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AMBER WAVES

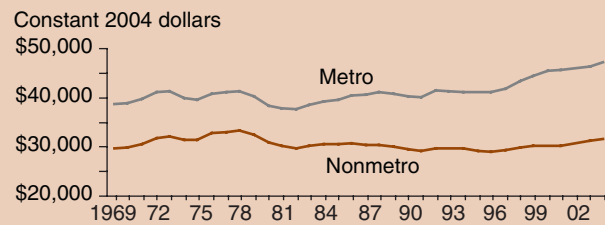
Nonmetro Earnings Lag Metro

Nonmetro earnings per job are an important indicator of how the rural economy is performing. In 2004, average earnings per nonfarm job in nonmetro areas were \$31,582, versus \$47,162 in metro areas. This gap is longstanding, and widening. Nonmetro earnings were 81 percent of metro earnings in 1979 but dropped to 67 percent by 2004.

Nonmetro earnings trail metro across all nonfarm industries. And a greater portion of metro jobs are in higher paying industries. In 2004, industry sectors with the greatest concentrations of higher paid, college-educated workers posted the largest shortfalls in nonfarm earnings per job. Nonmetro earnings in the finance and insurance sector, for instance, were 43 percent of metro earnings, information services earnings were 45.5 percent, and professional technical industry earnings were 49.7 percent. Earnings were more comparable in nonmetro transportation and warehousing (79.6 percent of metro), retail trade (74.6 percent), and accommodations/foodservice (73.1 percent).

Metro areas often have higher proportions of skilled, higher paid workers within industries, as well. In 2005, the proportion of nonmetro workers in higher paying professional and managerial occupations was 9.3 percentage points less than in metro

Earnings per nonfarm job, 1969-2004



Source: Analysis by USDA, Economic Research Service of Regional Economic Information System (REIS) data from the Bureau of Economic Analysis.

areas. At the same time, a greater share of nonmetro employment is in lower paying blue-collar occupations.

The higher proportion of nonmetro part-time and multiple job holders also helps explain the metro-nonmetro earnings difference. About 18.3 percent of nonmetro workers held part-time jobs in the first half of 2006, versus 17.2 percent of metro workers. In addition, about 6.1 percent of nonmetro workers held more than one job, compared with 5 percent of metro workers.

Finally, greater distance from metro centers is associated with lower earnings and fewer job opportunities for educated workers. Access to centers of information, communication,

Reclassification of Nonmetro Areas Exaggerates Employment Gap

Population growth has occurred in a number of nonmetro counties because they are on the edges of established metro areas or are centered on smaller but growing urban areas. After each decennial census, these population shifts cause some nonmetro counties to be reclassified as metropolitan. Metro areas that lose population are reclassified as nonmetropolitan much less frequently, primarily as a result of changes in metro area reclassification rules (see "Behind the Data," *Amber Waves*, September 2003). The net result of these changes is that the area classified as nonmetropolitan becomes slightly smaller after each census, and many of the fastest growing nonmetro counties are reclassified as metro.

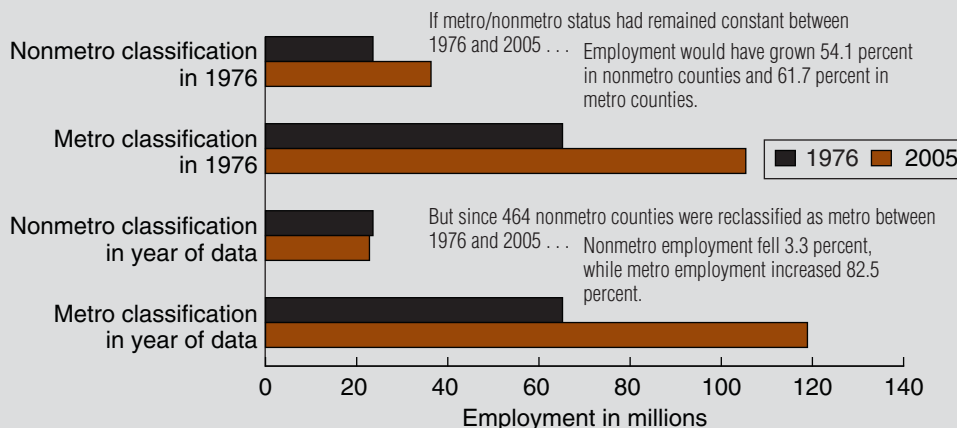
This reclassification can affect employment statistics, exaggerating the contrast in metro-nonmetro economic growth. In fact, the apparent decline of nonmetro employment and most of the evident gap between metro and nonmetro growth rates reflect the reclassification of nonmetro counties as metro.

