

THE ECONOMIC EVOLUTION OF RURAL AMERICA

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Senator ABDNOR. Would you care to summarize that or say something, if Mr. Briggs wouldn't mind.

Senator D'AMATO. Well, Mr. Chairman, No. 1, I think that the area that you have chosen to review today is one that is most topical, and I think it is important that we focus in on the shifting demographics of people who are moving from rural areas to metropolitan centers, and the prime reason I think in many cases is economic.

That is the reason that many of our young people, who, after we educate them, no longer seek to follow in the traditional family businesses. There is a trend, or there did appear to be a trend in the 1970's, for many reasons, of people moving to smaller communities for safety, better environment, and the tendency of major corporations to seek lower tax areas, as well as one that would offer certain amenities to its workers.

It would seem to me that there is tremendous strength in our rural areas and it is a great way of life. Those upstate communities that have been very hard hit as a result of the economic recession in New York State are not too dissimilar from those in the Dakotas and other areas.

People tend to think of New York as simply high-rise and subway and fail to realize that over 7 million people live north of Westchester and that indeed as we take a small plane and get the opportunity to view it, you see that there are great expanses of farmland and rural communities.

Let me say this, Cornell is just such a great resource to our State and to our Nation and it is one that I am so very proud of, notwithstanding the fact that I went to Syracuse---

[Laughter.]

Senator D'AMATO. But let me thank you, Mr. Biggs, for loaning your expertise to this hearing today, and I thank the chairman for his kind indulgence.

Senator ABDNOR. Thank you very much.

Mr. Briggs, we are anxious to hear from you.

Senator D'Amato has often told me about all that rural area you have in New York along with your cities. When he gets his New York day here with the agricultural products, he convinces me more and more how rural New York can be. [Laughter.]

We are happy to have you.

STATEMENT OF VERNON M. BRIGGS, JR., PROFESSOR OF LABOR ECONOMICS, INDUSTRIAL AND LABOR RELATIONS INSTITUTE, CORNELL UNIVERSITY

Mr. BRIGGS. Thank you. I will be as brief as I can. The statement is quite long, so I know I have to be brief. So I will try to, anyhow.

Despite both the large size and the critical importance of the rural economy to the Nation's overall welfare, rural human resource problems continue to be, at best, unrecognized and, at worst, neglected. Indicative of this continuing state of affairs is the fact that useful rural labor market data continues to be sparse and often inconsistent. Support for research that focuses exclusively on rural labor market operations is minimal, and the few research insights that are available are usually ignored in the policy formulation process.

Despite the fact that over a quarter of the Nation's population in 1980 resided in rural areas and over a third of its labor force was employed in nonmetropolitan areas in 1982, public policy continues to function as if urban and national labor market issues are synonymous. As a consequence, the unique human resource problems that confront rural America remain largely unaddressed. The pattern of neglect is not new, but there are signs in the 1980's that the human and financial cost of this lack of attention appear to be growing.

The statistical concepts of unemployment and its definition was developed in the 1930's—at the end of the depression and they have continued largely in use since then. During that depression decade, there was a close relationship between unemployment and economic deprivation. Unemployment was pervasive amongst many people of all races and both sexes, and in all regions.

In subsequent years unemployment has fallen from the depression rates and there has been growing concern that the unemployment rate no longer is a satisfactory measure of economic deprivation.

As an aggregate figure, the unemployment rate is a composite of a vast number of diverse individual experiences. A low unemployment rate can mask that fact that subgroups in a population may still be experiencing very high levels of unemployment.

The average figures often conceal more than they reveal. In fact, during the 1960's when the unemployment rate in the late 1960's was as low as it has been in the last 25 years, with rates in the 3.6 range, it was during that period that our Nation's cities erupted into a large number of civil disorders. That experience showed the shortcomings of reliance upon the unemployment rate as an indicator of economic welfare. Its deficiencies became painfully obvious.

The report of the National Advisory Committee on Civil Disorders highlighted the fact that even though the national unemployment rate was low, the unemployment rates among many subgroups in our cities in some areas were extremely high.

And it led to a movement to set up a series of subemployment measures, in other words, ways of finding some other ways of measuring economic deprivation than simply the unemployment rate.

This led to the development of the subemployment index in the Department of Labor, and that subemployment index, which was an effort to combine the working poor—people that have jobs but cannot earn an income at levels that will bring them above poverty levels—involuntary part-time unemployment; statistical undercount, which is very, very severe in the low income population areas; and discouraged workers—all of those who want to work but have quit looking for jobs because they feel none are available.

The results of these studies of the subemployment index, which were all conducted in urban areas were, of course, a shock to the Nation. The average subemployment index was 34 percent at a time when the national unemployment rates were around 3 percent.

