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CAN THE RURAL ECONOMY BE COMPETITIVE? LESSONS FROM THE DATA

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The 1980's were unkind to rural workers, their families, and their communities. Job growth stagnated, unemployment rates remained high, earnings declined, and people moved out. More than 1240 rural (nonmetropolitan) counties, over one half of all rural counties, lost population between 1980 and 1990. Only areas in the immediate sphere of growing metropolises or having natural amenities--temperate climate, lakes and ponds, or mountains--attracted new residents and jobs during the 1980's.

Rural outmigration is of course not a new story. Outmigration had been characteristic of rural areas from the 1920's until the "rural renaissance" of the 1970's. It is tempting to dust off old analyses such as, "The People Left Behind," or, "The Communities Left Behind," update the tables, and reissue them.

But the 1980's were not a return to old times. The outmigration of earlier decades, much of it an exodus from marginal farms, was accompanied by rising rural incomes and a narrowing of the rural-urban income gap. In contrast, rural per capita incomes failed to rise in the 1980's, despite the continued increase in women's labor force participation and the decline in childbearing. For the first decade in this century, the rural-urban income gap widened instead of narrowed (fig. 1).

Part of the explanation for the rural economic disadvantage in the 1980's is an old one--a loss of jobs in traditional resource industries. Agricultural employment, including forestry and fishing as well as farming and agricultural services, dropped by over 10 percent during the decade. Mining experienced a bust after the energy boom at the beginning of the decade, with a loss in employment in rural areas of nearly one third. But traditional resource-based employment is much lower now than it was in earlier decades. These declines, although devastating in some areas, were actually relatively small compared to earlier decades and in the context of the rural economy of the 1980's. Moreover, as figure 1 makes clear, resource industry job loss and outmigration have historically been associated with rising rural incomes.

million per decade in rural areas (fig. 2). These new jobs were generally not high pay jobs, but they often were better paying than the alternatives. These manufacturing jobs absorbed some of the people moving out of agriculture, provided off-farm job opportunities for the increasing parttime farm population, and enabled some people who had moved to the city to return home. By 1980, over twice as many rural residents worked in manufacturing than in agriculture and mining combined. Manufacturing jobs were important contributors to the local economic base, helping to sustain growth in the rural service sector.

From 1980 to 1990, however, manufacturing employment declined nationally and the number of new rural manufacturing jobs fell to only 200,000. Even the failure of rural manufacturing to generate new jobs does not entirely explain the rural economic problems of the 1980's, however. Urban economies generally did better than rural economies in the 1980's despite a slight loss in manufacturing jobs in urban areas.

The rural problems in the 1980's stemmed not only from a decline in employment opportunities in traditional rural industries, but also an apparent inability to participate in the activities of what has been called the "new economy". During the late 1970's and 1980's, increasingly global markets and rapid technological change, both catalyzed by rapidly evolving information systems, meant declining opportunities in traditional production occupations and new opportunities in knowledge occupations.

The new opportunities were largely urban opportunities for people with relatively high levels of education. This is evident whether we compare changes in the types of jobs in urban and rural areas, changes in earnings, or migration.

Changes in types of jobs. The urban orientation of the new economy is particularly evident in manufacturing industries. In percentage terms, the change in total manufacturing employment between 1980 and 1988 was relatively small in both rural and urban areas (fig. 3). However, in metropolitan areas, there was marked shift in the types of jobs, with a tremendous growth in management, research, and professional jobs—over 30 percent—and a substantial decline in production jobs. In nonmetropolitan areas in contrast, there was little shift in types of jobs. Now more than in earlier decades, rural areas have low-skill production activities while urban areas have the management, research and professional tasks.

Changes in earnings. In 1979, young men working full-time earned about 10 percent more in urban areas than rural areas irrespective of education. This was probably about equal to the difference in the cost of living (fig. 4). With growth of opportunities for better educated workers in urban areas, the urban advantage increased to about 30 percent in 1989. The rural disadvantage also increased for young women. Thus, by the end of the decade, younger, better educated men and women remaining in rural areas were often making a substantial financial sacrifice by their choice of residence.

Migration. Not surprisingly, the rural-urban earnings gap generated a considerable net outmigration of the better educated workers to urban areas. This migration was especially high for young adults. Between in 1988 and 1989, for instance, the net loss of young adult college-graduates was nearly 4 percent (fig. 5). On the other hand, there was a small net inmigration of less educated young adults to rural areas. This may reflect the fact that housing costs had risen in urban areas during the 1980's, but earnings for the people with no post-high school education had not.

Why was the new economy an urban economy in the 1980's? One possible explanation is that, with relatively low education levels compared to urban workers and workers in other developed countries, rural workers may simply have been unable to compete in the world market and earn what we consider reasonable wages. A recent ERS study, **Education and Rural Economic Development: Strategies for the 1990's**, concludes, however, that education was not the rural bottleneck. Earnings for better educated workers rose more in urban areas than rural areas, suggesting a greater urban shortage relative to demand. Moreover, rural areas with relatively highly educated workers did not have an advantage over other rural areas in the 1980's.

An alternative explanation is that the remoteness and sparseness of rural settlements makes them largely unsuitable for complex manufacturing operations, industrial research, or other activities requiring high-skill, high-education employees and rapid access to information, technology, and finance. This explanation is supported by the fact that the geographic concentration of new economy activities into major cities has occurred in other industrialized nations as well.

