

Perspectives

On Poverty, Policy, & Place

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The Newsletter of the
**RUPRI Rural Poverty
Research Center**

OVERVIEW

This issue of *Perspectives* features three presentations given at a “principal paper” session organized by RPRC at the August 2004 meeting of the American Agricultural Economics Association. The articles focus on the importance of place in rural research, showing, for example, how the effect on poverty of job growth in a county is affected by growth in an adjacent county—and the implications of this spillover on policy and programs. Another article looks at the interplay between welfare policies, poverty, and employment in rural areas, showing that because of certain rural conditions, welfare reform policies have made less of a dent in poverty in rural areas, and what this might mean for targeting programs for rural families. The articles can be found in the December 2004 issue of the *American Journal of Agricultural Economics*. In addition, we also feature a summary of a recent report by the GAO on innovative programs for rural welfare clients.

The articles are from AJAE online at
[www.blackwell-synergy.com/
links/toc/ajae/86/5](http://www.blackwell-synergy.com/links/toc/ajae/86/5)

The Effect of Job Growth, Social Capital, and Surrounding Conditions on Neighborhood Poverty

Mindy Crandall and Bruce Weber

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Crandall and Weber examine how social capital, job growth, and initial poverty conditions in a census tract (neighborhood) combine to influence changes in poverty in that tract. They also examine whether a neighborhood's poverty levels affect conditions in the home tract.

The Effects of Welfare Reform on Employment and Poverty in Rural and Urban Counties

Hema Swaminathan and Jill Findeis

p. 4

Swaminathan and Findeis examine the interaction between employment growth, welfare reform policies, and poverty, finding that changes in welfare policy leading to employment growth did not reduce poverty in rural areas.

Revisiting the Rural Disadvantage in Poverty

John Ulimwengu and David Kraybill

p. 7

Using a dynamic definition of poverty, a broader measure of income, and accounting for cost of living, the authors find that the “rural disadvantage” of historically higher rural poverty disappears. They find, instead, that the rural poor have higher living standards and lower likelihood of remaining poor than the metro poor.

Innovative Programs for Rural TANF Clients

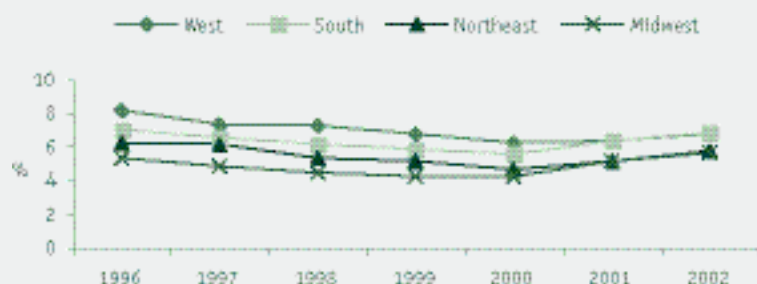
U.S. Government Accountability Office (GAO)

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The U.S. Government Accountability Office reports a host of innovative, collaborative approaches welfare offices in rural America are employing to move their clients from welfare to work.

FAST FACT

Nonmetro Unemployment Rates by Region, 1996–2002



Perspectives:

On Poverty, Policy, & Place

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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.

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New Methods and Approaches for Studying Rural Poverty

Rural Poverty Research Center Organizes a Special Session at the American Agricultural Economics Association 2004 Annual Meeting


Principal Paper Session

Poverty, Policy and Place: Spatial Analysis of Poverty Dynamics

During the 1990s, the United States initiated a major change in social support policy (welfare reform) that devolved responsibility for public assistance to low-income families to state and local governments, changed financing of public assistance to a block grant, and instituted work requirements and time limits on welfare receipt. This change spurred significant research on the effects of the new policy on low-income households, with some focus on the differing effects on rural and urban places.

Research, however, has been hampered by methodological flaws and data limitations, including the failure to account for spatial dependence and spatial lags, and econometric problems in multi-level (individual household and county variables) analysis. Until the recent release of the Census 2000 data, the study of place-based differences has been limited to metropolitan-nonmetropolitan geographic categories or, at best, county-level data. Census 2000 data allow researchers, for the first time, to analyze changes in poverty and other social and economic characteristics at the census tract level for the entire nation.

In response to these research challenges and opportunities, the Rural Poverty Research Center organized a principal paper session at the annual meeting of the American Agricultural Economics Association. The session offered innovative methods for addressing various data challenges when examining changes in poverty over time in rural and urban areas. Each presentation related these changes to the local context within which poor households make their economic decisions. Two of the presentations explained aggregate (county and census tract) changes in poverty during the 1990s and control for aggregate social and economic conditions. These two studies also explicitly controlled for spatial dependence. The other analyzed factors explaining real economic well-being (at the household level) among the persistently and transitory poor in rural and urban areas.

Together, these studies provide important new analyses of the dynamics of poverty in the United States and the effect of “place” on poverty outcomes. Each provides new information about how the local economic and social environment affects poverty. This information provides policymakers with new insight into the changes in local economic and social structure and conditions that would most reduce poverty across the rural-urban continuum. We summarize the papers in this issue of *Perspectives*. The full papers can be found in the December 2004 issue of the *American Journal of Agricultural Economics*. 

The Effect of Job Growth, Social Capital, and Surrounding Conditions on Neighborhood Poverty

Based on research by Mindy Crandall and Bruce Weber

Poverty declines during the 1990s represented a change in many ways from previous patterns. Poverty declined nationwide, the concentration of poverty dispersed, and the poorest census tracts in the poorest areas made significant headway.

