

# Rural America

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This issue of *Rural America* focuses on recent economic and population trends in the South. The region's rapid economic growth in the latter half of the 20th century brought a new level of prosperity to most of its residents. The South has become predominantly urban since World War II, with its urban population much like the rest of the Nation in terms of jobs, lifestyles, and level of affluence. The story of the rural South is also one of convergence and economic progress, but it retains its own unique set of possibilities and challenges rooted in its often difficult past. Today, the prospects of the rural South, with 43 percent of the Nation's rural population, are tightly linked with those for rural America as a whole.

The rural South did well during the 1990's, but many of the old problems—high poverty rates, low education levels, and low earnings—persist in many rural Southern counties. Robert Gibbs traces the connections between Southern well-being and education, and shows that rapid population and job growth by themselves do not automatically raise low incomes.

Moreover, growth follows well-established channels, as John Cromartie demonstrates. His analysis of rural Southern migration since the 1970's finds that, despite the surge of migrants into the South, many rural counties gain migrants only in the best of times. These counties tend to have fewer natural amenities or are more remote from urban centers. The resulting uneven growth causes problems in both fast- and slow-growing areas. Although rural policymakers have focused mostly on the poverty and unemployment of slow-growth areas in the South, the very success of amenity-rich counties has unleashed new challenges such as sprawl, congestion, and environmental degradation.

One of the longstanding drawing cards of the rural South was its relative abundance of low-cost labor. As late as the 1970's, prospective employers, especially in manufacturing, overlooked the paucity of skills and education because wage rates were commensurately low. Since then, globalization opened lower cost labor markets to U.S. manufacturing overseas, while domestic production shifted toward the use of high-skill labor. David McGranahan shows that counties with low average education levels have fared poorly during this transformation, and argues that only by emphasizing education and skills training will policymakers solve the fundamental economic dilemma of a low-skill workforce in a high-skill economy.

Lionel Beaulieu takes a closer look at the current state of educational attainment in the rural South. He observes that long-term improvements in rural education will come not from a narrow focus on immediate school needs, but rather from the development of local leadership capacity and a recognition of the connections between education and skills training on the one hand, and local economic opportunity on the other.

Relatively few rural Southern counties with persistently high poverty rates have shown significant improvement in recent years. Linda Ghelfi identifies 44 counties that have slipped below the 20-percent threshold, but 110 more whose poverty rates climbed above it between 1990 and 1995. Compared with counties that may have lost persistent-poverty status in the 1990's, recently poor counties had less intercounty commuting and slower population and earnings growth. They were more likely to be mining-dependent and less likely to be manufacturing-dependent.

Carolyn Rogers documents continuing high poverty rates among rural Southern children, about twice the national average poverty rate as of 1998. Children in minority households, living with a single mother, or whose parents have limited education and unstable employment histories are most at risk.

The passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) promised a new approach to alleviating poverty among families and communities. Mark Henry and Willis Lewis's analysis finds that welfare reform has proven highly successful at reducing the number of welfare recipients in most Southern States. Yet many counties with the largest welfare caseloads can only offer very low wages and limited opportunities to move up, making it difficult for recipients to make the transition to family-sustaining employment in the formal labor market. In these areas especially, long-term work supports, such as child care and transportation, are necessary ingredients in the mix of policies addressing economic change in the rural South.

Robert Gibbs

# New South, Old Challenges

Robert Gibbs

*The South's rapid population and job growth in the last half of the 20th century reflects its integration into the national economic and social mainstream. But growth has not erased the region's widespread poverty and low levels of human capital. And in many of parts of the rural South, the underlying economic and social conditions that depended on, and reinforced, a low-skill population are far from disappearing.*

At the close of the 20th century, the South has lost much of the distinctiveness that once isolated it from the American mainstream. After World War II, the region's political, social, and economic character was transformed by large-scale Federal investments in defense and highways, farm mechanization, technological advances in manufacturing, and the civil rights movement. Transformation is evident in the South's rapid population and job growth—5 Southern States (see “How We Define the South,” p. 5) were among the 12 most populous as of 1999—and in its slow but steady convergence with the rest of the Nation on measures such as income, housing, and educational attainment. The South's increasingly urban population is also more diverse than in previous years, as the 30-year net inflow of Black migrants continues and more immigrants make the South their home. And international employers—from Mercedes in Alabama to BMW in South Carolina—are offer-

ing workers new opportunities to acquire skills and earn decent incomes.

As in other rapidly developing regions in the United States and abroad, the South's progress has been unevenly distributed across both places and people. The South is no longer “the Nation's number one economic problem,” as Franklin Roosevelt once proclaimed. But its legacy of economic and social insularity has left behind concentrations of high poverty, low levels of human capital, and limited opportunities to move up career and wage ladders. Several of the articles in this issue demonstrate that these “old economy” areas are persistently disadvantaged, making progress at times but never achieving the long-term success of their more prosperous neighbors.

Most of the lagging counties are rural. Despite the South's large-scale influx of migration after 1970, on balance only 15 percent of the migrants moved to rural areas. In

the 1990's, the number of rural Southern workers grew at about half the rate of the urban workforce, the largest rural-urban growth gap of any region. Furthermore, nearly all Southern counties with poverty rates over 20 percent, and all but five with extremely low rates of high school completion (50 percent or less), are rural counties.

The fault lines between leading and lagging counties do not track neatly along the borders of urban and rural areas. Rural counties near large or rapidly growing cities, or with abundant natural amenities, have done well in the 1990's, so much so that the rural South has exceeded the national average in income growth during the past decade. But even among these counties, many have seen job growth outstripping gains in per capita income or poverty rates. A complete assessment of economic progress in the South is therefore impossible without considering the tremendous variation in indicators of well-being.

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## Southern Growth in People and Jobs Is Brisk, but Uneven

Between 1990 and 1999, the South added 11 million people, according to U.S. Census Bureau estimates, nearly half the U.S. population gain during the decade. In fact, since 1960, the South's population growth rate exceeded the Nation's (although usually falling behind the West's). In addition to the Washington-Baltimore metropolitan area, often closely linked to the Northeast, the South now has 4 other metropolitan areas with over 3 million people—Houston, Dallas-Ft. Worth, Atlanta, and Miami-Ft. Lauderdale—and 17 metro areas that exceed 1 million in population.

The rural South grew in population too, but more slowly than urban centers (fig. 1) and with great variability among counties. The top 20 percent of rural Southern counties grew at an average rate of 26.7 percent between 1990 and 1999,

and 13 counties grew by 50 percent or more. Meanwhile, over 200 rural Southern counties (of 1,021 total) lost population.

As the Southern economy added millions of new jobs from 1990 to 1998, it also continued its long-term transition from manufacturing to services. The decline in manufacturing employment, though, has been more gradual in the rural South, where in 1998, 21 percent of jobs were still in manufacturing. By comparison, 13 percent of U.S. jobs were in manufacturing (and only 9 percent of jobs in the urban South).

## The Rural South Remains the Nation's Low-Income and High-Poverty Region

Like other measures of well-being, per capita income in the South is slowly converging with the rest of the Nation's. Estimated at about half the national average a

century ago, the South's relative per capita income has risen gradually, and is now about 90 percent of the U.S. mean, just slightly behind the Midwest. The South's urban-rural income gap persists, however. Although rural and urban incomes grew at about the same rate in 1990-98, the rural South's per capita income remains about two-thirds that of the urban South.

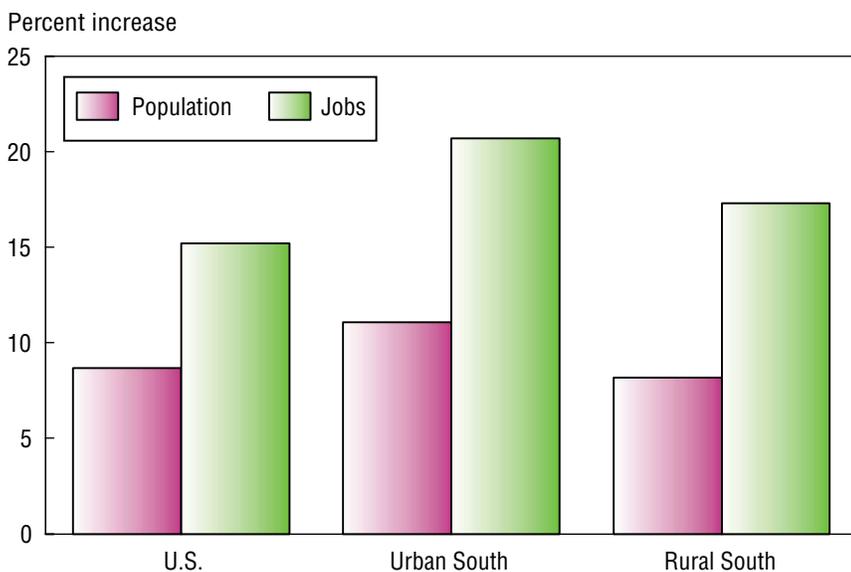
And for all its progress, the rural South remains distinct in the number and magnitude of low-income areas. Per capita income in 1998 ranged from \$8,200 in Starr County, Texas, to over \$38,000 in Sherman County, Texas. Sixteen rural Southern counties—mostly adjacent to large metro areas—had incomes above the national average; 66 others fell below half the national average. High job-growth counties are not immune from very low incomes. Of the 204 counties that form the top quintile in growth, 10 had per capita incomes below the national average. Income growth in 47 of these high job-growth counties was below the national income growth rate, even though the rural South as a whole had slightly faster-than-average income growth in the 1990's.

Similarly, four of every five persistent-poverty counties, in which the poverty rate has exceeded 20 percent continuously since 1960, are in the rural South. Few of them are counted among the fastest-growing in population or employment, although in recent years they have held their own against other rural counties in income growth. Most are characterized by large concentrations of minority or White ethnic (Appalachian) populations whose forebears were tied to a labor-intensive economy based on the extraction of natural

Figure 1

### Population and job growth, 1990-98/99

The rural South had slower population growth, but faster job growth, than the national average



Note: Population growth is measured for 1990-1999; job growth for 1990-98.  
Source: Bureau of Economic Analysis and the Census Bureau.



Along U.S. Highway 441 in Eatonton, Georgia. Photo courtesy John B. Cromartie.

resources either through large-scale commercial farming or mining.

### **Low Education Levels May Limit the Rural South's Prospects**

Why do incomes in the rural South remain so low? And why hasn't rapid growth provided the magic formula to ensure convergence with the rest of the country? Partly to blame is the slightly lower labor force participation rates of Southern adults. And lower outmigration rates in the rural South imply that "surpluses" of workers are not as quickly reduced as in other rural regions, particularly the Great Plains. More telling is the detailed mix of jobs available in many rural Southern labor markets. Manufacturing jobs in the rural South, which have historically been concentrated in nondurable industries such as textiles, apparel, tobacco, and wood products, are less likely to require significant formal training or to impart job skills than manufacturing elsewhere. But none of these conditions is likely to change much without an upgrade in the low levels of education and other measures of human capital characteristic of the Southern workforce.

The rural South suffers the highest rate of adults without high school diplomas (38 percent in 1990), and the lowest rate of college graduates (14 percent) of any region. This limits the base upon which to develop a high-skill economy. Of the 1,021 rural Southern counties, well over half rank among the Nation's lowest quintile in high

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school completion rates (fig. 2). Many of these are also persistent-poverty counties. But while the latter are mostly concentrated in the Mississippi and Rio Grande Valleys, central Appalachia, and the Atlantic Coastal Plain, low-education counties are found all across the region, including many counties adjacent

to metro areas or in high natural amenity areas experiencing rapid growth.

The region's original economic foundations were labor-intensive cotton and tobacco plantation agriculture, then lumbering, and eventually textile and apparel, all of which required few if any formal skills. This economic heritage is apparent even today in the lack of available resources in many small Southern school systems, whose students continue to score the lowest of any group on national tests and to attend college at lower-than-average rates. The rural South's long-term vitality depends on breaking the circle of low-skill economies and below-average educational outcomes, but this will be especially hard in small, isolated counties lacking the worker pools that attract new employers, particularly those requiring more advanced academic, technical, and reasoning skills.

The South's lower education levels cannot be separated from the continuing struggle to overcome racial inequality in both schools and the workplace. With the exception of Appalachia, the vast majority of Southern counties with high unemployment rates, low earnings, and low educational attainment are located in areas with large concentrations of Blacks and Hispanics. De facto segregation has replaced segregation by law in many counties with a large share of Black or Hispanic students. Schools in the poorest districts—most often those with large minority populations—are still less likely to offer advanced college preparatory coursework or to have a teaching staff trained in the specific subject matter being taught. Consequently, Black students in the rural South scored significantly

lower on national standard tests than did rural Southern Whites. This disparity inevitably affects the equally significant racial differences in rural Southern labor market outcomes.

### Prospects for Change

The South resembles the rest of the Nation much more than it did just a few decades ago. Many of its urban areas are among the fastest growing, and incomes of mega-centers like Atlanta, Houston, Dallas, and Miami are only slightly lower than in cities elsewhere. Meanwhile, pockets of severe economic and social distress have emerged in a number of places outside the South—most famously in declining urban centers, but

increasingly in isolated rural areas of the Midwest and West that have lost their economic base and lack

either the natural amenities or the high-skill workforce to attract a new one.

### How We Define the South

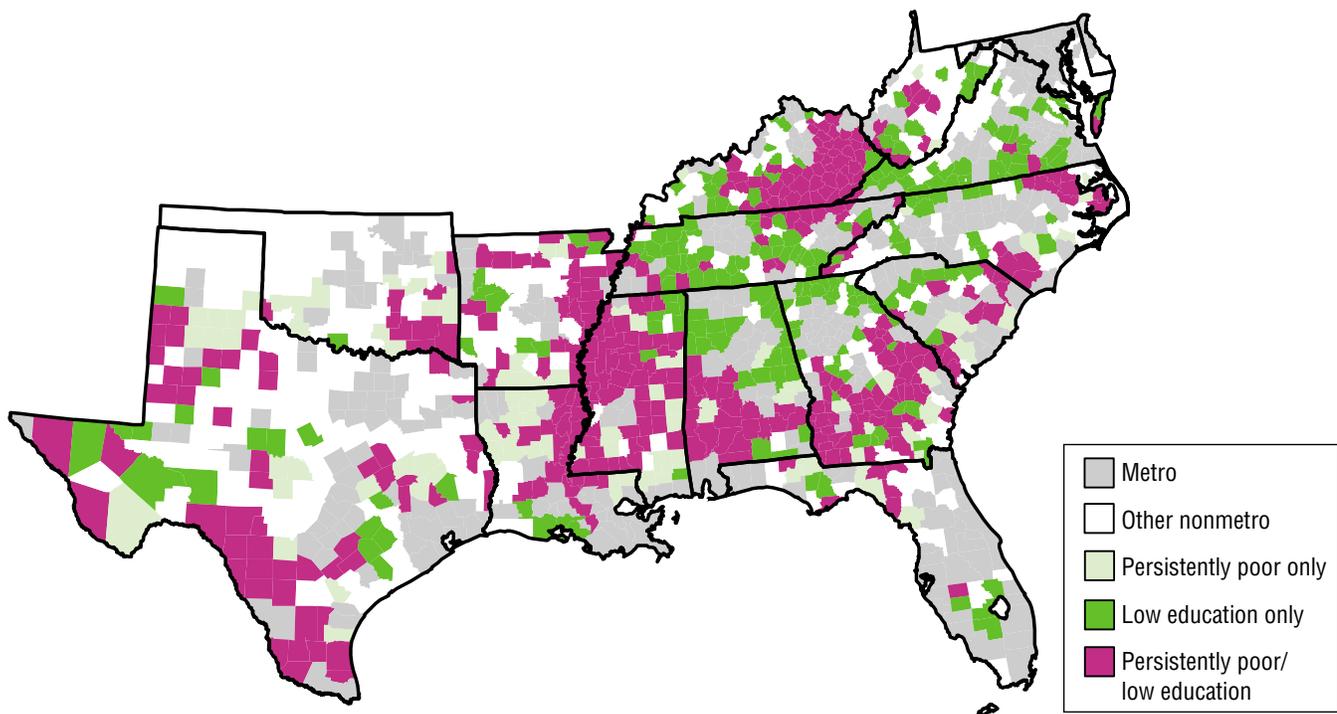
No single geographical definition cleanly delineates the South, with its distinctive economic, social, and cultural traits, from the rest of the country. The U.S. Census Bureau divides the Nation into four major regions along State borders. The Census South, used in most of the articles in this issue of *Rural America*, encompasses Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia.

The reader may notice that the number of rural Southern counties studied varies slightly among articles. The variation is caused by small differences in the data sources, such as differences in geography (for example, whether or not independent cities in Virginia are combined with their surrounding counties for analytical purposes) or in the number of cases with missing data for specific variables.

Figure 2

### Persistent poverty and low education in the South, 1990

Over half of all rural Southern counties are persistently poor, have low education levels, or both



Source: Produced by ERS using data from the U.S. Department of Commerce.

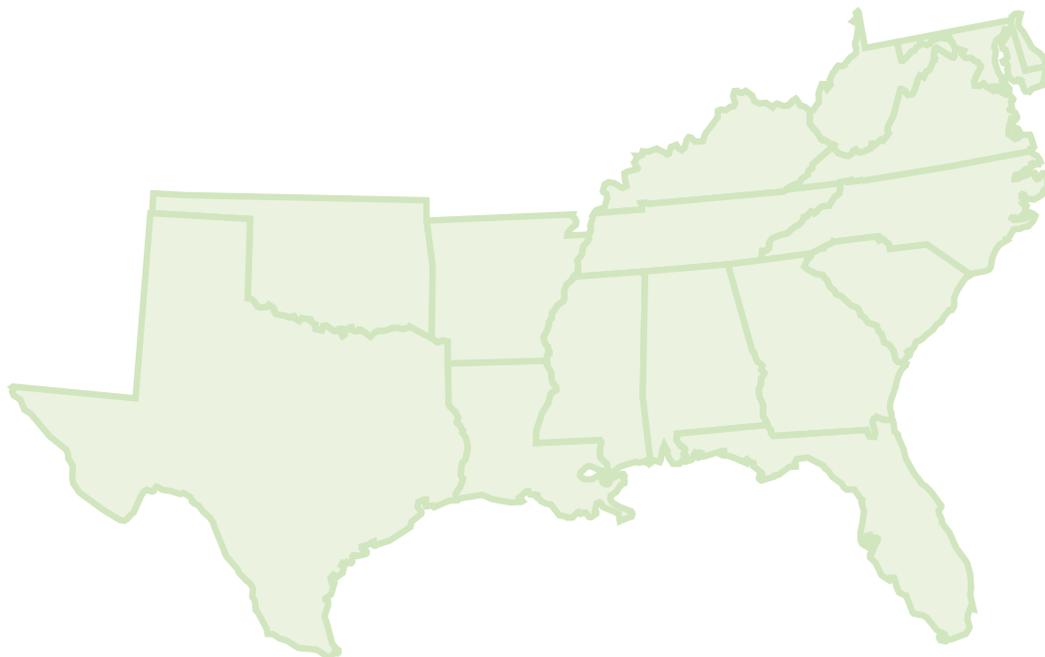
In a sense, the South has become an exemplar of the Nation's economic successes and failures. Its enduring social problems—particularly low levels of education and racial inequality—are now typically discussed in policy circles as national, not regional, issues. As such, the South is frequently a proving ground for the Federal and State policy initiatives that address individual and community well-being. Three of the 10 first-round rural Empowerment Zone/Enterprise Community areas were in Appalachian Kentucky, the Mississippi Delta, and the Rio Grande Valley of Texas. Similarly, Federal initiatives to provide universal college tuition assistance have their roots in State efforts—Georgia's Hope Scholarship is perhaps the best known—to overcome low educational attainment, espe-

cially among low-income families.

These programs encourage human capital development through both “demand” and “supply” solutions. They help employers recruit high-skill labor, and they remove barriers to acquiring additional education and training. In this way, such efforts deflate the longstanding argument that increasing college attendance and advanced skills training will cause workers to leave for better opportunities elsewhere. In fact, rural areas in the South can benefit from having a reserve of well-educated, well-trained natives living elsewhere who would consider returning if attractive jobs were available. In short, many areas of the South are more likely to lose in the long run if they fail to make school quality and advanced education and train-

ing a higher priority than in the past.

The introduction of computers and long-distance telecommunications links into the classroom gives Southern schools a new opportunity to improve educational opportunities for their students. Investment in new information technologies may be particularly beneficial for small, remote counties that are among the region's most economically distressed and that often have large minority populations. Putting more local resources into education is difficult for these counties, and their record on job creation suggests they are a long way from the high-skill development track. But any strategy for change in the rural South must overcome the isolation typical of the region's disadvantaged areas. **RA**



# Migrants in the Rural South Choose Urban and Natural Amenities

John B. Cromartie

*The rural South added over 16 million people from migration since the early 1970's. But population growth and economic development persistently favor areas with specific attributes attractive to migrants. Both urban and natural amenities—such as high-tech jobs and favorable climates—have delineated areas of high rural growth from places left behind, and exacerbated rural economic development problems that fall along lines of race, income, and education.*

The rural South, along with rural areas elsewhere, experienced a significant population rebound during the early 1990's following a decade of economic restructuring and urban-bound migration. The rural South grew by only 250,000 through net immigration during the 1980's, and only because large gains in counties along the edge of metro areas offset losses in more remote areas. By 1991, most rural areas were participating in a demographic upswing echoing the "rural renaissance" of the 1970's, and rural migration growth in the South exceeded 1 million people over the next 4 years. Net migration continues to favor rural counties nationwide, but the flows have moderated considerably since the mid-1990's. The moderating trend is especially apparent in the rural West and Northeast, but certainly evident in rural areas of the South as well.

Like flood-controlled rivers, migration flows in the South tend to be channelized, favoring the same areas and bypassing others even as overall migration levels rise and fall. Urban-based amenities

(jobs, suburban housing, schools, and services) and natural amenities (mild and sunny winters, mountains, lakes and beaches) have consistently attracted migrants moving to and within the South since 1970, when the region's migration escalated dramatically, and certainly before then as well. Place-specific amenities have acted as "levees" in the migration system, preventing any major shifts in spatial dynamics affecting rural Southern areas and reinforcing the effects of significant economic change, such as declining employment in agriculture. As a result, 140 counties (of 1,021 rural Southern counties) have had persistent net outmigration since the 1970's; they are concentrated in large subregional clusters marked by high poverty, low human capital, and high minority presence. An equal number of persistent high-inmigration counties (growing 1 percent or more per year through net migration since 1970) face a different set of challenges related to rapid growth—inadequate development planning,

environmental degradation, traffic congestion, a disrupted sense of community—all of which have garnered much attention recently under the rubric of "urban sprawl." Many of these counties form the leading edge of metropolitan expansion.

In this article, I present an overview of recent population trends in the rural South and factors underlying the spatial pattern of net migration within the region. County-level population estimates are used to track both the urbanization of the countryside and the pull of natural amenities through 1999, the latest year estimates are available (see "Data and Methods," p. 14). I focus on net migration rather than natural increase (births minus deaths) because the latter contributes much less to the spatial pattern of growth and decline; natural increase also contributes less to overall population growth as the very large baby boom generation ages beyond its childbearing years. I expand the list of counties typically used to analyze rural trends by

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including along with nonmetro counties all predominantly rural metro counties (see “Defining the Rural South,” p. 17); I include this small set of high-growth counties because so much of recent rural demographic change in the South has come in the form of metropolitan expansion.

### **Rural Growth in the South Favored the Metro Fringe in the Late 1990’s**

For most of its history, the South grew at rates far below the rest of the Nation. But the region began expanding economically and attracting new residents soon after World War II, even while large numbers left Southern farms. The

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growth accelerated after 1970 as declines in agricultural employment leveled off, a manufacturing boom commenced, and a large baby boom cohort entered the labor market and fueled Sun Belt migration. Rapid economic growth and movement into the South have more or less continued unabated since then as the region developed a diversified, service-based economy. Despite employment losses in traditionally important sectors such as textiles, apparel, chemicals, and coal, the South’s population and job growth has been the highest, on average, of any region since 1970.

The South recorded nearly half of the estimated U.S. population growth in the 1990’s (11 million out of 24 million people) and over 70 percent of the growth attributed to net migration, including immigration from abroad.

The success of Southern economic development during the past 30 years lies largely in its cities. Eighty-five percent of population growth in the South since 1970 has been in counties currently defined as metro. According to a report by MDC, Inc., of Chapel Hill, NC, Southerners improved their competitive advantage by bettering their cities through State and local efforts: “They expanded airports and widened roads, enriched schools, diminished racial discrimination and created favorable climates for business” (MDC, Inc., p. 16). Although the region as a whole has benefited, larger cities have been in the best position to undertake and build on these types of improvements, and the South’s metropolitan areas have captured the lion’s share of population growth from net migration (table 1). Urban core counties in the metro South grew by almost 1.5 million through net migration during 1991-95, compared with just 115,000 growth in urban core counties outside the South. These aggregate measures mask a great deal of diversity among individual cities. Most non-South metro areas grew from net migration, but some of the largest lost considerably. Relatively few Southern metro areas—almost all of them below a half million in population—lost population from net outmigration during the early 1990’s.

When growth in the South took off in the 1970’s, it appeared likely that rural areas would not be left behind. Counties currently classi-

fied as either nonmetro or rural metro grew by over 2.7 million people during the 1970’s, a conservative indicator of the rural turnaround since many of the fastest growing rural counties have since shifted into the urban metro category. Some important factors behind this unprecedented outward shift of population had many believing that it was likely to continue. The expansion of the interstate highway system, the extension of public utilities, advances in telecommunications technology, the availability of standardized consumer goods, and lifestyle changes oriented toward lower density settings seemed to signal long-term deconcentration. A leading Southern demographic expert and policy analyst was led to declare that the “trends appear secular and mutually reinforcing since more migrants mean a larger nonmetropolitan population to serve and sustain, which in turn generates more local employment opportunities, which acts further to attract additional migrants” (Kasarda, p. 382).

Rural growth in the South instead turned into a mix of consistently high growth along the metro periphery and uneven cycles of in- and outmigration in other settings. Net immigration dropped to 250,000 in the 1980’s, with growth in rural metro counties offsetting a loss of nearly a half million people in nonmetro areas. The mutually reinforcing advantages accruing to rural areas gave way under economic recessions, a farm debt crisis, and other “period” effects. Rural areas in the South and elsewhere suffered from an overall drop in migration numbers as baby boomers moved out of young adulthood—the time of most frequent migration—and began settling down.

National demographic trends turned around following the economic downturn of the early 1990's, which in contrast to previous recessions hit urban areas harder. People once again moved out of cities in greater numbers than moved into them. Urban out-migration was concentrated outside the South, where net migration gains continued in metro core areas only because immigration from abroad (estimated to be roughly 3.5 million nationally during 1991-95) was higher than domestic migration losses. Metro core areas in the South continued to draw migrants from other regions, growing by 1.5 million during the early 1990's (table 1). The rural South grew by over 1 million at the same time; the number of new residents was evenly divided between nonmetro and rural metro counties, although the net migration rate was over three times as high along the metro fringe because the base population was much lower.

Renewed growth in the early 1990's has rural experts once again predicting a permanent, gradual dispersion of the population, brought about by improved transportation and technological innovations such as overnight shipping and the Internet. According to Kenneth Johnson, migration patterns since 1970 are consistent with a longer term, deconcentration perspective: "Such advances have freed businesses to select non-metropolitan locations and enjoy their perceived advantages: lower labor and land costs, the absence of unions, what many executives see as the superior work ethic of the rural labor force, and economic incentive programs offered by state and local governments" (Johnson, p. 11).

