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Rural Life Census Data Center Newsletter: Private Industry Change in South Dakota

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RURAL LIFE CENSUS DATA CENTER NEWSLETTER



Private Industry Change in South Dakota

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Rural Sociology Department

South Dakota leaders continue to emphasize the importance of economic development. One aspect of assessing economic development is private industry growth. The South Dakota Chamber of Commerce states:

Economic development is not a choice but rather a necessity. Economies that are advancing create jobs with higher pay, offer people amenities and necessities, and provide the tax base for schools, infrastructure, and law enforcement plus many of the intangibles known as "quality of life." (South Dakota Chamber of Commerce 2006).

Private sector jobs make up a large percentage of South Dakota's jobs. Capitalistic economies, like the United States', depend on the private sector. The taxes paid by private sectors provide better services for all citizens (Stover, Lichty, and Stover 1999). We used Quarterly Workforce Indicator (QWI) data produced by the Census Bureau to assess the most current private sector figures and trends. Data for this report were obtained at <http://lehd.did.census.gov/led/datatools/qwiapp.html>. These data also give us insight into both where South Dakota's private sector growth is occurring and where private sector growth lags.

WHAT IS THE PRIVATE SECTOR?

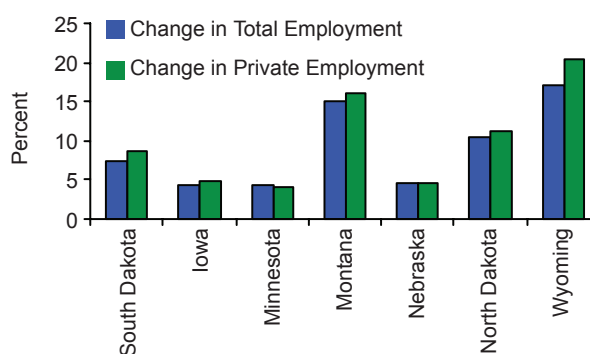
Our economy can be divided between two broad sectors: private and public. The private sector economy emphasizes private ownership and control, while the public sector emphasizes governmental services. Private sector industry comprises a broad array of occupations. For example, grocery store owners and most doctors are employed within the private sector. Conversely, employees within the public sector receive their income from a government unit. University faculty and police officers are examples of public sector employees. Most occupations are represented in both sectors—for example,

lawyers who have their own practices are in the private sector, while lawyers who are prosecutors or public defenders are in the public sector.

PRIVATE INDUSTRY CHANGE IN SURROUNDING STATES

Because the private sector is so large, private sector trends tend to mirror the total change in employment. Of South Dakota's 377,898 jobs, almost 85% are in the private sector (U.S. Census Bureau). From 2002 to 2008, South Dakota's private sector industry increased by 8.6%, growing slightly faster than the state's total employment rate (fig. 1).

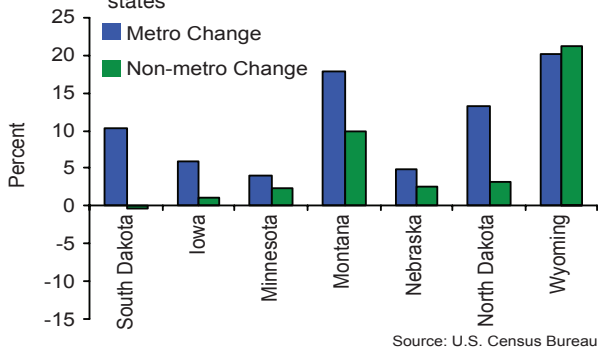
Figure 1. Total and private industry employment change for South Dakota and surrounding states (2002-2008)



Source: U.S. Census Bureau

The private sector also grew in all surrounding states. Wyoming showed the greatest private sector growth with a 20.4% increase from 2002 to 2008. While private industry grew in all surrounding states, this growth was not evenly distributed. In most states, private sector jobs grew more in urban counties than in rural counties (fig. 2). Only Wyoming saw a greater gain in rural counties (21.2% increase from 2002 to 2008 in rural counties).

Figure 2. Metro and non-metro 2002–2008 private industry employment change for South Dakota and surrounding states



Compared with other states, South Dakota’s urban counties experienced the largest private sector gain. From 2002 to 2008, South Dakota’s urban areas saw a 10.3% gain in private sector jobs. Similarly, the private industry change gap between rural and urban counties is wider in South Dakota than in most surrounding states. From 2002 to 2008, South Dakota’s urban counties gained 25,426 private sector jobs. During this same time period, South Dakota’s rural counties lost 130 private sector jobs (a .27% decline). No other surrounding state’s rural counties experienced a decline in private sector jobs (fig. 2).

