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## **Poverty in the West: Changing Fortunes from 1990 – 2000**

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### **Introduction**

Living in poverty - having income that is inadequate to cover expenses for basic necessities - remains a problem in the United States. Poverty has many causes, and thus poverty rates vary by race, ethnicity, educational attainment, age, family structure, and region of the United States. Children who grow up in poverty are substantially less likely to graduate from high school or college, limiting their future opportunities (Schiller 1998). Governmental and nongovernmental organizations have attempted to reduce poverty and its negative effects, although the proportion of the national budget dedicated to poverty-alleviation programs remains small.<sup>2</sup> The daily struggle of those in poverty to stay fed, clothed, and housed, continues to grind individual spirits as well as bodies.

The number of people in poverty and poverty rates have been estimated by the Census Bureau since the mid-1960s, using a consistent – though often criticized – poverty threshold.<sup>3</sup> The ‘poverty line’ is an inflation-adjusted threshold value (varying by family size and composition) of the annual income thought to be adequate to meet basic necessities. Those whose incomes exceed that line are not poor; those below are poor. For a family of four with two children in 2004, the income threshold was \$19,157.

### **The Current State of Poverty and Recent Changes Across the United States**

Data have consistently shown that the likelihood of being in poverty increases for those who are African-American, Native American, or Hispanic (to name the major minority groups); those who have less education; children; and those in single-parent families. Regionally, the South has long held the dubious distinction of having the highest, and most persistent, rates of poverty. The Economic Research Service of the USDA has classified counties as “persistent poverty” if they have had poverty rates of at least 20% in every decennial census since 1970: 386 counties were considered persistent poverty in 2000, with over 70 percent (280) of those being non-metropolitan, Southern counties (Joliffe 2004). The South is still the region with the lowest real median income at \$39,823 (DeNavas-Walt, Proctor, and Mills 2004).

However, there are reasons to be concerned about other regions as well. Poverty rates declined nationally between 1990 and 2000, but two regions experienced increases in poverty rates over the same time period. The Northeast rate increased but remained below the national average. The poverty

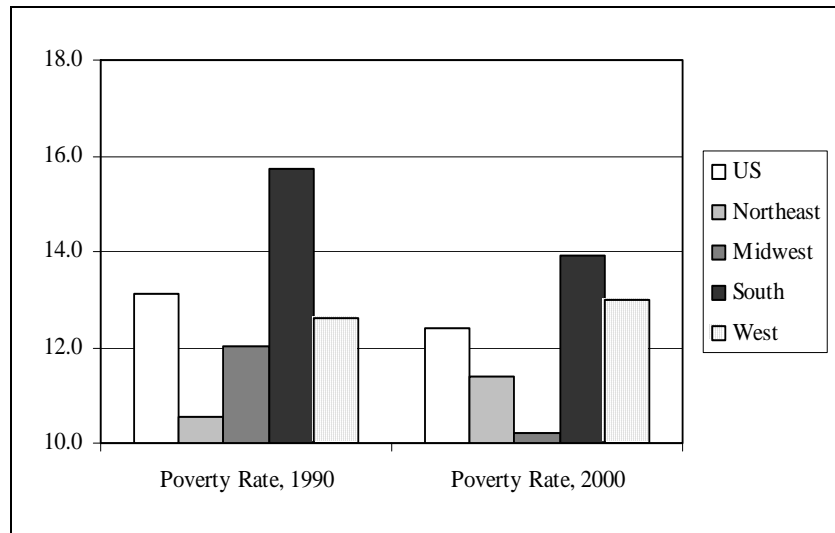
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<sup>2</sup> Most income-transfer programs (both cash and in-kind benefits) provided by the government fall into one of two categories: means-tested, for which you must be poor or low-income to qualify for assistance; and event based, for which you qualify based on certain events, such as losing a job or turning 65. Annual Federal spending on the major welfare income transfer programs in the late 1990s was over \$800 billion (Schiller 1998). During this period, the major “event-based” social insurance program Social Security (not including Medicare) was 1.5 times the size of all the welfare (means-tested) programs combined.

