Rural Employment Gains Continue, But Pace Slows

Nonmetro employment growth in 1994-95 continued to outpace the growth rates of the 1980's, although the rate of growth was somewhat slower than in the previous year. Meanwhile, nonmetro unemployment in 1995 fell to its lowest rate in over 15 years.

Employment in nonmetro areas grew 1.7 percent between 1994 and 1995, as moderate and steady economic expansion continued for the fourth consecutive year, according to data from the Bureau of Labor Statistics. Although this rate represents a sharp deceleration from the 2.7-percent growth of the previous year, it remains faster than the average annual nonmetro rate of the 1980's. To some extent, the lower growth rate of 1995 reflects a national economic "cooling off" from the more rapid growth of 1993-94. The slowdown was widespread across major regions, as well as across economic and policy county types, indicating that macroeconomic factors may have played a key role (see appendix, pp. 54-55, for definition of county types).

The nonmetro unemployment rate, meanwhile, fell by half a percentage point to an average of 6.2 percent in 1995, the lowest rate since 1979, as more people took jobs than entered the labor force. The difference was drawn from the ranks of the unemployed. Like employment change, overall nonmetro unemployment trends held true across regions and county types.

Metro Growth Rate Matches Nonmetro Rate

The nonmetro growth rate fell slightly below the metro rate of 1.8 percent for the first time since 1990. The impact of the 1990-91 recession was felt more strongly in metro areas, and the initial metro recovery proceeded more slowly. This was in marked contrast with the experience of the early and mid-1980's, when metro employment growth outpaced nonmetro growth for 8 years in a row.

Slow overall metro employment growth during the early 1990's reflects mainly the more severe recessionary dip and sluggish recovery in core counties of larger metro areas with more than 1 million population. Growth in other metro counties matched nonmetro county growth during this period. In contrast, employment in the metro core counties grew at about the same rate as other metro counties throughout the 1980's, and consistently exceeded nonmetro growth rates.

Growth Accelerates after 1990 in Three of Four Regions

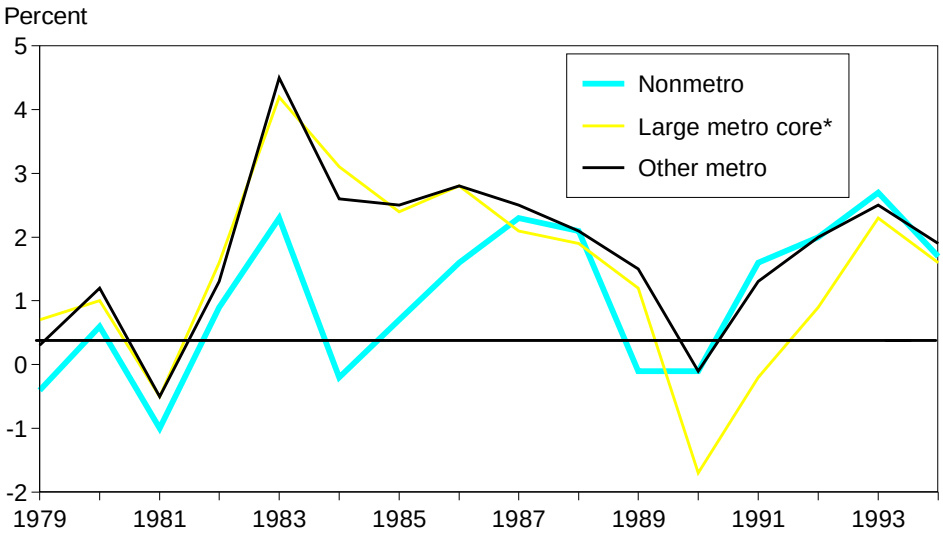
Nonmetro employment growth in three of four U.S. regions accelerated significantly between the 1980's and the 1990's. The most dramatic change occurred in the Central region, where a decade of near-zero employment growth from 1980 to 1990 was followed by annual employment growth of 1.4 percent from 1990 to 1995. However, the fastest nonmetro annual growth rate in both periods was observed in the West; this rate rose from 1.6 percent in the 1980's to 2.5 percent in the 1990's. In the South, annual nonmetro employment growth accelerated from 0.9 percent in 1980-90 to 1.4 percent in 1990-95. Only the North showed no change after 1990, experiencing 1.4-percent annual nonmetro employment growth in both the 1980's and so far in the 1990's.

