US poverty up sharply for second year in a row

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Another 1.7 million people joined the ranks of those in the US living in poverty in 2002, the second year in a row to see a steep rise in this figure. The total rose to 34.6 million. This is up from 32.9 million in poverty the year before and 31.6 million in 2000. According to a report issued by the US Census Bureau on September 26, the poverty rate is now 12.1 percent, up from 11.7 percent in 2001and 11.3 percent in 2000.

Behind the rise in poverty, and an accompanying decline in median income for the third straight year, is a massive reorganization of US industry and record sustained job losses on a scale not seen since the Great Depression. Since the beginning of the recession in March 2001, 3.3 million jobs have been lost in the private sector, representing a 2.9 percent contraction in employment.

Moreover, 2003 is shaping up to be just as bad and next year could see even greater increases in poverty and declines in income. August 2003 marked the 38th consecutive monthly decline in manufacturing jobs. According to the US Bureau of Labor Statistics, the net loss in jobs for August was 93,000, following the loss of tens of thousands of jobs for every month since January. These layoffs come too late to affect income and poverty reports released last Friday. Moreover, 1.7 million laid off in the recent period have been out of work for over six months. This is despite the formal announcement that the recession that began in March 2001 was over by November of the same year.

Fifty million people were “near-poor” last year, living below 125 percent of their respective poverty threshold according to the Current Population Survey (CPS) poverty report. But even the count of “near-poor” drastically underestimates the real scale of poverty in the US, as the official poverty thresholds computed by the Census Bureau are absurdly low. A more realistic cutoff point would be close to double the official figures, in the area of $30,000 for a family of four. A more accurate estimate of the US poverty rate is 30 percent. Excluding millions of poor people from the official poverty rolls enables the government to continue its policy of slashing social welfare expenditures as eligibility is pegged to these thresholds.

There were 7.2 million poor families in the US last year, nearly one in ten, up from 6.8 million in 2001 and 6.4 million in 2000. The Census Bureau classified a family of four as poor if its cash income was less than $18,392. The poverty threshold for a family of three was $14,348; for a married couple, $11,756; and for an individual under 65 years of age, $9,183.

There were 12.1 million poor children under the age of 18 counted in the total, up from 11.7 million in 2001. According to the Census Bureau, 16.7 percent of children in 2002 were poor, a rate virtually unchanged since 2000. Again, the actual child poverty rate is much higher. But even if one accepts the Census Bureau’s standards, a 16.7 percent rate means that more than one-sixth of US children live in families with incomes below the poverty level. Poverty for blacks rose from 22.7 to 24 percent, approaching one in four.

Unlike last year, more two-parent families fell into poverty than those headed by a single woman. The poverty fate for married couple families grew from 4.9 percent to 5.3 percent, leaving 3.1 million married couple families in the US officially poor in 2002. The percentage of poor families headed by a single female remained steady at 26.5 percent, though the total rose from 3.5 million to 3.6 million. Half of all poor families fall into this latter category.

Just under 41 percent of the entire poverty population were designated “severely poor,” eking out an existence on incomes under half the official poverty level. The number of “severely poor” also shot up again this year as the welfare reform signed by the Clinton administration in 1996 led to the denial of cash assistance to millions. The number of adults and children designated “severely poor” climbed almost 6 percent for the second year in a row to 14.1 million, up from 13.4 million in 2001 and 12.6 million in 2000.

The effect of the loss of industrial jobs and the net loss in jobs nationally showed up in the figures on median income, which declined for the third year in a row.

Median income declined by 1.1 percent between 2001 and 2002 to $42,409, down about $500 from last year. This year the Midwest, where median income fell 2 percent, accounted for most of the decline in median income.

