

Analysis of the Upcoming Release of 2003 Data on Income, Poverty, and Health Insurance

Heather Boushey¹

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CENTER FOR ECONOMIC AND POLICY RESEARCH • 1621 CONNECTICUT AVE., NW, SUITE 500
WASHINGTON, D.C. 20009 • (202) 293-5380 • <WWW.CEPR.NET> • EMAIL: CEPR@CEPR.NET

¹ Heather Boushey is an economist at the Center for Economic and Policy Research.

On August 26, the U.S. Census Bureau will release data on poverty, income, and health insurance coverage for 2003. This data will come from the Current Population Survey's Annual Demographic Supplement, conducted in March of 2004 (March CPS).

This data release provides a scorecard of how well the labor market performed in 2003. Changes in household income and poverty rates are directly related to the performance of the labor market because wages and salaries comprise about three-quarters of total family income. Health insurance is also directly tied to employment as most Americans—three-in-five—get their health insurance from an employer.

We expect that none of these three indicators will show substantial improvement—if any—for 2003 because of the lackluster labor market. Preliminary analysis shows that for the first half of 2003 compared to the first half of 2002, inflation-adjusted income is up minimally, poverty increased, and health insurance coverage fell. Given that weekly earnings continued to fall in the latter half of 2003, it is likely that household income will fall for the fourth year in a row or, at most, increase only slightly, and that poverty will rise for the third year in a row.

Health insurance coverage fell in 2001 and 2002 and we expect it to fall again in 2003. Lower employment levels mean fewer people have access to employer-provided health insurance from their own employer. Further, people are increasingly less likely to receive health insurance as a dependent on another family member's employer-provided plan. While Medicaid coverage has risen, it will not be sufficient to offset declining employer-based coverage.

Labor market performance in 2003

Although the most recent recession had been officially over for more than a year at the beginning of 2003, the labor market had not yet recovered. Millions remained out of work and wage growth slowed to a crawl.

Over 2003, 61,000 jobs were lost, fewer than in 2002 (563,000 jobs lost) or 2001 (1,782,000 jobs lost). Job growth did begin to turn positive in 2003, however, as the economy showed an increase of 221,000 jobs between July and December.

Unemployment averaged over six percent for the year and did not dip below six percent until November 2003. The unemployment rate hit a high of 6.3 percent in June 2003, a level not seen since 1994. However, a more telling measure of overall labor market performance is the employment-to-population ratio, the share of Americans who have a job. In 2000, this ratio averaged 64.4 for the year; in 2003, the employment-to-population ratio, at 62.3, was a full 2.1 percentage points lower.

Typically, the rate of wage growth falls after the unemployment rate rises, and this has been true during the most recent economic recession. Over 2003, average inflation-adjusted weekly earnings were flat. This stands in contrast to 2002 when inflation-adjusted weekly earnings grew by 1.3 percent. Looking over 2003, hourly wages fell in the winter and summer of 2003, and then began a steady decline since November 2003.

Overall, this economic recovery has seen a low level of job creation. Today, the economy still has 1.2 million fewer jobs than we had at the beginning of the recession in March 2001. Tepid job growth translates into declining economic well-being for America's families.

Analysis of income, poverty, and health insurance coverage for the first half of 2003

Our analysis uses data from the Survey of Income and Program Participation (SIPP) for the first half of 2003. Like the March CPS, the U.S. Census Bureau conducts the SIPP and it is a nationally representative survey of American households. The surveys show similar trends over time, however the estimates for each year are not exactly the same because they are administered differently.

The SIPP is different from the March CPS because respondents are interviewed every four months rather than once a year. Thus, SIPP respondents tell the interviewer about their income and health insurance coverage for the previous four months, while March CPS respondents tell the interviewer about their income and health insurance for the previous calendar year.

Given that the March CPS and the SIPP are measuring the same thing, and given that researchers have found them to be consistent over time, we can use the SIPP data for the first half of 2003 to see what we can expect from the March CPS release next week for all of 2003.

SIPP data closely correlates with the CPS on poverty and income. Table 1 shows that for the first six months of 2003 compared to the first six months of 2002, poverty is up by 0.2 percentage points among children and by 0.1 percentage point overall. Given these trends for the first six months of 2003, and the wage declines seen in the latter half of 2003, we expect poverty to rise again in 2003 as it did in 2002.

Median household inflation-adjusted income, on the other hand, rose during the first six months of 2003, compared to the first six months of 2002 (Table 2). Even so, inflation-adjusted median household income for the first six months of 2003 remains below its 1999 level in the SIPP data. Wage trends in the latter half of 2003 point towards slow or negative growth, however rising employment may offset those trends. The disparity between income and poverty trends, however, may point towards further widening of income inequality.

The SIPP is a more comprehensive survey for examining health insurance coverage because of the way that the questions are asked. SIPP respondents are asked whether they had health insurance each of the previous four months whereas in the March CPS, respondents are asked whether they had health insurance at any time during the previous calendar year. People might have a hard time remembering over such a long time span and the SIPP's shorter time frame makes it more likely that the survey will pick up actual experience with health insurance coverage.

