THE RURAL ECONOMY

Over the past few years, the United States economy fell into one of the most severe economic recessions in a half century. Unemployment rates are at generational highs, and substantial wealth and equity have been stripped from home values following the housing market crash. Rural communities are not immune from the economic conditions. But many rural Americans struggled with economic distress and persistent poverty long before the nation’s current economic situation.

RURAL INDUSTRY

Many assume that “rural” means agricultural. In 2010, however, agriculture accounted for less than 5 percent of all rural and small town jobs. Agriculture is still extremely important to the rural economy, but it and other traditionally rural-dominated industries such as timber and mining continue to wane as rural economies diversify. Several industries are more heavily represented in rural and small town areas than in other parts of the U.S. including construction, manufacturing, and public administration. As is the case nationally, the largest sector of rural employment is in the fields of education, health, and social services. These industries collectively comprise approximately 22 percent of the rural workforce, indicating that rural regions have largely shifted toward a more service-based economy.

Employment in manufacturing industries comprises 14 percent of all rural jobs, approximately three percentage points higher than the national level. Over the past few decades, some rural communities attracted manufacturing jobs. Companies seeking non-union and lower-wage workers, as well as favorable business climates, placed factories in many rural communities and small towns in the 1990s. Yet the same forces that precipitated their relocation to rural areas ultimately led many companies to locate production outside the United States.

THE SMALL FAMILY FARM

Since the 1930s, the role of agriculture in the American workforce has been decreasing. Structural and technological changes to the farming industry have resulted in a need for fewer workers to produce more food. A general shift within agriculture toward large corporate farms and away from family owned farms has made smaller-scale farming unprofitable in many agricultural sectors.

Nevertheless, agriculture remains a multibillion dollar industry in the United States and plays a significant economic role in many regions. According to a 2010 USDA report, the number of farms in the United States peaked at 6.8 million in 1935. Although this number declined rather significantly through the 1970s, the decline began to slow by the 1980s, and farm numbers essentially remained constant through the 2000s.

Contrary to popular perception, small-scale farms still comprise a majority of U.S. farms, whereas large-scale farms (enterprises with more than 1,000 acres) make up only 9 percent of all farms. These large-scale operations, however, account for two-thirds of the total U.S. value of agricultural production. Conversely, operations with less than 1,000 acres comprise 88 percent of all farms, but just 16 percent of production. Growth in small farms and the consolidation of larger farms have coincided with a sharp decline in the number of mid-sized farms.

There has been some pushback against the horizontal and vertical integration of farm industries, as evidenced by local food movements that have succeeded in reconnecting some consumers to nearby farms and farmers. While these trends are encouraging for small farmers, the movement has not been significant enough to offset the consolidation of market share by large producers. Family and small commercial farms that have survived to present day are subject to increased competition from national and global markets, and are often reliant on off-farm income.
While much of rural America’s economy is changing to remain economically sustainable, some rural communities are struggling to survive in a modern global marketplace. Rural areas, especially those with a predominately agricultural base, often lack economic diversification. These “farming dependent” counties are heavily concentrated in the Great Plains region, offer relatively few non-farm jobs, and are not as economically diversified as the rest of rural America. As farming employment continues to decline, other industries are not moving into these areas to replace the agricultural jobs that have been lost. The lack of employment opportunities contributes to the out-migration of young and educated people who must look for work elsewhere. The populations that remain tend to be elderly, less affluent, and less educated. These populations generally require greater services, the costs of which can no longer be offset by more stable populations.

The Great Recession and its aftermath are reshaping employment patterns throughout the entire United States. In the wake of the economic turmoil, job opportunities are increasingly limited, with unemployment rates and government assistance usage soaring well above the levels of the more prosperous early 2000s. The overall employment picture for rural areas is similar to that of the nation as a whole, but varies across rural areas and job sectors. Many rural communities are suffering from limited job opportunities and high unemployment. Conversely, some areas, such as the Midwest and the Dakotas, have relatively low unemployment.

