

# Perspectives

On Poverty, Policy, & Place

Summer 2005 • Volume 3/Number 2

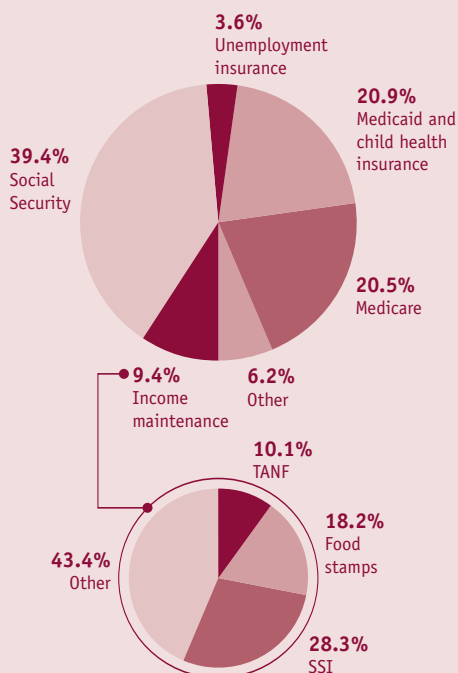
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The Newsletter of the  
**RUPRI Rural Poverty  
Research Center**

## FAST FACT

### Sources of Government Transfer Payments to Individuals in Nonmetro America, 2002



**Source:** Calculated by Economic Research Service (ERS), USDA, using data from the Bureau of Economic Analysis. Available at: [www.ers.usda.gov/Emphases/Rural/Gallery/TransferPie.asp](http://www.ers.usda.gov/Emphases/Rural/Gallery/TransferPie.asp)

"Other" income assistance consists largely of General Assistance, refugee assistance, foster home care and adoption assistance, Earned Income Tax Credit, and energy assistance.

## OVERVIEW

In May 2005, the Northeast Regional Center for Rural Development, the RPRC, and Penn State's Population Research Institute organized a conference as part of their continuing series on regional rural poverty to examine both the global and individual forces driving rural poverty in the Northeast and to identify programs and policies that can help alleviate poverty in the region. We report findings from select studies here. All reports are available online at <http://www.cas.nercd.psu.edu/reg.pov2005wksTOC.htm>

### Rural Poverty in the Northeast:

#### Global Forces and Individual Coping Strategies

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By Diane K. McLaughlin

McLaughlin offers an overview of the May 2005 conference on poverty in the Northeast, concluding with recommendations for moving forward with a research and policy agenda.

### Obstacles to Employment among Poor Rural Women

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Based on research by Sheila Mammen and Elizabeth M. Dolan

Mammen and Dolan compare women in seven northeastern counties who are working consistently, intermittently, or not at all. They find that child care support, reliable transportation, and strong social networks are key to continuous work.

### The Push and Pulls behind Residential Mobility of Low-Income Families in Upstate New York

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Based on research by Kai A. Schafft

Schafft examines the high mobility among rural families in the Northeast, finding that most moves are short moves and often driven by housing issues. He also examines the implications of this mobility for schools and other community supports.

### Work, Welfare, and the Informal Economy in the Rural Northeast

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Based on research by Tim Slack

Slack examines patterns of informal work among both low- and higher-income rural families in Pennsylvania. He reveals the motivations for doing informal work, whether and how families combine such work with formal work or government assistance programs, and to what degree the informal economy contributes to family coffers.

## **Perspectives:**

### **On Poverty, Policy, & Place**

The newsletter of the RUPRI Rural Poverty Research Center

#### **Publisher**

Rural Poverty Research Center, a national center of the Rural Policy Research Institute

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Perspectives is published quarterly by the Rural Poverty Research Center. Articles may be reprinted on request. Core funding for RPRC is provided by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) of the U.S. Department of Health and Human Services. The RPRC is an academic research center whose aim is to provide timely and useful research on the causes and effects of rural poverty and on policy options to reduce rural poverty and its effects. It will serve as a catalyst for more effective collaboration between policymakers, practitioners, and researchers and support the development of a next generation of rural poverty scholars.

Bylines—Each article in the newsletter features the byline “based on research by...”, which signifies that the article, while written by our editorial staff, has been reviewed and approved by the original researcher. With this approach, we hope to disseminate research to a broad audience in a format that is accessible, reliable, and accurate.

The RUPRI Rural Poverty Research Center is one of three Area Poverty Research Centers funded by ASPE/HHS. This project was supported with a grant from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, grant number 02 ASPE416A. The opinions and conclusions expressed herein are solely those of the author(s) and should not be construed as representing the opinions or policy of any agency of the federal government, nor of the RUPRI Rural Poverty Research Center.

