Idaho Economy

IDAHO DEPT. OF LABOR

The Future of Rural Idaho

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IDAHO DEPARTMENT OF LABOR

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Executive Summary

The experiential divide between rural and urban communities in Idaho has become significantly more pronounced in recent years, especially in the current post-recession growth period. Idaho's ongoing period of extended job growth has coincided with the baby boomer cohort reaching retirement age. These two phenomenon – aging and job creation – have been experienced differently by Idaho's urban and rural communities: while job creation has occurred almost exclusively in urban counties, rural communities have experienced disproportionate aging.

While the national population growth rate has been declining, Idaho's has grown steadily, consistently ranking among the fastest-growing states. The vast majority of recent population growth has been concentrated in urban counties. Idaho's rural populations remain largely stagnant, and what growth has occurred there has been almost exclusively in the retirement age cohort. Working age populations in rural communities are almost without exception stagnant or shrinking.

As a result, the job gains of the current growth period have been disproportionately concentrated in Idaho's urban counties. Urban Idaho has added tens of thousands of jobs in the past decade, while most of the state's rural counties remain below their pre-recession levels of employment and earned income. This in turn continues to funnel population growth into vibrant urban economies, often at the expense of rural communities whose working age populations are shrinking.

Rural Idaho runs the risk of a feedback loop linking demographic transformation and economic decline. The pull of stronger economic opportunities in urban areas will continue to siphon younger workers away from their rural communities. As these young workers leave and are replaced by retirees, the economic stagnation of rural Idaho will continue, and even escalate, as business investment further concentrates in urban economies. This accelerating cycle of demographic aging and economic contraction threatens the viability of Idaho's rural economies, and suggests the necessity of proactive measures to recruit and retain young and working age residents.

Key Points

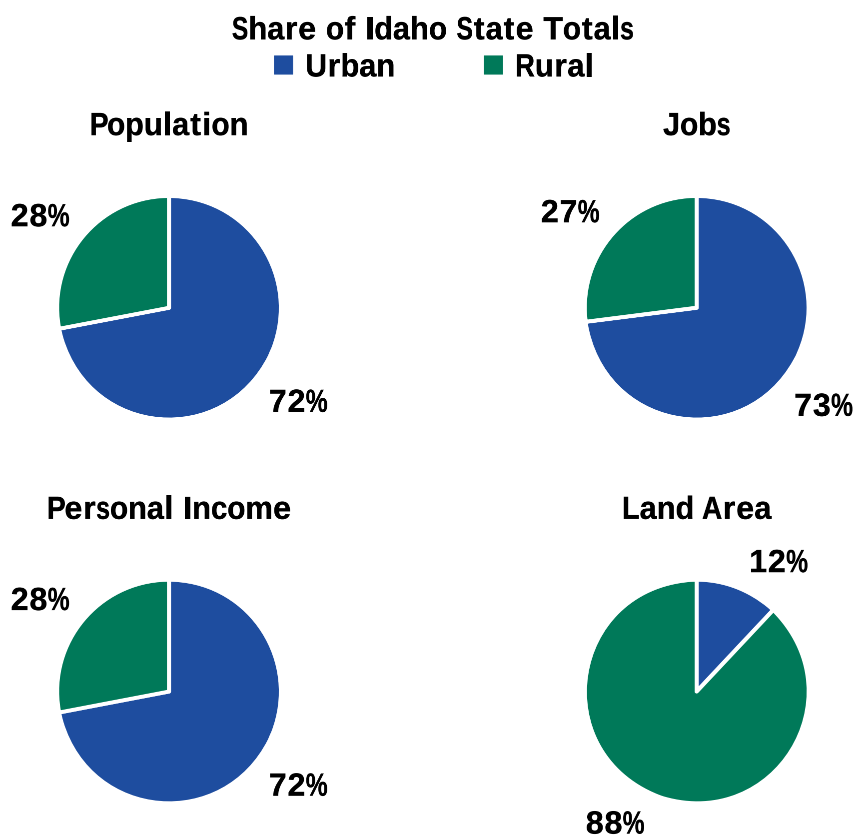
- Between 2015 and 2019, it is projected that 89 percent of Idaho's total growth will be concentrated in urban counties.
- Urban Idaho's population will have grown more than three times as quickly as any rural category from 2000 to 2025.

Rural centers and open rural counties are defined on page 5.

- Rural Idaho's demographics are expected to become heavily imbalanced toward the retirement age population.
- Labor force participation for the population at the prime ages between 25 and 54 years old is consistent and high at an average of 81 percent.
- Trends reveal that rural Idaho is increasingly becoming a destination for retirees and will continue to become older than the national demographic profile.
- In 1970, 31 percent of Idaho's gross state product came from natural resources and manufacturing; in 2016, this share had shrunk to 17 percent. In 2015, 27 percent of rural Idaho's employment was in these industries, compared with only 13 percent in urban counties.
- From 1980 to 2016, employment in urban Idaho grew by 119 percent, compared with only 73 percent in commuting counties, 63 percent in rural center counties and 31 percent in open rural counties.
- Rural centers and open rural counties, on the other hand, remain at 2.8 percent and 2.3 percent below their pre-recession peak employment.
- Migration patterns have seen a steady stream of working-age residents leaving rural counties in favor of cities, while retirement-age residents move in to replace them. This has slowed labor force growth to a halt in rural centers and open rural counties.
- While in general the unemployment rate does impart meaningful information about the economy's health, in areas where the population is aged and retirements are high, a declining unemployment rate may largely represent retirements and not economic expansion.
- Only five of Idaho's counties have less than 35 percent of their renting households qualifying as cost burdened, while 11 counties – fully a quarter of the state's counties – have cost burden rates in excess of 50 percent.

Introduction: Rural Idaho

Idaho is a rural state. With an area of just over 82,600 square miles, Idaho is the 11th largest state; but with a population that ranks 40th among the states, spread out over this vast landscape, it is also among the country's least densely populated states. In fact, 88 percent of Idaho's land area is in counties classified as rural, which is home to 28 percent of the state's total population. This makes Idaho both a low density and a highly rural state. By comparison, only 20 percent of the population nationwide lives in rural areas. But Idaho is also a growing state and a state in flux. Idaho's rural-urban divide is growing quickly as its urban areas become responsible for an ever greater share of the state's economic activity. This report will examine the experience of rural Idaho, the economic and demographic challenges the rural elements of the state face and cast into light the growing gulf between the state's beautiful, aging, struggling rural areas and the dynamic urban centers that are driving Idaho's economic future.



