

Building Vibrant Economies and Communities in Rural America

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Introduction

How quickly things change! Not too many months ago, most individuals would contend that rural America was undergoing an economic boom. No doubt, the economic expansion touching our nation over the course of the 1990s was being felt even among small towns and cities in rural America. Of the 23 million jobs created over the 1990-99 period in this nation, over 3.8 million were generated in our country's nonmetro areas. Certainly, to many observers, economic expansion had finally touched rural America in a most dramatic way.

However, recent months have put all of us on alert that the economic health of rural America remains fragile. While layoffs and business closures have become commonplace in many localities, the impact of such job losses appear to be particularly dramatic in nonmetro areas – areas with more limited capacity to absorb displaced workers into their local labor markets. A case in point is my own state of Mississippi, one of the most rural states in the country. Over the past 18 months, nearly 21,500 people have lost their jobs due to layoffs or closures. Nearly 31 percent of these job losses have taken place in the last quarter of 2001. And it is the most rural regions of Mississippi that are being particularly hard hit by these employment losses.

So, my hope is to take a realistic picture of what is happening in rural America today and to offer some options that might contribute to its economic and social advancement in the years ahead. I will argue that a vibrant rural America will depend, in part, on four major elements: (1) expanding the quality of its human capital resources; (2) building an entrepreneurial spirit that supports internal economic development opportunities; (3) enhancing the digital capacity of rural places so that they can be players in an increasingly technology-dependent economy; and (4) promoting broad-based involvement of local individuals in the civic life of their communities.

It's Not Your Daddy's Rural Economy

The economic complexion of today's nonmetro areas looks dramatically different from what was the pattern just three or four decades ago. For one, retail trade and services have now replaced agriculture and manufacturing as the economic drivers of rural America. These dramatic shifts are most evident when we examine job growth by the broad categories of goods-producing (farming, agricultural services, forestry, mining, construction, and manufacturing) and service producing (transportation and public utilities, wholesale and retail trade, finance, insurance and real estate services, and government) sectors.

Over one-third of all jobs in the nonmetro U.S. in 1990 were tied to goods producing industries. By 1999, that figure had slipped to 30 percent. What is most alarming, however, is the crucial role that service sector industries have played in spurring rural economic growth during this time

period. Over 93 percent of the full and part-time jobs generated in nonmetro areas between 1990 and 1999 were generated by the service-producing sector.

Despite the brisk rate of job growth, however, no advances were made in narrowing the metro/nonmetro earnings gap. In 1990, workers employed in the goods producing sectors of rural America earned 66 percent of what their metro counterparts employed in these same industries were earning. By 1999, this figure had dipped to 62 percent. Similarly, average earnings for service producing sector employees in the nonmetro U.S. were about 70 percent of the rate enjoyed by metro workers in 1990. By the end of the decade, the figure had declined to 66 percent. Hence, the wage gap between nonmetro and metro workers has actually widened over the course of the 1990s.

The key question is: “Why has the gap in average earnings garnered by metro and nonmetro workers actually intensified in the last decade?” In a nutshell, the sectors of the rural economy that have expanded most rapidly are not providing the same level of earnings that the slower growing or declining goods-producing sectors have been able to offer, nor are they compensating nonmetro workers comparable to the wages being paid to metro workers. Thus, while new jobs have come to rural America, the wages tied to these jobs remains an issue of considerable concern.

A case in point is the nonmetro employment shifts in manufacturing and services between 1990 and 1999. Nearly 99,000 new manufacturing jobs were added to our nation’s nonmetro areas over the time period, with earnings averaging about \$27,000 per year. The services industry, on the other hand, added nearly 1.8 million new jobs to the nonmetro economy during this time period, providing just over \$20,000 in average earnings for workers. While the services industry has fueled employment growth in metro areas as well, the level of compensation received by metro workers employed in this industry has been significantly higher. For example, average wages garnered by service industry workers were 64 percent higher in metro vs. nonmetro areas in 1999.

