

Money Income in the United States: 1997 - Briefing

Dr. Daniel H. Weinberg, Chief, Housing and Household Economic Statistics Division Press Briefing on 1997 Income and Poverty Estimates, September 24, 1998

[Welcome to the press briefing on the 1997 income and poverty estimates](#) [GIF - 9k]. Your press packets contain a press release, a copy of my remarks, a copy of the charts I will be using today, and the two reports we are releasing. Additional unpublished detailed tables can be obtained from the Census Bureau directly or on our web site.

Let me introduce some of the analysts who worked on the reports; they will be available to answer your questions after the briefing: Charles Nelson (Assistant Division Chief), Mary Naifeh (Acting Chief of the Poverty and Health Statistics Branch), Edward Welniak (Chief of the Income Statistics Branch), and the primary authors of the reports, Robert Cleveland, Joe Dalaker, Carmen DeNavas-Walt, and Arthur Jones. I'd also like to thank all the Field Representatives who work so hard to collect these data.

Please hold your questions unless it's a technical clarification. The main presentation should take about 20 minutes.

Let me first summarize the main findings. [Increases in income and declines in poverty were widespread in 1997](#) [GIF - 18k]. For the third consecutive year, households in the United States experienced an annual increase in their real median income. Between 1996 and 1997, median household income adjusted for inflation increased 1.9 percent, to \$37,005 (that means that half of households had incomes above \$37,005). In addition, the poverty rate fell from 13.7 percent in 1996 to 13.3 percent in 1997. Despite this increase in income, however, the number of poor remained statistically unchanged -- the number of poor in 1997 was 35.6 million people. In statistical terms, both median income and the poverty rate have returned to their 1989 levels. Finally, there was no change in income inequality from 1996 to 1997.

Data from the March Supplement to the Current Population Survey or CPS are the basis for these statistics. The CPS is a sample survey of approximately 50,000 households nationwide, conducted each month for the Bureau of Labor Statistics. These data reflect 1997 and not current conditions.

As in all surveys, the data in these reports are estimates, subject to sampling variability and response errors. All statements made in the reports and in this briefing have been tested statistically. All historical income data are expressed in 1997 dollars and were adjusted using the Consumer Price Index; inflation was 2.3 percent between 1996 and 1997. The poverty thresholds are updated each year for inflation as well; for a family of four in 1997 the threshold was \$16,400, for a family of three, \$12,802.

[This chart presents the key estimates of median household income](#) [GIF - 21k]. As I noted earlier, median income for all U.S. households rose 1.9 percent or \$700 between 1996 and 1997 to \$37,005. Households in all regions except the Northeast experienced a significant increase in income.

[After adjusting for inflation, median household income is now equal to its 1989 level, the most recent business cycle and income peak](#) [GIF - 19k]. Overall, median household income has risen 17.2 percent since 1967, the first year median household income was computed.

[The poverty rate for all persons declined significantly by one-half a percentage point, from 13.7 percent in 1996 to 13.3 percent in 1997](#) [GIF - 19k].¹ The number of poor did not change statistically from 1996 to 1997. Despite the overall reduction in the U.S. poverty rate, there was no statistically significant change in any region. [The number of poor is now 3.2 million above the 1989 level when 32.4 million people were poor and the poverty rate](#) [GIF - 23k]. However, the number of poor is now 3.7 million people below its most recent peak of 39.3 million in 1993.

[This next chart presents the changes in real median household income by race and ethnicity between 1996 and 1997](#) [GIF - 22k]. Households with a White householder had a 2.5 percent increase in income, those with a Black householder had a 4.3 percent increase, and those with an Asian or Pacific Islander householder had no significant increase. Households with a Hispanic householder, who may be of any race, had a 4.5 percent increase in median income between 1996 and 1997.²

Per capita income showed an increase between 1996 and 1997 only for Whites among the race groups, and also for Hispanics.

[As this next chart shows, there was a different pattern for poverty by race and ethnicity than for income](#) [GIF - 24k]. Blacks experienced a decline in their poverty rate by 2.0 percentage points, down to 26.5 percent. Similarly, Hispanics experienced a decline in their poverty rate by 2.3 percentage points, down to 27.1 percent, which was not statistically different from the rate for Blacks. Compared to the overall poverty rate of 13.3 percent, both poverty levels remain high. Nevertheless, as this pie chart shows, more than two-thirds of all poor are White and 46 percent of all poor are non-Hispanic Whites.

