

Building Blocks  
of  
Rural Development

An MDC Discussion Paper

June 1991

Prepared by

MDC, Inc.  
Post Office Box 2226  
Chapel Hill, North Carolina 27514

MDC, Inc., is a private, nonprofit corporation that develops policies and programs to increase economic development and employment opportunity, particularly for those least equipped to compete in a dynamic economy. MDC collaborates with government, business, educational institutions, and the nonprofit sector to design, implement, and assess innovative strategies in workforce and economic development. MDC works in national, state, and local arenas with a special emphasis in the South.

## Introduction:

# Economic Development in the Rural South

How can the South's rural communities pull out of the economic tail spin they experienced in the 1980s? How can they overcome the legacy of stubborn, persistent poverty that shadows so many? How can they build a foundation for future economic prosperity that does not rob them of their rural character?

The challenges facing rural areas in the South are immense: they must improve the workforce; create more and better jobs; and provide critical infrastructure. Increasingly policymakers are realizing that development in rural places must be understood and managed comprehensively. It is not enough to build roads and expect development to follow or to train the workforce without available jobs that pay a decent wage.

During the last decade, numerous strategies have been developed to meet these challenges, from new forms of capital, entrepreneurial training, workforce literacy programs, and public school reform. As policymakers approach rural development, they must ask how these responses fit together. How does the shortage of skilled workers affect economic development efforts? What kinds of infrastructure will be critical in the future? What business development strategies are necessary to increase job quality?

This paper is intended as a resource, a place to start for state and local leaders faced with answering these questions. It lays out a framework of related issues that must be addressed if true development is to occur in rural areas — the four critical, inter-related "building blocks" to economic prosperity.

Several assumptions undergird this framework. First is the assumption that rural economic development activities should not merely increase the share of GNP provided by rural areas, but rather should ensure that rural people have access to economic opportunity without being forced to move to the cities. Similarly, this paper assumes that the most desirable approach to rural development is that which can assist the greatest number of rural residents and communities, rather than an approach focused on tapping only the most promising. Third is the assumption that no magic wand exists, rather a series of complex, inter-related issues leaders must juggle.

Economic development is not just the creation of jobs. Economic development is the process by which a community or region increases the standard of living of its residents. Economic development occurs when wealth is generated and when this wealth is retained and reinvested to sustain future

Economic development is the process by which a community creates, retains and reinvests wealth. The goal of rural economic development should be to raise people's standard of living.

productivity and to provide for an improved quality of life.

Viewed this way, economic development is part of a larger process, the process of community development, through which a community provides for its citizens the institutions and amenities they need to live in comfort and security. The attributes of a fully developed community — effective schools, access to quality medical care, ample opportunities for productive and lucrative work, good roads and clean water, public safety — are both a by-product of positive economic performance and a foundation for future prosperity. These are the true measures of economic progress.

Author David Osborne has characterized successful economic development as an “upward spiral” of activity. By generating community wealth for reinvestment and distribution, economic development makes community development possible. By providing the services and institutions that people need to become more educated, healthy, and productive, community development lays the foundation for continued economic development.

This notion of an “upward spiral” highlights the distinction between *economic development* and *economic growth*. These two terms are often used interchangeably, but in fact they have very different meanings. Economic growth is one-dimensional. It focuses exclusively on economic output, whether a community has increased its production of goods and services, how many jobs it has added or lost. Economic development is multi-dimensional and looks not

only at employment and productivity, but also at the impact of these economic indicators on the lives of citizens.

Jobs and productivity are not ends in themselves. Rather they are and should be seen as a means toward the ultimate objective to enhance the community and improve the quality of life for all citizens. Increasing jobs will not ensure prosperity for rural residents unqualified to work in them or in rural places without the roads and telecommunications capacity to retain them.

### The South's Changing Rural Economy

It is hard to overestimate the magnitude of the changes now rippling through the national and the global economy, nor the implications of these changes for the economy of the rural South...

...the intensification of global competition: Approximately 75% of all U.S. manufactured products compete at home and abroad with foreigners according to the Southern Growth Policies Board. By the year 2000, this will rise to close to 100%. No longer is the rural South competing against only the Northeast and the Industrial Midwest, but also against Japan, Germany, Singapore, and Mexico...

...new technology for automation and high-speed communications, what is increasingly being referred to as the “third industrial revolution.” New technology is rapidly accelerating the productive capacity of manufacturing plants in many industries. At the

same time, however, this technology places new emphasis on the education and skills of the labor force. It changes the calculus through which manufacturers determine where to locate production facilities...

...the shift to service industries: The Bureau of Economic Analysis reports that in the past two decades, manufacturing jobs have been reduced from 25 percent of all employment in the rural South to 23 percent; farming jobs have decreased from 14% to 7%. Meanwhile, service industries — trade, finance, real estate, consumer and producer services — have risen from 17 to 22 percent of employment. Contrary to public perceptions equating work in the service sector with a job flipping hamburgers at a fast food restaurant, many of the jobs in the service sector are demanding and complex. While offering good salaries, they require advanced skills many rural workers lack.

