WEBINAR ON
2012 INCOME, POVERTY AND HEALTH INSURANCE ESTIMATES FROM THE CURRENT POPULATION SURVEY

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Good morning and thank you for joining us.

Today we are releasing national income, poverty, and health insurance coverage estimates from the Annual Social and Economic Supplement (ASEC) of the Current Population Survey (or CPS).

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Let me begin by summarizing the main findings from each of the three subject areas.[1]

- Real median household income in 2012 was not statistically different from the 2011 median.
- The 2012 official poverty rate was 15.0 percent and the number of people in poverty was 46.5 million, neither statistically different from last year; and
- The percentage of people without health insurance coverage decreased to 15.4 percent in 2012, down from 15.7 percent in 2011, while the number of uninsured in 2012 was not statistically different from 2011 at 48.0 million.

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For the previous four years either poverty increased or median household income decreased or poverty increased and income decreased. In 2012, for the first time in five years, neither median household income decreased nor the percent of the population in poverty increased.

As you can see from these charts, when median income goes up poverty tends to go down. Some years the change for one estimate is statistically significant while the change for the other is not. For the first time since 1992, the year-to-year changes for both estimates were not statistically significant.

[1] As in all surveys, the data presented here and in the report being released today are estimates, subject to sampling variability and response errors. All statements in this briefing and the report meet the Census Bureau's standards for statistically significant differences, unless noted otherwise. All historical income data are expressed in 2012 dollars and were adjusted using the Consumer Price Index Research Series, which measured a 2.1 percent increase in consumer prices between 2011 and 2012. The poverty thresholds are also updated each year for inflation. In 2012, the weighted average threshold for a family of four was $23,492; and for a family of three, $18,284.

Right now, I'm going to give more details about the changes we observed in income. The top half of this chart shows median household income from 1967 to 2012 in real, inflation adjusted dollars. Recessions, as defined by the National Bureau of Economic Research (NBER), are depicted in this, and all time series charts, in light blue shading.[2] Real median household income was $51,000 in 2012, not statistically different from the 2011 median of $51,100.

Since 2007, the year before the most recent recession, median household income has declined 8.3 percent and was 9.0 percent below its all-time high achieved in 1999.[3] Since 1967, the first year household data was collected; real median household income has increased 18.8 percent.

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Looking at a couple of household demographics, this next chart shows household income by age of householder for 2011 and 2012. Notice the hump-shaped pattern, with householders age 15 to 24 having the lowest income, and households maintained by householders aged 45 to 54 having the highest median income. As holds true for most characteristics of households, the changes in real median income between 2011 and 2012 by age of householder were not statistically significant.

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We can use this pattern by age of householder to show the changes over generations. This slide shows the real median household income by age of householder for 1982 and 2012. When comparing these two years, we see that each age group has shown an increase in real income except for the youngest age group (15-24). This 30-year gap allows us to compare two generations of households, the households maintained by householders aged 15 to 24 in 1982 are the same cohort of households maintained by householders aged 45 to 54 in 2012. Real median household income for households maintained by 15 to 24 year olds in 2012 was not statistically different from the median for households maintained by 15 to 24 year olds in 1982. So, for those in the peak earning years, ages 45 to 54, their children's generation, ages 15 to 24, is no worse off than the 45 to 54 year olds were at that age.

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Next we show household income by race and Hispanic origin. Among the race groups, Asian households continue to have the highest median income at $68,600 in 2012. The median income for non-Hispanic White households was $57,000, and for Black households it was $33,300. Hispanic households had a median income of

[2] The National Bureau of Economic Research (NBER), a private research firm, is the source for defining recessions.
[3] The difference between the 2007 to 2012 and 1999 to 2012 percentage changes was not statistically significant. The differences between the real median household income in 1999 and the 2000 and 2007 real median household incomes are not statistically significant.

$39,000. Between 2011 and 2012, the changes in real median income of households by race and Hispanic origin were not statistically significant.

Real median household incomes for the race and Hispanic origin groups have not yet recovered to their 2007 levels. Household income in 2012 was 6.3 percent lower for non-Hispanic Whites, 11.3 percent lower for Blacks, 6.2 percent lower for Asians, and 8.9 percent lower for Hispanics.[4]

Comparing the income of non-Hispanic White households to that of other households shows that in 2012 the ratio of Asian to non-Hispanic White income was 1.20, the ratio of Hispanic to non-Hispanic White income was 0.68, while the ratio of Black to non-Hispanic White income was 0.58, a fall from 2007 when it was 0.62. The changes between 2007 and 2012 in the ratios for Asian and Hispanic to non-Hispanic White income were not statistically significant.

