

# Insights on Southern Poverty

The Newsletter of the UK Center for Poverty Research

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## The New Promised Land: Black-White Wage Convergence in the American South, 1940-2000

Jacob L. Vigdor

### Overview

For decades, economists and other social scientists have been studying racial inequality in the American labor market. While some degree of inequality between blacks and whites can be found in all parts of the country, the widest disparities have historically been found in the South. Extreme southern inequality, fed by institutionalized patterns of discrimination in the job market, among other factors, led millions of southern blacks to migrate to other parts of the country between 1920 and 1965. For African Americans of this era, the North represented a "Promised Land," a place devoid of oppressive Jim Crow laws and endowed with unprecedented opportunities for economic advancement.

The end of this period of migration coincided with several profound economic and social changes nationwide. Manufacturing industries, which provided many of the opportunities that black migrants sought in the North, began a steady decline in the 1960s. Race riots in many Northern cities accelerated patterns of "white flight" and extreme residential segregation. Meanwhile, Civil Rights legislation targeted employment discrimination and began the true enforcement of the Supreme Court's 1954 decision rendering racial separation in public schools unacceptable.

As these changes were occurring, labor market statistics from the Integrated Public Use Microdata Series (IPUMS) of the decennial censuses reveal that earnings inequality among men in the South was

shrinking much faster than in other regions of the country (see Figure 1). By 1980, the gap between blacks and whites was essentially equal across regions. Indeed, Table 1 shows a regression-adjusted black-white earnings gap that was only 3.8 percentage points greater in the South in 1980 (i.e. the coefficient on the variable labeled "Black\*South") compared to a 23 percentage point gap in 1960. Over the next two decades, the South actually overtook the North, becoming the region with the lowest degree of racial inequality after controlling for other factors. Why did the South not only catch up with the North, but overtake it? This article analyzes a series of potential answers to this question, reaching the conclusion that the integration of southern schools played a central role.

The research summarized here was funded with a grant from the UK Center for Poverty Research. While this summary concentrates on the black-white wage convergence among males, IPUMS data suggest a remarkable, though incomplete, degree of black-white wage convergence among females between 1940 and 2000. Differential female labor force participation patterns explain the difference between male and female regional convergence patterns. The full paper is available on the UKCPR Discussion Paper Series at <http://www.ukcpr.org/Publications/DiscussionPapers.html>.<sup>1</sup>

### Selective Migration Patterns

One possible explanation for the black-white earnings convergence in the

*(continued on p. 3)*

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## Letter from the Director

James P. Ziliak

This issue of *Insights on Southern Poverty* is the second in a two-part series focused on research sponsored by the UKCPR through its Regional Small Grants Program, which is open to poverty scholars around the country, and its Internal Research Support Program, which is open to University of Kentucky faculty. The research projects summarized here examined broad changes in the economic status of vulnerable populations in the South over the past several decades, including black-white wage gaps, health care access and outcomes, and poverty among immigrant and refugee families. The research shows convergence between the South and the rest of the nation on some measures, e.g. black-white wage gaps and refugee poverty, and divergence on other measures such as health care. While the findings reveal some cause for celebration, they are tempered with the knowledge of sizable gaps across regions on some important dimensions, notably health outcomes. Final reports of the research are available in the Discussion Paper Series at <http://www.ukcpr.org/Publications/DiscussionPapers.html>.

Jacob Vigdor of Duke University begins this issue by analyzing a series of potential reasons why at the end of the twentieth century the South actually overtook the North, becoming the region with the lowest degree of regression-adjusted racial wage inequality. He examines different possible explanations for southern convergence, including selective migration patterns, reduced labor market discrimination, and the integration of schools. Vigdor finds that the integration of southern schools played a central role in the wage convergence in the past two decades.

Janet Bronstein, Shailender Swaminathan, and Joshua Klapow of the University of Alabama at Birmingham examine whether regional variations in health status are consistent across the income gradient, or whether they are more pronounced at the lowest income levels. The authors find residents of the South to be in poorer physical health; while this disadvantage persisted across the income gradient, it was most marked for individuals with incomes between 100 and 200 percent of the Federal Poverty Level—the so-called near poor. They find that regional variations in mental health measures, however, differ across income groups, concluding that while a wide variety of community level factors influence health status across the income gradient, a separate set of factors may interact with income in communities to increase particularly mental health risks for a subset of the population.

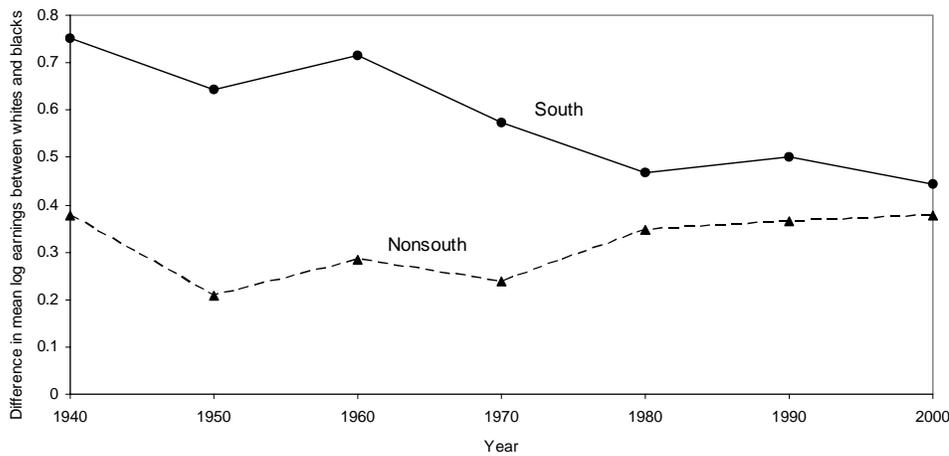
Christopher Bollinger of the University of Kentucky and Paul Hagstrom of Hamilton College examine regional differences in the poverty status of refugees compared to other immigrants and native-born citizens for 1993 to 2000. They find that although refugees are poorer at the outset, their poverty rates decline with length of residence in the U.S. The authors measure the impact of the Welfare Reform Act of 1996 on disposable income poverty rates, finding that non-refugee immigrants experienced larger increases in after-tax and after-transfer poverty rates compared to native-born and refugees, but refugees had the greatest across-region variation in disposable-income poverty rates after welfare reform.

## Regional Small Grants Program

We seek proposals for research on the causes, consequences, and correlates of poverty in the American South. Applicants to the Regional Small Grants Program must hold a Ph.D. or equivalent academic degree by September 1, 2004 and must have a full-time academic appointment. The UKCPR anticipates funding 3-4 proposals, up to a maximum of \$20,000 per award. **The deadline for proposals is February 18, 2005.** Full application details are available at <http://www.ukcpr.org/FundingOpps/Regional.html>.

*The New Promised Land: Black-White Wage Convergence in the American South, 1940-2000 (continued)*

**Figure 1: Black-White Log Earnings Differences by Region**



Notes: Figure represents the unadjusted gap in mean log earnings between white and black males. Data source: Integrated Public Use Microdata Series (IPUMS) of the decennial censuses (IPUMS).

