



# JOINT ECONOMIC COMMITTEE DEMOCRATS



REPRESENTATIVE PETE STARK (D-CA) – SENIOR DEMOCRAT

ECONOMIC POLICY BRIEF

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## POVERTY AND INCOME IN 2002 *FACT SHEET*

### Income

- **Median household (inflation-adjusted) income declined 1.1 percent in 2002.**
- **Median income declined \$1,439 between 2000 and 2002**, from \$43,848 in 2000 to \$42,409 in 2002. This is an overall decline of 3.3 percent.
- **Low-income households suffered larger income declines between 2000 and 2002 than high-income households.** Average income fell 5.8 percent for those households in the lowest fifth of the income distribution, 4.1 percent for those households in the second fifth, 2.9 percent for those households in the middle fifth, 1.8 percent for those households in the fourth fifth, and 3.2 percent for those households in the highest fifth.
- **Median income in 2002 was \$29,026 for blacks, \$33,103 for those of Hispanic origin and \$46,900 for non-Hispanic whites.**
- **Between 2000 and 2002, median income declined 6.3 percent for blacks, 4.4 percent for those of Hispanic origin and 1.6 for non-Hispanic whites.**
- **Median income declined significantly in 10 states** as well as the District of

Columbia, based on comparisons of 2-year average medians (2000-2001 and 2001-2002). In percentage terms, the 5 states with the largest declines were Mississippi, Hawaii, Illinois, Michigan, and Missouri. Only one state, Oklahoma, state posted a significant increase in median income.

- **Income declines were widespread, but huge income disparity remains.** The top one-fifth of households now receives half of all income, and the top 5 percent alone receives 22 percent. In contrast, the bottom 60 percent receives just 27 percent of total income.

### Poverty

- **The poverty rate rose from 11.7 percent in 2001 to 12.1 percent in 2002.** Since 2000, the poverty rate has increased by 0.8 percentage points. There were 34.6 million people in poverty in 2002, an increase of about 3 million during the first two years of the Bush Administration. The Census defines the 2002 poverty line for a family of four (two children and two adults) as \$18,244.
- **One in 6 American children lives in poverty.** The poverty rate for children

under 18 years old was 16.7 percent in 2002, up 0.5 percentage points since 2000. There were more than 12.1 million children in poverty in 2002, an increase of over half a million during the Bush Administration.

- **Between 2000 and 2002, the poverty rate for the elderly increased from 9.9 percent to 10.4 percent.** Over 250,000 thousand more elderly were poor in 2002 than 2000.
- **The poverty rate for 18 to 64 year olds increased a full percentage point** from 9.6 percent in 2000 to 10.6 percent in 2002.
- **The poverty rate for African Americans was 24.1 percent in 2002 and 21.8 percent for Hispanic Americans,** very high poverty rates compared to the population as a whole.
- **Nine states experienced a statistically significant increase** in the 2-year average poverty rates (2000-2001 compared to 2001-2002): Arkansas, Florida, Hawaii, Illinois, Maine, Michigan, Mississippi, South Carolina and Utah. No states experienced a statistically significant decline in poverty.

### Poverty Gap<sup>1</sup>

- **Poverty depth increased more than the number of people in poverty between 2000 and 2002.** Between 2000 and 2002, the number of individuals in poverty increased by 7.3 percent, but the poverty gap – the aggregate dollar amount by which poor individuals fall below poverty – increased by 13.1 percent in real terms.

- **This increase in the poverty gap is greater than during a comparable period surrounding the last recession.** Between 1989 and 1991, the years surrounding the beginning of the 1990 recession, the inflation-adjusted poverty gap increased by 11.1 percent. The real 13.1 percent increase in the poverty gap between 2000 and 2002 (the years surrounding the 2001 recession) is larger.
- **Poverty is deeper after this recession.** The average amount each poor person is below poverty increased in real terms from \$2,151 in 1991 (the year after the 1990 recession began) to \$2,814 in 2002 – one year after the 2001 recession.

### Poverty Is More Severe Because Government Programs Are Less Effective

- **The official number of children living in poverty has increased by 4.7 percent over the last two years,** but the number of children receiving Temporary Assistance for Needy Families (TANF) has declined by 11.0 percent during the same time period, according the Department of Health and Human Services.
- **Means-tested programs are weaker.** In 1991, the year after the beginning of the last recession, 7.0 million individuals were removed from poverty by means-tested government programs (e.g. TANF/AFDC, food stamps, housing, SSI, school lunch). In 2002, only 5.5 million individuals were removed from poverty, some 1.5 million less individuals removed from poverty due to these government programs.

<sup>1</sup> In this section of the Fact Sheet a more comprehensive measure of poverty is used. This measure includes all cash income, social insurance, and means-tested cash including the Earned Income Tax Credit (EITC) and non-cash benefits in the definition of income. Federal income taxes and employee payroll taxes are subtracted from income.