The poverty rate clicked up again this year. WSJ's David Wessel, DJ Newswires' Neal Lipschutz and MarketWatch's David Callaway discuss on The News Hub whether the government needs to intervene to the rising number of Americans affected.

U.S. household incomes fell for the third straight year in 2010, driving up the poverty level to the highest level in nearly 20 years. WSJ's Conor Dougherty has details.

BY CONOR DOUGHERTY

The income of the typical American family—long the envy of much of the world—has dropped for the third year in a row and is now roughly where it was in 1996 when adjusted for inflation.

The income of a household considered to be at the statistical middle fell 2.3% to an inflation-adjusted $49,445 in 2010, which is 7.1% below its 1999 peak, the Census Bureau said.

The Census Bureau's annual snapshot of living standards offered a new set of statistics to show how devastating the recession was and how disappointing the recovery has been. For a huge swath of American families, the gains of the boom of the 2000s have been wiped out.

Earnings of the typical man who works full-time year round fell, and are lower—adjusted for inflation—than in 1978. Earnings for women, meanwhile, are a relative bright spot: Median incomes have been rising in recent years and rose again last year, though women still make 77 cents for every dollar earned by comparably employed men.

The fraction of Americans living in poverty clicked up to 15.1% of the population, and 22% of children are now living below the poverty line, the biggest percentage since 1993.

To be sure, there are other measures of American financial health that are more positive. The nation's per capita net worth, for instance, hit $169,691 at the end of 2010, according to the Federal Reserve, up from $147,889 in 2007. Much of that gain is in the form of stocks, retirement accounts and other investments. The biggest asset of most American families is their homes, and those have declined in value in recent years.

And there are those who argue the Census report offers a flawed gauge of living standards. For example, the Census Bureau adjusts for inflation using government measures that attempt to reflect the improving quality as well as price of goods. But these inflation adjustments are imperfect and don't reflect advances in medicine, the wonders of the Internet or the improvements in air quality.

Deborah Bagoy-Skinner and her husband, Chester, are among the faces behind the numbers. Four years ago, the Tucson, Ariz., couple owned their home and had a combined income of around $100,000, much of which came from Mr. Skinner's job conducting safety training classes for a heavy-equipment maker.

They lost their three-bedroom home in 2007 during a two-year spell of unemployment, and have since downgraded to a two-bedroom rental. Through 2008 and 2009, the darkest days of the recession, they sold everything from golf clubs to antique nickels to pay rent and bills. Today the couple is well above the poverty line: Mr. Skinner makes about $65,000 a year doing contract safety classes. But with their savings wiped out it will be a long road back, and likely they won't own another home or ever make as much as they once did. "We've pretty much accepted that that probably won't happen," she says.

The Census report, viewed as a key gauge of American prosperity, comes at a time of growing anxiety about the health of the U.S. economy and is likely to play into the political dialog this election year. With more than 14 million unemployed, many of them out of jobs for extended periods, the recovery is faltering and the administration and Congress are debating how to respond. Consumers account for some 70% of demand, so thinner pay checks are a major problem for anyone trying to boost growth and get the unemployed back into jobs.

The Census report was studded with data that underscore the economic strains across society in the aftermath of the worst recession in more than half a century. Poverty rates among people younger than...
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18 grew to 22%, compared with 20.7% the year before, while the percentage of Americans lacking health insurance edged up to 16.3%. Echoing a longer-term trend that is in part a reflection of an aging population, the share of people covered by private insurance fell last year, while the share of people on government programs such as Medicare and Medicaid increased.

As families struggle to make ends meet and young workers navigate the moribund labor market, many have turned to each other. According to the Census report, 5.9 million Americans between 25 and 34, or 14.2% of that group, lived with their parents in spring 2011, compared with 4.7 million before the recession, or 11.8%.

Meanwhile, the gap between the best-off and worst-off Americans remained largely unchanged. The top fifth of households accounted for 50.2% of all pre-tax income; the bottom two-fifths got 11.8%. In 1999, the top fifth claimed 49.4% and the bottom got 12.5% of the income.

The Census Bureau said 15.1% of Americans were living below the poverty line, set at $22,314 for a family of four in 2010. That's up from 14.3% last year and from 12.5% in 2007, before the recession. The official poverty rate overestimates the number of people living in poverty because it doesn't count many government anti-poverty programs, such as subsidized housing, food stamps and the Earned Income Tax Credit.

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Corrections & Amplifications

The Census Bureau’s latest report said 15.1% of Americans lived below the poverty line in 2010. An earlier version of this article incorrectly said 15.1% of U.S. families were below the line.