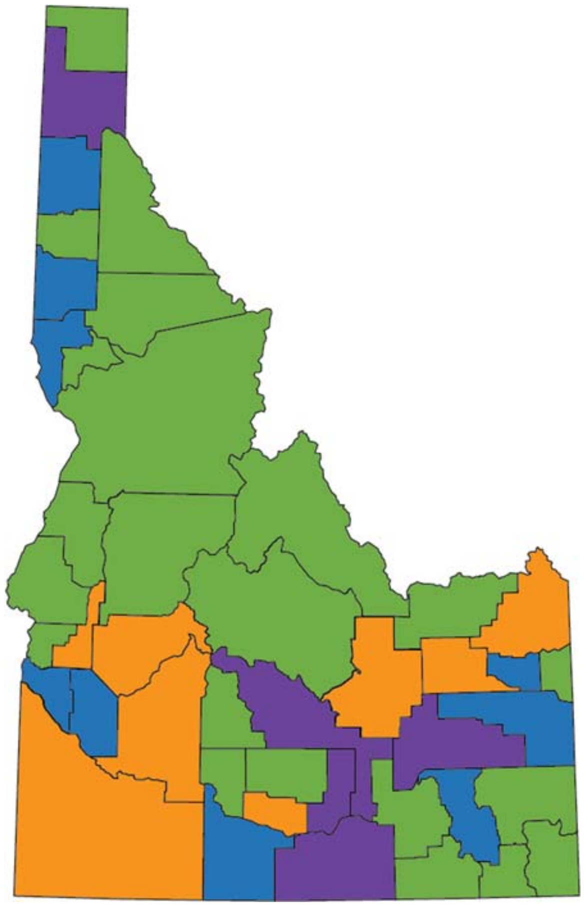
I. Defining Rural Idaho

Federal, state and private analysts use different definitions of rural communities. Often these definitions are centered on an area's economic profile, population density or distance from major cities. Previous analysts in Idaho, however, concluded that existing federal definitions of rural communities did not take into account the reality of Idaho's unique rural perspectives. For purposes of consistency, the definitions used in this report are the same as those used previously by the *Profile of Rural Idaho*.

These definitions divide Idaho's 44 counties into four categories, including urban counties and three types of rural county:

- Urban counties are those in which the largest city have more than 20,000 residents. Nine of Idaho's 44 counties meet this criterion and are classified as urban. The other 35 counties are all defined as rural.
- Commuting counties are rural counties where at least 25 percent of the working population commute to an urban county for work. Eight counties in Idaho meet this criterion; an example is Fremont County, where roughly 30 percent of residents commute to Madison County.
- Rural centers are rural counties where the largest city has a population of between 7,500 and 20,000. Five Idaho counties are classified as rural centers. An example is Bonner County, where the city of Sandpoint has a population of around 8,000.
- Open rural counties are rural areas that have neither a commuting population nor a large enough city to be classified in other categories. Twenty-two Idaho counties are defined as open rural. An example is Lewis County, where the largest city – Kamiah – has a population of fewer than 1,500.

Figure 1: Urban and Rural County Types, 2015



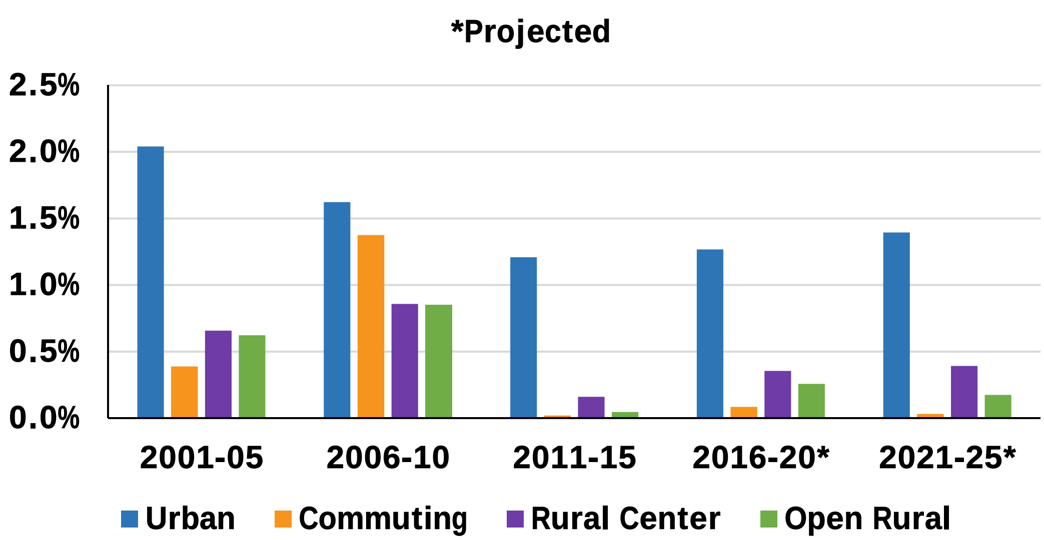
Urban	Commuting	Rural Center	Open Rural	
Ada	Boise	Bingham	Adams	Idaho
Bannock	Butte	Blaine	Bear Lake	Lemhi
Bonneville	Elmore	Bonner	Benewah	Lewis
Canyon	Fremont	Cassia	Boundary	Lincoln
Kootenai	Gem	Minidoka	Camas	Oneida
Latah	Jefferson		Caribou	Payette
Madison	Jerome		Clark	Power
Nez Perce	Owyhee		Clearwater	Shoshone
Twin Falls			Custer	Teton
			Franklin	Valley
			Gooding	Washington

II. Demographics

Idaho has consistently been among the fastest-growing states for the past decade. Historically, Idaho's urban areas experience faster population growth than rural areas. In recent years, however, the state's population growth has become even more disproportionately skewed toward urban areas. Between 2005 and 2009, 80 percent of Idaho's total population growth occurred in urban counties. Between 2010 and 2014, this share exploded, and urban Idaho experienced quite literally all the population growth. From 2010-2015, urban Idaho's population grew by 84,100, while the total population of rural Idaho experienced a slight net decrease of 104.

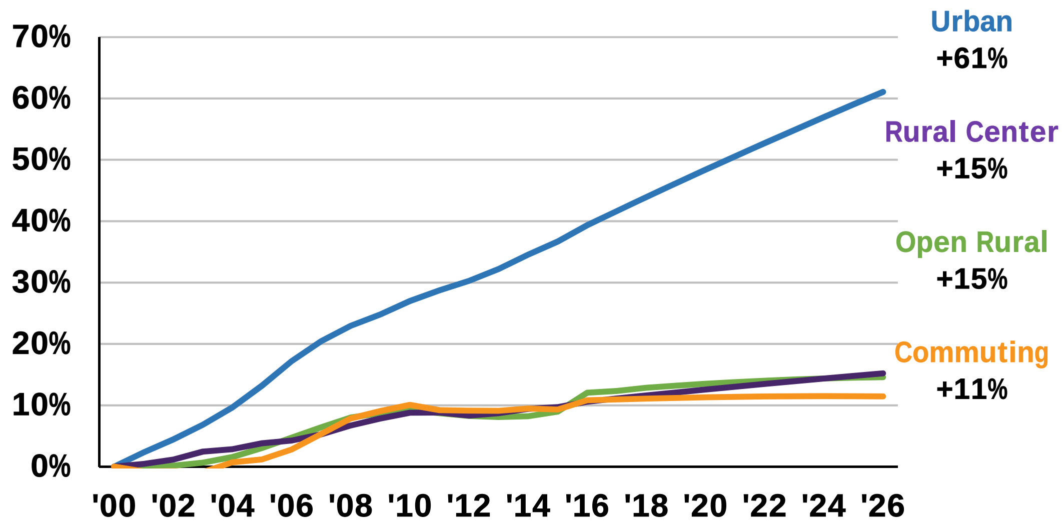
Going forward, the Idaho Department of Labor's projections forecast a scenario somewhere between these two conditions. While rural Idaho is expected to grow, this growth is likely to be much slower than in the past, both in absolute terms and relative to growth in urban Idaho. In the 2015 to 2019 period, it is projected that 89 percent of Idaho's total growth will be concentrated in urban counties.

