

Perspectives

On Poverty, Policy, & Place

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

OVERVIEW

This issue of *Perspectives* offers a fresh look at effective antipoverty policy in rural communities. The articles explore the basic assumptions behind the causes of rural poverty, underscore the unique role that “place” plays in rural poverty, and call for a new direction in philanthropy that recognizes the critical roles race, class, and power play in perpetuating rural poverty.

Rural Residence: Cause or Effect of Poverty?

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Monica Fisher

Although most research exploring the causes of rural poverty considers rural residence itself to be a culprit, Monica Fisher asks instead whether poor people are more likely to choose to live in rural areas. Fisher finds in fact that if one takes residential choice into account, nonmetro residence does not increase the odds of an individual being in poverty, all else being equal.

States’ Role in Alleviating Rural Poverty

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Bruce Weber

Employment is the focus of today’s antipoverty policies, and state efforts to strengthen local economic opportunity and local institutions are increasingly important. Yet, most antipoverty policy today, Bruce Weber argues, remains “place blind.” Weber proposes five broad strategies and policies that states might pursue in reducing poverty in rural areas that recognize the unique characteristics of rural areas and rural poverty.

Rural Community Transformation: A Social Justice Approach

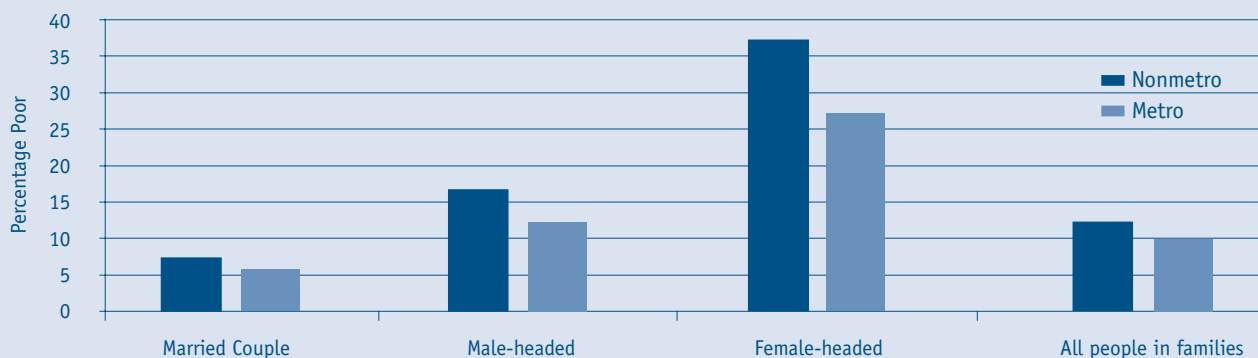
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James A. Richardson, Jr., and Jonathan K. London

Richardson and London trace the transformation of the National Rural Funders Collaborative from a grant-making organization focused on reducing poverty by building community wealth and civic participation, to one grounded on the belief that to achieve lasting regional and national impact, race, class, and power must be at the center of any meaningful antipoverty strategy. Richardson and London see in the NFRC’s approach a new direction for philanthropy in rural communities.

FAST FACT

Poverty Rates by Family Type, 2002



Source: USDA Economic Research Service, *Rural Poverty at a Glance*

Poverty and Community Development

**SPECIAL
ISSUE!**

In 2004 and 2005, the Rural Poverty Research Center and the four Regional Rural Development Centers cosponsored several conferences around the country to share current research on policies to reduce poverty. This special issue features papers presented at these conferences. The issue contributes to both theoretical and empirical literature on poverty and community development and outlines a research agenda that grounds future poverty research more firmly in the experiences of rural communities and disadvantaged populations.



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Sample articles

Introduction

John C. Allen and Bruce A. Weber
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Theories of Poverty and Anti-Poverty Programs in Community Development

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Work, Welfare, and the Informal Economy: Toward an Understanding of Household Livelihood Strategies

Tim Slack

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The Impact of the 1990s Economic Boom on Less-Educated Workers in Rural America

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The Wrong Side of the Tracks: Social Inequality and Mobile Home Park Residence

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Strategies and Lessons for Reducing Persistent Rural Poverty: A Social-Justice Approach to Funding Rural Community Transformation

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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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Rural Residence: Cause or Effect of Poverty?

