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CENSUS DATA SHOW LARGE JUMP IN POVERTY AND THE RANKS OF THE UNINSURED IN 2009

Strong Government Response Moderated Increase But May Largely Expire Before Need Recedes

By Arloc Sherman, Danilo Trisi, Robert Greenstein and Matt Broaddus

Several points stand out from the data on income, poverty, and health insurance that the Census Bureau released on September 16:

- **Poverty rose by a large amount in 2009, as 3.7 million more people fell into poverty.** The number and percentage of Americans in poverty rose substantially, driven by deep job losses and record levels of long-term unemployment.

- **3.3 million more people would have become poor had it not been for unemployment insurance benefits, which expanded substantially in response to the increased need.** Federal and state unemployment insurance (UI) benefits rose by $78 billion in 2009, due in significant part to temporary expansions in UI benefits enacted as part of the economic recovery legislation. A separate Center analysis based on the new Census data finds that without UI benefits, an additional 3.3 million Americans would have been poor last year.

- **The official poverty figures miss much of the poverty-moderating effect of the Recovery Act.** The official poverty definition accounts for cash income, including UI benefits. But the official data leave out all assistance in the form of tax credits or non-cash benefits such as food stamps. This has a large effect on the data for 2009, because the Recovery Act included substantial increases in tax credits for low-income working families and food stamp benefits in response to the economic downturn. Such assistance moderated the increase in, and the severity of, poverty for millions of Americans. A broader poverty measure that counts these benefits, which analysts have recommended for years and which the Census Bureau is expected to release later this year, almost certainly will show a considerably smaller, although still very sizeable, increase in poverty in 2009.

- **The ranks of the uninsured grew considerably in 2009.** The number and percentage of Americans without health insurance rose at a record pace in 2009. But the increase would have been substantially greater without the response of Medicaid and the Children's Health Insurance Program (CHIP) in covering more people as the number of Americans lacking employer-based health insurance swelled. This points to the importance of the health reform law. Had health reform been in place in 2009, the number of people without health insurance would have increased by a much smaller amount.

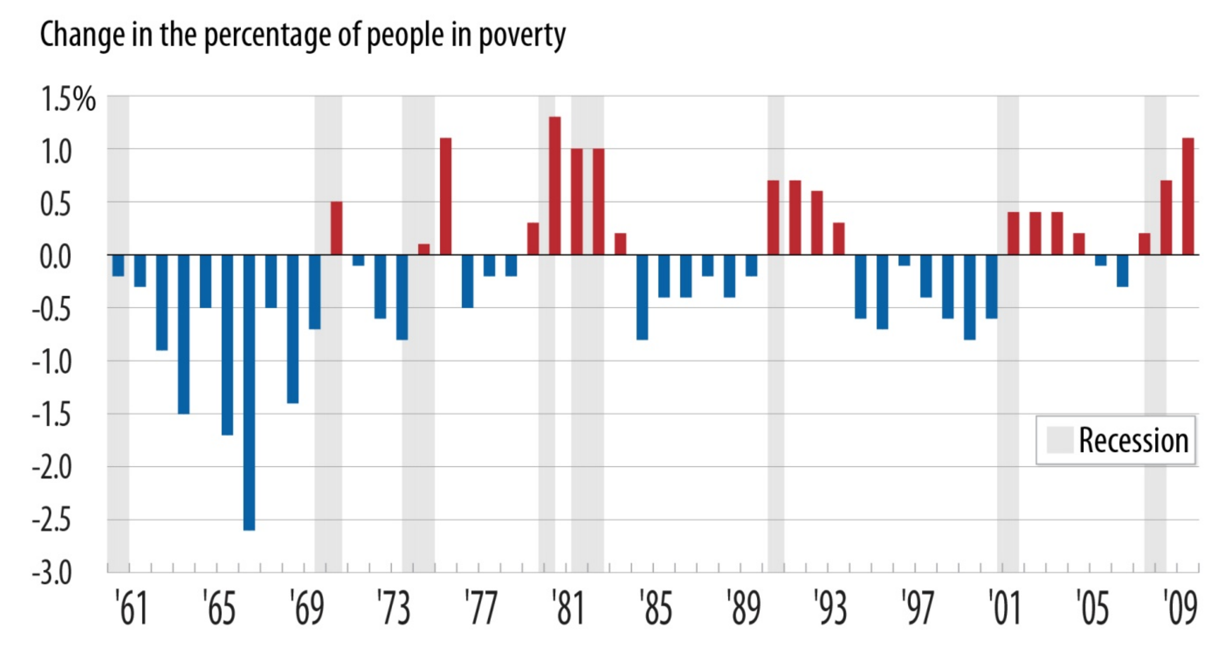
Looking forward, poverty is likely to remain very high through at least 2011, if the labor market remains weak as is widely forecast. In fact, poverty is likely to rise *higher* in 2011 (especially using the broader measure of poverty), because most of the Recovery Act's expanded unemployment benefits, tax credits, and other assistance targeted on people of modest means will expire by the end of 2010 unless Congress takes further action. Without such action, the level of poverty could climb considerably.

