Brief 2

How Employment Links to the Fluidity of Poverty

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This brief is based on a 2006 Sanford Institute working paper entitled "Escaping Poverty and Becoming Poor in Thirteen Communities in Rural North Carolina" by Anirudh Krishna, Christina Gibson-Davis, Liz Clasen, Milissa Markiewicz, and Nicolas Perez. The entire study can be found at http://sanford.duke.edu/research/papers/SAN06-02.pdf. More information on this approach to studying poverty called the Stages-of-Progress methodology can be found at: www.sanford.duke.edu/krishna.

In this study, interviews were conducted with the members of 312 randomly-selected households in 13 communities located in four geographically separate rural counties of North Carolina: Beaufort, Burke, Gates and Vance. The goal was to find out how families moved into and out of poverty between 1995 and 2005. Response from community members was enthusiastic with a total of 81 percent of all selected residents agreeing to participate in the interviews.

Each household provided its own account of the reasons for changes in the household's economic movement during the ten year period. There were multiple similarities of these reasons across households, communities and counties, indicating that common factors are operating across the state. While not statistically representative of the entire state of North Carolina, this study is nevertheless indicative of several important trends, summarized below.

Over the ten-year period 1995 to 2005, a total of 23 percent of sampled households moved out of poverty; for instance, they were poor in 1995 and not poor in 2005. Conversely, 12 percent of households fell into poverty during the same period. Two opposite movements were simultaneously operating in every community that the study examined: some families were falling into poverty while others were moving out of poverty.

Relatively few households cycled into and out of poverty during the study period, 1995 to 2005. The majority who escaped poverty have remained out of poverty, while the majority who fell into poverty have remained poor. Spells of poverty have tended to be relatively long-lasting; descents into poverty were not commonly reversed.

Falling Into Poverty

Rather than any characteristics of the families or individuals concerned, the study found that discrete events led to descents into poverty. Health-related issues, such as illness, medical expenses and prescription drug costs were responsible for the largest number of movements into poverty. These health-related factors were associated with about one-third of all descents into poverty in the first five-year period, 1995 to 2000. During the second five-year period, 2000 to 2005, this percentage rose to 40 percent, indicating that the importance of health as a precipitator of descents into poverty may be increasing.

As one might expect, job loss was another common factor associated with descents into poverty. During the second five-year period, 2000-2005, this factor was associated with the largest number of descents. Job loss was associated with nearly 60 percent of all descents occurring during the second five-year period, compared to 16 percent during the first five year period, 1995 to 2000. Communities studied in

Burke and Vance counties were particularly hard hit by job losses. Burke County faced severe job losses due to declines in the manufacturing industry during the period 2000 to 2005, and Vance County experienced large numbers of descent into poverty on account of factory closings occurring between 1995 and 2000.

In multiple cases, health-related issues and job loss worked in tandem to cast households into poverty. Most households that mentioned job loss as a reason for downward movement also mentioned at least one health-related problem, such as illness, accident, disability or medical/prescription costs. Beyond the impact on income, job loss often implies loss of health insurance, which in turn increases the probability of falling into poverty. It is reasonable to suggest that if those who lost jobs had been protected by health coverage, the likelihood of their falling into poverty would have decreased significantly.

Family-related factors helped accentuate the effects of other factors, such as health effects and job loss. In general, being single, divorced or widowed tended to make one more vulnerable to descent into poverty, but these conditions alone did not precipitate a descent into poverty. Many households that suffered job loss or experienced severe health concerns were able to ward off poverty because of the help provided by family members and friends. Conversely, a loss of family networks was associated with a greater likelihood of falling into poverty.

No particular individual characteristic, such as race, gender or age, is significantly associated with falling into poverty. The same factors are responsible for descents within different population groups, and the same kinds of protections can help to stave off poverty for all.

Moving Out of Poverty

Employment was the primary factor associated with moving out of poverty. A total of 56 percent of all households escaping poverty between 1995 and 2000 did so on account of finding a full-time job or, more often, on account of taking up a second or third job. Beyond having a full-time job, households moving out of poverty often worked in more than one job, started a side business or benefited from a spouse's employment. Additional employment was especially important during the second five-year period, 2000 to 2005, when more than half of all households that escaped poverty had a member working more than one job.

Careful money management and budgeting were also associated with households who had employment and were able to move out of poverty. These factors tended to strengthen the safety nets that held these people out of poverty.

Preventing descent into poverty is as important as escaping poverty. Adverse shocks, such as severe health incidents, can happen in any household, and these incidents can have long-lasting effects. People who have one or more support networks – based in employment, family or the community – are less likely to fall into poverty. Individuals and households that lack these supports are more vulnerable.

