



Does a remote work strategy make sense for rural economic developers?

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Remote work will likely remain higher than pre-COVID. What are the potential benefits and costs of a rural remote work strategy?

Rural economic development continues to be a concern for many. U.S. Census Bureau research from 2018 shows areas considered completely rural had a 3% higher poverty rate on average than all counties and average household income that was 75% of the national county average.¹ As rural developers look at strategies to improve the economic condition of rural communities, one development strategy to consider is focusing on increased use of remote work.

Recent data show remote work is declining now that communities feel more confident in their ability to deal with COVID-19. However, it is likely that remote work will remain at levels higher than before the pandemic. This increased acceptance and use of remote workers raises a question for rural economic developers: Does it make sense to pursue a remote work strategy to help develop rural economies?

This article examines the rationale for rural remote work, looking at rural remote work from an economic developer's perspective, and sharing potential factors of analysis when considering whether to pursue a rural remote work strategy.

The rationale for considering rural remote work

I was prompted to ask this question by an article recently published by our Kansas City Fed Omaha Branch executive and team. [Remote Work a Challenge and Opportunity for Nebraska](#) discusses various aspects of remote work in the state. The benefits, in large part, are due to wage differentials, both between states and between different geographic areas of the same state. Using Nebraska wages as an example, the article states:

Large differences in wages from one part of the country to another also underscore the possibilities of remote employment. The median annual salary in Nebraska in 2020 ranged from a low of \$35,160 in the northwest part of the state to a high of \$41,730 in Omaha ... Despite this variation, these salaries were much less than on the West or East coasts, suggesting that businesses located in those regions may have an incentive to hire Nebraskans to work remotely at lower cost. Likewise, lower salaries in the South and southeastern U.S.

suggest that firms in Nebraska may have an incentive to hire remote workers living in those regions.

When we look at metro versus nonmetro rural wage differentials, we see something similar. A 2021 research article from the Center for Ag and Rural Development at Iowa State University found median wages for metro areas were 20% higher than nonmetro areas.² In short, remote work may especially interest companies looking to reduce labor costs, especially in areas of the country with higher-than-average wages. This also may be true within states that have different areas with large wage differences.

An economic developer's natural question is "how big is the market for remote work?" While not separated by metro versus nonmetro opportunities, Map 1, prepared by the Kansas City Fed, shows that, apart from Wyoming, every state in the U.S. is estimated to have a minimum 10% of their labor force as potential candidates for remote work. (For a definition of remote work see the endnotes of [Remote Work a Challenge and Opportunity for Nebraska](#).) This indicates there is a rationale for economic developers to explore remote work as a development strategy both because there is potential for remote work and because remote work can reduce company labor force costs. In short, from an economic development standpoint, the question becomes whether the expected additional increase in wages and the economic benefits that occur because of the increase outweigh the potential costs in other areas.

Rural remote work from an economic developer's perspective

While there is a strong economic rationale for both companies and economic developers to at least consider remote work, we know wage differential is only part of what goes into these considerations. Every local community's economic development strategy should consider the unique strengths, challenges and culture of that community. There is little substitute for local knowledge and understanding. That said, there are some broad potential benefits and costs that to be considered when exploring a remote work strategy.

Potential benefits

- 1 It provides an opportunity to bring in external revenue from outside cities and states, that may be recirculated into the local community. This, of course, helps with local sales tax revenue, more vibrant local businesses and the potential creation of more local amenities.
- 2 It may increase the number of higher-wage jobs even if the employer is not local, in that many times outside employers will pay remote workers less than what their local cost would be. However, this wage still may be higher than what a remote worker would be paid in their respective town. This, in turn, has the potential to reduce out-migration as the desire to "leave home for a better job" is reduced. For example, if a call center in Philadelphia is paying its workers \$20 per hour on average, and a Nebraska call center is paying \$15 per hour, the \$5 per hour difference incentivizes the Philadelphia company to

provide remote work in Nebraska. If the company pays above Nebraska market wages of, let's say, \$17 to attract local workers, then they still save \$3 dollars per hour on labor costs. In turn, the Nebraska worker gets \$2 more per hour in income, which can help stimulate the local economy.

