

Manufacturing Sector in Black Counties Weakens in Era of New Technology

Manufacturing has historically been an important source of job growth in counties with high proportions of Blacks, but with new technology demanding more highly skilled workers, some manufacturers in these counties are having difficulty competing. Despite extensive government support, manufacturing has not expanded in predominantly Black counties in the 1990's.

This article is about jobs, particularly manufacturing jobs, in counties where Blacks are at least a third of the population. These counties are among the poorest in the Nation. Almost all of the counties where Blacks are the predominant racial group were classified as persistently poor by ERS (using 1990 Census data), and two-thirds of the substantially Black (one-third to one-half the population) counties were so classified. Moreover, predominantly Black counties have also been among the most dependent on transfer payments, which means that adjustment to welfare reform will be particularly difficult. One solution is to create more job opportunities. This article investigates what those opportunities may be, drawing from both county employment data and the ERS Rural Manufacturing Survey.

Local jobs provide only part of the picture, since many people may commute across county boundaries. But, particularly for low skill jobs, the county is the first place to look and, the more distant the job, the greater the cost in commuting time and expense. Moreover, local employers mean additional county property tax income, opportunities for entrepreneurship, and a more dynamic labor market, all important considerations in low-income counties.

Manufacturing Is Important in Nonmetro Black Counties, but the Pay Is Low

With the continued decline in opportunities in traditional resource-based industries—agriculture, forestry, and mining—rural areas have developed primarily from the expansion of adjacent urban agglomerations, amenity-based recreation and retirement industries, and the attraction and generation of low-tech manufacturing. Individual counties have also gained jobs through development of particular services—including prisons, casinos, data processing, and mail order companies.

Black counties, particularly predominantly Black counties, tend not to be high in natural amenities (as measured by climate, lake area, ocean frontage, and topography). In part, this reflects the historic location of plantation agriculture. Also, some once predominantly Black counties that are attractive to retirees and vacationers have gained substantial White populations. The best known example is probably Beaufort County, South Carolina, the site of Hilton Head Island. The county population was nearly three-quarters Black in 1930, but less than a third Black in 1990, despite a growth in the Black population over the period.

Apart from some of the counties near expanding metropolises, manufacturing has offered one of the better opportunities for job creation in Black counties. In 1995, manufacturing (and government) accounted for a higher percentage of jobs in Black counties than in other counties in the South, and these counties in turn had more manufacturing than non-metro counties in other regions (table 1). About 45 percent of the substantially Black counties and 27 percent of predominant Black counties were “high-manufacturing” counties in 1995, with manufacturing comprising over a quarter of all jobs.

These employment data alone underestimate the importance of manufacturing in the rural economy. Manufacturing jobs are more likely to be full-time jobs than service sector jobs and tend to have higher wages. Thus, while manufacturing accounted for 21 percent of all jobs in predominantly Black counties in 1995, it accounted for 26 percent of total earnings.

But manufacturing jobs themselves are hardly an economic panacea for counties with high Black populations. The manufacturing jobs in these counties are low-wage jobs by national standards. According to the ERS Rural Manufacturing Survey (see box, p. 53), production worker hourly pay is about 25 percent lower in predominantly Black counties than in nonmetro counties with low proportions of Blacks, and 10 percent lower in substantially Black counties. At these wages, manufacturing does not provide a major boost

Table 1

Employment in nonmetro South, by proportion of the population Black
Counties with high proportions of Blacks rely more on manufacturing, but did gain manufacturing jobs during 1990-95

