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Rural America's New Path to Workforce Skills

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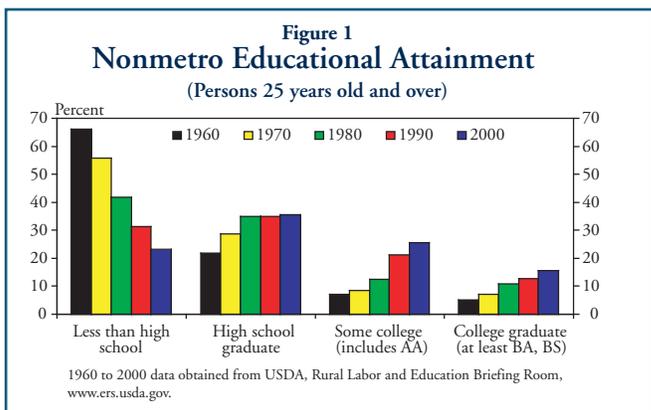


Jobs that require high-skill workers are becoming a crucial part of the rural economy—accounting for nearly 60% of today's rural jobs. Still, many outside firms and policymakers hold the outdated belief that rural America lacks the skills necessary to compete in the 21st century.

At the heart of this myth is the reality that the traditional gauge of skills, educational attainment, is too narrow to accurately measure this workforce asset. Many rural residents are gaining valuable new skills outside of traditional four-year colleges and universities. In fact, their new focus on skill-oriented training sets them apart from their metropolitan cousins.

Two educational paths to success

Until now, the traditional path to acquiring workforce skills led students through a four-year program to earn a bachelor degree. Students first had to complete high school. By 2000, roughly three of every four nonmetro residents had at least a high school diploma, up from roughly a third in 1960. Rates for four-year college degrees in rural areas have also risen steadily since the 1960s, but they still trail rates in metro areas (Figure 1).



But four-year degree programs generally focus on academic skills. In contrast, the nation's community colleges focus on arming graduates with occupational skills—tools that many employers value highly in today's workplace. The two-year institutions offer associate degrees in programs specifically designed to develop particular job skills in such fields as computer technology and nursing.

As a result, today's students can choose between two distinct educational paths.

One path leads through academics, while the other arms students with more immediate occupational skills (Figure 2). In rural America, the share of students earning bachelor, graduate, and professional degrees is 40% less than the share of metro students earning those degrees, and the gap has widened slightly

since 1995. At the same time, the share of rural students earning associate degrees is 20% higher than the share for students in metro areas. And that lead is growing.

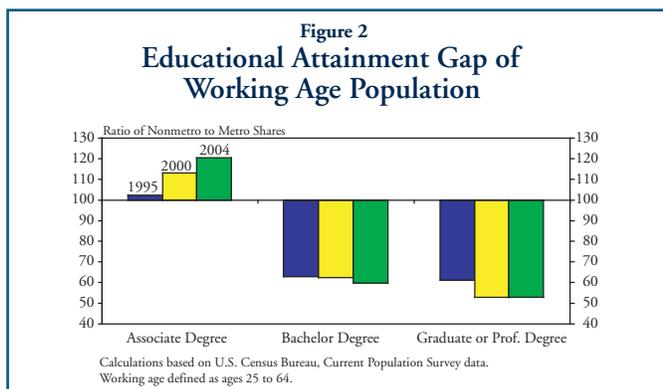
Still, the myth that rural workers are undereducated continues to hinder rural economies. Despite the evidence that jobs tend to follow people and their skills, many firms appear to be unaware just how rich many parts of rural America are in this resource.

How are community colleges redesigning their role?

Many high-skill occupations rely on precisely the kinds of backgrounds that associate degrees provide. Over half of the healthcare, life science, physical science, and social science technicians in the United States have earned an associate degree rather than an academic one.

Almost a third of occupations in management, business, financial, science, engineering, computer, and healthcare are filled by people with two-year degrees.

The focus community colleges and their students place on occupational skills and associate degrees suggests they are especially attuned to the needs of the marketplace. Rural places have higher concentrations of employment in goods-producing industries and production occupations. These positions often require skill-oriented training best



addressed in community and technical colleges rather than by traditional academic-oriented programs. The educational decisions that rural residents make not only reflect a highly efficient response to the needs of the market but also benefit their own economic futures—as well as those of rural firms and the regional economy as a whole.

