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# The Rural Sector

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## The Rural Sector

Although the statistical definitions of rural America are varied, they draw similar profiles. The employment and income patterns of rural citizens differ significantly from those of urban America. The distinctions are usually to the detriment of the rural population and its labor force.<sup>1</sup> Yet, despite the negative economic depictions, the rural economy is significant in size (accounting in 1970 for about a quarter of the nation's population and one-third of its labor force).

The rural population of the nation declined in absolute numbers consistently from 1790 to 1940. Between 1940 and 1970, however, it stabilized in aggregate size at around 54 million persons although it sustained substantial changes in its internal composition. There was a sharp rise in the non-farm sector and an accelerated decline in the farm sector during this interval. Aside from the internal dynamics of the past few decades, there are clear signs in the 1970's that the rural population is reversing its secular decline. Its relative share of the nation's total population increased between 1970 and 1976 for the first time in the nation's history.<sup>2</sup> The prospects of a "rural renaissance" accentuates the need to improve the nation's data sources as they pertain to rural population and its workers.

The need for rural employment and unemployment statistics derives from the same sources as do such statistics for any sector: the demand for knowledge. Unique characteristics of rural areas pose special issues for labor force data systems designed to monitor and explain the viability of rural people, communities, and business establishments. Rural areas

are extremely heterogeneous, characterized by imbalances in some cases of growth and revitalization and, in others, of stagnation and decline.

### The Statistical Definition of "Rural"

One of the unique factors that has retarded research in rural labor market operations and has hampered the formulation of effective public remedies to address rural human resource problems has been the lack of a consistent definition of the term "rural" itself.<sup>3</sup> The singular characteristic of available rural data is that they are usually residuals from essentially urban oriented data series.

The Bureau of the Census of the U.S. Department of Commerce has two separate data series that are most commonly used to define the rural population. One is used in the Current Population Survey (CPS) in which the urban population includes 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 commutation links. The rural population consists of those people living in the counties that remain. They are described by the term non-metropolitan. In 1970, 2,485 counties out of 3,097 were classified as non-SMSA counties. The Census Bureau, in its decennial count of the population, however, uses another definition of the rural population. It defines rural as persons living in open country plus small towns of less than 2,500 persons, unless inside the urban fringe of metropolitan areas.

"Rural" and "non-metropolitan" are sometimes used interchangeably. This is misleading because the land areas classified as non-metropolitan greatly exceed the areas classified as rural. Moreover, it is estimated

that about 30 percent of those classified as being rural reside in open space areas within the boundaries of SMSA's. In 1970, one series listed 62.8 million persons as living in non-metropolitan areas and the other series reported 53.9 million persons as living in rural areas. As yet, there has been no study of the effect of the different definitions although it is obvious that there is a considerable numerical difference.

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 below 2,500. Since the definition includes people living in places larger than 2,500, if those places were in counties where a majority of the people lived in places with populations of less than 2,500, the U.S. Department of Labor definition is more inclusive than is the rural definition of the Census Bureau.

The non-metropolitan definition of rural is often used by U.S. Department of Health, Education and Welfare in its rural programs. In addition, there are others 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 (plus a few more that could be cited) are "official" definitions of one government agency or another.

Until the population is defined, it is very difficult to address the derivative labor market data problems in an unambiguous manner.

#### Currently Available Data on Rural Workers

The principal sources of data on the rural labor force include the Bureau of the Census (Census of Population, General Social and Economic Characteristics), Census of Agriculture in the U.S. Department of Commerce

(Census of Agriculture), Employment and Training Administration (ETA) in the U.S. Department of Labor (In-Season Farm Labor Report), Statistical Reporting Service (SRS) of the U.S. Department of Agriculture (Farm Labor) and Economic Research Service (ERS) of the U.S. Department of Agriculture (Hired Farm Working Force). The Bureau of Labor Statistics of the U.S. Department Labor (Employment and Earnings), provides extensive statistics from households (obtained in the Current Population Survey), establishments, and administrative records of the Unemployment Insurance system. Metro and nonmetro data are published for the nation. The Bureau of Economic Analysis (BEA) in the U.S. Department of Commerce provides county level farm and nonfarm employment statistics based primarily on ES 202 administrative records. While some data are made available expeditiously to users from state employment security offices, the more comprehensive BEA data are not timely as a two-year lag is typical.

