



JOINT ECONOMIC COMMITTEE DEMOCRATS



REPRESENTATIVE PETE STARK (D-CA) – SENIOR DEMOCRAT

ECONOMIC POLICY BRIEF

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POVERTY HAS INCREASED AND REAL INCOME HAS FALLEN SINCE 2000

New estimates by the Census Bureau show that during the first three years of the Bush Administration, income for the typical American household fell \$1,535 and 4.3 million more people were thrown into poverty. This report presents national and state income and poverty trends over the first three years of the Bush Administration.

The National Picture

Poverty

- The number of Americans living in poverty increased by 1.3 million to 35.9 million in 2003 (**Chart 1**). Since the start of the Bush Administration, the number of Americans living in poverty has increased by 4.3 million. The official poverty line for a family of four is \$18,810.
- The poverty rate increased from 12.1 percent in 2002 to 12.5 percent in 2003. This is the third consecutive year in which the poverty rate increased. During the Bush Administration, the poverty rate has increased by 1.2 percentage points, from 11.3 percent in 2000.
- More than one in six American children live in poverty. The poverty rate for children under 18 years of age was 17.6 percent in 2003, an increase of 0.9 percentage points from the previous year.
- The poverty rate was 24.3 percent for blacks in 2003 and 22.5 percent for Hispanics. These rates are much higher than the poverty rate for the population as a whole.
- Since 2000, poverty has increased significantly among various demographic groups (**Chart 2**). The poverty rate for all Americans has increased by 1.2 percentage points over the past three years. The rate for children has increased by 1.4 percentage points. The black poverty rate rose 1.8 percentage points while that of Hispanics rose 1.0 percentage point.
- Poverty has increased not only because of the poor performance of the economy, but also because programs like Unemployment Insurance (UI) and Temporary Assistance to Needy Families (TANF) are lifting fewer individuals out of poverty. The JEC Democratic staff calculates that in 1992, the second year after the start of the 1990-91 recession, UI helped lift about 0.6 percent of the population out of poverty. In 2003, two years after the start of the 2001 recession, that proportion fell to only 0.4 percent. Because the anti-poverty effectiveness of the UI program has fallen, some 400,000 fewer individuals were lifted out of poverty in 2003.
- TANF is also failing to help low-income children escape poverty. There were 12.9 million children living in poverty in 2003, an increase of about 1.3 million since 2000. Yet

the number of children receiving Temporary Assistance for Needy Families (TANF) has moved in the opposite direction, declining by 10 percent over the same time period, according to the Department of Health and Human Services. After adjusting for inflation, funding has declined for TANF and two other critical sources of support for low-income workers and their families: the Workforce Investment Act and the Social Services Block Grant.

Income

- After adjusting for inflation, median household income fell slightly to \$43,318 in 2003 (**Chart 3**). Median household income has declined by \$1,535, or 3.4 percent, since President Bush took office. (Half of all households have income below the median, and half have incomes above the median.)
- The real income of American households has declined since 2000 across the income distribution (**Chart 4**). The lowest quintile, or poorest fifth of all households, experienced the greatest decline in average real income (7.9 percent). The average real income of the richest fifth of all households fell by 3.2 percent.
- Median household income has decreased since 2000 by different amounts among Americans of different races (**Chart 5**). Overall, real median income has decreased by 3.4 percent since the start of the Bush Administration. Median household income declined by 2.0 percent among non-Hispanic whites, by 6.3 percent among blacks, and by 6.9 percent among Hispanics.

The State Picture

Following Census guidance on how to use state level data (**box** on next page), this report compares the two-year average for 1999-2000, the last years of the Clinton Administration, with the two-year average for

2002-2003 to analyze changes in poverty during the Bush Administration.