Based on research by Monica Fisher

Rural residents are more likely to be poor than urban residents. Why this is has challenged many a researcher. Some have documented a higher risk of poverty owing to the tendency of rural residents to have less education than their urban counterparts, perhaps because of rural-urban differences in incentives to invest in education or in school quality. Others have found answers in the fact that rural economies are more limited. Still others have identified less “community capital” in rural than urban areas. Regardless of their diverging answers, all have assumed that rural residence itself is the culprit, and not, as Monica Fisher proposes, that poor people might be more likely to choose to live in rural areas. That is, something about rural areas draws people whose characteristics lend themselves to poverty.

A New Approach to Studying Rural-Urban Poverty Differences

Most current research identifies this urban-rural distinction by isolating and individually testing a range of factors thought to influence the odds of living in poverty (such as education, race, or family structure). The results of these analyses consistently show that there is something about rural residence itself that increases the odds of poverty. The “direction” of the influence, in other words, is from rural residence to poverty. In statistical speak, rural residence is exogenous.

Fisher, however, raises another possibility: What if people who decide to live in rural areas have unmeasured attributes that contribute to poverty?¹ That is, what if the direction of influence were flipped, and it was the case that poor people were attracted to (or remained in) rural areas. The current approach, for example, overlooks the possibility that, compared with urban residents, rural individuals may be less mobile,

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1 Monica Fisher, “Is Rural Residence Endogenous to Poverty?” *Journal of Agricultural and Resource Economics*, vol. 30, no. 2, 2005, pp. 185–199, and “Reply” pp. 202–204

preferring to remain close to extended family, and geographic immobility may also be linked with poverty in that those who are willing to move in search of employment may be less likely to be unemployed and poor. If mobility is linked with both poverty and rural residence, then the effect on poverty of living in a rural area could be overstated if one does not include a proxy variable for mobility in the empirical model.

To test this prospect, Fisher uses nationally representative, longitudinal data from the Panel Study of Income Dynamics on 18,869 individuals in 1993 and an instrumental variables approach.² She first replicates past research on rural poverty in a base model that assumes that rural residence is exogenous to poverty. It includes eight individual characteristics: age, education, work experience, disability, race, household type (female head, male head, married), number of adults in family, number of children in family, and whether or not the individual grew up in a city. She also includes three attributes of residency: county unemployment rate, state of residence, and whether the household was located in a metro or nonmetro county.

Results confirm the oft-reported finding that households in rural areas are more likely to have incomes below the poverty line. In this analysis, nonmetro individuals are 42% more likely to be poor than individuals in metro areas, all else being equal.³ Table 1 (traditional model) shows the variables that had a statistically significant effect on poverty.

Chicken or Egg?

To estimate whether rural residence itself leads to poverty or whether residence in a nonmetro area is a choice influenced by unobserved individual characteristics that lead to impoverishment, Fisher uses a two-stage least squares method.

The model assumes that the probability an individual resides in a nonmetro location is a function of the same ►

2. The 1993 survey was chosen because of the completeness of residence information and structural variables during that year.

3. 42% is calculated by dividing the predicted probability of being poor (0.0929) by the marginal effect of rural residence (0.2201).

Table 1.
Comparison of Traditional Model (in which residence is exogenous)
and New Model (in which residence is endogenous)
(table includes only those variables in the model that were statistically significant)

Variable	Regression Coefficient— Traditional Model	Regression Coefficient— Second-Stage Probit Model
Disability	0.8817	0.8821
Single female head of household	0.8539	0.8460
Single male head of household	0.5534	0.5469
White head of household	-0.4997	-0.4862
Living in a nonmetro county	0.2201	
Children in the household	0.1793	0.1801
More adults in household	-0.1718	-0.1717
Household head from a city	0.1652	0.1522
Children under age 6 in household	0.1747	0.1743
Education	-0.1422	-0.1422
County unemployment	0.0333	
Age (until age 44 when rate of poverty increases again)	-0.0285	-0.0291
Work experience	-0.0095	-0.0097

family-level, county, and state variables that determine poverty. It also assumes that a set of variables, as yet undefined, affect residential choice but not poverty.

