The Graying of the Rural Southeast: Shifts in Personal Income Composition

Robert A. Chase

December 1997
Contractor Paper 99-2

About the Author

Robert A. Chase is the founder of a private economic consulting firm—Chase Economics, located in Tacoma, Washington—that provides innovative economic solutions for communities, industries and government. Chase Economics specializes in regional economic impact analysis modeling, economic forecasting, industry analysis, and local economic development strategic analysis.

The Graying of the Rural Southeast: Shifts in Personal Income Composition

INTRODUCTION

We tend to think of personal income as merely wages and salaries, generally equating high personal income with high wages. But not all income is wages and salaries; there are other important components, and in recent years the composition of personal income has shifted dramatically.

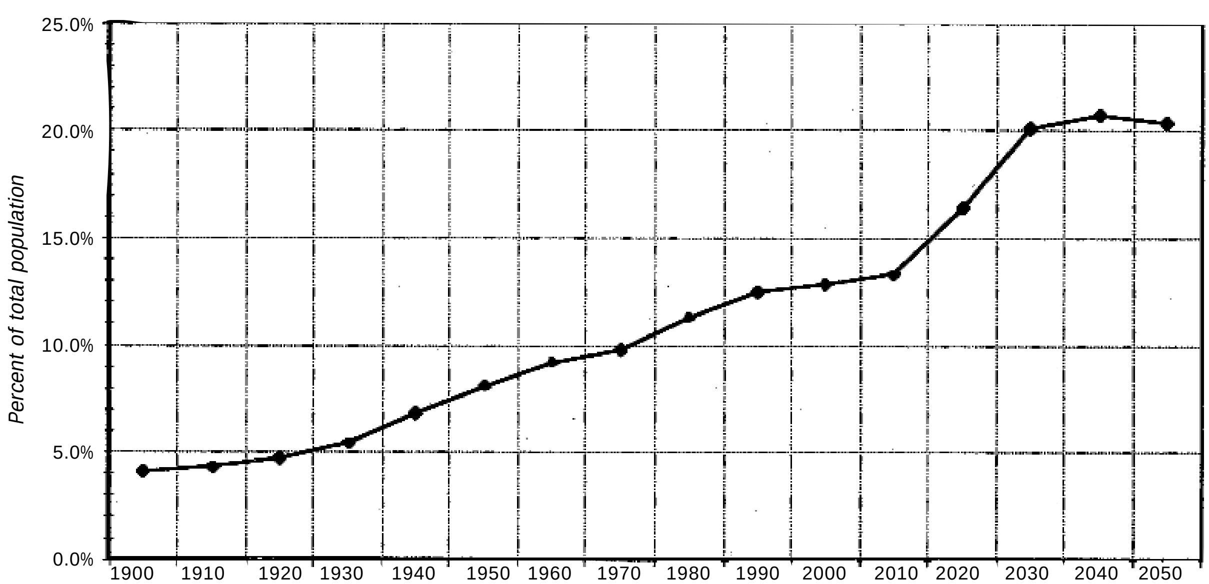
In 1970, transfer payments and property income accounted for 23.2 percent of total personal income in the United States; by 1996, this share had increased to 34.6 percent. The Southeast's's[1] share of transfer payments and property income has topped the national average throughout the 1980s and 1990s, and the region's recent shift in personal income has been more pronounced than the nation's.

Research questions

The purpose of this report is to examine the increasing importance of an expanding elderly population and the growth of retirement-related transfer payments within the Southeast economy, with particular emphasis on the rural Southeast. In particular, this report addresses the following questions:

* Why has the composition of personal income shifted from earnings to transfers and property income? What caused these shifts?
* Did the strong growth in property income and transfer payments in recent years contribute to a resurgence in personal income growth in the Southeast?
* Are retirement-related transfers a leading source of personal income growth?

Figure 1
Elderly as Percent of U.S. Population, 1900-2050



Note: Years 2000-2050 are projected estimates, based on middle series assumptions (e.g., total fertility rate of 2,150 in the year 2050; life expectancy at birth in 2050 of 79.7 years for males and 85.6 years for females; and ultimate net migration of 880,000 per year).

Source: U.S. Bureau of the Census, Sixty-Five Plus in the United States (1996).

- * Have Southeast rural areas in particular benefited from the growth in these income sources?
- * What characteristics of these rural counties have exhibited strong growth in retirement-related transfer payments?
- * How stable have the economies of these retirement-dependent areas been over the business cycle?
- * What are the economic development policy implications?

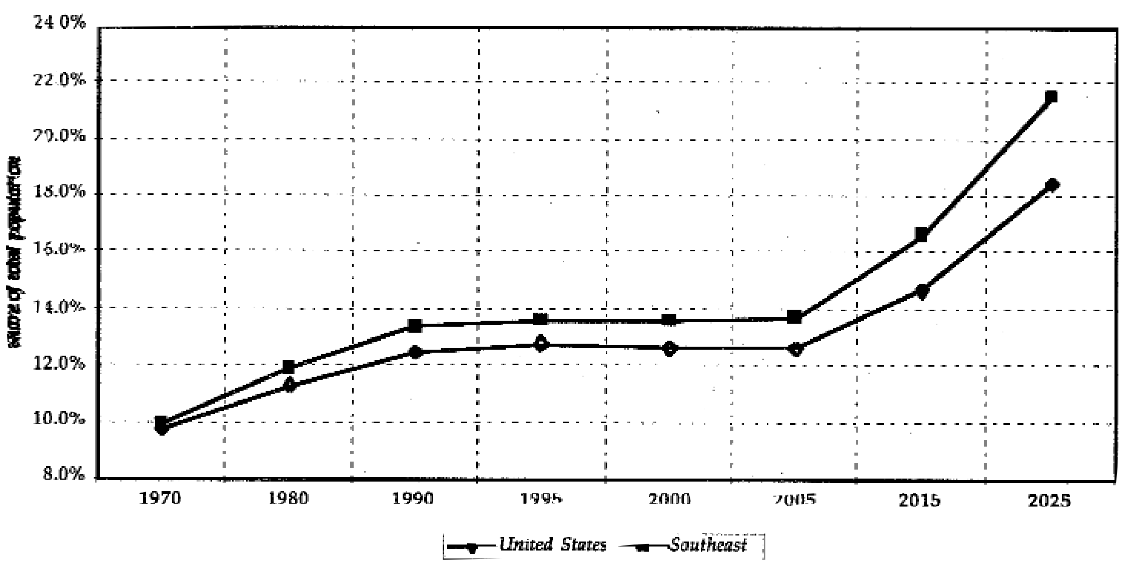
THE “GRAYING OF AMERICA”: CHANGING AGE STRUCTURE IN THE UNITED STATES

In 1900, one in every 25 Americans (3.1 million) were classified as elderly, aged 65 and over. At the close of the century (1997), the elderly had increased by more than a factor of 11 (34.0 million). Now, one in every eight Americans is elderly. This aging trend will intensify in the coming decades. According to the Census Bureau’s “middle series” projections, the elderly population will more than double between now and the year 2050 to more than 80 million (U.S. Bureau of the Census). By that year, as many as one in every five Americans could be elderly (Figure 1).[2]

Although longer life expectancy is a commonly cited reason for this “graying” of the U.S., the primary source is the aberration (i.e., the post-World War II baby boom) within a long-term declining fertility rate. Thus, most of the expected growth between 2010 and 2030 will come from the baby boom generation as it enters its elderly years. During this period, the number of elderly will swell by an average 2.8 percent annually. By comparison, annual growth will average 1.3 percent for the preceding 20 years (1990-2010) and 0.7 percent during the following 20 years (2030-2050).

