

WESTERN POLICY BRIEF

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BUILDING A VIBRANT AND RESILIENT 21ST CENTURY RURAL ECONOMY

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INTRODUCTION

Residents of rural areas remain economically disadvantaged relative to their urban counterparts. In rural areas, average incomes are lower, poverty rates higher, and unemployment and underemployment more extensive (Albrecht et al., 2000; Farrigan, 2015).

In recent decades, rural economic concerns have become even more complex because of employment declines in agriculture, logging, mining, and manufacturing, the traditional primary employers of rural workers. Despite these concerns, opportunities abound for rural residents and communities in the 21st century, opportunities that were simply unavailable in previous decades. However, for communities to attain a vibrant 21st century economy, it is essential to recognize that we live in a very different world and that programs and policies that worked in the past are now much less likely to be effective.

This brief outlines the characteristics of a vibrant and resilient rural economy in the 21st century, and then describes factors within the community's control that can be utilized to achieve this goal.

SUMMARY

- Primary employers in rural areas have shifted from resource-based industries to service-sector employment such as retail, restaurants, and lodging.
- A diversified economy, one with multiple employment sectors, will help communities weather market instability.
- Communities reap greater economic benefits from locally-owned businesses as their profits remain in the community and, typically, the business owners are more heavily invested in the community and willing to ride out economic highs and lows.
- Value-added industries within the community, such as an artisan bakery using locally-produced grains to turn the crop into breads or lumber into furniture, rather than sending all of the raw materials outside the community, assure a higher portion of economic benefits remain in the community.
- To become a vibrant and resilient community, leaders and residents must come together to consider the community's assets, effectively deal with conflict, develop the workforce, invest in K-12 education, create an attractive community, provide modern and efficient infrastructure, encourage a welcoming and inclusive community, strategically plan for the future, promote local leadership and engage community members.

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CHARACTERISTICS OF A VIBRANT AND RESILIENT RURAL COMMUNITY

1. A 21st Century Economy

The structure of economies across the globe has changed dramatically over the last several decades. It is essential that communities build their economies on jobs and opportunities currently available rather than trying to recreate an economy that worked in the past (Albrecht, 2014). In decades past, the primary employers of rural Americans were resource-based industries such as agriculture, timber and mining, as well as manufacturing (the goods-producing industries). Employment in all of these industries has plummeted in recent decades, primarily because of technologies that result in machines replacing human labor in the production process. In agriculture, for example, production continues to increase while the number of farms and farm workers has sharply declined. The same process has occurred in logging, mining, and manufacturing. In some cases, employment declines are exacerbated by production relocating internationally to take advantage of cheaper labor or weaker environmental regulations in other nations. At the same time, service-sector employment has increased substantially (Figure 1). Thus, efforts to expand production in the goods-producing industries will have limited impact on the number of jobs created.

Furthermore, opportunities exist in rural areas that were simply unavailable in the past. Thanks to improved information and communication technology, many high-quality jobs have a much greater degree of geographic flexibility than in the past. Many individuals, families, and firms can establish their homes and businesses where they wish and still be connected to the necessary markets and consumers with use of the internet. To have a vibrant 21st century economy, the utilization of modern

