The Other America: Poverty, Inequality, and Anti-Poverty Program Effectiveness in Rural and Urban Areas

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Focus of Talk

- Assess the economic status of rural people in the five decades after *The War on Poverty*

- Particular focus on how changes in employment, wages, and the social safety net have influenced the evolution of poverty and inequality in rural communities compared to urban areas

- The analysis is descriptive
In 1967 the President’s (Johnson) National Commission on Rural Poverty released a report entitled *The People Left Behind*.

The charge to the committee was:
- “To make a comprehensive study and appraisal of the current economic situations and trends in American rural life, as they relate to the existence of income and community problems of rural areas…”
In the intervening years, most social science research focused on national trends, or those facing urban centers.

The 2016 presidential election was a stark reminder that many in rural America still feel left behind.

Here I examine whether public policy has left rural people behind, or if it is the market.

ASEC serves as the official source of income, poverty, and inequality statistics in the United States

ASEC is also the workhorse dataset for research on earnings determination and wage gaps

About 90,000 surveyed annually in recent years
Data

- Restrict attention to civilian persons ages 25-64

- Drop those with imputed (missing) hours and earnings, and missing urban/rural status
  - Income and earnings deflated by the personal consumption expenditure deflator

- Rise of earnings nonresponse in the CPS ASEC is worrisome
  - Bollinger, Hirsch, Hokayem, Ziliak (forthcoming J. of Political Economy)

- Nonresponse less of an issue for transfers, but under-reporting of dollar amounts is problematic
  - Meyer, Mok, Sullivan (2015 J. of Economic Perspectives)

- ASEC records whether you live in a metropolitan or non-metropolitan area
  - Used as a proxy for urban and rural
Data

- In second part of talk, I use county-level data from the Regional Economic Information System (REIS) produced by the Bureau of Economic Analysis for 1969-2016.

- REIS come from a variety of administrative data from state UI wage records and federal agencies, along with survey data from Census and USDA.

- Some of the data collected refer to place of residence, and some to place of work.
The Big Picture

Trends in Poverty by Gender and Education
Poverty Measurement

- Begin with the official (Census) measure of poverty
  - Money income
  - Excludes in-kind transfers and tax payments/credits
  - All members of family assigned same poverty status
  - Poverty line varies by family size, but not region

- Separate by gender of head, education, and urban/rural
  - Less than high school
  - High school
  - Some college
  - College or more
Stalled Progress against Poverty

Figure 1. Trends in Family Poverty Rates of Householders Ages 25-64 by Metropolitan Status, 1967-2016

- Men in Metro Areas
- Men in Non-Metro Areas
- Women in Metro Areas
- Women in Non-Metro Areas

Legend:
- College or more
- Some College
- High School Only
- Less than High School
What accounts for the poverty trends?

I examine trends in the major correlates with poverty, including

- Population aging
- Education attainment
- Marriage
- Employment
- Earnings
- Social safety net
The Demographic and Economic Context
The Demographic and Economic Context

- Rural areas are aging faster
Figure 2. Trends in Age Composition of Non-Senior Civilian Population by Metropolitan Status, 1967-2016

Men in Metro Areas

Men in Non-Metro Areas

Women in Metro Areas

Women in Non-Metro Areas

- Ages 16-24
- Ages 25-44
- Ages 45-64
Rural areas are increasingly falling behind in human capital attainment
Figure 3. Trends in Education Attainment for Men and Women Ages 25-64 by Metropolitan Status, 1967-2016

Men in Metro Areas

Men in Non-Metro Areas

Women in Metro Areas

Women in Non-Metro Areas

- College or More
- Some College
- High School Only
- Less than High School
Less-skilled rural people are retreating from marriage at a faster rate.
Figure 4. Trends in Marriage Rates of Men and Women Ages 25-64 by Metropolitan Status, 1967-2016

Men in Metro Areas

Men in Non-Metro Areas

Women in Metro Areas

Women in Non-Metro Areas

Legend:
- College or more
- Some College
- High School Only
- Less than High School
Employment per population of less-skilled men plummeted, creating a chasm between rural and urban areas
Figure 5. Trends in Employment Rates of Men and Women Ages 25-64 by Metropolitan Status, 1967-2016

Men in Metro Areas

Men in Non-Metro Areas

Women in Metro Areas

Women in Non-Metro Areas

Legend:
- College or more
- Some College
- High School Only
- Less than High School
The earnings of skilled rural men have not budged in 5 decades

There is no substantive rural disadvantage in median earnings for medium and less skilled
Figure 6. Trends in Median Real Weekly Earnings of Workers Ages 25-64 by Metropolitan Status, 1967-2016