South focuses not on any economic or social characteristics of the South *per se*, but rather on the qualities of the individuals who chose to move to or from the region at different points in time. The Great Migration of the early 20<sup>th</sup> Century took a disproportionate number of highly educated blacks out of the south, and the reverse migration of the century's last decades may have reversed a large portion of this "brain drain." These selective migration patterns could have generated the false appearance of different trends toward racial equality across regions.

While the existence of selective black migration, first away from and then towards the South, is indisputable, empirical evidence strongly implies that it is not the sole explanation for more rapid rates of convergence in the South. Accelerated racial progress in the South is evident even when analyzing individuals with identical levels of formal education. Moreover, much of the progress since 1980 appears to be associated with the arrival of younger cohorts of workers in the labor market. Table 2 shows that progress continued after 1980 in the racial disparities among young males in the South, as the Black\*South indicator became more positive toward the end of the century (see Table 2A). Older black workers, who are more

likely to have migrated both away from and back to the South, however, do not show many signs of gains relative to whites in the post-1980 period (see Table 2B). Substantial progress occurred between 1970 and 1980 in the black-white gap in the South among the 1940-49 birth cohort but the gap markedly reversed relative to the North between 1980 and 1990 and remained relatively unchanged in 2000.

**Reduced Labor Market Discrimination**

A second proposed explanation for Southern convergence points to the role of Civil Rights-era legislation banning workplace discrimination. Since discrimination was a more severe problem in the South in earlier eras, it stands to reason that fair employment laws would have a stronger beneficial impact in that region. There are several ways to subject this hypothesis to empirical test. First, under the presumption that the lessening of workplace discrimination would benefit workers regardless of age, labor market progress should have a similar impact on workers in all age cohorts. However, as revealed in the previous paragraph, relative improvement in southern black-white differentials after 1980 do not follow this pattern. The emergence of the South as the region with the lowest racial inequality appears to reflect only the experience of younger workers. Some regional convergence occurred prior to 1980, however, and this earlier narrowing of southern racial gaps does appear in all age cohorts. Tables 1 and 2 show the declines in the black-white earnings gap in the South (represented by the declines in the "Black\*South" interaction terms) prior to 1980, for all men as well as younger males and the 1940-49 birth cohort. Based on this evidence, it seems fair to say that fair employment legislation brought the South more in line with the rest of the nation over the fifteen-year period following its passage, but some other factor explains the further progress exhibited in later years.

**Table 1: Regression-Adjusted Black-White Earnings Gap in the South and North, 1940-2000**

	1940	1950	1960	1970	1980	1990	2000
Black	-0.321 (0.010)	-0.217 (0.014)	-0.281 (0.006)	-0.209 (0.008)	-0.298 (0.006)	-0.316 (0.005)	-0.269 (0.005)
South	-0.225 (0.004)	-0.169 (0.007)	-0.184 (0.003)	-0.107 (0.003)	-0.051 (0.003)	-0.061 (0.003)	-0.015 (0.003)
Black*South	-0.131 (0.013)	-0.245 (0.019)	-0.232 (0.009)	-0.209 (0.008)	-0.038 (0.008)	-0.026 (0.008)	-0.018 (0.007)

Note: Standard errors in parentheses. Sample derived from IPUMS data on white and black males age 18-65 with positive earnings. Beginning in 1970, the sample is restricted to the non-hispanic population. Samples are weighted using IPUMS weights where appropriate.

A second empirical test confirms this conclusion. If greater racial equality

(continued on p. 4)

## *The New Promised Land: Black-White Wage Convergence in the American South, 1940-2000* (continued)

in the South is the result of different labor market practices in that region, then individuals who move between regions should experience changes in their earnings. The National Longitudinal Survey of Youth (NLSY), which tracks a sample of individuals who were 14 to 21 years old in 1979, permits a test of this hypothesis, comparing the wage income of individuals who moved between regions at one or more points between 1979 and 2000. For this relatively young age cohort, region of residence is essentially irrelevant as a determinant of wage disparities between blacks and whites (see Table 3, column 1). In other words, black and white individuals who started in one region and moved to

another found themselves in equivalent economic positions after the move.

### **Lower Levels of School Segregation in the South**

The final proposed explanation relates to changes in the level of school segregation in the South relative to other regions. Interestingly, the “older cohorts” of southern black workers who experience little relative progress in the labor market after 1980 (including the 1940-49 birth cohort discussed above) were all educated primarily in the era of *de jure* segregation that preceded the Supreme Court’s 1954 decision in *Brown v. Board*. The cohorts experiencing the greatest progress, by contrast, were

educated well after this decision and subsequent court actions that forced the integration of southern schools.

At the beginning of the 21<sup>st</sup> century, public schools in southern states are considerably more integrated than in other regions of the country. southern blacks attend schools that are on average 36 percent white, compared to blacks in other regions, who attend schools that are on average 30 percent white. Southern schools are more integrated in part because southern neighborhoods tend to be more integrated, and in part because southern school districts tend to serve larger areas such as counties rather than individual municipalities. Larger districts

**Table 2: Regression-adjusted Black-White Earnings Gap in the South and North, 1940-2000**

#### **A. Young males, 25-40 years old**

	1940	1950	1960	1970	1980	1990	2000
Black	-0.491 (0.025)	-0.294 (0.020)	-0.352 (0.011)	-0.323 (0.008)	-0.410 (0.004)	-0.539 (0.011)	-0.553 (0.007)
South	-0.582 (0.010)	-0.254 (0.008)	-0.212 (0.006)	-0.153 (0.003)	-0.106 (0.002)	-0.101 (0.005)	-0.091 (0.004)
Black*South	-0.298 (0.030)	-0.415 (0.026)	-0.335 (0.011)	-0.210 (0.013)	-0.036 (0.006)	0.028 (0.015)	0.113 (0.009)

Notes: Standard errors in parentheses. Sample derived from IPUMS data on white and black males between 25 and 40 years old. Individuals with zero reported earnings are assumed to have potential earnings below the median for their region, race and age. Beginning in 1970, the sample is restricted to the non-Hispanic population. Samples are weighted using IPUMS weights where appropriate.

#### **B. The 1940-49 birth cohort**

	Age 21-30 1970	Age 31-40 1980	Age 41-50 1990	Age 51-60 2000
Black	-0.232 (0.002)	-0.382 (0.007)	-0.371 (0.008)	-0.502 (0.012)
South	-0.115 (0.001)	-0.116 (0.003)	-0.113 (0.003)	-0.134 (0.005)
Black*South	-0.216 (0.002)	-0.101 (0.010)	-0.171 (0.011)	-0.122 (0.016)

Notes: Standard errors in parentheses. Sample derived from IPUMS data on non-Hispanic white and black males. Individuals with zero reported earnings are assumed to have potential earnings below the median for their region, race and age. Samples are weighted using IPUMS weights where appropriate.

