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Measuring Economic Development I - Persistent Poverty 1980-2000

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CORNHUSKER ECONOMICS

UNIVERSITY OF
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Measuring Economic Development I - Persistent Poverty 1980-2000

Market Report	Yr Ago	4 Wks Ago	2/16/07
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$87.96	\$86.33	\$89.91
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	139.97	113.57	118.35
Nebraska Feeder Steers, Calves Med. & Large Frame 750-800 lb	112.76	90.25	99.77
Choice Boxed Beef, 600-750 lb. Carcass	148.45	154.56	153.29
Western Corn Belt Base Hog Price Carcass, Negotiated	61.79	59.58	64.81
Feeder Pigs, National Direct 50 lbs, FOB	56.14	*	67.68
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	62.19	64.18	71.92
Slaughter Lambs, Ch. & Pr., Heavy., Woolled, South Dakota Direct	79.00	*	85.00
National Carcass Lamb Cutout, FOB	217.26	244.87	244.02
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu	4.00	4.49	4.42
Corn, No. 2, Yellow Omaha, bu	1.97	3.80	3.95
Soybeans, No. 1, Yellow Omaha, bu	5.62	6.73	7.31
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.89	6.29	6.41
Oats, No. 2, Heavy Minneapolis, MN, bu	2.05	2.83	2.55
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	130.00	135.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	92.50	*
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	52.50	82.50	*

* No market.

Economic development is a priority for nearly all Nebraska communities. However, development is often confused with economic growth. Economic development entails “sustained progressive change to attain individual and group interests through the expanded, intensified and adjusted use of resources,” where “human welfare is the end product of the development process.”¹ How do you measure such a value-laden and multifaceted concept to know whether development efforts have been successful? While there is no single answer to this question, one common and relatively easy method is to look at community poverty rates over time.

Persistent Poverty communities have 20 percent or more of their population living below the poverty line in each of the last three census periods (1980, 1990 and 2000). This definition is identical to that used by USDA, which reports persistent poverty at the county level.² The decennial Census is the most complete source of information on poverty at the community level, with minor civil divisions (i.e. municipalities, townships and voting precincts) representing communities. However, the problem is that minor civil division boundaries change every decade. In this analysis, data from the 1980, 1990 and 2000 Census were “normalized” to the most current boundaries so valid comparisons can be made across decades.

¹ Shaffer, R., S. Deller and D. Marcouiller. 2004. *Community Economics*. Blackwell Professional: Ames, IA.

² Jolliffe, D. 2004. *Rural Poverty at a Glance*. RDRR-100. Economic Research Service, USDA: Washington, D.C.



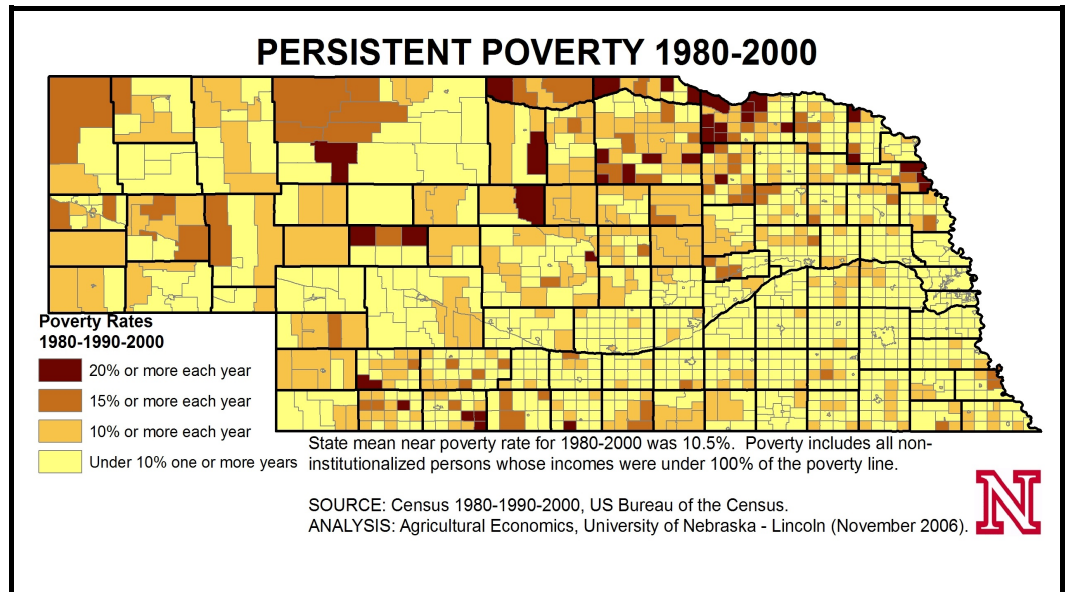
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Analysis of the data shows that persistent poverty in Nebraska has been highly localized in recent decades (see Figure 1 and Table 1 on next page). There were only 37 *Persistent Poverty* communities that contained nearly 7,800 people, equaling roughly one-half of one percent of Nebraska's population. All persistently poor areas were rural and unincorporated, mostly clustering along the state's northern and southern counties. The majority of Nebraska's population lived in low poverty areas, which tended to cluster in and around more urbanized areas.