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#### **Website**

[www.rprconline.org](http://www.rprconline.org)

## **Rural Poverty in the Northeast: Global Forces and Individual Coping Strategies**

By Diane K. McLaughlin

Poverty in the rural Northeast shares causes and consequences with rural poverty in other regions, yet it also is unique. In May 2005, the Northeast Regional Center for Rural Development, the RPRC, and Penn State’s Population Research Institute organized the final in a series of four regional rural poverty research conferences. This conference examined both the global and individual forces driving rural poverty in the Northeast in an effort to identify programs and policies that can help alleviate poverty in the region.<sup>1</sup>

Rural poverty in the Northeast is unique first because of the region’s relatively small nonmetro population (only 11% of the Northeast is nonmetropolitan compared with 31% of the Midwest, 43% of the South, and 15% of the West). It is also unique because a relatively small share of that nonmetro population is poor (approximately 9% of nonmetro residents are poor compared with 22% of nonmetro residents in the Midwest, 54% in the South, and 16% in the West). The Northeast had the second lowest poverty rates across regions, with nonmetro poverty only slightly higher than metro poverty. Further, the nonmetro poor in the Northeast are less likely than the nonmetro poor in other regions of the country to be elderly; they are least likely to be nonwhite, widowed, or to work in extractive industries (such as mining or forestry); and they are most likely to be never-married and to have graduated from high school.<sup>2</sup>

### **Place-Based Origins of Poverty**

Three of the presentations focused on place-based causes and solutions to poverty. Leif Jensen, in his portrait of poverty in the Northeast, highlighted the importance of the intersection of characteristics of the population and local conditions when designing antipoverty policy. In particular, the poor in the Northeast are not the stereotypical rural poor with low educations working in extractive industries. Similarly, Stephen Goetz, based on an analysis of the individual and structural characteristics of U.S. counties (such as employment, industry structure, social capital, and political competition), argued that moving people into the workforce is important,

1. For more information on the conference, and for available papers and presentations, see <http://www.cas.nercrd.psu.edu/reg.pov2005wksTOC.htm>

2. This profile is based on research by Leif Jensen, using U.S. Census of Population and Housing, 2000. See <http://www.cas.nercrd.psu.edu/reg.pov2005wksTOC.htm> for his Powerpoint presentation.

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but the quality of local jobs and the education of individuals affect the success of this strategy. Greater political competition (a viable two-party system at the local and other levels, for example), social capital, and self-employment were associated with declines in poverty, while the presence of big-box retailers (such as Wal-Mart or Home Depot and the like) was not.

Chris Colocousis stressed the quality of the local economy with an eye toward developing the vibrancy of smaller businesses. In a case study of Ossipee, New Hampshire, he finds that while Ossipee followed other rural communities in shifting away from manufacturing to service sector employment, it managed to maintain a large share of small companies. Even though men's wages declined between 1990 and 2000 and women's wages stagnated or grew slightly, poverty rates declined. These findings tend to be consistent with those of Goetz in identifying the importance of economic structure, social capital and locally owned, smaller businesses for better economic outcomes, and they offer insight into how larger restructuring forces affect economic well-being in local areas and may be influenced by local strategies and responses to these shifts.

### **Individual Factors Affecting Rural Poverty**

Another group of presenters examined the individual traits that pose barriers to work and increase the risk of poverty. Mammen and Dolan, for example, show the importance of work to poverty reduction and how people's health or difficulty in arranging child care or transportation hindered their options in the workforce. Social support from family and friends and employer flexibility were important in dealing with the complexity of single-parenting and work. Slack examines how work

in the informal labor market (from picking up odd jobs to bartering for services) bolsters family income, and his research reveals how social isolation and less access to informal networks can severely hinder this strategy for making ends meet. Schafft, meanwhile, offers a fascinating look at high family mobility among the poor in rural areas and the consequences for the school systems serving

these highly mobile children. Each of these three studies indirectly revealed how lack of local resources and programs can hinder the ability of individuals to improve their situations. Articles based on the research by Mammen and Dolan; Schafft; and Slack are featured in this issue.

### **Rural Poverty Policy Research Agenda**

Although the research tradition pertaining to rural poverty is strong, future research will contribute to actual poverty reduction only when it is used as the basis for policy and programs. The studies presented point to several avenues of future study, and offer several

areas for potentially important policy interventions.