For example, employment in America's nonmetro counties fell 3.3 percent between 1976 and 2005 to 22.8 million. Because total U.S. employment grew nearly 60 percent in that span, nonmetro's share declined from 26.6 percent to 16.1 percent. Meanwhile, metro employment jumped 82.5 percent to 118.9 million and the metro share of total U.S. employment rose from 73.4 to 83.9 percent.

To understand the impact of reclassification, consider the 2,486 counties classified as nonmetro in 1976. By 2005, employment in these counties had grown 54.1 percent to 36.3 million, and they accounted for 25.6 percent of total U.S. employment, just 1 percentage point below the corresponding value for 1976. Thus, comparing growth rates based on 1976 metro status reveals a relatively modest disparity between the experience of metro and nonmetro counties.

However, the 2000 census reclassified 464 nonmetro counties as metro, which changes the employment picture. Employment in these "new" metro counties increased 92.8 percent

Metro/nonmetro reclassification changes the apparent employment picture



Source: Analysis by USDA, Economic Research Service of Bureau of Labor Statistics data.

trade, and finance enable a smaller economy to connect to national and international marketplaces. In nonmetro counties with an urban population between 10,000 and 49,999, earnings per job were 69 percent of metro, compared with 61.4 percent in nonmetro counties of less than 10,000.

Lower earnings, however, do not necessarily indicate that rural residents are worse off than their metro counterparts. The cost of living varies with geography, and nonmetro areas typically have lower costs than metro. For more information, see, "Adjusting for Living Costs Can Change Who Is Considered Poor" (pages 10-15). **W**

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This finding is drawn from . . .

The Nonfarm Earnings chapter of the ERS Briefing Room on Rural Income, Poverty, and Welfare, www.ers.usda.gov/briefing/income-povertywelfare/nonfarmearnings/

from 1976 to 2005, compared with 36.5 percent in the 2,022 counties that remained nonmetro. At the same time, employment in the 625 counties that remained metro from 1976 to 2005 grew 61.7 percent to 104.7 million. The reclassified counties represented more than 30 percent of the nonmetro employment base in 1976.

Even if the expansion of metro areas continues, the current nonmetro counties likely will still account for something close to their present share of national employment 30 years from now when growth rates are compared based on 2005 metro status. However, a disproportionate number of the fastest growing among these counties will be reclassified as metro, and statistically speaking, the remaining nonmetro counties' share of national employment will decline even further. **W**

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This finding is drawn from . . .

The ERS Briefing Room on Measuring Rurality, www.ers.usda.gov/briefing/rurality/



Designing an Effective Rural Development Strategy

Technological change and the shift to a more competitive global economy have reduced employment in farming and many other rural-oriented industries. To help rural communities adjust, Federal, State, and local governments have invested in improved education, training, and infrastructure, and provided other valuable assistance. But without a good local plan or strategy, these investments are often unsuccessful.

Most rural development experts argue for an inclusive, local strategy-building process that proposes ways to build on community strengths and shore up weaknesses. A community's strengths may include an education system that produces a highly skilled labor force or natural amenities that attract tourists and future residents. Local weaknesses may include inadequate infrastructure, lack of a highly skilled workforce, or a housing shortage.

A collaborative effort using an entire region's assets may be required to help a locality improve access to community colleges, airports, amenity attractions, and telecommunications. Successful economic development strategies pay attention to market trends when identifying economic niches where the locality can have a comparative advantage. For instance, some communities may find it economically feasible to focus on developing value-added food

processors, particularly if raw inputs are plentiful, demand for the industry's output is significant and rising, and transportation links and other business location factors match the industry's needs. These "niche" strategies try to foster the growth of industries with desirable qualities, such as high wages and long-term growth potential.

Effective development strategies also aim for economic diversification, so the community is less subject to fluctuations associated with one or two industries. A focus on entrepreneurship and small business development can be particularly helpful.

Local strategies will vary. For example, agricultural or manufacturing areas may focus more on improving education and training, upgrading Internet connections, and finding new niches—such as alternative energy production—to encourage renewed growth. In contrast, rapidly growing communities may pursue policies aimed at managing growth to make it more sustainable and amenable to local quality of life.

Regardless of the local situation, effective development strategies recognize the importance of community development, including improved housing and health, and reduced crime and poverty. Such activities share the gains from economic development with those who might otherwise not benefit and boost local support for the strategy. Community development also helps attract people and industry to the community, since many consider noneconomic factors in their decisions to relocate. **W**

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This finding is drawn from . . .

The ERS Briefing Room on Rural Development Strategies, www.ers.usda.gov/briefing/ruraldevelopment/