Changes in Economic Status of Persons 60 and Older, by Residence

How does rural-urban residence affect the economic well-being of the older population? And are rural elderly persons better or worse off economically than the urban elderly? The nonmetro elderly generally tend to be less educated, to have lower incomes and fewer sources of retirement income, and to have less adequate housing and transportation than the metro elderly. This section looks at factors affecting economic well-being and whether these factors are more prevalent in rural or urban areas. The lower socioeconomic status of the nonmetro elderly has important implications for their health and use of health care and social services.

Differences in Poverty Rates

Poverty among older persons generally declined between 1980 and 1990. The rural-urban differential remained unchanged, however, with a higher proportion of rural elderly below the poverty level, especially in the South. Among nonmetro counties, the poverty rate for older persons increases with greater rurality—ranging from 12.8 percent for counties of 20,000 population, adjacent to a metro area, to 20.6 percent for nonadjacent, completely rural counties (table 3).

Table 3—Poverty rates of the population 60 years and older by gender and rural-urban continuum code, 1980 and 1990

Poverty rates for older persons are highest for completely rural areas

Rural-urban continuum code	All persons 60 years and older		Share of poor 60 years and older who are women		Women 60 years and older		Men 60 years and older	
	1980	1990	1980	1990	1980	1990	1980	1990
	Percent							
U.S. total	13.5	12.0	68.7	70.9	16.1	14.8	9.9	8.3
Metro:								
1 million or more population—								
Central	10.3	9.8	71.2	71.9	12.6	12.1	7.1	6.6
Fringe	12.9	10.6	67.6	71.2	15.6	13.4	9.5	7.0
250,000 to 1 million population	12.8	11.2	69.9	72.0	15.6	13.9	9.1	7.4
Less than 250,000 population	14.1	12.3	69.6	71.7	17.1	15.4	10.1	8.2
Nonmetro:								
Urban population of 20,000 or more—								
Adjacent	14.9	12.8	68.2	70.9	17.8	16.0	11.0	8.7
Nonadjacent	16.9	15.0	67.8	70.0	20.2	18.4	12.6	10.5
Urban population of 2,500-19,999—								
Adjacent	20.0	17.4	66.0	68.9	23.5	21.1	15.6	12.5
Nonadjacent	20.7	18.5	65.4	68.5	24.1	22.2	16.4	13.5
Completely rural—								
Adjacent	23.0	20.0	62.7	66.4	26.4	23.9	18.9	15.1
Nonadjacent	23.8	20.6	61.9	66.3	27.1	24.8	19.8	15.4

Source: Calculated by ERS from data from the Bureau of the Census, 1980 and 1990 Census STF4 files.

