

Ready or Not?

The Rural South and Its Workforce

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Preface



In October 1998, a conference was convened by four programs dedicated to providing information for the betterment of rural areas—the TVA Rural Studies Program at the University of Kentucky, the Southern Rural Development Center at Mississippi State University, the Farm Foundation, and the U.S. Department of Agriculture's Economic Research Service. The purpose: to better understand, and ultimately improve, how socio-economic conditions in the South, in particular the rural South, affect employment opportunities.

Amid widespread claims that “the South is rising again,” the sponsors felt it important to consider whether that rising tide is in fact lifting all boats. It is not. Some in the South continue to live in poverty, suffer racial discrimination, and lack adequate education and training. Consequently, those Southerners fare poorly in the current labor market and are positioned poorly for future labor markets. Many of those Southerners live in the region's rural areas, places that MDC, Inc. refers to as “shadows in the Sunbelt.” Indeed, MDC, Inc. and others have made the case, and we support it, that there are two Souths—one prospering and ready, another lagging and vulnerable.

So, for two days some of the country's foremost minds in rural development presented and discussed findings on a wide range of issues pertinent to the rural South and its workforce. This report is an attempt to synthesize the findings and discussions. The underlying analysis, however, belongs to those experts.



Introduction

Today, millions of Southerners are educated well enough to compete in the global marketplace; they enjoy prosperity and a hopeful future. For other Southerners, however, the region's changing demographic and economic landscape is more ominous.¹ –MDC, Inc.–

After decades as the Nation's economic backwater, the South has risen to prominence. In fact, it's the fastest growing region of the country. As a result, millions of Southerners **are** enjoying prosperity and a hopeful future. Unemployment is down, incomes are up, and the “new South” is hailed far and wide. But, as the quote from MDC, Inc.'s *State of the South* indicates, all is not rosy. For millions, the future is “hopeful,” for others: “ominous.” To say that the difference is decided by skin color, occupation, education, or place of residence is, obviously, an oversimplification—but not a gross one. True, people from all points on those spectra succeed, just as others from all points fail. Nonetheless, southern Whites still have higher incomes than southern Blacks. Professionals have more opportunities and security than do blue-collar workers. College graduates earn higher wages than do high-school dropouts. And boats in the urban South rise much higher on the tide than do those in the rural South.

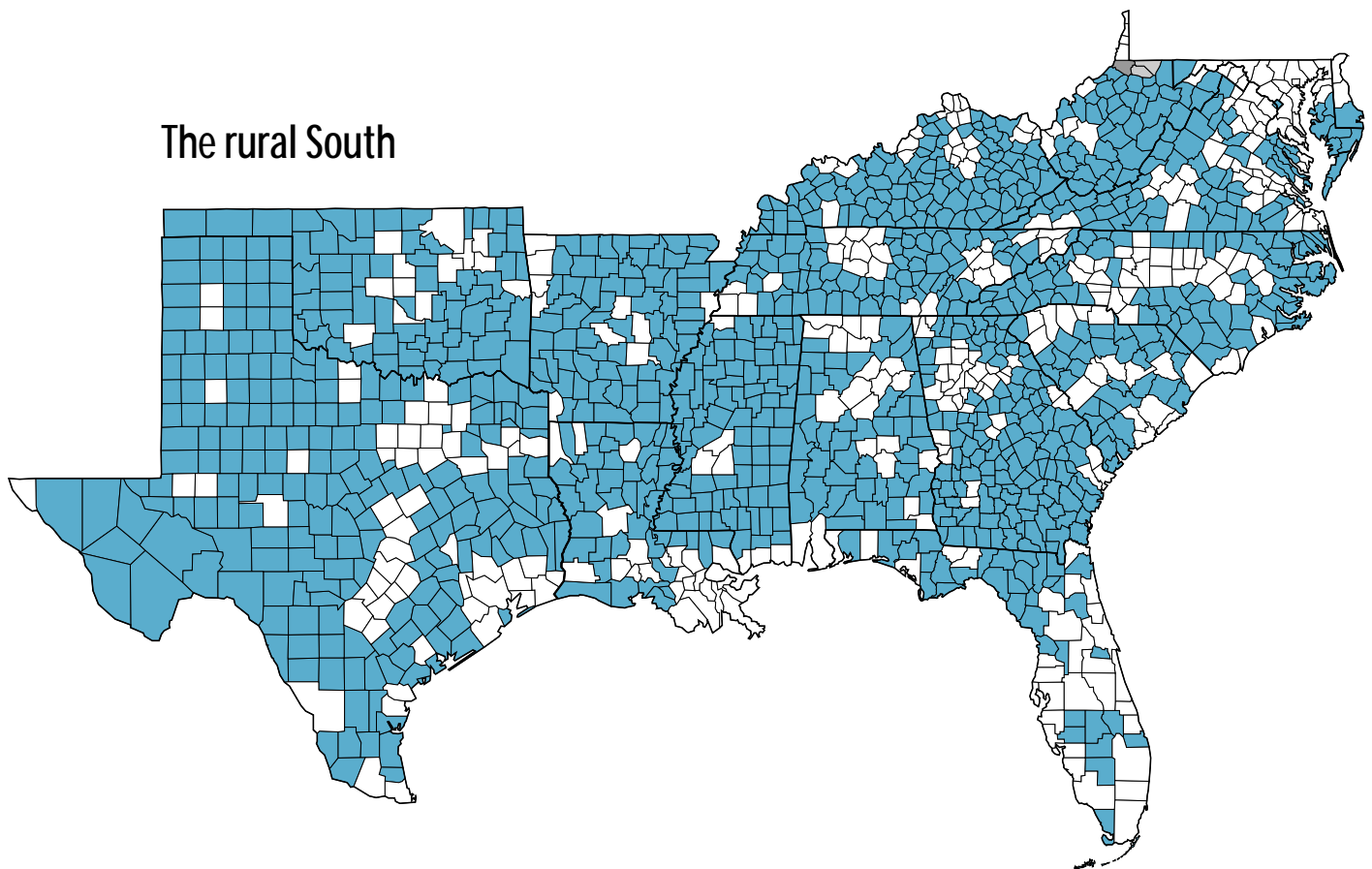
This report follows on the excellent efforts of MDC, Inc. and others to understand the South and its prospects. The report's niche, however, is to focus on the rural South, the “shadows in the Sun Belt” as MDC says. Because, as the reader will see, the newfound prosperity of the South as well as prospects for a bright future reside more often than not in her cities and metropolises, rather than her small towns, hamlets, and countryside.²

This Report: Three Steps Plus One

Economic well being is, always has been, and will likely always be fundamentally about work. Thus, the focus of this report is on the readiness of the rural South to work in the future. That does not mean, however, that the report limits itself to traditional “labor issues.” Rather, it takes a holistic perspective—one that understands that work and workers influence and are influenced by myriad factors, many of which vary across space. Rural development, in the eyes of this report, focuses on both people and place.

To better understand the work prospects of the rural South and ways to improve those prospects, the analysis in this report is divided into steps. The first three examine the readiness of the rural South. A fourth presents recommendations based on that analysis.

Step one looks forward. What does the future hold? Several major trends are shaping the workplace of tomorrow. Advances in technology, a growing service sector, organizational restructuring, globalization, demographic changes, and governmental policies are already at work and their



Unless otherwise noted, the “rural South” refers to nonmetro counties (shown here in gray) in the South Census Region.

importance will only increase. Consequently, understanding those trends and their implications is critical in preparing workers in the rural South for a brighter future.

Step two looks at three key “legacies” of the rural South that shape (and unfortunately hinder) its ability to get ready—poverty, racial division and discrimination, and under-education.

Step three measures the performance of rural southern workers in the labor market and sees some good news and some bad news. It discusses which career opportunities are expanding and which are declining. It also looks at which workplace skills are abundant and which are scarce.

Step four rests with those who must get ready for the future—the people and policymakers of the rural South. This final section offers some guidance gleaned from the research.

