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Income Distribution and Poverty Trends in the District: 2005-2015

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Introduction

Although much progress has been made in addressing poverty and improving incomes, particularly in distressed communities, economic inequality issues continue to remain at the forefront of many agendas. These issues present challenges for urban planners as they plan for inclusive, healthy and vibrant communities. The District of Columbia Office of Planning in its' attempt to minimize economic inequality has embraced equitable development as the cornerstone of its Comprehensive Plan, as demonstrated in its vision and core theme 'Planning an Inclusive City.' However, the debate continues on whether the United States has become more or less unequal in terms of income distribution and poverty levels, according to the many writings and research on the topic. Similarly, at the local level, the question to be answered is whether the District of Columbia has made inroads in the 10 years between 2005 and 2015 on reducing economic inequality and poverty.

This report does not attempt to address the issues related to causes, effects and solutions raised in the vast literature on economic inequality and poverty. The goal here is to employ some widely-used measures to show income distribution and poverty trends in the United States and in the District of Columbia. The U.S. Census Bureau's American Community Survey (ACS) provides a major new source of data to examine annual changes in poverty, income and income distribution, and that data will be utilized in this analysis.

Economic inequality refers to how economic variables are distributed among individuals in a group, among groups in a population, or among countries. It's the differences in size, degree or circumstance as relates to income, pay or wealth.

(Source: United Nations)

Poverty - If an individual or a family's total income is less than the official poverty threshold for individuals or a family of that size and composition, then they are considered to be in poverty. The official poverty level is described as being below 100% of the poverty level. Extreme poverty is described as being below 50% of the poverty level. Any poverty level above 100% constitute the widening or expanding of individuals or family income requirements upwards.

(Source: U.S. Census Bureau)

Highlights:

- The percentage of District residents below the poverty level demonstrated an overall decrease of 1.7% between 2005 and 2015. Specifically, the rate was estimated to be 19.0 percent in 2005, 19.2 percent in 2010, and 17.3 percent in 2015.
- The poverty rate for the United States was 13.5 percent in 2015, higher than the 2005 rate of 12.6 percent but lower than the 2010 rate of 15.1 percent.
- The number of District residents in extreme poverty, that is, below 50 percent of the poverty level, grew from 55,419 (10.8 percent) in 2005 to 58,698 (9.2 percent) in 2015.
- The percentage of people living in extreme poverty in the United States had not changed significantly in the ten years since 2005 – averaging about 6.3 percent.
- Poverty rates for children under 18 years in the District showed high levels in all three periods beginning with 32.2 percent in 2005, 30.4 percent in 2010 and a significant decline to 25.6 percent in 2015.
- Nationally, household income distribution had become more unequal between 2005 and 2015; the opposite trend occurred in the District, with income growth in the District becoming more evenly distributed among all income levels or percentiles for both the 2005-2010 period and the 2010-2015 period.
- In the United States, when income was growing (2010-2015), it grew faster at higher income levels than at lower income levels, and when income was falling (2005-2010), it fell faster at lower income levels than at higher income levels.
- All levels on the income ladder showed the inflation-adjusted incomes of District households had increased between 2005 and 2015.
- In the District, people who were married, between ages 45 to 64, white, and had a college degree were more likely to be in the higher income groups.
- In the District, households characterized as unmarried family households headed by either a male alone or female alone, or less than 25 years old, or greater than 65 years old, or black, or less than high school graduates were more likely to be living in low income households.

Trends in Poverty

Poverty rates for both the United States and the District showed generally fluctuating rates between 2005 and 2015, except for the declining rates for the 65 years and older in the United States and declining rates for the under 18 years in the District.

Table 1: Poverty Levels, U.S. and District of Columbia: 2005, 2010 and 2015		
Year	United States	District of Columbia
	Percent	Percent
2005		
All People	12.6	19.0
Under 18 Years	17.6	32.2
65+	10.1	17.4
2010		
All People	15.1	19.2
Under 18 Years	22.0	30.4
65+	8.9	13.1
2015		
All People	13.5	17.3
Under 18 Years	19.7	25.6
65+	8.8	15.2
Source: U.S. Census Bureau, 2005, 2010 & 2015 American Community (ACS) 1-Year Estimates		

Census data for the United States showed marginal changes in poverty between 2005 and 2015 (Table 1). The poverty rate for all people was 13.5 percent in 2015, higher than in 2005 at 12.6 percent but lower than in 2010 at 15.1 percent, suggesting that poverty is still a problem in the United States. For children under 18 years, the national poverty rate was 17.6 percent in 2005, 22 percent in 2010 and 19.7 percent in 2015. Poverty rates for the 65 years and older nationally was reported at 10 percent in 2005, 8.9 percent in 2010 and 8.8 percent in 2015.

