The Persistence of Poverty and Joblessness in US Households

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Abstract

The annual poverty rates and monthly unemployment figures are useful in assessing the status of Americans at a given point in time. But from a policy perspective, it matters whether individuals experience poverty and unemployment for short periods of time or persistently. This study analyzed Survey of Income and Program Participation panel data and found that from 2009 to 2011 most American households spent little to no time in poverty and little to no time jobless. Persistent poverty (measured by more than 27 months of a 36-month period, or three-quarters of the time) was rare, as were households with an adult who spent most of that time without a job. Unsurprisingly, joblessness and poverty were strongly linked. Poverty was much more common in households with an adult who worked less than the entire 36-month time period, and persistent poverty was the most common when coupled with persistent joblessness. These findings were similar across earlier time periods and suggest that policies aimed at labor force attachment would best serve households experiencing persistent poverty.
The statistical measures used to gauge poverty and joblessness in America reflect how many people are poor and how many are unemployed at a given point in time. Although useful, these metrics reveal nothing about the persistence of these conditions for individuals and families over time. Similarly, research explores the relationship between unemployment and poverty, but largely focuses on how these conditions intersect at points in time rather than over the long term.

Short-term poverty and joblessness, while important, reflect very different experiences than entrenched, long-term conditions. When poverty or joblessness is short-term, it is more likely that personal savings or family support can mitigate them. And if government assistance is needed, a temporary condition requires different approaches than a long-term one. But a constant state of poverty or joblessness is much harder to solve, raising issues such as how to address deep-rooted barriers to employment or family trauma. Not fully understanding the pervasiveness of both conditions (separately and together) makes identifying the appropriate policy solutions and assessing the effectiveness of government programs difficult.

This study addresses this gap in knowledge by exploring the interrelation of persistent poverty and joblessness using three-year periods of panel data from the Survey of Income and Program Participation (SIPP). As a panel, SIPP interviews the same people over time so that changes to their situation can be analyzed. The years 2009 through 2011 from the 2008 panel were explored, while offering two comparison periods from the 2001 and 2004 panels. By tracking the poverty and jobless status of a sample of households each month for 36 months, the persistence of poverty and joblessness is described for American households during these years.

On one hand, the idea of the working poor suggests that persistent poverty is not necessarily related to joblessness, instead supposing that low-wage employment, whether intermittent or consistent, could also translate into long-term poverty for families. On the other hand, long-term joblessness may not always result in poverty if other income such as spousal income, disability assistance, or unemployment compensation offsets lost earnings. For this reason, although long-term joblessness is expected to be highly correlated with long-term poverty, it may not always be. This study explores the intersection of both conditions and quantifies the share of households that experience them separately and together.

**Background**

Research on poverty dynamics consistently shows that persistent poverty, also called chronic or long-term, is relatively rare in the United States (Anderson 2011; Edwards 2014; Kimberlin 2016). US Census Bureau researchers analyzed SIPP data from 2004–06 and found that less than 3 percent of Americans were in poverty using the official definition for the entire three-year period (Anderson 2011). Using SIPP data from 2009–11, the rate was only slightly higher at 3.5 percent (Edwards 2014). Over a longer period of time, Kimberlin (2016) found that under the official definition of poverty 10.1 percent of people were poor in at least four of six data points from 1998–08, and poverty was practically nonexistent as measured by the supplemental poverty measure, which includes noncash government benefits as income. Across all of this research, rates of short-term or “transient” poverty were higher, with approximately 30–35 percent of
those in poverty spending at least two months of a multiple-year period in poverty according to the official definition (Anderson 2011; Edwards 2014; Kimberlin 2016).

Beyond the prevalence of different durations of poverty, research shows that the effects also differ, with long-term poverty having particularly harmful effects on children (Duncan et al. 1994; Korenman and Miller 1997; Schoon et al. 2002; Pachter et al. 2006; Ratcliffe and McKernan 2012). Long-term poverty during childhood is linked to worse physical health, cognitive difficulties, and increased risky behavior (Duncan et al. 1994; Smith, Brooks-Gunn, and Klebanov 1997; Ratcliffe and McKernan 2012). Although poverty in early childhood is considered particularly harmful, Wagmiller et al. (2006) found that persistent childhood poverty was actually worse for high school graduation rates and employment in young adulthood than being in poverty during only early childhood.

