Poverty and Place across the U.S: Subnational Disparities in Economic Well-Being and Their Significance for Research and Policy

Linda Lobao
Professor, Rural Sociology, Sociology, and Geography
The Ohio State University
Columbus OH 43210

Paper presented at the Conference on Regional and Applied Economics (CRAE) Conference
Columbus OH April 6, 2013
Studying Poverty across the Social Sciences

Conventionally social science research addressing poverty is aimed at two spatial scales:


*National/cross-national scale* (e.g. Collier, Paul. 2007. *The Bottom Billion: Why the Poorest Countries are Failing.* New York: Oxford)

***By poverty, I refer here to the broader question of economic well-being across populations.***
Family Poverty Rates for Four Censuses

Legend
- Low
- Moderate
- High
2010 Poverty Rate United States

Legend

- **3.1 - 9.0**
- **10.0 - 15.0**
- **15.1 - 25.0**
- **25.1 - 35.0**
- **35.1 - 60.0**
Overview of this presentation

I. The study of poverty and prosperity or “spatial inequality” at the subnational scale:
   --significance for research and policy
   --the existing body of research literature

II. Importance for the Great Recession decade

III. Poverty and policy: the role of local governments

IV. Moving research forward
Why is the subnational scale significant?

1. Reflects a knowledge gap across the social sciences (conventionally research is largely at the national/cross-national or urban scales)

2. Allows for bridging social science disciplines (e.g. geography, sociology, regional economics).

Importance for the social sciences as a whole—example:


Why is the subnational scale significant?

3. The site of pressing questions about U.S. well-being—some examples:

- Persistence of longstanding poverty--rural South, US-Mexican border locales, Appalachia, and rural Native America—continue to lag behind others—and still today the South overall behind the North

- More recent patterns of income polarization within regions (e.g. southern California, Eastern Seaboard)

- Impacts of the Great Recession and recovery--cuts to state/local governments, asset changes/housing markets
Why is the subnational scale significant?

3. The site of pressing questions—some examples (continued)

The impacts on populations’ well-being from important societal changes:

- climate/environmental change, development of new energy sources such as gas shale
- immigrant populations--impacts on regions’ economies and services
- investment/disinvestment by international firms
- decentralization of government to states and localities
Why is the subnational scale significant?

4. *Useful for extending theory*—a site for testing relationships (e.g., economic inequality and growth; civic society/social capital and poverty)

5. *Policy: numerous government agencies benchmark poverty/distress across this scale*

Past Regional Patterns of Poverty
Family Poverty Clustering (Local Moran’s I)
Mind the Gap! When will Congress address growing economic inequality?

IF U.S. LAND WERE DIVIDED LIKE U.S. WEALTH

1% WOULD OWN THIS

9% WOULD OWN THIS

30% WOULD OWN THIS

20% WOULD OWN THIS

40% Would Own This Red Dot
Poverty and Place: Subnational Research

Research spans the social sciences—it has a thematic concern with factors explaining economic disparities (e.g. poverty rates, income levels, income inequality)

Common determinants (independent variables):
- economic structure (quality and quantity of local employment)
- demographic attributes (e.g. age, race/ethnicity, family structure—reflecting residents’ vulnerability to poverty)
- geographic context (population agglomeration, regional context)

Methodological protocols:
- counties most commonly used unit-of-analysis—have advantages
- quantitative studies use various regression-type models
Poverty and Place: Subnational Research

Publications that review this body of research:


Poverty and Place: Subnational Research

Journals interested in this work— in addition to *Regional Studies* and others you might be familiar with in regional/urban/agricultural economics

*Cambridge Journal of Regions, Economy, and Society*

*Social Science Quarterly*

*Social Science Methodology*

*Rural Sociology*

*Growth and Change*
Poverty and Place: Subnational Research

Common limitations with the body of research:

- Research still in development—theory, methods still being routinized.

- Theorizing poverty—“power relationships” are a central study in geography and sociology, yet often not considered in research outside these disciplines.