Poverty Rose a Record Amount in 2009

The number of Americans living in poverty climbed by 3.7 million in 2009, from 39.8 million people in 2008 to 43.6 million. The percentage of people in poverty rose from 13.2 percent to 14.3 percent. Both the number and the percentage of people in poverty rose among non-Hispanic whites, blacks, and Hispanics. (The number but not the percentage rose for Asians.)

FIGURE 1:

U.S. Poverty Rate Up in 2009



Source: U.S. Census Bureau.

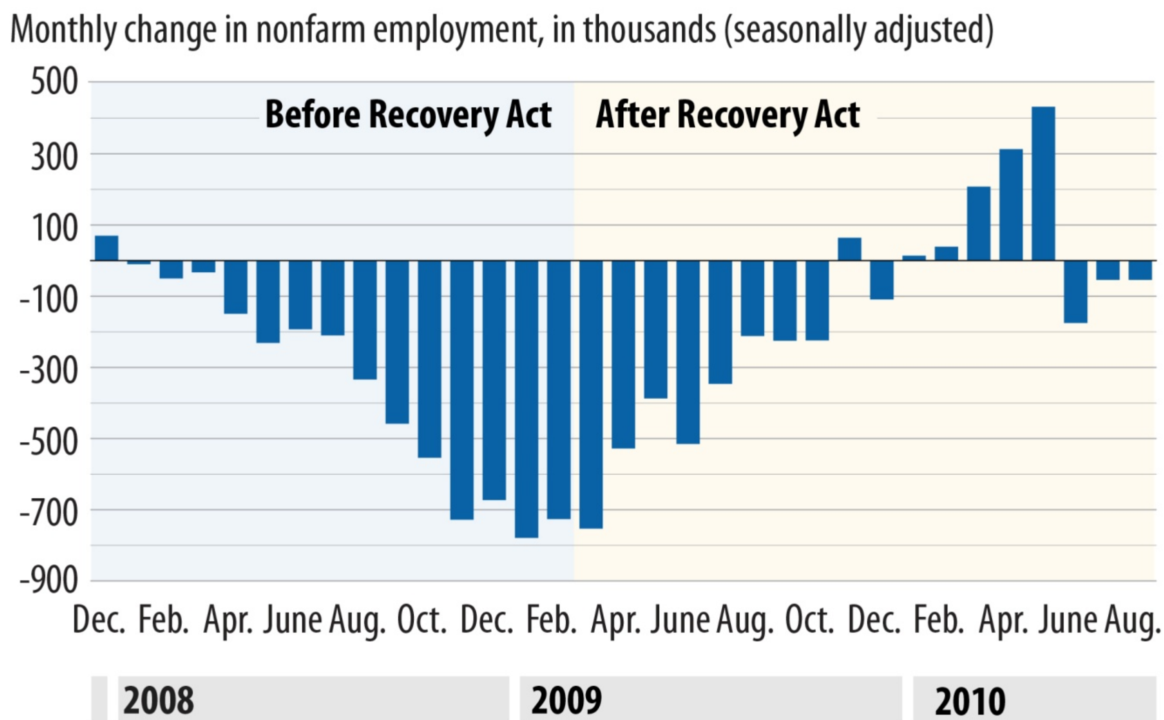
Median household income was flat in 2009. It stood at $49,777 as compared to $50,112 in 2008; the change was not statistically significant. However, median income was 4.2 percent — or $2,188 — lower in 2009 than in 2007, before the recession started. The bulk of the decline occurred between 2007 and 2008.

