

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**Memorandum**

To: Members, Subcommittee on Economic Growth, Tax and Capital Access  
From: Committee Staff  
Date: January 21, 2014  
Re: Hearing: "Getting Rural America Back to Work: Solutions to Lower Unemployment"

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**Introduction**

On Friday, January 24 at 2:00 P.M., the Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business will hold a field hearing in the Multi-Purpose Room of the Dillon Wellness Center, 1647 Commerce Drive, Dillon, South Carolina. The hearing, titled "Getting Rural America Back to Work: Solutions to Lower Unemployment," will examine ways in which the federal government can boost economic growth and help create jobs in rural communities across the nation.

**A Look at the Economic Landscape Nationwide**

Since the onset of the 2001 recession, the United States' economy has grown at an average annual rate, as measured by the gross domestic product (GDP),<sup>1</sup> of just 1.8 percent, adjusted for inflation. This is the slowest pace over a 12-year stretch during the post-World War II era.<sup>2</sup> More recently, there have been some signs of life nationally, as the Bureau of Economic Analysis of the United States Department of Commerce reported that in the third quarter the United States GDP increased by 4.1 percent, up from 2.5 percent in the second quarter of 2013.<sup>3</sup> The Federal Reserve Bank of Richmond forecasted that GDP growth in 2014 will likely be right around 2 percent, which is not much different from what has happened during the last three years.<sup>4</sup>

This tepid economic growth is reflected in the labor market. In November 2013, the economy gained only 203,000 new jobs and the unemployment rate dipped slightly to 7.0 percent from

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<sup>1</sup> GDP is the market value goods and services produced by labor and property located in the United States. See OFFICE OF THE CHIEF COUNSEL FOR ADVOCACY, SMALL BUSINESS GDP: UPDATE 2002-2010 at 1 (Jan. 2012), available at [http://www.sba.gov/sites/default/files/rs390\\_1.pdf](http://www.sba.gov/sites/default/files/rs390_1.pdf).

<sup>2</sup> <http://online.wsj.com/news/articles/SB10001424052702304887104579302820504451950>.

<sup>3</sup> <http://www.bea.gov/newsreleases/national/gdp/gdphighlights.pdf>.

<sup>4</sup> [https://www.richmondfed.org/press\\_room/speeches/president\\_jeff\\_lacker/2014/lacker\\_speech\\_20140103.cfm](https://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2014/lacker_speech_20140103.cfm).

7.3 percent in October 2013.<sup>5</sup> This statistic is far short of the 300,000 jobs per month that many economists believe is necessary for a more robust recovery.<sup>6</sup>

Despite these recent gains, the national unemployment rate has not dropped below 7.0 percent since November of 2008, a span of 60 months.<sup>7</sup> Given the breadth of the recession, it is not surprising that businesses are reluctant to expand and hire, lending institutions are reluctant to extend credit, and consumers are unlikely to increase their spending. Because of this hesitancy and uncertainty, the job growth rate coming out of this most recent recession has been considerably more moderate than previous recoveries.<sup>8</sup> From 1983 to 2000 employment increased at a 1.8 percent annual rate (as estimated in the survey of households). Over the last four years, however, employment growth has been just 1.0 percent per year — so employment growth has fallen by almost half during this recovery.<sup>9</sup>

In contrast to the lagging labor market and relatively anemic GDP growth, housing prices have recovered all of the estimated \$5.8 trillion that was lost during the financial crisis,<sup>10</sup> signaling an end to the steep declines that were a leading cause of the 2008 financial crisis.<sup>11</sup> Despite the rebound, some economists opine that housing's contribution to the economy is not as significant as it was prior to the financial crisis. According to Jed Kolko, Chief Economist at Trulia, an online residential real estate site, the housing market was 67 percent “back to normal” in 2013, compared with just 42 percent in 2012.<sup>12</sup>

The struggles in the labor market and housing affect consumer spending.<sup>13</sup> Personal consumption expenditures historically constitute the largest and most stable component of aggregate spending in the United States economy. Since the 1980s, consumption spending's share of GDP has averaged about 70 percent<sup>14</sup> and during previous post-war recoveries consumption spending has typically increased at a 4 to 5 percent annual pace.<sup>15</sup> This

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<sup>5</sup> BUREAU OF LABOR STATISTICS, THE EMPLOYMENT SITUATION—NOVEMBER 2013, at 1, *available at* <http://www.bls.gov/news.release/pdf/empsit.pdf>.

