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Rural Employment At A Glance

Many Americans envision rural America as being heavily agricultural. Indeed much of the land area of rural America is devoted to agricultural uses. However, only a small portion of the jobs in rural and small-town America are in the agricultural sector, and this portion has continued to decline in recent decades. Farm jobs fell from 12.4 percent of nonmetro jobs in 1976 to 6.2 percent by 2004.

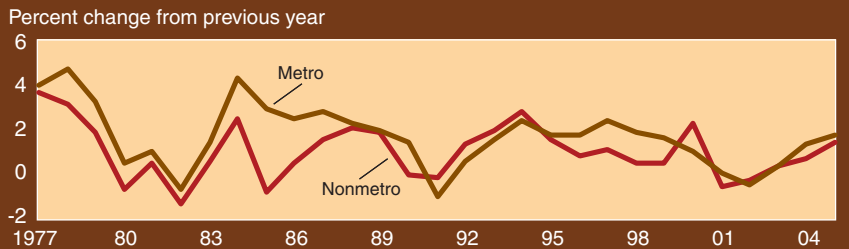
The manufacturing sector employs nearly twice as many nonmetro workers as the farm sector does. More than a third of nonmetro employment is found in manufacturing-dependent counties, but the importance of nonmetro manufacturing has declined over time. In contrast, there has been sharp growth in the employment shares of nonmetro retirement-destination or recreation counties. (Data on nonmetro areas are used in this report to describe rural and small-town America. The definitions of metro and nonmetro areas are discussed in the section on data sources at the end of this report.)

In 2005, nonmetro America accounted for about a sixth of U.S. employment, or nearly 23 million workers. The nonmetro share of employment has declined markedly in recent decades, but the decline primarily reflects the reclassification of many growing nonmetro counties as metro counties.

The nonmetro unemployment rate has generally moved over time in the same way that the metro rate has but at a higher level. As nonmetro areas have become more economically diverse since the 1990's, the metro-nonmetro difference in the unemployment rate has diminished. As with metro areas, the nonmetro unemployment rates among minorities and teenagers remain much higher than the overall rate.

Nonmetro earnings per nonfarm job were $31,582 in 2004, compared with $47,162 in metro areas. In contrast to the declining unemployment rate gap, the metro-nonmetro gap in nonfarm earnings has expanded over time. Nonmetro earnings in 2004 were 67 percent of metro earnings, compared with 81 percent in 1979. Some of the metro-nonmetro difference in earnings can be attributed to differences in occupational mix. Nonmetro areas have a lower proportion of jobs in higher paying professional and managerial occupations and a higher proportion in lower paying blue-collar occupations than do metro areas.

Metro and nonmetro employment growth rates, 1976-2005



Note: The metro and nonmetro definition used in this report is based on the June 2003 OMB classification except where noted.
Source: Calculated by ERS using data from the Bureau of Labor Statistics.

United States Department of Agriculture
Economic Research Service

Economic Information Bulletin Number 21
December 2006

Employment growth, 1976-2005, by 1976 and 2005 metro county status

County type	Number of counties	1976 Employment	1976 Share of U.S. employment	2005 Employment	2005 Share of U.S. employment	Change, 1976-2005
	Number	*Thousands*	*Percent*	*Thousands*	*--- Percent ---*	
Metro in 1976 and 2005	625	64,775.5	73.0	104,717.1	73.9	61.7
Nonmetro in 1976 and 2005	2,021	16,207.3	18.3	22,124.7	15.6	36.5
Nonmetro in 1976 and metro in 2005	464	7,363.4	8.3	14,194.8	10.0	92.8
Metro in 1976 and nonmetro in 2005	22	394.8	.4	670.9	.5	70.0
Total	**3,132**	**88,741.0**	**100.0**	**141,707.5**	**100.0**	**59.7**

Source: Calculated by ERS using data from the Bureau of Labor Statistics.

Nonmetro Share of U.S. Employment Declining

Nonmetro America accounted for 16.1 percent of U.S. employment, or close to 23 million workers, in 2005. The nonmetro share of employment was down markedly from that of 1976, when nonmetro counties accounted for 26.6 percent of U.S. employment.

