

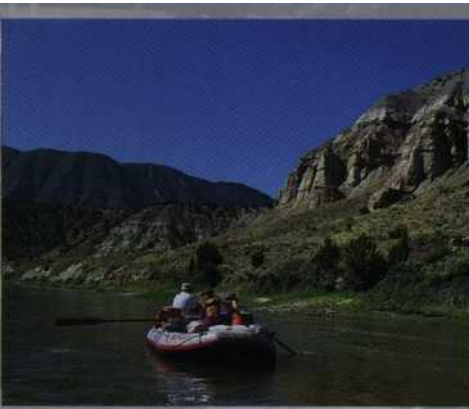


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Number 710

Understanding Rural America



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Economic Research Service
United States Department of Agriculture
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Preface

It has been said that today's decisions determine tomorrow's destiny.

Indeed, rural residents and policymakers face many decisions that will affect, if not determine, rural America's destiny. "What are the economic conditions-needs, opportunities, and possibilities-in different rural areas?" "What factors underlie those conditions?" And, ultimately: "How can rural areas and people achieve the goals they aspire to?"

It follows then, that the answers to these and other critical questions should be based on the most accurate, up-to-date information available. Good decisions require good input.

This report draws upon the work of the Rural Economy Division of the Economic Research Service to provide that information. It pulls together the findings of several researchers to describe general rural conditions and trends, as well as details about the many differences found in rural America. The result, we hope, is a source of information that will assist rural decisionmakers as they seek to improve the well-being of rural people and places.

Introduction.....	1
Rural America.....	2
Rural Change	
Rural Employment	4
Rural Population.....	6
Rural Well-Being.....	8
Rural Diversity	10
County Types	
Farming Counties	12
Manufacturing Counties	14
Services Counties.....	16
Retirement-Destination Counties	18
Federal Lands Counties.....	20
Persistent Poverty Counties.....	22
Conclusions	24
Notes	25
For Additional Reading.....	25

Notes

The maps and charts in this report are the products of analyses conducted by the Economic Research Service, U.S. Department of Agriculture. Data used in the analyses were provided by the Bureau of the Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

Charts containing the note "1979=100" were indexed to allow for comparison of growth rates. In those charts, the 1979 value of all charted variables was made to equal 100. Thus, values over 100 in subsequent years indicate growth relative to 1979, while values below 100 indicate decline.

Notes referred to by numbers in the text are found at the end of the report.

Introduction

The well-being of America's rural people and places depends upon many things—the availability of good-paying jobs; access to critical services such as education, health care, and communication; strong communities; and a healthy natural environment to name a few. And while urban America is equally dependent upon these things, the challenges to well-being look very different in rural areas than in urban. Small-scale, low-density settlement patterns make it more costly for communities and businesses to provide critical services. Declining jobs and income in the natural resource-based industries that many rural areas depend on force workers in those industries to find new ways to make a living. Often those new ways are found only in the city. Low-skill, low-wage rural manufacturing industries must find new ways to challenge the increasing number of foreign competitors. Distance and remoteness impede many rural areas from being connected to the urban centers of economic activity. Finally, changes in the availability and use of natural resources located in rural areas affect the people who earn a living from those resources, as well as those who derive recreational and other benefits from them.

Some rural areas have met these challenges successfully, achieved some level of prosperity, and are ready for the challenges of the future. Other rural areas have met these challenges, but have little capacity to adapt further. Still other rural areas have neither met the current challenges nor positioned themselves for the future. Thus, concern for rural America, its conditions and its future, is real. And, while rural America is a producer of critical goods and services, the concerns go beyond economics. Rural America is also home to a fifth of the Nation's people, keeper of natural amenities and national treasures, and safeguard of a unique part of American culture, tradition, and history.

Translating concern into effective policy for the betterment of rural America is, however, no easy task. The challenge lies, at least partly, in the complex nature of the subject. Rural America, like the rest of America, is changing. Similarly, rural America, like the rest of America, is diverse. These are simple, if not obvious, facts. Yet, in the course of policy debate and formulation, those simple, obvious facts often get lost. In matters of policy, it is tempting to think of rural America as unchanging and homogeneous, to think of it as it once was or as it is now in only some places.

This report aims to provide objective information about the changes taking place in and the diversity of rural America. Toward that end, the report looks at change and diversity from several angles—its people and places, its economies and industries, its concerns and future. The report begins by examining shifts in rural employment, population, and well-being, continues by analyzing six "county types," and concludes by outlining key realities that effective rural policy will need to recognize.

As with all generalizations, even the disaggregated analysis that follows cannot capture every detail and individual difference. Still, it yields useful information for understanding the complexity of rural America's conditions, trends, needs, and prospects.

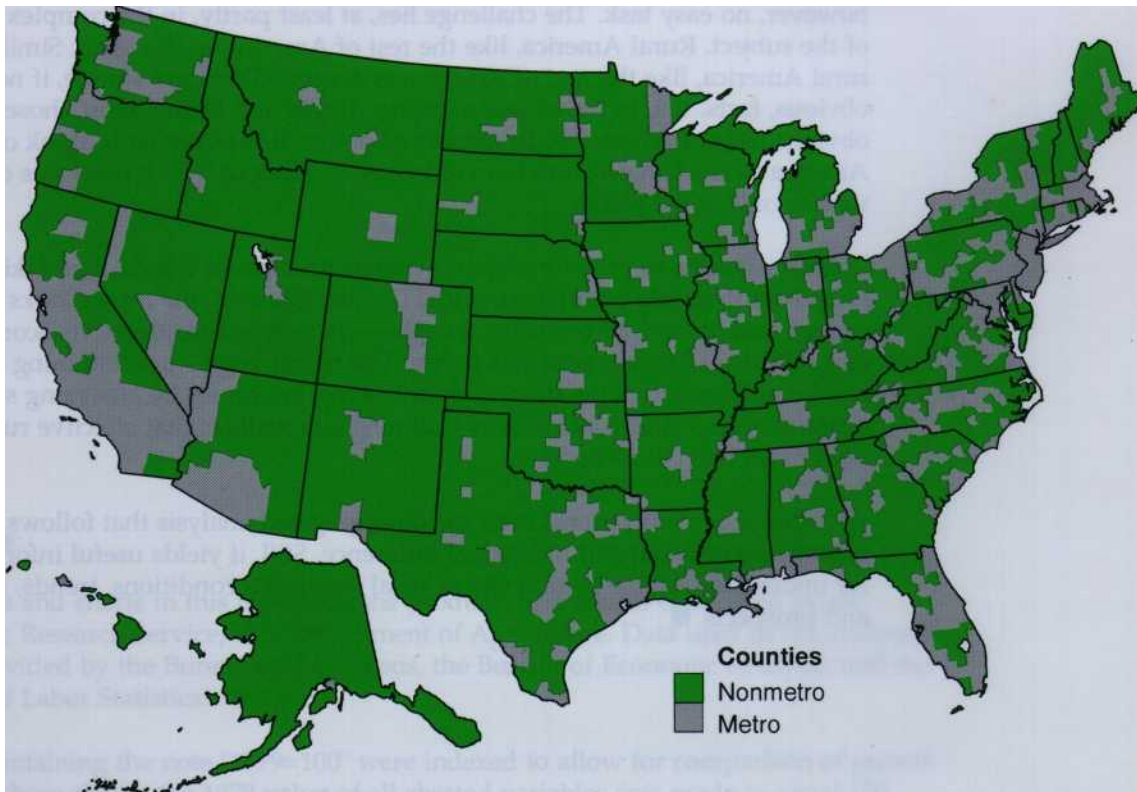
Rural America

A VITAL and CHANGING part of the Nation.

Rural America has been and continues to be a vital part of the Nation. Today, rural America comprises 2,288 counties.¹ It contains 83 percent of the Nation's land and is home to 21 percent (51 million) of its people. In 1992, nonmetro counties supplied 18 percent of the Nation's jobs and generated 14 percent of its earnings. Rural people and communities today are engaged in and depend upon a wide range of economic activities—from manufacturing to mining, from recreational services to agriculture and everything in between. Yet, rural residents are likely to have many of their needs—shopping, medical care, banking—at least partially met by providers in urban areas. This picture of rural America is very different from what it once was.

At the beginning of the 20th century, rural America was the center of American life. It was home to most of the population and was the source of food and fiber for the Nation's sustenance and commerce. And most of its people were involved in producing that

In 1993, nonmetro America accounted for 83 percent of the Nation's land and 21 percent of its population.



food and fiber. The typical rural community in 1900 consisted of a small town or village with numerous small farms within a few miles. Most people lived their lives and fulfilled most of their needs, economic and otherwise, within this community. They had little contact with areas beyond the community.

Rural America has changed in many ways over the century. The rural economy in particular has changed—shifting from a dependence on farming, forestry, and mining to a striking diversity of economic activity. Another significant change has been in the connection between rural areas and cities. Improvements in communication and transportation between the two have reduced rural isolation and removed many of the cultural differences between them. Television, phone service, and transportation

systems have helped bring rural and urban dwellers much closer together in terms of culture, information, and lifestyles.

As these changes took place, rural America became home to a smaller and smaller share of the Nation's population. And while it continues to provide most of the Nation's food and fiber, rural America has taken on additional roles, providing labor for industry, land for urban and suburban expansion, sites for storage of waste and hazardous activities, and natural settings for recreation and enjoyment.

And the changes in rural America continue. Following is an examination of some of these key changes.



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Rural Employment

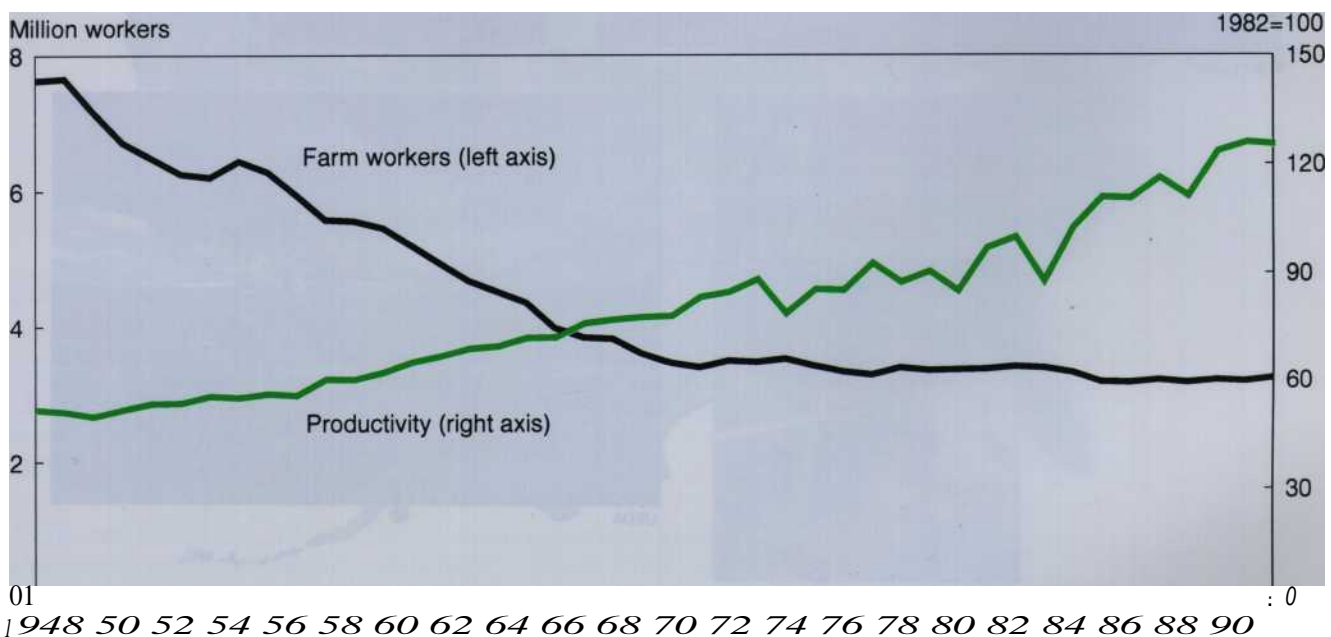
Shifting from farming to manufacturing and services.