The subemployment index was developed in response to a need for a better yardstick to measure the underutilization of the urban labor force following the violent disruptions in many of our Nation's urban slums.

No consideration at that time was given to the application of the concept to rural labor markets. The obvious explanation is that rural workers suffer from an audibility gap. They lack a public voice. Their needs at the time that the subemployment index was developed were probably as severe, if not worse than those of urban workers. But because rural workers are geographically dispersed and because they lack media coverage relative to what is available to urban workers, it is almost impossible for their needs to be articulated and publicized or their frustrations to be manifested in ways that are available to urban workers.

Hence, there was no research or policy effort ever made to include rural workers in the conceptual designs of these subemployment indexes by the Department of Labor.

I go through several other attempts to develop alternative measures by the Bureau of Labor Statistics and by the Department of Labor.

Due to concern that this unemployment data was not useful, the Levitan Commission was set up in 1976 to look at the unemployment statistics, and especially the concept of economic hardship. I won't go through the discussion about why Congress created this Commission.

The Commission ultimately decided not to publish a single hardship index figure by an 8-to-1 vote with Chairman Levitan being the dissenter and arguing that we should have an economic hardship index.

But the Commission did call for the publication by the Bureau of Labor Statistics of an annual report on economic hardship. The Levitan Commission also called for efforts to make the rural population identifiable in Government reports, but in my review of the last two reports by the Bureau of Labor Statistics, three reports actually on economic hardships that have come out, the words "rural" and "nonmetropolitan" don't appear anywhere in any of them.

So that again it is an aggregate concept. The reports are now available showing that there is much more economic hardship in the Nation than is indicated by the unemployment rates, but none of it is broken down to identify the needs of rural areas.

It should also be noted, as Ms. Norwood mentioned briefly in her talk, that as yet there has been no effort at the Federal level to address one additional indicator of underemployment; namely, the case of people that take jobs and therefore are counted as being employed, but the jobs are way below their skill levels or educational levels that they already possess. This usually means they are earning lower wages than they feel they deserve.

This is the meaning of the term underemployment that most people in the citizenry of the Nation have when you raise the concept of underemployment. They don't think of discouraged workers or involuntary part-time workers or statistical undercount or all the things that economists discuss. They usually think in terms of people working below their skill levels.

But because this type of information is not presently part of the Federal labor market statistical system and because it is a concept that is not easily quantifiable, it is simply ignored as an issue.

It is likely in rural areas that this phenomena is far more common than in urban areas. Just because social problems cannot be easily quantified and, therefore, are not examined does not mean that they are unimportant. This issue comes up a little bit later in my prepared statement.

Let me just very briefly highlight some of the results from rural labor market research. There are at least five or six studies, all of which are cited in the statement, that have unequivocally stated that the unemployment rate is absolutely the wrong indicator to measure the utilization of labor and the job adequacy of rural areas.

Senator ABDNOR. What page are you on?

Mr. BRIGGS. Under rural labor market research, and the citations are there, Tweeten, Hathaway, Marshall, Nilsen, Martin, Rungeling, and others, with all the specific page recommendations, all of which unequivocally state that the unemployment rate is the wrong indicator. And these are studies that have focused exclusively on rural as opposed to national studies of labor markets that largely are reflecting urban data biases. These are studies that all looked only at the rural labor market, and all of them have unequivocally stated this conclusion.

The reasons follow in the rest of this section of my prepared statement. There is the higher incidence of self-employment, the higher incidence of involuntary part-time employment, the higher incidence of casual labor, of unpaid family labor, multijob holders, migratory and seasonal labor. All of these indicate the need for a broader type of statistical data base to really have an understanding of rural labor markets. They are important for urban areas, too, but they are much more important for rural areas.

Thus, it is not surprising that the rural labor market researchers are in complete agreement that underemployment measures are mandatory for an adequate depiction of nonmetropolitan labor market reality, and I will cite some findings of the National Governors' Association. When the CETA Program was of special interest to them, they were very concerned about the use of unemployment rates because it was a bias against providing services to rural areas for which the Governors were primarily responsible.

I also mention a study done by Ray Marshall, former Secretary of Labor, when he was an academic economist. He made an effort to estimate subemployment in rural areas. Another study, of which I was a part, of the Southeastern part of the United States, calculated a subemployment index for rural counties of 41 percent. The details are discussed in my prepared statement.

One of the problems is also the fact that there is inconsistent definitions between Government agencies, and you touched on this a few moments ago with Ms. Norwood between the Bureau of the Census, between the Department of Labor, between the Department of Health and Human Services.

The Levitan Commission argued in favor of a consistent definition among Government agencies that collect and publish rural and nonmetropolitan data so we could actually carry on a dialog and know who is talking from what data source. But still there is no sign that that recommendation has been acted on yet.

