

IN BRIEF: POVERTY EXPERIENCE OF OLDER PERSONS
A POVERTY STUDY FROM A LONG-TERM PERSPECTIVE

Introduction

In recent years, older persons in the United States have been perceived by some analysts to be better off financially than younger persons. According to the Census Bureau 2002 poverty report, the poverty rate for persons age 65 and older was 10.1 percent in 2001, a rate lower than that for persons under age 65 (12.1 percent). The perception that older Americans are financially well-off can have an important impact on income support programs and social policies. The decline in the poverty rate for older persons in recent years, however, does not present a complete picture of the economic status of older persons.

Perceptions about a person's or a group's economic status can be affected in important ways by methodology and technical choices made in estimating economic status. The annual official poverty measurement in the United States is based on the March Current Population Survey (CPS), an annual cross-sectional survey. These annual cross-sectional statistics on the poverty population help track changes in the low-income population and inform welfare policy decision-making over time. However, one cannot tell from cross-sectional data whether the poverty population contains the same individuals each year or whether a much higher number of different individuals may be spending a relatively short period (e.g., only one year) in poverty. Individuals who live in poverty for a long period may be different from those who spend a short period in poverty.

This paper examines individual poverty status from a long-term perspective, focusing particularly on older persons.

The study uses a longitudinal survey, the Panel Study of Income Dynamics (PSID), to track long-term poverty status for the same individuals over a 12-year period (1981-1992) when the official annual poverty rate for older persons has been lower than that for the entire population.

This analysis of the long-term poverty experience of older persons addresses two questions: Given that the annual official poverty rate for older persons was lower than the poverty rate for persons under age 65, (1) are older persons more or less likely than younger persons to fall into poverty for a long period, and (2) are older persons more or less likely than younger persons to escape after they enter poverty status?

Principal Findings

During the five-year period (1988-1992), 24.3 percent of older persons experienced *at least* one year in poverty, and 5.6 percent were in poverty all five years. For younger persons (under age 65), 20.1 percent were poor at least one year, and 3.6 percent spent all five years in poverty. Older persons, as an age group, were more likely to experience poverty than any other age group, except those under age 18.

The chances older persons would fall into poverty varied substantially by demographic factors during the five-year period (1988-92). Older women were at a higher risk of falling into poverty for a relatively long period. A higher percentage of older women (27.8 percent) experienced at least one year in poverty during the 1988-1992 period than did older men (17.6 percent). About 7 percent of older women, but only 2.4 percent of older men, lived in poverty all five years.

Combining the different demographic factors, women age 85 and older who were never married, widowed, or divorced and living alone were the most likely to be poor for a relatively long period.

During the 12-year period, older persons were less likely than young persons to escape from poverty once they had fallen into it. For an older person who spent one year in poverty, the probability of exiting from poverty was 35.2 percent, compared to 40.3 percent for persons under age 65. Regardless of length of poverty spell, the results indicate that escaping from poverty was more difficult for older individuals than for younger ones.

Although poverty exit probabilities for older persons were lower than for younger persons, the *pattern* of exit probabilities in the first three consecutive years in poverty for older persons is somewhat similar to that for younger persons in that the probabilities drop at comparable rates as length of poverty spells increases. After three consecutive years in poverty, however, the probability of an older person, especially an older woman, escaping from poverty is substantially lower than that for a younger person (7.3 percent for the older persons, compared to 21.3 percent for younger persons).

Over one-third (35.2 percent) of older persons who were ever poor completed their poverty spell in one year (compared to more than 40 percent of younger persons who were ever poor). For both older and younger persons, a substantial fraction of poverty spells last three years or less. After three years, however, the situation is significantly different. Among persons age 65 and older, 31 percent remain poor for ten years or more (compared to 11 percent of those under age 65).

Conclusion

This research reveals that individuals' poverty experience in their older years is significantly different from that in their younger years. Not only are older persons more likely than younger persons to fall into poverty for a long period, they are also less likely than younger persons to escape from poverty once they have fallen into it. Moreover, a considerable percentage of older persons' completed poverty spells lasted 10 or more years. For older persons, especially older women, poverty spells are either relatively short or extremely long. The majority of the older persons who spent more than four consecutive years in poverty will stay in poverty for a long time, and some of them will remain poor until death. Over time, older persons with long-term poverty spells make up an increasingly larger proportion of the current poverty population in any given year.

The research shows significant differences between findings derived from a single-year cross-sectional perspective (such as official CPS cross-sectional data) and a long-term perspective (based on the PSID longitudinal data). During the 1981-1992 period, the annual official poverty rate for the older population was lower than that for persons under age 65. However, when the same persons were traced continuously over the same period, the picture was quite different: older persons, especially older women, still experience higher rates of long-term poverty than younger age groups do.

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