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HUMAN CAPITAL, ECONOMIC DEVELOPMENT, AND THE RURAL POOR: DISCUSSION

Refugio I. Rochin

It is a pleasure for me to comment on the two papers presented: the one by Joyce E. Allen and Alton Thompson ("Rural Poverty Among Racial and Ethnic Minorities") and the other by Ralph D. Christy and Enríque E. Figueroa ("The Impacts of Structural Change and Public Policy on the Economic Well Being of the Rural Disadvantaged"). Both papers complement each other nicely by focusing on the often neglected disadvantaged populations in rural America and the possible correlates or "determinants" of rural poverty. They also bring to light much needed information on rural African-Americans and Hispanics. These two groups, with the possible exception of Native Americans, face the highest incidences of rural poverty in the United States today and their situation is worsening. The papers are also timely and important, especially with regard to emerging national demographic trends. The major trends affecting our rural economy have been reported regularly in the Monthly Labor Review. According to the Department of Labor, by the year 2000 we will have several challenges related to matching the supply of labor with the demand for labor. Of note,(1) There will be relatively fewer new workers from the traditional labor pool of white males. (2) White male workers will be relatively older and probably in the top positions with few in the lower rungs of industry. (3) There will be more women, more minorities, and more immigrants entering the labor force and their resumes will be vastly different from those of white males. They will have problems of child care and schooling. (4) Most new jobs will be in service and information industries and all new labor force entrants will face fewer jobs in manufacturing and retail trade. (5) New jobs will require higher skills but not necessarily higher education.

The challenges for employers will be immense. They will have to adjust to the fact that women and minorities are going to reshape the American workforce, that new minority and immigrant entrants to the labor market will outnumber new white entrants by three to two, and that one in every three U.S. residents will be non-white by the year 2000. Rural America's future will not be immune to these trends. Both farmers and rural employers will have to be increasingly concerned about competing for more minorities and

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women. Employers will be indirectly involved in issues of the disadvantaged, in recruiting and accommodating more persons of diverse backgrounds into their workforce.

I would like to comment now on the paper by Christy and Figueroa because they give us clues as to how these demographic trends are affecting rural America and how we should study these trends. To begin with Christy and Figueroa remind us that rural workers have been traditionally mobile workers who eventually leave agriculture for urban areas and until now have been historically displaced in line with general changes in farm size and structure. They also point out their concern with the rural disadvantaged, particularly ethnic minorities, "who were spun out of agriculture were not adequately re-equipped to contribute to a changing economy for a number of reasons—including lack of equal opportunity and pre-market and labor market discrimination." I agree with that concern but I believe that the new demographics portend a situation that will result in a need for rural institutions and rural employers to become more wary of unchecked local labor displacement. That is, if the demographic forecast unfolds, then the rural economy may be left without an adequate supply of rural workers. Rural job seekers will find themselves in demand in many non-farm sectors. The result will be that the best and the brightest will leave for employment in urban areas. Labor intensive farm states like California, Florida, and Michigan may find themselves short of seasonal and temporary workers unless, of course, new immigrants are brought into the United States. At this time, I don't believe that enough attention is being paid to this plausible phenomenon.

The continuation of off-farm migration of workers suggests that the farm sector will be increasingly affected by labor shortages of possibly serious magnitudes. How do we remedy this situation? Will society pay to generate seasonal pools of workers? Should we offer more year round employment to existing farm labor and rural workers to keep them in the rural economy? Should we continue our immigration policies? These are issues we cannot ignore—yet, few people are researching them today. Related to these questions, however, Christy and Figueroa ask us to be more knowledgeable of the Immigration Reform and Control Act of 1986 and other immigration policies. The issues they raise are very important for both rural employers and workers of the future.

Christy and Figueroa give considerable attention to the way we study change and the role of human capital. They advocate a "theory of change" which, according to them, is an institutional theory that looks at the interrelationships between technology, institutions, humans and resources. I encourage such a perspective. Most contemporary problems of rural America are more social and institutional than technical in nature. The fact is, the economic well-being of most rural citizens does not depend on the prosperity of the farm sector. The future challenges are not merely ones of farm production, but new challenges facing entire rural communities and people. In arguing for a "theory of change" Christy and Figueroa rightly note that: "a change in technology requires individual and institutional change. Likewise, change in institutions influences the behavior of humans and informs organizational performance." However, I would criticize Christy and Figueroa in one minor way. The "theory of change" they propose is more a paradigm than a theory. It is an outline of the key components our research should address. But, if we are going to accept this design or paradigm or framework of research, then we must also ask how we are going to train and educate social scientists to work in this framework. How will we get our research institutions to contribute support to such research, more than likely interdisciplinary? Would we have to discard the neo-classical economic approach to study the changes they envision? I doubt it. But their plea to broaden the research focus is a good one.

