

Families Lose Ground in “Jobless” Economic Recovery

Although the national recession officially ended in November 2001, more Americans slipped into poverty and median household income continued to decline in 2002. According to the latest data from the U.S. Census Bureau, the poverty rate in the United States increased for the second straight year. The percentage of Americans living below the federal poverty line grew from 11.7% in 2001 to 12.1% in 2002.¹ This means 34.6 million people were living in poverty in 2002, or 1.7 million more people than in 2001. As poverty continued to increase in the United States, the median household income fell from \$42,900 in 2001 to \$42,409 in 2002, a decline of 1.1% after adjusting for inflation.²

Disparities continue to exist in poverty rates among racial and ethnic groups, with poverty being much more common among people of color than among whites (as shown in Table 1). Furthermore, the decline in median household income was concentrated among minorities, where median income declined significantly from 2001 to 2002 for African American, Hispanic, and Asian & Pacific Islander households, but not for white non-Hispanic households.³

Table 1: 2002 Poverty Rates by Ethnic Group (U.S.)

White Non-Hispanic	8.0%
Asians & Pacific Islanders	10.3%
Hispanic	21.8%
African American	24.1%

Poverty is also more prevalent among young people than among any other age group, with 16.7% of people under 18 years old living in poverty, compared to 10.6% of persons age 18 to 64 and 10.4% of persons 65 and older. Even though children make up only one-fourth of the total population, they represented 35.1% of the poor in 2002. The number of children living in poverty rose to 12.1 million in 2002, up from 11.7 million in 2001.

Further analysis suggests that the average poor person has become even poorer. After taking into account the impact of government food and housing benefits and federal taxes and tax credits, the income of the average poor person in 2002 was \$2,813 *below* the poverty line. This is the largest gap between the average income of a poor person and the poverty line in any year since 1979, the first year such data is available. There was also a significant increase in the

¹ Except as otherwise noted, data in this document is from U.S. Census Bureau, *Poverty in the United States: 2002*, www.census.gov/prod/2003pubs/p60-222.pdf and *Income in the United States: 2002*, www.census.gov/prod/2003pubs/p60-221.pdf. In 2002, the average poverty threshold was \$18,392 for a family of four and \$14,348 for a family of three.

² The median household income is the income of a household in the middle of the income scale — half of all households have higher incomes and half lower. The Census Bureau definition of household income includes the earned income (including wages and salaries, income from farm employment, and income from self-employment) and unearned income (including cash income from public assistance, Social Security benefits, investment income, rental income, and retirement income) of all household residents. The measure does not include the value of in-kind benefits (such as food stamps), the effect of taxes or tax credits, or capital gains. All income values are in 2002 dollars.

³ For the first time, respondents could identify themselves in more than one racial group, which complicates year-to-year comparisons. In order to account for this change in methodology, the Census Bureau uses several methods of classifying racial data to make year-to-year comparisons. In the case of median household income for racial groups, each method showed a significant decline in income for all minority classifications, with the exception of “Asian alone.”

number of people living in severe poverty. From 2001 to 2002 the number of Americans surviving on incomes below half of the poverty line increased by 600,000 to 14.1 million.⁴

As the poverty rate increased and incomes fell, more Americans found themselves without health care coverage. The percentage of Americans lacking health insurance for the whole year increased from 14.6% in 2001 to 15.2% in 2002 — an increase of 2.4 million uninsured people. The increase comes largely from a decline in the number of people covered by employment-based insurance, as the increasing costs of health care and rising unemployment made it more difficult for workers to keep their employer-sponsored coverage. The decline in coverage would have been worse had there not been an accompanying increase in persons covered by government health insurance programs, including Medicaid. Nevertheless, 30.4% of people living in poverty, or 10.5 million people, had no health insurance for all of 2002. Furthermore, the United States saw no improvement in health care coverage for children. In 2002, 8.5 million children under 18 years of age, or 11.6% of all children, went the entire year with no coverage.⁵

Trends Expected to Continue in 2003

Most analysts expect that in 2003, poverty rates will climb and household income and health insurance coverage will decline for a third straight year as the job market remains slow to recover. The economy needs to generate 170,000 additional jobs a month just to absorb new entrants into the workforce. Instead, between September 2002 and 2003, total nonfarm employment declined by 427,000 jobs. And since the recession began in March 2001, the country has lost nearly 2.7 million jobs. Unemployment in 2003 remains modestly higher than in 2002, with the national unemployment rate averaging 6.0% during the first nine months of 2003, compared to 5.7% for the same period in 2002.

The lack of job opportunities has meant significant increases in long-term unemployment, defined as being out of work for more than half a year. In September 2003, there were 2.1 million long-term unemployed persons. And the share of unemployed persons who have been out of work for more than half a year reached 23.2% in September, the highest level in the last 20 years.⁶

There are also many unemployed Americans who have simply given up looking for work and so are no longer captured by official unemployment statistics. For instance, in September 2003 there were 388,000 “discouraged workers” who were no longer looking for work because they believed none was available. The number of discouraged workers shows no real improvement from a year ago, another indication that the job market has yet to turn around.⁷

Long-term unemployment, and the consequent exhaustion of state and federal unemployment benefits, often leads to severe financial hardship. Until the economic recovery begins to produce significant numbers of new jobs, poverty rates are likely to increase, incomes to fall, and the number of uninsured to grow.

⁴ Data in this paragraph from Center on Budget and Policy Priorities (CBPP), *Poverty Increases and Median Income Declines for Second Consecutive Year*, www.cbpp.org/9-26-03pov.pdf.