Typically, rural areas have higher unemployment rates than those found in the nation as a whole. Analysis of
2010 Bureau of Labor Statistics (BLS) data indicates that small town and rural regions, as well as urban places, have higher proportions of unemployed workers than suburban and exurban jurisdictions. As a result of the Great Recession, unemployment increased rapidly in the latter part of the decade, from below 5 percent in 2000 to nearly 10 percent in 2010 nationally. Counties with an entirely small town or rural population experienced a dramatic surge in unemployment rates similar to the nation as a whole.

The degree to which unemployment rates have increased in rural areas varies greatly. The five states with the lowest annual 2010 unemployment rates have large rural and small town populations. The states with relatively low unemployment rates frequently have considerable employment in industries like mineral extraction and agriculture production, which have fared well during the Great Recession.

**INCOME**

Household incomes in rural areas and small towns continue to lag behind those in suburban and urban areas. The high proportion of low-skill and low-paying jobs in rural areas, combined with lower educational attainment levels, are substantial factors in the rural income divergence. The median

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[The measure of counties with entirely rural and small town population is used as a proxy for rural areas. The Bureau of Labor Statistics calculates unemployment at the county, not census tract, level and therefore the standard definition of rural and small town areas cannot be applied.]

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**RURAL UNEMPLOYMENT RATES NEARLY DOUBLED OVER THE PAST DECADE**

Unemployment by Location, 2000-2010

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**CONNECTING RURAL AMERICA THROUGH BROADBAND TECHNOLOGY**

As the internet becomes increasingly indispensable, access to broadband technology is often considered essential for economic viability in the 21st century. Rural communities’ distance from urban economic hubs makes broadband access particularly important for competition in the modern global marketplace. Broadband access in rural areas improves employment, small business development, healthcare, educational opportunities, public safety, and delivery of services for people with disabilities. Approximately 26 million Americans, however, located mostly in rural communities, do not have access to broadband internet connections. Even in communities where access to broadband is available, it is estimated that one-third of households choose not to subscribe. Expense of access and lack of relevance are the two most common reasons for not subscribing. Some experts debate whether resources for broadband deployment should be used for access or to subsidize the cost of service. Those who advocate for subsidies and education programs believe that broadband services must be seen as affordable and practical if they are ever going to be widely utilized. Others believe that it is more important to spend limited resources on connecting as many communities as possible. All sides agree that dependable broadband availability is critical to rural economies.

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[The Bureau of Labor Statistics calculates unemployment at the county, not census tract, level and therefore the standard definition of rural and small town areas cannot be applied.]
Household income in rural and small town areas is $41,962, while the national median household income is $51,914. Nationwide, 24 percent of households have annual incomes below $25,000, but in rural and small town areas, this figure is 30 percent. On the opposite end of the scale, only 12 percent of rural and small town households make $100,000 or more, while 21 percent of households are at this level overall.

The economic tumult of the past decade has reduced incomes and increased income inequality nationally and in rural areas. According to the Census Bureau’s Small Area Income and Poverty Estimates (SAIPE), rural incomes actually declined by 1.8 percent from 2003 to 2010. Likewise, measures of income inequality increased as the gap between the highest and lowest income levels grew over the past decade.30

Public benefits play a larger role in the income structure of rural and small town communities than in non-rural areas. Across the U.S., over 80 percent of

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**FRACKING: BOOM AND CONSEQUENCE FOR RURAL COMMUNITIES**

Energy extraction has always been an important, yet often controversial, component of rural economies. The practice of hydraulic fracturing, or “fracking” as it is more commonly known, has increased rapidly in many rural communities across the nation. Fracking refers to a method of extracting natural gas or oil from hard rock formations – commonly shale. Highly pressurized liquids are injected into the rock to create fissures from which natural gas or oil seep out and are extracted.31 While the technology itself is not entirely new, the use of fracking has expanded greatly over the last decade, occurring for the most part in rural areas. The Marcellus Shale region of Pennsylvania and the Bakken Shale field of North Dakota have been particularly impacted.

