



Unemployment Trends in Rural Indiana

Introduction

Unemployment levels have great bearing on the current and future well-being of communities. If a community loses jobs, it could have a difficult time attracting new residents. Unemployment can also be indicative of general economic decline, which can induce out-migration among existing members of the community. Furthermore, a region's level of employment is closely linked with other important economic and social characteristics such as household income, educational facilities, healthcare provision, and homeownership.

Unemployment rates shed light on the functioning of the labor market in a given region. Labor markets are, in turn, an important indicator of overall economic performance. Additionally, unemployment offers insight into business cycle troughs and peaks, which are relevant to economic development (Mankiw 2010). Thus, effective economic analysis at the county and regional level involves studying unemployment rates. This article explores unemployment rates in rural Indiana counties and how they relate to those in more urban parts of the state.

The article begins with a brief definition of the unemployment rate. After that, it provides a snapshot of recent unemployment trends in Indiana. Finally, the article highlights some implications of these trends and the relevant takeaways for community leaders.

Measuring Unemployment

Although the basic idea behind the unemployment rate is simple, its formal definition is more complicated. In its official calculation of the unemployment rate, the U.S. Bureau of Labor Statistics first looks at a sample of the U.S. working-age population (16 and older) split into three categories. All paid employees, self-employed people, and people experiencing temporary absences from their jobs are considered *employed*. People who are available and looking for work but are not employed are designated *unemployed*. All other individuals are considered *not in the labor force*, including full-time students and retired people. Based on these designations, the *labor force* is the sum of employed and unemployed people. Finally, the official calculation of the unemployment rate can be obtained—it is the number of *unemployed* people divided by the entire *labor force*, multiplied by 100 to give a percentage (Mankiw 2010).

How Severe Is Rural Unemployment?

Recently, urban areas in the United States have generally experienced better growth and employment opportunities than their rural counterparts. This is also true in Indiana, where employment outcomes are typically more favorable in rural areas (Dobis & McNamara 2010). A previous publication in the rural Indiana Issues Series, *Defining Rural Indiana—The First Step* (Ayres, Waldorf, and McKendree 2012), addressed the thresholds for rural and urban counties in

Kevin Camp and Janet Ayres
Department of Agricultural Economics
Purdue University

Audience: Local and state leaders who work with rural communities.

Purpose: To find data about issues of concern in rural communities and to interpret these data in meaningful ways to aid in decision-making.

Method: U.S. Census data analyzed across the county groupings—rural, rural/mixed, urban.

Potential Topics: Demographic changes, business development, health, health care, local government, taxes, education, agriculture, natural resources, leadership development, etc.

Outcome: Better, more informed decisions by rural decision-makers.

Indiana. The authors separate Indiana's 92 counties into rural, rural/mixed, and urban. Counties were classified as rural if they were found to have (1) a population less than 40,000; (2) a population density (people per square mile) of less than 100; and (3) a population of less than 10,000 in the largest city. This article uses the same means of classification.

Figure 1 shows that trends in the unemployment rate in rural Indiana were similar to those seen in the rest of Indiana and the US as a whole over the last two decades. However, the data reveal some important variations when it comes to rural unemployment. For most of the 1990s, unemployment in rural Indiana was lower than the US yearly average, but higher than the overall state average. Another interesting observation is that rural counties in Indiana have had higher average annual unemployment than the U.S. as a whole since 2003.

Worthy of note is the recessionary spike of rural unemployment in 2009, which was substantially higher than the overall US spike, and higher than the statewide level. This suggests that rural Indiana counties were affected more significantly by the recession than the country as a whole. Furthermore, throughout the post-2009 period, annual average unemployment rates in rural counties never dropped below Indiana's statewide average. Thus, on average, rural counties experienced worse employment environments than their rural/mixed and urban counterparts. But sizeable variations are evident when you examine unemployment rates on a county by county basis over the 1991 to 2011 time period. For example, Brown County recorded the lowest single-year average unemployment rate of 1.5 percent in 1998. LaGrange County's 17.5 percent annual average unemployment rate was the highest, a mark the county set at the height of the recession in 2009.

