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
• Rural-Urban Job Growth-Poverty link?
  – 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).
Empirical Analysis

• Based on the following:
  • Chokie and Partridge (2006) Canada
    • www.usask.crerl.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  • Unpublished models on urban access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.
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.