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Census Data Show Robust Progress Across the Board in 2016 in Income, Poverty, and Health Coverage

Two Consecutive Years of Progress on All Three Measures Is Unprecedented

By Arloc Sherman, Isaac Shapiro, and Robert Greenstein

Economic progress lowered poverty and lifted median household income to its highest level in at least nine years, Census data released September 12 show, while the continuing effectiveness of the Affordable Care Act (ACA) pushed the uninsured rate down to a new record low.

Coming on top of large gains in 2015, the Census data show that the typical household's income rose more from 2014 to 2016 — by 8.5 percent or $4,600 — than in any other two-year period on record, with data back to the 1960s. This also marks the first time on record that income, poverty, and health coverage *all* improved for two consecutive years; these data go back to 1988. (See Figure 1.)

The challenge for policymakers now is to build on the last few years' progress and not worsen poverty, inequality, and health coverage. A number of steps that federal policymakers are eyeing this fall — such as cuts in poverty-reducing programs, costly tax breaks for the most well-off, and steps that would roll back ACA coverage gains — would move the nation in the opposite direction.

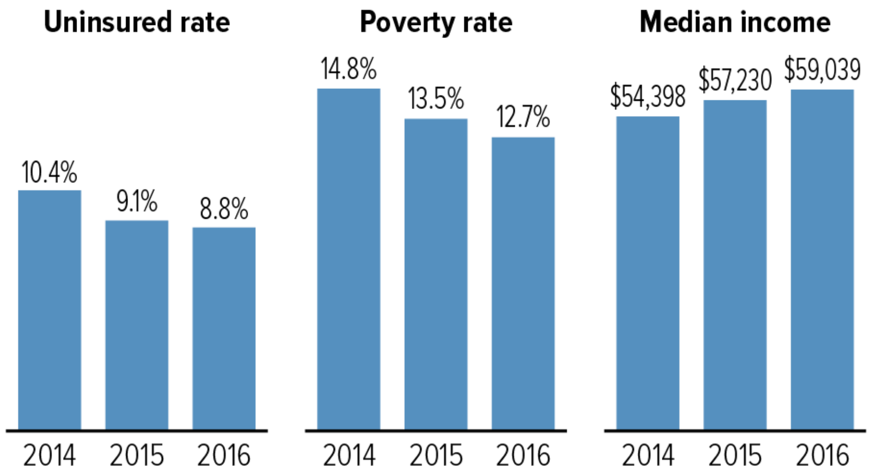
Largest Two-Year Income Improvement in 50 Years

Median household income rose by 3.2 percent in 2016, the data show. Building on the progress in 2015, this means that the typical household's income rose by a larger percentage from 2014 to 2016 — 8.5 percent, after adjusting for inflation — than in any other two-year period on record, with data back to the late 1960s. Also, the official poverty rate fell from 13.5 percent to 12.7 percent in 2016. Between 2014 and 2016, the poverty rate fell by 2.1 percentage points or 6 million people.

This progress reflects sustained job growth and a strengthening labor market. The growing demand for labor created jobs and raised wages, boosting incomes across the board.

FIGURE 1

First Time on Record: Health Coverage, Poverty, and Median Income All Improve Two Years in a Row



Note: Data start in 1988, the first year for which health insurance data are available.

Source: U.S. Census Bureau

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Median Income at Recent High But Has Not Substantially Surpassed 2000 or 2007

Median income reached $59,000 in 2016, an $1,800 increase over 2015, after adjusting for inflation. At first glance this figure marks the highest such figure recorded in Census historical tables, but the Census Bureau cautions that it redesigned the Current Population Survey for 2013 and later years to improve its measurement of income.[1] After accounting for the effects of the alterations in the wording of survey questions, the 2016 income level appears slightly below those for 1999, 2000, and 2007, the previous peaks. Median incomes dipped in the 2001 downturn, never regained their 2000 level during the subsequent economic expansion through 2007, fell deeply in the Great Recession, and have now climbed back to close to their previous high.

Uninsured Rate at Historic Low

2016 was the third full year of ACA implementation, and the Census data show continuing coverage gains. The uninsured rate stood at 8.8 percent in 2016, an improvement over 2015's 9.1 percent — itself a record low. The number of uninsured fell by 13.7 million between 2013 and 2016 and by millions more from 2010 to 2013, when the ACA was partly implemented.

The data also underscore the importance of state participation in the ACA's Medicaid expansion. As a group, the 32 states (including the District of Columbia) that expanded Medicaid have experienced much larger declines in their uninsured populations than other states did. If the

[1] Median income for 2013 is approximately $1,700 higher with the new questions than when measured using the old questions, the September 12 Census report shows.

uninsured rate had fallen in non-expansion states at the same rate since 2013 as it did in expansion states, another 4 million uninsured Americans would have had coverage last year. In addition, the ACA reversed the once-stubborn trend of shrinking health coverage; before the ACA, coverage often failed to improve, or declined, even with a growing economy.

Wide Gaps Remain Among Racial and Ethnic Groups in Risk of Poverty

African Americans and Hispanics continue to experience the highest risk of poverty by a wide margin. The Census figures show that in 2016:

- 22.0 percent of African Americans lived below the poverty line, or 2.5 times the rate for people identifying as non-Hispanic white.
- 19.4 percent of Hispanics lived below the poverty line, or 2.2 times the non-Hispanic white rate. [2]

While non-Hispanic whites had a poverty rate of 8.8 percent in 2016, they constitute the single largest racial or ethnic group in poverty due to their large numbers. In 2016, 17.3 million non-Hispanic whites were poor, compared with 11.1 million Hispanics and 9.2 million African Americans.

