WHO ARE THE LONG-TERM POOR?

Introduction

In recent years, older persons in the United States have been perceived to be better off financially than younger persons. According to a Census Bureau report, the poverty rate for persons age 65 and over was 9.7 percent in 1999, a rate lower than that for the entire population (12.7 percent) (U.S. Bureau of the Census, 2000). The decline in the poverty rate for older persons in recent years, however, does not present a complete picture of their economic status. For example, a poverty study conducted by Rank and Hirschl recently found that 40 percent of older Americans will experience a year in poverty at some point between the age of 60 and 90 (Rank and Hirschl, 1999).

The measure of official poverty 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, like the official poverty statistics, 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 comprises 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.

This paper presents the findings from a study of the poverty experience of older persons from a long-term perspective. The study used a longitudinal survey, the Panel Study of Income Dynamics (PSID)\(^1\), to track poverty status for the same individuals over the 1988-1992 period,\(^2\) when the annual official poverty rate for older persons was consistently lower than for the entire population. We estimated how often individuals fell into poverty during the five-year period, focusing particularly on older persons.\(^3\)

Percent of Persons Falling into Poverty by Age (1988 through 1992)

Table 1 shows the percent of persons falling into poverty by age groups during the five-year period from 1988 though 1992. Among older persons, 24.3 percent experienced at least one year in poverty, and 5.6 percent were in poverty all five years. For younger persons (under 65), 20.1 percent were poor at least one year, and 3.6 percent spent all five years in poverty. The annual official poverty rate for people age 65 and older was below the official poverty rate for the entire population.

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\(^1\) The PSID is a longitudinal survey of a representative sample of U. S. individuals and the family members with whom they reside. The survey has been ongoing since 1968. The data files contain the full span of information collected annually over the course of the study.

\(^2\) Like the March CPS, the PSID defines an individual’s poverty status as annual family income below an income/need ratio of 1.0, which is essentially equivalent to the poverty threshold used by the Census Bureau to calculate the annual official poverty rate.

\(^3\) A longitudinal PSID data file was constructed to estimate how often a person was in poverty during the five-year period (1988 through 1992). The unit of analysis was the individual. The sample included 53,037 individuals, 1,021 whom were age 65 or older in 1988.

\(^4\) To estimate how often individuals fell into poverty, we calculated and presented the percentage of persons in poverty for the following periods: at least one year, at least two years, at least three years, at least four years, and all five years in poverty during the five-year period. The years spent in poverty are not necessarily continuous.
that of persons under age 65 in each year from 1988 to 1992. However, when individual were traced over the same period in the PSID, the older persons were in poverty more frequently than were younger persons (see Table 1).

Table 1 summarizes the results by age subgroups during the 1988-92 period. Persons age 65 and older were more likely to be poor for a long-term period than any other age subgroup was, except those under 18. The percentage in poverty declines fairly steadily as age increases through ages 60-64, but increases sharply at age 65 and older, presumably due to an abrupt decline in income after retirement (see Table 1).

Furthermore, the oldest old (defined as persons age 85 and over) were most likely to be poor and for a long period. Almost 42 percent of the oldest old but about 20 percent of the youngest old (defined as persons age 65-74) were in poverty for at least one year. Among the youngest old, 3.6 percent were in poverty for all five years compared with 17.4 percent of the oldest old. These figures suggest that not only did poverty increase with old age, but so did its duration (see Table 1).

Table 1 also shows that during the five-year period, the percentage of persons in poverty decreased for all age groups as the number of years in poverty increased. However, as the number of years in poverty increased, the relative differences between older persons and younger persons also increased. The percentage of individuals age 65 and older in poverty for at least one year was 21 percent higher than that for persons under age 65 (24.3/20.1=1.21), but the percentage of persons over age 65 who spent all five years in poverty was over 50 percent higher than that for those below age 65 (5.6/3.6=1.56). Older persons were substantially more likely to be poor for a long period (see Table 1).
Percent of Older Persons Falling into Poverty by Demographic Factors

The chance that older persons would fall into poverty during the five-year period (1988-92) varied substantially by demographic factors.

**Gender.** Older women were at a high risk of falling into poverty for a long-term period. Table 2 shows that 27.8 percent of older women, compared with 17.6 percent of older men, experienced at least one year in poverty in the 1988-1992 period. More than 7 percent of older women, compared with 2.4 percent of older men, lived all five years in poverty.

Nearly 36 percent of older female householders, compared with 17.7 percent of older male householders, spent at least one year in poverty. Among older female householders, 20.9 percent spent at least three years, and 11.5 percent spent all five years in poverty. In contrast, only about one-fourth as many older male householders (5.8 percent) spent at least three years and one-fifth as many (2.4 percent) spent all five years in poverty in the five-year period (see Table 2).

**Living Arrangement.** Shared living arrangements provide an important source of economic support for older persons. Results from Table 2 show that older persons living alone were more than twice as likely as older persons living with others to fall below the poverty line for at least one year, and nine times as likely as

![Table 2](image-url)

*Years in poverty are not necessarily continuous.*

Data Source: Panel Study of Income Dynamics (PSID) 1989-93 machine-readable data.
Sample Size: 1,021, weighted by 1993 longitudinal individual weight variable.
those living with others to fall below poverty in all five years. Among older women living alone, nearly 37 percent spent at least one year in poverty, and 13 percent spent all five years in poverty during the five-year period. In contrast, among older women living with others, 19 percent experienced at least one year in poverty, but only 1.6 percent lived all five years in poverty (see Table 2).

Marital Status. Older persons’ income varied by their marital status as well (Choudhury and Leonesio, 1997). As Table 2 shows, among older married couples, 13 percent spent at least one year and 1.3 percent spent all five years in poverty during the five-year period. In contrast, among never-married older persons, 54.2 percent spent at least one year, and 11.9 percent spent all five years in poverty. Moreover, nearly two-thirds of never-married older women experienced at least one year in poverty, compared with 29.4 percent of never-married older men, although the never-married men were more likely to spend all five years in poverty.5

Older women experience adverse economic consequences due to divorce and widowhood. Among older widows, 32 percent lived at least one year in poverty, and 9.3 percent of older widows spent all five years in poverty. Nearly half of divorced (or separated) older women spent at least one year in poverty, and 12.6 percent of these older women spent all five years in poverty (see Table 2).

Among older women those who lived alone were the most likely to be poor for a long period, following by those divorced or separated, those never married, and widows.

Conclusion

During the 1988-1992 period, the annual poverty rate reported by the Census Bureau for the older population was lower than that for the entire population when samples of different individuals were compared over time. However, when we track poverty status for the same individuals over the same five-year period, older persons, especially older women, were more likely than younger persons to be poor, and for longer periods. The results also reveal the significant difference between the findings derived from official single-year poverty measurements (based on the March CPS cross-sectional survey) and a long-term perspective (based on the PSID longitudinal survey).

References


5 For never-married older men, the higher percentage of poverty rates was found for at least four years and all five years. These figures may not be valid due to the small sample size. The same situation was also found in the case of older widowers.