Industry	Non-South	Total	South		
			Low	Percent Black	
				Substantial	Predominant
			Percent		
Job distribution, 1995:					
Agriculture, forestry, fishing	9.0	8.6	8.8	6.8	9.6
Mining	1.1	1.7	2.0	.6	.7
Manufacturing	14.8	19.6	18.9	23.3	20.8
Private service sector	54.2	48.0	48.6	44.8	45.6
Government	15.7	16.7	16.1	19.5	19.6
Construction	5.3	5.4	5.6	5.0	3.7
All jobs	100.0	100.0	100.0	100.0	100.0
Change in number of jobs, 1990-95:					
Agriculture, forestry, fishing	-2.1	.1	.9	-2.0	-7.8
Mining	-12.1	-17.4	-17.5	-20.6	-2.2
Manufacturing	6.3	4.3	5.2	1.7	-1.7
Private service sector	11.9	13.0	13.1	12.4	12.3
Government	3.8	7.1	7.1	7.4	5.8
Construction	17.1	10.6	11.6	8.6	-4.8
All jobs	8.3	8.2	8.6	7.3	4.9

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

to family incomes. Thus, predominant Black counties were almost all “persistently poor” as of 1989, irrespective of the amount of manufacturing they had.

Manufacturing in predominantly Black counties is associated, however, with lower welfare dependence. Among these counties, 1995 per capita income support payments were 10 percent lower in high-manufacturing counties than in other counties. More to the point, in both substantially and predominantly Black counties, changes in manufacturing jobs during 1990-95 were inversely related to changes in income support payments over the same period. A gain (loss) in manufacturing jobs during 1990-95 equal to 1 percent of total county employment was associated with a reduction (increase) in per capita income support payments of about 0.5 percent (constant dollars). This suggests that although manufacturing can at best be only part of the answer, the ability of these counties to adjust to welfare reform will depend partly on the strength of their manufacturing sectors. But the prognosis is not favorable.

Manufacturing Sector Weak in Black Counties During 1990-96 After Gains in Earlier Decades

Although manufacturing expanded in Black counties in the 1970's at a rate similar to those of other Southern nonmetro counties, and even expanded in predominantly Black counties over the 1980's, these counties have not shared in the rural manufacturing expansion of the 1990's (table 2). Counties with substantial Black populations had a slight loss in manufacturing jobs in 1990-96 and predominantly Black counties, a 5-percent loss. In contrast, manufacturing has increased in counties with low Black populations during the 1990's, especially outside of the South.

Table 2

Change in manufacturing and total jobs, by proportion of Blacks in county population

High Black counties have lost manufacturing jobs in 1990's in both metro and nonmetro areas

Type of county	Change in manufacturing jobs			Change in all jobs, 1990-96
	1969-79	1979-90	1990-96	
	Percent			
Nonmetro:				
Nonsouth	13.5	-2.3	7.7	12.0
South	22.0	1.9	2.3	10.7
By proportion Black—				
Low	22.5	2.2	3.4	11.2
Substantial	20.8	-.4	-.7	9.2
Predominant	18.0	4.1	-5.0	6.3
Metro, by proportion Black—				
Low	4.2	-9.0	-3.6	9.7
Substantial	-17.9	-29.8	-7.8	3.4
Predominant	-16.3	-26.4	-14.7	-4.2

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Even with their low wages, the ability of communities in Black counties to attract and develop manufacturing may now be more limited than in the past. In previous decades, low wage labor was a major factor in the shift of manufacturing to the rural South and labor skills were not an issue. But the globalization of production and markets has eroded the regional low-wage advantage—many other countries, including Mexico, have considerably lower wages than found anywhere in the United States. Moreover, ERS Rural Manufacturing Survey results indicate that the current wave of technological innovation in U.S. manufacturing, spurred in part by international competition, is generally raising the skill levels required of production workers. (See R. Teixeira, *Rural and Urban Manufacturing Workers: Similar Problems, Similar Challenges*, AIB-736-02, U.S. Dept. Agr., Econ. Res. Serv., 1998.) Consistent with these results (and in contrast to the 1970's and 1980's), rural (and urban) areas with low education levels have generally not gained manufacturing jobs in the 1990's. Counties with high proportions of Blacks have high dropout rates (fig.1). In both substantially and predominantly Black counties (as in nonmetro counties in general), manufacturing grew in 1990-96 only where the high school dropout rates for young adults (ages 25-44) were under 25 percent. Currently, local human resources, rather than low wages, appear to be key to rural manufacturing competitiveness.