The apparent decline in the nonmetro share of employment primarily reflects the reclassification of many growing nonmetro counties as metro counties. The share of employment in counties that were considered metro in both 1976 and 2005 changed little. These counties accounted for 73 percent of U.S. employment in 1976 and 74 percent in 2005. However, counties considered nonmetro in 1976 and metro in 2005 accounted for an additional 10 percent of 2005 U.S. employment. These counties grew faster than either continuously metro or continuously nonmetro counties. In all, employment in these counties has grown by 93 percent since 1976, when they accounted for 8.3 percent of national employment. Many of these counties were on the rapidly growing fringes of existing metro areas; others were centered on smaller urban cores that attained metro status due to rapid growth.

Metro and Nonmetro Employment Growth Rates Nearly Converge

Employment has grown over time in both metro and nonmetro areas. Between 1976 and 2005, employment in counties that are currently nonmetro (that is, nonmetro in 2005 no matter what they were in 1976) grew by 37 percent, while employment in counties that are currently metro grew by 65 percent.

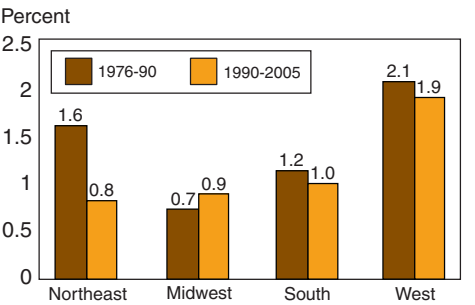
However, by splitting this period into two roughly equal shorter periods, we observe that the growth rates of currently metro and nonmetro counties were quite different in the first period (1976-90), while in the second period (1991-2005), they nearly converged. Between 1976 and 1990, employment in currently metro counties grew at an annual average rate of 2.3 percent, compared with the rate of 1.2 percent in currently nonmetro counties. Since 1990, the metro employment growth rate fell to 1.2 percent per year, while the nonmetro rate fell slightly to 1.0 percent per year.

Sectoral employment trends in recent years have favored service-producing industries that are more heavily represented in metro areas. The success of nonmetro counties in keeping pace with metro employment growth rates suggests that nonmetro areas have narrowed their locational disadvantages in attracting jobs within these growing industries.

West Has Fastest Nonmetro Employment Growth

Nonmetro employment growth varies by region, and regional growth rates have varied over time. During 1976-90, annual growth rates ranged from 0.7 percent in the Midwest and 1.2 percent in the South to 1.6 percent in the Northeast and 2.1 percent in the West. During 1990-2005, the West continued to lead in employment growth with an average annual rate of 1.9 percent. Nonmetro growth rates in the Northeast, the Midwest, and the South converged in the 0.8- to 1.0- percent range.

Nonmetro average annual employment growth rates by region, 1976-1990 versus 1990-2005

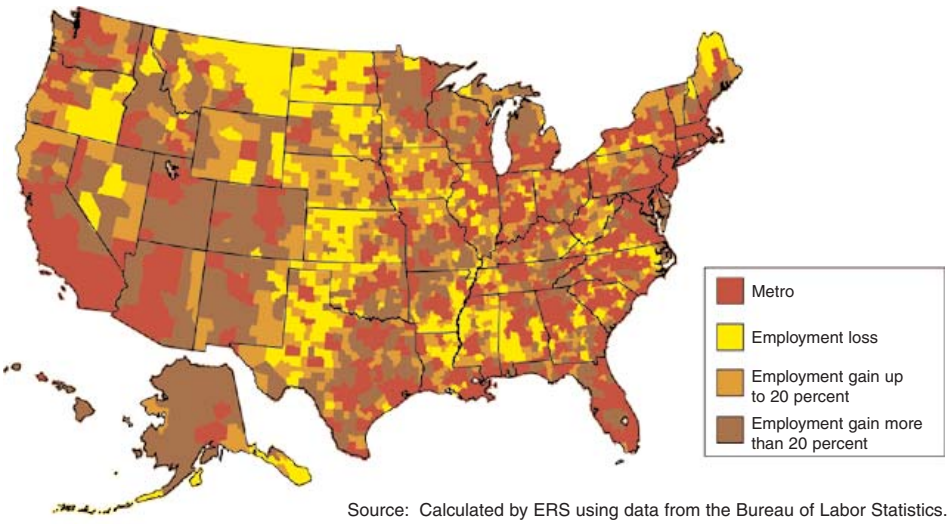


Source: Calculated by ERS using data from the Bureau of Labor Statistics.