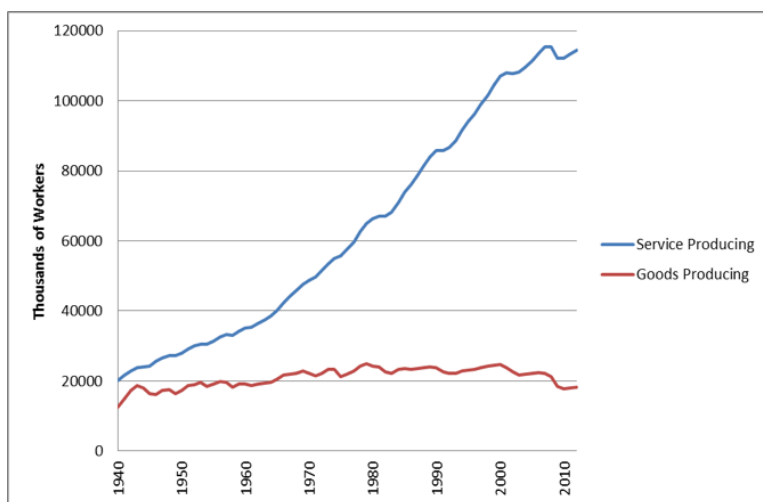


Figure 1. Service Sector Employment Trends, 1940-2010.

information and communication technology and its associated industries is essential.

2. A Diversified Economy

Communities that are heavily dependent on a single industry or sector are greatly impacted by the unique changes within that business or sector. For example, energy-dependent communities constantly experience a cycle of boom and bust (Figure 2). When energy prices are high, jobs are abundant and wages elevated. When prices decline, however, jobs disappear and wages decline. Likewise, amenity and tourism communities tend to create jobs that are low-wage and seasonal, while remaining dependent on goods-producing industries results in a steadily declining work force.

While amenities, energy, or the resource industries can provide an economic base, a vibrant and resilient community must have significant employment in other sectors that provide stability and offset the variability associated with any particular industry. Rural economic stability and growth are positively associated with economic diversity (Wagner and Deller, 1998).

3. Local Ownership and Control

Many rural communities are dependent on jobs provided by large corporations with headquarters outside of the community. Examples include fossil fuel energy companies, big-box retailers, and chain restaurants and hotels. The problems are apparent. Profits from the business are immediately transferred to corporate headquarters, and decisions about whether to close the business or move to another community are based on profitability without consideration of local impacts. In contrast, profits from locally-owned businesses stay in the community and the owners are committed to the

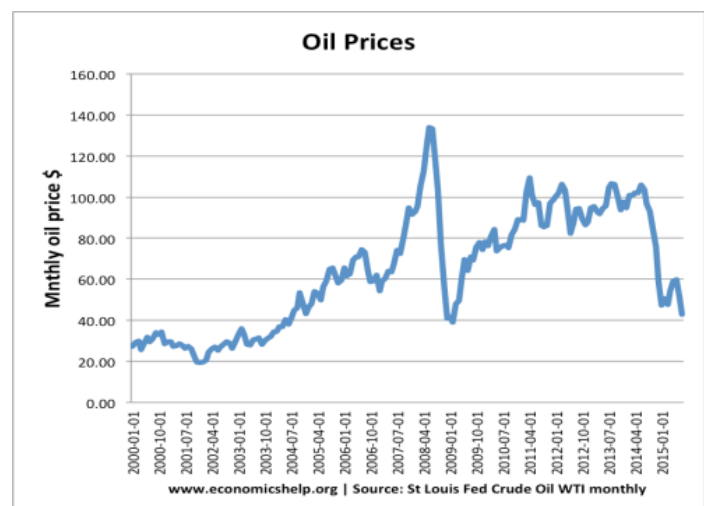


Figure 2. Oil Prices, 2000-2015.

community and are more willing to ride out economic highs and lows (Rupasingha and Goetz, 2013; Fleming and Goetz, 2011).

4. Value Added

The most fundamental aspect of economic growth involves taking resources and rearranging them in ways that make them more valuable. For example, raw materials such as wheat and trees are transformed into bread and furniture. Traditionally, rural communities have produced the raw materials that were then exported and the value added was provided in other communities.

These other communities then received the major economic gains. Through value-added industries, jobs are created and a much higher proportion of economic benefits stay in the community.

WHAT CAN COMMUNITIES DO TO BECOME VIBRANT AND RESILIENT?

1. Consider Your Assets

Communities should make a careful assessment of their assets that may reveal comparative advantages relative to other communities. Assets may include the presence of high-quality amenities or being located on an interstate highway. Assets could also include infrastructure. If infrastructure is lacking, it may be necessary to make needed investments to develop this infrastructure.

