On not reaching the rural poor: Urban bias in poverty policy

In a country where for many generations the virtues of rural life have appeared to be at the heart of the national ethos, there currently exists astonishingly little hard information about critical economic and social aspects of that life. That, at least, is the conclusion of a recent review of research into the economics of rural poverty by economists Keith Bryant, Lee Bawden, and William Saupe, all former or current IRP associates. Not only is there confusion over terminology—"The fact of the matter is that the concepts and measurements of rural, urban, farm, nonfarm, metropolitan, nonmetropolitan have all shifted significantly over the past 35 years" (p. 5)—but even sidestepping definitional problems, such central facts of poverty as housing, nutrition, health, and farm labor markets remain, as on the old maps, "unknown lands."

In the vacuum created by the lack of hard information and, increasingly, of first-hand experience with the realities of rural life, metropolitan America's image of federal policies toward rural areas, and perhaps of rural America itself, has become increasingly fragmented and confused. There are the giants of the agribusiness and resource extraction industries, effectively lobbying for large federal subsidies and tax advantages, fattening themselves at the expense of the food buyer and the small farmer (a figure of sympathy). Then there are the bogeymen of social welfare activists, the rural legislators slashing at programs for the poor (presumably helped to power by those same figures of sympathy). Figuring perhaps most prominently among the rural poor, at least since the demise of the sharecropper, are migrant workers (who, however, constitute only 7 percent of the workforce engaged in farm labor).

True, the new social consciousness generating and generated by the war on poverty did increase attention to and analysis of the nature and persistence of rural poverty, particularly as it impinged upon racial discrimination. Perhaps most prominent among the new perspectives was the human resource interpretation, based on the premise that rural America has traditionally experienced a serious underinvestment in human capital due to inferior schooling, lack of individual incentives for educational self-investment, and a disproportionately small share of manpower training funds. The most thorough investigation of this topic is a USDA report by Luther Tweeten, now over a decade old.[1] Of the issues he raised, comment Bryant et al., "none has been resolved and none has been relieved of its importance by subsequent events" (p. 87).

A newly published IRP special report (prepared as part of a larger report by Stephen Seninger and Timothy Smeeding for the Department of Labor) has effectively synthesized much of what we know about the extent and distribution of rural poverty. The picture that emerges has many disturbing aspects.

There are, Seninger and Smeeding point out, a number of statistics that suggest rural poverty is on the wane, but they are misleading. In 1977, for instance, the percentage of the poor in nonmetropolitan areas had dropped in a decade from 50 percent to 40 percent. But close inspection of this figure reveals a different story. Poverty is not being ameliorated. The rural poor are simply no longer rural poor; they have become urban poor, through migration or urban sprawl. Other data show that for the first time in many years rural areas are growing faster than metropolitan areas. But this figure is also misleading. True, the largest metropolitan areas have ceased to grow, but smaller ones are growing more rapidly than ever before, and most of those people who are newly labeled "rural" live on the outskirts of these areas. Thus, they are "metropolitan spillover," soon to be reclassified metropolitan rather than rural. Another trend often cited as encouraging for poor areas is that members of the middle class with their portable incomes (from pensions, annuities, savings, and Social Security) are moving to the Sunbelt. But these people are less than 10 percent of the population, and they do not move to those rural areas where the sparse population of underemployed so desperately need the influx of money and jobs. In fact, in Florida and Arizona, where many have relocated, the poverty rate has increased, from 1969 to 1975, by 13 percent and 19 percent respectively.

The rural poor are, to a greater extent than urban dwellers, working poor (over 67 percent of all rural poor families and only 48 percent of urban poor families had one earner in 1974). They are, too, worse off, on the whole, than similarly placed urban poor families. Nor do government transfers close the gap, as Table 1 makes clear.

