

## APPENDIX H. DATA ON POVERTY

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### MEASURING POVERTY

When the Federal Government began measuring poverty in the early 1960s, the continued existence of poor people in a time of the "Affluent Society" seemed anomalous. Official concern soon translated into efforts to measure the size of the poverty population, and the search began for programmatic ways to alleviate poverty. The first rough estimates of the incidence of poverty were based on survey data indicating that families generally spent about one-third of their income on food. A poverty level income was then calculated by using as a yardstick the amount of money necessary to purchase the lowest cost "nutritionally adequate" diet calculated by the Department of Agriculture (roughly equivalent to the current Thrifty Food Plan). This price tag was multiplied by three to produce a poverty threshold. The assumption underlying this procedure is that if a family did not have enough income to buy the lowest cost nutritionally adequate diet, and twice that amount to buy other goods and services, it was "poor." Adjustments were made for the size of the family, the sex of the family head, and for whether the family lived on a farm. Farm families were assumed to need less cash income because their needs could be met partially by farm products, particularly food. The adjustments for sex of the family head and for farm-nonfarm residence were abolished in 1981. Policy officials made a major change to the basic approach for calculating the poverty threshold in 1969. Rather than multiplying the cost

of the Thrifty Food Plan by three to establish the poverty threshold, officials decided to simply increase the previous year's threshold by the change in the Consumer Price Index (CPI).

In addition to this major change, the Census Bureau made minor revisions in its method of estimating the poverty threshold four times—in 1966, 1974, 1979, and 1981. These revisions changed the estimate of the poverty rate. The first two revisions slightly reduced the estimated number of poor, while the more recent revisions slightly increased the number. In 1984, the Census Bureau also revised its method of imputing missing values for interest income, which slightly lowered the estimated poverty rate.

Data on income and poverty after 1987 may not be comparable to data in earlier years because of changes in the methods used by the Census Bureau to process survey results. This new processing system was applied to 1987 data so that 1988 and 1987 data are comparable. Revised 1987 data are denoted as 1987R. The new processing system increased aggregate income by 0.9 percent and lowered the poverty rate for 1987 by 0.1 percent.

The tables in this subsection provide poverty data calculated using the official Census definition of poverty. The Census definition of poverty has remained fairly standard over time and is useful for measuring progress against poverty. Under this definition, poverty is determined by comparing pretax cash income with the poverty threshold.

Table H-1 shows the population, number of persons in poverty, and the poverty rate in 1998 by age, race, region and family type. In 1998, 12.7 percent (34.5 million persons) of the total U.S. population lived in poverty. Of all demographic groups shown, poverty was second highest among female-headed families with children (33.1 percent). Among children under age 18, 18.9 percent, or 13.5 million children, lived in poverty in 1998.

The weighted average poverty thresholds for families of various sizes for selected years between 1959 and 1998 are presented in table H-2.

### TRENDS IN THE OVERALL POVERTY RATE <sup>1</sup>

In 1959, the overall poverty rate for individuals in the United States was 22 percent, representing 39.5 million poor persons (tables H-3 and H-4). Between 1959 and 1969, the poverty rate declined dramatically and steadily to 12.1 percent. As a result of a sluggish economy, the rate increased slightly to 12.5 percent by 1971. In 1972 and 1973, however, it began to decrease again. The lowest rate over the entire 24-year period occurred in 1973, when the poverty rate was 11.1 percent. At that time roughly 23 million people were poor, 42 percent less than were poor in 1959.

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<sup>1</sup>All poverty trend information is based upon published Census Bureau data contained in Current Population Reports, Series P-60, Nos. 124, 140, 145, 149, 154, 157, 161, 166, 168, 174, 180, and 185. These figures may differ with other parts of this report which provide a more refined breakdown of this age category. Data for blacks, the aged, and nonaged population were not available for the years 1961-65.

TABLE H-1.—POVERTY STATUS OF PERSONS BY AGE, ETHNICITY, REGION, AND FAMILY TYPE, 1998

Category	Poverty rate (percent)	Population (thousands)	Percent of total population	Number of poor (thousands)	Percent of poverty population	Poverty difference 1997-98	Percent of difference
<b>Age:</b>							
Under 18 .....	18.9	71,378	26.3	13,467	39.0	- 647	- 1.0
18-64 .....	10.5	167,327	61.7	17,623	51.1	- 462	- 0.4
65 and older .....	10.5	32,394	12.0	3,386	9.8	10	- 0.1
<b>Race/ethnicity:</b>							
White .....	10.5	222,837	82.0	23,454	68.0	- 942	- 0.5
Black .....	26.1	34,877	12.9	9,091	26.4	- 25	- 0.4
Hispanic <sup>1</sup> .....	25.6	31,515	11.6	8,070	23.4	- 238	- 1.5
<b>Region:</b>							
Northeast .....	12.3	51,472	19.1	6,357	18.4	- 117	- 0.4
Midwest .....	10.3	63,155	23.3	6,501	18.9	8	- 0.1
South .....	13.7	94,640	34.9	12,992	37.7	- 757	- 0.9
West .....	14.0	61,522	22.7	8,625	25.0	- 233	- 0.6
<b>Family type: <sup>2</sup></b>							
Unrelated individuals .....	19.9	42,539	15.7	8,478	24.6	- 209	- 0.9
Female-headed families .....	33.1	39,000	14.4	12,907	37.4	- 164	- 1.6
Married-couple families .....	6.2	177,042	65.3	10,982	31.9	58	0.1
Unrelated subfamilies .....	48.8	1,288	4.8	628	1.8	- 152	2.3
<b>Total .....</b>	<b>12.7</b>	<b>271,059</b>	<b>26.3</b>	<b>34,476</b>	<b>100.0</b>	<b>- 1,098</b>	<b>- 0.5</b>

<sup>1</sup>Persons of Hispanic origin may be of any race.

<sup>2</sup>About 1.5 million families are in categories other than the ones listed here.

Source: U.S. Census Bureau (1999).

TABLE H-2.—WEIGHTED AVERAGE POVERTY THRESHOLDS FOR NONFARM FAMILIES OF SPECIFIED SIZE, SELECTED YEARS 1959–98

Calendar year	Unrelated individuals			Two persons			Families of more than two persons				
	All ages	Under age 65	Age 65 or older	All ages	Head under age 65	Head age 65 or older	Three persons	Four persons	Five persons	Six persons	Seven persons or more
1959	\$1,467	\$1,503	\$1,397	\$1,894	\$1,952	\$1,761	\$2,324	\$2,973	\$3,506	\$3,944	\$4,849
1960	1,490	1,526	1,418	1,924	1,982	1,788	2,359	3,022	3,560	4,002	4,921
1965	1,582	1,626	1,512	2,048	2,114	1,906	2,514	3,223	3,797	4,264	5,248
1970	1,954	2,010	1,861	2,525	2,604	2,348	3,099	3,968	4,680	5,260	6,468
1975	2,724	2,797	2,581	3,506	3,617	3,257	4,293	5,500	6,499	7,316	9,022
1980	4,190	4,290	3,949	5,363	5,537	4,983	6,565	8,414	9,966	11,269	<sup>1</sup> 12,761
1983	5,061	5,180	4,775	6,483	6,697	6,023	7,938	10,178	12,049	13,630	<sup>1</sup> 15,500
1984	5,278	5,400	4,979	6,762	6,983	6,282	8,277	10,609	12,566	14,207	<sup>1</sup> 16,096
1985	5,469	5,593	5,156	6,998	7,231	6,503	8,573	10,989	13,007	14,696	<sup>1</sup> 16,656
1986	5,572	5,701	5,255	7,138	7,372	6,630	8,737	11,203	13,259	14,986	<sup>1</sup> 17,049
1987	5,778	5,909	5,447	7,397	7,641	6,872	9,056	11,611	13,737	15,509	<sup>1</sup> 17,649
1988	6,022	6,155	5,674	7,704	7,958	7,157	9,435	12,092	14,304	16,146	<sup>1</sup> 18,232
1989	6,310	6,451	5,947	8,076	8,343	7,501	9,885	12,674	14,990	16,921	<sup>1</sup> 19,162
1990	6,652	6,800	6,268	8,509	8,794	7,905	10,419	13,359	15,792	17,839	<sup>1</sup> 20,241
1991	6,932	7,086	6,532	8,865	9,165	8,241	10,860	13,924	16,456	18,587	<sup>1</sup> 21,058
1992	7,143	7,299	6,729	9,137	9,443	8,487	11,186	14,335	16,952	19,137	<sup>1</sup> 21,594
1993	7,363	7,518	6,930	9,414	9,728	8,740	11,522	14,763	17,449	19,718	<sup>1</sup> 22,383
1994	7,547	7,710	7,108	9,661	9,976	8,967	11,821	15,141	17,900	20,235	<sup>1</sup> 22,923
1995	7,763	7,929	7,309	9,933	10,259	9,219	12,158	15,569	18,408	20,804	<sup>1</sup> 23,552
1996	7,995	8,163	7,525	10,145	10,507	9,484	12,273	16,183	19,516	22,447	<sup>1</sup> 25,828
1997	8,183	8,350	7,698	10,473	10,805	9,712	12,802	16,400	19,380	21,886	<sup>1</sup> 24,802
1998	8,316	8,480	7,818	10,634	10,972	9,862	13,003	16,660	19,680	22,228	<sup>1</sup> 25,257

<sup>1</sup> Poverty threshold for seven persons, not seven persons or more.

Source: U.S. Census Bureau, technical papers.

TABLE H-3.—NUMBER OF PERSONS IN POVERTY FOR INDIVIDUALS IN SELECTED DEMOGRAPHIC GROUPS, 1959–98

[Numbers in thousands]

Year	Overall	Aged	Children <sup>1</sup>	Individuals in female-headed families <sup>2</sup>	Black	Hispanic origin <sup>3</sup>	White
1959	39,490	5,481	17,552	7,014	9,927	NA	28,484
1960	39,851	NA	17,634	7,247	NA	NA	28,309
1961	39,628	NA	16,909	7,252	NA	NA	27,890
1962	38,625	NA	16,963	7,781	NA	NA	26,672
1963	36,436	NA	16,005	7,646	NA	NA	25,238
1964	36,055	NA	16,051	7,297	NA	NA	24,957
1965	33,185	NA	14,676	7,524	NA	NA	22,496
1966	28,510	5,114	12,389	6,861	8,867	NA	19,290
1967	27,769	5,388	11,656	6,898	8,486	NA	18,983
1968	25,389	4,632	10,954	6,990	7,616	NA	17,395
1969	24,147	4,787	9,691	6,879	7,095	NA	16,659
1970	25,420	4,793	10,440	7,503	7,548	NA	17,484
1971	25,559	4,273	10,551	7,797	7,396	NA	17,780
1972	24,460	3,738	10,284	8,114	7,710	2,414	16,203
1973	22,973	3,354	9,642	8,178	7,388	2,366	15,142
1974	23,370	3,085	10,156	8,462	7,182	2,575	15,736
1975	25,877	3,317	11,104	8,846	7,545	2,991	17,770
1976	24,975	3,313	10,273	9,029	7,595	2,783	16,713
1977	24,720	3,177	10,288	9,205	7,726	2,700	16,416
1978	24,497	3,233	9,931	9,269	7,625	2,607	16,259
1979	26,072	3,682	10,377	9,400	8,050	2,921	17,214
1980	29,272	3,871	11,543	10,120	8,579	3,491	19,699
1981	31,822	3,853	12,505	11,051	9,173	3,713	21,553
1982	34,398	3,751	13,647	11,701	9,697	4,301	23,517
1983	35,303	3,625	13,911	12,072	9,882	4,633	23,984
1984	33,700	3,330	13,420	11,831	9,490	4,806	22,955
1985	33,064	3,456	13,010	11,600	8,926	5,236	22,860
1986	32,370	3,477	12,876	11,944	8,983	5,117	22,183
1987	32,221	3,563	12,843	12,148	9,520	5,422	21,195
1988	31,745	3,481	12,455	11,972	9,356	5,357	20,715
1989	31,528	3,363	12,590	11,668	9,302	5,430	20,785
1990	33,585	3,658	13,431	12,578	9,837	6,006	22,326
1991	35,708	3,781	14,341	13,824	10,242	6,339	23,747
1992 <sup>4</sup>	38,014	3,928	15,294	14,205	10,827	7,592	25,259
1993	39,265	3,755	15,727	14,636	10,877	8,126	26,226
1994	38,059	3,663	15,289	14,380	10,196	8,416	25,379
1995	36,425	3,318	14,665	14,205	9,872	8,574	24,423
1996	36,529	3,428	14,463	13,796	9,694	8,697	24,650
1997	35,574	3,376	14,113	13,494	9,116	8,308	24,396
1998	34,476	3,386	13,467	12,907	9,091	8,070	23,454

<sup>1</sup> All children including unrelated children.<sup>2</sup> Does not include females living alone.<sup>3</sup> Hispanic origin may be of any race; it is an overlapping category.<sup>4</sup> For 1992, figures are based on 1990 Census population controls.

NA—Not available.

Source: U.S. Census Bureau (1996, 1999).