As is the case with all employment and unemployment data, the Current Population Survey (CPS) and the monthly establishment data collected by the Bureau of Labor Statistics have been the key sources of labor force data for the rural labor force as well. To avoid duplication, much of the discussion elsewhere concerning the adequacy of the existing data system for urban workers also applies to the large non-farm rural labor force. Hence, much of those comments will be omitted in this section as attention necessarily should focus on the data issues that are unique to the rural labor force.

### Employment Trends

Instructive as to order of magnitudes, the rural labor force in 1976

was composed of the following significant components:

	<u>Millions of Persons</u>
Non-metropolitan labor force	29.19
Farm work force	3.00
Self employed farmers	1.66
Wage and salary farm workers	1.32
Unpaid family farm workers	.34
Seasonal farm workers (1975)	.87
Migrant farm workers	.19

These aggregate indicators are useful for several reasons. First, they indicate the significant size of the rural labor force. Secondly, they serve to dispel the popular notion that mistakenly equates rural workers with largely agricultural workers.

In the past, many rural areas have lost population because of the relative dependence on extractive industries characterized by low rates of growth in demand and fast rates of growth in labor-saving technology. From 1960-1970, mining employment in non-metropolitan areas declined 15 percent and agricultural employment dropped 31 percent. But increasing dependence on coal has meant that mining employment in rural areas has increased. Moreover, agricultural employment shows signs of stabilizing. Annual net migration from farms averaged 5.3 percent from 1950-60, 5.6 percent from 1960-70, but only 2.1 percent from 1970 to 1975. While the great farm-urban exodus is over and no huge reservoir of underemployed labor remains in farming, labor-saving technology continues to release labor from agriculture. The presence of large numbers of uneconomic size farming units and emerging technologies that increase economies of farm size still portend a decline in farm numbers for some years to come.

There is evidence that during the 1970's that rural employment is

diversifying with significant growth of government, services, and trade. New rural growth industries have emerged in retirement and recreation activities and in the expansion of some educational institutions. The enlargement of job opportunities, in turn, has led to a population flow into non-metropolitan areas. In the first half of the 1970's, non-metropolitan population increased 6.6 percent compared with metropolitan growth of 4.1 percent. During roughly the same period, non-metropolitan areas absorbed 40 percent of the total increase in nonfarm employment, expanding slightly their share of total employment to over 25 percent. The recent rapid non-metropolitan growth is not explained by rates of natural increase (excess of births over deaths). Instead, it stems from 1.8 million net immigrants of people over the 5-year period. In contrast, these same areas experienced a 3.0 million net outmigration in the 1960-70 decade as a whole.

It is notable that growth has occurred both in the non-metropolitan counties that adjoin metropolitan areas and in those that are more remote from metropolitan influence. Yet, the non-metropolitan growth trend cannot be generalized as renewed growth of small towns, many of which continue to decline in population. The turnabout is most pronounced in the open country and highway corridors.

#### Pertinent Labor Force and Income Considerations

Although the aggregate economic indicators indicate a revival of the rural economy may be in the offing, the accrued benefits--as usual--have not been universally shared. Some areas and some groups have not participated in an equitable way. Moreover, unintended and unwanted



effects of growth and dispersion have become evident not only in the cities, but also in rural areas. Chronic poverty and high dependency rates have persisted in some areas. At the same time, other areas encountered serious problems in managing population and economic growth. Improved employment and unemployment statistics can help to deal with these problems.

Labor force participation rates have long been considered a key indicator of economic well-being. Here there is a significant difference between metropolitan and non-metropolitan labor markets. In 1970 these rates were 73.8 percent for males and 41.1 percent for females in non-metropolitan areas as compared to 77.5 percent for males and 43.4 percent for females in metropolitan areas. Although participation rates have increased since 1970, they still remain well below those of urban workers.