<sup>3</sup> The poverty threshold was originally determined by multiplying the cost of the USDA Economy Food Plan for households of different sizes/composition by three (since food expenses in the 1950s were one-third of the average family’s total expenses). Many criticisms of the poverty measure focus on this methodology and on the absence of interarea cost of living adjustments.

rate in the West rose from 12.7% in 1990 to 13.7% in 2000, bringing the West above the national average, and the West and South closer in terms of poverty rate (figure 1)<sup>4</sup>.



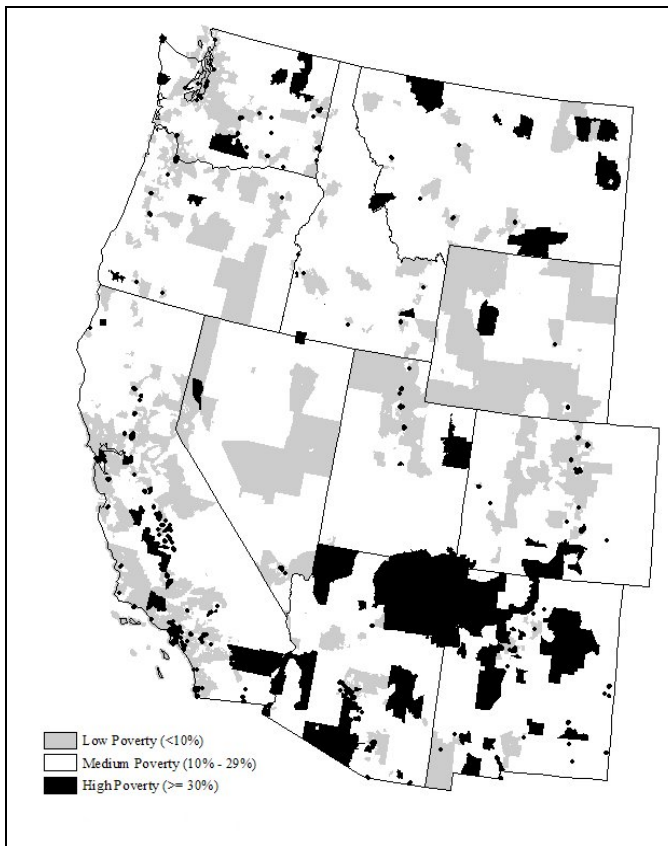
**Figure 1.** Poverty rates by region (%), 1990 and 2000.

The 1990 average tract poverty rate for the United States was 13.9%. This rate is significantly higher than the 12.7% average poverty rate for western tracts. High poverty tracts in the West – those with poverty rates of at least 30% – were predominantly in Native American reservations, in agricultural and extractive-industry areas, and central cities (black areas of figure 2; central city tracts are shown as points that are larger than actual size)<sup>5</sup>. Low poverty areas, those with rates below 10% (shown in gray), are scattered throughout the West.

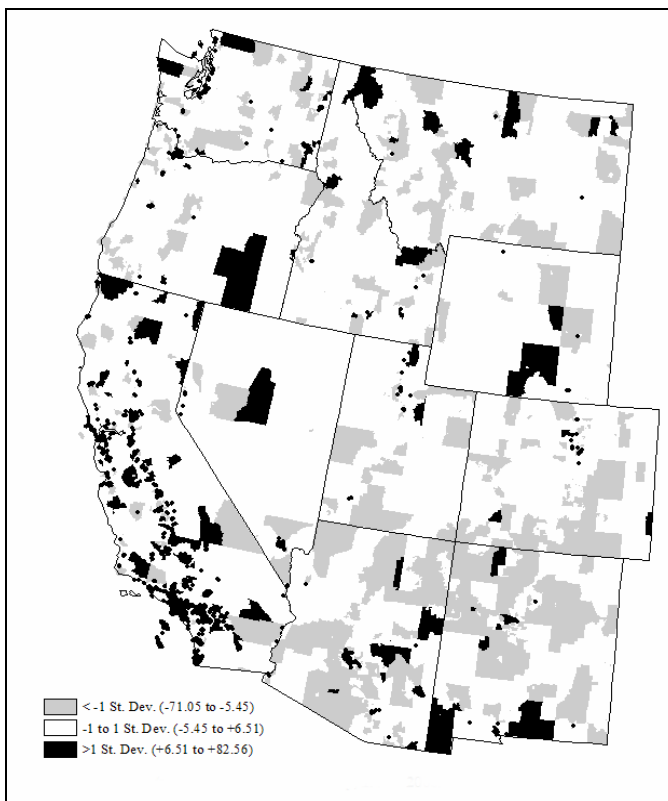
A different picture emerges by 2000. The average change in poverty across the United States between 1990 and 2000 was a decline of 0.44 percentage points. In comparison, the average change for western tracts was an increase of 0.53 percentage points. Displayed in black in figure 3 are areas with increases at least one standard deviation above the mean for the region, or increases in poverty of at least 6.51 percentage points. As in the rest of the nation, significant declines were seen over the decade of the 1990s in areas that were high poverty at the beginning of the period. In contrast, increases were seen in much of California's Central Valley, the semi-arid agricultural and ranching regions across the West, and in town centers. Given that cost of living differences are not built into the poverty estimates, this trend suggests that incomes have not grown as fast in the West as in other regions, and/or that household sizes have increased faster than incomes in the West.