The three regions that experienced an acceleration of nonmetro employment growth after 1990 also experienced some deceleration between 1993-94 and 1994-95. Sharp deceleration was registered in the nonmetro South (down from 2.8 to 1.2 percent) and the nonmetro West (from 4.3 to 2.4). The nonmetro Central region's employment growth rate also slowed, but less dramatically, while the nonmetro North actually registered somewhat more rapid growth in 1994-95. Nationally, the 1994-95 slowdown represents a return to the overall trends of the post-recession 1990's, following more rapid growth from 1993 to 1994. Also, the recent recovery of metro economies, particularly in California, Texas, and the Great Lakes region, reduces the likelihood that poor economic conditions will push workers and employers into nonmetro areas.

Figure 1

Annual employment change by residence, 1980-95

Central counties in large metro areas lagged other counties during the early 1990's



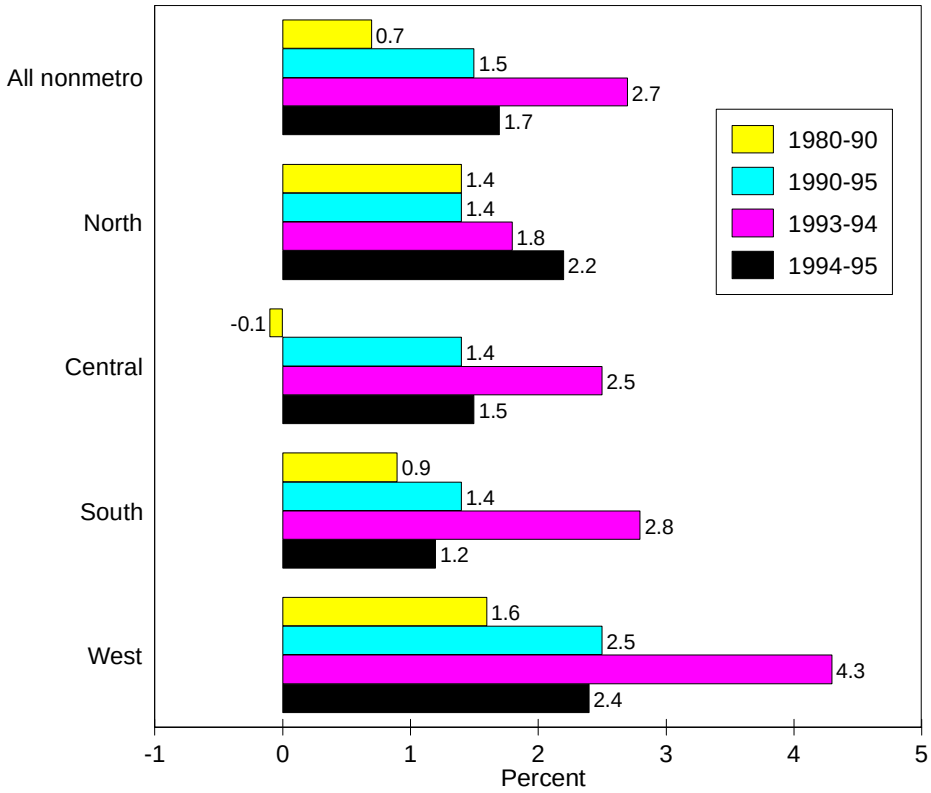
*"Large metro core" counties include counties with a rural-urban continuum code of 0. "Other metro" counties include counties coded 1-3. (See appendix.)

Source: Calculated by ERS using data from Bureau of Labor Statistics.

Figure 2

Nonmetro annual employment change by region, 1980-95

All regions except the North experienced slower nonmetro growth in 1994-95 than in the previous year



Source: Calculated by ERS using data from Bureau of Labor Statistics.

