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## Statement of John D. Podesta on Today's 2009 U.S. Census Numbers

The Census poverty numbers released yesterday show the legacy of failed Bush economic policies and the burden of the Great Recession on American families and children.

The Obama administration has championed policies to right past wrongs and mitigate the recession's effects with landmark legislation including the Recovery Act, health reform, and financial reform. These progressive policies have set in motion a process that puts our nation on the right path, saving millions of jobs and ensuring that all Americans will be able to access health care.

Yesterday's numbers show that the Recovery Act has been making a real difference in the lives of millions of families, but are also a reminder of the work that remains to be done. Congress must continue to act on behalf of America's working families to extend the middle-class tax cuts while allowing those cuts that exclusively benefit the wealthy to expire. And it must continue to pursue policies that create employment and help those hardest hit by the Great Recession to get back on their feet.

Inaction is both costly and unjust. Child poverty alone costs the economy more than \$500 billion a year in lost productivity and increased health and criminal justice expenditures. More importantly, it is unacceptable that nearly one in five children in America live in poverty with growing disparities by race and ethnicity.

Congress should act now to strengthen our middle class, ensure a shared economic recovery, and send a message that we will not stand by and watch as 43.6 million Americans experience the hardships of poverty. We must do better.

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**Memorandum To: Interested Parties**

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**Subject: New Census Data Reveals Decreased Income and Health Coverage**

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The Census Bureau released yesterday the most current data available on poverty, income, and health insurance in the United States. This 2009 data shows the damage of the Great Recession to the incomes, health, and well-being of American families. This analysis compares the 2009 income, health, and poverty data to that of 2008, discusses the impact and reach of the recession over the last year, and highlights policy solutions to reverse these troubling statistics.

The data reveal a stark reality: Millions more Americans experienced poverty between 2008 and 2009, but minorities, women, and children were particularly hard-hit (see analysis below). Fifteen and a half million children lived in poverty in 2009, up from 14.1 million children in 2008. The data show that the Recovery Act and our safety net more generally have been effective in keeping millions out of poverty.

In 2009, 50.7 million Americans did not have health insurance, 4.4 million more than the 46.3 million Americans who were uninsured in 2008. The number of Americans with health insurance actually decreased for the first time since 1987—the earliest year with comparable data. Median household income fell by 0.7 percent from 2008 to 2009, which was not large enough to be statistically significant. The richest 5 percent of households saw their income fall by 0.6 percent between 2008 and 2009, while the middle fifth saw their income decline by 4.2 percent. In 2009, 43.6 million families fell into poverty, up from 39.8 million in 2008.

The census data quantifies what many Americans have already experienced in their own communities across the country: increased unemployment, reduced family income, loss of health insurance coverage, and increased poverty. Although these data are the legacy of economic policies designed to favor the wealthiest

Americans, the Obama administration and Congress have taken steps to put us back on a path to strengthening the middle class with policies such as health care reform and the American Reinvestment and Recovery Act. The income data point to the need to continue tax breaks for middle class families who have been hit hard by falling incomes, while the wealthiest have continued to see their incomes grow and can better afford to have their tax cuts expire.

Policy makers should continue to take bold action to reduce poverty, promote fairness in public policies, and improve the lives of all Americans.

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## Health insurance changes

- The number of uninsured Americans grew to 50.7 million Americans in 2009, an increase of 4.4 million from 2008.
- The number of Americans with health insurance actually decreased for the first time since 1987—the earliest year with comparable data—falling from 255.1 million Americans with health coverage in 2008 to 253.6 million in 2009.
- Approximately 6.6 million individuals lost their employer-provided health insurance, and the proportion of Americans with employer-based coverage fell to 55.8 percent—the lowest level since 1987.
- A higher proportion of men than women were uninsured in 2009—18.4 percent of men lacked health insurance, compared to 15 percent of women. The proportion of men without health insurance also grew more quickly. Women were more likely than men to hold public insurance, and more likely to retain coverage through their own employer.
- Workers in many types of firms lost health coverage in 2009. The rate of workers in small businesses covered by their own employers dropped by 2 percentage points from 2008 to 2009. Nearly one-third of workers in small firms were uninsured in 2009, compared to 49 percent who were covered by their employer.
- In contrast, Medicaid enrollment grew by 5.2 million individuals, and Medicaid now covers 15.7 percent of the population. This increase underscores the critical role this insurance safety net plays in times of economic turmoil, particularly for children. The number and proportion of children without health coverage remained essentially steady despite widespread coverage losses.