It remains to be seen whether the forces of concentration or deconcentration will prevail in the near future. Domestic migration continues to favor rural areas slightly but has dropped off consid-

erably since 1995 in regions outside the South. This is especially true in the West, where widespread growth in isolated, high-amenity settings was thought to be a harbinger of a highly deconcentrated settlement pattern closely associated with telecommuting and other activities of the New Economy. Outside the South, nonmetro net immigration rates dropped from 2.4 percent in the early 1990's to just 1 percent during 1995-99 (table 1). Nonmetro rates have also dropped in the South at the same time that net migration growth picked up in rural metro counties. When non-metro and rural metro counties are considered together, the number of migrants is the same (1.1 million) between the early and late 1990's. The momentum, however, is no longer one of widespread outward dispersal. During each period of economic retrenchment, rural growth in the South is more concentrated, favoring a small set of close-in areas connected to metro

Table 1

**Regional population change, 1991-99**

*Nonmetro population growth and net migration decreased in the South after 1995 but not as sharply as elsewhere*

Region	Counties	Population, 1991	Population change		Net migration		Net migration rate	
			1991-95	1995-99	1991-95	1995-99	1991-95	1995-99
	<i>Number</i>	<i>Thousands</i>	<i>Percent</i>		<i>Thousands</i>		<i>Percent</i>	
<b>South:</b>								
Nonmetro	1,008	22,543	4.0	3.3	594	474	2.6	2.1
Rural metro	145	6,512	10.5	12.7	529	667	8.1	10.2
Urban metro	234	57,836	5.7	5.4	1,468	1,379	2.5	2.4
<b>Outside South:</b>								
Nonmetro	1,267	28,806	3.9	2.2	703	282	2.4	1.0
Rural metro	101	5,638	5.3	5.1	183	186	3.3	3.3
Urban metro	333	130,818	3.3	3.3	115	584	0.1	0.4

Note: Population change and net migration rates for both time periods are the number of people added as a percentage of 1991 population. Source: Calculated by ERS using data from the U.S. Census Bureau and the Federal-State Cooperative Program for Population Estimates.

centers that have had high growth for several decades, and moving away from more remote areas that have experienced only sporadic change.

### **Net Migration Follows Urban and Scenic Amenities**

The rural population rebound in the early 1990's never reached the levels of the 1970's "rural renaissance," when net migration growth was 12 percent. Nor has the current downturn dropped as far as during the 1980's, when nearly 60 percent of rural counties had net outmigration—today the number is closer to a third. But it is enough of a change to lower development prospects in communities

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***Much of migration to the South, as well as the rearrangement of population within the region, is based on the search for good jobs, quality housing and neighborhoods, decent schools, and access to an array of services (retail shopping, entertainment, health care) that are found in abundance along the urban fringe.***

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throughout the region and to affect quality of life. Lower migration can be both an indicator and cause of lower job growth. Migration is concentrated among the young, especially families just beginning their childbearing years, and those with higher education; their outmigration dampens future population potential and economic expansion (along with community spirit),

erodes the tax base, and raises per capita service delivery costs.

On the other hand, rising immigration along the urban fringe contributes to congestion, pollution, and rising infrastructure costs. These and other manifestations of "urban sprawl" are spawning citizen action and policy initiatives at all government levels to promote mixed-use development, higher densities around transportation hubs, preservation of open space, and greater metropolitan cooperation. In the last 2 years, over 300 "smart growth" ballot measures have been adopted by States and towns nationwide, including a \$3 billion preservation and recreation initiative in Florida (U.S. Department of Housing and Urban Development, p.74).

These two sets of problems are exacerbated because the geographic pattern of high in- and outmigration has held over an extended period. We can trace much of this stability to the staying power of urban and scenic amenities—two important place characteristics that have drawn people southward for decades and that vary considerably across the region. As migrants remain attracted to the same types of place-specific amenities, spatial migration patterns tend to be entrenched, favoring the same areas and bypassing others even as overall levels rise and fall.

**Urban access.** In 1950, when the U.S. Census Bureau first mapped out urbanized areas to measure the population of large cities together with their surrounding densely settled suburbs, the Atlanta, GA, area boasted 500,000 residents in 100 square miles. In 40 years, its urbanized area grew to 1,100 square miles with a population of 2.2 million people. The sprawling nature of new settlement

dropped urban density from about 5,000 persons per square mile to 2,000. The Atlanta metropolitan area began with 3 counties in 1950 and now includes 20, 14 of which still have a settlement pattern that is rural in character—most people live outside places of 2,500 or more. Atlanta is an extreme example, but the pattern of massive suburbanization and the broad expansion of urban commuting into rural hinterlands is found for all sizable metro areas in the South. On average, Southern urbanized areas have expanded to nearly five times their original size. Much of migration to the South, as well as the rearrangement of population within the region, is based on the search for good jobs, quality housing and neighborhoods, decent schools, and access to an array of services (retail shopping, entertainment, health care) that are found in abundance along the urban fringe.

The 145 rural metro counties in this analysis lie at one extreme of urban accessibility and have grown four times faster than the other (nonmetro) areas included here. They are so highly integrated into urban economies that they are rarely included in county-based studies of rural population trends. But urban influence is uneven even on the periphery of metro areas, being stronger on the edges of larger and faster-growing cities. The pull of urban amenities extends across nonmetro areas as well; not only is suburban "spillover" a common feature of counties adjacent to metro areas, but smaller cities that fall within the nonmetro category organize economic activity and draw migrants in a similar fashion. To capture the variation in urban access across the Southern landscape, we devised a single index that for each county measures its

distance to, and size of, surrounding populations (see “Data and Methods,” p. 14). The index ranges from a value of 1 in the Great Plains of west Texas to over 1,000 in the Washington-Baltimore metro area.

As expected in a measure of this type, anomalies exist among individual counties, in part because the index is affected by differences in county size (smaller counties will have higher values on average), but it does depict the broader regional picture fairly accurately (fig. 1). Accessibility is high in northern Virginia and across the eastern Piedmont Crescent from eastern North Carolina through central Alabama. The highly distributed settlement pattern in the Carolinas contrasts sharply with Texas and

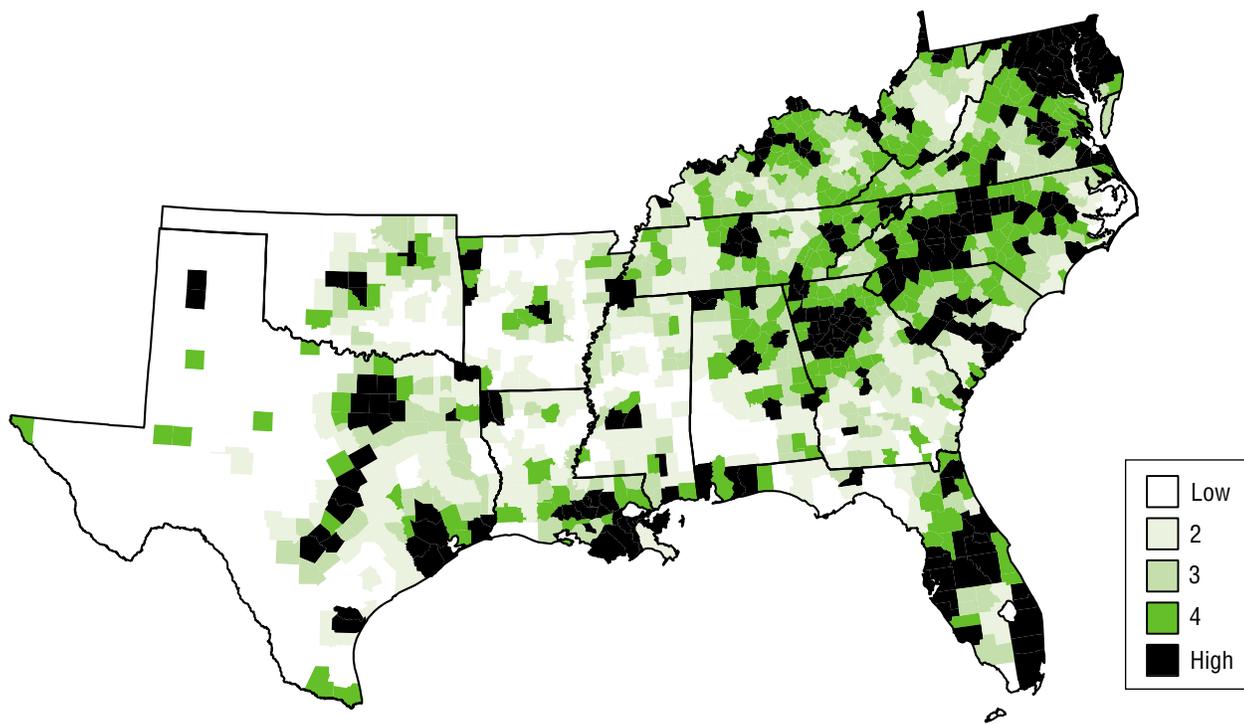
other western locations, where accessibility is more concentrated and urban-rural transition zones end more abruptly.

The strong and persistent relationship between urban access and net migration in the rural South may be visualized by sorting counties along this index and dividing them into five equally sized groups (fig. 2). The two lines depicting net migration rates in the early and late 1990’s are bracketed by the very high and low values for the 1970’s and 1980’s, respectively. Only once in all four time periods does a higher urban access group have a lower net migration rate, and in all cases the highest and lowest groups are noticeably set apart. Even in the 1970’s, when rural deconcentration was strongest, the highest urban

access counties were attracting migrants at a rate three times as high as the lowest groups. And like a river falling back within its banks after a flood, net migration is concentrated in urban access “channels” during periods of low migration; in the 1980’s, all groups except the highest were experiencing net outmigration. The switch to a more concentrated pattern of settlement during 1995-99 compared with the previous 4 years is also evident; areas with the highest urban access increased their share significantly, and the least accessible places dropped below zero.

**Natural amenities.** Migration to the nonmetro South since the end of World War II has been largely driven by the lure of warm climates, access to water-based recre-

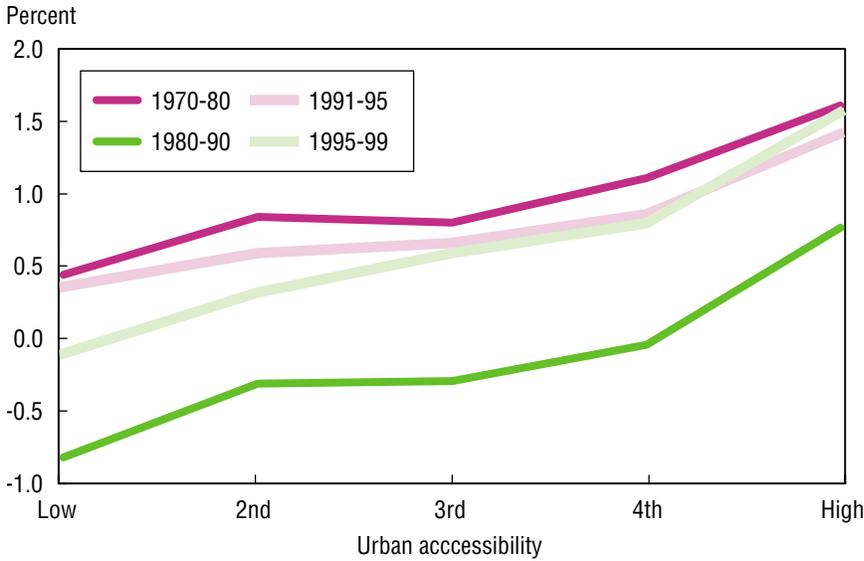
Figure 1  
**Index of urban accessibility**  
*Access to urban jobs and services is widely distributed in the eastern part of the region, more concentrated in the west*



Source: Calculated by ERS using data from the U.S. Census Bureau.

Figure 2  
**Annual net migration in the nonmetro and rural metro South by urban accessibility, 1970-99**

*As population growth from migration fluctuates over time, urban attraction remains a constant*

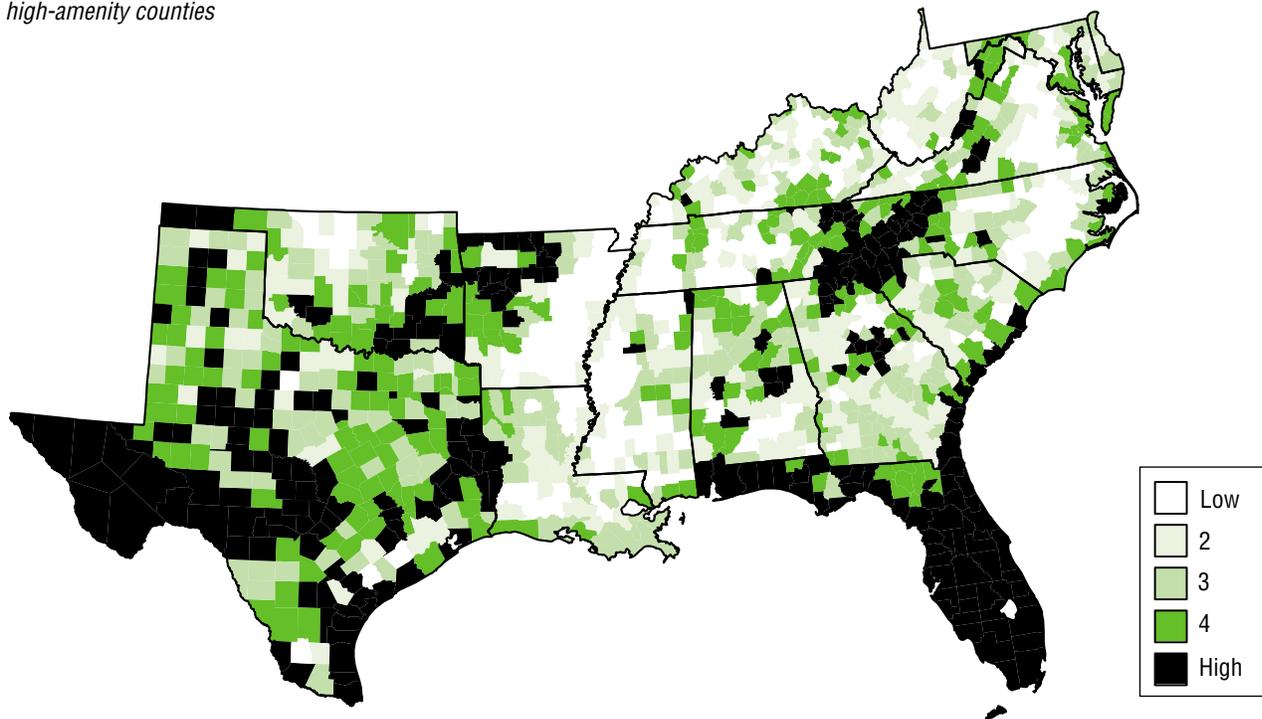


Source: Calculated by ERS using data from the U.S. Census and the Federal-State Cooperative Program for Population Estimates.

ation, and the cheap land and wide open spaces available for development. Both firms and individuals have shown strong preferences for the comforts and lifestyle offered by a relocation to the South. David McGranahan recently developed the ERS natural amenities index, which combines the attractiveness of mild climate, varied topography, and proximity to surface water into one measure. His analysis of national population trends found that areas “scoring high in a scale of these amenities had substantial population growth in the last 25 years. High-scoring counties tended to double their population, while the average gain for the low-scoring counties was only 1 percent, and over half lost population” (McGranahan, p. iii).

Figure 3  
**Index of natural amenities**

*Texas and Florida, along with southern Appalachia and the Ozarks, have the largest clusters of high-amenity counties*



Source: Calculated by ERS; see McGranahan.

Table 2

**Regression results for net migration in the nonmetro and rural metro South, 1970-99**

*Net migration is less tied to urban access and natural amenities during periods of high net migration*

Explanatory variable	1970-80	1980-90	1991-95	1995-99
<i>Percent, county average</i>				
Net migration rate	12.1	-0.6	3.3	2.6
<i>Percent of net migration variance explained (adjusted R<sup>2</sup>)</i>				
Economic measures only	13	12	13	17
Urban accessibility added	20	23	16	27
Urban accessibility and natural amenities added	27	36	23	33

Note: Economic measures include percent of jobs in farming and manufacturing, and percent of persons in poverty; each is measured at the beginning of the time period except that the 1990 poverty rate is used for both the 1991-95 and 1995-99 time periods.

Source: Calculated by ERS using data from the U.S. Census Bureau, the Federal-State Cooperative Program for Population Estimates, and the Bureau of Economic Analysis.

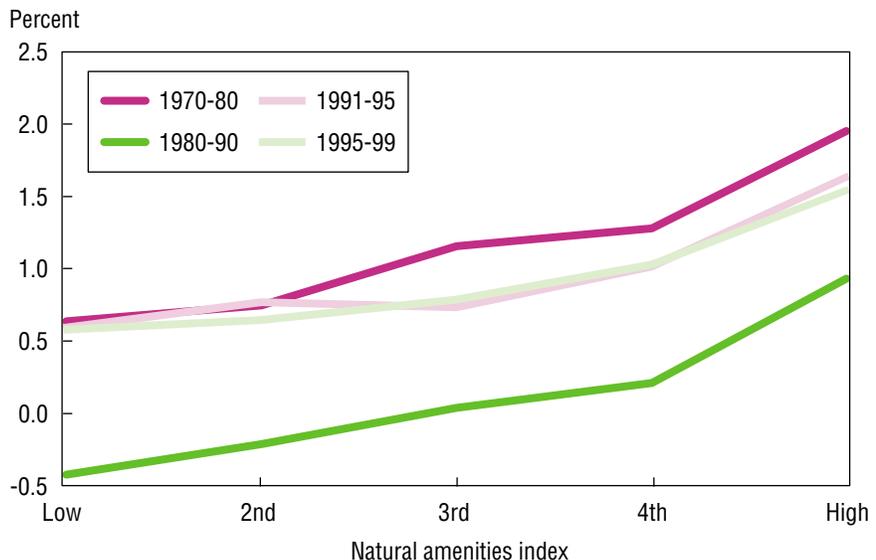
Scenic amenities play a larger role in drawing people from other regions to the South, but also serve to differentiate more and less attractive destinations within the South (fig. 3). The importance of year-round warm and sunny climates is clear in Texas and Florida, where 38 percent of all net migration growth in the South has occurred since 1991. In Georgia and North Carolina, the States next in line in terms of net migration growth, the attractiveness of mountains and coasts combine with their urban advantages. The interior sections of the Coastal Plains of Virginia and North Carolina, along with the Mississippi Delta, stand out as areas with low scenic values. Anomalies exist as in our urban access measure, but the value lies not in situating individual counties but in depicting the broader regional patterns.

Within the South, scenically attractive places received the lion's share of newcomers since 1970 (fig. 4). The one-fifth of counties scoring highest on the ERS natural amenities index grew at three times the rate of the lowest group during the 1970's, and managed to grow by almost 1 percent even during the difficult years of the 1980's. The relationship between scenic areas and net migration has moderated somewhat and remained essentially unchanged during the 1990's; the lowest three groups are no longer strongly differentiated, but the competitive advantage of the highest two groups is still quite strong.

**Combined effects of urban and natural amenities.** The amount of variation in net migration in the rural South that can be attributed to urban and scenic amenities, holding constant the effect of other economic measures, was much higher

Figure 4  
**Annual net migration in the nonmetro and rural metro South by levels of natural amenities, 1970-99**

*The strong correlation between net migration and natural amenities has lessened somewhat in the 1990's*



Source: Calculated by ERS using data from the U.S. Census and the Federal-State Cooperative Program for Population Estimates.

## Data and Methods

Annual county-level estimates of net migration for 1990-99 were obtained from the U.S. Census Bureau's Federal-State Cooperative Program for Population Estimates. For 1970-89, net migration data were taken from a special file created from Census Bureau data by Glenn Fuguitt at the University of Wisconsin-Madison. Net migration rates were expressed as the percentage change in population from net migration during the given time period. Annual net migration was measured from July to July except in the decennial census years (1970, 1980, and 1990) when migration was measured from April to July of the following year; rates were adjusted to account for the extended time period.

Urban access may be measured in several ways. ERS publishes two classifications of nonmetro counties, the Rural-Urban Continuum Code and the Urban Influence Code, that measure both adjacency to metro areas and the size of the urban population within nonmetro areas. Here I measure urban access using a single index that captures the combined effect of metro proximity and urban size. For each county, the 1990 population of every other county was divided by its cubed distance from the county, and these values were summed to form the urban access index. The higher the population of a neighboring county, and the shorter the distance, the higher the urban access index. Cubed distance is used rather than linear distance to increase the weight of nearby populations in the overall measure and diminish the effect of urban centers that are farther away and thus likely to be outside an area's commuting range.

Natural amenities are also measured using a single index, created by David McGranahan at ERS, that combines normalized measures of climate, topography, and the presence of bodies of water. The index of climate attractiveness is defined using January temperature, number of days with sun in January, July temperature (expressed as a residual when regressed against January temperature), and July humidity. Topography is defined using an index of the type of terrain dominant in a county, from flat to mountainous. The presence of bodies of water is measured using the percentage of land area covered by water. These measures were standardized so each had a mean of zero and a standard deviation of one, then summed to form a single natural amenities index (McGranahan).

Measures of poverty, education, and race-ethnicity were calculated using data from the 1990 decennial census. Income and employment data for several years between 1970 and 1998 come from the Bureau of Economic Analysis.

in periods of low growth (table 2). These statistics were calculated using ordinary least squares regression, a technique that measures the influence of several possible explanatory variables on the dependent variable at the same time in measuring their influence on the

dependent variable. The economic variables included in the analysis—percent of jobs in farming, percent of jobs in manufacturing, and percent of persons living below the poverty line—capture change in areas where large-scale economic restructuring has been most keenly

felt. Their combined impact on net migration varied little from one period to the next.

The role of urban access in controlling patterns of net migration was lowest during the expansion of the early 1990's and highest in the latest period of retrenchment. Natural amenities were most closely associated with net migration, other factors being equal, when migration flows were at their lowest levels in the 1980's. When we compare the power of these place-specific amenities in drawing migrants toward some areas and away from others across the four time periods, the results are mixed. The relationship between these attributes and net migration is persistently positive and significant, but in periods of higher net migration growth they explain less of the overall pattern. In the early 1990's, deconcentration occurred both outward from urban access areas and down the natural amenities hierarchy. We appear to be entering another period of renewed concentration in the rural South, due more to a tilt back toward higher urban amenities rather than a change in preference back toward higher natural amenity settings.

## Persistent Outmigration and High Immigration Areas Differ Along Lines of Income, Race, and Education

Place-specific amenities have created well-worn migration paths in the rural South, channeling newcomers to areas along the edge of booming urban regions and areas with scenic qualities that attract recreation, retirement, and second home development. Other parts of the South, especially those lacking urban access and natural amenities, consistently fail to attract migrants and retain current residents. By

Table 3

### Comparison of persistent net-outmigration and high net-inmigration counties in the rural South, 1970-99

*High poverty and minority status, low education, and loss of manufacturing jobs accompany chronic low migration*

Characteristic	Net outmigration	High net inmigration	Other nonmetro and rural metro
		<i>Number</i>	
Number of counties	140	133	880
		<i>Percent</i>	
Net migration:			
1970-80	-8.2	36.6	11.2
1980-90	-14.3	25.9	-1.5
1991-95	-2.8	11.4	2.9
1995-99	-3.4	12.3	2.3
Persons in poverty, 1990	29.7	12.4	19.8
Adults 25 years and older with less than high school degree, 1990	41.7	30.3	38.6
Minority populations, 1990			
Black	34.5	9.0	15.9
Hispanic	7.6	3.7	2.8
Wage and salary growth, 1991-98	21.0	26.0	22.5
Manufacturing job growth, 1991-98	-7.1	17.5	2.6

Note: Net-outmigration counties lost population from migration during all four time periods: 1970-80, 1980-90, 1991-95, and 1995-99. High net-inmigration counties consistently grew by 1 percent or more annually from migration.

Source: Calculated by ERS using data from the U.S. Census Bureau, the Federal-State Cooperative Program for Population Estimates, and the Bureau of Economic Analysis.

comparing net migration rates since 1970, it is possible to identify 133 counties in the rural South that have had a high rate of net inmigration—over 1 percent per year—in all four time periods studied here. Another 140 counties have experienced population loss from net migration in each period. In both cases, the degree of persistence is quite high; over a third of counties in either category during 1995-99 have been there since 1970.

Persistent high-inmigration counties, together with other counties currently in the top tier, form a

large cluster around Atlanta extending into the lower Appalachians in North Carolina and Tennessee. The combined drawing power of urban access and scenic qualities is evident as well in the Hill Country of Texas and the Florida Panhandle. The strong attraction of these types of places for migrants of all ages is clear in surveys of residential preferences dating back to the 1970's; they offer a rural lifestyle in an attractive setting within close proximity to much-desired urban jobs and services. Areas of both long-term and emerging suburbanization

surround Atlanta, Nashville, Houston, Dallas-Fort Worth, Washington, and other large metro regions in the South.

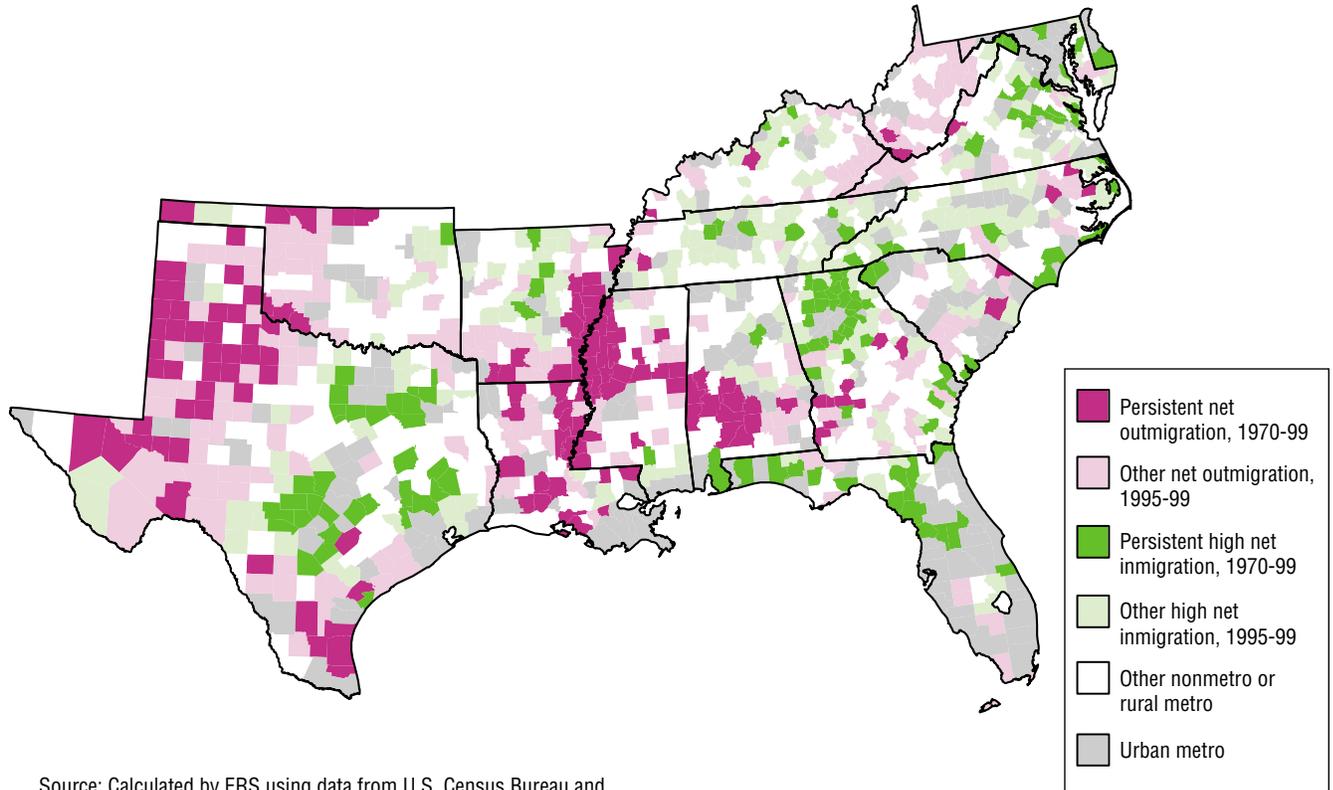
The ability to attract newcomers is both a key indicator of a region's economic health and a generator of future growth and economic expansion. Persistently high-inmigration counties maintained a net migration growth rate of 26 percent during the 1980's (while outmigration counties were losing 14 percent) and they have grown by another 24 percent since then (table 3). The cumulative effect of high net migration adds generously to the human capital stock—increasing the share of younger, more educated workers—and serves to maintain low poverty rates and high wage and salary growth. In addition, these areas captured almost all of the growth in manufacturing in the rural South during the 1990's by being able to provide the skilled workforce increasingly demanded of this sector.

