Age as Asset: The Contribution of Youth and Retirees to Rural Well-Being

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Wealth Building in Rural America Project

Center for Social Development
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Introduction

The purpose of this paper is to consider the proposition that community well-being in rural America can be enhanced by regarding youth and retirees as assets. For both age groups, the literature and public attitudes tend to adopt a less than positive view, emphasizing the problems associated with the out-migration of young people on the one hand and the growing numbers of the elderly on the other. This paper points to trends and thinking which suggest that a different, asset-based lens may be helpful in developing community and policy responses. This paper is one of a series focusing on wealth-building in rural America.

The Graying of Rural America

As the baby boom population ages, the demographic characteristics of communities nationwide are changing dramatically. The population aged 65 and over has more than doubled since 1960 (Fuguitt et al 2002) and the population over 60 is similarly expected to double by 2050 (Rogers 2002). Some projections show that by 2050 one in five persons will be elderly (Chase 1997). The trends are especially significant to rural areas, which tend to have a larger percentage of elderly in their populations. Older people represent 20 percent of non-metropolitan populations, compared with 15 percent in metropolitan areas. (Rogers 2002).
Rural areas are aging for several reasons, including the aging-in-place of the population, the out-migration of youth, and the in-migration of retirees (Rogers 2002), each of which has particular implications for communities. Areas which are growing due to the in-migration of retirees are experiencing population gains and increases in local tax bases. Other rural areas, particularly those dependent on farming and mining, are becoming older as young adults migrate out of the community, resulting in strains on the local tax base and infrastructure (Rogers 1999).

The graying of rural America brings with it some significant challenges. Those who are 85 years old and over make up a larger portion of the non-metropolitan elderly (7.8 percent) than those in metropolitan areas (7.0 percent) (Economic Research Service website). This population creates additional demands for a community’s health care infrastructure and support systems. Although non-metropolitan elders are more likely to have poorer health and certain chronic conditions than the metropolitan elderly, rural areas offer fewer health care alternatives and specialized services, making the challenge to the elderly population in rural areas much more difficult to address (Rogers 1999).

The rural elderly tend to be relatively poorer and less well-educated than the metropolitan elderly. The poverty rate for non-metropolitan elders 60 years and over was 13 percent in 2000, compared to 9 percent for metropolitan elders, and for those 85 years and over, the rate is even higher – 19.8 percent in non-metropolitan areas, versus 11.8 in metropolitan areas (Economic Research Service website). Metropolitan elderly are more likely to have high school diplomas than the non-metropolitan elderly, and this gap creates a financial disadvantage for the non-metropolitan elderly in terms of lower
retirement incomes and a greater dependency on Social Security benefits (about 40 percent of income). Eighty-six percent of non-metropolitan elderly receive Social Security, compared to 81 percent of metropolitan elders (Rogers 2002).

Most elderly persons own their homes, and non-metropolitan elders are more likely to own their homes than metropolitan elders, and are also more likely to have small or no mortgages. However, non-metropolitan elders are more likely to live in homes that are older, lower in value, and that have moderate to severe physical problems (Rogers 1999).

Retirees as Rural Assets

Although these demographic trends appear not to be good news for rural America, there are counter-trends that for some regions are quite promising. A number of non-metropolitan counties with high amenities have become retirement destinations (Chase 1997). The Economic Research Service (ERS) classifies counties as retirement destinations if the number of residents aged 60 and over increased by 15 percent or more during the 1990s due to in-migration (Economic Research Service website). ERS classifies 440 counties as retirement destination counties, 277 of which are non-metropolitan (62 percent). Many communities have begun to actively recruit retirees as an economic development strategy, as retirees bring in revenue in the form of taxes and local expenditures, but cost less in the way of public services (Serow 2003).

Sastry (1992) identifies two types of migrating elders. Amenity-type migrants seek high amenity areas for their retirement, while assistance-type migrants are migrating due to ailing health or death of a spouse, often returning to their birth state. While all new migrants provide positive benefits to communities in the form of increased tax bases
and local expenditures, the amenity-type migrants are generally healthier, better educated, and wealthier than the assistance type migrants. It follows, therefore, that the amenity-type migrant may place less of a strain on local services and infrastructure, and have a higher net benefit to the community.

In-migrating elders benefit a local community in a variety of ways. Because the majority of income of retirees is from sources other than wages and salaries, their income can be viewed as independent of the regional economy. Also, tax breaks for the elderly result in fewer leakages out of the local economy (Summers and Hirschl 1985) and local purchases of goods and services made by new retirees in a region can be seen as an economic boost (Sastry 1992, Summers and Hirschl 1985), although a limited range of available services may force some residents to spend their money elsewhere (Reeder 1998).