A Note of Explanation

As with most social science endeavors, the analysis that follows walks a fine line of aggregation. There is, of course, no single, homogeneous entity known as the rural South; there is no single rural southern workforce. Rather, the rural South comprises simply, and not surprisingly, places that by decree of government statisticians are both rural and southern. And within that grouping differences abound. Cliché though it is, no two places are exactly alike. Nevertheless, “rural” and “southern” are more than statistical labels. Each denotes certain characteristics that say much about a place—its people, economy, and institutions. Unique though each place may be, similarities also abound. In several ways, rural southern places (and their workforces) resemble one another quite closely.

In the best of all worlds, a report such as this would present all the similarities and all the differences, giving the reader a complete picture of the one rural South built of the many different places. The real world, however, forces us to make choices and strive for balance. Consequently, in deference to both the reader and to data constraints, this report focuses largely on characteristics common throughout the rural South and presents differences as needed to portray the region accurately.

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Shaping the Future

This we know of the future: it will differ from the past. Cotton fields give way to smokestacks. Smokestacks yield to service centers. Service centers will bow to something as yet unknown. The economy, and therefore the life, of the rural South changes. The results of that change—good or bad—depend largely on how well rural Southerners foresee the change and respond to it. And while no one can predict the exact nature of change or its implications, ongoing trends give strong clues as to its general direction.

Technological Advance

Technology is redefining comparative advantage and where it lies. A product's competitiveness no longer depends solely on cost, quality, and innovation. Customization, serviceability, speed of new product development, and delivery are the new keys to competitiveness, driven by the rapid diffusion of technology and information.³

Few trends influence our daily lives as profoundly as that of technological advance. From communication to healthcare to entertainment to production, technology plays an ever-larger role—especially computer-based technology. It truly changes the way we live—and work. Robotics, computer-aided design, computer-aided manufacturing, computerized data management, and, of course, the Internet are but a few of the myriad technological wonders of today's workplace. Technology **is** “redefining comparative advantage.” For workers, firms, and regions to exploit that advantage, they must be willing and able to stay abreast of technology, learn it, and use it.



What does it mean for the rural South and its workforce?

Historically, rural areas have been slow to gain access to and adopt much of the new technology, for several reasons:

- By definition, rural areas have relatively few people, often have low population density, and are sometimes remote and isolated. Consequently, rural areas generate comparatively little demand for new technology, other than in specific sectors like agriculture, mining, and forestry. At the same time, supplying technology to rural areas is often slowed and made more expensive because of those rural traits.
- Risk-averse attitudes in rural areas can create resistance to the adoption of new technologies—often for sound reasons. Living closer to the bone and having at times gotten the short end of the stick in dealings with proponents of change, rural people have historically looked skeptically at technological advances, carefully weighing the risks involved. The higher costs discussed above tend to reinforce this strategy.
- Finally, due in part to the above reasons, rural citizens are more likely than their urban counterparts to lack the requisite knowledge and skills to employ the new technology.

Recent research suggests, however, that at least some parts of the technology gap may be narrowing. According to U.S. Department of Agriculture sociologist David McGranahan, a recent survey of manufacturing firms found “relatively few rural-urban differences in the use of new technology” and that “apparently, there is no longer

any substantial rural disadvantage in access to information and specialized knowledge, at least insofar as technology adoption is concerned.”⁴

While this finding is specific to manufacturers, it seems reasonable to assume it pertains to other sectors as well. There is, however, at least one notable exception. Rural areas, on average, continue to lag behind urban in access to advanced telecommunications services for the reasons noted above. And in a newly deregulated environment, that lag may well increase. Such a gap is increasingly important as all forms of electronic commerce that rely on telecommunications become more important.

Finally, the survey did find an apparent obstacle to technology adoption—an obstacle especially prevalent in the rural South: low levels of education.

*Manufacturers in rural low education counties (counties where more than 25 percent of the young adults (ages 25-44) had not completed high school in 1990) averaged 16 percent below the rural average in the use of new production technologies and 12 percent below the rural average in the overall index. In contrast, manufacturers in high education counties (where 10 percent or fewer of the young adults lacked high school diplomas) had above average technology use according to both measures. These differences are not stark, but they are strong enough to suggest that it may be more difficult for manufacturers in low education counties to adopt new technologies. Other results from the survey tend to support a conclusion that poor labor skills are an impediment to technology adoption.*⁵

Service Sector Growth

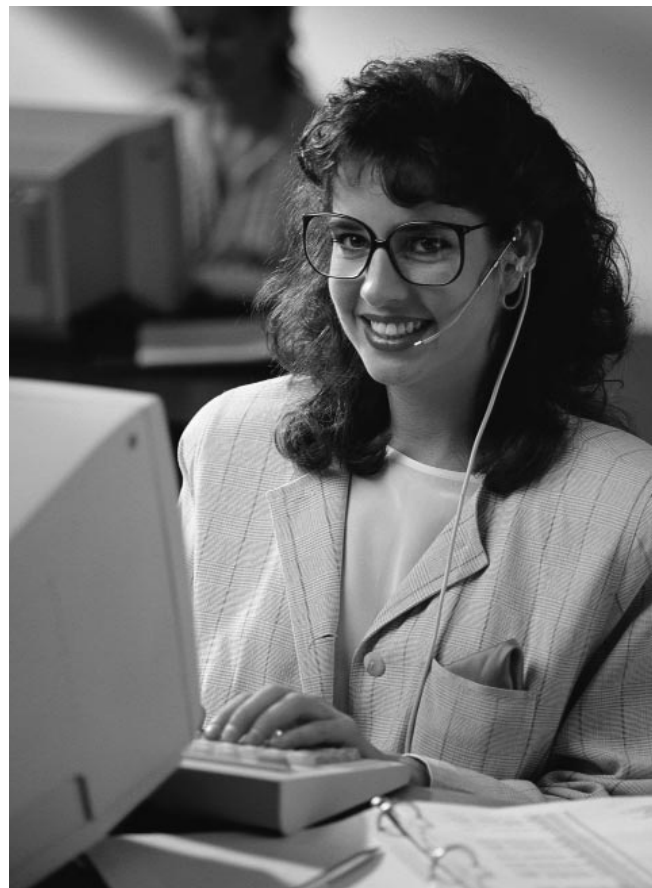
That the United States, and indeed the industrialized world, has become a service economy is by now cliché. Indeed in parts of the nation and in some social circles it is rare to find anyone that actually produces goods for a living. And the number of service jobs is increasing. From 1991 to 1996, 88 percent of the net new jobs in the nation were created in service-producing industries. Only 12 percent were created in manufacturing, construction, mining, farming, forestry, and fishing. Since nothing suggests an end to this trend, job seekers of the future will find most of their prospects in the service sector.

What does it mean for the rural South and its workforce?

The implications for the rural South and its workforce are somewhat ambiguous. The question revolves around jobs and wages. Are service industries likely to locate in the rural South in sufficient numbers? Will they pay attractive salaries? Will they provide full-time employment? Will they provide comprehensive benefits?

Research suggests that the more routine, export-oriented services are not likely to shift to rural areas to take advantage of low-cost labor the way manufacturing did. Their reliance on proximity to markets and/or a sophisticated telecommunications infrastructure may prohibit such a move. This will be especially true if rural areas continue to lag

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urban in gaining advanced telecommunications. And even if rural areas do catch up in telecommunications, urban-based service firms may simply tap rural markets without moving from the city.

As for wages, anecdotal evidence abounds comparing the wages of a manufacturing employee with that of a fry cook. Research findings, however, are mixed. High-skill producer services do pay attractive wages. The trick will be getting those jobs to locate in the rural South by offering the things that attract such firms—good schools, adequate infrastructure, community services, and the like.

Organizational Restructuring

In response to their changing environment, firms and entire industries are reorganizing themselves and changing the way they do business.

Just-in-time inventory, outsourcing, process re-engineering, diversity and inclusion, flexible networking, participatory management, and the like have come to dominate the business lexicon.

