Rural America
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Welfare reform is the theme of this issue of Rural America. In May 2000, the Economic Research Service, the Joint Center for Poverty Research, and the Rural Policy Research Institute hosted "Rural Dimensions of Welfare Reform: A Research Conference on Poverty, Welfare, & Food Assistance" at Georgetown University. This conference assessed the initial impacts of the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) on rural America. PRWORA dramatically changed the Federal safety net by replacing Aid to Families with Dependent Children with a new block grant program, Temporary Assistance for Needy Families (TANF). The law gives States greater flexibility in designing and implementing welfare programs, and gives individuals added personal responsibility to provide for themselves through job earnings. TANF seeks to move people from welfare to work by imposing a 5-year lifetime limit on receiving Federal welfare benefits and requiring recipients to find work within 2 years of receiving benefits. W. E. Upjohn Institute for Employment Studies will publish the conference papers in a monograph, *Rural Dimensions of Welfare Reform: Welfare, Food Assistance and Poverty in Rural America*, early next year. Expanded versions of the six articles featured in this issue will be published in this upcoming monograph. The research presented here will help inform the policy debate surrounding reauthorization of PRWORA in 2002.

The first look at the effects of this new legislation has been quite positive, according to conference organizers Leslie A. Whitener, Bruce A. Weber, and Greg J. Duncan, who summarize the conference findings in our lead article. Since PRWORA, welfare caseloads and poverty dropped while employment and earnings increased for many low-income families in both rural and urban areas. Welfare reform, a robust economy, and expanded work support programs are all factors in these positive outcomes. However, individual State studies suggest that rural people on welfare may have a harder time finding work and obtaining the transportation, childcare, and other support services necessary to stay at work.

Nonmetro labor markets have characteristics that may make it more difficult for people leaving welfare. Robert Gibbs finds that, although nonmetro areas in general benefited from economic prosperity in the 1990s, nonmetro welfare recipients were usually concentrated in areas with persistent economic problems. The high number of low-skill and low-education workers in these places discourages companies with higher-paying jobs from locating there and promotes an even greater dependence on low-paying, often part-time service jobs. Robert I. Lerman, Signe-Mary McKernan, and Nancy Pindus report that, for nonmetro America as a whole, the new welfare policies have succeeded in increasing employment for single mothers, the group least likely to work and most likely to be on welfare. Similarly, Daniel T. Lichter and Leif Jensen find that, while rural single mothers still have higher poverty rates than those in urban areas, the level of poverty for families headed by single females has dropped, and higher earnings have more than made up for the decline in welfare assistance.

But State-level analyses suggest that the effects of welfare reform can vary widely among different States and labor markets. Mark S. Henry, Willis Lewis, Lynn Reinschmiedt, and Darren Lewis study welfare and food stamp caseloads in Mississippi and South Carolina, where rural areas have been less successful than urban areas in reducing caseloads. Enhanced support services for the working poor in such areas as transportation, childcare, and job training may be necessary to equalize opportunities for the rural poor.

This issue's Rural Updates section opens with Jack L. Runyan's update of hired farmworker data for 2000. The number of hired farmworkers increased in 1999-2000, but earnings decreased for this group of workers already near the low end of the earnings scale. For the first time in 2000, minority groups made up a majority of hired farmworkers. Richard J. Reeder and Samuel Calhoun present FY 1999 data for Federal funds in nonmetro counties. Metro areas continue to hold a slight lead in per capita Federal funds due to national programs such as defense and space. The nonmetro South received the highest per capita funds, largely because of transfer payments to low-income residents. Finally, Carolyn C. Rogers finds that child poverty gradually declined in the strong economy from 1993 to 1999, but nonmetro areas still have a higher rate than metro; the Black-White gap in child poverty is narrowing, but still high.

Douglas E. Bowers

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On the cover:
(Photo of U.S. Capitol, West Front, Washington, DC. Photo courtesy Ken Hammond, USDA, Office of Communications, Photography Center.)

Reforming Welfare
Implications for Rural America

Leslie A. **Whitener**
Bruce A. **Weber**
Greg J. **Duncan**

The Personal Responsibility and Work Opportunity Reconciliation Act dramatically altered the social safety net for poor Americans, and raised concerns over the 7.5 million people living in poverty in nonmetro areas. So far, welfare reform has reduced caseloads, increased employment, and lessened poverty. While the impact of welfare reform does not appear to differ greatly between rural and urban areas at the national level, many studies of individual State welfare programs report smaller welfare reform impacts on employment and earnings in rural areas than in urban areas. These smaller effects are due largely to the demographic characteristics of recipients and to the poorer job opportunities and lack of critical work supports in rural areas.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 is the most significant social welfare legislation enacted since the New Deal legislation more than 60 years ago. The long-term guarantee of benefits under a variety of programs has been eliminated in favor of a short-term temporary assistance program to help families get back on their feet. States have been given more flexibility in designing and implementing programs that meet their needs, and individuals have greater responsibility to provide for themselves through job earnings and for their children through tougher enforcement of child-support payments by absentee parents. These changes brought new opportunities and expectations for low-income families, their communities, and their local governments.

Early results from a myriad of welfare reform studies have been quite positive (Blank and Haskins). Welfare caseloads have declined substantially. Concomitantly, the employment of poor single mothers, a group that has often been the least likely to work and most likely to be on welfare, has increased. Rising employment has resulted in higher earnings and lower welfare payments for many low-income families. Poverty rates have declined since 1994. The combination of recent work-oriented welfare reforms, a robust economy, and expansions of the Earned Income Tax Credit and other work support programs have all contributed to these positive outcomes. Even so, the news is not all good. Some families in deep poverty or with unemployed family members are financially worse off now than before welfare reform, and some low-income families, although still eligible for Medicaid and food stamps after leaving the welfare rolls, are not participating in these programs (Haskins and Sawhill).

Also, welfare reform may not be working as well for the 7.5 million people living in poverty in nonmetro areas (1999). Once employment is secured, the availability and affordability of child care, transportation, health care, housing, and other support services become especially important for (former) welfare recipients. Rural areas have demographic, economic, and geographic characteristics that may pose unique challenges for welfare reform. Compared with urban areas, many rural communities have higher poverty, greater unemployment, lower education levels, lower incomes, and longer distances between home, child care, and work sites. Because of lower population density, rural areas tend to have higher costs for services and frequently lack a full range of services necessary for welfare-to-work transitions.

In May 2000, the Economic Research Service, the Joint Center for Poverty Research, and the Rural Policy Research Institute sponsored a research conference designed to assess the effects of welfare reform in rural areas. In this article, we

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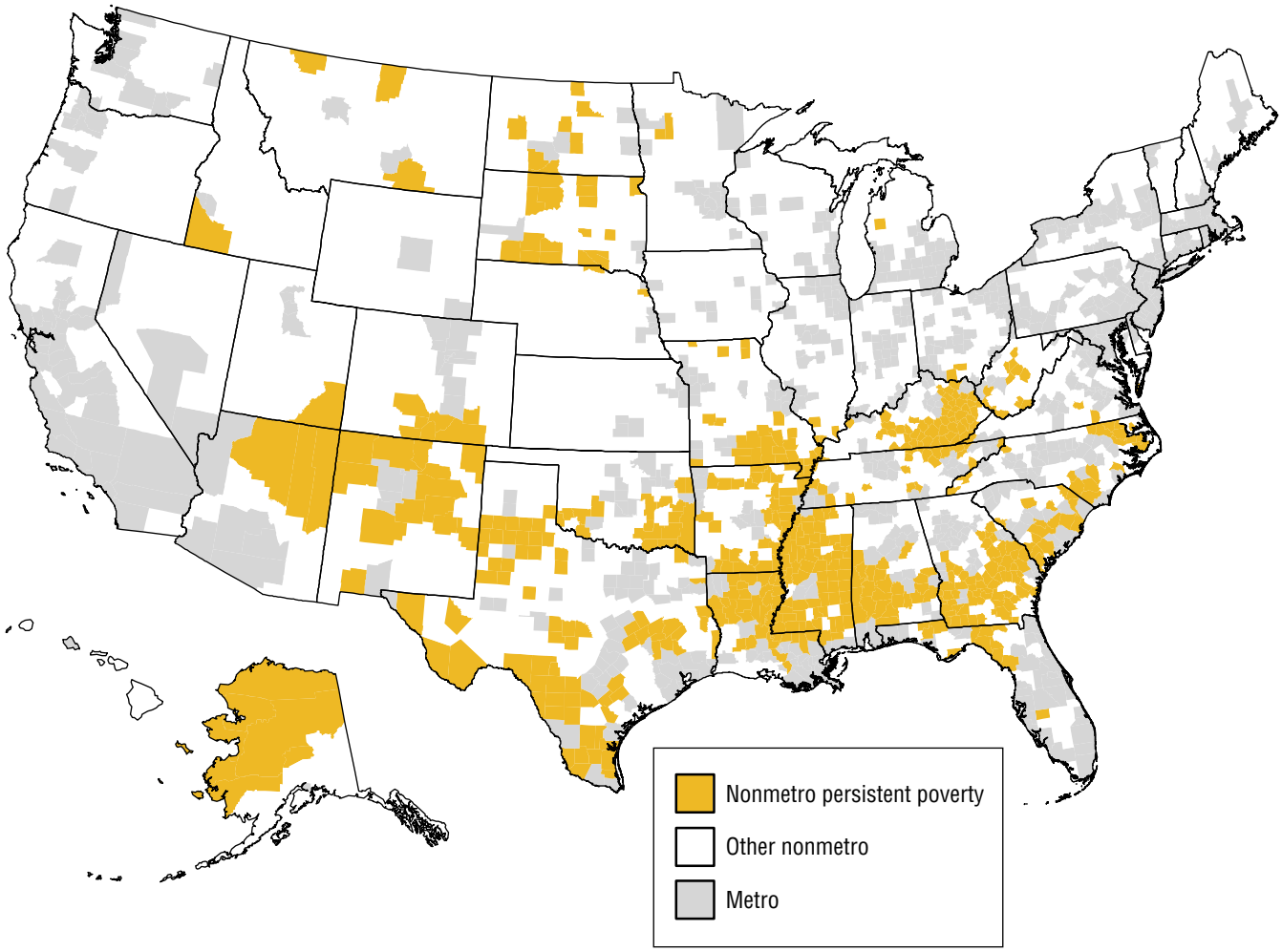
summarize some of the major findings from the Rural Dimensions of Welfare Reform Conference, and address two broad questions. What is the evidence from recent research about rural-urban differences in welfare reform impacts on program participation, employment, earnings, and poverty? And how can welfare policy better address the different needs of rural and urban low-income families?

Understanding the Rural Context

During the 1990s, the U.S. economy enjoyed an unprecedented period of economic growth. Unemployment rates reached 30-year lows, employment continued to expand, and rural areas generally shared in the good economic times. Yet, even in the face of strong economic growth, rural labor market trends did not converge with urban patterns. At the close of the century, nonmetro poverty remained 2 percentage points higher than in metro areas, with over 14 percent of the nonmetro population living below the poverty level. Unemployment and underemployment were higher in nonmetro than metro labor markets, and job growth was slower. Nonmetro areas lagged metro areas in both per capita income and earnings per job. Despite America's economic expan-

Figure 1
Nonmetro persistent-poverty counties
Persistent-poverty counties contain 32 percent of the nonmetro poor



Note: Persistent-poverty counties are defined as nonmetro counties with 20 percent or more of their population in poverty in each of the years 1960, 1970, 1980, and 1990.
Source: USDA, Economic Research Service, based on information from the decennial censuses of population.

sion, rural families had fewer job options than urban families, at a time when lower-skilled rural residents were leaving the welfare rolls and entering the labor force (see Gibbs, pp. 11-21 in this issue).

Yet, rural America is diverse; some rural areas have participated in the economic progress of the Nation, while others have not. Over 500 nonmetro counties are classified as persistent-poverty counties, having poverty rates of 20 percent or higher consistently over the last 4 decades (fig. 1). Successful welfare reform may be more difficult to achieve here than in other nonmetro areas because of inherent structural and human capital disadvantages. Persistently poor counties have a disproportionate number of economically at-risk people, including racial/ethnic minorities, female-headed households, and high school dropouts (table 1). At the same time, the local economies of these areas are generally weaker and do not fare as well as other nonmetro places. Population and employment growth for persistent-poverty counties fall below that of nonmetro counties as a whole; unemployment and poverty rates are considerably higher; earnings per job and per capita income are considerably lower. These chronically poor counties are heavily concentrated in the South, specifically in Appalachia, the Ozark-Ouachita area, the Mississippi Delta, and the Rio Grande Valley, and the Native American reservations of the Southwest and Northern Plains. Persistently poor counties contained 19 percent of the nonmetro population and 32 percent (2.7 million) of the nonmetro poor in 1990.

Table 1

Persistent-poverty counties: Selected characteristics

Local economies of persistent-poverty counties do not fare as well as nonmetro counties as a whole

Characteristics	Persistent-poverty counties	All nonmetro counties
	Number	
Number of counties	535	2,276
	Percent	
Proportion of nonmetro population, 1999[1]	18.5	100
Population change[1]		
1980-90	-0.16	2.69
1990-99	6.15	7.61
Annualized employment change[2]		
1979-89	0.5	0.9
1989-99	0.8	1.1
Unemployment rate[2]		
1990	8.1	6.5
1999	7.1	5.2
Poverty rate, 1990[3]	29.1	18.3
Black population, 1990[3]	21.2	8.0
Hispanic population, 1990[3]	7.8	4.3
Female-headed families with children, 1990[3]	21.4	16.0
High school dropouts age 25-44, 1990[3]	27.9	18.3
	Dollars	
Earnings per job, 1998[4]	22,048	23,618
Per capita income, 1998[4]	17,092	20,488

[1]Bureau of Census.
[2]Bureau of Labor Statistics Local Area Unemployment Statistics.
[3]1990 Census of Population.
[4]Bureau of Economic Analysis.
Source: Calculated by USDA, Economic Research Service.

Moreover, many rural areas are characterized by conditions that are likely to impede the move from welfare to work, irrespective of population characteristics or the health of the local economy. Low population densities in rural areas equate to greater distances to jobs and increased demands for reliable transportation, inaccessibility of key social and educational services, and fewer child care options and greater difficulties in arranging care. To the extent that rural and urban areas differ in their composition, local labor markets, and support services, welfare policy impacts may vary.

Reforming Welfare As We Know It

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 dramatically altered the social safety net for poor Americans. The new legislation replaced the entitlement pro-

Key Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

Establishes Temporary Assistance for Needy Families (TANF) that:

- Replaces former entitlement programs with Federal block grants
- Devolves authority and responsibility for welfare programs from Federal to State government
- Emphasizes moving from welfare to work through time limits and work requirements

Changes eligibility standards for Supplemental Security Income (SSI) child disability benefits

- Restricts certain formerly eligible children from receiving benefits
- Changes eligibility rules for new applicants and eligibility redetermination

Requires States to enforce a strong child support program for collection of child support payments

Restricts aliens' eligibility for welfare and other public benefits

- Denies illegal aliens most public benefits, except emergency medical services
- Restricts most legal aliens from receiving Food Stamps and SSI benefits until they become citizens or work for at least 10 years
- Allows States the option of providing Federal cash assistance to legal aliens already in the country
- Restricts most new legal aliens from receiving Federal cash assistance for 5 years
- Allows States the option of using State funds to provide cash assistance to non-qualifying aliens

Provides resources for foster care data systems and a Federal child welfare study

Establishes a block grant to States to provide child care for working parents

Alters eligibility criteria and benefits for child nutrition programs

- Modifies reimbursement rates
- Makes families (including aliens) that are eligible for free public education also eligible for school meal benefits

Tightens national standards for food stamps and commodity distribution

- Institutes an across-the-board reduction in benefits
- Caps standard deduction at fiscal year 1995 level
- Limits receipt of benefits to 3 months in every 3 years by childless able-bodied adults age 18-50 unless working or in training

gram Aid to Families with Dependent Children (AFDC) with the Temporary Assistance for Needy Families (TANF) program, funded through block grants to States. TANF seeks to move people from welfare to work by imposing a 5-year lifetime limit on receiving Federal welfare benefits and requiring recipients to participate in work activities within 2 years of receiving benefits. Penalties reducing the Federal contribution to TANF funds are levied against States with too few recipients in work activities. States are given more flexibility in designing and implementing programs that meet their needs, and individuals are given added personal responsibility to provide for themselves through job earnings and for their children through enforcement of child-support payments by absentee parents (see "Key Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996").

Assessing the effects of welfare reform in rural and urban areas is complicated by the increased variation across State programs. Diversity in State welfare policies was already growing in the early to mid-1990s due to waivers of Federal welfare requirements for State experiments or pilot programs. States have subsequently made their own decisions about eligibility and benefits, time limits, work participation requirements, and other aspects of personal responsibility. State programs differ, for example, on sanctions imposed for noncompliance, the amounts and types of assets that are used in determining eligibility and benefits, the time period for work requirements, and the design of child care and transportation assistance programs. An equally important State variant is the level of responsibility assigned to the administration of welfare. Thirty-five States have vested responsibility for policymaking, funding, and administration in the State government, but the remaining 15 States have devolved responsibility to local counties and communities.

Assessing Welfare Reform in Rural Areas: What Have We Learned?

A major goal of welfare reform is to reduce long-term welfare dependence in favor of increased self-sufficiency through employment. But reductions in caseloads do not mean that all rural and urban families who leave the rolls are making ends meet. How exactly are former welfare recipients faring in the labor market? The tight labor markets and low unemployment rates nationwide over the late 1990s have provided the best possible environment for new entrants into the labor market. However, with the first signs of a slowing economy, the provisions of welfare reform may now operate very differently in rural and urban areas.

Has welfare dependency declined as a result of welfare reform? Nationwide, only half as many families are receiving cash assistance from the TANF program in 1999 as under the AFDC program in 1994. Caseloads declined by 47 percent between 1994 and 1999. On average, the caseload drops have been about as large in rural as in urban areas, although averages are deceiving. Different States exhibit very different patterns of change in their rural and urban TANF caseloads (see Henry et al., pp. 36-43 in this issue). Declining caseloads have resulted from the combination of work-oriented welfare reforms, a strong economy, and expansions of the Earned Income Tax Credit and other work support benefits, with most former recipients finding at least temporary work in the labor market. The most recent statistics for 2001 suggest that these caseload declines may be leveling off, and even reversing in many States.

Can rural welfare recipients find work? National studies suggest that welfare reform and expansion of the Earned Income Tax Credit are raising the employment rates of single mothers, with one-half to two-thirds of single mothers finding employment at some time after leaving the welfare rolls. In nonmetro areas, the percentage of poor female heads with earnings rose sharply after PRWORA, increasing from 59 percent in 1996 to 70 percent by 1999 (see Lichter and Jensen, pp. 28-33 in this issue). A study by the Urban Institute shows similar increases in employment for single mothers in both metro and nonmetro areas, with little difference in the effect of welfare reform. However, single mothers in rural areas with little education have not shared in the employment gains of their urban counterparts (see Lerman et al., pp. 22-27 in this issue). These findings do not support the early dire predictions that rural mothers and their children would be left behind under the new welfare policy and economic environment.

Assessments of welfare reform at the State level suggest more variable effects, however. Minnesota implemented an experimental welfare waiver program, the Minnesota Family Investment Program (MFIP), which used both financial incentives to encourage work and mandatory participation in employment-focused services for long-term welfare recipients. A recent study by MDRC assessed the effects of this welfare program on employment and earnings of long-term recipients in both rural and urban counties of Minnesota. During the 2 years after selection for study in 1994-96, employment increased for single-parent recipients in both urban and rural counties (fig. 2). However, in contrast to the large and lasting employment increases in urban counties, average employment increases were much smaller for recipients in rural counties and effects on employment faded considerably by the last year of followup (Gennetian et al.).

Is the welfare-to-work transition more difficult in rural areas? Most national research studies suggest that obstacles to employment for single mothers leaving welfare are no greater in rural areas than in urban areas. Rural areas are becoming more culturally, politically, and economically integrated, and many issues related to low-wage service

economies are relevant for both rural and urban areas.

But State-level analyses suggest that the ease of transition to work can vary widely among labor market areas. A recent Mississippi analysis demonstrates that labor market areas differ in terms of creating overall job growth matched to the educational level of TANF recipients. Moreover, the labor market areas that are likely to be the most mismatched in terms of jobs and job applicants are also the ones with the weakest network of licensed childcare facilities, as well as the least accessible by existing transportation infrastructure. The Clarksdale nonmetro labor market area in the Delta region is the bleakest for TANF recipients trying to find jobs that match their educational credentials. Areas of Mississippi with the highest levels of urban influence hold the brightest prospects for job-matched employment (Howell).

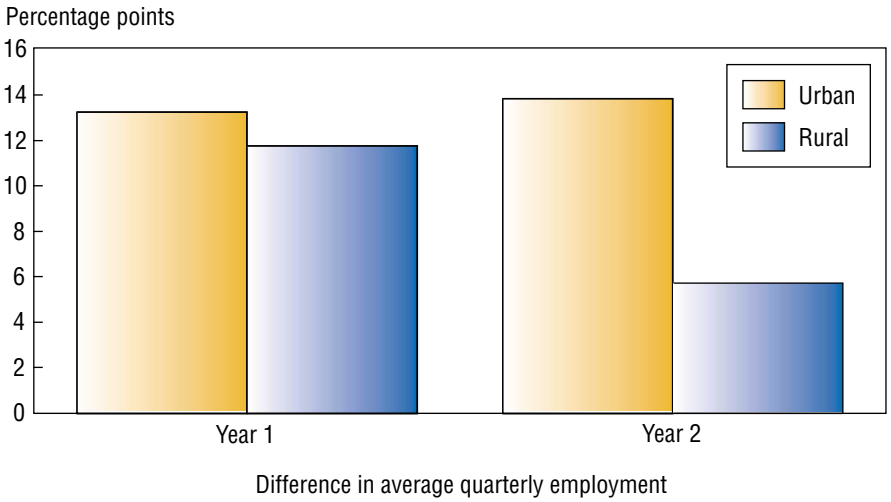
Similarly, a second study interviewed welfare families and community residents in seven Iowa communities ranked along a rural-urban continuum of population density. It found that welfare reform policy effects hinge on differences in the proximity of jobs and access to support services. Urban centers offer more job opportunities and support a scale of auxiliary social services that cannot be matched in rural communities. Welfare recipients who live in or adjacent to urban areas have access to more and higher-paying jobs than recipients who live in remote rural communities. However, capitalizing on local jobs requires access to reliable, affordable transportation. Cost-effective mass transit systems depend, in part, on population density and are less likely to exist in more sparsely settled rural areas.

Families moving from welfare to work may need support services that include job training, health care, or childcare (Fletcher et al.). These support services are often only available in larger, more urbanized areas; in particular, rural families have less access to affordable and flexible formal child care than do urban families (Findeis et al.). At the same time, rural residents often have more extensive and stronger informal support networks, which can compensate for the weaker formal support services in helping single mothers make the transition into paid employment.

Have welfare-to-work transitions improved the economic well-being of rural recipients? National analyses show that welfare reform has clearly moved many poor rural mothers into the labor force and that welfare-to-work transitions have increased earnings for these families. Real annual earnings for poor rural mothers increased from $3,835 in 1989 to $6,131 in 1999. Income rose even higher when including income received from the Earned Income Tax Credit, which provides a refundable tax credit to low-income workers (see Lichter and Jensen, pp 28-35 in this issue).

However, assessments at the State level again point to more limited effects of welfare reform on earnings in rural than in urban areas. The MDRC study of the employment and earnings effects of MFIP, the experimental welfare waiver implemented in Minnesota, found that the program had no effect on the average earnings of rural welfare recipients, although it increased the average earnings of urban recipients (fig. 3). Differences in recipients' prior marital history and changes in family structure help explain the programs' different effects on rural and urban welfare recipients (Gennetian et al.).