We know a great deal about rural poverty, but research portfolios could be expanded to include more program evaluations. Practitioners and policymakers could be included in devising more applied research questions, and practitioners can provide invaluable knowledge about how programs and policies operate, and how individuals, families, and communities respond. Establishing program and policy effectiveness and determining how implementation can be adjusted to meet the needs of local populations would be an important contribution to building a practice-based rural poverty policy research agenda.

Rural poverty researchers should work together across disciplines to develop a coherent message about the

**Rural poverty researchers should work together across disciplines to develop a coherent message about the causes of rural poverty, its consequences, and possible solutions.**

causes of rural poverty, its consequences, and possible solutions. Taken as a whole, it will be a relatively complex message. As the conference underscored, there are multiple causes of poverty—some rooted in place, some in individual circumstances. Key questions to guide the development of this message might ask: Can we identify the three strategies most likely to reduce rural poverty, especially among children? Can we develop a message that challenges stereotypes and resonates with the public and with policymakers? Once such a message is developed, how can it be effectively disseminated to the general public and to policymakers? This message must outline how these programs and policies will benefit families, children, communities, and businesses in the United States.

It is equally important to identify programs and policies that will benefit all families at the same time they benefit poor families. Some of these, identified in the studies pre-

sented at the conference and in prior research, include ensuring availability of high-quality, affordable, and flexible child care; encouraging employers to make workplaces family-friendly; and offering educational programs and support networks for parenting, job skills, nutrition, and interpersonal relationships. Minimum wage increases and universal health care coverage also have been suggested as strategies that would improve well-being for many families and children. Such programs would require shifts of government resources at multiple levels, including resource shifts to rural areas. These broad-based programs offer special opportunities to build coalitions of voices to educate the public and policymakers. In some cases, an effective rural poverty policy may be a policy targeted to helping all families and children that incorporates the flexibility in implementation needed to meet the special circumstances of rural communities and families. **RPRC**

## Obstacles to Employment among Poor Rural Women

Based on research by Sheila Mammen and Elizabeth M. Dolan

Access to affordable child care, an understanding boss and flexible workplace, reliable transportation, and a strong social network are essential if poor, rural mothers are to remain employed, according to Sheila Mammen and Elizabeth M. Dolan, in their presentation at the Rural Poverty in the Northeast conference. They examined the barriers that mothers in the rural Northeast face in seeking and maintaining employment, finding that low-income rural mothers who worked consistently had a strong network of support in place that made employment feasible. Mothers who did not work or who worked sporadically were less likely to have such a network.<sup>1</sup>

The study focused on 90 rural, low-income women in

seven counties in Maryland, Massachusetts, New Hampshire, and New York during three years (2000 to 2003).<sup>2</sup> The women all had at least one child under age 13. The majority were white (73%) and 11% were African American. The women were grouped based on employment patterns. Thirty-four of the mothers were never employed during the study period, 30 were employed intermittently during the study, and 26 were employed at each of the three interviews.

### Nonemployed Mothers

Mothers who never worked during the study period cited several reasons. Many mentioned health issues (35%);

1. For the full working paper, see Sheila Mammen and Elizabeth Dolan, "Employment and Obstacles to Employment of Rural Low-Income Mothers in the Northeast," available online at <http://www.cas.nercd.psu.edu/reg.pov2005wksTOC.htm>

2. Low income was defined as having incomes 200% below the federal poverty level. Data are from the USDA-funded longitudinal study, "Rural Low-Income Families: Monitoring their Well-Being and Functioning in the Context of Welfare Reform."

**Sheila Mammen** is associate professor, Department of Resource Economics, University of Massachusetts, Amherst.  
**Elizabeth Dolan** is associate professor, Department of Family Studies, University of New Hampshire, Durham.

mothers in this group were more likely to suffer from chronic, acute, and behavioral health problems, including depression. The authors note that although depression may explain why some are not employed, it is also possible that depression, in particular, is a result of not being employed. In a possible indication that employment may be lifting the spirits of mothers, employed mothers, regardless of stability of employment, reported a decline in health problems between the first two interviews, particularly depression.

Almost one-third (32%) of the nonemployed mothers preferred to stay home with their children. A smaller percentage said that child care was unavailable (9%), a child had health issues (9%), or that jobs were unavailable (9%). Many of these mothers gave multiple reasons for not working.

### **Intermittent Workers**

Mothers who worked intermittently offered reasons similar to those of nonworking mothers. Nearly one-third (30%) said they or a family member had health issues and 18% of the women had problems with child care. As one mother who worked intermittently said: “It does not pay for me to work...what’s the point of one of us working just to pay day care?” Others had problems with transportation (14%) or with the job itself (12%), such as an unsupportive work environment or being laid off.