Mindy Crandall and Bruce Weber, in their paper presented at the 2004 American Agricultural Economics Association annual meeting, examine how job growth, social capital, and initial poverty conditions affect poverty in rural areas.¹ Theirs is perhaps the first study to measure changes in rural poverty at the “neighborhood” or census tract level. The authors also account for a common problem in rural studies: the fact that employment and poverty are likely affected by the poverty of neighboring counties. They find that job growth’s effect on poverty is greatest in high-poverty neighborhoods and that social capital has the strongest effect on poverty in high-poverty areas, compared with low- or medium-poverty areas. They also find that the higher the initial poverty rate in an area, the greater the decline in poverty.

Data and Method

The authors use data from the 1990 and 2000 U.S. census to examine how county job growth, social capital, and poverty of adjacent areas affect poverty rates at the census tract level. Tracts are geographic areas of about 2,500 to 8,000 people and are similar in population characteristics, economic status, and living conditions. In urban areas, tracts are often equivalent to neighborhoods. In rural areas, tracts are less like neighborhoods

but nevertheless still similar in many respects. Census tract data are preferred because population characteristics can vary greatly within county boundaries, and aggregate county data can miss important distinctions. Although poverty change is measured at the tract level, the authors measure job growth at the county level because residents often work outside their census tract.

The measure of social capital is an index of a number of “good” social capital indicators, such as civic, social, religious, political, and professional organizations, among others.²

To account for poverty in adjacent tracts, which has been shown to influence poverty in the home tract, the authors include a measure of the proportion of adjacent tracts that were high poverty (30% or more of tract residents lived in poverty) in 1990. They also recognize that initial poverty conditions in the home

tract itself can influence the effects of employment growth on poverty. Therefore, they separate the tracts into three groups based on their initial poverty conditions in 1990: low poverty (less than 10%), medium poverty (10–29%), and high poverty (30% and above).

Because reductions in poverty in one tract are likely influenced by the poverty changes in its neighbors, the authors apply a spatial lag operator to determine the dependence between tracts. Spatial lag models essentially account for the push-pull employment factors in surrounding areas. The authors also address another issue common to rural (and geographic) studies, that of spatial autocorrelation. Autocorrelation arises because neighbors tend to be

The poverty of a neighborhood is tied to the fortunes of its neighbors.

1. The paper, “Local Social and Economic Conditions, Spatial Concentration of Poverty, and Poverty Dynamics,” was presented at a “principal paper” session at the American Agricultural Economics Association meeting, August 1–4, 2004. Available online at www.rpronline.org. The paper was also published in the December 2004 proceedings issue of the *American Journal of Agricultural Economics*.

2. Their index of social capital is that created by A. Rupasingha, S. Goetz, and D. Freshwater, “Social Capital and Economic Growth: A County-Level Analysis,” *Journal of Agricultural and Resource Economics*, 32 (2000):565–72.

Mindy Crandall is a faculty research assistant in the Department of Agricultural and Resource Economics at Oregon State University. **Bruce Weber** is the codirector of the Rural Poverty Research Center and a professor of agricultural and resource economics at Oregon State University.

similar, and thus like values tend to cluster spatially. Failing to account for this clustering can lead to erroneous conclusions about the importance and size of specific relationships in the models.

Job Growth and Social Capital

Employment growth in a county was a strong force in alleviating poverty, with dramatic differences by initial poverty level. The poorest tracts in 1990 saw the largest benefit from employment growth. A one percentage point increase in employment rates lowered poverty by .011 percentage points in low-poverty tracts, by .046 in medium-poverty tracts, and by .088 in high-poverty tracts, other things equal. Likewise, high-poverty tracts benefited the most from measured social capital. A one percentage point gain in social capital reduced poverty by an additional percentage point for high-poverty tracts.

Initial poverty rates in a tract also influenced the degree of poverty decline. The higher the initial poverty rate in a tract, the greater the decline in poverty during the 1990s.³

3. Swaminathan and Findeis, in their county-level analysis reported in this issue, also find stronger declines in higher poverty areas.

Job growth does alleviate poverty and is most effective in high-poverty tracts.

Being in a poverty pocket, however, slowed the decline in poverty. The greatest negative effect of poor neighbors seems to be on low-poverty tracts. Accounting for spatial lag turned out to be quite important. The authors find that neighboring changes in poverty affected each tract's expected declines above and beyond any negative effect owing to the presence of a high-poverty neighbor.

Summary and Policy Implications

The results suggest that job growth does alleviate poverty and is most effective in high-poverty tracts. Social capital is

also an important factor in poverty declines in high-poverty tracts. Low-poverty tracts are most profoundly affected by their poor neighbors.

Given these results, targeting antipoverty policies to specific areas will likely enhance their effectiveness. Strengthening social capital, for example, is likely to be more effective in high-poverty neighborhoods than in low-poverty areas. Finally, the poverty of a neighborhood is tied to the fortunes of its neighbors. Reducing poverty in a particular neighborhood can affect the poverty of the neighboring tracts. **RPRC**

The Effects of Welfare Reform on Employment and Poverty in Rural and Urban Counties

Based on research by Hema Swaminathan and Jill Findeis

The connection between employment and poverty would, on the surface, seem obvious. More employment should mean less poverty. The success of welfare reform, in fact, hinged on the argument that more women in the workforce would mean less poverty and less reliance on government assistance. However, many factors can affect the employment-poverty equation, including the type of

work available, the pay, or even a community's social networks.

