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Self-Employment Led Nebraska's Rural Job Growth in 2012

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CORNHUSKER ECONOMICS

Self-Employment Led Nebraska's Rural Job Growth in 2012

Market Report	Yr Ago	4 Wks Ago	3/1/13
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$129.25	\$124.86	\$129.97
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	186.96	172.26	169.12
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	169.96	147.30	141.70
Choice Boxed Beef, 600-750 lb. Carcass.	198.51	185.83	185.49
Western Corn Belt Base Hog Price Carcass, Negotiated.	86.92	88.59	74.55
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	85.10	85.90	81.47
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	*	96.50	107.50
National Carcass Lamb Cutout, FOB.	374.35	291.50	290.07
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	6.36	7.81	6.96
Corn, No. 2, Yellow Nebraska City, bu.	*	7.51	7.36
Soybeans, No. 1, Yellow Nebraska City, bu.	*	14.74	14.57
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	11.25	12.52	12.21
Oats, No. 2, Heavy Minneapolis, MN, bu.	3.35	3.88	4.15
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	225.00	247.50	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	145.00	230.00	227.50
Grass Hay, Large Rounds, Good Nebraska, ton.	100.00	212.50	212.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	215.25	301.75	269.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	75.50	108.00	104.00
*No Market			

According to the most recent data available from the Bureau of Economic Analysis (BEA), non-farm proprietorships were the fastest growing type of employment in Nebraska between 2010 and 2011.

BEA data are derived from tax filings by both individuals and employers, and classify jobs in three categories: wage and salary workers, farm proprietors and non-farm proprietors. As seen in Figure 1 (on next page), non-farm proprietors were the fastest growing employment category between 2010 and 2011 for all Nebraska county types.¹ In fact, employment among non-farm proprietors increased at roughly twice the rate of total employment and more than twice the rate of wage and salary employment, while farm proprietors continued their long-term trend of slow decline.

Non-farm proprietors include all self-employed people who are not farm proprietors. This encompasses everything from business owners, who may themselves be employers, to contract workers whose “business” is limited to their own labor. One essentially becomes a non-farm proprietor simply by filing an Internal Revenue Service (IRS) Schedule C.

It is possible for an individual to fall into all three employment categories, as in the case of a farm proprietor who also works as an employee of a local manufacturer and does contract work as a third income source. This is in fact fairly common in Nebraska

¹ **County Types:** 1) **Metropolitan** - as designated by the Office of Management and Budget; 2) **Micropolitan Core** - containing a city of 10,000 or more; 3) **Small Trade Center** - containing a community with a population of 2,500 or more; 4) **Small Town** - containing no community as large as 2,500, and; 5) **Frontier** - having no community of 2,500, and fewer than six people per square mile.



which, along with the Dakotas, routinely leads the nation in multiple job holding. According to the Nebraska Rural Poll (Vogt et. al., 2009), about 30 percent of all Nonmetropolitan households in the state include more jobs than people. That percentage climbs to over 40 percent for those households located in or near communities of 500 or fewer residents. The Rural Poll also found that 70 percent of all households in such very rural communities derived some income from self-employment (farm and non-farm).

As seen in Figure 2, non-farm proprietors have increased in number faster than wage and salary workers for each year from 2001 through 2011. Statewide, it is still the case that the great majority of jobs (79%) are wage and salary jobs. By comparison, about 18 percent of all Nebraska jobs are held by non-farm proprietors, and just over three percent by farm proprietors. However, as seen in Figures 3 and 4 (on next page), wage and salary job numbers actually declined in 32 Nebraska counties between 2010 and 2011, while non-farm proprietor numbers grew in all counties, with only 12 counties experiencing growth of less than one percent for that period.

