Favorable Rural Socioeconomic Conditions Persist, but Not in All Areas

The socioeconomic climate of rural areas remained favorable in the late 1990's, according to the most current economic and population indicators. Unemployment rates continued to fall, and population, employment, and income remained on the rise, albeit more slowly than earlier in the decade. At the same time, favorable economic performance did not benefit all rural people and areas equally. About 27 percent of rural workers, mostly women or minorities, held low-wage jobs in 1999. Furthermore, low-wage employment was clustered in counties in the Great Plains and South. These counties tended to have small populations, locations remote from urban centers, and less diversified economies.

This issue of *Rural Conditions and Trends* (*RCaT*) provides an assessment of the current conditions and trends in socioeconomic well-being for rural people and places during the late 1990's. The core articles update analyses reported annually by focusing on such topics as population, migration, employment, unemployment, poverty, earnings, and transfer payments. Articles that were new to last year's issue on housing and household food security and hunger are featured again this year. Also returning to the issue is an article based on data from ERS's Rural Manufacturing Survey that compares rural and urban wage differentials and examines how the business practices of manufacturing firms shape wage levels.

This year's socioeconomic issue highlights low-wage workers and geographic patterns of low-wage employment, topics of special concern in rural America. Despite the strength of the current economic expansion, over a quarter of rural wage and salary workers ages 25 and older earned full-time-equivalent wages below the poverty threshold for a family of four in 1999 ($17,028). Earnings among the lowest paid rural workers have grown more slowly than for the rest of the labor force, often less than the inflation rate, even as their education levels have risen. The changing location of economic activities within the United States and across international borders, technological innovations, and declining unionization and real minimum wage rates all play a part in explaining low-wage trends.

Many rural areas where low-wage workers are clustered have been hard hit by these larger economic forces, and have not shared fully in the benefits of national economic growth. Recent rural development policy initiatives, such as the New Markets program, promise to jumpstart growth in many of these distressed areas. At the same time, rural areas face new challenges as the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) gradually moves a new set of workers into the low-wage labor force. The analyses of conditions and trends reported in this issue help us to understand the economic and social context in which these policy developments take place, to identify the people and places that most need assistance, and to appreciate both the possibilities and limitations of our efforts to improve well-being in all of rural America.

The first of two thematic articles examines the prevalence and characteristics of low-wage workers in rural areas. A second article presents a new classification of rural low-wage counties containing high proportions of jobs in low-wage industries and analyzes the geographic and economic characteristics of these counties. Other articles focus on various aspects of socioeconomic well-being among either low-wage workers or low-wage counties.

Rural Conditions and Trends last reported on rural socioeconomic conditions and trends in its February 1999 issue (Vol. 9, No. 2), which looked at the socioeconomic status of rural minorities also. That issue painted a mixed picture for economic performance in rural areas for 1996-97. Like their urban counterparts, rural areas saw unemployment decline, per capita incomes grow, and weekly earnings rise because of strong national economic expansion. At the same time, the rural advantage in economic and population growth observed during the early to mid-1990's eroded. Furthermore, significant rural-urban gaps persisted and even widened. This issue shows a continuation and sharpening of the conditions and trends reported last year. Several main themes emerging from the issue's analyses are highlighted on the following pages.

Overall Rural Economic Climate Remains Favorable . . .

Rural areas, as a whole, enjoyed relatively good economic times in the late 1990's, according to the most recent population and economic indicators available (table 1). The rural unemployment rate, which fell to its lowest levels in over 20 years in 1998, dropped even more to 5.1 percent in 1999. Nonmetro employment expanded further in 1999, and nonmetro employment growth even outpaced metro growth during the last 2 quarters of 1998. The population rebound from declines observed in the 1980's continued (at a diminishing rate). Net inmigration from metro to nonmetro areas resulted in an average gain of 281,000 people per year between 1997 and 1999. Rural per capita income rose 2 percent in 1997, while rural real earnings per nonfarm job rose by 1.3 percent. Reflecting the strong national economy, annual growth in nonmetro and metro per capita transfer payments to individuals steadily decreased from over 6 percent per year in the early 1990's to around 2 percent per year between 1994 and 1997.

