

Rural Nonfarm Earnings Edge Up

During 1994, rural real earnings per nonfarm job increased faster than urban earnings. Rural earnings levels, however, continued to lag behind those for urban areas across all regions and industrial sectors.

Rural real earnings per nonfarm job rose by 1.2 percent from \$21,569 per nonfarm job to \$21,826 in 1994 (fig. 1).¹ Urban real earnings per nonfarm job increased at a slower pace (0.4 percent), rising from \$29,807 in 1993 to \$29,919 in 1994. This is the third consecutive year that rural earnings have increased, and the second consecutive year that rural earnings growth has outpaced urban. All industry sectors of the rural economy experienced real growth in 1994, and growth in all rural sectors matched or surpassed that of urban sectors. This contrasts markedly with rural earnings per job performance during the 1980's, when increasing demand for high skilled workers and a job mix dominated by declining industries hurt rural areas, and earnings per job fell at an annualized average rate of -0.6 percent. Although rural real earnings per job are growing after a decade of decline, a wide rural-urban earnings gap persists, presenting a mixed picture of the rural economy.

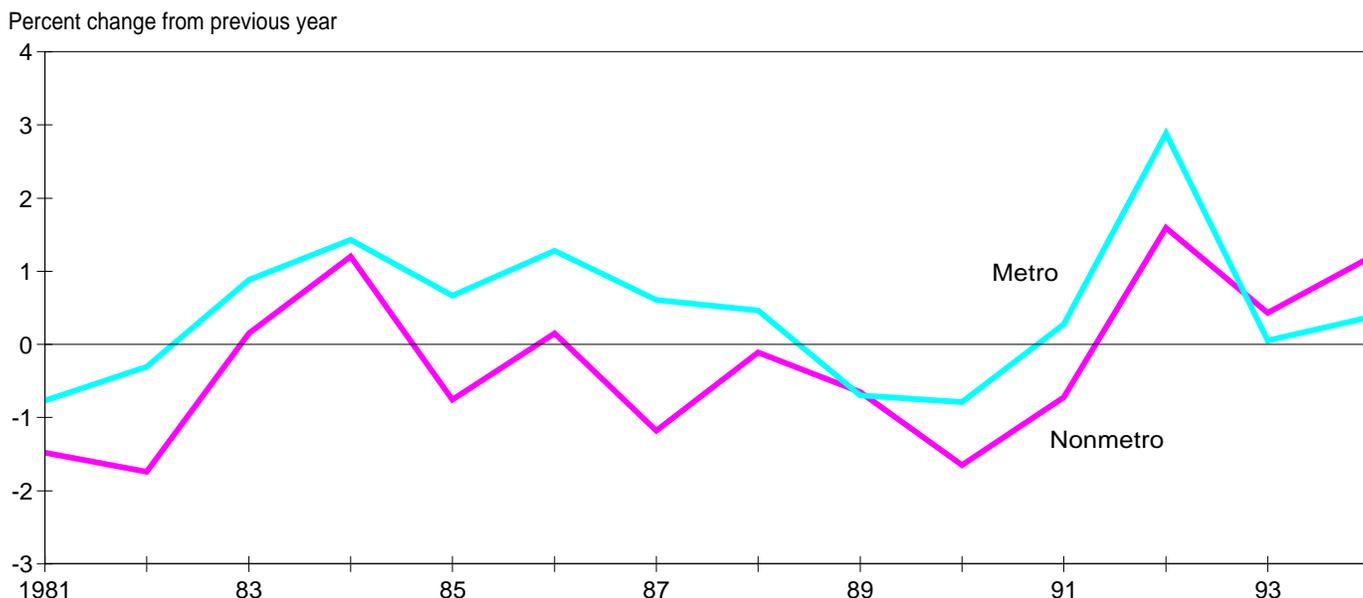
Rural-Urban Gap Remains Wide

Despite recent growth in rural real earnings per job, the rural-urban earnings gap increased steadily in the 1980's and early 1990's. In 1980, rural earnings per job were 80.6 percent of urban—a gap of \$5,465 (in 1994 dollars). By 1990, rural earnings had fallen to 73.7 percent of urban earnings—a gap of \$7,586. The largest rural-urban gap occurred in 1992, following the 1990-91 recession, when rural earnings were \$8,316 lower, or just 72.1 percent of urban. By 1994, the rural-urban gap had dropped only slightly to \$8,093, or 73.0 percent.

The rural-urban gap in earnings per job holds across all industry sectors (app. table 7). During the 1980's, the rural-urban earnings gap widened sharply in the services, trades,

¹The 1994 data reflect revisions of the 3 prior years and thus may not exactly match previously reported numbers. All years' earnings are converted to 1994 dollars using the implicit price deflator for personal consumption expenditures.