Figure 2
Impact of Minnesota MFIP on employment of long-term welfare recipients
The effect of MFIP on rural employment was smaller 2 years after entering the MFIP

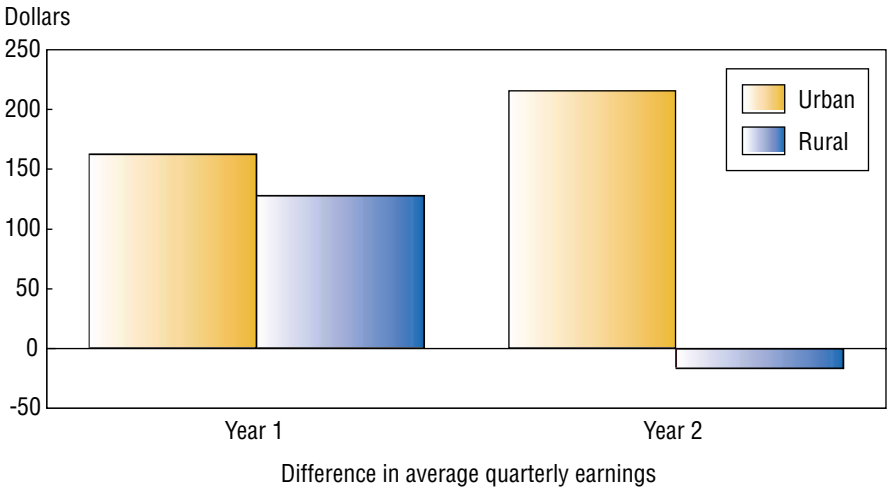


Source: Gennetian, Redcross, and Miller, forthcoming.

Figure 3

Impact of Minnesota MFIP on earnings of long-term welfare recipients

The effect on rural recipients' earnings was smaller 2 years after entering the MFIP



Note: The impact on earnings in rural counties was not statistically different from zero.
Source: Gennetian, Redcross, and Miller, forthcoming.

Can former welfare recipients escape poverty through work?

Although most former recipients find employment, many cannot obtain and/or keep full-time, year-round work. As a result, many welfare recipients return to the welfare system for economic support. A multivariate analysis of recidivism in Iowa shows, for example, that metro welfare recipients were less likely to leave the welfare rolls than nonmetro recipients, but once they left, those in metro areas were less likely to return right away. After the first two quarters, there is little metro-nonmetro difference in the likelihood of returning to welfare. Iowa's experience suggested that human capital, child support, and the presence of children were major determinants of welfare dependence and recidivism (Jensen et al.).

The problem for most poor rural welfare recipients is less one of finding a job than of finding a job that pays a living wage. Over one-third of working rural female heads were in poverty in 1998, a rate higher than at any time since 1989. Analysis of the short-term impacts of welfare reform in persistently poor rural areas of central Appalachia, the Mississippi Delta, the Lower Rio Grande Valley, and Native American reservations in South Dakota found that individual adjustments to reform measures buffered the severity of negative impacts predicted by many reform critics. A former welfare recipient might better adjust to life after welfare by participating in informal labor markets and drawing on family support. Some counties have suspended time limits to ease the transition. Many who have left the welfare rolls have likely found work in either the formal or informal labor market, but welfare reform mandates have reduced the opportunity for poor adults to combine welfare assistance with informal work (see Harvey et al.).

In summary, the overall impacts of welfare reform on caseloads, employment, and poverty do not seem to differ greatly between rural and urban areas at the national level. TANF caseloads have declined dramatically in both areas. Employment by single mothers has increased in the short run in both rural and urban places. Public assistance and higher earnings have had a modest effect in moving rural and urban single mothers with children out of poverty. Although still higher than comparable metro rates, nonmetro child poverty has declined substantially since 1993, and nonmetro Black child poverty has reached its lowest level in 10 years. However, the metro-nonmetro dichotomy masks considerable State variation in program operation, the structure of opportunities, and in outcomes. Case studies of individual State welfare programs and specific policy provisions have found smaller welfare reform impacts on employment and earnings in rural areas than in urban areas. These smaller impacts are due largely to the demographic characteristics of recipients and to the poorer job opportunities and lack of critical work supports in rural areas.

Addressing the Policy Needs of Rural and Urban Low-Income Families

The 2002 reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will enable adjustments in the Federal welfare regulations and in State programs. The Nation's leading welfare policy experts, academic poverty researchers, and rural scholars who attended the May 2000 conference on Rural Dimensions of Welfare Reform identified

four groups of policy options that could help welfare legislation further improve the self-sufficiency and economic well-being of rural and urban families.

Making Work Pay. As TANF caseloads have fallen sharply, most but not all families that leave welfare are gaining at least a temporary foothold in the labor market. However, many families leaving welfare remain poor, and not all are receiving the work-based supports they need to gain permanent economic independence. States and the Federal Government would do well to consider additional efforts to make work pay for low-wage workers. Macroeconomic policy aimed at maintaining a full-employment economy can underpin specific tax and human investment policies. Some of these policy options include:

- Expanding the Federal Earned Income Tax Credit to further support the work efforts of low-income families;
- Initiating or expanding State Earned Income Tax Credit supplements;
- Expanding coverage and encouraging participation in health insurance and childcare assistance programs for low-wage families;
- Increasing the minimum wage to keep up with general wage levels; and
- Taking greater advantage of resources in the Workforce Investment Act of 1998 to help match workers and jobs. This legislation gives state and local officials new authority and flexibility for using Federal job training aid to more closely reflect the realities of changing job markets and simplifies programs under a single, comprehensive system.

In addressing these policy areas, it is important to preserve work incentives for families and job-creation incentives for firms. At the same time, policymakers must take into account the potential cost increases associated with these options. These policy options require a careful analysis of costs and benefits—an analysis that is especially important as State and Federal Governments increasingly seek ways to tighten their budgets and prioritize expenditures.

Addressing the Unique Work Barriers in Sparsely Settled Places. Although the national impact of welfare reform does not seem to differ greatly between metro and nonmetro areas, State welfare programs and specific policy provisions have demonstrated a less favorable impact on employment and earnings in rural areas. People who live in sparsely settled rural areas face unique barriers to working, including long distances to jobs and services and limited options for services such as health and child care. States can facilitate access to various modes of transportation for rural, low-income workers and seek creative ways to provide or subsidize services that are needed for successful transitions to work. Of special importance to rural areas are State welfare reforms that:

- Address the less favorable opportunities (low-wage jobs) and high unemployment of rural labor markets;
- Recognize the transportation needs of rural residents by enabling them to own reliable cars while at the same time maintaining eligibility for assistance programs;
- Address service delivery problems caused by the geographic dispersion of people in need of program services; and
- Increase access to affordable, flexible, and quality child care. Family-based financial incentives for child care are not effective if lack of funding prevents development of formal childcare facilities in rural areas.

Helping Multiple-Barrier Families. As TANF caseloads fall, those families remaining on the rolls will be increasingly characterized by multiple barriers to work, including low skill levels, drug dependence, mental health problems, and family members with disabilities. States may wish to experiment with intensive demonstration programs aimed at multiple-barrier families. They might assist such families facing TANF work requirements and time limits by rewarding postsecondary schooling and community-service activities, and offering State-financed, low-wage public-sector jobs.

Helping Persistently Poor Areas. Not all places have benefited equally from the strong economy and welfare reforms. Parts of the urban core of major metropolitan areas and rural areas in Appalachia, the Mississippi Delta, and the Rio Grande Valley have suffered from persistently high levels of poverty and unemployment. Recipients in these areas may be more likely to "hit the time limits" and be economically dependent on informal work that is not recognized by

welfare reform mandates. Greater flexibility on time limits and work requirements as well as increased efforts to create additional job opportunities in persistently poor rural areas could greatly ease the welfare-to-work transition of rural welfare recipients.

As we move toward reauthorization of PRWORA in 2002, the policy debate will focus on a variety of critical issues, including funding levels, time limits and sanctions, child care, and the adequacy of provisions for the next economic downturn. The research findings summarized here provide a strong empirical base to better understand the effects of welfare reform and the importance of recognizing rural and urban diversity in welfare policy design. RA

For Further Reading . . .

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Nonmetro Labor Markets in the Era of Welfare Reform

Robert **Gibbs**

Despite the economic prosperity of the last decade, nonmetro job growth, earnings, and wage progression seem destined to remain a step behind labor market outcomes in metro areas, often hindering efforts under welfare reform to move recipients into successful employment. The challenge is sometimes more difficult than an overall assessment of nonmetro areas would suggest. First, the demographic subgroups most in need of public assistance tend to have less education and lower earnings, and to experience higher unemployment, than average. Second, welfare recipients tend to be concentrated in nonmetro areas marked by chronic economic distress, which both contributes to, and reinforces, the need for public assistance.

The national dialogue surrounding the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) has increased awareness of the role that local labor markets can play in moving people out of poverty. Welfare reform can only be successful in its long-term goals when local labor markets generate a sufficient number of good jobs. The implications of this heightened awareness are particularly important in nonmetro America, where the share of workers in the low-wage, low-skill labor market is well above the national average, and where past efforts to reduce poverty often confronted deep-rooted social and economic obstacles.

Recent nonmetro economic trends suggest that solutions will not be easy. Despite a decade of steady economic expansion, nonmetro labor market outcomes-job growth, earnings, and wage progression among them-typically fall below the national average. Nonmetro and metro earnings, in particular, show no signs of convergence. On average, it remains slightly harder to get a job, and harder to get a higher-wage job, in a nonmetro community. For instance, only 28 percent of nonmetro wage and salary workers earn more than the national weekly average, compared to 40 percent of metro workers.

The challenge of welfare reform is compounded in two ways. First, the populations most likely to need public assistance fare worse in nonmetro labor markets than does the average worker. Second, labor market conditions in nonmetro areas as a whole fail to convey the localized economic distress experienced in subregions scattered across nonmetro America. High rates of unemployment and a large share of low wages continue to challenge many nonmetro counties even in this time of general prosperity. Their geographic isolation and historically underdeveloped capital and human resources make them distinct from pockets of metro distress and call for similarly distinctive approaches to ensuring the economic success of working families.

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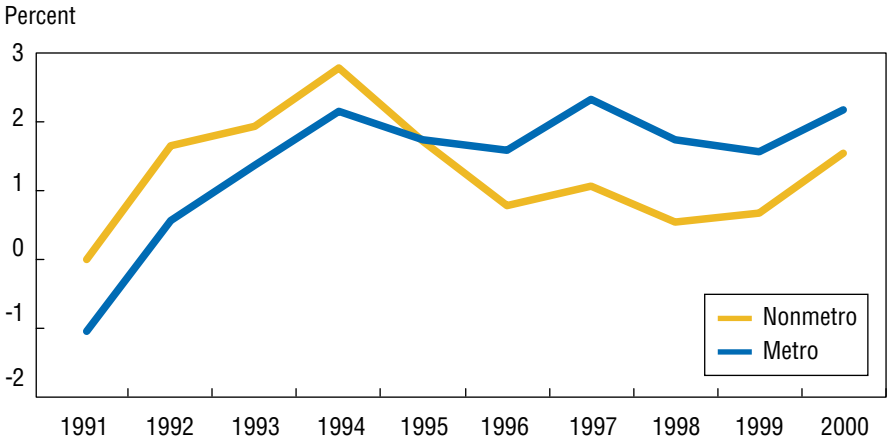
Nonmetro Areas Prospered in the 1990s, But Remain a Step Behind Metro Areas

The steady expansion of the U.S. economy in the 1990s created highly favorable conditions for moving recipients of Temporary Assistance for Needy Families (TANF) into the labor force. Nonmetro employment grew steadily each year since the end of the 1990-91 recession, outpacing metro growth for the first few years, and showing an impressive 2.8 percent gain between 1993 and 1994 (fig. 1).

Although nonmetro employment growth slowed after 1995, it remained robust enough at the end of 2000 to maintain downward pressure on unemployment. Nonmetro unemployment rates have closely tracked the national decline since 1992, and in 2000 dipped to their lowest level in 30 years, at 4.4 percent (fig. 2). The historical disparity with metro unemployment rates persisted, but by a half point. Nonmetro job seekers overall have therefore found

Figure 1
Annual employment change, 1991-2000
Nonmetro employment growth slowed after 1995



Note: The value for each year represents the change from the previous year.
Source: Local Area Unemployment Statistics, Bureau of Labor Statistics.

work more easily in the past few years than in preceding decades. Moreover, the metro-nonmetro gap in job availability is small compared with previous decades.

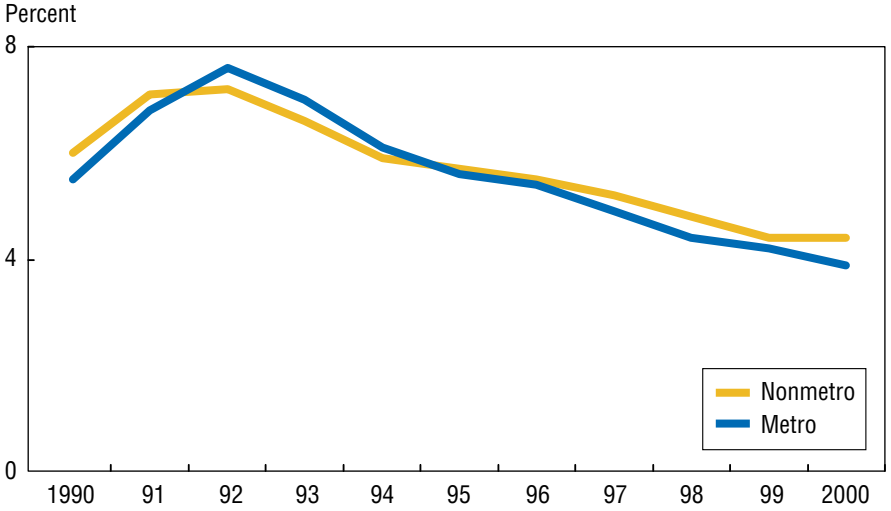
But if jobs are relatively easy to find in nonmetro areas, higher-wage jobs are less so. Average weekly earnings for wage and salary nonmetro workers (those who live in nonmetro areas) were 20 percent lower than earnings for metro workers in 1999. The disparity has proven relatively impervious to economic or demographic change, remaining within a narrow range for several decades despite improvement in other indicators of well-being.

Economists have noted the generally moderate upswing in earnings during the 1990s expansion. Statistics drawn from the Current Population Survey indicate a 10-percent gain in average weekly earnings between 1990 and 1999, after adjusting for inflation, for both nonmetro and metro workers. While parity in metro-nonmetro earnings growth is good news, it also reinforces the inability of nonmetro workers to catch up with metro workers. A portion of the gap is probably explained by lower costs of living in nonmetro areas. A recent study, however, found that cost-of-living differences should account for no more than half of the nominal earnings gap (Nord).

From the standpoint of welfare recipients, the pay associated with jobs at the lower end of the earnings distribution, rather than average earnings, is the key measure of an economy's ability to generate sustainable employment. The distribution of jobs in nonmetro labor markets is weighted toward low-wage employment-defined as work that, if performed full-time full-year, would yield earnings below the weighted average poverty level for a family of four ($16,655 in 1999).

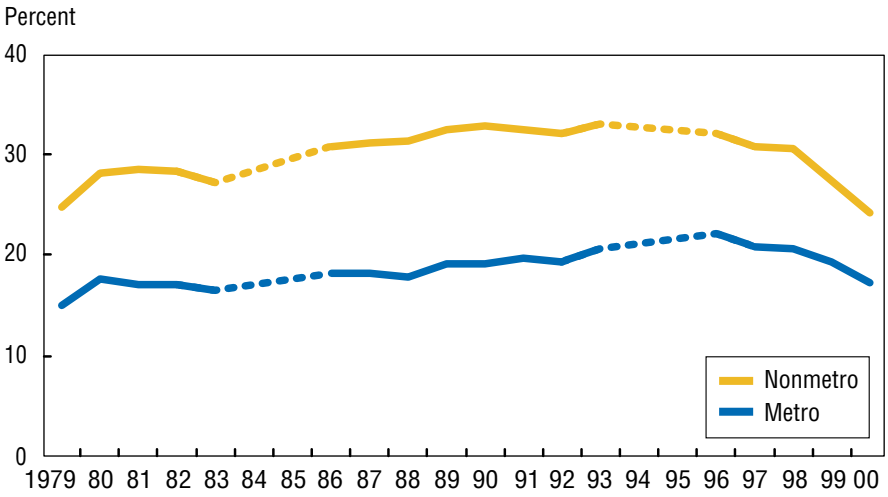
In 1979, 24 percent of the nonmetro workforce held low-wage jobs (fig. 3), and the proportion climbed to nearly one-third by the mid-1980s, largely reflecting wage declines among less-educated workers. Only in the last few years has low-wage employment fallen back to a level similar to its position in the late1970s. Low-wage work in metro labor markets experienced a similar rise and fall over time, but always at a lower share of total

Figure 2
Annual unemployment rates, 1990-2000
Nonmetro unemployment rates track national rates, but are slightly higher



Source: Current Population Survey.

Figure 3
Share of workers age 25 and older earning low wages, 1979-2000
The rate of nonmetro low-wage employment is consistently higher than metro



Note: Data for 1984, 1985, 1994, and 1995 are unavailable.
Source: Current Population Survey, 1979-2000.

employment than in nonmetro areas-the metro rate stood at just under 18 percent in 2000.

Nonmetro Labor Disadvantages Rooted in Jobs Requiring Less Education

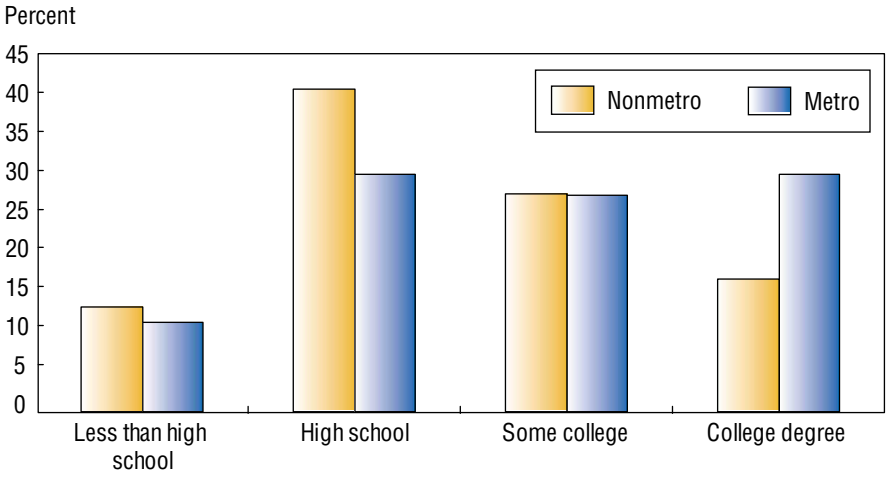
The differences in nonmetro and metro labor market outcomes are rooted in inherent differences in population density and economic base. Relatively sparse settlement was an essential feature of economies dependent on resource extraction, especially farming and mining. Although employment in these industries often entailed mastering a complex set of skills, it rarely required much formal education. The resulting gap in metro and nonmetro education levels has narrowed in recent decades, but remains a key difference in metro-nonmetro labor force characteristics.

Extractive industries haven't provided the majority of nonmetro jobs for many decades now. Yet they bequeathed pools of workers with limited education to the manufacturing and service industries that followed. The manufacturing firms that became the mainstay of many local nonmetro economies in the 20th century were, in fact, often attracted, especially in the South, by this very abundance of cheap and plentiful labor.

In the mid-1970s, manufacturing employed about one-fifth of both the nonmetro and metro labor forces. In contrast to the precipitous decline in metro manufacturing employment since the recessions of the early 1980s, nonmetro manufacturing has declined gradually. As a result, 16 percent of the nonmetro labor force remained in manufacturing by 1998, versus just 11 percent in metro areas. Nonetheless, the service sector has increasingly dominated nonmetro employment. Services are now the source of slightly over half of nonmetro jobs (and two-thirds of metro jobs).

The transition to service industries coincided with some convergence in nonmetro and metro educational attainment. In 1999, the share of adults age 25 and older without a high school diploma, for example, was only a few percentage points higher in nonmetro than in metro areas (fig. 4). College graduates, however, remain highly concentrated in cities, a reflection, in part, of nonmetro-metro differ-

Figure 4
Educational attainment of adults age 25 and older, 1999
Nonmetro adults are less likely to have a college degree



Source: 1999 Current Population Survey.

ences in skill and education requirements of jobs within industries. The continuing gap in nonmetro and metro education levels, therefore, is not likely to be easily closed by industrial change. Rather, as new types of economic activity replace old ones, firms continue to base their location decisions largely on the existing stock of human resources, thereby reinforcing both low nonmetro education levels and a low-wage job market.

Nonmetro Expansion Is Broad-Based, But Large Differences Among Workers Remain

Unlike the economic expansion of the 1980s, the dividends of the current expansion have been more widely shared by workers across the range of education and earnings. Unemployment rates have fallen to 30-year lows for nearly all major demographic groups, whether defined by age, sex, race, or education. Weekly earnings for racial minorities, for women, and for less-educated workers-the groups most likely to encompass those affected by PRWORA-have risen as fast as, or faster than, the average for all workers.

Even so, labor market disparities within the nonmetro workforce have, for the most part, continued rather than abated over the past decade. Hence, job availability and wage offers faced by nonmetro welfare recipients cannot be evaluated solely on the basis of average nonmetro conditions. Consider, for example, how unemployment, earnings, and career progression differ from the average for groups most likely to need public assistance.

Unemployment

Because unemployment rates in nonmetro labor markets are only marginally higher than in metro areas, some conclude that nonmetro welfare recipients will have about the same difficulty finding a job as metro recipients, and perhaps have less difficulty than those in central cities where welfare use is concentrated. In the context of welfare reform, this measure of nonmetro job availability is misleading, because the likelihood of being unemployed varies according to a person's demographic characteristics, such as race and educational attainment (table 1).

Unemployment rates are higher for the less educated and for racial and ethnic minorities, but only slightly higher for non-Hispanic women. Unemployment rates for nonmetro Black men and women with at most a high school diploma are at or near 10 percent, more than twice the rate of similarly educated Whites. Aggregate unemployment rates, therefore, may not reflect the difficulty many job seekers on (or leaving) welfare are facing, since they are disproportionately non-White and less educated than average.

Table 1
Nonmetro unemployment rates by selected characteristics, 1999[1]
Unemployment rates for minority women are at least twice the overall nonmetro rate

Group	All	High school graduate or less
	Percent	
All	3.9	5.0
White	3.2	4.1
Black	8.6	9.7
Hispanic	5.9	6.4
Women	4.1	5.5
White	3.4	4.6
Black	9.0	10.0
Hispanic	7.3	8.0

[1]Age 20 and over.
Source: Current Population Survey.

Earnings

Within the past decade, earnings for nonmetro and metro wage and salary workers without a high school diploma nearly converged in nominal dollars, and probably have converged in purchasing power. This suggests that many nonmetro welfare recipients without a diploma should expect to earn as much as metro recipients. Again, this conclusion is only partly right, since average weekly earnings for nonmetro women, especially minority women, fall below both the overall nonmetro average and the metro averages for women and minorities, with the exception of metro Hispanic women (table 2).

More important, less educated women can expect to earn less than the four-person poverty threshold ($16,655 in 1999). Nonmetro women without high school diplomas can expect to earn $257 per week on average, or $13,364 annually, 22 percent below the four-person poverty threshold. Nonmetro Black women earn $241 per week, 26 percent below the threshold. Even this measure overstates likely earnings over time because many women moving from welfare to employment work part-time and usually do not hold a job 52 weeks out of the year.