Looking at the post-1980 developments, it included the most serious recession period that the Nation has encountered since the early 1930's in terms of unemployment rate. It looks as though rural America has suffered the worst of all possible fates. Indicative again of some of your introductory comments, normally the experience has been that the unemployment rates of rural America have always been below the national rates. There is some indication here in the 1980's, however, that some of the unemployment rates in rural areas, at least as measured by nonmetropolitan data, are even exceeding those of the urban area.

Senator ABDNOR. I will tell you one thing, in the rural areas, people will take any kind of available job when they need one.

Mr. BRIGGS. Yes.

Senator ABDNOR. I would like to see more people in urban areas of this country take the kind of work they do. Then, if they can't find work and the unemployment rates are high, it is because there is absolutely no work available. Some of the jobs are not desirable and the workers are often turned down. I would just like to make that point.

Mr. BRIGGS. Well, there is a very important study in your neighboring State of Nebraska that I mention in here that touches right on that point.

Let me just say, and it may not be popular to say, but I think aside from the severe problems at agriculture has had in recent years that some of the effects of national economic policy in rural areas have been disastrous for rural America. Under the Budget Reconciliation Act of 1981, as enacted by Congress, the first principle consisted of cutting Federal personal income taxes.

The taxes, however, were proportional to income. Hence, as there were proportionately more people in lower income brackets and few in higher income brackets in most rural areas than in urban areas, the rural economy has received very little benefit from the stimulation as did the urban economy from that type of across-the-board tax reduction.

Second, on the expenditure side, the sharp cuts in social expenditures, because of many of the problems especially of poverty and dependency, have been much more severe in rural areas than in urban areas. The cutbacks in these programs on the expenditure side have meant less money available for rural areas.

Third, the massive buildup in defense areas will only tangentially touch most of rural America. It will help certain urban areas tremendously and a few rural areas, but most of rural America is not going to be affected by this.

There are only a few studies that have touched on this experience so far that I know of. One was done by the Tennessee Valley Authority of its 201 counties in the Southeastern part of the United States. It found, as I touch on in here, that their communities received only 17 percent of the economic stimulation as the national did.

Confronted with this massive recession we had in the early 1980's, their area had very little stimulation. They actually found a number of counties in the Southeastern United States in which the counties were negatively affected by these three components of this economic legislation. They are actually worse off as a result of the

cutback in expenditures, the tax cut which did virtually nothing for many of them, and the emphasis on defense expenditures.

The Southern Regional Council has made almost the same conclusions. If I might, I just wish to cite one study here from Nebraska, a predominately rural State, and in 1985 it just released a study, a statewide survey, in which they wanted to find out whether or not the situation really was worse than it was being reported by the Federal statistics.

They have conducted their own survey, an expanded statewide sample, and used the exact same definitions used by the Bureau of Labor Statistics and found that, while the official unemployment rate in the State was 5.7 percent, their survey rate was 6.1 percent. In other words, their survey rate was higher.

The survey found the unemployment rate of urban workers was 7.3 percent while the rural rate was 5.3, which then meant that the rural rate was lower. The study then found that 12 percent of those employed were involuntary part-time workers, 1.1 percent were discouraged workers who had dropped out, but the most surprising figure in this whole study was that 23 percent of the people who reported themselves employed stated that they were working at jobs that were below their skill levels and education levels. They had taken these jobs only because they were the only jobs they could find, the exact comment you made a moment ago.

Although this report did not give a specific breakdown, it did state that the problem was much worse, that this issue of the downgrading of the labor force, was much more severe in the rural than in the urban areas.

Let me just make a last comment and then I will stop. It can be expected, however, that if underemployment measures are actually developed and if they are included in the formula to allocated Federal funds, and that is discussed in this statement, but I haven't highlighted it, there would be a considerable increase in the assistance provided under most programs to rural areas, and such increases will probably mean decreases elsewhere.

It is likely that there will be immense political opposition to any effort to change the prevailing urban biases that accentuate unemployment as the key allocator, and the National Governors' Association has made that point.

Thus, part of the resistance to the wider adoption of economic hardship measures stems not from the logic or the methodological restraints that we focus so much on, but from the political awareness of what the results might be. Thank you.

[The prepared statement of Mr. Briggs follows:]

PREPARED STATEMENT OF VERNON M. BRIGGS, JR.