2. Effectively Deal with Conflict

Conflict is inevitable. A vibrant and resilient community deals with conflict in a manner that builds trust and creates an environment that makes it possible to effectively confront future conflicts. Dealing with conflict involves parties sitting around the same table, seeking to understand the perspective of others, finding common ground, and discovering ways to compromise. Often when creative and committed individuals work together, ideas emerge that lead to solutions better than anyone could have developed alone.

3. Help the Workforce Develop In-Demand Skills

As the economy changes, workforce skills that are in demand also change. Sometimes skills that once allowed a person to earn a comfortable living become obsolete, while a different set of competencies come to be in high demand. No longer is it enough to tell employers that you are a hard worker; definitive skills are necessary. It is essential for communities to recognize the economic transitions occurring and encourage community residents to attain the necessary education and training to obtain high-quality employment in the modern world. Often communities can assist in this effort by working with employers to provide mentorships/internships through

the schools to retool workers with outdated skills. Also, community leaders can assure that schools guide young people toward jobs of the future.

4. Invest in High-Quality K-12 Schools

Related to changes in high-demand skills is the continued increase in the importance of education. In general, the knowledge, understanding, and skills learned in school are becoming ever more relevant in the modern economy. As such, the wage gap between persons with a college degree and those without has increased steadily since the 1970s (McCall, 2000). Recent evidence shows a growing gap between persons with an Associate or Bachelors degree and persons with an advanced college degree (National Center for Education Statistics, 2015). It is vital that communities provide necessary funding to assure that schools can attract top teachers and provide programs that inspire young people to achieve all of the education they desire and prepare students for the world of tomorrow.

5. Make the Community as Attractive as Possible

Not every community is blessed with world-class amenities. Even communities lacking exceptional amenities can make their community attractive to potential new residents and businesses by assuring the community is neat and clean. Also, providing parks and programs can make an elevated quality of life more feasible for residents, which may increase the likelihood that they remain in the community (Deller et al., 2001).

6. Provide Modern and Efficient Infrastructure

Adequate infrastructure has always been vital for community economic development. While roads, bridges, and sewer lines remain important, high-speed Internet is perhaps the most critical infrastructure need of the 21st century. Plus, without high-quality cellular access, opportunities for a modern economy vanish (Council of Economic Advisors, 2016; Stegner et al., 2009). In many cases, funding can be obtained from federal or state sources to help communities with infrastructure improvements. Regardless of where funding is obtained, investment in infrastructure is essential for the community's future.

7. Encourage a Welcoming and Inclusive Environment

Residents of the United States are very diverse. A vibrant and resilient 21st century community embraces this diversity and is a place where people from all segments of society feel welcome. In particular, doors of opportunity should be wide open for women and minorities. Diversity is important because it results in a greater variety of knowledge, skills, and abilities in

the workforce. Extensive research shows that inclusive communities perform much better economically than those lacking this quality (Ager and Bruckner, 2012; Moretti, 2012).

8. Conduct a Strategic Planning Program

A vibrant 21st century community does not sit on the sideline and let outside forces determine their fate. Instead they work diligently to determine where they want to be and take the necessary steps to get there. Strategic planning programs are available to help communities effectively determine their future. These programs include Area Sector Analysis Process (ASAP), Stronger Economies Together (SET), and EVOLVE (Emery and Flora, 2006; Luther and Wall, 2008; Mattessich et al., 2008).

9. Promote Local Leadership and Engage Community Members

Effective community development efforts are completely dependent on proactive and capable leadership. It is essential that leaders be able to bring together groups that have differing views on issues, cope with conflict, and keep everyone moving forward toward mutually agreed upon goals. While leadership-training courses are available to help people learn essential skills, the most important criteria of an effective leader is concern for the betterment of the entire community and not just certain population segments.

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