

Rural Poverty: Facts & Myths

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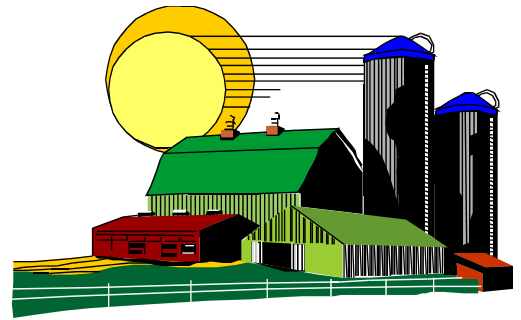
Topics Covered

- Definitions of *Poverty* and *Rural*
- Rural poverty facts
- Job availability in rural areas
- Resource availability in rural areas
- Causes of rural poverty
- Subsidy programs
- Property tax burden
- References

What is Rural Poverty?

Poverty:

According to the United States Department of Agriculture's Economic Research Service, an individual is defined as being poor when they have income that will not purchase the basic needs of food, shelter, clothing, and other essential goods and services. The Office of Management and Budget (OMB) sets the poverty lines (or thresholds) which are the dollar amounts used to determine poverty status each year and which are adjusted for inflation on a yearly basis. The income a person needs for basic needs varies by the size and age of the people in the household. For example, the poverty line (or threshold) for a four-person family with two adults and two children, would be \$19,806. For a three-person family with one adult and two children, the poverty line is \$ 15,735. If the total income for a family falls below the threshold that family would be in poverty.



Rural:

Some cities across the United States can easily be identified as either rural or urban. Take for instance Chicago, a city that can easily be defined as urban. A small, unincorporated town that is in the middle of "nowhere," is easily identified as a rural area. Some areas do not fit nicely into either category of either rural or urban. Large cities have extensive economic influence and suburbanization blurs the distinction between urban and rural landscapes (Beale, Cromartie, & Kandel, 2007). Population thresholds dividing rural and urban places are less relevant because towns and villages have redistributed their populations to larger towns and regional centers. Rural areas can be defined several ways. The U.S. Census Bureau uses the terms urban and rural and defines rural areas as open country and settlements with fewer than 2,500 residents (Beale, et al., 2007). U.S. Office of Management and Budget uses metropolitan and non-metropolitan counties instead of urban and rural. The classification criterion is based on population and economic linkages. The OMB defines metro areas as central counties with one or more urbanized areas with 50,000 people or more and outlying counties that are economically tied to the core counties, as measured by the share of employed population that commutes to the core counties to work (Beale, et al., 2007). Non-metro counties are those areas outside the boundaries of metro areas.

The following pages outline some common myths associated with rural areas and dispels those misconceptions with the facts.

"In rural America today, more than one in seven residents lives in poverty."

(Rural Sociological Society, 2006)



Myth: More people are poor in urban areas than rural areas.

Fact: There are higher percentages of people living in poverty in rural areas than urban areas.

Here are some facts that show the dimensions of rural poverty.

- “Approximately 7.3 million rural Americans were poor in 2005, or 15.1% of the rural population. In contrast, 12.5% of individuals in urban areas were poor” (Jensen, 2006).
- “Areas that the government defines as *persistent* poverty areas, meaning they have seen consistently high poverty rates for 40 years, are all rural” (Jensen, 2006).
- “While metro and non-metro areas have shared similar upward and downward trends in poverty rates over time, the non-metro rate has exceeded the metro rate every year since poverty was first officially measured in the 1960s” (Jolliffe, 2005).
- “Almost one in five rural kids are poor (18.9 % in 2000) and rates of rural child poverty are higher than urban child poverty for all kids and for every minority group” (Annie E. Casey Foundation, 2004).
- “Of all 50 U.S. counties with the highest child poverty rates, 48 are located in rural America” (Annie E. Casey Foundation, 2004).
- “In rural America today, more than one in seven residents lives in poverty” (Rural Sociological Society, 2006).



Myth: Jobs are available to people in rural areas.

Fact: Jobs are not as diverse and pay less in rural areas.

Economic development in rural areas can be impeded by many factors: low population, lack of infrastructure, dependence upon one employment sector, fewer resources, and lower levels of educational advancement. Jensen states that, “adults are less likely to have a college degree than urban residents, and the quality of rural educational systems is often substandard, especially in low-wealth counties. Both limit the ability of rural workers to secure good jobs, or to attract and create quality jobs in rural places (2006).” A lack of economic diversity may also limit the number of jobs, the wages paid, and year-round employment in rural areas. Often in a rural area, a limited number of industries supply the jobs to the area, which in turn makes those jobs more vulnerable to restructuring and market changes. “In rural areas, jobs tend to be low-paying industries, or the low-paying segments of higher-paying industries. The jobs that many rural workers can access simply do not pay enough to raise a family, let alone get ahead” (AECF, 2004). One in four non-metro workers age 25 and older earns such low wages-that even when earned on a full-time basis, the income is less than the poverty threshold for a family of four, and half of these workers are the sole or main wage earners in their family (AECF, 2004). According to the Rural Assistance Center, “low population density and lack of basic infrastructure, particularly transportation and communications systems, often hinder economic development efforts that could bring new jobs to rural areas” (2007).

