

The Shortfall in Households

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Growth in the number of households at the end of the 1980s and in the first part of the 1990s was weaker than the growth in the adult population and changes in the age structure would suggest. If headship rates—the share of the population in each age bracket that head households—had remained constant, the average annual increase in the number of households from March 1989 to March 1994 would have been about 1.3 million. The reported increase for those five years was only 4.3 million—less than 0.9 million per year. Although the growth may have been understated somewhat because of a change in the survey that measures the number of households, there was clearly a slowdown during that period. More adults lived with their parents or with other relatives, friends, or partners, rather than establishing their own households.

The failure to form households during the 1989-1994 period created the potential for above-normal household formations in succeeding years. Available data for 1994 indicate that a rebound in household formations has indeed occurred, but it is unclear whether the changes during the preceding five years merely represent a deferral of household formations or a social change that will continue to limit housing demand.

The shortfall in household formations involved declines in headship rates in virtually every age group except the 45 to 54 age bracket, where the change in the headship rate was insignificant (Table 1). The greatest declines, however, were in the 25 to 44 age groups, where the people born during the second half of the baby boom are concentrated. The total number

of households with heads aged 25 to 34 fell by 1.5 million. Since the population in that age group was shrinking, some decline in the number of households (about 0.8 million) was expected, but a 1.6 percentage point decline in the headship rate increased the shrinkage by 0.7 million households. A similar decline in the headship rate for 35 to 44 year-olds contributed another 0.7 million to the shortfall. Overall, for the five-year period, the increase in the number of households was 2.2 million short of projections, so reduced headship rates among 25 to 44 year-olds represented more than 60 percent of the shortfall. The overall share of population aged 15 and older that were household heads was essentially unchanged from 1989 to 1994, but the change in the population age structure would have produced an increase in that share if headship rates by age had not fallen.

The weakness in household formations could be attributed to a

shortfall in the number of married-couple households. If the share of married-couple households in each age bracket had remained constant at 1989 levels, the number of such households would have increased by 4.2 million, rather than 1.2 million. But the married-couple shares have been declining for some time. For example, the share of people 25 to 34 years-old who were heads of married-couple households fell from 32.4 percent in 1979 to 29.0 percent in 1984, 26.9 percent in 1989, and 24.7 percent in 1994. The biggest difference between the patterns over the 1989-1994 period and the 1984-1989 period (when the number of households increased by an average of 1.5 million per year) was the lack of offsetting growth in the number of single people who maintain their own households.

Some married couples did not establish households. About 2 percent of married couples in 1994 did not have households of their own, but lived in households headed by

Table 1 Changes in Headship Rates and the Number of Households

Age	Headship Rates (Percentage)							1989-1994 Change	
								Simulated	Actual
	1989	1990	1991	1992	1993	1993R	1994		
15-24	15.1	14.5	14.0	14.1	14.6	14.5	14.5	-0.20	-0.39
25-34	48.4	47.3	47.4	47.1	47.2	47.4	47.0	-0.83	-1.52
35-44	55.6	55.3	55.1	55.0	53.8	53.7	53.7	2.93	2.20
45-54	56.9	57.4	57.4	57.5	58.2	57.9	57.0	2.89	2.98
55-64	59.8	59.0	58.7	59.4	58.5	59.2	58.8	0.19	-0.33
65+	67.9	68.2	68.2	68.4	67.7	68.0	67.6	1.50	1.30
15 & up	48.8	48.7	48.7	49.0	48.9	48.6	48.4	6.49	4.24

Note: Headship rates are household heads as a share of total noninstitutionalized population by age. Revised 1993 and 1994 values use population data linked to 1990 census, other years' population based on 1980 census. Changes in households are in millions. Simulated change based on 1989 headship rates and population change. Simulated and actual changes in the number of households adjusted for change to 1990 census base.
Source: U.S. Bureau of the Census, Current Population Reports, Series C-20, "Marital Status and Living Arrangements," various issues.