In the not too distant past, farming was nearly synonymous with "rural." That is no longer the case. While farming remains important as a source of jobs and income in many rural areas and is the largest single user of rural land, it is no longer the dominant rural industry it once was, nor will it likely be again.

In the last four decades, farming employment dropped from just under 8 million to a little over 3 million. The number of farms has gone from 5.8 million to 2.1 million. In the last 20 years, the percentage of the rural workforce employed in farming has gone from 14.4 percent to 7.6 percent. Even by including agricultural services, forestry, and fishing, the share has gone from only 15.3 percent to 8.5 percent.

Today, only about 5 million people, less than 10 percent of the rural population, live on farms. In addition, in 1990, 58 percent of U.S. farm operator households received wages and salary (averaging nearly \$30,000 per reporting household) from off-farm employment. For example, one or more household members might work at a manufacturing plant, telemarketing office, or in retail trade. Therefore, even for the remaining farm households, the nonfarm rural economy is a critical source of employment and income.

Farming's "double-edged sword". increases in productivity mean fewer workers are needed.



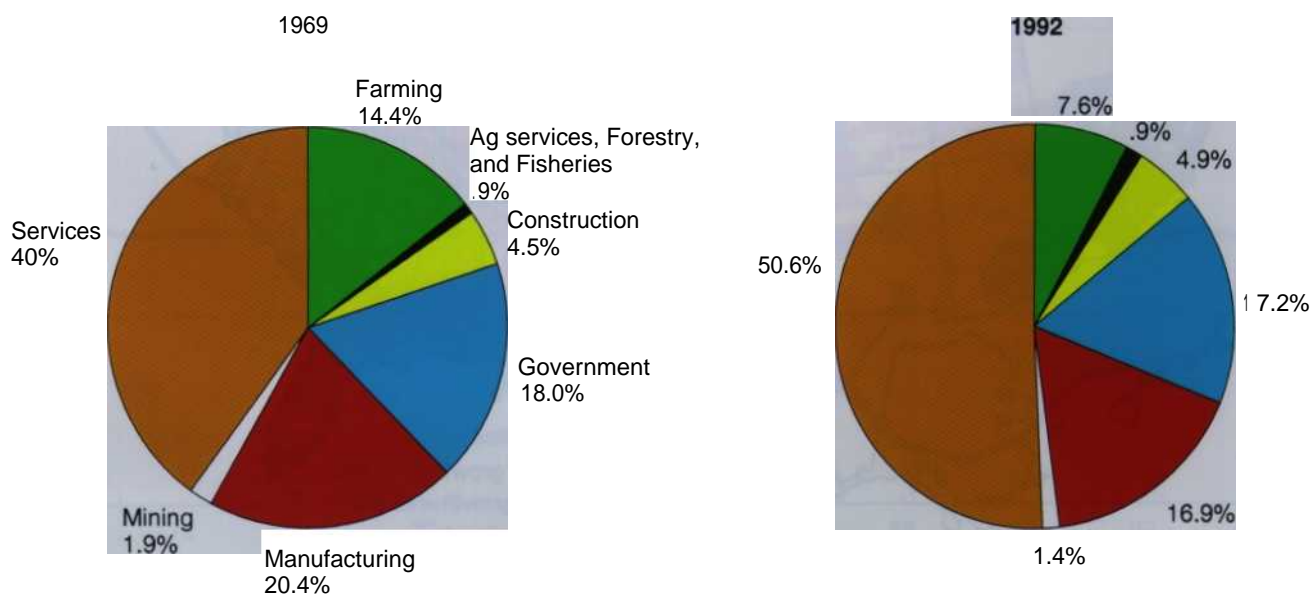
The decline of farming employment is, in many ways, a consequence of success. Improvements in technology, crop science, and farm management have all boosted output while reducing the need for labor. Productivity growth has, in turn, led to farm consolidation, declining farm numbers, decreases in farm employment, and consequently a surplus of farm labor. Thus, the ability to produce more with less, while benefiting many, has caused economic hardship for others.

Today, the largest share of rural jobs and employment growth comes from the services sector, which employs over half of all rural workers. This dominance of the services sector mirrors the urban employment picture. Rural services related to recreation, retirement, and such natural amenities as mountains, lakes, shorelines, etc., have emerged as important new sources of rural employment and growth. Other services-financial, insurance, real estate, as well as retail stores, dry cleaners, restaurants, etc.-are also important. And there is anecdotal evidence that advances in telecommunications are enabling still other types of services-telemarketing, data processing-to move to rural areas.

Manufacturing also is a major provider of both rural jobs and income, providing jobs for nearly 17 percent of the rural workforce and employing more people than farming, agricultural services, forestry, fishing, and mining combined. Manufacturing also provides roughly a quarter of all rural earnings. However, like farming, the share of manufacturing jobs in rural areas has declined. From 1969 to 1992, that share dropped from 20.4 percent to 16.9 percent of rural employment.

Given these changes in the rural economy, and its current structure, the economic future and well-being of most rural people now depend on the availability and quality of jobs in the rural services and manufacturing sectors and the entrepreneurial opportunities in those sectors.

Services and manufacturing together employ more than 2 out of 3 rural workers.



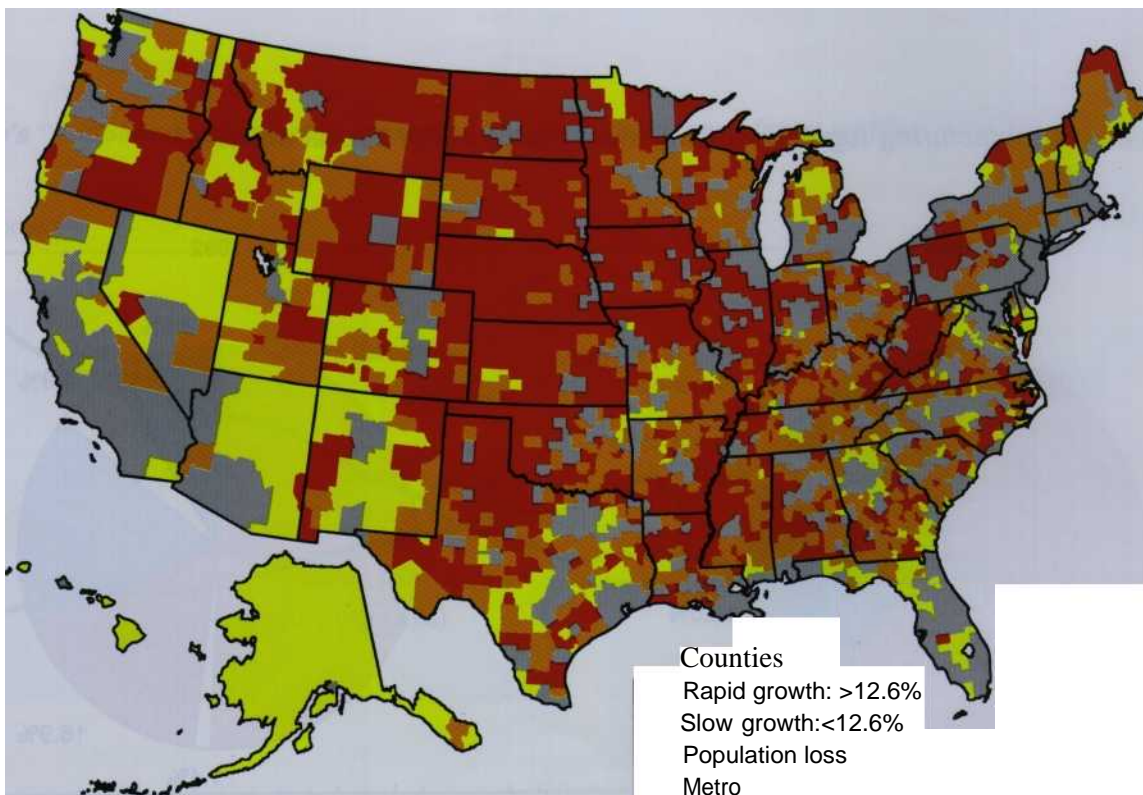
Rural Population

*Growing in some areas,
but declining in others.*

The United States, like the rest of the world, is steadily becoming more urban. Two national censuses illustrate the point dramatically. For the first 140 years of the Nation's existence, most Americans lived in open country and small towns. The 1920 Census was the first to record that urban people outnumbered those living in open country and small towns. Just 70 years later, the 1990 Census recorded not only that most Americans lived in urban areas, but that they lived in metropolitan areas of over 1 million people. The Nation today is not only urban, it lives predominantly within major metro areas.

After a long period of little or no growth as the farming and mining populations decreased, rural and small-town areas grew faster in the 1970s than urban and suburban America. That turn-around showed the continuing potential for rural America to thrive economically and retain its people. Industries moving to rural areas, growth of recreation and retirement areas, renewed mining activity, urban workers living

Population growth varied widely across rural America.



1980-92 U.S. growth rate = 12.6%

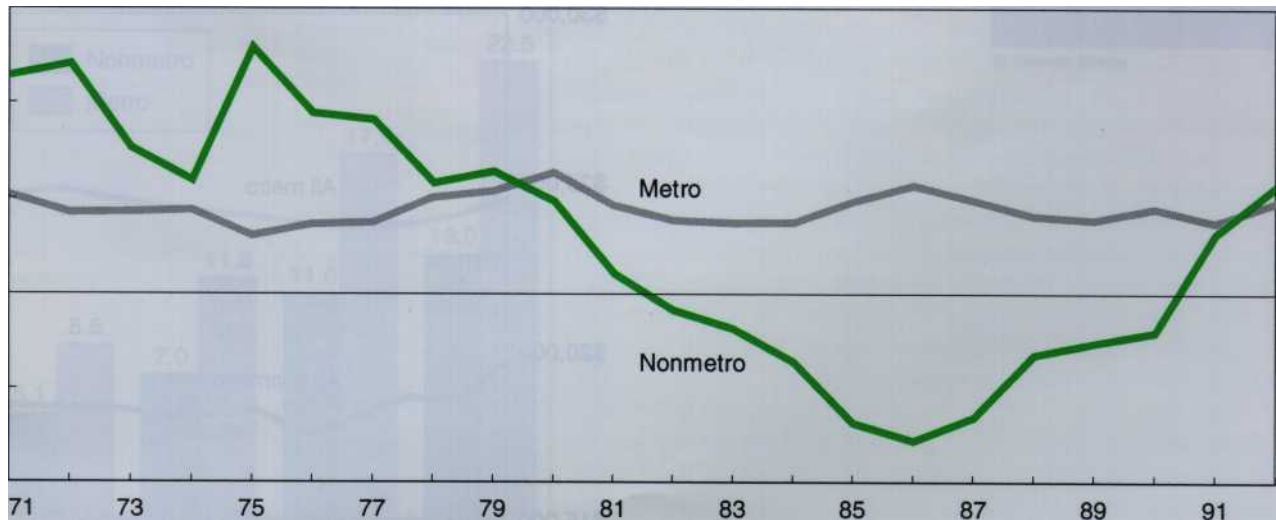
in and commuting from rural areas, and dissatisfaction with urban conditions all contributed to the resurgence.

