

# Perspectives

On Poverty, Policy, & Place

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Research Center**

## OVERVIEW

The contributors to this issue of *Perspectives* each examine facets of rural poverty in unique ways. Rupasingha and Goetz expand the set of “usual suspects” (education and family structure, for example) in looking at possible contributors to poverty. Lichter and Johnson look behind the cover story of declining poverty in the past decade and identify some worrisome harbingers for rural areas. Davis and coauthors examine the surprisingly low use of work supports and safety net programs in rural Oregon. Finally, Fisher delves into the question of whether people with characteristics that place them at risk for poverty are drawn to rural areas.

## Entrepreneurship, Social and Political Capital, and Rural Poverty page 2

Anil Rupasingha and Stephan J. Goetz

Rupasingha and Goetz shed new light on rural poverty by including several new potential explanations, including levels of social capital, political cohesiveness, entrepreneurship, and county industrial mix, in their comparison of rural and urban families.

## Changes in Concentrated Poverty in Metro and Nonmetro Areas page 6

Daniel T. Lichter and Kenneth M. Johnson

Although poverty rates have been declining in both rural and urban areas in recent years, Lichter and Johnson argue that continued progress in rural areas may be short-lived, given the high and enduring poverty among rural children, especially minority children. They also find that although poverty has become less concentrated, rural families still face disproportionately high poverty rates.

## Child Care Subsidy Use in Rural and Urban Oregon page 10

Elizabeth E. Davis, Deana Grobe, and Roberta B. Weber

Davis and coauthors examine the differences in use of safety net and work support programs among rural and urban poor families. Although rural families have higher poverty rates and more poor households with two earners, the authors find few differences in the use of public programs between nonmetro and metro Oregon families.

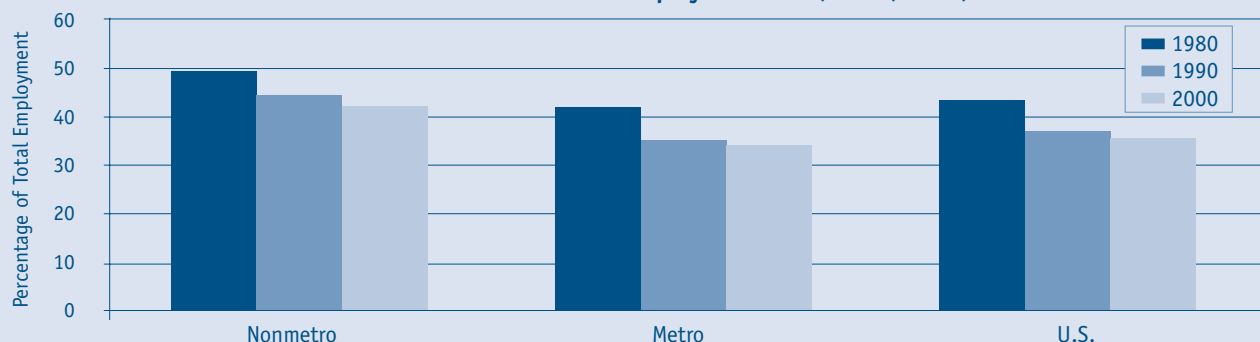
## New Views on Causes of Rural Poverty page 15

Monica Fisher

Fisher untangles the chicken and egg of rural poverty, asking whether rural areas draw residents with attributes that contribute to poverty or whether economic and other attributes of rural communities lead to poverty.

## FAST FACT

Metro and Nonmetro Low-Skill Employment Share, 1980, 1990, 2000



Source: *Low-Skill Employment and the Changing Economy of Rural America* (Washington, DC: ERS, 2005), available at [www.ers.usda.gov/publications/err10](http://www.ers.usda.gov/publications/err10)

### **Perspectives:**

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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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## **Entrepreneurship, Social and Political Capital, and Rural Poverty**

Based on research by Anil Rupasingha and Stephan J. Goetz

Many studies have examined the contributors to poverty in rural areas. Most of these have focused on local economic conditions or characteristics of rural populations. However, several researchers have argued that social and institutional factors also matter. Robert Putnam, for example, argues that factors that contribute to civic engagement also foster economic and community development, which can reduce poverty.<sup>1</sup> Cynthia Duncan found that some rural community leaders deliberately retard local economic development to maintain their position of power and promote the well-being of those aligned with them.<sup>2</sup>

Anil Rupasingha and Stephan Goetz in their recent article in the *Journal of Socio-Economics* expand the traditional economic analysis of rural poverty by assessing the effect of social capital and political characteristics on poverty in metro and nonmetro counties. In another advance, they also account for the likelihood in rural areas that conditions in counties can affect neighboring counties.<sup>3</sup>

They find that social capital is associated with less poverty in nonmetro areas, but it has no effect on poverty in metro counties. They also find that political structure and participation matter in both metro and nonmetro communities. Counties with greater political competition, for example, are less likely to be poor.

The local economy remains an important factor in poverty rates. The authors find that that a growing service sector and a less diversified economic base place communities at risk of poverty. They also find that self-employment and entrepreneurship are associated with lower poverty.

### **Study Design**

Using data from all 3,047 counties in the contiguous United States, the authors assess which among a range of economic, ▶

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1. Robert Putnam, “Tuning In, Tuning Out: The Strange Disappearance of Social Capital in America,” *Political Science and Politics*, vol. 28 (1995), pp. 664–683.

2. Cynthia Duncan, *Worlds Apart: Why Poverty Persists in Rural America*. New Haven, CT: Yale University Press, 1999.

3. Anil Rupasingha and Stephan Goetz, “Social and Political Forces as Determinants of Poverty: A Spatial Analysis,” *Journal of Socio-Economics*, 36 (2007) pp. 650–671.

demographic, political, and social capital factors have the greatest impact on a county's poverty rate. The economic factors include employment levels in the county, types of industries in the county, the number of big-box retailers per capita, and the degree to which the industrial structure had changed in a certain time frame. Demographic characteristics include education, mobility of families, family structure, share of foreign-born, and the propensity of residents to start their own businesses, as measured by the share of nonfarm proprietors.

To assess the effects of social capital, the authors examine the density of associations in the county (such as number of public golf courses, membership in sports and recreation clubs, civic and social associations, religious organizations, and so forth); the percentage of eligible voters who voted in the last election; the number of nonprofit organizations; and the county-level response rate to the U.S. Census. Another factor thought to influence poverty is the degree of polarization in a community. The authors assess this relationship by measuring the degree of ethnic diversity in the county.

