

Five-Year Economic Recovery Was a Bust for Minnesota

2007 marked the end of a five-year economic recovery and the beginning of another economic slowdown. But we enter this economic downturn in a weak position. Both in Minnesota and the nation, poverty levels and median household income never recovered from the last recession. The number of Minnesotans without health care coverage has increased. And large disparities between racial and ethnic groups in Minnesota continue, with Hispanics and blacks much more likely to be in poverty and uninsured than whites.

More Uninsured at the End of Economic “Recovery”

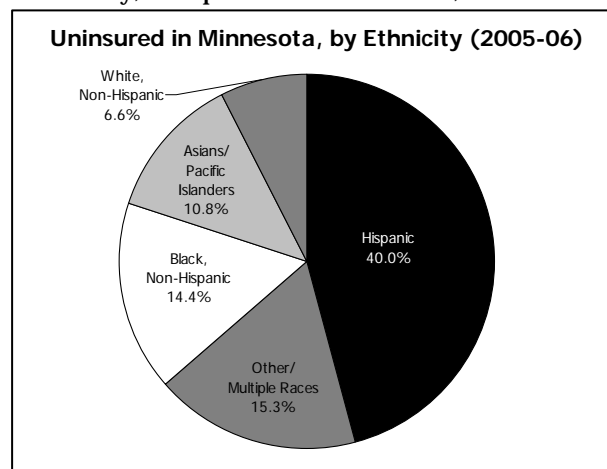
Five years after the 2001 recession, 71,600 fewer Minnesotans had health care coverage, including 27,900 children.¹ This

brings the total proportion of uninsured Minnesotans from 7.5 percent in 2000-01 to 8.6 percent in 2005-06.² Shockingly, nearly one in 10 full-time workers in Minnesota does not have health insurance. The rise in the uninsured is driven by several factors. Employer-offered health care coverage declined, while the share of workers employed in part-time or temporary jobs that are less likely to offer health insurance increased. The proportion of Minnesotans at the bottom of the income scale also increased.³ The decline in health care coverage would likely have been worse had there not been an increase in persons covered by government health insurance programs, including Medicaid.

Table 1: Key Statistics for Minnesota (2005-2006)

Number Lacking Health Insurance	441,000
Percentage of Full-Time Workers Lacking Health Insurance	9.3%
Percentage of Hispanics Lacking Health Insurance	40.0%
Percentage of Persons in Poverty	8.1%
Increase in Number of Children in Poverty Since 2001 Recession	25,800
Percentage of Children in Poverty	11.8%
Number of Children in Poverty	145,000

Nationally, 15.8 percent of Americans, or 47 million people, lacked health insurance in 2006. Although Minnesota continues to have a lower uninsured rate than the national average, we still experienced an increase in the share of uninsured.



Many of the uninsured in Minnesota are children. At the start of this decade, one in 20 children in Minnesota did not have health insurance. By 2005-06, that proportion had increased to one in 14 children. That represented an increase of about 27,900 uninsured children – nearly equivalent to the total number of full-time undergraduates at the University of Minnesota.⁴ Nationally, the number of children without health insurance jumped to 8.7 million, or 11.7 percent in 2006 – an increase of 600,000 children.

Not surprisingly, most people without health insurance in Minnesota are white, since whites make up the majority of the population of the state. **However, a person of color in Minnesota is much more**

¹ Statistics in this section come from Center on Budget and Policy Priorities analysis of revised health insurance data from the U.S. Census Bureau American Community Survey.

² This analysis uses a two-year average of state data.

³ For an extensive discussion of this trend, see Minnesota Department of Health, Health Economics Program, *Health Insurance Coverage in Minnesota: Trends from 2001 to 2004*, February 2006, www.health.state.mn.us/divs/hpsc/hep/publications/coverage/2006hhsrvrpt.pdf.

⁴ The total number of full-time undergraduates is currently 28,740. University of Minnesota, <http://umn-admissions.custhelp.com>.

likely to be uninsured than a white person, and there has been no improvement in the rate of uninsured amongst people of color since the start of the decade. In fact, the number of Hispanics without health insurance has substantially increased: from 51,500 in 2000-01 to more than 86,400 in 2005-06. By 2005-06, Hispanics were six times more likely to be uninsured than whites.

Lack of health care coverage is harmful both for the individual and for society as a whole. Research shows that families without health insurance often put off getting care for health problems. When symptoms can no longer be ignored, uninsured families often end up in hospital emergency rooms. Not only is emergency room care more expensive, but delaying care often makes health care problems much harder to treat. The result? Impaired health, increased health care costs and lost economic productivity.

Most Minnesotans See Incomes Stagnate During Recovery

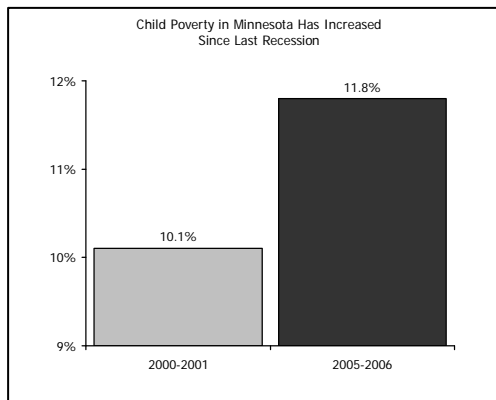
In 2006, the median income in Minnesota was less than at the height of the recession in 2001.⁵ Minnesota households had a median income of \$54,023 in 2006, a significant decline of 5% from the 2001 median income of \$56,753 (measured in 2006 dollars). Minnesota's median household income remains above the national average.

