

. . . *And at Home*

THE INCOME and poverty figures the Census Bureau released the other day weren't a lot of help in answering the main income and poverty questions the country faces. They showed pretty much what you would expect, given the economic conditions that prevailed last year. With unemployment at a 24-year low, but inflation remaining pleasantly low as well, real incomes were up, and poverty was down. Income inequality remained high but stable.

That's mostly good news, except that last year wasn't much of a test. The current expansion has been going on since early 1991. The people at the lower end of the income distribution still haven't gotten as much of a lift from it as those at the top; not close. Nor is it clear what will happen to either income inequality or poverty when the business cycle reasserts itself and the economy turns down. Twenty percent of U.S. households now have half the income; the other 80 percent split the rest. Does that figure get better or worse when the economy falters? After six-plus years of steady growth, a fifth of the children in the country lived in poverty last year. What happens to that

figure in a recession?

The people who wrote the 1996 welfare bill panned for gold in the statistics and found a little. "Incomes are up for female-headed families, many of whom have left welfare for work," said Rep. Clay Shaw, a principal author. But the Center on Budget and Policy Priorities, a think tank that opposed the bill, drew a different lesson. It noted that, on average, poor families were farther below the poverty line last year than the year before. "This increase in the depth of poverty . . . appears to be related to weakening of safety net programs," it said; "the decline in the number of families receiving assistance was much greater than the decline in the number of families that [were] poor. The proportion of poor families receiving basic . . . assistance . . . has decreased significantly. The . . . data . . . show that the assistance programs lifted substantially fewer children out of poverty in 1997 than in 1995 or 1996."

The fact is that no one knows what effect the welfare bill may have had on poverty last year, much less the effect it may have in a tougher future. Last week's sunny reports do not contain the answer.

The Washington Post

MONDAY, SEPTEMBER 28, 1998

10 Keep Imported Food Safe

WHILE LETTING much else languish, Congress has spared some attention for improving food safety. A chunk of new money for modernization and research, especially in dealing with the rising volume of food imported from abroad, is at issue in the agriculture appropriations bill now in conference. Sen. Susan Collins (R-Maine) held hearings last week on the longer-term prospects for dealing with the same issue.

The problem—an inability of those programs to keep up with an increasingly global food supply—raises the need to go beyond the strained system of mostly visual customs inspections. In the long term it means working directly with industries abroad to help them meet health, safety and cleanliness standards.

To describe the task this way is to appreciate that it will be an immense endeavor, involving long-term relationships that could end up indirectly benefiting the consumers in other nations too. Advocates say the Agriculture Department

has made good progress already on this model with beef and poultry.

The Food and Drug Administration, which oversees most other food imports, wants to do the same and notes that half of the seafood Americans eat now is imported, along with 38 percent of fruit and 12 percent of vegetables—all numbers that have tripled in the past decade. (The FDA currently manages to inspect only about 2 percent of the flow, down from 10 percent in 1992.)

Given the scope of changes needed to keep up with this trend, the new funds proposed under the president's "food safety initiative" earlier this year look like a stopgap. After the president's initial request for \$101 million in new funding for border inspections and pathogen research fell flat, the Senate unexpectedly added \$66 million. If the conference committee approves that money, it could lay a useful framework, but the broader task of adjusting to a worldwide food system will remain.

The Washington Post

MONDAY, SEPTEMBER 28, 1998

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Here is the Center's report on the Census data on poverty released today.

We felt that it would be of interest to you.



NEWS RELEASE



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POVERTY RATES FALL, BUT REMAIN HIGH FOR A PERIOD WITH SUCH LOW UNEMPLOYMENT

Strong economic growth and low unemployment reduced poverty and raised incomes in 1997, with especially strong gains among minorities. Several years of growth have returned the poverty rate and median household income to the levels at which they stood in 1989, the last year before the recession of the early 1990s. The Census data show that 13.3 percent of Americans lived in poverty in 1997, down from 13.7 percent in 1996.

The poverty rate remained high, however, for a year in which the unemployment rate averaged 4.9 percent, its lowest level in 24 years. The poverty rate in 1997 was at about the same level as it was in 1987 through 1989, years in which unemployment averaged between 5.3 percent and 6.2 percent. The 1997 poverty rate was substantially above the poverty rates for every year of the 1970s, even though the unemployment rate was close to or above six percent for more than half of the years of that decade.

