

Becoming Poor: The Dynamics of Female Poverty in Washington State

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Executive Summary

This report looks at the dynamics of poverty for women in Washington State. We use Family Income Study data to investigate why women become poor, why some stay poor, and what allows some to escape poverty altogether.

Family Income Study: This is a longitudinal study of 2,100 Washington households which receive public assistance or are at risk of receiving public assistance. These sample households are being interviewed annually over a five-year period. This paper reports on research using two years of Family Income Study data.

Poverty: Poverty is defined by the federal poverty line, which defines a poverty level adjusted for family size and inflation. For the first year of this study, the federal poverty line for a family of two was \$7,938; for a family of three it was \$9,408. In the second year, these figures rose due to changes in the overall price level to \$8,251 for a family of two and \$9,779 for a family of three.

Principal Findings

The Dynamics of Poverty: In Washington, like the nation, there is a lot of movement into and out of poverty. Over a two-year period, 20 percent of the women who were initially poor escaped poverty, at least temporarily. Of those initially not poor, about 20 percent slipped into poverty over the two-year period.

Becoming Poor: A lack of recent work experience was the single most important factor associated with movements into poverty. We also found that single mothers living with their children were likely to become poor. Women holding a post-secondary degree or certificate were much less likely to become poor than less educated women. Women who were separated, widowed, divorced, or never married were more likely to become poor than married women. A woman's race, age, or location within the state (urban or rural county, or Eastern or Western Washington) had not effect on here likelihood of becoming poor.

Staying Poor: Once poor, women become trapped by poverty through combinations of the following: low education levels, living in single-adult households, being unmarried (either separated, widowed, divorced, or never married), and lack of recent employment.

While we are unable to measure any increased likelihood of entering poverty for African-American non-poor women as compared to white non-poor women, we found that an African-American woman is over 26 percent *more likely* to stay poor than a white woman.

Leaving Poverty: Married women and women who live with other adults are more likely to leave poverty than single mothers. Also, the possession of (at least) a high school diploma and recent work experience are factors associated with leaving poverty for women in Washington State.

Female poverty is a serious and growing problem in the United State as we enter the 1990s. Nationally, almost half of all families headed by women are poor.¹ For Washington, we estimate this figure to be about one-third (31 percent). Nonetheless, this proportion is more than twice the estimated state poverty rate (14 percent). This high proportion of female-headed households in poverty is called the “feminization of poverty.” Since many poor women are the only adult in a household with children present, the feminization of poverty also implies poverty for many children. Indeed, nearly one-quarter of all children under six in the United States live in poor households.²

The main public program that deals with female poverty is public assistance. The Aid to Families with Dependent Children (AFDC) program supported about 3,300,000 families nationally in 1986. In Washington State, some 80,000 families are supported through the AFDC or the Family Independence Program (FIP). Most (62 percent) of these families are single mothers with children. In Washington, data from the Family Income Study indicates that 80 percent of the women receiving public assistance (AFDC or FIP) are poor.³

Poverty and welfare use are mutually sustaining. Recent efforts to encourage economic independence among poor women attack poverty by attempting to raise participants’ earnings potential through education and training programs and labor market services. The prospect of success for such approaches depends upon the extent to which the program elements remedy the causes of poverty among participants.

We will address several questions associated with poverty:

- What is the pattern of movement into and out of poverty among women in Washington State.
- If a woman is **poor** at a given time, how likely is she to move out of poverty?
- If a woman is **not poor** at a given time, how likely is she to move into poverty?
- What individual characteristics are associated with moving out of poverty for poor women?
- What individual characteristics are associated with moving into poverty for non-poor women?

The Data

Data for this study come from the Family Income Study, a five-year longitudinal survey of persons of public assistance and those at risk of receiving assistance. This study uses two

¹ Douglas J. Besharov, “Targeting Long-Term Welfare Recipients,” In Phoebe H. Cottingham and David T. Ellwood, *Welfare Policy for the 1990s*, Cambridge, MA: Harvard University Press, 1989, pp. 146.

