PERSONALLY SPEAKING

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SMALL DROP IN POVERTY RATE 2005-2006, BUT INCOME GAP WIDENS BETWEEN POOR FAMILIES AND OTHER FAMILIES

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The U.S. Census Bureau today (August 28) reported a small drop in the rate of poverty across the United States from 12.6 percent in 2005 to 12.3 percent in 2006. The number of poor persons in 2006 was estimated at 36,460,000 which is *not statistically different* than the number of poor persons reported one year earlier.

Poverty among all U.S. families remained essentially unchanged from 2005 to 2006 when 9.8 percent or an estimated 7,668,000 were classified as poor. Poverty among female-headed families (no spouse present) remained much higher at 28.3 percent which is 5.8 times higher than the rate for married-couple families. This difference has been observed for a very long time, though not routinely highlighted by the Census Bureau. At today's news conference no mention of this difference was made in the Bureau's formal presentation and no questions regarding it were raised by the media representatives in attendance.

GROWING FAMILY INCOME GAP

No mention was made of the growing gap between the family incomes of poor families as compared to other families. These data have been reported since 1988 but only in a two-part format that does not call attention to this gap immediately. The two parts are (1) for poor families, the average amount of reported income below the poverty threshold and (2) for other families, the average amount of reported income above the poverty threshold (text table 5 in the current poverty report). The sum of those two estimates clearly yields the difference in average income between poor and nonpoor families. In 2006, the gap amounted to an estimated $76,045, or $6,337 per month. Not once in its annual reports since 1988 has the Census Bureau seen fit to call attention to this basic measure of human well-being. The table below shows the income gap between the two types of families since 1988 in both current dollars and constant dollars.

The constant-dollar figures indicate that at times the gap has narrowed from one year to the next, as between 1990-1991 and 2001-2002, no doubt because those were recession years. At other times the gap has remained essentially unchanged, as between 1995-1996 and 2000-2001.

However, over the entire period the income gap has widened from $63,317 in 1988 to $76,045 in 2006.

***Mean* Family Income Gap:**
Difference Between All Poor Families and All Nonpoor Families, 1988-2006

	Current Dollars	Constant Dollars 2006=100
1988	$ 37,155	$ 63,317
1989	39,898	64,866
1990	41,056	63,327
1991	41,963	62,113
1992	43,374	62,325
1993	46,543	64,935
1994	48,423	65,871
1995	49,801	65,878
1996	52,310	67,213
1997	55,613	69,854
1998	58,245	72,038
1999	60,814	73,590
2000	63,247	74,045
2001	65,072	74,074
2002	65,212	73,078
2003	67,386	73,832
2004	69,256	73,912
2005	72,084	74,409
2006	76,045	76,045

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

WHY THE FAMILY INCOME GAP IS WIDENING

The family income gap has been widening because improved employment opportunities have worked especially well for those better positioned to take advantage of them, those who already are better skilled, more talented, more mobile, better connected, more willing to work longer, harder, and smarter in order to qualify for better jobs and advancement.

But there is more at work here than greatly improved job opportunities. Persons and families transition into and out of poverty due to significant life events such a marriage, divorce, separation, death, birth, injury, and disease. Marriage, for example, may involve withdrawing adult wage earners (the bride and the groom) from two families of origin perhaps plunging both families below the poverty threshold, and creating a third family that itself may have income below the poverty threshold. Death of a wage-earning spouse could reduce the surviving family members to poverty, and re-marriage could lift them out of poverty. Retirement, especially if forced due to a permanent disability, could drop income for an older married couple below the poverty threshold. Similarly the birth of a child in a family with no improvement in income could plunge that family below the poverty line.

Mayo Research Institute urges the Census Bureau to dig more deeply into the basic micro-data used in the preparation of its annual report on poverty to shed more light on why in terms of family income poor families on average are falling even further behind other families.

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