PRIVATE INDUSTRY EMPLOYMENT CHANGE IN SOUTH DAKOTA COUNTIES

County-level data can be interesting but misleading. Counties with smaller population show dramatic percentage changes because slight yearly fluctuations create large percentages. For example, in 2002 there were 114 private sector jobs in Mellette County. By 2008 the number of private sector jobs had declined to 108, which was a 5.3% decrease in the private sector industry. This could easily be explained by 1 store going out of business. On the other hand, if Minnehaha County were to lose 8 private sector jobs, the decrease would be less than 0.01%. Therefore, caution should be used when interpreting county figures.

From 2002 to 2008, 17 of South Dakota’s 66 counties lost private sector jobs (see Appendix 2). According to the Census’s Quarterly Workforce Indicator (QWI) data, Custer, McPherson and Bon Homme counties lost the highest percentage of private sector jobs (Table 1). South Dakota counties along the state’s northern and southern borders showed the greatest loss of private sector jobs.

Most of South Dakota’s counties saw at least some growth in private sector industry. Counties with the largest private sector growth tended to be adjacent to larger cities. For example, from 2002 to 2008 Lincoln County experienced a 117.5% increase in private sector jobs. Hamlin, Hanson, and Lawrence counties also observed rapid private industry growth. Each of these counties

borders a county with a city with 10,000 or more people.

Table 1. South Dakota counties with over 10% loss in private industry employment (2002–2008)

Rank	County	Private Industry Jobs (2002)	Private Industry Jobs (2008)	Private Industry 2002-2008 Change
1	Custer	3,951	1,807	-55.1
2	McPherson	581	417	-28.2
3	Bon Homme	1,495	1,181	-21.0
4	Bennett	571	462	-19.1
5	Union	10,131	8,344	-17.6
6	Clark	668	584	-12.6
7	Hyde	354	313	-11.6

WHAT FACTORS CONTRIBUTE TO PRIVATE INDUSTRY CHANGE?

There are a number of factors that contribute to private sector change. First, as poverty rates decline, the number of private sector jobs increases. Poverty trends tend to parallel employment trends (Jabree 2004). When the economy grows, unemployed and underemployed individuals can increase their economic status by taking higher-paying jobs (Grunewald 2006). Private firms aid the local economy by creating jobs, paying taxes, and investing locally, all of which help reduce poverty (Jabree 2004). At the same time, private sector industries may be reluctant to invest in counties with long histories of poverty because the perceived risks are too great. This makes economic development in several counties challenging.

Second, the age structure of a population may also impact private sector change. In this newsletter, data shows that counties with a high percentage of residents aged 65 and older tend to lose private sector jobs. Counties with aging populations often experience population loss (Mather 2008). As a result, existing private firms frequently cease operations, while potential firms may locate elsewhere (Mather 2008).

Third, private industry is clearly connected with net-migration (Weeks 2008). Most South Dakota counties losing private sector jobs also showed out-migration. When individuals lose jobs, migration is common (Mather 2008). Migration, in turn, alters the private industry. For example, if a county experiences rapid out-migration, private sector firms may not be able to sustain themselves and will close or relocate. Conversely, when a county gains in-migrants, private sector industries may build new businesses around the growing population (Albrecht and Albrecht 2007).

In South Dakota, the percentage of American Indian residents also correlates with private industry change. Counties with American Indians tend to be sparsely populated, isolated, and have high poverty rates. Counties with a high concentration of minorities tend to ex-

perience more poverty and poorer educational outcomes (Albrecht and Albrecht 2007). Business owners may be reluctant to establish in a location that does not have an adequate economic threshold (Albrecht and Albrecht 2007; Khatiwada, McCurry, and Brooks 2009). The geographic location of many reservation counties makes it difficult to establish large retail and manufacturing businesses.

Finally, as a county's percentage of workers employed in extractive industries (i.e., oil, gas, and mining) increases, private industry jobs also increase. Most extraction jobs are within the private industry. Counties with a high proportion of extraction jobs are vulnerable to economic change due to the lack of job diversity (Nord and Cromartie 2000 and White 1998). When natural resources can be easily (and cheaply) extracted, job growth booms. When these natural resources are depleted, jobs disappear.

The loss of private industry impacts counties differently. For example, from 2002 to 2008, Union County experienced a decline in their private sector industry, but because Union County is adjacent to Sioux City, Iowa, residents may not be pushed to migrate because residents have other employment options. It is much easier to find a desirable job when there are cities within commuting distance. Similarly, Custer County is dominated by public sector jobs, meaning that a loss in the private sector does not necessarily mean a loss in employment. Private sector job loss is more severe when a county is isolated or dependent upon the private sector to sustain employment.

