Resilience of Nebraska’s Regional Hubs

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Regional hubs in Nebraska have demonstrated resilience in their economic growth in recent years despite challenges in areas that are either primarily urban or primarily rural. Job growth in these regional hubs has been notably stronger than in other rural areas of the state and, at the same time, also has been stronger than in metro areas heavily affected by the pandemic. Moreover, income growth in Nebraska’s regional hubs has been robust alongside ties to agriculture in surrounding rural areas. Looking ahead, prospects in Nebraska’s regional hubs as a source of economic growth in the state will be significantly affected by growth in select industries, particularly manufacturing and agriculture.

Job Growth in Nebraska’s Regional Hubs

In recent years, prior to the pandemic, employment growth in Nebraska was driven by metro areas of the state, while nonmetro areas contracted. Beginning in about 2013, job gains in more rural parts of the state began to weaken even as growth in urban locations remained mostly steady. From 2016 through 2019, annual job growth in the state’s metropolitan areas averaged about 0.9% while nonmetro areas experienced job losses of about 0.3% on average (Chart 1).
Despite the declines in nonmetro areas, job growth in some rural parts of the state has closely resembled that of urban locations. While much of the state of Nebraska is often characterized as rural, some of these locations might be described as “regional hubs,” rural areas with a higher population density than nonmetro areas\(^1\). These regional hubs often contain elements of both a small urban economy due to their population density, and a rural economy due to the surrounding area. From 2016 to 2019, employment in these regional hubs increased slightly despite the job losses in other rural parts of the state (Chart 2).
Regional hubs can be found in rural areas throughout Nebraska anchored by towns of varying size. Many of Nebraska’s regional hubs can be found along the I-80 interstate, the “panhandle” of the northwest, or in the eastern portion of the state (Map 1). Regional hubs, as defined in this article, vary in size from a community such as Jefferson County (Fairbury; county population of 7,102) to Buffalo County (Kearney; county population of 49,594). The economies within these regional hubs also vary but, throughout the state, are often tied to agriculture and manufacturing.
In addition to stronger job growth than other rural areas prior to 2020, the economic recovery in Nebraska’s regional hubs from the early months of the pandemic also has been relatively swift. From January 2020 to April 2020, employment declined by 11.6% in Nebraska’s metro areas and 8.5% in its regional hubs (Chart 3). In contrast, only 3.8% of jobs were lost in other rural areas of the state. By September 2021, however, employment had returned to within 2% of its pre-pandemic level in Nebraska’s regional hubs, with a slower recovery in both metro areas and more rural areas.
Nonmetro Income Growth

Although job gains in recent years have been driven by metro areas in Nebraska, income growth has been stronger in nonmetro areas alongside improvements in agriculture. From 2013 to 2018, income growth in Nebraska’s nonmetro areas weakened alongside persistent declines in farm income (Chart 4). In 2019 and 2020, however, a sharp rebound in farm income was accompanied by a significant recovery in per capita income growth in Nebraska’s nonmetro areas more generally.
In 2019 and 2020, income gains were strongest in Nebraska’s most rural areas, but income growth in Nebraska’s regional hubs also increased notably. With an economy that contains elements of both a small urban economy and a rural economy tied to agriculture, income growth in Nebraska’s regional hubs recently has been between the growth of those economies. In 2020, incomes in Nebraska’s regional hubs increased by 7.8% from the year before, nearly 3 percentage points higher than in metro areas (Chart 5).
Moreover, through 2021, incomes throughout Nebraska’s nonmetro areas were higher than what may have occurred in the absence of the pandemic. As wages in nonmetro areas are generally lower than in metro areas, supplemental income support through fixed federal enhancements to unemployment insurance provided relatively more support to those nonmetro areas in 2020 and 2021. Although job losses were more muted in nonmetro areas during the pandemic, the federal enhancements boosted incomes in these areas substantially in 2020 when compared to a hypothetical scenario in which conditions in January 2020 continued to prevail (Chart 6).
Locations and Industries Driving Job Growth