Figure 1
Annual change in real earnings per job, 1980-94¹
Nonmetro earnings per job outpaced metro in 1994



¹ Real earnings in 1994 dollars.

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

and construction sectors. Resource-based industries (agriculture services, mining) and government experienced less rural-urban divergence. In 1994, the earnings gap was largest in the finance, insurance, and real estate sector, where rural earnings per job were about half of urban earnings (\$30,048 vs. \$15,674). Rural earnings were 64.8 percent of urban in the services sector, 66.8 percent in wholesale trade, and 69.9 percent in manufacturing.

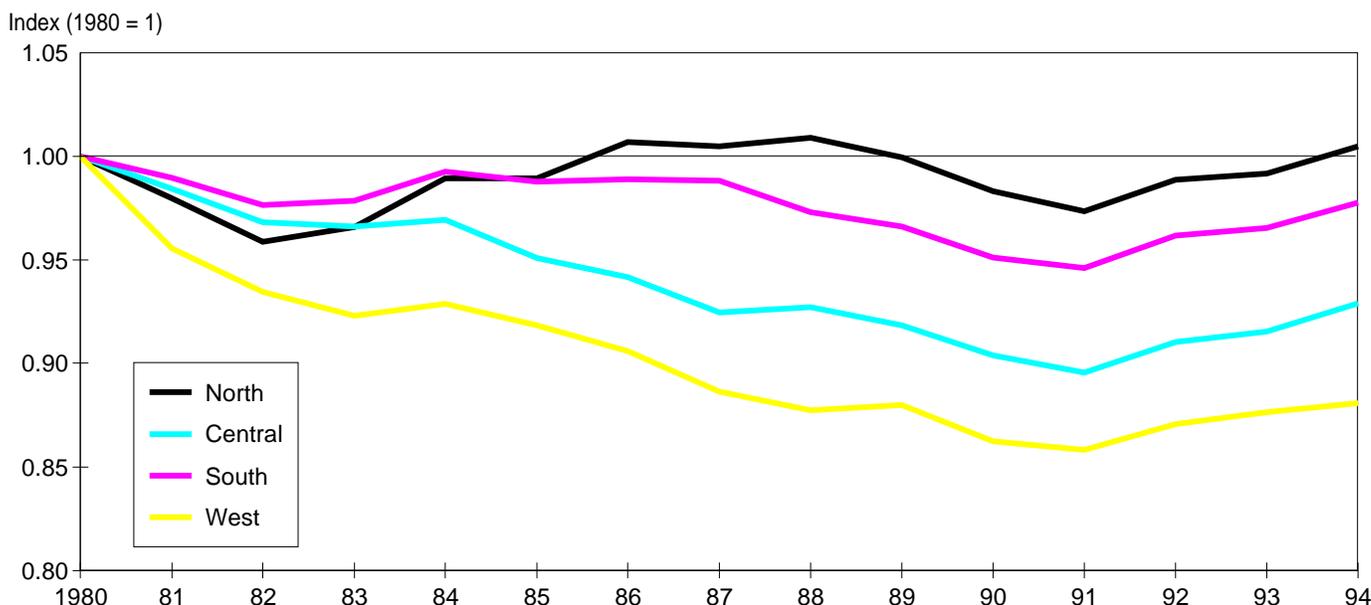
Despite Recent Rise in all Regions, Earnings per Job Remain Below 1980 Levels

Since 1991, rural earnings per job have increased in all regions (fig. 2). Even with these gains, 1994 rural earnings per job were lower than 1980 levels in the Western, Central, and Southern regions. During the 1980's, rural earnings per job fell in all regions, including the North. Particularly hard hit was the rural West, where 1990 earnings per job were only 86.2 percent of those in 1980, and the Central region, where 1990 earnings were 90.4 percent of those in 1980. Declines were more muted in the rural North and South, where 1990 earnings were 98.3 and 95.1 percent, respectively, of 1980 levels. Variation in two key sectors, manufacturing and services, helps explain these regional differences. Real earnings per job increased in both sectors in the rural North and South, but fell in the rural Central and Western regions. The rural West was hit particularly hard by a decline in manufacturing earnings per job; the rural Central region suffered a steep decline in earnings in the services sector.

Since 1991, rural earnings per job have increased in all regions' industries except the agricultural services, forestry and fishing sector. Earnings per job in manufacturing increased notably in the rural North, Central, and South. Rural earnings per job also rebounded in the services and government sectors, helping rural areas in all regions to improve during this period.

