Determinants of poverty among workers in metro and nonmetro areas of the South

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Author Abstract

This analysis examines selected factors affecting work and poverty in metro and nonmetro areas of the South, including rates of labor force participation and the demographic, economic, industrial and occupational characteristics of the working poor. The results indicate that being a female head of household is the most important factor in distinguishing poor and nonpoor working persons. The odds of workers in female-headed families being poor was nearly six times higher than for workers in other family types. The number of earners in the family, race, and industry structure are also significant in accounting for the variation in poverty status among employed persons. The implications of these findings for ameliorating the plight of the working poor are explored.

During the past five years, considerable attention has been devoted to dilemmas of the working poor. There is a growing recognition that a significant portion of this population is poor not because of a lack of motivation to work but because of limited employment opportunities and concentration in low wage industries (8 percent of the working population). In 1988, nine million adults were working but poor. These workers are mostly white, and in two-parent families with two or three children, albeit a disproportionately high number are African American and Hispanic. Many are employed full-time, are high school graduates, own their homes, and are becoming discouraged about the payoffs of hard work.

Whitman et al. maintain that there are many reasons why government policymakers have not paid much attention to the growing number of working poor.(1) The single most important one is that, for the most part, the working poor are invisible. The working poor do not live clustered in inner-city ghettos and do not hang around idly on street corners. Many live in rural hamlets far from an interstate highway, often down a dirt road. In addition, Levitan and Shapiro(2) found that the working poor are highly concentrated in nonmetro(3) areas and "poverty areas" (areas in which 20 percent or more of the population were below the poverty level). Specifically, almost half of all employed impoverished household heads live in nonmetro areas where only a third of all households are located.

The problems of the working poor are related to both supply and demand factors. On the supply side, there is an excess of skilled labor which consigns some individuals to low-wage positions. This consequent increase in the supply of workers in low-wage positions further depresses wages. Another supply factor adversely affecting the wage rate pertains to the influx of immigrants into this low-wage sector. On the demand side, there is an insufficient number of higher-paying positions for skilled workers or overt discrimination that keeps many workers in poverty.(4) Further, the inability of the service sector to generate a sufficient number of high paying jobs will probably exacerbate the demand for low paying positions.

In this study, we focus on factors affecting work and poverty in metro and nonmetro areas in the South. First, we briefly review the previous research on the working poor and then present descriptive statistics on these workers. Finally, we perform a logistic regression analysis to determine which factors are most important in distinguishing the working poor from the working nonpoor.

PREVIOUS RESEARCH

In 1946, Davis stated that "our system of production must expand so as to offer a larger proportion of the working class steadier jobs, good wages, and a decent place to live and to rear a family . . . otherwise a third or more of our labor supply will become increasingly demoralized."(5) The available current data fully support Davis's argument.

In recent years, a number of studies have focused on the concurrence of work and poverty.(6) For example, Levitan and Shapiro state cogently that "the working poor remain America's glaring contradiction" and that the simultaneity of work and poverty is "contrary to the American ethos that sustained labor leads to material advancement and it negates prevailing images of poverty emphasizing deviant behavior, particularly a lack of commitment of work."(7)

Levitan and Shapiro also cited many explanations for the upsurge in the ranks of the working poor: (1) a purported explosion in low-wage service jobs such as janitors and busboys; (2) a flood of women and young baby-boomers entering the labor market, many in poorly paid part-time jobs; (3) a lack of sustained real growth in family income and wages; (4) a strong U.S. dollar that sent businesses scurrying to foreign nations for cheap labor and also reduced hours for U.S. workers; and (5) tax burdens on the poor that increased up until the 1986 tax overhaul.(8)

Ellwood and Summers report that "for the first time in history, we have sons making less than their fathers."(9) They note four factors that have contributed to the rising number of working poor: (1) the federal minimum wage--$4.25 an hour (effective April 1991) has increased only 25 percent since 1981, but living costs have soared 39 percent (as measured by the consumer price index); (2) the country's economic base has shifted from manufacturing jobs to lower-paying service jobs; (3) unions have lost bargaining power in the face of cheap foreign competition; and (4) under the "New Federalism," government programs to help the poor were cut.

