



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# Nonmetro Earnings Continue Upward

Robert M. Gibbs  
Timothy S. Parker

The average weekly earnings of nonmetro wage and salary workers continued to rise through 2001, according to data from the Current Population Survey (CPS). Although the increase from 2000 was slightly smaller than in preceding years, nonmetro earnings climbed to \$527 a week, an 11-percent gain since 1996 after adjusting for inflation. Metro earnings show a similar increase (11.6 percent).

Earnings have grown steadily among all major demographic groups since 1996, although less-educated workers experienced smaller gains than college graduates. Despite earlier concerns about the effect of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) on the labor market for less-skilled workers, the groups most likely to be affected by welfare reform experienced average or above-average earnings growth and a reduction in low-wage employment.

Robert M. Gibbs (202-694-5423, rgibbs@ers.usda.gov), is a regional economist and

Timothy S. Parker (202-694-5435, tparker@ers.usda.gov) is a sociologist with the Food and Rural Economics Division, Economic Research Service, USDA.

## Nonmetro Earnings Growth Slower in 2001

The pace of earnings growth for nonmetro workers has ebbed slightly since 2000. Between 1996 and 2000 (the period immediately following the latest CPS redesign), earnings grew at an annualized rate of 2.4 percent after adjusting for inflation (table 1). Growth slowed to 1.3 percent between 2000 and 2001, largely in response to macroeconomic conditions marked by rising unemployment and sluggish growth in output. Nonmetro average weekly earnings were 21 percent lower than metro earnings in both 1996 and 2001.

## Blacks and Women Make Disproportionate Earnings Gains

Earnings rose among nonmetro workers in all major education, sex, and race/ethnic categories between 1996 and 2001 (fig. 1). Earnings growth was faster for nonmetro Blacks (15.7 percent) than for Hispanics (8 percent) or Whites (10.9 percent), and faster for women (13.6 percent) than for men (10.3 percent). Meanwhile, the earnings gap between nonmetro workers with the highest and lowest educational attainment continued to widen. Inflation-adjusted earnings increased 13.5 percent (1996-2001) for college graduates and only 7.1 percent for those

Table 1  
**Average weekly earnings by metro status**  
*Nonmetro and metro earnings growth was lower in 2001*

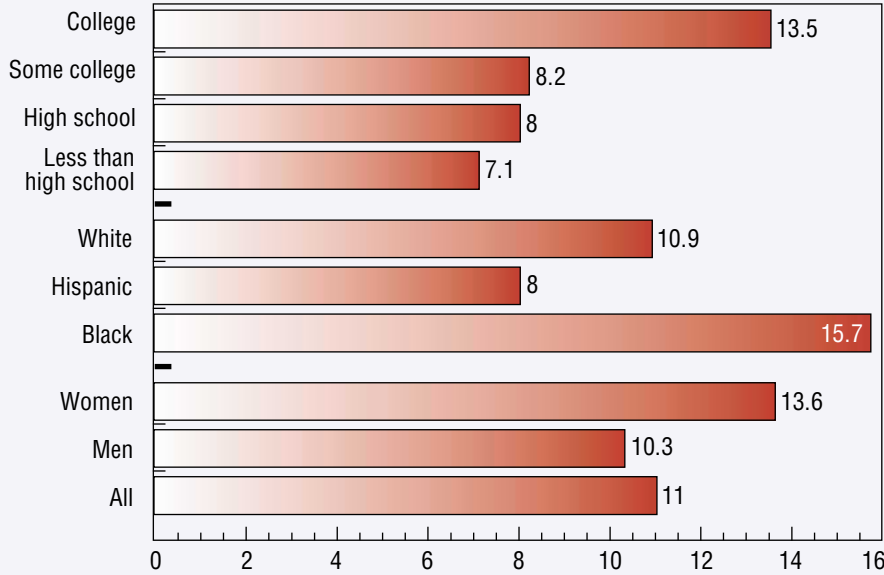
	Nonmetro	Metro	U.S.
<i>Dollars (2001)</i>			
<b>Earnings:</b>			
1996	474	599	576
2000	520	659	635
2001	527	668	644
<i>Percent</i>			
<b>Annualized change:</b>			
1996-2000	2.4	2.4	2.5
2000-2001	1.3	1.3	1.4
1996-2001	2.2	2.3	2.3
<b>Total change:</b>			
1996-2001	11.0	11.6	11.7

Source: 1996, 2000, and 2001 Current Population Surveys.

Figure 1

**Nonmetro average weekly earnings change by sex, race/ethnicity, and education, 1996-2001**

*Earnings grew faster than average for nonmetro Blacks, women, and college graduates*



Note: "Black" and "White" categories exclude Hispanics.  
Source: 1996 and 2001 Current Population Survey.

without a high school diploma. The average college-educated nonmetro worker now earns 2.55 times as much as a worker who did not complete high school. Nonetheless, returns to education remain higher in metro areas, where the ratio is 3.05.

