

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

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

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

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

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

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

## Why Should We Be Interested?

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

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

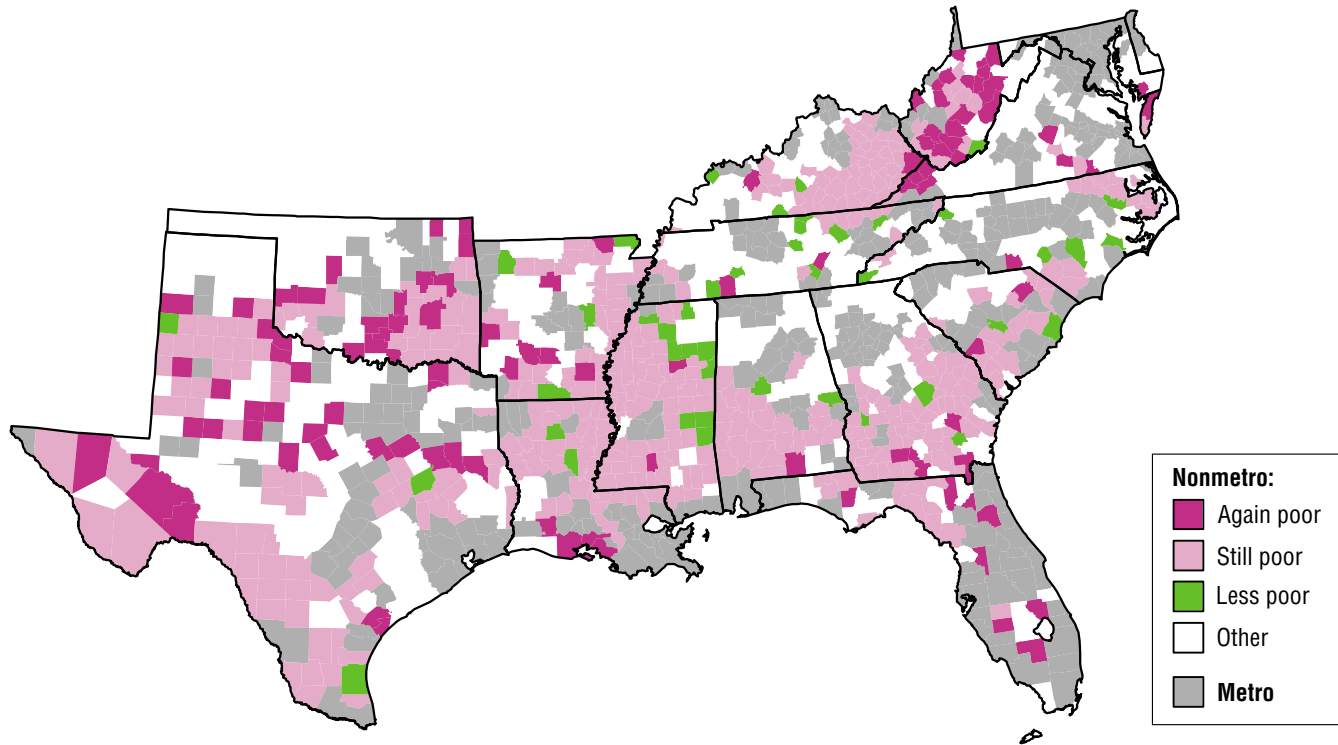
A parallel question is whether national growth trickles down to the poorest areas of the country. Cook and Mizer showed that the average persistent-poverty county lost population and had much lower per capita income than the average nonmetro county during the 1980's, when national inequality was rising.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