### **Continuous Workers**

Not surprisingly, mothers who worked continuously overcame challenges in multiple areas. Just as the other mothers cited multiple reasons for not working or working intermittently, the working mothers cited multiple reasons they were able to work.

Foremost, these mothers had a strong network of formal and informal child care, which appears to be of key

importance in maintaining employment. They often relied on a relative or on preschool for child care, or patched together a mix of support. One mother mentioned that she was on a waiting list for day care. In the meantime, her child stayed with an older woman three mornings a week, the child’s father one night a week, and either the child’s grandmother or the mother’s boyfriend another day of the week.

Reliable or flexible transportation was another important factor in their success. The strong network of friends and family these mothers had meant they could borrow a car or ask for a ride. The ideal situation was for the mothers to obtain a newer, reliable vehicle, and a few mothers in this group were able to do this.

Finally, the mothers who worked continuously held jobs that were flexible and had understanding supervisors. The mothers said that being able to switch hours and change the number of hours they worked was helpful in maintaining employment. Of the mothers who changed jobs during the study, the primary reason was due to difficulties with a supervisor or a dislike for the work. Of course, some mothers had child care issues, health problems, or transportation difficulties that caused them to

change jobs, but the mothers in this group were able to maintain employment despite these challenges. One working mother summed it up for many: “It’s busy. I really had to work everything out. I can’t plan ahead...so every day, whatever comes through, I deal with it.”

The authors conclude that rural, low-income mothers in the Northeast are no different from other rural mothers, or even urban mothers. Many low-income mothers experience health problems, unreliable transportation, inaccessible and unaffordable child care, and difficult working conditions at low wages. Successful, working, low-income mothers are able to patch together a network of support that carries them through difficult times. ►

**Access to affordable child care, an understanding boss and flexible workplace, reliable transportation, and a strong social network are essential if poor, rural mothers are to remain employed.**

## Policy and Program Implications

What policies can support these mothers? The authors argue that some frequently mentioned policies may not help these rural mothers significantly, such as increasing child care subsidies. Because women rely more on informal child care from family and friends, child care subsidies that do not support informal care may be less effective.

On the other hand, transportation assistance, the authors argue, is critical. Rural mothers need a reliable vehicle, which could be obtained through subsidies, grants or loans, or a combination. Rural mothers also need under-

standing supervisors and flexible workplaces. Employers could be sensitized to the complexities faced by poor, rural mothers. Practical assistance, such as a local consortium that could administer a pool of backup workers (not unlike substitute teachers), transportation and child care assistance, and even health insurance for rural workers, should benefit both the mothers and their employers.

Rural, low-income mothers often want to work and to be good employees, but they face many obstacles to achieving those goals. Programs and policies that support rural mothers in their quest to provide for their families could build an environment that is conducive to that goal. **RPRC**

## The Push and Pull behind Residential Mobility of Low-Income Families in Upstate New York

Based on research by Kai A. Schafft

It is often thought that people move to take advantage of better employment, improved quality of life, stronger schools, or other benefits of the new destination. However, for low-income families, this assumption is not always true. In a study presented at the Rural Poverty in the Northeast conference on rural mobility among low-income families in upstate New York, Kai Schafft finds that the poor families he interviewed were far more often “pushed” to move because of housing problems than they were “pulled” to a new location for a job or other economic opportunities.<sup>1</sup>

### Frequency of Mobility and School Change

Schafft interviewed 22 custodial parents in low-income families who were newly enrolled in a rural New York school district in the 2003–2004 school year. Nearly two-thirds were single parents. All of the 51 children in the study were eligible for free or reduced price lunch.

In the prior five years, the 22 families had moved 109 times. The average family lived in six residences during the five years, with four reporting living in 10 or more places. Only one respondent remained at the same residence for the five years.

