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## **POVERTY IN AMERICA'S BIG CITIES**

**Edward J. O'Boyle, Ph.D.**

**Mayo Research Institute**

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For years a human disaster had been stirring in New Orleans until finally it was exposed by the fury of Hurricane Katrina. Before Katrina, the Crescent City for all its charm was home to tens of thousands of Americans who lived in poverty and for whom crime, drugs, isolation, dilapidated housing, functional illiteracy, chronic disease, and a crumbling city infrastructure were daily routines. This human disaster, it must be noted, is not unique to New Orleans. In 2004 the poverty rate was close to or higher than the New Orleans rate in Atlanta, Baltimore, Buffalo, Chicago, Dallas, Detroit, Long Beach, Memphis, Miami, Milwaukee, New York, Philadelphia, and St. Louis [ACS, pp. 16-17]. The problems exposed in New Orleans lie dormant in virtually every big American city and raise the question 'Are they a sign of indifference, neglect, market failure, discrimination, or personal dysfunction?'

After Katrina, President Bush called on Americans to address these problems as vigorously as Katrina's natural disaster. The false rumors and misinformation about the human disaster in New Orleans that spread across the United States in the immediate aftermath of the hurricane underscore the importance of beginning with accurate information. The following data are national in scope and we hope will help contribute to the public discourse.

### **FAMILY INCOME GAP**

In 2004 the *mean* income deficit -- the amount that a poor family's income falls short of the official poverty threshold -- for all poor families was \$7,775. The mean income surplus for all nonpoor families was \$61,481. It follows that the sum of those two estimates -- \$69,256 -- represents the average (mean) difference in income between poor and nonpoor families or simply the family income gap. In current dollars, this gap has increased by \$32,101 since 1988. In constant dollars (2004 = 100), the increase has been \$9,927 (see Table 1). Put differently, since 1988 the real income of poor families has been falling further behind the real income of nonpoor families by nearly \$620 every year. The recession of 1991-1992 is reflected in a narrowing of the income difference between poor and nonpoor families. *Between 1993 and 2000 -- the period marking the longest expansion in U.S. economic history -- the real family income gap grew by \$1,220 every year.*

### **WHY THE FAMILY INCOME GAP IS WIDENING**

The family income gap has been widening because improved employment opportunities have worked especially well for those better positioned to take advantage of them, those who

already are better skilled, more talented, more mobile, better connected, more willing to work longer, harder, and smarter in order to qualify for better jobs and advancement.

**Table 1. Mean Family Income Gap:  
Difference Between All Poor Families and All Nonpoor Families, 1988-2004**

	Current Dollars	Constant Dollars 2004=100
1988	\$ 37,155	\$ 59,329
1989	39,898	60,780
1990	41,056	59,338
1991	41,963	58,200
1992	43,374	58,399
1993	46,543	60,844
1994	48,423	61,721
1995	49,801	61,728
1996	52,310	62,979
1997	55,613	65,454
1998	58,245	67,500
1999	60,814	68,954
2000	63,247	69,381
2001	65,072	69,408
2002	65,212	68,474
2003	67,386	69,181
2004	69,256	69,256

Sources: U.S. Census Bureau, *Poverty in the United States*; U.S. Bureau of Labor Statistics, *Consumer Price Index*.

But there is more at work here than greatly improved job opportunities. Persons and families transition into and out of poverty due to significant life events such a marriage, divorce, separation, death, birth, injury, and disease. Marriage, for example, may involve withdrawing adult wage earners (the bride and the groom) from two families of origin perhaps plunging both families below the poverty threshold, and creating a third family that itself may have income below the poverty threshold. Death of a wage-earning spouse could reduce the surviving family members to poverty, and re-marriage could lift them out of poverty. Retirement, especially if forced due to a permanent disability, could drop income for an older married couple below the poverty threshold. Similarly the birth of a child in a family with no improvement in income could plunge that family below the poverty line.

Large numbers of persons and families enter or exit poverty from one year to the next. The latest information from the Census Bureau's *Survey of Income and Program Participation* indicated that among persons who were not poor in 1996 a total of 7.6 million had entered into poverty by 1999. At the same time, nearly twice as many exited poverty. A total of 14.8 million persons who were poor in 1996 exited poverty by 1999. Family status is a significant factor in both the entry into and exit from poverty. The 1996-1999 entry rate for persons in married-

couple families was 1.9 percent. For other family types the entry rate was 6.8 percent. The 1996-1999 exit rate for persons in other family types was 39.4 percent. For persons in married-couple families the exit rate was 59.7 percent [Iceland, pp. 4-8]. One obvious reason for these differences is that married-couple families are more likely to have two or more adult wage earners than other family types.

