Webinar: Rural America at a Glance, 2016 Edition Transcription

Good afternoon everyone and welcome to our webinar,
Rural America at a Glance, 2016 Edition.
My name is Nancy McNiff and I will be your host.
This webinar is being recorded and will be
posted at a later date on the ERS website. At any
time during this webinar you may enter a question
into the chat feature at the bottom left corner of
your screen and we will have our speaker answer at
the end of the presentation. Our speaker today
is Lorin Kusmin. Lorin is an economist in
the Rural Economy Branch in ERS's Resource and Rural
Economics Division. Since joining ERS in
1990 his research has focused on rural labor
markets. Lorin's areas of research include relative
earnings in urban and rural labor markets, factors
associated with earnings growth in rural areas,
changing skill levels and the returns to skills in
rural labor markets and employment and unemployment trends in
rural areas. I think we're now
ready to start. So Lorin and you can begin your presentation.

Hello and welcome to this webinar on the 2016
edition of Rural America at a Glance which ERS
released from Monday November 14th.
Topics that are covered in this year's edition of
Rural America at a Glance include recent trends in
population, labor markets and poverty,
the role of major industry sectors in the rural

economy and differences in outcomes across county economic types. Beginning with a broad overview among the major findings in this year's edition are that unemployment rates continue to decline in rural areas in 2015 as employment continued to grow. We also find that after declining for several years, rural population stabilized in 2015. Meanwhile median annual earnings rose in rural areas last year as the poverty rate fell markedly. A new set, a new section of the role of industry competition in the rural economy reports on some marked differences between the mix of industries in rural and urban areas and our analysis of trends by county economic type indicates that recent trends in poverty and in median household income have been similar across most of the county types.

First I will talk about findings regarding population and employment some of which are illustrated in our first graphic.
The total population in rural counties was 46.2 million in July 2015. That represents 14 percent of U.S. residents. Note that we use non-metropolitan status as our indicator for whether a county is considered rural. This also means the data we report for urban areas does include some data on the less densely settled parts of metropolitan counties. The rural population shown

by the dark blue line on the graph declined by 0.3 percent between 2010 and 2014.
But with nearly unchanged between 2014 and 2015.
Meanwhile urban areas continue to grow relative to rural areas having had consistent population growth of close to 1 percent per year in recent years. This trend is shown by the uppermost line on the graph. The light blue line at the bottom of the graph shows a change in rural employment since the year 2000.
Rural employment rose 1.3 percent between 2013 and 2015 and seasonally adjusted rural employment grew further 0.5 percent between the end of 2015 and the second quarter of 2016. However despite this recent growth, rural employment remains below its pre-recession level. In contrast, urban employment has risen more than twice as rapidly in recent years and was 4 percent above its 2007 level by 2015.

Concerns about economic well-being and inequality have focused more attention on labor market earnings in recent years. Median earnings are substantially lower in rural areas than they are in urban areas as you can see from this next graphic. However other data suggests that this difference is offset at least to some extent by rural urban differences in living cost especially for housing. Both rural and urban median annual

earnings fell markedly during the Great Recession as a graph also shows, however the decline in rural earnings was much smaller and relatively short lived. In 2015, we began to see significant improvements in median earnings in both rural and urban areas. In rural areas median earnings rose by more than 2 percent and exceeded their 2007 level. And because earnings in urban areas had fallen more sharply and over a longer period, the ratio of rural to urban earnings rose from 77 percent in 2007 to nearly 84 percent in 2015.

Looking at next unemployment and poverty trends which we show in the next graphic, the rural unemployment rate nearly doubled during the Great Recession while the urban unemployment rate more than doubled. These changes can be seen from the light blue line and the yellow line on the bottom half of the graphic. However the rural unemployment rate has since fallen from nearly 10 percent in 2010 to under 6 percent in 2015.
And by the second quarter of 2016, seasonally adjusted unemployment rates were only slightly above 2007 levels in both urban and rural areas.
However it is important to note that these declines in unemployment rates reflect not only the growth in employment but I've already described but also a decline in the number of people seeking work.

This latter trend reflects both declining labor force participation among working age adults and changes in the age composition of the population as more Americans age beyond normal working age. We detect that changing age composition is especially strong in rural areas. While both unemployment and poverty rates rose throughout the Great Recession, poverty rates continue to rise until 2011 in urban areas and until 2013 in rural areas. These trends are shown by the brown line and the dark blue line higher up on the graphic. This trend is not that surprising since poverty has also been slow to decline in the wake of other recessions since the 1980s.

That said poverty rates in both rural and urban areas did fall slightly in 2014 and more markedly in 2015, with 2015 seeing a 0.9 percentage point drop in rural areas and a 0.8 percentage point drop in urban area. But despite this, poverty remains well above pre-recession levels. It is also probably worth noting that while the official poverty measure, which is shown in our graphic here, has shown rural poverty rates above urban rates since the 1960s. The more recently developed supplemental poverty measure which is just the geographic differences in housing costs as well as other factors estimate that the poverty rate is higher in urban areas.

