

Shifting Demographics and Rural Entrepreneurship in Rural America

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This presentation approaches the subject of rural entrepreneurship indirectly, though it is easy to demonstrate how population growth and entrepreneurial activity are inextricably linked. By highlighting several broad demographic trends affecting nonmetro counties, and focusing in particular on recent migration of the baby boom cohort, we hope to draw connections between migration and economic development, including the ways in which new residents, as entrepreneurs, are contributing to rural economic change. The research project discussed here includes a community case-study component. Our field visits confirm that migration, especially of baby boomers, contributes to the same job growth processes associated with rural entrepreneurship, but in ways that differ according to local and regional contexts.

Summary of nonmetro demographic trends

Nearly 50 million Americans live in nonmetropolitan (nonmetro) areas, as currently defined. A set of some 2,000 counties falling outside the daily commuting range of cities of 50,000 or more people, the nonmetro classification is widely used to define “rural” for research and policy making. They contain 17 percent of the U.S. population but extend across 80 percent of the land area. Relatively slow growth characterized nonmetro America during 2000-2005. Population increased by just over 1 million, a 2.2 percent increase compared with 5.3 percent for the Nation as a whole.

Several demographic trends are reshaping economic and social conditions across nonmetro counties:

1. *Suburbanization* continues to extend the economic influence of large cities and to blur urban and rural landscapes along their periphery.
2. The *redistribution of population and services* from smaller nonmetro towns and villages to larger towns and regional centers makes long-established population thresholds dividing rural and urban places, such as the 2,500 population threshold, less relevant.

3. Rapid growth is selective of high-amenity counties and is fueled by *migration based on quality-of-life factors*.
4. A growing incidence of natural decrease (more deaths than births), mostly seen in sparsely-settled, agricultural areas, is contributing to an increasing number of nonmetro counties experiencing *persistent population loss*.
5. *Racial and ethnic change* is evident in small towns and nonmetro cities throughout the country, mostly from a much broader distribution of the Nation's Hispanic population.
6. Along with the rest of the Nation, nonmetro areas are *growing older*; elderly population is increasing both from aging in place and the immigration of retirees.

These trends serve both as key indicators of rural economic health and as generators of future growth and economic expansion. They are driven primarily by migration. Natural increase (an excess of births over deaths) provided half of the 1.1 million nonmetro population increase, foreign immigration contributed 322,000 new residents, with a modest net influx of people from U.S metro areas contributing an increase of 225,000. Though immigration and net domestic migration together contributed only half of overall nonmetro growth since 2000, the growth from migration was much more geographically concentrated than growth from natural increase. Thus, migration choices largely determine the very uneven pattern of population change across nonmetro counties.

Migration also plays a bigger role in determining the ups and downs of nonmetro population change over time. The “rural rebound” of the 1990s, a remarkable reversal of the widespread pattern net migration loss in the 1980s, peaked around 1995, with nonmetro net migration gains decreasing annually through 2001. On the whole, the great majority of nonmetro counties grew more slowly during 2000-2005 than in the 1990s, or shifted from gain to loss, or increased the pace of loss if they were already declining in the 1990s. However, the annual trend since 2001 shows a consistent increase in net migration to nonmetro counties, though not yet to levels reached in the early 1990s.

These annual rates of nonmetro population change track closely with indicators of nonmetro economic conditions, especially as they affect shifting employment opportunities. For example, nonmetro unemployment rates were lower than metro rates during the rural population “rebound” of the early to mid 1990s, but consistently higher from 1996 to 2002 as nonmetro net migration lessened. The most recent data show unemployment rates once again lower in nonmetro areas, at the same time that nonmetro population trends appear to be turning around.

Shifts in nonmetro net migration over time are also affected by the changing age structure of the U.S. population. For example, the recent slowdown in nonmetro net migration rates came at a time when fewer people were reaching age 65, reflecting the small birth cohort of the 1930s. Although economic conditions will continue to drive the overall level of nonmetro net migration, the aging of the baby boom toward retirement will push nonmetro population growth upward over the next two decades.

Migration of the baby boom cohort

Older boomers are entering a time when migration patterns become more deconcentrated. Ties to family and career obligations weaken, while leisure time and the means to enjoy it increase. Residential mobility not only increases slightly for people in their 50’s and 60’s, it shifts geographically toward lower-density settings as quality-of-life considerations begin to replace employment-related factors in decisions about when and where to move. Demographically speaking, boomers are already moving rural America in new directions.

As part of a cooperative agreement with Middlebury College, we analyzed county-level, net migration patterns for the baby boom cohort, defined as those aged 35-54 in 2000.

Three questions guided the research:

1. What types of nonmetro counties attracted baby boomers during the 1990s?
2. How do place-specific factors affecting migration, such as employment opportunities, natural amenities, or housing market conditions, shift with age?
3. Given the aging of the baby boom cohort, what types of nonmetro counties are likely to experience the greatest surge in baby boom migration during 2000-2020?