Poverty

- Since President Bush took office, the poverty rate has increased significantly in seven states (**Table 1**). In five of these states, the poverty rate increased by over 2 percentage points. Texas was hit the hardest. There, an additional 396,000 people were thrown into poverty after 1999-2000 (**Table 2**). Only Idaho experienced a significant decline in its poverty rate, while the rate in the remaining 43 states and the District of Columbia was little changed.
- The Southern region of the country has seen the greatest increase in the number of poor people since the start of the Bush Administration, with six of the 17 states in that region experiencing a significant increase. Altogether, an additional 1.6 million Americans living in the South fell below the poverty line during the Bush Administration.

Income

- In 12 states, real median income has fallen significantly since 1999-2000 (**Table 3**). In 10 of these states, the drop exceeded 5 percent, including the largest drop, 11.5 percent in Illinois. Only New Hampshire saw a significant increase in median household income.
- The Midwest region was hit the hardest. Median household income fell 3.8 percent in that region.

Outlook for 2004

Income and poverty are unlikely to change much in 2004. To date this year, the employment situation has improved only slightly over 2003. Although there was a slight uptick in July, the proportion of the population that is employed has averaged 62.3 percent so far this

year – unchanged from 2003 – and is still nearly 2 percentage points below its level at the start of 2001. Real hourly wages have fallen by 1 percent over the past year, with low-wage workers hit the hardest by the decline. The real minimum wage has declined by nearly 3 percent over the past year. Long-term unemployment remains stubbornly high. In each of the past 23 months, more than 20 percent of the unemployed have been jobless for more than 26 weeks, the longest stretch on record. To make matters worse, long-term unemployed workers and their families are more likely in 2004 to exhaust their

unemployment benefits than was the case in 2003. That is because President Bush and Congress allowed extended federal unemployment compensation to expire at the end of last year. Together, these developments indicate that poverty and income data for the fourth year of the Bush Administration are unlikely to show significant improvement over the Administration's dismal official record thus far.

Note: The text was edited on September 7, 2004 to include additional data.

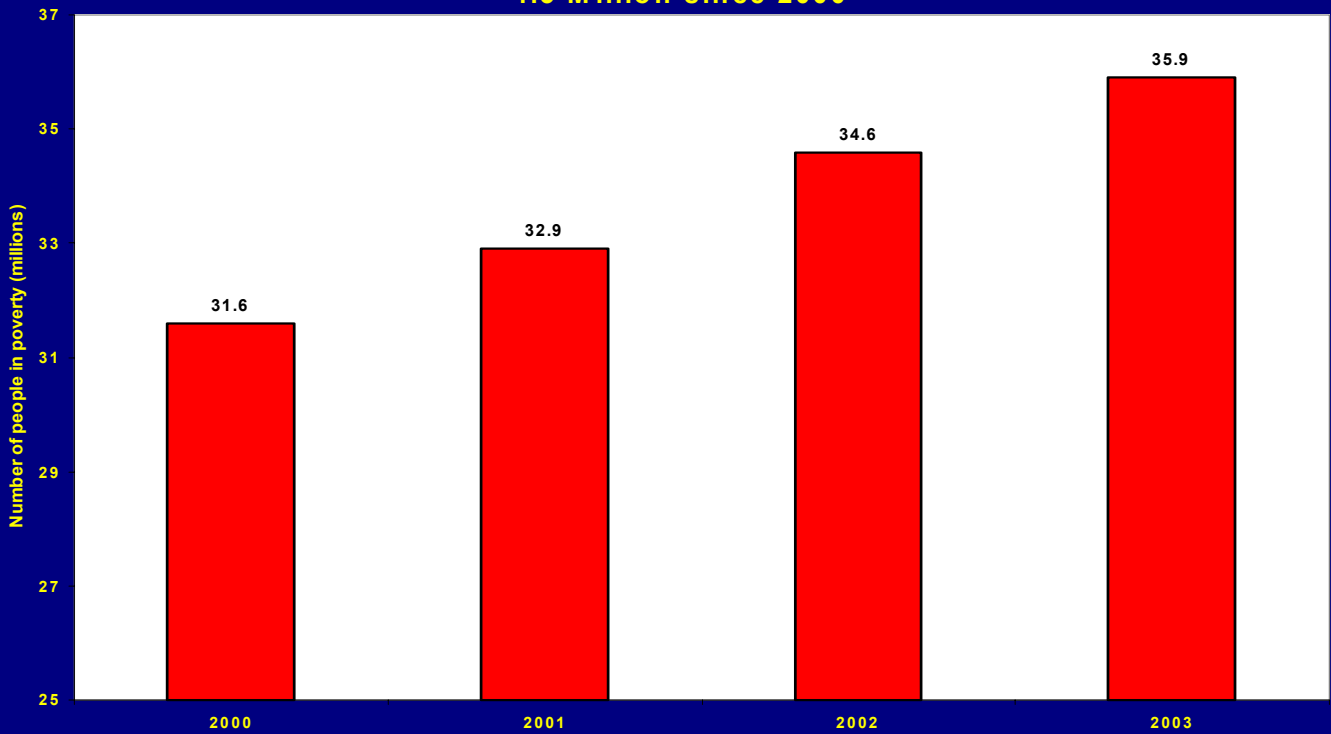
Using the CPS to Analyze Income and Poverty Trends

