

The Supply Side of Rural Development

The more I've traveled in our district, the more I've learned about the economic struggles in many of our rural areas. Rural areas have been lagging badly in recent years in both employment and output growth. The employment-population ratio for working-age people in our district is about 6 percentage points higher in urban areas than in rural ones. These communities have been hit hard by changes in the economy, including the loss of manufacturing jobs.

The well-being of a lot of people is at stake. Moreover, the country as a whole needs more opportunities for rural Americans so that we can all benefit from the resulting economic growth. Rural America isn't as populous as it once was, but it still makes up almost a fifth of the country's population, or about 60 million people. What, then, should policymakers be doing to foster the economic development of these communities?

Yes, geographic mobility — the movement of workers from distressed rural areas to metro areas with more jobs — has a role to play. But relocation may come at a steep price in terms of family and community ties, valuable in themselves. So we should be thinking about helping rural workers where they already are.

I sometimes encounter arguments that distressed rural economies are a lost cause. But I'm old enough to remember when there was a similar pessimism about our major cities, which appeared during the 1970s and 1980s to be doomed to perpetual decline. They weren't. From my perspective, the first step in thinking about the problems of distressed rural areas is to approach them as solvable — by good policymaking, by markets, and by rural residents themselves.

Rural labor markets have challenges on both sides. On the demand side, they are dominated by low-wage, low-productivity jobs. On the supply side, workers tend, on average, to have less education and to lack skills that are highly valued by employers in other areas. Both are significant: Without high-wage, high-skill jobs on the market, workers lack an incentive to invest in their skills; without a pool of high-skill workers, an area is unlikely to attract high-wage, high-skill jobs.

There are many forms of rural economic development that can boost demand for local labor; depending on the area, these may include tourism and recreation, assembly plants, energy production, and high-value-added agriculture. But I would like to focus on the supply side here. How do we get rural workforces the right skills? The desire for skill acquisition is there: According to survey data, a third of rural Americans believe they need new skills to get or keep their jobs, with computer and technical skills being cited most often.

For many young people, the right answer is a four-year college degree. College grads earn about 80 percent more than those with only a high school diploma, and they're less likely to be unemployed. But there's a stark urban-rural divide in college completion: 33 percent of adults in urban areas have a four-year degree or higher compared to 19 percent in rural areas — and that gap has been growing. University of Virginia research published by the Richmond Fed has found that part of the problem is information. Low-income rural families are less apt to know about the college application process, college choices, the availability of financial aid, and the return on a college degree.

In addition, Richmond Fed research has concluded that high school students are influenced, quite rationally, by their beliefs about whether they'll be able to complete their degrees: Attending college without finishing may mean a pile of debt without much economic reward — and 40 percent of college students don't finish within six years. So academic preparation is critical.

But a four-year college isn't the right answer for everyone. There are well-paying occupations in high demand that don't require a degree, such as truck driving and skilled trades. How will they get those skills? Community colleges play a major part in delivering training (as well as preparing some students for college transfer). Apprenticeships are a small part of the picture for now but hold promise. And a handful of online "boot camps" for entry into coding and related fields now charge tuition in the form of income-sharing agreements, in which students don't pay unless and until they get a job in their field.

Whatever the right option for a particular worker, skill acquisition in rural areas creates a virtuous circle, benefiting both the worker and his or her community. And it will be critical to helping the nation's economy grow. **EF**



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