TABLE H-4.—POVERTY RATES FOR INDIVIDUALS IN SELECTED DEMOGRAPHIC GROUPS, 1959–98

Year	Overall	Aged	Children <sup>1</sup>	Individuals in female-headed families <sup>2</sup>	Black	Hispanic origin <sup>3</sup>	White
1959	22.4	35.2	27.3	49.4	55.1	NA	18.1
1960	22.2	NA	26.9	48.9	NA	NA	17.8
1961	21.9	NA	25.6	48.1	NA	NA	17.4
1962	21.0	NA	25.0	50.3	NA	NA	16.4
1963	19.5	NA	23.1	47.7	NA	NA	15.3
1964	19.0	NA	23.0	44.4	NA	NA	14.9
1965	17.3	NA	21.0	46.0	NA	NA	13.3
1966	14.7	28.5	17.6	39.8	41.8	NA	11.3
1967	14.2	29.5	16.6	38.8	39.3	NA	11.0
1968	12.8	25.0	15.6	38.7	34.7	NA	10.0
1969	12.1	25.3	14.0	38.2	32.2	NA	9.5
1970	12.6	24.6	15.1	38.1	33.5	NA	9.9
1971	12.5	21.6	15.3	38.7	32.5	NA	9.9
1972	11.9	18.6	15.1	38.2	33.3	22.8	9.0
1973	11.1	16.3	14.4	37.5	31.4	21.9	8.4
1974	11.2	14.6	15.4	36.5	30.3	23.0	8.6
1975	12.3	15.3	17.1	37.5	31.3	26.9	9.7
1976	11.8	15.0	16.0	37.3	31.1	24.7	9.1
1977	11.6	14.1	16.2	36.2	31.3	22.4	8.9
1978	11.4	14.0	15.9	35.6	30.6	21.6	8.7
1979	11.7	15.2	16.4	34.9	31.0	21.8	9.0
1980	13.0	15.7	18.3	36.7	32.5	25.7	10.2
1981	14.0	15.3	20.0	38.7	34.2	26.5	11.1
1982	15.0	14.6	21.9	40.6	35.6	29.9	12.0
1983	15.2	13.8	22.3	40.2	35.7	28.0	12.1
1984	14.4	12.4	21.5	38.4	33.8	28.4	11.5
1985	14.0	12.6	20.7	37.6	31.3	29.0	11.4
1986	13.6	12.4	20.5	38.3	31.1	27.3	11.0
1987	13.4	12.5	20.3	38.1	32.4	28.1	10.4
1988	13.0	12.0	19.5	37.2	31.3	26.7	10.1
1989	12.8	11.4	19.6	35.9	30.7	26.2	10.0
1990	13.5	12.2	20.6	37.2	31.9	28.1	10.7
1991	14.2	12.4	21.8	39.7	32.7	28.7	11.3
1992 <sup>4</sup>	14.8	12.9	22.3	39.0	33.4	29.6	11.9
1993	15.1	12.2	22.7	38.7	33.1	30.6	12.2
1994	14.5	11.7	21.8	38.6	30.6	30.7	11.7
1995	13.8	10.5	20.8	36.5	29.3	30.3	11.2
1996	13.7	10.8	20.5	35.8	28.4	29.4	11.2
1997	13.3	10.5	19.9	35.1	26.5	27.1	11.0
1998	12.7	10.5	18.9	33.1	26.1	25.6	10.5

<sup>1</sup> All children including unrelated children.<sup>2</sup> Does not include females living alone.<sup>3</sup> Hispanic origin may be of any race; it is an overlapping category.<sup>4</sup> For 1992, figures are based on 1990 Census population controls.

NA—Not available.

Source: U.S. Census Bureau (1996, 1999).

The poverty rate increased by 1975 to 12.3 percent, and then oscillated around 11.5 percent through 1979. After 1978, however, the poverty rate rose steadily, reaching 15.2 percent in 1983. Between 1983 and 1993, the poverty rate moved up and down within a narrow range of about 2.5 percentage points, declining somewhat during economic recoveries and rising somewhat during economic downturns. However, poverty declined every year after 1993, reaching 12.7 percent in 1998, the last year for which data are available. The 1998 rate was the lowest since 1979. The children's rate of 18.9 percent was the lowest since 1980.

#### **POVERTY RATES FOR INDIVIDUALS IN SELECTED SUBGROUPS OF THE POPULATION**

As table H-4 illustrates, there are substantial differences between the overall poverty rate and the poverty rates of individuals in certain demographic subgroups. Most notably, blacks, individuals in female-headed households, and Hispanics have poverty rates that greatly exceed the average. The poverty rates for individuals in female-headed households remained above 35 percent over the 1959-97 period. However, it declined every year after 1991 and in 1998 reached its lowest level ever at 33.1. The poverty rate for blacks and Hispanics has remained near 30 percent during the 1980s and mid 1990s. However, both rates declined every year after the early 1990s and for blacks it reached its lowest level ever in 1998 at 26.1. The poverty rate for the aged, which exceeded the overall poverty rate in 1959, fell quickly beginning in the 1960s. By 1998 it had reached the remarkably low level of 10.5, a decline of over 70 percent since 1979. The poverty rate for whites was below the overall poverty rate throughout the entire 1959-98 period. It was 10.5 percent in 1998. Unfortunately, the poverty rate for children exceeded the overall poverty rate every year between 1959 and 1998.

#### **POVERTY RATES FOR FAMILIES<sup>2</sup>**

Table H-5 shows the composition of the poverty population for various demographic groups for selected years between 1959 and 1998. Table H-6 presents poverty data for families and unrelated individuals (individuals living alone). Female-headed families with children and unrelated individuals are more likely to be poor than other families with children or families with aged members. In 1998, 39.2 percent of female-headed families with children were poor, compared with 7.8 percent of male-present families. Although only 6.4 percent of all families with an aged member were poor, 20.4 percent of all aged unrelated individuals were poor. About 19.8 percent of nonaged unrelated individuals were poor.

<sup>2</sup>Income figures reported in this subsection were from the March Current Population Survey (CPS) computer data tapes. There is a tendency in surveys, such as the CPS, for respondents to underreport their incomes by both source and amount. Reporting of income from earnings is usually more accurate than reporting of income from other sources. In general, CPS estimates of amounts or numbers of recipients of various cash and noncash transfer programs tend to be lower than administrative program totals. As a result, the data are a better reflection of general trends and patterns than of absolute numbers with income from a particular source, or the amount received. Unrelated subfamilies are included as families in this analysis. The Census Bureau excludes such families from its poverty counts.

TABLE H-5.—COMPOSITION OF POVERTY POPULATION FOR SELECTED DEMOGRAPHIC GROUPS,<sup>1</sup> SELECTED YEARS 1959–1997

[Percent of poverty population]

Demographic group	Year												
	1959	1966	1975	1985	1987	1988	1990	1991	1992	1993	1994	1996	1998
Aged .....	13.9	17.9	12.8	10.5	10.9	11.0	10.9	10.6	10.3	9.6	9.6	9.4	9.8
Children .....	43.6	42.6	42.1	38.8	39.4	38.7	39.5	39.5	39.7	39.5	39.6	38.8	38.3
Nonaged adults .....	42.5	39.5	45.1	50.7	49.7	50.3	49.7	49.9	49.9	50.9	50.8	51.8	51.9
Individuals in female-headed families <sup>2</sup> .....	26.3	36.0	47.4	49.5	52.6	52.9	53.4	54.0	52.6	52.4	52.8	53.5	53.5
Individuals in all other families <sup>2</sup> .....	73.7	64.0	52.6	50.5	47.4	47.1	46.6	46.0	47.4	47.6	47.2	46.5	46.5
Blacks .....	25.1	31.1	29.2	27.0	29.8	29.5	29.3	28.7	28.5	27.7	26.8	26.5	26.4
Whites .....	72.1	67.7	68.7	69.1	65.6	65.3	66.5	66.5	66.4	66.8	66.7	67.5	68.0
Other races .....	2.8	1.2	2.1	3.9	4.7	5.3	4.2	4.8	5.1	5.5	6.5	6.0	5.6
Hispanic origin <sup>3</sup> .....	NA	NA	11.6	15.8	16.9	16.9	17.9	17.8	20.0	20.7	22.1	23.8	23.4
Individuals in families with children <sup>4</sup> .....	NA	NA	NA	NA	NA	NA	68.0	68.4	68.4	68.7	68.0	66.7	65.1
Male present .....	NA	NA	NA	NA	NA	NA	30.7	30.3	31.4	32.0	31.2	30.1	28.9
Female head .....	NA	NA	NA	NA	NA	NA	37.2	38.1	37.0	36.7	36.9	36.5	36.2
Individuals in all other families .....	NA	NA	NA	NA	NA	NA	32.0	31.6	31.6	31.3	32.0	33.3	34.9

<sup>1</sup> Demographic data are for March of the following year.

<sup>2</sup> Includes unrelated or single individuals.

<sup>3</sup> Hispanic origin may be of any race; therefore numbers add to more than 100 percent.

<sup>4</sup> Family includes related children under 18.

NA—Not available.

Note.—Estimates for 1987–94 are not comparable to prior years due to processing changes in the Current Population Survey.

Source: Table prepared by the Congressional Research Service. 1959–85 estimates based on data from U.S. Census Bureau (1986); 1986–98 data from March Current Population Survey.

TABLE H-6.—POVERTY RATES BY FAMILY TYPE, SELECTED YEARS 1987–97, AND PERCENTAGE OF FAMILIES AND UNRELATED INDIVIDUALS BY RATIO OF TOTAL INCOME TO POVERTY THRESHOLD, 1997<sup>1 2</sup>

Family type	Poverty rate, 1987–98							Ratio of total income to poverty threshold, 1998							1998 total (in thousands)
	1987	1990	1991	1993	1996	1997	1998	Under 0.50	0.50–0.99	1.00–1.24	1.25–1.49	1.50–1.99	2.00–2.99	3.00 and over	
<b>Total:</b>															
Families .....	11.0	11.1	11.8	12.7	11.3	10.6	10.3	4.2	6.1	3.6	3.9	8.6	17.1	56.6	72,075
Unrelated individuals	20.4	20.7	21.1	22.1	20.8	20.8	19.9	8.6	11.4	6.6	6.0	10.6	17.9	38.9	42,539
<b>No members age 65 or older:</b>															
Families .....	11.9	12.2	13.0	14.0	12.4	11.7	11.2	4.8	6.5	3.5	3.7	8.0	15.7	57.9	58,273
Unrelated individuals	19.1	19.1	19.6	21.3	20.7	20.8	19.8	10.2	9.6	4.8	4.3	8.4	18.0	44.7	31,975
<b>Any member age 65 or older:</b>															
Families .....	7.2	6.4	6.7	7.0	6.4	6.1	6.4	1.8	4.6	3.7	4.8	11.2	22.8	51.1	13,803
Unrelated individuals	23.9	24.7	24.9	24.1	20.9	21.0	20.4	3.5	16.9	12.2	11.2	17.3	17.3	21.6	10,564
<b>Families with children:</b>															
Female-headed family, no husband present .....	46.3	45.3	47.6	46.7	42.3	41.5	39.2	18.9	20.3	9.0	6.8	12.4	16.9	15.8	9,342
Male-present families	8.1	8.5	9.0	9.9	8.5	8.0	7.8	2.4	5.4	3.3	4.2	9.4	19.0	56.4	28,414

<sup>1</sup>Based on Census (“Orshansky”) poverty levels.

<sup>2</sup>Unrelated subfamilies are treated as separate families. Related subfamilies are not treated as separate families but as members of the family with whom they reside.

Source: Table prepared by the Congressional Research Service based on March Current Population Survey for selected years.

POVERTY UNDER ALTERNATIVE MEASURES OF INCOME AND PRICE  
INFLATION

The Census Bureau publishes data that reflect two adjustments in the official definition of poverty. The first of these is an alternative inflation adjustment. The official poverty line is based on a procedure developed in 1965 with yearly adjustments for inflation using the CPI. The CPI, in turn, is based on the yearly change in prices of goods used by most Americans. Prior to 1983, the CPI measured housing prices using a procedure that included changes in the asset value of owned homes. Because the asset value of houses was growing so much faster than the consumption value, the inflation rate that included asset values was excessive.

In 1983 the Bureau of Labor Statistics began using a rental equivalence approach to measure the value of housing. The official CPI-U inflation rate is based on the asset value of housing prior to 1983 and rental equivalence in 1983 and later. To provide a consistent time series, the Bureau constructed an experimental series, the CPI-U-X1, for 1967-82 based on rental equivalence.

The general effect of using the CPI-U-X1 is to lower inflation in past years which in turn has the effect of lowering poverty thresholds for those years. A lower threshold means that fewer people are poor. As can be seen by comparing the first two columns in table H-7, adjusting the poverty threshold using the CPI-U-X1 reduced the official poverty rate by about 1.4 or 1.5 percentage points in most years between 1979 and 1998. In 1998, the CPI-U-X1 reduced the poverty rate by 1.4 percentage points (11 percent or 3.8 million persons).

The second adjustment in the official poverty rate made by the Census Bureau is to expand the definition of income to take into account some noncash income, including government benefits. Under the procedures by which the official poverty rate is calculated, only cash is counted in determining whether a family is poor; income from cash welfare programs counts, but benefits from food programs, medical care, social services, education and training, and housing are not included in the calculation. Moreover, because government spending on means-tested noncash benefits has increased more rapidly than spending on means-tested cash benefits over the years, ignoring noncash benefits may be an increasingly serious omission if we want a broad picture of the impact of government programs on poverty.

The question of how to value noncash benefits raises a variety of substantive and technical issues. The Census Bureau has been working on these issues, consulting with academic experts, sponsoring conferences, and issuing technical reports for many years. In 1997, the Bureau published a consistent historical data series, covering the years 1979-91, to trace the impact of a variety of taxes and noncash benefits on poverty and income. The measurement of noncash benefits extended beyond government spending for the poor to include government spending programs such as Medicare that are not means tested as well as to employer contributions to employee health plans.

To examine the impact on income and poverty of various State and Federal taxes, government noncash programs, employer-

provided benefits, and so forth, the Bureau has adopted a framework that includes 15 definitions of income. By comparing income under these multiple definitions, it is possible to estimate the impact of the various income sources on the average income and the poverty rates of individuals and families.

