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## NUMBER AND PERCENTAGE OF AMERICANS WHO ARE UNINSURED CLIMBS AGAIN

### Poverty Edges Down but Remains Higher, and Median Income for Working-Age Households Remains Lower, than When Recession Hit Bottom in 2001

New Census data show that in 2006, both the number and the percentage of Americans who are uninsured hit their highest levels since 1999, the first year for which comparable data are available, with 2.2 million more Americans — and 600,000 more children — joining the ranks of the uninsured in 2006.

The new Census figures also show that while the overall poverty rate declined slightly (from 12.6 percent to 12.3 percent) between 2005 and 2006, the decline was largely concentrated among the elderly. The poverty rates for children and for working age adults remained statistically *unchanged* as compared to 2005, and well above their levels in 2001, when the last recession hit bottom

Similarly, while median income rose modestly (by 0.7 percent, or \$356) for households in general, this merely brought median income back to where it stood in the 2001 recession year. In addition, median income for *working-age* households — those headed by someone under 65 — remained more than \$1,300 below where it stood when the recession hit bottom.

Center executive director Robert Greenstein noted that, “Five years into an economic recovery, the country has yet to make progress in reducing poverty, raising the typical working-age family’s income, or stemming the rise in the ranks of the uninsured, compared even to where we were in the last recession. The new figures on median income and poverty are the latest evidence that the economic growth of the past few years has been very uneven, with the gains being concentrated among those who already are the most well off. Too many middle- and low-income families are not sharing in the gains.”

#### Percentage and Number of Uninsured Remain High

The percentage of Americans who lack health insurance stood at 15.8 percent in 2006, up from 15.3 percent in 2005. The number of people who are uninsured rose by 2.2 million in 2006, to 47 million, the highest level on record (with comparable data going back to 1999).

Both the number and the percentage of Americans who were uninsured were substantially higher last year than in the recession year of 2001. That year, 39.8 million people — 14.1 percent of

Americans — were uninsured. Since 2001, the percentage of Americans without insurance has trended upward and now equals a record high.

Of particular note, both the number and the percentage of *children* who are uninsured increased for the second straight year in 2006 — to 8.7 million, or 11.7 percent, of all children. (In 2005, the comparable figures were 8.0 million and 10.9 percent of children; in 2004, the figures were 7.7 million and 10.5 percent.)

Between 1998, when the State Children’s Health Insurance Program (SCHIP) started, and 2004, the number and percentage of uninsured children fell consistently, despite the erosion of employer-based coverage during that period, as more low-income children were enrolled in SCHIP and Medicaid. This progress halted in 2005, however. Over the past two years, the number and percentage of children who lack health insurance have risen; 1 million more children were uninsured in 2006 than in 2004. This occurred because progress in enrolling children in SCHIP and Medicaid stopped while employer-based coverage of children continued to decline.

Progress in enrolling children in SCHIP and Medicaid halted (the percentage of children enrolled in these programs remained unchanged between 2004 and 2006) as the availability of funding for SCHIP expansion became scarcer. In addition, a new federal documentation requirement instituted in mid-2006 has resulted in delay or denial of Medicaid coverage for tens of thousands of low-income citizen children whose parents lack ready access to the child’s birth certificate or passport. Other factors also likely contributed to the halt in progress.

In short, the new Census data show that progress in reducing the number of uninsured children has stalled since 2004 and that ground has been lost. Robert Greenstein, the Center’s executive director, observed that the new data heighten the importance of legislation now moving through Congress to strengthen children’s health insurance coverage.

“According to Congressional Budget Office estimates,” Greenstein said, “the bills the Senate and House approved in July would shrink the number of uninsured children by 3 to 4 million by 2012.<sup>1</sup> But the President has vowed to veto both bills. In addition, the Administration announced a harsh new policy on August 17 that would reduce the number of children insured by SCHIP over the next few years by as many as several hundred thousand. The increases in the numbers of uninsured children reported by the Census Bureau should prompt the President to rethink his hard-line positions.”

It is also notable that the share of full-time workers without health insurance rose to 17.9 percent — more than 1 in 6 full-time workers now lacked health insurance in 2006.

### **Poverty and Non-Elderly Income Remain Worse than When Recovery Began**

Overall, the percentage of Americans in poverty declined to 12.3 percent in 2006, from 12.6 percent in 2005 but the progress was largely concentrated among the elderly. Some 36.5 million Americans were poor in 2006, a level statistically unchanged from 2005.

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<sup>1</sup> The Senate bill would, by 2012, reduce the number of uninsured children by 3.2 million *and* prevent 800,000 children now covered through SCHIP from losing coverage as a result of federal funding shortfalls. The House bill would reduce the number of uninsured children by 4.2 million, plus prevent the 800,000 insured children from losing coverage.

