

# Rural Poverty: Why Should States Care and What Can State Policy Do?

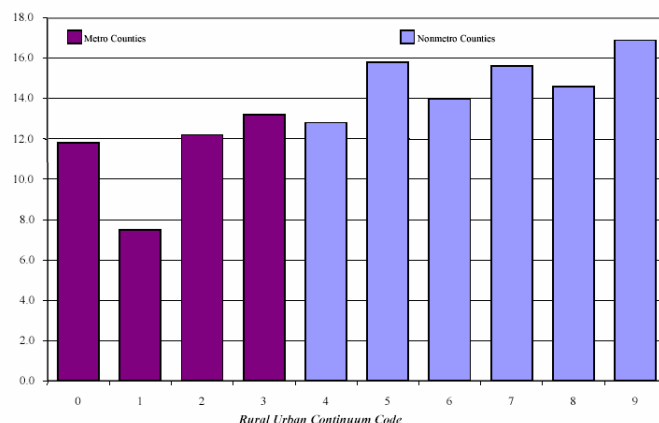
**Bruce A. Weber**  
*Oregon State University - USA*

Poverty is not evenly distributed across the American landscape. At the county level of aggregation, poverty is overwhelmingly a rural problem, with the most remote rural places at the greatest disadvantage.<sup>1</sup> Although research has shown that “place matters” in poverty outcomes and policy impacts, most antipoverty policy in the U.S. is essentially place-blind, not considering how differences among places in economic or social conditions might affect policy outcomes. This paper makes the case that state policy should give renewed 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.

## Rural Poverty

Two stylized facts characterize how U.S. county-level poverty is a rural problem.<sup>2</sup> First, county-level poverty rates in 1999 are lowest in the suburbs (the fringe counties of large metropolitan areas) and increase as counties become more rural, with the highest poverty rates in remote rural areas (nonmetropolitan counties not adjacent to metropolitan areas; see Figure 1).

Second, persistent poverty is disproportionately found in rural areas. Almost one in eight counties had persistent poverty, defined as poverty rates of 20 percent or more in each decennial census between 1960 and 2000. These persistent-poverty counties are pre-



**Figure 1.** Poverty rates along the rural-urban continuum (US Census Bureau and USDA ERS).

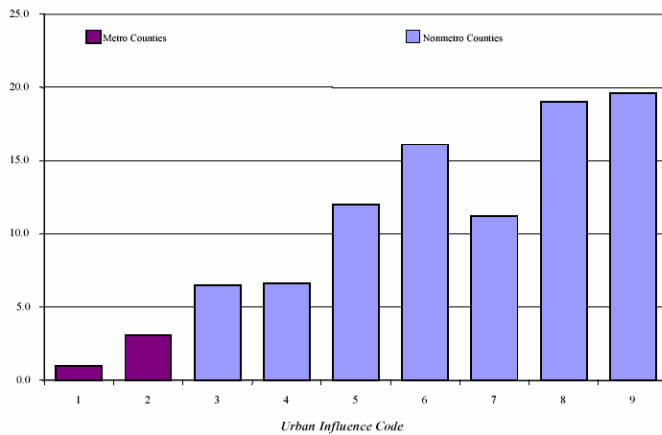
dominantly rural, with 95 percent being nonmetro. Further, persistent poverty status is more prevalent among less populated and more remote counties. While less than 7 percent of nonmetro counties adjacent to large metropolitan areas are persistent poverty counties, almost 20 percent of completely rural counties not adjacent to metropolitan areas are persistent poverty counties (see Figure 2).

High poverty rural counties tend to have distinctive concentrations of racial/ethnic minorities. “Virtually all (94 percent) of these counties reflect historic geographic concentrations of minority [black, Hispanic, Native American] or Southern Highlands populations” (Beale, 2004, p.27.) According to Jensen et al. (2003, p. 124), “a defining characteristic of rural minority poverty is its clustering in places proximate to areas like the Delta, the four corners region in the

<sup>1</sup> At the tract level, the highest poverty rates are found in urban cores and remote rural areas.

