

Rural Earnings Up in 2000, But Much Less Than Urban Earnings

Linda M. Ghelfi

Regional Differences

In all regions, real earnings per nonfarm job increased in both metro and nonmetro areas during 1999-2000, with metro growth far outpacing nonmetro growth (fig. 2). Among nonmetro regions, growth was highest in New England (1.7 percent) followed by the Rocky Mountain and Southwest regions. Compared with their annual earnings growth rates during the 1990s, the Great Lakes and Southeast nonmetro regions had slower growth in 1999-2000 (table 1). In 2000, nonmetro earnings per job were highest in New England and lowest in the Plains, with a difference of \$4,028 per job. That difference among nonmetro regions is small when compared with the differences between metro and non-

metro earnings. Gaps between metro and nonmetro average regional earnings are in the \$8,000 (Southeast) to \$16,500 (Midwest) range.

Urban Influence Differences

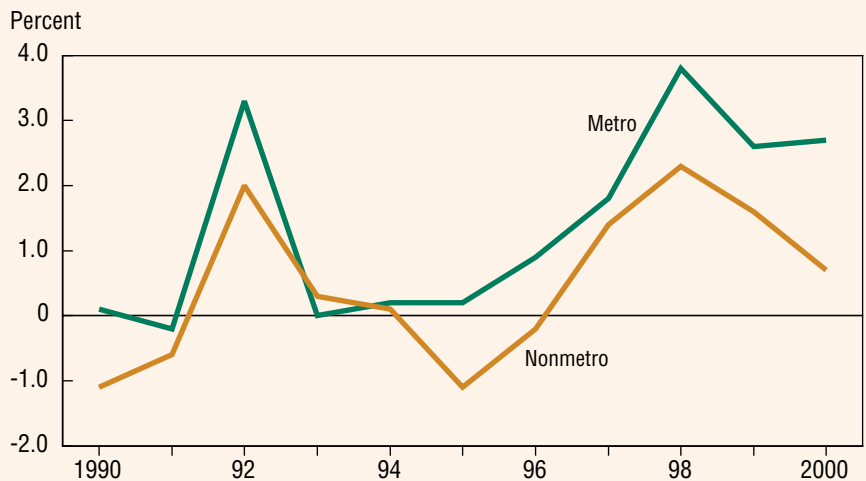
Counties with the highest earnings per job are the core counties of large metro areas, followed by small metro counties and then the fringe counties of large metro areas (table 1 and see box, p. 83). Among nonmetro counties, those with their own cities and adjacent to large and small metro areas have higher earnings than their adjacent counterparts without cities and all the nonadjacent groups. The earnings premiums accruing to jobs in metro and nonmetro counties containing cities suggests they have

Real earnings per rural nonfarm job rose 0.7 percent during 2000, from \$25,813 in 1999 to \$25,987 in 2000. Urban earnings increased at a much faster pace (2.7 percent), rising from \$37,824 in 1999 to \$38,850 in 2000. Annually during the 1990s, real rural earnings fell more often than urban earnings, and when rural earnings grew, they grew more slowly than urban earnings in all but 1993 (fig. 1). Consequently, the rural-urban earnings gap widened. Rural earnings fell from 74 to 67 percent of urban earnings between 1989 and 2000 (table 1).

Rural areas differ in the level of earnings per job and change in earnings over time. Differences in the size of the local labor market, adjacency to larger labor markets, and the mix of industries in the local labor market are among the factors affecting local earnings. How earnings per nonfarm job differ among rural areas can be seen by BEA region and urban influence.

Figure 1

Annual change in real earnings per nonfarm job, 1990-2000
Nonmetro earnings grew more slowly or fell further than metro earnings during the 1990s, except in 1993



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

Linda Ghelfi
 (lghelfi@ers.usda.gov, (202) 694-5437)
 is associate branch chief of the
 Rural Economy Branch,
 Food and Rural Economics Division,
 Economist Research Service, USDA.