The Human Capital Resources in Nonmetro America

Undoubtedly, the historical presence of a larger pool of better-educated workers has contributed to the superior wage rates captured by metro workers vis a vis their nonmetro counterparts. Nonmetro workers have improved their human capital endowments in recent years, but not enough to effectively compete with metro areas for the best paying jobs. A simple examination of the educational endowments of metro and nonmetro adults (25 years old and over) over the past decade offers evidence to support this argument.

Examining information on the educational attainment of adults over the course of the 1990s does provide evidence that metro residents 25 years old and over continue to outpace /nonmetro adults with respect to their educational endowments. At the same time, there are encouraging signs indicating that nonmetro areas have made important strides in advancing their educational standing over the past decade.¹ In particular:

¹ Data presented in this section were calculated using various Current Population Surveys conducted between 1990 and 2000.

- Both metro and nonmetro areas have witnessed significant declines in the proportion of its adult population (25 years old and over) having less than a high school education over the period of the 1990s. However, the rate of decline has been more sizable in nonmetro than in metro areas over the decade (20.3 percent in 1990 to 13.8 percent in 2000 in the nonmetro U.S.; 17.2 percent in 1990 to 13.9 percent in 2000 in metro areas of the country).
- The percent of adult residents who have attended some college after graduating from high school is virtually the same in nonmetro and metro areas. Nearly 29 percent of nonmetro adults had some college education in 2000, while the figure was 28 percent among metro adults.
- The presence of a college-educated populace continues to be more evident in the metro areas of the country. Nearly 29 percent of metro residents had baccalaureate degrees or higher in 2000, while the figure was 19.5 percent among nonmetro adults. Despite this continuing metro/nonmetro gap in the presence of college-educated residents, the proportion of adults with a college education has actually expanded at a faster pace in nonmetro versus metro areas over the course of the 1990s (24.2 percent and 14.2 percent, respectively).
- The gap in the proportion of college-educated residents of prime working age (i.e., 25-34 years of age) in metro and nonmetro areas has slowly shrunken during the 1990s. The difference was 12.1 percentage points in 1990 (25.8 percent in metro versus 13.7 percent in nonmetro areas), but stands at 9.9 percent today (28.9 percent versus 19 percent).

Collectively, these results paint a more encouraging picture regarding the improved human capital conditions in rural America. These types of advances offer new opportunities for rural areas to capture, or to generate, high quality jobs that demand workers with educational credentials beyond the high school level.

At the same time, we must recognize that sustained economic growth in rural America will depend upon the capacity to build the human capital resources of all residents. Have racial and ethnic minorities living in rural communities in the U.S. made important positive strides in improving their educational status? As a general observation, the trends are not entirely encouraging.

- The percent of nonmetro African Americans with a college education has remained relatively stagnant over the 1990-2000 period. Barely 8 percent of nonmetro blacks had a college degree in 2000, slightly lower than the 8.4 percent recorded in 1990. At the same time, the percent completing a high school education, or securing some college education, has steadily increased over the past decade.
- Rural America's Latino population remains entrenched in the lowest rungs of the educational attainment ladder. Over 45 percent had less than a high school education in 2000, virtually identical to the percentage reported in 1990. Only one in four nonmetro Hispanics either had some college or a bachelor's degree in 2000.

Thus, building an economically viable rural America will dictate that continued attention be directed at advancing the educational progress of all residents. Given that African American and Latino populations are projected to be rural America's most rapidly expanding population over the next two decades, then the sustainability of rural areas will be tied to their capacity to realize substantive improvements in the human capital of their residents.

A study we completed not too long offers empirical evidence of the important role that education plays in securing and retaining decent jobs (Beaulieu and Barfield, 2000). Employing data collected by the National Center for Education Statistics as part of a national longitudinal study of high school students initiated in the early 1980s, we examined the post-high school experiences of students in the South who were slated to graduate from high school in 1982. We then tracked their labor force employment in 1986, 1988, and 1992, examining how the quality of their jobs differed by their educational endowments. Employing the typology developed by Lorence (1987), the principle jobs held by our Southern respondents in 1986, 1988, and 1992 were classified into one of four categories: (1) upper-tier primary labor market; (2) lower tier primary labor market; (3) upper tier secondary labor market; and (4) lower tier secondary labor market. The best jobs were located in the upper tier of the primary labor market, while the worse jobs were situated in the lower tier of the secondary labor market.

