



Wanted ■ Jobs 2.0 in the Rural Southeast

Rural communities have long lagged their city cousins in jobs and income. Some small towns still rely on attracting a single industry or factory, but with manufacturing jobs disappearing, many face an uncertain future. How can rural communities position themselves for revitalization and job growth?

In the 1930s, President Franklin D. Roosevelt famously set out to modernize the economy of the South. Programs like the Tennessee Valley Authority wrought some progress. But the region's greatest economic development engines of the 20th century were federal defense spending and the national interstate highway system.

The federal National War Labor Board, which was set up to manage military production for World War II, declared its intention to “establish a rudimentary American standard of living in the South.” The massive military buildup increased manufacturing employment in the largely agrarian South by 50 percent. Wages in the region soared 40 percent between 1939 and 1942, according to the book *From Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938–1980*, by Bruce J. Schulman, chairman of the history department at Boston University.

The region would continue to benefit from abundant military installations and the defense industry through the Cold War years. Meanwhile, construction of the interstate highway system began in the late 1950s and laid more roads in the South in three years than had been built by state and local governments from 1789 to 1930, according to Schulman. These highways accelerated industrialization and continue to play a role in economic development (see “Grassroots” in this issue).

Nevertheless, the South's economy by most important measures continued to lag that of the more industrialized North and West through much of the 20th century. The rural South in particular remained the nation's poorest region even as southern

urban centers flourished. In a 1986 report, the Southern Growth Policies Board lamented: “The sunshine on the Sunbelt has proved to be a narrow beam of light...skipping over many small towns and rural areas.”

Rural areas still lag the city

Much has changed. In general, however, the rural South remains economically behind the region's metro areas. Economic development efforts focused on rural areas continue to evolve. Economic developers and researchers are paying more attention to entrepreneurship and retaining local employers, for example. But with limited resources, many development programs retain their traditional focus on attracting manufacturers.

To be sure, the rural and small-town South is not monolithic. Rural counties most distant from larger population centers continue to struggle under century-old burdens of limited educational opportunities and substandard infrastructure, among other challenges.

On the other hand, the explosive growth of Southeast metropolises such as Atlanta and Orlando in the late 20th century transformed many once-rural counties into sprawling suburbs. The Atlanta metropolitan statistical area (MSA), as determined by the U.S. Census Bureau, expanded from 18 counties in 1990 to 28 in 2010. The influx of automotive assembly and supplier plants into locales outside of or on the fringes of metropolitan centers has also boosted some rural areas. Indeed, rural counties closer to metro regions, and those with natural amenities like lakes or mountains, tend to have held their own economically, said Lionel

“Bo” Beaulieu, director of the Southern Rural Development Center at Mississippi State University (see “Q&A” in this issue).

What “rural” means

To clarify, the term “rural” in this article refers to counties that are not part of a metropolitan statistical area. As defined by the U.S. Census Bureau, an MSA contains a core urban area of 50,000 or more people and adjacent counties that have a “high degree of social and economic integration (as measured by commuting to work) with the urban core.” This article will focus on county-wide information, as sociologists and economists who study rural areas and small towns generally rely on county-level data because it is the most precise, reliable information available.

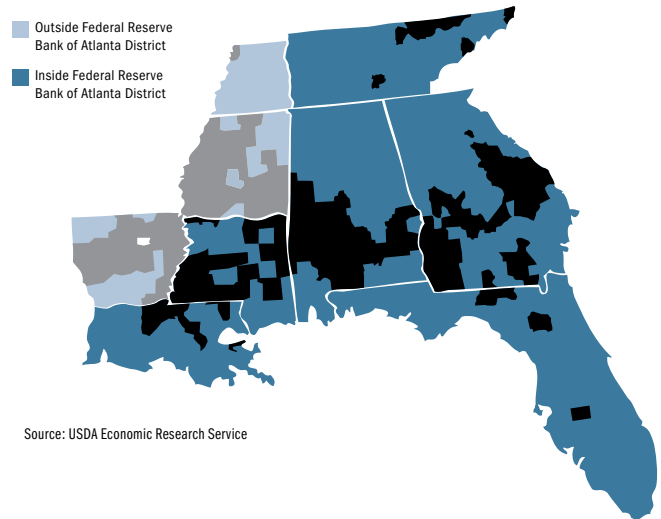
A sampling of indicators demonstrates that the rural South remains poorer than the urban South. Among the 164 southern counties plagued by “persistent poverty,” 83 percent, or 136, are rural, according to the U.S. Department of Agriculture (USDA) Economic Research Service’s Atlas of Rural and Small-Town America. None of those persistent poverty counties is part of the Southeast’s largest metro areas of Atlanta, Miami, Tampa, Orlando, or Nashville. The USDA Economic Research Service classified a county as suffering persistent poverty when 20 percent or more of its residents fell below the federal poverty line as measured by four consecutive decennial censuses, from 1970 through 2000 (see figure 1).

