Improve Labor Productivity by Creating Better Jobs?

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Published by
SOUTHERN RURAL DEVELOPMENT CENTER
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Mississippi State, MS 39762
Eldon D. Smith is retired professor of Agricultural Economics. Views expressed do not reflect official views of the College of Agriculture or the University of Kentucky and have not been reviewed administratively.

The investigation reported in this paper (No. 93-1-184) is in connection with a project of the Kentucky Agricultural Experiment Station and is published with the approval of the director. This material is based upon work supported by the Cooperative State Research Service, U.S. Department of Agriculture under Agreement No. 89-34104-4311.

A previously published report by the author and Dr. Alan DeYoung presents more complete and technical results of the study on which it is based. See: Eldon D. Smith and Alan DeYoung. Exploratory Studies of Occupational Structure of the Workforce and Support of Education in Rural Appalachia. SRDC No. 160. Mississippi State, MS: Southern Rural Development Center, June 1992. The study was partially supported by a grant from the Southern Rural Development Center, Box 9656, Mississippi State, MS 39762.
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Community efforts to improve opportunities for jobless local people and increase incomes have not always been successful, even though the number of employed people in the community may increase.

Local workers' lack of education usually explains this result. Local people often cannot compete successfully with in-movers, returning migrants and in-commuters who "soak up" new jobs. Upgrading education of local people through better schools is a key to long-range development. However, if many local jobs require minimal education, the public may not support upgrading education. A plan to create more jobs for people with education beyond high school may be a key factor in creating more public support for better schools.

This report shows how such a plan in one Appalachian Kentucky community has affected support for good schools. A carefully targeted job development program emphasizing firms with progressive policies of community support and high education requirements for its personnel is increasing demand for educated workers. This, in turn, is building a deeper base of support for good schools, from citizens as well as employers.

Why Having the Right Type of Employers Is Important

Many rural communities have grown economically over the past 20 years. Only a few have accomplished broad based development that benefits the community and provides employment and satisfactory incomes for the jobless and poor. It is important communities recognize these objectives in considering what to do about their economic future.

Growth Does Not Necessarily Solve Priority Problems

The growth of total employment, population and income has drawn attention away from the primary problems development programs in low-income areas are designed to solve. Community and regional development programs have been planned and implemented in low income areas without due regard for whether they benefit the people who lack jobs and have low incomes. The employment growth focus in programs for such areas has created new jobs, but it appears these programs have largely bypassed millions of chronically jobless people. As a result, even where growth has been rapid, much of the problem of chronic rural poverty and high costs of public assistance remains. Chronically high rates of joblessness mean low per-capita tax bases to support public services. Thus, chronic joblessness translates into larger tax burdens for those who pay the tax bill, mainly employed people. These conditions continue to plague even areas where job growth has been very rapid.

Job Growth That Did Not Alleviate Poverty-An Example: In 10 rural counties in south central and southeastern Kentucky the problem of rural poverty became even larger than before rapid growth in the 1970's and early 1980's. More individuals who wished to work were without jobs in the early 1980's than in 1970 when rapid growth began. Much growth in jobs has taken place in the region. Total employment grew in these and nine surrounding counties by more than 20 percent over the 1970's. It continued to grow slightly, even in the 1980's, when the nation experienced general economic reverses.
However, the proportion of available labor gainfully employed remained about the same, a woefully low two-thirds of the available supply. About one-third was unused and wasted. More people wanted to work but were jobless after this period of extraordinary growth than before.

Jobs for the Most Unskilled Difficult To Provide in Competitive Markets

We have learned from this experience that improvements in economic conditions of the rural poor do not come easily, and simple solutions are often illusions. Investment in schooling of young people in this region has been very low. A majority of its potential workers are not well qualified for more than routine, manual jobs and cannot be readily trained in complex new job skills. With increasing competition from other countries and regions with lots of cheap labor, it is extremely difficult to provide jobs, even minimum wage jobs, for those with little basic education and training. That difficulty will increase as foreign nations increase the education of their workers and industrialize further. But even when there are low-skill jobs available, employers prefer to employ better-qualified workers if they are available. New jobs tend to be 'soaked up' by (1) in-moving workers, (2) better-qualified people returning to the region after migrating and developing work skills in other regions, (3) commuters with higher level skills and (4) some of the better-trained local young people who would otherwise look for jobs elsewhere. Those with deficient education and job skills remain without jobs even when job growth is rapid.