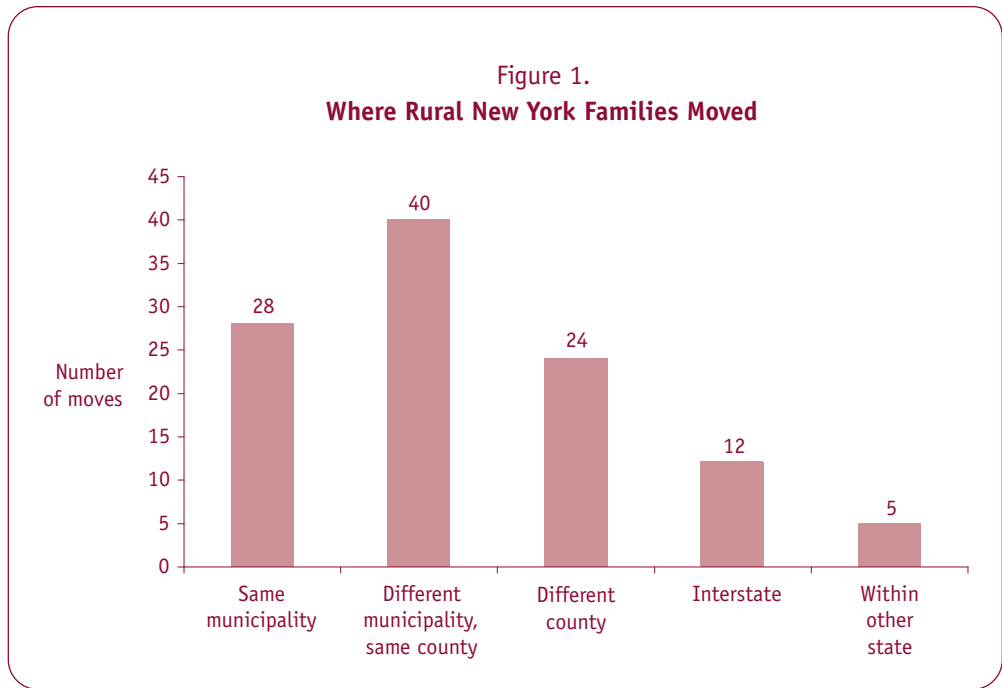
Not surprisingly, the children had made numerous school changes during the same time, 166 in total, nearly all of which were the direct result of moving. Such mobility can lead to significant social and academic disruption for mobile students, who often need extra academic and social support services. It can also negatively affect school planning, budgeting, student testing assessments, and destabilize classrooms.

An important finding of the study was that most families moved only short distances. Ninety-one of the 109 moves

**Kai Schafft** is an assistant professor of education policy studies at the Pennsylvania State University, and he is the director of the Center on Rural Education and Communities.

1. For the full paper, see Kai Schafft, “Poverty, Residential Mobility and Student Transiency within a Rural New York School District,” paper presented at the conference, “Rural Poverty in the Northeast: Global Forces and Individual Coping Strategies,” May 3–4, 2005. Available online at <http://www.cas.nercrd.psu.edu/reg.pov2005wksT0C.htm>

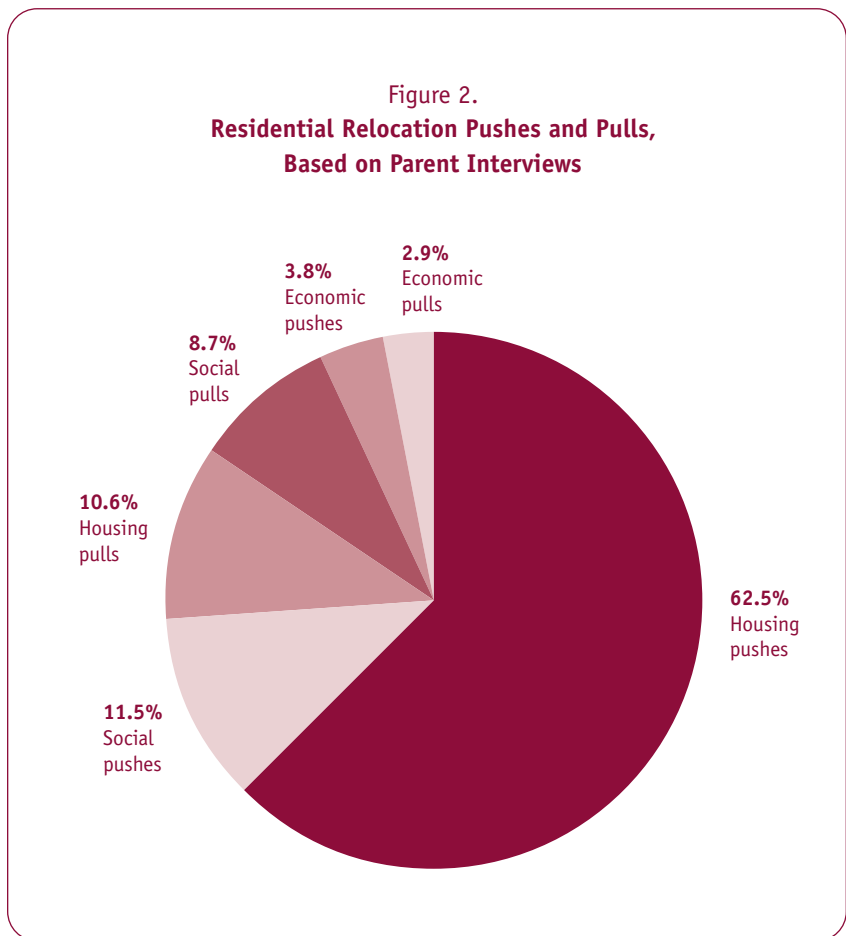
were within the state of New York, 28 were within the same town, and 40 were to a different town within the same county (see Figure 1). Among moves in New York, the average distance was only 19 miles. In fact, even though unscheduled school change is one of the primary effects of this mobility, more than one-third of the moves did not result in a school district change because the moves did not cross school district lines.