Poor Families Grow Poorer, Welfare Caseloads Decline

In addition, poor families became poorer, on average, in 1997. The average amount by which families that are poor fall below the poverty line increased \$200, the Census figures show, from \$6,395 in 1996 to \$6,602 in 1997. (These figures are both expressed in 1997 dollars.)

This increase in the depth of poverty for the average poor family appears to be related to a weakening of safety net programs in 1997; the decline in the number of families receiving assistance was much greater than the decline in the number of families that are poor. The proportion of poor families receiving basic cash and food assistance that can lessen the severity of their poverty has decreased significantly. The Census data also show that the assistance programs lifted substantially fewer children out of poverty in 1997 than in 1995 or 1996.

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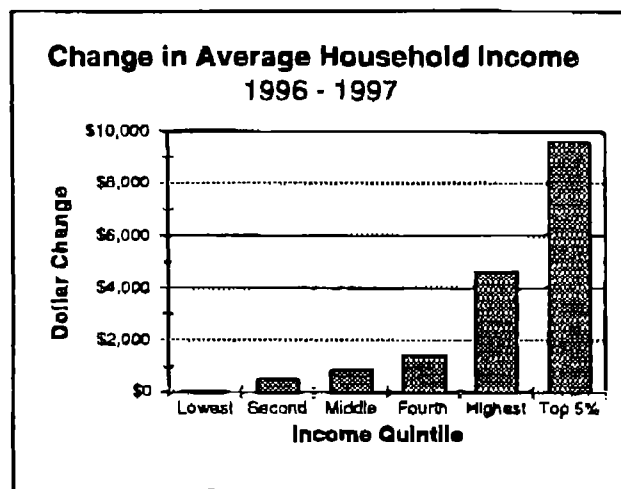
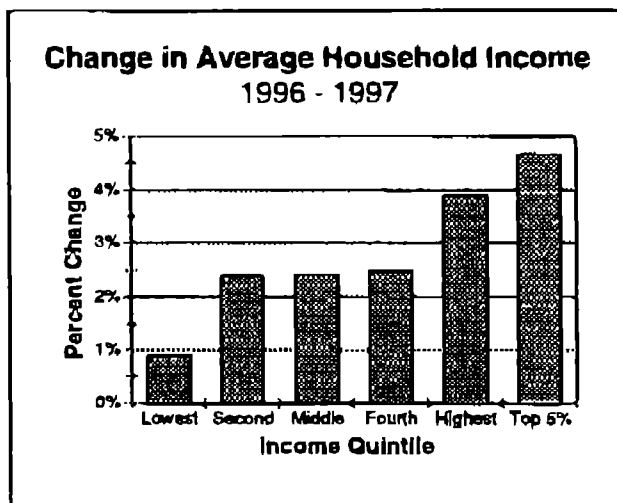
This lack of greater progress in reducing poverty also reflects a broader, long-term trend — income growth over the past two decades has been unevenly spread. Average household income in 1997 exceeded average income in 1989 only for the top two-fifths of the population. For the rest of the population, average income was at or below the 1989 level, after adjusting for inflation. Income gains have been largest for the five percent of households with the highest incomes.

Income Gains Largest for High-income Households

In 1997, median household income rose to \$37,005, about the same as in 1989, after adjusting for inflation. The incomes of those at the top of the income spectrum grew more, however, than the incomes of those at the middle or the bottom.

- Between 1996 and 1997, the average income of the top fifth of households rose 3.9 percent, or \$4,600, after adjusting for inflation.
- The average income of the top five percent rose 4.7 percent, or \$9,600.
- Meanwhile, the average income of the middle fifth rose 2.4 percent, or \$880, while the average income of the bottom fifth climbed 0.9 percent, or just \$80.

The Census data also show that every income group except those at the top of the income scale received a significantly smaller share of national pre-tax income in 1997 than in 1989, while the top groups received larger shares. In 1997, the 20 percent of households with the highest incomes received nearly half — 49.4 percent — of the national income, while the other 80 percent of the population divided the other half of the national



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income. Although the 49.4 percent figure did not represent a statistically significant change from the 49 percent figure for 1996, it tied for the largest share of national income that the top fifth of households have received in any year on record. It also significantly surpassed the share of national income that the top fifth of households received in 1989. Each one percent of national income equals \$51 billion.