The rise in poverty was fueled by steep job losses. The number of jobs dropped by more than 8 million between January 2008 and December 2009, and the number of people working *full time* declined even more sharply. Moreover, by late 2009, the share of unemployed workers who had been out of work for more than six months topped 40 percent, a record. The longer people are out of work, the more likely they are to fall into poverty.

A look at monthly employment data shows that the worst job losses occurred before the implementation of recovery policies enacted in February 2009. The largest job losses occurred in January 2009, and 70 percent of the jobs lost between January 2008 and December 2009 had disappeared by mid-March 2009, Labor Department data show. Nonetheless, job losses continued through most of 2009.

FIGURE 2:

Job Losses Slowed After Recovery Act Enacted



Source: Bureau of Labor Statistics

3.3 Million More Americans Would Have Been Poor Without Unemployment Benefits

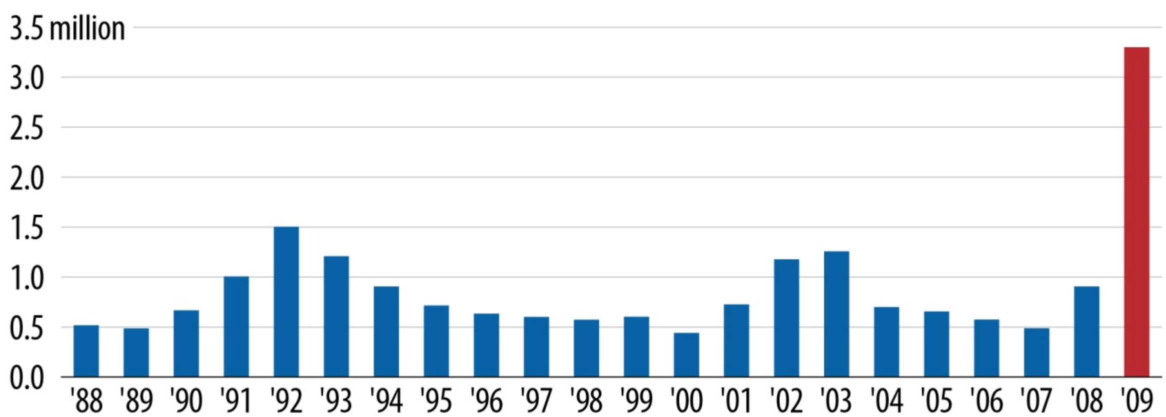
A Center analysis of the Census survey data released on September 16 shows the role played by one key element of the public safety net — unemployment insurance — in pushing back against job loss and rising poverty:

- In 2009, UI benefits kept 3.3 million Americans out of poverty. The number represents the difference between the 46.9 million people whose families were below the poverty line when their income from unemployment compensation is *not* counted and the 43.6 million who were poor when UI *is* counted (as it is in the official poverty statistics). The number of people kept out of poverty by UI rose from 900,000 in 2008 to 3.3 million in 2009.

- Although UI usually keeps more people out of poverty during recessions than during expansions, its impact has been greater in this recession than in the previous two recessions. From 2007 to 2009, the number of people kept out of poverty by UI rose by 2.8 million (or 581 percent). In the previous two recessions, the number kept out of poverty by UI never rose more than 1 million (or 209 percent).

FIGURE 3:

Number of People Kept Out of Poverty by Unemployment Insurance



Source: U.S. Census Bureau.

Total unemployment benefit payments increased by $78 billion in 2009, reflecting both a massive influx of laid-off workers qualifying for UI assistance and the UI measures included in the Recovery Act and other legislation. The Recovery Act increased the value of UI benefits by $25 per week and, together with other legislative action, enabled long-term jobless workers to continue receiving benefits for longer periods.[1] (In addition to lifting individuals out of poverty through UI and other direct assistance, the Recovery Act saved or created an estimated 0.9 to 1.9 million jobs on net by the fourth quarter of 2009, according to the Congressional Budget Office.[2] These jobs increased family income and reduced the poverty rate but by how much is not known.)

