

Nonmetro Employment Growth Slowed in 2007-08

Nonmetro employment growth slowed sharply in 2007-08, reflecting the general slowdown of the economy in this period. Seasonally adjusted nonmetro employment in the second quarter of 2008 was up 96,000 from its level six quarters earlier for an annual growth rate of 0.3 percent. From the fourth quarter of 2003 to the fourth quarter of 2006, nonmetro employment had grown 1.3 percent annually for a total increase of 860,000. The slowdown in employment growth was even more marked in metro areas; over the most recent six quarters, seasonally adjusted metro employment grew 0.3 percent annually after growing nearly 2 percent annually over the previous 3 years.

The relative stability in nonmetro manufacturing employment since 2004 has given way to modest declines beginning in 2007 and continuing into 2008. Rural manufacturing employment fell 2.9 percent in June 2008 from its year-earlier level. Manufacturing in metropolitan counties declined 2.2 percent over the same period. Industries most strongly related to home construction—lumber, wood products, nonmetallic minerals (e.g., cement, glass, ceramics)—that had buoyed the manufacturing sector in preceding years fell into decline in 2007. Employment has also declined in transportation equipment, rubber, and plastics, because of the spike in energy prices in 2007/08.

Recent trends in metro and nonmetro employment			
Item	2003 4th quarter	2006 4th quarter	2008 2nd quarter
		<i>Thousands</i>	
Metro employment	115,380	122,182	122,812
Nonmetro employment	22,308	23,168	23,264

Seasonally adjusted; calculated by ERS from the Local Area Unemployment Statistics.

Nonmetro Unemployment Rising

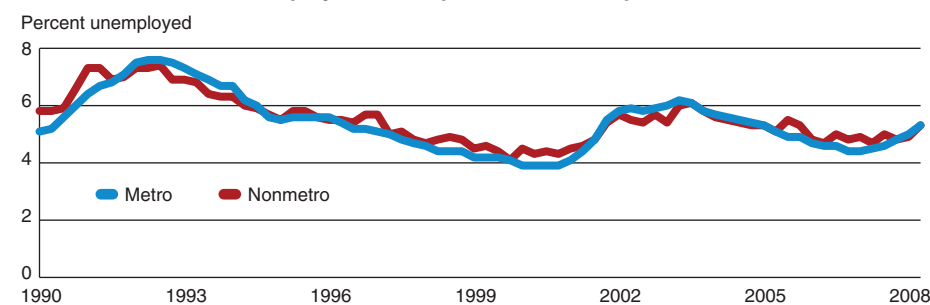
The slowdown in employment growth is reflected in rising unemployment rates in both metro and nonmetro areas in 2008. Nonmetro unemployment generally follows the same trend as metro unemployment but usually at a higher level.

Nonmetro unemployment rose in the second quarter of 2008 by 0.4 percentage point to 5.3 percent, the highest nonmetro unemployment rate in almost 3 years. Metro areas also registered an unemployment rate of 5.3 percent, up 0.3 percentage point from the previous quarter, which is the highest metro unemployment rate in over 3 years.

The nonmetro adjusted unemployment rate, which includes those who are available for work but have given up looking and half of part-time workers who would like to work full-time, was 9.9 percent in the second quarter of 2008. The metro adjusted unemployment rate was 9.6 percent in the same period. Both nonmetro and metro adjusted unemployment rates were the highest in 4 years.

The nonmetro employment-population ratio (the ratio of employed persons to the total civilian noninstitutionalized population ages 16 and older) fell from 59.5 to 58.9 percent from the second quarter of 2007 to the second quarter of 2008. The employment-population ratio is another alternative measure of labor market conditions.

Metro and nonmetro unemployment, 1st quarter 1990–2nd quarter 2008



Note: The metro status of some counties changed in 1994 and 2004.

Source: Seasonally adjusted by ERS using data from the Bureau of Labor Statistics, Current Population Survey.

