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Economic Strength in Rural New York

A century ago, about a third of the U.S. population lived on farms. Today only a small fraction of the workforce farms the land and most rural residents are in jobs similar to those of their urban counterparts. Technological advances, particularly in communications and transportation, have transformed the rural economy. Farming is no longer the staple it once was, and population growth and an expanding economic base are now common features of the rural United States.

In New York State, where economic growth has been sluggish for much of the last decade, the rural economy has done relatively well. The population and labor force in rural areas are expanding, and the number of jobs growing. This issue of the *Regional Economy* takes a look at this robust rural economy, examining population and job growth, industrial composition, and income patterns in the state's rural areas.

What is Meant by Rural?

In 1950, the U.S. government, through the Office of Management and Budget, developed an official definition for metropolitan areas, now referred to as *metropolitan statistical areas* (MSAs). A metropolitan area includes both an urban county containing a sizable city and any adjacent counties that are economically and socially integrated with the city.[1] This definition provides a convenient method for dividing metropolitan areas from nonmetropolitan, or rural, areas. However, while this division is useful for some kinds of analysis, "nonmetropolitan" fails to capture all of what is commonly thought of as rural. This is because areas commonly considered rural in character may be in a metropolitan county. For example, New York State's predominantly pastoral Chautauqua county is designated as the Jamestown MSA, and Wayne county, part of the Rochester MSA, has a population density 1/1000th of the adjacent Monroe county, which contains the city of Rochester.

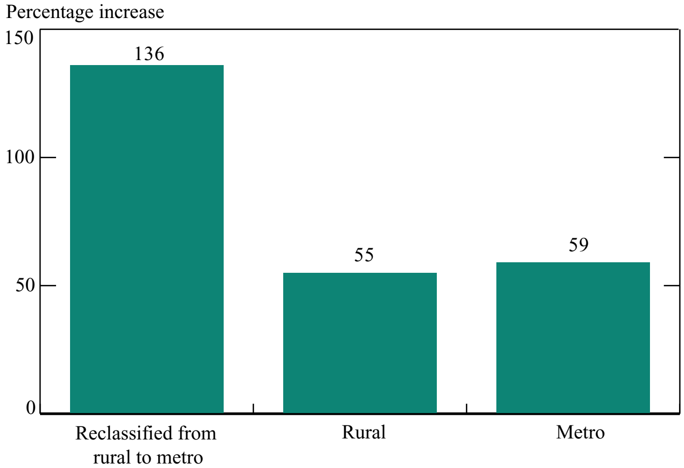
Changing demographics can further complicate the distinction between metropolitan and rural. Metropolitan areas may absorb or lose counties over time because of population changes or other factors. For instance, since 1950 more than 500 counties in the United States have been reclassified from rural to metropolitan as they have grown and become integrated with nearby MSAs, or have become metropolitan areas themselves. These formerly rural counties account for almost one-quarter of the current U.S. population. However, as rural counties are reclassified, their contribution to overall population growth is somewhat masked, as is the overall growth rate of rural America. In 1950, for example, 44 percent of the U.S. population lived in rural counties. Today, these same counties account for 46 percent of the country's population. However, since many of these counties have now been reclassified as metropolitan, their populations are no longer counted as part of rural America. Consequently, only 20 percent of Americans live in counties currently defined as rural. This statistic obscures the fact that between 1950 and 1999 rural America grew at a faster pace than urban America, increasing by 89 percent as compared with urban America's 72 percent.[2] Employment has also been increasing at a rapid pace in these counties (see Chart 1).

Rural New York Is Expanding

Is rural New York also expanding at a rapid pace? Since 1950, nineteen of the sixty-two counties in New York State have been reclassified as metropolitan. The current definition of rural New York State includes all counties not formally part of metropolitan areas,[3] a total of twenty-four counties. About 8 percent of New York's population live in these counties.

Although population age demographics for rural areas are virtually identical to those for urban areas, population growth rates have

Chart 1
Job Growth in Rural and Metro Areas: 1969-97



Source: Andrew Isserman, "Creating New Economic Opportunities: Comparative Advantages of Rural America in the Next Century," Federal Reserve Bank of Kansas City conference paper, 2000.

Table 1
Population Growth in New York State

	1900-50 (Percent)	1950-70 (Percent)	1970-90 (Percent)	1990-99 (Percent)*	1999 Population*
New York State	104	23	-1	1	18,197,000
Metro counties	129	23	-4	1	16,764,000
Upstate metro counties	71	27	-1	-2	4,760,000
Rural counties	10	24	15	0	1,478,000

*1999 figures are Census Bureau estimates. Decennial figures are actual census year counts.

