

Perspectives

ON POVERTY, POLICY, & PLACE

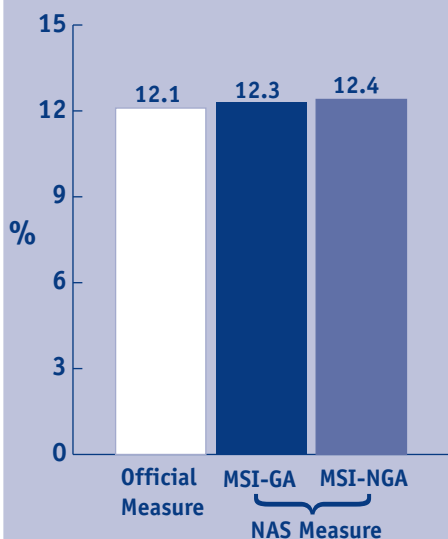
Fall 2003 Volume 1 / Number 3

rupri

rural policy research institute

The Newsletter of the
RUPRI Rural Poverty
Research Center

Alternative Poverty Rates Using NAS Method, 2002



NAS = National Academy of Sciences
MSI = Medical out-of-pocket expenses
subtracted from income
GA = Geographic adjustment for
housing costs
NGA = No geographic adjustment
See p7 for full explanation

OVERVIEW

This issue of Perspectives looks at the thorny issue of adjusting the current national poverty measure to account for different costs of living across the country. Currently, a family is considered in poverty if their pre-tax cash income (excluding noncash benefits such as public housing, Medicaid, and food stamps) falls below a set threshold. The threshold is adjusted annually based on the Consumer Price Index. No adjustments, however, are made for the different costs of living in different regions of the country. And yet, it is commonly assumed (although rarely documented) that rural areas are cheaper places to live. Not considering these trade-offs may ultimately lead one to misjudge the levels of poverty in rural areas. Here, we present three articles that use three different methods to measure cost of living.

Letter from the Co-Director: Cost-Of-Living Differences and Poverty Thresholds p. 2

Codirector Bruce Weber provides a brief overview of the issue and notes some of the difficulties that arise in trying to address the limitations of the current method of gauging poverty in America.

Adjusting Poverty Thresholds for Cost of Living Differences p. 3 National Academy of Sciences

The National Academy of Sciences' suggestions on how to account for different costs of living between metro and nonmetro areas are outlined.

Estimating Metro-Nonmetro Cost of Living Differentials Using Food Insecurity as a Measure p. 8

Mark Nord

Concerned that housing alone may not fully represent cost of living across different regions of the country, Nord explores the validity of the NAS suggested adjustor by using a noneconomic measure of well-being, food insecurity.

Is the Cost of Living Lower in Rural Pennsylvania? p. 10 James A. Kurre

Using the ACCRA Cost of Living Index, Kurre documents higher costs of living in metro Pennsylvania.

Perspectives:

On Poverty, Policy, and Place

The newsletter of the RUPRI Rural Poverty Research Center

Publisher

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

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

Bylines—Each article in the newsletter features the byline “based on research by....”, which signifies that the article, while written by our editorial staff, has been reviewed and approved by the original researcher. With this approach, we hope to disseminate research to a broad audience in a format that is accessible, reliable, and accurate. The views expressed are those of the authors and not of the RUPRI Rural Poverty Research Center.

The RUPRI Rural Poverty Research Center is one of three Area Poverty Research Centers funded by ASPE/HHS.

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Cost-Of-Living Differences and Poverty Thresholds

The ongoing discussion of whether the poverty threshold should be adjusted for cost-of-living in different areas prompted this issue of Perspectives. Data limitations and unresolved conceptual issues about how to measure these differences and about the appropriate geography (e.g., regions versus states) have left policymakers reluctant to adjust thresholds by geographic area. This issue looks at some of the research that has been done on this question.

The first article reviews the 1995 report of the National Academy of Sciences (NAS), National Research Council, which recommended a method for adjusting the poverty threshold based on regional cost-of-housing differences. This method results in a shift in the geographic distribution of poor people. There would be fewer poor people in the South and Midwest and more in the West and Northeast. Others have estimated that the NAS adjustments would reduce rural and increase urban poverty rates.

The second article reviews a study by Mark Nord that proposes a check on the NAS method. His analysis concludes that the NAS method systematically understates the cost of living in nonmetro and small metro areas and overstates the cost of living in large metro areas. Nord's procedure is based on the assumption that households in different areas that report equal levels of food insecurity are equally well off. If they are equally well off, he argues, then differences in income-to-poverty ratios suggest differences in cost of living.