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Figure 1

### Southern nonmetro counties by poverty status, 1995

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



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

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

### Southern Nonmetro County Groups and Their Locations

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

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

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

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

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

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

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

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

Table 1

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

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

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

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

Table 2

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

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

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

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

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

**Population Growth and Migration**

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

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

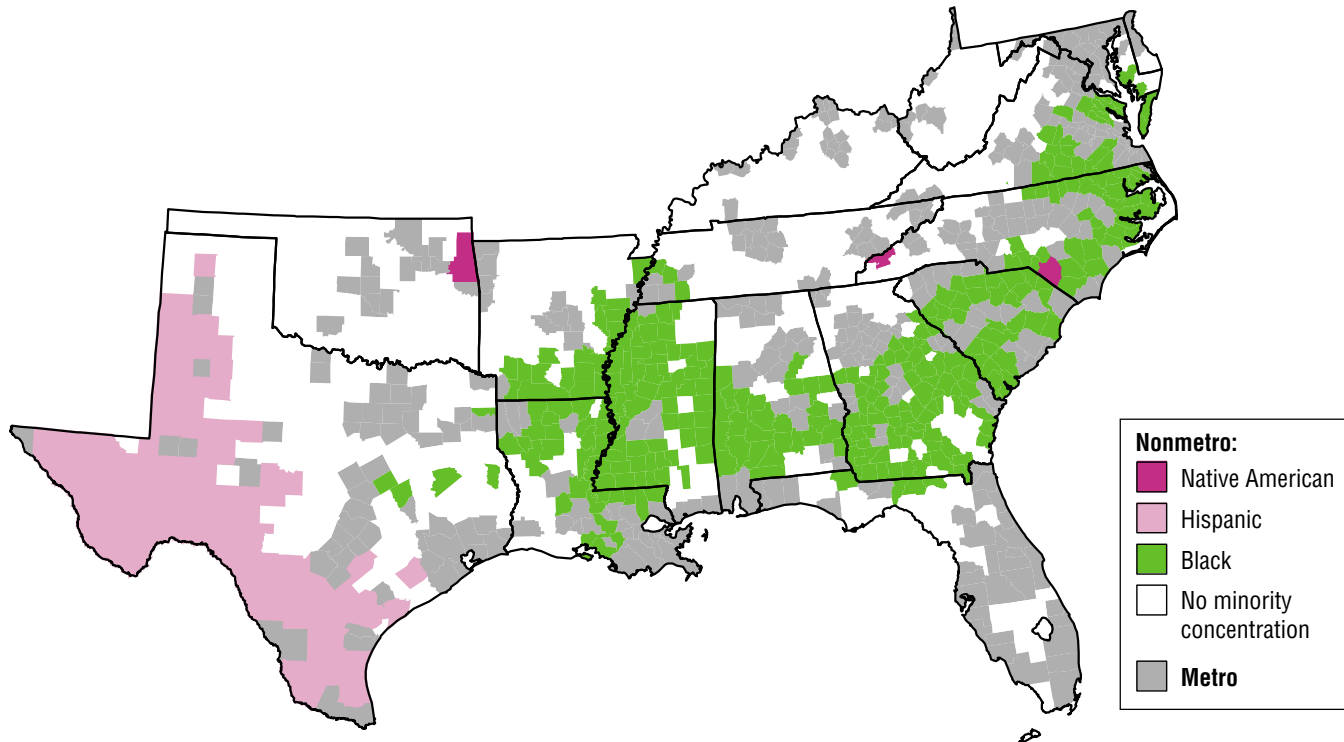
**Race and Ethnicity**

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

Figure 2

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

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



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

Table 3

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

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

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

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

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

**Characteristics of the Local Economic Base**

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

### County Poverty Rate Estimates

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

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

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

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

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

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

Table 4

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

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

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

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

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

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

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

Source: ERS.

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

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

### Urban Influence and Commuting

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

Table 5

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

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

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

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

NA = Not applicable.

Source: ERS.

Table 6

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

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

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

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

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

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

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

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

Table 7

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

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

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

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

Table 8

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

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

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

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

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

### Income, Earnings, and Transfers

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

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

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

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

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

Table 9

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

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

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

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

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



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

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

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

Table 10

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

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

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

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

Table 11

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

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

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

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

**Local Jobs and Businesses**

Along with the role earnings play in determining per capita income, the earnings obtainable from a local job are also important in judging the economic vitality of a county. The gap in earnings per job is wide between metro and nonmetro areas of the South.

Metro jobs average \$30,415 in earnings, \$7,500 more than jobs average in other nonmetro counties (table 9). The averages for the four groups of nonmetro counties range from \$22,871 per job in other counties down to \$21,007 in still-poor counties. This range is much narrower than the range in per capita incomes.

The unemployment rate also speaks to the vitality of the economy. Southern metro areas have lower unemployment than nonmetro areas. In 1995, the year of the most recent poverty estimates, unemployment was higher in the still-poor and again-poor counties than in the less-poor and other nonmetro counties (table 10).