Table 1

Real earnings per nonfarm job, by BEA region and urban influence, selected years

Item	Earnings per nonfarm job			Annual change	
	1989	1999	2000	1989-2000	1999-2000
	----- 2000 dollars -----			----- Percent -----	
United States	31,937	35,799	36,698	1.3	2.5
Nonmetro	24,666	25,813	25,987	0.5	0.7
Metro	33,383	37,824	38,850	1.4	2.7
	----- Percent -----				
Nonmetro earnings relative to metro	73.9	68.2	66.9	NA	NA
	----- 2000 dollars -----				
Nonmetro areas by BEA region:					
New England	27,347	27,763	28,222	0.3	1.7
Mideast	26,710	27,813	28,078	0.5	1.0
Great Lakes	25,496	26,906	26,928	0.5	0.1
Plains	22,554	24,015	24,194	0.6	0.7
Southeast	24,213	25,630	25,742	0.6	0.4
Southwest	23,537	24,224	24,533	0.4	1.3
Rocky Mountain	23,872	24,799	25,138	0.5	1.4
Far West	27,459	27,791	27,954	0.2	0.6
All areas by urban influence:					
Metro:					
Large core	35,998	41,969	43,424	1.7	3.5
Large fringe	27,049	29,518	30,006	0.9	1.7
Small	29,503	31,979	32,340	0.8	1.1
Nonmetro:					
Adjacent to large metro, with own city	26,396	28,039	28,280	0.6	0.9
Adjacent to large metro, no own city	23,781	24,910	25,150	0.5	1.0
Adjacent to small metro, with own city	26,334	27,764	27,975	0.6	0.8
Adjacent to small metro, no own city	23,531	24,585	24,702	0.4	0.5
Not adjacent, with own city	25,384	26,642	26,802	0.5	0.6
Not adjacent, with own town	23,571	24,467	24,647	0.4	0.7
Not adjacent, totally rural	21,803	22,245	22,384	0.2	0.6

Source: Calculated by ERS using data from the Bureau of Economic Analysis and the chain-type price index for personal consumption expenditures to adjust earlier years' earnings to 2000 dollars.

more competitive labor markets. Adjacency to a metro area may elevate wages in order to retain workers who have the option to commute to jobs in the metro area.

Differences in Industrial Mix

The nonmetro economy depends more on manufacturing and government for jobs, while the metro economy depends more on services and finance, insurance,

and real estate (table 2).¹ Metro jobs average higher earnings in all industries, with smaller gaps between metro and nonmetro jobs

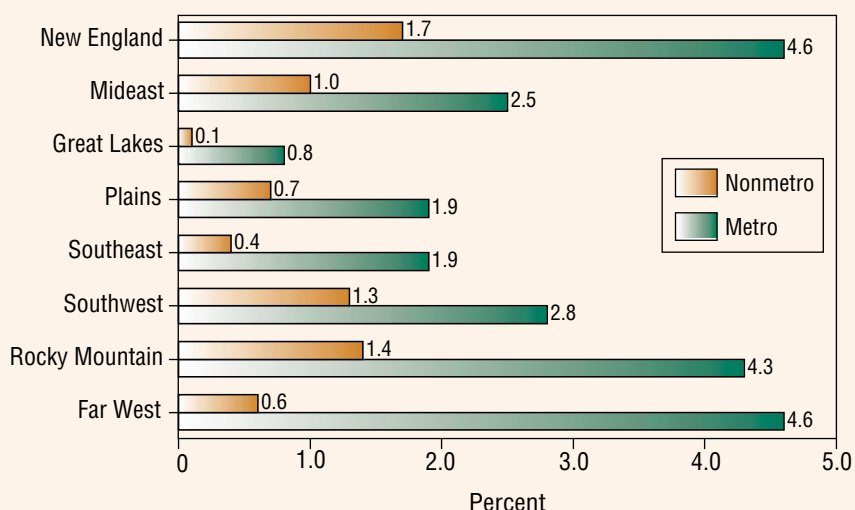
¹Suppression of earnings and jobs data in some counties by the Bureau of Economic Analysis to protect employer privacy eliminates only 2.5 percent of nonmetro jobs and 0.5 percent of metro jobs from industry analysis. The suppression is concentrated in agricultural services, forestry, fishing, and other; and mining industries, which account for low shares of both metro and nonmetro jobs. Therefore, earnings per job in those small industries should be viewed as less reliable estimates than those of the other industries.

with lower average earnings (agricultural services, forestry, fishing, and other; and retail trade). The metro-nonmetro gap is widest in finance, insurance, and real estate. Nonmetro jobs in this industry are more often part time and in lower paying administrative support and clerical occupations, while metro jobs are more often full time and in higher paying executive and technical occupations.