**Table 3: Regression-Adjusted Black-White Earnings Gaps in the NLSY '79**

Black	-0.321 (0.041)	-0.326 (0.042)	-0.360 (0.042)	-0.320 (0.045)
Reside in South	-0.113 (0.032)	-0.025 (0.039)	-0.039 (0.038)	-0.001 (0.045)
Black*Reside in South	0.035 (0.050)	—	—	-0.155 (0.063)
Born in South	—	-0.119 (0.039)	—	-0.126 (0.060)
Black*Born in South	—	0.084 (0.054)	—	-0.001 (0.101)
Lived in South at age 14	—	—	-0.093 (0.038)	-0.010 (0.060)
Black*Lived in South at age 14	—	—	0.121 (0.053)	0.228 (0.101)

Note: Sample consists of black and white males in the NLSY not currently enrolled in school with positive earnings, self-employment income, or military income. There are up to 11 observations for each individual; specifications utilize unbalanced panels. Standard errors, in parentheses, have been adjusted to reflect potential clustering at the person level.

increase opportunities for meaningful integration plans. Associated with this lower segregation, black and white students in southern schools experience narrower resource disparities than their counterparts in other regions. While black students in all regions experience higher student-teacher ratios than whites, the gap is narrowest in the South, the

of physical threats at school. In the South, the opposite is true.

If the closing of the southern gap has to do with the quality of education that white and black children receive in southern schools, then the region where an individual lives should be a less important predictor of success in the labor

***“Southern schools are more integrated in part because Southern neighborhoods tend to be more integrated, and in part because Southern school districts tend to serve larger areas such as counties rather than individual municipalities.”***

difference in the ratios being -0.23 in the South, compared to -0.76 in the Non-South. Black students in all regions attend schools that have higher proportions of poor classmates relative to whites, but once again the gap is narrowest in the South, with the differences in the average percents of schools and districts receiving subsidized lunch being smaller in the South. In the North, black students are more likely to report being the victims

market than the region where that individual was educated. The NLSY contains information not only on where an individual resides, but also where that individual was born and where he or she lived at age 14. Thus, using this dataset it is possible to test whether region of birth, region of education, or region of residence is the most significant factor in black-white convergence. The results of these tests are recorded in columns 2 to 4

of Table 3. Consistent with the education quality hypothesis, black and white individuals separated by the narrowest income gap are those who were educated in the South, rather than those either born or currently residing in the South. (Note, in Table 3, that the point estimate associated with the Black-Lived in South at age 14 is positive and statistically significant.) While current literature is deeply divided on the question of whether and which school resources matter, this evidence points clearly towards the disparities in school quality introduced by school segregation as a limiting factor in progress towards racial equality.

**Summary**

The turnaround in racial inequality experienced by some younger cohorts in the South at the end of the 20<sup>th</sup> century can be attributed to several factors. The South’s progress toward racial equality between 1960 and 1980 was largely caused by the Civil Rights Act and related measures against labor market discrimination. Later improvements are related to narrower disparities in education quality and other variables associated with adolescence. The narrowest levels of the black-white wage inequality are now found among those receiving some secondary education in the South, as opposed to those born or residing there. Also, school and residential segregation are narrower in the South.

These findings carry important policy implications. Some recent evidence on school segregation indicates that the South’s advantage in integrating its public schools has been eroding. In virtually all school districts in North Carolina, for example, the tendency for black students to attend disproportionately black schools has increased over the past decade. Some of this increase can be attributed to Federal court decisions. Shifts in the racial composition of the student body, particularly the growth of the Hispanic population in many southern states, may explain another portion. Regardless of its

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2000 (continued)***

origin, this uptick in rates of school segregation introduce the possibility of wider racial resource disparities in public schools. If it is indeed the absence of these disparities that explains the remarkable progress towards racial equality in the American South, their potential reintroduction should be a cause for concern.

A further implication is that equalization of school funding should not be equated with the equalization of school environments or school quality. The typical Northern black public school student enjoys a higher level of school spending than either the typical Northern white or the typical southern student of any race. In spite of this monetary advantage, northern black students experience the highest student teacher ratios, school poverty rates, and probabilities of crime victimization on school grounds. The severe residential segregation of northern metropolitan areas and the greater division of those areas into school districts render the prospects for greater integration quite dim. Thus, while this research project identifies a cause for celebration in the experience of the South over the past sixty years, it ends on a decidedly pessimistic note regarding the prospects for racial convergence in the future.

**Note:**

1. The opinions and conclusions expressed herein are solely those of the author and should not be construed as representing the opinions or policy of the UKCPR or any agency of the Federal government.

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## UK Center for Poverty Research

### Seminar Series

#### Spring 2005:

**February 18. Susan Mayer**, Dean of Harris School of Public Policy, University of Chicago.

**March 4. David Autor**, Pentti J.K. Kouri Career Development Associate Professor of Economics, MIT.

**March 8-9. Kathleen Mullan Harris**, Professor, Department of Sociology, University of North Carolina-Chapel Hill.

#### April 15. UKCPR Regional Small Grants Conference.

##### Speakers:

**Elizabeth U. Cascio**, Institute of Governmental Affairs and the Department of Economics, University of California, Davis, "From Follower to Leader: State-Funded Preschools and the Well-Being of Children and Families in the American South."

**Shiferaw Gurmu**, Department of Economics, Andrew Young School of Policy Studies, Georgia State University, "Barriers to Employment and Welfare-To-Work: Evidence from Georgia."

**Leonard M. Lopoo**, The Maxwell School of Citizenship and Public Affairs, Syracuse University, "Explaining Fertility Rates in the American South from 1981 to 1999: A State Level Analysis."

**Maryah Stella Fram**, College of Social Work, University of South Carolina, "Poverty, Race, and the Contexts of Achievement: Examining Educational Experiences of Children in the American South."

## Are All Southerners or Only Low Income Southerners Less Healthy than Residents of Other Regions?

Janet M. Bronstein, Shailender Swaminathan, and Joshua Klapow

### Overview

Residents of the U.S. South have higher infant and age adjusted mortality rates (Matthews et al., 2002, Zopf 1992, Kaplan et al., 1996) and disability levels (Porrell and Miltiades 2002, Lin 2000) than residents of other regions in the United States. In part this may be explained by lower incomes and higher poverty rates in the region, since extensive evidence indicates that higher incomes are positively associated with better health status and lower mortality rates (Lynch et al., 2004a). Racial/ethnic composition also plays a role; more residents of the South have African-American heritage, and African-Americans have higher age-adjusted mortality rates from a wide variety of health conditions (Williams 2001). The South has more rural areas than some other regions, and rural residence has also been associated with poorer health status in some studies (Cutler and Coward 1988, Rowland and Lyons 1989). Beyond these factors, survey data suggest a higher prevalence of some high risk health behaviors among residents of the South (Holtzman et al., 2000).

The purpose of this study was to assess whether regional variations that generally reflect poorer health status among residents of the South are consistent across income levels when other risk factors are taken into account. Are low income residents of the South much worse off in terms of health than low income residents of other regions, and is this the explanation for poorer health measures in the region as a whole, or are there health deficits across regions all along the income gradient? Health deficits by region across the income gradient suggest that a wide variety of community level factors influence health across the population, while regional variation concentrated at the lowest

income level suggests that community level factors interact with income to produce negative effects on health status. We also examined whether regional variation patterns are consistent across measures of different aspects of health status, and whether health gaps between the highest and lowest income groups were consistent across regions.