Danziger and Gottschalk cast doubt on a common perception that most poor households are impoverished because their heads, though capable of doing so, do not work. Their data indicated that of the poor households with an able-bodied head, most had earned income. About one-half of all poor able-bodied mothers whose youngest child was under age six worked at some point during the year. In addition, about 80 percent of able-bodied men who head poor households with children worked at some point during the year.(10)

Schiller, Levitan and Shapiro, and Danziger and Gottschalk reported that despite tremendous work effort, poor households remained in poverty because of low annual earnings, reflective of both low weekly earnings and less than full-year work.(11) Schiller found an inverse relationship between employment and the likelihood of poverty: as the duration of employment increases, the incidence of poverty progressively drops. Household heads who are employed less than half the

year have a 33 percent chance of being poor. By contrast, household heads who work full-time all year round have a one in thirty chance of being poor.(12)

Schiller maintained there was ample evidence that the working poor do not command wages high enough to assure economic security.(13) Very few full-time working poor earned as much as $5.00 an hour. On the contrary, the typical wage of a poor head-of-household who worked all year round at a full-time job was between $3.50 and $4.00 an hour. Thus, most of these households would have remained poor even if their heads worked a full-year at their current weekly earnings rate.

Thomaskovic-Devey argued for a social structural understanding of poverty that views poverty rates as a function of local opportunity.(14) That is, poverty depends on the characteristics of jobs and the concomitant realization that some jobs are poverty-level jobs. The extent of poverty in a region, Thomaskovic-Devey contended, is related to the proportion of positions in that region that provide only poverty-level income. Therefore, poverty is a function of the amount of opportunity in a labor market relative to the size of the population. Lichter,(15) Schiller(16) and Bloomquist(17) et al. also lent support to Thomaskovic-Devey's thesis. These researchers maintained that while the working poor are distributed throughout the labor market and in all industries, they will always be found in the lowest-ranking, least noticeable jobs. Being employed in these jobs will not generate the wages necessary to rise above the poverty threshold.

Employing a multivariate logit model, Morrisey concluded that worker poverty status was determined by job opportunities and factors rooted in the individual worker.(18) Morrisey's findings that nonmetro jobs provided lower earnings and that nonmetro workers were more likely than metro workers to be poor suggested that limited job opportunities make a strong contribution to the higher level of worker poverty in nonmetro areas, while worker characteristics (poorly educated, a minority, or a single female family head) largely determine which particular workers will be poor.

In sum, previous studies clearly indicate that many workers do not earn enough income to rise above the poverty threshold. The impacts of macroeconomic policies and shifts in the industrial structure have caused a number of people to experience poverty for the first time in recent years.

DATA

The data for this study are taken from the Current Population Survey (CPS), which obtains monthly data from a national probability sample of households to determine the labor force activities, income, demographic, and other characteristics of the U.S. population. The 1988 Annual Demographic File, based on supplemental questions to the March CPS, contains detailed data on employment and income reported for the previous year, in addition to the basic monthly demographic and labor force data. The universe is the civilian noninstitutionalized population and some military persons living in civilian housing. The units of analysis for this study are families with a civilian head that worked one or more weeks in 1987 and reside in the South.(19) Following the standard Census definition, a family refers to a group of persons related by birth, marriage or adoption who live together, while a family head refers to the persons (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. Excluded from this study are persons unrelated to the family head. The total number of family units is 9,264.

SAMPLE DISTRIBUTION OF STUDY VARIABLES

An examination of CPS data revealed that a disproportionate number of black workers were in poverty compared to white workers. Black workers comprised three percent of the sample; however, they constituted nearly 36 percent of the workers in poverty.