Figure 2

Change in real earnings per nonfarm job by BEA region, 1999-2000

Metro earnings growth was at least twice as fast as nonmetro growth in all BEA regions



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

County-Level Differences

About 800 nonmetro counties (35 percent) averaged lower earnings in 2000 than in 1999. Over half of them (412 counties) had earnings decline by 1 percent or more (fig. 3). Counties with earnings growth are divided into four groups of roughly 370 each. Earnings growth in the top three groups more than compensated for the loss and slow-growth groups, resulting in the overall nonmetro growth rate of 0.7 percent.

Figure 4 shows nonmetro counties grouped by quintiles of earnings per nonfarm job in 2000. The lowest quintile, 458 counties with earnings less than \$20,598 per job, is concentrated in the center of the country. Counties with lower average earnings tend to have higher shares of workers who do not hold full-time, full-year jobs. Lower earnings from part-year or part-time

Table 2

Earnings per nonfarm job, by industry, 2000

Industry	Earnings per job		Nonmetro/ metro earnings ratio	Share of all jobs	
	Nonmetro	Metro		Nonmetro	Metro
	----- Dollars -----		----- Percent -----		
Agricultural services, forestry, fishing, and other ¹	15,301	19,636	77.9	1.3	0.9
Mining	47,046	80,418	58.5	.9	.3
Construction	27,536	40,150	68.6	6.2	5.7
Manufacturing	35,250	54,597	64.6	15.5	10.7
Transportation and public utilities	38,945	52,067	74.8	4.2	5.1
Wholesale trade	31,624	52,213	60.6	3.2	4.9
Retail trade	15,428	20,222	76.3	17.9	16.4
Finance, insurance, and real estate	19,403	45,949	42.2	5.5	8.7
Services	21,215	35,266	60.2	25.9	33.5
Government and government enterprises ²	33,084	43,726	75.7	16.9	13.2
Industry suppressed ³	NA	NA	NA	2.5	.5

¹Other is employees of foreign embassies working in the United States.

²Government enterprises are government agencies that cover a substantial portion of their operating costs by selling goods and services to the public and that maintain their own separate accounts--for example, the U.S. Postal Service.

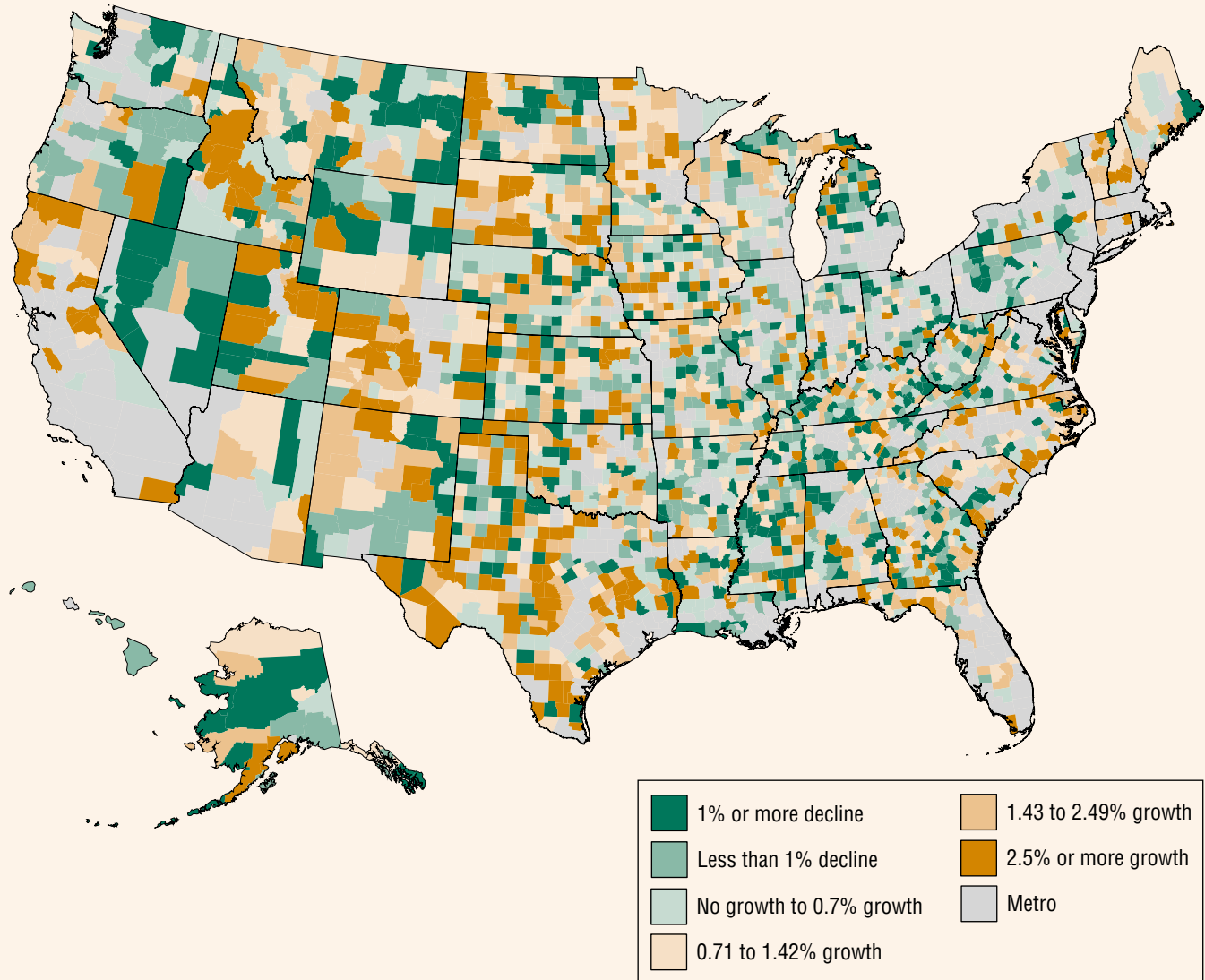
³The Bureau of Economic Analysis suppresses earnings and/or number of jobs in an industry in a county when the amount is low or a single employer accounts for all or a high proportion of the jobs and/or earnings. If either the earnings or the jobs in an industry were suppressed, that county was not included in the calculation of that industry's earnings per job.