Figure 2: Five-Year Average Population Growth Rates



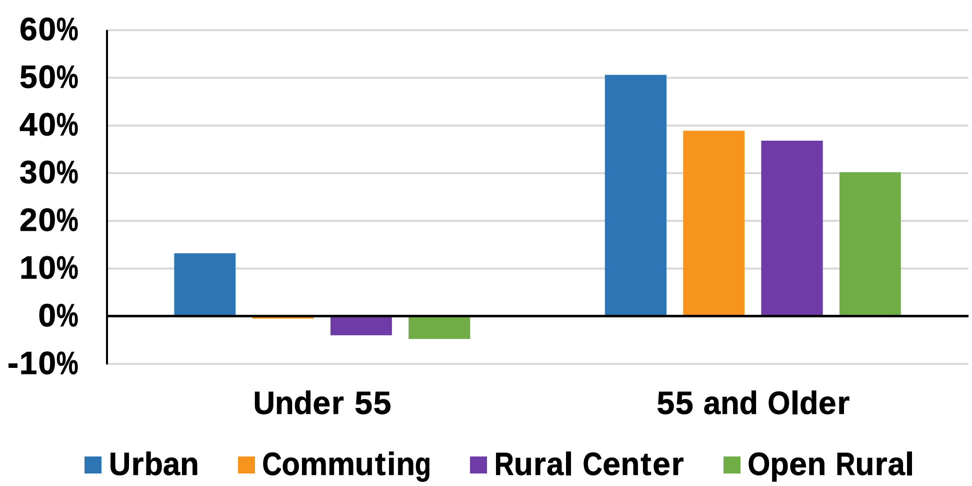
These growth trends will inevitably lead to a more urbanized state. Based on 2010 Census population estimates, Idaho ranked 32nd most urbanized state with 70.6 percent of the population living in urban counties. By 2025, this share is projected to increase to 74.3 percent, which would cause Idaho to rank 27th in urbanization. Furthermore, in the 2015-2024 period, 68.8 percent – more than two-thirds – of Idaho's total population growth is projected to occur in Idaho's three most populous counties: Ada, Canyon and Kootenai counties. In sum, it is projected that urban Idaho's population will have grown more than three times as quickly as any rural category from 2000 to 2025.

Figure 3: Projected Net Population Growth: 2000 - 2026



The challenges of slow population growth in rural areas are further exacerbated by aging trends. In the vast majority of rural counties, population growth has been made up entirely by the over-55 age groups, while the population under 55 years old has decreased. From 2005 to 2015, the population under 55 years shrank in six of the eight commuting counties, three of the five rural center counties and 18 of the 22 open rural counties. In contrast, in the same period the population 55 years and older grew in every county.

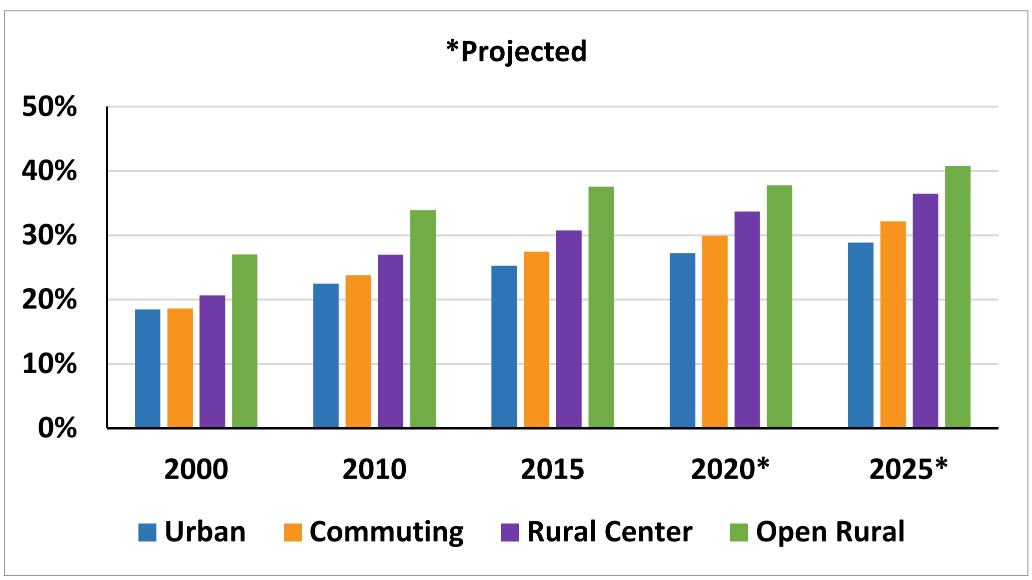
Figure 4: Population Growth by Age: 2005 – 2015



In 34 out of 44 counties, the median age of the population increased in the five-year period from 2010 to 2015. The median age in open rural counties increased from 40.8 to 42.3 years, while in rural center counties the increase was from 36.9 to 38.4 years. In the same period, aging increased the median age in commuting counties from 33.8 to 35.5 years (the largest increase among the four county types), and in urban counties from 33.4 to 34.7 years. In the context of national data, 15 out of 22 open rural counties had a median age higher than the national median of 37.8, compared with three of eight commuting counties, two of five rural center counties and only two of nine urban counties.

As a result of these aging trends, rural Idaho's demographics are expected to become heavily imbalanced towards the retirement-age population. Open rural counties have long been more imbalanced than the rest of the state, but in 2000 residents age 55 and older made up only 27 percent of the open rural population. By 2025, this share is projected to swell to 40.8 percent. While all county types in Idaho are expected to experience this aging, the age imbalance is projected to be particularly pronounced in rural counties. In urban counties, the share of the population age 55 and older is expected to grow from 25.3 percent to 28.9 percent in the 2015 to 2025 period. In commuting counties, that age group is projected to increase from 27.5 percent to 32.2 percent and increase in rural center counties from 30.8 percent to 36.4 percent.