All are ways for firms to maximize productivity, minimize risk, and make themselves more competitive in today's environment. Unlike its hierarchical, large-scale, vertically integrated ancestor, the firm of the future will likely be smaller, flatter, more flexible, and more focused on niche markets. Not surprisingly, such organizations will need workers that can solve problems, make decisions, work in teams, and adapt to changing circumstances.

What does it mean for the rural South and its workforce?

The implications for the rural South of industrial restructuring are less than obvious. The results will likely vary greatly by industry and location. Still, in weighing the evidence, David Barkley of Clemson University finds that restructuring may slow wage growth in the rural South, but not employment growth. In fact, he finds that manufacturing employment continues to shift from urban to rural areas despite the restructuring of industry and the increased importance of being close to one's suppliers and markets. Unfortunately for rural areas, most of the jobs being moved are low-skill, low-wage jobs. Hence, the slower wage growth.⁶

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Globalization

The global economy brings capital and goods to the South, but it also challenges the region's workers, schools, and policy-makers to adapt. In an all-shook-up South, many undoubtedly will thrive while others, including many longtime residents, will fall back unless they acquire the capacity to compete.⁷

"It's a small world, after all"—and getting smaller. Simply stated, globalization means that barriers to commerce are falling. It means freer markets and freer-flowing capital. It means that corporations can buy where they wish, produce where they wish, and sell where they wish. Consequently, it means more choices and lower prices for the consumer. Unfortunately, it also often means lower wages for the worker and increasing vulnerability for workers, firms, and even entire economies. Everyone competes with everyone else.

What does it mean for the rural South and its workforce?

University researchers Amy Glasmeier and Robin Leichenko provide some insight.

As safe harbors for the nation's labor-intensive and natural resource-dependent industries, rural America, and particularly the rural South, has greatly benefited from seven years of strong national growth and high consumer confidence. Thus, even as globalization was unfolding, demand for consumer goods helped buoy rural labor markets. For the last two years, however, these

areas and their dominant sectors have grown vulnerable to international events, particularly the growing competition from lower-cost and equal or higher-quality producers both in Asia and increasingly Latin America. The edges of many rural communities' economies are beginning to fray as manufacturing branch plants shed domestic operations for lower-cost locations in Mexico. As imports continue to flood into the U.S., low-skilled labor-intensive operations will experience increasing competitive pressure. The lack of skills and complacent attitude of many rural communities are likely to be met by a renewed period of industrial restructuring and job loss. Even the more skill-intensive industries may be unable to escape the pending shake-out as globalization places additional pressure on sectors such as steel and autos. Given the high percentage of total jobs in branch plants, a period of heightened capital mobility and economic instability may provide the stimulus for further corporate reorganization, downsizing, and outsourcing.⁸

Demographic Change

Just as barriers to the movement of goods and services fall, so too do barriers to the movement of people. Geographically and socio-economically, people seem more mobile today than at any other time in history. Both have significant impact.

From 1990 to 1996, 1.6 million more Americans moved from the city to the country than the reverse. Another 227,000 moved to rural areas from other countries. The reasons, of course, vary. Some move to find work, others move to find a “higher quality” of life, others move to be near family. Whatever the reasons, many rural areas are growing, with great impact on their economic future.

Obviously, growth affects an area directly. More people pay more taxes and need more housing, infrastructure, and services. Less obvious, though no less important, is the effect migration has on the distribution of human capital. The age, education, income, and skills of migrants influence greatly the economy and prospects of both areas—the one getting them and the one losing them.



In addition to physically moving, more people and different people are moving into the labor force. The Bureau of Labor Statistics estimates that by 2005, white males will comprise only 38 percent of the American workforce. Women will account for 48 percent. And nonwhites will make up 27 percent. The workforce of tomorrow will differ greatly from the workforce of today.

What does it mean for the rural South and its workforce?

Only the rural West outpaced the rural South in net in-migration from 1990 to 1996. And even that changed over the two-year period ending March 1997, during which time the South posted a 1.4 percent yearly gain—equaling or surpassing the West.

What impacts on human capital do these migrants have? Overall, the picture is good. A majority of the net in-migrants is in the early career years and a disproportionate share is in young families. According to demographers Mark Nord and John Cromartie, the “brain drain” (the departure of the more educated) that prevailed in the 1980s has slowed and possibly stopped. Recent migration patterns have resulted in an increase in the share of the rural southern workforce with at least a high school education whereas the opposite had been true in earlier decades. Recent migration has also increased the number of college graduates in the rural South, although not enough to increase the share of the working population with college degrees.⁹

The destination within the rural South of these migrants varies. Most of the net gain goes to counties next to metropolitan areas, but much of it also goes to non-adjacent counties. Counties with

natural amenities—lakes, rivers, mountains, beaches, etc.—offer the strongest appeal to migrants. Yet, a quarter of the counties in the rural South continues to lose population, albeit at a slower rate than in the 1980s. Finally, and unfortunately, the poorest areas benefit the least. Net migration to the 443 rural southern counties that for four decades have had poverty rates in excess of 20 percent remains far below migration to other counties. Worse, during the 1980s, characteristics of migrants to the poverty counties tended to reinforce rather than mitigate economic inequality. Whether that trend is continuing in the 1990s remains to be seen.¹⁰

Governmental Intervention

...the county is bracing for perhaps its biggest economic jolt: welfare reform. The federal government pumps about \$18 million each year in food stamps and welfare into Dickenson County [Virginia]...an amount equal to the county's annual budget. Much of those funds [began] drying up in October, making life in the poorest parts...even harder.¹¹

Governmental intervention influences the workplace in myriad ways. It affects who can work and under what conditions. It affects how companies compete and/or collaborate. And it affects the conditions of the marketplace in which the fruits of the workplace are sold. It affects so many aspects of work, in fact, that describing its

Governmental intervention influences the workplace in myriad ways. It affects who can work and under what conditions.

various implications for the future borders on the impossible. The implications of one specific intervention—welfare reform—are, however, relatively clear: large numbers of people with scant work experience, relatively few skills, and little formal education are entering a job market that demands exactly the opposite.

What does it mean for the rural South and its workforce?

Across the nation, rural areas have a higher rate of dependence than do urban on governmental transfer payments—things such as social security, Medicare and Medicaid, and of course welfare. In fact, they comprise one-fifth of rural income as opposed to 15 percent of urban income. And many areas of the rural South—Appalachia, the so-called “Black Belt”, the Mississippi Delta, counties in Texas with high concentrations of Hispanics—are even more dependent upon these payments.

Obviously, changes in these programs such as those stemming from the recent Personal Responsibility and Work Opportunity Reconciliation Act (more commonly known as welfare reform) will have tremendous effect on people in the rural South. This is especially true in areas that have few, if any, jobs available and few, if any, ancillary services such as childcare and transportation that are critical for welfare reform to work.

Clearly, these trends point to a future that demands more from workers, firms, and regions. The game is changing—in terms of competitors and in the rules of competition. The days in which the rural South fed itself through cheap land and cheap labor are numbered. Success, if not survival, will require a workforce ready to use cutting-edge technology, ready to take on competitors worldwide, ready to rethink what they do and how they do it.



Shaping the Workforce

...the South still carries the residual burdens of poverty, under-education, and racial division and discrimination. As it deals with those legacies, it is faced with new challenges from economic and demographic shifts that are transforming the region and its communities.¹²

Shaping a workforce for the future involves many hands. Together, they provide the nurture, education, experience, and incentives that forge it (as well as footing most of the bill). Unfortunately, the process is hampered in parts of the rural South by its “legacies” of poverty, racial division and discrimination, and under-education. As a result, readiness is in question.