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

Figure 3

Change in nonmetro real earnings per nonfarm job, 1999-2000

Counties with lower earnings in 2000 than 1999 are sprinkled across the country



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

jobs partially explain the distribution of counties across the five quintiles of earning per job.

Comparing figures 3 and 4 shows that earnings growth did not favor either high- or low-earnings

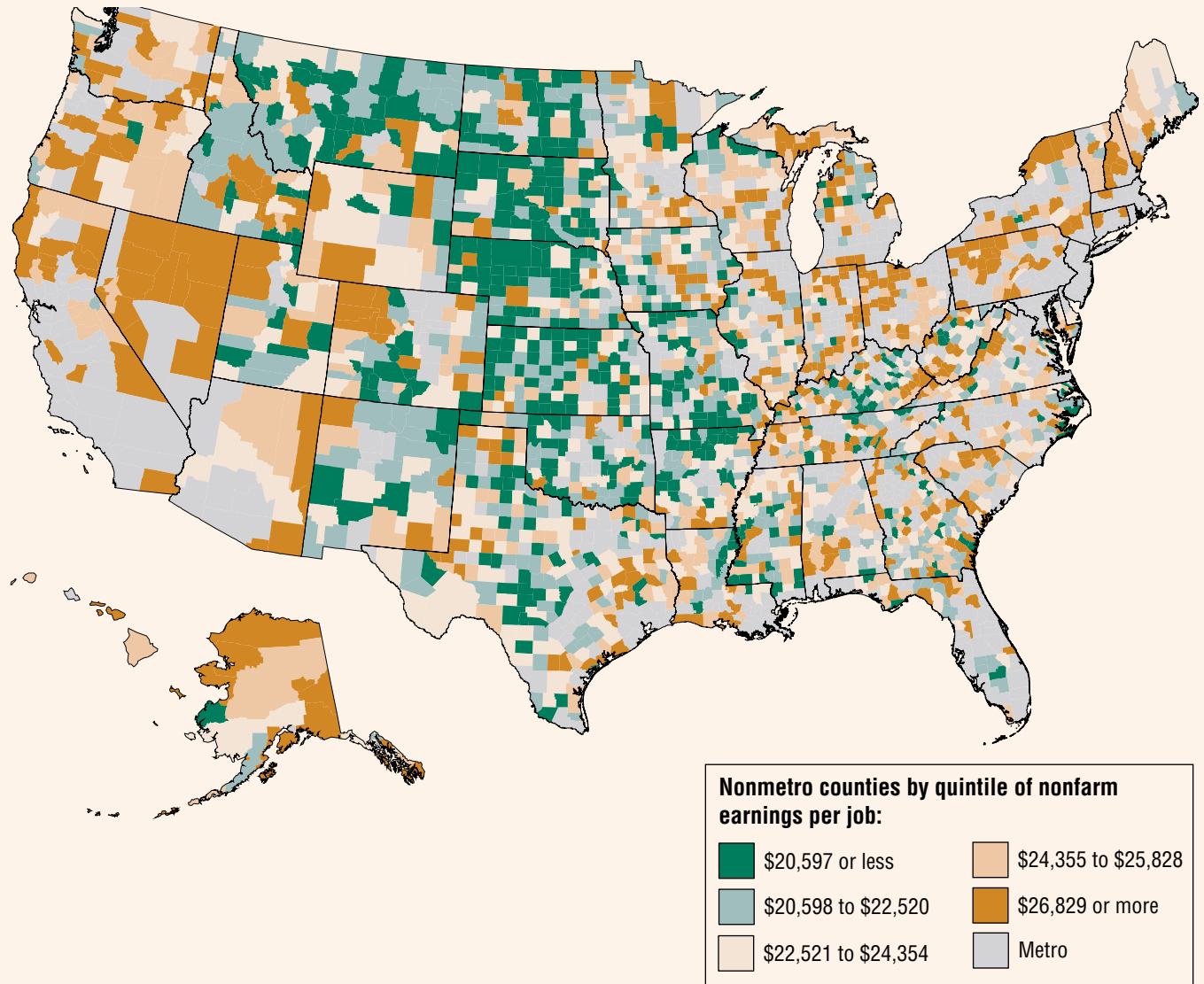
counties. Growth and decline are sprinkled across nonmetro counties of all earnings levels. Local events that affect the industrial distribution of jobs, the full-time versus part-time distribution of jobs, the