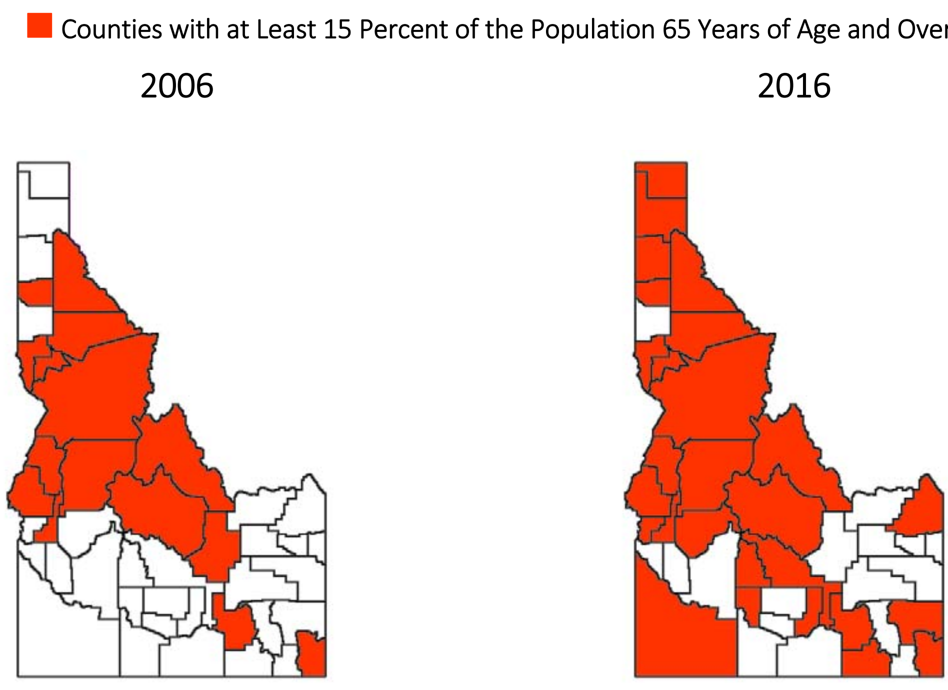
Figure 5: Share of Population Aged 55 and Older



Because the majority of residents begin to drop out of the labor force after turning age 55, the 55-and-older population has an outsized economic significance. Labor force participation for the population at the prime ages between 25 and 54 years old, is consistent and high at an average of 81 percent. For the 55-to-64 age group, however, labor force participation drops to 64 percent, preceding an even more precipitous decrease to 19 percent among the 65-and-older population.

Aging trends are particularly obvious when looking at the share of the population over 65 years of age – generally defined as retirement age. Nationally, approximately 15 percent of the population is 65 years of age or older. In 2005, only 15 of Idaho's 44 counties had retirement-age populations, which were proportionately higher. By 2015, however, this number grew to 28 counties, including 26 out of 35 rural counties. Of Idaho's nine urban counties, only two – Kootenai and Nez Perce – had 65-and-older populations, which were proportionately larger than the national benchmark of 15 percent. These trends reveal that rural Idaho is increasingly becoming a destination for retirees and will continue to become older than the national demographic profile.

