GREATER PHOENIX FORWARD

Sustaining and Enhancing the Human-Services Infrastructure

POVERTY: THE VALLEY’S ECONOMIC DIVIDE

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When we think about poverty, we usually think of someone’s not having enough money for adequate food and shelter. This is certainly a reasonable definition. But living in poverty is, in fact, a much more comprehensive, multifaceted condition. For example, poverty also describes a lack of resources for health care and of opportunities for education and employment. It reflects a constellation of life events that impede a person from improving his or her economic well-being and social advancement. Being poor, in other words, makes it both financially and psychologically difficult to escape poverty. Further, poverty may be most sharply experienced by individuals and families, but its impact is felt community-wide. This is of particular concern for the Phoenix metropolitan area: Our failure to address poverty today will confront us with mounting social and economic costs by the year 2012.

Poverty is, of course, not unique to Phoenix. Like other major urban areas, Phoenix has its share of people who lack enough resources to adequately house, feed and clothe themselves and their families. However, there are unique aspects of poverty in Greater Phoenix that present obstacles to the goals of positive growth and broad social progress. These unique concerns demand investigation and response.

City vs. County

The fundamental cause for concern is that the resources and the needs of people in the Phoenix metropolitan area can best be described as one of an “economic divide.” Certain key socioeconomic trends in the City of Phoenix appear to be different from that of the larger area of Maricopa County.

Over the years 1990, 2000 and 2005, poverty rates were lower in Maricopa County than in the City of Phoenix. In fact, Maricopa County rates were lower than the national average, while Phoenix rates were higher than the national average (Table 6 in Chapter 1).

The economic differences between the City of Phoenix and Maricopa County are not limited to poverty rates. In 2005, for example, the median household income in Maricopa County was $48,711, compared to $42,353 in Phoenix and $46,242 nationally. These differences in income and poverty are reflected in—and influenced by—a number of related areas that demand attention: changing demographics, immigration, and education. In other words, we are today faced with a growing divide between those who live in the City and those who live around it.

Greater Phoenix’s remarkable population growth has been driven by several sources. The growth in migrants—including the special subset of retirees—from other parts of the country has steadily climbed. Immigration from Mexico and Latin America, both legal and illegal, has helped make Maricopa County one of the fastest-growing areas in the country. In fact, recent census figures confirm that Maricopa County again recorded the biggest population increase of any U.S. county.¹ We see evidence of this growth everywhere, from the expanse of new housing developments and office buildings to the new roadways that seem to overflow with traffic from the day they are opened.

We welcome growth as bringing new opportunities, fresh ideas and energies. But we also must recognize its additional
bounty of compelling problems—again, usefully viewed in terms of the economic divide between city and county. Take, for example, the current slump in the housing market, which could spill over to commercial real estate. By 2012, housing and employment may be greatly divided between the city and county. With depressed prices for real estate and less commercial development, the city would again become inactive while the surrounding areas attract whatever residential growth and commercial activity survives the current downturn.

Three Groups of New Arrivals

The Phoenix area’s economic divide is exacerbated by the fact that the three groups fueling our population growth—migrants, retirees, and immigrants—have different resources and needs and tend to live in different areas. Young migrants with families and retirees tend to settle outside of the city. They also tend to arrive with resources—either financial, as in the case of many retirees, or educational and professional, in the case of young workers. Immigrants, by contrast, tend to arrive with few or no resources and to settle within the City of Phoenix.

All three of these groups share the potential for change over time. However, many of the opportunities and obstacles they face are different; addressing them will require close attention from planners and policy makers in the coming years. On the other hand, some needs are common. All three groups, for example, require an expanding health-care industry, particularly for the retirees. Many have family roots elsewhere, and end up here without them; as they age, support services that might be provided by family members will need to be addressed. Immigrants, who tend on average to be poorer and less employed, typically use health services that are available in urban centers and that are more subsidized through public resources, at least until they are sufficiently absorbed into the economy.

To some extent, the availability of these and other needed services will reflect the economic divide, which could widen still further through variations in population growth. New arrivals with greater means—usually migrants and retirees—will flock to the suburban areas. Immigrants and others who arrive lacking resources, such as transportation and employment, will consolidate in the urban area. Greater income in an area typically translates into greater tax revenues and translates into more money for such tax-funded services as police and fire protection and for suburban schools—despite the state’s funds equalization formula—and less money for the needs of Phoenix’s population.