These data demonstrate the role of public benefits in keeping poverty from rising even higher in 2009. They also show the stakes for families and individuals if Congress allows extended UI assistance to wind down too quickly. Extended UI benefits are scheduled to expire on November 30, 2010. If that occurs and this aid disappears before the job market recovers, it will push poverty higher in 2011.

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[1] Bureau of Economic Analysis, National Income and Product Accounts Table 2.1, at www.bea.gov. The Recovery Act itself contributed $44 billion in unemployment benefits in 2009. (BEA, "Effect of the ARRA on Selected Federal Government Sector Transactions," www.bea.gov/recovery/pdf/arra_impact_table_01.pdf#page=1.)

[2] CBO, *Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output From April 2010 Through June 2010*, August 2010, www.cbo.gov/ftpdocs/117xx/doc11706/08-24-ARRA.pdf.

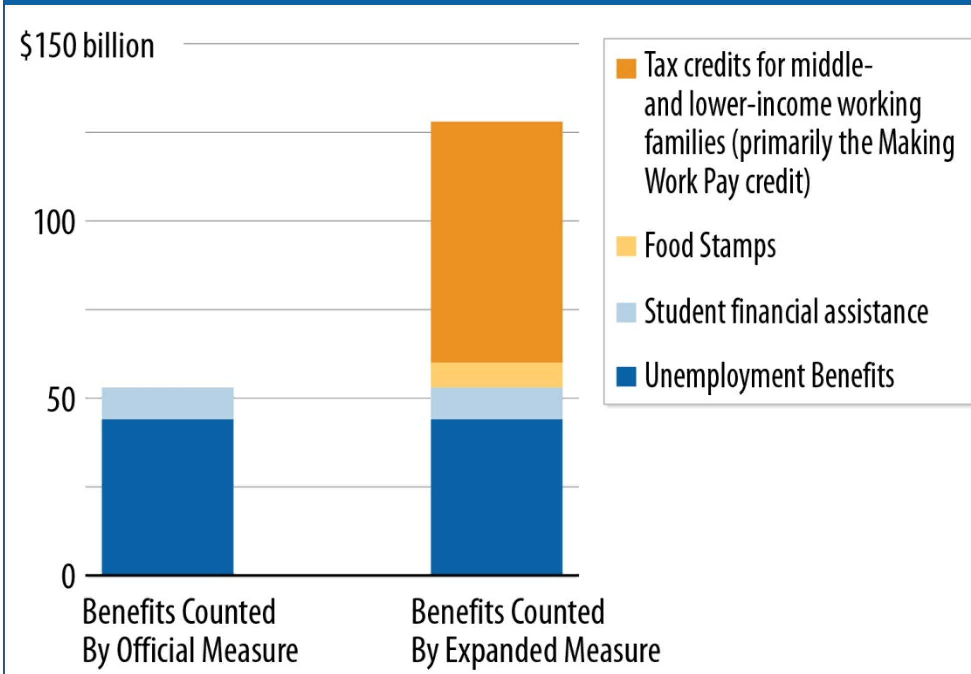
Official Poverty Figures Miss Much of Recovery Act's Poverty-Reducing Assistance

The impact of government assistance on poverty is considerably more dramatic under a broader measure of poverty that analysts generally favor and that the Census Bureau is due to release later this year. The official poverty definition counts only a family's cash income; it fails to account for other forms of income — including much of the temporary assistance provided in the Recovery Act.

The Recovery Act provided middle- and lower-income households and unemployed workers with over $70 billion in 2009 in expanded tax credits and food stamps that are not counted in the official poverty measure but will be counted in the broader poverty measure. The official poverty figures leave out more than half of the income assistance from the Recovery Act that the broader poverty measure will capture.

FIGURE 4:

Expanded Poverty Measures Will Count Much Larger Share of Recovery Act Expansion



Source: CBPP calculations from Bureau of Economic Analysis data.
Notes: Tax credits include Making Work Pay Credit and expansions of Child Tax Credit and Earned Income Tax Credit. Figure shows major forms of Recovery Act assistance to middle- and lower-income households. Tax credits are counted by tax year.

