

Power, Policies and Working Poverty in the U.S.

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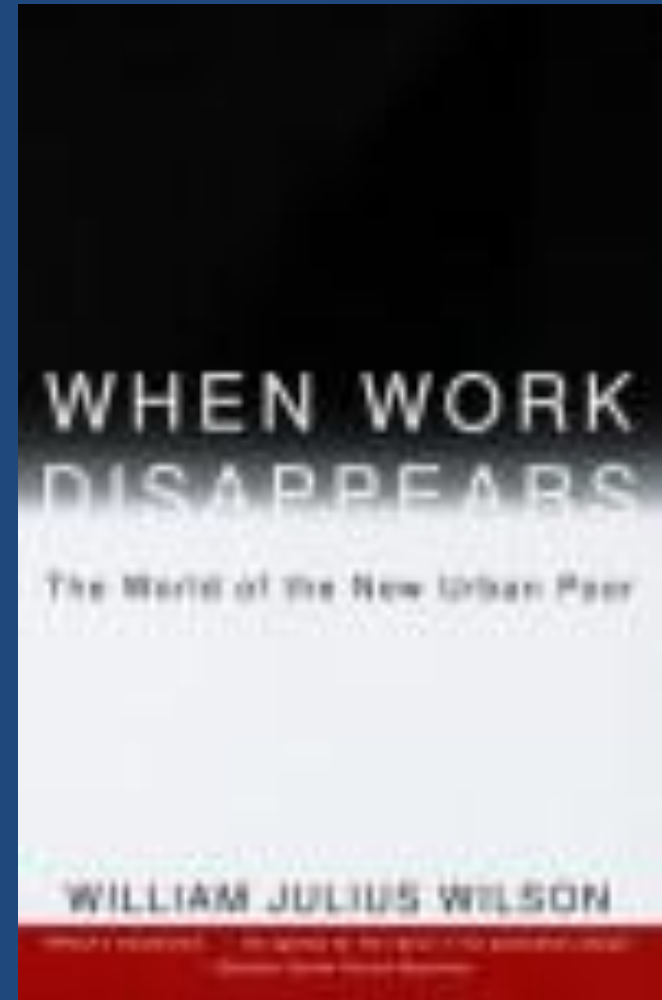
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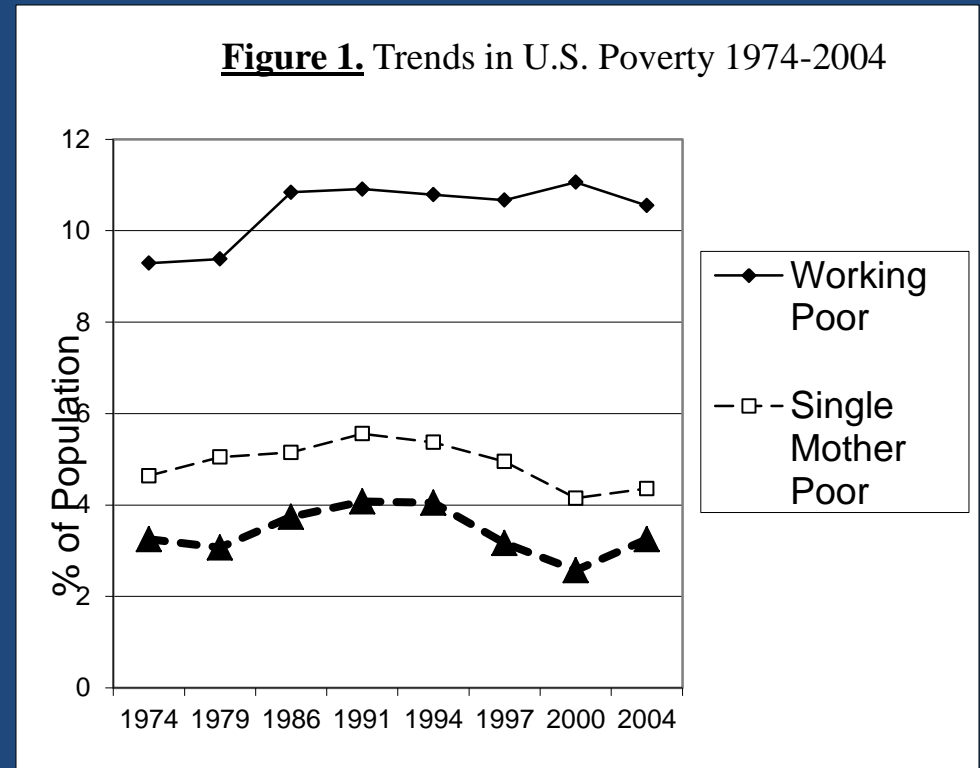
Joblessness and U.S. Poverty Research

- **Rise of African American jobless neighborhoods**
- **Spatial mismatch & inner-city unemployment**
- **Joblessness of Black men, inner-city poor, single mothers, & welfare recipients**
- **Labor market entry of disadvantaged youth & ex-prisoners**
- **Effects of joblessness on adolescent development, marriage among fragile families, and crime**

- **William Julius Wilson: “For the first time in the twentieth century most adults in many inner city ghetto neighborhoods are not working in a typical week.”**
- **Newt Gingrich: “Really poor children in really poor neighborhoods have no habits of working and have nobody around them who works so they have no habit of showing up on Monday. They have no habit of staying all day, they have no habit of I do this and you give me cash unless its illegal.”**
- **Neglect of working poverty**



- **NOT** problematic if working poor are idiosyncratic or small segment of poor
- Yet, working poor might actually be most typical poor
- Pattern occurs in most affluent democracies and is theoretically salient
- Investigate individual- and state-level variation in working poverty in U.S. 1991-2004: focus on unionization



Past Research on Working Poverty in U.S.