The reasons are not difficult to find. The vast majority of the rural poor live in poor states. The bulk of them—60 percent, among them the poorest of the poor—live in the South: in the Mississippi Delta, the Southeastern coastal plain, Appalachia, and on the Ozark Plateau. And new areas of rural poverty are developing in Texas and New Mexico. To the extent that welfare programs depend on state supplementation and state implementation of federal

Table 1

Percentage of Persons Below the Poverty Level, 1974, by Region and Place of Residence

Region	By Census Income[a] Central City	Nonmetro-politan	By Adjusted Income[b] Central City	Nonmetro-politan
NE	11.5	9.7	4.2	5.5
MA	15.4	6.0	6.8	3.8
ENC	12.6	9.1	6.6	6.4
WNC	11.7	10.3	7.4	7.9
SA	15.0	16.3	11.3	12.4
ESC	17.7	21.6	13.2	16.0
WSC	15.8	24.8	13.0	18.3
Mountain	10.0	16.2	8.5	12.9
Pacific	11.5	9.1	7.9	7.0
All	13.7	14.2	8.5	10.5

Source: Seninger and Smeeding, pp. 57-61.

[a]The income measure used by the U.S. Bureau of the Census in their Income Poverty Series.

[b]Census income, adjusted for underreporting of survey income, federal income and payroll taxes, and the cost equivalent value of in-kind food and medical care transfers.

policies, these poor suffer compared to the poor in more prosperous states. Furthermore, because the rural poor are by definition dispersed, it is much more expensive and difficult to provide them with help of any sort than it is to provide for those situated in a cluster in the urban landscape. And finally, the rural poor may find it hard to make their voices heard, whereas the urban poor are vocal, highly visible, and wield a measure of political power. Discontent and anger among the rural population seem to pose no immediate threat to property and life in the United States. The poor in the cities, on the other hand, cannot be ignored. Their frustrations can—and often do—take forms that require immediate responses. Thus many of the government's programs to ameliorate poverty have been tailored to fit the urban poor; often without the policymakers intending it, they exclude the rural poor.

Transfer programs

The major income transfer programs in which the federal government participates are AFDC, Medicaid, Food Stamps, Social Security, Unemployment Insurance, and SSI. They have in common that they must be applied for. In the hinterlands information on how to apply for them is hard to come by and is apt to require travel expenses as well as time. This fact in itself creates an urban bias, but these programs are geared to urban needs in a number of specific ways as well.

AFDC. Aid to Families with Dependent Children is one of the principal programs providing cash assistance to the needy. But the amount of AFDC payments is set by the states. Seventy percent of the rural poor live in states where the maximum benefits from this program are below the national median. In 1975 maximum benefits were $50 a month in Mississipppi, $95 a month in Louisiana, and $108 a month in Texas, compared to a national average of $205 per month. The eligibility requirements for AFDC also discriminate against the rural poor. The program was designed originally to reach children in female-headed families (60 percent of all metropolitan poor children, but only 36 percent of all rural poor children), and though states have the option of extending coverage to include two-parent families in which the father is unemployed, the poor states in which the majority of the rural poor live have by and large not done so; among them only Kentucky and West Virginia allow intact families to qualify. So even though poor families are larger in rural areas than they are in the cities, the poor in the cities benefit more—and more frequently—from this program.

Medicaid. Medicaid provides poor families who qualify with free medical care. But few of the rural poor qualify. To be categorically eligible a family must be participating in a transfer program such as AFDC (which for the reasons mentioned above includes less than 5 percent of the two-parent rural families). Other medically needy low income eligibles qualify for Medicaid in only four of the thirteen poorest rural states. In the country as a whole, 59 percent of those below the poverty line received Medicaid in 1970. In 1971 less than one in ten poor children received Medicaid. In the states with severe rural poverty problems, the rate was 43 percent, despite the fact that these rural areas contained a higher proportion of elderly residents and people in poor health. And the effectiveness even of what is being done remains at issue: we know almost nothing about the relative effectiveness of different policies—nutritional, educational, public health measures, provision of hospitals—in improving the health of the rural poor (Bryant et al., p. 96).