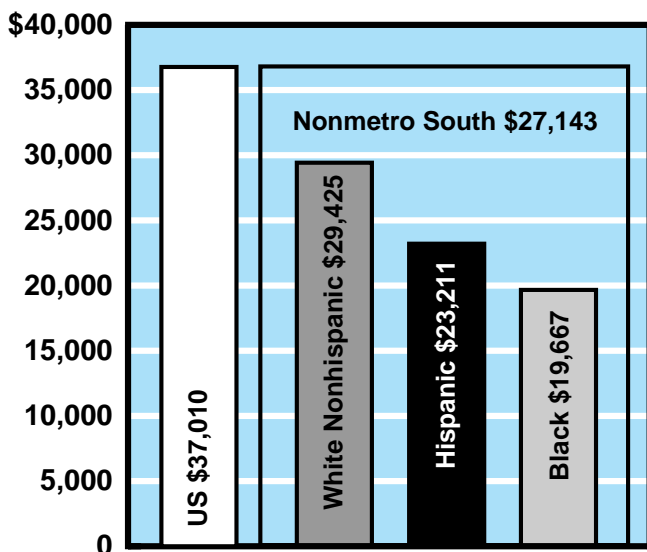
Poverty

Unlike its urban counterpart, which now nearly equals the national norm, the rural South continues to lag the rest of the country in terms of income. In 1997, median household income in the rural South was only 73 percent of U.S. median household income (or \$10,000 less per year). Southern rural Blacks and Hispanics fared even worse. Furthermore, as MDC, Inc. points out: income and wealth are “inextricably linked, for it is higher income that gives a family the opportunity to own a house, start a business, invest in education.” Unfortunately, “one in five southern families has essentially no wealth.”¹³

But that is only part of the story. By aggregating personal income to the community level, we can begin to gauge its impact on a community’s ability to care for its own—to pay for the schools that are so critical to future development, to finance infrastructure, to improve health, and to lower crime. Here again, parts of the rural South stand out in

Incomes lag in the rural South

■ Median Household Income, 1997



Source: 1998 March Current Population Survey

their misfortune. Of 1006 counties in the rural South, 443 (44 percent) have suffered poverty rates in excess of 20 percent in every decennial census since 1960 (the first census to tabulate poverty rates). Many counties have poverty rates as high as 40 percent. Most of these “persistent-poverty” counties fall into the following categories based on race and geography.

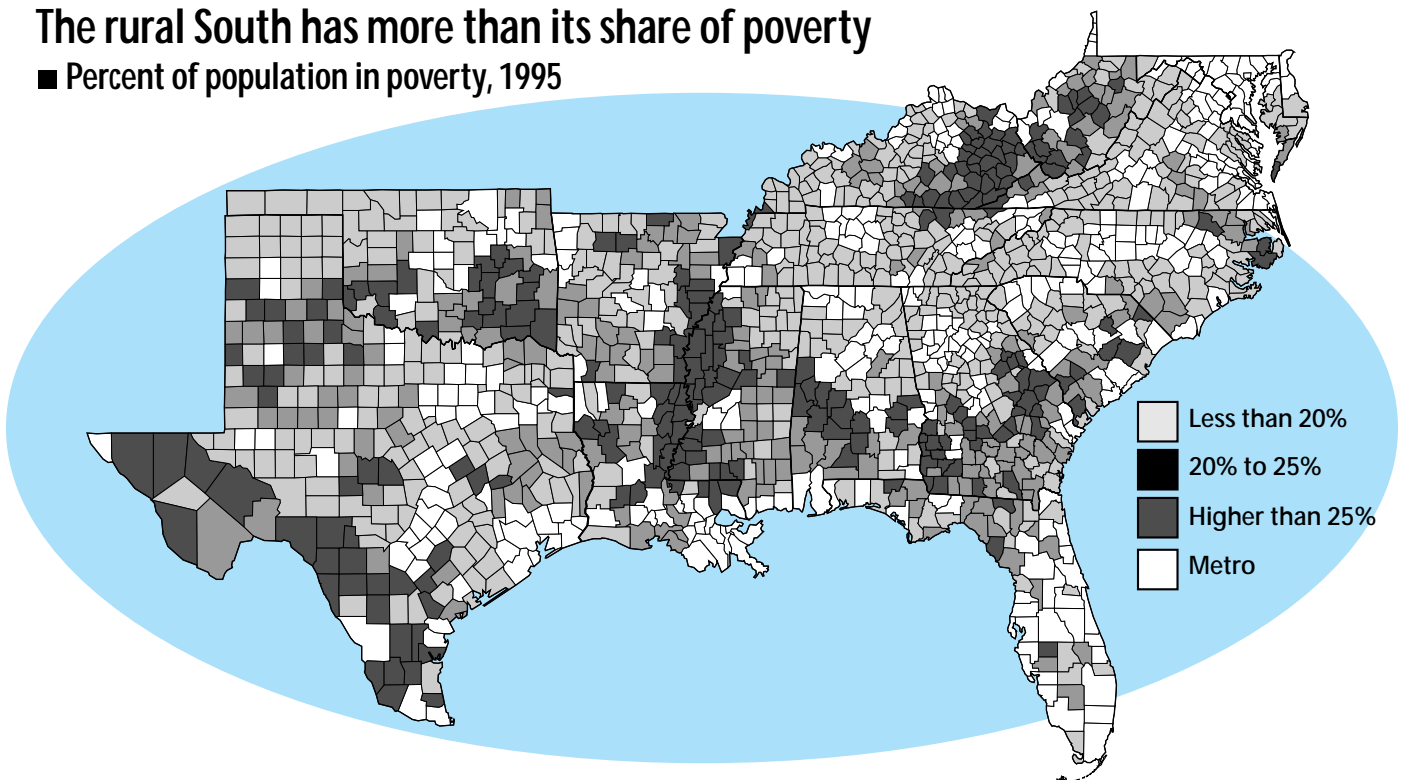
- 1) Black poverty in the lower Mississippi Valley and in the “Black Belt” running from the Carolinas through southern Georgia, Alabama, and Mississippi;
- 2) Hispanic poverty in the Rio Grande Valley and High Plains of Texas; and

- 3) White poverty in the Appalachian Highlands and Ozark/Ouachita Plateau.¹⁴

Frankly, expecting communities such as these to develop and maintain a workforce that can compete worldwide using the latest technologies and business practices is perhaps unrealistic. Indeed, they face a ‘Catch-22.’ Lacking the resources to develop, they are unable to increase their resources. In such areas, attracting the type of low-skill, low-wage industry that has been the economic mainstay of the South in the past may have to continue to be the main strategy for the time being, even if that strategy implies a stagnant and vulnerable future.

The rural South has more than its share of poverty

■ Percent of population in poverty, 1995



Source: Economic Research Service, USDA

Racial Division and Discrimination

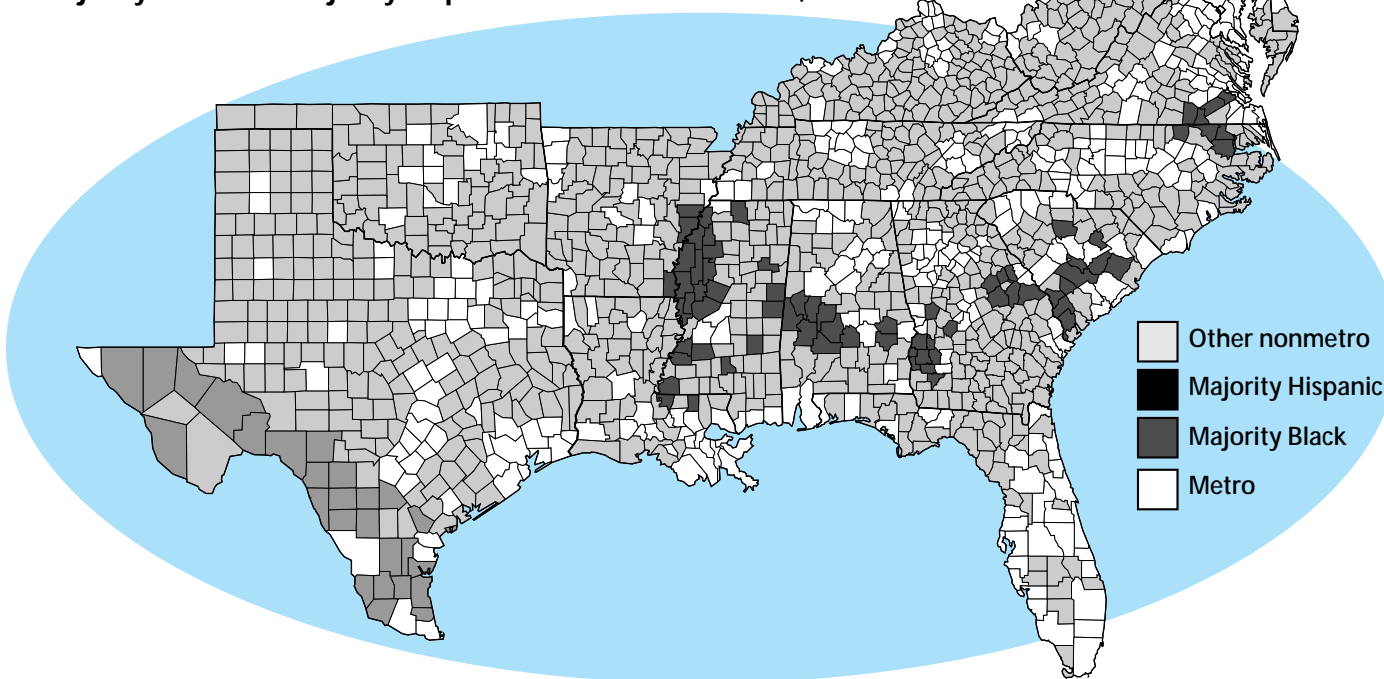
In examining the South, one can never get far from the subject of race. It plays a significant role in the endowments and performance of the rural South.