Manufacturers in Black Counties Report Major Problems with Local Human Resources

The most direct way to identify local obstacles for manufacturers is to ask the manufacturers themselves. As part of the ERS Rural Manufacturing Survey, manufacturers were asked which of a list of 21 local factors were problems for their establishments' ability to compete. Human resources factors were paramount in the rural Black counties and generally cited much more often than in other nonmetro counties (table 3).

The most cited problem in predominantly Black counties was the quality of local schools; nearly half the respondents reported this as a major problem. In contrast, only 8 percent of the manufacturers in counties with low Black populations cited schools as a major problem. This problem is related to some extent with another major problem in Black counties—the ability to attract managers and professionals—as schools are a major factor in the residential quality of life. But the school quality issue also relates to the problems of finding people with basic skills to do production work. One in every five manufacturers in predominantly

Black counties cite lack of access to training as a major problem. Except for the training issue, where they are similar to the general rural average, manufacturers in substantially Black counties fall between the low and predominantly Black counties in their answers. Although the number of manufacturers interviewed in the predominantly Black counties was small, these differences are statistically highly significant ($p < 0.001$).

The quality of available labor was reported as a major problem by over a third of the Black county manufacturers, but unlike the other human resource issues, this was about as likely to be reported as a major problem in other rural areas. Other analysis has shown that responses to this question are highly sensitive to the technologies used, the wages paid, and adjacency to metro areas. Manufacturers in counties with 25 percent more of the population Black, particularly those using advanced technologies, were shown to cite this problem much more often than expected on the basis of their plant characteristics and other county attributes. (D. A. McGranahan, *Local Problems Facing Manufacturers*, AIB-73-03, U.S. Dept. Agr., Econ. Res. Serv., 1998.)

Other differences in problems cited between manufacturers in Black and non-Black counties tended to be relatively small. About 20 percent in Black counties reported State and local taxes and environmental regulations to be major problems, but this proportion is about the same in other counties. No other local factors were cited as major problems by more than 15 percent of the manufacturers, with the exception of access to financial institutions, which was cited by 16 percent of the local manufacturers in predominantly Black counties, but seldom reported elsewhere. Since this question was not relevant to branch plants, the number of cases involved is really too small to more than signal a potential issue.

One additional reason for the lack of manufacturing growth in Black counties, particularly predominantly Black counties, could be a lack of government support, since these counties generally have fairly weak infrastructures. However, the results of the ERS Rural Manufacturing Survey suggest that manufacturing establishments in predominant Black counties receive extraordinary support, far more than manufacturers in other locations (table 4). Mississippi stands out in this regard, with manufacturers in its predominantly Black counties reporting assistance in industrial parks, tax breaks, and training significantly more often than manufacturers in other predominantly Black counties. Manufacturers in substantially Black counties have received about the same amount of support as manufacturers elsewhere, suggesting that assistance has been targeted to the majority Black counties.

Table 4

Nonmetro manufacturers reporting participation in government programs in past 3 years as very or somewhat important for business operations

Manufacturers in majority Black counties receive extensive support

Program type	Non-South	South, by Black Population			Total
		Low	Substantial	Predominant	
Percent					
Credit	25.6	19.7	16.0	31.7	23.3
Industrial parks	19.9	21.3	19.5	41.7	20.8
Tax breaks	47.0	43.5	48.6	68.9	46.5
Training	29.1	28.0	28.5	46.8	29.1
Number					
Cases	1,634	880	151	62	2,727

Source: ERS Rural Manufacturing Survey.

