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WORK, WELFARE, AND THE INFORMAL ECONOMY:

AN EXAMINATION OF FAMILY LIVELIHOOD STRATEGIES

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Rural Sociology

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ABSTRACT

In recent decades Americans have witnessed profound changes in the nature of work and the structure of the labor market. The economic uncertainties and dislocation of the current period have led many to question not only the changing relationship between formal work and economic well-being, but also the role of informal economic activities in advanced capitalist economies. These questions are particularly pertinent for those living in rural areas where working poverty has long been more prevalent and the social relations that foster informal economic activities are thought to be more widespread.

This research pursues two separate but related lines of inquiry to shed light on these issues. First, drawing on nationally representative cross-sectional data this study assesses the changing relationship between formal employment and family economic well-being between 1980 and 2000, paying special attention to the differences between metro and nonmetro areas. Second, drawing on a combination of interview and survey data, this study provides a broader examination of family livelihood strategies in the context of nonmetro Pennsylvania, including participation in the informal economy. This research shows a rise in working poverty, and a steady convergence between metro and nonmetro areas in this regard over the last 20 years. Further, this research shows a distinct disadvantage suffered by nonstandard workers in nonmetro areas. This research also shows that participation in the informal economy is a widespread component of family livelihood strategies and explores important correlates of informal economic activity.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

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Chapter 1

Introduction

The American labor market has undergone a marked transformation in recent decades. The expansion of the global economy has driven dramatic economic restructuring, resulting in a precipitous decline in the employment share of the manufacturing sector and rapid growth in service sector employment. In addition, the employer-employee relationship that characterized much of the post-war era – relatively stable, secure, full-time employment with steady wages, fringe benefits, and advancement within a firm – has been redefined as businesses have sought greater flexibility through market mediated employment relations.

These changes have proved both boon and bane. For some, particularly the highly educated and professional classes, these changes have brought much opportunity. But for many others these changes have meant displacement and relegation to the grim realities of the expanding low-wage labor market. The popular success of recent titles such as "Nickel and Dimed: On (Not) Getting By in America" (Ehrenreich 2001), "The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans and Their Families" (Shulman 2003), and "The Working Poor: Invisible in America" (Shipler 2004), are testament to this reality. America is becoming an increasingly economically bifurcated society (Morris and Western 1999) and, sadly, there is little reason to foresee a reversal of this trend. Projections from the Bureau of Labor Statistics show of the top ten occupations expected to add the most jobs to the economy in the coming decade, seven are low-wage (Bernstein 2004).

While the "new economy" has been doing its part to swell the ranks of the low-wage labor market, public policy has also played a role. The national poverty debate has changed greatly in recent decades, evolving from the ambitious "War on Poverty" of the 1960s to a focus on cutting the welfare rolls today. Driven in part by concerns over the role welfare receipt was playing in the rise in female headship, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 sought to fight poverty by "promoting job preparation, work, and marriage" and "encouraging the formation and maintenance of two-parent families" (Lichter, Graefe, and Brown 2003). Since this legislation national caseloads have been cut in half, and even more in many states. In the Urban Institute's "Low-Wage Workers in the New Economy," Kazis (2001: 1) notes that "more than half of these women – and almost all of those coming off welfare are women – have moved into unsubsidized, paid employment." However, most of these women have found jobs paying between \$6 and \$8 an hour, well below the income required to raise most families out of poverty. And among those who have managed to stay in the labor market, few have realized significant wage gains (Kazis 2001). Meanwhile, as increasing numbers of American families are depending on earnings to support their families, important institutional supports for low-wage workers, such as the minimum wage and labor unions, have been losing ground. This reality culminates in important questions about the relationship between work and the economic well-being of families.

The social dislocation and economic uncertainty of the current period have also increased the attention paid to the role of the informal economy in advanced capitalist nations (Portes et al. 1989; Tickamyer and Bohon 2000). Traditionally it has been assumed that informal economic activities characterized less developed economies and would wane in importance with the advance of modern capitalism. However, more recently analysts have begun to challenge this assumption, arguing that the uncertainties brought about by globalization and economic restructuring are actually increasing the importance of informal economic activities (Castells and Portes 1989; Gaughan and Ferman 1987; Portes and Sassen-Koob 1987; Tickamyer and Bohon 2000). Despite growing recognition that the informal economy is more widespread than was previously acknowledged, relatively little is known about the forms and prevalence of informal economic activities, the links and barriers that exist between formal and informal work, the motivations for combining such efforts, and, ultimately, their contribution to broader livelihood strategies (Tickamyer and Bohon 2000; Tickamyer and Wood 1998).

Both marginal employment and informal economic activities have long been significant features of the American countryside. Working poverty and other forms of underemployment have historically plagued the residents of nonmetropolitan (nonmetro)[1]

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[1] Metropolitan and nonmetropolitan areas are defined by the Office of Management and Budget. Metropolitan areas contain (1) core counties with one or more central cities of at least 50,000 residents or with a Census Bureau-defined urbanized area (and a total metro area population of 100,000 or more), and (2) fringe counties that are economically tied to the core counties. Nonmetropolitan counties are outside the boundaries of metro areas and have no cities with as many as 50,000 residents. These definitions changed in 2003, but hold for the discussion throughout this thesis. The U.S. Census Bureau defines rural areas as open country and settlements with fewer than 2,500 residents. Urban areas comprise larger places and densely settled areas around them. Most counties, whether metropolitan or nonmetropolitan, contain a combination of urban and rural populations. Despite these definitional differences, for the purpose of the discussion here I use the terms interchangeably.

areas to a greater degree than in metropolitan (metro) areas (Slack and Jensen 2002). This is underscored by the fact that the nonmetro poor also tend to rely more on earnings and less on Public Assistance than is the case among their metro counterparts (Jensen and Eggebeen 1994). In addition, research has shown informal economic activities to play a prominent role in the livelihood strategies of those living in nonmetro areas (Levitan and Feldman 1991; Jensen, Cornwell, and Findeis 1995; Nelson and Smith 1999; Tickamyer and Wood 2003), often providing important recourse for those on the economic margins (Campbell, Spencer, and Amonker 1993; Duncan 1992; Fitchen 1995).

Given the trends outlined above, now is an important time to reassess metro/nonmetro differences in the relationship between work and poverty. It is also an important time to assess the broader livelihood strategies families are using to make ends meet, including the combination of formal work, participation in assistance programs, and participation in informal economic activities. These are the issues this study seeks to address.

Objectives and Outline

The overarching intent of this thesis is to shed light on the economic strategies American families are using to make ends meet. To do so, this research pursues two separate, but related lines of inquiry. First, drawing on nationally representative cross-sectional data this study assesses the changing relationship between formal employment and family economic well-being over the last two decades, paying special attention to the differences between metro and nonmetro areas. Second, drawing on a combination of interview and survey data the study turns to a broader examination of family livelihood strategies in the context of nonmetro Pennsylvania, including participation in the formal labor market, assistance programs, and the informal economy.

The study is organized as follows. Chapter 2, entitled "The Context," provides an overview of the changing social, economic, and policy contexts that motivate these lines of inquiry. Chapter 3, entitled "Persistence and Change: The Relationship Between Residence, Work, and Poverty, 1980-2000," draws on data from the March Current Population Survey (CPS) from 1980, 1990, and 2000. This chapter explores changes in the relationship between work and poverty among American families, paying particular attention to differences between metro and nonmetro areas. More specifically, this chapter explores the changing employment profiles of adults in poor families, the degree to which they draw income from work and welfare, and the contribution each makes to family income. The chapter then turns to an examination of the effect of household labor supply on poverty, and how this relationship is influenced by family structure and other important determinants of poverty. Chapter 4, entitled "The Livelihood Strategies of Families in Rural Pennsylvania," draws on data collected through in-depth interviews and a telephone survey of family households in nonmetro Pennsylvania. The chapter explores the alternative economic strategies used by families to make ends meet, including formal work, participation in assistance programs, and informal economic activities. Further, the chapter examines the motivations for engaging in informal economic activities and provides an empirical examination of the relationship between the formal and informal economies. Throughout Chapter 4 attention is paid to how economic marginality shapes participation in informal economic activities. Last, Chapter

5 provides a summary of the conclusions and implications that can be drawn from this thesis and discusses directions for future research.

Chapter 2

The Context

Introduction

A fundamental premise of the American Dream is that hard work pays off. Americans embrace the promise that over time a conscientious work effort will yield higher pay and social status, greater time for leisure, and protection from the grasp of poverty. Further, Americans hold dear the idea that the hard work of one generation will translate into better fare for the next. However, in recent decades these ideals have come under siege.

Trends in earnings inequality illustrate this well. In the years following the Second World War the growing prosperity of the nation was realized across the class distribution. Between 1950 and 1970 real median family income doubled, while those at the bottom of the earnings distribution made even greater gains (Danziger and Gottschalk 1995). By the early 1970s, however, real earnings began to stagnate, and by mid-decade were in decline. Earnings inequality increased dramatically during the 1980s (Bernstein and Mishel 1997; Harrison and Bluestone 1988; Juhn and Murphy 1995; Morris and Western 1999). As we entered the 1990s a substantial share of Americans were earning less than their counterparts had three decades earlier; this troubling trend continued through 1996 and shows no signs of abating (Bernstein and Mishel 1997).

What changed in the mid-1970s that has separated the period since from the three decades following the Second World War? How did we transition from expectations of rising affluence for all Americans to a time when such ideals are so squarely in doubt? This chapter considers theoretical and empirical explanations that have been offered to explain this transformation. These include changes in labor supply and demand, changes in family structure, and changes in the political and institutional context. Special attention is paid to how these changes are impacting families in rural America.

Changes in Labor Supply

Recent decades have witnessed substantial changes in the size and composition of the American workforce. Between 1950 and 1980 the labor force grew by more than 44 million workers, an increase of over 70 percent. Most of this increase occurred during the 1970s, when the labor force expanded by more than 24 million workers (Kutscher 1993). Three factors contributed to this remarkable growth: (1) the labor force entry of the baby boom cohort; (2) increased immigration; and (3) the rise in female labor force participation. In addition, the educational distribution of the American labor force and returns to education have undergone dramatic change. Each of these factors has resulted in significant changes in the size and composition of the American labor market and, thus, the opportunity structure presented American workers (Morris and Western 1999).

The Baby Boom

Between approximately 1946 and 1964, the United States witnessed a "fertility splurge on the part of American couples" (Bouvier 1980: 4). The result was the "baby boom" cohort, which is bracketed by the smaller Depression-era cohort of the 1930s that preceded it and the "baby bust" cohort of the 1970s that followed. The baby boomers entered the labor force between roughly 1964 and 1980, during which time the labor force share of young workers (20-34 years old) grew by over 40 percent (Freeman 1980). Given the downward pressure on labor demand produced by the labor force entry of such large numbers of workers, it was predicted that "the economic fortunes of young workers – their earnings, unemployment experience, and rate of advance up the career ladder – will be adversely affected" (Easterlin 1987: 4).

Despite creating a glut of workers of the same age, evidence for this prediction has been mixed (Berger 1984, 1985; Browne 1995; Duncan, Boisjoly, and Smeeding 1996; Easterlin, MacDonald, and Macunovich 1990; Slack 2000; Slack and Jensen 2004; Welch 1979), and the most dire forecasts have not materialized. Indeed, it is likely that the greatest impact of the baby boom is yet to come. As the baby boomers reach retirement, soaring health care costs and the unsustainable trajectory of Social Security pose a great threat to the economic well-being of succeeding generations, who stand to be saddled with "unprecedented tax increases, huge deficits or both" (Samuelson 2004: 41) as they absorb the cost of the aging boomers.

Immigrants and the Second Generation

Immigration to the United States has been substantial in recent decades. In fact, greater numbers of people are migrating to settle in this country today than during any previous time in our nation's history (Martin and Midgley 1994). The U.S. Census Bureau (2001) reports that in 2000 an estimated 28.4 million individuals, or 10.4 percent of the U.S. population, were foreign-born. This is up from 9.6 million in 1970; a 191 percent increase over three decades. When all individuals of "foreign stock" are included (i.e., immigrants and their children), the number climbs to 55.9 million, one-fifth of the U.S. population. Approximately half of these newcomers are from Latin America – Mexico alone accounted for more than one-quarter of the foreign-born population in 2000 – and another quarter are from Asia.

The magnitude of recent flows has given renewed intensity to the longstanding debate over the impact of immigrants on American society (Jensen 2001; Martin and Midgley 1994). Little consensus exists as to whether the latest wave of immigrants will prove a bane or blessing in the future. There are marked differences between today's immigrants and native-born Americans in terms of their ethnic origins and human capital. Despite this, anti-discrimination legislation and the success of previous immigrant generations in overcoming similar obstacles, suggest that the thesis of straight-line assimilation remains valid (Alba and Nee 1997; Perlmann and Waldinger 1997). However, others suggest that models of segmented assimilation (Portes and Zhou 1993; Zhou 1997) may be more accurate, with some immigrants experiencing upward assimilation into the middle class (as predicted by straight-line assimilation), some experiencing downward assimilation into an underclass, and still others gaining upward economic mobility, but only within ethnic communities. The ability of immigrants and their children to succeed in the American labor market is of critical importance to the economic well-being of this country. As a recent report by the National Academy of Sciences notes, as the "baby-boom generation reaches retirement age, it will depend increasingly for its economic support on the productivity, health, and civic participation of adults who grew up in minority immigrant families" (Hernandez and Charney 1998: 2).

The Rise in Female Labor Force Participation

Perhaps the most dramatic change in the American labor market in recent decades has been the rise in female labor force participation. Both in response to changing norms and labor demand, the female share of the U.S. labor force rose from less than 30 percent in 1950 to more than 45 percent by the mid-1990s, representing an increase of 34 percent to 59 percent of all women over the age of 16. The increase in labor force participation among women of prime working age (25-54) has been even more dramatic. In 1950, 37 percent of women of prime working age were participating in the labor force. By 1994, participation had climbed to 75 percent among women in that age group. In contrast, men's participation fell from 97 percent to 92 percent over the same period (Spain and Bianchi 1996).

Not only did this phenomenon change the face of the American labor market, it represented a major shift in gender roles in the American family. Because of changes in social norms, educational upgrading, and market demand, the traditional model of the breadwinning husband and the stay-at-home wife is no longer the norm. Between 1970 and 1993, the proportion of all married couples that were dual-earner couples jumped from 39 percent to 61 percent (Winkler 1998). In fact, throughout the 1970s and 1980s it was married women with children whose labor force participation increased most rapidly.

Between 1970 and 1992, the percentage of married women with children who worked during the calendar year climbed from 51 percent to 73 percent. Over the same period the percentage who worked full-time, year-round climbed from 16 percent to 37 percent (Hayghe and Bianchi 1994).

Because women not only began to work in greater numbers, but continued to work after marriage and childbearing, they were better able to accrue skills and seniority. Over time this has contributed to a narrowing of some of the labor market inequalities that exist between men and women. While women continue to earn less than men, this gap is closing. During the 1980s the wage gap between men and women closed from 59 percent to 71 percent (Spain and Bianchi 1996). And while occupational segregation remains high, this is changing as well. In 1970, about two thirds of working women would have had to change jobs to achieve similar representation across occupations. By 1990, this proportion had fallen to approximately one half (Spain and Bianchi 1996). These were dramatic changes over one generation's time; "the women of the baby boom saw profound changes in educational attainment, occupational choice, labor force attachment, and earnings. With that generation, a tide rose and swept through the economic landscape of the 1970s and 1980s, leaving the economic, if not the domestic, roles of women and men far more similar by 1990 than they had been at any other time in this century" (Spain and Bianchi 1996: 138).

Deteriorating Prospects for the Less Educated

While changes in the age, gender, and origins of the American labor force have been dramatic in recent decades, there is probably no compositional change with greater implications for individual economic outcomes than educational attainment. During the 1970s there was tremendous educational upgrading among American workers. While this was the case across all age and sex groups throughout the decade, it was especially true among young workers. Between 1971 and 1979, the number of college educated workers between the ages of 25 and 34 increased 85 percent among men and 151 percent among women (Levy and Murnane 1992). Initially, the rapid rise in the supply of highly educated workers caused the "college premium" to fall. By the 1980s, however, this trend had reversed, and the earnings gap between high school and college-educated workers has steadily widened into the 1990s (Gottschalk 1997).

An important consideration here is that ""the "rise" in the college premium was almost entirely driven by the *collapse* in the earnings of high-school graduates and dropouts"" (Morris and Western 1999: 633). During the 1980s and early 1990s the real weekly earnings of college graduates rose by 5 percent, while the earnings of high school graduates fell by 20 percent (Gottschalk 1997). It was not so much the case that the college-educated were getting ahead, but that the less educated were steadily losing ground.

What has been driving the bifurcation of the economic realities of the more and less educated? Some have argued that technological change has increasingly raised demand for highly skilled workers. However, the same logic was used to explain the narrowing of the wage gap between college and high school educated in the 1970s; the advent of new technologies was "deskilling" of jobs. Morris and Western (1999) note that there is little evidence for either a general increase in the demand for skills or technologically driven demand, more specifically. Instead, the evidence points to important demand-side changes.

Changes in Labor Demand

While American labor supply has undergone great change in recent decades, the nation has also witnessed dramatic changes in labor demand. Perhaps most important in this regard is globalization – the increasing interdependence of national economies and the resulting transnational flows of people, goods, services, capital, and culture (O'Rian Evans 2000). In more developed nations, the impacts of globalization – immigration, trade with less developed countries, foreign investment, and outsourcing – are all thought to lower demand for less-skilled workers (Morris and Western 1999). In "a race to the bottom" (Tonelson 2000), less-skilled workers in more developed nations lose out as industries are better able to exercise the comparative advantage of even lower wage rates in the less developed world.

Beginning in the 1970s, U.S. firms began to restructure in response to growing international competition. Two trends have characterized this restructuring process: (1) the shift from a goods-producing to a service-based economy; and (2) the rise in market-mediated employment relations – outsourcing, subcontracting, and temporary, contingent, and part-time work contracts (Morris and Western 1999). The Fordist model of relatively stable and secure, full-time employment with steady wages, fringe benefits, and the opportunity, if not expectation, of advancement within a firm is no longer a reality for the majority of American workers.

Deindustrialization – the shift from a goods producing to a service based economy – has led to substantial change in the sectoral distribution of employment. Following WWII, services accounted for just 10 percent of U.S. employment, while manufacturing represented the largest sector of employment at 38 percent. In the early 1980s, however, services surpassed manufacturing as the largest sector of employment. As of 1996, the service sector represented 29 percent of U.S. employment, while manufacturing had fallen to 15 percent (Meisenheimer 1998). The divergence in manufacturing and service sector employment shares has not represented a decline in goods production. Manufacturing productivity continued to grow over this period as the sector realized gains from automation and computerization, and increased labor productivity in response to domestic and international competitive pressures (Kozicki 1997).

The rise of the service sector and the concomitant decline in manufacturing employment has prompted some to warn of a shift from "good" to "bad" jobs. Unlike the fairly well paying, unionized work provided by manufacturing employment, work in the service sector, on average, provides lower wages, fewer benefits, and is often part-time. While the service sector comprises a wide range of jobs that vary greatly in quality, the evidence indicates a shift toward labor market bifurcation due to displacement of manufacturing workers and the divergence of job quality *within* the service sector (Harrison and Bluestone 1988; Meisenheimer 1998). As Meisenheimer (1998: 45) notes, "the quality of service industry jobs is especially diverse, encompassing many of the *best* jobs in the economy and a substantial share of the *worst*." This process has had particularly painful consequences for semi-skilled men with a high school education or less, because of their disproportionate concentration in the shrinking manufacturing sector (Bianchi 1995). This problem has been compounded by the decline in unionization (Clawson and Clawson 1999) and the decline in the real value of the minimum wage (Card and Krueger 1995), issues I will return to later in this chapter.

Economic restructuring has also meant a rise in outsourcing, subcontracting, and temporary, contingent, and part-time work contracts. These types of arrangements are often referred to as "nonstandard" employment. While there is no particular consensus on what constitutes "standard" employment, it is generally "characterized by the exchange of a worker's labor for monetary compensation from an employer, with work done on a fixed schedule – usually full-time – at the employers place of business, under the employer's control, and with the mutual expectation of continued employment (Kalleberg, Reskin, and Hudson 2000: 258). The growth in nonstandard work arrangements has been driven by a combination of desires by both employees and employers for greater flexibility. In response to increasing global competition and volatile consumer demand, firms have used outsourcing and contingent work contracts to shift a greater share of the risk of market uncertainties onto workers and reduce labor costs. Some workers have benefited from these arrangements. While less likely to have fringe benefits, many self-employed workers and contract-company workers earn higher wages than their counterparts engaged in standard work (Kalleberg et al. 2000). Perhaps more importantly, few in such work arrangements report they would prefer standard work (Kalleberg et al. 1997). However, those working for temporary-help agencies, on call workers and day laborers, and part-time workers have been shown to consistently draw lower pay and lack health insurance and pension benefits (Kalleberg et al. 2000). Not surprisingly, most of these workers indicate they would prefer standard full-time employment if they could get it (Kalleberg et al. 1997). On balance, nonstandard employment has been shown to strongly increase the likelihood that workers will suffer from low earnings and the lack of health insurance and pension benefits (Kalleberg et al. 2000).

The bad jobs issue gives credence to dual labor market theory (Dickens and Lang 1985; Doeringer and Piore 1971; Gordon, Edwards, and Reich 1982; Stinchcombe 1990). The theory distinguishes between those in the "primary labor market" versus those in the "secondary labor market." The primary labor market represents those "inside any boundary that provides privilege *among those employed*" (Stinchcombe 1990: 270). Examples include those employed in large firms with internal advancement, being credentialed as a craftsmen or professional, or being a member of a unionized shop or crew. The secondary labor market encompasses those who are employed, but not protected by such a boundary. Such jobs are characterized by low wages, low union density, and many part-time positions. Further, secondary labor market jobs are subject to high turnover and, as such, workers experience high rates of inter-firm mobility and frequent transitions into unemployment (Bewley 1999; Stinchcombe 1990). High rates of turnover not only harm workers in the secondary labor market by maintaining low wages, but also because spotty jobholding provides a negative signal to primary sector employers. As (Stinchcombe 1990: 270) notes, the most important type of employee certification "is that one already occupies such a job – and that is the hardest kind of certification for members of the secondary labor market to give." Firms that recruit mainly through internal labor markets are even more inaccessible to those in the secondary sector. Further, workers with primary sector status who are susceptible to replacement by low wage labor have no reason to regard such people as peers and much incentive not to.

The Fordist/post-Fordist paradigm provides another useful framework for thinking about this transformation of the American economy. According to Heffernan (2000: 3):

> Fordism refers to the way in which economic, social and even cultural life was organised in the United States and Western Europe for the duration of the long postwar boom between 1945 and the early 1970s. The principal feature of this period was the establishment of a durable balance between the mass production of standardised goods on the one hand, and the mass consumption of such goods on the other. Crudely put, this balance (or 'equilibrium' as economists are wont to call it) worked to offset capitalism's inherent tendency towards crises of overproduction and underconsumption. Such crises, of which the Great Depression is the most recent and notable manifestation, had repeatedly ravaged capitalist societies and derived from the fact that wealth, or purchasing power, was not sufficiently widely distributed across the population always to ensure that there would be an adequate market for ever increasing volumes of industrially produced goods.

The Fordist period addressed such crises by increasing the purchasing power of the working class. By making workers the consumers of the goods they produced, a balance between mass production and mass consumption was achieved. Workers were granted a rising standard of living and employers were guaranteed ever expanding consumer markets. Defining features of this period included collective bargaining, the expansion of the welfare state, the Taylorist form of industrial production (i.e., hierarchical, specialized, and compartmentalized work organizations), and the culture of consumerism.

Post-Fordism refers to the period of economic restructuring that began in the 1970s and continues to this day. While the precise character of post-Fordism is of some dispute among social theorists, it "is best seen not as any fully achieved entity but as a projection of, or metaphor for, the processes and effects of social and economic restructuring within contemporary capitalist societies" (Heffernan 2000: 4). What is useful about the Fordist/post-Fordist dichotomy is the acknowledgment that modern capitalism has entered into a period that is qualitatively different from that which characterized the period between WWII and the early-1970s. The current period is one of major social and economic dislocation and uncertainty. Many Americans no longer expect stable and secure long-term employment with internal advancement, as they did only a generation before. Uncertainty about their own economic future and that of their children abounds. Post-Fordism provides an important framework for thinking about this historical shift. And as economic opportunity in this country continues to bifurcate, the paradigm also provides recognition that class remains central to an understanding of the social order (Heffernan 2000).

