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Escaping Poverty and Becoming Poor in Thirteen Communities in Rural North Carolina

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Executive Summary

This study used the Stages of Progress methodology in conjunction with household interviews to identify how families moved into and out of poverty over the time period 1995-2005. The reasons associated with each household's economic movement were determined through individual interviews conducted by teams of Duke students and community partners. The sample consists of 312 randomly selected households in 13 communities located in four geographically separate counties of North Carolina: Beaufort, Burke, Gates and Vance. Response from community members was enthusiastic. A total of 81 percent of all selected residents agreed to participate in these interviews.

These interviews revealed important reasons for households rising out of and falling into poverty. Each household interviewed provided its own account of the reasons for the household's economic movement over the past ten years. The similarities of these reasons across households, communities and counties indicate that some common factors are operating across the state. While not statistically representative of the entire state of North Carolina, this study is nevertheless indicative of several important trends.

Over the ten-year period 1995-2005, a total of 23 percent of sampled households moved out of poverty, i.e., they were poor in 1995 and not poor in 2005. Conversely, 12 percent of households fell into poverty during the same period. Two opposite movements were simultaneously operating in every community that we studied. Some families were falling into poverty even as some families were coming out of poverty.

Relatively few households cycled into and out of poverty. The majority who escaped poverty have remained not poor, while the majority who fell into poverty have remained poor. Spells in poverty have tended to be relatively long-lasting; descents into poverty were not commonly reversed.

Rather than any characteristics of the families or individuals concerned, discrete events are responsible for descents into poverty. Health-related issues, such as illness, medical expenses, and prescription costs, were responsible for the largest number of movements into poverty. These health-related factors were associated with about one-third of all descents into poverty in the first five-year period, 1995-2000. During the second five-year period, 2000-2005, this percentage rose to 40 percent, indicating that the importance of health may be rising as a precipitator of descents into poverty.

As one might expect, job loss was another common factor associated with descents into poverty. During the second five-year period, 2000-2005, this factor was associated with the largest number of descents. Job loss was associated with nearly 60 percent of all descents occurring during the second five-year period, compared to 16 percent during 1995-2000. Communities studied in Burke and Vance counties were particularly hard hit by job losses between 2000 and 2005.

Health-related issues and job loss worked in tandem to cast households into poverty. Most households that mentioned job loss as a reason for downward movement also mentioned at least one health-related problem, such as illness, accident, disability, or medical/prescription costs. Beyond the impact on income, job loss often implies loss of health insurance, which in turn increases the probability of falling

into poverty. It is reasonable to suggest that if those who lost jobs had been protected by health coverage the likelihood of falling into poverty would have decreased significantly.

Family-related factors helped accentuate the effects of other factors, such as health effects and job loss. In general, being single, divorced, or widowed tended to make one more vulnerable to descent, but it did not precipitate descent by itself. Many households that suffered job loss or experienced severe health concerns were able to ward off poverty because of the help provided by family members and friends. Conversely, a loss of family networks was associated with a greater likelihood of falling into poverty.

No particular individual characteristic, such as race, gender, or age, is significantly associated with falling into poverty. The same factors are responsible for descents within different population groups, and the same kinds of protections can help to stave off poverty for all.

Employment was the primary factor associated with moving out of poverty. A total of 56 percent of all households escaping poverty between 1995 and 2000 did so on account of finding a full-time job or, more often, on account of taking up a second job or a third job. Beyond having a full-time job, households moving out of poverty often worked in more than one job, started a side business, or benefited from a spouse's employment. Additional employment was especially important during the second five-year period, 2000-2005, when more than half of all households that escaped poverty working more than one job.

Careful money management and budgeting were also associated with households who had employment and were able to move out of poverty. These factors tended to strengthen the safety nets that held these people out of poverty.

Preventing people from descending into poverty is as important as assisting people to escape from poverty. Adverse shocks, such as severe health incidents, can happen in every household, and these incidents can have long-lasting effects. People who have available to them some kind of support network – based in employment, family, or the community – are less likely to fall into poverty. Those who lack these supports are more vulnerable. Safety nets in the form of health coverage are particularly important. However, safety nets, jobs, health care access, budgeting and family assistance are not equally available in all communities.

Isolating the different reasons for movement into and out of poverty is a crucial step in formulating locally-appropriate responses to poverty. Additional studies in other parts of the state will help determine more precisely the trends and reasons operating elsewhere. These findings could be a crucial first step in beginning a dialogue about how to reduce the number of families falling into poverty, and increase the ability of families to escape. Such thoughtful work can make each community stronger.

What Does It Mean to Be Poor?

"I can't say if it's enough or not. It just is, and I've never complained about it."

–Gates County resident

"I work hard to find a place to lay my head and put food in my stomach."

–Burke County resident

As defined by the U.S. government, a household is poor if its income falls below a certain monetary threshold. That is, the government has set standards of how much money a household of a certain size needs to survive economically, and if the household's income falls below that standard, then the household is considered to be poor, as are all its members. Included in this measure of income are all of the household's earnings, cash government assistance (including Social Security, unemployment, and welfare payments), and other sources of cash income, such as interest, dividends, child support, and alimony. Non-cash government programs, such as food stamps or Medicaid benefits, do not count. In 2004 (the latest year for which data are available), a family of four consisting of two parents and two children was classified as poor if its income was less than \$19,157; a family of three (one parent and two children) would need \$15,219 (DeNavas-Walt, Proctor, and Mills 2005). This definition of poverty applies equally to all parts of the country; it does not take into account differences in costs of living.

According to federal government statistics, the official poverty rate in 2004 was 12.7 percent, meaning that 37 million Americans lived in poor households as defined above. Children have the highest rates of poverty: 17.8 percent of Americans under the age of 18 were poor, compared to 11.3 percent of 18 to 64 year-olds and 9.8 percent of people aged 65 years and over. Certain subpopulations are disproportionately likely to be poor: even though African Americans constitute approximately 12 percent of the population, nearly 25 percent of all African Americans are poor. Likewise, only 17 percent of all families are headed by a single female, yet 30 percent of these families live in poverty. This does not mean that the "typical" poor person is black and a single mother. The majority of poor Americans are white, and nearly 45 percent of poor people reside in married, two-parent households (DeNavas-Walt et al. 2005).

