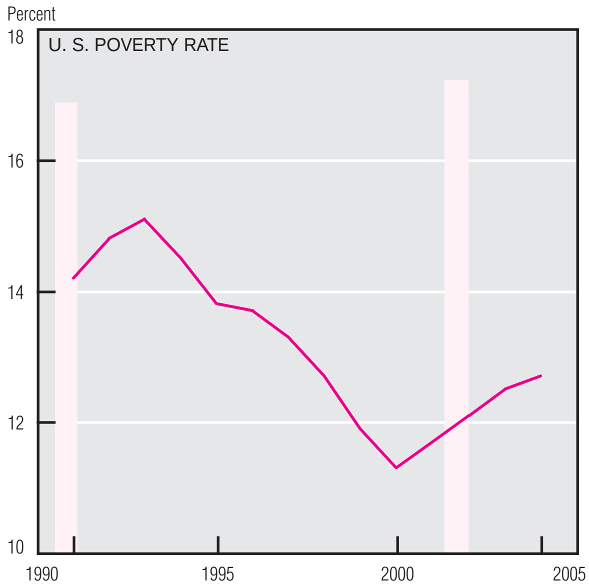
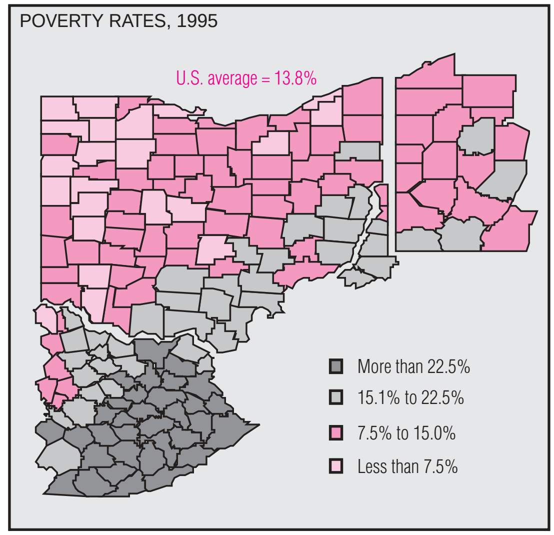
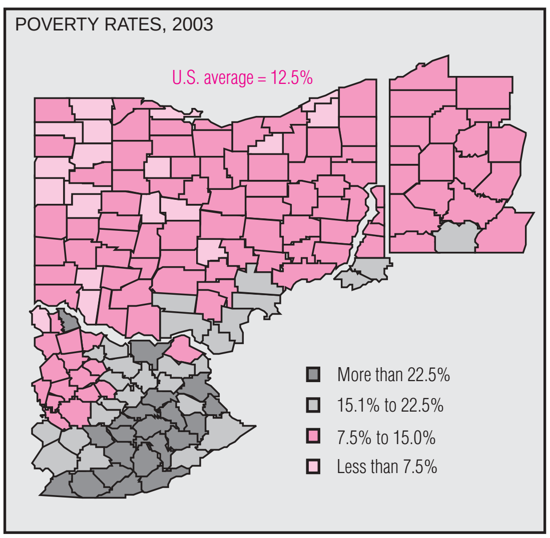
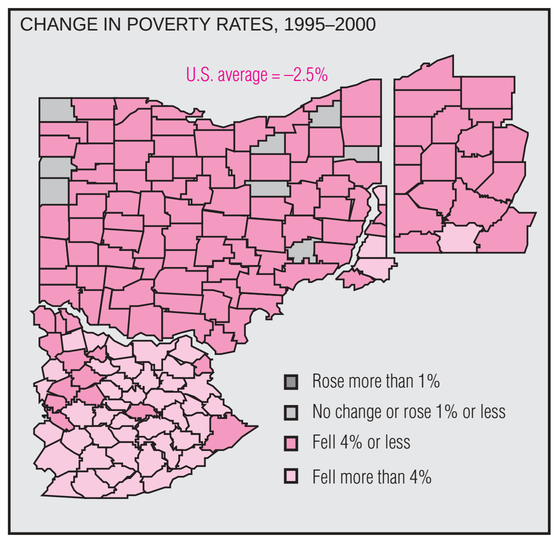
U.S. and Fourth District Poverty Rates









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

The poverty rate is the percentage of people whose family income falls below an officially determined threshold, which varies by family size and composition. After dropping nearly 4% from 1993 to 2000, the U.S. poverty rate has been trending steadily up. Poverty rates in the Fourth District and its metropolitan areas have also increased, but specifics on many areas remain unknown. New data from the U.S. Census Bureau enable us to pinpoint the performance of individual counties within the District.

With the exception of the Cincinnati and Lexington areas, poverty rates in eastern Kentucky were strikingly high in 1995, averaging about 28%. Though somewhat better, southeast Ohio counties' poverty rates still exceeded the national average. In contrast, northwest Ohio, along with areas near Cleveland, Columbus, and Cincinnati, posted poverty rates that were roughly half the U.S. average.

By 2003, poverty in some District areas had lessened. The District's part of Kentucky, for example, showed substantial improvement in the counties that were formerly its poorest. Rates also fell significantly in southeast Ohio counties, where rates that previously exceeded the nation's dropped to—or below—it.