The first six months of 2003 show a 0.6 percentage point decline in the share of Americans reporting any health insurance during any month (Table 3). The decline in coverage is due to a fall-off in the share of Americans covered by an employer plan: 71.9 percent of Americans were on an employer-provided health insurance plan during at least one month between January and June of 2002, while only 70.5 percent were in 2003, a 1.4 percentage point decline (Table 4). Even though Medicaid coverage increased for children, this is not enough to offset the rather large declines in employer-provided coverage.

What it all means: Labor market trends shape economic well-being

The labor market has had difficulty getting back to its pre-recession level of employment. While employment has remained below its pre-recession peak, wage growth stalled. All of this means that trends in income, poverty, and health insurance coverage will not generally move in favorable directions for 2003.

Since the recession began in March 2001, the primary policy solution from the current Administration has been tax relief. Tax legislation in 2001, 2002, and 2003 created economic stimulus, but, unfortunately, it did not create the kind of stimulus that led to solid job creation. The problem is that the bulk of the tax breaks went to the wealthiest Americans, who are less likely to spend a tax cut compared to the non-wealthy. Recent analysis by the Congressional Budget Office found that total effective tax rate for the top quintile fell by 3.1 percentage points while that of the lowest quintile fell by 1.4 percent points. According to calculations by the Joint Economic Committee, this led to an average tax cut of \$250 for the lowest 20 percent of households in 2004, compared with an average tax cut of \$1,090 for the middle 20 percent of households and an average tax cut of \$78,460 for the top one percent of households.²

While it is possible that the economy would have been weaker without the tax cuts, clearly there is not much job growth to show for these rather large cuts. Rescinding the tax cuts might not help the labor market right now, but they would go a long way towards securing future economic prosperity. The large budget deficits will undoubtedly constrain future spending, however, in the near term, given the weakness in the labor market, the economy may need appropriately targeted stimulus to boost consumption.

Because health insurance coverage is tied to employment, losing a job can mean much more to a family than a period of belt-tightening or doing without frills. It can mean losing access to health care just when a family is under increased stress and might need more access to the health care system. The 1986 COBRA legislation, which enables many workers to buy into their former employer's health insurance plan after they have left the firm, is often so costly that unemployed workers cannot afford it. Families need access to low-cost or fully subsidized coverage, especially during times of higher unemployment.

Fundamentally, however, it is the cost of health insurance that is the problem. The costs of health insurance coverage continue to rise far faster than the pace of inflation. According to a Kaiser/HRET Survey, in 2003, health insurance premiums rose by 13.9 percent. Slowing the growth in health insurance costs would help to increase access to health insurance.

² Congressional Budget Office. 2004. *Effective Federal Tax Rates Under Current Law, 2001 to 2014*; Joint Economic Committee Democrats, 2004. *New CBO Analysis Confirms that the Bush Tax Cuts are Skewed Toward The Rich*.

Table 1. Poverty rate

Year	Survey of Income and Program Participation									Current Population Survey, March Supplement*			
	Adults			Children			Elderly			All			All year
	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	
1993	11.4%	10.9%	11.2%	23.3%	22.7%	23.0%	9.6%	10.0%	9.8%	14.6%	14.1%	14.3%	15.1%
1994	11.0	10.4	10.7	23.0	21.9	22.5	10.1	10.1	10.1	14.3	13.6	13.9	14.5
1995	10.3	10.1	10.2	21.7	21.1	21.5	9.7	10.1	9.9	13.4	13.2	13.3	13.8
1996	11.7	11.1	11.4	21.1	20.3	20.7	11.7	11.3	11.5	14.3	13.7	14.0	13.7
1997	11.1	10.3	10.7	20.1	18.6	19.3	10.7	10.5	10.6	13.6	12.6	13.1	13.3
1998	10.5	9.9	10.2	18.8	17.4	18.1	10.3	10.3	10.3	12.8	12.0	12.4	12.7
1999	9.9	9.5	9.7	17.4	16.4	16.9	10.3	10.2	10.3	12.0	11.5	11.8	11.9
2000													11.3
2001	10.3	10.6	10.5	17.7	18.5	18.1	10.7	10.6	10.7	12.3	12.7	12.5	11.7
2002	10.7	10.5	10.6	18.6	18.5	18.5	10.2	9.9	10.1	12.7	12.6	12.7	12.1
2003	10.7			18.8			10.3			12.8			
Percentage point change													
2002-2003	0.0			0.2			0.1			0.1			
1999-2003	0.8			1.4			0.0			0.8			

Source: CEPR analysis of Survey of Income and Program Participation, 1993, 1996 and 2001 panels; U.S. Census, Money Income in the United States, various years. SIPP data is weighted by the household weight.

* The correlation coefficient between the SIPP and CPS poverty rate is 0.915.