- Limited focus on “determinants” of poverty.

--Most research on economic structure (e.g. manufacturing and services) – relatively little on the role of government.
Poverty and Place: Subnational Research

*Common limitations with the body of research:*

- Common methodological issues—modeling spatial processes and endogeneity

- Data availability—dependence on Census-type data

- Units of analysis—“fit” with research question. Also, policy-making unit and population aggregate should fit. Yet few studies question whether county governments matter in poverty-relationships.
Poverty and Place: Advancing Research

1. The Great-Recession period--what can research tell us about how places and populations fared?

2. Poverty and local governments
To what degree does poverty impact local governments--how much of a barrier to “good” policy-choices?

Conversely, can local governments make a difference to poverty alleviation?

Important questions in alleviating poverty-- given the U.S. decentralized federalist system
II. Poverty and Place: Extending Research to the Post-Recession Period

Poverty in the post-recession period—research in progress.

Analyses use counties (N approximately 3000) for 2000-2010 period

Linda Lobao, Mark Partridge, Michael Betz—The Ohio State University and Richard Goe, Kansas State University—with funding from the North Central Regional Development Center.
Exploratory regression analyses—using mix of independent variables with focus on:

(1) **Economic Structure:**
*Share of employment by industry*—manufacturing, mining, agriculture, services (professional versus food services)

*Employment growth*

(2) **Demographic Attributes (residents’ vulnerability):** age, education, ethnic composition, family structure

(3) **Agglomeration Factors:** distance from urban areas, size of place.
Findings for *levels* of poverty in 2010

**Economic Structure:**

*Employment growth* related to lower future poverty—importance of job growth for overall area well-being.

*Manufacturing and professional services* ("higher quality" jobs)—where higher in 2000, no significant relationship with poverty rates in 2010. (Differences from some past decades)

*Mining*—where higher in 2000, lower poverty in 2010.

**Demographic Determinants:** similar to past:
Education (higher % college educated in 2000 related to lower poverty in 2010)
Family structure (lower % single-parent households related to lower poverty)

**Agglomeration Factors:** Counties more distant from metro areas tend to have lower poverty rates (Differences from the traditional, past-penalty of rurality)
Findings for changes in poverty: where the recession hit hardest over years 2007-2010

**Economic Structure:**
*Manufacturing employment and food service employment:* where greater —poverty growth.
*No significant relationship*—professional services and poverty.

**Demographic:**
*Education*—little effect; highly educated places generally did not fare better.
*Single parent male households*—poverty growth.
*Age:* younger—greater poverty; over age 65—less poverty growth.

**Agglomeration Factors:** larger metro counties experience greater growth in poverty

Other common determinants of poverty show little association with ability to weather the recession.
III. Poverty and Policy: the role of local governments

- Policy interest in local governments from both right and left sides of political spectrum

- Shifts in governance systems globally (decentralization) have increased the functional responsibilities of local governments

- New policy-experiments undertaken by local governments

- “Place-based” poverty policy increasingly recognized as an important adjunct to “people-based” policy.

- Local governments have become more important to populations’ well-being as U.S. migration rates have slowed—more “stayers”
III. Poverty and Policy: the role of local governments

*Focus on counties--not just population aggregates--but also important units of government:*

- cover more residents than municipalities

- fastest growing general purpose governments in the U.S. (in part due to devolution)

- exceed size of federal civilian government in terms of employment

- provide important human services and administer welfare (TANF program) for many Americans
III. Poverty and Policy: the role of local governments

Does local area poverty prevent local governments’ from creating policies/programs that could benefit residents?

Alternatively, do local governments have any affect on potentially alleviating poverty within their borders?

*Data and empirical studies are limited in answering these questions.*
Data Sources:
No generalizable data about local governments’ direct policies exists. Researchers use surveys of local officials. Most often used survey-source is ICMA but response rates are low (about 30%) and focus is larger counties/cities, rural areas largely missed.