. . . But Pace of Growth Slows

Current trends, however, also show a marked slowing of economic and population growth, compared with trends earlier in the decade. Despite quickening during late 1998, the pace of employment growth slowed to 1.5 percent during 1999. In addition, the nonmetro rate of population growth has steadily dropped since 1994-95, when it momentarily exceeded the metro rate. By 1997-99, the nonmetro rate of population growth was little more than half of the metro rate. Despite the net inflow of people from metro areas, the rate of net migration, which steadily increased during the early and mid-1990's, dropped to about one-half of 1 percent during 1997-99. Reversing earlier trends of record growth, the West was the center of the 1997-99 slowdown in rural migration. Furthermore, much of the recent decrease in rural net migration occurred among college graduates, although the tightened linkages between rural and urban economies make a return to the severe rural "brain drain" of earlier decades seem unlikely.

In response to the policy and program changes brought about by the enactment of PRWORA, as well as to the strong national economy, per capita transfers for the major public assistance programs—Temporary Assistance for Needy Families (TANF), food stamps, and Supplemental Security Income (SSI)—continued to decline sharply. During 1996-97, per capita benefits for TANF declined more rapidly in rural than in urban areas, while per capita benefits for food stamps declined more rapidly in urban than in rural areas.

Rural Areas Lag Urban Areas on Many Indicators

Even in the face of favorable economic conditions, rural areas lagged urban areas on many indicators. Following a longstanding trend, poverty rates were 2 percentage points higher in rural than in urban areas. In 1997, rural areas lagged urban areas by at least $9,000 in real per capita income and by well over $7,000 in real earnings per job. These gaps have widened since the late 1980's. Compared with urban economies, rural economies rely more heavily on transfer payments as a source of income. In 1997, per capita transfer payments made up 21 percent of rural personal income, compared with approximately 15 percent of urban personal income.

Furthermore, metro population and employment growth exceeds nonmetro growth. The pattern was reversed in the mid-1990's when rural rates of population and employment growth were higher than urban rates.

Benefits of Favorable Economic Conditions Are Spread Unevenly Across Rural Areas

The current conditions and patterns of growth just reported did not necessarily affect all rural areas equally. For example, not all rural areas in the country have benefited from increased population growth; populations of many nonmetro counties once again declined in the late 1990's. Despite the overall decline in rural unemployment, it increased in large

Table 1

Indicators of nonmetro economic performance

Socioeconomic conditions in the mid-1990's show signs of continued improvement, although rural-urban gaps persist

Indicator	Performance	Indicator	Performance
	Percent		Percent
Annual population change:		Annual employment change:	
1995-99	0.62	1995-99	1.0
1990-95	.96	1990-95	1.6
Annual net migration rate:		Annual unemployment rate:	
1995-99	.35	1999	5.1
1980-90	.72	1995	6.3
		1991	7.7
Poverty rate:		Annual change in real per capita income:	
1998	14.3	1996-97	2.06
1994	16.4	1994-97	2.00
1989	15.7	1991-94	1.57
	1997 dollars		
Per capita income:		Annual change in real transfer payments:[1]	
1997	19,090	1996-97	1.74
1994	17,993	1994-97	2.59
1991	17,170	1991-94	3.45
Per capita transfer payments:[1]		Annual change in earnings per nonfarm job:	
1997	4,055	1996-97	1.3
1994	3,756	1991-97	.4
1991	3,395	1989-91	-1.3
	1997 dollars		1997 dollars
Per capita earnings:		Rural-urban gap in per capita income:	
1997	11,630	1997	7,771
1994	11,139	1991	6,897
1991	10,492	1989	7,134
Earnings per nonfarm job:		Rural-urban gap in earnings per nonfarm job:	
1997	22,985	1997	9,840
1991	22,473	1991	8,482
1989	23,059	1988	8,171
	1999 dollars		1999 dollars
Average weekly wage and salary earnings:		Rural-urban gap in average weekly earnings:	
1999	485	1999	125
1990	438	1990	130

[1]Transfer payments to individuals account for 96 percent of all transfers.