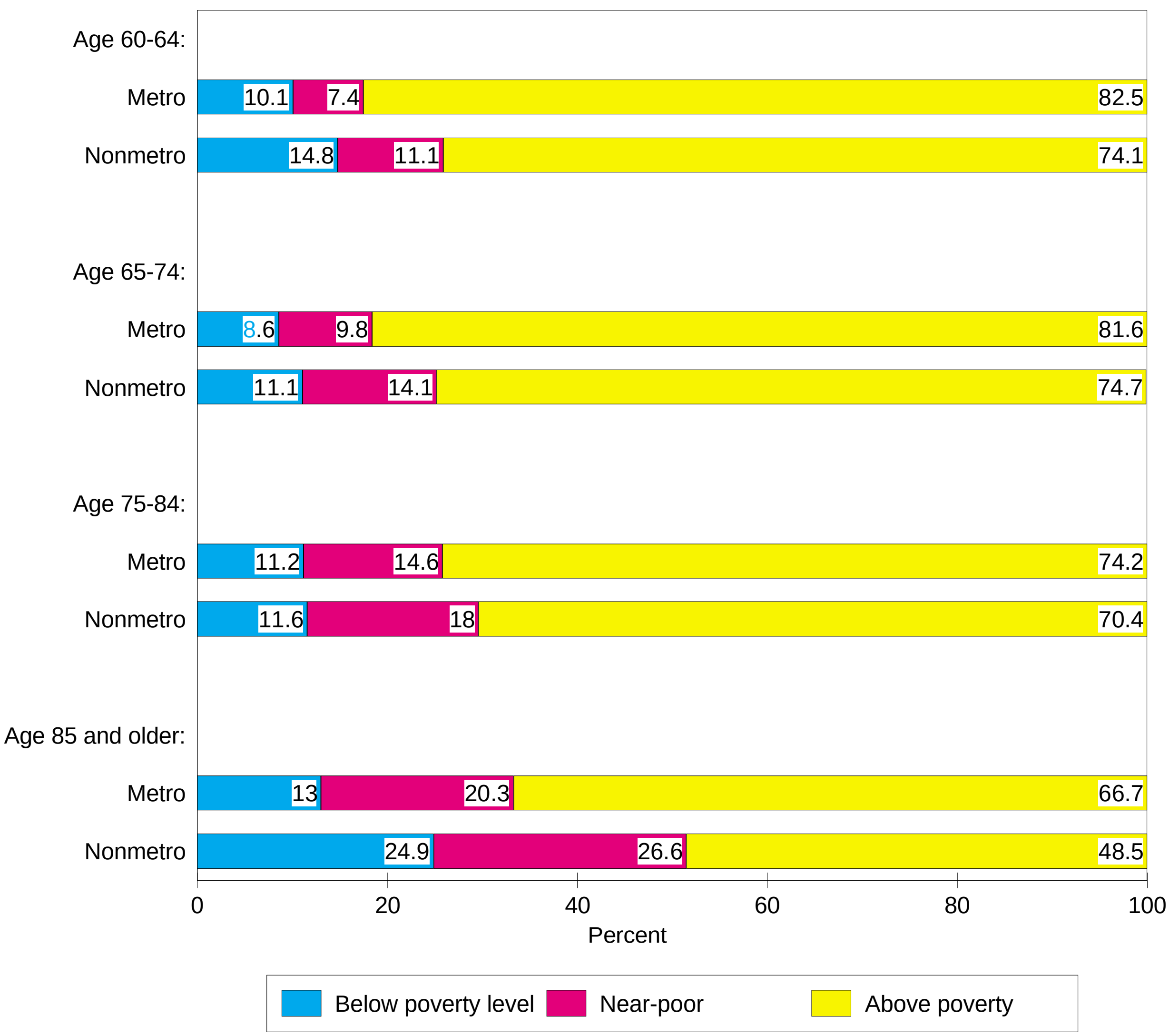
Older women are much more likely to be poor than older men. In 1990, women constituted 71 percent of the poverty population age 60 and older (table 3). This share has increased slightly since 1980, reflecting the aging of the population and the higher share of women among the oldest old.

With advancing age, economic well-being tends to decline. The CPS data for 1998 reveal that a larger share of the oldest old are poor or near-poor (defined as having an income between 100 and 149 percent of the poverty level) (fig. 4). Over half of nonmetro persons age 85 and older are poor or near-poor, compared with only one-quarter of those age 60-64. The metro-nonmetro difference in poverty is more pronounced among the oldest old. Because a higher proportion of the nonmetro than metro elderly population is 85 years and older, this issue has become urgent in nonmetro areas. The oldest old are the most economically vulnerable population and also the most in need of health, medical, and other services in rural areas hard-pressed to provide such services. The elderly

Figure 4

Poverty status of persons 60 years and older, by age and residence, 1997

Over half of nonmetro persons 85 years and older are poor or near-poor



Note: Near-poor is an income of 100-149 percent of poverty level.

Source: March 1998 Current Population Survey (CPS) data file.

poor have less access to support services, housing, adequate nutrition, and transportation, and are apt to be less healthy than the wealthier elderly (Coward and Lee, 1985; Krout, 1986; Lee and Lassey, 1980; and Martin and Preston, 1994). Because the most remote rural areas have the highest poverty and also slower growth in population and tax bases, they are at a disadvantage in providing needed services to the older population.

Poverty status differs by marital status and living arrangements of the elderly. Older persons living alone are considerably more likely to be poor than are older married couples (fig. 5). While 8 percent of the nonmetro elderly age 60-64 in married-couple families were poor in 1997, 32 percent of nonmetro elderly who lived alone were poor. Poverty increases with advancing age, so that by age 75 and older, 12 percent of the nonmetro elderly in married-couple families were poor compared with 36 percent of those living alone.

Rural-urban differences in poverty rates for the elderly may be due in part to differences in the composition of the elderly population in rural and urban areas, in addition to a higher risk of poverty among the rural elderly. Older age, lower educational attainment, and minority status are associated with a higher likelihood of being poor. Hence, the older age structure and lower educational levels among the nonmetro elderly would tend to raise their poverty rates. On the other hand, the lower proportion of blacks and higher proportion of married persons among the nonmetro population would serve to lower poverty rates. While influencing the rates, these compositional factors (age, race, educational attainment, and marital status) alone are unlikely to explain the difference in poverty rates between rural and urban older persons.