TABLE H-7.—POVERTY UNDER ALTERNATIVE MEASURES OF INCOME AND PRICE INFLATION, 1979–98

Year	Poverty rate			Percentage reduction in official poverty associated with:	
	Official (CPI-U)	Using CPI-U-X1	CPI-U-X1 with noncash benefits <sup>1</sup>	CPI-U-X1	CPI-U-X1 with noncash benefits <sup>1</sup>
1979 .....	11.7	10.6	7.9	9.4	32.5
1980 .....	13.0	11.5	8.6	11.5	33.8
1981 .....	14.0	12.2	9.8	12.9	30.0
1982 .....	15.0	13.2	10.6	12.0	29.3
1983 .....	15.2	13.7	11.0	9.9	27.6
1984 .....	14.4	12.8	10.4	11.1	27.8
1985 .....	14.0	12.5	10.1	10.7	27.9
1986 .....	13.6	12.2	9.8	10.3	27.9
1987 .....	13.4	12.0	9.5	10.4	29.1
1988 .....	13.0	11.7	9.5	10.0	26.9
1989 .....	12.8	11.4	8.9	10.9	30.5
1990 .....	13.5	12.1	9.5	10.4	29.6
1991 .....	14.2	12.7	9.9	10.6	30.3
1992 .....	14.8	13.4	10.5	9.5	29.1
1993 .....	15.1	13.7	10.7	9.3	29.1
1994 .....	14.5	13.2	9.8	9.0	29.7
1995 .....	13.8	12.3	9.0	10.9	34.8
1996 .....	13.7	12.2	8.9	10.9	35.0
1997 .....	13.3	11.8	8.8	11.3	33.8
1998 .....	12.7	11.3	8.2	11.0	35.4
Percent change:					
1979–89 .....	9.4	7.5	12.7	NA	NA
1979–98 .....	8.5	6.6	3.8	NA	NA

<sup>1</sup> Including income from capital gains, health insurance supplements to wage or salary income, non-means-tested and means-tested government cash transfers, other means-tested government noncash transfers, the value of Medicare, the value of regular-price school lunches, the value of Medicaid, the earned income credit (EIC), less Social Security payroll taxes, less Federal income taxes (excluding the EIC), less State income taxes.

NA—Not available.

Source: U.S. Census Bureau (1998 and various years).

Income definition 14 is of interest to those concerned with the impact of government means-tested, noncash benefits on poverty rates. Unlike the official poverty rate, which includes only cash government benefits, definition 14 includes the effects of State and Federal taxes, employer-provided benefits, non-means-tested government benefits, and means-tested noncash benefits including

food stamps, housing, school lunch, and the fungible value of Medicaid.

By comparing the official poverty rate with the definition 14 poverty rate, we can determine the impact on poverty of noncash benefits and government taxes. The third column in table H-7 is the poverty rate for years 1979-98 based on definition 14 and using the CPI-U-X1 deflator. Compared with the rate based on CPI-U-X1 (column 2), including taxes and noncash benefits (and a few other types of income that have little impact on poverty) in the poverty calculation reduces the poverty rate in 1998 by 3.1 percentage points. Compared with the official poverty rate, the reduction is 4.5 percentage points or 35 percent.

The question of whether to include medical benefits when measuring poverty has great implications on poverty rates. The valuation of medical benefits is particularly difficult. Most poverty experts believe that medical coverage should not by itself raise poor individuals above the poverty line or constitute a major portion of the poverty threshold. The development of the poverty thresholds did not take into account medical costs. Although poor persons are clearly better off with medical coverage, such benefits cannot be used by recipients to meet other needs of daily living. Also, since health insurance costs are not imputed to the incomes of those above poverty, it seems inappropriate to count health benefits as income for those below the poverty line.

#### POVERTY BY METRO AREA AND STATE

Tables H-8 and H-9 present poverty rates for nonmetro and metro areas and by race in nonmetro and metro areas respectively. Table H-8 shows that poverty rates have increased more in metro than in nonmetro areas (18.3 percent compared to 6.7 percent, respectively, between 1978 and 1998). Moreover, since 1983 poverty has decreased much more in nonmetro areas (21.3 percent) than metro areas (10.9 percent). Poverty in central cities is higher than in either nonmetro areas or metro areas and progress in reducing poverty over the same 1983-98 period (6.6 percent) is slower. Table H-9 shows that poverty among blacks and Hispanics is much higher than poverty among whites in metro areas, nonmetro areas, and inner cities.

Table H-10 presents poverty rates by State for 1988-98, based on 3-year averages. The data are shown as 3-year averages due to poor statistical reliability of State poverty rates in a single year, resulting from small sample sizes.

#### TRENDS IN FAMILY COMPOSITION AND INCOME, 1967-98

In the past 30 years, the level of and inequality among family incomes has changed significantly according to all income measures. Between 1967 and 1973, income increased for all quintiles, and income inequality went down. As measured by the Congressional Budget Office, over this time period the lowest quintile experienced an increase in mean adjusted family income (AFI; family income divided by the poverty threshold for the appropriate family size) of 30 percent, while income for the highest quintile grew by 21 percent. Since, 1973, however, the trend has been markedly dif-

ferent. Income of the bottom quintile has declined, while income for the highest quintile has risen.

TABLE H-8.—POVERTY RATES IN NONMETRO AND METRO AREAS, 1978–98

[Persons in percent]

Year	Nonmetro	Metro	
		Total	Central cities only
1978	13.5	10.4	15.4
1979	13.8	10.7	15.7
1980	15.4	11.9	17.2
1981	17.0	12.6	18.0
1982	17.8	13.7	19.9
1983	18.3	13.8	19.8
1984	NA	NA	NA
1985	18.3	12.7	19.0
1986	18.1	12.3	18.0
1987	17.0	12.3	18.3
1988	16.0	12.2	18.1
1989	15.7	12.0	18.1
1990	16.3	12.7	19.0
1991	16.1	13.7	20.2
1992 <sup>1</sup>	16.9	14.2	20.9
1993	17.2	14.6	21.5
1994	16.0	14.2	20.9
1995	15.6	13.4	20.6
1996	15.9	13.2	19.6
1997	15.9	12.6	18.8
1998	14.4	12.3	18.5
Percent increase, 1978–98	6.7	18.3	20.1
Percent change, 1983–98	-21.3	-10.9	-6.6

<sup>1</sup> For 1992, figures are based on 1990 Census population controls.

NA—Not available.

Source: U.S. Census Bureau (1996 and various years).

TABLE H-9.—PERCENTAGE OF PERSONS IN POVERTY BY RACE, BY METRO AND NONMETRO RESIDENCE, 1998

Race	Nonmetro	Metro	
		Total	Central cities only
All races	14.4	12.3	18.5
White	12.4	10.0	14.9
Black	29.8	25.5	29.3
Hispanic <sup>1</sup>	26.9	25.5	29.7

<sup>1</sup> Persons of Hispanic origin may be of any race.

Source: U.S. Census Bureau (1999).

TABLE H-10.—STATE POVERTY RATES: 3-YEAR AVERAGES, 1988-90 THROUGH 1996-98

State	1988-90	1990-92	1991-93	1992-94	1993-95	1994-96	1996-98
Alabama .....	19.1	18.4	17.9	17.0	18.0	16.8	14.7
Alaska .....	11.0	11.1	10.4	9.8	8.8	8.5	8.8
Arizona .....	14.0	14.5	15.6	15.7	15.8	17.5	18.1
Arkansas .....	19.8	18.1	18.3	17.6	16.7	15.8	17.2
California .....	13.3	15.1	17.0	17.5	17.6	17.2	16.3
Colorado .....	12.8	11.6	10.4	9.9	9.2	9.5	9.3
Connecticut .....	4.3	8.0	9.1	9.7	9.7	10.7	9.9
Delaware .....	8.5	7.3	8.6	8.8	9.6	9.1	9.5
District of Columbia ....	18.1	20.0	21.8	22.6	23.3	22.5	22.7
Florida .....	13.5	15.0	16.4	16.1	16.3	15.1	13.9
Georgia .....	14.9	16.9	16.1	15.1	13.2	13.6	14.3
Hawaii .....	11.1	9.9	9.0	9.3	9.0	10.4	12.3
Idaho .....	13.3	14.6	14.1	13.4	13.2	12.8	13.2
Illinois .....	13.0	14.2	14.3	13.9	12.8	12.3	11.1
Indiana .....	12.3	13.5	13.3	12.6	11.8	10.3	8.6
Iowa .....	10.0	10.4	10.5	10.8	11.1	10.8	9.4
Kansas .....	9.7	11.2	12.2	13.0	12.9	12.3	10.1
Kentucky .....	17.0	18.6	19.6	19.5	17.9	16.7	15.5
Louisiana .....	23.2	22.3	23.4	25.5	23.9	22.0	18.6
Maine .....	12.2	13.5	14.4	12.8	12.0	10.6	10.6
Maryland .....	9.6	10.2	10.3	10.7	10.2	10.4	8.6
Massachusetts .....	9.3	10.6	10.8	10.2	10.5	10.3	10.3
Michigan .....	13.2	14.0	14.4	14.4	13.9	12.5	10.8
Minnesota .....	11.6	12.6	12.6	12.1	10.8	10.2	9.9
Mississippi .....	25.0	24.6	24.4	23.1	22.7	21.3	18.3
Missouri .....	12.9	14.6	15.6	15.8	13.7	11.5	10.4
Montana .....	15.5	15.1	14.7	13.4	13.9	14.6	16.4
Nebraska .....	11.1	10.0	10.2	9.9	9.6	9.5	10.8
Nevada .....	9.7	11.9	12.0	11.9	10.7	10.1	9.9
New Hampshire .....	6.9	7.4	8.7	8.8	7.6	6.5	8.4
New Jersey .....	7.9	9.6	10.4	10.1	9.3	8.7	9.0
New Mexico .....	21.1	21.4	20.7	20.0	21.3	24.0	22.4
New York .....	13.4	15.0	15.9	16.4	16.6	16.7	16.6
North Carolina .....	12.6	14.4	14.9	14.8	13.7	13.0	12.5
North Dakota .....	12.5	13.4	12.7	11.2	11.2	11.1	13.2
Ohio .....	11.5	12.4	13.0	13.2	12.9	12.8	11.6
Oklahoma .....	15.9	17.0	18.6	18.5	17.9	16.8	14.8
Oregon .....	10.3	11.3	12.3	11.7	11.6	11.6	12.8
Pennsylvania .....	10.6	11.2	12.1	12.5	12.6	12.1	11.3
Rhode Island .....	8.0	10.0	11.4	11.3	10.7	10.6	11.8
South Carolina .....	16.2	17.2	18.1	17.2	17.5	15.6	13.3
South Dakota .....	13.6	14.0	14.5	14.6	14.4	13.6	13.0
Tennessee .....	17.8	16.5	17.4	17.1	16.6	15.3	14.5
Texas .....	17.0	17.1	17.9	18.3	18.0	17.7	16.1
Utah .....	8.7	10.1	11.0	9.4	9.0	8.0	8.5
Vermont .....	9.0	11.3	11.1	9.4	9.3	10.2	10.6
Virginia .....	10.9	10.1	9.7	10.0	10.2	11.1	11.3
Washington .....	9.1	9.8	11.0	11.7	12.1	12.0	10.0

TABLE H-10.—STATE POVERTY RATES: 3-YEAR AVERAGES, 1988-90 THROUGH 1996-98—Continued

State	1988-90	1990-92	1991-93	1992-94	1993-95	1994-96	1996-98
West Virginia ...	17.2	19.4	20.8	21.0	19.2	17.9	17.6
Wisconsin .....	8.5	10.0	11.2	10.8	10.0	8.8	8.6
Wyoming .....	10.5	10.4	11.2	11.0	11.6	11.1	12.0
Total .....	13.1	14.1	14.8	14.5	14.5	14.0	13.2

Source: U.S. Census Bureau (1999).

While the general trends in families' economic well-being are similar regardless of how measured, varying results for the distribution of family incomes are obtained depending on which income measure is used. Three commonly used income measures (all adjusted for inflation) are family cash income, family cash income per capita, and AFI. While no measure perfectly captures the economic well-being of families, AFI most accurately accounts for differences in family size by incorporating the scale implicit in the official Federal poverty thresholds.

Family composition in the United States has undergone pronounced changes since 1973 (table H-11). The number of married couples with children has been almost flat since 1973. By contrast, the number of families headed by a single mother grew by 104 percent over the entire 1973-98 period, the number of nonelderly childless units grew by 94 percent, and the number of elderly childless units grew by nearly 60 percent.

Changes in family composition are also reflected in the number of persons and earners per family. The average family has become smaller, reflecting in part relatively fewer families with children (and fewer children in those families). The average family also had fewer earners in 1998 than in 1973.

#### DEFINITIONS AND METHODS

Analyzing trends in the distribution of family incomes over time requires making decisions about a number of variables: How should variation in incomes be measured? What is the appropriate time-frame over which to examine changes? How should inflation be taken into account? And, finally, what is the appropriate measure of income to use?

TABLE H-11.—CHANGES IN POPULATION, FAMILY COMPOSITION, AND NUMBER OF EARNERS PER FAMILY, SELECTED YEARS 1973–98

Family group	Year				Percent change		
	1973	1979	1989	1998	1973–79	1979–89	1989–98
<b>Distribution of families by family type (in thousands):</b>							
Families with children .....	31,098	32,166	34,768	37,758	3.4	8.1	8.6
Married couples with children .....	24,798	24,166	24,378	24,872	-2.5	0.9	2.0
Single mothers with children .....	4,126	5,650	7,123	8,425	36.9	26.1	18.3
Nonelderly childless units <sup>1</sup> .....	28,183	35,730	46,467	54,780	26.8	30.1	17.9
Elderly childless units <sup>2</sup> .....	13,884	16,331	20,428	22,058	17.6	25.1	8.0
Total number of families .....	73,166	84,229	101,663	114,596	15.1	20.7	12.7
<b>Distribution of persons by family type (in thousands):</b>							
Families with children .....	134,248	130,426	135,381	147,486	-2.8	3.8	8.9
Married couples with children .....	108,976	101,318	99,471	102,603	-7.0	-1.8	3.1
Single mothers with children .....	14,240	18,132	21,504	25,657	27.3	18.6	19.3
Nonelderly childless units <sup>1</sup> .....	50,148	60,514	77,025	87,276	20.7	27.3	13.3
Elderly childless units <sup>2</sup> .....	23,129	26,778	33,440	36,279	15.8	24.9	8.5
Total number of persons .....	207,525	217,718	245,846	271,040	4.9	12.9	10.2
<b>Average number of persons per family:</b>							
Under 18 .....	0.94	0.75	0.63	0.62	-20.2	-16.1	-1.5
18 to 64 .....	1.64	1.55	1.50	1.46	-5.5	-3.4	-2.5
65 and older .....	0.30	0.28	0.29	0.28	-6.7	3.9	-3.7
Total .....	2.87	2.59	2.42	2.37	-9.8	-6.6	-2.0

Average number of earners per family:

Male earners .....	0.81	0.75	0.69	0.66	-7.4	-8.5	-4.4
Female earners .....	0.57	0.59	0.58	0.58	3.5	-1.1	0.0
<b>Total .....</b>	<b>1.39</b>	<b>1.34</b>	<b>1.27</b>	<b>1.24</b>	<b>-3.6</b>	<b>-5.2</b>	<b>-2.4</b>

<sup>1</sup>Families in which both the head and spouse are under age 65 and there are no children under 18, and unrelated individuals under age 65.

