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Americans are getting poorer, and it's going to get worse

Tony Pugh | McClatchy Newspapers

WASHINGTON — The early impact of the worst recession since the 1930s pushed median incomes down, forced millions more people into poverty and left more Americans without health care in 2008, according to new annual survey data from the U.S. Census Bureau.

Poor people, working people, blacks, Hispanics and children bore a disproportionate share of the hardship. The new figures, however, likely understate the severity of the economic downturn because a large portion of nation's job losses and unemployment rate increases occurred after the Census survey data was collected in March as part of the annual Current Population Survey.

The poor performances of key economic and social indicators come as little surprise, since the recession officially began in December 2007 and continued to create economic carnage for 18 months before appearing to bottom out over the summer.

Along the way, the nation's real median income — the point at which half the nation earns less and half more — fell 3.6 percent from \$52,163 in 2007 to \$50,303 in 2008. That was the first such decline in three years and the worst in the first year of any recession since Census Bureau began collecting the data during World War II, said Lawrence F. Katz, an economics professor at Harvard University.

Men and women were both affected. Full-time working men saw their median incomes fall by 1 percent from \$46,846 to \$46,367, while female earnings declined by 1.9 percent, from \$36,451 to \$35,745.

The worst is yet to come. "This is just the beginning, or the tip of the iceberg because 2008 was not nearly as bad an economy as 2009," Katz said. The average unemployment rate in 2008 was 5.8 percent, up from 4.6 percent in 2007. That pales in comparison with the 9 percent average unemployment rate so far this year, and it's likely to increase. August unemployment was 9.7 percent, and it's expected to peak above 10 percent in the months to come.

Because real median household income is 4.2 percent lower than it was in 2000, Katz said, "We've basically seen a lost decade for the American family," with only the top earning families doing better now than they were in 2000.

The national poverty rate also hit its highest level since 1997, jumping to 13.2 percent in 2008 from 12.5 percent in 2007. The increase meant that 39.8 million people lived below the poverty line, the most since 1960. That's up from 37.3 million in 2007. For children, the poverty rate hit 19 percent, or 14.1 million youngsters in 2008. That means 35.3 percent of the nation's poor in 2008 were under age 18.

Heidi Shierholz, an economist with the liberal-leaning Economic Policy Institute, estimated that 25 percent of U.S. children would be in poverty next year and 26.6 percent in 2010. "This would represent an increase of 10.4 percentage points from 2000 to 2010 — truly a lost decade," Shierholz said.

Meanwhile, the number of people without health insurance increased from 45.7 million in 2007 to 46.3 million in 2008, even though the percentage of uninsured Americans didn't change, at 15.4 percent. About 46 percent of the nation's uninsured are non-Hispanic whites, but as a group, 11 percent of non-Hispanic whites lack coverage, compared with 19 percent of blacks and 31 percent of Hispanics. About 45 percent of noncitizens lack coverage.

Following President Barack Obama's Wednesday night speech to Congress in which he stressed the need for comprehensive health care legislation, many supporters used the new Census estimates to support Obama's call for change.

At the Yorkville Common Pantry, an emergency meal program in East Harlem, Joel Berg, the executive director of the New York City Coalition Against Hunger, said the troubling numbers underscore the need for health reform.

"Today's new numbers make it clearer than ever that lack of health insurance and inability to pay medical bills is one of the greatest contributing factors to poverty and hunger in America," Berg said. "People in poor health rarely earn significant wealth."

Henry E. Simmons, President of the National Coalition on Health Care, another group pushing for reform, said the Census data also shows that more than 600,000 adults who earn more than \$75,000 a year also lost coverage in 2008.

"The problem of (the uninsured) is not confined to the less affluent. More middle-income Americans are losing their health insurance coverage," Simmons said.

As in previous economic downturns, public health coverage through government-run programs such as Medicaid, Medicare, and the State Children's Health Insurance Program helped cover many people otherwise would've gone without. Enrollment in Medicaid and SCHIP alone increased by 3 million in 2008.

This expanded coverage caused the number of uninsured children to fall from 8.1 million or 11 percent in 2007 to 7.3 million or 9.9 percent in 2008.

"This was the lowest number (and percentage) of children without health insurance since 1987," said David Johnson, who heads the Census Bureau's housing and household economics statistics division.

Many experts think the 2008 data substantially understates how many people lack health coverage today because the unemployment rate in 2008 ranged from 4.8 to 7.2 percent compared with 9.7 percent in August.

Ron Pollack, the executive director of the health care advocacy group, Families USA, said every percentage point increase in the unemployment rate adds about 1.1 million people to the uninsured rolls. He estimates that 50 million Americans now lack coverage.