Multivariate regression was used to isolate the effects of socioeconomic, geographic, and environmental factors on cohort migration during 1990-2000. Results were then used to identify likely shifts in cohort-specific net migration patterns among baby boomers during 2000-2010 and 2010-2020. Here I summarize key findings:

1. Baby boom migration to nonmetro counties is already well established, having increased their population by 1.1 million during the “rural rebound” of the 1990s, after a period of substantial net outmigration during the 1980s.
2. The relative strength of geographic factors associated with county variations in net migration rates differs substantially among the 5-year age periods through which baby boomers are progressing:
 - a. the association with employment change sharply decreases from ages 35 to 65 but remains significantly positive through all periods of the life cycle;
 - b. the attractiveness of scenic landscapes (measured by the ERS Natural Amenities Index) increases sharply among older migrants, as does the presence of second homes;
 - c. the negative association with median housing costs increases with age;
3. The distribution of net migration growth for baby boomers through the current decade and the next will remain strongly tied to counties adjacent to metro areas and to more urban nonmetro counties, although net migration rates will increase in more sparsely populated areas.
4. Population growth from net migration will become even more concentrated in high-amenity counties during 2010-2020.

Community case studies

The cooperative agreement with Middlebury College included a community case-study component, to help evaluate the results of our analysis and to assess the forms of community change that follow in the wake of baby boom migration. Informal site visits have been used for years by ERS researchers to, in effect, keep an ear to the ground; that

is, to confirm what was already known or suspected about rural economic and demographic developments, and to spot emerging trends before they appear in the data. Economic geographers conduct field work to study the behavior of firms and the performance of specific industrial sectors. Others have used this approach to evaluate the effectiveness of specific rural development strategies.

As part of our overall assessment of baby boom migration, we conducted interviews in and around four communities:

- Maynardville, Union County, Tennessee
- Mountain City, Johnson County, Tennessee
- Laconia, Belknap County, New Hampshire
- Bethel, Oxford County, Maine

Union County is part of the Knoxville metropolitan area but has a predominantly rural population. Belknap County is a micropolitan county centered on Laconia, and lies just outside Boston's commuting shed. Johnson and Oxford Counties are less urban and more isolated. All four counties attracted baby boomers during the 1990s. However, they were chosen, in part, because they differ in relation to results of our regression model. The actual net migration of baby boomers during the 1990s was higher than the model predicted in Johnson and Belknap Counties, but lower in Union and Oxford Counties. Part of our goal in visiting these sites was to search for factors not accounted for in the model that may explain these contrasts.

It was clear from our two-day visits that:

1. all four counties were already experiencing some level of economic change brought on by the increasing in-migration of baby boomers;
2. the level of in-migration had moved up in the past five years; and
3. the size of the migration stream and related economic expansion was expected to increase.

The majority of interviewees specifically identified baby boomers as the most important component of population growth, prior to any mention of them in our questions. Many of our talks focused on the place-specific assets that were attracting older migrants and the reasons why the communities were poised to “take off.” Though we are still compiling and analyzing the information gathered from the interviews, four themes are beginning to emerge:

The “sweet spot”

The term “sweet spot” was used by a long-term resident to describe the position of Laconia, New Hampshire relative to the Boston Metropolitan Area, and thus to explain a critical feature attracting baby boomers to his community. Laconia lies just outside Boston’s daily commuting range for all but a few workers, but stands within fairly easy access for shopping trips, personal visits, and cultural activities. At the time of our visit in August, the urban amenity most often cited was Fenway Park, a four-and-half hour round trip.

The same locational advantage, being just outside the daily hustle-and-bustle but still within reach of urban amenities, was mentioned in interviews in Union County with respect to Knoxville. In this case, the line demarcating the “sweet spot” runs through the middle of the county. Knoxville’s suburbs extend into the southern half of Union County, while baby boomers are settling almost exclusively outside this zone, primarily around Lake Norris in the far northern reaches of the county. However, access to stores, restaurants and cultural offerings in Knoxville was a major selling point for new residents, most of whom were choosing locations well within a two-hour car trip to the city’s downtown.

The “sweet spot” describes well-known and long-established residential preferences for rural areas with access to city services. It confirms a somewhat surprising result from our quantitative analysis, that the strong attraction to exurban settings (as measured by metro adjacency) and to nonmetro counties with large urban populations does not diminish significantly as retirement approaches. Union and Belknap Counties were growing faster

than either Oxford or Johnson Counties, both of which have smaller urban populations and could be said to fall outside the “sweet spot.”

Positive human capital contributions

Conversations in all four areas centered more on the positive developments resulting from the increased flow of baby boom migrants rather than the negative impacts. New residents were not only increasing the demand for goods and services (and thus employment opportunities for longer-term residents), but were contributing new skills and knowledge in diverse ways to the benefit of the community. The most commonly cited problem attributed to rapid growth—increasing property values—was indeed a concern in all four areas, but was typically balanced by the view that boomers were increasing employment and enhancing chances for further economic development.