#### RACE AND TYPE OF FAMILY

The *mean* income gap for poor compared to non poor families in 2004 was much greater for white families (\$70,860) than for black families (\$49,724). It was even higher (\$78,187) for white married-couple families living above poverty than for black female-headed families living below poverty. The difference became much smaller (\$16,705) when white married-couple families that are nonpoor are compared to similarly circumstanced black married-couple families (see Table 2). *Female-headed families account for 51 percent of all poor families, and for 57 percent of all those poor families with an income deficit of \$8,000 or more.*

**Table 2. Mean Family Income Gap:  
Difference between Poor Families and Nonpoor Families by Family Type, 2000 and 2004  
(current dollars)**

	2000	2004
All families .....	\$ 63,247	\$ 69,256
All white families .....	64,992	70,860
All black families .....	46,029	49,724
<b>Nonpoor white married-couple families compared to:</b>		
poor white female-headed families .....	\$ 70,251	\$ 77,307
poor black female-headed families .....	70,436	78,187
nonpoor black married couple families .....	12,978	16,705
<b>Nonpoor black married-couple families compared to:</b>		
poor white female-headed families .....	\$ 57,273	\$ 60,602
poor black female-headed families .....	57,458	61,482
<b>Poor white female-headed families compared to:</b>		
poor black female-headed families .....	\$ 185	\$ 880

Source: U.S. Census Bureau, *Poverty in the United States*.

Four other findings from the 2004 report on poverty are noteworthy. First, there is an income gap of more than \$75,000 between white married-couple families that are living above poverty and poor female-headed families whether white or black. Second, black married-couple families that are above poverty have incomes more than \$60,000 greater than the incomes of both poor black female-headed and poor white female-headed families. Third, there is little difference -- about \$73 per month -- between poor white female-headed families and similarly circumstanced black families. Fourth, comparing 2004 to 2000, the overall family income gap

widened by about \$3,727 between nonpoor white married-couple families and nonpoor black married-couple families.

### THREE REMEDIES

The statistics on poverty for 2004 point to three remedies. The first remedy is a year-round full-time job. Only 3.8 percent of the families with at least one year-round full-time worker were living in poverty. *Among poor female-headed families, 82 percent had no year-round full-time workers.*

The second remedy is two or more wage-earners in a family. Only 2.3 percent of the families with two or more workers were officially classified as poor. For families with two or more persons working year-round full-time, the rate of poverty was 0.5 percent. *In poor families headed by a female, only 5.4 percent had two or more workers, and virtually none had two or more year-round full-time workers.*

The third remedy is a husband and wife living together. The rate of poverty for married-couple families in 2004 was 5.5 percent. If there is one worker in a married-couple family, the poverty rate is 10.1 percent. With two or more working in a married-couple family the rate drops to 1.8 percent. *Among female-headed families with no workers, the poverty rate is 67.5 percent.* With two or more workers, the rate of poverty for female-headed families is 5.8 percent.

Poverty remains a serious problem even after the longest economic expansion in U.S. history, suggesting at least for married-couple families that the poverty rate likely will not fall further in the future. Indeed, a rate of poverty of 5 percent for all married-couple families could be the *lower limit* because even in the best of times such families will experience death, birth, disease, injury and thereby at times fall below the poverty line. Similarly, a rate of poverty of 25 percent could be the *lower limit* for all female-headed families because, in addition to experiencing the significant life events of death, birth, disease, injury, 9 of 10 such families even in the best of times were one-worker or no-worker families.

As Daniel Patrick Moynihan pointed out prophetically in the mid 1960s and is confirmed in no uncertain terms by the latest nationwide data, the long-term disintegration of the black family is a human disaster that Hurricane Katrina exposed again for all to see. *The annual income of poor black female-headed families is more than \$60,000 below the income of nonpoor black married-couple families.* However, this disintegration and consequent disaster no longer is confined to black families. *The annual income of white families who are poor and headed by a female is more than \$77,000 below the income of white married-couple families who are not poor.* Indeed, as the data indicate, there is very little difference in the income of poor white families with a female head and similarly circumstanced black families.

Effectively addressing this disintegration in a culture that increasingly approves of little or no long-term commitment between marriage partners likely will prove much more difficult than repairing Katrina's physical damage.

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*Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute. Since he completed his doctorate in economics from Saint Louis University in 1972, Dr. O'Boyle has been specializing in economic research and analysis increasingly from the perspective of the human person engaged in everyday activities both as a unique individual and as a community member. In January 2004 the Association for Social Economics conferred on Dr. O'Boyle its prestigious Thomas Divine Award for lifetime contributions to social economics and the social economy.*

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