

Average weekly earnings for wage and salary workers were lower in 2012 than they were prior to the recession in 2007. However, in both nonmetro and metro areas, weekly earnings increased between 2007 and 2012 for the top quartile of earners, heightening inequality. More than 60 percent of high-inequality counties are also high-poverty counties, and these groups are concentrated in the South, Southwest, and Northern Great Plains.

Employment Growth Lags in Nonmetro Counties

The Great Recession had similar effects on rural and urban employment levels: both areas saw the number of employed people fall by just over 5 percent during 2008-09. Employment began to recover in 2010, with nonmetro and metro areas initially exhibiting similar trends, but job growth has since stalled in nonmetro counties. Seasonally adjusted employment increased by only 0.5 percent in nonmetro areas between the second quarters of 2011 and 2012, compared to 1.6 percent in metro areas. Over the next four quarters, nonmetro employment fell by 0.1 percent, while metro employment rose by 1.4 percent.

No net employment growth in nonmetro counties in 2012 and first half of 2013

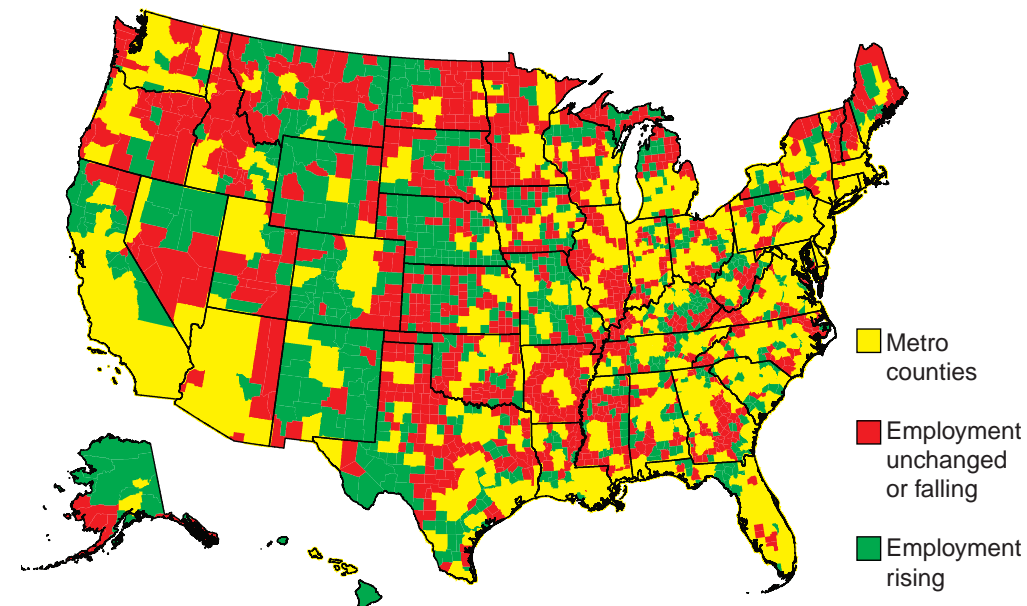
Employment index (2008 Q1 = 100)



Notes: Local Area Unemployment Statistics (LAUS) estimates cover both wage and salary workers and the self-employed. Metro and nonmetro counties are as identified by the Office of Management and Budget in 2013. New population controls were introduced into the LAUS data following the April 2010 Census, leading to an increase in estimated employment in the second quarter of 2010. The data shown have been corrected to compensate for this change, but caution should be used in comparing levels before and after this date.

Source: USDA-ERS analysis of Bureau of Labor Statistics-LAUS data, seasonally adjusted by ERS.

Employment declined or stayed the same in a majority of nonmetro counties between the first half of 2012 and the first half of 2013



Source: USDA-ERS analysis of BLS-LAUS data.

Between the first halves of 2012 and 2013, the number of employed people grew in 41 percent of nonmetro counties (803 of 1,976) and fell or was unchanged in the remaining 59 percent (1,173 counties). Nonmetro employment losses were especially large in Arkansas (down 4.1 percent) and in Illinois and Arizona (down 1.8 percent each). Nonmetro employment gains were more common in the Northern Plains, led by North Dakota (up 4.9 percent), and in the Southwest, led by Colorado (up 2.4 percent).