High Energy Prices and Tightening Credit Affect Nonmetro Areas

The economic slowdown that began in 2007 was widely attributed to two major factors: high energy and commodity prices and tighter credit due to the home mortgage crisis. Commodity price increases had mixed effects on real incomes and consumer demand in nonmetro America. Higher commodity prices led to growth in the export value of manufactured goods and farm products,

bringing higher manufacturing profits and net farm income, although greater export revenue was partly offset by higher material and other input prices. If the value of the dollar remains low by historical standards, new factory construction may occur in nonmetro areas as the United States becomes competitive in manufactured products now made abroad.

Nonmetro areas that concentrate in manufacturing and farming have benefited from a weaker dollar as commodity prices rose and exports expanded. Areas in Texas, Oklahoma, Wyoming, Louisiana, and North Dakota benefited from higher crude oil and natural gas prices. However, the average nonmetro resident lost more in real income because of higher fuel costs than the average metro resident did simply because nonmetro residents drive further. This impact may have reduced demand for other goods and services.

The home mortgage crisis has spilled over into other sectors as many banks and other financial intermediaries have tightened lending standards for automobile and small business loans to protect the quality of bank balance sheets. In addition, the risk premium on higher risk debt has risen so that many long-term rates have risen even as short-term interest rates have fallen. These financial factors have slowed growth in business spending. Further, when many existing homes remain unsold as loan default rates rise and banks and mortgage bankers take title to homes, the incentive for building new houses declines. Housing starts in April 2008 had fallen to half of what they had been in April 2007. These factors have combined to induce a national slowdown in employment and household income growth.

However, as of mid-2008, nonmetro banks have tightened credit far less than metro banks, particularly for loan applicants whose credit standing is good, mitigating the economic effects in nonmetro areas. The direct effects of the subprime crisis on housing markets have also been less in nonmetro areas than in metro areas, partly because effective credit standards were apparently higher in nonmetro areas, as suggested by lower foreclosure rates.

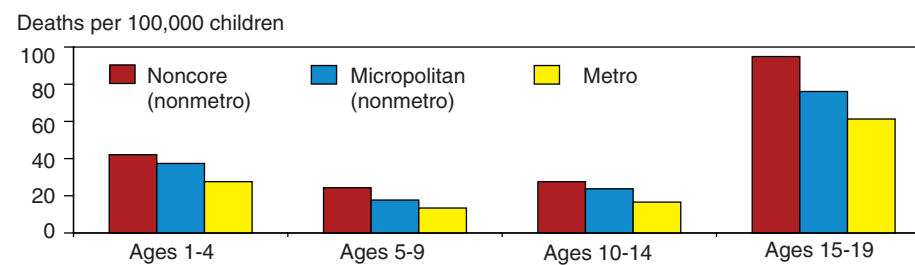
Nonmetro Children Fare Poorly on Indicators of Health and Welfare

The U.S. poverty rate increased from 12.3 percent in 2006 to 12.5 percent in 2007. As it has been historically, children made up a disproportionate share of that increase. Children also made up a disproportionate share of the number of poor people across the Nation.

- In 2007, 18 percent of children younger than 18 were poor, 0.6 percent higher than in 2006. The poverty rate for those ages 18-64, however, remained statistically unchanged, and the rate for those ages 65 and older rose from 9.4 percent in 2006 to 9.7 percent in 2007.
- Children made up 24.8 percent of the U.S. population in 2007 yet represented 35.7 percent of those living in poverty. In contrast, those ages 18-64 made up 62.9 percent of the population and 54.7 percent of the poverty population, and those ages 65 and older made up 12.3 percent and 9.5 percent, respectively.