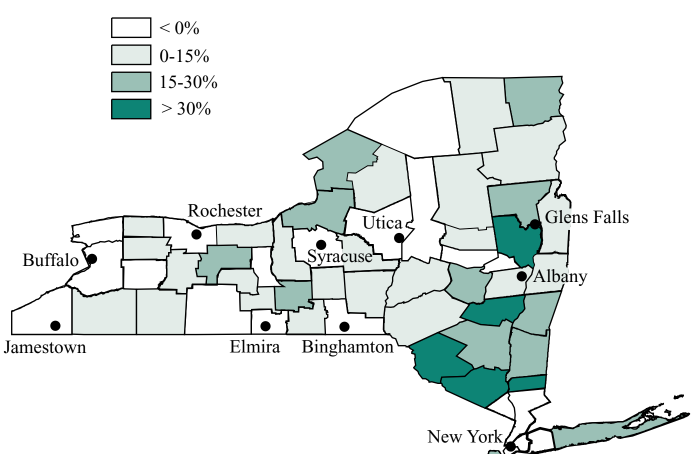
been quite different. In the early twentieth century, the urban population grew much more rapidly than its rural counterpart, but that trend is now reversed (see map). Overall, New York State's population fell between 1970 and 1999, but this decrease was centered in metropolitan counties. Rural counties actually saw an increase in the number of residents. Although recent estimates by the Census Bureau indicate that the state's population grew faster in metropolitan areas than in rural areas in the 1990s, this pattern was most evident downstate. Upstate, the metropolitan population declined in the 1990s, while the rural population remained constant (see Table 1).

As New York State's overall rural population expands, it is becoming more interconnected with the population of neighboring urban counties. Although only 8 percent of the population live in rural New York, 20 percent of the employed work there. Surprisingly, more urban residents commute outside their home counties than do rural residents. At the same time, while the percentage of urban commuters traveling outside their residential county has remained constant, the number of rural commuters to other counties increased 50 percent between 1970 and 1990.[4] This evidence suggests that both businesses and the population are spreading out into rural areas.

Rural Economic Growth

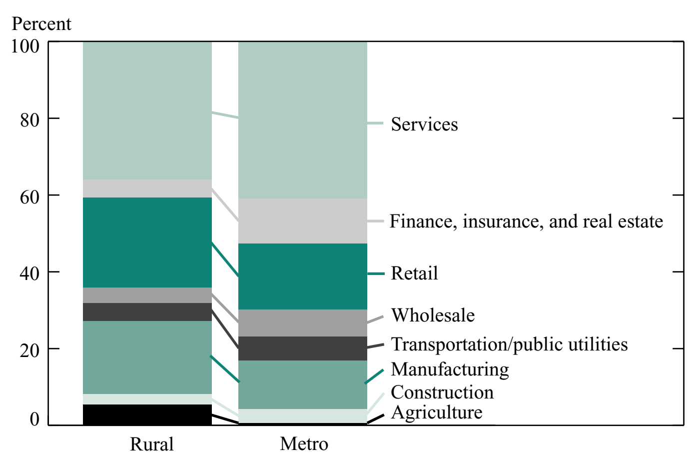
The rural economy of New York State has been expanding and, in fact, outpacing the growth of the metropolitan economy.

New York State Population Growth by County: 1970-90



Source: U.S. Bureau of the Census.

Chart 2
New York State Employment across Sectors



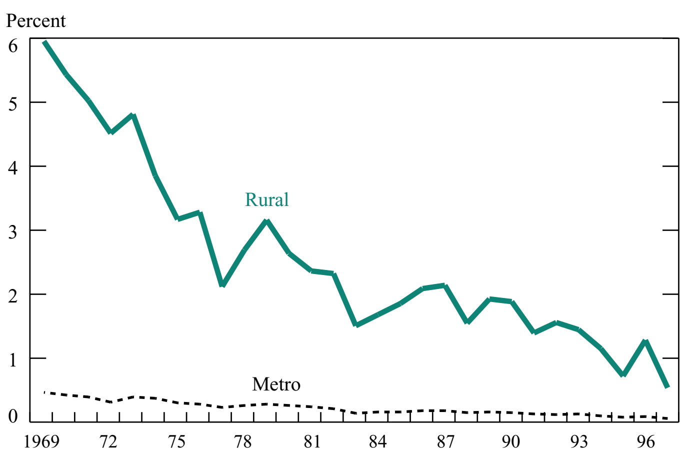
Sources: U.S. Bureau of the Census, County Business Patterns 1997; U.S. Department of Agriculture, Census of Agriculture 1997.