- Latinos remain the group least likely to hold insurance coverage among major racial and ethnic groups. Approximately 32 percent of Latinos are uninsured. African Americans, however, were somewhat more likely to become uninsured in 2009.

These survey results pre-date enactment of the Affordable Care Act. Provisions of this major legislation will ensure that Americans can obtain and keep affordable health insurance, even if they suffer the effects of a future economic downturn. Key changes to the health insurance system include:

- Providing income-based help with health insurance costs. All individuals and families with incomes below 133 percent of poverty—those with an annual income of approximately \$29,000 for a family of four—will qualify for coverage through the Medicaid program beginning in 2014. Moderate-income Americans, those with annual incomes up to \$82,000 for a family of four, will get help purchasing private health insurance through new health insurance exchanges. Families that experience job loss or other economic setbacks can continue to hold affordable health coverage once these changes take effect.
- Strengthening the employer-based health insurance system by helping small businesses with health insurance costs, and by creating health insurance exchanges where employers can purchase high-quality, high-value coverage. The bill also helps employers who offer retiree coverage, thus strengthening and sustaining coverage for employers, workers, and retirees.
- Reforming the health insurance market to ensure that health plans can no longer deny coverage to individuals with preexisting conditions, charge more for people who are sick, rescind coverage when people get sick, or slap annual or lifetime limits on health benefits.

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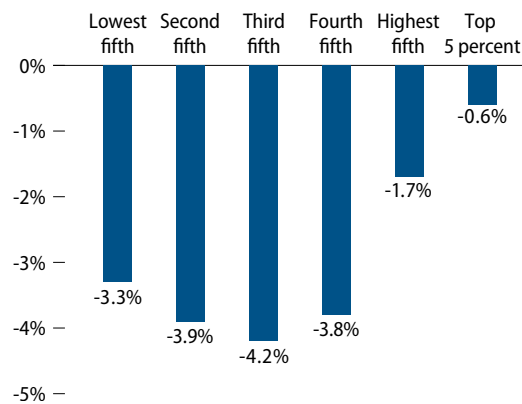
## Income changes

- The second year of the Great Recession left the typical family with an income of \$60,888, which is lower than at any time since 1997 in inflation-adjusted dollars. The typical household—which includes not only those living with family members—has an income of \$49,777, also lower than at any point since 1997 in inflation-adjusted dollars. Incomes will continue to suffer until we bring down unemployment.

- Family income fell by 2 percent between 2008 and 2009, and followed a record-high fall between 2007 and 2009 (see figure). Family income has fallen by 5.3 percent since the recession began, compared to a 2 percent decline over the early 2000s recession and a 3.4 percent decline over the early 1990s recession.
- The census data show that income inequality across households has not increased statistically significantly between 2008 and 2009. Figure 1 shows the average income that each fifth of the income distribution, and the top five percent, bring home. The Great Recession has pulled down family income sharply for all groups, except for those at the very top where the decline has been much smaller.

### Low-income households hit hard

Households across the income distribution have seen sharp declines in income over the Great Recession, 2007 to 2009, but less so at the top



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Table H3, available at <http://www.census.gov/hhes/www/income/data/historical/household/index.html>

- Some groups saw exceptionally large declines in household income between 2008 and 2009 (all are inflation adjusted). African-American households have seen their income fall by 4.4 percent and households headed by a young person, aged 15 to 24, have seen their income fall by 4.4 percent.
- Both men and women who worked full time, full year in 2009 saw their median earnings rise between 2008 and 2009. Women's earnings rose by 1.9 percent while men's rose by 2 percent from 2008 to 2009. The ratio of female to male pay stayed about the same, falling from 77.1 in 2008 to 77.0 in 2009 (a statistically insignificant change).
- Looking across the past few recessions, a striking trend emerges: for women, the Great Recession is turning into the worst in decades in terms of lost earnings for those left working, even though men's unemployment has consistently been higher than women's. Median earnings have fallen by 4.1 percent among all male workers over the Great Recession, compared to 2.8 percent for women. But, this is the first recession since the late 1960s that has seen a decline in women's earnings. The fall in earnings for men is larger than in the early 2000s recession, when they lost 2.6 percent in earnings, but smaller than the early 1990s recession, when earnings fell by 6 percent.
- High unemployment and underemployment have both significantly contributed to the sharp decline in income that millions of Americans experienced in 2009. The U.S. unemployment rate rose from 5 percent in January 2008, to 7.7 percent

in January 2009, to 10 percent in December 2009. The total number of unemployed has grown to just under 15 million. The economy saw falling work hours throughout 2009 for workers overall and a sharp rise in the number of workers who were working involuntarily part time because their employer cut their hours or because they could not find a full-time job.

