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1st Session

HOUSE OF REPRESENTATIVES

REPORT
111–388

THE 2009 JOINT ECONOMIC REPORT

REPORT

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ON THE

2009 ECONOMIC REPORT
OF THE PRESIDENT

TOGETHER WITH

MINORITY VIEWS

DECEMBER 19, 2009.—Ordered to be printed

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LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC, December 18, 2009.

HON. NANCY PELOSI,
Speaker of the House, House of Representatives,
Washington, DC.

DEAR MADAM. SPEAKER: Pursuant to the requirements of the Employment Act of 1946, as amended, I hereby transmit the 2009 Joint Economic Report. The analyses and conclusions of this Report are to assist the several Committees of the Congress and its Members as they deal with economic issues and legislation pertaining thereto.

Sincerely,

Carolyn B. Maloney,
Chair.

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THE 2009 JOINT ECONOMIC REPORT

DECEMBER 19, 2009.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mrs. MALONEY, from the Joint Economic Committee, submitted the following

REPORT

together with

MINORITY VIEWS

Report of the Joint Economic Committee on the 2009 Economic Report of the President

OVERVIEW OF THE 2009 ECONOMY

Executive Summary

The American economy has suffered the deepest and most protracted recession since the Great Depression. The financial crisis that began in the fall of 2008 had enduring effects on economic performance. The economy looked bleakest in January 2009, when 741,000 jobs were lost in a single month. In the first quarter of 2009, real gross domestic product (real GDP) fell by 6.4 percent. Real GDP fell for four straight quarters, from third quarter 2008 through second quarter 2009.

After the first year of the Obama administration, the economic outlook has improved. The magnitude of job losses diminished each month after January, and job losses were just 11,000 in November of 2009. In the third quarter of 2009, real GDP rose by 2.8 percent, in large part due to the Recovery Act passed in February 2009. An analysis conducted by the non-partisan Congressional Budget Office reports that third-quarter real GDP in 2009 was between 1.2 to 3.2 percentage points higher than it would have been in the absence of the Recovery Act.

American families have been squeezed during the Bush administration, which ended with median income, house prices, and retirement savings lower than when President Bush took office in 2001. The recession drove an increase in unemployment, especially among women heads of households who don't have a second earner to count on. Long-term unemployment rose – almost half of the unemployed have without a job for over six months and almost one quarter have been without a job for over a year.

Congress provided a safety net to those whose jobs were eliminated during this recession by passing a series of extensions to unemployment benefits and providing support for the portion of healthcare costs usually borne by the worker's employer. The severe number of jobs lost has made clear to Americans that the current employer-based system of providing health insurance leaves too many families without affordable options for health insurance. The House of Representatives has already passed health insurance reform and, at the time this was written, the Senate was attempting to pass health insurance reform before recessing in 2009.

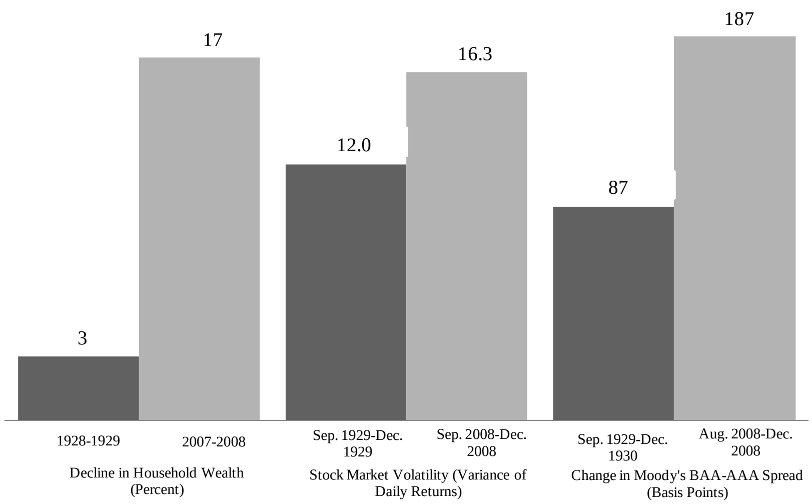
Additionally, in order to minimize the depth and severity of another financial crisis, the House of Representative passed a comprehensive regulatory reform proposal. The Senate is still debating regulatory reform. Congress has recognized the importance of moving away from the regulatory neglect of the Bush administration. If passed and signed into law, regulatory reform should provide transparency in the over-the-counter derivatives markets, consumer protection so that predatory lending cannot proliferate as it did prior to the crisis, systemic risk regulation to effectively monitor the health of the financial system, and resolution authority so the government will have an option other than lending or bailing out large, complex institutions that are intertwined with other financial institutions.

Although some workers and employers found a mutually beneficial solution to the economic downturn through flexible work arrangements that facilitated work-life balance, other workers and employers abandoned flexible work schedules during the recession.[1] Flexibility deteriorated as fears of unemployment gripped those workers who remained employed and some employers chose not to reward workers with additional tools to manage work-life balance, even if those tools might have been low-cost options for rewarding loyal, productive workers.

INTRODUCTION

The Obama administration and Congress headed into 2009 with an economy teetering on the brink of depression; the housing bubble had burst and a financial crisis had rippled through every part of the economy. 741,000 jobs were lost in January 2009 alone. Real GDP dropped by 6.4 percent in the first quarter of 2009, continuing the fall that began in the third quarter of 2008. In an October Joint Economic Committee hearing, Dr. Christina Romer, Chair of the President's Council of Economic Advisers, testified that the "shocks that hit the U.S. economy last fall were, by almost any measure, larger than those that precipitated the Great Depression."[2] Between 2007 and 2008, household wealth plunged by 17 percent, more than five times the decline seen from 1928 to 1929. Stock prices were more volatile than they were during the onset of the Great Depression and the yield spread between the least-risky (AAA rated) corporate bonds and riskier, but investment-grade (BAA rated) bonds rose by much more in Fall 2008 than during the panic that precipitated the Great Depression. **(See Figure 1)**

Figure 1. Shock Indicators: Great Depression vs. Current Recession



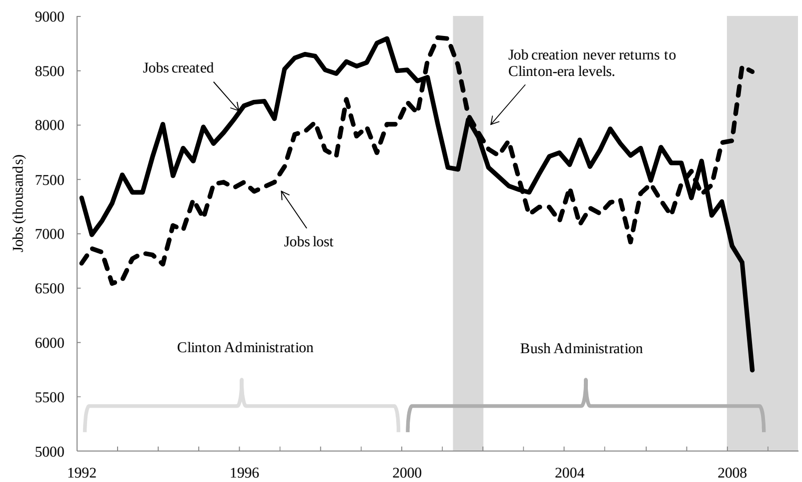
Source: Romer Testimony before Joint Economic Committee, October 22, 2009.

The possible collapse of the financial system, by itself, would have caused much economic hardship among American families. However, eight years of economic mismanagement by the Bush administration further diminished the ability of American households — especially low- and middle-income households — to weather an economic crisis of epic proportions. The recession has hit middle class and other vulnerable families even harder as a result of the prior Administration's policies.

The once-vibrant labor market stagnated during the Bush administration. The job creation engine stalled. While an average of 8.1 million total jobs were created each quarter during the Clinton Administration, only 7.6 million total jobs were created each quarter during the Bush administration. Controlling for the impact of the two recessions during the Bush administration does not improve the private sector job creation story. Even during the expansion following the 2001 recession, the Bush administration averaged only 7.7 million private sector jobs created each quarter. **(See Figure 2)**

Moreover, the job creation that did occur during the Bush administration likely came at great cost to the economy. According to Nobel Laureate economist Joseph Stiglitz, private sector job creation during the Bush-era expansion was fueled by a bubble in housing prices and overleveraging by households, which artificially spurred consumption and hiring.[3] This may be a key cause of the precipitous decline in job creation during the recession.

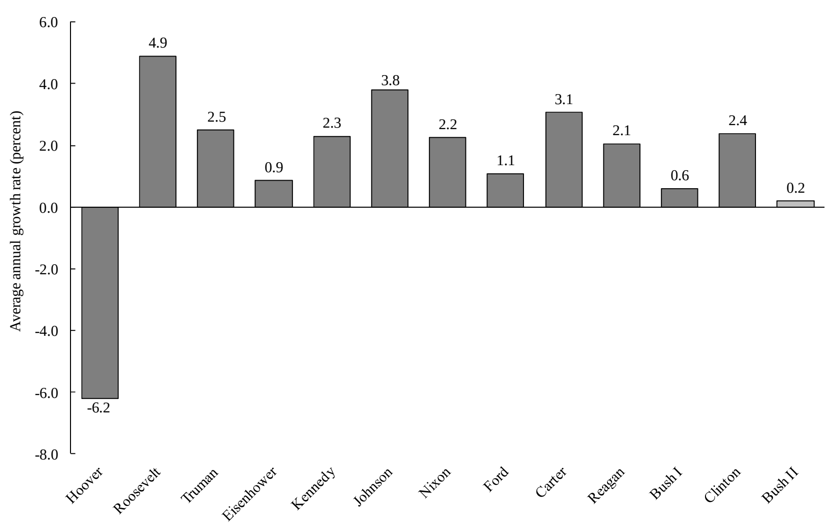
Figure 2. Private Sector Gross Job Gains and Losses



Source: JEC Majority Staff Calculations based on quarterly data from the Bureau of Labor Statistics, Business Employment Dynamics.

The average annual growth rate in employment rose only 0.2 percent during the Bush administration, the lowest of any administration since the Hoover Administration. **(See Figure 3)**

Figure 3. Change in Nonfarm Employment, 1929-2009, by Adminstration



Source: JEC Majority Staff Calculations based on data from the Bureau of Labor Statistics, Establishment Survey.

The unemployment rate rose from 3.9 percent heading into the Bush administration to 7.2 percent by the end of it. Female heads of households — a growing segment of the population — already faced difficulties maintaining an income while taking care of their children. The recession has only increased the challenges faced by these vulnerable families. Over the course of the Bush administration, the unemployment rate for female heads of households rose from 6.7 percent to 9.5 percent, and single mothers' joblessness may have negative long-run consequences for their children.[4] Among the unemployed, even those who put in tremendous effort to find a job faced a labor market that was growing more strained by the year. For each unemployed worker at the start of the Bush administration, there was one non-farm job opening. By the end of the Bush administration, there were three unemployed workers per non-farm job opening.[5]

The punishing losses in the labor market afflicted both low- and middle-income families during the Bush administration. The number of individuals with incomes below the poverty level rose by 8.25 million people, which put a large burden on the social safety net.[6] Real median household income fell by almost $2,200 during the Bush administration, compared to a $6,400 increase during the Clinton era.[7] This loss of economic security for low- and middle-income families was accompanied by uncertainty over health care coverage. When workers were laid off, many also lost employment-based health insurance. Over three million workers lost their employment-based health insurance during the Bush administration.[8]

In 2009, it was imperative that Congress, the Obama administration, and the Federal Reserve take extraordinary actions to pull the United States back from the brink of an economic abyss. Together and separately, they pursued a broad economic agenda that, among other things, would:

- Continue to stabilize the financial market and ease the flow of credit.
- Stimulate economic growth.
- Restore the health of the labor market and support those who lost their jobs.
- Address the home foreclosure crisis.

To implement this agenda, the Administration and Congress worked together to pass the $787 billion American Recovery and Reinvestment Act (Recovery Act), which was the largest countercyclical fiscal response in American history. To address the problems facing the financial markets, Congress approved the release of the second tranche of funds (totaling $350 billion) from the Troubled Asset Relief Program (TARP), and the Federal Reserve continued or expanded many of the creative policies and lending facilities it established during the heart of the financial crisis.

Because of this overwhelming response, economic depression was averted in 2009, and the economy, although still reeling from numerous problems, was on the path toward recovery.

STABILIZING FINANCIAL MARKETS AND EASING THE FLOW OF CREDIT

Because the breakdown of financial markets was at the center of the recession, continuing the actions taken by the Obama administration and the Federal Reserve was vital to stabilizing the financial system. A crucial feature of any free market economy is that borrowers can receive funds from lenders in order to fund investments and returns to those investments spur lenders to extend credit to those borrowers. Financial institutions are at the center of this essential credit flow. When the flow of credit stops, financial markets cannot perform their function adequately. As we saw during the financial crisis, this failure can generate ripple effects that weaken all sectors of the economy. Therefore, a sound financial system is a necessary condition for the economy to grow and create jobs.

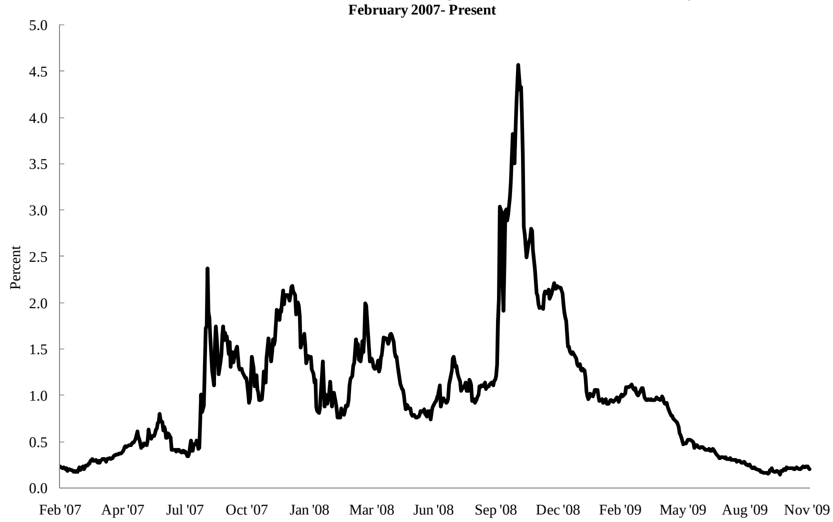
Contrary to the beliefs of many economists and policymakers, financial markets cannot always regulate themselves. Until the near collapse of the financial system, the Bush administration believed that it was possible to wait until the financial system collapsed before financial regulatory reform was needed, stating "… the Administration supported new rules for financial reporting when it became clear that existing laws did not adequately reduce information asymmetries between investors and management."[9]

In order to prevent a future crisis from occurring, or at least to minimize the duration and frequency of financial crises, the 111th Congress has been debating regulatory reform. On December 11, 2009, the House of Representatives passed a comprehensive bill to reform the financial system, H.R. 4173, which addressed consumer protection issues, systemic risk, resolution authority, executive compensation, and additional transparency and regulation of the over-the-counter derivatives market. At the time this report was transmitted to the Speaker of the House, the Senate version of financial reform had not yet been voted out of the Senate Committee on Banking, Housing, & Urban Affairs.

When a financial crisis occurs, a helping hand from the government is required to restore stability. That was the context for the extraordinary measures taken to inject capital and increase liquidity in the financial system and prop up failing institutions. The complicated nature of the intervention reflected both the extent of the crisis and a financial system that was growing ever more complicated. The use of taxpayer money to fund TARP reflected far-sighted thinking on the part of policymakers — taxpayers could either bear the burden for the reckless behavior of some financial institutions now or face much more severe economic hardship in the future. Congress and the Bush administration had to make the difficult choice for the long-run prosperity of the nation, and the Obama administration has continued the work in managing TARP funds and implementing creative programs aimed at stabilizing the financial system.

These actions have restored interbank lending and helped the financial sector to recover. One measure of the health of the financial sector is the so-called TED spread, the difference between the 3-month London Interbank Lending Rate (LIBOR) and the 3-month Treasury Bill yield. The TED spread measures the premium over the risk-free rate that banks charge to each other for unsecured short-term loans. This premium rises when banks are fearful of lending to each other. The TED spread peaked in 2008. However, at the start of 2009, the TED spread was more than 133 basis points, well above its normal level, which indicated a continuing unwillingness of banks to extend credit to each other. By the end of August 2009, the TED spread had fallen below 25 basis points, consistent with a normal level. **(See Figure 4)**

Figure 4. The TED Spread
Difference Between 3-Month London Interbank Borrowing Rate (LIBOR) and 3-Month Treasury Bill Yield, February 2007- Present



Sources: JEC Majority Staff Calculations based on data from the U.S. Department of the Treasury and the Financial Times.

Table 1 highlights the major actions taken by Congress, the Obama administration, and the Federal Reserve to promote financial stability and encourage economic growth. One of the lending facilities opened by the Federal Reserve to ensure access to short-term funding have been closed, the Money Market Investor Funding Facility, and the Term Asset-Backed Securities Loan Facility is set to expire on December 31, 2009. Other facilities have been enhanced and expanded to help creditworthy small businesses obtain access to credit to help spur job creation.

Table 1. Key Economic Stabilization Actions in 2009

Date of Announcement	Department	Program	Description
January 7, 2009	Federal Reserve Board	Money Market Investor Funding Facility	The Fed expands MMIFF eligibility to include certain local government investment pools, trust funds, and collective investment funds. The Fed also adjusts the minimum yield on assets eligible to be sold to the MMIFF.
January 30, 2009	Federal Reserve Board	Asset-Backed Commercial Paper Money Market Fund	The Fed finalizes rules pertaining to the AMLF excepting banks from the Fed's leverage and risk-based capital rules.
February 3, 2009	Federal Reserve Board	Extension of Liquidity Programs	The Fed extends its liquidity programs (e.g. Commercial Paper Funding Facility) and temporary currency arrangements with foreign central banks to October 30, 2009.
February 10, 2009	Department of Treasury	Financial Stability Plan	The Treasury Department announces a new set of measures including a capital assistance program, public-private

Date of Announcement	Department	Program	Description
			investment fund, and term asset-backed securities lending facility (consumer and business lending initiative) to restore confidence in domestic financial institutions.
February 17, 2009	Legislation	American Recovery and Reinvestment Act of 2009	President Obama signs a $787 billion stimulus bill that provides $288 billion in tax cuts, $224 billion for entitlement programs (e.g. extension of unemployment benefits), and $275 billion for federal contracts, grants, and loans.
February 18, 2009	Department of Treasury	Homeownership Affordability and Stability Plan	The Treasury Department announces plans to help homeowners by reducing monthly mortgage payments.
February 25, 2009	Department of Treasury	Capital Assistance Program	The Treasury Department announces the terms of its lending program for financial institutions without a sufficient capital buffer.
February 25,	FDIC; Federal	Forward-Looking	The FDIC, along

Date of Announcement	Department	Program	Description
2009	Reserve Board; Office of the Comptroller of the Currency; Office of Thrift Supervision	Economic Assessments	with three other agencies, will conduct "stress-tests".
March 3, 2009	Department of Treasury; Federal Reserve Board	Launch of Term Asset-Backed Securities Loan Facility	The Fed begins purchasing $1 trillion in AAA-rated ABS (asset-backed securities such as auto loans). Unless extended by the Fed, lending through TALF will cease in 2010.
March 13, 2009	Securities and Exchange Commission	Exemption of Chicago Mercantile Exchange	The SEC approves the conditional exemptions which will allow the Chicago Mercantile Exchange, Inc. to operate as a central counterparty to all credit default swaps.
March 16, 2009	Department of Treasury	Credit for Small Business	The Treasury Department begins purchasing securities backed by SBA loans.
March 17, 2009	FDIC	Extension of Debt Guarantee Component of Temporary Liquidity Program	The FDIC allows insured depository institutions to continue issuing guaranteed debt through October 31, 2009.
March 19, 2009	Department of	Auto Supplier	The Treasury

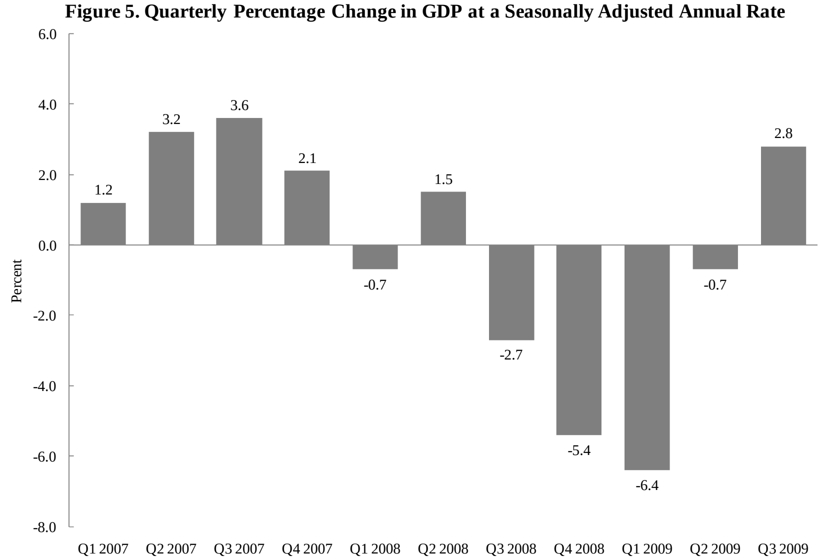
Date of Announcement	Department	Program	Description
	Treasury	Support Program	Department announces a program to help stabilize the auto supply base
March 23, 2009	Department of Treasury	Public-Private Investment Program	The Treasury Department partners with the private sector to address legacy loans and legacy securities.
March 31, 2009	Department of Treasury	Extension of Money Market Guarantee Program	The Treasury Department extends a program that provides coverage to shareholders of participating money market funds to September 18, 2009
April 3, 2009	Department of Treasury	Build America Bonds and School Bonds	The Treasury Department helps states pursue capital projects by introducing new bond programs that lower the cost of borrowing for these projects.
May 22, 2009	FDIC	Imposition of Special Assessment on Insured Depository Institutions	The FDIC levies a special assessment on insured depository institutions in order to rebuild the Deposit Insurance Fund.
June 17, 2009	Administration	Regulatory Reform	President Obama announces a comprehensive

Date of Announcement	Department	Program	Description
			regulatory reform plan to modernize and protect the financial system.
June 25, 2009	Federal Reserve Board	Extension of Several Liquidity Programs	The Fed extends most of its facilities (except the Term Auction Facility and Term Asset-Backed Loan Facility) to February 1, 2010.
October 19, 2009	Department of Treasury	Initiative for State and Local Housing Finance Agencies	The Treasury provides HFAs access to a new bond purchase program and a temporary credit and liquidity program.

ECONOMIC GROWTH

The devastating drop in real GDP in the fourth quarter of 2008 and the first quarter of 2009 contributed to fears that the United States was on the verge of entering an economic depression.

Figure 5. Quarterly Percentage Change in GDP at a Seasonally Adjusted Annual Rate



Source: Bureau of Economic Analysis.

Real GDP fell by 5.4 percent in the fourth quarter of 2008, followed by a plunge of 6.4 percent in the first quarter of 2009, representing the largest quarterly fall in 27 years. **(See Figure 5)** In starker terms, the fall in real GDP between the fourth quarter of 2008 and first quarter of 2009 was the greatest half-year decline in real GDP since 1958.

Extraordinary and immediate measures were required to prevent the economy from entering a full-scale depression. A fiscal stimulus of dramatic size and scope — the $787 billion Recovery Act — was necessary to confront a growing recession of equally dramatic size and scope; it was the largest countercyclical fiscal policy measure mounted in American history.

Prior to the financial crisis, many prominent economists embraced the idea that fluctuations in economic growth — otherwise known as the business cycle — could be moderated through monetary policy alone, and viewed fiscal policy as ineffective (although many conservative thinkers believed that tax cuts could play a strong role in stimulating the economy). This belief was reinforced by the experience of developed countries in the 1980s and 1990s, and the strong economic growth and low unemployment the United States enjoyed during the 1990s. Implicitly, many economists believed that the Federal Reserve could effectively manage the business cycle. This belief was reflected in the popularity of Federal Reserve Chairman Alan Greenspan in the 1990s.

The logic was simple. If the economy was growing too rapidly and the specter of inflation was on the horizon, the Federal Reserve could raise interest rates to slow down business investment and personal consumption, two of the key components of real GDP. If the economy was growing too slowly and the unemployment rate had the potential to rise substantially, the Federal Reserve could lower interest rates.

The recession turned this belief on its head.

Despite the innovative lending facilities the Federal Reserve introduced and the lowering of interest rates to unprecedented levels (as described previously), monetary policy alone could not fix the economy. Fiscal policy was necessary. Business investment and personal consumption were dangerously low and stubbornly resistant to change, and this caused real GDP to fall dramatically. The situation was a classic case of excessively low aggregate demand — the sum total of expenditures on the part of businesses, consumers, government and other entities in the economy. When aggregate demand dissipates, as it did in the beginning of 2009, fiscal stimulus — in the form of tax relief, direct government expenditures, monetary incentives for business investment, and other measures — is necessary to restore aggregate demand and put the economy back on track toward economic growth.

The logic is that fiscal policy has a "multiplier effect." As an example, for each dollar that the government gives to consumers, part of that dollar is spent on goods and services, which businesses then spend building up their inventory, and the recipients of this spending then increase their own purchases. Thus, as that dollar filters its way through the economy, it generates spending in excess of one dollar. In other words, the single dollar could increase spending by a "multiple" of the dollar.

The critical importance of fiscal stimulus was one of the main economic lessons of the Great Depression. Government spending and tax relief play a crucial role in stimulating aggregate demand and preventing a recession from becoming a depression. Indeed, an important report issued by the Obama administration leading up to the passage of the Recovery Act, "The Job Impact Recovery and Reinvestment Plan," spelled out the role of fiscal policy in raising real GDP.[10]

In addition to an array of direct government spending programs, the Recovery Act provided tax relief to 95 percent of working households via the Making Work Pay tax credit. In addition, the Earned Income Tax Credit (a refundable credit for working individuals who earn below a certain income level) was expanded. Many Americans — including retirees, the disabled, and others receiving Supplementary Security Income — received one-time payments of $250.

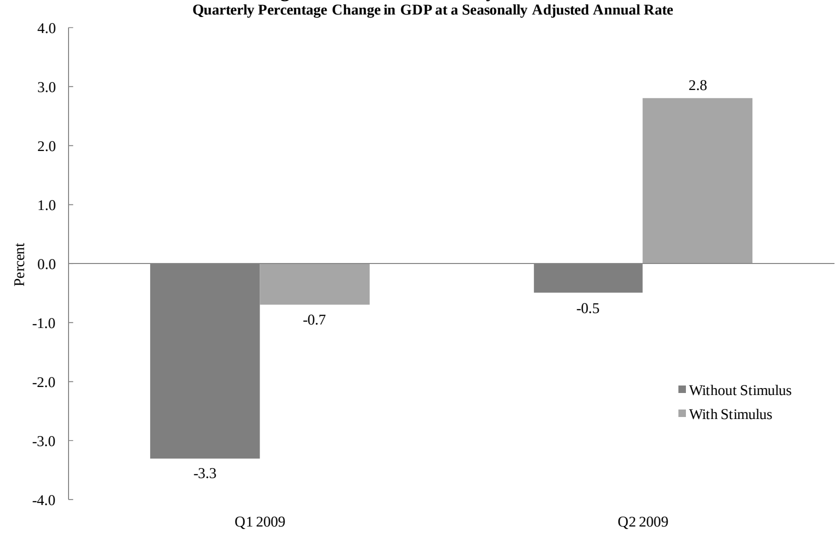
The Recovery Act also included a first-time home buyer tax credit of up to $8,000 for individuals earning below a certain income who purchased their homes after January 1, 2009 but before December 1, 2009. In November, Congress passed the Worker, Homeownership, and Business Assistance Act of 2009, which extended the credit to homes purchased on or before April 30, 2010. Evidence suggests that the home buyer tax credit increased home sales. However, it is unclear whether the credit merely expedited the timing of home purchases that would have occurred in the absence of the tax credit.

In 2009, Congress also passed the Car Allowance Rebate System (CARS), commonly known as "Cash for Clunkers," which provided rebates to car owners who traded in their cars for more energy-efficient cars. The $3 billion program spurred automobile sales and nearly 700,000 more fuel efficient cars were purchased in fewer than 30 days, by which time the CARS fund was exhausted. The CARS program made a significant contribution to third-quarter real GDP growth

Substantial evidence supports the argument that the Recovery Act raised real GDP as well. The Recovery Act's contribution to third-quarter real GDP growth was particularly notable, because the third-quarter real GDP growth rate of 2.8 percent was the first time that GDP grew after four consecutive quarters of real GDP declines. Most forecasters did not predict that real GDP growth would occur that quickly. This return to growth was a turning point that signaled the effectiveness of the Recovery Act. **Figure 5** shows the turnaround in real GDP growth from the third quarter of 2008 to the third quarter of 2009.

According to the President's Council of Economic Advisers' first quarterly report on the economic impact of the Recovery Act (along with updated real GDP figures released after the report), the Recovery Act raised real GDP growth by 2.6 percent in the second quarter of 2009 and by 3.3 percent in the third quarter of 2009.[11] **(See Figure 6)**

Figure 6. Effect of Recovery Act on GDP
Quarterly Percentage Change in GDP at a Seasonally Adjusted Annual Rate



Source: JEC Majority Staff based on data from the Council of Economic Advisers and the Bureau of Economic Analysis.

