



Population Deconcentration in the South

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A growing body of evidence suggests that Americans and the businesses that employ them are becoming more widely dispersed geographically. This trend, known as *deconcentration*, is generally thought to be driven by a variety of interrelated factors. These include increased mobility of both workers and employers, technological changes that have reduced the cost of distance, and preferences for amenities offered by suburban and rural environments.

The phenomenon of deconcentration bears very significant consequences both for communities and the local governments that provide (and must pay for) essential public services. This issue of the *NC State Economist* discusses recent evidence on the extent of deconcentration in the South and its implications for economic development policy and local public finance.

Population Trends in the South

Recently released county-level data from the 2000 Census allows us to document the extent of deconcentration during the 1990s. Two factors motivate the choice of the county as the basic observational unit. First, the county is the smallest geographical unit for which complete data are available that detail where workers live and work. Second, and more importantly, county governments are on the front lines of current debates over sprawl and land use planning policies – in large part because it is county governments which pay for public services and develop the land use plans which underpin observed development patterns in most places (and especially in rural areas).

Population in the 13 southern states grew by 16.6% between 1990 and 2000. But population growth was quite variable both across and within individual states. Florida, Georgia and North Carolina grew by more than 20% during the decade, while there was very little change in population in

Louisiana and West Virginia. Within states, metro counties generally grew more than rural counties. Metro counties grew at more than twice the pace of rural counties in Arkansas, Mississippi, Oklahoma, and West Virginia. Elsewhere, rural-urban differences in population growth were more modest, and in two states (Florida and Tennessee) rural counties actually grew slightly faster than metro counties.

Just over 13% of counties in the South experienced population declines in the 1990s. The great majority of these were rural counties, mainly remote counties located at some distance from the nearest metro county. On the other hand, rural counties located adjacent to a metro county grew at close to the same rate as metro counties.

While trends in population growth varied substantially throughout the 1990s, trends in commuting were considerably more regular across states. Average one-way commute times across all southern states increased by 11% to just over 26 minutes per worker, and the proportion of workers spending over one hour per day commuting to and from work increased in all states (Renkow, 2003). Moreover, the great bulk of travel to work – over 80% in both metro and rural counties alike – was accounted for by individuals traveling alone in private vehicles.

The increase in time spent commuting is due to a combination of greater congestion and longer distances traveled. Difficulty in measuring congestion precludes a precise breakdown of the relative importance of these two factors. However, good data exist on the amount of cross-county commuting, and these indicate that the share of workers crossing county lines to go to work every day increased substantially during the 1990s. In 2000 more than 31% of workers in the rural South worked in a county other than the one in which they lived, up from 25.9% in 1990.

The Allocation of New Jobs in the South

The demographic data just described are entirely consistent with continuing population deconcentration during the 1990s. To the extent that new businesses draw workers from an ever larger geographical area, the economic impacts of the new jobs created by those businesses will be spread more broadly as well.

A recent study funded by the Southern Rural Development Center analyzed employment, commuting, and migration data for the 1,112 counties of the 13 Southern states (Renkow, 2003). Statistical techniques were used to partition observed county employment growth among residents of nearby counties (in-commuters), local residents currently working in a different county (out-commuters), currently unemployed residents, and new entrants into the local labor force. This latter category encompasses primarily in-migrants, but also includes entry into the job market of current residents who had previously chosen not to participate in the labor force.

The results of that research are reported in Table 1. These indicate that between 60 and 70 percent of local labor market adjustment to new employment opportunities during the 1990s was accounted for by changes in commuting patterns, and that the remaining 30 to 40 percent was accounted for by labor force growth (primarily due to in-migration).

Interestingly, the results additionally indicate that employment growth is *positively* associated with unemployment growth. This implies that there is some “over-shooting” in the adjustment of labor force to new employment opportunities, possibly due to in-migrating dual worker households whose migration resulted from a job opportunity for only one of the household’s workers.

Significant rural-urban differences in the allocation of new jobs were found to exist as well, particularly in regards to commuting flows. A much greater share of new jobs in metro counties were filled by (non-resident) in-commuters than is the case for rural counties, while employment growth in rural counties appears to be accommodated to a much greater extent by reductions in out-commuting.

Two implications may be inferred from these rural-urban differences. First, urban employers appear to draw their workers from a wider geographic area (including nearby rural counties) than do rural businesses. Second, new jobs generated by successful economic development efforts in rural counties are likely to be taken by local residents to a much greater degree than is the case for metro counties. This will be especially the case for rural counties in which a substantial portion of increases in the size of the labor force is attributable to increased labor force participation of current residents (as opposed to in-migration). This effect is in turn dependent on the degree to which new jobs created match the skill levels and reservation wages of county residents who were previously non-participants in the labor force.