- Yesterday's data makes clear that the economy will not be able to look to consumers to ramp up their demand until the unemployment rate comes back down. Consumers, who make up about 70 percent of the U.S. economy, do not have the capacity to increase their consumption because of declining family income. High unemployment, high involuntary part-time employment, lackluster wage growth, and less access to credit all combined to constrain demand and with it, the pace of hiring.

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## Poverty changes

- A total of 14.3 percent or 43.6 million Americans are below the poverty line, as compared to 39.8 million in 2008. Millions more are included in the ranks of the near poor, defined as 150 percent of the federal poverty line. This figure includes 23.6 percent or 71.8 million Americans.
- Poverty and near poverty affect a diverse group of Americans of different ages, races, and family statuses. A full 20.7 percent of children are below the poverty line, making them the most vulnerable age group. And 25.8 percent of African Americans and 25.3 percent of Hispanics are poor, much higher than the rates for whites and Asians, which are 12.3 and 12.5, respectively. Families with children headed by a female had poverty rates of 38.5 percent in 2009 compared to 37.2 percent in 2008.

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## Poverty analysis

- The official poverty measure does not fully reflect the efficacy of the Recovery Act in keeping millions of Americans out of poverty, but we can tell from the alternative measures released by the Census Bureau that the Recovery Act has made a difference in the lives of millions of families. The American Recovery and Reinvestment Act of 2009 was a bold step, saving or creating 1.4 million to 3.3 million jobs, according to analysis by the nonpartisan Congressional Budget Office. The Recovery Act also focused on combating poverty: an

analysis examining just seven targeted provisions of the American Recovery and Reinvestment Act found that they kept more than 6 million additional people from falling into poverty last year.

- The Census Bureau reported that unemployment benefits kept 2.3 million adults out of poverty in 2009. While the official poverty measure does not include the value of the Supplemental Nutritional Assistance Program, or SNAP, when this program is added to the calculation of income, we can see that it moved 3.6 million people above the poverty line in 2009, 1.4 million more than in 2008. Similarly, if the earned income tax credit is added to the income calculation, we can see that it moved 3 million children out of poverty.
- The data also do not quantify the cost of these statistics to our economy. Back in 2007, a Center for American Progress report by Dr. Harry Holzer revealed that the economic cost of child poverty totaled a minimum of \$500 billion due to lost productivity and increased health and criminal justice expenditures. Dr. Holzer estimates in a new report for the Half in Ten campaign that the economic costs of child poverty are likely growing by billions of dollars during the Great Recession, underscoring the need for cost-effective investments now to avoid long-term economic costs that add to the deficit later.

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## Conclusions

Yesterday's Census Bureau release of 2009 income, poverty, and health insurance data provides an initial snapshot of the impact of the Great Recession on families and children across the country. At the same time median incomes have fallen, more families have lost health insurance coverage and have fallen into poverty.

Congress and the Obama administration have taken bold steps to ameliorate the recession. And this data shows that these programs have kept million of families out of poverty. Progressive policies like the passage of the Recovery Act directly targeted the economic crisis, curbed poverty, and saved or created millions of jobs. The Affordable Care Act addressed long-standing problems within our health insurance system and provides greater financial security for 32 million Americans who will be newly covered under this landmark legislation.

Congress should have the temerity to continue or expand successful policies that boost employment, reduce poverty, and improve the lives of families across the United States. Congress should continue to take steps before the end of the year that will put our economy on the right path. This includes extending tax cuts for middle-class families and continuing the expansions made to the earned income tax credit and the child tax credit to prevent millions of families and children from falling back into poverty. Income rose last year for the top 5 percent of households, but fell sharply for households in the bottom 60 percent, which should point policymakers towards tax policies that benefit the middle class, not the rich.