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Poverty grows, incomes drop

Analysts expect rate to keep rising, erasing gains of '90s

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WASHINGTON —

The government's first broad look at the recession's impact on American households in 2008 shows that the nation's poverty level jumped to an 11-year high, incomes sank for almost every group and the number of people without health insurance rose to 46.3 million.

As bleak as these statistics were from the Census Bureau on Thursday, they captured only a part of the devastating effects of the economic downturn that worsened last fall and into this year. Analysts say they expect the official poverty rate, which rose to 13.2 percent, from 12.5 percent in 2007, to keep climbing this year and next, reversing the gains made in the 1990s.

With the unemployment rate averaging 8.9 percent this year, compared with 5.8 percent in 2008, incomes are likely to deteriorate further as well. Last year, the Census Bureau said, the median household income - the point at which half were more and half less - fell 3.6 percent from 2007 to \$50,303 last year.

That was the biggest decline for the first year of a recession since World War II, noted Larry Katz, a Harvard economist. Given the meager income gains for most workers in recent years, he said, "We've basically seen a lost decade for typical American families."

Although the economy is expected to technically come out of recession this quarter, the Census Bureau's annual report on income, poverty and health insurance was a sobering reminder of the widespread hardships inflicted by the downturn. And it added urgency to calls by various people for a national health care overhaul as well as a strengthening of other social programs aimed at helping the unemployed, the poor and other vulnerable groups.

On Thursday, Rep. Jim McDermott, a Washington state Democrat, filed a bill that would give a 13-week extension of unemployment benefits, which are expiring for hundreds of thousands of workers. He said he was hopeful the measure, affecting states with jobless rates averaging at least 8.5 percent over the last three months, would take effect in early October.

"We need to have both a growing economy and focused government policies if we're going to make a dent in poverty," said Sheldon Danziger, director of the National Poverty Center at the University of Michigan. He noted that poverty spiked in the inner city.

Overall, the nation's poverty rate was at its lowest at 11.1 percent in 1973 but had hovered at about 12.5 percent from 2003 to 2007 when the economy was expanding. About 39.8 million people fell below the poverty line last year, including more than 14 million children. The poverty rate was unchanged for seniors 65 and older, reflecting continued Social Security benefits.

Jared Bernstein, economic adviser to Vice President Joe Biden, said the poverty figures were in line with expectations. "2008 was a good example of how much the economy hurt lower- and middle-income people," he said.

Earlier in the day, the White House released a report saying President Barack Obama's stimulus package had saved or created about 1 million jobs through August, but neither Bernstein nor others in the administration would say that a second stimulus would be offered.

About 3.8 million payroll jobs have been eliminated since January, and unemployment, currently at 9.7 percent, is projected to grow to 10 percent in the coming months. That means many more workers and their families this year have slipped into poverty or lost their health coverage, or both.

Maryland's unemployment rate, which is usually lower than the national rate, reached 7.3 percent in July. August figures are not yet available.

About 58.5 percent of the nation's population last year was covered by private insurance provided through employers, although that percentage has been steadily decreasing, the Census Bureau said.

The ranks of people without medical coverage, which increased from 45.7 million in 2007, were expected to have risen more sharply last year.

But the decline in employment-based coverage was offset by expanding government safety-net programs and rising Medicare enrollment, which is driven by aging baby boomers. The number of uninsured children fell to 7.3 million from 8.1 million in 2007.

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