Table 1. Proportion of Employment Growth Accounted for by Different Activities

Activity	Rural counties	Metro counties
Increased in-commuting	27.3%	52.9%
Decreased out-commuting	41.6%	9.8%
Increased unemployment	3.9%	4.4%
Increased labor force size	34.9%	41.6%

Source: Renkow (2003)

Geographic Spillovers

One very important implication of the research reported above is that employment growth in one county will usually generate significant “spillovers” to nearby counties, both in the form of economic benefits to workers in those counties and increased fiscal costs to the local governments of those counties due to greater demands for publicly provided services.

Much of the emphasis that is placed on promoting job creation by local government officials stems from a desire to enhance the incomes of their constituents, both through provision of jobs to unemployed individuals and through the stimulus to existing businesses that increased purchasing power brings. The extent to which new jobs are in fact taken by individuals other than current residents will have a direct impact on the degree to which this goal is met.

On the opposite side of the coin, the fact that workers are mobile means that the successful economic development efforts of a particular community may produce significant benefits to nearby communities – in the form of greater incomes for *their* residents. Thus, purely from the standpoint of income generation, it may make little difference where a new firm locates as long as it is within range of feasible commuting distances.

The shopping habits of cross-county commuters will affect the overall economic and fiscal impacts of employment growth as well. To the extent that workers patronize retail outlets in the county in which they work, the economic stimulus and attendant multiplier effects associated with that spending will be captured by businesses in the workplace county rather than the residence county. Spending by non-resident commuters also boosts sales tax revenues for the workplace county, while at the same time causing a “leakage” of sales tax revenues from the commuters’ residence county.

Finally, the way in which new jobs are allocated between local residents and non-residents bears important local public finance consequences. When job creation leads to substantial in-migration of new residents, the demands on local governments to provide public services increase correspondingly. On the other hand, if a significant share of new employment opportunities are taken by non-residents who commute into the community from elsewhere, then employment growth in one location may give rise to substantial spillovers of

fiscal impacts to other communities. For example, employment growth in one location that leads to significant residential development in a nearby “bedroom” community can give rise to considerable strains on the fiscal resources of the latter community. This phenomenon has been observed widely in the rural South in counties located adjacent to fast-growing urban employment.

Implications for Local Governments

The growing connectedness of different communities via spillovers from economic growth represents a mixture of good and bad news for local government officials seeking to enhance the economic well-being of their constituents. On the one hand, some substantial amount of the direct, income generation effects of industrial recruitment and other local job creation strategies will likely end up in the pockets of residents of other jurisdictions. On the other hand, some communities – notably rural communities located near fast growing urban counties – may be able to “free ride” on the success of others communities’ industrial recruitment efforts.

A key implication here is that old assumptions about the economic and fiscal impacts of employment growth are no longer tenable. Individual communities’ ability to capture the benefits of new industries and businesses is clearly much reduced relative to the past, and in some instances may be quite small.

The findings that have been reported here also carry an important message for county governments worried about providing – and paying for – public services for local residents. A growing body of empirical evidence from studies of the fiscal costs of providing community services studies demonstrates that residential land uses, on average, represent a net drain on local fiscal resources and that commercial land uses tend to subsidize residential development. The fact that a significant amount of urban economic growth translates into substantial residential development in a nearby rural communities poses a difficult fiscal challenge to local officials in those “bed-

room” communities – at least up to such time as occurs the commercial development that often accompanies residential development.

Creative strategies will be required of rural communities seeking solutions to the economic development and public finance challenges associated with continuing population deconcentration. At a minimum, counties might implement more regular assessment of real estate value. In many locations, long lags in revaluations combined with a reluctance to alter property tax rates represent a drain on county public finances (Walden and Denaux, 2002).

Two mechanisms that one hears mentioned with increasing frequency by local government officials and planners are regional economic development strategies and zoning. Both are heavily laden with political baggage – zoning because it runs counter to longstanding traditions of landowner independence, and regionalism because it entails elected officials addressing the interests of constituencies other than the ones that elect them. However, the increasing number of communities experimenting with “smart growth” initiatives and multi-jurisdictional partnerships indicates that the perceived economic benefits of these sort of public policy experiments may be beginning to outweigh their political costs.

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N.C. State Economist
 Published monthly by ARE and the
 Cooperative Extension Service.
 Address correspondence to:
 The Editor, N.C. State Economist
 Box 8109, N.C. State University
 Raleigh, NC 27695-8109

North Carolina Cooperative Extension Service
 North Carolina State University
 Agricultural and Resource Economics
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