<sup>2</sup> This section of the paper draws heavily on Miller and Weber (2004).

Southwest and American Indian reservations, in which these groups were subjugated historically.”



**Figure 2.** Percent of counties in each Urban Influence Code in Persistent Poverty (US Census Bureau and USDA ERS).

## Local Context

Much has been learned during the past decade about how “place” affects poverty and the impact of federal and state policies on employment and poverty.<sup>3</sup> Two findings are of particular importance as states try to define their potential role in poverty reduction. First, local economic conditions matter. Local job growth appears to have poverty reducing effects, particularly in high poverty census tracts (Crandall and Weber, 2004) and persistent poverty counties (Partridge and Rickman, 2005). But work and work effort are generally less effective in moving people out of poverty in rural places (McLaughlin and Jensen, 1993; Brown and Hirschl, 1995; Lichter, Johnston, and McLaughlin, 1994). Cotter (2002) found that labor market conditions account for half the difference in poverty odds between rural and urban places. Second, social capital matters. Communities with higher social capital—greater civic participation and organizational membership—saw greater poverty reduction in the 1990s (Rupasingha and Goetz, 2003). Increased social capital reduces poverty most in high-poverty tracts (Crandall and Weber, 2004).

These two findings highlight the particular importance for poverty reduction of improving local job opportunities and institutions.

## Why State and Local Policy is Important

There are at least two reasons why state and local policy has become increasingly critical in the nation’s attempt to reduce poverty, and two additional reasons why state and local policy should target rural areas.

First, social policy is devolving from the Federal to state and local governments. The 1996 welfare reform law gave states block grants with much more discretion in lowering barriers to work (e.g., increasing income disregards in calculating benefits) and increasing asset limits (Gais and Weaver, 2002). Many states have also taken the initiative in increasing state earned income tax credits (Berube, 2005). Local human service systems, furthermore, have re-engineered themselves, streamlining program entry and working to ensure continuity of coverage in Food Stamps and Medicaid for those leaving welfare. (Fossett et al., 2002).

Second, the success of antipoverty policy depends on local job opportunities and the effectiveness of local intermediaries and social networks, which can be influenced by state/local policy. Antipoverty policy over the past two decades has become more work-related. The nation’s major welfare program—Temporary Assistance to Needy Families—was redesigned in 1996 to provide incentives for working and sanctions for not working (Moffitt, 2003). Most public spending on means-tested transfer programs, eligibility for which is conditioned on having low income, is for in-kind medical and food security programs, work-related tax credits, and work-related support services (e.g., child care subsidies, job training), not cash welfare payments (Moffitt, 2003, p. 7). This policy shift recognizes that most poverty is “working poverty”. Blank (1997, p. 31) reports that *most* (63 percent) of poor households had at least one worker, and single mothers worked somewhat more than they did twenty years previously. The policy shift also recognizes that work can be a major route for exit from poverty.

Local context becomes increasingly important in a work-oriented antipoverty strategy. The success of unemployed poor adults in getting jobs has been shown to depend on local labor market conditions (Davis et al., 2003), and communities with higher levels of social capital, other things equal, experienced greater declines in poverty during the 1990s (Rupasingha and Goetz, 2003).

Bartik has shown that “state and local policies can have large effects on local growth, and local growth has important long-run effects on individuals’ job prospects” (1991, p.207). And Flora and Flora (2003) have argued that states play a key role in the development of local social capital through decisions about

<sup>3</sup> The section of the paper draws from Weber et al. (2005)

state funding, building use and local administrative flexibility.

There are two additional reasons to focus this effort to provide economic opportunity and strengthen institutions in *rural* areas. First, as noted above, poverty is more prevalent in rural than urban areas. Second, social policy appears to face additional barriers to effectiveness in rural areas. In a study of the effect of the social policy changes of the 1990's on employment and poverty among rural and urban female-headed households, Weber et al. (2004) concluded that "rural and urban areas differ in personal characteristics of the population, local labor market conditions, work barriers, or availability of services [in ways] that make it more difficult for the social policy changes to move single mothers in rural areas into employment and out of poverty" (p. 48).

