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2011'S DECLINE IN UNINSURED IS LARGEST IN 13 YEARS, BUT MEDIAN INCOME FELL, INEQUALITY WIDENED, AND POVERTY STAYED FLAT

by Arloc Sherman and Danilo Trisi

The Census Bureau last week released a mixed set of data about poverty, income, and health insurance coverage in 2011.[1]

On the positive side, the number of Americans without health insurance dropped by 1.3 million and the share of uninsured Americans fell by more than in any year since 1999. Young adults took advantage of a provision of health reform that allows children up to age 26 to stay on their parents' private insurance plans, and the number and percentage of Americans on public health insurance programs such as Medicare, Medicaid and the Children's Health Insurance Program (CHIP) also rose.

On the negative side, median household income fell by 1.5 percent after adjusting for inflation and income inequality widened. Since the Great Recession, which began in late 2007, median income for working age households has fallen 9.3 percent after adjusting for inflation, continuing a decade-long trend in which median income for this group has fallen in eight of the last 10 years. That drop was tied to a substantial rise in income inequality — with average income for those in the middle 20 percent of households falling by 1.7 percent — or $876 — between 2010 and 2011, average income for those in the top 20 percent rising by 1.9 percent (or $3.286), and average income for those in the top 5 percent rising by 5.1 percent (or $15,184).

The news on poverty was somewhere in between. The poverty rate stayed flat after rising in the previous three years and seven of the previous 10, but a drop in income from unemployment insurance (UI) kept the rate from falling. Income from unemployment insurance benefits fell in 2011 by $36 billion, or about a quarter, while the number of unemployed workers fell by much less — 7 percent. While UI kept 3.2 million Americans out of poverty in 2010, that number dropped to

[1] Unless otherwise indicated, all figures in this report are taken from the main Census Bureau report issued on September 12, 2012 or the series of tables released along with it. Carmen DeNavas-Walt et al.,"Income, Poverty and Health Insurance Coverage in the United States in 2011," U.S. Census Bureau, September 12, 2012, http://www.census.gov/prod/2012pubs/p60-243.pdf.

2.3 million in 2011. The Census data show that in absence of this disproportionate decline in UI benefits, the poverty rate would have fallen modestly in 2011.

Poverty did decline in 2011 for several groups — for Hispanics (from 26.5 percent in 2010 to 25.3 percent and men (from 14.0 percent to 13.6 percent). Poverty also fell in the South (from 16.8 percent to 16.0 percent) and in the suburbs (from 11.9 percent to 11.3 percent). The poverty rate remained statistically unchanged for most other groups and regions.

Gains in Health Insurance Coverage

The main positive news in last week's report is the fall in the share of Americans who are uninsured, from 16.3 percent in 2010 to 15.7 percent in 2011, the largest annual improvement since 1999. That improvement was driven in part by gains in coverage among young adults, which appear largely due to a provision of the health reform law (officially the Affordable Care Act, or ACA) allowing adult children up to age 26 to stay on their parents' private insurance plans. Forty percent of the decline in the number of uninsured people came among individuals aged 19 to 25. Some 539,000 fewer 19- to 25-year-olds were uninsured in 2011 than in 2010.

Largely because more young adults were covered under their parents' employer-based health plans, the overall percentage of non-elderly people with private coverage remained steady, rather than declining, for the first time in ten years. Private coverage rose among those under 25 while falling among those aged 25 to 64, with the two effects offsetting each other.

The improvement in health coverage reflected, as well, a significant increase in the number and percentage of Americans with public health insurance — principally through Medicare, Medicaid, or the Children's Health Insurance Program (CHIP). More people became eligible for these programs as the population aged — the first baby boomers (those born in 1946) reached age 65 in 2011 — and as employer-based coverage continued to erode among those aged 25 to 64. A requirement of health reform that states maintain their Medicaid and CHIP eligibility levels and enrollment procedures also played a role.

Much larger reductions in the number of uninsured are expected in 2014, when the major coverage expansions of health reform take effect. The Congressional Budget Office estimates that, eventually, 30 million people who otherwise would be uninsured will gain coverage as a result of health reform.