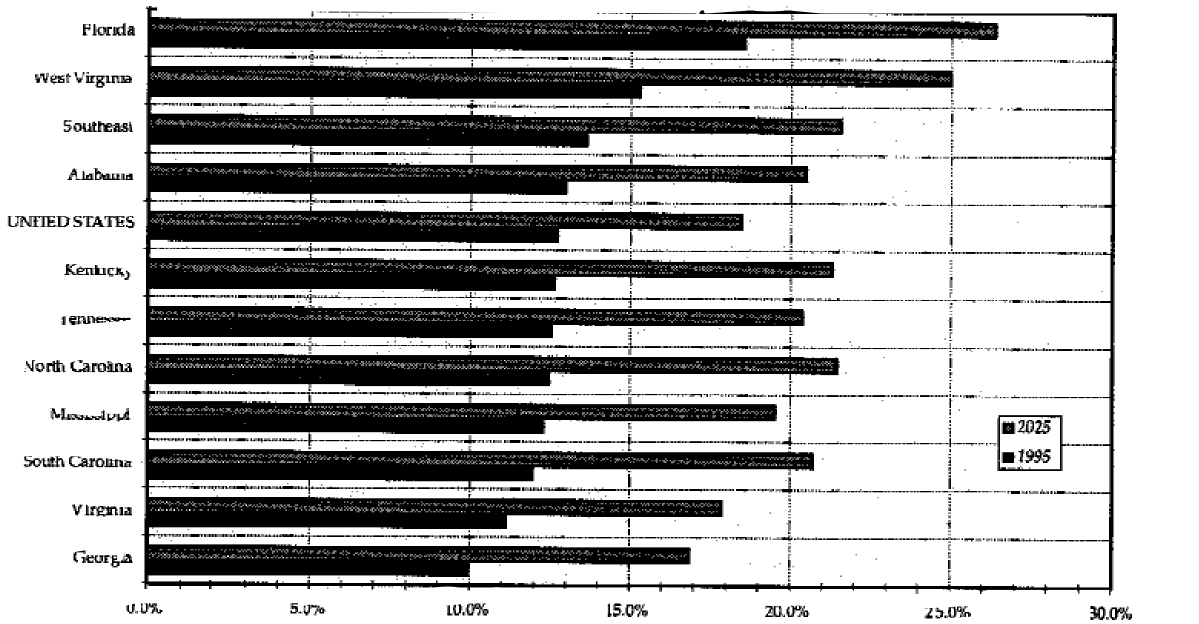
The Southeast has followed this “graying” trend of an increasing age structure over the last two decades. Since 1970, the elderly have been increasing in the Southeast at a faster rate relative to the nation. In 1995, approximately one in seven people in the Southeast were aged 65 years or older. By 2025, the Bureau of the Census expects that more than one in five people in the Southeast will be elderly; a relative share more than three full percentage points higher than the nation (Figure2).

Figure 2
Elderly as Percent of Population in the United States and the Southeast, 1970-2025



Source: U.S. Bureau of the Census.

Figure 3
Elderly as Percent of 1995 and 2025 Total Population, Southeast States



Source: U.S. Bureau of the Census.

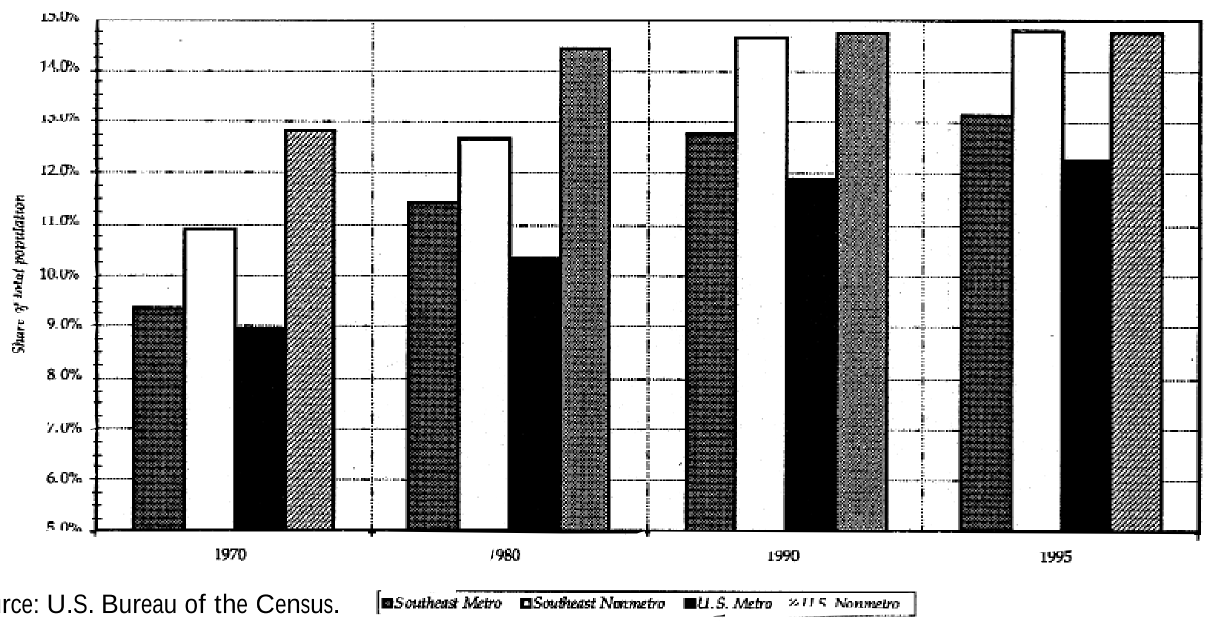
The proportion of a region's population that is elderly may change over time for a variety of reasons. The proportion may grow because of in-migration of elderly, or because of the net out-migration of nonelderly residents, or because of sustained low fertility.[3]

With the exception of Florida and West Virginia, the proportion of elderly in the Southeast states fell below that of the national average. In 1995, Florida had the highest percentage of elderly (18.6 percent) among all states, with a significant portion of the growth due to in-migration. Elderly migration to Florida is expected to continue well into the next century. By 2025, one in every four persons residing in Florida will be aged 65 or older-the highest proportion of any state. In comparison, West Virginia's relatively high ranking (fourth in 1995; projected second in 2025) is largely due to this "aging-in-place" phenomenon with significant out-migration of young adults. Aging-in-place in West Virginia is expected to intensify between 2000 and 2025 with continued out-migration of younger residents; residents younger than 65 years are also projected to decline in absolute terms (Figure 3).

With the exception of Georgia and Virginia, all other Southeast states are projected to have a greater proportion of elderly than the nation. Combined, about one-fourth of the U.S. elderly population will be living in the Southeast region by 2025.

In 1995, about 26 million elderly Americans lived within metropolitan areas compared with 7.8 million living in rural areas. The elderly represented a greater proportion (14.7 percent) of the rural population than metropolitan areas (12.3 percent). Between 1970 and 1995, the elderly population in the Southeast metropolitan and nonmetropolitan areas grew faster than their national counterparts (Figure 4). During this 25 year time span, elderly population within all metropolitan areas increased more rapidly than in nonmetropolitan areas (average annual rates of 3.2 percent and 1.6 percent respectively). Average annual growth rates of elderly population in both the Southeast's metropolitan and nonmetropolitan areas (4.9 percent and 2.8 percent respectively) were higher than the nation's. The elderly population in the rural Southeast now totals 2.4

Figure 4
Elderly as Percent of Total Population in the Metropolitan and Nonmetropolitan Southeast Region and United States, 1970, 1980, 1990, 1995



Source: U.S. Bureau of the Census.

million, over 30 percent of the nation's rural elderly.