### Reasons for Moving

Schafft categorized the primary reason for moving as either a “push” or a “pull” because of housing-related, economic, or social factors. That is, they were pushed to leave because of these three reasons or they were drawn to another area because of the same set of reasons.

Three-quarters of the moves—81 of 104—were prompted by pushes.<sup>2</sup> Most pushes were housing related and accounted for 63% of the 104 moves (see Figure 2). Housing pushes included eviction, leaving a doubling-up situation where families were sharing living quarters with friends or relatives, leaving temporary housing, or the landlord ceased renting the property (See Table 1). Frequently, families would take advantage of several temporary measures to get by until more permanent housing could be found. ▶



2. Five respondents were unable to remember the reason for their move; thus, the total sample for this section of the analysis was 104 moves rather than 109 moves.

Economic and social pushes were a less common a factor in moving. Only four moves were the result of economic factors such as losing a job or not earning enough money. Twelve of the moves were social pushes, such as the breakup of a relationship, domestic violence, or drug abuse (see Table 2).

Housing accounted for one-half of the 23 pulls. Eleven moves were the result of pursuing better housing opportunities or the purchase of a home (Table 1). Even though economic insecurity is at the root of most moves, only three moves were prompted by anticipated job opportunities. Nine moves were social pulls, including child care or family responsibilities, moving in with a partner, or moving to a better school district or to be nearer family (Table 2).

Table 1.  
Housing Push/Pull Factors in Rural New York Residential Mobility

Housing Push	#	%
Eviction	12	11.5
Leaving doubling-up	10	9.6
Leaving temporary DSS housing	10	9.6
House sold/landlord stopped renting	7	7.6
Bad housing conditions	6	5.8
Too expensive	5	4.8
Bad neighborhood/area	5	4.8
Too small/crowded	4	3.8
Problems with landlord	4	3.8
Building condemned	2	1.9
<b>Housing Push Total</b>	<b>65</b>	<b>62.5</b>

Housing Pull	#	%
Better housing opportunity	8	7.7
Bought home	3	2.9
<b>Housing Pull Total</b>	<b>11</b>	<b>10.6</b>

Note: DSS is Department of Social Services.

## Policy and Program Implications

Schools, Schafft argues, are one of the primary community institutions affected by high rates of family mobility. The basic causes of mobility are rooted in economic insecurity rather than school practices and procedures. However, schools are nonetheless confronted with the challenge of providing adequate, appropriate education to at-risk, mobile students. School districts with a large number of mobile students face unpredictable enrollments, which affect planning and budgeting. Schools also must work to reduce the disruption to existing students, and ease the transition for new students. Schafft suggests several school-based strategies for working more effectively with mobile students and their families.

### *Create an Inclusive School Environment*

The author suggests that schools actively welcome new students to the school through student “buddy” programs, mentoring and orientation programs for both students and parents. The author also suggests that school personnel could benefit from training and professional development programs to sensitize them to mobile families’ needs. The parents in Schafft’s study consistently expressed greater comfort with schools they thought made concerted efforts to maintain open communication with parents.

### *Provide Resources and Avoid Penalties to Schools with Mobile Students*

Policies should ensure that schools with highly mobile student populations have the fiscal resources to provide services to all students and also ensure that districts are not penalized for low-scoring students for whom they may have played little role in academic preparation.

### *Collect and Use Data on Mobile Students*

Although districts are aware of the number of students moving in and out, they may not know the demographics or other characteristics of these mobile students. Collecting systematic data on mobile student populations would enable better, data-driven administrative

decision-making, and it would assist staff in identifying students potentially at risk of being highly mobile.