Like the dynamics of poverty, the prevalence and effects of long-term joblessness have also been well studied. Findings consistently show that persistent joblessness is relatively rare, with the prevalence fluctuating depending on the business cycle. According to the Bureau of Labor Statistics, the long-term unemployment rate (meaning being unemployed for 27 or more consecutive weeks) peaked at 45.5 percent of the total unemployed in April 2010 after more than a year into the economic recession: the highest rate since at least 1950 (BLS 2018). Long-term joblessness is concerning because research shows its relation to a number of poor outcomes, including increased mortality, more physical health problems, and diminished mental health (McKee-Ryan et al. 2005; Sullivan and von Wachter 2009, Van Horn 2013; Basbug and Sharone 2017).

Perhaps the most concerning aspect of long-term joblessness is its relation to poverty and its long-term consequences. Blank (2000) summarized the relationship between general unemployment and poverty and found that they are positively correlated across the business cycle (as unemployment goes up so does the poverty rate). Particularly, she noted that the strong macroeconomy of the 1990s led to a reduction in poverty among the least skilled. Presumably, long-term joblessness would also be positively correlated with long-term or persistent poverty, yet existing research on how these factors intersect is scarce.

Data

Data from three different SIPP panels were used to document the experiences of households with poverty and joblessness over time. The SIPP is a nationally representative household survey. Households are randomly selected and then followed for up to four years. Families are interviewed every four months (in the 2008 panel and earlier), and demographic and economic information are collected on each individual in the household as of the interview date and four months before the interview.

For this study, the sample of households in each panel was restricted to those age 18–64 (in the first month of the first year) who had data for 36 months. This meant that they were interviewed in each wave during the three-year periods: 2009–11 (2008 panel), 2004–06 (2004 panel) and
2001–03 (2001 panel). Households were categorized by the number of months they spent in poverty (based on household income) and the number of months each adult spent jobless.

If a household had more than one adult residing in it for the full 36 months, the jobless category was related to the adult who spent the most months with a job. This means that some households that were categorized as working the entire time (that is, no jobless months) could have had another adult in the households who was jobless for any number of months. This was done in order to reflect the highest work effort in the household.

For poverty, the official definition was used. The official poverty rate includes income from employment and cash-based government payments—such as Social Security, disability assistance, cash welfare, and unemployment payments—and compares it to a threshold adjusted for household size. It excludes from the calculation noncash benefits such as food assistance and refundable tax credits. Admittedly, this underestimates household resources and overstates the persistence of poverty (Kimberlin 2016). However, the official poverty rate was preferable for this study because the main question involves the role that joblessness plays in explaining poverty, making the focus on market-based income important. Additionally, prior research suggests that including noncash government benefits in the calculation practically eliminates persistent poverty (Kimberlin 2016).

Results

Figure 1 shows that most households (64.7 percent) in the 2008 panel spent no time in poverty during the three-year study period and most (72.1 percent) also had at least one adult in the household who worked the entire time. This means that for all households, being persistently poor or persistently jobless (meaning more than 27 of the 36-month period) was relatively rare. Only 6.7 percent of households spent at least three-quarters of the time period poor, and 9.7 percent were jobless for at least this amount of time (see Figure 1).
Figure 1. Household Time Spent in Poverty and Joblessness

Note: Intermittent = 1 to 18 months of the three-year period. Recurrent = 19 to 27 months of the three-year period. Persistent = more than 27 months of the three-year period.

For households that experienced any time in poverty, the majority (69.7 percent) experienced it intermittently (less than half of the three-year period), with 18.9 percent categorized as persistently poor—meaning they spent at least 28 of the 36 months (75 percent) in poverty (see Figure 2).
Persistent joblessness was slightly more common than persistent poverty. For households with some joblessness, more than half (55.3 percent) experienced it intermittently, but 34.8 percent spent almost the entire time jobless (see Figure 3). This was largely explained by the nature of joblessness, which for many households was the result of disability or other circumstances that brought other income into the household (see analysis of other household income below).
The importance of employment was revealed when exploring joblessness and poverty together. When the household experienced joblessness, poverty was much more common, and joblessness was extremely common among households with persistent poverty (see Figure 4). Among households that were persistently poor, almost 72 percent also experienced some level of joblessness, and 38.8 percent were persistently jobless (far right bar). For households that spent no time in poverty (far left bar), 86.9 percent had an adult who worked the entire time (see Figure 4).
Note: Intermittent = 1 to 18 months of the three-year period. Recurrent = 19 to 27 months of the three-year period. Persistent = more than 27 months of the three-year period.