The Current Population Survey (CPS) provides the source data for the official estimates of poverty and widely used estimates of household income. Following official guidance from the Census Bureau, this analysis uses CPS data to analyze income and poverty trends at both the national and state levels.

However, because the CPS sample sizes at the state level are small, the Census Bureau typically uses two-year averages to analyze state trends. Using these two-year averages actually mutes the dismal Bush Administration record on ameliorating poverty. In 2000, the last year of the Clinton Administration, the national poverty rate was 11.3 percent. In 2003, the poverty rate was 12.5 percent, some 1.2 percentage points higher than the 2000 rate. The two-year average poverty rate for 2002-2003 (12.3 percent) was 0.7 percentage points higher than the two-year average rate for 1999-2000 (11.6 percent). That difference is considerably less than the 1.2 percentage point difference between 2000 and 2003.

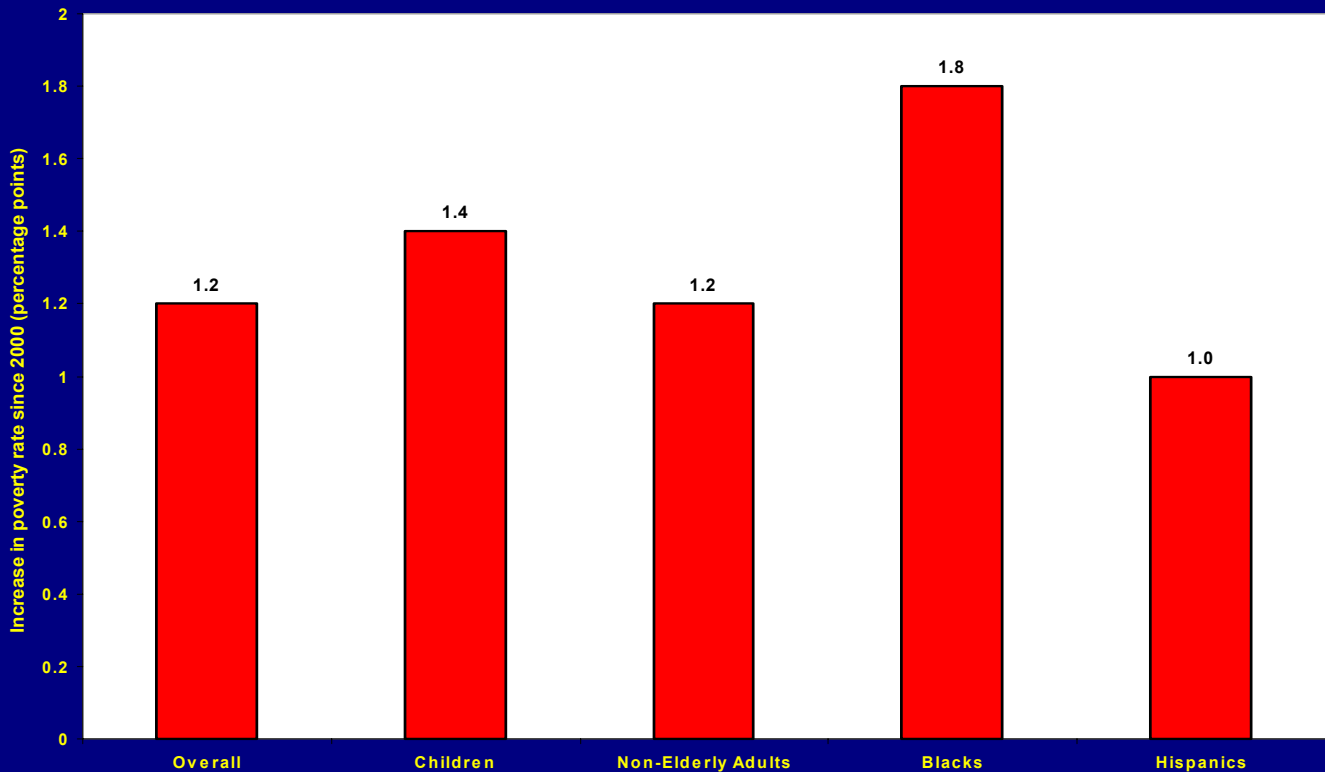
Although the official poverty estimates do not reflect the impact of taxes, food stamps, and other non-cash government benefits, they are based on a consistent measure of income. Moreover, trends in the official poverty estimates tend to mirror changes in poverty using alternative definitions of income to determine poverty status. For these reasons, the official poverty estimates are a fair basis of analysis of changes in poverty over time.

Chart 1 - The Number of Poor Has Increased by 4.3 Million since 2000



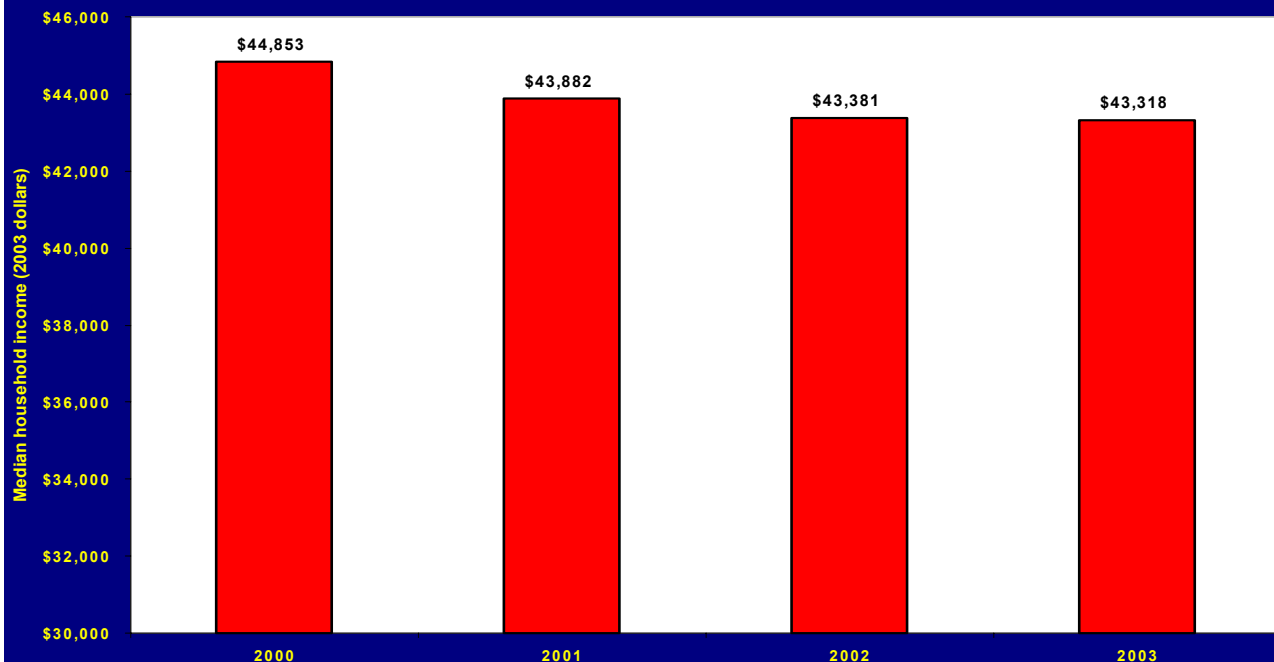
Source: Bureau of the Census, U.S. Department of Commerce

