



## Employment problems and poverty: examining the linkages

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The sharp upturns in the unemployment rate in 1980 and 1981 have again focused attention on the economic consequences of unemployment and other employment problems. There is, for example, much information about the unemployed—who they are, where they live, how long they have been unemployed—but little information on the impact of unemployment on family or household income.

The generally accepted notion is that unemployment still disrupts the economic well-being of many households, although not as seriously as during the Great Depression. This is because of the increase in the number of families with two or more wage earners, and the protection now afforded workers by unemployment insurance, food stamps, public assistance, and other maintenance programs. Also a greater proportion of unemployed workers today are not the traditional primary breadwinners. In sum, there has been increasing evidence that the relationship between unemployment and economic hardship has weakened in recent decades, but this has not been quantified in any systematic way.<sup>1</sup>

The National Commission on Employment and Unemployment Statistics recommended in 1979 that data on unemployment, as well as other employment problems, be linked with data on income to determine the extent that job market problems cause economic hardship. The Bureau of Labor Statistics developed a data base to shed light on this question; in 1982, it issued a study which linked statistics on the labor force with statistics on family income and on the poverty status of the family.<sup>2</sup>

From this newly created data base for 1979—a relatively good employment year—two conclusions emerged:

- The relationship between unemployment (or other employment problems) and economic hardship was

evident, but was not close. Unemployment occurred among all income levels and not all who experienced unemployment were in families with income below the poverty level.

- The linkage between unemployment (or other employment problems) and economic hardship was much tighter for some marital groups than others. For example, among women who maintained families and experienced some unemployment in 1979, the chance of living in poverty was almost 50 percent. On the other hand, for husbands who experienced some unemployment in 1979, the chance of living in poverty was only a little more than 1-in-10.

This report summarizes some of the statistics for 1979 presented in the full report. In addition, it discusses some conceptual and technical issues involved with linking labor force and income statistics, and illustrates how this new data base can be refined to produce new insights into the relationship between various employment problems and economic hardship.

### Conceptual and technical issues

Labor force statistics and information on family income and poverty status were obtained from the March 1980 Current Population Survey (CPS). In March of each year, a supplemental questionnaire is used to gather information on the extent to which members of a sampled household engage in employment or job-search activities during the previous calendar year, and on the income derived from employment and other sources. This information differs from that which is collected in the monthly CPS. The monthly statistics may be regarded as a snapshot of the labor force of persons for the reference week of the survey. In this snapshot, persons are classified as employed, unemployed, or not in the labor force. The statistics from the March supplement measure the *extent* to which persons engaged in employment and unemployment activities during the previous calendar year. In this body of information, commonly referred to as the “work experience data,” persons may be classified in more than one labor force category over the 12-month period.

Annual family income statistics are also collected in March and are for the previous calendar year. These statistics include wages and salaries, self-employment income, dividends, interest, rental income, public assis-

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tance, social security, and any other money income regularly received.<sup>3</sup> Not included are the value of "non-cash" benefits, such as food stamps, medicaid, public housing, fringe benefits, and other items which some families receive as part of their income.<sup>4</sup> The poverty status of families is determined on the basis of money income. A matrix of poverty lines reflects the different consumption requirements of families based on family size, composition, age of the householder, and farm-nonfarm residence. Families with money income below a threshold amount are considered by the Federal Government to be living in poverty. In 1979, the poverty threshold for a nonfarm family of four was \$7,412; for a nonfarm family of seven persons or more, it was \$12,280; and for an unrelated individual age 65 or over in a farm area, \$2,963.<sup>5</sup>

Because the annual data on work experience and family income statistics are collected at the same time and have the same reference period, it is possible to link, or cross-classify them at the micro-level. The full study linked family income and poverty status with earnings of (1) the fully employed (those who usually work 35 hours or more a week for 50 or 52 weeks); (2) the partially employed (those who usually work less than 35 hours or more a week for 50 or 52 weeks); (3) those with some part-time employment; (4) those with some unemployment; (5) those employed less than 40 weeks; and (6) nonworkers unable to find work. These linkages

are discussed by the various marital and family status categories: husbands, wives, others in married-couple families; women who maintain families; others in families maintained by women; men who maintain families; others in families maintained by men; and unrelated individuals. This breakdown is useful in interpreting the linkages. However, this summary discusses only three of the linkages—those involving the relationship between family income and (1) unemployment, (2) part-time employment, and (3) low earnings among the fully employed.