Income Continued to Fall in the Middle as Inequality Grew

Median household income — the income of the household in the middle of the U.S. income distributed ranked by income — fell to $50,054 in 2011, down $777 from the year before, after adjusting for inflation.

Particularly for working-age households, median income is largely a function of labor market opportunities, mainly wage rates and hours of work. In the slowly recovering economy, employment remained fairly flat in 2011 as a share of the working-age population, while the average number of hours worked per week edged up slightly. Real hourly wages, however, edged down by 1

percent. For working-age households, those headed by someone younger than 65, median income fell $1,210 in 2011, or 2.1 percent, to $55,640.

Since the recession started in 2007, median income for working-age households has fallen by 9.3 percent, after adjusting for inflation. This continues a decade-long downward trend. Median income for this group has declined in eight of the last ten years, falling from $63,517 in 2000 (in 2011 dollars) to $61,336 in 2007 and to $55,640 in 2011, a cumulative loss of 12.4 percent or $7,877 since 2000. (See box on decade-long trends.)

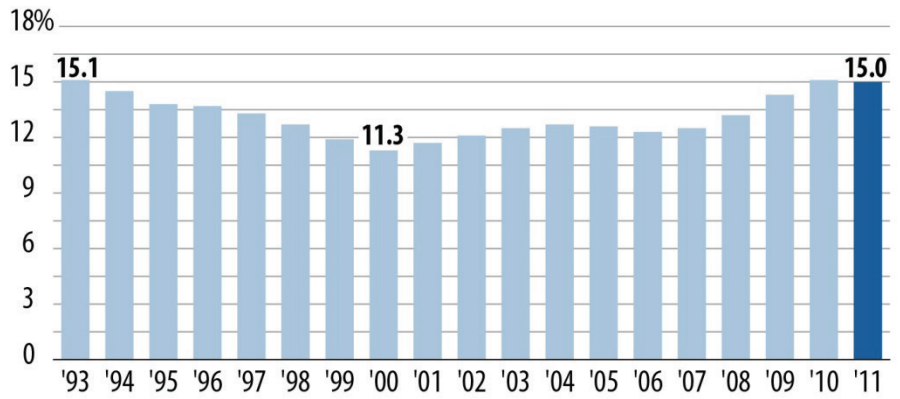
The drop in median household income was tied to a substantial rise in income inequality. Household incomes fell in the middle and rose at the top, as income gains from the economic recovery were very unevenly shared. For the 20 percent of households in the middle, average household income fell 1.7 percent, or $876. For the top 20 percent, average income *rose* 1.9 percent, or $3,286. For the top 5 percent of households, average income rose 5.1 percent, or $15,184.

With the gains from economic growth going disproportionately to those at the top of the income scale, the share of the national income that goes to households in the middle and bottom has fallen. In 2011, the share of the national income that went to each of the three fifths of households with the lowest incomes (the bottom fifth, the next-to-bottom fifth, and the middle fifth) was the lowest on record, with data going back to 1967. The bottom 20 percent of households received just 3.2 percent of all household income in 2011; the middle fifth of households received 14.3 percent of the income. In contrast, the share going to the top fifth (51.1 percent) was the highest on record.

Economic Improvement and Sharply Falling Jobless Benefits Offset Each Other, Leaving Poverty Flat

The Census data indicate that modest but significant improvement in the economy put some downward pressure on poverty last year, while a large drop in unemployment insurance (UI) benefits that substantially exceeded the decline in unemployment exerted upward pressure.

Figure 1
Poverty Rate Unchanged in 2011 But Has Risen Over Last Decade



Source: CBPP analysis of Census Bureau data.