The data further indicate that poor workers, on the average, tended to be about five years younger than the nonpoor workers; the coefficients of variation indicate that the ages of the poor workers were slightly more variable (31.6 vs. 28.4). As expected, workers in poverty also had lower average educational attainment than workers not in poverty and their educational distribution exhibited more variation. Nearly 23 percent of the poor workers indicated they had completed only one to eight years of education compared to 8 percent of the nonpoor workers. Only 14 percent of the poor workers had completed postsecondary education compared to 44 percent of the nonpoor workers. Another salient disproportionate distribution pertains to female heads of households; this subgroup comprises only 15 percent of the sample but 40 percent of the working poor. It is also evident from these data that less than 15 percent of female heads of households are above the poverty threshold.(20)

The data also reveal that workers in poverty had slightly larger family sizes than nonpoor workers. These average family sizes were, respectively, 3.9 and 3.2. As reflected by the coefficients of variation, there was also more variation in family sizes among the poor workers (43.6) than the nonpoor workers (37.5). In regard to family members in the labor force, however, the nonpoor workers had slightly more members in the labor force, on the average, than the poor workers. These averages were, respectively, 1.84 and 1.42. In addition, the nonpoor workers also were employed more weeks than the poor workers. For example, 93 percent of the nonpoor workers were employed at least forty weeks compared to 64 percent of poor workers. On the average, the nonpoor workers were employed ten more weeks than the poor workers. It is also apparent that the working poor exhibited more variability in their labor market participation than the working nonpoor, reflected by the coefficients of variation. The values of these coefficients were 16.2 and 44.5, respectively.

Finally, 62 percent of the nonpoor heads of families were employed in the primary industries compared to 43 percent of the poor workers.

Table 1 contains data for selected demographic and labor force characteristics of employed persons in the South by poverty status and place of residence, metro or nonmetro. As noted earlier, black workers have a greater propensity to be in poverty than white workers. The metro/nonmetro differential, however, is small (less than a two percentage point difference). In terms of family structure, female workers who head households are more likely to be poor in metro areas of the South than nonmetro areas, a finding that is consistent with previous studies.(21)

Poor workers in metro areas tend to be slightly younger (about two years) than poor workers in nonmetro areas, whereas the nonpoor workers in metro and nonmetro areas have almost identical age distributions. The variation in ages between and within residence patterns among the poor and nonpoor workers is very similar. The place of residence differential in terms of educational attainment is also very small. Employed persons in metro areas have slightly higher levels of education than employed persons in nonmetro areas while the variability between the poverty groups is almost identical between metro and nonmetro areas.

As shown in Table 1, employed persons in poverty tend to have somewhat larger family sizes and fewer members participating in the labor market than those not in poverty; metro/nonmetro differences are minimal. However, as expected, poor persons in nonmetro areas worked more weeks, on the average, than poor persons in metro areas. The number of weeks worked was 41 and 38, respectively. Also, there was less variation in the number of weeks worked among poor workers in nonmetro areas (40) than metro areas (47).

The data in Table 1 also reveal that nonpoor workers in metro areas have significantly higher incomes and earnings than nonpoor workers in nonmetro areas. On the average, nonpoor employed persons in metro areas have about $10,000 more in total family income and their earnings are about $9,000 more than their counterparts' in nonmetro areas. Clearly, the metro/nonmetro gap still exists. Contrariwise, poor workers, whether in metro or nonmetro areas, have about the same total family income and about the same earnings. Finally, poor persons are more likely to work in secondary industries, whether in metro or nonmetro areas.

TABLE 1

Selected Demographic and Labor Force Characteristics of Employed Persons in the South by Poverty Status and Place of Residence

	Metro		Nonmetro	
	Poor	Nonpoor	Poor	Nonpoor
Characteristic	% (N=420)	% (N=6100)	% (N=279)	% (N=2416)
Race:				
Black	35.0	13.8	32.9	11.6
White	63.8	84.7	65.1	87.7
Other	1.2	1.5	1.8	0.7
Age:				
15 - 24	13.1	4.4	10.5	4.4
25 - 54	78.6	78.0	76.9	76.7
55+	8.3	17.7	12.6	18.9

