

■ THE ECONOMICS OF RURAL AMERICA

Rural America's economy has generally not fared as well as the national economy. Despite increased industry diversification and increases in income levels overall during the 1990s, poverty remains a problem in many nonmetro communities in the U.S., especially among minorities, female-headed households, and children. These groups are not only much poorer than other nonmetro residents, they are also generally poorer than their metropolitan counterparts. Even the relatively high overall nonmetro poverty rate of 14.6 percent (compared to a metro rate of 11.8 percent) masks persistently high poverty rates of 20 percent or more in 363 nonmetro counties and shockingly high poverty rates such as 33 percent for rural African Americans and nonmetro female-headed households.

Industry

Over the past few decades the rural American economy has diversified. Industries such as agriculture, forestry, and mining that dominated much of the rural economic system for the better part of the past century have continued to decline in prominence. While half of all farm production jobs are in nonmetro areas, these jobs comprise only 7 percent of the nonmetro workforce.¹⁹ This trend will likely continue as American agriculture is being rapidly transformed from small

family farms to large scale and streamlined corporate agri-business. For example, 60 years ago the typical Midwestern farm ranged in size from 80 to 300 acres. In the 1990s the average farm grew to twice this size, and farms are now much more likely to concentrate on only one product.²⁰ In 1998 the five largest pork companies raised nearly one-third of all hogs produced that year. Likewise, between 1993 and 1998 the number of farmers and ranchers raising fewer than 100 cattle dropped by 89,000, while the number with more than 500 head grew by more than 1,500.²¹

Manufacturing now accounts for 18 percent of all jobs in nonmetro areas compared to 14 percent nationwide (Figure 1.8). Unlike urban areas, many communities in rural America, particularly those in the rural South, attracted manufacturing jobs during the 1980s and 90s. This nonmetro manufacturing job growth is in part a factor of many companies seeking low-wage, nonunionized workers and favorable business climates.²² However, the nature of manufacturing industries makes them more susceptible to market whims and less stable than other industries.²³ The same factors that precipitated their relocation to the rural South are now leading companies to locate production outside the United States. Economic globalization has already exposed many rural communities to significant job loss.

FIGURE 1.8

Rural Employment by Industry and Residence, 2000

Persons Employed Age 16 and Over

	Metro		Nonmetro	
	Employees	Percent	Employees	Percent
Agriculture, forestry, fishing and hunting, and mining	1,079,270	1.0	1,346,783	5.6
Construction	6,938,528	6.5	1,862,979	7.7
Manufacturing	13,900,060	13.2	4,385,945	18.1
Wholesale Trade	3,968,844	3.8	697,913	2.9
Retail Trade	12,333,678	11.7	2,888,038	11.9
Transportation and warehousing, and utilities	5,503,626	5.2	1,236,476	5.1
Information	3,576,184	3.4	420,380	1.7
Finance, insurance, real estate, and rental and leasing	7,916,972	7.5	1,018,000	4.2
Professional, scientific, management, administrative, and waste management services	10,857,863	10.3	1,204,002	5.0
Educational, health and social services	20,889,211	19.8	4,953,818	20.5
Arts, entertainment, recreation, accommodation and food services	8,400,465	8.0	1,809,830	7.5
Other services (except public administration)	5,174,102	4.9	1,146,530	4.7
Public administration	4,988,011	5.0	1,224,004	5.1

Source: HAC Tabulations of 2000 Census of Population and Housing, Demographic Profile 3.

Service and retail industries experienced dramatic growth in rural areas between 1990 and 2000. Consumer service industries comprise 33 percent of nonmetro jobs — up 7 percentage points from 1990. However, these jobs tend to be somewhat lower paying than manufacturing jobs. Public sector and government jobs also have a significant impact on the rural economy. They account for 20 percent of nonmetro earnings compared to 15 percent for metro areas.²⁴ The USDA’s Economic Research Service (ERS) classifies approximately 244 or 10 percent of nonmetro counties as “government dependent,” indicating they have strong economic connections to federal, state, and local government activities.* These counties are scattered throughout the nation and generally have lower levels of economic well-being than do rural areas as a whole.²⁵

