



Coming home

Resurgence of working-age residents
may boost rural economies



When Kara Weander-Gaster left rural Nebraska in her early 20s for New York, she vowed she'd never live west of the Mississippi River again.

“I was looking for something bigger. I wanted to go out and see the world a little,” she remembers. “I loved where I grew up, but I didn't feel like it had anything for me.”

Headling to grad school to study art history, Gaster craved the culture she thought only a bigger city could offer her. Eventually she found exactly what she was looking for—and more—right back in Norfolk, Neb., as one of its 25,000 residents.

Now, at 37 with a husband, two daughters and a career as the executive director of the Norfolk Arts Center, Gaster (pictured left) says, “I can't imagine ever leaving again.”

Young adults moving out of their rural hometowns certainly isn't a new phenomenon, but the growing number returning later in life—and the economic implications—may be. Recently, the region has seen a resurgence of older residents, which could rejuvenate small-town economies that have long struggled with dwindling populations, says Jason Henderson, an economist and vice president at the Federal

Reserve Bank of Kansas City's Omaha Branch.

Migration patterns shape the economic growth potential of communities. The out-migration of young adults, especially those with higher levels of education, cuts a community's economic potential by shrinking the supply of workers and, more importantly, by reducing productivity when they take their skills elsewhere. However, the return of middle-aged workers can help offset these challenges. Not only do they boost the number of working-age residents, but also bring knowledge, experience and connections that can enhance productivity gains.

Henderson, who also oversees the Omaha Branch as its executive officer, and assistant economist Maria Akers recently researched these migration patterns and their economic effects for rural communities in the Tenth Federal Reserve District. This area

includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

“Rural areas will likely always be challenged by an aging population and loss of young adults,” Henderson says, “but the in-migration of middle-aged residents—and the skills and the family members they bring—raises a new question for economic development: Should rural America focus on recruiting these residents to their communities?”

Henderson and Akers’ research shows counties with high populations of retirees often have slow economic growth as the workforce there shrinks and young workers move elsewhere. Those with a strong in-migration of middle-aged adults see stronger economic growth.

“The attraction of middle-aged adults

presents a new opportunity for economic growth,” Akers says. “Rural communities that enhance their quality of life may be in the best position to attract residents.”

Many rural communities are in fact actively working to entice new residents through jobs and amenities, such as school systems, health care services and recreation. In Oklahoma, for example, the Department of Commerce helps rural communities with business retention, expansion, attraction and more. Some small towns, like Chetopa, Kan., even offer free land.

For Gaster, it’s the quality of life that lured her back to Nebraska. She wanted the sense of peace she feels when she smells the crops and hears the locusts. And she wanted to be near her extended family.

“This is where I’m from,” she says. “This is who I am.”

ALTHOUGH SMALL TOWNS will probably always see an out-migration of young adults, many are trying to offset that loss by recruiting new residents. In Chetopa, Kan., the city offers free land to new residents who buy the home built on it. George Davis, Chetopa’s chamber of commerce president, city council member and lifelong resident, says the benefits of new residents outweighs the cost of giving away property.



Aging populations vs. economic growth

Henderson says there are three demographic changes in rural areas of the District that could shape these communities:

- The retirement of baby boomers strains pools of workers by reducing workforce participation;
- The flight of young adults challenges workforce levels, especially for high-skilled positions; and
- The return of middle-aged adults could partially offset declines in the workforce.

In the District, with its large rural geographic area, there is a high concentration of older residents. During the past 40 years, retirement-age residents (those 65 and older) in the District have increased from 12.9 percent of the population in 1970 to 15.6 percent in 2008. By comparison, metro areas saw a rise from 9.5 percent to 11.5 percent.

“So while aging populations in general slow economic growth,” Henderson says, “rural migration patterns are both accelerating and mitigating this trend.”

An area’s economic growth potential emerges from a couple of components: population growth and workforce participation.

The Census Bureau projected the District’s adult population (those 16 and older) to grow just 0.4 percent annually through 2020, potentially trimming economic growth by 0.7 percent. Meanwhile, the number of retirement-age residents has increased substantially in the District since the 1970s. The District workforce participation rate is projected to fall 0.27 percent annually through 2020, reducing the potential growth of District output, or GDP.

The continued reduction in population growth as young residents move, coupled with weakened workforce participation as workers retire and slower productivity growth, could slow the District’s annual economic growth from about 3 percent to less than 2 percent by 2020. This would limit personal income growth for rural residents.

“However, small communities are not necessarily doomed to a shrinking workforce and dwindling economic growth,” Akers says. “Refocusing their resident recruitment efforts could be the key.”

Shift in strategy: attraction, retention

As an added incentive to move to the “nice, friendly little town” of Chetopa, Kan., incoming residents can also receive free land.

“We want new people,” says George Davis, chamber of commerce president and city council member, adding, “It benefits the city” through an increased tax base, workforce, local consumer spending and more, which outweighs the cost to the city of giving away its property.

Several years ago Chetopa dedicated seven acres of the school district’s land to build 13 new homes, known as the Hornet Addition. The plots are free; residents purchase the homes (a three-bedroom house is priced in the low \$70,000s). Six have been built and five are occupied—all have families with children, which ultimately could increase the town’s young adult population. Just 7.2 percent of the town population is between 18-24 years old, and the median age of residents is 44, according to census data.