The Rural Labor Force: Unemployment
and Underemployment Issues

Despite both the large size and the critical importance of the rural economy to the nation's overall welfare, rural human resource problems continue to be either at best unrecognized or at worst neglected. Indicative of this continuing state of affairs is the fact that useful rural labor market data continues to be sparse and often inconsistent. Support for research that focus exclusively on rural labor market operations is minimal and the few research insights that are available are usually ignored in the policy formulation process. Despite the fact that over a quarter of the nation's population in 1980 resided in rural areas and over one-third of its labor force was employed in non-metropolitan areas in 1982, public policy continues to function as if urban and national labor market issues are synonyms. As a consequence, the unique human resource problems that confront rural America remain largely unaddressed. The pattern of neglect is not new. But there are signs in the 1980s that the human and financial costs of this lack of attention appear to be mounting.

THE CONCEPTS OF EMPLOYMENT AND UNEMPLOYMENT

The official definitions of the civilian labor force--those employed plus those unemployed--have not been substantially altered since they were set forth near the end of the Depression (National Commission on Employment and Unemployment Statistics, 1979: 23). The definitions used by the U.S. Bureau of the Census in its monthly Current Population Survey state that employed persons are those civilians more than sixteen years of age who are not institutionally confined and who either work for pay at any time or who work unpaid for at least fifteen hours in a family-operated enterprise during the week in which the monthly sample count is conducted. Those persons who were temporarily absent from regular jobs because of illness, vacation, industrial dispute or similar reason are also counted as being employed. A person with more than one job is counted only in the job at which he or she worked the greatest number of hours. Since January 1983, resident members of the Armed Forces are also included in the national but not the local labor force statistics. Unemployed persons are those civilians above the age of sixteen who are not institutionally confined who did not work at all during the survey week but who claim to be available for work and who searched for a job during the preceding four weeks. The official unemployment rate, therefore, is simply a ratio of the unemployed to the combined number of employed and unemployed. Thus, the definitions used to determine the official unemployment are statistically explicit.

Aside from a few minor suggestions, such as the inclusion of the military in the national statistics, the National Commission on Employment and Unemployment Statistics recommended in 1979 that no changes be made in the current definition of employment. The commission, in a five to four split vote,

specifically rejected a proposal that discouraged workers should be counted as being unemployed (National Commission of Employment and Unemployment Statistics, 1979: 56). As will be discussed subsequently, the continued exclusion of discouraged workers has disproportionately adverse significance to the evaluation of rural labor markets relative to urban labor markets.

THE CONCEPT OF UNDEREMPLOYMENT

During the depression decade of the 1930s, there was a close relationship between unemployment and economic deprivation. Unemployment was pervasive among all regions, races, sexes, and classes. In subsequent years as the unemployment rate has fallen considerably from its Depression heights, there has been growing concern that the unemployment rate no longer is a satisfactory proxy for economic deprivation. As an aggregate figure, the unemployment rate is a composite of the vast amount of diverse individual experiences. Hence, even a low unemployment rate can mask the fact that subgroups in the population may still be experiencing very high levels of unemployment. Average figures often conceal more than they reveal.

Indeed, during the 1960s as the civil rights movement progressed from its initial preoccupation with the social and political indignities of overt segregation in the South to becoming a national movement for equal economic opportunity, the shortcomings of sole reliance upon the unemployment rate became painfully obvious. Unemployment rates during the mid-1960s fell to their lowest levels since World War II. Yet a rash of civil disorders erupted in a number of urban areas throughout the nation. Analysis of the causes of these upheavals centered upon the deterioration of urban black employment opportunities despite opposite national trends (Report of the National Advisory Commission on Civil Disorders, 1968: 251-65). Many of these urban blacks were either migrants from the rural South or children of families who themselves had migrated from the rural South (Fuller 1970). Unemployment rates for blacks were more than twice those of whites and the rates for black women and black youth were even higher. But to make things even worse, labor market experts noted that the economic plight of blacks was also adversely affected by declining male labor force participation rates and by the fact that many fully employed male and female blacks were unable to earn incomes that would bring them above nationally defined poverty levels.

Thus, the stage was set for a departure from sole reliance upon the unemployment rate as the principal determinant of the adequacy of labor markets. In 1966, the U.S. Department of Labor (DOL) launched its "slum survey" in ten large urban areas. No nonmetro areas were included. The study found that in slum areas where minorities were disproportionately concentrated, considerably higher unemployment rates prevailed than in the surrounding metro areas. But the level of analysis was broadened by the introduction of the new concept of a "subemployment" measure (Manpower Report of the President, 1967: 73-75). The details of this measure are discussed elsewhere (see Briggs, 1981: 363-364). Suffice to say for present purposes that the index sought to measure not only "official" unemployment but also to include allowances for the working poor, the involuntary part-time employed, discouraged workers, and even an estimate of statistical undercount which is well known to be a serious problem in all low income areas. The result was that subemployment in these ten urban slum areas was computed to be between 24 percent and 47 percent -- the average was 34 percent.