The significant clustering of persistent-outmigration counties also reflects the role of urban access and scenic amenities (fig. 5). The Great Plains sections of west Texas and Oklahoma, where a large number of persistent-outmigration counties are found, have the lowest urban access of any part of the region. It is safe to say that the “perceived” quality of natural amenities here is also quite low in the minds of most Americans, even though the natural amenities index does not type the area as such. The lower Mississippi Valley, which scores low on both indices, contains a large unbroken subregion of persistent outmigration extending into the Black Prairie section of Alabama. Other parts of the Coastal Plains, along with the Rio

Figure 5

### Persistent net-outmigration and high net-immigration areas in the rural South, 1970-99

*The region's metro areas continue to develop outward, but more isolated sections are left behind*



Source: Calculated by ERS using data from U.S. Census Bureau and the Federal-State Cooperative Program for Population Estimates.

Grande Valley and coal mining areas of Appalachia, are currently experiencing outmigration but have fewer counties that exhibit persistent outmigration.

Poverty rates in persistent-outmigration counties were 2.5 times higher than in high-immigration areas and 10 points above the rest of the rural South in 1990. Over 40 percent of adults had less than a high school education in these areas, and the types of routine, low-skill manufacturing jobs that provided low-skill workers with a decent wage in these areas are vanishing. The bleak economic conditions and prospects that typify persistent-outmigration counties come down hard on the region's

minority populations. Over a third of the population in these counties was Black, compared with just 9 percent in high-immigration areas, and another 8 percent was Hispanic in 1990. Poverty, low education and skill levels, and entrenched population loss from net outmigration in the rural South are linked by historical patterns of racial discrimination. The desire on the part of minorities to escape economic and social barriers by moving elsewhere firmly established a long-term pattern whereby those with the most human capital left. This legacy continues to affect low-migration areas today, hampering their ability to attract jobs and improve the overall quality of life.

### Conclusions

Without the controls currently in place, the mighty Mississippi would share its wealth of sediment across a broad landscape through frequent flooding and changes of course. Under current constraints, the sediment raises the elevation of the riverbed at the same time that surrounding lands drop, creating problems down the road for engineers intent on keeping the river in place. Similarly, the place-specific attributes falling under the categories of urban access and natural amenities act to steer migration flows into well-worn channels, so that population persistently rises in favored areas and falls consistently in some others. Migration spills over these levees during periods of

## Defining the Rural South

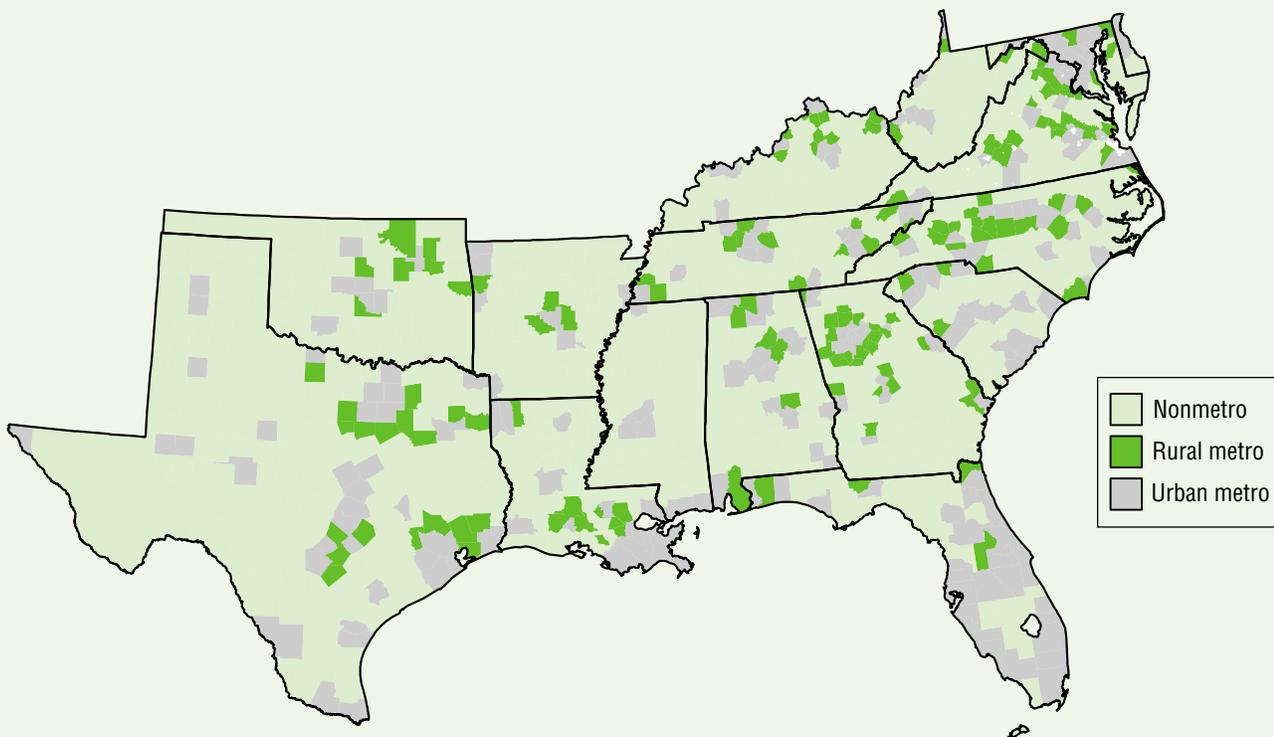
The basic units of analysis are the 1,387 counties comprising the Census Bureau's South region (fig. 6). Researchers using county-level data usually identify the U.S. rural and small-town population as those living outside Metropolitan Statistical Areas, defined by the Office of Management and Budget using population and commuting data from each decennial census. Metro areas include core counties that contain a city of 50,000 or more, and any other counties that are economically integrated with the core counties through high commuting. This analysis of the rural South includes the 1,008 counties in the region that were defined as nonmetro based on the 1990 census.

Each decade, a large number of nonmetro counties are reclassified as metro, either because a city grows to include more than 50,000 people or an existing metro area expands beyond previous borders. Today's metro areas encompass a great deal of territory that remains rural in character, especially in the South where population is more evenly distributed across the landscape. In this analysis, I add to nonmetro counties all metro counties in which the majority of people are classified as rural, defined by the U.S. Census as those living outside of places of 2,500 or more population. Rural metro counties almost completely ring the inner, urban core of metro Atlanta, and form significant bands around other large metro areas, such as Houston, Dallas-Fort Worth, Nashville, Greensboro-Winston Salem-High Point, Richmond, and Washington (fig. 6). By including these counties, I am returning some nonmetro territory that was lost to reclassification since 1970, the starting point of the analysis, and allowing a more complete analysis of the type of rapid population growth and economic development occurring in sparsely settled areas along the ever-expanding metro-nonmetro boundary.

Figure 6

### Rural counties in the South, 1990

*For this article, the rural South consists of nonmetro and predominantly rural metro counties*



Source: Calculated by ERS using data from the U.S. Census Bureau.



Bayou Cane, Terrebonne Parish, Louisiana. Photo courtesy John B. Cromartie.

higher growth, but has so far fallen back into the same courses in times of slower growth.

Rural areas taking part in persistent expansion through net immigration include those in or near metro areas, especially metro areas that are large or rapidly growing, and scenic areas with growing recreation, tourism, and retirement-based activities. Areas with desirable urban and natural amenities have been growing rapidly for decades and changing in character as cities expand and development seeks new ground. Such places typically see rising incomes and expanded job opportunities as residents move in and businesses expand.

Persistently high-migration counties face a unique set of potentially negative circumstances that have come under much recent scrutiny by policymakers at all levels and by voters at the ballot box. Rapid development of sparsely settled territory often occurs with

inadequate planning, resulting in environmental degradation, increased traffic congestion, financial burdens related to infrastructure development, and other threats to the rural and small-town quality of life that attracted migrants in the first place. Policies to improve community viability in high-migration areas are currently under serious consideration as part of several Federal initiatives; these include plans to encourage reinvestment in central cities to take advantage of existing infrastructure, “smart growth” practices such as more compact and mixed-use develop-

ment, and the fostering of regional connections that encourage cooperation among all government entities in addressing environmental quality, access to jobs, housing, and other economic development issues.

Persistent outmigration is certainly the more dire condition, an indicator of weak economic performance and inadequate employment opportunities. Economic development in the rural South faces serious challenges in areas where entrenched outmigration has eroded the population base, causing additional business closures and more outmigration, and increased the per capita cost of delivering needed services such as transportation and health care. In the South, these areas exhibit high poverty, high minority presence, and low human capital, all of which exacerbate long-term problems experienced in these places. Addressing these issues requires reaching across barriers of race and income that have traditionally divided the rural South. **RA**

#### **For Further Reading . . .**

Kenneth M. Johnson, “The Rural Rebound,” *Population Reference Bureau Reports on America*, Vol. 1, No. 3, Sept. 1999, pp. 1-19.

John D. Kasarda, “The Implications of Contemporary Redistribution Trends For National Urban Policy,” *Social Science Quarterly*, Vol. 61, Nos. 3 and 4, Dec. 1980, pp. 373-400.

David A. McGranahan, *Natural Amenities Drive Rural Population Growth*, AER-781, Economic Research Service, U.S. Department of Agriculture, 1999.

MDC, Inc. *State of the South: A Report to the Region and its Leadership*, Chapel Hill, NC, April 1996.

U.S. Department of Housing and Urban Development, *The State of the Cities 2000: Megaforces Shaping the Future of the Nation's Cities*, Washington, DC, June 2000.

# New Economy Manufacturing Meets Old Economy Education Policies in the Rural South

David A. McGranahan

**W**e tend to think of our “New Economy” as a services or an “information economy,” and to consider manufacturing as part of the “Old Economy,” a weak basis for economic growth and development. As Fingleton (p. 67) notes, “It is almost universally accepted that, in the era of the New Economy, it is no longer important for advanced nations such as the United States to maintain a strong manufacturing base. The assumption is that manufacturing has now been superceded by postindustrial services as the main engine of economic progress.” For many rural analysts, the question of rural development has become one of attracting a larger share of these New Economy services, recreational services, or services in general. Others argue that manufacturing jobs are low-wage, low-skill jobs that do little to improve economic well-being.

But manufacturing still counts, particularly in the rural South. Despite the growth in services, manufacturing is no less essential to the economic base of the rural South than it was 30 years ago.

*Despite growth in services, manufacturing remains a vital part of the rural South’s economic base, responsible for nearly one in every three dollars earned in its private sector. Much of the manufacturing was attracted to the region by low-cost labor and low taxes. But manufacturing is changing, adopting new technologies and management practices and seeking more highly skilled labor. Rural manufacturers in Southern counties high in manufacturing have few complaints about State and local taxes, but these counties also have low revenue per pupil in their school systems. Poor schools are likely to be a barrier to attracting advanced technology manufacturing, limiting the ability of these counties to participate in the New Economy.*

Manufacturing employs many low-skilled workers, generally providing them with greater pay and more full-time work than other private sector industries, and keeping many out of poverty. Finally, manufacturing has been transforming in ways that make much of it fully part of the New Economy and a substantial contributor to the U.S. gain in productivity.

As part of this transformation, manufacturing has adopted new technologies and management practices, entailing a shift toward more highly skilled workers. It is not manufacturing itself that is not participating in the New Economy, but rather those areas that continue to base their development strategies on attracting Old Economy manufacturing, perpetuating a setting of low-cost labor, low taxes, and poor schools.

## **Manufacturing Remains Vital to the Economic Base of the Rural South**

County employment data from the Bureau of Economic Analysis

show a substantial shift from manufacturing to services over the past 30 years. But this shift has been primarily an urban phenomenon (table 1a). The rural South’s shift to services has been from agriculture (including forestry, fishing, and agricultural services); manufacturing has maintained most of its share of jobs. As a result, manufacturing’s share of jobs was nearly twice as high in the rural South (19 percent) in 1997 as in the urban South (10 percent).

While these employment data suggest the continued importance of manufacturing, they underrepresent its importance in several ways. First, they include part-time and part-year jobs. These jobs are particularly prevalent in private services—and agriculture—and their inclusion inflates the role of these industries. Second, manufacturing jobs generally provide much higher earnings than the services sector, or agriculture. Finally, manufacturing brings money into the community, while only some services in rural areas, most notably recreation and

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Table 1a

**Distribution of jobs by region and industry sector***Nearly one in every five jobs in the rural South is a manufacturing job*

Region and sector	Nonmetro			Metro		
	1969	1989	1997	1969	1989	1997
	<i>Percent</i>					
<b>South:</b>						
Agriculture	17	10	8	3	2	2
Mining	2	2	1	1	1	1
Manufacturing	23	22	19	18	12	10
Private services	42	51	56	57	68	72
Public sector	16	17	16	21	16	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Nonsouth:</b>						
Agriculture	15	10	9	2	2	2
Mining	2	2	1	0	0	0
Manufacturing	19	15	14	25	15	12
Private services	46	56	60	57	69	72
Public sector	18	17	15	16	14	13
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ERS, based on Bureau of Economic Analysis county data files.

tourism, perform that function. Retail and other services oriented toward local consumers keep money in the community, but without manufacturing, agriculture, or other industries (or a large number of tourists or retirees or other outsiders) bringing money in from the outside, a local services sector will not survive.

While manufacturing's share of jobs in the rural South has slipped over time, its contribution to total earnings (proprietary income, salaries, and wages) in the rural South has remained remarkably constant, at slightly over a quarter of the total (table 1b). While private services increased their share of jobs from 42 percent to 56 percent between 1969 and 1997, their share of earnings increased from 42 percent to only 49 percent. Earnings per job increased over this period by 33 percent in manufacturing (in constant dollars), but only

9 percent in the rest of the private sector (not shown).

The overall importance of manufacturing becomes even clearer if we consider only the private sector: manufacturing was directly responsible for nearly one in every three dollars earned in the rural South's private sector in 1997. This is not to say that it is important everywhere. The prevalence of manufacturing in rural areas varies considerably across Southern States. Manufacturing's contribution to 1997 rural private sector earnings ranged from 13 percent in Florida—which gets most of its money from tourism and retirement—to 44 percent in Tennessee.

Table 1b

**Distribution of earnings by region and industry sector***Despite growth in services, one in every four dollars earned in the rural South comes from manufacturing*

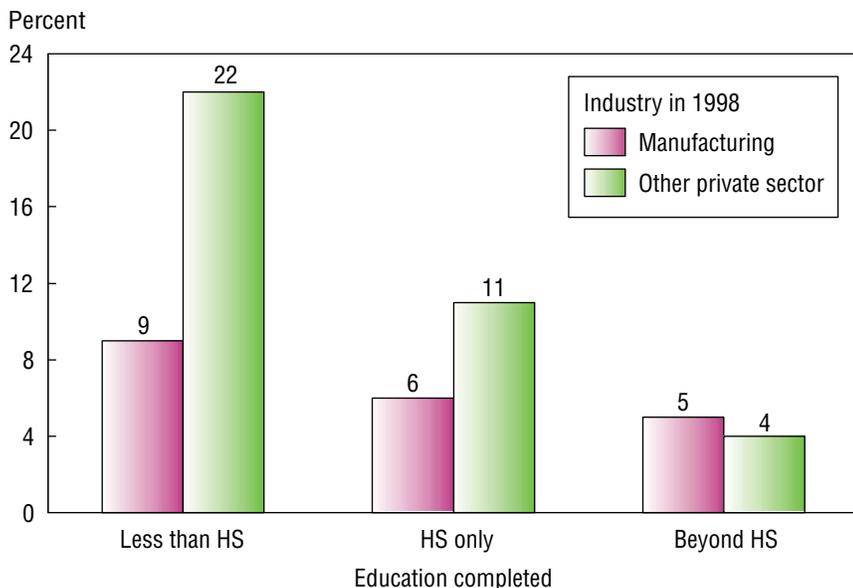
Region and sector	Nonmetro			Metro		
	1969	1989	1997	1969	1989	1997
	<i>Percent</i>					
<b>South:</b>						
Agriculture	12	6	5	2	1	1
Mining	3	2	2	1	2	2
Manufacturing	27	28	26	22	17	15
Private services	42	45	49	54	63	67
Public sector	16	18	18	20	17	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Nonsouth:</b>						
Agriculture	14	7	5	2	1	1
Mining	3	3	3	0	0	0
Manufacturing	24	22	21	30	20	18
Private services	43	49	52	53	63	67
Public sector	17	19	19	15	15	14
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ERS, based on Bureau of Economic Analysis county data files.

Figure 1

**Family poverty rates for rural Southern workers, ages 18-64, 1998**

*Manufacturing workers have lower poverty rates than workers in the rest of the private sector*



Source: ERS, based on Current Population Survey, March 1999.

**Manufacturing Is Associated With Lower Poverty for People and Places**

Historically, manufacturing has hired more than its share of less skilled workers, paid them relatively well, and reduced their likelihood of poverty. Among workers (ages 18-64) without a high school degree, 9 percent of those that worked primarily or completely in manufacturing in 1998 lived below the poverty line that year (fig. 1). In contrast, the poverty rate was 22 percent for those working primarily in other private sector industries. Similar differences are found for high school graduates, but the overall rates of poverty are considerably lower.

The contrast between manufacturing and other workers increased during the 1990's. Among rural manufacturing workers, poverty rates declined substantially. For those lacking a high school degree,

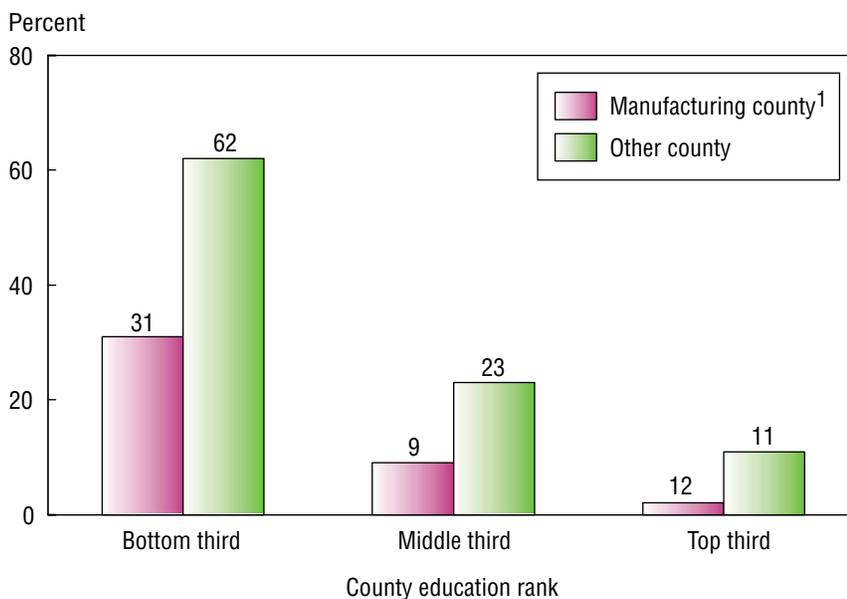
the rate fell from 15 percent in 1989 to 9 percent in 1998. But poverty rates declined by less than 1 percentage point (from 23 to 22 percent) among similarly skilled workers in the rest of the private sector, despite an increase in the proportion working full-time full-year. These statistics reflect an inflation-adjusted increase of nearly 7 percent in manufacturing earnings per job in 1989-97 in the rural South, compared with no overall earnings change for other private sector jobs.

Similar striking differences are found when counties are compared (fig. 2). Low-education counties—those ranked in the bottom third of all rural Southern counties in 1990 high school completion rates for young adults (ages 25-44)—were much less likely to have extreme poverty in 1995 when manufacturing comprised at least 20 percent of

Figure 2

**Rural Southern counties with high poverty (over 25 percent), 1995**

*Counties with substantial manufacturing are less likely to have high poverty rates*



<sup>1</sup>See "Definitions" for description of measures and sources. Source: ERS, based on Bureau of the Census data files.

## Definitions

### *Rural South*

The South defined here (and by the Southern Rural Development Center) includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. "Rural" areas are those outside of metropolitan areas, equivalent to nonmetropolitan.

### *County education thirds*

Based on the most recent available data, the 1990 Census of Population, county education levels were measured as the percent of the young adult population (ages 25-44) who reported that they were high school graduates (or had an equivalent diploma). The 955 counties or county equivalents were divided into three equal size groups: (1) under 71 percent graduates (bottom third), (2) 71 to 76 percent (middle third), and (3) over 76 percent (top third). The average high school completion rates for the respective groups were 65 percent, 74 percent, and 81 percent. The average for the top third in the rural South was still well below the average for the rest of the rural United States (87 percent).

### *Manufacturing county*

A county where manufacturing comprised at least 20 percent of total jobs in 1995 was classified as a manufacturing county. The Bureau of Economic Analysis county data files (1997) were used for the calculation.

all jobs in the county than when there was less manufacturing (see "Definitions"). This was even true of counties with higher levels of education.

These patterns strongly suggest that the strategy of chasing manufacturing jobs has succeeded in lifting many rural Southern areas out of severe poverty and providing well-paying if not always pleasant jobs to the less skilled rural workforce. About 45 percent of the counties in each of the two lowest education categories were manufacturing counties. About 29 percent of the counties in the highest education group were manufacturing counties.

This is not to say that manufacturing has been a cure for poverty. The average 1995 poverty rate was over 20 percent even in the manufacturing counties. Family structure, adjacency to a metropolitan area, race, ethnicity, and a num-

ber of other factors are also related to county poverty rates in low-education counties.

## New Economy Manufacturing Differs From Old Economy Manufacturing

Globalization and new technologies are changing the nature of manufacturing, the types of workers manufacturers seek, and the locations they prefer. Aside from production based on agricultural and forest products, manufacturing has historically been attracted to the rural South because of its low labor costs and low taxes. The manufacturing that shifted to the South tended to involve routine production processes and was epitomized by textiles and apparel industries. Labor skills were not an issue for most of these manufacturers: they were competing on the basis of labor, land, and tax costs.

In the 1970's, manufacturing expanded rapidly across all county education groups in the rural South, at a much faster rate than in the rest of rural America (table 2). In the 1980's, when manufacturing was confronted by stiff competition from abroad and many were arguing that U.S. manufacturing was not

Table 2  
**Change in manufacturing jobs by region and county education level**  
*Low-education areas had the greatest gain in manufacturing in the 1980's, but lost in the 1990's*

Region and county education <sup>1</sup>	1969-79	1979-89	1989-97
	Percent		
Rural South	22.8	3.4	1.1
Bottom third	23.5	8.4	-3.5
Middle third	22.4	3.8	0.1
Top third	23.0	0.0	5.1
Other rural U.S.	13.1	-2.1	8.1
Urban U.S.	1.9	-8.8	-5.0

<sup>1</sup>County groups based on proportion of young adults (ages 25-44) with at least a high school degree (see "Definitions").

Source: ERS, based on Bureau of Economic Analysis county data files.

globally competitive, it was the lowest education areas that gained manufacturing jobs. Manufacturers in or relocating to the rural South were continuing to compete on the basis of low labor and land costs.

In the 1990's, the picture changed dramatically. Manufacturing jobs continued to shift out of urban areas, but to areas of higher education in the rural South and to the rest of the rural United States. Several factors appear to have been behind this shift.

First, jobs in textiles and apparel were sharply reduced nationally in the 1990's due to both enhanced global competition and, especially with textiles, technological change. Textile jobs declined by about 14 percent between 1989 and 1997 and apparel jobs by about 23 percent. Low-education counties (see "Definitions") have specialized in these two industries. In 1989, they accounted for over 40 percent of the manufacturing jobs in low-education counties in the rural South. Textiles and apparel were much less important in the rural South's high-education counties (21 percent of manufacturing jobs) and almost insignificant in rural areas outside the South (5 percent) in 1989.

But this is not a full explanation for the changes in the location of manufacturing growth and decline between the 1980's and 1990's. Textiles and apparel also declined nationally in 1979-89, each by about 18 percent. Yet manufacturing grew in the low-education counties over that period, at a faster rate than in the rest of the rural South. More generally, national changes in individual manufacturing industries do little to explain why low-education areas gained manufacturing jobs in the 1980's but lost them in the 1990's.

An alternative explanation for the change in locational trends between the two decades is that low-education counties lost their previous attractiveness to manufacturers because of a pervasive change in competitive strategies in U.S. manufacturing. In the face of the internationalization of markets during the past decade, many manufacturers not shifting production overseas began to adopt a wide range of new technologies and management practices in order to increase efficiency and compete on the basis of quality rather than quantity. In general, this strategy has succeeded. Nationally, manufacturing employment dropped by about 5 percent between 1989 and 1999, but production was up by 44 percent.

These new practices and micro-processor-based technologies, together with the shift of more labor-intensive industries overseas, have boosted manufacturing productivity nationally, but they have also redefined skills required in manufacturing. First, this involved a shift in the types of jobs. The number of machine operators, fabricators, and laborers in manufacturing declined by 13 percent in 1989-99, but the number of professionals (engineers, researchers, lawyers, and others) rose by the same percentage (Ilg and Haugen).

Second, the types of people hired for production jobs shifted toward more highly skilled workers. According to Current Population Survey data, the number of manufacturing production workers (ages 18-64) without a high school degree fell by 26 percent nationally between 1989 and 1998, while the number with schooling beyond a high school degree rose by 46 percent. To some extent, this reflected overall improvements in the educa-

tional levels of the U.S. labor force. But the overall improvements were much smaller than in the manufacturing sector. For the working age population (ages 18-64), the number of high school dropouts fell by only 5 percent while the number with schooling beyond high school rose by 27 percent. Manufacturing has shifted its hiring strategies for production workers and is claiming a higher proportion of more highly skilled workers in the labor force.

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***Manufacturing has shifted its hiring strategies for production workers and is claiming a higher proportion of more highly skilled workers in the labor force.***

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This change affected the rural South as well. The proportion of production workers without a high school degree fell from 33 percent in 1989 to 23 percent in 1998, while the proportion with education beyond high school rose from 13 percent to 22 percent. Among the working age population as a whole, the proportion in the rural South without a high school degree fell only from 26 percent to 22 percent.

Accompanying this shift in hiring has been a substantial increase in training. In the 1996 ERS Rural Manufacturing Survey, nearly three out of every four manufacturers in both rural and urban areas reported that they had increased formal training for production workers over the previous 3 years (Gale and others). The primary reason given

was “a heightened concern about product quality.”

This change in competitive strategy did not involve all manufacturers everywhere. Data from the manufacturing survey show that manufacturers in low-education counties in general had adopted fewer new technologies than manufacturers elsewhere, even when manufacturing type and plant characteristics were taken into account (McGranahan). Lack of labor skills is the central problem, at least according to those manufacturers in low-education counties that have managed to adopt a high number of new technologies and practices. But there are also manufacturers who continue to pursue a low-skill, low-wage approach or chose low-education counties for other reasons.

Although low-education counties lost manufacturing jobs overall, 47 percent of these counties actual-

ly gained jobs during 1989-97 and 51 percent lost jobs. Counties gaining jobs had 24 percent more manufacturing jobs in 1997 than in 1989, but the gain was more than offset by losses in the other counties. These statistics reflect the considerable flux in manufacturing jobs through the births and deaths of firms, the shifting of employment among plants in multilocal firms, and firm expansion and contraction. This flux creates the means through which manufacturing moves from one location to another, with labor mix a major factor behind the shifts in location (Dumais, Ellison, and Glaeser). The general shifts in employment described above are consistent with a rising demand for skills. These general shifts show that, while attracting manufacturing to low-education areas is not impossible, the likelihood has shrunk and the

incentives may now have to be greater.

