

U.S. poverty rate hits 11-year high

Thu Sep 10, 2009 7:49pm EDT

By [Lucia Mutikani](#)

WASHINGTON (Reuters) - The U.S. poverty rate hit its highest level in 11 years in 2008 as the worst recession since the Great Depression threw millions of Americans out of work, a government report showed on Thursday.

The Census Bureau said the poverty rate -- the percentage of people living in poverty -- jumped to 13.2 percent, the highest level since 1997, from 12.5 percent in 2007.

About 39.8 million Americans were living in poverty, up from 37.3 million in 2007.

Despite signs the economy was showing signs of crawling out the slump that started in December 2007, the poverty rate would rise gain this year and beyond 2010 as unemployment would stay elevated for a while, analysts and the government warned.

"Unfortunately, even with an improving economy, the higher unemployment rates during 2009 will almost surely lead to further declines in income and further increases in poverty," Rebecca Blank, Undersecretary for Economic Affairs at the Commerce Department told Senate's Joint Economic Committee.

The government defines poverty as an annual income of \$22,025 for a family of four, \$17,163 for a family of three and \$14,051 for a family of two.

With unemployment rising, real median household income fell 3.6 percent to \$50,303 in 2008, a 10-year low. The percentage decline was the biggest annual drop since 1991 and snapped a three year streak of annual income increases.

The longest and deepest recession in 70 years has been marked by escalating unemployment as companies aggressively cut payrolls to cope with slumping demand. The unemployment rate was at 7.2 percent at the end of last year.

As of August, the unemployment rate was at 9.7 percent, the highest in 26 years, and is expected to peak just above 10 percent early next year. Almost 7 million people had lost their jobs since the start of the recession.

POVERTY WILL STAY HIGH

"The poverty rate will not fall back to the 2007 rate until the economy expands enough that the unemployment rate falls back below 5 percent. This is not likely to happen for several years," said Sheldon Danziger, a Russell Sage Foundation fellow and professor at the University of Michigan.

"Government policies must stay focused on helping those among the poor and near-poor who have been left behind by economic growth in recent years."

The Census Bureau also said 46.3 million Americans were without health insurance last year compared to 45.7 million in 2007. The numbers could feature in arguments over President [Barack Obama's](#) plans to overhaul the U.S. healthcare system and dramatically expand medical insurance coverage.

The family poverty rate rose to 10.3 percent last year and 8.1 million families were classified as poor, the Bureau said, compared to 9.8 percent and 7.6 million respectively in 2007.

Analysts said rising poverty underscored the need for the government to strengthen its safety net, which many argue is inadequate.

"Unemployment insurance will need to be extended beyond the provisions in this year's recovery legislation," said Harry Holzer, professor of public policy at Georgetown University in Washington.

"For low-income and part-time workers ineligible for unemployment insurance, other forms of cash assistance and perhaps community service jobs will need to be provided," said Henry Holzer, a professor of public policy at Georgetown University in Washington.

Poverty was higher among blacks and Hispanics, the report showed. About 14.1 million children under the age of 18 lived in poverty last year, up from 13.3 million in 2007.

"We project that with the continuing deterioration in the labor market, by 2009 a quarter of all children in this country will be living in poverty," said Heidi Shierholz, a labor market economist at the Economic Policy Institute in Washington.

(Reporting by Lucia Mutikani; editing by Andre Grenon)

<http://www.reuters.com/article/topNews/idUSTRE58943C20090910?sp=true>