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While the median represents one point on the distribution of household income – the point at which half of the households have income below it and half above it—other points along the distribution provide additional information about the nation's household income distribution. For example, at the 10th percentile, 10 percent of the households had income below $12,200. At the 90th percentile, 10 percent of households had income above $146,000 and at the 95th, 5 percent had incomes above $191,200. Changes in the relationship of these income measures can indicate how income inequality is changing. Between 2011 and 2012, the change in income inequality was not statistically significant. Since 2007, the 10th percentile income fell 9.1 percent while income at the 90th percentile fell only 3.1 percent.

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Income inequality statistics can also be calculated using family and individual incomes that are family size-adjusted or equivalence adjusted -- a method that considers the sharing of resources and the economies of scale. Family size-adjusted income is based on income relative to a 4-person (2 adult, 2 child) family. For example, the family size-adjusted income for a single person living alone with $10,000 would be comparable to $21,600 for a 4-person family. This slide presents the size adjusted income approach to measuring income inequality by percentile. You can see the various family size-adjustment factors on the bottom of the slide.

After size adjusting for family size, the median (on a basis of a 4-person family) is $66,000, while the 10th percentile $17,000, and the 90th percentile, $176,000. Finally, the top 1% income is $445,000.

[4] The difference between the 2007 to 2012 percent changes for non-Hispanic White and Black households is statistically significant. The differences among the other percent changes in this paragraph are not statistically different.

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We can evaluate the change in inequality by looking at the average annual change in the family size-adjusted income for each quintile. We see that these changes are different for the various decades. For example, between 1969 and 1979 the increase in income for the top quintile is not statistically different to those for the middle three quintiles, while between 1979 and 1989 the top quintile shows a larger increase in income as compared to the bottom four quintiles - displaying a staircase pattern, indicating an increase in inequality.[5] The 1989 to 1999 period also shows a larger increase for the top quintile compared to the bottom three quintiles.[6] The most recent period, from 2007 to 2012 shows a return to the staircase pattern with the bottom three quintiles experiencing decreases and the top quintile not showing a statistically significant change.[7]

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These next slides switch from household income to earnings and work experience data for people 15 and older. This slide shows the number of workers historically by work experience. Between 2011 and 2012, the number of men working full time, year round with earnings increased by 1.0 million, while the change for women was not statistically significant. For working men and women with earnings regardless of work experience, the number of men increased by 1.6 million and the number of women by 1.1 million.[8] An estimated 71.1 percent of working men with earnings and 59.4 percent of working women with earnings worked full time, year round in 2012, not statistically different from the 2011 percentages.

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Here we see historical data on the real median earnings and female-to-male earnings ratios of full-time, year-round workers from 1960 to 2012. In 2012, the median earnings of men were $49,400, and for women $37,800, both not statistically different from their respective 2011 medians. Neither gender experienced a significant annual increase in median earnings since 2009. The female-to-male earnings ratio was 77 percent in 2012, not statistically different from 2011. Over the long term, this ratio is up from 61 percent in 1960.

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[5] The average annual changes for the first and second quintile for 1979 to 1989 are not significantly different.
[6] The average annual changes for the fourth and fifth quintile for 1989 to 1999 are not significantly different.
[7] The average annual change for the fifth quintile for 2007 to 2012 is not statistically significant, and not significantly different from the third and fourth quintiles.
[8] The differences among the 2011 and 2012 increases in the number of men working full-time, year-round, the number of working men regardless of work experience, and the number of working women regardless of work experience were not statistically significant.

This slide shows the real median earnings of full-time, year-round workers in 2012 for both men and women. The two younger age groups have higher female-to-male earnings ratios than the 45 to 64 age group. The female-to-male earnings ratios for the 15 to 24 year olds and 25 to 44 years olds are 88 percent and 81 percent, respectively, while the ratio for the 45 to 64 year olds is only 74 percent.

Now we'll take a look at poverty.

(Slide 15)

This slide shows the number of people in poverty at 46.5 million in 2012 and the poverty rate at 15.0 percent. In 2012, a family with two adults and two children was categorized as "in poverty" if their income was less than $23,283. For the second consecutive year, neither the poverty rate nor the number of people in poverty were statistically different from the previous year.

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Here we demonstrate the disparities in poverty trends across race and Hispanic origin groups. The 2012 poverty rates were 9.7 percent for non-Hispanic Whites, 27.2 percent for Blacks, 11.7 percent for Asians and 25.6 percent for Hispanics. None of these estimates were statistically different from the 2011 estimates. Poverty rates for Blacks and Hispanics were more than double the poverty rate for non-Hispanic Whites.

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This slide looks at poverty rates by age. The poverty rate in 2012 for children under age 18 was 21.8 percent. The poverty rate for people aged 18 to 64 was 13.7 percent, while the rate for people aged 65 and older was 9.1 percent. None of the rates for these age groups were statistically different from their 2011 estimates. While the poverty rate for all people aged 65 and older was 9.1 percent, there were large differences by gender. The poverty rate for women aged 65 and older was 11.0 percent compared to only 6.6 percent for men.