- **Recent literature concentrates solely on demographics and economic performance**
 - **More common among single mothers, among women, racial minorities, young adults, and HHs with children**
 - **Less common among better-educated, full-time workers in the manufacturing and public sectors**
 - **Working poverty declines with economic growth and rises with unemployment**
- **Striking neglect of institutional context, despite rich comparative literature on the effects of institutions for wages, inequality and poverty**

Reasons for Skepticism

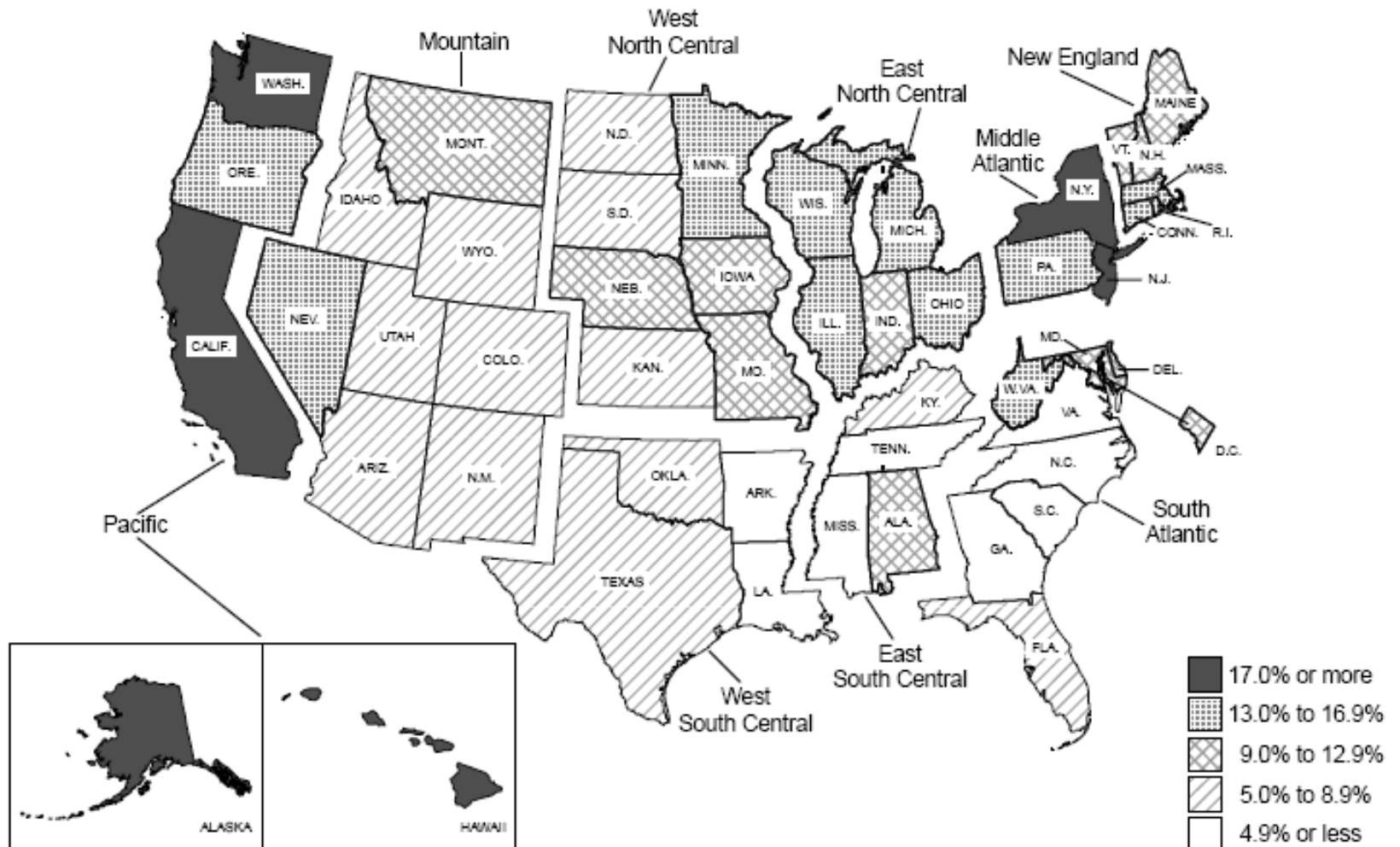
- **Unions are exceptionally weak in contemporary U.S.**
 - In 2003, unionization was below 7 percent in about a quarter of states and below 10 percent in almost half.
 - Declined more rapidly among less skilled workers
- **Unions might not reach bottom of labor market**
 - Less skilled and low paid very unlikely to be unionized
 - Rents for protected insiders & crowding effects
- **Economic performance and individual characteristics might be paramount**

Union Membership Percent of All Workers 1948 to 2009



Chart 1. Union membership rates by state, 2010 annual averages

(U.S. rate = 11.9 percent)



The Case for the Effects of State-Level Unionization

- **Unions raise wages and reduce inequality**
 - Benefits apply to low-skilled and low-paid as well
- **Even non-union workers benefit from unionization**
 - Union threat effects and moral economy
 - Benefits greatest in environment of high density
- **Comparative Institutions Literature**
 - Institutions explain earnings inequality and working poverty
 - Fundamental cause of life chances; Relative (congealed) power of collective actors; Roles: Organize the distribution of resources, regulate risks, allocate opportunities, and socialize normative expectations
- **Questions: 1) Size of effects relative to economic performance? 2) Beneficial effects biased by selection into employment? 3) Net of social policy? 4) Effects for non-unionized workers?**