Not only is the proportion of elderly Americans rising, but there is a net migration of people aged 65 and over to the Southeast (Table 1). Most of these in-migrants moved to Florida; over three-fourths of region's elderly in-migrants were attracted to the state. The elderly represent a greater proportion of the total in-migrants within the rural Southeast than in metropolitan Southeast. In contrast with the needs of the younger migrant, the migration of the senior population is not strongly tied to employment opportunities. Important quality-of-life considerations such as recreational and cultural amenities, lower housing and living costs, availability of health care, personal and social services, and climate are associated with attracting the elderly.

GROWTH AND CHANGE OF PERSONAL INCOME COMPONENTS IN THE SOUTHEAST

Among the three major U.S. personal income categories (see Sources of Personal Income box), transfer payments are the fastest growing.[4] Transfers registered a 234 percent increase in real terms between 1970 and 1995, and property income grew by 163 percent. Net earnings, in comparison, increased by only 76 percent. Over the 25-year period, transfers and property income grew at an average annual rate of 4.4 percent (after adjusting for inflation), nearly double that for net earnings (Figure 5).

In the Southeast, retirement-related transfers were the leading source of personal income growth in all ten states in the last 25 years. With average growth rates exceeding 6 percent, these retirement-related transfer payments outdistanced the growth rates of earnings by more than two to one. Property income growth in the three states also exceeded earnings growth.

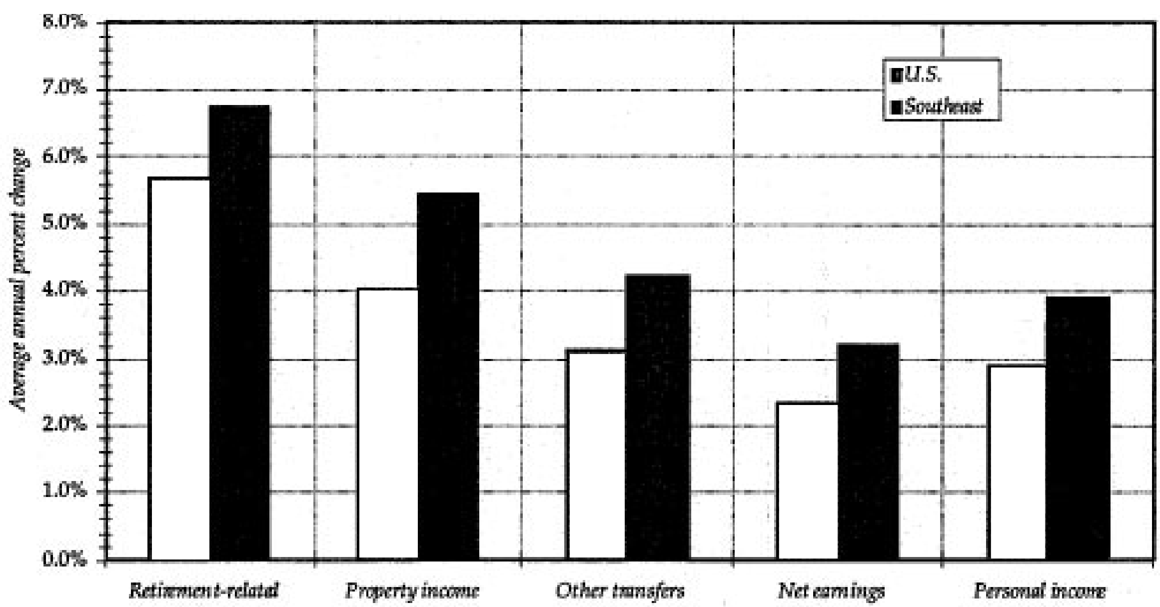
But do these figures represent a fundamental shift in the composition of personal income in the U.S. economy? Some economists would argue that the shift is not unusual, for earnings have been declining as a share of total income, and property income and transfer payments have been increasing since World War II. What has been unusual—and rather dramatic—about the last quarter-century is the size of the

Table 1
Net Migration in the Southeast Region, 1985-1990

Southeast State	Total Net Migration Total	Total Net Migration 65 & over	Nonmetro Net Migration Total	Nonmetro Net Migration 65 & over	Metro Net Migration Total	Metro Net Migration 65 & over
Alabama	65,684	3,472	12,744	-340	52,940	3,812
Florida	1,461,550	231,866	109,243	23,630	1,352,307	208,236
Georgia	384,677	10,520	86,423	4,201	298,254	6,319
Kentucky	5,933	281	-7,828	415	13,761	-134
Mississippi	31,310	3,360	-19,464	-583	50,774	3,943
North Carolina	346,545	24,749	55,600	10,347	290,945	14,402
South Carolina	139,886	11,614	12,853	3,410	127,033	8,204
Tennessee	163,318	6,576	38,898	3,251	124,420	3,325
Virginia	379,467	6,865	45,058	4,066	334,409	2,799
West Virginia	-68,616	-1,087	-50,772	-833	-17,844	-254
Total	2,909,754	298,216	282,755	47,564	2,626,999	250,652

Source: U.S. Bureau of the Census, County-to-County Migration Flow Files, 1985-1990 (Special Project 312). 1995.

Figure 5
Major Sources of Personal Income in the United States and Southeast, 1970-1995



Source: U.S. Bureau of Economic Analysis.

Table 2
Average Annual Percent Change of Major Sources of Income, 1970-1995

State	Retirement-related transfers	Property income	Other transfers	Net earnings	Personal income
Alabama	6.3%	4.5%	3.1%	2.6%	3.2%
Florida	7.4%	5.9%	5.8%	4.2%	4.9%
Georgia	6.9%	5.4%	4.3%	3.7%	4.2%
Kentucky	5.8%	4.1%	3.1%	2.1%	2.8%
Mississippi	6.5%	4.2%	3.2%	2.5%	3.1%
North Carolina	7.2%	5.1%	4.6%	3.2%	3.8%
South Carolina	7.3%	5.4%	4.3%	3.0%	3.7%
Tennessee	7.0%	4.5%	3.4%	3.2%	3.7%
Virginia	6.1%	5.5%	4.1%	3.1%	3.8%
West Virginia	5.5%	3.5%	2.3%	1.1%	2.1%
Southeast region	6.8%	5.4%	4.2%	3.2%	3.9%
UNITED STATES	5.7%	4.0%	3.1%	2.3%	2.9%

Source: U.S. Bureau of Economic Analysis.

increases in both the property income and the transfer payment components relative to the more modest growth in earnings.

Sources of Personal Income

The Bureau of Economic Analysis, which compiles national, state, and county personal income statistics, groups personal income into three major categories: net earnings; dividends, interest, and rent; and transfer payments. Net earnings, which accounted for 65.4 percent of the nation's total personal income in 1996, is generally considered payment for current labor services. Net earnings include wages and salaries, tips, commissions, bonuses, in-kind payments (e.g., non-monetary income such as food and lodging), proprietors' income, and other labor incomes (consisting of employer contributions to private pension and group insurance funds). The contributions that individuals make to social insurance programs-Social Security taxes, for example-are excluded from net earnings.