The third article, by James Kurre, examines cost of living differences in 67 Pennsylvania rural and urban counties. Although his conclusions are useful for business location decisions and local economic development strategies, his use of a market basket of goods typical of a midmanagement executive household for estimating cost of living makes the findings somewhat problematic as a basis for adjusting poverty thresholds.

Each of the articles contributes to a deeper understanding of the issues involved in adjusting poverty measures to reflect cost of living, and as such, inches us closer to resolving how to most accurately gauge poverty in and across different regions of the country. None, however, solves the problem. This, of course, does not mean we should stop trying. Clearly, there are cost of living differences. Using different methods and different databases, these studies all find variations in the cost of living between metro and nonmetro areas and between different regions. Equally clearly, more research is needed about geographic differences to develop an appropriate cost-of-living adjustment for the poverty threshold. Furthermore, additional information about differences in costs within geographic areas would allow a better understanding of the distributional implications of any cost-of-living adjustment to the poverty threshold.

Bruce Weber

Co-Director, RPRC

Adjusting Poverty Thresholds for Cost of Living Differences

Based on research by the National Academy of Sciences, National Research Council, Panel on Poverty and Family Assistance

A fundamental question in any discussion of rural poverty is whether the poverty threshold should be the same for rural and urban areas. After all, isn't the cost of living lower in rural areas? Currently, the federal poverty threshold does not take into account geographic differences in cost of living, and therefore does not vary by region of the country or by metro-nonmetro status. This is not for lack of trying, however.

It is widely agreed that poverty measures should adjust for cost of living differentials. It is also widely agreed that this is very difficult to do. One reason it is so difficult is that, although cost of living data are available for major urban areas, there is no public data base on detailed costs in various regions of the country, and no public or private assessment of costs in rural areas.

Creating that base poses a number of thorny questions, such as should the market basket of goods and services typically used to assess cost of living (e.g., housing, food, utilities, transportation, etc.) vary by region or be fixed? Should clothing and utility costs, for example, be adjusted for climate in different regions, or should food costs be altered by regional variation in diet? If one opts, instead, for a fixed basket of goods across the nation, the question arises of whether to use a basket with items and weights based on the expenditure patterns of a "typical" family or a basket that reflects the patterns of a family at lower expenditure levels. This question arises, of course, whether or not an adjustment is made for geographic differences in costs.

Other analysts contend that it is unnecessary to include geographic differences in the cost of living in poverty measures, arguing that any area price differences are likely offset by income differences. Areas with higher prices are also typically areas with higher wages. Still others counter that poverty measures are not measuring quality of life in broad terms, but minimum levels of need. As such, poverty thresholds should be higher in areas with higher prices, even if average incomes are also higher.

In the early 1990s, the National Academy of Sciences' National Research Council, at the federal government's behest, convened a panel of experts to examine the existing poverty measure and attempt to address these and other issues. After extensively exploring many

possibilities, the panel recommended adjusting poverty thresholds for geographic differences in housing costs alone. The rationale was that housing costs constitute a large share of household spending among poor families and that they differ among regions more than costs of other key items in a poor family's budget, such as food and clothing.¹

Based on the Department of Housing and Urban Development's fair market rents for a two-bedroom apartment (determined as those apartments at the 45th percentile of the county or metro area census division), the panel calculated housing costs across the metro-nonmetro continuum in nine defined regions of the country. They then compared the costs relative to a national average, using the ratio of that locale's housing costs relative to the housing costs in the nation.

They found that in every division of the country except New England, nonmetro housing costs (i.e., cost of living) were well below the nation's average. In New England (which included Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), the nonmetro cost-of-housing index was 1.062 (relative to 1.00 for the nation). Typically, the cost-of-housing index in nonmetro areas was much lower than in the region's metro areas (see Table 1).²

Regionally, the highest nonmetro costs were in the West Coast (Alaska, Hawaii, California, Washington, and Oregon) and New England. The lowest were in the East South Central section of the country (Alabama, Kentucky, Mississippi, and Tennessee) (see Figure 1).

What these results underscore is that, not only is the cost of housing less in nonmetro areas, but cost of housing differs markedly by both population size and location.

