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**CENSUS DATA SHOW INCREASES IN EXTENT AND SEVERITY
OF POVERTY AND DECLINE IN HOUSEHOLD INCOME
Income Disparities At Record Levels**

Census data issued today show that poverty increased in 2001, while median household income fell, and the income gap between the affluent and the rest of society either tied or set new all-time recorded highs.

The number of people living in poverty rose by 1.3 million in 2001, to 32.9 million. Median household income — the income of the household in the middle of the income spectrum — fell by \$900 to \$42,200. In addition, the share of the national household income going to the top five percent of the population reached an all-time high (these data go back to 1967), while the shares going to the bottom, the next-to-bottom, and the middle fifths of the population fell to all-time lows.

The poor also became poorer. The average amount by which people who were poor — and children who were poor — fell below the poverty line reached their highest levels on record. These data go back to 1979.

Both the increase in poverty and the reduction in median income primarily reflect the effects of recession. Most analysts expect poverty to increase further - and income to decline more — in 2002. Poverty rates generally rise and incomes fall when unemployment increases significantly, and unemployment is much higher in 2002 than it was in 2001. The unemployment rate averaged 4.8 percent in 2001. During the first eight months of 2002, it averaged 5.9 percent, and the Congressional Budget Office forecasts that it will remain at about six percent until the second half of 2003.

Furthermore, the number of unemployed workers who have run out of unemployment benefits before finding work is much larger in 2002 than it was in 2001. More than one million workers exhausted all of their unemployment benefits before finding work during the first eight months of 2002, and this number is expected to top two million by the end of the year. Some states also instituted cuts in programs for low-income households in 2002 as part of effort to close swelling budget deficits.

"The increase in poverty is likely to be larger in 2002 than the increase of 1.3 million people that occurred in 2001," stated Robert Greenstein, executive director of the Center on Budget and Policy Priorities.

Among the findings from the poverty data the Census Bureau released today are the following:

- Both the percentage of people who are poor (i.e., the poverty rate) and the number of people who are poor increased in 2001. Increases occurred among the overall population, non-Hispanic whites, people aged 18-64, and unrelated men, among other groups. (The increase in the poverty rate for African-American *persons* was not statistically significant, but there was a large and statistically significant increase in the poverty rate for African-American *families*, from 19.3 percent in 2000 to 20.7 percent in 2001.)
- Poverty increased in metropolitan areas and in suburbs within these areas, although poverty rates remain considerably lower in the suburbs than in cities or non-metropolitan areas. The number of poor people in suburban areas climbed by 700,000.
- The depth, or severity, of poverty increased. The average amount by which those who were poor fell below the poverty line rose to \$2,707 per poor person in 2001. This represents the largest "per-person poverty gap" on record. (These data go back to 1979. They are derived from unpublished Census tables made available today and count non-cash benefits such as food stamps and housing subsidies, as well as the Earned Income Tax

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Credit, as income, while subtracting income and payroll taxes. This approach to measuring poverty is similar to the approach recommended several years ago by a National Academy of Sciences expert panel.)

- The average amount by which poor children fell below the poverty line also increased; it, too, reached the highest point on record, going back to 1979. These data indicate that the principal reason poor children were poorer, on average, in 2001 than in any other year since 1979 is that government safety net programs did less to reduce the severity of poverty last year than in any other year since 1979.
- Median household income declined by \$900 for U.S. households overall, a decline of 2.2 percent. (These figures are adjusted for inflation.) Median household income fell among all racial-ethnic groups except Hispanic households (for Hispanics, the drop in median income was not statistically significant). Large declines occurred among African-American households — for which median income fell by \$1,025, or 3.4 percent — and among Asian and Pacific Islander households — for which median income dropped by \$3,678, or 6.4 percent.
- Median household income fell in every region of the country except the Northeast. The largest declines occurred in the Midwest, where median income fell \$1,662 or 3.7 percent, and in the West, where median income dropped by \$1,082, or 2.3 percent.

The poverty rate, however, rose only in the South where it increased from 12.8 percent to 13.5 percent. The South has the highest poverty rate of any region.

The Census data show that income inequality either set a new record high in 2001 or tied for the highest level on record. The recorded data go back to 1967.

A table that the Census Bureau issued today, entitled "Selected Measures of Household Income Inequality: 1967 to 2001," provides five statistical measures of inequality for the years from 1967 to 2001. Under every one of these measures, inequality reached its widest point in 2001, although the change between 2000 and 2001 was not statistically significant for all of these measures.

Other Census data issued today show a similar pattern.

- The average income of the top five percent of the population rose by \$1,000 in 2001, from \$259,445 in 2000 to \$260,464 in 2001. The average income for every other income category fell in 2001.
- The share of the national income that the top five percent of the population income receive reached its highest level on record in 2001. By contrast, the shares going to the bottom fifth (which received just 3.5 percent of the national income last year), the next-to-the bottom fifth, and the middle fifth fell to recorded lows. The share going to the next-to-the-top fifth tied for an all-time low.

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