The political climate—patronage, leadership, inclusiveness—can often help or hinder poverty reduction efforts. To assess the effect of patronage on poverty, the authors measure a county's income inequality, on the assumption that greater inequality helps to maintain the status quo and benefits the wealthy and powerful class. The political leadership's commitment to poverty reduction and economic development is assessed by their efforts to lobby for federal funding and state and federal jobs, as measured by the per-capita federal grant funding flowing into the county. The authors also gauge the political leaders' determination to stay in power by how much they invest in short- versus long-term community projects. This is measured by the ratio of public sector maintenance expenditures (police, fire protection, etc.) to total local government expenditures. Finally, they include the degree of political diversity in the county as measured by the party affiliations of residents, on the assumption that greater diversity lowers the likelihood of patronage and cliquish networks.

Finally, the authors account for the fact that poverty clusters in certain areas (such as Appalachia or *colonias* in the Southwest). Because of this, it is more likely that counties or locales in that area will be affected by their neighbors' poverty. Not accounting for these spillover effects can lead to under- or overestimating

the true impact of an explanatory factor on poverty, if the factor not only affects poverty directly in the same county but also indirectly in adjacent counties.

### **Economic and Demographic Influences on Poverty Differ in Metro and Nonmetro Areas**

The authors find, first, that policymakers would do well to tailor antipoverty programs to locale because the factors that affect poverty in metro and nonmetro counties are often quite different. Short-term shocks to the industrial makeup actually lower poverty in urban areas, while having no significant effect in nonmetro areas (see Table 1 for a summary of the effects). This may reflect differences in the efficiency of rural and urban markets in reallocating labor following a shock.





Further, industry composition has no effect on poverty in metro areas, but a more diversified industry base lowers poverty in nonmetro areas. In metro areas, more transportation, trade, and finance and real estate employment had no relationship with poverty, whereas these sectors tended to reduce poverty in nonmetro areas. Higher shares of minorities (other than African-Americans<sup>4</sup>) tended to increase poverty in nonmetro areas, but lower poverty in metro areas. The reasons for this are not clear. The reverse is true for the share of foreign-born. Greater shares of foreign-born residents in urban areas exacerbate poverty while it eases poverty in nonmetro areas. Finally, contrary to popular belief that big-box retailers bring prosperity via employment, the authors find that an increase in these types of retailers is associated with higher poverty rates for metro counties, but the effect is not statistically significant for nonmetro areas.

Nevertheless, several factors have similar effects on poverty in both metro and nonmetro areas. The authors find that the more service-sector employment in the county, the greater the odds of poverty for families in both metro and nonmetro counties. Likewise, larger shares of children and young adults in the county are associated with higher poverty rates. Counties with higher education levels are less likely to feel the pinch of poverty, although education has a smaller effect on poverty in rural than in metro counties. Counties in both areas with more long-term residents (less mobility) also have more poverty. ►

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4. Because the percentage African-American was correlated with female-headed household shares, and both of these variables were correlated with the ethnic heterogeneity index, the authors excluded both percentage of African-Americans and female-headed households from the model. The effects of these two variables on poverty are well established in the research.

**TABLE 1.** Demographic, Labor Market, and Social and Political Capital Effects on Poverty in Metro and Nonmetro Areas

	<b>FULL MODEL</b> (both metro and nonmetro counties)	<b>METRO COUNTIES</b>	<b>NONMETRO COUNTIES</b>
 <b>Demographic and Labor Market Characteristics</b> 			
<b>Short-term shocks to local labor market</b>	Raises poverty 0.022 (0.009)	Lowers poverty -1.095 (0.000)	No effect 0.013 (.150)
<b>Higher female labor participation</b>	Lowers poverty -0.130 (0.000)	Lowers poverty -0.104 (0.000)	Lowers poverty -0.141 (0.000)
<b>More service-sector jobs</b>	Increases poverty 0.0037 (0.011)	Increases poverty 0.093 (0.000)	Increases poverty 0.033 (0.068)
<b>More children (0–17)</b>	Increases poverty 0.440 (0.000)	Increases poverty 0.427 (0.000)	Increases poverty 0.447 (0.000)
<b>More young adults (18–24)</b>	Increases poverty 0.078 (0.000)	Increases poverty 0.112 (0.000)	Increases poverty 0.064 (0.013)
<b>Greater share of non–African-American minorities</b>	Increases poverty 0.068 (0.000)	Lowers poverty -0.054 (0.012)	Increases poverty 0.083 (0.000)
<b>Higher education levels</b>	Lowers poverty -0.094 (0.000)	Lowers poverty -0.172 (0.000)	Lowers poverty -0.058 (0.009)
<b>Less mobility</b>	Increases poverty 19.65 (0.000)	Increases poverty 13.60 (0.000)	Increases poverty 21.75 (0.000)
<b>Greater percentage foreign-born</b>	Lowers poverty -0.066 (0.000)	Increases poverty 0.062 (0.007)	Lowers poverty -0.044 (0.080)
 <b>Social and Political Capital</b> 			
<b>Greater ethnic diversity</b>	Increases poverty 2.911 (0.000)	Increases poverty 3.837 (0.000)	Increases poverty 2.119 (0.000)
<b>Greater political status quo</b> (as measured by income inequality)	Increases poverty 5.426 (0.000)	Increases poverty 3.724 (0.000)	Increases poverty 6.550 (0.000)
<b>More per capita federal grants</b>	Increases poverty 0.0004 (0.000)	Increases poverty 0.0003 (0.000)	Increases poverty 0.0004 (0.001)
<b>Less political competition</b>	Increases poverty 0.040 (0.000)	Increases poverty 0.025 (0.003)	Increases poverty 0.041 (0.000)
<b>Greater social capital</b>	Lowers poverty -0.188 (0.001)	No effect 0.083 (0.385)	Lowers poverty -0.237 (0.000)
<b>More big-box retailers per capita</b>	Increases poverty 0.111 (0.062)	Increases poverty 0.369 (0.000)	No effect 0.023 (0.739)
<b>Higher spending ratios</b>	No effect 0.0004 (0.946)	No effect 0.005 (0.462)	No effect -0.001 (0.864)
<b>Entrepreneurial class</b> (% nonfarm proprietors)	Lowers poverty -0.043 (0.000)	Lowers poverty -0.047 (0.001)	Lowers poverty -0.036 (0.004)

**Note:** Table shows results from ordinary least squares regression analyses incorporating spatial spillover effects on neighboring counties' poverty levels. The first number is the coefficient; the number in parentheses is the *p* value.

