_2)^2 + \ldots)$$

where $p_{it}$ is the percent suffering financial distress in survey $i$ at time $t$, $T_{jit}$ are dummy variables denoting the type of question in the survey, $b_j$ are multiples as described above, $a_k$ are the parameters of the spline curve (of no interest in themselves), and $k_m$ are the knot points of the spline (also of no interest in themselves).

Spline curves are similar to polynomials, except that the segments of the spline (as defined by the knot points) are mostly determined by the data in that segment as opposed to being affected by concentrations of data elsewhere. In this case, with a quadratic spline and with knot points at every three or four years, the resulting curve is quite flexible. For more on splines, see De Boor (2001).

Figure 1 displays the estimated time series of financial distress. It shows that, since 1976, the fraction of the American public suffering type 2 financial distress ("hard to make ends meet") rose to about one-fourth at three different times: (1) during the double-dip recessions of 1979 and 1981, (2) during the recession of 1990, and (3) during the recession of 2008. Curiously, financial distress was low through the recession of 2001. The relevant portions of this overall pattern align with the trends exhibited in surveys that are repeated multiple times, none of which spans the entire period: for example, the percent of households with late debt payments found in the triannual Survey of Consumer Finances of the Federal Reserve (Bricker et al. 2014, p. 29).

**Figure 1. Financial distress among Americans**




Financial distress appears to have risen prior to the double-dip recessions of 1979 and 1981, the recession of 1990, and the recession of 2008, suggesting that financial distress was a cause of those recessions. Financial distress continued to rise following the recessions of 1990 and 2001, during the so-called "jobless recoveries" that followed (Groshen and Potter 2003).

Following the recession of 2001, financial distress simply continued to build up until the next recession. Following the recession of 2008, financial distress trended down for an extraordinary period. A lull in this trend is indicated during 2016, perhaps reflecting question-order effects during a particularly polarized election.

## IV. Conclusion

Sufficient data exist starting in 1976 to construct a time series of financial distress. The estimated time series generally comports with what is known about subjective well-being (SWB). In particular, financial distress is affected more by changes in income, employment, and asset values than by their levels. From time to time, the fraction of the population who "struggles to make ends meet" rises to about one-fourth of the population. Financial distress falls during good times. However, even during good times, considerable numbers of Americans continue to struggle. More so, the time series suggests that financial distress may be a cause, as well as an effect, of macroeconomic performance.

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