Children are 40 percent of the poor though they are but 26 percent of the total population. [Their poverty rate is higher than for any other age group, 19.9 percent in 1997, unchanged from 1996, but down from its recent peak of 22.7 percent in 1993](#) [GIF - 34k]. Poverty for children has been at or above 20 percent since the early 1980's.

The real median earnings of men who worked full time, year round increased by 2.4 percent between 1996 and 1997, while that for comparable women rose by 3.0 percent.³ This was the first year that full-time year-round male workers experienced an increase in their median earnings since 1991. [The ratio of female-to-male earnings for full-time year-round workers remained at its all-time high, 74 percent](#) [GIF - 19k].

As I mentioned earlier, increases in income and declines in poverty were widespread in 1997. [As a result, statistically speaking many population groups have reached or surpassed their 1989 peak levels](#) [GIF - 21k]. The groups that have surpassed their 1989 levels of median household income are households whose householder is Black, all family households, married-couple households, households with a householder 55 to 64, households located outside metropolitan areas, and households in the Midwest and the South.

[This companion chart shows the groups whose poverty rates have come down to or are below their 1989 levels](#) [GIF - 17k]. Those whose poverty rates are below their 1989 level are Blacks, the elderly, those in the Midwest and the South, and married-couple families.

It is clear that the economic recovery to 1989 levels is quite widespread. The most notable group whose recovery seems to have been delayed is households and individuals in the Northeast. They however had the largest increase in median household income in the 1980s of any region.

This is the fourth consecutive year in which there was no year-to-year change in overall income inequality -- there was no statistically significant change in quintile income shares between 1996 and 1997 nor did the Gini index of inequality show a change between 1996 and 1997.

[Based on a comparison of two-year moving averages, real median household income increased between 1995 and 1997 for twelve states and fell for four](#) [GIF - 21k]. In the same period, three states had a drop in their poverty rate while two showed an increase.

The Census Bureau also produces a series of experimental estimates of income, in an attempt to gauge the effect on income and poverty of noncash benefits and taxes, which are not considered in the official measures. Seventeen experimental definitions of income are computed, and tables based on those results are presented in the reports.

The Bureau's research in this area has shown that the distribution of income is more equal under a broadened definition that takes into account the effects of taxes and noncash benefits than under the official cash income definition. Government benefits play a much more equalizing role on income than do taxes.

[Valuing noncash benefits and subtracting taxes also affects the estimated poverty rate](#) [GIF - 21k]. Under the broadened definition of income, the estimated poverty rate was 10.0 percent or 26.9 million people, compared to 13.3 percent and 35.6 million people under the official income definition. Regardless of the method chosen to measure income, as you can see in this chart, the pattern of change in poverty over time is similar.

Census Bureau and the Bureau of Labor Statistics researchers are examining the recommendations of a recent National Academy of Sciences panel for changing the official poverty definition. We expect to release a special report on the effects of these recommendations on poverty measures this Spring. [You can follow our progress on a special "Poverty Measurement" web site](#)

In the past, we have usually released information on health insurance coverage at this press conference as well. That information is available in a press release to be sent this afternoon under embargo until next Tuesday.

[Let me call to your attention that this is the fiftieth anniversary of income data from the Current Population Survey](#) [GIF - 23k]. The Census Bureau will release a special report at a press conference next Tuesday to mark the occasion. We have invited a panel of four distinguished economic experts to comment on the usefulness of these data for understanding our economy and

society. The panelists are Katharine Abraham, Commissioner of the Bureau of Labor Statistics; Alan Blinder, Professor of Economics at Princeton University; Marvin Kusters, Resident Scholar at the American Enterprise Institute; and Charles Schultze, Senior Fellow Emeritus at the Brookings Institution.

Let me again summarize the main findings. For the third consecutive year, households in the United States experienced an annual increase in their real median income. Between 1996 and 1997, median household income adjusted for inflation increased 1.9 percent, to \$37,005. In addition, the poverty rate fell from 13.7 percent in 1996 to 13.3 percent in 1997. Despite this increase in income, however, the number of poor remained statistically unchanged -- the number of poor in 1997 was 35.6 million people. Finally, there was no change in income inequality from 1996 to 1997.

I'll be glad to answer questions from the press at this time. Please identify yourself and your affiliation.

Footnotes:

1. The difference rounds to 0.5 even though the difference in the rounded percentages for the two years is only 0.4.
2. The differences among the 1996-1997 percent changes in median household income for the race and Hispanic origin groups were not statistically significant.
3. The difference between the percent increases in the earnings of men and women was not statistically significant.