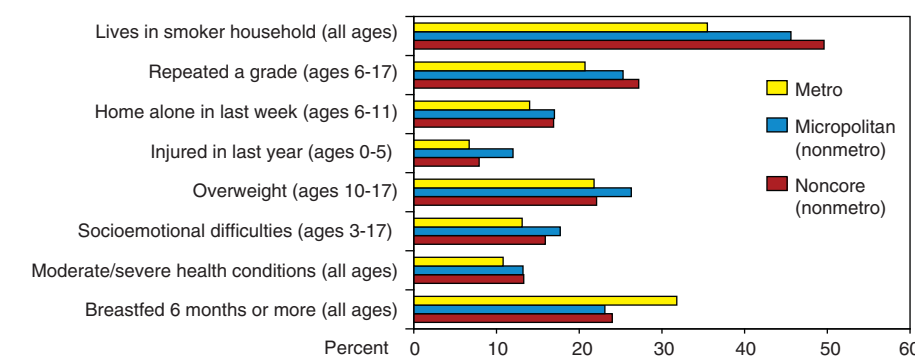
Further, according to the National Survey of Children's Health (2003), the poverty rate has been and continues to be greatest for nonmetro children in families living in noncore nonmetro areas (22.9 percent) compared with those living in either nonmetro micropolitan (19.8 percent) or metro

Child mortality rates by age group and geographic area



Source: Calculated by ERS using Census Bureau 2005 population estimates.

Share of poor children with select health and welfare characteristics by geographic area



Source: Centers for Disease Control and Prevention, National Survey of Children's Health, 2003 and Compressed Mortality Files, 2005.

areas (17 percent). According to the same survey, nonmetro children also fare poorly on indicators of health and welfare compared with children in low-income families in metro areas. For example:

- Children living in nonmetro areas have higher mortality rates than do their metro counterparts regardless of age. The highest mortality rate and greatest metro/nonmetro disparity exists for children ages 15-19 living in noncore (nonmetro) areas compared with those living in metro areas.
- Poor nonmetro children tend to have higher rates of obesity, injury, socioemotional difficulty (e.g., depression, behavior problems), and moderate to severe physical health conditions than do poor metro children.
- Poor nonmetro children are also more likely than poor metro children to use tobacco and to live in a household with at least one adult smoker, to have repeated a grade, to have missed more than 11 days of school due to illness, or to spend time home alone and without adult supervision.

Majority of Nonmetro Counties Lost Population Since 2000

Between July 2000 and July 2006, the nonmetro population increased by 1.3 million, reflecting an annual growth rate of 0.4 percent, compared with 1.1 percent in metro areas. This difference is due to both migration and natural increase (births-deaths). On average, nonmetro counties exhibit a lower capacity to retain current residents or attract newcomers (including immigrants) than do metro areas. Metro areas also exhibit higher rates of natural increase.

Population change varies among nonmetro counties, with most losing population despite the overall gain. Counties experiencing population loss are found throughout the country but dominate certain regions, such as the Great Plains, Corn Belt, Mid-Atlantic States, and Mississippi Delta. At the same time, over 200 nonmetro counties, found mostly in scenic areas, such as in the Intermountain West, or adjacent to large metro areas, grew at rates higher than the national rate of 1 percent per year. These geographic patterns have persisted for several decades so that the average population size of declining counties (just under 17,000) is roughly half the average size of gaining counties.

Nonmetro population change, 2000-2006					
Item	Number of counties	Population, 2006	Average county population	Population change, 2000-2006	
				Total	Annual
All nonmetro counties	2,051	50,155,497	24,454	1,265,552	0.43
Counties gaining population	1,003	32,534,044	32,437	1,795,144	0.95
Counties losing population	1,048	17,621,453	16,814	-529,592	-0.49

Rapid Nonmetro Minority Population Growth Decelerates

The most recent population data indicate that non-Hispanic Whites made up 81.1 percent of the total nonmetro population, a decline of about 1 percent since 2000 and 6 percent since 1980. The largest minority groups include Blacks at 8.4 percent of the nonmetro population and Hispanics at 6.4 percent. These averages mask regional differences, particularly in the South, where rural Blacks are concentrated, and in the Southwest, where Hispanics have historically settled.