Data and Methods

- **Individual-Level Data**
 - LIS: US 1991, 1994, 1997, 2000, 2004
 - 18-65 Year Old Heads with at least one member employed (N=152,389 in 2004; N=578,617 in 1991-2004)
- **Dependent Variable: Working Poverty**
 - Equivalized HH Income After Taxes and Transfers
 - Less than 50% of Median HH Income AND at least one member of HH employed
 - Relative: Each year median
 - Constant: Inflation-adjusted to 2004 median

Data and Methods

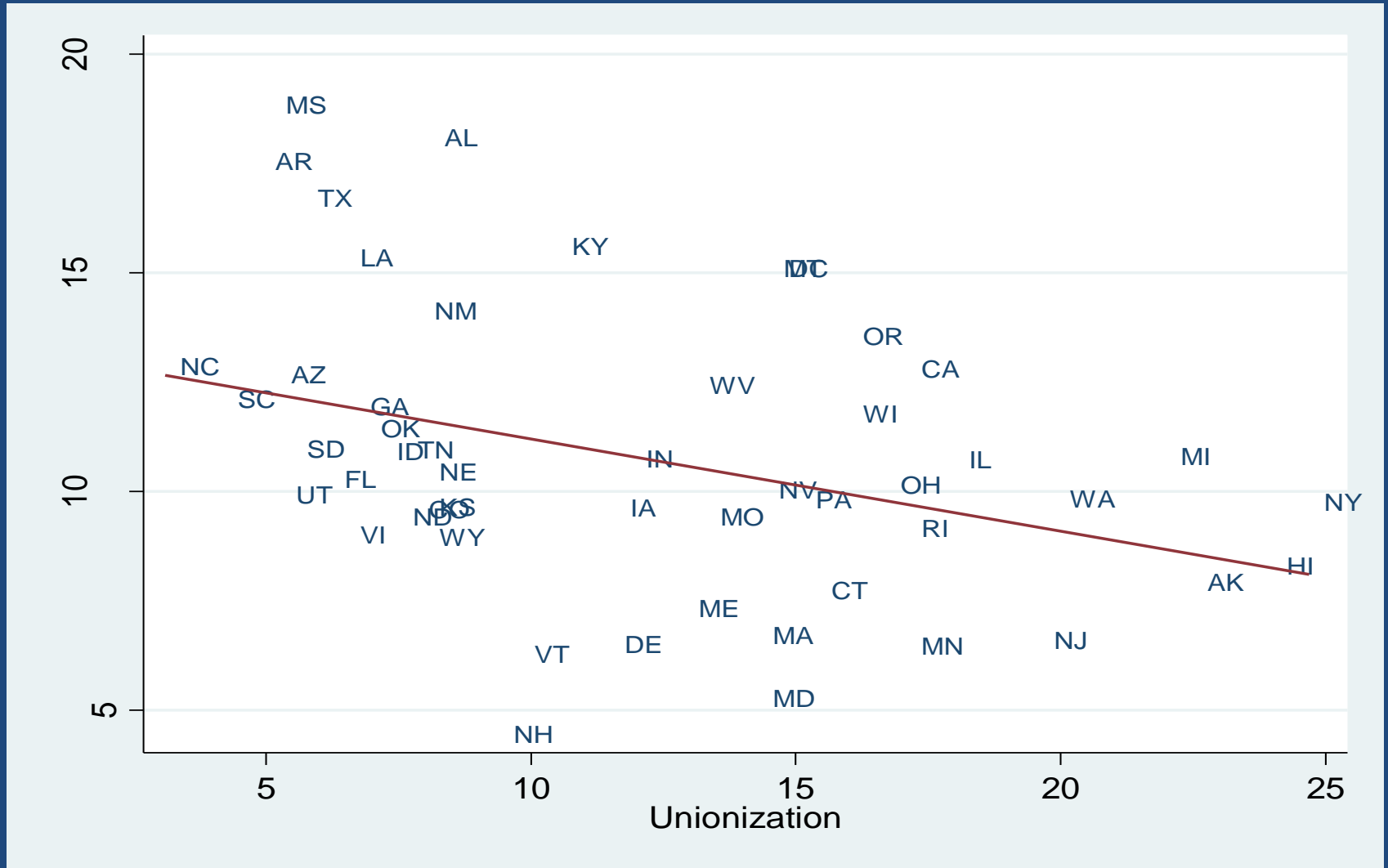
- **Individual-Level Variables:**
 - Single Mother, Single Father, Female No Child, Male No Child (ref: married), Less than HS, College or More (ref: hs degree), African American, Hispanic, Other Race (ref: White), # Children, Child <5, Age, Age-squared, Head <25, Over 65 in HH, Multiple Earners, Mfg. Sector, Public Sector, Part-time (ref: full-time private non-mfg)
- **State-Level Data**
 - 51 States
 - Unionization (t-1)
 - Economic Growth, Unemployment, Real GDP PC
 - TANF/AFDC Maximum Benefit, UI Maximum Benefit