In the 1980s, this trend reversed under the weight of the lengthy general business recession, foreign industrial competition, the farm crisis, and fewer retirees moving to rural areas. The loss of well-educated young adults (a continuation of a long-term trend) was indicative of the poorer prospects that people saw for rural communities.

The 1990s, thus far, have seen an encouraging rebound for rural areas. Softness in the national economy has been more urban than rural in character. Nonmetro unemployment rates are below those in metro areas. Although a majority of farm-dependent counties are still losing people, the losses are much lower than in the past. Areas with recreation and retirement development have grown substantially. Rural areas near growing urban areas have also grown. But while there are some encouraging signs overall, there is still a wide range of conditions and trends across rural areas, with each area facing its own problems and opportunities.

After attracting new residents in the 1970s, nonmetro areas reverted to their long-term trend of outmigration in the 1980s. So far in the 1990s, rural areas have seen population gains through immigration.

Rate of net migration per 100 since previous year



Calculated by ERS and University of Wisconsin-Madison Applied Population Lab.

Rural Well-Being

Some improvement, but gaps remain.

Many of the changes in rural America have been positive. Compared with the past, many of the conditions in rural areas have improved. Electricity, telephone service, and the highway system-and the development they promoted-are a few of the most visible improvements.

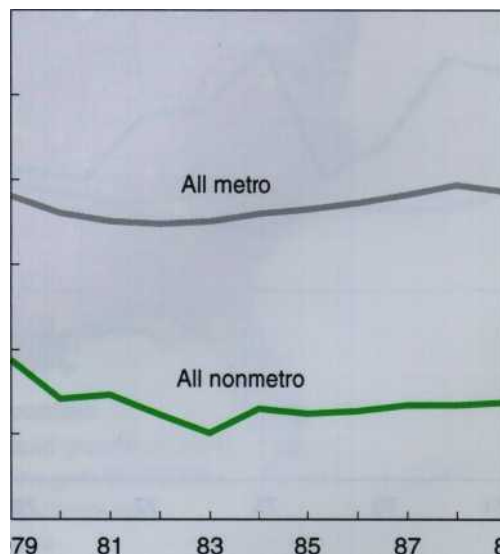
Rural families are also better housed today and more likely to own their own homes than in the past. Only 2 percent of full-time occupied housing in rural America was substandard (lacking complete plumbing facilities) in 1990. Fifty years ago, nearly 75 percent of rural homes failed this measure of adequacy. Crowding is also less of a problem for rural households. Today, only 2 percent of households live in a home with fewer rooms than the number of household members, down from 25 percent of households in 1940. The rate of home-ownership among rural households has also improved, increasing from one-half in 1940 to three-fourths today.

in a number of ways, rural areas have also gained ground on urban areas. High school completion rates, for example, have improved in rural areas and are now close to those found in urban areas.

Gaps remain, however. Real earnings per job, an indicator of the strength of the economy and its

The earnings gap between metro/nonmetro jobs persists and widens...

Earnings per job
\$30,000



ability to provide good jobs for its educated youth, remain consistently and substantially lower in rural areas than in urban and declined by 6.5 percent from 1979 to 1989. Similarly, college completion rates reveal a rural challenge. Compared with urban areas, far fewer rural residents are completing the education that is increasingly necessary for success in today's economy. And increases in population subgroups prone to economic disadvantage-families headed by single mothers and minorities-mean that more people are at risk of falling behind.

Underlying this overall picture are wide variations throughout rural America. The rural experience is very different from one part of the country to another. Some rural areas simply have not enjoyed many of the benefits of progress over the last 50 years. They have largely been left behind, still struggling with poverty, unemployment, inadequate infrastructure, and a lack of viable economic opportunities. Others, that have seen improvements, lack the resources and skills necessary to compete in the future economic environment. These, if they remain unprepared, will likely be left behind.

To understand the complexity of the challenge to rural America, one must understand the diversity of rural America.

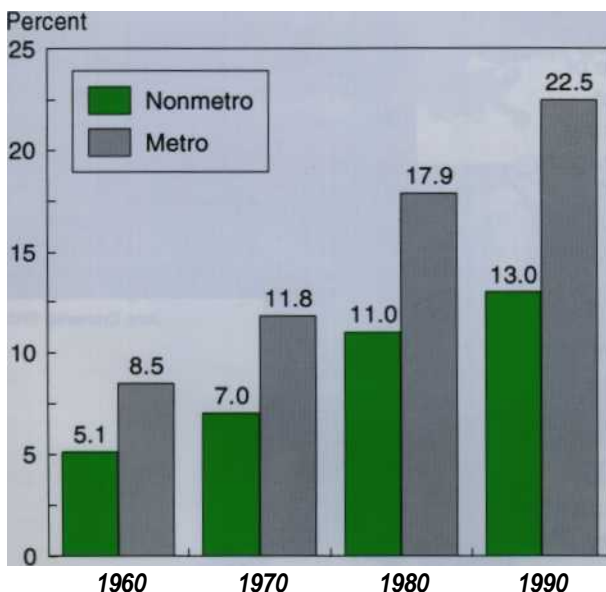
... as does the gap in college completion rates.



John Cronnarlie, ERS



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Rural Diversity

Different challenges, different solutions.

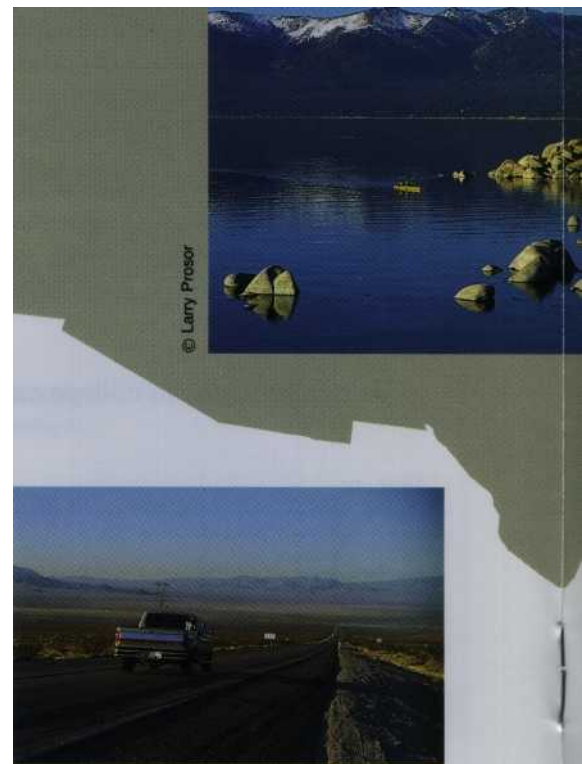
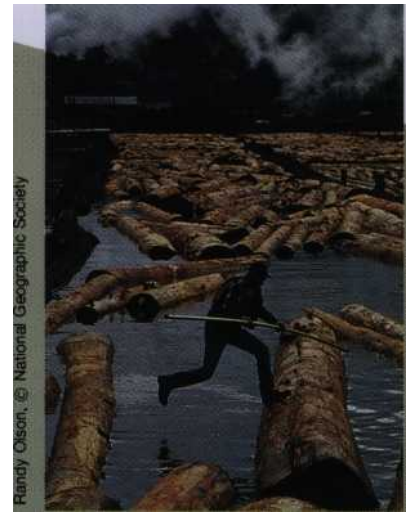
Rural America is diverse in many ways. As we have seen, no industry dominates the rural economy, no single pattern of population decline or growth exists for all rural areas, and no statement about improvements and gaps in well-being holds true for all rural people.

Many of these differences are regional in nature. That is, rural areas within a particular geographic region of the country often tend to be similar to each other and different from areas in another region. Some industries, for example, are associated with different regions—logging and sawmills in the Pacific Northwest and New England, manufacturing in the Southeast and Midwest, and farming in the Great Plains. Persistent poverty also has a regional pattern, concentrated primarily in the Southeast. Other differences follow no regional pattern. Areas that rely heavily on the services industry are located throughout rural America, as are rural areas that have little access to advanced telecommunications services. Many of these differences—regional and nonregional—are the result of a combination of factors including the availability of natural resources; distance from and access to major metropolitan areas and the information and services found there; transportation and shipping facilities; political history and structure; and the racial, ethnic, and cultural makeup of the population.

The result: Rural areas differ in terms of their needs and the resources they possess to address those needs.

To explain some of these differences, the rest of this report examines six types of nonmetro counties. These types were chosen because of their importance to the rural economy and/or rural development policy. Three of the county types—farming counties, manufacturing counties, and services counties—are based on economic specialization and are mutually exclusive. That is, the types are defined by a county's economic dependence on a particular industry. The other three types—retirement-destination counties, Federal lands counties, and persistent poverty counties—are based on their special relevance to policy and are not mutually exclusive. Population shifts and the use of natural resources, ownership of land and its effects on rural people and communities, and the issues associated with low-income people are all themes that merit special attention.

For each county type, information is provided on income and employment and other relevant socio-economic indicators. Each section also contains discussion on what it means to people to live in a county of that type, with a special focus on what the future might hold.



Calvin Beale, ERS



Larry Grant Photography, Inc.

USDA



John Cromartie, ERS

Farming Counties

Once, the vast majority of rural counties depended on farming as their primary source of income. Today, fewer than a quarter do, and these farming-dependent counties are home to only 9 percent of the rural population.

Concentrated in the Great Plains, these 556 counties derive 20 percent or more of their earned income from farming; for one county the figure was 89 percent. Even in these counties, however, nonfarm sectors are a major source of employment and income, providing nearly 80 percent of the jobs in farming-dependent counties. Those jobs are held by farmers and nonfarmers alike. Many farmers and farm families depend on nonfarm jobs and incomes to make ends meet.

