

Job Losses Higher in Manufacturing Counties

Since 2000, 2.6 million manufacturing jobs have been lost nationwide. Reduced business investment and a significant decline in exports due to the high value of the U.S. dollar were compounded by increased competitiveness from some low-wage countries. Manufacturing job losses began in August 2000 and continued for 3½ years, unaffected by the national economic recovery that began in November 2001. By 2004, however, some manufacturing industries—wood and non-metallic mineral products used in new home construction, for example—added jobs.

In the face of this national decline in manufacturing employment, more than one in every four (28.5 percent) nonmetro counties depends on manufacturing for its economic base. That is, these counties derived at least 25 percent of annual average proprietor and employee earnings from manufacturing during 1998-2000, and thus are classified as manufacturing-dependent in the 2004 ERS County Typology.

Manufacturing-dependent counties lost manufacturing jobs at roughly the same rate as all other counties during the steepest declines between 2001 and 2002, the latest year for which county-level data are available. Among nonmetro counties, manufacturing employment declined by 6.18 percent in manufacturing-dependent counties and by 5.83 percent in all other counties. Metro areas posted steeper declines of 7.41 percent for manufacturing-dependent and 7.61 percent for all other counties.

In terms of overall employment, counties not dependent on manufacturing were able to post small gains in total employment between 2001 and 2002. In manufacturing-dependent counties, growth in other sectors was not sufficient to maintain employment levels, which fell 0.61 percent in nonmetro counties and 0.81 percent in metro counties.

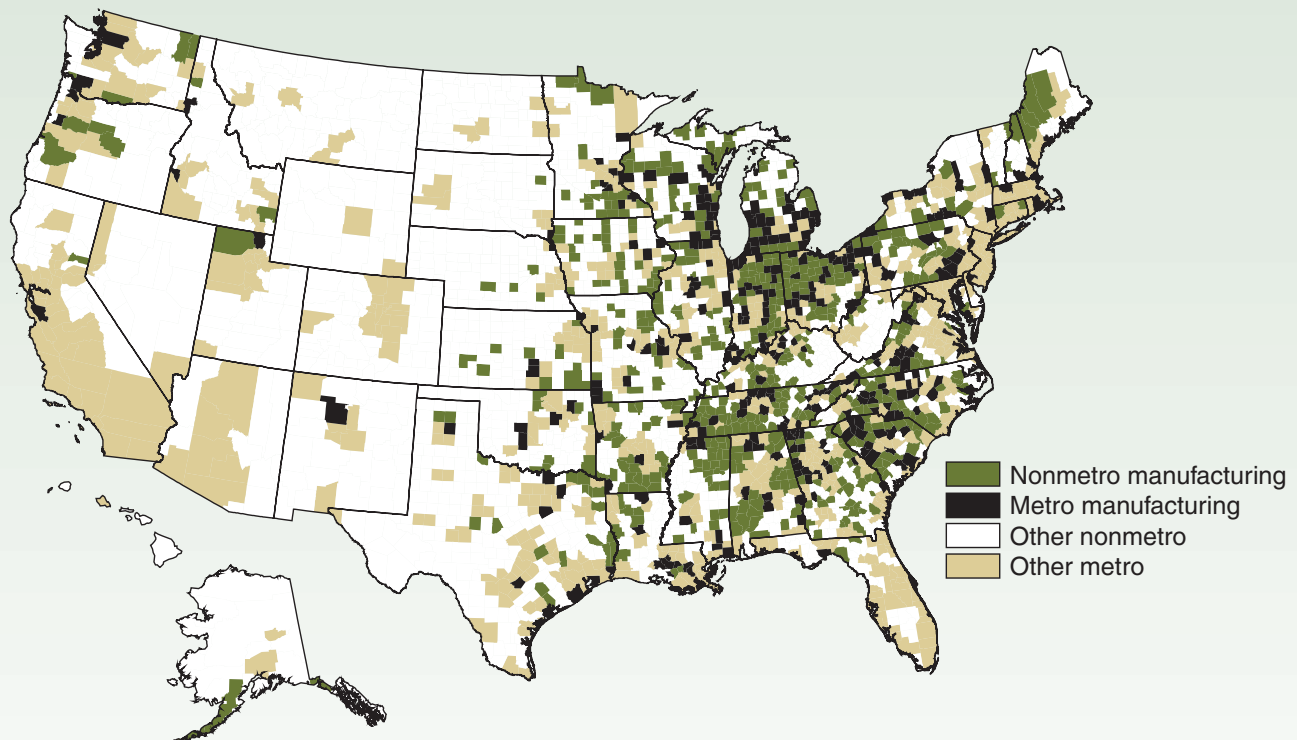
Manufacturing-dependent counties are clustered in the Midwest and Southeast. This concentration of manufacturing activity may create economies of scale and scope that could support job growth. Additionally, many nonmetro manufacturing-dependent counties have larger populations than other nonmetro counties and tend to be adjacent to large metro areas—two factors that may hasten job growth. \mathbb{W}