Farming- and Mining-Dependent Counties Grew More Rapidly in 1990's

Employment growth accelerated across all county economic types after 1990. The most marked changes were in farming-dependent counties, which grew 1.4 percent annually from 1990 to 1995 after near-zero growth during the 1980's, and in mining-dependent counties, where the modest 0.5-percent 1990-95 annual growth rate was a sharp improvement in the 0.7-percent average annual decline in employment during the 1980's. Annual growth rates increased by nearly a full point in service-dependent and nonspecialized counties as well. The service-dependent counties, with 2.1-percent annual growth, experienced the fastest 1990-95 average employment growth of any county economic type. A more modest increase was seen in the annual growth rate for manufacturing-dependent counties (from 1.0 to 1.4 percent), while the increase for government-dependent counties was a slight 0.1 percent (from 1.6 to 1.7 percent).

The slowdown in nonmetro employment growth in 1995 was also seen across all county economic types. The drop was especially notable in farming-dependent counties, where the growth rate fell from 2.9 to 1.1 percent from 1993-94 to 1994-95. In most years, farming-dependent counties are among the slowest growing economic types; even with the recent decline, their employment trend remains much more favorable than it had been during the 1980's.

The much slower growth seen in service-dependent counties in 1994-95 compared with the previous year also left them well above the 1980-90 trend. The slowdown in these counties, however, is somewhat more disturbing since service counties have led the nonmetro recovery.

Employment growth in manufacturing-dependent counties shifted downward by a full percentage point from the 1993-94 rate, while growth in government-dependent counties slowed least.

Nonmetro Unemployment Dips to 15-Year Low

The average unemployment rate in nonmetro areas stood at 6.2 percent in 1995, down from 6.7 percent in 1994. This is the lowest annual nonmetro unemployment rate in more than 15 years, and more than 2 percentage points below the average nonmetro unemployment rate of 8.8 percent over the whole of the 1980's, according to the Local Area Unemployment Statistics (LAUS) from the Bureau of Labor Statistics.

Since the 1990-91 recession, nonmetro unemployment rates have tracked less than a percentage point above the metro rate. The trend continued in 1995, with the metro unemployment rate at 5.4 percent, 0.8 percentage point lower than the nonmetro rate. The relatively narrow metro-nonmetro gap of the last few years is a welcome change from the 1980's, when the gap averaged nearly 2 percentage points.

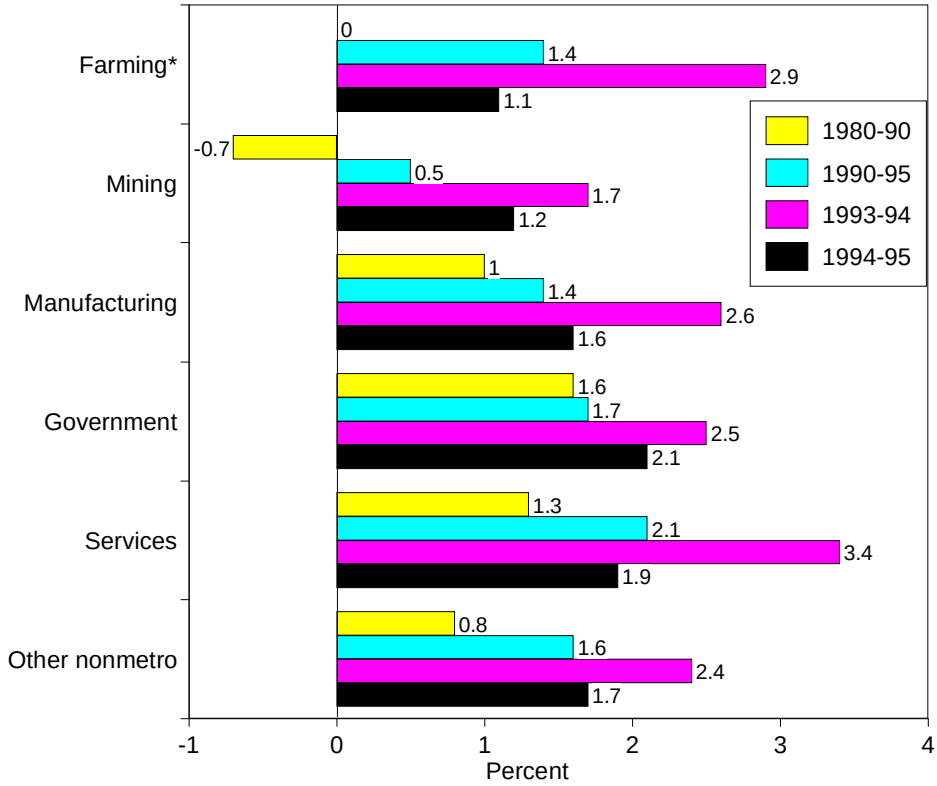
Earlier in the decade, data from the Current Population Survey showed nonmetro unemployment rates actually falling below those of metro areas after 1991. Because of sampling changes and metro/nonmetro recoding to reflect the 1990 Census, accurate nonmetro labor force estimates from the CPS were unavailable for 1994 and 1995. If the past relationship between LAUS and CPS estimates still holds, we expect to find the nonmetro unemployment rate equal to or less than the metro rate according to CPS estimates to be released in 1997.