*Coordinate Strategies with other Districts and Agencies*

Given the tendency for families to move to adjacent or neighboring school districts, if they leave the district at all, clear opportunities arise for districts to work together to allow easy transfer of student records, thus allowing students to be quickly and appropriately placed in their new school and to receive the services they need. Schafft suggests that school districts form partnerships with social service agencies as well because schools are limited in the services they can provide to these mobile, rural families.

Ultimately, the problem of residential instability among low-income families is a consequence of broader economic issues in the region. Schafft’s research suggests that housing policy can be a key intervention point, given that nearly two-thirds of the moves in his study stemmed from inadequate and unaffordable housing in the family’s current locale. Reducing housing insecurity alone, Schafft argues, could have a significant effect on reducing residential instability, with tangible benefits accruing to not only children and families, but to the schools that the children attend and to the communities in which they live. **RPRC**

Table 2.  
Other Reasons than Housing for Moving  
among Rural New York Sample

<b>Economic Push</b>	<b>#</b>	<b>%</b>
Lost job	3	2.9
Not earning enough	1	1
<b>Economic Push Total</b>	<b>4</b>	<b>3.8</b>

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<b>Economic Pull</b>	<b>#</b>	<b>%</b>
Job opportunities	3	2.9

<b>Social Push</b>	<b>#</b>	<b>%</b>
Relationship breakup	5	4.8
Domestic violence	5	4.7
Drug abuse in home	1	1
Incarceration	1	1
<b>Social Push Total</b>	<b>12</b>	<b>11.5</b>

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<b>Social Pull</b>	<b>#</b>	<b>%</b>
Child care/family responsibilities	4	3.8
Move (back) in with partner	3	2.9
Good school district	1	1
Move closer to family	1	1
<b>Social Pull Total</b>	<b>9</b>	<b>8.7</b>

# Work, Welfare, and the Informal Economy in the Rural Northeast

Based on research by Tim Slack

A presumed virtue of rural living is self-sufficiency and an embrace of individualism, with residents supplementing wages with income from odd jobs for neighbors, offering services that fill a needed gap, growing one's own food, or by bartering for services in a tight-knit community. Indeed, past research finds informal work is a significant part of rural economies. Research in rural Pennsylvania in the mid-1990s, for example, found that more than half the households surveyed reported some informal work and income.<sup>1</sup>

However, less well understood are the important correlates and motivations underlying participation in informal work. In his presentation at the Rural Poverty in the Northeast conference, Tim Slack adds some detail to this picture by examining how families in rural Pennsylvania combine formal employment, participation in assistance programs, and engagement in informal economic activities to make ends meet.<sup>2</sup> Throughout, he pays special attention to how the combination of these activities differs between higher- and lower-income families.

## Study Description

Slack's study combined interview and survey data collected in two stages. First, he interviewed 26 members of low-income families from across rural Pennsylvania. Then he conducted a telephone survey based on a random sample of listed phone numbers in nonmetro areas of the state, yielding 476 completed surveys.<sup>3</sup>

Among working-age adults in the survey sample, roughly 49% were working full-time, 18% part-time, and 35% were not working in the formal labor market. Overall, 40% of the sample reported using some type of means-tested assistance program. Regardless of income, the most common economic strategy for working-age households was to combine formal and informal work (39% of the sample reported this strategy), although nearly as many depended on formal work alone (36%).

**Tim Slack** is an assistant professor in the Department of Sociology at Louisiana State University.

## Participation in the Informal Economy

The most common types of informal work were household repair, snow removal, yard work, garage sales, and personal services, such as child care, nursing, housekeeping, or providing transportation for others. Some individuals worked for cash or barter, as one woman explained:

We get paid in different ways; \$20 for a bag of tomatoes...the guy I clean house for takes me to work in the winter. ...So that's how we get paid. We get paid by things....My husband just finished painting a house. Well, he's getting paid in two truckloads of stone for our road out there. That's a lot of money we saved on gravel.

Many, in fact, viewed informal work as quite common:

There's lots of people that work under the table around here. You know, odd jobs for cash. Like when I was working out at the bar. That was just straight-up cash. And just the other day, this guy down the road here needed help unloading a truck and I did that. You know, things come up, somebody needs something done, they offer to pay you for it.

However, others who were more socially isolated or who lacked skills, did less informal work:

We don't have a whole lot of friends. ...I'm not mechanically inclined either. ...We don't hunt, don't grow...don't fix cars. ...We don't have any bartering chips. ...We really don't have anything to offer.

