COMBATING RURAL POVERTY

by C. E. Bishop

Poverty has become a major subject in discussions of public policy. With amazing speed the pendulum of thought in the wealthiest nation on earth has swung from affluence to poverty. As America has discovered its poor, it has begun an extensive examination of current policies and programs with reference to their failure to improve the levels of living of its low income families. Concurrently, there have emerged demands for new programs designed specifically to improve the levels of living of low income families.

In this chapter emphasis is upon the nature of the low income problems in the United States and the types of programs consistent with solving the various problems.

Taking Stock

Current usage of the word poverty is most confusing. Poverty must be measured against some standard. It is most meaningful when defined with reference to a national or community norm. Poverty, therefore, is generally considered to be reflected in the consumption patterns of families, and indexes of living are commonly used as indicators of poverty. During the last few years, emphasis has been placed upon a level of money income roughly sufficient to purchase some minimum bundle of goods and services. In the United States, families whose annual money income is less than $3,000 are said to be poor. In some cases, however, the definition is more rigorous and is in terms of ownership of sufficient assets to be able to purchase those goods and services which are regarded as constituting a socially acceptable minimum level of living. Thus it is sometimes difficult for persons who own their homes or other property to obtain welfare assistance. In popular usage, however, the current level of family money income is generally taken as a first approximation of the extent of poverty.

The Extent of Poverty

As indicated above, families in the United States who have current money incomes of less than $3,000 annually are considered to have less income than is necessary to purchase the goods and services deemed to constitute a minimum level of living. According to a recent survey approximately 8.8 million families in the U. S. had money incomes of

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1Executive Director, Agricultural Policy Institute, North Carolina State, Raleigh. -61-
less than $3,000 in 1963. Hence 18.5 per cent of the nation's families had incomes so low that they are considered to be living in poverty.

Although a high proportion of the population is considered to be poor, and public concern over domestic poverty probably is greater today than at any time since the depression of the 1930's, it should be emphasized that real incomes are increasing rapidly in the United States and that the proportion of families in the low income category has fallen sharply. In 1947, for example, 32 per cent of the families had a money income of less than $3,000 (in 1963 dollars) compared with 18.5 per cent of the families in 1963.

The level of income which is considered to constitute poverty varies over time. As per capita real incomes increase, the level of income considered to be minimal also increases. Thus a reduction of more than one-third in the per cent of families with money incomes under $3,000, does not necessarily mean a reduction of one-third in the number of poor families. Nevertheless, such a sharp reduction in the per cent of families in the low income category is encouraging for it means that many low income families are benefiting from economic growth.

The Incidence of Poverty

Poverty bears more heavily upon some segments of the population than others. There are more poor white families than nonwhite families (Table 1). However, the proportion of nonwhite families in the poverty category is two and one-half times the proportion of white families. Likewise, the percentage of farm families in the poverty category is two and one-half times that of nonfarm families; but there are five times as many poor nonfarm families as there are poor farm families.

The relative incidence of poverty is greater in the South than in the rest of the nation. In 1963, 28 per cent of the families in the South had money incomes of less than $3,000. However, there were more poor families in the rest of the nation than in the South. In the case of rural families the situation is quite different. The South has more poor rural nonfarm families and more poor rural farm families than the rest of the nation. Furthermore, a greater percentage of the rural families in the South are in the poverty

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3 Ibid.


5 Current Population Reports, op. cit., p. 4.
category. Even in the South, however, there are four times as many poor nonfarm families as poor farm families.

Table 1. Number and Percent of Families with Total Money Income Less than $3,000 in the United States, 1963

<table>
<thead>
<tr>
<th>Item</th>
<th>Number of families (millions)</th>
<th>Percent of families</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. total</td>
<td>8.8</td>
<td>18.5</td>
</tr>
<tr>
<td>Nonfarm</td>
<td>7.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Farm</td>
<td>1.4</td>
<td>43.4</td>
</tr>
<tr>
<td>White</td>
<td>6.7</td>
<td>15.9</td>
</tr>
<tr>
<td>Nonfarm</td>
<td>5.6</td>
<td>14.1</td>
</tr>
<tr>
<td>Farm</td>
<td>1.1</td>
<td>39.6</td>
</tr>
<tr>
<td>Nonwhite</td>
<td>2.1</td>
<td>43.1</td>
</tr>
<tr>
<td>Nonfarm</td>
<td>1.9</td>
<td>40.9</td>
</tr>
<tr>
<td>Farm</td>
<td>.2</td>
<td>78.9</td>
</tr>
</tbody>
</table>


The incidence of poverty varies with the age and education of the rural farm population. A recent study by Glasgow and Baum concluded that the average income of farm males was substantially less than that for nonfarm males and that the income disparity increased with increasing age. 6

The relationship between education and income has been clearly defined in several recent studies. 7 Sixty-four per cent of the heads of families with annual incomes of less than $3,000 also have less than eight years of formal schooling. 8 Other studies have noted the inferior amount and quality of education of rural youth. 9 A summary of some salient research findings emphasizes the relationship of inferior education and rural poverty. The dropout


7See, for example, T. W. Schultz, "Reflections on Investment in Man," Journal of Political Economy Supplement, October 1962 and other articles in the same issue.