In fact, it seems safe to say that on every measure presented, Blacks and Hispanics have, on average, worse scores—lower income, higher poverty rates, less education, etc. That is not to say that the situation for many Blacks (and possibly, though less obviously, Hispanics) in the rural South has not improved; it has. Take for example the fact that Blacks now complete high school at nearly the same rates as Whites. Still, on many dimensions, minorities continue to lag. While referring specifi-

cally to education and training, USDA’s Robert Gibbs makes the larger case as well. “The presence of a significant Black minority in the region and the legacy of unequal public human capital investments create an environment of unusually large variation in education and training outcomes within the region, and lower levels of attainment and achievement overall.” He goes on to state that “...it is minorities that most often operate within the low-skill labor market, that live in the poorest, most resource-strapped areas, and that continue to exhibit the worst education and training outcomes overall.” And finally, “...much of what is particular to the rural South (at least compared with other rural regions) is especially so

Parts of the rural South have high concentrations of minorities

■ Majority Black and majority Hispanic counties in the South, 1990



Source: Economic Research Service, USDA

because of the persistent Black-White divide in schools and jobs.”¹⁵

Obviously, improving the overall endowment and prospects of the rural South demands reducing long-term racial inequalities.

Under-Education

Charged with educating and training tomorrow’s workforce, local school systems play a crucial role in a region’s well-being. Sadly, researchers conclude time and again that education and training in the rural South fall far short. One of the most recent findings comes from the Economic Research Service at the U.S. Department of Agriculture. Using several newly available data sets from the Department of Education, the study found that teachers in the rural South:

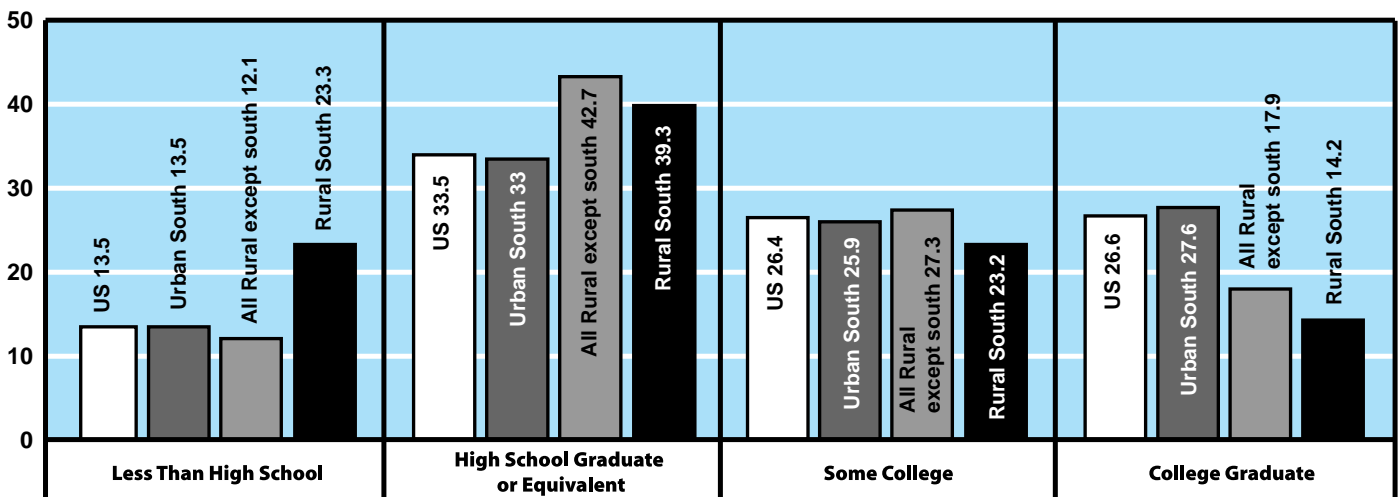
- are less satisfied than those in other regions with salaries, resource availability, class size, teaching as a career, and the level of “problems” in the learning environment;
- receive lower pay than teachers in other rural areas; and
- graduate from prestigious universities at lower rates than other rural teachers do.¹⁶

On top of these deficiencies lie those that plague rural schools across the nation. In general, the rural penalty entails:

- fewer resources for specialized or non-standard classes, including advanced placement, remedial, and gifted programs;
- teacher salaries that are about 20 percent lower than urban teacher salaries;
- teachers who are less likely to have majored in the subject they teach; and

Education lags in the rural South

■ Percent of population by level of education, 1998



Source: 1998 March Current Population Survey

- a tension that surrounds education and its role in young people leaving the area in search of further education and/or better economic rewards to that education.

Thus, schools in the rural South appear to suffer twice: once for being rural and again for being southern and rural.

