A million more Americans living in poverty

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US poverty increased as real wages stagnated and more Americans lost health insurance between 2003 and 2004, according to Census data released August 30. The latest estimates are based on information collected in 2005, combined with a slightly older annual supplement to the federal Current Population Survey.

For the fourth consecutive year, the poverty rate has risen. In 2000 31.6 million people, 11.3 percent of the population, lived at or below the federal poverty threshold. Last year 37 million Americans, 12.7 percent, fell into this category. This is an average increase of well over a million people a year.

Official criteria defining poverty are artificially low. The poverty threshold was developed in 1963-64 and adopted as part of the Johnson Administration's War on Poverty campaign. Families at that time were estimated to spend a third of their income on food; therefore the government set the poverty threshold at three times the Department of Agriculture estimate of the cost of a nutritionally adequate diet. It was originally intended to assess economic risks and lack of opportunity, not serve as a guide for acceptable minimum income limits for families. Today, the poverty line still does not factor in the skyrocketing costs of transportation, child care, rent, or many other expenses in the life of a working-class family.

The 2005 federal poverty threshold for a family of four is set at $19,350, a subsistence level. This averages out to a full-time hourly wage of $9.30 an hour. For a single parent with two children, the limit is $16,090 a year, or about $7.75 an hour. A person living on his or her own is considered in poverty only if they earn less than $9,570 a year, which averages out to $4.60 an hour. These are grossly inadequate wages in all areas of the country, but particularly in cities where the cost of living requires substantially more than the federally determined minimum for even the barest necessities.

Last year, according to the Census data, 45.8 million people had no form of medical coverage, nearly 16 percent of the population. In addition to this extremely vulnerable segment of US society, another 79 million Americans, 27.2 percent, depend on government-funded programs, including Medicaid and Medicare, for health insurance.

Census figures indicate that in 2003, those who were unemployed or under-employed applied to government programs in greater numbers than full-time workers, many of whom lost private company coverage and tended to do without. Many workers are not immediately aware that they qualify for public assistance programs and so go for several months between coverage plans. The growth of both the uninsured and government-insured groups during the past several years is the result in part of corporate downsizing through elimination of jobs and revocation of health insurance plans and pensions.

Adjusting for annual inflation of 2.7 percent, median household income stood unchanged at $44,389 in 2004. Households in the Midwest region saw a 2.8 percent decline. In real terms, the median income has not changed since 2002, and is still low in comparison to 2000, before the recession and official economic recovery periods.

On August 31, the Economic Policy Institute pointed out that the 1.2 percent average decline in median incomes represented a poor labor market. "Since 2000, the median household income of non-elderly households is down $2,572 (or 4.8 percent) compared to $1,669 (or 3.6 percent) for all households."

Moreover, EPI notes, "The real income of the typical household has fallen five years in a row, despite the fact that the last three of those years—2002, 2003, and 2004—have been years of economic expansion. Over these years, our workforce has become a great deal more productive, as output per hour is up 15 percent from 2000 to 2004."

The “jobless recovery” of the US economy has been primarily a recovery of the US stock market, the realization of unprecedented corporate profits and obscene executive salaries. None of this represents a true economic rebound for average Americans. In fact, the opposite is the case, as is indicated by an understated unemployment rate that stubbornly exceeds 5 percent even while leaving the long-term unemployed out of the equation.

Along with unemployment, ‘underemployment’ and the rarity of good paying jobs, the continual wage decline of full-time, year-round workers and drop in relative value of the $5.15 minimum wage are also indicative of worsening conditions for many Americans in the midst of a supposed recovery. The Census Bureau reported that median earnings for women again dropped in 2003-04 by one percent, to $31,550. Median earnings for men declined by 2.3 percent, to $40,798. For men, adjusted earnings are less than the median income in 1973.

As wages decline relative to the cost of living, workers formerly considered part of the middle class fall into lower-income financial predicaments, including debt, loss of health coverage, and lack of savings. Meanwhile, wealth continues to be funneled upward through income accrued in stock options, bonuses, and through regressive tax legislation coupled with cuts to public assistance programs.