Safety nets in the form of health coverage are particularly important. However, safety nets, jobs, health care access, budgeting and family assistance are not equally available in all communities.

Isolating the different reasons for movement into and out of poverty is a crucial step in formulating locally-appropriate responses to poverty. Additional studies in other parts of North Carolina could help determine more precisely the range of trends and reasons. These findings could be a crucial step in beginning a dialogue about how to reduce the number of households falling into poverty – and increase the ability of households to escape it. Such focused, thoughtful work can increase and strengthen overall community well-being.

How this study was done

This study used the *Stages of Progress Methodology* developed by Dr. Anirudh Krishna, professor at Duke University, to answer questions about how people understand the *material* aspects of poverty.[i] First applied in rural areas of India, the *Stages of Progress Methodology* has been used in a number of countries around the globe as well as in rural North Carolina. Dr. Krishna has also used this method to ask questions about the strategies poor households use as they try to escape poverty; what leads households to fall into poverty; and how these strategies and causes change over time. (A detailed field manual on the *Stages of Progress Methodology* is available at http://sanford.duke.edu/krishna/SoP.pdf.)

Using the *Stages of Progress Methodology,* Dr. Anirudh Krishna and his research team asked people in 13 North Carolina communities to identify where, along a continuum, a family would no longer be poor in their estimation. Community members then agreed on a cut-off line below which they would consider a household to be in "extreme poverty," and above which a household would be considered "poor." Similarly, a second cut-off line was also agreed upon which signified that a household was "not poor." Table 1 presents a typical stages-of-progress yardstick developed in a rural North Carolina community.

Table 1. Stages of Progress

Stage 1	Obtain basic shelter	
Stage 2	Obtain food	
Stage 3	Some form of transportation – used car; money for gas to pay neighbor for a ride	
Stage 4	Clothing	
Poverty cut-off: Beyond this line, households are no longer considered in poverty		
Stage 5	Phone – land line or cell phone	
Stage 6	In-home entertainment, usually a TV	
Stage 7	Buy own car/better car	
Stage 8	Savings/Pay off debt	
Prosperity cut-off: Beyond this line, households are considered relatively well-off		
Stage 9	Buy a house	
Stage 10	Save for children's education	
Stage 11	Vacation	

In this example, community members considered a household to be in "extreme poverty" if it was at or below Stage 4; for instance, if it was unsuccessful in obtaining shelter, food, transportation and clothing. Above "extreme poverty," was a middle category defined as "poor." Households were considered "poor" until they crossed past Stage 8 into Stage 9; for instance, until they were able to purchase a home (often a mobile or starter home), after which the household was said to be "not poor" or "doing alright" or "not struggling anymore."

Not only did communities actively participate in the study, but they also revealed a solid understanding of the *Stages of Progress Methodology*. During community meetings, participants resonated with and quickly understood the process of creating such a yardstick. After a careful initial introduction to the exercise, relatively little probing was required by the researchers because community members carried on the conversations quite confidently among themselves: "No, I think someone would buy a telephone before they would buy a television." "I think we forgot about transportation. How can someone get a job if they don't have a car?"

The yardsticks created by each community are quite revealing. The first four stages are nearly identical across all 13 communities. In order, they are: food, shelter, clothing and some form of transportation. Based on the placement of these four items and discussions in the community meetings, we understood these four items to be the basic necessities in rural life. In the analysis of the data, a household was labeled in "extreme poverty" if it could not provide these four basic items for itself.

Once the yardsticks move beyond the first four stages, there is more variety in the stages. Large commonalities still exist, however. Though the order of obtainment might differ, most communities agree that after the first four basic necessities, a typical household obtains a telephone, a television, and a more reliable car, and can also meet basic health care needs. In all but two communities, "homeownership" or "ability to save" indicated that a family had moved out of poverty.

While it would have been feasible to construct a unified definition of poverty, it was also important to ensure that these community distinctions were captured. Accordingly, for the purpose of analysis, Krishna's team defined a household as "poor" or "not poor" based upon the definition of poverty generated by the household's particular community. For the definition of "extreme poverty," however, Krishna's team relied upon the unified definition of being unable to provide food, shelter, clothing and/or transportation.

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[i]The *Stages of Progress Methodology* acknowledges that poverty has many dimensions – economic, psychological, social, etc. Attempting to capture all of these dimensions with a simple tool is perhaps impossible. For this reason, the *Stages of Progress Methodology* has as its focus the material aspect of poverty.