<sup>6</sup> Catherine Rampell, *Job Creation is Still Steady Despite Worry*, N.Y. TIMES, Jan. 4, 2013, *available at* <http://www.nytimes.com/2013/01/05/business/economy/us-economy-adds-155000-jobs-jobless-rate-is-7-8.html>.

<sup>7</sup> <http://data.bls.gov/timeseries/LNS1400000>

<sup>8</sup> Jeffrey M. Lacker, President, Federal Reserve Bank of Richmond, Speech before the Maryland Bankers Association Seventh Annual First Friday Economic Outlook Forum, Baltimore Md., 2 (Jan. 3, 2014) *available at*

[https://www.richmondfed.org/press\\_room/speeches/president\\_jeff\\_lacker/2014/pdf/lacker\\_speech\\_20140103.pdf](https://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2014/pdf/lacker_speech_20140103.pdf)

<sup>9</sup> *Id.* at 4-5.

<sup>10</sup> ANTHONY CHAN, PH.D., J.P. MORGAN CHASE BANK, ECONOMIC OUTLOOK WINTER 2014, at 2 (2013), *available at* [https://www.chase.com/online/private\\_client/document/240979\\_Chan-article\\_FINAL\\_ada.pdf](https://www.chase.com/online/private_client/document/240979_Chan-article_FINAL_ada.pdf).

<sup>11</sup> FINANCIAL CRISIS INQUIRY COMMISSION, FINAL REPORT OF THE NATIONAL COMMISSION ON THE CAUSES OF THE FINANCIAL AND ECONOMIC CRISIS IN THE UNITED STATES 213 (2011), *available at* <http://www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf>.

<sup>12</sup> <http://trends.truliablog.com/2013/09/with-recovery-67-back-to-normal-trulia-retires-housing-barometer/>.

<sup>13</sup> See C. JONES, MACROECONOMICS: ECONOMIC CRISIS UPDATE 249-51, 346 (2010) (discussing consumer spending patterns and their effect on growth rates).

<sup>14</sup> Lucia Mutikani, *U.S. Consumer Spending Tepid as Households Boost Savings*, REUTERS, Nov. 8, 2013, *available at* <http://www.reuters.com/article/2013/11/08/us-economy-consumer-idUSBRE9A70L720131108>.

<sup>15</sup> CRAIG ELWELL, CONGRESSIONAL RESEARCH SERVICE, REBUILDING HOUSEHOLD WEALTH: IMPLICATIONS FOR ECONOMIC RECOVERY 3 (Sept. 2013) (on file with Committee).

recovery, however, has been characterized by relatively weak consumption spending by households, averaging a sluggish 2 percent annual pace for the four-year period of 2009-2013.<sup>16</sup> Persistent high rates of unemployment have dampened spending by decreasing income for millions of households and more broadly dampened spending by eroding consumers' confidence in their immediate economic prospects.

### **Small Businesses in the Economy**

According to the Office of the Chief Counsel for Advocacy of the United States Small Business Administration (SBA), small businesses represent 99.7 percent of all businesses having employees (commonly referred to as "employer firms") in the United States.<sup>17</sup> Small businesses employ 49 percent of the workers in the private sector<sup>18</sup> and account for 42 percent of the private sector payroll in the United States.<sup>19</sup> Between 1993 and 2011, small businesses generated 64 percent of net new jobs.<sup>20</sup>

Uncertain economic indicators have led to a lack of small business confidence in the economy, leading to less hiring by small business owners. A December 2013 survey by the National Federation of Independent Business showed that small business optimism has remained largely stagnant since January 2008.<sup>21</sup> Additionally, while 14 percent of the owners reported adding an average of 3.7 workers per firm over the past few months, this was offset significantly by 12 percent reducing employment at an average rate of 3.4 workers.<sup>22</sup>

The constraints facing small businesses, such as the reduced consumer expenditures and their own outlook for growth, are exacerbated by the cost of doing business relative to their larger competitors. Small businesses face regulatory compliance costs 36 percent higher than larger businesses.<sup>23</sup> Thus, it is not surprising that the most recent National Small Business Association economic survey found that 38 percent of small businesses cite regulatory burdens as one of their three most significant challenges to future growth and survival.<sup>24</sup>

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<sup>16</sup> *Id.*

<sup>17</sup> OFFICE OF THE CHIEF COUNSEL FOR ADVOCACY, FREQUENTLY ASKED QUESTIONS (Sept. 2012), available at [http://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf).

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> WILLIAM DUNKELBERG & HOLLY WADE, NFIB SMALL BUSINESS ECONOMIC TRENDS 4 (Dec. 2013), available at <http://www.nfib.com/Portals/0/PDF/sbet/sbet201312.pdf>.

