Employment Growth Rates Converge for Metro and Nonmetro Areas

Employment growth and other labor market indicators suggest that the metro United States experienced somewhat more robust economic expansion than the nonmetro United States in 1995-96, after several years in which the nonmetro United States had led the expansion. Demographic and geographic clusters of unemployment account for a large fraction of the nonmetro unemployed.

From 1990 to 1994, nonmetro employment grew at twice the rate of metro employment, according to data from the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS). However, in the past 2 years, nonmetro growth has slowed, while the metro growth rate has accelerated and now exceeds the nonmetro rate. From 1995 to 1996, metro employment grew 1.7 percent while nonmetro employment grew 0.9 percent.

At the regional level, employment growth has accelerated in metro areas in all four Census regions since the early 1990's, while nonmetro employment growth accelerated only in the Northeast (table 1).

Growth Rate Differentials Across Regions and County Types Narrow

Overall, regional and metro-nonmetro disparities in employment growth appear to be slight at this point in the economic expansion. Employment growth rates for 1995-96 ranged from 0.7 percent in the nonmetro South to 1.9 percent in the metro South and metro West (fig. 1 and appendix table 1). This spread is modest compared with the range seen just 2 years earlier, when estimated employment growth was as low as 0.1 percent in the nonmetro Northeast and as high as 4.5 percent in the nonmetro West.

Past differences in employment growth rates across other county classifications also seem to have declined. The 0.9-percent 1995-96 employment growth rate for nonmetro counties was nearly the same for counties both adjacent and nonadjacent to metro areas, while the corresponding 1.7-percent growth rate for metro counties was nearly the same in the core counties of large metro areas as it was in other ("noncore") metro counties (appendix table 1). While some differences in growth rate by county economic type do persist for nonmetro counties, these differences have also generally declined, as growth rates have fallen rapidly since 1994 for several county types that were then growing particularly rapidly—including Federal lands, service-dependent, and farming counties—while declining more gradually for some county types that were growing more slowly—such as mining counties and government-dependent counties.

Nonmetro Unemployment Is Geographically Dispersed, but Clusters of Unemployment Are Substantial

Overall, there were about 1.7 million nonmetro unemployed in 1996. If unemployment rates in all high-unemployment counties (those with unemployment rates above the U.S.

Table 1

Metro and nonmetro employment growth rates by region, 1990-94 and 1994-96

Metro employment growth rates have accelerated since 1994, and now exceed nonmetro growth rates in three of four regions

	Nonmetro		Metro	
Region	1990-94	1994-96	1990-94	1994-96
	Annual percentage growth rates			
Northeast	-0.2	1.3	-0.8	1.1
Midwest	1.8	1.2	1.2	1.5
South	1.5	1.3	1.5	2.0
West	2.6	1.7	0.7	2.1
U.S. average	1.6	1.3	0.8	1.7

Note: These growth rates are calculated from annual average employment levels for 1990, 1994, and 1996.
Source: Calculated by ERS using Local Area Unemployment Statistics data from the Bureau of Labor Statistics.

average) had been reduced to the U.S. average, this number would have fallen by about 0.4 million. The distribution of this 0.4 million may be viewed as the geographic component of any nonmetro unemployment problem. Those who are unemployed in areas of relatively low unemployment, or who would remain unemployed even if unemployment in their areas fell to average levels, also suffer economic hardship, but their situations reflect macroeconomic or broad institutional factors rather than geographically specific circumstances. (However, geographic concentrations of unemployment are likely to reflect geographic concentrations of individuals with characteristics that predispose them to unemployment, as well as characteristics of the locations themselves.)