The Demographics Speak

The demographics bear out this concern. Two changes already noted in this report are the increases in female-headed households and in the Hispanic population. The City of Phoenix has seen a 20% increase in the rate of female-headed households from 1990 to 2005. That compares with a 4% increase in Maricopa County and an 11% increase nationally. This is significant because we know that single adult households, particularly those headed by women, are more vulnerable to poverty.

We also know that Hispanic households are more vulnerable to poverty. From 1990 to 2005, the share of the total population that is Hispanic grew 61% nationally, 79% in Maricopa County, and 109% in Phoenix. Almost 42% of the total population in Phoenix is Hispanic. By 2012, we will be approaching an Hispanic majority in the urban center. This grants a rich cultural character to Phoenix, and gives the Southwest its unique diversity. However, Hispanic families’ long-recognized greater risk for poverty means that their concentration in the urban areas will likely contribute to the growing divide. This, in turn, may also create a cultural divide along racial and ethnic lines—something that could paralyze our community and detract from its positive image as an attractive, bustling, Western city.

Another factor to consider is the youthfulness of Arizona’s population. Maricopa County has a younger population than the national average, with a median age of 33 compared to 36 nationally. Phoenix’s population is even younger, with a median age of 31. Less than 8% of the population of Phoenix in 2005 was age 65 or older, compared to 11% of the county’s population. The youthfulness of Phoenix is particularly evident with respect to poverty. In 2005, more than 29% of children under five years of age in the City of Phoenix were officially counted as living in poverty, compared with 22% in Maricopa County and 21% nationally. In all age groupings under 18, the poverty rate in Phoenix was higher than the national average, and 5-6 percentage points higher than in Maricopa County. The city’s proportion of younger children, and particularly poor children, is greater than in the surrounding areas. This means that, over the next five years, Phoenix will need to focus on the needs of children and young families.
Language and Education Remain Key

The differences among families based on immigration and youthfulness point to another issue, that of English language skills. Poverty is related to employment and education, which in turn depend heavily on language abilities. Immigrants, particularly poorer ones, often speak little or no English. In Arizona, about 30% of children in immigrant families have limited English proficiency; 33% of newcomer families are considered linguistically isolated—that is, no one in the household over the age of 13 speaks English very well.

The youthfulness and lack of language skills of the population living in Phoenix have particular significance for school systems and educators. Nationally, 16% of people 25 and older are not high school graduates. While Maricopa County mirrors this number, in Phoenix more than 21% of the population 25 and older have not graduated from high school. Again, Maricopa County is similar to the nation with about 27% of adults having completed a bachelor’s degree or higher, while only 23% of the adults 25 and older in Phoenix have a bachelor’s or graduate degree. Overall, educational levels are lower in Phoenix, which contributes to lower economic and social capital in the urban core.

We know that higher education is closely linked to economic well-being. Greater educational attainment translates into higher lifetime earnings. For example, average income for a high school graduate is about $28,000 annually, compared to $51,000 for a person with a bachelor’s degree. Over a person’s lifetime, this is a huge difference. It is particularly important for the economic well-being of residents of Phoenix, where incomes are 8% below the national average, while in Maricopa County incomes exceed the national average.

With Phoenix home to ASU, and Maricopa County housing an extensive community college system, higher education is a critical area from which to position the economic future of our community. Again, the population composition of the area has implications here. Nationally, while college enrollment is lower for Hispanics than Whites, it has been on the rise. In 1990, only 5.7% of students enrolled in college were of Hispanic background. This proportion grew to 10% in 2002. Of interest to us is the proportion of these students who attend public institutions. While nationally 77% of students are enrolled in public colleges, 84% of Hispanic students who attend college do so at public institutions. With three-fourths of all students, and a greater proportion of Hispanic students attending public colleges, attention must be given to the quality of those systems in the years to come. By 2012, the development of the ASU Downtown Phoenix campus, the University of Arizona medical school, and the biomedical research institutes will be indispensable advances. Thus, we need to continue to support the development of institutions of higher education and research organizations in the urban core.

Growing Public Assistance Needs

Another major public policy concern is public assistance, which of course is directly related to poverty. Federal, state and local revenues fund a constellation of services targeted to people with low incomes. The three major programs are cash assistance through Temporary Assistance for Needy Families (TANF), Food Stamps, and Medical Assistance. These three programs form the economic safety net for people in poverty.