Given these dramatic changes in the rural economy of the South, how should rural communities go about the task of economic development for the 1990s and the twenty-first century? What can states do to encourage growth and development in rural areas?

As the following pages explain, the foundation for rural prosperity in the coming era will lie in rural communities' success in managing four basic but interdependent “building blocks.”

o **Business Development** — programs and services for businesses and industries to encourage the creation and retention of quality jobs;

- o **Workforce Development**— education and training to ensure a top-notch workforce;
- o **Physical Infrastructure** — including needs for roads and bridges, water and sewer, coupled with emerging needs like telecommunications, air travel, and solid waste disposal; and
- o **Social Infrastructure** — housing, health care, child care, social services, and income support that enable a community to attract and retain citizens and support them as productive workers.

Each of these building blocks is critical to creating a strong and diverse economy in the rural South; and each presents challenges both to states and to communities.

Equally critical, however, and equally complex, are the ways in which these four building blocks inter-relate to determine the economic fate of any community, region, or state. Each building block is vital to ascending the upward spiral. But each alone is insufficient. Development in the rural South today requires leaders who can simultaneously address and coordinate management of all four building blocks to obtain a stronger economic foundation and a higher standard of living.

## KEY TRANSITIONS FOR DEVELOPMENT SUCCESS

The South must shift:

FROM an emphasis on	TO an emphasis on
Growth as a goal	Development as a goal
Job quantity	Job quantity and quality
Low skill, low wage labor	High skill, high value labor
Traditional infrastructure (roads, water/sewer, etc.)	Traditional <i>plus</i> emerging infrastructure (telecommunications, etc.)
Human services as peripheral to development	Human and social services as integral to development

## Business Development

Rural communities cannot expect the process of economic development to happen by itself; rather they must market their economic resources to existing and prospective employers, and they must provide targeted assistance to help and encourage employers to grow, and to remain competitive.

Since the mass displacement of southern farmworkers began more than a half century ago, business development in the rural South has been synonymous with industrial recruitment. Southern states and southern communities developed in the 1950s, '60s, and '70s a formula for success in industrial recruitment — the combination of low cost land, labor, and energy, plus free customized training, too often bolstered by special tax abatements and incentives. And they used it successfully to attract millions of new jobs to the region, mostly in traditional manufacturing industries such as textiles, apparel, and furniture. Between the years 1959 and 1977, for instance, the rural South added 1.7 million new manufacturing jobs to its economy.

The new jobs attracted to the South provided a needed source of employment and income for many rural people, allowing them to remain in their home communities and feed their

families. At the same time, however, these new jobs seldom launched rural southern communities onto the upward spiral of development. While plentiful in number, they often came up short in three critical measures of job quality:

- o Equity: as measured by favorable rates of pay and by the presence of benefits such as health insurance;
- o Security: as measured by stable, long-term employment rather than seasonal or short-term work;
- o Upward Mobility: as measured by opportunities for employees to advance on the job, to develop skills and increase their earning potential.

Far too many rural workers still earn too little to lift their families out of poverty. Common sense would seem to tell us that families in which people work should not be poor. According to Bennett Harrison and Lucy Gorham, in South Atlantic states 9.1% of wage earners live in families below the poverty line. (These figures are 11% and 14.4% for East South Central and West South Central states respectively.)

Meanwhile, the tax incentives used to recruit these new jobs left many rural communities without the tax

The  
long-term  
goal of  
business  
development  
should be to  
provide  
access to  
higher  
quality jobs  
in rural  
communities.

base to finance long-term investments in education, or in physical and social infrastructure.

To succeed in the emerging economy, the rural South must replace the old notion of business development as a "buffalo hunt" with a new vision focused around the twin notions of "trade" and "value-added." Trade is the engine that creates wealth and jobs, the fuel of economic development. Communities generate wealth and create jobs when they gather materials, process them, and sell them elsewhere for a higher price — in short, when they add value to things. The more sophisticated and specialized the goods and services a community produces and trades — the more value it adds — the higher the quality of its jobs and the greater wealth it generates.

For the rural South, this need for a strong "traded sector" of high value-added goods and services presents a special challenge. Historically, trade in the rural South has been concentrated not on high but on low value-added products — raw materials rather than finished products. For instance, much of the money generated in the textile industry comes not from textile production, concentrated in the rural areas, but from marketing and distribution which is concentrated in cities.

The economic challenge for rural communities in the South is also challenged by a lack of industrial diversity: Many places depend heavily on a single industry — be it textiles, tobacco, or furniture, or mining, or apparel. The more a community depends on a single industry, the less economic insurance it holds should that industry decline or new competition emerge.

