

# UNDERSTANDING ECONOMIC CHALLENGES IN RURAL AMERICA



**U.S. Congress Joint  
Economic Committee**  
Ranking Member Martin Heinrich  
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## Understanding Economic Challenges in Rural America

The 2016 presidential election brought renewed and welcome interest in the social and economic challenges facing rural communities.<sup>i</sup> Additional awareness of the unique challenges facing communities in rural and remote locations can help support policies that promote economic growth and generate new opportunities in these communities.

In recent years, rural and urban communities experienced developments in the U.S. economy in vastly different ways.<sup>ii</sup> For example, the Great Recession hit harder and lasted longer in rural communities, and many predominately rural states still have yet to recover from the depths of the recession nearly eight years after the country entered into recovery. Since the 2007-2009 Great Recession, economic recovery in rural communities has not matched that in urban areas.<sup>iii</sup> Employment in rural communities still has not returned to its pre-recession levels while metro area employment surpassed its pre-recession peak in 2013.<sup>iv</sup> As rural job growth lagged behind urban areas, rural residents looked increasingly outside their communities to find new work and opportunities.<sup>v</sup> Moreover, the education gap between urban and rural America widened substantially over the past fifteen years.<sup>vi</sup>

Declining population, limited employment opportunities, and lack of public investment pose significant challenges to the economic vitality of rural communities. Rural communities face a variety of structural challenges constraining growth. The geographic remoteness of rural areas makes routine economic interactions more difficult and costly. Rural economies are more likely than urban ones to heavily rely on a single industry or employer, which leaves them vulnerable should the employer leave town. Insufficient rural infrastructure—roads, water systems, and access to broadband—limits growth in countless ways. Even opportunities to access federal funds can be more difficult for rural communities since often they do not have professional staff to prepare and submit competitive grant applications.

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Addressing the challenges facing rural communities requires a comprehensive strategy that takes stock of the existing assets and needs in rural America. Congress's work on economic development, infrastructure, and education must tailor approaches to meet the unique challenges facing rural communities.

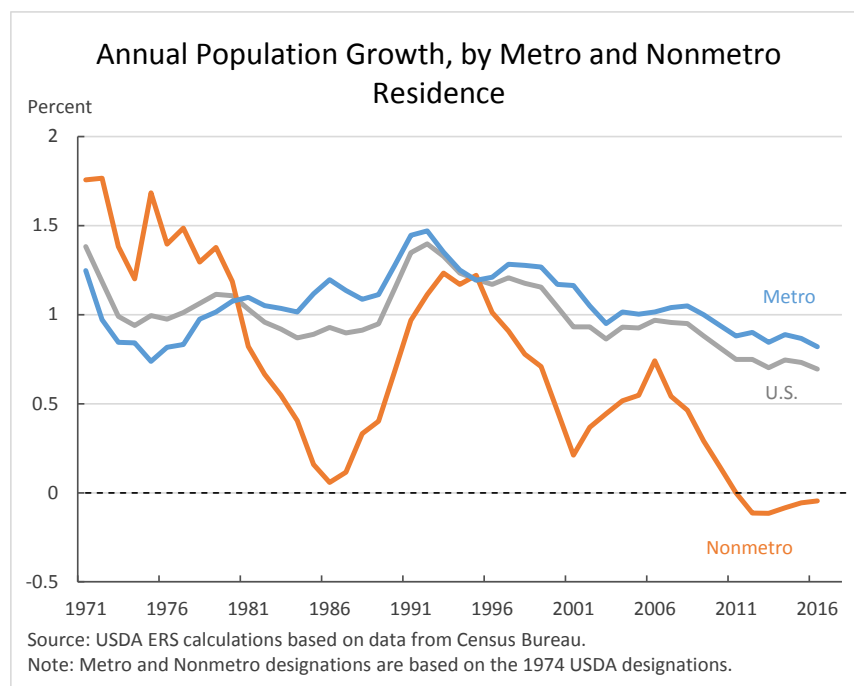
## ECONOMIC OBSTACLES FOR GROWTH IN RURAL AMERICA

On their own, any one of the factors described below would present a major problem for economic recovery in rural America. Taken together, they present serious constraints on economic growth in rural America.

### Little to no population growth

Rural America's population has been declining since 2011 (Figure 1), both an effect and cause of the lack of employment opportunities in rural communities. America's population in rural counties stood at 46.1 million in 2016, a reduction of 0.4 percent since 2010. In contrast, metropolitan counties experienced a 5 percent population increase over the same period.<sup>vii</sup>

Figure 1



### Catastrophic job losses for those at the lower end of the pay scale

The recession hit rural workers particularly hard. Not only did the recession hit nonmetro counties harder than their metropolitan counterparts, with rural employment falling a whole percentage point more than urban employment, but employment growth since 2010 has also remained weak (Figure 2). Moreover, nominal weekly wage growth in rural communities has been sluggish, at only 3.8 percent over the past year, compared to growth of up to 5.5 percent in metropolitan communities (Figure 3). Seven years out from the Great Recession, rural areas still have not benefitted from the recovery in the same way as their urban counterparts.