Table 2

Average weekly earnings by education and demographic group, 1999

Nonmetro women without a high school diploma typically earn less than the four-person poverty threshold

Group	All	High school graduate	Less than high school	Less than high school as a percent of poverty threshold
		1999 dollars		*Percent*
Nonmetro:				
All	513	459	364	1.11
White	532	472	384	1.17
Black	390	374	295	0.90
Hispanic	405	417	338	1.03
Women	407	345	257	0.78
White	418	351	262	0.80
Black	338	303	241	0.74
Hispanic	327	320	254	0.78
Metro:				
All	645	507	364	1.11
White	696	532	411	1.25
Black	519	441	330	1.01
Hispanic	467	448	333	1.02
Women	521	403	279	0.85
White	547	412	301	0.92
Black	473	383	278	0.85
Hispanic	398	370	256	0.78

Note: "White" and "Black" categories exclude Hispanics.
Source: Current Population Survey.

Career Progression

One of the aims of PRWORA was to promote financial independence among welfare recipients through work. The need for auxiliary supports became clearer as PRWORA was implemented by States and localities in 1997. Implicit in the provision of public assistance for child care, transportation, and employment counseling, for example, is the assumption that recipients who go to work will gain skills in entry-level jobs and eventually leverage these acquired skills for better pay in other positions or with other employers. Yet, how likely is it that nonmetro workers with limited education can move into better-paying jobs?

To answer this question, it should first be noted that the four-person poverty threshold, which translates into slightly more than $8 an hour on a full-time basis in 1999, is not necessarily adequate for full financial independence even in low-cost areas. Social scientists have devised a number of alternative sustainability thresholds, sometimes based on Federal poverty levels, but often on price and budget surveys that are used to estimate directly the income required to maintain a basic standard of living in specific labor market areas.

Recent studies that employ the latter method place sustainable wages in the $9-$20 per hour range depending on family size, with the exception of very large cities (Zimmerman and Garkovich, Bernstein et al.). Kusmin and Gibbs determined that about 20 percent of all nonmetro workers without college experience earned at least $12 per hour in 1996, a figure that falls within the sustainable wage threshold in the nonmetro literature. However, only 14 percent of the jobs held by similarly situated women paid as well.

These numbers may not indicate the wage prospects of those required to work under PRWORA, many of whom will be entering the labor force with minimal formal work experience. An alternative approach calculates the share of low-skill jobs-those requiring limited formal education and most likely to be held by new entrants-in occupations that typically pay at least $12 an hour (table 3). Nearly two-thirds of all nonmetro jobs were in low-skill occupations in 1996, compared with 56 percent of metro jobs. The share of employment requiring limited skills among predominantly women-held occupations is lower, particularly in nonmetro areas. Only a small share of these low-skill jobs pay well. For low-skill nonmetro occupations held predominantly by women, the share of jobs that pay well is just 2 percent, suggesting that wage progression and sustainable earnings will be difficult to achieve for most welfare recipients entering the labor force.

Nonmetro Areas With Large Welfare Caseloads Often Marked by High Unemployment

A second shortcoming of focusing on the overall performance of labor markets in nonmetro America is that it is easy to overlook the enormous range of economic activity and human resources within

nonmetro areas. Descriptions of the typically disadvantaged nonmetro area often do not apply to the many counties experiencing spillover growth from nearby metro areas, or to counties where population and economic growth exploded in the 1990s due to the lure of natural amenities. These nonmetro areas have their own sets of problems, but large caseloads of welfare recipients seeking employment is rarely one of them.

Local concentrations of recipients are often found in areas with chronic economic distress, a logical association since poor economic conditions can contribute to the need for public assistance. Many local areas characterized by chronic distress show improvement during periods of national economic growth, as they have in the current expansion, but the core pockets of distress are remarkably persistent over time. Not all measures of economic distress, however, are geographically tied to public assistance use.

Unemployment rates, which vary widely across counties, are closely associated with local need for public assistance. In 1999, 325 U.S. counties, nearly all of them nonmetro, had unemployment rates over twice the national average of 4 percent. In fact, one-fourth of all nonmetro counties had unemployment rates above 6.5 percent. These high-unemployment nonmetro counties are marked by little or no urbanization, remoteness from metro areas, very low education levels, and a large share of minority residents. Because many of the same characteristics are associated with persistent poverty and consistently high use of welfare programs, many counties where the need for jobs is greatest owing to welfare reform are also counties with low job availability (fig. 5).

Although counties with a high share of low-wage employment have some of the same characteristics as high-unemployment counties-remoteness and low population-they do not significantly overlap counties with high welfare use. The USDA's Economic Research Service defined such a set of low-wage counties based on the percentage of employment in industries with average earnings below the four-person poverty threshold in 1995. Low-wage counties and high AFDC-use counties are most likely to overlap in the lower Mississippi Delta and in scattered areas with large minority populations in Georgia, Texas, New Mexico, and South Dakota (fig. 6). Low-wage counties with the lowest rates of welfare use are located in the Great Plains, where low-wage workers are less likely to be the family's sole wage earner and where outmigration is a more common alternative to economic deprivation than in other regions (Gibbs and Cromartie).

Table 3

Share of employment in low-skill, limited-training, and "good" jobs among workers without college experience by metro status, 1996

Few nonmetro jobs held mostly by women without college pay more than $12 per hour

Group	Low-skill jobs as share of all jobs	Limited-training jobs as share of all jobs	Good jobs as share of all low-skill jobs	Good jobs as share of all limited-training jobs
			Percent	
Nonmetro:				
All	65.5	36.6	23.2	13.4
Predominantly women	58.5	42.0	2.0	2.0
Metro:				
All	55.8	33.0	23.2	11.9
Predominantly women	54.2	40.2	3.5	2.9

Notes: "Good" jobs are those in occupations with average earnings above $12/hour for workers with no college. "Low-skill" jobs are those requiring on-the-job training only to become proficient. "Limited-training" jobs are those requiring no more than 90 days of on-the-job training to become proficient.

Source: Bureau of Labor Statistics.

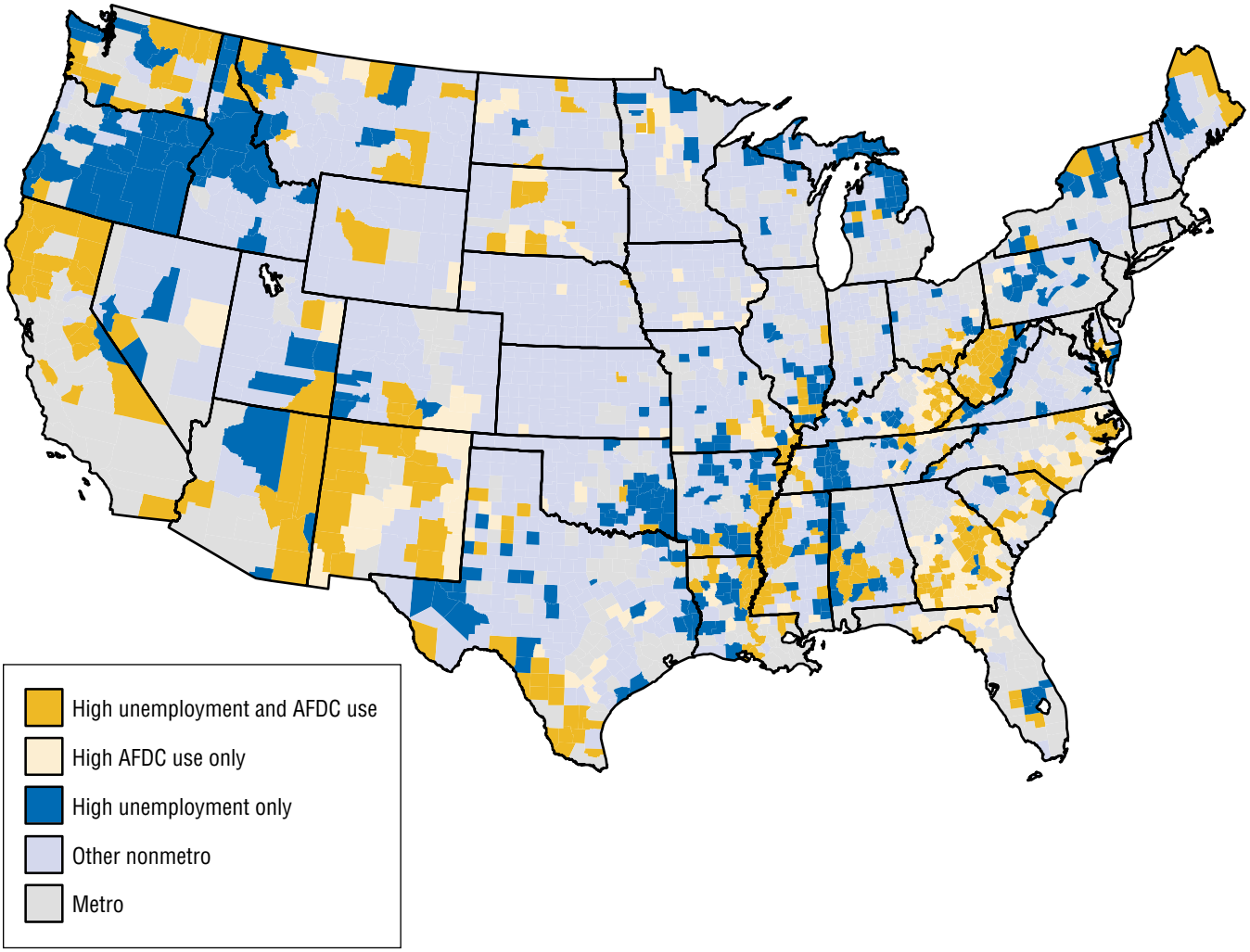
Nonmetro Areas Often Place Workers in "Double Jeopardy"

Nonmetro labor markets can enable or impede the goals of welfare reform through the interaction of various economic, demographic, and locational characteristics. Nonmetro areas as a whole have a slight disadvantage in job availability, but a significant disadvantage in well-paying jobs. However, nonmetro employment and earnings prospects are generally lower for the demographic groups most likely to be making the welfare-to-work transition. In addition, the nonmetro labor markets facing the greatest challenges place job seekers in "double jeopardy"-that is, a relatively large pool of such workers combined with a distressed

Figure 5

High unemployment rates and AFDC use, 1996

Over 60 percent of nonmetro counties with high AFDC use in 1996 had high unemployment rates



Note: "High" refers to the top 25 percent of counties ranked by unemployment rate and estimated share of families receiving AFDC in 1996.
Source: Calculated by ERS using data from the Bureau of Labor Statistics and the U.S. Department of Commerce.

local economy, marked especially by high unemployment rates.

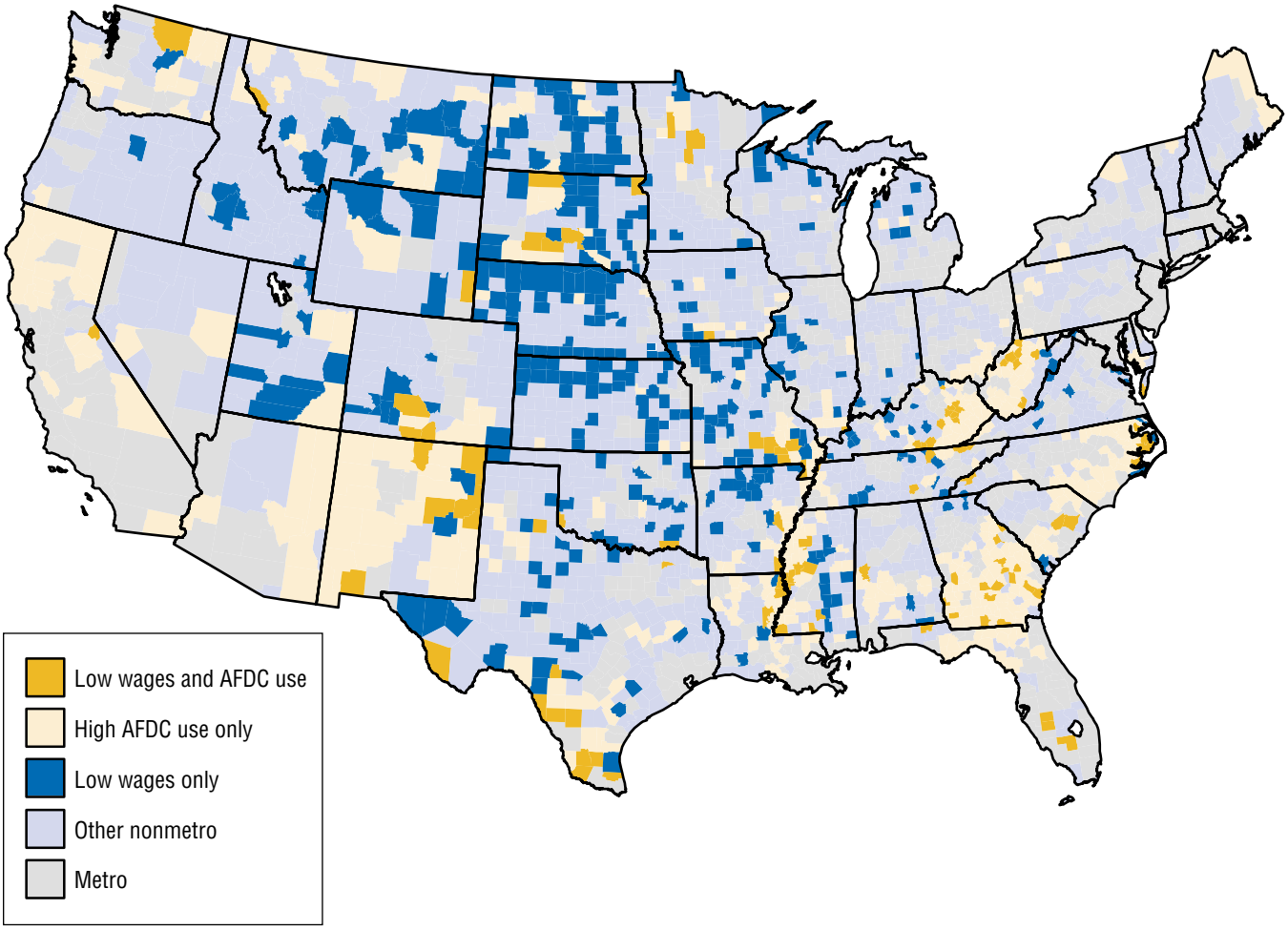
This double jeopardy can be measured by comparing local labor market conditions across varying levels of welfare use (in this case, Aid to Families with Dependent Children). Data from 1996, the year PRWORA was legislated, are used in order to determine the net effects of welfare reform on the size of local caseloads. The patterns of high unemployment and low-wage employment with AFDC use are also evident here (table 4). The first, or top, quartile of nonmetro counties defined by the share of families using AFDC (6.21 percent or more of families in a county) experienced the highest unemployment rates on average. They also have the largest share of "high unemployment" counties (62.4 percent)-9 times the share in the lowest AFDC-use quartile (6.9 percent). In addition the first quartile have a larger share of less-educated adults than other counties.

However, high AFDC-use counties are no more likely to be low-wage counties than those in lower quartiles of AFDC use. From an economist's point of view, the weak association between wages and welfare use confounds expectations, since higher wages should both increase the opportunity costs of not working and the chances that a job pays a sustainable wage.

Figure 6

Low-wage employment and high AFDC use, 1996

Relatively few nonmetro counties with high AFDC use are among the lowest-paying



Note: "High" refers to the top 25 percent of counties ranked by unemployment rate and estimated share of families receiving AFDC in 1996.
Source: Calculated by ERS using data from the Bureau of Labor Statistics and the U.S. Department of Commerce.

This apparent paradox emerges, however, because the share of jobs paying low wages, even in high-wage counties, is typically much larger than the share of families using welfare. Since welfare recipients must often accept the least-skilled, lowest-paying jobs, high-wage counties are unlikely to offer these families jobs with significantly higher pay than do low-wage counties.

Nonmetro Labor Markets Still Face Welfare Reform Challenges

Nonmetro America as a whole in the 1990s saw employment and earnings gains in line with national trends. In fact, nonmetro labor markets may be better positioned for welfare reform than often assumed for a number of reasons. Metro and nonmetro industrial compositions are becoming more alike; aggregate nonmetro unemployment rates have remained at or slightly above metro rates; earnings for nonmetro high school dropouts are as high as those for metro dropouts; and the share of good-paying jobs among low-skill occupations is not substantially different in nonmetro and metro areas.

However, nonmetro labor markets also face welfare reform challenges. Many nonmetro counties still have high unemployment rates, and a high proportion of those entered the PRWORA era with large welfare caseloads. Furthermore, the nonmetro-metro earnings gap is a

conservative indicator of the challenge faced by nonmetro labor markets to provide sustainable earnings. The average earnings of nonmetro women and minorities fall well below the nonmetro average, and for those without a high school diploma, annual earnings from a full-time, full-year job are usually below the four-person poverty threshold. In addition, although the rates of higher-wage jobs ($12 per hour or more) among low-skill occupations in nonmetro and metro areas are similar, both are extremely low for occupations held predominantly by women. Their limited opportunities to move up the job ladder without additional education is a critical stumbling block for welfare reform efforts.

Thus, strategies that would help ensure the success of families at the lower end of the income distribution are linked to strategies that address the larger economic development needs of nonmetro America. Yet the historical course of nonmetro development has left many areas with a dwindling number of options. Nonmetro labor markets continue to be distinguished from metro markets by lower levels of human capital and a larger share of employment in low-wage industries. The small populations and low densities that typify nonmetro labor markets reinforce these characteristics and discourage prospective employers or expansions. Rapid spatial diffusion of new information and communications technologies can mitigate, but not negate, the need for a substantial onsite pool of skilled labor. Nor can it fully counter the lack of physical infrastructure and services in nonmetro areas and associated higher per-unit provision costs.

Low-education, high-poverty counties, in particular, have become less attractive to prospective employers. In the nonmetro South, for instance, manufacturers are now eschewing traditional low-wage, low-skill areas in favor of places with a better educated-and presumably more trainable-workforce (McGranahan, 2000). Without substantial investments in human capital development, low-wage, low-skill workers in these counties face one or more scenarios: the lack of jobs will cause wages to fall further; job seekers will search elsewhere for better prospects, either through commuting or migration; or job seekers will retreat from the formal labor market altogether.

With a few significant exceptions, Federal industrial and employment policies assume the primacy of market forces in determining the location of economic activities. Although States more actively encourage the location of large plants within their borders, they play a minor role in aggregate employment changes over time. For the foreseeable future, many nonmetro areas-especially those outside easy commuting distance to metro centers and without abundant natural amenities-will continue to face the challenge of a rural economy no longer dependent on extraction, armed with a very limited number of viable economic strategies.

What do these gradual changes, particularly the transition from manufacturing to services, mean for disadvantaged workers? Often the benefits of change are small, or are countered by larger negative forces. The slow decline in manufacturing employment is closing the historical avenues that led to sustained earnings and stable employment for many of these workers. The poverty rate of full-time manufacturing workers without a high school diploma is one-third that of other less educated, full-time workers. Employment declines have

Table 4
Selected nonmetro county unemployment, low-wage, and education characteristics by AFDC use, 1996
High rates of AFDC use are linked to high unemployment and low education

Characteristic	Share of families using AFDC in 1996			
	First quartile	Second quartile	Third quartile	Fourth quartile
	Percent			
Average unemployment rate	7.9	5.9	5.0	3.9
Counties with high unemployment	62.4	32.4	19.7	6.9
"Low-wage" counties	18.6	16.2	18.5	27.3
Adults 25 and older without a high school diploma	39.8	33.6	29.8	26.7
Adults 25 and older with less than 1 year of college	71.9	68.7	66.1	63.2

Sources and notes: Unemployment rates are 1999 rates from the Local Area Unemployment Statistics, Bureau of Labor Statistics (BLS). "High" unemployment exceeds 6.5 percent in 1999, or the top quartile (25 percent) of counties. "Low-wage" counties are identified as the bottom quintile (20 percent) of nonmetro counties ranked by share of workers employed in industries paying average wages below the four-person poverty threshold, according to 1995 county earnings data from BLS. Education statistics are drawn from the 1990 Census of Population, U.S. Census Bureau.

Photo courtesy Economic Research Service, USDA.

accelerated since the mid-1990s, with few prospects for reversal despite the entry of a few, high-visibility manufacturers into labor market areas accessible to nonmetro workers.

The growth of service and retail trade, meanwhile, is often portrayed as leading to an inevitable decline in living standards among low-wage, low-skill workers. Service-sector earnings in nonmetro areas have fallen further behind manufacturing wages since the early 1980s, increasing the chance of a long-term deterioration in wages for workers who might formerly have become machine operators, but are now sales clerks or cashiers. Nevertheless, in some areas, service employment is the only alternative to unemployment. For two-earner households, particularly those with young children, service employment may provide the means for women (and some men) to contribute to the household's income while juggling the dual demands of home and workplace. Single-earner households-those most likely to be affected by welfare reform-are more likely to find themselves performing the same juggling act but facing greater economic hardship as a result of the transformation of local economies from manufacturing- to service-based.

The rise of the service sector is a boon for women's labor force participation because many service-related jobs are more likely to be part-time or seasonal and allow women to integrate formal market activity into the demands of maintaining a household and rearing children. Yet this flexibility is a double-edged sword given that part-time employment is often involuntary and can include fewer nonwage benefits than full-time work. In nonmetro areas, women are relatively concentrated in retail trade, which has the lowest average pay of any major industry.

For these workers, policies that encourage job training and additional education are critical to reducing long-term supply-and-demand mismatches in low-wage labor markets. Because most of these workers are women or minorities, or both, it is equally important to ensure that their talents and skills are fully used, and that past occupational channeling that locked workers into low-wage jobs is avoided.

Low-skill jobs will continue to be a significant part of the economy in almost all local labor market areas, nonmetro and metro, for many years. For the workers who participate in these markets, a safety net of work supports, wage floors, and assistance during employment transitions-especially during inevitable economic downturns-will remain a key component of any set of policies aimed at improving the well-being of the disadvantaged and the marginalized in rural America. RA

For Further Reading . . .

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Welfare Reforms and Employment of Single Mothers

Are Rural Areas Keeping Pace?

Robert I. **Lerman**
Signe-Mary **McKernan**
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Changes in social policies in the mid-1990s increased the penalties for not working and raised the rewards for working. These policies played a major role in stimulating employment among single mothers and the gains were approximately as high in nonmetro areas as in metro areas.

In the 1990s, the U.S. embarked on a series of social policies aimed at moving low-income families off welfare rolls into employment and supplementing the earnings of working, low-income families. The most controversial of these reforms took place in August 1996, when the Congress replaced the Nation's largest means-tested cash assistance program, Aid to Families with Dependent Children (AFDC), with a new time-limited program, Temporary Assistance for Needy Families (TANF). Unlike AFDC, TANF provides benefits for a maximum of 5 years and imposes strict requirements to work. Other important policy changes included a major expansion of the Earned Income Tax Credit (EITC), substantial increases in childcare benefits, and tighter enforcement of paternity and child support rules. These significant initiatives have led to increased penalties for not working and increased rewards for working.

The welfare reform legislation was controversial, partly because of concerns that too few jobs would be available to employ all the welfare recipients pushed into the job market. Although the outlook for job creation looked promising at the national level, the worry was that shortages of jobs as well as transportation, childcare, and other barriers to work would be especially severe in some communities, including many rural areas. Unemployment rates are higher in rural areas than in metro areas and the gap has widened since 1992. Single parents eligible for welfare appeared particularly vulnerable in rural areas because of the importance of access to a car and because of the limited number of jobs.

An analysis of trends during the 3 years after welfare reform can tell us whether fears about the shortage of accessible jobs were justified. Did changes in the welfare system and in other social policies lead to more jobs for single mothers? Were single parents in rural areas able to do as well in the labor market as single mothers in the rest of the country?

Certainly, since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), welfare caseloads have declined sharply, employment of single parents is up, and child poverty is down. The healthy state of the U.S. economy in the late 1990s, especially the lowest unemployment rates in three decades, is at least partly responsible for these surprisingly large caseload reductions and improvements in income and employment. But questions remain about whether social policies exerted an impact independent of general prosperity and whether the stimulus to employment extended to rural areas.