The linked labor force and income statistics are, of course, subject to different interpretations regarding economic hardship because of differences in opinion over the definition of economic hardship. In both the full report and this summary, economic hardship is discussed in terms of the Federal Government's poverty guidelines, although the BLS recognizes that other definitions could have been used. The problem of interpretation becomes particularly difficult among workers who experience an employment problem, but whose family income does not fall below the poverty level. Personal inconveniences and economic disruptions obviously result, but without a universally agreed-upon definition of hardship for such workers it is difficult to evaluate the data. As a guide for data users, however, workers' family incomes have been categorized according to their proximity to the Federal Government's poverty lines.

**Table 1. Relationship between duration of unemployment and family income and poverty status, 1979**

[Numbers in thousands]

Family income and poverty status	With labor force experience	Without unemployment	With unemployment					
			Total	1 to 4 weeks	5 to 14 weeks	15 to 26 weeks	27 to 51 weeks	52 weeks or more
All persons age 16 and over .....	114,648	96,676	17,971	5,676	6,298	3,534	2,141	322
Family income: <sup>1</sup>								
Under \$5,000 .....	6,079	3,870	2,209	606	607	456	448	93
\$5,000 to \$9,999 .....	12,229	8,975	3,253	913	1,122	731	431	56
\$10,000 to \$14,999 .....	16,262	13,266	2,996	804	1,105	657	367	63
\$15,000 to \$19,999 .....	17,058	14,492	2,566	822	965	509	249	21
\$20,000 to \$24,999 .....	16,579	14,405	2,173	747	789	378	225	33
\$25,000 and over .....	46,441	41,668	4,773	1,784	1,710	802	422	55
Below poverty level:								
Total .....	7,024	4,467	2,557	653	744	540	501	120
Percent .....	6.1	4.6	14.2	11.5	11.8	15.3	23.4	37.1
Below 1.25 poverty level:								
Total .....	10,369	6,785	3,583	925	1,033	803	688	134
Percent .....	9.0	7.0	19.9	16.3	16.4	22.7	32.1	41.6
Below 1.50 poverty level:								
Total .....	14,064	9,501	4,563	1,195	1,391	1,002	821	154
Percent .....	12.3	9.8	25.4	21.1	22.1	28.3	38.4	47.7
Below 2.00 poverty level:								
Total .....	23,530	16,752	6,778	1,819	2,215	1,461	1,100	184
Percent .....	20.5	17.3	37.7	32.0	35.2	41.3	51.4	57.1
Median family income .....	\$21,627	\$22,600	\$16,046	\$18,007	\$16,685	\$14,299	\$12,366	\$10,758

<sup>1</sup> Personal income for unrelated individuals.

## Linked data

One of the most striking findings from the linkage of labor force and income data is that unemployment, involuntary part-time employment, low earnings, and other forms of inadequate employment are found among families at all income levels. These problems, however, were clearly most frequent among families with low incomes or little financial protection.

To put these findings in perspective, it should be noted that in 1979, the unemployment rate averaged only 5.8 percent. The linking of labor force and income data for 1980 and 1981—years in which the unemployment rate averaged more than 7 percent—would undoubtedly reveal a greater amount of labor market related economic hardship than was evident using 1979 data.

*Unemployment.* About 18 million persons experienced some unemployment in 1979; 30 percent of them were in families with incomes below \$10,000, and 39 percent were in families with income above \$20,000. (See table 1.) Slightly more than 14 percent of those with unemployment were in poor families. The prevalence of multi-earner families and the availability of unemployment insurance and welfare programs obviously cushioned the economic burden of unemployment.

