A Brief Introduction to Rural Economic Development

Becca Jablonski
Dawn Thilmany McFadden
Stephan Weiler

Regional Economic Development Institute
Colorado State University
REDI.colostate.edu

Graphics by REDI@CSU and State Demography Office
New institute focuses on economics of rural and urban areas.

“Rural areas are surprisingly entrepreneurial [...] our aim is to provide timely, relevant, multi-disciplinary, and engaging analysis of the most pressing issues in regional development.”

redi.colostate.edu
Rural Development 101 Outline

• Who is Rural? Demographics and Why they Matter
  – Population, Job Growth, and In-Migration

• The Economics Driving Rural Areas
  – Earnings, Ag/Mining, Education, Gigs, and Jobs

• The Rural/Urban Divide is real
  – *Regions as Complements* rather than Competitors
  – Rural: Lower costs + Amenities + IT global market

• *Leveraging Assets, Advantages, and Entrepreneurs*
Non-metro County Population Growth

Average Annual Growth, 1990–2014

Source: Bureau of Economic Analysis. Note: Gray shading represents metropolitan counties.
Nonmetro County Employment Growth

Average Annual Growth, 1990–2014

Source: Bureau of Economic Analysis. Note: Gray shading represents metropolitan counties.
Metro, Micro, and Rural Counties in Colorado (2005)

Source: Bureau of Labor Statistics
Two Micropolitan areas added in 2015
What Drives Population Growth?

Pop Growth = Natural Increase + Net Migration, with Migration as major differentiator
Percent Born in Colorado

Per Table B05002, ACS 5-Year 2011-2015.

The American Community Survey is a sample, not a census. Results are subject to a margin of error. Data represents the percentage of the total population who were born in Colorado.
Moved to Colorado Within Last Year

Per Table B07003, ACS 5-Year 2011-2015.

The American Community Survey is a sample, not a census. Results are subject to a margin of error. Data represents the percentage of individuals in each county who did not live in Colorado one year ago.
Economies Vary Hugely by Place

• Regional Economic Drivers
  – *Bring $ into region* by selling goods/services to outside
  – *Keep $ in region* by providing local goods/services

• Traditional ag/mining drivers aren’t the entire future
  – *All* areas are diversifying beyond these historic sectors

• Homegrown entrepreneurship help reveal existing strengths
  – One big smokestack savior unlikely for rural locations
  – Importance of ‘nonemployer’ micro businesses
Ag Share of Value Added & Job Growth

Average Annual Employment Growth, 1990-2014

Agriculture Share of Value Added, 2014

Source: Bureau of Economic Analysis.

Leeds School Of Business
Agriculture Consolidating
....with new High-Value Models being Explored by Smaller Entrepreneurial Farms

Note: After 1997, the USDA adjusted the figures for coverage.
Source: USDA Census of Agriculture.
Mining/Extraction job swings

![Graph showing the mining and oil and gas employment in Colorado and the United States over time.](image)

- **Colorado** (solid line)
- **United States** (dashed line)

The graph illustrates the fluctuations in employment from 1970 to 2020, highlighting the period from 1980 to 1990 as a significant peak.
Prospects for non-oil/gas mining declining
Education and Employment Growth

Sources: U.S. Census Bureau and the Bureau of Economic Analysis.
Urban areas have more highly educated residents...

...but some rural areas have a high concentration of BAs
Why is Entrepreneurship Important?

- New businesses create new jobs
- Industrial recruitment shifts existing jobs
- Business starts and job growth follow each other

- New businesses apply and shape fresh innovations for markets
  - Translate ideas into new value and growth

- Schumpeter's Creative Destruction
  - Churning of ideas and firms in marketplace
  - Probing market frontier: Tests & rewards

2016 Jobs Relative to Pre-Recession Peak
Recession Years: 2007-2009

2016 Jobs vs Pre-Recession Peak
- >10% Less Jobs
- 5% to 10% Less Jobs
- 0% to 5% Less Jobs
- 0% to 5% More Jobs
- >5% More Jobs

Sources: Esri, USGS, NOAA
How do we grow jobs?
Startups & Young Businesses are Job Engines

Particularly in Colorado

Share of Jobs Created by Young Establishments

Age 0: US 2000 - 33.4%, US 2014 - 29.8%
Age 0-5: US 2000 - 59.8%, US 2014 - 51.7%
The Emerging Micro-Entrepreneur

• Nonemployers: Fastest growing Establishments
  – Recent focus on “Gig Economy” but...
    • Self-employed contractor gigs long norm for many
  – Construction, Tax Services, Consulting...

• Trend: Nonemployer & Smaller Emp Ests
  – Smaller efficient scale for businesses, esp via IT
  – Even mfg becoming single-creator via 3D Fab

• 75% of all biz establishments are nonemployers
  – 10-20% of Nonemployers become Employers
  – 94% of employer births have <10 employees
Gigs are growing FAST

Employer vs Nonemployer Gig Establishments

Nonemployer and Employer Establishments, 1997-2014

By 2014, 75% of all Colorado and 75% of all US establishments were nonemployers.

In 1997, 69% of all US business establishments and 70% of all Colorado establishments were nonemployers.
Again, Colorado is Uniquely Entrepreneurial and Dynamic

Small Business Density (Per '000 Residents) vs US

Denver denser, but all of Colorado ahead in both Nonemployers and Employers

US: 75.7/1000 & 18.1/1000
Sectoral Activity Varies
Sectors that have more solo/partner entrepreneurs and those likely to birth more employers

Figure 1: Non-employer Receipts per Establishment/Location Quotient Matrix
CO small-scale establishments trending, as IT makes management more efficient
Young Small Job Generators vs Older Businesses

Creation vs. Destruction per 1000 Employees Colorado, 2014 (Diff from U.S.)

