

Job Growth: Population Centers vs. Hinterland

One of the more popular variants of “the rich get richer and the poor get poorer” theme applies to the relative growth rates of urban and rural areas. The general belief is that large urban areas boom at the expense of smaller areas which do not receive their share of new jobs. For example, at a recent meeting of an industrial group, one speaker warned: “Industrial growth is going into population centers, while in the hinterland the growth is spotty.” The same theme has been echoed many times, and ominous implications are frequently drawn from this thesis because of urban slums and congestion. But has the recent behavior of employment displayed this urban-rural dichotomy in the Atlanta Federal Reserve District?

For the purposes of this discussion, population centers are defined as the Major Labor Market Areas (MLMA's) and the hinterland as the difference between the state total and the sum of the MLMA's for each state. Hinterland data are somewhat rough because some MLMA's include counties in more than one state. Since these counties are small, relative to the state totals, and since nonfarm payroll statistics reflect place of work rather than residence, the distortion in hinterland data will be small.

The U. S. Department of Labor has defined 18 of the Standard Metropolitan Statistical Areas (SMSA's) in the Sixth District as major labor markets. For the six states these population centers contain about half the Sixth District's nonfarm jobs. In 1966 the percent of nonfarm jobs in MLMA's by state ranged from 13 in Mississippi, which has one MLMA, to 58 in Tennessee and Georgia, which have 4 and 5 MLMA's, respectively. The MLMA's are listed in the table and outlined on the map on page 149.

Demographic Factors and Total Employment

Population growth proceeded at a more rapid rate in the MLMA's (11 percent) than in the less urbanized areas (10 percent) during the 1960-65 period. Moreover, the participation rate (labor force divided by the population) was low in the hinterland because farm families have more children and a large percentage of the population is made up of retirees. The migration from rural to urban areas occurs primarily among young adults, the most likely participants in the labor force. Therefore, the 40-percent participation rate of MLMA's, compared with 35-percent for non-MLMA's, comes as no surprise.

A faster population growth and higher participation rate enabled the MLMA's to outdistance the hinterland in growth of the work force between 1963 and 1966. With a larger supply of new workers and the declining number of farm jobs making only a slight impact, the population centers registered a 13-percent advance in total employment between 1963 and 1966, compared with an 11-percent gain in the hinterland.

Despite a slower growth in total employment, the areas outside population centers recorded a dramatic reduction in the unemployment rate—from 6.0 percent in 1963 to 3.7 percent in 1966. For MLMA's the change was from 5.1 percent to 3.3 percent. Although the rate remained lower in the MLMA's in 1966, the differential was reduced from 0.9 to 0.4 percentage points. Florida was the only District state in which the unemployment rate outside the MLMA's was lower.

The high percentage of farm workers in the work force in the hinterland explains much of the difference in the rate. Farm employment has large seasonal fluctuations and is experiencing a

secular decline in jobs. In 1966 the U. S. unemployment rate for farm workers was nearly double that for nonfarm workers. If the same unemployment rate for farm workers prevailed in the District as in the U.S., the jobless rate for nonfarm workers in the non-MLMA's would be 3.4 percent—almost the same as for MLMA's.

Although the population centers outpaced the hinterland in terms of total job growth, the more widely used statistics on nonfarm payroll employment give the nod to the less urbanized areas in the growth race. What accounts for the difference in the behavior of total and nonfarm employment between the two types of areas? Although MLMA's had a faster growth in the work force than other areas, the increase in the supply of nonfarm workers was similar for both types of areas because of the reduction in farm employment. During the 1963-66 period farm employment was reduced by 108,000, or 15 percent. All of the lost agricultural jobs were outside MLMA's. Therefore, the subtraction of farm workers from the total work force gives an equal increase of about 12-percent in the nonfarm labor for both types of areas.