### Poor Local Schools May Hinder the Transition From Old Economy to New Economy Manufacturing

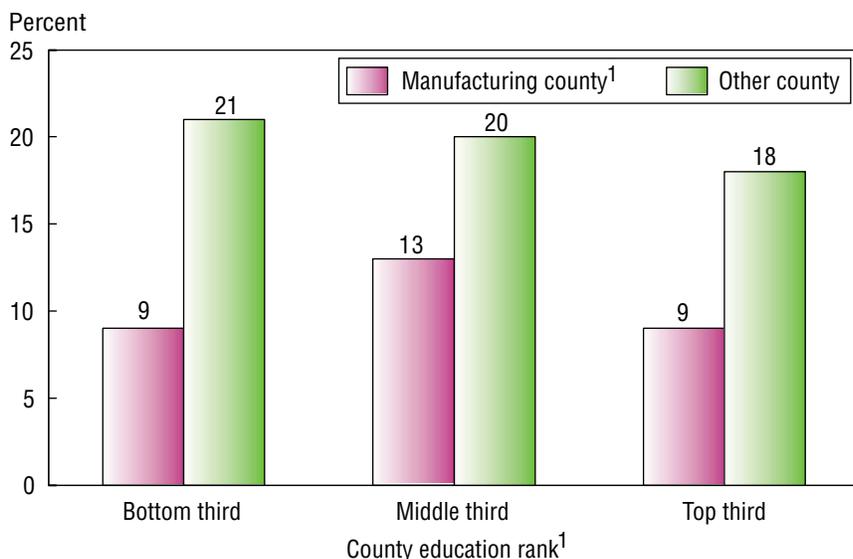
Manufacturers have historically been drawn to the rural South not only by the low cost of labor and land, but by low taxes. Education is a major beneficiary of tax revenues—about one-third of combined State and local budgets are devoted to education (including higher education). In the past, local educational revenues and expenditures may not have been much concern for rural manufacturers in the South—competitive strategies were based more on labor costs than labor skills.

We do not have data available on actual tax rates, but survey data can tell us where tax burdens were most often felt to be heavy. Manufacturers in the 1996 ERS Rural Manufacturing Survey were asked a series of questions about local barriers to their competitiveness (see Gale and others). Next to the quality of available labor, State and local taxes were cited most frequently as a major problem by rural manufacturers (McGranahan). State and local taxes were cited less often in the rural South (14 percent) than in other rural areas (28 percent) or urban areas (31 percent).

Within the rural South, manufacturers in manufacturing counties cited State and local taxes as a major problem about half as often as manufacturers in counties with relatively little manufacturing (fig. 3). This suggests that manufacturing has tended to locate where effective tax rates are low and/or that the presence of manufacturing has tended to reduce local taxes.

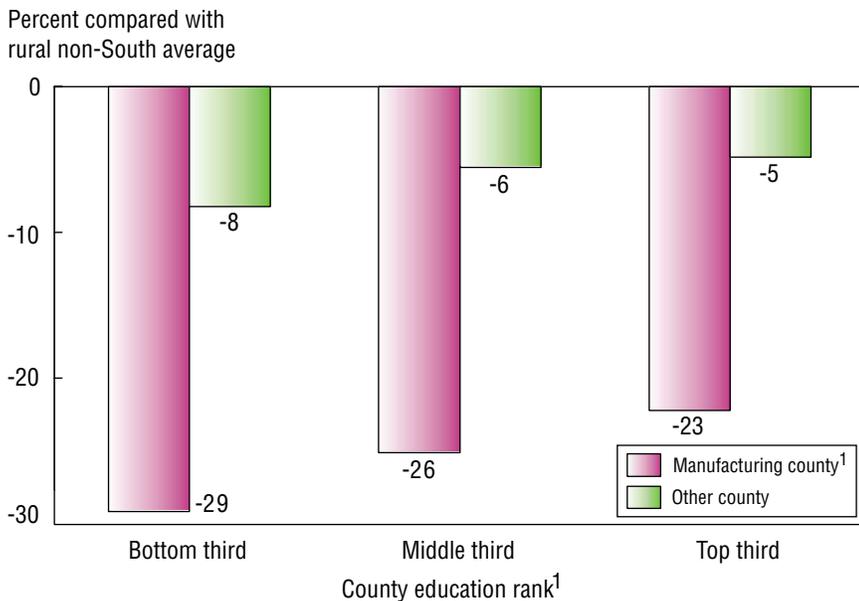
Figure 3  
**Manufacturers in rural South reporting State and local taxes as a major problem for their competitiveness**

*Taxes are less likely to be a burden in manufacturing counties*



<sup>1</sup>See "Definitions" for description of measures.  
Source: 1996 ERS Rural Manufacturing Survey.

Figure 4  
**Average 1996 county, State, and local revenue per pupil in rural Southern counties relative to the rest of rural United States**  
*School revenues per pupil are low in manufacturing counties*



<sup>1</sup> See "Definitions" for description of measures and sources.  
 Source: National Center for Education Statistics Common Core of Data files, 1996.

Associated with the lower reporting of taxes as a major problem in manufacturing counties is a lower per-pupil revenue from State and local sources in their county school system(s) (fig. 4). The same pattern is found for school expenditures per pupil. While the correspondence between school finances and school quality is not necessarily tight—there are good schools with few resources and poor schools with plentiful resources—it does appear that the very strategies that helped create a strong manufacturing base in the past may undermine success in the current context of new technology and globalization.

The bases of competition in manufacturing have shifted away from lower labor and land costs toward greater production efficiency and quality product. So, areas

with low labor costs and low taxes have lost much of their attractiveness, at least where labor skills are low. Unless State and local policies toward schools are changed, these areas are likely to fall increasingly behind.

Are these State policies or local policies that lie behind the low level of school funding in manufacturing counties? Education finance policies (as well as industrial recruitment programs) are set at both the State and local levels. (The Federal Government contributed an average of only 7 percent of public school revenues across States in 1995, while the remainder was evenly split between State and local sources.) Multivariate analysis controlling for differences across States suggests that the low school revenues per pupil in manufacturing counties are not the result of manu-

facturers' direct influence on the local school revenues (and expenditures)—or the movement of manufacturing to particular counties within States. The analysis shows that revenue differences largely reflect differences across States. That is, school systems tend to have fewer resources per pupil in States with a relatively high proportion of manufacturing counties than in States with fewer manufacturing counties. Within States, factors such as the size of the school system influence expenditures, but the presence of manufacturing does not.

### Low-Education Counties Have Fewer Public Colleges

Raising workforce skills requires more than improvements in local schools; it also means training the existing workforce. This falls not to local school systems, but to private vendors, colleges, and, increasingly, community colleges. In many States, community colleges have explicit responsibility for promoting local development, particularly in rural areas (Rosenfeld).

But low-education counties are much less likely than middle- and, especially, high-education counties to have colleges, making it difficult for skill upgrading in these counties (fig. 5). Within the bottom two education groups, manufacturing counties are twice as likely as others to have colleges. But in the low-education counties, this only brings the proportion with colleges up to 14 percent.

Low-education counties have so few colleges in part because they tend to be more rural than higher education counties, and colleges tend to be located in counties with large population centers. But multivariate analyses controlling for the



Early County, Georgia. Photo courtesy John B. Cromartie.

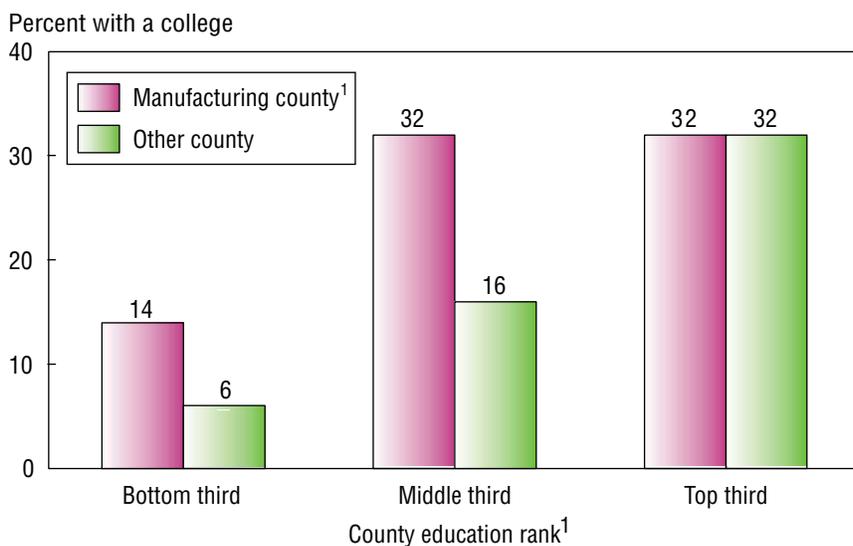
presence of cities (over 10,000 people) and towns (2,500 to 10,000) in a county suggest that only about a

quarter of the difference between high- and low-education counties can be ascribed to differences in

rurality. It is also true that the presence of a college with its professional staff is likely to elevate county educational levels somewhat, sometimes enough to reclassify a “low-education” county. So, more otherwise low-education counties may have colleges than the figure suggests. Still, low-education areas are underserved with respect to both public schools and colleges.

Low-education areas currently have one remaining strong advantage: a relative surplus of labor in a nationally tight labor market. But to fully benefit from this advantage, schools must be improved and training programs made available so that manufacturers (and others) seeking new locations will find these areas attractive. Without these improvements, low-education areas will continue to lose jobs to overseas locations.

Figure 5  
**Counties in rural South with public 2- or 4-year colleges in 1994**  
*Counties with low education levels are less likely to have public colleges*



<sup>1</sup>See "Definitions" for description of measures and sources.  
 Source: National Center for Education Statistics data files.

## Conclusions

Manufacturing remains an important part of the economic base of the rural South. Nearly a third of private sector earnings came from manufacturing in 1997. This manufacturing base was built largely on low taxes and, especially, low labor costs. The manufacturing that grew in the rural South over the past decades relied on routine production and required relatively few skills.

As a development strategy, the pursuit of manufacturing appears to have worked in many ways. Many low-education counties have a strong manufacturing base, with manufacturing comprising 20 percent or more of the jobs in nearly half the counties. Low-skill workers are much less likely to have family incomes below the poverty line when they have manufacturing jobs than when they have other

jobs. And counties with low education levels are less likely to have severe poverty when they have substantial manufacturing. While manufacturers in low-education manufacturing counties appear to benefit from low State and local taxes, a corollary of low taxes is low funding of public schools and the likelihood of a perpetually low-skilled labor force. This was not a problem for local development when manufacturers were seeking largely unskilled labor.

This pattern has clearly become less viable in the New Economy. Competition on the basis of low wages has become less feasible with the globalization of markets, and some production has shifted to countries where wages are much lower than in the rural South. Apparel is a striking case in point. New technologies and management practices have made U.S.

manufacturing more competitive, but they require more highly skilled workers. They have raised the educational credentials of the production workers and increased training. Low-education areas of the rural South have lost much of their attraction.

This is not to say that all manufacturing will leave. Many counties in the rural South depend on food processing and wood products industries, which tend to be tied to the location of their inputs. Some manufacturers may find ways to organize production so that unskilled workers can be involved in creating high-quality products. There are also alternatives to manufacturing: prisons, casinos, warehousing. But there seems to be little to lose and everything to gain by increasing education and training in the low-education areas of the South. **RA**

### For Further Reading . . .

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# Educated Workforce, Quality Jobs Still Elusive Goals in the Rural South

Lionel J. **Beaulieu**  
Melissa A. **Barfield**  
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**N**early 15 years ago, the Commission on the Future of the South released a much anticipated report titled, *Halfway Home and a Long Way to Go* (Southern Growth Policies Board), a document that offered a frank assessment of how Southern States were doing at the midpoint of the 1980's. The Commission, charged with the responsibility of setting forth an agenda for economic and social progress over the coming years in the region, concluded that the news was not all favorable. It stated:

*"The sunshine on the Sunbelt has proved to be a narrow beam of light, brightening futures along the Atlantic Seaboard, and in large cities, but skipping over many small towns and rural areas. The decade's widely publicized new jobs at higher pay have been largely claimed by educated, urban, middle-class Southerners. Although their economic progress has lifted southern per capita income to 88 percent of the national average, millions of us – approximately the same number as in 1965 – still*

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*Adult rural Southerners have made remarkable progress in improving their educational status over the past decade, but quality jobs requiring college-educated workers remain more a dream than a reality in the rural South. The most rapidly growing segments of the rural Southern economy are paying wages and salaries that are well below those paid to metro-based Southerners. Consequently, the gap in average earnings has widened between Southern metro and nonmetro workers during the 1990's. Projected job expansion over 1996-2005 offers little hope for improvement since the majority of such jobs will demand persons with no more than a terminal high school education and some on-the-job training.*

*struggle in poverty. While nine million new jobs are projected for the region by the year 2000, too many workers in obsolete jobs are not being retrained for the next century's technical and service careers. In the South's long, even commendable, journey of progress, too many are left behind . . ." (Southern Growth Policies Board, p. 5).*

Certainly, the situation has improved markedly since the mid-1980's. Consider, for example, that the South has experienced healthy expansion of its economy during the 1990's, with more than 11 million new jobs created. Furthermore, the Southern adult population has improved remarkably in educational status. Surely, one could argue that a more accurate portrayal of the South is reflected in the 1998 report by MDC, Inc., which asserts, "The modern South is a dynamic, growing, and changing region, galloping into the 21st century."

Yet, to celebrate the successes that the South has enjoyed over the past decade would be to lull our-

selves into a false sense of security regarding the region's long-term vitality. The glowing profile outlined in the MDC report is largely a progress report on metropolitan areas, giving limited attention to the plight of rural people and communities. Despite concrete gains over the past decade or two, the underlying concerns in the *Halfway Home and a Long Way to Go* report persist in many parts of the rural South. In particular, the human capital resources of rural people—their education and work-relevant skills—remain woefully inadequate compared to those of urban residents. Furthermore, good jobs that require an educated workforce and offer excellent pay continue to bypass rural places for the richer pool of human, financial, and physical resources found in urban areas.

The caliber of the region's human capital resources will play a prominent role in determining the quality of life that rural Southerners will enjoy over the coming years. The notion of "human capital," as used here, extends beyond the edu-

cational progress needed to compete effectively in a complex, global economy. It includes a thoughtful assessment of how we want the economies of rural communities to develop, and a recognition that families and communities are vital in developing the human capital of both children and adults.

### Examining the Educational Status of Rural Southerners

One of the most widely accepted measures of an individual's human capital is educational attainment. Through education, a person's knowledge and skills are thought to improve, accelerating that individual's work-related productivity and earnings (Marshall and Briggs). A key issue for the South is whether the educational credentials of rural adults of prime working age (25-64 years old) have

improved relative to persons living in the region's metro areas.

Metro and nonmetro areas have both witnessed measurable declines since 1990 in the share of adults with less than a high school education (fig. 1). But even with these improvements, 6 of every 10 nonmetro adults either had terminal high school degrees (40 percent) or less (22 percent) in 1999. In contrast, less than 46 percent of metro residents had a high school education or less.

Growth in college-educated residents has been negligible in the nonmetro South, increasing only 1 percent from 1990 to 1999. On the other hand, metro adults with college degrees or more education increased from 24 percent to 28 percent. Today, more than one in four persons in the metro South are college educated, while just one in

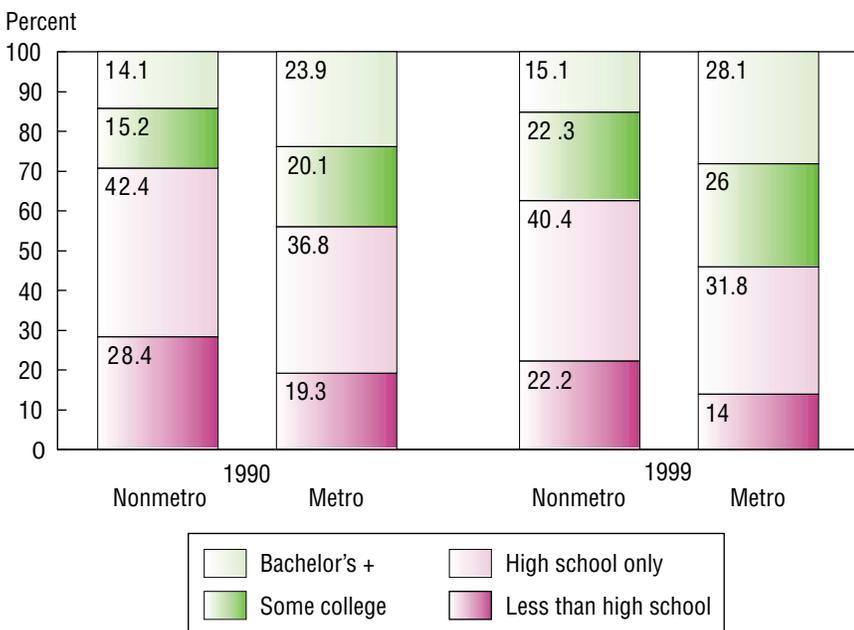
seven nonmetro adults can say the same.

Educational progress is more dramatic when examining historically disadvantaged groups over the past decade. The share of nonmetro White adults with less than a high school education has dropped from 25 to 18 percent since 1990, but is still twice the rate of metro Whites (table 1). The South's rural Blacks continue to show progress too. As of 1999, the share of rural Black adults with at most a terminal high school degree had dropped about eight percentage points since 1990. Hispanics remain entrenched in the lowest rungs of the educational attainment ladder, particularly in the South's nonmetro areas. As of 1999, over half of rural Hispanic adults had less than a high school education, about the same share as in 1990 (table 1).

The largest pool of educated Southerners, across all race and ethnic categories, remain in urban areas. The percentage of White, Black, and Hispanic residents with college degrees or better is two to three times greater in the metro South than in the nonmetro South as of 1999. Only 8 percent of rural Southern Blacks had a college education in 1999, while the figure for Hispanics was even lower—5 percent. More alarming, the metro/nonmetro gap has widened since 1990 in terms of college-educated adults. For example, the share of Blacks with college degrees in the metro South grew by 33 percent during 1990-99, while rural college-educated Blacks inched up by less than 4 percent. Metro areas are expanding their pool of educated adults of prime working age at a faster pace than are the region's nonmetro areas.

Figure 1  
**Educational status of metro/nonmetro residents (25-64 years old) in the South, 1990 and 1999**

*The best-educated Southerners continue to live in metro areas*



Source: Current Population Survey, March 1990 and 1999.

Table 1

**Educational attainment of metro and nonmetro adults (25-64 years old) in 1990 and 1999, by race and ethnicity**

*Few nonmetro Blacks and Hispanics have completed college degrees*

Race/ethnicity	1990		1999	
	Metro	Nonmetro	Metro	Nonmetro
	<i>Percent</i>			
<b>White:</b>				
< High school	13.6	24.9	8.4	18.2
H.S. only	37.3	43.6	31.7	41.0
Some college	21.1	15.9	27.1	23.7
Bachelor's +	28.0	15.6	32.9	17.1
No. of cases	11,788	5,553	9,930	3,860
<b>Black:</b>				
< High school	26.6	41.1	16.7	28.3
H.S. only	40.0	38.3	36.8	43.1
Some college	15.7	13.1	27.9	20.7
Bachelor's +	14.0	7.6	18.6	7.9
No. of cases	2,756	1,108	2,584	696
<b>Hispanic:</b>				
< High school	39.1	50.7	33.2	51.8
H.S. only	31.9	35.2	28.4	30.3
Some college	16.4	8.7	21.3	12.7
Bachelor's +	12.7	5.5	17.2	5.2
No. of cases	2,414	219	2,571	363

Source: Current Population Survey, March 1990 and 1999.

tion and a nearly 85-percent growth in the Hispanic population by 2025. Two-thirds of the South's projected growth over the next 25 years will come from the region's minorities (Murdock et al.). As these are the very groups that have lagged in the educational upgrading of the last decade, the rural South will likely continue to face major challenges in its efforts to shore up the educational endowments of its residents (Murdock et al.).

**The Changing Course of the Rural South's Economy**

The rural South's economy is evolving from its historical dependence on goods-producing industries. Agriculture, for example, now employs (as of 1998) less than 7 percent of the rural South's labor force. Manufacturing, while still capturing 18 percent of the South's full- and part-time nonmetro work-

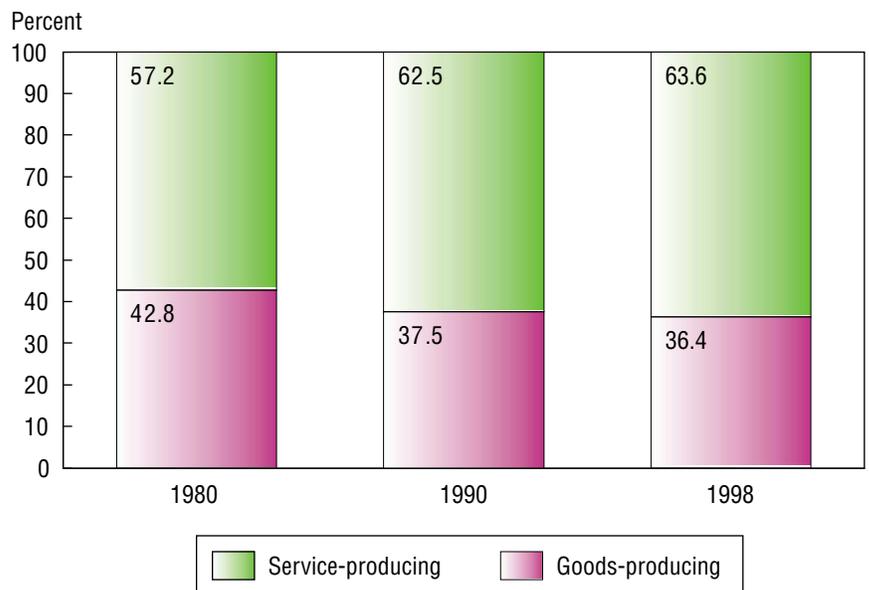
So while the South has enriched its human capital resources generally in the last decade, improvements are occurring much faster in its metro areas. As a result, rural areas remain at a distinct disadvantage in attracting high-quality jobs that demand well-educated workers. Perhaps even more problematic for the rural South, however, is the persistently low educational credentials of its minority populations. While Blacks are graduating from high school in increasing numbers, relatively few are moving on to college. And among Hispanics, the share pursuing post-secondary education remains woefully low.

These trends are especially troubling given the demographic shifts predicted for the South over the next several years—a 33-percent increase in the Black popula-

Figure 2

**Persons employed full- or part-time in the goods- and service-producing sectors of the nonmetro South, 1980, 1990, and 1998**

*Employment in service-producing sector jobs has accelerated over the past two decades*



Source: Bureau of Economic Analysis.

Table 2

### Average salaries/wages of full and part-time workers (25-64 years old) in the metro/nonmetro areas of the South by industry, 1990 and 1999

The gap in average earnings among metro and nonmetro Southerners has increased during the 1990's

Industry	Metro			Nonmetro		
	1990	1999	Percent change	1990	1999	Percent change
	— Dollars —		Percent	— Dollars —		Percent
Agricultural services	14,434	20,173	39.8	12,392	21,842	76.2
Mining	35,589	52,134	46.5	39,059	32,233	10.9
Construction	22,165	33,355	50.5	18,155	24,897	37.1
Manufacturing	26,822	37,643	40.3	18,897	28,806	52.4
Transportation and utilities	27,429	38,948	42.0	24,669	32,012	29.8
Wholesale and retail trade	20,505	30,714	49.8	15,217	23,263	52.9
Finance, insurance, and real estate	21,270	37,471	76.2	15,498	26,926	73.7
Services	21,430	34,551	61.2	16,926	25,273	49.3
Government	28,636	42,319	47.8	20,256	29,425	49.3
Overall	23,150	34,906	50.8	18,020	26,314	46.0
No. of cases	12,213	11,249	-	4,490	3,180	-

Source: Current Population Survey, March 1999.

nearly 17 percent over 1990-98) has not narrowed the metro/nonmetro earnings gap. In 1990, full- and part-time workers in the rural South earned (on average) 78 percent of the region's metro workers' salaries or wages (table 2). By 1999, rural earnings were 75 percent of the region's metro earnings (\$34,906 for urban workers versus \$26,314 for rural workers). Hence, the wage gap between nonmetro and metro Southerners actually widened in the 1990's. While rural areas of the South have been successful in creating many new jobs over the past decade, the wages tied to these jobs have been an issue of considerable concern.

Why is the rural South losing ground to the metro South? No doubt, economic restructuring in the region is key. The manufacturing sector experienced employment declines between 1990 and 1998

force, employed fewer people in 1998 than 8 years earlier.

In 1980, goods-producing industries (farming, agricultural services, forestry, fishing, mining, construction, and manufacturing) in the nonmetro South employed 43 percent of the workforce. By 1998, 36 percent of jobs in the nonmetro South were connected to goods-producing sectors of the economy (fig. 2). Meanwhile, new jobs were being generated by the service-producing sectors in the rural South. Between 1990 and 1998, 7 of every 10 new jobs created in the nonmetro South were tied to service-sector industries, such as transportation and public utilities, wholesale and retail trade, finance, insurance and real estate services, and government.

The healthy economic expansion of the rural South during the 1990's (nonfarm employment grew

Table 3

### Employment change in selected industries in the metro and nonmetro South, 1990-98

Explosive growth in services-related jobs has occurred in the South since 1990

Industry	Employees			
	1990	1998	Change, 1990-98	Change, 1990-98
	— Number —			Percent
<b>Nonmetro:</b>				
Manufacturing	2,073,402	2,064,102	-9,300	-0.4
Wholesale and retail trade	1,871,283	2,247,576	376,293	20.1
Finance, real estate, and insurance	419,068	491,051	71,983	17.2
Services	1,865,085	2,385,218	520,133	27.9
<b>Metro:</b>				
Manufacturing	4,238,930	4,323,355	84,425	2.0
Wholesale and retail trade	8,087,296	9,724,941	1,637,645	20.2
Finance, real estate, and insurance	2,808,169	3,324,890	516,721	18.4
Services	10,238,730	14,056,638	3,817,908	37.3

Source: Bureau of Economic Analysis.

(table 3), while over half of the jobs created in the nonmetro South over 1990-98 have been tied to services and retail/wholesale trade. Average earnings by nonmetro jobholders in these sectors were \$2,500-\$5,500 lower (in 1999) than those in manufacturing (table 2).

While metro areas of the South are also experiencing vigorous expansion in services and wholesale/retail trade, average wages/salaries earned by metro workers in these industries are \$7,400 to \$9,200 more than those of nonmetro workers. In a nutshell, the sectors of the rural economy that are expanding most rapidly are not providing the same level of earnings that the slower growing or declining goods-producing sectors (such as manufacturing) have been able to offer, nor are they compensating rural workers comparably to urban workers.