To translate these housing cost differences into the poverty thresholds, the NAS multiplied the "cost of housing index value" in the first column of Table 1 by 0.44, given that the share of a poverty budget spent on housing is about 44%. This yielded the "housing cost adjustment" found in the second column of Table 1 (In this calculation, nonmetro areas and small metropolitan areas of under 250,000 are grouped together.) For example, a

Figure 1. Housing Cost Indices by Region

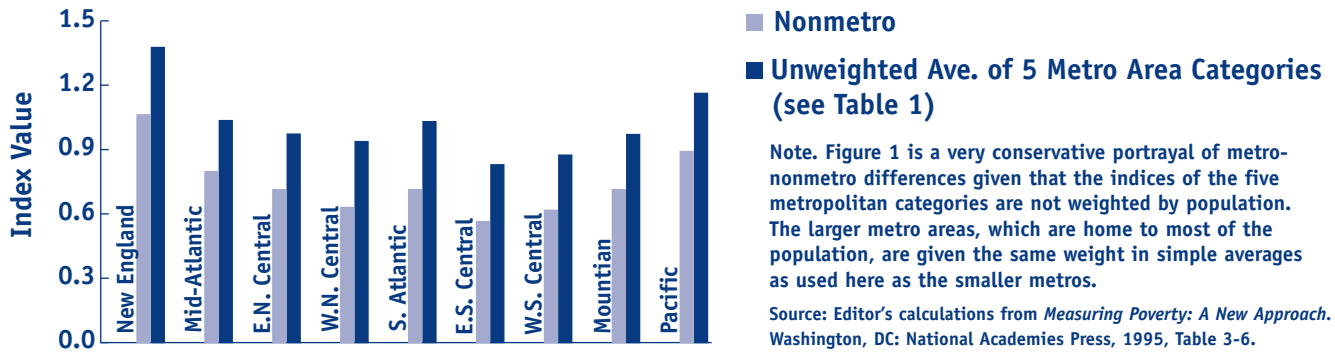


Figure 2. Change in Poverty Rate by Region, Current vs NAS Method, 1992

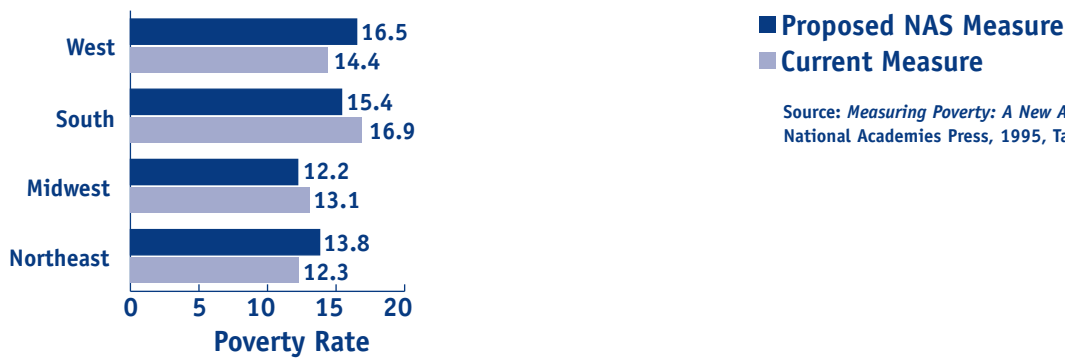


Figure 3. Shares of Poverty Population in Each Region

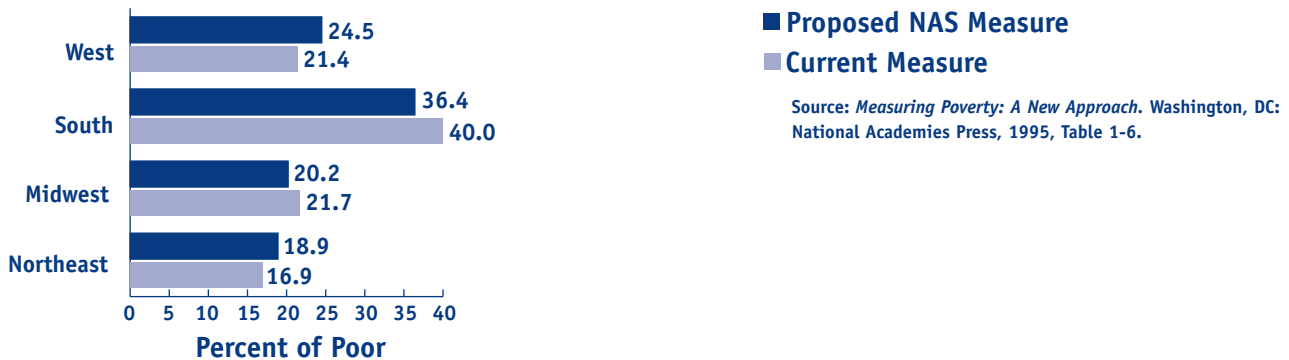
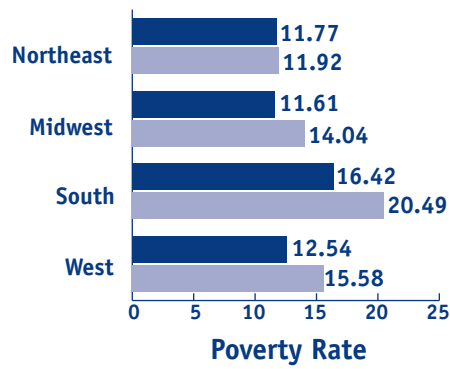