What our findings made all too clear is that education matters, and it matters a lot. Over the 1986-92 period, college-educated persons in our study were able to double their rate of employment in upper tier primary sector jobs and were able to expand their engagement in lower tier primary sectors jobs by 43 percent. While not keeping pace with the best educated cohort of Southerners, persons with a certificate or associates degree experienced slightly better job advancement over the six year period than was the case for participants with terminal high school degrees. Finally, the least educated individuals (those with less than a high school education) were essentially denied access to primary labor market sector jobs. Nearly nine of every 10 of these persons remained entrenched in secondary labor market sector jobs for the entire 1986-92 period. And this pattern remained fairly consistent across all urban, suburban, and rural areas of the U.S. South.

While these data reflect on conditions nearly ten years ago, few would argue that the disparity between the best and least educated in terms of labor market experiences might be even more dramatic today. If rural areas are to effectively participate in a more complex and technology sophisticated global economy, an educated and skilled pool of workers will be an absolute required (Israel, et al., 2001).

Strategies for Strengthening the Viability of Rural America

No doubt, a plethora of strategies could be offered for advancing the long-term well being of rural America. I want to restrict myself to only a handful of possibilities, the ones that I genuinely believe are the most crucial to the long-term welfare of rural communities.

- *Enhance the Community's Human Capital Resources*

It is my belief that what must be top priority on our agenda for rural America is the continued enhancement of its human resource endowments. Obviously, great strides have been made over the past decade, but additional improvements are needed to position rural areas to successfully generate and capture quality jobs for their workers in the future. The key question is how might advances in the human capital resources of rural areas be realized. I would argue that we must start with the very youth living in rural America today.

Let me suggest that our traditional method for promoting the educational advancement of our students is simply not enough. During the past decade, national leaders have offered many policy strategies for achieving educational progress among our nation's youth. While these plans appear viable, they too often place the burden of promoting academic achievement in the hands of local school systems. In my view, academic success depends as much on what happens at home or in the communities in which young people are embedded as it does on what is taking place in the classroom.

Let me offer evidence to support my argument. One of my research colleagues and I have been examining the educational success of youth and have discovered some very interesting patterns (Israel and Beaulieu, 2002). We first examined the background characteristics of these individuals, including their cognitive abilities, their race and gender, as well as their family's socioeconomic attributes. Next we examined the nature and strength of interactions between parents and the child, as well as key family features such as number of siblings and the presence of both parents in the home. Finally, we explored the extent to which their schools and communities provided a climate in which positive nurturing of students was taking place. What we found was quite interesting.

The accompanying chart offers a snapshot of the influence that background, family, schools and communities play in explaining students' standardized composite test scores on math and reading. Without doubt, background and family features are the most important in explaining educational achievement regardless of one's place of residence. Although less sizable in their impacts, both schools and communities play an important role in advancing the educational success of youth, but their impacts do not come close to matching the influence provided by the family.

In light of these findings, I would suggest that efforts to promote the educational advancement of youth must not focus simply on expanding funding levels for schools or improving school performance on annual student assessment tests. Complementary investments are needed in the following arenas:

1. Help equip parents and guardians with the knowledge and tools they need to foster a home environment in which educational aspirations are developed, and nurturing activities that promote educational progress of their children are established;
2. Create an environment in which positive teacher/student and positive teacher/parent relationships are a central part of what happens in the school; and,

3. Build youth supportive communities – communities that demonstrate through their investments and actions that youth are important to their long-term well being. This means providing youth with access to community-funded programs that offer a vehicle for youth to experience positive adult and youth role models outside the school setting. It also means according youth the opportunity to have a voice in guiding the current and future direction of their communities.