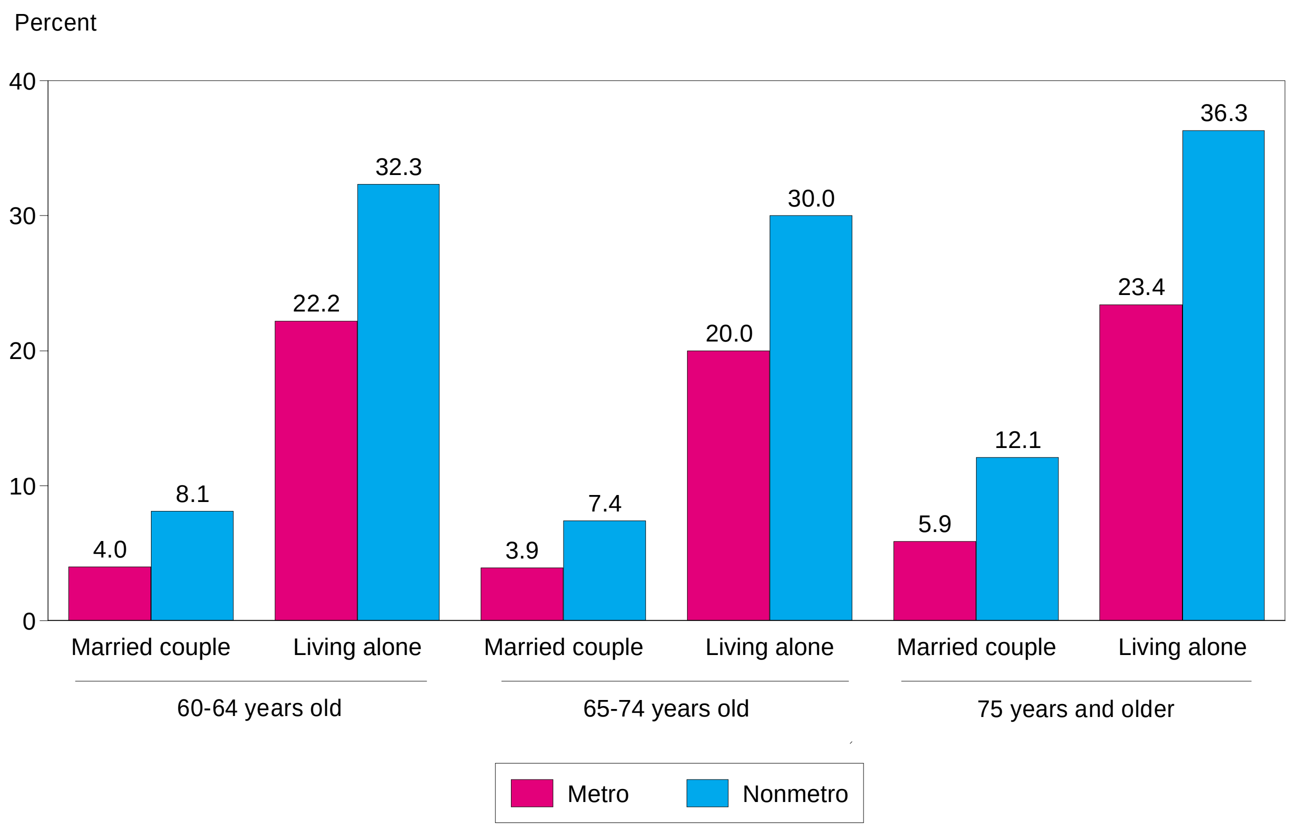
Differences in Income

In 1997, 34 percent of nonmetro persons age 60 and older had incomes under $10,000, 34 percent had

Figure 5

Older persons below the poverty level, by age, living arrangements, and residence, 1997

At each age, older persons living alone are about three times more likely to be poor than those who are married



Source: March 1998 Current Population Survey (CPS) data file.

incomes of $10,000-24,999, 23 percent had incomes of $25,000-49,999, and 9 percent had incomes of $50,000 or more. Nonmetro areas have a higher percentage of older persons with low income than do metro areas (fig. 6). With advancing age, an increasing proportion of the elderly live in households with less than $10,000 income. At age 65-74 years, the proportion of low-income persons in nonmetro areas was 30 percent, but by age 75-84 years, the proportion was 38 percent. An even wider gap was found between ages 75-84 years and 85 and older, climbing from 38 percent to 54 percent. Women are disproportionately represented in the low-income population (fig. 7). At younger ages (age 60-64 years), 54 percent of nonmetro low-income households are women, increasing to 69 percent at age 85 and older. Again, this pattern illustrates the economic vulnerability of older women, especially among the oldest old.