Unemployment Rates Continue To Decline

Unemployment rates in rural and urban areas have followed very similar trends for the past 3 years, falling from a peak of 10 percent (in late 2009 and early 2010) to 7.8 percent in the second quarter of 2013 for nonmetro areas, and 7.5 percent for metro counties. In nonmetro areas, the recent decline in unemployment rates is due to a reduction in the rate of labor force participation (the share of the adult population that is working or looking for work), rather than an increase in employment. In metro areas, unemployment rates have been driven lower by a combination of rising employment and falling labor force participation.

Urban Growth and Suburban Expansion Reduce the Number of Counties Designated Nonmetro

Every 10 years, the Office of Management and Budget identifies a new set of metropolitan and nonmetropolitan counties, reflecting the most recent decennial census and any changes in the official definition of "metropolitan." A new set of metro counties based on the 2010 Census was published in April 2013. The criteria for metro county status—a county that contains a designated urbanized area of 50,000 or more people or that has large commuting flows to or from an adjacent county with at least one such urbanized area—remains unchanged. Growth in the number and size of urbanized areas caused some nonmetro counties to be reclassified as metro, while a smaller number of metro counties fell below the population or commuting thresholds and were reclassified as nonmetro. As a result, the number of nonmetro counties fell from 2,052 to 1,976.

This reclassification has a large effect on the size of the nonmetro population and workforce. Counties designated nonmetro under the 2013 definition contained 46.2 million people in 2012 (14.7 percent of the total U.S. population), compared to 51.1 million (16.3 percent of the total) under the 2003 definition. Nonmetro employment in 2012 amounted to 20.2 million under the new definition (14.2 percent of total U.S. employment), down from 22.3 million (15.6 percent) under the prior definition.

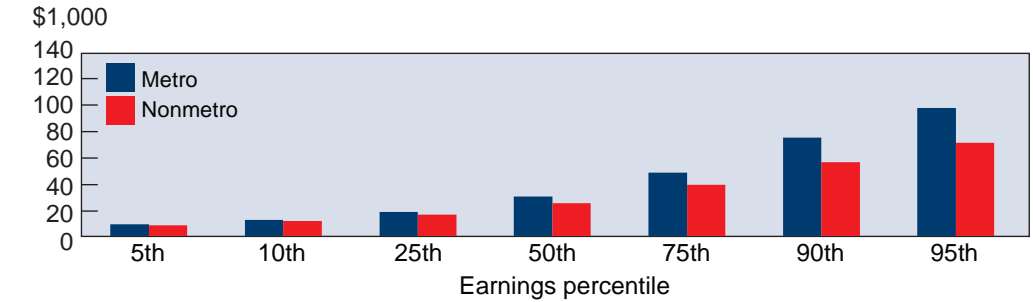
Discussions of metro and nonmetro results in this brief reflect the 2013 definition of metro wherever possible. The discussion of earnings inequality draws on Current Population Survey data for 2007 and 2012, in which metro and nonmetro identifiers reflect the 2003 definition.

Nonmetro-Metro Earnings Disparities Are Largest For Higher Paid Workers

In 2012, median annualized weekly earnings for wage and salary workers who held full-time employment (or held a part-time job but desired full-time work) were \$32,000 in nonmetro areas—about 20 percent lower than in metro areas (\$38,500). This disparity was more pronounced at the upper end of the earnings distribution, with the 95th percentile earning 27 percent less in nonmetro areas (\$91,000 versus \$125,000 in metro areas). In contrast, the difference between nonmetro and metro earnings was only 9 percent for the bottom 5th percentile of earners (\$10,400 versus \$11,300).

Median weekly earnings fell by several percentage points between 2007 and 2012: -3.7 percent for nonmetro workers and -2.6 percent for metro. However, earnings fell by nearly 13 percent at the 5th percentile in nonmetro areas, while rising more than 4 percent at the 95th percentile. (These earnings data do not include other sources of income such as government transfers, private pensions, or capital income, nor do they reflect other factors affecting economic well-being such as asset holdings or geographic differences in cost of living.)