Figure 2

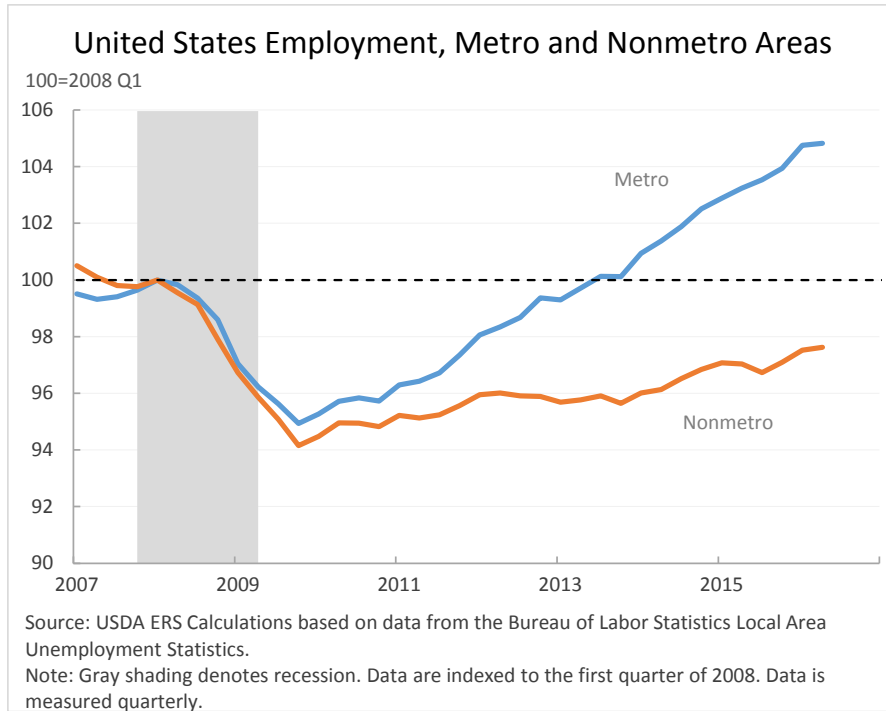
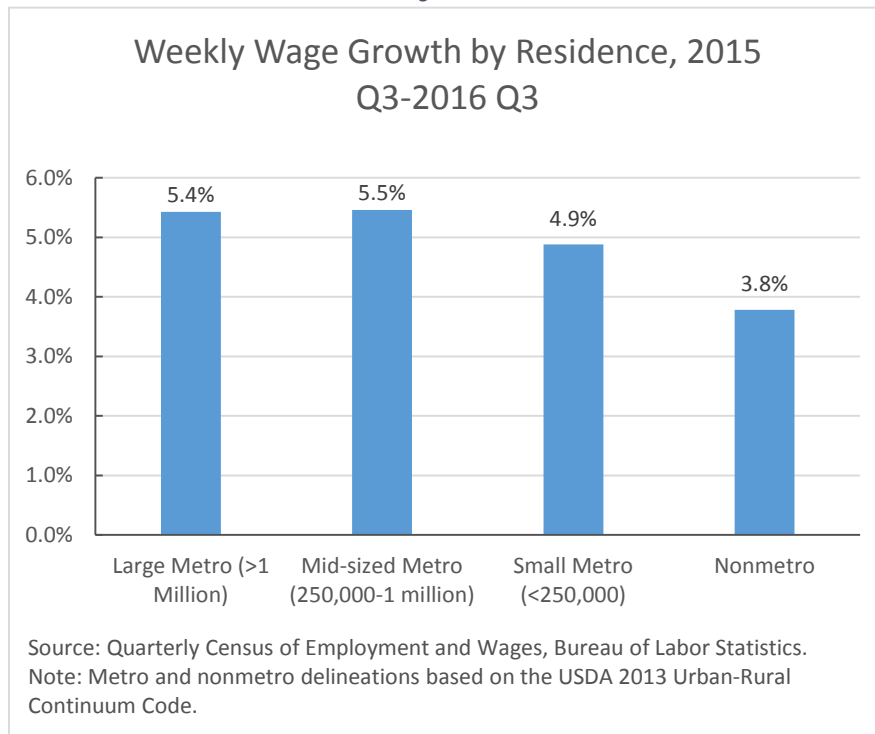