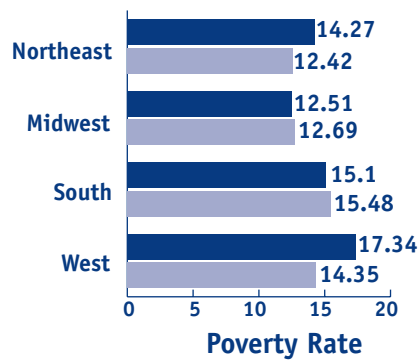
Figure 4. Change in 1992 Nonmetro Poverty Rates, Current vs NAS Method



■ Proposed NAS Measure
 ■ Current Measure

Source: Mark Nord and Peggy Cook, "Measuring Poverty: Do the Proposed Revisions to the Poverty Measure Matter to Rural America?" ERS Staff Paper no 9514. Washington, DC: USDA, Economic Research Services.

Figure 5. Change in 1992 Metro Poverty Rates, Current vs NAS Method



■ Proposed NAS Measure
 ■ Current Measure

Source: Mark Nord and Peggy Cook, "Measuring Poverty: Do the Proposed Revisions to the Poverty Measure Matter to Rural America?" ERS Staff Paper no 9514. Washington, DC: USDA, Economic Research Services.

Table 1. Housing Cost Index and Poverty Threshold Adjustment by Region and Population

Region and Population	Housing Cost Index Value	Housing Cost Adjustment to Poverty Threshold	Region and Population	Housing Cost Index Value	Housing Cost Adjustment to Poverty Threshold
New England (CT, ME, MA, NH, RI, VT)			East South Central (AL, KY, MS, TN)		
Nonmetro areas	1.062	1.128	Nonmetro areas	0.564	0.827*
Metro areas:			Metro areas:		
< 250,000	1.368	[see note*]	< 250,000	0.757	[*]
250,000–500,000	1.290	1.128	250,000–500,000	0.852	0.935
500,000–1 million	1.335	1.148	500,000–1 million	0.878	0.947
1–2.5 million	1.321	1.141	1–2.5 million	NA	NA
2.5+ million	1.475	1.209	2.5+ million	NA	NA
Middle Atlantic (NJ, NY, PA)			West South Central (AK, LA, OK, TX)		
Nonmetro areas	0.797	0.908*	Nonmetro areas	0.617	0.858*
Metro areas:			Metro areas:		
< 250,000	0.771	[*]	< 250,000	0.780	[*]
250,000–500,000	0.992	0.997	250,000–500,000	0.797	0.911
500,000–1 million	1.045	1.020	500,000–1 million	0.868	0.942
1–2.5 million	0.943	0.975	1–2.5 million	0.914	0.962
2.5+ million	1.424	1.187	2.5+ million	1.011	1.005
East North Central (IL, IN, MI, OH, WI)			Mountain (AZ, CO, ID, MT, NV, NM, UT, WY)		
Nonmetro areas	0.713	0.896*	Nonmetro areas	0.713	0.888*
Metro areas:			Metro areas:		
< 250,000	0.864	[*]	< 250,000	0.841	[*]
250,000–500,000	0.906	0.959	250,000–500,000	0.946	0.976
500,000–1 million	0.969	0.987	500,000–1 million	1.090	1.039
1–2.5 million	0.988	0.995	1–2.5 million	1.006	1.003
2.5+ million	1.133	1.059	2.5+ million	NA	NA
West North Central (IA, KS, MN, MO, NE, ND, SD)			Pacific (AL, CA, HI, OR, WA)		
Nonmetro areas	0.630	0.861*	Nonmetro areas	0.891	0.969*
Metro areas:			Metro areas:		
< 250,000	0.817	[*]	< 250,000	0.978	[*]
250,000–500,000	0.913	0.962	250,000–500,000	1.041	1.018
500,000–1 million	0.956	0.981	500,000–1 million	1.063	1.028
1–2.5 million	1.063	1.028	1–2.5 million	1.236	1.104
2.5+ million	NA	NA	2.5+ million	1.492	1.217
South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV)			*Nonmetro figures in column 2 combine nonmetropolitan areas and metro areas under 250,000.		
Nonmetro areas	0.713	0.899*	Note: Figures are relative to 1.00 for the United States as a whole. NA = not applicable; there were no metro areas of that size.		
Metro areas:			Source: Measuring Poverty: A New Approach. Washington, DC: National Academies Press, 1995, Table 3-6; Table 5-3.		
< 250,000	0.873	[*]			
250,000–500,000	0.911	0.961			
500,000–1 million	1.016	1.007			
1–2.5 million	1.097	1.043			
2.5+ million	1.270	1.119			

