

## AD-421 Progress Report

CREES Iowa  
Progress Report 2001

Title: Rural Economic Development: Alternatives in the New Competitive Environment

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### **Progress:**

Work during calendar year 2001 we in Iowa addressed Objective 3 of the NE-162 Regional Project. Using data on households from the Survey of Income and Program Participation from 12 Midwestern states, we completed the econometric analysis of the differences between rural and urban householders' decisions to participate in the labor force and/or in welfare programs (Temporary Assistance for Needy Families, TANF). We explained that most of the higher rural labor force participation rates and lower rural TANF participation rates are due to household characteristics, not behavior. Rural Midwestern poor are more often married, non-minorities, have fewer infants at home, and have a car more often than urban poor, so they are more often in the workforce. But some TANF participation differences are due to behavior. We showed that rural poor participate less in TANF in response to enhanced wage work opportunities, and that there are also significant life-cycle differences. Midwestern urban poor participate less in TANF as they mature. In rural areas, the young and old participate more in TANF. We also find evidence that non-metro TANF program awareness and participation depends on both traditional literacy skills as well as informal communication, while metro participation in TANF depends on informal communication alone.

### **Impact:**

States are now responsible for managing the income support programs for their citizens. They have to forecast both tax revenues and TANF budgetary exposure. These depend on labor force and TANF program participation rates. Our findings that rural and urban participation rates differ in predictable ways encourage Midwestern state forecasting modelers to use disaggregated metro and non-metro household data. Use of aggregate parameters would lead to significant over-estimates of rural TANF participation rates at both ends of the age distribution.

### **Publications:**

?? Kilkenny, Maureen and Sonya Huffmann "Rural/Urban Welfare Program and Labor Force Participation," under review at the American Journal of Agricultural Economics (submitted 9/01).