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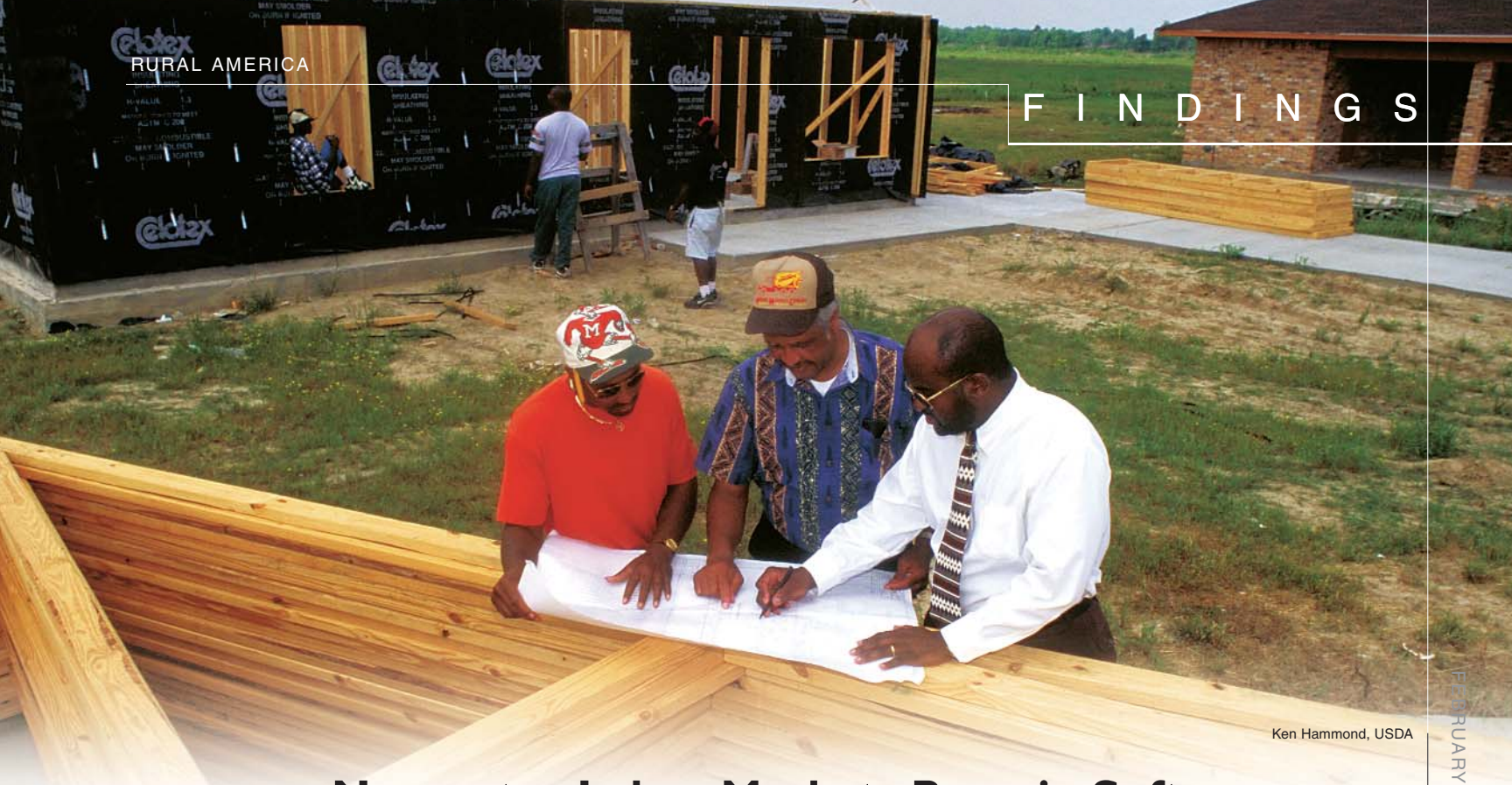
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The County Typology Codes page of the ERS Briefing Room on Measuring Rurality, at: www.ers.usda.gov/briefing/rurality/typology/

