Rural Earnings Edge Up in the 1990's

Rural real earnings rose slightly during 1990-96, a welcome change from falling earnings in the 1980's. Earnings change varied by region, with only the Midwest and South showing gains overall. Gains were widespread among many demographic groups, however, and especially among women. Overall, wage inequality has lessened slightly during the 1990's.

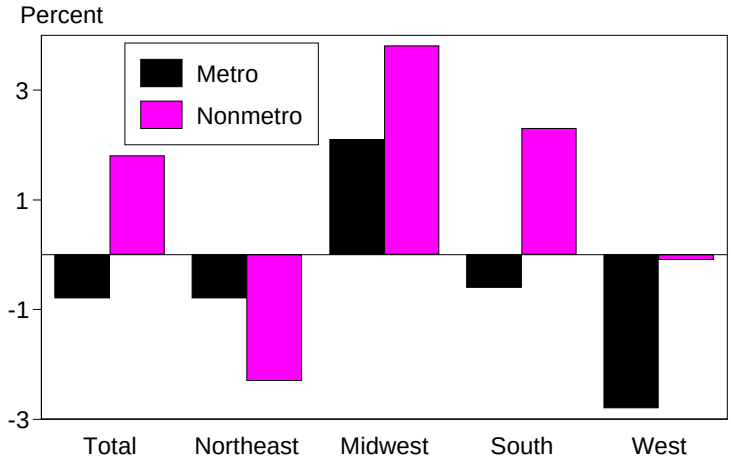
Real weekly earnings for rural wage and salary workers rose 1.8 percent between 1990 and 1996, from $413 to $420, according to data from the Current Population Survey (CPS). (All amounts are reported in 1996 dollars, deflated with the CPI-U price index.) The rise, while modest, contrasts sharply with a substantial decline in rural real earnings during the 1980's. Earnings for the United States as a whole were flat over the 1990-96 period, as real urban earnings fell slightly by 0.8 percent, from $535 to $530. Average weekly earnings for rural wage and salary workers in 1996 were 79 percent of the average weekly earnings for comparable urban workers, up 2 percentage points since 1990. The rural earnings upswing is yet another sign of the turnaround in rural economic conditions seen in the 1990's.

Data from the 1990 and 1996 Current Population Surveys are not strictly comparable, but the differences are unlikely to have fundamentally affected the earnings trends reported here. For more details on changes in the CPS during this period, see the appendix.

Earnings Growth Evident in the Midwest and South

The rural components of two of the four major Census regions posted gains in average weekly earnings during the 1990's, while real earnings in the urban portions of three regions declined (fig. 1). The rural Midwest enjoyed a 3.8-percent increase, to $421, followed by the rural South with a 2.3-percent gain (to $406). Meanwhile, earnings fell in the rural Northeast, although wages there are still the highest of the four regions ($449), and earnings in the rural West were unchanged ($439). The reasons for earnings stagnation in these two regions are probably quite different. The rural West has experienced relatively high levels of unemployment, partly due to high inmigration rates. Unemployment in the rural Northeast has been slightly lower than in the West in the past few years, but the region has added few new jobs, indicating sluggish demand. The rural Northeast is the only rural region that did not outperform its urban counterpart (see table 1 for dollar amounts).

Figure 1
Average weekly earnings change by region, 1990-96
Earnings in the nonmetro Midwest grew faster than in other regions



Source: Calculated by ERS using data from the 1990 and 1996 Current Population Survey.

Rural Women Lead in Widespread Gains across Demographic Groups

Gains were registered by nearly all segments of the rural workforce (table 1). Earnings growth rates were somewhat higher for Blacks and Hispanics than for Whites. The urban-rural differences for Blacks and Hispanics were notable, with declines in urban areas (-1.2 and -4.2 percent, respectively) and increases in rural areas (3.1 and 3.9 percent). While rural men saw no improvement, earnings gains were substantial for rural women (6.2 percent), who now have more schooling on average than rural men, and who continue to move into high-paying occupations more quickly. Real weekly earnings fell slightly for younger rural workers, but the decline was much smaller than among young urbanites.