Mean	36.5	42.1	38.7	42.3
Standard Deviation	11.3	11.9	12.5	12.3
Coefficient of Variation	30.1%	28.2%	32.2%	29.1%
Education:				
0 - 8 years	22.1	6.4	23.5	11.2
9 - 11 years	25.2	9.9	23.8	14.9
12 years	37.4	35.7	40.4	41.1
12+ years	15.2	48.1	12.3	32.8
Mean	10.5	13.1	10.4	12.2
Standard Deviation	3.2	3.0	3.2	3.0
Coefficient of Variation	30.5%	22.9%	30.7%	24.6%
Type Of Family:				
Female Householder	45.2	13.5	32.5	10.2
Male	3.6	3.8	3.6	2.7
Married Couple Family	51.2	82.7	63.9	87.1
Family Size:				
1 - 2	26.0	35.7	24.5	34.4
3 - 4	43.1	50.9	46.2	53.4
5 - 6	24.3	11.9	22.7	11.2
7+	6.6	1.5	6.6	1.0
Mean	3.9	3.2	3.8	3.2
Standard Deviation	1.7	1.2	1.6	1.6
Coefficient of Variation	43.6%	37.5%	42.1%	50.0%
Family Members in Labor Force:				
1	61.9	29.8	63.5	30.6
2	32.6	54.8	32.9	57.6

3+	5.5	15.4	3.6	11.8
Mean	1.43	1.86	1.40	1.81
Standard Deviation	.61	1.06	.56	0.62
Coefficient of Variation	42.3	57.0	40.2	34.6
Number of Weeks Worked:				
0	5.2	0.6	3.6	0.6
1 - 13	10.8	0.9	8.0	1.2
14 - 26	11.9	2.5	10.4	2.5
27 - 39	11.2	3.0	9.8	3.5
40 - 52	60.9	93.0	68.2	92.2
Mean	37.7	49.5	40.8	49.3
Standard Deviation	17.8	7.9	16.5	8.4
Coefficient of Variation	47.2%	16.0%	40.1%	17.0%
Total Family Income:				
Negative	1.0	0.0	2.2	0.0
$0 - $4,999	30.2	0.0	30.0	0.0
$5,000 - $14,999	67.1	7.1	65.3	12.5
$15,000 - $24,999	1.7	17.6	2.5	26.7
$25,000 - $34,999	0.0	19.2	0.0	23.0
$35,000 - $49,999	0.0	26.0	0.0	22.2
$50,000 - $59,999	0.0	10.7	0.0	7.2
$60,000+	0.0	19.5	0.0	8.4
Mean	$6,707	$43,257	$6,696	$33,447
Standard Deviation	$3,733	$26,455	$4,123	$20,281
Coefficient of Variation	55.6%	61.1%	61.2%	60.6%

Total Family Earnings:				
Negative	1.2	0.1	3.2	0.2
$0 - $4,999	41.7	1.6	41.9	2.3
$5,000 - $14,999	56.2	9.9	54.5	16.3
$15,000 - $24,999	1.0	18.0	0.4	25.2
$25,000 - $34,999	0.0	19.4	0.0	22.4
$35,000 - $49,999	0.0	24.4	0.0	20.8
$50,000 - $59,999	0.0	10.3	0.0	5.8
$60,000+	0.0	16.4	0.0	7.1
Mean	$5,741	$39,336	$5,587	$30,375
Standard Deviation	$3,879	$24,231	$4,224	$18,678
Coefficient of variation	67.6%	61.6%	75.6%	61.5%
Industry:				
Primary	55.6	75.2	47.7	67.5
Secondary	45.5	24.8	52.3	32.5

Source: Current Population Survey, The 1988 Demographic File. U.S. Department of Commerce, Washington, D.C.

In sum, the descriptive data reveal that employed poor heads of families in the South are more likely to be black, tend to be female heads of household, have larger families, have completed fewer years of education, tend to be younger, and to have lower incomes and earnings. Metro/nonmetro differentials were more apparent in the family structure variable (female heads of household). In addition, metro/nonmetro differences were evident in total family income and earnings between poor and nonpoor workers.

MODEL SPECIFICATION

The multivariate analysis procedure employed was logistic regression. This technique enabled us to assess the probability (or odds) of a person being in poverty as a function of a set of explanatory variables that included both categorical and continuous variables. Because the dependent variable is categorical rather than continuous, the multivariate, normal assumptions of ordinary least square regression do not hold.

The dependent variable we are modeling is the binary poverty index, P(pov), which is the probability that a worker is below the poverty threshold. Because P(pov) is a probability, it has a

limited range of 0 to 1. We used logistic regression to derive the log-odds to capture the effects of the explanatory variables. The model is of the form:

log (P(pov)/1 - P(pov)) = [Alpha] + [Sigma][Beta]iXi

where [Alpha] is the intercept term and [Beta]i is the set of coefficients for explanatory variables, Xi.

