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**CBPP STATEMENT**

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# STATEMENT BY ROBERT GREENSTEIN, PRESIDENT, ON CENSUS' 2010 POVERTY, INCOME, AND HEALTH INSURANCE DATA

Today's Census report shows that in 2010, the share of all Americans and the share of children living in poverty, the number and share of people living in "deep poverty," and the number without health insurance all reached their highest level in many years — in some cases, in several decades — while median household income fell significantly after adjusting for inflation. The data also show that many of these grim figures and the level of hardship would have been much worse if not for key federal programs such as unemployment insurance, the Earned Income Tax Credit, food stamps, and Medicaid. Without unemployment insurance, for instance, 3.2 million more Americans would have fallen into poverty, Census said. All of that raises the stakes for the decisions that President Obama and Congress will make in coming months about whether to extend initiatives that were designed to address hardship during the recession, as well as whether to abide by a principle that the Bowles-Simpson commission report established that deficit-reduction plans should *not* increase poverty and thus should shield basic low-income assistance programs.

Specifically, today's report shows that:

- In 2010, the share of Americans living in poverty reached 15.1 percent while the share of children in poverty hit 22 percent — both the highest levels in 17 years — while the *number* of people living in poverty hit 46.2 million, the highest level on record with data back to 1959.

- Both the number and percentage of people living in "deep poverty" — with incomes below *half* of the poverty line — hit record highs, with these data going back to 1975. Some 20.5 million Americans had cash incomes below half of the poverty line (below $11,157 for a family of four, and below $5,672 for a non-elderly person living alone) last year.

- Median household income fell 2.3 percent, or $1,154, in 2010, after adjusting for inflation, and those at the bottom of the income scale have lost far more ground than those at the top. Since median income hit its peak in 1999, income (adjusted for inflation) has fallen 12.1 percent for those at the 10th income percentile but only 1.5 percent for those at the 90th percentile. The income gap between those at the 10th and 90th percentile was the highest on record. These data go back to 1967.

- The number of Americans without health insurance climbed by 900,000 to 49.9 million, another record, with data back to 1999. The percentage of Americans without insurance remained statistically unchanged at 16.3 percent. Nearly one of every six Americans was uninsured.

These grim figures come in the midst of an emerging debate about the appropriate role of government not only in spurring economic growth but also in addressing hardship. Federal policymakers will have to decide soon whether to extend certain federal initiatives that were designed both to promote growth and to ease poverty and hardship during the economic downturn, such as extended unemployment insurance benefits. Of particular note, Congress could make deep cuts in basic low-income assistance as part of its efforts to reduce long-term deficits, such as through a plan that the new Joint Select Committee on Deficit Reduction is supposed to craft by Thanksgiving.

The extent and depth of poverty in coming years and decades will be strongly affected by whether the Joint Committee, and Congress as a whole, adhere to a core principle that the commission chaired by Erskine Bowles and Alan Simpson set forth in its report and the Senate's "Gang of Six" sought to honor in its plan — that deficit reduction should be designed so that it does not increase poverty and should therefore shield low-income assistance programs from cuts — or whether the Joint Committee and Congress instead impose significant cuts in programs for those at the bottom of the income ladder.

## Poverty May Well Climb Even Higher

Between 2007, the last year before the economy turned down, and 2010, the number of people living in poverty rose by 8.9 million, largely reflecting the economic decline. But poverty also rose in most years from 2001 to 2007, when the economy was growing. For the poverty rate to be higher at the peak year of an economic recovery (2007) than in the last year of the previous recession (2001) was unprecedented. Even before the recession began, a growing number of Americans were being left behind.

Poverty may rise even higher in 2011 and 2012. Analysts expect unemployment to remain high over this period, and after recessions, poverty typically is *slower* to decline than unemployment. In each of the previous three recessions, the poverty rate did not begin to fall until at least a year after the unemployment rate began to drop.

