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ANNUAL INCOME OF POOR U.S. FAMILIES FALLS $72,084 BELOW THE INCOME OF OTHER FAMILIES

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The latest Census Bureau estimates of the extent of poverty indicate that a total of 36,950,000 persons or 12.6 percent of the U.S. population lived below the poverty threshold in 2005. At the same time there were 26,068 families or 10.8 percent of all U.S. families living in poverty. These figures along with many others from the latest survey have been reported widely in the U.S. media since they first were released to the public in August.

However, other information from the same source and of considerable significance to any informed public discourse on the poverty question has not received the same media coverage. We call attention to just two. First, 31.1 percent of all persons in families headed by an adult female with no spouse present were classified in 2005 as poor. Second, between 1963 when poverty became elevated in the public discourse and 2005 the number of persons living in impoverished female-headed families rose by 5,507,000. At the same time, the number of poor persons in all other types of families actually dropped by an estimated 10,937,000.

In the following we address just one aspect of the family poverty issue, comparing the annual income of poor families and nonpoor families. Whatever the reason, the Census Bureau has decided not to underscore this information in its annual report on poverty.

FAMILY INCOME GAP

In 2005 the average income *deficit* -- the amount that family income falls short of the official poverty threshold -- for all poor families was $8,125. One year earlier, this deficit stood at $7,775. Keep in mind that these estimates are based on a poverty standard that is inflation adjusted and therefore the poverty threshold against which the deficit is measured was higher in 2005 than in 2004.

The average income *surplus* for all nonpoor families in 2005 was $63,959 compared to $61,481 in 2004. Thus, in 2005 the average difference in income between poor and nonpoor families was $72,084. In 2004 this income gap was estimated at $69,256. In terms of monthly income, the poor in 2005 lagged behind by $6,007.

In other words, the annual income gap in dollars unadjusted for inflation climbed by 4.1 percent for two reasons relating to the inflation-adjusted poverty threshold.

On the one hand, nonpoor family incomes ran even further ahead of the rising poverty threshold. On the other, poor family income ran further behind that rising threshold. See the table below for current-dollar and constant-dollar estimates of the income gap since 1988 when the Census Bureau began releasing information on income deficit and income surplus to the public.

Average Family Income Gap:
Difference Between All Poor Families and All Nonpoor Families, 1988-2005

	Current Dollars	Constant Dollars 2004=100
1988	$ 37,155	$ 59,329
1989	39,898	60.780
1990	41,056	59,338
1991	41,963	58,200
1992	43,374	58,399
1993	46,543	60,844
1994	48,423	61,721
1995	49,801	61,728
1996	52,310	62,979
1997	55,613	65,454
1998	58,245	67,500
1999	60,814	68,954
2000	63,247	69,381
2001	65,072	69,408
2002	65,212	68,474
2003	67,386	69,181
2004	69,256	69,256
2005	72,084	69,722

Sources: U.S. Census Bureau, *Poverty in the United States*; U.S. Bureau of Labor Statistics, *Consumer Price Index*.

Information on other indicators of economic performance such as unemployment, inflation, and GDP are widely disseminated but are much more vigorously discussed than information on poverty in part because a national consensus exists as to the critical limits on those performance measures that point to (un)satisfactory performance. To illustrate, a 3-4 percent unemployment rate is regarded as a lower limit requiring no public intervention whereas a rate of 10 percent clearly calls for some public action to remedy the problem. Similarly price stability is achieved if the price increases are limited to roughly 3 percent per year. A GDP growth rate of 3-5 percent per year is regarded as satisfactory but anything lower especially if the growth rate is negative represents cause for alarm.

There is no such public consensus identifying when the U.S. economy is performing satisfactorily with regard to poverty and when it falls short. Accordingly, we recommend that the discourse center first on poverty in female-headed families with children under age 18 because left to their own devices many of these children will live in poverty as adults. In 2005 the poverty rate for children under age 18 living in such families was 42.7 percent. The rate for children under age 18 in white female-

headed families was 38.7 percent. For children in black female-headed families, poverty affected 50.1 percent – nearly four times higher than the national average.

Surely the most powerful economy ever conceived can do better than that. The numbers of children affected by poverty is staggering, 7,222,000 alone in all female-headed families. More than 40 years ago Daniel Patrick Moynihan pointed to this problem focusing principally on the black family. His comments then ring true today. "So long as this situation persists, the cycle of poverty and disadvantage will continue to repeat itself."

A very modest 20/10 goal comes to mind: a poverty rate of no more than 20 percent for female-headed families with children under age 18 reached in ten years or less.

Without such an initiative, we can say with certainty that the future for children in these families becomes more forbidding with each passing day. Their future is now or never.

References

Moynihan, Daniel Patrick. *The Negro Family: The Case for National Action*, Washington, D.C.: U.S. Department of Labor, March 1965.

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