<sup>2</sup>Families in which either the head or spouse of head is 65 or older and there are no children under 18, and unrelated individuals 65 and older.

Source: Congressional Budget Office based on data from the March 1974, 1980, 1990 and 1999 Current Population Surveys.

*Measuring variation*

Most of the data in this section are presented for income quintiles, each of which represents one-fifth of the income distribution (either families or persons, as indicated). Quintiles are calculated by ordering all relevant family units from those with the lowest income to those with the highest. For the analysis of changes in incomes among different types of families, quintiles are defined separately for each family type.

The analysis of changes in the distribution of family incomes over time is done by examining average incomes, adjusted for inflation, by income quintile for specific types of families.

*Timeframe*

Most of the analysis focuses on data for 4 years: 1973, 1979, 1989, and 1998. The first 3 years reflect peaks in the business cycle, and allow comparisons to be made across time periods in which general economic conditions were broadly similar. Information is also presented for 1998, the most recent year for which data are available.

Income data provided by the Census Bureau to outside researchers are frequently limited in certain ways both to protect confidentiality and to reduce the impact of reporting and coding errors on statistical calculations. Beginning with information for 1995, the Census Bureau substantially increased the maximum earnings it reports for individuals on public-use computer files. As a result, comparisons of incomes for high-income individuals and families in years before and after 1995 may reflect actual differences in their economic circumstances, differences in the way their income is coded, or both.

To account for this reporting change, income data for 1998 are presented here in two ways. First, individuals' earnings for 1998 are limited to (or topcoded at) the same inflation-adjusted value they were limited to in 1989 (\$99,999 in 1989; \$131,450 in 1998.) Second, individuals' earnings in 1998 are presented the same way they are reported on the Census Bureau's public-use files (\$1 million upper limit).

*Adjustment for inflation*

To examine changes in family income over time, the dollar amounts must be adjusted for inflation to compare actual buying power. Adjustment for inflation is done here using the CPI-U-X1, a revised version of the official Consumer Price Index that provides a consistent treatment of the costs of home ownership over the years examined. The CPI-U-X1 is an index of the cost of a market basket of goods and services representing the average consumption of the urban population (table H-7).

## INCOME MEASURE

The purpose of examining the distribution of family incomes over time is to analyze changes in family economic well-being. Two important issues in choosing an appropriate income measure are how to adjust for differences in family size and what to include as income.

One measure is real family cash income, which is the sum of wage, salary, and self-employment earnings, private pension and retirement income, interest and dividends, and government cash transfers received by each family member. By this measure, which takes inflation into account but not changes in family size, noncash transfers, or taxes, the average income of families increased throughout the 1973–98 period (table H–12, top panel). However, the increases were uneven over time and among families with different levels of income. Regarding the former, the period from 1973 to 1979 was one of relatively slow growth in family income while the period from 1979 to 1989 saw more rapid growth. The decade from 1989 to 1998 saw moderate growth under one measure and more robust growth under the income measure that allows more income in the top quintile. It is notable that for the 60 percent of American families in the middle- and upper-income quintiles, average income growth over the decade of the 1980s is stronger than growth during the preceding period and during the following period when a similar method of computing income in the upper quintile is used for both periods.

These figures for mean family growth over the three periods mask very large differences in the patterns of growth in the five income quintiles. The table shows clearly that progress in family income over the entire 1973–98 period was negative for the bottom two income quintiles. The drop in income was especially large for the bottom quintile over the period 1989–98. By contrast, growth was substantial for the upper two income quintiles, especially after 1979. Examining the income data by quintiles also shows why the two measures of computing family income for the 1989 and 1998 period yield such different estimates of income growth; namely, \$43,350–\$45,062 or 3.9 percent under one definition versus \$43,350–\$47,209 or 8.9 percent under the other. Not surprisingly, the decision to allow more income at the top of the distribution has an impact only on the top income quintile (see the last two columns of the top panel). More specifically, income growth in the top quintile under the more restricted income definition is only from \$102,159 to \$109,301 or 7.0 percent, whereas growth under the broader income definition used by the Congressional Budget Office starting in 1995 is from \$102,159 to \$120,037 or 17.5 percent. Thus, the difference in the two measures of average family income growth over the 1989–98 period is accounted for entirely by the top quintile.

Family cash income has several shortcomings as a measure of change in economic well-being. Most notably, it fails to take into account change in family size and composition: a family of one with \$30,000 in income is treated as being as well off as a family of four with \$30,000 in income. This assumption is inappropriate, however, as a family of four requires more income to attain the same standard of living as a single person.

TABLE H-12.—ALTERNATIVE MEASURES OF FAMILY INCOME BY INCOME QUINTILE AND CHANGE OVER TIME, SELECTED YEARS 1967–98 FOR ALL FAMILIES

[In 1998 dollars]

Income measure and quintile	Year						Percent change			
	1967	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973–79	1979–89	1989–98 <sup>1</sup>	1989–98 <sup>2</sup>
<b>Mean family cash income (family weighted):</b>										
Lowest .....	NA	\$7,967	\$7,879	\$7,711	\$7,247	\$7,247	-1.1	-2.1	-6.0	-6.0
Second .....	NA	20,265	20,120	19,858	19,844	19,844	-0.7	-1.3	-0.1	-0.1
Middle .....	NA	34,058	33,663	33,945	34,007	34,007	-1.2	0.8	0.2	0.2
Fourth .....	NA	49,881	50,845	53,072	54,912	54,912	1.9	4.4	3.5	3.5
Highest .....	NA	87,237	89,689	102,159	109,301	120,037	2.8	13.9	7.0	17.5
Total .....	NA	39,884	40,440	43,350	45,062	47,209	1.4	7.2	3.9	8.9
<b>Mean adjusted family income (person weighted):<sup>3</sup></b>										
Lowest .....	0.69	0.90	0.90	0.86	0.85	0.85	0.0	-4.3	-1.3	-1.3
Second .....	1.54	1.94	2.06	2.09	2.12	2.12	6.2	1.3	1.6	1.6
Middle .....	2.26	2.82	3.07	3.27	3.38	3.38	8.9	6.7	3.2	3.2
Fourth .....	3.16	3.94	4.32	4.77	5.04	5.04	9.6	10.4	5.7	5.7
Highest .....	5.67	6.87	7.39	8.84	9.58	10.63	7.6	19.6	8.4	20.3
Total .....	2.66	3.29	3.55	3.97	4.19	4.40	7.9	11.7	5.8	11.1

<sup>1</sup>Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup>Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

<sup>3</sup>Family income divided by the poverty threshold. Thresholds are based on the 1989 distribution of family sizes, with no adjustment for the age of the head of household or the number of children.

NA—Not available.

Note.—Income is pretax income.

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1968, 1974, 1980, 1990, and 1999.

An alternative approach to measuring family economic well-being is to take advantage of the family size adjustment implicit in the official Federal poverty thresholds. This scale assumes, for example, that a family of four needs about twice as much income as a single person to attain an equivalent standard of living (table H-13). The equivalence scale implicit in the poverty thresholds may not perfectly capture the disparate needs of families of different sizes, but it yields a better assessment of relative economic well-being than making no adjustment (mean family cash income) or assuming no economies of scale (mean family cash income per capita).

TABLE H-13.—POVERTY THRESHOLDS AND EQUIVALENCE VALUES FOR DIFFERENT FAMILY SIZES, 1998

Family size (persons)	Official poverty threshold	Adjusted poverty threshold	Equivalence value <sup>1</sup>
1 .....	\$8,316	\$7,633	1.00
2 .....	10,634	9,768	1.28
3 .....	13,003	11,956	1.57
4 .....	16,660	15,330	2.01
5 .....	19,680	18,130	2.37
6 .....	22,228	20,466	2.68
7 .....	25,257	23,176	3.04
8 .....	28,166	25,796	3.37
9 or more .....	33,339	30,818	4.01

<sup>1</sup> Equivalence value is calculated based on the official poverty thresholds. Values would be slightly different using the adjusted poverty threshold because of different numbers of children in a family of a given size.

Note.—Poverty thresholds shown for one- and two-person families are a weighted average of the separate official thresholds for elderly and nonelderly individuals and families. Adjusted poverty thresholds are computed using the CPI-U-X1 to adjust for inflation. The official poverty threshold is adjusted for inflation using the Consumer Price Index (CPI).

Source: Congressional Budget Office.

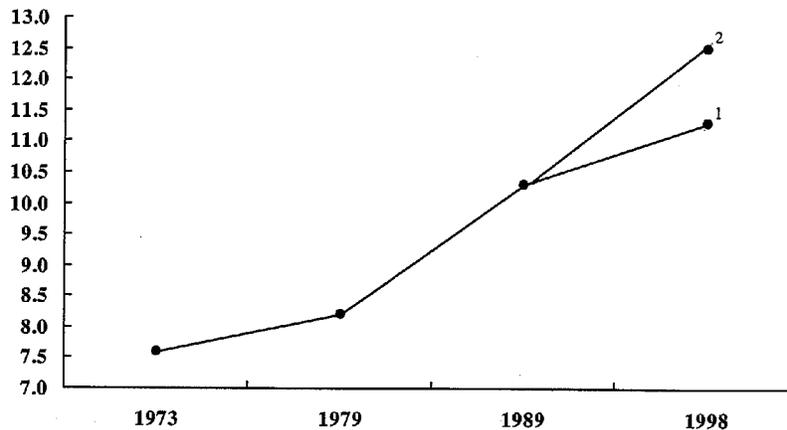
The AFI measure shown in the second panel of table H-12 incorporates the equivalence scale underlying the poverty thresholds. Each family's pretax cash income is divided by its poverty threshold, yielding family income as a multiple of poverty. Thus, for example, the average family in the middle quintile in 1998 had an income of 3.38 times its poverty threshold.<sup>3</sup>

By taking family size into account, the AFI measure greatly reduces the income losses in the bottom two quintiles over the 1973-98 period. In fact, it completely eliminates income losses in the second quintile. It also increases the income gains experienced by the top three income quintiles. The obvious conclusion to be drawn from the comparison of the two income definitions is that taking family size into account substantially improves the picture of family income changes over the years since 1973. However, as chart H-1 shows, the difference in income between the top and bottom

<sup>3</sup> Poverty thresholds for one- and two-person families in this section do not vary by the age of the family head. The 1989 weighted averages are adjusted for inflation using the CPI-U-X1.

quintiles, even under the AFI measure, grew substantially throughout the 1973–98 period.

**CHART H-1. RATIO OF AVERAGE ADJUSTED FAMILY INCOME OF HIGHEST QUINTILE TO AVERAGE ADJUSTED FAMILY INCOME OF LOWEST QUINTILE, 1973–98**



<sup>1</sup> Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup> Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

Source: Congressional Budget Office.

### INCOME SHARES

Another way of tracking income trends is to look at changes in the percentage share of income received by families in each quintile. Income shares measure whether families have gained or lost in relative terms. That is, a given quintile may receive a smaller share of real income even as its average income has increased.

All three income measures (family cash income, AFI, family income per capita) show broadly similar trends in the share of income received by each quintile (table H-14). In general, between 1973 and 1998, the shares of the lowest four quintiles fell, and the share of the top quintile rose. The measures show somewhat different patterns of shares at any point in time, however. For example, in 1998 the top quintile had 50.9 percent of income under the family cash income definition, but 48.3 percent under the AFI definition. In that same year, the bottom quintile had 3.1 percent under the family cash income definition, but 3.9 percent under the AFI definition and 3.6 percent under the family per capita definition. Even so, the income shares analysis, like the other analyses in this section, generally shows that the top quintile had an increasing percentage of the income pie over the period 1973–98.

TABLE H-14.—SHARES OF FAMILY INCOME BY INCOME QUINTILE FOR SELECTED YEARS 1967–98 FOR ALL FAMILIES

[In percent]

Income measure and quintile	Year						
	1967	1973	1979	1989	1994	1998 <sup>1</sup>	1998 <sup>2</sup>
<b>Family cash income (family weighted):</b>							
Lowest .....	NA	4.0	3.9	3.6	3.3	3.2	3.1
Second .....	NA	10.2	10.0	9.2	8.8	8.8	8.4
Middle .....	NA	17.1	16.6	15.7	15.2	15.1	14.4
Fourth .....	NA	25.0	25.1	24.5	24.6	24.4	23.3
Highest .....	NA	43.7	44.4	47.1	48.1	48.5	50.9
<b>Adjusted family income (person weighted):<sup>3</sup></b>							
Lowest .....	5.2	5.5	5.1	4.3	4.0	4.1	3.9
Second .....	11.6	11.8	11.6	10.5	10.2	10.1	9.6
Middle .....	16.9	17.1	17.3	16.5	16.3	16.1	15.3
Fourth .....	23.7	23.9	24.3	24.0	24.3	24.0	22.9
Highest .....	42.6	41.7	41.7	44.6	45.2	45.7	48.3
<b>Family cash income per capita (person weighted):<sup>4</sup></b>							
Lowest .....	NA	5.2	4.9	4.1	3.8	3.8	3.6
Second .....	NA	11.0	11.0	10.0	9.7	9.5	9.1
Middle .....	NA	16.1	16.3	15.6	15.5	15.2	14.5
Fourth .....	NA	23.1	23.6	23.4	23.5	23.4	22.3
Highest .....	NA	44.6	44.3	46.9	47.5	48.1	50.5

<sup>1</sup> Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup> Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

<sup>3</sup> Family income divided by the poverty threshold. Thresholds are based on the 1989 distribution of family sizes, with no adjustment for the age of the head of household or the number of children.