Chart 2 - The Poverty Rate Among Selected Demographic Groups Has Increased Significantly since 2000



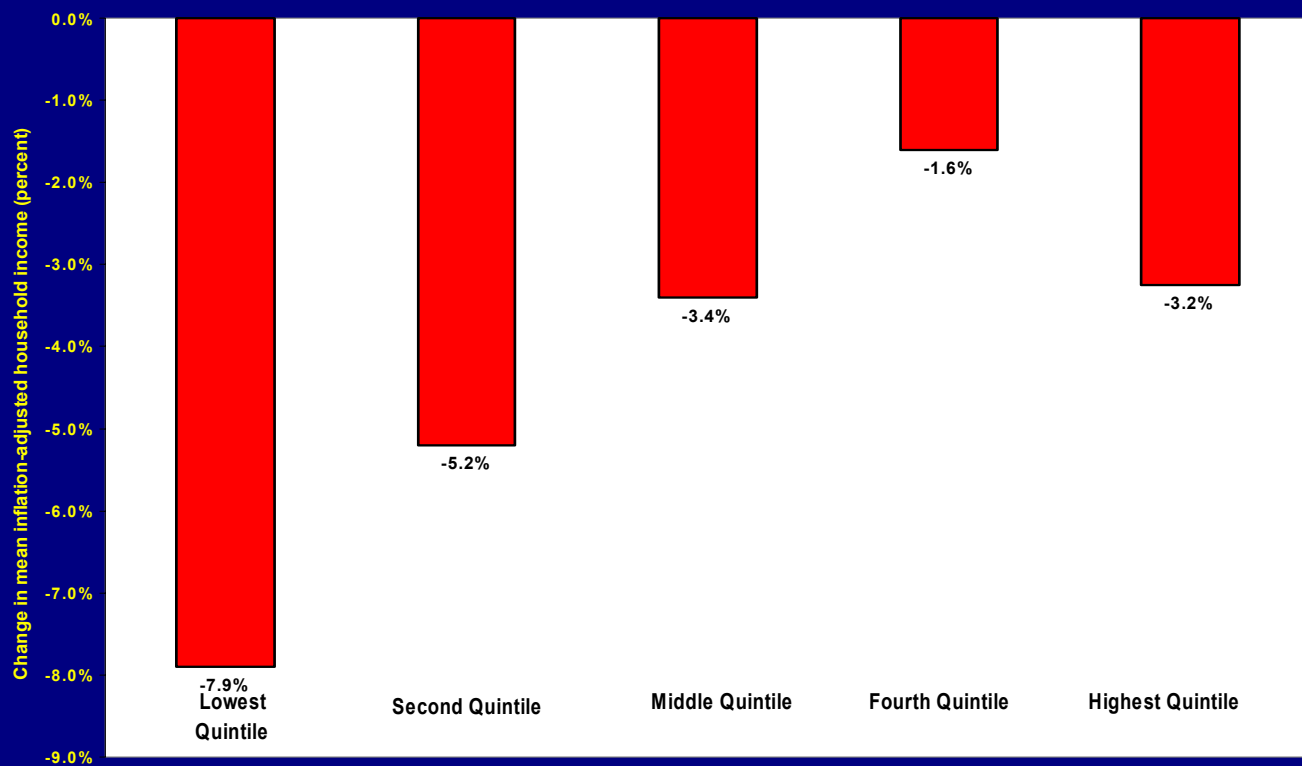
Source: Bureau of the Census, U.S. Department of Commerce