Some firms see the light

Many firms have realized the advantages of “rural sourcing” in areas that feature workforce skills. Goods-producing companies, in particular, have often relied on the technical training provided by associate-degree institutions. While many call centers have moved overseas, some specialized operations have chosen to locate in rural places with an educated workforce, often discovering better performance than their metro and overseas counterparts. Computer-maker Dell in Twin Falls, Idaho (pop. 34,469), and pharmacy-benefits manager Express Scripts in St. Mary's, Georgia (pop. 8200), are two recent examples of firms that have tapped the hidden skills of rural America. Both of these firms offer some of the highest wages in their new rural communities.

Many community colleges are actively shaping their curricula to help create more prosperous regional economies. The Rural Community College Alliance sees these two-year institutions as “as catalysts leading to ... sustainable regional economies,” principally through workforce training. Community colleges are uniquely positioned to link needs of local business with skilled local workers, benefiting firms, workers, and the region as a whole.

As the rural economy continues to evolve towards higher-skill activities, the educational demands of the marketplace will evolve as well. Rural residents' current enthusiasm for associate degrees suggests that many will continue to see the value in pursuing educations that provide needed skills to the marketplace. In doing so, they are giving themselves and their region the best chances for success in a changing economy.

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City

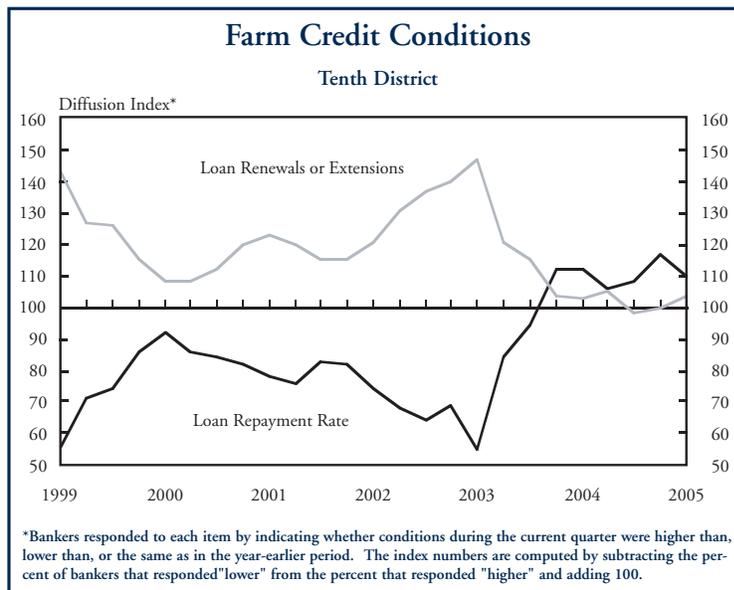
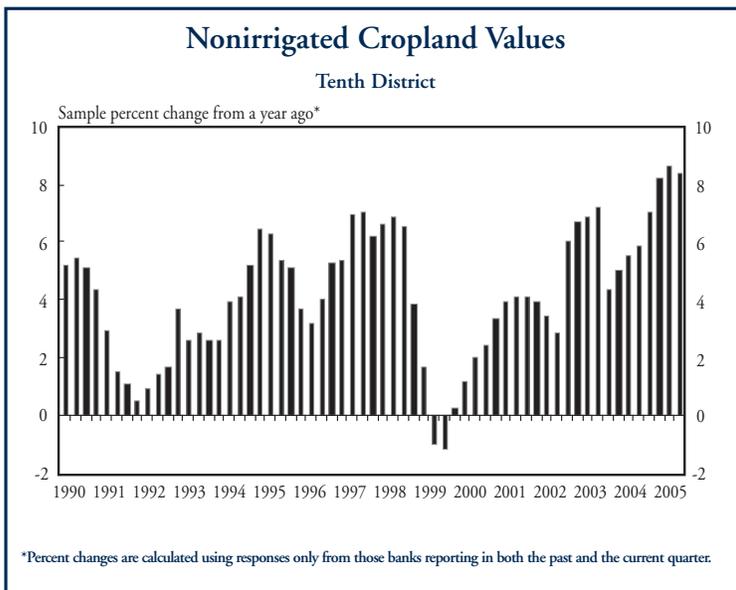
March 31, 2005

