

ARIZONA DIRECTIONS

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The Poverty Rate Is Falling For Senior Citizens But Rising For Others

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In 1959, in the midst of an economic expansion, the overall poverty rate in the United States was more than 22 percent. The rate was highest among those 65 or older, exceeding 35 percent. The rate also was high among children less than 18 years of age at more than 27 percent.

The earliest poverty data are for 1959. Poverty thresholds – which vary with the number of people living in a household and with the ages of the household members – were first developed in 1964. The original thresholds were applied to data on household income, household size, and age of household members that had been collected for 1959 from the Current Population Survey.

High poverty rates prompted the Kennedy Administration to begin to take action to reduce poverty. However, it was not until the Johnson Administration that the “war on poverty” began. President Johnson launched the war in his State of the Union address in January 1964. In August 1964, Congress passed the Economic Opportunity Act, which led to the creation of such programs as Head Start and the Jobs Corps. Many congressional actions, particularly in 1964 and 1965, contributed to reducing poverty, including a large tax cut. However, the other major legislation was the Social Security Act in July 1965. This amended the original 1935 Social Security Act to create the Medicare and Medicaid programs.

The effects of the efforts to ameliorate poverty are easily seen in Figure 1. The overall poverty rate, which began to fall during the Kennedy Administration, dropped from 22 percent in 1959 to 12 percent in 1969 (at the end of a long economic expansion). Since then, the rate has fluctuated between 11 and 15 percent, going up during economic recessions and down during economic expansions.

The poverty rate fell during the 1960s in each of the major age groups. However, as seen in Figure 2, the poverty rate among those 65 or older declined steeply into the 1970s; the total decline from 1959 was much greater than in the other age groups. Moreover, the poverty rate among senior citizens has continued to decline. The lowest rate on record (9 percent)

occurred in 2009 and 2010, despite the severity and length of the “great recession.” In contrast, the poverty rates for children and for working-age adults have never again reached the low points of the late 1960s and early 1970s. Since 1980, the child poverty rate has averaged nearly 20 percent – 8 percentage points higher than the rate for senior citizens.

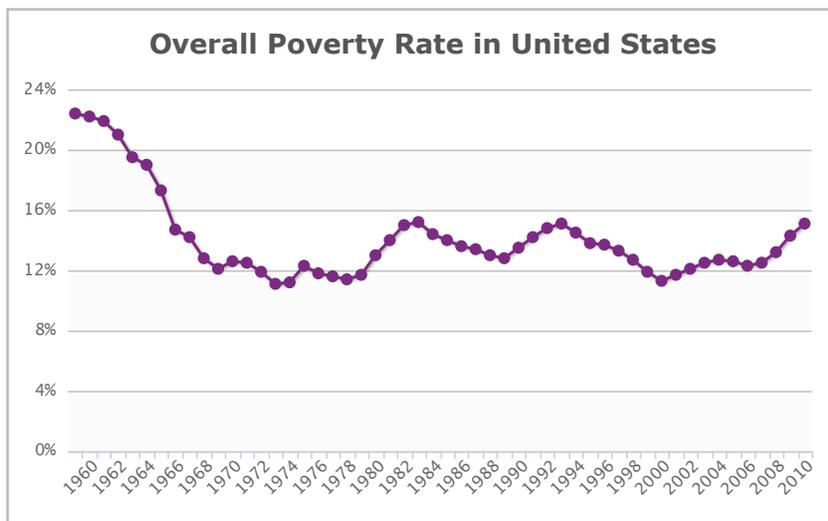


Figure 1: Overall Poverty in the United States

Source: U.S. Department of Commerce, Census Bureau, Current Population Survey.



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Arizona Indicators is an online information resource and analysis tool that centralizes data about the state and its communities. Arizona Indicators presents interactive visualizations, clear data descriptions, and public opinion data in a broad range of content areas.

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Poverty in Arizona

The national poverty rate estimates from the annual Current Population Survey (CPS) have a small margin of error and thus are quite reliable. In contrast, the estimates by state from this source have very large margins of error. The time series for Arizona shows wild fluctuations from year to year. The estimates for the state from the Small Area Income and Poverty Estimates (SAIPE) program are less volatile, but extend back annually only to 1995. SAIPE uses whatever data are available and creates estimates from computer-based modeling.

The decennial censuses from 1970 through 2000 reported the poverty rate for the preceding year. These are the only accurate historical estimates of poverty by state, but estimates for poverty and many other indicators no longer are available from the decennial census. Instead, annual estimates have been available from the American Community Survey (ACS) since 2005. While the ACS has far less sampling error than the CPS, the error in the annual estimates is much larger than that from the decennial censuses. Annual ACS estimates for states should be used with caution.

Arizona has consistently experienced a higher overall poverty rate than the national average, generally ranging from 1-to-2 percentage points higher than average (see Figure 3). The largest differentials occur during economic recessions, reflecting that the Arizona economy is more cyclical than the U.S. average. From the 2007 economic peak through 2010, the poverty rate in Arizona rose 3.5 percentage points compared to 2.3 points nationally.