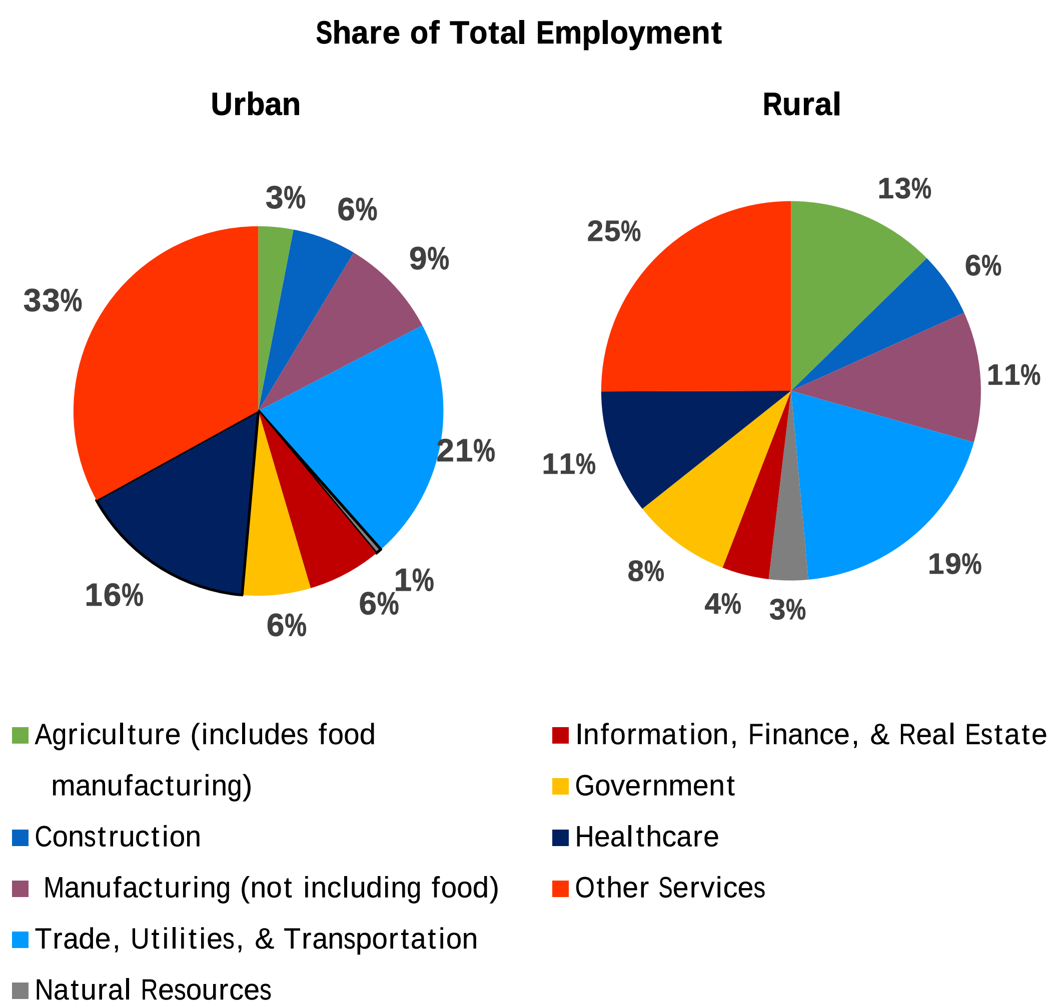
Figure 6: Aging of Idaho Counties



III. Economic Vitality

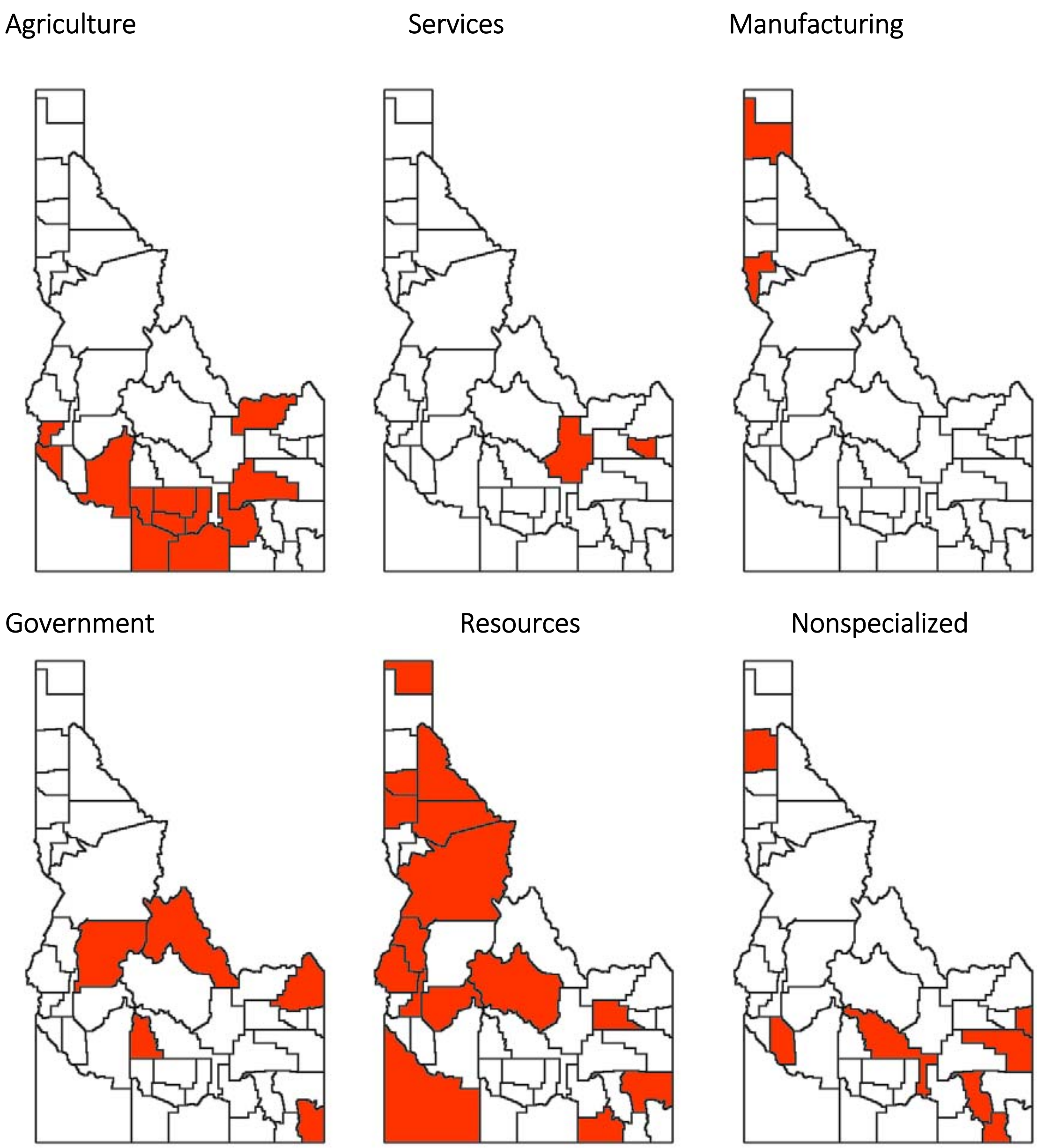
While Idaho's economy was, for many years, predominately based on natural resources and manufacturing, in past decades the state has transitioned towards a service economy. Nevertheless, the economic composition of rural Idaho continues to resemble the state's past. In 1970, 31 percent of Idaho's gross state product came from natural resources and manufacturing; in 2016, this share had shrunk to 17 percent. In 2015, 27 percent of rural Idaho's employment was in these industries, compared with only 13 percent in urban counties.

Figure 7: Economic Composition



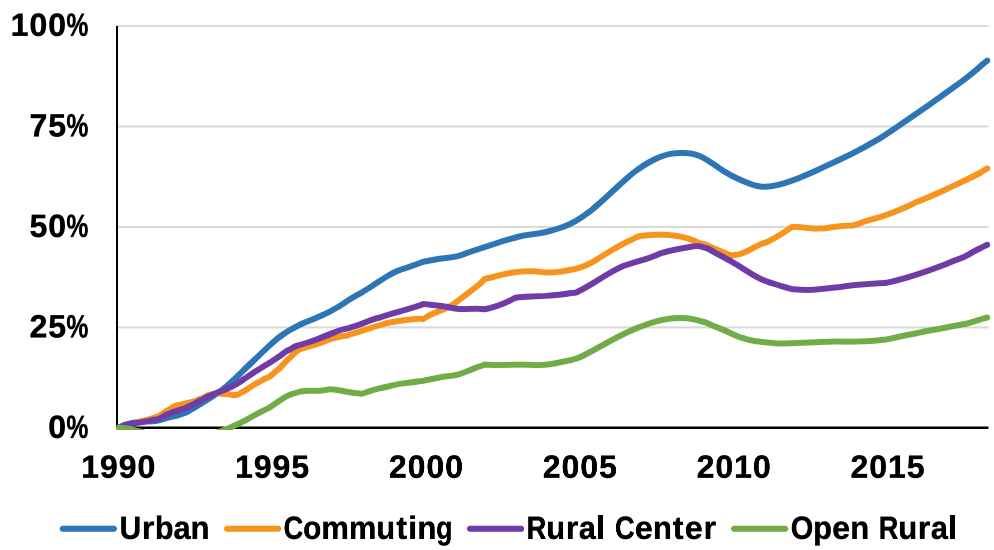
The economic base varies widely across Idaho. As urban areas have transitioned towards diversified service economies, many rural communities have remained reliant on locally specialized industries, especially where there is heavy reliance on farming or natural resources like logging and mining. As a result, many of Idaho's rural counties carry a disproportionate level of employment in these specialized industries. For example, only 4.9 percent of Idaho's statewide employment is concentrated in agriculture, while in 13 different rural counties this share is more than 10 percent.

Figure 8: County Economic Bases



Reliance on traditional goods-producing industries has contributed in part to relatively anemic job growth in rural Idaho. Employment growth in Idaho has predominantly been concentrated in service-producing industries. Unlike industries that produce physical goods – which often locate close to natural resources and production inputs – service industries cluster in population centers for access to labor and customers. Thus, employment growth in Idaho's rural counties lags far behind the growth in urban areas. From 1980 to 2016, employment in urban Idaho grew by 119 percent, compared with only 73 percent in commuting counties, 63 percent in rural center counties and 31 percent in open rural counties.

