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**POVERTY RATES RISE WHILE INCOMES FALL
FOR LOW- AND MIDDLE-INCOME FAMILIES**

New estimates of income and poverty rates for American families just released by the Census Bureau show that the majority of Americans were worse off in 2001 than they had been the year before. The proportion of people in poverty rose to 11.7 percent, reversing the trend of falling poverty rates since 1992. Median family income (adjusted for inflation) also declined for the first time in a decade, by 2.2 percent. The largest decreases in income were felt by those in the lowest three-fifths of the income distribution.

These estimates indicate that the recession that started in early 2001 has not only halted the economic growth of the past decade but has also hurt incomes for most American families. Key findings from the income report include:

- **Median income – the income of families in the middle of the income distribution – declined for the first time in a decade (see Figure 1).** The median family experienced a decline of 2.2 percent in its real (inflation-adjusted) income in 2001.
- **Incomes for African-American families fell even more.** The median African-American family lost 3.4 percent of its real income in 2001.
- **The share of total income going to the bottom three-fifths of all families declined, while that going to the top fifth rose.** The top one-fifth of households in the distribution of income now receive more than **half** of all income, and the top 5 percent alone get more than 22 percent (see Figure 2). In contrast, the bottom 60 percent get just 26.8 percent of total income. Their share declined by about 2 percent over the past year.

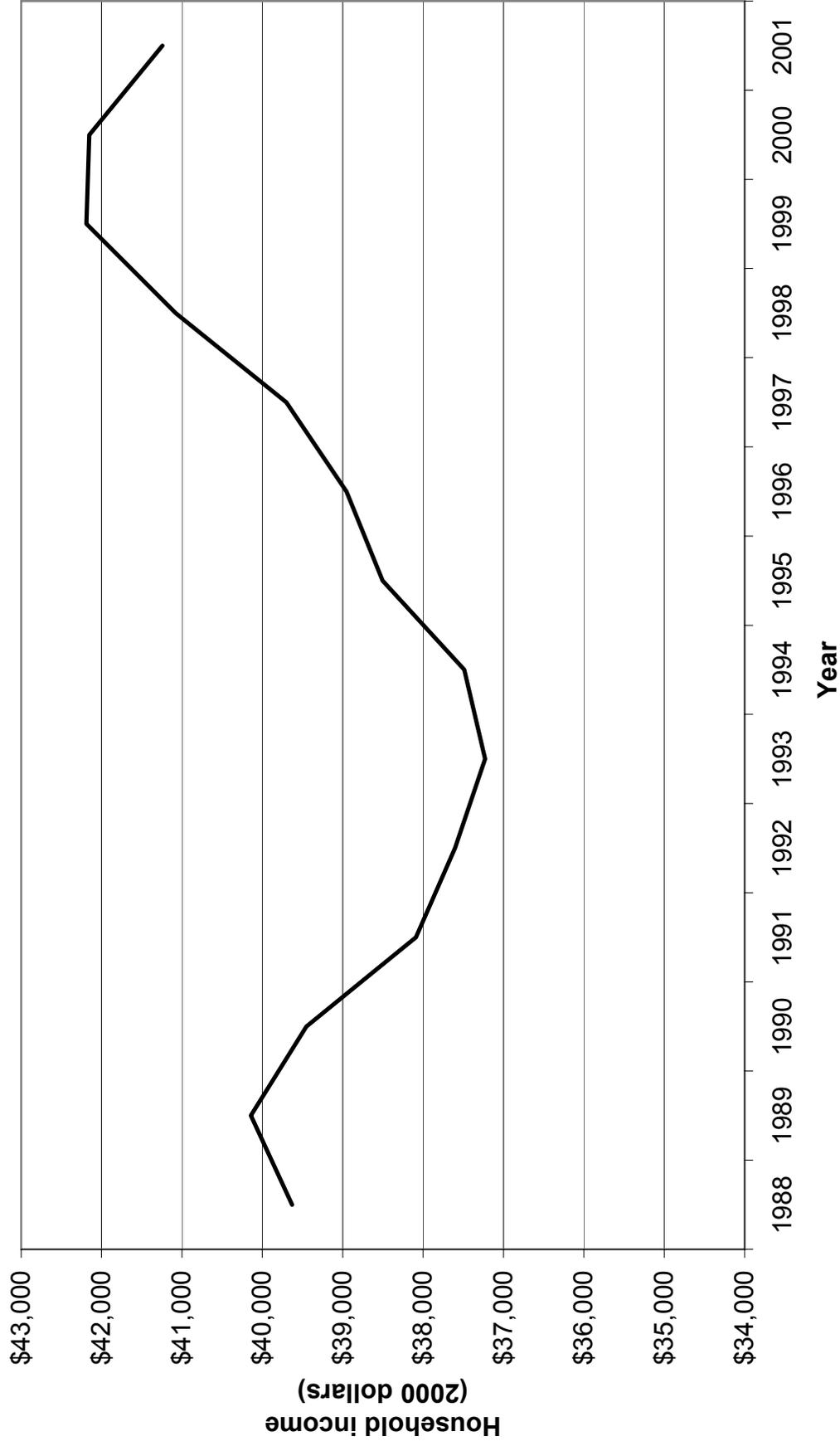
Real economic distress also increased in 2001, as poverty rates rose for the first time since 1992. This increase in poverty affected Americans of all ages and types. Highlights of the new report on poverty show that:

- **The poverty rate for the population as a whole rose from 11.3 percent in 2000 to 11.7 percent this past year (see Figure 3).** There were almost 33 million people in poverty (under the official Census Bureau definition) in 2001, an increase of about 1.3 million since 2000. Under the Census definition, the poverty line for a family of three,

for example, would fall at just over \$14,000.

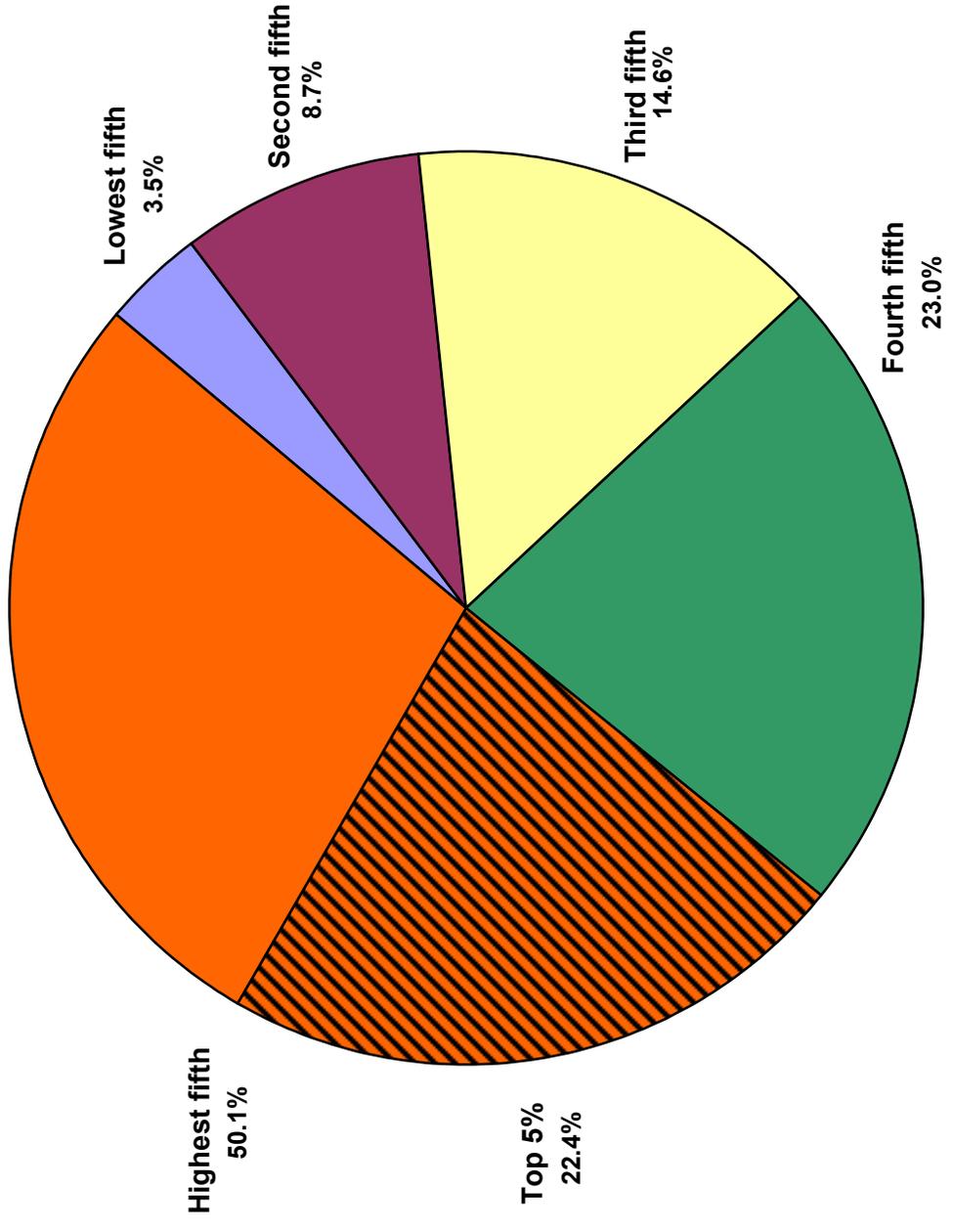
- **Almost one in six American children are poor.** The poverty rate for children under 18 years old was 16.3 percent in 2001, up very slightly from the previous year.
- **Black and Hispanic Americans also continue to have very high poverty rates.** The poverty rate for African Americans in was 22.7 percent in 2001, while for Hispanic Americans it was 21.4 percent. While in statistical terms these were not different from the rates for 2000, both rates remain much higher than the rate for the population as a whole.