Myth: Resources are available to people living in rural areas.

Fact: Resources may be harder for people to obtain in rural areas.

Living in a rural area may mean that the community is geographically or economically isolated. Being far away from stores means paying more for goods and necessities that a family needs. The Annie E. Casey Foundation notes "rural merchants' greater distance from wholesalers entails higher costs and they must charge more to cover costs and make a modest profit. Families in a low-income rural communities who lack access to supermarket chains end up paying 17.5 percent more than the USDA-recommended budget for basic food items"(2004). Rural merchants are not the "bad



guys," they are just trying to make a living, stay in business, and compete with larger supermarkets. Health care is not readily available to many people and families living in rural areas. Many of the health services and providers that are available in urban areas are not available to those living in the country. If medical attention is needed, a family or individual may have to travel great distances to see a doctor. "Low-income rural workers and their families are particularly likely to be uninsured. Nearly one-quarter of rural people under age 65 were not covered by any type of health insurance" (AECF, 2004). For that one-quarter of rural people, seeking medical attention may be a costly trip when factoring in mileage and gas prices. Rural individuals do depend much more on their personal vehicles than people living in urban areas because they have to drive longer distances. "In 2001, the most recent year that data were available from the U.S. Department of Energy, rural households with vehicles used nearly 40 percent more gasoline and drove nearly one-third more vehicle miles than urban households with vehicles." (Kusmin, 2006).

Myth: There are many rural families that stay in rural poverty generation after generation.

Fact: This may be true with for some families, but there is no single typology of rural poverty.

Some individuals and families may stay in the cycle of poverty for generation after generation, but this is not true for all. Many factors cause poverty including: the economy, job loss, divorce, debt, lack of safety nets (i.e. food pantries, free clinics, and other organizations that provide help to those who are financially strapped), lack of public transportation, and the cost of living. A person or family may face one or more of these factors causing them to be in poverty. A recent article in *Newsweek* profiles the new face of poverty—suburban families. Howard and Jane Pettry, who define themselves as working-class, are facing hard times and living off of credit cards to make ends meet. Jane got laid off from her job at a local grocery store, and Howard had a heart attack, and then consequently had to miss a month of work from his job at a grain mill. "Jane's collecting unemployment and they're staring at the poverty line as they struggle to pay the mortgage and bills," (Tyre & Phillips, 2007). It is true that some families cannot seem to lift themselves out of poverty and their plight seems destined to be repeated in the next generation. But for a lot of rural and suburban families, like the Pettrys, they find themselves in poverty because of a series of unfortunate events. What we do know from the research is that high-poverty areas have multiple characteristics on which they differ (Beale 2004).

The new face of poverty is the suburban poor.

Myth: Rural Americans are mostly farmers. (Davis & Marema, 2007)

Fact: Only a small percentage of rural residents are farmers.

“Only 1.78 percent of rural residents earn their primary living from the farm,” or put in another way, “only about 600,000 American farms and ranches earn \$40,000 or more per year” (Davis & Marema, 2007). The family farm is still around today, but they are a far rarer sight now than they were 50 years ago due to changes in the economy and technology. The number of farmers in America peaked in the 1930’s; totaling 6.6 million. Every year since then, the number has declined “an average of 88,000 every year for seven decades” (Davis & Marema, 2007). “Fewer than 2 million Americans (about 2 percent) earn \$1,000 or more a year from farming, in contrast, nearly two-thirds of rural Americans work in the service and manufacturing sectors” (Davis & Marema, 2007).



Myth: If you own land, you are wealthy.

Fact: This is true for some individuals, but for most it is vastly not true.

Landowners are not as alike as we might believe. Some are land rich but income poor and property taxes are not scaled based on income. “It is clear that the combination of property tax dependence for many public institutions and low rural incomes have resulted in tremendous tax burdens for many rural residents, particularly the lowest-income rural citizens.” (Bailey & Preston, 2004). A factor that should also be considered with property tax burden, is that “unlike tax burdens which will decrease as income decreases, property tax have no relation to income or the ability to pay.” (Bailey & Preston, 2004). Take the state of Nebraska for example, in the lowest income areas of the state, which are both rural and agriculturally dependent, county residents have to shoulder the weight of a “tax burden that is 200 percent greater than the highest income areas of the state.” (Bailey & Preston, 2004). States have taken action against these high property tax burdens in the form of “circuit breakers” (statutes that allow for income tax credits or property tax rebated when property taxes reach a certain percentage of household income), but in a lot of the cases not all individuals get the help. “Many of these laws make those at a certain age (generally available to those property owners 65 or older) or those with a disability the eligible recipients.” (Bailey and Preston, 2004). Policies are being considered to help those who own land and find themselves with property taxes that exceed their income; however, it will take time for all states to enact these “circuit breakers” for those people who need it most.

In some rural counties with the lowest income areas of the state of Nebraska, residents in those areas find themselves having to pay tax burdens over 200% greater than the highest income areas of the state.

(Bailey & Preston, 2004)

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