Jobs and Employment

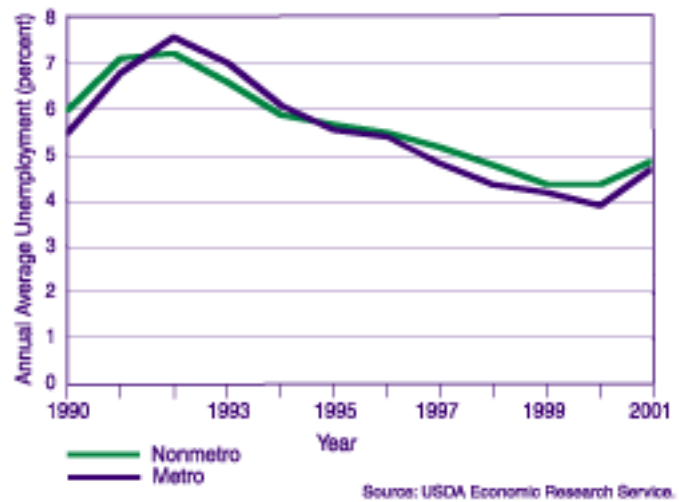
The last decade of the 20th century witnessed one of the most dramatic economic expansions in our nation’s history. In general, rural America’s economy benefitted from this expansion as most rural workers experienced increased earnings and decreased unemployment.²⁶ Rural America’s workforce has become much more integrated into the national economy. Despite these achievements, nonmetro workers still earn approximately 28 percent less on average than metro workers and are less likely to have college

degrees or to receive advanced formal training. Furthermore, many rural workers still encounter labor markets that offer few job opportunities beyond those paying low wages.²⁷

In concert with the overall economy, unemployment in nonmetro areas declined throughout much of the 1990s (Figure 1.9). After peaking at a high of 8.4 percent at the height of the 1991 to 92 recession, nonmetro

FIGURE 1.9

Unemployment by Residence, 1990-2001



Rural Prison Development in the 1990s

Throughout the 1990s many rural areas actively sought the placement and construction of prisons in their communities. This continues a trend over the past couple of decades during which nonmetro counties acquired prisons at a rate greater than metro areas. According to research by USDA’s Economic Research Service, between 1992 and 1994 new nonmetro prisons accounted for 60 percent of new prisons nationwide and housed nearly 65,000 inmates.²⁸

Currently, over 760,000 persons are housed in correctional facilities in nonmetro areas. While nonmetro areas make up only 20 percent of the nation’s population, nearly 40 percent of the nation’s prisoners are housed in rural areas. Many of the prisoners incarcerated in rural correctional facilities are from urban areas. Between 1990 and 2000 the number of persons in rural correctional facilities grew by an astounding 120 percent compared to 55 percent for metro areas. Part of this overall prison growth is attributable to the national increase in the number of people who are in prime crime-committing ages, and new sentencing laws that mandate more frequent and longer incarcerations for crimes.



In conjunction with the rapidly increasing prison population, economic development is another factor fueling rural prison construction. Prisons mean jobs, and much of rural America is in desperate need of jobs. New prison development in rural areas between 1992 and 1994 created 23,000 jobs with an average of 275 workers per institution.²⁹

While there has been some isolated opposition to rural prison development, this industry will likely continue to influence the economics and demographics of rural America.

For more information on rural prisons see “Rural Prisons: An Update,” on the Economic Research Service website at: ers.usda.gov/publications/rdp/rdp296.

* ERS’s classifications are based on 1990 Census data.

unemployment rates fell to 3.7 percent in the fourth quarter of 1999 — the lowest level in a generation. Rural unemployment has begun to tick upwards in the past few years, however, to 5.5 percent for the second quarter of 2002.³⁰ While rural employment still remains generally strong, factors such as the lower education and skill level of rural workers coupled with overall transformations in the economy could have severe ramifications in a prolonged economic downturn.

Income

Traditionally, incomes have been lower in rural areas than in the rest of the country. Median household income is \$33,687 in nonmetro places but \$44,755 in metro areas. This gap is due primarily to the high proportion of low-skill and low-paying jobs in rural areas, combined with lower educational attainment levels in nonmetro areas. Rural workers are also more likely to be underemployed and less likely to improve their job circumstances over time.³¹ Nonmetro workers are nearly twice as likely as metropolitan workers to earn minimum wages.³²

Over three-quarters of nonmetro households earn income from wages or salary, a rate somewhat lower than that in metro areas. With a proportionally larger elderly population in nonmetro areas, rural residents are more likely to rely on social security income and retirement income. Nearly one-third of nonmetro households report

social security income and 18 percent have retirement or pension income — both higher rates than the national levels. In addition, households with Supplemental Security Income (SSI) and other public assistance income sources are slightly more prevalent in nonmetro areas than in metro America.