Food Stamps. Until 1979 food stamps were beyond the reach of many among the rural poor because they could not raise the cash to purchase them. Now, however, the stamps are available without charge and thus benefit needy rural residents. A further advantage of food stamps is that a family needn't be receiving other welfare assistance, such as AFDC, to be eligible. Eligibility depends on income alone. So the stamps aid the working poor, a classification which, as mentioned earlier, encompasses the majority of rural families. Still in 1978 the rate of food stamp participation was only 38 percent in poor rural states—far below the national rate of 47 percent.

Social Security. Many of the rural poor were not eligible for Old Age and Survivors Insurance until 1954, when the program was expanded to include the self-employed, farmers, and farm workers. The amount of Social Security a person receives depends upon work history. Because rural residents have spotty work histories, which consist of frequent periods of unemployment and very low wages when employed, their benefits are extremely low.

SSI. Supplemental Security Income is one of the few poverty programs that is truly a boon to the rural poor, because in 1974 this federal program superseded state programs for the elderly, blind, and disabled, which meant that people in one of these three categories, no matter where they live, are guaranteed regular cash payments which raise their income to 80 percent of the poverty line. This in conjunction with Food Stamps and Medicaid benefits should enable those rural inhabitants who know enough about the program to apply for it to live a reasonably comfortable life. But SSI offers no help to those among the rural poor who are not old or disabled or blind. And even SSI reaches fewer of the rural inhabitants who qualify than their urban counterparts. None of the 13 poorest rural states supplements SSI payments.

Unemployment Insurance. Like Social Security, Unemployment Insurance is based on work history. Furthermore the program has only been available on a permanent basis to farm workers since 1978. The rural poor seldom receive benefits from this program, and when they do, the benefits expire in a shorter time than those received by high-wage workers in the industrial sector.

In summary it is obvious that the rural poor benefit far less from current transfer programs than they should. According to Seninger and Smeeding, "Overall, one in three urban poor benefit from cash public assistance vs. only one in five rural poor. Despite the fact that 40 percent of the poor lived in nonmetropolitan areas in 1975, the rural poor received 35 percent of federal SSI funds, 31 percent of Food Stamp benefits, and only 18 percent of federal AFDC and AFDC-UP funds."[2] From their states they fared even less well. Not only did the poor states spend less than the wealthy states in supplementing transfer payments to the needy, but they actually spent a smaller percentage of their meager budgets. Whereas the average percentage of a state budget spent for public welfare in 1975 was 19.3 percent, North Carolina spent 10.5 percent, Florida spent 9.7 percent, Mississippi spent 12.4 percent, and South Carolina spent 9.9 percent.

Job Programs. If the human capital theory of rural poverty is taken to be correct, much more important even than transfer programs in alleviating that poverty are jobs and training. But in this area too, the urban poor receive a disproportionately large share.

A number of pilot programs, such as the Rural Manpower Service (established in 1971) and the Smaller Communities Program, and the Concerted Services in Training and Education project have been aimed specifically at small communities in that they attempted to bring manpower services into rural communities, to provide both education and job opportunities. But these programs came under attack because of the inherently high cost of delivering services to a spread-out rural population, and have for the most part been scrapped. A number of states have attempted to relocate the unemployed and underemployed workers to areas where they can find jobs. This tactic, though it may help individuals, leaves the communities from which they move in even more straitened circumstances, as inhabitants with education and energy depart—the very people upon whom any rural revitalization would depend.

Selected papers

William E. Saupe, William R. Garland, and Deborah Streeter, "Changes in Farm Poverty in Wisconsin." Institute for Research on Poverty Discussion Paper no. 583-79.

Stephen Seninger and Timothy Smeeding, "Rural Poverty, Human Resources, and Welfare Policy." Institute for Research on Poverty Special Report No. 27.

Doris P. Slesinger and Eileen Muirragui, "Migrant Agricultural Labor in Wisconsin: A Short History." Institute for Research on Poverty Discussion Paper no. 565-79.

