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Blue Economy

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Rural Economic Development in the Coastal Region

Introduction

Rural communities near North Carolina's coasts are neither consistently prospering nor uniformly in decline. Key features of rural places, such as low population density and longer distance to markets, will always be challenges, while unique natural resources buoy many coastal economies. Rural areas have some distinct economic attributes compared to urban places, but they increasingly mirror development patterns in more populated locales. This paper focuses on the drivers of economic growth and decline in non-metropolitan counties of the coastal plain.

While agriculture still plays a key role in rural areas of the state, the rural economy is increasingly diversified, relying on other sectors like manufacturing and tourism, as well as on people commuting to urban employment opportunities.

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Defining Rural

Many of North Carolina's coastal communities are considered rural. A far distance to markets, low population density, and an abundance of natural resources are some distinguishing features of rural places. One definition of rural is that the community is part of a non-metropolitan statistical area. These areas include cities with populations under 50,000 that have a high degree of economic and social integration.

There are two non-metropolitan areas in the coastal plain, as defined by the U.S. Census Bureau. The Northeast Coastal non-metropolitan area includes Bertie, Camden, Chowan, Dare, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Tyrrell, Warren and Washington counties. The Southeast Coastal non-metropolitan area includes Beaufort, Bladen, Carteret, Columbus, Duplin, Greene, Harnett, Lenoir, Robeson, Sampson, Scotland and Wilson counties. In Figure 1, these counties are shaded dark brown.

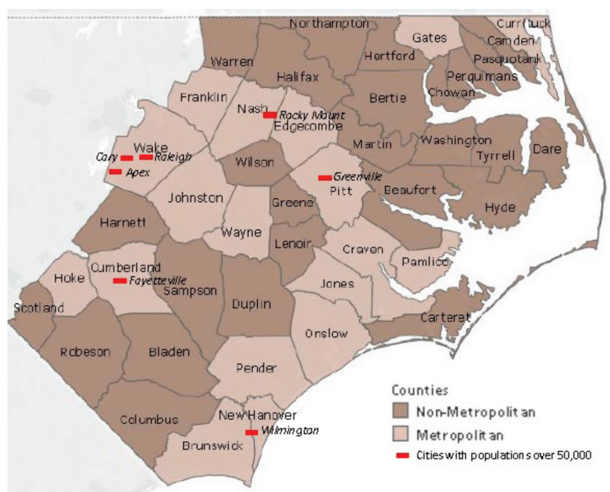

Figure 1. Non-Metropolitan and Metropolitan Counties in Eastern North Carolina

Rural Population Trends

Migration patterns, or the movement of people from one place to another, are one indicator of the economic health of rural areas. Population growth is generally associated with economic growth but comes with its own challenges, such as new infrastructure needs and increased demand for public services. High levels of migration, whether into or out of an area, can lead to unemployment, depending on how businesses grow or adapt to the change.

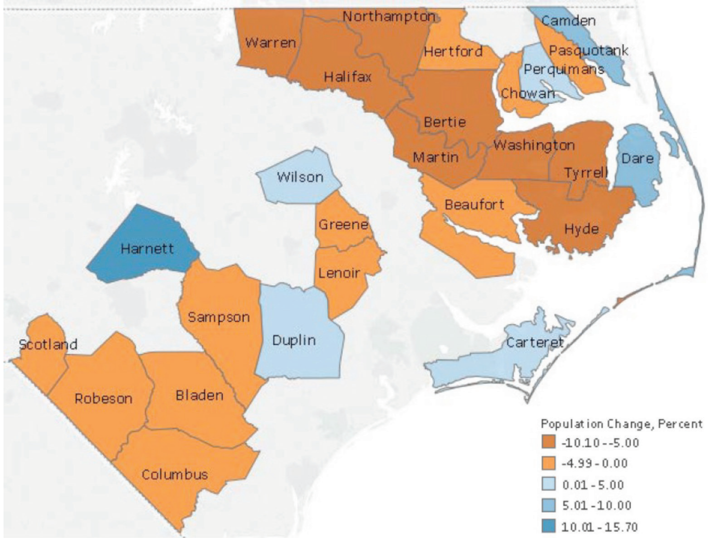

Figure 2. Percentage Change in Population of Non-Metropolitan Coastal Counties, 2010-2017[1]

Retirement destinations like metropolitan Brunswick and Pender are some of the fastest-growing counties in the state, while the least populated counties continue to experience population loss. The majority of the non-metropolitan counties in the coastal region have lost population since 2010 (see counties in orange in Figure 2). Eight of those counties lost more than 5% of their population during this time period: Northampton (-10.1%), Washington (-9.1%), Bertie (-9.7%), Tyrrell (-8.1%), Hyde (-7.8%), Martin (-7.0%), Halifax (-6.1%) and Warren (-5.4%).