Chart 3- Median Household Income Has Decreased for Three Straight Years



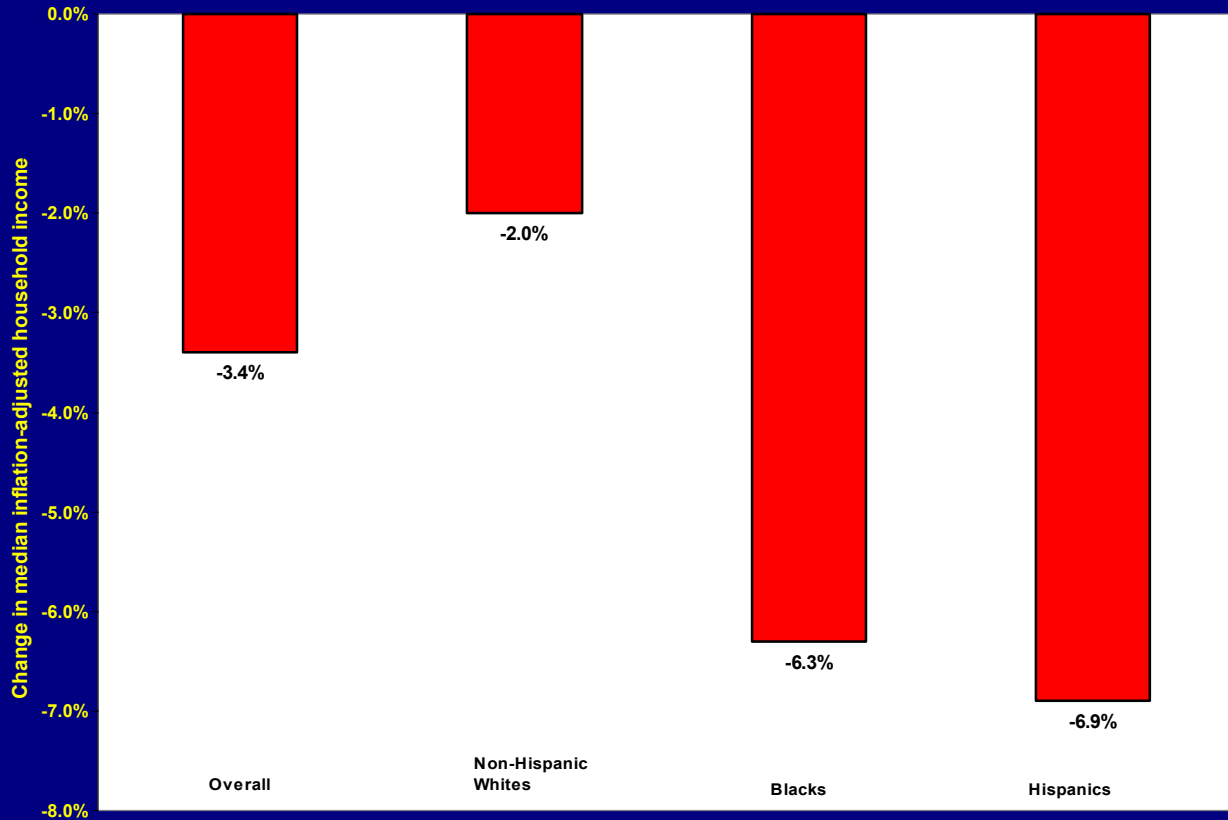
Source: Bureau of the Census, U.S. Department of Commerce

