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1980's A Decade of Broad Rural Stress

With a decade's perspective, the 1970's "Rural Renaissance" is looking more like an interlude than a harbinger of the future. The 1980's marked a return to the patterns of outmigration typical of rural America in this century. Employment rose (albeit slightly), but so did unemployment and poverty. Not all the rural indicators went up: real income and education declined. Enhanced rural linkages with national and global marketplaces may be the key to improving the rural situation.

USDA photo

In addition to losses in farm employment, rural areas also lost employment in agricultural input, processing, and marketing industries between 1982 and 1987.

The combined pressures during the 1980's of a long-term structural decline in natural resource-based industries (especially in agricultural employment) and a newly emerging industrial restructuring of the nonfarm economy (the result of an increasing integration of the U.S. and world economies) left rural areas at a competitive disadvantage. Rural employment grew much more slowly than urban employment during the 1980's; rural unemployment rates were consistently higher than urban unemployment rates; the gap between rural and urban income levels began to widen for the first time in the post-WWII period; and rural poverty rates rose dramatically and remained high (see box).

Fewer Jobs in Resource-Based Industries

Structural change in agriculture has meant a declining role for farming as a source of rural income as other rural sectors expanded. Farm employment has declined from 9.9 million in 1950 to about 2.9 million today. Farming now provides about 10 percent of nonmetro jobs. Of course, including agricultural input industries and agricultural processing and marketing adds to the importance of agriculture in the rural economy. However, both the agricultural input and the processing and marketing industries lost employment between 1982 and 1987, and most of the modest job gains since then have been in metro areas. In fact, much of the growth in food and fiber system employment in the last decade has been in the wholesale and retail trade sector where the jobs are primarily in metro areas.

Mining industries, following a brief expansion during the energy crisis of the 1970's, also played a declining role in the rural economy. In 1988, mining employment was 20 percent lower than it was 30 years earlier. Virtually all of this decline occurred in rural areas.

Although natural resource-based activities (especially farming) continue to dominate much of the visual landscape of rural America, they provide less and less of a basis for rural work, family, and community life. Areas where these activities remain economically dominant are sparsely settled, containing just over one-sixth of the rural population. Thus, the current and future economic well-being of most rural people and communities depends mainly on the economic performance of other sectors. Even in those areas that still depend on natural resources, the potential for future job

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growth from resource-based production is limited.

Jobs Shift from Manufacturing to Services

In the post-WWII period, growing manufacturing employment helped make up for the loss of jobs in agriculture and mining. Manufacturing employment expanded nationally and decentralized out of large cities into rural towns. As a result, manufacturing employed a higher proportion of rural workers than urban workers in 1980. And the total number of rural manufacturing workers was more than 2½ times larger than the total in agriculture and mining combined. Moreover, manufacturing was the major source of "local export" earnings for many rural economies. In the 1980's, however, with heightened foreign competition and new labor-saving technology, manufacturing employment stagnated, and the decentralization from urban to rural areas slowed dramatically. As a result, manufacturing was no longer as able to replace employment losses in agriculture and mining.

Virtually all of the growth in rural employment in the last decade came from services. In fact, since 1969, the service sector has generated the largest share of employment growth in rural areas. Most of that rural service sector growth has been in residential services, such as dry cleaners, restaurants, and retail shops. Services to producers, such as banking and other financial services, legal services, marketing and design services, grew much more rapidly in urban than in rural areas. Rural areas get their share of residential services because those services tend to follow population distribution patterns. But this component of the service sector typically pays lower wages than producer services do. And since such businesses usually serve local markets, they provide little basis for community growth.