family living in a very large city in the South Atlantic region faces housing costs that are 27% higher than the average family, and their whole bundle of food, clothing, and shelter costs an estimated 11.9% more.

These adjustments have significant ramifications for the current picture of poverty in America. If the official poverty measure were adjusted for cost of housing differences using the NAS proposed method (and the other recommended adjustments), poverty rates in the early 1990s for residents of the Northeast and West would have been higher, and residents would have constituted a larger percentage of the U.S. residents living in poverty. Poverty rates for populations of the South and Midwest, in contrast, would have been lower, and residents would have made up a smaller percentage of the population in poverty (see Figures 2 and 3).

Rural and urban poverty rates would also shift. Adjusting the poverty measure would reduce poverty in nonmetro areas, especially in the South, where housing is generally less expensive. The nonmetro West and Midwest would also register substantial declines, and the West, in particular, would see a sharply widening gap between metro and nonmetro areas, given the 3 percentage point increase in metro poverty while nonmetro poverty rates decline. In contrast to the South, West, and Midwest, the Northeast nonmetro poverty rate would be nearly unchanged (see Figures 4 and 5)³

The debate continues on whether and how to include cost of living in measures of poverty. The NAS panel's suggestion to use housing as a measure of cost of living is but one. Most recently, analysts at the Bureau of Labor Statistics are attempting to develop a fixed-weight method based on the Consumer Price Index for 85 geographic areas, mainly large and small metro areas.⁴ Mark Nord, in an accompanying article in this issue, evaluates the NAS method using a noneconomic measure of well-being.

Footnotes

1. For a detailed discussion of the process and rationale for their suggested approach, see Constance Citro and Robert Michael, *Measuring Poverty: A New Approach*. Washington: National Academies Press, 1996, pp. 182-201.
2. Nonmetro Middle Atlantic regions had an index value of 0.797, slightly higher than the next category—metro regions under 250,000—which had an index value of 0.771.
3. Mark Nord and Peggy Cook, "Measuring Poverty: Do the Proposed Revisions to the Poverty Measure Matter to Rural America?" ERS Staff Paper no 9514. Washington: USDA Economic Research Services
4. For a listing of publications on this preliminary research, see the BLS, Price and Index Number Research division, at www.bls.gov/pir/home.htm. A selection of papers includes: Mary Kokoski, "New Research on Interarea Consumer Price Differences," *Monthly Labor Review*, vol. 114, no. 7 (July 1991), pp. 31-34, available online at www.bls.gov/opub/mlr/1991/07/art4exc.htm; Mary Kokoski, Patrick Cardiff, and Brent Moulton, "Interarea Price Indices for Consumer Goods and Services: An Hedonic Approach Using CPI Data," BLS working paper # 256 (1994); David Johnson, Thesia Garner, and Stephanie Shipp, "Developing Poverty Thresholds Using Expenditure Data," BLS working paper #315 (1997).

(continued from front page)

Explanation of NAS Alternative Measures

The official method of estimating poverty rates is based on pretax gross money income, excluding noncash benefits (such as food stamps and housing subsidies), and has different thresholds by family size. The NAS alternative thresholds adjust for health care costs and geographic differences in cost of living.