Poverty

Since 1970 poverty rates in the U.S. have “roller-coastered” up and down with increases during periods of recession and decreases in economic booms like those of the late 1990s. While rural poverty rates generally follow the same direction as those in metro areas, the problem of poverty is greatest in America’s rural areas and central cities. According to the Census, approximately 7.8 million persons, or 14.6 percent of the nonmetropolitan population, were poor in 2000. The poverty rates in the U.S. and metropolitan areas are lower at 12.4 and 11.8 percent, respectively.

Of all counties with poverty rates above the national level, nearly 84 percent are nonmetro, and all but 11 of the 200 poorest counties in the United States are nonmetropolitan (Figure 1.10). Over 80 nonmetro counties have poverty rates above 30 percent, and 12 of these have poverty rates above 40 percent. These counties with extreme poverty rates are disproportionately concentrated in the nation’s high need rural

The Changing Face of Welfare in Rural America

Since Congress passed the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, more commonly called welfare reform, much has changed. At a national level, the impact has been significant, with more than 50 percent of former welfare recipients moving off welfare.³³ At the family level, the changes have been equally significant, yet challenging for many households as well.

Although welfare reform made few changes to housing programs, it directly affects many welfare recipients’ housing conditions. Recent research involving rural welfare recipients in Florida indicates that many welfare households reported falling behind in rent or other housing payments.³⁴ Families dependent upon welfare typically rely on a variety of other resources to pay for expenses not covered by cash assistance. In rural communities, these additional resources are typically less likely to be government agencies and more likely to be family and neighbors. For example, welfare recipients with housing problems seek assistance from landlords, borrow money from friends and relatives, or move into cheaper housing.³⁵ Similar investigations of welfare reform in Louisiana indicate that rural welfare recipients find it more

difficult to pay rent and are evicted more often than urban welfare recipients in that state.³⁶

In enacting welfare reform, the federal government provided significant flexibility to states in developing programs that would meet the diversity of local economies. This arrangement may have been manageable in a time of a strong economy and budget surpluses, but the current economic downturn, which has reduced state revenues, is further challenging welfare reform support systems in many states.

Despite the dramatic changes in the U.S. welfare system, the fact remains that rural areas still rely more heavily on public assistance than do metro areas. This issue is exacerbated by weaker job markets in many rural areas. Issues such as these continually challenge policy makers on the difficulties associated with the welfare system, its reform, and its impacts on millions of rural Americans. It is clear that urban and rural differences need to be taken into account as welfare reform continues to be implemented.

For more information on welfare reform and housing search the National Housing Law Project’s welfare-related publications on its website at www.nhlp.org. or visit the Center on Budget and Policy Priorities website at www.cbpp.org.

areas, particularly those with large Native American populations.

While significant gains have been accomplished in reducing poverty among rural Americans, poverty rates are still shockingly high in certain subsections of the rural population — namely women and minorities. The poverty rate for nonmetro minorities is twice the rate of white non-Hispanic rural residents. Nonmetro African Americans experience poverty at three times the rate of rural whites at 33 percent. Likewise, nonmetro Native Americans have a poverty rate of 30 percent and rural Hispanics have a poverty rate of 27 percent.