Earnings Decline for Urban, but not Rural, High School Dropouts

The 1990's, like the previous decade, saw rising returns to college and advanced degrees for all workers ages 25 and older. The stories are quite different, however, for the rural and urban labor force. Real earnings for rural workers at all education levels rose modestly between 1990 and 1996, without the sharply rising returns to education observed in the 1980's (fig. 2). Meanwhile, the national trend toward higher returns continued, and was driven by changes in urban wage patterns. Urban workers who are not high school graduates experienced an 11.2-percent decline in real earnings, as workers with advanced degrees registered small increases. The large difference in outcomes for rural and urban workers without a diploma reflects several factors. Urban areas were hit harder by the 1990-91 recession, and its effects on the workforce lasted longer in urban than in rural labor markets. Since recessionary effects are often most acute among those with the least skills and education, the urban low-skill workforce was placed in "double jeopardy" during the early 1990's. In addition, immigration increased the relative supply of urban low-skill labor, and may have dampened wage pressures among both those without a diploma and younger workers as noted above.

Table 1

Average weekly earnings for selected groups, 1990 and 1996

The earnings of rural women rose, but fell slightly for men and the youngest workers

	Nonmetro			Metro			Nonmetro-metro ratio	
	1990	1996	Change	1990	1996	Change	1990	1996
	1996 dollars		Percent	1996 dollars		Percent	Percent	
Total	413	420	1.8	535	530	-0.8	77.2	79.2
Region:								
Northeast	460	449	-2.3	566	561	-0.8	81.3	80.0
Midwest	405	421	3.8	522	533	2.1	77.6	79.0
South	397	406	2.3	504	501	-0.6	78.8	81.0
West	439	439	-0.1	558	542	-2.8	78.7	81.0
Blacks	314	324	3.1	429	424	-1.2	73.2	76.4
Hispanics	320	333	3.9	407	390	-4.2	78.6	85.4
Whites	422	429	1.5	549	547	-0.5	76.9	78.4
Men	501	499	-0.5	637	622	-2.4	78.6	80.2
Women	314	333	6.2	420	431	2.6	74.8	77.3
Age:								
16-24	226	222	-1.8	273	247	-9.4	82.8	89.9
25-60	462	471	1.9	599	591	-1.3	77.1	79.7
over 60	348	355	2.0	476	470	-1.3	73.1	75.5

Note: Hispanics may be of any race.
Source: Calculated by ERS using data from the Current Population Survey earnings files.