For the most part, the poverty rate in Arizona varies by age in the same pattern as the national average. Figure 4 displays age-specific poverty rates in 2010. The highest rates occur among those less than 25 years of age. After age 24, the poverty rate steadily declines through the age of 74. The poverty rate in Arizona is higher than the national average in each age group through 64. Arizona's senior citizens, especially those 75 or older, experience lower poverty rates than the U.S. average.

Between 2007 and 2010, the national poverty rate rose the most among those less than 25 years of age. The poverty rate fell among those 65 or older. The age pattern was similar in Arizona, but the increase in poverty rate among those 25-to-64 years of age was disproportionately greater than the national average. In contrast, the poverty rate of those 65 or older fell more in Arizona than the U.S. average.

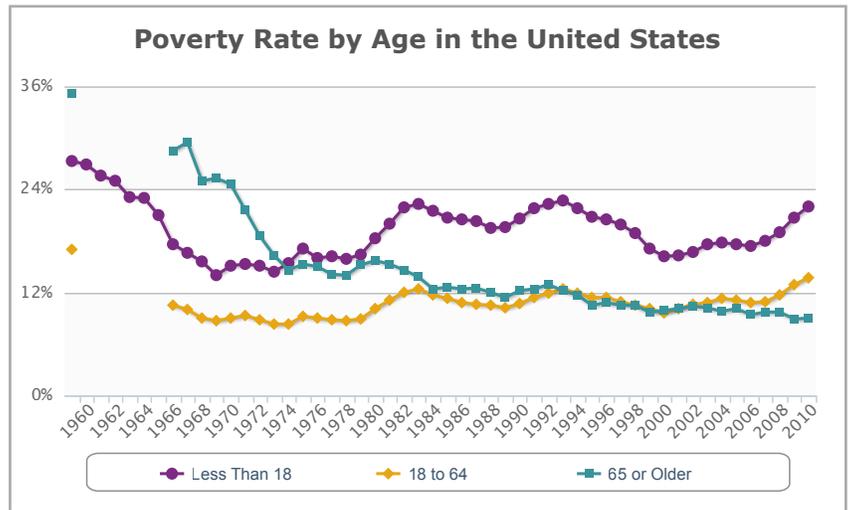


Figure 2: Poverty Rate by Age in the United States

Source: U.S. Department of Commerce, Census Bureau, Current Population Survey.
Note: Data are not available for the adult age groups from 1960 through 1965.

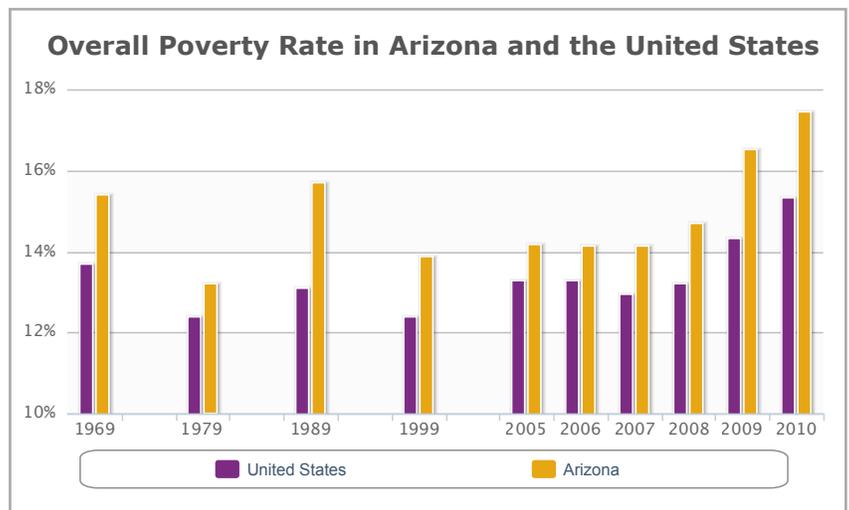


Figure 3: Overall Poverty Rate in Arizona and the United States

Source: U.S. Department of Commerce, Census Bureau, decennial census (before 2005) and American Community Survey (2005 through 2010).