How can the rural South develop a strong, diverse, high value-added economy in the coming years? How can it strengthen its traded sector and increase the production of wealth-producing finished products? The answer for states and rural communities lies in a carefully targeted business development program — a program that is multi-dimensional rather than one-tracked, and a program that capitalizes on the economic strengths and minimizes the weaknesses of the rural community or region.

### Recruitment

Industrial recruitment cannot succeed as the sole focus of future economic development in the rural South. The stampede of manufacturing plants to the rural South has slowed dramatically since the 1970s. No longer are cheap land, labor, and taxes foremost in the minds of manufacturers. Instead, industries are finding factors like quality and flexibility more germane in the globalized, information-age economy emerging around us. Meanwhile, Third World nations have replaced the rural South as the cheapest location for routine manufacturing.

Nonetheless, industrial recruitment remains a viable and important weapon in the rural South's economic development arsenal. Though production processes are changing rapidly with automation and manufacturing employment is declining in some industries, the manufacturing sector remains healthy and competitive in the rural South. And the region often remains a competitor when domestic and international manufacturing firms select locations for their new plants.

To succeed now in industrial recruitment, however, rural communities must target their efforts to the specific needs of their communities and their specific economic attributes. Natural resource-based industries are most concerned about proximity to raw materials; producers of bulk, hazardous, or other costly-to-transport products seek to minimize transportation costs; and labor-intensive industries are most interested in low wages and low rates of unionization. Only when rural communities have an economic advantage in the particular industry are they likely to recruit new industrial plants.

At the same time, states and rural communities must be careful to understand the costs — both financial and environmental — of their recruitment efforts and make sure that these costs of recruitment (e.g., tax abatements and other special incentives as well as possible environmental degradation) do not outweigh the benefits. Historically, branch plants recruited to rural areas have been much less likely than locally-owned industries to support community development and reinvest their profits locally. And the attraction of low-skilled jobs can perpetuate a low-skilled workforce with damaging long-term implications.

### Supporting Existing Businesses

As the rush of manufacturing plants to the rural South has slowed, states and rural communities have recognized existing industry increasingly as a vital economic resource and a critical target for business development activity. Likewise, assistance to entrepreneurs with new business start-ups is increasingly a focus of local job

creation efforts in the rural South. Helping new and existing businesses to grow and prosper — and helping them ward off increasing competition to remain prosperous — are rapidly replacing industrial recruitment as the primary avenues of business development activity.

States need to ensure that the assistance being provided to business and industry addresses four critical business needs: money, markets, management, and technology. Among the vehicles widely used to address these needs are:

- (1) business finance programs, such as revolving loan funds, or small business loan guarantees to help small and medium sized businesses to obtain the level and type of financing they require to operate, to modernize, and to grow;
- (2) small business assistance centers, to help small businesses meet managerial, financial, and marketing challenges that often derail small businesses;
- (3) technology transfer programs — through universities, community and technical colleges, industrial extension services, or other model programs — to help rural enterprises identify, acquire, and integrate labor- and cost-saving technologies;
- (4) import substitution efforts, where communities identify products and materials that local companies import from outside the state and community that might be acquired or produced locally;

- (5) export promotion, to identify, develop, and expand external markets — particularly new overseas markets — for locally produced goods and services;
- (6) downtown revitalization, to attract tourists and re-create viable downtown business districts through historic preservation, tourism promotion, and other forms of encouragement;
- (7) business visitation programs, where expert teams visit local businesses to identify and solve problems, work with local government, and provide early warning against possible plant closing.

#### Developing New Small Businesses

The promotion of new business start-ups is a final avenue available for business development activity in rural communities. The rural South has a strong tradition of self-employment and entrepreneurship — in agriculture, and in other industries. Across the South, 8.8 percent of all workers are self-employed, compared to a national rate of 6.8 percent. Self-employment and entrepreneurship are being recognized increasingly as sources of income and employment for rural people and communities, and a number of strategies are being tested to foster this type of development:

- (1) entrepreneurial training, to provide the basics in accounting, management, and marketing to aspiring entrepreneurs, and to help these entrepreneurs work up sound business plans;

- (2) seed capital programs or start-up financing such as microenterprise loan programs, where aspiring entrepreneurs are provided very small loans — often coupled with training and technical assistance — to establish and build their own small businesses;
- (3) small business incubators, centralized facilities that provide new small businesses with subsidized and affordable rents, pooled services, and a supportive environment in which to combat the odds of failure for start-up enterprises.
- (4) community economic development initiatives, where local citizens — often in very poor areas — work through community development corporations or less formal neighborhood associations to develop viable new enterprises aimed to create jobs while meeting other community needs. Examples include day care or elder care, housing construction or rehabilitation, and community-based health clinics or retirement homes.

Like existing businesses, new small businesses are dependent on the critical ingredients of money, markets, management, and technology. Programs and services to provide these ingredients — like those spelled out above — are critical to rural economic development in the 1990s.



