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The Role of Public Policies in Rural Labor Markets

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Abstract

[Excerpt] For over a century, governmental programs and policies have influenced both the demand and the supply forces that operate in rural labor markets. These interventions emerged as logical responses to growing and more complex economic problems in an increasingly interdependent national and world industrial order. Thus, the evolutionary role of government has not been an ideological issue as much as it has been a pragmatic reaction of a nation seeking to build a just society. Viewed in this context, it is not surprising that governmental involvement has included new initiatives and increased support for ongoing programs followed by periods of retrenchment and reduced commitment. In the 1980s the political cycle entered a retrenchment in the government's role in both the rural and urban economies. But, with many old problems still unresolved and a host of new challenges confronting the rural economy, a more activist period may be on the horizon.

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Comments

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Viewed in this context, it is not surprising that governmental involvement has included new initiatives and increased support for ongoing programs followed by periods of retrenchment and reduced commitment. In the 1980s the political cycle entered a retrenchment in the government's role in both the rural and urban economies. But, with many old problems still unresolved and a host of new challenges confronting the rural economy, a more activist period may be on the horizon.

With almost a quarter of the nation's population and one-third of its labor force, the economic state of the nonmetropolitan sector is vital to the overall well-being of the nation. Yet rural America is often treated as an afterthought in the design of labor market initiatives and is seldom the exclusive subject of serious labor market research.

Without an appreciation of its unique features, national economic policies frequently treat the rural economy as a carbon copy of the larger urban economy. Moreover, policies that have been targeted to rural areas have manifested a disproportionate interest in the problems of the agricultural sector—despite the fact that the vast majority of nonmetropolitan counties in the United States are not farm-dependent. There has also been a general tendency for policies to focus on entrepreneurial and credit deficiencies of the rural business sector, totally neglecting the basic preparedness and utilization issues of the rural labor force.

Governmental interventions to influence rural labor markets fall into five categories: economy-wide stabilization, economic development, human resource development, equal employment opportunity, and income support.

Stabilization Policy

Nowhere is the lack of concern over the specific effects of public policy measures on rural labor markets more clearly demonstrated than in general economic stabilization policies—the monetary and fiscal policy measures implemented to combat inflation and unemployment.

The tight money policies of the late 1970s and most of the 1980s severely impacted the rural labor market. That interest rates have continued to be high in "real" terms is certainly a major explanation for the financial plight of many rural communities. But to make matters worse, the fiscal policy of the 1980s was an unmitigated disaster to the economic welfare of rural America. The origins of these economic undertakings were in the Budget Reconciliation Act of 1981, our current basis for national economic policy.

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The first principle of that legislation was a 25 percent cut in the federal personal income taxes. The tax cuts, however, were proportional to income. With fractionally fewer people in higher income brackets, the rural economy received generally less stimulation than did the urban economy. Secondly were the sharp reductions in expenditures for social programs. Although rural people have greater difficulty qualifying for many social programs, the disproportionately larger low-income population of rural areas means that those communities were more affected by cutbacks than were most urban areas. Thirdly, the massive buildup in defense expenditures favored suburban areas, leaving most of rural America untouched. Consequently, the combined effects of these major fiscal policy initiatives of the 1980s meant that most rural communities benefited only marginally if at all. Many were made worse off.

Economic Development

Over time, governmental policies to stimulate economic development in rural areas have amassed a record of achievements that ranks high on any list of national accomplishments, contributing significantly to the preeminent role attained by the United States in twentieth century world economic affairs.

Although now fashionable to speak only in terms of private sector accomplishments, the positive role of public policy in shaping the economic development of rural America desperately needs to be resurrected. Unless this theme of joint public-private cooperation is fully recognized as the positive force that it has previously been, there is a real danger that rural America may fall victim to the false belief that unguided market forces were responsible for past achievements and offer the best hope for the future.

Examples of these public-private interventions include:

- The Morrill Act, whereby the federal government turned over 17 million acres of public land to state governments to sell under condition that the proceeds be used to endow agricultural and mechanical arts colleges;
- The Reclamation Act of 1902, which outlined a long-term development policy for the arid Southwest and made possible the use of federal funds for large-scale irrigation and land reclamation projects;
- The Tennessee Valley Act of 1933, instrumental in the economic development and industrial diversification of a region once one of the most impoverished in the entire nation.
- Public policy in the areas of rural electrification, highway construction, railroad right-of-ways, military base locations, defense testing sites, public works infrastructure enhancements, and agricultural price support and conservation programs have also played an influential role.

The point is that federal policy has a long and generally positive history in rural economic development. By enhancing the economic climate of rural areas, it has significantly contributed to the opportunities for the private sector to flourish.

State governments have also instituted programs and provided infrastructure in their rural sectors to aid the developmental process. These initiatives have assisted private enterprises through tax abatements, subsidized low interest rates on capital loans, and provided linkages with local educational and training institutions to prepare workers for new jobs. These

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undertakings best serve the nation when they foster new industries or expand existing enterprises. They do not help when designed only to attract firms from one state to another.