Typically, the south has higher poverty rates than the rest of the country, although poverty rates in North Carolina tend to be lower than the rest of the south. In 2004, the rate of poverty in North Carolina was 14.6 percent, higher than the national average, but lower than that of South Carolina (14.9%) or Tennessee (15.9%) (DeNavas-Walt et al. 2005). Poverty in North Carolina has increased over the last decade and a half, particularly in rural areas. The number of rural North Carolinians living in poverty increased by more than 50,000 in the 1990s, with a particularly sharp increase among children living in rural areas. In addition, African Americans, and those living in the coastal regions, are particularly likely to be poor in North Carolina (North Carolina Rural Economic Development Center 2005).

These poverty statistics are alarming because of the strong association between poverty and detrimental outcomes for both adults and children. Poor adults die at earlier ages and are more likely to suffer from chronic conditions such as diabetes, asthma, or heart disease (Adler 1994; Mirowsky and Ross 2000). They are more likely to be obese, smoke, or abuse drugs and alcohol (Boardman et al. 2001; Lantz et al. 2001). They also have higher rates of mental health problems, such as anxiety, stress, and depression (Adler 1994; Lantz et al. 2005; Williams and Collins 1995). They often do not have an adequate or reliable source of medical care (Agency for Healthcare Research and Quality 2004), and they are more likely to forgo preventive medical procedures, such as regular dental examinations (National Institute of Dental and Craniofacial Research 2000). They are more likely to live in substandard housing, as measured by overcrowding, inadequate plumbing, or holes and cracks in the walls and ceilings (Federman et al. 1996; Mayer and Jencks 1989). Their neighborhoods are more likely to be unsafe (Ross and Mirowsky 2001), and they are disproportionately likely to live near sites that are considered hazardous or dangerous because of chemical or toxic emissions (Evans and Kantrowitz 2002).

Being poor is particularly damaging for children (Bradley and Corwyn 2002; Duncan and Brooks-Gunn 1997; Gershoff, Aber, and Raver 2002; McLoyd 1998). Poor children are more likely to be pre-term, have lower birth weights, or be dependent on drugs or alcohol (Aber et al. 1997; Duncan and Brooks-Gunn 1997; Korenman and Miller 1997; Parker, Greer, and Zuckerman 1988). Furthermore, these deficits will become more pronounced with time, as low-income children are more likely to be uninsured, less likely to have routine medical check-ups, and more likely to utilize emergency rooms as a primary source of care (Bradley and Corwyn 2002; Currie and Gruber 1996; Newacheck 1994).

These early deficits can start children on a downward trajectory from which they may not recover: low-income children are one and half times as likely to have a learning disability, twice as likely to repeat a grade, three times as likely to be expelled, and twice as likely to drop out of high school. Finally, they are one-half as likely to earn a bachelor's degree, and twice as likely to be economically inactive (neither employed or in school) at the age of 24 (Brooks-Gunn and Duncan 1997; Duncan and Brooks-Gunn 2000; Sherman 1997).

Given the negative consequences of poverty, it is important to understand how we can prevent more people from becoming poor, and how the currently poor can improve their economic circumstances. Studies that look at the dynamics of poverty – that is, how and why people move into and out of poverty – find that employment is an important component in explaining why people become poor (Bane and Ellwood 1985). It is estimated, for example, that up to half of all poverty spells start because of a drop in families' earnings. Other causes include women transitioning into a single, female-headed household, or young people moving out of their parents' home and establishing their own independent household. The main reason people stop being poor is again earnings: nearly three-quarters of people who are poor escape poverty because of an earnings increase. And while marriage is an important factor in ending poverty for women, more poor women stop being poor because of employment than because they married (Bane and Ellwood 1985).

The limitation of current studies into poverty dynamics is that they are done on large, aggregate data sets that do not include the perspective or opinions of those who are poor themselves. These studies can indicate general trends, but they do not tell us why any one individual starts or stops being poor. In particular, we lack an understanding of why people believe they are poor, and perhaps more importantly, an understanding of how people bring themselves out of poverty. Additionally, it is

important to understand all of the factors related to poverty movement; as we discuss below, employment and health status often go hand-in-hand, but studies that isolate or study only one factor in relation to poverty cannot identify these relationships.

Additionally, these studies are done on a national level, and there is very little information as to what causes poverty to start or stop in North Carolina. For example, it is stated that the recent influx of Hispanics and increase in the number of female-headed households accounts for most of the growth in poverty in North Carolina during the 1990s (Johnson 2003). Identifying these subgroups, however, does not tell us why these groups are at particular risk for poverty. Nor does it provide any information about why some among these and other people stopped being poor – an equally important topic. This type of information can only be gathered through measures of household-level poverty dynamics, which is the very purpose of the Stages of Progress methodology, discussed in Section 3.0.

Another reason to study poverty dynamics is that there is good reason to question what the federal poverty line actually measures (Citro and Michaels 1995). That is, poverty thresholds were created in the early 1960s, and some of their underlying assumptions are no longer true (Brady, in print). For example, the government derived its poverty thresholds based on the belief that the average American family spends one-third of its household budget on food; it estimated how much it would cost a family to purchase enough food for an adequate diet, multiplied that amount by three, and came up with the poverty thresholds. But the consumption patterns of households in 2005 do not match the consumption patterns of 1965: households spend a much smaller fraction of their budget on food (only about one-fifth), while spending more money on other goods, such as child care and health insurance, that were ignored in the creation of the original poverty line (Citro and Michaels 1995).

Using a community-derived poverty definition provides insight into how North Carolinians perceive poverty, and what goods and services should be covered by that definition. The poverty line will be informed by community members' own experiences, and is thus particularly relevant for policy makers in North Carolina.

We know of no other study undertaken in the United States that has asked for this type of inductively-derived poverty line, and we believe it provides a richer, more relevant definition of poverty than that provided by the federal government. This study forms part of a larger cross-national study, undertaken using the Stages of Progress methodology in five separate countries, tracking the economic movements of over 25,000 households in all. More details about methodology and results from different studies are available at www.pubpol.duke.edu/krishna.

Sample Selection

Four counties in North Carolina – Beaufort, Burke, Gates, and Vance – were selected for the study due to their involvement in MDC’s Program for the Rural Carolinas, and the ability, consequently, to identify community leaders and mobilize community groups to participate in the study. These counties are located, respectively, in the eastern seaboard, western mountains, northeastern, and central Piedmont parts of the state (Appendix 1). Under-18 poverty rates as calculated by the US Census Bureau for 1999 were 27.8 percent for Beaufort County and 25.7 percent for Vance County, which are among the highest in the state, and 19.1 percent for Gates County and 15.4 percent for Burke County, among the lowest in the state. Geographically and in terms of poverty incidence, these four counties represent a diverse selection.

