

Center for American Progress



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Memorandum To: Interested Parties

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Subject: New Census Data Show Deteriorating Income and Health Coverage from 2000 to 2005

Today, the Census Bureau announced its income, poverty and health insurance data for 2005. This data shows a serious erosion of income and health care security for working Americans. In this analysis, income and health insurance information from 2005 is compared to that from 2000 - the year before the last recession - to assess changes over the last five years.

The results are bleak: The number of uninsured Americans increased significantly, climbing to 46.6 million in 2005, up 6.8 million since 2000. Compared to 2000, median income is 2.7 percent lower in real terms, and 5.4 million more are living in poverty.

The small improvement in median income between 2004 and 2005 was insufficient to erase the over \$1,800 loss in median income experienced from 2000-2004. Full-time, year round workers also lost ground with median income for men falling by \$774 and for women falling by \$427.

The Census report confirms that the recovery from the last recession has been weak, echoing other data showing slower than expected growth in employment, output and business investment. These problems did not just happen: they resulted from flawed economic and health policies which force Americans to work more for less. When it returns after Labor Day, this Congress should act to mitigate these problems by passing a straightforward minimum wage increase and extend health funding for programs like the State Children's Health Insurance Program. Moreover, policy makers should recognize the need for major change, such as providing affordable health care to all Americans and taking action to address growing income inequality.

Five-Year Trends:

Health Insurance Changes:

- The number of uninsured increased to 46.6 million in 2005, 1.3 million more than in 2004 and 6.8 million more than in 2000.
- The rate of uninsured children rose for the first time in five years; 8.3 million children lacked health insurance in 2005, 11.2 percent of all children. Over one in five (20.5%) of non-elderly adults lacked health insurance in 2005, up by 6.8 million since 2000.
- The rate of employer coverage dropped between 2004 and 2005. Since 2000, over 3 million people have lost employer-based insurance. People who work full time were hard hit: a million more full-time workers were uninsured in 2005, despite the drop in the number of full-year, full-time workers. The rate of uninsured, full-time workers has increased by 13 percent since 2000.
- Workers in small firms were most likely to lose health insurance: the rate of workers covered by their own employers dropped by 6 percent from 2000 to 2005, compared to a 3 percent drop among workers in large (1,000 or more employee) firms. In 2005, there were more uninsured workers in small firms than workers actually covered by those firms (13.5 versus 13.0 million).
- Since 2000, this Administration has created over 3 times as many uninsured Americans as new jobs: 6.8 million uninsured versus [1.9 million new jobs between December 2000 and 2005](#).
- In 2005, for every wealthy family that got a tax cut due to 2001 and 2003 legislation, there were 160 uninsured Americans who struggled to afford basic health care. The amount of the tax cut for millionaires averaged [over \\$100,000](#) – enough to buy health insurance for roughly 50 children, at an average total cost of [\\$2,000 per child](#).
- The increase in the uninsured is nearly three times the increase in new homeowners (6.8 million new uninsured versus 2.4 million more homeowners in [2005 than 2000](#)).

Income and Poverty Changes:

- The failure of wage and salary increases to cover inflation has meant a real reduction of median income between 2000 and 2005 of 2.7 percent for

households.

- Through 2004, median incomes fell in each year since 2000 – falling by over \$1,800. The increase of \$509 in 2005 only makes up a fraction of this overall loss. While the recession in 2001 caused the majority of the overall drop, median income had continued to decline even after the official end of the recession.
- The decline in workers' real income was especially pronounced for full-time, year-round workers. For men, median incomes fell by \$774 from 2004-2005 and for women, median incomes fell by \$427. Incomes in this group fell to their lowest levels since 1997 for men, and lowest level since 2000 for women.
- The number of people in poverty has increased by 5.4 million since 2000, the number of children in poverty has grown by 1.3 million, and the poverty rate is up by 1.3 percentage points. The overall poverty rate was 12.7 percent in 2004, and 12.6 percent in 2005, which the Census Bureau indicated reflected no statistically significant change.
- The share of Americans living in extreme poverty – with incomes less than 50 percent of the poverty line – remained unchanged at 5.4 percent in 2005, compared with 4.5 percent in 2000. The number of Americans living in extreme poverty – 15.9 million – has grown by 3.3 million since 2000, and is now at its highest level since 1993.
- While poverty rates for most groups remained essentially flat in 2005, the poverty status of children in female-headed families deteriorated further. Among related children in female-headed families, the poverty rate rose from 41.9 percent to 42.8 percent between 2004 and 2005, compared with 40.1 percent in 2000. While the Administration has repeatedly highlighted the successes of welfare reform, the poverty rate for children in female-headed families is now at its highest since 1998.

Conclusions:

These facts suggest that typical workers in the U.S. are worse off today than they were in 2000. At the same time that median incomes have fallen, Americans' health insurance costs have skyrocketed. The number of uninsured Americans continues to climb as slight income gains between 2004 and 2005 were from enough to set the country on the right economic path.

In the remaining days in its session, the Congress should pass a minimum wage increase. It should do so as a stand alone measure without the estate tax cut that will worsen the already-widening income disparities in the nation. At a time when the rate of uninsured children is rising, it should also prevent the [estimated \\$800 million](#) shortfall in funding needed to sustain the State Children's Health Insurance Program, to prevent some states from having to cut back on coverage for low-income children.

More importantly, the Census report confirms a steady but serious decline in employer-sponsored health insurance, contributing to unstable coverage and a growing uninsured population. The roughly 47 million uninsured is about 10 million more than the number of [elderly in America](#) and 20 million more than the number of residents in [Iraq](#). This problem has increased among workers as well as adults, making incremental policies like covering all children important but insufficient to solve the problem. Policy makers should commit to providing all Americans with affordable coverage, reducing costs, and prioritizing prevention.

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