At the county level during 1990-2005, employment losses occurred in much of North Dakota, in portions of western Kansas, eastern Montana, and much of western Texas. Many nonmetro counties in portions of the Southern States, including Alabama, Mississippi, Louisiana, and Arkansas, also lost employment during this period.

Other notable trends include strong nonmetro employment growth in much of the West and in recreational areas of some Midwestern States, such as Michigan, Wisconsin, and Minnesota. Strong growth can also be seen in nonmetro areas of the fast-growing States of Texas and Florida and in nonmetro counties in northern Georgia and adjoining areas.

Nonmetro employment change, 1990-2005



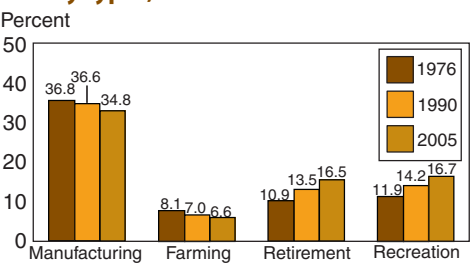
Source: Calculated by ERS using data from the Bureau of Labor Statistics.

Nonmetro Employment Falls in Farming and Manufacturing, Grows in Retirement and Recreation Counties

Agricultural jobs in rural and small-town America fell from 12.4 percent of nonmetro jobs in 1976 to 6.2 percent of nonmetro jobs in 2004. Along with this drop has been a relative decline in overall employment in areas that depend the most on farming: While counties currently classified as farming dependent accounted for more than 8 percent of nonmetro employment in 1976, these same counties accounted for 6.6 percent of nonmetro employment by 2005. Overall employment growth in these counties was slow, as substantial drops in farm employment largely offset moderate growth in nonfarm employment.

The manufacturing sector employs far more nonmetro workers than the farm sector does. Hence, manufacturing-dependent counties are more numerous and have more jobs than farming-dependent counties do. In 2005, manufacturing accounted for about 11.9 percent of all nonmetro jobs, but this share is down sharply from 19.4 percent of jobs in the same counties in 1976. About 13-15 percent of the decline can be attributed to a change in industry classification systems between 2000 and 2001, but the remainder reflects the long-term decline in the share of employment in manufacturing nationwide. More than one-third of nonmetro employment is found in counties that are considered manufacturing dependent. This share has also declined slightly over time. However, in counties currently considered manufacturing dependent, stable or declining manufacturing employment has been largely offset by growth in nonmanufacturing employment.

Employment shares of nonmetro county types, 1976-2005



Note: Share of employment for all years is based on the 2004 ERS County Typology Codes.
Source: Calculated by ERS using data from the Bureau of Labor Statistics.

In contrast, employment in nonmetro retirement-destination or recreation counties has increased sharply. Many counties belong to both county types; counties that belonged to one or both types accounted for more than 24 percent of nonmetro employment by 2005. Both county types benefit when tourists, part-year residents, and retirees spend income earned elsewhere on local goods and services. Many of these counties have also grown by attracting entrepreneurs and leaders of "footloose" businesses who seek a high quality of life for themselves and their staffs, which can be provided by natural and recreational amenities.

Nonmetro and Metro Unemployment Rates Similar

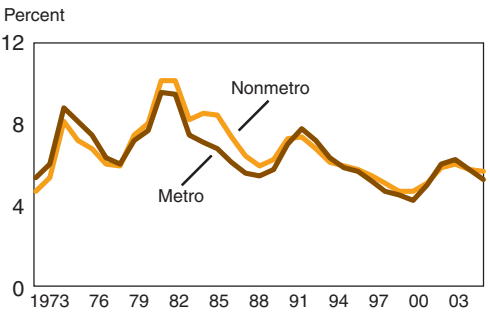
The job picture for both nonmetro and metro areas improved in 2005, as unemployment rates dropped to their lowest levels since the 2001 recession. Unemployment stood at 5.4 percent (1.3 million people) in nonmetro areas and 5.0 percent in metro areas (6.3 million people), both down slightly from 2004 levels. Although both metro and nonmetro unemployment rates remain above pre-2001 recession levels, they were the lowest since 2001.