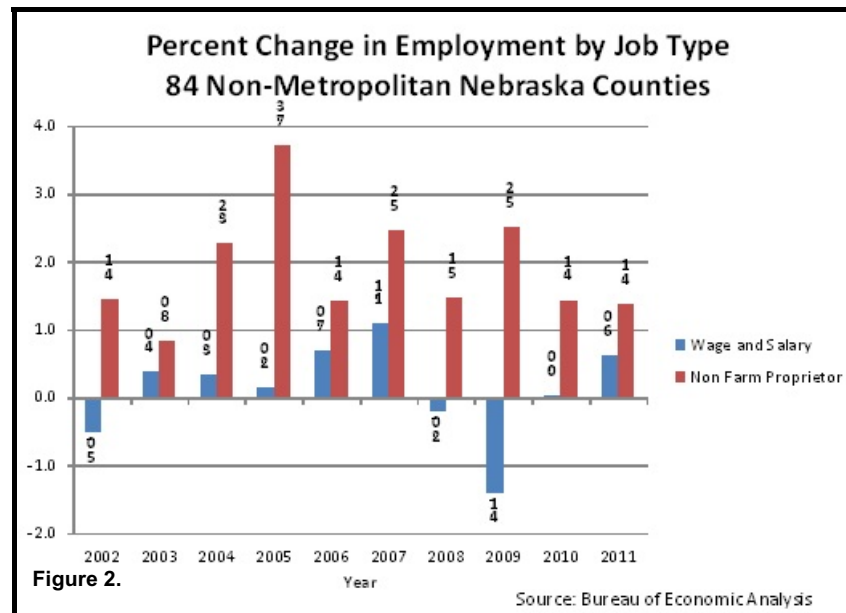
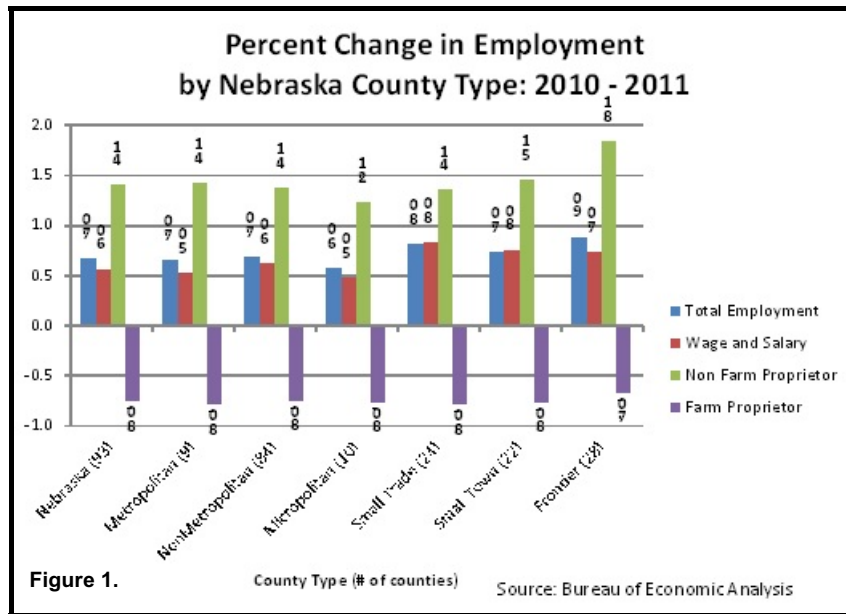
However, as seen in Figure 5 (on next page), in more rural portions of Nebraska a much higher percentage of jobs are held by the self-employed in the non-farm sector. For two counties, Arthur and

Keya Paha, over half of all jobs involve non-farm proprietors. This is relatively new in Nebraska counties, having been observed for the first time in the last decade. Figure 5 also demonstrates self-employment tends to be least common in Metropolitan and Micropolitan counties. Among such counties, only Gage County (Beatrice) is seen to have more than 20 percent of all jobs attributable to non-farm self-employment.

Wage and salary jobs represent the primary goal of most economic development programs. Even when developers concentrate on entrepreneurs, they do so with the expectation that those individuals will start businesses that will eventually have employees. But as those jobs become less common, they are also becoming more concentrated within Nebraska's urban core areas. One can speculate that rural self-employment is actually under-

represented in tax data, because small contracts don't generate enough income to require reporting, and because things such as barter and labor trading don't appear at all.

