

1996 Households

Michael Carliner

While the rate of household formations has accelerated somewhat, the shortfall in household formations earlier in the decade has not been offset by above-normal growth. Current population trends imply that household formations rates in the next few years should be, on average, the lowest since World War II, but population trends are not the only factor that determines the number of households.

Figure 1 shows the net increase in the annual average number of households, based on monthly Current Population Survey data for all 12 months of each year. For the four years from 1989 to 1993, the average increase was less than 1.1 million per year, even though the changes in the adult population in each age group implied an average increase of close to 1.3 million. As an earlier article noted,¹ the shortfall represented a pent-up potential for above-normal household formations from 1994 on.

The data for 1994 showed an increase of 962,000, but that may have been distorted by the changes in the survey. If we assume that the number of households in January 1994 was unchanged from the number in December 1993, rather than dropping by 477,000, then the change for 1994 becomes 1,439,000.

The average increase since 1994 was 1.15 million per year. That rate of increase is consistent with what the changes in population during that period imply. It suggests that even with strong economic growth and low unemployment rates since 1994, there was no extraordinary growth in the number of households.

Moreover, the rate of increase apparently fell during 1996.

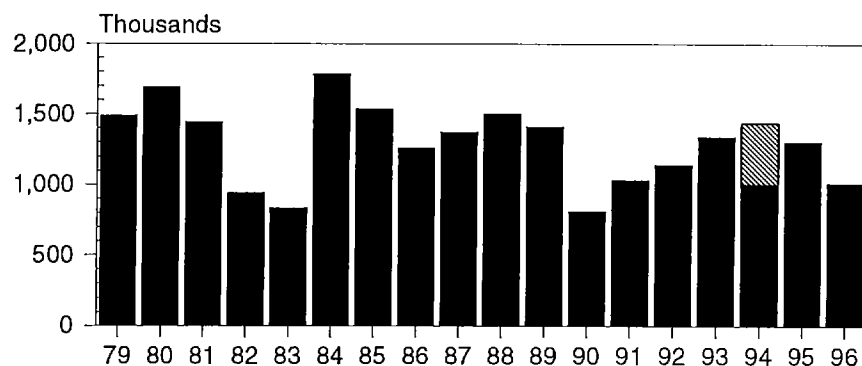
In analyzing these patterns, it should be kept in mind that the data on household formations are subject to a variety of measurement errors, and it is hard to know what is a real change and what is a measurement error. All the data used in housing market analysis are imprecise, but measures of the net change in households are more imprecise than data such as housing starts or employment. The estimates of change in the number of households from one year to the next are subject to a standard error from sampling on the order of 400,000, meaning that there is roughly a one-third chance that the actual change is 400,000 more or less than the reported change. Even so, the household data provide useful insights and are more reliable than the information available from most cocktail parties, office water cooler conversations, or evening newscasts.

Headship Rates

The relationship of households to population is measured by the headship rate—the share of people in a category (such as age) who are heads of households. Table 1 shows headship rates by age, as measured by the Current Population Survey, for the month of March in each year from 1989 to 1996.² There was a clear decline in most headship rates from 1989 to 1993. Because of the changes in the survey in 1994, the headship rate changes from 1993 to 1994 are hard to interpret. Since 1994 there has been little change.

While the decline in headship rates since 1989 that is recorded in Table 1 appears to be fairly uniform across different age brackets, the trends are distorted by a shift in the way married couples were counted. Either the husband or the wife in a married-couple household may be reported as the householder. In 1989, the wife was recorded as the householder in only 6 percent of married-couple households. By

**Figure 1 Household Formations, 1979-1996
Change From Previous Year**



Note: Annual data are averages of monthly unpublished figures.
Source: U.S. Bureau of the Census, Current Population Survey.

Table 1 Headship Rates and Number of Households

	1989	1990	1991	1992	1993	1994	1995	1996
Headship								
15-24	15.1%	14.5%	14.0%	14.1%	14.6%	14.5%	15.0%	14.5%
25-34	48.4%	47.3%	47.4%	47.1%	47.2%	47.0%	47.0%	47.0%
35-44	55.6%	55.3%	55.1%	55.0%	53.8%	53.7%	54.1%	53.9%
45-54	56.9%	57.4%	57.4%	57.5%	58.2%	57.0%	57.3%	57.0%
55-64	59.8%	59.0%	58.7%	59.4%	58.5%	58.8%	58.9%	58.8%
65+	67.9%	68.2%	68.2%	68.4%	67.7%	67.6%	68.3%	67.9%
All ages (15 and older)	48.8%	48.7%	48.7%	49.0%	48.9%	48.4%	48.8%	48.7%
Households (millions)								
Total	92.83	93.35	94.31	95.66	96.39	97.11	98.99	99.63
Net change	1.77	0.52	0.96	1.35	0.73	0.68	1.88	0.64

Note: Headship rates are the share of noninstitutional population who are household heads.
 Source: U.S. Bureau of the Census, published and unpublished data from Current Population Survey for March of each year.

1996, that proportion increased to 18 percent. Since wives are, on average, a few years younger than their husbands, reporting the wives as household heads tended to raise the headship rates for younger age groups and lower the rates for older age groups. Without the reporting shift, the drop-off in headship rates would be more heavily concentrated among the younger age groups and headship rates for age brackets over 45 years old would have been essentially unchanged from 1989 to 1996.