earnings of entrepreneurs, or the responsiveness of wage rates to inflation are factors in determining whether real earnings go up or down from year to year in a county.^{RA}

Figure 4

Nonmetro earnings per nonfarm job, 2000

Part-time and/or part-year jobs partially explain counties' lower average earnings in the Plains and Mountain States



Note: Nonmetro counties were ranked from lowest to highest earnings per job and then divided into five equal groups (quintiles).
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

How Categories of Urban Influence Are Defined

Metro:

Large core = counties containing the core cities of large metro areas of 1 million or more residents

Large fringe = other counties in large metro areas

Small = counties in small metro areas with fewer than 1 million residents

Nonmetro:

Adjacent to large metro, with own city = counties adjacent to large metro areas and that have their own cities of at least 10,000 residents

Adjacent to large metro, no own city = counties adjacent to large metro areas that have no cities of at least 10,000 residents

Adjacent to small metro, with own city = counties adjacent to small metro areas and that have their own cities of at least 10,000 residents

Adjacent to small metro, no own city = counties adjacent to small metro areas that have no cities of at least 10,000 residents

Not adjacent, with own city = counties that are not adjacent to a metro area and have their own cities of at least 10,000 residents

Not adjacent, with own town = counties that are not adjacent to a metro area and have their own towns of 2,500-9,999 residents

Not adjacent, totally rural = counties that are not adjacent to a metro area and have no place with at least 2,500 residents.

Rural America's Predecessors

As *Rural America* comes to an end, it is interesting to note that this ERS magazine was not the only one to bear that title. The first *Rural America* appeared in 1925 as the magazine of the American Country Life Association. This group had been founded to carry on the ideals of the Country Life Commission (1907-09), which aimed to bring urban standards of living and efficiency to rural areas. Though small in circulation, that *Rural America* attracted some prominent contributors—including Calvin Coolidge, Franklin D. Roosevelt, Grant Wood, and Robert Frost—who wrote about such diverse topics as cooperatives, rural planning, and the arts. The magazine ended in 1941, during the waning days of the Association. Another *ruralamerica* was published for a few years beginning in 1975 by a Washington-based organization of the same name and was “dedicated to speaking up for rural and small-town citizens” (*ruralamerica*, Feb. 1980). Our own *Rural America*, of course, commenced as *Rural Development Perspectives* in 1978. Starting as an occasional publication of ERS, it began regular publication in 1985 and received its present name in 2000.

1925 2000