Income is more unevenly distributed among older Americans than younger ones, and much of this income inequality is associated with gender and marital status (Holtz-Eakin and Smeeding, 1994). Married couples are the most affluent, while older women living alone have higher poverty than all older men and women. In 1997, 24 percent of married couples had incomes under $10,000, compared with 43 percent of widowed persons. Older married couples were more likely to have higher incomes (30 percent with incomes of $25,000-49,999 and 21 percent with incomes of $50,000 or more) than widowed persons (15 and 8 percent, respectively).

Economic status in later life is a cumulative product of individuals' economic experiences, involving earnings, savings and spending, and participation in pension, health insurance, and public assistance plans. The cumulative economic advantages and disadvantages throughout life contribute to a wide economic inequality among the elderly, particularly among the oldest old.

Sources of Income

The elderly are generally more likely than the rest of the population to receive transfer payments such as Social Security and Supplemental Security Income (SSI), pensions, and asset income than earnings, the type of income mainly supporting the nonelderly. Nearly all older persons receive Social Security benefits and most receive income from other sources. Among persons 60 and older in 1998, 85 percent in nonmetro areas and 81 percent in metro areas received Social Security. At age 85 and older, 94 percent of all persons received Social Security. Only 6 percent of persons age 60 and older received SSI benefits, a program that provides income to needy disabled, blind, and elderly persons. Dependence on Social Security benefits only, or mainly, leaves a substantial share of the elderly in poverty or just above the poverty line. Poverty among the elderly is a matter of increasing public concern, especially since several subgroups—most notably women and racial-ethnic minorities—have very high levels of poverty.

Social Security benefits are the single most important source of income for the elderly, providing 40 percent of the income of the older population, according to data from the Social Security Administration (Social Security Bulletin, 1998). A large share of the elderly, including the most affluent elderly, receive pensions and asset income (37 percent) in addition to Social Security benefits, if not earnings. Other than Social Security, sources of income for the elderly include earnings (20 percent), pensions (19 percent), assets (18 percent), and other sources (3 percent). Earnings are from wages, salaries, and self-employment. Other sources of income commonly include transfer payments (Social Security, SSI, other public assistance, and veterans' payments), private pensions, property income, and related sources.

