



Community Economics

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Unrecorded Work in Non-Metropolitan Wisconsin Part II: Unrecorded Work by Low Income Households

by
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“Since such activities are common in rural areas, people have often wondered how much our poor information on them may skew our perspective on rural conditions. Last month’s bulletin provided information on such work for the whole population. This month’s bulletin examines it for low-income households. How many low-income households participate in unrecorded work? How much do they gain from it? To what extent does it make up for lower formal market returns? The answers to these questions can provide a better picture of poverty in non-metro Wisconsin.”

In designing and implementing programs for low-income households, accurate information on them is essential for insuring efficient and equitable allocation of scarce assistance funding. Consequently, much work in poverty policy centers focus on improving our knowledge of the types of resources available to families. One potential resource, of which little is known, is home (informal/unrecorded) production such as barter, do-it-yourself work or small activities for friends or neighbors to make money. Information on these types of activities was gathered in a survey conducted by the University of Wisconsin in 1996. This study considers 11 common activities -- hunting/fishing, raising animals, raising crops, yard/farm work, crafts, personal services, boarding, house building, house repairs, car/appliance repairs, and other construction --done to barter, or to make or save money.

Since such activities are common in rural areas, people have often wondered how much our poor information on them may skew our perspective on rural conditions. Last month’s bulletin provided information on such work for the whole population. This month’s bulletin examines it for low-income households. How many low-income households participate in unrecorded work? How much do they gain from it? To what extent does it make up for lower formal market returns? The answers to these questions can provide a better picture of poverty in non-metro Wisconsin.

To address these questions, survey data were examined for several low income or at-risk types of households: single parents, recipients of public assistance (Food Stamps or AFDC), those below the poverty line, and those with annual income below \$25,000.

While single parents have the lowest participation rates in assistance programs (at 47.4%), overall participation rates do not vary significantly from the full sample average of 59 percent. Average annual hours of informal work show more variation, from 277 for single parents to 546 for those below the poverty line. For those who do such work, the average annual value ranges from \$2762 for single parents to \$4820 for those with income of \$25,000 or less.

Unrecorded Economic Activity by Low Income Households

	Type of Household				
	Full Sample	AFDC or Food Stamps	Single Parent	At or Below Poverty Line	Income 0 - \$25,000
Participants					
Participation Rate	59.3	63.9	47.4	50.5	58.5
Average Hours	403	396	277	546	484
Median Hours	126	112	232	360	152
Average Value	4115	3721	2762	4788	4820
Median Value	1386	702	2080	2272	1530
General Population					
Average Hours	206	253	131	276	283
Average Value	2102	2377	1310	2420	2818

Not all households participate equally in such activities. Note that both average hours and average value of activity are much greater (as much as 3 times) than their respective medians for that category. This would indicate that informal economic activity is highly concentrated among a few households, even by household type. It appears that differences *within* groups may be greater than differences between them.

Averages for the general population (participant and non-participant) are included at the bottom of the table. Interestingly, these values do not differ substantially between the groups, with the exception of single parents. Overall, these were 206-283 hours per year, with average values ranging from of \$2102 to \$2818.

The strong similarity of results across household types indicates that poor households do not appear to be disproportionately involved in informal work. While they may be using it to augment their formal market earnings, they are not doing enough of it to make up for the large differences in formal market returns they currently experience versus other workers. For those interested in the causes of income differences across income levels, informal work does not appear to have a substantial impact on observed disparities. Combined with its relatively small level (\$2000 per year in value), these results also indicate that poverty figures relying on formal market measures of well-being may not be distorting our picture of rural poverty much across income levels.

On the other hand, one cannot conclude from this that it is unimportant for low-income households. First, for those households heavily involved in informal work, it provides a very substantial means of support (worth over \$5000 per year). Second, while \$2000 may be insignificant to a household with \$50,000 in income, it may be very important to a household with only \$15,000 in income. This was verified in the survey results in which low income households were much more likely to state that such activities were important or necessary to their financial well-being than were households with more income.

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