Although racial and ethnic minorities make up only one-fifth of the nonmetro population, their overall growth rates continue to exceed that of non-Hispanic Whites. Hispanics remain one of the largest and fastest growing minority groups in nonmetro America, increasing by over 3 percent per year since 2000, compared with less than 1 percent per year for non-Hispanic Whites. However, the growth rate for Hispanics has dropped considerably from that of the 1990s, when the annual rate

Non-Hispanic Whites made up four-fifths of the nonmetro population in 2006

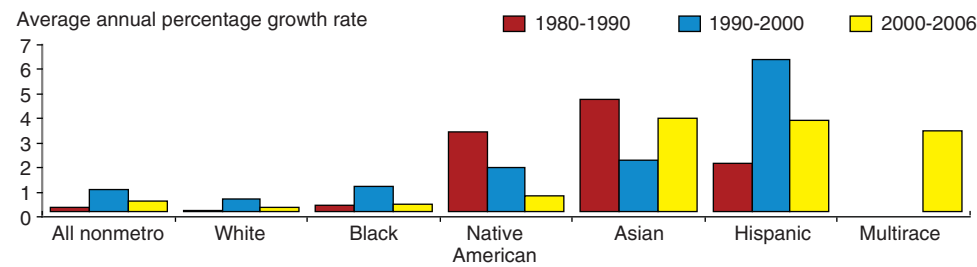
Item	White	Black	Native American	Asian	Multirace	Hispanic	Total nonmetro
Population (number)	40,692,180	4,193,230	907,581	478,746	692,242	3,213,867	50,177,846
Proportion (percent)	81.1	8.4	1.8	1.0	1.4	6.4	100.0 ¹

¹ May not add to 100 percent due to rounding.

Note: Because Hispanics can be of any race, Hispanic classification takes precedence over any racial classification.

Source: Computed by ERS using 2006 Census County Estimates data.

Nonmetro minorities are increasing at higher rates than non-Hispanic Whites



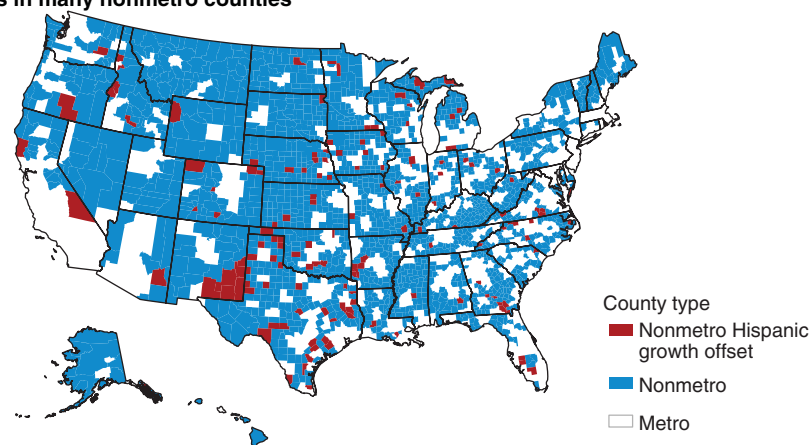
Source: ERS analysis of 1980 and 1990 Decennial Census and 2000 and 2006 County Estimates data.

averaged over 6 percent. Reasons for the decline between 2000 and 2006 can be attributed primarily to reduced immigration from stepped-up enforcement of immigration laws.

Total nonmetro population growth stagnated during the 1980s, increased during the 1990s, and has slowed since 2000. Population change for Blacks and Hispanics generally reflect this overall pattern as well. While relatively small, the nonmetro Asian population continues to grow at higher-than-average rates. In contrast, the Native American population, which grew considerably because of above-average birth rates during the 1980s and increased self-identification since the 1990 Census, has since moderated substantially. Multiracial individuals, which the Census Bureau began identifying in 2000, currently represent one of the fastest growing populations in nonmetro America.