Informal Economic Strategies

Sociologists and economists have historically maintained that concomitant with the advance of modern industrial capitalism will be the decline in the importance of informal economic activities. More recently, however, many leading scholars have begun to argue that the opposite is true. Instead of gradual disappearance, the informal economy "has grown in significance with the development of the modern world" (Portes, Castells, and

Benton 1989: 1), as the uncertainties wrought by economic restructuring and globalization make it increasingly necessary for people to seek economic alternatives outside the formal economy (Ferman, Henry, and Hoyman 1987; Portes et al. 1989; Portes and Sassen-Koob 1987; Sassen 1998). Informal economic strategies can be broadly conceptualized as "a process of income-generation characterized by one central feature: [they are] *unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated*" (Castells and Portes 1989: 12, original italics).

Beyond this point, however, the literature on the informal economy is marked by considerable disagreement (Miller 1987). Conceptual definitions of informal economic activities range from a focus on unregulated but monetized exchanges (Schoepfle, Perez-Lopez, and Griego 1992) to broader conceptualizations of its role as a household economic strategy and/or a source of social cohesion (Gaughan and Ferman 1987; Levitan and Feldman 1991).

Further disagreement exists over who engages in the informal economy and why. Early studies identified informal economic activity as a survival strategy utilized by the poor (Ferman et al. 1987). However, others claim unequivocally "the informal economy is not a set of survival activities performed by destitute people on the margins of society…[It] is not a euphemism for poverty. It is a specific form of relationships of production" (Castells and Portes 1989: 12). The informal economy is not an individual condition, but a set of relationships; people may move seamlessly between the formal and informal economies, perhaps without even acknowledging the distinction.

This leads to another point of contention, the relationship between formal and informal economy. Some researchers have posited that formal and informal work substitute for one another. When people are left without adequate formal sector employment, they turn to informal work to make ends meet (Duncan 1992). In contrast, other research has suggested the two are inextricably linked; that those who enjoy some level of privilege in the formal labor market are better able to translate that into informal sector successes as well, while the particularly marginal are unable to realize success in either sector (Jensen, Cornwell, and Findeis 1995; Nelson and Smith 1999).

Despite, or perhaps because of this disagreement in the literature, it is important to consider interrelationships between the formal and informal sector, motivations (economic and non-economic) for engagement in informal activities, the role of social networks, and socioeconomic marginalization as important points of departure. Most researchers exclude illicit activity, making distinctions between the formal, informal, and criminal sectors. Types of informal economic activity cited in the literature include unregulated exchange for cash, inter-household exchanges and barter, and self-provisioning. In addition, economic strategies in the formal sector, such as dual-earning and multiple-jobholding or “moonlighting” – as opposed to the traditional model of the one-job, one-earner household – are sometimes combined with informal activity under the rubric of “household survival strategies” (Nelson and Smith 1999).

The Rise of Single Female-Headed Households

While the American economy has undergone tremendous change in recent decades, the same is true of the American family. Perhaps most important in this regard has been the rise in single female-headed families. In 1970, only 10 percent of families with children were headed by single women. By 1980, that proportion had climbed to 18 percent, and in 2000 reached 22 percent (Bianchi and Casper 2000). This trend was fueled by the rapid rise in divorce rates during the 1960s and 1970s and the increase in non-marital childbearing in the 1970s and 1980s (Bianchi and Casper 2000; Cherlin 1992). Implied here are some of the changes in labor supply and demand discussed earlier in this chapter. Of particular salience is the increase in female labor force participation; as women gained a greater foothold in the labor market their economic dependence on men diminished. Further, as the economic prospects of less-educated men has deteriorated, so has their attractiveness as marriage partners (Bianchi 1999; Bianchi and Casper 2000).

Despite having stabilized in the 1990s, the rise in female-headed families has had major implications for the economic well-being of women and children, raising concern over the "feminization" and "juvenilization" of poverty (Bianchi 1999). The odds of being poor vary greatly by family type. Of all family types, married couples have the highest average incomes, and thus the lowest poverty rates. However, poverty rates are twice as high among married couples with children then they are among married couples without kids. Single female-headed families face the highest poverty rates. In 1997, 42.5 percent of households headed by single mothers were poor, six times the rate of their counterparts in married couples (Bianchi and Casper 2000).

Part of the reason single female-headed families are more likely to be poor is simply an issue of household labor supply (e.g., they have fewer workers). Married couple families in which both parents work have extremely low poverty rates – in 1997, just 2.4 percent. Among married couples where only the father works, poverty rates are substantially higher, at nearly 15 percent. However, labor supply is only part of the issue. In single female-headed families where the mother is employed, poverty rates climb to about 30 percent (Bianchi and Casper 2000). This is due in part to the fact that women earn less in the labor market than their male counterparts and often opt for more flexible (i.e., part-time) work arrangements to accommodate child care. Further, the path women take to single parenting has a distinct effect on family poverty. In comparison to divorced mothers, never-married mothers tend to be younger and less educated. They are also less likely to be employed and tend to earn less when they are. To compound this, never-married mothers are also far less likely to receive child support from the father of their children than are divorced mothers (Bianchi 1999). For these reasons families headed by never-married single women face particular disadvantages and comprise a growing share of the poor.

Changes in the Political and Policy Context

While changes in the American labor force, economy, and family have been great in recent decades, these changes have not taken place in a political vacuum. There has been a dramatic drift in American politics from the social liberalism that dominated the early decades of the postwar era to the social conservatism that holds sway today. While the impacts of this shift have been far reaching, I focus on three political/institutional factors that have had a particular impact on low-wage workers: welfare reform, the decline in the real value of the minimum wage, and the decline in unionization.

Welfare Reform

It is difficult to ignore the tremendous shift in the national poverty debate that has taken place in recent years. Driven in part by concerns over the role welfare receipt was playing in the rise in female headship, the debate has evolved from the ambitious social agenda of the 1960s, which sought the abolition of poverty, to one that is centered on concerns about welfare dependency and nonwork (Ellwood 1989; Mead 1992; Murray 1984).

In 1996, the United States Congress passed, and President Bill Clinton signed, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This sweeping act promised to "end welfare as we know it." The central premise of PRWORA was that the welfare system fostered dependency and that the best way to reduce poverty and encourage self-sufficiency was by "promoting job preparation, work, and marriage" and "encouraging the formation and maintenance of two-parent families" (Lichter, Graefe, and Brown 2003). PRWORA ended the nation's largest cash assistance program – Aid to Families with Dependent Children (AFDC) – and replaced it with Temporary Assistance for Needy Families (TANF). Under TANF, low-income single mothers are no longer entitled to cash assistance indefinitely. In fact, there are now strict time limits imposed on receipt; individuals may participate for two years without working and for five years over the course of a lifetime. Moving recipients from "welfare to work" is a centerpiece of this legislation; welfare recipients are required to work or face sanctions, including having their benefits terminated. PRWORA also devolved the responsibility of administering welfare programs from the federal government to the states, giving states considerable flexibility in crafting their own policies, while imposing accountability guidelines (Duncan, Whitener, and Weber 2002). Since the passage of PRWORA, the welfare rolls have fallen to less than half of their previous level. However, there is still a great deal of debate over how to measure welfare reform's success (Lichter and Jayakody 2002).

Much of that debate has centered on the degree to which the dramatic caseload decline in the late 1990s was due to the passage of PRWORA versus the unprecedented economic expansion of that period. Given the vulnerability of less skilled workers during economic downturns, the recession that began in 2001 raises serious concerns about how former welfare recipients are faring in today's weak economy (Blank 2001; Danziger 1999). Of further debate has been the more recent shift toward a focus on family formation and maintenance among disadvantaged and welfare receiving populations (Lichter et al. 2003; Lichter and Jayakody 2002). Proponents point to the undeniable fact that married couples have lower rates of poverty as well as other documented benefits for child and family well-being. Critics contend that marriage initiatives are unduly intrusive and may force women into abusive and unhealthy marriages. Further, many question the direction of causality: is it that marriage leads to economic stability and self-sufficiency, or rather that those that are more economically stable are more likely to be involved in more stable relationships?

These debates aside, the point here is simply that an important social safety net has undergone major changes. No longer is welfare an entitlement for families on the economic margins. It is now a program that requires work of recipients and subjects them to time limits and sanctions for noncompliance. In short, a greater share of the economically marginal must now make a go of it in the labor market.

The Minimum-Wage

Between 1980 and 1990, Congress failed to raise the minimum-wage a single time. During this time the minimum-wage was frozen at $3.35 per hour. The result was that the real dollar value of the minimum-wage fell by approximately 30 percent over the decade (Card and Krueger 1995) "the largest and longest continuous decline in the postwar period" (Morris and Western 1999: 642). It is near gospel among economists that increases in the minimum-wage result in reduced employment. Card and Krueger (1995: 1) note that nearly 50 years ago George Stigler implored economists to be "outspoken, and singularly agreed" in this regard. Economists have heeded this call; polls show 90 percent agree with this prediction. The problem is the evidence is far less conclusive.

In one of the most in-depth treatments ever conducted on the subject, Card and Krueger (1995) dispel many myths about the minimum-wage. They find that increases in the minimum-wage do not adversely impact employment. Further, they show that while only about 5 percent of all wage earners earn the federal minimum-wage, increases often generate a "ripple effect" through the wage structure, as wages above the minimum are ratcheted up from the new floor. At the same time, they find little evidence that employers act to offset these wage increases with reductions in fringe benefits.

In the political arena, the typical minimum-wage earner is portrayed as teenager flipping burgers or bagging groceries for pocket money. However, contrary to these stereotypes, Card and Krueger (1995) show that increases in the minimum-wage disproportionately accrue to individuals in low-income families, two thirds of those earning the minimum-wage are adults, and that the earnings of the average minimum-wage earner account for approximately one-half of their family's income. Clearly, the minimum wage represents an important mechanism for ensuring a base income for low-wage workers and their families.

Unions

Labor unions represent another important institutional mechanism for protecting and promoting the economic interests of working people. Economists have traditionally argued that unions act as a monopoly in the labor market, increasing inequality between organized and unorganized workers and obstructing the efficient functioning of the economy. However, Freeman and Medoff (1984) paint a different picture in "What Do Unions Do?," a book that remains among the most comprehensive empirical treatments of the impact of unions to date. Using data from a multitude of sources the authors show that, on balance, unions increase efficiency, reduce earnings inequality, improve wages and benefits packages, and provide an important political voice for their members, as well as some of society's most marginalized groups. A more recent examination of the subject confirms that despite the precipitous decline in union density in recent decades, Freeman and Medoff's (1984) analysis remains on target (Blanchflower and Bryson 2003). Further, Morris and Western (1999: 645) note that the decline in union density may "account for as much as 20% of the overall rise in male wage inequality, and as much as 50% of the rise for male blue-collar workers."

Despite their positive impacts, union density has fallen steadily from a height of about 40 percent of the labor force in the mid-1950s to only about 10 percent today (Clawson and Clawson 1999). Some of the reasons for this decline have already been covered in this chapter, including globalization and economic restructuring which has resulted in the loss of blue collar occupations where unions were strongest. Other reasons lie within the labor movement itself, including a disproportionate focus on protecting the status quo for industrial unionists in the face of deindustrialization, while focusing far less on organizing new members. The United States is also unique among industrialized democracies for its level of employer hostility to labor; a hostility that emerged with particular vigor in the 1970s and 1980s. The net result has been that the most dynamic sectors of the economy, particularly the low-wage service sector, while ripe for organizing, have been largely untouched by union density (Bernstein 2004).

The Special Case of Rural America

Taken together, the changing context outlined above culminates in important questions about the ability of many American families to make ends meet. This may be particularly true in nonmetro areas where work has traditionally offered less protection from poverty.

In part, because jobs in nonmetro areas pay lower wages for comparable work (McLaughlin and Perman 1991), workers there are more likely than those in metro areas to be counted among the ranks of the poor (Economic Research Service 1995). The magnitude of this problem increased dramatically during the 1980s, as the nonmetro working poor grew in number, widening the gap in working poverty between metro and nonmetro areas (Lichter, Johnston, and McLaughlin 1994). In fact, despite the popular and professional focus on the plight of the urban underclass, households with working adults in nonmetro areas are far more likely to be poor than are their central city counterparts (Brown and Hirschl 1995). While poverty rates converged between metro and nonmetro areas during the 1990s, by the end of the decade nometro poverty rates still exceeded those of metro areas (Economic Research Service 2004). Despite the economic expansion of that decade, low wages continued to plague many rural workers. In 1999, more than one quarter of nonmetro workers over age 25 earned wages that, if earned full-time, full-year, left them below the poverty threshold for a family of four (Economic 2000: 4). The Economic Research Service (2000: 4) notes that "the changing location of economic activities within United States and across international borders, technological innovations, and declining unionization and real minimum wage rates all play a part in explaining low-wage trends."

Research has shown that in comparison to metro areas, nonmetro areas are home to higher proportions of discouraged workers, unemployment, and underemployment by low hours and low income (Lichter and Costanzo 1987; Slack and Jensen 2002). Further, with respect to movement into and out of underemployment, adequately employed nonmetro workers are more likely than their metro counterparts (both central city and suburban) to become underemployed, and once underemployed, less likely to regain adequate employment (Jensen et al. 1999). The problem of inadequate employment is underscored by the fact that the nonmetro poor rely more heavily on income generated from work and less on public assistance programs than is true among their metro counterparts (Jensen and Eggebeen 1994). While substantial differences between rural and urban areas in the overall impact of welfare reform are not apparent nationally, those leaving the rolls in rural areas face unique structural barriers, including less favorable employment opportunities (Duncan et al. 2002). Clearly, employment is not a sufficient condition for escaping the grasp of poverty, particularly in nonmetro areas.

This disadvantage is rooted in both compositional and structural differences between metro and nonmetro areas. Compositional factors, such as lower average educational levels in nonmetro areas (Beaulieu and Mulkey 1995), contribute to higher levels of inadequate employment. And marginalized groups, such as racial/ethnic minorities (Summers 1991) and female-headed households (Snyder and McLaughlin 2004), face particular disadvantages in nonmetro areas. Structural factors, such as physical isolation and lack of economic diversification, serve to limit the employment options and opportunities of nonmetro workers (Lichter 1987). Because rural areas tend to rely on less diverse local economies, the impact of economic restructuring has often proven particularly unkind. Branch plants that once located in nonmetro areas because of the availability of low-wage, non-union labor, are now closing their doors and moving to less developed nations where wages are even lower and workers are even less likely to be organized (Lyson 1989). Data from the mid-1990s indicate that although nonmetro workers were less likely to be displaced than metro workers, they had a lower probability of finding new employment after losing their jobs (Hamrick 2001). As noted by McGranahan and Ghelfi (1991: 41), "the *new economy* is an *urban economy*" – or, perhaps more accurately, a suburban one.

As noted earlier, it has been argued that formal sector uncertainty and marginalization is increasingly encouraging individuals and households to pursue informal economic alternatives (Ferman et al. 1987; Portes et al. 1989; Portes and Sassen-Koob 1987; Sassen 1998). While not unique to rural areas (Tickamyer and Wood 2003), there are theoretically compelling reasons to believe that informal activities are a particularly important component of the economic strategy of rural households. First, to the extent that informal economic activities are utilized as recourse for inadequate formal opportunity, nonmetro households should rely on them more heavily. Second, in the absence of economies of agglomeration, areas with low population density may lack access to essential services, necessitating the development of and reliance on informal alternatives (Levitan and Feldman 1991). Third, the availability of natural resources differentially impacts the character of informal alternatives available to nonmetro households (i.e., hunting, fishing, fuel wood, etc.) (Jensen et al. 1995; Nelson and Smith 1999). Last, to the extent that engagement in such activities depends on strong social networks and long held traditions, the *Gemeinschaft* relations thought to be more typical of rural areas should be conducive to informal economic activity (Levitan and Feldman 1991; Toennies 1957).

Studies have shown informal work to figure prominently in rural household economic strategies. Fitchen's (1995) classic ethnographic work articulates the wide range of income generating activities employed by poor rural households in New York

State. For example, despite being perceived as an eyesore by many, families in Fitchen's study viewed the collection of junked cars and car parts for self-provisioning and sale as a tremendous resource. In addition, childcare, transportation, and housing needs were often satisfied in exchange for cash and/or nonmonetary resources, such as trade in-kind or the implicit promise of future compensation. These themes were echoed in another study of rural upstate New York that found levels of inter-household nonmonetary exchange substantial enough to posit that informal economic activities "may be sufficient to de-couple the ranking of the quality of life in a community from a positioning based upon formal sector income and employment data" (Levitan and Feldman 1991: 168). In a study of rural Pennsylvania, Jensen et al. (1995) found more than half the households surveyed reported some informal economic activity. And a substantial proportion of low-income families reported cash and in-kind income generated from informal activities as being *vital* to maintaining their household. However, the study also showed a positive relationship between engagement in formal and informal work.

Nelson and Smith (1999) elaborate on this finding in a study of rural Vermont, finding "good job" households – those with stable, secure, and decent paying jobs – better able to engage in informal economic activities, in comparison to their counterparts with "bad jobs." That is, the privileges associated with "good jobs" allowed households to underwrite informal endeavors, while those with "bad jobs" lacked the same ability. In sum, informal economic activity has been shown to be an important component of the economic strategy undertaken by nonmetro households. The ability to successfully incorporate informal alternatives into a multifaceted household economic strategy is not separate from, but inextricably linked to a household's standing in the formal sector and the greater social hierarchy. The need persists, however, for articulation of the forms and prevalence of informal activities, the linkages and barriers that exist between formal and informal work, the motivations for combining such efforts, and, ultimately, their contribution to household economic viability (Tickamyer and Wood 1998).

Conclusion

The economic realities of American workers and their families have undergone dramatic changes in recent decades. This chapter has organized the discussion of this transformation around changes in labor supply and demand, changes in family structure, and changes in the political and institutional context, paying special attention to the case of rural America. While the choice was made to address these issues in discrete sections, it is important to note that all are inextricably intertwined. All are part of a dynamic process, the net result of which has been increasing economic uncertainty and a loss of ground for many American workers and their families.

These changes culminate in important questions about how many families are making ends meet, including questions about the relationship between work and economic hardship as well as the role of informal economic activities as a component of family's livelihood strategies. Chapter 3 addresses the first line of inquiry by exploring changes in the relationship between formal employment and family poverty from 1980 to 2000. Throughout, special attention is paid to the differences in the experiences of metro and nonmetro families. Drawing on data from the March Current Population Survey, the following research questions are asked: (1) how has the relationship between formal employment and family poverty changed between 1980 and 2000?; (2) how has this relationship differed by family structure?; (3) how has this relationship differed by metro/nonmetro residence?; and (4) how do other important individual and household-level variables suggested by the literature serve to explain the differences observed?

Chapter 4 turns to the second line of inquiry by proving a broader exploration of the livelihood strategies of families. These strategies include the combination of formal and informal economic activities and participation in assistance programs. Drawing on survey and interview data collected from family households in nonmetro Pennsylvania, the following research questions are asked: (1) how prevalent is participation in informal economic activities among nonmetro families?; (2) what are the motivations for engaging in informal economic activities; (3) how is participation in informal economic activities shaped by household income and formal economic activity; (4) how do other important household attributes shape participation in informal economic activities; and (5) how do informal economic activities factor in to the broader strategies families are using to make ends meet?

The conceptual approach underlying this research is quasi microeconomic – individuals do after all make choices to maximize their utility – but one that pays full recognition to the centrality of sociological variables at the household, community, regional, and global levels, in facilitating and constraining economic action. The overarching intent of this thesis to shed greater light on the economic strategies pursued by families, particularly those on the economic margins. In so doing, the hope is to provide a valuable contribution to literatures on poverty and the informal economy as well as to speak to the more important issues of social and economic justice.

Chapter 3

Persistence and Change:

The Relationship Between Residence, Work, and Poverty, 1980-2000

Introduction

The unprecedented economic expansion of the latter 1990s brought with it improvement in the economic position of low-wage working families. Despite the benefits of a full-employment economy, however, many American workers and their families remained poor at decade's end (Bernstein 2004). Indeed, the recent popular success of such books as "Nickel and Dimed: On (Not) Getting By in America" by Barbara Ehrenreich, "The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans and Their Families" by Beth Shulman, and "The Working Poor: Invisible in America" by David K. Shipler, highlight the salience of this issue. While working poverty and other forms of underemployment have long been an important part of the poverty problem in rural America, the bifurcation of economic opportunity in the "new economy" coupled with welfare reform has put the issue of working poverty on center stage in the national poverty debate.

This chapter explores changes in the relationship between work and poverty among American families from 1980 to 2000, paying particular attention to differences between metro and nonmetro areas. More specifically, this chapter explores the changing employment profiles of adults in poor families, the degree to which they draw income from work and welfare, and the contribution each makes to family income. The chapter then turns to an examination of the effect of household labor supply on poverty, and how this relationship is influenced by family structure and other important determinants of poverty.

Data and Methods

In order to meet these objectives I use data from the March Current Population Survey (CPS) from 1980, 1990, and 2000. Conducted by the U.S. Census Bureau, the CPS is a nationally representative monthly survey of the civilian, non-institutionalized population, covering approximately 50,000 U.S. households. The March CPS, also known as the Annual Social and Economic (ASEC) Supplement (formerly the Annual Demographic Survey), includes not only the usual monthly labor force data, but also provides in-depth information on the sociodemographic characteristics of American workers and their families, making it among the most comprehensive data sets available on the U.S. labor force.

An analytic advantage allowed by the CPS is the relatively stable manner in which the data have been collected from year to year, allowing for the comparison of cross-sections over time. In addition, the CPS allows for the identification of households in metro and nonmetro areas. The data used in this analysis identify metro and nonmetro areas according to the 1993 designation of the Office of Management and Budget (OMB). Metro areas are defined as core counties with one or more central cities of at least 50,000 residents or with an urbanized area of 50,000 or more and a total area population of at least 100,000. "Fringe" counties that are economically tied to the core counties are also defined as metro areas. Nonmetro areas are defined as those counties outside the boundaries of metro areas, containing no cities with populations over 50,000.

For the purpose of this analysis I use the official poverty measure as the indicator of family economic well-being. The poverty measure uses a set of income thresholds that are compared with families' before-tax money income to determine whether or not they are poor, adjusting for the number of related adults and children in a household. The thresholds are then pegged to inflation to adjust for changes in the cost of living. In the CPS, poverty thresholds are based on a family's annual money income in the year preceding the March interview (e.g., the March 2000 survey asks about various sources of income in 1999).

Whether the official poverty measure provides a realistic standard of what constitutes a minimally adequate standard of living across population groups, across geographic areas, and across time has been the subject of much contentious debate (Citro and Michael 1995; Nord 2000; Ruggles 1990). One important criticism of the official measure, especially in assessing rural-urban differences, is that it fails to adjust for cost of living differences. The degree to which this problem misrepresents rural-urban differences, however, is difficult to determine. Housing costs are generally lower in rural areas, but other costs of living, such as transportation, food, and health care, tend to be higher (Nord 2000). While experts continue to grapple with how to improve the official poverty measure (see for example Citro and Michael 1995; Nord 2000; Ruggles 1990), the federal government has yet to adopt any changes. Despite its shortcomings, I restrict the measurement of family economic well-being in this chapter to the official poverty measure. I do this because of its longstanding availability in the CPS, and more importantly because it continues to be the *official measure*, and therefore the recognized standard for general policy assessment and eligibility for many assistance programs.

This analysis is also restricted to those living in families. The CPS defines a family as a group of two or more people residing together and related by birth, marriage, or adoption. The CPS distinguishes further between primary families, related subfamilies, and unrelated subfamilies. Great care was taken to include all three family types in this analysis, but to do so in a way that is consistent with the official poverty measure. Therefore, all related family members in a given household – members of the primary family and any related subfamily members – are defined as a single family, while unrelated subfamilies are treated as separate families.[1] Data from the CPS were aggregated up from the individual-level to the family-level to fit this definition. This is an important contribution because many past studies have limited their analyses to only those living in primary families. This definition more comprehensively captures the diversity of living arrangements among American families, particularly those who have chosen to move in with relatives or "double-up" with unrelated individuals out of economic necessity.