Data and Methods

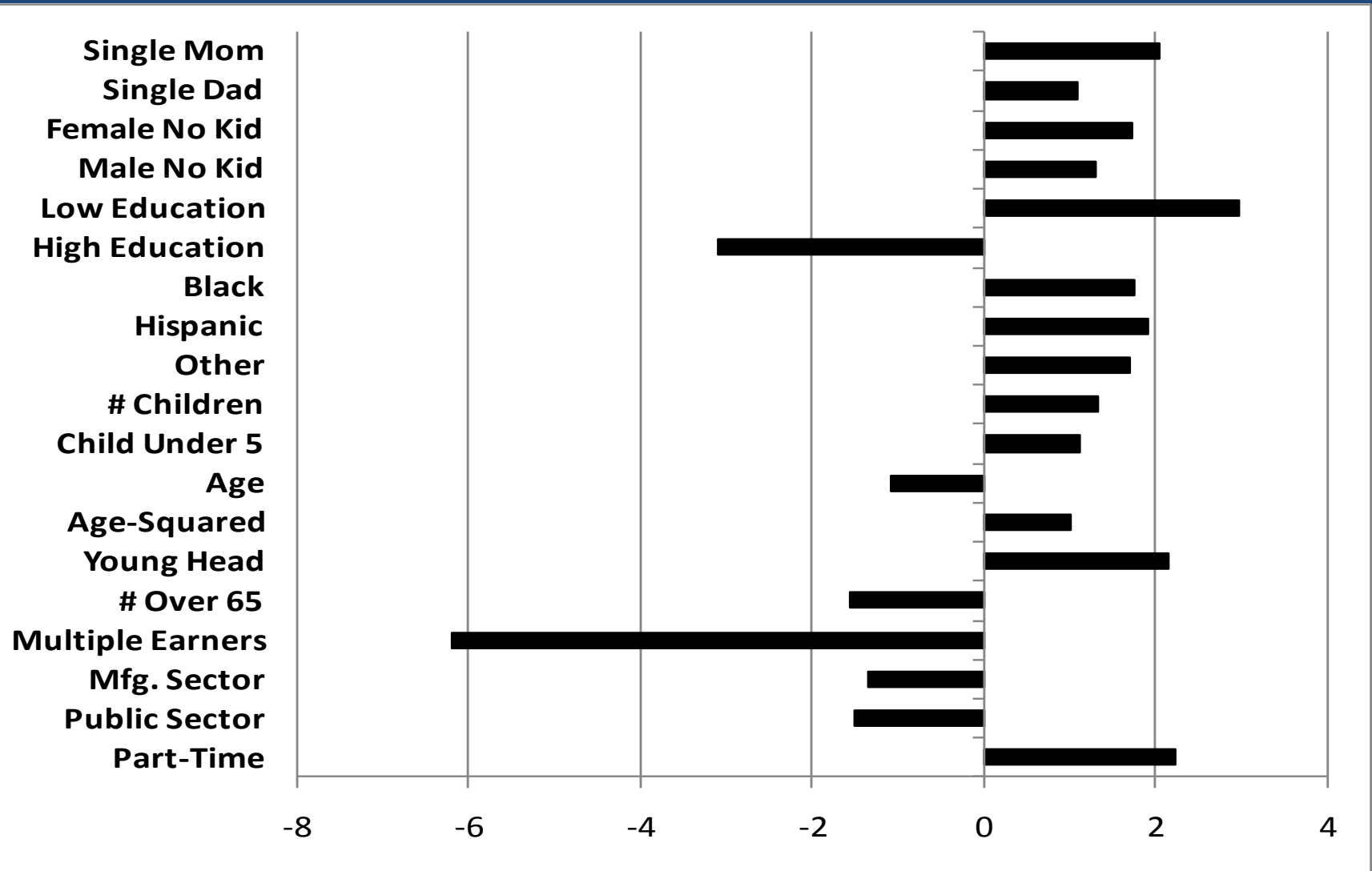
- 1. Multi-level logit models of individuals nested in states in 2004**
 - Assess effect of unionization at one point in time
 - Random intercepts
 - Control for economic performance
- 2. Heckman probit model for selection into employment**
- 3. Two-way fixed effects logistic regression models of individuals nested in state-years**
 - Identifies unique effect of change in unionization net of unobserved state characteristics or generic trend
 - Control for economic performance and social policies
- 4. Replication with CPS, individual-level unionization**

2004 Analyses

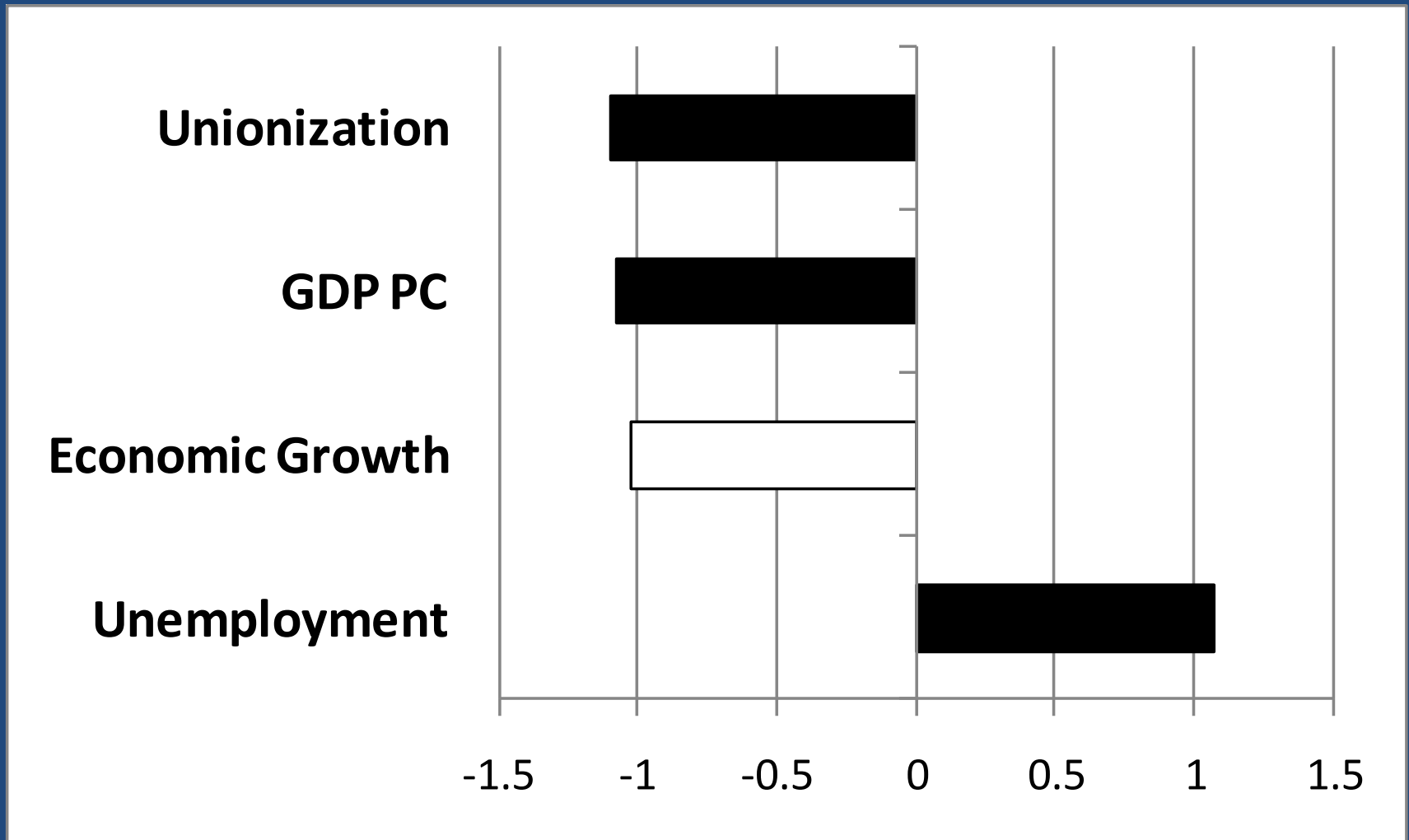
Unionization and Working Poverty at State-Level (N=51, r=-.36)