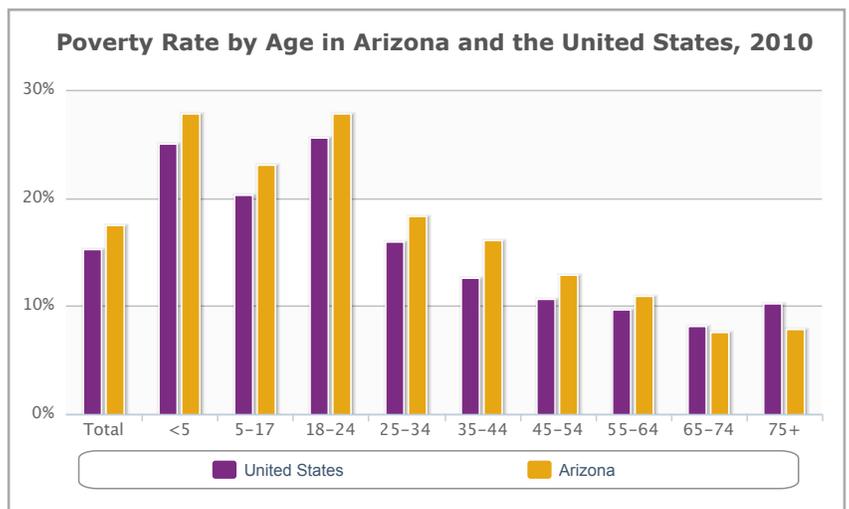


Figure 4: Poverty Rate by Age in Arizona and the United States, 2010

Source: U.S. Department of Commerce, Census Bureau, American Community Survey.

Poverty in Arizona Counties

Except for the most-populous Arizona counties (Maricopa and Pima), annual data from the ACS are unreliable; for the least-populous counties, annual data are not even published. The sampling error from the ACS begins to approach the relatively low level from the decennial census when five years of ACS data are combined. However, for a measure like the poverty rate, which is highly cyclical, the interpretation of a five-year average is problematic. For example, the first two years of the most recent five-year period were part of an economic boom while the last two years were part of the worst economy since the 1930s.

Still, to get a sense of how the poverty rate varies across the state, the average from the 2006-to-2010 period is displayed in Figure 5. The poverty rate in Apache County was much higher than in any other county. The poverty rate ranged from less than 14 percent to 25 percent in the other counties. In four counties – Greenlee, Maricopa, Pinal, and Yavapai – the poverty rate was similar to the national average of 13.8 percent.

The pattern of poverty by age group largely is consistent across Arizona. Children and young adults have the highest poverty rates, with the rates falling with increasing age after age 24. In most counties, the lowest rates are among those 65-to-74 years old.

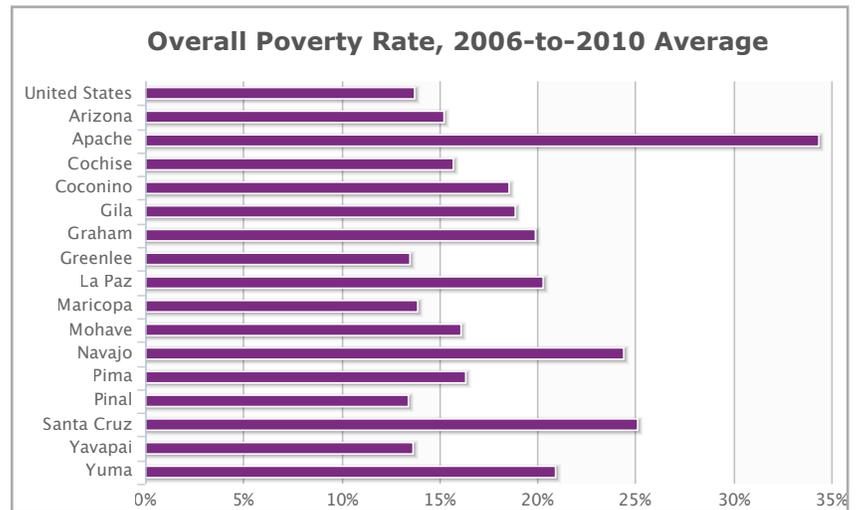


Figure 5: Overall Poverty Rate, 2006-to-2010 Average

Source: U.S. Department of Commerce, Census Bureau, American Community Survey (five-year average).

Discussion

The war on poverty during the 1960s succeeded, cutting the national poverty rate in half by the early 1970s. Since then, however, the poverty rate of Americans under the age of 65 has increased. The poverty rate has climbed particularly among children; compared to an average of 15.5 percent during the 1971-to-1975 economic cycle, the poverty rate in each of the three cycles since 1982 averaged between 18 percent and 21 percent. Among those 18-to-64 years old, the poverty rate in the last three economic cycles averaged just more than 11 percent – higher than the 8.8 percent of the 1971-to-1975 cycle. In contrast, the average poverty rate of senior citizens has decreased in each cycle, with the average in the 2002-to-2009 cycle 7.5 percentage points lower than in the 1971-to-1975 cycle.

One-in-five children lives in poverty and many more live at a level only a little above the poverty line. Living at the poverty line means a frugal lifestyle. For example, the poverty level in 2010 (the latest year for which poverty estimates are available) was \$22,113 for a family of four with two children under the age of 18; the level for a family of three with one child was only \$17,552. The thresholds are updated annually for inflation.

Despite the persistently high poverty among children and their young-adult parents, the nation has not addressed this issue, or the associated topic of income disparity. Like poverty, income disparity has increased since 1980.