The remaining 34.6 percent of personal income was split between dividends, interest, and rent-which is also called property or investment income-and transfer payments. Interest payments are by far the largest component (62.7 percent) of property income; dividends and rents represent a relatively small share of the total (24.8 percent and 12.5 percent respectively). Interest income includes not only monetary interest (e.g., interest received by individuals from municipal bonds, mutual funds, and other sources), but interest-in-kind, or imputed interest (e.g., the value of services provided by financial institutions to depositors without charge). Imputation also refers to the credit given by life insurance or private noninsured pension funds on behalf of the future recipient. Dividends are payments in cash or other assets, excluding stock, by corporations. Rental income refers to the income received from real property, as well as royalties from patents and copyrights. Homeowners also earn imputed rent, the estimated net income they would receive if they rented their homes to someone else.

Transfer payments, which are commonly referred to as "unearned income," are payments from the government to people for reasons other than labor services. Transfers range from retirement and disability insurance programs to income maintenance programs, unemployment compensation, and veterans benefit payments. Retirement-related transfers include Social Security, disability, and medical payments (Medicare and Medicaid); and specific retirement funds for railroad workers, federal civilian workers and military personnel, and state and local government employees. More than four-fifths of all transfer payments in 1996 fell within the retirement category and accounted for 13.4 percent of U.S. personal income that year.

OLDER AND WEALTHIER

The" graying of America" refers not only to the growing number of senior adults, but to their rising income levels and increased purchasing power. As a group, the elderly have benefited most from the rapid rise in transfer payments and property income in recent years. In 1959, 35.2 percent of those aged 65 years and older lived in poverty, compared with 17 percent of those under 65 years (a ratio of 2.07 to 1). In 1995, the poverty rates for these two groups were 10.5 percent and 11.4 percent, respectively (for a ratio of 0.92 to 1). Transfer payments and property income have become the primary sources of income for the increasingly prosperous senior segment of our society. According to Bureau of Census surveys, the elderly receive one-third of the property component (i.e., dividends, interest, and rents) of personal income.

Private pension income is also increasing in size and importance. But unlike government retirement programs, which are identified and recorded as a component of transfer payments, private pensions are not reported as a separate component of personal income. Because only a portion of private pensions are reported as "other labor income" in state and county personal income statistics, the impact of private retirement income is understated.

One reason for the growing importance of property income and retirement-related transfer payments is the extraordinary growth in property income during the late 1970s and early 1980s, when inflation, real interest rates, and the value of assets reached unprecedented levels. During this recession-ridden period, however, net industry earnings stagnated or declined. Although industry earnings growth rebounded during the ensuing expansions (between 1983 and 1988 and again 1991-1996), it was outpaced by the growth in property income and retirement-related transfer payments.

Retirement-related transfer payments rose sharply during the first part of the 1970s, the result of legislation that broadened eligibility coverage and boosted benefit levels for such programs as Social Security, Medicare, and government retirement and disability programs. In the mid-1970s, many transfer payment programs became tied to a price index so that payment levels would adjust automatically to the rate of inflation. Inflation-induced increases were especially prominent during the late 1970s and early 1980s.

For individuals and families, a high earnings level means more savings, which can be used to acquire and accumulate the assets that yield property income in return. For many people, transfer payments are closely linked to the level of their past earnings. Government pensions are an obvious example, for the amount an individual is entitled to is directly tied to his or her past earnings.

For regions and communities, property income and transfer payments can be viewed as "footloose," meaning that the spending and saving of income from these sources are not necessarily tied to the particular location where the investments were made or the past labor services were performed. As a result, many communities are paying increased attention to attracting those with these income sources. Retirees, in particular, are a new and emerging source of basic income, and economic developers now refer to the "silver-haired economic base."

EXTREME SHIFTS IN SOUTHEAST INCOME COMPOSITION

The importance of property income and transfer payments within a region or community depends not only on how much workers earn, but also on the number of people not working compared with the total population. If a large percentage of adults is not employed, transfer payments may be relatively high. The percentage of the adult population not working depends, in turn, on the portion of the population that elects not to work (retired or discouraged workers), those who are willing to work but are unsuccessful in finding full-time employment (the unemployed and the disabled), and those who live below the poverty level (the working poor and the disabled).

In the Southeast, other transfer payments have grown but the region's share has shrunk relative to retirement-related transfers. In 1969, 70 percent of all transfer payments in the Southeast were retirement-related; by 1996, the share of retirement-related transfers had grown to 83 percent. Furthermore, for both Southeast states and the nation, retirement-related components were generally an increasing share of personal income. The growth of other components of transfer payments fluctuated with unemployment and other adverse economic conditions.

Given the differences in population, industry, and the pattern of economic growth within the Southeast, it is somewhat surprising to note that little variation exists among the ten states in terms of average annual real growth rates of the major income components from 1970 through 1995. These long-term averages, however, obscure the effects of the low personal income growth rates in West Virginia and Kentucky. The retirement-destination states of Florida and South and North Carolina led the region in retirement-related transfer payment growth (7.4 percent, 7.3 percent, and 7.2 percent respectively.) These states also were regional leaders in property income growth.

Compared with the nation, most Southeast states displayed a more extreme shift in the composition of personal income (Table 3). In South Carolina, for example, the share of personal income attributed to net earnings dropped 15.6 percent between 1969 and 1995, while retirement transfers recorded gains in income share of 9.1 percent. Retirement transfers recorded the greatest gain in income share, and offset more than 50 percent of the loss in net earnings. The pronounced shifts in income composition among the three states materialized because the Southeast's earnings growth rates lagged slightly behind the nation's, and transfer payments and property income growth tangibly outpaced the national average. In all ten states, more than one out of every

Table 3
Change in Share of Personal Income by Source, 1969-1995

State	Net earnings	Property income	Retirement transfers	Other transfers
Alabama	-13.9%	4.6%	9.3%	0.1%
Florida	-12.8%	4.6%	7.7%	0.5%
Georgia	-11.2%	4.7%	6.3%	0.2%
Kentucky	-14.1%	5.0%	8.6%	0.5%
Mississippi	-14.5%	3.5%	10.2%	0.9%
North Carolina	-13.6%	5.2%	8.0%	0.4%
South Carolina	-15.6%	5.6%	9.1%	0.8%
Tennessee	-12.0%	3.4%	8.4%	0.1%
Virginia	-12.9%	6.7%	5.8%	0.4%
West Virginia	-17.1%	4.6%	11.9%	0.6%
Southeast	-14.0%	5.8%	7.9%	0.3%
United States	-11.3%	3.8%	7.0%	0.4%

Source: U.S. Bureau of Economic Analysis.

three dollars of personal income stemmed from either transfer payments or property income.

Although the composition of personal income among Southeast states appears somewhat comparable, the dissimilarities are clear when actual income figures are expressed in per capita totals (Table 4). As a region, the Southeast's 1995 per capita income of $21,363 trailed the national average by 8.5 percent, but per capita retirement-related transfers of $3,119 were comparable to that of the nation. Virginia's per capita income of $24,212 was the region's highest and registered slightly higher than that of the nation based on per capita levels for the major income components of net earnings and property. Florida's roughly similar per capita personal income was based on significantly higher per capita levels in retirement-related transfers and property income. In Georgia, the per capita levels for retirement-related transfers and property income were 17 percent and 19 percent below the national averages, respectively.