This article is a partial summary of a longer project entitled, "Does Regional Variation in Multiple Measures of Health Status Differ Across Income Levels?", which was supported with a grant from the UK Center for Poverty Research and is available on the UKCPR Discussion Paper Series at <http://www.ukcpr.org/Publications/DiscussionPapers.html>.<sup>1</sup>

### Methods

We used Round Three of the Community Tracking Study (CTS) household survey, sponsored by the Robert Wood Johnson Foundation and conducted by the Center for Studying Health System Change, as the primary data source for this study. This round was administered in 2000-2001 and includes 46,792 adults residing in 60 identified communities. We grouped the 60 communities into regions, using the broadest definition of the southern region, including all states whose governors belong to the Southern Governors' Association. Northeast, midwest, and western regions are defined based on Census divisions. Income as reported on the CTS survey was adjusted for geographical differences in costs of living by applying the Year 2000 survey-based cost of living indices generated by the Association of Chambers of Commerce Researchers. Data from the 2000 Census were used to create additional measures of relative income

inequality and relative rurality of counties of residence.

Health is a complex construct and can be assessed in many dimensions. Here we used four measures: a count of the number of chronic conditions that survey respondents reported, a global assessment of whether the respondents rate their health as excellent, very good, good, fair or poor, and the physical and mental components of the SF12, a subset of the SF36 which is a widely used, survey-based measure of health status. These summary components score respondents from 1 to 100 for physical and for mental health functioning.

To control for other factors affecting health, we included survey-based measures of cost of living adjusted income, expressed as a percent of the Federal Poverty Level (FPL), sex, age, education, racial/ethnic background, marital status, and the presence of children in the household. Finally, health behaviors also have a major impact on health status, but measurement of these is limited in the Community Tracking Survey. We included whether the respondent ever smoked cigarettes and whether he or she currently smokes as indicators of health behaviors. The three community level measures used in this study are the designation of the county by degree of urbanization, the Gini coefficient for income inequality calculated at the county level, and region, as described above. The effect of region on health, therefore, is a summary of various unmeasured differences across regions that have a consistent impact on the health of individual residents.

To explore our research questions, we used multivariate analyses (with models appropriate to the differing structures of the four health measures) to test, first, whether region of residence

### Are All Southerners or Only Low Income Southerners Less Healthy than Residents of Other Regions? (continued)

is associated with the health measures, once other individual factors are taken into account, and, second, whether the association between region and income is consistent across all income levels. All analyses are adjusted for the stratified sampling scheme used in the CTS survey.

#### Findings

Descriptive data analysis indicated that individuals with cost of living adjusted incomes near and below the poverty level were more likely to live in the Northeast, past and current cigarette smokers were more likely to live in the Midwest, and those living in communities in the Northeast and the South had equivalent and significantly higher levels of average income inequality in their residential counties than those living in communities in the Midwest and West. The other negative risk factors, including older age, female sex, lower education levels, identifying race as African-American, and living in more rural areas, were more frequent for residents of the South. Residents of the South also were more likely to report being in fair or poor health and to have more functional restrictions related to physical

health (i.e., lower average physical component SF12 scores).

Table 1 shows selected results of the four multivariate analyses assessing the relationship between region of residence and health measures, once other risk factors are taken into account. Residents of the Northeast had fewer chronic conditions (-0.100) and, taking into account the number of chronic conditions, better perceived global health status (-0.086) as well as better perceived physical health status (1.101) than residents of the South. Residents of the Midwest also reported fewer restrictions due either to physical (0.491) or to mental (0.266) health status than residents of the South.

*“Lower income levels were strongly negatively associated with all four health measures, with associations most negative at the lowest income levels.”*

Lower income levels were strongly negatively associated with all four health measures, with associations most negative at the lowest income levels. At less than 100 percent of the Federal

Poverty Level, respondents reported the highest number of chronic conditions and the worst global health status and physical and mental health scores (see Table 1). Older age, female sex, lower education, non-white ethnicity, rural residence, smoking history and current smoking habits were all negatively associated with some or all of the health measures. Higher levels of income inequality in residential counties was associated with fewer reports of chronic conditions, but not associated with other health measures.

Table 2 shows selected results of the four multivariate analyses testing for the difference in the impact of income across regions. Within the highest income group (denoted as 300 percent and above the Federal Poverty Level), residents of the Northeast reported fewer chronic conditions (-0.100), better general health status (-0.058), better physical functioning (0.607) but worse mental health functioning (-0.507) than residents of the South. Residents of the

**Table 1: Selected Results from Multivariate Analysis of Factors Affecting Health Scores**

	Number of chronic conditions (Low is better)	Global health status	Physical Component Score (High is better)	Mental Component Score
<b>Cost of living adjusted income</b>				
< 100% Federal Poverty Level (FPL)	0.323 [10.26]	0.353 [12.96]	-3.380 [-14.57]	-2.947 [-9.92]
100-200% FPL	0.179 [6.69]	0.249 [10.33]	-2.199 [-13.03]	-1.530 [-6.58]
200-300% FPL	0.137 [5.65]	0.136 [5.97]	-1.147 [-7.15]	-0.300 [-1.99]
300%+ FPL				
<b>Region</b>				
Northeast	-0.100 [-3.92]	-0.086 [-3.77]	1.101 [5.91]	-0.053 [-0.31]
Midwest	-0.032 [-1.19]	-0.030 [-1.03]	0.491 [2.23]	0.266 [1.67]
South				
West	-0.082 [-2.52]	-0.027 [-1.01]	0.280 [1.44]	-0.341 [-2.06]
<b>Number of chronic conditions</b>		0.445 [41.60]	-4.00 [-51.82]	-2.648 [-32.70]

Notes: Model also controls for sex, age, education, race/ethnicity, rurality of county, income inequality of county, family status and smoking history. T-statistics are reported in square brackets.

West also reported worse mental health functioning (-0.694) than residents of the South in this income group. For three of the four health measures, the association between region and health in the lowest income group was the same as in the highest income group. Lowest income residents of the Northeast have fewer chronic conditions, better general health status and better physical functioning than lowest income residents of the South. However, in this lowest income group, residents of the Northeast, Midwest and West all had better mental health function scores than lowest income residents in the South, in contrast to the findings at the highest income level,

where residents of the South had higher scores.

Differences in health measures across regions was more pronounced in the 100-to-200-percent FPL income group: residents of the Northeast had fewer chronic conditions than residents of the South to a greater extent than in the higher income group. Residents of the Northeast, Midwest and West reported better physical function and those in the Northeast reported better mental health function (1.380). At the next highest income level, 200-to-300-percent FPL, residents of the Northeast reported even better physical function compared to

residents of the South than had been the case for the highest income group (0.939 compared to 0.607).