Lower wages outside the major labor markets explain part of the faster growth in the hinterland. Wages on which social security taxes were paid during first quarter 1962 in the six states averaged \$1,041 in MLMA's and \$893 outside MLMA's. Since wages in both types of areas advanced 15 percent in the 1962-66 period, relative wages have not changed. However, the dollar differential has increased. Although some of the differential in wages results from the higher average skill in the MLMA's—indicated partly by the higher levels of median education—area wage studies have found a wage differential between urban and rural areas for the same job. Wage rates may affect some firms' decision to choose one location over another.

Smaller towns and rural areas of the region could still be lagging if job growth in the non-MLMA's were concentrated in the metropolitan areas not classified as major labor markets. Of the 31 SMSA's—defined as cities with a population of 50,000 or more inhabitants and the counties which are economically and socially integrated with the central city—only 18 are MLMA's. In the 1960 Census each of the MLMA's had a population of 200,000 or more. In the 1962-66 period employment covered by social security for the non-SMSA's grew faster than for the SMSA's, 26.2 and 24.7 percent, respectively. Thus, the alternative definition of

“population centers” does not alter the results. With the supply of nonfarm workers similar in and outside MLMA's, the answer for the differing behavior of job growth in the two types of areas must be found in the demand for various kinds of labor.

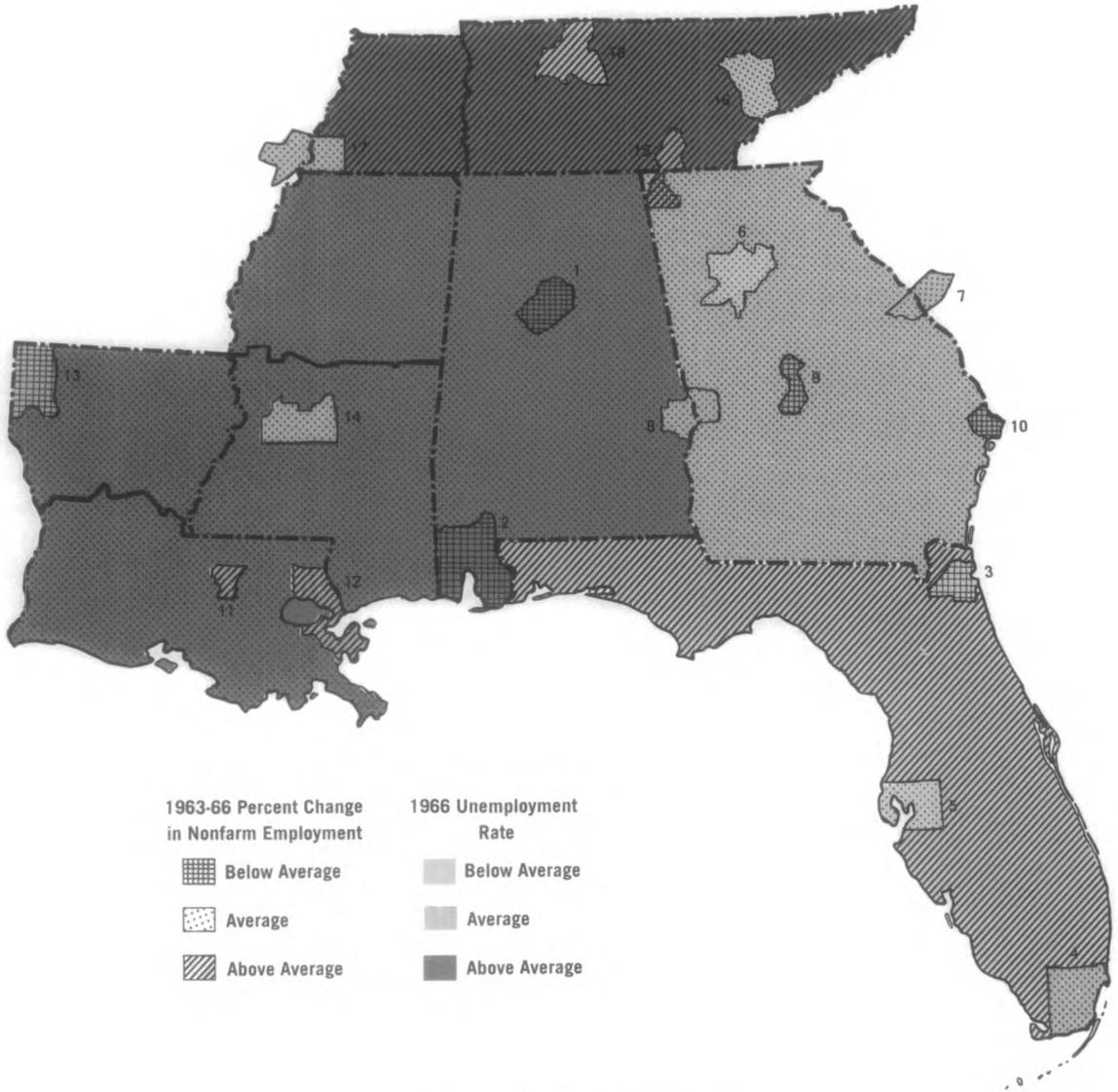
Labor Demand by Major Types of Activity

One reason for the faster nonfarm job growth outside the MLMA's is that the types of economic activity most important in the hinterland have grown faster than average in the District states. During the 1963-66 period, the three sectors which grew faster than total nonfarm employment were construction, manufacturing, and government. The less urbanized areas had a larger percent of employment in each of these activities than did the major labor market areas. The large share of employment in fast growing sectors outside MLMA's was reinforced by a more rapid increase in these three sectors in the hinterland. The faster growth in government jobs outside MLMA's can be explained partially by the location of two state capitals and many military and space facilities in areas outside large population centers. Inasmuch as the fast growth in construction jobs outside MLMA's is expanding the business base, new jobs are being created.

