

FACTS & FIGURES

From the Economic Policy Institute

This fact sheet does not yet include 2005 income data, to be released in late August.

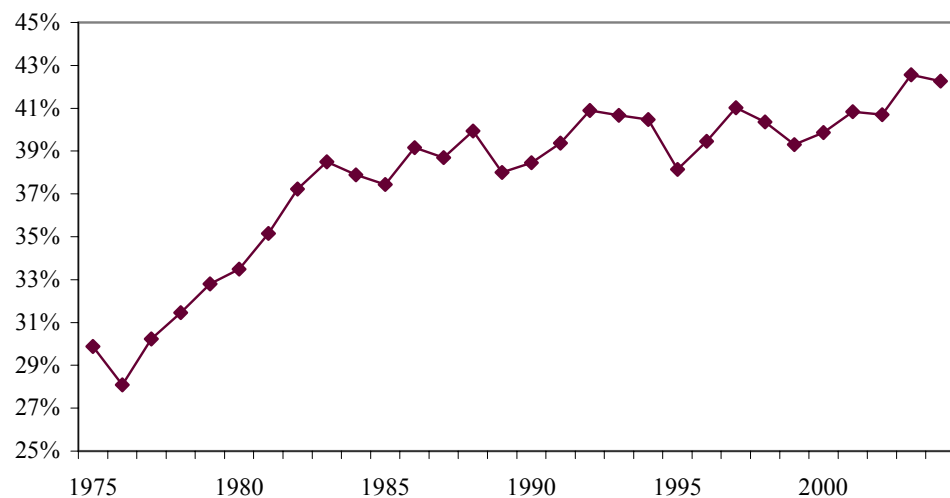
Poverty

The problem of poverty in America is intimately related to that of inequality: As overall economic growth is diverted from the lower end of the income scale, poverty rates rise even as the economy expands. The absence of the full employment labor market that prevailed in the latter 1990s has also been keenly felt by low-income working families, who have had a tougher time finding the jobs and earnings opportunities that helped drive poverty rates down in the 1990s.

Measuring and identifying the poor

- ❖ In 2004, 12.7% of the population – 37 million persons, including 13 million children – were poor.
- ❖ In 2005, a single parent with two children was poor if the family income (before taxes but counting cash transfers like welfare benefits) was below \$15,735; for two parents with two children, the income threshold was \$19,806. But detailed studies of family budgets show income needs of about twice that amount.
- ❖ After falling steeply throughout the latter 1990s, poverty rates rose in the 2000-04 period, and this increase marks the first time that poverty rose through each of the first three years of a recovery.
- ❖ The economic variables of average real income growth and inequality have the largest impacts of any single factors on poverty. Holding inequality constant, income growth lowered poverty by a total of 5.7 points. Increased inequality, however, drove poverty up by 5.1 points between 1969 and 2000.

Percent of the Poor Below Half the Poverty Line, 1975-2004



Source: US Census Bureau.

Inequities

- ❖ In 2004, the poverty rates for blacks (24.7%) and Hispanics (21.9%) were more than twice that of whites (10.8%).
- ❖ Though family poverty was up across the board since 2000, two groups stand out: African Americans and single-mother families. Black families lost about half of the gains made over the latter 1990s boom, and poverty among mother-only families rose by about three percentage points to 35.9%.
- ❖ Immigrant poverty rates fell three times faster over the 1990s than did rates for the native-born.
- ❖ In 2004, the poverty rate for foreign-born persons was 17.1%. But the rate for non-citizens (21.6%) was well over twice that of naturalized immigrants (9.8%).
- ❖ For a child born into a white family with two parents where the family head is at least a high school graduate, the likelihood of a long spell of poverty is 16.7%; for black families with the same characteristics, however, the chance of a long spell is 33.3%.

Children and Families

- ❖ In 2004, 17.8% of the nation's children (under 18) were poor. Rates are higher among minorities, with 33.6% of African-American children and 28.9% of Hispanic children living in poverty.
- ❖ Poverty among African American and Hispanic children fell by 10.7 and 11.6 percentage points from 1995 to 2000, with even faster declines among younger children. But after 2000, child poverty trended up. From 2000-2004, poverty rates for African-American children (under 18), for example, increased by 2.4%.
- ❖ In 2004, the average poverty gap (the dollar gap between a poor family's income and its poverty threshold) was about \$7,800, among the highest on record.
- ❖ While the 1973 and 2000 poverty rates were about the same (8.8% in 1973 and 8.7% in 2000), the average poor family was over \$1,300 (2004 dollars) worse off in the latter year.
- ❖ In 1960 the poverty line for a family of four was 48% of median family income; now it is 29%.

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