FEWER PERSONS AND FAMILIES IN POVERTY, BUT POOR FAMILIES ARE FALLING FURTHER BEHIND

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The good news regarding poverty in the United States is that there were fewer persons and families living in poverty than at any time since 1980. The bad news is that the income gap between poor families and non-poor families was greater in 2000 than at any time since this information first became available to the public in 1988. The Census Bureau report on poverty released in September 2001 calls attention to the good news but not the bad news.

Compared to 1999, for instance, there were an estimated 1.119 million fewer poor persons living in poverty in 2000 and 450,000 fewer poor families. The poverty rate among all persons dropped from 11.8 percent in 1999 to 11.3 percent in 2000.[1] At the same time, the current-dollar income gap between families below poverty and families above poverty increased by more than $2,400 to $63,247 in 2000. This gap which is greater than ever before is significant because it came at the end of the longest economic expansion in U.S. history.

In the following, our attention is directed to the family and family income – excluding unrelated individuals (persons living alone or with others to whom they are not related by blood or marriage) – because the family is *the* bedrock institution in society. What happens to or within the family is transmitted to other social institutions such as military, religious organizations, schools, courts, business enterprises, and unions.

Family Income Gap Gets Wider But Is Not Noted

Since 1988 the Census Bureau's annual report *Poverty in the United States* has included information on the income deficit and income surplus.[2] Income deficit defines impoverishment in terms of the difference between the income of each poor family, taking into account family size, and the appropriate poverty threshold for a family of that size. Income surplus of non-poor families is the extent to which the income of every non-poor family exceeds the poverty threshold for a

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[1] The Census Bureau points out that all three of these favorable year-to-year changes are "statistically significant at the 90-percent confidence level."

[2] Income deficit information is included in earlier annual reports, but income surplus data became available for the first time in 1988.

family of the same size. In 2000 the income deficit for all poor families was $6,820. The income surplus for all non-poor families was $56,427. It follows that the sum of those two estimates -- $63,247 -- represents the difference in income between poor and non-poor families or simply the family income gap. In current dollars, this gap has increased by $26,092 since 1988. In constant dollars (2000 = 100), the increase has been $9,163 (see Table 1). Moreover, the income surplus of non-poor families accounted for proportionately more of the total difference in 2000 than in 1988. That is, since 1988 the real income of poor families has been falling further behind the real income of non-poor families by nearly $763 every year. The recession of 1991-1992 is reflected in a narrowing of the income difference between poor and non-poor families. *Since 1993 when the longest expansion in the economic history of the United States. got underway, the real family income gap has been growing by $1,111every year*.

These findings raise two questions. Why is this information buried in *Poverty in the United States*? Why are the poor falling further behind during the longest expansion in U.S. economic history, and what implications can be drawn from this evidence? The final answer to the first question, while it calls for insider information, seems to inhere in the Census Bureau's resolute commitment to defining and measuring poverty in terms of what is commonly called an absolute standard. The answer to the second question originates in the fundamental nature of poverty, notably how persons and families enter and exit poverty.

Table 1
Family Income Gap:
Difference in Income Between All Poor Families and All Non-poor Families
1988-2000

	Current Dollars	Constant Dollars 2000=100	Income Surplus Percent: Total Difference
1988	$ 37,155	$ 54,084	87.2
1989	39,898	55,407	87.8
1990	41,056	54,092	87.4
1991	41,963	53,054	86.9
1992	43,374	53,235	86.7
1993	46,543	55,465	87.2
1994	48,423	56,264	87.4
1995	49,801	56,271	87.9
1996	52,310	57,410	88.0
1997	55,613	59,667	88.1
1998	58,245	61,532	88.6
1999	60,814	62,858	89.0
2000	63,247	63,247	89.2

Sources: U.S. Census Bureau; Consumer Price Index from U.S. Bureau of Labor Statistics.