8A. P. Bird, op. cit., p. 20.

rate among students in rural areas is approximately 50 per cent greater than the dropout rate for students in urban areas.\(^{10}\) Moreover, not only do relatively more rural youth than urban youth drop out of school but they drop out with less schooling. Over one-half of the dropouts in rural areas do so before they reach high school while only about one-third of the urban drop-outs fail to attend some high school.\(^ {11}\) Cowhig and Schultz have called out attention to the high retardation rates for rural farm white males in the South.

Relatively few farm youth go to college.\(^ {12}\) Furthermore, they encounter more difficulty in getting into college. A number of studies which have recently been completed indicate that pupils from rural schools make lower grades on achievement tests than students from urban schools. One recent study, for example, indicates that rural pupils in some areas score about 15 percent lower on tests of reading, spelling, arithmetic and social studies and about 25 percent less on grammar and science.\(^ {13}\) Thus, rural youth have more deficiencies in preparation for college than urban youth, and it is necessary to take time to make up these deficiencies or suffer higher attrition rates.

Cowhig has shown that income differences are associated with differences in education and that they tend to be cumulative over time. When consideration was given to social and economic circumstances of the families, Cowhig reached the important conclusion that "the major reason for higher rural than urban dropout rates is the greater concentration of low income families in rural areas, the higher proportion of rural parents with comparatively little education, and--related to both of these factors--the more frequent employment of rural parents in low-status occupations."

The research cited above emphasizes the importance of human resource development in combating rural poverty. The low productive capacity of

\(^{10}\) Cowhig, ibid.

\(^{11}\) Ibid.

\(^{12}\) Education Status, College Plans and Occupational Status of Farm and Nonfarm Youth, October 1959, Series Census ERS (P-27) No. 30, p. 22.

\(^{13}\) John Folger, "Good Schools for Small Communities," unpublished manuscript, Agricultural Policy Institute, 1965.
much of the current rural population has also been emphasized. Other research has emphasized the underemployment of labor in agriculture, particularly in the South.

Approaches to Policy

The above discussion makes it clear that there are many facets of rural poverty and that no single approach is likely to cope effectively with all of the different elements. At least three aspects of the low income problem must be singled out for special treatment. The policies relevant to coping with each of these problems are distinctly different.

Attacking Individual and Family Poverty

Real poverty characterizes those individuals and families who own too few assets to yield an income high enough to sustain a minimal level of living even when their resources are optimally employed. This situation characterizes the aged, the disabled and many of those in broken homes who have dependent children. These people are poor not by choice and not because they do not employ their resources efficiently but by virtue of the fact that they own so few resources. In other words, they are locked in the poverty category and will continue there unless provided with outside assistance.

This low income category also includes those whose skills have been rendered obsolete by changes in economic and technological conditions and those who for various reasons may be temporarily unemployed. Thus, this category contains a temporary and a permanent component.

The obvious approach in coping with the permanent facet of this type of low-income problem is through direct income payments. The major policy questions concern the size of the payments and regulations governing the manner in which the payments are made.

Clearly the payments must be sufficient to sustain a minimum level of living. The payments may be made in kind or in money, but from the standpoint of the recipients payments in money are preferable. A more important question concerns the regulations governing payments. Clearly every effort should be made to insure that those who can emerge from the poverty category are encouraged to do so. Unfortunately, under many current programs costs are attached to emerging from poverty. These programs carry provisions whereby individuals are penalized for obtaining higher incomes in that as earned income increases welfare payments decrease. Costs in

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15 See, for example, C. E. Bishop, "Underemployment of Labor in Southeastern Agriculture," Journal of Farm Economics. 36(2):258-272.
the form of time and effort are involved in becoming a participant in most welfare programs. Thus, program participants who find that their benefits decrease as their incomes increase may be discouraged to accept the risks and penalties associated with part-time or even full time employment. Obviously, it is desirable to provide incentives for those who can do so to emerge from the poverty category. This can be done by making the income payments independent of income or, perhaps even better, by making payments an increasing function of income. At least it may be desirable to offer bonuses in the form of continuation of welfare payments for a specified period of time as an incentive to obtain employment.