Comparing three-year state averages (to make up for smaller statistical samplings in each state) between 2001 and 2002, the Census Bureau reported median income declined in nine states and the District of Columbia. In four Midwest industrial states median income declined: Illinois by 5.7 percent, Michigan by 5.2 percent, Missouri by 4.8 percent and Ohio by 2.5 percent. Median income in North Carolina, which has seen a hemorrhaging of textile and other jobs, fell 4.4 percent.

The greatest decline was in Mississippi, where median income went down 7.4 percent, and Hawaii, down 6.4 percent. Washington DC, Oregon, Nevada and Florida also saw a drop in median income. The CPS does not survey households in Puerto Rico.

The change in the national poverty rate was also heavily weighted by increases in poverty in the Midwest, where the poverty rate went up from 9.4 percent in 2001 to 10.3 percent in 2002. The poverty rates in the Northeast, South and West did not change, although poverty in the South is still the highest in the country—13.8 percent.

Two-thirds of the total 1.7 million increase in the number of poor people between 2001 and 2002 occurred in suburban areas. The number in poverty and the poverty rate in US suburbs rose from 12.1 million and 8.2 percent in 2001 to 13.3 million and 8.9 percent in 2002. Neither the number in poverty nor the poverty rate changed in central cities or outside metropolitan areas. This compares to a rise of 700,000 individuals living in poverty in the suburbs reported the year before.

A special section of the CPS Income report addressed the historical impact of recession on income. The Census Bureau said the decline in household income between 1999 and 2002 was not statistically different from the decline of 1989-1992, the months surrounding the recession of July 1990 to March 1991. The decline was less than that of every other recession since the recession of 1969-70. However, the recent drop in median income was significantly higher than the drop that occurred in that recession over three decades ago.

The CPS has limitations on its definitions of income, even for the newer experimental measures that include the effect of taxes, out of pocket medical expenses and non-cash benefits. The report does not survey those living in nursing homes and other institutions, nor the military living on base. It also excludes all income over $999,999.

Income inequality did not increase year-to-year, but again last year, as in 2001, the wealthiest fifth of the population took in half of all household income, a 5 percent rise over 1985. The poorest fifth received only 3.4 percent of total household income, down 4 percent from 1985.

The Census Bureau maintains that hiding the higher income is necessary to preserve confidentiality, but this practice serves to mask the full social impact of such bloated incomes.

For example, the *Detroit Free Press* reported earlier this year that in 2002 the top 50 CEOs in Michigan showed an average of $5.4 million in total compensation. For all but a handful of these individuals—half of the list consists of auto industry CEOs—salary, bonuses and delayed compensation (exclusive of exercised stock options) totaled well over $1 million. Meanwhile, auto workers are facing a loss of 50,000 more jobs following this year's contract along with huge reductions in benefits and pensions.

Another analysis using income reported to the IRS paints a picture of much greater increases in inequality than is evident from Census Bureau reports. The Center on Budget and Policy Priorities (CBPP) used a new report from the Congressional Budget Office (CBO) and an update from the National Bureau of Economic Research (NBER) to track inequality. The NBER data goes back to 1913.

According to the NBER, in 1979 the share of the nation's after-tax income falling to the top 1 percent of population was *less than half* the share received by the bottom 40 percent. By 2000, the share of income received by the top 1 percent *exceeded* that of the bottom 40 percent. The 2.8 million people who made up the top 1 percent of the population received more after-tax income in 2000 than the 110 million people in the bottom 40 percent of the population.

The CBPP, a Democratic-connected Washington think tank, found that before-tax income was more concentrated among the top 1 percent of the population in 2000 than at any point since 1929. It looked at CBO figures and found that between 1979 and 2000, the average after-tax income of the top 1 percent of the US population tripled, rising by $576,000. Average after-tax income for the top 1 percent of individuals (not households) rose from $286,000 in 1979 to $507,000 in 1989 and then to $863,000 in 2000—an increase of 201 percent over the 20-year period (in 2000 dollars). The average after-tax income of the bottom fifth rose by only $1,100, to $13,700.