<sup>4</sup> Unless stated otherwise, data are regional aggregations from the U.S. Census Bureau short form and long form data gathered in 1990 and 2000. Income is for the previous year (1989 and 1999).

<sup>5</sup> Tracts are areas of 2,000 to 8,000 people, delineated following each census, and defined by population characteristics. In urban areas they approximate neighborhoods. In rural areas they are larger and more heterogeneous, but more homogenous than counties. Our threshold of at least a 30% poverty rate for high-poverty tracts is an attempt to capture both the homogeneous urban poor tracts as well as the more heterogeneous rural tracts. The research discussed below of urban tracts uses a more stringent value of 40% for identifying high-poverty tracts, while the USDA-ERS (as discussed previously) uses a threshold rate of 20% to capture high-poverty counties.



**Figure 2.** Tract poverty rate, 1990.



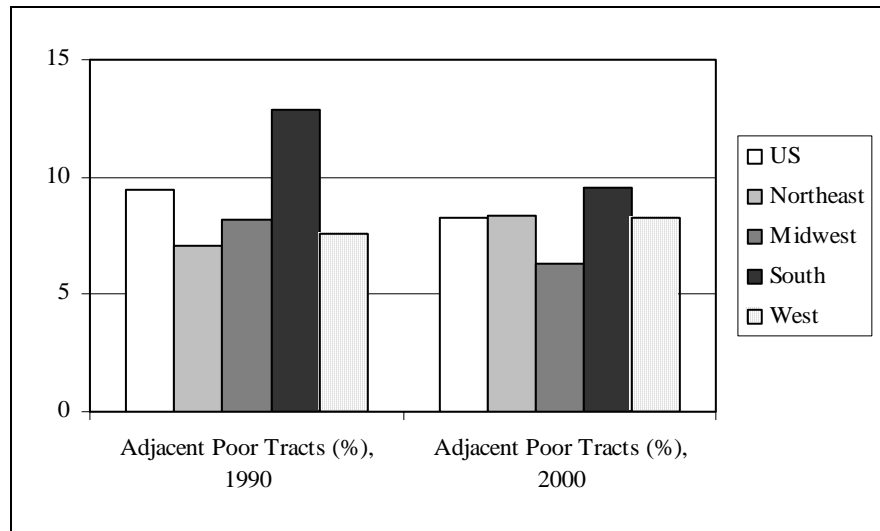
**Figure 3.** Percentage-point change in poverty: 1990 – 2000.