Odds Ratios of Individual-Level Variables: Multi-Level Logit Models of Working Poverty in 2004



Standardized Odds Ratios for Unionization & Economic Performance: Multi-Level Logit Models of Working Poverty with Individual-Level Controls

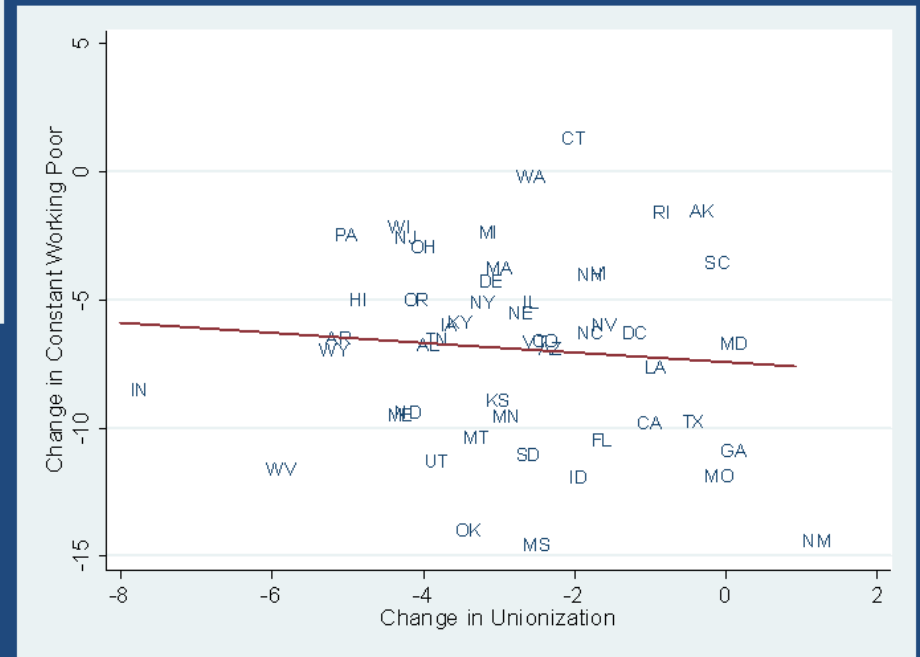
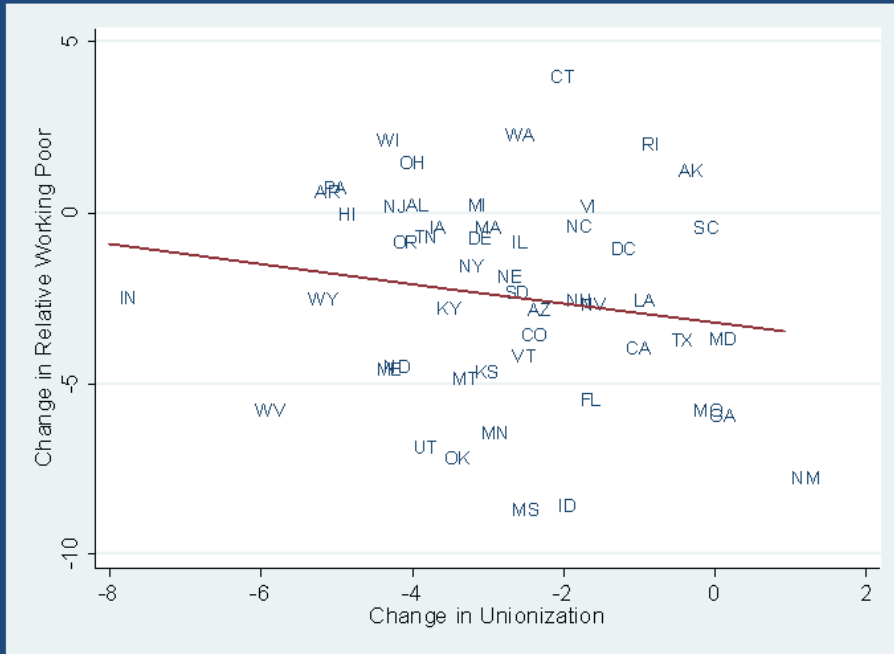