Highlights from the first quarter survey*

- The boom in district farmland values continued in the first quarter of 2005. Ranchland values rose 11% over a year ago, the fourth straight quarter of double-digit gains. The strongest gains in ranchland values occurred in Missouri, Nebraska, and Oklahoma. District cropland values also remained strong. Nonirrigated cropland values increased 8.4% over a year ago, while irrigated land gained 6.3%. Bankers continued to cite recreation demand as a strong influence on ranchland and nonirrigated cropland values. In many areas rising energy costs have kept a lid on irrigated values, but some bankers in parts of Nebraska commented that water rights issues are driving up the price of irrigated land.
- District farm credit conditions were solid in the first quarter despite a minor slip in some index values. The index of farm loan repayment rates edged lower, as a larger share of respondents reported no change in the rate of loan repayment. The index of requests for renewals and extensions was slightly above both the previous quarter and year but stayed well below levels prior to 2004. The district indices for farm income and capital spending pulled back from the fourth quarter. Still, 40% of respondents reported higher farm income and one-third reported higher capital spending, compared to the first quarter of last year.
- The district farm commodity price index moved higher in the first quarter. High livestock prices drove the rise, as cattle and hog prices moved above fourth quarter levels and remained well above a year ago. Corn, soybean, and sorghum prices strengthened from the previous quarter, while wheat prices weakened. Prices for all crops stayed well below a year ago.
- Interest rates on new farm loans moved up in the first quarter. At the end of the quarter, interest rates on new farm loans averaged 7.74% for operating loans, 7.73% for machinery and intermediate-term loans, and 7.29% for real estate loans. Since the end of March, most interest rates in national money markets have moved lower, but very short term rates have edged up.

*Note: 289 banks responded to the first quarter Survey of Agricultural Credit Conditions in the Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri.