Within each county, four communities were targeted for the study.¹ Most often using a map, researchers worked in conjunction with the community guides to define a geographic area containing a cluster of 100-250 households. These communities represented the diversity of the county in regards to the level of economic development within each community, distance from major towns and highways, and population characteristics such as race, age, and length of residence. Since the community guides are often more familiar with high poverty areas due to the nature of their work, such communities were more likely to be selected for the study. Consequently, our sample over-represents poorer communities. Once the community was defined, we compiled a list of all the households residing in the selected area by visiting each household and collecting the address. A household was defined as a group of individuals – usually related, but not necessarily – living under the same roof. The list of 100-250 households was randomized and thirty households were selected for interviews.

A total of 312 households were interviewed from a total of 2,480 households within the thirteen communities selected for the study. The sample of households is ethnically diverse, but because of a focus on relatively poorer communities, the ethnic mix is not the same as the average for the state. Most notably, 44 percent of our sample of households is African American and 10 percent is Hispanic.² The sample also appears to have an overrepresentation of women, with females comprising 64 percent of respondents. Women were more likely to be found inside the home and thus more likely to be a respondent. However, since interviews inquired about the entire household situation, and not the personal situation of the respondent alone, this over-representation of women is not of great concern. Appendix 2 provides greater detail about the demographics of the sample.

¹ While we aimed to study four communities within each county, time constraints and the inability to efficaciously mobilize some communities necessitated that we only study two communities in Vance County and three communities in Gates County, making for a total of 13 communities in all.

²Race (White, African American, American Indian, Asian, or other) was determined separately from ethnicity (Hispanic or Not Hispanic), but because nearly all individuals who identified as Hispanic also identified as “other” in relation to race, for the purposes of this study, we treat Hispanic as a race category. According to the 2000 Census, NC population is 22% African-American and 5% Hispanic, though the share of the Hispanic population has risen significantly since the census.

In general, interviews were conducted in pairs, with one Duke student and one community partner working in tandem. To obtain interviews, we visited the selected households between 8:00 am and 9:00 pm Monday through Saturday, and when necessary, on Sunday. Households were visited multiple times and on multiple days before considering a household “not available.” The final response rate was 81 percent of the sample initially selected.

Considering that the interviews were lengthy and elicited through unscheduled home visits, the high response rate is indicative of the communities’ acceptance and active participation in the study. Furthermore, attendance at community meetings was high, and community members participated actively in the research process described in the next section.

Methodology

Within each of the four selected counties, community leaders selected three to four communities that collectively represented the diversity of the county. Once a community was defined, a neutral meeting space was identified and a time for a community meeting was set. The purpose of the meeting was for the community to collectively and systematically define poverty through the identification of typical stages of material progress that occur as a household moves out of poverty.³ For this process, the Stages of Progress methodology, developed by Anirudh Krishna, was employed. This methodology was originally designed for application in developing nations.⁴ In order to adapt the study for use in North Carolina, a pilot study was conducted in Burke County in January 2005, six months prior to the full study. A number of modifications were made before the revised methodology was applied within 13 communities between June and August 2005. Prior to the study, Duke students and community leaders underwent a week-long training on the methodology. The following steps were implemented in each of the 13 communities:

Step One: Assemble a representative community group.

Moving through the community on foot and in cars, Duke students and community leaders went door-to-door to invite members to the community meeting, where a hot meal, door prizes, and child care were provided. Invitation post cards were left for those who were not home. A mixed group convened separately in each community, made up of men and women of different ages. Community members participated actively in these discussions. We took care to ensure, through prior information and by providing door prizes, child care, and transportation, that poorer and lower status members were also present at these meetings.

Step Two: Present the objectives of the study.

We introduced ourselves as researchers, and we made it clear that there would be no benefits (or losses) to anyone who spoke freely and frankly with us. We mentioned these facts in order to remove any incentives people might have had for misrepresenting the poverty status of any household in their community. We also assured the confidentiality of all information provided to us.

Step Three: Define 'poverty' collectively.

We asked the assembled community groups to consider the situation of an extremely poor household, and we asked them to delineate the locally applicable stages of progress that such a household typically follows on its pathway out of poverty. Specifically, we asked the community members to identify what a family would do when it climbs out gradually from a state of acute poverty. Which expenditures are the very first ones to be made? Basic shelter and food were the initial answers invariably in each community that we studied. As more money flows in incrementally, what does this household do in the

³We acknowledge that poverty has many dimensions – economic, psychological, social, etc. Attempting to capture all of these dimensions with a simple tool is perhaps impossible. For this reason, the Stages of Progress methodology has as its focus the material aspect of poverty.

⁴ Results from previous studies conducted in India, Kenya, Uganda and Peru are available at the web site: www.pubpol.duke.edu/krishna. A detailed field manual on the Stages of Progress methodology is also available free of charge at this web site.

third stage, in the fourth stage, and so on? Lively discussions ensued among members of the community groups. However, the answers that they provided, particularly about the first few stages of progress, were relatively invariant across all communities.⁵ We then asked the community to identify where, along this continuum, a family would no longer be poor in their estimation. Community members then agreed on a cut-off line below which they would consider a household to be in “extreme poverty” and above which a household would be considered “poor.” Similarly, a second cut-off line was also agreed upon which signified that a household was “not poor.” Table 1 presents a typical stages-of-progress yardstick developed in a rural North Carolina community.

Table 1. Stages of Progress

Stage 1	Obtain basic shelter	
Stage 2	Obtain food	
Stage 3	Some form of transportation – used car; money for gas to pay neighbor for a ride	
Stage 4	Clothing	
		▲ Extreme Poverty
Stage 5	Phone - land line or cell phone	▼ Poor
Stage 6	In-home entertainment; usually a TV	
Stage 7	Buy own car/better car	
Stage 8	Savings/Pay off debt	▲ Poor
		▼ Not Poor
Stage 9	Buy a house	
Stage 10	Save for children’s education	
Stage 11	Vacation	

In this example, community members considered a household to be in “extreme poverty” if it was at or below Stage 4, i.e., if it was unsuccessful in obtaining shelter, food, transportation, and clothing. Above “extreme poverty”, was a middle category defined as “poor.” Households were considered “poor” until they crossed past Stage 8, i.e., until they were able to purchase a home (often a mobile or starter home), after which the household was said to be “not poor” or “doing alright” or “not struggling any more.”

⁵ It took a fair amount of time to develop the sequence of stages in each community meeting. It is curious that this regularity occurred even as community groups were led in these meetings by different individuals. A total of six different individuals conducted these sessions in different community meetings, yet the results in terms of the first few stages of progress were invariably the same.