MSI expenses include health insurance premiums, copayments made to medical providers that are not covered by insurance, and other out-of-pocket expenses, such as over-the-counter medications. The MSI measure subtracts these expenses from family income before comparing the income with the family's threshold, which in this case excludes medical care from the family's "needs" (the threshold). NGA ("no geographic adjustment") does not adjust the thresholds to account for geographic differences in housing costs, while GA does. For more detail on the measures, see *Poverty in the United States, 2002*. Washington: U.S. Census Bureau, pp. 16, 17 (Table 7). Available online at www.census.gov/prod/2003pubs/p60-222.pdf.

Estimating Metro-Nonmetro Cost of Living Differentials Using Food Insecurity as a Measure

Based on research by Mark Nord

Spurred by the long-standing debate over the adequacy of the poverty measure, the federal government and the National Academy of Sciences assembled a panel of experts to assess and propose improvements to the way the nation measures poverty (see accompanying article in this issue). A particular issue was how to adjust the poverty threshold to account for cost of living differences. The NAS panel concluded that adequate data were unavailable to adjust the poverty thresholds fully for geographic differences in costs of living, but proposed adjusting for differences in costs of housing, given that housing is the largest outlay and the largest component of cost differences across the country.

Mark Nord, in an article in *Rural Sociology*, suggests that the NAS approach may overstate regional and metro-nonmetro differences in cost of living for two reasons: because comparing housing quality in low- and high-income areas is like comparing apples and oranges (the reference housing in the NAS approach—a two bedroom apartment with “specified characteristics”—will likely be quite different in quality between rich and poor regions), and because housing costs may vary inversely with other costs of living across regions of the country.¹ If transportation, for example, is higher in rural areas, but housing costs are less, as some research has found, adjusting only for the cost of housing unfairly understates the overall cost of living in rural areas and overstates it in urban areas. This has important implications for poverty policy given that the panel’s results would have lowered the measured rural poverty rate by 3 percentage points in the early 1990s (the time of their study), affecting eligibility for many social welfare programs for a not insignificant number of people.

Concerned that housing alone may not fully represent cost of living across different regions of the country, Nord explores the validity of the adjustor by using a noneconomic measure of well-being—food insecurity. His approach rests on two assumptions: that households in different areas that report equal levels of food insecurity are equally well off; and that by comparing nominal income-to-poverty ratios for households with similar levels of food insufficiency in different places, one can estimate the relative costs of living in those places. The

approach, he notes, should not be considered an alternative to the NAS method, given that it offers insufficient geographic specificity or coverage to provide a basis for adjustment. It is, however, a good check of the validity of various proposed adjustors.

The Current Population Survey (CPS) includes a food security supplement, which asks a series of questions about a family’s food security, such as whether families have ever worried about running out of food, if they have skipped meals because of food shortages, or if their children have ever had to go without food.

The 1995 CPS data provided Nord with a sample of 20,698 households in the low- to middle-income group; 68% lived in urban areas and 32% lived in rural areas. He categorized households by metro status and income-to-poverty ratios and calculated the mean food insecurity within each category. If his measure is valid, there should be an inverse relation between income and food insecurity. This indeed was the case (see Figure 1).²

The lower prevalence of food insecurity in nonmetro areas is an initial indication that costs of living are lower, on average, in nonmetro areas, confirming NAS findings that cost of living is lower in rural areas. Further analysis with controls for family structure, race, and food insecurity shows cost of living to be about 16% lower in nonmetro than in metro areas. It varies substantially by region of the country, however. Cost of living in the rural South, Nord estimates, is 18% lower than in the rural Northeast and Midwest, and about 9% lower than in the rural West. Interestingly, cost of living in metro areas differs little across regions.

The NAS created an experimental poverty threshold adjustor based on cost of housing in different regions of the country, essentially raising the poverty threshold in high-housing-cost areas and lowering it in low-housing-cost areas. Nord compares his findings with this poverty threshold adjustor and finds that under both procedures, nonmetro areas have lower estimated living costs, but that the NAS method systematically understates the cost of living in nonmetro areas and in small metro areas, and overstates it in most large metro areas.

Further, the NAS adjustment method reported in the previous article understates the costs in the Mountain and East South Central regions and in most of the West North Central region, and overstates it in most of the Pacific and New England divisions (see Table 1, p. 6). Generally, the NAS method overadjusts for cost of living, producing estimates too high in high-cost areas and too low in low-cost areas.

These findings, he suggests, point to the importance of developing a method that takes into account a full basket of consumer items, not just housing. Nord, however, does raise some concerns about his approach. As he points out, his estimates are based on a small number of households in some of the individual categories. There is also a possibility that rural and urban people have different interpretations of hunger or make different spending decisions on food and other items. Finally, it is possible that there are different family and community supports in rural and urban areas.