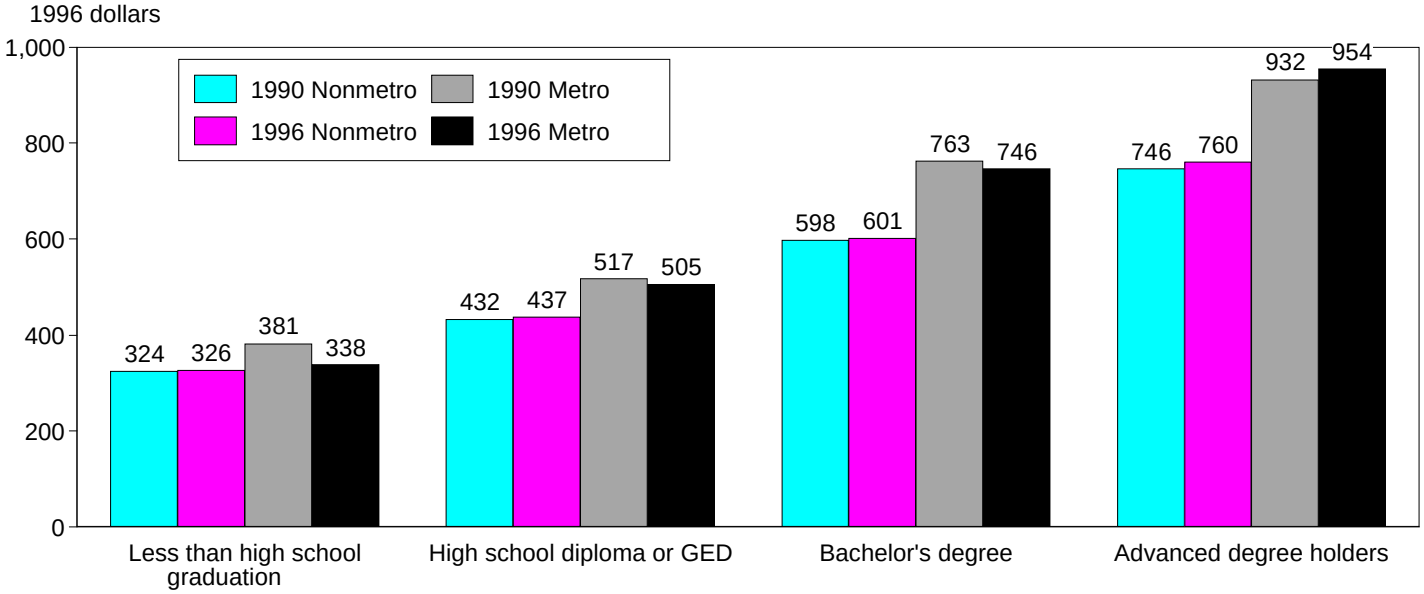
The urban decline significantly narrowed the rural-urban earnings gap for workers without a diploma by 1996 ($326 rural vs. $339 urban). Once cost-of-living differences are accounted for, these workers may now find their purchasing power to be as high in rural as in urban areas, a possibility consistent with recent evidence that rural areas are gaining workers without a diploma through interregional migration. Growth in earnings for college graduates is also higher in rural than in urban areas. This is a welcome change from the 1980's, because rising urban wage premiums for college graduates were largely responsible for high rural outmigration rates among that group. As the urban-rural differences diminish, the transfer of human capital from rural to urban areas experienced in the 1980's should decline and perhaps reverse.

Wage Inequality Lessens in Rural Areas

During the 1980's, wage inequality increased as real wages fell. In rural areas, this trend appears to have stopped. The variation in weekly earnings, measured by the spread between the best-paid and least-paid workers, dropped between 1990 and 1996 (table 2). The 10th percentile wage, which is the wage such that only 10 percent of all workers earn less than that amount, can represent low earnings. Similarly, the 50th percentile wage is a measure of typical earnings and the 90th percentile high earnings.

The earnings ratio of rural workers at the 90th earnings percentile to those at the 50th percentile remained about the same from 1990 to 1996. A slight decrease, however, was registered in the ratio of 50th percentile to 10th percentile workers, and thus, in the 90th-to-10th percentile ratio as well. In contrast, inequality in urban areas is greater than in rural areas, and has increased during the 1990's. The rural-urban difference is primarily a consequence of relatively high earnings among the best-paid urban workers. *[Robert Gibbs, 202-501-7975 (after October 24, 202-694-5423), rgibbs@econ.ag.gov]*

Figure 2
Average weekly earnings by education, ages 25 and over
Metro and nonmetro high school dropouts had similar earnings by 1996



Note: "High school diploma or GED" includes workers who attended college, but did not complete a 4-year degree.
Source: Calculated by ERS using data from the 1990 and 1996 Current Population Survey earnings files.

Table 2

Usual weekly earnings at select percentiles

Wage inequality dipped slightly between 1990 and 1996 for rural, but not urban, workers

	Nonmetro		Metro	
	1990	1996	1990	1996
	1996 dollars			
Percentiles:				
10th	114	119	149	142
50th	355	355	450	423
90th	769	769	1,008	1,018
Ratios:				
90:50	2.17	2.17	2.24	2.40
50:10	3.11	2.97	3.02	2.99
90:10	6.75	6.44	6.77	7.18

Source: Calculated by ERS using data from the Current Population Survey earnings files.