Support for Education Substandard in Areas of Greatest Need

This region and many other rural areas have lagged far behind in preparing their people to compete in today's world of global competition. Opportunities for the uneducated are rapidly declining. Modern technology has displaced many millions of these under-qualified workers. But rural people, especially in regions where education has been historically neglected, have failed to see the importance of education and failed to increase support for more and better education even in recent years. Achievement test scores have been substandard, drop-out rates have been extremely high and few high school graduates have undertaken education or training beyond high school. As a result, some states have undertaken major education reform legislation to correct some of these inequalities.

Education Under-valued in Poorer Areas: Unequal financial means to provide good schools has been a major justification for education reform efforts. However, these reforms no longer give local systems total autonomy. They may, if necessary, force local school systems to upgrade the quality of instruction and use educational resources more effectively. The legislation recognizes the local political support required to provide good schools has been lacking in some communities. School systems have, in many cases, not utilized their sometimes meager resources to good advantage.

To illustrate the problem, a prize-winning series of investigative reports of school financing and administration was published by the Lexington (Kentucky) Herald-Leader. It showed that many school

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2The Kentucky Education Reform Act of 1990 was among the most sweeping of such attempts.
systems suffered political patronage, financial mismanagement, nepotism and even outright political corruption. Such conditions rarely occur in communities where citizens highly value good education. Thus there is a basic problem of increasing the importance people attach to having better schools and increasing their awareness so they can act when schools are inadequate.

State intervention to correct some of these problems is not a total solution to the problem. State programs will help more if parents and other citizens recognize the importance of good education and actively support constructive changes. There is no good substitute for citizens who are interested in having good schools.

The Central Problem—How To Build a Base of Leadership Support: It is obvious good schools require support from the community. It is not so obvious how to make citizens realize this support is needed or know how to bring about needed changes. The problem is further complicated when local people do not see their schools are substandard and others are doing a better job of teaching. Low standards tend to breed continuing low standards!

State reform efforts tend to empower those who have most interest in good education. In disadvantaged areas the interested, informed citizenry tends to be a small minority. Because of this, they have little power. Even in rapidly growing areas the pattern of employment growth has usually not changed this situation very much. Low-wage, unskilled jobs have predominated, and the population in such areas is usually characterized by people with limited education.

This typical growth pattern continued, even in the rather progressive community, Pulaski County, Kentucky, until very recently. The county was surveyed in 1991. The proportion of jobs requiring people with significant education beyond high school was still low, but changing. In the major manufacturing establishments that provided about 3,440 local jobs (three-fourths of total manufacturing employment), only 6.6 per cent of the workforce was in occupations requiring more than high school education. Even this low figure is slightly higher than it had been only a few years earlier. If this community had viewed their own community’s workforce as an indicator, they would have concluded that opportunities from getting a good education are very limited. To profit from schooling beyond basic education most young people had to leave the community and market their talents in labor markets with more opportunities, usually in urban areas outside the region.

Support for good schools has been limited in the county district where most people live. In the smaller municipal district of Somerset, where average levels of education are much higher and the incomes of the better-educated are more conspicuous, schools are better financed and scholastic excellence is apparently more highly valued. Accordingly, performance levels are much higher—higher test scores and higher graduation rates, and higher proportions go on to college or technical school.

Creating a Base of Local Support for Improved Education:
Indications of How To Do It?

Making voters aware of the importance of good schools, and of the inadequacies of the ones they have is often difficult. Criticisms of local schools by people from state education agencies or other outsiders hurt pride and anger local people. Many of these people are not fully aware of the importance of education to the future of their children and have little perception of what is required to make
education systems really work! A primary obstacle to adequate support for school improvements is the small proportion of voters who recognize the problem and take steps to do something about it. Therefore, a primary means for upgrading local citizen support is to build in the community a population with a higher proportion of education-minded people.

Even in progressive communities with good schools, their importance and what needs to be improved are rarely understood. A significant proportion of voters must be able and willing to serve as effective leaders.