Nonmetro workers who did not complete high school have suffered below-average earnings growth since ERS began tracking earnings disparities using 1979 CPS data. The prospects for these workers improved in the 1990s as a robust national economy fueled demand for less-skilled workers and the supply of such workers grew slowly. The 7.1-percent rise in average weekly earnings between 1996 and 2001 represents a marked departure from earlier inflation-adjusted declines.

Such gains for less-educated nonmetro workers are consistent with other findings that welfare reform has not had the deleterious effects on their employment and earnings that many feared. (The possibility of depressed earnings or higher unemployment as a result of

welfare reform may be higher in economically distressed areas.) This holds true even for demographic groups most likely to be affected by welfare reform. Less-educated nonmetro women, for example, saw an 8.9-percent earnings increase during 1996-2001, compared with a 6.3-percent increase for less-educated nonmetro men (table 2).

Recent trends in the share of workers earning low wages both confirm improved labor market outcomes for less educated workers and highlight the limitations they face. The share of nonmetro workers age 25 and older earning low wages—wages that, on a full-time, full-year basis, are less than the poverty threshold for a family of four—fell from 32 percent in 1996 to 24.9 percent in 2001 (fig. 2). Similar declines were observed across all major demographic and education groups. Labor force participation rates rose or held steady during these years, indicating that the decline in low-wage employment represents real improvement rather than selective labor force withdrawal of the lowest-paid workers.

Table 2  
**Average weekly earnings by sex and education for nonmetro workers**  
*Earnings grew more slowly for less-educated nonmetro workers in 1996-2001*

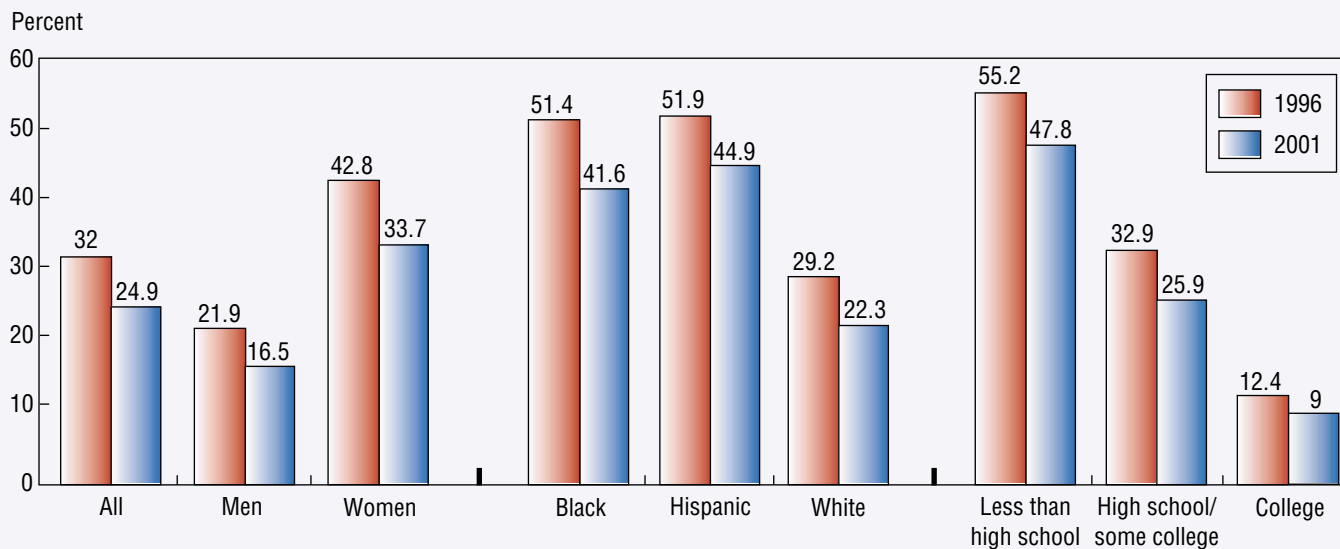
Education	Weekly earnings, 2001			Earnings increase, 1996-2001		
	Men	Women	All	Men	Women	All
	<i>Dollars</i>			<i>Percent</i>		
All	621	428	527	10.3	13.6	11.0
Less than high school	376	235	320	6.3	8.9	7.1
High school	579	370	481	6.7	11.5	8.0
Some college	632	416	517	8.4	10.2	8.2
College	948	687	814	13.6	13.9	13.5

Source: 1996 and 2001 Current Population Surveys.

Figure 2

**Share of nonmetro workers in low-wage employment by sex, race/ethnicity, and education**

*Low-wage employment has fallen for all groups since 1996, but remains quite high for minorities and workers without a high school diploma*



Note: "Black" and "White" categories exclude Hispanics.  
Source: 1996 and 2001 Current Population Survey.

Despite a sustained drop in the low-wage employment share between 1996 and 2001, nearly half of nonmetro workers without high school diplomas work in low-wage jobs (compared with one in four who completed high school or

attended college without graduating). This suggests that even a limited amount of additional formal schooling would help many less-educated workers attain a family-sustaining income. <sup>RA</sup>



**Visit the ERS Website**  
***www.ers.usda.gov***