Table 4
Per Capita Income Levels by Major Sources, 1995.

	PER CAPITA INDICES				
State	Personal income	Net earnings	Property Income	Retirement transfers	Other transfers
Alabama	82.8	82.9	66.7	99.9	99.3
Florida	99.1	84.7	138.5	118.7	90.2
Georgia	93.8	99.5	81.3	83.4	89.7
Kentucky	80.8	79.6	70.0	95.9	101.7
Mississippi	71.7	71.0	51.5	92.2	115.9
North Carolina	90.7	94.6	77.4	90.7	87.3
South Carolina	82.0	83.1	68.4	93.2	88.7
Tennessee	91.2	94.9	70.9	99.7	92.2
Virginia	103.7	106.5	106.5	92.2	77.3
West Virginia	75.1	67.9	63.7	117.4	109.5
Southeast	91.5	89.6	92.4	99.9	91.6
United States	100.0	100.0	100.0	100.0	100.0

Notes: In 1995, the per capita levels for the United States were as follows: $23,348 for personal income; $15,289 for net earnings; $4,198 for property income; $3,122 for retirement-related transfers; and $738 for other transfers.

Source: U.S. Bureau of Economic Analysis.

STABILITY OVER TIME?

The Southeast, with its dependence on manufacturing, mining, and farming has had a boom-and-bust economic history. Earnings in manufacturing, construction, and mining have been particularly volatile over the business cycle. Some transfers, such as unemployment compensation and income maintenance programs, increase dramatically during recessionary periods and decrease during times of recovery. The countercyclical performance of unemployment insurance comes as no surprise, for these payments were originally intended to perform as "automatic stabilizers" within the national economic setting.

Retirement-related transfer payments and property income, however, display a historical pattern of stable, noncyclical growth that serves to dampen cyclical swings in personal income

Table 5
Average Annual Percent Change of Major Sources of Income in the Metropolitan Southeast, 1970-1995.

Southeast state	Retirement-related transfers	Property income	Other transfers	Net earnings	Personal income
Alabama	6.3%	4.5%	3.4%	2.7%	3.3%
Florida	7.3%	5.8%	5.9%	4.2%	4.9%
Georgia	6.9%	5.5%	4.7%	4.0%	4.4%
Kentucky	5.7%	3.9%	3.1%	2.2%	2.7%
Mississippi	7.2%	4.8%	4.1%	3.2%	3.8%
North Carolina	7.2%	5.2%	4.7%	3.4%	3.9%
South Carolina	7.3%	5.4%	4.6%	3.2%	3.8%
Tennessee	7.0%	4.5%	3.5%	3.3%	3.7%
Virginia	6.2%	5.6%	4.1%	3.4%	3.9%
West Virginia	5.7%	3.2%	2.2%	1.1%	2.0%
Southeast region	6.9%	5.3%	4.5%	3.5%	4.1%
UNITED STATES	5.7%	3.8%	3.1%	2.4%	2.9%

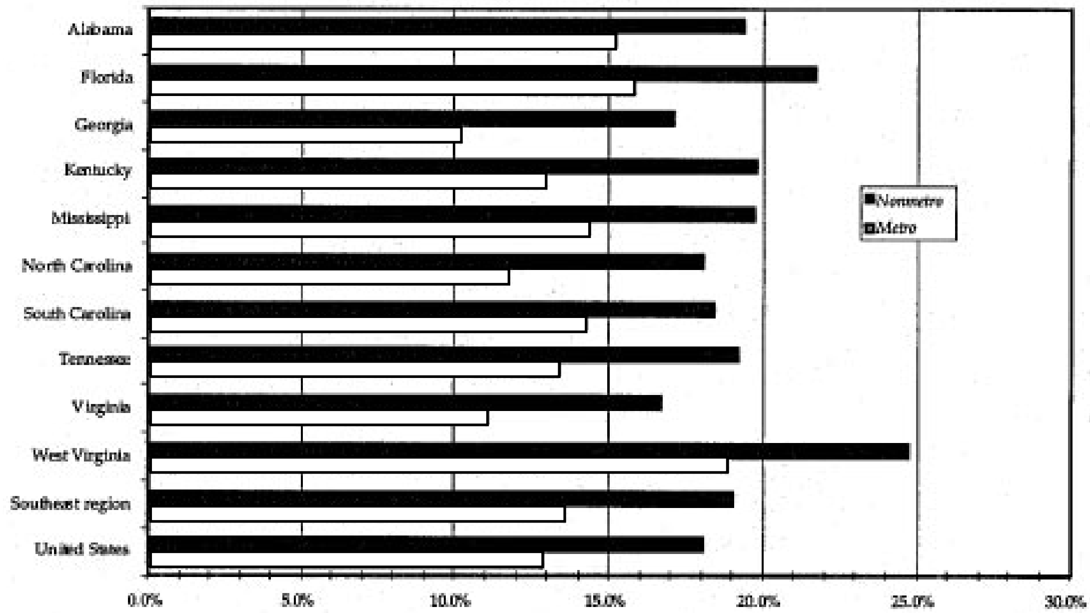
Source: U.S. Bureau of Economic Analysis.

Table 6
Average Annual Percent Change of Major Sources of Income in the Nonmetropolitan Southeast, 1970-1995.

Southeast state	Retirement-related transfers	Property income	Other transfers	Net earnings	Personal income
Alabama	6.2%	4.5%	2.7%	2.4%	3.1%
Florida	8.4%	7.6%	5.3%	3.6%	5.2%
Georgia	6.7%	5.0%	3.5%	2.9%	3.6%
Kentucky	5.9%	4.5%	3.1%	2.1%	2.9%
Mississippi	6.2%	3.9%	2.9%	2.0%	2.8%
North Carolina	7.2%	4.9%	4.4%	2.7%	3.5%
South Carolina	7.2%	5.4%	4.0%	2.3%	3.3%
Tennessee	7.0%	4.6%	3.1%	2.8%	3.5%
Virginia	6.0%	5.1%	4.3%	2.0%	3.0%
West Virginia	5.4%	3.9%	2.3%	1.1%	2.1%
Southeast region	6.5%	4.9%	3.4%	2.4%	3.2%
UNITED STATES	5.7%	3.8%	3.0%	1.9%	2.6%

Source: U.S. Bureau of Economic Analysis.

Figure 6
Percentage Share of Total 1995 Personal Income:
Retirement-related Transfer Payments



Source: U.S. Bureau of Economic Analysis.

within the nation and the Southeast region. Statistical analyses reveal that the pattern of growth of these income sources is not associated with the concurrent performance of the national economy. Furthermore, retirement-related transfer payments and property income augmented the long-term rate of growth, altered the structure, and reduced the average cyclical response of total personal income in the Southeast region. These income sources help cushion local and regional economies from the effects of a national recession.

URBAN VERSUS RURAL

As elsewhere, the growth of total personal income in rural Southeast counties has been outdistanced by the income growth in urban Southeast counties (Tables 5 and 6). These disparities are extreme in Mississippi, Virginia, and Georgia, but are less noticeable in the other states. In three states (Florida, Kentucky, and West Virginia), however, rural counties outperformed their urban counterparts in personal income growth during the 25 year period. For the most part, urban counties surpassed rural counties in each of the four components of personal income growth. This disparity gap in urban-rural income growth rates is particularly greatest in net earnings and other transfers.

The comparison of rural and urban counties further reveals that the Southeast states outperformed their national counterparts in personal income growth from 1970-1995. Southeast counties outdistanced the nation in retirement-related transfer payments and property income.