For several years, federal statistical agencies have been developing a Supplemental Poverty Measure (SPM) that accounts for the effects of non-cash benefits and tax credits; this effort builds on poverty measurement recommendations made by a National Academy of Sciences panel in 1995. In addition to counting more types of income, the SPM will subtract taxes, child care and other work expenses, and out-of-pocket medical expenses from income.

Final SPM results are due next fall, but the Census Bureau plans to release estimates for 2009 later this year using a number of broader measures. These expanded poverty data almost certainly will show that the Recovery Act kept several million people out of poverty and that poverty rose in 2008 and 2009 by significantly smaller amounts than the official poverty figures indicate.

Estimates that the Census Bureau released on September 16 provide an early indication of the impact of tax credits and non-cash benefits on poverty. As the Census Bureau explained, counting food stamps as income lifts 3.6 million people classified as poor under the official poverty data *above* the official poverty line in 2009. Similarly, Census said, counting tax credits as income (and subtracting income and payroll taxes owed) lifts out of poverty 4.2 million people officially classified as poor in 2009.[3]

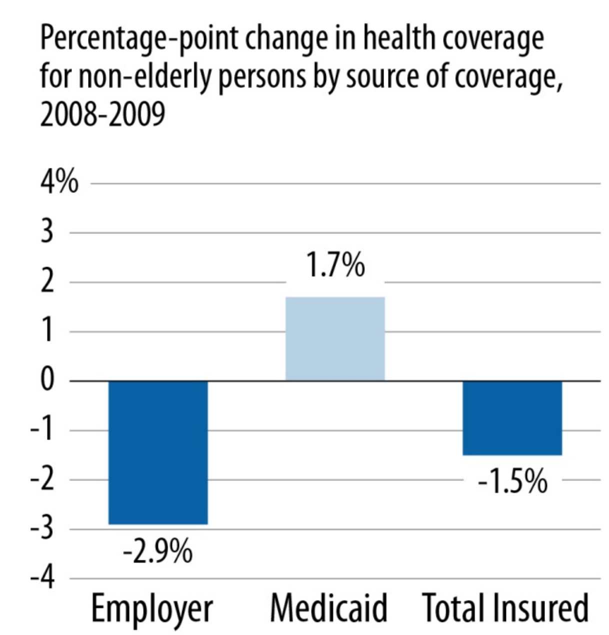
Ranks of the Uninsured Swelled in 2009

The number of people without health insurance rose by 4.3 million in 2009, to a total of 50.7 million, while the percentage of people who are uninsured rose from 15.4 percent to 16.7 percent. These are the largest single-year increases on record in data going back to 1987.

The rise in the uninsured population resulted from a decline in private health coverage, driven by a decline in employer-based coverage (which has been occurring for a number of years but accelerated sharply in 2009). Only 58.9 percent of the non-elderly population had employer coverage in 2009, down 3.0 percentage points from 2008 and 8.9 percentage points from 1999. Only a significant growth in Medicaid coverage (and other smaller government-funded or subsidized health care programs) prevented a much more severe decline in overall coverage last year. The percentage of non-elderly people insured by Medicaid increased significantly, from 14.9 percent in 2008 to 16.6 percent in 2009.

FIGURE 5:

Increase in Public Coverage Partly Offset Decline in Employer Coverage



Source: Census Bureau's Current Population Survey (CPS). Medicaid data includes CHIP.

Age differences in the insurance data highlight the importance of the federal role in health insurance in offsetting some of the erosion in private coverage. In 2009, despite the severe

[3] Census data also show that the one-time federal economic stimulus payments provided to tax filers in 2008, which were not as generous for low- and moderate-income households as the Recovery Act's benefits, kept close to 3 million Americans out of poverty in 2008 under a broader poverty measure. Source: Unpublished CBPP analysis of the March 2009 Current Population Survey on the Census Bureau's Table Creator II at www.census.gov/hhes/www/cpstc/apm/cpstc_altpov.html.

recession, the number and percentage of *children* who were uninsured remained essentially unchanged.