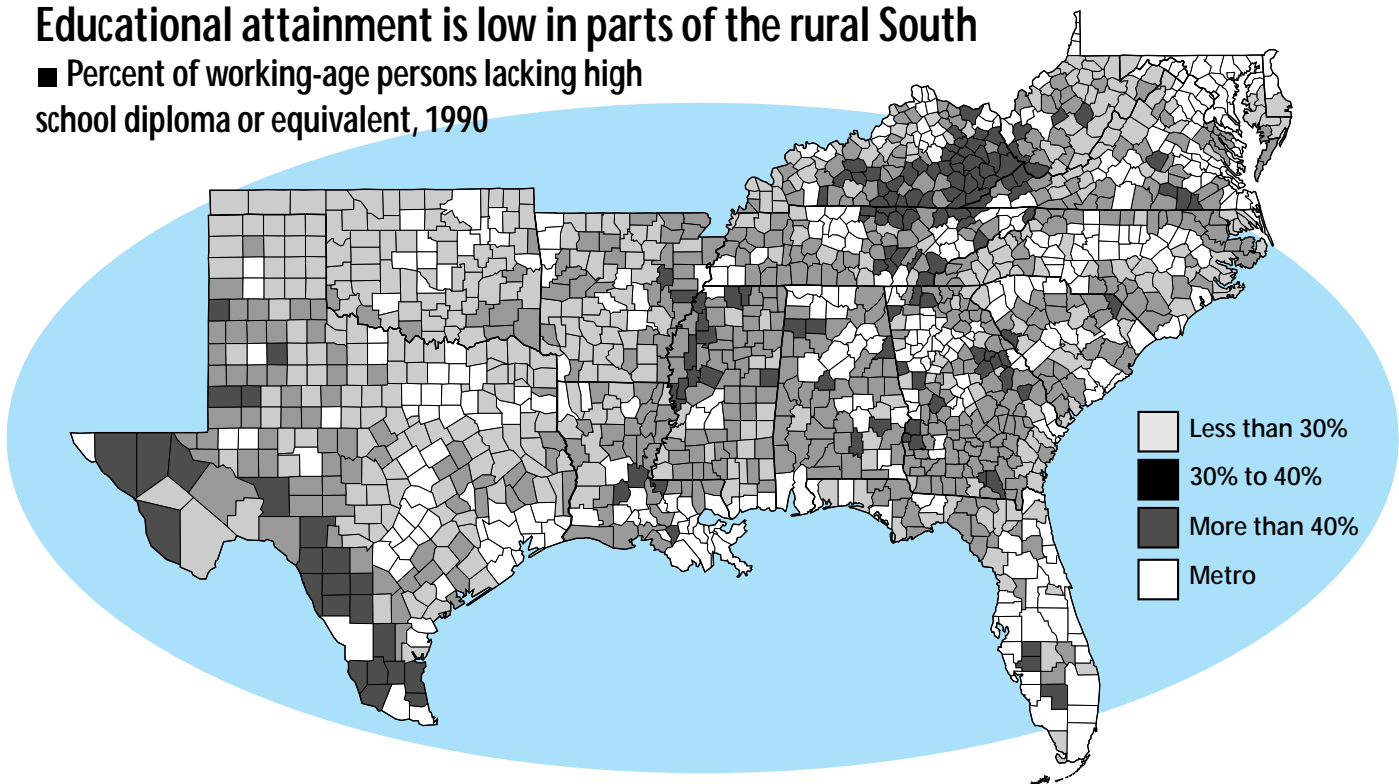
Not surprisingly, achievement scores for students in the rural South continue to lag slightly national, rural, and urban South averages. Likewise, measures of adult literacy in the rural South also lag. Finally, and as one might expect, educational attainment by rural Southerners also falls short of students in other parts of the nation.

Explanations of poor educational performance in the rural South must include the structure, resources, and attributes of the families, communities, and industries of the rural South. But they must also include the lower average scores of the rural South’s large Black population and historical prejudice against, and under-investment in, the education of Blacks. Again, when examining the rural South, one never gets far from race.

Given such handicaps, educational performance in parts of the rural South says little to indicate readiness. In fact, according to Gibbs, these measures form “a coherent if incomplete story of a continuing southern problem in educational quality and workforce development.”¹⁷

Educational attainment is low in parts of the rural South

- Percent of working-age persons lacking high school diploma or equivalent, 1990



Source: Economic Research Service, USDA

Results: Ready or Not?

Of course, the proof of the pudding is in the eating. If we are concerned about the ability of the rural southern workforce to prosper, we must look not only at factors that shape it, but also at the ability itself—at labor market performance. And given the facts and figures presented up to now in this report, one might easily assume the worst about labor market performance in the rural South. But that is not the case...entirely.

The Good News

Some workers in the rural South are doing quite well. In a region where manufacturing provides nearly 20 percent of the jobs, more than 25 percent of earnings, and indirectly generates a substantial number of service sector jobs, the actions of manufacturers are critical. And the news on the manufacturing front is somewhat favorable. The recent spate of automotive plants locating in the South (many in rural areas) has brought with it higher-skill, higher-wage jobs. In fact, research findings indicate that high-skill manufacturing jobs grew faster in the 1970s and 1980s in the rural South¹⁸ than did other, low-skill manufacturing jobs.¹⁹

In addition, there are signs that other manufacturers are “up-skilling.” The ERS manufacturing survey finds evidence that “new technologies are raising the skill needs of rural manufacturers.” And as for the South, manufacturers in rural counties with higher levels of education are adopting technology at only slightly lower rates than are firms elsewhere in the country.²⁰



Some of this technological advance comes as a result of the prevalence of branch plants within the rural South—an arrangement that gives rural plants and communities ready access to technology and assistance. Some comes as a result of increased coordination between industry and higher education. For example, the Itawamba Community College in northeast Mississippi is working with a cluster of 300 furniture manufacturers and suppliers to modernize a traditionally low-tech industry threatened by foreign competition. And in North Carolina, Catawba Community College assists three-fifths of the nation’s hosiery industry through its hosiery technology center—the only one in the United States.²¹

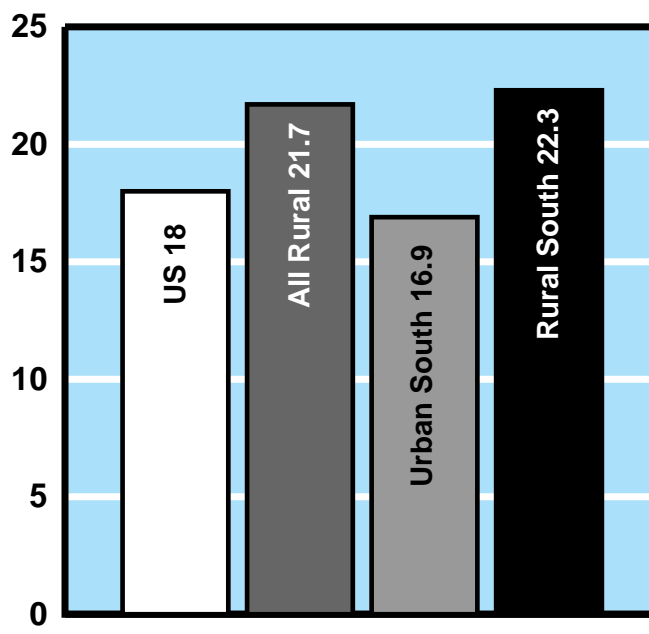
In general, higher skills imply higher wages, broader opportunities, and easier access to continued skill development. Thus, higher-skilled workers, in the rural South and elsewhere, face a more prosperous, more secure future than those with lower skills. Unfortunately, and in spite of the examples presented above, the rural South still has more than its share of people on the low end of the scale.

The Bad News

The toll that poverty, racial inequity, and poor education take on many workers in the rural South can be seen in three critical dimensions of the labor market—the ability to find work, the ability to earn a living wage, and the ability to advance.

Underemployment is higher in the rural South

■ Percent of underemployed, 1998



Source: 1998 March Current Population Survey

The toll that poverty, racial inequity, and poor education take on many workers in the rural South can be seen in three critical dimensions of the labor market.

Employment

The unemployment rate is higher in the rural South than in the nation as a whole, the rest of rural America, or the urban South—but that is only part of the problem. A better measure counts not only the unemployed, but also “discouraged workers” who have given up looking for a job, workers who work less than full-time only because they are unable to find full-time jobs, and the “working poor” who earn less than 125 percent of the individual poverty threshold. On this measure, the rural South fares slightly worse than the U.S. rural average, but significantly worse than the urban South and the rest of the nation.²²