Thus, while the rapid development of information technology has suggested to some that information-dependent businesses should be able to move out of urban areas to the countryside, and anecdotes abound about stockmarket traders and others moving to rural areas with their personal computers, faxes, and modems, there is little evidence that face-to-face contacts have become less important with the new technology. Indeed, it may be that information technology has speeded up the pace of change, making face-to-face contact more important than ever.

The residents of two kinds of rural areas are likely to do relatively well in the coming decade—those that are adjacent to large, growing metropolitan areas and thus likely to share in that growth by dint of proximity alone and those that have a pleasant climate, mountains, and lakes or rivers and are thus attractive for recreation, retirement, and related activities. While agricultural industries may continue to do well, it seems likely that technological change and consolidation will continue to diminish job opportunities. The question is what will happen to rural areas without the advantages of proximity and natural amenities. Will ways be found to integrate them into the new economy without assigning them to peripheral, low-income tasks?

Figure 1
Nonmetro per capita income as a percentage of metro income

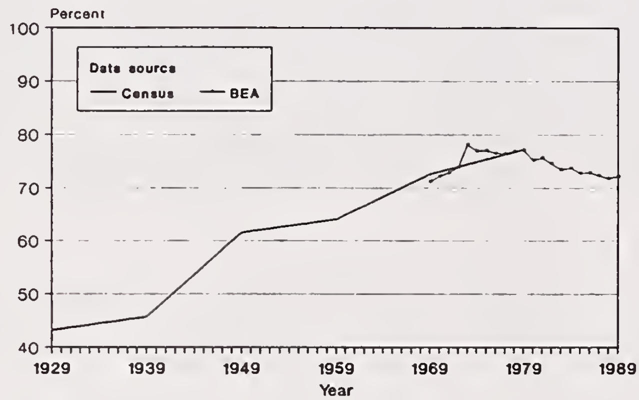
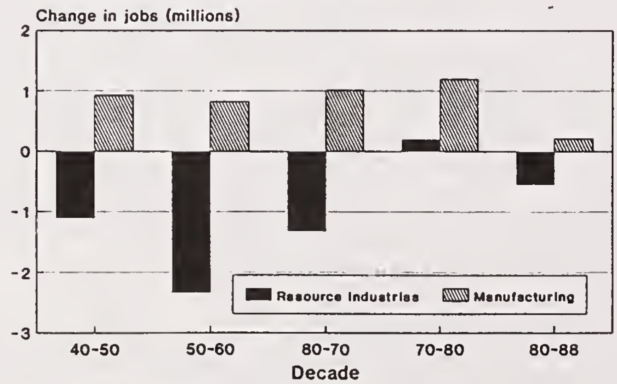
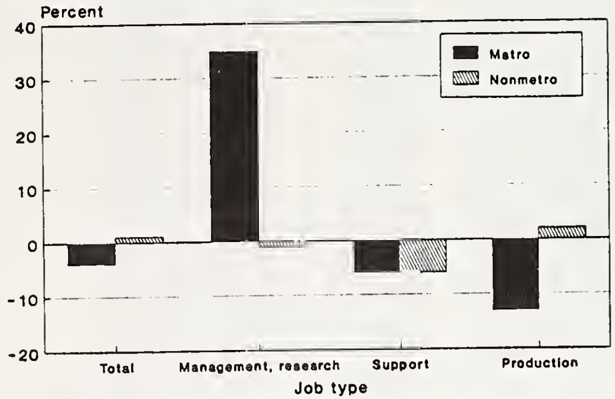


Figure 2
Manufacturing jobs grew in nonmetro areas while resource jobs declined



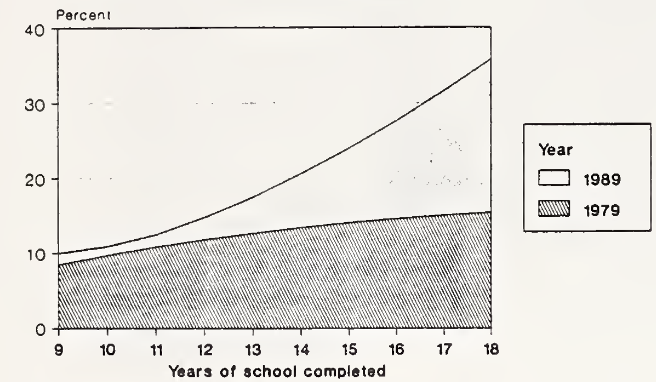
Source: Censuses of Population and BEA.

Figure 3
Change in manufacturing jobs, 1980-88



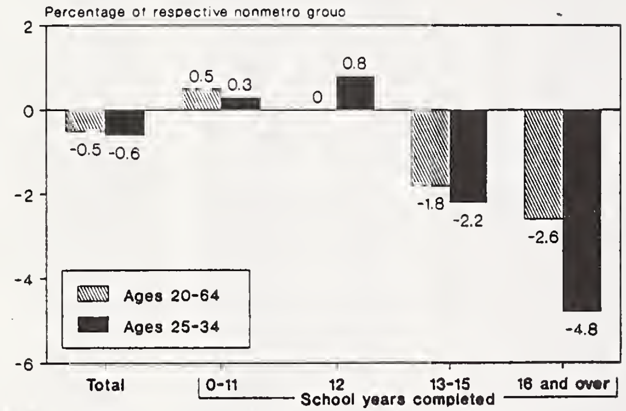
Sources: Census of Population, 1980
Current Population Survey, March 1988.

Figure 4
Metro earnings advantage over nonmetro, men aged 25-34 working full-time



Source: Census of Population, 1980 and
Current Population Survey, 1990.

Figure 5
Net nonmetro migration from metro areas, 1988-89.



Source: Current Population Survey, 1989