Fisher then repeats the estimation of the effect of these characteristics on poverty. She finds that the results of the second estimation differ from the first only in the nonmetro residence effect; the rural effect is positive and statistically significant in the base model, but the effect disappears in the second model (see Table 1). That is, once one accounts for choice of rural residence, the risk of poverty attributed to rural residence disappears.

This finding parallels results reported by Evans, Oates, and Schwab, who found that when one accounts for choice of peer group in empirical models of teenage pregnancy and school dropout behavior, the estimated effect of peer group vanishes.⁴

Policy and Research Implications

Fisher finds that if one takes residential choice into account, nonmetro residence does not increase the

odds of an individual being in poverty, all else being equal. This challenges the finding from the standard analysis of rural poverty that rural residence increases poverty odds. As Fisher points out in a response to a comment on her article, her findings do not rule out the possibility that local social and economic barriers affect individual poverty odds. But if her results are confirmed with additional analyses and data, it strengthens the case for continuing to focus on improving the personal skills of low-income adults no matter where they live. And, according to Fisher, it suggests the need for answers to two questions in future research:

1. *Why do people with attributes of human impoverishment choose to live in rural places?*
2. *What combination of “human capital and community-strengthening” programs is likely to reduce poverty for these individuals?*

The answers to these questions could help policymakers to design and implement programs that are more effective at reducing rural poverty. RPRC

4. W. N. Evans, W. E. Oates, and R. M. Schwab, “Measuring Peer Group Effects: A Study of Teenage Behavior,” *Journal of Political Economy*, vol. 100 no. 5 (1992), pp. 966–991.

States' Role in Alleviating Rural Poverty

Based on research by Bruce Weber

The current policy environment favors employment as the primary exit route from poverty, and local control as the method of delivering policies. The Temporary Assistance for Needy Families program, for example, mandates work in exchange for benefits and adds an additional spur of placing a time limit on cash assistance. In this climate, state efforts to strengthen local economic opportunity and local institutions are increasingly important. Yet, most antipoverty policy today, as Bruce Weber argues in a forthcoming article, remains “place blind.”¹ Current policy fails to consider how differences in economic and social conditions of places might affect policy outcomes. In rural areas, this oversight carries more pronounced impact given the greater difficulty of moving rural people out of poverty.

To more effectively alleviate poverty in rural areas, Weber suggests, state policy should renew its attention to locality-based job creation and community capacity-building, while maintaining and expanding policy innovations that make work pay, provide work supports, and build worker productivity.

Local Climate Increasingly Important in Combating Poverty

In combating poverty in today's policy climate, two factors carry particular weight: local economic conditions and local social capital. Employment opportunities are the backbone of a work-based antipoverty policy, and state and local policies can influence local economic growth. Further, communities with higher social capital—greater civic participation and organizational membership—saw greater poverty reduction in the 1990s.² States can shape local social capital through decisions about state funding, building use, and local administrative flexibility.³

In rural areas, this emphasis on local economic conditions and social capital is even more urgent. Poverty rates are higher and more persistent in rural areas, and rural areas differ from urban areas in ways that make it more difficult to move families into employment and out of poverty in rural areas. The population in rural areas, for example, tends to have less education than national averages. Local labor markets are more limited, often built around one key industry or product. Services and infrastructure (such as transportation and broadband internet) are less available. Therefore, states and localities must pay attention to these unique place-based characteristics when designing antipoverty strategies.

Right Place, Right Time: States and Local Policy

Weber proposes five broad strategies and policies that states might pursue in reducing poverty in rural areas.

- 1] **Support local economic development.** States can encourage local business development through incentives such as wage subsidies, tax credits, and loans. These policies can encourage employers to expand their businesses, create new jobs, hire low-skilled workers, and offer job supports such as onsite child care or transportation. States can foster regional cooperation and channel economic development funds to places most in need.
- 2] **Build community capacity and institutions.** Entrepreneurship, especially in rural areas, can create jobs and help build social capital. States can play a role in creating conditions that allow new industries to emerge and to foster a business culture that supports entrepreneurship.⁴ Institutional collaborations, such as between business and community colleges or land grant universities, can be conducive to entrepreneurship as well. ▶

1. Bruce Weber, “Why Should States Care and What Can State Policy Do?” (forthcoming in the *Journal of Regional Analysis and Policy*).