In sum, the regional differences observed in the number of chronic conditions, general health status and physical functioning persisted across the income gradient, and were actually more pronounced for those individuals who were slightly above the poverty level, compared to the lowest or highest income groups. However, mental health functioning was clearly worse for the lowest income residents of the South, compared to other regions, but better for the

(continued on p. 10)

**Table 2: Selected Results from Multivariate Analysis of Factors Affecting Health Scores, Interacting Region, and Income**

	Number of chronic conditions	Global health status	Physical Component Score	Mental Component Score
	(Lower is better)		(Higher is better)	
<b>For 300% and above Federal Poverty Level (FPL) Group</b>				
Northeast	-0.100 [-3.92]	-0.058 [-2.45]	0.607 [2.91]	-0.507 [-2.59]
Midwest	-0.041 [-1.36]	-0.031 [-1.51]	0.283 [1.66]	0.008 [0.04]
South				
West	-0.068 [-1.85]	-0.027 [-1.22]	-0.197 [-0.95]	-0.694 [-3.83]
<b>Interactions of region with &lt; 100% FPL</b>				
Northeast	0.096 [1.52]	0.014 [0.24]	0.276 [0.47]	1.730 [3.88]
Midwest	0.105 [1.67]	-0.012 [-0.23]	-0.059 [-0.10]	1.481 [2.08]
South				
West	0.059 [0.81]	0.078 [0.89]	0.915 [1.36]	2.116 [3.37]
<b>Interactions of region with 100% - 200% FPL</b>				
Northeast	0.011 [0.22]	-0.124 [-2.47]	1.520 [4.04]	1.380 [3.31]
Midwest	0.009 [0.15]	0.025 [0.41]	0.994 [2.42]	0.600 [1.00]
South				
West	-0.096 [-1.81]	-0.019 [-0.33]	1.396 [3.65]	0.784 [1.54]
<b>Interactions of region with 200%-300% FPL</b>				
Northeast	-0.019 [-0.35]	-0.025 [-0.43]	0.939 [2.60]	-0.341 [-0.87]
Midwest	-0.037 [-0.60]	-0.020 [-0.38]	0.214 [0.53]	-0.084 [-0.19]
South				
West	-0.038 [-0.61]	-0.041 [-0.74]	0.643 [1.73]	-0.307 [-0.80]
<b>Number of chronic conditions</b>		0.445 [41.72]	-3.996 [-52.11]	-2.649 [-33.12]

Notes: Model also controls for income, sex, age, education, race/ethnicity, rurality of county, income inequality of county, family status and smoking history. T-statistics are reported in square brackets.

### *Are All Southerners or Only Low Income Southerners Less Healthy than Residents of Other Regions? (continued)*

highest income residents of the South compared to the other regions.

#### **Summary**

It is clear from this study, as well as from much of the previous literature, that lower income has a direct negative effect on perceived health status, and also that individuals in lower income groups have more of the other risk factors associated with poor health.

When these risk factors, along with the relative urban or rural nature of the county of residence are taken into account, residents of the U.S. South report more chronic conditions, poorer general health status, and more restrictions due to physical health status than residents of the Northeast, as well as more functional restrictions related to physical and mental health status than residents of the Midwest. The income interaction analysis indicated that the disadvantage for residents of the South on chronic conditions, general health status and functional restrictions related to physical health status exists across the income gradient, and is actually most marked for individuals with cost-of-living-adjusted incomes between 100 and 200 percent of the Federal Poverty Level. For functional restrictions related to mental health status, however, lower income residents of the South are at a disadvantage relative to other regions, while higher income residents of the South are advantaged relative to residents of other regions.

Regional variations in measures of mental health function clearly differ across income groups. These findings suggest that a wide variety of community level factors influence health status across the income gradient, while a separate set of community level factors may interact with income in communities to increase particularly mental health risks for a subset of the population. Further research is needed to identify the specific community level characteristics, occurring at the regional level in the U.S., that have a negative impact on mental health status for low-income groups, especially in the South.

#### **Note:**

1. The opinions and conclusions expressed herein are solely those of the author and should not be construed as representing the opinions or policy of the UKCPR or any agency of the Federal government.

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## Young Investigators Development Grant Program

The UKCPR seeks proposals from untenured, junior faculty within seven years of receipt of the Ph.D. for social science research on issues salient to low-income populations residing in the American South. Applicants must hold a Ph.D. or equivalent degree by September 1, 2004. The UKCPR anticipates funding 3 proposals, up to a maximum of \$5,000 per award. **The deadline for proposals is January 14, 2005.** Full application details are available at <http://www.ukcpr.org/YIDGP.html>.

## Synopses from the Fall 2004 Seminar Series

## Mark C. Berger Memorial Research Conference

### September 17

Robert Margo, Professor of Economics at Vanderbilt University and a member of the UKCPR National Advisory Board, presented a seminar on the economic and labor market effects of the 1960s riots. Dr. Margo and his co-author, William J. Collins, Associate Professor of Economics at Vanderbilt University, have studied the economic impacts of the riots, in terms of the effects on residential property values, particularly on black-owned property, and the labor market effects. The authors find that the occurrence of a riot significantly depressed the value of black-owned property between 1960 and 1970 and that there was little or no rebound during the 1970s. Smaller, but non-trivial, riot-induced declines are also evident for all owner-occupied property. They found that during the 1970s the racial gap in property values widened substantially in cities that had severe riots compared to those that did not. The authors find the existence of adverse riot effects on blacks' income and employment. Their findings suggest that the riots were adverse shocks with long-lasting and potentially self-propagating effects.

### September 22

James Sullivan, Assistant Professor of Economics, University of Notre Dame, presented a seminar entitled "Welfare Reform and Vehicle Ownership for the Poor: Do Asset Tests and Vehicle Exemptions Matter?". Dr. Sullivan visited the UKCPR as a participant in the Emerging Scholars program. He examined how asset restrictions for eligibility under the AFDC/TANF program affect vehicle assets of poor households. His findings indicate that asset restrictions do have an effect on vehicle assets. The loosening of vehicle restrictions in the 1990s resulted in greater holdings of vehicle assets for low-educated single mothers. He finds no evidence that asset restrictions affect the amount of liquid assets single mothers hold.

### November 5

Kathleen McGarry, Professor of Economics at UCLA, presented a paper entitled "Multiple dimensions of private information: evidence from the long-term care insurance market." Dr. McGarry and her co-author, Amy Finkelstein, of Harvard University, document the existence of multiple forms of private information in the private long-term care insurance market and examine the impact of these informational asymmetries on the market's equilibrium. They demonstrate that private information about risk type does exist and is positively correlated with insurance coverage. They show that despite this private information, the standard test of asymmetric information fails. They find no evidence in the market equilibrium of a positive correlation between individuals' insurance coverage and the occurrence of the insured risk.

### November 17

Scott Allard, Assistant Professor of Political Science and Public Policy at Brown University, presented a seminar entitled "The New Geography of Welfare Policy in the U.S.", while participating in the Emerging Scholars Program. Dr. Allard has studied how social service providers are distributed across urban space and changes in the spatial distribution of providers by examining access to outpatient mental health and substance abuse providers in metropolitan areas. He has examined changes in the geographic distribution of mental health and substance abuse providers serving low-income populations. He has found poor populations in urban centers to have greater spatial access to social services than poor populations in suburban areas. Furthermore, he has found areas experiencing increases in poverty to have declining access to service providers, compared to areas experiencing decreases in poverty, which have experienced, on average, increases in service accessibility.

