Retiree-Attraction Policies for Rural Development. By Richard J. Reeder. Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin No. 741.

Abstract

Many rural communities have benefited from the attraction of retirees in recent years. With the baby boom generation beginning to make retirement decisions, many other rural communities might consider economic development strategies based on attracting and retaining retirees. This report reviews the literature on the impacts (both positive and negative) of retiree attraction in rural areas and indicates which places might benefit most (slow growth or declining population) and least (rapid growth) from retiree attraction. Factors indicating local potential to attract retirees include natural and manmade amenities, proximity to cities and tourism, and past record of attracting retirees. Recent State retiree-attraction initiatives are examined, such as direct State technical assistance and marketing, the use of local self-help models, targeting previous residents, and promoting the development of planned retirement communities.

Keywords: Retirement communities, retirement counties, retiree attraction, retiree attraction policies, rural development policies.

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Summary

As the elderly have become wealthier and more numerous, economic development officials have increasingly looked for ways to attract retirees. As of 1995, 25 million people were in the 50-59 age group that is currently planning retirement, and, with the arrival of the first wave of baby boomers, this age group will mushroom to 35 million by the year 2005. In addition, today's retirees have more income, independence, and motivation for migrating than in past years. Many researchers have documented the advantages of attracting retirees (particularly wealthy retirees) to rural areas. Few, if any, have examined the various approaches States and communities might try to attract retirees. This report fills the gap by reviewing the literature on rural retiree attraction and describing recent State initiatives to help communities attract retirees.

Rural retirement-destination counties (15 percent or more net inmigration of those age 60 and over) tend to benefit significantly, as evidenced by their population growth, increased family incomes, greater economic diversification, and reduced unemployment rates. The growth and economic improvement in retirement counties contrasted sharply with stagnation or decline in most other rural areas during the 1980's. While retirement counties' populations grew by 16 percent and received 12 percent net inmigration during the 1980's, nonmetro areas in general had population growth of only 4 percent, and experienced 1 percent net outmigration. Inflation-adjusted median incomes increased by 4 percent in retirement counties during the 1980's, while they decreased by almost 1 percent for nonmetro areas in general. Retiree attraction boosts local populations and tax bases, which can be important for maintaining main street businesses and key public services like schools and hospitals in rural communities. Inmigrating retirees can also provide a boost to local churches, charities, volunteerism, and other civic activities.

The main reason rural communities might want to attract retirees is to offset problems associated with the major changes taking place in rural America over the last 20 years. The economic restructuring that characterized rural America in the 1980's left many rural communities vulnerable and uncertain about their futures. Traditional rural industries such as farming and mining experienced significant declines in employment and real earnings. Even in rural manufacturing areas, which enjoyed more than 10 percent employment growth during the 1980's, real median family incomes were stagnant, reflecting industry cost-containment measures resulting from increased global competition. Many rural economies have revived during the 1990's, but rural industrial restructuring continues, led by growth in service sector jobs. Retirees are attracted to many of these areas with strong services.

Not all retiree impacts are positive. In places that are growing too rapidly or that have little room for further growth, retiree attraction can result in undesirable congestion and environmental strain and drive up housing prices and property taxes so that some long-time residents are forced to move out. Many of the jobs created by retirees are low-wage service jobs that may attract low-income workers into the area, an unintended consequence of which can be a drain on public services, such as schools and jails. Not all retirees are wealthy, and, depending on which type of retiree is attracted, the economic effects could vary significantly. As retirees age, they may become an increasing drain on the local tax base as their incomes erode with inflation and they demand more in health-related services. In addition, demographic changes can create community

conflicts, since retirees sometimes have different views about public policies like land use, economic development, schools, and taxes.

Recent State retiree-attraction initiatives provide interesting models for encouraging rural retiree attraction. For example, Alabama aggressively markets its rural areas to potential retirees and provides technical assistance to communities that formulate local retiree-attraction policies. South Carolina has encouraged the development of planned retirement communities in previously undeveloped areas to attract wealthy retirees. North Dakota is trying to encourage former residents, including retirees, to move back to their hometowns. Some States, like North Carolina, can take advantage of the large number of travelers passing through on interstate highways to market their retirement locations at visitor centers. Others make more use of traditional and mature-market media. Some States, such as Michigan and Mississippi, have recently eliminated income taxes on retirees in an attempt to attract the attention of retirees. The best marketing approach may involve word-of-mouth advertising, which means that places that start early in attracting retirees and succeed in satisfying them may gain an advantage over other places.

Retiree-Attraction Policies for Rural Development

Richard J. Reeder

Introduction

Rural retirement counties, nonmetropolitan counties with substantial net inmigration of the elderly, have enjoyed significantly more rapid population and employment growth than other types of metro and nonmetro counties since the 1970's. The influx of retirees is also associated with increased family incomes, reduced unemployment rates, and greater economic diversification in rural areas.

Much research has examined the nature and extent of elderly migration, the extent to which social and health needs of the retirees are being met in rural retirement destinations, and the economic, community, and fiscal impacts of retiree inmigration on the State and locality. How a State or community might go about attracting retirees, however, has received relatively little attention until the last few years.

Retiree-attraction policies began to gain favor during the late 1980's and early 1990's in hopes of rekindling rural economic growth. Even so, this strategy still attracts relatively little interest from economic development officials, who tend to focus on strategies that revitalize or modernize ailing manufacturing and resource-extraction industries. Although economic diversification through increased tourism has gained popularity in recent years, retiree attraction tends to be taken for granted. Thus, policies that might expand one of rural America's most successful long-term growth industries are ignored in much of rural America.

One reason for this apparent oversight is the lack of published information on retiree-attraction policies and their effectiveness. This report tries to fill this gap. It includes a review of the literature on rural retiree attraction, including a discussion of potential impacts, good and bad. It examines migration and population growth data to indicate which counties appear most likely to benefit from this strategy. In addition, it covers recent State initiatives that might encourage retiree attraction in rural areas. Although these strategies are still largely experimental, an attempt is made to identify those best suited to different types of communities.

Retirement Counties Buck 1980's Trends

Only after economic difficulties began to slow the growth of the rural economy in the 1980's did the benefits of attracting retirees receive serious attention from both researchers and policymakers. Retirement counties (using the 1970 definition, see box) experienced 32-percent growth in elderly populations during the 1980's (table 1). Although this was down from the previous decade's 48 percent, it still represented substantial growth. Overall population growth for retirement counties was 16 percent in the 1980's, half that of the previous decade but still greater than that of the 1960's for these counties.[1]

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[1] During the 1960's, these retirement counties' population grew 10.4 percent, compared with 13.3 percent for the Nation as a whole, 17.1 percent for metro areas, and 2.5 percent for nonmetro areas (Ghelfi et al., 1993, p. 65).