Hispanic population growth receives much attention in rural areas, partly because Hispanic immigrants to rural areas often include substantial numbers of recently arrived foreign-born workers, many of whom lack legal status. Causes of nonmetro Hispanic population growth in the past two decades include "push factors," such as the Immigration Reform and Control Act of 1986, which legalized about 3 million unauthorized immigrants, giving them greater mobility to seek jobs in new parts of the country. They are drawn to new destinations by "pull factors," such as employment expansion in low-skilled nonmetro industries and rural quality-of-life preferences. Latinos in new rural destinations have had a variety of impacts and have affected a large number of county populations. For instance, in roughly 150 nonmetro counties, Hispanic population growth fully offset non-Hispanic population loss between 2000 and 2006.

Hispanic population growth since 2000 has offset non-Hispanic population loss in many nonmetro counties



Source: Computed by ERS using 2000 and 2006 Census County Estimates data.

Federal Funds and Rural America

The Food, Conservation and Energy Act of 2008, popularly known as The Farm Bill, reauthorized many Federal programs that affect rural areas, ranging from food stamps to resource conservation programs. Several rural development initiatives that were featured in the last farm bill have been expanded, including entrepreneurship and microenterprise development, value-added agriculture (such as renewable fuels and marketing locally produced goods), and regional approaches to rural development programs.

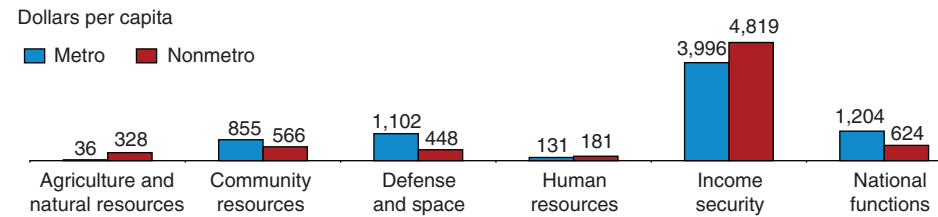
In addition to the programs covered by this act, many other Federal programs affect rural America. Counting all Federal payments (direct and guaranteed loan obligations, grants, direct payments, salaries, and procurement) deemed accurate to the county level (about 90 percent of the total), nonmetro areas received about \$7,000 per person in fiscal year 2004 and metro areas received roughly \$7,300.

Compared with metro areas, nonmetro areas received more dollars per person in grants and direct loans but less in guaranteed loans, including insured home mortgages.

- Nonmetro areas received more per person for agriculture and natural resources, human resources, and income security payments, such as Social Security and Medicare.

- Metro areas received more per person for community resources, defense and space, and other national functions, including criminal justice and law enforcement, energy, and higher education.
- The metro-nonmetro difference in community resource payments—which includes housing, infrastructure, and business assistance—was due largely to lower nonmetro receipts of home loan guarantees (federally backed mortgages).
- The metro-nonmetro difference in income security payments reflects several factors, including higher nonmetro shares of elderly, poor, and disabled population.
- Income security programs account for most Federal funds in both metro and nonmetro areas. In contrast, agriculture and natural resource payments are relatively small, even in nonmetro areas.

Per capita metro/nonmetro distribution of Federal funds by major function, 2004



Source: ERS computations based on data from the Bureau of the Census, fiscal year 2004.

More Research on Rural America at ERS . . .

USDA's Economic Research Service (ERS) analyzes ongoing changes in rural areas and assesses Federal, State, and local strategies to enhance economic opportunity and quality of life for rural Americans. Included in this report are current indicators of social and economic conditions in rural areas. The following recent publications feature research on rural America:

"Education's Role in the Metro-Nonmetro Earnings Divide," by Lorin Kusmin, Robert Gibbs, and Timothy Parker, *Amber Waves*, February 2008, pp. 30-35.
www.ers.usda.gov/AmberWaves/February08/Features/EducationRole.htm

"Defining the 'Rural' in Rural America," by John Cromartie and Shawn Bucholtz, *Amber Waves*, June 2008, pp. 28-34.
www.ers.usda.gov/AmberWaves/June08/Features/RuralAmerica.htm

Profile of Hired Farmworkers, A 2008 Update, by William Kandel, ERR-60, USDA, Economic Research Service, July 2008. www.ers.usda.gov/Publications/ERR60/

Data Resources

This report draws upon the work of researchers at ERS. Data used in this analysis come from a variety of Federal sources, including the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Census Bureau, the Centers for Disease Control and Prevention, and USDA. The most recent data are provided, ranging from 2003 to 2008.