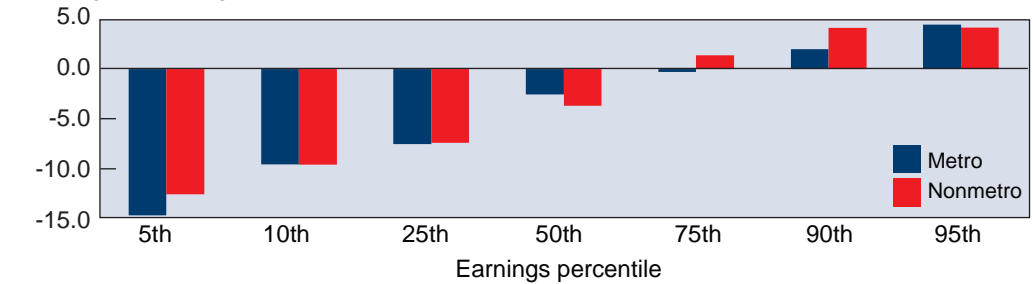
Nonmetro-metro disparities in wage and salary earnings increase with earnings, 2012



Notes: The sample includes those who usually work 35 hours or more a week and those who usually work fewer hours but would prefer to work 35 hours or more a week. Annualized weekly earnings are a worker's projected earnings if that worker were employed for a full year at his or her current weekly earnings rate.

Earnings disparities between low- and high-wage earners grew between 2007 and 2012

Change in earnings, 2007-12 (percent)



Note: The sample includes those who usually work 35 hours or more a week and those who usually work fewer hours but would prefer to work 35 hours or more a week. Earnings are in 2012 dollars, with 2007 values adjusted using the Consumer Price Index-All Urban Consumers.

Source: 2007 and 2012 Current Population Surveys, January-December outgoing rotations.

High Poverty Rates Among Nonmetro Counties Are Persistent and More Widespread

The national poverty rate (based on pre-tax income of less than \$23,492 for an average family of four) was 15.0 percent in 2012; the rate was 17.7 percent in nonmetro areas and 14.5 percent in metro areas. Poverty rates vary both across regions—the South is highest and the Midwest lowest—and within regions. High-poverty counties (with a poverty rate of 20 percent or higher) are often geographically clustered. Of 703 high-poverty counties in the United States in 2007-11, 571 were nonmetro, mostly in the South and Southwest. Most high-poverty counties are in or near Native American reservations or in areas with high concentrations of Blacks or Hispanics. Most predominantly White counties with high poverty rates are in Appalachia.

Many high-poverty counties have experienced persistently high poverty rates over many decades. However, the number of high poverty nonmetro counties was nearly 30 percent higher in 2007-2011 than in 2000. In addition to those counties classified as persistently poor based on high poverty rates in 1980, 1990, and 2000, as well as 2007-2011, 230 other nonmetro counties exceeded the 20-percent poverty threshold in 2007-2011. While some of these are located adjacent to clusters of historically high-poverty counties, others were outside these clusters, mainly in areas with substantial losses in the real estate market and manufacturing employment between 2006 and 2009. These new high-poverty nonmetro counties include many with predominantly White populations, primarily in the West and Midwest.

Rural America At A Glance

2013 Edition

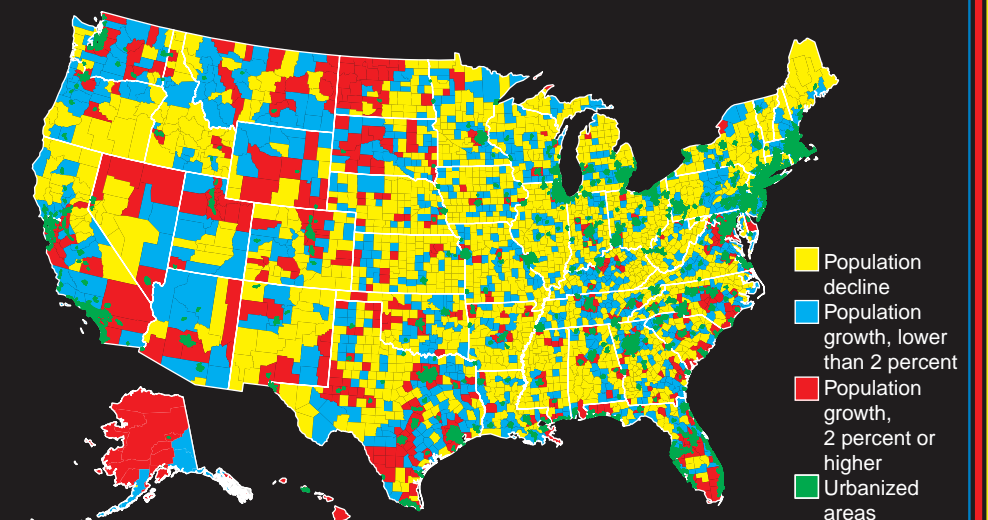


Overview

Employment fell by roughly 5 percent in both rural and urban areas during the Great Recession of 2007-09. In 2010, the first year of the recovery, metro and nonmetro employment levels grew at comparable rates. Since the start of 2011, however, net job growth in nonmetro areas has been near zero while employment in metro counties has grown at an annual rate of 1.4 percent. The stagnation in nonmetro job growth overlaps with the first recorded period of nonmetro population loss, between 2010 and 2012, which was driven by a decrease in net migration to rural areas. This lack of population growth, combined with a falling labor force participation rate, has permitted the nonmetro unemployment rate to fall slowly but steadily despite the lack of employment growth.