Heckman Probit Model

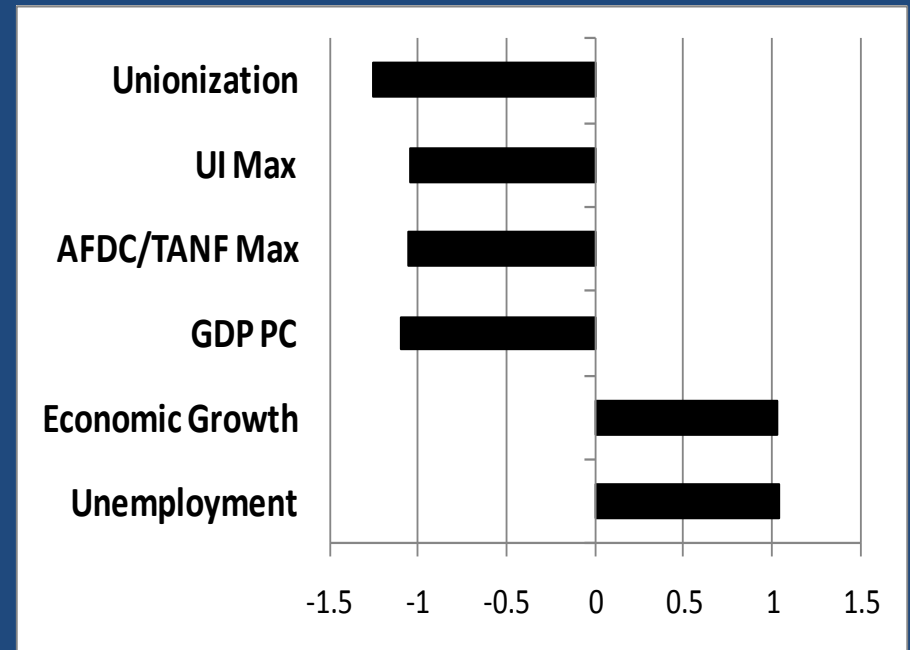
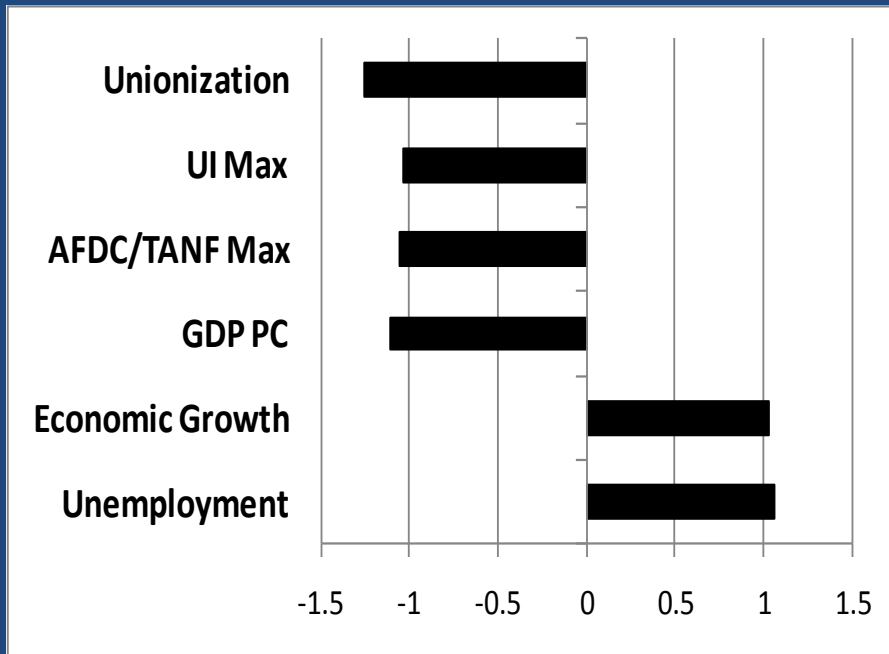
- Selection into employment AND poverty among employed
 - Economic growth in selection equation, but not poverty model (multiple earners, Mfg. sector, public sector, part-time only in poverty equation)
 - Robust standard errors adjust for clustering of individuals within states
-
- Unionization Coefficients
 - Selection Equation: $-.001$ $z=-.32$, $p=-.747$
 - Poverty Model: $-.008$, $z=-3.00$, $p=.003$