Metro and nonmetro unemployment rates have generally moved together throughout the business cycle, although nonmetro unemployment is higher. During the 1970's, a greater concentration of jobs in natural resource-based industries, such as farming and mining, helped keep nonmetro unemployment rates closer to metro rates. In the 1980's, this specialization in natural resource-based and manufacturing employment resulted in higher nonmetro unemployment rates. In recent decades, the nonmetro economy has become more diversified and unemployment rates have moved closer to metro rates.

- The nonmetro jobless rate rose from 2001 through 2003 and fell slightly in 2004. The pre-recession nonmetro unemployment rate was 4.4 percent in 2000, the lowest since 1973.
- Official unadjusted unemployment rates may underestimate the full extent of employment difficulties by excluding marginal and underemployed workers. The adjusted unemployment rate in nonmetro areas was 9.6 percent in 2005, compared with 8.8 percent in metro areas. The adjusted unemployment rate includes marginal workers (those who want to work and are available, but not currently looking) and half of those who are employed part-time, but would like to work full-time.
- The proportion of the working age population employed was 78.7 percent for nonmetro people ages 25-54 in 2005, compared with 79.4 percent for metro people. The employment-to-population ratio is an indicator of the overall tightness of a labor market. A high employment-to-population ratio indicates that more workers support the population. The nonmetro employment-to-population ratio has consistently been lower than the metro ratio.

While metro and nonmetro unadjusted unemployment rates were almost identical in 2005, rates among different racial and ethnic groups and across regions were considerably different.

Metro and nonmetro unemployment rates, 1973-2005

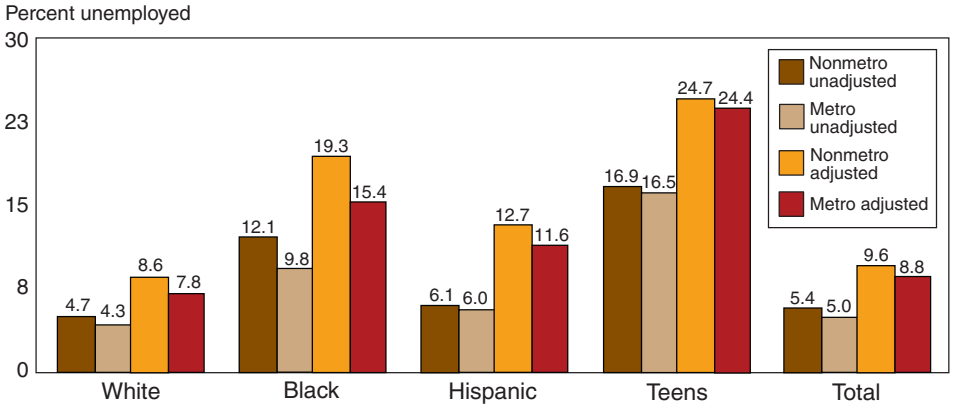


Note: Metro and nonmetro definition changes occurred in 1985, 1994, and 2005.
Source: Calculated by ERS using data from the Current Population Survey.

Unemployment Highest for Youth and Minorities

Minorities and teens have the highest unadjusted jobless rates in both metro and nonmetro areas. For many of these groups, jobless rates have remained at post–recession peaks or have fallen slightly. For nonmetro Blacks, the unemployment rate in 2005 was 12.1 percent (adjusted 19.3 percent); for Hispanics, 6.1 percent (adjusted 12.7 percent); and for all teenagers, 16.9 percent (adjusted 24.7 percent).