<sup>22</sup> *Id.* at 1.

<sup>23</sup> NICOLE V. CRAIN & W. MARK CRAIN, THE IMPACT OF REGULATORY COSTS ON SMALL FIRMS 8 (2010), available at [http://www.sba.gov/sites/default/files/The%20Impact%20of%20Regulatory%20Costs%20on%20Small%20Firms%20\(Full\)%200.pdf](http://www.sba.gov/sites/default/files/The%20Impact%20of%20Regulatory%20Costs%20on%20Small%20Firms%20(Full)%200.pdf).

<sup>24</sup> NATIONAL SMALL BUSINESS ASSOCIATION, 2012 YEAR END ECONOMIC REPORT 5 (Feb. 2013) available at <http://www.nsba.biz/wp-content/uploads/2013/02/2012-Year-End-Economic-Report-Final.pdf>.

## **South Carolina**

The overall economic picture in South Carolina mirrors that of the national landscape. It is marked by stubbornly high unemployment, shaky consumer confidence, and erratic growth. Recent reports on the South Carolina economy were generally optimistic, with improvements in labor markets and household conditions, while housing market activity was mixed.

In November 2013, South Carolina added 4,600 jobs (.02 percent) with notable gains in the government sector (1,800 jobs), leisure and hospitality (1,300 jobs), and health services (1,100 jobs).<sup>25</sup> The overall South Carolina unemployment rate fell 0.4 percent to 7.1 percent in November as well.<sup>26</sup> Additionally, third quarter real income in South Carolina grew 0.7 percent from the second quarter and 1.9 percent over the preceding year.<sup>27</sup> While in its entirety South Carolina's economy is improving ever so slightly, there are several areas within the state that are not faring as well as others.

## **The Seventh Congressional District of South Carolina**

South Carolina's Seventh Congressional District is comprised by part or all of the following counties: Marion, Marlboro, Dillon, Chesterfield, Darlington, Horry, Florence and Georgetown. While the overall South Carolina unemployment rate has dropped to very close to the national average, all but one of the counties in the seventh congressional district, which are predominantly classified as rural areas,<sup>28</sup> had November 2013 unemployment percentages significantly higher than both state and national average: Marion 13.1; Marlboro 11.3; Dillon 10.4; Chesterfield 8.5; Darlington 8.3; Horry 7.8, Florence 7.5; and Georgetown comes in at the South Carolina average of 7.1.<sup>29</sup>

Comparing this data with that of the metropolitan statistical areas (MSAs) in the state shows a significant variation of economic recovery. For instance, the Columbia MSA, the largest MSA contained within the state of South Carolina,<sup>30</sup> had a November 2013 unemployment rate of 5.9 percent. Both the Charleston and Greenville MSAs (the second and third largest within the state) had a rate of 5.5 percent.<sup>31</sup>

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<sup>25</sup> THE FEDERAL RESERVE BANK OF RICHMOND, A MONTHLY UPDATE OF THE FIFTH DISTRICT ECONOMY (Jan. 2014), available at

[https://www.richmondfed.org/research/regional\\_economy/reports/snapshot/2014/pdf/snapshot\\_2014\\_01.pdf](https://www.richmondfed.org/research/regional_economy/reports/snapshot/2014/pdf/snapshot_2014_01.pdf).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> The federal government does not maintain one single definition of what constitutes a rural area as different agencies have different classifications and benchmarks for specific programs. The Census Bureau does not define "rural," but the term essentially encompasses all population, housing, and territory not included within an urban area. In short, whatever is not urban is considered rural. The Economic Research Service of the United States Department of Agriculture has a series of maps available for South Carolina that makes the distinction between urban and rural here: [http://www.ers.usda.gov/datafiles/Rural\\_Definitions/StateLevel\\_Maps/SC.pdf](http://www.ers.usda.gov/datafiles/Rural_Definitions/StateLevel_Maps/SC.pdf).

<sup>29</sup> [http://dew.sc.gov/documents/lmi-monthly-trends/November\\_2013.pdf](http://dew.sc.gov/documents/lmi-monthly-trends/November_2013.pdf).

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

## **Conclusion**

Data shows that there are differing levels of what can be described as “economic recovery” following the recession. In South Carolina, the degree of unemployment varies greatly from county to county, with a particular disparity between urban areas and their rural counterparts. This hearing represents an opportunity for members to hear from local leaders in rural South Carolina about what they are doing to reduce unemployment and grow the local, rural economy. Members will also hear suggestions about what the federal government can be doing to fortify those efforts.