ICRPS 2012
Addressing inequalities in rural areas

Bill Ashton, Brandon University
Lidia Carvajal, Universidad Autonoma del Estado de Mexico
Philomena De Lima, University of the Highlands and Islands - Inverness
Bruce Weber, Oregon State University

June 30, 2012
Overview

Provide an interactive learning opportunity to explore definitions, measurements, and policies related to inequalities from your country perspective

• Introduction
• Defining inequality
• Measuring inequality
• Inequality policy
Defining inequality

Individual exercise

• What is an important inequality from your country’s perspective? Place, people

• Country?

• Inequality?
Inequalities

People

Places
Measuring inequality

- Dimensions of Inequality: Income example
  - Gap measures (differences in levels): What is the difference in average levels of income between two groups?
  - Distributional measures (differences in shares): What shares of income go to different groups?
  - Rate measures (percent of population below some minimum acceptable standard or cut-off line): What is percent of the population in poverty (with incomes below the poverty threshold – the income level below which a person or household is considered “poor”)?
Gap measures

• Differences in average income?
  • What groups might you think had different income levels
  • What other measures of well-being might be important
Median incomes in rural and small town areas are about 10,000$ less than in larger urban centres

Median after-tax income, Families 2+ (constant 2004$s)

Source: Statistics Canada, Survey of Labour and Income Dynamics / Survey of Consumer Finances, Custom Tabulation

Note: Larger urban centres = CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations)
Rural and small town areas = areas outside CMAs and CAs
Share measures

• Measuring shares of income going to
  – Top 1 percent?
  – Top 20 percent?
  – More comprehensive measure: different shares of the population ranked on income
    • Lorenz curves:

• Gini coefficients:
Measuring Inequality: Shares

Lorenz Curve: Scotland 2000/01 and 2005/06
Measuring Inequality: Shares

Curva de Lorenz (México 2008)

Fuente: Elaboración propia con datos de INEGI (ENIGH)
Rate Measures

• Setting a minimum threshold of income to meet basic needs
  – Absolute?
  – Relative?

• Determining what populations to analyze

• Determining the percent of the relevant populations below this minimum threshold
Measures of poverty in the world

• No international definition of poverty
  – Depends on the country
  – Depends on the theoretical framework (basic needs, capability)
  – Absolute or relative measure?
  – Based on income or consumption?
Measures of poverty in the world

- Millennium Development goals
  - Extreme poverty $1/day
  - Poverty $2/day

- US: Orshansky poverty thresholds
  - Based on the income after-tax needed to buy a basket of food (multiplied by 3)
  - The price of the basket is indexed through inflation
Measures of poverty in the world

- **Europe: Laeken indicators**
  - Relative low income measure (60% of adjusted income)
  - Other indicators such as persistence of low-income, long term unemployment

- **UK: 3 indicators**
  - Absolute, relative income and Index of multiple deprivation

- **Mexico: 3 indicators**
  - Extreme; Basic; capacities and assets
Low income measures in Canada

- Do not have an official measure of poverty

- Two measures by Statistics Canada
  - Low Income Cut-Offs (LICO)
  - Low Income Measures (LIM)

- One measure currently released by HRSDC:
  - Market Basket Measure (MBM) of low income
Low Income Cut-Offs (LICOs)

• Income level at which a family may be in strained circumstances because they have to spend 20% more of their income on necessities (food, shelter, clothing)

• 35 cut-offs to represent 7 family sizes and 5 sizes of area of residence

• Calculated on income before-tax and income after-tax
Measuring Inequality: Rates

Poverty rates by residence, 1959-2009
Nonmetro poverty has been higher than metro in every year since 1959

Measuring Inequality

• We have examined “people” measures of inequality for a particular place

• Two other dimensions of measuring inequality are:
  – Inequalities across places (bar charts of poverty rates in metro and nonmetro counties; maps of county poverty rates)
  – Inequalities over time: how inequality of people or place change over time (line graphs of changes in levels of Gini coefficients between 1984-2004)
Measuring inequality

• Project group exercise- using at least two countries represented in your group:

• Identify at least 1 issue around which to measure inequality? (may vary by country)

• What kinds of measures would you use in your country to address the issue?
# Inequality policy

## People (poor)
- Tax/cash transfer
- Welfare state
- Social safety net
  (Ed, health, housing, employment...)
- Training
- Equalities laws

## Places (devitalized)
- Job creation
- Industrial/sectoral subsidies, incentives
- Land ownership
- Land planning
- Infrastructure investment
  (Broadband)
Wrap up

- What is your take away learning from this session about inequity?
Thank you
Poverty Rates Along the Rural Urban Continuum

Source: U.S. Census Bureau and ERS, USDA
Within rural areas, there is relatively less inequality of incomes.

Source: Statistics Canada, Survey of Labour and Income Dynamics / Survey of Consumer Finances, Custom Tabulation

Note: Larger urban centres = CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations)
Rural and small town areas = areas outside CMAs and CAs