Source: Other articles and appendix tables in this issue of *Rural Conditions and Trends,* Economic Research Service.

clusters of counties in the Great Plains and South Central States. As the next section discusses, rural counties with high rates of low-wage employment are primarily clustered in parts of the Great Plains and South.

Low-Wage Employment Higher in Rural Than in Urban Areas

About 27 percent of the adult rural wage and salary workforce in 1999 earned less than the poverty threshold for a family of four (adjusted for full-time equivalency) and were thus classified as low-wage workers. Low-wage employment rates were higher in rural areas than in urban areas. Rural-urban differences in the kinds of jobs available and in education levels partly explain the employment rate differences. Urban jobs, for instance, are still more likely to require a college degree or highly specialized technical skills than are rural jobs.

In addition, current rural low-wage employment rates remain higher than in the late 1970's, despite a better educated workforce today with very low unemployment rates. Rural low-wage employment has also changed since the late 1970's. Although most low-wage workers are women, men's share of low-wage work has risen over the past two decades. Similarly, Black rural workers comprise a smaller share of the total low-wage workforce today than in the past, with their numbers replaced by the rising share of Hispanic workers.

Low-Wage Counties Are Small and Often Far From Metro Areas

ERS identified a set of rural counties that had high rates of employment in low-wage industries in 1995. (For an explanation of what a low-wage county is, see the box in "Low-Wage Counties Face Locational Disadvantages," p. 18) Although located in all regions of the United States, most low-wage counties were clustered in the Great Plains and the South. A typical low-wage county had a small population, was distant from large urban centers, and lacked economic diversity. The kinds of industries found disproportionately in low-wage counties tended to pay lower wages on average. More importantly, however, nearly all industries in low-wage counties paid lower wages than the same industries in other counties, implicating location as the primary reason for low earnings rather than industry mix.

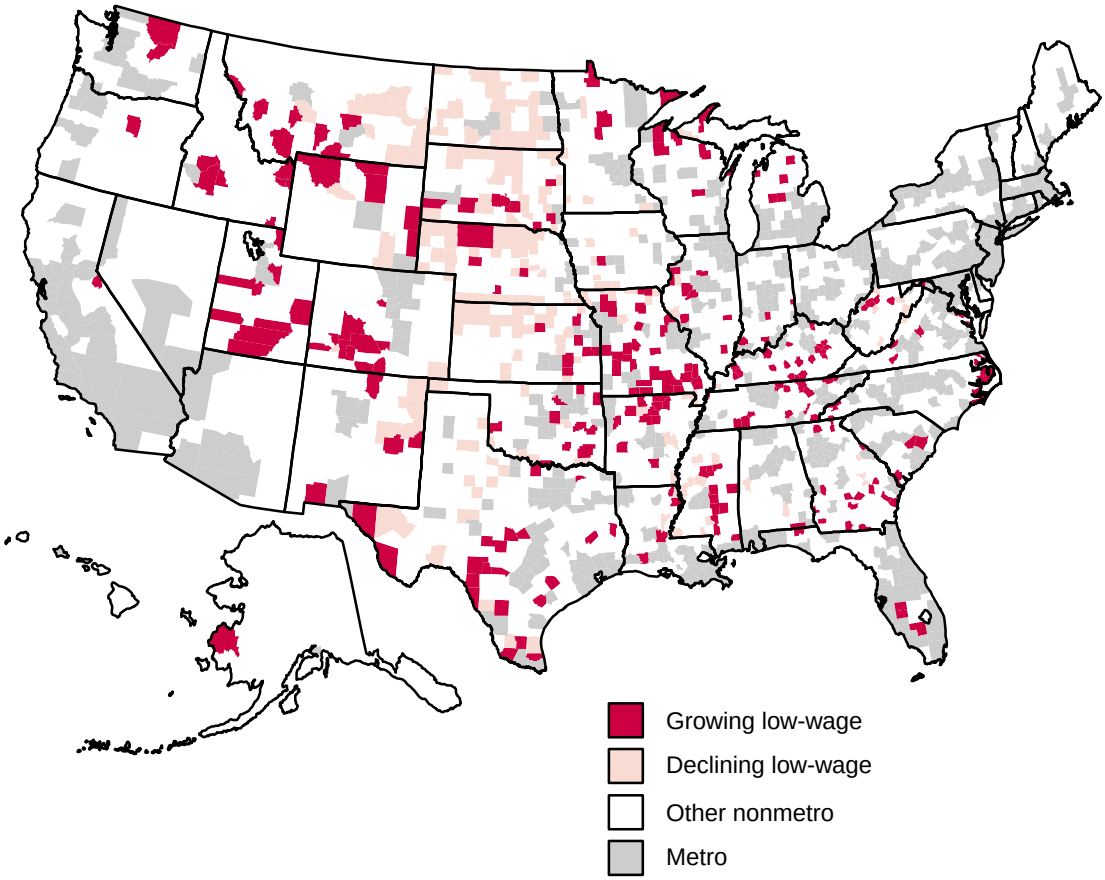
Low-wage counties made a surprisingly strong showing by some measures, however. Unemployment rates were only slightly higher, and net inmigration slightly lower, than in other rural counties. In fact, outside the farm areas of the Great Plains, low-wage counties enjoyed above-average inmigration and population growth. The reasons are unclear, but low-wage counties may attract low-wage workers because of lower living costs and the relative ease of finding work that requires low skills or education.