Nonfarm jobs have been increasing faster in rural areas than in metropolitan areas. According to the U.S. Department of Labor, between 1975 and 1999, nonfarm employment rose 41 percent in rural areas as compared to 32 percent in metropolitan areas. During the same period, the labor force grew more than 18 percent in rural New York and a mere 2 percent in the state's metropolitan counties.

The source of economic growth in the rural economy is not farming. Only about 5 percent of the employed work directly in the agriculture sector (see Chart 2).[5] In fact, the dependence of the rural economy on farming as a source of income has been steadily declining (see Chart 3).[6] By contrast, the service sector has been a growing source of jobs. Employment growth in the manufacturing sector has trended down, but this sector remains very important to the rural economy (see Chart 4). Indeed, manufacturing accounts for a larger percentage of rural jobs than of urban jobs and almost double the income. While just 12 percent of personal income is derived from manufacturing jobs in metropolitan New York, that figure is nearly 20 percent for rural areas.

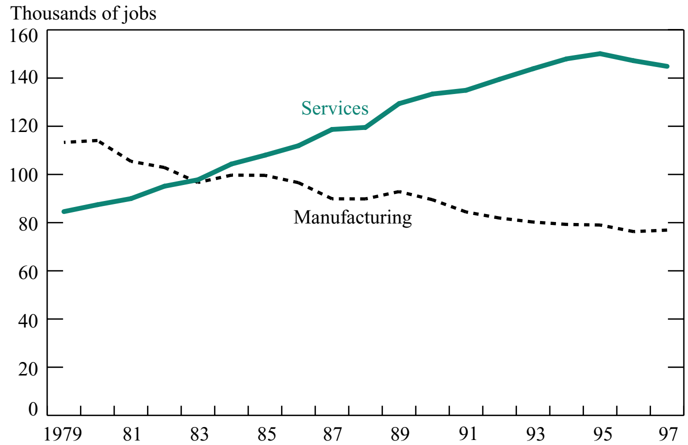
Personal income per capita is lower in rural areas. Personal income for the average person in rural New York is 57 percent below that for his or her urban counterpart. It is likely, however, that the cost of living differs as well, particularly in the case of housing, which tends to be less expensive in rural areas. A larger portion of rural income comes from government programs in the form of transfer payments, such as Social Security and food stamps. Overall, statistics suggest that there is less poverty in New York State's rural counties than in urban areas, but New York City's exceptionally high concentration of poor residents may skew this comparison. Upstate, there is a slightly higher poverty rate in rural counties than in metropolitan counties (Table 2).

Chart 3
Percentage of Personal Income Derived from Farming in New York State



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Chart 4
Economic Restructuring in Rural New York



Source: U.S. Bureau of the Census, County Business Patterns; authors' calculations.

Conclusion

As the U.S. population grows, it is spreading out across the rural landscape. Rural areas have many advantages for business, such as low taxes and inexpensive land and labor. In addition, households are attracted to rural areas by the low-cost land and housing, reduced traffic volumes, and natural amenities such as green space and scenic vistas. As technology, communications, and transportation more effectively link rural and metropolitan areas, rural growth is accelerating. And with the Internet making products and information available to every corner of the countryside, a rural lifestyle may no longer mean an isolated existence. In New York State and across the nation, the rural economy is proving to be an area of growth, not stagnation, and the future holds even more promise for an increasingly vital rural America.

Table 2
Income Patterns in Metro and Rural Counties

	Transfer Payments as Percent of Income	Population below Poverty Line (Percent)
Metro counties	16	16
Upstate metro counties	17	12
Rural counties	20	14

Source: Bureau of Economic Analysis, Regional Economic Information System, 1997; U.S. Bureau of the Census; authors' calculations.

Notes:

[1] To be included as part of an MSA, a county must have a total population of at least 100,000 and one city with 50,000 or more inhabitants. Adjacent counties that have at least 50 percent of their population in the urbanized area surrounding the largest city are added. Additional outlying counties are included in the MSA if they meet a "percent urban" requirement and specific criteria relating to population density and commutation patterns.

[2] Andrew Isserman, "Creating New Economic Opportunities: Comparative Advantages of Rural America in the Next Century." Federal Reserve Bank of Kansas City conference paper, 2000.

[3] New York MSAs are Albany, Binghamton, Buffalo, Elmira, Glen Falls, Jamestown, Rochester, Syracuse, Utica, New York, and Long Island.

[4] Commuting data are from the Bureau of Economic Analysis and are derived from the decennial census.

[5] Agriculture workers were computed as the total of hired farm labor from the U.S. Department of Agriculture's *Census of Agriculture*, plus workers in agriculture service, farming, forestry, and fishing from *County Business Patterns*.

[6] This excludes agriculture-related industries such as food processing, which can be a significant sector of a rural economy.

Richard Deitz and Ramon Garcia