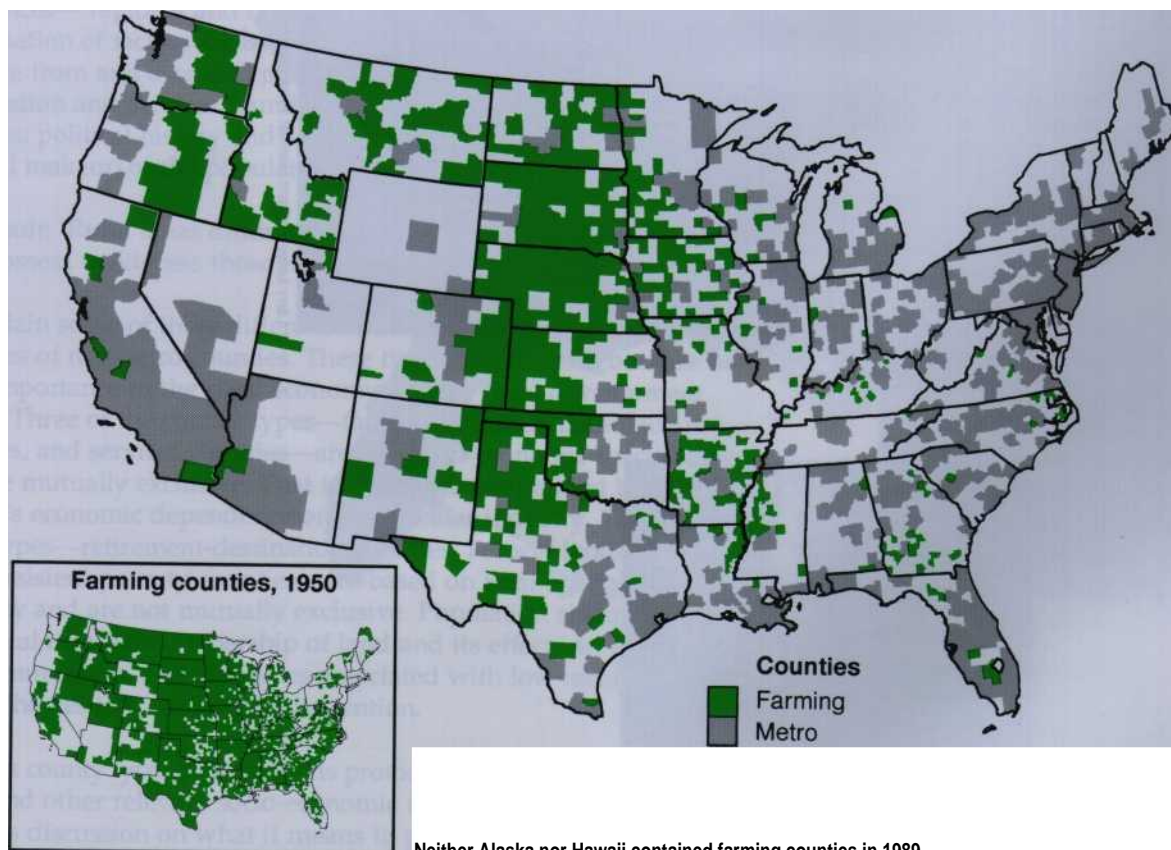
The decline in the number of farming-dependent counties is, in part, a consequence of agricultural success. Increases in farm productivity—through advances in production technology, crop science, and

management—have led to decreases in farm employment. Simply put: fewer people are needed to produce an increasing amount of farm goods.

In addition to changes in farming, the remoteness of these counties (the most rural of the county types discussed here) creates a barrier to development. With very few urban centers or nearby major metropolitan areas, these counties have limited access to the information, innovation, trade, services, and finance that drive today's economy.

In addition to the distances between communities, low average population densities (11.8 persons per square mile compared with 36.3 for all nonmetro counties) also increase per capita costs of infrastructure and other investments, making it hard for people in these communities to maintain transportation systems, utilities, public institutions, and other services that urban areas take for granted.

The number of farming counties has shrunk dramatically since 1950.



Farming counties: nonmetro counties with 20% or more labor and proprietors' income from farming, 1987-89 annualized average.

Farming Counties

As farming employment has declined, other types of industry have not replaced all the jobs that were lost. Thus, many young people have left to seek jobs elsewhere, often moving to a different part of the country.

Despite the decline in jobs, income levels in farming-dependent counties compare favorably with other non-metro counties. Average per capita income in these counties was higher in 1989 than the average of all nonmetro counties, though considerably lower than the metro average. Within the farming sector, earnings per job in these counties were \$27,701 in 1989, substantially above the nonmetro counties as a group. However, these figures can mask the fact that even within the relatively well-off farming counties, some people may have much lower incomes.

Farming counties lagged behind other nonmetro counties in creating jobs. Total employment declined 1.2 percent and, consistent with national trends, farm jobs declined by 111,000 (19.4 percent) from 1979 to 1989. In these counties, new jobs are not being created fast enough to replace those lost in farming.

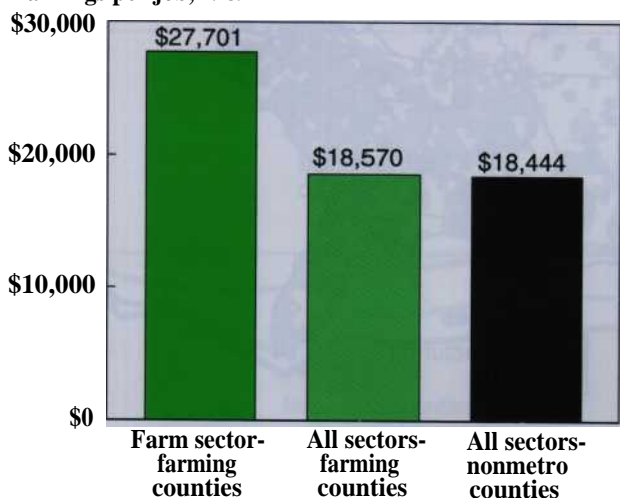
Population (as well as population density) in these counties is relatively low, averaging only 8,400 in 1990, compared with 22,000 for all nonmetro counties. Outmigration continues to take its toll on these already small and low-density populations. From 1980 to 1990, 80 percent of farming-dependent counties lost

population. During the 1980s, the average rate of outmigration was 11 percent-highest among all nonmetro county types and more than double the nonmetro average of 4.4 percent. The loss of younger, well-educated people is particularly significant, as they leave to seek jobs that are not being created locally. The 18- to 34-year-old population in farming counties declined 17 percent on average from 1980 to 1990. This decline exacerbated the already high ratios of nonworking-age to working-age people. For every 100 working age adults, 87 residents were in the dependent population: those 17 years old or younger plus those 65 or older.

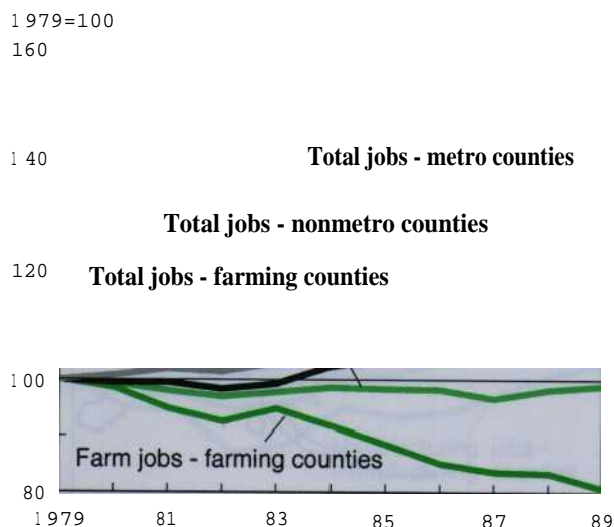
Stabilizing population, enhancing job opportunities, and providing public services in these counties is a major rural development concern today. The well-being of residents and communities hangs in the balance. If historical and current trends continue, however, the future of farming-dependent counties will be one of further declines in population-especially among the working-age and well-educated-and farm employment. As population declines, the per unit costs of infrastructure and such services as health care and education will increase. As farm employment declines, other types of employment will need to be found to replace those jobs. However, the outmigration of working-age and well-educated people may act as a barrier to creating and maintaining those other economic activities.

In farming counties, farm jobs pay well..

Earnings per job, 1989



... but there are fewer and fewer of them.



Manufacturing Counties

Nationwide, manufacturing employs more than twice as many rural people as does farming. Contrary to popular opinion, rural manufacturing is not primarily involved in the processing of food or the provision of farm inputs. In 1991, only about 13 percent of rural manufacturing was closely tied to farming.² In fact, in many rural counties, manufacturing has been replacing farming as the primary economic activity for several decades.

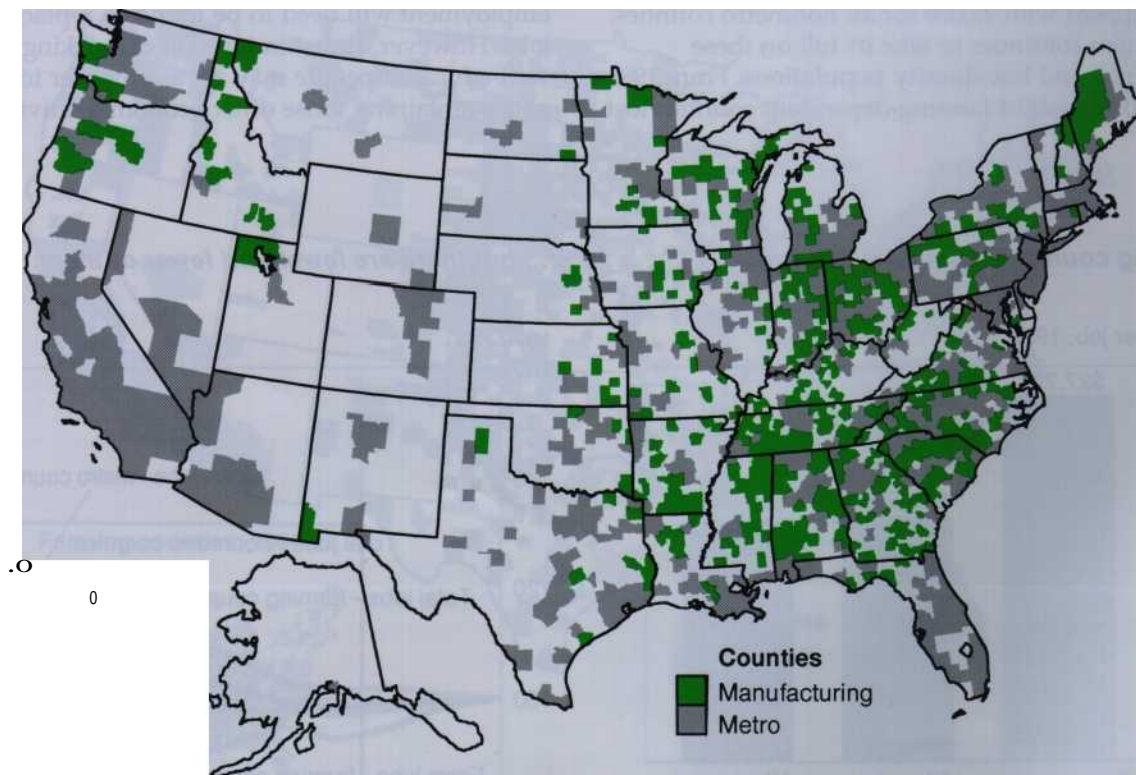
Of the county types based on economic specialization, manufacturing-dependent counties are second in number only to farming counties. These 506 counties are home to 31 percent of the rural population. Concentrated in the eastern half of the Nation—particularly the Southeast—these counties receive 30 percent or more of their earnings from manufacturing.

As with farming, forces of change are at work in manufacturing. On the one hand, routinization of production methods; readily available technology;

world-wide improvements in transportation, education, and health; and relaxation of trade rules combine to enable many companies to locate their production facilities anywhere in the world. Today, everything from auto parts to computer chips to clothing is made abroad and shipped to the United States. Such conditions increase the global competition for low-skill, low-wage manufacturing jobs—the type of manufacturing jobs most prevalent in rural areas—and have the potential for pushing real wage rates down in rural areas facing that competition.

On the other hand, the highest returns (and therefore, higher paying jobs) in manufacturing in this era of increasing global competition go to makers of high-value products with short production runs, quick turnaround, and products in so-called niche markets—for example, specialty medical equipment and supplies, electronic instruments, and even custom-made furniture. The ability to compete in

Manufacturing counties are home to nearly one-third of the rural population.



Manufacturing counties: nonmetro counties with 30% or more labor and proprietors' income from manufacturing, 1987-89 annualized average.