Rural Disadvantage I: *An increasing concentration of low-wage, low-skill jobs in rural areas*

The critical manufacturing and producer services sectors in rural areas seem to be experiencing a growing competitive disadvantage. With continuing integration of the national and world economies, large urban nodes have emerged as the main points of connection. Rural areas, especially those that are remote, appear to be falling behind national norms of well-being. Remoteness involves more than an inability of rural workers to commute to urban jobs. It means that rural areas and businesses are somewhat disconnected from centers of information, innovation, technology, and finance. Specialized producer service activities, which appear to have significant potential for future job growth and are also important inputs to the growth of other industries, especially manufacturing, cannot flourish without being integrated into these centers.

In conjunction with the increasing integration of the world economy, there was a shift in the structure of U.S. manufacturing employment toward white-collar and management jobs and away from blue-collar jobs. This further eroded the competitive position of rural areas within manufacturing,

Measures of Rural Economic Disadvantage

We can measure the economic disadvantage to rural economies in the 1980's in three ways:

Slow employment growth. Employment rose by nearly 21 percent in metro areas between 1979 and 1989, but by only 12 percent in rural areas. Natural resource industries, including agriculture, saw declines. Extractive and energy industries were particularly hard hit by the collapse in energy prices, which turned job gains of the 1970's into job losses in the 1980's. Manufacturing, which is a much larger employer of rural people than natural resources, was a source of strong rural employment growth in the 1970's. But rural manufacturing employment stagnated in the 1980's. Total employment in rural manufacturing in 1989 was slightly lower than in 1979. Still, nearly 18 percent of all rural jobs are in manufacturing.

High unemployment. The 1980's saw the emergence of a persistently higher unemployment rate in rural than in urban areas, a reversal of a pattern that had persisted for more than a decade. This rural disadvantage in job market performance emerged in the recession early in the decade when the rural unemployment rate peaked at 10.1 percent. At the end of the extended and relatively strong national recovery that followed, the rural unemployment rate had fallen to 5.7 percent, but was still higher than the urban rate.

Widened income gap and high poverty levels. Throughout the post-WWII period, there was a gradual narrowing of the relative income disadvantage of rural people. That convergence of income levels ended in the late 1970's, and during the 1980's, the gap began to widen again. By the end of the decade, rural per capita income was 72.2 percent of urban per capita income, about the same as it had been nearly 20 years before. Rural and urban poverty rates rose dramatically during the early 1980's recessions. Unlike the urban poverty rate which began falling after 1983, the rural poverty rate did not begin to fall until 1986. By 1990, the rural poverty rate was at 16.3 percent, higher than it was in 1972. High rural poverty persisted despite a dramatic decline in the farm poverty rate as the income situation in the farm sector improved. Poverty rates are especially high in the rural South and among rural minorities.

During the recent recession, rural employment growth slowed more than urban, and the rural unemployment rate remained above the metro rate. Rural unemployment would have risen more if large numbers of rural workers had not already left the labor force, presumably as a temporary response to shrinking employment opportunities. Rural real earnings per job were lower in 1988 than in 1979 by about 7 percent, and probably fell further in the recession. This likely pushed up the rural poverty rate, although data are not yet available to confirm this.

because rural areas have tended to specialize in routine production (blue-collar) jobs. Whatever the precise cause, this rural specialization increased during the decade. By the end of the 1980's, low-skill, low-wage jobs in manufacturing were more concentrated in rural areas, and high-skill, high-wage jobs were more concentrated in urban areas. Also, growth in high-paying legal, financial, and other producer service jobs was concentrated in urban areas, reflecting a further rural competitive disadvantage.

Rural Disadvantage II:
A growing earnings gap and outmigration of best educated rural workers

The increasing presence of low-skill, low-wage jobs in rural manufacturing was accompanied by a growing earnings gap between young rural and urban workers, especially those with higher education. In 1979, young rural men earned about 12 percent less than young urban men. There was little change in this rural earnings gap during the 1980's for men with a high school education. But for college graduates, the premium earned by young urban workers was over 30 percent by the end of the 1980's. The result has been very high rates of outmigration of better educated rural people. The future development po-

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Rural poverty rates rose in the 1980's and have remained relatively high (16.3 percent in 1990). No longer associated much with farming, rural poverty is especially high in the rural South and among minorities.