How Has Rural Unemployment Changed Over Time?

Rural, rural/mixed, and urban counties in Indiana experienced very similar unemployment trends between 1990 and 2010. However, Figure 2 reveals differences in the actual levels of unemployment among the three groupings. Rural and rural/mixed counties experienced relatively higher levels of unemployment than urban counties throughout the time period shown. For all three groupings, unemployment rates peaked in 2009 and have since declined.

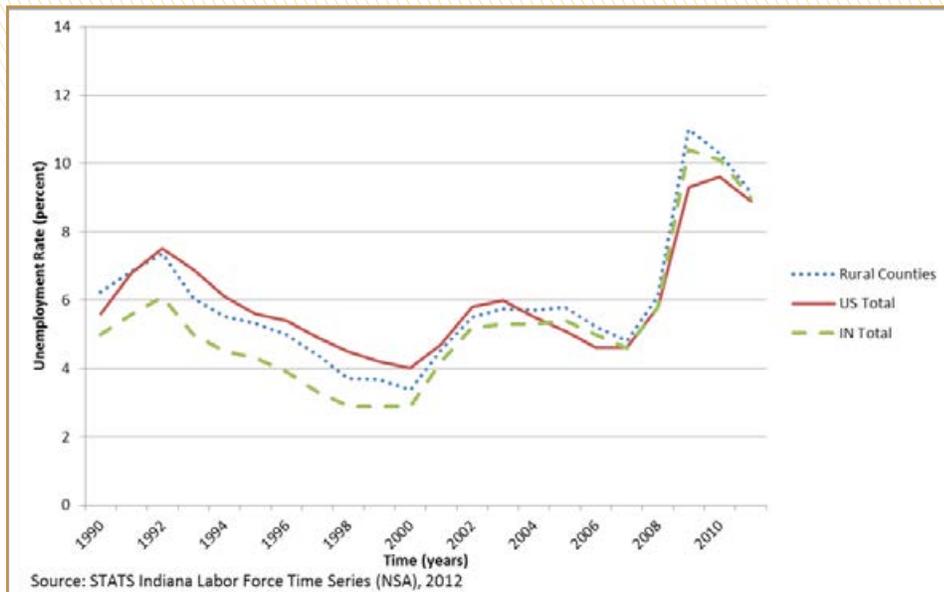


Figure 1. Relative Unemployment Rates in Rural Indiana, 1990 to 2011

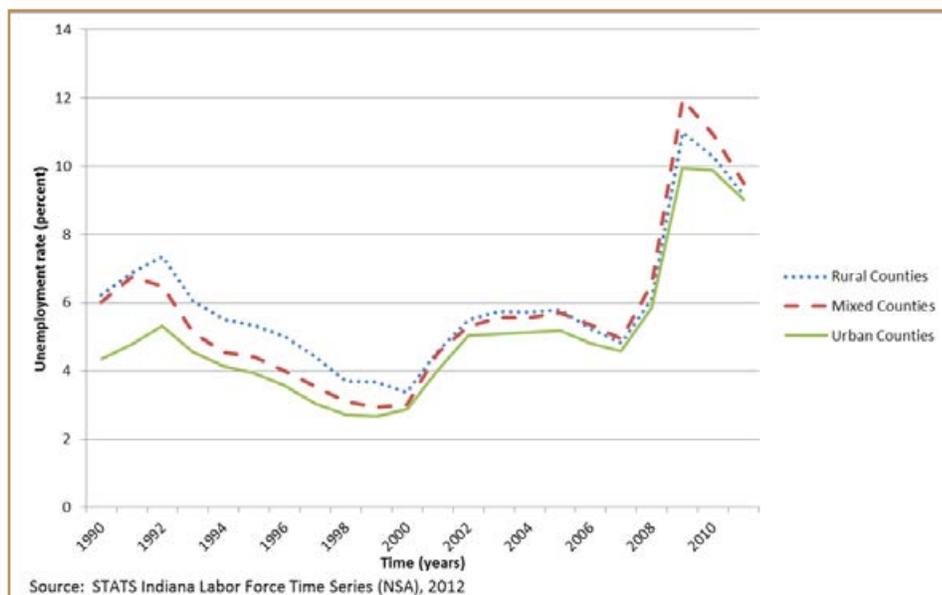


Figure 2. Average Annual Unemployment Rates in Indiana

How Can We Characterize Current Rural Unemployment in Indiana?

For a more complete profile of labor market outcomes in Indiana, Table 1 (page 3) provides a snapshot of unemployment rates among different demographic groups in the state. Some interesting facts about the 2008 rates are the following.

- Overall, unemployment was highest in rural/mixed counties, not in the most rural counties of the state.
- Unemployment among 20 to 24 year olds was substantially higher in rural counties.
- Individuals at every level of education had lower average unemployment rates in rural areas than in rural/mixed and urban regions.
- Males in rural counties experienced higher unemployment relative to those in urban and rural/mixed areas.

Table 1. Average Unemployment – 2008 Estimates

Overall	Rural	Rural/Mixed	Urban
	8.1%	8.3%	8.1%
Age			
16 to 19 years	22.3%	22.4%	22.9%
20 to 24 years	15.4%	14.1%	12.1%
25 to 44 years	7.5%	8.1%	7.4%
45 to 54 years	6.1%	5.7%	6.2%
55 to 64 years	5.0%	5.3%	5.3%
65 to 74 years	5.4%	5.1%	4.6%
75 years and over	3.8%	1.8%	4.7%
Sex			
Male	8.1%	7.9%	7.8%
Female	6.7%	7.3%	6.9%
Educational Attainment			
Less than high school graduate	12.7%	14.1%	14.6%
HS graduate (or equivalency)	7.7%	8.0%	8.2%