Environmental concerns are frequently raised about fracking-related activities, but this form of mineral extraction also impacts communities in several other ways. The fracking process typically involves the rapid influx of large numbers of workers into communities which are often small, rural, and have limited resources. The new workers and work-related activities easily overwhelm community infrastructure. Housing is of particular concern, since fracking creates a high demand for housing in areas where rental units are limited. This increased demand drives up rents for the rental housing units that exist.32 Local residents, who often have limited means, simply cannot afford the inflated rents. Some communities report an increase in homelessness as a direct result of this mining activity.33

Despite its negative environmental and housing impacts, fracking has provided a degree of economic benefits to several communities and regions, many of which were previously lacking economic vibrancy. The challenge is to access resources without damaging either the environment or local residents’ quality of life.
households have wage or salary income, while only three-quarters of rural and small town households have such earnings. Given the older population in rural areas, over one-third of households there receive Social Security earnings, compared to 27.5 percent of households nationwide. Rural households are also more likely to have income in the form of Supplemental Security Income (SSI), retirement earnings, and income from the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) than for the nation. The proportion of families receiving both – SSI and SNAP/Food Stamps, which are clear measures of need, is highest for rural and small town households.

Poverty is a complex issue and is much more than an abstract condition for the over 40 million Americans who face daily struggles with food security, access to health care, and search for basic shelter. Poverty rates are on the rise and more Americans are living in poverty than at any other time since the Census Bureau began measuring its occurrence in the early 1960s. According to 2006-2010 American Community Survey (ACS) figures, 40.9 million people have incomes below the poverty line, constituting a national poverty rate of 13.8 percent.iii

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iii Poverty statistics calculated in the American Community Survey (ACS) adhere to the standards specified by the Office of Management and Budget. The Census Bureau uses a set of dollar value thresholds that vary by family size and composition to determine who is in poverty. Poverty status was determined for all people except institutionalized people, people in military group quarters, people in college dormitories, and unrelated individuals under 15 years old.
The increased poverty in the United States is in part a factor of the recent economic recession. But high poverty rates also reflect a systemic situation in which too many Americans have been left behind or shut out of the nation’s economic promise and prosperity. The incidence of poverty is greatest in America’s rural areas and central cities. Approximately 10 million persons, or 16.3 percent of the rural and small town population, live in poverty. Nearly one-quarter of people in poverty live in rural areas. Poverty rates are lower in suburban and exurban communities, at 10.5 percent, and highest in large cities, where 17.3 percent of the population have below-poverty level incomes.

Rural poverty rates generally follow the national trend, fluctuating through periods of economic growth and recessions including the Great Recession in the late 2000s. While some gains have been made in reducing poverty over the past several decades, poverty rates are still stubbornly high for certain populations in rural America, such as minorities and children.

Regionally, rural and small town poverty rates are highest in the South where 19.3 percent of residents live in poverty. In fact, more than half of all rural and small town persons in poverty reside in the South. Mississippi, Louisiana, Kentucky, South Carolina, Georgia, Arkansas, and Alabama all have rural and small town poverty rates of 20 percent or more. Texas has the greatest number of rural residents in poverty: nearly 730,000. North Carolina also has more than one-half million rural residents who live in poverty.

Rural minorities continue to experience some of the highest poverty rates in the nation. The 28 percent poverty rate of rural minorities is more than twice that of rural white non-Hispanics. Rural African Americans have among the highest poverty rates, at nearly 34 percent. The poverty rate for rural Native Americans is also above 30 percent, and more than half of all Native Americans in poverty live in rural and small town areas. Large numbers of poor, rural Native Americans are concentrated on or near reservations, where the overall poverty rates can exceed 50 percent in these counties. The poverty rate among rural Hispanics, at 27.3 percent, is more than twice the national rate, and five percentage points higher than for Hispanics nationally. In fact, rural minorities consistently have higher poverty rates compared to minorities nationally. Additionally, economic conditions for many rural minorities have not improved over the past decade, as poverty rates for most groups either remained the same or increased between 2000 and 2010.