Turning now to our examination of the role of
specific industry sectors in the rural economy,
the next graphic provides an illustration of how the
mix of employment and of earning sources differs
between rural and urban areas. Well service
industries collectively account for the majority
of jobs in earnings in both rural and urban areas
(Indistinct) production plays a relatively larger role
in the rural areas. In particular, the primary goods production
industries, which includes farming, forestry, fishing
and mining accounts for more than 11 percent of
rural earnings but only 2 percent of urban earnings.
These industries are shown in yellow and black at the
top of each of the multi-colored bars.
Similarly, the manufacturing sector, which
is represented in purple on this graphic, accounts
for nearly 15 percent of earnings in rural areas
and just over 9 percent in urban areas.
In contrast, the producer service sector, which is
shown in pink, accounts for less than 12
percent of rural earnings compared with more than 30
percent of urban earnings. This sector is made up of
industries which provide a large proportion of
their services to other businesses. The industries included
in this sector are finance, insurance,
real estate, information services and professional
and related services. However the earnings
share accounted for by recreation related service
jobs and other service jobs including retail and

health are similar in rural and urban areas
and this can be seen by looking at the green and light
blue shaded areas.

While the industry composition of employment
is different, the recent changes of
employment by industry have been mostly
similar between rural and urban areas. Between 2001
and 2013, employment in the producer services sector grew by
more than 20 percent in both rural and urban areas.
While both rural and urban manufacturing employment
fell by close to 30 percent between 2001 and 2010. It
is worth noting that while the level of manufacturing
employment has since recovered by some extent, it remains
well below levels of the early 2000s.
One rural urban difference in jobs growth that we did
see was in recreation employment which has
grew faster in urban areas.

We've also looked at median earnings by
industry in this year's At a Glance,
and those results are shown in this graphic. In
2015, overall annual earnings for employed
civilians were 15 percent lower in rural areas which
are represented by the dark blue bars.
However you can see that the disparities between
urban and rural areas vary greatly by industry.
The earnings gap was particularly large in the
producer service sector which includes the three

industry groups that are listed inside the red box
on the chart. Several factors help to
explain this. Producer service firms in urban
areas are generally larger. They employ more
professional and managerial workers and
they often offer more specialized services.
The rural urban earnings gap was also relatively
large in manufacturing shown just below the producer
service industries. This is consistent with
the long association between rural
manufacturing and lower skill, less technically
advanced operations. However despite this gap,
the median earnings in rural manufacturing are
still above those for any other rural sector except for
mining and the relatively high earnings provided by
these rural manufacturing jobs helps to explain the
emphasis that many rural stakeholders continue to
place on attracting or keeping these jobs.

The final section of this year's At a Glance looks
at trends by county economics type.
The 2015 ERS County Typology Codes classify
all U.S. counties according to six mutually exclusive
categories of economic dependence.
These are farming, mining, manufacturing, government,
recreation and the residual category of
non-specialized counties. While both urban and rural
counties are covered by this classification,
the map on the slide only shows the rural counties in

each category.

Not surprisingly, local economies are more sensitive to economic trends that have a pronounced effect on their leading sectors. Examples include the boom in U.S. oil and natural gas production in the past decade which had a major impact by many mining dependent counties and declines in manufacturing employment which has particularly affected those counties that are manufacturing dependent.

Looking first at how these dependencies play out in terms of population growth, this next slide shows that the recreation counties, which are shown by the dark blue line, has had the most growth since the year 2000. This reflects rising demand for recreational services as well as relocation choices by those who are attracted by the amenities of these counties. However the growth in these counties slowed sharply during and after the Great Recession. On the other hand, farming dependent counties, which are represented in pink, have seen population drop 4 percent since the year 2000. While the rural manufacturing counties, shown and by the yellow line, went from modest population growth in the early 2000s to a slight decline in more recent years reflecting the impact of the Great Recession on the manufacturing sector.

Looking next at household income, if we compare the six county types in terms of income trends as shown in the next graphic, we see that median incomes fell for all six county types during the Great Recession. However by 2014, median incomes in both farming and mining depended counties, shown in pink and gray respectively, were more than 4 percent above their 2007 levels. In contrast median household incomes for the other four county types remained below their 2007 levels in 2014.

It should also be noted that while the manufacturing county group shown again in yellow enjoyed relatively high median household incomes in 2007, they suffered the greatest income loss of any economic type during the Great Recession.

Four of these six county types saw increases in median income in 2014. While we would like to see how the most recent economic growth has played out in terms of this measure, Compu-level estimates for median household income are not yet available for 2015.

Finally we have also looked at poverty rates and trends for these same county economic types as shown in the final graphic. The general patterns are

similar to those we saw for median household income. For example, both the highest poverty rates and the lowest median household incomes are in government dependent counties and non-specialized counties shown in green and in light blue. These are notably the two county types that are not associated with a clear private sector economic base. Similarly, recreation counties, shown in dark blue, have the lowest poverty rate as well as the highest median household incomes. In part, we think this last result reflects high average levels of income from assets that occur in these counties. Consistent with what we have seen for rural areas as a whole, the poverty rate was substantially higher in 2014 than in 2007 for all county types except mining counties.