Although a noneconomic measure of well-being, such as food insecurity, shows promise, there is still much to be learned about this measure in the CPS supplement. The rather weak association found between income and food security is a particular concern. Confidence in the measure, however, has been increasing with time, and given the scarcity of other noneconomic measures of well-being, its potential, he argues, should not be overlooked.

Footnotes

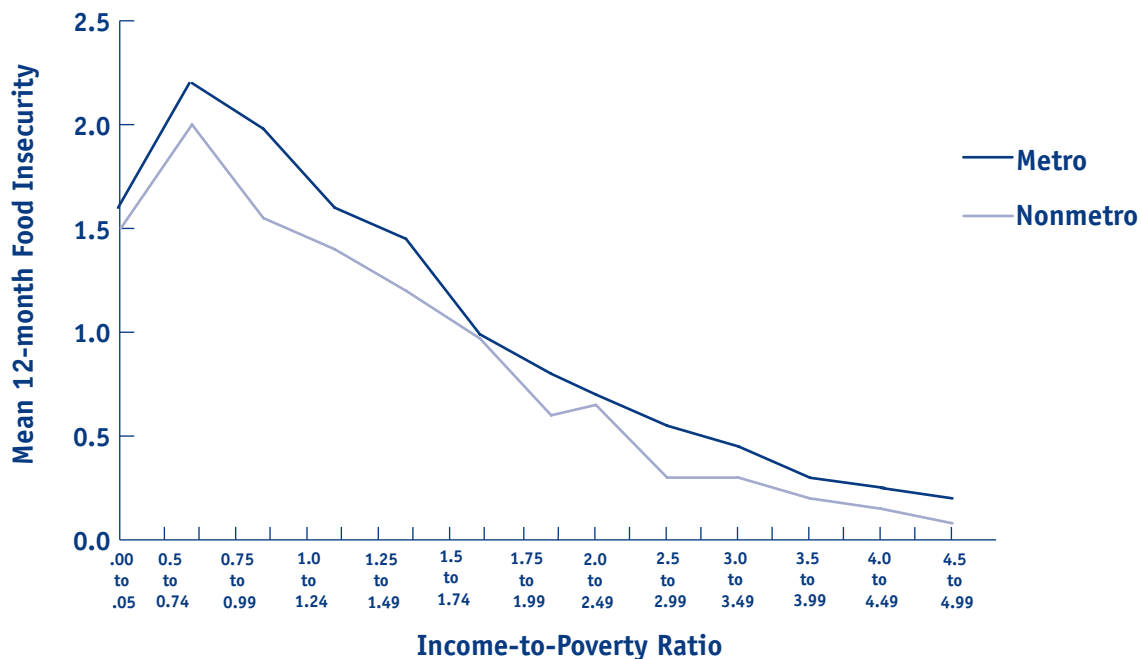
1. For the full article, see Mark Nord, "Does It Cost Less to Live in Rural Areas? Evidence from New Data on Food Security and Hunger," *Rural Sociology*, vol. 65, no. 1 (2000), pp. 104-125.

2. There was one exception to the inverse relation between income and food insecurity. Households in the lowest income category (between 0 and 0.5 times the poverty level) reported less food insecurity than those with incomes between 0.5 and 0.74 times the poverty line. One possible explanation is that some of those in the lowest income bracket are self-employed, reporting negative income on paper only in certain years. The evidence on welfare use seems to back this up. Welfare program participation is much lower in low-income households with substantial self-employment losses than in other low-income households.

Author

Mark Nord is a sociologist in the Food Assistance Branch of the Economic Research Service, U.S. Department of Agriculture.

Figure 1. Relationship of Food Insecurity to Income in Nonmetro and Metro Households



Is the Cost of Living Lower in Rural Pennsylvania?

Based on research by James A. Kurre

As others in this issue note, there is currently no official government program in the United States to provide information on regional variation in costs of living. Creating such a data base, furthermore, is extremely complex.

James Kurre, in his recent article in the *International Regional Science Review*, uses existing private-sector data to develop a cost-of-living index for rural and urban counties in Pennsylvania.¹ As with the other articles in this issue, he finds differences between rural and urban areas. Ultimately, Kurre argues, a better measure of cost of living will provide families and industry with a more accurate gauge of the tradeoffs in urban and rural living.