Now I would like to comment on the paper by Allen and Thompson. They have gone beyond the usual review of literature by attempting to determine the causes of rural poverty. They have also focused their attention on the "rural" poor and have selected a very interesting set of independent variables to correlate with poverty. I'm particularly pleased with their analysis of poverty according to race and ethnicity. It is evident that the poor in rural America differ by race. The number one problem of the white poor is poverty of female headed households. Whereas the number one problem of the Black and Hispanic poor, according to the regressions, appears to be the relatively low number of household earners. Without this analysis I would have probably reversed the ranking of these factors for each racial group. I was also intrigued by the variable "industry structure." By dividing industries into two types, "secondary" and

"primary," we have a typology which suggests that the rural poor are over-represented in the "secondary sector," composed of 1) nondurable manufacturing, 2) retail trade, 3) business and repair services, 4) personal services, 5) entertainment and recreation services, 6) mining, and 7) agriculture, forestry and fisheries. It is interesting to note however, that three of the industries included in this group (nos. 3, 4, and 5) are going to grow according to the projections of the Department of Labor. Allen and Thompson recommend greater job creation in the primary sector as a way to address rural poverty. I don't believe that form of job creation will absorb enough low-income wage workers. Instead of depending on more jobs in the primary sector, the policies also should be to change the conditions in the secondary sector—raise minimum wage, provide fringe benefits and child care, stabilize employment, and develop more opportunities for women and minorities to be the leaders in these industries.

The absence of absolute numbers regarding the magnitude of rural poverty concerns me. While Allen and Thompson refer to the rates and percentages of rural poor, they don't tell us how many are poor. I would like to fill in this gap by data I produced with my colleagues Ed Dolber-Smith and Douglas Gwynn from the 1988 CPS tapes: The table corroborates the high incidences of poverty faced by the Black and Hispanic populations in nonmetropolitan areas in 1988. But also evident is the high absolute number of non-Hispanic White poor. Moreover, it is evident that poverty in nonmetropolitan America is disproportionately high given that non-metropolitan areas contain only 23 percent of the nation's people and 27.6 percent of the poor.

Allen and Thompson must rely on data for "non-metropolitan" areas to serve as a proxy for "rural areas" because the annual CPS Public Use Files have no data on "rural" people. They do not point out, however, that a serious problem in rural social science research is the lack of a clear and precise definition for the "rural sector" and its people. Rural definitions for United States populations and places have been generally treated as residuals, as any population living in an area not designated as urban. This approach is rooted in criteria used by the United States Census Bureau. Referring to the Bureau's 1980 Census Users' Guide, we find, for example, that:

> . . .the urban population comprises all persons living in urbanized areas (UA's) and in places of 2,500 or more inhabitants outside UA's. The rural population consists of everyone else.

An interesting problem about this criteria is that a rural classification need not imply farm residence or a sparsely settled area, since a small city or town is rural as long as it is outside a UA and has fewer than 2,500 inhabitants. Moreover, this "residual" criteria also leaves the problem that a "rural" area and population can exist within a Metropolitan Statistical Area (MSA). Again, according to the Census Bureau, a MSA is:

> . . .a geographic area consisting of a large population nucleus—a census defined urbanized area—together with adjacent communities that have a high degree of economic and social integration with that nucleus.

With this definition for the MSA, we have the possibility that many MSAs contain "rural" people. As such, "nonmetro" data cannot and should not be used synonymously for "rural" data. One may ask if this causes a serious problem. Is not the non-metropolitan concept a significant and meaningful synonym for "rural?" Does it make a difference in our research to ignore the "rural" population of MSAs?

My research with Kawamura, Gwynn, and Dolber-Smith (1989) found a large numerical difference in the count of "rural" poor when the rural people within MSAs were considered. We conducted a comparative analysis of the California poor, using 1980 Census data, of both urban and rural populations, within both MSAs and non-MSAs. It turns out that a large number of California's poorest "rural" people are subsumed in the "metropolitan" areas of Sacramento, Fresno, and Bakersfield. These "rural," metropolitan poor are also different in some respects from the nonmetropolitan poor. They are largely Hispanic and white, with employment in agriculture and agribusiness. The nonmetropolitan poor in California are white and Native American (Kawamura, et al. 1990).

I commend both presentations for addressing key demographic and social issues of rural America. I urge rural social scientists to continue research along the lines recommended by the authors.

FOOTNOTES

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REFERENCES

Kawamura, Yoshio, Refugio I. Rochin, Douglas B. Gwynn, and Edward Dolber-Smith, "Rural and Urban Poverty in California: Correlations with 'Rurality' and Socioeconomic Structure," Journal of Economics and Business Studies, Ryukoku University, 26 (1989):34-54.

U.S. Bureau of the Census, Current Population Survey File, March 1988, Washington, D.C.

Table 1. Total United States and Nonmetropolitan Poverty by Race and Ethnicity, 1988.

	Total Poor in America	"Non-metropolitan" Poor	Percent Non-metro Poor of Total Poor
Total population	32,506,826	8,979,687	27.6%
Poverty Rate	13.5%	17.0%	
Non-Hispanic White	16,161,515	5,895,702	36.5%
Poverty Rate	8.7%	13.1%	
Black Population	9,668,033	2,259,783	23.4%
Poverty Rate	33.0%	44.0%	
Hispanic Population	5,461,371	510,725	9.4%
Poverty Rate	28.1%	36.3%	

Source: Public Use File: March 1988 Current Population Survey