

A Comparison of Rural and Urban Middle-Income Households

Introduction

This study compares Pennsylvania's rural and urban middle-income households, which are defined as those with yearly incomes of \$37,501 to \$57,000. Using the 2006 and 2007 Rural Pennsylvania Current Population Survey (RuralPA-CPS), the Center for Rural Pennsylvania identified these households as middle-income since they were in the middle one-fifth of the Pennsylvania income distribution.

The analysis included five factors affecting rural and urban middle-income households: demographics, employment, health insurance, housing and educational attainment. The analysis showed that for each of these factors, a gap existed between rural and urban households. Rural middle-income households, for example, were more likely to have children and be less racially diverse than urban middle-income households. Rural households also had lower levels of educational attainment, were more likely to have dual wage earners and were more likely to receive health insurance through an employer than urban middle-income households.

Rural middle-income households also had lower monthly housing costs than similar urban households.

What is Middle Income?

In this analysis, middle-income households are defined as those with total yearly incomes of \$37,501 to \$57,000. This range was selected because it represents the middle one-fifth (or quintile) of households among the total range of household incomes for all rural and urban households in Pennsylvania and is similar to the middle-income distribution in the United States. According to the 2006 federal Current Population Survey, the middle-income range in the United States was \$38,601 to \$60,323. Table 1 shows the income range for Pennsylvania rural and urban households.

Why Compare Middle-Income Households?

The Center for Rural Pennsylvania analyzed middle-income households to identify and assess factors that may be important for the income mobility of these households. In addition, by using a single income range, the Center was able to

Table 1: Range of Household Income in Rural and Urban Pennsylvania, 2006-2007

	% Rural Households	% Urban Households	% Total Households
Lower-Income (<\$22,100)	22%	16%	20%
Lower-Middle Income (\$22,100 to \$37,500)	22%	17%	20%
Middle-Income (\$37,501 to \$57,000)	21%	18%	20%
Upper-Middle Income (\$57,001 to \$84,500)	20%	19%	20%
Upper-Income (\$84,001+)	15%	29%	20%
Total	100%	100%	100%

Middle-Income Not the Same as “Middle Class”

Among social scientists, the term “middle class” is a loosely defined term that generally refers to a set of attitudes, values, educational attainment, and income. Identifying and measuring these variables are beyond the scope of this report. Therefore, this report does not attempt to define or examine Pennsylvania’s rural middle class. Rather, the focus is to examine and compare the characteristics of households within a specific income range.

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What is Household Income?

In this report, the term “household income” includes the total earned and unearned income from all household members. Rural middle-income households had a mathematical average of 2.8 persons and urban middle-income households had an average of 2.5 persons. Table 2 shows the distribution of rural and urban income by sources. In both rural and urban areas, the largest percentage of income for middle-income households came from wages and salaries.

Results

Demographic Characteristics

There are a number of differences between rural and urban middle-income households, and they generally center on households with children and household types. For example:

- 75 percent of rural middle-income households are comprised of married couples, while less than 58 percent of urban middle-income households are married couples.

- 9 percent of rural middle-income households are comprised of a single person who lives alone. In urban areas, 23 percent of middle-income households are comprised of a single person. In rural middle-income homes, 21 percent of singles are 65 years old and older, while in urban homes, 17 percent are 65 years old and older.
- 39 percent of rural middle-income households have children, while 32 percent of urban middle-income households have children.
- 4 percent of rural middle-income household members are minorities (non-white and/or Hispanic or Latino), while 18 percent of urban middle-income household members are minorities. Among both rural and urban middle-income households, about 5 percent have a mixture of minority and non-minority members.
- 9 percent of people living in rural middle-income households are senior citizens (65 years old and older) and 26 percent are children (under 18 years old). In contrast, 14 percent of those living in urban middle-income households are senior citizens and 22 percent are children.

Employment

To maintain their middle-income status, rural households rely more on the dual wage earnings of their members than urban households. In rural areas, 45 percent of middle-income households have two or more wage earners, while 34 percent of urban middle-income households have two or more wage earners. Other employment differences between rural and urban middle-income households include the following:

- Among rural adults (18 years old and older) living in middle-income households, 66 percent are employed. Among urban adults, 62 percent are employed. This higher rate also applies to teenagers.

Thirty-four percent of rural teens (between 16 and 18 years old) living in middle-income households are employed. In comparison, 24 percent of similar-aged urban teenagers are employed.

- 61 percent of adult females living in rural middle-income households are employed. Among middle-income urban households, 54 percent of females are employed.