Some college or associate's degree	5.5%	6.1%	6.6%
Bachelor's degree or higher	2.6%	2.6%	3.1%

Source: U.S. Census Bureau, 2006-2010 American Community Survey. Note the ACS uses the midpoint of a 5-year range, in this case 2008. For a broader discussion of migration in rural Indiana and its economic impacts, see [Population Trends in Rural Indiana](#) (Waldorf, Ayres, and McKendree 2013).

What Is Driving Unemployment Growth?

Labor market analysis gives rise to another important question: are fluctuations in unemployment rates due to changes in *unemployment* or changes in the *labor force*? Figure 3 compares average changes in rural unemployment in Indiana with average adjustments in the rural labor force. These data can help shed light on the nature of unemployment in less densely-populated parts of the state. In the early 1990s, unemployment rates fell in rural counties. At the same time, the labor force was growing steadily. In other words, although the unemployment rate was falling, the actual number of unemployed residents of rural areas may not have changed substantially during the time period. On the other hand, during the recent recession, the rural labor force stayed stable at roughly 440,000 persons. This coincided with a spike in unemployment rates in rural counties. Alongside a relatively stable labor force, the dramatic increase in unemployment suggests the number of unemployed individuals was rising rapidly.

Furthermore, it is worth noting that a decreasing unemployment rate does not always mean jobs are being created. The rate

of unemployment can drop simply by virtue of unemployed individuals leaving the labor force. Rather than finding work, these unemployed people become discouraged and stop looking altogether. This likely contributed to some of the recovery from peak unemployment in 2009, as the unemployment rate and the labor force fell simultaneously.