The composition of the rural workforce is evolving, with new demographic groups seeking out employment opportunities. Latino migration to the rural coastal region increased significantly between 2000 and 2010, resulting in a doubling, on average, of the Latino population. Although the total population of Latinos is often smaller in rural areas compared to urban ones, the proportion of Latinos is often greater in rural places. For example, as of 2010, Latinos made up 20.6% of the population in Duplin County, 16.5% in Sampson and 14.3% in Greene, whereas they made up 10.2% of the population in metropolitan Wake County.

Three Types of Rural

Prosperity in the coastal region is uneven, with some communities still struggling to make economic gains since the Great Recession of the late 2000s. Rural America is comprised of three distinct areas: (1) high-amenity rural regions, (2) urban-adjacent rural places and (3) remote rural communities[2]. It is the last that has typically struggled. Rural areas with high amenities and access to urban labor markets generally experience greater population and economic growth than their remote counterparts.

High-Amenity Rural — Amenities and quality-of-life factors increasingly influence rural migration flows and business development. For example, natural amenities like attractive scenery and recreational opportunities draw people to rural areas and have boosted the wealth of many waterfront communities. Median household income in the non-metropolitan counties closest to the coast — Camden ($60,714), Dare ($54,787) and Carteret ($50,599) — are all higher than the state average of $48,256[1].

High-amenity rural areas have experienced substantial economic and population growth. In the 1990s, in-migration began to outpace natural population growth — that is, births minus deaths[3]. Advantages of population growth include wealth transfer, which can serve as financial capital to invest in new and existing businesses. Population growth in these communities is generally associated with new jobs in construction and higher demand for employees in retail and commercial services. Downsides of this population gain include higher costs of living — driven by increased demand for housing — and greater traffic congestion.

Urban-Adjacent Rural — Rural communities have benefited from the proliferation of automobiles and improvements in transportation infrastructure, which allow for increased rates of rural-to-urban commuting. For rural areas located near metropolitan areas, access to urban employment is an important source of population retention and growth. For example, non-metropolitan Harnett County is wedged between metropolitan Wake County to the north and Cumberland County to the south, making work possible in cities like Raleigh and Fayetteville.

Over time, the population growth rates of metropolitan counties have increased relative to non-metropolitan counties. However, this trend can be attributed in part to the fact that rural communities that experience significant population growth often get reclassified as metropolitan themselves.

Remote Rural — Remote rural communities in the coastal area are challenged by a lack of employment opportunities and long distances to urban areas. Traditionally their economies are resource-based,

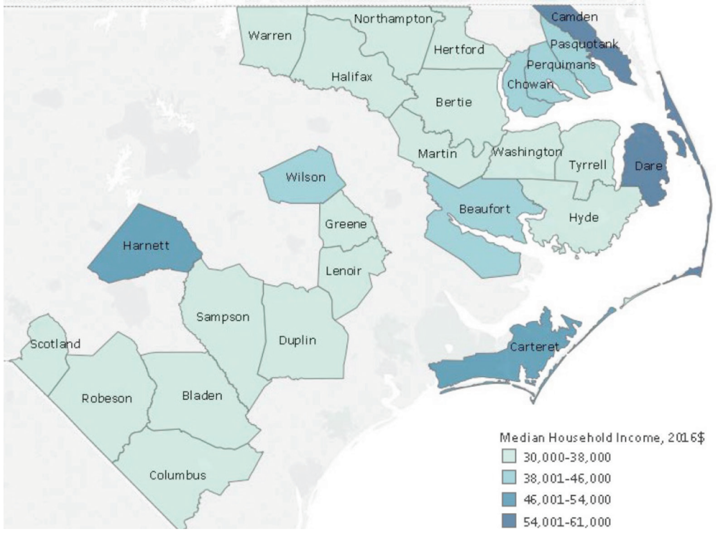

Figure 3. Median Household Income of Non-Metro Coastal Counties, 2012-2016

dependent on harvesting or extracting natural resources with little or no processing. Figure 3 displays the median household incomes of the coastal non-metropolitan counties; those shaded in lightest teal have the lowest incomes and generally represent more remote places. It should be noted that lower income communities usually have lower costs of living, which can offset this deficit.

Lagging rural regions are likely to be geographically remote, with poor infrastructure, low population density and limited employment opportunities. Remote regions in the coastal plain traditionally depended on agriculture as their economic base, and some relied on the manufacturing sector. Labor-saving technologies in both these industries have reduced the need for workers. In Lenoir County, for example, manufacturing employs 25% of the workforce, whereas statewide this sector only employs 12% of the labor force[1]. Lenoir's population declined by 4.4% from 2010 to 2017. Nationally, employment in manufacturing bottomed out in 2010. Recovery since the Great Recession has been slow in places that depend on these industries.