Research findings have so far yielded no consensus on either issue. Some studies find that policy changes accounted for most of the

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gains in employment for single parents, while others suggest the economy was primarily responsible. Although some studies point to special problems in rural areas, the evidence is far from conclusive. A common concern is that the rural poor not only lack access to jobs; their geographic dispersion limits access to social services that could help overcome barriers to finding and retaining employment.

Employment Gains in Rural and Urban Areas

Single mothers increased their employment substantially, from 64 percent to 72 percent, both in nonmetro and metro areas. Before PROWRA (1995-96), less-educated single mothers (those with a high school degree or less) were employed at a higher rate in nonmetro than in metro areas. On the other hand, more-educated single mothers (those with more than a high school degree) were more likely to hold jobs if they lived in metro versus nonmetro areas. In the 3 years after PRWORA, less-educated women in metro areas caught up with their counterparts in nonmetro areas, even as employment gains for the less-educated extended to nonmetro areas. Among highly educated women, job growth was as high in nonmetro areas as in metro areas. Apparently, the obstacles to employment in nonmetro areas were not so severe as to prevent women from responding to welfare-oriented policies effectively.

Employment estimates based on direct measures of State welfare policies, rather than a comparison of employment before and after welfare reform, confirmed our overall findings. Changes in nearly all of the specific welfare policies measured increased the employment of single mothers. While most policies exerted similar effects on employment in nonmetro and metro areas, a few had different effects. For example, increases in transitional childcare benefits increased employment less in nonmetro areas, and increases in hours of work required increased employment more in nonmetro areas than in metro areas (see "Data and Methods").

TANF and Other Social Policies Increased the Employment of Single Mothers in Rural and Urban Areas

In the 3 years following TANF (1997-99), national labor market conditions improved and welfare caseloads declined. The employment-population ratio (hereafter called employment rate) in the U.S. increased 1.4 percentage points, the unemployment rate fell 1.2 percentage points, and welfare caseloads fell 43 percent. Nonmetro and metro areas both benefited. However, the employment rate for all persons (as opposed to single women analyzed elsewhere in the article) was lower in nonmetro areas prior to TANF and improved less after TANF.

All Single Mothers

From September 1995 to July 1996 (pre-TANF), single mothers with children under age 18 had identical employment rates in nonmetro and metro areas. After TANF (September 1998 to July 1999), single mothers in nonmetro areas increased their employment rate by 8 percentage points, from the pre-TANF level of 64 percent to 72 percent (table 1). This jump in employment is high in percentage terms and in relation to the experiences of other groups. To see whether these gains came mainly from the economy or from the social policy changes, these employment gains may be compared with those of single women in the same age

Table 1
Employment among single mothers and other single women before and after 1996 welfare reform
TANF and other social policies increased employment 7 to 9 percentage points

	Nonmetro	Metro
	Percent employed	
Single mothers:		
Before welfare law: Sept. '95-July '96	63.9	63.7
After welfare law: Sept. '98-July '99	71.5	73.1
Change	+7.6*	+9.4*
Single women without children under age 18:		
Before welfare law: Sept. '95-July '96	70.7	75.6
After welfare law: Sept. '98-July '99	71.7	76.3
Change	+1.0	+0.7
Estimated policy effect	+6.7*	+8.7*

Note: All averages are multiplied by 100.
*Indicates statistically significant change.
Source: McKernan, Lerman, Pindus, and Valente, 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

Data and Methods

The data come from monthly information drawn from the nationally representative Current Population Survey (CPS), which interviews approximately 50,000 households each month. We extracted information on the employment status of single women, ages 19-45 (including those who were divorced, separated, and widowed), both single mothers and other single women, during the September 1995-July 1996 period (11 months before the August 1996 enactment of welfare reforms) and the September 1998-July 1999 period. (We did not include 1997 because some States did not implement TANF until the middle of 1997.) Metro areas, as defined by the Census, are places with a core population (such as a city of 50,000 population or more) and adjacent communities that have a high degree of social and economic integration with the core. Those living in all other areas are classified as nonmetro residents. Within the nonmetro classification, it would have been better to distinguish between those living in isolated rural areas and those in nonmetro areas adjacent to metro areas, but such information cannot be obtained from the public use CPS data.

Employment is the primary variable of interest. As defined in the monthly CPS data, an individual is either employed (if working for pay for at least 1 hour) or not employed (all other cases) during the survey week. We tabulate the employed proportion of the population for each group in the pre-welfare reform and post-welfare reform periods. Estimates of how changing social policies affected employment in metro and nonmetro areas relied mostly on difference estimates-comparing employment outcomes of a target group affected by social policies with employment outcomes of a comparison group not affected. To distinguish between the roles of the strong economy versus changes in welfare policies, the main comparisons are between single women with and without children. Single women without children under the age of 18 serve as a comparison group because they are ineligible for welfare under both AFDC and TANF, and so should not be affected by welfare reform. However, the economic expansion of the late 1990s certainly improved job prospects for all workers, including single women. To the extent that single mothers experienced higher job growth than did single women without children, the additional employment was likely the result of changing welfare policies. Thus, by subtracting the job gains among women without children from job gains among single mothers, we have an estimate of the effects of welfare policies. While some may question whether single women without children are a good comparison group for single females with children, the data show that these groups had similar employment trends before PRWORA.

Another approach, multivariate analysis based on probit equations, measures each woman's employment status while controlling for her demographic characteristics (age, education, race, and immigrant status), the local area unemployment rate, and State welfare policies. The data on State policies come from the Urban Institute Welfare Rules Database (WRD), which provides an account of changes in State welfare rules on a monthly basis. The rules of interest include work requirements, sanctions, time limits, transitional benefits, and asset limits. Our analysis estimates the extent to which these rules increased or decreased the likelihood that single women were working.

The multivariate approach allowed us to further explore any differences in the effects of welfare policy in nonmetro and metro areas. Specifically, we examined the potential role of metro-nonmetro differences in demographic and economic characteristics and the effects of individual components of State welfare policies. Overall, the results were similar to those based on comparison groups. The estimates based on the multivariate equations show social policies increasing employment by 9 percentage points for metro single mothers and about 7 percentage points for nonmetro single mothers. According to our regression results, single women with no children under age 18 experienced no statistically significant change in employment in metro and nonmetro areas between the pre- and post-TANF time periods. When the equation measured the social policy effects controlling for differences in the age, education, and citizenship status of women as well as area unemployment rates, the results continued to show sizable positive effects of social policies on the employment of single mothers. Moreover, there were no statistically significant differences between the overall effects of social policies in nonmetro and metro areas.

Estimates based on direct measures of State welfare policies confirmed our overall findings (McKernan et al.). Changes in seven of eight specific rules measuring work requirements, sanctions, time limits, transitional benefits, and asset limits affected the employment of single mothers. For example, an increase in the hours of work required and increases in months of transitional childcare benefits increased employment. As for nonmetro/metro differences in the effects of these rules on employment, we found different effects for three of the eight rules. For example, hours of work required increased employment more in nonmetro areas than in metro areas.

group but without children under age 18. The employment rate of the welfare-ineligible (nonmetro) single women without children was nearly 71 percent before TANF, a rate much higher than the initial rate for single mothers. However, single women without children experienced no significant increase in jobholding in the post-TANF period. This suggests that PRWORA and other social policies did raise the employment of single mothers relative to ineligible women in nonmetro areas, by nearly 7 percentage points.

How do these gains compare with gains in metro areas? Single mothers in metro areas achieved large and significant employment gains (9 percentage points, or a 15-percent increase) between the pre- and post-TANF periods, while no significant difference over this period occurred for the comparison group. Thus, the net social policy effect in metro areas remains at nearly 9 percentage points, about 2 percentage points higher than the nonmetro gain, but this difference between the two areas is statistically insignificant.

Table 2

Employment among less- and more-educated single mothers before and after 1996 welfare reform

TANF and other social policies increased employment 4 to 8 percentage points for less-educated single mothers and 7 to 9 percentage points for more-educated single mothers

	Education <= High School		Education > High School	
	Nonmetro	Metro	Nonmetro	Metro
	Percent employed			
Single mothers:				
Before welfare law: Sept. '95-July '99	58.5	53.7	73.1	77.4
After welfare law: Sept. '98-July '99	65.4	64.7	81.1	84.3
Change	+6.9*	+10.9*	+8.0*	+6.9*
Estimated policy effect	+3.8	+8.1*	+9.3*	+7.4*

Note: All averages are multiplied by 100.
*Indicates statistically significant change.
Source: McKernan, Lerman, Pindus, and Valente, 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

Less-Educated and More-Educated Single Mothers

The social policy impact on single parent employment should be greater among less-educated women because they are more disadvantaged and more likely to be on welfare than highly educated women. On the other hand, less-educated (low-skill) women may have fewer ways of responding to the PRWORA's incentives and pressures to work than do medium- and high-skill women. Additionally, the impact of social policy on less-educated single mothers may have differed between nonmetro and metro areas. For example, if fewer low-skill and more high-skill jobs were available in nonmetro areas, then social policies should exert smaller effects on the less-educated and larger effects on the more-educated in nonmetro areas.

Table 2 shows a complex pattern of results. For less-educated (nonmetro) single mothers, employment jumped from 58 percent before the new welfare law to 65 percent after. However, the estimated policy effect is less than 4 percentage points after considering the employment gains of single women without children. The estimated policy effect is 8 percentage points in metro areas. Comparing the levels of employment in nonmetro and metro areas provides an explanation and some interesting results. Surprisingly, before the new welfare law, less-educated single mothers were nearly 5 percentage points more likely to work in nonmetro areas than in metro areas (table 2). After the new welfare law, however, employment levels were the same (65 percent). (More-educated nonmetro single mothers were *less* likely to be employed before and after TANF than their metro counterparts.)

White, Hispanic, and Black Single Mothers

One might expect welfare and other social policies to achieve less for minority groups facing additional employment barriers, such as language or discrimination. In fact, the gains for minorities were generally as high as for Whites, with one important exception. TANF and other social policies increased employment by 6-9 percentage points for all but the nonmetro Hispanic group (table 3), whose employment did not change significantly after welfare reform. Given the growth in Hispanic employment in metro areas, social policies appear to have exerted a lesser effect (nearly 8 percentage points) on Hispanic employment in nonmetro than in metro areas,

Table 3

Employment among White, Hispanic, and Black single mothers before and after 1996 welfare reform

The policy effect is similar in nonmetro and metro areas for all but the Hispanic group

	White		Hispanic		Black	
	Nonmetro	Metro	Nonmetro	Metro	Nonmetro	Metro
	Percent employed					
Single mothers:						
Before welfare law:						
Sept. '95-July '96	68.0	72.5	60.1	51.6	54.5	58.3
After welfare law:						
Sept. '98-July '99	76.1	79.7	53.5	64.1	66.6	69.4
Change	+8.1*	+7.2*	-6.6	+12.4	+12.1*	+11.1*
Estimated policy effect	+6.0*	+6.8*	+1.4	+8.9*	+9.2	+9.2*

Note: All averages are multiplied by 100.
*Indicates statistically significant change.
Source: McKernan, Lerman, Pindus, and Valente 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

although this difference is not statistically significant.

Why should TANF affect nonmetro Hispanics differently? Site visits suggest that English-language resources are lacking in some nonmetro areas. Many Hispanics are thus limited to entry-level service jobs such as hotel housekeeper. If there are fewer such jobs in nonmetro areas, there may be fewer job opportunities for Hispanics. This situation may be exacerbated by the fact that nonmetro areas have smaller Hispanic communities, which means a smaller network to help find or provide employment.

The jump in employment among Black single mothers—up 12 percentage points in nonmetro areas and 11 percentage points in metro areas—is noteworthy. After accounting for the gains of single Black women without children, the social policy effect is 9 percentage points in both nonmetro and metro areas, especially dramatic given the lower employment levels of single Black mothers in the pre-TANF period.

Our results indicate that TANF increased the probability of employment for welfare-eligible single mothers (those with children under age 18) by 7-9 percentage points in nonmetro and metro areas. This increase was shared by less- and more-educated single mothers, White and Black single mothers, and Hispanic single mothers in metro areas.

Conclusion

Contrary to expectations, single mothers were as likely to hold jobs in nonmetro areas as in metro areas just prior to the 1996 welfare reforms. Additionally, in the post-reform period, single mothers achieved employment gains nearly as high in nonmetro areas as in metro areas.

Policy effects on employment did vary by area for single parents with and without high school degrees. Despite the higher average unemployment rate in nonmetro areas, less-educated single mothers were more likely than their metro counterparts to have worked prior to welfare reform. However, social policies may have induced more job gains among these less-educated single mothers in metro areas. As a result, metro areas caught up with nonmetro areas in terms of employment levels of single mothers. The picture is quite different for more-educated single mothers, for whom employment rates were lower in nonmetro areas but the gains induced by social policy changes were similar or higher (than in metro areas). Thus, social policy changes narrowed the differences in employment by area for both the less-educated and the more-educated single mothers.

Other estimates based on changes in concrete welfare policies—such as work requirements, transitional childcare benefits, and sanctions—generally confirm the finding that the policy changes brought about through welfare reform raised the employment rate of single mothers. Most of these concrete welfare policies had similar effects in nonmetro and metro areas. These empirical findings contribute to a growing body of evidence suggesting that the aggregate effects of obstacles to employment are no greater in nonmetro areas. Nonmetro areas are becoming more diverse, and many issues related to low-wage service economies are relevant for both nonmetro and metro areas.

Yet, how do we reconcile the empirical findings with the conventional view of very serious accessibility and other problems that limit employment in rural areas? One possibility is that the rural problems reflect only pockets of poverty

in nonmetro areas. The pockets do not characterize most nonmetro areas, just as pockets of poverty in metro areas do not define all metro areas.

Second, the results presented in this article analyze only the level of and gains in employment of single mothers, not their absolute or relative earnings. Though women in nonmetro areas may be as likely to be employed, they may be more likely to work in low paying or part-time jobs. Future research should examine whether single mothers in nonmetro areas have done as well as mothers in metro areas in raising their earnings. RA

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Poverty and Welfare Among Rural Female-Headed Families

Before and After PRWORA

Daniel T. **Lichter**
Leif **Jensen**

Rural poverty among female-headed families has declined since the new welfare bill was passed in 1996. Moreover, the income of female-headed families has increased, while income from earnings has more than offset declines in public assistance income. Rural single mothers nevertheless continue to experience higher rates of poverty than their urban counterparts, and a higher percentage are working but are still poor.

The passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 ended the Nation's largest cash assistance program (Aid to Families with Dependent Children-AFDC) and replaced it with Temporary Assistance for Needy Families (TANF). Welfare reform happened at a propitious time. The United States began the 21st century in the midst of its longest economic expansion in modern economic history. The average unemployment rate of 4.2 percent in 1999 was the lowest in 30 years, while inflation remained at just 2 percent to 3 percent per annum. Single mothers entered the labor force in record numbers, and welfare caseloads dropped by half from 1994 to 2000. After stagnating for decades, inflation-adjusted earnings also began to rise in the late 1990s, even among the least educated and skilled, and the chronic rise in income inequality halted or even reversed. Despite the recent downturn, optimism about the strong economy has fueled public confidence in America's economic future.

Unfortunately, the national euphoria has sometimes caused us to forget that all people and places have not shared in the benefits of recent economic growth and rising personal incomes. National statistics may hide growing spatial inequality and pockets of poverty in an increasingly urban, bicoastal, and high-tech U.S. economy. By almost any standard, rural America continues to be an economic backwater, and it faces new challenges in today's increasingly global and high-tech economy. Unlike urban America, rural America has been buffeted by a periodically depressed farm economy, a shift away from extractive industries (such as timber and mining, especially in Appalachia), and severe competition from cheap labor overseas in the manufacturing sector.

Rural problems are largely invisible to many Americans. Most people reside in or around heavily populated metropolitan cities and, therefore, are exposed largely to urban culture and values, urban media and marketing, and urban problems and politics. The apparent lack of public awareness about rural issues is reflected in the 1996 welfare bill and its goal to reduce the welfare dependency of poor, single mothers. It is largely a product of an urban political and cultural legislative agenda. Less well recognized is that family circumstances, labor market conditions, and barriers to maternal employment (i.e., stigma, lack of adequate child care) are decidedly different in rural America. These differences may undermine the success of welfare reform in rural America. Indeed, how have single mothers with children fared over the past decade in rural America? Have they been largely bypassed by a strong urban economy? And have single mothers and children-the main focus of State welfare reform-been helped or hurt economically?

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Rural Poverty in the Wake of Welfare Reform

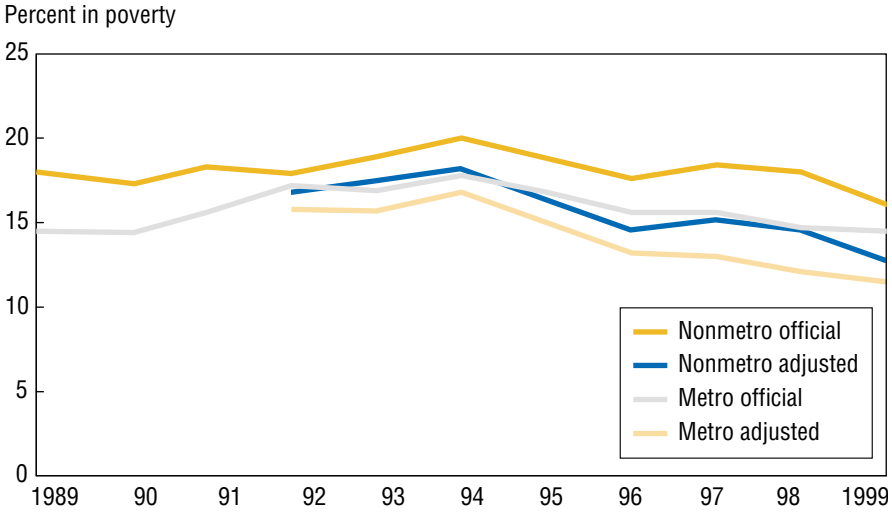
Poverty among families with children generally rose in the late 1980s and early 1990s, peaked in 1994, and then began to decline, reaching its lowest level in 1999 (fig. 1). This was true in both nonmetro and metro areas, using both the official and EITC-adjusted poverty rate (i.e., based on income that includes the Earned Income Tax Credit). Welfare reform has not resulted in increases in poverty among single-parent families with children, as many earlier critics of PRWORA had expected.

Family poverty rates nevertheless remain higher in nonmetro than in metro areas. But there is little indication that the economic well-being of rural families with children has diverged significantly from their metro counterparts. In 1999, the EITC-adjusted poverty rate in nonmetro areas was slightly more than 10 percent higher than in metro areas. In 1994, when poverty rates were at their peak, the nonmetro EITC-adjusted poverty rate exceeded the metro rate by 8.3 percent.

Poverty rates among nonmetro female-headed families have been very high historically (well above 40 percent) and typically have exceeded the poverty rates of married-couple families by a factor of 4 or 5. Recent evidence, however, generally points to lower poverty after welfare reform than in the years immediately preceding reform. The official poverty rate for female-headed families in nonmetro areas dropped nearly 13 percent between 1997 and 1999, from 48.5 percent to 42.2 percent. The comparable decline in metro areas was less than 7 percent.

Whether the decline is due mostly to welfare reform is debatable. Compared with the pre-TANF period, official poverty rates also declined after 1996 among married-couple families, despite the fact that such families typically are ineligible for transfer income under the new welfare bill.

Figure 1
Poverty (adjusted and unadjusted) by year and residence, 1989-99
There is no evidence of divergence in metro and nonmetro poverty rates after PRWORA



Note: Official poverty rate adjusted for earned income credit; not available 1989-91.
Source: Original computations from the March Current Population Surveys, 1989-99.

Are Poor Families Poorer Today?

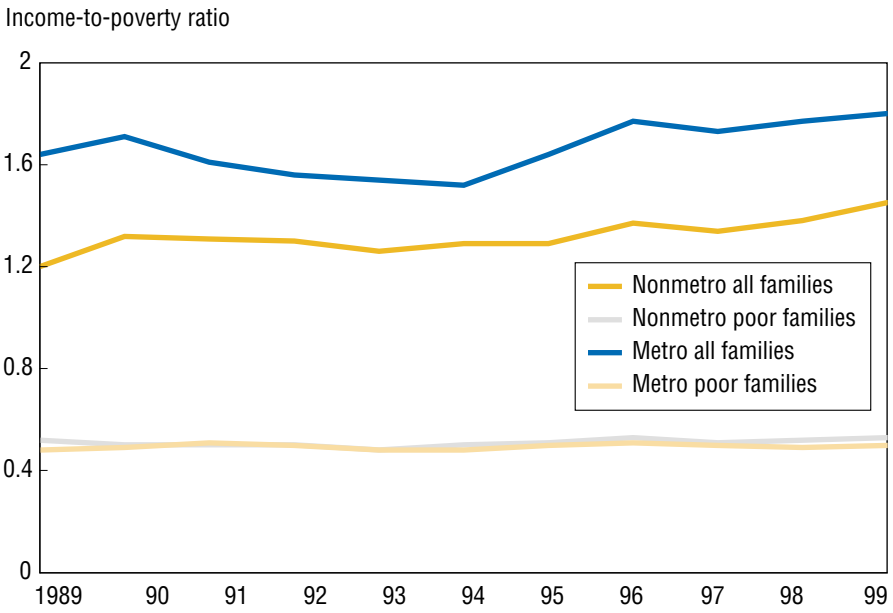
Declines in rural poverty may hide the fact that the rural poor may be poorer after PRWORA than before, or that the income of all female heads may have declined on average, despite reductions in poverty. Figure 2 charts the median income-to-poverty ratio (IPR) for all single-mother families and for the poor in both nonmetro and metro areas. The IPR has a straightforward interpretation: It indicates how far family income is above or below the poverty threshold for their size of family. An IPR of 1.5, for example, indicates that family income is 1.5 times or 50 percent above the poverty threshold. Figure 3 also shows the trend in deep poverty, which is defined by the percentage of all single-mother families that are living below 50 percent of the official poverty threshold.

In general, the IPRs for all single-mother families have increased slightly since the mid-1990s, both in nonmetro and metro areas (fig. 2). For example, in 1994, rural female heads had family incomes that were 1.29 times the poverty threshold, compared with 1.52 in metro areas. This means that the average income of female heads was 29 percent higher than the poverty income threshold. By 1999, the income-to-poverty ratio had climbed to 1.45 in nonmetro areas and 1.80 in metro areas. If we adjust for the EITC, these figures increase slightly to 1.55 and 1.88. Although rural female heads are worse off than their metro counterparts, they nevertheless have more income after TANF than before.

Figure 2

Income-to-poverty ratios for female-headed families with children by residence, 1989-99

Income grew among all female household heads after PRWORA but stagnated among the poor



Source: Original computations from the March Current Population Surveys, 1989-99.

Rural Female-Headed Families Are Less Dependent on Welfare

Changes in the economic circumstances of female-headed families reflect shifts in the mix of income from work and public assistance. The share of poor, female heads with earnings rose sharply in nonmetro areas after the mid-1990s, and especially after PRWORA. In 1996, 59 percent had at least some earnings, while more than 70 percent reported earnings by 1999. Moreover, their average real earnings increased from $3,835 in 1989 to $6,131 in 1999. Clearly, the welfare bill has moved many poor mothers into the labor force.