Technical Reason for Not Taking Note of the Family Income Gap

From the very beginning, poverty in the United States. has been defined officially as the annual cost of the goods and services required to support a minimal standard of living. It is most often called an absolute standard, but is better described as a minimal-living standard. In 2000, for instance, the annual cost of the goods and services for a family of four with no children under age 18 to live at a minimal standard of living was $17,761. This definition has been attacked from the very beginning on grounds that poverty is properly defined not in terms of some minimal-living standard but in terms of what a person or family has relative to what others have. This definition yields what is called a relative standard which usually is constructed from information regarding income distribution. For that reason, it may be described more accurately as an income-distribution standard. This standard may rendered into a specific poverty measure by defining as poor all persons or families at the lower end of the distribution, such as in the lowest 10 percent, 15 percent, 20 percent, or everyone below one-half of the median income of all persons or families. The proponents of the income-distribution standard largely have been silent in recent years such that not once in their open letter to the Census Bureau did the more than 40 well-known poverty specialists recommend incorporating income distribution in the official poverty definition or even developing a separate income-distribution standard.

The minimal-living standard clearly has won the day, and for that reason the Census Bureau's annual poverty report takes no notice of the family income gap which displays the income of poor families relative to the income of non-poor families. This omission is regrettable because it denies the social dimension of human nature, choosing instead to focus entirely on the individual dimension. Every human being is at once an individual being and a social being, a person who at times is solitary and autonomous and at other times is communal and dependent. Humans develop into different adult persons because they integrate those two dimensions differently. The extrovert and the introvert, the team player and the loner, the hero and the bystander are everyday examples of this human duality.

The minimal-living or absolute standard rests on the premise that all humans are exclusively individual beings. The income-distribution or relative standard rests on the premise that all humans are exclusively social beings. Because humans are at once individual beings and social beings, both premises should be incorporated in the way in which poverty is defined and measured. *By paying no heed to information such as the income gap between poor families and non-poor families, the official poverty definition rejects human sociality and the annual report on poverty says in effect that humans beings do not determine their own material well-being in terms of what they have compared to what their neighbors have.*

Information on the family income gap is no substitute for an accurate estimate of the numbers of persons and families who are living in poverty. However, it is an important complement to those numbers and adds significantly to our understanding of poverty. The family income gap is noteworthy in that it avoids one of the major criticisms of the typical income-distribution standard -- where to draw the line differentiating the poor from the non-poor. Is poverty to be defined and measured in terms of all persons or families in the lowest 10 percent of the income distribution?

The lowest 15 or 20 percent? Or is it income below one-half of the median income of all persons or families? That issue has not been resolved because defining poverty depends importantly though not entirely on the values of the person who does the defining. For that reason, agreement among those who define and measure poverty is critical.

The income gap between poor families and non-poor families is not arbitrary. It represents the actual dollar disadvantage of the typical poor family, and it demonstrates that at a time when there have been fewer families in poverty every year since 1980, the ones in poverty have been falling further behind those in much better financial circumstances. The family income gap is unique in that incorporates both income distribution and minimal living in one standard, thus constructing a single standard which reflects at once human individuality and human sociality. Further, because the family income gap is based on the official minimal-living (absolute) standard of poverty employed by the Census Bureau, any improvements made in constructing the official poverty thresholds or in how family income is defined and measured are automatically included in the Census Bureau's estimates of the family income gap. Thus, there is very little additional cost in supplying the yearly estimates, and improving those estimates is literally cost-free.

Why the Family Income Gap is Widening

The numbers of persons in poverty have been falling because economic expansion has been creating more and better-paying jobs for those who are poor as well as for those who are not. 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 which itself may have income either above or 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.

Large numbers of persons and families enter or exit poverty from one year to the next. Information from the Census Bureau's *Survey of Income & Program Participation* indicated that in 1990-1991 more than 11 million persons transitioned into or out of poverty. The following year the total was greater than 12 million. In 1993-94, the latest year for which these data are available, 14.4 million changed poverty status, with 6.8 million entering poverty and 7.6 million exiting poverty. For the 30.0 million persons who were poor in 1993 and did not change family status, *22 percent were not poor in 1994*. Among the 1.8 million who were poor in 1993 and changed family status, *51 percent were not poor in 1994*.