Characteristics of Low-Wage Counties Vary by Region

While low-wage counties shared some characteristics, much depended on the region in which they were located (fig. 1). Not surprisingly, low-wage counties in the Great Plains largely depended on farming and had slower population growth than other low-wage areas. As is true for the Plains overall, education levels were fairly high, even higher than non-low-wage counties in the South. But low-wage counties in the Great Plains were also among the smallest, most remote, and least economically diverse in the Nation. In comparison, low-wage counties in the South reflected the region's mix of low education levels and a greater range of economic activity. Despite the large number of persistent-poverty areas in the South, however, poverty rates in most southern low-wage counties were not unusually high. The article on the geography of low-wage employment further explores the relationship between persistent poverty and low earnings (see "Low-Wage Counties Face Locational Disadvantages," p. 18).

The extent to which the conditions and trends of the late 1990's continue in the 21st century depends largely on national macroeconomic and demographic changes. How States

Figure 1
Population change in low-wage counties, 1990-99
Most low-wage counties in the Great Plains lost population in the 1990's



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

and local communities deal with the challenges of building and sustaining strong rural economies will affect future trends and conditions.

A Special Note About *RCaT*

ERS will discontinue publication of *Rural Conditions and Trends* with this issue. Since 1990, RCaT has provided information and understanding about the effects of demographic and economic trends and policies on rural people, economies, and communities. In building a database of reliable indicators for publication in *RCaT*, ERS has relied not only on national data bases from other government agencies, but the agency has also developed its own research tools to communicate with its customers in the policy and research arenas. In its efforts to continue to use the most effective means of information dissemination, ERS will begin in 2001 to incorporate some information and analyses formerly published in *RCaT* in its publication, *Rural America,* combining feature articles with regular updates of social and economic conditions. Readers may also find much of the information now in *RCaT* at the ERS rural development briefing room website: http://www.ers.usda.gov/rural. In addition to articles on current socioeconomic conditions, the briefing room will contain timely research articles and data on a wide variety of related issues. *[Peggy J. Cook, 202-694-5419, pcook@ers.usda.gov; and Robert M. Gibbs, 202-694-5423, rgibbs@ers.usda.gov]*