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Using Employment Changes in Rural Development Planning

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Citizen planning groups as well as appointed and elected public officials are faced with continuing challenges to give direction to economic growth and development efforts in rural communities. Several approaches are typically taken to maintain or increase the employment and income base of the community. Among these are resource evaluation studies and promotional campaigns to attract new industries.

Shift-share analysis is a tool which can shed light on the ability of an area to compete successfully in any particular industry. The underlying purpose of this technique is to determine how an industry in the local area is performing in relation to the same industry nationwide or in the state or region. It also measures the competitive position of the total industry in the larger economy.

These two measurements — (1) the competitive position of a particular local industry in relation to the total of that industry and (2) the status of that total industry in the larger economy — give a relative measure of each industry's growth rate.

The statistics which may be used to make these measurements are personal income and employment. Each has advantages and drawbacks. Employment is not directly affected by inflation as are income payments. Also, employment statistics are more readily available for counties and other small areas than are income data. Technological change, however, may more drastically alter employment patterns than income payments.

In the study discussed here, U. S. Census figures for 1960 and 1970 were used to compare employment changes, by industries, in the 10 northern counties of Idaho with those in the State of Idaho, the Pacific Northwest region (Idaho, Oregon, Washington) and the U. S. The study showed that employment figures from the Idaho Department of Employment, available annually, may also be effectively used, although they cannot be compared with figures outside Idaho.

Highlights of the study revealed that the employment growth rate in northern Idaho from 1960 to 1970 compared quite favorably with that of all Idaho, but was much lower than that of the Pacific Northwest region or the U.S. From one-third (1960) to one-fourth (1970) of the area's employment was in three industries (agriculture, mining and forestry-lumber-wood products), all of which were declining industries in the study area as well as in the larger economies. Trade, service and other "people oriented" industries increased in employment, but were too small a proportion of total employment to keep the area's growth rate apace with that of the larger economies.

The growth industries in northern Idaho were, in general, the same as those in the state, regional and national economies. These included some manufacturing industries but were primarily in the categories of trade, service, finance, health, education and public administration.

Northern Idaho's lagging employment growth can be attributed to too great a dependency on declining industries, with growth industries providing an insufficient employment base. However, the area did show a competitive employment advantage over the 1960 decade in several industries, including three of the six largest employment industries in the area: agriculture-forestry, construction and lumber-wood products manufacturing.

A development strategy for northern Idaho should give attention both to the "people oriented" growth industries and to the established, high-employment, natural resource-based industries of the area. That is, community planners should realize the importance of industries which are increasing in employment in the area and those which show a strong performance relative to their counterparts elsewhere, even though some of the latter may not be growing in absolute employment.

A factor to be considered is the high, but declining, employment dependency on three industries in northern Idaho. Agriculture, mining and forestry-lumber-wood products manufacturing accounted for more than one-third of the employment in the area in 1960. However, by 1970, the three industries employed a little less than one-fourth of the total. The development problem is compounded by the fact that all three were declining industries, with the rate of decrease in employment greater for mining and forestry-wood products in northern Idaho than in the larger economies.

The broadening base of the northern Idaho economy is illustrated by examining the employment behavior of three other industries between 1960 and 1970. Construction, retail trade (other than food products) and public education increased their share of total employment by 5%, to nearly 27% of the total for the area. These were growing industries, with construction employment increasing at a faster rate in northern Idaho than in the larger economies.

The significance of the six industries cited is that each accounted for more than 5% of the employment in northern Idaho in both 1960 and 1970. The six together accounted for over 55% of the area's employment in 1960. This dropped 4% by 1970, again pointing out a somewhat broadening employment base.

The determination that the rapidly-growing industries in the larger economies during the 1960 decade were, in general, also increasing in employment in northern Idaho points out the area's economic dilemma: employment trends in tune with the state, region and nation, but an economic base heavily dependent upon industries with declining employment. That is, while trade, service, health, educational and other "people oriented" industries had large percentage employment increases from 1960 to 1970, the relatively small employment base of these industries did not result in sufficient absolute employment increase to keep pace with the larger economies, after offsetting the employment decreases in agriculture, mining and forestry-lumber-wood products.

Implication of the study for rural development planners is recognition that northern Idaho has had:

1. high employment dependency on industries with declining employment (agriculture, mining, forestry-lumber-wood products);
2. favorable employment trends in growth industries, but insufficient total employment in these (primarily) "people oriented" industries; and
3. competitive employment advantage in several industries, including both long-established large-scale employers and more modest-size but growing industries.

Growth strategy should include both (a) diversifying the area's economy by encouraging development and expansion of growth industries and (b) maintaining or increasing the competitiveness of the agricultural, mineral and forestry-based industries of the area.

Uniqueness of shift-share analysis to rural development planners is its ability to focus on employment or income changes in a localized area in relation to what is happening in the larger economy. This may lead to somewhat different strategies with respect to development efforts than might otherwise occur. For instance, in some cases, the conclusion to support and revitalize existing industries which show competitive strengths may take precedence over efforts to attract unknown new industries into the area.

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