[1] The CPS defines a primary family as a group of two or more persons (one of whom is the householder) residing together and related by birth, marriage, or adoption. A related subfamily is a married couple with or without children, or one parent with one or more never married children under 18 years old, living in a household and related to, but not including, the householder or spouse. The most common example of a related subfamily is a young married couple sharing the home of the husband's or wife's parents. An unrelated subfamily is a family that does not include among its members the householder and relatives of the householder. Members of unrelated subfamilies may include persons such as guests, roomers, boarders, or resident employees and their relatives living in a household. In keeping with the official poverty measure, in this analysis all related family members in a given household are treated as a single family. Unrelated subfamilies are treated as separate families.

The analytic method taken in this chapter is as follows. First I show how the employment status of working-age family members has changed over time, comparing labor market attachment among the poor and the general population. I then consider changes in income receipt and income packaging that have occurred as part of this process. These sections pay particular attention to differences between metro and nonmetro areas and to the circumstances of single-female headed families. Further, these sections are limited only to families with children present (i.e., at least one family member under age 17). This is done because such families are particularly salient for public policy considerations. Logistic regression models are then used to evaluate how metro-nonmetro differences in the odds of family poverty are explained by differences in household labor supply, family characteristics, residence, and the human capital and job characteristics of householders.[2] The multivariate analysis includes all families, regardless of the presence of children. Overall, this analysis contributes to the literature on residential differences in the relationship between work and poverty by expanding the timeline under observation and providing a more comprehensive definition of the "family." It also provides a more comprehensive account of labor supply by going beyond weeks and hours worked by the householder and the presence of other workers to

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[2] The householder refers to the person (or one of the persons) in whose name the housing unit is owned or rented (maintained) or, if there is no such person, any adult member, excluding roomers, boarders, or paid employees. If the house is owned or rented jointly by a married couple, the householder may be either the husband or the wife. The person designated as the householder is the "reference person" to whom the relationship of all other household members is recorded. For the purpose of this analysis, the reference person for an unrelated subfamily is counted as the "householder," though technically such families do not include a householder. This approach was taken so as not to exclude such families from the analysis, though they represent a tiny fraction of the families in the sample (less than 1% in a given year).

tease out the effects of the type of work (full-time, full-year or part-time, part-year) done by the householder and other working age adults in the family.

Findings

Work and Poverty

Table 3.1 shows the employment status of adults in families with children in 1980, 1990, and 2000.[3] One trend is clear across family types: Among working-age adults formal labor market attachment has increased steadily over the two decades observed. Conversely, the percentage of adults who were not actively participating in the formal labor market has steadily declined. Among adults in families with children, full-time, full-year employment rose from 45.7 percent to 56.1 percent between 1980 and 2000, while those not working during the calendar year fell from 21.5 percent to 17.0 percent. The trend for single-female headed families with children is even more pronounced. The share of adults in single-female headed families with children working full-time, full-year rose from 33.3 percent to 46.4 percent, while the share of those not in the labor force fell from 30.0 percent to 20.7 percent.

[3] Employment status among working age adults (18-64) is measured as follows. A full-time, full-year worker is one who usually worked 35 hours or more per week for 50 weeks or more during the preceding calendar year. A part-time, part-year worker is one who either worked less than 35 hours per week the majority of weeks he or she worked, or worked less than 50 weeks or more in the preceding calendar year, or both. A nonworker is one who did not do any formal work in the calendar year preceding the survey.

Table 3.1: Employment status of adults in families with children

	1980	1990	2000
All families			
Full-time, full-year	45.7%	50.2%	56.1%
Part-time, part-year	32.9	31.2	26.9
Non-worker	21.5	18.6	17.0
Single-female headed families			
Full-time, full-year	33.3	37.4	46.4
Part-time, part-year	36.7	32.9	32.9
Non-worker	30.0	29.7	20.7
Poor families			
Full-time, full-year	12.3	14.1	19.5
Part-time, part-year	36.2	36.8	38.4
Non-worker	51.5	49.1	42.1
Poor single-female headed families			
Full-time, full-year	5.7	7.9	15.0
Part-time, part-year	35.8	34.8	45.9
Non-worker	58.5	57.3	39.1

Note: Analysis restricted to those ages 18 to 64 in families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis.

This trend holds among the poor as well, though labor market attachment is considerably lower among adults in poor families than among adult family members at large. While non-work figures much more prominently among the poor than non-poor, the percentage of non-working adults in poor families has steadily fallen over the last two decades. Among poor families with children, the percentage of adults working full-time, full-year rose from 12.3 percent in 1980 to 19.5 percent in 2000, while the percentage not working fell from 51.5 percent to 42.1 percent. Worth noting about this trend, however, is that most working poor adults are employed part-time, part-year.

As in the population at large, this trend is even more pronounced among poor single-female headed families with children. Among these families the share employed full-time, full-year climbed from 5.7 percent to 15.0 percent between 1980 and 2000. Greater yet was the increase in part-time, part-year employment, which climbed from 35.8 percent to 45.9 percent over the same period. In fact, the percentage of adults in single-female headed families with children not participating in the labor force fell by nearly 20 percent between 1980 and 2000. Overall, these statistics show that working age adults in poor families are less attached to the labor market than are most adult family members. This is not particularly surprising. That said, there is also a clear trend of increasing labor market attachment among adults in poor families, the majority of whom were working in 2000.

Table 3.2 compares the employment status of adults in families with children in metro and nonmetro areas. The table shows the percentage of adults by employment status in metro areas, divided by the percentage of adults by employment status in nonmetro areas. Generally, the data for both metro and nonmetro areas parallel those observed nationally. Overall, the employment status of working-age adult family members is fairly similar between metro and nonmetro areas, though there is evidence of slightly greater labor market attachment in nonmetro areas (the ratio for non-work exceeds unity in every period). The employment status of working-age adults in single-female headed families in metro and nonmetro areas is quite similar as well. A notable difference, however, is that full-time work figures more prominently in metro areas, while part-time work is more prevalent in nonmetro areas.

Table 3.2: Employment status of adults in families with children in metro and nonmetro areas [a]

	1980	1990	2000
All families			
Full-time, full-year	0.99	0.99	1.02
Part-time, part-year	0.97	0.93	0.91
Non-worker	1.07	1.16	1.10
Single-female headed families			
Full-time, full-year	1.04	1.09	1.16
Part-time, part-year	0.92	0.90	0.84
Non-worker	1.05	1.02	0.97
Poor families			
Full-time, full-year	0.56	0.70	0.97
Part-time, part-year	0.96	0.88	0.87
Non-worker	1.19	1.25	1.16
Poor single-female headed families			
Full-time, full-year	0.84	0.76	0.98
Part-time, part-year	0.91	0.80	0.90
Non-worker	1.08	1.21	1.15

[a] Percentage by employment status in metro areas, divided by the percentage by employment status in nonmetro areas.
Note: Analysis restricted to those ages 18 to 64 in families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis.

Among the poor a different picture emerges. Table 3.2 shows that among working-age adults in poor families there has historically been greater labor market attachment among the nonmetro poor. While non-work continues to figure more prominently among the metro poor, the percentages working full-time, full-year have steadily converged between metro and nonmetro areas, especially between 1990 and 2000. In 1980, 44 percent fewer adults in poor metro families worked full-time, full-year than was the case in nonmetro areas. By 2000, that gap had closed to only 3 percent. Among poor single-female headed families the gap between workers and nonworkers in metro and nonmetro areas actually widened during the 1980s. However, the 1990s saw metro-nonmetro convergence in the employment status of adults in poor single-female headed families. In sum, over the two decades observed the metro experience has increasingly converged with what has long been the nonmetro reality – working poverty.

Sources of Income

The previous section made clear that a growing proportion of the poor are working. This section explores how various sources of family income have changed over the same period. If more of the poor are working, then it stands to reason that an increasing percentage of the poor will be receiving income from earnings. Conversely, since welfare reform and the good economic times of the latter 1990s encouraged many to exit the welfare rolls, the percentage of the poor receiving welfare would be expected to fall. Indeed, the data support this expectation.

Table 3.3 presents the percentage of families with children receiving income from wages and salaries versus welfare programs and the median amount received by source in 1980, 1990, and 2000. Overall, the data show that more families receive income in the form of wages and salaries than from any other source. Throughout the period, more than 90 percent received income in the form of wages and salaries for a median amount of between $43,000 and $45,000. In contrast, the percentage receiving income from welfare is far smaller and shrinking, falling from 11.4 percent in 1980 to 8.0 percent in 2000.

Among single-female headed families with children two trends stand out. First, while wages and salaries have been the most important single source of family income, the degree to which this is true increased between 1980 and 2000, climbing from 75.9 percent to 85.0 percent. Second, while the percentage receiving income in the form of welfare figures more prominently among single-female headed families, the percentage for which this is true has nearly been cut in half, falling from 42.8 percent in 1980 to 22.8 percent in 2000.

Table 3.3: Percent receiving and median amount received by source of income

	1980		1990		2000	
	(%)	Median ($)	(%)	Median ($)	(%)	Median ($)
All families						
Wages and salaries	91.4	43,605	90.5	43,113	93.5	45,140
Welfare	11.4	5,467	11.1	4,967	8.0	4,368
Single-female headed families						
Wages and salaries	75.9	17,951	73.4	18,816	85.0	18,720
Welfare	42.8	6,692	36.3	5,177	22.8	4,134
Poor families						
Wages and salaries	61.5	7,693	61.6	8,387	73.8	9,000
Welfare	49.5	6,472	46.9	5,387	31.1	3,864
Poor single-female headed families						
Wages and salaries	51.3	5,049	47.8	5,161	68.4	6,150
Welfare	70.0	6,972	63.5	5,376	40.5	3,792

Note: Analysis restricted to families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis. All dollar amounts are adjusted to 1999 dollars. "Welfare" is equal to the sum of all income from Public Assistance and SSI.

Contrary to popular perceptions, while welfare receipt is indeed more prominent among the poor than non-poor, the majority of family income among the poor is derived from work. Further, the degree to which this is true has increased substantially. In 1980, 61.5 percent received wage and salary income; by 2000 that percentage had climbed to 73.8 percent. Meanwhile, the percentage receiving income from welfare fell steadily from 49.5 percent in 1980 to 31.1 percent in 2000. Not only did the percentage receiving welfare fall precipitously, but so did the cash amount received. Among poor families receiving welfare the median cash amount received in 1980 was $6,472, while in 2000 it was $3,864.

This trend is even more marked among poor single-female headed families. After falling slightly between 1980 and 1990, the percentage receiving income from wages and salaries climbed from 47.8 percent in 1990 to 68.4 percent in 2000. Conversely, welfare receipt plummeted from 70.0 percent in 1980 to 40.5 percent in 2000, and as was the case among all poor families, the median cash amount received from welfare also fell over this period. Both the welfare reform bill of 1996 and the strong economy of the mid-to-late 1990s drove this trend, though the degree to which each is at play can not be definitively determined here. It is likely that the reduction in the cash value received from welfare played a part in this process as well.

Table 3.4: Percent receiving and median amount received by source of income in metro and nonmetro areas

	%Metro / %Nonmetro [a]			$Metro - $Nonmetro [b]		
	1980	1990	2000	1980	1990	2000
All families						
Wages and salaries	1.01	0.99	1.01	9,639	12,912	10,800
Welfare	1.10	1.08	1.14	1,725	1,667	828
Single-female headed families						
Wages and salaries	0.96	0.98	1.01	2,983	6,720	6,000
Welfare	1.15	1.11	0.97	1,849	1,102	576
Poor families						
Wages and salaries	0.86	0.83	0.97	-1,939	421	925
Welfare	1.24	1.25	1.31	2,635	1,468	312
Poor single-female headed families						
Wages and salaries	0.87	0.79	0.93	1,717	-259	781
Welfare	1.07	1.24	1.11	2,090	1,484	516

[a] Percent receiving income by source in metro areas, divided by the percent receiving income by source in nonmetro areas.
[b] Median dollar amount received by source in 1999 dollars in metro areas, minus the median dollar amount received by source in 1999 dollars in nonmetro areas.
Note: Analysis restricted to families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis.

Table 3.4 compares the percentage receiving income by source and the median amount received among families with children in metro and nonmetro areas. The first three columns show the percentage receiving income by source in metro areas, divided by the percentage receiving income by source in nonmetro areas in 1980, 1990, and 2000. The second three columns show the median dollar amount received by source in metro areas, minus the median dollar amount received by source in nonmetro areas, adjusted to

1999 dollars. Overall, the income receipt ratios indicate the percentage receiving income by source is fairly similar between metro and nonmetro areas, though metro families consistently bring in more money from both work and welfare. Among poor families the percentage receiving income from earnings is consistently higher in nonmetro areas than is the case in metro areas. However, by 2000 the ratios had narrowed to approach parity (.97 among all poor families, and .93 among poor single-female headed families). The percentage of poor families receiving income from welfare remained consistently higher in metro areas throughout the period. With only two exceptions, the median dollar amount received by source among families in metro areas exceeded that of their counterparts in nonmetro areas. A notable trend in this regard, however, is that the difference in the median amount of welfare income received has steadily narrowed over the period observed (from $2,635 to $312 among all poor families, and from $2,090 to $516 among poor single-female headed families).

Income Packaging

While the prior section explored the receipt of family income from various sources, it did not explicitly show how various sources contribute to families' total income package. Figures 3.1 and 3.2 show income packaging among poor nonmetro and metro families, respectively.[4] Consistent with the preceding analysis, in both settings there has been an increasing share of family income coming from wage and salary work and a decreasing share from welfare. In metro and nonmetro areas this trend predated the welfare reform legislation of 1996, though it accelerated greatly during the 1990s, particularly in metro areas, making the impact of welfare reform difficult to ignore.

These figures also make clear that while the nonmetro poor have traditionally relied more on earnings and less on assistance than is the case in metro areas, over the last two decades the experience of poor families in metro areas has converged with what has been, and is increasingly, the nonmetro reality – greater reliance on income from earnings among the poor. The magnitude of this shift is remarkable. In 1980, 46.3 percent of income among poor families with children in nonmetro areas came in the form of wages and salaries; the comparable figure among poor families with children in metro areas was 38.6 percent. By 2000, the share of family income from earnings had

[4] Income packaging among all families has remained relatively stable over this period, with approximately 80 percent of family income coming in the form of earnings and very little coming from welfare programs (4.8%, on average). Among all single-female headed families a smaller share of family income comes from earnings and a greater share comes from welfare as compared to other family types, reflecting the disproportionate number of poor living in this family arrangement. The analysis in this section focuses on income packaging among the poor, whose incomes have been most subject to change in the changing policy context.

Figure 3.1: Income packaging among poor nonmetro families with children

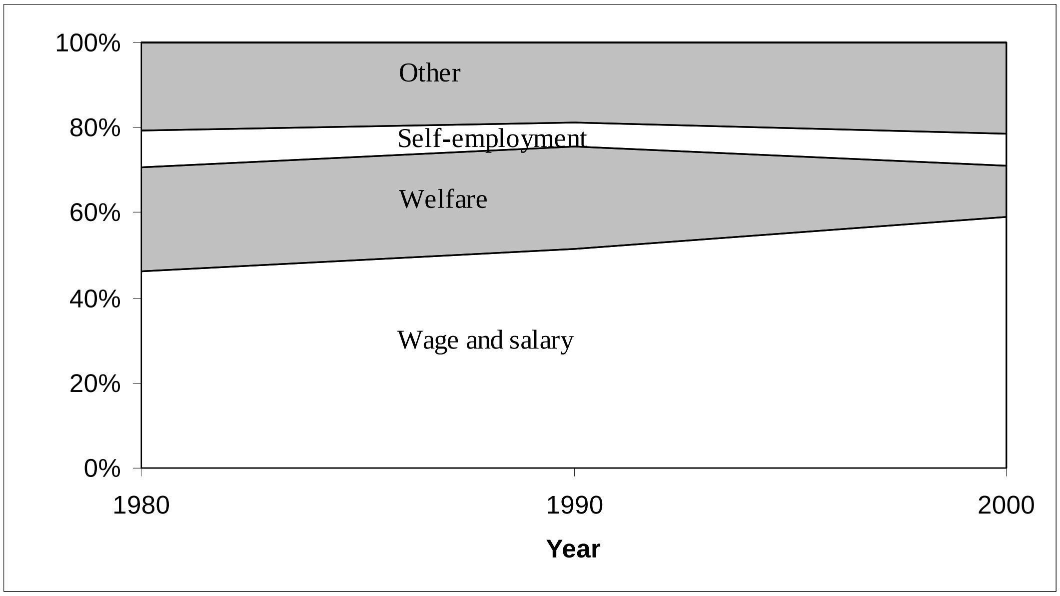
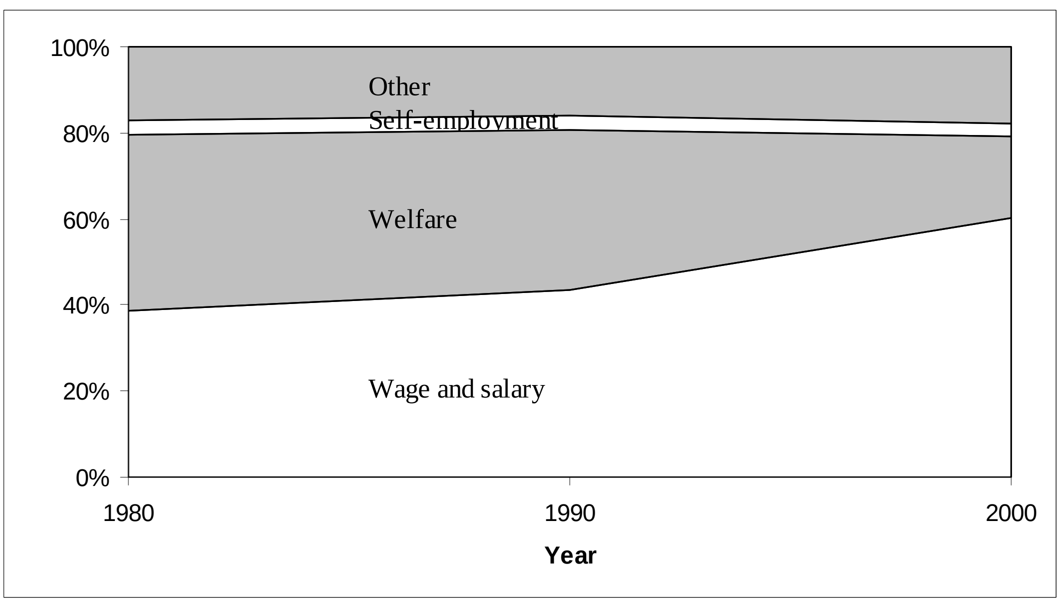


Figure 3.2: Income packaging among poor metro families with children



Note: Analysis restricted to families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis. “Self-employment” is equal to the sum of all income from self-employment and farm income. “Welfare” is equal to the sum of all income from Public Assistance and SSI. “Other” is equal to the difference between total family income and the sum of income from wage and salaries, self-employment, and welfare as previously defined.

achieved near parity between residential settings, climbing to 59.0 percent in nonmetro areas and 60.3 percent in metro areas. At the same time, the share of family income coming from welfare programs fell by more than half in both settings (from 24.6 percent to 12.2 percent in nonmetro areas, and 41.0 percent to 18.9 percent in metro areas). Also worth noting is that poor nonmetro families consistently reap a larger share of their income from self-employment than do their metro counterparts. Some of this difference is undoubtedly due to the low incomes realized by many farm families. However, since those with negative family incomes are not included in these numbers, many farm families are excluded from this analysis entirely.

Figures 3.3 and 3.4 present income packaging among poor single-female headed families with children in nonmetro and metro areas, respectively. Income from self-employment is combined with "other" income in these figures, because the contribution from this income source is negligible among single-female headed families. The trend in income packaging among poor single-female headed families in nonmetro areas closely mirrors that of poor families in nonmetro areas more generally. There has been a consistent trend of increasing reliance on income from earnings and less on welfare over the period observed. In 1980, 47.4 percent of the income among poor single-female headed families in nonmetro areas was in the form of welfare income. In contrast, 29.1 percent was in the form of earnings. By 2000, there had been a complete about face, with 54.1 percent of the income among poor single-female headed families in nonmetro areas coming from earnings, and 27.7 percent coming from welfare.

Among poor single-female headed families with children in metro areas this change was far more abrupt. In 1980, the share of income from earnings among these families stood at 28.6 percent, while welfare comprised 55.8 percent of family income. By the end of the 1980s little had changed; earnings represented 29.0 percent of family income among poor single-female headed families, while welfare represented 53.5 percent. Over the course of the 1990s, no doubt in part due to the welfare reform legislation mid-decade, the income package of these families changed dramatically. Between 1990 and 2000, the share of income from earnings among poor, metro, single-female headed families jumped from 29.0 percent to 52.2 percent, while income from welfare programs fell from 53.5 percent to 26.5 percent. This is a tremendous shift in family income dynamics in only ten years time.

Figure 3.3: Income packaging among poor nonmetro single-female headed families with children

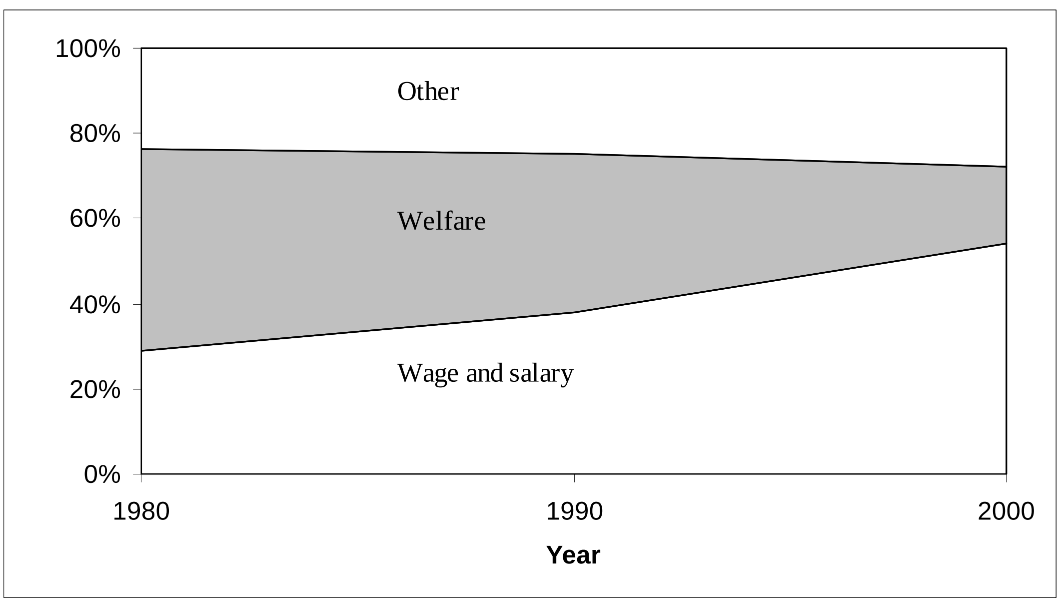
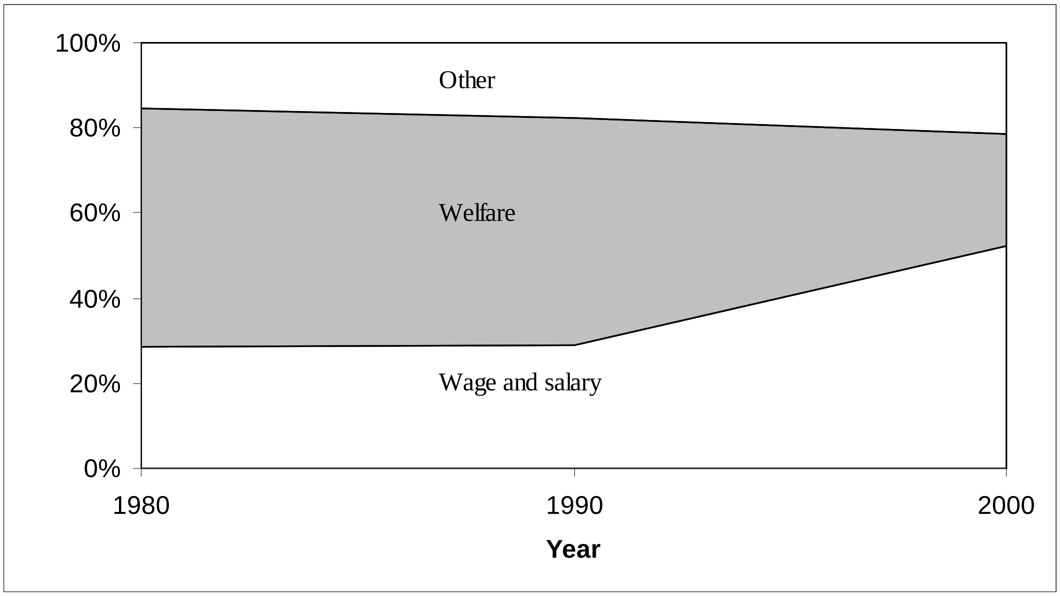


Figure 3.4: Income packaging among poor metro single-female headed families with children



Note: Analysis restricted to families with at least one member under the age of 18 years. Those with negative total family incomes are excluded from the analysis. “Welfare” is equal to the sum of all income from Public Assistance and SSI. “Other” is equal to the difference between total family income and the sum of income from wage and salaries and welfare as previously defined.