- **Men in Metro Areas**
- **Men in Non-Metro Areas**
- **Women in Metro Areas**
- **Women in Non-Metro Areas**

Legend:
- Blue: College or More
- Red: Some College
- Green: High School Only
- Black: Less than High School
(Individual) earnings inequality is a problem for urban America
Figure 7. Trends in 90/10 Real Weekly Earnings Inequality of Workers Ages 25-64, 1967-2016

Men

Women

90/10 Ratio

Calendar Year


Metro
Non-Metro
The Policy Context
The Policy Context

- Major growth in social insurance and means-tested transfer programs
- Response to business-cycle shocks, demographics, and policy reforms
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The Policy Context

- Rising Importance of Social Assistance in Rural America
- Turn to REIS data
Figure 8. Trends in Share of Income Transfers as a Fraction of Personal Income by Metropolitan Status, 1969-2016

Metro Areas

Non-Metro Areas

Calendar Year

Percent

All Income Transfers

Income Maintenance Transfers
First look at all income transfers (includes retirement, disability, cash, food, UI, EITC) as a share of county income

Compare 1970 to 2015

Income transfers are ‘filling the gap’ at higher rates in rural counties
Next, zero in on “welfare” as a share of county income
- Income maintenance transfers exclude Social Security Retirement and Disability, UI, and education

- Income maintenance transfers are especially important in the 5 “persistently poor” regions
Figure 12: Share of County Income from Income Maintenance Transfers in 2015

- **Share**
  - 0-0.7%
  - 0.7-2.0%
  - 2.0-4.8%
  - >=4.8%
  - No data
Next compare income maintenance transfers to wage earnings in the county
   ◦ Measure of “replacement rate” of welfare for work

Income maintenance transfers are replacing more of rural Americans wages

Only the major urban centers seem immune
Figure 13: Ratio of County Income Maintenance Transfers to Wage Earnings in 1970

Share
- 0-3.5%
- 3.5-9.0%
- 9.0-17.5%
- >=17.5%
- No data
Figure 14: Ratio of County Income Maintenance Transfers to Wage Earnings in 2015

Share
- 0-3.5%
- 3.5-9.0%
- 9.0-17.5%
- >=17.5%
- No data
Official poverty measures miss in-kind transfers such as food stamps, as well as tax payments and credits (EITC, ACTC)

Return to the CPS ASEC, but expand definition of income to include food stamps, taxes, EITC

Compute the fraction of families lifted out of market poverty by the safety net

Rural Americans differentially benefit from the social safety net, in part because of lower education, employment, and marriage
Rural people differentially benefit from the social safety net, in part because of lower education, employment, and marriage.
Figure 15. Percent of Householders Ages 25-64 Lifted out of Market Poverty by Metropolitan Status, 1979-2015

Men in Metro Areas

Men in Non-Metro Areas

Women in Metro Areas

Women in Non-Metro Areas

College or more — Red
Some College — Red Dotted
High School Only — Green
Less than High School — Black Dotted
Rural people likewise differentially benefit from the social safety net via reduced after-tax and transfer inequality
Figure 16. Trends in 90/10 Market and Net Income Inequality for Householders Ages 25-64, 1979-2015

Men: Market Income

Women: Market Income

Men: Net Income

Women: Net Income

Metro

Non-Metro
President Johnson’s National Advisory Commission on Rural Poverty espoused the laudable goal of “wiping out rural poverty”, but the evidence presented here suggests that fifty years later the dream remains elusive.

Large numbers of rural Americans are disengaged from the labor market, gains in human capital attainment have stagnated, and the retreat from marriage continues for the medium- and less-skilled individuals.

In the absence of the expanding safety net, economic hardship would have been much worse
Conclusion

- In the absence of the expanding safety net, economic hardship would have been much worse.

- Rural people have been left behind more by the market than public policy.

- Political discourse in the last 30+ years has been dominated by the thesis that government intervention is bad, and thus sowing discontent.
Conclusion

- Progress against poverty faces major economic and demographic headwinds

- Most policy reforms discussed in Congress, the White House, and many state houses point toward greater emphasis on work requirements

- It is a blunt instrument in the face of weak labor demand

- More robust policies, including place-based, are needed to restore hope of full employment and eradicating rural poverty
Notable Popular and Academic Treatment of the Rural Condition

- *Let Us Now Praise Famous Men*, James Agee and Walker Evans, 1941
- *The Other America*, Michael Harrington, 1962
- *Night Comes to the Cumberlands*, Harry Caudill, 1963
- *All Our Kin*, Carol Stack, 1974
- *World’s Apart*, Cynthia Duncan, 1999
- *Hillbilly Elegy*, JD Vance, 2016