Figure 1a
Nonmetro employment grew slightly in 1980's...

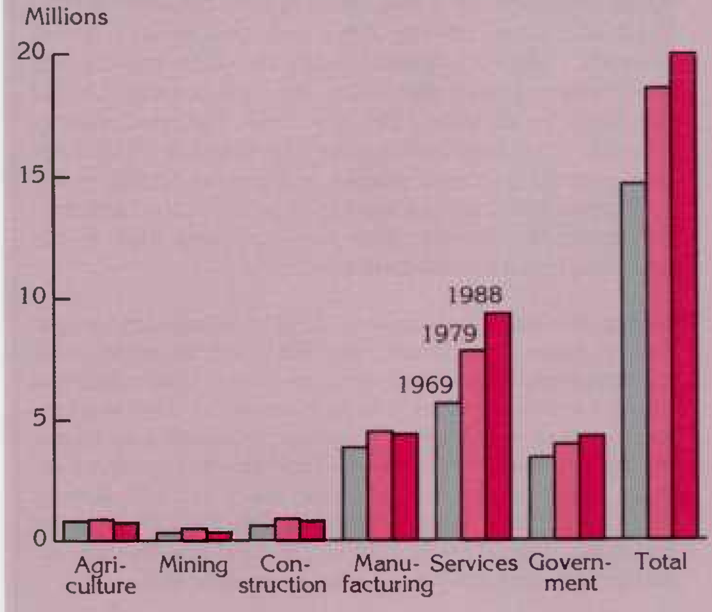
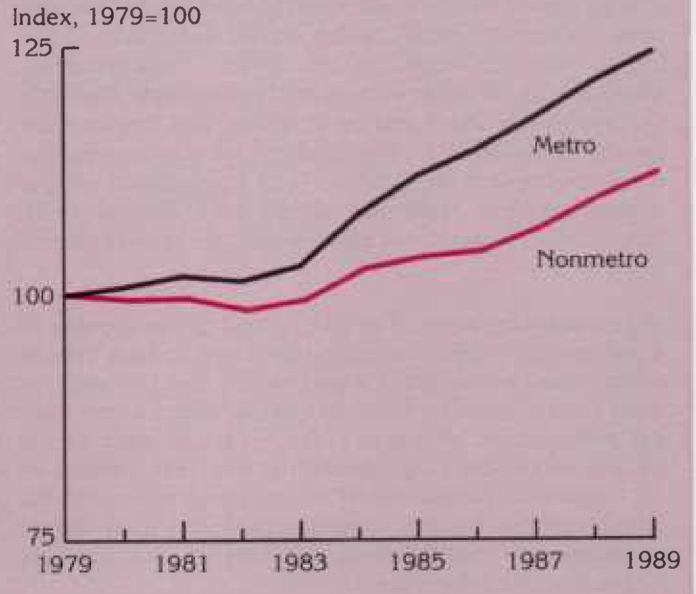


Figure 1b
...but lagged metro growth



tential of rural areas is weakened by the fact that rural young adults on average have lower educational levels now than did their counterparts 10 years ago.

Because of the poor performance of the rural economy in the 1980's, widespread population loss and outmigration from rural areas resumed. The 1990 decennial Census confirms that more than 1,240 rural counties, over half of all rural counties, lost population during the decade. In contrast, fewer than a fifth of all rural counties lost population in the 1970's.

Some Rural Areas Find Growth Niche

The 1980's reemphasized the diversity among rural areas and the impact of that diversity on economic success or stagnation. Two kinds of rural areas appear to be reasonably well positioned to share in future U.S. economic growth. Areas that are adjacent to large and growing urban areas will find many opportunities to capitalize on their locational advantages. Likewise, rural areas with locational amenities—like lakes, seashores, mountains, and moderate climate, which were attractive for recreation or to retirees and others with a preference for rural living—grew rapidly and created many new jobs during the overall rural stagnation of the 1980's. These areas' strong performance continued a pattern well established in the 1970's. Locational amenities, rather than natural resources, seem to be the major rural advantage in the new competitive environment.