The subemployment index was developed in response to the need for a better yardstick to measure the utilization of available urban labor, following the violent eruption of a number of the nation's urban slums. No consideration was given at the time to the application of the concept to rural labor markets. The obvious explanation is that rural workers suffer from an "audibility gap." They lack a public voice. Their needs at the time that the subemployment index was conceived were as severe as those of urban workers, if not more so. But because rural workers are geographically dispersed and they lack media coverage (relative to what is available to urban workers), it is almost impossible for their needs to be articulated and publicized or for their frustrations to be manifested in ways that are available to urban workers. Hence, no research or policy effort was made to include rural workers in the conceptual design of the index by DOL. In passing it should be noted that in 1967 the final report of the President's National Advisory Commission on Rural Poverty did make reference to the severity of underemployment in rural areas. Its report, however, did not attempt to measure the magnitude of underemployment or to offer a preferred way to measure its dimensions (President's National Advisory Commission on Rural Poverty, 1967: X).

In 1968, DOL announced that further surveys were underway and suggested that "impoverished rural areas" should also be studied in light of this expanded definitional concept. But with the change in national political leadership and philosophy at the federal level that occurred in late 1968, the official interest in the subject of underemployment concepts was abandoned (Spring: 1972).

In 1972, the staff of the Subcommittee on Employment, Manpower, and Poverty of the Senate Committee on Labor and Public Welfare undertook the task of compiling a subemployment index for fifty-one urban areas (U.S. Senate, 1972: 2276-80). The subcommittee relied, however, not on a sampling technique but rather on the data collected in the 1970 count of the entire population of these low income areas by the census. It found that although the national unemployment rate was between 5 and 6 percent, the unemployment rate in these inner-city areas was 10 percent and the subemployment rate was 30 percent. The subemployment concept was essentially the same as that used in 1967 by DOL. Again, no effort was made to include any rural areas.

Interest among academicians in the subject of an expanded definitional concept remained strong. (see Miller, 1973: 10; Levitan and Taggart, 1973; and Briggs, 1981). In 1973, the passage of the Comprehensive Employment and Training Act (CETA) mandated that DOL develop data that closely resemble those needed to construct a subemployment index. The act also required that funds be allocated on the basis of local labor market data on unemployment--even though no such local labor market data existed at that time (Norwood 1977). The Bureau of Labor Statistics (BLS) of DOL was given the responsibility to develop all such data. In 1975, the commissioner of BLS outlined the extreme difficulty encountered in the collection and tabulation of subemployment data (Shiskin, 1975). Because there was no consensus among policymakers, academicians, and the public, the commissioner requested that an independent and impartial review committee be established to examine the definitional issues involved.

In the meantime, in 1976, BLS announced that it would begin tabulation and publication of seven separate "measures of unemployment." One would be the official defined rate whereas the other six were various measures that were either tighter or looser constructions of labor market conditions (Shiskin, 1976). This useful monthly and quarterly series continues to be available. It is, however, an aggregate tabulation for the nation as a whole with no mention of rural labor market conditions.

Later in 1976, legislation was enacted that established the National Commission on Employment and Unemployment Statistics (Public Law, 1976). This presidential commission of nine nongovernmental persons was charged to examine the need to develop broader labor market concepts. A specific request was made to study the issue of economic hardship. Sar Levitan, was appointed chairman of the new commission.

In its final report, the Levitan Commission did find "that the present system falls short of meeting the information needs of labor market analysts" who are concerned with the usefulness of the data for policy development (National Commission on Employment and Unemployment Statistics, 1979: 38). The report observes that "unemployment rates in rural areas are consistently low relative to urban areas." Taking specific note of the inordinately high incidence of poverty in nonmetro areas and the general scarcity of jobs relative to metro areas, the commission also mentions that the problems of worker discouragement, involuntary part-time employment, and the working poor are especially severe in many nonmetro areas. The commission states that "the diverse circumstances of rural workers and the unique characteristics of rural labor markets" underscore the need for new measures of earnings and income adequacy (National Commission on Employment and Unemployment Statistics, 1979: 97). The commission noted that "economic hardship" may come from low wages among employed persons, unemployment (including partial unemployment due to slack work) among those in the labor force, and limited participation in the labor force by persons who desire more participation. The commission recommended the development of "multiple indicators" of hardship. In its final report, however, the commission rejected the idea of a single composite index of labor market hardship. Such a composite index had been contained in the preliminary draft issued nine months prior to the final report. The decision not to recommend such a single index was based on an eight to one vote with Chairman Levitan casting the single dissent (National Commission on Employment and Unemployment Statistics, 1979: 59-60 and 71-72). The majority of the commission concluded that "the issues associated with defining labor market hardship reveal the inherent complexity and multidimensional nature of the concept." The commission did recommend that distinct indicators corresponding to various types of hardship be developed and published in an annual hardship report that would separately discuss employed persons earning low wages, unemployment, and nonparticipation in the labor force (National Commission on Employment and Unemployment Statistics, 1979: 63-71). In response to this specific recommendation for a special annual hardship report, the BLS has published such reports beginning in 1982 (Bureau of Labor Statistics, 1982, 1983, and 1984).