In the District, poverty fell between 2005 and 2015 in general, despite shifting upwards in 2010 (Table 1). The percentage of District residents below the poverty level was estimated to be 19.0 percent in 2005, 19.2 percent in 2010 compared to 17.3 percent in 2015, and above the national rate in each period. Poverty rates for children under 18 years in the District showed high levels in all three periods beginning with 32.2 percent in 2005, 30.4 percent in 2010 and a significant decline to 25.6 percent in 2015. For the 65 years and older population in the District, their poverty rates ranged from 17.4 percent in 2005, to 13.1 percent in 2010 and back up to 15.2 percent in 2015.

Table 2: Poverty Levels, U.S. and District of Columbia: 2005, 2010 and 2015
(percent below selected poverty levels)

	United States		District of Columbia	
2005				
Population for whom poverty is determined	281,762,893		513,137	
	Number	Percent	Number	Percent
Below 50% of the poverty level	1,606,048	5.7	55,419	10.8
Below 100% of the poverty level	3,550,212	12.6	97,496	19.0
Below 125% of the poverty level	4,789,959	17.0	122,640	23.9
2010				
Population for whom poverty is determined	301,535,021		570,953	
	Number	Percent	Number	Percent
Below 50% of the poverty level	2,050,438	6.8	61,092	10.7
Below 100% of the poverty level	4,613,333	15.3	109,623	19.2
Below 125% of the poverty level	6,060,854	20.1	128,464	22.5
2015				
Population for whom poverty is determined	313,476,400		570,953	
	Number	Percent	Number	Percent
Below 50% of the poverty level	2,037,597	6.5	58,698	9.2
Below 100% of the poverty level	4,608,103	14.7	110,379	17.3
Below 125% of the poverty level	6,050,095	19.3	136,538	21.4

Source: U.S. Census Bureau, 2005, 2010 & 2015 American Community (ACS) 1-Year Estimates

The number of District residents in extreme poverty, that is, below 50 percent of the poverty level, increased by 6.3% overall, growing from about 55,219 in 2005 to 61,092 in 2010 then declining slightly to about 58,698 in 2015 (Table 2). In 2015, 9.2 percent of District residents were below 50 percent of the poverty level compared to 6.5 percent nationally (Table 2). Although the United States remained lower, the national percentage of people living in extreme poverty had not changed significantly in the ten years since 2005.

Trends in Households Income Distribution

The Gini Index or coefficient, a standard measure of income inequality, showed that the national household income has become more unevenly distributed over the last 10 years (Table 3). The American Community Survey conducted by the U.S. Census Bureau showed that nationally, income dispersion had become more unequal between 2005 and 2015, from 0.464 to 0.482, respectively. The picture for the District showed the opposite - a slightly downward trend from 0.544 in 2005 to 0.535 in 2015, meaning that household income distribution was moving towards a more equal distribution.

Year	United States	District of Columbia
2005	0.464	0.544
2005	0.469	0.532
2010	0.475	0.534
2011	0.476	0.534
2012	0.481	0.532
2013	0.480	0.522
2014	0.482	0.535
2015	0.482	0.535

Source: U.S. Census Bureau, 2005, 2010 & 2015 American Community (ACS) 1-Year Estimates

Income by Percentiles

Income distribution trends can also be measured from examining income growth at different percentiles (Table 4). At the national level, the data showed that when income was growing, as between 2010-2015, it grew faster at higher income levels than at lower income levels. However, when income was falling, as between 2005-2010, it fell faster at lower income levels than at higher income levels.

For the District, the pattern of income distribution trend was not the same as the nation. Income growth was more evenly distributed among all income levels or percentiles for both periods. This trend may mean that the District was not affected by the national trend of growing inequality, although sampling variation could have played a factor. Another point to note is that the District did not experience declining income levels between the 2005-2010 periods, which included the economic recession in 2007-2009, as did the nation. In general, all points on the income ladder showed the inflation-adjusted incomes of District households had increased between 2005 and 2015.