Not only did communities actively participate in the study, but they also revealed a solid understanding of the Stages of Progress methodology. During the community meetings, participants resonated with and quickly understood the process of creating such a yardstick. After a careful initial introduction to the exercise, relatively little probing was required by the researchers, because community members carried on the conversations quite confidently among themselves: “No, I think someone would buy a telephone before they would buy a television.” “I think we forgot about transportation. How can someone get a job if they don’t have a car?” etc.

The yardsticks created by each community are quite revealing. The first four stages are nearly identical across all 13 communities. In order: food, shelter, clothing, and some form of transportation.⁶ Based on the placement of these four items and discussions in the community meetings, we understood these four items to be the basic necessities in rural life. In the analysis of the data, a household was labeled in “extreme poverty” if it could not provide these four basic items for itself.

Once the yardsticks move beyond the first four stages, there is more variety in the stages. Large commonalities still exist, however. Though the order of obtainment might differ, most communities agree that after the first four basic necessities, a typical household obtains a telephone, a television, and a more reliable car, as well as meets basic health care needs. In all but two communities, “home-ownership” or “ability to save” indicated a family had moved out of poverty.⁷

While it would have been feasible to construct a unified definition of poverty, it was also important to ensure that these community distinctions were captured. Accordingly, for the purpose of analysis, we have defined a household as “poor” or “not poor” based upon the definition of poverty generated by the household’s particular community. For the definition of “extreme poverty,” however, we rely upon the unified definition of being unable to provide food, shelter, clothing, and/or transportation.

Step 4: Inquire about the poverty status of a random sample of households.

The next phase of the methodology involved drawing a random sample of thirty households in each community for in-depth interviews. Going door-to-door, a Duke student and/or a trained community

⁶ We wondered why transportation comes subsequent to clothing. The answer provided to us made eminent sense: having transportation is necessary just in order to hold down a job. Basic transportation, even a friend who can take one to work on payment of gas money, is an essential pre-requisite for people in these communities to retain a job.

⁷ Though large similarities exist, the yardsticks also reflect the differences present in each community. For example, according to the yardstick in two of the three communities in Gates County, a family owning their own home is not construed, unlike in other communities, to constitute a bona fide ascent out of poverty. In these particular communities, there is an extremely scant supply of rental housing. The vast majority of families live either in a home that they have inherited or in a mobile home. Even relatively poor households are forced by this aspect of the local political economy into early home-ownership. Thus, home-ownership in these Gates communities is not indicative of higher economic stability, the way it might be in another county. These differences in the yardstick employed are infrequent, but they correspond to some real distinctions commonly experienced in these communities.

leader team visited households to discuss their economic movement in the past ten years and the reasons behind the movement. Using the stages compiled at the community meeting, household members were asked to indicate where they would place their household on the yardstick currently, five years ago, and ten years ago. Individuals who had been present at the community meeting could quite readily locate themselves on this yardstick. Interestingly, even those respondents who had missed the community meeting had no difficulty relating to the yardstick designed by the community.

Once the households' stages were identified for each of the three points in time – ten years ago, five years ago, and the present time – interviewers were in a position to ascertain how this household had moved in relation to the poverty cutoff. Households were classified as “poor” or “not poor” using the definition created at the community meeting. Using this same definition, households were classified into one of four categories:

Table 2. Categories of Households

Category	Name
A	Remained Poor
B	Escaped Poverty
C	Became Poor
D	Remained Not Poor

For each household, the interviewers also inquired as to the reasons for movement or stability, as the case may be. Reasons associated with movement (or not) were examined separately for two specific time periods – a first sub-period, 1995-2000, and a second sub-period, 2000-2005. Probing questions were essential for determining in a comparative context the reasons associated with a particular household's ascent or descent. Questions were asked in an open-ended manner; however, the interviewers also asked respondents to compare their experiences with those of other households. Following these questions eliciting oral histories, a survey instrument was applied through which more detailed information was obtained on wages, income, demographics, health care, and the respondent's use of different assistance programs.⁸

Step Five: Collate reasons and compile pathways.

The data were then analyzed to identify common pathways into and out of poverty for households in each county and for the entire sample, as described in the next sections. Some common patterns result. We discuss in the next section the major reasons responsible for households' transitions into and out of poverty.

⁸ In rural contexts within developing countries, reasons for each household's movements were elicited from community groups in addition to the households concerned. It is possible to do so in contexts where people have lived together as close-knit communities over reasonably long periods of time. In North Carolina, it was not feasible to consult community groups about particular households' reasons; we quickly discovered that community groups generally did not have or did not wish to share such information about each other.

Movement In and Out of Poverty

While it is important to identify how many people are poor at any given point in time, and while estimates of such time-specific stocks of poverty are provided at regular intervals by the US Census Bureau and other studies, it is also important to keep track separately of movements *into* poverty and movements *out* of poverty. Poverty is dynamic. During any given time period, some households within a community are improving their economic situation, while others are simultaneously becoming worse off. Studies conducted previously using the Stages of Progress method in other countries have shown that both types of movements can be concurrently large. For example, a 2004 study of 20 communities in Kenya found that while 18 percent of households escaped from poverty, within the same communities another 19 percent of households simultaneously fell into poverty (Krishna et al. 2004). These concurrent movements – and more important, the micro-level reasons accounting for these movements – are very important for policy formulation. However, disaggregated and local-level reasons have mostly not been considered, as studies have focused on aggregate movements in an entire state or country.

The Stages of Progress methodology has been designed to fill this particular gap in knowledge. Its particular strength lies in identifying households that have crossed over from being “poor” to being “not poor”, and vice versa – and through detailed household-level interviews, ascertaining the reasons responsible for upward and downward movements, respectively. Table 3 presents the extent of these movements as ascertained in the 13 communities studied in rural North Carolina.

Table 3. Movements Into and Out of Poverty

Trajectory Over the Ten-Year Period: 1995-2005	Percentage of Households
A: Escaped Poverty	23
B: Became Poor	12
C: Remained Poor	27
D: Remained Not Poor	38

A total of 35 percent of households in the sample changed their situation over the ten-year period, either by falling into or coming out of poverty. While 23 percent of households escaped poverty in the last ten years, another 12 percent of households fell into poverty in the same period. Poverty overall fell by 11 percent in these communities. It is important to keep in mind, however, that more than three times as many households, 35 percent, moved into or out of poverty. This extent of churning – accounting for over one-third of all households in these communities – is large, and it needs to be borne in mind that such large numbers of people have been or are newly arrived in poverty.