The Administration's estimate of the impact of the Recovery Act on GDP is in line with analysis conducted by the non-partisan Congressional Budget Office, which reported that third-quarter real GDP in 2009 was between 1.2 to 3.2 percentage points higher than it would have been in the absence of the Recovery Act.[12]

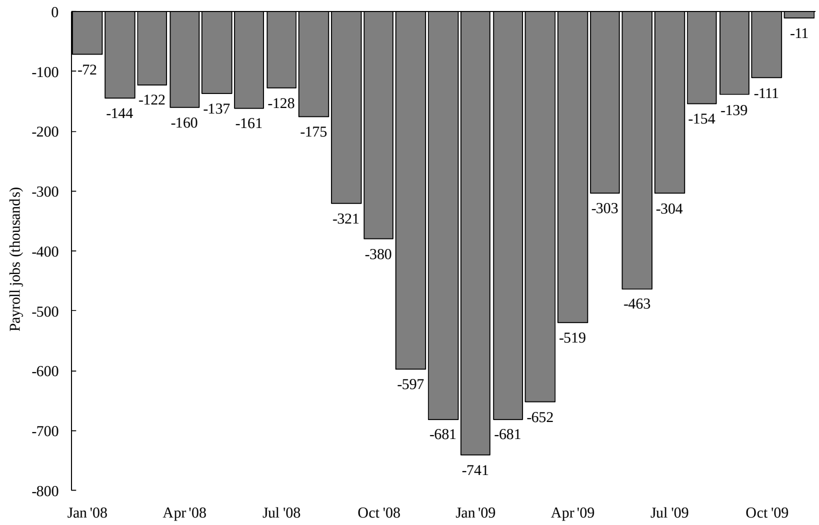
Economic growth has turned the corner more quickly than analysts had expected at the beginning of the year. Fears of entering an economic depression have abated.

JOB MARKET

The employment outlook at the time was understandably pessimistic at the start of 2009, and the bleak job market contributed to worries that the nation was on the verge of entering a depression. The labor market was shedding jobs at an extraordinary rate. Non-farm payroll employment fell by an average of 550,000 a month in the final three months of 2008, with employment falling at an increasing rate during each of those months. This alarming trend continued in January 2009, when non-farm payroll employment fell by 741,000 — the worst fall in employment during the recession. In the first three months of 2009, employment fell by an average of 690,000 per month. **(See Figure 7)**

As described above, the Recovery Act resuscitated an economy teetering on the brink of depression. As a result, the labor market, although still fundamentally weak in many regards, turned the corner toward recovery.

Figure 7. Monthly Change in Nonfarm Payrolls
Seasonally Adjusted, January 2008 - November 2009

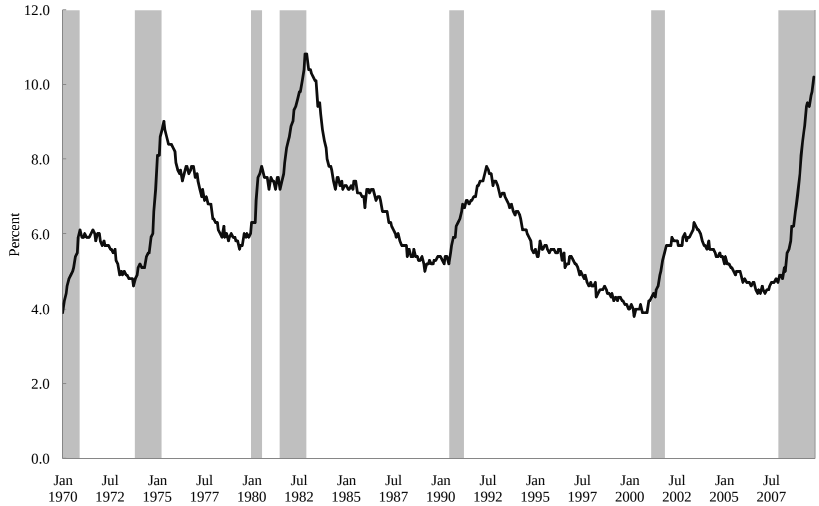


Source: JEC Majority Staff based on the Bureau of Labor Statistics, Establishment Survey data.

As **Figure 7** shows, the labor market began 2009 on a steep downward trajectory, but reversed its trend over the course of the year as the pace of job losses slowed markedly. The drop in non-farm payroll employment levels, which were consistently in the hundreds of thousands during 2009, slowed to just 11,000 lost jobs in November. Although job losses of that magnitude are still unacceptable, the dramatic slowing of job losses is a sign that a fundamental labor market recovery may be on the horizon, however distant.

Despite the positive signs, many workers are still reeling from the catastrophic blows of 2009 that left millions jobless. In November 2009, 15.4 million workers were unemployed. Job losses from January through November of 2009 totaled 4.1 million. From the start of the recession in December 2007 through November 2009, the economy has shed a total of 7.2 million jobs. Some economists believe that employment must rise by 10 million for the unemployment rate — now at 10 percent — to get back to the November 2007 rate of 4.7 percent, where unemployment stood in the month before the recession began. **(See Figure 8)**

Figure 8. Unemployment Rate, 1970-Present
Note: Shaded areas indicate recessions



Sources: JEC Majority Staff based on data from the Bureau of Labor Statistics, Household Survey and the National Bureau of Economic Research.

The job loss figures and the unemployment rate are intolerably high. Yet even these grim figures mask the severity of the labor market problems for several groups of workers. The long-term unemployed — those workers who have been unemployed for 27 weeks or longer — totaled 5.9 million as of November 2009 and represented a staggering 38 percent of all unemployed workers. The high rate of long-term unemployment is particularly troubling because the longer workers are unemployed, the more their skills deteriorate. When the labor market begins to improve and jobs return, these long-term unemployed may have difficulty finding work due to this erosion of skills. Many of these workers may remain unemployed, or they may drop out of the labor force altogether.

In addition to the distressingly high levels of long-term unemployment, there are currently six unemployed workers per job opening. This highlights the fundamental problem in the job market: There are not enough jobs. Moreover, the jobs that are available may not be of high quality. The number of workers who are part-time for economic reasons — that is, those who would like a full-time job but are working part-time — climbed to 9.2 million in November. It is unclear when they will be able to find full-time work.

The broadest measure of labor force utilization — the U-6 rate, which takes into account those who are currently out of the labor force but would like to work as well as those working part-time for economic reasons — was 17.2 percent in November. The problems afflicting the job market are so severe that many people have simply given up on looking for work.

Given the weak labor market conditions facing workers, the expansion of the safety net is critical in order to soften the blow of the recession. Congress and the Obama administration have enacted programs to accomplish this. The Recovery Act extended the expiration date of the Emergency Unemployment Compensation (EUC) Act of 2008 from March 31, 2009 to December 31, 2009. The EUC provided up to 33 additional weeks of unemployment insurance, funded by the federal government, to workers who exhausted their state unemployment benefits. In November of 2009, as part of the Worker, Homeownership, and Business Assistance Act, unemployment benefits were extended by up to 20 weeks beyond the EUC provision. The Recovery Act further expanded the safety net for unemployed workers by providing, for up to 9 months, a 65 percent subsidy toward COBRA premiums for laid-off workers. The COBRA program allows laid-off employees to continue to purchase health insurance through their former employers' group insurance plans, and helps families maintain continuous health coverage upon job loss. The COBRA subsidy is a critical support for workers struggling to pay health insurance premiums. As of this writing, Congress is set to further extend the expiration dates of both the unemployment insurance and COBRA subsidy programs.

Even with subsidies toward COBRA premiums, however, many workers still find health insurance unaffordable. Rising premium costs combined with falling family incomes have put millions of families in a bind, forcing impossible choices between health care and other basic necessities. This is part of why comprehensive health insurance reform is necessary, so that even if workers are laid off, they can still maintain affordable health insurance. As of this writing, the House has passed its health insurance reform package, and the Senate is in the process of considering its own package, with the possibility that it will vote on it by the end of the year.

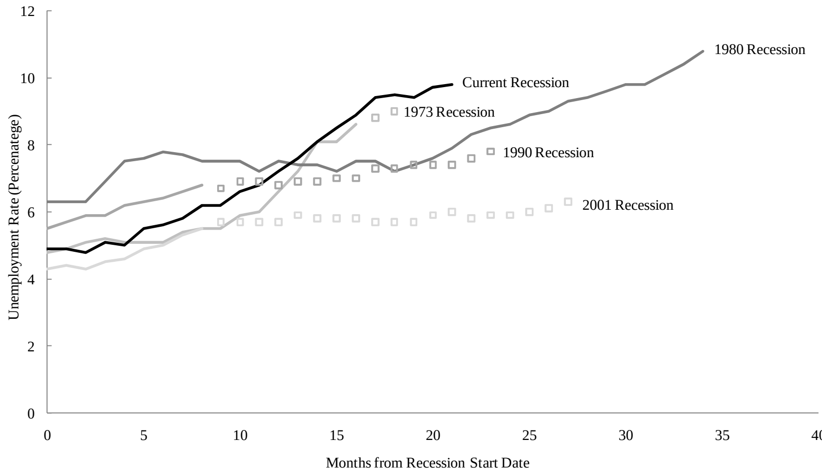
Moreover, by the end of 2009, Congress is expected to move on an infrastructure package that is meant to boost job creation. The Administration has also set out proposals to incentivize hiring and investment in capital by small businesses. To further boost job creation, the Administration is advocating a "Cash for Caulkers" program that would give homeowners a cash rebate for weatherizing their homes and making them more energy-efficient. These proposals are expected to be considered seriously by Congress at the start of 2010.

While both the Administration and Congress are taking steps to create more jobs and expand the social safety net, the employment outlook remains bleak.

Typically, the unemployment rate is a lagging indicator, meaning that as real GDP grows, improvements in the unemployment rate occur later. In other words, labor market recoveries typically lag behind broader economic recoveries. In the United States, real GDP historically has had to grow by more than 2.5 percent — the long-run "normal" growth rate — for the unemployment rate to fall. Unfortunately, according to the President's Council of Economic Advisers Chair Christina Romer, real GDP growth is not expected to move much above 2.5 percent throughout 2010, suggesting that unemployment will remain around its November rate of 10 percent for some time to come.[13]

Moreover, reductions in the unemployment rate may require real GDP growth rates that are substantially stronger than 2.5 percent growth. The labor market is suffering from unprecedented weaknesses, and some dimensions of the problems in the labor market may continue to worsen over the coming year. The population of long-term unemployed workers is sizeable and growing, and it remains unclear how easy it will be to reintegrate these workers into the ranks of the employed. Growth rates substantially higher than 3 percent or even 3.5 percent may be necessary in order to substantially lower the unemployment rate.

Figure 9. Months to Peak Unemployment during Recent Recessions
Note: Solid lines indicate the recession period. Dotted lines indicate the continued rise in unemployment through its peak



Note: The '1980 recession' represents a combination of the 1980 recession that started in January 1980 and the 1981 recession that began in July 1981.
Source: JEC Majority Staff based on data from the Bureau of Labor Statistics, Household Survey and the the National Bureau of Economic Research.

Figure 9 shows the number of months it took to reach the peak unemployment rate, beginning at the start of each recent recession. Will the current recession look like the 2001 recession, with unemployment peaking sometime early next year? Or will the unemployment rate follow the path of the 1980 recession and peak sometime past 2010?

The unemployment rate may very well follow the trajectory of the 1980 recession, which would mean that unemployment would peak pat some point after 2010 at a historically-high level. This grim outlook stems from the sizeable share of the long-term unemployed in this recession. Despite the dismal labor market of the Bush administration, the long-term unemployed as a share of the total number of unemployed workers remained below 24 percent – a high number, to be sure, but well below the current share. As indicated above, long-term unemployed workers now comprise 38 percent of all unemployed workers. Perhaps more startling is the rate at which the long-term unemployed population is growing. The total number of unemployed workers grew by 32 percent from January to November 2009. During the same time period, the total number of long-term unemployed workers skyrocketed by 122 percent.

HOUSING MARKET

The financial crisis was triggered by the collapse of the housing bubble, and the housing market has yet to rebound. Since much of household wealth is tied to home values, the home foreclosure crisis — which created an oversupply of houses — diminished the wealth of homeowners as the price of homes fell, and wiped out much of the wealth of households whose homes were foreclosed. Because household wealth is closely tied to consumer spending, this erasure has weakened the prospect for a consumption-driven economic recovery.

In the third quarter of 2009, nearly one in four homeowners had mortgages that exceeded the value of their property.[14] For households, the collapse of the housing bubble led to a foreclosure crisis that became a persistent and growing problem during the year, and a drop in consumption that hurt businesses. By the third quarter of 2009, nearly 19 million homes were vacant.

To support the housing market, both Congress and the Administration adopted a variety of policies.

President Obama signed the Making Home Affordable (MHA) Act, which addressed the foreclosure crisis in three ways.

First, it established the Homeowner Affordable Refinance Program (HARP). This program enabled homeowners susceptible to foreclosure (those with loan to value ratios between 80 percent and 125 percent) to refinance their mortgages on more favorable terms if the mortgages were owned or guaranteed by Fannie Mae or Freddie Mac. By September 30, 2009, over 116,000 homes had been refinanced under HARP.[15]

Second, it created the Homeowner Affordable Modification Program (HAMP). This program gave loan servicers a financial incentive to modify mortgage terms so that borrowers pay no more than 31 percent of their monthly income toward mortgage payments. Before the loan modification is made permanent, borrowers must undergo a three-month trial period during which they must make their payments on time. As of November 26, 2009, 697,026 trial modifications were active, while only 31,382 were permanent.[16] To increase the rate at which trial modifications were made permanent, the Administration announced a "Mortgage Modification Conversion Drive" that would make loan servicers more accountable and make the program more transparent to borrowers.

Finally, the MHA Act provided additional financial support to Freddie Mae and Fannie Mac.

To further stem the foreclosure crisis and aid struggling homeowners, Congress also passed the Helping Families Save Their Homes Act, which increased the pool of individuals eligible to refinance their mortgages into 30-year fixed rate, FHA-insured mortgages.

As of the second quarter of 2009, 3.88 percent of all loans were 90 days past due; 12 percent of conventional subprime loans were 90 days past due.[17] These numbers are somewhat higher than they were in the first quarter of 2009. Ascertaining whether the Making Home Affordable Act substantially mitigated the rate of home foreclosures is difficult, because one cannot predict what would have happened in the absence of the program. Nevertheless, the home foreclosure crisis remains a problem.

LIGHT AT THE END OF THE TUNNEL?

The new Administration headed into 2009 facing the worst economic crisis in generations. The Obama administration, Congress, and the Federal Reserve enacted or continued a number of bold economic policies meant to bring the nation back from a dangerous economic precipice. Although many fundamental problems remain, these initiatives had clear, positive effects on the economy as a whole.

The economic outlook is mixed. On the one hand, financial markets are stabilizing and real GDP growth is likely to remain positive throughout 2010. However, small businesses still face difficulty obtaining loans and uncertainty about consumer demand for their goods and services. Consumer spending remains stagnant because workers face serious income insecurity in light of a job market that continues to limp and a housing market where prices continue to fall due to the ongoing foreclosure crisis. Indeed, unemployment and the home foreclosure crisis are problems that loom large heading into 2010.

Endnotes

[1]For more information, see the transcript from the July 23, 2009 Joint Economic Committee hearing, "Balancing Work and Family In the Recession: How Employees and Employers Are Coping."

[2] Christina D. Romer, Chair, Council of Economic Advisers, "From Recession to Recovery: The Economic Crisis, the Policy Response, and the Challenges We Face Going Forward," Testimony Before the Joint Economic Committee, October 22, 2009.

[3] For more information, see the transcript from the December 10, 2009 hearing, "The Challenge of Creating Jobs in the Aftermath of the 'Great Recession.'"

[4] Bureau of Labor Statistics (BLS), Current Population Survey. For information on the employment situation of women during the recession, see the attached report: Joint Economic Committee, *Women in the Recession: Working Mothers Face High Rates of Unemployment.*

[5] Job opening data from JOLTS survey, at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=JTS00000000JOL.

[6] From the Census Bureau report "Income, Poverty, and Health Insurance Coverage in the United States: 2008," p. 44.

[7] "Income, Poverty, and Health Insurance Coverage in the United States: 2008," p. 29.

[8] "Income, Poverty, and Health Insurance Coverage in the United States: 2008," p. 59. Refer to the JEC report Comprehensive Health Care Reform: An Essential Prescription for Women for more information.

[9] *Economic Report of the President*, January 2009, p. 29.

[10] http://otrans.3cdn.net/ee40602f9a7d8172b8_ozm6bt5oi.pdf

[11] This differs from the number reported in Table 3, p. 16, of the CEA publication "The Economic Impact of the American Recovery and Reinvestment Act of 2009: First Quarterly Report." The CEA estimated that real GDP growth, in the absence of the Recovery Act, would have been -3.3 percent in the second quarter of 2009 and -0.5 percent in the third quarter. To arrive at their estimate of the impact of the Recovery Act, they used the unrevised BEA estimate of -1.0 percent growth in real GDP in the second quarter of 2009 and the Blue Chip forecast of 2.2 percent growth in the third quarter. However, the revised BEA figures were real growth rates of -0.7 percent and 2.8 percent in the second and third quarters of 2009, respectively. Holding the CEA's estimate of real GDP growth in the absence of the Recovery Act gives us our figures, explaining the discrepancy with the CEAP report.

[12] http://www.cbo.gov/ftpdocs/106xx/doc10682/11-30-ARRA.pdf

[13] Christina D. Romer, Chair, Council of Economic Advisers, "From Recession to Recovery: The Economic Crisis, the Policy Response, and the Challenges We Face Going Forward," Testimony Before the Joint Economic Committee, October 22, 2009.

[14] http://online.wsj.com/article/SB125903489722661849.html

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[15] http://www.fhfa.gov/webfiles/15153/Sept_Refinance_Final_report_and _release_11_2_09.pdf

[16] http://www.financialstability.gov/docs/MHA percent20Public percent20121009 percent20FINAL.PDF.

[17] http://www.huduser.org/portal/periodicals/ushmc/fall09/nat_data.pdf

MAJORITY STAFF REPORTS

VICIOUS CYCLE

How Unfair Credit Card Practices Are Squeezing Consumers And Undermining the Recovery

A Report by the Joint Economic Committee
Representative Carolyn B. Maloney, Chair
Senator Charles E. Schumer, Vice Chair
May 12, 2009

Executive Summary

The credit card provisions that the Federal Reserve has identified as unfair, deceptive, and anticompetitive are not only sending American families further into debt, but standing in the way of economic recovery. The economic downturn and financial crisis have accelerated the adverse impacts of these practices on consumers, small businesses and our economy as a whole.

- As credit cardholders and small businesses struggle in the economic downturn, significant increases in credit card interest rates have the same impact as price increases, further depressing demand for goods and services (and economic recovery). The average interest rate on credit cards went up a full percentage point from the fourth quarter of 2008 to February 2009, even though the Federal Reserve's targeted federal funds rate – the cost of money for the banks – was lowered to between 0 and .25 percent on December 16, 2008.
- Like subprime mortgage lenders, credit card issuers have been seeking to maximize their profits by lending to those who are financially vulnerable and then spreading the risks by selling off securities based on credit card receivables. But as charge-off rates increase and the supply of credit falls because of the financial crisis, credit card companies have increasingly made up losses by raising interest rates to all borrowers, effectively charging creditworthy borrowers to make up for growing deficits.
- Creditworthy borrowers cannot simply switch to a new card when confronted with abusive practices because the unfair, deceptive, and anticompetitive practices identified in the legislation increase costs to card users of searching for and switching to a new card. These practices, which are nearly universal in the credit card industry, trap cardholders in a cycle of debt.
- A growing share of consumers' disposable income, which largely determines consumer spending, is being diverted to service credit card debt rather than to help economic recovery. As of March 2009, U.S. revolving consumer debt (almost entirely credit card debt) was

about $950 Billion. In the fourth quarter of 2008, 13.9 percent of consumer disposable income went to service this debt.

- As household wealth has declined in the downturn, more American families are facing financial distress due to high debt burdens. In 2007, before the recession began, 14.7 percent of U.S. families had debt exceeding 40 percent of their income.
- Personal bankruptcy rates were up almost 30 percent in 2008. Penalty interest rates, which raise interest rates on balances by 15 percent or more, can trigger bankruptcy on financially constrained families.

Absent legislation eliminating unfair practices, specifically retroactive rate increases on existing balances, universal default, and “any time any reason” rate increases, issuers have a profit incentive to continue them. These practices inhibit consumer spending and allow issuers to avoid sound underwriting while forcing creditworthy borrowers to pay for the growing risk of default. The bills currently being considered in the House and Senate are necessary to help get our economy back on track and to restore market discipline and fairness to the credit card sector.

Deep Recession Lowers Consumer and Small Business Spending

The real economy is undergoing a large contraction in economic activity with real Gross Domestic Product (GDP) falling 6.3 percent at annual rate in the 4th quarter of 2008 and 6.1 percent in the first quarter of 2009. The unemployment rate reached 8.9 percent in April 2009, four percentage points higher than the unemployment rate at the start of the recession. Average weekly hours of work have declined to a historically low 33.2 hours per week, falling 0.6 hours during this recession.

The current recession looks to be longer and deeper than any economic downturn since the Great Depression. These mounting job losses have weakened consumer confidence and retail sales have plummeted. While the recession started in December 2007, the decline in retail sales began in July 2008 and accelerated downward through the end of the year. Although retail sales were higher in January and February of 2009, retail sales were lower in March. Even the higher sales in January and February were associated with 8 to 9 percent year-over-year declines.

While there are “glimmers of hope” that the economy is recovering, households struggling to make ends meet have faced increases in the interest rate on their credit cards. While a large fraction of credit card users are “transactions only” users, paying off any balance at the end of each cycle and not incurring interest payments, in 2007 (before the recession), the median balance on a household’s credit card was $3,000.[1] The average balance in 2007 was $7,300, a much higher number because a small fraction of the population holds large balances on their credit card.

Increases in interest rates can be as much as 8 to 20 percentage points higher than the current interest rate paid by the consumer, if the increase in the interest rate goes up to the penalty interest rate.[2] While some of the increases in interest rates on credit cards is due to an increase in risk of default by the cardholder, these interest rate increases are also attempts by the credit card companies to recoup losses experienced from other cardholders or increased costs of funds. Currently, the *charge-off rate* for credit cards, according to the S&P Credit Card Quality Index, has almost doubled from the start of the recession, from 4.85 percent to 8.80 percent.[3] The charge-off rate is the percent of total credit card balances that the company has decided that it has no chance of collecting and has removed from its books.

The average interest charged by all credit cards was 13.08 percent in February 2009, a jump of a full percentage point from the fourth quarter of 2008.[4] The average credit card interest rate had been declining since the fourth quarter of 2007, when the effective federal funds rate was at or around 4.5 percent.[5] The federal funds rate is now targeted between 0 and .25 percent, yet interest rates are rising.

Opponents to any curbs on credit card companies' ability to change interest rates, including interest rates on existing balances, argue that these practices compensate for the greater risks posed by cardholders who make late payments or exhibit other risky behavior and that any limitations on the credit card companies abilities to change rates – currently "at any time, for any reason" – would reduce the amount of credit in an already credit-constrained financial system or may induce riskier behavior or moral hazard by cardholders.[6] On the other hand, consumer groups say that these fees and practices are harmful to the financial condition of many cardholders and that card issuers use them to generate profits.[7] These changes in interest rates, as well as other practices such as double-cycle billing, also make it more difficult for credit cardholders to switch to lower interest credit cards.

Credit card provisions that allow increases in credit card interest rates have the same effect as increases in prices, further suppressing demand for goods and services for both consumers as well as small business owners that typically rely on credit cards for liquidity. In a recent hearing held by the Joint Economic Committee, Dr. Joseph Stiglitz testified that reining in these practices would increase demand for goods and services, stating that "one of the things that is restricting individuals [from] purchasing goods is the recognition that they have to pay excessive fees. [It is] like a price rise. They look at the cost of credit; it is going up now."[8]

While the focus of this paper is consumer debt, these provisions also affect small business owners. Small business owners sometimes use personal credit cards and other consumer loans, as well as the business's credit card, as a source of finance. A recent study found that between 16 to 28 percent of capital in 2006 for small business owners came from credit cards.[9]

"Consumer debt" consists of both revolving and non-revolving debt. This paper focuses on revolving consumer debt, which is almost entirely comprised of credit card debt. Non-revolving debt includes loans for automobiles, education, etc. In March 2009, total U.S. consumer debt was $2.55 trillion.[11]

A substantial fraction of household income goes toward serving this debt:

- Revolving consumer debt in March 2009 was $945.9 billion.[12]
- About half (46.1 percent) of U.S. households hold credit cards with balances, according to the 2007 Survey of Consumer Finances (SCF).[13]
- The median revolving credit card balance is $3000.[14]
- A large share of disposable income goes to service overall debt—13.9 percent in the fourth quarter of 2008.[15]

Unfair and deceptive lending practices by credit card companies compound households' financial distress and increase the likelihood of bankruptcy.

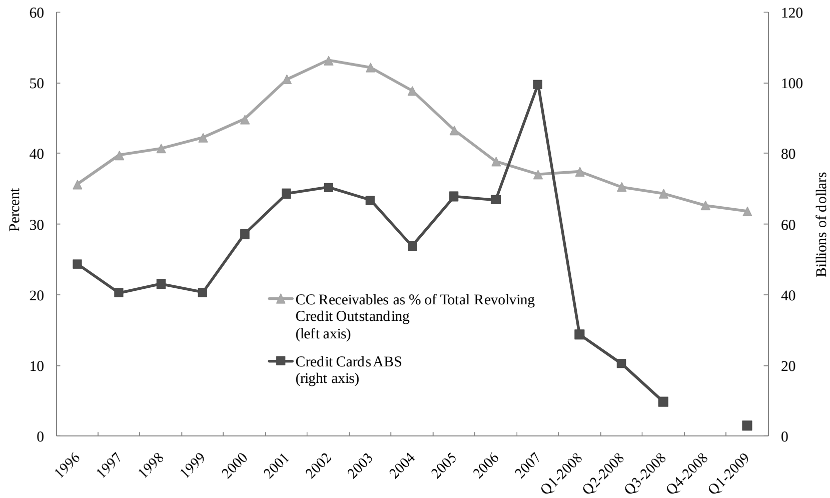
Collapse of Financial Market Has Dried Up Supply of Credit

As with subprime lenders, credit card issuers have been seeking to maximize their profits by lending to those who are economically vulnerable and then spreading their risk by securitizing the debt. In addition, credit card companies have spread risk to other credit cardholders by raising interest rates to all borrowers, effectively charging creditworthy borrowers to make up for growing defaults.

Securitization is a process whereby lenders and others create pools of loans and then sell securities that are backed by cash flows from these loan pools—thereby replenishing funds available for lending and reducing the lender's cost of capital. Although securitization increased the amount of credit available by reducing capital requirements, the increase in securitization raises the risk that credit card issuers are not adequately capitalized, especially in light of the increase in credit card defaults. The degree to which securitization transfers risk from the issuing bank to others depends on the amount of "implicit recourse" retained by the issuing banks.[16] Implicit recourse is the amount of responsibility that the issuing banks retain for the performance of the credit card receivables even after securitizing the debt. The issuing bank does not have the same capital requirements when the debt is securitized as when the debt is held on its balance sheet.

In 1996, $180.7 billion dollars of credit card debt was securitized, about 36 percent of the total outstanding revolving credit.[17] Currently, about $300 billion in securitized credit card debt is outstanding or about 31.8 percent of outstanding revolving credit.[18] The amount of new credit card asset-backed securities issued plummeted with the financial meltdown in the fourth quarter of 2008. In 2007, the dollar value of new credit card asset-backed securities was about $25 billion each quarter, increasing slightly to $29 billion the first quarter of 2008 and declining slightly to $21 billion in the second quarter.[19] But after Lehman Brothers declared bankruptcy in September 2008, the demand for asset-backed securities froze and issuances of new asset-backed securities came to a halt in October 2008.[20] Only $3 billion worth of credit card asset-backed securities were issued in the first quarter of 2009.[21] (See Figure 1)

Figure 1. New Originations of Credit Card Asset-Backed Securities and Credit Card Receivables as a Percent of Total Revolving Debt Outstanding
1996 to 2009 Q1



Sources: Federal Reserve Board and Securities Industry and Financial Markets Association.

On November 25, 2008, in order to increase the availability of credit to households and small businesses, the Federal Reserve Board announced the Term Asset-Backed Securities Loan Facility (TALF).[22] Under TALF, which in February was incorporated as part of the Obama administration's Consumer and Business Lending Initiative, the Federal Reserve Bank of New York will lend up to $200 billion on a non-recourse basis to holders of AAA-rated ABS backed by newly and recently originated consumer and small business loans.[23] The first operation of the TALF was conducted March 17-19 this year. To date, $9.2 billion dollars in loans have been issued through TALF for credit card ABS.[24]

Moral Hazard Effect of Risk Spreading By Credit Card Companies
The experience with subprime mortgages and mortgage-backed securities has proven that lenders take greater risks when they believe that this risk is shared or sold off to others. This perception of risk-sharing led to lower underwriting standards in both the mortgage market as well as the credit card market. At the same time, it has become obvious from the collapse of banks issuing these bad mortgages that the banks did not completely shift the risk of loaning to people who were not able to pay them back.

Just as delinquency and foreclosure rates have risen in the mortgage market, so have defaults, or charge-offs, in the credit card market. And
available credit has declined because of investors' weakened appetite for asset-backed securities.

However, unlike the mortgage market, credit card companies have an additional way of spreading the risk and cost of defaults. They can share the risk with other, credit-worthy cardholders who hold balances on their credit cards by increasing the interest rate on those cardholders. In this way, credit card companies can recoup the losses of charge-offs.

If cardholders could switch to another credit card instantaneously and without cost, credit card companies would lose customers when they raised interest rates. However, because of the problems in the asset-backed securities market and the declines in credit card securitization, card offers are declining. This makes it costly for credit cardholders to search for and switch to a new, lower interest card.[25] And, as described in the Appendix, practices such as "universal default," "any time, any reason" interest rate changes, and double-cycle billing make it much more difficult for credit cardholders to switch to lower interest rate charges, even during good economic times.