Potential costs

- 1 Many rural communities, particularly in the Midwest, have very low unemployment rates. For example, the unemployment rate of Nebraska outstate communities routinely is around 2%. This makes competition for labor high. The focus by rural developers on expanding remote work may exacerbate pre-existing labor challenges for local business owners. Rural communities, like all communities, are not just economic utility maximizers. Culture plays a big role, and the consequences of having pushback from local business owners is real.
- 2 Digital infrastructure as well as digital literacy may pose a challenge. Rural broadband is still lacking in many communities. According to the Federal Reserve Bank of Kansas City's report [Disconnected: Seven Lessons on Fixing the Digital Divide](#), for data-intensive tasks, a minimum internet download speed is 25mbps. According to the USDA, 22% of rural Americans do not have this speed available to them.³ Also, depending on the job, rural workers may face certain cost-prohibitive minimum hardware requirements.

Possible factors of analysis

In many ways, good economic development is as much an art as a science. While the basics of economic growth are consistent, each community's strategies, relationships and community strengths and weaknesses are unique. Developers need to consider all those factors. Some factors of analysis to help determine the potential of a remote work strategy:

- Percentage of workforce that commutes to external locations for work.
- Average local wage rate versus potential average remote work wage rate for similarly skilled jobs.
- Broadband access and the technological competency of local workers and likely training costs to upskill workers.
- Civic and business community perspectives on remote work and its potential costs and benefits.
- Development costs if standing up a co-work space for remote workers.
- Estimate of reduced out-migration due to better wage opportunities in the local community.

Conclusion

The pandemic led to an increase in both the use of technology and willingness of employers to allow employees to work remotely. As the pandemic subsides, remote work is declining, but expected to remain above pre-pandemic levels. This creates a potential economic development opportunity for rural developers. All else equal, the ability to attract remote work jobs from

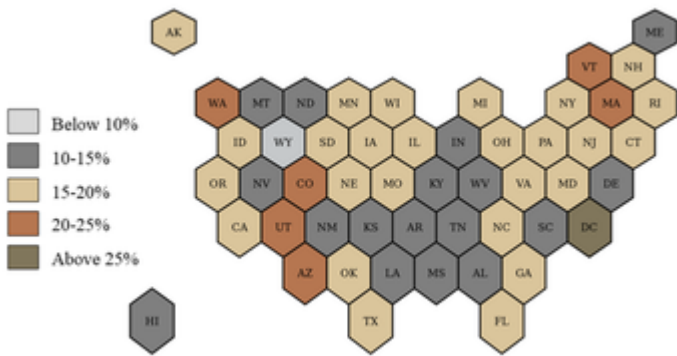
areas of the nation that have higher wages may benefit rural communities, which, on average, tend to have lower wages. However, rural developers need to consider local factors, such as current unemployment rates and digital infrastructure. Because each rural community is unique, there is no standard answer to the question of whether rural developers should create a remote work strategy. However, the data and shift toward a nation that increasingly is friendly to remote work suggest this strategy is worth consideration.

Interested in learning more about the economics of where you work? [Click here](#).

Endnotes

- [1] <https://www.census.gov/library/stories/2018/12/differences-in-income-growth-across-united-states-counties.html>
 - [2] Chen, Y., L. Ma, and P. Orazem. 2021. "Minimum Wages and Rural and Urban Firm Entry and Exit." *Agricultural Policy Review*, Winter 2021. Center for Agricultural and Rural Development, Iowa State University. Available at www.card.iastate.edu/ag_policy_review/article/?a=120.
 - [3] <https://www.usda.gov/broadband>
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Map 1-From the article Remote Work a Challenge and Opportunity for Nebraska