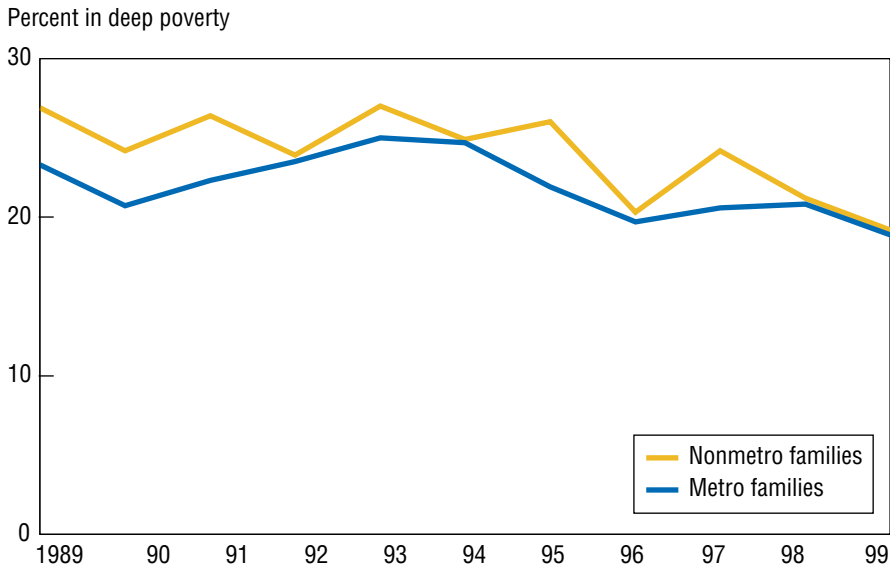
Correspondingly, the percentage of poor, nonmetro female heads who receive public assistance declined from 65 percent in 1989 to 40.5 percent in 1999, as did the real dollar value of welfare income

The economic situation is less positive for poor single mothers. The average IPR of poor, single, female heads showed no improvement, remaining at roughly 0.50 throughout 1989-1999. This also means that poor, female-headed families fell further behind the average female-headed family income over the decade; that is, inequality increased among female-headed families. At the same time, the rate of deep poverty declined, from 26.9 percent in 1989 to 19.2 percent in 1999 among nonmetro female heads, and from 23.3 percent to 18.9 percent among metro female heads (fig. 3). Because most deeply impoverished female heads are not employed, any adjustments for EITC have little or no effect on our estimates.

Figure 3

Percent of female-headed families with children in deep poverty by residence, 1989-99

There was little difference in deep poverty between metro and nonmetro areas after 1998

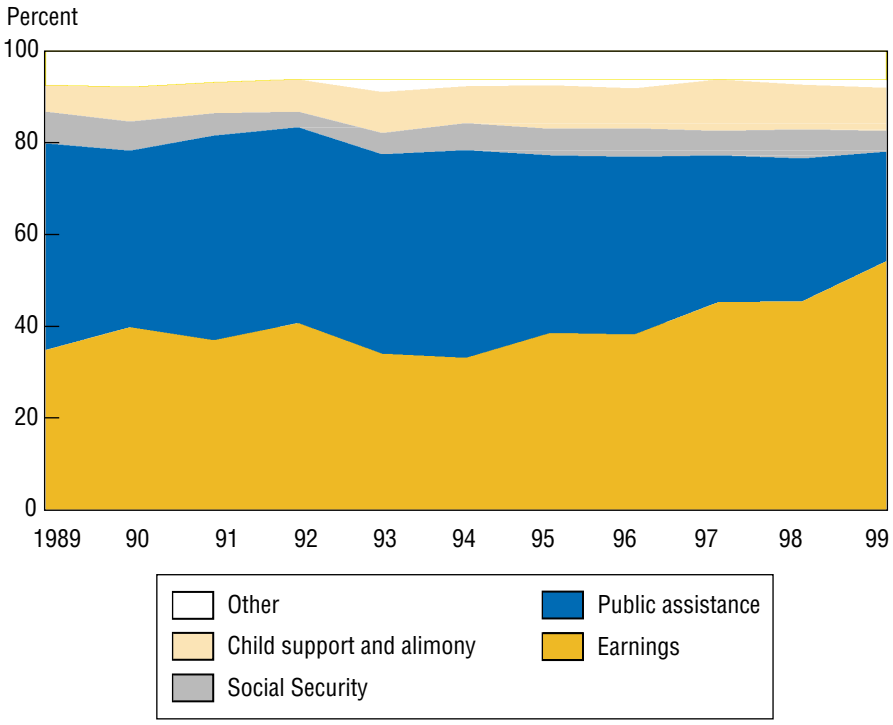


Source: Original computations from the March Current Population Surveys, 1989-99.

Figure 4

Income sources among poor nonmetro single female-headed families, 1989-99

After 1996, there was less reliance on welfare income, more on earnings



Source: Original computations from the March Current Population Surveys, 1989-99.

(from $4,092 to $3,216 between 1989 and 1999). Food stamp receipt among this group also declined, from 73.3 percent in 1989 to 57.3 percent in 1999, although the median dollar value of food stamp receipt inched upward. So, many of these women remain poor because any gains from work have been offset by losses from public assistance income.

The impact of welfare reform is evident in that earnings represent an increasing share of family income, while the share from welfare income has declined (fig. 4). For poor, female-headed families with children, earnings accounted for 34.9 percent of family income in 1989, while public assistance income represented 45 percent of income. Ten years later, earnings provided a much larger share of family income (54.1 percent) than did public assistance income (30.5 percent). Clearly, poor, single mothers living in rural areas are now less likely to be dependent on welfare income than they were before PRWORA.

Does Public Assistance Income Help Reduce Poverty?

To what extent has public assistance income, both before and after TANF, improved the economic well-being of female family heads? Among those whose total family income without public assistance (which includes AFDC or TANF and other cash assistance for the poor) is below the official poverty threshold, we calculate in table 1 the percentage whose total family income is above that threshold when adding public assistance back in (column 1). In a similar way, we also calculate the ameliorative effects of public assistance income on deep poverty (column 2). That is, for families with incomes below one-half the official poverty threshold when welfare income is excluded, we calculate the percentage that rise above the deep-poverty line when welfare income is restored. Finally, we estimate the percentage of the pre-welfare poverty gap (i.e., the difference between the poverty threshold and pre-welfare income) that is closed by public assistance (column 3). This measure is restricted to those whose pre-welfare income is less than the official threshold, and it equals 100 percent when post-welfare income equals or exceeds the poverty threshold.

The time trends indicate that the ameliorative effects of public assistance income have not only been modest, but may have deteriorated slightly since PRWORA. For example, among nonmetro female heads, the ameliorative effect of public assistance on poverty grew over much of the early 1990s, peaking at 6.6 percent in 1996. So, in that year, 6.6 percent of those whose pre-welfare income was below the official poverty income threshold were lifted from poverty by the receipt of welfare income. By 1999, this ameliorative effect had declined to 4 percent. This finding apparently reflects the declining percentage who receive assistance, and continuing declines in the amount of public assistance received by poor, female-headed families.

The ameliorative effects of public assistance on poverty have until recently been smaller in nonmetro than metro America. The nonmetro disadvantage is most clearly seen

with the first (poverty threshold) and third (poverty gap) measures of amelioration. For example, in nonmetro areas, the poverty gap measure declined by 36 percent between 1996 and 1999, while in metro areas the decline was 28 percent. The ameliorative effects of public assistance on deep poverty also favored metro residents until the late 1990s. In 1999, a larger percentage of nonmetro than metro female heads were brought out of deep poverty by the receipt of public assistance.

Our results must be interpreted in light of significant expansion over the last decade in the EITC. For example, if we treat the EITC as public assistance income, 20.6 percent (rather than 4 percent) of poor nonmetro female heads are lifted out of poverty in 1999, and 33.1 percent (rather than 28 percent) are no longer deeply impoverished. The percentage of the pre-welfare poverty gap that is closed increases dramatically, from 17.5 percent to 47.1 percent, if EITC is treated as public assistance. More important, the ameliorative effects of public assistance (including EITC) increased substantially over the past decade. Whereas 8.1 percent of rural female heads were lifted from poverty in 1992 as a result of public assistance and EITC, 20.6 percent were helped out of poverty in 1999. This is nearly identical to the figure observed in metro areas (21 percent). When TANF income is considered along with income supports (through EITC), the improving salutary effects on poverty are clear.

The Working Poor in Rural America

Many rural female heads have moved successfully from welfare to work. Does employment lift them out of poverty? In 1999, for example, the poverty rate among all working female heads was 35 percent, compared with 78.8 percent among their nonworking counterparts in nonmetro areas (table 2). The poverty rate among full-time, full-year working single mothers was still high (17.4 percent) but substantially lower than for nonworkers and part-time workers. Not surprisingly, the benefits from work are even greater if we adjust income upward for the EITC. Such adjustments suggest that only 8.3 percent of nonmetro female heads who worked full-time were poor in 1999. Interpreted differently, the EITC they receive cuts the official poverty rate in half.

Our results also indicate that the economic benefits from employment have changed very little over the 1990s in nonmetro areas. The poverty rate among rural employed single mothers fluctuated between 35 and 40 percent over 1989-99. That poverty rates remained constant among workers, amid an overall decline in poverty, suggests that recent declines in poverty among all female heads largely resulted from increasing

Table 1
Ameliorative effects of public assistance among female-headed families, 1989-99
Public assistance lifts only a small percentage of rural female-headed families out of poverty

	Nonmetro			Metro		
CPS year	Percentage of pre-welfare poor lifted above poverty	Percentage of pre-welfare deeply poor lifted above deep poverty	Percentage of pre-welfare poverty gap closed	Percentage of pre-welfare poor lifted above poverty	Percentage of pre-welfare deeply poor lifted above deep poverty	Percentage of pre-welfare poverty gap closed
1989	4.3	29.2	28.6	4.9	35.0	32.6
1990	3.6	27.4	23.3	5.4	36.6	32.6
1991	2.4	27.3	24.2	5.9	36.0	33.7
1992	4.7	30.4	24.1	3.5	33.7	30.1
1993	4.2	24.0	24.4	5.5	31.5	30.6
1994	4.4	33.4	28.9	6.4	33.9	31.8
1995	5.4	31.7	26.1	6.3	33.5	31.3
1996	6.6	35.3	27.5	7.7	35.8	31.5
1997	4.6	28.8	22.2	6.4	32.6	28.6
1998	3.9	26.3	21.0	5.7	26.2	24.0
1999	4.0	28.0	17.5	6.0	26.5	22.8

Note: Pre-welfare poor families refer to families with incomes below the poverty threshold when public assistance income is excluded.
Source: Original computations from the March Current Population Surveys, 1989-99.

Table 2

Official and adjusted poverty rates by work status and residence among single female-headed families, 1989-99

Rural female heads working full-time have poverty rates that are about 50 percent higher than metro female heads working full-time

	Official poverty rate by work status				Adjusted[1] poverty rate by work status			
	All workers				All workers			
CPS	Total	FT/FY	Other	Non-workers	Total	FT/FY	Other	Non-workers
				Nonmetro				
1989	40.2	17.7	66.5	89.1	na	na	na	na
1990	36.0	13.9	63.4	87.6	na	na	na	na
1991	37.8	15.0	63.0	89.0	na	na	na	na
1992	37.0	16.9	58.0	88.1	34.5	14.1	55.9	88.1
1993	34.7	11.3	61.2	88.3	31.7	8.8	57.6	88.3
1994	35.4	13.0	61.0	89.5	31.5	9.6	56.5	89.5
1995	40.2	15.6	64.5	85.3	33.6	9.1	57.9	85.3
1996	33.7	13.7	55.7	85.6	26.9	6.5	49.4	85.6
1997	39.0	16.3	62.9	85.5	31.5	9.1	55.0	85.5
1998	38.1	16.9	67.6	80.1	27.8	8.6	54.6	80.1
1999	35.0	17.4	62.9	78.8	26.1	8.3	54.4	78.8
				Metro				
1989	26.6	8.9	55.2	87.2	na	na	na	na
1990	24.3	8.3	47.8	85.8	na	na	na	na
1991	27.9	7.6	56.3	86.1	na	na	na	na
1992	29.7	10.5	56.8	89.1	26.0	7.8	51.7	89.1
1993	29.5	10.0	57.4	87.9	25.9	7.9	51.8	87.9
1994	29.3	10.7	54.0	85.9	26.4	8.4	50.2	85.9
1995	28.4	11.0	54.5	86.5	23.4	7.1	47.9	86.5
1996	27.4	12.9	51.3	83.9	20.7	6.6	43.9	83.9
1997	28.0	9.0	57.7	84.4	21.6	4.0	49.0	84.4
1998	30.6	10.8	61.2	83.3	23.2	6.2	49.6	83.3
1999	29.2	12.1	54.8	82.1	21.7	5.5	46.1	82.1

[1]Official poverty rate adjusted for earned income tax credit. Not available 1989-91.
Note: Workers are defined as full-time if they work at least 35 hours per week and 50 weeks per year.
Source: Original computations from the March Current Population Surveys, 1989-99.

labor force participation rather than from increased remuneration from work. At the same time, the poverty rate among nonworkers, although typically exceeding 80 percent, has trended downward since welfare reform. The "truly disadvantaged" are more likely to be helped today-albeit only marginally more so-in the currently tougher welfare environment.

Although some additional analyses reveal that a larger share of poor nonmetro than metro female heads are working (68.6 percent of poor nonmetro vs. 62.2 percent of poor metro) and working full-time (21.0 percent vs. 15.4 percent), this does not result from greater incentives or remuneration from work in rural areas. In fact, work tends to pay less in nonmetro areas (compare columns, table 2). For each year, poverty rates are higher among rural working female heads than among their urban counterparts, although this differential has declined over the past decade. In 1999, 35 percent of working, rural single mothers were poor compared with 29.2 percent in metro areas. For full-time workers, the figures were 17.4 percent and 12.1 percent. Although the poverty rate among working female heads was nearly 20 percent higher in nonmetro areas, this represents substantial convergence since 1989 when the nonmetro poverty rate was over 50 percent higher than the metro rate. Declines in the urban advantage are not altered appreciably if we adjust income upward for the EITC.

Data and Definitions

Analyses are based on pooled data from the March Current Population Survey (CPS), 1989 through 1999. Each March demographic supplement of CPS includes nationally representative information on the civilian, noninstitutionalized population residing in approximately 60,000 housing units each year. The CPS classifies metro areas as one or more economically integrated counties that meet specific population size thresholds (e.g., including a large (central) city of 50,000 or more). Nonmetro is a residual category. In 1998, the Census Bureau estimated a nonmetro population of 55 million, or 20.3 percent of the U.S. population.

Poverty income thresholds are based on annual money income in the calendar year that preceded the March CPS interview. How best to measure poverty has been a topic of much debate. The official poverty income threshold (for families of various sizes) can be criticized on a number of counts: it miscalculates family economies of scale (i.e., equivalence scales); it fails to take into account in-kind government transfers (e.g., food stamps); it does not account for geographic variations in cost of living or consumption; it is based on family rather than household income; and it does not adjust for taxes or other nonconsumption expenditures, such as child support payments How such issues distort rural-urban comparisons is difficult to tell, although the available evidence suggests that the cost of living is lower in rural areas, if housing costs are adjusted. For purposes of this article, analyses are based on the official poverty measure, which is the basis of eligibility for a number of government programs and is available annually in the March CPS files. A complete description of poverty measurement is provided elsewhere (http://aspe.hhs.gov/poverty/01poverty.htm).

Conclusion

The PRWORA of 1996 ended the Nation's largest cash assistance program (AFDC) for needy, single-parent families. Indeed, rural mothers-especially poor, single mothers-face many barriers to employment that seemed incongruent with strict time limits on and sanctions attached to welfare receipt.

However, our analysis revealed some unexpected surprises from the period since PRWORA--trends that provide optimism about the state of rural America. In general, rural mothers and their children have not been "left behind" in the new welfare policy and economic environment. Recent trends in rural poverty, earnings, and welfare receipt have followed national patterns. During the past decade, but especially since welfare reform was introduced nationally in 1996, rural poverty rates (including deep poverty) have declined among female-headed families, rates of welfare receipt have dropped dramatically, and labor force participation has increased along with average earnings. Moreover, the income of all rural, female-headed families with children increased, on average, over the past few years, and even more if we add income from the EITC. The early, gloomy forecasts have not matched the empirical record, at least not to date.

Our data nevertheless do corroborate the persistent rural-urban inequality in the lives of single mothers and their children. About 7.5 million poor people live in rural areas, and rural poverty rates continue to exceed those in urban areas. In 1999, for example, about 42 percent of rural, female-headed families were poor, and about half of these had incomes less than one-half the poverty threshold. This happened even though the share of rural female heads who were employed grew and continued to exceed their urban counterparts. In addition, rural-urban differences in poverty occurred despite higher average earnings among rural female heads; median earnings of rural women were about $6,131 in 1998, compared with $5,862 among urban women.

More than most, rural single mothers have played by the new rules, seeking to balance welfare receipt with personal responsibility and work. The problem today for most poor rural mothers is finding a good job that pays a living wage. Over one-third of working rural female heads were in poverty in 1999, a rate higher than at any time since the late 1980s. Increases in poverty rates among working rural

female heads occurred hand-in-hand with the rising proportion of poor female heads who are employed. It also occurred despite increases in the minimum wage and expansions to the EITC.

As in the past, the rural poverty of today is reinforced by comparatively low and declining rates of rural welfare receipt and the low dollar value of welfare transfers. Over the past 10 years, the proportion of rural single mothers with earnings from work increased dramatically, but has not kept pace with the large decrease in the proportion with welfare income since PRWORA.

Our baseline results apply to nonmetro areas as a whole, and may mask significant differences across particular rural regions. Welfare reform may work new economic hardships among some historically disadvantaged racial or ethnic groups (e.g., Native Americans or rural Blacks). The next few years will be especially telling, as the "hardest cases" and other nonworking, welfare-dependent mothers run up against time limits for welfare receipt. RA

For Further Reading . . .

Lionel J. Beaulieu,. "Welfare Reform: An Overview of Key Provisions," *Information Brief: A Special Series on Welfare Reform in the South: 1*, Mississippi State University, Starkville, MS: Southern Rural Development Center, 1998.

Daniel T. Lichter, Diane K. McLaughlin, and David C. Ribar, "Welfare and the Rise in Female-Headed Families," *American Journal of Sociology*, Vol. 103, No. 1, July 1997, pp. 112-143.

Leif Jensen and David J. Eggebeen, "Nonmetropolitan Poor Children and Reliance on Public Assistance," *Rural Sociology*, Vol. 59, No. 1, Spring 1994, pp. 45-65.

Is There A Rural Disadvantage in Reducing Welfare and Food Stamp Participation in Mississippi and South Carolina?

Mark S. **Henry**
Willis **Lewis**
Lynn **Reinschmiedt**
Darren **Lewis**

Rural areas in Mississippi and South Carolina have had more difficulty than urban areas in reducing both cash assistance and food stamp program participation. These rural disadvantages might be overcome by improvements in rural transit to link rural residents to urban jobs and by increased child care and job training in rural counties.

Where welfare and food stamp recipients live may affect how caseloads change in response to policy initiatives or economic conditions. For example, rural-urban differences in rates of program participation might be expected if barriers to moving off public assistance—such as lack of public transit, inadequate child care, and limited access to job training—are greater in rural counties than in urban counties.

The former open-ended welfare program, Aid to Families with Dependent Children (AFDC), became a block grant program, Temporary Assistance to Needy Families (TANF) in October 1996. We test for location effects—in Mississippi and South Carolina—on caseload changes from the new program using an empirical model that controls for trends in the vitality of the local (county) economy, trends in the "opportunity costs" (minimum-wage earnings, cash assistance, and the Earned Income Tax Credit) to the welfare recipient of not entering the workforce, and changes in welfare policy. Caseload changes appear to be sensitive both to the strength of the State economy and the changing incentives embodied in the welfare reforms in each State.

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Recent Caseload Trends In Mississippi And South Carolina

Using within-State analysis allows us to capture the effect of local labor market conditions on welfare and food stamp participation decisions. We found that reducing both welfare and food stamp participation rates is more difficult in rural counties than in urban counties in Mississippi and South Carolina. Reducing caseloads is assumed to be consistent with anti-poverty programs aimed at reducing the need for cash assistance and food stamps by improving human capital endowments and stimulating the demand for labor.

Mississippi Caseloads

Welfare. AFDC/TANF caseloads (Statewide) declined 43.8 percent from the pre-TANF period (October 1991 - September 1996) to the post-TANF period (October 1996 - April 1999)—53,272 cases to 31,123 cases. This decline was steady for all three groups studied--metro (51.6 percent), rural adjacent (43.5 percent), and rural nonadjacent (40.6 percent). The metro share of State caseloads dropped by almost four percentage points.

Consequently, the rural share of State caseloads increased from 59 percent to 62 percent, although the adjacent county share remained essentially unchanged. Unemployment rates also declined over the 1990s, reflecting robust State and national economies (fig. 1). However, there is no clear correlation between welfare caseload changes in Mississippi and monthly unemployment rates.

Food stamps. Like welfare caseloads, food stamp caseloads have

been declining in Mississippi, but at a significantly lower rate--25 percent versus 44 percent from 1991 to 1999 (fig. 2). Food stamp trends also reveal little correlation to fluctuations in unemployment rates. Mean monthly food stamp declines (from the pre-TANF to post-TANF periods) were 28 percent for metro counties, 27 percent for rural adjacent, and 23 percent for rural nonadjacent counties. In contrast to welfare cases, where the rural share of total cases increased after welfare reform, food stamp shares by county group were essentially unchanged.

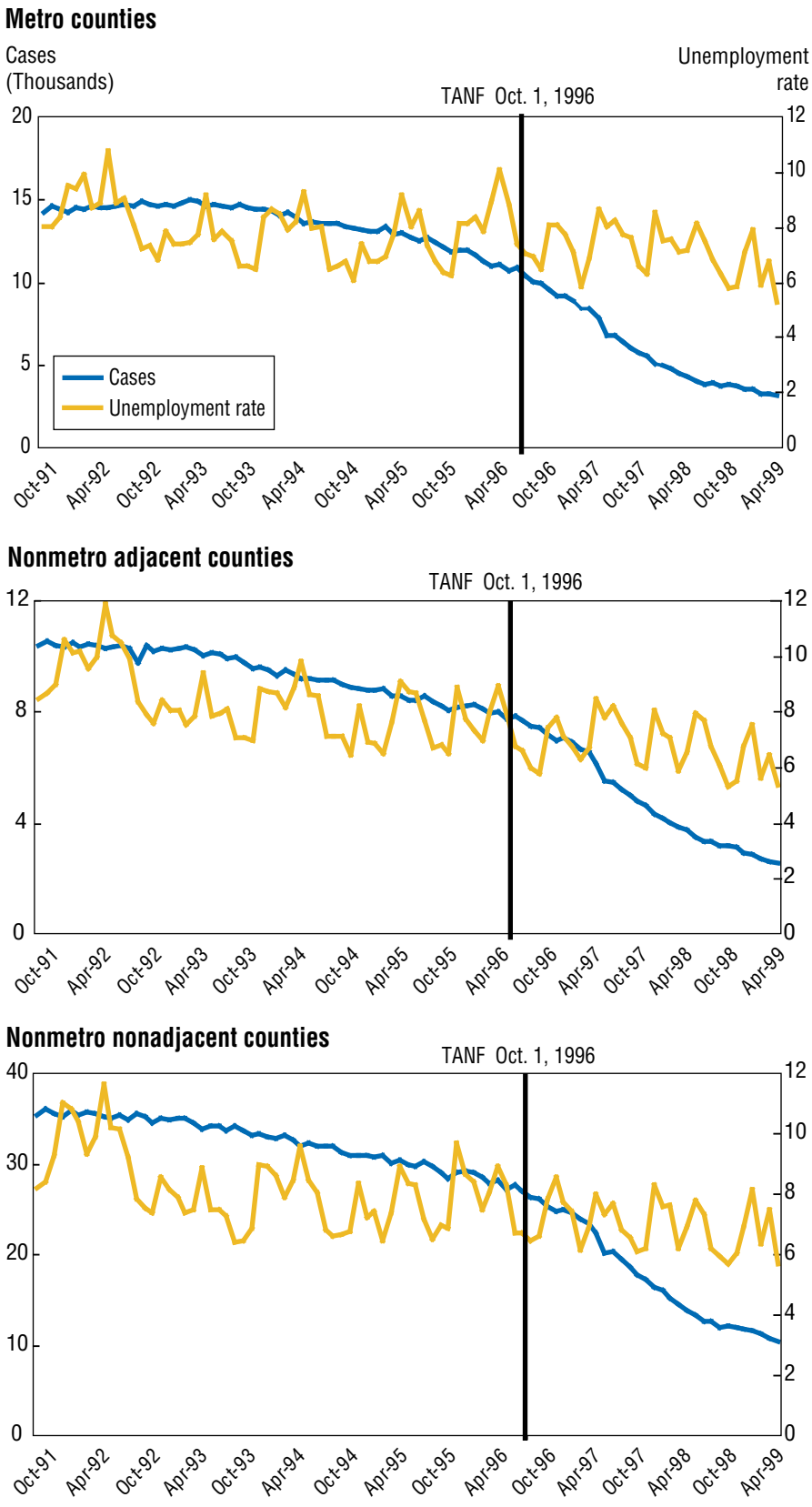
South Carolina Caseloads

Welfare. Monthly average caseloads across all counties in South Carolina declined 31.6 percent from the pre-TANF to the post-TANF period—47,610 cases to 32,566 cases. Caseloads in metro counties declined 29.1 percent, while rural counties (adjacent and nonadjacent) had average caseload declines of about 35 percent (fig. 3).