Marta Tienda and Osei-Mensah Aborampah, "Energy-Related Adaptations in Low Income Nonmetropolitan Wisconsin Counties: Toward a Behavioral Approach." Institute for Research on Poverty Discussion Paper no. 560-79.

Related paper

W. Keith Bryant, D. Lee Bawden, and William Saupe, "The Economics of Rural Poverty—A Review of Post-World War II United States and Canadian Literature." In *A Survey of Agricultural Economics Literature, Vol. 3.* Minneapolis: University of Minnesota Press, forthcoming. Also available as Research Paper 79-11, Department of Consumer Economics and Public Policy, N.Y.S. College of Human Ecology, Cornell University, 1979.

CETA. The Comprehensive Education and Training Act is now the chief federal program for dealing with unemployment and underemployment, and the major programs it supports have urban biases in program design and in operation. The distribution of funds for CETA is based on countercyclical unemployment, structural unemployment and need. The first two criteria focus on the urban unemployed. In metropolitan areas layoffs are more sensitive to business cycles, and training can be suited to the jobs available. Only the measurement of need favors the rural poor. The federal funds are distributed to state governments, who disperse them, and this also cuts down the rural share, for politicians want to put the money where it will be seen to do good, which means in the large communities, and they claim that they cannot provide funds for the smaller communities because no one there is capable of administering (sponsoring) the programs. Furthermore the number of the unemployed in rural areas is frequently understated, as many rural residents give up hunting for the few jobs that are available, and therefore no longer count in the statistics. This all boils down to the fact that 88.3 percent of CETA funds were distributed to metropolitan areas in 1975. And this disconcerting statistic includes the special programs (like Title III) which are aimed specifically at rural groups such as Indians and migrant farm workers.

The future

The immediate future for the rural poor looks grim. An excess of labor that is poorly educated, poorly trained, has little information on the labor market or access to jobs will not be easily absorbed into an economy where unemployment is on the increase. In the short run, policymakers who have been alerted to the inequities in the government's poverty policies can attempt to construct new policies that are not inherently unfair, though as long as cost-effectiveness is a more salient factor than equity, they are bound to favor the urban poor to some extent.

In the long run the problem may be solved: as sophisticated technology eliminates the need for people to congregate in cities, many businesses may disperse across the country in a space-age version of cottage industry. But such prophecies can offer small comfort to the rural poor, squeezed between diminishing job opportunities and the rising cost of transportation, now and in the immediate future. ■

[1]Luther G. Tweeten, *The Role of Education in Alleviating Rural Poverty.* USDA, Economic Research Service, Agricultural Report No. 114. Washington, D.C.: U.S. Government Printing Office, 1967.

[2]Stephen Seninger and Timothy Smeeding, "Rural Poverty, Human Resources, and Welfare Policy." In *Understanding Nonmetropolitan America,* ed. Amos H. Hawley and Sara M. Nazie. Chapel Hill: University of North Carolina Press, forthcoming 1981. Institute for Research on Poverty Special Report no. 27.

Institute Special Report

SR 25 *Citizens View Taxation and Tax Reforms for Wisconsin* by Martin David

Three recent trends—inflation, increased government, and high land and real estate prices—have dramatically changed the distribution of the tax burden in the United States.

This Institute Special Report was prepared as a report for the Tax Reform Commission of the State of Wisconsin. The intent of the survey, which included citizens in all parts of the state—both rural and urban—was to determine taxpayers' attitudes toward the tax system and their reactions to recent legislative changes. Major issues on which they were interviewed were grouped under four headings: balance, fairness, incentives, and simplification of the tax system.

An important aspect of the citizen's viewpoint, as found in the study, is the desire for increased public participation in the governmental system. The author concludes that weighing citizen opinion is vital to structuring a reform package.

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The material in any one issue is, of course, just a small sample of what is being done at the Institute. It is our hope that these summaries will whet the appetite of the reader to learn more about the research itself, and more about other research on poverty—an area of vital social concern—by Institute staff.

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