<table>
<thead>
<tr>
<th>Age</th>
<th>Creation</th>
<th>Destruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>40.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1-5</td>
<td>29.4</td>
<td>32.8</td>
</tr>
<tr>
<td>6+</td>
<td>64.9</td>
<td>79.8</td>
</tr>
</tbody>
</table>

- Age 0: Job Creation 8.5, Job Destruction 3.5
- Age 1-5: Job Creation 6.4, Job Destruction 7.4
- Age 6+: Job Creation 10.4, Job Destruction 11.4
Who is Helping to Lead this Dynamic?

Foreign-born are more than twice as entrepreneurial as natives...

...and non-metro Colorado has many arrivals
Percent Foreign Born

Per Table B05002, ACS 5-Year 2011-2015.

The American Community Survey is a sample, not a census. Results are subject to a margin of error. Data represents the percentage of the total population who were born in a foreign country.
Rural Areas are still Pioneers

• Rural communities are remarkably entrepreneurial
  – Some farm legacy, but only 1/6\textsuperscript{th} of rural ests are farms
  – Even accounting for ag, rural areas are more entrepreneurial
  – Cities hugely surprised – tech startups are NOT the norm!

• Rural areas have to be entrepreneurial
  – Big “wage and salary” employers are rare, like coal mines
  – Towns and residents have figured out ways to find their niche

• Even more remarkably, rural biz more resilient
  – 5-year survival rates over Great Recession (2004-2011)
  – In any given year, up to 10% higher survival in rural areas

• Seedlings already in your or neighbor communities
Entrepreneurship more concentrated in non-metro – and more resilient too

Non-Farm Proprietors per 100 Residents, 2014

Five-Year Business Survival Rate, 2004-2011
Pioneers Guide Growth Forward

• Job creation and destruction occur together
  – 1/3 from both Births and Closures
  – Highly dynamic, churning, pioneering economies

• Dynamism creates *long-term* job growth
  – Seedbed analogy
  – More seeds, more duds, but better odds for a Google!

• Extending the innovative frontier
  – Entrepreneurs are conduits for new ideas
  – Failure is part of becoming a dynamic economy
Defining and Tracking Innovation

Product, process, or service that generates new value in the marketplace

- Ideas
- Talent
- Innovators, who need Entrepreneurs & Entrepreneurial Business Models to refine raw innovations to identify/create/maximize market niche and value
- Market Regional, National, and/or International

Raw Innovation Generation

REDI@CSU Regional Economic Development Institute
What are your Regional Assets?

• Assets define regional strengths and opportunities
  – Human, Natural, and Historic Assets create Niches

• Pooling and leveraging regional assets may be key
  – Regional sum of communities greater than its parts
  – Create complementary sets of assets and niches

• Innovate stronger connections to the urban core
  – Colorado unusually well-positioned for linkages
  – Denver Mayor’s full endorsement
So What?

• Entrepreneurship often lost in cities
  – But can have real, tangible impacts in smaller towns

• Amenities matter, both natural and human
  – Hills/Mountains and Coasts/Lakes/Rivers
    • But also History/Culture
  – Tourism, but also attract/retain permanent residents
    • Mining roads: Mountain bikes and winter sports (Leadville)
  – Emphasize your **niche which is likely already there!**

• Location neutral businesses and employees
  – Lower scale of operations, even in manufacturing
  – Internet can make small towns attractive locations
Challenges into Opportunities

- Colorado is the new California in Dynamism
  - E’ship likely to continue to be innovative job driver
- Risks: Growth ↔ Infrastructure and Cost Pressures
  - Urban & Rural CO have complementary challenges
  - Denver Mayor advocating for spreading growth
- Location-Neutral Entrepreneurship (IT)
  - Front Range dynamism flow to Rural Colorado
  - Complementary growth
Where Should Programming Focus?

• Regional collaboration
  – Take advantage of *combined and leveraged assets*
  – *Increase market scale* for local provision of goods/services
  – *Linkages* to larger urban markets

• Denver/CO as Pioneer in Bridging Rural-Urban Divide
  • Eastern CO: Lower-Cost and Well-Connected
  • Western CO: High-Amenity draw for Entrepreneurs

• National Western Center as Hub
  • Innovation/DIA, feeding Info Flow to/from Rural Spokes
  • Food/Ag as both an old and new *Pioneering* example
Colorado Blueprint of Food and Agriculture

Public Attitudes about Agriculture in Colorado

Regional and Industry Town Halls

The Value Chain of Colorado Agriculture

Identify and inform eight major Cross-Cutting Opportunities

1. Create and retain agricultural and food firms.
2. Develop workforce and youth to support the food and agricultural sectors.
3. Promote the CO brand and ensure it reflects the unique qualities of the state’s agricultural, food, and beverage sectors.
5. Address how scale impacts market performance, access, and opportunities.
6. Innovate and support new technologies for food and agricultural businesses.
7. Improve access to capital and resources for agriculture and food firms.
8. Integrate agriculture and vibrant communities.
3. Promote the Colorado Brand

- Better position Colorado ag and food firms to exploit changing consumer and market trends

*From the Regional and Industry Town Halls:*
6. Innovate and Support New Technology for Food & Ag Businesses

➢ Continue to nurture an environment where Colorado is considered a leader in ag technology – NWC Hub!

*From the Regional and Industry Town Halls:*
Taking advantage of underutilized assets
‘Untraditional’ ownership structures: Walsh Community Grocery Stores
Best Ideas From You...

• What experiences has your community had?

• Which projects have worked especially well?
  – And not so well?

• What ideas are on your community’s front-burner?

• Are there partnerships and combination of regional assets that could make those ideas even stronger?