A bias towards a positive outlook most likely exists due to our choice of contacts, many of whom could be described as boosters whose job it is to paint a rosy economic picture. But it is safe to conclude that these four communities were either benefiting extensively (in the case of Laconia) or beginning to benefit from the knowledge, experience, and technical skills of older in-migrants, including entrepreneurial expertise.

Many of the people we interviewed were themselves recent in-migrants who exemplified this trend. For example, the Director of the Union County Chamber of Commerce returned home with her husband after nearly 30 years in Florida. Not only did she help her husband run a business manufacturing stainless steel cages (employing 40 persons) but she started the Chamber of Commerce, with the help of high school students, and serves as its Director on a volunteer basis. Several of the entrepreneurs we spoke with (shopkeepers, hotel managers, real estate agents, restaurant owners) were either recent in-migrants or natives who had spent several years away from home.

Regional differences shaping entrepreneurial development

Evidence of new entrepreneurial activity, including retail expansion and new cultural venues driven by baby boom migration, showed up in some fashion in all four settings.

We spoke with a couple in Bethel, Maine, who recently migrated from Boston. The husband had taken a large buyout from a failed dot.com company and opened a pizza restaurant in Bethel. The owner of a music store in Laconia described his booming business installing high-end, custom media centers in newly-constructed private homes. Johnson County in Tennessee's northeast corner, less urbanized and more isolated, has not yet developed the retail infrastructure typical of a recreation and retirement destination, but most interviewees agreed it was only a matter of time. Its county seat, Mountain City, has an attractive main street with well tended sidewalks and storefronts. The beginnings of a transformation are underway, the most telling sign being a new gourmet coffee shop.

Conversations hinted at a potentially important regional difference between southern Appalachia and New England. In Maynardville, several interviewees pointed out the difficulty finding contractors, engineering firms, plumbers, carpenters, electricians, and other skilled professionals to fill the growing demand brought on by the boom in house construction. They lamented the lack of such entrepreneurial development in their community. Most of the work was going to firms from Knoxville. Similarly, people in both Maynardville and Mountain City said the communities were not developing the retail services new residents clearly demanded as rapidly as the potential indicated.

This lag in entrepreneurial development in response to population growth was not a problem in the New England sites we visited. Laconia had a thriving retail economy and healthy growth in construction-related trades. Both Laconia and Bethel had highly-developed telecommunication capabilities. Several experts we spoke with pointed to the fact that Laconia and Bethel were surrounded by prep schools, colleges, and universities. The human capital needed for their community to take advantage of the potential for economic expansion from new population growth was endemic to the region. There was a regional entrepreneurial "culture" in New England that simply was not as strongly developed in the sites we visited in Tennessee.

Where are the Lone Eagles?

During all four visits, we sought evidence of the economic contribution of new producer service firms and other export-oriented businesses, including “creative class” types. Many are run by sole proprietors, well-educated “Lone Eagles” attracted to high-amenity areas for quality-of-life reasons. Though previous research projected a large role for Lone Eagles in the rural economy, based on their relatively high earnings spent in the local economy, our fieldwork uncovered little evidence of a major contribution.

Because they mostly work out of their homes and require little in terms of local services or supplies, they can be hard to track down. In the communities we visited, they were not involved in local Chambers of Commerce and they did not heavily rely on local internet service providers or other local economic inputs. In Union County, Tennessee, we received widely varying estimates of the number of such businesses operating out of the hundreds of new homes recently built around Lake Norris. Most development specialists were skeptical of any significant economic contributions from Lone Eagles. Many described them as intermittent residents because they required extensive face time with distant clients. A large proportion of the potential multiplier effects from their relatively high earnings are quite likely lost to non-local spending.

Conclusions

Migration impacts on rural development prospects are uneven. Rural jurisdictions face different demands for local goods and services and different opportunities for economic expansion, depending in large part on migration trends. Anticipating the types of areas that will receive large numbers of baby boomers in the near future could prove useful, because the future effects of baby boom migration on rural development will be mixed and will vary depending on local and regional factors.

The migration of baby boomers associated with their aging toward retirement is already having a major economic impact across rural and small town America. Interviews in four case-study communities emphasized the positive aspects of increased in-migration. Population growth broadens the tax base, increases the demand for goods and services, and creates jobs, especially if new residents bring entrepreneurial skills, accumulated

wealth and non-earnings income with them. The communities we visited also were clearly struggling to some degree with expected challenges. New residents are sometimes difficult to integrate, bring different social and political views with them, require new transportation investments and government services, increase property values, and change land use patterns. These concerns were less evident in our talks with economic development experts, county extension agents, political leaders, real estate agents and other entrepreneurs, suggesting the need to broaden the types of interviews conducted during the course of this field visits.