## Effects of Social and Political Capital

The authors' main interest is whether social capital and other political and institutional conditions matter for economic development—that is, whether the interaction between the organization of a society and its economic success are integrally connected. They find much evidence that indeed they are in rural areas. Rural counties rich in social capital, for example, have lower poverty rates, all else equal (see Table 1). This effect does not hold, however, for metro counties.

Political and institutional factors matter as well. The authors also find that in both metro and nonmetro areas, a community's ethnic and income polarization (the latter of which captures the entrenched status quo) hampers poverty reduction efforts, as does a lack of political competition. This supports Duncan's findings that some residents (especially low-income families) can be excluded from leadership ranks by a group that prefers the status quo, and this status quo is not necessarily intent on addressing poverty and other similar issues. In line with this notion of entrenched interests, counties that are politically less competitive—where voting outcomes are skewed to one party—have higher family poverty rates.

Interestingly, pork barrel politics exacerbate poverty in both metro and nonmetro counties. In other words, the higher the rates of per capita federal grants in a county, the higher the poverty rates. It of course could be the case that those counties most in need are the recipients of greater largesse. The more entrepreneurship in a county, the less poverty, regardless of county type. Finally, the ratio of maintenance expenditures to total local government expenditures has no effect on poverty.

## Community and Policy Implications

This study shifts the attention away from a narrow economic conception of, and solutions for, rural poverty and emphasizes the complex processes that unfold in communities. The results have important implications for public policy and community development in general.

Social capital is clearly important in lowering poverty in rural communities. Communities that have solid participation in associations and networks do better. Although government is less effective than local com-

munities themselves in fostering such social capital, government can work to reduce the transaction costs facing local associations by facilitating networking meetings, coordinating activities among various groups, and providing information and technical assistance. In addition, government grants could be used to support local organizations. The government could also help develop work facilities for community groups, or provide technical assistance and make community-based initiatives a component of local development strategy. Strong associations could also help stem the negative effects of entrenched interests and political patronage, as could more oversight of federal grants and funds that do nothing to lower poverty.

Of course, it is also possible that poverty itself hampers social capital. It is conceivable that poor communities lack social capital because residents have little time to participate in social organizations or other activities. Creating stable, well-paid employment so families do not have to supplement incomes with additional jobs or informal work can free up time to participate in community organizations. Therefore, at its base, economic development remains one of the most effective antipoverty policies.

The positive findings on entrepreneurship suggest that building programs and networks to support entrepreneurs, creating new funding opportunities, and streamlining bureaucracy for small business owners, among other efforts, can help create an entrepreneur-friendly local environment. For more on fostering entrepreneurship, see two recent reports by the Southern Rural Development Center and the Northeast Regional Center for Rural Development.<sup>5</sup>

Finally, as these findings suggest, it is imperative for policymakers and other stakeholders to tailor policies and programs to local conditions. There is no such thing as a one-size-fits-all approach to poverty alleviation. **RPRC**

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5. Southern Rural Development Center, *The Voices of the People: Strategies for Expanding Entrepreneurship in the Rural South*, available at [http://srdc.msstate.edu/publications/238\\_voicesofthepeople.pdf](http://srdc.msstate.edu/publications/238_voicesofthepeople.pdf); and the Northeast Regional Center for Rural Development, *Regional Listening Sessions on Rural Entrepreneurship: Lessons from the Northeast*, available at [www.nercd.psu.edu](http://www.nercd.psu.edu).

# Changes in Concentrated Poverty in Metro and Nonmetro Areas

Based on research by Daniel T. Lichter and Kenneth M. Johnson

The antipoverty efforts of the late 1990s, coupled with a strong economy, brought relief to thousands of families struggling in poverty. Poverty rates dropped from 15.2% in 1993 to 12.6% in 2005, which left 1.9 million fewer families in poverty. Declines were across the board—in rural areas, in inner cities, among racial minorities, and among single-mother families. Even concentrated urban poverty, the so-called “ghetto” poverty, dissipated.

However, as Daniel Lichter and Kenneth Johnson find in the September 2007 issue of *Rural Sociology*, several signs bode ill for continued progress in rural areas.<sup>1</sup> They find that while rural poverty has become less geographically concentrated, rural families still face disproportionately high poverty rates, and rural minorities remain heavily concentrated in economically depressed and remote areas of the country. Furthermore, the circumstances of rural children, especially minority children, appear to be diverging rapidly from those of most of America’s middle-class children. Their poverty rates are well above national and nonmetro rates, and their poverty is often persistent, lasting generations. Given the patterns of intergenerational poverty, the high numbers of poor rural children suggest that recent declines in concentrated rural poverty may be short-lived.

## Study Design

To measure the changing concentration of poverty in nonmetro areas, the authors use data from the 1970–2000 U.S. Census Summary Files on poverty rates in 3,141 metro and nonmetro counties. They track changing poverty rates between 1980 and 2000 and identify the changes in the number of high-poverty and persistently poor counties and the share of poor people

living in them. Poverty is persistent if 20% or more of a county’s population has been in poverty continuously for the last 30 years. Counties are considered high-poverty if more than 20% of the population is poor. The

authors document the changing concentration of poor and nonpoor rural families using summary measures of spatial inequality, in this case the “Hoover” index of dissimilarity.

**The number of nonmetro high-poverty counties declined by 40% during the 1990s. Moreover, the share of the nonmetro population living in high-poverty areas declined from 29% to 17%.**

## Concentrated Poverty Is Declining in Rural Areas

Poverty in nonmetro areas declined more rapidly during the 1990s than in metro areas. In 1990, 17.3% of nonmetro residents were poor, declining to 14.8% in 2000. In metro areas, the decline was minimal, from 12.2% in