Study Design

Kurre develops a regression model for estimating cost of living in rural and urban areas based on data from the ACCRA Cost of Living Index, third quarter 1997. The index is published quarterly by the American Chamber of Commerce Researchers Association. The ACCRA index measures the cost of buying a specific basket of goods and services in approximately 300 U.S. urban areas. The items represent the standard of living of a mid-management executive household, typically earning in the top quintile of income, likely double the average household income in the area. The categories include groceries, housing, utilities, health care, transportation, and miscellaneous. The items are priced by volunteers in each area. An index value of 100 represents the average cost of the specified basket for that quarter's particular group of participants. The index does not include the government sector in its calculations, nor is the sample of participants random.

Because factors that increase demand in an area will tend to raise prices and factors that increase supply will lower them, Kurre includes an area's population, income, density, growth, utilities, government, and unemployment rate as key variables in the model. He also includes regional dummy variables to account for any other potential differences affecting the cost of living. Using this model, he estimates the cost of living in all 67 counties in Pennsylvania.

Cost of Living Is Higher in Urban Areas

Based first on simple averages, he finds that the state's rural counties were less expensive places to live than the state's urban counties. The average cost of living for the urban counties in 1997 was roughly 2.4% higher than the rural counties (Table 1). The range between the most expensive locale (Philadelphia) and the least expensive county was also significant. It costs about 28% more to live in Philadelphia than in the state's least expensive counties. Cost of living tended to be highest in the eastern part of the state, especially in the southeastern portion. Philadelphia and its three neighboring counties make up four of the five highest-cost counties, with Pittsburgh rounding out the five. The northern mid-tier of the state had the lowest cost of living.

These simple averages, however, mask the fact that high-cost areas are typically more heavily populated than low-cost areas. To compare the cost of living for an average individual in each area, Kurre used a weighted average based on population in each county. Weighted averages are, not surprisingly, higher, with the average urban resident in Pennsylvania facing a 6% higher cost of living than the average rural resident (Table 1).

Driving the difference is the cost of housing, but all expense categories were higher in urban areas (see Table 2). Housing costs were 12.7% higher in urban areas, followed by health care (9.9% higher), and transportation (7.1%). Groceries, utilities, and the miscellaneous category were only nominally higher.

However, not all rural Pennsylvania places were less expensive. Urban Lycoming (Williamsport), Cambria (Johnstown), and Luzerne (Wilkes-Barre) counties had lower costs than many rural counties, and rural Pike and Monroe counties, along the eastern tier, tended to have higher costs. In other words, being rural or urban is not the only factor affecting the cost of living.

Policy Implications of Lower Costs of Living

It should be remembered that this method was not designed specifically as a method of adjusting the poverty threshold. The unit of measurement is an upper middle income family (midmanagement executive in the upper income quintile), and therefore inappropriate for studying

poverty thresholds, given that the respondents' costs of living do not represent poverty-level families. This may be one reason why some of the trends (e.g., lower transportation costs in rural areas) appear inconsistent with the research on rural conditions.

As the other two articles in this issue discuss in greater detail, developing geographical cost of living adjustments for the poverty threshold would affect eligibility for many government social programs and the distribution of benefits and services. Current poverty thresholds, which are used to determine program eligibility, do not consider cost of living. Adjusting for cost of living in determining poverty thresholds could significantly change the number of people who are eligible for government programs and the geographic distribution of program benefits.

Footnotes

1. For the full article, see James A. Kurre, "Is the Cost of Living Less in Rural Areas?" *International Regional Science Review*, vol. 26, no. 1 (January 2003), pp. 86-116.

Author

James Kurre is an associate professor in the Black School of Business, Pennsylvania State University, Erie.

Table 1. Simple and Weighted Cost of Living Index for Pennsylvania Counties, 1997

	Simple Average	Weighted Average
All counties	101.5	105.5
42 rural counties	100.6	100.7
25 urban counties	103.0	106.7
Difference between urban and rural	2.4%	6%

Note: 100 = of 321 participating in ACCRA Cost of Living Index, third quarter, 1997

Table 2. Rural and Urban Costs (weighted averages)

	Overall	Rural	Urban	Urban % Higher
Total	105.5	100.7	106.7	6.0
Groceries	102.1	100.9	102.5	1.5
Housing	109.3	99.4	112.0	12.7
Utilities	122.0	120.9	122.3	1.1
Transportation	104.1	98.6	105.6	7.1
Health Care	102.2	94.7	104.1	9.9
Misc.	100.9	99.5	101.1	1.7

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