Similarly, most of the counties with the South’s highest unemployment rates are rural. As of July 2012, 79 percent of the region’s counties with jobless rates above 10 percent were non-metro, according to figures from the U.S. Bureau of Labor Statistics (BLS). These statistics show that rural counties are significantly overrepresented among areas with persistent poverty and high unemployment—making up more than three-quarters of both, as opposed to 59 percent of all counties in the South.

Finally, residents of rural areas, on average, continue to earn substantially less than people living in metro areas. In southeastern states, the ratio ranges from a low of 74 cents on the dollar in Georgia to a high of 84 cents in Alabama and Mississippi, according to per capita personal income data from the U.S. Bureau of Economic Analysis (see the chart).

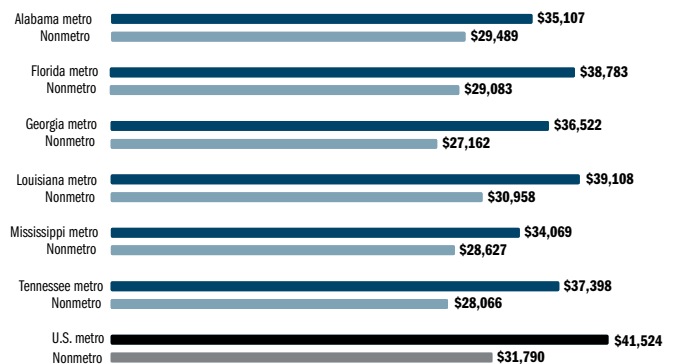
There are certainly exceptions to the rule that rural areas are poorer. Areas with natural amenities attract tourists, affluent retirees, and people building second homes. And rural counties closer to metro areas often fare better than those not near cities, as businesses provide services and products to the larger metro markets, and rural residents can drive into those areas to work. Sevier County, Tennessee, for example, is adjacent to the Great Smoky Mountains National Park. Home to the popular tourist destination of Gatlinburg, Sevier boasted the third-lowest unemployment rate among Tennessee’s 57 rural counties as of July 2012.

Figure 1
Persistent Poverty in Southeastern Counties, 1970–2000



Source: USDA Economic Research Service

Per Capita Personal Income Metro versus nonmetro areas



Note: Data are estimates for 2010.
Source: U.S. Bureau of Economic Analysis

Farther out, things are tougher. “The more remote counties are really challenging because there’s not a lot of economic diversity,” Beaulieu said. “And the jobs they did have—in manufacturing and some agricultural jobs—tend to have left.”

The roots of rural economic problems are deep and familiar. Traditionally, the region’s rural counties and towns have not invested heavily in public education. And those places depended on industries that offered jobs with low wages or little stability, including agriculture, textiles, apparel, and wood products, according to Schulman’s book and many other studies.

Even today, rural areas often rely heavily on a single industry, or even a single employer. That reliance makes those



An office park in Atmore, Alabama

communities vulnerable to shifts in larger economic currents. Thirty-nine counties in the South depend on manufacturing for 26 percent or more of total employment, according to the USDA. Of those 39 counties, 34 are rural. Counties with 18 percent to 25 percent of employment in manufacturing are also overwhelmingly rural. While most of these counties have lost factory jobs in recent years, the ratio of manufacturing jobs remains high because total employment has also declined.

Many small-town factories are gone

“A lot of small towns used to have plants that made something, and a lot of them don’t anymore,” said Clint Brewer, assistant commissioner for communications at the Tennessee Economic and Community Development Department. As Jim Searcy, CEO of the Coastal Gateway Economic Development Alliance in southwest Alabama put it: “There’s almost not a small town in the South that doesn’t have an old cut-and-sew [textile] building that’s empty.”