<sup>4</sup> Total family income divided by the number of persons in the family.

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1968, 1974, 1980, 1990, 1995, and 1999.

### TRENDS IN PRETAX CASH INCOMES BY TYPE OF FAMILY

As we have seen (table H-11), the composition of the typical family has changed over time. Compared with 1973 and 1979, there were fewer persons in each family in 1998, on average, and married couples with children made up a smaller fraction of all families (table H-15). Additional insights can therefore be gained by looking at changes in incomes for specific family types. This analysis distinguishes six types of family units:

1. *Married couples with children*, which are families composed of a married couple living only with their own or related children, at least one of whom is under age 18;
2. *Single mothers with children*, which are families composed of unmarried, divorced, separated, or widowed mothers living

- only with their own or related children, at least one of whom is under age 18;
3. *Nonelderly childless families*, which are families composed of two or more related people living together, in which the family head and the spouse of the head are both under age 65 and there are no children under age 18;
  4. *Nonelderly unrelated individuals*, which are people over age 17 and under age 65 who are not living with relatives;
  5. *Elderly childless families*, which are families composed of two or more related people living together, in which either the family head or the spouse of the head is 65 or older and there are no children under age 18; and
  6. *Elderly unrelated individuals*, which are people 65 or older who are not living with relatives.

TABLE H-15.—AVERAGE FAMILY SIZE AND NUMBER OF FAMILIES,<sup>1</sup> BY FAMILY TYPE, WEIGHTED BY FAMILIES, SELECTED YEARS 1973-98

Family type and year	Persons per family	Number of families (thousands)	Percent of families
<b>All families:<sup>1</sup></b>			
1973 .....	2.87	73,166	100.0
1979 .....	2.59	84,229	100.0
1989 .....	2.42	101,663	100.0
1994 .....	2.41	108,522	100.0
1998 .....	2.37	114,596	100.0
<b>All families with children:</b>			
1973 .....	4.35	31,098	42.5
1979 .....	4.09	32,166	38.2
1989 .....	3.89	34,768	34.2
1994 .....	3.90	37,413	34.5
1998 .....	3.91	37,758	32.9
<b>Married couples with children</b>			
1973 .....	4.42	24,798	33.9
1979 .....	4.23	24,166	28.7
1989 .....	4.08	24,378	24.0
1994 .....	4.11	25,079	23.1
1998 .....	4.13	24,872	21.7
<b>Single mothers with children:</b>			
1973 .....	3.50	4,126	5.6
1979 .....	3.24	5,650	6.7
1989 .....	3.02	7,123	7.0
1994 .....	3.04	8,351	7.7
1998 .....	3.05	8,425	7.4
<b>Nonelderly childless units:</b>			
1973 .....	1.76	28,183	38.5
1979 .....	1.68	35,730	42.4
1989 .....	1.66	46,467	45.7
1994 .....	1.62	49,580	45.7
1998 .....	1.59	54,780	47.8

TABLE H-15.—AVERAGE FAMILY SIZE AND NUMBER OF FAMILIES,<sup>1</sup> BY FAMILY TYPE, WEIGHTED BY FAMILIES, SELECTED YEARS 1973–98—Continued

Family type and year	Persons per family	Number of families (thousands)	Percent of families
<b>Nonelderly childless families:</b>			
1973 .....	2.32	16,363	22.4
1979 .....	2.35	17,931	21.3
1989 .....	2.44	21,257	20.9
1994 .....	2.43	21,473	19.8
1998 .....	2.42	22,823	19.9
<b>Nonelderly unrelated individuals:</b>			
1973 .....	1.00	11,820	16.2
1979 .....	1.00	17,799	21.1
1989 .....	1.00	25,210	24.8
1994 .....	1.00	28,106	25.9
1998 .....	1.00	31,956	27.9
<b>Elderly childless units:</b>			
1973 .....	1.64	13,884	19.0
1979 .....	1.62	16,331	19.4
1989 .....	1.64	20,428	20.1
1994 .....	1.65	21,530	19.8
1998 .....	1.64	22,058	19.2
<b>Elderly childless families:</b>			
1973 .....	2.17	7,590	10.4
1979 .....	2.16	8,676	10.3
1989 .....	2.23	10,600	10.4
1994 .....	2.26	11,100	10.2
1998 .....	2.24	11,494	10.0
<b>Elderly unrelated individuals:</b>			
1973 .....	1.00	6,294	8.6
1979 .....	1.00	7,655	9.1
1989 .....	1.00	9,828	9.7
1994 .....	1.00	10,430	9.6
1998 .....	1.00	10,564	9.2

<sup>1</sup> Corresponds more closely to Census definition of household. Includes families of one person.

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1974, 1980, 1990, 1995, and 1999.

In addition, results are also presented for four aggregates:

1. *All families with children*, which comprises married couples, single mothers, and other families with children;
2. *Nonelderly childless units*, which comprises nonelderly childless families and nonelderly unrelated individuals;
3. *Elderly childless units*, which comprises elderly childless families and elderly unrelated individuals; and
4. *All families*, which comprises all families and unrelated individuals (i.e., the noninstitutional U.S. population).

Unless otherwise noted, the analysis of changes in income for each family type listed above is based on quintiles computed for that family type. This procedure permits comparisons within, but

not across, family types; the quintile in which a particular family is found says nothing about its place among all families, but measures its position in relation to families of the same type. For example, individuals in the middle quintile of single mothers with children may be in the lowest quintile of the all-families grouping.

Comparisons over time show how the incomes of families of a given type compare with similar families at another time, not how incomes have changed for a particular type of family. Families may move among income quintiles as their incomes—or the incomes of other families—rise or fall; they may also change types as their members grow older, have children, marry, or divorce. In addition, the average number of members and earners within a given type of family may change over time, as may the characteristics of those persons.

#### PRETAX ADJUSTED FAMILY INCOME

Trends in incomes for different family types show more variation than trends for families overall. Between 1973 and 1979, adjusted family income (AFI) grew 12.2 percent, on average, for all families with children (table H-16). This compares with an income gain of only 7.9 percent for all families. For families with children, average AFI fell 4.5 percent during this period for the lowest quintile, from 88 percent of poverty to 84 percent of poverty. For the highest quintile, average AFI rose 7.3 percent, compared with 7.6 percent for all families. During the 1979-89 period, the bottom two quintiles of families with children experienced reduced income, by 11.7 percent and 4.1 percent respectively for the lowest and second quintiles; meanwhile, the highest quintile had an income increase of 17 percent. These losses at the bottom were greater for families with children than for all families.

Most of the divergence in incomes among families with children reflects compositional change, as families of single mothers with children became increasingly common (table H-11). The lowest quintile of married couples with children had a 3.0-percent decline in average AFI between 1979 and 1989; the lowest quintile of single mothers with children fared much worse, with a 22.0-percent decline during the same period. These two family types as a whole, however, showed income gains over the period: 11.2 percent for married couples with children and 3.3 percent for single mothers with children. More recently, during the 1989-98 period, all quintiles of both family types have experienced rising incomes. Single mothers in the bottom quintile had a modest increase of 0.2 percent, and mother-headed families in the second and third quintiles enjoyed more than twice the percentage increases of the top two quintiles. These developments in the bottom quintiles are almost certainly due to increased work by poor and low-income mothers in general and by mothers leaving welfare in particular (see Appendix L).

TABLE H-16.—AVERAGE PRETAX ADJUSTED FAMILY INCOME (INCOME AS A MULTIPLE OF POVERTY) BY FAMILY TYPE AND INCOME QUINTILE, WEIGHTED BY PERSONS, SELECTED YEARS 1967–98

Family type and quintile	Year						Percent change			
	1967	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973–79	1979–89	1989–98 <sup>1</sup>	1989–98 <sup>2</sup>
<b>All families:</b>										
Lowest .....	0.69	0.90	0.90	0.85	0.85	0.85	0.0	–4.3	–1.3	–1.3
Second .....	1.54	1.94	2.06	2.09	2.12	2.12	6.2	1.3	1.6	1.6
Middle .....	2.26	2.82	3.07	3.27	3.38	3.38	8.9	6.7	3.2	3.2
Fourth .....	3.16	3.94	4.32	4.77	5.04	5.04	9.6	10.4	5.7	5.7
Highest .....	5.67	6.87	7.39	8.84	9.58	10.63	7.6	19.6	8.4	20.3
<b>Total .....</b>	<b>2.66</b>	<b>3.29</b>	<b>3.55</b>	<b>3.97</b>	<b>4.19</b>	<b>4.40</b>	<b>7.9</b>	<b>11.7</b>	<b>5.8</b>	<b>11.1</b>
<b>All families with children:</b>										
Lowest .....	0.74	0.88	0.84	0.74	0.76	0.76	–4.5	–11.7	2.5	2.5
Second .....	1.54	1.88	1.95	1.87	1.91	1.91	3.7	–4.1	2.2	2.2
Middle .....	2.13	2.65	2.84	2.93	3.03	3.03	7.2	3.3	3.3	3.3
Fourth .....	2.84	3.54	3.85	4.14	4.45	4.45	8.8	7.5	7.5	7.5
Highest .....	4.77	5.73	6.15	7.20	8.00	9.04	7.3	17.0	11.1	25.6
<b>Total .....</b>	<b>2.40</b>	<b>2.94</b>	<b>3.30</b>	<b>3.38</b>	<b>3.63</b>	<b>3.84</b>	<b>12.2</b>	<b>2.3</b>	<b>7.5</b>	<b>13.7</b>
<b>Married couples with children:</b>										
Lowest .....	0.89	1.16	1.18	1.14	1.19	1.19	1.7	–3.0	3.9	3.9
Second .....	1.66	2.12	2.29	2.34	2.47	2.47	8.0	2.0	5.7	5.7
Middle .....	2.23	.84	3.12	3.34	3.61	3.61	9.9	7.1	8.0	8.0
Fourth .....	2.93	3.71	4.11	4.52	5.04	5.04	10.8	10.1	11.4	11.4

TABLE H-16.—AVERAGE PRETAX ADJUSTED FAMILY INCOME (INCOME AS A MULTIPLE OF POVERTY) BY FAMILY TYPE AND INCOME QUINTILE, WEIGHTED BY PERSONS, SELECTED YEARS 1967–98—Continued

Family type and quintile	Year						Percent change			
	1967	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973–79	1979–89	1989–98 <sup>1</sup>	1989–98 <sup>2</sup>
Highest .....	4.88	5.94	6.41	7.67	8.71	10.12	7.9	19.7	13.5	31.9
Total .....	2.52	3.15	3.42	3.80	4.20	4.49	8.6	11.2	10.5	17.9
Single mothers with children:										
Lowest .....	0.21	0.33	0.32	0.25	0.25	0.25	–3.0	–22.0	0.2	0.2
Second .....	0.59	0.71	0.75	0.64	0.74	0.74	5.6	–14.0	14.8	14.8
Middle .....	0.91	1.03	1.22	1.14	1.30	1.30	18.4	–6.1	13.5	13.5
Fourth .....	1.45	1.67	2.01	2.03	2.16	2.16	20.4	0.9	6.5	6.5
Highest .....	2.78	3.29	3.65	4.14	4.34	4.42	10.9	13.6	4.7	6.6
Total .....	1.19	1.41	1.59	1.64	1.76	1.77	12.8	3.3	7.0	8.0
Nonelderly childless units:										
Lowest .....	0.80	1.22	1.24	1.19	1.07	1.07	1.6	–3.7	–10.4	–10.4
Second .....	2.19	2.81	2.91	2.94	2.91	2.91	3.6	1.0	–1.0	–1.0
Middle .....	3.28	4.09	4.27	4.45	4.48	4.48	4.4	4.3	0.6	0.6
Fourth .....	4.47	5.49	5.78	6.29	6.46	6.46	5.3	8.8	2.7	2.7
Highest .....	7.42	8.95	9.35	10.94	11.69	13.02	4.5	17.0	6.8	19.0
Total .....	3.63	4.51	4.71	5.16	5.32	5.59	4.4	9.6	3.1	8.2
Nonelderly childless families:										
Lowest .....	1.03	1.74	1.85	1.80	1.83	1.83	6.3	–2.8	1.8	1.8

Second .....	2.47	3.31	3.59	3.68	3.80	3.80	8.5	2.4	3.3	3.3
Middle .....	3.52	4.53	4.89	5.20	5.40	5.40	7.9	6.4	3.8	3.8
Fourth .....	4.70	5.88	6.33	7.03	7.40	7.40	7.7	11.1	5.2	5.2
Highest .....	7.65	9.33	9.94	11.72	12.79	14.55	6.5	17.9	9.1	24.1
Total .....	3.87	4.96	5.32	5.89	6.24	6.60	7.3	10.7	6.1	12.1
Nonelderly unrelated individuals:										
Lowest .....	0.32	0.51	0.61	0.61	0.49	0.49	19.6	-0.3	-19.4	-19.4
Second .....	1.14	1.49	1.72	1.83	1.74	1.74	15.4	6.6	-5.1	-5.1
Middle .....	2.12	2.53	2.78	3.00	3.04	3.04	9.9	7.9	1.3	1.3
Fourth .....	3.23	3.82	4.03	4.46	4.51	4.51	5.5	10.7	1.1	1.1
Highest .....	5.88	7.00	7.11	8.48	8.89	9.47	1.6	19.3	4.8	11.6
Total .....	2.54	3.07	3.25	3.68	3.73	3.85	5.9	13.1	1.5	4.7
Elderly childless units:										
Lowest .....	0.48	0.76	0.84	0.95	0.97	0.97	10.5	13.4	1.8	1.8
Second .....	0.95	1.34	1.50	1.73	1.84	1.84	11.9	15.2	6.5	6.5
Middle .....	1.48	1.97	2.26	2.64	2.74	2.74	14.7	16.7	3.9	3.9
Fourth .....	2.40	3.02	3.38	4.02	4.14	4.13	11.9	19.0	2.9	2.6
Highest .....	5.32	6.54	6.85	8.63	9.27	9.68	4.7	26.0	7.4	12.1
Total .....	2.13	2.73	2.97	3.59	3.79	3.87	8.8	21.0	5.5	7.7
Elderly childless families:										
Lowest .....	0.60	0.96	1.06	1.20	1.24	1.24	10.4	13.1	3.5	3.5
Second .....	1.16	1.63	1.86	2.15	2.28	2.28	14.1	15.4	6.2	6.2
Middle .....	1.77	2.34	2.67	3.14	3.25	3.25	14.1	17.5	3.6	3.6
Fourth .....	2.76	3.50	3.83	4.61	4.75	4.75	9.4	20.5	2.9	2.9
Highest .....	5.73	7.12	7.37	9.54	10.12	10.61	3.5	29.5	6.0	11.2