## The Role of Public Programs in Lessening Poverty and the Lack of Health Insurance

The Census figures show that millions more Americans would have fallen into poverty or become uninsured if not for programs like unemployment insurance, food stamps, the Earned Income Tax Credit (EITC), and Medicaid, which could face substantial cuts at federal and state levels. As noted, the Census figures show that unemployment benefits — including federal benefits scheduled to expire at the end of this year and state benefits that a number of states have recently cut back — kept 3.2 million people above the poverty line in 2010. While the official poverty measure does not count the Earned Income Tax Credit or SNAP (food stamp) benefits as income, the Census Bureau also reported today that if the EITC were counted, it would be shown to lift 5.4 million people (including 3 million children) out of poverty and that if SNAP were counted, it would be found to lift 3.9 million people out. These benefits *are* counted under an alternative measure of poverty that many analysts favor and that the Census Bureau will issue later this year.

In addition, while the number of uninsured people overall grew in 2010 due principally to continued erosion in employer-based health coverage, children escaped this trend because Medicaid and the Children's Health Insurance Program (CHIP) filled the gap. Both the number and the percentage of children who were uninsured was actually lower in 2010 than in 2007, before the economic downturn started, because Medicaid and CHIP expanded and more than offset the loss of employer coverage among children. Between 2007 and 2010, the number of children with employer-based coverage fell by 3.4 million, but a larger number of children gained coverage through Medicaid or CHIP. Some 570,000 fewer children were uninsured in 2010 than in 2007.

Among non-elderly *adults,* by contrast, the number of uninsured was 6.3 million *greater* in 2010 than in 2007, in significant part because Medicaid eligibility rules are far more restrictive for non-elderly adults than for children. These data underscore the importance of implementing the Affordable Care Act reforms scheduled to take effect in 2014, which are designed to make coverage available and affordable to people who don't have employer-based insurance. Indeed, the new data suggest that the health reform law may already be having a positive effect on coverage; the requirement that health insurers cover adult dependent children up to age 26 likely contributed to the significant reduction in the number and percentage of young adults age 19-25 without health insurance between 2009 and 2010. This is the only age group of non-elderly adults for which the percentage without insurance declined between 2009 and 2010.

In addition, various federal initiatives to promote job growth and ease poverty and hardship during the recession have expired or are slated to do so soon. The TANF Emergency Fund, which supported roughly a quarter-million subsidized jobs for low-income parents and youth, expired in September 2010, and federal unemployment benefits for jobless workers who have been looking for work for more than half a year (which currently serve 3.6 million such workers) are scheduled to expire at the end of December.

At the state level, legislators have implemented some of the harshest cuts in recent history for vulnerable families. In 2011, a number of states cut cash assistance deeply or ended it entirely for many families that already live far below the poverty line. Numerous states are also cutting child care and other work-related assistance, which will make it harder for some poor parents with jobs to retain them. Ten states have taken steps to cut regular state unemployment benefits, as well.

Furthermore, Congress could make deep cuts in low-income assistance as part of deficit-reduction efforts rather than adhere to the core principle of the Bowles-Simpson commission report that policymakers *not* follow that path. The Ryan budget that the House of Representatives passed in April achieved nearly two-thirds of its large budget cuts over the next ten years from programs targeted on low-income people, and House Minority Leader Eric Cantor urged large cuts in low-income programs during the deficit-reductions talks that Vice President Biden chaired this spring. Much will depend on the approach of the Joint Select Committee on Deficit Reduction, which is supposed to send a deficit reduction plan to Congress late November for its speedy consideration. If policymakers make significant cuts in basic programs for those of limited means, the combination of those cuts and ongoing labor market weakness will likely drive poverty higher in coming years and could cause poverty to remain at high levels long after the economy recovers.

Policymakers can choose a different path, as the three major federal deficit-reduction packages of the last two decades — those in 1990, 1993, and 1997 — demonstrate. Those measures *reduced* poverty and inequality even as they shrank deficits substantially, as a result of increases in the EITC (in the 1990 and 1993 packages) and food stamps (in the 1993 package), the creation of CHIP (in the 1997 package), and the protection of low-income assistance generally. The United States already has higher degrees of poverty and inequality than most other Western industrialized nations. Deficit reduction need not make these problems more severe.

Finally, enactment of a significant federal jobs package, such as the proposals President Obama outlined on September 8, would likely help reduce poverty while the economy remains weak as well as bolster economic and job growth.

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