

**Louisiana Population Data Center
LPDC Reports series, No. 5
13 September 2006**

**Economic Expansion Raises Household Income, but Real Wages Fall
and Poverty is Not Declining**

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In August 2006, the U.S. Census Bureau released the report, *Income, Poverty, and Health Insurance Coverage in the United States: 2005*, which contains findings from the Annual Social and Economic Supplement (ASEC) to the 2006 Current Population Survey (CPS). A summary of these findings for the United States is presented below, as well as information from the American Community Survey (ACS) about income and poverty in Louisiana.

Previously, the CPS/ASEC report included two- and three-year averages for state and national income and poverty statistics. Since the implementation of the ACS in 2005, however, the census income report will no longer contain state data. The ACS is the largest household survey in the United States, allows for more accurate estimates of state and county data than the CPS, and will henceforth be used by the Census Bureau in estimating socioeconomic characteristics of these areas.

The CPS/ASEC report contains information on the change in economic conditions in the United States between 2004 and 2005. However, because the ACS was officially implemented in 2005, comparisons will not be made for the

state of Louisiana prior to this survey. Comparisons between income and poverty in the United States and Louisiana in the year 2005 are provided below.¹

Median Household and Individual Income in the United States and in Louisiana

In 2005, median household income for the United States was estimated at \$46,326, which represents a 1.1 percent increase from the 2004 estimate (\$45,817). This marks the first time since 1999 that the nation has experienced a statistically significant increase in annual median household income. According to the report, the regions of the country that experienced this increase were the Northeast and West regions (2.9 and 1.5 % increase, respectively), while income in the Midwest and South remained statistically unchanged. In 2005, Louisiana's median household income was \$36,729, which is 79.3 percent of the national annual income.

In contrast to the increased U.S. annual household income during 2004-2005, the individual earnings of full-time, year-round workers decreased by a

¹ The regular 2005 ACS data products consist of one-year period estimates. The 2005 ACS Special Product for the Gulf Coast Area represents period estimates for the first eight months and last four months of 2005. For 2005, only the last four months of data collection reflected the impact of the hurricanes. As a result, the regular ACS data products will be affected only to a limited extent by changes taking place in that four-month period. To understand the effects of the hurricanes, data for two periods of time are needed—one that reflects the general characteristics in the eight-month period prior to the hurricanes, and another that reflects the general characteristics in the four-month post-hurricane period. The single-year ACS estimates are developed in such a manner to make them consistent with the Census Bureau's population estimates for July 1 of that year. This step was omitted in developing the four-month and eight-month estimates for the Gulf Coast Area Special Product (U.S. Bureau of the Census, direct quote, http://www.census.gov/acs/www/Products/Profiles/gulf_coast/pdf/q_and_a.pdf, retrieved 8 September 2006).

statistically significant amount during the same period. This holds for both men (1.8% decrease) and women (1.3% decrease). Despite the expansion of the national economy during the past few years, wage increases of U.S. workers have not kept pace with inflation, causing real wages to decrease. Thus, increased household income has come about because household members work more hours—albeit at lower real wages—or more household members contribute income to the household.

Both male and female full-time, year-round workers in Louisiana fare better when compared to the nation than household income. Louisiana males in 2005 earned \$38,650 (93.4% of the national income) and females, while earning much less than males, still earned more individually when compared to the national average (83.2%) than did households (79.3%).

Poverty Rates in the United States and Louisiana

The U.S. poverty rate remained unchanged during 2004-2005. After having risen steadily since 2001, this stabilization can be viewed in positive terms. But in light of the economic expansion during the past few years, one would have expected the rate of poverty to decrease. As job growth and rising household income did not reflect real wage increases, they also did not reduce poverty. As of 2005, some thirty-seven million Americans (12.7% of the total population) live in poverty.

Louisiana's poverty rate of almost 20 percent greatly exceeded the national poverty rate in 2005. While the poverty rates of all age groups in Louisiana exceed the national poverty average, the largest difference between Louisiana and

the nation is found for the most vulnerable age group, those under the age of 18. Persons in that age group in Louisiana have a poverty rate that is 10.8 percent higher than that for all persons under 18 years of age in the nation.

Table 1. Median Income for the United States and Louisiana (Dollars)

	2004 ¹		2005	
	United States	United States	Louisiana	LA - U.S. Income Ratio ²
Household Income	45,817	46,326	36,729	79.3
Men (full-time, year-round workers)	42,160	41,386	38,650	93.4
Women (full-time, year-round workers)	32,285	31,858	26,507	83.2

¹ The 2004 data have been revised to reflect a correction to the weights in the 2005 ASEC.

² Ratio is Louisiana 2005 income to United States 2005 income.

U.S. Data Source: U.S. Census Bureau, Current Population Survey, 2005 and 2006 Annual Social and Economic Supplements.

Louisiana Data Source: U.S. Census Bureau, 2005 American Community Survey.

Table 2. Number of Poor and Poverty Rate in the United States and Louisiana (Numbers in Thousands)

	Below Poverty in 2004 ¹		Below Poverty in 2005				Percent Difference ²
	United States		United States		Louisiana		
	Number	Percent	Number	Percent	Number	Percent	
Total	37,040	12.7	36,950	12.6	4,373	19.8	7.2
Under 18 years	13,041	17.8	12,896	17.6	1,117	28.4	10.8
18 to 64 years	20,545	11.3	20,450	11.1	2,750	17.1	6.0
65 years and older	3,453	9.8	3,603	10.1	499	14.8	4.7

¹ The 2004 data have been revised to reflect a correction to the weights in the 2005 ASEC.

² Difference is equal to Louisiana 2005 percent minus United States 2005 percent.

U.S. Data Source: U.S. Census Bureau, Current Population Survey, 2005 and 2006 Annual Social and Economic Supplements.

Louisiana Data Source: U.S. Census Bureau, 2005 American Community Survey.