Manufacturing Counties

these markets, however, requires access to information, finance, and transportation. And, since these assets tend to be more readily available in urban areas than in rural, urban firms often have the upper hand.

Thus, rural manufacturers and their employees are caught between two types of competition: low-wage, low-skill manufacturers abroad and high-wage, high-skill manufacturers in metropolitan areas.

The economies of the manufacturing counties improved slightly during the 1980s, due mainly to gains made in the latter part of the decade. However, these gains were primarily in the fast-growing services and government sectors, rather than in the manufacturing sector. In the services sector of these counties, total earnings increased 15 percent and jobs grew 46 percent between 1979 and 1989. In contrast, throughout most of the decade, manufacturing jobs showed a slow decline, with growth beginning after 1987. As a result, manufacturing jobs in these counties grew 2.8 percent for the decade.

Following a general trend for nonmetro areas as a whole, manufacturing counties experienced a decline in earnings per job over the decade. Even with this decline, however, earnings per job in these counties

have been consistently higher than in nonmetro counties as a whole.

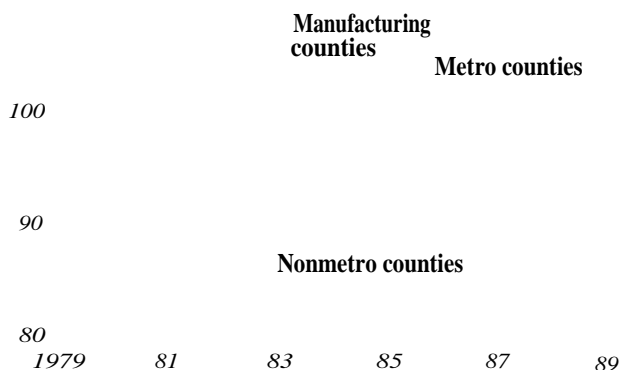
The population of manufacturing counties grew by 1.5 percent from 1980 to 1990. Manufacturing counties in the Midwest, however, lost population.

Manufacturing counties are more likely than other nonmetro counties to have larger urbanized populations, to be adjacent to urban centers, and to have high population densities. Thus, they tend to have greater access to services that are important to the success of rural business. That fact notwithstanding, the largest growth rate of manufacturing jobs occurred in the most rural manufacturing counties.

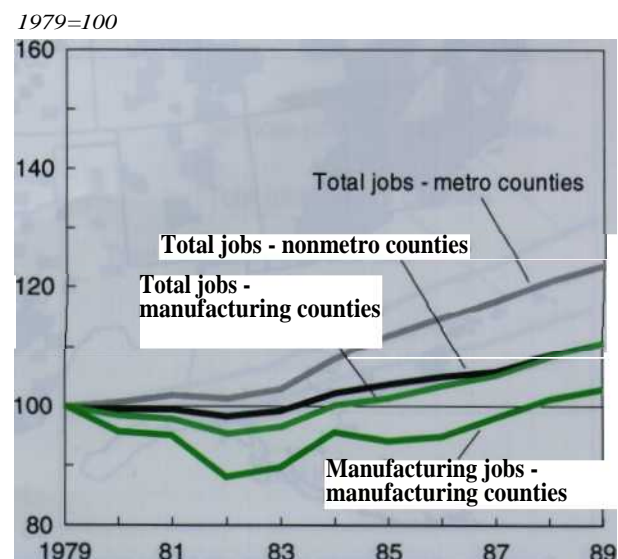
Competition from both foreign and metropolitan manufacturers will likely continue to be a significant factor in the future of rural manufacturing counties. Unless new ways are found to improve the competitiveness of rural manufacturing-through production modernization, improved management practices, creation of networks for cooperation, and improvements in worker skills-real earnings per job may continue to suffer and, consequently, the well-being of residents to lag.

Jobs in manufacturing counties tended to pay more than in nonmetro counties as a whole throughout the decade.

Earnings per job
1979=100
120



Job growth in manufacturing counties came chiefly from the nonmanufacturing sectors.



Services Counties

Growth in the services sector has been the dominant force in nonmetro (as well as national) industrial trends over the past two decades, giving rise to the popular term "service economy." The services sector includes transportation and public utilities, wholesale and retail trade, finance, insurance, real estate, agricultural services, and other services. From 1979 to 1989, over 3 million nonmetro services jobs were created, accounting for 83 percent of new nonmetro jobs.

The 323 services-dependent counties, as defined here, derived 50 percent or more of their earned income from services jobs over the 3-year period 1987-89. Unlike farming and manufacturing counties, there is no regional pattern to the location of services counties. Rather, they are scattered across the Nation fairly evenly.

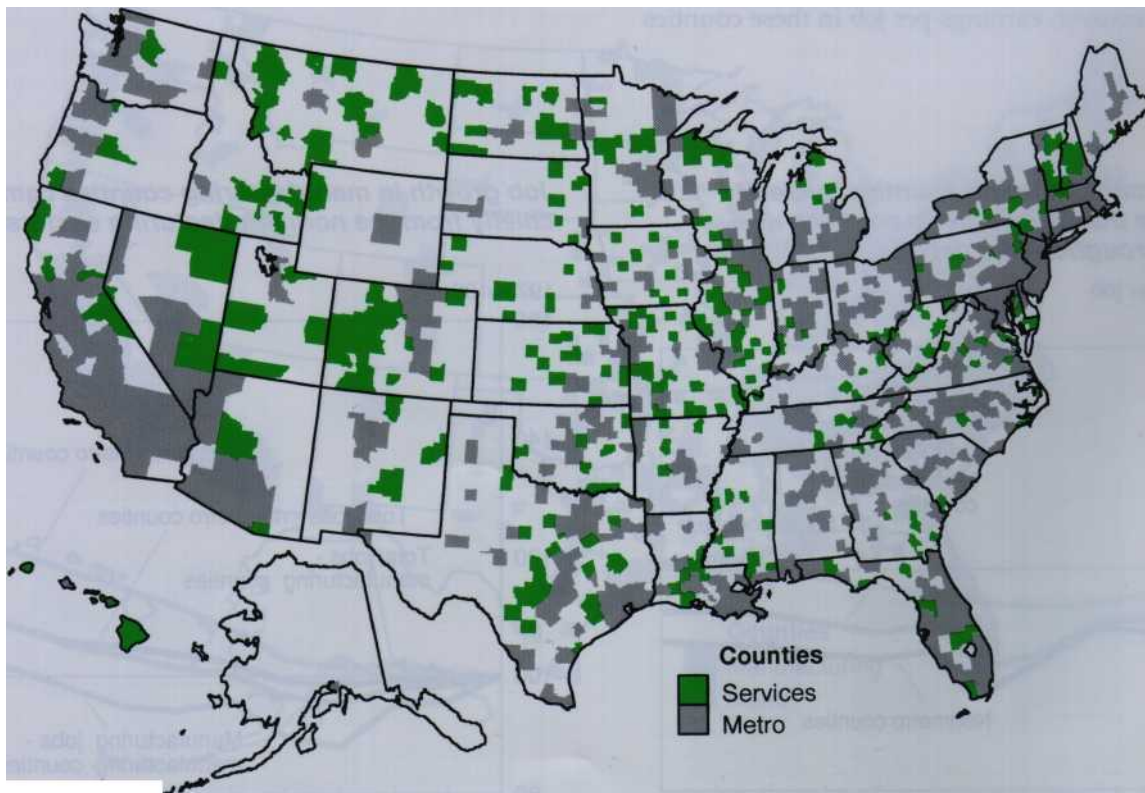
Depending on their location, degree of urbanization, and access to a metro area, services counties are likely to play different roles in an area's economy. Services

counties in the Great Plains are more likely to act as regional trade centers to surrounding rural areas that lack large urban centers. Services counties near natural amenities are more likely to act as providers of services geared toward the needs of recreation, tourism, and retirement.

Seventy services counties (22 percent) were also retirement counties and 60 (19 percent) were also Federal lands counties. This is not surprising given the dominant role that services play in the economies of those county types.

The economies of services counties did well during the 1980s. Total real earnings grew by nearly 9 percent (more than twice the rate for nonmetro counties as a whole), and earnings from services grew by 24 percent (nearly twice as fast as the nonmetro average). The number of jobs in services counties grew slightly faster (both in total jobs and services jobs) than in nonmetro counties as a whole. Gains in two sectors-800,000 new services jobs and 76,000

Services counties did well and grew rapidly during the 1980s.



Services counties: nonmetro counties with 50% or more labor and proprietors' income from services, 1987-89.

new government jobs-dominated job growth in the services counties. However, the economic performance of services counties presents something of a dilemma.

On one hand, services counties had, on average, lower unemployment, a greater share of residents with high school educations, higher median family income, higher per capita income, and higher per capita earnings than the non-metro average.

On the other hand, earnings per job were slightly lower and declined faster than in nonmetro counties as a group (8 percent as compared with 6.5 percent) during the 1980s. In fact, for nonmetro areas as a whole, earnings per job in the services sector were the lowest of all industrial sectors examined. Services jobs in services counties, however, tended to pay better than services jobs in other counties. This may be partially explained by the role of services counties as regional trade centers and support centers for recreation and retirement areas and the higher paying services jobs-health care professionals, attorneys, engineers, recreational outfitters, etc.-that accompany those roles.

The dilemma of high incomes and low earnings per job may be partly explained by a higher than average ratio of "property income" (dividends, interest, and rent) to earned income that raises income levels despite low earnings per job. This explanation is

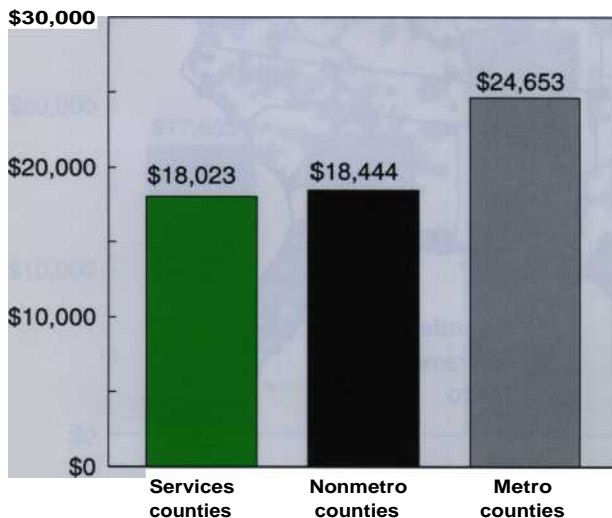
consistent with the fact that 70 services counties are also retirement-destination counties and retirees often have higher levels of property income than younger people. Workers holding more than one low-paying job may also be responsible. For example, a services worker might hold one full-time and one part-time job, neither paying very high wages. Finally, people with higher incomes may commute to higher paying jobs in other-possibly metro-counties.³

Population in services counties, on average, grew significantly (6.3 percent versus 0.6 percent nonmetro average) during the 1980s. Part of that population growth was due to immigration, a rarity for rural counties. The growth in population is not surprising given the good economic performance of these counties, since the two usually go hand in hand.

Nationally and internationally, growth in the services industries will likely continue in the future. The ability of rural areas to benefit from that growth will depend on their individual situations. Rural areas near natural amenities will probably see increasing demand for services associated with recreational activities and retirement populations. Rural areas that act as regional centers in sparsely populated parts of the country will depend on the existence of a population base large enough to demand those services. Therefore, these centers may be in trouble, if population loss trends in their surrounding areas continue.