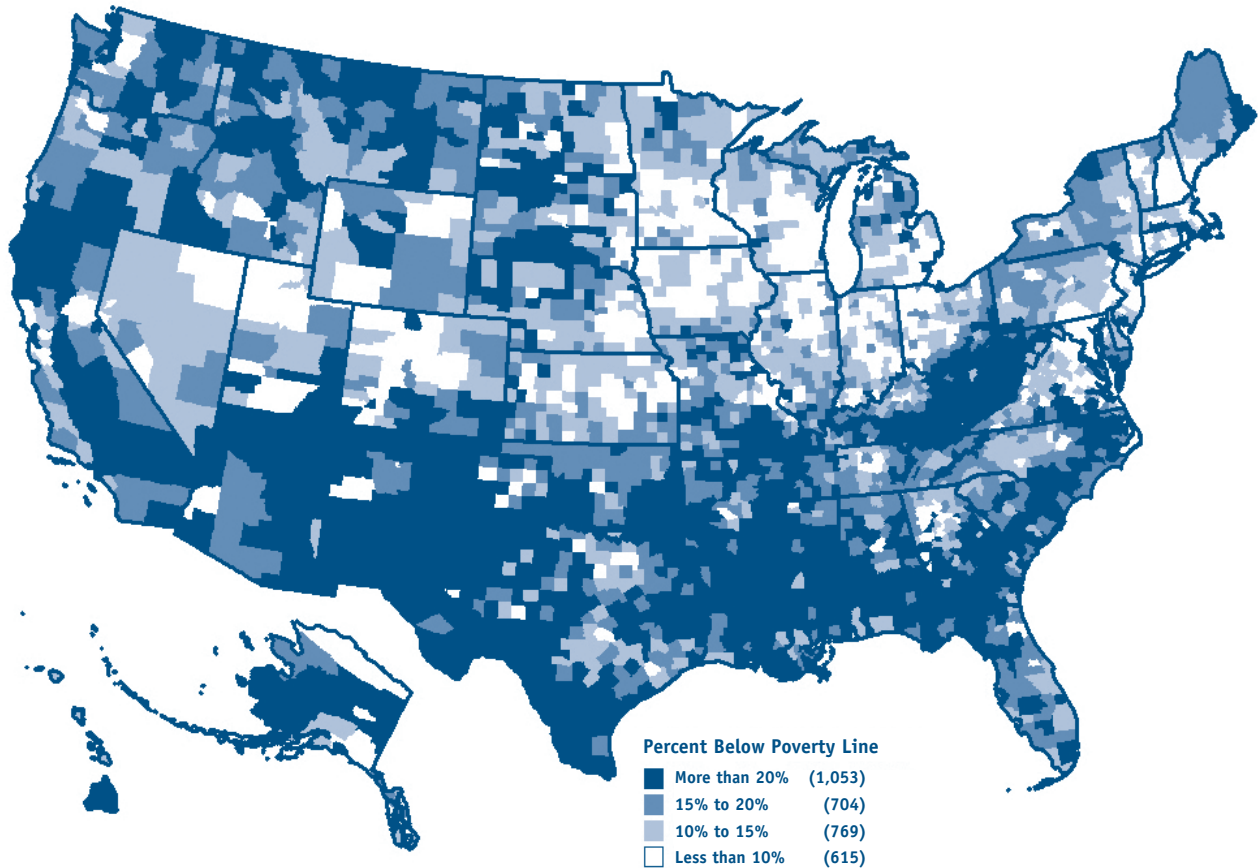
1990 to 11.9% in 2000. With this greater decline, the poverty rates between the two areas converged rapidly. Poverty rates were 41% higher in nonmetro than metro areas in 1990 but only 24% higher in 2000.

The large majority—roughly 85%—of high-poverty counties are classified as nonmetro. The good news, however, is that the number of these nonmetro high-poverty counties declined from 705 to 422, or 40%, during the 1990s (see Table 1). Moreover, the share of the nonmetro population living in high-poverty areas declined from 29% to 17% between 1990 and 2000. What is even more striking, given the intractability of very high poverty, is that those counties with the most extreme poverty (more than 40% of residents living in poverty) saw significant declines—about 75% in nonmetro areas. Clearly, concentrated poverty is drying up in some

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1. Daniel T. Lichter and Kenneth M. Johnson, “The Changing Spatial Concentration of America’s Rural Poor Population.” *Rural Sociology* 72(3):331–358.

MAP 1. Child Poverty Rate by U.S. Counties, 2000



Source: Census data supplied by Economic Research Service, U.S.D.A.

of America's rural pockets of poverty. Still, in 2000, no metro counties registered more than 40% of their population in poverty, whereas 12 nonmetro counties were in this category, albeit down from 49 counties in 1990.

### Child Poverty and Minority Poverty Remain Alarmingly High and Enduring

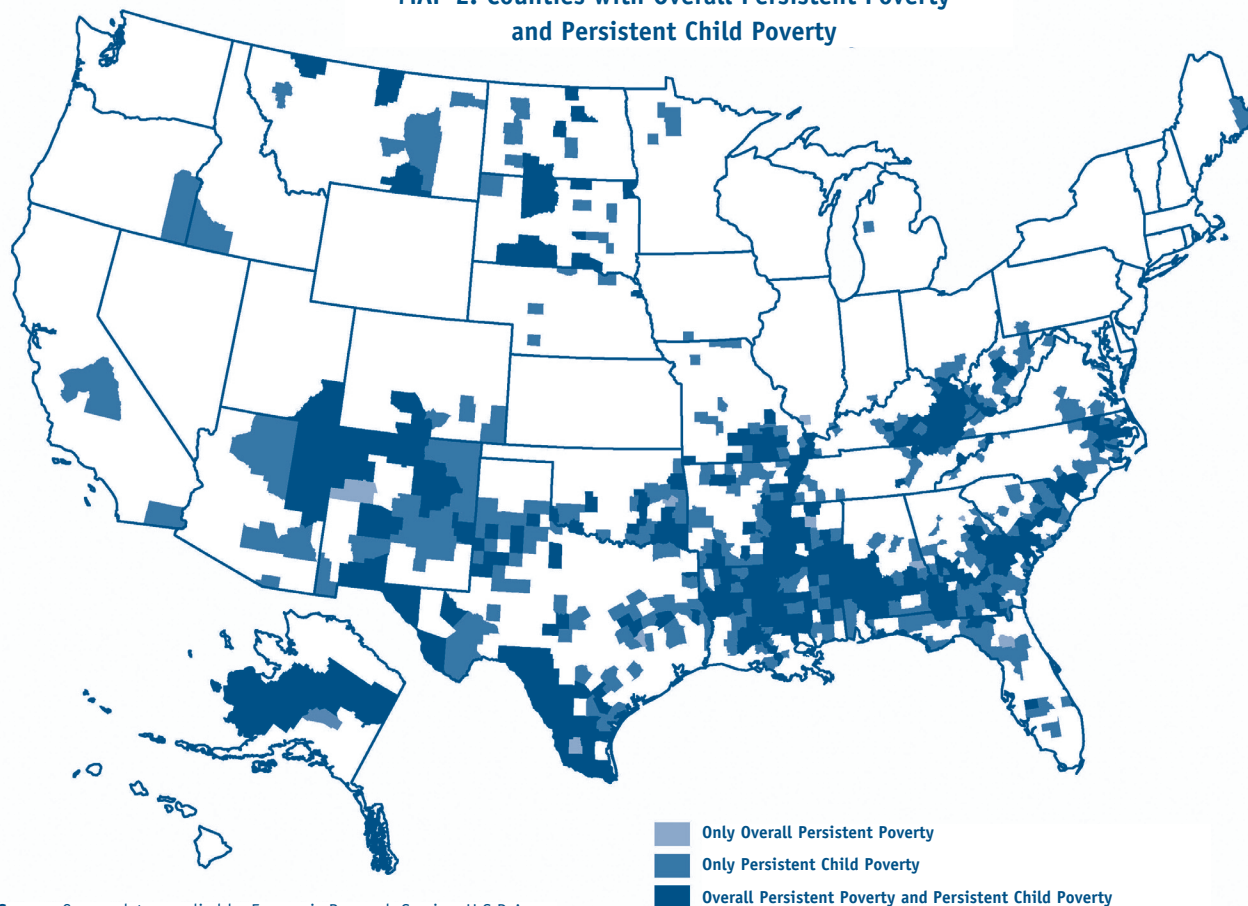
In 2005, 2.25 million nonmetro children were poor. Map 1 shows the child poverty rate in 2000. Very few areas of the country are untouched by child poverty, but the South, spanning east to west, is particularly affected. In many of the counties in the southern United States, 20% or more of children are in poverty. Furthermore, rural children are more likely to live in extremely high-poverty counties. More than one in 13 nonmetro children lives in counties with extremely high poverty (greater than 40%) compared with one in 109 nonmetro poor persons overall. Because poor children often become poor adults. Map 1 provides a pessimistic window to rural America's future.