1991-2004 Analyses

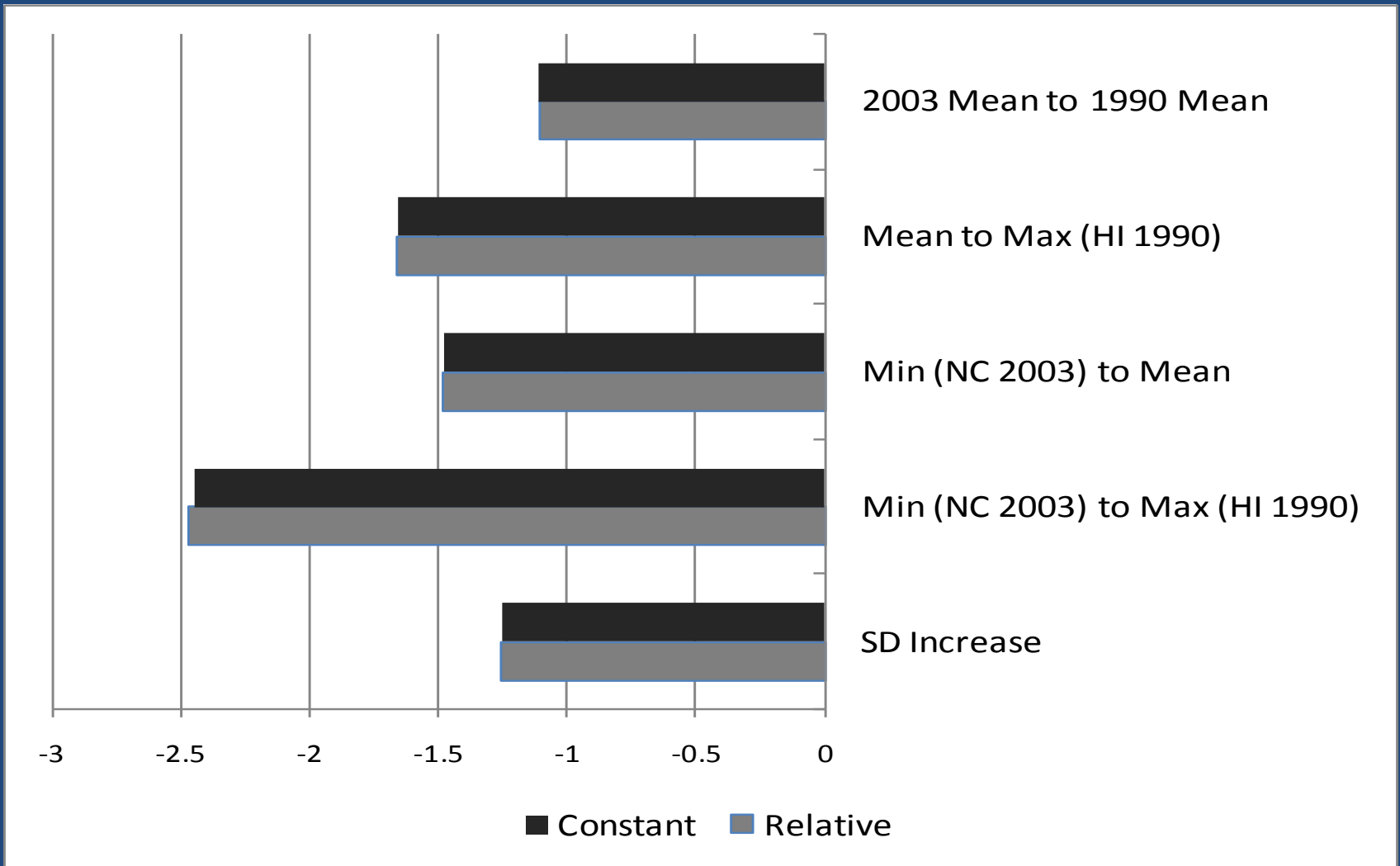
Change in Unionization and Working Poverty (Relative & Constant) at State-Level, 1991-2004 (N=51, $r=-.17$ & $-.09$)



Standardized Odds Ratios: 2-Way FE of RELATIVE and CONSTANT Working Poverty



Counterfactual Simulations Based on 1991-2004 Two-Way FE Models



Replication Analyses with Current Population Survey

- Cannot control for individual-level unionization in LIS
- State-level unionization might only be a compositional effect, and might not benefit non-unionized workers
- CPS underlies LIS, but allows us to identify union HHs

	<i>Table 1 Model 3, Employed HHs</i>	<i>Table 1 Model 3, Non- Unionized Employed HHs</i>	<i>Table 3 Model 2, Employed HHs</i>	<i>Table 3 Model 2, Non- Unionized Employed HHs</i>	<i>Table 3 Model 4, Employed HHs</i>	<i>Table 3 Model 4, Non- Unionized Employed HHs</i>
State Unionization	.981** (-2.73)	.981* (-2.73)	.979*** (-4.71)	.981*** (-3.98)	.983*** (-3.80)	.985*** (-3.33)
Unionized HH	.515*** (-9.46)		.482*** (-26.22)		.482*** (-27.49)	
Years	2004	2004	1991-2004	1991-2004	1991-2004	1991-2004
N	173,176	168,419	695,011	664,232	695,011	664,232

Conclusion

- **Examine working poverty across 51 U.S. states 1991-2004**
- **Unionization is key institution and most important state-level factor for working poverty**
- **While demographics are important, economic performance and policy context are less important than unionization**
- **Working poverty declined 1991-2004, but would have declined much more rapidly with stronger unionization**
- **Future research: a) decompose the working poor; b) extend beyond 2004 into recession; c) examine other spatial units**
- **Provincializing American poverty research**

ADDITIONAL MATERIALS

Table 1. Multi-Level Logit_Model of Working Poverty on Individual-Level Variables in 51 States in 2004 (N=152,389): **Odds Ratios** and (Z-Scores).

	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
Unionization		.983* (-2.42)	.984* (-2.36)
GDP PC			.99999** (-2.57)
Economic Growth			.986 (-.77)
Unemployment			1.081* (2.02)
Single Mother	2.051*** (28.47)	2.051*** (28.48)	2.052*** (28.50)
Single Father	1.098* (2.34)	1.099* (2.34)	1.099* (2.35)
Female Head No Children	1.721*** (13.23)	1.722*** (13.24)	1.724*** (13.26)
Male Head No Children	1.314*** (6.63)	1.315*** (6.64)	1.316*** (6.67)
Less Than H.S.	2.985*** (43.25)	2.984*** (43.25)	2.984*** (43.24)
College or More	.323*** (-36.19)	.323*** (-36.19)	.323*** (-36.19)
African-American	1.760*** (18.09)	1.758*** (18.06)	1.760*** (18.08)
Hispanic	1.919*** (23.29)	1.918*** (23.28)	1.918*** (23.28)
Other Race	1.702*** (14.10)	1.706*** (14.17)	1.710*** (14.24)
# of Children in HH	1.329*** (34.66)	1.329*** (34.68)	1.329*** (34.68)

Table 1 Continued...