## **BUSINESS DEVELOPMENT**

### Strategy Framework

1. Recruit new enterprises with quality jobs to the community (the South's traditional strategy.)
2. Help existing businesses expand.
3. Start new enterprises from the ground up.

## Workforce Development

"The keys to economic development 20 years ago, according to most developers, were 'location, location, location.' In the eighties, the new keys according to most developers are 'education, education, education.'"

This quotation, taken from the 1988 Southern Growth Policies Board report, Making Connections, underscores the increasing confluence between education and economic prosperity in rural communities.

The rural South is the nation's least educated region — by far. As of the 1980 Census, just 50 percent of all adults in the rural South were high school graduates — compared to 65.6 percent of adults in the urban South and 66.5 percent of adults in the entire U.S. Southern schoolchildren consistently lag the nation in performance on standardized tests. In addition, among those adults with a high school degree, many are not adequately prepared to handle moderately complex tasks. In 1986, the Educational Testing Services and the U.S. Department of Education found that, for example, among adults with a high school education, only 11% were able to compute the cost of a meal from a menu.

Increasingly, this educational deficit is sapping the

economic competitiveness of the rural South — both in the traditional industrial base, and in the emerging growth sectors of the economy.

Widespread automation has reduced substantially the need for routine, repetitive-task production workers on the plant floors of textile, apparel, and other traditional industries. Instead, the production process now demands workers who can operate new and advanced instruments, work together in teams, and make decisions on the plant floor — decisions that used to be reserved only for management.

Ultimately, the ability of rural people to capture and retain higher-skill, higher-wage jobs depends on dramatic improvements in their levels of education and functional literacy. Without a well-skilled workforce, rural communities will lose out in the battle to recruit, retain, and grow productive and profitable businesses.

What can states and communities do to build a skilled workforce for tomorrow and today?

First, rural areas need to make the long-term investments needed to provide young people with a sound educational foundation. This will ensure

The goal of human resource development should be to create a high-skill, high-value workforce by investing in both under-skilled adults and children.

that they will become productive members of the workforce upon reaching adulthood. Yet rural areas cannot afford to invest only in their future. They must invest in the present as well by providing training for working-age adults lacking the education and skill levels required in the emerging economy. Third, rural areas must ensure the best use of all their human resources by making special efforts required to break the cycle of chronic illiteracy and undereducation among the poorest families and communities.

### Educating Children

To become and remain competitive in the future, rural communities in the South must provide each young person with a sound educational foundation. This challenge will require states and communities to:

1. Improve access to formative early childhood education for rural preschoolers. At present only about one in five children in the nation eligible for Head Start is enrolled. That figure is no doubt even lower in the rural South — where many counties offer no Head Start programs whatsoever.
2. Accomplish fundamental reform and improvement of public elementary and secondary schools — ensuring that each child has access to skilled and caring teachers; a challenging curriculum; and sensitive, timely, and informed guidance. For rural areas, this may require steps to lessen the historic rural/urban mismatch in per pupil spending; programs to attract and retain talented teachers to rural schools and to retain them

once there; and ways to involve the local community — businesses and other citizen leaders — in working with the schools to reach education goals through such things as mentoring programs and funding programs to spur innovation.

3. Establish a system to prepare students — beginning as early as middle school — to navigate the critical transition from school-to-work. Too many students — both drop-outs and graduates — leave the public schools without a career objective or a clear understanding of the requirements of the labor market. To provide the information, guidance, and assistance students require in this transition, rural communities can: establish formal linkages with two-year colleges and post-secondary vocational/technical schools for students not bound for four-year colleges; develop experiential and pre-vocational programs that expose at-risk students to career options and help these students understand the education and skills required to achieve them; and explore options for apprenticeship and on-the-job training for technical occupations in the local economy.

### Educating Adults

Rural communities must also train working-age adults to meet the rising education and skill requirements of the emerging economy. Rapid technological change continues to challenge workers to gain new technical skills and increases the

importance of other skills such as communication and problem-solving. And change dictates that adults keep their skills current through periodic retraining. States and communities must ensure that they provide systematic opportunities to upgrade skills. With the pace of technological change accelerating and the nature of production changing, adult workers increasingly face a need to upgrade their skills. The primary providers of this training in the South are public two-year community colleges and technical institutes. These systems have historically been the stepchildren of the education continuum, and their budgets have not kept pace in the past decade with the growing need for adult education, especially in critical technical and managerial areas. As a result, the quality of and access to training and retraining remains highly uneven.