Movements into and out of poverty can also be broken down into two separate five-year periods. Table 4 presents these results.

Table 4. Movements in Two Sub-Periods
(percentage of households)

Trajectory	First Sub-Period 1995-2000	Second Sub-Period 2000-2005
Escaped Poverty	16	13
Became Poor	6	12
Remained Poor	44	27
Remained Not Poor	34	48

Escapes out of poverty were more frequent in the first sub-period, while descents into poverty were more frequent in the second sub-period. Consequently, poverty reduction was faster in the first sub-period compared to the second.

Cycling into and out of poverty was relatively infrequent. Very few people moved into poverty in the first sub-period only to move back out in the next sub-period. In all, only 11 households experienced such two-way movements. The vast majority of households that moved out of poverty stayed out during the next sub-period, and the majority who fell into poverty remained poor.

These figures for poverty relate to the community-based definition discussed previously. Coincidentally, there is close correspondence between the numbers identified as poor in terms of this definition and the numbers calculated to be poor using the official (income-based) definition of poverty. Also, the median total household income for households currently in poverty, according to the community-based definition, was calculated as \$15,000.⁹ The nationally recognized poverty threshold for a family of three is close: \$15,219.¹⁰

A Note on Extreme Poverty

In contrast to poverty, extreme poverty was generally low and temporary. Households were defined as in extreme poverty if they were unable to afford basic shelter, food, clothing, and transportation. In the last 10 years, a total of 28 households experienced extreme poverty at some point. Most of the cases in which a household could not provide for basic clothing, food, shelter, and transportation corresponded to temporary circumstances, such as young people moving out of their parents' house or periods of unemployment. Only six among the 312 households in the sample persisted in extreme poverty throughout the last decade.¹¹ Five among them were single-person households – in three incidences a disabled individual and in two incidences an elderly individual. The sixth household was a single mother who had numerous family problems.

⁹ This figure is based on self-reported incomes provided by households whom we interviewed.

¹⁰ The average household size for our sample was 2.79

¹¹ Of these six households, three were located in Beaufort County, two in Burke County, and one in Vance County. For these households the median total household income was calculated as \$11,520.

Pathways In and Out of Poverty

Trends in the general economy are important along with significant local trends for explaining the movements that occurred. The significantly higher movement into poverty between 2000 and 2005 coincides with factory closings that left many unemployed. This situation did not affect all the communities equally. Burke County, which faced severe job losses due to the declines in the manufacturing industry, experienced a significant increase in households in poverty during the second sub-period, and Vance County experienced large numbers of descent into poverty on account of factory closings between 1995 and 2000. Job loss and unemployment are not the only factors, however, associated with households falling into poverty.

In general, no single factor is sufficient to explain movement either into or out of poverty. Instead, a combination of factors is most often associated with households' movements into poverty. The relative importance of different factors can also vary by time period and by county. Table 5 reports the contrast in reasons experienced by households escaping poverty and households remaining in poverty.

Table 5. Factors Associated with Movements Out of Poverty

	Escaping Poverty (%)		Remaining in Poverty (%)	
	1995-2000	2000-2005	1995-2000	2000-2005
Health				
Illness	4.0	2.5	10.5	11.9
Health Costs	2.0	2.5	4.8	13.1
Prescription Costs	2.0	2.5	1.0	2.4
Accidents	2.0	0.0	3.8	1.2
Disability	6.0	0.0	7.6	4.8
Employment				
Full Time	32.0	30.0	21.0	10.7
Temporary	4.0	15.0	1.0	2.4
Part Time	4.0	2.5	1.0	2.4
Extra (Second/Third)	6.0	15.0	1.9	1.2
Own business	6.0	7.5	1.0	0.0
Spouse's Job	4.0	5.0	1.9	3.6
Promotion	10.0	15.0	10.5	9.5
Financial				
Good Budgeting	14.0	25.0	10.5	8.3
Inheritance	0.0	7.5	1.0	0.0
Family				
Marriage	14.0	15.0	1.9	2.4
Family Assistance	6.0	22.5	17.1	27.4

Escaping Poverty

A comparison of reasons across these two groups of households – those escaping poverty and those remaining in poverty – provides a better understanding of what helps to create the conditions for escaping poverty. In general, households moving out of poverty identified employment, lack of health problems, sound budgeting, and family support as key factors responsible for their upward movements.

Employment

Employment was the main factor associated with moving out of poverty. Among all households that escaped poverty between 1995 and 2000, 56 percent identified finding a job as a principal reason for this transition. Among households that escaped from poverty during the second sub-period, as many as 75 percent identified employment as a critical reason for their elevation.

Beyond having a full-time job, households moving out of poverty often worked in more than one job, started a business, or benefited from a spouse's employment. Between 1995 and 2000, out of 28 households that escaped poverty and reported employment, 16 households cited full-time employment, while the remaining 12 households reported additional jobs or business ventures. This contribution of second and third jobs and side businesses increased dramatically during the second sub-period. Less than half of all households that escaped poverty during this sub-period reported full-time employment, while more than half reported additional jobs or side businesses as the principal factor responsible for their escapes. Working harder and longer hours – adding a second or even a third job – was more important for escaping poverty during the second sub-period.

“As long as I can work, I’m alright.” –Gates County resident

“I just want a decent job. We like to work.” -Burke County resident

“It’s a matter of getting a job.” – Beaufort County resident

A comparison of these figures with those of households that remained in poverty reveals two main differences. First, among households that remained in poverty, significantly fewer households experienced employment as a significant factor. More importantly, households that remained in poverty relied upon a single job, reporting fewer incidences of second or third jobs or spousal employment.

Budgeting

Sound budgeting was another reason associated with households that found employment and moved out of poverty. Careful budgeting and paying off debts were mentioned as important factors associated with upward mobility. Budgeting played a more prominent role between 2000 and 2005, when 25 percent of households escaping poverty reported budgeting as a factor associated with their improved economic situation. Of households that escaped from poverty in the first sub-period, 15 percent cited budgeting as an important contributing factor.

"I don't have what other people have, but I don't owe for it either." –Gates County resident

The importance of budgeting is closely associated with employment. Every household that escaped poverty between 2000 and 2005 and mentioned budgeting as a factor also mentioned receiving employment during this time period. The same association is seen during the first time period, when six out of seven households that reported budgeting also reported a job-related success. Thus, budgeting serves as a complement to improvements in employment status. By itself, it has not led poor households out of poverty.