TABLE H-16.—AVERAGE PRETAX ADJUSTED FAMILY INCOME (INCOME AS A MULTIPLE OF POVERTY) BY FAMILY TYPE AND INCOME QUINTILE, WEIGHTED BY PERSONS, SELECTED YEARS 1967–98—Continued

Family type and quintile	Year						Percent change			
	1967	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973–79	1979–89	1989–98 <sup>1</sup>	1989–98 <sup>2</sup>
Total .....	2.40	3.11	3.36	4.13	4.33	4.43	8.0	22.9	4.8	7.2
Elderly unrelated individuals:										
Lowest .....	0.35	0.54	0.64	0.73	0.73	0.73	18.5	13.8	0.2	0.2
Second .....	0.63	0.93	1.02	1.17	1.23	1.23	9.7	15.1	4.8	4.8
Middle .....	0.86	1.23	1.37	1.62	1.71	1.71	11.4	18.6	5.3	5.3
Fourth .....	1.29	1.73	2.05	2.46	2.50	2.50	18.5	20.3	1.4	1.4
Highest .....	3.44	4.08	4.83	5.58	6.28	6.49	18.4	15.5	12.6	16.3
Total .....	1.31	1.70	1.98	2.31	2.49	2.53	16.5	16.9	7.6	9.4

<sup>1</sup>Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup>Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

Note.—Poverty thresholds are based on the 1989 distribution of family sizes, with no adjustment for the age of the head of household or the number of children. Quintiles are based the number of persons.

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1968, 1974, 1980, 1990, and 1999.

Elderly persons experienced income gains across the board between 1973 and 1998. For elderly childless units, which include both single persons and married couples, average AFI rose 10.5, 13.4, and 1.8 percent respectively for the lowest quintile across the three periods shown in the last panel of table H-16 and 4.7, 26.0, and 12.1 percent respectively over the same periods for the highest quintile (using the new method of income coding). Despite their gains, the elderly generally had much lower incomes than the non-elderly. In 1998, for example, the average income of elderly childless units was about 3.9 times poverty; the average income of non-elderly childless units, by comparison, was about 5.6 times poverty (not shown in table).

#### AVERAGE FAMILY CASH INCOME BY FAMILY TYPE

For all families, average cash income grew more slowly than average pretax AFI between 1973 and 1998. This was also generally true for specific family types. At the same time, those groups of families whose average cash incomes declined had more pronounced decreases than occurred in pretax AFI.

Average family cash income grew throughout the 1973-98 period for families with children (table H-17, second panel). However, families at the bottom of the income distribution lost ground during the 1973-89 period, with income declines of 11.0 percent during the 1973-79 period and 17.7 percent during the 1979-89 period. The decline stopped between 1989 and 1999 when the income of families with children in the bottom quintile actually increased slightly. As was the case with all the measures we have examined, average family cash income of families in the top two quintiles improved substantially throughout the entire period after 1973.

As compared with the cash family income losses in the bottom quintile for all families, the pattern of losses in the bottom quintile was even greater for single mothers with children before 1989 (table H-17, fourth panel). From 1979 to 1989, for example, these mothers lost almost a quarter of their income. However, between 1989 and 1998 they made up for at least some of the lost ground because their income increased by 3.9 percent. It is also interesting that during both the 1973-79 and the 1989-98 periods, income gains in the second, third, and fourth income quintiles of single mothers with children were usually greater than income gains in the top quintile.

Because the change in family size among elderly persons was almost negligible over the period, their trend in average family cash incomes is almost identical to the trend in average pretax AFI. Elderly childless units and elderly childless families experienced income gains in every quintile during every period between 1973 and 1998.

Table H-18 shows family cash income limits (the income cutoffs between quintiles) by quintile and family type. Between 1973 and 1998, except for the top quintile, income limits among families with children have declined or grown slowly while those for the elderly have increased, in some cases significantly. Across all family types except elderly childless units and families, income limits among the higher quintiles have increased more than among the lower

TABLE H-17.—AVERAGE FAMILY CASH INCOME BY FAMILY TYPE AND INCOME QUINTILE, SELECTED YEARS 1973–98

[In 1998 dollars]

Family type and income quintile	Year					Percent change			
	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973–79	1979–89	1989–98 <sup>1</sup>	1989–98 <sup>2</sup>
<b>All families:</b>									
Lowest .....	\$7,967	\$7,879	\$7,711	\$7,247	\$7,247	–1.1	–2.1	–6.0	–6.0
Second .....	20,265	20,120	19,860	19,844	19,844	–0.7	–1.3	–0.1	–0.1
Middle .....	34,058	33,663	33,947	34,007	34,007	–1.2	0.8	0.2	0.2
Fourth .....	49,881	50,845	53,075	54,912	54,912	1.9	4.4	3.5	3.5
Highest .....	87,237	89,689	102,163	109,301	120,037	2.8	13.9	7.0	17.5
<b>Total .....</b>	<b>39,881</b>	<b>40,440</b>	<b>43,351</b>	<b>45,062</b>	<b>47,209</b>	<b>1.4</b>	<b>7.2</b>	<b>3.9</b>	<b>8.9</b>
<b>All families with children:</b>									
Lowest .....	13,841	12,316	10,141	10,181	10,181	–11.0	–17.7	0.4	0.4
Second .....	30,465	29,399	27,166	27,236	27,236	–3.5	–7.6	0.3	0.3
Middle .....	42,874	43,796	43,473	44,782	44,782	2.1	–0.7	3.0	3.0
Fourth .....	57,084	59,074	62,077	66,273	66,273	3.5	5.1	6.8	6.8
Highest .....	92,568	95,922	107,760	119,729	134,993	3.6	12.3	11.1	25.3
<b>Total .....</b>	<b>47,366</b>	<b>48,101</b>	<b>50,124</b>	<b>53,640</b>	<b>56,693</b>	<b>1.6</b>	<b>4.2</b>	<b>7.0</b>	<b>13.1</b>
<b>Married couples with children:</b>									
Lowest .....	20,309	19,912	19,203	20,060	20,060	–2.0	–3.6	4.5	4.5
Second .....	35,715	37,193	37,680	40,120	40,120	4.1	1.3	6.5	6.5
Middle .....	46,682	49,548	52,171	56,761	56,761	6.1	5.3	8.8	8.8
Fourth .....	60,182	63,907	69,815	77,907	77,907	6.2	9.2	11.6	11.6
Highest .....	95,752	100,622	115,904	131,859	153,767	5.1	15.2	13.8	32.7

Total .....	51,728	54,236	58,955	65,341	69,723	4.8	8.7	10.8	18.3
<b>Single mothers with children:</b>									
Lowest .....	4,607	4,388	3,372	3,502	3,502	-4.8	-23.2	3.9	3.9
Second .....	10,425	10,677	8,861	10,077	10,077	2.4	-17.0	13.7	13.7
Middle .....	15,672	17,267	15,529	17,028	17,028	10.2	-10.1	9.7	9.7
Fourth .....	23,486	26,164	25,563	26,946	26,946	11.4	-2.3	5.4	5.4
Highest .....	43,944	46,947	50,503	52,894	53,811	6.8	7.6	4.7	6.6
Total .....	19,627	21,089	20,766	22,089	22,273	7.4	-1.5	6.4	7.3
<b>Nonelderly childless units:</b>									
Lowest .....	7,636	7,707	7,529	6,302	6,302	0.9	-2.3	-16.3	-16.3
Second .....	20,882	20,780	20,825	20,129	20,129	-0.5	0.2	-3.3	-3.3
Middle .....	33,602	33,385	34,382	33,779	33,779	-0.6	3.0	-1.8	-1.8
Fourth .....	49,518	50,237	53,306	53,762	53,762	1.5	6.1	0.9	0.9
Highest .....	88,251	90,888	104,577	108,118	118,709	3.0	15.1	3.4	13.5
Total .....	39,978	40,599	44,124	44,418	46,536	1.6	8.7	0.7	5.5
<b>Nonelderly childless families:</b>									
Lowest .....	17,147	18,247	18,027	18,390	18,390	6.4	-1.2	2.0	2.0
Second .....	33,326	36,508	37,970	39,786	39,786	9.5	4.0	4.8	4.8
Middle .....	46,345	50,739	54,847	57,099	57,099	9.5	8.1	4.1	4.1
Fourth .....	62,044	67,117	75,877	79,714	79,714	8.2	13.1	5.1	5.1
Highest .....	101,043	109,139	129,385	138,648	157,815	8.0	18.6	7.2	22.0
Total .....	51,981	56,350	63,221	66,727	70,561	8.4	12.2	5.5	11.6
<b>Nonelderly unrelated individuals:</b>									
Lowest .....	3,875	4,606	4,631	3,716	3,716	18.9	0.5	-19.8	-19.8
Second .....	11,331	13,089	13,963	13,283	13,283	15.5	6.7	-4.9	-4.9

TABLE H-17.—AVERAGE FAMILY CASH INCOME BY FAMILY TYPE AND INCOME QUINTILE, SELECTED YEARS 1973-98—Continued

[In 1998 dollars]

Family type and income quintile	Year					Percent change			
	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973-79	1979-89	1989-98 <sup>1</sup>	1989-98 <sup>2</sup>
Middle .....	19,229	21,118	22,860	23,182	23,182	9.8	8.2	1.4	1.4
Fourth .....	29,057	30,668	33,984	34,428	34,428	5.5	10.8	1.3	1.3
Highest .....	53,310	54,178	64,663	67,828	72,295	1.6	19.4	4.9	11.8
Total .....	23,361	24,732	28,020	28,487	29,381	5.9	13.3	1.7	4.9
Elderly childless units:									
Lowest .....	5,453	6,089	6,866	6,954	6,954	11.7	12.8	1.3	1.3
Second .....	9,932	10,999	12,708	13,453	13,453	10.7	15.5	5.9	5.9
Middle .....	15,285	17,516	20,308	21,322	21,322	14.6	15.9	5.0	5.0
Fourth .....	24,418	27,870	32,902	34,271	34,271	14.1	18.1	4.2	4.2
Highest .....	59,516	62,541	77,626	83,954	87,303	5.1	24.1	8.2	12.5
Total .....	22,921	25,003	30,082	31,991	32,661	9.1	20.3	6.3	8.6
Elderly childless families:									
Lowest .....	9,311	10,337	11,758	12,312	12,312	11.0	13.7	4.7	4.7
Second .....	15,871	18,194	21,000	22,420	22,420	14.6	15.4	6.8	6.8
Middle .....	22,610	25,962	30,751	32,034	32,034	14.8	18.4	4.2	4.2
Fourth .....	34,340	37,975	45,862	47,887	47,887	10.6	20.8	4.4	4.4
Highest .....	73,792	76,193	98,755	104,899	109,889	3.3	29.6	6.2	11.3
Total .....	31,185	33,732	41,625	43,910	44,908	8.2	23.4	5.5	7.9

Elderly unrelated individuals:

Lowest .....	4,086	4,886	5,549	5,550	5,550	19.6	13.6	0.0	0.0
Second .....	7,089	7,798	8,948	9,411	9,411	10.0	14.8	5.2	5.2
Middle .....	9,351	10,467	12,378	13,087	13,087	11.9	18.3	5.7	5.7
Fourth .....	13,206	15,618	18,786	19,124	19,124	18.3	20.3	1.8	1.8
Highest .....	31,057	36,785	42,512	47,984	49,550	18.4	15.6	12.9	16.6
<b>Total .....</b>	<b>12,958</b>	<b>15,111</b>	<b>17,635</b>	<b>19,031</b>	<b>19,344</b>	<b>16.6</b>	<b>16.7</b>	<b>7.9</b>	<b>9.7</b>

<sup>1</sup>Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup>Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

Note.—Quintiles are based on the number of families.

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1974, 1980, 1990, and 1999.