Figure 1
Median Household Income



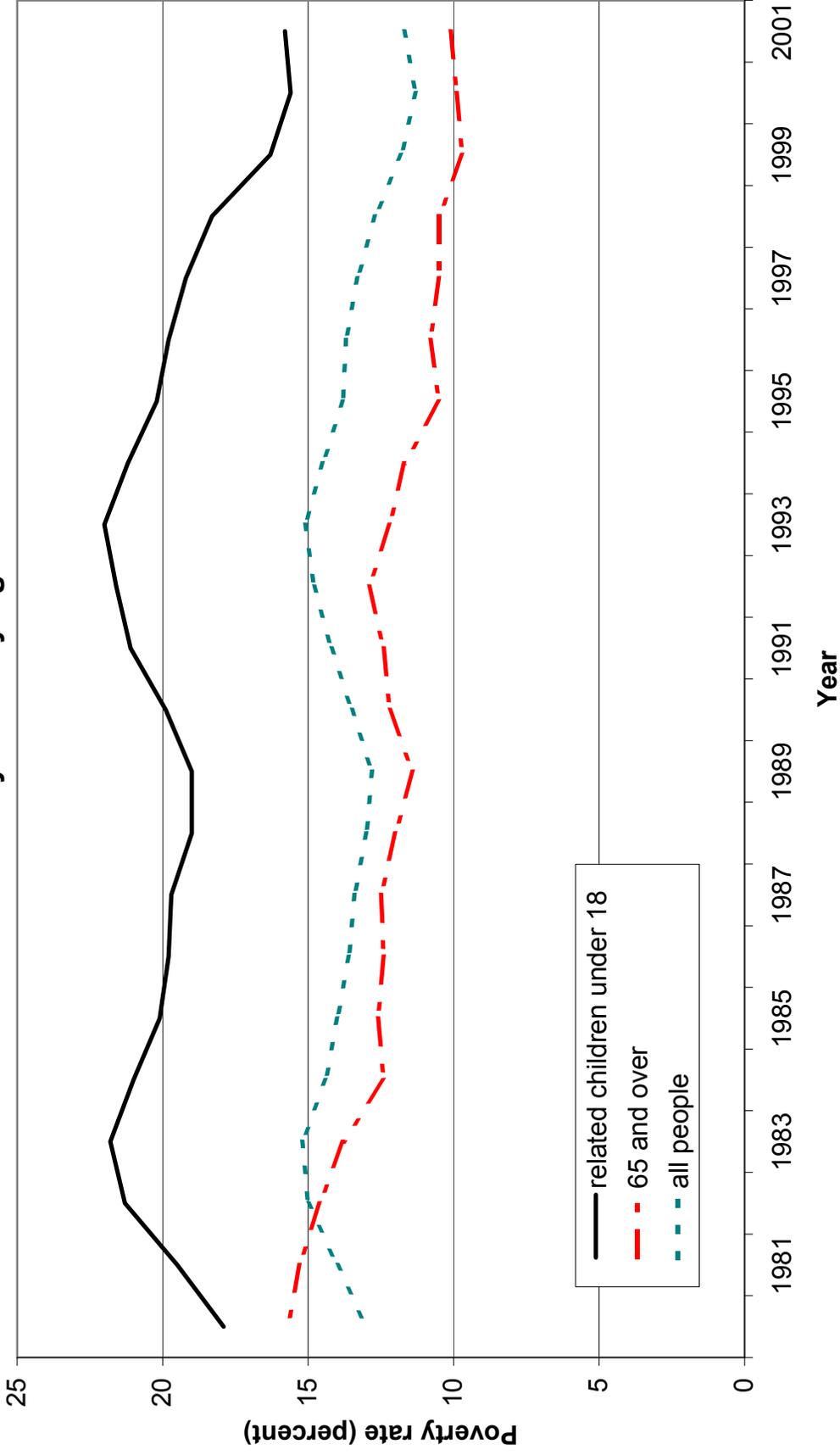
Source: Bureau of the Census, U.S. Department of Commerce

Figure 2
Shares of Total Income in 2001, by Income Category



Source: Bureau of the Census, U.S. Department of Commerce

Figure 3
Poverty Rates by Age



Source: Bureau of the Census, U.S. Department of Commerce