Searcy would know. The five rural Alabama counties his agency represents—Conecuh, Clarke, Choctaw, Escambia, and Monroe—have had 10 major apparel-company layoffs since 2000, totaling more than 2,100 jobs, according to state records. That represents more than 5 percent of the combined non-farm employment of the five counties today. Monroe County, in particular, is an unfortunate example of the consequences of dependence on a single industry. Since 2000, as the apparel maker Vanity Fair Corporation shut down various operations, the county’s labor force shrank by more than a quarter and the population by 8 percent, according to data from the BLS and the U.S. Census Bureau.

How do struggling small communities invigorate their economies? “That’s the \$64,000 question,” said Anil Rupasingha, an economist in the Atlanta Fed’s community and economic development group. Answers vary. Researchers and policy analysts

increasingly favor “economic gardening,” or cultivating existing businesses and local start-ups, rather than traditional industry recruitment. Municipalities and states have tried various approaches, ranging from government-owned industrial parks to financial incentives for outside manufacturers to promoting historical and cultural assets.

Is it worth it?

Of course, there is a question even more fundamental than how to go about rural economic development: is it worth doing at all? An impartial economist might question the entire notion of expending scarce resources, particularly public resources, to try to spur economic development in areas where it is difficult to do so. Why not simply give people incentives to move to places where jobs are more plentiful?

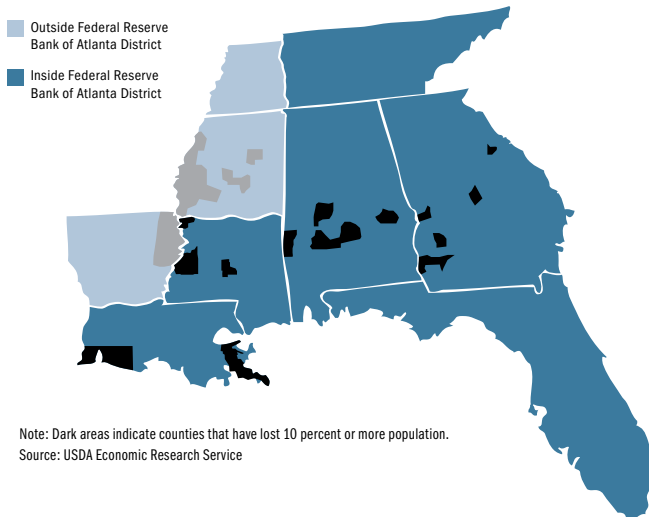
“As a sociologist,” Beaulieu explained, “I have heard these economic arguments for a long time, and they completely overlook the importance of community attachment, social support systems—the so-called value of social capital ties—and the importance of culture in which many of these families and individuals are embedded. And, you know, some people simply prefer to live in less populated areas.”

Beaulieu also questions whether an influx of poor rural residents into urban areas would actually benefit those people or society at large. It could further strain the social safety net of the federal, state, and local governments. Moreover, individuals might be no better off in a place where living costs are higher and competition for good jobs is more intense.

It is common in difficult economic times to see those with reasonably good credentials in rural areas move to places with more options, Beaulieu said. He noted that out-migration from rural areas was much lower in the 1990s—and, in fact, some rural areas gained population—when economic performance was stronger, than in the 2000s. On the other hand, regardless

Figure 2

Population Loss in Southeastern Counties, 2000-10



of the economy, the rural poor tend to stay home, where they have an informal support system. “It’s a very complicated set of issues,” he added.

Self-employment, self-reliance

The number of self-employed rural people in the United States is rising. While farms in rural America have become fewer, rural “nonfarm proprietorships” (NFPs) have become more numerous. Between 1969 and 2006, the number of NFPs in U.S. nonmetro areas rose 93 percent, to 5.6 million, while farm proprietorships fell 38 percent, according to a 2010 research paper by Rupasingha and Stephen Goetz of the Northeast Regional Center for Rural Development at Pennsylvania State University.

Why? One reason is that the recession forced some rural residents—and residents of metro areas, of course—to seek additional income. And, Searcy pointed out, rural residents typically exhibit a strong “sense of self-reliance.” Beaulieu estimated that close to a quarter of the rural southern workforce is self-employed.

That self-reliance can be a good thing. More local entrepreneurship appears to benefit economic and employment growth. It also helps reduce family poverty rates in nonmetro counties, according to Rupasingha and Goetz. But rural entrepreneurship is no cure-all, Rupasingha said. On average, self-employed rural entrepreneurs earn less than do people in wage-and-salary jobs. That could be in part because many of these tiny businesses are doing small engine repair, landscaping, and other services that do not typically generate large incomes.