Medicaid coverage for children grew by 3.5 percentage points to offset a 3.1 percentage point decline in employer coverage for children. In contrast, non-elderly adults suffered a large increase in uninsurance, with 4.1 million more of them being uninsured in 2009 than in 2008.

The primary reason for the disparate fortunes of children and non-elderly adults is that income eligibility limits for Medicaid and the Children's Health Insurance Program (CHIP) are substantially higher for children than adults. In the median state, children are eligible up to about 240 percent of the poverty line. In contrast, working parents are eligible for Medicaid only up to 64 percent of the poverty line in the median state. Moreover, unemployed parents are typically eligible only up to 38 percent of the poverty line, and childless adults are not covered by Medicaid at all (except in a handful of states).

The deterioration of the private health insurance market and the protective role of Medicaid illustrate the importance of health reform. Under the Affordable Care Act, starting in 2014, health coverage will be made available through Medicaid to low-income adults with incomes up to 133 percent of the poverty line (roughly $29,000 for a family of four in 2010). In addition, health insurance "exchanges" will be established in all states to make affordable private health insurance available to individuals and small businesses; people who don't have an offer of affordable employer coverage and have incomes too high to qualify for Medicaid and CHIP but below 400 percent of the poverty line will qualify for subsidies to help them afford coverage in the exchanges. The Congressional Budget Office estimates that by 2019, these aspects of the health reform law will result in coverage for 32 million people who otherwise would be uninsured. Had these provisions been in effect in 2009, the increase in the number of Americans without insurance would have been a modest fraction of what it was.

Expiration of Key Recovery Provisions Could Drive Poverty Higher

Recent economic news suggests poverty will be even higher in 2011 than it was in 2009. The labor market remains weak, and forecasters see the annual unemployment rate rising from 9.3 percent in 2009 to at least 9.5 percent in 2010 and declining only slightly to between 9.0 percent and 9.3 percent in 2011.[4] Poverty is likely to remain high even longer than unemployment does. In the last three recessions, after the annual unemployment rate started to fall, the poverty rate took an additional year before it began to decline.

In addition, many of the Recovery Act's substantial benefits and tax credits are slated to expire soon. Because those provisions provided substantial help to low- and moderate-income households, their expiration at a time when unemployment remains high would lead to significant increases in poverty and hardship.

[4] CBO and OMB forecast an average unemployment rate of 9.0 percent in 2011. The Blue Chip consensus forecast is 9.3 percent..

Data Highlight Need for Stronger Policy Measures in 2010 and 2011

The new Census report underscores the need for additional federal measures to address the continuing weak economy in the short term. Earlier this summer, Congress acted to continue the provision of additional weeks of unemployment insurance benefits to unemployed workers, but only through November of this year. Congress also failed to renew subsidized COBRA health insurance benefits or to extend the additional $25 a week of UI benefits that the Recovery Act provided. And Congress has yet to extend the TANF Emergency Fund, which has created 250,000 subsidized jobs for low-income unemployed parents and youth but is scheduled to terminate on September 30. That Fund also has provided cash assistance to a monthly average of about 150,000 very poor families with children.

To provide additional stimulus while the economy is still weak, Congress should continue to provide extra weeks of unemployment benefits beyond November and extend the TANF Emergency Fund.

Another area meriting attention is the Child Tax Credit. The Recovery Act temporarily extended the credit to, or enlarged it for, about 18 million children in low-income working families in tax years 2009 and 2010. Permitting the expansion in the credit to lapse at the end of this year, as scheduled, would cause an estimated 600,000 children to fall into poverty and another 4 million already-poor children to fall deeper into poverty, according to Center projections using a broader measure of poverty.[5] That also would weaken the economic recovery by shrinking these families' purchasing power. The families that stand to lose the most include those where a parent works full time at or close to the minimum wage.

Additional Details from the Census Data

Other findings that emerge from the new Census data include:

1. **Median incomes of working-age households declined again.** Median income dropped 1.3 percent in 2009 for households headed by someone under age 65, continuing a decade-long downward trend. Median income for this group has declined in seven of the last nine years, falling from $60,574 in 2000 (in 2009 dollars) to $58,495 in 2007, and to $55,821 in 2009, a cumulative loss of 7.8 percent over the decade.