Compared to the urban labor forces, the rural labor force tends to be characterized by higher participation of males than females and of white workers than black. Although there are signs that the number of female workers in rural areas is increasing dramatically in the 1970's, there are also indications that this is not the case with respect to black workers.<sup>4</sup>

The rewards for work are also much less for rural workers. Wage levels in rural areas are often low. Roughly 40 percent of manufacturing employment in rural areas was concentrated in relatively low-wage, labor-intensive industries in 1969. From 1969 to 1972, 45 percent of jobs in new plants were in such industries. Some of these jobs have been filled by second wage earners to supplement family income, but most are occupied by household heads with continued poverty for many full-time workers in

rural areas.

The poverty population of the United States is disproportionately a rural phenomenon. Almost one in every six persons in non-metropolitan areas is poor, compared with one in nine for metropolitan areas. Furthermore, the depth of poverty among the poor in non-metropolitan areas is greater as measured by the difference between actual income and the poverty threshold. Non-metropolitan poverty is concentrated in some regions (60 percent in the South) and, although the majority of the non-metropolitan poor are white, the incidence of poverty is higher among Indians, blacks and Hispanics. Areas of intensive poverty remain despite substantial economic progress. Examples include the crescent extending from the Coastal Plains of the southeast through the Black Belt of Alabama to the Mississippi Delta and the South Texas border region.

Increased mobility and expanding urban influences have enhanced access to job opportunities for rural people, but the economic base for many rural communities continues to be narrow. Areas with a narrow economic base are particularly sensitive to changes affecting a particular industry or firm.

Yet the explanations for low labor force participation rates and pervasive low income patterns are not found in the measures of unemployment. Regardless of data source used, unemployment rates in rural areas are consistently low relative to urban areas. Repeatedly, research that has been directed explicitly to the study of rural labor markets has found unemployment (as officially defined) is an inadequate indicator of rural labor market well-being. The combination of low wages, lack of unionization, and limited job opportunities causes potential workers (especially women and youth) to be discouraged from seeking jobs. Part-time job

opportunities are sparse. Involuntary part-time employment is also a common problem for those who hold such jobs.

Efforts to disaggregate unemployment figures to the rural county level have not proved to be adequate. Local unemployment estimates, derived largely from unemployment insurance claims, decrease in accuracy as the size of the sample population decreases. To remain unemployed, an individual without work must actively seek work. Job search is typically exhausted quicker in rural areas (given fewer employers). Low wages dampen enthusiasm to pursue jobs. Also rural areas contain proportionately more self-employment opportunities. Accordingly, unemployment may decrease even if rural individuals have "failed" to find work. This artificial lowering of estimated rural unemployment is accentuated by the fact that a lower proportion of rural jobs are covered by unemployment insurance, which makes benefits contingent on labor force participation. Thus, by understating the true extent of rural unemployment, the current unemployment estimation procedures reinforce the rural disadvantage in seeking Federal employment and training program funds which rely extensively on this criterion.<sup>6</sup>

#### Adequacy of Existing Data

In general, the Current Population Survey is least adequate for hired farm workers and for farm operators (and their families) and are most adequate for the rural nonfarm work force. In the farm sector, the CPS data is limited by its use of age 16 as the cut-off for inclusion in the labor force and by the exclusion of unpaid family work if they do not work at least 15 hours a week. The fact that the CPS data is unavailable in sufficient geographic detail for rural labor markets is a constant problem

that severely limits the usefulness of this important data series.