It is significant that the commission explicitly recognized the lack of useful labor market indicators for measuring the adequacy of employment for rural workers. It discussed the need for better indicators other than simply unemployment. It did recommend "that the rural population be an identifiable population group in indicators of labor market related hardships" (National Commission on Employment and Unemployment Statistics, 1979: 97). Unfortunately but not surprisingly, the aforementioned BLS reports on economic hardship that have been published since 1982 do not include any data breakdown that identifies rural or nonmetropolitan workers as an "identifiable population group." It is likely that many of those persons identified in these reports as being in need are rural workers. But one would never guess that this is the case from reading these reports.

It should also be noted that no federal effort has yet been made to address one additional indicator of underemployment. Namely, the case of persons who take jobs--and are thereby counted as being employed--but the jobs are below the skill levels that many workers already possess. It usually means that they are earning lower wages than they feel they deserve. This is the meaning of the term underemployment that most non-economists usually have in mind when they discuss the underemployment issue. But, because it is not presently part of the federal labor market statistical system and because it is a concept that is not easily quantifiable, it is simply ignored as an issue. It is likely in rural areas that this phenomenon is more common than in urban areas. Just because social problems cannot be easily quantified and, therefore, they are not examined does not mean they are unimportant.

DATA AND PUBLIC POLICY

The unemployment rate has become by far the most important of the economic indicators. It has been referred to as "the most important single statistic published by the federal government" (President's Committee to Appraise Employment and Unemployment Statistics, 1962: 9). Not only has it become the standard for determining the inadequacy of the demand for labor and the slack utilization of the available labor supply, but, especially since the early 1970s, it also has evolved into a role as a primary allocator of federal funds for human resource development policies (Shiskin 1977; Norwood 1977).

Thus, the "official" unemployment rate has become more than simply a subject of academic interest. It has become a topic of practical importance in both the formulation and the implementation of public policy.

Yet since the early 1960s there has been growing concern by some labor economists and by many public officials that the unemployment rate itself is an inadequate indicator for understanding the actual condition of local labor markets. Among the research community that has focused upon rural labor markets, the verdict is overwhelming--if not unanimous--that this standard is especially inadequate for assessing the actual conditions of rural labor markets.

Under the Job Training Partnership Act of 1982, for instance, the formula for the allocation of funds is composed of three equal components. They are: one-third of the money according to each state's relative share of low income persons; one-third according to the state's relative share of unemployed persons above 4.5 percent of the labor force; and one-third according to the state's

relative share of unemployed persons above 6.5 percent of the labor force. The funds provided to the states, however, do not flow directly to the areas of need as they did during the CETA era.

I do not know of any study that has focused specifically upon the effects of the JTPA funding formula or rural labor force problems. It is clear, however, that any formula which bases 2/3 of its funds on unemployment rates is unlikely to be of much benefit to rural areas. Moreover, with respect to JTPA, the overwhelming problem in most rural communities is the need for jobs (Rungeling, et al., 1977). JTPA is conspicuous by its focus on training. By specific design, it eliminated the job creation component that had become a prominent feature of the earlier CETA program. An exclusive focus on training only makes sense in an environment in which jobs are readily available. In most rural communities, this is decidedly not the case. (Briggs, et al., 1984).

THE RELEVANT FINDINGS OF RURAL LABOR MARKET RESEARCH

The evolution of most of the efforts to measure underemployment has had little explicit recognition of rural labor market behavior. Either the concepts were based largely upon urban market studies or upon national data series that are heavily biased toward urban data inputs.

Research that is explicitly concerned with rural labor market operation and the job-seeking behavior of rural workers is very limited relative to that available for urban areas and urban workers. Moreover, the findings of this relatively small body of rural research are not always consistent on all matters. But on one key issue there is singular agreement in the rural labor market literature: the official government unemployment rate is a very poor measure of both underutilization of labor supply and job adequacy in rural areas. (see Tweeten, 1978: 21; Hathaway, 1972: 43; Marshall, 1974: 78; Nilsen, 1979: 31; Martin, 1977: 223; and Rungeling, et al., 1977: 146). Each of these studies were based on research that was explicitly directed at rural labor market operations and rural workers, and each has strongly recommended that some measure of underemployment would be a far more appropriate descriptor. The reasons given for the need for such a measure are complex but they do reflect careful analysis of nonmetro phenomena.