Figure 5 explores the poverty status of households by jobless status. Poverty was relatively rare among households with an adult who worked the entire time (furthest left bar), with 78.0 percent spending no time in poverty and only 2.6 percent experiencing persistent poverty. This suggests that a persistent state of having a job and being poor was extremely rare (see Figure 5).

Poverty was more common among households with some joblessness, although persistent poverty was still somewhat atypical. For households that experienced intermittent (18 months or less) or recurrent (19 to 27 months) joblessness, intermittent poverty was the most common. Among persistently jobless households, 60 percent experienced some poverty and 26.7 percent were in a persistent state of poverty (see Figure 5, far right bar). Notably, households that experienced intermittent or recurrent joblessness had the highest rates of time spent in poverty, even though persistent poverty was still relatively uncommon. This suggests that persistently jobless households may be better able to access supports that prevent poverty (for example, disability assistance), whereas households with intermittent joblessness might face difficulties replacing a temporary loss of earnings.
Note: Intermittent = 1 to 18 months of the three-year period. Recurrent = 19 to 27 months of the three-year period. Persistent = more than 27 months of the three-year period.

Other Sources of Income

The correlation between having a job most of the time and not being poor is clear. But households that experienced joblessness were not always poor, suggesting that unemployment does not always translate into poverty. Many jobless households had income from unemployment compensation, retirement for themselves or a spouse, disability payments, or earned income from another adult who was not present for the full 36-month sample period or from months when the adult was not jobless.¹ Income from other adults who were either over age 64 or who were not in the household the entire time helps explain how many jobless households avoided poverty, including households with an adult who experienced long-term joblessness.

¹ Only adults with 36 months of data were included in the sample, but income from other adults who were not in the household for the full 36 months could have been captured in monthly household income.
Unsurprisingly, earnings were present in most households, except those with an adult who experienced persistent joblessness. Only 34 percent of persistently jobless households had earnings at some point (see Table 1). Persistently jobless households were more likely to have Social Security disability insurance (SSDI) or supplemental security income (SSI) than any other source of income (45 percent), suggesting that a sizeable share had an adult with a disability who resided there. Persistently jobless households were also more likely to have Social Security retirement income (22.7 percent) than households with more employment (see Table 1), suggesting the presence of a retired spouse or retirement income of their own.

The relatively low rates of unemployment insurance, SSDI, and SSI receipt among households with intermittent or recurrent joblessness help explain why these households had the highest rates of any time in poverty (although not the highest rates of persistent poverty). They also raise additional questions, such as: Why do so few households that experienced intermittent or recurrent joblessness receive unemployment insurance? It is possible that this finding at least partly reflects voluntary unemployment or unemployment not covered by the unemployment insurance system.

Table 1. Other Sources of Income Received by the Household at Any Time in the Three-Year Period by Time Spent Jobless, 2009–11

<table>
<thead>
<tr>
<th>Time Spent Jobless</th>
<th>Total</th>
<th>SSDI or SSI (%)</th>
<th>Social Security Retirement (%)</th>
<th>Earnings (%)</th>
<th>Unemployment Insurance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>34,856,826</td>
<td>2.3</td>
<td>2.0</td>
<td>99.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Intermittent</td>
<td>7,457,456</td>
<td>7.4</td>
<td>4.0</td>
<td>98.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Recurrent</td>
<td>1,340,376</td>
<td>16.5</td>
<td>7.5</td>
<td>96.4</td>
<td>24.0</td>
</tr>
<tr>
<td>Persistent</td>
<td>4,689,534</td>
<td>45.0</td>
<td>22.7</td>
<td>34.0</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>48,344,191</td>
<td>7.6</td>
<td>4.5</td>
<td>93.2</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Note: Rows do not add to 100 percent because different sources of income can be received by a household at the same time or over the course of the entire three-year period. Estimates reflect weighted data.