Lower unemployment rates in 1998 suggest that employment conditions have improved since then. The less-poor counties had the least improvement, but they still had lower unemployment than the other two groups of poor counties.

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

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

### The Overall Situation

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

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

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

Table 12  
**Rankings of various economic conditions in Southern nonmetro counties by poverty status**

*Less-poor counties outscore still-poor and again-poor counties, but lag other nonmetro counties on most indicators*

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

\*Tied for first.



Photo courtesy USDA/ERS.

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

### Development Programs

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

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

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

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

### What About the Future?

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

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

Table 13

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

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

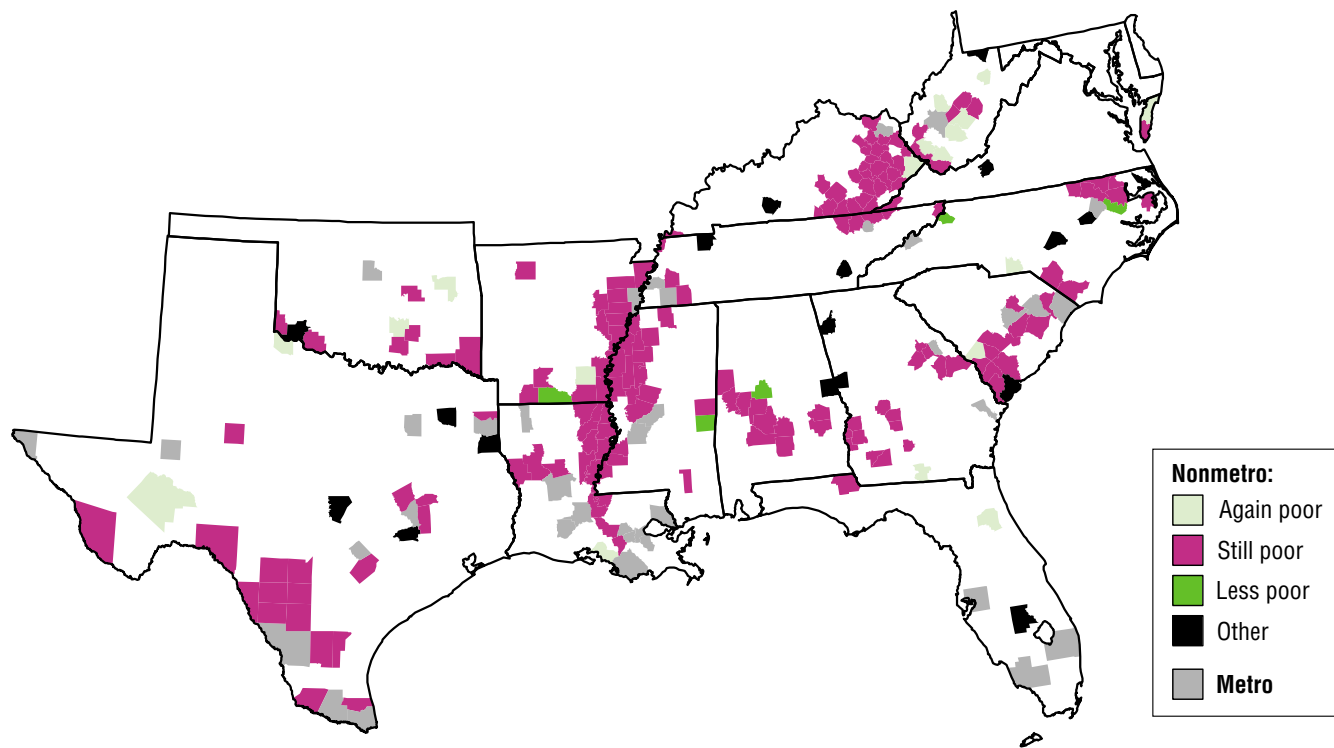
Item	Nonmetro				
	Metro	Persistent poverty			Other
		Less poor	Still poor	Again poor	
	<i>Number</i>				
All counties	402	44	399	110	470
Counties with program:					
Round 1 Empowerment Zone	2	0	11	0	0
also have a Champion Community	0	0	7	0	0
Round 2 Empowerment Zone	0	0	2	0	0
Round 1 Enterprise Community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

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

Figure 3

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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