The income gap for poor compared to non-poor families in 2000 was much greater for white families ($64,992) than for black families ($46,029). It was even higher ($70,436) for white married-couple families living above poverty than for black female-headed families[3] living below poverty. The difference became much smaller ($12,978) when white married-couple families which are non-poor are compared to similarly circumstanced black married-couple families (see Table 2). *Female-headed families account for 50 percent of all poor families, and for 52 percent of all those poor families with an income deficit of $8,000 or more.*[4]

Table 2
Family Income Gap:
Difference in Income Between Poor Families and Non-poor Families
2000

All families	$ 63,247
All white families	64,992
All black families	46,029

Non-poor white married-couple families compared to ...	
poor white female-headed families	$ 70,251
poor black female-headed families	70,436
nonpoor black married couple families	12,978
Non-poor black married-couple families compared to ...	
poor white female-headed families	$ 57,273
poor black female-headed families	57,458
Poor white female-headed families compared to ...	
poor black female-headed families	$ 185

Source: U.S. Census Bureau.

Three other findings from the 2001 report on poverty are noteworthy. First, there is an income gap of more than $70,000 between white married-couple families that are living above poverty and poor female-headed families whether white or black. Second, black married-couple families that are above poverty have incomes more than $57,000 greater than the incomes of both poor black

[3] Strictly speaking, a female-headed family is one in which there is a female householder and no husband present.

[4] The Census Bureau publishes the income-deficit information using ten income intervals. The tenth interval is "$8,000 or more."

female-headed families and poor white female-headed families. Third, there is very little difference -- about $15 per month -- between poor white female-headed families and similarly circumstanced black families.

Three Remedies

The significance one attaches to these data on family income depends on one's social values and how those values are prioritized. If one holds fast to individual freedom as the dominant social value, that individuals should be free to use their skills and talents to their own best advantage and their income should be determined by how well they apply themselves in economic affairs. Thus, information on the family income gap is perceived as the reward for using those skills and talents effectively and the penalty for using them ineffectively. There is, in other words, nothing untoward in the information on family income gap, and no remedial intervention is necessary.

If, however, one embraces human equality as the dominant social value, information on the family income gap is of central importance because huge differences in income complicate the task of developing a sense of belonging within an individual business enterprise and a sense of community in a neighborhood, town, city, state, and nation. The remedies suggested below are based on the premise that greater economic equality contributes to a heightened sense of unity and oneness in business and throughout society.

The statistics on poverty for 2000 point to three remedies. The first remedy is a year-round full-time job. Only 3.3 percent of the families with at least one year-round full-time worker were living below the poverty line. Among poor female-headed families, 79 percent had no year-round full-time workers.

The second remedy is two or more wage-earners in a family. Only 2.4 percent of the families with two or more workers were officially classified as poor. For families with two or more persons working year-round full-time, the rate of poverty was 0.6 percent. In poor families headed by a female, only 8.8 percent had two or more workers, and virtually *none* had two or more year-round full-time workers.

The third remedy is a husband and wife living together. The rate of poverty for married-couple families in 2000 was 4.7 percent. If there is one worker in a married-couple family, the poverty rate is 8.8 percent. With two or more working in a married-couple family the rate drops to 1.9 percent. Among female-headed families with no workers, the poverty rate is 63.7 percent. With two or more workers, the rate of poverty for female-headed families is 7.4 percent.

Poverty remains a serious problem even at the end of the longest economic expansion in U.S. history, suggesting at least for married-couple families that the poverty rate likely will not fall further in the future. Indeed, a rate of poverty of 4.7 percent for all married-couple families could be the *lower limit* because even in the best of times such families will experience death, birth, disease, injury and thereby at times fall below the poverty line. Similarly, a rate of poverty of 24.7 percent could be the *lower limit* for all female-headed families because, in addition to experiencing the significant life events of death, birth, disease, injury, 91.2 percent of such families even in the best of times were one-worker or no-worker families.

What happens in the future regarding the family income gap depends importantly on which social value prevails -- individual freedom or human equality. The gap likely will become larger or smaller depending on whether freedom or equality is the more highly valued.