This poverty is also often enduring. Map 2 provides

overlapping distributions of persistently poor counties (those counties with high poverty rates for at least three consecutive decades) and counties with persistently high child poverty (greater than 20% for three decades). Overall, 376 counties have overlapping patterns of persistent poverty and persistent child poverty. However, another 354 counties have persistently high rates of child poverty but not persistent overall poverty. Only 10 counties are characterized as having only overall persistent poverty. Clearly, child poverty is much more likely than poverty among other age groups to be highly concentrated and enduring.

Rural minorities are also much more likely to live in concentrated poverty than their metro and national counterparts. African-Americans in the Mississippi Delta, Mexican-Americans in *colonias* in the lower Rio Grande Valley, and Native Americans on reservations all face extremely high poverty rates. In communities in the Pine Ridge Indian Reservation in South Dakota, most recently in the news for its wave of teen suicides, more than half of the residents are poor. Most of these communities have been poor for decades. ►

**MAP 2. Counties with Overall Persistent Poverty and Persistent Child Poverty**



Source: Census data supplied by Economic Research Service, U.S.D.A.

These discrepancies are particularly stark among minority children. As the authors find, the overwhelming share (83%) of rural poor black children live in high-poverty counties (over 20% of residents are poor), as do 67% of Hispanic children. In comparison, less than half (41%) of white poor rural children live in poor counties. In addition, a disproportionately large share of minority poor children in rural areas live in persistently poor counties. Whereas only about 13% of all poor blacks nationally lived in persistently poor counties in 2000, 77% of all rural poor black children lived in such areas. The comparable figures for Hispanics are 10% and 47%.

In other words, the level of poverty concentration among poor rural minority children is extreme. Although concentrated poverty has abated, poor minority children are still highly ghettoized in rural America.

### Policy and Program Implications

Recent census data suggest that poverty rates inched upward with the economic recession in the early 2000s, which may have had the unfortunate effect

of reinforcing the concentration of poverty in many remote parts of rural America. Concentration and segregation of poor families have the insidious effect of perpetuating poverty. People in pockets of high poverty become increasingly cut off from the positive social connections, role models, and mainstream cultural norms of society. Their communities also suffer from limited resources, with fewer high-quality schools, services, and supports. Their children are at much greater risk of future poverty than others.

Although antipoverty policies and a strong economy in the 1990s put a significant dent in concentrated poverty in both rural and metro areas, rural children, and especially minority rural children, benefited much less. Rural children, therefore, may be more disadvantaged than ever, their futures jeopardized, and the gains the country made in poverty reduction may be short-lived without continued interventions.

The problem in rural America arguably is not one of too few jobs; it is too few *good* jobs. Programs such as the Earned Income Tax Credit (EITC), increases

**TABLE 1.**  
**Overall Poverty Rates by Percent Poor and Persistently Poor Status**  
**for U.S. Nonmetro and Metro Counties, 1990 to 2000**

		US				Nonmetro				Metro			
Living in counties with poverty population exceeding:		# of counties	% of population	% of poor	% of nonpoor	# of counties	% of population	% of poor	% of nonpoor	# of counties	% of population	% of poor	% of nonpoor
10%	1990	2,582	68.6%	83.5%	66.3%	1,842	85.5%	93.1%	83.9%	740	64.9%	80.6%	62.7%
	2000	2,249	63.5%	78.7%	61.4%	1,638	77.0%	87.6%	75.2%	611	60.7%	76.4%	58.6%
20%	1990	852	13.2%	25.0%	11.4%	705	29.2%	45.5%	25.8%	147	9.7%	18.6%	8.4%
	2000	494	8.1%	16.5%	7.0%	422	17.4%	29.9%	15.2%	72	6.2%	13.0%	5.3%
30%	1990	198	1.9%	5.2%	1.4%	181	7.0%	14.8%	5.4%	17	0.7%	2.2%	0.5%
	2000	85	1.4%	3.7%	1.0%	76	2.8%	6.6%	2.1%	9	1.1%	2.9%	0.8%
40%	1990	52	0.5%	1.6%	0.3%	49	1.6%	4.4%	1.1%	3	0.2%	0.7%	0.1%
	2000	12	0.1%	0.2%	0.0%	12	0.3%	0.9%	0.2%	0	0.0%	0.0%	0.0%
50%	1990	10	0.1%	0.3%	0.0%	9	0.3%	1.1%	0.2%	1	0.0%	0.0%	0.0%
	2000	3	0.0%	0.1%	0.0%	3	0.1%	0.5%	0.1%	0	0.0%	0.0%	0.0%
<b>Persistent Poverty</b>													
	1990	386	4.1%	9.6%	3.3%	340	14.0%	25.3%	11.7%	46	2.0%	4.8%	1.6%
	2000	386	4.0%	8.5%	3.3%	340	13.6%	24.2%	11.8%	46	2.0%	4.4%	1.6%

Source: U.S. Census Bureau

in the minimum wage, and rural economic development efforts, including bolstering entrepreneurship, are all policies the federal and state governments should continue and expand. The EITC has been called the largest antipoverty effort in decades, credited with lifting millions out of poverty—4.4 million in 2003 alone, more than half of them children.<sup>2</sup> Given that rural poverty is more likely than urban poverty to involve families with two adult workers, the EITC likely resonates more loudly in rural areas.