When considering recent trends in rural Nebraska, and among its regional hubs, a small number of specific locations have accounted for much of the job growth. Since 2015, employment increased from 4.5% above 2010 levels to more than 9% above 2010 levels by 2019 in counties belonging to three of Nebraska’s regional hubs (Dodge, Madison and Platte Counties) (Chart 7). In contrast, employment declined by more than 1 percentage point in counties comprising the remainder of Nebraska’s regional hubs. These trends have also prevailed in the wake of the pandemic; growth in a few specific nonmetro areas has outpaced other nonmetro areas of roughly similar size. Similarly, in rural counties, job growth has been robust in Custer, Merrick, Kearney, Antelope, and Hamilton Counties and has generally declined elsewhere since 2010.
While just a few counties have accounted for most employment growth in nonmetro areas, a few specific industries also have played an outsized role in the economies of regional hubs and other rural areas. In addition to agriculture, a small number of industries are especially pronounced in rural Nebraska, which includes its regional hubs. In Nebraska’s most rural areas, agriculture accounts for more than 15% of jobs (Chart 8). The industry known as trade, transportation and utilities (which includes both wholesale and retail trade) accounts for more than 30% of jobs in Nebraska’s most rural locations and more than 25% of jobs in Nebraska’s regional hubs. Particularly noteworthy, however, is that jobs in leisure and hospitality account for a larger share of employment in Nebraska’s regional hubs than in its metro areas, underscoring the role of these regions as a service-based economy in an otherwise rural area.
Chart 8: Share of Employment by Industry

Note: "Agriculture" captures all natural resource industries, including mining. "Other" also includes the "information" industry.
Sources: BLS, authors' calculations.
In the decade leading up to the pandemic, employment in a few of these more pronounced industries provided notable support to Nebraska’s regional hubs and other rural areas. Similar to Nebraska’s most rural areas, employment in agriculture expanded by about 40% from 2010 to 2019 (Chart 9). Employment in manufacturing also grew significantly in nonmetro areas during this decade. In contrast, job gains in Nebraska’s metro areas were most notable in service-based industries, such as leisure and hospitality.
In the wake of the pandemic, the employment recovery in some industries has been significantly stronger in Nebraska’s regional hubs than in other areas of the state. Importantly, across industries, job losses were generally not as severe in the early months of the pandemic in Nebraska’s regional hubs when compared to metro areas (Chart 10). By the third quarter of 2021, industries that had rebounded in metro areas generally rebounded more robustly in regional hubs. Employment in professional and business services, for example, was 6.3% higher in September 2021 than before the pandemic, in contrast to lingering weakness in metro areas of the state.
In rural areas, employment also did not drop as sharply as in metro areas, but some industries have been slower to recover. In manufacturing, for example, employment in nonmetro areas outside of regional hubs was 15.8% less than in 2019 as of the third quarter of 2021 alongside persistent challenges with supply chain disruptions and labor shortages. The leisure and hospitality industry, which experienced substantial job losses earlier in the pandemic, also has not recovered to its pre-pandemic level of employment in both metro and nonmetro areas. In other industries, however, including agriculture, the level of employment has far surpassed its pre-pandemic level.

**Conclusion**

Regional hubs in Nebraska, regions that are typically characterized as rural, have shown patterns of growth in recent years that also contain elements of a small urban economy. Recent signs of growth in these regional hubs builds on previous research showing that job growth in the state has been fueled, to a significant extent, by suburbs. While much attention is often placed on large cities such as Omaha and Lincoln, economic prospects in surrounding areas - including suburbs and regional hubs - have also shown signs of economic resiliency, particularly in the wake of the pandemic.
Endnotes

[1] Metropolitan counties are classified by the Office of Management and Budget (OMB). Classifications within the remaining non-metropolitan counties rely on population density at the census block group level. Nonmetro counties identified as regional hubs have a higher share of census block groups with a population density greater than 738 than the national average. Nonmetro, rural counties have a higher share of block groups with a population density less than 738 than the national average or have a total county population of less than 2,500.

[2] The non-pandemic baseline holds wages constant at levels prevailing in the first quarter of 2020, but uses the average rate of employment growth from 2019 to project what employment would have been in the absence of the pandemic. In this article, the average rate of employment growth is found for each state-industry pair using the Bureau of Labor Statistics’ Current Employment Statistics (CES) report and is then applied to each county-industry pair. For each county-industry pair, wage levels are applied to the projected level of employment for each quarter. The non-pandemic baseline is then the sum of wages from employment and projected employment. Chart 6 compares the sum of wages from actual employment and the benefits earned by the unemployed with the non-pandemic baseline.
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