The Gini Index or coefficient is a summary measure of income inequality. The Gini coefficient ranges from 0, indicating perfect equality (where everyone receives an equal share), to 1, perfect inequality (where only one recipient or group of recipients receives all the income). (Source: U.S. Census Bureau)

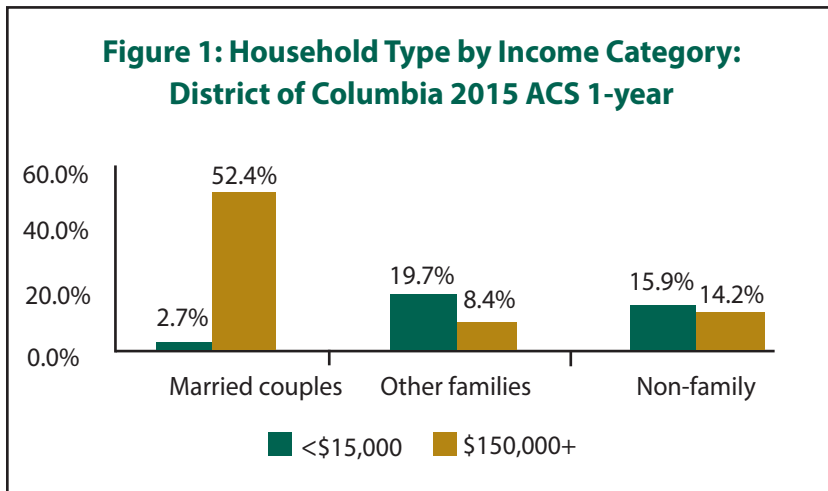
Income Percentile	U.S. 2005	U.S. 2010	U.S. 2015	Percent Change 2005-2010	Percent Change 2010-2015	Percent Change 2005-2015
10th	\$13,700	\$12,894	\$13,259	-5.9	2.8	-3.2
20th	\$23,276	\$21,742	\$22,800	-6.6	4.9	-2.0
50th	\$56,224	\$53,568	\$56,516	-4.7	5.5	0.5
80th	\$111,299	\$108,742	\$117,002	-2.3	7.6	5.1
90th	\$153,031	\$150,865	\$162,180	-1.4	7.5	6.0
95th	\$201,468	\$196,206	\$214,462	-2.6	9.3	6.4
Income Percentile	D.C. 2005	D.C. 2010	D.C. 2015	Percent Change 2005-2010	Percent Change 2010-2015	Percent Change 2005-2015
10th	\$7,463	\$9,615	\$11,591	28.8	20.6	55.3
20th	\$16,249	\$20,061	\$24,589	23.5	22.6	51.3
50th	\$47,425	\$62,419	\$75,900	31.6	21.6	60.0
80th	\$107,652	\$140,457	\$168,965	30.5	20.3	57.0
90th	\$167,000	>\$200,000	>\$200,000	-	-	
95th	>\$200,000	>\$200,000	>\$200,000	-	-	

Source: U.S. Census Bureau, 2005, 2010 & 2015 American Community (ACS) 1-Year Estimates

High and Low Income Households – Differences

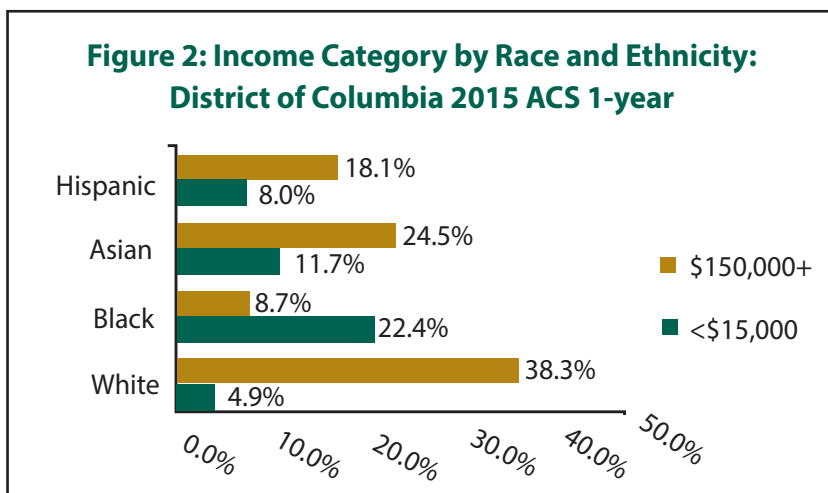
The demographic characteristics of high-income households differed from those of low income households during 2015 (Figures 1-4). People who were married, between ages 45 to 64, white, and have a college degree were more likely to be in the higher income groups. Householders with either of the following characteristics, namely, unmarried family households headed by either a male alone or female alone; less than 25 years old; greater than 65 years old; black; and less than high school graduates were more likely to be living in low income households.