This concludes the prepared part of my presentation and we now welcome questions. Thank you.

Thank you Lorin and we have a few questions already. And if anyone has questions they want to ask, please answer them into the chat feature at the bottom left corner of your screen and I will pose them to Lorin who will then answer them. So our first question has to do with the industries that hold, what industries hold the most promise for improving or stabilizing the economies of rural areas do you think?

Well I'd be reluctant to speculate as
seeing that you know one could
look both at industries that offer relatively high earnings
in rural areas and of course that's one reason
there continues to be a lot of interest in
manufacturing as a source of rural economic growth.
The producer service industries and service
industries in general have had more employment
growth over a relatively long period of time.
And so that's promising in a different way.
One possible source of concern which I think we
mentioned in the larger, in the actual report, is that
producer service jobs in the rural economy are
substantially lower in earnings than those in the
urban, I guess we could talk about that in the context
of median earnings that for urban economies,
producer service jobs seem to be relatively high
earnings jobs, not so much for rural areas.
So if rural areas wanted to see growth in those, they might
want to focus on whether they can bring in producer
service employers that have some of the characteristics of
the more urban ones.

Okay, our next question has to do with the agricultural
sector, does the AG sector that you're measuring
include agribusiness, food processing
et cetera or just production agriculture?

I believe it's primarily production, primarily
production agriculture and other closely related
industries, food processing I believe is generally,
shows up in the manufacturing sector.
I'm not as familiar with the measurements used for
the industry divisions but I know that we generally
these days use the industry classification of
the NAIC, the North American Industry
Classification System. So that would be something
to look at if you're interested in knowing just
where the boundaries are.

Okay, in one of the slides, we talked about employment
improving in rural areas to almost
pre-recession levels. Does that mean that jobs
were created and if so do you know what types of
industries whether they're part-time or full-time or
whether the employment stats have to do with
people just not looking for work anymore?

Well the, the rise in the actual employment numbers
does reflect new jobs being created.
I think I could indicate that the decline in
unemployment that we've seen reflects both the
creation of new jobs and some reduction in the
number of people seeking jobs. I don't have, at the tip of
my finger, the breakdown of full-time and part-time employment.
I do know since we did talk some about what was
happening by sectors that may give you some sense of

where the growth is that in particular the producer service sector has been a major source of growth for urban and rural. And of course in proportional terms, mining was also growing quite rapidly until the couple of years although that has changed recently.

And along the same lines as employment was improving and poverty was still high, is there a reason why that's the case?

Well that's a fairly complex question and I've, I've talked with a couple of my colleagues about that. I think one possibility is that the families that are likely to be in poverty are often those that are the most disadvantaged in the labor market. And so that job growth early on is less likely to be helpful to those who are in poverty or at the greatest risk of being in poverty. As the economy improves further more people are brought into work and employers are more willing to work with people who may not be as advantaged in terms of what they can bring to the labor market. But again I don't think we have a real clear analytical sense of why these lags appear but we know that, that has been a recurring pattern.

Okay, we have a question about the definition of what it

means for a county to be rural. Can you talk about why non-metro is the preferred measure? Is that the preferred measure and if so why is it?

Well we've used it largely because we focused on county level analysis partly because, largely because there's a lot more data available at the county level than at smaller levels which might you know indicate a somewhat different delineation. And again looking at the county level, it's the difference between metropolitan and non-metropolitan and is the most highly associated. The urban areas generally include both those that are visibly built up and also areas with strong commuting ties to the more built up central urban areas.
So they do include significant areas that you know visually would not appear particularly urban and that sometimes is confusing to people.
We're also limited because of the county level, nature of metro area definitions that particularly in the West, the boundaries of metro areas often extend significantly beyond what would be where there are functional boundaries if we had, if we defined them at a more granular level. But despite this, there is a pretty clear difference largely because the rural areas, or the non-metro areas are defined by the fact that they do not have the same degree of commuting ties in particular to a larger city than urban

agglomerations. So I think that, that together with the
fact that the data are particularly available for
that is a lot of what drives this.
I know that the Census Bureau uses a somewhat
different definition of rural which is at the
sub-county level and I believe those focus somewhat more
on you know how densely populated an area is.
But again we have a lot less data available for
that and that may also not correspond as much to the
economic linkages.

Okay, we have a question about the manufacturing
industry. Why does manufacturing play
a larger role in the labor market in rural areas than
in urban areas and has this been the
case for a while?

Yes I'm not familiar with the full history of this
but I know that manufacturing in the
United States moved towards rural areas over
quite a long period largely because of lower
wage rates I imagine although I'm less
knowledgeable about this that the availability of space
at lower cost was also attractive.
In more recent years of course the same search for
you know lower wages and fewer constraints of other
kinds have taken many manufacturers out of the
United States altogether that is in some sense part
of the same process that or an extension of the

same reasons why they initially moved historically from more urban areas to more rural areas.

Okay, that's all the questions we have Lorin. I appreciate your presentation and thank you everybody for joining us and have a great day.

Thank you.