The latest detailed data on households are for March 1996. The March data show a somewhat larger change from 1994 than the 12 month averages, with an increase from March 1994 to March 1996 of 2.52 million, or 1.26 million per year. The March data indicate that headship rates for some age brackets grew slightly from 1994 to 1996. The share heading married-couple households continued to decline, but the share living alone or heading other types of households slightly increased.

The share of people in each age group shown who were not household heads either declined or remained the same from March 1994 to March 1996. That was due, however, to declines in the share

who were the spouse of the household head. For every age group except 55 to 64 years old, the share of people who were neither household heads nor the spouse of the head increased. The number of adults living with their parents, with nonrelatives, etc., continued to grow. Making the (possibly old-fashioned) assumption that husbands and wives in married-couple households are not seeking to establish separate households, while other nonheads represent potential households, the March survey data imply that the pent-up potential was actually higher in 1996 than in 1994, despite modest increases in headship.

Nonheads

The proportion of adults who live with their parents has sharply increased in recent years. Among the various categories of the adult population who are not household heads, these would seem to be particularly strong candidates for forming additional households in the years ahead, but, as many of their parents can attest, they don't seem to be highly motivated to do so. Generally, these overaged dependent children are male, with the proportion of men aged 25 to 44 living with their parents about twice as high as the proportion of women in the same age groups, as Table 2 shows.

There were more than 1 million married couples living together in

Table 2 Proportion of Adults Living in Parents' Households

Age	Male			Female		
	1989	1994	1996	1989	1994	1996
15-24	67.9%	68.8%	69.3%	59.5%	58.6%	61.0%
25-34	14.6%	15.6%	15.8%	7.9%	8.8%	8.8%
35-44	4.6%	7.5%	8.1%	2.9%	3.3%	3.6%
45-54	3.1%	3.5%	3.3%	1.9%	1.8%	2.1%
55-64	1.0%	1.7%	1.4%	1.1%	0.8%	1.0%
65+	0.3%	0.3%	0.2%	0.2%	0.4%	0.3%
15 and older	18.2%	18.7%	18.5%	13.5%	13.0%	13.3%

Source: U.S. Bureau of the Census.

Table 3 1990 Headship Rates for Foreign-Born and U.S.-Born Population

	Total	Born in USA	Foreign Born, by Year of Entry					Total Foreign Born
			1987-90	1985-86	1982-84	1980-81	Pre-1980	
1990 Population								
15-24	34,145	31,035	786	425	351	310	1,237	3,110
25-34	42,046	37,306	760	532	605	621	2,223	4,740
35-44	36,945	32,896	355	243	300	422	2,729	4,049
45-54	25,109	22,397	179	102	126	158	2,147	2,712
55-64	20,927	19,025	75	42	61	91	1,634	1,902
65+	30,842	28,053	65	35	42	75	2,572	2,789
Headship Rate								
15-24	14.0%	14.0%	12.7%	17.5%	17.2%	14.0%	13.2%	14.2%
25-34	47.6%	48.2%	33.5%	40.0%	41.1%	46.1%	46.2%	42.8%
35-44	55.0%	55.4%	43.3%	50.4%	50.7%	54.1%	53.4%	52.2%
45-54	57.2%	57.6%	43.9%	52.8%	50.0%	54.4%	55.4%	54.2%
55-64	59.2%	59.7%	33.6%	42.4%	51.2%	52.2%	55.9%	54.4%
65+	65.3%	65.8%	27.6%	37.6%	46.6%	51.5%	62.0%	60.4%

Source: U.S. Bureau of the Census, 1990 Census Public Use Microdata; tabulated by NAHB-Economics.

1996 in households headed by someone else, usually by a relative of the husband or wife. This was not significantly higher than in 1994, but it wasn't lower either. The share of married couples who didn't head their own households had significantly increased during the 1989-1993 period.

Currently, about 9 percent of the U.S. population is foreign-born, compared with only about 6 percent in 1980. About a third of the recent growth in population has been due to immigration. Recent immigrants have much lower headship rates than the U.S.-born population. After they have lived here a few years, however, immigrants' headship rates approach the overall average. Table 3 shows headship rate data for 1990 for immigrants, according to when they arrived in the U.S. Among the population aged 25-54, immigrants who arrived in the previous three years had headship rates 12 to 15 percentage points lower than their

U.S.-born counterparts. This implies that among the roughly 1 million people who enter the U.S. each year, including about 750,000 aged 15 and older, the number of households initially formed is about 100,000 lower than if they immediately adopted the living arrangements of U.S.-born residents. But immigrants who arrived 5 or 10 years ago will contribute disproportionately to net household formations as they belatedly establish separate households.

Adult immigrants generally do not live in households headed by their parents (who may not even be in the U.S.). Instead they are likely to be in households headed by a sibling or other relative. Older immigrants are more likely than native-born Americans to live in households headed by their adult children. Even among immigrants who entered the U.S. more than 10 years ago, relatively few live alone.

Outlook

Because of the low birth rates in the 1970s, the expectation has been that the average increase in the number of household formations would reach a low point of about 1.1 million in the second half of the 1990s, before picking up at the turn of the century when the echo baby boom begins to establish households. The deferral of household formations in the first half of this decade, however, implied that household formations could average closer to 1.2 million if headship rates rebound. Whether such a rebound will occur depends on the economic and social trends of the next few years.

¹Michael Carliner, "The Shortfall in Households," *Housing Economics*, April 1995.

²Although the Current Population Survey is conducted on a monthly basis, detailed demographic data are only collected in March. These rates are based on the non-institutional population. About 2 percent of the population are in institutions such as prisons or nursing homes.