Some Geographical Differences

For the six-state total, non-MLMA's grew faster than the MLMA's, although in Georgia and Louisiana the situation was reversed. In cases where the other areas did not grow faster, MLMA's registered a rather vigorous growth rate. In Georgia, Atlanta and Augusta nonfarm jobs advanced 19 percent, and in Louisiana, Baton Rouge jobs jumped 25 percent and New Orleans employment 21 percent. Of the MLMA's, Mobile had the lowest growth rate because of a reduction in government jobs, still in progress. In 11 of the 18 cases, the MLMA had a slower growth of nonfarm jobs than did the non-MLMA in the state where it was located. In all six states the “other” area grew faster than at least one of the MLMA's in that state.

While employment for the hinterland has been concentrated in the District's fast growing sectors during the years of cyclical expansion, this may not be the case from a longer-term secular point of view. Jobs in cyclical industries like manufacturing and mining had below average growth rates over the last 20 years. Goods producing industries have generally been subject to a faster rate



Area Employment Indicators

Area	1963-66 Percent Change		Unemployment Rate, 1966	Area	1963-66 Percent Change		Unemployment Rate, 1966
	Nonfarm	Manufacturing			Nonfarm	Manufacturing	
Alabama	14.4	18.2	4.2	Louisiana	17.9	14.5	4.3
1. Birmingham	10.3	8.2	4.1	11. Baton Rouge	25.4	8.2	3.7
2. Mobile	2.3	13.3	4.4	12. New Orleans	20.5	21.9	3.3
Outside MLMA's	18.4	22.4	4.2	13. Shreveport	10.5	31.6	3.2
Florida				Outside MLMA's	15.8	8.6	5.3
3. Jacksonville	12.5	15.5	2.2	Mississippi	17.0	23.6	4.2
4. Miami	15.0	23.9	3.5	14. Jackson	13.5	19.5	3.2
5. Tampa-St. Petersburg	16.1	21.9	2.4	Outside MLMA's	17.7	24.0	4.3
Outside MLMA's	22.2	20.3	2.4	Tennessee	18.6	23.5	3.2
Georgia				15. Chattanooga	21.9	25.4	2.9
6. Atlanta	16.1	17.6	3.4	16. Knoxville	13.8	12.5	2.7
7. Augusta	19.7	19.5	3.2	17. Memphis	13.5	15.8	2.9
8. Columbus	18.8	7.7	3.5	18. Nashville	20.8	23.2	2.4
9. Macon	12.2	20.2	2.9	Outside MLMA's	20.9	28.0	4.3
10. Savannah	8.6	8.3	3.5	Six States	17.0	19.8	3.5
Outside MLMA's	14.6	17.2	3.7	18 MLMA's	15.8	16.1	3.3
				Outside MLMA's	18.1	22.7	3.7