**Table 1:  
Despite a Growing National Economy,  
Median Income of Working-Age Households Remains Lower,  
and Poverty Remains Higher, Than in the Last Recession**

	<b>Median Non-Elderly Household Income</b>	<b>Overall Poverty Rate</b>	<b>Children Poverty Rate</b>	<b>Poverty Among Adults, 18-64 Rate</b>
<b>2000 (last business cycle peak)</b>	<b>\$57,101</b>	<b>11.3%</b>	<b>16.2%</b>	<b>9.6%</b>
<b>2001 (recession year)</b>	<b>56,062</b>	<b>11.7</b>	<b>16.3</b>	<b>10.1</b>
<b>2002</b>	<b>55,488</b>	<b>12.1</b>	<b>16.7</b>	<b>10.6</b>
<b>2003</b>	<b>55,000</b>	<b>12.5</b>	<b>17.6</b>	<b>10.8</b>
<b>2004</b>	<b>54,356</b>	<b>12.7</b>	<b>17.8</b>	<b>11.3</b>
<b>2005</b>	<b>54,001</b>	<b>12.6</b>	<b>17.6</b>	<b>11.1</b>
<b>2006</b>	<b>54,726</b>	<b>12.3</b>	<b>17.4</b>	<b>10.8</b>
<b>01 to 06 change</b>	<b>-\$1,336</b>	<b>+0.6</b>	<b>+1.1</b>	<b>+0.7</b>
<b>01 to 06 %change</b>	<b>-2.4%</b>	<b>percentage points</b>	<b>percentage points</b>	<b>percentage points</b>

The poverty rate among the elderly declined from 10.1 percent in 2005 to 9.4 percent in 2006. The poverty rates for children (17.4 percent in 2006) and for adults aged 18 – 64 (10.8 percent in 2006) were statistically unchanged from the 2005 levels, as were the numbers of children and working-age adults who were poor. It is both surprising and disappointing that in the fifth full year of the recovery, there was not strong improvement in poverty among children and adults — two groups whose poverty rates are more affected by the health of the economy than is the poverty rate among the elderly.

The overall poverty rate, the child poverty rate, and the poverty rate among working-age adults all remain above their levels in 2001 when the last recession hit bottom, and even farther above the levels in 2000, before the recession hit. In further evidence that real progress has been made among the elderly, the poverty rate for this group is now *below* its levels in 2001.

The new Census data also show that while median household income rose 0.7 percent in 2006, this merely returned it to its 2001 level. In addition, the incomes of *non-elderly households* have yet to return to where they stood during the 2001 recession year. Median income for non-elderly households — the group most affected by the economy — rose by 1.3 percent, or \$725, in 2006, but remained \$1,336 below the 2001 level, and \$2,375 below the level in 2000.<sup>2</sup> The increase in median income for working-age households in 2006 comes after five consecutive years of decline.

The findings that poverty remains higher, and median income for working-age households lower, than in 2001 when the last recession hit bottom, are the latest evidence that the current economic recovery has been exceptionally uneven and that an unusually small share of the gains has reached low- and middle-income families. Data recently issued by the Commerce Department illuminate this trend. They show that a smaller share of the income gains from the current recovery are going to

<sup>2</sup> This reflects the change in median income after adjusting for inflation. All income figures in this analysis are provided in 2006 inflation-adjusted dollars.

Table 2: Key Changes in Poverty, Income, and Health Insurance		
	2005 to 2006	2001 to 2006
Poverty Rate	-0.3 percentage points*	+0.6 percentage points*
Number Poor	-490,000	+3.6 million*
Real Median Household Income	+\$356*	-\$110
Real Median income of non-elderly households	+\$725*	-\$1,336*
Percentage of Americans without Health Insurance	+0.5 percentage points*	+1.7 percentage points*
Number without Health Insurance	+2.2 million*	+7.2 million*

\* denotes a statistically significant change

workers' wages and salaries, and a larger share are going to corporate profits, than in any other recovery since World War II.<sup>3 4</sup>

### *Income Inequality*

The Census data show that the share of income going to the 5 percent of households with the highest incomes — 22.3 percent in 2006 — has never been higher. And, the Census Bureau's index of income inequality, called the Gini index, also stood at its highest point on record and has increased significantly since 2002 (although not since 2005).