Wage increases in rural areas are even more necessary today as small-scale manufacturing and agriculture jobs are challenged by globalization and other economic

forces, often replaced by lower-paying service sector jobs. A good job, however, requires a good education, even in rural America. If the next generation of rural children are to gain the skills they need to compete in the global economy, rural deficits in education must be stemmed.

Finally, obtaining good health care is a particular challenge for the rural poor. There are far fewer physicians and dentists in rural than in urban areas. Access to health care facilities is further limited for the rural poor because many live in remote areas with limited access to autos and little, if any, public transportation. **RPRC**

2. Steve Holt, "The Earned Income Tax Credit at 30: What We Know." Washington, DC: Brookings Institution, 2006.

# Child Care Subsidy Use in Rural and Urban Oregon

Based on research by Elizabeth E. Davis, Deana Grobe, and Roberta B. Weber

As the other articles in this issue point out, poverty in rural areas is typically higher than in metro areas, job opportunities are fewer, and wages lower. In addition, rural poor households more often include two working parents. It would seem, then, that rural families might rely more on federal safety net and work support programs, such as food stamps, child care subsidies, and cash assistance. However, in their recent study on low-income Oregon families, Elizabeth Davis, Deana Grobe, and Roberta Weber find few differences in the use of public programs between nonmetro and metro families.<sup>1</sup> If anything, nonmetro Oregon families tend to participate for shorter periods despite living in areas with higher poverty and unemployment.

## Study Design

The authors compare use of federal work supports among 27,628 low-income metro and nonmetro single-mother families in Oregon with at least one child who entered the state's child care subsidy program between 1998 and 2000. Using administrative data from the state's child care subsidy program, the TANF program, the Food Stamp Program, the Client Maintenance System, and unemployment insurance wage data, the authors examine the patterns of use

over three years, following families as they cycle on and off these programs (alone or in combination) as their employment fluctuates. The authors compare experiences of those living in metropolitan areas in Oregon with two categories of nonmetro counties: micropolitan and noncore rural areas.<sup>2</sup>

Any distinctions they find between metro and nonmetro families in their use of work support programs could stem from different employment options or individual characteristics rather than the place itself (rural or urban). For example, if unemployment is higher or jobs less stable in nonmetro areas, child care subsidy use might naturally be shorter, given that the need for child care is often tied to jobs. On the other hand, if families in rural areas tend to have younger children than metro families, child care subsidy use might be higher in those areas. Therefore, in a separate analysis, the authors control for several factors known to influence child care subsidy use as a way

to determine those differences in the likelihood of exiting the child care subsidy program that can be uniquely attributed to "place." The factors they control for include characteristics of the child care, local economic conditions, employment changes, policy and program characteristics (such as the frequency of recertification and other enrollment requirements), race, parent's education, and ages of children in the family.

A snapshot of the study population shows that family income and structure differed little between the

**Nonmetro families were slightly less likely to use work supports and when they did, they used them for shorter periods—with one exception. Food stamps were slightly more common in nonmetro counties.**

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1. Elizabeth Davis, Deana Grobe, and Roberta Weber, "Participation and Employment Dynamics of Child Care Subsidy Users in Rural and Urban Oregon." RPRC working papers no. 07-01. (Corvallis, OR: Rural Poverty Research Center, 2007).

2. Micropolitan include at least one urban cluster of 10,000–49,000 people, plus outlying counties with strong economic and social relationships to a central county. Noncore counties have no population cluster larger than 10,000 and so typically are the most rural.

metro and nonmetro families (see Tables 1 and 2). This is not surprising given that the eligibility requirements of the child care subsidy program do not vary across the state. Average monthly income in the study population, for example, was \$570 in rural noncore areas, \$547 in micropolitan areas, and \$612 in metro areas. The oldest child in these families was age 5 in all counties. The mothers were, on average, age 28, and had less than a high school degree. Clearly, these are some of the most vulnerable families in the state. One difference between the metro and nonmetro areas is the unemployment rate, which in 2000 was nearly twice as high in micropolitan and noncore counties (10%) as in metro counties (5.8%).

### Use of Child Care Subsidies Differs Little by Locale

Overall, the employment experiences of families in the three types of counties are relatively similar, despite differences in the overall economic climate in these counties. As noted, unemployment rates were considerably higher in micropolitan and noncore counties than in metro areas, yet there were no substantive differences in employment stability of parents. About one-half of the parents in all locales were stably employed (that is, they reported wages in 9 of the 12 quarters examined). In addition, approximately one-fourth of families in all locales reported little or no employment over the study's duration, and another 28 percent had limited employment.

Parents in all counties frequently cycled on and off the child care subsidy program. The typical length of a stint using subsidies (a spell) ranged from 3.8 months in noncore counties to 4.3 months in metro counties (see Table 3). In a separate analysis, residents in noncore counties were found to be 9% more likely to exit the child care subsidy program than those in metro counties, after controlling for family demographic and local area characteristics. The authors found no differences

in the likelihood of exiting the program between micropolitan and metropolitan families. These more frequent exits led to shorter cumulative durations in the program over time. Over the three years, the cumulative number of months families used the program ranged from 10.5 for families in noncore areas to 11.1 for micropolitan families and 11.9 for metro families (see Table 4).

### Food Stamps Are an Important Support for Families

The dynamics are similar for the other work support programs. Noncore and micropolitan families were slightly less likely to use these services and when they did, they used them for shorter periods—with one exception. Food stamps were slightly more common in nonmetro counties. All but 5% of families in nonmetro counties relied on food stamps at some point compared with all but 8% of metro families. The median length of a food stamp spell ranged from 9.5 months in noncore counties to 10.8 in micropolitan counties (see Table 3). Cumulative use of food stamps was longer in nonmetro areas (see Table 4). Families in micropolitan areas used food stamps for 21.2 of the 30 months examined, on average, while those in noncore counties used them for 20.7 months, and metro families for 19.8 months.