A summary of the operational definitions used in this study is provided in Table 2. Poverty, the dichotomous dependent variable, is based on the U.S. Bureau of the Census guidelines. The poverty index consists of a range of income cutoffs or "poverty thresholds" adjusted to take into account family size, number of children and age of family head. The poverty cutoffs are updated every year to reflect changes in the Consumer Price Index. The average poverty threshold for a family of four was $11,650 in 1988.

Most of the independent variables presented in Table 2 are straightforward and require little explanation. One exception, however, is industrial structure. One major contribution of the dual labor market theory in explaining earnings and/or income differentials is that jobs can be divided roughly into two sectors, primary (core) and secondary (peripheral). Firms in the primary sector tend to be large, diversified, capital intensive, and offer high pay and opportunities along clearly defined career ladders. In contrast, firms in the peripheral sector tend to be smaller, more labor intensive, more vulnerable to the vagaries of the labor market, and offer low pay and limited chances for career mobility (see, for example, Averitt; Gordon; Hodson; and Tigges).(22) Based on these studies and using Standard Industrial Classification (SIC) Codes, the following industries were classified as constituting the primary sector: durable manufacturing; construction; transportation, communications, and other public utilities; wholesale trade; finance, insurance, and real estate; public administration and professional and related services. The secondary sector consisted of nondurable manufacturing, retail trade, business and repair services, personal services (including private household), entertainment and recreation services, mining and agriculture, forestry and fisheries. It is our hypothesis that even when controlling for human capital skills, persons employed in the secondary labor market are more likely to be in poverty than persons employed in the primary labor market.

The nine explanatory variables, provided in Table 2, are formulated into the following testable hypotheses:

[H.sub.1]: Black workers are more likely to be below the poverty threshold than white workers.

[H.sub.2]: As age increases, the probability of a worker being in poverty increases.

[H.sub.3]: Employed female heads of household are more likely to be below the poverty threshold than employed male heads of household or two-parent families.

[H.sub.4]: Family size varies directly with the probability of workers being in poverty.

[H.sub.5]: Workers in nonmetro areas are more likely to be in poverty than workers in metro areas.

[H.sub.6]: Education varies inversely with the probability of workers being in poverty.

[H.sub.7]: The number of earners in the family varies inversely with the probability of being in poverty.

[H.sub.8]: The number of weeks worked varies inversely with the probability of being in poverty.

[H.sub.9]: Workers employed in the secondary sector are more likely to be in poverty than workers employed in the primary sector.

TABLE 2

Operational Definitions of Variables

Variables	Coding
Dependent Variable	
Poverty	0 = above the poverty threshold
	1 = below the poverty threshold
Independent Variables	
Race	0 = white; 1 = black
Age	Age (in years) of family head
Family Type	0 = otherwise; 1 = female head
Family Size	Actual number of persons in family
Motto Status	0 = Nonmetro; 1 = Metro
Education	Actual years of education completed
Earners	Number of earners in family
Weeks Worked	Actual number of weeks worked
Industry Structure	0 = primary; 1 = secondary
Race-Earners Interaction	Race x Earners

[H.sub.10]: The number of earners in black families has a greater effect in determining the families' likelihood of rising above the poverty threshold than the number of earners in white families.

LOGISTIC REGRESSION ANALYSIS

Equations 1-3 in Table 3 contain the log-odds and odds effect coefficients for the demographic and labor force variables included in the model. Age and education are used as control variables in the equations. Equation 1 contains the effects of only the demographic variables, Equation 2 contains the effects of only the labor force variables, and Equation 3 contains the effects of both the demographic and labor force variables. Specifying the models (equations) in this manner permits a determination of which block or set of variables (demographic or labor force) is more important in affecting the probability of an employed family head being above or below the poverty threshold.