Figure 9: Net Employment Growth Rates from 1990



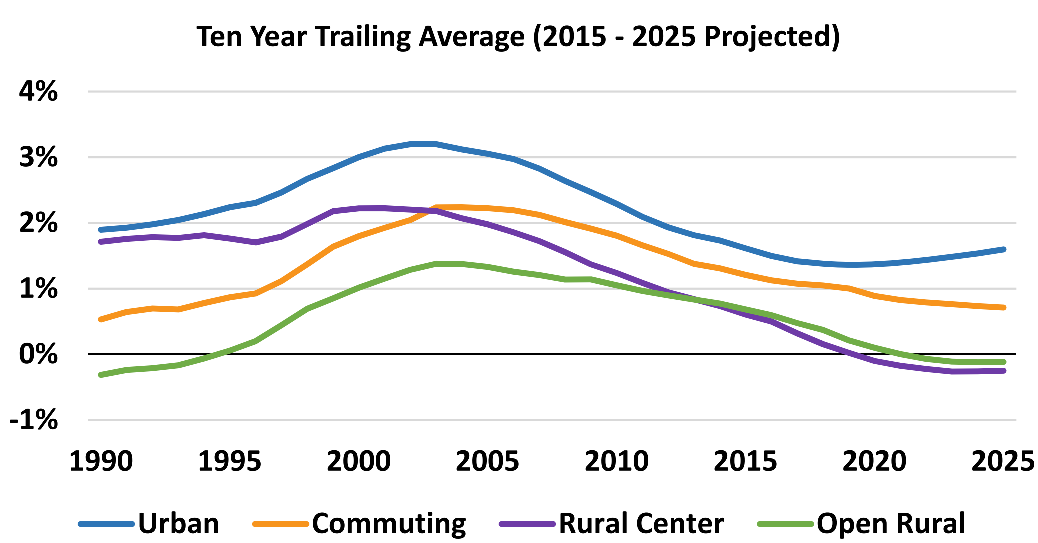
The difference in employment growth rates has been even more pronounced in the post-recession period as population growth has become even more urbanized. All of Idaho's sub-state county types lost in excess of 6 percent of their total employment during the most recent recession; all three types of rural counties performed worse than urban Idaho, and rural centers performed the worst, losing 9.4 percent of their total employment (see Figure 10). However, in the post-recession growth period only urban and commuting counties have fully recovered their job losses. Urban Idaho achieved a total recovery and added 10.9 percent of its pre-recession peak employment. Commuting counties have also performed well, with a total recovery of 8.3 percent. Rural centers and open rural counties, on the other hand, remain at 2.8 percent and 2.3 percent below their pre-recession peak employment.

Figure 10: Employment Performance

	Urban	Commuting	Rural Center	Open Rural
Pre-Recession Peak	518,112 (June '07)	53,905 (Dec. '06)	74,897 (May '07)	88,311 (May '07)
Recession Low	484,083 (July '09)	50,303 (Apr. '09)	67,845 (Aug. '11)	81,822 (Dec. '09)
Recession Loss	**-6.6%**	**-6.7%**	**-9.4%**	**-7.3%**
Dec. 2016 Employment	574,526	58,355	72,824	86,243
Total Recovery	**10.9%**	**8.3%**	**-2.8%**	**-2.3%**

Long term, it appears unlikely that rural counties will close the gap in employment growth. Growth prospects remain muted by low labor force growth. Nationally, the aging of the workforce – as the baby boomer generation reaches retirement age – has slowed labor force growth significantly, but this trend is especially prevalent in rural Idaho. Migration patterns have seen a steady stream of working-age residents leaving rural counties in favor of cities, while retirement-age residents move in to replace them. This has slowed labor force growth to a halt in rural centers and open rural counties.

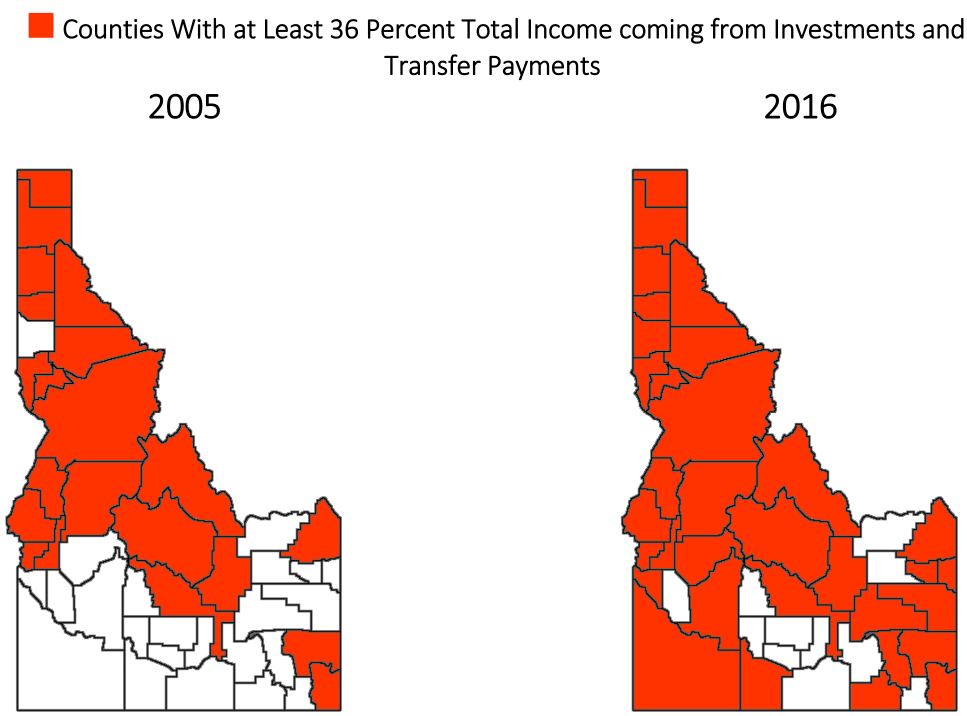
Figure 11: Annual Labor Force Growth Rates



As a result, the prognosis for long-term labor force growth in rural Idaho is relatively weak. While the in-migration of younger residents is expected to drive healthy labor force growth in urban Idaho, the aging of rural Idaho is projected to produce negative or near-zero labor force growth. Long term, the growth of the labor force in both rural center and open rural counties is expected to be less than 0.1 percent. Commuting counties are expected to fare slightly better, with a projected labor force growth rate of approximately 0.6 percent, while urban counties are expected to grow at 1.8 percent.

Demographic changes in Idaho have fundamentally altered the economic profile of many counties and created an outsized reliance on retirement income sources. Of the three broad categories of income, one – wages – is associated with current work, while the other two – investments and transfer payments – are more heavily associated with non-working households. Nationally, approximately 36 percent of household income comes from these retirement sources. In 2005, 21 of Idaho's 44 counties were relatively more reliant on non-working income sources; by 2015, however, this count had ballooned to 35.