There are a number of ways to read the results presented thus far. One is to view the increase in labor market attachment and reliance on earnings among the poor, and the concomitant decrease in welfare receipt and reliance on such income, as a public policy victory. Far fewer poor families, particularly those headed by single mothers, are depending on welfare to support their families, and are instead working to make ends meet. Further, that the experience of the metro poor is converging with their counterparts in nonmetro areas can be read as a welcome sign that economic independence and self-sufficiency are increasing regardless of where one lives. An alternative reading of these results is to view the increase in working poverty with alarm. Growing numbers of the poor, particularly poor single mothers, are working. Yet, despite playing by the rules, they and their children remain poor.

Changes in the Effect of Work on Poverty

The preceding analysis showed that poor families, particularly those headed by single mothers, are increasingly relying on work to make ends meet. And while this has historically been more true among the nonmetro poor, the results show that the metro poor have been quickly converging with the nonmetro reality, particularly during the 1990s. This section examines the effect of work on poverty using logistic regression models to estimate the odds that a householder (and his or her family) will be poor. These models evaluate whether metro-nonmetro differences in poverty are the result of differences in household labor supply, family characteristics, residence, and the human capital and job characteristics of the householder. The distribution of the independent variables used in these models are displayed in Table 3.5.

The household labor supply variables include dummy variables for whether the householder is working full-time, full-year or part-time, part-year, with non-working householders serving as the reference group. Also included in the models are two continuous variables that measure the number of workers that are full-time, full-year and the number of workers in addition to the householder that are part-time, part-year. All of these variables are expected to exert significant downward pressure on the likelihood of being poor.

Table 3.5: Distribution of Independent Variables

	1980	1990	2000
Household labor supply			
Householder FT, FY	69.9	68.4	65.4
Householder PT, PY	20.0	19.6	20.4
Householder no work	10.1	12.0	14.2
Number of others FT, FY	0.34	0.42	0.53
Number of others PT, PY	0.60	0.51	0.40
Family structure			
Married couple	82.3	78.2	76.3
Female head	14.9	17.3	18.1
Male head	2.8	4.4	5.7
Number of children <6	0.38	0.41	0.37
Number of children 6 to 17	0.87	0.74	0.78
Residence			
Metro	65.2	77.1	80.2
Nonmetro	28.5	22.2	19.6
Not identified	6.3	0.74	0.26
Region			
Northeast	21.9	20.3	18.6
South	32.5	34.9	35.7
Midwest	27.0	24.5	23.7
West	18.6	20.3	22.0
Householder Characteristics			
Age			
18-24	7.5	5.1	5.4
25-34	27.6	26.8	21.6
35-44	24.4	30.1	31.0
45-54	21.7	21.2	26.2
55-64	18.9	16.8	15.8
Education			
Less than high school	24.7	17.1	13.2
High school	36.6	37.0	32.0
More than high school	38.7	45.9	54.8
Race/ethnicity			
White	81.9	77.1	71.7
Black	10.4	11.7	12.3
Hispanic	5.9	8.0	11.5
Other	1.8	3.1	4.4
Class of worker			
Private	63.0	62.5	62.6
Public	14.3	13.3	13.1
Self-employed	12.5	12.1	10.0

— Table continues —

Table 3.5 continued

	1980	1990	2000
Industry			
Services	24.9	27.2	33.6
Extraction	4.6	3.6	2.8
Manufacturing	34.1	28.9	22.2
Transportation	7.7	8.0	7.0
Trade	14.5	14.7	14.9
FIRE	4.2	5.5	5.3
Occupation			
Professional	26.4	24.6	27.2
Technical and sales	15.4	20.5	22.2
Service	7.7	8.8	10.5
Operators and laborers	40.5	34.0	25.9
Number of cases	40,797	35,428	29,805

Note: Percentages may not sum to 100% due to rounding. Means are presented for continuous variables.

The variables measuring family characteristics include dummy variables for single-female heads and single-male heads, with those headed by married couples serving as the reference group. In addition, the models include measures of the number of children under the age of six years, and the number of children between the ages of 6 and 17 years. As noted in Chapter 2, single-female headed families, and especially those with young children, represent a disproportionate number of the poor.

Residence in measured in two ways. The first, of course, is the metro-nonmetro dichotomy. Dummy variables are included for whether one lives in a nonmetro area, with metro areas serving as the reference group. The models also include a dummy variable for a minority of respondents for whom metro-nonmetro residence is not identified by the CPS for confidentiality purposes. Additionally, the models include dummy variables that consider regional differences between the South, the Midwest, or the West as compared to the Northeast.

The models also control for two measures of human capital. Dummy variables are included for the age of the householder (18-24, 25-34, 35-44, 45-54, or 55-64), which serves as a proxy for work experience, and his or her educational attainment (less than high school, high school, or more than high school). Whether the householder is a racial or ethnic minority (non-Hispanic black, Hispanic, or non-Hispanic other race) as compared to non-Hispanic white is also considered. The young, the less educated, and racial/ethnic minorities all face persistent labor market disadvantages.

Finally, the job characteristics of working householders are included in the models. The models use dummy variables to measure class of worker (private, public, or self-employed), industrial sector of employment (service, extraction, manufacturing and construction, transportation and utilities, wholesale and retail trade, or finance, insurance, and real estate), and occupation (professional and managerial, technical and sales, service, or machine operators and laborers). Given industrial restructuring and the economic bifurcation that has occurred as a result, these are important variables to consider in models of economic well-being.

Table 3.6 presents logistic regression models which estimate the odds of being poor in 1980, 1990, and 2000. In each year Model I controls only for the effects of household labor supply, while Model II adds the effects of family structure, residence, and other characteristics of the householder. The intent of Model I is to evaluate the effect of household labor supply on poverty and to assess how that effect has changed over time. The intent of Model II is to add a block of other important explanatory variables to examine how these variables influence the effect of household labor supply on poverty and how each has changed over time.

Not surprisingly, Model I shows that across all years the household labor supply variables have a strong negative effect on poverty, and show that greater labor market attachment among both householders and other members of the household exerts greater downward pressure on poverty. In fact, no other single set of variables introduced to the model carry the same explanatory power (data not shown). However, as the coefficients in Model I are compared over time an interesting trend emerges. The strength of the negative effect of labor supply on poverty among householders has lessened over time. Both full-time, full-year work and part-time, part-year work by the householder exert significantly less downward pressure on poverty in 2000 than was the case in 1980. In contrast, the negative effect on poverty of additional workers, both full-time and part-time, increased significantly between 1980 and 2000. The substantive implication is that while household labor supply continues to be the single most important factor in the model for explaining the likelihood of being poor, the ability of a single bread winner to keep their family out of poverty is significantly less in 2000 than it was in 1980, while the importance of other working household members is significantly greater.

This raises the question, however, of how other factors have influenced this relationship. As outlined in Chapter 2, America has witnessed substantial changes in labor force composition as well as labor demand. Indeed, taken as a whole these variables hold greater explanatory power in each year than the household labor supply variables taken alone (data not shown). Model II adds the effects of family structure, residence, and characteristics of the householder and the job he or she works. Not surprisingly, in 1980 and 1990 the addition of these variables attenuate the effect of the household labor supply variables. In 2000, this remains true for the effect of additional workers, but the negative effect of householder's labor supply actually *increases* with the inclusion of the full range of controls. That is, with all other variables considered the labor supply of the householder becomes an even stronger predictor of poverty. In fact, all of the household labor supply variables, with the exception of other part-time, part-year workers, exert significantly greater downward pressure on poverty in the full model in 2000 as compared to the full model in 1980. The substantive implication is that, considering other factors, household labor supply has become significantly more important for providing families protection from poverty.

Model II also illustrates the persistent economic disadvantage faced by single-female headed families. In 2000, single-female heads were over two and a half times ($e^{.979}$=2.661) more likely to be poor than were their married counterparts. This disadvantage did not differ statistically over the three periods observed. Despite the rise in single-female headship having stabilized in the 1990s, that families headed by single mothers face such a persistent economic disadvantage, even when controlling for household labor supply and other characteristics, is troubling. These results lend support to the political focus on the plight of such families, but show also that more is at play in explaining this disadvantage than work and marriage alone – the two pronged focus of PRWORA.

Table 3.6: Logistic regression models of poverty, 1980, 1990, and 2000

	— Models —					
	1980		1990		2000	
	I	II	I	II	I	II
Household labor supply						
Householder FT, FY	-3.207	-2.078	-3.078	-2.904 [a]	-2.639 [a]	-2.681 [a]
Householder PT, PY	-1.184	-0.253	-0.965 [a]	-0.960 [a]	-0.575 [a]	-0.777 [a]
Householder no work (ref.)	—	—	—	—	—	—
Number of others FT, FY	-2.498	-2.248	-2.597	-2.293	-2.756 [a]	-2.573 [a]
Number of others PT, PY	-0.668	-0.619	-0.856 [a]	-0.621	-0.957 [a]	-0.725
Family structure						
Married couple (ref.)		—		—		—
Female head		1.001		1.032		0.979
Male head		0.421		0.385		0.130*
Number of children <6		0.582		0.585		0.538
Number of children 6 to 17		0.485		0.526		0.476
Residence						
Metro (ref.)		—		—		—
Nonmetro		0.329		0.502 [a]		0.448
Not identified		0.436		-0.146*		-1.520*
Region						
Northeast (ref.)		—		—		—
South		0.201		0.482 [a]		0.230
Midwest		-0.079*		0.271 [a]		0.036*
West		-0.124*		0.173 [a]		-0.081*
Householder Characteristics						
Age						
18-24		0.868		0.923		0.798
25-34		0.233		0.201		0.333
35-44 (ref.)		—		—		—
45-54		0.026*		-0.340 [a]		-0.022*
55-64		-0.486		-0.862 [a]		-0.406
Education						
Less than high school		0.634		0.748		0.510
High school (ref.)		—		—		—
More than high school		-0.398		-0.487		-0.587 [a]
Race/ethnicity						
White (ref.)		—		—		—
Black		0.921		0.779		0.736
Hispanic		0.739		0.823		0.945 [a]
Other		0.862		0.710		0.909
Class of worker						
Private		-1.574		-1.105 [a]		-1.239 [a]
Public		-1.581		-1.411		-1.633
Self-employed (ref.)		—		—		—

— Table continues —

Table 3.6 continued

Industry						
Services (ref.)		—		—		—
Extraction		0.511		0.204*		0.232*
Manufacturing		-0.549		-0.539		-0.455
Transportation		-0.544		-1.003 [a]		-0.568
Trade		0.256		0.416		0.473
FIRE		-0.490		-0.356		-0.673
Occupation						
Professional (ref.)		—		—		—
Technical and sales		0.216		0.376		0.581 [a]
Service		0.773		1.226 [a]		1.274 [a]
Operators and laborers		0.496		0.952 [a]		1.059 [a]
Intercept	0.296	-1.506	0.532 [a]	-1.229	0.280	-1.052 [a]
-2LL	17,886	13,612	16,730	12,308	13,518	10,216
R^2_L	0.373	0.549	0.424	0.604	0.387	0.563
Number of cases	40,797		35,428		29,805	

* Coefficients are **not** statistically significant at $p < .05$.
[a] Coefficient is significantly different from that estimated for the respective 1980 model. For a discussion of this test see Paternoster et al. (1998).
Note: Analysis restricted to householders age 18 to 64 years. FT, FY = full-time, full-year. PT, PY = part-time, part-year.

Model II also affirms the persistent disadvantage of those living in nonmetro areas, as compared to their counterparts in metro areas. Consistent with Lichter et al. (1994), the results show that the odds of poverty increased significantly in nometro areas during the 1980s. However, the situation improved for nonmetro families relative to those in metro areas during the 1990s. By decade's end nonmetro families were still significantly more likely to be poor than were their metro counterparts, though not significantly more so than was the case in 1980. The results also show that, relative to the Northeast, the 1980s were unkind to most regions of the country. The South, however, remains distinctive for suffering a persistent economic disadvantage during all periods observed.

The results illustrate the importance of human capital in determining economic outcomes. Young householders are shown to carry a significant disadvantage as compared to those that are farther along in their working years. This, of course, is not surprising. As workers gain more experience, they in turn gain a stronger foothold in the labor market. The results also show a consistent disadvantage among those with less than a high school degree and a consistent advantage among those with education beyond high school. In fact, the advantage of those with schooling beyond high school was significantly greater in 2000 as compared to 1980.

Families headed by racial and ethnic minorities faced significantly greater odds of being poor than did their white counterparts in all three periods. For blacks and those of other races this disadvantage did not change significantly over time, an unfortunate commentary on the ability of minorities to achieve economic assimilation. Even more unfortunate, Hispanic families actually realized a significant increase in their odds of being poor during the 1990s. Despite the economic good times of the mid-to-late 1990s, families headed by Hispanics were nearly two and a half times ($e^{.945}$=2.572) more likely to be poor than were their white counterparts in 2000. Some of this disadvantage is no doubt explained by the economic disadvantages faced by immigrants, an explanation that cannot be explored here due to data limitations. However, this finding is particularly troubling as the Hispanic population has grown to be the nation's largest racial/ethnic minority group.

Model II also shows that family heads working in either the private or public sector realize a significant advantage over those who are self-employed. However, the models also show that the protection from poverty provided by private sector employment was significantly lower in 1990 and 2000 than was the case in 1980. The results also illustrate differences in economic disadvantage between major industrial sectors. Families headed by an individual working in wholesale or retail trade are shown to face the most persistent disadvantage over time. Those working in service industries and extractive industries also face a higher likelihood of being poor than do their counterparts in other industries. Last, not surprisingly families headed by individuals in professional occupations are significantly less likely to be poor than are those headed by individuals in other occupations. In fact, this has become increasingly true over time. In 2000, families headed by individuals in technical and sales jobs, service jobs, and machine operators and laborers were all significantly more likely to be poor than they were in 1980. Families headed by individuals in service occupations were more than three and a half times ($e^{1.274}$=3.576) as likely to be poor as their professional counterparts, and operators and laborers were not much better off ($e^{1.058}$=2.883). Considering where the job growth is in the "new economy" these results lend support to the chorus of analysts that warns of the negative consequences associated with the growth of the low-wage labor market and the bifurcation of economic opportunity that is occurring as a result.

Table 3.7 presents logistic regression models which estimate the odds of being poor separately for nonmetro and metro areas in 1980, 1990, and 2000. These models include only the effects of household labor supply on poverty, and thus correspond to the Model Is in Table 3.6. The results show that full-time, full-year work, whether performed by the householder or other members of the household, has consistently provided significantly less protection from poverty in nonmetro areas over time. This is also true of part-time, part-year work in 1980 and 1990, though in 2000 no statistically significant difference existed between metro and nonmetro areas in this regard.

Table 3.7: Logistic regression models of poverty by residence with the effects of labor supply only, 1980, 1990, and 2000

	— Models —					
	Nonmetropolitan			Metropolitan		
	1980	1990	2000	1980	1990	2000
Household labor supply						
Householder FT, FY	-2.526 [b]	-2.278 [b]	-2.302 [b]	-3.727	-3.397 [a]	-2.736 [a]
Householder PT, PY	-0.922 [b]	-0.557 [a, b]	-0.404 [a]	-1.341	-1.116 [a]	-0.630 [a]
Householder no work (ref.)	—	—	—	—	—	—
Number of others FT, FY	-1.877 [b]	-2.096 [b]	-2.485 [a, b]	-3.171	-2.824 [a]	-2.846 [a]
Number of others PT, PY	-0.544 [b]	-0.725 [a, b]	-0.909 [a]	-0.757	-0.925 [a]	-0.984 [a]
Intercept	0.027 [*, b]	0.242 [a, b]	0.265 [a]	0.485	0.646 [a]	0.296 [a]
-2LL	6,159	4,823	3,171	10,197	11,654	10,293
R^2_L	0.276	0.316	0.352	0.460	0.467	0.398
Number of cases	11,603	8,875	6,804	22,230	25,934	22,923

[*] Coefficients are **not** statistically significant at $p < .05$.
[a] Coefficient is significantly different from that estimated for the respective 1980 model.
[b] Coefficient is significantly different from that estimated for the respective metro model.
Note: Analysis restricted to householders age 18 to 64 years. FT, FY = full-time, full-year. PT, PY = part-time, part-year.

However, between 1980 and 2000 those living in metro areas experienced a significant reduction in the protection from poverty allowed by full-time, full-year work by the householder. Nonmetro areas, in contrast, experienced no significant changes in this regard. So, while the effect of full-time, full-year work on poverty remains significantly stronger in metro areas relative to nonmetro areas, the experience of metro workers appears to be converging with the nonmetro reality. Meanwhile, the importance of having workers in addition to the householder has increased significantly in both settings. These results are consistent with the descriptive findings which showed increasing labor market attachment and reliance on earnings among the poor, and residential convergence in this regard over time.

Table 3.8 presents residence-specific models with the full range of control variables, and thus corresponds to the Model IIs in Table 3.6. The addition of the control variables paints a different picture of the relationship between household labor supply and poverty than was presented in Table 3.7. While the results in Table 3.7 showed no significant change in nonmetro areas in the effect of full-time, full-year work by the householder over time, with the inclusion of controls this effect is shown to have increased significantly between 1980 and 2000. Further, while Table 3.7 indicated convergence between metro and nonmetro areas over this period was being driven by a weakening of the effect of full-time, full-year work among householders in metro areas, Table 3.8 shows an increase in the protection from poverty allowed by full-time, full-year work in nonmetro areas to be behind this convergence. In both 1980 and 1990 full-time, full-year work by the householder offered significantly less protection from poverty in nonmetro areas relative to metro areas. However, as of 2000 there was no significant metro-nonmetro difference in this regard. The same was true of the effect of the number of full-time, full-year workers in addition to the householder. Surprisingly, part-time, part-year work by householders in nonmetro areas is shown to offer no more protection from poverty than not working at all. The modest effect of the number of other household members working less than full-time did not differ significantly over time or in comparison to metro areas.

In metro areas, with the inclusion of the full-range of controls, there was no discernable trend in the effect of household labor supply on poverty. In 1990, the effect of householder's labor supply on poverty, both full-time and part-time, increased significantly in metro areas. As of 2000, however, none of the household labor supply variables in metro areas differed significantly from those estimated in the 1980 model.

Table 3.8: Logistic regression models of poverty by residence, 1980, 1990, and 2000

	— Models —					
	Nonmetropolitan			Metropolitan		
	1980	1990	2000	1980	1990	2000
Household labor supply						
Householder FT, FY	-1.323 [b]	-1.954 [a, b]	-2.294 [a]	-2.620	-3.410 [a]	-2.838
Householder PT, PY	0.261 [*, b]	-0.245 [*, b]	-0.259 [*, b]	-0.549	-1.322 [a]	-0.974
Householder no work (ref.)	—	—	—	—	—	—
Number of others full-time	-1.751 [b]	-1.806 [b]	-2.347 [a]	-2.868	-2.568	-2.674
Number of others part-time	-0.590	-0.552	-0.762	-0.631	-0.667	-0.728
Family structure						
Married couple (ref.)	—	—	—	—	—	—
Female head	0.956	1.127	1.049	0.995	0.965	0.961
Male head	0.603	0.252 [*]	0.229 [*]	0.345	0.421	0.100 [*]
Number of children <6	0.639	0.558	0.674	0.569	0.598	0.514
Number of children 6 to 17	0.480	0.510	0.566	0.505	0.538	0.457
Region						
Northeast (ref.)	—	—	—	—	—	—
South	0.250 [*]	0.550	0.615	0.241	0.503 [a]	0.202
Midwest	0.181 [*, b]	0.433	0.457 [a, b]	-0.234	0.206 [a]	-0.084 [*]
West	0.033 [*]	0.388	0.162 [*]	-0.109 [*]	0.129 [*]	-0.101 [*]
Householder Characteristics						
Age						
18-24	0.749	1.127	0.313 [*, a]	0.934	0.840	0.930
25-34	0.191 [*]	0.262	0.122 [*]	0.265	0.154	0.382
35-44 (ref.)	—	—	—	—	—	—
45-54	-0.021 [*]	-0.463 [a]	0.072 [*]	0.109 [*]	-0.277 [a]	-0.052 [*]
55-64	-0.280	-0.723 [a]	-0.263 [*]	-0.578	-0.937 [a]	-0.441
Education						
Less than high school	0.877 [b]	0.600 [a, b]	0.176 [*, a, b]	0.526	0.854 [a]	0.641
High school (ref.)	—	—	—	—	—	—
More than high school	-0.459	-0.378	-0.548	-0.357	-0.547	-0.584 [a]
Race/ethnicity						
White (ref.)	—	—	—	—	—	—
Black	1.087	0.861	0.481 [a]	0.879	0.745	0.785
Hispanic	0.572	0.682	0.619	0.799	0.811	0.957
Others	0.662	0.453 [*]	0.941	0.974	0.762	0.905
Class of worker						
Private	-1.626	-1.401 [b]	-1.477	-1.441	-0.846 [a]	-1.107 [a]
Public	-1.387	-1.673	-1.954	-1.580	-1.184	-1.482
Self-employed (ref.)	—	—	—	—	—	—

— Table continues —

Table 3.8 continued

Industry						
Services (ref.)	—	—	—	—	—	—
Extraction	0.426	0.164*	0.286*	0.321*	0.116*	0.115*
Manufacturing	-0.562	-0.429	-0.453	-0.546	-0.627	-0.443
Transportation	-0.376*	-1.008	-0.804	-0.707	-0.996	-0.503
Trade	0.417	0.325*	0.350*	0.142*	0.428 [a]	0.516 [a]
FIRE	-0.364*	0.222*	-1.305	-0.556	-0.543	-0.586
Occupation						
Professional (ref.)	—	—	—	—	—	—
Technical and sales	0.047*	0.119*	0.584	0.311	0.468	0.547
Service	0.156*, [b]	0.990 [a]	1.298 [a]	0.987	1.276	1.238
Operators and laborers	0.211*	0.644	0.886 [a]	0.602	1.038 [a]	1.090 [a]
Intercept	-1.758 [b]	-1.195 [a]	-1.047 [a]	-1.282	-1.035	-0.991
-2LL	4,759	3,729	2,499	7,673	8,407	7,651
R^2_L	0.476	0.505	0.515	0.618	0.640	0.579
Number of cases	11,603	8,875	6,804	22,230	25,934	22,923

* Coefficients are **not** statistically significant at $p < .05$.
[a] Coefficient is significantly different from that estimated for the respective 1980 model.
[b] Coefficient is significantly different from that estimated for the respective metro model.
Note: Analysis restricted to householders age 18 to 64 years. FT, FY = full-time, full-year. PT, PY = part-time, part-year.

Consistent with the descriptive results, both Table 3.7 and Table 3.8 suggest metro-nonmetro convergence in the relationship between work and poverty, but the two tables tell different stories about why this trend has occurred. In Table 3.7, which included only the effects of household labor supply, the story seemed to be that while work consistently provided less protection from poverty for nonmetro families, the advantage enjoyed by metro workers in this regard had lessened significantly over time. With the inclusion of controls, however, another story emerges. Table 3.8 also shows the historical disadvantage of nonmetro workers, but this disadvantage ceases to exist by 2000 due to significant improvement in the protection from poverty provided by full-time, full-year work in nonmetro areas; part-time, part-year workers, on the other hand, continue to face a significant disadvantage. This suggests that in metro areas it is not so much the case that the relationship between work and poverty is changing, but rather the composition of the metro labor force. The convergence between metro and nonmetro areas is likely being driven by the increasing labor supply in metro areas of those who are more likely to be poor, for example, single women with children. This is consistent with the experience of the mid-to-late 1990s, when large numbers exited the welfare rolls and entered the labor market in response to welfare reform and strong labor demand. In nonmetro areas, on the other hand, the results indicate that the story of labor market bifurcation, of good jobs versus bad jobs, may be particularly salient. While full-time, full-year workers made gains relative to their metro counterparts, families headed by part-time, part-year workers remained at a significant disadvantage relative to their metro counterparts, and, in fact, did not significantly differ in their odds of poverty compared to families whose head did not work at all.