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Manufacturing-dependent counties—an annual average of 25 percent or more of total county earnings derived from manufacturing during 1998-2000.

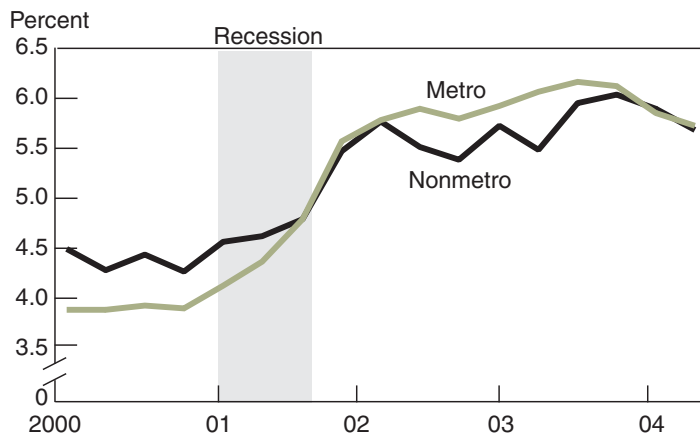


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Nonmetro Labor Markets Remain Soft

In 2004, the U.S. economic recovery that began in November 2001 became broad-based, with most domestic sectors exhibiting moderate to strong growth. Construction, especially residential construction, and strong housing markets boosted overall economic growth. In addition, low inflationary expectations, low interest rates, and weak credit demand by businesses produced the lowest mortgage rates since the early 1960s. In nonmetro areas, homeownership rates have reached record highs, continuing to exceed metro rates for most households. The strong housing market raised demand for building materials, contributing to job gains in nonmetro areas where many plants are located.

Unemployment rates rose slightly between 2002 and 2003



Source: Seasonally adjusted rates calculated by ERS using Bureau of Labor Statistics data.

Nonmetro as well as metro areas, however, continue to struggle with soft labor markets. After more than 2 years of economic expansion, hiring has been slow to recover. The nonmetro unemployment rate rose slightly to 5.8 percent in 2003, from 5.6 percent in 2002. The metro unemployment rate also rose slightly (to 6.0 percent in 2003 from 5.8 percent in 2002). Between 2002 and 2003, average weekly earnings fell 0.5 percent (to \$555) in nonmetro areas, and 0.3 percent (to \$699) in metro areas, after adjusting for inflation. But 2004 has brought some job growth, with increases in some manufacturing jobs for the first time since 1998.

Between April 2000 and July 2003, nonmetro America added 580,000 people, averaging 0.4 percent population growth per year. This is lower than the current metro growth rate (1.3 percent) and half the nonmetro average during the “rural rebound” of the 1990s. Still, in 2002-03, the annual nonmetro growth rate rose from the previous year, the first such increase since 1994-95, possibly indicating that the nonmetro population downturn may have ended. Rapid population growth in some nonmetro counties, especially those adjacent to metro areas, is due to migration.

But even as some counties gain population, others lose population. Around 600 nonmetro counties lost population during the 1990s, and well over 1,000 nonmetro counties have lost population since 2000. Population loss affects all regions, but is particularly widespread in the Great Plains. *W*

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Rural America At A Glance, 2004, edited by Karen S. Hamrick, AIB-793, USDA/ERS, September 2004, available at: www.ers.usda.gov/publications/aib793/