In their paper examining the interaction of work, welfare reform, and poverty, presented at the American Agricultural Economics Association annual meeting, Hema Swaminathan and Jill Findeis find that, although poverty in metro areas has declined with rising welfare-reform-inspired employment, in rural areas employment has not made a serious dent in poverty.¹ Rural areas, they suggest, may be unable to offer the kind of work that

Hema Swaminathan is an economist at the International Center for Research on Women in Washington, D.C. **Jill L. Findeis** is professor of agricultural, environmental, and regional economics and demography at the Population Research Institute, Pennsylvania State University.

1. The paper, "Poverty Intervention and Poverty in Rural America," was presented at a "principal paper" session at the AAEA meeting. Papers are available at the RPRC website, www.rprconline.org. The article is also published in the December 2004 issue of the *American Journal of Agricultural Economics*.

pays families enough, or that is consistent enough, to lift them out of poverty. Another possibility for the lack of movement in poverty is that families may be leaving welfare even without a job and turning to their social networks to get by.

Data and Method

To explore the interactions between welfare reform, employment growth, and poverty rates in U.S. counties between 1989 and 1999, Swaminathan and Findeis first examine the relation between a county's spending on family assistance programs (federal welfare and emergency assistance payments) and changes in employment. They then assess the effect of changing employment on poverty rates in a county. As do other authors in this issue, they pay special attention to an important source of potential bias in place-based studies, spatial dependence. People with similar qualities or characteristics tend to cluster spatially, and failing to account for this spatial dependence can lead to erroneous conclusions about the effects of welfare reform.

The authors use county-level census data from 1990 and 2000 and federal poverty rates to gauge family economic well-being. They incorporate several factors that can influence residents' economic prospects, including the changing industrial structure of the county, and the area's social capital and political climate. To measure social capital, they use a composite measure that includes data on membership in associations, voting records, county-level response to the decennial census, and number of tax-exempt organizations in the county. The dominance of a single political party in county politics—calculated as the difference between the county vote (absolute numbers) for the Democratic presidential candidate and the national average vote for that candidate—is used to gauge the political climate. Additional factors important to the analysis are the number of child care centers and the level of bus service available per 10,000 residents in the county.

To identify any patterns in metro or nonmetro areas, the authors use the rural-urban continuum (Beale codes).

As noted, they also control for spatial clustering, and they control for various factors that can influence employment and poverty, including age, education, race, percent of foreign-born, prevalence of self-employment, and percent of single-mother households.

Changes in Employment

In analyzing the connection between family assistance expenditures and employment in the county, the authors initially find that counties with declining spending on family assistance were those with greater growth in employment. However, after controlling for spatial dependence, this correlation disappeared, which underscores the importance of spatial dependence in place-based studies.

Local economic conditions and population makeup in 1990 did influence employment growth. Those counties suffering the highest unemployment in 1990 saw the greatest growth in employment during the decade (relative to the nation's overall employment growth), and those with the least unemployment saw the least growth. Further, counties with high education

levels saw less improvement. This, in part, reflects the higher employment rates in these areas; there is less room for improvement.

Even amid a backdrop of rising national employment rates, however, a tighter labor market was not benefiting those with the lowest incomes. Counties with greater poverty in 1989 were less likely than counties with lower poverty to see employment growth during the 1990s. This pattern also applied to counties with more single-mother households and more Hispanic and other nonblack minorities. Neither child care availability nor public transportation had an effect on employment.

Changes in Poverty

Applying similar methods to poverty changes, the authors find that poverty rates during the 1990s declined more, relative to the national average, in counties with high poverty at the beginning of the decade, which is proba-

Even amid a backdrop of rising national employment rates, however, a tighter labor market was not benefiting those with the lowest incomes.

bly not surprising given the declining poverty nationally. Crandall and Weber find similar results in their article in this issue. Those counties with more high school graduates or more residents with some postsecondary education saw steeper declines in poverty during the decade. Interestingly, counties with the highest college completion rates (as opposed to just some college) saw minimal changes in poverty rates, as did those counties with the lowest education levels (less than high school). For a view of changes in poverty rates and how poverty tends to cluster, see map.