Slack found that levels of participation in the informal economy differed little by income level (see Table 1),

1. Leif Jensen, Gretchen T. Cornwell, and Jill L. Findeis, "Informal Work in Nonmetropolitan Pennsylvania." *Rural Sociology*, vol. 60, no. 1 (1995), pp. 91-107.

2. For the full paper, see Tim Slack, "Work, Welfare, and the Informal Economy: An Examination of Family Livelihood Strategies in Rural Pennsylvania," paper presented at the conference, "Rural Poverty in the Northeast: Global Forces and Individual Coping Strategies," May 3-4, 2005. Available online at <http://www.cas.nercrd.psu.edu/reg.pov2005wksTOC.htm>

3. The response rate was 52%. The interview data were used to add greater context and depth to the study and also aided in the design of the survey instrument and the interpretation of the survey data, while the survey data were used to provide more representative information on the livelihood strategies used to make ends meet.

although the *reasons* for participating did. On average, lower-income families most commonly cited informal work as a way to make ends meet, while helping neighbors was the most common reason cited among higher-income families (see Table 2). The shares reporting that “there aren’t enough good jobs” or a preference to work at home as reasons for informal work were also greater among the lower-income families. However, the only statistically significant difference between lower- and higher-income families for relying on the informal economy was to avoid transportation problems, with more lower-income families citing this reason.

Slack also assessed the extent to which other factors—such as the presence of full-time and part-time workers, running a home business, and participating in assistance programs; household income, age structure, educational levels, and size; social networks and norms of reciprocity, or organizational and group memberships (i.e., social capital); and years in residence and distance to neighbors—influenced one’s participation in the informal sector. He also determined whether differences emerged between informal activities done to earn extra money or to barter versus those done to save the family money.

The results show that more extensive personal networks and norms of reciprocity increase the likelihood of participating in informal work, as does the receipt of government assistance and farther distance between neighbors. The latter suggests that rurality may contribute to increased informal economic activity. Running a home business and multiple jobholding increase the likelihood of doing informal work for money or barter, but not savings, suggesting important differences between factors associated with income generating activities (cash or in-kind) versus activities aimed at savings.

The elderly are less likely to participate in any type informal work, suggesting that concept of “working age” applies to the formal and informal sectors alike.

Table 1.  
Percent Participating in Informal Economic Activities by Household Income

Household Income	Any Informal Economic Activity	Money or Barter	Savings	Number of Cases
Less than \$15,000	36.6	31.7	19.5	41
\$15,000–24,999	41.4	24.3	20.0	70
\$25,000–34,999	49.1	35.1	28.1	57
\$35,000–49,999	50.0	41.4	17.2	58
\$50,000+	47.4	34.1	25.9	135

Note: Statistical significance determined by chi-square tests.

Table 2.  
Importance of Reasons for Engaging in Informal Economic Activities

*Percent reporting reason somewhat or very important*

Reason	Annual Family Income	
	Less than \$25,000	More than \$25,000
So you can set your own hours	50.0	58.5
So you can be your own boss	59.1	51.7
To help out neighbors and relatives	77.8	76.5
Because the income is not taxed	37.2	41.0
There aren’t enough good jobs	69.8	58.1
So you can work at home	61.4	47.5
Regular job would cut into public aid benefit	29.3	16.7
Don’t have to worry about transportation	59.1 *	37.6
To make ends meet	79.5	65.3

Note: Restricted to those reporting participation in one or more informal economic activities and providing a valid response. Statistical significance determined by chi-square tests.

\*  $p \leq .05$

Interestingly, household income did not prove to be an important predictor of any type of informal work, providing support for those who argue that informal

work is not a survival strategy only of the poor, but a practice for a much broader segment of society.

### **Policy Implications**

Slack acknowledges that policymakers face a paradox when it comes to the informal sector. On the one hand, given that informal work is by definition outside the regulatory control of the state, it can pose undue hazards to health, safety, or the environment, for example. On the other hand, to the extent that it provides needed goods and services, jobs, and income, it can be seen as a positive economic force. The key for policymakers is to devise programs that encourage the positive contributions of

informal economic activity while ameliorating its negative consequences.

Programs aimed at encouraging micro-entrepreneurship hold promise as a community and economic development strategy, Slack suggests, especially in areas such as rural Pennsylvania, where new economic opportunities have been slow to emerge in the wake of economic restructuring. Microcredit or microenterprise programs that make capital and business development services available to informal entrepreneurs hold potential not only for helping families achieve and maintain economic self-sufficiency, but also for facilitating locally owned businesses with deep roots in their community. **RPRC**

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