### Education and Earnings: Location and Race Make a Difference

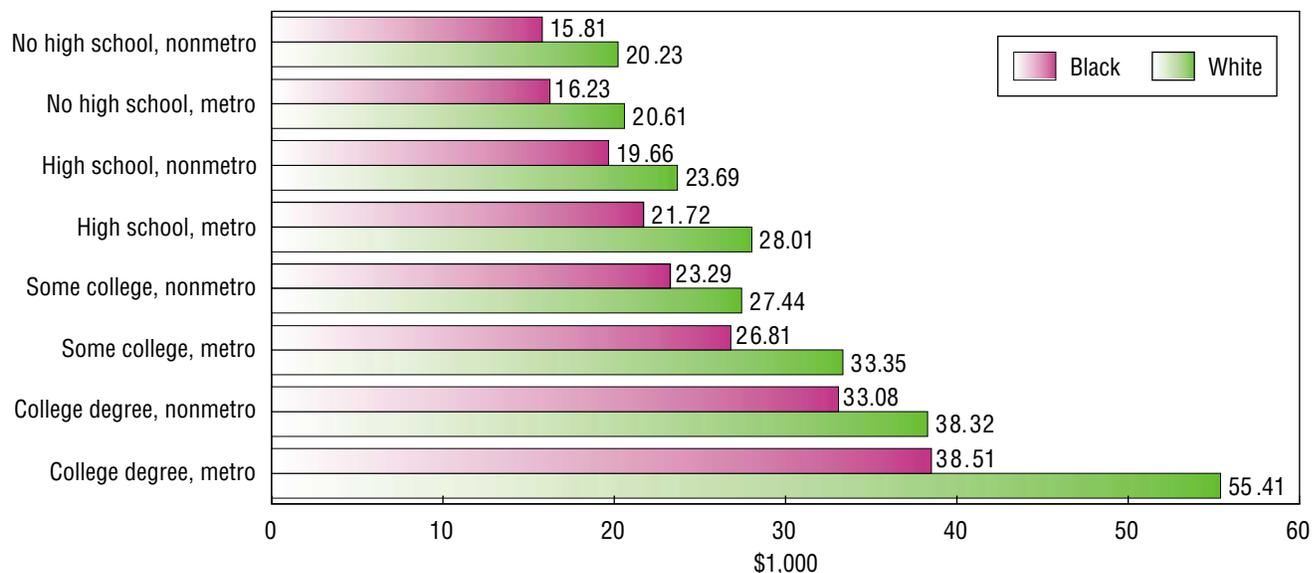
Also influencing the metro/nonmetro wage/salary gap is the lower educational status of rural workers. Earnings are strongly linked to educational attainment. Better educated workers are clearly able to capture the highest average earnings (fig. 3). For example, metro college graduates earned more than twice as much in 1999 as workers who failed to finish high school.

Not only does the rural South not have as many educated workers as metro areas, its comparably educated workers are not paid as much as their metro counterparts (fig. 3). And Blacks receive lower wages/salaries than Whites across all educational strata. (This disparity appears most pronounced among college-educated residents living in the metro South.)

### Projected Job Shifts in the South

In light of the economic shifts in recent years and the earnings gap between metro and nonmetro areas of the region, is there any hope that the future will be brighter for the rural South? Projections prepared by the Bureau of Labor Statistics and America's Labor Market Information System are discouraging news for the nonmetro South. Despite pronouncements regarding the increasing need for a highly educated and trained workforce (Johnston and Packer; Judy and D'Amico), occupational shifts expected over 1996-2005 in the South run counter to those warnings. The 20 occupations expected to create the most new jobs (such as cashiers, retail salespersons, waiters/waitresses, janitors/cleaners, truck drivers) will add over 3.24 million job slots to the South's economy (fig. 4). Many of these

Figure 3  
**Average earnings of full- and part-time workers (25-64 years old) in metro/nonmetro South by race, 1999**  
*The better educated capture the best wages, but average earnings of Blacks lag behind those of Whites across all education levels*



Source: Current Population Survey, March 1999.

jobs will pay low wages, offer less than full-time employment, and place workers at risk of frequent unemployment. Only 21 percent of these jobs will require persons with associate's or bachelor's degrees.

On the other hand, the 20 fastest growing occupations nationally (such as computer engineers, systems analysts, physical/occupational therapists, special education teachers, medical assistants) will contribute about 815,000 new jobs to the South's economy during this same 10-year period, and nearly half of these positions (49.5 percent) will require persons with degrees. Many of these positions will pay decent wages and offer job stability (Barfield and Beaulieu).

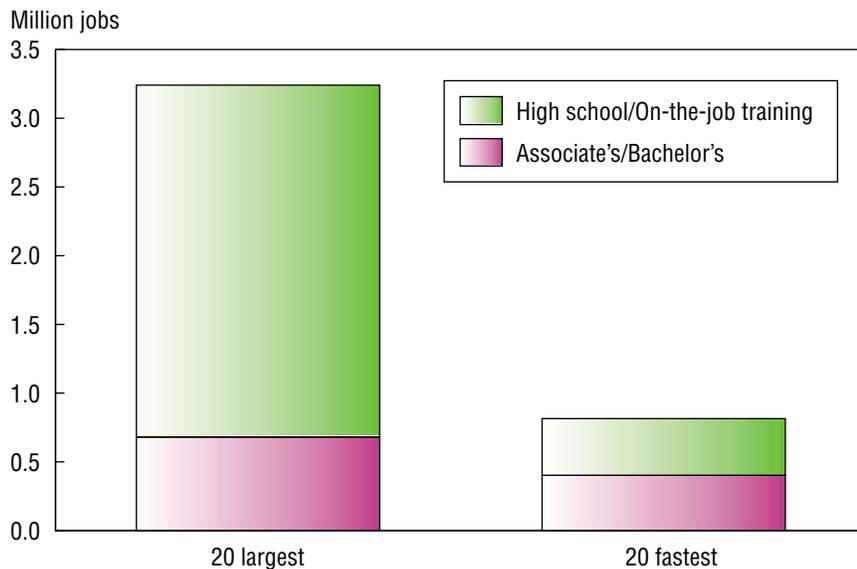
Of a projected 3.8 million jobs added to the South's economy by 2005, removing duplicates between lists of the top 20 occupations creating the most jobs and the top 20 growing the fastest, just a quarter (951,200 jobs) will require a formal education beyond high school. And if past trends are any indication (table 2), rural areas will capture more than their share of lower-wage jobs. The job prospects for those with a terminal high school education or limited post-secondary schooling will be good (although the wages associated with these jobs will not be very high).

Meanwhile, the best jobs growing at the fastest pace will most probably flow to the South's metro areas. Many of the best-educated nonmetro residents will continue to move to or commute to areas that provide decent jobs commensurate with their degrees. The prospects for rural Southern workers with no high school education will be grim, though. In tight labor markets, they will be able to secure entry-level jobs. But once the economy

Figure 4

**Job projections for the top 20 occupations creating the most new jobs, and the top 20 occupations growing at the fastest pace in the South, by educational requirements, 1996-2005**

*Most new jobs will demand little education beyond high school*



Source: Barfield and Beaulieu, July 1999

slows, this group will likely suffer high levels of unemployment.

**Challenges Ahead for the Rural South**

Many years after the 1986 Commission on the Future of the South warned of the emergence of a divided region—one vibrant and metropolitan, the other struggling and rural—disparities between these two geographic areas persist even today. Certainly, educational advancements have been realized in the nonmetro South. But, the educational credentials of the rural workforce still fall short of what is needed to capture the high-quality jobs being created as part of a complex, technology-sophisticated, and global economy. Jobs are growing at an impressive rate in the nonmetro South, but whether these jobs offer rural workers meaningful opportunities for economic

advancement remains a subject of considerable debate.

Efforts to further advance the human capital resources of the rural South require long-term investment strategies. The 1998 Commission on the Future of the South emphasized building quality education in the region—quality courses, well-trained teachers, and state-of-the-art school facilities. This investment challenges schools to raise their expectations of student performance and set high aspirations regarding the educational and career plans of their youth.

At the same time, the burden of creating an educated and skilled pool of workers extends to families. Research investigations dealing with the long-term educational and occupational successes of youth share one consistent finding—families are crucial in



Houma, Louisiana. Photo courtesy John B. Cromartie.

shaping the academic and occupational aspirations and achievements of their children (Beaulieu and Israel; Lee). But families are nearly always excluded from strategies for strengthening the rural South's human capital resources. As such, efforts must be redoubled to promote strong parent-youth interactions, to help parents take a greater role in the educational development of their children, and to elevate parental aspirations for their children's long-term education and occupational choices.

Of more immediate concern is bringing economic diversification to the nonmetro South. Sound research might better profile the economic leakages that rural areas are experiencing, or assess which imported products—both agricultural and nonagricultural—can be produced locally. The skills of local people can be channeled into home-based microbusinesses, or other internally grown small business enterprises (for example, woodworking). Building on the

existing skills and talents of rural people constitutes a viable strategy for strengthening the local rural economy.

Rural communities and their leaders must analyze the economic shifts that are projected to occur in the next decade and position themselves to capture their fair share of the decent paying jobs in growing occupational categories. Certainly, many rural communities in the South will remain committed to the numbers game, in which any job is better than no job at all. Unfortunately, this type of strategy, while expanding local job opportunities in the short term, may further retard the region's effort to improve the human resource endowments of rural workers. People often respond to local labor market conditions when making human capital investment decisions (Stallmann et al.). Only when challenging and well-paying jobs are available in rural areas of the South will people invest their time and resources in training and improving their human capital.

The rural South must remain ever attuned to demographic changes. Black and Hispanic populations are growing rapidly, but these are the very groups that have had the least success in securing good jobs paying decent wages. Advancing the educational endowments and workforce skills of rural minorities must be an essential component of social and economic progress in the rural South.

A final challenge awaiting the rural South is best articulated by William Winter, a former Governor of Mississippi. He notes that communities that have secured the greatest success on the economic front have moved beyond a simple "bricks and mortar" approach to economic development. Their triumphs, he argues, have been rooted in the attention given to the development of human relationships, to the building of a true sense of community. Those exemplary communities have been made up of people dedicated to working together rather than pulling the community in opposite directions.

The strategy for building the human capital of the rural South will likely be multi-dimensional:

- Improve the educational status of rural residents, especially among the expanding group of minorities who have had the least success in securing decent education;
- Embrace the high road in terms of economic development activities—one that is far less interested in capturing any jobs and more concerned about securing quality jobs for rural workers;
- Equip families and schools with the tools to nurture the educational and occupational dreams of their children; and
- Get the various interests existing in rural areas to collaborate in shaping the future of the nonmetro South.

It is critical that rural Southerners have the resolve to move ahead on these efforts if they hope to truly ensure the future economic and social vitality of the nonmetro South. **RA**

#### **For Further Reading . . .**

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# Most Persistently Poor Rural Counties in the South Remained Poor in 1995

Linda M. Ghelfi

Persistent-poverty counties, identified by ERS in 1994, are nonmetro counties with 20 percent or more of their population in poverty in each of the census years 1960, 1970, 1980, and 1990 (Cook and Mizer). Most of these counties, 443 out of 535, are in the South. While county poverty estimates from the 2000 census will not be available for several years, the U.S. Census Bureau's 1995 estimates suggest that only 44 persistently poor counties in the South may have shed that status by mid-decade. Although their 1995 poverty rates are not statistically different from 20 percent, the possibility that these counties became less poor during the early 1990's bears further investigation (see "County Poverty Rate Estimates," p. 40). Specifically, do other indicators of economic status also suggest that these "less-poor" counties are leaving their poor past behind?

On the other side of the coin are counties that may have fallen back into deeper poverty by 1995. Of the 580 Southern nonmetro counties not classified as persistently poor, 110 had poverty rates

*Estimates for 1995 suggest that only a tenth of persistently poor counties in the South may have reduced their poverty rate to less than 20 percent during the early 1990's, despite the overall strength of the rural economy. More Southern nonmetro counties appear to have fallen back into deeper poverty. Trends in population, income, employment, and business formation corroborate the poverty trends. Empowerment Zones, Enterprise Communities, and Champion Communities have been instituted in some of these areas. More areas may need broad-based development strategies to substantially reduce poverty in the rural South.*

of 20 percent or more in 1995. All of these counties also had poverty rates of 20 percent or more in at least one of the census years, 1960-90, but they did not meet that threshold in all of the previous four censuses (see "Nearly All Southern Rural Counties Had Some High Poverty Years," p. 48). The estimation process also leaves some doubt that all of these counties have again become that poor.

In this article, many demographic and economic characteristics are analyzed to gauge the reliability of 1995's poverty estimates. The time period varies depending on data availability, but the emphasis is on how conditions have changed during the 1990's. A simplified ranking process is then used to put selected indicators on the same basis to judge whether they support the nonmetro poverty estimates.

## Why Should We Be Interested?

Do those at the bottom of the income distribution benefit from economic growth? The *2000 Economic Report of the President*

looked at the relationship between growth and inequality during 1973-93 and 1993-98 (Council of Economic Advisors). Real family income grew in the two richest quintiles (40 percent of all families) and fell in the two poorest quintiles on an annual average basis during 1973-93, increasing income inequality. From 1993 to 1998, all quintiles averaged at least 2 percent annual real family income growth, surpassing even the richest quintile's annual growth during 1973-93 and halting the increase in inequality. The Report also shows that growth in real wages has accelerated since 1995.

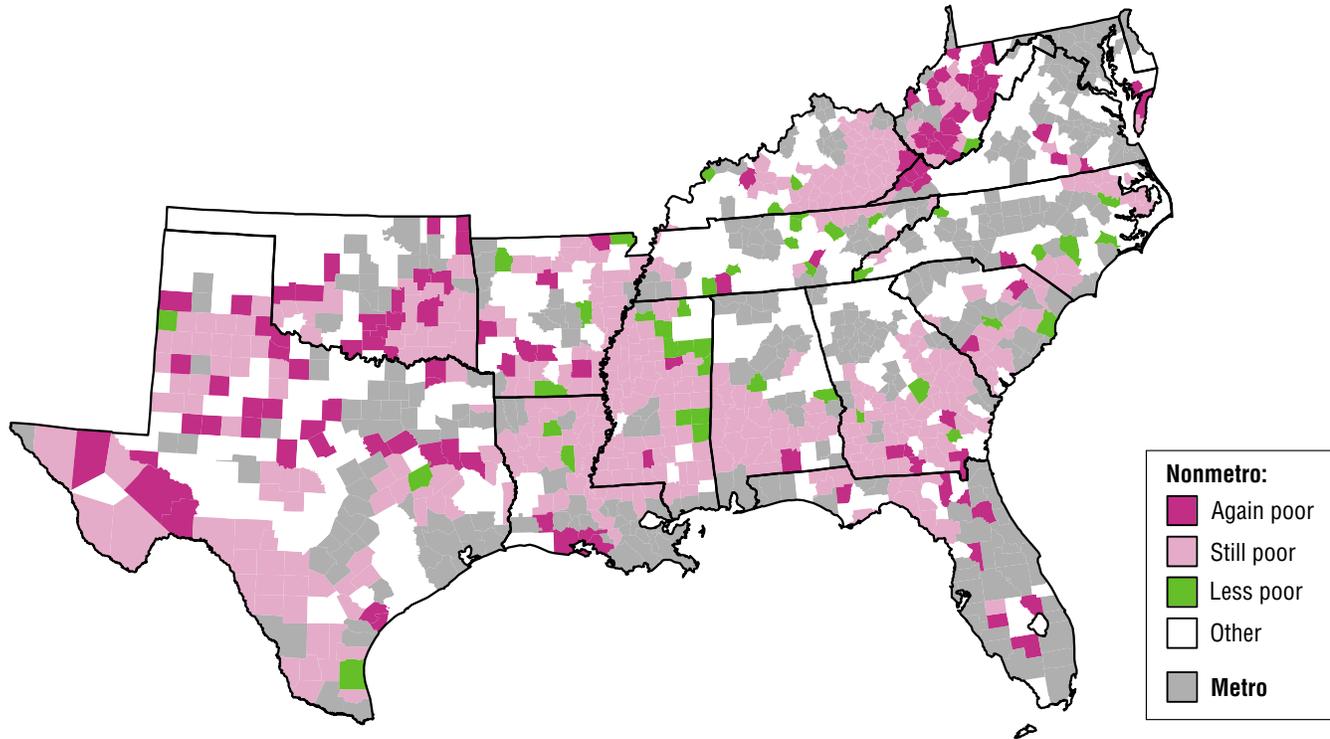
A parallel question is whether national growth trickles down to the poorest areas of the country. Cook and Mizer showed that the average persistent-poverty county lost population and had much lower per capita income than the average nonmetro county during the 1980's, when national inequality was rising. Nord found that per capita income increased more in the persistent-poverty counties than in other nonmetro counties

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Figure 1

### Southern nonmetro counties by poverty status, 1995

*Less-poor counties tend to be located along the edges of still-poor areas*



Note: "Again poor" are counties that are not classified as persistently poor, but 20 percent or more of their population was poor in 1995. "Still poor" are counties that are classified as persistently poor and 20 percent or more of their population was poor in 1995. "Less poor" are counties classified as persistently poor, but less than 20 percent of their population was poor in 1995. Source: Calculated by ERS using data from the U.S. Census Bureau.

during 1989-94, when the rise in national inequality began tapering off. These analyses reflect conditions in the group of persistent-poverty counties as a whole, perhaps masking better conditions in a subset of those counties. This article looks among Southern persistently poor counties to identify those that may have improved their economic conditions as the national economy strengthened during the mid-1990's.

#### Southern Nonmetro County Groups and Their Locations

The 1995 poverty estimates are used to divide Southern nonmetro counties into four groups:

**Less poor**—44 counties that were persistently poor but had lower poverty in 1995

**Still poor**—399 counties that were persistently poor and remained poor in 1995

**Again poor**—110 counties that were not persistently poor but had higher poverty in 1995

**Other**—470 counties that were not persistently poor and not poor in 1995.

Metro area conditions are examined to show how the non-metro groups are doing relative to the South's 402 metro counties.

The still-poor counties are clustered in long-recognized areas of disadvantage—Appalachian West

Virginia and Kentucky, the southeastern coastal plain of North Carolina, South Carolina, and Georgia, continuing across the Black Belt of Georgia, Alabama, and Mississippi, to the Mississippi Delta of Arkansas, Mississippi, and Louisiana, out into the Ozark/Ouachita Mountains of Arkansas and Oklahoma, and along the Texas border with Mexico (fig. 1). These areas' long histories of lagging economies and social or racial bifurcation have been well documented (Duncan, 1992; Duncan, 1999; Lyson and Falk). Less-poor counties are nearly all on the edges of the still-poor areas.

Table 1

**Population of Southern counties by poverty status, 1990-99**

*Still-poor counties average about 5,000-8,000 fewer residents than all the other groups of nonmetro counties*

Area	Population			Population per county		
	1990	1995	1999	1990	1995	1999
	— Millions —			— Number —		
Metro	63.1	68.3	72.3	156,951	169,991	179,828
Nonmetro:						
Persistent poverty—						
Less poor	1.0	1.0	1.1	22,577	23,690	24,574
Still poor	7.2	7.4	7.6	18,067	18,669	18,960
Again poor	2.7	2.8	2.8	24,501	25,264	25,598
Other	11.5	12.2	12.7	24,444	25,952	27,112

Source: Calculated by ERS using data from the U.S. Census Bureau.

Table 2

**Population change, natural increase, and net migration in the South, 1990-99**

*Less-poor Southern counties have increased population more than the other poor groups due to stronger net migration*

Area	Change over period					
	Population change		Natural increase		Net migration	
	1990-95	1995-99	1990-95	1995-99	1990-95	1995-99
	Percent					
Metro	8.3	5.8	4.2	2.8	4.1	3.0
Nonmetro:						
Persistent poverty—						
Less poor	4.9	3.7	2.3	1.5	2.7	2.2
Still poor	3.3	1.6	2.4	1.4	0.9	0.1
Again poor	3.1	1.3	1.4	0.8	1.7	0.5
Other	6.2	4.5	1.7	1.0	4.5	3.5
	Annualized change					
Metro	1.6	1.4	0.8	0.7	0.8	0.7
Nonmetro:						
Persistent poverty—						
Less poor	1.0	0.9	0.4	0.4	0.5	0.5
Still poor	0.7	0.4	0.5	0.4	0.2	0.0
Again poor	0.6	0.3	0.3	0.2	0.3	0.1
Other	1.2	1.1	0.3	0.2	0.9	0.9

Source: Calculated by ERS using data from the U.S. Census Bureau.

The again-poor counties are concentrated in West Virginia, Oklahoma, and Texas.

**Population Growth and Migration**

Population trends shed light on how each group of counties fared in the 1990's. Still-poor counties averaged about 18,000 residents per county in 1990 and increased to nearly 19,000 by 1999 (table 1). The again-poor counties also increased by an average of about 1,000 residents per county. Less-poor counties grew faster than the other groups of poor counties, increasing by an average of 2,000 residents per county by 1999.

The relatively strong growth in less-poor counties was due to higher rates of natural increase and, especially, net migration (table 2). Net migration accounted for more than half of their population growth during 1990-95 and 1995-99. The less-poor still lagged population growth in other nonmetro counties. And none of the nonmetro groups grew as fast as the Southern metro counties in the 1990's.

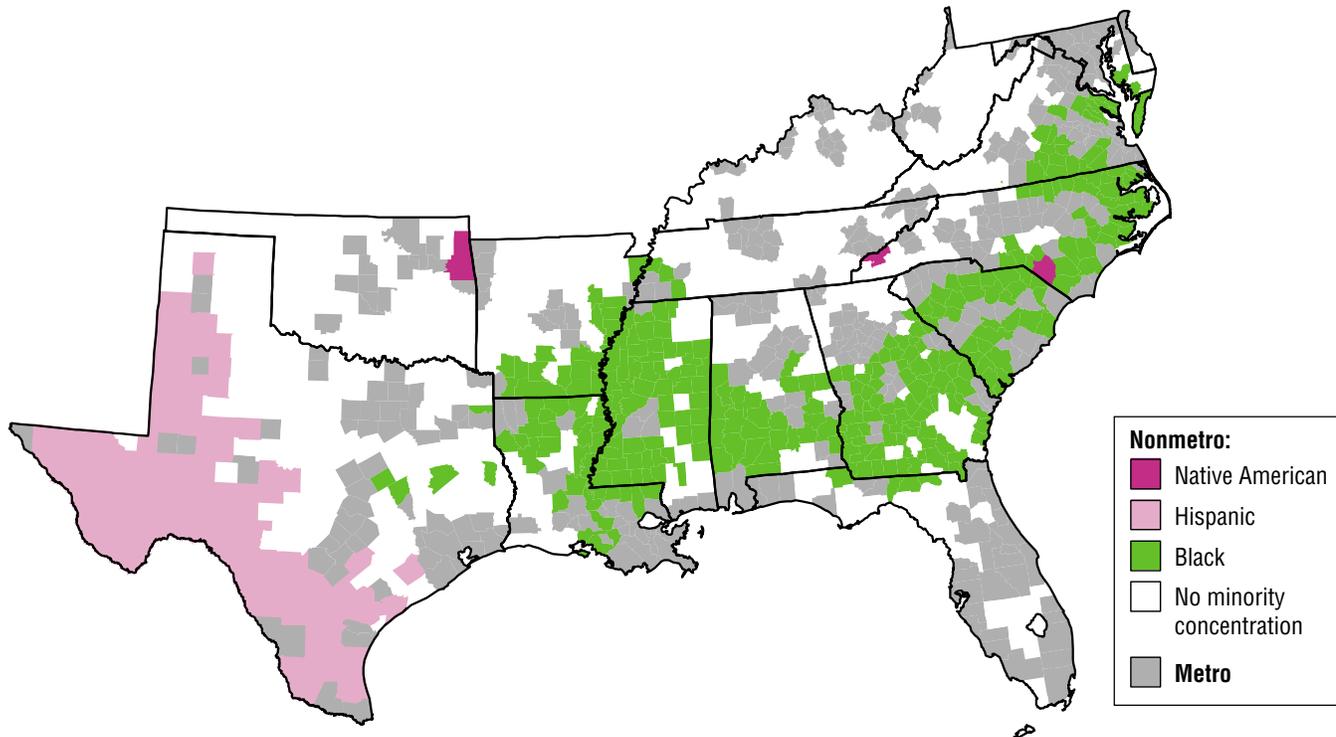
**Race and Ethnicity**

ERS minority codes identify counties with populations that are at least one-third Black, Hispanic, or Native American. In the South, no county qualifies for more than one of those groups. Over half of the still-poor counties have one-third or more Black populations, another 11 percent have one-third or more Hispanic populations, and 1 percent have one-third or more Native American populations (table 3). Many of the less-poor counties also have high Black populations. Fewer of the again-poor counties have high Black populations because they are concentrated in areas of the South that have pre-

Figure 2

**Minority concentrations in Southern nonmetro counties, 1990**

Counties with high Black populations extend across many States; only a few counties in North Carolina and Oklahoma have Native American concentrations; and all Southern counties with Hispanic concentrations are in south and west Texas



Source: ERS classification using county population data from Summary Tape File 3, 1990 Census of Population.

Table 3

**Share of Southern counties with high minority populations, 1990**

Counties with high proportions of Black residents are a sizable share of those counties becoming less poor

Area	Black	Hispanic	Native American
<i>Percentage of counties</i>			
Metro	19.2	3.7	0.0
Nonmetro:			
Persistent poverty--			
Less poor	43.2	4.5	0.0
Still poor	51.6	10.5	1.0
Again poor	16.4	10.0	0.9
Other	15.5	3.8	0.0

Note: The minority comprises one-third or more of the total county population.  
Source: ERS classification using county population data from Summary Tape File 3, 1990 Census of Population.

dominantly White populations. In Texas, 11 again-poor counties have high Hispanic populations. In general, persistent poverty (fig. 1) is closely related to areas of minority concentration (fig. 2), with the exception of White Appalachian and Ozark poverty areas.

**Characteristics of the Local Economic Base**

Economy-related ERS typologies include low-wage, farming, mining, and manufacturing counties. Low-wage counties are defined as the top fifth of all nonmetro counties ranked by the share of jobs in industries paying lower annual wages than the four-person poverty threshold. The still-poor group has the largest share of coun-

### County Poverty Rate Estimates

The Small Area Income and Poverty Estimates project at the Bureau of the Census uses a combination of multiple regression estimation techniques and shrinkage techniques to create county poverty estimates. The modeling relies on administrative data derived from tax returns, counts of food stamp participants, data from the Bureau of Economic Analysis (BEA), decennial census estimates, intercensal population estimates, and the March Current Population Survey (CPS). Estimates from the March CPS provide the measures of poverty that serves as the dependent variable in the regression model. A county regression equation is estimated on the basis of observations from the 1,200 to 1,500 counties included in the March CPS sample. From this estimated equation and known values of administrative variables, a regression “prediction” is obtained for each county. For each county with sample cases in the CPS, the model prediction is combined with the direct sample estimate, with each component receiving a weight. The sum of the two weights for each county is 1.0; the weight for the model prediction component is the ratio of the sampling variance of the direct estimate to the total variance (sampling plus “lack of fit”) of the direct estimate. Using this technique, the more uncertain the direct sample estimate, the larger the contribution from the regression model. These weights are commonly referred to as “shrinkage weights” and the final estimates as “shrinkage estimates.” For counties that are not in the CPS sample, the estimates are based solely on the regression equation.

Comparison of model-based poverty estimates for 1989 to the 1990 census estimate of poverty for 1989 illustrates differences in the two estimation processes. The overall rate of poverty in the metro South is estimated at 13.8 percent in 1989 by both the census and the model. Within the four nonmetro county groups, the 1989 estimates are close, but the model estimates lower rates of poverty in all four areas than the census. The two estimates vary more in the number of counties considered to have 20 percent or more of the population poor. The census estimated all persistently poor counties to have 20 percent or more of their populations poor. The model estimated that only 41 percent of the less poor and 97 percent of the still poor were that poor in 1989. For the counties in those groups with lower model-estimated poverty rates, the 90-percent confidence interval around the model estimates includes 20 percent poor in all but 3 less-poor counties. The model estimates for the again-poor counties suggest that fewer of them had high poverty in 1989 than the census estimates. Both the overall poverty rate and the share of high poverty counties suggest that poverty declined in the early 1990’s in less-poor counties and increased in again-poor counties. The Bureau of the Census cautions against making direct comparisons of the census and model estimates (see the Census Bureau’s website [p://www.census.gov/hhes/www/saipel/estimatetoc.html](http://www.census.gov/hhes/www/saipel/estimatetoc.html) for discussion of comparison issues). Because the poverty trends can only be viewed as suggestive, other indicators were investigated in this article to verify if conditions were changing in less- and again-poor counties and stagnant in still-poor counties.

For all but two of the less-poor poverty counties, the upper bound of the 90-percent confidence interval around their 1995 poverty estimates is more than 20 percent, raising some doubt that they have left the persistent poverty group. The lower bound of the 90-percent confidence interval around the 1995 estimates for the again-poor counties is less than 20 percent for 96 of those counties, raising some doubt that they are getting that poor.