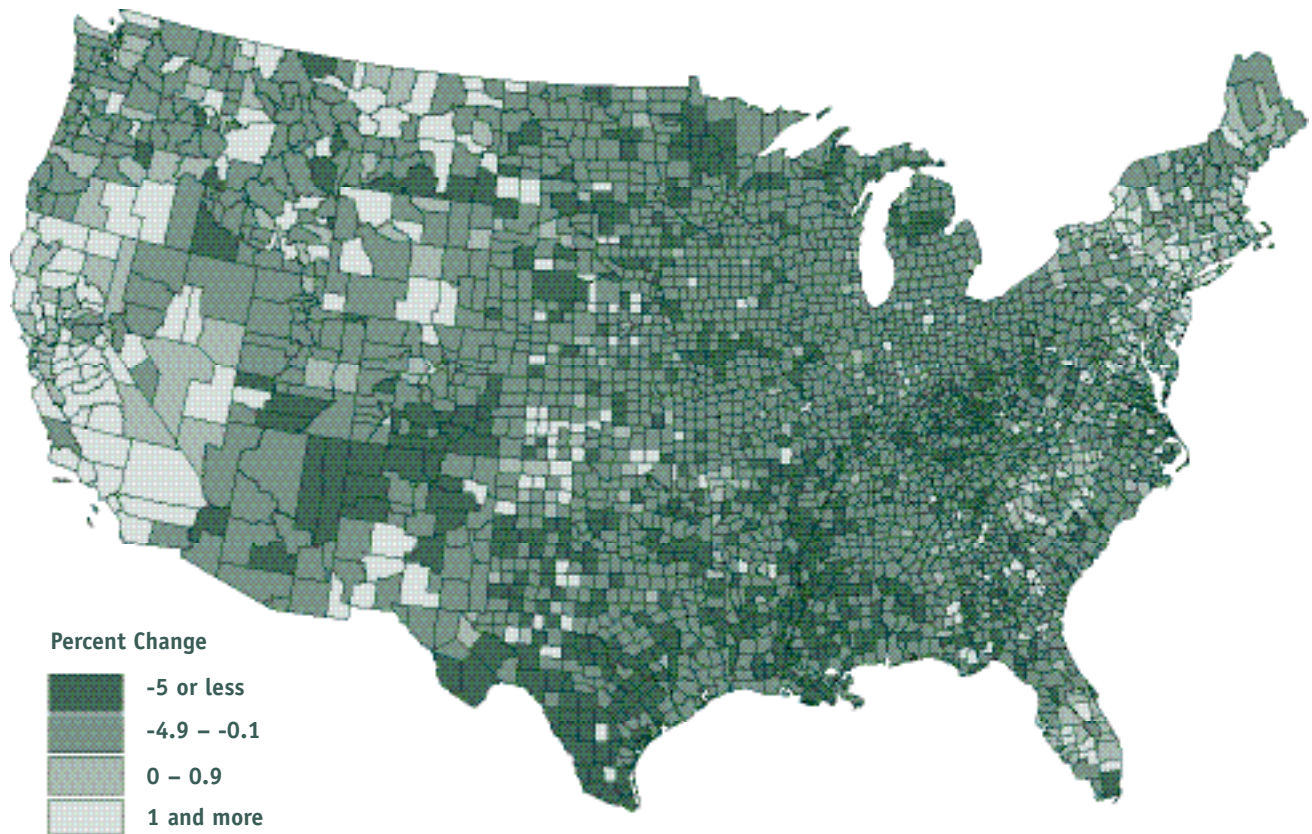
Metro and nonmetro areas saw some distinct patterns. In metro areas, poverty rates declined less in counties with more single-mother families and with more foreign-born residents. Many past studies have found that single-mother families are typically poorer than dual-parent families, and immigrants also often struggle, owing to language barriers and, among certain groups, lower education levels. Rural counties with large Hispanic populations saw less poverty decline than

counties with high concentrations of white or African American residents. This may again reflect issues related to an immigrant population; for example, issues of language and legal status.

More social capital and self-employment boosted economic well-being in rural areas more than in metro areas. Social capital is often considered an indicator of community strength, and the presence of strong networks, alliances, and supports in a community is often correlated with lower poverty rates. Also, poverty declined less than national averages during the 1990s among rural counties with less local political competition.

Examining the effect of employment on poverty, the authors find that rising employment rates translated to declining poverty in metro areas, but not in rural counties. There, greater employment failed to reduce poverty, likely reflecting the low wage levels and greater prevalence of seasonal and involuntary part-time work.

Changes in Family Poverty Rates, 1989–1999



Policy Implications

Given the weaker job prospects in many rural areas, many wondered whether welfare reform, with its strict work requirements and time limits on cash assistance, would benefit rural residents as much as urban residents. It appears this concern was warranted.

Changes in welfare policy leading to increases in employment did not reduce poverty in rural areas. After accounting for spatial dependence, declines in the welfare caseload are unrelated to job growth in either metro or nonmetro areas, and job growth reduced poverty only in metro areas.

After accounting for spatial dependence, declines in the welfare caseload are unrelated to job growth in either metro or nonmetro areas, and job growth reduced poverty only in metro areas.

Given that there were no significant effects in nonmetro areas for either welfare reform on job growth or job growth on poverty, the authors conclude that welfare reform did not reduce poverty in rural areas. However, they cannot conclude that welfare reform increased it either. Further, employment gains were concentrated in areas with room for improvement, but not necessarily in areas where residents faced the greatest barriers (such as single parenthood and no high school degree). For these

groups, the relation between employment, continued poverty, and public assistance is more complex. **RPRC**

Revisiting the Rural Disadvantage in Poverty

Based on research by John Ulimwengu and David Kraybill

Poverty rates are typically higher in nonmetro areas than in metro areas. However, John Ulimwengu and David Kraybill, in their paper presented at the 2004 meeting of the American Agricultural Economics Association, find that this “rural disadvantage” may depend on how poverty is measured and whether one controls for demographic characteristics and area economic characteristics.¹ In their study, they use a dynamic definition of poverty, which captures several years of poverty, rather than a static, one-year definition, as most past research has done. They apply a broader definition of income, adjust for cost of living, and control for family demographics and area characteristics. Based on their analysis, they conclude that the nonmetro poor have higher levels of real economic well-being (a higher “living standard”) and lower likelihood of remaining in poverty than the metro poor.