Collaborating with the National Association of Counties (NACo), David Kraybill (OSU) and I undertook three-waves of surveys.

County Government Surveys: Counties in the 46 contiguous states with functioning county governments (N=3000)
• First Wave (Year 2001), response rate of 62%.
• Second Wave – (Year 2004), response rate of 50%.
• Third Wave – (Year 2007/2008), response rate of 60%

Secondary data: Census of Governments, Census of Population, SAIPE, BEA, other sources.
Does poverty prevent local governments’ from creating policies/programs that might help residents?

This question is explored in a study examining whether poverty affects the range of economic development and work-force service activities that localities pursue.

L. Lobao and D. Kraybill. 2009. “Poverty And Local Governments: Economic Development And Community Service Provision In An Era Of Decentralization” Growth and Change 40 (3):418-451. Funding for this study was provided by the USDA-NIFA grant number 2007-35401-17733.
Debate: Does poverty prevent local governments’ from creating policies/programs that might help residents?

1. The Penalty of Poverty View:

- Poverty creates pressures for business growth even at the expense of citizens’ needs-- a trade-off between growth and redistribution policies.

- Counties highly engaged in economic development activities will provide fewer services for workers/poor.

- Trade-off effects should be greater in the case of poorer counties who are under greater growth pressures.

- In sum, poverty creates tendency toward policy-efforts that are poorer quality choices
2. **The Contrasting Institutional View: institutional attributes are more important determinants**

- Poverty may be less important than local government capacity and other institutional factors in determining policy choices.

- Poverty plays a dual role: it reflects resource shortage but also the need for local government intervention--it can function as a barrier to or as a catalyst for action.

- Recent studies (using smaller samples) – find mixed empirical evidence about whether area poverty constrains the choice of economic development policies.
**Empirical Analysis:**

**Dependent Variables: County Policy Activities 2001-2004**

- Traditional business attraction activities (index of 7 policy tools)
- More sustainable “new wave” activities (index of 7 policy tools)
- Community support activities (index of 10 activities)

**Key Independent Variables**

- Poverty rate (2000) and changes in the poverty rate (1990-2000)
Independent Variables (continued)

Local government capacity:
government size
staff resources
collaboration efforts (local citizens, other governments)
fiscal-related capacity

Pressures related to decentralization:
devolution pressures (e.g. loss of revenues, mandates from federal/state government)
service demands
competition from other local governments

Other county characteristics (control variables):
employment base
demographic composition
population size and metro/nonmetro location
To what extent is poverty related to economic development and community support activities?

Prior to adding control variables in models:
Counts with higher poverty---no different from others in use of business attraction but less active in “new wave” and community support services.

By contrast, counties experiencing an increase in the poverty rate were more active in all three types of activities.

However, once other variables are added in regression models: poverty rate and poverty rate change have no significant direct effect.

The most consistent significant policy determinants: administrative and fiscal capacity, devolutionary pressures, and inertia (** note, poverty rates appear to be independent from these determinants).
Does poverty prevent local governments’ from creating policies/programs that might help residents? Conclusions from findings.

Findings challenge some conventional views that poverty is an inherent structural barrier: poorer counties are not more likely to pursue competitive economic development at the expense of services for workers and families.

In other words, even the nation’s poorer counties have capacity to make good policy choices!
Do local governments have any affect on potentially alleviating poverty?

- Do county governments’ and their policies influence local populations’ economic well-being?

- Focus on job growth, poverty rates, and household income in the 2001-2007 period.


This research received partial support from NIH award R21-HD47943 to the Initiative in Population Research at The Ohio State University.
Local Governments and Poverty: Contrasting Positions

*The Case for the Beneficial Effects of Local Government*

1. *Institutional Capacity of Local Governments*

Where government is larger and institutionally stronger (i.e., with greater bureaucratic and fiscal capacity to operate effectively), its beneficial influence is greater—poverty should be lower and household income higher.
Local Governments and Poverty

2. **Specific Policies and Programs:** Economic development programs and public services serve economic growth and social equity functions

- Programs directed to business: successful economic development programs should create jobs, in turn, raising incomes and reducing poverty.