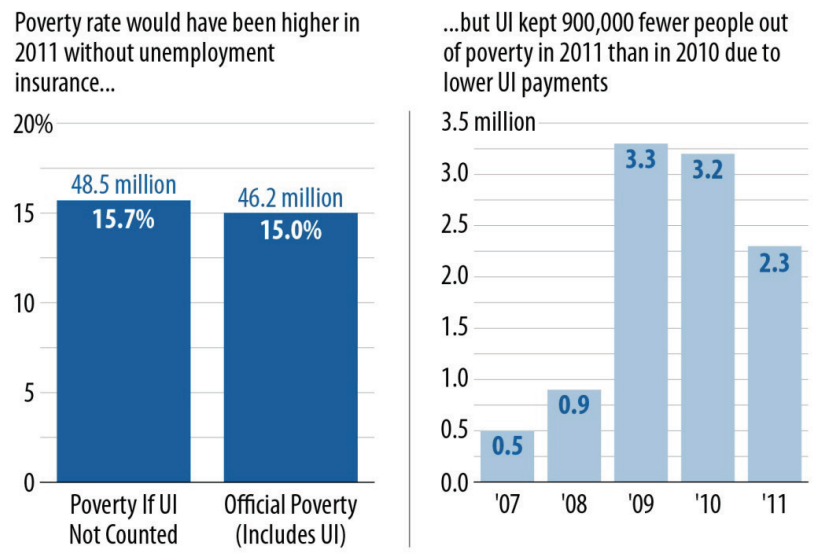
The economy showed modest improvement in 2011, with an increase of 1.7 percent — or 1.9 million — in the number of private-sector jobs, although real wages edged down. The job gains and their impact in easing poverty were reduced, however, by the loss of 386,000 public-sector jobs, primarily at the local and state level. The shrinkage in state and local government jobs included the loss of 110,000 jobs for teachers and other school employees. [2]

At the same time, UI income fell by $36 billion — about a quarter — in 2011, while the number of unemployment workers fell 7 percent and the number of long-term unemployed (those out of work for over half a year and still looking for a job) fell 6 percent. The Census data show that UI benefits kept 3.2 million Americans out of poverty in 2010, but 2.3 million in 2011 — a reduction of more than one-fourth.

This drop meant that UI benefits kept 900,000 fewer people out of poverty in 2011 than in 2010, the Census figures show (see Figure 1). That number represents an addition of 0.3 percentage points to the poverty rate in 2011.

The change in UI prevented the poverty rate from falling in 2011. The Census Bureau has confirmed that, not counting UI income, the poverty rate fell from 16.2 percent in 2010 to 15.7 percent in 2011, a statistically significant decline. The data show that had UI income not fallen faster than unemployment and kept substantially fewer people out of poverty than in 2010, the poverty rate would have fallen in 2011, with the decline being statistically significant.

Figure 2



CBPP analysis of Census Bureau data.

UI benefits fell for several reasons. First, a temporary benefit increase from 2009 expired; it had added $25 a week for each UI recipient, and its expiration accounted for over $10 billion of the $36

[2] Department of Labor data at www.bls.gov.

billion decline in UI. Second, many jobless Americans exhausted their UI benefits before they found jobs in 2011. And third, on a positive note, the total number of unemployed workers edged down by 7 percent due to an improving economy, although this decline accounted for only a modest share of the 25 percent decline in UI payments. The large decline in UI benefit income, combined with the slow recovery, meant lower incomes for many families with workers who still could not find employment.

These figures underscore the importance of Congressional action to prevent all federal unemployment benefits from ending at the end of this year, less than four months from now. At no time since 1958, when policymakers first created emergency federal UI benefits, have they allowed such benefits to expire when the unemployment rate remained above 7.2 percent — and most economists expect unemployment to hover around 8 percent for the rest of the year and very likely into next year.

Data Show Anti-Poverty Effects of Programs Targeted for Cuts

The Census data issued last week include figures on the impact of various safety-net programs on the number of people above and below the official poverty line. These data show, for example, how many people were above the poverty line in 2011 because of income that their family received from UI or Social Security benefits. The data show that in 2011:

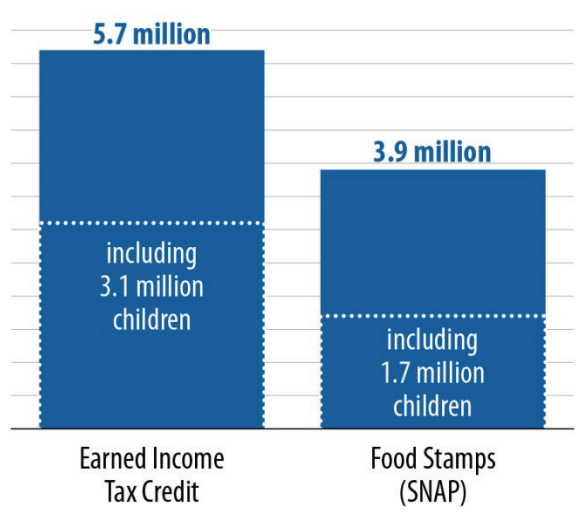
- UI kept 2.3 million people, including 0.6 million children, above the poverty line.
- Social Security kept 21.4 million people, including 14.5 million seniors and 1.1 million children, above the poverty line.[3]

The data also show how many fewer people would be counted as poor if two benefits that are *not* counted in the official poverty data — the Earned Income Tax Credit (EITC) and SNAP (formerly known as food stamps) — *were* counted, as many analysts recommend.

- Counting the EITC would lift 5.7 million people, including 3.1 million children, above the poverty line.
- Counting SNAP would lift 3.9 million people, including 1.7 million children, above the poverty line.

Figure 3

Safety Net Programs Not Included in Official Poverty Measure Kept Millions Above Poverty in 2011



Source: CBPP analysis of Census Bureau data.

[3] Although Social Security is largely seen as a program for seniors, it can keep children out of poverty when children receive their own Social Security benefits as dependents of retired, disabled, or deceased workers, or when they live with parents or relatives who receive Social Security benefits.

Changes in Poverty Since 2000

The share of children in poverty and the share of Americans below *half* of the poverty line did not change between 2010 and 2011, but these poverty rates remained high compared to 2007, before the recession began, and 2000, at the end of the 1990s recovery.

- At 21.9 percent, child poverty was unchanged from its level in 2010, but up from its 18.0 percent level in 2007 and 16.2 percent level in 2000.
- Poverty rates for children under age 6 stood at 24.5 percent in 2011, as compared to 20.8 percent in 2007, and 16.9 percent in 2000.
- The share of Americans living below half the poverty line stood at 6.6 percent in 2011, up from 5.2 percent in 2007, and 4.5 percent in 2000.

Some policymakers have proposed large reductions in SNAP and various other programs targeted on low-income Americans. The House-passed budget of last spring, for example, would cut SNAP by more than $133 billion over ten years and convert it to a block grant under which it would no longer expand automatically when the economy turns down and contract automatically when the economy is again growing robustly. In addition, the House budget calls for improvements in the EITC enacted in 2009 to expire on schedule at the end of 2010, even as it would make permanent all expiring tax cuts enacted in recent years that benefit high-income households.[4] Most federal unemployment benefits (which are targeted on long-term unemployed workers) would expire at the end of 2012, as well.[5]

Such policy changes would exert significant upward pressure on poverty in future years, especially in years when the economy is weak, and exacerbate after-tax income inequality. These and other benefit reductions would make these programs less effective at preventing poverty and push the poverty rate significantly higher.

Alternative Poverty Measure Shows Tax Credits and SNAP Helped Ease Rise in Poverty During Worst Recession Since Great Depression

The Census Bureau also issues alternative, more comprehensive poverty measures that count a fuller range of the benefits that low-income households receive, including the EITC, SNAP, low-income housing assistance, school lunches, and others. These measures also account for the effect of income and payroll taxes, work expenses, a modestly modernized poverty line, and other changes in the measurement of poverty that leading scholars have called for. These measures are based on

[4] Kelsey Merrick and Jim Horney, "Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans," Center on Budget and Policy Priorities, March 23, 2012, www.cbpp.org/files/3-23-12bud.pdf.

[5] Hannah Shaw and Chad Stone, "House Republican Proposal Would Undermine Foundation of Unemployment Insurance System," Center on Budget and Policy Priorities, January 2012, www.cbpp.org/files/1-17-12ui.pdf.

recommendations of the National Academy of Sciences (NAS) and regarded by many experts as superior and more accurate measures of poverty.

The Census Bureau has not yet released estimates for 2011 using the NAS-based measures. It will do so later this year.