A majority of South Carolina welfare caseloads are in metro counties, while rural counties have most of the welfare cases in Mississippi. South Carolina trends imply that the robustness of county economies is correlated with post-TANF changes in caseloads. In each county group, the mean unemployment rate has declined since October 1996. Welfare caseloads moved lower in tandem with these lower unemployment rates. In South Carolina, the rural share of welfare caseloads fell from 43 to 41 percent after 1996.

Food stamps. In contrast to the dramatic declines in welfare caseloads, South Carolina food stamp caseloads remained stable even as unemployment rates dipped in the mid-1990s. No apparent reduction

Figure 1
Mississippi AFDC/TANF caseloads by residence, 1991-99
Caseloads declined sharply across all counties

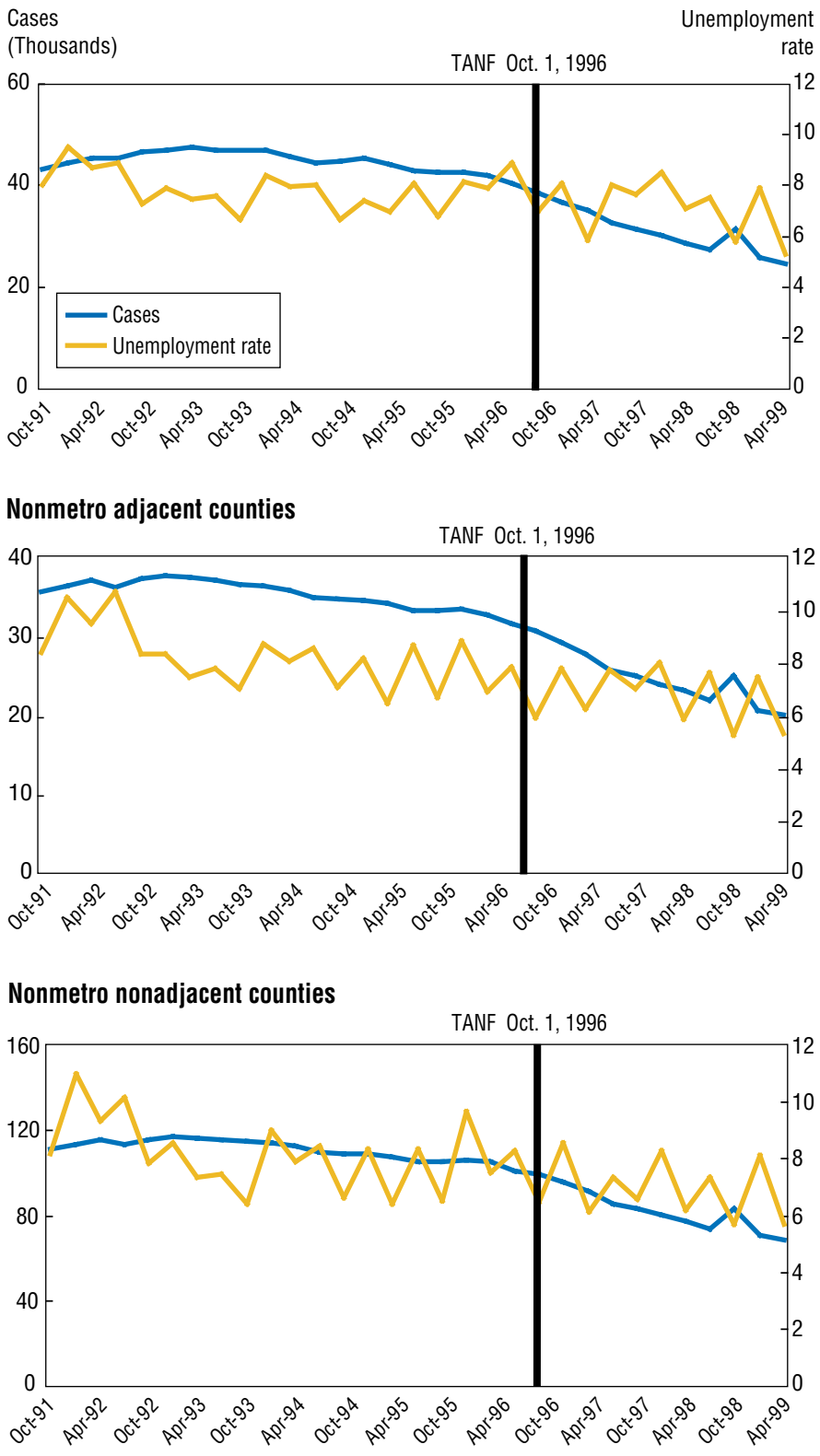


Source: Mississippi Department of Human Services, Mississippi Employment Security Commission.

Figure 2

Mississippi food stamp caseloads by residence, 1991-99

Caseloads declined moderately across all counties



Source: Mississippi Department of Human Services, Mississippi Employment Security Commission.

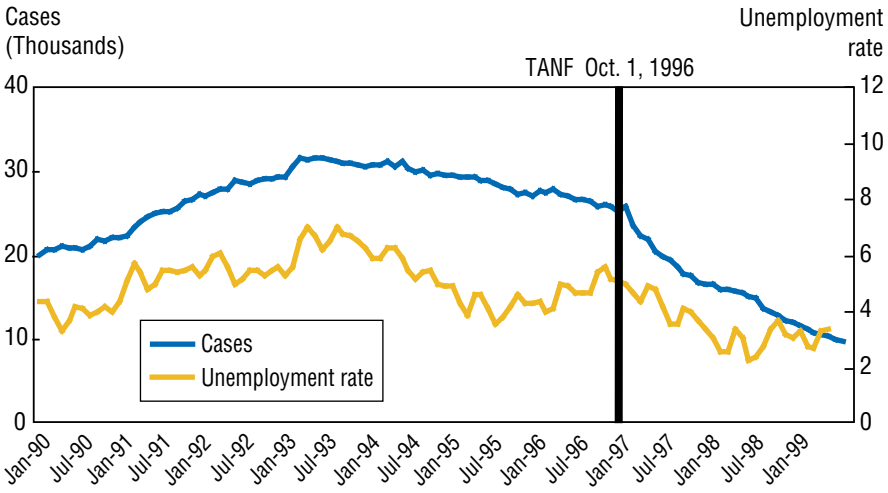
in caseloads occurred after TANF—especially in the rural counties (fig. 4). The mean number of metro county food stamp caseloads declined by only 3 percent from the pre-TANF to the post-TANF period. In rural counties, the decline was a mere 1 percent. Since TANF does not end food stamp eligibility and many of the jobs taken by former TANF recipients are in entry-level, service-sector jobs, it is not surprising that many former welfare clients draw on food stamps to help cover the basic cost of living.

However, as TANF caseloads decline, some former welfare recipients fail to maintain participation in the Food Stamp Program (FSP). Zedlewski and Brauner find a link between the decline in welfare caseloads and recent reductions in FSP participation. Comparing FSP exit rates using the 1997 National Survey of America's Families, they conclude that welfare recipients (starting in 1995) leave the FSP at higher rates than nonwelfare recipients.

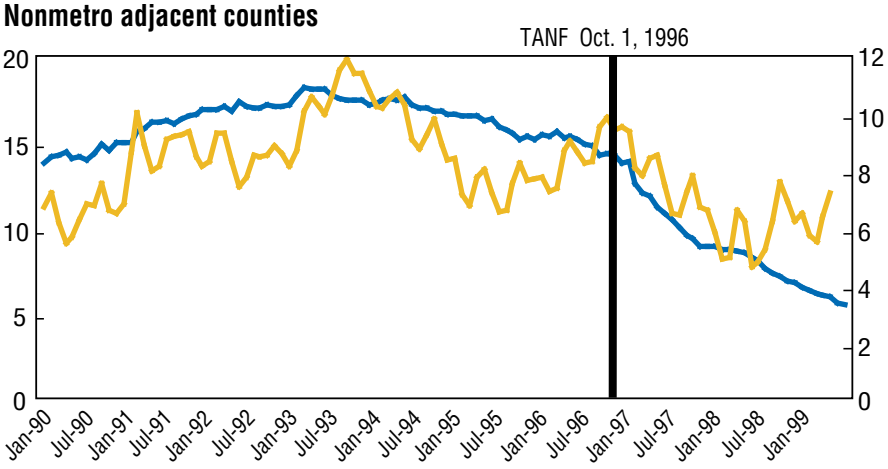
Notably, rural counties in South Carolina do not seem at a disadvantage in reducing caseloads. In fact, the State share of caseloads in rural counties is smaller after TANF than before. However, in most cases, population and the associated resident labor force are growing faster in metro counties than in rural counties so that caseloads per capita are increasing in rural areas relative to urban areas. In the next section, an explicit test for rural-urban differences in welfare and food stamp participation rates (caseloads per capita) controls for the strength of the county economy, opportunity costs of staying on welfare, and the effect of TANF reforms.

Figure 3
South Carolina AFDC/TANF caseloads by residence, 1990-99
Caseloads declined sharply after TANF

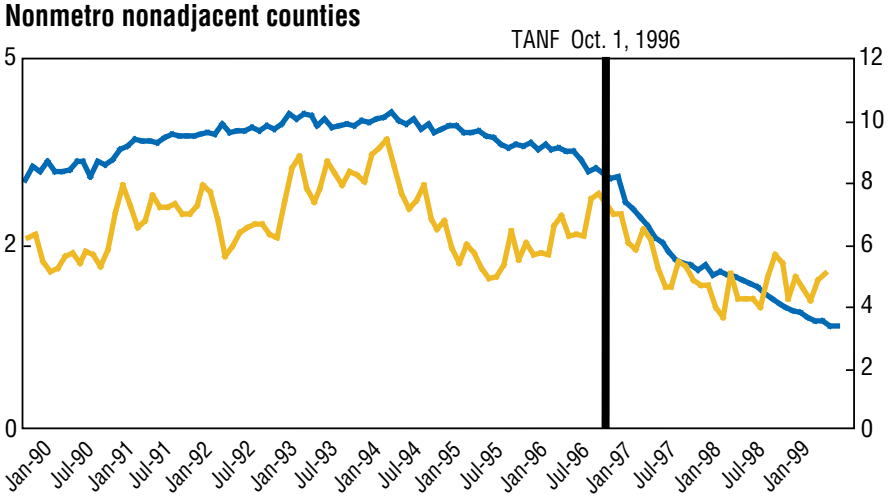
Metro counties



Nonmetro adjacent counties



Nonmetro nonadjacent counties



Source: Mississippi Department of Human Services, Mississippi Employment Security Commission.

Key Determinants of Caseload Changes

The effect of rising "opportunity costs" on AFDC/TANF caseloads shows that, as expected, increasing the EITC and the minimum wage relative to cash assistance reduces welfare participation. These results are statistically significant across all models estimated for South Carolina and Mississippi.

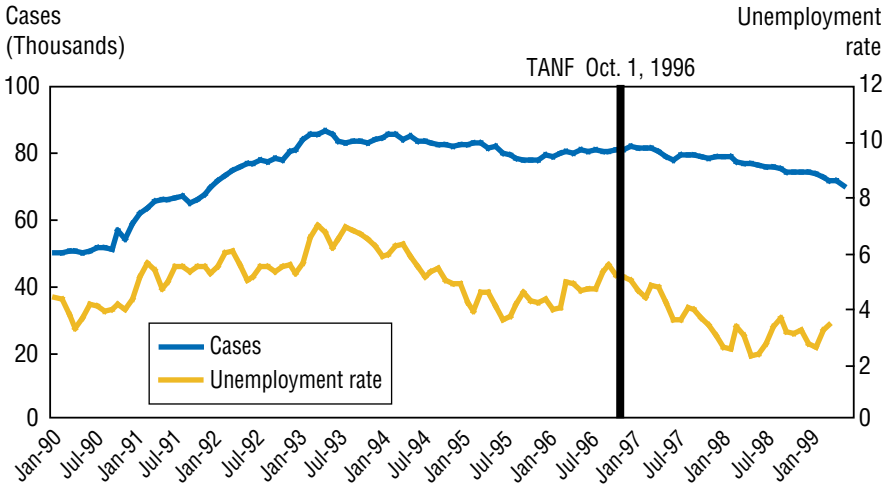
In both States, TANF policy impacts on caseloads occur in conjunction with a strong local economy. While the TANF indicator variable does not show a significant effect in either State, the interaction of TANF with the local economic variables was important in explaining caseload change. This indicates that TANF incentives to leave welfare (or not to participate in the welfare program) are most effective if the local economy is generating local job opportunities. Ellwood also finds the TANF effect to be strongest where a robust local economy offers more low-wage jobs to former welfare clients.

In South Carolina, lower unemployment rates reduce caseloads, and the effect of lower unemployment rates on caseloads is about twice as strong after TANF than before. Prior research by the Council of Economic Advisors indicates that employment growth affects welfare participation decisions but that there is a lag between the labor market signal and caseload changes. In South Carolina and Mississippi, faster employment growth reduces caseloads as expected, but there is about a 3-month lag between a stronger local economy and caseload declines.

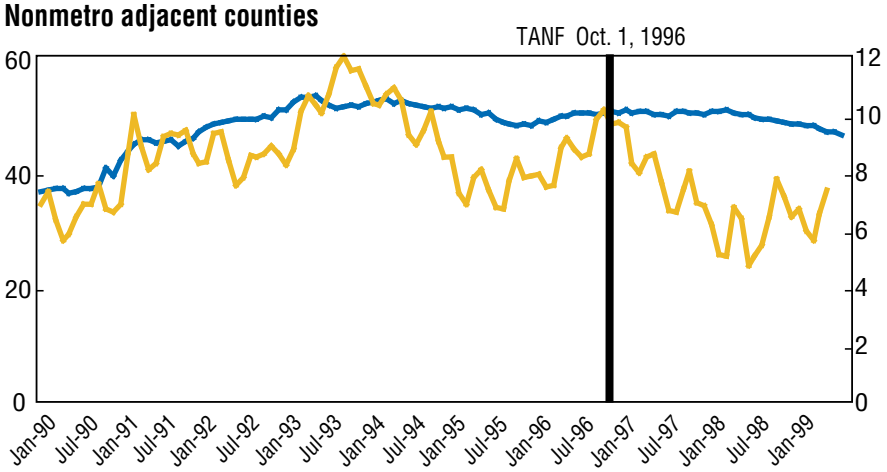
Overall, faster job growth in South Carolina reduces welfare caseloads, and the job growth impact on caseloads has been

Figure 4
South Carolina food stamp caseloads by residence, 1990-99
Caseloads change little after TANF

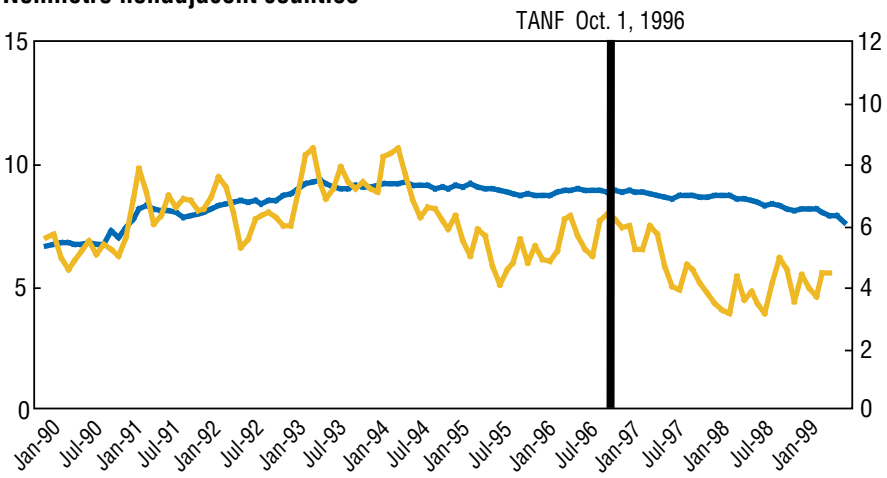
Metro counties



Nonmetro adjacent counties



Nonmetro nonadjacent counties



Source: Mississippi Department of Human Services, Mississippi Employment Security Commission.

stronger since TANF. However, a 1-year lag in employment growth may induce inmigration by low-wage households seeking jobs, who continue to draw welfare benefits for a period.

In Mississippi, both one-quarter and four-quarter lagged job growth reduced caseloads as expected. Like South Carolina, faster job growth after TANF increased the rate of decline in welfare caseloads. The Mississippi results indicate that both a strong economy and the implementation of welfare reform have contributed to declines in welfare participation rates.

Is There a Rural Disadvantage in Reducing Welfare Caseloads?

Model results indicate a strong metro advantage in reducing welfare participation in both South Carolina and Mississippi, other things equal. Welfare caseload participation rates are higher in nonmetro counties than metro counties, after controlling for local economic vitality, TANF policy effects, and the rising opportunity cost of staying on welfare. A slightly greater disadvantage in reducing caseloads is apparent in rural counties not adjacent to a metro county.

Mixed results were obtained for the two States according to the dominant economic base in the county. Farm-based economies in both South Carolina and Mississippi had higher rates of welfare participation relative to other rural counties. In Mississippi, service-based rural economies also had high rates of welfare participation.

Economic regions within each State affect welfare participation. In South Carolina, the I-85 growth corridor in the northwest corner of the State is dominated by a diverse manufacturing sector, with BMW, Hitachi, and Michelin providing a

high profile for international investors. The region has a rapidly expanding service sector serving a growing population. Other regions--with the exception of the spillover Charlotte, North Carolina region--have higher rates of welfare participation than the I-85 growth corridor, and are part of the persistent-poverty band across the Southeast. Rural counties in these economic regions will likely have the most difficulty in reducing welfare caseloads.

In Mississippi, the Jackson economic region was used as a reference region. Three regions differed significantly from the Jackson area. Two regions had lower levels of welfare participation—a corridor of development activity paralleling an interstate highway from Jackson to Meridian, and an area benefiting from rapid growth in light industry, particularly upholstered furniture manufacturing. A third region, the high-poverty region of the Mississippi Delta, had notably higher numbers of welfare cases than the Jackson base and was dependent on production agriculture. These spatial breakdowns confirmed that caseload participation rates are significantly higher in nonmetro areas, all else the same, and farm-dependent areas face the most difficult challenges in reducing caseloads in both States.

Food Stamp Participation in South Carolina and Mississippi

Results for FSP participation in South Carolina and Mississippi differ from the cash assistance results. This is not surprising given the small changes in FSP caseloads compared with the dramatic reductions in AFDC/TANF over the reviewed period. Higher minimum wages and increases in the EITC in both States tended to lower total FSP participation. However, for South Carolina residents receiving food stamps without cash assistance, the relationship reverses. Possibly they view the higher minimum wage and higher EITC benefits, along with food stamps, as a "work support package." As the minimum wage and EITC increased, fewer people entered welfare but more signed on for the FSP.

Focusing on the South Carolina food stamp cases, TANF has a negative, but insignificant, impact on FSP caseloads and seems to have only a weak effect during quarters when employment is growing. On the other hand, rapid employment growth in the prior year seems to increase current-period FSP caseloads. This suggests that there is inmigration to high-employment growth counties, with added demand for food stamps, at least for a time. Employment growth in the most recent quarter reduces FSP caseloads. It may be that not enough time has passed between this quarterly signal of job growth in a county and subsequent inmigration of food stamp participants.

In Mississippi, the effects of TANF on food stamp caseloads were considerably smaller relative to the welfare caseload results. This is not surprising given the eligibility link between food stamp benefits and income as well as other eligibility requirements. That is, as income levels increase, individuals can remain eligible for some level of benefits as long as they remain below 130 percent of the poverty level and meet other necessary requirements. In contrast to South Carolina, the effect of TANF implementation is highly significant and negative in all the Mississippi food stamp models, indicating that program changes have contributed to declining food stamp participation

The impact of employment growth, lagged one and four quarters, on food stamps paralleled the findings for welfare caseloads. Results from unemployment lagged 12 months and the lagged unemployment-TANF interaction terms indicate that lower unemployment rates reduce food stamp caseloads.

These spatial breakdowns confirmed that caseload participation rates are significantly higher in nonmetro areas, all else the same, and farm-dependent areas face the most difficult challenges in reducing caseloads in both States.

Except for the case of the one government-dependent county in South Carolina, all rural counties in both States, regardless of location or economic base, fare worse than metro counties in reducing the rate of food stamp participation. Mirroring the South Carolina welfare caseload results, counties in the economic regions outside the I-85 manufacturing belt depend more on the food stamp program to supplement incomes of the working poor. Economic regions in Mississippi also showed results similar to the welfare caseload analyses. Farm-based counties had higher FSP participation rates.

Conclusion

Evidence for these two southern States suggests that rural areas will have more difficulty than urban areas in reducing both cash assistance and food stamp program participation. Improved transit link-

Tests for a "Rural Disadvantage" in Caseload Change

The "rural disadvantage" hypothesis is examined using an econometric model of caseload change, for both welfare and food stamps, along the lines of one developed by the Council of Economic Advisors (CEA), 1999. The food stamp model is similar to the welfare caseload model for two reasons. First, across most States, there has been a strong correlation between food stamp and AFDC/TANF caseload changes. Second, important changes in food stamp policy took effect in 1997, roughly the same time as TANF (Zedlewski and Brauner). The caseload participation rate—the number of caseloads in a county divided by the county labor force—is the dependent variable. To explain why caseload participation rates may have changed over time, three groups of 'explanatory variables' are used in the regression model. These include: "opportunity cost" variables, TANF/economy variables, and region identifiers to test for rural-urban differences in caseload participation rates, holding other factors constant.

"Opportunity Cost" Influences on Caseload Change

The first opportunity cost variable, the value of the earned income tax credit (EITC), has been assigned an important role in reducing caseloads by Ellwood. Its value increased substantially over the 1990s, encouraging welfare recipients to join the workforce. As the value of the average maximum EITC increases, caseloads should decline because more earned income will be lost by remaining on welfare.

The second opportunity cost variable is the monthly value of State minimum wage divided by the maximum monthly AFDC/TANF cash assistance benefits for a family of three. Because many former welfare clients begin work in the low-wage segment of the labor market, changes in the minimum wage serve as a good proxy for the expected wage income for former welfare participants who enter the labor market. By comparing this expected wage income from working to the cash assistance forgone by leaving welfare, welfare recipients can estimate the expected net income benefits from voluntarily leaving AFDC/TANF. However, we cannot test for the effects of varying benefits levels across counties because nominal cash assistance benefits are approximately constant across counties. Instead, the ratio of the minimum-wage monthly equivalent to the benefit level over time was used as one proxy for the changing opportunity cost to welfare recipients.