Poverty Rates Higher for Children Than Other Age Groups

Poverty among children declined especially sharply in 2016, though children remain the age group most likely to be poor. Some 18.0 percent of children lived below the official poverty line in 2016, a higher share than for adults aged 18 to 64 (11.6 percent) or seniors aged 65 and older (9.3 percent).

Poverty among children is of particular concern because children who experience poverty frequently show lasting deficits in education and health relative to similar non-poor children. Conversely, participation in anti-poverty programs that raise family resources is associated with improvements in children's health, educational achievement, and long-term earning power, studies have found.[3]

Millions More Would Be Poor Without Economic Security Programs

The Census data show that poverty and economic hardship would be far more widespread if not for key federal programs. Census data using the Supplemental Poverty Measure (SPM) show that government programs lifted many millions of people above the poverty line in 2016:

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[2] The Census data also show that 10.1 percent of Asian Americans lived below the poverty line in 2016, just above the non-Hispanic white rate.

[3] Arloc Sherman and Tazra Mitchell, "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find," Center on Budget and Policy Priorities, July 17, 2017, https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over.

- 3.6 million were lifted out of poverty by SNAP, formerly known as food stamps (this estimate is significantly understated due to the underreporting of such benefits in the Census survey data);
- 8.2 million by refundable tax credits (the Earned Income Tax Credit and the low-income portion of the Child Tax Credit);
- 3.4 million by Supplemental Security Income (SSI) for low-income people who are elderly or have serious disabilities;
- 3.1 million by housing assistance; and
- 150,000 by low-income home energy assistance.

These programs also reduce the *severity* of poverty for tens of millions of other people.

Unlike the official poverty measure, which only considers families' cash income, the SPM counts income from tax credits and government non-cash benefits, as most analysts favor. The September 12 Census figures do not, however, correct for the underreporting of government benefits in survey data and hence tend to *understate* how much these programs reduce both the amount and the severity of poverty.[4]

Supplemental Measure Shows Long-Term Progress Against Poverty

Some policymakers may be tempted to use the new poverty data to argue that federal anti-poverty programs have failed, since the official poverty rate has changed little since the late 1960s. But comparing poverty rates between the 1960s and today by using the official poverty measure yields highly misleading results and is shunned by most analysts as invalid. The official poverty measure does not accurately portray the overall financial well-being of low-income Americans or how that has changed over time because it counts only *cash* incomes and omits the impact of key government income-assistance programs such as SNAP and the Earned Income Tax Credit.

The SPM *does* count these benefits and makes other improvements in poverty measurement, such as netting out income and payroll taxes. The Census's SPM tables start in 2009, however, so they can't by themselves answer questions such as how much the poverty rate has changed since the 1960s or whether it has returned to its level in 2007, before the Great Recession. However, Columbia University researchers have developed a set of historical SPM estimates known as the "anchored SPM," which shows poverty trends and the impact of anti-poverty efforts over the long term.[5] Our update of the Columbia anchored SPM series with the September 12 Census data shows that the poverty rate *fell by two-fifths* between 1967 and 2016, from 25 percent to 14 percent.

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[4] Arloc Sherman and Danilo Trisi, "Safety Net More Effective Against Poverty Than Previously Thought," Center on Budget and Policy Priorities, May 6, 2015, https://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought.

[5] Christopher Wimer *et al.,* "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center Working Paper No. 13-01, December 2013, http://cupop.columbia.edu/publications/2013.

Policymakers Should Build on Progress, Not Undermine It

For policymakers, the goal now should be to sustain the recent progress in income, poverty, and health insurance. Continued progress is far from certain. Both President Trump's 2018 budget and the budget that the House Budget Committee approved in July (which the full House may consider soon) call for cuts to programs assisting low- and moderate-income households, including programs like SNAP, refundable tax credits, and SSI. As the Census data make clear, cutting those and other basic assistance programs would increase poverty and hardship, moving the dial in the wrong direction. Moreover, enacting such *program* cuts in conjunction with *tax* cuts that disproportionately favor the most affluent, as Administration and past House Republican leadership tax proposals would do, would also exacerbate inequality, favoring the wealthy at the expense of low- and middle-income households.

In addition, the Trump Administration is weakening workers' economic standing through various administrative actions, such as undermining recent rules to extend overtime pay protections to more workers, as well as rules to ensure that financial advisers place workers' retirement funds in the best investments, instead of investments that give advisers higher fees.

On health insurance, a new ACA "repeal and replace" proposal (by Senators Bill Cassidy and Lindsey Graham) that the Senate could still consider this month would add millions to the ranks of the uninsured, and the Administration is taking various steps that threaten to weaken insurance markets. The historic progress under the ACA in reducing the nation's uninsured rate remains at risk.

Other approaches would build on recent progress rather than jeopardize it. The Federal Reserve should pay special heed to the positive consequences of tight labor markets, given continued low inflation. The President and Congress should enact a long-overdue increase in the minimum wage, which has remained unchanged for eight years and so has shrunk considerably in purchasing power. They also should strengthen refundable tax credits for the working poor and increase access for low-income families to affordable housing and child care, the latter of which would enable more parents to work or work more hours. Together with potential bipartisan steps to stabilize and strengthen health insurance markets, such approaches would make it more likely that the gains of a growing economy are more broadly shared.