Study Design

The authors use a geocoded version of the National Longitudinal Survey of Youth (NLSY79) to examine differences in poverty between metro and nonmetro areas. The survey interviewed 12,686 individuals annually from 1979 through 1994 and biennially from 1995 through 2000. The survey gathered data on respondents’ labor market experiences along with information on their education, training, health, family characteristics, and other demographic variables. The authors focus on those families that experienced poverty for at least one year during the 20-year time span, dividing them by those experiencing *persistent* poverty versus *transitory* poverty.² They define poverty as persistent if families have lived in poverty for more than 10 years. Poverty is considered transitory if families have been in poverty for 1–9

1. The paper, “Poverty Over Time and Location: An Examination of Metro-Nonmetro Differences,” was presented at a “principal paper” session at the 2004 American Agricultural Economics Association meeting. Papers are available at the RPRC website, www.rprconline.org. The paper is also published in the December 2004 issue of the *American Journal of Agricultural Economics*.

2. Their choice to examine dynamic poverty rather than static poverty may address to some extent the potential selection bias that can result from examining only poor individuals in a sample.

John M. Ulimwengu is graduate research associate and **David S. Kraybill** is a professor in the Department of Agricultural, Environmental, and Development Economics, Ohio State University. Ulimwengu is also a 2004–2005 RPRC dissertation fellow.

years. Using these definitions, 83% of the poor NLSY families were considered transitory poor and 17% were persistent poor. A more detailed breakout of the NLSY sample reveals that 13% of the poor are persistent poor

and 66% are transitory poor who live in metro areas, compared with 4% and 17%, respectively, who live in nonmetro areas (see Figure 1, page 11).

Table 1.
Variables Explaining Real Economic Well-Being of the Poor

	National	Metro	Nonmetro
Intercept	55 ***	67 ***	53 ***
Discrete Variables^a			
Poverty type			
Transitory (default)			
Persistent	-37 ***	-39 ***	-41 ***
Gender (default=female)	11 ***	12 ***	10 ***
Race			
Caucasian (default)			
Black	-8 **	-6	-11 *
Hispanic	-6 *	-7 *	-13 **
Asian	4	-13	-13
Indian	-30 ***	-35	-29 ***
Other	-31 ***	-30	-21 **
Married (0=no, 1=yes)	30 ***	33 ***	27 ***
Educational attainment			
High school (default)			
Elementary	-2	-1	-4
College (lagged)	3 *	4 *	3
Employed (0=no, 1=yes)	11 ***	16 ***	10 ***
Sector of employment			
Public sector (default)			
Agriculture	-3	-15 *	-4
Manufacturing	12 ***	7	17 **
Services	0.06	2	9
Other	4	1	8
Continuous Variables^b			
Age (years)	-2 ***	-6 ***	-1 **
Family size	-1	-2	-1
Family size squared	0	0	0
County per capita income (\$1,000)	3 ***	2 ***	3 ***
Per capita transfer payment (\$1,000)	-5 **	-2	-6
Number of observations	31,968	17,520	7,003

*p ≤ .10 **p ≤ .05 ***p ≤ .01

^a % difference from default category

^b Marginal change induced by a one unit change in the corresponding variable

The authors use a broader definition of income than that used by the Census Bureau when calculating the federal poverty rates. Income in the NLSY includes earnings, passive income, government payments, food stamps, and income from other sources. A broader definition of income, especially when it accounts for government transfers, will inevitably lead to lower poverty counts, although, as the authors suggest, it remains unclear how a broader definition might affect the racial, gender, or geographical distribution of poverty.

In examining real economic well-being (which they refer to as “living standard”), the authors define the living standard as the ratio of family income in a given year to a cost-of-living-adjusted poverty threshold for that year. Following guidelines outlined by the National Academy of Sciences, the authors adjust the poverty threshold each year for local cost of living, as measured by housing costs.

Persistent versus Transitory Poverty

Several characteristics distinguished the two groups in metro and nonmetro areas. In line with much prior research, persistently poor nonmetro families spent slightly more time in poverty (14 years on average) than persistently poor in metro areas (13.6 years, on average). On the other hand, transitory poor families in nonmetro areas spent 6 years in poverty, on average, while their counterparts in metro areas spent 7.5 years in poverty.

After adjusting for cost of living, the authors find that the average living standard was statistically the same for both metro and nonmetro families in persistent poverty. Nonmetro families in transitory poverty, however, are somewhat better off economically than their metro counterparts.

Factors Affecting Living Standards of the Poor

Racial-Ethnic Groups

The living standard of minorities nationally was consistently lower than whites. Low-income American Indians fared the worst, with living standards 30% lower than whites, both nationally and in nonmetro areas (see Table 1). Nationally, African Americans were slightly

worse off than Hispanics, but breaking out the analysis by metro-nonmetro areas, Hispanics fared worse than African Americans in both metro and nonmetro areas.

Nationally, poor African Americans’ living standard was 8% lower than poor whites, and the gap widened to 11% in nonmetro areas. Low-income Hispanics’ living standard was 6% lower nationally than poor whites, 13% lower in nonmetro areas, and 7% lower in metro areas. Hispanics were the only group for which the difference from their white counterparts was statistically significant in both metro and nonmetro areas.

Family Composition

The living standard declined with age (1.5% each year), but family size had no significant effect. Marriage, however, matters; the living standard of poor married individuals is 33% higher in metro areas and 27% higher in nonmetro areas than the unmarried poor. Nationally, the living standard of the married poor is 30% higher than that of the unmarried poor.

