Fed's Eighth District Goes Country To Create New Jobs

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ST. LOUIS - Large cities across the nation are revitalizing their business districts. Tax breaks, infrastructure improvements, hiring incentives they're all playing a part. But if you think that means big metros are leaving their country cousins behind, think again. In the Federal Reserve's Eighth District, rural areas are meeting and sometimes beating their city neighbors in job growth.

Economist Adam M. Zaretsky examines how rural areas have been accomplishing this in "The Overlooked 40 percent: The Rural Eighth District" an article in the latest issue of ***The Regional Economist***, the quarterly publication of business and economic issues published by the Federal Reserve Bank of St. Louis. (The 40 percent refers to the portion of the Eighth District's population that lives in rural areas, double the national figure of 20 percent.)

Comparing employment growth rates of rural areas with those of urban areas, Zaretsky came up with another surprise. "Between the mid-1980s and the mid-1990s, manufacturing employment took off in rural areas," he said."Although most states' urban areas also added manufacturing jobs, they came at a slower pace than in rural areas."

Zaretsky also noted that counties in the District's southern states generally have higher shares of workers in manufacturing jobs than their northern neighbors. For example, the rural counties in Arkansas, Mississippi and Tennessee are especially manufacturing-intensive, with more than 20 percent of their employees working for manufacturing firms. On the other hand, he said that rural areas in the District's northern states particularly Missouri, Illinois and Kentucky generally have average or below average shares of manufacturing employment.

"For the most part, this north/south divide exists because southern states generally have less restrictive labor laws and lower labor costs than their northern neighbors,"said Zaretsky. "This has made southern states particularly attractive to firms looking to cut costs and improve efficiency, as increasingly fierce competition has evolved in domestic and foreign markets."

Considering per capita income, Zaretsky noted that a large gap still exists between urban and rural areas, even though the rates of income growth have been about the same for both. "Rural areas, particularly in the District's southern states, still have to deal with relatively high poverty rates," said Zaretsky. "At first glance, this would seem to indicate that much of the income growth in rural areas may have come from government payments to the poor. Between 1984 and 1994, per capita government payments, adjusted for inflation, grew about half a percentage point a year faster in each state's rural areas than in its urban areas."

Zaretsky quickly pointed out, however, that in 1994 only 11 percent of all federal government transfer payments went to welfare programs, while 70 percent went to Social Security and Medicare. "Rural areas have higher concentrations of persons 65 and older than their urban counterparts," he said. "This probably benefits rural areas because these senior citizens are willing to spend much of their income and accumulated wealth they are some of the biggest spenders in the economy today."

He said the next wave of development in rural areas will likely come from pathbreaking telecommunications technologies. "The belief," said Zaretsky, "is that these new technologies will better link rural areas with other communities and their expertise, which should improve medical services, create new jobs and increase access to educational opportunities."

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