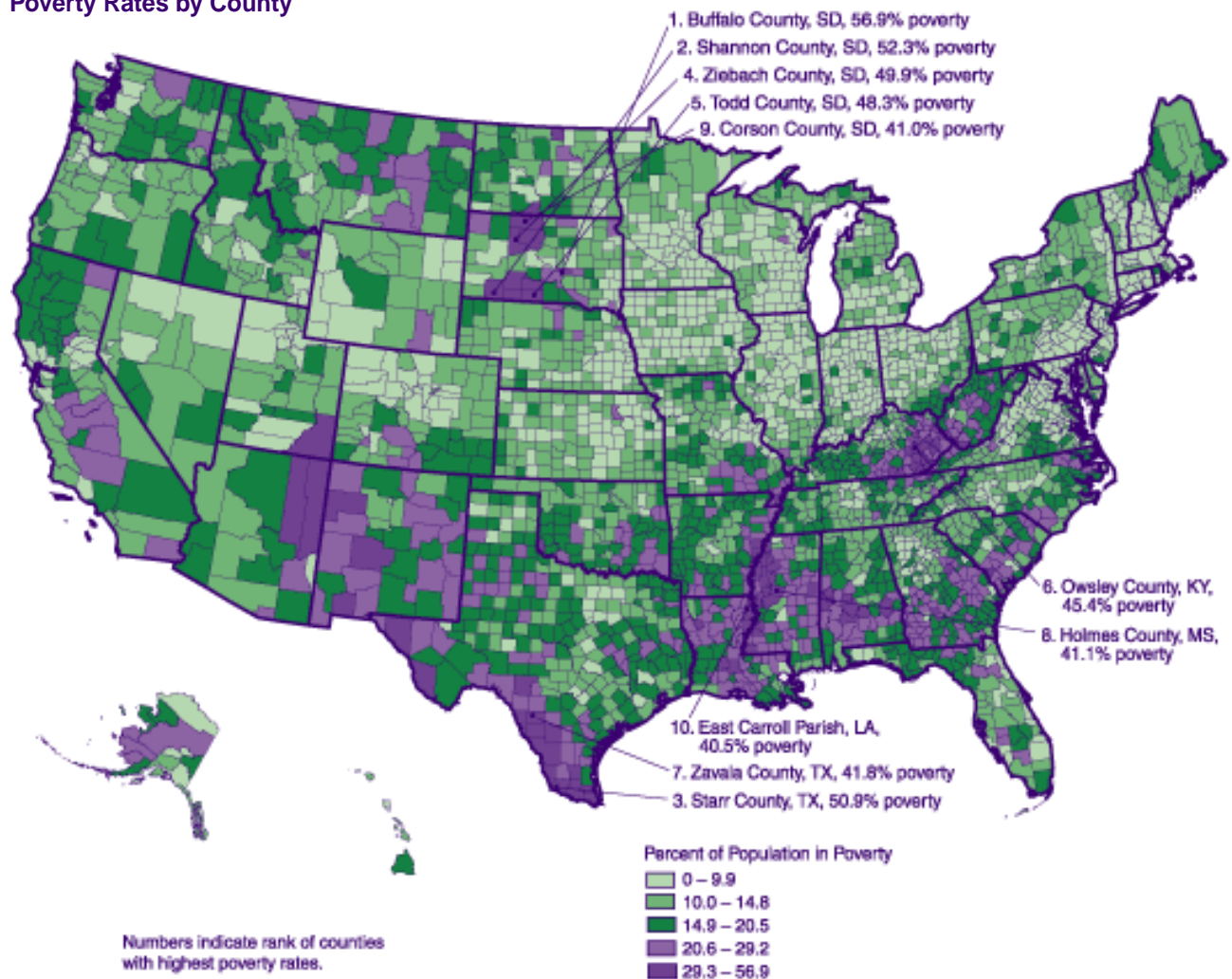
Rural poverty rates by race and ethnicity also show stark differences between metro and nonmetro areas (Figure 1.11). The poverty rates for African Americans and Native Americans in nonmetro areas are nearly

10 percentage points greater than those of their metro counterparts. Similarly, the nonmetro poverty rate for Hispanics is 5 percentage points higher than that of metro Hispanics.

Another rural group suffering significant poverty is persons living in female-headed households. Approximately one-third of nonmetro female-headed households live in poverty and a vast majority of these households have children present. In addition to severe poverty and pervasive housing problems, women in rural areas have to contend with relatively low wages compared to men. These problems are often compounded by a shortage of adequate child care to support the limited employment opportunities available for single mothers.³⁷ The severity of virtually all of these problems is more pronounced in rural than urban areas.