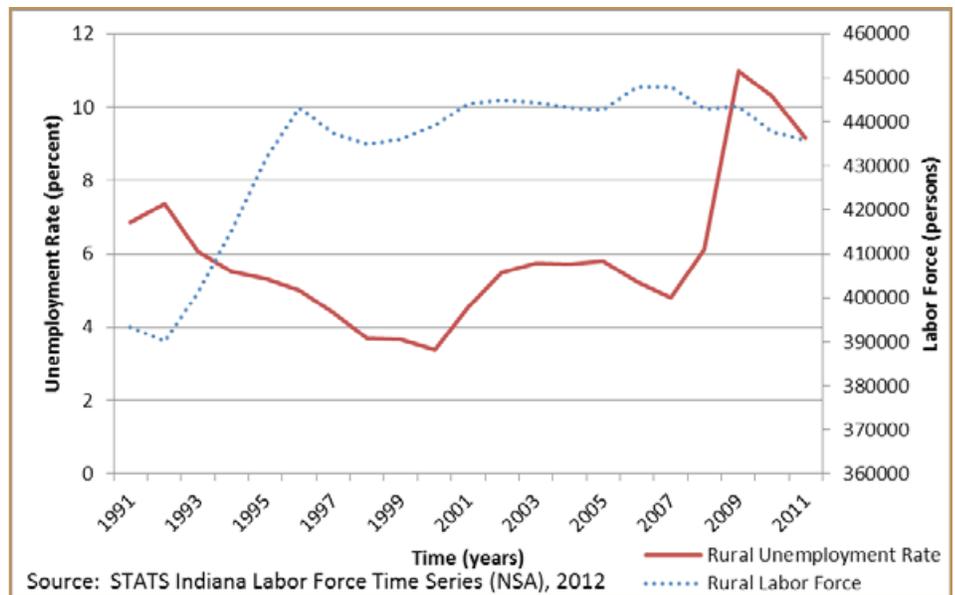


Figure 3. Unemployment Rate vs. Labor Force in Rural IN

What Are the Implications?

High unemployment has implications for the overall welfare of rural counties in Indiana. In particular, it has important consequences for income, savings, and business investment. Moreover, unemployment could have effects on migration to and from rural counties in Indiana. If rural residents view levels of unemployment to be high in their county, they could be induced to move. This could give rise to the additional economic challenges, such as decreased business retention. Conversely, migration itself can impact unemployment rates. An example is out-migration of people in the labor force, which could increase or decrease rates depending on the employment characteristics of the migrant population. For a broader discussion of migration in rural Indiana and its economic impacts, see [Population Trends in Rural Indiana](#) (Waldorf, Ayres, and McKendree 2013).

Differences in unemployment among industries can also have important implications for certain counties in Indiana. As Conover (2011) notes, the recent recession has hurt some industries more than others. For example, Indiana unemployment since 2007 has been highest in construction and manufacturing. If a rural county had a relatively large share of employment in these industries, it could be affected disproportionately given the higher unemployment rates these sectors have witnessed in recent years.

This article has provided a profile of rural unemployment in Indiana. Since 1990, unemployment generally has been higher in rural and rural/mixed counties in the state. The financial crisis also appears to have had a greater impact on rural areas. At the height of the recession in 2009, rural counties experienced greater peak unemployment than urban counties. Additionally, certain demographic groups suffered greater unemployment in rural parts of the state. This is true for the 20 to 24 year old segment of the population, a group that is likely to include many recent college graduates. Reversing these trends should be a priority for policymakers in the affected areas. Investments in infrastructure, education, and agriculture could lead to economic development, and thereby increased employment, in rural areas (Pender, Reeder, & Marre 2012). Community leaders looking to improve economic conditions in rural Indiana would do well to focus on these and other options for strengthening the labor market in their regions.

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About the Authors

Kevin Camp is a graduate research assistant, and Janet Ayres is a professor in the Department of Agricultural Economics at Purdue University. Janet has worked as an Extension specialist in the areas of leadership and community development in rural Indiana for over three decades.

For further information, contact Janet Ayres at ayres@purdue.edu

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