Food stamps in fact are a key safety net program for low-income Oregon families. The most common combination of work

supports among those employed was a child care subsidy with food stamps. Among those not employed, the most common combination was food stamps and TANF. Food stamps are slightly more prevalent in noncore counties, although fewer in those counties receive other benefits along with food stamps.

One year after leaving the subsidy program, more than 80% percent of parents had not returned to child

**Taken as a whole, the dynamics of participation in these work support programs differed little between metro and nonmetro counties. On the one hand, the similarity in use may not be surprising given the similar profiles of these families. On the other hand, higher unemployment, lower wages, and higher poverty in nonmetro counties would suggest a greater need for work support programs.**

**TABLE 1. Demographic and Economic Characteristics of Metropolitan, Micropolitan, and Noncore Areas in Oregon, 2000**

	<b>METROPOLITAN COUNTIES</b>	<b>MICROPOLITAN COUNTIES</b>	<b>NONCORE COUNTIES</b>
	Benton, Clackamas, Columbia, Deschutes, Jackson, Lane, Marion, Multnomah, Polk, Washington, Yamhill	Clatsop, Coos, Crook, Curry, Douglas, Hood River, Josephine, Klamath, Linn, Malheur, Morrow, Umatilla, Union, Wasco	Baker, Gilliam, Grant, Harney, Jefferson, Lake, Lincoln, Sherman, Tillamook, Wallowa, Wheeler
Total population	2,742,810	677,290	139,496
Percent urban	76.9%	57.9%	25.7%
Median monthly housing costs	\$1,149	\$855	\$765
Median annual household income	\$43,196	\$34,192	\$32,356
Unemployment rate (January 2000)	5.8%	10.1%	10.3%
Single-parent families	12.5%	12.5%	10.5%
Average poverty rate	7.0%	10.3%	10.3%
No high school degree	12%	17%	17%
College degree	18%	23%	21%

Source: Census 2000

care subsidies, about one-half of whom were employed and 20% of whom were unemployed (the rest had no record of either employment or other benefits at that point in time). Most of the employed parents were no longer receiving either TANF or food stamps.

### Implications of Findings

Taken as a whole, the dynamics of participation in these work support programs differed little between metro and nonmetro counties. On the one hand, the similarity in use may not be surprising given the similar profiles of these families: single mother, similar low incomes, similar employment patterns. On the other hand, higher unemployment, lower wages, and higher poverty in nonmetro counties would suggest a greater need for work support programs. Given the overall similarity in patterns of use and consistency of policy

across the state, the higher exit rate from the subsidy program in rural noncore areas is a puzzle. Some have argued that stigma deters use. Stigma may indeed be greater in small towns, where everyone knows everyone, but these parents often continue to receive food stamps, which may also carry stigma. Another possibility is it may simply be more difficult to get to the office. Oregon requires reverification of eligibility at regular intervals, which might be onerous for rural families if the office is farther away and transportation is difficult (though in many cases families can recertify by phone or mail). These possibilities are mere speculation, however, until further surveys can be conducted to more fully examine the reasons behind the paradoxically shorter spells of participation in nonmetro areas.

The authors did find that families were more than twice as likely to exit the child care subsidy

**TABLE 2. Characteristics of Sample (based on first month of subsidy receipt) (N = 27,628)**

	METROPOLITAN	MICROPOLITAN	NONCORE
	Mean (SD)/ Frequency	Mean (SD)/ Frequency	Mean (SD)/ Frequency
Number of children in household	1.8 (0.01)	1.8 (0.01)	1.8 (0.03)
Number of children with child care subsidy in household	1.7 (0.01)	1.7 (0.01)	1.7 (0.03)
Age of youngest child (months) <sup>a</sup>	39.8 (0.23)	41.2 (0.42)	39.5 (0.93)
Age of oldest child (months) <sup>a</sup>	61.6 (0.30)	63.1 (0.54)	62.2 (1.22)
Parent's age (years) <sup>a</sup>	27.5 (0.05)	27.7 (0.09)	27.7 (0.21)
Parent's education level (years) <sup>a,b</sup>	11.1 (0.02)	11.4 (0.02)	11.4 (0.06)
Monthly household income <sup>a,b</sup>	\$612 (4.41)	\$547 (7.16)	\$570 (16.35)
Type of care <sup>d</sup>			
Center care	22.0%	16.0%	14.7%
Home-based facility	58.0%	62.8%	65.1%
In-home provider	5.3%	6.1%	5.5%
Relative care	14.8%	15.1%	14.7%

a. Difference in means between metropolitan and micropolitan is statistically significant at the 5% level.

b. Difference in means between metropolitan and noncore is statistically significant at the 5% level.

c. Difference in means between micropolitan and noncore is statistically significant at the 5% level.

Mean comparison tests use the Bonferroni adjustment.

d. Difference in proportions across county types significant at the 1% level.

SD = standard deviation

**TABLE 3. Median Length of First Observed Spell of Program Participation (months)**

	METROPOLITAN	MICROPOLITAN	NONCORE	ALL
Child care subsidy <sup>a,b,c</sup>	4.3	4.1	3.8	4.2
TANF <sup>b,c</sup>	5.5	5.5	4.6	5.5
Food stamps <sup>a,c</sup>	9.7	10.8	9.5	9.9

a. Difference in means between metropolitan and micropolitan is statistically significant at the 5% level.

b. Difference in means between metropolitan and noncore is statistically significant at the 5% level.

c. Difference in means between micropolitan and noncore is statistically significant at the 5% level.

**TABLE 4. Cumulative Months of Subsidy Use by Type of County**

	METROPOLITAN	MICROPOLITAN	NONCORE	ALL
Percentage of Families <sup>d</sup>				
1–3 months	20.5	22.6	24.8	20.9
4–6 months	16.1	17.5	18.7	16.4
7–12 months	23	23.4	22.4	23.1
13–18 months	17.3	16.1	15.9	16.9
19–36 months	23.1	20.4	18.2	22.6
Cumulative number of months in program over 3 years (mean)				
Child care subsidy <sup>a,b</sup>	11.9	11.1	10.5	11.8
TANF <sup>b,c</sup>	6.0	6.3	5.0	5.9
Food stamps <sup>a,b</sup>	19.8	21.2	20.7	20.1

- a. Difference in means between metropolitan and micropolitan is statistically significant at the 5% level.  
 b. Difference in means between metropolitan and noncore is statistically significant at the 5% level.  
 c. Difference in means between micropolitan and noncore is statistically significant at the 5% level.  
 d. Difference in proportions across county types significant at the 1% level.

program in a month in which their eligibility ended, and they were more than three times as likely if participating in employment-related child care assistance. The relatively short child care eligibility periods (3–4 months for child care versus 6 months for food stamps) appear associated with short child care subsidy spells across the state, regardless of the type of county.