At the local level, however, most rural communities often lack the resources and the expertise to conduct extensive economic development activities. Some may designate industrial parks, build infrastructure, and provide tax breaks, but others are financially constrained in the size and scope of such activities. In some cases, local pressures are an obstacle to rural economic development. Sometimes, these communities are dominated by small power elites who only want "certain kinds" of development. They fear that local wage structures and employment patterns may be altered, community power structures may be changed, taxes may be increased, or that unions may come. Economic development by definition is commitment to change and diversity. Economic growth, on the other hand, implies more of what already exists. Too often, local rural communities need economic development but are actually seeking economic growth—which may not be possible given prevailing national industrial trends.

Human Resource Development

All research on rural labor markets has pinpointed human resource development as a critical issue. Decline in the agricultural sector and growth of the rural nonagricultural sector has accentuated the problem of matching workers displaced from one industry with emerging job opportunities elsewhere.

The problem of providing human resources development programs to rural workers is more than simply an issue of neglect. It involves the ways in which most federal programs are designed and funded. Beginning in the early 1960s, the federal government enacted a series of employment and training programs targeted especially for the economically disadvantaged and unemployed population. Programmatically, they involved opportunities for classroom occupational training, on-the-job training, adult basic education, work experience, and, until 1981, public sector job creation.

Aside from a small program for older workers in the late 1960s, called "Green Thumb," the only others designed exclusively for workers in rural areas have been for migrant farm workers. Migrant workers are only a small fraction of the nation's agricultural work force, but their high visibility as they move across the nation has exposed the often deplorable conditions under which they work and live. The vast remainder of the rural labor force, has had to find places in the general programs that largely addressed urban problems and were simply extended *in toto* to rural areas. The Job Training Partnership Act of 1982 (JTPA) is such an example.

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The greatest problem associated with these policy endeavors has been the low scale of their activity relative to the universe of need. Given the high incidence of poverty, the large minority populations in the Southeast and Southwest, and the indications of massive underemployed, these programs seemingly should have been disproportionately present in rural areas. But this has not been the case.

Aside from funding limitations and allocation formulas that favor urban labor market needs, there have been other more fundamental problems confronting human resource programs

WHAT IS IT LIKE TO GROW UP IN RURAL AMERICA?

The central study of the Program in Rural Youth Development (PRYDe) seeks to find out how the rural adolescent constructs her/his world. How is living in a rural community, going to a rural school, growing up in a rural family, and being a rural adolescent perceived? What is the adolescent's reality? What are the hopes, dreams, disappointments, fears, and values that guide teenagers' lives? How do their perceptions of the world interact with major life decision processes?

These are the types of questions guiding Project PRYDe, a program of research on adolescent development in rural areas of New York State.

Teenagers from four rural high schools, representing four different types of rural communities are being interviewed this year by Project PRYDe. The investigators plan to interview the same group of students over the next four years, and by exploring the development of rural youths' conceptions of their world, provide information that can improve both formal and informal educational programs.

—Dalva Hedlund and Richard Ripple
Department of Education

in rural areas. Populations are more dispersed than they are in urban areas, making it difficult to provide classroom training programs in convenient locations. In addition, under JTPA the private business sector is supposed to play a crucial role in local program design. In rural areas, however, the business community is less organized and often less committed to this role than in urban areas. JTPA was designed to eliminate payment of training stipends to most of its participants and, as a consequence, JTPA training has tended to be of short-term duration and it has had difficulty meeting its participation goals for youths. Rural workers in particular need long-term training opportunities to overcome serious skill deficiencies and to prepare them for the better quality jobs. JTPA, unfortunately, is not designed to meet these special needs.

Formal apprenticeship training programs are virtually nonexistent in rural areas. Moreover, vocational education in rural communities is often limited in both scale and scope. There is a reluctance to establish vocational programs for occupations that do not locally exist, fearing that they contribute to the out-migration of their youth. Consequently, youth tend to leave anyway because there are so few jobs locally available and then find themselves unprepared to compete for the better jobs where they go.

Tragically, the human resource program of the 1970s that was most successful for rural workers and rural communities was the one the JTPA in the 1980s was designed to eliminate: public service employment. The job creation programs of the 1970s in rural areas provided needed public services that were often nonexistent or inadequate (e.g., emergency services, teacher aids, senior citizen care, and conservation work). These jobs often provided better wages and more regular employment than many in the private sector. Opportunities were created in many rural communities where the shortage of jobs is a notorious problem, and these jobs provided an alternative to outmigration for adults who did not want to leave.