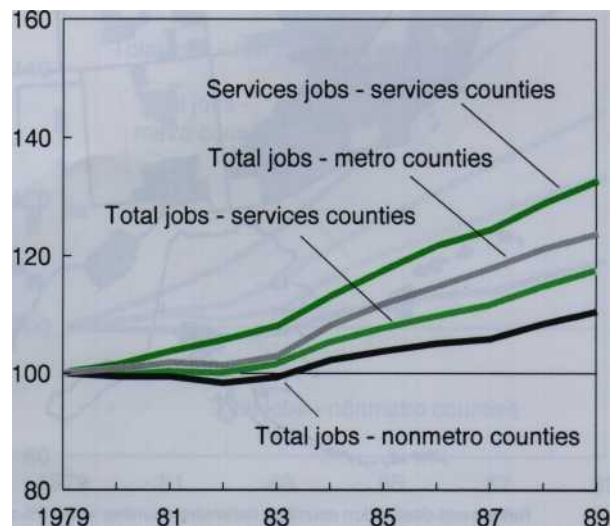
Jobs in services counties tended to pay slightly less than in nonmetro counties as a whole...

Earnings per job, 1989



...but job growth in services counties was strong.

1979=100



Retirement-Destination Counties

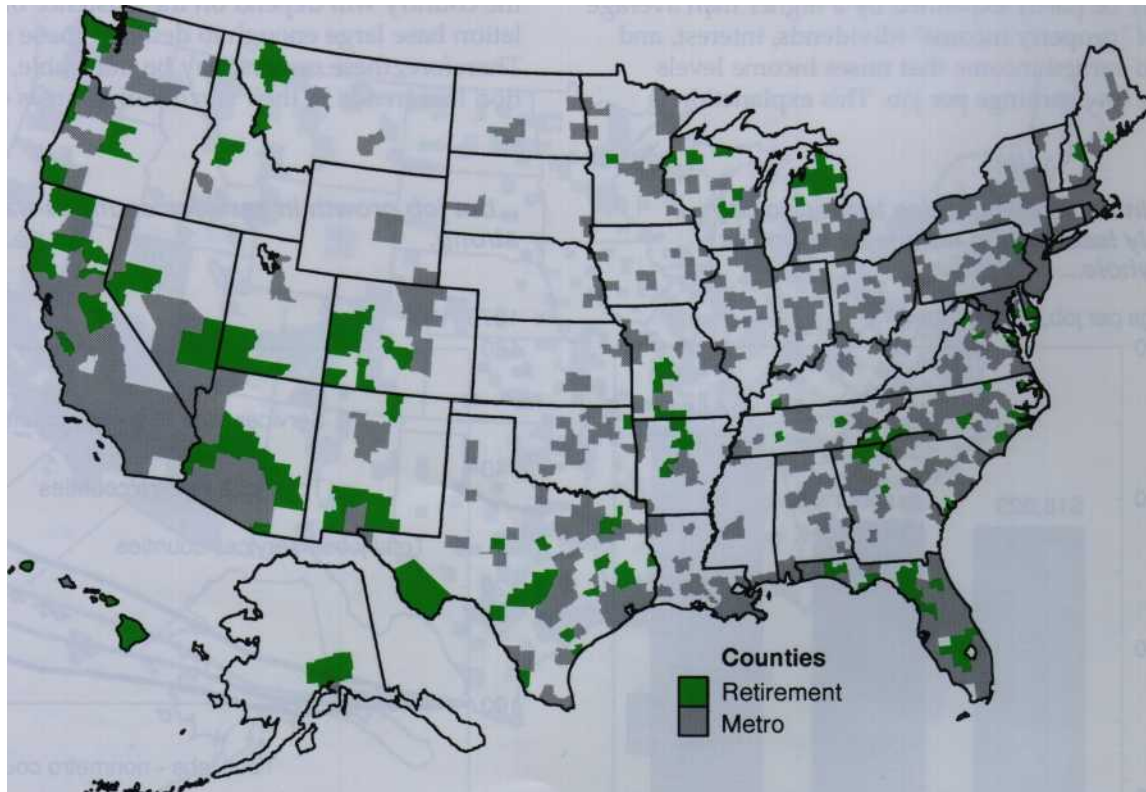
The presence (or absence) of natural amenities is becoming increasingly important to the economic well-being of rural areas. With such amenities as a mild climate, mountains, coastlines, and lakes, a rural area can attract retirees, tourists, and recreationists, as well as some firms and self-employed professionals who place a high value on the quality of living offered by these amenities. In turn, the economic activities-particularly services-that these people and firms generate are becoming increasingly important sources of employment and income.

Examined here are "retirement-destination counties," counties-mainly in the South and West-that experienced 15 percent or more immigration of people age 60 and older in the 1980s. These counties are generally more rural than other nonmetro counties. In addition to being located near amenities, these counties also tend to be near military bases, reflecting the desire of military retirees to be near medical and shopping facilities located on the bases.

Along with natural amenities, several other factors have contributed to the increased migration to these areas: improved health of older people, earlier retirement ages, higher retirement incomes, some preference for smaller communities, and improvements in transportation and communications.

While generally viewed as a positive development for rural areas, the influx of retirees and other immigrants is not problem free. Increased demand for infrastructure (roads, water and sewer service, etc.) and social services, change in local cultural values, and escalation of property values and housing costs are among some of the factors associated with the trend that can be troublesome to long-time residents.

Natural amenities, such as a mild climate, mountains, and seashores, draw tourists and recreationists, as well as retirees, to retirement-destination counties.



Retirement-destination counties: nonmetro counties with 15% or more immigration of persons age 60 and over, 1980-90.

Retirement-Destination Counties

Economically, these counties did very well during the 1980s. As a group, they had the highest rate of earnings growth (26 percent) and job growth (34 percent) of any nonmetro county type. In fact, nearly all the retirement counties had job growth.

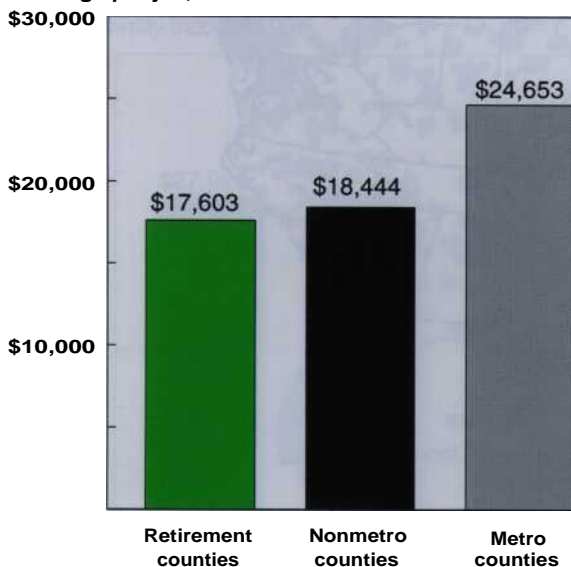
The job growth rate is explained, in part, by rapid growth in services, government, and construction jobs in these counties. Nearly three-fifths of the jobs in the retirement counties are in the services sector. Due in part, however, to the dominance of services sector jobs (even though some of them may be in higher paying services), earnings per job are slightly lower in retirement counties than in nonmetro counties as a group.

Population grew an average of 23 percent in these counties in the 1980s, far exceeding the 0.6 percent nonmetro average. The number of people age 65 and over grew by 45 percent. The size of the younger population grew as well, in part because of job growth in recreation and tourism and in services catering to the needs of retirees.

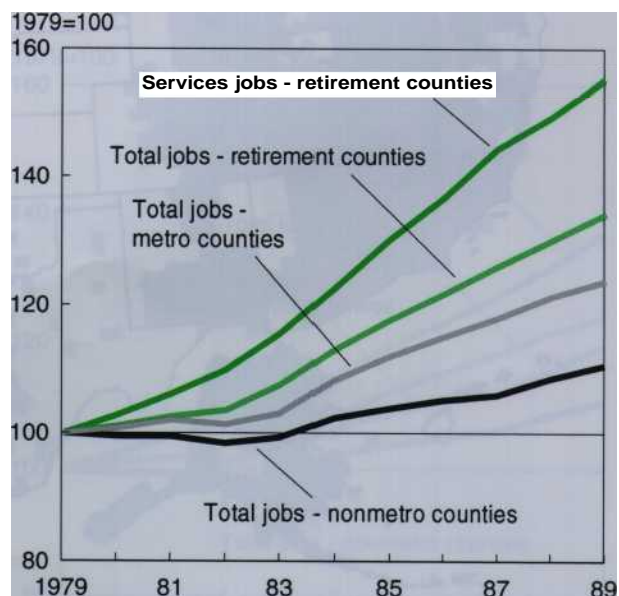
Management of a growing population and the pressure it puts on infrastructure and public services, property values, housing costs, and community composition and values, as well as the pressure put on the natural amenities that serve as the drawing card, will be a major challenge for retirement counties. The prevalence of low-skill, low-wage jobs may not adequately provide for the needs of workers, especially if an influx of wealthier retirees drives up demand (and prices) for housing and other essentials.

Earnings per job in retirement counties were about 5 percent less than in nonmetro counties as a group.

Earnings per job, 1989



However, job growth in retirement counties exceeded even the metro rate; growth in services jobs in retirement counties was even greater.



Federal Lands Counties

Land use, property rights, and protection and use of natural resources are issues of great importance to the Federal lands counties—counties in which 30 percent or more of the land is owned by the Federal Government. In 1987, there were 270 such counties, located primarily in the West. The amount of federally owned acreage in these counties ranged from 30 to 99 percent.

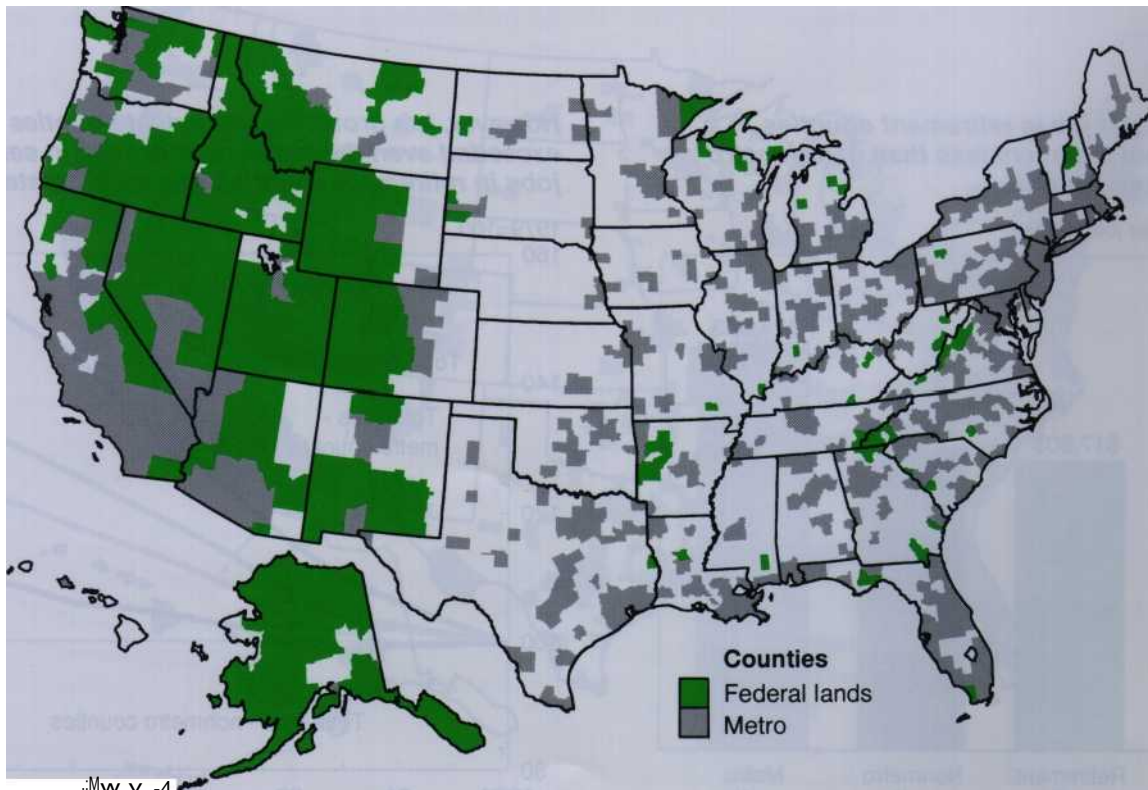
Because the Federal Government owns much of the land, these counties are significantly affected by Federal policies and regulations dealing with land, the environment, tourism, and recreational activities. The debate on such policies and regulations is often couched in terms of economic development versus environmental protection. In reality, the debate is primarily about who has the right to use and benefit from Federal lands, how those lands can be used, and who pays for those benefits. A wide range of people and activities compete for that right. Ranchers, miners, loggers, recreational users, and those concerned with the preservation of wilderness all

have a stake in the governance of Federal lands. And as the West grows, its population changes, and the demand on its natural resources increases, the level of debate will likely rise, often pitting recent urban emigres against long-time local residents.