### **The Geographic Distribution of High Poverty Areas: Increased Spread of Poverty in the West**

The increase in poverty in some areas would not be as worrisome if it were only a sign of neighborhoods becoming less economically segregated - if it were a sign of convergence of poverty rates among neighborhoods, with rates decreasing in higher-poverty areas and increasing in lower-poverty areas as a result of migration from one to another. Indeed, some researchers have found a nationwide decline in the concentration of poverty (the percentage of the poor in a given city or region that reside in high poverty tracts) in metropolitan census tracts between 1990 and 2000 (Jargowsky 2003; Kingsley and Pettit 2003). The steepest declines in number of high poverty tracts were in the Midwest and South. In the West, as seen in Figures 2 and 3, there was some convergence as tracts in the Southwest that had high poverty rates in 1990 saw large declines in poverty and many low poverty tracts in 1990 saw increases in poverty rates. But in the West, this is occurring within the context of increasing poverty, with the number of high poverty tracts increasing over the period and the number of people who reside in high poverty areas in the West rising by nearly 300,000, to 1.6 million. By 2000 there were over 8 million individuals living in poverty in the West.

The increases in poor tracts are of concern as there is evidence that neighborhoods matter: that living in a very poor neighborhood has an additional negative effect on social and economic outcomes, even after controlling for demographics (Jargowsky 1997). The “neighborhood effect” of living in a high poverty area may be due to limited opportunities for residents in terms of education and employment, a “ghetto” culture, and/or a lack of role models and positive social networks. This effect may be particularly harmful to children, who are unable to migrate away from such conditions, and who are accumulating much of their human capital.

There is another type of “place effect” that may hinder poverty reduction: the effect of being in a “poverty pocket” (Crandall and Weber 2004). We have attempted to determine the effect of being in a “pocket” of poverty – and thus the effect of “neighboring high poverty neighborhoods” – on changes in a tract’s poverty rate. Pockets of poverty are agglomerations of high poverty tracts, whose concentration may exacerbate problems and obstacles found in poor neighborhoods. To determine the extent to which any given tract was in a pocket of poverty, the proportion of each tract’s immediate neighbors with poverty rates of at least 30% was calculated for both 1990 and 2000. The change in adjacency to poor tracts over the decade mirrors the overall poverty changes. Nationwide, there was a decline in the adjacency to high poverty areas signaling a shrinking of poverty pockets. In the West and the Northeast, however, there was an increase in the proportion of tracts with high poverty neighboring tracts (figure 4), an expansion of high poverty pockets. Crandall and Weber (2005) found that, other things equal, poverty rates declined more slowly in tracts with higher proportions of adjacent high poverty tracts.



**Figure 4.** Adjacency to poor tracts by region (%), 1990 and 2000.

### **What Affects Poverty and Poverty Change?**

Conventional wisdom holds that increases in job growth and in educational attainment are critical components to reducing poverty, while increases in the number of families at high risk of being poor increases poverty (for example, those with limited English, large families, or single-mother families). Those of ethnic or racial minority groups experience much greater poverty rates than non-Hispanic whites (table 1).

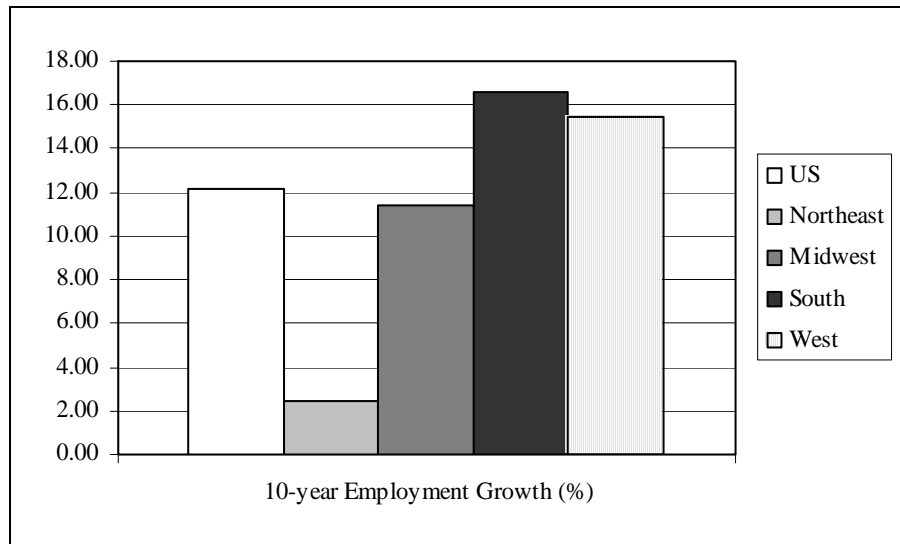
**Table 1.** Poverty rates by race, 2000.