Most of the additional predictors play out in a similar fashion between metro and nonmetro areas. Single female-headed families face a distinct disadvantage as compared to other family types, though no significant differences exist between metro and nonmetro areas. Regionally, those living in the South remain disadvantaged relative to other parts of the country, and those living in the nonmetro Midwest are significantly more likely to be poor than their metro counterparts in 1980 and 2000.

As for the characteristics of householders, the effect of age is relatively stable between both metro and nonmetro areas, with younger householders being more likely to be poor than those that are in their prime working years. In both settings age allowed significantly more protection from poverty in 1990 as compared to 1980, though this advantage was no longer significant in 2000. In fact, in nonmetro areas in 2000 there were no significant age effects for householders, after controlling for other factors. The effect of education on poverty shows interesting differences between metro and nonmetro areas. The disadvantage of those with less than a high school education as compared to high school graduates fell precipitously and significantly in nonmetro areas, both relative to earlier periods and their metro contemporaries. In fact, in 2000 no significant difference exists in the likelihood of being poor between those with a high school diploma and those without one in nonmetro areas. This is an interesting finding and one that merits further investigation. It could be that lower educational attainment has become less of a stumbling block for nonmetro workers. Alternatively, the premium associated with a high school degree may have declined in rural areas.

Families headed by racial/ethnic minorities are shown to face a distinct disadvantage in both metro and nonmetro areas. Surprisingly, given the legacy of persistent poverty among rural minority groups, no significant differences between metro and nonmetro areas are found in this regard. In fact, the models show a significant improvement in the circumstances of nonmetro blacks by the end of the 1990s.

Predictors of the job characteristics of household heads show public and private employment to offer greater protection from poverty than self-employment. However, private sector employment has offered metro workers less protection in more recent periods as compared to 1980, and the advantage of private sector employment was significantly greater in nonmetro areas in 1990. The bifurcation in economic circumstances between industries shown in earlier models is again apparent here, and there has been a particular loss of ground among those working in wholesale and retail trade in metro areas. Last, the disadvantage of those in service occupations has grown significantly over time in nonmetro areas, while the disadvantage of operators and laborers has increased in both metro and nonmetro areas alike.

Discussion

This chapter presented a statistical portrait of the relationship between work and poverty between 1980 and 2000, focusing on differences between metro and nonmetro areas. The results provide evidence of both persistence and change. Historically, working poverty has figured more prominently among the nonmetro poor. However, over the last two decades, and particularly between 1990 and 2000, there has been significant residential convergence in this regard. An increasing percentage of the poor in both settings have entered the labor market, and with greater labor force participation have come to rely more on earnings from work and less on welfare to support their families than was true in the past.

As stated previously, this trend can be viewed in quite different ways. One is to see the reduction in welfare dependence as a public policy victory, while another is to be alarmed at the rise in working poverty. The reality is there are reasons for both optimism and concern. On the optimistic side, to the degree that the working poor are seen as more "deserving," this may prove a prime opportunity to make strides toward providing the type of work supports so desperately needed by low-wage workers. And while the rural poor are typically forgotten in the public policy dialogue, as the circumstances of the urban and rural poor converge it becomes more likely that policy prescriptions that better meet the needs of all on the economic margins will come to pass. On the pessimistic side, there are no doubt some who simply view cutting the welfare numbers as the endgame. If PRWORA is to live up to its name, personal responsibility should be demanded, but so should decent work opportunity.

PRWORA sought to reduce poverty and encourage economic self-sufficiency by promoting work and marriage. Indeed, the results here confirm that both are critical to explanations of poverty. They do not, however, represent a sufficient condition for escaping its grasp. While the majority of the poor are now working, most are working part-time, part-year. The findings here show that in nonmetro areas, in particular, such work allows little more protection from poverty than not working at all, an important new finding and one that warrants further investigation. Clearly, the problem of marginal employment should be central to the national poverty dialogue, and is especially relevant for the rural poor.

Employment and welfare receipt represent two important livelihood strategies for low-income families. But critical for making ends meet among many families is the ability to engage in a wider range of economic strategies. While other types of economic strategies are often overlooked by both poverty researchers and policymakers, recent research has begun to fill this void (see for example Edin and Lein 1997; Nelson and Smith 1999). It is to a broader examination of livelihood strategies that I turn in the following chapter.

Chapter 4

The Livelihood Strategies of Families in Rural Pennsylvania

Introduction

The uncertainties brought about by globalization and economic restructuring have led many to question not only the changing relationship between formal work and economic well-being, but also the role of informal economic activities as a livelihood strategy in advanced capitalist nations (Portes et al. 1989; Tickamyer and Bohon 2000). Traditionally, economists and sociologists have maintained that as capitalist economies advance, reliance on informal economic activities undergo concomitant decline. More recently, however, many analysts have challenged this assumption (Castells and Portes 1989; Gaughan and Ferman 1987; Portes and Sassen-Koob 1987; Tickamyer and Bohon 2000). Research on ethnic enclaves and immigrant employment, the division of labor in "global cities," and the livelihood strategies of both the rural and urban poor have led to growing recognition that informal work is "more widespread and less understood than previous accounts suggest" (Tickamyer and Bohon 2000: 1338).

While notable exceptions exist (see Jensen et al. 1995; Tickamyer and Wood 1998, 2003), to date most of what is known about informal economic activity has been drawn from qualitative research. These studies have produced rich sources of information on specific groups and locales, but fail to provide information on the scope and prevalence of such activities across larger populations. Therefore, many questions remain as to just how prevalent informal economic activities are and how they fit in to the broader livelihood strategies people pursue.

Conceptual and Theoretical Considerations

As noted in Chapter 2, one of the primary obstacles to the study of informal work is a lack of conceptual clarity. Tickamyer and Wood (2003: 395) point out that "typically, informal activity is defined by what it is not: it is not part of the formal economy; it is not regulated; it is not counted in official statistics and national accounting schemes." An oft-cited definition of the informal economy is that of Castells and Portes (1989: 12) who define it as "a process of income-generation characterized by one central feature: *it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated*" (original italics). However, beyond this point of general agreement, conceptual definitions of informal economy are quite varied. This is due in part to the fact that the line between the formal and informal economies is a very blurry one. It is easy, for example, to imagine the small entrepreneur who moves seamlessly between the two, sometimes consciously, but often without acknowledging the distinction. For this reason Tickamyer and Wood (2003) suggest that rather than conceptualizing formal and informal work as a dichotomy, a continuum is more appropriate, with some activities occupying admittedly murky ground. Another important distinction is between informal and criminal activities (Portes 1994). The informal economy primarily involves licit economic activities, though this line too can be a blurry one.

Generally, the literature identifies three broad categories of informal economic activity defined by type of exchange (Tickamyer and Wood 1998, 2003; Tickamyer and Bohon 2000). These include unreported or "under the table" money exchanges for goods and services; barter and trade of goods and services; and activities done to self-provision or save money. For example, one might imagine an individual with carpentry skills. This person might engage in side work in exchange for cash. This person also might do work in return for child care or vehicle repair. Or this person might choose to do work on his or her home or property, instead of hiring someone else, in order to save money. While the carpenter serves as a ready example, the specific types of activities in which people engage vary greatly depending on the social context; between rural and urban areas, and between various ethnic groups, for example.

Varied also are ideas about the relationship *between* the formal and informal economies. While the two are inextricably linked (note that conceptually one could not exist were it not for the other), there are competing ideas about the role of economic marginalization and social class in affecting participation in the informal economy, and whether informal work serves as a substitute for or complement to formal work. In other words, both income and labor supply are important considerations. Another important consideration is the social embeddedness of economic action (Granovetter 1985). Portes (1994) notes that since informal economic activity, by definition, bypasses state regulation, the degree to which social relationships and networks facilitate and constrain economic action, and sanction those who violate the trust upon which such relationships depend, is all the more important. In fact, some argue that the building of social capital is often the most valuable form of remuneration in informal exchanges (Levitan and

Feldman 1991). And while informal economic activities have been shown to be highly gendered (Nelson 1999; Nelson and Smith 1999), much less empirical evidence has been offered as to how household structure shapes participation in the informal economy.

In this chapter, I use two data sources to examine these issues as they apply to the livelihood strategies of families in rural Pennsylvania. Specifically, I seek to (1) describe the alternative economic strategies used by families to make ends meet, including formal work, participation in assistance programs, and participation in the informal economy; (2) identify the motivations for participation in informal economic activities; and (3) empirically articulate the relationship between participation in informal economic activities and labor supply, income, household structure, social capital, and other key variables.

Methods

The data presented in this chapter were collected in two stages. In the first stage, in-depth interviews were conducted with members of 26 low-income households from across rural Pennsylvania to provide personal accounts of the alternative economic strategies families use to get by. In the second stage, data were collected using a telephone survey to provide more representative data on the range of strategies combined by families to make ends meet. I elaborate on each stage below.

Stage 1

Anthropologist Janet Fitchen once called upon social scientists to "listen first before you ask" (1990:16). The rationale is straightforward. Not only does fieldwork provide a study richer context and depth, it can also serve to enhance both the design of questionnaires and the interpretation of survey data. The first stage of the data collection was undertaken with Fitchen's advice in mind.

I began conducting interviews with members of low-income families living in nonmetro Pennsylvania during the summer of 2003 and completed the process late in the fall of that year. Respondents were drawn from 5 of Pennsylvania's 35 nonmetro counties. The five counties selected for the study were chosen to represent the regional and economic diversity of rural Pennsylvania. The rural-urban continuum (RUC) codes and economic and policy typologies of the Economic Research Service (ERS), USDA, were used to help guide the county selection.[1]

The first county was home to an urban population of between 2,500 and 19,999 and was not adjacent to a metro area; its economy was classified as manufacturing dependent. The second county was also home to an urban population of 2,500 to 19,999, but was adjacent to a metro area. The economy of this county was not specialized. The third county had an urban population of 2,500 to 19,999, was adjacent to a metro area, and was dependent on coal mining and transfer payments. The fourth county was completely rural and not adjacent to a metro area. The economy of this county was

[1] The definition of the rural-urban continuum codes and the county economic and policy typologies of the ERS, USDA, are provided in Appendix A.

dependent on government and transfer payments, and was also classified as a federal lands county. The last county selected for the study was completely rural, but adjacent to a metro area. This county was classified as a commuting county since 40 percent or more of its residents traveled outside the county to work.

In each county Penn State Cooperative Extension professional staff were contacted and asked to identify individuals who were involved in some capacity with the low-income population. Once intermediaries were identified and convinced of the legitimacy of the project, these individuals helped to contact potential respondents and schedule interviews.[2] At each site, I aimed to interview one working-age member from five families (3 married couple families; 2 single mother families). Among the married couple families I tried to interview at least one husband and one wife (the third respondent could be either a husband or a wife). I also aimed to speak with individuals whose family had at least one working member. Most of the interviews were held in people's homes, though a substantial minority were held in other mutually acceptable places, such as social service offices. A majority of the interviews were conducted one-on-one, though a number of couples participated jointly, and other family members often offered intermittent input. Each interview lasted approximately an hour and a half. Respondents were compensated $20 in exchange for their participation.

The interviews were semi-structured and sought to elicit information on the range of economic activities families were using to make ends meet. The instrument included

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[2] The individuals who helped with this stage of the project were vital to its success. Not only did they help to identify potential interviewees, they helped legitimize my efforts with individuals who might otherwise have been wary of my intentions. I owe a multitude of people a debt of gratitude for generously aiding me in this stage of my research.

questions about personal background and current household structure, work and barriers to employment, experience with assistance programs, informal work and barter, spending and self-provisioning, overall financial status, material hardship, and social policy.[3] All interviews were tape recorded and the transcriptions later analyzed. In all, 6 married women, 3 married men, 6 married couples, and 11 single mothers were interviewed.

Stage 2

The use of telephone surveys has been advocated as a means of answering important questions concerning the forms and prevalence of informal economic activity (Tickamyer and Wood 1998, 2003). Telephone surveys have several advantages over other survey techniques, including lower cost, easier accessibility to a broad population, time efficiency, and greater respondent anonymity. In addition, Random Digit Dialing (RDD) techniques make it possible to target samples based on the demographic characteristics of local telephone exchanges, such as income.

Perhaps the primary reason for the dearth of survey research on the informal economy is that conventional wisdom holds that survey respondents will be both unwilling and unable to answer survey questions on the subject (Tickamyer and Wood 1998, 2003). Conceptually, the informal economy does not occupy a prominent place in everyday consciousness, so people often fail to recognize the extent of their involvement. Furthermore, because the line between the informal and illegal is often a blurry one, respondents may be unwilling to be forthcoming as to their full involvement. A number

[3] A copy of the interview instrument is available in Appendix B.

of recent studies, however, have challenged these assumptions and shown the study of informal work to be amenable to survey research (Jensen et al. 1995; Tickamyer and Wood 1998, 2003) as well as multi-method techniques that combine interview and survey data (Nelson 1999; Nelson and Smith 1999; Ziebarth and Tigges 2003).

Survey data were collected using a telephone survey of nonmetro Pennsylvania family households in May, 2004. The survey was administered by the Penn State Survey Research Center using Computer Assisted Telephone Interviewing (CATI). The survey instrument covered a broad range of livelihood strategies including formal and informal work, and participation in assistance programs. In addition, the survey instrument included questions about household structure, community, and the economy. Prenotification letters, including a $1 cash incentive, were mailed to names and addresses matching the telephone numbers in the sample (sampling is discussed in more detail below).[4] To be eligible for the study, the household was required to have 2 or more individuals related by blood, marriage, or adoption living in the household. Among eligible households, one adult was randomly selected to be the respondent. If the respondent was unable to complete the survey at the time they were reached, a more convenient time was scheduled to call back and complete the survey. This method yielded an overall survey response rate of 52 percent.

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[4] Information on the survey methodology is available in Appendix C.

Sampling

A sample was desired that would be representative of families in nonmetro Pennsylvania, but that would also feature an oversampling of low-income families. To this end, a sample was purchased that provided a random sample of listed telephone numbers, distributed proportionately across nonmetro Pennsylvania. Respondents were drawn from all 35 nonmetro Pennsylvania counties. Using a predictor of household income derived from a multiple regression analysis of both individual household data and Census data at the block group level, the sample was pulled in two separate income groups; 80 percent of the sample was pulled from records with predicted incomes below $15,000, while the remaining 20 percent of the sample was pulled from records with predicted incomes of $15,000 or more.

Table 4.1 presents selected data from the sample and compares it to data from the 2000 Census. Compared to the Census data the sample is comprised of slightly more women, and people tend to be better educated and less attached to the labor force. The sample is also predominately white, which matches closely with the Census data. Due to the sampling strategy, the sample has a greater share of low-income families than is shown by the Census. Respondents in the sample are less likely to be married, than is reflected by the Census data, though the number of unmarried in the sample is likely inflated because respondents were not necessarily the householder (i.e., the respondent could be an adult child living in a married couple household). Households in the sample are less likely to have children present and are slightly smaller in size. In part, this reflects the fact that 23.1 percent of the households in the sample were comprised only of elderly (65+) individuals. The large proportion of elderly-only households is due in part to the sampling strategy (i.e., the oversampling of lower-income households). But it is also the case that at 15.4 percent, Pennsylvania ranks second only to Florida in the proportion of the state population aged 65 years and higher (Hetzel and Smith 2001). In many rural locales this is exacerbated by high youth outmigration.

Measuring Informal Work

Following the approach used in previous survey research (Jensen et al. 1995; Tickamyer and Wood 1998, 2003), respondents were asked about the participation of household members in particular tasks to measure involvement in informal economic activities. The preamble read: "I'm going to read a list of extra work some people do to help make ends meet. You or others in your household might be doing one or more of these things to save your family money, earn extra money, or in exchange for something else. Again, we're interested in things people in your household are doing to help make ends meet. We ask that you do not include something done purely for recreation or as a hobby." Thirteen closed ended questions followed that asked if, in the past 12 months, any member of the household had participated in a particular informal economic activity.[5] If the respondent answered that any member of the household had done so, additional questions followed to ascertain which one(s), whether the activity was done primarily to "save money, earn

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[5] A list of the specific informal economic activities asked in the survey and the percentage of the sample who report engaging in each is shown in Table 4.4. For an in-depth discussion of this approach to measuring informal work see Tickamyer and Wood (1998).

extra money, or in exchange for something else," and how important that activity was to the ability of their family to make ends meet.

Table 4.1: Sample characteristics compared to 2000 Census data for nonmetro Pennsylvania

Variable	Sample*	2000 PUMS 5%
Individual		
Gender (%)		
Male	45.9	49.3
Female	54.1	50.7
Race/Ethnicity (%)		
White	96.6	96.8
Black	0.7	1.0
Hispanic	2.2	1.2
Other	0.5	1.0
Education (%)		
Less than high school	10.1	18.6
High school	46.2	47.9
More than high school	43.7	33.5
Employment (%)		
Working	49.5	65.2
Not working	48.7	34.8
Median age	42.0	45.0
Household		
Household income (%)		
Less than $25,000	30.7	20.3
$25,000 - $49,000	31.2	37.5
$50,000 or more	37.4	42.3
Family structure [a] (%)		
Married	71.4	83.1
Unmarried	28.6	16.9
Children present (1 or more)	38.2	59.9
Median household size	2.0	3.0

Note: 2000 Census data restricted to family households. For both data sets data on individuals are restricted to those over the age of 18. Percentages may not sum to 100 due to rounding. Data from the sample are restricted to those providing valid responses.

[a] Information on martial status is limited to the respondent.

* Individual N=991 Household N=476

Data Analysis Strategy

In the analysis to follow I present findings from the survey data, interweaving the words of interview respondents to provide greater context and depth to the quantitative results. Throughout, the unit of analysis is the household. In keeping with Chapter 3, I begin by examining household labor supply and participation in assistance programs. I then turn to participation in informal economic activities, paying special attention to its relationship with income, reasons for participation, and its combination with formal work and Public Assistance as a household livelihood strategy. Throughout the descriptive analysis comparisons are made between those with annual household incomes of $25,000 or more and those with annual household incomes of less than $25,000. The intent is to shed light on differences in the economic strategies of low-income households and those of greater means. The $25,000 household income cutoff is arbitrary, although certainly "low-income" by any reasonable definition. Unlike the official poverty threshold, it does not take into account family composition. Nevertheless, it provides a basis upon which to gain a better understanding of how household income shapes the economic strategies that families pursue.

The multivariate analysis uses logistic regression to model participation in the informal economy. The intent of these models is to shed light on the following questions that evolve from the literature: (1) What is the relationship between labor supply and participation in informal economic activities; (2) What is the relationship between household income and participation in informal economic activities; (3) What is the relationship between household structure and participation in informal economic activities; and (4) What is the relationship between social capital and participation in informal economic activities? Other variables shown to be related to engagement in the informal economy are also examined.

Findings

Formal Employment

Table 4.2 shows the mean percent of adult family members in the sample by employment status. Overall, an average of 37.5 percent of adult family members were working full-time (35 hours/week or more), 15.1 percent were working part-time (less than 35 hours/week), and 48.5 percent were not currently working outside the home. It should be noted that these numbers are skewed by the presence of elderly-only households. When the analysis is restricted to households where non-elderly adults are present, an average of 48.6 percent of adults were working full-time, 18.1 percent were working part-time, while 34.7 percent were not currently working (data not shown).

Table 4.2: Mean percent of adult family members by employment status

		Annual family income	
Employment status	Total	Less than $25,000	More than $25,000
Full-time	37.5	13.5 *	51.4
Part-time	15.1	21.5 *	14.7
Not working	48.5	65.5 *	35.7
Number of cases	476	111	250

Note: Statistical significance determined by independent samples t-tests.
* p < .05

Table 4.2 also compares the employment status of families with an annual income of less than $25,000 and those with an annual income of more than $25,000. Not surprisingly, families with lower incomes have a significantly smaller percentage of full-time workers (13.5 percent versus 51.4 percent) and a significantly greater percentage of nonworking adults (65.5 percent versus 35.7 percent). But lower income families also show a significantly greater percentage of adults working part-time as compared to higher income families (21.5 percent versus 14.7 percent). When elderly-only households are excluded from the analysis an average of 19.5 percent of adults in lower income households were working full-time versus 59.8 percent of adults in higher income households. In contrast, an average of 28.4 percent of adults in lower income households were working part-time, compared to 16.2 percent among higher income families. The average percentage of nonworking adults was about twice as high among lower income families (52.8 percent) as among higher income families (26.1 percent).[6] All of these differences remained statistically significant.

Table 4.2 echoes the analysis presented in Chapter 3, showing that labor force attachment is greater among higher income families. However, work that is less than full-time is significantly more prominent among lower income families. It should be noted that those "not working" in Table 4.2 are not necessarily choosing not to work, but also include those that are currently unemployed or on layoff as well as those who would like to be working, but have given up looking. Indeed, the majority of those interviewed

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[6] It should be noted that approximately 30 percent of the sample with household incomes below $25,000 are comprised of elderly-only households, while the comparable percentage among those with household incomes over $25,000 is approximately 15 percent.

for this study spoke of the problem of underemployment. One woman reported that she officially worked 33 hours a week as a waitress, but that during her typical work week she actually put in far more hours. She added that this was not atypical of her area.

> Nobody up here is full-time. Everybody is part-time…In any kind of business if it doesn't have to do with the county…they are all part-time. You can't get more than 28 or 33 hours…They would have to pay you more, pay overtime, pay health benefits, which nobody up here does.

Another woman who worked in the health care industry lamented a long search for full-time work.

> I haven't worked steady in almost a year and a half. [My current] job is part-time; as they need me. So I still haven't found that permanent set schedule thing yet after a year and a half…[My current employer doesn't] have a lot of full-time people. They want part-time people. They don't want to pay benefits.

These quotes illustrate the problem of marginal employment and make clear that differences in employment status do not necessarily reflect work preferences. Low-wages and a lack of fringe benefits plagued many of those interviewed for this study.

> We get by, as far as making it from week to week, but not everything gets paid. It's rob Peter to pay Paul every payday. Who is going to get paid this time? How many days until they call? Can we stretch it out until next payday? It's bad.

In fact, in some cases people saw nonwork as the economically rational option, as illustrated below.

> I don't have any schooling. I mean, I have a little bit of computer classes that I took, but I don't have any schooling that would get me a good job. If I got a minimum wage job, with having the little ones, I would just be giving my money to a babysitter, because they are almost wanting minimum wage now too. So we just felt it was useless for me to go out and work.

Many cited economic restructuring and the loss of manufacturing employment as being central to the economic hardships they were facing. According to the Keystone Research Center's *State of Working Pennsylvania 2003* (Bradley, Herzenberg, and Wiley 2003), between 1990 and 2002 the Commonwealth lost 183,600 (19.4 percent) of its manufacturing jobs. Many of those displaced by restructuring have found it difficult to regain employment in their previous occupations or at comparable wages. One man spoke of the impact of restructuring and his personal experience with displacement.

> All the major companies are laying off where all the good jobs and good opportunities are…[As a result] there are a lot of people that are struggling. They have to be. [This was] a good area where a lot of people were making good money and it's not available anymore. So everyone has had to take different jobs, lower jobs, multiple jobs. No one is living the same way they used to live… You will hear the government say, "Oh, there's loads of jobs out there." Yeah, if you want to work for $6.75 an hour…Obviously when you get laid off and your are making $53,000 a year…you're not going to apply at McDonald's for $6.25 an hour. So you try to apply to the same thing. There is not a lot of it when everyone is laying off. So you're looking is tough and you start lowering your level in what you are going to look for and your expectations.

Another man, discouraged with local employment prospects, reported considering moving his family out of Pennsylvania in search of better employment prospects.

> I might have to leave the state to see if I can get a job. There is nothing around here for me…The plants around here, they are all going out.

Struggling with the loss of "good jobs" and being faced with a new menu of marginal employment options was common among those with whom I spoke.

Participation in Assistance Programs

In tight economic times many of those interviewed reported having turned to various means-tested assistance programs to help make ends meet. One married woman recalled turning to assistance programs to support she and her daughter before getting married.

> On and off for like five or six years, I was getting food stamps or the medical card. It varied…I mean when I was by myself there was times if I wouldn't have had it I wouldn't have had money for groceries. It was a matter of paying bills or buying groceries and surviving.