Chart 4 - Mean Household Income for All Income Groups Has Declined since 2000



Note: Each quintile contains 20 percent of households ranked by household income.
 Source: Bureau of the Census, U.S. Department of Commerce

Chart 5 - Real Median Household Income Has Declined the Most for Blacks and Hispanics since 2000



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

Table 1			
Percent of People in Poverty, by State, 1999-2000 and 2002-2003			
State	2-year average (1999-2000)	2-year average (2002-2003)	Change (2002-2003 average less 1999-2000 average) ¹
	Percent	Percent	Percentage points
United States	11.6	12.3	0.7 *
Alabama	14.3	14.7	0.4
Alaska	7.6	9.2	1.6
Arizona	11.9	13.5	1.6
Arkansas	15.6	18.8	3.2 *
California	13.4	13.1	-0.2
Colorado	9.1	9.7	0.6
Connecticut	7.4	8.2	0.8
Delaware	9.4	8.2	-1.2
District of Columbia	15.0	16.9	1.9
Florida	11.7	12.6	0.9
Georgia	12.5	11.5	-1.0
Hawaii	9.9	10.3	0.5
Idaho	13.3	10.8	-2.5 *
Illinois	10.3	12.7	2.4 *
Indiana	7.6	9.5	1.9 *
Iowa	7.8	9.1	1.2
Kansas	10.1	10.4	0.3
Kentucky	12.3	14.3	1.9
Louisiana	18.2	17.2	-1.0
Maine	10.3	12.5	2.2 *
Maryland	7.3	8.0	0.7
Massachusetts	10.8	10.1	-0.7
Michigan	9.8	11.5	1.7 *
Minnesota	6.5	6.9	0.5
Mississippi	15.6	17.2	1.6
Missouri	10.4	10.3	-0.1
Montana	15.0	14.3	-0.7
Nebraska	9.8	10.2	0.4
Nevada	10.0	9.9	-0.2
New Hampshire	6.1	5.8	-0.3
New Jersey	7.6	8.3	0.7
New Mexico	19.2	18.0	-1.2
New York	14.0	14.2	0.1
North Carolina	13.1	15.0	1.9
North Dakota	11.7	10.6	-1.1
Ohio	11.0	10.3	-0.6
Oklahoma	13.9	13.5	-0.4
Oregon	11.7	11.7	0.0
Pennsylvania	9.0	10.0	1.0
Rhode Island	10.1	11.3	1.1
South Carolina	11.4	13.5	2.1
South Dakota	9.2	12.1	2.8 *
Tennessee	12.7	14.4	1.8
Texas	15.4	16.3	1.0
Utah	6.7	9.5	2.8 *
Vermont	9.8	9.2	-0.6
Virginia	8.1	10.0	1.9
Washington	10.2	11.8	1.6
West Virginia	15.2	17.1	1.9
Wisconsin	8.9	9.2	0.2
Wyoming	11.2	9.4	-1.8