On October 7 and 8, 2004, the UK Center for Poverty Research; the University of Kentucky's Gatton College of Business and Economics, Department of Economics, Center for Business and Economic Research, and Executive Vice President for Research; and the W.E. Upjohn Institute for Employment Research hosted a research conference in memory of Mark C. Berger. The conference was entitled *Program Evaluation, Human Capital, and Labor Market Public Policy: A Research Conference in Honor of Mark C. Berger*. During the two-day conference, twelve labor economists presented papers on personnel economics, human capital, and low-income populations. Speakers and discussants included the following:

**Joshua Angrist**, Massachusetts Institute of Technology

**John Barron**, Purdue University

**Dan Black**, Syracuse University

**Glenn Blomquist**, University of Kentucky

**JS Butler**, University of Kentucky

**Amitabh Chandra**, Dartmouth College

**Randall Eberts**, W.E. Upjohn Institute for Employment Research

**John Garen**, University of Kentucky

**Steven Haider**, Michigan State University

**James Heckman**, University of Chicago

**Barry Hirsch**, Trinity University

**V. Joseph Hotz**, UCLA

**Donald Kenkel**, Cornell University

**Thomas Kniesner**, Syracuse University

**Bruce Meyer**, University of Chicago

**Derek Neal**, University of Chicago

**Donald Parsons**, George Washington University

**Seth Sanders**, University of Maryland

**Jeffrey Smith**, University of Maryland

**Douglas Staiger**, Dartmouth College

**Kenneth Troske**, University of Missouri-Columbia

**Stephen Woodbury**, Michigan State University

**Aaron Yelowitz**, University of Kentucky

**James P. Ziliak**, University of Kentucky

The complete agenda is available on the UKCPR Web site at <http://www.ukcpr.org/BergerConferenceAgenda.html>. Selected papers will be published in a special issue of the *Journal of Labor Economics*, one of the leading publications in the field.

## Poverty Among Refugee Families: A Regional Analysis

Christopher R. Bollinger and Paul Hagstrom

### Overview

During the 1980's and 1990's the United States admitted an average of 800,000 immigrants each year (INS World Book). Of those immigrants admitted, approximately 10 percent annually are classified as refugees. Refugees are individuals or families who are fleeing racial, religious or ethnic persecution. They often arrive having spent time in refugee camps and with few assets or even basic possessions. The admissions process facing refugees to the United States is entirely different than that faced by non-refugee immigrants. For example, refugees do not require a sponsor or proof of employment. Moreover, many refugee groups face differential treatment by the U.S. government in terms of access to transfer programs. In particular, the 1996 Welfare Reform Act exempted refugees from the tighter rules governing immigrants' use of welfare programs such as cash assistance and food stamps. Given the remarkably different process by which refugees enter the country and their differential treatment once here, it is quite likely that refugees' economic well-being may differ from that of other immigrants.

While there is a substantial body of research on immigration (e.g. Borjas and Hilton 1996; Butcher and DiNardo 2002), little research explicitly focuses on the economic status of refugees (Bollinger and Hagstrom 2003; Cortes 2004). In this project, which was funded by a grant through the UK Center for Poverty Research, we examine regional differences over the period 1993 to 2000 in the poverty status of refugees in comparison to other immigrants and to native-born citizens. The full research report is available on the UKCPR Discussion Paper Series at <http://www.ukcpr.org/Publications/DiscussionPapers.html> (see Bollinger and Hagstrom, 2004).<sup>1</sup>

### Methods

The primary data for the analysis derive from the March Annual Demographic Files of the Current Population Survey, which contains information on immigrant status and country of origin beginning in 1994. We consider a family to be an immigrant family if the head of the household was born outside the United States. The sample is composed of primary families and single individuals. We exclude families whose head of household is either under the age of 18 or is in the armed services. We also exclude individuals who live in a household with other, non-relatives. Finally, we exclude families whose head of household immigrated from Central America or Mexico and who have less than a high school education in an effort to limit our sample to legal immigrants. Our final sample consists of 379,748 families and unrelated individuals from 1993 to 2000.

One of the major problems in examining refugee outcomes is that no large, nationally representative dataset contains refugee status information. In order to overcome this, we use the Census of Legal Permanent Residents from the Immigration and Naturalization Service (now the Citizenship and Immigration Service) for the years of 1972 through 2000. This census contains information on all applications for legal permanent residency. In addition to observing country of origin and age, we also observe refugee status. Using these data we can construct the probability that immigrants from a particular country at a particular time are refugees. This probability can then be transferred to the Current Population Survey by matching country of origin, year of immigration and other characteristics common to both data sets. Using these probabilities we can estimate averages and statistical models that include refugees.

There are a number of different approaches to measuring poverty. We follow an approach similar to Ziliak (2003, 2004) in that we construct two measures of income: family income from private sources alone and family disposable income. Private income includes wages and salaries, self-employment earnings, farm earnings, interest, dividends, private retirement income, alimony and child support. This measure of income represents the families' resources in the absence of government transfers and taxes. Disposable income adds to private income the cash value of government transfers such as Social Security and TANF, food stamps, school lunches, subsidized housing, and the Earned Income Tax Credit, and then nets out the federal and state tax liability. Neither of these definitions is used in the official measure of poverty, but they are of widespread interest to research and policymakers since they reflect the ability of individuals to escape poverty with a narrow definition of private income and a more comprehensive definition of private plus public support. We then compare each definition of income to the family-size specific poverty thresholds to construct private-income and disposable-income poverty rates.

### Findings

Table 1 presents the poverty rates for the whole sample, the native born, immigrants, and refugees across 1993 to 2000. The tax structure and government transfer programs reduce the poverty rate from over 25 percent to 11 percent of all families. Because native born families and individuals comprise 91 percent of the full sample, their poverty rates are nearly identical to the full sample. While the private and disposable income poverty rates among immigrants are similar to native-born families, the poverty rates of 34 percent and 18.5 percent among refugees are significantly higher than both natives and non-refugee

**Table 1: Poverty Rates**

	Full Sample	Native Born	Immigrants	Refugees
Private Income Poverty	25.50%	25.30%	26.60%	34.30%
Disposable Income Poverty	11.20%	10.90%	14.30%	18.50%

immigrants. Moreover, the tax and transfer system reduces pre-tax poverty among natives (56 percent reduction) and immigrants (49 percent reduction) more relative to refugees (45 percent reduction). This differential reduction is likely a combination of many factors, including group differences in transfer-program participation and state-of-residence differences in benefit generosity.

A crucial characteristic of both immigrants and refugees is the number of years they have resided in the United States. Figure 1 presents poverty rates for immigrants and refugees who have been in the United States 10 years or less. Two striking features are apparent. Using either income measure, the poverty rates decline with length of residence in the United States. Second, although refugees start with much higher poverty rates than other immigrants, they close that gap markedly within the first five years of residence. This is particularly true for the disposable income measure.