**Comparison of model-estimated poverty rates with the 1990 census rate in Southern counties**

Item	1990 census	1989 model	1995 model
<i>Percent</i>			
<i>Overall poverty rate in group of counties</i>			
Metro	13.8	13.8	14.8
Nonmetro—			
Persistent poverty:			
Less poor	21.9	19.2	18.5
Still poor	29.4	28.7	17.0
Again poor	22.1	20.8	22.3
Other	15.7	14.4	15.2
<i>Share of counties with poverty rates of 20 percent or more</i>			
Metro	15.7	10.9	13.4
Nonmetro—			
Persistent poverty:			
Less poor	100.0	40.9	0.0
Still poor	100.0	97.0	100.0
Again poor	73.6	59.1	100.0
Other	11.5	3.6	0.0

Source: Calculated by ERS using data from the U.S. Census Bureau.

Table 4

### Southern nonmetro counties by poverty status and various ERS economic typologies, various years

*Over half of the less-poor counties are manufacturing-dependent*

Nonmetro area	Low wage <sup>1</sup>	Farming <sup>2</sup>	Manufacturing <sup>3</sup>	Mining <sup>4</sup>
	<i>Percentage of counties</i>			
Persistent poverty:				
Less poor	20.5	11.4	56.8	6.8
Still poor	26.8	23.1	22.6	5.3
Again poor	19.1	15.5	16.4	20.9
Other	11.1	12.3	39.4	7.4

<sup>1</sup>Low-wage counties are in the top fifth of all nonmetro counties ranked by the share of jobs in industries that pay lower average wages than the four-person poverty threshold in 1995.

<sup>2</sup>Received at least 20 percent of their average county earnings from farming during 1987-89.

<sup>3</sup>Received at least 30 percent of their average county earnings from manufacturing during 1987-89.

<sup>4</sup>Received at least 15 percent of their average county earnings from mining during 1987-89.

Source: ERS.

ties in this group (table 4). The less-poor and again-poor groups have one in five counties in the low-wage group. All three groups of poverty counties are much more likely to be low-wage than other Southern nonmetro counties.

The still-poor group stands out as having a higher share of farming-dependent counties, which tend to be sparsely populated and remote with few alternative job opportunities. Over half of the less-poor counties are manufacturing-dependent. These counties tend to be more urban and, even though manufacturing migrated to the South in search of lower wage workers, manufacturing jobs tend to pay better than most other rural jobs. The again-poor group far exceeds the other groups in the likelihood of being mining-dependent—21 percent versus 7 percent or less in the other county groups. With coal mining on the wane in West Virginia and oil and gas mining down in some areas of Oklahoma and Texas in the early 1990's, the loss of relatively well-paying jobs in those sectors may have contributed to increasing poverty.

### Urban Influence and Commuting

Being next to a metro area and having a city of at least 10,000 residents tend to improve a county's chances of economic growth (Ghelfi and Parker). All three poverty groups are much less likely than other Southern nonmetro counties to be adjacent to a large metro area, 2 to 5 percent of them compared with 13 percent of the other counties (table 5). The less-poor and again-poor groups are as likely as

Table 5

### Southern counties by poverty status, urban influence, and high commuting, 1990

*Nearly a quarter of the still-poor counties are not adjacent and completely rural, having no town of even 2,500 residents*

Urban influence category	Nonmetro				
	Metro	Persistent poverty			
		Less poor	Still poor	Again poor	Other
	<i>Percentage of counties in category</i>				
Metro:					
Large	31.3	NA	NA	NA	NA
Small	68.7	NA	NA	NA	NA
Nonmetro:					
Adjacent to large metro, with own city	NA	0.0	1.3	2.7	3.2
Adjacent to large metro, no city	NA	2.3	3.5	2.7	9.4
Adjacent to small metro, with own city	NA	4.5	6.3	14.5	10.2
Adjacent to small metro, no city	NA	40.9	31.3	32.7	37.7
Not adjacent, with own city	NA	11.4	6.3	10.0	9.8
Not adjacent, with own town	NA	27.3	28.3	27.3	16.4
Not adjacent, completely rural	NA	13.6	23.1	10.0	13.4
	<i>Percentage of counties in the category that have high commuting</i>				
Adjacent to large metro, with own city	NA	NA	0.0	0.0	7.1
Adjacent to large metro, no city	NA	100.0	42.9	33.3	62.8
Adjacent to small metro, with own city	NA	0.0	4.0	0.0	11.4
Adjacent to small metro, no city	NA	44.4	30.4	17.1	40.7
Not adjacent, with own city	NA	20.0	4.0	0.0	4.4
Not adjacent, with own town	NA	0.0	7.1	3.4	13.2
Not adjacent, completely rural	NA	33.3	37.0	0.0	33.3

Note: Adjacency is location abutting a metro area and having at least 2 percent of county residents commuting to work in the metro area. Own city is a community of at least 10,000 residents in the county. Own town is a community of 2,500 to 9,999 residents in the county. Completely rural are counties with no community of 2,500 or more residents. High commuting is having 40 percent or more of working residents commuting to jobs outside the county.

NA = Not applicable.

Source: ERS.

Table 6

**Per capita income of Southern counties by poverty status, 1997***Still-poor counties have much lower per capita income than other Southern counties, but had the fastest income growth during 1989-97*

Area	Per capita income, 1997	Average annual change			Dollar amount of real change		
		1969-79	1979-89	1989-97	1969-79	1979-89	1989-97
	<i>Dollars</i>	<i>Percent</i>			<i>1997 dollars</i>		
Metro	25,063	2.9	2.1	1.7	4,359	4,137	3,204
Nonmetro:							
Persistent poverty—							
Less poor	17,820	3.1	2.0	1.9	3,307	2,769	2,517
Still poor	15,893	3.9	1.3	2.2	3,735	1,559	2,559
Again poor	17,283	3.9	0.7	1.8	4,411	995	2,277
Other	19,642	3.1	2.0	1.7	3,745	3,049	2,438

Note: Previous years' incomes converted to 1997 dollars using the chain-type price index for personal consumption expenditures.  
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

the other counties to be adjacent to smaller metro areas. The still-poor counties are less likely to be adjacent and more likely to be completely rural.

Southern counties are generally small and, therefore, disposed to cross-county commuting to work. A little more than one in five still-poor counties had 40 percent or more of their employed residents commuting to jobs outside the county in 1990. A larger share of the less-poor counties had high commuting, approaching the share of other Southern nonmetro counties. The again-poor counties stand out from the other groups on this classification—less than 10 percent of them had high commuting.

The relationship between urban influence and high commuting follows similar patterns over all the county groups, except among the again-poor counties. Within all the county groups, very few counties that have their own city of 10,000 or more residents, regardless of metro adjacency, have high commuting. Their own economies appear to provide enough job opportunities to keep over 60 per-

cent of workers from commuting to jobs outside the county. Among counties that do not have their own cities, high commuting is more frequent, especially among counties that are adjacent to metro area job opportunities. Lower shares of the again-poor counties in all urban influence categories have high commuting. For example, in the “adjacent to small metro-no own city” classification, over 40 percent of the less-poor and other non-

metro counties and 30 percent of the still-poor counties have high commuting, compared with only 17 percent of the again-poor counties. In the “not adjacent-completely rural” classification, over 30 percent of the counties in all three other groups have high commuting while none of the again-poor counties do. The lower commuting among again-poor counties suggests that distance or topography makes commuting difficult, resi-

Table 7

**Sources of income in Southern counties by poverty status, 1997***Less-poor counties rely on earnings for a larger share of income, while transfer payments account for larger shares of income in the still-poor and again-poor groups*

Area	Earnings	Investment returns <sup>1</sup>	Transfer payments
<i>Percent of personal income</i>			
Metro	67.6	16.8	15.6
Nonmetro:			
Persistent poverty—			
Less poor	63.1	13.8	23.1
Still poor	58.2	12.9	29.0
Again poor	57.7	15.1	27.1
Other	61.4	16.9	21.7

<sup>1</sup>Investment returns are interest, dividends, and net rental income.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Table 8

### Major sources of transfer payments in Southern counties by poverty status, 1997

*Still-poor counties rely on income maintenance programs for a larger share of transfers than the other groups*

Transfer payment source	Nonmetro				
	Metro	Persistent poverty			Other
Less poor		Still poor	Again poor		
	<i>Percent of transfer payments</i>				
Government payments to individuals	95.7	96.0	96.3	96.5	96.0
Social security and other retirement	49.8	45.2	38.8	46.3	49.9
Medicare and Medicaid	33.3	34.8	38.1	35.1	33.6
Income maintenance programs	7.7	10.5	14.4	9.9	7.6
Other	4.9	5.5	5.1	5.1	4.9
Other payments	4.3	4.0	3.7	3.5	4.0

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

dents lack the skills needed to compete for more distant jobs, or surrounding counties, even metro ones, offer no better job opportunities than the counties themselves.

### Income, Earnings, and Transfers

Per capita income has grown faster than inflation in all Southern areas since 1969. Some year-to-year changes have been negative in recessionary periods, but the annualized average increase each decade has been positive. During the 1990's, the still-poor group had faster income growth than even Southern metro areas (table 6). However, per capita income remained much lower in still-poor counties, \$15,893 in 1997—\$9,200 less than in Southern metro areas and \$3,800 less than in other nonmetro counties. The less-poor group matched other nonmetro income growth during the 1970's and 1980's and exceeded it in 1989-97, but still trailed other nonmetro counties' per capita income by \$1,800 in 1997. The again-poor group had little income growth dur-

ing the 1980's, but caught up with other nonmetro areas' income growth during the 1990's. This group lags other nonmetro areas by \$2,400 per capita.

In 1997, earnings accounted for a lower share of per capita income in still-poor and again-poor counties than elsewhere in the South.

Earnings accounted for 58 percent of income in those groups compared with 63 percent in less-poor counties and 61 percent in other nonmetro counties (table 7). Transfer payments were a larger share of income in those groups than in the others.

Transfer payments as defined by the Bureau of Economic Analysis are predominantly government transfers to individuals, including the cash value of food stamps, Medicare, Medicaid, and other in-kind transfers. Retirement and disability insurance benefits, predominantly Social Security, account for about half of transfer payments in Southern metro and other nonmetro areas (table 8). The three groups of poor counties get lower shares of transfer payments from those programs and higher shares from medical payments and income maintenance programs. Medical payments are predominantly from Medicare and Medicaid. Income maintenance includes Federal and State welfare programs, such as Supplemental

Table 9

### Earnings per job in Southern counties by poverty status, 1997

*In again-poor counties, real earnings fell during 1979-89 and grew very slowly in the 1990's*

Area	Earnings per job	Annualized change in real earnings		
		1969-79	1979-89	1989-97
	<i>Dollars</i>	<i>Percent</i>		
Metro	30,415	1.2	0.5	1.0
Nonmetro:				
Persistent poverty—				
Less poor	22,686	1.6	0.4	0.6
Still poor	21,007	2.2	-0.3	0.6
Again poor	22,136	2.4	-1.2	0.2
Other	22,871	1.6	0.1	0.5

Note: Previous years' earnings converted to 1997 dollars using the chain-type price index for personal consumption expenditures.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Security Income, Temporary Assistance for Needy Families (in earlier years, Aid to Families with

Dependent Children), food stamps, and State general assistance programs. The fact that still-poor

counties rely most heavily on these sources of transfers is not surprising. They have larger shares of their populations that are poor and in need of such assistance.

Table 10

**Unemployment rates in Southern counties by poverty status, 1989-98**

*Less-poor counties have lower unemployment, but did not have their unemployment rate drop during 1995-98 as the still-poor and again-poor counties did*

Area	1989	1995	1998
	<i>Percent</i>		
Metro	5.3	5.1	4.0
Nonmetro:			
Persistent poverty—			
Less poor	6.2	6.1	6.0
Still poor	8.6	8.3	7.6
Again poor	8.1	7.6	6.9
Other	5.9	5.7	4.9

Source: Calculated by ERS using data from the Bureau of Labor Statistics.

Table 11

**Business establishments in Southern counties by poverty status, 1996**

*Most firms in all areas are small; less-poor counties had growth in firms during 1989-96 that was nearly twice that in the other poor county groups*

Area	Total firms	Firms by number of employees		
		< 20	20-49	50 +
	<i>Number</i>	<i>Percent of total firms</i>		
Metro	1,795,773	86.0	11.6	2.4
Nonmetro:				
Persistent poverty—				
Less poor	22,749	88.7	9.1	2.2
Still poor	137,779	89.3	8.9	1.8
Again poor	60,051	88.8	9.5	1.6
Other	285,136	88.7	9.3	2.0
		Change in number of firms, 1989-96		
		< 20	20-49	50 +
		<i>Percent</i>		
Metro	15.0	14.6	16.4	23.4
Nonmetro:				
Persistent poverty—				
Less poor	13.6	13.0	18.2	21.7
Still poor	7.0	6.1	14.2	22.6
Again poor	7.5	6.8	13.3	17.5
Other	14.0	13.5	18.2	17.6

Source: Calculated by ERS using County Business Patterns data enhanced by Claritas, Inc.

**Local Jobs and Businesses**

Along with the role earnings play in determining per capita income, the earnings obtainable from a local job are also important in judging the economic vitality of a county. The gap in earnings per job is wide between metro and nonmetro areas of the South. Metro jobs average \$30,415 in earnings, \$7,500 more than jobs average in other nonmetro counties (table 9). The averages for the four groups of nonmetro counties range from \$22,871 per job in other counties down to \$21,007 in still-poor counties. This range is much narrower than the range in per capita incomes.

The unemployment rate also speaks to the vitality of the economy. Southern metro areas have lower unemployment than nonmetro areas. In 1995, the year of the most recent poverty estimates, unemployment was higher in the still-poor and again-poor counties than in the less-poor and other nonmetro counties (table 10). Lower unemployment rates in 1998 suggest that employment conditions have improved since then. The less-poor counties had the least improvement, but they still had lower unemployment than the other two groups of poor counties.

Another indicator of the local economy is the number and size of business establishments. From 1989 to 1996, the number of establishments in the less-poor nonmetro counties increased by 14 percent, the same rate of increase as in other nonmetro counties and twice the still-poor and again-poor

counties' rates (table 11). Most establishments in all areas are small, employing fewer than 20 workers. Industries contributing to faster growth in less-poor counties include agricultural services, non-durable manufacturing, wholesale trade, auto dealers and gas stations, home furnishings and equipment stores, eating and drinking places, and various business services. Manufacturing and wholesale trade are often termed basic industries because they bring income to the area from sales to other areas. Growth in automotive and home furnishings businesses suggests increased local purchasing power.

### The Overall Situation

Looking at each social or economic condition separately makes it difficult to determine whether the less-poor counties are doing better overall than the still-poor or again-poor. The overall pattern can be more easily discerned by ranking each group's conditions on a simple 1-to-4 scale. Some conditions are better if lower, such as having low-wage jobs, and some condi-

tions are better if higher, such as per capita income. The rankings in table 12 are from 1 (the best) to 4 (the worst), accounting for the bet-

ter end of each condition. The concentration of 1's and 2's in the less-poor and other-nonmetro groups contrasts with the concentration of

Table 12  
**Rankings of various economic conditions in Southern nonmetro counties by poverty status**  
*Less-poor counties outscore still-poor and again-poor counties, but lag other nonmetro counties on most indicators*

Indicator	Less poor	Still poor	Again poor	Other
Highest population growth, 1990-99	2	3	4	1
Highest net migration, 1990-99	2	4	3	1
Most counties with high commuting, 1990	2	3	4	1
Fewest low-wage counties, 1997	3	4	2	1
Fewest farming-dependent counties, 1987-89	1	4	3	2
Most manufacturing-dependent counties, 1987-89	1	3	4	2
Fewest mining-dependent counties, 1987-89	2	1	4	3
Fewest not adjacent-totally rural counties, 1990	3	4	1	2
Highest per capita income, 1997	2	4	3	1
Highest real income growth, 1989-97	2	1	3	4
Lowest percent of income from transfers, 1997	2	4	3	1
Lowest share of transfers from income maintenance programs, 1997	3	4	2	1
Highest earnings per job, 1997	2	4	3	1
Highest growth in real earnings, 1989-97	1*	1*	4	3
Lowest unemployment rate, 1998	2	4	3	1
Highest growth in establishments, 1989-96	2	4	3	1

\*Tied for first.



Photo courtesy USDA/ERS.

3's and 4's in the still-poor and again-poor groups. Overall, the less-poor group appeared better off in the 1990's than the other poor groups. The again-poor group lags all other groups in population and earnings growth and usually does better than only the still-poor group on other measures of economic health.

### Development Programs

Along with economic indicators, the distribution of communities participating in Federal community development programs is an additional indicator of conditions in the groups of Southern counties. The Empowerment Zones

(EZ) and Enterprise Communities (EC) and the communities that competed for those programs (recognized as Champion Communities) demonstrate both the need for development and a show of community initiative. Applications for these programs must be long-term, comprehensive strategic plans developed through broad-based community participation that includes low-income residents (Reid). First-round EZ/EC designations were made in December 1994. Second-round designations were made in January 1999.

While these programs cannot be expected to have improved local conditions by the time of the 1995

poverty estimates, their distribution across the groups of Southern counties suggests that the less-poor counties may be doing better than the other poor groups. Only 5 of the 44 less-poor counties competed for EZ or EC status and none were chosen (table 13). Among the again-poor counties, 4 contain a Round 1 EC, 1 contains a Round 2 EC, and 13 others contain Champion Communities. While the 16-percent share of again-poor counties with participating communities is just higher than the 11 percent of less-poor counties, their successful EC designations suggest that their proposals demonstrated greater need. The still-poor group has the highest share of counties with one or more communities participating in these programs—41 percent. Figure 3 shows the location of Southern counties with participating areas.

### What About the Future?

About 10 percent of Southern persistent-poverty counties had their poverty rates fall below 20 percent and other economic conditions improve during the early 1990's. Over twice as many counties had their poverty rates increase to 20 percent or more (again) by 1995. And nearly 400 persistently poor counties still had high poverty in 1995.

Many of the still-poor counties contain EZ/EC or Champion Communities that began working to improve conditions in 1995 or more recently. Early results from the round 1 EZ/EC areas are promising (HUD, USDA). The Champion Communities are also making progress on their own or with help from USDA's Office of Community Development and

Table 13

#### Southern counties containing Empowerment Zones, Enterprise Communities, or Champion Communities

*Many still-poor counties contain one or more communities participating in these development programs*

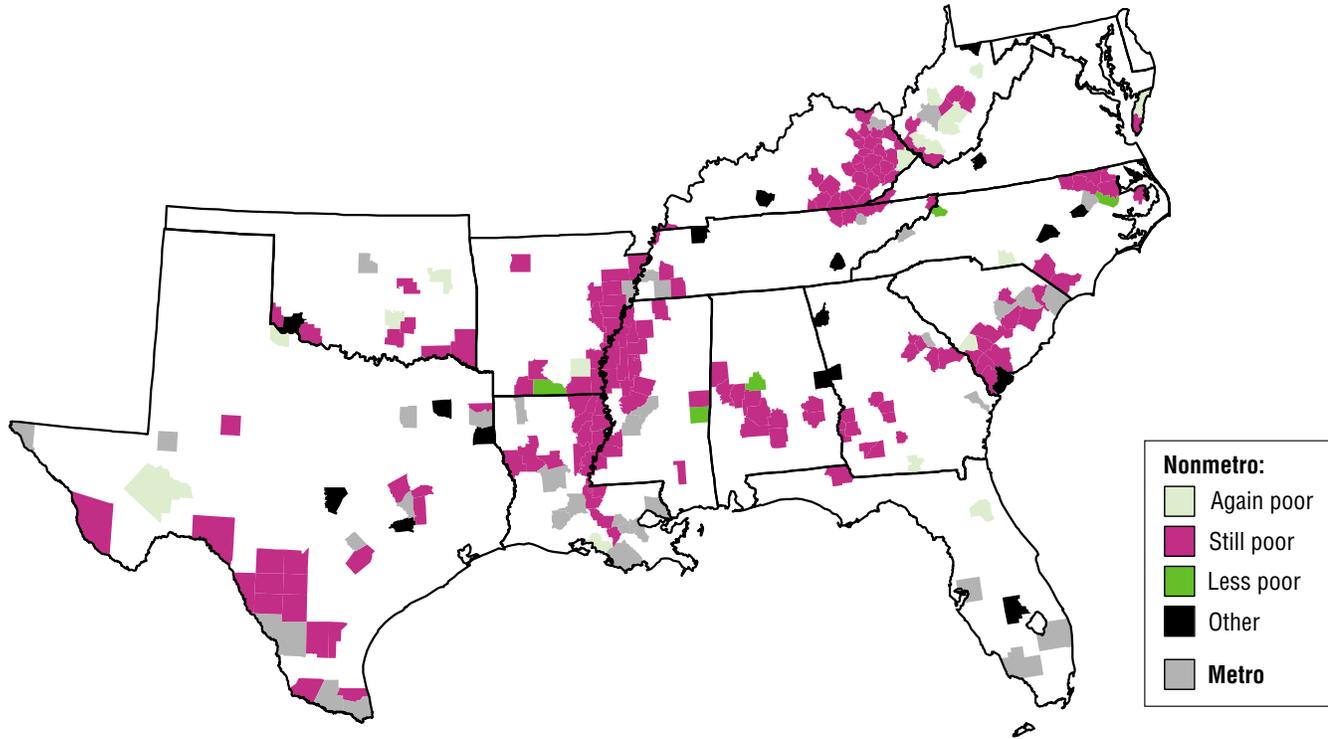
Item	Nonmetro				
	Metro	Persistent poverty			Other
		Less poor	Still poor	Again poor	
	<i>Number</i>				
All counties	402	44	399	110	470
Counties with program:					
Round 1 Empowerment Zone	2	0	11	0	0
also have a Champion Community	0	0	7	0	0
Round 2 Empowerment Zone	0	0	2	0	0
Round 1 Enterprise Community	4	0	34	4	2
also have a Champion Community	0	0	7	1	0
Round 2 Enterprise Community	3	0	10	1	1
also have a Champion Community	2	0	7	1	0
Champion Community only	29	5	106	13	15
Counties with one or more program	38	5	163	18	18
	<i>Percent</i>				
Share of counties with a program	9.5	11.4	40.9	16.4	3.8

Source: Tabulated by ERS from information provided by USDA Rural Development, Office of Community Development.

Figure 3

### Southern counties containing Empowerment Zones, Enterprise Communities, or Champion Communities

Many still-poor counties contain areas that are participating in these Federal economic development programs



Source: Geocoded by ERS using data from USDA, Rural Development, Office of Community Development.

other partners (Beaulieu and Cluck, Wetherill). Counties with participating communities may see their poverty rates decline as these programs mature.

The proposed New Markets initiative would encourage investment in many more low-income areas through venture capital and private investment programs and new tax credits (for example, H.R. 2848). Although several versions of the initiative are under discussion, some portions have been implemented through existing programs (Reeder). For example, the Small Business

Administration is targeting more assistance to low- and moderate-income areas. Many communities in persistently poor rural counties of the South will undoubtedly qualify for New Markets status if the initiative is enacted into law. In addition, a bipartisan proposal has been made to expand and enhance the existing EZ/EC program and add 40 "Renewal Communities" that would receive tax incentives and regulatory relief (Reeder).

Two caveats, however, seem to be in order. First, economic development programs have a better

chance of success in times of national economic growth. The current, longest economic expansion in U.S. history undoubtedly has helped. Should the national economy enter a recession, local development efforts may struggle. Second, Duncan's book, *Worlds Apart*, paints stark pictures of social divide in Appalachia and racial divide in the Delta between poor and nonpoor residents. For economic opportunities to reach the poor residents of such bifurcated communities, some mechanism for bridging those divides is needed. **RA**

### Nearly All Southern Rural Counties Had Some High-Poverty Years

Of the 1,008 Southern counties classified as nonmetro according to the 1990 census, all but 17 of them had 20 percent or more of their populations poor in one or more of the last four censuses. [In this analysis, Virginia's independent cities are combined with surrounding counties. In the article, the independent cities are treated as separate county units.] Grouping the counties by the poverty categories used in this article shows that all of the again-poor counties had high poverty in one or more census years. The table shows in which years they were poor. Nearly 70 percent of the again-poor counties had high poverty in all but the 1980 census year. Another 13 percent of them had high poverty in 1960 and 1970.

In 1960 and 1970, nearly all Southern nonmetro counties had high poverty, 98 and 87 percent. By 1980, the share with high poverty plummeted to 51 percent. The Sun Belt boom, including widespread growth of manufacturing and healthy mining industries, undoubtedly contributed to that improvement. The 1981-82 recessions were very hard on nonmetro economies, and growth during the remainder of the 1980's favored metro areas. It is not surprising then that the share of Southern nonmetro counties with high poverty increased by 1990, to nearly 57 percent. The persistent-poverty group accounts for 44 of the high poverty percentage points in each of the four census years, the vast majority of high-poverty counties in both 1980 and 1990.

**Southern nonmetro counties by census years of high poverty, 1960-90**

High poverty years(s)	Less poor	Still poor	Again poor	Other	All
None	0	0	0	17 (3.7)	17 (1.7)
1960 only	0	0	1 (0.9)	98 (21.4)	99 (9.8)
1990 only	0	0	1 (0.9)	1 (0.2)	2 (0.2)
1960 and 1970	0	0	14 (13.0)	232 (50.8)	246 (24.4)
1960 and 1980	0	0	1 (0.9)	2 (0.4)	3 (0.3)
1960 and 1990	0	0	4 (3.7)	6 (1.3)	10 (1.0)
1960, 1970, and 1980	0	0	12 (11.1)	57 (12.5)	69 (6.8)
1960, 1970, and 1990	0	0	75 (69.4)	43 (9.4)	118 (11.7)
1970, 1980, and 1990	0	0	0	1 (0.2)	1 (0.1)
All years	44 (100)	399 (100)	0	0	443 (43.9)
Total counties	44	399	108	457	1,008

Note: Numbers in parentheses are percentages of column totals. Virginia's independent cities are combined with surrounding counties in this analysis, so numbers of again-poor, other, and total nonmetro counties do not match those in the article. Poverty is measured for the year prior to the census, but referred to here by the census year for simplicity.

Source: Calculated by ERS using data from the U.S. Census Bureau.

### **For Further Reading . . .**

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# Factors Affecting High Child Poverty in the Rural South

Carolyn C. Rogers

*Child poverty in the 1990's remained high, especially in the rural South. In 1998, the poverty rate for children in the rural South was nearly 27 percent, compared with 17 percent for rural children in the rest of the Nation. A higher proportion of poor children in the rural South are in severe poverty, a level of family income under 50 percent of the poverty level. Poor children are more likely to live in mother-only families, to be Black, and to have parents who are younger, less educated, and not employed. The composition of the rural South's population contributes to the region's high child poverty.*

Poverty remains a persistent problem in the rural South. Although poverty exists throughout the United States, the rural South has a higher poverty rate than any other region. Over half of rural poor children reside in the South and this number has remained large despite several years of economic expansion. In 1990, the poverty rate for children in the rural South was 29 percent, compared with 19 percent for rural children in the rest of the Nation. By 1998, the poverty rate for children had dropped only 2 percentage points, to 27 percent in the rural South and 17 percent in rural areas in the rest of the Nation (fig. 1). Child poverty rates are even higher than rates for the general population; in 1998, 14 percent of the total population in the South was poor (and 13 percent of the Nation as a whole). With child poverty remaining high throughout the 1990's, especially in rural areas of the South, it is critical to identify those children in need of assistance who may fall through the safety net.