Researchers concur that the official Census data are not the best measure of trends in income inequality. The Census data fail to capture a substantial amount of income at the top of the income scale, in part because the Census Bureau records income only up to certain specified levels. For example, earnings above \$999,999 are not counted; if an individual has a job paying \$5 million, his or her earnings are recorded by Census as \$999,999. In addition, the Census data leave out all capital gains income, which flows disproportionately to the most affluent households.<sup>5</sup>

It is likely that the new Census data understate recent growth in inequality because, as noted, they do not fully capture the growing concentration of income at the top of the income scale. For instance, between 2004 and 2005, as well, the Census Bureau's Gini coefficient rose by a statistically insignificant amount. Yet research by economists Thomas Piketty and Emmanuel Saez, using data that capture income changes at the top of the income spectrum and are available through 2005, shows that income inequality grew markedly that year. This research, which incorporates Internal Revenue Service data that reflect actual incomes at the top of the income scale, finds that the top one percent of households received *nearly half* — 49 percent — of the overall increase in household

<sup>3</sup> Aviva Aron-Dine and Isaac Shapiro, "Share of National Income Going to Wages and Salaries at Record Low in 2006: Share of Income Going to Corporate Profits at Record High," Center on Budget and Policy Priorities, revised March 29, 2007, [www.cbpp.org/8-31-06inc.htm](http://www.cbpp.org/8-31-06inc.htm).

<sup>4</sup> Some have argued that wages and salaries have grown slowly in the current recovery only because costs for other forms of employee compensation, such as employer-provided health care benefits, have grown rapidly. The Commerce Department data show, however, that while total employee compensation has grown somewhat more rapidly than wages and salaries, total compensation itself has grown more slowly than in the average recovery since World War II.

<sup>5</sup> In addition to leaving out these income sources for the wealthiest Americans, the basic Census data also miss some sources of income for lower-income households. The Census do not capture all cash welfare payments for the poorest Americans, although the number of dollars missed has declined in recent years as the amount of cash welfare assistance has shrunk. The Census data also do not count as income such items as Earned Income Tax Credit payments and food stamp benefits.

### **The Most Comprehensive Poverty Measures, Not Yet Available for 2006, Usually Show Similar Levels of Poverty**

The poverty data released today reflect cash income before taxes. Data for alternative poverty measures are not expected to be released for another few months. The most comprehensive of the Census Bureau's alternative measures, based on recommendations by the National Academy of Sciences (NAS), reflect post-tax income, minus work expenses, and include the value of non-cash benefits such as food stamps and housing assistance.

In past years, the Census Bureau has provided a range of alternative poverty rates that reflect the NAS recommendations. The results from these alternative poverty measures tend to show similar or slightly higher poverty rates than the official poverty measure. In 2005, poverty rates based on the NAS recommendations ranged from 12.5 percent to 14.2 percent, compared with 12.6 percent under the official poverty measure, Census estimates show.

A number of other alternative poverty measures published by the Census Bureau show lower poverty rates. Unlike the measures based on NAS recommendations, however, these other measures do not reflect families' child care and medical expenses and are not consistent with NAS recommendations on the need for consistency in measuring families' income and needs.

income that occurred in 2005. (Moreover, the top one percent of households received 19.3 percent of all income in 2005. This tied with 2000 as the largest percentage going to the top one percent of households since 1929.<sup>6</sup>)

### **Poverty Results Disappointing Compared with Previous Recoveries**

The first four years of the current economic recovery were marked by declines in median income for working-age households, and an increase in the poverty rate in every year of the recovery except one (2005).

The poverty increased during the early years of the current recovery is not unique; poverty often rises and median income often continues falling in the first year or two after a recession ends. But it has taken much longer during the current recovery than during most other recoveries for improvements in poverty to occur. 2006 marked the first time on record that, five years after the recession ended, the poverty rate still had not returned to its level during the recession. Moreover, between 2001 and 2006, median household income grew at the slowest rate on record for the first five years of a recovery. (These comparisons exclude recoveries that lasted less than five years.)

The 2001 recession was a shallower recession compared than some previous recessions, but the continued deterioration in poverty and income lasted longer than in prior recoveries. The 1990s recession also was relatively shallow. After that downturn, poverty and income continued to worsen for *two* years after the economy began to recover. Ultimately, the 1990s proved to be a decade where real progress was made in reducing poverty and lifting the living standards of the middle class, because low- and middle-income households shared in the economic growth that took place. To

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<sup>6</sup> Aviva Aron-Dine, "New Data Show Income Concentration Jumped Again in 2005," Center on Budget and Policy Priorities, March 29, 2007, [www.cbpp.org/3-29-07inc.htm](http://www.cbpp.org/3-29-07inc.htm).

### How Poor is "Poor"?

In the poverty data the Census Bureau released today, Americans are considered poor if their annual incomes in 2006 were below \$16,079 for a three-person family, equivalent to \$1,340 a month. For a family of four, the poverty line was \$20,614 a year, or \$1,718 a month.

These amounts are modest. For example, the typical rent paid by U.S. renters in 2005 was \$717 a month, or \$8,598 on an annualized basis.\*

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\* American Housing Survey: 2005, Table 4-13, [www.census.gov/prod/2006pubs/h150-05.pdf](http://www.census.gov/prod/2006pubs/h150-05.pdf), in 2006 dollars.

date, growth in this recovery has been more tilted toward the top, a warning sign that the progress made in the 1990s may very well not be replicated in this decade.