POLICY IMPLICATIONS

Secretary of State Condoleezza Rice once said: [T]he solutions to the challenges of the 21st century are not going to be met by government alone. They come from all sectors of American society working together, and that means a close and vital partnership between government and the private sector. (Secretary of State Press Releases 2007).

It is clear that private industry is a vital component of South Dakota's economy. As both state and national leaders indicate, focusing on private industry growth boosts economic development. Several things can be done to promote private industry growth in rural communities. Common growth policies include supporting local development and fighting poverty.

It is important to support smaller, local businesses (Goldschmidt 1978). Lyson and Tolbert (2003; 231) state that "localities in which the economic base consisted of many small, locally owned firms manifested higher levels of social, economic, and political welfare than places where the economic base was dominated by a few large firms." The nature of local business life offers diversity, which enable locals to gain greater control over their future. This also helps establish a clear community

identity, which is important as globalization continues to diminish the importance of culture (Lyson and Tolbert 2003). In addition, communities with smaller businesses have less inequality as opposed to communities dominated by large industries (Mills and Ulmer 1946; Lyson and Tolbert 2003).

Policy makers need to deal with the complex relationship between poverty and private industry change. While private industries tend to grow more slowly in impoverished areas, private industries are needed to reduce poverty. To support both impoverished communities and local businesses, it is necessary to invest in education, vocational training, and work experience. These opportunities are supported through civic organizations in which people meet together to discuss potential community needs and solutions to specific issues (Lyson and Tolbert 2003). Personal ownership and community pride can be enhanced through civic organization participation.

CONCLUSION

A growing private sector is one indicator for economic development. From 2002 to 2008, most South Dakota counties experienced private sector gains. Counties experiencing the greatest private sector growth tended to be located near cities.

There are several factors, including poverty, an aging population, net-migration, a large percentage of American Indian residents, and the percentage of the workforce employed in extractive industries, that are associated with private industry change. Supporting locally owned businesses and fighting poverty are two things community leaders can address when discussing private industry change.

For more information on South Dakota's private industry change, please contact Trevor Brooks or Mike McCurry at South Dakota State University's Rural Life Census Data Center. Brooks and McCurry can be reached at (605) 688-4899 or at sdsudata@sdstate.edu. The website for the Center is located at <http://sdrurallife.sdstate.edu>.

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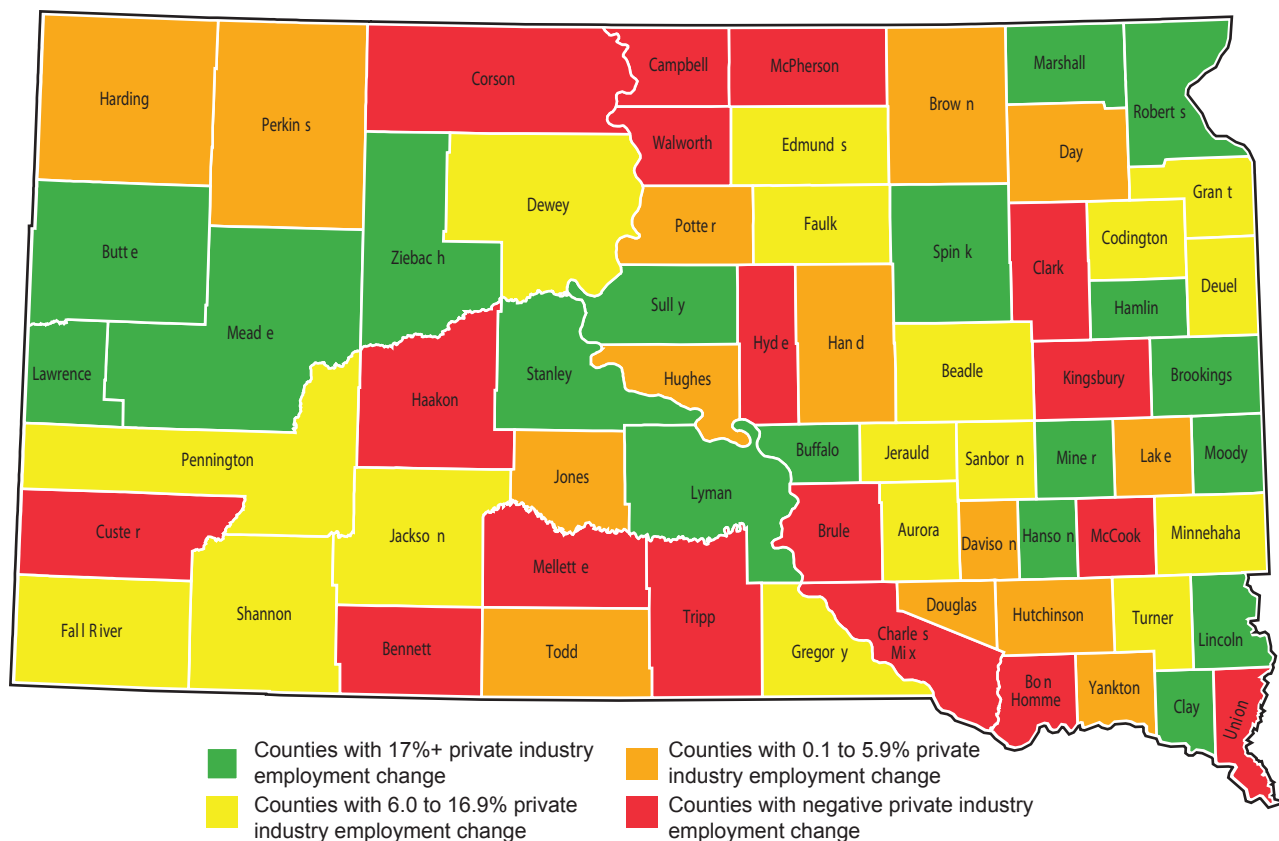
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Appendix 1. Private Industry Employment Change for South Dakota and South Dakota Counties (2002-2008)