Table 2 1994 Living Arrangements by Age Showing 1989-1994 Change and the Effect of Changing Shares

	Age						Total 15 & Up
	15-24	25-34	35-44	45-54	55-64	65+	
Household Heads:							
Married couple	1.6	10.4	13.7	10.7	7.6	9.2	53.2
Single parent & other family	1.4	3.9	4.1	2.6	1.4	2.0	15.3
Person living alone	1.1	3.7	3.5	3.0	3.0	9.3	23.6
Other nonfamily household	<u>1.1</u>	<u>1.8</u>	<u>1.0</u>	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>5.0</u>
Total heads	5.3	19.7	22.3	16.8	12.2	20.8	97.1
Nonheads:							
Spouse of head	2.5	11.8	14.0	10.3	7.1	7.5	53.2
Child of head	23.1	5.1	2.2	0.8	0.3	0.1	31.6
Other relative of head	2.6	1.7	0.9	0.7	0.7	1.9	8.5
Nonrelative in household	2.8	3.6	2.1	0.9	0.4	0.4	10.2
Living in group quarters	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>
Total nonheads	31.0	22.2	19.2	12.7	8.5	10.0	103.7
Noninstitutional population	36.3	41.9	41.5	29.5	20.7	30.8	200.8
Effect of 1989-1994 Changes in Rates							
Household Heads:							
Married couple	-0.2	-0.9	-1.1	-0.2	-0.5	-0.1	-3.0
Single parent & other family	0.2	0.4	0.0	-0.0	-0.0	-0.0	0.6
Person living alone	-0.2	-0.3	0.1	0.2	-0.1	-0.1	-0.4
Other nonfamily household	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.6</u>
Total heads	-0.2	-0.7	-0.8	0.1	-0.5	-0.2	-2.3
Nonheads:							
Spouse of head	-0.6	-0.9	-0.7	-0.4	0.0	0.3	-2.2
Child of head	0.1	0.5	0.6	-0.0	0.1	0.0	1.3
Other relative of head	0.4	0.3	0.2	0.1	0.2	-0.2	1.0
Nonrelative in household	0.3	0.8	0.6	0.2	0.2	0.1	2.3
Living in group quarters	<u>-0.0</u>	<u>-0.0</u>	<u>0.0</u>	<u>-0.0</u>	<u>-0.0</u>	<u>-0.1</u>	<u>-0.1</u>
Total nonheads	0.2	0.7	0.8	-0.1	0.5	0.2	2.3
Total 1989-1994 Changes							
Household Heads:							
Married couple	-0.3	-1.4	0.8	1.7	-0.3	0.6	1.2
Single parent & other family	0.1	0.3	0.6	0.4	-0.0	0.1	1.4
Person living alone	-0.2	-0.4	0.5	0.7	-0.1	0.5	1.0
Other nonfamily household	<u>0.0</u>	<u>0.0</u>	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.7</u>
Total heads	-0.4	-1.5	2.2	3.0	-0.3	1.3	4.2
Nonheads:							
Spouse of head	-0.7	-1.5	1.2	1.5	-0.1	0.8	1.2
Child of head	-0.8	0.3	0.8	0.1	0.1	0.1	0.6
Other relative of head	0.3	0.2	0.3	0.2	0.2	-0.0	1.2
Nonrelative in household	0.2	0.7	0.8	0.3	0.2	0.1	2.4
Living in group quarters	<u>-0.0</u>	<u>-0.0</u>	<u>0.0</u>	<u>-0.0</u>	<u>-0.0</u>	<u>-0.0</u>	<u>-0.1</u>
Total nonheads	-1.0	-0.3	3.0	2.1	0.4	1.0	5.2
Noninstitutional population	-1.4	-1.8	5.2	5.1	0.1	2.3	9.4

Note: All data in millions of people, as of March 1. Estimate of effect of changes in rates equals change in share of noninstitutionalized population in each group times 1994 noninstitutionalized population by age with adjustment for change to 1990-based rates.
Source: U.S. Bureau of the Census, Current Population Reports, Series C-20, "Marital Status and Living Arrangements" (Series P-20).

others, typically by the parent(s) of one spouse. That share was up from about 1.6 percent in 1989.