Unemployment by race/ethnicity and youth, 2005



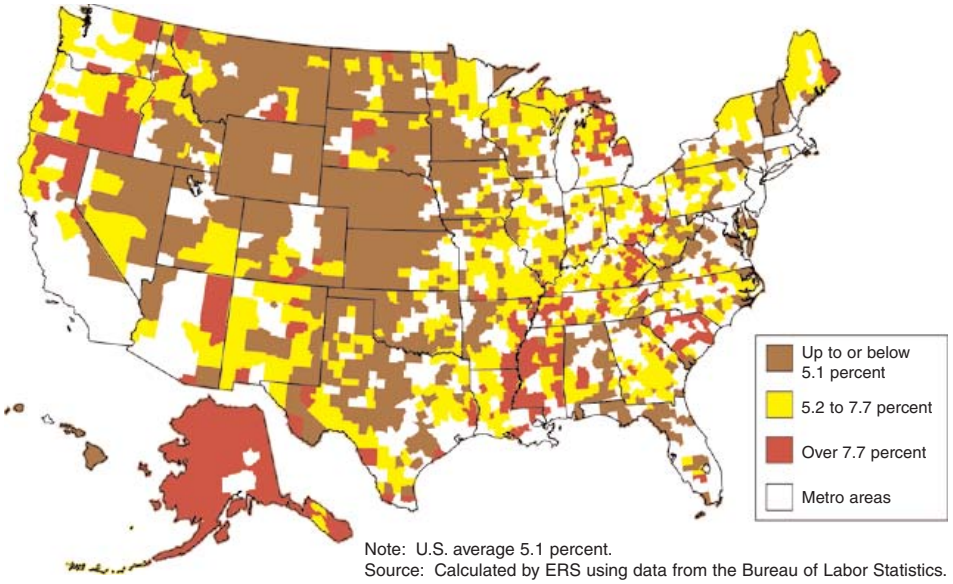
Note: The adjusted unemployment rate includes people who want to work and are available but are neither currently working nor looking for work and half of part-time workers who want and are available for full-time work.
Source: Prepared by ERS using Current Population Survey data from the Bureau of Labor Statistics.

Unemployment Highest in the South

Nonmetro unemployment rates vary significantly by region, with the highest rates in the South (6.0 percent) and West (5.5 percent), followed by the Midwest (5.4 percent) and the Northeast (4.9 percent).

- The highest nonmetro unemployment rates in 2005 were concentrated in the Mississippi Delta (Mississippi, Louisiana, and Arkansas), the Northwest (Washington, Oregon, and northern California), Alaska, Appalachia, and parts of northern Michigan. The lowest unemployment rates were generally found in the Midwest (Kansas, Nebraska, and Iowa).
- Some nonmetro counties have both high unemployment and rapid employment growth. In small counties with high unemployment, an increase in the number of jobs can lead to a high growth rate but little change in the unemployment rate. This situation can also occur in high job growth areas that attract people looking for work.
- Nonmetro areas with large Black, Native American, and Hispanic populations continued to experience above-average unemployment rates.
- Many areas with high unemployment rates also have low educational attainment levels as well as a lack of employment opportunities.

Nonmetro unemployment rates, 2005



Note: U.S. average 5.1 percent.
Source: Calculated by ERS using data from the Bureau of Labor Statistics.

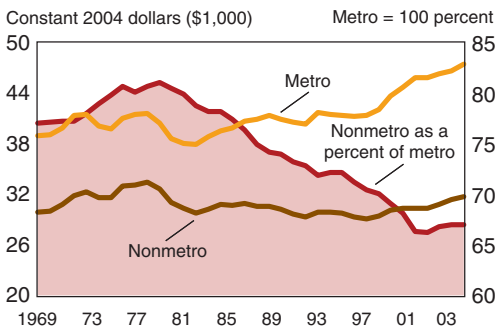
Metro-Nonmetro Earnings Gap Expanding

In nonmetro areas, average earnings per nonfarm job are lower than in metro areas. In 2004, nonmetro workers averaged $31,582 per nonfarm job, compared with $47,162 in metro areas. This metro-nonmetro earnings gap has been expanding over time. In 1969, nonmetro earnings were 76.9 percent of metro earnings; by 2004, the share had dropped to 67 percent. The gap was smallest in 1979 when nonmetro nonfarm earnings were 80.9 percent of metro earnings. Differences in the cost of living, multiple jobholding, and the occupational structure of metro and nonmetro areas are some of the factors associated with this gap in earnings.