Table 2: Sources of Income for Rural and Urban Middle-Income Households, 2006-2007

	% Rural Households	% Urban Households
Wage and Salary Income	71%	69%
Self Employment Income	7%	7%
Business/Farm Income	5%	2%
Rental Income	1%	<1%
Pension, Dividends and Interest Income	8%	12%
Social Security Income	8%	9%
Government Cash Assistance Income	<1%	<1%
Total	100%	100%

- 7 percent of rural adults living in middle-income households who are in the labor force are unemployed. In urban areas the rate was 9 percent. In rural areas, males were more likely to be unemployed than females. In urban areas, the opposite was true.

- Despite the lower unemployment rate, rural middle-income households were more likely to have experienced unemployment in the last 12 months than urban middle-income households. When asked if they had received income from unemployment compensation over the last 12 months, 16 percent of rural households said yes compared to 9 percent of urban households.

- Among rural middle-income workers, the largest percentage was employed in the manufacturing sector. This sector employed 22 percent of the rural work force. Among urban middle-income households, 9 percent of the work force was employed in the manufacturing sector. In rural areas, after manufacturing, the top two employers were the retail and health services sectors. The largest employment sectors for urban middle-income households were retail, followed by health services and transportation and warehousing.

- For middle-income rural households, the median wage and salary was \$45,000. In urban areas, the median was \$41,000.

Health Insurance

In terms of health insurance, rural and urban middle-income households were somewhat similar:

- In rural and urban middle-income households, 93 percent of household members have health insurance and 7 percent do not. Among those who do not have insurance, 5 percent are under 18 years old and 95 percent are between 18 and 64 years old. In both rural and urban areas, 61 percent of adults without health insurance are employed; 24 percent are unemployed; and 15 percent are not in the labor force.

- Among middle-income households with health insurance, 73 percent of rural household members receive their insurance through an employer. In urban areas, 67 percent of household members are insured through an employer. Seventy-nine percent of rural and urban middle-income households financially contribute (co-pays) to their health insurance.

- One interesting difference between rural and urban middle-income households is the percentage of persons with multiple insurance sources. Among rural middle-income households, 9 percent have

more than one source of health insurance. Among urban households, 15 percent have more than one source of health insurance. In rural areas, 5 percent of households supplement their Medicare insurance with employer provided coverage or by purchasing coverage. In urban areas, 12 percent of the households supplement their Medicare insurance.

Housing

The majority of middle-income rural and urban residents own a home. However, for rural middle-income homeowners, housing appears to be more affordable than it is for urban middle-income homeowners.

- In rural areas, 88 percent of middle-income householders own their own home and 12 percent are renters. In urban areas, 80 percent of middle-income householders are homeowners and 20 percent are renters. The average age of rural middle-income homeowners is 52 years old, or one year younger than the average urban middle-income homeowner. For renters, the average rural middle-income renter is 42 years old, the same age as the average urban middle-income renter.

- Among rural middle-income homeowners with a mortgage, the median monthly payment is \$600. For urban homeowners, the median monthly payment is \$700. For rural middle-income renters, the median monthly rent is \$465, and for urban middle-income renters, the median rent is \$650.

- The U.S. Department of Housing and Urban Development defines housing as affordable if the householder pays no more than 30 percent of annual income for housing. Using this criterion, rural middle-income households are living in affordable housing. On average, rural middle-income renters pay about 12 percent of their income and rural middle-income homeowners with a mortgage are paying 16 percent of their income for housing. The average urban middle-income renter pays about 18 percent of income for rent and the average urban middle-income homeowner with a mortgage pays 20 percent of income for housing.

- Among both rural and urban middle-income renters, less than 2 percent pay 30 percent or more of their income for housing. However, among rural middle-income homeowners, 6 percent pay more than 30 percent of their income for housing, and 14 percent of urban middle-income homeowners pay 30 percent or more of their income for housing.

Educational Attainment

Between rural and urban middle-income adults, there are significant differences in levels of educational attainment:

- Among middle-income working-age adults (18 to 64 years old), those in rural areas are less likely to be college graduates than those in urban areas (16 percent and 26 percent, respectively). There was, however, no difference between rural and urban middle-income working age adults with an associate's degree (12 percent) and with some college but not a degree (19 percent).

- 17 percent of rural middle-income, working-age females have a bachelor's degree or higher, while in urban areas, 30 percent of similar income and aged females have a bachelor's degree or higher. There is a similar gap for males: 14 percent of middle-income, working-age rural males have a bachelor's degree or higher compared to 21 percent of similar income and aged urban males. The gap between rural and urban middle-income, working-age minorities is even larger, as 7 percent of rural minorities and 18 percent of urban minorities have a bachelor's degree or higher.