But from a research standpoint, it is unclear why rural NFPs make less than wage earners, Rupasingha and Goetz

wrote. The researchers say it could involve self-employed people underreporting their true incomes. Or proprietors could be supplying goods and services to other companies that help the wage-and-salary workers become more productive, thereby widening the pay gap. As those workers become more productive, presumably they will earn more.

Regardless, the researchers believe rural entrepreneurs need more support. The results of the Rupasingha and Goetz paper “strongly suggest that policymakers and local economic development practitioners should seriously consider strategic investments in NFPs, and that this growing sector of the economy warrants at least as much attention as industrial recruitment efforts which seek economic salvation from outside the county or state.”

Build it and they may or may not come

Economic development strategies, however, are still weighted toward wooing outside employers, mainly manufacturers, Rupasingha said. Even small cities and counties in the region commonly invest in projects such as industrial parks aimed at luring manufacturers and jobs. For instance, the subject of the “Grassroots” profile in this issue—Atmore, Alabama—operates two city-owned industrial parks. It’s difficult to find data on how many municipal governments and government authorities in the Southeast have developed industrial parks. But they are prevalent, and there has been a rash of such investment in Tennessee lately, Brewer said.

Making that investment pay off is not easy. Even for industrial parks aimed at luring technology companies, there is far more to success than simply grading land and installing utilities. Connie Lester, a historian at the University of Central Florida, is studying the development of the information technology industry in Florida. She’s also written about the history of economic development in Mississippi. “There has to be a sustainable effort to make this work,” she said of high-tech industrial parks. “It doesn’t happen just because you give the industry a place to light.”

The critical piece often missing is “intellectual infrastructure,” she said. Maintaining a commitment to quality education has traditionally been difficult for rural areas in the region mainly because of funding issues. Many southern states have historically maintained lower taxes to fund schools than states and municipalities in other regions. Moreover, areas that lose population, as some rural southeastern counties did from 2000 to 2010 (see figure 2), lose tax revenue.

Meanwhile, as more rural residents turn to self-employment, either by choice or by necessity, formal networks of support are often lacking, Rupasingha said. Those tiny enterprises are largely overlooked by economic development agencies, Beaulieu of the Southern Rural Development Center added. “That’s an opportunity that we have to help them be better and stronger over time,” he said.



Broadband a Necessity for Rural Development

As an economic development initiative, the federal government and many states have devoted considerable resources to extending broadband access into underserved rural areas. The American Recovery and Reinvestment Act of 2009 appropriated \$7.2 billion to expand broadband access.

The most recent study by the U.S. Department of Commerce, published in November 2011, show that 70 percent of urban households have broadband at home, compared to 57 percent of rural households.

Southern states' rural broadband adoption rates are even lower. Among 43 states listed in the rural area broadband adoption table in the Commerce Department study, nine come in below 50 percent: Alabama, Arkansas, Georgia, Kentucky, Mississippi, Missouri, New Mexico, Tennessee, and Virginia. Louisiana and six other states are not included

because of data limitations for rural areas, according to the study "Exploring the Digital Nation: Computer and Internet Use at Home."

"If we want to be competitive in the global economy, we've got to look holistically at this digital world," said Jessica Dent, executive director of Connecting Alabama, a state program aimed at increasing broadband availability and adoption in rural areas.

In today's economy, broadband access has become a necessary utility, much like electricity or running water, experts say. "While broadband will not bring immediate economic transformation to rural America, regions that lack broadband will be crippled," Sharon Strover, a professor of communication at the University of Texas, wrote in an April 2011 summary of a scholars' roundtable held by the Kentucky-based Center for Rural Strategies.

Broadband availability is but one of many ingredients in a rural area's economy, noted Shane Greenstein, a professor at the Kellogg School of Management at

Northwestern University who studies the economics of telecommunications and Internet infrastructure. Other major determinants of an area's economy include natural resources, labor force quality, the specialization of its existing businesses, and proximity to a major highway.

"The presence or absence of broadband cannot change those factors, and cannot massively change long-term economic trends established over decades," Greenstein said during the scholars' roundtable. Examples of such long-term trends include the prevalence of entrepreneurship and the degree to which young people stay or move away.

The Southern Rural Development Center in 2011 partnered with the National e-Commerce Advisory Committee to award three e-commerce grants. One went to establish a program to help small businesses in Alabama's impoverished Black Belt region sell products online. ■

To be sure, there are resources to help rural start-ups. Small business development centers, land-grant universities, community colleges, and nonprofit organizations across the region offer various forms of assistance. The U.S. Department of Labor offers a self-employment assistance program for the unemployed, but it is not widely known, Rupasingha said. Part of the problem is that rural entrepreneurs often are unaware of help that might be available, Beaulieu said, as the resources have not been pulled together in a coordinated fashion.