|  | U.S. | Northeast | Midwest | South | West |
|--|------|-----------|---------|-------|------|
| White alone, Non-Hispanic              | 8.1  | 7.3       | 7.5     | 9.1   | 8.2  |
| African-American/Black alone           | 24.9 | 23.7      | 26.0    | 25.5  | 21.5 |
| Native American/Alaska Native alone    | 25.7 | 24.8      | 26.9    | 20.6  | 28.6 |
| Asian alone                            | 12.6 | 14.4      | 13.0    | 11.5  | 12.1 |
| Native Hawaiian/Pacific Islander alone | 17.7 | 22.4      | 14.8    | 16.2  | 17.8 |
| Other race alone                       | 24.4 | 29.0      | 19.6    | 24.2  | 24.0 |
| Two or more races                      | 18.2 | 20.9      | 18.7    | 18.4  | 16.5 |
| Hispanic, any race                     | 22.6 | 26.1      | 18.2    | 22.8  | 22.2 |

Studies of poverty rates and dynamics in relation to key demographic and economic variables have partly been motivated by concerns that increases in job growth no longer led to large declines in poverty during the 1990s (Blank 1997). Recent multivariate research has examined the empirical determinants of poverty changes across the United States at both the tract and county level (Crandall and Weber 2005; Rupasingha and Goetz 2003) with mixed results. In Crandall and Weber (2005), the effect of recent county employment growth was statistically significant in explaining tract-level poverty rate changes, but the effect was not large - a 0.02 percentage-point additional decline in poverty for a one percentage point increase in employment growth. Furthermore, the higher the proportion of the population with a college education in 1990, the greater the tract-level poverty declines during the 1990 – 2000 period. In Rupasingha and Goetz (2003), on the other hand, neither county job growth nor the share of population with a college degree were significantly related to county poverty rate reduction.

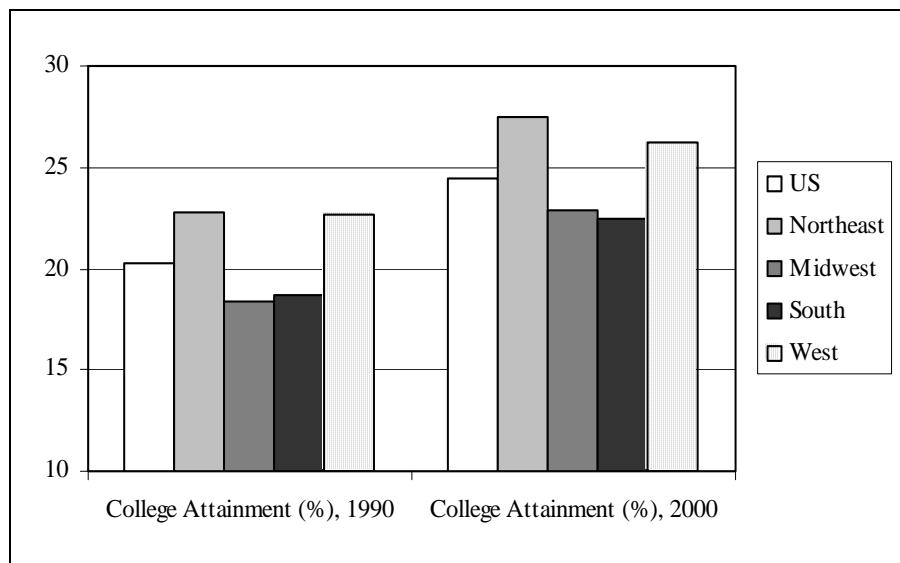
### **Why Don't Job Growth and Education Seem to Reduce Poverty in the West?**

Between 1990 and 2000, the West was the only region to experience both significant employment growth (figure 5) and increases in poverty. Even given the observed weakening in the relationship between employment growth and poverty declines, this is a surprising outcome, suggesting that there may be countervailing demographics and/or an unfavorable earning distribution in the new jobs. The other region with an increase in poverty, the Northeast, had far less employment growth.