Child Under 5	1.111*** (4.40)	1.111*** (4.39)	1.111*** (4.39)
Age of Head	.933*** (-8.14)	.933*** (-8.13)	.933*** (-8.12)
Age of Head ²	1.001*** (7.18)	1.001*** (7.17)	1.001*** (7.17)
Head Under 25	2.140*** (15.44)	2.141*** (15.45)	2.141*** (15.46)
Over 65 in HH	.638*** (-7.75)	.639*** (-7.74)	.639*** (-7.74)
Multiple Earners	.161*** (-87.14)	.161*** (-87.14)	.162*** (-87.11)
Manufacturing Sector	.744*** (-9.61)	.744*** (-9.62)	.742*** (-9.67)
Public Sector	.669*** (-12.69)	.669*** (-12.69)	.670*** (-12.66)
Part-Time Employment	2.306*** (31.35)	2.307*** (31.37)	2.306*** (31.35)
Log Likelihood	-37845.055	-37842.286	-37837.468

*** p< .001 ** p< .01 * p< .05

Notes: Constant not shown. References: Married Couple, Medium Educated, White, Not Under-25 Head; No Child Under 5 in HH; Single-Earner HH; Private Non-Manufacturing Sector; and Full-Time Employment.

Table 2. Two-Way Fixed Effects Logit Model of Working Poverty on Individual- and State-Level Variables in 51 States in 1991, 1994, 1997, 2001 and 2004 (N=578,617): **Standardized Odds Ratios** and (Z-Scores).

	<i>50% of Year's Median</i>		<i>50% of 2004 Median</i>	
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>
Unionization	.764 *** (-7.59)	..797*** (-6.27)	.769*** (-7.91)	.799*** (-6.63)
GDP PC		..902*** (-3.70)		.909** (-3.57)
Economic Growth		1.035** (3.96)		1.029** (3.46)
Unemployment Rate		1.059*** (4.90)		1.046** (4.18)
TANF/AFDC Maximum		.949* (-1.98)		.950* (-2.08)
UI Maximum		.965** (-2.63)		.960** (-3.05)
Log Likelihood	-155409.50	-155373.78	-173049.42	-173016.99

*** p< .001 ** p< .01

* p< .05

Notes: Constant not shown. All models control for individual-level variables in Table 1 and fixed effects for state and year (not shown).

Descriptive Statistics: Means and SDs

	<i>2004</i>	<i>1991-2004</i>
Poverty: 50% of Year's Median	.108 (.310)	.122 (.327)
Poverty: 50% of 2004 Median	--	.146 (.353)
Unionization	12.720 (5.922)	14.454 (6.536)
GDP PC	47250.31 (12924.80)	40195.31 (11910.56)
Economic Growth	3.496 (2.000)	3.429 (2.965)
Unemployment Rate	5.314 (.970)	5.565 (1.520)
TANF/AFDC Maximum	--	569.518 (224.336)
UI Maximum	--	374.854 (76.531)
Single Mom HH	.122 (.327)	.101 (.301)
Single Dad HH	.047 (.211)	.042 (.201)
Female Head No Kid HH	.065 (.246)	.066 (.248)
Male Head No Kid HH	.069 (.254)	.076 (.266)
Less Than H.S.	.105 (.307)	.134 (.341)
College or More	.306 (.461)	.278 (.448)
African-American	.095 (.293)	.074 (.262)
Hispanic	.156 (.363)	.109 (.312)
Other Race	.080 (.271)	.067 (.251)
# of Children in HH	1.496 (1.339)	1.433 (1.358)
Child Under 5	.271 (.444)	.277 (.447)
Age of Head	41.181 (10.150)	40.760 (10.293)
Age of Head ²	1798.917 (851.133)	1767.331 (866.571)
Head Under 25	.050 (.217)	.051 (.219)
Over 65 in HH	.039 (.193)	.036 (.186)
Multiple Earners	.726 (.446)	.725 (.447)
Manufacturing Sector	.131 (.338)	.169 (.375)
Public Sector	.164 (.370)	.158 (.365)
Part-Time Employment	.117 (.321)	.073 (.261)
N	152,389	578,617

Equations

MULTI-LEVEL LOGIT

The log odds ($\log(p_{ij}/1-p_{ij})$) for the i th individual in the j th state is represented by eta (η_{ij}) and is a function of state intercepts (β_{0j}), a set of fixed individual-level characteristics (βX_{ij}) and an error term (r_{ij}):

$$\log(p_{ij}/1-p_{ij}) = \eta_{ij} = \beta_{0j} + \beta X_{ij}$$

Second, each state intercept (β_{0j}) is estimated as a function of an intercept ($\gamma_0 C_j$), and state-level variables (γC_j):

$$\beta_{0j} = \gamma_0 C_j + \gamma C_j + u_{0j}$$

Two-Way FE

The log odds ($\log(p_{ij}/1-p_{ij})$) is represented by Y_i for the i th individual, and is a function of a constant (β_0), individual-level characteristics (βX_i), state-level variables (βZ_j), country dummies (βC_j), dummies for year (βW_i), and an error term (u_i):

$$\log(p_i/1-p_i) = Y_i = \beta_0 + \beta X_i + \beta Z_j + \beta C_j + \beta W_i + u_i$$