The top five percent of households received 21.7 percent of the national income, also equal to the highest level on record. Meanwhile, the shares of income each of the bottom four fifths of the population received were lower in 1997 than in nearly all other years on record. The share going to the middle three-fifths of the population combined was at a record low level.

Poverty Rates Decline, Incomes Rise for Blacks and Hispanics

The brightest parts of the new Census report are the strong gains registered by Blacks and Hispanics. Poverty dropped for both groups in 1997, with the Black poverty rate falling from 28.4 percent in 1996 to 26.5 percent in 1997, an all-time low. The Hispanic poverty rate also dropped substantially, declining from 29.4 percent in 1996 to 27.1 percent last year.

Median household income also climbed for both groups, rising 4.3 percent, or a little over \$1,000, for Blacks and 4.5 percent, or \$1,150 for Hispanics. These strong gains suggest that minorities — the groups with the highest unemployment rates — benefit disproportionately when the overall unemployment rate drops below five percent. These data also suggest that keeping unemployment at its current low levels is especially important to making continued progress in raising incomes and reducing poverty among Blacks and Hispanics.

Poverty rates for Blacks and Hispanics continue, of course, to be much higher than poverty rates among non-Hispanic whites. Some 8.6 percent of non-Hispanic whites were poor in 1997, a rate less than one-third that for Blacks and Hispanics. Similarly, median household income in 1997 was more than 50 percent higher for non-Hispanic whites than for Blacks and Hispanics.

Poverty at All-time Low for Elderly, but not for Working-age Adults

In 1997, the poverty rate stood at or below its 1989 level for the youngest and oldest age groups, but not for working-age adults. Children continued to have the highest poverty rate of any age group at 19.9 percent, although this poverty rate has returned to the level of the child poverty rate in 1989.

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The Census Bureau reported that children constituted 40 percent of all people who were poor in 1997 although they made up only 26 percent of the population. The Census data show an extremely high poverty rate for one group of children — those under age six who live in female-headed families with no spouse present. Their poverty rate was 59 percent last year.

Among working age adults 18 to 64, the 1997 poverty rate of 10.9 percent remained significantly above the 1989 poverty rate of 10.4 percent. This likely reflects the long-term downward trend in wages for lower-paying jobs.

For the elderly, the 1997 poverty rate of 10.5 percent ties for the lowest rate on record. Almost all elderly individuals receive Social Security benefits. Since Social Security benefits are tied to average wages earned during a worker's career and each new group of retirees has earned higher average wages than previous groups of retirees, Social Security benefits have been steadily rising. This pushes down elderly poverty rates. The poverty rate for elderly people of 10.5 percent in 1997 compares to a 24.5 percent rate in 1970 and a rate of approximately 35 percent in 1960. Census data show that in 1997, the elderly poverty rate would be close to 50 percent in the absence of Social Security.

One group for which the poverty rate trends are less favorable consists of individuals of all ages who live alone or with others to whom they are not related. Some 20.8 percent of these people, termed "unrelated individuals" by the Census bureau, were poor in 1997, a poverty rate substantially above the 19.3 percent poverty rate for this group in 1989.

Decline in Number of People Receiving Assistance Outstrips Decline in Poverty

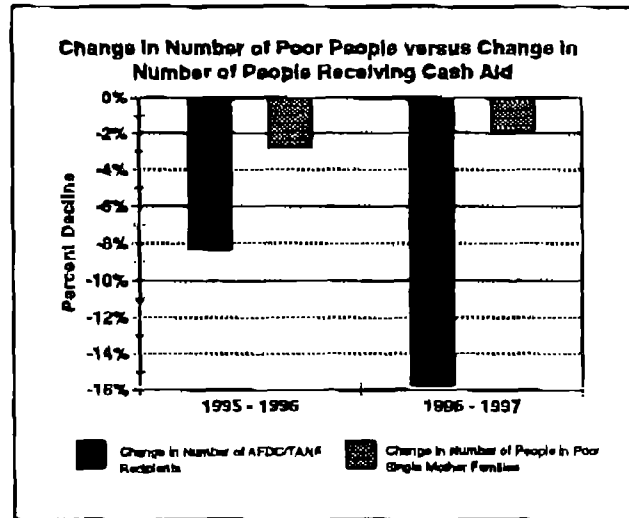
The new Census data show that in recent years, the declines in the number of people receiving basic assistance targeted on needy families have far outstripped the decline in the number of people who are poor. This suggests that sizable numbers of people who are poor are receiving less aid than in the past. The Census report also indicates that this decrease in assistance is one of the reasons that poverty rates have not declined more in the past few years amidst a stunning performance by the economy, and it helps to explain why the average poor family has become poorer.

