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*Employment*

# NONMETROPOLITAN JOB CREATION IN A POST-INDUSTRIAL SOCIETY: PROBLEMS AND PROSPECTS

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The basis of many rural or nonmetropolitan development strategies is job creation. This is true whether the goal is a more evenly distributed population, increased income, higher overall standards of living, decreased unemployment, an expanded economic base, or a combination of these goals. Manufacturing industry traditionally has been viewed as the most effective vehicle to create jobs and establish the basis for long term growth. This bias in favor of manufacturing derives from its role as the major source of economic and employment growth in modern Western development. The basic assumption behind most job creation strategies at the national, state and local level is that this will continue to be the case. However, there are indications that this focus will not prove as fruitful in the future.

Manufacturing has become and will continue to become relatively less important as an employer. Only slight employment increases are projected for the sector, and the absolute number of production jobs--the primary source of blue collar employment--will drop. At the same time, absolute declines in agriculture and mining employment will persist. Declining employment

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Table I. Industries Projected to Show Largest Increases in Number of Jobs, 1968-1985

Industry	Additional Jobs (thousands)
Total, 10 industries . . . . .	22,326
State and local government . . . . .	6,891
Retail trade . . . . .	4,497
Miscellaneous business services . . . . .	2,140
Hospitals . . . . .	1,846
Health services except hospitals . . . . .	1,631
Finance . . . . .	1,262
Wholesale trade . . . . .	1,229
Construction . . . . .	1,146
Miscellaneous professional services . . . . .	871
Nonprofit organizations . . . . .	813
Total economy . . . . .	26,683
10 industries as percent of additional jobs in total economy . . .	83.7 %

Source: Bureau of Labor Statistics. The Structure of the U.S. Economy in 1980 and 1985. U.S. Department of Commerce, Bulletin 1831 (1975), Table 53, p. 97.

opportunities in these industries naturally affect nonmetropolitan areas much more than metropolitan areas. On the other hand, the general service sector of the economy, and auxiliary service occupations within other sectors, will increase their employment role [Bureau of Labor Statistics (BLS), p. 93; Bell, pp. 132, 134, 135; Pred, p. 138].

The service sector in general, and particular subsectors within the service sector, may provide more fertile ground upon which to base job creation strategies. Other closely related developments also have important implications for the economic future of nonmetropolitan areas. These are population movements; the characteristics of the new, relocating or expanding manufacturing businesses in nonmetropolitan areas; the changing economic development goals of local communities; and the prospects of the various industry sectors for meeting the employment and overall development goals of nonmetropolitan communities.

The purpose of this paper is to examine these issues and trends within the context of their implications for nonmetropolitan job creation. Our primary intention at this time is to raise questions and issues, which will then be a basis for initiating discussion, research and action.

#### Employment Changes by Industrial Sector in the United States

The United States economy has been characterized in recent years by a rapid shift from the historic dominance of the goods producing industries (agriculture, forestry, fishing, mining, construction, manufacturing) to an increasing ascendancy of the service sector. This trend has become even more pronounced since World War II. In 1947 employment was almost evenly

distributed between the goods producing and service producing sectors. By 1970 the distribution was approximately one-third and two-thirds, respectively. The projection for 1985 is that only 29 percent of the nation's employment will be in the goods producing sector [BLS, Table 50, p. 93].

With regard to manufacturing itself, its share of national employment dropped from 30 percent in 1947 to less than 24 percent in 1970. While manufacturing is still the largest single employer of any industry, by 1985 the trade and services (per se) industries are expected to equal or exceed manufacturing's share of employment. And of the ten industries projected to show the largest increases in number of jobs to 1985 (Table 1), all are nonmanufacturing, and only one--construction--is in the general goods producing sector. The employment increases in these industries--led by state and local government, business services, trade, and health services--are expected to account for over 83 percent of the additional jobs in the total economy between 1968 and 1985.

Thus, many of the earmarks of a post-industrial society are evident in the United States. The first and most easily observed characteristic is that a majority of the labor force is no longer engaged in agriculture and manufacturing, but in services. The other characteristics are the pre-eminence of the professional and technical occupations; the creation of a new intellectual technology based on information; an orientation towards the future, which is based on the control of technology and technological growth, planning and forecasting; a central principal where [theoretical] knowledge is the source of innovation and policy formulation for the society [Bell, p. 14].

### The Need For Jobs

Two major factors are at work creating the need for more nonmetropolitan employment. One is the employment opportunity gap that traditionally has existed in nonmetropolitan areas. Underlying this gap is the continual decline in employment in the extractive sector, especially agriculture. This process has left a legacy of high under and unemployment rates, a high proportion of people below poverty levels, low incomes, low labor force participation rates, and, until recently, general population decline.