After we adjust for inflation, we find that nonmetro earnings per nonfarm job have fallen since they peaked in 1979. Earnings dropped from $32,518 in 1979 to $31,582 in 2004. Metro earnings steadily increased, rising from $40,230 to $47,162.

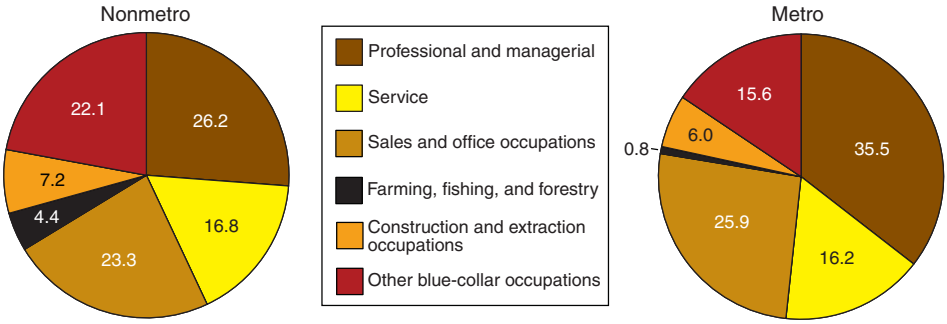
- ERS has estimated that it costs about 16 percent less on average to live in a nonmetro county than in a metro county. Nonmetro earnings on average have been 25.5 percent lower than metro earnings.
- In 2004, 7.3 percent of nonmetro workers held more than one job, compared with 5.5 percent of metro workers. Also, a higher percentage of part-time workers are seeking full-time work.

Earnings per nonfarm job, 1969-2004



Source: Calculated by ERS using data from the Bureau of Economic Analysis.

Metro and nonmetro employment by occupation, 2005



Source: Calculated by ERS using data from the 2005 March Current Population Survey.

- The metro-nonmetro gap in nonfarm earnings per job can also be partly explained by the higher percentage of metro jobs in professional and managerial occupations.

The proportion of nonmetro workers in higher paying professional and managerial occupations is 9.3 percentage points less than in metro areas. At the same time, a greater share of nonmetro employment is in lower paying blue-collar occupations. Jobs that require more education are more concentrated in metro areas.

More Research on Rural Employment at ERS . . .

The Cost of Living and the Distribution of Poverty, by Dean Jolliffe. USDA, ERR-26, September 2006, available at: www.ers.usda.gov/Publications/ERR26/

Recreation, Tourism, and Rural Well-Being, by Richard J. Reeder and Dennis M. Brown. ERR-7, August 2005, available at: www.ers.usda.gov/Publications/err7/

And additional readings recommended at: www.ers.usda.gov/Briefing/LaborAndEducation/

Data Sources

This report draws on the research of ERS's Resource and Rural Economics Division. Data in this analysis come from 1976-2005 Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics; the Bureau of Economic Analysis (BEA); and the Current Population Survey (CPS), U.S. Census Bureau.

Definitions

What Is Rural?

Metropolitan (metro) and Nonmetropolitan (nonmetro) areas are defined by the U.S. Office of Management and Budget (OMB). The data in this report, except where noted, are based on OMB's 2003 definition of metro and nonmetro areas. For more information, go to: www.ers.usda.gov/Briefing/Rurality/.

What Are County Types?

County Typology Codes, developed by ERS in 1989 and updated in 2004, classify metro and nonmetro counties based on primary economic activity and social characteristics. For more information, go to: www.ers.usda.gov/Briefing/Rurality/Typology/.

ERS Website and Contacts

Information on rural employment can be found at the ERS website at ***www.ers.usda.gov/Emphases/Rural***. For more information, contact: ***Lorin D. Kusmin*** at ***lkusmin@ers.usda.gov***, ***202-694-5429*** or ***Timothy Parker*** at ***tparker@ers.usda.gov***, ***202-694-5435***

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