For more on the 2003 definitions of metro, nonmetro, micropolitan, and noncore areas and how they compare with the 1993 definitions, see www.ers.usda.gov/briefing/rurality/newdefinitions/.

For more on ERS county types, such as mining-dependent, manufacturing-dependent, service-dependent, and persistent poverty, see www.ers.usda.gov/briefing/rurality/typology/.

ERS Web Site and Contact Person

Information on rural America 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 or 202-694-5429.



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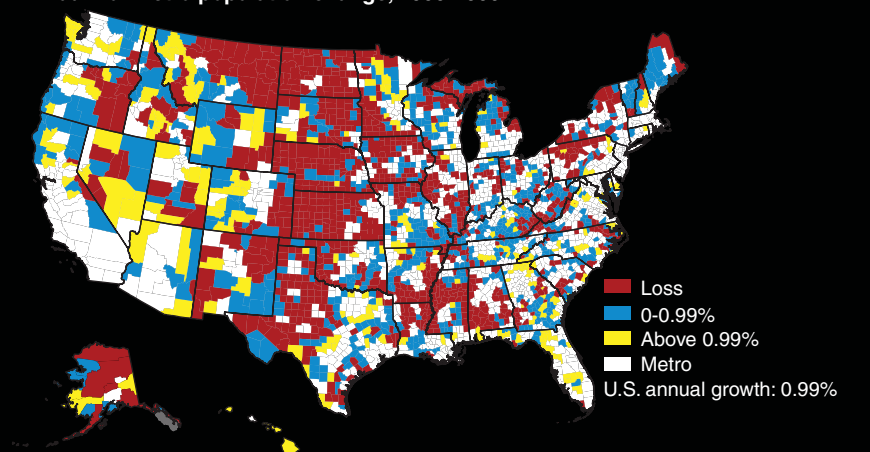
After several years of moderate growth, nonmetro employment growth slowed sharply in 2007 and early 2008, as did metro employment growth. Nonmetro unemployment rose in the second quarter of 2008 to the highest level in nearly 3 years. The economic slowdown that began in 2007 was widely attributed to two major factors: high energy and commodity prices and tighter credit due to the home mortgage crisis. To date, it appears that nonmetro banks have tightened credit less than metro banks have, and the subprime crisis is having less of a direct impact in most nonmetro areas than in metro areas.

In 2007, the overall poverty rate was 12.5 percent, but 18 percent of children younger than 18 were poor. Further, the poverty rate is greater for children in families living in more sparsely settled rural areas. Nonmetro children also have higher mortality rates than do their metro counterparts in all age groups, and poor children who reside in nonmetro areas tend to have higher rates of obesity, injury, socioemotional difficulty, and moderate to severe health conditions than do poor metro children.

Between July 2000 and July 2006, the nonmetro population increased by 0.4 percent per year, compared with 1.1 percent per year in metro areas. Most of this difference is due to migration. Population change varies significantly among nonmetro counties, with most losing population despite the overall gain. Counties experiencing population loss are found throughout the country but dominate certain regions.

Hispanic populations in nonmetro America continue to grow rapidly; but the rate of growth for Hispanics has dropped considerably since the 1990s. Recent population data indicate that non-Hispanic Whites made up 81 percent of the nonmetro population, a decline of about 1 percentage point since 2000. The largest minority groups are Blacks and Hispanics, with 8 percent and 6 percent of the nonmetro population, respectively.

Annual nonmetro population change, 2000-2006



Source: ERS-USDA using data from U.S. Census Bureau.