### Preparing Underskilled Adults for Work

More than 85 percent of the rural South's workforce for the year 2000 has already reached working age. With the number of new entrants declining, rural areas must seek new ways to use existing human resources, namely by finding ways to integrate those currently unemployed or underemployed more fully into the labor market. States and communities should:

1. Build a foundation of "basic skills." On its own, public school reform is an insufficient response to the labor force crisis in rural communities in the South. Many of the working-age adults not currently in the workforce lack the essential skills to perform even lower-level jobs produced in

growth industries, much less those jobs emerging in the economy — the skilled jobs most likely to generate wealth and improve the quality of rural life. The existing second-chance education and training for these adults is rudimentary in quality and paltry in scope. Barely one million of the 18.7 million adults in the South without a high school diploma or equivalency enroll in adult education or literacy programs each year. And just more than 200,000 receive a GED or adult high school diploma — less than 2 percent of the total. Rural communities need access to literacy and other programs that can bring their workforce up to current industrial standards.

2. Link education with other services needed to successfully integrate the least-skilled into the workplace. Literacy skills are an essential foundation for integrating rural adults into the workforce, but attention should also be paid to the needs these adults may have to be oriented to the world of work. Programs teaching job search and job retention skills should be closely linked to education.

## WORKFORCE DEVELOPMENT

### Strategy Framework

1. Build a strong educational foundation for rural youth from preschool to work;
2. Equip today's workforce with needed skills through ongoing education and worker retraining;
3. Equip those currently not in the workforce with the skills needed to be employed including remedial education and job experience.



## Physical Infrastructure

By definition, rural communities are sparsely populated and geographically isolated. As a result, all rural communities share in common an uphill struggle to amass the physical infrastructure necessary to sustain economic development.

Historically, the element of physical infrastructure most important to rural economic development has been ground transportation — a system of roads, bridges, and railways sufficient for farmers and manufacturers to bring products to market quickly and affordably.

By the early 20th century, electrification became another prerequisite to rural economic development, and the Rural Electrification Authority was launched during the New Deal to provide it. Likewise, the heavy recruitment of manufacturing plants to the rural South in the 1950s, '60s, and '70s demanded that rural communities expand their water and sewer capacity. And in recent years, the widespread utilization of automated technologies has made modern telecommunications technology essential in many industries. Without fiber optic cables and digital switching technology, rural business cannot link with computerized information networks or

inventory systems in other areas. As a result, the cost of business rises sharply and competitiveness suffers.

Air travel is becoming ever more critical in the increasingly globalized economy. Without convenient, reliable, cost-competitive air travel, rural communities find themselves at a growing disadvantage. And, without overnight mail services rural communities cannot maintain the rapid pace of modern international commerce.

In addition to meeting the needs of business, physical infrastructure serves to protect the health of local residents and to protect the local environment. The passage of legislation for clean air and clean water is critical to ensuring that rural communities maintain their environmental quality and beauty. Such legislation has also heightened the demand on rural communities for adequate water and sewer treatments systems.

What can states and communities do to meet their rural physical infrastructure needs in the 1990s? As the emerging infrastructure demands settle in side by side with more longstanding needs, this challenge becomes ever more critical to the economic health of rural communities. As the federal government

Rural communities need the infrastructure to protect resources and health and to connect with urban, national and global markets.

continues the retreat from its role as financier for rural infrastructure development, it becomes increasingly difficult as well.

According to most experts, the rural South's hopes for meeting the physical infrastructure challenge rest on:

- o the ability of states and communities to develop innovative cost-saving approaches to developing and maintaining infrastructure;
- o their ability to forge intergovernmental partnerships — i.e., state-local partnerships and multi-county agreements — and innovative financing mechanisms to shoulder the fiscal burden; and
- o a renewed commitment to long-term planning and management of infrastructure needs.

Closely related to the proper development of infrastructure is the issue of planning, especially capital facilities planning which allows local governments to plan ahead for the maintenance and construction of existing and new infrastructure. Most rural counties do not do such planning, often leading to inefficient use of resources for maintenance and immediate crises for addressing limits to capacity. Even with enlightened planning and management, many rural communities lack the fiscal capacity to finance infrastructure facilities. These rural towns and counties require support from the states. As the federal support for rural infrastructure continues to decline, particularly grant funding, states will continue to come under increasing demand

to fill the financing void and local areas will need to make the most of scarce resources through planning and cooperative efforts.

### Transportation

The need for construction and maintenance of roads and bridges falls increasingly on the states, while the increasingly important need for air service depends on local communities to develop airport facilities. According to recent research by the Southern Growth Policies Board, the presence of scheduled air service was an important factor in determining growth rates in Southern communities in the 1980s. For rural communities on the Atlantic or Gulf coast, and those nearby a navigable river or canal, shipping remains a cost-effective alternative for the transport of goods to market. Maintaining and upgrading ports and waterways becomes critical to economic competitiveness. Likewise, maintaining or upgrading rail lines and rail service can put an economic feather in the hats of rural communities.

### Solid Waste

In recent years, solid waste disposal has emerged as a challenge, sometimes a crisis, for the economic development efforts of rural communities. An alarming number of rural communities in the South have exhausted or will soon exhaust their solid waste landfills. Meanwhile, federal environmental regulations are escalating dramatically the cost of building new landfills.