2. Anil Rupasingha and Stephan J. Goetz, “The Causes of Enduring Poverty: An Expanded Spatial Analysis of the Structural Determinants of Poverty in the U.S.” Rural Development Paper no. 22. (University Park, PA: Northeast Regional Center for Rural Development, December 2003).

3. Cornelia Butler Flora and Jan L. Flora, “Social Capital.” In David L. Brown and Louis E. Swanson, eds., *Challenges for Rural America in the Twenty-First Century*. (University Park, PA: Pennsylvania State University Press, 2003).

Bruce Weber is co-director of RPRC and a professor in the Department of Agricultural and Resource Economics at Oregon State University.

4. Leif Jensen, “At the Razor's Edge: Building Hope for America's Rural Poor,” *Rural Realities*, vol. 1, no. 1 (Columbia, MO: Rural Sociological Society, 2006).

- 3] **Make work pay.** Federal expansion of the Earned Income Tax Credit (EITC), which provides a tax credit to low-income working families, is a great benefit in rural areas. States can supplement these policies by creating or increasing their own earned income tax credits.
- 4] **Increase work supports.** Access to reliable transportation and high-quality child care is critical to low-income working adults. States can support public transportation, low-cost car loans, and other innovative transportation solutions, as well as provide subsidies for quality child and elder care. Care during non-standard hours is especially needed.
- 5] **Enhance worker productivity.** Public education and workforce development can increase earnings, but they are most effective when tailored to employer needs. Providing workers with credentials that employers recognize, such as associate degrees, and with skills

that match private-sector demands in the local labor market is most effective.⁵

No Silver Bullet

States are playing an increasingly important role in anti-poverty efforts. The higher incidence of poverty in rural America and the evidence that current antipoverty policies are less effective there⁶ add urgency to the task of crafting community-based policies that strengthen economic opportunity, local institutions, work supports, and worker productivity in these rural places. There is no silver bullet for reducing rural poverty, but policies that are flexible, creative, and tailored to the particular opportunities and challenges for individual states and localities will likely be most effective. **RPRC**

5. Harry J. Holzer and Karin Martinson, "Can We Improve Job Retention and Advancement among Low-Income Working Parents?" *Focus*, vol. 24, no. 2 (Spring-Summer 2006), pp. 31-37.

6. Bruce Weber, Mark Edwards, and Greg Duncan, "Single Mother Work and Poverty Under Welfare Reform: Are Policy Impacts Different in Rural Areas?" *Eastern Economic Journal*, vol. 30, no. 1 (2004), pp. 31-51.

Rural Community Transformation: A Social Justice Approach

Based on research by James A. Richardson, Jr., and Jonathan K. London

Attempts to reduce or eliminate poverty have often focused on two schools of thought. The first is that poverty is the result of individual choices and characteristics, while another suggests that poverty springs from larger "structural" reasons, such as racism or economic conditions in the nation or local communities. While scholars have hashed these theories out in their research, the policy and philanthropic communities have focused largely on addressing the personal and local community characteristics thought to con-

tribute to poverty, perhaps because these conditions are simply easier to address than the bigger issues of racism and national or global economic restructuring, or because they are less disruptive of the status quo.

However, as James A. Richardson, Jr., and Jonathan K. London chronicle in their recent paper, the National Rural Funders Collaborative (NRFC)—a 10-year grantmaking initiative devoted to expanding resources for families and communities in extreme poverty—has taken on the charge of addressing what it views as the key reason for persistent rural poverty: structural racism.¹

The NRFC, however, did not start out with this mission in mind. Although it focused initially on creating ►

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1. James A. Richardson, Jr., and Jonathan K. London, "Strategies and Lessons for Reducing Persistent Rural Poverty: A Social-Justice Approach to Funding Rural Community Transformation," *Community Development: The Journal of the Community Development Society*, vol. 38, no. 1, 2007.

wealth in the community, improving family self-sufficiency, and increasing civic participation and leadership, it did not explicitly address the structural elements or inhibitors that cut against a community's capacity.

NRFC's Emerging Realization

The NRFC was founded to address the disconnect that although 50 million people, and more than a quarter of the country's poor, live in rural America, only 6.8% of overall annual giving by the top 1,000 U.S. foundations is targeted to these regions.² By 2005, the NRFC had made \$3.3 million in direct investments, leveraging more than \$41 million in additional public and private funding.