Several studies have examined the economic and fiscal impacts of elderly migrants on local communities. Shields et al (1999) measured the impacts of high and low income elderly in a rural region, focusing on the local government fiscal impacts. The high and low income levels were intended to proxy the aging-in-place (low income) and amenity seeking in-migrants (high income) for the region. Shields et al find that the net fiscal impacts for the low income elderly are not as strong as for the high income elderly, suggesting that the in-migration of high income retirees is a positive economic benefit to a community (Shields et al 1999). In another study, Shields et al (2001) analyzed the different fiscal impacts of older households and younger households with families. They find that older households place fewer demands on local government expenditures while generating significant government revenues. Younger households
with families, however, will significantly impact local school expenditures (Shields et al 2001). Reeder (1998) notes that retirees tend to place high demands on local public transportation and health services, but fewer demands on education, which is a high cost item for local governments.

In-migrating retirees also are a potential investment opportunity for a local community. Retirees may decide to start their own business or enter into business ventures with local businesspeople (Reeder 1998). In addition, capital brought into the community by retirees can be invested locally (Reeder 1998, Miller et al 1998).

**Wealth Transfer**

When farms, ranches, and businesses are sold after their owners die, the estate typically is left to family members who no longer live in the community. The community in particular and rural America in general loses that wealth. In Nebraska, the idea has taken root that if this wealth can be recycled through a local community foundation, then local people will be able to use it for issues important to the community (University of Nebraska, 2002). In this way, private wealth is converted into community wealth.

A study by the Social Welfare Research Institute at Boston College estimates that between 1998 and 2052 $41 trillion in wealth will pass from the current generation to the next (Havens and Schervish 1999). The Nebraska Community Foundation estimates that $258 billion of wealth will transfer in Nebraska during the next 50 years, $94 billion in rural areas (Nebraska Community Foundation 2004). As part of the Home Town Competitiveness program, the Foundation has undertaken a wealth transfer analysis for each of the state’s 93 counties, and is conducting a campaign to raise awareness about the challenges and possibilities presented by these transfers. The program has set a target of
at least five percent of local wealth transfer into charitable assets endowed in community foundations to fund future community and economic development efforts. (Rural Oasis, 2005).

**Youth Out-Migration**

As mentioned earlier, one of the factors causing rural populations to age more rapidly than their urban counterparts is the out-migration of young people. This is causing much anxiety in communities across the country and stimulating understandable discussion about how the “brain drain” might be stopped and what steps need to be taken to retain young people.

There are two somewhat contradictory forces at play, both of which have to be taken into account. First, there is the fact that rural people are on average less well-educated than their urban counterparts, which means that whether the young people stay in place or migrate elsewhere they will be at a disadvantage. As Whitener & McGranahan (2003) have observed:

…today’s youth, regardless of where they ultimately live and work, will need an unprecedented level of education and technical skills to compete in the increasingly high-skill “new economy.” Only 17 percent of rural adults aged 25 and older had completed college in 2000, half the percentage of urban adults. Moreover, the rural-urban gap in college completion has widened since 1990…Rural areas with poorly funded public schools, few good universities and community colleges, very low educational attainment, and high levels of
economic distress may find it hard to compete in this new economy. All of these are major obstacles to the educational progress of local youth...

Second, for many rural young people, cities have a strong attraction and as Dupuy et al (2000) have found, 40 percent of Canadian rural youth would be willing to move to an urban center even if they had an appropriate job in their community. Richard Florida (2004) has charted the rise of certain creative cities as magnets for talented young people. These cities have recognized young people as assets, who are able to work longer and harder, and more willing to take risks, but who need a tolerant environment in which to flourish.

As might be expected, economic factors are a major factor in the decision of youth to migrate away from their home communities. Garasky (2000) finds that the higher the local unemployment rate, the more likely youth are to move out of state. Also, higher-skilled youth are more likely to move to urban areas and out of state, no matter the local labor market conditions. Artz (2003) studied the shifts in the college-educated population from 1970 through 2000, and compared the changes across rural-urban continuum codes. All types of metropolitan areas experienced a “brain gain,” especially the major metropolitan areas. While on average, all rural areas experienced a brain gain, the most remote rural counties (those not adjacent to a metropolitan area) tended to experience brain drains during this time period.

Mills and Hazarika (2001) examined migration patterns of youth out of non-metropolitan areas. They find that while this is indeed a real trend, many youth are relocating to other non-metropolitan areas. This implies that while some non-
metropolitan areas have opportunities that are attractive to youth, non-metropolitan areas must compete to attract or retain highly educated youth. Artz (2003) finds that rural areas that are gaining college-educated workers tend to be high amenity areas.

Both Garasky (2000) and Mills and Hazarika (2001) note the importance of returns to education as a factor in youth retention. Goetz and Rupasingha (2005) find lower per capita income returns to education in rural areas. Areas that tend to lose youth to other areas are characterized by lower returns to education, a problem that persists as more and more youth migrate away from the community. As this occurs, the community loses property tax potential, a major source for investment in local education.