TANF/Economy Influences on Caseload Change

Several welfare policy variables are constructed to test for the effect that TANF reforms have had on changes in caseloads, holding constant opportunity costs, the strength of the county economy, and urban-rural location of the welfare recipients. Tests of the effect of the TANF reforms at the county level in the two States are made using three variables. First, a simple test for a discrete change in caseloads before and after TANF is made. This discrete effect—independent of the strength of the local economy--might arise from aspects of the TANF reforms that reflect new sanction

ing rural residents to urban job growth may be needed to reduce rural caseloads, in addition to more widely available childcare, job training, and other assistance.

Most of the employment growth in both Mississippi and South Carolina has been concentrated in urban counties and rural counties along the Atlantic and Gulf coasts. The most remote rural counties have not benefited as much from State economic growth. As caseloads rise in the next recession, States will have three options under TANF rules: "cut people off even though jobs may not be available, relax the time limits, or provide some form of subsidized work for those that cannot get private employment" (Ellwood, p. 193). States like South Carolina and Mississippi, with pockets of rural poverty, may be hard pressed to support low-income households if State revenues are not growing and the TANF block grant is fixed.

As a caveat, South Carolina and Mississippi have few metro areas with urban core counties that have large concentrations of poverty and TANF dependence. Given the evidence in Smith and Woodbury that urban core cities do worse than suburbs or non-urban areas in providing jobs for low-wage labor, a test for caseload change between rural areas and the urban core would be useful and best undertaken in States that have larger metro areas. RA

rules, time limits, and efficiencies or "cultural" reforms in how the local welfare agencies provide services to welfare clients under TANF versus AFDC.

Next, a second welfare policy variable tests the proposition that TANF reforms are likely to reduce caseloads only in conjunction with a robust county economy that provides job opportunities to former welfare clients. Simply put, welfare reform may provide a host of incentives to exit welfare but if no jobs are waiting, one would not expect the caseloads to decline. As the county economy strengthens (unemployment rates fall), caseloads are expected to decline.

The role of the local economy in caseload change is also captured in a second variable—the employment growth rate for the county. Employment growth is a good indicator of how well the local economy is doing in generating new jobs for welfare leavers and those that might be new entrants to the welfare program. In contrast, the unemployment rate reflects household decisions on labor force participation and underlying population change as well as local job generation. Faster local job growth should reduce welfare caseloads—a negative parameter is expected for the employment growth variable. As before, if TANF reforms are most effective when jobs are more plentiful, then the interaction effect between local employment growth rates and TANF should be significant and the parameter estimate should be negative.

Regions Used to Test for Rural-Urban Differences in Caseload Change

Several regression models are estimated to reflect alternative ways to define "rurality" using *alternative* dummy variables representing location effects. In the first regression, a simple indicator variable identifies counties as either metro or nonmetro. The second regression tests for a "remote" rural disadvantage by dividing the nonmetro counties into those adjacent and not adjacent to metro counties. Welfare participants in counties more distant from urban job centers may have less access to jobs than welfare participants in counties near urban counties. A third regression divides the nonmetro counties into one of four economic base groups: farm, manufacturing, government, or other (services and nonspecialized) (Ghelfi and Parker). Positive parameters on these dummy variables would indicate that counties in these classes are less likely to reduce welfare participation rates than are urban counties, given the same vitality of the local economy, opportunity cost of not working, and policy regime.

Finally, each State was divided into functional economic regions (economic areas developed in Johnson). These regions have an urban center county and rural hinterland counties that are connected by substantial within-region commuting. Regions with a booming urban center that offer jobs to residents of nearby rural areas are expected to have more success in reducing rural caseloads than other regions.

For Further Reading . . .

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The Number of Hired Farmworkers Increased in 2000 and Most Now Come From Minority Groups

Jack L. **Runyan**

After decreasing between 1996 and 1998, the number of hired farmworkers increased between 1999 and 2000. Weekly earnings decreased in 2000 and hired farmworkers remained one of the occupations with the lowest earnings and family incomes. In 2000 members of minority groups accounted for more than 50 percent of the hired farm work force for the first time.

The agricultural workforce consists of farm operators, unpaid workers and hired farmworkers. Hired farmworkers (persons who do farm work for cash wages or salary) continue to account for 30 percent of annual average agricultural employment in 2000. Especially during critical agricultural production periods such as planting and harvesting, hired farmworkers provide an important supply of labor when labor demand exceeds the capabilities of operators and their families. Hired farmworkers include persons who reported their primary employment during the survey week as farm managers (7 percent), supervisors of farmworkers (5 percent), nursery workers (4 percent), and farmworkers engaged in planting, cultivating, and harvesting crops or tending to livestock (84 percent).

The Number of Hired Farmworkers Increases

After decreasing between 1996 and 1999, the average number of persons, 15 years of age and older, who reported hired farmwork as their primary employment increased by almost 5 percent, rising from an average of 840,000 per week in 1999 to 878,000 in 2000, according to data from the Current Population Survey (CPS) microdata earnings file. Even with this increase in the number of hired farmworkers, they still accounted for less than 1 percent of all wage and salary workers employed in the U.S. (120,972,000 persons). However, the CPS may undercount farmworkers, who are more likely to live in unconventional living quarters, and are likely to be Hispanic or undocumented foreign immigrants who avoid enumerators.

More Than Half of All Hired Farmworkers Were Members of a Minority

In 2000, about 53 percent of the hired farmworkers were either Hispanic (46.4 percent) or belonged to Black and other non-Hispanic minority groups (6.4 percent) (table 1). The percent of hired farmworkers belonging to a racial/ethnic minority group is higher than for all other major occupation groups, except private household services (fig. 1). In 1990, about 39 percent of hired farmworkers were members of a minority, and this percentage grew fairly steadily over the decade (table 2). However, the high participation rate for minorities in the hired farm workforce has not occurred in all regions and establishments. For example, the hired farm workforce in the West census region and in crop production has been predominately members of a minority group, while in the Northeast and Midwest census regions and in livestock production the hired farmwork forces have been predominately white non-Hispanics during the 1990-2000 period (table 2).

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Table 1

Demographic characteristics of hired farmworkers and wage and salary workers, 2000

Almost all demographic characteristics of the hired farm workforce differ from those of all wage and salary workers

Characteristic	Annual averages			
	Hired farmworkers		All wage and salary workers	
	Thousands	*Percent*	*Thousands*	*Percent*
All	878	100	120,972	100
Gender:				
Male	720	82.1*	62,953	52.0
Female	158	17.9*	58,019	48.0
Racial/ethnic group:				
White	414	47.2*	87,648	72.4
Hispanic	408	46.4*	13,645	11.3
Black and others	56	6.4*	19,679	16.3
Age (years):				
Less than 20	123	14.0*	7,590	6.3
20-24	104	12.0	12,982	10.7
25-34	204	23.2	28,352	23.4
35-44	208	23.7	32,395	26.8
45-54	127	14.5*	25,604	21.2
55 and over	111	12.6	14,049	11.6
Median age	35*		38	
Marital status:				
Married	483	55.0	67,654	55.9
Widowed, divorced, or separated	72	8.3*	17,734	14.7
Never married	322	36.7*	35,584	29.4
Schooling completed:				
0-4 years	117	13.4*	944	0.8
5-8 years	184	21.0*	3,356	2.7
9-11 years	186	21.2*	11,743	9.7
12 years[1]	226	25.7*	37,325	31.2
13 or more years	164	18.7*	67,204	55.6
Citizenship status:				
U.S. citizen	563	64.1*	111,329	92.0
Not U.S. citizen	315	35.9*	9,643	8.0
Employment status:				
Full-time	709	80.8	99,949	82.6
Part-time	169	19.2	21,023	17.4

[1]Schooling completed: 12 years means that a person received a high school diploma, GED, or equivalent degree.

*Significantly different from wage and salary workers at the 95-percent confidence level.

Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Hired Farmworkers as a Group Are Aging Faster Than Wage and Salary Workers

The median age of hired farmworkers increased by 25 percent (from 28 to 35 years old) between 1990 and 2000 (table 3). During the same period, the median age of wage and salary workers increased 15 percent (from 33 to 38 years old) (table 4). Still the median age of hired farmworkers is significantly less than that for all wage and salary workers.

In 2000, the median age of hired farmworkers was highest in the South (38 years) and lowest in the Northeast and Midwest (31 years). The median age of hired farmworkers employed in crop production (37 years) was higher than the median age of hired farmworkers employed in livestock production (32 years) and other establishments (34 years).

Other Hired Farmworker Demographics Remain Constant

The demographic characteristics of hired farmworkers, other than age and racial/ethnic composition, have shown little change since 1990 (table 3). Hired farmworkers are more likely than wage and salary workers to be male, Hispanic, younger, never married, less educated, and non-U.S. citizens (tables 3 and 4). In 2000, over 80 percent of hired farmworkers were male, nearly 40 percent Hispanic, more than three-fourths less than 45 years of age, and more than one-half had not finished 12 years of education. By contrast, over 50 percent of all wage and salary workers were males in 2000, nearly 75 percent were white, two-thirds were less than 45 years of age, and more than half had 13 or more years of education.

Table 2

Percent of hired farmworkers belonging to a minority, 1990-2000

Hired farmworkers in the South and West, and those employed in crop production and agricultural services, are more likely to be members of a minority group

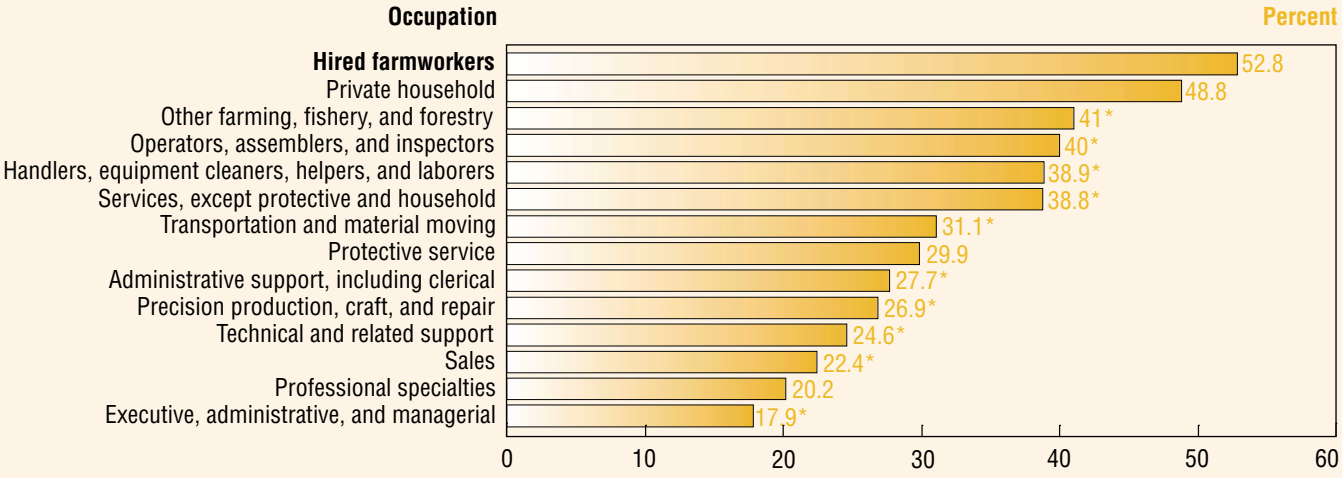
Characteristic	Annual averages										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	Thousands										
Number of workers	886	884	848	803	793	849	906	889	875	840	878
	Percent										
All workers	39.0	39.7	40.3	42.5	48.8	46.5	41.1	47.6	47.6	49.4	52.8
Census region:											
Northeast	9.4	9.2	7.5	7.2	4.2	8.9	7.7	20.7	13.3	15.1	4.0
Midwest	6.3	5.5	5.0	1.6	3.8	5.0	3.5	4.0	4.0	7.2	7.8
South	42.4	44.2	44.8	47.2	53.0	41.0	46.4	49.6	49.9	50.1	54.2
West	65.1	64.1	67.1	68.7	74.3	77.9	66.8	71.0	71.4	74.8	78.3
Establishment:											
Crop production	50.8	55.1	56.9	58.8	77.0	66.3	57.4	62.4	65.8	64.1	70.2
Livestock production	23.1	20.2	19.1	19.6	25.0	20.9	16.8	28.6	25.0	24.4	27.0
Other[1]	52.6	41.9	52.7	43.8	48.1	49.4	60.1	57.5	46.9	64.0	56.9

[1]Other establishments refer to agricultural services.
Note: Data for 1994 and later years are not directly comparable with data for 1993 and earlier years.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Figure 1

Percent of workers who belong to a minority group, by occupation, 2000

Hired farmworkers rank at the top of major occupational groups



*Significantly different from hired farmworkers at the 95-percent confidence level.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Table 3

Demographic and earnings characteristics of hired farmworkers, 1990-2000

Although the number of hired farmworkers and their earnings have fluctuated, most of their demographic characteristics have remained stable

Characteristic	Annual averages										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	Thousands										
Number of workers	886	884	848	803	793	849	906	889	875	840	878
	Percent										
Total	100	100	100	100	100	100	100	100	100	100	100
Gender:											
Male	82.9	82.4	83.8	84.7	83.7	84.5	84.2	83.3	83.8	80.7	82.1
Female	17.1	17.6	16.2	15.3	16.3	15.5	15.8	16.7	16.2	19.3	17.9
Racial/ethnic group:											
White	61.0	60.3	59.7	57.5	51.3	53.5	58.9	52.4	52.4	50.1	47.2
Hispanic	29.4	28.3	30.7	33.6	41.3	41.1	36.0	41.0	41.8	43.0	46.4
Black and other	9.6	11.4	9.6	8.9	7.4	5.3	5.1	6.6	5.8	6.4	6.4
Age (years):											
Less than 25	31.5	25.0	24.7	27.2	28.0	30.1	27.9	30.7	28.4	30.4	26.0
25-44	47.6	51.6	52.6	51.1	48.8	44.2	46.0	45.6	46.7	44.0	46.9
45-59	14.4	15.1	16.3	16.2	17.2	18.2	19.1	17.1	17.8	18.8	19.6
60 and older	6.5	8.3	6.4	5.5	6.0	7.5	7.0	6.6	7.1	6.8	7.5
Median age	28	30	30	29	32	32	34	33	33	33	35
Marital status:											
Married	53.3	53.4	53.5	51.8	58.5	58.5	56.3	52.1	51.9	55.5	55.0
Widowed, divorced, or separated	8.9	11.2	10.1	9.5	8.7	7.5	8.1	8.4	9.3	6.9	8.3
Never married	37.8	35.4	36.4	38.6	32.8	34.0	35.6	39.5	38.8	37.6	36.7
Schooling completed:[1]											
0-4 years	11.1	11.5	14.1	16.4	13.4	14.2	13.1	12.2	10.9	11.3	13.4
5-8 years	21.6	21.2	16.0	17.4	22.9	22.5	19.9	22.1	21.1	22.6	21.0
9-11 years	22.8	22.6	27.0	21.8	22.7	22.7	24.2	24.8	24.9	20.7	21.2
12 years	31.4	31.0	26.9	27.0	25.9	25.9	25.4	22.3	26.5	27.1	25.7
13 years or more	13.1	13.7	16.0	17.4	15.6	14.7	17.4	18.6	16.6	18.3	18.7
Employment status:											
Part-time	21.8	22.8	21.1	22.9	20.1	18.3	22.4	18.5	18.6	20.5	19.3
Full-time[2]	78.2	77.2	78.9	77.1	79.9	81.7	77.6	81.5	81.4	79.5	80.7
	Dollars										
Median weekly earnings:[3]											
Full-time workers[2]	316	303	295	298	290	294	304	297	304	331	319
All workers	264	266	245	262	273	271	274	268	276	289	280

[1]Schooling completed: 12 years means that a person received a high school diploma, GED, or equivalent degree.
[2]Full-time workers usually work 35 or more hours per week.
[3]Median earnings are in 2000 dollars.
Note: Data for 1994 and later years are not directly comparable with data for 1993 and earlier years.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Table 4

Demographic and earnings characteristics of wage and salary workers, 1990-2000

The demographic characteristics of all wage and salary workers have remained relatively unchanged

Characteristics	Annual averages										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	Thousands										
Number of workers	104,351	103,166	104,054	105,407	108,166	110,220	112,142	114,697	116,882	119,130	120,971
	Percent										
Total	100	100	100	100	100	100	100	100	100	100	100
Gender:											
Male	52.7	52.5	52.2	52.1	52.4	52.4	52.2	52.2	52.2	52.0	52.0
Female	47.3	47.5	47.8	47.9	47.6	47.6	47.8	47.8	47.8	48.0	48.0
Racial/ethnic group:											
White	78.3	78.1	77.9	77.7	76.3	76.2	75.0	74.0	73.4	73.1	72.4
Hispanic	7.9	8.0	8.0	8.2	9.3	9.5	9.7	10.4	10.6	10.8	11.3
Black and other	13.8	13.9	14.1	14.1	14.4	14.3	15.3	15.6	16.0	16.1	16.3
Age (years):											
Less than 25	15.8	17.2	16.7	16.6	17.1	16.8	16.2	16.4	16.7	16.8	17.0
25-44	56.5	55.4	55.2	54.7	54.3	53.9	53.8	53.0	52.1	51.2	50.2
45-59	21.8	21.7	22.5	23.2	23.4	24.0	24.7	25.4	25.9	26.6	27.2
60 and older	5.9	5.7	5.6	5.5	5.2	5.3	5.3	5.2	5.3	5.4	5.6
Median age	33	34	34	34	36	37	37	37	38	38	38
Marital status:											
Married	58.2	58.5	58.3	58.2	57.9	58.0	58.0	57.0	56.4	56.2	55.9
Widowed, divorced, or separated	14.3	14.3	15.4	14.6	14.5	14.4	14.5	14.6	14.7	14.6	14.7
Never married	27.5	27.2	27.2	27.1	27.6	27.6	27.5	28.4	28.9	29.2	29.4
Schooling completed:[1]											
0-4 years	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.7	0.8
5-8 years	4.0	3.7	3.0	2.8	2.8	2.7	2.7	2.8	2.7	2.7	2.7
9-11 years	10.8	10.2	10.1	9.8	9.5	9.5	9.7	10.0	10.2	9.9	9.7
12 years	39.4	39.2	35.0	34.4	33.3	32.7	32.4	32.4	31.8	31.6	31.2
13 years or more	44.8	46.0	51.0	52.2	53.6	54.3	54.4	54.0	54.5	55.1	55.6
Employment status:											
Part-time	18.4	19.6	19.9	19.9	20.3	19.0	18.9	18.4	18.2	18.0	17.4
Full-time[2]	81.6	80.4	80.1	80.1	79.7	81.0	81.1	81.6	81.8	82.0	82.6
	Dollars										
Median weekly earnings:[3]											
Full-time workers[2]	534	541	541	542	537	542	528	536	549	568	576
All workers	474	468	466	477	465	452	455	464	481	495	500

[1]Schooling completed: 12 years means that a person received a high school diploma, GED, or equivalent degree.
[2]Full-time workers usually work 35 or more hours per week.
[3]Median earnings are in 2000 dollars.
Note: Data for 1994 and later years are not directly comparable with data for 1993 and earlier years.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Table 5

Family income of hired farmworkers and wage and salary workers, 2000[1]

Hired farmworkers have significantly lower family incomes than all wage and salary workers

Characteristics	Annual averages			
	All hired farmworkers	Full-time hired farmworkers	All wage and salary workers	Full-time wage and salary workers
	Thousands			
Total	878	709	120,972	99,949
	Percent			
Family income:				
Less than $10,000	26.4[a]	25.8[b]	16.0	15.2[a]
$10,000-$19,999	19.9[a]	20.8[b]	7.9	7.3[a]
$20,000-$29,999	19.3[a]	21.4[b]	11.3	11.4
$30,000-$39,999	11.7	12.2	12.0	12.2
$40,000-$49,999	6.5[a]	6.6[b]	9.9	10.1[a]
$50,000 or more	16.2[a]	13.2[b]	42.9	43.8[a]

[1]Combined income of all family members during the past 12 months. Includes money from jobs: net income from businesses, farms, and rents; pensions, dividends, interest, and social security payments; and any other money income received by family members who are 15 years of age and older.
[a]Significantly different from all wage and salary workers at the 95-percent confidence level.
[b]Significantly different from full-time wage and salary workers at the 95-percent confidence level.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

In 2000, 36 percent of hired farmworkers were not U.S. citizens, compared to 8 percent of all wage and salary workers. These percentages have remained fairly constant. Almost 78 percent of the non-U.S. citizens working as hired farmworkers were employed in the West region, where they accounted for 63 percent of the hired farmwork force. Crop production accounted for 72 percent of the non-U.S. citizen hired farmworkers. The West also had the largest percent (39 percent) of the non-citizen wage and salary workers, who accounted for 14 percent of the workforce in that region.

After Increasing for 2 Years, Real Earnings of Hired Farmworkers Decreased in 2000

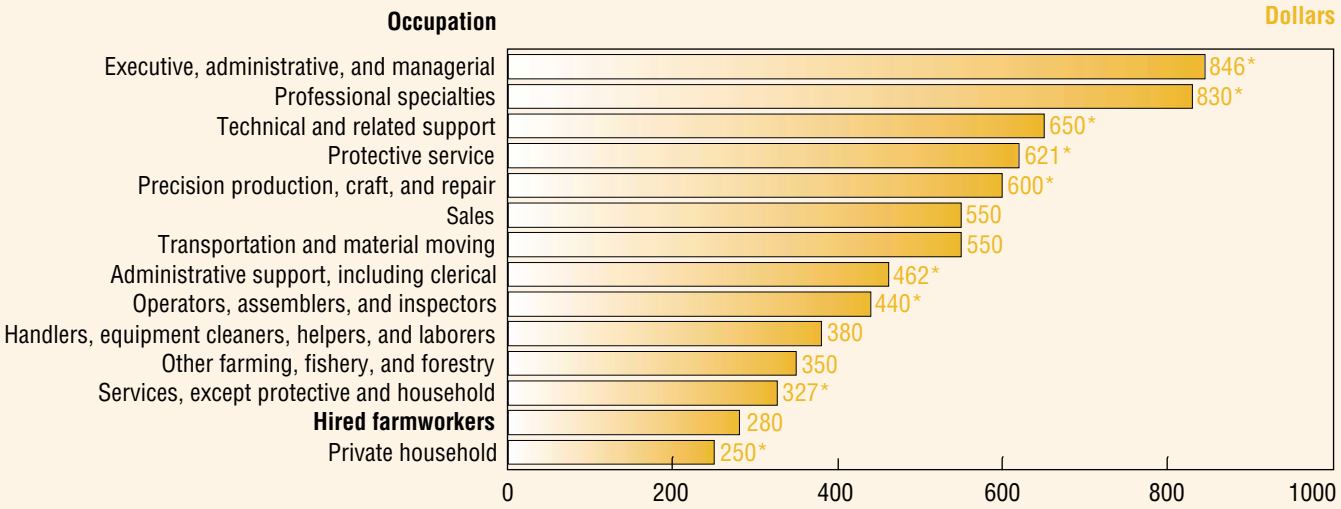
Between 1999 and 2000, the real average weekly earnings of hired farmworkers decreased from $331 to $319 for full-time workers and from $289 to $280 for all hired farmworkers (table 3). These decreases amount to about 4 percent for full-time workers and about 3 percent for all hired farmworkers. Real earnings for all wage and salary workers increased about 1 percent for both full-time and for all workers (table 4). As a result, hired farmworkers' earnings as a percent of all wage and salary earnings for all workers fell from 58 percent in 1999 to 56 percent in 2000. Hired farmworkers continued to rank among the lowest paid wage and salary workers of 14 major occupational groups (fig. 2).