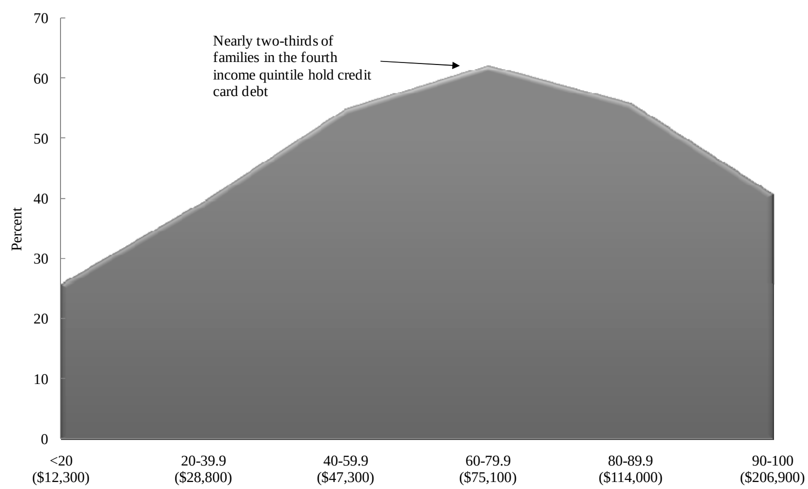
Although data on breakdowns of credit card fees and interest revenues are not publically available, comments submitted to the Federal Reserve Board and related agencies during the rulemaking process generated some information about the profitability for credit card companies to change interest rates on existing balances. According to submitted comments, the inability to impose penalty interest rates on the existing balances for accounts under universal default (other than those where the account is 30 or more days past due) would lead to a lost interest yield of 0.872 percent, or an annualized interest loss of $7.4 billion.[26] Additionally, the inability to change the interest rate on existing balances on other customers through a general change in terms would lead to a lost interest rate yield of 0.321 percent or an annualized loss of $2.7 billion.[27] Together, it appears that these provisions yield approximately $10 billion in interest payments to credit card companies -- a substantial portion of the $18 billion after-tax return on assets reported by credit card issuers in 2007.[28]

Investors' unwillingness to purchase new asset-backed securities will motivate credit card companies to conduct better risk evaluations of new cardholders in the future only if credit card companies cannot make up lost revenues from more creditworthy cardholders.[29] In the current economy, cardholders, even those with good credit scores, are finding it more difficult to find new credit cards and are forced to pay higher interest rates that don't reflect their own credit risk. These higher interest rate charges don't reflect the increased risk of the cardholder, but instead reflect the revenue shortfall from other delinquent cardholders.[30]

If interest rates increase to high penalty levels, cardholders who would be able to make payments when interest rates were lower may be tipped into bankruptcy by higher rates. Some of these rates are as high as 30 percent annualized percentage rate in interest.[31] On a balance of $3,000, an increase in interest rates from 10 percent to 30 percent would increase payments by $50 month, tripling the interest rate portion of their bill, a large burden for cash-strapped families.

Of course, consumers who use their credit card only for transactions and not for credit – paying off their balances at the end of every billing cycle – are less likely to be affected by these provisions. However, making a payment even a single day late can trigger penalty interest rates, and due to double-cycle billing, the cardholder will have to pay that penalty rate for the next billing cycle, even though the old balance was already paid off. According to the most recent Survey of Consumer Finances, middle class families are most likely to hold balances on their credit cards. (See Figure 2)

Figure 2. Middle Class Has Largest Share of Those Holding Credit Card Debt
Percent of Families with Credit Card Balances, by Income Percentile, 2007



Note: Values in parentheses represent real median incomes for that percentile range in 2007 dollars.
Source: Federal Reserve Board, *Survey of Consumer Finances*.

Indebted Consumers Unlikely To Spend

While consumer indebtedness has fallen during this recession, the ratio of debt-service payments to disposable personal income (13.9 percent in the fourth quarter of 2008) is still much higher than it was from 1980 to 2004.[32] A broader measure of indebtedness, the financial obligations ratio (FOR), which adds outstanding mortgage payments for homeowners and rental payments on tenant-occupied property to debt-service, shows the ratio of financial obligations to disposable personal income is 17.52 for homeowners and 26.31 for renters.[33] While these ratios are slightly lower than before the recession began, they still represent a substantial portion of income and a high degree of vulnerability to shocks in income.

Some provisions imposed by credit card companies, such as universal default and penalty interest rates, will hurt the economy by forcing consumers to pay more on debt payments. The sheer amount of credit card debt may also affect the length and type of recovery, as more families cut back on spending to cope with the economic downturn.

The ability of individuals to service their debt is a function of two factors: (1) the level of the payments; and (2) the income and assets they have available to meet those payments. The most recent measure of household wealth shows a year-over-year decline in household net worth of 17.89 percent.[34] The unemployment rate has risen 4 percentage points since the start of the recession and more than 5.7 million jobs have been lost.[35] The median duration of unemployment has risen to almost 3 months with 1 in 7 of the unemployed still unemployed for over a year. Furthermore, 15.8 percent of the work force is underutilized – either unemployed, working part-time because of the inability to find full-time employment, or “marginally attached” to the labor force.[36] As households become more financially strapped, they tend to carry ever-increasing balances on their credit cards. Unlike in the past, homeowners can no longer refinance their home mortgage to pay off their credit cards — they will now be faced with rising credit card debt and “upside down” mortgages.

While some Americans may be able to borrow against their 401(k) pensions, such loans take away from future retirement income. Moreover, given the current downturn in the labor and financial markets, the balances from which workers have to borrow are smaller. As all the bills come due, it is clear that consumer debt financing is not a sustainable way to grow the economy.

A high debt burden, or financial distress, occurs when families have unusually large total debt payments relative to their incomes, typically around 40 percent. The most recent Survey of Consumer Finances, conducted before the recession, reports that 14.7 percent of American families held high debt burdens.[37] These debt burdens are not always being repaid. Personal bankruptcy rates were up 28.44 percent for fiscal year 2008.[38]

High debt burdens differ by several factors including income, age, and homeownership. According to Survey of Consumer Finances data, 26.9 percent of families in the lowest income quintile and 19.5 percent of the second lowest income quintile have high debt burdens, compared to 3.8 percent of the highest income decile and 8.1 percent of the second highest income decile.[39] Thus, families with lower incomes have the greatest need to borrow on their credit cards, and are the most economically vulnerable during recessions.[40]

Conclusion

The current recession poses a significant threat to the well-being of American families, who are likely to rely more heavily on their credit cards to make ends meet. As families find themselves under increasing burdens, practices by credit card companies could add to household financial distress.

The financial crisis has limited households' access to credit, decreasing the competitiveness of the credit card industry. Thus, credit card companies are more likely to be able to charge higher rates without losing all of their customers. Credit card companies will have no incentive to conduct proper underwriting of new accounts, since losses can be spread among the existing account holders who have fewer opportunities to change cards.

As the complexity and availability of financial instruments have increased, new consumer protections have become increasingly important—not just for families, but also for the economy. Consumers facing higher costs of credit are more likely to use any extra money to pay down existing debt rather than engage in new spending, prolonging a vicious cycle of job losses and reductions in consumer spending. Moreover, unfair practices by card issuers will cause families to spend more to service their debt, instead of making new purchases that would boost our sagging economy. The unchecked practices by credit card issuers will only exacerbate the current crisis.

Endnotes

[1]Federal Reserve Board, Survey of Consumer Finances, 2007.

[2]Lawrence M. Ausubel and Amanda E. Dawsey, *Penalty Interest Rates, Universal Default, and the Common Pool Problem of Credit Card Debt*, Working Paper, March 2008, pp. 1-2.

[3]Standard & Poor's (S&P) Credit Card Quality Index, March 2009. The most recent data on bank credit card charge-offs from the Federal Reserve Statistical Release show a similar increase. The credit card charge-off rate reported quarterly by the Federal Reserve Board is lower, showing a charge-rate of 6.25 percent in the last quarter of 2008, compared with a charge off rate of 4.10 percent in the fourth quarter of 2007. See Charge-off and Delinquency rates on loans and leases at commercial banks, available on-line at http://www.federalreserve.gov/releases/chargeoff/chgallsa.htm.

[4]Federal Reserve Board, March 2009, Consumer Credit, Federal Reserve Statistical Release, Washington D.C., http://www.federalreserve.gov/releases/g19/current/g19.htm.

[5]The targeted federal funds rate was lowered from 5.25 percent to 4.75 percent on September 18, 2007, 4.50 on October 31, 2007, and 4.25 percent on December 11, 2007. It has been been between 0 and .25 percent since December 16, 2008.

[6]Some have argued that if penalty interest rates are not allowed, especially penalty interest rates attached with universal default such as the "any time, any reason" provisions, borrowers may be less motivated to maintain a good credit rating (Jonathan M. Orszag and Susan H. Manning, October 2007, "An Economic Assessment of Regulating Credit Card Fees and Interest Rates," Commissioned by the American Bankers Association, p. 11-12). Further, they argue that limiting penalty interest rates on existing balances will reduce access to credit for some borrowers and raise interest rates for all cardholders (Orszag and Manning, p. 38). However, the Federal Reserve Board of Governors, Office of Thrift Supervision, and National Credit Union Administration's Final Rules concluded that, except in certain limited circumstances,

"increasing the annual percentage rate applicable to the outstanding balance on a consumer credit card account is an unfair practice under 15 U.S.C. 45(n) and the standards articulated by the FTC." (Federal Register, Vol. 74, No. 18, January 29, 2009, *Rules and Regulations, Unfair or Deceptive Acts or Practices, 5521*).

[7]In 2004, the breakdown of U.S. card issuer revenues was as follows: net interest (65 percent), merchant fees (interchange fees) (18 percent), penalty fees (9 percent), cash advance fees (5percent), annual fees (3 percent) (Mann, p. 23). Further, full service issuers, who offer a broad portfolio of banking products including credit cards, may be able to charge higher fees for all of their services because the cost to the borrower of switching all accounts may be high (*Ibid.*, p. 22).

Although GAO was unable to find comprehensive data to determine the extent to which fees and penalty interest rates contributed to consumer bankruptcy, they found anecdotal evidence in some bankruptcy cases that involved substantial penalty charges and fees. Further, the credit card companies were unable to provide GAO with evidence regarding the size of penalty fees or interest charges for customers who were unable to make their payments. Additionally, GAO estimated that about 70 percent of credit card company revenues in recent years come from interest charges and that the share of those revenues that are associated with penalty interest rates is growing (Government Accountability Office, *Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers*, GAO 06-929, Washington, D.C., September 12, 2006, p. 8).

[8]April 21, 2009, Joint Economic Committee Hearing "Too Big To Fail Or Too Big To Save?, " transcript, in answer to Representative Brad Miller's comments regarding arguments heard against Mrs. Maloney's credit card bill and other consumer protections is that now is not the time to do anything that will restrict credit.

[9]See Alicia M. Robb, et al., "Patterns of Financing: A Comparison between White- and African-American Young Firms," February 2009, The Kauffman Firm Survey, Ewing Marion Kauffman Foundation, Table 4. This table shows that white small business owners average $59,998 in total financial capital of which $3,486 comes from personal credit cards or other owner loans and $6,163 business credit card balances. Black small business owners had $26,318 in total financial capital of which $2,505 comes from personal credit cards and other consumer loans and $4,898 in business credit card balances.

[10]Kent Hoover, "SBA misses deadlines on stimulus programs," Atlanta Business Chronicle, April 26, 2009.

[11]Federal Reserve Board, March 2009, *Consumer Credit*, Federal Reserve Statistical Release, Washington D.C.,
http://www.federalreserve.gov/releases/g19/current/g19.htm, released May 7, 2009.
[12]*Ibid.*

[13]The Federal Reserve Board's *Survey of Consumer Finances* is a triennial survey of the balance sheet, pension, income and other demographic characteristics of U.S. families. The survey also includes information on consumer use of financial institutions. The most recent survey is 2007: *Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances,* http://www.federalreserve.gov/pubs/bulletin/2009/pdf/scf09.pdf.

[14]*Ibid.*

[15]Federal Reserve Board, March 2009, *Household Debt Service and Financial Obligations Rations*, Federal Reserve Statistical Release, Washington D.C., http://www.federalreserve.gov/releases/housedebt/default.htm.

[16]For a discussion of the effect of implicit recourse in the credit card market, see Charles Calomiris and Joseph Mason, 2004, "Credit Card Securitization and Regulatory Arbitrage," *Journal of Financial Services Research*, 26:1, 5-27.

[17]Asset-backed Securities Outstanding from Securities Industry and Financial Markets Association (SIFMA) http://www.sifma.org/uploadedFiles/Research/Statistics/SIFMA_USABSOutstanding.pdf; Total credit outstanding is from Securitization rates calculated by dividing the dollar value of outstanding securities by the total credit outstanding.

[18]*Ibid.* SIFMA ABS Credit card receivables outstanding as of 2009 Q1.

[19]SIFMA, Securitized credit card receivables http://www.sifma.org/uploadedFiles/Research/Statistics/SIFMA_USABSIssuance.pdf .

[20]Federal Reserve Board of Governors, Press Release, November 25, 2008.

[21]SIFMA, Securitized credit card receivables http://www.sifma.org/uploadedFiles/Research/Statistics/SIFMA_USABSIssuance.pdf .

[22]Federal Reserve Board of Governors, Press Release, November 25, 2008. TALF loans have a term of three years. Both consumer and corporate credit card receivables are eligible.

[23]*Ibid.*

[24]$2.8 billion in March, $.9 billion in April, and $5.5 billion in May. See Recent Operations for the Term Asset-Backed Securities Loan Facility, http://www.newyorkfed.org/markets/talf_operations.html.

[25]*See also* Chantal Tode, "Credit card direct mail offer volume declines sees exception only with airlines, Wal-Mart," DMNews, February 29, 2009 available at http://www.dmnews.com/Credit-card-direct-mail-offer-volume-decline-sees-exception-only-with-airlines-Wal-Mart/article/127677/ . Offers of co-branded airlines card may not be declining because those cards have a much higher proportion of superprime (FICO score above 765) than standard credit cards. These cards are also attractive to airlines because they generate customer loyalty. *See* Edgar, Dunn & Company, "Defining the key performance indicators for your cobranded credit card programs," Presentation to Ancillary Revenue Airline Conference, November 15-16, 2007, available at http://www.airlineinformation.org/conferences/2007_ARAC/documents/UlfGeismar_Edgar_Dunn.pdf.

[26]See Letter to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, et al., Docket No. R-1314, from Oliver Ireland, Morrison & Foerster LLP, August 7, 2008, p. 5. The study was done by Argus Information and Advisory Services, LLC, a data processor, and covers about 70 percent of the credit card industry. http://files.ots.treas.gov/comments/bdc5cc5c-1e0b-8562-eb23-ff7159e49505.pdf.

[27]Morrison and Foerster Letter, p. 6.

[28]Darryl E. Getter, April 24, 2009 CRS report, p. 2 (reporting SourceMedia data).

[29]This view was shared by Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve System. In the statement accompanying the release of the Final Rules, he stated "Although these rules take some new approaches, at their foundation are familiar principles and goals. Above all, the rules seek to promote responsible use of credit cards through greater transparency in credit card pricing, including the abolition of pricing practices that are deceptive or unfair. Greater transparency will enhance competition in the marketplace and improve consumers' ability to find products that meet their needs. From the lenders' perspective, reduced reliance on penalty rate increases should spur efforts to improve upfront underwriting." See Statement by Chairman Ben Bernanke, December 18, 2008, available online at http://www.federalreserve.gov/newsevents/press/bcreg/bernanke20081218a.htm.

[30]See, e.g., The Pew Charitable Trusts, "Safe Credit Card Standards," Pew Safe Credit Cards Project, at p.2 & n.5 available on-line at www.pewtrusts.org/creditcards (citing a number of news reports regarding card companies raising rates and changing terms on accounts in good standing).
[31]Ausubel and Dawsey, p.1.

[32]Federal Reserve Board, March 2009, *Household Debt Service and Financial Obligations Ratios,* Federal Reserve Statistical Release, Washington D.C., http://www.federalreserve.gov/releases/housedebt/default.htm. The financial obligations ratio (FOR) adds automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance, and property tax payments to the debt service ratio. The homeowner FOR includes payments on mortgage debt, homeowners' insurance, and property taxes, as well as payments on consumer debt and automobile leases.
[33]*Ibid.*

[34]Federal Reserve Board, Flow of Funds Balance Sheets. B.100 Balance Sheet of the Household and NonProfit Organizations, data through fourth quarter of 2008.

[35]Bureau of Labor Statistics, Current Population Survey, Table A.1. Employment status of the civilian population by sex and age, and Current Employment Statistics, Table B.1. Employees on nonfarm payrolls by industry sector and selected industry detail, April 2009.

[36]Bureau of Labor Statistics, Current Population Survey, Table A.35. Unemployed total and full-time workers by duration of unemployment, and Table A.12. Alternative Measures of Labor Underutilization, April 2009. Marginally attached workers are those that are not counted as part of the labor force, even though they want a job, are available for work, and recently searched for a job.

[37]2007 Survey of Consumer Finances: Table 14.

[38]Annual Bankruptcy Filings, Nonbusiness bankruptcy filings, Administrative Office of the United States Courts, FY 2008 (ending June 30).

[39]2007 Survey of Consumer Finances: Table 14.

[40]Additionally, research has found that workers who do not have adequate health insurance are incurring higher levels of credit card debt to pay for medical expenses. See Demos, January 2007, "Borrowing to Stay Healthy: How Credit Card Debt is Related to Medical Expenses," www.demos.org/pubs/healthy_web.pdf.

‘EASING THE SQUEEZE’ Series

Joint Economic Committee
May 21, 2009

Easing the Squeeze on Women and Their Families

Democrats inherited one of the worst economic crises in our nation’s history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay the bills and invest in their children’s futures. The strain on women and their families is compounded by a continuing gender pay gap. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

<u>The Bush Legacy: The Squeeze on Women and Their Families</u>

Falling Incomes, Rising Expenses

- Median annual income for female-headed families fell $1,492 to $25,897 between 2000 and 2007, the most recent year for which data is available. For all families, median annual income in 2007 was $52,153.
- The average family health insurance premium increased by nearly 58 percent between 2000 and 2008, to $12,527.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was $6,094.

Disappearing Jobs

- 1.5 million jobs held by women have vanished since the recession began in December 2007.
- Nearly 5 million women are unemployed, an increase of 70 percent since December 2007.
- The unemployment rate for women 20 years and older has increased to 7.1 percent, and to 10.0 percent for women maintaining families, which is 1.1 percentage points higher than the national average of 8.9 percent in April 2009.

One-Third of Single Mothers Living in Poverty

- Nationwide, 3.6 million families headed by single mothers (33 percent of all female-headed households with children) lived below the poverty line in 2007.
- 43 percent of children living in female-headed households lived below the poverty line, compared to the national child poverty rate of 18 percent. 7.6 million children in female-headed households were poor in 2007, an increase of 20 percent since 2000.

Nearly 3 Million More Uninsured Women Since 2000

- 21 million women (14 percent) had no health insurance in 2007, the most recent year of available data. 22 percent of single mothers had no health insurance.
- 14 percent of children under the age of 18 living in female-headed households had no health insurance in 2007.

Skyrocketing Debt

- Women were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects since 2000. Average total debt amongst female headed-households shot up by 59 percent (from $28,000 to $44,300) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom – despite having higher credit scores on average – female home-buyers were 32 percent more likely than males to receive a high cost subprime mortgage loan. The Joint Economic Committee estimates that the number of subprime foreclosures for 2009 will be 830,000, with female homeowners bearing a disproportionate burden.
- Average credit card debt for female-headed households grew by 35 percent, from $1,523 to $2,058 between 2001 and 2007. Variable interest rates and other credit card practices mean that female-headed households are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.
- Average education-related debt for female-headed households doubled between 2001 and 2007, from $1,631 to $2,532, as families struggled to keep up with rising college tuition costs.

<u>Easing the Squeeze on Women and Their Families</u>

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in women's pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of women and their families.

Closing the wage gap.
With the passage of the Lilly Ledbetter Fair Pay Act, Democrats restored the rights of women and other workers to challenge unfair pay—to help close the wage gap where women earn 78 cents for every $1 a man earns in America.

Putting money in the pockets of those who need it most.
The Making Work Pay Tax Credit, an extended Child Tax Credit and an expanded Earned Income Tax Credit are already putting money in the wallets of working mothers and their families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

Protecting the most vulnerable.
The Recovery Act will help protect the health of low income families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling families across the country.

Investing in America's future through job training and education.
Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.
The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for millions more women, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund.
Helping families stay in their homes.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Making child care affordable.
The Recovery Act funded Child Care and Development Block Grants that support quality child care services for low-income families, additional funding for Head Start and Early Head Start over the next two years.

Making quality health care coverage affordable.

With the reauthorization of the Children's Health Insurance Program, the Democrats expanded children's access to health insurance, and the FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board; Bureau of Labor Statistics; Consumer Federation of America; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

Easing the Squeeze on Older Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

The Bush Legacy: The Squeeze on Older Families

Rising Expenses Eating Up a Larger Portion of Fixed Incomes

- Median annual income for families nearing retirement, those headed by 55-64 year olds, was $75,034 in 2007, up 7.8 percent since 2000. Median annual income for families headed by someone 45-54 fell 5.5 percent, to $80,384 over the same period.
- Rising costs for basic living expenses are outpacing incomes, straining family budgets and pushing a secure retirement out of reach. The average family health insurance premium increased by 48 percent between 2000 and 2008, to $12,680. The cost of medical care has increased an average of 4.3 percent per year between 2000 and 2008.
- Parents and grandparents helping family invest in a college education have been squeezed by rising tuition costs, which shot up by 47 percent between 2000 and 2007.

Disappearing Jobs

- There are 1.0 million more workers 55 years and older without a job than at the start of the recession in December 2007. Over 1.8 million workers 55 years and older are now unemployed.
- The unemployment rate for older workers has increased from 3.1 percent to 6.4 percent over the course of the recession, and the number of unemployed workers between the ages of 45 and 54 has increased by 1.1 million.
- The unemployment rate for near-retirement workers aged 45 to 54 years has increased from 3.5 percent to 6.4 percent over the course of the recession.

Over 6 Million Americans 55 and Older Lived in Poverty in 2007

- Nationwide, 2.9 million Americans aged 55 to 64 (8.6 percent of the near-retirement population) lived below the poverty line in 2007. An additional 3.6 million Americans 65 and over (9.7 percent of the elderly population) lived below the poverty line in 2007.

Nearly 1 Million More Uninsured Americans Nearing Retirement Since 2000

- Over 4 million Americans between the ages of 55 and 64 (12.0 percent) had no health insurance in 2007, the most recent year of available data, an increase of nearly 1 million since 2000.

Skyrocketing Debt

- Older families were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst older households (headed by someone 55 years and older) shot up by 66 percent (from $84,193 to $139,890) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, predatory lenders targeted older homeowners with high cost subprime refinancing products that stripped long-time owners of home equity. Property values plummeted when the housing bubble burst, and millions are now upside-down on their mortgages, owing more than their homes are worth. The Joint Economic Committee estimates that the number of foreclosures for 2009 will be 1.7 million, and many will impact elderly homeowners.
- Average credit card debt for older households grew by 83 percent, from $2,709 to $4,959 between 2001 and 2007. Variable interest rates and other credit card practices mean that older families are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.

Easing the Squeeze on Older Families

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in older Americans' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of older Americans and their families.

Putting money in the pockets of those who need it most.
The Making Work Pay Tax Credit, an expanded Earned Income Tax Credit, and a one-time boost to Social Security payments are already putting money in the wallets of older families. An expanded saver's credit will provide a boost to millions saving for their retirements.

Protecting the most vulnerable.
The Recovery Act will help protect the health of low income families by helping states avoid cuts in Medicaid enrollment and services, and boosting

funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling Americans across the country.

Helping families stay in their homes.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Investing in America's future through job training and education.
Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.
The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for the millions of parents and grandparents struggling to pay for a family member's education, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund. Democrats are also committed to expanding community service work opportunities for older Americans, which will help lower-income older workers remain in or rejoin the workforce.

Making quality health care coverage affordable.
The FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board; Bureau of Labor Statistics; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

Easing the Squeeze on Young Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

The Bush Legacy: The Squeeze on Young Families

Falling Incomes, Rising Expenses

- Median annual income for young families, those headed by 25-34 year olds, fell $3,073 to $54,279 between 2000 and 2007, the most recent year for which data is available.
- The average family health insurance premium increased by 48 percent between 2000 and 2008, to $12,680.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was $6,094.

Disappearing Jobs

- The number of workers between the ages of 25 and 34 years old with a job has dropped by 1.5 million since the recession began in December 2007.
- Over 3.2 million young workers are unemployed, twice as many as in December 2007.
- The unemployment rate for young workers has increased from 4.8 percent to 9.7 percent over the course of the recession, well above the national unemployment rate of 8.9 percent in April 2009.

One-Fifth Of All Young Families Lived in Poverty in 2007

- Nationwide, nearly 2 million young families with children under 18 years old and headed by someone aged 25 to 34 (19.8 percent of all young families) lived below the poverty line in 2007, up from 16.2 percent in 2000.

Over 10 Million More Uninsured Young Americans in 2007

- The number of working-age young Americans (aged 25 to 34) with no health insurance increased by 2.0 million to 10.3 million in 2007, the most recent year of available data. Over a quarter (25.7 percent) of all young Americans had no health insurance coverage in 2007.

Skyrocketing Debt

- Young families were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst young households shot up by 58 percent (from $68,864 to $108,773) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, predatory lenders targeted first-time homebuyers with high cost subprime mortgage loans. Over 354,000 new homeowners used these high-risk loan products to finance their first homes in 2006. The Joint Economic Committee estimates that the number of subprime foreclosures for 2009 will be 830,000, and a disproportionate share will impact on first-time homeowners.
- Average credit card debt for young households grew by 5 percent, from $2,977 to $3,116 between 2001 and 2007. Variable interest rates and other credit card practices mean that young households are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.
- Average education-related debt for young headed households increased 111 percent to $9,981 between 2001 and 2007 as families struggled to keep up with rising college tuition costs.

Easing the Squeeze on Young Families

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in younger workers' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of young families.

Putting money in the pockets of those who need it most.

The Making Work Pay Tax Credit, an extended Child Tax Credit and an expanded Earned Income Tax Credit are already putting money in the wallets of young working families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

Protecting the most vulnerable.

The Recovery Act will help protect the health of low income families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling young families across the country.

Investing in America's future through job training and education.
Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.
The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for millions more young people, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund.

Helping families stay in their homes.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Making child care affordable.
The Recovery Act funded Child Care and Development Block Grants that support quality child care services for low-income families, additional funding for Head Start and Early Head Start over the next two years.

Making quality health care coverage affordable.
With the reauthorization of the Children's Health Insurance Program, the Democrats expanded children's access to health insurance, and the FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board; Bureau of Labor Statistics; Center for Responsible Lending; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

Easing the Squeeze on African-American Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

<u>The Bush Legacy: The Squeeze on African-American Families</u>

Stalled Wage Growth, Rising Expenses

- Wage growth has stalled for African-American workers. During the 2000s economic recovery, African-Americans' inflation-adjusted wages grew at an annual rate of just 0.2 percent, after having grown four times as much (0.8 percent) during the 1990s recovery.
- The average family health insurance premium increased by nearly 58 percent between 2000 and 2008, to $12,680.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was $6,094.

Disappearing Jobs

- 871,000 jobs held by African-Americans have vanished since the recession began in December 2007.
- 2.7 million African-Americans are unemployed, an increase of 71 percent since December 2007.
- The unemployment rate for African-Americans has increased to 15 percent, well above the national unemployment rate of 8.9 percent in April 2009.

Nearly a Quarter of All African-Americans Lived in Poverty in 2007

- Nationwide, 24.4 percent of the African-American population (9.7 million African Americans) lived below the poverty line in 2007.
- Over one-third (33.7 percent) of African-American children lived below the poverty line, compared to the national child poverty rate of 18.0 percent. 4.2 million African-American children were poor in 2007, an increase of 17 percent since 2000.

Nearly 1 Million More Uninsured African-Americans Since 2000

- 7.6 million African-Americans (19.2 percent) had no health insurance in 2007, the most recent year of available data. 1.5 million African-American children (11.8 percent) had no health insurance in 2007.

Skyrocketing Debt

- Like millions of households, many African-American families were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst African-American households shot up by 77 percent (from $53,459 to $94,737) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, African-American home-buyers were three times more likely than whites to receive a high cost subprime mortgage loan. The Joint Economic Committee estimates that the number of subprime foreclosures for 2009 will be 830,000, and a disproportionate share will impact African-American homeowners.
- Average credit card debt for African-American households grew by 29 percent, from $2,670 to $3,448 between 2001 and 2007. Variable interest rates and other credit card practices mean that African-American households are diverting an increasing share of their incomes toward servicing their credit card debt, which puts further strain on family finances.
- Average education-related debt for African-American households nearly doubled between 2001 and 2007, growing from $3,052 to $5,632 as families struggled to keep up with rising college tuition costs.

Easing the Squeeze on African-American Families

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in African Americans' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of African-American families.

Putting money in the pockets of those who need it most.
The Making Work Pay Tax Credit, an extended Child Tax Credit and an expanded Earned Income Tax Credit are already putting money in the wallets of working families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

Protecting the most vulnerable.
The Recovery Act will help protect the health of low income African American families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling families across the country.

Investing in America's future through job training and education.
Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.
The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for millions more African Americans, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund.

Helping families stay in their homes.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Making child care affordable.
The Recovery Act funded Child Care and Development Block Grants that support quality child care services for low-income families, additional funding for Head Start and Early Head Start over the next two years.

Making quality health care coverage affordable.
With the reauthorization of the Children's Health Insurance Program, the Democrats expanded children's access to health insurance, and the FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board, Bureau of Labor Statistics; ACORN Fair Housing; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

Easing the Squeeze on Hispanic Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

The Bush Legacy: The Squeeze on Hispanic Families

Stalled Wage Growth, Rising Expenses

- Median annual income for Hispanic families fell $1,684 to $41,616 between 2000 and 2007, the most recent year for which data is available. For all families, median annual income in 2007 was $52,153.
- The average family health insurance premium increased by nearly 58 percent between 2000 and 2008, to $12,680.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was $6,094.

Disappearing Jobs

- 864,000 jobs held by Hispanic workers have vanished since the recession began in December 2007.
- 2.5 million Hispanics are unemployed, an increase of 87 percent since December 2007.
- The unemployment rate for Hispanics has increased to 11.4 percent, well above the national unemployment rate of 8.9 percent in April 2009.

More Than One in Five Hispanics Lived in Poverty in 2007

- Nationwide, 21.5 percent of the Hispanic population (9.9 million Hispanics) lived below the poverty line in 2007.
- Over one-quarter (28.6 percent) of Hispanic children lived below the poverty line, compared to the national child poverty rate of 18.0 percent. 4.5 million Hispanic children were poor in 2007, an increase of 960,000 since 2000.