of technological advance, which reduces labor requirements per unit of output, than have the service industries. Large cities, long characterized as industrial centers, now have a larger percent of employment in nonindustrial jobs than do the smaller areas. However, an important part of expansion depends upon the growth of an area's industries which serve national markets and create a demand for jobs in the local service areas. Therefore, developments in the manufacturing sector, which primarily serves nonlocal markets, need examination.

Growth in Manufacturing Employment

In manufacturing, the difference in the 1963-66 percentage growth rates in jobs between MLMA's and non-MLMA's was greater than for any other major division, with rates of 22.7 and 16.1 percent, respectively. Manufacturing jobs in the hinterland areas recorded their best gain in Tennessee, with a 42-percent advance in durable jobs in which furniture and fabricated metals manufacturing led the way.

Durable goods jobs in the hinterland increased more rapidly in each state than in the MLMA's of that state, even though the fastest growing durable goods industries were concentrated in population centers.

For the six states, the fastest growing durable goods manufacturers were transportation equipment, fabricated metals, and furniture. Transportation equipment jobs are substantially more important in the MLMA's, fabricated metals are somewhat more concentrated in MLMA's, and furniture manufacturing is more pronounced outside the major labor markets. The only durable goods industry with a job growth rate substantially below that of total manufacturing, lumber and wood products, is concentrated outside metropolitan areas. Furniture and fabricated metal manufacturing jobs grew faster in the non-MLMA's in every District state than in the population centers.

For nondurable goods manufacturing, the fastest growth in this region occurred in the apparel industry, located primarily in small towns. In the food, paper, and printing industries, where the area growth was about average, the pace was substantially faster outside the large urban areas. In the chemical industry, on the other hand, growth was higher in the MLMA's. However, the chemical industry does not employ a large num-

ber of people. For the paper and food industries, the availability of the principal material inputs makes the less populated areas attractive. The small capital requirements and the availability of many small towns with an adequate supply of female labor draws apparel firms to these areas. Thus, the more rapid growth in nondurable goods jobs outside the MLMA's is not unexpected.

Dispersion of Jobs

These employment developments reflect a general dispersion of industry away from population centers. A recent study by the U.S. Department of Labor also indicates that job growth is proceeding at a faster pace in the fringe counties of metropolitan areas than in the central counties. This dispersion reflects improved transportation and the move away from city congestion. In the central cities, the cost of both land and labor is considerably higher.

The concerted effort of many industrial development commissions to bring new industry into these less developed areas has also played a role in the dispersion of industry. These agencies make special studies of small areas to uncover potentialities and develop different training programs to improve the quality of the local labor force. Many of the less developed counties have taken advantage of special legislation, such as industrial bonds and tax concessions, to attract industries to their area. Such devices are less frequently used by large cities.

While the data clearly indicate that the areas outside metropolitan areas have grown faster in terms of nonfarm and industrial jobs in recent years, the aggregates cover up many of the disparities among individual areas. The variability of job growth is greater among hinterland counties than MLMA's because non-urban counties are more likely to depend upon a few industries or firms. If the fortunes of a dominant firm located in a less developed county falter, the local economy can easily lag. For larger areas, the number of different industries allows great opportunity for offsets. Yet the disparities in the fortunes of less populated counties do not mean the hinterland is losing out on the competition for new jobs. Growth may be spotty, but both nonfarm and industrial jobs have increased at faster rates in the hinterland in general than in the large population centers in recent years.

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