The trend of wage and salary jobs being replaced by self-employment and especially by contract work, has its roots in local, national and even global economics. But those jobs apparently do not fully replace wage and salary income, at least not in rural Nebraska. The Nebraska Rural Poll found that among



Percent Change in Wage/Salary Jobs Nebraska: 2010 - 2011

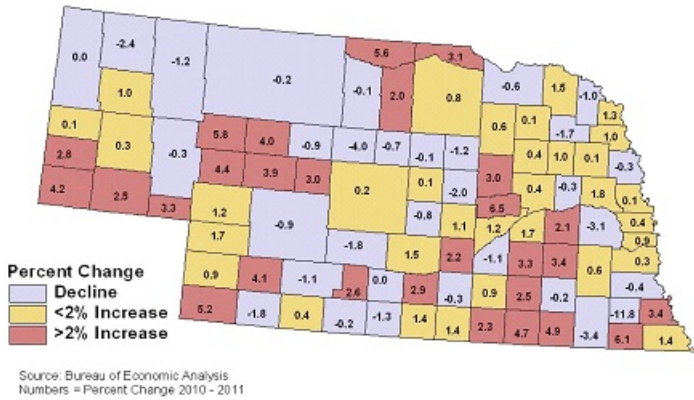


Figure 3.

households that derive income from self-employment, 56 percent receive less than half of their total income from that source.

Rural non-farm self-employment may be an important factor in adding marginal income to households. However, if the trend of growth in self-employment continues, we may see how well it serves as the primary income generator for a large portion of the rural population.

Reference:

Vogt, Rebecca, R. Cantrell, B. Johnson and B. Lubben.
"Working in Nonmetropolitan Nebraska." Nebraska Rural Poll Report 09-02, September, 2009.

Percent Change in Non-Farm Proprietors Nebraska: 2010 - 2011

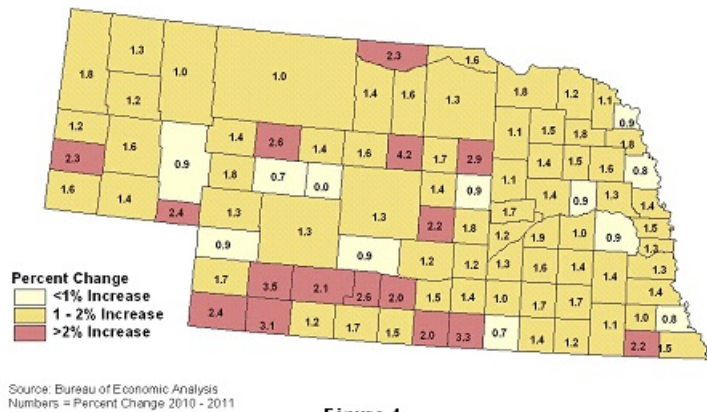


Figure 4.

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Non-Farm Proprietors Percent of All Jobs: 2011

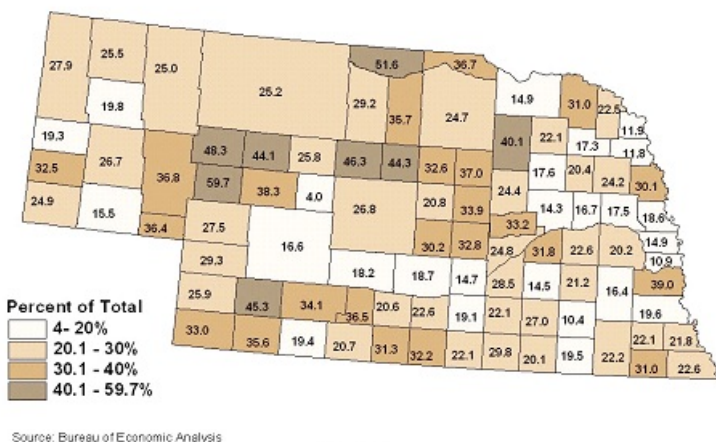


Figure 5.