Economically, Federal lands counties fared slightly better as a group than other nonmetro counties in the 1980s. Median family income was higher than the nonmetro figure, although still well below metro levels, and the average poverty rate (15.8 percent) was the lowest of all county types.

Job growth in these counties was also strong. The average growth rate in services jobs in Federal lands counties outpaced even the average total job growth rate in metro areas, and the overall job growth rate in these counties was faster than the nonmetro rate. However, earnings per job declined over the decade by nearly 11 percent, significantly more than the 6.5-percent decline for nonmetro counties as a group.

Concentrated in the West, Federal lands counties are affected by policies on land and resource use.



Federal lands counties: nonmetro counties with 30% or more land area in Federal lands in 1987.

Federal Lands Counties

Nearly 70 percent of jobs in the average Federal lands county were in the services or government sectors (hence the fact that 60 Federal lands counties were also services counties). Of the 554,000 new jobs created in these counties, 429,000 (77 percent) were in the services sector.

The success of the services sector in these counties is, in part, associated with the growth in tourism and recreation that these areas have experienced. As the American public becomes increasingly mobile and recreation-minded, the demand for services in these counties increases. The accompanying jobs range from seasonal jobs serving tourists to full-time government land managers. Thus the pay scale varies widely also.

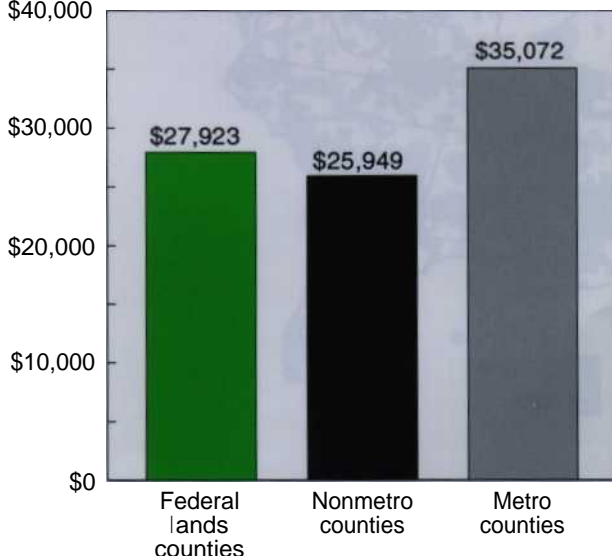
Population also grew in these counties, significantly outpacing the nonmetro average (9 percent versus 0.6 percent). This population growth was due in part to tourism and retiree attraction (58 Federal lands counties-22 percent-are also retirement-destination counties). Reflecting the overlap with the retirement counties, the number of people age 65 and over grew by 33 percent. The number of working age people also grew.

Population density in these counties is low, averaging only 15.4 persons per square mile. This fact is not surprising given the relative lack of development and small populations in the large western counties. Only farming counties, with 11.8 persons, had lower average density. This does not mean, however, that population is spread evenly and thinly across the counties. About 14 percent of the counties had towns and cities of 20,000 to 50,000 people.

The issues facing Federal lands counties are inseparably intertwined with Federal policies and regulations regarding the use of those lands. The degree to which particular groups of people benefit from growth in these counties depends, in part, on their relationship to the natural resource base and how those relationships are affected by policies and regulations. However, as the income and job situation suggests, these counties are, in the aggregate, doing well, even while some in the counties are not.

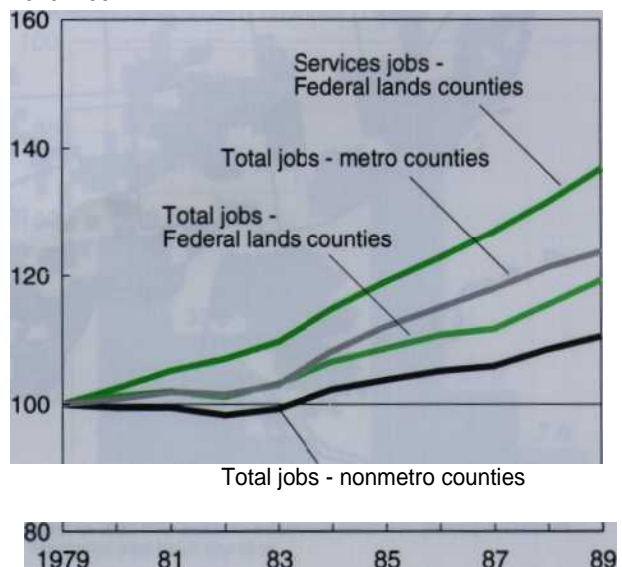
Family income in Federal lands counties was nearly 8 percent higher than the nonmetro average.

Median family income, 1989
\$40,000



Total job growth nearly matched the metro rate.

1979=100



Persistent Poverty Counties

The number of counties with high concentrations of poverty has decreased dramatically over the last 30 years. In 1960, a total of 2,083 rural counties had 20 percent or more of their population living below the poverty level. By 1990, the number had shrunk to 765, a decline of nearly two-thirds and an indication of the remarkable reduction of poverty across rural America.

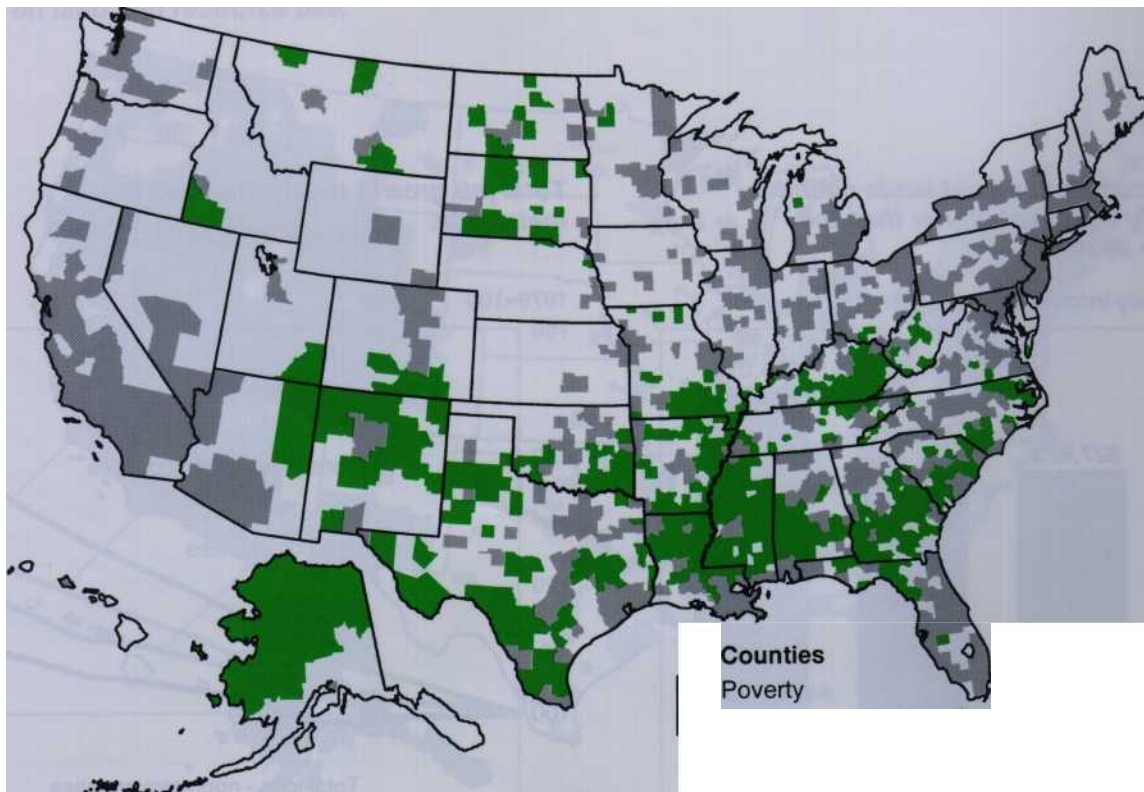
For 535 of those counties, however, poverty continues to be a long-term problem. The persistent poverty counties discussed here are those in which 20 percent or more of the population were below the poverty level in each of the years 1960, 1970, 1980, and 1990. Actual 1990 poverty rates in these counties ranged from 20 to 63 percent with an average of 29 percent, compared with the non-metro average rate of 18.3 percent. For many of these counties, there has been some reduction in poverty, although their poverty rate is still high enough to keep them in the persistently poor category.

These counties are heavily concentrated in the Southeast, Appalachia, and the Southwest, with others scattered on Native-American reservations in the North and West. The persistent poverty counties (24 percent of all nonmetro counties) contain 19 percent of the nonmetro population and 32 percent (2.7 million) of the nonmetro poor.

As would be expected, income levels in poverty counties were considerably lower than in other counties. Per capita income in 1989 lagged the nonmetro average by \$2,500. Median family income lagged by more than \$5,000, placing it, along with earnings per capita, at or near the bottom of all county types.

Unemployment rates in these counties were the highest of the six types examined in this report. The average unemployment rate in 1990 was 8.5 percent, considerably above the 6.6-percent nonmetro average. It is important to note, however, that poverty is not

Persistent poverty counties are concentrated in the Southeast, Southwest, and Appalachia.



Persistent poverty counties: nonmetro counties with 20% or more of population in poverty in each of the years 1960, 1970, 1980, and 1990.

Persistent Poverty Counties

simply a problem of unemployment. Unemployment is only part of the problem. The prevalence of low-skill, low-paying jobs in rural areas means that the wages of many rural workers are not high enough to pull them out of poverty. In fact, the Nation's working poor are more likely to live in rural areas than urban. Twenty-five percent of the Nation's poor live in rural areas; about 30 percent of the poor who are full-time, full-year workers live in rural areas.