For ease of interpretation, we converted the log-odds coefficients to odds coefficients by taking the inverse of the former. The point at issue here is to determine the magnitude and relative importance of these variables in accounting for poverty among persons in families where the head is employed. Owing to a large sample size, we focus on the substantive magnitude of the odds coefficients rather than statistical significance in discussing the results. Outcomes described as significant were statistically significant at the 0.001 level or better, unless otherwise indicated.

TABLE 3

Logit Models for the Working Poor: Selected Human Capital, Demographic and Labor Force Characteristics(1)

Models	(1)	(2)	(3)
Intercept	0.02 (-3.86)	0.01 (-7.64)	0.01 (-7.68)
AGE	1.1 (0.03)	1.1 (0.05)	1.1 (0.04)
EDUCATION	1.3 (-0.27)	1.3 (-0.25)	1.2 -(0.23)
RACE	2.0 (.70)		4.9 (1.59)
FAMILY TYPE	5.6 (1.72)		3.6 (1.29)
FAMILY SIZE	2.8 (-0.22)		1.70 (-0.53)
METRO STATUS	1.5 (-.41)		1.5 (-0.42)
EARNERS		3.3 (-1.18)	5.3 (-1.67)
WEEKS WORKED		1.1 (-0.06)	1.1 (-0.06)
INDUSTRY		1.8	1.9

		(.60)	(0.62)
INTERACTION (Race) X (Earners)			1.8 (-0.62)
Model [X.sup.2]	2596.96	1828.16	2531.40
D.F.	6	5	10
[R.sup.2]	0.26	0.31	0.43

1. The first value is the odds coefficient; the parenthesize value is the beta coefficient. All coefficients are statistically significant at the 0.001 level.

The results from Equation 1 show that family type is the most important variable in accounting for poverty among employed persons in the South. That is, female heads of households are significantly more likely to be in poverty than male heads of households or families where both parents are present. The odds of a female head of household being in poverty are 5.6 times higher than a family headed by a male or two parents. The other family structure variable (family size) also has a significant impact in determining whether a worker is poor or not. Specifically, each additional family member reduces the odds of escaping poverty by a factor of 2.8.

Race also emerges as an important variable in distinguishing employed persons in and out of poverty. Controlling for other factors, black workers are twice as likely to be in poverty as white workers. Metropolitan status and education have virtually identical odds coefficients while the odds coefficient of age is negligible. Nonmetro workers are one and one-half times more likely to be in poverty than metro workers. For each additional year of schooling completed, the odds of escaping poverty for the working poor increase by 1.3 times and, as an employed person gets one year older, the odds of escaping the poverty threshold are about even (1.1:1).

Equation 2 incorporates the labor force variables while controlling for age and education. First, it is apparent that the effects of age and education in predicting poverty among employed persons remain the same. Among the labor force variables, the number of earners is the most important variable followed by industry structure. Each additional earner increases the odds of a family rising above the poverty threshold by 3.3 times. Relative to industry structure, a worker in the secondary sector is almost twice (1.8 times) as likely to be impoverished as a worker who is employed in the primary sector. The effect of the number of weeks worked in escaping poverty is inconsequential. For each additional week that a respondent is employed, the odds of escaping poverty increases by only 1.1 times.

Equation 3 contains both the demographic and labor force variables. The odds coefficients for the control variables (age and education) remain basically the same as well as the odds coefficients for metropolitan status, the number of weeks worked and industry structure. Thus, when taking into account the labor force variables, the odds of a black worker being in poverty more than doubled while the odds coefficients of the family structure variables were attenuated. Specifically, the odds of a black worker being in poverty increased from 2.0 to 4.9 while the

odds coefficients for family type and family size dropped from 5.6 to 3.6 and from 2.8 to 1.7, respectively. Another significant finding from the estimation of Equation 3 is the relative importance of the number of earners. Under controls, the odds coefficients for the number of earners increased from 3.3 to 5.3. Thus, for each additional wage earner in the family, the odds of escaping poverty increases 5.3 times.

The odds coefficient for the interaction term was 1.8, a value that indicates the effect of additional earners in families where the head is employed is different between black and white families. That is, the effect of the number of earners on the odds of a person being in poverty depends on the race of the respondent. Specifically, the nature and magnitude of this coefficient confirms the hypothesis that the number of earners is more important in helping black families than white families to escape poverty. Thus, in addition to the additive effects of race and number of earners, their combined or joint effect significantly account for poverty among workers at the margin.

