

Appendix IV: *Cost-of-Living Differences between Rural and Urban Areas in Indiana—*

Examining the Real Prosperity of Rural Regions

The Index of Relative Rurality (IRR) provides a convenient scale for assessing how rural and urban areas differ in ways beyond their rurality. One such issue of interest to the present study is the general question of whether rural and non-rural areas differ with respect to the cost of living. Discussions of the economic competitiveness of rural regions often implicitly assume that residents of such areas tend to enjoy lower costs of living than their urban counterparts.

Evaluation of this hypothesis requires a suitable measure of the cost of living at the county level. Unfortunately, there is no widely accepted standard indicator for this purpose. The Consumer Price Index (CPI) is published by the Bureau of Labor Statistics only for the nation, for a few very large regions, and for a handful of the largest cities, with no county-level data. ACCRA (the Council for Community and Economic Research) publishes a popular metric comparing the relative cost of living for more than 300 metropolitan areas, but most of the nation's rural counties are not covered.

In the absence of a standard county-level cost-of-living indicator, this analysis employed a metric developed for a somewhat different but related purpose. The Self-Sufficiency Standard (SSS) was developed as a superior alternative to the federal poverty level to estimate the income required for families to pay for their basic needs (Nielsen-Farrel 2006). Computed at the county level, the SSS takes into account the costs of food, housing, health insurance, childcare, transportation, taxes, and other basic expenses, with component values varying across more than 70 different family types. SSS wages have been calculated to date for all counties in 35 states and the District of Columbia. Though not available for all rural counties in the United States, the SSS represents a good starting point for examining how costs of living vary across counties or groups of counties.

To explore the link between rurality and cost of living, the IRR and the annual self-sufficiency wages (SSW) were determined for each Indiana county for a family of two parents and two children, one a preschooler and the other a grade-school-age child. For the same counties, additional data were compiled, including median household income, poverty rate (for all persons), and unemployment rate, as shown in **Table 1**. The counties are sorted by IRR from low (most urban) to high (most rural).

Indiana's urban counties tended to have significantly higher costs of living (i.e., self-sufficiency wages) than rural counties, as evidenced by the strong correlation coefficient ($r = -0.77$). The mean SSW for the 15 most urban counties (\$39,963) was \$7,501 higher than for the 15 most rural counties (\$32,462; $z = 19.0$, $p < .0001$). These most-urban counties also had median household incomes \$9,090 higher than the most-rural set ($z = 7.2$, $p < .0001$). Rurality was not related significantly to the ratio of median incomes to SSW; thus, it appears that higher urban costs of living are offset by higher incomes. Poverty rates were unrelated to rurality, while the unemployment rate was slightly higher in rural areas. Thus, the data for Indiana suggest that the

cost of living in rural areas is generally in proportion to their lower incomes, and that other differences are not profound.

Table 1. Rurality and Prosperity in Indiana Counties

County	IRR 2000	SSW* 2005 (\$)	Median HH income 2003 (\$)	HH Income / SSW	2003 % in poverty	2005 annual average % unemployed
Marion	0.114	42,580	41,416	0.97	12.5	5.6
Lake	0.149	42,313	39,727	0.94	12.7	6.2
Hamilton	0.200	45,628	80,691	1.77	3.6	3.1
St. Joseph	0.221	37,289	40,213	1.08	11.8	5.3
Johnson	0.228	45,460	54,025	1.19	7.0	4.2
Vanderburgh	0.231	38,134	38,275	1.00	11.8	5.2
Allen	0.232	38,502	42,974	1.12	10.2	5.3
Porter	0.235	42,920	54,685	1.27	6.8	4.7
Floyd	0.242	35,829	45,098	1.26	9.2	5.2
Clark	0.254	35,488	41,503	1.17	9.4	5.2
Hendricks	0.266	41,538	61,475	1.48	4.6	3.8
Tippecanoe	0.305	39,480	39,471	1.00	11.9	4.6
Hancock	0.308	39,883	58,866	1.48	5.0	4.2
Elkhart	0.311	36,818	45,253	1.23	9.5	4.6
Madison	0.328	37,583	39,469	1.05	11.0	6.6
Monroe	0.328	40,101	35,572	0.89	12.4	4.6
Delaware	0.329	40,397	35,212	0.87	13.4	6.7
Warrick	0.332	35,660	53,782	1.51	5.8	4.5
Howard	0.333	40,460	45,856	1.13	10.3	6.6
Boone	0.338	39,706	57,336	1.44	5.8	4.0
Vigo	0.338	34,087	34,536	1.01	13.7	6.8
Morgan	0.344	36,881	49,561	1.34	7.8	4.9
Shelby	0.367	39,779	44,152	1.11	8.5	5.0
LaPorte	0.370	34,119	40,127	1.18	9.9	6.0
Bartholomew	0.371	40,805	45,550	1.12	8.3	4.8
Dearborn	0.378	36,878	52,687	1.43	6.8	5.6
Jasper	0.400	34,952	45,916	1.31	7.4	5.6
Wells	0.414	32,824	44,279	1.35	6.8	4.8
Gibson	0.416	33,367	43,057	1.29	8.1	4.9
Putnam	0.418	35,140	41,193	1.17	9.1	6.6
Washington	0.441	32,042	37,347	1.17	10.5	6.2
Grant	0.445	34,170	36,643	1.07	12.5	8.4
Franklin	0.450	33,137	46,909	1.42	8.0	6.4
Henry	0.458	34,293	40,667	1.19	9.5	6.8
Harrison	0.459	34,315	45,614	1.33	8.1	6.3
Posey	0.461	35,876	48,851	1.36	7.6	4.7
Whitley	0.469	33,139	47,405	1.43	6.2	5.1
Jefferson	0.476	29,953	39,765	1.33	10.3	5.2
Clay	0.482	32,349	38,602	1.19	9.6	6.9