Note: Intermittent = 1 to 18 months of the three-year period. Recurrent = 19 to 27 months of the three-year period. Persistent = more than 27 months of the three-year period.


Comparison to Other Time Periods

The unemployment rate peaked in late 2009 as a result of the recession and remained above 9.0 percent through most of 2010 and 2011 (BLS 2018) Such high rates of unemployment may
impact the time households spend jobless and in poverty, making comparisons to prior periods useful.

The share of households that experienced any poverty was surprisingly similar across the three time periods. Even though the annual, point-in-time poverty rates were much higher in 2009–11 compared to the other years, approximately 65 percent of households in each panel experienced no poverty during the entire three-year period (see Figure 6). A slightly larger share of 2009–11 households experienced persistent poverty compared to the other time periods, which helps explain how point-in-time poverty rates during 2009–11 were higher than earlier years.

The same pattern emerged for joblessness. Figure 7 shows that similar shares of households had adults who worked the entire three-year period, but the 2009–11 period had a higher share of households in which the adult who worked the most was persistently jobless compared to the earlier years. Higher unemployment rates in 2009–11 than earlier years help explain why a larger
share of households experienced persistent joblessness during 2009–11 even though similar shares experienced any joblessness.

Note: Households were categorized based on the adult with the highest work effort. Intermittent = 1 to 18 months of the three-year period. Recurrent = 19 to 27 months of the three-year period. Persistent = more than 27 months of the three-year period.


Because the persistence of poverty and joblessness were fairly consistent across the three time periods, the interaction between joblessness and poverty were also very similar. Figures describing the interaction between poverty and joblessness for the 2001 and 2004 panels are included in the Appendix. Consistent with the 2008 panel, households that experienced persistent poverty during the 2001 and 2004 panel years also had higher relative rates of joblessness (48.8 percent and 43.8 percent, respectively) compared to households that experienced less or no poverty at all. Similarly, households that experienced persistent joblessness had higher relative rates of persistent poverty (32.5 percent and 28.1 percent, respectively) than households that experienced less time jobless or no joblessness.
Conclusions

The results highlight the importance of considering the interrelation of joblessness and the persistence of being poor when thinking about policies aimed at reducing poverty. The findings suggest that encouraging households to build up assets or social and familial connections that can help them financially during intermittent periods of joblessness would reduce the negative effects of poverty. It is possible that this already occurs but is not captured in the SIPP. For those who experience persistent joblessness, the results support government policies that do a better job of connecting them to the labor market. For households without an employable adult (for example, those with a disability), government programs should increase income transfer payments to raise these households above the poverty level, especially when children are in the household.

Fortunately, persistent poverty (measured here using the official poverty rate and reflecting poverty in at least 28 of a 36-month period) is uncommon among American households. Only 6.7 percent of households from the 2008 SIPP panel experienced persistent poverty, with even smaller shares from the 2001 and 2004 panels. Nonetheless, this group is of particular concern given the negative outcomes associated with long-term poverty, especially for children.

The analysis suggests that joblessness plays an outsized role, with almost 40 percent of households that experienced persistent poverty also experiencing long-term joblessness and almost three-quarters experiencing it to some extent. The idea that consistently working people (that is, the “working poor”) make up a large share of those in persistent poverty was not borne out in the data. As mentioned above, only 6.7 percent of households experienced persistent poverty, and of those only 27.9 percent worked the entire time.

Increasing employment among adults in persistently poor households would reduce the incidence of persistent poverty even more. This includes targeting those who have intermittent or recurrent joblessness so that they can work consistently, as well as ensuring that those who find themselves jobless can offset any temporary loss in earnings with other income. Although low wages or limited work hours contributed to some persistent poverty as evidenced by the small share of consistently working people who were persistently poor, the majority of the persistently poor worked less than the entire time and only a small share (approximately 20 percent) received disability or retirement income.

This suggests that policies that increase labor force attachment would have a larger effect on reducing persistent poverty than policies to increase wages, unless they also increase steady employment. Better identifying why adults in persistently poor households experience joblessness and what policies can help them avoid joblessness more consistently should be the next step in reducing the persistence of poverty.

About the Author

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References


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