The people who failed to establish separate households generally did not die, emigrate, enter nursing homes, prisons or other institutions, or become homeless. The reluctant householders moved into (or remained in) other people's households. Often, those "other people" were their parents. Table 2 shows the 1994 distribution of living arrangements for the noninstitutionalized population. The share of the population aged 15 to 24 who lived with their parents remained steady at about 64 percent during the 1989-1994 period; but among adults aged 25 to 34, the share living with parents rose by about 1.2 percentage points, to 12.2 percent in 1994, representing about 500,000 people who deferred leaving the nest. For the 35 to 44 age group, the increase was about 1.5 percentage points, to 5.4 percent, representing more than 600,000 people.

All together, increases in the share of adults in each age group who live in their parents' households absorbed about 1.3 million people ages 15 and older from 1989 to 1994. Since only a fraction of those people would have been household heads if they had moved away from their parents, those increases cannot explain the majority of the 2.2 million shortfall in households.

Another large factor was people doubling up with nonrelatives. The total number of adults who live as secondary members (nonheads) of households where they were not related to the household head grew by 2.4 million to more than 10 million. Part of that growth was due to the increase from 2.8 million to 3.7 million in the total number of unmarried-couple households. The number of households with exactly

two unrelated adults of the same sex was essentially unchanged, however, at 1.7 million. The remaining growth in the number of secondary adult nonrelatives involved tripling- and quadrupling-up of roommates or people living with families to whom they were not related.

Some potential household heads lived in families where they were not the child or spouse of the head, but were a brother, sister, parent, grandchild, niece, nephew, in-law, or other relative of the household head. Increases in the share of the adult population who were secondary relatives in such extended-family households absorbed about a million people over the five-year period.

For the population older than 65, the modest decline in headship rates was due partly to a greater tendency to double-up in nonfamily households. Also, there was a shift within all age groups during 1989-1994 toward more wives being reported as the heads in married-couple households, and since wives are generally younger than husbands, that had the effect of slightly reducing headship rates for the oldest group and of slightly raising rates for younger groups. Moreover, an increase in longevity means more married couples, rather than widows or widowers, older than 65, and that translates into lower headship as the population rises in each household.

People older than 65 did not move in with their children. The share of people older than 65 who lived in a household headed by their child continued to decline. Where seniors did live with their children, they, rather than their middle-aged children, were more often the household heads.

Immigrant Households

One factor that contributed to lower headship rates was the high rate of immigration and the increasing share of the U.S. population that is foreign-born. The foreign-born share of the population declined from 13.2 percent in 1920 to 4.8 percent in 1970, but rose to 7.9 per-

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have lower headship
rates than the
native-born population.*

cent by 1990 and has continued to rise since then. Among the population 15 years-old or older in 1990, 9.4 percent were foreign-born and 3.7 percent had arrived in the preceding ten years.

Recent immigrants tend to live in households that are larger than those of native-born Americans for two reasons. First, many immigrants come from cultures where extended families and large households are the norm. Second, U.S. immigration policy favors immigrants with family ties to U.S. citizens and residents, so there is a built-in bias that favors extended-family households.

Data from the 1990 decennial census show an overall headship rate for the U.S. population aged 15 and older of 47 percent.¹ Among the foreign-born residents who had arrived within the preceding three years, the overall headship rate was only 24 percent, but it was higher for those who arrived earlier, equaling 39 percent for those who arrived in 1980 or 1981 and nearly 50 percent for those who arrived before 1980. The low overall headship rate for recent immigrants was partly because of their youth. Among the foreign-born population 15 years and older who

entered in the latest three years, 70 percent were younger than 35. For the total population 15 and older, only 40 percent were younger than 35. Compared to the native-born population in the same age groups, headship rates for immigrants who arrived in the preceding three years were only about 15 percentage points lower.

