

Money Income in the United States: 1998 - Briefing

Dr. Daniel H. Weinberg, Chief, Housing and Household Economic Statistics Division Press Briefing on 1998 Income and Poverty Estimates, September 30, 1999

Welcome to the press briefing on the 1998 income and poverty estimates. 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. You can obtain additional unpublished detailed tables from the Census Bureau directly or on our web site.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 (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, and Carmen DeNavas-Walt. I'd also like to thank all the Field Representatives who work so hard to collect these data and the households who answer our survey questions.

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 1998](#) [GIF - 21k]. For the fourth consecutive year, households in the United States experienced an annual increase in their real median income. Between 1997 and 1998, median household income adjusted for inflation increased 3.5 percent, to \$38,900 (that means that half of households had incomes above \$38,900 and half below). In addition, the poverty rate fell from 13.3 percent in 1997 to 12.7 percent in 1998. The number of poor dropped significantly also -- from 35.6 million poor in 1997 to 34.5 million poor in 1998. Median household income has now surpassed its previous peak in 1989 by 2.6 percent, or \$1,000 after adjusting for inflation, although the poverty rate remains statistically the same as its 1989 level of 13.1 percent. Finally, household income inequality did not change from 1997 to 1998; nor is it different from its 1993 level.

These statistics come from the March Supplement to the Current Population Survey, a sample survey of approximately 50,000 households nationwide, conducted each month for the Bureau of Labor Statistics. These data reflect 1998 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 1998 dollars and were adjusted using the Consumer Price Index; inflation was 1.6 percent between 1997 and 1998. The poverty thresholds are also updated each year for inflation; in 1998 the average threshold for a family of four was \$16,660; for a family of three, \$13,003.

[Chart 2 presents the key estimates of median household income](#) [GIF - 12k]. As I noted earlier, median income for all U.S. households increased 3.5 percent or \$1,300 between 1997 and 1998 to \$38,900. Median household income rose in all four regions; this is the first year since 1975, when we began tabulating regional data, that income rose in each of the regions.

After adjusting for inflation, median household income is now 2.6 percent above its 1989 level, the previous business cycle income peak. Overall, real median household income has risen 21.2 percent since 1967, the first year median household income was computed.

[The poverty rate declined significantly -- by half a percentage point -- from 13.3 percent in 1997 to 12.7 percent in 1998](#) [GIF - 12k]. The number of poor dropped as well. The poverty rate in the South is now at an all-time low, 13.7 percent; the South was the only region to show a significant decline in the number of poor or the poverty rate. As Chart 4 shows, [the number of poor in the U.S. in 1998 is 2.1 million above the 1989 level -- 34.5 million compared with 32.4 million people](#) [GIF - 29k]. However, the number of poor is now 4.8 million people below its most recent peak of 39.3 million in 1993.

[Chart 5 presents the changes in real median household income by race and Hispanic origin between 1997 and 1998](#) [GIF - 14k]. Non-Hispanic White households had a significant increase in their median household income between 1997 and 1998, 3.0 percent. As a consequence, their household income is at an all-time high, \$42,400. Black household income in 1998, \$25,400, remained at the all-time high first reached in 1997. Hispanic households (who may be of any race) had a 4.8 percent increase in median income between 1997 and 1998, to \$28,300, returning to its all-time high ¹.

[As this next chart shows, poverty dropped for the same race and Hispanic origin groups as saw their incomes grow](#) [GIF - 14k]. For non-Hispanic Whites, the poverty rate fell by 0.4 percentage points, to 8.2 percent. The Hispanic poverty rate fell 1.5 percentage points, to 25.6 percent, which was not statistically different from the 1998 poverty rate for Blacks, 26.1 percent. Black poverty rates remained at their all-time low. Two-thirds of all poor were White and 46 percent of all poor were non-Hispanic Whites.

Children make up 39 percent of the poor but only 26 percent of the total population. [The poverty rate for children \(18.9 percent in 1998\) is higher than for any other age group, but it is significantly lower than in 1997 and also down from its recent peak of 22.7 percent in 1993](#) [GIF - 32k]. This is the first time that the child poverty rate has been below 20 percent since 1980. In 1998, 13.5 million children were poor, down from 1997, when 14.1 million were poor.