In sum, controlling for age and education, the demographic variables accounted for 26 percent of the variation in poverty status while the labor force variables accounted for 31 percent of the variation in poverty status. Thus, the labor force variables, as a set, were slightly more important in distinguishing poor workers from nonpoor workers. This finding, notwithstanding, since Equations 1 and 2 were nested in Equation 3, incremental chi square tests were used to determine if the block of demographic variables and the block of labor force variables were statistically significant. The chi square values (18.5 and 16.3) were statistically significant, thereby confirming the significance of each block. In general, however, both blocks of variables, along with age and education, accounted for 43 percent of the variation in poverty status.

SUMMARY AND CONCLUSIONS

The purpose of this analysis has been to test the extent to which selected factors are determinants of poverty among employed workers in metro and nonmetro areas of the South. For many of the poor, employment represents the pathway out of poverty. However, changes in the national and global economies together with a transformation of the industrial structure have made finding a full-time job that pays above-poverty level wages increasingly difficult for those with low levels of human capital. Current policies and programs invariably focus on enriching the economic base of a community or building human capital. Both strategies tacitly focus on employment structure or the work-force--providing jobs, embellishing skill levels, literacy, and increasing incomes. The potential problem, however, lies with the quality of the job. Many people are working, but their take-home pay is not sufficient to meet their basic needs.

The descriptive analysis indicated that employed poor heads of families in the South tended to have similar characteristics to those of the welfare-poor. That is, they were more likely to be black, to be female heads of household, had larger families, had completed fewer years of education, to be younger, and to have lower incomes and earnings. With the exception of income and earnings, metro/nonmetro differentials were minimal.

The logistic regression analysis indicated that one of the family structure variables, female head of household, was the most important variable in distinguishing poor and nonpoor working

people. The odds of workers in female-headed families being poor was 5.6 times higher than for the other family types. However, when the labor force variables (numbers of earners, number of weeks worked and industry structure) were taken into account, the magnitude of this odds coefficient was reduced (3.6). In addition, the number of earners, race, and industry structure emerged as important variables in accounting for the variation in poverty status among employed persons.

At least two policy changes have been suggested to reduce the likelihood of being employed and poor: increasing the minimum wage and providing tax incentives. An increase in the minimum wage would be beneficial to the working poor. However, raising the minimum wage clearly will not significantly reduce the number of working poor; unless of course, there is an unprecedented precipitous increase in the minimum wage. There are a number of arguments against raising the minimum wage as a strategy for alleviating poverty among workers. Since most minimum wage workers are not poor, this strategy would not be targeted toward those most in need. Some argue that a higher minimum wage would result in loss of jobs for some low skilled workers. However, studies have shown that the wage rate tends to be inelastic;(23) therefore, raising the wage rate will not necessarily result in a higher unemployment rate.

The second policy change concerns tax credits as incentives, the earned income tax credit and the child care tax credit. The former is a wage subsidy or negative income tax for low income families with children.(24) Because of the more than $3.5 trillion budget deficit, major expansion of the earned income tax credit appears unlikely; nonetheless, an increase in this subsidy would be an effective strategy for lifting the working poor out of poverty. Further, expanding the child care tax credit would provide financial assistance to the working poor with dependent Children. Again, even a modest increase would be beneficial to the working poor.

Finally, poverty, including the "invisible poor," is still pervasive in our society and significant legislative and economic efforts are needed to alleviate this problem. The current political climate and large budget deficits, however, make efforts to increase assistance to the working poor difficult. Delays, however, in addressing this situation will increase the direct and indirect burdens on future generations. It is a tremendously frustrating societal problem to work full-time year round and still remain in poverty. As employment increases, the incidence of poverty should drop progressively.

NOTES

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1. David Whitman, Jeannye Thornton, Joseph J. Shapiro, Gordon Whitkin and Steve L. Hawkins, "America's Hidden Poor," U.S. News and World Report, January 11, 1988, pp. 18-24.

2. Sar A. Levitan and Isaac Shapiro, Working But Poor: America's Contradiction (Baltimore: The Johns Hopkins University Press, 1987).