Another aspect of family poverty which warrants further consideration is that of human resource development. It was emphasized above that people in the poverty category own few resources other than labor. Moreover, there is little capital accumulation by families in this situation; thus the prospects for emerging from the poverty category depend heavily upon increasing the returns for labor services. Intensification of training and retraining for those whose skills have been rendered obsolete or who could develop marketable skills is one obvious way of increasing earning capacity of labor.

Even more important, however, is the need to insure an exodus from the poverty category by the children of those now in this category. The major, and perhaps the only, avenue out of poverty for these people is through education and training. The relationship between education and training and earnings is so important that a system of rewards and/or penalties should be considered to encourage school attendance for the children of those who are trapped in poverty. This could be done by reducing welfare payments for school absences or perhaps better by providing additional payments to parents whose children meet minimal attendance targets. Beyond some age it may be desirable to make payments directly to the youth.

The main point I wish to make here is that we should endeavor to use market incentives to encourage human resource developments. Efforts to develop these resources should be rewarded and any penalties associated with development should be removed in the interest of assisting people to emerge from poverty and to reduce the long-term costs of welfare programs.

Attacking Area Poverty

The incidence of low incomes is not uniform over geographic areas. Recent discussion of low incomes has emphasized the fact that "pockets of poverty" have developed in various regions of the nation. These concentrations of low income people emphasize the need for area attacks on poverty.

In the United States we are prone to assume that all areas can become thriving centers of economic activity and population growth. Even casual observation should reveal that in order to achieve reasonable family incomes
it has been necessary in many areas to sharply reduce population. In short, the existence of economic poverty should not be confused with the existence of economic opportunity. Effective policies must distinguish between problem areas and opportunity areas. The possibilities for an area to become economically viable and the kinds of changes which will be necessary vary greatly from one area to another. An attack on poverty in rural areas may require changes in economic structure and development of the infrastructure as well as resource development.

Most attempts at area development have stressed industrial development and the creation of nonfarm employment opportunities. Efforts also have been made to increase farm productivity and incomes. However, the efforts toward structural reorganization of farming in the impoverished areas have been feeble indeed. The average age of farm operators is increasing sharply. The average age of farmers is higher in the low-income areas than in other areas. Moreover, the size of the land holdings is less than in other areas. In order to improve the economic viability of these areas and to provide opportunities for young families, it may be desirable to consider a system of payments for early retirement and for sale or rental of farm property to increase the size of the remaining farms. In some areas it also may be desirable to consider the use of zoning and other techniques to prevent the further parcellization of farms and the development and perpetuation of low areas.

Some areas have good economic potential but lack the basic infrastructure. The construction of highways, hospitals, schools and libraries, for example, may be a necessary condition for local resource development. Lakes, parks and other recreation and retirement activities as well as the further development of agricultural and industrial enterprises may be impractical without improvement in the infrastructure.

One of the most needed changes in infrastructure is the further consolidation and improvement of schools. Much more vigorous programs in this area will be needed before rural youth are assured of educational and training opportunities comparable to those enjoyed by their urban counterparts.

An effective attack on area poverty will require better community organization, development of local leadership and analysis of area economic opportunities. In this respect, we could learn much from the programs of community guidance being conducted in Holland, Sweden and other countries of Western Europe, where families are meeting in groups to consider the developmental potential of their communities.
Reduction of the Farm Labor Force

A third major facet of an attack on rural poverty is through a reduction and change in the composition of the farm labor force. The low incomes in rural America cannot be solved unless a high level of nonfarm employment is maintained. Low incomes in agriculture usually are associated with underemployment rather than unemployment. Transfer of many underemployed people to nonfarm employment is an essential aspect of income improvement for families in most rural areas of the United States. This adjustment, of course, has been taking place rapidly, especially since 1940. From 1940 to 1962 more than 23 millions of people changed from farm to nonfarm residences.\[16\]

This massive flow of people out of agriculture has been a major factor in improving levels of living of farm families. Although there is a continuous flow of labor from farm to nonfarm residences, the magnitude of the flow varies considerably from year to year. During periods of low unemployment the flow increases as the wages of nonfarm labor increase in comparison with farm labor. When the unemployment rate is greater than 5 per cent of the labor force, the rationing of jobs and difficulties of obtaining nonfarm employment pose important barriers to mobility.\[17\] A full employment policy involving an increased demand for labor in nonfarm employment is an essential aspect of a transfer of labor from farms. It is a necessary condition for continued improvement of levels of living in rural areas.