Nearly 4 Million More Uninsured Hispanics Since 2000

- 14.8 million Hispanics (32.1 percent) had no health insurance in 2007, the most recent year of available data. 3.2 million Hispanic children (20.1 percent) had no health insurance in 2007.

Skyrocketing Debt

- Hispanics were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst Hispanic households shot up by 125 percent (from $56,153 to $126,411) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, Hispanic home-buyers were two and a half times more likely than whites to receive a high cost subprime mortgage loan. The Joint Economic Committee estimates that the number of subprime foreclosures for 2009 will be 830,000, and a disproportionate share will impact Hispanic homeowners.
- Average credit card debt for Hispanic households grew by 48 percent, from $2,721 to $4,015 between 2001 and 2007. Variable interest rates and other credit card practices mean that Hispanic households are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.
- Average education-related debt for Hispanic households shot up by 126 percent between 2001 and 2007, from $1,631 t0 $3,865, as families struggled to keep up with rising college tuition costs.

Easing the Squeeze on Hispanic Families

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in Hispanics' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of Hispanic families.

Putting money in the pockets of those who need it most.
The Making Work Pay Tax Credit, an extended Child Tax Credit, and an expanded Earned Income Tax Credit are already putting money in the wallets of working families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

Protecting the most vulnerable.
The Recovery Act will help protect the health of low income Hispanic families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling families across the country.

Investing in America's future through job training and education.
Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers

displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.
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Helping families stay in their homes.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Making child care affordable.
The Recovery Act funded Child Care and Development Block Grants that support quality child care services for low-income families, additional funding for Head Start and Early Head Start over the next two years.

Making quality health care coverage affordable.
With the reauthorization of the Children's Health Insurance Program, the Democrats expanded children's access to health insurance, and the FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board, Bureau of Labor Statistics; ACORN Fair Housing; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

Easing the Squeeze on Veterans and Their Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting put extraordinary stress on millions of American families struggling to pay the bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

The Bush Legacy: The Squeeze on Veterans and Their Families

Falling Incomes, Rising Expenses

- Median annual income for veterans was just $36,838 in 2007, the most recent year of available data.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was $6,094.

Disappearing Jobs

- 100,000 more veterans were unemployed in 2008 than in 2007, and this situation is likely to have worsened as the recession's impacts on the labor markets intensified through the first half of 2009.
- 573,000 veterans were unemployed in 2008, an increase of 21 percent since 2007. Unemployment amongst veterans of the post-9/11 military conflicts grew by nearly 34 percent between 2007 and 2008.
- The unemployment rate amongst young veterans of the post-9/11 conflicts is particularly high, at 14.1 percent in 2008.

Too Many Veterans Lived in Poverty in 2007

- Nationwide, nearly 23 million veterans (5.9 percent of the veteran population) lived below the poverty line in 2007.

Housing Crisis for Veterans

- In early 2008, foreclosure rates in military towns were increasing at four times the national average, because military families were prime targets for some predatory lenders. Nationwide, about 1 in 10 homes were under foreclosure in

  2008, and the Joint Economic Committee estimates there will be 830,000 sub-prime foreclosures in 2009.
- Today, about 8 percent of veterans who have served since 9/11 are paying more than half of their income for housing, placing them at serious risk of homelessness. 56 percent of low-income veterans

who rent their homes had housing affordability problems in 2005, the most recent year of available data.

- In 2007, almost 154,000 veterans were homeless on a given night, and about 300,000 veterans experience homelessness at some point over the course of a year. Veterans are over-represented in the homeless population; while veterans represent just one-tenth of the adult population, they comprise about one-third of the adult homeless population. While homeless vets are more likely than non-vets to be employed and highly-educated, they are twice as likely to be chronically homeless. In 2005, between 44,000 and 64,000 vets suffered from long-term or repeated homelessness.

Easing the Squeeze on Veterans and Their Families

While the problems are enormous, the 111th Congress and the Obama administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in veterans' pockets today and help them invest in their futures. It provides incentives for businesses to hire recently discharged unemployed veterans, and expands housing assistance for disabled veterans. In addition, the GI Bill for the 21st Century will ensure that the economic recovery includes our men and women in uniform. Democrats' FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of Veterans and their families.

Putting money in the pockets of those who need it most.
The Making Work Pay Tax Credit, an extended Child Tax Credit and an expanded Earned Income Tax Credit are already putting money in the wallets of veterans and their families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

Investing in our veterans and their families through job training and education.
Democrats restored the promise of a full, four-year college education for Iraq and Afghanistan veterans, making them part of the economic recovery. Congress authorized tuition assistance and training opportunities for military spouses seeking careers that can be maintained as they move from station to station, and made unused educational benefits transferable to spouses and children.

Expanding relief and homeownership opportunities for returning veterans.
Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will help veterans hurt by the mortgage crisis, including prohibiting home foreclosures for nine months after military service; providing a much-needed increase to

the VA home loan limit; enabling more veterans to refinance their existing high-risk loans through VA home loans; and making thousands of veterans eligible for low-interest loans. Together with the newly-passed Helping Families Save Their Homes Act of 2009, these critical actions will halt the steep decline in home prices and keep the dream of homeownership alive for America's military families.

Providing veterans with affordable quality health care.
Democrats moved quickly to increase veterans' health care funding, establish a series of preventive health care projects, waive co-payments for preventive services for all TRICARE beneficiaries, and protect military families from increases in TRICARE co-pays and deductibles. The Democratic Congress has restored over $1 billion in military health care funding to continue to provide medical services to military families and their service members.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board, Bureau of Labor Statistics; Iraq and Afghanistan Veterans of America; Government Accountability Office; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.

WOMEN IN THE RECESSION
Working Mothers Face High Rates of Unemployment

A Report by the Joint Economic Committee
Representative Carolyn B. Maloney, Chair
Senator Charles E. Schumer, Vice Chair
May 28, 2009

Executive Summary

Working women have received pink slips in growing numbers over the course of the current recession, which began in December 2007. For the first 3 months of the recession, when job losses were relatively light, women actually gained rather than lost jobs. This uptick in women's employment is similar to what has happened in previous recessions. However, in August 2008, this recession began to look quite different from past downturns. Women's job losses picked up pace to become a significant fraction of the total monthly job losses.

As women's job losses have accelerated, so have the job losses for working mothers. A Joint Economic Committee analysis of published and unpublished data collected by the Bureau of Labor Statistics (BLS) finds that increases in unemployment during this recession have been especially steep for female heads of household – mothers who are solely responsible for maintaining their families' economic security. Key findings of the analysis include the following:

- In 2008, seven out of ten mothers with children under 18 years old were in the labor force. Over half of all mothers usually worked full time last year.
- As of April 2009, nearly one million working-age female heads of household wanted a job but could not find one.
- One out of every ten women maintaining a family is unemployed, which exceeds the highest rate (9.0 percent) experienced during the 2001 recession and the "jobless recovery" that followed.
- The ranks of female heads of household who are unemployed or "marginally attached" to the labor force has grown across all demographic groups, with women of color faring the worst. Black and Hispanic women in this group are currently experiencing unemployment at rates of 13.3 percent and 11.0 percent, respectively.

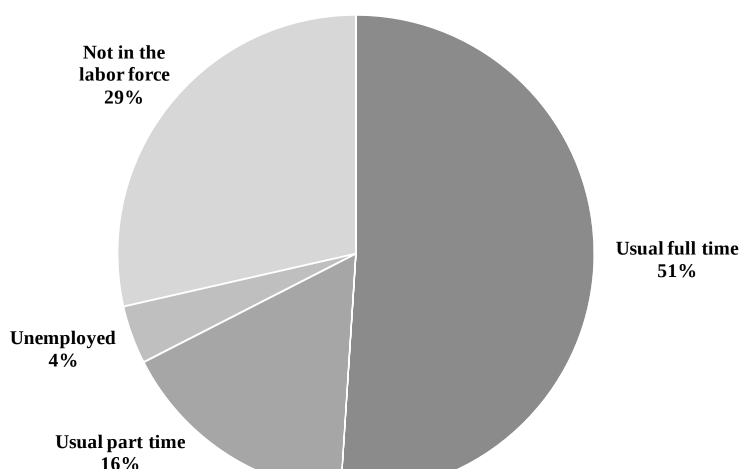
The American Recovery and Reinvestment Act (ARRA) will temper the effects of the current recession for these families right now and over time. Extended unemployment benefits, nutrition assistance programs, preserving Medicaid benefits and tax cuts will bring immediate relief for these families. In addition, ARRA invests in job creation in education, healthcare, and child care that tend to disproportionately employ women. This will help to ensure that female-headed households will not be left behind in the recovery.

Vast Majority of Mothers in the Labor Force, Most Work Full-Time

Women's increased vulnerability to the business cycle has significant implications for family economic well-being.[1] Most children grow up in families with working parents, regardless of whether they live in dual- or single-parent families. Today, many families no longer have an additional worker to enter the labor force when times are tough, making rising unemployment among women a worrisome trend.

On average, in 2008, seven out of ten (71.4 percent) mothers with children under 18 years old were in the labor force.[2] The remaining 29 percent were not in the labor force and were usually not counted in official unemployment statistics. Over half of all mothers worked full time during 2008. An additional 16 percent worked part time, while 4 percent of all mothers were unemployed. (See Figure 1) Of those employed mothers, about one-third were the sole breadwinners for the families – either because they were the head of the household or, for married women, because their spouses were unemployed or out of the labor force. (See Figure 2) Among those in the labor force, the unemployment rate for mothers with children under 18 years old averaged 5.6 percent in 2008, a full percentage point higher than in 2007.

Figure 1. Over Half of All Mothers Worked Full Time Last Year
Employment Status of Women with Children Under 18 Years Old, 2008 Annual Averages



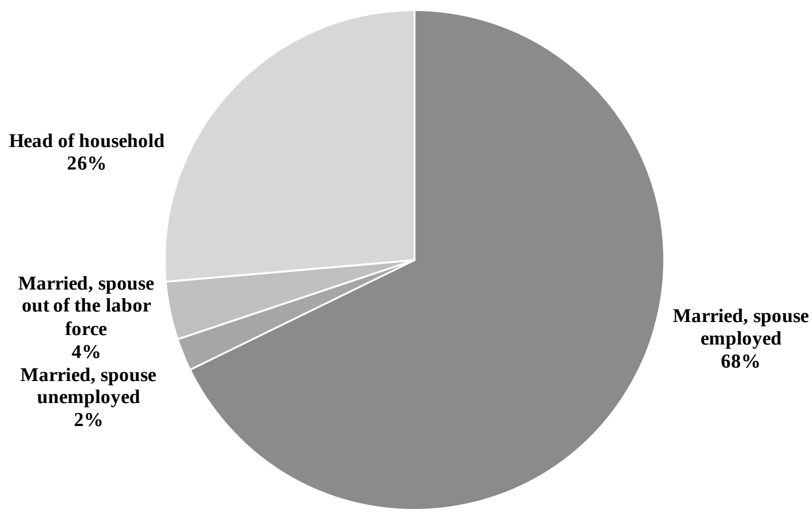
Source: JEC calculations based on data from Bureau of Labor Statistics, Current Population Survey.

As Recession Continues, Working Mothers Face Rising Unemployment

Working women have received pink slips in growing numbers over the course of the current recession. For the first 3 months of the recession, when job losses were relatively light, unlike men, women actually gained jobs.[3] This uptick in women's employment is similar to what has happened in previous recessions. However, in August 2008, this recession began to look quite different from past downturns as women's job losses picked up pace to become a significant fraction of the total monthly job losses. On average, one-third of jobs lost were held by women during the past eight months.

Increases in unemployment during this recession have been especially steep for female heads of household, who are solely responsible for maintaining their families' economic security.[4] Among female heads of household, the unemployment rate rose 3.1 percentage points between December 2007 and April 2009, compared to an increase of 2.7 percentage points for all women 16 years and older (not seasonally adjusted).

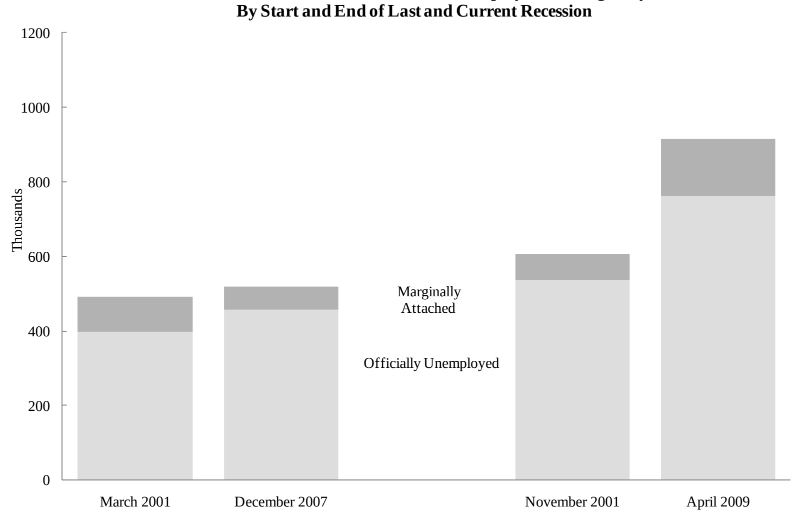
Figure 2. Nearly One-Third of Working Moms Are Their Families' Sole Earner
Employed Women in the Labor Force with Children Under 18 Years Old, 2008 Annual Averages



Source: JEC calculations based on data from the Bureau of Labor Statistics, Current Population Survey.

During the current recession, the number of working-age (ages 25-54) female heads of household who are either unemployed or "marginally attached" to the labor force has increased dramatically. Marginally attached workers are those that are not counted as part of the labor force, even though they want a job, are available for work, and have searched for a job in the past 12 months. Unlike those counted as unemployed, marginally attached workers have not searched for work in the preceding 4 weeks. (See Figure 3) The increase in the number of marginally attached female heads of household has occurred across all demographic groups. Given that a female head of household is the sole breadwinner for her family, the growing rate of marginal labor force attachment among this group is particularly troublesome.

Figure 3. Nearly 1 Million Women Maintaining Families Want a Job
Female Heads of Household, 25-54 Years Old, Unemployed or Marginally Attached, By Start and End of Last and Current Recession

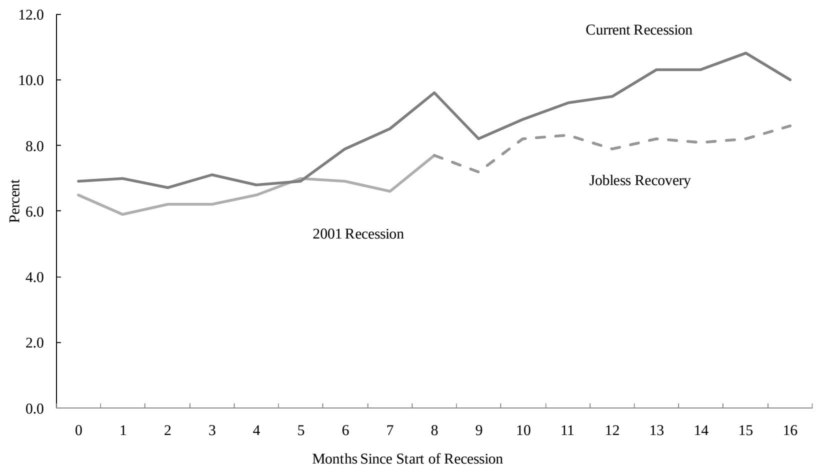


Source: JEC calculations based on data from unpublished tables from the Bureau of Labor Statistics, Current Population Survey.

Nearly one million working age female heads of household wanted a job but could not find one as of April 2009, 16 months into the recession.[5] These included 761,000 unemployed working-age heads of household, 304,000 more than at the start of the recession, and an additional 154,000 "marginally attached", 92,000 more than at the start of the recession.[6]
The unemployment rate today for all female heads of households is 10.0 percent, which exceeds the highest rate (9.0 percent) experienced during the 2001 recession and the "jobless recovery" that followed. Because employment for female heads of household never regained strength during the jobless recovery of the 2000s, this group entered the current recession with a relatively high unemployment rate as compared to the rest of the population.[7] (See Figure 4) In December 2007, the overall civilian unemployment rate was 4.9 percent[8] while the rate for female heads of household was 6.9 percent.[9]

Comparing the current recession to the 2001 recession shows how much more severe this recession is for female heads of household. While the unemployment rates were similar at the start of the recession, the duration of the current recession is taking a heavy toll. Over the past 12 months, the unemployment rate among all female heads of household has steadily climbed by 3.2 percentage points, to its current level of 10.0 percent. One out of every ten women maintaining a family is unemployed.[10] (See Figure 4)

Figure 4. Unemployment Rate Among All Female Heads of Household
By Month for Last and Current Recession

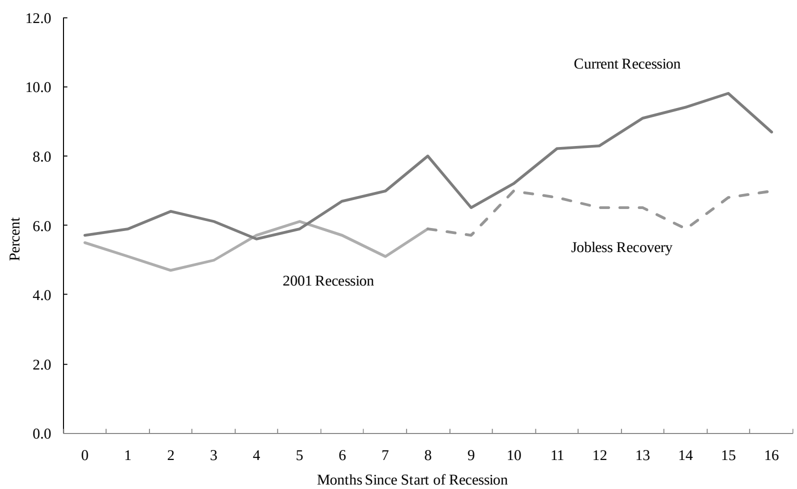


Source: JEC calculations based on non-seasonally adjusted data from unpublished tables from the Bureau of Labor Statistics, Current Population Survey.

Women of Color Are Faring the Worst in this Recession

White women, including white female heads of household, have fared somewhat better than women of color. In both recessions these households experienced a fairly steady, although high, rate of unemployment. (See Figure 5) But the current recession now has this group facing an unemployment rate of 8.7 percent, 3.1 percentages points higher than one year ago and considerably higher than at any point during the 2001 recession.[11]

Figure 5. Unemployment Rate Among White Female Heads of Household
By Month for Last and Current Recession



Source: JEC calculations based on non-seasonally adjusted data from unpublished tables from the Bureau of Labor Statistics, Current Population Survey.

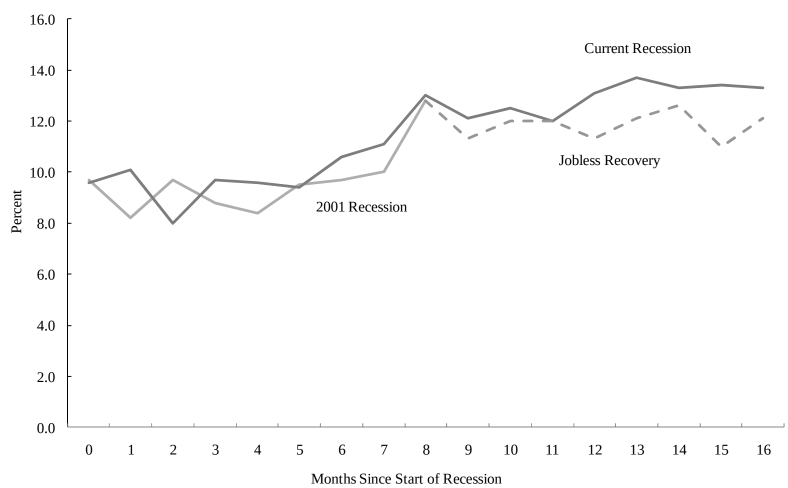
Black female heads of household started both recessions with an unemployment rate just under 10 percent, well above the average for all female heads of household.[12] (See Figure 6) At first, their experience in the labor market during this recession was comparable to their experience in the 2001 recession. However, as the current recession intensified, the gap widened between the unemployment rates in the current recession and in the jobless recovery following the 2001 recession. The unemployment rate for black female heads of household is currently 3.7 percentage points higher than it was one year ago, suggesting that the employment situation for these women is quite difficult.

Hispanic female heads of household started this recession with a lower unemployment rate than in 2001. (See Figure 7) Over the past 12 months, the unemployment rate for Hispanic female heads of household has increased 4.0 percentage points.[13]

Summary

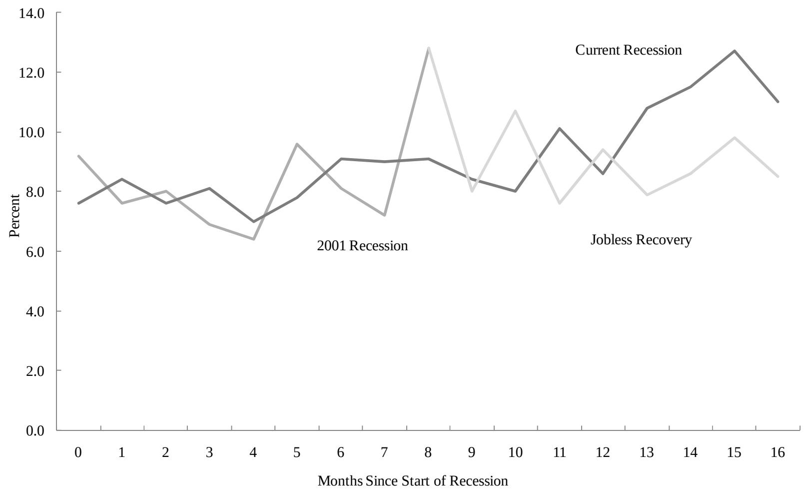
The American Recovery and Reinvestment Act (ARRA) will temper the effects of the current recession for these families right now and over time. Extended unemployment benefits, nutrition assistance programs, preserving Medicaid benefits and tax cuts will bring immediate relief for these families. In addition, ARRA invests in job creation in education, healthcare, and child care that tend to disproportionately employ women. This will help to ensure that female-headed households will not be left behind in the recovery.

Figure 6. Unemployment Rate Among Black Female Heads of Household
By Month for Last and Current Recession



Source: JEC calculations based on non-seasonally adjusted data from unpublished tables from the Bureau of Labor Statistics, Current Population Survey.

Figure 7. Unemployment Rate Among Hispanic Female Heads of Household
By Month for Last and Current Recession



Source: JEC calculations based on non-seasonally adjusted data from unpublished tables from the Bureau of Labor Statistics, Current Population Survey.

Endnotes

[1]Joint Economic Committee, "Equality in Job Loss: Women Are Increasingly Vulnerable to Layoffs During Recessions" July 22, 2008.

[2]Bureau of Labor Statistics (BLS), Current Population Survey (CPS), Table 4. Number of families by presence and age of own children under 18 years old, type of family, employment status of parents, race and Hispanic or Latino ethnicity, 2008 annual averages. The Current Population Survey is a monthly survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics. The sample is scientifically selected to represent the civilian noninstitutional population. See www.census.gov/cps/ for more information on this survey.

[3]BLS, Current Employment Statistics. The last seven months available data are for August 2008 through February 2009.

[4]BLS, Current Population Survey, unpublished tables. These data are not seasonally adjusted. According to the CPS, a "family" is a group of two persons or more (one of whom is the head of the household) residing together and related by birth, marriage, or adoption. Thus, female heads of households may include households where the dependents are the aging parents rather than children of the head of household. We note that the CPS discontinued the use of the word "head of household" in March 1980 and replaced it with "householder."

[5]This is the sum of the unemployed and the marginally attached. *Ibid.*

[6]*Ibid.*

[7]*Ibid.*

[8]BLS, Current Population Survey, Table A-1. Employment status of the civilian population by sex and age, various months. These data are seasonally adjusted.

[9]BLS, Current Population Survey, unpublished tables.

[10] *Ibid.* We note that the April 2009 data show a reduction in the unemployment rate. However, this is a highly volatile series and it is not possible to extrapolate a change in trend from a single observation. This holds for figures 4-7.

[11]*Ibid.*

[12]*Ibid.*

[13]Although none of the data used for Figures 4 -7 are seasonally adjusted, a seasonal trend is only visible for Hispanic female heads of households, shown in Figure 7. The peak in the unemployment rate during the last recession and the spike in unemployment during month 12 of the current recession are for December. This strong seasonality may indicate that Hispanic women who maintain families are more likely to be employed in occupations that have strong seasonal trends. *Ibid.*

COMPREHENSIVE HEALTH CARE REFORM

An Essential Prescription for Women

A Report by the Joint Economic Committee
Representative Carolyn B. Maloney, Chair
Senator Charles E. Schumer, Vice Chair
October 8, 2009

Executive Summary

The status-quo health insurance system is serving women poorly. An estimated 64 million women lack adequate health insurance.[1] Over half of all medical bankruptcies impact a woman.[2] For too many women and their families today, quality, affordable health care is out of reach.

Women are more vulnerable to high health care costs than men. Several factors explain why. First, women's health needs differ from men's, so women are obliged to interact more regularly with the health care system – regardless of whether they have adequate insurance coverage or not. Second, women are more likely to be economically vulnerable and therefore face devastating consequences when faced with a mounting pile of medical bills. The inability of the current system to adequately serve women's health care needs has come at great expense. One recent study estimates that women's chronic disease conditions cost hundreds of billions of dollars every year.[3]

The following brief provides an overview of the basic facts regarding women's insurance coverage, and the consequences of our broken health insurance system on women's health – both physical and financial. Specifically:

- **Over one million women have lost their health insurance due to a spouse's job loss during the current economic downturn.** Women have lost 1.9 million jobs since the recession began in December 2007, and many of those women saw their health insurance benefits disappear along with their paychecks.[4] Second, women whose spouses lose their jobs are also vulnerable to losing their health benefits, because so many women receive coverage through a spouse's job-based plan. The Joint Economic Committee estimates that *1.7 million women* have lost health insurance benefits because of the contraction in the labor market since December 2007. 68 percent (1,153,166) lost their insurance due to a spouse's job loss. 32 percent (547,285) of those women lost their insurance due to their own job loss.

- **As a consequence of single mothers' job loss, the Joint Economic Committee estimates that *at least 276,000 children* have lost health insurance coverage.**[5] The weak job market has been rough on single mothers; the number of unemployed female heads of household has increased 40 percent over the past twelve months.[6] For many of these women, the loss of a job means not only a disappearing paycheck, but also the disappearance of employer-sponsored health insurance coverage for their families.
- **Women between the ages of 55 and 64 are particularly vulnerable to losing their health insurance benefits because of their husbands' transition from employer-sponsored coverage to Medicare**. One recent study concludes that a husband's transition from employer-sponsored coverage to Medicare at age 65 can be problematic for his younger wife. Many of these wives depended on their spouse's employer-based coverage and are not yet age-eligible for Medicare. As a result, 75 percent of these women reported delaying filling prescriptions or taking fewer medications than prescribed because of cost.[7]
- **Younger women are particularly vulnerable to lacking adequate health insurance coverage.** Over one-quarter (26 percent) of all young women (ages 19-24) do not have health insurance coverage. The weak job market has hit young workers particularly hard, with the unemployment rate amongst young women at 15.5 percent in September 2009, substantially higher than the national unemployment rate of 9.8 percent.[8] The dismal job market means that young women are less likely than ever to have access to job-based coverage, and many women who once received coverage through a parent's health insurance plan have seen this coverage evaporate with their parents' jobs.
- **39 percent of all low-income women lack health insurance coverage**. Because of wide variability in state Medicaid eligibility rules, millions of American women fall through the safety net every day. The devastating impact of the recession on state budgets has forced some states to further tighten Medicaid eligibility rules at precisely the time when need is growing fastest.
- **The health consequences of inadequate coverage are more severe for women than for men**. Women are more likely than men to run into problems receiving adequate medical care. Over a quarter (27 percent) of women had health problems requiring medical attention but were not able to see a doctor, compared to 21 percent of men. Similarly, nearly a quarter (22 percent) of women reported that they were unable to fill a needed prescription, as compared to 15 percent of men.
- **While the financial burden of inadequate health insurance coverage weighs heavily on all Americans, uninsured and under-insured women suffer more severe economic consequences than do men.** Women are more likely than men to

> deplete their savings accounts in order to pay medical bills. One-third of under-insured women deplete their savings to pay medical bills, as compared to a quarter of under-insured men. The disparity is comparable amongst the uninsured (34 percent of uninsured women as compared to 29 percent of uninsured men).

The comprehensive health care reform proposals offered by the Obama administration and currently taking shape under the leadership of Democrats in the House and Senate include numerous provisions that are critical to providing quality, affordable health care for *all* Americans, both women and men. Many of these solutions are a key part of the prescription for easing the burden on America's women, for whom the status quo health care system is a failure.

Comprehensive Health Care Reform: An Essential Prescription for Women

The status-quo health insurance system poorly serves women. An estimated 64 million women lack adequate health insurance.[9] Over half of all medical bankruptcies impact a woman.[10] For too many women and their families today, quality, affordable health care is out of reach.

Women are more vulnerable to high health care costs than men. Several factors explain why. First, women's health needs differ from men's, so women are obliged to interact more regularly with the health care system – regardless of whether they have adequate insurance coverage or not. Women's reproductive health concerns, including pregnancy and childbirth, contraception, and the consequences of sexually-transmitted diseases, require more contact with medical providers.[11] Women are more likely than men to have one or more chronic diseases, including diabetes, asthma, and hypertension, all of which require ongoing coordinated care.[12] Second, women are more likely to be economically vulnerable and therefore face devastating consequences when faced with a mounting pile of medical bills. Women comprise more than half of America's poor, and millions of working women continue to earn less than their male counterparts.[13] Regardless of marital status, women are more likely to be responsible for their children's health and well-being.[14]

The inability of the current system to adequately serve women's health care needs has come at great expense. One recent study estimates that women's chronic disease conditions cost hundreds of billions of dollars every year.[15] The direct costs of women's cardiovascular disease, which impacts 43 million American women, are estimated at $162 billion annually. The direct medical costs of diabetes on women total over $58 billion. The direct medical costs of osteoporosis, which impacts 8 million women, are estimated at nearly $14 billion annually. The direct medical costs of breast cancer are estimated at $9 billion.