² Five Million Children: A Statistical Profile of Our Poorest Young Citizens,” New York: National Center for Children in Poverty, School of Public Health, Columbia University, 1990, pp. 16.

³ Gregory C. Weeks, “Washington State’s Family Income Study: Results from the First Year,” Olympia, WA: Washington State Institute for Public Policy, 1990, pp. 13.

years of Family Income Study data. It examines changes in the poverty status of female respondents who were between age 16 and 65 on June 1, 1987. The period covered is from June 1, 1987, through May 31, 1989. Our analysis compares the household income for each qualifying respondent to the federal poverty threshold in each of the two years. Figure 1 shows the combinations of poverty status of women in Washington State for the two years covered by our data.

Over a two-year period, one-fifth of those who were initially poor escaped poverty; four-fifths remained poor. Of those initially non-poor, one-fifth slipped into poverty and four-fifths remained non-poor. Studies using national longitudinal data find considerable turnover annually between poverty and non-poverty.⁴ Our results support that conclusion for Washington State.

Movements Into and Out of Poverty

We discuss these questions related to movements into and out of poverty:

- Why do women become poor?
- Why do some women stay poor?
- Why are some women able to leave poverty?

We isolated the effects of a particular characteristic, other things equal, and identified those which increased the likelihood of moving into poverty, and those which decreased the chances of becoming poor. For some characteristics, such as the total number of children in a household, no effect was statistically discernable.

Why Women Become Poor. The characteristics associated with movements into poverty are unemployment; depression; being separated, widowed, divorced, or never married; being the only adult in the household; and educational level.

Employment, measured by months employed in the first year, is the single most important characteristic affecting the chance that a non-poor woman will become poor. Other things equal, each month worked *decreases* the chance that a woman will become poor by about 2 percent. In other words, a woman who did not work at all during the year would have a 25 percent greater chance of becoming poor in the next year than a woman who worked twelve months.

The number of adults in the household was the second most important factor explaining the likelihood of moving into poverty. A decrease in the number of adults in the household from two to one *increases* the chance of a woman becoming poor by 13.5 percent. A woman who has never married or is separated, widowed, or divorced is *more likely* to become poor than a married woman. We also found that if a woman who was married and not poor in the first year of the study became separated, widowed, or divorced, she *increased* her chances of becoming poor.

⁴ See, for example, Greg J. Duncan, et al., *Years of Poverty Years of Plenty: The Changing Economic Fortunes of American Workers and Families*, Ann Arbor, MI: Survey Research Center, Institute for Social Research, The University of Michigan, 1984. Especially Chapter 2, "The Dynamics of Poverty."

One of the distinguishing features of the Family Income Study is the collection of selected psychological attributes of the respondents. For this analysis, we constructed a “depression index” based on a depression scale from the Family Income Study questionnaire. We found that a one-unit increase in the depression index (which ranges from one to four) *increases* the likelihood of becoming poor by 6.7 percent.

The presence of a post-secondary degree or certificate *reduces* the chance that a non-poor woman will become poor. Women who have such a certificate or degree are 22 percent less likely to move into poverty than women lacking such an educational credential. We are unable to find statistically significant differences in the likelihood of becoming poor for women with no high school diploma or GED. As more years of information become available, the impacts of these variables may become statistically perceptible.

Several other characteristics **do not** influence the likelihood of moving into poverty. These are: a woman’s location within the state (Eastern or Western Washington, or urban or rural county), whether her parents received welfare while she was growing up, her race or ethnic origin, and her age.

Why Women Stay Poor. Lack of education is an important part of the poverty trap. Poor women without a high school diploma are 9 percent *less likely* to leave poverty than women with a high school diploma. A woman who is the only adult in her household is also *more likely* to stay poor than women in households with more than one adult. Initially, poor women who have never been married or are separated, widowed, or divorced are *more likely* to stay poor than are married women. Also, older poor women are *more likely* to stay poor than younger women who are poor.