Migration is proceeding, however, in spite of the unemployment which has prevailed. Tolley estimates that if the United States maintains about the same rates of unemployment during the current decade as prevailed during the last two decades approximately 40 per cent of the rural farm males who were between the ages of 5 and 65 in 1960 will transfer to nonfarm residences by 1970 (Table 2). However, the incidence of migration is highly selective with respect to age, varying from a high of almost 75 per cent of those between the ages of 15 and 24 to a low of only 11 per cent for those between 45 and 65 years of age.


Table 2. Projections to 1970 for Males Remaining on Farms and Migrating off Farms in the United States

<table>
<thead>
<tr>
<th>Age in 1960</th>
<th>Number of 1960 rural farm males surviving to 1970 (thousands)</th>
<th>Number expected to be rural farm males in 1970</th>
<th>Implied off-farm migration</th>
<th>Percent migrating</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-14</td>
<td>1,542</td>
<td>631</td>
<td>911</td>
<td>59.0</td>
</tr>
<tr>
<td>15-24</td>
<td>985</td>
<td>259</td>
<td>726</td>
<td>73.7</td>
</tr>
<tr>
<td>25-34</td>
<td>566</td>
<td>436</td>
<td>130</td>
<td>23.0</td>
</tr>
<tr>
<td>35-44</td>
<td>750</td>
<td>629</td>
<td>118</td>
<td>15.7</td>
</tr>
<tr>
<td>45-65</td>
<td>1,287</td>
<td>1,140</td>
<td>150</td>
<td>11.7</td>
</tr>
<tr>
<td>Totals</td>
<td>5,130</td>
<td>3,095</td>
<td>2,035</td>
<td>39.7</td>
</tr>
</tbody>
</table>


Migration from farms is structured largely by employment conditions. The young, who have less invested in agriculture, and who have better non-farm employment opportunities and a longer period of prospective employment in which to recoup the costs of migration, are transferring out of agriculture in very large numbers. As a result the average age of farm operators is increasing rapidly. Over time, this will result in a continued and accelerated reduction in the agricultural labor force.

The above changes appear to be in the right direction. These changes, however, are not without substantial costs. Net migration, for example, is less than one-half of gross migration. This suggests a substantial backflow of people to farm residences and creates doubts concerning the efficiency of migration as it is now operating. Furthermore, there is cause for concern over the aging of farm operators. A substantial part of our farm resources is owned by farmers of advanced age who have little flexibility. These resources are virtually locked in current uses. In view of the age selectivity of migration and the aging of farmers, manpower policy is an important aspect of agricultural adjustment.

This nation has never developed an explicit manpower policy for agriculture. Land use and conservation policies have been developed and farmers have been provided with subsidies to encourage them to make specified uses of land. Likewise, special credit programs have been developed to encourage farmers to make particular types of investments. Special programs of agricultural education have been developed for farm youth, but education and training programs have not been related specifically to manpower policy. In view of the changes now taking place and the importance of occupational and geographic mobility of labor to
a solution of low income problems in rural America, an explicit manpower policy for agriculture should be developed. This policy should seek to (1) gauge the employment potential of agriculture, (2) provide counsel to individuals and families concerning income potentials in farm and nonfarm employment, (3) continue specialized training programs for those who are to continue as farmers, (4) initiate nonfarm vocational training for those who have limited opportunities in farming, and (5) provide special counseling, guidance and possibly relocation loans or grants to those who transfer to nonfarm occupations. The objective of these programs would be to increase the productivity of and returns for labor services. In the same way in which land use policy has recognized that there are substantial differences in the productive potential and best uses of land, farm manpower policy would emphasize the differences in productive potential and adjustment capacity of farm people.

Any additional aspect of a farm manpower policy should include the development of an "early warning system" to detect change in technology which are likely to substantially decrease farm manpower needs. Changes in farm technology usually increase the productivity of capital relative to that of labor and thereby encourage the substitution of capital for labor in the production of farm commodities. Early detection of these changes and analysis of their probable magnitudes should make it possible to cushion the ensuing adjustments.

A further aspect of manpower policy is concerned with those who for one reason or another are not motivated by market phenomena. The market reconciles the preferences of resource owners and those of consumers. It is not possible, therefore, for people to choose arbitrarily the uses which they make of their resources and at the same time to specify the income which they will receive. Once the use of resources has been specified, income has been largely determined. Certainly, society has no responsibility for providing minimum income levels to individuals who are unwilling to employ their resources productively. To the extent that this is a problem of significance, however, it would seem desirable to determine the reasons for lack of motivation and to take steps to improve the use of resources through better occupational guidance of youth and increased incentives to change.

In summary, in this chapter we have argued that the problems of rural poverty are quite complex. They cannot be solved by treating all people and all areas as if they were homogeneous. It is the heterogeneity which is the essence of the poverty problems. Effective programs to cope with poverty, therefore, must give due recognition to differences among families and areas and must be tailored to the needs of each.