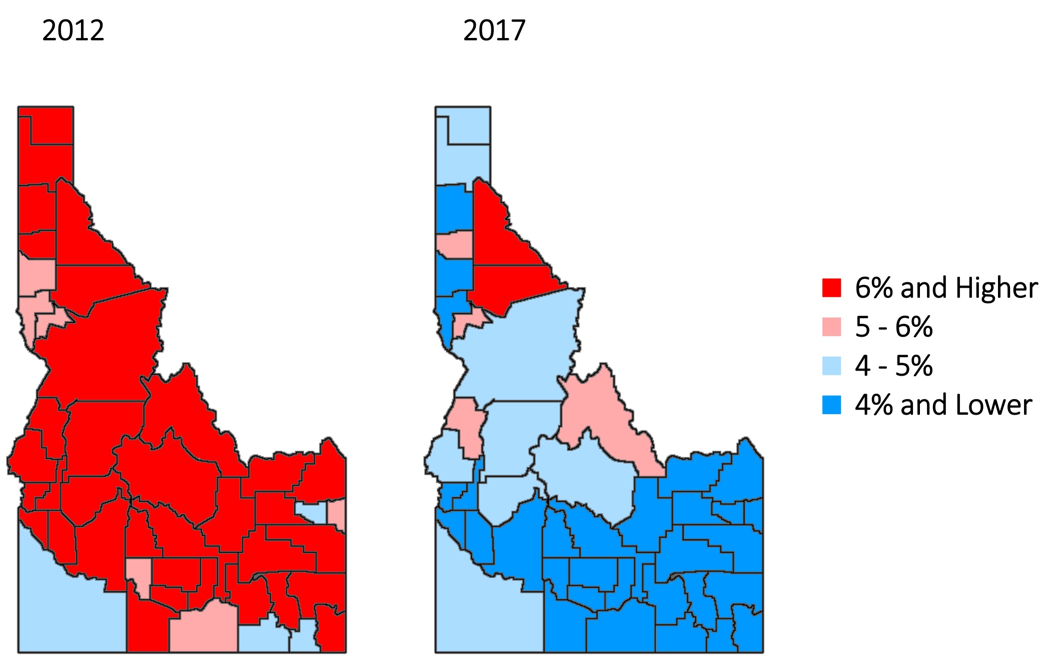
Figure 12: Retirement Income Dependency



A decline in the rural Idaho labor force has hidden economic stagnation in many counties by lowering the unemployment rate. The unemployment rate is a commonly cited measure of economy health, but the nature of the rate itself means that a decrease in the unemployment rate is not necessarily an indicator of growing economic activity. In many cases, the unemployment rate drops because unemployed job seekers find employment. In other cases, however, job seekers may stop looking for work – either because they believe they will not find it, because they choose to retire, or for other reasons. The effect of a job seeker abandoning the labor force is to reduce the number of persons counted as unemployed, which reduces the unemployment rate.

Statewide, unemployment rates have fallen significantly in the post-recession period, including in many rural counties. By December 2016, half of Idaho's 22 open rural counties had unemployment rates below 5 percent, and seven had rates below 4 percent. Four of these seven counties (Oneida, Gooding, Caribou and Clark counties) had total employment that was still below their pre-recession peak. Clark County, for example, had a December 2016 unemployment rate of only 3.4 percent despite total employment, which was fully 35 percent below the county's pre-recession high.

Figure 13: County Unemployment Rates



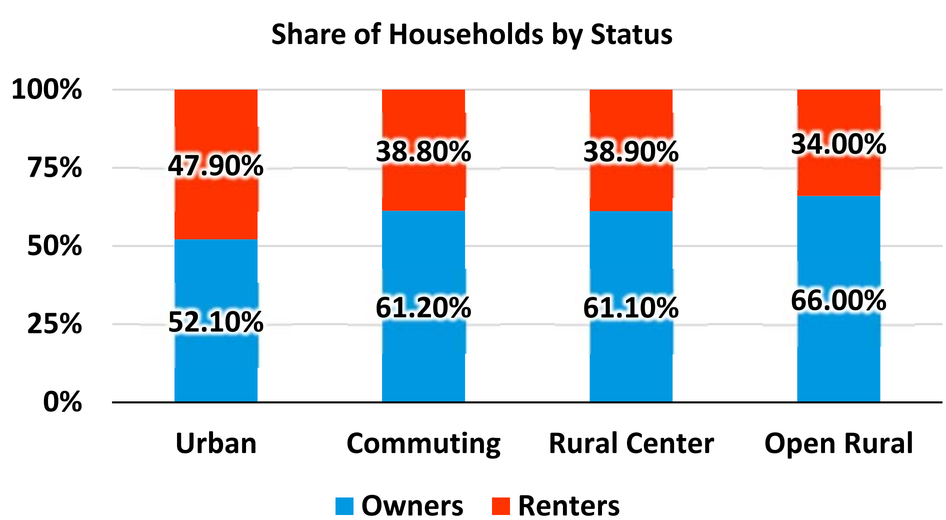
In rapidly aging counties, therefore, unemployment rates may be an increasingly inaccurate measure of economy activity. While in general the unemployment rate does impart meaningful information about the economy's health, in areas where the population is aged and retirements are high, a declining unemployment rate may largely represent retirements and not economic expansion.

IV. Housing

In the current post-recession period, as millennials have entered the workforce and baby boomers have looked toward retirement, the relative affordability and availability of different types of housing have a significant impact on the demographic and economic performance of a community. Housing is the by far the largest expenditure for most households, and as a result the cost of housing has a tremendous influence on where people choose to work and live.

In many of Idaho's rural counties, the low availability of rental properties has made it prohibitively expensive for many families. In addition, demographic differences tend to cause significant variations in the housing stock of various counties. In rural Idaho, where a relatively high share of the population is of or near retirement age, the housing stock is primarily single-family (houses) instead of multi-family (apartments), and most households own rather than rent. This creates a market that is unfavorable to younger households, who generally prefer to rent apartments rather than buy houses and may not yet financially qualify to buy.