The following brief provides an overview of the basic facts regarding women's insurance coverage, and the consequences of our broken health insurance system on women's health – both physical and financial.

Women are no more likely than men to be uninsured, but the sources of women's health insurance policies are quite different from men's. As a result, women are especially vulnerable to losing their health insurance coverage.

Because women are less likely than men to be employed full-time, they are less likely to be eligible for employer-provided health benefits. 27 percent of employed women work part-time, and are therefore excluded from their employers' health insurance benefit plans. In contrast, just 13 percent of working men are part-time employees.[16]

Figure 1. Health Insurance Status of Non-Elderly Adults

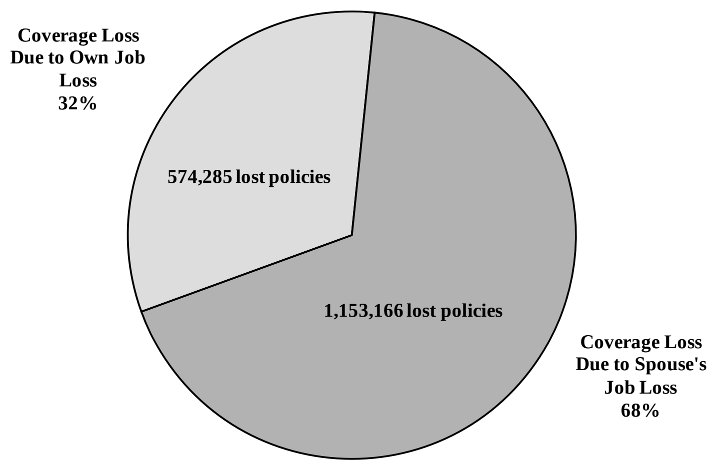
Non-elderly adults are ages 18-64. Numbers may not sum to 100% due to rounding.
Source: Joint Economic Committee calculations from the 2009 ASEC Supplement to the CPS.

Women are nearly twice as likely as men to depend on a family member (typically a spouse) for health insurance benefits. 25 percent of non-elderly women receive health insurance coverage as a dependent on a family members' job-based health insurance plan, as compared to just 13 percent of men. Women are particularly vulnerable to losing health insurance coverage when they are dependent on someone else for their benefits.

First, the weak job market means that a woman is vulnerable to losing employer-based coverage because of loss of her own job or her spouse's job loss. Women have lost 1.9 million jobs since the recession began in December 2007, and many of those women saw their health insurance benefits disappear along with their paychecks.[17] Many more women have lost their employer-provided health insurance benefits as businesses have cut back on employees' hours. 3.3 million women who usually work full-time are currently working part-time because full-time work is not available, more than twice as many than when the recession began in December 2007. Many of these women are no longer eligible for employer-sponsored coverage.[18] As noted above, women's health insurance coverage is impacted not only by their own employment, but also by their spouse's employment. Women whose spouses lose their jobs are also vulnerable to losing their health benefits, because so many women receive coverage through their spouses' job-based plans. Men have lost 5 million jobs since the recession began, resulting in over one million wives losing their health insurance coverage and joining the ranks of the uninsured. The combination of women's job loss and their spouse's job loss means that women are doubly vulnerable to losing their health insurance coverage in today's weak economy.

Using these job loss statistics and the share of men and women receiving health insurance benefits through employer-sponsored plans, we estimate that *1.7 million women* have lost health insurance benefits because of the contraction in the labor market since December 2007. 32 percent (547,285) of those women lost their insurance due to their own job loss. 68 percent (1,153,166) lost their insurance due to a spouse's job loss. In contrast, 3.1 million men have lost health benefits due to job loss since the recession began. Nearly all (96 percent) of those losses are due to men's own job loss.[19]

Figure 2. Women's Health Insurance Coverage Lost Due to Recession-Driven Job Loss, (Total=1,700,451 women have lost coverage)



Source: Joint Economic Committee estimates using March 2008 Supplement to the CPS, June 2009 CPS, and BLS Establishment Survey data. "Recession-driven job loss" refers to jobs lost between December 2007 and August 2009. A methodological appendix is available from the JEC upon request.

Health insurance losses due to the economic contraction are likely substantially larger than the Joint Economic Committee's estimates of job-loss related health insurance losses. The rising cost of providing employees with health insurance coverage combined with the economic slowdown means that some employers have dropped health insurance benefits for their employees.

Therefore, many Americans who remain employed may no longer have health insurance coverage.[20]

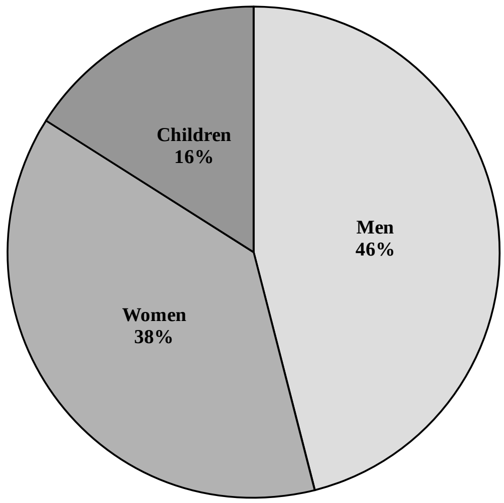
Second, women between the ages of 55 and 64 are particularly vulnerable to losing their health insurance benefits because of their husbands' transition from employer-sponsored coverage to Medicare. One recent study concludes that a husband's transition from employer-sponsored coverage to Medicare at age 65 can be problematic for his younger wife. Many of these wives depended on their spouse's employer-based coverage and are not yet age-eligible for Medicare. As a result, many of these women experience disruptions in medical care. For example, 75 percent of women who experienced an insurance disruption due to husbands' transitions to Medicare reported delaying filling prescriptions or taking fewer medications than prescribed due to cost. These numbers were substantially smaller for similar women who did not experience this insurance disruption.[21]

Women without access to employer-based health insurance benefits – either from their own job or a family members' job – are left to find insurance on their own. 10 percent of all women are insured through Medicaid. 7 percent purchase insurance on the individual market, which can come at an enormous cost. For instance, in many states, a 25 year-old woman purchasing health insurance on the individual market pays 45 percent more in monthly premiums for the exact same plan purchased by a 25 year-old male.[22]

Adult women comprise 38 percent of the uninsured. Certain groups of women are far more likely to be uninsured or under-insured than others. While just 18 percent of all women are uninsured, much larger shares of certain groups of women are left without coverage today.

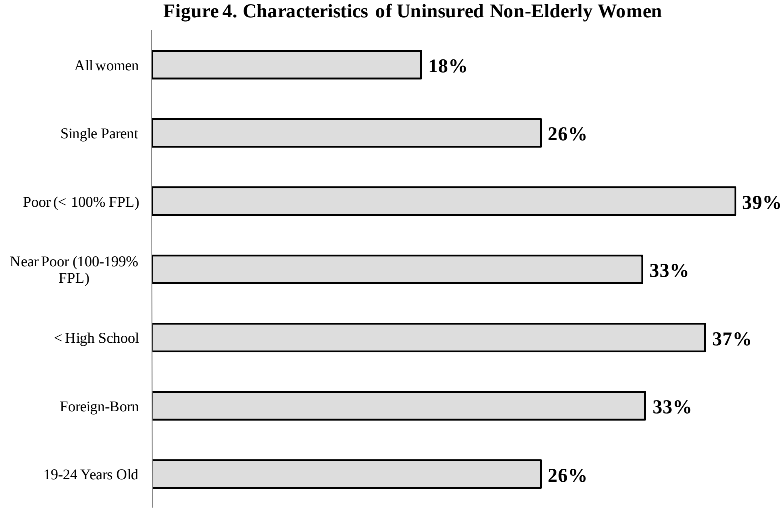
Roughly one quarter (24 percent) of all single mothers do not have health insurance coverage. 37 percent of all children without health insurance live in single-parent families, the vast majority of which are headed by a working single mother.[23] The weak job market has been rough on single mothers; the number of unemployed female heads of household has increased 40 percent over the past twelve months.[24] For many of these women, the loss of a job means not only a disappearing paycheck, but also the disappearance of employer-sponsored health insurance coverage.

Figure 3. Distribution of the Uninsured, (Total=46.3 million)



Note: Children are under 18 years old.
Source: Joint Economic Committee calculations from the 2009 ASEC Supplement to the CPS.

Figure 4. Characteristics of Uninsured Non-Elderly Women



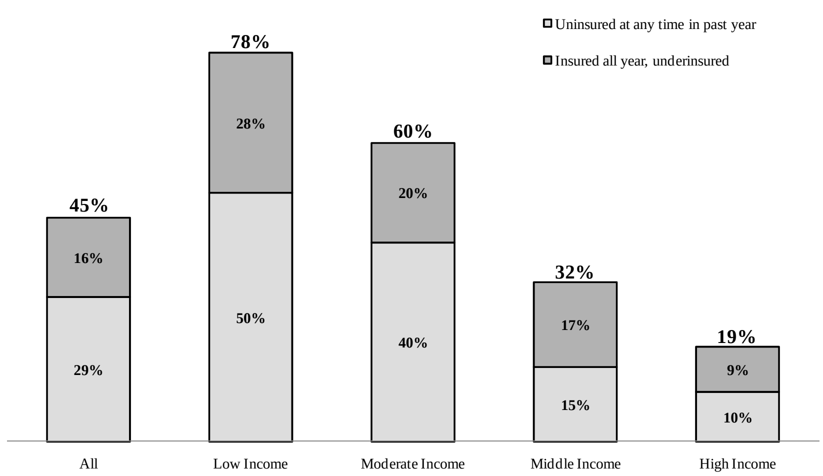
Note: Non-elderly women are ages 18-64. The percentage refers to the share of a given category of women that are uninsured, e.g. 33% of all foreign-born women were uninsured. FPL refers to the federal poverty line.
Sources: Data on single parents is from the Kaiser Family Foundation's estimates of Urban Institute tabulations, 2008 ASEC Supplement to the CPS. The remaining data are Joint Economic Committee calculations from the 2009 ASEC Supplement to the CPS.

As a consequence of single mothers' job loss, the Joint Economic Committee estimates that *at least 276,000 children* have lost health insurance coverage that they received through their mother's employer-based plans.[25] The recovery package included subsidies to make COBRA coverage more affordable, allowing some of these families to purchase an extension of their existing health insurance coverage for a limited time. But COBRA coverage remains prohibitively expensive for many Americans, particularly working single parents, and many women work for businesses that are too small to be bound by COBRA regulations.[26]

Over one-quarter (26 percent) of all young women (ages 19-24) do not have health insurance coverage. The weak job market has hit young workers particularly hard, with the unemployment rate amongst young women at 15.5 percent in September 2009, substantially higher than the national unemployment rate of 9.8 percent.[27] The dismal job market means that young women are less likely than ever to have access to job-based coverage, and many women who once received coverage through a parent's health insurance plan have seen this coverage evaporate with their parents' jobs. Moreover, over half (60 percent) of employer-sponsored health plans do not cover dependents after age 19 if they are not enrolled in school. The vast majority of students covered through their parents' employer-based policies lose their health insurance benefits upon college graduation.[28]

Millions of poor and near-poor women lack health insurance. 39 percent of women living at or below the federal poverty line ($22,050 for a family of four in 2009) do not have health insurance coverage. One-third (33 percent) of near-poor women living between 100-199 percent of the federal poverty line lack coverage. Medicaid eligibility rules vary substantially across states. The safety net program covers just 45 percent of low-income Americans, leaving millions of low-income women without access to affordable health insurance coverage.[29] Facing serious budgetary pressures due to the recession, some states have further pared back Medicaid eligibility and/or benefits at precisely the time when increasing numbers of families desperately need access to public benefits.[30]

Figure 5. Un- and Underinsured Women, by Income

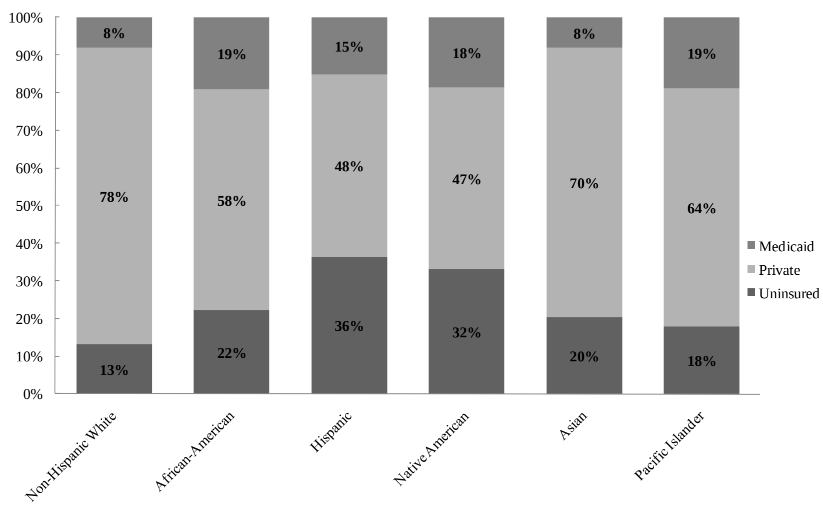


Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% FPL); or deductibles equaled 5% or more of income.
Subgroups may not sum total because of rounding. Low income is < $20k, moderate income is $20k-$39.9k, middle income is $40k-$59.9k, high income is $60k or greater.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

While millions of women lack access to health insurance, millions more women are "underinsured," or covered by health insurance benefits that leave them vulnerable to significant financial hardship. Under an expanded definition of lack of access to health insurance coverage that includes both the uninsured and underinsured, the percentage of women lacking adequate health coverage rises to 45 percent. Over three-quarters (78 percent) of low-income women lack adequate coverage. 60 percent of moderate-income women lack adequate coverage. Even amongst relatively well-off Americans, access to adequate coverage remains tenuous.[31]

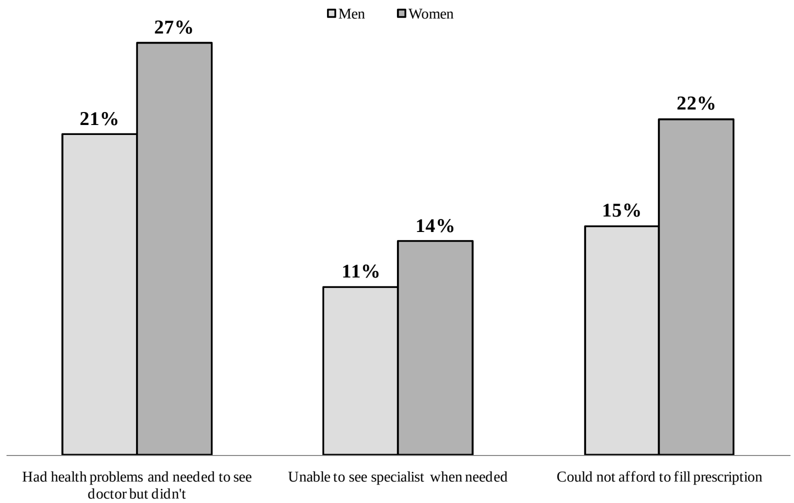
Health insurance coverage also varies substantially by race. Minority women, especially Hispanics and Native Americans, have the greatest rates of non-insurance – 36 percent of Hispanic women lack health coverage, as do 32 percent of Native American women.

Figure 6. Health Insurance Status of Non-Elderly Women, by Race/Ethnicity



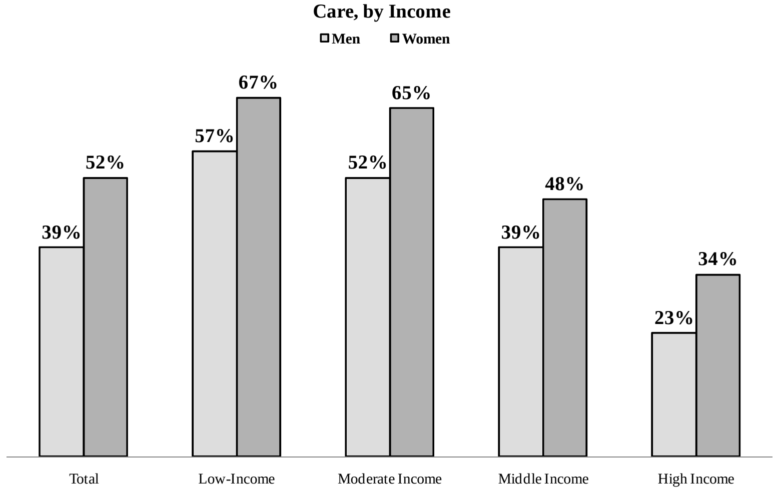
Note: Non-elderly adults are ages 18-64. Numbers may not sum to 100% due to rounding.
Source: Joint Economic Committee calculations from the 2009 ASEC Supplement to the CPS.

Figure 7. Difficulty Obtaining Necessary Medical Care, by Gender



Source: The Kaiser Family Foundation, *Kaiser Women's Health Survey*, 2004.

Figure 8. Share of Non-Elderly Adults Reporting Difficulty Obtaining Health Care, by Income



"Difficulty obtaining care" is defined as reporting any one of four problems: did not fill a prescription; did not see a specialist when needed; skipped recommended medical test, treatment or follow-up; had a medical problem but did not visit a doctor or clinic. Low income is < $20k, moderate income is $20k-$39.9k, middle income is $40k-$59.9k, high income is $60k or greater. Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

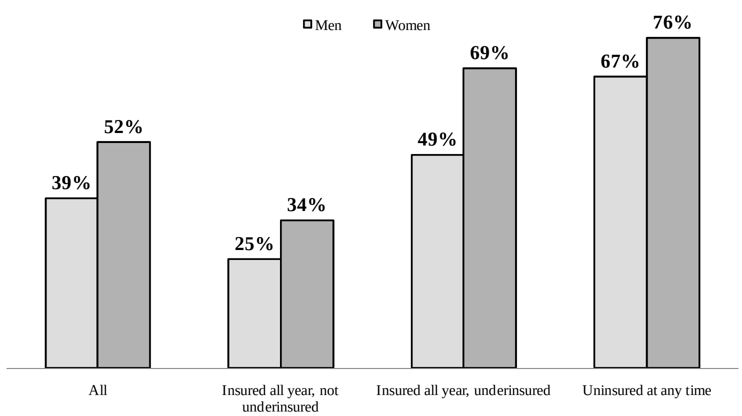
Women are more likely than men to report problems with access to medical care.

Women are more likely than men to run into problems receiving adequate medical care. Over a quarter (27 percent) of women had health problems requiring medical attention but were not able to see a doctor, compared to 21 percent of men. Similarly, nearly a quarter (22 percent) of women reported that they were unable to fill a needed prescription, as compared to 15 percent of men.

While the percent of men and women reporting difficulty obtaining needed care is inversely related to income, the gender gap in obtaining care is relatively constant regardless of income.[32] While 39 percent of all men reported difficulty, over half (52 percent) of all women reported trouble obtaining needed medical care. Amongst the lowest-income individuals, 57 percent of men report difficult as compared to 67 percent of women – a 10 percentage point gap. Amongst higher income individuals (those with incomes of $60,000 or more), the percentage of both men and women reporting difficulty obtaining needed care is lower, but the gender gap remains, at about 11 percentage points.

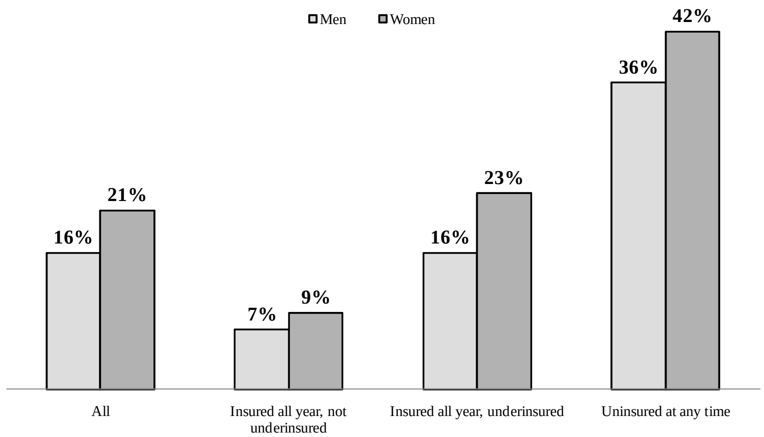
Even when compared to men with similar insurance coverage, women are more likely to report difficulty obtaining needed medical care due to cost. The gender disparity in cost-barriers to care is particularly stark for the underinsured. While nearly half (49 percent) of all underinsured men report forgoing needed medical care due to cost, 69 percent of underinsured women report foregoing needed care because they could not afford it. The persistent pay gap between men and women may explain part of this – women earn 77 cents for every dollar earned by their male colleagues, leaving them with a smaller paycheck to cover needed medical expenses.[33] Women are also more likely than men to be the custodial parent and therefore bear responsibility for children and their accompanying expenses, which leaves less money at the end of each month to cover necessities such as medical care for the mother.[34]

Figure 9. Non-Elderly Adults Going Without Needed Medical Care Due to Cost, by Insurance Status and Gender



"Going without needed medical care due to cost" is defined as a positive response to one or more of the following: not filling a needed prescription because of cost; skipping recommended test, treatment, or follow-up due to cost; having a medical condition and not visiting a doctor due to cost; not getting needed specialist care due to cost. Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% of the federal poverty line); or deductibles equaled 5% or more of income. Non-elderly adults are ages 19-64.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

Figure 10. Non-Elderly Adults Foregoing Needed Medical Screenings Due to Cost, by Insurance Status and Gender

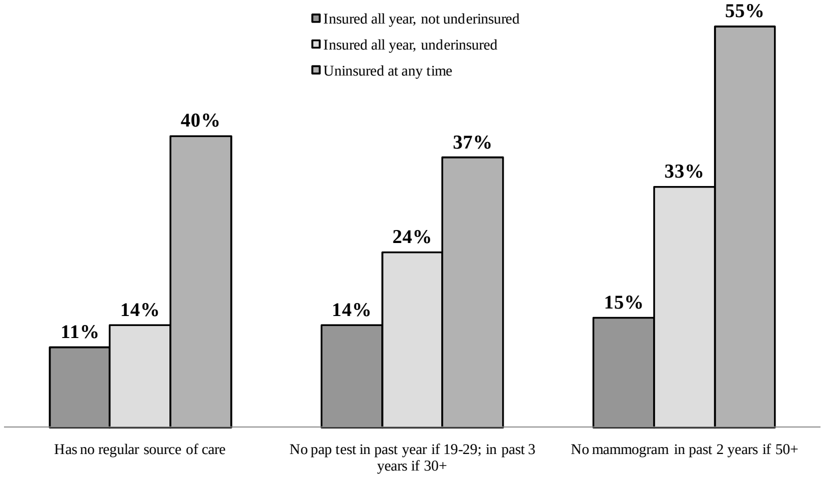


The survey leaves the definition of "medical screening" open-ended but gives mammograms, colon cancer screens, and pap tests as examples. Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% of the federal poverty line); or deductibles equaled 5% or more of income. Non-elderly adults are ages 19-64.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

Millions of women report difficulty obtaining needed *preventative* medical care. Study after study shows the importance of preventative care, both in terms of health benefits and the critical role preventative medicine can play in containing medical costs.[35] Yet women are more likely than men to go without needed preventative medical screenings due to cost. Even when compared to men with similar insurance coverage (or lack thereof), women are more likely to see cost barriers to receiving preventative care. The gender disparity is particularly sharp amongst the underinsured: nearly a quarter (23 percent) of underinsured women report foregoing preventative medical screenings due to cost, as compared to 16 percent of underinsured men.

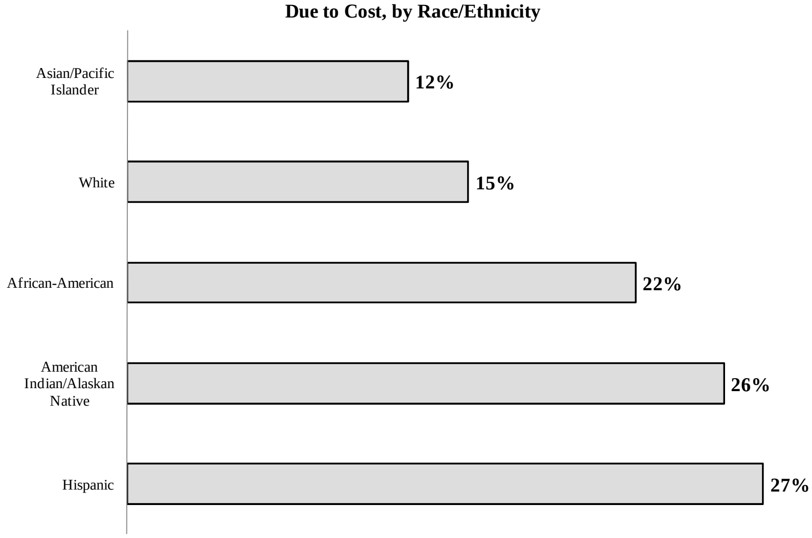
Perhaps unsurprisingly, the same groups of women who are most likely to lack health insurance coverage are likely to report problems receiving necessary medical care. 67 percent of uninsured women report that they delayed receiving needed medical care due to cost.[36] Disparities in access to preventative care are particularly troubling because of the important health benefits of preventative medicine.

Figure 11. Non-Elderly Women's Lack of Access to Preventative Medicine, by Insurance Status



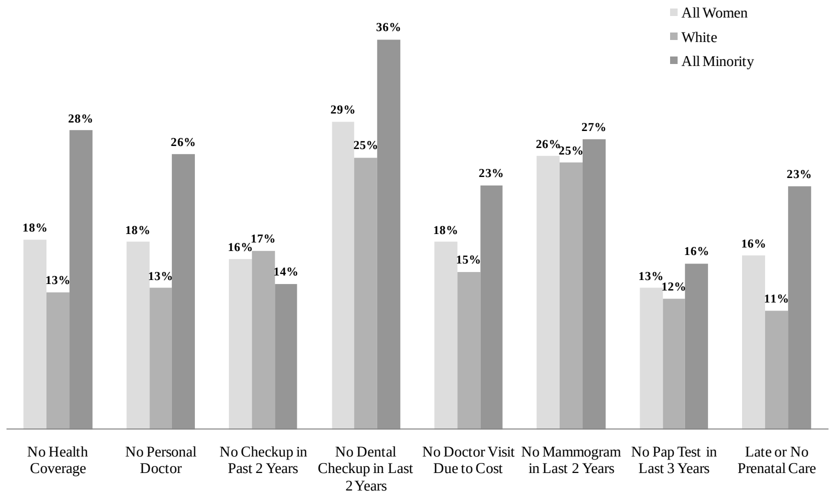
Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more off income if low income (<200% of the federal poverty line); or deductibles equaled 5% or more of income. Subgroups may not sum total because of rounding.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

Figure 12. Share of Non-Elderly Women Reporting No Doctor's Visit Last Year Due to Cost, by Race/Ethnicity



Source: Kaiser Family Foundation, *Putting Women's Health Care Disparities on the Map*, citing data from the Center for Disease Control and Prevention, 2004-2006.

Figure 13. Share of Non-Elderly Women Reporting Difficulty Obtaining Health Care, by Race



All minorities includes African-Americans, Hispanics, Asian/Pacific Islanders, Native Americans, and Alaskan Natives.
Source: Kaiser Family Foundation, *Putting Women's Health Care Disparities on the Map*, citing data from the Center for Disease Control and Prevention, 2004-2007.

Uninsured women are far less likely than other women to receive recommended preventative care. Over half (55 percent) of women over age 50 have not received the recommended mammogram, a critical screen for breast cancer that allows providers to catch cancer in its early and treatable stages when conducted on a regular basis. Over a third (37 percent) of uninsured women have not received the recommended pap smear, a critical screen allowing for early detection of cervical cancer. And 40 percent of uninsured women do not have access to a regular doctor.

Significant and troubling racial disparities in women's access to preventative care exist. The high cost of medical care and lack of access to affordable health insurance coverage are likely to explain much of the disparity. Nearly a quarter (23 percent) of minority women report that they were unable to visit a doctor due to cost, as compared to 15 percent of white women. Lack of access to medical care due to cost is particularly problematic for Native American and Hispanic women, with 26 percent and 27 percent respectively reporting no doctor's visit in the last year due to prohibitive costs. Access to dental coverage remains highly unequal, with 36 percent of all minority women reporting no dental check-up in the last two years as compared to 25 percent of white women. Some preventative medical care remains underutilized by *all* women, regardless of race. Despite recommendations from the American Cancer Society that all women over 40 receive annual mammogram exams, a quarter of all women report no mammogram in the last two years.[37]

Women's reproductive health is severely compromised by un- and under-insurance, with consequences for both women and their children.

The average American woman will spend roughly five years being pregnant, recovering from pregnancy or trying to get pregnant, and three decades trying to avoid an unintended pregnancy.[38] Women's specific health concerns regarding pregnancy and childbirth, access to safe and affordable contraception, and the severe consequences of sexually transmitted diseases require continuous engagement with the health care system.

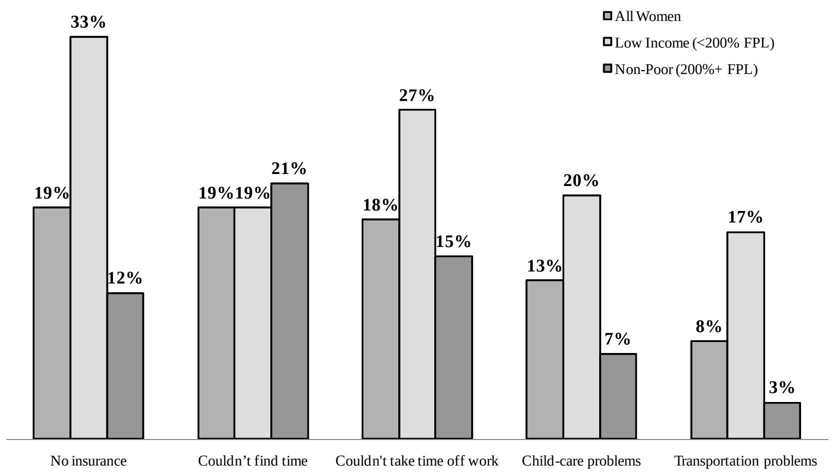
The consequences of poor access to reproductive health care are severe for women. Women are more likely than men to contract serious sexually-transmitted diseases, including genital herpes, gonorrhea, and chlamydia, and limited access to regular medical care reduces the likelihood of early detection and effective treatment of these diseases.[39] Women without health insurance are 30 percent less likely to use contraceptive methods requiring a prescription, which are more effective at preventing unintended pregnancies than over-the-counter birth control methods alone.[40] Reproductive health care providers often provide the screenings for female-specific diseases (including breast, cervical, ovarian, uterine, and endometrial cancers) that are less likely to prove fatal with early screening and treatment. Yet limited access to regular care diminishes the likelihood of preventative screenings, as noted above, and further compromises women's reproductive health.