Nevertheless, the pictures from 1995 and 2003 look remarkably similar, hiding much of the underlying movement during this period. Between 1995 and 2000, the U.S. poverty rate fell 2.5%, and many Fourth District counties enjoyed sim-

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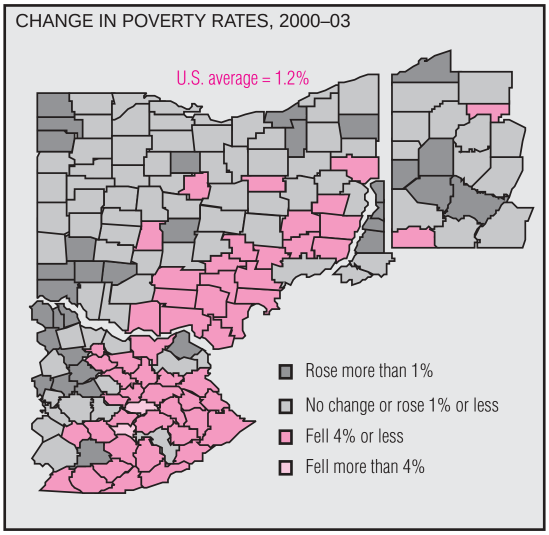
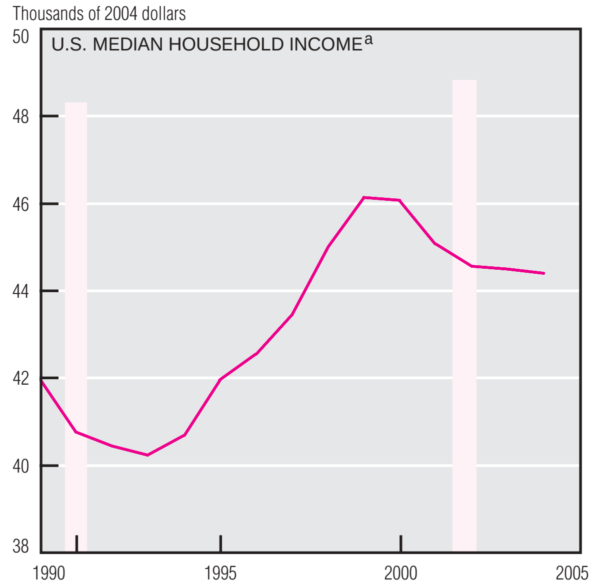
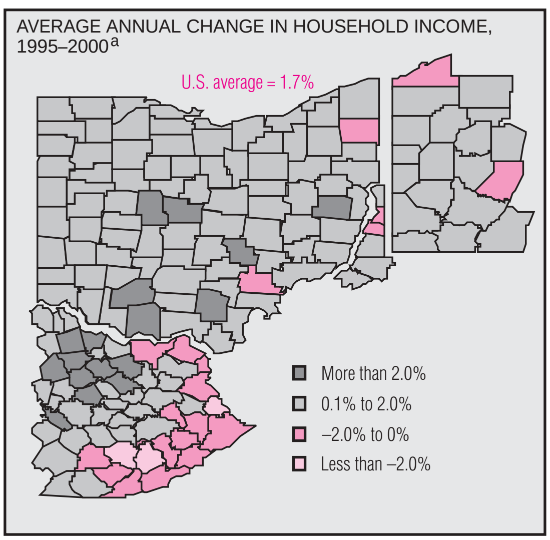
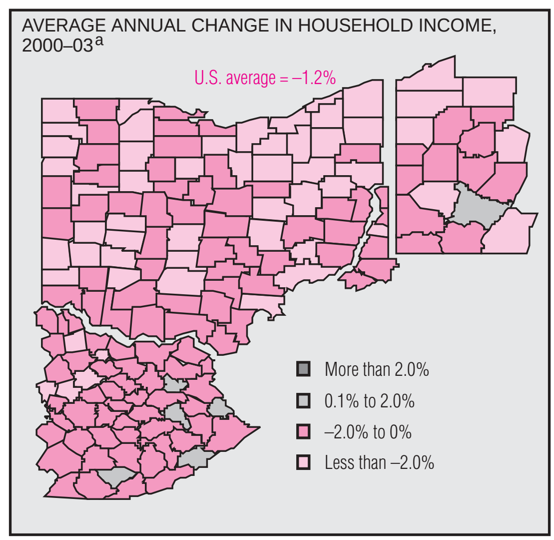
U.S. and Fourth District Poverty Rates *(cont.)*









a. Real median household income.
SOURCE: U.S. Department of Commerce, Bureau of the Census.

ilar improvements; rates fell in all but eight counties, and did not increase more than 1% in any. Although many areas of Kentucky started with high poverty rates, almost every county improved substantially, with rates dropping more than 4%.

The 2000–03 period was another story: The poverty rate rose 1.2% in the U.S., and most areas of the District reflected this. However, poverty rates in the counties of eastern Kentucky and southern Ohio continued to drop, some as much as 5%.

Improvements like the ones in these counties, running counter to trend, can reflect either a general increase in family income or some compression in income inequality. Thus, examining changes in median household income can help us understand poverty rate changes.

From 1995 to 2000, the real median family income rose $4,115 in the U.S., for an average annual increase of 1.9%. The majority of Fourth District counties had similar gains. However, contrary to what one might expect from observing the trend in poverty rates, southeastern Kentucky's inflation-adjusted median household income actually fell.

Furthermore, from 2000 to 2003, real median household income declined in almost all Fourth District counties, in line with the U.S. as a whole. Although slower than many areas in Ohio and Pennsylvania, counties in eastern Kentucky continued to record declines in median household income. Such declines, which would not be expected in a region with falling poverty rates, suggest that income inequality decreased in these areas.