- One similarity in educational attainment for both rural and urban middle-income households is educational attainment among all household members. In 68 percent of rural middle-income households and 69 percent of urban middle-income households, all working adults in the households have the same level of educational attainment.

Conclusion

Rural/Urban Differences Exist

Demographically, economically, and educationally, there are statistically significant differences between rural and urban middle-income households. These differences suggest that middle-income households in Pennsylvania are not homogenous. Programs and policies aimed at assisting middle-income households may impact rural and urban households differently.

Rural Middle-Income Households Have Fewer Economic Opportunities than Urban Middle-Income Households

As discussed in other Center for Rural Pennsylvania publications¹, rural areas have higher unemployment rates and rural workers tend to have lower wages and salaries than those in urban areas. In addition,

compared to urban areas, Pennsylvania's rural areas have fewer employers per capita and sluggish growth in businesses. With these factors as a backdrop, rural middle-income households may not have the same economic safety net as urban middle-income households.

Employment in Manufacturing is Important to Rural Middle-Income Households

One of the most distinguishing features that separates rural and urban middle-income households is the percentage of adults employed in the manufacturing sector. For example, 22 percent of working middle-income rural adults are employed in the manufacturing sector while 9 percent of urban middle-income adults are employed in manufacturing. The importance of manufacturing jobs to rural middle-income households is concerning since manufacturing employment is on the decline. According to data from the Pennsylvania Department of Labor and Industry, manufacturing employment in rural areas declined 11 percent between 2001 and 2006. In urban areas, there was a 19 percent decline. Continuing declines in this sector may have a negative impact on rural middle-income households.

Rural Middle-Income Households Are Financially Stable

With lower educational attainment levels and their dependency on manufacturing jobs, rural middle-income households could be more economically vulnerable than urban middle-income households during poor economic times. For example, a recession or an employment downturn may threaten this stability, as could any number of other factors including increased energy costs, inflation, and tightening credit markets.

For the time being, however, it appears that rural middle-income households are enjoying a period of relative financial stability.

¹ *Rural Economic Snapshot: Second Quarter 2005 to Second Quarter 2006*, The Center for Rural Pennsylvania, March 2007; *Examining the Rural-Urban Income Gap*, The Center for Rural Pennsylvania, November 2006; and *Rural by the Numbers 2007*, The Center for Rural Pennsylvania, August 2007.

Profile of Rural and Urban Middle-Income Households and Residents, 2006-2007

	Rural	Urban
NUMBER OF PERSONS IN HOUSEHOLD		
1 Person	9%	23%
2 Persons	41%	36%
3 Persons	20%	21%
4 persons	19%	12%
5+ Persons	11%	8%
Average # persons in household	2.8	2.5
TYPE OF HOUSEHOLD		
Married couples, no children	43%	34%
Married couples with children	32%	24%
Unmarried couples, no children	5%	3%
Unmarried couples with children	3%	3%
Living alone	9%	23%
Female headed households, no husband present, no children	2%	6%
Female headed households, no husband present, with children	3%	4%
Male headed households, no wife present, no children	1%	3%
Male headed households, no wife present, with children	1%	<1%
HOUSEHOLDS WITH CHILDREN <i>(Persons under 18 years old)</i>		
Married couples	84%	82%
Unmarried couples	7%	8%
Single parents	9%	10%
AGE COHORTS		
Under 18 years old	26%	22%
18 to 64 years old	65%	64%
65 Years old and older	9%	14%
Average age	37.2	39.6
RACE		
White, only	98%	86%
Black only	1%	11%
Other and two or more races	1%	3%
HISPANIC OR LATINO		
Persons of Hispanic or Latino origins	2%	4%
Persons Not of Hispanic or Latino origins	98%	96%
MARITAL STATUS <i>(Persons 18+ years old)</i>		
Married	73%	61%
Widowed	4%	5%
Divorced or Separated	8%	10%
Never Married	15%	24%
HIGHEST LEVEL OF ADULT EDUCATIONAL ATTAINMENT <i>(Persons 25+ years old)</i>		
No high school diploma	9%	3%
High school diploma or equivalent	46%	40%
Some college, no degree	16%	16%
Associate degree	12%	11%
Bachelor's degree or higher	17%	29%

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Profile of Rural and Urban Middle-Income Households and Residents, 2006-2007