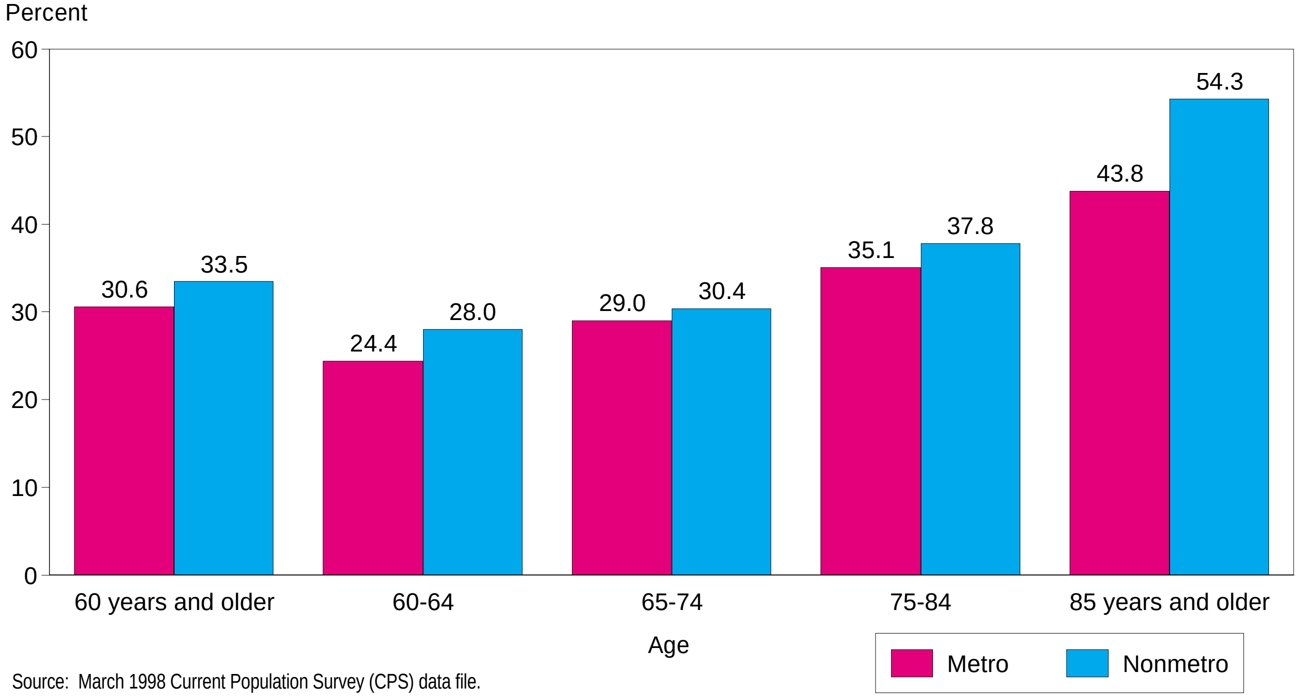
Assets and Homeownership

Measures of income alone do not tell the whole story of the economic circumstances of the elderly. Many elderly persons own assets that contribute directly to income through interest, dividends, and rents, serve as financial reserves for special or emergency needs; and provide services, such as transportation and housing. Assets accumulated during a retiree's working years supplement earnings and other income in retirement. Sixty-three percent of older persons receive income from assets. Home equity is by far the single most valuable type of asset held by the elderly. Next in importance are liquid assets, which include cash and savings or checking accounts. The third and smallest component of assets are illiquid assets, which include stocks and bonds, equity in a business

Figure 6

Persons 60 years and older whose household income is less than $10,000, 1997

At more advanced ages, a larger share of elderly persons have household income under $10,000