In the decade of the 1960's, new nonmetropolitan manufacturing jobs fell 480,000 jobs short of fulfilling the need created by losses in the extractive industries [Hines, et. al., Table 10, p. 36]. From 1970-1973, manufacturing created over 300,000 more jobs in nonmetropolitan areas than were lost in the extractive sector ["The Economic and Social Condition," Table 13, p. 19]. However, this unprecedented movement was made at the expense of metropolitan areas, and will have to continue to do so in order to remain a long term factor. Furthermore, between 1969 and 1973, manufacturing jobs comprised just 18 percent of all nonmetropolitan job growth, compared to 50 percent from 1962 to 1969 [Beale, p. 9].

Beyond the traditional employment needs, the now-famous population "turnaround" [Beale] has added another dimension to nonmetropolitan economic development issues. These population movements are attributed to manufacturing decentralization; growth of retirement and recreation activities; the expansion of universities, state colleges, community junior colleges, and technical education centers; a higher birthrate in nonmetropolitan areas; and a "strong strain of anti-urbanism" which has always existed in the U.S. but

has recently been aided by increased incomes and mobility [Beale, pp. 9-13; Gustafson, p. 6]. Moreover, it is apparent that a sizeable proportion of urban residents would prefer to live in nonmetropolitan communities [Barkley, Beale, Fuguitt & Zuiches, Gustafson], and Barkley feels that there is a huge demand in nonmetropolitan communities for these potential migrants [Barkley, p. 10]. The key to satisfying these two demands is a supply of jobs in not only the correct quantity, but also of certain qualities.

The characteristics of the recent nonmetropolitan migrants provide insight into the type of employment and economic development desires of these areas. The recent migrants to nonmetropolitan areas are seeking, first, a more environmentally pleasing life style in which to live, recreate, and raise children. What they are leaving is the environment associated with concentrated industrial (manufacturing) activity. And when they migrate, they tend to avoid the nonmetropolitan areas with heavy concentrations of manufacturing activity [Beale, p. 9]. They are also relatively young and better educated ["The Economic and Social Condition," Table 2, p. 5 and Table 26, p. 31]. Many of the migrants, young and old, were originally nonmetropolitan residents who went to the cities for education and jobs [Lambert]. The retirees are no longer dependent on urban jobs for income. Many of the younger migrants have school age children and desire a better environment in which to raise them. Thus, these people will not tend to seek blue collar occupations, nor will they wish to see re-created the industrial atmosphere which they have left.

There is also a growing body of evidence that the economic development

desires of nonmetropolitan residents as a whole are changing. Economic development is no longer accepted without examining potential unwanted externalities. Even in areas of high under and unemployment, and where economic problems are felt to be the major ones facing the community, people prefer their current situations to jobs which may bring undesirable side effects. Surveys show that these attitudes cut across social, economic, political and other interest groups. When asked their attitude toward a plant bringing high-paying jobs, but also greater environmental pollution, almost 70 percent of those surveyed in twelve nonmetropolitan Wisconsin counties said they would oppose the plant [McGranahan, January, 1976, Table 2b; and February, 1976, Table 1b]. In West Texas, when given a choice between a range of manufacturing plants and a research laboratory, the latter was ranked as the most preferred new industry by two interest groups, and as the second most preferred by the third interest group surveyed [Green and Bruce, Table 1].

#### Manufacturing in Nonmetropolitan Areas

Attracting manufacturing jobs will be a much more competitive game in the future. And in the case of jobs from relocating plants, it is likely to be a zero-sum game. For any given nonmetropolitan area success will be even more difficult because of the large number of competitors, and because many of the new or relocating jobs will be established in or very near the already-industrialized metropolitan areas ["New Industries Dot Wisconsin's Landscape, I & II;" "New Industries and Plant Expansions, 1972;" Hines, et.al., Table 10, p. 36].

This does not mean that manufacturing will not play a role in nonmetropolitan economies. In the decade of the 1960's over 60 percent of the total national increase in manufacturing employment took place in nonmetropolitan counties [Hines, et.al., Table 10, p. 36]. And since 1970, there has been a net decrease in manufacturing employment in metropolitan counties and the nation as a whole, while nonmetropolitan counties had a 7.2 percent gain ["The Economic and Social Condition," Table 13, p. 19]. However, not only is evidence accumulating that manufacturing cannot meet the need for jobs, per se, but that in the realm of satisfying general economic development goals, results are often considerably short of expectations.