From 2007 to 2010, while the *official* poverty rate rose sharply, the increases in the NAS-based measures were strikingly modest given that the economy experienced its most serious downturn since the 1930s. Poverty increases under the NAS measures were held in check mainly by expansions in working-family tax credits and SNAP that the official poverty rate ignores. Using an NAS-based measure, a CBPP analysis found that six temporary income-assistance initiatives enacted in 2009 and 2010 — including UI, working-family tax credits, and SNAP — kept an estimated 6.9 million people above the poverty line in 2010.[6]

Outlook for Poverty Somewhat More Positive in 2012

Previously released Labor Department data suggest that incomes may rise and the poverty rate may fall in 2012. Key labor market indicators through mid-2012 show somewhat stronger improvement in 2012 than in 2011.

The number of non-farm jobs has continued to grow in 2012, while the number of unemployed workers, the number of *long-term* unemployed workers (those out of work for more than six months and still looking for a job), the number of workers seeking full-time employment but finding only part-time jobs, and the number of "discouraged workers" (those who have given up looking for employment) have declined. A slower inflation rate will likely help as well. So far, however, real average weekly wages have not improved but instead have edged down 0.2 percent.

Falling UI payments could place upward pressure on the official poverty figures again in 2012, as they did in 2011. Data for the first half of 2012 suggest, however, that the decline in UI benefits in 2012 has been somewhat smaller in dollar terms (about $27 billion annually, in inflation-adjusted terms) than it was in 2011 when UI benefit payments dropped by $36 billion.

New Data Signal Need for More Government Action, Not Less

The poverty and income data released by Census show that millions of Americans continued to struggle in a slow recovery in 2011. These data and the slow improvement in the labor market underscore the need for stronger temporary measures to spur the economy. The economy has been growing since mid-2009, but the pace of job creation has remained too slow to return unemployment and poverty to pre-recession levels in the near term.

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[6] Arloc Sherman, "Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show," Center on Budget and Policy Priorities, November 7, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3610.

The Census data also document the effectiveness of government safety-net programs in keeping financial hardship from rising higher. As noted earlier, unemployment benefits, although down from 2010, kept 2.3 million people above the poverty line in 2011. While the official poverty figures do not count SNAP benefits and tax credits such as the EITC and Child Tax Credit, these programs reduced the economic burdens on millions of poor families.

Such safety-net programs have helped both participating households and the broader economy. Every additional dollar spent in a weak economy on assistance such as unemployment benefits generates about $1.55 in spending as it ripples through the economy, according to Mark Zandi, chief economist at Moody's Analytics. Strong effects also are seen for SNAP (about $1.70 per dollar spent according to Moody's) and refundable tax credits like the EITC (about $1.25) and Child Tax Credit (about $1.40). The Congressional Budget Office estimates that, due to these and other measures in the 2009 Recovery Act, 400,000 to 2.6 million more jobs existed in 2011 than otherwise would have.[7]

Government action to reduce poverty need not conflict with deficit reduction. The three major federal deficit-reduction packages of the last two decades — those in 1990, 1993, and 1997 — *reduced* poverty and inequality even as they shrank deficits, thanks to increases in the EITC (in 1990 and 1993) and food stamps (in 1993) and the creation of CHIP (in 1997). The United States has higher degrees of poverty and inequality than most other Western industrialized nations; deficit reduction need not make these problems worse.

[7] Congressional Budget Office, *Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from January 2012 Through March 2012,* May 2012, http://www.cbo.gov/publication/43274.

Appendix

Key Changes in Poverty, Income, and Health Insurance

	2011	Change from 2010 to 2011
Number Poor (millions of people)	46.2 million	- 0.1 million
Poverty Rate (percentage points)	15.0 %	- 0.1 pts
Poverty Rate for Children (percentage points)	21.9%	- 0.2 pts
Real Median Household Income	$50,054	- $777*
Real Median Income of Non-Elderly Households	$55,640	- $1,210*
Number of Americans without Health Insurance (millions of people)	48.6 million	- 1.3 million*
Percentage of Americans without Health Insurance (percentage points)	15.7%	- 0.6 pts*

* Denotes statistically significant change
Source: U.S. Census Bureau