Despite the fact that research on the demonstrated benefits of public service employment was consistently positive, these programs fell victim to political rhetoric looking for ways to reduce social expenditures. Hence, JTPA is conspicuous by its absence of any direct public sector job creation programs. In many rural areas, the available work force needs jobs more than training. Given the types of jobs available in their localities, training is often not going to help the participants find immediate employment. Job creation programs do provide opportunities and, in the process, serve as a form of on-the-job training and work experience that prepares participants for other jobs should they later materialize.

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The one type of publicly supported training initiated in the 1960s, which JTPA has continued to support and is compatible with rural labor market needs, is on-the-job training programs (OJT). Under OJT, the federal government subsidizes the nonwage costs of a private employer who agrees to hire an unqualified worker. The intention is that the worker will learn enough in the subsidized position so that he or she may, within a set period of time, become sufficiently productive to be retained as a permanent employee without a subsidy. OJT does require careful administration, however, to be sure that the people hired really would only be hired with the subsidy, and it does take time to develop the interest of employers. Also, OJT hiring is generally procyclical (i.e., employers are willing to participate when times are good but are reluctant to hire and keep additional workers when times are bad). Nonetheless, since many private employers in rural areas are small businesses, it is believed that OJT offers more potential for successful placements in actual jobs than does classroom training that trains first in anticipation that jobs will be available when the trainees are ready.

Equal Employment Opportunity

Removal of artificial barriers to employment in the workplace and in the practices of institutions that prepare workers for the labor market has been a subject of governmental concern since the early 1960s. Enforcement and monitoring of the associated policies, however, has been essentially an urban phenomenon. For the disproportionately large minority populations of the rural Southeast (of blacks) and Southwest (of Chicanos), overt employment discrimination was a fact of life until governmental policies in the 1960s outlawed such practices. Likewise, the occupational segregation of women in rural labor markets in all regions is likely to be at least as extensive as in urban areas. Rural employment discrimination has seldom been explicitly studied, but when it is, gender discrimination has been found to be more pervasive and serious than racial discrimination.

To reduce discriminatory practices and patterns in employment is one of the most important obligations that governmental agencies have. Despite

theoretical beliefs that only productivity considerations govern hiring and promotion decisions, the free market system consistently has been found to tolerate discrimination. In urban areas, anti-discrimination enforcement has become an important aspect of public policy. But in rural areas, the subject is still in the rhetoric stage.

Income Support Programs

Poverty has long been a disproportionate problem in rural America. In the long history of public involvement to combat this problem, most of the efforts prior to the 1960s dealt with subsidizing those in need who cannot work. Since the 1960s, attempts have been made to design programs to prevent poverty from occurring; other proposals have sought to assist the disproportionately large number of the poor who can and do work.

Although many of the rural poor are not in the labor force, a greater percentage of the rural poor work full-time and yet remain poor than do their urban counterparts. This happens because wages are low and/or employment may often be irregular during any given year. It is also due to the presence of discouraged workers and involuntary part-time employment, both apparently more prevalent in rural areas.

During the 1970s, two different presidential administrations sought to reform the nation's outmoded welfare system. One partially successful effort was the Supplemental Security Income (SSI) program of January 1, 1974. SSI created a nationwide, uniform federal income guarantee for the aged, blind, and disabled, replacing a patchwork of contradictory, inconsistent state-administered programs for these target populations. The largest and most important part of the nation's welfare system, Aid for Families with Dependent Children (AFDC), was left out,

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however. Had it been included, the nation would have had a federally guaranteed system of uniform benefits and coverage for poor families. It would have replaced, just as SSI did, the prevailing quilt-like pattern of contradictory and unequal benefits in the nation's 54 different political jurisdictions responsible for AFDC administration. Eligibility would have been based solely on the need for income and the same standards would have applied nationwide. The working poor would have been included, as would many of the families of the "near poor" who work. Rural families would have disproportionately benefited in a federalization of this program. In 1977, another unsuccessful attempt was made to complete this reform through a uniform family assistance program. The absence of comprehensive welfare reform helps to explain the high incidence of working poor and near poor in rural areas.

Concluding Observations

Ultimately, the degree of government involvement in rural labor markets requires a normative judgment of what makes a "good" society. In economic theory, it is easy to say that the efficiency considerations alone should guide the economy and that the free market should be allowed to make the decisions without interference from government. But in practice, decisions must be made in a social as well as a political climate with economic principles as only one dimension.

Reliance on market decisions alone can be cruel, harsh, coercive, and unfair in their outcome. Government programs and policies are designed to mitigate the human suffering that would otherwise result from these labor market adjustments. Such interventions have been a vital feature of American economic history. The legitimacy of government itself must ultimately be based on its ability to satisfy the aspirations of its citizens over what is considered to be just.

Government is expected to be an active agent of social change, not just to intervene in circumstances where the market fails. The purpose is not to preserve the *status quo*, but rather, to provide options to citizens with regard to where they live and how they earn their livelihood. Such "freedom to choose" is the philosophy that should ultimately determine the role of government in rural labor markets.

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