Regional differences in unemployment persist, with 1995 nonmetro unemployment rates ranging from less than 5 percent in the Central region to 7.4 percent in the West. Nonmetro unemployment rates have fallen sharply since the 1980's in all four regions, with declines ranging from just over 2 points in the West to nearly 3 points in the North. However, the Western rate remains above its 1990 low of 6.9 percent. Areas with high employment growth, such as the West, often experience a high proportion of job searching, which raises the unemployment rate. The greater number of available jobs brings in workers who are new to the area, but also induces many current workers to seek better employment. *[Lorin Kusmin, 202-219-0550, lkusmin@econ.ag.gov, and Robert Gibbs, 202-501-7975, rgibbs@econ.ag.gov]*

Figure 3

Annual employment change by county economic type, 1980-95

Growth has been faster for all county types in the 1990s, especially in 1993-94



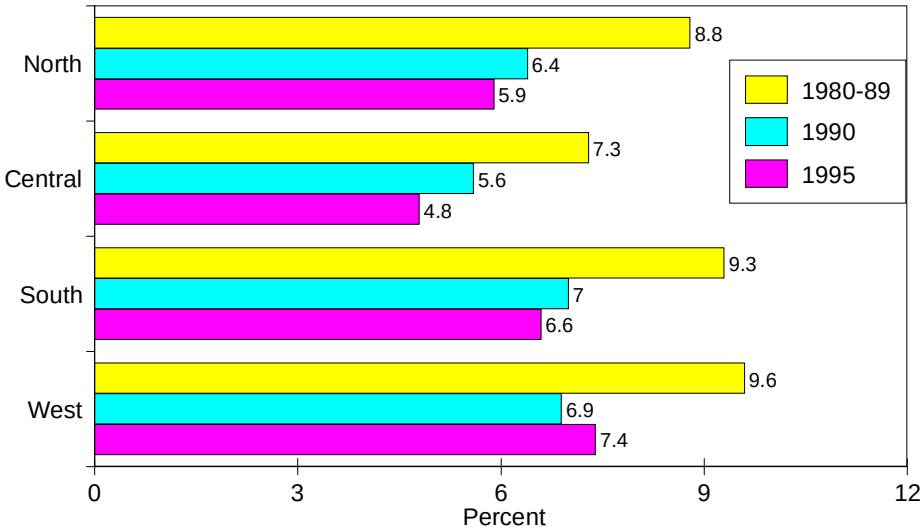
* 1980-90 figure for farming was -0 percent.

Source: Calculated by ERS using data from Bureau of Labor Statistics.

Figure 4

Nonmetro annual unemployment rates by region, 1980-95

Unemployment rates stand at a 15-year low in all regions except West



Source: Calculated by ERS using data from Bureau of Labor Statistics.