But the greatest need remains for the adoption of a more encompassing measure of economic well-being than the unemployment rate. The most consistent recommendation in the literature on rural labor markets is the call for underemployment statistics. This is because the available rural unemployment data of the Current Population Survey is only reliable at the national level and for very broad category breakdowns such as metropolitan-non-metropolitan. The data are adjusted to rural counties by month using county level establishment data on employment and unemployment obtained from employment security office registration. Unemployment fails to measure the degree of underutilization of human resources especially in economically depressed rural areas because (1) relatively immobile potential labor force participants have not sought gainful employment or no longer seek gainful employment because of chronic lack of local job opportunities, (2) rural workers face few employers so that the cost of additional active search exceed gains more quickly than for urban workers, (3) the incidence of self-employment is high, and (4) the incidence of jobs covered by unemployment compensation is low. No matter how unemployment data is refined in its gathering and processing, the official measure cannot be rendered useful as a measure of employment needs in rural areas. It is simply the wrong concept. This conclusion does not mean that unemployment measures should not be refined. As non-metropolitan areas become industrialized (with attendant coverage by unemployment insurance and access to and use of the public employment service), the unemployment rate will become a more meaningful measure of acute job needs.

The appropriate course of action is to devise an acceptable measure of underemployment using decennial census data which can be revised annually from CPS data and other sources. Because, like rural areas, chronically depressed areas of metropolitan centers may also find underemployment rates superior to unemployment rates as a measure of need for development programs, one alternative is to completely substitute use of underemployment rates for unemployment rates in allocating Federal program funds in rural areas.

A second alternative is to amend Federal development program allocation formulas to allow recipients to use either unemployment or underemployment as the basis for allocation, with the choice of formula to be left to the recipient. Allowing options in allocation criteria has historic precedent in, for example, general revenue sharing.

As for the decennial Census of Population, it is the largest and most complete source of employment data. Confidentiality requirements inhibit its usefulness for nonmetro areas but county level aggregates may be obtained. Availability of the metro-nonmetro identifier would assist in use of individual record data. This would be especially helpful with respect to utilization of the public use sample--individual household records sampled from the complete census and available on tape. An additional weakness undermining the value of the Census, however, is its availability only decennially.

The establishment survey published by the BLS also has limitations in its usefulness to rural labor market developments. Unfortunately, the population covered by establishment data sources is not the same among sources. Social Security and Unemployment-based data omit the self-

employed, most government workers, and agricultural workers. Combining data from several series results in double counting from different definitions of variables or from overlapping populations. Measurement of employment differs by data sources. Establishment-based data measure the number of jobs filled (some individuals hold more than one job) while household estimates measure the number of people employed.

The Statistical Reporting Service (SRS) of the U.S. Department of Agriculture, the Employment and Training Administration of the U.S. Department of Labor and the Agricultural Census enumerate hired farm workers jobs, not persons. Their data do not reveal the number of workers who applied for jobs but were turned away (unemployed) nor the number of times during the reporting month the job changed hands (job turnover). Farm worker population estimates are made from payrolls of agricultural employers. Some farmworkers are employed by contractors (e.g., crew leader registration arrangements) whose services are obtained by agricultural employers. Since the worker names are on the payroll of the contractor rather than the agricultural employer, surveys of agricultural establishments fail to count them. However, the SRS now conducts an agricultural services survey which includes labor contractors.

Another source of establishment data is the Census of Agriculture. It has used a mailed questionnaire to survey all farms with annual sales of \$2,500 or more. Estimates are reported on the number of hired workers employed for (a) less than 150 days in the year and (b) more than 150 days. A number of problems limit the usefulness of data including the fact that the estimates are made only every five years. Estimates have not been consistent (in 1964 seasonal workers were not reported) and serious problems

arise from multiple counting of workers, especially those employed less than 150 days a year who may be reported several times because they work for several employers during the course of one year. Contract labor, especially prevalent among migrant work crews and custom harvest labor, is not included.