Another woman, whose husband had left her and their six children, reported that assistance programs had been a critical to her family's survival after she lost her job.

> I have gotten medical assistance, cash and the food stamps…I was at the point that I would not have been able to feed [the children]. I just did not have anything. I don’t get any child support. I was not finding another job. It made a huge difference.

Most viewed participation in assistance programs as undesirable and had a strong desire to be economically self-sufficient. However, many also acknowledged that their financial situation was quite precarious and that with an unexpected setback they could easily find themselves in need of assistance. In fact, one woman stated that with the security of her husband's job in question the couple had discussed the possibility of separating so the she and their children would be eligible for cash assistance.

> If my husband were to lose his job, we'd have to split up as a family. He would have to live with his mother and I would have to take him off the lease so I could get money for my kids and continue getting stamps so they could be fed. We've talked about that. It wouldn't be a divorce or nothing. Just until we got back on our feet we'd have to be separated, so the kids wouldn't go without completely.

Table 4.3 shows that turning to assistance programs is, indeed, a common livelihood strategy. Overall, 40.5 percent of the sample reported participating in some type of means-tested program. Not surprisingly, program participation was significantly higher among those with annual family incomes below $25,000 (59.5 percent) as compared to those with annual family incomes over $25,000 (37.2 percent). Lower income families were significantly more likely to participate in Public Assistance, food stamps, Medicaid, Section 8 housing, energy assistance, child care assistance, and reduced school meals. Interestingly, participation in WIC did not differ statistically by income, while the receipt of Unemployment Insurance was actually greater among those with household incomes over $25,000, probably reflecting greater labor force attachment among this group as well as recent job loss.

Table 4.3: Percent participating in assistance programs

		Annual family income	
Means tested program	Total	Less than $25,000	More than $25,000
Any program	40.5	59.5 *	37.2
Public assistance	11.2	25.2 *	6.8
Food stamps	7.4	24.3 *	2.4
Medicaid	13.4	25.7 *	8.9
Women, Infants, and Children (WIC)	6.7	9.0	6.8
Unemployment Insurance	14.7	11.7	19.2
Section 8	2.1	9.1 *	0.0
Energy assistance	6.1	17.1 *	2.4
Child care assistance	2.7	9.0 *	0.8
Reduced school meals	8.8	22.5 *	4.4
Other assistance programs	8.6	14.4	7.6
Total program participation (mean)			
Total sample	0.8	1.7 *	0.6
Among those with 1+	2.1	2.9 *	1.6
Number of cases	476-470	111-109	250-248

Note: Public assistance includes receiving income from TANF, General Assistance, or SSI. Statistical significance determined by chi-square tests.
*p < .05

Participation in the Informal Economy

Among those interviewed for this study many also turned to the informal economy to make ends meet. The amount of participation varied dramatically, ranging from no informal economic activity at all to near self-sufficiency. One woman reported that she rarely visited a grocery store or had much need to go into town at all, because her family produced much of what they needed themselves.

> We have our own chickens. We have a slaughter house…You know all the meat in the store is expensive and we don't by no meat from the store. We do our own butchering and we have our own garden. We have a milk cow, which we don't get milk from the store. We make our own butter. Basically, we're an old fashion family…If you [have] something and want it butchered you just bring it to us…In fact, deer season is a great source of [family] income.

In contrast, another woman noted that social isolation and a lack of skills kept she and her husband from participating in the informal economy.

> We don't have a whole lot of friends…I'm not mechanically inclined either…[We] don't hunt, don't grow…Don't fix cars…[We] don't have any bartering chips…[We] don't have anything to offer.

Among those who engaged in informal work, the types of activities performed and types of exchange involved varied. For example, one woman noted that bartering with friends and neighbors was an important component of her family's livelihood strategy.

> We helped a friend of ours build a shed, and then he come out and helped us split firewood…We helped another friend build his garage and then he come out and helped us with our garage. You know, we go back and forth that way…[My husband also sells] car parts and stuff. He has a motor out here right now and the guy that wants it grinds tree stumps and we have a whole bunch [of stumps] in our backyard, so he's gonna grind those up in exchange for that motor.

Another woman commented that she and her husband engaged in informal work for cash, barter, and savings.

> We get paid in different ways; $20, a bag of tomatoes, a fan…the guy I clean house for takes me to work in the winter. He's got a four-wheel drive truck. So that's how we get paid. We get paid by *things*. A lot of the time when we do things for people around here it's in exchange for another job. [My husband] just finished painting a house. Well, he's getting paid in two truck loads of stone for our road out there. That's a lot of money we saved [on that gravel].

Many perceived informal work for money as being quite common. One man provided the following comments.

> There's lots of people that work under that table around here. You know, odd jobs for cash. Like when I was working out at the bar, that was just straight up cash. And just the other day, this guy down the road here needed help unloading a truck and I did that. You know, things come up, somebody needs something done, they offer to pay you for it.

Table 4.4 shows the percent reporting participation in informal economic activities in the sample. Participation percentages are presented for the total sample, and separately for those reporting an annual family income below $25,000 and those reporting an annual family income of $25,000 or more. The percentages in the first row of each panel are not cumulative, but rather represent those reporting any participation in each type of exchange. The remainder of the table presents participation percentages in specific types of informal work. The percentages in these rows are cumulative. That is, the column labeled "Overall" is the sum of informal work done for money, barter, or savings; the column labeled "Money/Barter" is the sum of informal work done for money or barter; and the last three columns are the percentage reporting informal work done for money, barter, or savings, respectively.

Overall, 42.2 percent of the sample report participation in some type of informal economic activity, and 31.5 percent report participation in informal work for money or barter. Of the separate types of exchange, the most common form of informal economic activity was performed in exchange for money (27.1 percent), followed by savings or self-provisioning activities (20.4 percent), and barter (9.5 percent). The most common types of informal economic activities were household repair, snow removal, yard work and landscaping, garage sales and flea markets, and personal services (e.g., childcare/babysitting, nursing, housekeeping, and providing transportation to others), respectively. Of these, participation in garage sales/flea markets and personal services were most commonly done for money, while household repair was most commonly done for savings. Yard work/landscaping and snow removal were split relatively evenly between income generation and savings/self-provisioning. Reports of barter were relatively uncommon across activities. In fact, only in one case was it the modal type of exchange (raise, board, or tend non-farm animals), and the percentage reporting participation was negligible (0.8 percent).

Overall, reported participation in the informal economy is below that found by other survey research — Jensen et al. (1995) reported a participation rate of 56.3 percent in another study of nonmetro Pennsylvania, while Tickamyer and Wood (2003) reported a participation rate of 70.6 percent in Kentucky. While reports of informal work done for money or barter correspond closely to past research, reports of savings or self-provisioning activities are far lower — Tickamyer and Wood (2003) found participation in the informal economy for savings to be the modal type of exchange, with participation rates of 60.1 percent for that purpose.

Table 4.4: Percent participating in informal economic activities

Informal activity	Overall	Money/ Barter	Money	Barter	Savings
	— Total (N=476)—				
Any informal activity	42.2	31.5	27.1	9.5	20.4
Household repair	16.0	5.7	4.6	1.1	10.1
Personal service	10.1	8.8	6.9	1.9	0.6
Raise animals/grow produce	2.9	1.1	0.4	0.6	1.9
Raise, board, or tend non-farm animals	1.5	1.3	0.4	0.8	0.0
Crafts/sew	6.5	4.6	3.6	1.1	1.3
Garage sale/flea market	12.4	10.7	9.7	1.1	0.6
Gather/cut firewood	7.1	1.3	0.6	0.6	5.7
Sell or trade clothes, car parts, etc.	8.8	6.7	5.7	1.1	1.9
Bookkeeping/ typing	6.1	1.9	1.5	0.4	4.0
Yard work/landscaping	13.7	6.5	4.4	2.1	6.7
Snow removal	14.1	6.1	3.8	2.3	6.9
Car repair/mechanical	8.8	1.1	1.1	0.0	7.6
Other informal activity	3.2	2.9	2.5	0.4	0.0
Total activities reported (mean)					
Overall	1.1	0.6	0.5	0.1	0.5
Among those with 1+	2.6	1.9	1.7	1.4	2.3
Maximum	10	8	7	3	7
	— Annual family income less than $25,000 (N=111-109) —				
Any informal activity	39.6	27.0	26.1	3.6 *	19.8
Household repair	12.6 *	5.4	5.4	0.0	7.2
Personal service	4.5 *	4.5	3.6	0.9	0.0
Raise animals/grow produce	3.6	0.0	0.0	0.0	3.6
Raise, board, or tend non-farm animals	0.9	0.9	0.9	0.0	0.0
Crafts/sew	4.5	2.8	2.8	0.0	0.0
Garage sale/flea market	10.8	10.0	8.2	1.8	0.0
Gather/cut firewood	2.7 *	0.0	0.0	0.0	2.7
Sell or trade clothes, car parts, etc.	9.9	7.2	6.3	0.9	2.7
Bookkeeping/ typing	3.6	0.9	0.9	0.0	2.7
Yard work/landscaping	10.8	7.2	7.2	0.0	3.6 *
Snow removal	10.8	5.5	5.5	0.0	4.5
Car repair/mechanical	8.1	0.0	0.0	0.0	8.1
Other informal activity	4.5	3.6	2.7	0.9	0.0
Total activities reported (mean)					
Overall	0.9 *	0.5	0.4	0.1 *	0.4 *
Among those with 1+	2.2	1.8	1.7	1.3	1.8 *
Maximum	7	5	5	2	4

— Table continues —

Table 4.4 continued

Informal activity	Overall	Money/ Barter	Money	Barter	Savings
	—Annual family income more than $25,000 (N=250-246) —				
Any informal activity	48.4	36.0	30.0	11.6	24.4
Household repair	22.0	8.0	6.4	1.6	13.7
Personal service	12.4	10.8	8.4	2.4	1.2
Raise animals/grow produce	3.2	1.6	0.8	0.8	1.6
Raise, board, or tend non-farm animals	1.6	1.6	0.4	1.2	0.0
Crafts/sew	8.0	6.0	4.4	1.6	1.6
Garage sale/flea market	14.9	12.6	11.7	0.8	1.2
Gather/cut firewood	11.2	2.4	1.2	1.2	8.4
Sell or trade clothes, car parts, etc.	10.4	8.0	6.8	1.2	2.0
Bookkeeping/ typing	7.2	2.4	2.0	0.4	4.4
Yard work/landscaping	16.8	6.4	4.4	2.0	10.0
Snow removal	17.6	6.1	4.5	1.6	10.2
Car repair/mechanical	11.2	1.6	1.6	0.0	9.2
Other informal activity	2.8	2.8	2.4	0.4	0.0
Total activities reported (mean)					
Overall	1.4	0.7	0.6	0.2	0.6
Among those with 1+	2.9	1.9	1.8	1.3	2.6
Maximum	10	8	7	3	7

Note: Statistical significance determined by chi-square tests.
$*p < .05$

Table 4.4 lends support to those that argue the informal economy is not simply a refuge of the poor. There are very few statistically significant differences between the two income groups compared here, and those differences that do achieve statistical significance show greater participation among higher income households.

However, while participation in the informal economy is shown to differ little between households with annual incomes of less than $25,000 versus those earning more, it may be that this dichotomy is masking differences in participation by income.
Table 4.5 shows the percentage participating in any informal economic activity, informal activity for money or barter, and informal activity for savings or self-provisioning for five income groups. In keeping with Jensen et al. (1995) and the spirit of the good job/bad job thesis of Nelson and Smith (1999), the results suggest the possibility of a curvilinear

relationship between income and informal economic activity generally. However, there is no discernable relationship between household income and any of the specific types of exchange. Further, none of the differences achieve statistical significance, providing further evidence income is not a major determinant of participation in the informal economy.

Table 4.5: Percent participating in informal economic activities by household income

Household income	Any informal economic activity	Money or barter	Savings	Number of cases
Less than $15,000	36.6	31.7	19.5	41
$15,000 - 24,999	41.4	24.3	20.0	70
$25,000 - 34,999	49.1	35.1	28.1	57
$35,000 - 49,999	50.0	41.4	17.2	58
$50,000 +	47.4	34.1	25.9	135

Note: Statistical significance determined by chi-square tests.
* $p < .05$

Reasons for Participation in the Informal Economy

The literature on the informal economy suggests both economic and non-economic motivations for engaging in informal work (Duncan 1992; Portes 1994; Jensen et al. 1995; Levitan and Feldman 1991; Tickamyer and Bohon 2000); a contention further supported by the in-depth interviews. While participation in the informal economy does not appear to differ greatly by income, this does not mean that reasons motivating participation do not. To examine this question, the survey instrument included a list of reasons for participation in informal economic activities adapted from Jensen et al. (1995). This set of questions was asked of respondents reporting their household's engagement in one or more informal activity. Response categories included not important, somewhat important, and very important.

Table 4.6 presents the percentages reporting a particular reason as somewhat or very important for motivating their family's participation in the informal economy. Consistent with the findings of Jensen et al. (1995), the two reasons most commonly cited reasons for engaging in informal economic activities were "to help out neighbors and relatives" (77.2 percent) and "to make ends meet" (69.7 percent). This is also consistent with the information gathered in the interviews. Many interviewees found it difficult to decipher between economic and non-economic motivations. For example, when posed with this dichotomy one man's responses captured the sentiments of many:

> It's both at the same time. I mean, sometimes it's neighborly and sometimes it's to get a little extra cash in my pocket. Whatever the situation calls for.

A number of interviewees did note that informal activities helped get them through hard times. One man stated that, along with participation in assistance programs, informal work had been an important source of family income during a long spell of unemployment. However, now that he had found full-time work, albeit with a two hour commute round-trip, he found himself doing far less.

> Whenever I was out of work that's all we got. Of course, I worked on cars. I worked for my dad. I moved furniture. I did whatever I needed to do. [My wife] actually did tattoos. It got us by. We did a lot of it. I don't have the time for it [now that I'm working] or else I still would.

Another told of a similar experience, having sought out informal work after losing his job, but doing so less after regaining formal employment.

> There used to be more opportunities out there [when I was out of work] because I was looking. When I didn't have the money I was looking for things. It was real crucial to find stuff. If you have the initiative and you go out and look for it it's out there. But if you're not looking, you sure ain't gonna find it.

One woman noted that while she and her husband engage in informal economic activities on a fairly regular basis, such opportunities prove particularly important at certain times of year.

> It can be really worth it to us. The only time we normally do anything [informal] because we really need the money is like at Christmas. We do extra around then so we can have a decent Christmas.

Table 4.6: Importance of reasons for engaging in informal economic activities

	Percent reporting reason somewhat or very important		
		Annual family income	
Reason	Total	Less than $25,000	More than $25,000
So you can set your own hours	59.0	50.0	58.5
So you can be your own boss	53.8	59.1	51.7
To help out neighbors and relatives	77.2	77.8	76.5
Because the income is not taxed	38.7	37.2	41.0
There aren't enough good jobs	58.9	69.8	58.1
So you can work at home	50.8	61.4	47.5
Regular job would cut into public aid benefits	20.0	29.3	16.7
Don't have to worry about transportation	45.4	59.1 *	37.6
To make ends meet	69.7	79.5	65.3
Number of cases	197-185	45-41	119-114

Note: Restricted to those reporting participation in 1 or more informal economic activities and providing a valid response. Statistical significance determined by chi-square tests.
* $p < .05$

On average, lower income families rank their participation in informal economic activities as slightly more important than do those with higher incomes; 58.1 percent versus 50.3 percent, respectively. While the rank order of importance is similar between the two groups, interesting differences exist. "To make ends meet" was cited most often among lower income families, while "to help out neighbors and relatives" was the most common among higher income families. The percent reporting "there aren't enough good jobs" and "so you can work at home" were also higher among lower income families. The only difference to reach statistical significance, however, was "don't have to worry about transportation." A lack of reliable transportation was a commonly cited problem among those interviewed for this study, though the maintenance of marginal vehicles was also a source of much informal activity. The quote below illustrates this well.

> [After] I got that job for my buddy, then something went wrong with my car and I couldn't get it inspected. Well, his neighbor knew how to fix cars and did it cheap. So I dropped the car off over there after work and he did the brakes and a few other things that didn't pass inspection…That helped us out a lot right there. [It] was like a complete circle. I helped him and he helped me.

In sum, both economic and non-economic considerations influence participation in the informal economy, and it is rarely simply one or the other.

Livelihood Strategies

Table 4.7 explores how families in the sample combine alternative economic strategies. The table examines whether or not a family is participating in the informal economy, whether or not they have family members working in the formal labor market, and whether or not their family is receiving Public Assistance. The percentages outside of parentheses include all households, while those in parentheses exclude elderly-only households.

Recent work by Tickamyer and Wood (2003) showed age to have a strong negative effect on informal work, though the authors note that the literature has been largely silent on the topic. The results in Table 4.7 show that age is an important determinant of economic activity, both formal and informal. Elderly-only households cluster among those that are not working in the formal labor market, not participating in the informal economy, and not receiving Public Assistance. This stands to reason, as many of these people are no doubt retirees, dependent on income from pensions, Social Security, and personal savings.[7]

Table 4.7: Percent combining livelihood strategies

	Informal economic activities: Yes		Informal economic activities: No	
	Public assistance		Public assistance	
Formal work	Yes	No	Yes	No
— Total (N=474) —				
Yes	3.4 (4.4)	30.8 (39.0)	3.8 (4.9)	29.5 (36.3)
No	2.1 (2.5)	5.7 (4.1)	1.9 (1.6)	22.8 (7.1)
— Annual family income less than $25,000 (N=111) —				
Yes	4.5 (6.5)	17.1 (24.6)	7.2 (10.4)	17.1 (19.4)
No	6.3 (9.1)	11.7 (11.7)	7.2 (7.8)	28.8 (10.4)
— Annual family income more than $25,000 (N=249) —				
Yes	3.6 (4.2)	40.6 (46.5)	2.0 (2.3)	34.5 (39.0)
No	0.8 (0.5)	3.2 (2.3)	0.4 (0.0)	14.9 (5.2)

Note: Percentages in parentheses exclude elderly-only households.

Among households with members of working age, the most common livelihood strategy is to combine formal and informal work (39.0 percent), while depending on formal work alone is the second most common strategy (36.3 percent). This is true for the overall sample, and for both income groups. These two strategies account for 85.5 percent of those families with annual incomes above $25,000. Among those families with annual incomes below $25,000 these two strategies account for a much lower share

[7] The high percentage of elderly respondents was not anticipated in the design of the survey instrument. Therefore, detailed questions on income sources typical of the elderly were not included in the instrument.

of all livelihood strategies (41.7 percent). This is due in part to lower labor force participation and greater reliance on Public Assistance. That said, 60.9 percent of the families with annual incomes below $25,000 have family members participating in the formal labor market. Further, more report depending only on informal work alone (11.7 percent), on a combination of formal work and Public Assistance (10.4 percent), or none of the three strategies (10.4 percent), than report the use of Public Assistance alone (7.8 percent).

Multivariate Models of Participation in the Informal Economy

Very few studies have used survey data to assess the correlates of informal economic activities (for exceptions see Jensen et al. 1995; Tickamyer and Wood 1998, 2003). In the remainder of this analysis, logistic regression is used to model participation in the informal economic activities generally, and participation in informal activities done for money/barter and savings specifically. These models are used to test four questions identified in the literature. The first concerns the relationship between household labor supply and participation in informal economic activities. To address this question four measures of labor market attachment are included. A variable to measure household labor supply was created by summing the number of full-time workers and part-time workers in a household, with part-time workers being counted as half a full-time worker. That number was then divided by the number of adults in the household, as expressed below:

(# full-time workers + (# part-time workers * .5)) / # adults

The literature also suggests that those with the least attachment to the formal labor market may be less able to access informal economic opportunities, while those with the greatest attachment may lack the incentive (or possibly the time). Labor supply-squared is therefore included in the models to test for a curvilinear relationship between labor supply and informal economic activity. Two additional variables related to labor supply are also included in the models. As suggested by past research (Tickamyer 2003) a dummy variable for whether any member of the household runs a home business is considered. In addition, a dummy variable for whether any member of the household works multiple jobs is also included. Last, dummy variables for whether or not any member of the household has received Public Assistance and whether or not any member of the household has participated in any other means-tested program in the past year are also considered.

A second question to evolve from the literature concerns the relationship between household income and participation in informal economic activities. Are lower income families driven to engage in informal economic activities in order to compensate for lower returns in the formal labor market, or are those who are able to reap greater returns in the formal market better able to do so in the informal economy as well (Jensen et al. 1995; Nelson and Smith 1999)? To asses this relationship variables for five annual income categories are included in the models, with those reporting annual incomes of less than $15,000 serving as the reference group. A dummy variable for missing income is also included so that households in which information on income was either refused or unknown could be retained in the analysis.

A third question concerns how household composition influences participation in informal economic activities. To asses this relationship, variables measuring the percent of household members 65+ and the percent of household members under 18 years are included in the models. In addition, the percent of adults that are female, the percent of adults with more than a high school education, and household size are included in the models to further assess the impact of household composition on informal economic activity.

Last, the literature identifies social capital as being central to participation in informal economic activities. The models include two measures of social capital adopted from Morton (2003): the social capital-private index and the social capital-public index. The indexes consist of factor scores from a principal component factor analysis of seven survey items from which two factors emerged (see Table 4.8). The social capital-private index combines two indicators of personal network structure and three indicators of personal norms of reciprocity. The social capital-public index combines a report of the number of local groups and organizations household members belong to and an indicator of involvement in community improvement activities. Last, number of years lived at the current residence and the respondent's estimate of the distance to the nearest neighbor are included in the models to serve as rough proxies for community attachment and rurality, as suggested by past research (Jensen et al. 1995).

Table 4.8: Measures of social capital

A. Private index

Personal networks
1. About what proportion of adults in your community would you say you know by name?
1=none or very few of them; 2=less than half of them; 3=about half of them; 4=most of them; 5=all of them
2. Considering all of the adult friends that you have now, about what proportion live in your community or within a one hour drive?
1=none or very few of them; 2=less than half of them; 3=about half of them; 4=most of them; 5=all of them

Personal norms of reciprocity
1. If I just feel like talking, I can usually find someone in my community to talk with.
1=strongly disagree to 5=strongly agree
2. I can always count on nearby family and friends when my family needs help.
1=strongly disagree to 5=strongly agree
3. If I had an emergency, even people I don't know would help out.
1=strongly disagree to 5=strongly agree
$\alpha = 0.57$

B. Public index

1. Considering all of the types of groups and organizations just listed, about how many groups in total do you or other members of your household belong to?
2. In general, how would you describe your level of involvement in local community improvement activities or events?
1=not at all active; 2=not very active; 3=somewhat active; 4=very active
$\alpha = 0.42$

Table 4.9 presents logistic regression models estimated for participation in any informal activity, participation in informal activities for money or barter, and participation in informal activities for savings or self-provisioning. For each, participation was regressed on all covariates separately (labor supply and labor supply-squared were entered simultaneously) to assess bivariate associations. Significant covariates were then run together in a trimmed multivariate model.

