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POVERTY UP, INCOMES DOWN FOR SECOND STRAIGHT YEAR IN 2002

A new Center report, *Poverty Increases and Median Income Declines for Second Consecutive Year*, examines newly issued Census Bureau data on poverty and incomes for 2002. The data show an increase in poverty and a decline in the median income in 2002 (as in 2001), primarily because of rising unemployment: the unemployment rate averaged 5.8 percent in 2002, up markedly from 4.7 percent in 2001 and 4.0 percent in 2000. These poverty and income trends are likely to continue in 2003 as well, since both the unemployment rate and the number of long-term unemployed have risen this year, while average hourly wages for low-paid workers have fallen and a number of states have cut basic assistance programs to help balance their budgets.

The full report can be viewed at
<http://www.cbpp.org/9-26-03pov.htm>

- **The poverty rate increased between 2001 and 2002.** The poverty rate rose from 11.7 percent in 2001 to 12.1 percent in 2002. The number of poor people increased by 1.7 million during this period, to 34.6 million. Since 2000, the year in which unemployment began rising, the number of poor Americans has grown by 3 million.

Increases in poverty were largest among blacks. The black poverty rate rose from 22.7 percent in 2001 to 24 percent in 2002, and the number of blacks who were poor increased by 500,000 or 700,000, depending on which definition of blacks is used.

- **Those who were poor grew poorer, on average.** Using a measure of the depth of poverty that counts non-cash benefits and the Earned Income Tax Credit and subtracts income and payroll taxes, the average poor person's income was farther below the poverty line in 2002 than in any other year since 1979, the first year for which such data are available. The "poverty gap" per person in 2002 was \$2,813. In addition, some 14.1 million Americans had incomes that were less than *half* of the poverty line in 2002, an increase of 600,000 over the number living below half of the poverty line in 2001.
- **Median income fell among minority populations.** Overall, median household income fell by \$500 between 2001 and 2002, or 1.1 percent, to \$42,409. The drop in median income was concentrated among minorities, with median household income falling \$996 among Hispanics and \$762 or \$913 among blacks, depending on which definition of blacks is used.
- **Income inequality remained unchanged under the basic Census measure of income inequality.** The Census data, however, miss a large share of the income of very-high-income households. The latest Congressional Budget Office data, which capture the income of the top one percent of the population much more accurately, show that average after-tax income tripled for the top one percent between 1979 and 2000 (after adjusting for inflation), while increasing by 15 percent for households in the middle fifth of the income spectrum and by 9 percent for households in the bottom fifth.
- **Weaknesses in the safety net contributed to the increase in poverty.** These weaknesses include a federal unemployment benefits program that is more limited than the comparable program created in the last economic downturn and a steep decline in the proportion of very-low-income families with children that receive cash welfare benefits.