TABLE H-18.—FAMILY CASH INCOME LIMITS BY QUINTILE AND FAMILY TYPE

[In 1998 dollars]

Family type	Year					Percent change			
	1973	1979	1989	1998 <sup>1</sup>	1998 <sup>2</sup>	1973-79	1979-89	1989-98 <sup>1</sup>	1989-98 <sup>2</sup>
<b>All families:</b>									
Lowest .....	\$13,883	\$13,939	\$13,739	\$13,600	\$13,600	0.4	-1.4	-1.0	-1.0
Second .....	27,072	26,420	26,297	26,271	26,271	-2.4	-0.5	-0.1	-0.1
Middle .....	41,460	41,643	42,130	42,862	42,862	0.4	1.2	1.7	1.7
Fourth .....	60,151	61,718	66,145	69,883	69,883	2.6	7.2	5.7	5.7
<b>All families with children:</b>									
Lowest .....	23,369	22,017	19,024	19,000	19,000	-5.8	-13.6	-0.1	-0.1
Second .....	36,871	36,889	35,418	35,483	35,483	0.0	-4.0	0.2	0.2
Middle .....	49,101	50,718	51,792	54,060	54,060	3.3	2.1	4.4	4.4
Fourth .....	66,705	68,862	74,158	81,000	81,000	3.2	7.7	9.2	9.2
<b>Married couples with children:</b>									
Lowest .....	29,716	30,163	29,811	31,200	31,200	1.5	-1.2	4.7	4.7
Second .....	41,460	43,681	44,838	48,219	48,219	5.4	2.6	7.5	7.5
Middle .....	52,494	55,670	59,842	65,500	65,500	6.0	7.5	9.5	9.5
Fourth .....	69,587	73,756	81,763	93,000	93,000	6.0	10.9	13.7	13.7
<b>Single mothers with children:</b>									
Lowest .....	8,084	7,992	6,270	6,850	6,850	-1.1	-21.5	9.2	9.2
Second .....	13,026	13,659	11,831	13,224	13,224	4.9	-13.4	11.8	11.8
Middle .....	19,003	21,449	19,718	21,320	21,320	12.9	-8.1	8.1	8.1
Fourth .....	28,831	31,924	32,777	34,000	34,000	10.7	2.7	3.7	3.7
<b>Nonelderly childless unit:</b>									
Lowest .....	14,511	14,752	14,529	13,310	13,310	1.7	-1.5	-8.4	-8.4
Second .....	27,259	26,470	27,015	26,520	26,520	-2.9	2.1	-1.8	-1.8
Middle .....	40,989	40,764	42,196	42,000	42,000	-0.5	3.5	-0.5	-0.5
Fourth .....	60,444	61,665	66,621	68,300	68,300	2.0	8.0	2.5	2.5

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Nonelderly childless families:									
Lowest .....	26,565	28,996	29,577	30,500	30,500	9.1	2.0	3.1	3.1
Second .....	39,773	43,875	46,021	48,557	48,557	10.3	4.9	5.5	5.5
Middle .....	53,455	58,124	64,280	66,909	66,909	8.7	10.6	4.1	4.1
Fourth .....	72,553	78,395	90,359	95,885	95,885	8.1	15.3	6.1	6.1
Nonelderly unrelated individuals:									
Lowest .....	7,463	8,915	9,465	8,661	8,661	19.5	6.2	-8.5	-8.5
Second .....	15,271	17,173	18,403	18,030	18,030	12.5	7.2	-2.0	-2.0
Middle .....	24,166	25,350	27,631	28,300	28,300	4.9	9.0	2.4	2.4
Fourth .....	34,954	37,319	41,585	42,026	42,026	6.8	11.4	1.1	1.1
Elderly childless units:									
Lowest .....	7,978	8,648	9,814	10,317	10,317	8.4	13.5	5.1	5.1
Second .....	12,264	13,884	16,057	16,932	16,932	13.2	15.7	5.5	5.5
Middle .....	18,706	21,654	25,303	26,505	26,505	15.8	16.9	4.7	4.7
Fourth .....	32,131	35,815	42,552	45,050	45,050	11.5	18.8	5.9	5.9
Elderly childless families:									
Lowest .....	13,102	14,833	16,782	18,272	18,272	13.2	13.1	8.9	8.9
Second .....	18,799	21,821	25,573	26,776	26,776	16.1	17.2	4.7	4.7
Middle .....	27,225	30,427	36,806	38,250	38,250	11.8	21.0	3.9	3.9
Fourth .....	43,843	47,864	57,050	61,902	61,902	9.2	19.2	8.5	8.5
Elderly unrelated individuals:									
Lowest .....	5,852	6,574	7,477	7,773	7,773	12.3	13.7	4.0	4.0
Second .....	8,247	9,018	10,390	10,986	10,986	9.3	15.2	5.7	5.7
Middle .....	10,686	12,479	14,943	15,325	15,325	16.8	19.8	2.6	2.6
Fourth .....	16,418	19,815	23,741	24,525	24,525	20.7	19.8	3.3	3.3

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<sup>1</sup>Individual's earnings in 1998 are limited to \$131,450. That topcoded value is equal to the 1989 topcoded value (\$99,999) adjusted for inflation.

<sup>2</sup>Individual's earnings in 1998 are as reported on Census public-use files (which use a topcode value of \$1 million).

Source: Congressional Budget Office tabulations of data from the March Current Population Survey, 1974, 1980, 1990, and 1999.

quintiles. In fact, income limits for the lower quintiles have decreased for several family types during several periods.

#### **ANTIPOVERTY EFFECTIVENESS OF VARIOUS CASH AND NONCASH TRANSFERS**

Tables H-19 through H-21 provide estimates of the number and percentage of individuals removed from poverty by market income and by social insurance programs (Social Security, unemployment compensation, and workers' compensation), means-tested cash programs (Aid to Families with Dependent Children, Supplemental Security Income, and general assistance), means-tested noncash programs (food stamps, housing benefits, and school lunch), and Federal payroll and income taxes and the earned income credit (EIC). Tables are provided separately for elderly persons, for children, and for persons in units with an unmarried head and children under age 18, for selected years between 1979 and 1998.

The tables present alternative measures of poverty to the official measure. They include counts of the number of people below the poverty line before any government benefits are taken into account, after each type of benefit is added to income, and after the government cash and noncash benefits and Federal taxes and the EIC are added to (or subtracted from) income.

The tables also measure the effect of these government programs on the "poverty gap"—the gap between a poor family's income and the poverty line. The poverty gap represents the degree of poverty by showing the amount of money that would be needed to lift every poor person exactly to the poverty line.

Table H-19 shows the antipoverty effectiveness of market income and government programs for the elderly. Based both on cash income before transfers and on posttransfer income, the poverty rates among the elderly in 1998 were among the lowest on record. As compared with 1979, when over 54 percent of the elderly were poor before transfers, by 1998 only a little over 48 percent of the elderly were poor before transfers. The comparable figures for the percentage of the elderly in poverty after transfers were 13.5 in 1979 and 8.8 in 1998. The impact of Social Security transfers is by the far the greatest reason so many of the poor are removed from poverty by government transfers. In 1979 the poverty rate was dropped from 54.2 to 17.4 by Social Security payments; in 1998 the comparable figures were 48.2 to 8.8 percent. In 1979, a total of 8.9 million elderly persons were removed from poverty by Social Security; in 1998, the number had jumped to 11.8 million. The figures for the poverty gap for the elderly are not quite as impressive as the overall figures. Both the total number of dollars required to close the poverty gap and the size of the poverty gap per person in poverty have been almost stagnant in recent years. Even so, in 1998 the poverty gap is only \$6.4 billion or \$2,234 per person in poverty. As we will see, no other government program has as huge an impact on poverty among any group as does Social Security among the elderly.

The impact of market income and the safety net on children's poverty are shown in table H-20. The poverty rate among children before transfers was 21.5 percent in 1998, its lowest level since 1979 and nearly 5 percentage points lower than in 1993. Similarly,

the child poverty rate after transfers in 1998 was 14.3, its lowest level since 1979 and 5.7 percentage points or nearly 30 percent below its level in 1993. These figures show substantial progress against children's poverty, both before and after government transfers. That the pretransfer level is so low suggests that the substantial increase in work by former welfare mothers after the 1996 welfare reform legislation (see Appendix L) may be playing an important role in poverty reduction among children.

The important role of work by single mothers in reducing child poverty is also shown by the data on percentage of children removed from poverty due to Federal taxes. The row of figures for taxes in all the panels of table H-20 show that Federal tax policy is having a major and growing effect in reducing child poverty. In 1983, Federal taxes actually increased the poverty level among children by 5.1 percent. However, as the Federal Government reduced taxes and increased the EIC for low-income families with children by enacting reform legislation in 1986, 1990, and 1993, the impact of taxes actually became positive. By 1998, EIC payments to families reduced the child poverty rate from 16.5 percent to 14.3 percent. It seems reasonable to conclude that the effectiveness of the EIC in fighting poverty can be attributed to two factors—the increasing generosity of EIC policy itself and the increase in work by low-income families with children, especially families headed by mothers.

Data on the poverty gap for children are somewhat mixed. Data on the pretransfer poverty gap is uniformly positive. Despite the fact that the number of children grew by over 9 million or nearly 15 percent between 1983 and 1998, the poverty gap before transfers nonetheless fell from \$44 billion to about \$38 billion, a decline of over 13 percent. Similarly, the pretransfer poverty gap per poor child in 1998 reached its lowest level since 1979. However, perhaps because there were fewer children to remove from poverty, social insurance, means-tested cash transfers, and means-tested noncash transfers were generally less effective in removing children from poverty. As shown in the last panel of table H-20, taken together these policies reduced the poverty gap by only 50.6 percent in 1998 as compared with 62.4 percent in 1979, 58.1 percent in 1989, 58.5 percent in 1995, and 53.7 percent in 1997. The effect of the EIC in reducing the poverty gap, however, remained potent; in fact, at 6.4 percent it was greater than in any previous year. Despite the effectiveness of the EIC, the overall impact of government programs reduced the poverty gap less than in any previous year except 1983. The major reason for the reduced effectiveness of government programs in reducing the poverty gap seems to be a decline in the impact of means-tested cash benefits. In 1979 these benefits reduced the poverty gap by 28.8 percent. By contrast, in 1998 they reduced the poverty gap by only 16.2 percent. Undoubtedly, the decline in the welfare rolls and in cash benefits from the Temporary Assistance for Needy Families Program play an important role here.

Poverty data for persons in units headed by single parents is generally consistent with the data for children. The first point to emphasize with these data (see the top row of table H-21), which simply reinforces the conclusion from the data on single mothers in

TABLE H-19.—IMPACT OF MARKET INCOME AND SAFETY NET PROGRAMS ON POVERTY; ELDERLY PERSONS, SELECTED YEARS 1979-98

Number of elderly and poverty measure	Year								
	1979	1983	1989	1993	1994	1995	1996	1997	1998
Total population (in thousands) .....	24,194	26,313	29,094	30,779	31,267	31,658	31,877	32,082	32,394
Number of poor persons (in thousands):									
Cash income before transfers .....	13,120	13,253	13,853	15,640	16,256	15,810	15,977	15,754	15,604
Plus social insurance .....	4,202	4,095	3,934	4,270	4,114	3,722	3,905	3,831	3,768
Plus means-tested cash benefits (official measure) .....	3,682	3,625	3,312	3,755	3,663	3,318	3,428	3,376	3,386
Plus means-tested noncash benefits .....	3,261	3,158	2,793	3,123	3,048	2,839	2,936	2,872	2,861
Less Federal taxes (including EIC) .....	3,276	3,177	2,841	3,159	3,062	2,838	2,943	2,876	2,865
Poverty rate (in percent):									
Cash income before transfers .....	54.2	50.4	47.6	50.8	52.0	49.9	50.1	49.1	48.2
Plus social insurance .....	17.4	15.6	13.5	13.9	13.2	11.8	12.3	11.9	11.6
Plus means-tested cash benefits .....	15.2	13.8	11.4	12.2	11.7	10.5	10.8	10.5	10.5
Plus means-tested noncash benefits .....	13.5	12.0	9.6	10.1	9.7	9.0	9.2	9.0	8.8
Less Federal taxes (including EIC) .....	13.5	12.1	9.8	10.3	9.8	9.0	9.2	9.0	8.8
Number (in thousands) removed from poverty due to:									
Social insurance .....	8,918	9,158	9,919	11,370	12,142	12,088	12,072	11,923	11,836
Means-tested cash benefits .....	520	470	622	515	451	404	477	455	382
Means-tested noncash benefits .....	421	467	519	632	615	479	492	504	525
Federal taxes (including EIC) .....	-15	-19	-48	-36	-14	1	-7	-4	-4
Total .....	9,844	10,076	11,012	12,481	13,194	12,972	13,034	12,878	12,739
Percent removed from poverty due to:									
Social insurance .....	68.0	69.1	71.6	72.7	74.7	76.5	75.6	75.7	75.9
Means-tested cash benefits .....	4.0	3.5	4.5	3.3	2.8	2.6	3.0	2.9	2.4
Means-tested noncash benefits .....	3.2	3.5	3.7	4.0	3.8	3.0	3.1	3.2	3.4

Federal taxes (including EIC) .....	-0.1	-0.1	-0.3	-0.2	-0.1	0.0	-0.0	-0.0	-0.0
<b>Total .....</b>	<b>75.0</b>	<b>76.0</b>	<b>79.5</b>	<b>79.8</b>	<b>81.2</b>	<b>82.0</b>	<b>81.6</b>	<b>81.7</b>	<b>81.6</b>
<b>Poverty gap (in billions of 1998 dollars):</b>									
Cash income before transfers .....	59.0	60.4	62.8	70.6	75.2	73.6	74.5	74.5	72.7
Plus social insurance .....	10.3	10.0	9.5	10.8	11.0	9.4	10.3	10.0	9.8
Plus means-tested cash benefits (official measure)	7.0	6.6	6.3	8.0	8.0	6.8	7.2	7.1	7.3
Plus means-tested noncash benefits .....	5.8	5.7	5.2	6.7	6.8	5.8	6.2	6.2	6.4
Less Federal taxes (including EIC) .....	5.8	5.7	5.2	6.7	6.8	5.8	6.2	6.2	6.4
<b>Poverty gap per poor person (in 1998 dollars):</b>									
Cash income before transfers .....	4,501	4,557	4,536	4,515	4,628	4,654	4,662	4,732	4,660
Plus social insurance .....	2,458	2,450	2,422	2,528	2,673	2,529	2,634	2,598	2,6043
Plus means-tested cash benefits (official measure)	1,890	1,826	1,905	2,124	2,174	2,063	2,091	2,106	2,148
Plus means-tested noncash benefits .....	1,790	1,803	1,845	2,149	2,223	2,047	2,123	2,157	2,228
Less Federal taxes (including EIC) .....	1,782	1,803	1,825	2,132	2,216	2,052	2,118	2,154	2,234
<b>Percent reduction in the poverty gap due to:</b>									
Social insurance .....	82.5	83.4	84.8	84.7	85.4	87.2	86.2	86.6	86.5
Means-tested cash benefits .....	5.7	5.7	5.1	4.0	4.0	3.5	4.2	3.8	3.5
Means-tested noncash benefits .....	1.9	1.5	1.8	1.8	1.6	1.4	1.3	1.2	1.2
Federal taxes (including EIC) .....	0.0	-0.1	-0.1	-0.0	-0.0	-0.0	0.0	0.0	-0.0
<b>Total .....</b>	<b>90.1</b>	<b>90.5</b>	<b>91.7</b>	<b>90.5</b>	<b>91.0</b>	<b>92.1</b>	<b>91.6</b>	<b>91.7</b>	<b>91.2</b>

Source: Table prepared by the U.S. Department of Health and Human Services and the Congressional Budget Office based on Current Population Survey data. Poverty gaps are based on calculations by the U.S. Census Bureau.