While the number of jobs grew by 6 percent in these counties during the 1980s, that rate was just over half the rate for nonmetro counties as a whole (10.6 percent).

Poverty counties tend to have somewhat smaller and less urbanized populations than do other county types. Over half of the counties were not adjacent to a metro area, suggesting limited access for residents to jobs in urban centers, especially since public transportation service is generally lacking and low incomes limit the possibility of private transportation.

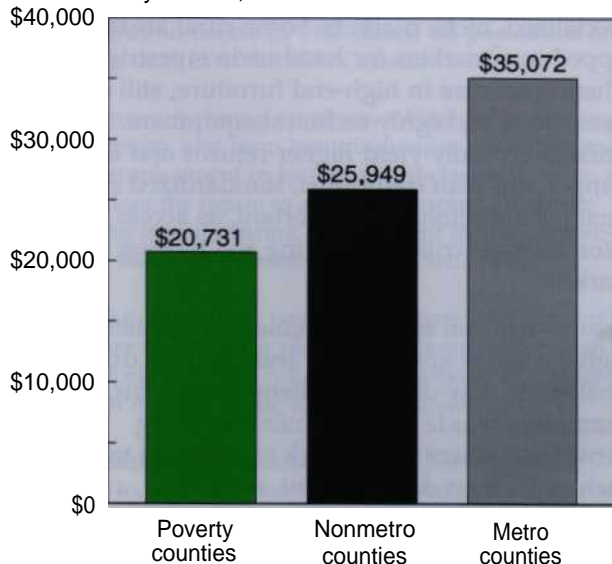
Poverty counties have disproportionate numbers of people with characteristics that make them prone to economic disadvantage. On average, these counties have large numbers of people without a high school education-putting them at risk of being unprepared to participate in the economy-and people living in

female-headed households. These counties also have higher than nonmetro average proportions of Blacks and Hispanics-groups that historically have had trouble gaining access to economic opportunities. Poverty is not, however, strictly a racial issue. As noted above, education and family status are important factors. Furthermore, nearly 80 percent of the nonmetro poor are, in fact, White. In poverty counties, that figure is 56 percent. Given their share of the population, however, Blacks and Hispanics do make up a disproportionate share of the poor in poverty counties and in nonmetro counties as a whole.

By definition, the major concern in these counties is that high proportions of their residents live on incomes below the Federal poverty level. Hand in hand with that poverty is often a lack of basic necessities such as health care, good nutrition, education, and essential public services. These needs are different from, but related to economic development needs. Improvements in these basic necessities are essential if people in these counties are to be healthy, educated, productive workers. Likewise, higher incomes from better paying jobs can enable people to obtain these basic services. Resolution of long-term poverty, therefore, requires that both types of needs be addressed.

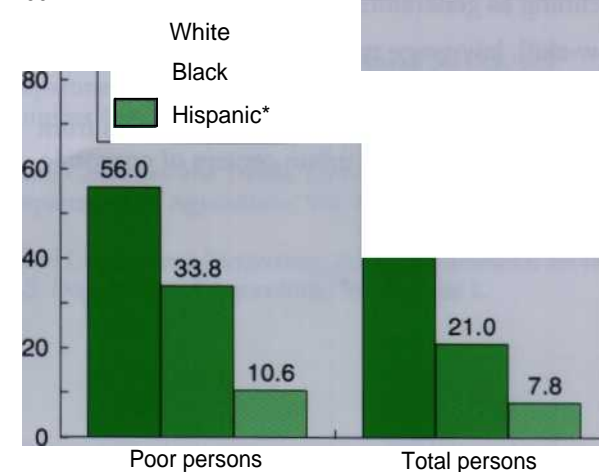
Family income in poverty counties is only 80 percent of the nonmetro average, 60 percent of the metro average.

Median family income, 1989



The majority of the rural poor are White, but Blacks and Hispanics make up a disproportionate share of the rural poor.

Percent of the population by poverty status, race, and ethnicity in poverty counties, 1990



*Hispanics may be of any race.

Conclusions

Understanding rural America is no easy task. It is tempting to generalize and oversimplify, to characterize rural areas as they once were or as they are now in only some places. As this report has shown, however, understanding rural America requires understanding the ongoing changes and diversity that shape it. Likewise, policies, if they are to be effective in assisting rural areas, will have to recognize the realities growing out of that change and diversity.

The diversity of rural America means different areas have different needs.

The economies of individual rural areas differ, as do the resources upon which they are built and the opportunities and challenges they face. Some have participated in the economic progress of the Nation over the last half century, while others have not. Even among those that have benefited in the past, many are not well positioned to compete in today's global economy. Each of those types of areas has different needs. No single policy can sufficiently address the needs of all.

Still, there is an overall pattern of economic disadvantage in rural areas.

The historical and defining features of rural economies often constrain development. Regardless of other differences, efforts to assist rural areas must take into account these common rural characteristics:

- Rural settlement patterns tend to be small in scale and low in density.
- The natural resource-based industries on which many rural areas have traditionally depended are declining as generators of jobs and income.
- Low-skill, low-wage rural labor faces increasingly fierce global competition.
- Distance and remoteness impede rural areas from being connected to the urban centers of economic activity.

"High-amenity" rural areas, however, are growing.

Many rural areas with amenities such as mild climate, mountains, coastlines, and lakes are gaining population. These areas are attractive to retirees and tourists, and their influx has led to increases in employment--especially in services--and income for the areas. Areas with amenities, therefore, have a development asset, but as a result must deal with issues of managing their growth.

There is no single recipe for rural prosperity, but the potential is considerable and there are logical ways to promote development.

Because rural areas differ, no easy answers or "one size fits all" policies will work. In light of that, the following should not be viewed as a recipe or checklist of any kind. Rather, it is a set of principles that take into account the different rural conditions and trends discussed in this report and show promise in helping rural areas and people realize their goals. Because they are principles, the manner in which they are applied will vary according to the needs of individual situations.

- Improve the connections between rural and urban areas by improving infrastructure and the dissemination of information and the ability to use it. Advanced telecommunications, for example, while not a panacea, afford rural communities more economic opportunities by providing them with better access to information, markets, and services such as business and technical assistance, medical care, and educational opportunities.

Encourage and assist rural firms to target specialized, niche markets. Some rural areas have tapped into markets for handmade tapestries, others specialize in high-end furniture, still others concentrate on highly technical equipment. These markets typically yield higher returns and face less competition than traditional, standardized markets. Again, connections are important, as access to information is critical in finding and tapping these markets.

- Create "artificial scale economies" to counter the higher costs of government and business due to small-scale, low-density settlement patterns. Examples include "flexible manufacturing networks," where firms work together on tasks such as product development, marketing, and

buying supplies; and "multi-community collaboration," where communities form a partnership to jointly buy services and equipment or provide municipal services. Both are ways to emulate economies of scale to reduce costs.

- Improve the competitiveness of rural firms by enhancing the core skills of both management and labor. Competitiveness in today's market increasingly depends on the ability to obtain and use information, technology, and new management techniques.

The challenges facing rural America today are indeed diverse, complex, and changing. There is hope, however. Armed with accurate information and a clear understanding of the challenges, policymakers working together with rural citizens can meet those challenges. The vitality of rural America, its people, and its places can be maintained. With care and informed decisionmaking, rural America can continue to play a role of national importance—contributing to the economic, social, cultural, environmental, and recreational well-being of all Americans.

Notes

¹The terms "rural" and "nonmetro" are used interchangeably in this report. Both terms are used to refer to those counties designated as nonmetro in 1993 (based on population and commuting data from the 1990 Census).

²Includes manufacturing employment in food processing, food marketing, and farm input industries. Including manufacturing employment in leather and footwear, textiles, and apparel raises the figure to about 28 percent. However, much of the manufacturing employment in textiles and apparel is based on imported and synthetic fibers.

³Median family income, per capita income, and per capita earnings are reported for place of residence, rather than place of work, and thus reflect the well-being of residents rather than the well-being of local economies.

⁴A small part of the reduction in rural poverty can be attributed to poor nonmetro counties becoming poor metro counties.

For Additional Reading...

Cook, P.J., and K.L. Mizer. *The Revised ERS County Typology: An Overview*. Economic Research Service, U.S. Department of Agriculture. Rural Development Research Report Number 89. December 1994.

Issues for the 1990's. Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin Number 664. September 1994.

Rural Conditions and Trends. Economic Research Service, U.S. Department of Agriculture. Vol. 4, No. 3.

Rural Development Perspectives. Economic Research Service, U.S. Department of Agriculture. Vol. 9, Issue 1.

Appendix table 1--Selected population, income, and employment characteristics for counties, by county type¹

Item	Unit	Farming	Manufacturing	Services	Retirement	Federal lands	Poverty	Nonmetro	Metro
Counties	Number ²	556	506	323	190	270	535	2,276	813
Nonmetro population, 1990	Percene	9.1	31.0	18.8	10.2	10.7	18.8	100.0	--
Population growth, 1980-90	Percent ¹	-6.9	1.5	6.3	22.7	9.0	-1.2	.6	14.5
Persons in poverty, 1990	Percene	18.9	16.9	16.5	16.3	15.8	29.1	18.3	12.2
Net migration rate, 1980-90	Percent ¹	-11.0	-3.1	1.3	18.3	.1	-7.0	-4.4	6.8
Persons per square mile, 1990	Number ⁴	11.8	59.2	43.4	38.3	15.4	29.7	36.3	652.3
Per capita income, 1989	Dollars ⁴	14,743	13,081	14,384	13,698	13,807	11,056	13,580	16,399
Per capita income growth, 1979-89	Percent ⁴	11.6	13.2	10.6	12.6	8.3	11.6	10.4	15.1
Median family income, 1989	Dollars ⁴	24,394	26,936	27,677	26,657	27,923	20,731	25,949	35,072
Median family income growth, 1979-89	Percene	-1.6	.7	-.1	4.8	-1.0	-2.3	-1.3	4.7
Total earnings, 1989	Dollars ⁵	39,170,938	145,575,789	87,491,170	41,654,450	50,310,088	65,709,312	441,726,020	2,746,177,980
Total earnings growth, 1979-89	Percent ¹	-6.1	6.0	8.5	25.9	6.8	.1	3.4	24.4
Total jobs, 1989	Number ⁵	2,109,406	7,682,247	4,854,535	2,366,293	2,645,303	3,847,770	23,950,110	111,392,590
Total job growth, 1979-89	Percent ¹	-1.2	10.5	17.8	34.3	19.4	5.7	10.6	23.8
Earnings per job, 1989	Dollars ¹	18,570	18,950	18,023	17,603	19,019	17,077	18,444	24,653
Earnings per job growth, 1979-89	Percent ³	-5.0	-4.0	-8.0	-6.2	-10.6	-5.2	-6.5	.5
Unemployment rate, 1989	Percene	5.5	6.8	6.2	6.6	7.1	8.5	6.6	5.4

¹Additional demographic and economic statistics can be found in P.J. Cook and K.L. Mizer, *The Revised ERS County Typology: An Overview*, RDRR-89, U.S. Department of Agriculture, Economic Research Service, Rural Economy Division, December 1994.

²Table shows 2,276 nonmetro counties, whereas 2,288 are cited in the report. The difference is due to the need to standardize the number of counties for comparisons over time.

³Values are calculated from aggregated data.

⁴Values are unweighted county averages.

Values are aggregated dollars (in thousands).

⁵Values are aggregated data.

Source: All measures were calculated by ERS using data from the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Bureau of the Census.