The structural shift in the composition of income away from industry sources (i.e., net earnings) toward transfer payments and property income, is clearly evident for both urban and rural counties in the Southeast. Growth in net earnings has been sluggish relative to other sources; retirement-related transfers, for instance, have grown nearly three times faster than net earnings in rural areas in the Southeast.

Table 7
Per Capita Income Levels in Southeast Metropolitan Counties by Major Sources, 1995

	PER CAPITA INDICES				
State	Personal income	Net earnings	Property Income	Retirement transfers	Other transfers
Alabama	83.3	83.7	69.2	98.6	91.2
Florida	95.2	79.7	139.7	117.0	87.8
Georgia	96.5	104.6	82.5	76.6	82.8
Kentucky	90.2	91.8	84.9	90.9	82.0
Mississippi	78.1	80.9	57.9	87.3	93.2
North Carolina	91.6	97.7	76.2	83.5	78.1
South Carolina	81.0	83.4	65.0	90.0	80.4
Tennessee	93.8	98.7	73.1	97.7	88.5
Virginia	105.0	109.0	106.4	90.2	72.2
West Virginia	82.4	75.9	77.1	120.7	91.8
Southeast	93.4	91.3	99.9	98.2	83.8
United States	100.0	100.0	100.0	100.0	100.0

Notes: In 1995, the per capita levels for United States metropolitan counties were as follows: $24,594 for personal income; $16,443 for net earnings; $4,267 for property income; $3,159 for retirement-related transfers; and $726 for other transfers.

Source: U.S. Bureau of Economic Analysis.

Table 8
Per Capita Income Levels in Southeast Rural Counties by Major Sources, 1995

	PER CAPITA INDICES				
State	Personal income	Net earnings	Property Income	Retirement transfers	Other transfers
Alabama	93.5	98.6	64.3	100.1	109.6
Florida	102.9	82.6	154.4	123.5	100.5
Georgia	98.5	103.6	84.3	93.2	103.5
Kentucky	89.3	90.4	69.3	97.9	117.4
Mississippi	87.0	89.1	62.1	94.9	125.2
North Carolina	102.9	107.7	86.3	102.6	102.7
South Carolina	96.4	98.9	84.2	98.1	101.8
Tennessee	95.1	100.9	66.9	100.7	99.5
Virginia	99.9	99.6	112.0	92.1	90.1
West Virginia	90.2	83.2	72.9	123.2	119.2
Southeast	95.7	96.9	83.0	100.8	107.1
United States	100.0	100.0	100.0	100.0	100.0

Notes: In 1995, the per capita levels for United States nonmetropolitan counties were as follows: $17,658 for personal income; $10,752 for net earnings; $2,992 for property income; $3,193 for retirement-related transfers; and $722 for other transfers.

Source: U.S. Bureau of Economic Analysis.

Although growth rates of retirement-related transfer payments were greater in urban counties, retirement-related transfers are generally more important to rural counties compared to urban counties. Retirement-related transfers' share of total personal income was significantly higher within rural counties (Figure 6). For rural areas in seven Southeast states, retirement-related transfers account for about one in every five dollars of personal income in 1995. In West Virginia alone, retirement-related transfer payments accounted for nearly one-fourth of all personal income within nonmetropolitan counties.

It is simply impossible to assess the changing character of rural economies within the Southeast without giving attention to retirement-related transfer payments, other

Table 9
Economic Typology of Southeast Rural Counties

Category	Number of Rural Counties United States	Number of Rural Counties Southeast	Southeast Share
Farming-dependent	556	54	9.7%
Mining-dependent	146	43	29.5%
Manufacturing-dependent	506	266	52.6%
Government dependent	244	64	26.2%
Services-dependent	323	59	18.3%
Nonspecialized	484	149	30.8%
Retirement-destination	190	57	30.0%
Federal lands	270	36	13.3%
Commuting	381	196	51.4%
Persistent poverty	535	286	53.5%
Transfers-dependent	381	142	37.3%

Source: Cook and Mizer, the Revised ERS County Typology, 1994.

Table 10
Average Annual Percent Change of Major Sources of Income in the Rural Retirement-Destination Counties, 1970-1995

Southeast state	Retirement-related transfers	Property income	Other transfers	Net earnings	Personal income
Florida	9.1%	8.1%	5.8%	4.2%	5.8%
Georgia	8.5%	7.8%	3.8%	4.5%	5.3%
Kentucky	6.7%	4.2%	3.1%	2.6%	3.3%
North Carolina	7.9%	6.6%	4.6%	3.5%	4.6%
South Carolina	8.2%	9.2%	4.8%	3.6%	4.9%
Tennessee	8.8%	8.3%	3.8%	3.9%	5.1%
Virginia	6.4%	5.7%	4.1%	2.7%	3.9%
West Virginia	6.8%	5.6%	2.9%	3.3%	4.1%
Southeast region	8.3%	7.4%	4.9%	3.7%	5.0%

Note: No retirement-destination counties are listed in Alabama and Mississippi.

Source: U.S. Bureau of Economic Analysis.

Table 11
Average Annual Percent Change of Major Sources of Income in the Rural Non-retirement Counties, 1970-1995

Southeast state	Retirement-related transfers	Property income	Other transfers	Net earnings	Personal income
Alabama	6.2%	4.5%	2.7%	2.4%	3.1%
Florida	6.8%	6.7%	4.5%	2.8%	4.0%
Georgia	6.6%	4.9%	3.5%	2.8%	3.5%
Kentucky	5.9%	4.5%	3.1%	2.1%	2.9%
Mississippi	6.2%	3.9%	2.9%	2.0%	2.8%
North Carolina	7.0%	4.1%	4.4%	2.5%	3.2%
South Carolina	7.0%	4.4%	3.9%	2.1%	3.0%
Tennessee	7.0%	4.5%	3.1%	2.8%	3.5%
Virginia	6.0%	5.0%	4.3%	2.0%	2.9%
West Virginia	5.4%	3.9%	2.3%	1.1%	2.1%
Southeast region	6.3%	4.5%	3.3%	2.3%	3.1%

Source: U.S. Bureau of Economic Analysis.

Table 12
Per Capita Income Levels in Southeast Rural Retirement-Destination Counties by Major Sources, 1995

	PER CAPITA INDICES				
State	Personal income	Net earnings	Property Income	Retirement transfers	Other transfers
Florida	104.3	78.8	164.5	135.3	98.0
Georgia	98.6	98.6	99.0	113.2	31.2
Kentucky	91.8	88.9	82.1	112.7	82.3
North Carolina	112.0	104.4	138.0	118.4	89.3
South Carolina	126.1	123.2	183.1	95.7	67.0
Tennessee	86.3	78.8	88.8	109.2	85.7
Virginia	115.6	95.4	194.2	119.1	75.8
West Virginia	91.8	85.9	81.8	124.3	76.5
Southeast	108.5	93.8	151.6	122.6	85.8
United States	100.0	100.0	100.0	100.0	100.0

Notes: In 1995, the per capita levels for United States nonmetropolitan counties were as follows: $17,658 for personal income; $10,752 for net earnings; $2,992 for property income; $3,193 for retirement-related transfers; and $722 for other transfers. No distinction is made between retirement-destination and non-retirement rural counties. No retirement-destination counties are listed in Alabama and Mississippi.