Education

A college education has typically been regarded as a sure ticket out of poverty. However, nationally and in metro areas, the authors find only a 3%–4% difference between those with college degrees and those with only a high school degree, and no difference in nonmetro areas. This result suggests that higher education alone is not a very effective way of attempting to raise the incomes of persons who are already poor.³

Employment

Having a job appears to make less difference than might be expected. Employment boosted the living standard among the poor by only 11% nationally between 1979 and 2000. The boost was similar in nonmetro areas (10%) but greater (16%) in metro areas. The surprisingly small effect of employment, the authors speculate, may stem from the accompanying decline in various government welfare payments when individuals become employed, and from the low earnings of many jobs, especially part-time jobs.

Sector of employment matters. Nationally, poor individuals employed in the manufacturing sector had a higher living standard, on average, than did persons employed in other sectors, and this advantage was even larger in nonmetro areas.⁴

3. For more on the declining return to education, see the article by Bradford Mills and coauthors in fall 2004 issue of *Perspectives*. Also, see research by Sheldon Danziger, in his data brief, “Earnings by Education for Young Workers, 1975 & 2002,” available online at www.pop.upenn.edu/transad/news/briefs.htm

4. For more information on manufacturing and poverty in rural areas, see the “Fast Fact” on the cover of the fall 2004 issue of *Perspectives*.

Table 2.
Expected Living Standards of the Transitory Poor and Conditional Probability of Remaining Poor, 1979–2000

Time Segment	Expected Living Standards (income-to-needs ratio)			Conditional Probability of Remaining Poor		
	Nonmetro	Metro	Difference	Nonmetro	Metro	Difference
1979–1983	1.75	1.72	0.03	0.27	0.26	0.01
1984–1988	1.92	1.74	0.18 ***	0.24	0.26	-0.02 ***
1989–1993	1.89	1.71	0.18 ***	0.24	0.26	-0.02 ***
1994–2000	1.95	1.80	0.15 *	0.22	0.23	-0.01 *
Average	1.87	1.74	0.13 ***	0.24	0.25	-0.01 ***

* $p \leq .10$ ** $p \leq .05$ *** $p \leq .01$

Table 3.
Expected Living Standards of the Persistently Poor and Conditional Probability of Remaining Poor, 1979–2000

Time Segment	Expected Living Standards (income-to-needs ratio)			Conditional Probability of Remaining Poor		
	Nonmetro	Metro	Difference	Nonmetro	Metro	Difference
1979–1983	1.52	1.42	0.10 **	0.30	0.29	0.01
1984–1988	1.62	1.41	0.21 ***	0.27	0.29	-0.02 ***
1989–1993	1.58	1.37	0.21 ***	0.27	0.30	-0.02 ***
1994–2000	1.67	1.51	0.16	0.24	0.25	-0.01
Average	1.60	1.44	0.16 ***	0.27	0.28	-0.01 ***

* $p \leq .10$ ** $p \leq .05$ *** $p \leq .01$

County Receipt of Government Payments

Finally, the living standard of poor families was lower in areas with high per capita government transfer payments (such as cash welfare, food stamps, and so forth). This may be the result of higher transfer payments in areas with concentrations of poor families.

Poverty Experiences in Nonmetro and Metro Areas

The analysis suggests that, contrary to much past research, the transitory poor in nonmetro areas do not appear to be worse off than those in metro areas if one controls for family characteristics and area characteristics (see Table 2). The real economic well-being (living standard) of the transitory nonmetro poor with a given level of education and family structure and living in a county with given income and transfer payments was consistently higher than that of their metro counterparts between 1979

and 2000, and the differences were statistically significant in all years except in the 1979–1983 period. As shown in Table 3, the same results hold for the persistently poor.

Furthermore, the average probability of being in the transitory poor category, simply because of location, and after controlling for given individual and family characteristics, was 24% in nonmetro areas and 25% in metro areas during the entire study period (1979–2000). In other words, nonmetro areas have a slight, but statistically significant, geographic advantage. The one percentage point advantage for nonmetro areas was statistically significant for the entire period, except for the 1979–1983 segment. Likewise, the probability of a family with given characteristics remaining in persistent poverty was slightly lower (but statistically significant) in nonmetro areas (27%) than in metro areas (28%) except during 1979–1983 and 1994–2000.

Differences between metro and nonmetro areas in the living standards of the dynamically poor can occur because of geographical differences in individual and community variables or because of geographical differences in the returns to those characteristics. Community variables, such as transportation infrastructure, education, health care, and natural amenities may have a location-specific effect on persons with the same individual characteristics (such as gender, race, and education). A careful reading of Table 1 indicates that living in metro or nonmetro areas does indeed affect the returns to individual and community characteristics.⁵ Regarding individual characteristics, the returns (that is, the improvement in economic well-being) from marriage, college education, and employment are smaller in nonmetro areas than in metro areas.⁶ On the other hand, the return to the community variable—county per capita income—is higher in nonmetro areas. The return to sector of employment, which is largely, although not entirely determined by the structure of the local economy, is also higher in nonmetro areas.