COUNTY	Private Industry Jobs (2002)	Private Industry Jobs (2008)	Private Industry Employment (% change)
Aurora	488	543	11.27
Beadle	6,343	6,740	6.26
Bennett	571	462	-19.09
Bon Homme	1,495	1,181	-21.00
Brookings	11,209	13,344	19.05
Brown	16,499	17,410	5.52
Brule	1,536	1,449	-5.66
Buffalo	43	61	41.86
Butte	1,651	2,039	23.50
Campbell	283	273	-3.53
Charles Mix	2,048	2,016	-1.56
Clark	668	584	-12.57
Clay	2,828	3,366	19.02
Codington	12,913	13,840	7.08
Corson	221	213	-3.62
Custer	3,951	1,807	-55.09
Davison	9,736	10,175	4.51
Day	1,540	1,565	1.62
Deuel	1,029	1,148	11.56
Dewey	464	523	12.72
Douglas	752	780	3.72
Edmunds	582	634	8.93
Fall River	1,189	1,338	13.68
Faulk	333	387	16.22
Grant	3,122	3,419	9.51
Gregory	994	1,069	7.55
Haakon	705	661	-6.24
Hamlin	790	1,062	34.43
Hand	972	1,025	5.45
Hanson	257	363	41.25
Harding	199	236	3.76
Hughes	6,182	6,342	2.59
Hutchinson	2,071	2,118	2.27

COUNTY	Private Industry Jobs (2002)	Private Industry Jobs (2008)	Private Industry Employment (% change)
Hyde	354	313	-11.58
Jackson	272	296	8.82
Jerauld	1,013	1,160	14.51
Jones	322	324	0.62
Kingsbury	1,347	1,274	-5.42
Lake	3,741	3,776	0.94
Lawrence	7,830	9,738	29.98
Lincoln	5,998	13,043	117.46
Lyman	627	751	19.78
Marshall	969	1,139	17.54
McCook	1,081	1,013	-6.29
McPherson	581	417	-28.23
Meade	3,659	4,359	19.13
Mellette	114	108	-5.26
Miner	511	601	17.61
Minnehaha	98,096	104,327	6.35
Moody	1,190	1,534	28.91
Pennington	40,818	45,636	11.86
Perkins	1,006	1,015	0.89
Potter	603	614	1.82
Roberts	1,879	2,294	22.09
Sanborn	569	657	15.47
Shannon	486	556	14.40
Spink	1,062	1,246	17.33
Stanley	807	1,026	27.14
Sully	293	359	22.53
Todd	481	505	4.99
Tripp	1,793	1,737	-3.12
Turner	1,471	1,621	10.20
Union	10,131	8,344	-17.64
Walworth	2,051	1,850	-9.80
Yankton	10,188	10,460	2.67
Ziebach	107	144	34.58
South Dakota	295,137	320,433	8.57

Appendix 2. South Dakota's Private Industry Change (2002–2008)



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