Some states also offer financing help for rural entrepreneurs. But these programs appear generally to serve slightly larger, more established firms as opposed to one-person proprietorships that often lack a financial track record or much collateral.

Georgia's Department of Community Affairs, for instance, offers a small business development loan guarantee program that is officially aimed at rural entrepreneurs. The program partners with Georgia financial institutions to extend loans ranging from \$35,000 to \$250,000. A listing of successful projects funded by the program

includes a travel plaza in Dooly County, a loan to the Development Authority of LaGrange for infrastructure and tax abatements for a supplier to the Kia auto assembly plant, and a water treatment plant upgrade for an industrial park developed by Appling, Bacon, and Jeff Davis counties. The list also includes a fair-trade organic coffee roaster in Americus, but mostly it includes undertakings that are larger than one- or two-person enterprises.

Rural entrepreneurs certainly merit more programmatic help, especially in identifying and accessing funding sources, Searcy said. The fundamental challenge for rural economic development organizations: scarce resources. "In order to really be effective," Searcy said, "that type of microlending would be very labor intensive."

Most jobs come from within

Rural development strategies across the Southeast vary along with conditions in different locales. But most programs do

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appear to include efforts to keep existing employers at home and healthy. After all, states find that most job growth comes from within. In Tennessee, for example, 86 percent of new jobs come from existing employers, according to the state's Department of Economic and Community Development. In Georgia, 65 percent to 70 percent of job growth comes from within, said Gretchen Corbin, deputy commissioner for global commerce at the state's Department of Economic Development.

In rural areas, in particular, working to retain business has become an imperative, not a choice. "Especially in rural areas of the country, you're almost doing triage, trying to stop the bleeding as far as losing companies, and companies downsizing or closing altogether," Searcy said.

Since Searcy arrived in late 2010 from Birmingham to head the Brewton, Alabama-based group, Coastal Gateway has worked to establish what he calls "a systematic, data-driven existing business program." Coastal Gateway has identified its biggest employers, most of them manufacturers of wood products or metals. Searcy and his staff gauge these companies' health and outlook, and learn about their concerns. The idea is to assemble sufficient information to identify trends and tackle problems before they become crippling.

Those problems tend to involve the skills of the workforce, Searcy said. Consequently, Coastal Gateway is encouraging employers to communicate their needs to schools and community colleges in the five counties.

Many regional states have highly regarded training programs that generally prepare workers for individual employers that build a plant or undertake a major expansion. There are also some formal retraining programs centered in rural areas. In Perry County, Tennessee, a local nonprofit called Vision Perry has helped train 150 people for jobs in the information technology, health information, and customer services fields. Largely because of these training efforts, the county of 8,000 people has attracted a handful

of call centers. Still, Perry County's unemployment rate in July was 13.7 percent, well above the statewide rate of 8.4 percent and among the half-dozen worst rates among Tennessee counties. As bleak as that

sounds, Perry County's jobless rate during the recession spiked at nearly 30 percent in early 2009.

More boots on the ground

In pursuing economic development across the Southeast, non-metro municipalities and counties are finding it necessary to cooperate rather than go it alone, Beaulieu said. In Mississippi, Beaulieu and colleagues from three other universities are crafting a new strategic plan for economic development. Some of that plan is to discover local assets that some communities might have ignored or taken for granted. For example, some towns in the Mississippi Delta area have begun promoting their rich history in blues music as a way to attract tourists.

Alabama is focusing on improving rural health care and expanding broadband Internet access (see the sidebar). Tennessee reorganized its economic development department in 2011. That reorganization included a staff reduction, but the state also moved more people out into rural areas across the state into so-called jobs base camps. Ultimately, Tennessee aims to build a systematic program to call on existing businesses to make them aware of financial incentives offered by governments and of opportunities to partner with potential suppliers in their areas. "We are touching communities that hadn't seen an ECD [economic and community development] person in a long time," Brewer said.

For rural areas, efforts to generate jobs and economic growth are never ending. Low taxes, inexpensive land, and right-to-work laws often are not enough. Clear-cut solutions are scarce. The challenges are not. ■

This article was written by Charles Davidson, a staff writer for EconSouth.