County	IRR 2000	SSW* 2005 (\$)	Median HH income 2003 (\$)	HH Income / SSW	2003 % in poverty	2005 annual average % unemployed
Vermillion	0.486	30,918	38,172	1.23	9.2	7.3
Greene	0.487	31,947	36,374	1.14	10.9	6.5
Scott	0.490	34,593	35,809	1.04	11.8	6.2
Knox	0.491	31,818	33,300	1.05	13.7	5.0
Wayne	0.493	31,039	35,825	1.15	11.7	7.1
Tipton	0.499	32,303	49,600	1.54	6.7	5.7
DeKalb	0.500	33,288	45,700	1.37	7.0	6.3
Montgomery	0.500	31,410	41,355	1.32	9.2	4.6
Sullivan	0.503	31,256	34,284	1.10	11.8	7.4
Jackson	0.509	35,094	41,502	1.18	8.8	4.9
Kosciusko	0.511	35,082	47,034	1.34	7.5	4.4
Newton	0.512	35,895	40,803	1.14	8.2	5.4
Cass	0.512	30,523	38,850	1.27	9.7	5.8
Brown	0.513	34,953	45,589	1.30	8.2	5.6
Decatur	0.516	32,422	42,959	1.32	9.0	5.0
Miami	0.521	33,699	39,479	1.17	10.0	6.3
Wabash	0.522	33,288	40,567	1.22	8.7	6.6
Huntington	0.526	35,859	42,245	1.18	7.6	5.6
Ohio	0.529	34,993	41,496	1.19	7.0	5.2
Clinton	0.529	34,855	41,075	1.18	9.1	5.7
Fayette	0.531	34,239	39,262	1.15	10.4	8.1
Lawrence	0.534	31,259	38,510	1.23	9.7	7.7
Rush	0.535	33,139	40,091	1.21	8.6	4.8
Carroll	0.538	32,410	44,589	1.38	7.5	5.1
Adams	0.541	32,449	41,967	1.29	9.9	4.9
Blackford	0.545	32,351	36,296	1.12	9.2	7.1
Marshall	0.551	34,975	42,975	1.23	7.5	5.2
Orange	0.551	28,304	32,699	1.16	12.0	7.3
Jennings	0.557	33,847	39,514	1.17	9.8	6.7
Noble	0.557	32,752	43,116	1.32	8.1	6.2
Jay	0.562	31,533	35,833	1.14	10.9	5.4
Dubois	0.571	33,197	49,223	1.48	5.6	3.9
Randolph	0.573	30,381	36,830	1.21	10.9	7.4
Ripley	0.577	36,513	43,572	1.19	8.1	5.2
White	0.579	34,019	39,482	1.16	8.3	5.9
Owen	0.586	32,629	37,296	1.14	10.3	6.0
Starke	0.589	32,544	36,828	1.13	11.7	7.1
Fountain	0.592	31,836	39,156	1.23	9.3	5.5
Perry	0.597	29,594	38,538	1.30	9.4	5.8
Daviess	0.598	31,154	35,967	1.15	12.4	4.1
Pulaski	0.601	32,989	36,964	1.12	9.5	5.0
Steuben	0.611	35,923	41,930	1.17	8.1	6.2
Benton	0.619	34,349	39,538	1.15	7.5	5.1

County	IRR 2000	SSW* 2005 (\$)	Median HH income 2003 (\$)	HH Income / SSW	2003 % in poverty	2005 annual average % unemployed
Fulton	0.623	32,368	39,411	1.22	9.5	5.3
Lagrange	0.628	35,218	44,358	1.26	7.9	5.0
Martin	0.630	31,382	37,970	1.21	9.9	5.5
Pike	0.636	31,866	37,747	1.18	9.2	5.5
Parke	0.637	32,160	36,296	1.13	11.3	6.4
Crawford	0.651	30,223	34,853	1.15	12.9	7.6
Switzerland	0.652	33,383	36,518	1.09	10.9	4.6
Union	0.654	33,131	38,931	1.18	9.1	5.6
Spencer	0.672	29,866	44,456	1.49	7.6	5.7
Warren	0.705	33,328	43,321	1.30	7.2	4.3
Correl. with IRR: r =		(0.768)	(0.427)	0.071	0.004	0.225
t =		(11.37)	(4.48)	0.68	0.04	2.19
p <		0.0001	0.005			0.025

Sources and Notes:

* SSW = self-sufficiency wage

Poverty rates (all ages) & median household income: <http://www.census.gov/cgi-bin/saige/saige.cgi>

SSW: <http://www.ibrc.indiana.edu/ibr/2006/spring/article2.html>

Index of Relative Rurality (IRR): Waldorf (2006)

Unemployment rate: Bureau of Labor Statistics, Local Area Unemployment Statistics