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Non-metro versus metro poverty in the transition to adulthood in the United States: (1980–2009)

Paul G. Berry PhD Candidate *, Thomas A. Hirschl Professor

Cornell University, United States

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ABSTRACT

Between 1980 and 2009 young adults in non-metro areas of the United States faced unfavorable structural changes in the global macroeconomy, spatial concentrations of poverty in non-metro areas, and shifts in family and household structure; however, little existing scholarship explores poverty specifically with reference to non-metro or rural young adults. We argue that young adulthood provides a strategic window in which to examine the intersection of these varied risk factors for economic hardship since young adults are especially vulnerable to poverty and are the most likely to experience changes in family or household structure. Using data from the Panel Study of Income Dynamics (PSID) this paper examines non-metro versus metro variation in the risk of falling into poverty between the ages 25–30. Time-varying covariates are utilized in order to accurately model changes in residential status and family structure over time. Results indicate that, while poverty is unevenly distributed across non-metro and metro areas, residence itself is not a significant predictor of poverty when family background and individual-level characteristics are taken into account. Family socioeconomic status, service-sector occupation, and living in a single-parent household with children are found to be the most significant risk factors for poverty in the transition to adulthood.

1. Introduction

Young adults in the United States face a daunting intersection of challenges relating to both the macro-economy and shifting family and household characteristics. The much documented global economic restructuring from the 1970s onward led to diminished economic opportunities, increasing income instability, and rising wealth inequality (Harrison and Bluestone, 1998; Hacker, 2006). Simultaneous shifts in family structure defined by delays in the timing of first marriage and parenthood and the rise of single parent households disrupted longstanding patterns within the individual life course (McLanahan and Percheski, 2008; Ruggles, 2015). An important dimension of this process is spatial, often overlooked in the research literature: rural America[1] in particular has long faced a disproportionate risk of poverty and economic insecurity (see Cotter, 2002; Lichter et al., 1994). Much of the spatial focus of U.S. poverty research is the inner city (see Anderson, 1990; Wilson and Julius, 1987), whereas poverty within nonmetropolitan America has received less attention from both policy makers and the research community.

In this paper we argue that young adulthood provides a strategic window in which to examine the intersection of these varied risk factors for economic hardship, and their change over time: young adults are especially vulnerable to poverty risk (Rank et al., 2014), and are the most likely to experience changes in family or household structure due to the "demographic density" of critical events within this period of the life course (Rindfuss, 1991). As scholars attempt to understand whether, or in what ways, rural economic insecurity may or may not be associated with the contemporary rise of populist movements (Inglehard and Norris, 2016), or theorize the future of the "good life" in rural Europe and America (Thiede et al. 2016; Shucksmith 2016)—we argue that economic insecurity affecting young adults across time, and across the rural versus urban divide, are critical pieces of the puzzle.

* Corresponding author. Department of Development Sociology, Cornell University, 40 Warren Hall, 137 Reservoir Avenue, Ithaca, NY 14853, United States.
E-mail address: pgb52@cornell.edu (P.G. Berry).

[1] The words non-metro(politan) and rural are used interchangeably within this paper for ease of communication. However, throughout we use the U.S. Census definition of a metropolitan core based statistical area (CBSA) is used to define a metro area. By this definition, a metro area is a county "containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting with a core urban area of 50,000 or more in population" (U.S. Census Bureau, 2012a,b). Non-metropolitan areas in this classification scheme include counties with either a core area of 10,000 to 49,999 people or counties not associated with a core area.

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Currently some evidence exists that the risk of poverty is higher among young adults in rural areas than in urban areas; however, this evidence is limited and few studies include a focus on this specific life-stage with reference to rural areas. Lichter et al. (1994) find that the risk of poverty rose substantially among rural young adults (age 20 to 24) between 1979 and 1989, while urban young adults did not experience a significant increase in the risk of poverty during this same period. Jensen et al. (2003) find that the cross-sectional poverty rate among 18–34 year olds was higher in non-metro than in metro areas in 2001. We are unable to corroborate these findings with other research evidence, and are unaware of additional quantitative studies addressing rural versus urban metro differences in poverty risk among young adults beyond descriptive population characteristics.