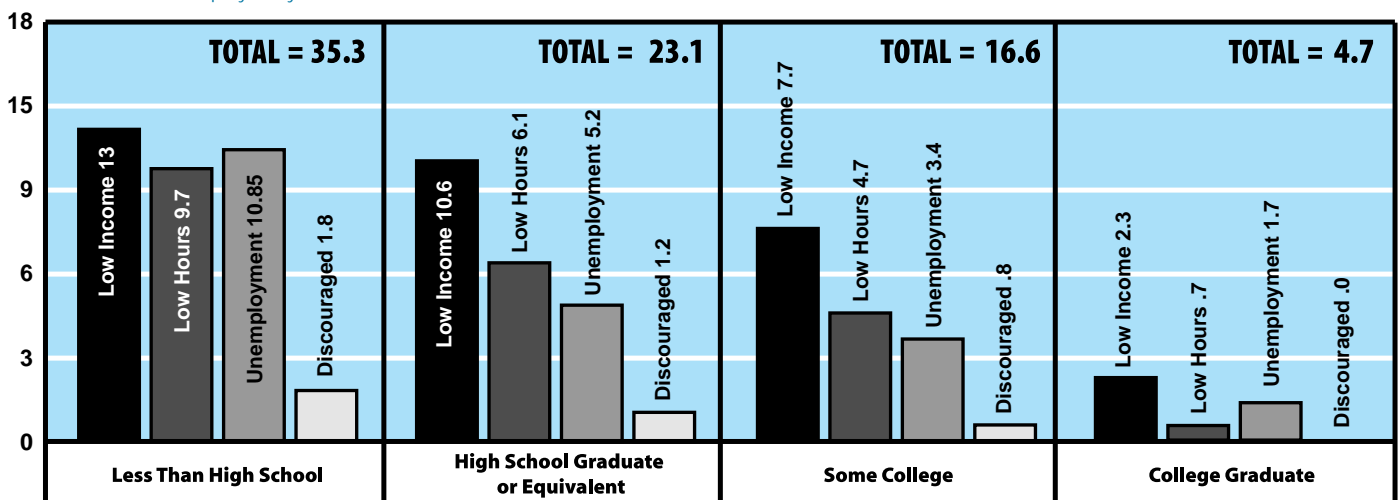
Breaking the measure down into its components and examining the performance by race and education sharpens the focus. As expected, education reduces underemployment. The more you have, the better off you are. In fact, over one-

third of high-school dropouts in the rural South were underemployed in 1998 whereas, less than 5 percent of college graduates were.²³ Those that do not go to college, on the other hand, are more likely to face periods of unemployment than their college-educated peers and tend to be unemployed for three times longer.²⁴ Finally, those that did not attend college (along with women and minorities) also have a more difficult time exiting unemployment.²⁵

Also as expected, Blacks and Hispanics suffer underemployment at significantly higher rates than Whites. Twenty-nine percent of Blacks in the rural South were underemployed in 1998 compared with 30 percent of Hispanics and 20 percent of Whites. However, how much of the disadvantage stems from differences in education versus discrimination or other factors is open to debate.²⁶

Education reduces underemployment

■ Percent of underemployed by education, 1998



Source: 1998 March Current Population Survey

Wages

Given the South's historic reliance on low wages as a recruitment strategy, the fact that wages per job in the rural South are only 74 percent of the national average should come as no surprise.

Likewise, manufacturing jobs in the rural South (nearly 20 percent of all jobs) pay only 68 percent of the U.S. average, the same as they did in 1969. In contrast, manufacturing jobs in the urban South now pay, on average, the same as the rest of the nation.



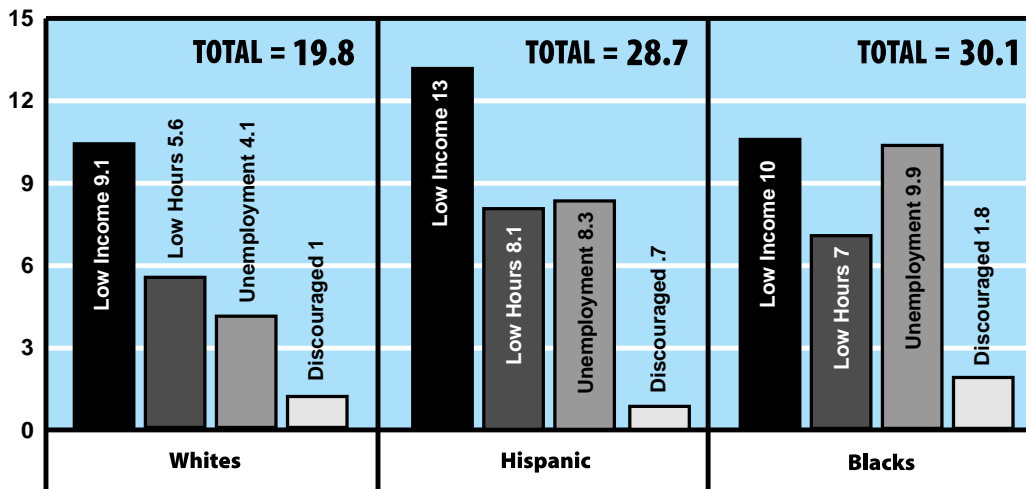
Low wages explain, in part, the prevalence of the “working poor” in the rural South. Generally defined as individuals with jobs or families in which at least one person works, the working poor in the rural South comprise nearly half of all working poor in rural America.²⁷ To better understand this apparent oxymoron, consider that in 1995 a person working full-time and year-round at the minimum wage earned an income 30 percent below the poverty line for a family of three.²⁸

Low wages also explain a large part of the underemployment problem in the rural South. Looking at the various components that comprise underemployment, “working poor” accounts for the largest share of people underemployed—9.6 percent followed by 6.1 percent working “low hours,” 5.5 percent “unemployed, and 1.1 percent “discouraged.”²⁹

Recent research on the factors contributing to poverty among workers suggests that human capital is very important in accounting for poverty among workers and that “Educational attainment, in particular is becoming an increasingly important factor for lifting workers above the poverty line.”³⁰

Race plays a role in underemployment

■ Percent of underemployed by race, 1998



Source: 1998 March Current Population Survey

As corroborating evidence, recent data from the Census Bureau show that college graduates earn 76 percent more than workers with only a high school diploma. According to Jacqueline King, director of federal policy analysis for the American Council on Education, “the bottom [has] fallen out for the value of a high school education.”³¹

Advancement

Climbing the career ladder, it seems fair to say, is a goal of many if not most people in the workforce. For those hampered by poverty, racial discrimination, and/or poor education, however, that goal is not easily attainable. Consider rural Southerners that have graduated from high school but do not go on to college. Once in the labor force, such people tend to have fairly stable employment histories, however, that stability tends to keep them in lower skill, lower paying jobs that offer less chance of advancement. In fact, nearly 60 percent had not

advanced appreciably after four years in the workforce. And some (11 percent) lost ground. As one might expect, non-college bound Blacks have a tougher go of it than either Whites or Hispanics.³²

Training and skill development represents another aspect of career advancement. Results from a survey of rural Southerners³³ show that:

- those with higher levels of education are more likely to demand training;
- holding a position that is high in prestige increases the likelihood of getting training;
- participation in training is also motivated by social capital or civic engagement; and
- demand for training depends in part upon having opportunities for a new job.³⁴

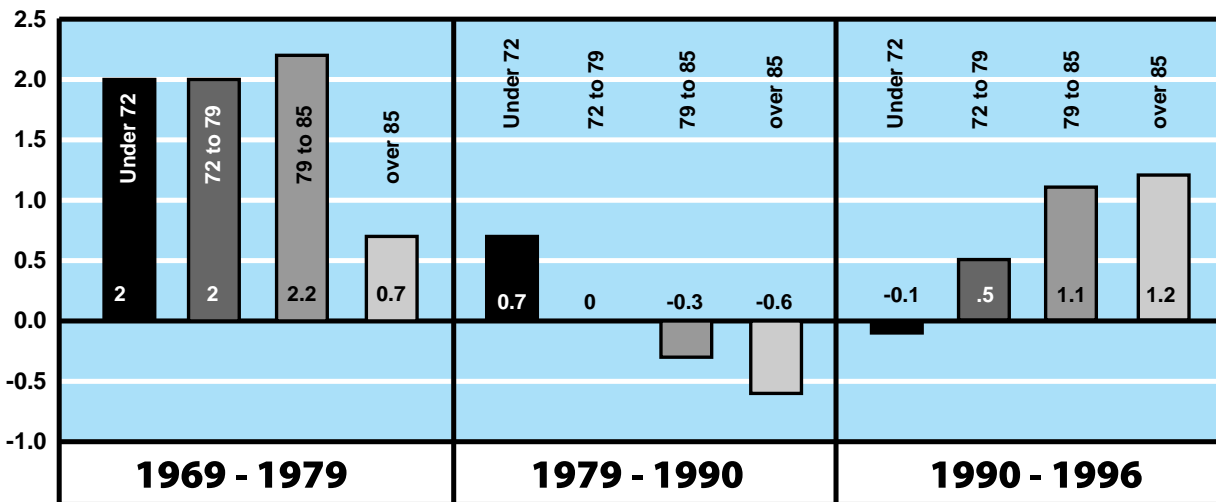
Unfortunately, such findings do not bode well for many workers in the rural South.