The real median earnings of men who worked full-time, year-round increased by 3.4 percent between 1997 and 1998, their second straight annual increase and the second year since 1991 that the median earnings of this group went up. The earnings for comparable women rose by 2.0 percent, their third straight annual increase ². [The ratio of female-to-male earnings for full-time, year-round workers remained statistically the same as its all-time high, at 73 percent](#) [GIF - 28k].

[Chart 9 shows how this ratio varies by education](#) [GIF - 31k]. The pattern is mixed, but the ratio is among the lowest for workers with professional degrees -- women working full-time, year-round with professional degrees earned 61 percent of comparable men ^{3, 4}. [There was a more definite pattern among the ratios by age](#) [GIF - 14k]. The ratio was higher than the national average for those in the youngest age group, 25 to 34 year-olds, 82 percent. The ratio was lower at older ages; those in the older age groups of 45 to 54 and 55 to 64 had significantly lower ratios than the national average, 68 and 64 percent respectively ⁵.

[For the fifth consecutive year, overall household income inequality did not change; that is, no statistically significant changes occurred between 1997 and 1998 in the share of aggregate income going to each household income quintile, or in the Gini index of inequality](#) [GIF - 12k].

There are, however, typically no significant changes in income inequality measures from year-to-year, and there have been none in the Gini since our measurement methodology changed in 1994. A more thorough discussion of income inequality trends will be presented in a forthcoming Census Bureau report, *The Changing Shape of the Nation's Income Distribution: 1967-1998*.

[Based on a comparison of two-year moving averages, real median household income increased between 1996 and 1998 for 16 states and fell for only one, Alaska](#) [GIF - 13k]. In the same period, the poverty rate fell in two states -- New Mexico and Virginia -- and increased in one -- North Dakota.

The Census Bureau also produces a series of experimental estimates on how noncash benefits and taxes -- which are not considered in the official measures -- affect income and poverty. The income report shows 17 experimental definitions of income. The Census Bureau's research shows that income is more equally distributed under a broadened definition that takes into account the effects of noncash benefits and taxes than under the official cash income definition. Government benefits do more than taxes to reduce income inequality.

Valuing noncash benefits and subtracting taxes also affects the estimated poverty rate. The Census Bureau recently released a report that presented six new experimental poverty measures, based on recommendations made by the National Academy of Sciences⁶. These measures not only account for benefits and taxes in income, but they also use a new set of experimental poverty thresholds.

[Three of those experimental measures are presented in the next chart](#) [GIF - 21k].⁷ All of them show a larger decline in poverty between 1993 and 1998 than does the official measure. This is mainly because these experimental measures capture the effect of the recent expansion of the Earned Income Tax Credit. The Census Bureau and the Bureau of Labor Statistics are continuing research on this subject as part of an interagency working group.

Let me again summarize the main findings. Increases in income and declines in poverty were widespread in 1998. For the fourth consecutive year, households in the United States experienced an annual increase in their real median income. Between 1997 and 1998, median household income adjusted for inflation increased 3.5 percent, to \$38,900. In addition, the poverty rate fell from 13.3 percent in 1997 to 12.7 percent in 1998. The number of poor dropped significantly also -- from 35.6 million poor in 1997 to 34.5 million poor in 1998. Median household income has now surpassed its previous peak in 1989 by 2.6 percent or \$1,000, although the poverty rate remains statistically the same as its 1989 level (13.1 percent). Finally, household income inequality did not change from 1997 to 1998; nor is it different from its 1993 level.

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

Footnotes:

1. The differences among the 1997-1998 percentage changes in median household income for the following groups are not statistically significant: Asian and Pacific Islander households compared to non-Hispanic White, Black, and Hispanic households; and Hispanic households compared to non-Hispanic White households.
2. The difference between the percentage increases in male and female earnings was not statistically significant.
3. The female-to-male earnings ratio for those with a professional degree did not differ statistically from the ratio for those with a 9th to 12th grade education with no diploma.
4. The earnings ratio was below the national average of 73 percent for five levels of education: 9th to 12th grade with no diploma, high school graduates or GED, bachelor's degree, master's degree, or professional degree. At all other educational levels, the ratios were not statistically different from the national average.
5. The ratios of those in the 35 to 44 and 65 and older age groups were not statistically different from the national average. The earnings ratio of those 65 and older was not statistically different from any of the other age categories.
6. Kathleen Short et al., *Experimental Poverty Measures: 1990-1997*, Current Population Report P60-205, July 1999
7. Tables with 1998 data for the experimental poverty measures are available on the [Census Bureau's internet site](#)