What kinds of people are they? How can leadership of this kind be developed?

Educated People Tend To Support Good Schools

Educated people tend to value education more highly and participate more than others in school-related activities. Several research studies verify this, including statistics on parents in selected Appalachian Kentucky and Virginia counties surveyed in 1990.3 A federally-sponsored review of research on education in 1966 concluded that children with parents who have substantial education tended to learn much more rapidly than average.4 Educated parents tend to encourage their own children to learn.

If such people value education for their children, it is reasonable to suppose they will support the efforts of schools to do a good job. They also know better how to make systems of government such as school districts respond to citizen concerns. So long as a community can employ very few people with more than basic education, it will lack leaders who support improvements in public schools. To recruit or support the growth of only employers who need primarily unskilled workers limits future chances of having anything else!

Those Schooled Elsewhere Provide Needed Perspectives

People who have moved into a community after having been exposed to other systems of education tend to be more aware of possibilities for improvements. They also tend to be more insistent that efforts be made to improve the system. Three-fourths of 60 Pulaski County, Kentucky, teachers responding to a mail-in survey thought in-movers were the most active supporters of good education among parents in their schools. They were asked to compare them with people who had lived all their lives in the community and those who had returned after living elsewhere. An earlier study in Appalachian Kentucky verified that among the more educated, the in-movers were more concerned about the quality of schools and other local services. The educated people who had grown up in the community and attended its schools tended to question their adequacy less frequently. Apparently this was true because (1) they had, themselves, managed to do better than other people who had less education, and (2) they did not have the benefit of experience in a different system that would provide a basis for questioning the adequacy of existing programs.

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3See Smith and DeYoung, Exploratory Studies..... cited above.

Major Employers Who Need Educated Workers Provide Support

Not only do the educational qualifications of employees and their backgrounds make a difference in the level of support for good schools, employers' policies also make a difference.

Companies' policies reflect their economic interests. (Data plotted in Figure 1 show that employers who require larger-than-average numbers of well-educated workers tend to be more active supporters of schools than those who do not.) Managers and people responsible for community relations policies consistently explained the company supported school improvements because their firms would be more profitable with more adequately educated workers. Nevertheless, genuine high technology employers are not necessarily required to boost the interests of the company in providing better schools. In this limited sample it appeared some firms with relatively few jobs requiring schooling beyond high school were active supporters of better public education.

The programs of the major employers included several types of activities. These included the following: (1) support for General Education Diploma (GED) programs for their employees, (2) support for academic competitions, (3) college scholarships, (4) contributions toward athletic and music programs, (5) release time for workers to assist in school support activities, (6) providing personnel to give lectures to students and (7) donations of computers for student use. The personnel manager of one firm, a former teacher, was expecting to give a for-credit course in economics in a high school and to do so on company time. His firm planned to automate production processes in the relatively near future and needed people who could learn new skills rapidly. The range of firms was from an apparel factory and a wood products firm with very few educated employees to a regional hospital with about 75 percent of its employees who had been educated beyond high school.

Lessons for Rural Communities

Not all jobs are created equal. Jobs filled with people who will actively support civic progressiveness, especially good schools, make possible economic development and reduced levels of poverty. Programs that create jobs with high education and training requirements do not directly result in jobs for seriously under-educated people. Inability to compete for available jobs with better qualified people from outside the community would leave them unemployed, even if they could meet minimum requirements. Indications are that, contrary to the assumptions of most job creation agencies, even jobs with low skill requirements have not been available to those with serious deficiencies in skills. This is true in regions where job growth has been rapid.

A longer-term policy aimed at increasing the quality and quantity of education for its young people apparently is needed but lacks support in many rural areas. State programs of school reform will be more effective if people who value good education and know how to provide leadership develop a

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3Small firms with few employees were not surveyed. They, we think, would less frequently support school activities. The number of potential employees whose productivity would be increased would be smaller relative to costs of company participation.

4For detailed data which supports the conclusions in this section, see, especially, Smith and DeYoung, Exploratory Studies..., especially pp. 27-28. Also see H. Dudley Plunkett and Mary Jean Bowman, Elites and Change in the Kentucky Mountains. Lexington: University of Kentucky Press 1973.
broader base of public support. This will reinforce the state government efforts underway in several states.