Like all the economic trends we have examined, the usage rates are higher in Phoenix for all three programs than in the larger county area. In 2003, the city’s rate per 1000 people for TANF was 22, compared to 15 in Maricopa County. For Food Stamps it was 43 compared to 30; and for Medical Assistance it was 176 compared to 133. Phoenix has a
greater proportion of its population who depend on the services of our public assistance programs than does Maricopa County. This proportion is consistent with the other data reviewed here, and reinforces the need to address the economic divide in our community.

For the area as a whole, though, there are some significant trends that will have major implications over the next five years. As a result of federal welfare reform, the number of TANF recipients has decreased over the years. From 1990 to 2000, the number of TANF and Food Stamp recipients declined greatly, decreasing 42% for TANF and 32% for Food Stamps. However, from 2000 to 2005 the numbers grew significantly, climbing 53% for TANF and an astonishing 171% for Food Stamps. Medical Assistance also grew, from 35,000 recipients in 1990 to almost half a million in 2005, reflecting rates of 17 per thousand in 1990 to 122 per thousand in 2005.

These changes are not unique to Arizona. Nationally, while the number of TANF recipients declined due to welfare reform, the number has started to increase since the recession of 2001. And while spending on TANF declined initially and has remained constant, the cost of other poverty-related programs has grown. Nationally, spending on Medicaid, the federal portion of medical assistance for low-income people, grew significantly, climbing 230% from 1990 to 2002.\(^5\)

Figure 1 outlines the changes in recipient rates in the Phoenix area over the years. The changes in TANF were paralleled by changes in Food Stamps. This makes sense because typically eligibility for the two go together. Medical Assistance grew considerably and consistently over the years, with a huge increase from 2000 to 2005—one that was driven in part by an expansion of eligibility implemented in 2001. With the current economic downturn in housing and with employment related to the housing industry under stress, we may face a continuation of the trends of 2000 to 2005. If so, by 2012, at the rates of the past five years, we will find an additional 28,000 people on TANF, 535,000 seeking Food Stamps, and over a million additional Medical Assistance recipients. These are staggering numbers, particularly if coupled with the decline in tax revenues that’s already begun.

This large and rapid growth will have major implications for our community. Health care is costly. The county’s and city’s growing need for public health services means greater need for health-care providers. Absent high quality training for health-care professionals, the Valley could experience a human-services crisis and significant degradation in the quality of life of its residents in poverty. To serve more people, medical resources must grow as well. This is a major challenge for the metropolitan area.

The Future: A Divided Community?

The problems facing us in terms of poverty and social resources are significant for the future well-being of our community. As Table 1 shows, there are considerable disparities among Greater Phoenix household incomes, disparities that are expected to continue. In addition, the need are disproportionate in our urban center. The economic divide between the City of Phoenix and the surrounding Maricopa County area is significant, and—based on history—will also continue to expand in the absence of intervention.

The trends are not comforting. The three major groups of new arrivals—migrants, retirees, and immigrants—continue to settle in different areas. Phoenix in particular can look forward to further increases in Hispanics and in female-headed households, an increasing concentration of children in poverty, and potentially large growth in applicants for multiple types of public assistance. These factors, together with a lack of enough trained health-care professionals, could provoke a human-services crisis of considerable proportions.

In short, we risk becoming a divided community. If we do not address this geographic divide, we will see two different communities competing for resources in ways that will drain both the city and county. Attention and energy that could better be used for planning and development will instead be consumed fighting over resources. We need to understand what happens in Phoenix affects Maricopa County, and vice versa. Economic growth is contagious, but so is economic decline. In a community spread out over 500 square miles, it is easy to ignore poverty concentrated in the urban core or out of sight of wealthier neighborhoods. But in truth our economy is interwoven throughout the metropolitan area. We should not wait until 2012 to address the greater numbers of people tapping into the already strained resources of public assistance and medical care. We need to act now.

We have begun some collaborative efforts, such as development of the light rail line linking suburban areas with the urban center. We also need to continue to support the development of institutions of higher education and research organizations in the urban core. Especially now that we seem to be facing a period of economic turmoil, advancing projects that are collaborative and will help the overall economy, both for the city and county, is the challenge of the next five years. Community leaders, policymakers, and service providers must recognize this growing economic divide and plan how to best address it.

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NOTES

SELECTED REFERENCES
U.S. Department of Commerce, Census Bureau.