The South's population grew nearly 12 percent between 1990 and 1998, and over half of that growth occurred among minority populations (Murdock and others). Recent demographic changes in the rural South, such as greater racial and ethnic diversity and more mother-only families, place children at greater risk of poverty (Beaulieu). Poverty rates are much higher among rural Blacks in the South as well as among children living in mother-only families. National economic prosperity, however, has also reduced the risk of poverty. The social and economic costs of child poverty are high, and understanding the nature of child poverty in the South is important for local community planning and public policy. In light of recent changes in the welfare system, States and local communities have increased responsibility to address the economic well-being of poor children and develop policies and programs to assist them.

This article examines the poverty status of children in the

rural South, and explores why its character and magnitude continue to be distinct in relation to the rest of the Nation. The aim is to show how child poverty is affected by demographic characteristics, family circumstances, characteristics of the parents, and rural-urban residence and region. This analysis will (1) compare poverty rates of children in terms of demographic characteristics of the child and the family's social and economic circumstances; (2) examine the character of poverty by measuring the proportions of the child population who are near-poor and extremely poor; and (3) determine what factors are most important in affecting child poverty in the rural South and the rest of the Nation. This profile of child poverty underscores the need to examine the family context as well as the influence of parental education and employment on children's economic well-being. The data are from the March 1999 Current Population Survey data files.

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## Child Poverty Rates Remain High, Especially in Rural Areas

Many factors contribute to child poverty rates, including the reduced earnings of mothers as they work fewer hours to accommodate the presence of children, the assumption of greater household needs when children are present, and the explicit raising of the poverty threshold as family size increases, with fewer per-child resources available in larger families. Child poverty has historically been higher in rural areas than in urban areas, especially in the South. In 1970, the child poverty rate was 12 percent in metro areas and 20 percent in nonmetro areas. In the early 1970's, poverty rates for children by metro-nonmetro residence began to converge, but by the late 1970's, poverty rates increased in both metro and non-metro areas, and the residential gap in poverty widened. The recessions

of the early 1980's pushed poverty rates up, and the slower economic recovery in nonmetro areas delayed improvement in poverty conditions. After 1983, metro poverty rates declined, but nonmetro rates remained high.

During the 1990's, the non-metro child poverty rate continued to exceed the metro rate. In the early 1990's, the poverty rates for children in both metro and non-metro areas rose slightly in response to the economic recession, peaking in 1993 at 22 percent in metro areas and 24 percent in nonmetro areas (Rogers and Dagata). Beginning in 1994, the metro child poverty rate dropped slightly, declining to 19 percent in 1998. The nonmetro child poverty rate also declined, ending up at 21 percent in 1998. In 1990, the child poverty rate in the rural South was 29 percent and 19 percent in rural areas outside the South. By 1998,

these rates had declined only 2 percentage points.

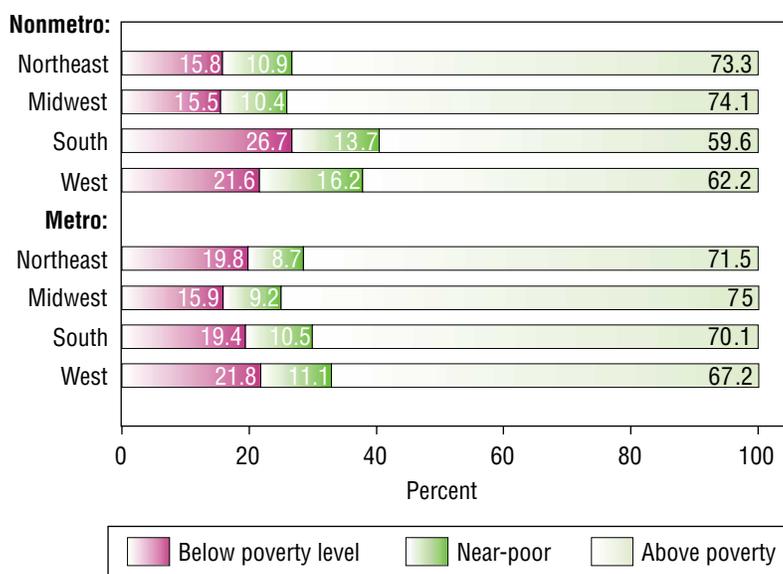
## Child Poverty Is Higher in the South Than in Other Regions

Child poverty is more pervasive in the rural South than in other rural areas. In 1998, over half of rural poor children resided in the South. Poverty rates are lowest for children in the Northeast and Midwest (fig. 1). While rural poor children are concentrated in the South, child poverty in urban areas is more evenly spread among the four regions of the United States.

Many Southern children are also near-poor, in families with total incomes 100-149 percent of the official poverty level. In non-metro areas, 14 percent of children in the South fall into this category, compared with 12 percent in the rest of the country. The financial standing of the near-poor is precarious at best, but because they are above the level of poverty, the near-poor are extremely vulnerable to losing out on various governmental assistance programs. On the other hand, near-poor children may benefit from expansion of programs such as the Earned Income Tax Credit (EITC).

Almost one-half of poor children, regardless of residence, lived in severe poverty, with family incomes less than 50 percent of the poverty level. Urban children had lower overall poverty rates, but those who were poor were in deeper poverty. Among poor urban children, 47 percent in the South and 42 percent outside the South were in severe poverty, while 41 percent of poor children in the rural South and 33 percent in rural areas outside the South were severely poor. Children in the rural South are more likely to be in severe poverty

Figure 1  
**Poverty status of children by region and metro-nonmetro residence, 1998**  
*The nonmetro South has the Nation's highest child poverty rate.*



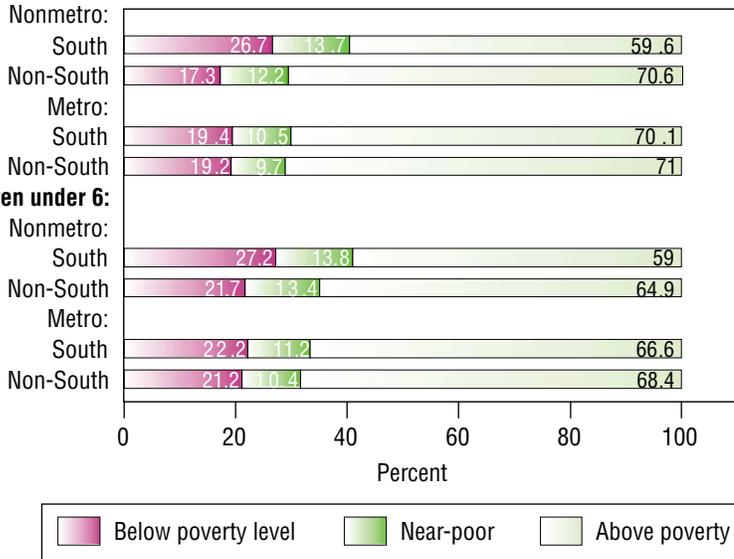
Note: Near-poor is an income of 100-149 percent of poverty level.  
 Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

Figure 2

**Poverty status of children by age, region, and residence, 1998**

*Older children generally have lower poverty rates than very young children.*

**Children under 18:**



Note: Near-poor is an income of 100-149 percent of poverty level.  
Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

if they are under age 6, Black, or in mother-only families.

Rural children under 6 in the South had a poverty rate of 27 percent, essentially the same as the rate for rural children under 18 in the South. However, the poverty rate for children under 6 is higher than for children under 18 in metro areas and in rural areas outside the South (fig. 2). Because younger children are more likely to be near-poor and their parents may be more prone to spells of unemployment due to their younger age and less experience in the labor force, these younger children are at greater risk of falling into poverty than are older children. In rural areas, poverty rates are lowest for older children age 12-17. One-quarter of rural children age 12-17 in the South were below the poverty line in 1998, compared with 14 percent outside the South. At each age group—children under 6, 6 to

11, and 12 to 17—poverty rates in the South are consistently higher than outside the South.

**How Do Poverty Rates Differ by Demographic and Family Characteristics of Children?**

Both race and ethnicity affect a child's poverty status. In general, minorities are more likely to be poor than White children. The 41-percent poverty rate for rural Black children in the South compares with a rate of 21 percent for White children (fig. 3). A similar racial pattern is seen in rural areas outside the South, though the poverty rates are lower. In the metro South, Black children are more likely to be poor than their White counterparts, though their poverty rate is lower than that for rural Black children in the South. A larger proportion of the child population in the South is Black, a factor that contributes to the region's higher poverty. Since a

higher proportion of Blacks reside in metro areas than in nonmetro areas, the gap between metro and nonmetro poverty rates would most likely be even larger without the difference in racial composition.

Despite their higher poverty rate, nonmetro Black children do not make up the majority of nonmetro poor children. In the rural South, 39 percent of poor children were Black and 58 percent were White, with marginal percentages being American Indian and Asian (table 1). Blacks comprise a much smaller proportion of the population in rural areas outside the South.

Like Black children, Hispanic children had higher poverty rates than non-Hispanic Whites. Hispanic children are over-represented in the count of poor children relative to their share in the general population, and they had a higher poverty rate in the rural South (38 percent) than in rural areas outside the South (30 percent) and in the metro South (33 percent).

Family structure has an enormous impact on the well-being of children. Children in mother-only families are more likely than children in two-parent families to live in poverty. In these families, there is only one parent to generate income and even that effort is constrained by child care arrangements. In the South, 50 percent of rural children and 43 percent of urban children who lived in mother-only families were poor (fig. 4). Outside the South, about 45 percent of children in mother-only families were poor.

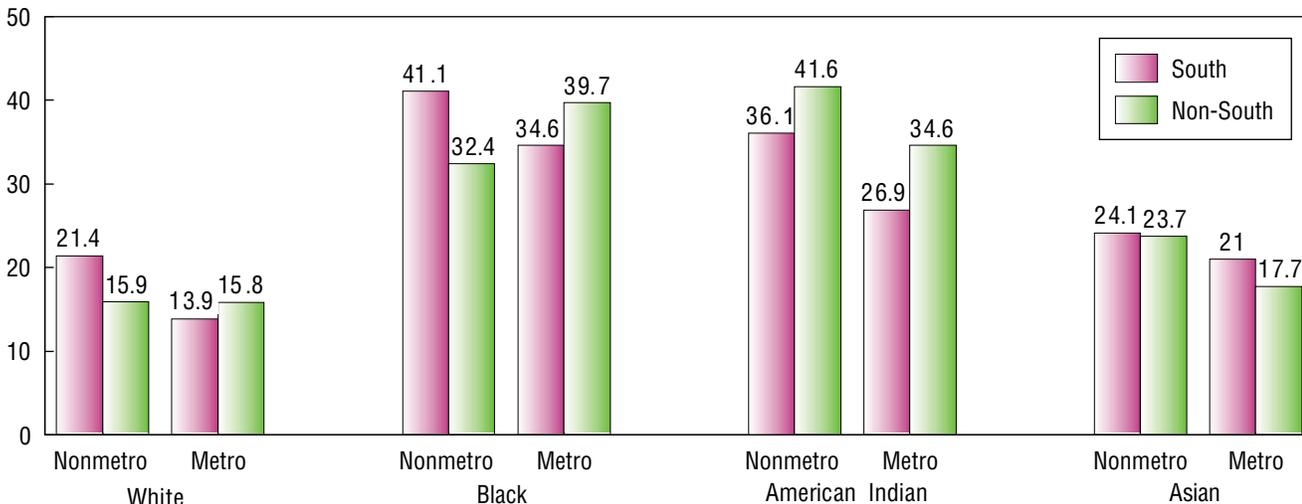
Although rural children in the South have higher poverty rates than urban children in the South, rural poor children are less likely than urban poor children to live in

Figure 3

**Poverty rates for children by race, region, and residence, 1998**

*Black children's poverty rates are at least twice the rates for White children.*

Percent



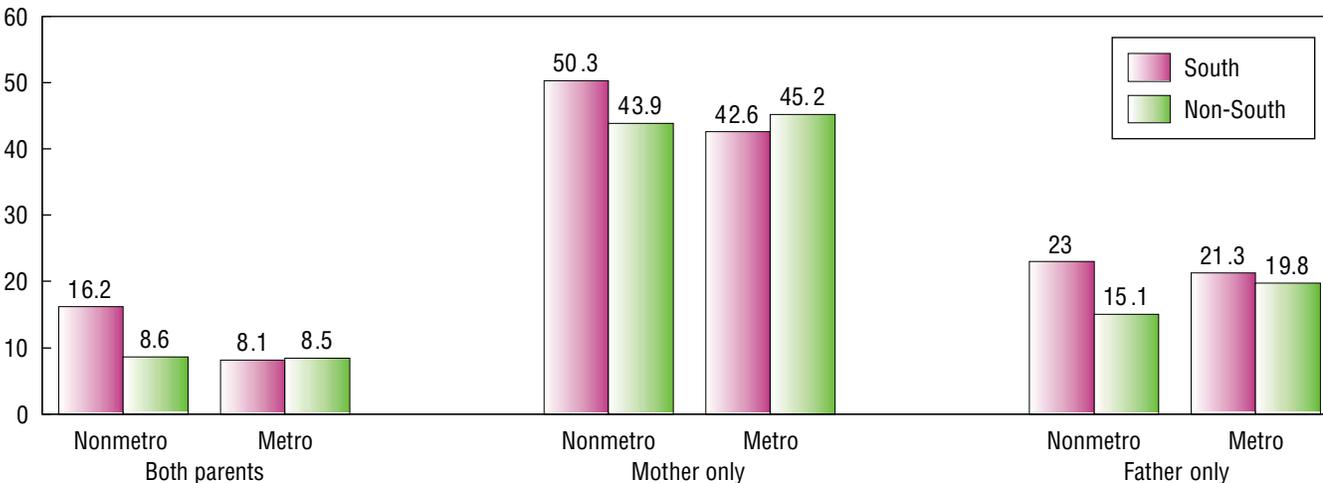
Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

Figure 4

**Poverty rates for children by family living arrangements, region, and residence, 1998**

*Half of all nonmetro southern children in mother-only families are poor.*

Percent



Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

mother-only families (table 1). Just over half of rural poor children in the South lived in mother-only families, versus 55 percent of rural poor children outside the South, and 64 percent of poor children in the urban South. Children residing

outside the South are more likely to be in two-parent families than in mother-only families, a factor that contributes to higher poverty in the South.

Another facet of family living arrangements that affects children's

economic well-being is whether they live in the primary family or a subfamily. Poverty was lower for children living in the primary family than for those in either related or unrelated subfamilies. This is not surprising since subfamilies are

Table 1

**Total child population and poor child population, by region, residence, and selected characteristics, 1998***Among poor children in the rural South, a majority are in mother-only families, are White, non-Hispanic, and have employed parents.*

Characteristic	Rural				Urban			
	South		Outside South		South		Outside South	
	Percent of total	Percent of poor						
Child's age:								
< 6	29.8	30.3	30.4	38.1	33.5	38.4	33.5	36.8
6-11	33.5	34.9	34.3	33.1	33.7	33.9	34.4	36.3
12-17	36.7	34.8	35.3	28.8	32.7	27.6	32.2	26.9
Living arrangements:								
Both parents	70.2	45.1	74.3	39.9	68.9	31.3	71.4	33.8
Mother only	25.5	51.0	19.9	54.6	26.8	63.6	24.2	61.3
Father only	4.3	3.9	5.8	5.5	4.3	5.1	4.4	4.8
Subfamily:								
Primary family	90.8	85.8	96.0	92.1	93.7	91.6	94.2	91.6
Related subfamily	8.5	13.0	2.5	2.2	5.5	6.3	4.8	5.6
Unrelated subfamily	0.7	1.2	1.6	5.7	0.8	2.1	1.0	2.8
Race:								
White	71.9	57.5	93.3	86.0	71.1	51.0	79.8	65.4
Black	25.5	39.2	1.9	3.5	25.0	44.6	13.2	27.4
Native American	2.1	2.8	3.7	8.9	0.6	0.8	0.9	1.6
Asian	0.5	0.5	1.2	1.6	3.3	3.6	6.1	5.6
Hispanic:								
Non-Hispanic	90.6	86.8	93.8	89.5	83.7	72.8	81.0	64.3
Hispanic	9.1	13.0	6.0	10.3	15.8	26.8	18.6	35.3
Parent's age:								
18-29	20.0	27.7	15.8	33.4	17.3	33.2	15.5	30.2
30-44	62.5	58.7	66.1	56.0	63.7	55.2	65.0	57.9
45 and older	17.4	13.7	18.2	10.6	19.0	11.5	19.5	11.9
Parent's education:								
Less than high school	24.8	47.2	12.2	25.1	15.9	41.4	17.6	45.7
High school graduate	38.8	38.6	39.3	44.3	30.6	37.9	28.8	32.6
College +	36.4	14.2	48.7	30.5	53.5	20.8	53.6	21.7
Parent's labor force status:								
Employed	75.6	53.8	82.9	63.3	80.3	54.1	78.5	48.2
Unemployed	4.1	9.3	4.8	10.4	3.5	9.4	4.0	10.9
Not in labor force	20.3	36.9	12.3	26.3	16.2	36.5	17.6	40.9
Parent's part-time status:								
Full-time	79.6	61.9	81.9	59.6	82.1	59.6	81.1	65.2
Part-time	20.4	38.1	18.1	40.4	17.9	40.4	18.9	34.8
Parent's earning status:								
Earner	80.5	60.0	90.1	76.5	86.9	68.4	84.5	58.4
Nonearner	19.5	40.0	9.9	23.5	13.1	31.6	15.5	41.6

Source: March 1999 Current Population Survey (CPS).

usually formed because of financial difficulties that can be lessened by living with and sharing resources with another family. In the rural South, children were more likely to be in subfamilies than children in the rest of the United States, and subfamilies tend to have higher poverty than primary families.

### Children With Younger and Less-Educated Parents Are More Likely To Be Poor

Poverty rates are highest for children whose parents are under age 30. In 1998, the poverty rate for nonmetro children in the South with a parent under age 30 was 35 percent, a rate similar to that of young parents nationally. Children with younger parents comprise a disproportionate share of the population of poor children. While 28 percent of poor children in the rural South had parents under age 30, only 20 percent of all rural southern children had young parents. In contrast, lower poverty

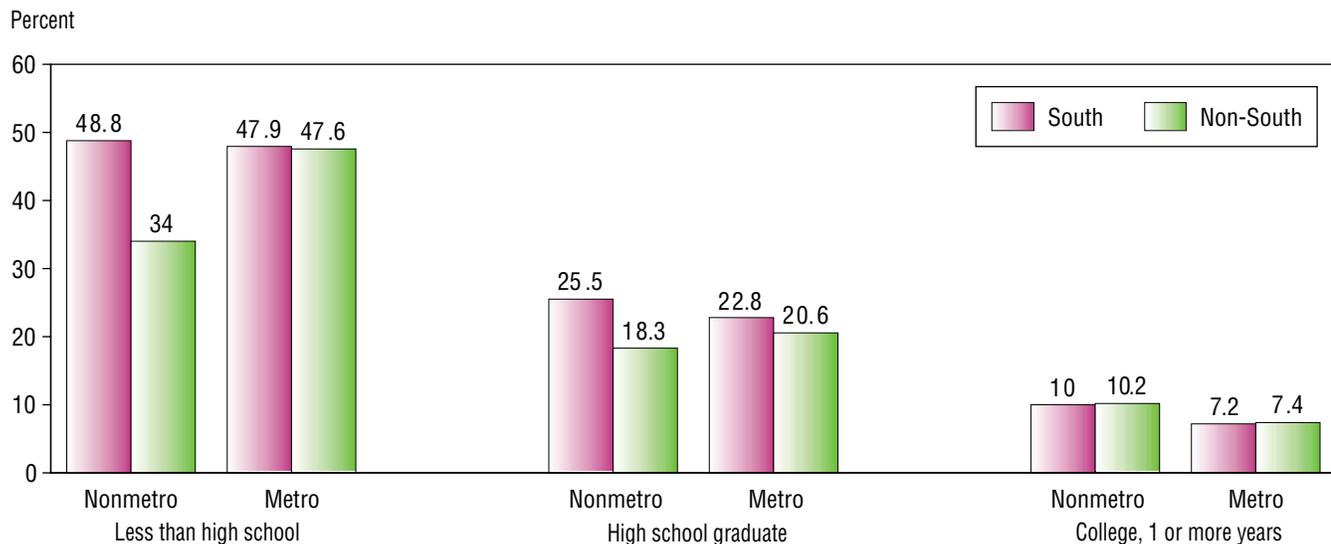
rates are found for children with older parents; in the rural South, the poverty rate was 24 percent for children with a parent age 30-44 and 20 percent for children with a parent age 45 and older. The lowest poverty rates occur among children with parents age 45 and older, a period when most adults are established in their careers and in their peak earning years. While metro areas showed a similar pattern in poverty rates by parental age, nonmetro areas showed that poverty rates for children with parents age 30 and older were substantially higher in the South.

Children in families with a parent who did not complete high school were worse off economically than children with more educated parents. Poverty rates for children whose parents had not completed high school were 49 percent in the rural South in 1998, compared with 48 percent in metro areas and only 34 percent in rural areas outside the South (fig. 5). A disproportion-

ate share of poor children had parents with less than a high school education than in the general population. In the rural South, 47 percent of poor children had parents with less than a high school education, compared with 25 percent of all rural children in the South (table 1).

Parents of urban children are better educated than rural parents, especially those in the rural South, with a greater share of urban parents having completed at least 1 year of college. For children whose parents had completed at least 1 year of college, the poverty rate was 10 percent in rural areas and 7 percent in urban areas (fig. 5). Parental age and educational attainment interact, as younger parents are more likely to have interrupted their high school or college educations due to early childbearing. Highly educated parents are more marketable in the labor force and better able to provide an economically secure environment for their children than less educated parents.

Figure 5  
**Poverty rates for children by parent's education, region, and residence, 1998**  
*The highest poverty rates occurred for children whose parents had not completed high school.*

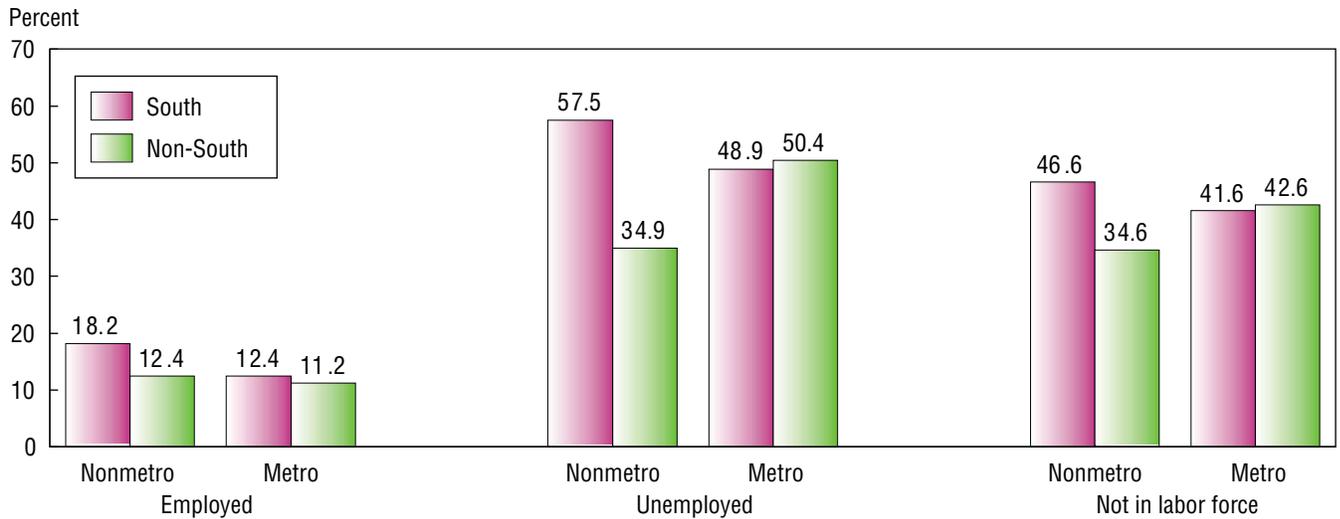


Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

Figure 6

**Poverty rates for children by parent's labor force status, region, and residence, 1998**

*Nonmetro southern children have higher poverty rates than other children regardless of parent's labor force status.*



Source: Calculated by ERS from the March 1999 Current Population Survey (CPS).

**Employment Status of Parents Affects Children's Poverty**

Children of employed parents have a clear financial advantage. Regardless of region, poverty rates are highest for children whose parents are unemployed, not in the labor force, or employed part-time. While 18 percent of rural children in the South with employed parents were poor, 58 percent whose parents were unemployed were poor (fig. 6). For children whose parents were unemployed, metro poverty rates approached those of the rural South (nearly 50 percent), while rates in rural areas outside the South were considerably lower (35 percent). For children whose parents worked part-time, poverty rates were higher in the rural South (34 percent) than in rural areas outside the South (28 percent), metro areas in the South (28 percent), and metro areas outside the South (21 percent). With higher unemployment in nonmetro areas, many workers and their families may experience periods of poverty.

The poverty rate for rural children whose parents were without earnings in 1998 was 53 percent in the South and 38 percent outside the South, compared with 19 percent in the South and 14 percent outside the South for children whose parents had earnings. Rural children with parents who had no earnings comprised 19 percent of the child population in the South, but 40 percent of rural poor children in the South (table 1).

**What Factors Are Important in Determining Child Poverty?**

To determine the independent effect of each factor—demographic characteristics, family circumstances, and parental characteristics—on the likelihood of a child being poor, logistic regression was performed. The model included the child's age, race, and Hispanic origin; family structure and sub-family status; parental age, educational attainment, labor force status, and earning status; and metro-

nonmetro residence and South/non-South residence.

The regression results confirmed the descriptive analyses presented earlier in the article. Younger children (under age 12) have an increased chance of being poor compared with children 12-17. Black children and other minority children had a greater chance of being poor relative to White children. For example, the probability of being poor for a Black child, age 12-17, in a mother-only family, with a parent age 30-44, a high school graduate, and employed, and residing in the rural South is 0.58. Because the probability is greater than 0.5, we can predict that the child will fall below the poverty line. When the child is White and all other variables remain the same, the probability decreases to 0.37 that the child will be below the poverty level.

Children living with their mother only or father only also had an increased chance of being poor compared with children in two-

parent families. If the Black child above lives with both parents (versus mother-only), the probability of being below the poverty level drops to 0.17. Children in related subfamilies had a decreased chance of being poor compared with those in primary families, while children in unrelated subfamilies had an increased chance of being poor. This is not surprising since children in related subfamilies likely share economic resources with their relatives in the primary family.

Children with parents age 30 and older had a decreased chance of being poor compared with parents under age 30. And children whose parents had less than a high school education had a higher risk of being poor than children of better educated parents. If the Black child cited earlier (age 12-17, in a mother-only family, with a parent employed, and residing in the rural South) now has a parent under 30 and not a high school graduate, the probability of being poor jumps from 0.58 to 0.84, a very likely event.

Children with employed parents had a decreased chance of being poor compared with children whose parents were not in the labor force, while children of unemployed parents had an increased chance of being poor compared with those not in the labor force. Not surprisingly, children whose parents had no earnings had an increased chance of being poor in relation to children whose parents had earnings.

Once demographic, family, and parental characteristics are taken into account, do residence and region have an impact on child poverty? Metro-nonmetro residence has a significant effect; non-metro residence increases the chance of being poor. Changing

only the residence variable of the above child from rural to urban, the probability of being poor drops from 0.58 to 0.47. In this case, urban residence reduces the likelihood of the child's being poor.

On the other hand, South/non-South residence was the one variable in the regression that did not have a significant effect on child poverty. By changing only the region variable in the above example, the probability of a child being below the poverty line remains essentially the same (from 0.58 to 0.57). This may seem surprising since child poverty rates in the South are higher than outside the South. The logistic regression, however, indicates that it is not residence in the South but the composition and characteristics of the rural Southern population that affect child poverty. The rural South is more likely to be comprised of children and families with the characteristics that increase the likelihood of experiencing child poverty.

### **Profile of Children in the Rural South—Why Is Poverty So High?**

Why are child poverty rates higher in the rural South than in the rest of the country? The factors associated with child poverty include being younger than age 6; living in a mother-only family; being Black or Hispanic; having parents under age 30, with less than a high school education, unemployed, and without earnings; and residing in a rural area. Most but not all of these factors are more prevalent in the rural South than in other regions.