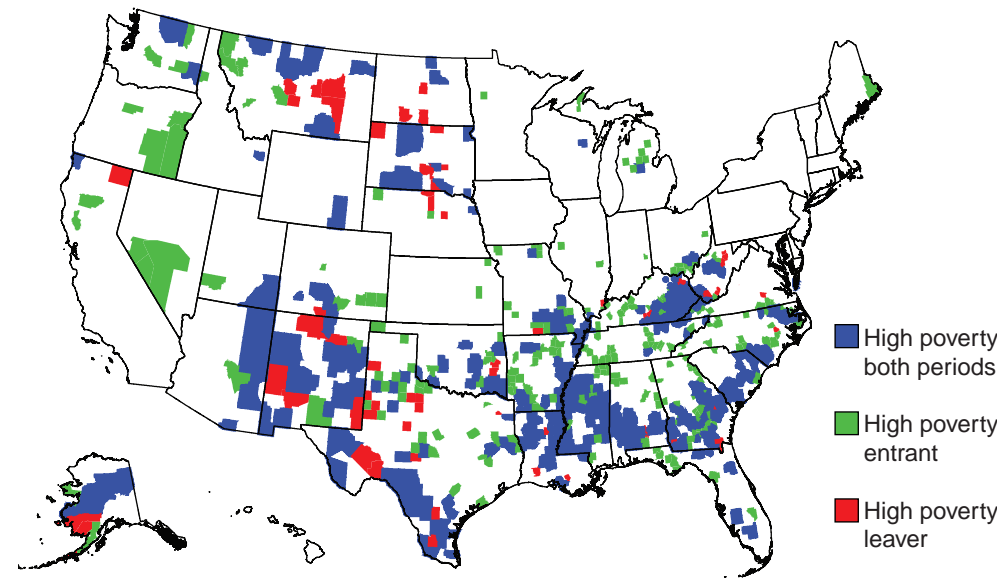
Still, nonmetro employment growth is occurring in some areas, most notably in portions of the northern Great Plains where the discovery and extraction of energy resources has led to growth in both population and employment, as well as in portions of the Mountain West. However, the number of employed people was unchanged or declined in more than half of nonmetro counties.

New population patterns emerged following recession



Note: Map shows population change from April 2010 to July 2012, as a percentage of the 2010 census population for all counties, both metro and nonmetro. Urbanized areas, shown in green, are at the center of metro areas. Nonmetro counties are those that are some distance removed from urbanized areas, depending on the size of the metro area.
Source: USDA, Economic Research Service using data from the U.S. Census Bureau.

High-poverty nonmetro counties increased in number between 2000 and 2007-11



Note: Values for 2000 are based on the Decennial Census; those for 2007-2011 are based on the American Community Survey (ACS).

Source: USDA, Economic Research Service using the data from the American Community Survey 5-year estimates, 2007-2011 and the 2000 Decennial Census.

Income Inequality Is Concentrated in the South

U.S. household income inequality has been growing since 1968, with especially marked growth during the 1980s. It grew by 3 percent from 2007 to 2011, as measured by the Gini index—which ranges from 0 (maximum equality; each household has the same income) to 100 percent (maximum inequality; a single household has all the income). The Gini index for pre-tax income typically ranges from 35 to 50 percent in the most economically developed nations. In the United States, it reached a new high of 47.7 percent in 2011, placing the United States among the five developed nations with the most unequal household income distribution.

County-level Gini indexes measure the degree of concentration in a county's income distribution. Thus, the Gini index can be the same for two counties with very different levels of income. However, there is substantial correlation between high inequality (high Gini indexes) and high poverty rates for nonmetro counties.