Summary and Policy Implications

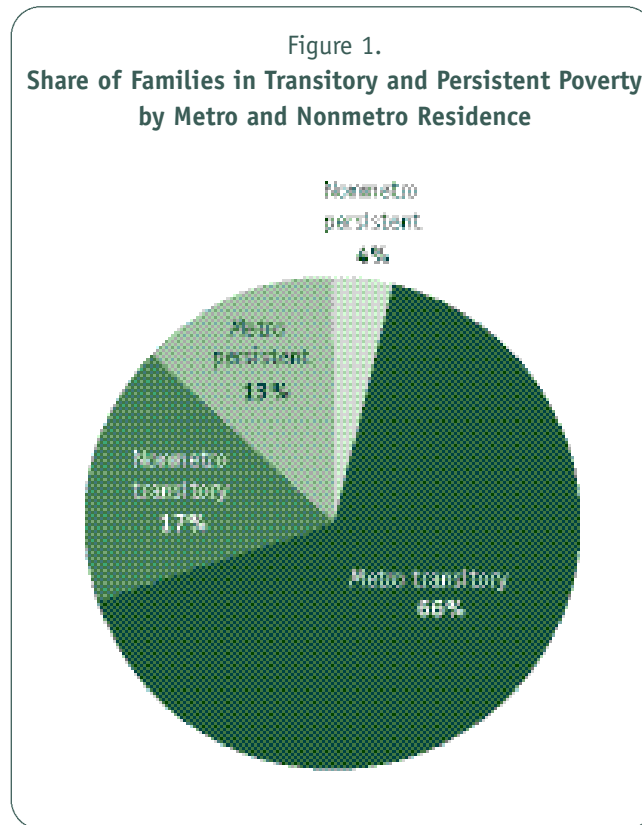
As the authors argue, the results of the study suggest that distinguishing between the “very poor” (the persistently poor) and the “less poor” (the transitory poor) is important in designing antipoverty strategies. Between 1979

5. What the authors call “community variables” here may, of course, also be influenced by individual choice. On a spectrum with individual control at one end and community control at the other end, the authors contend that marriage, college education, and employment are nearer the individual pole while sector of employment and per capita income are nearer the community pole.

6. This conclusion is reached by comparing the metro and nonmetro coefficients in Table 1.

and 2000, the living standard of the persistently poor was significantly lower than that of the transitory poor, after controlling for demographic characteristics and local economic conditions. The more time a family spends in poverty, the lower their standard of living. Even if income improves for a poor family that has been poor for a long time, it may not compensate, the authors would argue,

for their lack of income during the lowest periods, suggesting a “resource gap” over the long term that may prevent them from escaping poverty. As a result, poverty strategies that ignore the difference between transitory and persistent poverty may fail to address the needs of poor populations appropriately. The findings, the authors contend, suggest that persistent poverty may be addressed best by programs that enhance human capital endowments, whereas transitory poverty may be alleviated most effectively by programs that complement families’ and individuals’ resources and help them bridge a crisis.



This study, the authors argue, lends support to the argument that context matters and place-based policies may be more effective in fighting poverty than an exclusive focus on individual investments. Although individual strategies remain useful, widely recommended individual strategies, such as improving education, bolstering employment, and fostering marriage provide a smaller return in nonmetro areas than in metro areas. On the other hand, geographical strategies yield a higher return in nonmetro areas. In particular, the authors suggest, policies that shift the structure of employment away from agriculture and toward manufacturing and that raise the average income level in a locality remain useful strategies for reducing rural poverty. **RPRC**

Innovative Programs for Rural TANF Clients

Based on research by the U.S. Government Accountability Office (GAO)

A recent GAO report outlines several innovative approaches that welfare offices in rural America are taking to help their clients move from welfare to work.¹ Rural welfare recipients often face a different set of hurdles than urban recipients in their efforts to become self-sufficient. Although both urban and rural recipients may share similar personal barriers, such as low education, rural experiences are compounded by, among others, distance, lack of services, lower earnings, and less diversity in the types of jobs available. In addition, the diversity of rural areas—some are retirement communities on the coast, others are farm communities in the plains, while others are mining communities in the mountains—makes applying a one-size-fits-all solution ineffective. Resourcefulness, positive attitudes, collaboration, and resilience of the rural communities were the hallmarks of the local Temporary Assistance for Needy Families (TANF) programs visited by GAO researchers.

Average earnings in rural areas are 25%–30% lower than in urban areas.

Rural Welfare Programs

Nearly 300,000 rural families received cash assistance in an average month in 2003. On average, they constitute about 14% of the nation's welfare caseload, although many states have a much higher percentage of their welfare caseload living in rural areas. For example, in South Dakota 77% of the state's TANF caseload is rural. Further, TANF families, not surprisingly, are often concentrated in areas with the most difficult circumstances, such as pockets of high unemployment. These pockets are often cut off from jobs and other resources by their location, and their low population densities make it difficult to attract industry, which ultimately tamps down wages and services that might help families back into the workforce.

Serving rural TANF families takes creativity, not because the families differ dramatically from urban families, but because their location creates a set of unique barriers to self-sufficiency and to service delivery. The GAO study

visited TANF caseworkers or service providers in one or more rural counties in nine states between June 2003 and June 2004. They selected the sites based on the interesting strategies taken to address rural challenges, their higher rural populations, and their geographic diversity.

Lack of Transportation

Transportation is a fundamental barrier to rural residents. Distances to jobs are often longer, and few areas have public transportation. For poor families, cars are often unaffordable. Welfare offices have taken several innovative approaches to meeting the transportation needs of their clients. One program in Vermont, the Good News

Garage, solicits donated cars, refurbishes them, and turns them over to TANF clients for a nominal fee. Another program requires TANF participants to pay a monthly fee for a set period of time. Clients in good standing at the end of the period receive the title to the car. A New Hampshire program offers a tax credit to dealerships in return for donations of high-quality used

cars that can then be sold to low-income families for about half the car's appraised value. The average cost of these cars is about \$3,300, requiring families to obtain a loan. In such cases, program leaders serve as mediators between clients and lenders. Such programs also create credit histories and enhance financial literacy among participants. In one such program, fewer than 30% of participating owners defaulted on their loans.