Women's limited access to quality, affordable health care also compromises children's health. Quality pre-natal and post-partum care is strongly linked to healthy outcomes for new infants as well as their mothers.[41] Large disparities in maternal mortality and infant health persist by race and income, suggesting a link between health care access and health outcomes.[42]

While lack of health care coverage remains a critically important barrier to women's receipt of adequate medical care, work-family balance challenges stand in the way of millions of women's access to quality health care.

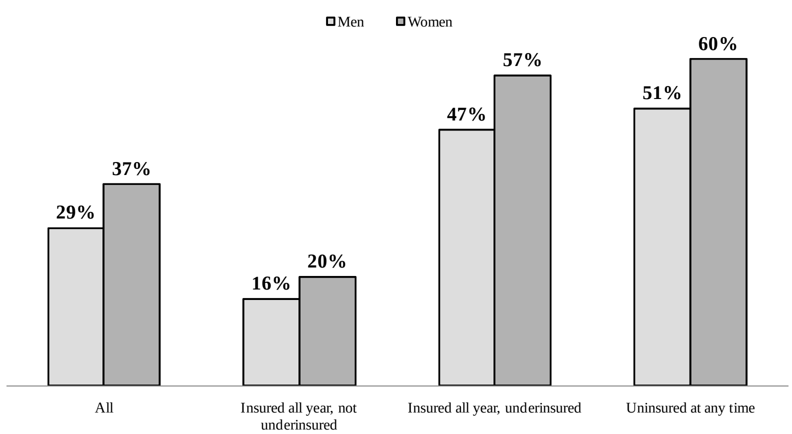
18 percent of all women report that they delayed or did not receive needed medical care because they were unable to take time off work. Over a quarter (27 percent) of all low-income women report that an inability to take time off work prohibited them from obtaining needed medical care. Similarly, 20 percent of all low-income women report that child-care problems kept them from getting needed care. Taken together, these data suggest that health care reform is only the beginning of the solution. Without national policies that assist families in balancing work and life responsibilities, millions of Americans – especially the working poor – will remain unable to access needed medical care.

Figure 14. Women's Reasons for Delaying or Foregoing Needed Care, by Income



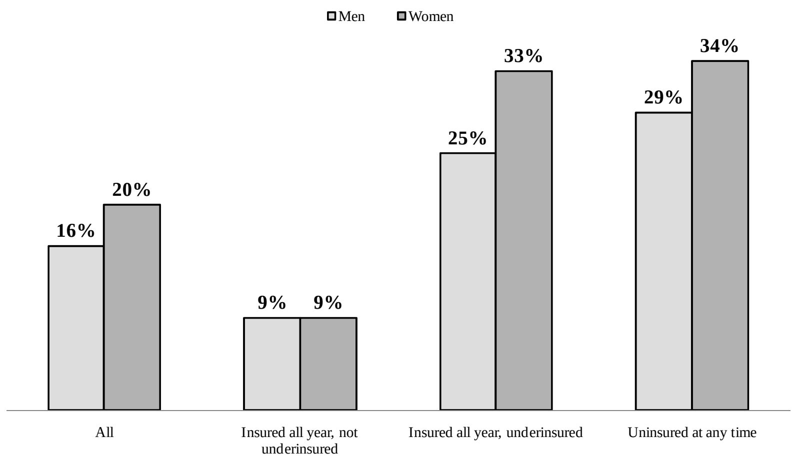
"Couldn't take time off work" is limited to employed women. "Child-care problems" is limited to women with children under the age of 18 living at home. FPL refers to the federal poverty line. Percentages refer to women ages 18 and older reporting delaying/foregoing needed care in the 12 months prior to the survey for a given reason.
Source: The Kaiser Family Foundation, 2004 Kaiser Women's Health Survey.

Figure 15. Non-Elderly Adults with Medical Bill Problems in the Last Year, by Insurance Status and Gender



"Medical bill problems" are defined as one or more of the following: problems or inability to pay medical bills; contacted by a collection agency regarding unpaid medical bills; had to change way of life to pay medical bills. Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% of the federal poverty line); or deductibles equaled 5% or more of income. Non-elderly adults are ages 19-64.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

Figure 16. Non-Elderly Adults Depleting Savings to Pay Medical Bills, by Insurance Status and Gender



Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% of the federal poverty line); or deductibles equaled 5% or more of income. Non-elderly adults are ages 19-64.
Source: The Commonwealth Fund Biennial Health Insurance Survey, 2007.

Inadequate insurance coverage not only puts women's physical health in danger; it also imperils women's financial health. Women bear a heavier financial burden due to un- and under-insurance than do un- and under-insured men.

37 percent of women had medical bill problems in the last year, as compared to 29 percent of men. Amongst the under-insured, 57 percent of women had medical bill problems as compared to 47 percent of men. Amongst those with no insurance at all, the share of both men and women with medical bill problems are even more dramatic – 60 percent of uninsured women and 51 percent of uninsured men.

Many Americans are taking desperate measures to cope with the medical bills that pile up following an illness. Women are more likely than men to deplete their savings accounts in order to pay medical bills. One-third (33 percent) of under-insured women deplete their savings to pay medical bills, as compared to a quarter (25 percent) of under-insured men. The disparity is comparable amongst the uninsured (34 percent of uninsured women as compared to 29 percent of uninsured men).

Comprehensive health-care reform is critical to women's physical and financial health. By simultaneously addressing coverage issues and health care costs, Congress will be tackling two problems that weigh heavily on women and their families – lack of access to affordable coverage and skyrocketing medical costs for those who do have insurance. Specifically:

- *A ban on gender rating* will put an end toward discriminatory practices that charge women substantially more than similarly-situated men for the same health benefits policies. America's health insurers support this reform, recognizing that gender rating is unfair to our nation's mothers and daughters.[43]
- *A ban on denial of coverage based on pre-existing conditions* (*"guaranteed issue*") will ensure that individuals are not denied insurance coverage because of a medical condition. For millions of breast cancer survivors and others with diseases specific to women, guaranteed issue will make insurance coverage accessible and affordable.
- Inclusive *health insurance "exchanges"* will expand access to health insurance coverage for the millions of women who are not offered employer-based coverage or for those whom employer-based offerings are not adequate or affordable, especially those who work part-time and are thus ineligible for benefits and for women who lose their coverage when an older spouse becomes eligible for Medicare.
- By requiring *well-visits and preventative medicine with no cost-sharing* as part of any policy offered by an insurer participating in the health insurance exchange, health care reform will expand access to necessary and cost-effective preventative screenings and treatments for all women.
- *Caps on out-of-pocket spending* for any policy offered through the health insurance exchange will insure that a medical crisis no longer comes with the risk of a family financial crisis. *Prohibiting insurers from nullifying previously-offered coverage after costs have been incurred (no "rescissions")* will give families peace of mind in knowing that their health insurance policies must cover what they promise to cover; the rules of the game can no longer be changed mid-way through the process. For the millions of women diagnosed requiring medical attention each year, this security is key.
- The goal of health care reform is to provide affordable health insurance to all Americans, whether or not they have access to employer-provided health insurance benefits. A *public option* may be one of the cheapest ways to ensure that all Americans have access to an affordable, quality insurance plan that meets certain standards.
- *Public subsidies* to help middle-income families pay for health insurance coverage will be a boon for women, whose earnings are typically lower than men's.[44] *Medicaid expansions* will disproportionately benefit women, who are more likely than men to be poor.[45]

The proposals under discussion would allow the millions of American women who are satisfied with their health care coverage and their medical care to maintain the status quo. But it would provide an important and urgent set of solutions for the 64 million women without adequate health insurance. The time has come for comprehensive health care reform.

Endnotes

[1]Rustgi, Sheila et al. 2009. *Women at Risk: Why Many Women Are Foregoing Needed Health Care*. Washington, D.C.: The Commonwealth Fund. (http://www.commonwealthfund.org/~/media/Files/Publications/Issuepercent20Brief/2009/May/Womenpercent20atpercent20Risk/PDF_1262_Rustgi_women_at_risk_issue_brief_Final.pdf)

[2]Himmelstein, David et al. 2009. “Medical Bankruptcy in the United States, 2007: Results of a National Study.” *The American Journal of Medicine.* 122(8)(August 2009). (http://pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf)

[3]Wood, Susan et al. 2009. *Women’s Health and Health Care Reform: The Economic Burden of Disease in Women.* Washington, D.C.: The Jacobs Institute of Women’s Health at the George Washington University School of Public Health and Health Services.

[4]The most recent data available are for August 2009.

[5]Had the 111th Congress not expanded the State Children’s Health Insurance Program (S-CHIP) eligibility this winter, the number of children losing health coverage likely would be even greater.

[6]The most recent data available are for September 2009. See also the Joint Economic Committee’s May 2009 report on working mothers in the recession, *Women in the Recession: Working Mothers Face High Rates of Unemployment*. (http://jec.senate.gov)

[7]Schumacher, Jessica R., et al. 2009. “Insurance Disruption Due to Spousal Medicare Transitions: Implications for Access to Care and Health Utilization for Women Approaching Age 65.” *Health Services Research* 44(3)(June). (http://www.hsr.org/hsr/abstract.jsp?aid=44347877138)

[8]Bureau of Labor Statistics Household Survey. Data are for women ages 16-24, with the most recent data available are for September 2009.

[9]Rustgi, Sheila et al. 2009.

[10]Himmelstein, David et al. 2009.

[11]Chavkin, Wendy and Sara Rosenbaum. 2008. “Women’s Health and Health Care Reform: The Key Role of Comprehensive Reproductive Health Care.” New York, New York: Columbia University Mailman School of Public Health. (http://www.jiwh.org/attachments/Women percent20and percent20Health percent20Care percent20Reform.pdf)

[12]Patchias, E. and Waxman J. 2007. *Women and Health Coverage: The Affordability Gap*. Washington, D.C.: The Commonwealth Fund and the National Women's Law Center. (http://www.nwlc.org/pdf/NWLCCommonwealthHealthInsuranceIssueBrief2007.pdf)

[13]Institute for Women's Policy Research. 2009. *The Gender Wage Gap: 2008.* Washington, D.C.: Institute for Women's Policy Research. (http://www.iwpr.org/pdf/C350.pdf). Cawthorne, Alexandra. 2008. "The Straight Facts on Women in Poverty." Washington, D.C.: Center for American Progress. (http://www.americanprogress.org/issues/2008/10/women_poverty.html)

[14]U.S. Census Current Population Survey. 2009. *America's Families and Living Arrangements: 2008.* See Table FG5. (http://www.census.gov/population/www/socdemo/hh-fam/cps2008.html). See also the Kaiser Family Foundation's *2004 Women's Health Survey.* (http://www.kff.org/womenshealth/upload/2004-Kaiser-Women-s-Health-Survey-Presentation.pdf)

[15]Wood, Susan et al. 2009.

[16]Joint Economic Committee calculations from Bureau of Labor Statistics Household Survey. The most recent data available are for September 2009.

[17]The most recent data available are for August 2009.

[18]Joint Economic Committee calculations from Bureau of Labor Statistics Household Survey. The most recent data available are for September 2009.

[19]The Joint Economic Committee's calculations incorporate the number of jobs lost by men and women, the probability that a given individual had an employer-sponsored plan (either as a policy-holder or as a dependent), as well as industry-specific weights to account for the distribution of job losses and health insurance across industries. We compute job-loss related health insurance losses separately for each gender. Data for industry-specific health insurance coverage status by gender comes from the March 2008 Supplement to the Current Population Survey (CPS), which is the most recently available detailed data on health insurance coverage. Data on job loss comes from the Bureau of Labor Statistics' Establishment Survey, from December 2007 through August 2009 representing the most current available detailed data. Data for industry-specific marriage rates by gender are from the June 2009 CPS, the most recent data available. A complete methodological appendix is available from the Joint Economic Committee upon request.

[20]In one recent nationally-representative survey, amongst employers who reported taking steps to reduce costs in the last 12 months, 29 percent reported reducing health care benefits or increasing employee costs as a in the last 12 months. See Galinsky, Ellen and James. T. Bond. 2009. The Impact of the Recession on Employers." Washington, D.C.: Families and Work Institute.

[21]Schumacher, Jessica R., et al. 2009.

[22]National Women's Law Center. 2008. *Nowhere to Turn: How the Individual Health Insurance Market Fails Women*. Washington, D.C.: National Women's Law Center. (http://action.nwlc.org/site/PageNavigator/nowheretoturn_Report). See the final section on recommended policy prescriptions for a widely-agreed upon fix to the

problem of discriminatory gender rating practices.

[23]Joint Economic Committee calculations using data from the U.S. Census Bureau 2009 ASEC Supplement, Table HI08. Health Insurance Coverage Status and Type of Coverage by Selected Characteristics for Children Under 18: 2008. (http://www.census.gov/hhes/www/cpstables/032009/health/h08_000.htm)

[24]Joint Economic Committee calculations from Bureau of Labor Statistics Household Survey, current as of September 2009.See the Joint Economic Committee's May 2009 report on working mothers in the recession, *Women in the Recession: Working Mothers Face High Rates of Unemployment*. (http://jec.senate.gov)

[25]The Joint Economic Committee's calculations incorporate the change in the number of employed female heads-of-household, the number of children impacted by that change, and the probability that those children received health insurance through a mother's employer. Because data on the number of employed female heads-of-household from Bureau of Labor Statistics Household Survey are not seasonally-adjusted, the Joint Economic Committee uses the annual change in the number of employed female heads-of-household from September 2008 to September 2009, rather than the change over the course of the recession. Had the 111th Congress not expanded the State Children's Health Insurance Program (S-CHIP) eligibility this winter, the number of children losing health coverage likely would be even greater.

[26]FamiliesUSA. 2009. *Understanding COBRA and Mini-COBRA Premium Assistance.* Washington, D.C. FamiliesUSA. (http://www.familiesusa.org/issues/private-insurance/understanding-cobra-premium.html)

[27]Bureau of Labor Statistics Household Survey. Data are for women ages 16-24, with the most recent data available are for September 2009.

[28]Collins, Sara R. April 23, 2009. *Young and Vulnerable: The Growing Problem of Uninsured Young Adults and How Policies Can Help.* Washington, D.C.: Commonwealth Fund. (http://www.commonwealthfund.org/~/media/Files/Publications/Testimony/2009/Apr/Testimony percent20Youngpercent20andpercent20Vulnerable/1264_Collins_New_York_Ciy_council_hearing_young_adults_04232009_testimony.pdf); National Conference on State Legislatures, 2008. *Covering Young Adults Through Their Parents' or Guardians' Health Policy*. (http://www.ncsl.org/issuesresearch/health/healthinsurancedependentstatus/tabid/14497/default.aspx).

[29]Under federal rules, state Medicaid programs must cover pregnant women and children under age 6 whose family incomes are below 133 percent of the federal poverty line and children age 6 to 18 whose family incomes are below 100 percent of the federal poverty line. Beyond that, the federal government allows states to set their own eligibility guidelines. In some states, such as Louisiana, out-of-work families qualify for Medicaid only if their incomes are at least 11 percent *below* the federal poverty line ($2,426 for a family of four). Unemployment benefits are counted as income, which means that many unemployed families find themselves without health insurance, but with too much income to qualify for Medicaid. See Galewitz, Phil. "Medicaid: True or False?" *Kaiser Health News*, July 1, 2009.

[30]Numerous states have already enacted limits to Medicaid eligibility, and several more

are considering proposed cuts. See, for example: Kelley, Debbie. "Advocates say Medicaid cuts will hurt developmentally disabled." *Denver Post*, July 1, 2009. (http://www.denverpost.com/breakingnews/ci_12733118); California Budget Project. June 1, 2009. *More Than 1.9 Million Californians Could Lose Access to Health Coverage Under the Governor's May Revision.* Sacramento, CA: California Budget Project.
(http://www.cbp.org/documents/090521_Health_Cuts_Statewide_Fact_Sheet.pdf)

[31]Note that the definition of "low-income" varies somewhat here because the data is from a separate survey. Income groups are defined according to absolute dollar values rather than in terms of the federal poverty line. For instance, low-income is defined as under $20,000 rather than 100 percent of the federal poverty line.

[32]Difficulty obtaining needed care is defined as reporting any one of the following four problems: 1) did not fill a needed prescription 2) did not see a needed specialist 3) skipped a recommended medical test, treatment, or follow-up 4) had a medical problem but did not visit a doctor or clinic.

[33]U.S. Census Bureau . *Income, Poverty, and Health Insurance Coverage in the United States: 2008*. (http://www.census.gov/prod/2009pubs/p60-236.pdf)

[34]U.S. Census Current Population Survey. 2009. *America's Families and Living Arrangements: 2008.* See Table FG5.
(http://www.census.gov/population/www/socdemo/hh-fam/cps2008.html)

[35]For a literature review on the health benefits of prevention, see Partnership for Prevention. 2007. *Preventative Care: A National Profile on Use, Disparities, and Health Benefits.* Washington, D.C.: Partnership for Prevention.
(http://www.prevent.org/images/stories/2007/ncpp/ncpp percent20preventive _percent20care_percent20report.pdf). For a review of the economic arguments for prevention, see Woolf, Steven H. 2009. "A Closer Look at the Economic Arguments for Prevention." *Journal of the American Medical Association* 301(2009):536-538.
(http://jama.ama-assn.org/cgi/content/full/301/5/536) (subscription required).
See (http://www.rwjf.org/pr/product.jsp?id=38410) for a free abstract.

[36]The Kaiser Family Foundation. *2004 Kaiser Women's Health Survey*.

[37]Note that some studies have found significant racial differences in the timing of mammograms. For instance, a recent study found that 18 percent of white women with breast cancer were inadequately screened with mammography prior to breast cancer, as compared to 34 percent of African-American women with breast cancer. See Smith-Bindman, Rebecca. 2006. "Does utilization of screening mammography explain the racial and ethnic differences in breast cancer?" *Annals of Internal Medicine* 144(8): 614-6.
(http://www.ncbi.nlm.nih.gov/pubmed/16618951?ordinalpos=1&itool=EntrezSystem2.PEntrez.Pubmed.Pubmed_ResultsPanel.Pubmed_DiscoveryPanel.Pubmed_RVAbstractPlus); Chan, Nancy. April 17, 2006. "Mammography screenings for breast cancer show racial and ethnic disparities." UCSF News Office.
(http://news.ucsf.edu/releases/mammography-screenings-for-breast-cancer-show-racial-and-ethnic-disparities/).

[38]Chavkin and Rosenbaum. 2008.

[39]Alan Guttmacher Institute. 2002. *Sexual and Reproductive Health: Women and Men*. (http://www.guttmacher.org/pubs/fb_10-02.pdf)

[40]Culwell, Kelly R. and Joe Feinglass. 2007. "The Association of Health Insurance with Use of Prescription Contraceptives." *Perspectives on Sexual and Reproductive Health* 39(4): 224-230. For data on the efficacy of prescription versus over-the-counter birth control methodologies, see the Mayo Clinic's Birth Control Guide (http://www.nlm.nih.gov/medlineplus/birthcontrol.html).

[41]McCormick, Marie C. and Joanna E. Seigel. 1999. *Prenatal Care: Effectiveness and Implementation.* New York, NY: Cambridge University Press; Butz, Arlene M. et al. 1993. "Infant Health Care Utilization Predicted by Pattern of Prenatal Care." *Pediatrics.* 92(1): 50-54; Conway, Karen Smith and Andrea Kutinova. 2006. "Maternal Health: Does Prenatal Care Make a Difference?" *Health Economics* 15(5): 461-488; Centers for Disease Control and Prevention Health Resources and Services Administration. *Healthy People 2010*, esp. Chapter 16, "Maternal, Infant, and Child Health." (http://www.healthypeople.gov/document/HTML/Volume2/16MICH.htm#_Toc494699663).

[42]Chavkin and Rosenbaum. 2008.

[43]The health insurance industry's trade group, AHIP, has repeatedly stated its support for a ban on discriminatory rating practices, including gender rating. See, for example, Edney, Anna. 2009. "AHIP Pleads Its Case: Regulate Us." *National Journal*. May 6, 2009. (http://undertheinfluence.nationaljournal.com/2009/05/ahip-pleads-its-case-regulate.php). The insurance industry recognizes that discriminatory rating practices drive down coverage rates, as shown in multiple empirical studies. See, for example, Wachenstein, Leigh and Hans Leida. 2007. "The Impact of Guaranteed Issue ad Community Rating Reforms on Individual Insurance Markets." Seattle, WA: Milliman, Inc. (http://www.ahip.org/content/default.aspx?docid=20736). Note that the ban on gender rating practices is often referred to as part of the "guaranteed issue" policy, which would prohibit insurers from denying coverage based on pre-existing conditions, race, gender, or other basic characteristics.

[44]Institute for Women's Policy Research. 2009.

[45]Cawthorne, Alexandra. 2008.

INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN AMERICAN: 2008

Joint Economic Committee Fact Sheets
September 11, 2009

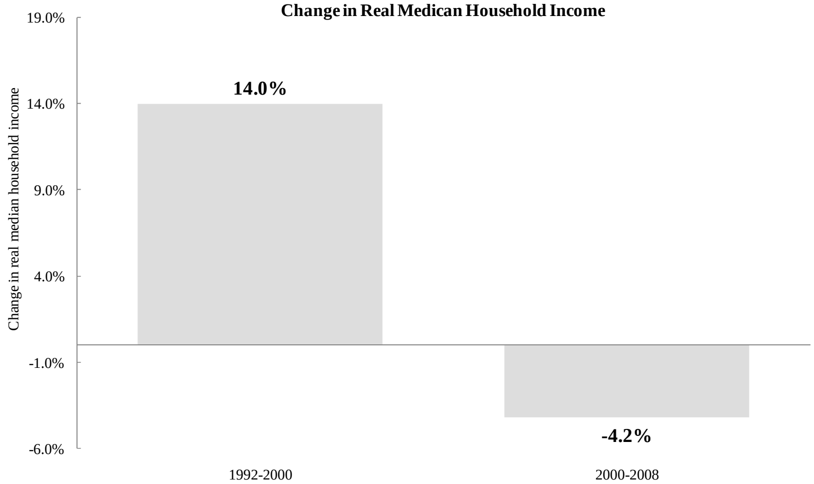
HOUSEHOLD INCOME FALLS IN 2008, DROPPING BELOW 1998 LEVEL

American families are experiencing very difficult economic times – the toughest since World War II. During the Bush administration, a weak recovery, compounded by a devastating economic downturn, pushed the typical household's income down to the lowest level in a decade. Real median household income fell by $2,197 (in 2008 dollars) from 2000 to 2008, a 4.2 percent decline. Median income in 2008 ($50,303 in 2008 dollars) declined to a level not experienced by households since 1997. Between 2000 and 2008, the poorest households' income declined by 8.1 percent while the richest households' incomes declined by only 1.2 percent. The data confirm that the vast majority of Americans were made substantially worse off over the 2000-2008 period. The new direction of policies being pursued by Congress and the Obama administration will work to counter these trends and improve the well-being of families across the country.

<u>National:</u>

Household income drops below 1998 level. Modest gains in household income were wiped out by a drop in 2008. Real (inflation-adjusted) median household income fell $1,860 between 2007 and 2008 to $50,303 (in 2008 dollars). While median household income rose during the three-year period between 2005 and 2007, those increases were more than offset by the 3.6 percent decline in 2008. Real median household income fell by $2,197 (in 2008 dollars) from 2000 to 2008, a 4.2 percent decline. By contrast, during the Clinton Administration (1992-2000), median household income rose by $6,437 (in 2008 dollars) or 14.0 percent (Chart 1).

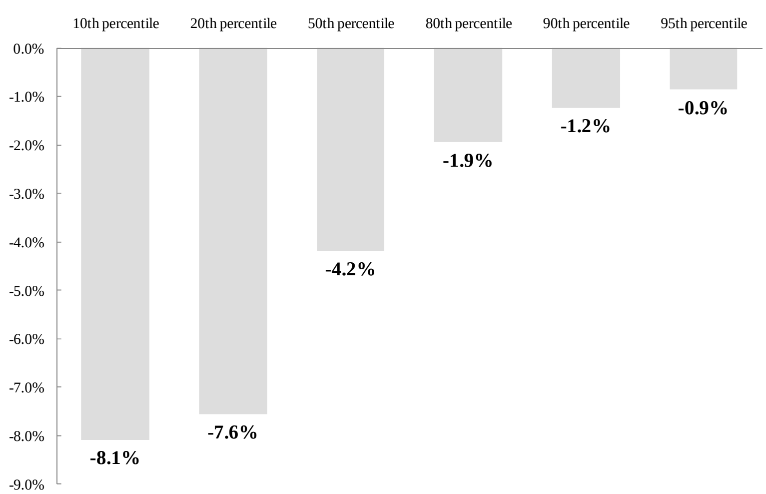
Chart 1. Household Income Has Slipped Since 2000, Following Strong Growth During the 1990's
Change in Real Medican Household Income



Source: Joint Economic Committee calculations based on date from the Bureau of the Census, U.S. Department of Commerce.

Households across the board faced declines in income. While income for the richest house-holds' (90th percentile) declined by only 1.2 percent during the 2000-2008 period, other households experienced even larger declines (Chart 2). Over the 2000-2008 period, income for the typical house-hold (50th percentile) fell by 4.2 percent, and income for the poorest households (10th percentile) declined by 8.1 percent. The data confirm that the vast majority of Americans were made substantially worse off during the past eight years.

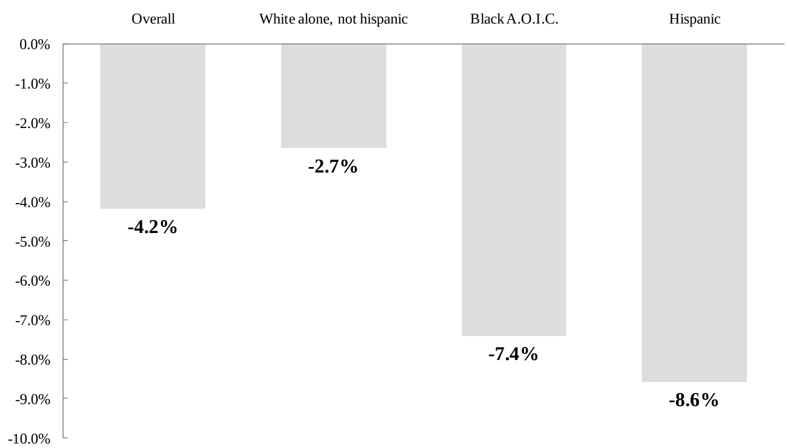
Chart 2. Household Income Down for Across the Board Since 2000
Change in real average household income by income group, 2000-20008



Source: Joint Economic Committee calculations based on date from the Bureau of the Census, U.S. Department of Commerce.

Minorities experienced the largest drops in household income during the Bush presidency. Real median household income declined by 7.4 percent for African Americans, and 8.6 percent for Hispanics between 2000 and 2008 (Chart 3). African Americans and Hispanics faced income declines more than three times as large as the declines for non-Hispanic whites, which fell by 2.7 percent.

Chart 3. Household Income Has Declined the Most for African Americans and Hispanics since 2000
Change in real median household income by race and Hispanic orgin 2000-2008*



Source: Joint Economic Committee calculations based on date from the Bureau of the Census, U.S. Department of Commerce.
*White denotes White, non Hispanic. African American denotes those identifying themselves as African American alone, or in combination with another race (A.I.O.C.).

Women continue to earn less than men. Real median earnings of both men and women working full-time, year round, fell between 2007 and 2008. While the gender wage gap did not widen in 2008, women's earnings fell by a larger percentage. Men's earnings fell by 1.0 percent, while earnings of women fell 1.9 percent. In 2008, real median earnings of women were $35,745, just 77 percent of their male counterparts.

<u>States:</u>

Following Census guidance on how to utilize and compare state-level data, this re-port compares the two-year average for 1999-2000 (the last years of the Clinton Ad-ministration), with the two-year average for 2007-2008 (the last years of the Bush administration), in order to gauge trends in household income during President Bush's two terms. Over that period:

Household income dropped in 15 states between 2000 and 2008. Real median household in-come fell significantly in the 2007-2008 period relative to the 1999-2000 period (Table 1). In nine of these states (Delaware, Illinois, Michigan, Mississippi, Minnesota, Missouri, North Carolina, Tennessee, and

Wisconsin), the drop in income exceeded 8 percent. Households living in Missouri experienced the greatest declines (14.6 percent). In only eight states (Arkansas, Montana, New Hampshire, North Dakota, Oklahoma, South Dakota, West Virginia, and Wyoming) and the District of Columbia did the typical household see a statistically significant rise in real income in the 2007-2008 period relative to the 1999-2000 period.

Nearly two-thirds of the Midwest states experienced declines in household income since the 1999-2000 period. The Midwest region was hit the hardest by income drops. Seven of twelve states in that region experienced a statistically significant percentage decline in real median household income. The South also suffered disproportionately: eight of the 17 states in the region experienced a significant percentage decline in income.