Source: U.S. Bureau of Economic Analysis.

transfers, and property income. From 1970 though 1995, these three income components accounted for over 50 percent of personal income growth in the rural Southeast. In rural areas of West Virginia, these income components accounted for more than two-thirds of personal income growth.

Throughout the 1980s, many rural counties in the Southeast experienced economic stagnation or outright decline. One of the few bright spots on the rural economic scene was the continued economic growth and expansion of rural retirement areas. In the mid-1980s, the Economic Research Service of U.S. Department

Table 13
Per Capita Income Levels in Southeast Rural Non-retirement Counties by Major Sources, 1995

	PER CAPITA INDICES				
State	Personal income	Net earnings	Property Income	Retirement transfers	Other transfers
Alabama	93.5	98.6	64.3	100.1	109.6
Florida	99.7	91.0	131.9	97.2	106.0
Georgia	98.5	103.6	83.6	92.1	107.2
Kentucky	89.3	90.4	69.2	97.8	117.6
Mississippi	87.0	89.1	62.1	94.9	125.2
North Carolina	100.2	108.7	70.6	97.8	106.8
South Carolina	91.3	94.7	67.5	98.5	107.7
Tennessee	95.3	101.6	66.3	100.4	99.9
Virginia	98.8	99.9	106.1	90.1	91.1
West Virginia	90.1	83.2	72.7	123.2	119.8
Southeast	94.2	97.3	74.9	98.3	109.6
United States	100.0	100.0	100.0	100.0	100.0

Notes: In 1995, the per capita levels for United States nonmetropolitan counties were as follows: $17,658 for personal income; $10,752 for net earnings; $2,992 for property income; $3,193 for retirement-related transfers; and $722 for other transfers. No distinction is made between retirement-destination and non-retirement rural counties.

Source: U.S. Bureau of Economic Analysis.

of Agriculture issued a report (Bender, et al., 1985) that classified rural counties by their primary economic activity (e.g., farming, mining, manufacturing, services, government) or policy-relevant character (persistent poverty, Federal lands, retirement-destination) (Table 9).

Subsequent revisions expanded this typology to include other categories with special policy significance, including commuting and transfers-dependent.[5] The most recent revision (Cook and Mizer, 1994) classified 57 Southeast rural counties as retirement destinations (see Appendix A), including Moore in North Carolina (Southern Pines—Pinehurst), Beaufort in South Carolina (Hilton Head), and Indian River in Florida (Vero Beach).[6] These three counties were among those whose elderly population grew by at least 15 percent from in-migration during the 1980s.

RURAL RETIREMENT COUNTIES IN THE SOUTHEAST

Approximately 70 percent of the Southeast's 885 counties are nonmetropolitan and 57 of these are classified by the Economic Research Service as retirement-destination counties. As reported in Tables 10 and 11, the total level of personal income within retirement counties is growing at a much faster rate than in nonretirement counties. Although retirement-related transfers are the fastest growing income component within these counties, all other components are growing faster than their nonretirement counterparts. This is due not only to the new income introduced within the retirement-destination county by in-migrating retirees and "aging-in-place" retirees, but also to the new jobs and income generated in other sectors, such as health care and construction (Deller, 1995; Reeder et. al., 1993).

PEOPLE WITH MONEY

The expansion of employment and earnings in industries that export goods and services outside the region is commonly assumed to be critical to economic development. Increases in other income sources, such as transfer payments and property income, are viewed as a consequence, rather than a cause, of regional growth and development. Although these assumptions may have been appropriate in times past, they are less applicable today. In particular, retirement-related transfer payments and property income present definite opportunities overlooked in the past, for improving state and local economies.

It is true that jobs attract people, but people-especially people with money-also attract jobs. Retirees who are mobile and affluent represent a potential source of purchasing power and job growth for some of the rural areas in the Southeast that have been hurt by decreased earning and employment prospects in their traditional mining, wood product, and agricultural industries. Granted, this "silver-haired" economic base does not often provide jobs that pay the same level of average annual earnings or that require the same types of skills as those in the resource-based sectors. Nonetheless, communities such as Pinehurst, Vero Beach, and Hilton Head can bolster local employment and income by encouraging retirement spending.

Economic and social costs, as well as benefits, are associated with in-migrating retirees (Stallmann and Siegel, 1995; Reeder and Glasgow, 1990; Reeder et. al., 1994; Hoppe, 1991). Some communities attract retirees without conscious or deliberate effort, and are illprepared to cope with the resulting changes in economic and social conditions. By viewing in-migrating retirees as a threat, some communities incur the associated costs without exploiting the economic opportunities and realizing the potential benefits. In contrast, other communities are losing their well-heeled retirees, effectively exporting a portion of their economic base to other regions. Implicitly, they are relinquishing a crucial opportunity to enhance and stabilize their economic growth. Economic development efforts that cater to retirees-by improving the quality and quantity of health care, leisure and recreation activities, transportation, education, and personal services-are also complementary ingredients for success in attracting and retaining businesses.

Retirement-related transfer payments, property income, and retirees are shaping and shifting the economic fortunes of many rural communities within the Southeast. Changes in the age structure and income composition of American society have important implications for the location and pattern of economic growth within the region. Shifts in income composition have accompanied the aging of our population in recent years, and this aging trend will extend well into the next century. Retaining, attracting, and accommodating the senior adult population for the net benefit of the local economy is not the silver bullet that will assure community survival and prosperity, but is one economic development option that should not be overlooked.

APPENDIX A
RURAL SOUTHEAST RETIREMENT-DESTINATION COUNTIES

RETIREMENT PLACES RATED		ERS COUNTY TYPOLOGY
Retirement Place	County	Retirement County
Alabama		
Fairhope-Gulf Shores	Baldwin*	
Guntersville	Marshall	
Lake Martin	Tallapoosa	
Florida		
Boca Raton—Delray Beach	Palm Beach*	Citrus
Brandenton	Manatee*	Columbia
Brooksville—Spring Hill	Hernando*	DeSota
Daytona Beach	Volusia*	Dixie
Fort Myers—Cape Coral	Lee*	Franklin
Gainesville	Alachua*	Gilchrist
Inverness	Citrus	Glades
Key West—Key Largo	Monroe	Hendry
Kissimmee—St. Cloud	Osceola*	Highlands
Lakeland—Winter Haven	Polk*	Indian River
Leesburg—Lady Lake	Lake*	Lafayette
Melbourne	Brevard*	Levy
Naples	Collier*	Okeechobee
New Port Richey	Pasco*	Putnam
Ocala	Marion*	Sumter
Panama City	Bay*	Suwannee
Pompano Beach	Broward*	Wakulla
Port Charlotte—Punta Gorda	Charlotte*	Walton
St. Augustine	St. Johns*	Washington
St. Petersburg—Clearwater	Pinellas*	
Sarasota	Sarasota*	
Sebring—Avon Park	Highlands	
Vero Beach—Sebasian	Indian River	
Georgia		
Athens	Clarke*	Dawson
Blairsville	Union	Fannin
Clayton	Rabun	Gilmer
Hiawassee	Towns	Lumpkin
St. Simons—Jekyll Islands	Glynn	Putnam
Savannah	Chatham*	Rabun
Thomasville	Thomas	Towns
		Union
		White