⁵ Data in this paragraph from U.S. Census Bureau, *Health Insurance Coverage in the United States: 2002*, www.census.gov/prod/2003pubs/p60-223.pdf.

⁶ Data in the last two paragraphs is from the Economic Policy Institute (EPI), *Jobs Picture* (October 3, 2003), www.epinet.org/content.cfm/webfeatures_econindicators_jobspict, and author's analysis of Bureau of Labor Statistics (BLS) data.

⁷ Data in this paragraph from BLS, *The Employment Situation: September 2003*, www.bls.gov/news.release/pdf/empsit.pdf, and author's analysis of BLS data.

Minnesota Shows No Improvement from 2001

Minnesota shows lower levels of poverty and unemployment, higher median household income, and a higher degree of health insurance coverage than the comparable national figures, as shown in Table 2. However, in 2002, Minnesota saw no improvement in these measures.

	U.S.	MN
Median Household Income	\$42,654	\$54,070
Poverty Rate	11.9%	6.9%
Unemployment Rate	5.3%	4.1%
No Health Insurance	14.9%	7.9%

The percentage of Minnesotans living below the federal poverty line in 2001-2002 was 6.9%.⁸ Poverty among Minnesota's children was higher than the overall population, at 8.0%.⁹ The state's poverty rate, however, is

among the lowest in the nation. Minnesota's median household income of \$54,070 for 2001-2002 is also considerably higher than the national average. Likewise, the percentage of the population without health insurance for an entire year is lower in Minnesota than for the nation as a whole. However, as with the poverty rate and median household income, there was no significant change in health coverage over previously measured levels.

Minnesota is unlikely to see any improvements in poverty, household income, or health coverage in 2003. Although some elements of the state's economy have shown signs of improvement, the job market in Minnesota has not. The *Minnesota Job Vacancy Survey*, produced by the Minnesota Department of Employment and Economic Development, estimates that during the second quarter of 2003 there were more than twice as many unemployed people as there were job vacancies in the state. In Minnesota, "the first half of 2003 was the most difficult time since the recession began to find work, particularly in hard-hit occupations."¹⁰ More recent data shows that the job picture in Minnesota hasn't improved much. The state's seasonally adjusted unemployment rate for this September was 4.6%, up two-tenths of a percentage point from August, and three-tenths from one year ago. Although the number of Unemployment Insurance claims filed in Minnesota in September 2003 was similar to a year ago, state economist Tom Stinson points out, "There's certainly no reason to celebrate. Being where we were last year is not where we want to be."¹¹

Official Poverty Measures Underestimate Number of Struggling Families

The official poverty measurement underestimates the true number of families who are unable to make ends meet. Developed in the mid-1960s, the poverty line assumes a poor family can live on an income three times the estimated cost of a basic food budget. The food budget the government used to calculate the initial poverty line was the cheapest plan provided by the Department of Agriculture, one "designed for temporary or emergency use when funds are low." Over thirty years later, the Department of Health and Human Services still uses the same formula to calculate poverty guidelines, even though food now accounts for only about one-seventh, rather than one-third, of a typical household budget. Poverty guidelines are updated each year for inflation, yet they fail to account for the rising costs of housing and health care, as well as the increased use of child care.

⁸ The Census Bureau recommends using two-year averages of state data for comparisons over time.

⁹ CBPP analysis.

¹⁰ Minnesota Department of Employment and Economic Development, *Minnesota Job Vacancy Survey* (2nd Quarter 2003), www.mnwfc.org/lmi/jobvacancy/.

¹¹ *Star Tribune*, "State jobless claims stay flat, drop nationally," October 10, 2003.

As an alternative to using the federal poverty line, the JOBS NOW Coalition prepares family budget figures based on a “no frills” standard of living in Minnesota. They find that the minimum basic family budget for a single parent family of three is more than two and a half times the federal poverty line for that family size (as shown in Table 3).¹²

	Official Poverty Rate	Basic Family Budget
1 adult	\$9,359	\$23,638
1 adult, 1 child	\$12,400	\$32,676
1 adult, 2 children	\$14,494	\$37,344
2 adults, 1 child	\$14,480	\$38,928
2 adults, 2 children	\$18,244	\$47,436

Many families in Minnesota are struggling to survive on incomes above the official poverty line, but well below a self-sufficient income. In 2002, 20.1% of Minnesotans were living at or below 200% of poverty – three times as many persons as under the official poverty definition. And that is still not a sufficient income to meet the JOBS NOW basic family budget.¹³ JOBS NOW estimates that more one-third of workers in Minnesota do not earn enough to meet the costs of supporting a two-parent family of four, with both parents working.

Many of the decisions made during the 2003 Minnesota legislative session will make life harder for struggling families. Copayments for state-sponsored health care services and child care assistance were increased, eligibility levels for child care, health care, and cash assistance were reduced, and employment and training opportunities were cut back. These changes mean families in Minnesota will be losing access to programs that support work. The loss of these benefits, coupled with stagnant job growth, mean Minnesota is likely to go a third straight year without seeing any improvements in poverty, household income, or health insurance coverage.

¹² JOBS NOW Coalition, *The Cost of Living in Minnesota*, 2003, www.jobsnowcoalition.org. The minimum family budget used to calculate the family supporting wage assumes the family receives no government assistance or child support, but does receive the Earned Income Credit and Minnesota Working Family Credit to which they are entitled. The budget includes the costs of food, housing, health care, transportation, child care, and a few other basic necessities, but makes no allowance for items such as education, debt payment, savings, vacations, entertainment, or big-ticket items like appliances. In this analysis, in families with two adults, both parents are assumed to be working.

¹³ CBPP analysis.