Although no income class was immune to unemployment, the workers with the longest duration of unemployment were more likely to be found among lower income families. Among members of families with incomes of \$20,000 or more, 10 percent of those who encountered unemployment during 1979 were jobless for 26 weeks or more; among those from families with incomes below \$10,000, nearly 20 percent were unemployed for 26 weeks or more. The relationship between the duration of unemployment and income class can also be examined in terms of marital and family status. For all workers encountering unemployment, median family incomes declined as the duration of unemployment became longer—from about \$18,000 for those

**Table 2. Relationship between duration of unemployment of selected marital and family groups and their median family incomes, 1979**

Marital and family group	Weeks of unemployment				
	1 to 4	5 to 14	15 to 26	27 to 51	52 and over
Median family income of all employed persons <sup>1</sup>	\$18,007	\$16,685	\$14,299	\$12,366	\$10,758
Husbands	19,738	17,457	14,342	10,769	( <sup>2</sup> )
Wives	19,990	19,402	18,749	18,556	( <sup>2</sup> )
Others in married-couple families	31,208	29,435	28,193	24,241	23,847
Women who maintain families	6,595	6,914	6,689	5,143	( <sup>2</sup> )

<sup>1</sup> Personal income for unrelated individuals.

<sup>2</sup> Not shown because of base smaller than 75,000

**Table 3. Relationship between part-time employment and family income and poverty status, 1979**

[Numbers in thousands]

Family income and poverty status	Total	Involuntary		Voluntary	Other
		Slack work or material shortage	Could only find part-time work		
All persons age 16 and over	42,400	7,496	3,711	19,515	11,678
Family income: <sup>1</sup>					
Under \$5,000	3,669	649	636	1,511	872
\$5,000 to \$9,999	6,029	1,310	688	2,334	1,698
\$10,000 to \$14,999	6,401	1,450	567	2,523	1,860
\$15,000 to \$19,999	6,044	1,236	464	2,490	1,854
\$20,000 to \$24,999	5,502	1,006	413	2,600	1,483
\$25,000 and over	14,756	1,846	943	8,057	3,910
Below poverty level:					
Total	3,967	770	722	1,493	982
Percent	9.4	10.3	19.5	7.6	8.4
Below 1.25 poverty level:					
Total	5,807	1,177	992	2,194	1,444
Percent	13.7	15.7	26.7	11.2	12.4
Below 1.50 poverty level:					
Total	7,724	1,603	1,217	2,903	2,002
Percent	18.2	21.4	32.8	14.9	17.1
Below 2.00 poverty level:					
Total	12,194	2,543	1,665	4,741	3,245
Percent	28.8	33.9	44.9	24.3	27.8
Median family income	\$19,225	\$16,329	\$14,618	\$21,669	\$18,810

<sup>1</sup> Personal income for unrelated individuals.

with the shortest spells to \$11,000 for those with 52 weeks or more of joblessness. (See table 2.) The extent of the downward impact on family income, however, varied depending on which member of the family was the victim of unemployment. When only the husband encountered unemployment, the duration of the spell had a sharp impact on family income. When only the wife had been unemployed, family incomes changed very little as unemployment duration lengthened. In families where only "other" members (mostly youths) experienced unemployment, income declined slightly but remained well above \$20,000 regardless of the duration of unemployment. Family income was low for women who maintained families (no spouse present) and experienced unemployment, and it was even lower if their unemployment duration was more than 15 weeks.

*Involuntary part-time employment.* Involuntary part-time employment can also cause a reduction in personal earnings and family income. Two specific causes of involuntary part-time employment are slack work and the inability to find full-time work. Of the 42.4 million persons who worked part time some weeks in 1979, about 11.2 million, or one-quarter of the total, did so involuntarily. (See table 3.) About 7.5 million were on part-time schedules because of slack work, and 3.7 million worked part time because they could not find full-time

jobs. Workers who experienced some involuntary part-time employment had lower family incomes than those who worked part time voluntarily or because of strikes, bad weather, plant retooling, and other "hard-to-classify" reasons. Furthermore, a greater proportion of involuntary part-time workers were poor; their poverty rate was about 13 percent. Nevertheless, involuntary part-time employment occurs among workers from all income classes. The incidence of poverty among those with some involuntary part-time employment varies greatly by the worker's marital and family status. The incidence of poverty was 36 percent among women who maintained families, and was more than 20 percent among unrelated individuals. On the other hand, among wives and other members of married-couple families (except husbands) the proportion averaged only about 5 percent.