Figure 14: Rental Rates by County Type

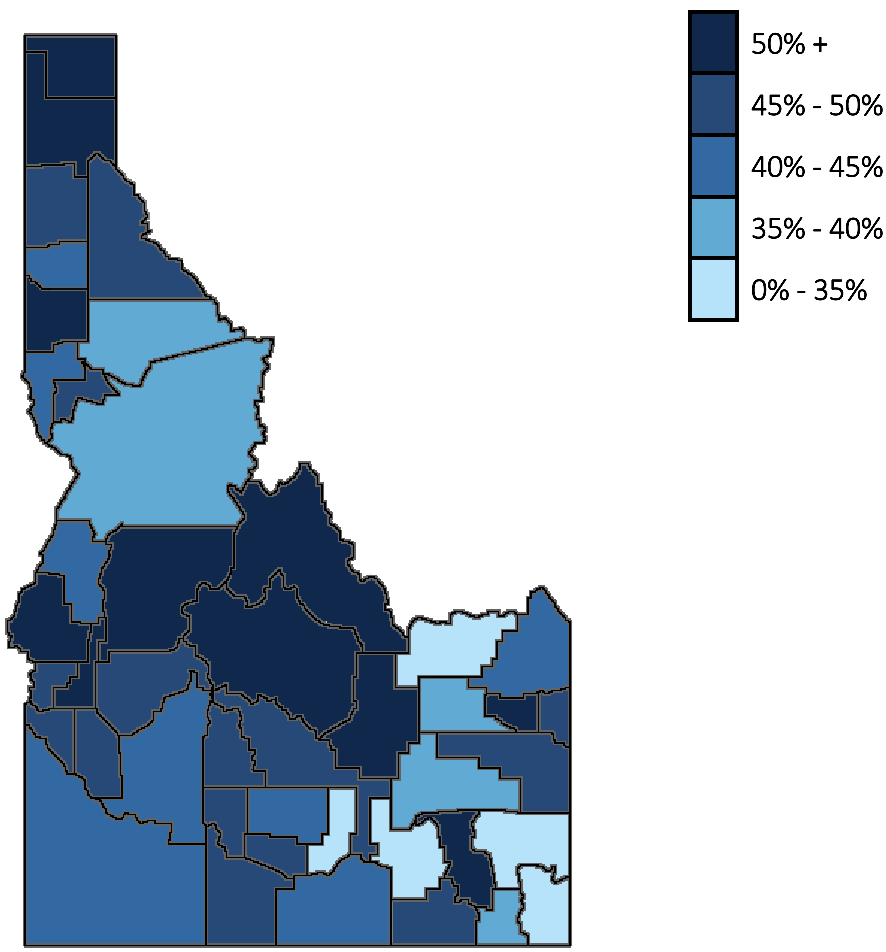


The danger for many rural communities is the instability created by the relationship between the demographic change and the development of the housing stock. In counties with older populations, investment in the housing stock is likely to be in houses, specifically houses that may price out younger households. This in turn risks driving younger workers to urban areas where more rental opportunities are available. In other words, the housing stock risks the ability of rural economies to retain younger workers.

The U.S. Department of Housing and Urban Development defines "cost burdened" households as households paying in excess of 30 percent of their total income in rent. By this measure, most of Idaho's counties have a relatively elevated number of cost-burdened renters. Only five of Idaho's counties have less than 35 percent of their renting households qualifying as cost burdened, while 11 counties – fully a quarter of the state's counties – have cost burden rates in excess of 50 percent.

Figure 15: Rent-Burdened Households

Share of Renters Paying More than 30 Percent of Income



Notes on Figures and Sources

Figure 2 – Five Year Average Population Growth Rates: Average annualized growth rate of total county populations. *Source: US Census Bureau, with forward projections by the Idaho Department of Labor.*

Figure 3 – Projected Net Population Growth: Total percentage change in population by county type from 2000, with department projections through 2026. *Source: US Census Bureau, with forward projections by the Idaho Department of Labor.*

Figure 4 – Population Growth by Age: Percentage change in over and under 55 population by county type. *Source: US Census Bureau*

Figure 7 – Economic Composition: Share of total employment by industry. *Source: Idaho Department of Labor*

Figure 12 – Retirement Income Dependency: Counties in which at least 36 percent of total income is derived from retirement associated sources – investments and transfer payments. 36 percent is the nationwide equivalent share, thus counties above this mark are relatively higher in retirement income dependency. *Source: Bureau of Labor Statistics*

Figure 13 – Unemployment Rates: Annual average unemployment rate by county. *Source: Idaho Department of Labor.*

Figure 14 – Rental Rates: Breakdown of population by county type by renter/owner status. *Source: US Census Bureau, American Community Survey*

Figure 15 – Rent Burdened Households: Share of renters by county spending more than 30 percent of their household income on rent. *Source: US Census Bureau, American Community Survey*

Appendix: County Population Totals by Year

	2000	2005	2010	2015	2020*	2025*
Ada	298.5	343.5	393.5	434.2	481.8	529.3
Adams	3.5	3.8	4.0	3.8	3.9	3.9
Bannock	75.2	76.9	83.0	83.7	87.8	91.9
Bear Lake	6.4	6.1	6.0	5.9	5.7	5.5
Benewah	9.2	9.1	9.3	9.1	9.1	9.2
Bingham	41.7	43.2	45.8	45.0	47.0	48.9
Blaine	19.4	21.2	21.3	21.6	22.0	22.5
Boise	6.6	6.9	7.0	7.1	7.0	7.0
Bonner	36.8	39.6	40.9	41.9	43.6	45.4
Bonneville	83.8	91.8	104.7	110.1	117.9	125.8
Boundary	9.9	10.3	11.0	11.3	11.6	11.9
Butte	2.9	2.8	2.9	2.5	2.3	2.1
Camas	1.0	1.1	1.1	1.1	1.1	1.0
Canyon	134.9	164.9	189.4	207.5	233.1	258.7
Caribou	7.2	7.0	7.0	6.8	6.6	6.4
Cassia	21.3	21.4	23.1	23.5	24.2	24.9
Clark	1.0	0.9	1.0	0.9	0.8	0.8
Clearwater	8.7	8.6	8.6	8.5	8.4	8.4
Custer	4.2	4.0	4.4	4.1	4.2	4.4
Elmore	30.6	26.0	27.1	25.9	25.0	24.1
Franklin	11.1	11.9	12.8	13.1	13.6	14.1
Fremont	11.4	12.5	13.2	12.8	13.5	14.3
Gem	15.3	16.3	16.7	16.9	17.2	17.6
Gooding	14.1	14.5	15.5	15.3	15.4	15.5
Idaho	15.0	15.3	16.3	16.3	16.5	16.7
Jefferson	19.5	21.7	26.2	27.2	30.6	34.1
Jerome	18.5	19.6	22.5	22.8	24.2	25.6
Kootenai	110.7	126.5	138.9	150.3	164.3	178.2
Latah	35.0	36.1	37.3	38.8	40.1	41.3
Lemhi	7.5	7.6	8.0	7.7	7.9	8.1
Lewis	3.7	3.7	3.8	3.8	3.8	3.9
Lincoln	4.0	4.7	5.2	5.3	5.7	6.0
Madison	27.8	34.2	37.6	38.3	42.9	47.6
Minidoka	19.8	18.8	20.1	20.5	20.8	21.1
Nez Perce	37.0	37.8	39.3	40.0	41.1	42.2
Oneida	4.1	4.1	4.3	4.3	4.3	4.3
Owyhee	10.8	10.9	11.5	11.2	11.3	11.3
Payette	20.7	21.5	22.6	22.9	23.5	24.0
Power	3.7	3.7	4.3	4.3	7.7	7.8
Shoshone	13.6	12.9	12.7	12.4	12.3	12.2
Teton	6.0	7.7	10.2	10.6	11.7	12.8
Twin Falls	64.3	69.8	77.5	82.4	88.9	95.5
Valley	7.6	8.8	9.8	10.1	10.7	11.3
Washington	9.9	10.0	10.2	10.0	9.9	9.9

In Thousands | *Projected