The ERS Rural Manufacturing Survey

In 1996 the Economic Research Service, in cooperation with the Social and Economic Sciences Research Center at Washington State University, conducted telephone interviews with a nationwide sample of rural and urban manufacturing businesses with at least 10 employees. Interviews with 2,844 nonmetro and 1,065 metro establishments were completed, for a 70-percent response rate. Nonmetro and large establishments were oversampled in the survey design. Statistics were weighted to account for this stratification.

The goal of the survey was to investigate issues of rural manufacturing competitiveness and enhance the targeting of rural development programs at national, State, and local levels. To that end, the survey instrument asked about a range of issues, including worker characteristics, technology use, marketing assistance, worker skills and training, locational barriers to competitiveness, and sources of financing.

Services in Predominantly Black Counties Grew for Unexpected Reasons

One last question remains. Given that agriculture as well as manufacturing jobs declined over the 1990-95 period, what explains the 12-percent growth in service sector jobs in predominantly Black counties? A large part of the answer is found in a single predominant Black county—Tunica County, Mississippi. The development of a casino complex in Tunica generated over 9,000 service sector jobs in the county between 1990 and 1995, tripling total employment. (I am grateful to Calvin Beale for providing this explanation.) Exclusive of this county, service sector jobs in predominant Black counties increased by only 8 percent, 4 percentage points lower than reported in table 1. Similarly, total employment growth in predominant Black counties was only 3 percent outside of Tunica, compared with 5 percent including Tunica.

More generally, a rise in transfer payments appears to have contributed to employment growth in the region, particularly in predominant Black counties. Led by increases in Medicare and Medicaid, transfer payments rose (in constant dollars) by about 30 percent in Southern nonmetro counties during 1990-95, independent of the proportion Black. In 1995, these payments equaled 39 percent of total earnings in the nonmetro South, except in predominant Black counties, where they equaled 48 percent. Thus, in the predominant Black counties, the rise in transfer payments was equivalent to a gain in total earnings of about 15 percent—a very large amount in only 5 years. The actual local impact was probably lower than an equivalent gain in earnings, since a substantial portion of the medical payments undoubtedly went to service providers located outside of these counties. Nevertheless, this is a large enough increase to generate some of the new service sector jobs. To some extent, then, changes in manufacturing jobs may have been offset by changes in transfer payments in their effects on local economies.

The Outlook for Black Counties Is Uncertain

The present analysis has focused on the 1990-96 period, and elsewhere in this issue is evidence that growth in rural areas of the country has slowed since 1995. While drawing any conclusions based on 1 year is always risky, the data for 1995-96 indicate that the downturn in manufacturing in Black counties may be accelerating. For instance, predominant Black counties lost 4 percent of their manufacturing jobs in 1995-96 alone, and although their total jobs continued to increase, the gain was only 0.3 percent.

The trends for rural Black counties would be less unsettling if opportunities in urban Black counties were improving, but they have had a history of manufacturing decline and total employment has grown only slowly (table 2). In metro Black counties, employment gains during 1990-96 was even lower than in their nonmetro counterparts. In 1995-96, metro predominantly Black counties lost jobs and substantially Black counties gained only in the South. Metro Black counties are not alternative places to find work for Blacks (or others)

currently residing in rural Black counties. To the extent that good job opportunities for Black workers exist, they are outside these areas.

Rural Black counties have been able to rely in the past on low wages to attract manufacturing. This avenue appears less viable in the 1990's, despite extensive government assistance, especially in predominantly Black counties. In any case, manufacturing has not provided sufficient incomes to lift their populations out of poverty. The skill demands of new manufacturing technology have generally increased. Despite their relatively low use of new technology, nearly half the manufacturers in predominantly Black counties see the local school systems as major problems for their competitiveness. Poor school systems make it difficult both to find adequately skilled workers and to attract managers and professionals to the area. Whether the economies of these counties are currently viable without a major effort in improving education and training is, thus, a real concern. For counties dependent on manufacturing, local economic planning and outside government assistance cannot be lastingly effective without involving training institutions and local school systems. *[David A. McGranahan, 202-694-5356, dmcg@econ.ag.gov]*