There is a lack of consistency among available establishment surveys with respect to counting agricultural workers. These variations stem largely from variations in the definition used by the different surveys as to the minimum days worked, the maximum days worked, and various special exclusions. In addition to a person being a seasonal farm worker, a migrant farm worker must possess other qualifications and they too vary between the definitions used by respective government data collection agencies.<sup>7</sup>

### Recommendations

In view of the preceding discussion, the Commission may wish to consider the following recommendations:

1. A study should be commissioned to discern the consequence of the use of the two principle aggregate data sources for the rural labor force--metropolitan and non-metropolitan in the CPS and rural-urban in the decennial census.
2. An index of underemployment needs to be added to the existing data collection system. The index should be disaggregated to the county level and based upon the decennial census with annual updating from CPS and other available sources.
3. The cost of living sampling in rural areas needs to be

expanded and integrated into the aforementioned index of underemployment.

4. Federal programs that rely upon unemployment rates as an allocation device in their respective formulas should be altered to allocate on the basis of underemployment in rural areas. Where this change is not possible, it is recommended that program recipients be allowed the option of accepting allocations based upon either unemployment or underemployment.
5. Data sources that provide detail at a level less than the aggregate national level should be retained. Attention should be given to an expanded sample size for the CPS in non-metropolitan areas.
6. The Statistical Reporting Service farm labor survey should be expanded to improve state level estimates.
7. Farm labor force data systems be studied with a view toward combining some series. A tentative suggestion is that ETA, SRS and Census of Agriculture be combined into one establishment-based series obtained from the SRS labor survey. It is cautioned, however, that merging of Census of Agriculture into SRS entails issues of crop and livestock reporting systems that are larger than farm labor issues. Census of Population and CPS would continue to be household data sources.
8. Current labor force statistics on seasonal and migrant farm labor be reviewed for standardization of definitions.
9. Industrial and occupational classifications for household and establishment in the farm employment series should also be



reviewed. A re-shuffling, rather than the addition of new categories seems warranted. The term of "farm operator" would be changed to "farm self-employed." The revised industry/occupation classification system should apply to SRS (establishment) and CPS (household) data. A clearer occupational orientation in CPS series would end ambiguities such as the current practice of including persons who work on farms for crew leaders, mostly as migrants, but excluding persons who work on farms as members of custom harvesting crews (e.g., in Great Plains wheat harvest) in the Hired Farm Working Force. To generalize, the SRS data require only a few adjustments to make them compatible with non-agricultural labor statistics.

10. To enhance linkages between household and establishment data. Social Security numbers should be used to facilitate merging of household and establishment data and to permit longitudinal studies of work force behavior of individuals and families over time. Because confidentiality requirements limit release of Social Security numbers, data may need to be merged within the Bureau of the Census. It is further recommended in the case of farm respondents that household surveys obtain data on gross farm sales and ownership structure (e.g., the role of respondent in partnership or corporation) so that annual measures of income from all sources and real wealth gains from ownership of assets can be obtained by combining household and establishment data.

## Footnotes

1. E.g., see, Presidents National Advisory Commission on Rural Poverty, The People Left Behind (Washington, D.C.: U.S. Government Printing Office, 1967).
2. Philip L. Martin "Rural Labor Markets and Rural Manpower Policy," Proceedings of the Thirtieth Annual Winter Meeting of the Industrial Relations Research Association, (Madison: Industrial Relations Research Association, 1978), p. 217.
3. Ray Marshall, Rural Workers in Rural Labor Markets (Salt Lake City: Olympus Publishing Company, 1974), p. 15.
4. Martin, op. cit., p. 220.
5. Brian Rungeling, Lewis H. Smith, Vernon M. Briggs, and John E. Adams, Employment Income and Welfare in the Rural South (New York: Praeger Publishers, 1977, Chapter 5; also Dale Hathaway, "Discussion of Session I." in Collette Moser, editor, Labor Market Information in Rural Areas. (East Lansing: Center for Rural Manpower and Public Affairs, Michigan State University), p. 43; and Marshall, op. cit., p. 78.
6. Marshall, op. cit., p. 119. See also the discussion in Luther Tweeten Rural Employment and Unemployment Statistics. Background Paper No. 4, Washington: National Commission on Employment and Unemployment Statistics, (1978), pp. 5-6.
7. Tweeten, op. cit., pp. 13-14.