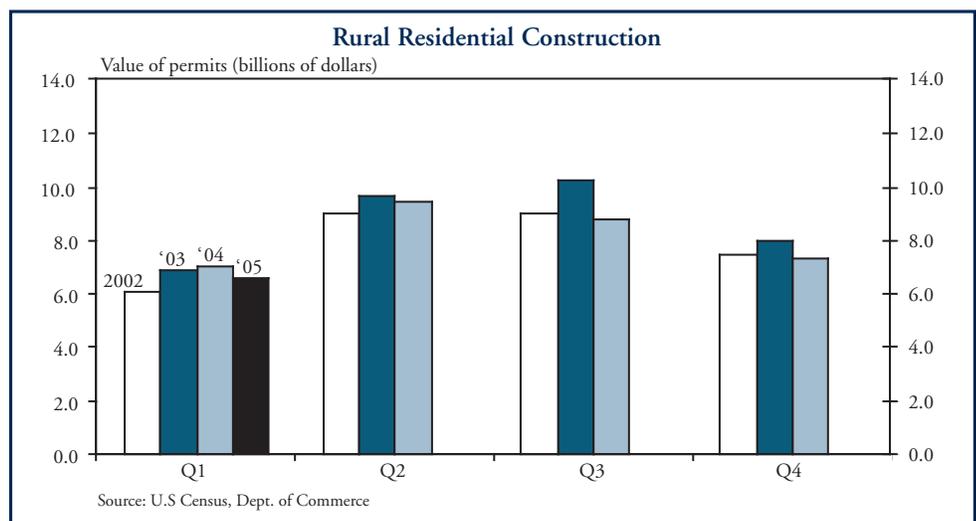
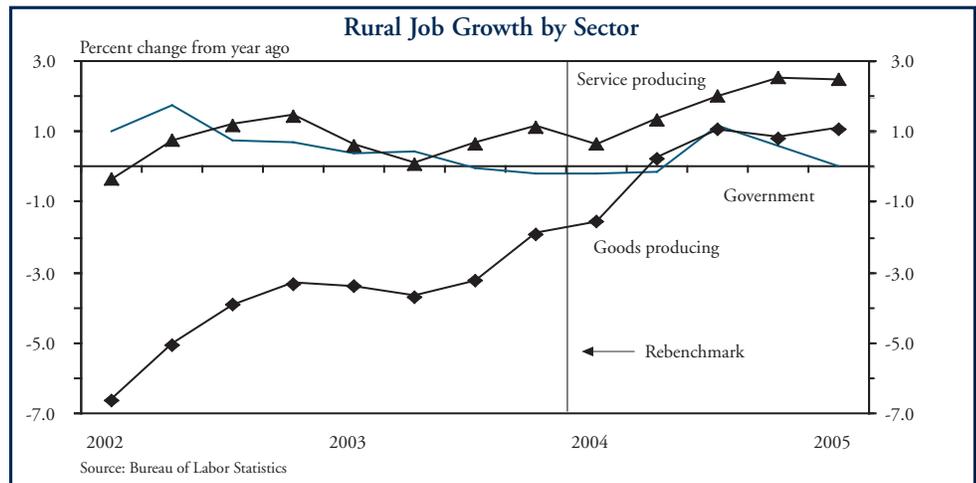
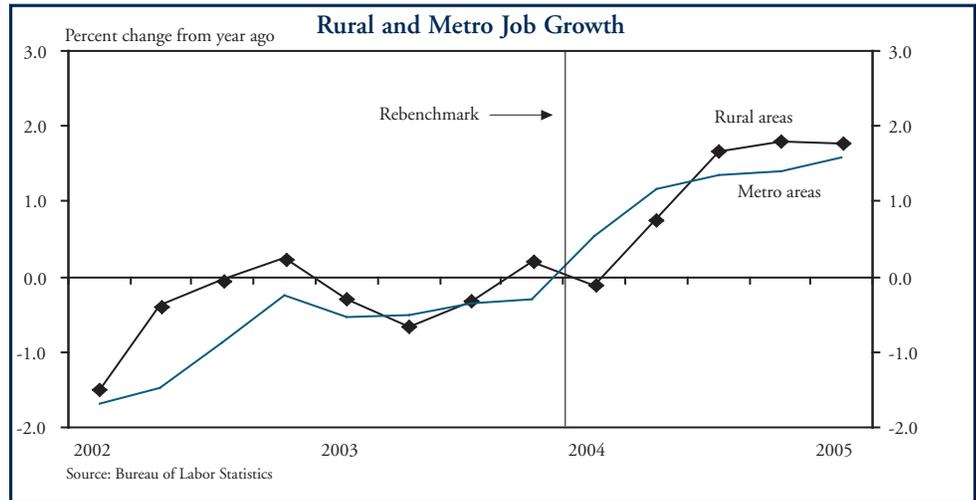
*Please refer questions to Nancy Novack, associate economist, at 816-881-2423 or nancy.l.novack@kc.frb.org.



Summary of Economic Conditions

Highlights from the first quarter*

- The rural nonfarm economy continued to expand in the first quarter of 2005, with job gains holding near 1.8%. Growth in all sectors remained positive, with the bulk of service sectors outperforming other areas of the rural economy.
- The combined service sectors continued to lead the rural economy with robust growth of 2.5%. On the goods producing side, increased construction activity across the nation fueled higher job gains in the rural construction sector. Nevertheless, sluggish growth in manufacturing dampened job growth in the goods producing sector to around 1.1%.
- Rural construction activity remained healthy in the first quarter, with a seasonal increase in building permits near the end of the quarter. Job gains in the sector were strong, although construction lost its place to professional and business services as the leading sector in terms of job creation. The average value of building permits was off slightly from 2004 levels, in part based on weak February numbers. March was up significantly, indicating momentum moving into the second quarter.



Please refer questions to Sean Moore, research associate, at 816-881-4766 or sean.moore@kc.frb.org.

For more current analysis on the state of the rural farm and nonfarm economies, visit our website at www.kansascityfed.org/ruralcenter

Notes: Data for all tables are not seasonally adjusted. Job data were revised and reclassified in January 2004.