I would suggest that another way that federal, state and local officials could demonstrate the value they place on youth is to create a “Community Youth Scholarship Program.” This program would provide local youth with the financial resources they need to attend community colleges, vocational schools, or four-year colleges/universities. The only stipulation is that youth would be required to return to their home community upon graduation for a certain number of years for the purpose of contributing their talents to their community. Just think how this would help rural communities who are trying to find creative ways to stem the loss of talented young people who depart after high school, rarely returning upon completion of their post-high school education. The idea is not too far-fetched. The city of Kingsport, Tennessee and its county recently set aside \$250,000 per year from their government general funds to send high school graduates to the local community college. Why are they doing so? It is because local leaders believe that it will help keep the brainpower available locally to support the area’s long-term economic advancement (CNN, 2002).

- *Create an Entrepreneurial Spirit in Rural Communities*

It has been my observation over the years that many rural communities continue to pursue an economic development strategy that is destined to be unsuccessful. Too many local economic development officers still operate with a mindset that they can successfully capture the next automobile plant or other large-scale manufacturing firm. As a result, they fail to consider approaches that build on the talents and resources of their communities. Marty Strange reminds us “sustainable development is not merely about jobs . . . It is about the commitment of entrepreneurs and other employers to a community, not about footloose investments attracted by incentives and other concessions” (Strange, 1996).

No doubt, the economic health of rural communities must depend on a multi-faceted set of strategies. It includes efforts by local leaders to more fully understand the needs of existing businesses and to find ways to help them to expand and to become economically viable. It also depends on investing time in uncovering and nurturing the talents that exist in the community already. Every rural community has people who can become the future entrepreneurs. All they need is assistance to move their ideas into action. And rural communities should fully examine the nature of their imports and try to figure out ways in which these products and services can be successfully produced locally. In essence, if rural communities are to survive economically, it is critical that they devote attention to creating and strengthening internally grown small business enterprises (Shuman, 1998). This is simply common sense when you consider that nearly 64 percent of all establishments in the nation with payrolls employ less than 10 people (U. S. Census, 1998).

A study released in July 2000 by the National Commission on Entrepreneurship outlines the four key ingredients for spurring entrepreneurial activities in communities: (1) access to quality workers; (2) a local community that embraces and nurtures entrepreneurs; (3) local governments that enact public policies that are supportive of entrepreneurial development; and (4) efforts by local economic development officials to make entrepreneurship as an explicit economic development strategy for their communities (National Commission on Entrepreneurship, 2000: 2-3). This represents a tall order for many rural communities, but such challenges should not deter rural communities from moving forward in addressing these four elements.

Certainly, the federal government can play a part in helping rural localities develop a variety of economic development strategies. However, it is essential that communities be given the flexibility to pursue economic development strategies that build on local entrepreneurial opportunities. The federal government's new *Renewal Community Initiative* is the type of effort that can work if done right. Forty renewal communities have just been selected. While only a few are located in rural areas, the program does offer a variety of tax incentives to spur local economic development activities. This program can be successful if it places front and center the type of internally focused economic development strategies that I have highlighted above. In the event that outside firms wish to locate to these communities, it is essential that these companies fit into the overall economic development to which the community at large has endorsed. What rural communities can ill afford are enterprises that have little loyalty to these rural areas once their tax incentives have vanished. To be sustainable, economic development must not be dictated by outside forces, but driven by local people who represent the interests of the entire community.

- *Build the Digital Capacity of Rural Communities*

To many, the advent of the Internet has opened up the windows of opportunity to people and communities across America. In essence, this technology has reduced the cost of social space, allowing individuals living in more remote areas of the U.S. to gain access to information available to those living in the more populated areas of the country. Certainly, while IT infrastructure remains a constant challenge for rural areas, many believe that major strides have been made in promoting digital inclusion among all of our nation's residents. A case in point is the 2000 report released by the U.S. Department of Commerce titled, "Falling Through the Net: Toward Digital Inclusion." (2000). It paints an upbeat picture of the significant advances that have been made in the adoption and use of the Internet by Americans.