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This slide breaks down working aged adults into four categories. Poverty rates for the younger adults (aged 18 to 24, aged 25 to 34 and aged 35 to 44) were higher than the poverty rates for the older group (aged 45 to 64). Between 2007, the year before the most recent recession, and 2012, poverty rates rose for each of the four age groups but poverty rates for those aged 25 to 34 and those aged 35 to 44 increased more than the poverty rates for the oldest group, those aged 45 to 64.[9]

[9] The increase in the poverty rate between 2007 and 2012 for those aged 25 to 34 was not statistically different than the increase in the poverty rate for those aged 35 to 44 or the increase in the poverty rate for those aged 18 to 24.

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Another way to look at inequality is to compare the distribution of all people within five ranges of income-to-poverty ratios.

One can see the diminishing share of people in the two middle groups of the distribution – implying an increase in income inequality (as we have seen from other income distribution measures). Since 1967, the percentage of people with income between 200 and 400 percent of their poverty threshold (income in 2012 between $46,566 and $93,132 for a family of four) has decreased from 40.6 percent to 30.0 percent. The share of the population with income between 100 and 200 percent of their poverty threshold (income in 2012 between $23,283 and $46,566 for a family of four) also went down from 26.9 percent to 19.3 percent.

Over this same period, the shares of the population in the top and bottom groups increased. The percentage of people with income greater than 400 percent of their poverty threshold (income in 2012 greater than $93,132 for a family of four) grew from 18.2 percent in 1967 to 35.7 percent in 2012 while the percentage of people living in extreme poverty, people with income below 50 percent of their poverty threshold (less than $11,642 in 2012 for a family of four) increased from 4.4 percent to 6.6 percent.

However, if we look at these trends before and after 2007, the year before the most recent recession, we see a different pattern. Over the period 1967 to 2007, the shares of the population in the top and bottom groups increased while the shares of the population in the three middle groups fell. Since 2007, the shares of the population in the top two groups (income between 200 and 400 percent of their poverty threshold and income above 400 percent) have declined while the shares of the population in the other three groups increased.

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The income and poverty estimates in this report are based solely on money income before taxes and use the poverty thresholds developed 50 years ago. In 2009 the Office of Management and Budget's (OMB) Chief Statistician formed an interagency technical working group. This group provided the Census Bureau and the Bureau of Labor Statistics a set of observations to serve as a roadmap in the development of a Supplemental Poverty Measure (SPM).

The new measure will not replace the official poverty measure and will not be used to determine eligibility for government programs. The new measure uses thresholds derived by BLS from the Consumer Expenditure Survey data with separate thresholds for renters, homeowners with a mortgage and those who own their homes free and clear. The thresholds are adjusted for geographic differences in housing costs.

The increase in the poverty rate between 2007 and 2012 for those aged 35 to 44 was not statistically different than the increase in the poverty rate for those aged 18 to 24.

The income measure takes advantage of new questions in the CPS—adding estimates of the value of nutritional, housing and energy assistance and tax credits and subtracting estimates of child support paid, child care paid, other work expenses, payroll and income taxes and medical out of pocket expenditures.[10]

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The SPM poverty estimates were released last November. The new SPM estimates for 2012 will be released on Wednesday, October 30. This slide compares these SPM poverty estimates for 2011 with the official poverty estimates for all people and by age group. The SPM poverty rate for the entire population was 16.1 percent, 1.0 percentage points higher than the official rate. Looking at specific age categories, the SPM poverty rate was lower than the official rate for children but higher than the official rate for those aged 65 and older.

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One important contribution that the SPM provides is allowing us to gauge the effectiveness of tax credits and transfers in alleviating poverty. We can also examine the effects of the nondiscretionary expenses such as work expenses and medical out of pocket spending. This table shows the incremental impact on the 2011 SPM poverty rate of the addition or subtraction of a single resource element. Some of these elements, such as Social Security and Unemployment Insurance are included in the money income measure used in the official estimates. Other elements, such as Supplemental Nutritional Assistance Program (SNAP) benefits and refundable tax credits are included only in the SPM resource measure.[11]

Using this chart, we can see that:

- Social Security benefits reduced poverty by 8.3 percentage points.
- Refundable tax credits reduced the poverty rate by 2.9 percentage points.
- Supplemental Nutritional Assistance Program (SNAP) benefits (food stamps) reduced the SPM poverty rate by 1.6 percentage points.
- However, subtracting medical out of pocket expenses from income increased the SPM poverty rate by 3.4 percentage points.