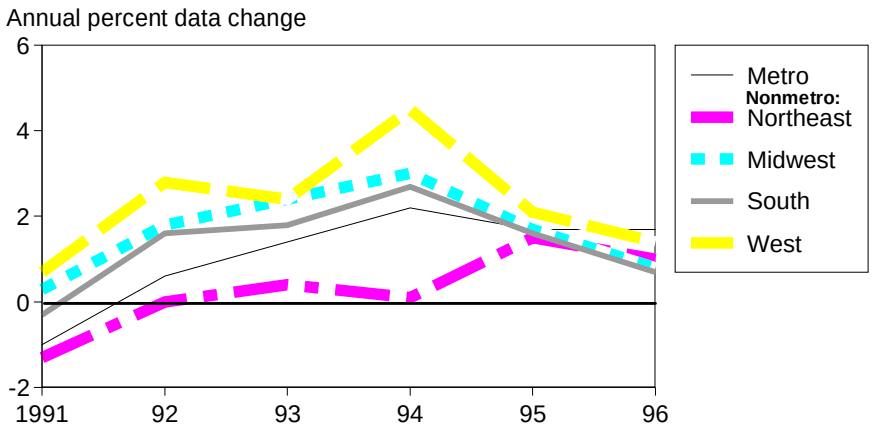
Figure 2 illustrates the distribution of these 0.4 million "location-specific unemployed." Overall, more than 1,200 U.S. nonmetro counties had unemployment rates above the U.S. average in 1996, but just 240 of these counties accounted for more than 60 percent of the location-specific unemployed. About 38 percent of the nonmetro location-specific unemployed are concentrated in seven Western and three Southern States (Alaska, Arizona, California, Hawaii, New Mexico, Oregon, Washington, Louisiana, South Carolina, and West Virginia), which together have less than 15 percent of the nonmetro labor force. The other 62 percent are scattered among 37 other States, including 29 with more than 1,000 location-specific unemployed persons each. Some nonmetro areas where high unemployment rates combine with relatively large population concentrations to yield substantial concentrations of the location-specific unemployed include Imperial County, California; the South Carolina-North Carolina border area; the Kentucky-Virginia border area; and parts of the Rio Grande Valley in Texas.

Other Labor Force Indicators Show Relative Gains for Metro Areas in 1996, but Indicate Renewed Nonmetro Growth in 1997

Current Population Survey (CPS) data on employment and unemployment in nonmetro areas are now available again, but the 1994 redesign and other changes limit comparability with earlier data (see appendix).

The CPS data that are available appear to match the LAUS data in showing metro areas outpacing nonmetro areas in employment growth in 1996. From the first quarter of 1996 to the first quarter of 1997, the labor force participation rate rose 0.7 percentage points in metro areas and the employment/population ratio rose 1.0 percentage point (table 2).

Figure 1
Estimated employment growth by year, 1990-96, metro average and four nonmetro regions
Nonmetro growth in the 1990's has generally been fastest in the West and slowest in the Northeast, but nonmetro growth rates have converged in the past 2 years