A pervasive shortage of landfill space, combined with more stringent federal regulations on the environmental safety of landfills, are

creating a solid waste crisis in the South and other regions of the country. In North Carolina, for instance, twenty-four of seventy-five rural counties will run out of landfill space by 1995, and an additional nineteen counties will run out of landfill space by the year 2000. Meanwhile, new environmental legislation from Washington is increasing dramatically the cost of building new landfill space.

### Water and Wastewater Treatment

Rural communities face two critical challenges: to ensure long-term access to the water needed both for residential and commercial use; and to meet the increasing federal standards for water quality in a time of diminished federal resources.

Protecting the water supply is a growing challenge in the South. Groundwater, which supplies millions of rural Southerners, is vulnerable to contamination through use of unsanitary septic tanks, unchecked dumping of household sewage, and contamination from agricultural chemical use — all pervasive problems in many parts of the rural South. In addition, widespread water shortages loom over the not-too-distant horizon for rural areas, as competition for water use increases. They demand new commitments to develop workable, cooperative agreements over water rights and water resources planning and management, as well as capital spending for new technology.

### Telecommunications

Telecommunications infrastructure is the newest major infrastructure need of the rural South. Telecommunica-

tions infrastructure refers to the facilities necessary for the networks that "switch" and transport voice, data, and video information among users. As a result of the expansion in telecommunications capacity, many traditional businesses are becoming more productive, and new information-based service businesses are being created.

In order to become and remain competitive in certain national and global markets or to be able to benefit from the growth of information-based businesses in the service sector, rural areas must have access to telecommunications technology. The advantage of the growth trend in the information service sector for rural areas is that those jobs can be located anywhere, as long as there are adequate telecommunications facilities. The flip side, of course, is that jobs in rural areas within this sector can be easily replaced by any other region — urban or rural.

For the most part, meeting the telecommunications need is beyond the realm of local control. To gain access, local areas must rely on the policies and practices of telephone carriers as well as state and federal regulatory agencies. If rural areas do decide to launch an effort to gain access to telecommunications technology, careful planning should be a prerequisite, in order to gauge whether or not the investments will actually result in gains to the local economy.

## PHYSICAL INFRASTRUCTURE

### Strategy Framework

1. Protect the health of local residents through the development of safe and clean water and sewer systems;
2. Safeguard the long-term viability of environmental resources such as water supplies through proper waste disposal systems and planning;
3. Provide links with other markets and information through the development of roads, air travel, and telecommunications systems.



## Social Infrastructure

Just as an adequate physical infrastructure of transportation, communications technology, water, and waste treatment and disposal is prerequisite to rural prosperity, so too is a corresponding "social infrastructure" — a network of services, amenities, and institutions to provide for essential human needs and to support the quality of life.

Rural communities cannot attract and retain highly skilled workers or other residents if they lack basic amenities that provide for a high quality of life. How can highly educated and employable engineers, scientists, and professionals be expected to live in a rural community that lacks day care, opportunity for cultural and outdoor recreation, a clean and healthy environment? How can young people, no matter how attached to their roots, be expected to do the same? How can an adult worker be expected to leave from a dilapidated, substandard, unsanitary home and perform on the high-tech factory floor?

Traditionally, these elements of social infrastructure have been far removed from the theory and practice of rural economic development. Today that is changing. As the skilled labor crunch deepens from

concern to crisis, rural communities can ignore issues of housing, health care, social services, and dependent care (for children and the elderly) only at their peril.

Investments in the quality of life of rural communities can no longer be only the reward for past economic development; they are also a necessary precondition to future development. And increasingly, rural communities are beginning to capitalize on the economic potential of providing medical care, day care, elderly care, and other human services, recognizing that they can retain dollars by providing these necessities to citizens where they live.

Poverty has been a defining characteristic of the rural South. The region has for centuries been home to a vastly disproportionate share of the nation's impoverished. In 1986, 22.4% of Southerners lived at or below the poverty line, according to the Center for Budget and Policy Priorities.

What is different about Southern poverty today is that it is no longer just a social tragedy for the rural South, it is a growing economic handicap as well. Impoverished workers — typically uneducated and

A sustainable system of basic services is needed to promote the well-being of rural people and the vitality and attractiveness of rural places.



unprepared for the increasingly complex demands of the labor market — are not productive. More and more often, they are not even employable. Only by raising the productivity and wage levels of Southern workers and increasing the supply of well-paying jobs can we free the South from the downward pull of poverty. Wherever possible, poverty reduction should be an explicit goal of economic development in the rural South.

### Health Care

Citizens of the rural South face two major barriers to adequate health care — cost, and availability of services. According to the Center for Budget and Policy Priorities, in 1988, approximately 17% of all non-elderly rural residents in the United States had no health insurance. The uninsured tend to be disproportionately women of childbearing age, single-parent families, and the poor. For example, 37% of the non-elderly poor in rural America lacked health insurance.