Household type by income category showed that only 2.7 percent of married-couple families were earning less than \$15,000 as compared to other families at 19.7 percent, and non-families at 15.9 percent (Figure 1). On the other hand, 52.4 percent of married-couple families were in the upper end of the income ladder and earning \$150,000 or more while other families had 8.4 percent in this income bracket and non-families had 14.2 percent.



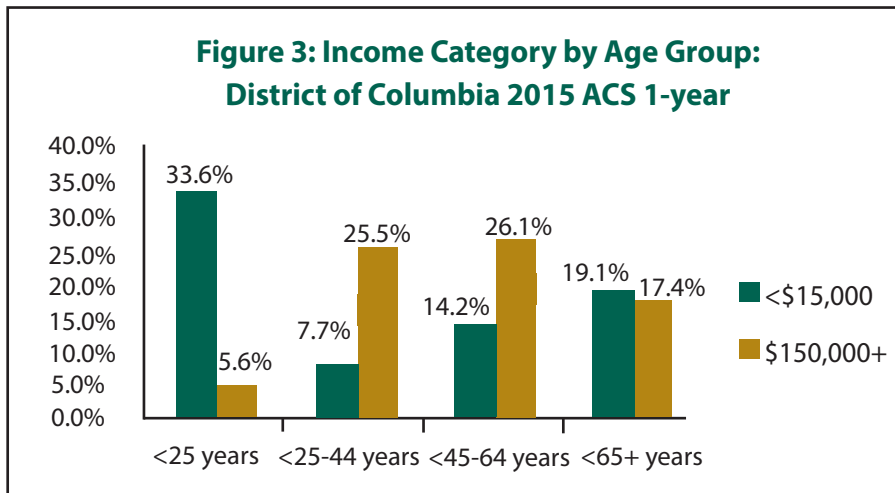
Married couples were more likely to be in the higher income categories

Income categorized by race showed over 38 percent of whites in the higher income level of \$150,000 or more as compared to only 8.7 percent of blacks. Asians and Hispanics had greater percentages than blacks in the \$150,000 or more category, 24.5 percent and 18 percent, respectively (Figure 2).



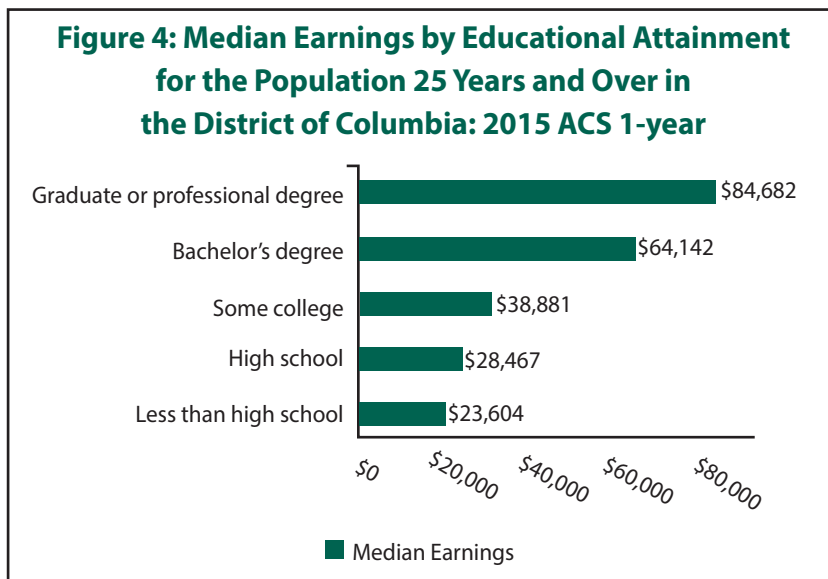
White and Asians were more likely to be in higher income categories

Income categorized by age showed the highest income peak was for people aged 45 to 64 years followed by persons 25 to 44 years (Figure 3). On the other hand, people in the lower income bracket of less than \$15,000 were mostly under 25 years old (33.6 percent) and 65 years and older (19 percent).



Youngest and oldest were more likely to be in lower income categories

Figure 4 demonstrates that educational attainment was positively related to earnings - earnings increased as educational attainment increased. The population with less than high school educational attainment had a median income of \$23,604, compared to the population with a graduate or professional degree having a median income of \$84,682 – three and one-half times more income.



More educated people were more likely to be in high-income households

The income distribution measures used in this report showed that household income distribution in the District had become more equal between 2005 and 2015 unlike the United States which has become more unequal. Poverty appeared to have decreased since 2005.