Family

Family plays two roles in assisting a household's move out of poverty. In each sub-period, 15 percent of households that escaped poverty mentioned marriage as a positive factor. Being married helped as one's spouse could contribute by obtaining additional employment or by starting a family business. Additional assistance provided by family members was explicitly mentioned as a positive factor by households escaping poverty, especially between 2000 and 2005 when 23 percent of households escaping poverty reported the positive impact of family assistance and support.

"A school and a church hold a family together." –Burke County resident

"You need a wife and husband team to make it around here." –Beaufort Country resident

"Working together was key." – Gates County mother on how a family of 14 escaped poverty

The three factors mentioned above – employment, budgeting and family-related aspects – are markedly different in incidence between the group escaping poverty and the group remaining in poverty. While 32 percent and 30 percent, respectively, of households escaping poverty in the first and second sub-periods benefited from full-time employment, a significantly smaller percentage of households remaining in poverty benefited from this factor. Particularly in the second sub-period, only one among ten households remaining in poverty could avail itself of full-time employment. Similarly, budgeting and family-related aspects are markedly different among households that remained in poverty and others that escaped poverty. The difference between staying poor and escaping is to a large extent captured by the effects of these three factors.

Some other factors were also important. Notice that health-related reasons affected households remaining in poverty to a much larger extent than households escaping from poverty. Households escaping from poverty were fortunate in avoiding the downward pull of these negative factors. At the same time, they experienced other, more positive, factors in greater measure.

Table 5 also shows that some significant changes occurred between the first and the second sub-periods. The incidence of temporary and second/third jobs increased considerably for the group that escaped from poverty. Full-time employment fell for both groups of households. Simultaneously, the incidence of health care costs increased for those who remained in poverty. With positive factors diminishing in significance and negative factors rising in significance, it is hardly surprising that a smaller percentage of households escaped out of poverty during the second sub-period.

Falling into Poverty

Health-related factors and job losses played a lead role in leading households down the pathway into poverty. The significance of these factors increased during the second sub-period, and a greater proportion of households fell into poverty during this time.

Table 6 below reports the contrast in reasons experienced by households falling into poverty versus households remaining out of poverty, respectively. Comparing reasons across these two groups enables us to identify particular reasons associated with descent.

Table 6. Factors Associated with Movements into Poverty

	Falling into Poverty (%)		Remaining out of Poverty (%)	
	1995-2000	2000-2005	1995-2000	2000-2005
Health				
Illness	10.5	18.4	2.2	6.8
Health Costs	15.8	2.6	2.2	5.4
Prescription Costs	0.0	2.6	0.0	2.0
Accidents	5.3	10.5	0.7	2.0
Disability	0.0	5.3	1.5	5.4
Job Loss				
Employer Moving Abroad	0.0	7.9	0.7	2.0
Downsizing	5.3	18.4	1.5	4.1
Other Reasons	10.5	34.2	4.4	6.8
Work Hours Reduced	0.0	5.3	0.7	0.7
Financial				
Loss of Housing	31.6	7.9	1.5	0.0
Family				
Divorce/Separation	15.8	11.0	2.9	3.0

Health

Health is primary among factors associated with descents into poverty. Health problems were consistently associated with falling into poverty throughout the ten-year period. A total of 32 percent and 39 percent of households that fell into poverty during the first and second sub-periods, respectively, identified health-related issues as critically responsible for their decline.

The ability of households to deal with such adverse situations varied substantially across different groups, as Table 7 shows. Interviewees in households that fell into poverty between 2000 and 2005 had the lowest rate of health insurance coverage among the four groups, with only 51 percent reporting any insurance coverage (including Medicare or Medicaid, which together accounted for 33 percent of these 51 percent). Insurance coverage for households that remained non-poor (94 percent) and households that escaped out of poverty (84 percent) was much higher.

Table 7. Health Insurance Coverage

Trajectory 1995 - 2005	Percentage with Health Insurance (includes Medicaid and Medicare)
Escaped Poverty	86
Became Poor	51
Remained Poor	74
Remained Not Poor	94

Households that remained poor over ten years had a higher incidence of health insurance (74 percent) compared to the newly impoverished, and as many as 69 percent of families in this group had coverage by Medicare (38 percent) or Medicaid (31 percent). Among the newly impoverished group, however, just about one-third were covered by Medicare or Medicaid.

*“Health insurance is something you can't afford, but you can't afford not to have it.”
– Gates County resident*

Serious health situations often go unattended. A total of 41 percent of households that fell into poverty between 2000 and 2005 reported that during the previous year someone in their household needed to see a doctor but could not do so on account of high anticipated costs. On the other hand, among households that remained out of poverty, only eight percent reported a failure to see a doctor due to expected costs.

In general, households escaping poverty experienced relatively better health status than those who remained in poverty and others who became poor. The percentage of households escaping poverty who mentioned health-related issues as a serious factor was 16 percent (1995-2000) and six percent (2000-2005). These figures are substantially lower than the percentages reported by households remaining in poverty: 28 percent (1995-2000) and 33 percent (2000-2005).

Households that remained “not poor” or rose out of poverty were much more likely to have health insurance coverage, while households that fell into poverty were least likely to be covered. The latter set of households suffered more health shocks on average – and they were least prepared among all groups to cope with such shocks.

Job Loss

In percentage terms, job loss was the second most important factor accounting for descents into poverty. Households falling into poverty consistently faced the highest proportion of job losses among the four groups. This situation was particularly severe between 2000 and 2005, when 66 percent of households falling into poverty identified losing a job (or reduced work hours) as a significant negative factor. The importance of job loss is consistent with the large number of manufacturing jobs lost during this period.¹² Less than half of the total job losses reported by households falling into poverty, however, could be accounted for by factory shutdowns or downsizing; out of 66 percent of households in this category that reported job losses between 2000 and 2005, only 32 percent attributed this loss to downsizing or to employers moving abroad.

Importantly, each of these households also mentioned at least one health-related problem, such as illness, accident, high medical expenses or prescription costs, or disability. Beyond the impact on income, job loss often implies loss of health insurance, which in turn increases the vulnerability of the household members to health problems and high expenses. The lowest rates of health insurance coverage were found among the group of households that have fallen into poverty.

Two other factors are distinctly different between households that fell into poverty and households that stayed out of poverty: loss of housing and debt. A total of 32 percent of households falling into poverty between 1995 and 2000 and 24 percent who fell into poverty between 2000 and 2005 reported loss of housing. Life-cycle effects account for most loss of housing in the first sub-period. Seven out of 11 respondents suffered the effects of this loss when they left their parents' homes to live on their own. Between 2000 and 2005, however, factors associated with loss of housing were more diverse. Two households experienced a foreclosure on their homes due to job loss. Three households lost their housing due to health concerns, with one individual filing for bankruptcy due to high medical bills. Like budgeting, loss of housing is a complementary factor, closely related and compounding the effects of other factors associated with mobility. Debt is another factor that acts similarly. Problems arising from debt were reported by up to 11 percent of households falling into poverty.