Two-thirds of all uninsured households contain at least one adult who is working. These workers remain uncovered because they are self-employed or work in small firms, or because they do not qualify for the health care plans of their large firms. A 1989 survey by the Center found that 46% of small business in rural areas do not sponsor health insurance for their employees, and 40% of all rural agricultural workers and their families had no health insurance.

Access to needed medical care is an even more pronounced problem in many rural areas. As older family doctors retire, rural communities have been hard-

pressed to find replacements. In an era of increasing specialization, few modern-day doctors are attracted to the general practice regimen of the rural country doctor. The problem is exacerbated by the increasing squeeze being felt by rural hospitals. Since 1981, approximately 191 rural hospitals have been closed nationwide — victims of increasing costs for modern medical technology and adverse federal policies which reimburse rural hospitals at a lower rate than urban hospitals for delivering the same services to Medicare patients.

To ease these health care shortages in rural areas, states and communities have attempted a number of strategies. Many are providing incentives for doctors to practice in rural areas; some have attempted to open and support community-based primary care clinics in underserved rural areas; still others are developing networking and satellite arrangement to integrate the efforts of local clinics and regional hospitals. Each community facing dilemmas in the provision of health care must innovate, based on its particular set of existing resources.

### Child Care

The past quarter century has seen a dramatic rise in the proportion of women in the workforce. In 1940, 9% of American women with children under 18 were in the workforce, and in 1987, 62% of all mothers with at least one child between three to five years old were employed. In the rural South, the supply of child care — particularly of affordable child care — has not kept pace with the growing need. And as the shortage of skilled workers in the rural South intensifies in the

coming years, lack of child care will become an increasing barrier to economic development for rural communities who are unable to expand the availability of child care and contain its cost.

Even when care is available, costs can be prohibitive. According to the Children's Defense Fund, the average annual price-tag of child care is close to \$3,500 per child. Not only low-income parents, but middle-income parents as well, are hard-pressed financially to absorb this cost.

New federal funding through the Child Care Development Block Grant, the Earned Income Tax Credit, and the reauthorization of Head Start is available to alleviate some of the need for affordable child care for low and moderate income families. The challenge now will be to develop adequate plans at the state level for the use and continuation of these funds.

At the local level, further development of affordable and quality child care for low as well as middle income families should be encouraged, through partnerships between employers, human service agencies, financial institutions, and local government. Many communities are beginning to establish resource and referral services for child care, increasingly seen as a key basic investment in a local system of child care delivery. Other communities are experimenting with entrepreneurial training for child care providers, along with small loan funds to encourage the start-up of child care centers. By nurturing the establishment of new day care enterprises, rural communities can create new jobs while enabling working parents to participate in the labor force.

## Cultural and Recreational Amenities

Natural resources are often a defining characteristic for rural communities. Rivers, streams, forests, mountains, and wildlife can be a source of beauty in rural areas, and of recreational opportunity, but they can also be a critical provider of jobs and income — through fishing and forestry, and through enterprises based on scenic attractions, outdoor recreation, or tourism. For rural communities to maintain their natural resources over time and maximize their contribution to the economy and the quality of life, land-use planning is essential. Rural communities will have to monitor the use of natural resources closely in the coming years and prevent their destruction and overuse.

Cultural resources and traditions are likewise a defining characteristic for rural communities. By packaging and promoting natural and cultural amenities and “selling” them to tourists, rural communities are effectively engaging in the “trade” of a renewable resource in exchange for visitors’ dollars.

## Housing

The continuing problem of substandard housing remains for over 1,300,000 of households in the rural South, holding down the local tax base and subjecting some families to Third World living conditions. The issues of quality and affordability are interrelated. While the U.S. Department of Housing and Urban Development considers housing to be affordable if it does not consume greater than 30% of a household’s income, one in three poor homeowner households in rural America spend more than 50% of their

income on housing, and more than one in two poor renters do the same.

Rural communities are attempting to fill the gap left by shrinking federal programs. In some communities, community based organizations work as nonprofit developers, combining their commitment to affordable housing with the resources of the private sector. Many have taken advantage of negotiated agreements with financial institutions made possible through those institutions’ compliance with the Community Reinvestment Act, a federal law requiring financial institutions to lend in the regions from which their deposits are drawn. Other communities have begun to develop land trusts — an approach to keeping the cost of housing down by keeping the land the housing sits on in a common trust that is owned by a community based nonprofit institution.

## Human Services

The South’s rural poor are in continuing need of income support and social services. In many Southern states, the level of payments for Food Stamps and Aid to Families with Dependent Children (AFDC) is extremely low — often thousands of dollars below the federally prescribed poverty level. And many of the rural poor who are eligible for Food Stamps do not even participate in these programs because they lack information or transportation to program offices. In addition, many times those receiving income support are not provided with the training and social services necessary for to find work and achieve self-sufficiency.