County Gini indexes for 2007-2011 ranged from 20.0 to 67.1 percent nationally, with the average nonmetro county Gini index (43.3 percent) very near the national average (43.5 percent). As with high poverty, counties in the South generally had more income inequality, while counties in the Midwest had less. High rates of inequality were prevalent among nonmetro counties with large concentrations of racial and ethnic minorities, counties located in Appalachia, and Western counties with high endowments of natural amenities.

Just over 30 percent of both nonmetro and metro counties had high levels of income inequality in 2007-11 (Gini indexes of 45.7 to 67.1 percent). However, there was a stronger association between poverty and inequality in nonmetro counties: 61.3 percent of high-inequality nonmetro counties were also high-poverty counties, compared to just 24.9 percent of high-inequality metro counties, in part reflecting the higher average incomes found in metro counties.

Significant differences also existed based on county population size. The counties with the most equitable distribution of income (Gini index of 20.0 to 40.8 percent) tended to be the Nation's least populous nonmetro counties, while large metro counties had the highest inequality. Relative to high-inequality counties, the most equitable counties typically had higher rates of labor force participation by women and lower shares of single-parent families, as well as greater rates of homeownership and employment in manufacturing—factors associated with lower levels of poverty.

Nonmetro Areas Enter Period of Population Decline

Between April 2010 and July 2012, the estimated population of nonmetro counties as a whole fell by just under 44,000 people. Though quite small, the 0.09-percent drop marks a sizeable downward shift from the 1.3-percent growth during 2004-06 and is without precedent. This apparent

historic shift to nonmetro population loss highlights a growing demographic challenge facing much of rural and small-town America: population growth from natural change (births minus deaths) is no longer sufficient to counter net migration losses when they occur. At the community level, such population loss typically reduces the demand for jobs, diminishes the quality of the workforce, and raises per capita costs of providing services.

Opportunities for population growth and economic expansion vary widely from one nonmetro county to the next. Recession-related patterns of population change have emerged in recent years: while metro proximity, attractive scenery, and recreation potential have historically contributed to nonmetro population growth, the influence of these factors has weakened significantly.

New Population Patterns Emerge After Recession

Widespread job losses in rural manufacturing—caused by the recession, increased global competition, and technological changes—contributed to the nonmetro population downturn in 21 Eastern States between 2004-06 and 2010-12. For example, nonmetro areas in Florida switched from 3 percent growth during 2004-06 to a 0.4-percent decline in 2010-12. Extensive areas of population decline also emerged along the North Carolina-Virginia border, in southern Ohio, and throughout New England.

Population growth slowed considerably in the Mountain West for the first time in decades. Population growth in counties with recreation-based employment, many of which are in the Mountain West, dropped from nearly 3.5 percent during 2004-06 to only 0.5 percent since 2010. Despite this, recreation counties are still growing faster than other types of nonmetro counties.

Spurred by an energy boom, large sections of the Northern Great Plains saw a turnaround from decades of population decline. Farming-dependent counties, concentrated in the Great Plains and Corn Belt, lost population as a whole despite energy-related job growth in many such counties. Farming-dependent counties have been particularly affected by an aging population, which contributes to slower population growth from natural change.

The housing mortgage crisis slowed suburban development and contributed to an historic shift within metro regions, with outlying metro counties now growing at a slower rate than central counties. Similarly, nonmetro counties adjacent to metro areas that had been growing rapidly from suburban development for decades declined in population for the first time as a group during 2010-12. This period may simply be an interruption in suburbanization or it could turn out to be the end of a major demographic regime.

Data Sources and Definitions

Data sources:

American Community Survey, Census Bureau, U.S. Department of Commerce
Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor.
Local Area Unemployment Statistics, Bureau of Labor Statistics, U.S. Department of Labor.
Population Estimates, Census Bureau, U.S. Department of Commerce.

Definitions and additional information:

For more on the 2003 and 2013 definitions of metropolitan and nonmetropolitan areas as well as related concepts such as urbanized areas and central counties, see <http://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural.aspx>
For more on ERS county types, such as farm-dependent and recreation counties, see <http://www.ers.usda.gov/data-products/county-typology-codes.aspx>
For the definition of adjacency to a metro area, see <http://www.ers.usda.gov/data-products/rural-urban-continuum-codes/documentation.aspx>

ERS Website and Contact Person

Information on rural America can be found on the ERS website at www.ers.usda.gov/topics/rural-economy-population. For more information, contact **Lorin D. Kusmin** at lkusmin@ers.usda.gov or 202-694-5429.

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