	Rural	Urban
HOMEOWNERSHIP		
Owned or being bought by a household member	87%	80%
Rented for cash	11%	19%
Occupied without payment of cash rent	2%	1%
RENTAL COSTS		
Less than \$250 per month	9%	0%
\$250 to \$499 per month	50%	24%
\$500 to \$749 per month	35%	42%
\$750 to \$999 per month	4%	24%
\$1,000+ per month	2%	10%
Median monthly rent	\$465	\$650
MONTHLY RENT AS PERCENT OF HOUSEHOLD INCOME		
Less than 10%	36%	11%
10% to 19%	58%	58%
20% to 29%	4%	29%
30% to 39%	2%	0%
40% to 49%	0%	2%
50%+	0%	0%
Median monthly rent as percent of total household income	12%	17%
HOMEOWNERS WITH A MORTGAGE		
No monthly mortgage payment	45%	44%
With a monthly mortgage payment	55%	56%
RANGE OF MONTHLY MORTGAGE PAYMENTS		
<i>(Households with monthly mortgage payments)</i>		
Less than \$250 per month	4%	1%
\$250 to \$499 per month	26%	12%
\$500 to \$749 per month	41%	39%
\$750 to \$999 per month	15%	23%
\$1,000+ per month	14%	25%
Median monthly payment	\$600	\$700
HOUSEHOLDS WITH COMPUTER & INTERNET ACCESS		
No computer	17%	11%
Computer, not Internet access	11%	3%
Computer with Internet access	72%	86%
METHOD OF ACCESSING THE INTERNET		
<i>(Households with computers & Internet access)</i>		
Dial-up modem	39%	35%
DSL (Digital Subscribe Line)	33%	33%
Cable modem	28%	32%

Profile of Rural and Urban Middle-Income Households and Residents, 2006-2007

	Rural	Urban
HEALTH INSURANCE		
Persons with health insurance	93%	93%
Persons without health insurance	7%	7%
HEALTH INSURANCE COVERAGE OVER THE LAST 12 MONTHS		
All year	88%	90%
Part of the year	8%	7%
Not coverage at all	4%	3%
EMPLOYMENT STATUS <i>(Persons 18+ years old)</i>		
Currently working	66%	62%
Currently not working, but looking for work	5%	6%
Retired- not working or looking for work	15%	20%
Disabled- not working or looking for work	4%	5%
Other- not working or looking for work	10%	7%
EMPLOYMENT BY INDUSTRY <i>(Employed Persons 18+ years old)</i>		
Agriculture & Mining	6%	2%
Construction	7%	10%
Financial Services	4%	2%
Food Services	8%	4%
Health Services	12%	11%
Manufacturing	22%	9%
Professional, Scientific, and Professional Services	5%	10%
Retail trade	14%	22%
Services	8%	17%
Transportation and Warehousing	10%	11%
Other	5%	<1%

RuralPA-CPS Methodology

The Center for Rural Pennsylvania contracted with Penn State Harrisburg's Center for Survey Research (CSR) to conduct the RuralPA-CPS. The Center and CSR collaborated on the design of the survey instrument, which was closely modeled after the March Supplement of the federal Current Population Survey (CPS). The data presented in this analysis are from the 2006 and 2007 RuralPA-CPS surveys.

Data collection

Telephone interviewers collected data for both surveys. Data collection for the 2006 survey began on January 3, 2006 and ended on April 10, 2006. For the 2007 survey, data collection began on January 3, 2007 and ended on March 12, 2007. Standard callback methods were used to increase the response rate.

Response rate

Interviews were conducted from the offices of the Center for Survey Research at Penn State Harrisburg until 3,156 interviews had been completed in 2006 (3,028 completed interviews plus 128 partially completed interviews) and

3,158 interviews had been completed in 2007 (3,037 complete surveys and 121 partially completed interviews). The goal was to complete full interviews with at least 2,000 rural households and 1,000 urban households.

In 2006, the overall cooperation rate for the survey was 53 percent and in 2007 the rate was 59 percent. This rate is calculated by the total number of completed interviews divided by the sum of the completed interviews, partially completed interviews and refusals.

In 2006, there were 3,028 completed interviews and in 2007, there were 3,037 completed interviews. The confidence level for both years was plus or minus 1.6 percentage points at the 95 percent level. This means that if the survey were conducted 100 times, the resulting data would be within 1.6 percentage points of the percentage reported in 95 of the 100 surveys.

Combinations of 2006 and 2007 data

To increase the level of statistical confidence and validity, results from the 2006 and 2007 RuralPA-CPS were combined and analyzed as a single year. The rate of change from one year to another was not calculated.

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