FIGURE 1.10

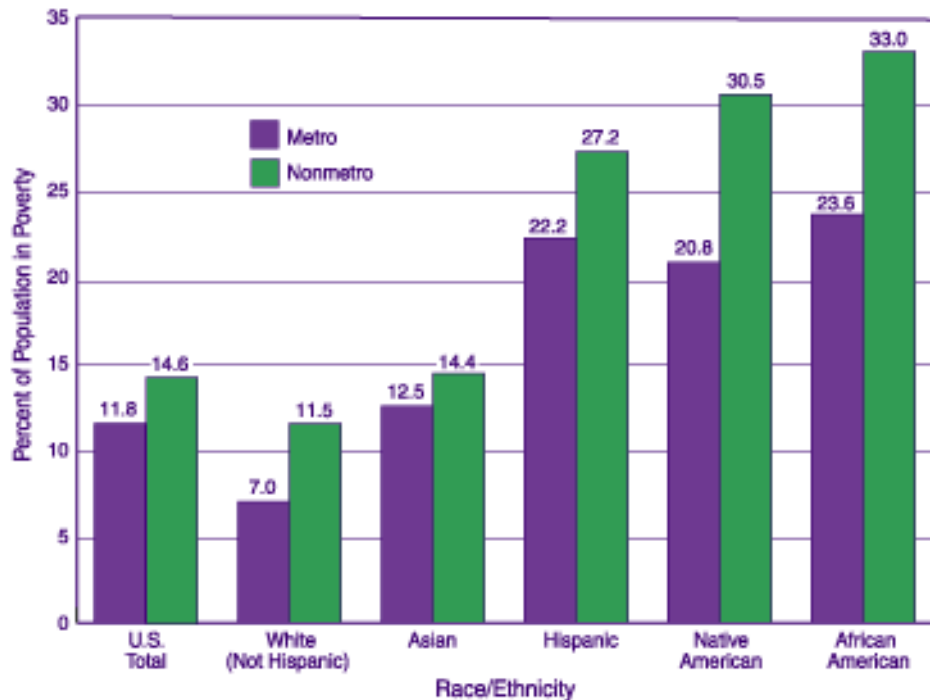
Poverty Rates by County



Source: HAC Tabulations of 2000 Census of Population and Housing, Demographic Profile 3.

FIGURE 1.11

Poverty Rates by Race/Ethnicity and Residence



Source: HACS Tabulations of 2000 Census of Population and Housing, Summary File 3.

Approximately 19 percent of America’s rural children are poor, resulting in a higher poverty rate than those of rural adults and rural elderly people. There are 2.5 million poor children living in nonmetro areas. Mirroring the overall situation of minorities and female-headed households, minority children and those living in single-parent families have much higher poverty rates. Research indicates that rural children who are poor are more likely than children in metro areas to continue to live in poverty.³⁸ Psychologists assert that while any degree of poverty can affect children, it is this persistent poverty that negatively impacts cognitive development and the behavior of children. Further studies indicate that the duration of poverty is a strong predictor of school attainment and early patterns of employment.³⁹

Traditionally rural elderly persons have had much higher poverty rates than the overall population. However, in recent decades the rate of older persons in poverty has dropped. In 1969, 37 percent of nonmetro elderly persons were in poverty.⁴⁰ Three decades later

in 1999, the poverty rate for nonmetro persons age 65 or over is 12.3 percent, which is more than two percentage points lower than that of the overall nonmetro population.

However, nonmetro seniors experienced poverty at a rate more than three percentage points higher than their metro counterparts. Furthermore, nonmetro elderly women and minorities experience extremely high poverty rates. Overall, 27 percent of nonmetro elderly women who live alone are in poverty and more than half of nonmetro African American elderly women who live alone have incomes below poverty level.⁴¹

Nationally, rural poverty rates vary by region. With the exception of the Northeast, each regional rate of nonmetro poverty is greater than the region’s metropolitan rate. The West and the South have the highest rates of nonmetro poverty, near 16 percent. Nonmetro poverty in the Midwest and Northeast is significantly lower at approximately 10 percent.⁴²

Persistently Poor

Undoubtedly, the United States is the most economically prosperous nation in the world. This prosperity does not reach all Americans, however. Many of the nation's poor residents are concentrated in rural areas that experience traditionally or persistently high rates of poverty and are often invisible to the rest of the nation (Figure 1.12).