Poverty varies across geographic regions of the country, as do settlement patterns of immigrants and refugees. Thus we would expect regional differences in poverty rates across native born, immigrants, and refugees. Figure 2 displays the private income poverty rates by the four Census regions and by nativity. While the West and Northeast display the same pattern of higher poverty rates for immigrants and refugees, the South is markedly different. The fraction of immigrants in the South who are poor is actually lower than the proportion poor among the native born. The Midwest has the lowest poverty rates for all three groups, with no distinguishable differences among the groups. The Northeast has much higher poverty rates for refugees than the country as a whole, while not demonstrating higher poverty rates than the native born.

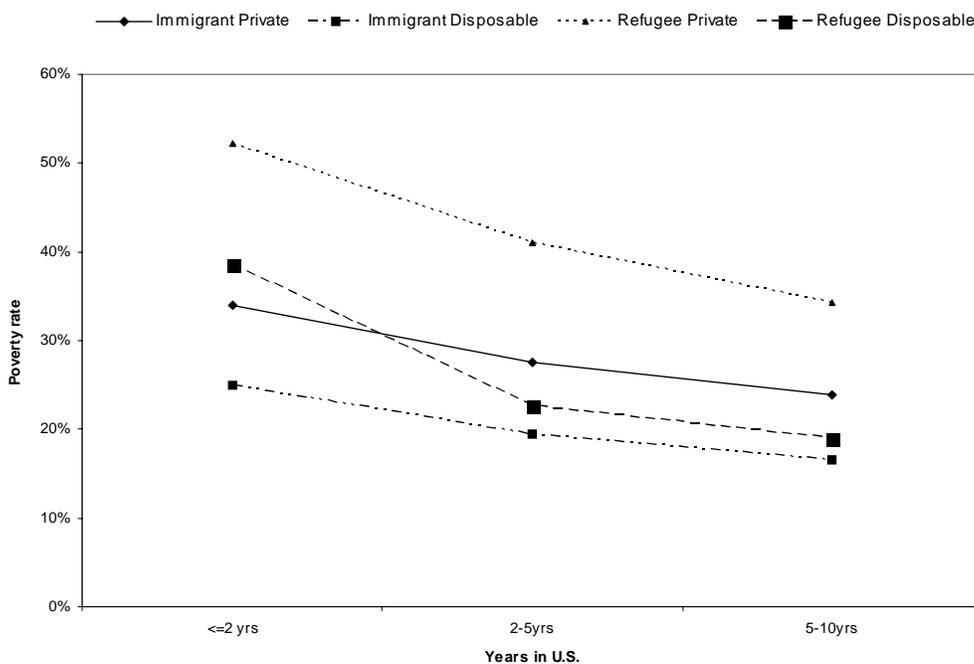
Figure 3 displays the poverty rates using the disposable income measure. In this figure all four regions display the same ordering of poverty rates as the nation as a whole. Refugees

have the highest rates, while the native born have the lowest. Most importantly here, differences across regions are much less pronounced when taxes and transfers are taken into account. While the Midwest has uniformly lower rates, the poverty rate for refugees appears to be largely the same across all four regions. The differences between Figures 2 and 3 imply that the social safety net programs are filling the poverty gap better for refugees than other groups. Bollinger and Hagstrom (2003) demonstrate that refugees are more likely to participate in the Food Stamp Program. Further research in the current project will examine participation in AFDC/TANF programs as well.

The Welfare Reform Act of 1996 appears to have some impact on how well the social safety net reduces poverty rates, notably amongst immigrants. In order to examine how the sweeping changes in 1996 have affected the difference between the private income poverty rate and the disposable income poverty rate, we break the sample into two periods: 1993 – 1995 and 1998 – 2000. The years 1996 and 1997 were excluded from this analysis since these transition years are difficult to categorize as either pre- or post-reform. As is well known, the economic conditions in these periods were very different, hence simply comparing poverty rates between the pre-reform and post-reform period does not isolate the effects of the reform. The difference between the private income poverty rate and the disposable income poverty rate measures the impact of government taxes and transfers on poverty. The change in that difference between the two time periods measures the impact of the reform on disposable income poverty rates. Because this approach differences out the changes in private income poverty, it isolates the measurement from changes in the economy.

Figure 4 presents these differences by region. Nationwide, we see that welfare reform increased the disposable income poverty rate for native

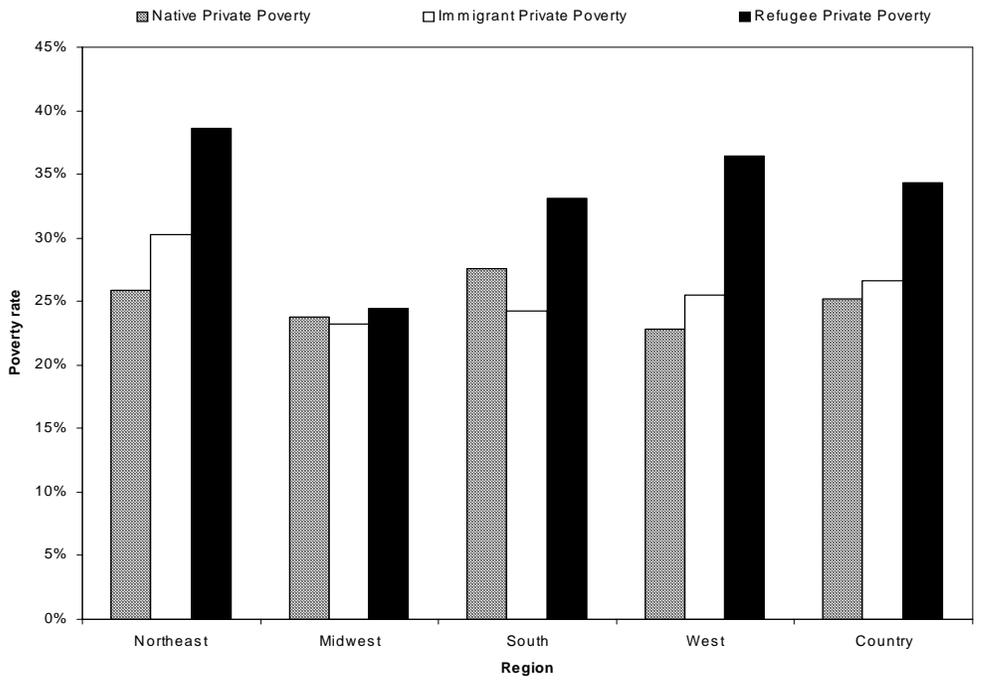
**Figure 1: Poverty Rates by Years in the U.S.**