3. Metro and nonmetro areas, respectively, refer to localities located within and outside Metropolitan Statistical Areas (MSAs), as defined by the Office of Management and Budget.

Persons living in a central area with 50,000 or more population (or with an urbanized area of 50,000 or more population within a county (counties) of 100,000 or more population) and its surrounding county (counties) are considered to be living in metro areas; otherwise they are considered to be living in nonmetro areas.

4. Daniel T. Lichter, Underemployment and the Utilization of Labor in Rural America (Washington, DC: Aspen Institute, 1989); Donald Thomaskovic-Devey, Working Poverty, Jobs and Financial Distress in North Carolina. Department of Sociology, Anthropology and Social Work, North Carolina State University, North Carolina Farm and Rural Life Study, Volume 2, No. 6 (June 1989), pp. 1-3; William P. O'Hare, The Rise of Poverty in Rural America. Number 15 (Washington, DC: Population Reference Bureau, 1988); Levitan and Shapiro, Working But Poor: America's Contradiction; James B. Stewart and Thomas J. Hyclak, "The Effects of Immigrants, Women, and Teenagers on the Relative Earnings of Black Males," The Review of Black Political Economy, Volume 15, No. 1 (1986), pp. 93-101.

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7. Levitan and Shapiro, Working But Poor: America's Contradiction.

8. Ibid.

9. David T. Ellwood and Larry H. Summers, "Is Welfare Really the Problem?" IRP Reprint Series #549, Reprinted from the Public Interest, No. 83 (Madison, Wisconsin: University of Wisconsin, Institute for Research on Poverty, 1986).

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11. Levitan and Shapiro, Working But Poor: America's Contradiction; Danziger and Gottschalk, "Work, Poverty, and the Working Poor: A Multifaceted Problem."

12. Bradley R. Schiller, The Economics of Poverty and Discrimination (Englewood Cliffs, NJ: Prentice-Hall, 1987).

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15. Daniel T. Lichter, Underemployment and the Utilization of Labor in Rural America (Washington, DC: Aspen Institute, 1989).

16. Bradley R. Schiller, The Economics of Poverty and Discrimination.

17. Leonard T. Bloomquist, Leif Jensen and Roy A. Teixeira, "Too Few Jobs for Workfare to Put Many to Work," Rural Development Perspectives, Volume 5, No. 1 (1988), pp. 8-12.

18. Elizabeth S. Morrisey, Work and Poverty in Metro and Nonmetro Areas, Economic Research Division, United States Department of Agriculture, Rural Development Report No. 81 (June 1991), p. 14.

19. As defined by the Bureau of the Census, the South consists of three divisions, East South Central, West South Central and the South Atlantic. The East South Central Division consists of Alabama, Kentucky, Mississippi and Tennessee; the West South Central Division consists of Arkansas, Louisiana, Oklahoma and Texas; and the South Atlantic Division consists of Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia.

20. Households refer to family households.

21. Lucy Gotham and Bennett Harrison, Working Below The Poverty Line: The Growing Problem of Low Earnings in Rural and Urban Areas and Regions Across the United States (Washington, DC: The Aspen Institute, 1990); Kenny Johnson and Marilyn Scurlock, "The Climate For Workers: Where Does the South Stand?" Southern Changes, Volume 8, Nos. 4-5 (1986), pp. 3-15; Sat A. Levitan and Isaac Shapiro, Working But Poor: America's Contradiction (Baltimore: The Johns Hopkins University Press, 1987); Elizabeth S. Morrisey, "Determinants of Work Status Among Heads of Poor Families in the South," Southern Rural Sociology, Volume 6 (1989), pp. 64-79.

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23. See, for example, Daniel S. Hammermesh and Albert Rees, The Economics of Work and Pay (New York: Harper and Row, 1984).

24. The maximum amount of earned income tax credit is $1192.00 for one child and $1235.00 for two or more children. See Tax Publication 17, Chapter 35, "Earned Income Credit." The maximum amount of child care tax credit ranges from 20 to 30 percent of an employee's work-related expenses and is a function of his or her adjusted gross income. See Tax Publication 17, Chapter 33, "Child and Dependent Care Credit."

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