“It’s working,” Davis says of the recruitment effort, though the town’s population hasn’t greatly fluctuated as a result. But it hasn’t declined either. There is potential to increase the number of free plots in the future, he says.

Located in the southeast corner of Kansas, Chetopa has nearly 1,300 residents. Residents call the town the state’s “pecan and catfish capital” and it’s surrounded by wheat, soy beans, corn and cattle. The largest employers in town are the kindergarten through 12th-grade school and a charcoal manufacturer.

“I’ve been here all my life,” says Davis, 74. “I just like it here.”

People, of course, move to communities for job opportunities, but, increasingly, are also

in search of a high quality of life.

“While rural communities need to develop their business environments, it is important for them to offer education, health services, recreation and other amenities,” Henderson says. “The goal of economic growth, after all, is to enhance the quality of life for people of all ages.”

Rural communities often overlook the benefits of the in-migration of middle-aged residents. Because middle-aged adults are in their prime working years and usually experience the largest increases in personal wealth in the workforce, areas that have seen population gains among this demographic also have seen strong economic gains.

The small but noticeable increases in middle-aged residents partly off-set the out-migration of younger residents in the District, Henderson says. Farm-dependent counties in particular have experienced some of the largest losses of young adults, but have also seen a rebound in middle-aged adults. Since 1990, their numbers of late baby boomers have risen roughly 14 percent.

Some rural communities in the District actively are recruiting residents through natural amenities. For example, retirement destinations in New Mexico, Colorado and southern Missouri’s Ozark Mountains lure older residents with mild weather year-round and geography ideal for recreation, such as water or mountains.

For many communities, recruitment efforts need to be both intentional and personal, says Jeff Yost, president and CEO of the Nebraska Community Foundation. The Lincoln-based nonprofit provides financial management and development assistance to local leaders throughout the state who are building community endowments for reinvestment in long-term viability.

For example, the Norfolk Area Recruiters recently was established with a mission to attract natives back to the community. The group says the Norfolk area is seeing a surge in new business and job opportunities.

Generally, it’s a combination of factors



PEOPLE OFTEN MIGRATE TO NEW COMMUNITIES for job opportunities, but also are increasingly moving for a higher quality of life. In Chetopa, Kan., residents build a sense of community by gathering for the town’s ninth annual Pecan Fest. The day-long celebration included pecan harvesting, a car show, arts and crafts, cooking contest, live entertainment and more.

that draw people to communities, Yost says, and rural towns can entice new or returning residents by developing these attributes. This customized attraction may include jobs, schools and social networks within the communities. It’s important for efforts to be long-term and regional to maximize the effects. Recruiting and retaining residents is vital to building and sustaining rural economies, he says.

“You have to have a next generation,” Yost says. “You can’t just age as a society and continue to have a society.”

Effects of age on populations

There are roughly 83 million baby boomers, ranging in age from 45 to 63. This is about one-quarter of the U.S. population and means there has never before been such a large portion of workers approaching retirement.



This also means as they retire and migrate, baby boomers may significantly increase rural populations, shifting small-town demographics even more so. With this brings many economic implications, Akers says, including shrinking the U.S. workforce and reducing economic growth in small towns in particular because they have a higher concentration of older residents.

In addition, Yost points out that retaining wealth in rural America also is affected. Communities with aging populations could see significant amounts of money leave the area as it is transferred to heirs who live elsewhere, often in larger cities. The Nebraska Community Foundation estimates about \$1.9 billion in rural wealth will leave the state annually during the next five decades. In an effort to keep residents' wealth local, the nonprofit works with communities to build endowments. Nearly 90 of NCF's community-based affiliated funds are building endowments.

"There actually could be a greater benefit for rural communities to encourage middle-aged adults and their families to return, rather than trying to keep young adults from leaving," Henderson says. "Demographic change is a cornerstone of economic growth."

One of the reasons Kara Weander-Gaster ultimately stayed in Norfolk was the feeling that her work could make a difference in the community. It was family, though, that drew her back initially.

While she was studying in New York, her father was diagnosed with cancer.

"I didn't want to be half a country away. I was going to put my life (in New York) on hold, deal with this situation, then move," Gaster remembers. "It was quite a shock when I moved back, going from Syracuse to small-town Nebraska. It was a culture shock."

But, living in Nebraska again felt right and, after awhile, she didn't think about leaving.

"During that time period, I met a young man," Gaster says. "I met David."

Shortly after Gaster lost her father, she and David were married. Not long after that, the director's position at the Norfolk Arts Center—an art gallery, performing arts host and educational facility—became available. It occurred to her, "I can be the person expanding arts in northeast Nebraska."

Looking around town, Gaster says, "There are some absolutely exciting things going on here."

She's not the only one to notice. There are others in the community like her, and the dynamics are changing, she says.

"We're really empowered to make Norfolk a better place."



BY BRYE STEEVES, SENIOR WRITER

FURTHER RESOURCES

"COMING HOME TO RURAL AMERICA: DEMOGRAPHIC SHIFTS IN THE TENTH DISTRICT"

By Jason Henderson and Maria Akers
KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.