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## Executive Summary

In this study the economic performance and conditions of Michigan's rural regions are compared and contrasted to a comparison group of similar rural regions in neighboring states, as well as to urban areas. For these purposes, we grouped Michigan's rural counties into three distinct regions based on shared attributes.

- Urban-influenced rural counties which are experiencing major “spin-off” effects from neighboring metropolitan core counties.<sup>1</sup>
- Agricultural-focused counties which have a sizable farming sector.
- Mixed-use rural counties which lack significant agricultural operations or “spin-off” effects from urban areas.

In addition, counties with a strong tourism presence are examined within their own grouping; however, these counties are all also included in their respective categories mentioned above.

The major findings of this analysis are:

- During the 1990s, population in the state's rural regions grew faster than both similar areas in neighboring states and the Michigan's metropolitan areas. Not surprisingly, the urban-influenced rural regions experienced the most rapid population growth in terms of percent change. From 1997 to 2001, the urban-influenced rural counties experienced an average net in-migration of 288 new resident households (2,685 persons) bringing with them an average of \$55.2 million in new net income in total over the five-year period.
- The rural regions' population gains pushed their private non-manufacturing employment upward during the 1990s. The greatest gains were seen in the state's urban-influenced rural areas, where private non-manufacturing employment shot up 43.7 percent, well above the 30.1 percent increase reported in the comparison group of urban-influenced rural counties in surrounding states. Private non-manufacturing employment gains in the state's agricultural-focused and mixed-used regions also bettered their comparison regions.
- Nationwide, the number of working age adults between the ages of 25 and 34 declined by 7.6 percent during the 1990s. All of Michigan's rural areas lost persons from this age group. Urban-influenced counties declined 12.2 percent, agricultural-focused lost 13 percent and mixed-use rural dropped 17.9 percent. The sub-category of tourist counties declined 9.5 percent during the period. Not

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<sup>1</sup> Urban-influenced rural counties can be within U.S. Census defined Metropolitan Statistical Areas (MSAs), but cannot contain the core cities of the MSAs.

surprisingly, since adults between 25 and 34 years of age are at the height of their childrearing years, their declining presence also adversely impacted the number of young children in these communities. For example, the number of children under five years of age dropped by 10.8 percent in the state's mixed-used rural counties compared to a 5.3 percent drop the comparison group; both in contrast to the 4.5 percent increase in this age category nationwide.

- Rural regions are still competing successfully for manufacturing jobs. Manufacturing employment rose by 29 percent in the state's agricultural-focused counties during the 1990s. In the agricultural-focused comparison group, manufacturing employment rose by 26 percent. Overall, manufacturing employment in the state's rural regions out-paced their comparison groups across the board. However, manufacturing employment growth was at a standstill in the state's urban counties during the period.
- A possible reason for rural Michigan's success in attracting manufacturing growth could be competitive wages. Earnings per worker in the state's agricultural-focused and mixed-used regions were only 59.0 percent and 60.1 percent of the state's metro core counties, respectively. On the other hand, earnings per worker in the state's rural regions were on par with those in the similar regions in the surrounding states.
- Despite strong employment gains, adults in agricultural-focused and mixed-used rural regions face higher unemployment rates and are less attached to the workforce than adults living in metro areas or in the faster-growing urban-influenced rural regions. The labor participation rates of working-age adults in the state's agricultural-focused and mixed-used rural areas are well below those in the more urban or urban-influenced areas of the state, as well as those in similar rural regions in surrounding states.
- The rural region's high unemployment rate and low labor participation rates have pushed the poverty rate above 10 percent in many rural counties. Moreover, a greater percentage of students in the Michigan's agricultural-focused and mixed-use regions receive free or reduced-price lunch than in the urban core counties.
- Michigan's rural agricultural sector generates lower farm receipts per acre than similar regions in the surrounding states. While climate, crop and livestock selection or soil types may explain these differences, the bottom line is that state's agricultural base provides significantly less income than similar areas in the surrounding states.
- The counties which have been identified as tourism-influenced (higher-than-average earnings being generated in eating and drinking places) face an unemployment rate of 7.1 percent in the Michigan grouping compared to 5.9 percent in the surrounding states. The average per capita income for tourist counties is the lowest of the Michigan groupings at an average of \$16,600,

compared to the per capita income generated in the comparison tourist counties, \$18,484.

- A major concern revealed in this analysis is that the state's rural counties are very dependent upon unearned income and governmental earnings. A full one-third of the total 2000 personal income in the state's mixed-used rural areas is derived from either transfer payments (e.g. social security, private pensions, and public assistance) or government employee paychecks. This compares to 29.7 percent in similar regions in surrounding states. These sources account for slightly more than 30 percent of the total personal income in the state's agricultural-focused counties compared to 26.3 percent in similar counties in the surrounding states.
- Finally, looking toward the future, workers in the state's rural areas, as well as in the rural regions in neighboring states are less educated than their counterparts living in metropolitan areas. Only 12.3 percent of adults, 25 years or older, living in agricultural-focused regions have achieved 4 or more years of colleges, which is nearly identical to those in comparison grouping, but is well below the average of 23 percent in metro areas.