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

¹Details may not sum to totals because of rounding

Source: U.S. Census Bureau

Table 2			
Number of People in Poverty, by State, 1999-2000 and 2002-2003			
State	2-year average (1999-2000)	2-year average (2002-2003)	Change (2002-2003 average less 1999-2000 average) ¹
	Thousands	Thousands	Thousands
United States	32,186	35,216	3,029 *
Alabama	626	652	26
Alaska	48	59	11
Arizona	612	742	130
Arkansas	410	503	93 *
California	4,513	4,619	106
Colorado	395	436	41
Connecticut	252	279	27
Delaware	73	66	-6
District of Columbia	82	95	12
Florida	1,846	2,103	257 *
Georgia	997	977	-20
Hawaii	119	128	8
Idaho	168	142	-26
Illinois	1,261	1,593	332 *
Indiana	455	581	126 *
Iowa	224	264	40
Kansas	267	279	12
Kentucky	485	580	96
Louisiana	786	763	-23
Maine	131	159	29
Maryland	377	436	59
Massachusetts	678	650	-28
Michigan	972	1,139	167 *
Minnesota	315	351	36
Mississippi	432	485	53
Missouri	576	576	0
Montana	133	130	-3
Nebraska	165	174	10
Nevada	205	216	11
New Hampshire	76	73	-3
New Jersey	629	711	82
New Mexico	348	333	-15
New York	2,640	2,699	58
North Carolina	1,034	1,227	193 *
North Dakota	73	67	-6
Ohio	1,230	1,163	-67
Oklahoma	463	465	2
Oregon	401	413	12
Pennsylvania	1,075	1,215	140
Rhode Island	105	119	14
South Carolina	443	542	100 *
South Dakota	67	90	23 *
Tennessee	710	834	123
Texas	3,138	3,534	396 *
Utah	148	220	72 *
Vermont	59	56	-2
Virginia	557	721	164 *
Washington	589	712	122
West Virginia	266	301	35
Wisconsin	479	498	18
Wyoming	54	46	-8

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

¹Details may not sum to totals because of rounding

Source: U.S. Census Bureau

Table 3			
Median Income of Households, by State, 1999-2000 and 2002-2003			
State	2-year average (1999-2000)	2-year average (2002-2003)	Percent Change (from 1999-2000 to 2002-2003) ¹
	2003 dollars	2003 dollars	% change
United States	44,887	43,349	-3.4 *
Alabama	38,927	37,860	-2.7
Alaska	56,591	52,910	-6.5 *
Arizona	41,666	40,905	-1.8
Arkansas	32,243	32,565	1.0
California	49,084	48,912	-0.3
Colorado	52,354	49,670	-5.1
Connecticut	54,719	54,788	0.1
Delaware	52,634	49,903	-5.2
District of Columbia	43,359	42,505	-2.0
Florida	40,528	38,934	-3.9 *
Georgia	44,138	43,180	-2.2
Hawaii	52,093	50,110	-3.8
Idaho	39,846	40,476	1.6
Illinois	50,173	44,421	-11.5 *
Indiana	44,365	42,206	-4.9
Iowa	44,576	41,687	-6.5 *
Kansas	42,542	43,914	3.2
Kentucky	37,989	37,270	-1.9
Louisiana	34,428	34,147	-0.8
Maine	41,352	37,405	-9.5 *
Maryland	57,939	55,007	-5.1
Massachusetts	49,257	50,976	3.5
Michigan	49,745	44,358	-10.8 *
Minnesota	54,936	54,348	-1.1
Mississippi	36,244	32,159	-11.3 *
Missouri	46,926	43,759	-6.7 *
Montana	34,636	34,871	0.7
Nebraska	43,617	43,875	0.6
Nevada	47,322	45,586	-3.7
New Hampshire	52,618	56,078	6.6 *
New Jersey	54,370	55,932	2.9
New Mexico	36,721	35,687	-2.8
New York	43,832	42,858	-2.2
North Carolina	41,026	37,315	-9.0 *
North Dakota	37,252	38,720	3.9
Ohio	44,740	43,591	-2.6
Oklahoma	35,360	36,598	3.5
Oregon	45,117	42,199	-6.5 *
Pennsylvania	43,365	43,202	-0.4
Rhode Island	46,114	44,050	-4.5
South Carolina	40,190	38,579	-4.0
South Dakota	39,255	39,131	-0.3
Tennessee	38,367	37,701	-1.7
Texas	41,973	40,170	-4.3 *
Utah	50,812	49,116	-3.3
Vermont	44,098	43,623	-1.1
Virginia	50,408	52,776	4.7
Washington	47,809	46,863	-2.0
West Virginia	31,878	31,397	-1.5
Wisconsin	49,285	46,612	-5.4 *
Wyoming	41,723	41,614	-0.3

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

¹Details may not sum to totals because of rounding

Source: U.S. Census Bureau