The incidence of self-employment in 1975 was twice as high in nonmetro areas (17.4 percent of the labor force) as it was in metro areas (8.9 percent) (Nilsen, 1979: 11). Of those self-employed in all nonmetro areas, 61.4 percent reported such work was their sole source of earned income. It is farm activity in rural areas that accounts for most of the difference in the degree of self-employment between metro and nonmetro areas. Self-employed persons represent an entirely different group than those who work for wages and salaries. Income from self-employment is subject to greater fluctuations and the earnings derived from such work are often low. Also, as Nilsen has noted, "unlike wage and salary jobs, unemployment from self-employment activities generally requires that the enterprise fails" (Nilsen, 1979: 13).

It is also of consequence that involuntary part-time employment is higher in nonmetro than in metro areas. In 1975, the difference was 4.8 percent to 3.7 percent or almost 30 percent higher (Nilsen, 1979: 17). The main reasons

for this difference are that many rural industries are more sensitive to unfavorable weather conditions and the employment mix in rural areas is disproportionately composed of industries with unstable labor requirements. Hence, the numbers of weeks worked by rural workers is consistently below that of urban workers.

In addition, casual employment, unpaid family labor, multiple-job holders, as well as seasonal and migratory work are all more common in rural areas than in nonrural areas (Tweeten, 1978: 4). As a result nonmetro areas have a much higher proportion of low earnings occupations than do metro areas. The occupational categories of operatives, laborers, and farm occupations are proportionately higher. These three occupations represented 41 percent of all male employment in nonmetro areas as opposed to only 25 percent in metro areas (Nilsen, 1979: 22-25).

With regard to income, median family incomes in rural areas are rising but they remain considerably below those of urban families. The 1980 Census showed that median family income in urban areas was \$20,623 while it was 17,995 in rural areas and \$16,592 in nonmetropolitan areas. Moreover, the incidence of family poverty was 9.2 percent in urban areas but 10.6 percent in rural areas and 12.0 in nonmetropolitan areas. Yet, participation in social programs (e.g., unemployment insurance coverage, minimum wage coverage, and disability insurance) for needy persons, however, is lower in nonmetro areas than in metro areas (Tweeten, 1978: 5).

The fact that the population is geographically dispersed in nonmetro areas adds to the difficulty of providing labor market information and of delivering employment assistance services. Likewise, the general scarcity of employment alternatives in nonmetro areas often leads to shorter job search activity.

As a result of these uniquely nonmetro labor market characteristics, the available research is uniform in its findings. The statistical representation of unemployment is actually lower than the real number of persons wanting jobs. Many persons who are involuntarily employed part time are counted as being fully employed. Labor force participation rates for both men and women are lower in nonmetro than metro areas. (Tweeten, 1978: 3-4). The explanation is partly due to differences in the respective age profiles of the sectors and partly because workers become more easily discouraged from actively seeking jobs. There are considerably fewer job alternatives available in rural areas and low wages dampen the enthusiasm for prolonged searches (Rungeiling et al., 1975). The lower wage levels, the presence of fewer capital intensive industries, the seasonal employment opportunities, and the reduced access to income assistance programs all contribute to the fact that the working poor are proportionately more numerous in nonmetro than metro areas.

Thus, it is not surprising that rural labor market researchers are in complete agreement that underemployment measures are mandatory for an adequate depiction of nonmetro labor market reality. These conclusions were recognized by the National Governors Association (NGA) during the time that state governors had a primary responsibility for implementing the human resource programs in rural areas under the Comprehensive Employment and Training Act that was in effect from 1974 to 1982. NGA strongly criticized the use of unemployment rates as a basis for fund allocations and it sought to have some form of

subemployment formula substituted in its place (National Governors Association, 1979: 43-104). The NGA, was also very concerned that so little research has actually been done on the critical problems of the working poor and discouraged workers in nonmetro areas, and that the economics profession has been unable to develop a measure of underemployment that can be disaggregated to nonmetro labor markets (National Governors Association, 1979: 48-49).

One crude effort was made by Marshall to construct a subemployment index for the aggregate nonmetro economy in 1970 (Marshall, 1974: 80-81). The result was that the nonmetro subemployment rate for men was 25 percent and for women 17.3 percent. The subemployment rate for men was 6.1 times greater than their unemployment rate; for women it was 3.0 times greater. The major limitation of Marshall's work was that it is based entirely on the use of secondary data--that is, census data.