Family

The effects of family-related factors are also revealed in Table 7. A total of 16 percent and 11 percent of households who fell into poverty in the first and second sub-periods, respectively, mentioned divorce/separation as a factor, but less than three percent of households remaining out of poverty mentioned this factor in any sub-period.

In general, households who fell into or remained in poverty were more likely to be single, divorced, or widowed. Among households that were poor in 2005, a total of 62 percent were of this type, including 16 percent who were single, 28 percent divorced, and 18 percent widowed. Among non-poor

¹² Based on newspaper reports from 1995-2005, a total of 3,655, 2,603 and 1,509 manufacturing jobs were lost, respectively in Burke County, Vance County, and Beaufort County. The unemployment rate in the state climbed from 3 percent in January 1999 to 6.4 percent in January 2003 (Schmidt and Jordan 2003).

households, however, a smaller number, 40 percent, were of this type, including seven percent who were single, 17 percent who were divorced, and 16 percent who were widowed. Considered at any point in time, marriage does appear to make a significant difference.

When considered in dynamic context, however, the story is somewhat different. While a total of 49 percent of households who fell into poverty were single, divorced or widowed, 33 percent of those who escaped from poverty were also single (six percent), divorced (20 percent) or widowed (eight percent). Family-related factors are not the primary movers in this regard. More often, these factors tend to compound the effects of other factors, such as health and jobs. All households are prone to negative shocks at some time. Family assistance can provide a buffer against negative shocks. A spouse who has a second job or an extended family support network can often spell the difference between falling into poverty and staying out. Among households in our sample who fell into poverty, a total of 59 percent borrowed money from family (or friends) to pay their bills in the twelve months prior to the interview. Twenty-two percent of these respondents moved in with family or friends because of financial problems. Having family support available reduces vulnerability to shocks, thereby enhancing the prospect of dealing successfully with unexpected difficulties.

The same kinds of negative factors affected households of different kinds. Irrespective of race, gender or place of residence, households were susceptible to falling into poverty on account of the same set of factors. Health and job losses were the primary negative factors affecting African American, Hispanic and white households, and also single, married households, and female-headed households.

Since individuals narrated their own understanding of the reasons for economic movement, there is a chance that the study was less likely to capture self-deprecating reasons, such as addiction or laziness. These factors were mentioned by a small number of households, but the frequency of these reports was minimal: less than five percent of all households that fell into poverty reported laziness or addiction as an important contributing factor.¹³

The Communities' Stated Needs

We were also interested in what respondents believed their communities could do to improve their quality of life. Responses to this open-ended question are presented in Table 8. The most common need cited was free activities for youth. Community members complained that there was nothing for their children (particularly their teenagers) to do after school had ended, and they worried about the trouble some might get into during empty afternoon hours. They felt that if there were after-school activities, such as those provided by a community center, their adolescents might have a positive way to channel their after-school energy.

¹³ Interestingly, this percentage is very close to what was observed in other countries, where these numbers were also crosschecked with community informants and other family members.

Table 8. Communities' Stated Needs

Community Needs	Percentage of Households
Free Activities for Youth	17
Local Jobs	15
Affordable Health Care (prescriptions/insurance)	14
Transportation Assistance	10
Education Assistance	9
Help w/ Care for the Elderly	6
Better Wages	5
Home Repairs	4
Financial Classes (Budgeting)	4
Childcare	3

The second and third most common stated needs were more jobs and the availability of affordable health care. As indicated by the results discussed above, employment and health care often went hand in hand, and respondents indicated that the provision of both was necessary for economic self-sufficiency. Rounding out the top four concerns was transportation. Our sample was predominantly rural, and given the relative scarcity of public transportation, respondents were very reliant on their vehicles to carry them back and forth to work.

"We need resources, not free things." –Vance County resident

What is interesting about these responses is how closely they are related to the pathways that move individuals into or out of poverty. Activities of youth address the importance of family networks, while the next three reasons are also closely correlated with employment status. To us, this close correlation between pathways out of poverty and perceived community needs indicates that community members were aware and able to articulate what is needed to move them out of poverty – and as important, what is needed to reduce their vulnerability to falling into poverty.

Conclusion

Communities commonly agree on what constitutes poverty. The absence of a distinct set of assets and capabilities indicates the presence of poverty, as it does for people in other parts of the world (Sen 1999). The capability to purchase enough food, shelter and clothing and the presence of an asset - transportation, which enables individuals to go to work - connote in these communities the bare minimum level of existence. Extreme poverty is characterized by the absence of one or more of these capabilities. Fortunately, very few households in our sample suffer from extreme poverty. Just over two percent of households have persisted in this state. A much larger percentage of households fell below a more expansive (but still modest) definition, which includes - in addition to food, shelter, transportation, and clothing - a phone, some in-home entertainment, a basic car, and the capability to pay off old debt or accumulate a little savings. A total of 39 percent of sample households were poor in terms of this community definition in 2005.

Poverty is not static. Large numbers of people move out of poverty regularly. But large numbers also fall into poverty, reconstituting this stock. Across the ten-year period, 1995-2005, nearly one in five sampled households escaped out of poverty. During the same period, slightly more than one in ten fell into poverty. A total of 27 percent of households remained poor through this ten-year period. In all, therefore, a substantial proportion of our sample of households experienced poverty over some or all of this ten-year period.

Two opposite and simultaneous movements are associated with poverty: falling in and escaping. Dealing with the cause for each separately is required in order to make any serious impact. Different reasons are associated, respectively, with escaping poverty and falling into poverty. In each case, some discrete events are responsible. Households fall into poverty because of one set of events; they escape from poverty because of another set of events.

Irrespective of race, gender or place of residence, households are susceptible to falling into poverty on account of the same set of events. Events responsible for raising households out of poverty are also similar across race and gender lines. Thus, a household's characteristics - age, gender, or race - are not germane for explaining escape or descent. What matters in each case is the nature of events experienced.

Health problems (often compounded by the lack of health insurance) are commonly the reason for falling into poverty. Job loss and health status worked in tandem to pitch families into poverty. Losing a job often resulted in losing one's insurance coverage. One serious illness suffered soon before or after losing one's job accounted for most descents into poverty. The presence of family support helped stave off poverty in such situations. Those who were single, divorced or widowed were more likely to fall into poverty when stricken with health problems and/or job loss.