TABLE H-20.—IMPACT OF MARKET INCOME AND SAFETY NET PROGRAMS ON POVERTY; CHILDREN, SELECTED YEARS 1979–98

Number of children and poverty measure	Year								
	1979	1983	1989	1993	1994	1995	1996	1997	1998
Total population (in thousands) .....	63,375	62,333	65,602	69,292	70,020	70,566	70,650	71,069	71,338
Number of poor children (in thousands):									
Cash income before transfers .....	12,761	16,146	14,954	18,198	17,828	17,098	16,642	16,294	15,365
Plus social insurance .....	11,364	14,405	13,846	16,685	16,324	15,717	15,426	14,890	14,131
Plus means-tested cash benefits .....	10,377	13,911	13,154	15,727	15,289	14,665	14,463	14,113	13,467
Plus means-tested noncash benefits .....	8,421	12,464	11,409	13,874	13,212	12,476	12,576	12,511	11,749
Less Federal taxes (including EIC) .....	8,620	13,293	11,811	13,853	12,613	11,443	11,341	11,080	10,230
Poverty rate (in percent):									
Cash income before transfers .....	20.1	25.9	22.8	26.3	25.5	24.2	23.6	22.9	21.5
Plus social insurance .....	17.9	23.1	21.1	24.1	23.3	22.3	21.8	21.0	19.8
Plus means-tested cash benefits .....	16.4	22.3	20.1	22.7	21.8	20.8	20.5	19.9	18.9
Plus means-tested noncash benefits .....	13.3	20.0	17.0	20.0	18.9	17.7	17.8	17.6	16.5
Less Federal taxes (including EIC) .....	13.6	21.3	18.0	20.0	18.0	16.2	16.1	15.6	14.3
Number (in thousands) removed from poverty due to:									
Social insurance .....	1,397	1,741	1,108	1,513	1,504	1,381	1,216	1,404	1,234
Means-tested cash benefits .....	987	494	692	958	1,035	1,052	963	777	664
Means-tested noncash benefits .....	1,956	1,447	1,745	1,853	2,077	2,189	1,887	1,602	1,718
Federal taxes (including EIC) .....	-199	-829	-402	21	599	1,033	1,235	1,431	1,519
Total .....	4,141	2,853	3,143	4,345	5,215	5,655	5,301	5,214	5,135
Percent removed from poverty due to:									
Social insurance .....	10.9	10.8	7.4	8.3	8.4	8.1	7.3	8.6	8.0
Means-tested cash benefits .....	7.7	3.1	4.6	5.3	5.8	6.2	5.8	4.8	4.3
Means-tested noncash benefits .....	15.3	9.0	11.7	10.2	11.7	12.8	11.3	9.8	11.2

Federal taxes (including EIC) .....	-1.6	-5.1	-2.7	0.1	3.4	6.0	7.4	8.8	9.9
Total .....	32.5	17.7	21.0	23.9	29.3	33.1	31.9	32.0	33.4
Poverty gap (in billions of 1998 dollars):									
Cash income before transfers .....	33.2	44.0	40.3	50.6	48.1	45.1	43.8	42.6	38.2
Plus social insurance .....	27.81	37.0	35.1	43.7	41.7	39.0	37.9	35.9	32.7
Plus means-tested cash benefits .....	18.3	26.5	25.1	31.4	30.2	28.2	28.4	28.2	26.5
Plus means-tested noncash benefits .....	12.5	18.4	16.8	20.9	19.9	18.7	19.1	19.7	18.9
Less Federal taxes (including EIC) .....	12.5	18.9	16.8	20.3	18.3	16.8	16.7	17.4	16.4
Poverty gap per poor child (in 1998 dollars) due to:									
Cash income before transfers .....	2,602	2,725	2,698	2,779	2,696	2,638	2,630	2,613	2,489
Plus social insurance .....	2,450	2,572	2,532	2,620	2,554	2,482	2,456	2,412	2,312
Plus means-tested cash benefits .....	1,763	1,904	1,905	1,999	1,977	1,921	1,965	1,997	1,965
Plus means-tested noncash benefits .....	1,481	1,477	1,472	1,505	1,503	1,497	1,516	1,576	1,605
Less Federal taxes (including EIC) .....	1,447	1,425	1,422	1,468	1,455	1,471	1,476	1,569	1,604
Percent reduction in the poverty gap due to:									
Social insurance .....	16.1	15.8	13.1	13.6	13.3	13.5	13.4	15.7	14.5
Plus means-tested cash benefits .....	28.8	24.0	24.8	24.3	23.9	24.0	21.6	18.1	16.2
Plus means-tested noncash benefits .....	17.5	18.4	20.5	20.9	21.6	21.0	21.4	19.9	19.9
Federal taxes (including EIC) .....	-0.0	-1.2	-0.0	1.1	3.1	4.1	5.3	5.5	6.4
Total .....	62.4	56.9	58.4	59.8	61.8	62.7	61.8	59.2	57.1

Source: Table prepared by the U.S. Department of Health and Human Services and the Congressional Budget Office based on Current Population Survey data. Poverty gaps are based on calculations by the U.S. Census Bureau.

TABLE H-21.—IMPACT OF MARKET INCOME AND SAFETY NET PROGRAMS ON POVERTY; PERSONS IN UNITS WITH UNMARRIED HEAD AND RELATED CHILDREN, SELECTED YEARS 1979-98

Number of persons and poverty measure	Year								
	1979	1983	1989	1993	1994	1995	1996	1997	1998
Total population (in thousands) .....	23,547	25,559	29,255	34,611	35,091	36,428	36,515	36,702	36,826
Number of poor persons (in thousands):									
Cash income before transfers .....	11,786	13,751	14,074	17,965	17,971	17,199	16,851	16,757	15,724
Plus social insurance (other than Social Security) .....	11,568	13,501	13,820	17,509	17,628	16,882	16,589	16,459	15,411
Plus Social Security .....	10,645	12,611	13,040	16,570	16,619	16,058	15,706	15,377	14,511
Plus means-tested cash benefits .....	9,491	12,063	12,388	15,550	15,401	14,930	14,692	14,463	13,698
Plus means-tested noncash benefits .....	7,115	10,531	10,636	13,705	13,014	12,381	12,682	12,655	11,813
Plus EIC and less Federal payroll and income taxes .....	7,141	10,800	10,648	13,378	12,257	11,338	11,540	11,103	10,268
Poverty rate (in percent):									
Cash income before transfers .....	50.1	53.8	48.1	51.9	51.2	47.2	46.1	45.7	42.7
Plus social insurance (other than Social Security) .....	49.1	52.8	47.2	50.6	50.2	46.3	45.4	44.8	41.8
Plus Social Security .....	45.2	49.3	44.6	47.9	47.4	44.1	43.0	41.9	39.4
Plus means-tested cash benefits .....	40.3	47.2	42.3	44.9	43.9	41.0	40.2	39.4	37.2
Plus means-tested noncash benefits .....	30.2	41.2	36.4	39.6	37.1	34.0	34.7	34.5	32.1
Plus EIC and less Federal payroll and income taxes .....	30.3	42.3	36.4	38.7	34.9	31.1	31.6	30.3	27.9
Total reduction in poverty rate .....	19.7	11.5	11.7	13.3	16.3	16.1	14.5	15.4	14.8
Number (in thousands) removed from poverty due to:									
Social insurance (other than Social Security) .....	218	250	254	456	343	317	262	298	313
Social Security .....	923	890	780	939	1,009	824	883	1,082	900
Means-tested cash benefits .....	1,154	548	652	1,020	1,218	1,128	1,014	914	813
Means-tested noncash benefits .....	2,376	1,532	1,752	1,845	2,387	2,549	2,010	1,808	1,885

EIC and Federal payroll and income taxes .....	- 26	- 269	- 12	327	757	1,043	1,142	1,552	1,545
Total .....	4,645	2,951	3,426	4,587	5,714	5,861	5,311	5,654	5,456
Percent removed from poverty due to:									
Social insurance (other than Social Security) .....	1.8	1.8	1.8	2.5	1.9	1.8	1.6	1.8	2.0
Social Security .....	7.8	6.5	5.5	5.2	5.6	4.8	5.2	6.5	5.7
Means-tested cash benefits .....	9.8	4.0	4.6	5.7	6.8	6.6	6.0	5.5	5.2
Means-tested noncash benefits .....	20.2	11.1	12.4	10.3	13.3	14.8	11.9	10.8	12.0
EIC and Federal payroll and income taxes .....	- 0.2	- 2.0	- 0.1	1.8	4.2	6.1	6.8	9.3	9.8
Total .....	39.4	21.5	24.3	25.5	31.8	34.1	31.5	33.7	34.7
Poverty gap (in millions of 1998 dollars):									
Cash income before transfers .....	35,907	45,244	44,507	57,506	54,744	49,498	49,760	47,900	42,896
Plus social insurance (other than Social Security) .....	34,890	43,578	43,546	55,860	53,257	48,317	48,545	46,746	41,715
Plus Social Security .....	30,813	39,275	39,506	51,194	48,032	43,683	43,597	41,188	37,195
Plus means-tested cash benefits .....	17,780	25,803	27,038	35,132	32,642	30,076	31,179	31,101	28,836
Plus means-tested noncash benefits .....	11,033	16,770	17,223	21,567	19,754	18,404	19,437	20,366	19,314
Plus EIC and less Federal payroll and income taxes .....	10,954	16,876	17,019	20,929	18,350	16,771	17,333	18,216	17,094
Reduction in poverty gap (in millions) due to:									
Social insurance (other than Social Security) .....	1,017	1,666	961	1,646	1,487	1,181	1,215	1,154	1,181
Social Security .....	4,077	4,302	4,040	4,666	5,224	4,634	4,948	5,558	4,520
Means-tested cash benefits .....	13,033	13,472	12,468	16,062	15,390	13,607	12,418	10,087	8,359
Plus means-tested noncash benefits .....	6,747	9,034	9,815	13,566	12,888	11,672	11,741	10,735	9,522
EIC and Federal payroll and income taxes .....	79	- 106	204	637	1,403	1,633	2,105	2,150	2,220
Total .....	24,953	28,368	27,488	36,576	36,393	32,727	32,428	29,683	25,802
Percent reduction in the poverty gap due to:									
Social insurance (other than Social Security) .....	2.8	3.7	2.2	2.9	2.7	2.4	2.4	2.4	2.8

TABLE H-21.—IMPACT OF MARKET INCOME AND SAFETY NET PROGRAMS ON POVERTY; PERSONS IN UNITS WITH UNMARRIED HEAD AND RELATED CHILDREN, SELECTED YEARS 1979-98—Continued

Number of persons and poverty measure	Year								
	1979	1983	1989	1993	1994	1995	1996	1997	1998
Social Security .....	11.4	9.5	9.1	8.1	9.5	9.4	9.9	11.6	10.5
Means-tested cash benefits .....	36.3	29.8	28.0	27.9	28.1	27.5	25.0	21.1	19.5
Plus means-tested noncash benefits .....	18.8	20.0	22.1	23.6	23.5	23.6	23.6	22.4	22.2
EIC and Federal payroll and income taxes .....	0.2	-0.2	0.5	1.1	2.6	3.3	4.2	4.5	5.2
<b>Total .....</b>	<b>69.5</b>	<b>62.7</b>	<b>61.8</b>	<b>63.6</b>	<b>66.5</b>	<b>66.1</b>	<b>65.2</b>	<b>62.0</b>	<b>60.2</b>

Note.—Poverty gap dollars for each year adjusted to 1998 dollars.

Source: Table prepared by the U.S. Department of Health and Human Services and the Congressional Budget Office based on Current Population Survey data.

table H-15, is that there has been a very large increase in the number of persons in families with unmarried heads. The number jumped from 23.5 million in 1979 to 36.8 million in 1998, an increase of nearly 60 percent. By contrast, the number of persons in married couple families increased from 102.2 million to only 102.7 million, an increase of less than 1 percent. Thus, the family type with the highest poverty rate has been increasing more than 40 times as fast as the family type with the lowest poverty rate. These demographic developments make progress against poverty somewhat difficult.

Even so, the pretransfer poverty rate among persons in families with an unmarried head reached its lowest level ever in 1998 at 42.7 percent. Compared with the 53.8 percent pretransfer rate in 1983, that's a drop of over 20 percent. Progress against pretransfer poverty among these families has also been continuous and rapid during the current economic expansion, with a drop of 18 percent from 51.9 percent to 42.7 percent since 1993. Again, as we saw in the case of children, progress against pretransfer poverty has been substantial in recent years, in all likelihood due to the increase in work by single mothers.

On the other hand, again as was the case with children, progress against poverty as measured by the poverty gap has been uneven. Although the pretransfer poverty gap at \$42.9 billion for these families is smaller than at any time since 1979, and although the gap has fallen 25 percent just since 1993, means-tested cash and noncash programs have been increasingly less effective in reducing the poverty gap. By contrast, as with children, Federal tax policy has been increasingly more effective at reducing the poverty gap. Even so, the combination of the reduced pretransfer poverty gap and the increased effectiveness of the EIC in reducing the poverty gap failed to outweigh the declining effectiveness of means-tested cash and noncash transfers in reducing the poverty gap. As a result, the reduction in the posttax, posttransfer poverty gap for these families was lower than in the past as measured either by dollars or percentage reduction.

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