The rural South does not have a younger age distribution of children than the urban South; urban areas had a somewhat younger child population. By all other measures,

however, the rural South is at a disadvantage. Children outside the South were more likely to be in two-parent families and less likely to be in mother-only families than children in the South. In the rural South, children were just as likely to be in mother-only families (26 percent) as in the urban South (27 percent), but much more likely than in rural areas outside the South (20 percent).

A larger proportion of the child population in the South is Black. In the rural South, 26 percent of children were Black, as were 25 percent in the urban South and only 2 percent in rural areas outside the South.

Children in the rural South are more likely to have younger and less educated parents; 20 percent had parents under age 30, compared with 17 percent in the urban South and 16 percent in rural areas outside the South. Likewise, 25 percent of rural Southern children had parents with less than a high school education. In the urban South, 16 percent of children had parents with less than a high school education, versus 12 percent of rural children outside the South. Just 36 percent of children in the rural South had parents with some college training, compared with 54 percent in the urban South and 49 percent in rural areas outside the South.

Because poor children's parents tend to be younger and less educated than nonpoor parents, they are also less likely to be employed and more likely to be earning a lower wage. The rural South had a lower share of children with employed parents (76 percent) than in rural areas outside the South (83 percent), and a higher share not in the labor force (20 percent versus 12 percent).

Finally, children in the rural South are more likely to have parents without earnings (20 percent) than those in rural areas outside the South (10 percent) or in the metro South (13 percent). On all factors associated with child poverty, except the age of the child, the rural South has a disproportionate share of the population. Hence, one possible explanation for the rural South's higher poverty rates is based on differences in the composition of the child population by residence and region.

### Future Challenges for Child Poverty in the Rural South

It appears that the effect of residence in the rural South on child poverty is an indirect one, through the composition and characteristics of the population residing in the rural South. The rural South has a larger share of children in mother-only families, who are Black, who have parents under age 30, and whose parents are less educated, unemployed, and without earnings. Younger, less-educated parents tend to be in lower paying jobs or to not be working at all.

High child poverty draws attention to the large number of children who are economically vulnerable. Many of these children may also be disadvantaged in terms of health and health care, nutritional adequacy, and educational skills. Poverty and disadvantage often lead, in turn, to lost educational and career opportunities as adults. With the transition from AFDC to Temporary Assistance for Needy Families (TANF), cuts in food stamps, and the introduction of work requirements and time limits under welfare reform, child poverty rates were expected to climb higher in future years (Courtney). Although this has not happened yet, there is still

cause for concern because some participants have been eliminated from receiving any assistance and, for families who do receive assistance, many are receiving less than under pre-reform programs.

The high concentration of workers in low-wage jobs, large minority populations, and high levels of unemployment have resulted in the rural South's heavy dependence on public assistance programs. Even with recent increases in educational attainment and growth in employment, the rural South continues to lag the rest of the Nation on these measures (Zimmerman and Garkovich). The rural South has higher unemployment and more working-poor families, which places children in such families at greater risk of poverty. Furthermore, recent demographic changes in the rural South and the Nation, particularly the greater

racial and ethnic diversity and the increase in mother-only families, imply changing demands for services such as child care and more convenience-services (such as prepared meals and dry-cleaning services) for working parents.

Understanding the impact of parental education, employment, and family economic resources on child poverty in the rural South is important in planning welfare and program assistance such as food stamps, free lunch programs, and health insurance coverage. Working parents must have sufficient work supports such as access to child care providers and transportation in rural areas. Child poverty is an important problem facing the rural South and how this problem is dealt with will have far-reaching implications for family and child well-being. **RA**

#### For Further Reading . . .

Lionel J. Beaulieu, "A Focus on the 21st Century: New SRDC Policy Series on the Rural South," Southern Rural Development Center, No. 1, Jan. 2000.

Mark E. Courtney, "Welfare Reform and Child Welfare Services," in Sheila B. Kamerman and Alfred J. Kahn (eds.), *Child Welfare in the Context of Welfare Reform*, Cross-National Studies Research Program, Columbia University School of Social Work, New York, NY, 1997.

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Steve H. Murdock, Md., Nazrul Hoque, Beverly Pecotte, and Steve White, "The Increasing Diversity of the Rural South: Challenges and Opportunities in Future Population Growth," Southern Rural Development Center, No. 6, April 2000.

Carolyn C. Rogers and Elizabeth Dagata, "Child Poverty in Nonmetro Areas in the 1990's," *Rural America*, Vol. 15, No. 1, Jan. 2000, pp. 28-36.

Julie Zimmerman and Lori Garkovich, "The Bottom Line: Welfare Reform, the Cost of Living, and Earnings in the Rural South," Southern Rural Development Center Information Brief, No. 2, April 1998.

# Welfare Reform

## Remedy for Persistent Poverty in the Rural South?

Mark S. Henry  
Willis Lewis

Allendale County in South Carolina is rural and poor. Its school district was declared a failure and “taken over” by the State department of education in 1999. The school district struggles to galvanize parents, many of whom travel 2 hours by bus to low-paying jobs in the booming resort and retirement communities on Hilton Head.

Some low-income households in Allendale have been getting by this way for years—long before the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) reforms in 1996. As more Temporary Assistance for Needy Families (TANF) recipients in Allendale reach the 2-consecutive-year limit to welfare participation, they will have little choice but to make the same journey by bus or to move to coastal or urban job growth centers. For those remaining in Allendale, earnings from the hospitality industry alone seem unlikely to elevate their households above the poverty threshold. Meanwhile, the local school district continues to struggle with a small tax base and poor educational

*During the 1990's the South was more successful in reducing welfare caseloads than other regions, most likely because of strong employment growth in its metropolitan centers. However, poverty persists in many rural areas of the South, and participation in welfare programs would likely increase should the economy cool. Without open-ended Federal matching funds to meet added demands for cash assistance, Southern States would be forced to cut work support programs or use general revenues to supplement the Federal Temporary Assistance to Needy Families block grant.*

attainment scores. Poverty persists even as welfare reform succeeds in reducing caseloads.

Does this scenario depict the future for low-income residents of Allendale and others in similar low-income traps? Will welfare reform deepen and prolong poverty in many counties of the rural South? Or will welfare reform promote the comprehensive set of support services and upgrade education and the labor force so as to move lagging rural counties of the South into the economic mainstream? This article examines welfare reform's impact on caseloads and the implications for poverty in the rural South.

### Welfare Reform Accelerated the Pace of Caseload Declines in the South

Welfare reform in the 1990's, especially under PRWORA, ushered in a wide array of State initiatives. While many States had experimented with welfare reform, by 1997 all States began to implement new eligibility rules for cash assistance,

time limits on benefits, and work requirements. These reforms generally provide greater incentives to leave welfare. After 1993, as these reforms began to take hold and the economic expansion strengthened, caseloads began to tumble. The pace accelerated after October 1996 when the old Federal open-ended, matching grant program, Aid to Families with Dependent Children (AFDC), became the new block grant program, Temporary Assistance for Needy Families (TANF).

Ellwood attributes the dramatic fall in welfare caseloads since 1993—after rising in most years from 1960 to 1992—to several key factors:

- A falling level of real welfare benefits per recipient since the 1970's. Inflation ravaged the purchasing power of AFDC benefits, with real benefits about half their level in 1970 (in the median State).

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- Growing support for low-income families with an attachment to the workforce, primarily because of expansion in the Federal Earned Income Tax Credit (EITC). Since 1996, the value of EITC payments—often supplemented by State funding—has exceeded the real value of welfare benefits.
- Growth in the economy since 1993.
- An expansion of Medicaid coverage to all children 18 or under if the family income is at or below the poverty level.
- Expanding support for children in some States.

U.S. welfare ranks declined 44 percent from August 1996 to June 1999. Among Southern States, the declines ranged from 73 percent in Mississippi to 42 percent in Tennessee (table 1). The rate of decline in welfare recipients has outpaced the national average in all Southern States except Tennessee. This performance is surprisingly robust in States that continue to lag the national average in per capita income and contain the lion's share of the Nation's persistent-poverty counties, and may have several explanations:

- The sanctions for noncompliance with TANF rules in the South may be particularly harsh.
- Employment in Southern States may be growing more rapidly than elsewhere, with greater demand for entry-level employees.

Table 1

### Decline in welfare recipients, 1996-99

*Every Southern State except Tennessee had above-average caseload declines*

State	Number of recipients		Percent change
	Aug. 1996	June 1999	
Alabama	100,662	45,472	-55
Arkansas	56,343	29,350	-48
Florida	533,801	173,341	-68
Georgia	330,302	130,210	-61
Kentucky	172,193	93,444	-46
Louisiana	228,115	100,577	-56
Mississippi	123,828	33,853	-73
North Carolina	267,326	124,432	-53
Oklahoma	96,201	50,910	-47
South Carolina	114,273	40,293	-65
Tennessee	254,818	147,137	-42
Texas	649,018	288,525	-56
Virginia	152,845	83,733	-45
U.S. total	12,241,489	6,889,315	-44

Source: U.S. Department of Health & Human Services, Administration for Children and Families, December 1999.

- The gap between the benefits of work and staying on TANF may be increasing faster in the South, where welfare benefits are lower than in the rest of the Nation.

### Sanctions for Noncompliance With TANF Rules in the South

TANF now imposes a 5-year lifetime limit for cash assistance, new work requirements, and a host of sanctions for clients who do not comply with the new rules. Depicting a typical TANF program in the South is difficult because each State has designed its own set of eligibility rules, time limits, and work requirements (Tootle). However, all States have taken a dual-track approach, adding "push" incentives to leave TANF and major "pull" efforts to support former clients as they enter the workforce. Focusing on the "push" incentives, Rector and Youssef (pp. 2-3) assign States to one of four categories

reflecting the severity of sanctions under welfare reform:

**Very strong sanction.** "Initial full-check sanction—States that have the option of sanctioning the entire TANF check at the first instance of non-performance of or non-compliance with required work or other activities."

**Strong sanction.** "Delayed full-check sanction—States that generally have a sequence of progressively more severe sanctions. But these States will sanction the full TANF check only after a number of months of non-compliance or repeated performance infractions."

**Moderate sanction.**—"States that may sanction more than a third of the TANF check or the full check in certain circumstances."

**Weak sanction.**—"States that sanction only the adult portion of the TANF check, except in unusual circumstances. This enables recipients to retain the bulk of their TANF benefits even if they fail to

perform workfare or other required activities.”

Rector and Youssef argue that stronger sanction rules are the driving force in reducing caseloads, while the strength of the State economy has little impact. Eight of the 14 States with very strong sanction rules are in the South. However, inspection of recent caseload changes and the sanction rules in each Southern State reveals several exceptions to this conclusion. For example, North Carolina has weak sanctions, but reduced caseloads faster than Louisiana, Oklahoma, Tennessee, and Virginia—States with strong or very strong sanction rules (table 2).

The weak congruence of the severity of sanction rules and caseload reductions suggests other forces at work. Many analysts point to robust economic growth, finding that stronger State economies have the expected effect of reducing participation in welfare programs (Council of Economic

Advisors, Figlio and Ziliak, Wallace and Blank, Bartik and Eberts, and Moffitt). Ellwood attributes about 30 percent of the recent increases in the employment rates of unmarried women with children to the EITC, about 50 percent to welfare reforms, and about 20 percent to a stronger economy.

### Strength of the Southern Economy in Providing New Jobs

The unemployment rate is often used as a measure of the capacity of the local economy to absorb new entrants—like former welfare recipients—into the labor market. Many of the rural counties that experienced both high unemployment and high reliance on AFDC in the mid-1990’s are in the South (fig. 1). However, a county’s prosperity is difficult to identify by looking only at the unemployment rate. Many counties with high rates of employment growth from 1990 to 1996 also had high unemployment rates (Kusmin).

Previous studies have found that unemployment rates, as an indicator of economic robustness, failed to explain either the post-1993 caseload declines or the late 1980’s caseload increases (Bartik and Eberts). Other features of the local labor market—employment growth rates and some industry mix variables—also need to be included to accurately gauge the robustness of the local economy. Specifically, are jobs growing in the local labor markets that most directly need to provide opportunities for those leaving welfare in the South? And has recent job growth in the South been in the kinds of jobs—low-skill—needed to absorb former welfare recipients?

Job growth from 1993 to 1997 was faster in metro counties in the South (13.4 percent) than the national metro average (9.8 percent). Growth in the nonmetro South (8.7 percent) was about the same as the national nonmetro average (8.8 percent). Using this indicator of local economic vitality, urban centers in the South should have more success in reducing welfare caseloads than urban places in the rest of the United States. Likewise, the relatively slow employment growth in the rural South means that rural places should be less successful than urban centers in reducing welfare caseloads.

Nonmetro counties in the South with the greatest need to absorb welfare leavers into the labor market are identified as high AFDC counties in figure 1. From 1993 to 1997, these high AFDC counties—rural counties whose share of families on AFDC placed them in the top quartile of all counties in 1996—added jobs at about 10 percent per year slower than metro growth (12 percent), but

Table 2

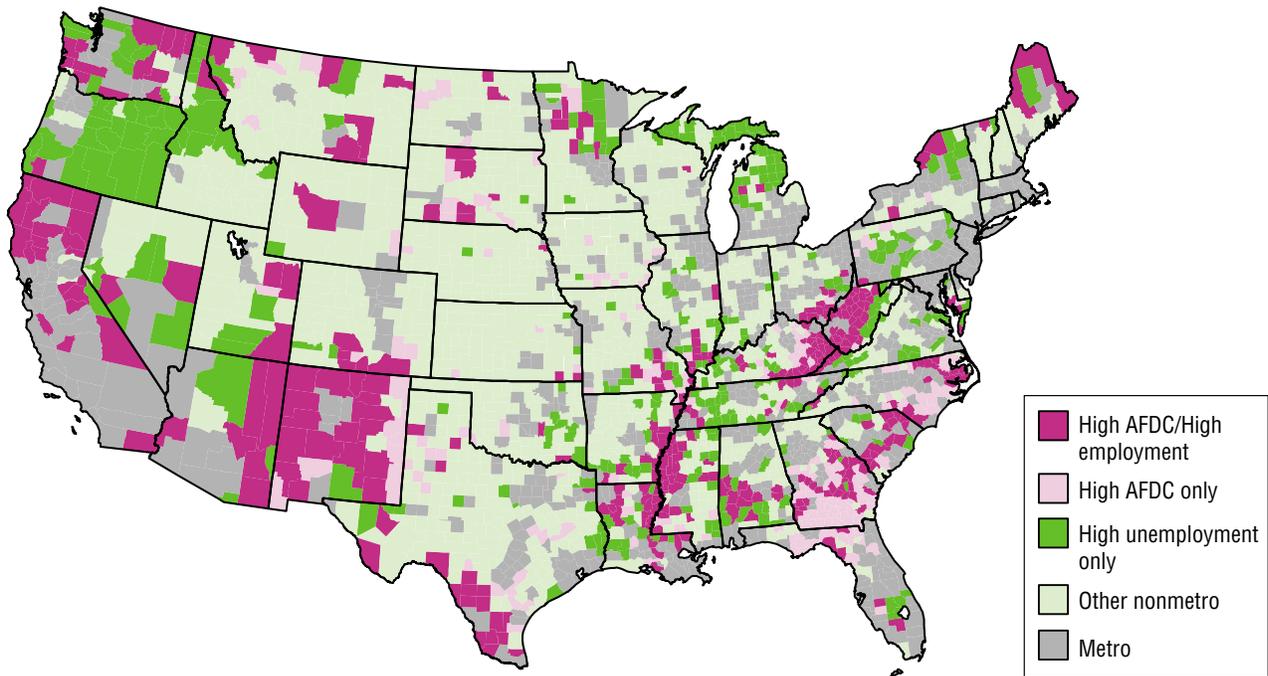
### State changes to welfare sanction rules by 1996, and caseload reductions, January 1997 to June 1998

*The strength of TANF rules is an imperfect predictor of caseload reductions*

State	TANF rules	Caseload reductions	Rank
		Percent	
Alabama	Strong	40.2	9
Arkansas	Very strong	40.0	10
Florida	Very strong	45.8	6
Georgia	Very strong	39.4	11
Kentucky	Weak	25.9	25
Louisiana	Strong	19.6	36
Mississippi	Very strong	48.9	5
North Carolina	Weak	34.2	15
Oklahoma	Very strong	32.3	17
South Carolina	Very strong	37.1	12
Tennessee	Very strong	23.4	32
Texas	Moderate	42.0	7
Virginia	Very strong	27.1	22

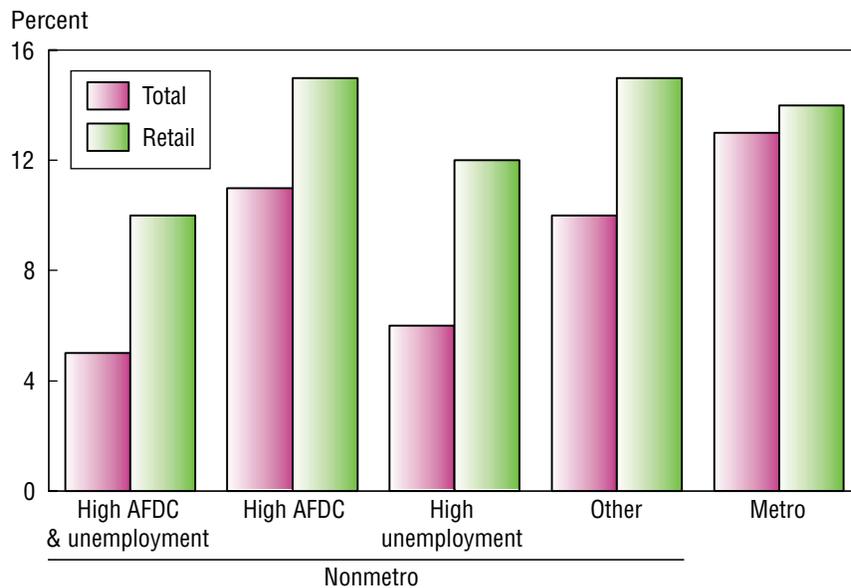
Source: Rector and Youssef.

Figure 1  
**High AFDC use and unemployment rates in nonmetro counties**  
*The majority of high AFDC counties also had high unemployment rates in 1996*



Note: "High" means in the top 25 percent of nonmetro counties.  
 Source: ERS using data from the U.S. Departments of Labor and Commerce.

Figure 2  
**Total and retail employment growth in the South by county type, 1993-97**  
*Employment growth was lower in counties that experience both high AFDC use and high unemployment rates*



Source: Bureau of Economic Analysis and the Census Bureau.

faster than other rural counties (fig. 2). High-AFDC and high-unemployment (1996) counties scored lowest in job growth from 1993 to 1997.

While overall job growth is strong in most of the rural South, there may not be enough jobs with skill requirements matching the skills of the typical welfare recipient. Many local labor markets are unlikely to generate enough jobs over the next few years to absorb former welfare recipients—especially those in the persistent-poverty counties of the Delta region (Howell). Other areas in the South with pockets of persistent poverty might be expected to have similar difficulties (Henry et al.).

Other analyses foresee a less pessimistic outcome. The share of low-wage jobs in rural areas increased from 1988 to 1997, suggesting that many rural areas have had growth in the kinds of jobs

needed by new labor force entrants with few skills (Smith and Woodbury).

An analysis of retail trade growth in the rural South yields similar conclusions. Most retail trade jobs require limited education and training (low-skill jobs). The good news is that retail trade jobs grew faster than average across all county types in the South from 1993 to 1997 (fig. 2), and fastest—15 percent—in high-AFDC rural counties. The bad news is that those rural counties that are both high-AFDC and high-unemployment lagged in retail trade job growth, at under 10 percent. Still, the steady growth of low-wage jobs in all types of counties should allow welfare recipients to find jobs in most areas of the South.

### Opportunity Cost of Staying on Welfare

Also contributing to declining welfare caseloads is the rising opportunity cost of staying on welfare without entering the formal labor market. Several changes in the 1990's in both means-tested programs (AFDC and food stamps) and work support programs dramatically increased these opportunity costs. First, the real value of welfare benefits in the median State is now about half the 1970 level. Second, the value of the Earned Income Tax Credit benefits expanded dramatically in the early 1990's. Third, both support for childcare and Medicaid coverage for children (of a single parent working full time at the minimum wage) were increased.

In one comparison, a single parent working full time at the minimum wage in 1986 would gain total real “disposable” income of \$2,005—a 24-percent gain over AFDC—and lose all Medicaid cover-

age by leaving AFDC. By 1997, the same parent would gain real disposable income of \$7,129 by leaving TANF for a full-time minimum-wage job (Ellwood). This gain roughly doubles the disposable income of the working parent in 1997 in the median State. The percentage gain in real disposable income when a welfare recipient joins the workforce will be even larger in most Southern States given their low levels of TANF benefits compared to the rest of the Nation.

As the minimum wage is increased and cash assistance from a State's TANF program declines in real terms, the opportunity cost to the welfare recipient of staying on welfare will continue to rise. Even if full-time jobs are not available, the EITC has substantially increased the benefits of moving from no work to at least part-time work (Chernik and McGuire).

### Persistent Poverty in the Rural South—Will Welfare Reform Help?

Over half of the Nation's rural poor reside in the South (table 3). Moreover, while 23 percent of the Nation's rural counties were persistent-poverty counties (poverty rates of 20 percent or more in each

decennial census year since 1960) in 1995, all Southern States except Virginia had shares of rural poor counties above the national average (table 4). Mississippi and Louisiana each had over 80 percent of their rural counties classified as persistent poverty.

Given that these counties have been beset by poverty for at least 30 years, welfare reform and local economic development initiatives will be futile unless solutions to the following problems can be found (Burtless):

- How to find employment for the single mothers who have remained on welfare despite the strong regional economy—those with fewer skills, less work experience and/or weaker work support systems in their community than welfare leavers who have already found employment.
- How to provide stable employment for those with the least experience and lowest skill levels—often single mothers that are recent leavers from TANF—when the next recession takes hold.

Table 3  
**Poverty rates by region, 1995**  
*Over half of the Nation's nonmetro poor live in the South*

Region	Poverty rate		Share of U.S. poor	
	Nonmetro	Metro	Nonmetro	Metro
	<i>Percent</i>			
Northeast	11.3	12.7	7.9	20.5
Midwest	11.6	10.8	22.8	17.4
South	19.2	14.6	53.6	35.7
West	16.5	14.7	15.6	26.4
Total	15.6	13.4	100.0	100.0

Source: Economic Research Service, 1998.

Table 4

**Poverty in the South, 1995**

*Virginia is the only Southern State with a below-average share of persistent-poverty counties*

State	Share of nonmetro counties with persistent poverty <sup>1</sup>	People in poverty	
		Metro	Nonmetro
<i>Percent</i>			
United States	23	13.3	16.0
Alabama	52	16.2	20.6
Arkansas	48	15.0	21.0
Florida	36	14.9	18.9
Georgia	54	13.8	19.4
Kentucky	55	13.8	21.7
Louisiana	82	20.1	24.8
Mississippi	83	16.5	23.6
North Carolina	29	11.6	16.1
Oklahoma	32	15.9	21.6
South Carolina	53	14.0	19.5
Tennessee	30	14.0	16.0
Texas	37	17.8	25.9
Virginia	7	10.2	15.0

<sup>1</sup>These counties had poverty rates of 20 percent or more in each decennial census year since 1960 (before the 2000 census) and were home to 44 percent of all rural poor in 1990 (Nord, p. 2).

Source: Tootle.

- How to move former welfare recipients into jobs that have “ladders” to pay levels high enough to lift families above the poverty level.

If, as most analysts agree, the jobs taken by former welfare clients are poorly paid and sensitive to the business cycle, their long-term impacts on the incidence of poverty in the rural South will be minimal. Moreover, persistent-poverty counties of the South may be particularly hard-pressed to provide even entry-level employment opportunities for the increased number of willing participants in an economic downturn.

The outlook for persistent-poverty counties in the rural South is not favorable. Persistently low per capita incomes translate, at the community level, into low levels of

human capital investment. Labor in these rural counties will not be competitive in emerging high-skill industries, yet the movement of low-skill manufacturing jobs to other countries also limits the prospects for growth in low-skill jobs. Labor supply shifts from welfare reform in the low-wage market will mean continuing downward pressure on wages in these regions. With little growth in rural high-skill jobs and downward pressure on wages in low-skill jobs, the possibility that welfare reform will perpetuate the persistent-poverty status of many rural counties in the South, like Allendale, SC, is real (Rowley and Freshwater).

Several other features of the low-wage labor market are likely to handicap efforts to reduce welfare caseloads and the incidence of poverty. First, unemployment rates

for women with high school or less education are higher and less sensitive to business cycle upswings than for other women. Second, low-wage jobs are more likely than others to be eliminated during recessions (Smith and Woodbury). These features pose a quandary for those who champion strict sanction rules and time limits to welfare participation as caseloads rise in the next recession. Under the TANF rules, States will have the following options:

- Continue to enforce time limits and force recipients from the TANF program even though the needed jobs do not exist;
- Modify the time that TANF recipients can stay on the program;
- Develop new or expanded public sector employment programs for former TANF recipients who cannot find jobs in the private sector (Ellwood).

### Summary

Many rural areas of the South, like Allendale, SC, will likely see welfare program participation increase when the next recession hits. Why? First, the rural South has a disproportionate reliance on low-wage jobs—those most sensitive to the business cycle. Second, high-skill jobs are not likely to come to the rural South until there are substantial gains in human capital attainment. Third, overall job growth is faster in metro areas than in rural counties of the South—enabling urban areas to absorb the increasing supply of low-skill labor associated with welfare reform in low-wage jobs and to provide jobs with “ladders” to higher wage occupations.

These employment trends also indicate that welfare reform in the South may have limited success in reducing the incidence of poverty in many rural counties. Rural job growth in the low-wage labor market can lift some families above official poverty thresholds. For example, a full-time minimum-wage job in 1997, along with the expanded EITC, was enough to lift a family of three above the poverty threshold (Parker and Whitener). From this perspective, a key to reducing the incidence of poverty in the rural South is to ensure that low-wage jobs expand fast enough to absorb new low-skill entrants to the labor force. However, since low-wage jobs have limited job ladders to higher income occupations and a high sensitivity to the business cycle, reducing rural poverty rates hinges on a continuing expansion of the rural economy. Unfortunately, recent job growth has been slowest in high-unemployment counties, and labor supply shifts induced by welfare reform will put downward pressure on wages in the low-wage market.

Necessary investments in human capital in the rural South often lag those in urban centers of the South, making it difficult to

provide the labor force needed to attract higher skill jobs to the rural South. Improved transit to link rural residents to urban employment growth may be needed to reduce rural caseloads over the long term. Childcare, job training, and other assistance to rural welfare clients may have to expand. Since rural clients tend to be remote, rural efforts to reduce barriers to leaving welfare are likely to be more expensive case by case than in urban centers.

Finally, Southern States have embraced the fixed block grant feature of TANF since it allows a great deal of flexibility in deciding how to use their Federal allotment to address needs of clients—cash assistance, training, child care, transportation, etc. In a booming economy, caseload reductions free up cash assistance for work support programs. However, when the economy cools and caseloads increase, there may no longer be an open-ended match from the Federal Government to support the added demands for cash assistance. States would then have to adapt to a changing economy either by reducing expenditures, such as work support programs, or by tapping other revenue sources.

Specific challenges that will confront State leaders include (Pavetti):

- Reallocating program expenditures to account for larger assistance to caseloads.
- Reassessing what constitutes work participation, and for whom participation is required.
- Continuing to provide work incentives and work supports.
- Reassessing time limits.
- Addressing job retention and job advancement, and aiding the hard-to-employ.

While no one knows how Southern States will respond to these challenges, State leaders need to prepare now for the next recession—perhaps by establishing rainy-day funds from current TANF surpluses—to continue the needed workforce and educational supports for former welfare clients when the economy slows. **RA**

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