At the same time, many studies note that ready access to both computers and to the Internet remains more a dream than a reality to countless individuals in the U.S., including the elderly, African Americans, Hispanics, the less-educated, those of low-income, and persons living in rural areas of our country (Education Week, 2001). Evidence of such disparities has been the basis for the rallying cry regarding the presence of a "digital divide" in this nation (U.S. General Accounting Office, 2001). Increasingly, digital inclusion is becoming a prerequisite for full participation in the economic, political, and social life of America (Baker, 2001; Becht et al., 1999). In fact, it is estimated that 60 percent of current jobs now require some skills in the use of technology (Benton Foundation, 1998). Without such capability, it will be difficult for

individuals to fully participate in the more complex, technology-oriented dimensions of our nation's economy (The Century Foundation, 2000).

If we wish to assist rural America to be fully engaged in the global marketplace, major efforts will have to be made to improve access and use of information technologies by rural Americans. A recent analysis that we completed on computer access and Internet use by nonmetro adults suggests that we have a long-way to go in some areas of the country (Beaulieu et al., 2002). As the accompanying charts reveals, most nonmetro area across the four region of the country are less inclined to have access to computers in their homes when compared to metro residents, and are less likely to use the Internet at work or home. Furthermore, the situation tends to be most problematic in the nonmetro South, followed by the nonmetro Midwest region of the U.S. This suggests that more targeted public-sector investments in advancing the digital infrastructure of nonmetro areas must be considered. Simply put, not all rural areas of the country are part of the digital divide and as such, focused investments on nonmetro areas that are facing the greatest barriers to adoption and use of information technologies must be undertaken.

- *Expand Civic Engagement in Rural Communities*

As they strive to improve the human, economic, and technological resources of their areas, rural communities must commit themselves to re-building a corps of civically minded citizens. Indeed, rural areas can prove to be very welcoming environments because of the strong ties that can be established among local residents. At the same time, rural areas can prove inflexible in their attempts to preserve existing power relationships or to keep things the way they always have been.

Building a civic-minded community takes time. It requires that people who have had little history of engagement in local affairs be given the opportunity to take part in local leadership opportunities. It means finding a mechanism that allows the ideas and issues weighing on the minds of all segments of the community to be heard and discussed (Morse, 1998). Moreover, it demands that local government, local people, and local organizations work as equal partners in addressing existing opportunities and challenges. It is this sharing of leadership responsibility that will help generate a network of trust among these entities (Bass, 1997).

We noted earlier that rural communities should do all that they can to build an entrepreneurial spirit in their localities. Pursuit of this type of economic development strategy appears to contribute to the civic health of communities as well. Recent research by Tolbert and his associates concludes that locally-oriented businesses in nonmetropolitan areas have a positive influence on the development of civic communities, communities that have a active involvement in local churches, that expand the presence of local associations, and that provide gathering places for people to interact on local matters of importance (Tolbert et al., forthcoming).

Building a civically engaged community does necessitate some important shifts in how things get done. It means that the entrenched leadership is no longer at the helm of decision-making. Instead, all segments are actively engaged in guiding the future of their community. New and expanded leadership is not thwarted, but is overtly embraced. And the establishment of locally-oriented small and entrepreneurial businesses is encouraged because of the key role contribution

they play to the civic health of the community. Communities that subscribe to these principles will find themselves alive and vibrant, positioned to address the challenges that await them. And in the process, they will have mobilized one of their most critical assets -- their citizens -- in taking responsibility for addressing the long-term well-being of their neighborhoods and communities.

Concluding Comments

Rural America now finds itself at a critical juncture. While still home to millions of people, it continues to struggle in its capacity to provide the quality of life that can keep its young people home, and that can attract new people with new ideas and superior human capital resources to it. This brief paper has attempted to outline some of the key components that will help place rural communities on the path to social and economic success. The vitality of rural communities will rest, in part, on four major pillars: a well-educated populace, an economic development plan that builds on local assets, a digital infrastructure that allows access to the global network of information and markets, and a local culture of civic engagement. It is important that there be a resolve on the part of local people to move forward on these efforts so that the long-term health of their rural communities is to be assured.

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