Module

5

Why are the five background factors so important?

As you explore and use the poverty risk calculator, you will quickly discover that the five background characteristics you are asked to select, make a significant difference in shaping the likelihood of experiencing poverty. These factors include education, race, gender, marital status, and age. In general, those with less education, who are nonwhite, female, not married, and in their 20's and 30's (or 60's and 70's), have higher odds of experiencing poverty than those with more education, who are white, male, married, and in their 40's and 50's. These demographic patterns have been consistent across a wide variety of studies and data sets.

Illustration

To illustrate, the risk calculator estimates that the five year probability of experiencing poverty (below 100 percent of the poverty line) for those with 12 years of education or less, who are also nonwhite, female, not married, and between the ages of 25 to 29, is 73.7 percent. For those with more than 12 years of education, who are white, male, married, and between the ages of 45 to 49, the figure is 2.2 percent. We can see, therefore, a huge difference in the likelihood of facing poverty depending on the combination of characteristics that you select.

One thing to note is that each of these characteristics is important in and of themselves. In other words, they each have a significant effect upon the chances of poverty independent of the other factors. You can easily observe this by comparing two individuals who are identical except on one of the five factors. By doing this, you can examine how the risk of poverty varies depending on changes in the variable that you're interested in. In combination, these factors are particularly profound in affecting the risk of poverty.

The question that naturally comes to mind is, why are these attributes so important? In your group, posing this question can lead to a lively discussion. Use this as an opportunity to explore the various explanations for why poverty exists in the United States. In the next module (Module 6) we will explore the deeper reasons behind poverty, but here we focus on the importance of these five factors.

As a way of getting at this question, let us ask what each of these factors have in common? We would argue that they all increase or decrease the vulnerability of individuals vis-a-vis the labor market. Each of these characteristics exerts an influence on how well individuals are able to compete in the labor market with respect to generating income.

Education

Perhaps the most obvious example of this is education. Countless studies have shown that those with greater education are able to land higher paying jobs. They are more competitive in the job market, and are therefore able to locate and find better quality jobs. On the other hand, those with less education are often not as competitive in the labor market, and therefore find themselves in lower paying and less stable work. The result is that fewer years of education is associated with higher rates of poverty.

Age

The risk of poverty with respect to age follows a U shape pattern. Younger age adults, as well as older age adults, are generally more at risk of poverty than those in their 40's and 50's. Again, the reason for this has to do with the labor market. Those in their 40's and 50's are often in their prime income earning years. Such individuals have generally built up a set of skills and experiences that makes them desirable from an employer's perspective. On the other hand, younger age adults are often entering the job market on the lower rungs, while older aged adults are contemplating or have retired. In both situations, individuals are likely to be earning less than those in middle adulthood.

Marital Status

Marital status is also strongly related to the risk of poverty. Again, a primary reason for this has to do with the labor market. Those who are married, frequently have two wage earners in the job market, resulting in potentially higher overall income than households with only one wage earner. In addition, female headed households are at a particularly high risk of living in poverty.

Race and Gender

Finally, race and gender both affect the likelihood of experiencing poverty. Structural discrimination in the labor market has resulted in nonwhites and women being paid less than their white and male counterparts. Substantial research has shown that patterns of wage and job discrimination have existed in the U.S. labor market for many years on the basis of race and gender. The result is that nonwhites and women with the same characteristics as whites and men tend to earn less at their jobs, resulting in greater chances of impoverishment.

Can you think of other important factors that may be related to the risk of poverty? Do these additional factors also influence an individual's ability to compete in the labor market?

Ultimately, the five factors included in the risk calculator are powerful predictors of an individual's chances of encountering poverty. They each affect an individual's ability to compete effectively in the labor market. However, we would argue that they are not the ultimate cause of poverty. ★