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

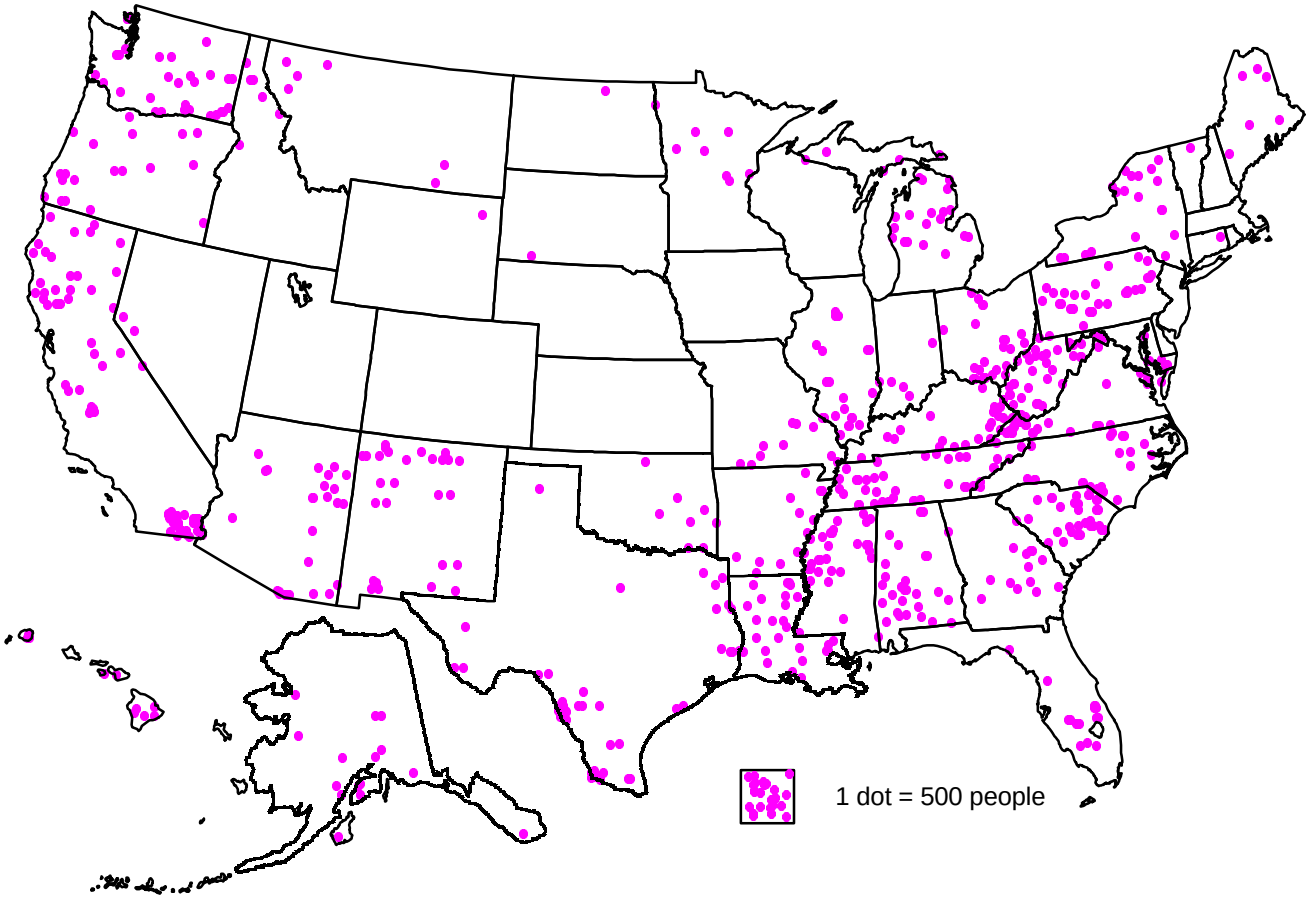
The corresponding indicators in nonmetro areas fell 0.2 and 0.3 percentage points. Metro area unemployment fell 0.4 percentage points over the same period while nonmetro unemployment rose 0.1 percentage points.

However, figures for the second quarter of 1997 suggest a renewed acceleration of nonmetro growth. Between the first and second quarter of 1997, estimated nonmetro labor force participation rose by 1.7 points, and the estimated employment/population ratio rose by 2.6 points. These values are not seasonally adjusted, as we do not have enough quarters of data since the CPS redesign to compute seasonal adjustments; however, both values are well in excess of typical first-to-second-quarter increases, and much greater than the corresponding metro changes. Similarly, while nonmetro unemployment normally falls substantially between the first and second quarter, the 1.5-point decline in 1997 is larger than typical, also suggesting increased vigor in the nonmetro economy. Strength in

Figure 2

Nonmetro counties with unemployment above U.S. average

Clusters of location-specific unemployment are found in many States



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

the manufacturing sector, which accounts for a larger share of employment in nonmetro areas, may have contributed to this vigor.

Unemployment Rates Vary Widely with Demographic Characteristics

CPS data for 1996 show that historical differences in unemployment rates across demographic groups persist. Unemployment rates of 8 percent or more were seen for labor force members under 25, for Blacks and Hispanics, and for those with less than a high school diploma (fig. 3). In contrast, unemployment rates were under 4 percent for those over 45 and for college graduates. Data for the first half of 1997 show little change in these patterns. *[Lorin Kusmin, 202-219-0550 (after October 24, 202-694-5429), lkusmin@econ.ag.gov]*