Other programs work to reinstate drivers' licenses or devise payment plans for overdue parking or other fines. Logan County, West Virginia, for example, partnered with the Workforce Investment Board to offer driver's education classes. Some rural locales prefer to sponsor van transport services or subsidize existing transportation services. One county, for example, partnered with the local Head Start program to secure its van for TANF client transport.

1. For the full report, see U.S. Government Accountability Office. *Welfare Reform: Rural TANF Programs Have Developed Many Strategies to Address Rural Challenges*. GAO-04-921. Washington, D.C.: September 10, 2004.

Low Wages and Few Jobs

A central problem in many rural areas is a lack of jobs and low wages. Average earnings in rural areas are 25%–30% lower than in urban areas. Rural areas also have less variety in the types of jobs offered. Other aspects of rural living can work against clients as well. Some clients may have a bad experience in one job, and word quickly gets around among employers, making it hard to find another job in the area.

Securing jobs for clients calls for creativity and collaboration. One program, for example, teamed up with the state employment agency to get word of new jobs a day in advance of their posting. Most administrators cultivated a strong web of job connections, checking in regularly with local employers and encouraging them to take a chance on TANF recipients. To assuage any concerns that employers might have, some TANF offices agree to pay all or part of a client's salary for a given period of time, or they set up unpaid job opportunities to help build client work experience. In southwest Virginia, for example, a TANF program established work spaces in two local manufacturing plants where clients received on-the-job training and performed unpaid work under the supervision of plant management. Successful workers were given priority in hiring.

Other programs focus on keeping TANF recipients in the jobs they find. Mentoring programs couple retirees in one community with new workers, providing advice on conflict resolution at work and on adjusting to new work environments. Mentors also help clients with issues that may impede work, interceding on behalf of clients trying to negotiate various government benefits, for example, or coaching them on resolving personal or family problems.

Low Skills, Lack of Education

To address the often limited job skills and low education levels in rural areas, TANF workers have created mobile job labs, distance learning by videoconferencing, and other creative training approaches. A local TANF agency

in Minnesota, for example, worked with the local community college to design a short-term welding course. New Hampshire offered clients the opportunity to enroll in a 14-week computer training course designed by Microsoft, where they learned word processing or other computer skills. Other courses are designed to accommodate schedules. In West Virginia, TANF officials designed a six-week life skills and employment training course such that each week is a discrete module, with no prerequisites. This allows clients to enroll at the beginning of any week rather than having to wait several weeks for the course to begin again. To give low-income residents

access to computer training, a technical college in Arkansas outfitted a mobile van with computers and an online, self-guided training course. In New Mexico, where some clients must drive 100 miles round trip to take a community college course, TANF clients can now go to their local high school and access community college courses via videoconferencing.

Lack of Services

Rocky Mount, North Carolina, developed an innovative program to stay in touch with its clientele and help them address problems that arise. The agency developed a call center, staffed by trained social workers and outfitted with sophisticated computer systems. Social workers telephone clients in 11 rural counties providing specific information on job openings or helping customers solve problems and develop self-sufficiency plans. The North Carolina program also connects clients to service providers, using a geographic software program that identifies services near the customer, as well other area clients who can serve as a support network for babysitting or carpooling, for example.

Other regions contract with nonprofit organizations to bring counseling services to the homes of the hardest to serve TANF clients, such as those with mental health issues or domestic violence histories.

Child care is often a concern for many working families, perhaps more so in rural areas, which often lack child

Most rural TANF offices rely extensively on partnerships and collaboration with state agencies, nonprofit service providers, educational institutions, private-sector employers, and neighboring counties.

care centers or other formal child care providers. Many rural families rely on family and friends for care, which is not always reliable. To address child care shortages, the local child care referral group in Harlan County, Kentucky, for example, partnered with Early Head Start staff to train and certify existing small providers to expand the number of openings for infants and toddlers. Others have recruited new providers.

Federal Efforts

The U.S. Department of Health and Human Services, through its Administration for Children and Families (ACF), has launched several initiatives to assist rural TANF programs and families. It has convened several conferences to discuss and plan for rural issues, and it has initiated a seven-year demonstration program (with results due in 2007) evaluating the effectiveness of welfare-to-work strategies. It is also planning work in the Mississippi Delta to increase the number of TANF recipients who claim the earned income tax credit. In addition, ACF created a rural task force to address rural concerns and share strategies across different programs. Among the strategies is an email listserv to distribute information between ACF and rural service providers.

Collaboration Key

For all the efforts, collaboration is essential. Most rural TANF offices rely extensively on partnerships and collaboration with state agencies, nonprofit service providers, educational institutions, private-sector employers, and neighboring counties. They also capitalize on the various community networks, whether formal or informal. Personal contacts with employers and other community resources are essential and used often. Others convene regular meetings with other TANF officials as well as staff from public health, child protective services, and the local housing authorities to exchange ideas and information.

In an example of collaboration, eight jurisdictions in Virginia with high unemployment created a single nonprofit organization to help TANF clients find employment. By applying for grants on behalf of a combined population of all participating rural counties, the organization was able to qualify for considerably more funding. They also lowered administrative overhead and avoided duplication of efforts. **RPRC**



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