Although the rural West experienced the slowest growth in real earnings per job during 1990-94, the relative level of earnings remains high compared with the other regions. In 1994, rural areas in the North had the highest earnings per job (\$23,195), followed by the West (\$22,759), the South (\$21,382), and the Central region (\$20,334).

Figure 2
Nonmetro real earnings by region, 1980-94¹
Earnings declines were most pronounced in the rural West and Central regions during the 1980's



¹ Real earnings in 1994 dollars.
 Source: Calculated by ERS using data from the Bureau of Economic Analysis.

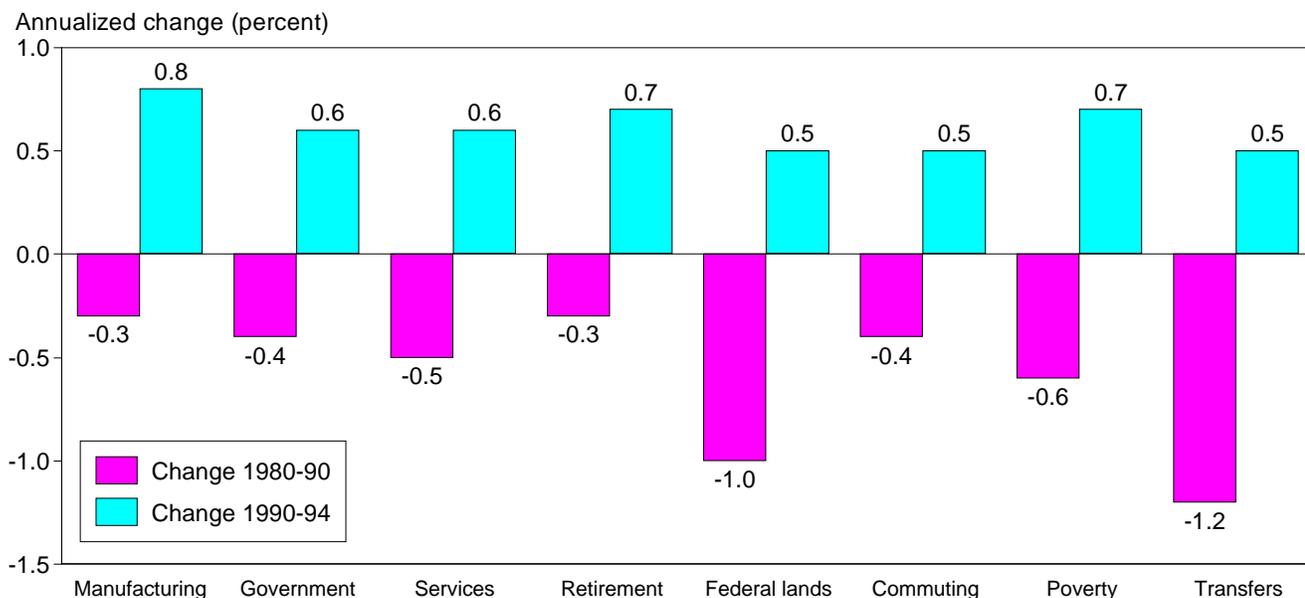
Earnings Rise in All County Types

All county types experienced declines in real earnings per job during the 1980's, and all (except mining counties) have had real earnings growth since 1990 (fig. 3). Manufacturing, retirement-destination, and persistent-poverty counties have had especially robust growth rates in 1990-94; real earnings per job growth in services and government counties matched the rural average for this period. While recent growth rates have been similar for most types, the rates of decline in the 1980's differed sharply. Federal lands and transfer-dependent counties experienced especially large declines in 1980-90. The disproportionate number of Federal lands counties in the rural West also helps explain that region's unusually large earnings per job loss in this period. Losses in manufacturing and retirement-destination counties, however, were much more modest. It is not totally clear why these divergent patterns of growth have been replaced by more uniform patterns of real earnings per job growth across county types. Converging earnings growth, however, is consistent with the widespread increase in rural employment during the 1990's and a tightening labor market. Furthermore, preliminary evidence suggests that many rural areas, regardless of their economic base, may be buoyed by the declining attraction of metro areas for well-educated workers, and by the diffusion of new production technologies that require a higher-skilled labor force. [Kathleen Kassel, 202-501-7981, kkassel@econ.ag.gov, and Robert M. Gibbs, 202-501-7975, rgibbs@econ.ag.gov]

Figure 3

Change in nonmetro real earnings per job by county type, 1980-90 and 1990-94

Varying losses in the 1980's were replaced with generally consistent gains in earnings per job in the 1990's



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