Job creation programs emphasizing recruitment and expansion of firms with several educated workers tend to build such a support base. Such firms increase job opportunities for local young people who obtain good educational background. These young people increase the proportion of educated people in the community, including educated in-movers. These are the classes of people who are (1) most aware of the importance of good schools and (2) most likely to be effective in leading constructive changes to improve them. Without a significant base of such informed citizen-leader support, improvements in schools will be relatively difficult to obtain. Improvements in the effectiveness of public education in economically backward rural areas will be slowed unless there already exists or is developed this broader base of citizen support for progressive change.

The traditional emphasis on recruiting low-wage industry with low level qualifications for workers does little, if anything, to build such a base of support. If job creation efforts are geared to the types of jobs easiest to create, in most cases these will be in firms with low-wage jobs requiring mainly simple manual skills. The cost of inducements such as tax abatement, low-cost financing, on-the-job training and the like will be lower per job than if efforts are made to expand employment in more modernized firms with higher requirements for their workers. However, the long-term result is likely to be continued inadequate public support for school program improvements. With mainly growth in traditional low-wage jobs, effective, education-minded leaders are not developed in adequate numbers. Hence, educational programs of the community are less likely to be effective, owing to inadequate community support. If levels and quality of schooling are not improved, the inability of local people to compete for jobs will perpetuate the problems of regions with chronically high rates of rural poverty. These include high rates of joblessness, a deficient tax base to support local services and high levels of public welfare assistance.

The community support base for schools will be increased if job creation programs bring relatively large numbers of jobs to the community which require significant education. It will do so because manufacturing plants with relatively sophisticated processes and services-producing firms with larger proportions of managerial, professional, technical and para-professional workers will bring to the community the classes of employees who tend to be most supportive of good schools. Such employers will be harder to get, but their long-term contribution to the community will be greater than the traditional low-wage industries.

Property owners, especially local retail, wholesale and consumer services businesses may be benefitted by job growth even if mainly in the traditional low-wage industries. This may be true even though the new jobs are not available to local people who need them most. Their profits may increase even though the expansion of employment doesn’t solve the primary employment and rural poverty problems of the community. Hence, uniformly high levels of political support among business owners on Main Street and large-scale property owners for jobs programs focusing on modernized employers should not be expected. A much larger number of low-wage jobs rather than modest numbers of higher-wage jobs may be more consistent with their business interests. Almost any type of growth will benefit the local retail sector and increase values of local real estate, but more is required for genuine economic development which solves the problem of widespread rural poverty and a wasted rural labor supply.

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Some exceptions are recognized. National and regional chain retailers have to some extent displaced local vendors in, especially, larger rural communities when they have grown.
Can Rural Communities Develop More Modernized Employers With Higher Skill Jobs?

The advantages of job development emphasizing modernized employers with progressive personnel policies are evident. However, an important question remains. Can rural communities develop manufacturing industries with relatively large proportions of jobs requiring educated employees and with higher educational requirements for ordinary production workers? Can they do so at a feasible cost? Are there possibilities for expanding jobs in services-producing establishments with similar worker education requirements?

The community used for illustrative purposes, Pulaski County, Kentucky, has had such a program for several years. It has appeared to succeed, and it appears inroads have been made into apathy about local schools and the need for more schooling. However, it is not a typical rural community. It is larger in population (about 50,000); its county seat is a regional trade and services center; it has a University of Kentucky affiliated two-year community college and a state vocational-technical school; and it is favorably located on major highways and trunk rail lines. Quite well-developed elementary and secondary school programs have operated in the municipality for many years, even though the county district’s school system has historically lacked support and has under-performed scholastically. These are proven advantages in job development efforts that a majority of rural communities cannot duplicate. Even so, large outlays were required to recruit the recent modernized manufacturers and services-producing facilities such as the regional hospital.

Less-advantageously situated communities may have little possibility of recruiting such modernized employers. However, some communities have many, if not all, of the advantages of Pulaski County. Many have not conducted an enlightened and forward-looking job creation program as Pulaski County has. The experience of Pulaski County appears to apply to them; there would appear to be opportunities to ‘tilt’ job development programs of these communities toward the more modernized classes of employers. These, if recruited, would form a political and community relations base that would more strongly support efforts to upgrade its human resources.