These low earnings are reflected in the annual family incomes of hired farmworkers. As shown in table 5, 46 percent of hired farmworkers had family incomes of less than $20,000, while only 16 percent had $50,000 or more in 2000. In comparison, about 23 percent of all wage and salary workers had family incomes of less than $20,000, and 44 percent had $50,000 or more. Only private household workers had as large a percentage of families with incomes less than $20,000 (46 percent) as hired farmworkers. RA

Figure 2

Median weekly earnings of full-time workers, by occupation, 2000

Hired farmworkers rank near the bottom of major occupational groups



*Significantly different from hired farmworkers at the 95-percent confidence level.
Source: Calculated by ERS using data from the Current Population Survey earnings microdata file.

Funding Is Less in Rural Than in Urban Areas, but Varies by Region and Type of County

Rick **Reeder**
Samuel **Calhoun**

Rural (nonmetro) areas received $5,306, per capita, in Federal receipts in fiscal year 1999 (table 1). This was about $300 less than in urban (metro) areas, representing a 5.6-percent gap. Most of the nonmetro funding gap is explained by significantly lower nonmetro receipts from defense and space programs and from programs corresponding to national functions such as criminal justice, law enforcement, and research. However, nonmetro areas also received significantly less Federal funding from community resource programs, which include housing, infrastructure, and business assistance programs that are viewed as important for stimulating rural development. Nonmetro funding was higher in totally rural areas than in other rural areas, and highest in farming-dependent areas ($6,688). This reflects the unusually high level of farm payments in recent years. In contrast, nonmetro Federal funding was lowest in manufacturing-dependent areas ($4,626), and in commuting areas ($4,600).

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Nonmetro Federal funding levels were highest in the South, at $5,453, and lowest in the Northeast, at $5,040 (table 2). The metro-nonmetro funding gap also varied by region, ranging from 15 percent in the South, to 11 percent in the Northeast, to 1 percent in the West. In the Midwest, nonmetro funding actually exceeded per capita metro funding by 8 percent. This was due in large part to the high Federal receipts in the Midwest's Great Plains area (fig. 1), and was associated with significant farm payments to the region.

Each year, the Bureau of the Census provides data on the geographic distribution of Federal funding through its Consolidated Federal Funds Reports. Focusing on the 90 percent of funding that can most accurately be followed to the county level, we present here the amounts received by metro and nonmetro areas, broken down by major program function, including subtotals for ERS county types and Census regions (see box p. 53, for definitions used in tables). The funding amounts are expressed in per capita terms so that meaningful comparisons can be made between more and less populated areas.

Most rural (and urban) Federal funds come from income security programs, such as Social Security, Medicare, and Medicaid, which provide significant amounts of transfer payments directly to individuals or to service providers. These programs are allocated largely based on demographic and socioeconomic characteristics. This explains why transfer-dependent counties and persistent poverty counties receive high levels of Federal funds. This also explains why the nonmetro South, which has the largest concentration of low-income residents, received more in total Federal funds, per capita, than nonmetro areas in other regions.

However, the South was outpaced by other regions when it came to nonmetro receipts from other Federal program functions. Nonmetro areas in the Northeast ranked first in defense and space funding; the nonmetro West ranked first in funding from other national functions and from human resources and community resources programs; and the nonmetro Midwest ranked first in agricultural and natural resource payments. RA

Table 1

Per capita Federal funds by function and type of nonmetro county, fiscal year 1999

County type	All Federal funds	Agriculture and natural resources	Community resources	Defense and space	Human resources	Income security	National functions
				Dollars per person			
United States	5,542	111	595	671	106	3,277	782
Metro	5,601	35	632	762	102	3,201	870
Nonmetro	5,306	416	445	308	122	3,582	433
By degree of urbanization:							
Urbanized	5,232	346	441	339	121	3,553	431
Less urbanized	5,092	250	421	400	116	3,482	424
Totally rural	5,855	931	470	83	130	3,796	444
By economic county type:							
Farming-dependent	6,688	1,956	544	144	131	3,503	409
Mining-dependent	5,268	183	340	137	143	3,887	578
Manufacturing-dependent	4,626	197	373	140	104	3,487	325
Government-dependent	6,362	165	532	1,429	178	3,431	627
Services-dependent	5,192	304	394	212	105	3,665	512
Nonspecialized	5,175	415	515	76	118	3,685	367
By policy county type:							
Retirement-destination	5,244	51	528	333	91	3,873	369
Federal lands	5,168	93	600	323	129	3,268	755
Commuting	4,600	281	499	195	100	3,295	231
Persistent poverty	5,762	460	441	143	209	4,051	457
Transfer-dependent	6,161	258	516	145	195	4,512	535

Note: Individual figures may not sum to total because of rounding.
Source: Calculated by ERS using Federal funds data from the Bureau of the Census.

Definitions Used in Tables

Program Functions

ERS's six broad function categories for Federal programs are as follows:

- **Agriculture and natural resources** (agricultural assistance, agricultural research and services, forest and land management, water and recreation resources)
- **Community resources** (business assistance, community facilities, community and regional development, environmental protection, housing, native American programs, and transportation)
- **Defense and space** (aeronautics and space, defense contracts, defense payroll and administration)
- **Human resources** (elementary and secondary education, food and nutrition, health services, social services, training and employment)
- **Income security** (medical and hospital benefits, public assistance and unemployment compensation, retirement and disability--includes Social Security)
- **National functions** (criminal justice and law enforcement, energy, higher education and research, and all other programs excluding insurance)

Table 2

Per capita Federal funds by function and region, fiscal year 1999

County type	All Federal funds	Agriculture and natural resources	Community resources	Defense and space	Human resources	Income security	National functions
				Dollars per person			
United States	5,542	111	595	671	106	3,277	782
Metro	5,601	35	632	762	102	3,201	870
Nonmetro	5,306	416	445	308	122	3,582	433
South	6,067	97	637	903	110	3,346	975
Metro	6,273	35	692	1,089	104	3,172	1,182
Nonmetro	5,453	281	472	347	130	3,866	357
Northeast	5,193	11	257	475	103	3,670	676
Metro	5,577	8	485	478	103	3,797	707
Nonmetro	5,040	41	358	454	106	3,667	413
Midwest	4,857	262	475	351	90	3,123	556
Metro	4,757	65	525	417	88	3,040	622
Nonmetro	5,136	813	335	169	96	3,355	370
West	5,439	62	758	800	118	2,900	801
Metro	5,447	30	777	869	111	2,857	804
Nonmetro	5,387	259	638	379	159	3,169	783

Note: Individual figures may not sum to total because of rounding.
Source: Calculated by ERS using Federal funds data from the Bureau of the Census.

County Types and Regions

We use the Office of Management and Budget definitions for Metropolitan Statistical Areas (MSAs), based on population and commuting data from the 1990 Census of Population and the Current Population Survey data for 1993. In this article, "urban" and "metro" have been used interchangeably to refer to people and places within MSAs, while "rural" and "nonmetro" are used interchangeably to refer to people and places outside of MSAs.

When distinguishing nonmetro counties with different degrees of urbanization, we relied on the definitions used in Margaret A. Butler and Calvin L. Beale, *Rural-Urban Continuum Codes for Metro and Nonmetro Counties, 1993*.

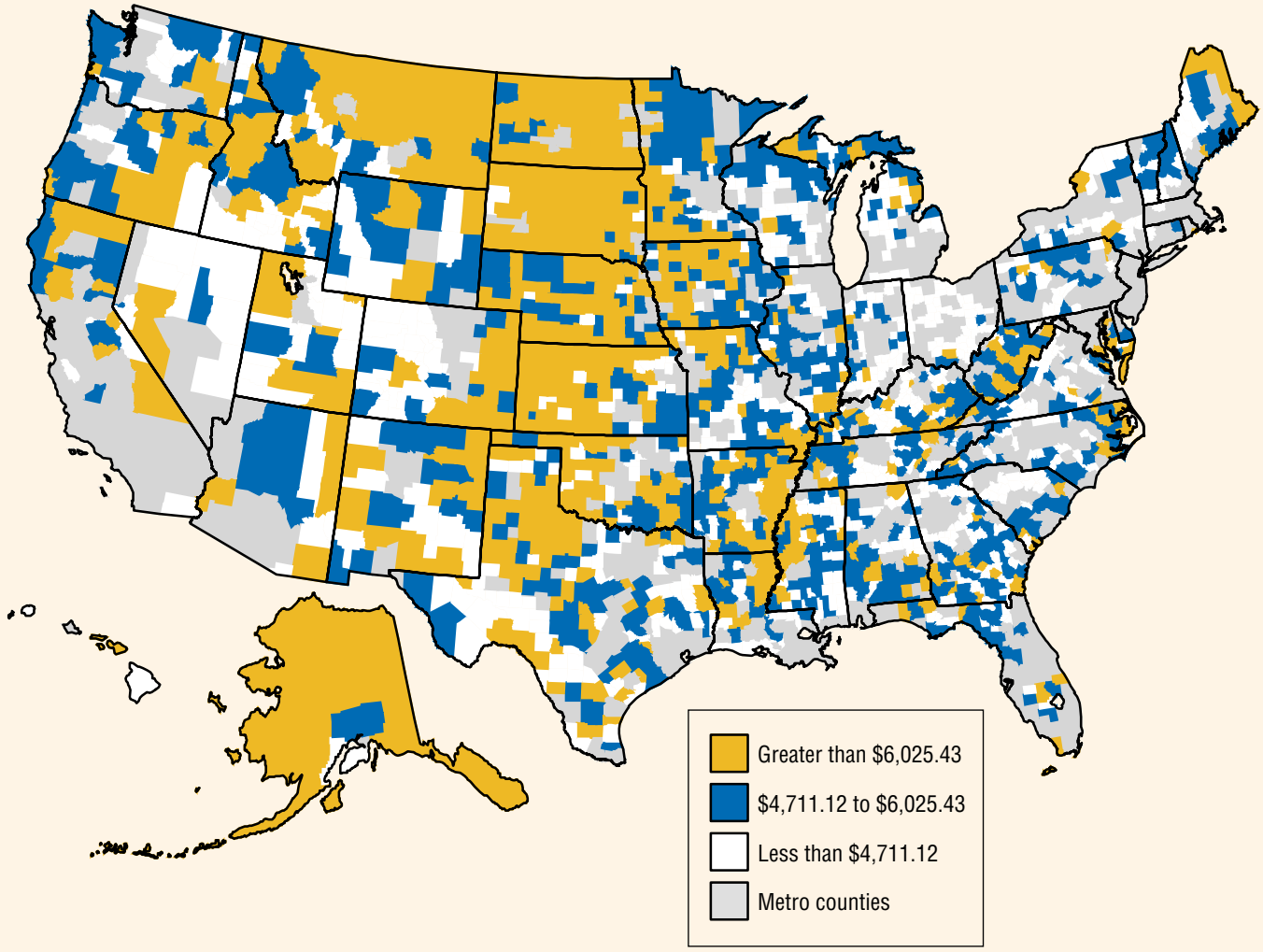
The county typologies used in the tables are those described in Peggy J. Cook and Karen L. Mizer, *The Revised ERS County Typology: An Overview*, RDRR-89, U.S. Department of Agriculture, Economic Research Service, Dec. 1994. We used the four regions defined by the Bureau of the Census.

For more details on these definitions and on the data and methods used, see the Federal Funds Briefing Room on the ERS web site, *www.ers.usda.gov/briefing/federalfunds*. This web site also provides maps for different program functions, access to individual county level data, plus research focusing on selected rural regions (such as Appalachia, the Black Belt, and the Great Plains).

Figure 1

Per capita Federal funds, fiscal year 1999

Rural areas with the highest Federal funding, per capita, are in the Great Plains, the Mississippi Delta, and Alaska



Source: Calculated by ERS using Federal funds data from the Bureau of the Census.

Child Poverty Was Lower at End of 1990s

Carolyn C. **Rogers**

Child poverty in 1999 remained high, with 11.5 million children under age 18 classified as poor, representing 37 percent of the poverty population. The child poverty rate (16 percent) exceeded the 12 percent rate for the general population. In 1999, the poverty threshold for a family of four with two children was $16,895. Poverty rates for children in rural areas have historically been higher than rates for children in urban areas; 20 percent of nonmetro children were poor in 1999 compared with 16 percent of metro children. With child poverty remaining high throughout the 1990s, it is critical to identify those children in need of assistance who may fall through the safety net.

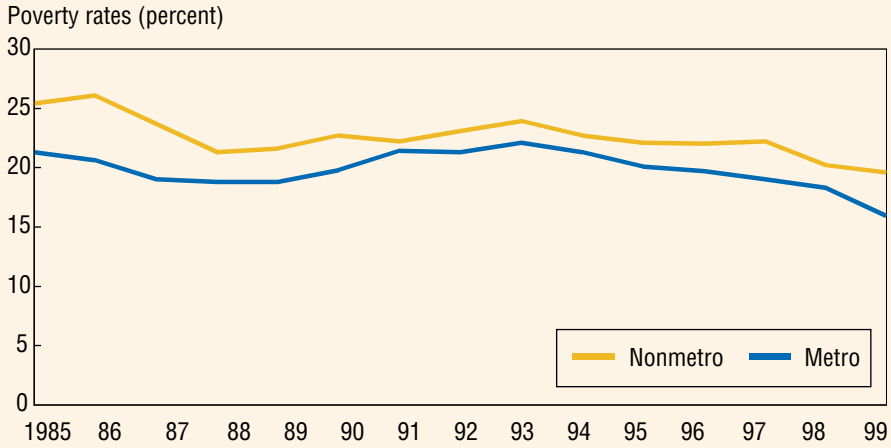
The number of children in the United States has continued to grow in the last decade of the 20th century, though children under age 18 now represent a smaller proportion of the total population than in the peak years of the mid-1960s. There were 70.4 million children under age 18 in America in the year 2000. Because of significant changes in the structure of American families, more children today can expect to live in a single-parent family at some point in their lives due to both high rates of divorce and increased out-of-wedlock childbearing. Mother-only families are more apt to be poor. An understanding of the nature of child poverty, especially in light of recent changes in the welfare program, is important for shaping successful public policies to improve the condition of children and to help them attain their potential. Statistics on child poverty may serve as a benchmark to evaluate the effects of welfare reform efforts. Most of the data in this article are from the March 2000 Current Population Survey (CPS) data file and previous years.

Child Poverty Declined Slightly in the Late 1990s

Nonmetro children have had consistently higher levels of poverty than metro children since the 1970s. In 1970, the child poverty rate was 12 percent in metro areas and 20 percent in nonmetro areas. In the late 1980s, child poverty rates declined and the metro-nonmetro gap narrowed (fig. 1). The rates increased in the early 1990s, but beginning in 1994, the metro child poverty rate dropped substantially, declining 6 percentage points to 16 percent in 1999. During this time period, the nonmetro child poverty rate also dropped, ending up 4 percentage points lower (20 percent) in 1999.

Despite slightly higher poverty rates, nonmetro children had slightly lower participation rates in the

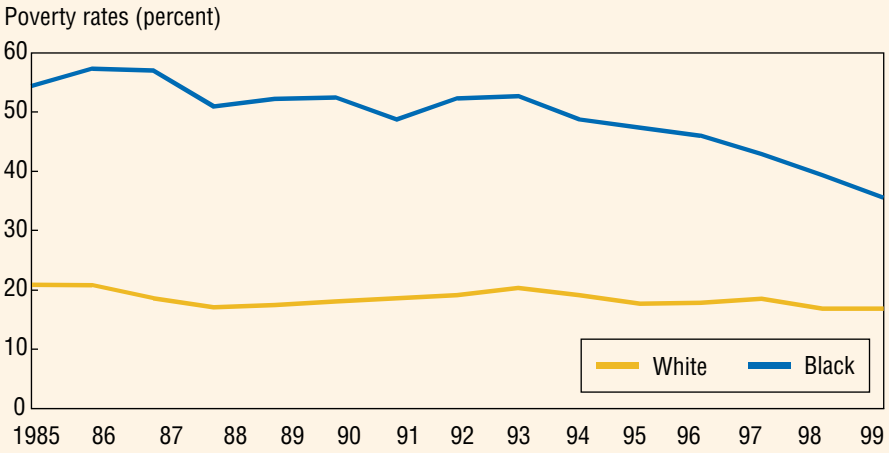
Figure 1
Child poverty rates by metro-nonmetro residence, 1985-99
Child poverty rates declined in the latter half of the 1990s



Note: Child poverty rates are based on related children under 18.
Source: Current Population Survey (CPS) data files 1986-2000.

Carolyn C. Rogers is a demographer with the Food and Rural Economics Division, Economic Research Service, USDA. Carolyn C. Rogers (crogers@ers.usda.gov, 202-694-5436).

Figure 2
Nonmetro child poverty rates by race, 1985-99
Poverty rates declined steadily for Black children, narrowing the Black-White gap



Note: Child poverty rates are based on related children under 18.
Source: Current Population Survey (CPS) data files 1986-2000.

Aid to Families with Dependent Children (AFDC)/Temporary Assistance to Needy Families (TANF) program than metro children during the 1990s. Some of the residential difference in participation rates reflects the greater tendency of nonmetro poor children to live in two-parent families where at least one parent is employed. During the 1990s, participation rates for both metro and nonmetro children declined. It appears that a robust economy and the implementation of State waivers in the mid-1990s are among the factors affecting the decline in AFDC/TANF participation.

Poverty Rates for Nonmetro Black Children Declined Steadily Since 1985

While most poor children are White, the poverty rate of Black children is much higher than the poverty rate of White children. In 1999, the 36-percent poverty rate for nonmetro Black children compared with a 17-percent poverty rate for nonmetro White children. The Black-White gap in poverty narrowed between 1985 and 1999 (fig. 2). This is primarily the result of a steady 19-percentage point decline in Black child poverty from a high of 57 percent in 1986 to a low of 36 percent in 1999. The White child poverty rate also declined, though not as markedly, from 21 percent in 1985 to 17 percent in 1999. 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.

While the racial gap in childhood poverty has decreased, racial differences persist because a growing proportion of Black children live in mother-only families. Children in mother-only families have a greater chance of being poor than children living with two parents. In 1999, 40 percent of children in mother-only families were in poverty, compared with 8 percent in two-parent families. About half of Black children in mother-only families are below the poverty line, compared with 29 percent of their White counterparts. This contrast by family structure is especially pronounced within racial groups. For example, 10 percent of Black children in married-couple families were poor, compared with 50 percent of Black children in mother-only families in 1999. Children in mother-only families suffer economically because their mothers usually have low earnings, their fathers often do not contribute to their support, and their financial assistance benefits may not be sufficient

Share of Near-Poor Children Has Remained Level While That of Severely Poor Has Fallen

In addition to the 20 percent of nonmetro children under 18 who were poor in 1999, nearly 14 percent were classified as near-poor (in families with total incomes 100-149 percent of the official poverty level), compared with 11 percent of metro children. The percentage of near-poor children ranged from 9 to 10 percent in metro areas and from 13 to 15 percent in nonmetro areas between 1985 and 1999, ending up at 14 percent in 1999 (fig. 3). The financial standing of the near-poor is precarious at best, with family incomes only marginally above the poverty line. 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).

Thirty-six percent of nonmetro poor children lived in severe poverty, or with family incomes less than 50 percent of the poverty level, compared with 41 percent of metro poor children. Nonmetro areas have

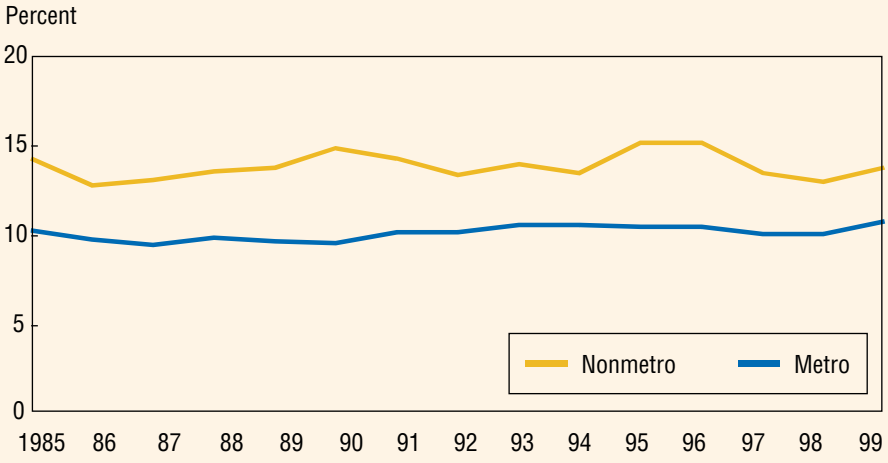
Photo courtesy Economic Research Service, USDA.

shown greater improvement over time in this measure than metro areas. In 1985, about one-half of nonmetro poor children were in severe poverty, compared with 44 percent metro, declining 14 percentage points by 1999 (fig. 4). The depth of poverty among children is affected by whether all or some family income comes from earnings or AFDC/TANF.

Conclusion

Child poverty in 1999 remained high, with 11.5 million children under age 18 being poor, and the child poverty rate (16 percent) exceeded the 12 percent rate for the general population. Poverty rates increased in the early 1990s, but beginning in 1994, the metro child poverty rate dropped substantially, declining 6 percentage points by 1999. During this time period, the nonmetro child poverty rate also dropped, ending up 4 percentage points lower (20 percent) in 1999. More children now live in a single-parent family at some point in their lives due to both high rates of divorce and increased out-of-wedlock childbearing, and mother-only families are more apt to be poor. In 1999, the 36-percent poverty rate for nonmetro Black children was substantially higher than the 17-percent poverty rate for nonmetro White children. However, the Black-White gap in poverty narrowed between 1985 and 1999. Childhood poverty has both immediate and long-term negative effects. Children in low-income families fare less well than children living in families above the poverty line on many indicators of economic security, health, and education. Children living below the poverty line are more likely to have

Figure 3
Near-poor children, by metro-nonmetro residence, 1985-99
The percentage of near-poor children increased slightly at the end of the 1990s

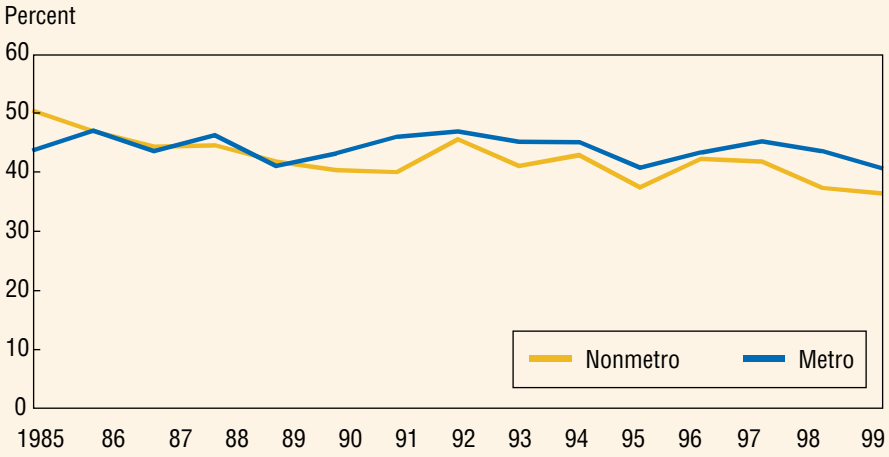


Note: Child poverty rates are based on related children under 18.
Source: Current Population Survey (CPS) data files 1986-2000.

Figure 4

Children in deep poverty, by metro-nonmetro residence, 1985-99

The percentage of severely poor children declined in the late 1990s



Note: Child poverty rates are based on related children under 18.
Source: Current Population Survey (CPS) data files 1986-2000.

difficulty in school, to become teenage parents, and, as adults, to earn less and be unemployed more frequently. The cost of child poverty to the Nation is high because child poverty may affect the future productivity and competitiveness of the labor force. RA

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