2. **The poverty rate of working-age adults — already high in 2007 — climbed further.** The poverty rate of adults aged 18 to 64 reached 12.9 percent in 2009, up from 11.7 percent in 2008. Even in 2007, before the recession struck, the poverty rate for this age group had been at the relatively high level of 10.9 percent, higher than in the 2001 recession.

3. **Poverty declined for seniors.** The number of people aged 65 and older who live in poverty *declined* by 223,000 in 2009, and their poverty rate fell from 9.7 percent to 8.9 percent. A key reason for this decline is that the retirement benefits of most elderly people increased, while the poverty-line thresholds fell. This occurred because seniors who collected Social Security

[5] Arloc Sherman, Avi Feller, and Chuck Marr "Failure to Extend Improvements in Child Tax Credit Would Harm Millions of Low-Income Working Families," Center on Budget and Policy Priorities, February 16, 2010, www.cbpp.org/files/2-16-10tax2.pdf.

or certain other federal benefits received an usually large 5.8 percent benefit increase in January 2009. By law, the annual cost-of-living adjustment (COLA) for these benefits is tied to the change in the Consumer Price Index for Urban Wage and Clerical Workers (CPI-W) between the third calendar quarter of one year and the third calendar quarter of the next year. Largely because of a rise in energy prices, the average CPI-W in July through September 2008 was the highest ever recorded and represented a large increase over the CPI-W for the same quarter in 2007. But prices then declined substantially by the end of 2008;[6] for the calendar year as a whole, inflation ended up being slightly negative. As a result, the Census poverty-line thresholds for 2009 were lowered by 0.4 percent while benefits for these programs were raised by 5.8 percent.[7]

Social Security and other benefits that provide automatic COLAs constitute approximately 45 percent of the total money income of U.S. households aged 65 and older, and about 90 percent of the money income of seniors near the poverty threshold.[8]

Over the next few years, measured poverty among the elderly is likely to inch back up. The Social Security actuaries do not expect another COLA until January 2012,[9] while the poverty-line thresholds are expected to rise gradually over the next two years.

The Recovery Act may have been an additional (although lesser) contributor to the decline in elderly poverty in 2009. The Act provided one-time payments of $250 to recipients of Social Security, SSI, veterans' compensation, and federal Railroad Retirement benefits.

4. **In 2009, one-third of Americans had what many researchers term "low incomes" — income below 200 percent of the poverty line.** The percentage of Americans below twice the official poverty line rose to 33.0 percent, from 31.9 percent in 2008. Some federal and state assistance programs use income below twice the poverty line as an indicator of need for assistance.

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[6] Kathy Ruffing, "Case For a Social Security Cost-of-Living Adjustment in 2010 Is Weak," Center on Budget and Policy Priorities, October 15, 2009, http://www.cbpp.org/cms/index.cfm?fa=view&id=2951.

[7] For an elderly individual, the Census poverty threshold in 2009 was $10,289 (versus $10,326 in 2008); for an elderly couple, the threshold was $12,968 in 2009 (versus $13,014 in 2008). Both figures declined by 0.4 percent, which was the decline in the Consumer Price Index for All Urban Consumers (CPI-U) for all of 2009.

[8] Social Security Administration, *Income of the Population 55 or Older, 2008*, April 2010, Tables 10.1 and 10.5.

[9] *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, August 5, 2010.

APPENDIX TABLE:
Key Changes in Poverty, Income and Health Insurance

	2009	Change from 2008 to 2009
Number Poor (millions of people)	43.6 million	+ 3.7 million*
Poverty Rate (percentage points)	14.3%	+ 1.1 pts*
Poverty Rate for Children (percentage points)	20.7%	+ 1.7 pts*
Real Median Household Income	$49,777	- $335
Real Median Income of Non-Elderly Households	$55,821	- $754*
Number of Americans without Health Insurance (millions of people)	50.7 million	+ 4.3 million*
Percentage without Health Insurance (percentage points)	16.7%	+ 1.3 pts*
Percentage of Children without Health Insurance (percentage points)	10.0%	+ 0.1 pts

* Denotes statistically significant change