

Poverty

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The 2001 recession and jobless recovery pushed up the official poverty rate 0.8 points between 2000 and 2002, partially reversing the gains made during the 1995-2000 period when poverty fell by 2.5 percentage points. The thresholds used to determine the official poverty rate -- the share of Americans living in households with incomes below the federal poverty threshold -- were developed almost half a century ago and are widely criticized for failing to represent either side of the needs/income equation.

- Growth of Poverty
- ❖ The recession of 2001 and the ensuing jobless recovery -- the longest on record -- predictably ended the conditions that lowered poverty in the 1990s. Poverty rose 0.8 points between 2000 and 2002, and twice poverty was up 1.2 points.
 - ❖ In 2003, the poverty rate stood at 12.5% and the twice-poverty-rate was 31.1%, meaning 35.9 million persons were officially poor and 89.7 million lived in households with income less than two times their poverty threshold

TABLE 5.4 Family Poverty, by Race/Ethnicity of Family Head and for Different Family Types, 1959-2003

	Race/Ethnicity of Family Head:				Families with Children:	
	All	White	Black	Hispanic	Married couples	Female head
1989	10.3	7.8	27.8	23.4	7.3	42.8
1995	10.8	8.5	26.4	27.0	7.5	41.5
2000	8.7	7.1	19.3	19.2	6.0	33.0
2002	9.6	7.8	21.5	19.7	6.8	33.7
2003	10.0	8.1	22.3	20.8	7.0	35.5
<i>Percentage-point changes</i>						
1989-2000	-1.6	-0.7	-8.5	-4.2	-1.3	-9.8
1989-1995	0.5	0.7	-1.4	3.6	0.2	-1.3
1995-2000	-2.1	-1.4	-7.1	-7.8	-1.5	-8.5
2000-2003	1.3	1.0	3.0	1.6	1.0	2.5

Source: U.S. Bureau of the Census.

Composition of
Poverty

- ❖ Through the recession and jobless recovery, the social safety net failed low-income single mother families. The slowing economy led to significant reduction in the hours of work, that led to lower earnings and less income from the Earned Income Tax Credit (EITC), a generous wage subsidy that is key to lifting the incomes of low-income, working families.
- ❖ Low-income single mother families lost ground, as their real income fell 0.8% during 2000-02, a cumulative loss of \$245. Welfare benefits continued to decline sharply, at 13.1% per year, implying that this aspect of the safety net did not serve to catch those hurt by the downturn.
- ❖ In 2003, 20.1% of children (4.4 million) under six were poor, and the rates for minorities were far higher: 35.7% for young black children and 29.1% among Hispanics.

Poverty and
Inequality

- ❖ While average incomes grew more slowly after 1973, the fact that the growth that occurred was shared unequally meant that incomes at the bottom of the scale fell (or grew less quickly) than those at the top. This factor, more than any other, has slowed the progress that could have been made over a 30-year period of economic growth.
- ❖ Even though real per capita income grew 66% from 1973 to 2000, the official poverty rate remained about the same in 1973 (11.1%) as in 2000 (11.3%).

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