**Figure 5.** Employment growth by region between 1990 and 2000.

Education has been shown to be an important part of the poverty-reduction picture. Yet again, a factor expected to lower poverty - rising educational attainment - was not associated with poverty reduction over the last decade in the West (figure 6).



**Figure 6.** Adults age 25 or older with at least Baccalaureate Degrees, 1990 and 2000.

Part of the reason why job growth and rising education in the West aren't resulting in lower poverty rates may be found in the dynamics of population movements in response to changed opportunities. Migration of both poor families and non-poor families has the capability to affect poverty rates in an area. Nationwide research of cross-county moves indicates that not only did the working-age poor and non-poor migrate at the same rates between 1985 and 1990, their migration tended to reinforce the existing poverty rate in both origin and destination counties – the non-poor migrating to non-poor areas while the poor are migrating to poor ones (Nord 1998).<sup>6</sup> Nord (1998) also found that the “push and pull” factors motivating migration differed between working-age poor and non-poor. Poor families were more likely to respond to areas with higher proportions of low-wage (presumably entry-level or low-skill) jobs, while the migration of the non-poor was motivated more by county occupational structures and natural amenities.

Although Nord's was a national study, migration is probably playing a role in the shifting geography of poverty in the West. The increases in poverty in much of the agricultural lands in the central California valleys along with the decreases in high-amenity counties of the Intermountain West between 1990 and 2000 may be due to these preferential streams. Clashes between residents and farm laborer immigrants in border states, as well as between residents of historically resource-based economies and higher-educated, environmentally minded newcomers in mountain states, are playing out in political battles (Power and Barrett 2001). Migration in the West, as measured by the proportion of residents in 2000 and 1990 who lived in another county or state five years prior, is slightly higher than other regions and the nation as a whole, but declined slightly by 2000 (table 2)<sup>7</sup>. However, the percentage of residents in the West who were born in a foreign country is much higher than other regions.

**Table 2.** Migration by region, 1990 and 2000.

|                                       | U.S. | Northeast | Midwest | South | West |
|---------------------------------------|------|-----------|---------|-------|------|
| Percent in other county 5 years prior |      |           |         |       |      |
| 1990                                  | 19.0 | 14.8      | 17.1    | 21.4  | 21.4 |
| 2000                                  | 18.1 | 13.9      | 17.2    | 20.7  | 18.4 |
| Percent Foreign Born                  |      |           |         |       |      |
| 1990                                  | 7.9  | 10.3      | 3.6     | 5.4   | 14.8 |
| 2000                                  | 11.1 | 13.5      | 5.5     | 8.6   | 18.6 |

It might be tempting to conclude from table 2 that immigration in the West is the main source of recent increases in poverty. However, research exploring the connection between immigration and poverty in California and New York found that the greater declines in poverty rates among immigrants relative to the declines in natives overcame any increased poverty rate due to their rising share of the population (Chapman and Bernstein 2003). Their analysis indicated that poverty rates would have been only slightly lower between 1994 and 2000 if immigration rates had remained constant. It's possible that some of the increase in poverty is due instead to a greater increase in service occupation jobs in the West than in any other region, jobs that are likely to be most attractive to low-skilled workers of any ethnicity (table 3). The large increase in professional jobs that occurred over the period may be an indication that we are indeed seeing a bimodal demand for workers of both high-skills and education

<sup>6</sup> Two reviewers pointed out that this appears to be at odds with earlier discussions of recent decreasing concentrations of the poor in high-poverty areas. During the 1980s, poverty did indeed concentrate, in contrast to the 1990s during when was a deconcentration nationwide. The relationship of migration to poverty rate changes may have changed.