Median Income of Households, By State, 1999-2000 and 2007-2008

State	1999-2000 Average	2007-2008 Average	Change (from 1999-2000 to 2007-2008)[1]
	2008 Dollars	2008 Dollars	Percentage Points
United States	**52,532**	**51,233**	**-2.5 ***
Alabama	45,557	44,155	-3.1
Alaska	66,229	64,701	-2.3
Arizona	48,762	47,972	-1.6
Arkansas	37,734	40,974	8.6 *
California	57,443	57,445	0.0
Colorado	61,270	62,217	1.5
Connecticut	64,038	65,644	2.5
Delaware	61,598	53,695	-12.8 *
District of Columbia	50,743	54,162	6.7 *
Florida	47,430	46,206	-2.6
Georgia	51,655	48,369	-6.4 *
Hawaii	60,964	64,002	5.0
Idaho	46,632	49,247	5.6
Illinois	58,717	53,889	-8.2 *
Indiana	51,920	47,898	-7.7 *
Iowa	52,167	50,465	-3.3
Kansas	49,787	49,119	-1.3
Kentucky	44,459	41,058	-7.6 *
Louisiana	40,292	41,232	2.3
Maine	48,394	48,481	0.2
Maryland	67,807	65,932	-2.8
Massachusetts	57,646	60,515	5.0
Michigan	58,217	50,528	-13.2 *
Minnesota	64,292	57,607	-10.4 *
Mississippi	42,416	37,579	-11.4 *
Missouri	54,917	46,906	-14.6 *
Montana	40,535	44,116	8.8 *
Nebraska	51,045	50,896	-0.3
Nevada	55,381	55,440	0.1
New Hampshire	61,579	68,175	10.7 *
New Jersey	63,629	64,070	0.7
New Mexico	42,975	44,081	2.6
New York	51,296	50,643	-1.3
North Carolina	48,013	44,058	-8.2 *
North Dakota	43,597	49,325	13.1 *
Ohio	52,360	48,960	-6.5 *
Oklahoma	41,382	45,494	9.9 *
Oregon	52,800	51,947	-1.6
Pennsylvania	50,750	50,850	0.2
Rhode Island	53,968	54,767	1.5
South Carolina	47,034	44,034	-6.4 *
South Dakota	45,940	49,901	8.6 *
Tennessee	44,902	41,240	-8.2 *
Texas	49,121	47,157	-4.0 *
Utah	59,465	59,062	-0.7
Vermont	51,608	49,959	-3.2
Virginia	58,993	61,710	4.6
Washington	55,952	58,472	4.5
West Virginia	37,307	40,851	9.5 *
Wisconsin	57,679	52,224	-9.5 *
Wyoming	48,829	51,977	6.4 *

Notes: Following Census guidance on how to utilize and compare state-level data. this report compares the two-year average for 1999-2000 (the last years of the Clinton Administration). with the two-year average for 2007-2008 (the last years of the Bush Administration). in order to gauge trends in household income during President Bush's two terms.

*Statistically different from zero at the 90-percent confidence level.

[1]Details may not sum to totals because of rounding.

Source: U.S. Census Bureau, Current Population Survey.

RECORD NUMBER LIVING IN POVERTY IN 2008,
8.2 MILLION ADDED TO POVERTY ROLLS UNDER THE BUSH ADMINISTRATION, INCLUDING 2.5 MILLION CHILDREN

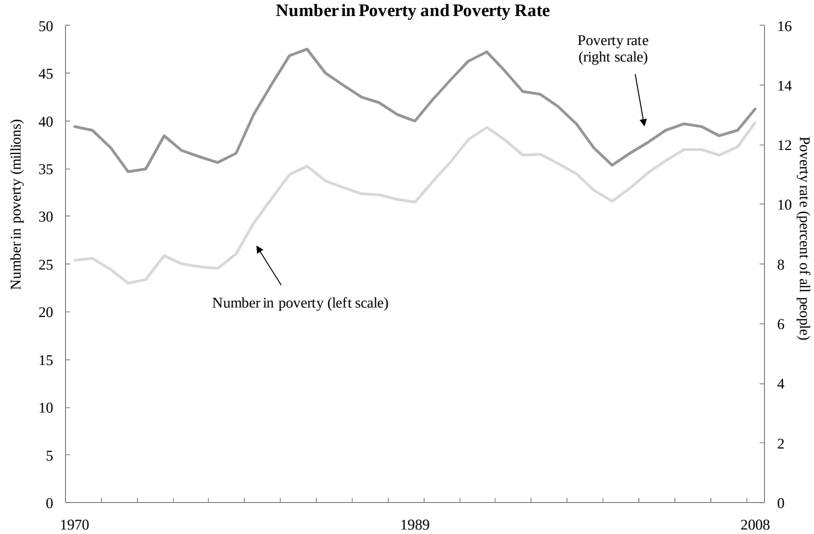
American families are experiencing very difficult economic times – the toughest in terms of stagnant incomes since World War II. Over the 2000-2008 period, the economic policies pursued during the previous administration left most families behind and ill-prepared to weather the severity of the current recession. During the Bush administration, the number of Americans living in poverty in-creased by 8.2 million; and instead of growing, incomes for families in the bottom 40 percent of the income distribution ladder actually fell. One out of every eight Americans was living below the federal poverty line in 2008. Household incomes were lower in 2008 than at the end of the 1990s and income inequality rose sharply over the period. The new direction of policies being pursued by Congress and the Obama administration will work to counter these trends and improve the well-being of families across the country.

National:

The number of Americans living in poverty increased by 8.2 million from 2000 to 2008. The number of Americans living in poverty was 39.8 million in 2008. The official poverty line for a couple with two children is $21,834.

The national poverty rate was almost two percentage points higher in 2008 than in 2000. The poverty rate in 2008 was 13.2 percent, increasing significantly from its level of 12.5 percent in 2007. The poverty rate increased for four straight years from 2001 to 2004, and again in 2007 and 2008. In 2008, the poverty rate was 1.9 percentage points higher than it was in 2000 (See Chart).

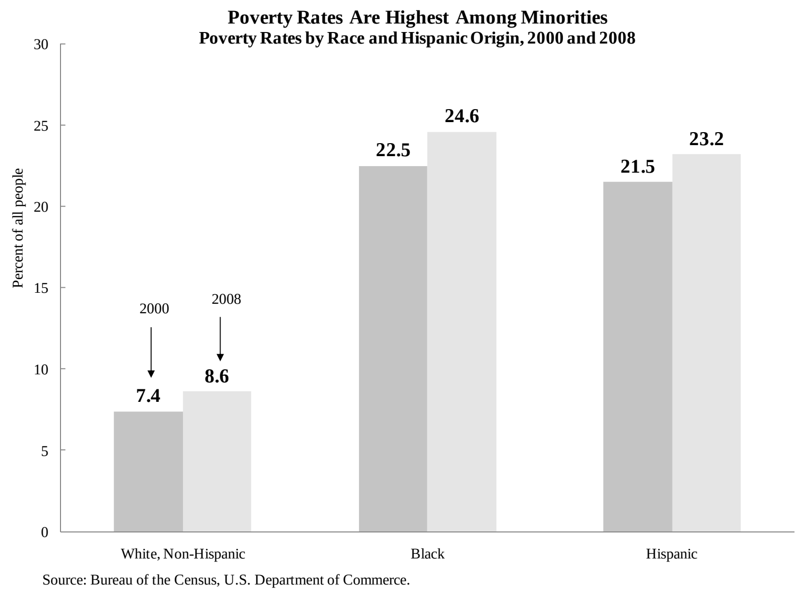
Poverty Has Been Increasing Since 2000
Number in Poverty and Poverty Rate



Source: Bureau of the Census, U.S. Department of Commerce.

Almost one in five children lived in poverty last year. The poverty rate for all children under 18 years of age was 19.0 percent in 2008, increasing from its level of 18.0 percent in 2007. In 2008, approximately 750,000 more children under 18 lived in poverty than in 2007. Since 2000, the number of children living in poverty has increased by 2.5 million, with the child poverty rate rising from 16.2 to 19.0 percent.

The poverty rate for African Americans and Hispanics increased significantly between 2000 – 2008. In 2008, the poverty rate was 24.6 percent for African Americans and 23.2 percent for Hispanics. The recent increase in the poverty rate among Hispanics is significant. Since 2000, the poverty rate among African Americans also increased significantly, rising by over 2 percentage points (See Chart). The poverty rates among African American and Hispanic children were even higher, at 33.9 percent and 30.6 percent, respectively.



Federal spending cuts from 2000-2008 hurt families: Poverty has increased not only because of the relatively weak labor market, but also because income support programs like Temporary Assistance for Needy Families (TANF) are helping fewer individuals. While the number of children living in poverty has increased by nearly 3 percentage points since 2000, the number of children receiving TANF has moved in the opposite direction. TANF served 240,000 fewer children in 2008 compared to just two years earlier. By way of comparison, reports of mass layoffs among adult employees rose by 779,412 between 2006 and 2008.

<u>States:</u>

The number of people in poverty rose by 23 percent or more in the Midwest and the South between 1999-2000 and 2007-2008. The number of poor people in the Midwest region of the country increased by 26 percent while its total population increased by only 3 percent since 2000. In the South, poverty levels increased by 23 percent, or 3 million people. No region escaped, with the number in poverty rising by 10 percent in the Northeast and almost 16 percent in the West.

Twelve states saw significant increases in the poverty rate in the last 8 years. In four of these states, the poverty rate increased by at least 4 percentage points between 1999-2000 and 2007-2008. No state experienced a significant decline in its poverty rate. The rate in the remaining 38 states plus the District of Columbia was essentially unchanged.

The number of poor people increased significantly in 23 states and the District of Columbia. Twenty-three states and the District of Columbia experienced significant increases in the number of poor people between 1999-2000 and 2007-2008 (See Table). In sixteen of these states, the increase was at least 25 percent.

Number and Percent of People Living in Poverty, By State, 1999-2000 and 2007-2008

State	2-year average (1999-2000)		2-year average (2007-2008)		Change (2007-2008 average less 1999-2000 average)[1]	
	Thousands	(Rate)	Thousands	(Rate)	Thousands	(Rate)
United States	**32,186**	**11.6**	**38,552**	**12.9**	6,366 *	1.3 *
Alabama	626	14.3	669	14.4	43	0.1
Alaska	48	7.6	53	7.9	6	0.3
Arizona	612	11.9	1,042	16.1	431 *	4.2 *
Arkansas	410	15.6	409	14.5	-1	-1.0
California	4,513	13.4	4,966	13.6	453 *	0.3
Colorado	395	9.1	509	10.4	114 *	1.3
Connecticut	252	7.4	293	8.5	40	1.0
Delaware	73	9.4	81	9.4	9	0.0
District of Columbia	82	15	101	17.3	19 *	2.3
Florida	1,846	11.7	2,310	12.8	464 *	1.1
Georgia	997	12.5	1,386	14.6	389 *	2.1 *
Hawaii	119	9.9	110	8.7	-10	-1.2
Idaho	168	13.3	167	11.1	-1	-2.2
Illinois	1,261	10.3	1,413	11.1	152	0.9
Indiana	455	7.6	821	13.1	366 *	5.5 *
Iowa	224	7.8	274	9.2	51	1.4
Kansas	267	10.1	332	12.2	66	2.1
Kentucky	485	12.3	689	16.3	204 *	4.0 *
Louisiana	786	18.2	731	17.1	-56	-1.0
Maine	131	10.3	150	11.4	19	1.1
Maryland	377	7.3	486	8.8	109 *	1.4
Massachusetts	678	10.8	717	11.2	39	0.4
Michigan	972	9.8	1,174	11.9	202 *	2.1 *
Minnesota	315	6.5	494	9.6	179 *	3.1 *
Mississippi	432	15.6	590	20.4	158 *	4.8 *
Missouri	576	10.4	761	13.1	185 *	2.6 *
Montana	133	15	123	12.9	-10	-2.1
Nebraska	165	9.8	181	10.3	16	0.5
Nevada	205	10	264	10.3	59 *	0.2
New Hampshire	76	6.1	84	6.4	8	0.3
New Jersey	629	7.6	764	9.0	136 *	1.4
New Mexico	348	19.2	326	16.6	-21	-2.6
New York	2,640	14	2,746	14.3	106	0.3
North Carolina	1,034	13.1	1,354	14.7	320 *	1.6
North Dakota	73	11.7	65	10.5	-8	-1.2
Ohio	1,230	11	1,502	13.2	271 *	2.3 *
Oklahoma	463	13.9	480	13.5	17	-0.4
Oregon	401	11.7	442	11.7	41	0.0
Pennsylvania	1,075	9	1,304	10.7	229 *	1.7 *
Rhode Island	105	10.1	116	11.1	11	1.0
South Carolina	443	11.4	620	14.0	178 *	2.6 *
South Dakota	67	9.2	89	11.2	22 *	2.0
Tennessee	710	12.7	915	14.9	204 *	2.2
Texas	3,138	15.4	3,869	16.2	731 *	0.8
Utah	148	6.7	232	8.6	84 *	1.9 *
Vermont	59	9.8	58	9.4	-1	-0.4
Virginia	557	8.1	731	9.5	175 *	1.4
Washington	589	10.2	670	10.3	81	0.1
West Virginia	266	15.2	263	14.6	-4	-0.6
Wisconsin	479	8.9	573	10.4	93	1.5
Wyoming	54	11.2	55	10.5	1	-0.7

Notes: Following Census guidance on how to utilize and compare state-level data, this report compares the two-year average for 1999-2000 (the last years of the Clinton Administration), with the two-year average for 2007-2008 (the last years of the Bush Administration), in order to gauge poverty trends during President Bush's two terms.

*Statistically different from zero at the 90-percent confidence level.

[1]Details may not sum to totals because of rounding.

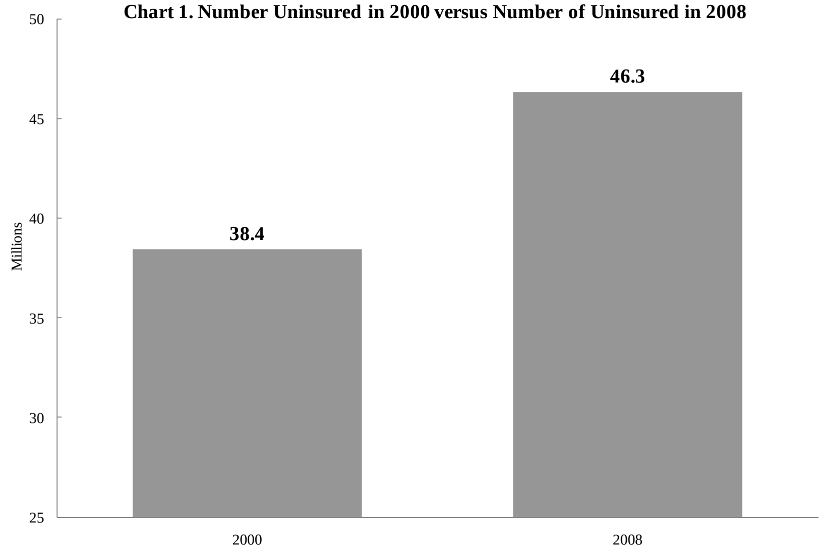
Source: U.S. Census Bureau, Current Population Survey.

UNINSURANCE NEARS RECORD HIGH, NUMBER OF UNINSURED AMERICANS INCREASED BY NEARLY 8 MILLION DURING THE BUSH ADMINISTRATION

American families are experiencing a health insurance coverage crisis. 46.3 million Americans were without health insurance coverage in 2008. The recession that began in December 2007 has exacerbated the trend to-ward erosion of coverage. During the eight years of the Bush administration, the ranks of the uninsured grew by 20.6 percent. The cost of health insurance has risen steadily, putting pressure on employers and straining cash-strapped American families. Millions of employers no longer offer health insurance coverage to employees because of the prohibitive cost of coverage. Congress and the Obama administration are currently pursuing comprehensive health insurance reform legislation that will counter these trends, providing the opportunity for affordable, high-quality, and comprehensive health insurance coverage for all Americans.

National:

Between 2000 and 2008, the ranks of the uninsured grew by 7.9 million. This represents a 20.6 percent increase in the number of uninsured between 2000 and 2008 **(**Chart 1**)**. The number of uninsured increased by 683,000 between 2007 and 2008.



Source: Bureau of the Census, U.S. Department of Commerce.

Nearly one-in-ten children are growing up without health insurance. Nearly ten percent of all children – 7.4 million children – did not have health insurance in 2008. This represents a decline of over one million since 2000. This decline is due entirely to expansions in the public State Children's Health Insurance Program (S-CHIP). Enrollment in S-CHIP has increased by 7.5 million since 2000, while private health insurance coverage of children dropped by 3.5 million over the same period. S-CHIP played an important role in cushioning children from the impact of the first year of the Bush recession, with an additional 1.7 million children obtaining coverage through the program between 2007 and 2008.

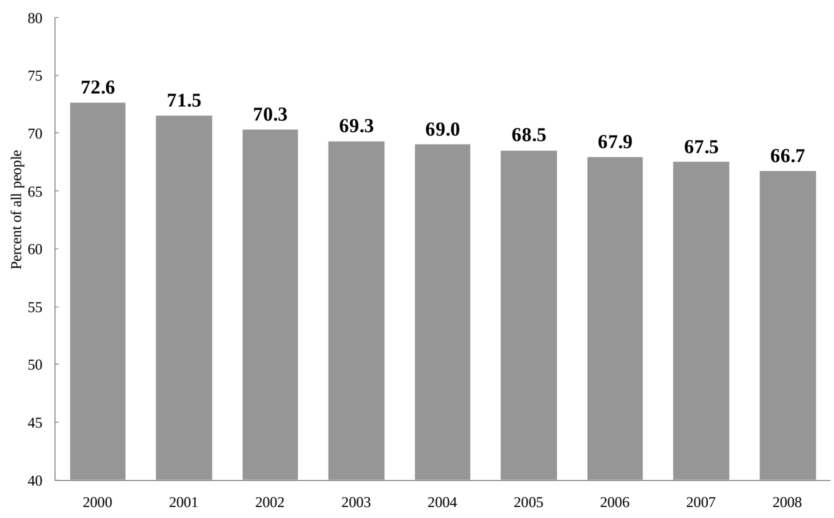
Minorities are more likely than whites to be without health insurance. The percentage of Hispanic and African Americans without health insurance was particularly high relative to whites and other ethnic groups. Nearly one-third of Hispanics and one-fifth of African Americans were uninsured in 2008. The Hispanic uninsured rate fell to 30.7 in 2008 from 32.1 percent in 2007, and the African American uninsured rate fell to 18.9 in 2008 from 19.2 percent in 2007. Expansions in public coverage, including Medicaid, S-CHIP, Medicare, and military health care explain the decline in uninsured minorities over the last year.

Declines in private coverage continue. The percentage of Americans now covered by private and employer-sponsored insurance dropped again in 2008 (Chart 2**)**. Private coverage declined for eight consecutive years under the Bush administration. Only 66.7 percent of Americans drew on private sources for their health insurance in 2008. This is down from 72.6 percent in 2000. The majority of this shift is due to declines in employer-provided insurance, which now covers less than 59 percent of the population.

Without expansion in government health insurance coverage, the uninsured population would have grown even faster. The number of Americans covered by public health insurance grew to 29 percent of the population in 2008, providing some counter-pressure against the declines in private health insurance coverage. The number of Americans receiving coverage from public sources increased by 18.4 million between 2000 and 2008, even as private coverage has dropped. The majority of coverage growth is due to expansions in the S-CHIP and Medicaid programs.

Steep increases in private insurance premiums have played a critical role in declining employer-sponsored coverage. Insurance premiums charged to employers have increased between 90 and 97 percent since 2000, nearly four times the rate of overall inflation. Many employers have dropped insurance coverage due to the rising cost of providing coverage to their employees, a trend that accelerated as the recession gathered steam in 2008. In 2008, the average worker contribution for employer-provided family coverage grew to $280 per month, more than double the average contribution of $135 per month in 2000.

Chart 2. Percent of Population with Private Health Insurance, 2000 through 2008



Source: Bureau of the Census, U.S. Department of Commerce.

More than one-sixth (17.2 percent) of all of the uninsured work full-time. The ranks of the uninsured in 2008 included 27.8 million Americans who had worked at some time during the year; among those were 20.9 million people who worked full-time (35 hours or more per week in the majority of weeks they worked in 2008). Another 6.9 million Americans who were without health insurance worked part-time.

States:

Following Census guidance on how to utilize and compare state-level data, this report compares the two-year average for 1999-2000 (the last years of the Clinton administration), with the two-year average for 2007-2008 (the last years of the Bush administration), in order to gauge health insurance coverage trends during President Bush's two terms. Over that period:

Almost two-thirds of all states saw the number of uninsured increase. Between 1999-2000 and 2007-2008, 32 states experienced a statistically significant increase in the number of uninsured individuals, and 24 states showed a statistically significant increase in the percentage uninsured. Texas was the state with the largest increase in the number of uninsured (1.5 million). Missouri and Tennessee experienced the largest increases in the percentage of people uninsured (4.8 percent, each). The other states with an in-crease of 3 percentage points or more were Arkansas, Georgia, Mississippi, Nebraska, New Jersey, Oregon, and Rhode Island.

Few states saw increases in health insurance coverage. Only 3 states (Hawaii, Massachusetts, and New York) and the District of Columbia experienced a statistically significant reduction in both the number and percentage of uninsured.

Number and Percent of People without Health Insurance Coverage for the Entire Year, By State, 1999-2000 and 2007-2008

State	2-year average (1999-2000)		2-year average (2007-2008)		Change (2007-2008 average less 1999-2000 average)[1]	
	Thousands	(Rate)	Thousands	(Rate)	Thousands	(Rate)
United States	38,597	13.9	45,998	15.3	7,402 *	1.4 *
Alabama	564	12.9	555	11.9	-9	-0.9
Alaska	115	18.3	128	19.0	13 *	0.7
Arizona	915	17.8	1,219	18.9	304 *	1.1
Arkansas	362	13.7	478	17.0	116 *	3.2 *
California	6,307	18.6	6,718	18.4	411 *	-0.2
Colorado	629	14.5	790	16.1	161 *	1.6
Connecticut	302	8.9	334	9.7	32	0.8
Delaware	71	9.2	95	11.0	24 *	1.8 *
District of Columbia	76	13.8	57	9.8	-19 *	-4.1 *
Florida	2,753	17.4	3,633	20.1	881 *	2.7 *
Georgia	1,144	14.3	1,682	17.7	538 *	3.4 *
Hawaii	116	9.5	97	7.7	-19 *	-1.8 *
Idaho	209	16.5	223	14.7	14	-1.8
Illinois	1,601	13	1,669	13.1	67	0.1
Indiana	591	9.9	745	11.9	153 *	2.0 *
Iowa	219	7.6	279	9.4	61 *	1.7 *
Kansas	286	10.9	338	12.4	52 *	1.5
Kentucky	499	12.7	626	14.8	127 *	2.1 *
Louisiana	831	19.2	823	19.3	-8	0.1
Maine	135	10.7	126	9.6	-9	-1.1
Maryland	518	10	715	12.9	198 *	2.8 *
Massachusetts	545	8.7	346	5.4	-199 *	-3.2 *
Michigan	906	9.1	1,151	11.7	245 *	2.6 *
Minnesota	347	7.1	438	8.5	91 *	1.4 *
Mississippi	390	14	532	18.3	142 *	4.3 *
Missouri	428	7.7	734	12.6	306 *	4.8 *
Montana	151	16.9	152	15.9	1	-1.1
Nebraska	148	8.8	222	12.6	74 *	3.8 *
Nevada	355	17.4	464	18.0	109 *	0.7
New Hampshire	104	8.3	135	10.3	32 *	2.0 *
New Jersey	974	11.7	1,274	14.9	301 *	3.2 *
New Mexico	434	23.9	453	23.1	18	-0.8
New York	2,930	15.6	2,620	13.6	-310 *	-1.9 *
North Carolina	1,049	13.3	1,466	15.9	417 *	2.6 *
North Dakota	67	10.7	68	10.9	1	0.2
Ohio	1,141	10.2	1,315	11.6	174 *	1.4 *
Oklahoma	568	17	565	15.9	-4	-1.1
Oregon	436	12.7	626	16.5	190 *	3.8 *
Pennsylvania	943	7.8	1,193	9.7	251 *	1.9 *
Rhode Island	69	6.6	118	11.3	49 *	4.7 *
South Carolina	518	13.3	714	16.1	196 *	2.8 *
South Dakota	75	10.3	90	11.3	15 *	1.0
Tennessee	557	9.9	907	14.7	350 *	4.8 *
Texas	4,557	22.3	6,023	25.1	1,466 *	2.9 *
Utah	271	12.2	352	13.0	81 *	0.8
Vermont	56	9.3	63	10.2	7	1.0
Virginia	788	11.4	1,049	13.6	261 *	2.2 *
Washington	765	13.2	773	11.8	8	-1.4
West Virginia	255	14.5	262	14.6	8	0.1
Wisconsin	458	8.5	493	8.9	35	0.4
Wyoming	72	14.8	71	13.6	-1	-1.2

Notes: Following Census guidance on how to utilize and compare state-level data, this report compares the two-year average for 1999-2000 (the last years of the Clinton Administration), with the two-year average for 2007-2008 (the last years of the Bush Administration), in order to gauge trends in health insurance coverage during President Bush's two terms.

*Statistically different from zero at the 90-percent confidence level.

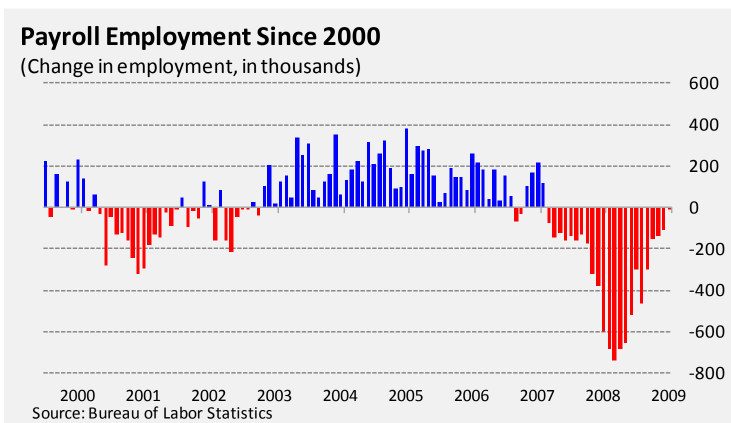
[1]Details may not sum to totals because of rounding.

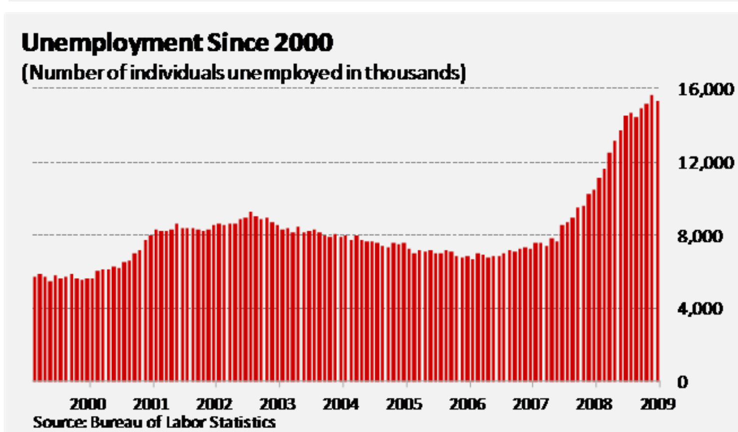
Source: U.S. Census Bureau, Current Population Survey.

MINORITY VIEWS OF SENATOR SAM BROWNBACK

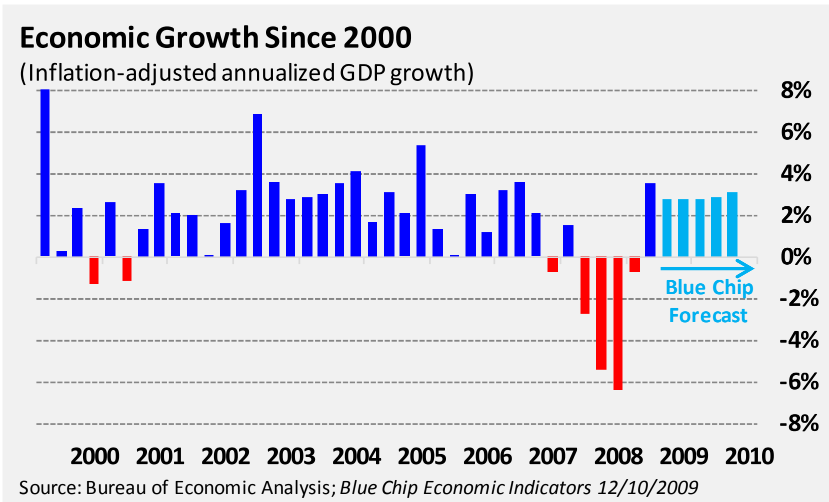
REVIEW AND OUTLOOK

The economy entered into a recession in December of 2007, according to the Business Cycle Dating Committee of the private, nonpartisan National Bureau of Economic Research. Since the beginning of the recession, total non-farm payroll employment has declined by 7.2 million over a record 23 consecutive months. Private sector payroll employment has declined by 7.3 million during the same period. The number of individuals classified as unemployed has more than doubled from 7.5 million to 15.4 million. The unemployment rate breached the 10% level in October 2009 reaching 10.2% - the highest level since April 1983 – before declining slightly to 10.0% in November.





While economic growth, as measured by inflation-adjusted Gross Domestic Product (real GDP) turned positive in the 3rd-quarter of 2009 following four consecutive quarters of decline, significant risks to the economy remain.



Labor markets, while showing some signs of thawing, remain soft. As measured by the Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey (JOLTS), both job openings and hires remain near record low levels. Layoffs and discharges have declined after peaking in January, but remain at historically high levels. This is despite the fact that overall job separations are at historically low levels. The bottom line is that job creation is largely stalled.

Unfortunately, the Administration and Congress share a significant portion of the blame for the fact that job creation has not recovered.

Record debt levels, runaway federal spending, the prospect of new and higher taxes, uncertainty surrounding future health care obligations, as well as environmental legislation that will impose significant costs on individuals and businesses create an economic environment clouded with greater uncertainty and potential risks.

It is understandable why businesses are reluctant to engage in new investments or to recall older workers or hire new workers. It is understandable why individuals – entrepreneurs – are hesitant to step forward to start or invest in new businesses.

THE NATIONAL DEBT AND FEDERAL SPENDING

The gross national debt surpassed the $12,000,000,000,000. mark in November of this year. Even Administration forecasts project that the national debt will approach or surpass 100% of Gross Domestic Product by the end of the next decade. This past fiscal year, the federal government ran a $1.4 trillion deficit, but this is only part of the story. Over the same period, the gross national debt increase by $1.9 trillion - $500 billion more than the unified budget deficit.

The nation faces unfunded liabilities in Social Security and Medicare that exceed $50 trillion in present value terms.

No credible source would suggest that the nation is on firm financial footing. Yet, the Congress and new Administration are insistent on increasing the size and scope of the national government. Higher taxes, new entitlement programs, and larger domestic spending are taking the nation in exactly the wrong direction.