The negative attitudes of people in many nonmetropolitan areas toward manufacturing commonly center around fears of environmental deterioration. However, there are other characteristics of manufacturing in nonmetropolitan areas which make them less desirable from the viewpoint of their contribution to long run economic growth and stability. A key characteristic is the type of industry or plant that is most likely to gravitate to nonmetropolitan communities.

Industries filter down through the system of cities, from places of greater to lesser sophistication. Most often, the highest skills are needed in the difficult early stage of mastering a process, and skill requirements decline steadily as the production process is rationalized and routinized with experience. As the industry slides down the learning curve, the high wage rates of the more industrially sophisticated innovative areas [which are also highly unionized] become superfluous. The aging industry seeks out industrial backwaters where the cheaper labor is now up to the lesser demands of the simplified process [Hansen, p. 15, quoting Thompson].

In general, manufacturing growth in nonmetropolitan areas, especially

the more distant counties, is in these slow-growth industries [Hansen, p. 14]. These industries are primarily interested in low-wage, unskilled labor. The type of plant is usually a branch of a larger company. It is often oriented to a strictly assembly role, or simple manufacture of parts. The low wage levels do not allow an appreciable closing of the income gap between metropolitan and nonmetropolitan areas, and the low skill requirements do not upgrade the labor force nor provide opportunities for younger more educated workers. These plants, thus, have few, if any linkages with the local economy, and therefore provide little basis for a long term, stable and growing economy which will help them break out of their "underdevelopment trap" [Erickson and Huddleston, p. 35; Hansen, p. 15].

Another characteristic of these industries is that they are the most affected in times of economic adjustment. Their level of operation fluctuates greatly with economic conditions. This presents no problem in times of economic expansion. But in periods of recession, not only does employment drop, but the rural branch plants are prime candidates for complete closings, with little prospect of their being reopened when the economy improves.

A third characteristic of nonmetropolitan manufacturing plants is that they are usually owned and controlled by nonlocal interests, and frequently by out-of-state interests. The local community has very little, if any, input into decisions affecting plant operations, and local needs and concerns may never influence decisions. The establishment of a plant may take place without the community being aware of it, and without the citizens being able to express

their desires one way or another. Similarly, the first a community may hear of a plant closing may be when the pink slips are handed out.

These characteristics tend to make these industries somewhat "footloose." That is, they have no real ties to any particular location; little or no investment in the local community. Their reason for being in any particular place is the cheaper cost of production, especially labor. Other cost factors may be that they were lured to an area by a local campaign which provided cheap facilities and/or services, or tax concessions for an initial period. If any of these conditions change, the company may find it cheaper to move to another community.

#### Nonmanufacturing Industries in Nonmetropolitan Development

In the context of economic development and job creation, nonmanufacturing industry is generally thought of as the tertiary sector which draws its life from the dynamic manufacturing and extractive sectors and which benefits from the multiplier effects generated by more "basic" industry. It is true that, on the whole, retail trade and personal services are in the tertiary category.\* However, many other nonmanufacturing businesses can be "basic" sectors in every sense of the word, participating in both export and import substitution activities, broadening the tax base, establishing economic linkages, and creating direct and indirect employment. Examples are wholesale distribution, finance, insurance, transportation, government, and business and professional services.

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\*At times, however, even these businesses can be the "basic" industries in a community, such as when the community serves as a regional or county trade and service center.

Historically, these activities have tended to concentrate in the nation's metropolitan areas. Several metropolitan areas have, in fact, become service centers for the nation and regions, and export office services [Armstrong, pp. 24-26, and Table 2.2]. The presence of the range of such service industries is felt to be the reason for the continued growth of metropolitan areas. In 1955, Blumenfeld concluded that business and consumer services constituted the real economic base of metropolitan areas. Their presence and high level of development allowed cities to "substitute new 'export' industries for any which may be destroyed by the vicissitudes of economic life" [Blumenfeld, p. 131]. Thompson reached the same conclusion in 1968. He broadened Blumenfeld's definition of the true economic base, including universities and research parks, engineering firms, financial institutions, public relations and advertising, and transportation and utilities [Hansen, p. 8]. We might also add legal, accounting and computer services to this list.

These businesses can provide a similar dynamism and stability to nonmetropolitan areas. This development alternative takes on added importance in light of the relative growth rates of manufacturing and nonmanufacturing industries; population growth and its changing composition in nonmetropolitan counties; and the inability of manufacturing to meet nonmetropolitan employment and development goals. It is also suggested that if the nascent trend toward population redistribution observed in the early 1970's is to continue, a supply of nonmanufacturing office-service jobs will be the major factor. Moreover, Hansen (p. 8) and Pred (pp. 137-139) imply that the future of nonmetropolitan communities may be tied to their ability to attract these businesses.