Midway through the first funding cycle, however, NCFR was disappointed with the level of outcomes. The initial aims, they came to realize, were overlooking the deep-seated structural conditions that contribute to poverty in rural areas, including historic racism and other barriers to full participation. As a result, they changed course and targeted their funding decisions to increasing the capacity of excluded people to access, control, and build on community and regional assets.

New Directions for NRFC

NRFC's new direction has at its heart the notion of "alternative rural economies." The economy of rural areas has shifted dramatically from one dominated by traditional agriculture and large-scale manufacturing to one of lower-wage service sector jobs and non-unionized manufacturing, such as meat processing. In contrast with this prevailing environment, alternative rural economies can either be (1) positive, community-based *alternatives* to prisons, hog and poultry farms, big box retailers and the like, which fail to pay living wages and benefits and are harmful to the environment; or (2) *alternatives within* an established economy that create a more just and equitable participation in the economy by low-income individuals and persons of color. The efforts should create greater opportunities for economic equity and not simply economic growth.

In either case, these economic alternatives should be based on community assets; that is, they should draw on the basic and emergent assets or capital

that rural communities and regions hold as their most valuable currency. These asset-based models, NRFC envisions, should also achieve "triple bottom line impact." They must be socially just, economically profitable, and environmentally sound.

In the Mid-South Delta, for example, the NRFC is funding strategies such as "crop circle" market currency and philanthropy to accelerate and increase the participation of historically disenfranchised vendors in public markets while at the same time devoting additional resources to increasing the number of minority vendors. Likewise, creating a regional center for educational excellence while developing new strategies for asset-based workforce opportunities could simultaneously fuel the supply and demand side of the market among African-American residents.

In the Great Northern Plains, where poverty is concentrated among American Indians, funding to narrow the gaps could mean working to expand financial literacy throughout reservation communities while at the same time accelerating land- and culture-based economic opportunities.

Among Latino farm workers in the West, the NRFC will support projects to devise strategies for better pay, benefits, and participation in the wage economy while simultaneously creating more "ownership" opportunities for those ready to take a more entrepreneurial approach.

Narrowing the Gaps

NRFC is convinced that to achieve lasting regional and national impact, race, class, and power must be at the center of any meaningful antipoverty strategy. Richardson and London see in the NRFC's approach a new direction for philanthropy in rural communities.

Many of the most common approaches to poverty alleviation focus on "lifting all boats" through racially neutral strategies such as raising the Earned Income Tax Credit or promoting homeownership. While laudable, the authors argue, they alone are insufficient. NRFC's refined goal, they suggest, focuses more directly on racial inequities but also recognizes that such ambitious goals are not accomplished overnight. Therefore, the authors see the NRFC's strategy as including interim steps to narrow the gaps and achieve racial parity by concentrating investments in those communities that have a clear historical legacy of

2. T. Murphy, "The Rural Challenge." Unpublished research by L&M Associations using data on the top 1,000 foundations as provided by the Foundation Center, 2006.

NRFC'S THEORY OF POVERTY

“Rural communities and regions of persistent poverty are those areas that have experienced decades of economic disinvestment, social isolation and disenfranchisement, and longstanding patterns of racism and classism. Many, if not most, of these areas are also ones in which persons of color have historically experienced, and continue to experience, disproportionate poverty. This is so because so many ethnic and racial groups—Native Americans, African Americans, Latinos and others—have been denied the same rights and privileges as the dominant class and have even had many of their historic and legitimate assets—especially land and natural resources—stripped from them and used for economic gain by others.”

> Richardson and London, “Strategies and Lessons for Reducing Persistent Rural Poverty (see note 1), p. 14

structural racism. The strategies must find points of intervention that will both accelerate various economic strategies and focus on racial equity within them.

Reversing historic trends of persistent poverty requires a recognition that wealth creation and civic participation strategies will be effective in overcoming and reducing persistent poverty only if they are framed within a racial-class lens that addresses these historic injustices and only when current and future economic alternatives and opportunities no longer perpetuate social and racial injustice, but create greater opportunities for persons and communities of color and low wealth.

Ultimately, transforming extreme and persistently poor rural communities and regions into healthy and viable communities will require a national movement for social and economic equity, a convergence of rural grassroots efforts, and policy grounded in the realities of rural life. **RPRC**

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