The findings also point to the importance of the Food Stamp Program in supporting both metro and non-metro families. With the changes under welfare reform in 1996, food stamps are now often viewed as the last remaining safety net for poor families. The families in this study relied on food stamps in 20 of the 36 months

observed, on average, and rural families were slightly more likely to combine food stamps with work than metro families. It is here that we perhaps see the effect of lower wages and fewer job opportunities in rural areas. When wages do not stretch as far in a family budget, food stamps can help to fill the cupboards.

Finally, the authors found differences in program participation between micropolitan and noncore counties. These results underscore the importance of recognizing the diversity within the nonmetro category both in economic opportunities and in barriers to participation. **RPRC**

# New Views on Causes of Rural Poverty

Based on research by Monica Fisher

An individual living in a rural community is nearly twice as likely to be poor than the identical person living in a metro area. The reasons for this disparity have been largely attributed to structural factors, such as differences in economic and social opportunities. Nonmetro labor markets, for example, generally offer fewer job options, and work tends to be concentrated in minimum wage and part-time jobs offering limited security and little room for advancement. Further, as Rupasingha and Goetz show in their article in this issue, the local political and social context of many nonmetro areas can make it hard for people to succeed economically. In this structural view, the area itself causes poverty.

**It appears that, to some degree, those with lower education are choosing rural, rather than urban, areas to live.**

Monica Fisher in a recent article explores the other side of the coin, asking whether the higher risk of poverty in nonmetro areas *partly* reflects the tendency of people with personal characteristics linked to poverty (for example, low education) to be attracted to nonmetro places or otherwise reluctant (or unable) to leave them. She finds, in fact, a case for both scenarios.<sup>1</sup>

## Study Design

Fisher uses nine waves of the Panel Study of Income Dynamics (PSID) to track economic well-being and residential choices among a sample of 2,007 nonmetro and metro householders. Rather than using the federal

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poverty thresholds as a measure of economic well-being, Fisher uses an income-to-need ratio. The federal poverty thresholds have been criticized for, among other things, not adjusting for cost of living. Failing to account for the typically lower cost of living in nonmetro areas (specifically housing costs) can overestimate the numbers in poverty there. Therefore, Fisher uses fair market rent data in the income-to-need ratio to account for cost-of-housing differences across metro and nonmetro areas.

Fisher uses several multivariate regression models to examine the degree to which the sorting of people with low-income capacity into nonmetro areas explains differences in poverty rates. The logic of her strategy is that if people with a higher propensity to be poor tend to sort themselves into nonmetro areas (either by remaining there or moving into the area), then imposing controls for personal attributes related to low income should reduce the negative nonmetro effect considerably. Therefore,

she first analyzes a base model that excludes controls for householder education and unobserved individual differences, after which she redoes the analysis controlling for education, and then for unmeasured income capacity using an individual fixed-effects specification. The approach amounts to an examination of the omitted variable bias that occurs when a researcher omits from the equation key factors that are associated with both economic well-being and nonmetro residence.

## The Interplay between Structural and Individual Factors in Rural Poverty

Fisher finds first that, without controlling for education (a key personal characteristic that influences income), household poverty is 9% lower in metro than nonmetro areas. Controlling for education reduces the difference to 7%. Because controlling for education reduced the metro-nonmetro gap by 30%, it appears that, to some degree, those with lower education are choosing rural, rather than urban, areas to live. Perhaps, for

1. Monica Fisher, "Why is U.S. Poverty Higher in Nonmetropolitan Than in Metropolitan Areas?" *Journal of Growth and Change*, vol. 38, no. 1 (March 2007), pp. 56–76.

example, individuals with low education and limited work experience are drawn to areas with less competition and more low-skilled jobs. Or perhaps it is cheaper to live in these places, which would make it easier to stretch lower earnings. Rural communities also offer greater possibilities for informal work, which can help buffer low wages. These findings, therefore, lend support to a “residential sorting” theory that suggests people with characteristics that also place them at higher risk of poverty tend to prefer rural over urban locales.

However, Fisher also finds indirect support for the structural-conditions theory of poverty. Controlling for unobserved heterogeneity that varies little over time (which might include such things as work ethic, social skills, or motivation) leads to an increase in the nonmetro-metro gap rather than reducing it, as might be expected if only human capital explanations were in play. The income-to-need ratio among individuals who are otherwise identical is 15% lower in nonmetro than metro settings after controlling for these types of attributes. This result supports the notion that economic well-being is lower in rural areas because of fewer economic opportunities and lower wages.

Fisher’s analysis on mobility finds that moving to metro areas had no immediate effect on a householder’s economic security. However, when individuals in metro areas move to nonmetro areas, their economic security declines by 30%, even after controlling for education. This further supports the

finding that otherwise similar individuals will fare worse economically in nonmetro than metro areas.

### **Policy and Research Implications**

Taken together, these findings suggest that the enduring nonmetro poverty is explained both by preferences of individuals with low human capital (education in this case) for nonmetro areas and by reduced economic opportunities in those areas. As such, they point to the importance for policy of focusing on both human capital (education and job skills) and the area’s economic conditions in lowering poverty.

Antipoverty policies in rural areas should recognize the interplay between personal preferences and economic conditions that perpetuate poverty in these areas. As past research has shown, poor people tend to circulate between poor communities (see *Perspectives*, vol. 3, no. 2), and as noted above, those with backgrounds that increase their risk of poverty tend to gravitate to rural communities. Therefore, particularly in places of persistent poverty, programs and grants to boost education and job skills would be a logical approach to breaking the chain of poverty. However, the local conditions—whether that be geographic isolation or a one-industry town—can impede these efforts by sapping motivation among those growing up in rural areas to get more education. Therefore, supporting economic development efforts that focus on diversifying local economies, promoting entrepreneurship, and creating new markets should go hand in hand with any efforts to build human capital. **RPRC**

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