These estimates are for 2011. The estimates for 2012 will be released at the end of October with the SPM report. In the report, we estimate the impact for 2012 of Social Security, unemployment insurance and SNAP benefits using the official thresholds. For example, in 2012 adding the value of SNAP benefits to money income would have decreased the official poverty rate by 1.3 percentage points.

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[10] For a more detailed description of the Supplemental Poverty Measure, see http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2010.pdf

[11] Money income includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources.

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Returning to health insurance, our main finding is that the uninsured rate decreased to 15.4 percent in 2012. The number of uninsured in 2012 was not statistically different from 2011, at 48.0 million.

Comparing 2007 and 2012, the uninsured rate increased from 14.7 percent to 15.4 percent, while the number of uninsured increased from 44.1 million to 48.0 million.

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This chart shows the uninsured rates by age from 1999 to 2012. We chose some of these particular age groups as they are of special interest because of changes in the law. Children under the age of 19 are eligible for Medicaid/Children's Health Insurance Program (CHIP) and individuals aged 19 to 25 may be a dependent on a parent's health plan. The uninsured rate of children under the age of 19 decreased in 2012, down to 9.2 percent. The remaining age groups had no significant difference in their uninsured rate between 2011 and 2012.

From 1999 to 2010, the uninsured rate for those aged 19 to 25 was higher than the rate for those aged 26 to 34. From 2009 to 2012, the uninsured rate for those aged 19 to 25 decreased while the uninsured rates for those aged 26 to 34 during this time period were not statistically different; hence, the uninsured rates for these two groups were no longer statistically different from each other in 2012. In 1999, the uninsured rate for those aged 19 to 25 was 27.7 percent, while the uninsured rate for those aged 26 to 34 was 20.4 percent, a difference of 7.3 percentage points. Since then, the percentage point difference between these two age groups has decreased; in 2012, the uninsured rate for both age groups was 27.2 percent. The uninsured rate for those aged 19 to 25 has decreased 4.2 percentage points since 2009.[12]

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This slide looks at types of health insurance coverage. In 2012, the percentage of people covered by private health insurance was not statistically different from 2011. This was the second consecutive year that the percentage of people covered by private health insurance was not statistically different from the previous year's estimate. The percentage of people covered by government health insurance programs, which include Medicaid, Medicare, CHIP, and military coverage, increased for the sixth consecutive year to 32.6 percent in 2012. The increase in public coverage and no statistical change in private coverage may account for the increase in overall coverage.

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This chart focuses on uninsured people by race and Hispanic origin. Compared with 2011, the uninsured rate decreased for Asians and Hispanics in 2012. The

[12] The 2012 uninsured rate for those aged 19 to 25 years is not statistically different from the uninsured rate in 2011.

uninsured rates for non-Hispanic Whites and Blacks in 2012 were not statistically different from the rates in 2011.

Comparing 1999 and 2012, the uninsured rate went up for non-Hispanic Whites—from 9.0 percent to 11.1 percent—while it decreased for Asians (from 17.0 percent to 15.1 percent) and Hispanics (from 31.9 percent to 29.1 percent). Blacks did not have a statistical difference when comparing 1999 and 2012.

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This slide looks at total median medical out-of-pocket spending for families for 2011 and 2012 by type of coverage. Medical out-of-pocket spending, or MOOP, is a part of the Supplemental Poverty Measure because the family medical out-of-pocket spending represents a burden on financial resources. This burden is related to health insurance. For example, those who had private coverage in 2012 had a median family burden of $3,700, which is an increase from 2011.

Between 2011 and 2012, total median spending for families increased for those with at least one individual covered by any type of insurance (from $2,584 in 2011 to $2,707 in 2012). Median spending also increased for families with at least one individual covered by government insurance (from $1,414 in 2011 to $1,489 in 2012). There was no statistical difference in median spending for families with at least one individual who was uninsured.

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This slide looks at median medical out-of-pocket non-premium spending by health status. Regardless of the type of coverage that an individual may have, those with excellent or very good health spend significantly less than those with fair or poor health.

For all types of insurance, median expenditures were highest for those with a "Fair" or "Poor" health status and lowest for those with a health status of "Excellent" or "Very Good." (Among those with private health insurance, median expenditures were highest for those with a health status of "Fair" or "Poor" at $978. Those for people with a health status of "Good" were $450. Spending was lowest for those with a health status of "Excellent" or "Very Good" at $259.)

For those with government health insurance only, median expenditures were highest for those with a health status of "Fair" or "Poor" ($374) and lowest for those with a health status of "Excellent" or "Very Good" ($88).

The same was true among the uninsured; those with a health status of "Fair" or "Poor" had the highest expenditures at $231. They were lowest for those with a health status of "Excellent" or "Very Good" at $74.

(Slide 29)

That concludes my part of the presentation. Next, Michael will open the phone lines for questions from the media.