Table 2

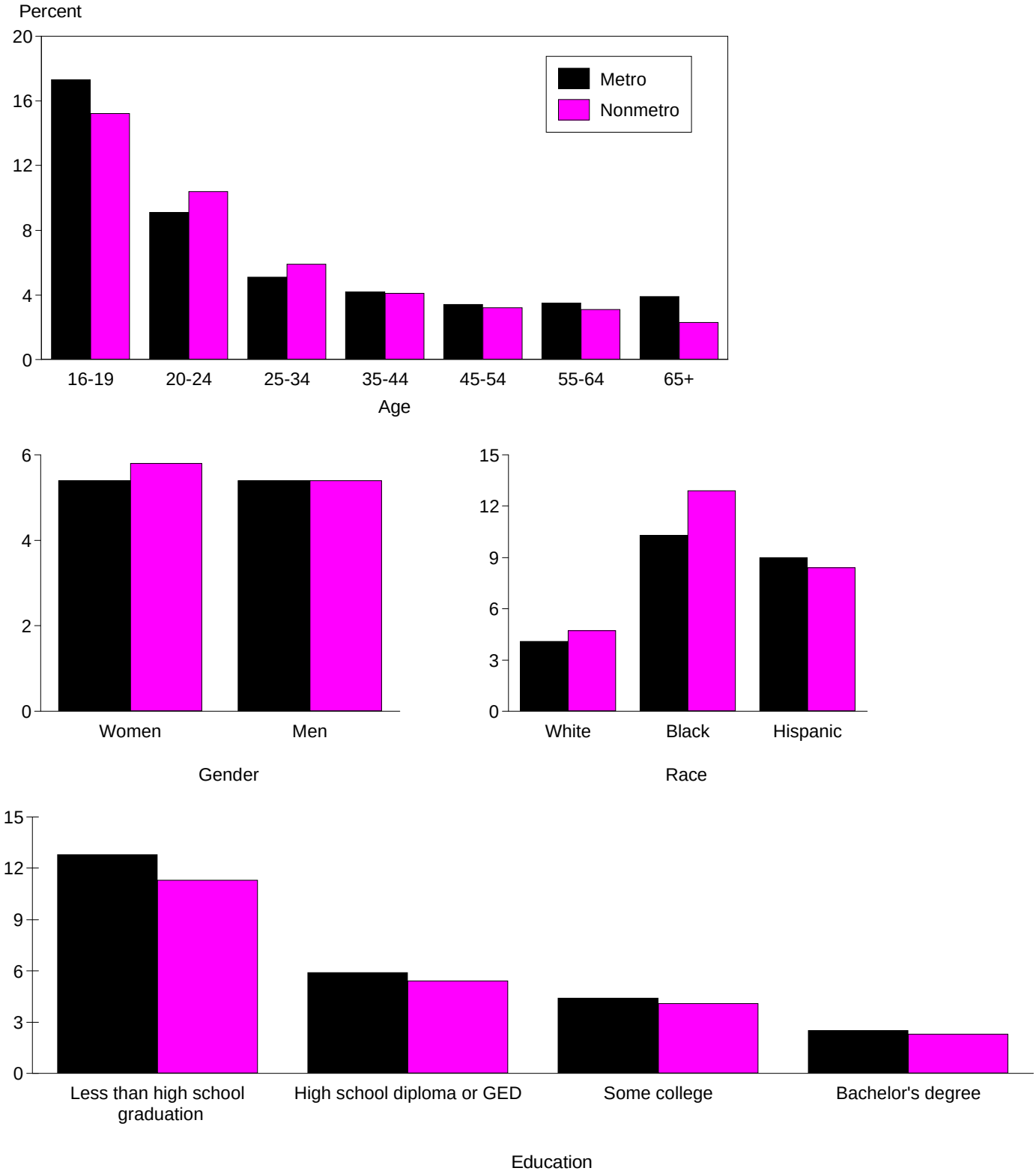
Labor force indicators, metro and nonmetro areas, first quarter 1996 and first quarter 1997

Labor force indicators from the Current Population Survey suggest that nonmetro labor markets were relatively stable during 1996, while expansion continued in metro labor markets

	First quarter 1996	First quarter 1997	Change
	Percent	Percent	Percentage points
Metro:			
Labor force participation rate	66.7	67.5	0.7
Employment/population ratio	62.7	63.7	1.0
Unemployment rate	6.0	5.6	-0.4
Adjusted unemployment rate	9.6	9.0	-0.7
Nonmetro:			
Labor force participation rate	63.7	63.5	-0.2
Employment/population ratio	59.7	59.4	-0.3
Unemployment rate	6.3	6.5	0.1
Adjusted unemployment rate	10.2	9.9	-0.2

Note: Change may not equal difference between columns due to rounding.
Source: Calculated by ERS using data from the Current Population Survey; not seasonally adjusted.

Figure 3
Metro and nonmetro unemployment rates by demographic group, 1996
Metro and nonmetro unemployment rates are similar for most demographic groups



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