Figure 3

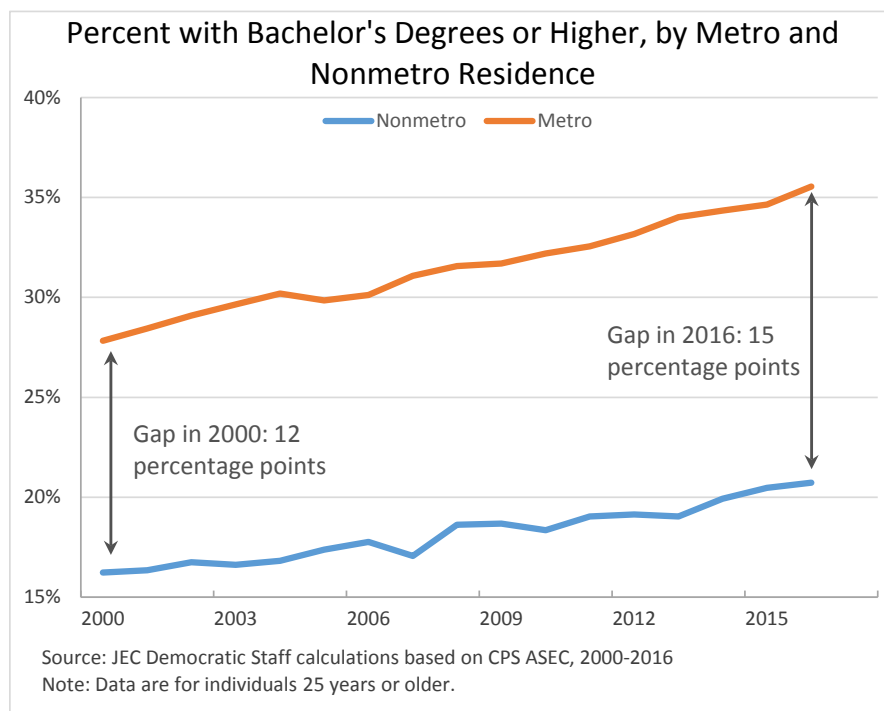


## A growing education gap

In the 21<sup>st</sup> Century economy, a college education is increasingly necessary for achieving economic prosperity. Rural America consistently lags behind urban communities in educational attainment, and this gap has increased in the new century. Even while the share of individuals with a bachelor's degree or higher has increased in both rural and urban communities, the gap between the two has increased by 25 percent from 2000 to 2016 (Figure 4).

In an environment where there exists a growing higher education gap between rural and urban populations, Congress should support policies that ensure rural populations receive preparation and have equal access to opportunities for post-secondary education.

Figure 4



## STRUCTURAL CHALLENGES TO LONG-TERM PROSPERITY

Rural America's economic difficulties in the new century are rooted in the role that rural communities have traditionally played in the broader economy.<sup>viii</sup> In order for Congress to adequately address the issues that rural America faces, it must understand how many of rural America's problems differ from those of urban America.

## Geographic remoteness

By definition, rural communities are located far from, and are not closely connected with, dense population centers.<sup>ix</sup> Routine economic interactions are more frequent, carry lower costs, and leads to more economic activity when individuals live closer together.<sup>x</sup> Rural communities are disadvantaged in this regard. Currently 39 percent of Americans in rural areas lack access to broadband, compared to just 4 percent of urban Americans.<sup>xi</sup>

Technological innovations that promise increased information and communications have the potential to bridge this divide. Efforts are underway to help rural communities take advantage of the instant communications facilitated by the internet, including through the use of telehealth programs, which bring patients and doctors together through smart phones and computers to provide immediate access to medical advice and care.<sup>xii</sup>

## Limited economic diversification

Some rural economies were built around one or a few industries, often reflecting the wealth of natural resources or agricultural potential in a given area.<sup>xiii</sup> This limited economic diversification makes these communities especially vulnerable when economic shocks adversely affect specific industries.<sup>xiv</sup> Across the United States, once vibrant rural communities are now struggling to survive because an anchor employer left town or are facing structural change in the industry forcing a dramatic reorganization of business practices.<sup>xv</sup>

While additional entrepreneurship can help bring economic diversity to rural communities, in many of these places entrepreneurship alone can't solve the problem. Rather, limited opportunity brought on by a lack of competitive or financially viable economic options present a larger hurdle for economic development in rural communities. Congress has the ability to utilize direct investment to match private industry with specific communities through the use of tax credits, training programs, and grant funding designed for rural economic development.