Need for a New Rural Development Paradigm

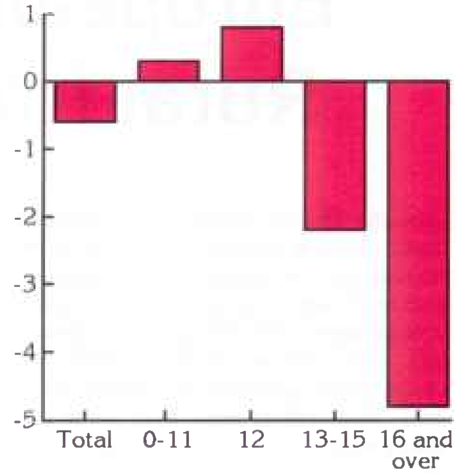
The weak connection between farming activity and rural community vitality, between farm family and farm business success and the well-being of most rural people, between natural resource production generally and rural development, means we need a new paradigm for future rural economic development. That paradigm needs to include a broad range of employment-creating sectors.

More than ever, future rural economic progress depends on shrinking the "space" between urban and rural places and people, which will test the adequacy of the rural physical and institutional infrastructure. It may also require a substantial shift in the horizons of rural business people and public officials who need to see their future development in terms of broad forces of change in the marketplace. Distance and tradition cannot be relied upon to insulate local economies from structural change.

Figure 2

Net migration of nonmetro population, age 25-34, 1988-89

Percent of respective nonmetro group



Source: McGranahan, David A., and Linda M. Ghelfi. "The Education Crisis and Rural Stagnation in the 1980's," Chapter 3 in *Education and Rural Economic Development: Strategies for the 1990's*. Agriculture and Rural Economy Division, Economic Research Service, U.S. Department of Agriculture. ERS Staff Report No. AGES 9153

The challenge is to find ways of linking remote rural areas more fully into the national and global marketplace so that they can reduce their continuing dependence on economic sectors that are stagnant or declining in employment. RDP

Figure 3

Nonmetro unemployment rate has remained higher than urban since 1979

Average annual unemployment rate (percent)

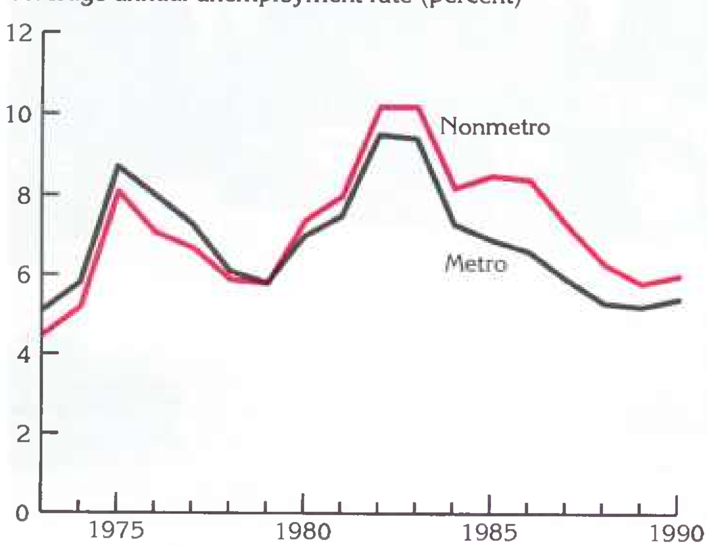


Figure 4

Rural and urban poverty rates rose in the early 1980's and stayed at relatively high levels

Poverty rates, 1967-1990