*(continued on p. 14)*

**Poverty Among Refugee Families: A Regional Analysis (continued)**

**Figure 2: Private Income Poverty Rates**



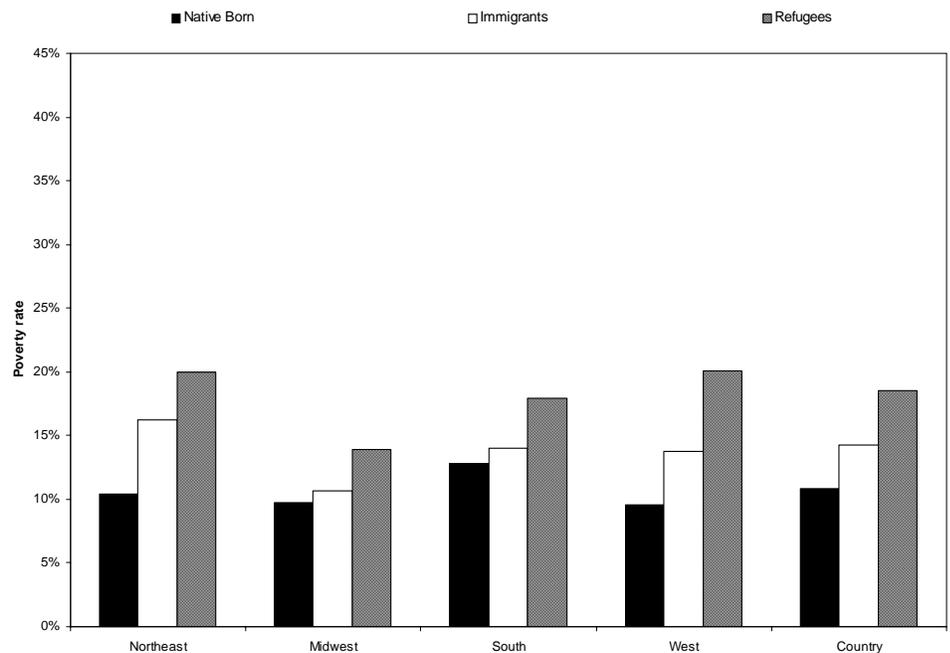
born by approximately 0.8 percent. The largest increase was in the West, while the smallest increase was in the Northeast. The differences across regions are relatively small for native born. In contrast, immigrants experienced large and variable increases in poverty across regions. Nationally, disposable-income poverty rates for immigrants rose by over 3 percent. Immigrants in the West had the smallest increase, less than 2 percent, while immigrants in the Midwest had the largest increase, nearly 7 percent. The changes for refugees are even more varied. Overall, the increase in disposable-income poverty for refugees was only 1.3 percent. Refugees in the Midwest saw an increase of 6.8 percent, approximately the same magnitude as other immigrants. In contrast refugees in the Northeast experienced a 2 percent post-reform decrease in disposable income poverty. Refugees in the South also fared well, posting only a 0.4 percent increase in poverty. Caution should be used in drawing conclusions about changes in refugee poverty rates, as these estimates are not statistically significant. Over 60 percent of refugees reside in the northeastern and southern regions. It is also important to note that

the midwestern region, as presented in Figure 3, has the lowest overall poverty rates for any group. The welfare reform act has resulted in higher poverty rates, post taxes and transfers, for immigrants. The effect on native born is significantly smaller.

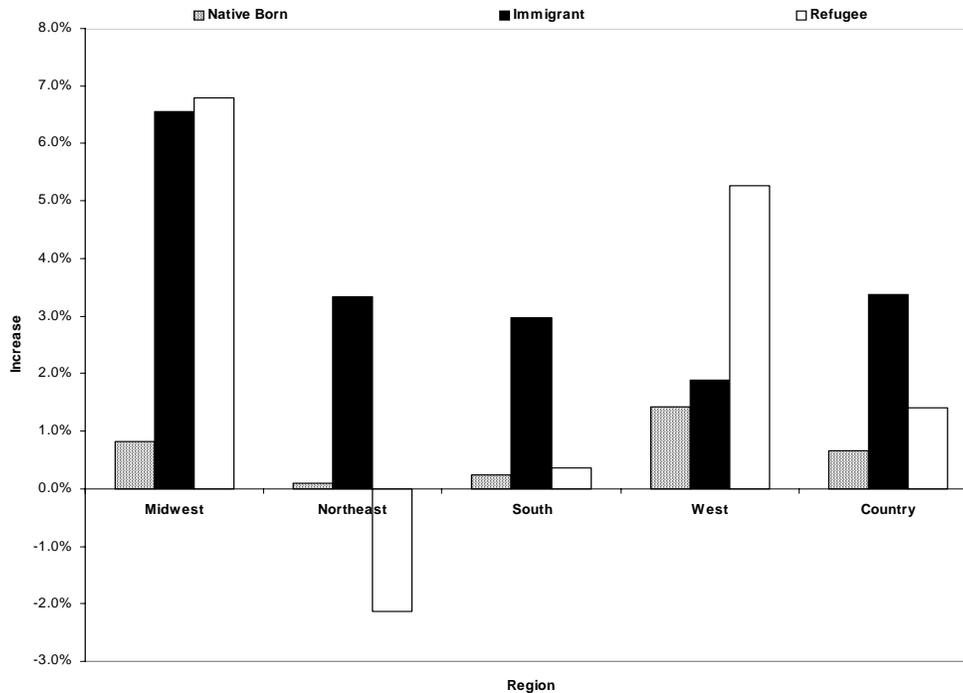
The effect on refugees, while less clear, appears to be most similar to that of native born. Since refugees were exempted from the more stringent regulations imposed on immigrants by the reform act, this is unsurprising.

In our working paper we examine further the issue of regional poverty variation using individual-level probability models of poverty. These models control for educational differences as well as local unemployment rates. As noted by Borjas (2004), there are regional patterns of education attainment among immigrants. Our research finds that refugees are more than three times as sensitive to changes in local labor market conditions than either native born or other immigrants. Other research currently in progress suggests this may be due to high concentrations of refugees industries and occupations which have employment fluctuations that are more sensitive to the business cycle such as the manufacturing industry. This result implies that policy makers and those involved in organizations that service refugees may wish to consider placing refugees in a broader spectrum of industries and occupations.

**Figure 3: Poverty Based on Disposable Income**



**Figure 4: Increase in Post-Reform Disposable Income Poverty Rates**



**Summary**

From a policy perspective, there is some important good news here. Refugees, while poorer at the outset, display a rapid reduction in poverty rates with residency. Social programs do appear to have an important poverty reduction effect for refugees and other immigrants, although perhaps not as effective as for native born. Using broad regional classifications, there seems to be little regional difference in poverty rates after taxes and transfers. The more detailed regional analysis presents some troubling findings. Two of the divisions with the largest number of refugees appear to have much higher poverty rates for those refugees. This concern is tempered by the fact that welfare reform does not appear to have significantly negatively impacted refugees in these regions. Two important policy prescriptions suggest themselves. First, the government should perhaps intervene and locate new refugees in areas and industries with better outcomes. Our research suggests areas with lower unemployment and in particular lower unemployment in the manufacturing industry. Second, locally administered poverty programs may not be adequate

for regions with large numbers of refugees. Federally coordinated programs may allow the shifting resources from regions with few refugees to those with many refugees, spreading the cost more evenly across the country.

**Note:**

1. The opinions and conclusions expressed herein are solely those of the authors and should not be construed as representing the opinions or policy of the UKCPR or any agency of the Federal government.

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