Table 2. Median Household Income (annualized)

Year	Survey of Income and Program Participation						Current Population Survey, March Supplement*
	Nominal			Inflation-adjusted, December 2003\$			
	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	
1993	\$35,064	\$35,940	\$35,916	\$44,280	\$44,904	\$45,120	\$31,236
1994	35,784	37,056	36,816	44,280	45,300	45,300	32,268
1995	37,536	38,148	38,232	45,324	45,600	45,960	34,080
1996	38,580	39,876	39,648	45,348	46,344	46,344	35,496
1997	40,068	41,352	41,112	46,056	47,172	47,064	37,008
1998	41,868	43,488	43,236	47,484	48,936	48,816	38,880
1999	43,788	45,852	45,204	48,780	50,352	49,992	40,692
2000							41,988
2001	46,680	46,452	47,268	48,708	48,240	49,236	42,228
2002	46,536	47,808	47,784	47,964	48,720	48,972	42,408
2003	48,216			48,492			
Dollar change							
2002-2003	1,680			528			
1999-2003	4,428			-288			

Source: CEPR analysis of Survey of Income and Program Participation, 1993, 1996 and 2001 panels; U.S. Census, Money Income in the United States, various years. SIPP data is weighted by the household weight.

* The correlation coefficient between the SIPP and CPS nominal median income is 0.997.

Table 3. Health Insurance Coverage

Year	Survey of Income and Program Participation**						Current Population Survey, March Supplement*
	Health insurance <i>at all</i> during time period			Health insurance <i>during every month</i> of time period			
	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	
1993	86.5%	87.0%	89.7%	75.7%	76.6%	71.7%	84.7%
1994	87.0	87.6	90.0	76.9	77.6	73.0	84.8
1995				77.8	80.1	75.3	84.6
1996	86.3	87.4	89.4	79.1	78.0	74.5	84.4
1997	87.2	87.3	89.9	78.2	78.5	74.2	83.9
1998	87.7	88.0	90.4	79.0	79.2	75.2	83.7
1999	88.1	88.0	90.5	79.8	80.6	76.5	84.5
2000							86.0
2001	88.7	88.5	91.5	77.7	77.1	72.6	85.4
2002	88.2	88.3	91.0	77.5	77.4	72.8	84.8
2003	87.5						

Percentage point change

2002-2003 -0.6

1999-2003 -0.6

Source: CEPR analysis of Survey of Income and Program Participation, 1993, 1996 and 2001 panels; U.S. Census, Money Income in the United States, various years. SIPP data is weighted by the person weight.

* The correlation coefficient between the SIPP and CPS for coverage at all during year is 0.451. The low correlation is related to the differences in the two surveys described in the text.

** SIPP health insurance coverage only looks at those under age 65 as those over 65 are nearly universally covered by Medicare.

Table 4. Employer-sponsored health insurance and Medicaid coverage

Year	Employer-provided health insurance during any month in time period								
	Adults			Children			All non-elderly		
	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year
1996	71.2%	73.4%	75.3%	66.6%	67.9%	69.9%	69.8%	71.7%	73.7%
1997	73.8	74.6	77.2	68.4	69.3	71.7	72.1	73.0	75.5
1998	74.7	75.3	78.0	69.9	70.1	72.9	73.3	73.8	76.5
1999	75.6	75.6	78.4	70.2	70.1	72.9	74.0	73.9	76.8
2000									
2001	74.2	74.2	77.7	69.7	67.8	72.7	72.8	72.3	76.2
2002	73.9	73.7	77.2	67.1	66.7	70.4	71.9	71.6	75.2
2003	72.7			65.3			70.5		
Percentage point change									
2002-2003	-1.2			-1.8			-1.4		
1999-2003	-3.0			-4.9			-3.5		
Year	Medicaid during any month in time period								
	Adults			Children			All non-elderly		
	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year	Jan-Jun	Jul-Dec	All year
1993	8.0%	8.1%	9.1%	24.1%	25.3%	27.3%	12.9%	13.4%	14.7%
1994	8.4	8.5	9.6	25.5	25.6	28.3	13.6	13.7	15.3
1995	8.4	7.7	9.0	25.6	23.7	27.1	13.7	12.6	14.6
1996	8.4	8.7	9.7	22.1	22.6	24.8	12.6	13.0	14.3
1997	8.6	8.2	9.6	21.7	20.7	23.8	12.6	12.0	13.9
1998	8.2	8.1	9.4	20.4	20.2	22.9	11.9	11.7	13.5
1999	7.9	7.7	9.0	20.4	20.2	22.9	11.7	11.5	13.2
2000									
2001	8.6	8.9	10.5	26.9	28.0	31.0	14.1	14.5	16.5
2002	8.9	9.1	10.7	29.4	29.9	33.4	14.9	15.2	17.4
2003	8.8			29.8			14.9		
Percentage point change									
2002-2003	-0.1			0.4			0.0		
1999-2003	0.8			9.4			3.2		

Source: CEPR analysis of Survey of Income and Program Participation, 1996 and 2001 panels. SIPP data is weighted by the person weight.