## Underinvestment in rural infrastructure

Rural America is in need of infrastructure investment and development in other critical areas. Small rural communities desperately need money to fund wastewater projects, new roads, and other infrastructure needs. Specifically, rural leaders, in testimony before Congress, identified the following areas as their areas of greatest need for infrastructure investment:

- Lane widening and repairs for the highways that connect distant towns and makes cross country trucking shipping safer and more efficient.
- Repairs for bridges that have begun to show the signs of age and wear.
- Water infrastructure necessary to meet rural community needs while maintaining requirements under clean water laws.
- Conservation funding to preserve natural habitats for hunters and fishers.

- Public transportation that helps the elderly and disabled in rural communities.<sup>xvi</sup>

## Rural barriers to accessing federal funding opportunities

While there are often numerous federal grant opportunities aimed at spurring rural economic development, many small rural communities do not have staff on hand that can draft and submit competitive applications. As a result, leadership in small rural communities may find difficulty meeting the requirements for proposals due to a lack of time, resources, and expertise.

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## CALL FOR CONGRESSIONAL ACTION

Many complicated forces are weighing down on the economy in rural America. Congress has the opportunity to play the defining role in how rural communities develop and thrive.

In order to help rural communities become stronger players in the economy, Congress must continue to support efforts to ensure that every rural community has the ability to access the internet and the opportunities interconnectivity creates. Likewise, Congress should support programs that direct workforce development to rural communities that are still struggling to recover from the Great Recession.

Infrastructure renewal in small rural communities is must be a top priority for Congress. Public-private partnerships—focused on generating a significant profit for their private investors—will not deliver the infrastructure so urgently needed by sparsely populated rural areas.<sup>xvii</sup>

Small rural communities must be able to compete on a level playing field for federal grant opportunities, particularly for programs specifically designed to generate economic activity in rural America. To do that, Congress must promote measures to allow the smallest rural communities to compete for competitive grants. Further, Congress must invest in developing the next generation of grant writers and civil servants to serve in small rural communities.

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<sup>i</sup> See, for example, Sorgel, Andrew, "[In America's Rural-Urban Divide, Age, Earnings and Education are Prominent.](#)" U.S. News and World Report, December 8, 2016.

<sup>ii</sup> For the purposes of this report, we use metropolitan and nonmetropolitan breakdowns in the data to refer to rural and urban trends. Metropolitan counties are defined by the U.S. Department of Agriculture as counties with one or more urbanized areas (densely settled areas with 50,000 or more people) and outlying counties that are economically tied to counties with urbanized areas. Nonmetropolitan areas are defined as all other counties. For more information, see <https://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural/>.

<sup>iii</sup> U.S. Department of Agriculture, "[Rural America at a Glance](#)," 2016 Edition.

<sup>iv</sup> U.S. Department of Agriculture, "[Rural Employment and Unemployment](#)," accessed May 2, 2017.

<sup>v</sup> U.S. Department of Agriculture, "[Rural America at a Glance](#)," 2016 Edition.

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<sup>vi</sup> JEC Democratic staff calculations based on data from the Current Population Survey, Annual Social and Economic Supplement, 2000-2016.

<sup>vii</sup> JEC Democratic staff calculations based on data from USDA on populations of metro and nonmetropolitan communities.

<sup>viii</sup> John M. Quigley, *Rural Policy and the New Regional Economics: Implications for Rural America*.

<sup>ix</sup> Michael Ratcliffe, Charlynn Burd, Kelly Holder, and Alison Fields; *Defining Rural* at the U.S. Census Bureau.

<sup>x</sup> Joseph Cortright, *Making Sense of Clusters: Regional Competitiveness and Economic Development*.

<sup>xi</sup> Federal Communications Commission, "[2016 Broadband Report](#)," January 29, 2016.

<sup>xii</sup> Madore A, Rosenberg J, Weintraub R. [Project ECHO: Expanding the Capacity of Primary Care Providers to Address Complex Conditions](#). *Harvard Business Publishing*. 2017.

<sup>xiii</sup> Michael Porter, *Competitiveness in Rural U.S. Regions: Learning and Research Agenda*.

<sup>xiv</sup> Office of Sustainable Communities, Smart Growth Program, U.S. Environmental Protection Agency, "Framework for Creating a Smart Growth Economic Development Strategy: A Tool for Small Cities and Towns."

<sup>xv</sup> J.R. Logan and Elizabeth Cleary, [Shutdown of molybdenum mine hits Questa hard](#), Santa Fe New Mexican;; compare Office of Sustainable Communities, U.S. Environmental Protection Agency, "[How Small Towns and Cities Can Use Local Assets to Rebuild Their Economies: Lessons from Successful Places](#)," May 2015, (demonstrating that communities must use innovative strategies in overcoming the loss of a central employer).

<sup>xvi</sup> Witness written testimony, "[Oversight: Modernizing our Nation's Infrastructure](#)," Committee Hearing, U.S. Senate Committee on Environment and Public Works, February 8, 2017.