At first sight, seemingly contradicting the Whitener & McGranahan analysis, Joel Kotkin (2002) in a Washington Post article described the Great Plains as a “brain belt, boasting one of the nation’s highest levels of literacy and scholastic achievement...” But he continued, “The problem is that most of the talented young people move away.” This underscores the conundrum to local communities: if we don’t invest in our young people, they will be unable to compete whether they stay or leave; if we do invest, they will leave anyway.

This is where a shift in framing is required. Amanor-Boadu et al (2001) argue that describing rural out-migration as a brain-drain or a loss emphasizes the assumption that once youth are gone from the community, they are gone for good. They cite Dupuy et al (2000) as finding that some 25 percent of leavers return to their rural community ten years later. Amanor-Boadu et al (2001) assert:

The Internet has opened opportunities for rural communities to draw on their former residents as assets instead of “lost” people. However, the assumptions that
have driven rural social and economic development policies have to be challenged so that leaders can develop the appropriate perspective about youth migration, population and revitalization… By shifting from the “rural decline” mentality to defining population as intellectual and social capital, communities can begin to define themselves not as a geographic location but a collection of assets, with geography being one of those assets. By doing this, communities can focus on maintaining relationships with their former residents in ways that allow these former residents to contribute to economic and social development in the community.

This is an important reframing and has echoes in ground-breaking initiatives across the country. In Elsa, Texas in the Rio Grande Valley close to the Mexican border, local leaders came to the conclusion that their most critical assets were local youth who were leaving the community in pursuit of education at elite universities. Since 1992, more than 80 high school graduates had gone to Ivy League universities from this school district in which 90 percent of households had income of less than $10,000 and few parents had a high school diploma or fluency in English. The community saw this trend not as a brain drain but as a hemorrhaging of community assets and set about to reclaim talented human resources by engaging local youth. Through the Llano Grande Center for Research and Development, a school- and community-based organization has been teaching survey research tools to students – research, interviewing, radio and video production – and staying linked to them through list-serves and involving them in community affairs even though they may be thousands of miles away. As the Center
director explains, “When kids understand their community and are proud of it, they have a reason to come back.” (Stark, 2005)

In Nebraska, an article in the Heartland Center for Leadership’s newsletter captures the same approach:

When Craig Schroeder talks about sustaining rural population he talks about youth attraction rather than retention. Schroeder believes that it is good for young people to go out and get an education, develop experience, and new ideas, contacts, and resources…and then bring their talents and resources back to their rural communities. “We need to encourage our young people to go out and spread their wings, but also make it possible for them to come home again when it is time to roost.

This approach is at the root of Nebraska’s Hometown Competitiveness program, which is designed to “give young people a reason, an opportunity and the encouragement to come home again to work and raise their families” (Nebraska Community Foundation 2004). The program specifically targets entrepreneurial development and training, youth engagement, and wealth transfer capture for community investment (Nebraska Community Foundation 2004). The program has experienced early success, and several additional communities are pursuing this model.

Also in Nebraska, The Center for Rural Affairs’ Rural Enterprise Assistance Project works to engage youth in local business associations, encourages youth to invest in their local communities, and provides entrepreneurship training to high school students. By providing these early opportunities that provide a sense of pride towards
their home communities, youth may be more inclined to remain or to return to their home communities and to start businesses there, improving the local economy.

In New Hampshire, the New Hampshire Employment Security and Department of Resources and Economic Development and the Belknap County Economic Development Council have developed a website offering services to connect high school, college, and technical graduates to jobs within the state. The site has been heavily used both by recent graduates and by companies seeking interns and employees. In Kentucky, the Cumberland Valley Area Development District serves one of the poorest areas in the region. The Teen Leadership and Mentoring program is geared toward high school juniors and seniors, teaching them about community volunteerism, leadership development, and career preparation. The students have opportunities to network with local businesses and professionals. The program has had positive results for the youth in the area. In Iowa, legislators are considering a law that would exempt individuals under the age of 30 from the state income tax. The legislation is intended as an incentive to keep young people interested in staying in or returning to Iowa and raising their families there.

**Summary and Conclusions**

Rural America has a steadily aging population, which brings for many communities significant challenges. But for others, especially in high amenity areas, there is the opportunity to attract relatively healthy and wealthy retirees who bring a variety of economic, social, and community benefits. In addition, the expected major inter-generational transfer of wealth offers the possibility of injecting substantial wealth into longer term community and economic development.
One of the continuing concerns across rural America is the out-migration of young people, particularly the better educated and talented. This, however, is an inevitable process that should in large measure be accepted, but rather than regarding this as a loss to the community, measures can be taken to ensure that these young people remain a continuing asset. This can be achieved by keeping them in contact and engaged, with the reward that at least some will return in due course with their newly acquired skills and experience to provide lasting benefits to their home community.
References


*Center for Rural Affairs Newsletter*, March 2003, Walthill, NE.