Persistently poor counties are those with poverty rates of 20 percent or higher in 1960, 1970, 1980, 1990, and 2000.* One-third of the nonmetro counties that were considered persistently poor as of 1990 no longer have poverty rates of 20 percent or more, but 363 nonmetro counties continue to experience persistent poverty. These counties account for 13 percent of nonmetro people and 23 percent

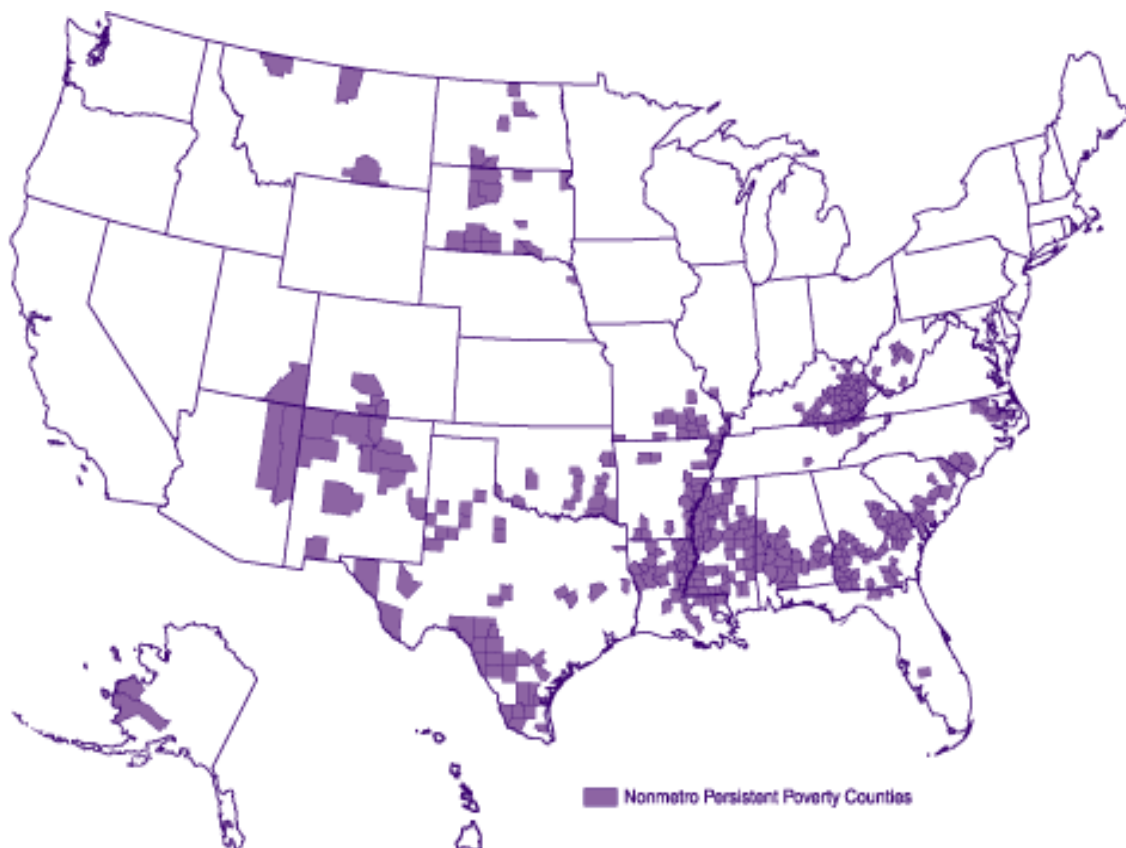
of nonmetro poor people. Persistent poverty counties are disproportionately located among the nation's high need rural areas such as Central Appalachia, the Lower Mississippi Delta, the southern Black Belt, border colonias areas, and Native American lands. The vast majority of persistent poverty counties are located in the South and also have high rates of minority populations and depressed economies.

For more information on persistent poverty visit ERS's website at www.ers.usda.gov, the Rural Policy Research Institute at www.rupri.org or see America's Forgotten Children: Child Poverty in Rural America at www.savethechildren.org/americasforgotten.shtml.

FIGURE 1.12

Persistent Poverty in Nonmetro Counties

Nonmetro counties with 20 percent or more poverty in 1960, 1970, 1980, 1990, and 2000



Source: USDA ERS and HAC Tabulations of the 2000 Census of Population and Housing, Demographic Profile 3.

* In this report persistent poverty counties are identified according to a classification system devised and commonly used by the Economic Research Service of the U.S. Department of Agriculture. However, HAC's definition of persistent poverty counties for this report includes a 40-year time span (1960-2000), as opposed to the current ERS calculations, which are for 30 years (1960-1990). HAC's calculations utilize longitudinal data from ERS in conjunction with 2000 Census data.