

**The Job Growth-Poverty Reduction Linkage:
Evidence from Canada and the United States**
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Motivation

- The national link between job growth and poverty reduction in the U.S. greatly weakened from about 1973-1993. In the 1960s, it was very strong.
- The link re-established itself post 1993—though not as strong as in the 1960s

- Would we expect a different local vs. national link?
 - Yes!
- Differential local job growth attracts commuters and new migrants—blunting the effects of job growth on original residents
 - 80% of jobs go to non-residents on average
 - (Bartik, 1993, *Regional Studies*; Partridge and Rickman, 2006, *Southern Econ. J.*)

- Rural-Urban Job Growth-Poverty link?
- Debate on whether rural job growth matters (Partridge & Rickman, 2005, *IRSR*; Partridge & Rickman, 2006, *Geography of American Poverty*)
 - Structural impediments and lack of human capital lower the rural poverty response to job growth.

- I argue that (remote) rural job growth more effective than urban job growth in reducing poverty.
 - Remoteness “good” because the community attracts fewer commuters and migrants
 - More benefits remain in the rural/remote community.
 - Question then is how do we spur remote/rural job growth—i.e., the real cost of remoteness

Canada-U.S.

- Canada is different and differences form natural experiments.
 - Economic geography makes large cities more important.
 - Transportation is less developed
 - Fuel taxes are higher
 - Regions are more distinctive
 - More social programs may reduce response to market forces (job growth has weaker impact).

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Empirical Analysis

- Based on the following:
- Chokie and Partridge (2006) Canada
 - www.usask.cerl.ca
- Partridge and Rickman (2006)
 - The Geography of American Poverty
- Unpublished models on urban access

- Preliminary Urban/Rural Patterns
 - U.S. Metro/Nonmetro Differences
 - Nonmetro response to job growth is well over double the Metro response in term of poverty reduction
 - Job creation for females is more important in reducing poverty in both metro and nonmetro America.

- Canada
- The impact of job growth about the same in metro and nonmetro Canada.
 - Perhaps more underemployment in urban Canada or lower urban mobility either through commuting or migration?
- Male labor market conditions appeared to be slightly more important.
 - Implies married families are being lifted above poverty.
 - Caveat is that Canadian data has more measurement error with corresponding implications.

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Simulation

- Simulation of 1% increase in the Employment Population Ratio
- Assume about one-half of new jobs come from previously unemployed workers or about a 0.8 point fall in the unemployment rate (short-term response).
- This implies that employment growth equals about 1.5% assuming a 65% employment-population rate.

- U.S. Nonmetropolitan Poverty would fall about 0.43 to 0.46 percentage points
- Canadian Nonmetropolitan Poverty would fall about 0.15 percentage points
- U.S. job growth has more benefits for the poor
 - Fewer social programs in the U.S.
 - Higher labor force participation in the 1990s

Subsequent Analysis

- High Poverty rural communities
 - U.S. high-poverty community response is about triple the average rural community's response (mostly due to even fewer commuters and new residents)
 - Good news if jobs can be created in these communities.
 - Canadian response is about the same in high poverty and other rural communities.

- U.S. rural poverty is greatly affected by distance from urban centers.
 - A one std. deviation reduction in distance from a metro area of any size, metro area of at least 250K, metro area of at least 500k, and a metro area of at least 1.5million results in about 0.9 percentage point reduction in the poverty rate.
 - In Canada, there is no statistically significant impact from distance to an urban center.
 - Job accessibility matters more in the U.S.

Conclusions

- Expect Rural-Urban differences in how poverty is affected by job growth.
- Canada-U.S. comparison is also helpful
- Rural American poverty rates are much more impacted by economic conditions than rural Canada
- Same applies to job access to U.S. urban areas
 - More Canadian social welfare programs
 - Lower employment intensities mean that new jobs may not go to the poor.
 - Higher U.S. response is good news. Jobs do trickle down to the poor when economic development is successful.

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