From 1995 to 1997, the number of poor people in female-headed families with children fell 4.3 percent. But the number of people receiving welfare assistance for poor families with children dropped 22.6 percent, or more than five times as large a percentage. Just between 1996 and 1997, the number of people receiving welfare assistance fell by nine times as large a percentage as the number of poor people in female-headed families with children; the number of poor people in such families fell

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1.7 percent in 1997, while the number receiving welfare assistance in an average month fell 15.7 percent.

Of particular concern are trends in the food stamp program, a program for which most poor households are eligible, including the working poor. Between 1995 and 1996, the number of poor people remained statistically unchanged, but the number of people receiving food stamps in an average month fell 1.2 million, or nearly five percent. This trend accelerated in 1997. From 1996 to 1997, the number of poor people fell 955,000, or 2.6 percent, while the number receiving food stamps plunged an additional 3.1 million, or more than 12 percent. During the two-year period from 1995 to 1997, the decline in the number of people receiving food stamps — 4.4 million — was five times greater than the decline in the number of people living in poverty.



The food stamp figures are especially noteworthy because the income limit for food stamps is slightly above the poverty line; as a result, families moving from public assistance to low-wage work that leaves them in poverty do not lose eligibility for food stamps. These data indicate that the reductions in the number of households receiving food stamps have exceeded reductions in need and that the proportion of poor people receiving basic food assistance to help them secure an adequate diet has declined.

Center director Robert Greenstein noted that anecdotal evidence suggests that many families no longer receiving cash assistance are not receiving food stamps either. "Practices in some states to dissuade families from receiving welfare aid may be having the unintended effect of discouraging many working poor families from receiving food stamps even though they remain eligible for this assistance," Greenstein said.

The effects of these declines in public assistance and food stamp receipt show up clearly in unpublished Census data released today on poverty rates under alternative measures of poverty that count non-cash benefits such as food stamps as income. These Census data show that means-tested programs such as food stamps and cash welfare assistance lifted 850,000 fewer children out of poverty in 1997 than in 1995.

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These data also show that the percentage of poor children receiving food stamps, as well as the percentage receiving cash welfare assistance, has declined significantly in the past two years. For example, in 1995, some 61.5 percent of poor children received cash assistance, while in 1997, some 53.3 percent did.

The Census Bureau's alternative measures of poverty also show strong positive effects from the expansions of the Earned Income Tax Credit enacted in 1990 and 1993. Due to the EITC expansions, federal tax policy lifted 400,000 more children out of poverty in 1997 than in 1995 and 1.4 million more children out of poverty last year than in 1993. The effects of the EITC in lifting children out of poverty are unlikely to grow much further as the EITC expansions enacted in 1993 were phased in fully by 1997. Food stamp and welfare caseloads, by contrast, continue to decline.

Employment and Minimum Wage Increases Reduce Poverty and Raise Incomes

The new Census data also show that although median weekly earnings of full-time workers rose in 1997, these earnings remain below their level for most of the period since 1970. These long-term trends are particularly unfavorable for male workers. For men working full-time year-round, wages remain \$1,500 below 1989 levels, after adjusting for inflation. (For women working full-time, year-round, wages were \$750 higher in 1997 than in 1989.) Median household *income* is higher than in any year except 1989 despite these less favorable trends in *wages* because of large increases in the number of people working and the number of hours worked.

Labor Department data show that the proportion of adults who worked in 1997 reached the highest level ever recorded. In addition, data from the Economic Policy Institute indicate that the amount of time that families work increased significantly between 1989 and 1997, with some increase occurring between 1996 and 1997. In short, increased hours of work have offset declines in wages.

One other factor appears to have helped raise wages and family incomes for lower-paid workers in 1997 — the increase in the minimum wage from \$4.25 an hour to \$5.15 an hour, instituted in two stages in October 1996 and September 1997. A recent Economic Policy Institute study found that the minimum wage increase has contributed to faster growth in the wages of low-wage workers.

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, and specializes in issues related to fiscal policy, social welfare and nutrition policy. It is supported primarily by foundation grants.