<sup>7</sup> This decline is in part a result of more individuals commuting across county lines rather than moving across county lines to accept new jobs. The proportion of workers in the United States crossing county lines to go to work has steadily risen from 10% in 1960 to 21% by 1990 (Renkow 2003). Renkow's econometric results for North Carolina between 1980 and 1990 indicated that between two-thirds and four-fifths of labor supply adjustments to new employment opportunities were accounted for by changes in commuting flows.



along with low-skills and education. In fact, Chapman and Bernstein (2003) note that New York and California saw larger-than-average increases in inequality over the period. Overall declines in wages for low-skilled workers can increase poverty even while it fuels job growth.

**Table 3.** Job growth by occupation, 1990 – 2000.

|   | U.S.       | Northeast  | Midwest   | South     | West      |
|---|------------|------------|-----------|-----------|-----------|
| Management, professional, and related, % Change           | 30.0       | 22.3       | 31.3      | 33.4      | 30.8      |
| Change in number of jobs                                  | 13,113,149 | 2,028,874  | 3,140,576 | 4,896,988 | 3,046,711 |
| Service, % Change   | 20.7       | 15.0       | 16.2      | 23.9      | 25.1      |
| Change in number of jobs                                  | 3,981,030  | 561,152    | 729,045   | 1,591,242 | 1,099,591 |
| Sales and office, % Change                                | -6.1       | -18.6      | -6.1      | -0.8      | -3.3      |
| Change in number of jobs                                  | -2,097,008 | -1,248,361 | -502,309  | -94,483   | -251,855  |
| Farming, forestry, and fishing, % Change                  | -198.3     | -250.3     | -347.6    | -194.4    | -109.7    |
| Change in number of jobs                                  | -1,887,200 | -218,970   | -647,467  | -635,619  | -385,144  |
| Construction, extraction, and maintenance, % Change       | -6.9       | -26.7      | -13.2     | 2.7       | -2.5      |
| Change in number of jobs                                  | -841,825   | -535,531   | -367,901  | 127,300   | -65,693   |
| Production, transportation, and material moving, % Change | 9.3        | 0.2        | 15.5      | 8.2       | 10.4      |
| Change in number of jobs                                  | 1,772,164  | 5,717      | 848,103   | 553,560   | 364,784   |
| Change in total number of jobs                            | 14,040,310 | 592,881    | 3,200,047 | 6,438,988 | 3,808,394 |

## **Conclusion**

Although low incomes and persistent poverty are not as prevalent in the West as in the South, the picture of recent poverty changes in the West is discouraging. Poverty rates and the number of high poverty areas increased, with any attendant negative effects. Overall poverty increased despite significant job growth and increases in education between 1990 and 2000.

Other measures of hardship besides poverty also suggest disadvantage in the West compared to other regions. The poverty measure doesn't capture the high levels of material hardship in the West, where rising housing costs in settled areas and the remote nature of much of the land create difficulties for families. Recent research by Miller and Mosley (2004) compared material hardship rates by region in an attempt to more accurately capture cost of living differences and the working poor. Their measure of material hardship captures those families living in crowded houses, those with incomplete plumbing or kitchen facilities, those without a phone, and those paying more than 30% of their income in rent or mortgage<sup>8</sup>. By this measure, the West had the highest proportion of families experiencing material hardship, at 27.1%. The South had the second highest rate (21.6%), while the Midwest was the lowest (15.3%).

<sup>8</sup> They excluded families with middle incomes living in high-housing cost areas (i.e., a middle-executive living in downtown San Francisco) in an attempt to limit the study to those truly in what is commonly perceived as hardship.

Are increasingly lower wages for low-skilled workers reducing the effect of rapid job growth on poverty reduction? Has the souring of the relationship between job growth and poverty reduction been particularly harmful for our region? Does having a college education result in a lower wage premium in the West compared to other parts of the country, or are people with more education simply happier to accept lower wages in exchange for natural amenities? What role does migration play in influencing poverty rates? How does migration (both from and to the West) change poverty, based on the educational levels, family size, and poverty condition of the working-age families who migrate? To what extent is the poverty rate understated, given the higher prevalence of material hardship in the region? Although research has furthered our understanding of poverty and poverty dynamics, it is clear from this discussion of recent changes in poverty that there is much work to be done if we want to truly understand why poverty increased and to develop poverty-reduction programs that can work in the unique environment of the West.

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