African-American ethnicity is an important variable in this analysis. We found that an African-American woman who is initially poor is *over 26 percent more likely* to stay poor than an otherwise similar white woman. Poor women of other minority ethnic origins, such as Asian, Native American, or Hispanic, are 10 percent *more likely* to stay poor than poor white women. Recall that we are unable to measure any increased likelihood of entering poverty for African-American non-poor women as compared to white non-poor women. However, if an African-American woman happens to be poor, she has a lower chance of leaving poverty than other women.

Figure (See last page of electronic report.)

Three variables had no effect on the likelihood that a poor woman would remain poor for both years of the study. They are: location within the state, whether or not a woman's parents received welfare while she was growing up, and the depression index score.

Why Women Leave Poverty. The characteristic which is most important in explaining exits from poverty is the number of adults in a household. As the number of adults rises from one to two, the chance of moving out of poverty *increases* by 7 percent.

Employment is an important reason why women are able to leave poverty. If a woman increases her employment from zero to one month in a year, the chance of leaving poverty the following year *increases* by 4 percent. If she works all 12 months, the chance she will be non-poor in the next year goes up by over 12 percent.⁵ Poor married women are *more likely* to leave poverty than are initially poor women of any other marital status. The age of the youngest child in the household also has an impact on the chance of leaving poverty. As the age of the youngest child increases by one year, the likelihood of leaving poverty *increases* by 1 percent.

Who Becomes Poor and Who Leaves Poverty. Another way to look at movements into and out of poverty is to calculate the chance that a woman with specified characteristics will either become poor (if non-poor), or leave poverty (if she is already poor). The women represented below point to the effect of various personal attributes on movements into or out of poverty.

Becoming Poor

Susan is a 20-year-old white woman with one child (a daughter aged six months). She did not complete high school. Susan was recently separated from her husband, so she lives alone with her daughter. She lives in metropolitan Western Washington, has no recent work experience, and is totally dependent on savings, child support, and public assistance. If she was non-poor last year, there is one chance in two (54.1 percent) that Susan will become poor in the coming year.

If Susan had worked for the past twelve months, she would be much less likely to become poor. We estimate working would cut her chance of becoming poor by more than half (to 19.3 percent). If, in addition to working, she earned a GED, her chance of becoming poor would shrink to less than one in six (15.4 percent).

If Susan had not become separated, her chance of becoming poor would have remained quite low. Even without work experience or a high school diploma, if she had remained married in a two-adult household, the chance of Susan becoming poor would have been only 10.5 percent.

⁵ The relationship between the change in the probability of leaving poverty and months employed is nonlinear. The change in the probability of leaving poverty = $(0.0403 \times \text{months worked}) + (-0.0025 \times \text{months worked squared})$.

This analysis points to two types of characteristics that frequently work together to influence the chances of becoming poor: human capital characteristics and family characteristics. Women with more education (at least a high school diploma) are less likely to become poor than women with less education—like Susan. More education implies higher earnings potential. Thus, the benefits of working are enhanced and are more likely to outweigh the costs of working (child care, transportation, clothing, etc.). More education is associated with a higher likelihood of working. Working also lowers the chance of becoming poor.

As in Susan's case, the condition of single parenthood often conspires with low educational attainment to produce a very high chance of poverty. An economically disadvantaged single parent, like Susan, is likely to become poor. There appear to be two paths out of the wilderness of poverty: increasing earnings potential through education and work experience, or increasing the number of adults in the household. The former is much more amenable to public policy.