To change the level of support for poor families, rural communities are at the mercy of legislators in the poor states in which they are located, but they can play a key role in lobbying for increasing these payments. At the local level, communities can develop outreach programs, to ensure that those who are eligible for Food Stamps, AFDC, and other anti-poverty programs get access to the programs intended to serve them. Not only does this allow those families to live a healthier life, but it brings in “transfer payments” of federal and state dollars to fuel the local community.

Innovative approaches and new partnerships are necessary for rural communities to improve these services and begin helping large numbers of poor families get back on their collective feet. Some have recognized that poor families have as much of a keen entrepreneurial spirit as many successful small business people and have developed self-employment programs for people currently receiving public assistance. Others are taking advantage of funding and incentives in the new federal welfare reform act (the Family Support Act) and are developing new partnerships with public schools, community colleges, Service Delivery Areas that administer Job Training Partnership Act funds, social services, and other community based organizations.

## Organizational Infrastructure

Rural communities also need strong institutions that can serve as catalysts for change and as vehicles to channel individual concerns into action. A variety of community-based organizations can play these roles, including civic clubs, churches, nonprofit

## SOCIAL INFRASTRUCTURE

### Strategy Framework

1. Develop systems and services that allow people to participate productively in the workforce such as child care, adult day care, affordable housing, health care and transportation;
2. Develop and protect cultural and recreational amenities;
3. Provide support systems to protect those who cannot work.

service organizations; chambers of commerce, community development corporations and community action agencies. Rural communities need strong, locally-controlled organizations to ensure that appropriate development strategies are pursued over the long-term.

# The Building Blocks: Conclusions

Over the past several decades, states and rural communities have focused only on one of the four critical building blocks to long-term economic development — and on only one strategy associated with that one building block. Rural economic development in the South has been concentrated on industrial recruitment.

Today, success in rural economic development requires attention to all four building blocks; and it requires understanding the myriad ways in which the building blocks inter-relate.

**Business development** is essential to the functioning of a healthy and dynamic rural economy; but so too is **workforce development** — to recruit business enterprises from other areas, develop new home-grown businesses, and help existing rural enterprises with management, marketing, financing, and technological advancement; **physical infrastructure** — to fulfill the needs and minimize the costs of rural business; and **social infrastructure** — to provide essential services and amenities that make rural communities attractive and enable rural workers to be healthy and productive.

The same interdependence can be seen with each of the

building blocks. How can a community create and sustain a healthy social infrastructure unless it provides citizens with plentiful and growing employment opportunities? And how can it maintain a steady influx of new jobs without a strong workforce and effective programs for business development? How can a rural community develop strong education and training systems without the economic growth — the tax base — to pay for it?

Without these economic building blocks, rural communities cannot hope to attract, retain, or develop from within an economic base sufficient to support sustained economic development. The end result is predictable: the mass migration of citizens — particularly the best educated and most employable — to other, more dynamic rural communities where economic opportunity is greater... or, more likely, to cities where economic infrastructure is already in place.

Clearly, the economic development challenge facing states and rural communities is immense. For, while each of the many strategies outlined under all four building blocks shows promise as a means of enhancing the economic development potential of rural communities, several of these strategies are unproven; and most others will

Rural leaders must comprehend the relationships among business development, workforce development, physical infrastructure and social infrastructure issues.

enhance economic development only if they are customized to local economic conditions and integrated closely with other facets of a local economic development program. In a time of scarce resources, state policies and resources should be directed toward helping local rural leaders identify the strategic needs and comprehend linkages among building blocks.

Even when rural communities work together, however, many of the forces driving the rural economy are beyond their control. Formerly the federal government was a major provider of resources for rural development. But increasingly, as the New Federalism takes hold and the federal budget crisis squeezes federal appropriations for discretionary domestic spending, the states have emerged as key actors in local economic development.

More and more, state governments are being called upon and are taking initiative to support the local economic development. State governments are close enough to provide assistance tailored to the needs of diverse rural communities. With the retrenchment of federal support for economic development in the 1980s, it is up to the states to design and administer the nation's micro-economic (i.e., economic development) policies.

The options for state support for rural economic development are numerous and diverse. As budget shortfalls engulf many Southern states, the capability of state and local leaders to make sound choices becomes even more important. It is only through managing these inter-related challenges — the building blocks of development — that rural communities

will build a foundation for future prosperity and an improved standard of living. By necessity, many of these options are also unproven — called for by the dramatic changes rippling through the economy and society.

To answer the rural development challenge effectively, the states — like the rural communities they serve — must begin with an understanding that the foundation of rural economic prosperity rests on the four building blocks: business development, workforce development, physical infrastructure, and social infrastructure. State policy must comprehend all the factors that will result in successful economic development.

At the same time, local leaders need the skills and knowledge to apply these policies and to develop local policies and programs that respond to all four building blocks. Given the immense magnitude and complexity of the development challenge, rural communities will have to assert considerable energy, wisdom, and vision. In short, rural economic development will hinge on informed local leadership.