In stark contrast to the 1990s, the benefits of economic growth in this decade have not been widely shared. In the 1990s, Minnesota households at all income levels reaped gains in earnings that exceeded inflation. From 2000 to 2005, only the richest 5 percent of Minnesota households saw their incomes increase faster than inflation.⁶ This underlines the fact that economic growth does not guarantee rising living standards for all – the key is ensuring that the benefits of growth are shared.

In addition to these disparities among those of different income levels, there were also racial disparities in median incomes. **In Minnesota, the median income in 2006 was \$36,850 for Latino households and just \$30,120 for black households, both significantly below the median income for white households (\$55,979).**

Child Poverty in Minnesota at End of Economic Recovery Higher than during 2001 Recession

In 2005-06, one in 12 Minnesotans, or 8.1 percent, lived in poverty.⁷ That meant the overall rate of poverty in Minnesota showed no improvement from 2001 levels. Minnesota's poverty rate continues to remain considerably lower than the national poverty rate, which was 12.5 percent in 2005-06.



Child poverty in Minnesota, however, has worsened since the peak of the recession in 2001. The proportion of Minnesota children in poverty rose from 10.1 percent in 2001 to 11.8 percent in 2006. Since 2001, 25,800 additional Minnesota children are living in poverty. Nationally, the child poverty rate also remains above 2001 levels.

There are also large disparities in poverty rates between racial groups in Minnesota. In 2005-06, **blacks were about five times more likely, and Hispanics were three times more likely, to live in poverty than whites.** That translates to about one out of three black Minnesotans and

one out of seven Hispanic Minnesotans living below the poverty line.

⁵ Statistics from this section come from Center on Budget and Policy Priorities' analysis of the U.S. Census Bureau American Community Survey.

⁶ Minnesota State Demographic Center, *Income Distribution Trends in Minnesota*, www.demography.state.mn.us/documents/IncomeDistributionTrendsInMinnesota.pdf.

⁷ Statistics from this section come from Center on Budget and Policy Priorities' analysis of the U.S. Census Bureau Current Population Survey and the American Community Survey.

Official Poverty Measures Underestimate Number of Struggling Families

It is important to note that a person or family in poverty is not necessarily unemployed. In fact, **three-quarters of Minnesota children living in poverty have one or both parents working.**⁸ This raises the larger question of whether jobs in Minnesota pay enough for a family to live on.

Over half of Minnesota jobs pay less than the wage needed (\$15.78 per hour) to meet the basic needs of a family with two adults (one working) with two kids. This is based on an analysis by the JOBS NOW Coalition which calculates family budget figures based on a very frugal “basic needs” standard of living in Minnesota.⁹ Almost two-thirds of Minnesota jobs pay less than what is needed to meet the costs for a single parent of two children.

The official poverty statistic severely underestimates the income needed to truly support a family. Developed in the mid-1960s, the official poverty line assumes a family can live on an income three times

the estimated cost of a basic food budget. These thirty-year-old guidelines fail to account for the rising costs of housing and health care, as well as the increased use of child care. For example, the typical rent paid in the U.S. in 2005 was \$717 per month.¹¹ That means housing alone accounts for 42 percent of the budget for a family of four at the poverty line – before accounting for food, health insurance, transportation and other essential costs. Table 2 clearly demonstrates the large gap between the official poverty threshold and the amount of income a family actually needs to make ends meet.

Table 2: 2006 Poverty Thresholds Compared to a Basic Needs Family Budget¹⁰

Family Size	Official Poverty Threshold	Basic Needs Budget	Poverty Threshold as Share of Basic Needs Budget
1 adult	\$10,294	\$23,414	44%
1 adult, 2 children	\$16,242	\$40,809	40%
2 adults (one working), 2 children	\$20,444	\$32,826	63%

It's Going to Get Worse

2007 now marks the end of the recovery from the 2001 recession. Economic recoveries are opportunities to make strides toward improving families' incomes and reducing poverty. Unfortunately, the Census figures paint a disappointing picture for Minnesota. The numbers of uninsured Minnesotans and children in poverty actually worsened during this past recovery. And those figures will likely continue to deteriorate in 2008 due to the worsening economy.

Minnesota families are already engaged in their own solution-making as they stretch their budgets to try to cope with rising gas, food and health care costs, not to mention fewer job opportunities and more layoffs. With the state facing budget deficits once again, there will be pressure to cut services that support families on the path to self-sufficiency – such as child care assistance, health care and affordable housing. Instead, policymakers should consider measures that help reduce poverty, increase the number of insured and produce higher incomes for all Minnesotans.

⁸ Children's Defense Fund Minnesota, *From "Getting By" to "Getting Ahead,"* www.cdf-mn.org/PDF/KidsCount_08/MNKC_08_FINALrev.pdf.

⁹ JOBS NOW Coalition, *The Cost of Living in Minnesota, 2007,* www.jobsnowcoalition.org. The basic needs budget does not make any allowance for any savings, movies, gifts, restaurant meals, big ticket items such as dryer or refrigerators, education or training, and other items.

¹⁰ U.S. Census Bureau, *Poverty Thresholds 2006,* www.census.gov/hhes/www/poverty/threshld/thresh06.html and JOBS NOW Coalition, *The Cost of Living in Minnesota, 2007,* www.jobsnowcoalition.org.

¹¹ Center on Budget and Policy Priorities, *Number and Percentage of Americans Who Are Uninsured Climbs Again,* www.cbpp.org/8-28-07pov.htm.