## State Strategies

There are five broad strategies and associated policies that states might pursue in reducing poverty, particularly in rural areas:

**Support locality-based economic development.** Meckstroth et al. (2003) suggest that "wage subsidies, tax credits and low-income loans to employers are incentives that ... policymakers might consider for disadvantaged rural areas. Such tools can act as incentives for employers to expand their business, create new jobs, hire low- and semiskilled workers and offer services like on-site child care and van shuttles" (p. xxv). Jensen (2006) argues for regional cooperation and for including "poverty and underdevelopment among explicit criteria to retarget economic development funds to places most in need."

**Build community capacity and institutions.** Jensen (2006) suggests that policies to reduce poverty focus on "establishing the right conditions for new industry clusters to emerge." Among the key conditions are "institutions that champion knowledge creation, a business culture that supports entrepreneurship... [and] institutions of higher education (such as rural community colleges and land-grant universities)." The evidence from workforce development evaluations suggests that institutional collaborations—for example, the participation of business and community colleges in workforce investment initiatives—can improve employment outcomes for low-income workers (Hamilton, 2002).

In their recent collection of studies on the low-wage U.S. workforce, Appelbaum et al. highlight the critical role played by government and regional labor market institutions such as training consortia, multi-

employer agreements to establish strong job quality and productivity norms, and interfirm cooperation to set industry standards, as attempts to improve the prospects for workers without college degrees. They argue that the growth of such labor market institutions "cannot happen without a conscious decision by government to create the conditions that nurture high-performance work organizations" (Appelbaum et al. 2003, p. 25).

**Make work pay.** The important changes in social policy in the 1990's—the expansion of federal and state Earned Income Tax Credits, welfare reform, minimum wage increases, and the expansion of Medicaid and child care subsidies—all focus on making work pay. Of particular importance has been the expansion of Earned Income Tax Credit (EITC), which disproportionately benefits rural areas. States can enhance these policies. At least 14 states have created state earned income tax credits that supplement the federal EITC, and 27 provide some type of child and dependent care credit (Berube, 2005).

**Increase work supports.** Access to reliable transportation and high-quality child care are critical to successful labor market outcomes of low income adults. "Public van services, low-cost car loans, and good-quality, accessible care during nonstandard work hours may be particularly vital in rural areas with limited resources" (Meckstroth et al., 2003, p. xxv).

**Enhance worker productivity.** Public education and workforce development have been shown to have important beneficial effects on earning capacity. In their review of the policy evaluations of workforce development of low-income workers, Holzer and Martinson conclude that "[e]ducation and training job training are most successful when they provide workers with credentials that employers recognize, such as associate degrees, and when the training provides skills that match private-sector demands in the local labor market" (2006, p. 36).

There do not appear to be any silver bullets for reducing poverty. There is a need for flexibility and creativity in policy design tailored to particular opportunities and challenges for individual states and localities. Holzer and Martinson found that "[p]rograms based on mixed strategies—including training, various supports and services, financial incentives, and better access to employers—have worked well, especially in an environment where the pressure to get a job is strong" (2006, p. 36). Furthermore, implementation issues are a key to success of antipoverty policy. One of the lessons from the evaluation of the Rural Welfare-to-Work program was that skilled staff, careful training and administrative oversight and perform-

ance incentives may be particularly important for successful implementation of policies to reduce poverty in rural places (Meckstroth et al., 2006).

## Conclusion

The current policy environment emphasizes strategies that invest in people and provide incentives for people to work over strategies that invest in places. However, the realities of poverty—that most poor adults work—and policy—that antipoverty policy is becoming more work-oriented, community-context-dependent, and tailored to community needs by local governments and nongovernmental intermediaries—make state efforts to strengthen local economic opportunity and local institutions increasingly important in poverty reduction efforts. The higher incidence of poverty in rural America and the evidence that current antipoverty policies are less effective in rural areas give added urgency to the task of crafting community-based policies that strengthen economic opportunity, local institutions, work supports and worker productivity in rural places.

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