As one would expect, *Persistent Poverty* areas had a median household income of a little over \$24,000, which was much less than both moderately poor (around \$30,000) and low poverty (over \$40,000) areas. Persistently poor communities also had much larger minority populations, where over 40 percent of the population was non-white or Hispanic. This finding is consistent with the location of poor communities on the state's Native American reservations. In terms of family structure, persistently poor areas had more single-headed families with children (over 12 percent) than less poor areas, although low poverty areas tended to have higher rates than moderately poor areas. Low educational attainment was another feature of persistently poor communities, where 19 percent of the population had less than a high school education, compared to 16 percent for moderately poor and 13 percent for low poverty areas. Further, only 10 percent of the population in the poorest communities had a bachelor's degree or higher, compared to nearly 25 percent in low poverty communities.

In terms of employment, nearly six percent of the labor force was unemployed in persistently poor communities in 2000, which was over double the rate for less poor areas. For those that were employed in persistently poor areas, most worked in the agriculture sector. Over 20 percent were self-employed in agriculture, and nearly seven percent as agricultural wage workers. Both of these rates were over double



the rates for less poor areas, which reinforces the fact that persistent poverty is mainly a rural phenomenon. Employment in education, health care and social assistance also constituted a large part of the employment base, but these rates were similar to less poor areas. Persistent poverty was also associated with employment in the tourism industry (such as entertainment, food services and lodging), where rates were higher than in less poor areas.

By contrast, *Persistent Poverty* communities had much lower rates of employment in traditional goods producing industries, such as manufacturing, construction, transportation and utilities. In particular, manufacturing employment was roughly half that for low poverty areas. Further, employment in more advanced services (such as information, finance and professional services) was also much lower in the poorest areas. The lack of employment in these industries is reflected in the low education attainment and incomes of persistently poor areas. This indicates that employment in these industries, which generally employ more skilled and better paid workers, is associated with lower rates of poverty over time.

In summary, the good news is that only a very small number of Nebraska's communities are considered persistently poor, which reflects well on the efforts of local communities and the state to promote long-term economic development and well-being. The bad news is that persistent poverty is highly localized in Nebraska, occurring in a few communities with certain demographic and economic characteristics. In terms of demographics, persistently poor areas are predominately rural, non-white and poorly educated.

In economic terms these communities have high unemployment rates, are dependent on agriculture and tourism-related industries, and lack employment opportunities in traditional goods-producing and advanced services industries.

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Table 1. Characteristics of Poverty Areas, 2000

Indicators for 2000	Persistent Poverty 20% or more each year	Moderate Poverty 15% or more each year	Moderate Poverty 10% or more each year	Low Poverty Under 10% one or more years
Minor Civil Divisions (number)	37	75	298	824
Population (number)	7,797	25,303	183,861	1,494,302
Minority Population	44.5%	8.9%	8.1%	13.1%
Single Headed Families with Children	12.1%	5.4%	6.8%	7.8%
Less than High School Degree	18.9%	15.9%	16.6%	13.0%
Bachelors Degree or Higher	10.2%	15.8%	17.8%	24.7%
Disabled Population	25.1%	26.9%	28.4%	24.9%
Unemployed	6.0%	3.0%	2.3%	2.5%
Median Household Income	\$24,025	\$28,645	\$31,385	\$41,407
Agriculture-Wage Workers	6.9%	7.1%	4.5%	1.4%
Agriculture-Self-Employed	21.7%	13.6%	8.4%	2.6%
Construction	4.6%	5.5%	6.2%	6.5%
Manufacturing	5.1%	7.9%	11.2%	12.55%
Trade	8.6%	12.9%	15.3%	15.8%
Transport, Warehousing and Utilities	4.6%	6.4%	5.7%	6.2%
Information, Finance, Insurance and Professional Services	3.6%	6.3%	7.5%	14.0%
Real Estate, Rental, Management and Administrative Services	1.9%	2.3%	2.7%	4.5%
Education, Health Care and Social Assistance	21.2%	21.9%	22.1%	20.6%
Entertainment, Recreation, Lodging and Food Services	9.5%	7.5%	7.0%	7.3%
Public Administration	8.5%	3.1%	3.5%	3.9%

SOURCE: Census 2000, U.S. Bureau of the Census.