Table 4.9: Logistic regression models of participation in informal economic activities

	Bivariate			Multivariate		
	Any informal	Money or Barter	Savings	Any informal	Money or Barter	Savings
Livelihood Strategies						
Labor supply	2.676 *	2.550 *	2.912 *	0.460	0.353	0.691
Labor supply squared	-1.267	-1.041	-1.840 *	—	—	-0.563
Home business	0.946 *	1.131 *	0.397	0.557	0.712 *	—
Multiple jobholding	1.019 *	1.422 *	0.291	0.705	1.154 *	—
Public assistance	0.322	0.327	0.265	—	—	—
Other transfer programs	0.826 *	0.649 *	0.541 *	0.760 *	0.560 *	0.256
Household characteristics						
Income						
Less than $15,000 (reference)						
$15,000 - 24,999	0.204	-0.370	0.031	—	—	—
$25,000 - 34,999	0.515	0.152	0.476	—	—	—
$35,000 - 49,999	0.550	0.419	-0.152	—	—	—
$50,000 +	0.446	0.107	0.367	—	—	—
Income missing	-0.236	-0.274	-0.559	—	—	—
% senior (65+)	-1.772 *	-2.104 *	-1.750 *	-1.026 *	-1.404 *	-1.476 *
% under 18 years	1.778 *	1.718 *	1.463 *	-0.368	-0.249	0.325
% adults female	0.048	0.367	-0.810	—	—	—
% adults more than high school	0.149	0.114	0.087	—	—	—
Household size	0.393 *	0.385 *	0.262 *	0.134	0.120	0.005
Social capital-private index	0.294 *	0.385 *	-0.011	0.313 *	0.368 *	—
Social capital-public index	0.130	0.160	0.200	—	—	—
Years in residence	-0.318 *	-0.033 *	-0.027 *	-0.009	-0.007	0.002
Distance to neighbors	0.449 *	0.438 *	0.224	0.534 *	0.507 *	—
Intercept				-1.511 *	-1.902 *	-1.375 *
-2LL				558.4	497.9	450.6
R^2_L				0.228	0.250	0.097

* p < .05

The bivariate models suggest a number of important covariates. Formal labor supply shows a significant positive relationship across all bivariate models, suggesting that informal economic activity is greater among households with greater participation in the formal labor market. For savings activities, labor supply-squared shows a significant negative relationship, suggesting that these activities diminish among households with the greatest labor supply. Running a home business and the presence of multiple jobholders are significantly and positively related to participation in informal economic activities generally, and in those done for money and barter specifically. These variables do not, however, show significant relationships with informal economic activities done for savings. The receipt of public assistance is not significant in any model, while participation in other means-tested transfer payments is significant and positive across all three. Overall, these results tell a relatively intuitive story. Families that are more active in the formal economy tend to be the more active in the informal economy as well. This is particularly true for informal economic activities generally, and those done for money or barter specifically. The relationship with transfer payments is less straightforward. It might be that households that seek out support programs other than Public Assistance also take the initiative to seek out informal opportunities as well. Given the income effects to be discussed next, it does not seem to be a function of low-income.

Consistent with previous research (Jensen et al. 1995; Tickamyer and Wood 2003), the income dummies show no statistically significant effects in any of the models. This supports the contention of Castells and Portes (1989: 12) that “the informal economy is not a set of survival activities performed by destitute people on the margins of society…[It] is not a euphemism for poverty." While informal economic activities may be more important to the ability of low-income families to make ends meet, the poor are no more likely to participate in the informal economy than are those of greater means.

As suggested by the descriptive statistics percent elderly shows a significant negative relationship across the models. Percent under 18 years, on the other hand, shows a significant positive relationship across the models. Neither the percentage of adults that are female nor the percentage of adults with more than a high school education show statistically significant relationships to participation in informal economic activities. Household size, however, is positive and significant across the models. These results suggest that household structure, and particularly age, are important considerations in understanding informal economic participation, while human capital and the gender composition of households don't show statistical significance.

The social capital-private index is significantly and positively related to participation in informal economic activities generally, and those done for money or barter specifically. It does not, however, show a significant relationship with savings activities. The social capital-public index, however, shows no significant bivariate relationships.[8] This suggests that participation in informal economic activities, particularly those done for money or barter, are facilitated by more expansive social networks and norms of reciprocity. While central to theoretical and qualitative accounts, this has not previously been demonstrated by survey research.

Finally, years in residence shows a significant negative relationship across the models. At first glance this seems counterintuitive; presumably those who have lived in their current residence longest would be more socially integrated, and thus be more likely to participate in the informal economy. However, considering age effects these results makes sense. Those who have lived in their current residence longest are likely to also be elderly.[9] Distance to neighbors is significantly and positively related to informal

[8] This is not a particularly surprising finding. This construct had low reliability. Further, while social networks and norms of reciprocity are emphasized in the literature on the informal economy, norms of community benefit are not.

[9] "How many years have you been living in your current community" was positively and significantly related to informal economic activity. However, due to a large amount of missing data on this variable it was ultimately not included in these models.

economic activity generally, and activities done for money or barter specifically, but shows no significant relationship to savings activities. This suggests that rurality is positively and significantly associated with informal economic activity, particularly for money or barter, a finding reported elsewhere (Jensen et al. 1995; Tickamyer and Wood 2003). This item, however, should be interpreted with caution.[10]

When the trimmed multivariate models are regressed on informal economic participation most covariates fail to achieve statistical significance. Nonetheless, these models provide important insights into participation in the informal economy and its relationship to broader livelihood strategies. In the model predicting any types of informal economic activity, none of the measures of formal economic activity reach statistical significance. Only the curious positive relationship with participation in means-tested transfer programs remains significant. Analyses not shown found that labor supply, running a home business, and multiple jobholding all fail to achieve significance in the presence of percent elderly. Indeed, percent elderly remains negatively and significantly related to informal economic activity in the multivariate model. The social capital-private index remains positive and significant as does distance to neighbors.

The model predicting informal economic activity for money or barter is quite similar to that for informal economic activity of any type. Running a home business and multiple jobholding, however, remain significant in this model, suggesting that industriousness and the entrepreneurial spirit may facilitate informal work done for

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[10] Other attempts to measure "rurality" did not prove fruitful. "Distance to nearest town" and rural-urban continuum codes for county of residence showed no significant relationships to any informal economic activity. This needs to be explored further.

money or barter. In the model predicting informal economic activity done for savings, only percent elderly remains significant. The differences between these models support the need to be mindful of the differences between types of exchange in the study of participation in informal economic activities.

Discussion

This chapter provides important insights into the dynamics of participation in the informal economy and how informal work fits into the broader livelihood strategies that families pursue. The results make a strong case that the informal economy is not simply refuge for the economically marginal, though it may certainly serve that purpose. Instead, it is a specific form of economic relationships undertaken by a much broader segment of the population. In this sample the combination of formal and informal work was the most common livelihood strategy pursued by families of economically active age.

The results in this chapter provide important contributions to the literature on the informal economy. First, the results show clearly that age is an important consideration in understanding participation in the informal economy. The elderly are significantly less likely to be economically active in either the formal or informal economies. This is not a particularly earth shattering revelation, though to date it is not a consideration that has been given much weight in the literature on the informal economy. The results presented here show it is central.

Second, while the social embeddedness of economic action occupies a prominent place in theoretical and qualitative accounts of informal economic activity, empirical support had been lacking. In the course of doing the interviews for this study it became quite obvious that social networks and norms of reciprocity were of the utmost importance in facilitating participation in the informal economy. Those that were socially isolated had only the labor market and the state to depend on, while those that were more socially integrated had yet another set of economic options. This encouraged me to incorporate social capital measures into the survey instrument; a decision that proved a good one as the composite variable measuring personal networks and norms of reciprocity proved one of the few significant predictors of informal economic activity, particularly in the case of activities done for money or barter.

The results here reinforce the need for studies of the informal economy to consider different types of informal exchange. The dynamics of activities done for savings or self-provisioning are clearly different than those oriented toward income generation. Clearly, the predictors of participation in the informal economy suggested by the literature were far more relevant to informal work for money or barter than for savings and self-provisioning activities.

This research further demonstrates the feasibility of the survey approach to the study of the informal economy. However, this project used a targeted sample in a single state. Adding such questions to large-scale surveys would provide more accurate and representative information across larger populations and among demographic subgroups. The ability to track trends in informal economic activity over time would allow for a better understanding of the relationship between the formal and informal sectors and how economic change influences participation in the informal economy.

This study also lends support to Fitchen's call to "listen first before you ask" (1990:16). State simply, there is no substitute for taking the time to actually talk to those whose experience a researcher seeks to represent. While a seemingly obvious point to many outside the social sciences, it is one that is often lost on many within them. Driving the back roads of rural Pennsylvania and having the conversations in living rooms and at kitchen tables not only provided an appreciation for context that could never have been gleaned from the numbers, it brought a sense of humanity to the project that the numbers could never fully represent. Conducting the interviews prior to developing the survey instrument affirmed the relevance of the questions being asked. Candid conversations about the economic struggles families faced and learning about the ingenious strategies families were able to cobble together to make ends meet from week to week and month to month — including informal economic activities — made it clear that the questions being asked were timely and important. The interviews also aided in the design of the survey instrument, and ultimately in the interpretation of the results. Important correlates of informal economic activity, such as social networks and norms of reciprocity, would not have been included in the survey instrument had the interview data not been collected. Further, the interviews helped reveal language that people found confusing and the types of probes that proved most fruitful — a particularly important contribution given the elusive nature of informal work — thus helping to refine the survey instrument.

Chapter 5

Conclusions and Implications

Over recent decades Americans have witnessed profound changes in the nature of work and the structure of the labor market. These changes have been shaped by shifts in labor supply and labor demand as well as public policy priorities. While growing numbers of American families are relying on income from formal employment to make ends meet, for many work is not a sufficient condition for escaping the grasp of poverty. The economic uncertainties and dislocation of the current period have led many to question not only the changing relationship between formal work and economic well-being, but also the role of informal economic activities in advanced capitalist nations.

The intent of this thesis was to examine the economic strategies American families are using to make ends meet in this context. To do so, this research pursued two separate, but related lines of inquiry. First, drawing on nationally representative cross-sectional data this study assessed the changing relationship between formal employment and family economic well-being over the last two decades, paying special attention to the differences between metro and nonmetro areas. Second, drawing on a combination of interview and survey data, the study provided a broader examination of family livelihood strategies in the context of nonmetro Pennsylvania. These strategies included participation in the formal labor market, assistance programs, and the informal economy. This chapter reviews the key findings of this research and the implications these findings hold for public policy and future research.

Findings

Persistence and Change: The Relationship Between Residence, Work, and Poverty, 1980-2000

In Chapter 3, data drawn from the March Current Population Survey from 1980, 1990, and 2000 were used to explore changes in the relationship between work and poverty among American families, paying special attention to the influence of family structure and differences between metro and nonmetro areas. The analytic strategy taken in this chapter contributes to the existing literature in a number of ways. First, by examining data over a 20-year period it provides a longer-run view of the way in which the relationship between work and poverty has changed over time and across space. This analysis also provides a more inclusive definition of the family than has been employed in previous studies, by not only examining the circumstances of those living in primary families, but including those in related and unrelated subfamilies as well. Last, this analysis provides a more comprehensive definition of household labor supply, by focusing not only on the labor contribution of the household head, but also the contribution of other family members in a manner that is an improvement over past studies.

The results show a clear trend of increasing labor force participation among working-age adults in poor families with children over time, the majority of whom were working by 2000. This trend was especially pronounced among working-age adults in poor single female headed families with children, for whom the impact of welfare reform in 1996 had the most direct ramifications. The results showed further that while there has historically been greater labor force participation among poor families with children in nonmetro areas, over the two decades observed the metro experience has increasingly converged with what has been the nonmetro reality – working poverty.

The results in Chapter 3 showed further that the percentage of poor families with children – and especially poor single-female headed families with children – receiving wage and salary income increased substantially over the two decade period, particularly between 1990 and 2000. Conversely, the percentage receiving income from welfare plunged, as did the median dollar amount received by those who continued to participate. Again, the experience of the metro poor was shown to converge with their nonmetro counterparts in this regard. Trends in income packaging also echo this theme. While the contribution of earnings to total family income has historically been greater among the nonmetro poor, by 2000 there was near parity in this regard between residential settings.

To tease out the various factors influencing convergence in the experience of the metro and nonmetro poor, logistic regression models of poverty were estimated for 1980, 1990, and 2000. In models including only the effect of household labor supply on poverty, the story appeared to be that while work consistently provided less protection from poverty among nonmetro families, the advantage enjoyed by metro families in this regard had lessened over time. When family structure and other controls were added to the models, however, a different story emerged. The relationship between work and poverty was shown to have changed little over time in metro areas. Rather, full-time, full-year workers in nonmetro areas were shown to have made relative gains, while part-time, part-year workers remained at a distinct disadvantage relative to their metro counterparts. In fact, households headed by working adults that were not full-time, full-year did not differ significantly in their odds of being poor compared to nonmetro families whose head *did not work at all*. This is an incredibly troubling finding and one that warrants more investigation. It suggests that in nonmetro America not only do nonstandard work arrangements translate into substandard jobs, such jobs are no better at keeping families out of poverty than is no job at all. This not only contradicts the conventional wisdom underlying PRWORA. More fundamentally it means that in a national economy in which nonstandard work figures prominently – approximately 30 percent of the total work force and one out of three working women (Hudson 1999) – many workers and their families, particularly in nonmetro areas, are being left behind.

The Livelihood Strategies of Families in Rural Pennsylvania

In Chapter 4, a combination of interview and survey data were used to shed light on broader family livelihood strategies, paying special attention to the circumstances of low-income families. The intent was to articulate not only how formal employment and participation in assistance programs are combined by families to make ends meet, but also how participation in informal economic activities done for money, barter, or savings factor in to family livelihood strategies.

The results presented in Chapter 4 showed clearly that the informal economy is not simply a refuge for the poor, but an economic strategy undertaken by a much broader cross section of the population. In fact, combining formal labor force participation with informal economic activities was the most common livelihood strategy pursued by families in the survey sample. This does not mean that the informal economy does not provide an important buffer for those on the economic margins; as the interview data revealed in some cases it serves exactly that purpose. It does mean that the perception informal economic activities are strictly a survival strategy of the destitute is inaccurate. Informal economic activities are pursued across income groups.

In terms of the relationship between formal household labor supply and participation in the informal economy, the results painted a mixed picture. While the results show formal labor supply variables to be positively related to participation in the informal economy, only in the case of activities done for money or barter did any these variables remain significant in the multivariate models. Instead, age emerged as an important predictor; percent elderly had a significant negative relationship on all types of informal economic activities. While predictable, the relationship between age and informal work has received little attention in the literature to date. The results presented in Chapter 4 show it is important to recognize that when we think of people of economically active age, that applies to the formal and informal economies alike.

An important consideration in both theoretical and qualitative accounts of the informal economy is the social embeddedness of economic action. More so than formal economic activity, much of which is regulated by the state, informal economic activities depend on social networks, norms of reciprocity, and trust. The in-depth interviews showed that kin and friendship networks were central to participation in informal economic activities. The survey results confirmed this by showing that households with more extensive social networks and norms of reciprocity were significantly more likely to participate in informal economic activities generally, and those done for money or barter specifically. This is an important finding because while central to theoretical and qualitative accounts this relationship had not been previously demonstrated using quantitative techniques.

The results of this study further reinforce the need to differentiate between informal economic activities done to generate income, whether cash or in-kind, versus those done for savings or self-provisioning. The predictors of informal economic activity examined in this study were far more relevant for income generating activities than they were for savings activities.

Substantive and Theoretical Implications

There are a number of important substantive and theoretical implications to be drawn from this work. The results presented in Chapter 3, "Persistence and Change: The Relationship Between Residence, Work, and Poverty, 1980-2000," provide reasons for both optimism and worry. The tremendous reduction in welfare receipt can be viewed as a public policy victory, particularly if those leaving the welfare rolls are economically better off for having left the rolls. But cutting the welfare rolls cannot be viewed as the endgame. Serious questions remain about the types of job opportunities former recipients face and their honest prospects for achieving economic self-sufficiency. The rise in working poverty over the last decade underscores this point. A just society would not view a shift from welfare poverty to working poverty as a victory for public policy. If we are to be true to the spirit of PRWORA, personal responsibility should be demanded, but so should decent work opportunity. That said, to the degree that the working poor are counted among the "deserving poor," the rise in working poverty may provide an important opportunity to begin providing the type of policy supports working poor and near-poor families so desperately need. Policy prescriptions aimed at helping working poor families would be particularly welcome news for rural America, where marginal employment has long been central to the poverty problem.

While the majority of the poor are now working, most are working part-time, part-year. In nonmetro areas, in particular, such work allows little more protection from poverty than not working at all. This finding is a cause for concern, especially in its implications for the well-being of rural women and children. The acute disadvantage of nonstandard nonmetro workers warrants much greater attention by researchers and policymakers.

The results presented in Chapter 4, "The Livelihood Strategies of Families in Rural Pennsylvania," make a number of important contributions to the understanding of participation in the informal economy, and family livelihood strategies more generally. The findings show that participation in the informal economy is widespread, and by no means simply a survival strategy pursued by those on the economic margins. The findings also reveal that age must be an important consideration for future work, particularly in attempts to more fully articulate the links between formal and informal economic activities. The results also showed that social embeddedness is central to an understanding of informal economic activity. Last, the results demonstrate that the dynamics of informal activities done for income generation versus savings are clearly different, an important consideration for future work.

This research confirms the feasibility of the survey approach to the study of the informal economy. Adding such questions to large-scale surveys would provide extraordinary information on the range and scope of informal economic activities across larger populations and among demographic subgroups. Such information would allow researchers to track trends in informal economic activity over time, allowing for a better understanding of the relationship between the formal and informal sectors and how economic change influences participation in the informal economy. This research also lends support to Fitchen's call to "listen first before you ask" (1990:16). Conducting the interviews prior to developing the survey instrument affirmed the relevance of the questions being asked and aided in the development of the survey instrument and the interpretation of the results.

Policy Implications

The results of this study show clearly that work is not a sufficient condition for escaping the grasp of poverty. As increasing numbers of American families are expected to fend for themselves in an increasingly bifurcated economy, public policy must focus on helping fill the gap between what work provides and what families need.

One important and straightforward intervention to help the working poor and near poor would be to raise the minimum wage. As outlined in Chapter 2, research has debunked many of the myths surrounding the minimum wage, including the notion that any increase in the minimum wage will act to reduce employment (Card and Krueger 1995). In 1968, the annual earnings for a full-time minimum wage earner in a family of three was 120 percent of the poverty threshold; in 2003, annual earnings for the same worker reached only 74 percent of the poverty threshold (Waldron, Roberts, and Reamer

2004). This is a national disgrace. Putting more money in the pockets of the lowest paid workers is an important and straightforward step that could be taken by Congress to help reduce working poverty. In fact, in recognition of congressional inaction on this issue voters across the nation have begun supporting referendums to raise local and state minimum wages rates above that set at the national level.

Other important policy initiatives aimed at helping the working poor include refundable tax credits, such as the EITC, and work supports (Bernstein 2004). The EITC is already a successful and popular program. Extending it further would raise the incomes of low-income working families, while encouraging greater work effort. Work supports, such as subsidies for transportation and childcare, provide important assistance to those working on the economic margins, as do subsidies less directly tied to work, such as those to offset housing and health care costs. These types of supports are particularly important to nonstandard workers who rarely receive fringe benefits from their employers. In 1997, for example, just 13.6 percent of women and 11.6 percent of men in nonstandard jobs received health insurance from their employer (Hudson 1999). These policy considerations not only represent important ways to help fill the gaps for the working poor and near poor, but would also help increase the odds that those leaving welfare are able to make the transition successfully.

Of course, the major obstacle to all of these proposals is that lobbyists for the poor and near poor are in short supply. And despite the moral high ground claimed by many politicians today, the moral obligation to help those in need is not one that seems to be selling. One important way to see that these types of interventions are pursued by policymakers, and to ensure that workers are getting the best package they can from the market, is unionization. Research has shown that unions increase efficiency, reduce earnings inequality, improve wages and benefits packages, and provide an important political voice for their members, as well as some of society's most marginalized groups (Blanchflower and Bryson 2003; Freeman and Medoff 1984). Due to both economic restructuring and the idiosyncrasies of the labor movement, union density continues to fall. However, if the problems of working poor and near poor families are to be addressed, the labor movement will need to be an important part of the process.

What policy recommendations can be drawn from the findings on informal economic activity? To borrow from Levitan and Feldman (1991), there is certainly no evidence of a self-sufficient peasantry . However, informal economic activity is widespread, and crafting policy and programs that encourage the efforts of informal micro-entrepreneurs holds promise as a social welfare and community development strategy. Thetford and Edgcomb (2004: 1) summarize the policy considerations below:

> Microentrepreneurs are a strong and natural presence in this economy. Invisible to many because of their size, they are also invisible to the tax collector, municipal authorities and state regulatory bodies. Operating in this fashion, they are seen as a problem by many and as a positive economic force by others. Are they a drain on the public because of nonpayment of taxes? Are they a threat because of their lack of compliance with health and safety regulations? Are they a positive force, creating income and jobs for many low-income individuals, and contributing goods and services to underserved communities? How might their positive contributions be supported, and the negative diminished? To what extent might the right types of services and policy support unleash greater economic opportunity for the many who work informally as a survival strategy? What role might microenterprise programs, in particular, play in supporting the aspirations of informal entrepreneurs for a better life?

These considerations are posed as questions because this is largely uncharted territory. But it stands to reason that micro-credit and micro-enterprise programs that make capital and business development services available to informal entrepreneurs might represent a promising strategy not only for helping many families achieve and maintain economic self-sufficiency, but also for facilitating locally owned and operated businesses with deep roots in their communities. Developing services that assist micro-entrepreneurs in overcoming barriers to formality, as well as those that recognize the legitimacy and value of a robust informal economy, present an intriguing social welfare and community development strategy (Ratner 2000). The challenge in many rural areas is to not only provide the services, but to find an effective way to market them; reaching out to those who neither see themselves as "entrepreneurs" nor their activities as "businesses" (Thetford and Edgcomb 2004).

Directions for Future Research

Concern for the working poor must continue to be a focal point for poverty researchers. Next steps for the research presented in Chapter 3 include delving deeper into the effects of household labor supply on poverty. The particular disadvantage of nonmetro families headed by those working less than full-time, full-year is a particular cause for concern and needs to be articulated more fully. Further, given criticisms of the official poverty threshold, future research might consider alternative measures of economic well-being. In addition, this analysis might be extended beyond 2000 to assess how the working poor have fared in the recent recession.

The results presented in Chapter 4 were based on the first analysis of these data. There remains a wealth of information available in this data set that has yet to be explored. A more thorough examination of these data and the use more rigorous statistical methods stand to provide valuable contributions to the literature. Future research needs to more fully articulate the relationship between formal and informal economic activity. A straightforward first step in this process would be to limit the analysis only to households with members of economically active age. These data also include information on job stability and security, turnover in the workplace, union coverage, and temporary and contract work, making a more comprehensive examination of the good jobs/bad jobs thesis of Nelson and Smith (1999) a natural next step as well. Further, while this research did pay attention to the dynamics of informal economic activity at the household-level, future work needs to better articulate how household structure shapes participation in informal economic activities. A natural question, for example, is if single-female headed households differ from those headed by married couples in their propensity to engage in informal work? Future research must also more fully articulate how the dynamics that shape informal activities done for income generation differ from savings or self-provisioning activities. Last, while this research revealed interesting correlates of informal economic activity, future research must be more attentive to causality. Returning to the interview transcripts will be an excellent place to start in seeking clues to all of these issues as well as stimulating new lines of inquiry. In sum, these data hold tremendous potential for making a contribution to the literature on the informal economy and family livelihood strategies, and I intend to use them fully in my future work.

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Appendix A

Economic Research Service, USDA, County Typologies[1]

2003 Rural-Urban Continuum Codes

Code	Description
Metro counties:	
1	Counties in metro areas of 1 million population or more
2	Counties in metro areas of 250,000 to 1 million population
3	Counties in metro areas of fewer than 250,000 population
Nonmetro counties:	
4	Urban population of 20,000 or more, adjacent to a metro area
5	Urban population of 20,000 or more, not adjacent to a metro area
6	Urban population of 2,500 to 19,999, adjacent to a metro area
7	Urban population of 2,500 to 19,999, not adjacent to a metro area
8	Completely rural or less than 2,500 urban population, adjacent to a metro area
9	Completely rural or less than 2,500 urban population, not adjacent to a metro area

County Typology Codes

The county typology identifies 11 types of nonmetropolitan (nonmetro) counties according to either the primary economic activity of different county economies or other themes of special policy significance. This classification scheme reduces the wide range of economic and social diversity to a few important themes relevant to rural policy making.

Counties designated as nonmetro in 1993 are classified into one of six non-overlapping economic types. These types, along with highlights of their distinctive profiles, are as follows:

[1] For more information visit < http://www.ers.usda.gov>.

Farming-dependent counties (556 counties) were remotely located, predominantly rural, and sparsely populated. These counties are geographically concentrated in the Midwest. Population declined 11 percent through outmigration during the 1980's. Because of high outmigration of younger adults, the ratio of dependent populations to working age adults was extremely high. The economic base in these counties declined throughout the 1980's. As a group, they lost 111,000 farming jobs during 1979-89.

Mining-dependent counties (146) accounted for nearly half of all nonmetro mining jobs in 1989. As a group, they included counties with distinct specializations in different types of mining activities, including coal, gas and oil, and metals. Most counties are in the South or West. Like farming counties, mining counties lost population through outmigration and experienced economic decline during the 1980's. The number of mining jobs maintained a downward spiral during the decade, reaching a 1989 low of 72 percent of the 1979 figure.