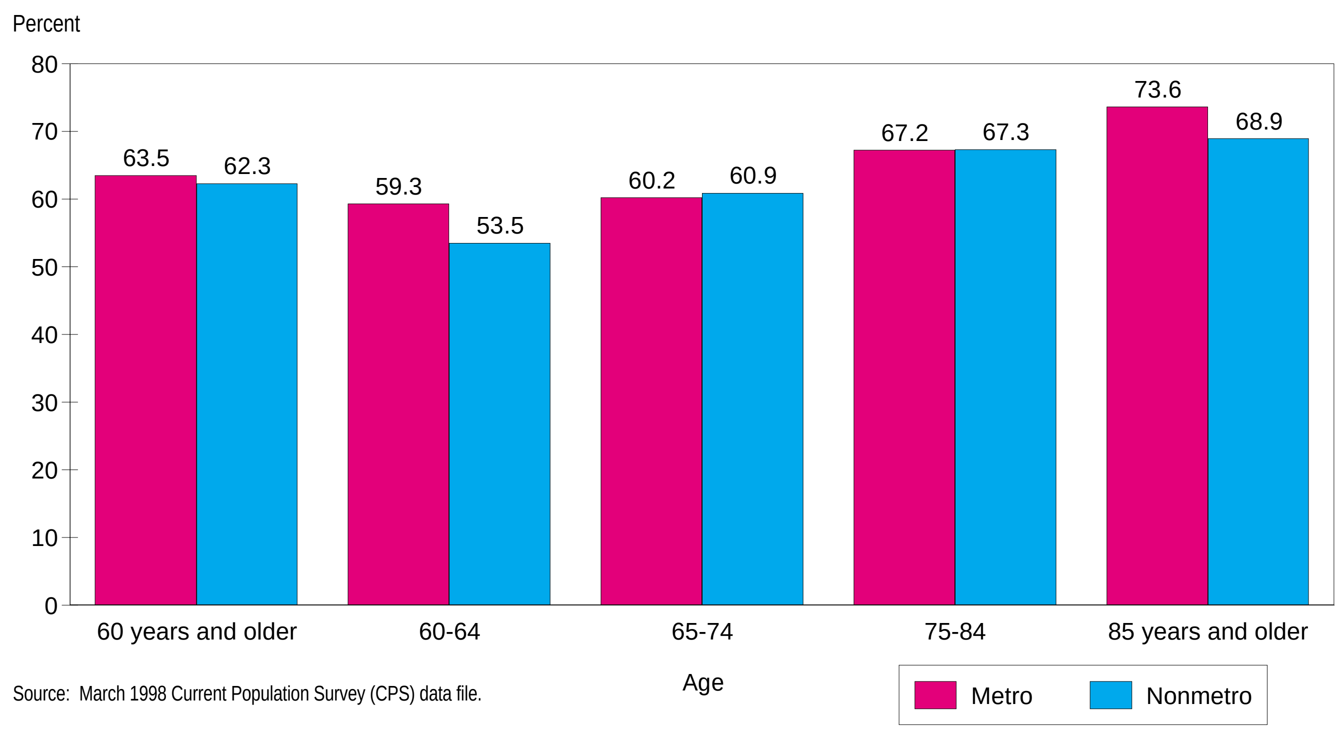


Source: March 1998 Current Population Survey (CPS) data file.

Figure 7

Women 60 years and older with household income less than $10,000, 1997

About two-thirds of all women 60 and older have household incomes under $10,000



Source: March 1998 Current Population Survey (CPS) data file.

or profession, real estate, and insurance policies and annuities.

Most older persons own their own homes. In 1998, 83 percent of those 60 years and older owned their homes, as did 71 percent of those age 85 and older. Nonmetro elders were more likely to own their homes (87 percent of those 60 years and older) than were metro elders (81 percent). Nonmetro elderly homeowners tend to have small or no mortgages and thus lower housing costs than metro elders. Their homes also tend to be lower in value and in somewhat poorer physical condition. Home ownership is a valuable asset, though many older persons are asset-rich but income-poor.

Housing units occupied by elderly householders in nonmetro areas in 1995 were more likely to have moderate to severe physical problems, according to data from the American Housing Survey. Nearly 6 percent of elderly housing units in nonmetro areas had moderate physical problems and 3 percent had severe problems. This compares with 3 percent of metro elderly housing units having moderate problems and 2 percent with severe physical problems. In part, these differences result from factors such as the age of the structure; the median year the structure was built was 1959 in nonmetro areas and 1964 in metro suburban areas. Older persons in rural areas are more likely than younger persons to occupy substandard or deficient housing units, as measured by lack of air conditioning and complete plumbing, incomplete kitchen facilities, electrical defects, and insufficient heating and maintenance.

Housing costs for older homeowners were lower in nonmetro areas than in metro areas: in 1995, a median of $228 per month in nonmetro areas, $326 in central cities, and $342 in suburban areas. This reflects, in part, the higher homeownership rate in nonmetro areas, because elderly owners tend to have small or no mortgages (a major housing cost) and thus lower housing costs. Eighty-six percent of elderly homeowners in nonmetro areas in 1995 owned their homes free and clear, compared with 78 percent of the metro elderly.

The median value of elderly-owned homes in nonmetro areas ($62,328 in 1995) was lower than the value of homes in both central cities ($82,909) and suburban areas ($97,436). The ratio of value to current income is less for nonmetro elderly owners (3.3 versus 3.7 in central cities and 4.1 in suburban areas) than for metro elderly because their incomes are closer to metro elderly owners' incomes. Although nonmetro homes are typically lower in value than metro homes, nonmetro homeowners, as a group, have fewer liens on their houses and thus more equity than would otherwise be the case.

Next in importance to home equity are liquid assets, which include cash and savings or checking accounts. Most older family heads hold assets in such accounts; in 1995, 91 percent of those 65-74 years old and 93 percent of those 75 years and older did so. A smaller component of asset income is illiquid assets, which include stocks and bonds, equity in a business or profession, real estate, and insurance policies and annuities. In 1995, for example, 18 percent of family heads 65-74 years old held stocks, as did 21 percent of those age 75 and older (Federal Reserve Bulletin, 1997). Thirty-seven percent of family heads 65-74 years old had life insurance policies and 35 percent of those 75 years and older did so.

In sum, rural elderly persons fare less well economically than the urban elderly. This is due partly to the composition of the population in rural areas, with an older age structure and lower educational attainment. Although nonmetro elders are more likely to be married than are metro elders, a factor associated with lower poverty, the proportion is not sufficient to offset the metro-nonmetro difference in elderly poverty. Local communities might consider directing health and social services and other programs to the most vulnerable groups—the oldest old, women, those living alone, and the rural elderly.