Regional Development Drivers

Understanding business location decisions helps to explain why some rural regions prosper while others languish. Businesses locate where they can maximize profit, which often depends on regional uniqueness and comparative advantage.

A region's uniqueness is based on the availability and productive use of essential assets, or inputs, for production, such as land, labor and capital. Land is related to climate, growing season and soil types. Labor pertains to the workforce and its skillsets. Capital is defined as financial capital, or monetary resources, available to invest in a business or to purchase goods. The amount, or stock, of assets in a community affects its development path.

Some assets, such as land or natural resources, are unique to a place, influencing the types of businesses that can succeed. For example, oyster farmers must locate their operations in waters with appropriate salinity levels. This coastal environment cannot easily be replicated artificially.

Other assets, like labor, are more productive when used in combination with certain technologies or physical infrastructure. Consider a single shrimper with a 20-foot boat who can haul in 2,000 pounds of shrimp in a night. If he adds one additional crew member, he won't increase his landings. He needs a bigger boat to productively use that additional labor.

The size of a business operation and the markets it can sell to impact asset productivity — that is, the effectiveness of productive effort, as measured by the rate of output per unit input. The cost savings gained from an increased level of production are known as economies of scale. For example, a seafood processor with sizable business volume can bulk-purchase supplies at a lower rate than a smaller-scale competitor.

Clustered development — close proximity of multiple businesses — contributes to increased asset productivity. Clusters facilitate economies of scale, as well as knowledge spillovers that result in innovation. They stem from business-led leadership as well as government partnerships like business and industrial parks. Important industrial clusters in the rural coastal region include aerospace and defense, food processing and manufacturing, and energy, among others.

In pursuing economic development, some communities have a local focus. For example, a rural municipality can increase tax rates to benefit local schools. A town can implement zoning policies that encourage manufacturing firms to locate there. How a place relates to surrounding areas, though, is a vital component of its economic success. Rural communities do not develop in a vacuum. Rural areas are more than ever integrated into a regional economy and tied to nearby urban centers. The degree of integration with urban centers is a major factor in rural asset productivity.

In fact, the economic structures of rural places increasingly mirror their urban counterparts. Most of the rural population does not depend on natural resources for their livelihoods. Even rural residents who engage in farming earn most of their incomes from off-farm employment. Like urban centers, rural areas with significant manufacturing bases develop commerce hubs and advanced supply chains in specific industries to compete with producers globally. Even the most remote rural areas are less isolated than in the past, with ever stronger ties to global markets and labor. Much of the coastal region is located near Interstate Highway 95, facilitating transport of goods to large markets in other states. Deep-water ports in Morehead City and Wilmington provide rural regions with additional market access.

Regional economic integration depends upon robust market relationships and communications between rural and urban areas. Decreasing costs of transport and communication have been a boon to rural areas, yet the quality of these infrastructures continues to be inconsistent. For example, broadband access is still limited in some rural areas, curtailing the types of businesses that can locate there. In the non-metropolitan counties in the coastal region, approximately 60% of households have broadband internet service subscriptions. In metropolitan counties like Wake, Durham and Mecklenburg, 80% or more rely on broadband.[4]

Continued Rural Investment

To sustain economic well-being, rural communities must continue to invest in productivity of the unique assets that support economic development. The labor force's skillsets can be strengthened through increased access to high quality education and workforce development programs. Land and water resources in the coastal region will support further development as long as economic activity is in balance with the capacity of these natural systems. Financial capital will follow where labor and land quality are high. High-amenity and urban-adjacent rural areas are likely to continue to be competitive in a global economy, while more remote rural places may require additional investment to thrive.

Students in NC State University's course ARE 495: Rural Economic Development meet entrepreneurs and community leaders contributing to prosperity in the coastal region's rural areas. In this photo, students listen to John Morrison of the solar energy development firm Ecoplexus describe the workings of this Greene County, 4,000-megawatt solar farm.

References:

[1]U.S. Census Bureau. 2018. American Fact Finder. https://factfinder.census.gov.

[2]Goetz, Stephan J., Partridge, Mark D., and Heather M. Stephens. 2018. The economic status of rural America in the President Trump era and beyond. *Applied Economic Perspectives and Policy* 40 (1): 97-118.

[3]Fulton, John A., Fuguitt, Glenn V., and Richard M. Gibson. 1997. Recent changes in metropolitan-nonmetropolitan migration streams. *Rural Sociology* 62 (3): 363-384.

[4]North Carolina Broadband Infrastructure Office. 2019. Broadband adoption recommendations. https://www.ncbroadband.gov/connectingnc/broadband-adoption.

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