Only one study of nonmetro labor markets has attempted to compute a subemployment index that was drawn from a primary household survey (Rungeling *et al.*, 1977). The strength of this study is that it was based on 3,422 interviews that were randomly selected from the population of four geographically separated southern nonmetro counties. The questionnaire was able to probe more deeply into participation and nonparticipation than has any other source of labor market information currently available (including census reports). It was possible to identify precisely who was involuntarily employed part time, who were discouraged workers, and who were the working poor. This information was compiled and used to prepare a subemployment index that was constructed with exactly the same standards used by Levitan and Taggart (Levitan and Taggart, 1973) in a national study. The result was that although Levitan and Taggart found a subemployment index of 11.5 percent for the nation in 1972, Rungeling *et al.*, found a rate of 41.0 percent for the combined four nonmetro counties for roughly the same time period.

The limitation of the Rungeling *et al.*, study, however, is that the four nonmetro counties (one each in Georgia, Louisiana, Mississippi and Texas) were all from the South. Moreover, the counties were preselected partly because of their known high incidence of poverty. But the authors do contend that "each [county] is roughly representative of large segments of the rural South" (Rungeling *et al.*, 1977: 12). Nonetheless, the subemployment rate of 41.0 percent is certainly extreme as a depiction of the total nonmetro economy of the nation (and, perhaps, of the total nonmetro South). The study, however, did reveal numerous ways in which nonmetro labor markets are distinguishably different from metro labor markets. For instance, the official unemployment rate for the four counties, computed from the interviews, was only 2.7 percent. But the combined labor force participation rate of the counties was an incredibly low 42.3 percent (the comparable national rate was 61.8 percent in 1972). In standard labor market analysis, low unemployment rates are usually accompanied by higher than average (not lower than average) labor force participation. The study was able to identify exactly why the labor force participation was so low. It found that the unemployment rate would have been 11 percent higher if discouraged workers were included and another 8 percent higher if those working involuntarily on a part-time basis were included (Briggs *et al.*, 1977: 228). Also, whereas 43.1 percent of the households surveyed were living in poverty, fully 34 percent of those poverty households had a head who was employed full time. Thus, there were many nonmetro workers who were poor despite the fact that they were regularly employed. Notwithstanding the limitations of the study; the magnitude of the revealed problems accentuates the necessity of a more realistic measure of labor utilization than mere reliance upon the standard definition of unemployment.

THE DATA BARRIER TO EFFECTIVE RESEARCH

To collect primary data is a costly undertaking. It is not surprising, therefore, that most of the limited amount of available research is based upon secondary data. But the use of secondary data sources is often confusing. One of the factors that has retarded research in nonmetro labor market operations and has hampered the formulation of effective public remedies for nonmetro human resource problems has been the lack of a consistent definition of the term "nonmetro."

The Bureau of the Census has two separate data series that are most commonly used to define the rural population. One, used in the Current Population Survey, includes in the metro population all persons living in a Standard Metropolitan Statistical Area (SMSA) of 50,000 persons or more; those living in the county in which an SMSA is located; and those counties tied to an SMSA by daily communication links. The nonmetro population includes those people living in the counties that remain. The Census Bureau, in its decennial count of the population, however, uses a definition of the rural population that defines rural persons as those living in open country as well as small towns of less than 2,500 persons, unless inside the urban fringe of metropolitan areas. "Rural" and "nonmetro" are sometimes used interchangeably. This is misleading because the land areas classified as nonmetro greatly exceed the areas classified as rural. Moreover, it is estimated that about 30 percent of those classified as "rural" reside in open areas within the boundaries of metro areas.

The U.S. Department of Labor, in turn, defines as rural counties those in which a majority of the people live in places with populations less than 2,500. Because the definition includes people living in places with more than 2,500, the DOL definition is more inclusive than is the definition of the Census Bureau.

The nonmetro definition of rural is often used by the U.S. Department of Health and Human Services in its rural programs. In addition, there are other definitions used by the U.S. Department of Agriculture (some of its programs define as rural areas the open country plus places with population of 10,000 or less). All of these are "official" definitions of one government agency or another. Until the population is uniformly defined, it is very difficult to address the derivative labor market data problems in an unambiguous manner from secondary data sources.

Aware of this problem, the Levitan Commission argued in favor of a consistent definition among government agencies that collect and publish data--rural and non-metropolitan labor market data. To date, there is no sign that this recommendation has been enacted.

POST-1980 DEVELOPMENTS

Ironically, the serious recession that the U.S. economy encountered in the early 1980s--the most severe in terms of levels of unemployment since the 1930s--caused rural America to encounter the worst of all possible situations. Not only did the problems of underemployment continue but the aggregate unemployment rates for nonmetropolitan areas actually exceeded those of the metropolitan sector. In 1982--the worst year in this recession period with a national unemployment rate of 9.7 percent--the unemployment rate