At a time when American households have been cleaning up their personal balance sheets, the majority insists on pushing a social agenda that will take the nation closer to the fiscal abyss.

In February, this Congress enacted a $787 billion "stimulus package" accompanied by the claim that the action was necessary to prevent the unemployment rate from rising above 8 percent. Much of the stimulus was delivered in the form of temporary tax reductions for most Americans. In fact, much of those "tax reductions" were actually transfer payments to individuals with no income tax liabilities. The theory was that individuals, particularly low income individuals would increase consumption and provide a boost to the economy.

Early evidence suggests that a majority of the tax code based stimulus either saved or used to reduce debt. Recent research by the Federal Reserve Board staff suggests that three quarters of the 2008 tax rebates was saved or went to reduce debt. Current data suggests the same is true for stimulus payments made this year.

Despite indicators that the $787 billion stimulus has done little to stimulate jobs and the economy, the majority remains intent on trying to rush through another stimulus package during the next session of

Congress. This push comes even though even though two-thirds of the already appropriated stimulus is unspent.

HEALTH CARE REFORM

As this report is being filed, the majority in the United States Senate is intent on rushing legislation through the Senate that would significantly alter one-sixth of the nation’s economy.

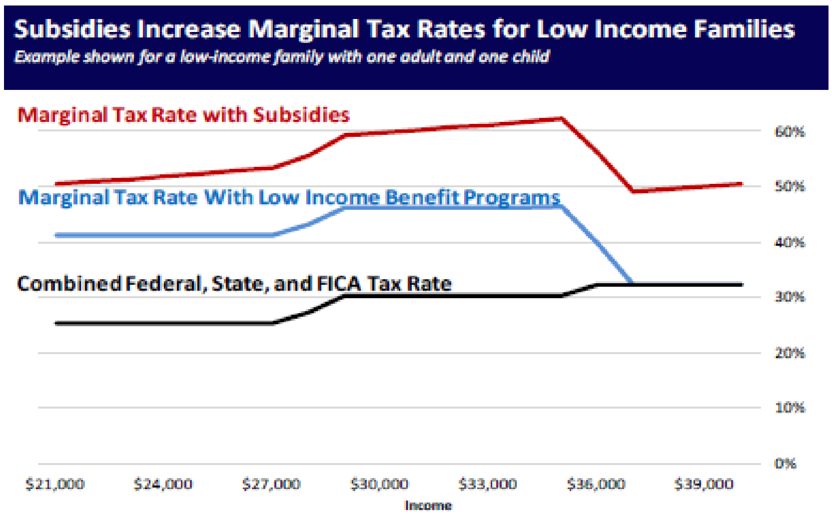
There is no question that the health care system faces significant challenges, but a government driven program that spends $2.5 trillion over the first ten years of full implementation is not the solution. Legislation proposed by the majority will impose significant new burdens on individuals and businesses. The legislation utilizes inflation to disguise the breadth of tax increases which will quickly harm middle class families; the legislation will increase health care spending and health care costs; and the legislation also relies on reductions in Medicare spending which are unlikely to be fully realized to off-set new spending.

Additionally, the legislation creates a number of disincentives that are contrary to sound economic policy.

High Marginal Tax Rates Discourage Work

Both the House and Senate bills would further increase the penalty on work faced by many low-income families who receive tax and in-kind benefits from government welfare programs. The bills’ health insurance subsidies for individuals and families between 133% and 400% of the poverty line fall in value as income rises, which means that an increase in earnings (through more hours of work or a pay-raise) results in a higher cost for health insurance. The subsidies would tack on an additional 12% to 20% to marginal tax rates, which already approach 40% to 50% for families receiving cash welfare (TANF), supplemental food assistance (SNAP), and earned income tax credit payments (EITC). Tacking on the additional marginal tax rates caused by subsidies would result in marginal tax rates of 50- 60% for most affected families.

Tax rates this high, particularly on families with very low incomes, not only create considerable work disincentives, but they also impede the ability of low-income families to improve their economic well-being. If working more hours or obtaining a better paying job results in more than half of those additional earnings being taken away as a result of taxes and government welfare programs, the incentive to work harder or to invest in an education is greatly reduced. When faced with excessively high marginal tax rates, it is more likely that rational individuals will choose not to take the measures necessary to increase their income and economic well-being.

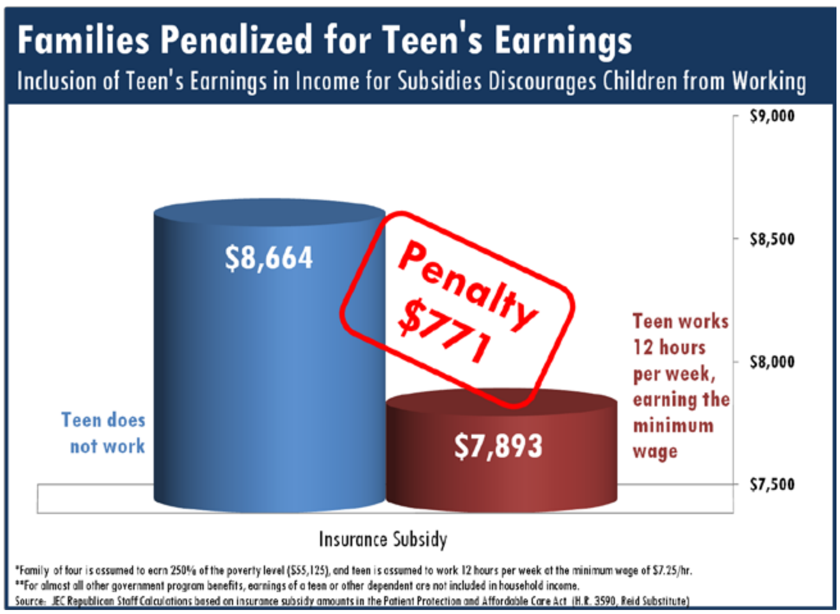


*Family is assumed to receive earned income, child, and make work pay tax credits.
Source: JEC Republican Staff Calculations, based on existing tax law and the Patient Protection and Affordable Care Act (H.R. 3590, Reid Substitute)

Young Workers Discouraged from Working; Their Earnings Reduce Family Health Subsidies

One provision of Senate Democrats' proposed health care bill would target families with children—teenagers or college students—who work and earn income. It is very common for teenagers and college students to obtain jobs so that they can have some spending money of their own or help with their educational expenses. Whereas the measure of income used to determine the eligibility of a family for various low-income benefits does not include the wages of teens and college students, the Senate bill penalizes the families of these younger workers by including their wages in benefit eligibility calculations. For many low- to moderate-income families, the inclusion of a teen or college student's wages could mean a significant increase in their cost of health insurance, or could even result in them losing their health insurance subsidy altogether.

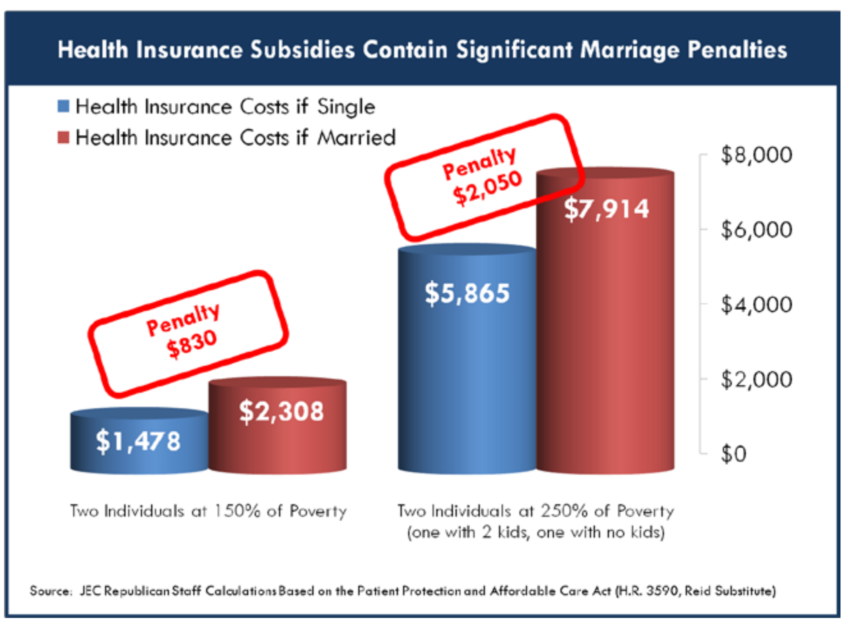
For example, if a family of four earning 250% of the poverty level ($55,125) had a teen or college student who worked at a minimum-wage job for 12 hours per week to help save for college, the family's health insurance subsidy would be reduced by nearly $800. And for any family earning at or close to 400% of the federal poverty level, even minimal earnings from a teen or college student could push their income over the edge for a health insurance subsidy and cause them to lose thousands of dollars ($5,000 for a family of four) in insurance subsidies. Rather than punish the families of young workers who take on jobs, we should encourage these young workers to help contribute to their expenses and to receive an education that will improve their economic well-being.



Disincentives for Marriage

Marriage has been shown to have tremendous individual and societal benefits. Yet the Democrats' proposed health care legislation would create new marriage penalties for both low- to moderate-income and upper-income individuals and families. These penalties can be so large in some cases that couples might forgo marriage in order to avoid thousands of dollars in new taxes.

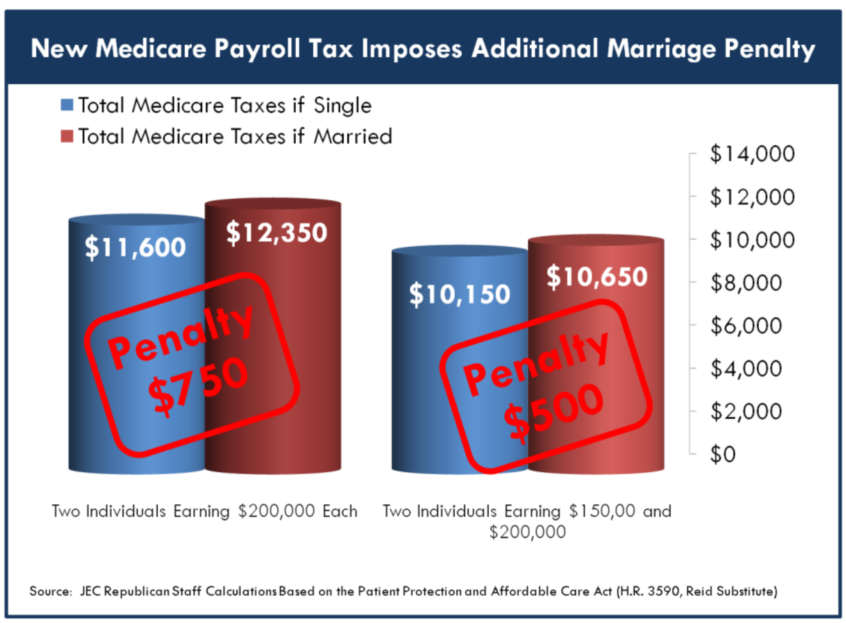
On the lower end of the income scale, the subsidies provided in the bills to individuals and families to purchase health insurance contain severe marriage penalties, and these penalties come on top of those already present under today's tax code. A marriage penalty occurs when married taxpayers filing jointly owe more in taxes than they would if they were unmarried and filing singly. The subsidies in the bills are calculated based on individuals' and families' incomes as a percentage of poverty, but poverty levels increase only marginally for each additional person in a household. Therefore, if two single individuals who both earn 150% of the poverty level were to get married, they would have to pay an additional $830 toward their health insurance. And for two single individuals both earning 250% of the poverty level—one with two children and one without children—the marriage penalty contained in the health insurance subsidies would cause them to pay an additional $2,050 towards their health insurance.



These marriage penalties are very significant for low- and moderate-income families who often live paycheck to paycheck. Given the already significant marriage penalties in low-income benefit programs, it seems ironic that the government would create yet another program that penalizes low-income individuals for "doing the right thing," that is, getting married.

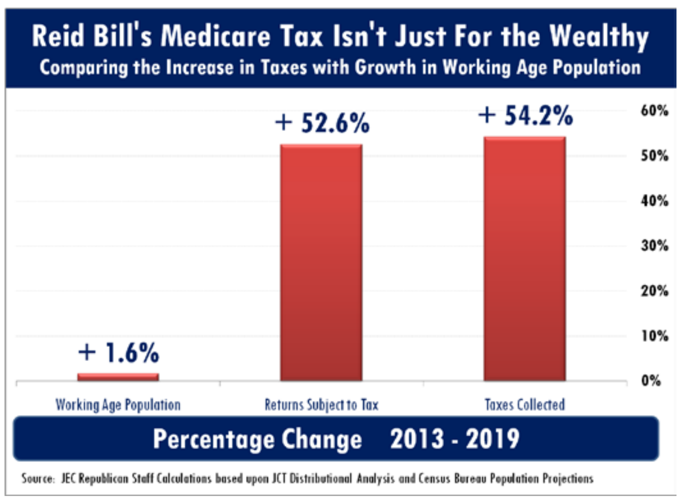
Medicare Surtax Hits Marriage

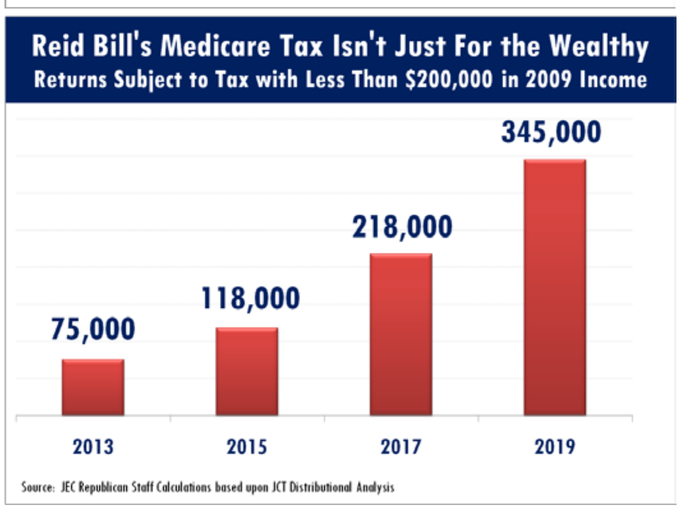
The Medicare payroll tax is currently 2.9% on all earnings, counting both the employer and employee share. Senate Democrats propose an additional 0.5% surtax on earnings over $200,000 for singles and $250,000 for married couples. In addition to creating a new marriage penalty on low-income households (that is, individuals and families earning up to 400% of the poverty level), the Democrats' Medicare surtax would create a marriage penalty of as much as $750 for dual income married couples.

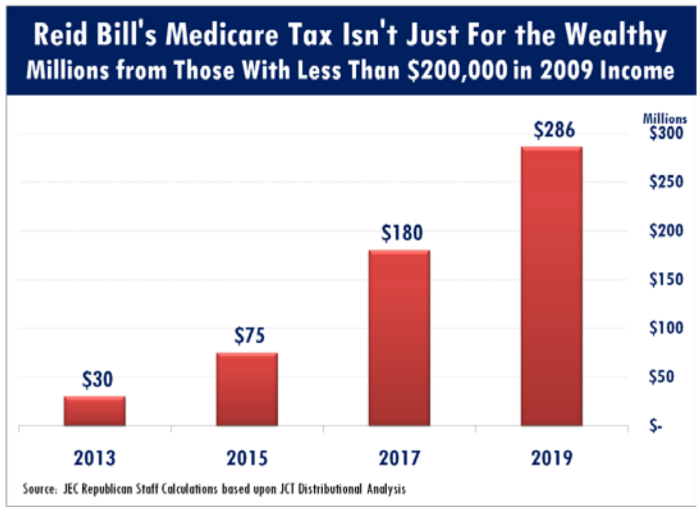


Although this may be a small percentage of these affected couples' incomes, it does not negate the principle that individuals should not be required to pay more in taxes simply as a result of marriage. The additional marriage penalty contained in the new Medicare payroll tax adds insult to injury, since upper income married couples and individuals who are contemplating marriage and who will be hit by this new marriage penalty already face a whole host of marriage penalties that flow from existing income tax brackets and a multitude of provisions in the tax code that phase out and eliminate certain deductions and credits for married couples with higher incomes.

Of course, the structure of the legislation also insures that an ever increasing share of families and individuals will be subject to the tax. By not indexing the thresholds for inflation, bracket creep will make the new Medicare tax hit increasing numbers of taxpayers at lower levels of income.

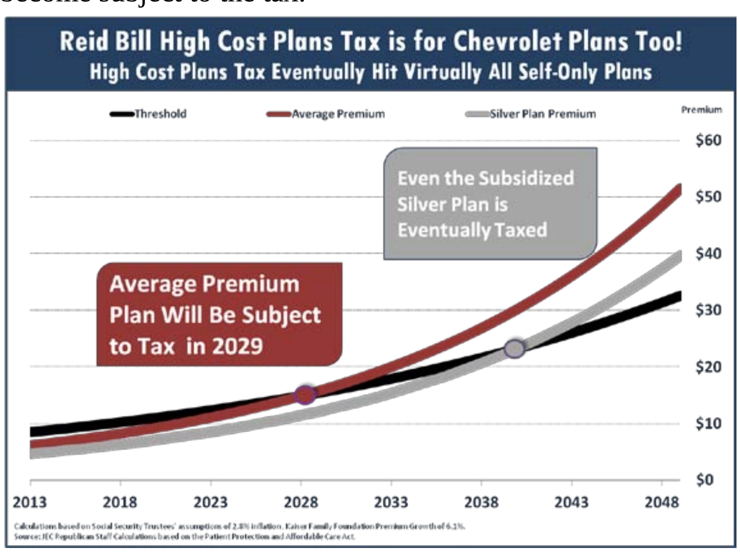






Cadillac Plans Tax Will Hit Average Plans Too

The plan to tax high value insurance products uses a threshold that is indexed for CPI-U plus one percent rather than the projected increase in health insurance premiums of 6.1% projected by the Kaiser Family Foundation. As the following chart shows, failure to adequately index the high cost plans tax will mean that even plans like the "silver plan" will become subject to the tax.



Structure of Small Business Subsidies Discourage Job Creation and Wage Growth

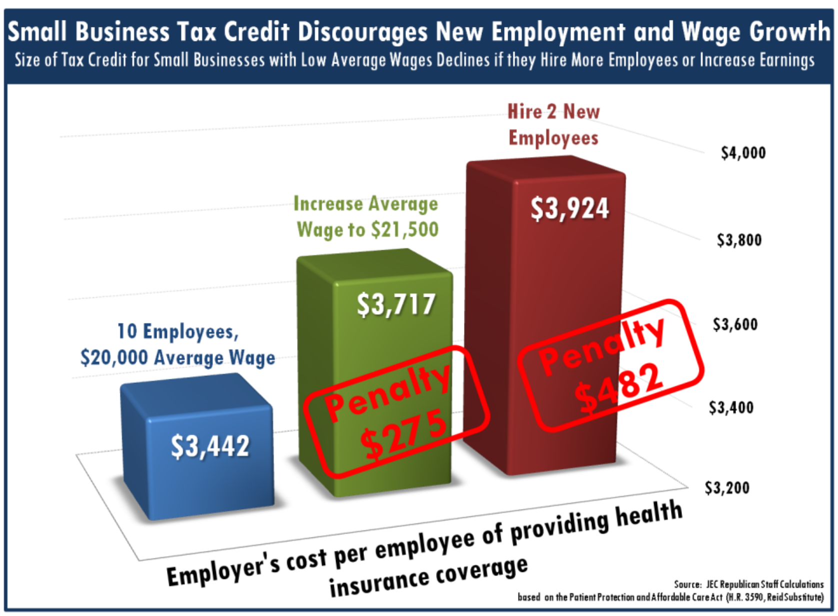
Both the House and Senate bills include temporary subsidies to small businesses to encourage them to offer employer-sponsored health insurance. The credits are available to businesses with 10-25 employees and average employee salaries of $20,000-$40,000. The maximum credit—equal to 50% of the business's costs of providing health insurance—is available to businesses with 10 employees and an average salary of $20,000. As the number of employees increases, or as salaries increase, the amount of the credit provided to the business decreases.

Consider the example of a business with 10 employees and an average salary of $20,000. If half the employees take single coverage and half take family coverage, the average premium for the employees would cost $9,100. Of this amount, the business would pay an average of $6,884 and the employee would pay an average of $2,216. The business's total health care costs would be $68,838, for which the business would receive a 50% tax credit worth $34,419. The credit would bring the average cost per employee of providing health insurance to $3,442.

If the business were to hire two additional workers, its tax credit would be reduced to 43%, and its average after-tax cost of health insurance per employee would rise by $482, from $3,442 to $3,924, for a total increase in health insurance costs of $12,666. This means that hiring two new workers does not cost only $40,000 in wages, but rather $52,666 in total compensation costs.

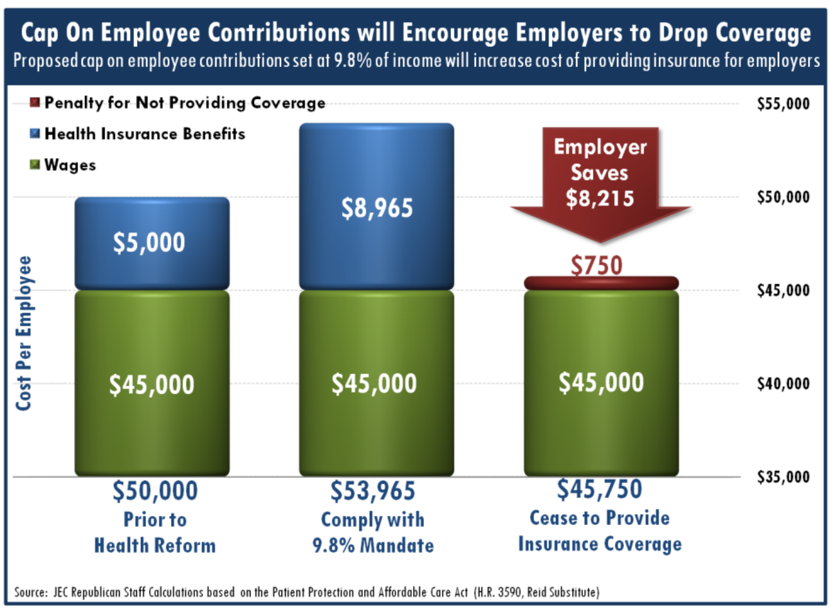
The small business subsidy not only discourages employers from hiring new employees, but it also discourages them from increasing employees' salaries. If a business with 10 employees and an average salary of $20,000 were to increase the average salary by $1,500, its tax credit would be reduced to 46%, resulting in a $275 increase in the business' per employee health insurance cost and a total health insurance cost increase of $2,754. In this case, increasing employees' salaries by a total of $15,000 actually costs the employer $17,754.

Although the tax credit applies to a small number of businesses and is only temporary, it discourages employers from creating new jobs and from increasing employees' salaries. The temporary status of the subsidies makes providing health insurance for the long-term uncertain if not altogether unlikely. Because small businesses receiving the credits would have an incentive to drop health insurance coverage once the credit expires, there would likely be political pressure to retain the tax credit at a substantial cost to taxpayers. Retaining the tax credit would reduce costs for some small businesses, but would also maintain the perverse incentive for small businesses to employ as few workers as possible and to hold down their wages.



9.8% Cap on Employee Contributions Encourages Employers to Eliminate Insurance Coverage

The Senate bill would cap employee contributions to insurance premiums at 9.8% of their income. If an employer offered a policy that required employees to pay more than this, the employee would be eligible to purchase insurance through the exchange, and the employer would have to pay a fine equal to the lesser of $3,000 per employee who enters the exchange or $750 times their total number of employees. If an employer currently contributes $5,000 (the cost of an average single policy in 2009) towards each of his or her employees' insurance premiums, an employee with median earnings of $45,000 per year will pay $8,375 for a family health insurance policy with a total cost of $13,375. This contribution, however, represents 19% of the employee's income. To bring the employee contribution down to 9.8% of their income, the employer will have to increase its contribution by $3,965 to a total of $8,965. Clearly, the incentive here is for the employer to drop its offer of employer sponsored health insurance coverage and pay a $3,000 fine rather than $3,965 in additional health insurance costs (by dropping coverage, the employer will also save the $5,000 insurance contribution they previously made).



For employers paying low- to moderate wages, there is a strong incentive to eliminate insurance coverage altogether. If the employer has 60 employees each with salaries of $45,000, and half of these employees have family health insurance coverage, the 9.8% cap on employee contributions would result in an additional cost of $118,950 to the employer. Rather than pay the additional insurance costs, the employer could instead drop employee coverage and pay a $45,000 penalty (60 employees x $750 = $45,000). By ceasing to offer its employees health insurance coverage, the employer saves a total of $73,950 plus the $5,000 per employee ($300,000 total) that it previously contributed towards health insurance. In return for the savings from not offering coverage, the employer will presumably increase the compensation of the employee by roughly $5,000 ($300,000 total) and the employee will use the money to either pay the $750 per adult penalty for not having insurance or to purchase insurance in the exchange, but will lose the benefit of being able to pay for insurance with tax-free dollars.

High Cost Plans Tax Discourages Employers from Offering FSAs

Under the Senate Democrats' bill, Flexible Spending Account (FSA) contributions (as well as dental and vision plans) will be included in the total cost of employees' health insurance benefits for the purpose of calculating the high cost plans tax. This 40% tax on providers of high cost health insurance plans will apply to plans above $8,500 for individuals and $23,000 for families, beginning in 2013. While a particular health insurance plan, in and of itself, may not exceed the threshold, adding on an FSA contribution and dental or vision benefits could push the total cost of health benefits above the high cost threshold.

For example, consider an individual plan that costs $8,000, and the individual makes an FSA contribution of $2,500. The total cost of the employee's health benefits is $10,500, which exceeds the $8,500 threshold by $2,000. Therefore, an $800 tax (40% of $2,000) is due. But who pays the tax—the insurance company or the FSA sponsor (i.e., the employer)? Because there are multiple health benefits, the tax is distributed proportionally to the sponsors of the benefits. In this case, the employer would be responsible for paying $192 (24%) of the tax. If the employee were only allowed to contribute $500 to an FSA, the employer could avoid this tax. But if employers limit FSA contributions, employees' taxable wages will rise and they will pay higher payroll and income taxes. As more and more plans become subject to the high cost plans tax (due to a lack of appropriate indexing as well as costly new benefit mandates) it will be in employers' best interest to eliminate FSA offerings altogether.

Current Health Care Reform Legislation Increases Risks and Uncertainty for Employers

The health care legislation pending, and as yet unrevealed, in the Senate will serve to add uncertainty to a fragile economic environment. As potential costs to employers mount as a result of the legislation, employers will become decidedly less likely to add workers or increase cash wages. This is not the type of action that is needed in light of what most economists project will be a very slow and prolonged recovery, particularly in the labor market.

We have discussed only a few of the potentially negative economic aspects of the pending health care legislation. Suffice it to say, there are many more aspects of this legislation that will serve to damage the economic and social fabric of our nation.

CONCLUSION

Risks and uncertainties remain, many of which are unusually severe. The extent to which the housing market correction is behind us or has a way to go remains uncertain. Uncertainties and turbulence in global and U.S financial markets continue. There also remains a risk of the U.S. economy, and perhaps others, falling into a deflation, with forces that adversely consumed the Japanese economy for over a decade and likely contributed to Japan's "lost decade" of no growth. And there are uncertainties concerning effects of near-term budget pressures associated with financial and economic recovery actions and pressures on top of that from the demographic tidal wave of baby-boomer retirees in conjunction with existing entitlement promises.

Despite our Nation's challenges, we maintain our confidence in our free market system, our devotion to free and fair trade with our global trading partners, and the economy's ability to expand and provide improved job opportunities for all Americans. We must work to insure that fiscal and regulatory burdens are not expanded to hinder economic growth and job creation and we must continue to fight protectionism against our trading partners that would prevent Americans from benefiting from the gains of free and fair trade.

We are eager to continue discussions of possible Congressional measures to help boost economic activity and ease financial market pressures and results of those pressures on American families. Continuing and expanding tax relief for individuals, families, producers, elderly Americans, retirees, and homeowners are very worthy of considerations.

We are concerned, however, with rhetoric from the other side of the aisle suggesting that the continuing economic and financial difficulties facing American families, the overall economy, and financial markets are a welcome call for the majority to continue reckless, undisciplined, and massive expenditures on special-interest projects.

We are concerned that some of our Democrat colleagues continue to view the current situation as an invitation to abandon further all fiscal discipline, open the spigots of big-government spending, and create vast new government programs, such as the health care legislation currently under consideration.

We are concerned that some on the other side of the aisle may choose to use calls for a regulatory overhaul of financial markets as a welcome mat for imposing overly onerous regulations that end up stifling growth and hurting American pursuits.

We are also concerned that our Democratic colleagues will continue their attempt, under the guise of economic stimulus and recovery and energy conservation, to effectively engage in industrial engineering policies which attempt to pick winning and losing industries and technologies. Governments have a very poor record, at best, in picking winners and losers in industry and technologies.

It is best to harness the industry of American workers and entrepreneurs, within the confines of a set of rules of the road which ensure transparency and fairness, by allowing them the economic freedom to prosper and hold on to the hard-earned incomes, wages, dividends, and gains that ultimately flow from their hard work and industry.

One thing seems perfectly evident: Now is not the time to raise taxes on any American families or businesses. Now is an opportune time to guide expectations of taxpayers of a continuation and expansion of pro-growth tax policies that reward American families, entrepreneurs, workers, producers, and employers by allowing them to keep their hard-earned rewards to work effort, rather than surrendering those rewards in taxes to expanded government activities guided by special interests.

Government should not stand in the middle of the roadway as an obstacle to renewed growth in labor markets and the general economy. Government is incapable of directing economies in an efficient and effective manner. That is the role of the private sector. It is a role that only the private sector is capable of fulfilling for the benefit of all Americans.

Our future prosperity depends upon us to rein in runaway spending and to harness an out-of-control national debt. Smaller and less intrusive government offers hope for a new day of prosperity for the American people. We must remove the cloud of a bloated and growing national government policy that hangs over us and may pose the greatest economic threat we have faced as a nation.

Senator Sam Brownback
Ranking Minority Member