The following tabulation shows the incidence of poverty among persons who had some involuntary part-time work in 1979, by the worker's marital and family status:

	Percent
Total, 16 and over	13.3
Husbands	11.2
Wives	6.2
Others in married-couple families	4.7
Women who maintain families	36.5
Others in families maintained by women	22.8
Men who maintain families	17.2

Others in families maintained by men	5.9
Unrelated individuals, men	21.9
Unrelated individuals, women	26.4

**Low earnings.** The vast majority of the 63.4 million full-time, year-round (fully employed) workers had annual earnings above \$6,000. (See table 4.) The Federal minimum wage in 1979 was \$2.90 an hour, and annual earnings of \$6,000 implies that hourly wages were slightly above that minimum. There were 4.8 million workers with year-round full-time jobs who earned less than \$6,000 in 1979. Not surprisingly, the median income of their families was relatively low. About 1.1 million, or nearly one-fourth, were members of poor families. However, not all of the low earners were members of poor families: almost 1.2 million lived in families with incomes of \$20,000 a year or more.

Husbands are seldom found among the low-earning fully employed workers whose family income is still relatively high. Wives and other members of married-couple families make up the majority of such workers. On the other hand, the majority of low-earning, fully employed workers who lived in poverty families are either husbands, women who maintain families, or unrelated individuals of both sexes.

### Multiple employment problems

Although not included in the full report, experimental tabulations were created from the March 1980 CPS

**Table 4 Relationship between earnings of full-time year-round workers and family income and poverty status, 1979**

[Numbers in thousands]

Family income and poverty status	Total	Personal earnings							Median personal earnings
		Under \$3,000	\$3,000 to \$5,999	\$6,000 to \$7,999	\$8,000 to \$9,999	\$10,000 to \$11,999	\$12,000 to \$14,999	\$15,000 and over	
All persons age 16 and over	63,415	1,543	3,273	5,953	6,800	7,354	9,359	29,133	\$14,077
Family income: <sup>1</sup>									
Under \$5,000	985	604	369	6	3	4	( <sup>2</sup> )	( <sup>2</sup> )	2,188
\$5,000 to \$9,999	4,576	296	944	1,738	1,582	10	4	2	7,230
\$10,000 to \$14,999	8,552	198	589	931	1,104	2,802	2,913	15	10,839
\$15,000 to \$19,999	10,130	146	438	997	1,135	1,131	1,648	4,634	14,221
\$20,000 to \$24,999	10,181	89	305	752	955	1,102	1,567	5,411	15,619
\$25,000 and over	28,992	210	628	1,527	2,023	2,305	3,227	19,072	19,487
Below poverty level:									
Total	1,340	661	408	181	64	22	4	( <sup>2</sup> )	3,029
Percent	2.1	42.8	12.5	3.0	.9	.3	( <sup>2</sup> )	( <sup>2</sup> )	21.5
Below 1.25 poverty level:									
Total	2,321	761	732	438	248	103	39	( <sup>2</sup> )	\$4,588
Percent	3.7	49.3	22.4	7.4	3.6	1.4	.4	( <sup>2</sup> )	32.6
Below 1.50 poverty level:									
Total	3,632	841	1,118	728	481	294	145	25	\$5,492
Percent	5.7	54.5	34.2	12.2	7.1	4.0	1.6	.1	39.0
Below 2.00 poverty level:									
Total	7,597	995	1,627	1,909	1,119	838	714	396	\$7,166
Percent	12.0	64.5	49.7	32.1	16.4	11.4	7.6	1.4	50.9
Median family income	\$23,611	\$7,603	\$12,617	\$16,419	\$18,093	\$18,932	\$20,362	\$29,357	( <sup>3</sup> )

<sup>1</sup> Personal income for unrelated individuals.

<sup>2</sup> Zero or rounds to zero.

<sup>3</sup> Not applicable.