For less-advantageously situated communities, economic development and the high-quality education it requires will probably be more difficult to achieve. Not many modernized employers will choose to locate in smaller communities, those with no access to college and technical/vocational schools, communities with limited medical services, etc., unless they are within a short commuting distance of other larger communities with such services.

Should Poorly-Situated Communities Abandon Job Creation?

It is possible developing jobs in low-wage industries will not achieve the main objectives of poorly-situated communities and not be worth their cost. They appear not to have achieved these objectives in many communities in the past. The situations found in such communities may differ in a variety of ways, making these efforts worthwhile despite their limitations.

Active support for good schools and other community improvements may already exist. For example, Scandinavian ethnic communities in the Upper Midwest are somewhat noted for the high priority accorded to good schools and acquiring a high level of education. In others the decline of industries such as mining or farming has left large numbers of “poor but educated.” For those who are, for various reasons, unable to migrate to other regions to seek jobs, the low-wage factory job may be preferable to none at all, and they may be able to compete successfully for them. Moreover, the
attractiveness of the educated labor supply may mean no tax abatement incentives are necessary and the fiscal capabilities of the community may be increased rather than diminished by such industries. In these and other situations benefits may be large even if low-wage jobs predominate.

Determining the potential for important community benefits from particular job creation programs is often difficult. One cannot rule out the possibility that recruiting firms with mainly low-skill jobs may complicate an already difficult problem, putting progressive elements of the voting public at even more of a disadvantage. It appears some industries discourage upgrading schools and increasing the quantity of schooling of its people. The idea of one-company towns preserving a large pool of unskilled labor as an advantage to the company is not realistic. Contemporary examples could be cited, including that of a dominant employer negotiating waivers of environmental regulations because of threatened termination of the operation if forced to comply. One wonders whether proposals to levy increased taxes for public education might be greeted with a similar reception. The coal mining towns of Appalachia described by author and historian, Harry Caudill, also illustrate possible adverse effects on communities tied to such low-skill industries. The balance of benefits and disadvantages is never obvious, and careful, competent evaluation is definitely desirable.

Fortunately, economic models have been designed to evaluate some, but not all, of the consequences of employment growth. These include fiscal impact models that assess the effects on costs and revenues of local governmental jurisdictions, including school districts. In addition, more effective ways may be found to improve the education and training of young people, even in communities with mainly low-skill jobs.

It should always be recognized potential is limited if the community does not support high quality schools; job opportunities will continue to be mostly for unskilled workers. Studies indicate public demand for good schools may remain low if the proportion of educated people working in the community remains very small.

Upgrading the economic potential of the labor supply may be more complicated and costly in communities with little potential for developing modern, education-demanding, and education-supportive employers and community leaders. Having a strong base of support for better education and other important public services makes the job simpler and cheaper than it would otherwise be. Having employers with more jobs requiring educated workers may sometimes be worth significant community job development effort.

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*See Thomas G. Johnson, "Fiscal Impact Software," *Extension Review*, 59(1), 1988. This model and some others which simulate effects on employment, income and tax revenues require technical expertise which is often available through the Cooperative Extension Service of the respective states. Identification of qualified professionals can be provided by county Cooperative Extension Service Offices.*
Figure 1: Number of Activities of Major Employers by Proportion of Employees with Post-Secondary Education and Proportion of Positions Requiring Post-Secondary Education. (1)

Number

11  
10  
9   
8   
7   
6   
5   
4   
3   
2   
1

Percent

% Positions Req.  + % Employees With

1  Observations are for Pulaski County and/or Somerset Public Schools, i.e., total activities supported in one or both systems.

2 Includes those hired with understanding that post secondary instruction will be required for retention. See Appendix Table 1.
The SRDC is one of four regional rural development centers in the nation. It coordinates cooperation between the Research (Experiment Station) and Extension (Cooperative Extension Service) staffs at land-grant institutions in the South to provide technical consultation, research, training, and evaluation services for rural development. For more information about SRDC activities and publications, write to the Director.

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SRDC Publication Number 177

December 1993