- Programs directed to community workforce: can build human capital, promote family well-being, increase community cohesion and reduce poverty; can also increase the efficiency of local labor (e.g. transportation and childcare).
Local Governments and Poverty

The Case for the Null or Negative Effects of Local Government -- Arguments from one of two vantage points, grounded in policy-schools from the right and the left respectively.

The limited-government view (the neoliberal policy stance) -- emphasizes governments’ failures.

The critical political economy view: government is important for alleviating poverty-- but stresses the inadequacies of local governments do so.
Empirical Analysis

Modeling Relationships

Examine four indicators of well-being: job growth (2001-2007); individual poverty rate, poverty rate of children under age 18, and household median income (2007)

Job growth (estimated through two-stage LS, with industry-mix growth rates as instrumental variable) then used as a covariate in the poverty and income models.

Robust controls (for other governments and other standard variables)

Data: County Government Survey, Census of Governments, and other secondary data (N=1514 counties in this study)
Empirical Analysis

Independent Variables:
County Capacity
  ▪ Administrative resources:
    -- County government size (full-time employees)
    -- Economic development professional on staff
    -- Grant writer on staff

  ▪ Fiscal resources:
    -- revenue/expenditures (fiscal capacity)
    -- Revenue per capita

  ▪ Decentralization—county autonomy:
    -- State and federal/own source revenue (fiscal autonomy)
    -- Number of governments operating in county (fragmentation)
    -- Devolution—state that devolves welfare to counties
Empirical Analysis

Independent Variables:

County Government Policy: Three Types

--Traditional business attraction: (index of 7 policy tools)

--Alternative (new wave) business economic development: (index of 8 policy tools)

--Local workforce programs: (index of 10 programs)
Empirical Analysis: Results

County government capacity makes a difference

**Job growth is greater where county government capacity is greater**
- More centralized county governments (less fragmented by many local governments)
- More autonomous (less dependence on state/federal funds)

**Total population and child poverty is also lower where counties are**
- More autonomous (less dependence on state/federal funds)

**Median household income is higher where**
- Counties provide a greater number of work force services

**But for most policy variables--no significant effect on well-being**
Research conclusions: county governments make a difference to local well-being

Capacity-building more important than specific policies (strengthening government as a local institution needs to be given greater attention)

Skepticism is needed about local governments’ ability to analyze accurately the costs and benefits of economic development programs. (e.g. no effect of business attraction incentives on job growth)

Further research is being conducted –important to analyze the present time period with regard to cuts in local governments nationally
Percent change in local government employment, 2007-2011

Change in Percent
- < -4.5
- -4.5 to -1.3
- -1.4 to -1.0
- -1.4 to 1.0
- 1.1 to 4.1
- > 4.2
IV. Moving Research Forward

Research on poverty and other economic disparities at the subnational scale is significant across the social sciences. Need to continue to carve out this approach—without it, we cannot understand the development of U.S. society.

Theoretically—across the social sciences, we need to work toward a larger project—developing a better understanding of the geography of poverty. Need better understanding of the manner by which regional disparities in poverty and prosperity are generated.

Need to iron out methodological gaps in our approaches.

Expand research focus to newly emerging/overlooked research topics.
IV. Moving Research Forward

Need to reframe conventional debates about the role of government in society. What can government do best—what are the benefits of local governments?

Based on our research, we expect that where local government is institutionally stronger (i.e., with greater bureaucratic expertise and fiscal capacity) its beneficial influence is greater—job growth should be higher, poverty rates should be lower, and household income should be higher.

We will be testing whether the above relationship holds through the post-recession period and analyzing the degree to which cuts in local governments may have increased poverty and reduced total employment and family incomes across America’s communities.
Thank you!

Questions?