Employment was the main factor associated with movements out of poverty. Respondents who reported working full time or who took on a second (and in some cases a third) job were able to escape from poverty, while those who experienced a job loss were more likely to fall in. Careful budgeting was another contributing factor, closely correlated with employment. Good jobs are increasingly hard to find

in these communities, and in the more recent sub-period, 2000-05, more people escaping poverty had to work second and third jobs.

Movements into and out of poverty were not reversed in most cases. People who fell into poverty during 1995-2005 tended to endure long spells, mostly remaining poor until 2005 and perhaps later. Controlling descents into poverty is very important: why wait until someone becomes poor before extending a helping hand?

Conversely, people who came out of poverty by 2000 have mostly remained not poor until 2005. Helping people move out of poverty is likely to have long-lasting results.

Both types of policies – policies to promote escape and policies to prevent descent – need to operate simultaneously. In particular, more needs to be done to prevent needless descents into poverty. Improving health care coverage is critically important in this regard. Any serious health situation can wipe out assets when a family has no insurance coverage, and the resulting cycle of debt can impair its earning capacity for extended periods.

Our hope is that the findings of this study will enable government and civil society to develop parallel sets of policies and programs which (a) support the strategies that have helped many poor households escape from poverty, and (b) address other factors responsible for households falling into poverty. Factors of both types identified in this study have commonly either promoted escapes or precipitated descents in these four counties. Some differences observed across the four counties highlight the fact that while many trends are similar others are different across county lines.¹⁴ Additional studies of this type should be conducted in other parts of North Carolina, providing additional evidence of the trends and reasons operating across the rest of the state.

There is much to be learned by letting community residents speak for themselves on the subject of poverty, and to construct a definition of poverty that better reflects their realities. By listening to people we can develop more effective policies, tailored to the needs of the local community.

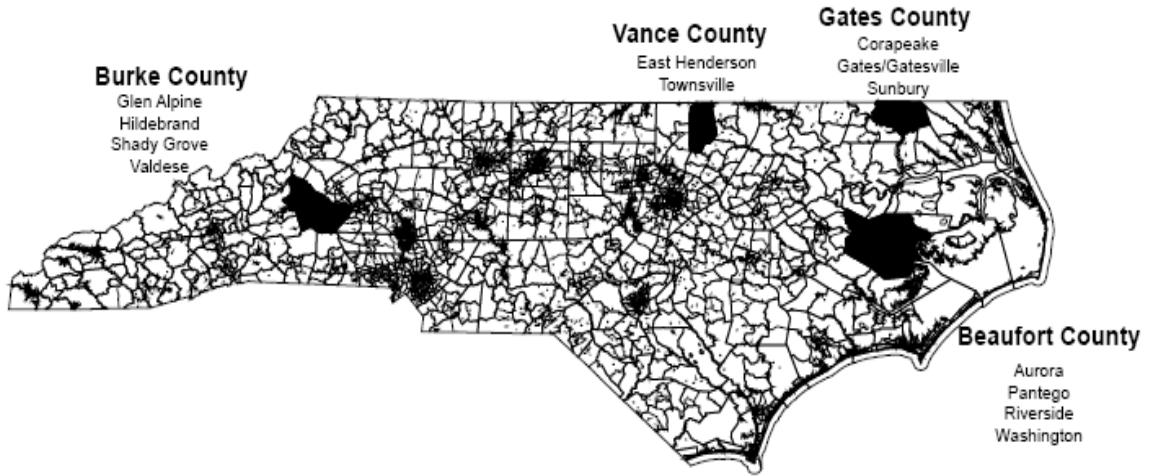
¹⁴ For example, in Vance and Burke counties, where job losses due to downsizing and closedowns were significant, education was more likely to play a role in helping households move out of poverty. People facing fewer low-skilled job opportunities often went back to school to get skill training or college degrees. Budgeting was more likely to be identified by households in Burke and Gates counties as a factor associated with escaping poverty, because local groups in these counties offered courses in budgeting for residents. Retirement along with government assistance (e.g., housing) was a factor associated with movements out of poverty in Beaufort. Respondents in Beaufort County tended to be older on average compared to the rest of our sample.

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Appendix 1: Map of Study Counties and Communities



Appendix 2: Sample Demographics

Sex	%
Male	36.2
Female	63.8

Health Insurance	%
Insured	75.3
Uninsured	24.7

Race/Ethnicity	%
White	43.6
African American	43.6
Hispanic	9.9
Asian American	1.6
Native American	1.0
Other	0.3

Education	%
Less than 8 th Grade	12.8
Some High School	22.8
High School Diploma	29.5
Some College	15.2
College Graduate	6.7
Post-College	3.2

Marital Status	%
Married	46.2
Divorced	20.5
Single	9.9
Widowed	15.7
Cohabiting	7.7%

Type of Housing	%
Detached Single	54.7
Attached Single	4.8
Mobile Home	31.8
Apartment	8.4
Motel	0.3

Percent Who Utilize	%
EITC	22.8
Food Stamps	22.1

Time Living in Community	%
Less than Ten Years	61.9
Ten or More Years	38.1

Average Age	51.3
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Average Household Size	2.78
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Average Number of Dependents	.75
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Appendix 3: A Latino Community: Riverside

One of the thirteen communities we studied was an entirely Latino-migrant community, known as Riverside, located in Washington City in Beaufort County. Due to the different population characteristic of this community, we chose to analyze this community separately from the other 12 communities.

Most of the Latino community living in Washington City is originally from Mexico (95 percent), and tend to come from the same region of the country. Many people migrated to this community in Washington City because their friends or relatives were there already based there.

*"My wife stayed in Mexico because coming here is too dangerous. I almost died."
-Riverside resident*

*"Sometimes in the fields the contractors don't even give us water. It's too hard."
-Riverside resident*

This Latino community was the youngest within the study, with an average age of 31 years. Moreover, it was also the least educated; 52 percent of the adults in the sample had less than 8th grade education and none of them had finished high school. This situation can be explained by the fact that most of them come from poor rural areas of Mexico. On the whole, members of this community had started out poor, but through dint of jobs and hard work most have now come out of poverty. Health-related factors have negatively affected the upward movements of some among these households; they have either come back into poverty or not succeeded in breaking out of poverty on account of illnesses and health care expenditures.

One of us (Perez) is currently undertaking a more detailed study of this community. Results should be available by June 2006.