Finally, the type and number of firms that choose to locate in a region can significantly affect the advancement opportunities of workers in that region. On that subject, the USDA survey of manufacturers found that new manufacturing technologies raise job skill requirements and consequently manufacturers using those technologies are less likely to locate in low education areas, including those in the rural South. In a reversal of previous periods, southern rural manufacturing employment in the 1990s has shifted away from counties with low levels of education and toward those with higher levels. In addition, when asked about the problems associated with adopting new technologies, 40 percent of rural southern manufacturers said adequacy of worker skills was a barrier.³⁵

Southern rural manufacturing employment . . .
has shifted away from counties with low levels
of education and toward those with
higher levels.

Manufacturing jobs now going to more educated areas

■ Annual rate of change in manufacturing employment by percent of population with high school diploma



Source: Economic Research Service, USDA

Getting Ready

Change has come to the South. And it will keep coming. Getting ready for those changes means different things for different people and different places. In many of the South's urban and rural areas, change brings the promise of opportunity and prosperity, a merger with the rest of the nation. In those areas, getting ready means continuing to do what they have been doing—continuing to adopt new technology, tap new markets, learn new skills, and the like.

For the “other South,” however, changes threaten rather than promise. These areas—predominantly in the rural South—continue as second-class citizens. For them, getting ready means not only adapting to the future, but also overcoming the past. As this report has shown, the two meet head-to-head in the labor market, where a changing demand meets a largely unchanging supply.



Changing Demand

The forces that shape the future also shape the demand for labor. Job opportunities are, and will continue to be, greatest for those with higher levels of education and technical skills—higher today than they were yesterday, higher tomorrow than today. Those who fail to keep up with the rising demand will likely be relegated more and more to lower-paying jobs in the service sector with little potential for advancement. Middle-aged and older workers face an even tougher situation as they are often viewed (and often see themselves) as “too old to retool.”

An ironic exception to all of this seems to be the rising demand for low-skill, low-wage workers in



industries like meat-packing that attract large numbers of Hispanic and, in some cases, Asian immigrants. That these jobs are going to immigrants with relatively few skills, little education, and quite often a language deficiency presents something of a conundrum. Why aren't residents of the region taking these jobs? An educated guess suggests that the jobs are simply too unattractive to Americans—even those with relatively few prospects—because of the wages and nature of the work.

Unchanging Supply

In the past, many a young person in the rural South went to work rather than continue his or her education. And for many, this was an economically rational choice. The prevailing wage afforded a stable, comfortable living and the returns to education in the local labor market were low. That too is changing. The prevailing wage for uneducated workers in the rural South will no longer afford a comfortable living and the returns to education climb higher and higher. Yet large portions of the rural South continue to lag in educational attainment. (There is some hope in the fact that many workers are willing to undertake training if it is tied to higher earnings and the potential for advancement.)

On the other hand, as noted above, many of the low-skill jobs that exist go to immigrants and not low-skill people from the area. Thus, it seems that many workers in the rural South are stuck in the middle—unable to compete for the higher-skilled jobs and unwilling to take the lower-skilled ones.

Finally, there is the issue of qualified workers moving to better jobs outside the region. While this undoubtedly happens to a degree, there are obstacles. First, despite improvements, workers in rural areas—especially poor rural areas—often lack accurate, up-to-date information on job opportunities outside their immediate region. The situation is made worse, of course, by lack of education. Likewise, prior experience with cyclical employment seems to lead some workers to believe that “the old jobs will return.” Second, commuting or relocating to jobs outside one's area of residence can be quite costly—financially as well as socially.

So What Do We Do?

The rural South has, in the past, benefited from Federal efforts and largesse to improve economic and social conditions. As a result, some areas improved. Others, as we have seen, have not, at least not significantly. Nevertheless, the question now facing policymakers is whether conditions in those lagging areas continue to merit substantial Federal intervention. Their answer may well be “no.” The problems of the region may now be just



that: regional problems to be dealt with by entities within the region. On the other hand, national decision-makers may believe that the concentrations of poverty in the rural South continue to warrant Federal attention. Whether or not the Federal government lends a hand, the bulk of responsibility for improving the workforce in the rural South resides in the rural South, with State, regional, and local governments, businesses, and educational institutions. What can they do? The research suggests two avenues of action: 1) help workers get the education and skills they need to meet the demands of the changing workplace, and 2) help workers find suitable jobs.

Regarding the first, recommendations to invest in human capital fill nearly every report written on the rural South. Yet the need continues. Why? Part of the reason stems from the fact that no one has come up with a way to get students to take the bait. Look at the numbers: In 1998, the percentage of rural Southerners with college degrees was only half of what it was for the nation or the urban South—this, despite the 76 percent premium that college grads earn over those with only a high school diploma. Overcoming this

Low-skill, low-wage jobs are often the first step in building a career. That said, those jobs cannot be viewed as a long-term solution to the region's problems.

educational inertia in the rural South is made especially difficult in areas where the current mix of jobs simply don't demand higher skills and young workers are loathe to move to higher skill jobs elsewhere, for which they would not qualify anyway. Perplexing as this Catch-22 is, something must be done to break the under-education chains.

The skills of those already in the workforce are just as important as the skills of those about to enter it. And raising the skills of those already working may be somewhat easier, especially if training is tied to higher earnings and advancement.



Employer-based training programs, where companies control both the curriculum and the rewards, have the best chance of doing that.

As for the second avenue, the first step is to improve the flow of information to workers about opportunities both in the region and elsewhere, since remoteness and low density make it hard for rural residents to learn of job openings. Furthermore rural areas tend to rely heavily on informal systems to match workers and jobs. Openings are advertised via “word of mouth” among friends and relatives—a procedure that restricts both a firm’s access to workers and workers’ access to jobs. It is especially difficult to learn of openings outside the immediate area, in urban and suburban markets more likely to have larger numbers of jobs available.

One way to improve the information flow is to pay greater attention to and assist employment agencies as they match workers to jobs. Such agencies can find and screen potential workers for firms on the one hand, while providing workers with full-time employment (albeit often with various employers on a temporary basis) on the other. Critical services such as transportation and limited job training are also sometimes part of the package an agency offers.

Another way to improve information is by investing in advanced telecommunications and the ability to use them. Access to and familiarity with the Internet is a powerful way to match workers with jobs.

Second, efforts are needed to facilitate multiple job holding. In many areas, workers are forced to piece together full-time employment from several part-time jobs. As the economic base of rural areas changes, many workers are left without full-time jobs. Growth in seasonal employment—tourism and other service sectors—provides mainly part-time opportunities. In order to get by, many households have to combine multiple part-time jobs by several members of the household. Again, employment agencies can help by matching workers with jobs. In such cases, support services like childcare are also critical.

Finally, every effort should be made to maintain existing jobs in the region—even those that are low-skill and low-wage. For many workers those jobs are the only ones for which they will ever qualify and for other workers they are the first step in building a career. That said, those jobs cannot be viewed as a long-term solution to the region's problems. Rather they should be considered an interim measure, a necessary transition into the new economy.



It is often the nature of recommendations that they raise as many questions as they answer. And these are no different. How do we help students overcome the educational inertia that surrounds them and go on to graduate from college? How do we make it worth their while to come back with those degrees? Will higher quality labor in an area attract higher quality jobs or are higher quality jobs the key to improving the quality of labor? How do all these pieces fit together? And who should do what?

Obviously, there are still a lot of questions. And while efforts to get ready cannot afford to wait on answers to those questions, efforts to answer the questions should not wait either. Clearly, there is work to be done on both fronts, each feeding the other. The ultimate result? We can say only this:

we must try, because the future will not wait... whether the rural South and its workforce are ready or not.

We can say only this: we must try, because the future will not wait... whether the rural South and its workforce are ready or not.

Notes

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