

## Poverty Rates Increase, Incomes and Health Coverage Fall in 2001

For four years, the poverty rate fell in the United States. However, this progress was eroded in 2001, due to the recession. According to data from the Census Bureau, the percentage of Americans living below the federal poverty line grew from 11.3% in 2000 to 11.7% in 2001.<sup>1</sup> At the same time, the inflation-adjusted median household income declined to \$42,228 in 2001 — 2.2% less than in 2000.<sup>2</sup>

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).

Poverty is also more prevalent among young people than among any other age group, with 16.3% of people under 18 years old being poor, compared to 10.1% of persons age 18 to 64 and 10.1% of persons 65 and older.

**Table 1: 2001 Poverty Rates by Ethnic Group**

White Non-Hispanic	7.8%
Asians & Pacific Islanders	10.2%
Hispanics	21.4%
African American	22.7%
American Indian & Alaska Native <sup>3</sup>	24.5%

The Census Bureau uses several measures to gauge income inequality. Almost all of the measures show inequality to be at its highest levels since 1967, the first year for which such data is available.

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 2001 was \$2,707 below the poverty line.<sup>4</sup> 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.

The percentage of Americans lacking health insurance for the whole year increased from 14.2% in 2000 to 14.6% in 2001 — an increase of 1.4 million people. The increase comes largely from a decline in the number of people covered by employment-based insurance. The decline in coverage would have been worse had there not been an accompanying increase in persons covered by government health insurance programs.<sup>5</sup>

<sup>1</sup> Except as otherwise noted, data in this document is from U.S. Census Bureau, *Poverty in the United States: 2001* and *Money Income in the United States: 2001*. The poverty rate measures the percentage of persons living below the federal poverty line. The average poverty threshold in 2001 was \$18,104 for a family of four and \$14,128 for a family of three.

<sup>2</sup> 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.

<sup>3</sup> Average 1999-2001. The American Indian and Alaska Native population is relatively small; using a three-year average gives a more reliable estimate.

<sup>4</sup> Data in this paragraph from Center on Budget and Policy Priorities, *Census Data Show Increases in Extent and Severity of Poverty and Decline in Household Income*.

<sup>5</sup> Data in this paragraph from U.S. Census Bureau, *Health Insurance Coverage: 2001*.

### ***Poverty, Lack of Health Insurance Expected to Rise***

Most analysts expect poverty rates and the number of persons without health insurance nationally to continue to climb in 2002, as unemployment is expected to be much higher in 2002 than in 2001. The national unemployment rate averaged 5.9% during the first eight months of 2002, and is expected to be around 6% until mid-2003. This is significantly higher than the average unemployment rate of 4.8% in 2001. At the same time that unemployment is up, the number of out-of-work persons who exhaust their unemployment benefits before finding work is expected to be greater in 2002 than in 2001.<sup>6</sup>

The official poverty measurement underestimates the true number of families who are unable to make ends meet. The federal poverty line was developed over 30 years ago and has only been adjusted for inflation. It does not take into account changes in family consumption patterns since the early 1960s, such as the growing use of child care.

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 family budget for a single parent family of three is more than twice as high as the federal poverty line for that family size.<sup>7</sup>

### ***Minnesota Does Better Than National Figures***

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 below.

	<b>U.S.</b>	<b>MN</b>
<b>Median Household Income</b>	\$42,695	\$54,223
<b>Poverty Rate</b>	11.5%	6.5%
<b>Unemployment Rate</b>	4.4%	3.5%
<b>No health insurance</b>	14.4%	8.1%

The percentage of Minnesotans living below the federal poverty line in 2000-2001 remained at 6.5%, the same as for 1999-2000.<sup>8</sup> The state's poverty rate is among the lowest in the nation.

Minnesota's median household income of \$54,223 for 2000-2001 is considerably higher than the national average, although it showed no significant growth over its 1999-2000 level.

Minnesota's unemployment rate continues to be lower than the national rate, although it has increased faster than the national rate over 1999-2000 levels. The percentage of the population without health insurance for an entire year is also lower in Minnesota than for the nation as a whole. As with median household income, there was no significant change in health coverage over previously measured levels.

<sup>6</sup> Data in this paragraph from Center on Budget and Policy Priorities.

<sup>7</sup> JOBS NOW Coalition, *The Cost of Living in Minnesota*, 2001. The minimum family budget 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.

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