The entry of about a million immigrants per year during the 1989-1994 period had an effect on headship rates. Since the three-fourths of immigrants who are adults had headship rates 15 percentage points below corresponding U.S. rates, net household formations were about 110,000 per year (0.15 times 750,000) lower than if new immigrants' headship rates matched the rates for native-born Americans. The low initial headship of new immigrants is offset by the high rate of net formations among earlier immigrants, as their headship rates quickly rise to approach the national averages. Also, changes in the immigration law in 1990 meant that more of the latest immigrants were admitted based on skills or other criteria, rather than family ties, and those immigrants were more likely to establish households immediately. Although immigration was a significant factor, it wasn't necessarily the dominant factor in the decline in national headship rates.

Measurement Problems

Assessing the extent of changes in the number of households over the past couple of years is complicated by a change in the Census Bureau's Current Population Survey (CPS), from which the estimates of the number of households are derived. In January 1994, the survey was changed in two ways. First, the population estimates used to convert

survey results to national values were changed to use the 1990 census as a base rather than the 1980 census. Second, the survey procedures were changed, with new questions and computer-assisted interviews. The effects of the first change could be measured by applying the new population weights to the old survey results, and doing so indicated no significant impact on estimates of the total number of households. The new survey procedures weren't supposed to affect the estimate of the number of households, but perhaps they did. The monthly CPS estimates of the number of households showed large year-over-year increases in the second half of 1993, but the January 1994 estimate, based on the new survey procedures, indicated a 477,000 drop in households from the preceding month.¹ That's the largest single monthly decline in the history of the series, and it is unlikely to have been just a coincidence. If the new survey procedures caused the drop in January 1994, the 677,000 increase shown between March 1993 and March 1994 was probably an underestimate, despite the use of 1990-based weights to create a revised value for March 1993.

If the actual change from December 1993 to January 1994 was an increase of about 228,000 (the average change from December to January in the preceding ten years) then the implied real increase from March 1993 to March 1994 would be nearly 1.4 million, and the average change from March 1989 to March 1994 would come to about 1 million per year, rather than 850,000

per year. That still represents a substantial shortfall from the 1.3 million annual growth that would have occurred with constant headship rates.

There is no way to be sure whether introduction of the new CPS procedures caused a drop in the estimated number of households in 1994. It should be noted that the declines in headship rates between 1989 and 1994 occurred steadily over that period.

What Does It Mean?

Many of the changes in living arrangements that have held down the number of households represent a return to an earlier era of extended families and shared housing. The degree to which extended families, groups of nonrelatives, or other forms of doubling-up are the result of temporary economic necessity, changes in social attitudes, or some other factor is not clear. These changes occurred before, during, and after the 1990-1991 recession, including years when employment opportunities were plentiful and unemployment rates were very low. Increased inequality in the distribution of income may have played a role, but the trend toward a more unequal income distribution began in the early 1970s, and didn't seem to retard household formations during most of the intervening years. Housing shortages don't seem to be a factor, since rental vacancy rates were high and real rents fell during the period.

If the shortfall in household formations were simply attributable to more adult children living with their parents, and if the decline in headship rates had been restricted to younger age groups, the shortfall could be easily interpreted as a mere postponement of household formations. In that case, the likelihood of a subsequent rebound in the growth in the number of households would be quite high. The complex pattern of changes in living arrangements over the 1989-1994 period, and the extent to which changes occurred across the age spectrum, may not portend a future surge, even though the potential for accelerated household formations has been enhanced.

Data for January and February of 1995, the first months for which year-over-year changes based on the revamped CPS are possible, show increases averaging 1.8 million. Perhaps that is the beginning of a rebound to offset the shortfall during the preceding five years. It is premature to conclude that the decline in headship will be reversed, but housing demand should not be stifled by weak demographics during the next few years as it was during the initial years of the decade.

¹This is somewhat below the rate shown in Table 1, mainly because it is based on the entire resident population, including the roughly 4 million people in prisons, nursing homes, and military barracks.

²The CPS is conducted every month, but in March of each year it contains more questions about household characteristics, and the March survey is the source of most information about households between censuses.