Manufacturing-dependent counties (506) represented 31 percent of nonmetro population and 55 percent of nonmetro manufacturing jobs. Compared with the other county types, manufacturing counties exhibited a more urban orientation, were more often located contiguous to a metro area, and were more densely populated. Three-fifths of the manufacturing counties are in the Southeast. The economies of manufacturing counties grew slightly during the 1980's, mainly because of gains in the latter years of the decade. Manufacturing jobs increased most in remote counties with no urban population.

Government-dependent counties (244) specialized in Federal, State, and local government activities. About 75 percent of earnings from government jobs came from State and local jobs and about 25 percent from Federal jobs. These counties are scattered across the Nation. Government counties' population in all regions grew during the 1980's. Their economies grew also with an overall gain of 433,000 new jobs. However, compared with all-nonmetro counties, the levels of economic well-being were lower.

Services-dependent counties (323) reflect a dominant national trend of growth in service sector jobs, which now permeates most rural economies. These counties, like government counties, are fairly evenly distributed across the Nation with a slightly higher representation in the West. Depending on their degree of urbanization and proximity to a metro area, services counties are likely to perform different economic functions such as centers for trade and services, consumer service centers for residential areas, and centers of specialized services like recreation. Services counties' economies grew during the 1980's with a 24-percent growth in earnings from services activities.

Nonspecialized counties (484) include counties with economies that did not qualify for one of the economic specialization types discussed above, although a few of these counties may actually be specialized in economic activities such as construction, agricultural services, or forestry and fisheries. These counties dot the national landscape in 44 of the 50 States. The large majority are located in the South. Two-thirds experienced job growth during the 1980's. Nonspecialized county economies likely reflect two general kinds of economic performance in the 1980's: counties with strong economies from their function as service centers for spillover residential sites from adjoining metro counties, and counties with weak economies caused by undergoing shifts away from specializations in farming or manufacturing or by having small economic bases and/or high concentrations of poverty.

Counties are also classified into five overlapping policy types:

Retirement-destination counties (190) had a 15-percent or greater increase in population aged 60 and above from inmovement of people between 1980 and 1990. Over 80 percent of these counties are in the South or West, most often in traditional retirement areas of Florida, the Southwest, or in other lake, reservoir, coastal, or scenic upland areas. Many counties also serve as recreational or resort sites. As a result, they attract younger populations as well as retirees, with population growth in all age categories during the 1980's. Along with population growth, retirement counties had unusually high growth in earnings and jobs—the highest of any of the county types. Sixty percent of these counties had job growth faster than the national average.

Federal lands counties (270) had land areas dominated by Federal ownership. Seventy-six percent of these counties are in western States. Counties in this type had larger land areas and were more sparsely populated than all-nonmetro counties. On average, population in these counties grew faster during the 1980's than in all-nonmetro counties. Nearly 70 percent of jobs in the average Federal lands county were in the services or government sectors, reflecting the recreational use and land management functions of the group. Strong growth in service sector jobs during the 1980's probably contributed to higher family income (over $1,900 higher) than in all-nonmetro counties.

Commuting counties (381) had economies shaped, in part, by workers commuting to jobs in other counties—at least 40 percent of workers in 1990. Over 6 million nonmetro people live in the commuting counties. About 65 percent of commuting counties are in the South, and 28 percent in the Midwest. Because of the southern geographic orientation, counties have much smaller land areas and are more apt to adjoin a metro area than all-nonmetro counties. Population in the counties includes somewhat higher shares of economically at-risk people. Because of the outflow of workers to other counties, the level of economic activity within the local economies was less than that in all-nonmetro counties. However, the economic picture for commuting counties changes when the jobs and earnings for commuting workers are taken into account.

Persistent poverty counties (535) had poverty rates of 20 percent or higher in 1960, 1970, 1980, and 1990. These counties accounted for 19 percent of nonmetro people and 32 percent of nonmetro poor in 1990. Nearly 83 percent of poverty counties are in the South. They are smaller and have less urban population than most other county types. A main distinguishing feature of the poverty counties is a disproportionate number of economically at-risk people including minorities, female-headed households, high school dropouts, and disabled persons. Incomes that were considerably lower and unemployment that was considerably higher than in all-nonmetro counties suggest that the economy plays a part in providing insufficient job opportunities.

Transfers-dependent counties (381) had economies heavily based on unearned income from government transfer payments, including social security, unemployment insurance, medicare, medicaid, food stamps, government pensions, and welfare benefits. Regionally concentrated in parts of the South and Midwest, the large majority of transfers-dependent counties are in southern States. They are more apt to be remote from metro areas and to be sparsely populated. Three-fifths of transfers-dependent counties are also in the persistent poverty category. Because of the overlap, transfers-dependent counties exhibit many of the same demographic and economic traits attributed to the persistent poverty counties. However, transfers-dependent counties include a larger share of elderly. The industrial mix of jobs in transfers-dependent counties generally resembles the mix for all-nonmetro counties; but, the pace of overall job growth was slower than the all-nonmetro pace during the 1980's.

Appendix B
In-Depth Interview Schedule

I. Reading and signing of informed consent form.

II. Introduction

Thank you for participating in this research. We are interested in how families in rural Pennsylvania make ends meet during hard times. In this interview we will be asking you to tell us a little about your background, the kind of work you do, your different sources of income, your patterns of spending, and other issues concerning how your family makes ends meet. Remember, this interview is voluntary. If you don't want to answer a question, you don't have to. All information you give us will be kept confidential.

May we begin?

OUTLINE OF INTERVIEW TOPICS

BACKGROUND INFORMATION

CURRENT HOUSEHOLD SITUATION

WORK

MULTIPLE JOBHOLDING/MOONLIGHTING

UNEMPLOYMENT

BARRIERS TO EMPLOYMENT

PUBLIC ASSISTANCE

INFORMAL WORK, BARTER AND NONMONETARY EXCHANGE

SPENDING AND SELF-PROVISIONING

OVERALL FINANCIAL STATUS

MATERIAL HARDSHIPS

SOCIAL POLICY

I. BACKGROUND INFORMATION

Let's start by talking a little about your personal background; where you grew up, and the family you grew up in.

A. Structure of family of origin:

Childhood:
When were you born? Where?

Where did you spend most of your childhood?

Did you move much? How often?

Family structure:
Could you tell me a little bit about the family you grew up in? Mom, Dad, sisters, brothers?

Did you have relatives around? Extended family?

Parent's work: occupation and industry.
What kind of work did your **father** do when you were growing up? What kinds of jobs did he have?

Did he ever hold more than one job at a time or have other ways of helping make ends meet, like holding "side jobs" for a little extra money, selling things, or trading other things of value like firewood, car parts, or whatever?

How about your **mom**? Did she work outside the home?

What kind of work did she do? What kinds of jobs did she have?

Did she ever hold more than one job at a time or have other ways of helping make ends meet, like holding "side jobs" for a little extra money, selling things, watching children, or trading other things of value like firewood, food products or whatever?

Financially, how well off was the family you grew up in? Did your family struggle to make ends meet? Did you have the things you needed growing up?

How far did your folks go in school? Why did they stop when they did?

How about you? How far did you go in school? Why did you stop when you did?

II. CURRENT HOUSEHOLD SITUATION

Can you tell me a little about your current family situation?

A. Structure of present family:

Marital status:
Are you currently married?

IF NO: Have you ever been married?

Kids:
Do you have any kids? Can you tell me a little about them? (ages, sex, etc.)

Where were they born?

Residence:
How long have you lived in the place you live now?

Do you own your home or rent? What are the arrangements?

Who all currently lives with you? Let's go youngest to oldest.

III. WORK

OK. Now I'd like to ask a few questions about how you and your family make ends meet.

A. Current employment:

Are you currently working?

IF NO: GO TO "UNEMPLOYMENT"

IF YES:

Do you work one job or do you have more than one?

OK. Let's think first about your primary job. That is, when someone asks you what you do, what do you say? Let's talk about that job.

Which of the following best describes your employment situation?

- An employee in a large firm (>50 people)
- An employee in small firm ($\leq$50 people)
- Self-employed with no employees
- Self-employed with 1 to 10 employees
- Self-employed with more than 10 employees

IF SELF-EMPLOYED:

What are the advantages of being self-employed? What are the disadvantages? How important is it to be your own boss?

Who are your clients/customers? How have you established these relationships?

ALL:

What kind of job do you do? What do you do on the job?

How long have you been doing this?

Are you full-time? About how many hours a week are you on the job?

Do you receive a benefits package from your employer? If so, what do you get (i.e., health insurance, retirement/pension, life insurance, parental leave, paid vacation, etc.)?

Are you salaried or waged? About how much do you make per year? (Have cards with grouped incomes in case refuse to give amount or are unsure)

Would you say your job is secure? That is, do you fear losing your job for reasons beyond your control?

Would you say your job is stable? That is, does it provide steady employment?

Does it provide the hours and wages you need? Is it flexible (i.e., can you get time off when you need it)?

Do you like your job? What would make it better?

Do you ever think about changing jobs? Why? What else could you see yourself doing?

What if you lost your job or for some reason were unable to continue doing it, what would you do?

What would be your ideal job for supporting your family? What would help you get that kind of job?

Overall, does this job provide enough for your family to get by?

B. Other workers in household

Does anyone else in the household work? What kind of job do they do?

Repeat questions above.

How important is the income from each of these jobs to your family's ability to make ends meet? Could you get by without the income of any one of these jobs?

C. Local economic situation

What about this area in general? Are there enough jobs around here? Good jobs; jobs that can support a family? About how much income per year would that be?

Would you say most families around here are able to get by or are people struggling?

Would you say things (the economic situation) have gotten better or worse in the last 10 years? Why?

IV. MULTIPLE JOBHOLDING/MOONLIGHTING

Sometimes people hold second jobs. Sometimes more than that. Some people do these things for the money. Some do these things for other reasons.

Do you hold other “jobs” in addition to the one we’ve already talked about?

What kinds of things do you do?

How often do you do this?

How much do you make doing this kind of work each year?

Are there any benefits associated with the job beyond the money -- that is, are there special pleasures, possibilities of using particular skills, etc. that you don't find in your regular employment?

Would you ever consider making this work your full-time job?   Under what conditions would you consider doing that; i.e., Why or why not?

How important is the income from this job to your family’s ability to make ends meet?

Others in household:

What about others in you family? Does anyone else hold more than one job?

Repeat questions above.

When you think about the folks that live around this area, about how many would you say work more than one job? (Rough percentage)

Do you think holding multiple jobs is critical for families in this area to make ends meet?

V. UNEMPLOYMENT

How long have you been unemployed?

Why aren't you currently working? Do you want to be working?

Are you actively looking for work?

IF YES: How are you going about looking?

IF NO: What is keeping you from looking?

Are there constraints about how far you were willing to travel or what kind of salary you would be willing to take? What are these?

Are you currently receiving unemployment benefits? How much do you receive per month?

If unemployment is the result of layoffs:

Did you anticipate the layoffs? How did you respond when it first happened?

Did you think the layoffs were handled fairly or appropriately?

Have your feelings changed over time?

How long did you wait before looking for a new job?

Others in household:

How about others in your family? Is anyone currently unemployed?

Repeat questions above.

How about people around here? Is it common for folks to be out of work? Why?

VI. BARRIERS TO EMPLOYMENT

Are you working as much as you would like to be?

If not, why? What kinds of things are holding you back?

- Health problems? **Probe:** What type of health problems? What is causing them?
- No jobs available in the area?
- Lack of education or job skills?
- Transportation problems?
- Lack of child care options?
- Other reasons?

VII. PUBLIC ASSISTANCE

Now I'd like to ask you about the use of government programs to help low-income families make ends meet.

Are you currently or have you ever received any kind of government assistance for low-income families such as AFDC/TANF, supplemental security income (SSI), food stamps, Medicaid, subsidized housing, fuel assistance or any other kind of assistance?

IF NO:

Thinking back, was there ever a time in your adult life when you think you might have qualified for government assistance for low income families? If so, why didn't you apply?

IF YES:

What programs have you and/or your family participated in? What kind of assistance did you receive from these programs?

How long did you or have you been receiving benefits?

Was there ever a time when this kind of aid made the difference in just barely making it or not making it all?

When you think about the folks that live around this area, about how many would you say receive government support for low-income families? (Rough percentage)

VIII. INFORMAL WORK, BARTER AND NONMONETARY EXCHANGE

Not counting regular jobs or public assistance, many families today make ends meet in a lot of other ways. For example, some folks work “under the table” for a little extra money. Some folks work, not for money, but in return for other things of value, like firewood, car parts, or work you can provide them. Still other folks make crafts, grow vegetables, or produce other things at home that they then sell or trade.

Over the past year have you or anyone else in the household earned cash or other goods from proving any kind of personal service? For example, some people earn cash or other goods from babysitting, fixing hair, doing car repair, carpentry, and fixing things in general.

Some people sell things for extra cash or to trade for other goods, such as food, produce, or meat they grow or hunt, crafts, car parts, and firewood. Over the past year have you or anyone else in the household earned cash by selling goods or trading goods with others?

Which household members do these kinds of things?

What do you (they) do? How often?

Who do you (they) engage in these activities with?

Why do you do these things?

Probe: some examples are…

- So you can set your own hours
- So you can be your own boss
- To help out neighbors and kin
- Because there aren’t enough good jobs or your regular job does not provide enough to get by
- Because everyone does this kind of thing

So on the whole, does your family do these kinds of things mostly to help make ends meet or for other reasons, like being neighborly or just because you like to do it?

Does your family do these kinds of things because the income from your job alone isn’t enough to get by? Or more just for a little extra on top of that?

If you or others in the family were to lose your regular job or have hours cut back, do you think you would do more of these kinds of things to make up the difference? What might you do?

How much or what do you earn per year from these activities?

How important are these things to your family's ability to make ends meet? Has there ever been a time when the cash or other resources your family got from these activities made the difference between getting by and not getting by? Examples?

When you think about families that live around this area, about how many would you say do these kinds of things?

Probe: almost all; most; about half; quite a few, but less than half; not many.

What about your family? Do you ever receive goods and services informally from other folks?

Who supplies this good or service?

How do you know about this person?

Why do you purchase from or trade with this person rather than getting these good and services in some other way? Is it mostly to save money or for other reasons, like being a good neighbor?

IX. SPENDING AND SELF-PROVISIONING

Alright. Now I'd like to ask a few questions about your family's spending and how you save money.

A. Spending Patterns

What are your family's major expenses?

Food (per week)
housing (rent or mortgage) (per month)
heating and other utilities: water, sewer, electricity (per month)
transportation (car payments; insurance; public transportation; etc.) (per month)
clothing (per month)
other household and personal goods (per month)
recreation (per month)
medical expenses (per month)
savings (per month)
other kinds of bills (per month)
others?

When money is tight, how do you cut back? How do you save money?

Some folks do things themselves to save money that they might otherwise have done by others. For example, some folks will do small things like their own car repair or big things like building their own homes.

B. Self-provisioning

What kind of goods and services that could be purchased from others does your family provide for its self? (Examples: childcare; haircuts; raising food; auto repair; etc.)

Why do you do this yourself rather than buying it? Is it just to save money?

Who normally does this activity in the household?

What do you think the savings are in doing this activity by yourself rather than purchasing it?

How important is the ability to save in this way to your family's ability to make ends meet? Could you get by without doing these things?

X. OVERALL FINANCIAL STATUS

We've been talking about the various sources of your family’s income, could we summarize them at this point?

A. Summary of Income from All Sources

All in all, how much income comes into this family on a weekly or monthly or yearly basis?
(Can ask about how much income goes out if unsure).

How has this changed over the past five years?

How easily can you live on the income you get from these different sources? Is this income enough for your family to make ends meet?

B. "Attitudes" Towards Income

How much would you say your family needs to "get by"? Do you feel you are currently able to “get by”? Why?

Which of the activities that family members engage in are essential to your family’s ability to get by? Are there any activities that you do not consider essential?

What would happen if (activity that is essential) could not be done?

XI. MATERIAL HARDSHIPS

Now I'd like to talk about other problems many families face.

Has there ever been a time when your family needed food, but could not afford to buy it? Skipped meals?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

Have you gone hungry because the family could not afford to buy food?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

Has there been a time when you could not afford a place to stay or could not pay your rent?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

Have you ever been evicted from your home for not being able to pay your rent?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

Has your electricity or heat been turned off because you could not afford to pay the bill?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

Has your phone been disconnected, or have you gone without a phone, because you could not afford to pay the bill?
When was the last time that happened? What factors led to this problem (i.e. an illness in the family, bills, etc.)

I'm going to name some problems with housing that sometimes cause people difficulties. Do any of these apply to your situation?

A leaky roof or ceiling?

A toilet, hot-water heater, or other plumbing that does not work right?

Pest problems, like rats, mice, roaches or other insects?

Heating system that doesn't work properly?

Exposed wires or other electrical problems?

A stove or refrigerator that doesn't work properly?

Now I’d like you to reflect back on a time when your family was having a really tough time making ends meet. What was going on? What caused these hard times? What did your family do to get through this?

XII. SOCIAL POLICY

If the president or the governor were to ask you what the government could do to help families like your own make ends meet, what advice would you give him?

Do you usually vote? Why or why not?

Can government work for people like you? What would you like to see the government do to help average families in rural Pennsylvania?

All right. Thanks so much. That wraps up my questions for you.

Is there anything you would like to add?

Do you have any questions for me?

END

Appendix C

Telephone Survey Methodology and Instrument

Research Procedures

The data for the telephone survey were collected through Computer Assisted Telephone Interviewing (CATI) by interviewers at the Penn State Survey Research Center. Data collection occurred between May 3, 2004 and May 25, 2004.

Sampling

I. *Nth Selection Process*

A random number between zero and one is generated and multiplied by the sampling interval to calculate a random starting point between one and the sampling interval. A cumulative count of elements is calculated. At the point at which the accumulation reaches the random starting point, a specific county is selected and the next sampling point is one interval away. Accumulation continues in this fashion until the entire sample has been apportioned.

For example if the total number of telephone/mail records available was 1,000 and you required 100 numbers. Then sampling interval would be calculated by dividing 1,000 by 100. Therefore the sampling interval every tenth record. Then from a random start between 0 and 9 e.g. 4 – every 10^{th} number would be selected. 4^{th}, 14^{th}, 24^{th}…

II. *Listed Database*

SSI Listed samples are drawn by accessing the largest available national database of U.S. households. These data are collected from white-page telephone directories from across the country and supplemented with other proprietary information sources. Systematically nth-selected from the database (sorted by county, ZIP Code, area code, and telephone exchange), listed sample is distributed proportionately across the geographic area specified.

III. *Geography*

The specified Geography for this order was distributed proportionately across the State of Pennsylvania, excluding any county that is in a Metropolitan Statistical Area (MSA).

IV. Demographic Selection (Income)

Survey Sampling uses a sophisticated income predictor to select samples that target households within a specified income range. The income predictor is derived from a multiple regression analysis of both individual household data and Census data at the block group level. The individual household data include information such as automobile ownership, length of residency, and type of dwelling unit; the Census data are based on over 200 variables related to income from the U.S. Census.

Each record in the Listed Household Database carries a predicted income score, making it possible to select among a broad range of income levels -- from $10,000 to $150,000+. Samples may be defined with both a minimum and a maximum income range (e.g., $20,000 to $30,000) or with a single delimiter (e.g., under $25,000 or over $40,000).

As a first step in the sample selection process, a sampling frame is constructed of all qualifying records for each county code, ZIP Code, area code, and telephone exchange. Quota by county is allocated based on the county share of the frame (total households), not distributed income. Then, the sample is systematically nth-selected from that set of records.

In the case of this sample, the sample was pulled in two separate income groups. Two-thousand records were pulled from records with a predicted score of “Income up to $14,999”, while 500 records were pulled from records with a predicted “Income of $15,000 or greater.”

Prenotification

A prenotification letter, along with a $1 cash incentive, was mailed to names and addresses matching the telephone numbers in the sample.

Screening

To be eligible for this study, the household was required to have 2 or more related people living in the household (they could be related by blood, marriage, or adoption). Once it was determined that a household had been reached, screening questions were asked to determine if that household was eligible. If the household was eligible, one adult was randomly selected to be the respondent and was asked to complete the telephone survey. If the respondent was unable to complete the survey at that time, a more convenient time was given for the interviewer to call back so the survey could be completed.

Quality Control

Quality control was managed through monitoring the interview process and calling respondents back to verify the interview of at least 10% of completed interviews. Interviews were monitored both by visual monitoring of computer data input and by audio monitoring of the interview.

Response, Cooperation, and Refusal Rates

Table 1 shows the various formulas used to calculate the response, cooperation, and refusal rates. To calculate the response rate, the total number of interviews (completed, partially completed, and screen-out interviews) was divided by the sum of the number of interviews, the number of non-interviews (refusals, non-response, and no resolution working telephone numbers), and the total of all telephone numbers where working status is unknown. Calculating the response rate in this manner resulted in a response rate of 52.1%.

The cooperation rate determines the rate of cooperation among contacted households. The cooperation rate (63.8%) was calculated by dividing the number of interviews (completed, partially completed, and screen-out interviews) by the number of interviews plus the number of non-interviews with households with which we had contact (refusals and other non-respondents, such as non-English speaking households).

The refusal rate was calculated similar to the response rate, but calculating refusals instead of interviews. This rate was calculated by dividing the number of refusals by the sum of the number of interviews (completed, partially completed, and screen-out interviews), the total of non-interviews (refusals, non-response, and no resolution working telephone numbers), and the number of all telephone numbers where working status is unknown. Using this formula, the refusal rate for this survey was 28.6%.

Formulas for Calculating Response, Cooperation, and Refusal Rates

I	=	Completed interview (N=504)
P	=	Partially completed interview (N=7)
S	=	Screen-out interview - do not meet quota eligibility (N=665)
R	=	Refusal (N=646)
O	=	Other non-response (unable because language, health, etc.) (N=20)
NC	=	Household, Non-contact (N=291)
UH	=	Unknown if household (N=115)
UO	=	Unknown Other (N=9)

Response rate:	52.1%	$\frac{I+P+S}{(I+P+S)+(R+NC+O)+(UH+UO)}$
Cooperation rate:	63.8%	$\frac{I+P+S}{(I+P+S)+R+O}$
Refusal rate:	28.6%	$\frac{R}{(I+P+S)+(R+NC+O)+(UH+UO)}$

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http://www.ssri.psu.edu/survey/

PENNSTATE

1 8 5 5

Social Science Research Institute
Survey Research Center

The Pennsylvania State University
N250 Burrowes Building
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April 23, 2004

«last» Household
«address»
«city», «state» «zip»-«zip4»

Dear «last» household member:

In the next few weeks your household will receive a call from one of our interviewers asking you to participate in an important study being conducted by researchers at Penn State University. Your household has been randomly selected to be part of a study examining how families are making ends meet today in rural Pennsylvania. Your household's participation in this research is very important, and will help provide policy makers with more accurate information about the challenges faced by families in rural areas of our Commonwealth.

We are writing because many people like to know ahead of time that they will be called. Please show this letter to other people in the household who may answer the telephone when we call.

Participation in the study is voluntary, and if you do decide to participate your responses to the questions asked will be completely confidential. The interview will last about 20 minutes, although it may be shorter, and we can stop at any time. If you have any questions or concerns regarding respondent confidentiality please contact Penn State University's Office for Research Protections at (814) 865-1775. Alternatively, you may contact the Study Director, Tim Slack, at (814) 865-0670.

If you have any questions about this study, we would be happy to talk with you. Our toll-free number is 1-800-648-3617. We have also enclosed $1 as a way of saying thanks in advance for your help with this important study.

Cordially,

T. Slack

Tim Slack
Study Director
Pennsylvania State University

Curriculum Vita

TIMOTHY A. SLACK

EDUCATION

Ph.D., Rural Sociology, The Pennsylvania State University, 2004.
M.S., Rural Sociology and Demography, The Pennsylvania State University, 2000.
B.S., Rural Sociology, University of Wisconsin-Madison, 1998.

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Assistant Professor, Department of Sociology, Louisiana State University, 2004-present.
Dissertation Fellow, Rural Policy Research Institute (RUPRI), Rural Poverty Research Center (RPRC), 2003-2004.
Graduate Research Assistant, Center for Work and Family Research, Social Science Research Institute, The Pennsylvania State University, 2002-2004.
Graduate Research Assistant, Department of Agricultural Economics and Rural Sociology, The Pennsylvania State University, 1998-2003.
Assistant Editor, Pathways from Poverty Newsletter, University of Wisconsin-Madison, 1998.

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