Leaving Poverty

The following illustrations point to the differential effects of education, employment, single parenthood, and race in moving out of poverty for women in Washington State. Just as low educational attainment and estrangement from the labor market greatly enhance a woman's chance of becoming poor, these same characteristics virtually assure she will remain in that unfortunate state. As with avoiding poverty in the first place, economically disadvantaged women who want to leave poverty have two choices: improve their earnings potential through education and work experience, or increase the number of adults in their household.

Charlotte is a 20-year-old mother of a six-month-old son. She is divorced and lives alone. Charlotte is white and hasn't worked recently. She did not complete high school, and her income last year was below the federal poverty line for a family of two. We estimate that Charlotte's prospects for leaving poverty are bleak. She has only about one chance in eight (12.7 percent) of raising her income to a level above the federal poverty line.

If Charlotte earns a GED certificate, her chance of moving out of poverty increases to a slightly better than one in seven (14.9 percent). If she gets and keeps a job for 12 months, the likelihood of her leaving poverty in the following year nearly doubles to better than one in four (28.6 percent).

If, on the other hand, Charlotte changes her single parent status and gets married without either improving her education *or* getting a job, we estimate that the likelihood of her moving out of poverty in the next year would be slightly less than one in four (23.9 percent).

Myra, like Charlotte, is a 20-year-old divorced single mother who lives alone. She, too, lives below the poverty line, did not finish high school, and does not work. Myra is African-American. Her chance of leaving poverty in the next year is much lower than Charlotte's. Myra has just over one chance in 40 (2.6 percent) of leaving poverty during the next year.

If she earns a GED, she more than doubles the chance that she will leave poverty, but it remains a long shot at one chance in 18 (5.3 percent). Like Charlotte, working greatly enhances the likelihood that she will leave poverty. If Myra works for 12 months after earning a GED, the chance that she will leave poverty increases to one in nine (11.4 percent).

If Myra gets married, even if she doesn't work or earn a GED, her chance of leaving poverty is enhanced slightly, to one in 17 (5.5 percent).

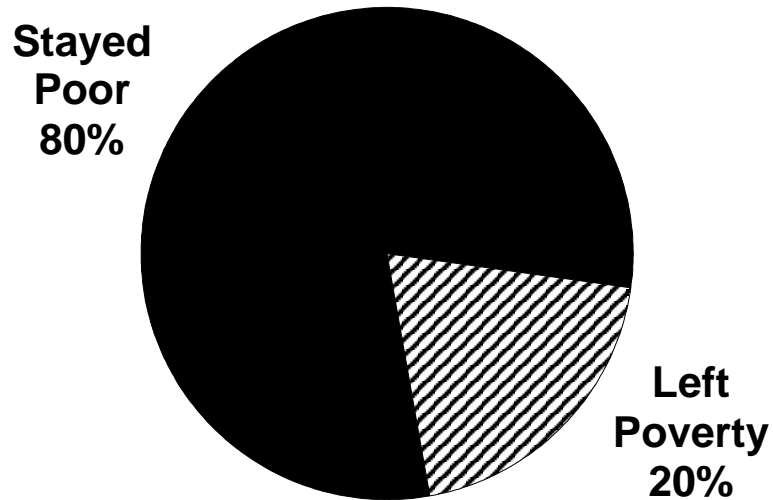
Policy Implications

The trap of poverty is plain: A poorly educated single mother with no recent work experience has a better than fifty-fifty chance of becoming poor, and once poor, she has only about **one chance in eight** of escaping poverty within a year. If she happens to be African-American, she has only **one chance in 40** of leaving poverty, once she is poor.

The policy implications of this research are clear. The keys to avoiding poverty (for non-poor women) and to increasing the odds of leaving poverty (for poor women) are the same: increased household earnings potential. For all women, but particularly single mothers, this means education, training, and work experience. Any policy that enhances these outcomes also combats poverty among women in Washington State.

Figure 1
Poverty Status in 1989

**Among Women Who Were
Poor in 1988**



**Among Women Who Were NOT
Poor in 1988**