There is a potential dual role to be played by nonmanufacturing activities in providing a dynamic and stable economic base to nonmetropolitan communities. The first is the "basic-export" role. Industry growth projections provide strong basis for expecting many nonmanufacturing businesses to play this role. There is also evidence that export oriented service industries, such as distribution/warehousing operations, and headquarters and clerical operations of major companies, are decentralizing, and that economic incentives exist for continued decentralization [Area Development Interchange, Vol. V, Vo. 23 and Vol. VI, No. 7]. Furthermore, many of the factors that determine manufacturing location are not applicable to nonmanufacturing industry. And as communications technology continues to advance, a specific location based on traditional location factors becomes even less applicable to many business services, insurance and finance services, clerical functions, data processing, and corporate headquarters.

The second role is in import substitution and linkage formation. Many of the financial, insurance, legal, transportation and general business services necessary for a modern economy are imported by businesses in nonmetropolitan communities. Not only do dollars and potential jobs flow out of the community because of this, but the absence of these services leads to bottlenecks that restrict local economic growth. In addition, with the recent increase in both manufacturing and nonmanufacturing industry in nonmetropolitan areas, both the local market and need for such services will grow.

The nature of nonmanufacturing businesses also helps communities fulfill other development goals. One of these goals is for greater local control over

the community's economic destiny [Warren]. Businesses which are owned and operated by interests not living in the community or state, as is the case with much of the new nonmetropolitan manufacturing ["New Industries Dot Wisconsin's Landscape-I," pp. 2-3; Erickson, pp. 2-3], are less likely to be concerned with the future of a community and its residents. Service sector businesses are predominantly owner-operated.\* Thus, their ties to a community and their concern with its future are stronger.

Another area in which services better fulfill development goals than does manufacturing is employment stability. Over the several economic cycles since World War II, compared to manufacturing, service industries have increased employment faster during upswings and have maintained overall employment increases during downswings. Manufacturing, and particularly the durable goods and assembly types, has experienced considerable employment decreases during downswings and a much slower rate of increase during economic recovery [Fuchs, Chapter 7]. In addition to countering national economic conditions, the increased presence of certain service industries in the economic base could provide the employment stability needed in nonmetropolitan areas which are heavily dependent on seasonal agricultural and recreation industries.

Two other increasingly important goals of nonmetropolitan areas are:

a) environmental protection, and b) economic development which is not so fiscally burdensome that it outweighs the positive effects. Nonmanufacturing industries do not tend to discharge the large quantities of bad quality effluents into the air and water, which characterizes much manufacturing. Nor is their production process

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\*Based on unpublished data collected by the authors.

noisy. They may also have less of a tendency to invade prime agricultural land or valuable green space for large plant facilities. Service sector industries can often utilize and function efficiently in renovated existing buildings or on sites that may not be ideal for manufacturing.

These characteristics also imply that local governments are less likely to have to provide new and expensive services to the new businesses, such as access to roads, sewer facilities, water supply, and power. It is the provision of these services that often results in the costs of new industry exceeding the benefits.

The key question is whether or not nonmanufacturing/service businesses will locate in nonmetropolitan communities. Very little is known about the factors considered critical in location of these businesses. This is a fertile area for further research.

### Conclusion

Nonmetropolitan communities have traditionally relied upon manufacturing industry to meet their employment needs and economic development goals. Attracting this industry has always been a difficult task. Trends and projections indicate that the supply of such businesses will decrease while the competition for the more limited job growth will increase. In addition, the type of manufacturing that is attracted to nonmetropolitan areas is less able to meet broader development desires. These desires include a range of employment opportunities for a growing and more diverse population, establishing the basis for a stable and growing economy, and not contributing to environmental deterioration.

On the other hand, the nonmanufacturing and service sectors are the growth areas of the economy and will increase their already predominant employment role. These industries also appear to be much more able to meet other development goals which are given increasing weight by nonmetropolitan residents. This is not to say that attracting nonmanufacturing activities is an easier task. Nonmetropolitan biases in favor of manufacturing, and biases of nonmanufacturing business for metropolitan areas are strong. And knowledge of the nature, operation and location needs of nonmanufacturing business is extremely limited. However, alternatives to manufacturing must be found. The nonmanufacturing/service industries are the dynamic and growing aspect of the economy. If they are not pursued, the income and employment gaps between metropolitan and nonmetropolitan areas will be perpetuated, and nonmetropolitan communities will continue to be the backwaters of our economy.

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