**Table 5. Persons with unemployment and other labor market problems, by poverty status, 1979**

[Numbers in thousands]

Characteristic	Total	Number living in families below poverty level	Percent living in families below poverty level
Total .....	17,971	2,557	14.2
Year-round, full-time workers <sup>1</sup> .....	793	20	2.5
Nonworkers .....	1,927	608	31.6
All other workers .....	15,243	1,929	12.7
Unemployed 4 weeks or less .....	1,196	15	1.3
Unemployed 5 weeks or more .....	1,380	18	1.3
Unemployment and low hourly earnings <sup>2</sup> .....	525	92	17.5
Unemployment and involuntary part-time employment .....	828	21	2.5
Unemployment and employment of fewer than 40 weeks .....	5,835	539	9.2
Unemployment, low hourly earnings, and involuntary part-time employment .....	227	54	23.8
Unemployment, low hourly earnings, and employment of fewer than 40 weeks <sup>3</sup> .....	2,294	588	25.6
Unemployment, involuntary part-time employment, and employment of fewer than 40 weeks .....	1,886	255	13.5
Unemployment, low hourly earnings, involuntary part-time employment, and employment of fewer than 40 weeks .....	1,072	347	32.4

<sup>1</sup> Year-round full-time workers are persons who worked 50 or more weeks of the year for usually 35 hours a week or more. By definition, therefore, these persons could experience a maximum of only 2 weeks of unemployment.

<sup>2</sup> Low hourly earnings were defined to be \$2.90 an hour or less (the minimum wage in 1979 was \$2.90).

<sup>3</sup> Employment of fewer than 40 weeks may not represent a problem for workers who limited their workweeks because of voluntary reasons, for example, students, youths, and homemakers.

Note: Data may not add to total because of rounding.

ment were cross-classified by the poverty status of their families. Previous hardship analyses have examined various employment problems but only one problem at a time. Yet in a year's time, many workers are likely to encounter more than one employment difficulty. To single out unemployment as the primary problem responsible for a family's economic hardship may, for example, overlook a problem of low earnings caused by jobs paying minimum or sub-minimum wages.

Table 5 shows individuals who experienced some unemployment in 1979 and other possible employment problem or problems they had, and their poverty status. The majority of persons encountering unemployment in 1979 also experienced other possible employment difficulties, such as employment for less than 40 weeks, low hourly earnings, and involuntary part-time employment.<sup>6</sup> In fact, only a small proportion of the partially employed persons encountering unemployment during 1979 were observed as having unemployment as their sole employment problem. The incidence of poverty for these workers was negligible. Workers with the highest incidences of poverty were those who experienced such combinations of employment problems as (1) unemployment, low hourly earnings, and involuntary part-time employment; (2) unemployment, part-year employment of less than 40 weeks, and low hourly earnings; and (3) unemployment, low hourly earnings, part-year employment, and involuntary part-time employment. For workers with this last combination of problems, the incidence of poverty was more than 30 percent. Clearly then, this experimental tabulation indicates that, for many workers, unemployment is frequently associated with other employment problems. □

showing workers with multiple employment problems. For example, workers with low earnings and unemploy-

FOOTNOTES

<sup>1</sup> Labor force statistics have been published by the Bureau of Labor Statistics, while income statistics have been reported by the Bureau of the Census.

<sup>2</sup> *Linking Employment Problems to Economic Status*, BLS Bulletin 2123 (Bureau of Labor Statistics, 1982), is available from the Superintendent of Documents, Government Printing Office, Washington D.C. 20402, and from the BLS regional offices listed on the inside front cover.

<sup>3</sup> *Money Income of Families and Persons in the United States: 1979*, Current Population Reports, Series P-60, No. 129, November 1981, pp. 282-93.

<sup>4</sup> *Money Income*, 1979, p. 283.

<sup>5</sup> For more information, see *Characteristics of the Population Below the Poverty Level: 1979*, Current Population Reports, Series P-60, No. 130, December 1981, pp. 201-14.

<sup>6</sup> For the purposes of this special tabulation, hourly earnings were derived for workers by dividing the product of weeks worked and usual weekly hours into annual earnings. Persons with hourly earnings of \$2.90 (the minimum wage in 1979) or less were considered to have low hourly earnings. Many persons who worked fewer than 40 weeks in 1979 may not have had an employment problem if they limited their number of workweeks voluntarily. This is particularly true of students, youths, housewives, and others who have only a marginal attachment to the work force.