While minorities experience exceptionally high rates of poverty proportionate to their population size, the vast majority of rural residents in poverty are white non-Hispanics. More than 6 million individuals, or 63 percent of rural persons below the poverty line, are white and not Hispanic.

Poverty often has the most detrimental impact on the most vulnerable people. Children, who cannot fully attend to their own needs, suffer the most from low incomes and poverty. Research suggests that children living multiple years with unhealthy food, substandard housing, and unsafe living environments are negatively impacted in the long term and have reduced economic prospects. While the poverty rate for all ages hovers at 14 percent, the American Community Survey estimates
Persistently poor: long-term poverty in rural America

An increasing number of rural communities are experiencing persistently high poverty rates. These areas are often isolated geographically, lack resources and economic opportunities, and suffer from decades of disinvestment. Often forgotten or hidden from mainstream America, these areas and populations have had double-digit poverty rates for decades.

Persistently poor counties are those with poverty rates of 20 percent or more in 1990, 2000, and 2010. There were 429 of these persistently poor counties in 2010. Fully 86 percent of them had entirely rural populations.

Overall, more than 21 million people live in persistent-poverty counties. Nearly 60 percent of them are racial and ethnic minorities, and the median household income is $31,581, more than 40 percent below the national median. More than 5 million people live below the poverty line in these counties, with an overall poverty rate of 25 percent – nearly twice the national rate. The poverty rate for minorities in these communities is even higher, at 32 percent.

One highly visible outcome of this economic distress can be seen in these areas’ poor housing conditions. The incidence of housing units lacking adequate plumbing is more than twice the national rate, and nearly 400,000 households in these regions live in crowded conditions. Additionally, while housing costs are relatively low in many of these communities, more than half of renters in persistent-poverty counties encounter affordability problems and pay more than the federal standard of 30 percent of income for their housing.

The persistence of poverty is most evident within several predominately rural regions and populations such as Central Appalachia, the Lower Mississippi Delta, the southern Black Belt, the colonias region along the U.S.-Mexico border, Native American lands, and migrant and seasonal farmworkers. One of the more distressing trends is that the number of persistent-poverty counties is actually increasing. Using the same benchmark, the number of persistent-poverty counties increased by 8 percent from the 2000 level.

Persistently poor: long-term poverty in rural America

-counties with poverty rates of 20% or more in 1990, 2000, and 2010

Figure 17

PERSISTENT POVERTY, 1990 - 2010

Counties with Poverty Rates of 20% or more in 1990, 2000, and 2010

-source:
HAC Tabulations of U.S. Census Bureau Decennial and Small Area Income and Poverty Estimates
that nearly 19 percent of children under the age of 18 live in poverty. In rural and small town communities the child poverty rate increases to 22 percent and is even higher for rural children under age 5, at 26 percent.

Poverty rates also vary by gender and household composition. Approximately 15 percent of rural men are in poverty, while the poverty rate for rural women is 18 percent. Single-parent families with children often struggle the most to meet basic needs. Poverty rates are extremely high for all single-parent households. The U.S. poverty rate for these families is 32.8 percent, compared to 6.7 percent for all other families with children. Approximately 4.1 million single-parent families, 1.2 million of whom live in rural areas, live below the poverty line. Female-headed households make up the largest proportion of single-parent families, and they often suffer the highest levels of poverty. Rural, female single-parent families in particular experience poverty at exceptionally high levels. The ACS estimates that 45 percent of these families are in poverty.

One of the biggest successes in reducing poverty has been among older Americans. Until recent decades, elderly persons in the United States experienced poverty rates at much higher levels than the overall population. The enactment of safety net programs such as Social Security, Supplemental Security Income (SSI), and Medicare have likely contributed to the reduction in the poverty rate of seniors over the past half century. In the mid-1960s, nearly 30 percent of seniors in the United States were in poverty. In 2011, less than 9 percent were. While these reductions in older age poverty are significant, rural seniors experience higher poverty rates than seniors nationwide, and older women experience higher poverty rates than their male counterparts. Overall, 14 percent of rural elderly women have poverty-level incomes, compared to an 8 percent poverty rate among rural men over the age of 65.