RETIREMENT PLACES RATED		ERS COUNTY TYPOLOGY
Retirement Place	County	Retirement County
Kentucky		
Kentucky Lake	Calloway/Marshall	Trigg
Mississippi		
Bay St. Louis-Pass Christian	Hancock*/Harrison*	
Madison	Madison*	
Oxford	Lafayette	
North Carolina		
Asheville	Buncombe*	Cateret
Boone-Blowing Rock	Watauga	Cherokee
Brevard	Transylvania	Chowan
Chapel Hill	Orange*	Clay
Dare Outer Banks	Dare	Craven
Edenton	Chowan	Dare
Hendersonville-East Flat Rock	Henderson	Henderson
New Bern	Craven	Lee
Southern Pines—Pinehurst	Moore	Macon
Southport-Brunswick Islands	Brunswick*	Moore
Tryon	Polk	Pamlico
		Pender
		Perquimans
		Polk
		Swain
		Transylvania
		Warren
South Carolina		
Aiken	Aiken*	Beaufort
Beaufort	Beaufort	Oconee
Charleston Sea Islands	Charleston*	
Clemson-Pendleton	Anderson*,Oconee,Pickens*	
Conway	Horry*	
Hilton Head	Beaufort	
Myrtle Beach-North Myrtle Beach	Horry*	
Tennessee		
Crossville	Cumberland	Cumberland
Maryville	Blount*	Perry

RETIREMENT PLACES RATED		ERS COUNTY TYPOLOGY
Retirement Place	County	Retirement County
Virginia		
Charlottesville	Albemarle*/Charlottesville city	Essex
Fredericksburg—Spotsylvania	Spotsylvania*/Fredericksburg city	Lancaster
Northern Neck	Lancaster/Northumberland	Middlesex
Smith Mountain Lake	Bedford*, Franklin	Northumberland
Virginia Beach	Virginia Beach city	Orange
Williamsburg	James City* and Williamsburg city	Shenandoah
Winchester	Frederick*, Winchester city	
West Virginia		
Charlestown–Harpers Ferry	Jefferson*	Morgan

Note: * denotes metropolitan county; ERS does not list metropolitan retirement-destination counties.

Sources: Savageau, David. Retirement Places Rated. New York: Macmillan Travel, 1995; Cook, Peggy J. and Karen L. Mizer. The Revised ERS County Typology: An Overview. Washington, DC: U.S. Department of Agriculture, Economic Research Service, Rural Development Research Report No. 89, 1994.

REFERENCES

Beale, Calvin. “Forces Behind the Nonmetropolitan Population Growth Rebound of the 1990s.” Paper presented at the Pacific Northwest Regional Economic Conference, Spokane, Washington, April, 1997.

Cook, Annabel Kirshner. “Retirement Migration as a Community Development Option.” *Journal of the Community Development Society* Vol. 21, No. 1 (January, 1990): 83-101.

Cook, Peggy J. and Karen L. Mizer. *The Revised ERS County Typology: An Overview*. Rural Development Research Report No. 89. Washington DC: U.S. Department of Agriculture, Economic Research Service, December, 1994.

Deller, Steven C. “Economic Impact of Retirement Migration.” Economic Development Quarterly, Vol. 9, No. 1 (February, 1995): 25-38.

Fagan, Mark and Charles F. Longino, Jr. “Migrating Retirees: A Source for Economic Development.” *Economic Development Quarterly*, Vol. 7, No. 1 (February, 1993): 98-106.

Hoppe, Robert A. “The Elderly’s Income and Rural Development: Some Cautions.” *Rural Development Perspectives*, 7 (2, 1991): 27-32.

Reeder, Richard, Richard Hopper, and Caroline Thompson. “Rural Retiree Attraction: Recent Trends and Strategies.” Proceedings of the 1994 *The Small City and Regional Community Conference*, University of Wisconsin-Stevens Point, Center for the Small City, Volume 11, 1995.

Reeder, Richard J., Mary Jo Schneider, and Bernal L. Green. “Attracting Retirees as a Development Strategy.” *Economic Adaptation: Alternatives for Nonmetropolitan Areas.*, David L. Barkley (ed.). Boulder, CO: Westview Press, 1993.

Reeder, Richard J. and Nina L. Glasgow. “Nonmetro Retirement Counties’ Strengths and Weaknesses.” *Rural Development Perspectives*, February 1990, pp. 12-17.

Sastry, M. Lakshiminarayan. “Estimating the Economic Impacts of Elderly Migration: An Input-Output Analysis.” *Growth and Change*, Vol. 23, No. 1 (Winter, 1993): 65-79.

Savageau, David. *Retirement Places Rated.* New York: Macmillan Travel, 1995.

Schneider, Mary Jo and Bernal L. Green. *Retirement Counties: A Development Option for the Nineties.* Special Report 134. Little Rock, University of Arkansas, Agricultural Experiment Station, February 1989.

Stallmann. Judith I. “Rural Retirement Counties: What Do They Mean for Rural Virginia?” Rural Economic Analysis Program, Virginia Tech, Blacksburg, VA, *Horizons 3* (1991):1-3.

Stallmann, Judith I. and Paul B. Siegel. “Attracting Retirees as an Economic Development Strategy: Looking into the Future.” *Economic Development Quarterly*, Vol. 9, No. 4, (November 1995): 372-382.

Endnotes

1 The Southeast region includes the following ten states: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

2 The demographic data documenting changes in the age structure are from published reports (paper or electronic) of the U.S. Bureau of the Census and various State Data Centers in the Southeast affiliated with the Census Bureau.

3 "Aging-in-place" may also mean that more people are entering the age group (i.e., 65 years and older) than leaving it, disregarding the effects of migration.

4 The data reported in this study documenting the structural changes in the composition of national, state, and county personal income are from the Regional Economic Information System, 1969-1995 (CD-ROM) published by the U.S. Bureau of Economic Analysis. Real (constant 1995 dollars) estimates of income to remove the effects of inflation are computed using the chain-type price index for personal consumption (1995=1.00).

5 The definitions used in classifying rural counties are as follows:

Farming-dependent. Farming contributed a weighted annual average of 20 percent or more of total county labor and proprietor income between 1987 and 1989.

Mining-dependent. Mining contributed a weighted annual average of 15 percent or more of total county labor and proprietor income between 1987 and 1989.

Manufacturing-dependent. Manufacturing contributed a weighted annual average of 30 percent or more of total county labor and proprietor income between 1987 and 1989.

Government-dependent. Government activities contributed a weighted annual average of 15 percent or more of total county labor and proprietor income between 1987 and 1989.

Services-dependent. Service activities (personal, agricultural, and business services, wholesale & retail trade, utilities, and finance, insurance and real estate) contributed a weighted annual average of 50 percent or more of total county labor and proprietor income between 1987 and 1989.

Nonspecialized. Not classified as a specialized economic type.

Retirement-destination. Population aged 60 years and over in 1990 increased by 15 percent or more during 1980-90 through in-movement of people.

Federal lands. Federally owned lands made up 30 percent or more of a county's land area in 1987.

Commuting. Workers aged 16 years and over commuting to jobs outside their county of residence were 40 percent or more of all the county's workers in 1990.

Persistent poverty. Persons with poverty-level income in the preceding year were 20 percent or more of total population in each of the four years of 1960, 1970, 1980, and 1990.

Transfers-dependent. Income from transfer payments contributed a weighted annual average of 25 percent or more of the county's total personal income between 1987 and 1989

6 The most recent edition of Retirement Places Rated (Savageau, 1995) recommended 64 places in the Southeast as "retirement destinations," representing over a third of the publication's total 183 rated retirement places. Twenty-nine counties of these Southeast retirement places are rural. There is some concurrence between the ERS typology and Retirement Places Rated: 16 rural counties are on both lists.