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**PRESIDENT CLINTON:
AN ECONOMIC AGENDA THAT IS WORKING FOR AMERICA'S FAMILIES,
BUT FISCAL DISCIPLINE MUST BE MAINTAINED**

September 24, 1998

"The report this morning shows that economic growth continues to raise incomes, lift millions out of poverty, and extend opportunity -- and it shows we must do more. We must use our prosperity, and the confidence it inspires, to help our hardest-pressed families to ensure continued economic growth for all Americans."

President Bill Clinton
September 24, 1998

Today, in a Rose Garden event, President Clinton will speak about the results of the Census Bureau's annual report of income and poverty, which shows that the strength of our economy is lifting family income and lowering poverty rates. The President will also renew his call for Congress to maintain our fiscal discipline, save Social Security first, and continue to invest in our people.

An Economic Plan That Supports Hard-Working Americans. President Clinton's 1993 economic plan made investing in our people, reducing our deficit, and expanding our exports the key priorities to economic success and prosperity. Five years later, our deficit is gone, and our economy continues to grow. Today's Census Report is further evidence that the President's economic plan is working for America, in 1997:

- **The income of the typical American household grew by nearly twice the rate of inflation.** Since 1993, the typical family's real income has risen by more than \$3,500;
- **The income of African-American Households grew by 4.3 percent.** Since 1993, the median income of African-American households has increased over \$3,350, a 15 percent increase when adjusted for inflation;
- **The income of Hispanic Households grew by 4.5 percent.** Over the past two years, the income of the typical Hispanic household has increased over \$2,550, or nearly 11 percent, the largest two-year increase in Hispanic income on record;
- **4.3 Million people were lifted out of poverty by the Earned Income Tax Credit,** including 2.2 million children, 1.1 million African-Americans, and nearly 1.2 million Hispanics;
- **The poverty rate fell to 13.3 percent, the lowest it has been since 1989.** Under President Clinton, the poverty rate has declined from 15.1 percent to 13.3 percent, meaning that 3.7 million fewer Americans live in poverty today than in 1993;
- **The African-American poverty rate fell to its lowest level on record,** with a four-year drop that is the largest in nearly 30 years;
- **The Hispanic poverty rate dropped 2.7 percent, the largest one-year decline since 1978;**
- **The elderly poverty rate dropped to 10.5 percent,** as low as it has ever been.

Maintaining Fiscal Discipline, Investing In Our Future. While today's report shows that the President's economic plan has benefitted many groups of Americans, there is more we must do to ensure that opportunity is extended to all -- we must maintain the strict fiscal

discipline that has given us the strongest economy in a generation:

- Saving Social Security First. Fiscal discipline begins with setting aside every penny of any surplus until we save Social Security. The President has proposed targeted tax cuts that are fully paid for, but opposes plans to drain the surplus to pay for new tax cuts;
- Continuing Investments In Our People. The President has called for critical education investments that will reduce class size, hire 100,000 teachers, modernize and build thousands of schools, and give our children access to powerful education technology. Unfortunately, the Congress has failed to act on these important initiatives. The President is once again calling on Congress to help give our children a world-class education to ensure our economic competitiveness in the 21st Century;
- Maintaining Leadership In The Global Economy. While we are enjoying economic prosperity at home, our allies and trading partners are suffering abroad. If we are to continue our economic success, we must recognize our responsibility to lead in the global economy. The President is again urging Congress to fully fund our dues to the International Monetary Fund.

KEY FACTS on CENSUS INCOME AND POVERTY REPORT

September 24, 1998

TODAY, THE CENSUS BUREAU RELEASED THEIR ANNUAL REPORT ON INCOME AND POVERTY IN AMERICA FOR 1997. HERE ARE SOME OF THE RESULTS:

Broad-Based Income Gains:

- **Typical Household Income Up 1.9 Percent in 1997.** Income for the median household rose \$699, from \$36,306 in 1996 to \$37,005 in 1997, adjusted for inflation.
- **Typical Family Income Up \$3,517 Since 1993.** Another measure of income -- family income, which excludes single individuals and counts only related members in any household -- shows a similar trend. Last year, the median family's income, adjusted for inflation, increased 3.0 percent (or \$1,297) -- the fourth consecutive annual rise. Since President Clinton's Economic Plan passed in 1993, median family income has increased from \$41,051 in 1993 to \$44,568 in 1997 -- that's a \$3,517 increase in income, adjusted for inflation. From 1988 to 1992, median family income *fell* \$1,835, adjusted for inflation.
- **Under President Clinton, The Typical African-American Household's Income Is Up \$3,354.** The median income of African-American households rose 4.3 percent (or \$1,029) last year. And since 1993, the median income of African-American households has increased from \$21,696 to \$25,050 -- that's \$3,354 or a 15-percent increase, adjusted for inflation, between 1993 and 1997.
- **Income of Typical Hispanic Household Up \$2,553 in Past Two Years.** In 1997, the income of the median Hispanic household, adjusted for inflation, increased from \$25,477 in 1996 to \$26,628 in 1997 -- that's an increase of \$1,151 or 4.5 percent. Over the past two years, the income of the typical Hispanic household has risen \$2,553 -- or nearly 11 percent -- the largest two-year increase in Hispanic income on record.
- **After Rising Sharply for 20 Years, Inequality Has Stabilized.** After rising for nearly 20 years, income inequality has not changed significantly over the past four years. Since 1993, every income group -- from the most well-off to the poorest -- experienced a real increase in their income. [CHECK WITH CENSUS DATA]
- **Earnings for Typical Workers Up.** Last year, the earnings of the median full-time, year-round male rose 2.4 percent, from \$32,882 in 1996 to \$33,674 in 1997 and the earnings of the median full-time, year-round female rose 3.0 percent, from \$24,254 in 1996 to \$24,973 in 1997. This means that the female-to-male ratio remained at 74 percent -- its all-time high.

Reductions in Poverty:

- **Poverty Rate Fell To 13.3 Percent in 1997 -- Down from 15.1 Percent in 1993.** In 1997, the poverty rate dropped to 13.3 percent from 13.7 percent the year before. Since President Clinton signed his Economic Plan into law, the poverty rate has declined from 15.1 percent in 1993 to 13.3 percent last year. That means that there are 3.7 million fewer people in poverty today than in 1993. (In 1997, the poverty threshold was \$16,400 for a family of four.)
- **The African-American Poverty Rate Down To Its Lowest Level on Record.** While the African-American poverty rate is still far above the poverty rate for whites, it declined from 28.4 percent in 1996 to 26.5 percent in 1997 -- that's its lowest level recorded since data were first collected in 1959. Since 1993, the African-American poverty rate has dropped from 33.1 percent to 26.5 percent -- that's the largest four-year drop in African-American poverty in more than a quarter century (1967-1971).
- **Last Year, Largest Hispanic Poverty Drop In Two Decades.** Last year, the Hispanic poverty rate dropped from 29.4 percent to 27.1 percent -- that's the largest one-year drop in Hispanic poverty since 1978. While there is still more work to do, since President Clinton took office, Hispanic poverty has dropped from 30.6 percent to 27.1 percent.
- **Under President Clinton, Largest Four-Year Drop in Child Poverty Since 1960s.** While the child poverty rate remains high, in 1997, it declined from 20.5 percent to 19.9 percent. Under President Clinton, the child poverty rate has declined from 22.7 percent to 19.9 percent -- that's the biggest four-year drop in nearly 30 years (1965-1969).
- **Elderly Poverty Rate As Low As It's Ever Been.** In 1997, the elderly poverty rate dropped to 10.5 percent, from 10.8 percent in 1996. The elderly poverty rate is now as low as it's ever been -- it was also 10.5 percent in 1995.
- **Child Poverty Among African-Americans Down To Lowest Level on Record.** In 1997, the African-American child poverty rate fell from 39.9 percent to 37.2 percent -- its lowest level on record (data collected since 1959). Since 1993, the child poverty rate among African-Americans has dropped from 46.1 percent to 37.2 percent -- that's the biggest four-year drop on record.
- **Hispanic Child Poverty Dropped More Last Year Than Any Year on Record.** In 1997, the Hispanic child poverty rate dropped from 40.3 percent to 36.8 percent -- that's the largest one-year drop on record (data collected since 1976). Since 1993, the child poverty rate among Hispanics has declined from 40.9 percent to 36.8 percent.
- **4.3 Million People Lifted Out of Poverty By EITC -- Double The Number in 1993.** In 1993, President Clinton expanded the Earned Income Tax Credit, providing a tax cut for low-income working families. In 1997, the EITC lifted 4.3 million people out of poverty -- that's double the number of people lifted out of poverty by the EITC in 1993. In 1997, the EITC lifted 2.2 million children, 1.1 million African-Americans, and nearly 1.2 million Hispanics out of poverty.