This study aims to address this gap in the scholarly literature and indicate relevant policy issues. The empirical aim of this paper is to examine whether young adults in rural areas face a heightened risk of entry into poverty and, if they do, then to test several hypotheses which may explain this heightened risk. In order to accomplish this, we use data from the Panel Study on Income Dynamics from 1980 to 2009 to examine the risk of entry into poverty among rural young adults between the ages of 25 and 30, both over time, and in comparison to their urban counterparts. Data from thirty-six waves of the Panel Study on Income Dynamics (PSID) is utilized in order to investigate family and individual level variables associated with poverty risk since the PSID allows individual economic outcomes to be observed over a longer period of time than in cross sectional data (in this case six years for each individual), permits detailed comparisons to be made in reference to family background, and facilitates investigation of period effects. In addition to detailed information on family socioeconomic status at ages 12 to 16, this paper also takes advantage of the ability to model time-varying covariates in the Cox model in order to take into account changes in residential status and family structure during this dynamic phase of the life course. The paper proceeds by reviewing existing literature on the primary risk facts for poverty examined in this paper: shifting family and household characteristics in the transition to adulthood; structural changes in the macro economy; and an uneven spatial risk of poverty across rural versus urban areas of the United States.

2. The transition to adulthood: shifting family & household characteristics

An emerging literature among economists and sociologists examines shifts that have taken place in the transition to adulthood in recent decades. Although this life stage is not defined by any one specific age range, research has focused on changes in the age and order in which individuals achieve common markers of adulthood such as: completed schooling, economic independence, establishment of one's own household, marriage, and the start of parenting or childbearing (Settersten et al., 2005). Increasingly, these demographic and economic events do not follow a common pattern—with implications for both social policy and the individual life course. On the whole, compared with their parents' generation, young adults today are taking longer to complete their schooling and settle into steady employment (Fitzpatrick and Turner, 2007); are establishing their own households at later ages (Bell et al., 2007); and are delaying marriage, childbearing, or both (Danziger and Rouse, 2007). This study further contributes to literature on economic outcomes within the transition to adulthood—and attempts to study how they intersect with spatial patterns of poverty risk and also with global macroeconomic trends. Specifically, we focus on the likelihood that individuals will fall into poverty between the ages of 25 and 30.

2.1. A note on the sample selection

The interval between ages 25 and 30 is selected as the window of interest for several reasons. Practically, our intention is to select ages after college and before middle age. Other research on the transition to adulthood has focused on ages as young as 18 or as old as 35 [2]; however we select a more narrow age range for several reasons. First, drawing on existing research, individuals are much more likely to have completed college by age 25 than by an earlier age; starting at age 25 is intended to minimize the influence of education related delays of entry into the labor force. Fitzpatrick and Turner (2007), for instance, find that the college completion rate for young adults in the United States doubles between ages 22 and 25. In addition, this age range is a window of time where many economic transitions and demographic events are likely to occur. For instance, during the study period, the median age at first marriage rose from 24.7 for men in 1980 to 29.5 in 2009. Among women, the number rose steadily from 22.0 at the beginning of the study period in 1980 to 25.9 in the year 2009 (U.S. Census Bureau, 2006). Overall we argue that this age range focuses primarily on a time frame when most individuals will have completed college and are most likely to experience significant demographic and economic events.

The sample is composed entirely of individuals who have left the parental home and formed their own household by the age of 25. By definition, therefore, these individuals have all already achieved one of the central markers of adulthood by age 25: they have all established a household independent of their parents.[3] Although considerable recent media attention focuses on young adults continuing to live in the parental home, data do not show that this increase is especially pronounced. The proportion of young adults living with parents increased by only 3 percent for men ages 25–29 between 1960 and 2000 (from 15 to 18 percent) and by 3.5 percent for women (from 11 to 14 percent) (Matsudaira, 2006). This study focuses on independent young adults in non-metro versus metro areas.

3. Global macroeconomic shifts & rural areas of the United States

Historical context is an important factor risk factor for poverty over the time period examined and is thus considered alongside age-specific and residential disadvantages. In the time period following WWII and into the mid-1970s, the general macroeconomic climate in the US was one of growth where wages rose and reductions occurred in both poverty and inequality (Massey, 2007). However, since the late 1970s and continuing to the present time, this situation has changed dramatically, as incomes for those at the top of the income distribution have risen while at the lower end workers experience stagnating real wages and growth is concentrated in low skill service-sector jobs with little prospect for mobility—this situation has been referred to as the “Great U-Turn” (Harrison and Bluestone, 1998).

Trends in rural areas have largely paralleled urban areas, though with some variations in timing. Rural areas experienced significant

[2] See chapters in edited volumes Settersten et al. (2005) or Danziger and Rouse (2007) for variations in age ranges selected. In addition, several other studies define the transition to adulthood with similar age ranges: Corcoran and Matsudaira (2005) use 25–27 and Guldi et al. (2007) use 25–30.

[3] Since the sample is defined by PSID “heads” and “wives” it is likely that many are married by the age of 25 as well. However, the PSID defines a couple as “married” if they have been living together for more than one year; therefore, all “wives” and/or married “heads” at age 25 or subsequent ages may be either married or cohabiting.