

The nonmetro area poverty rate was 17.0 percent in 2011 and has remained consistently higher than the metro poverty rate over time. Poverty rose slightly in nonmetro areas from 2010, while falling slightly in metro areas; however, over the longer period from 2006 to 2011, poverty increased less in nonmetro than in metro areas.

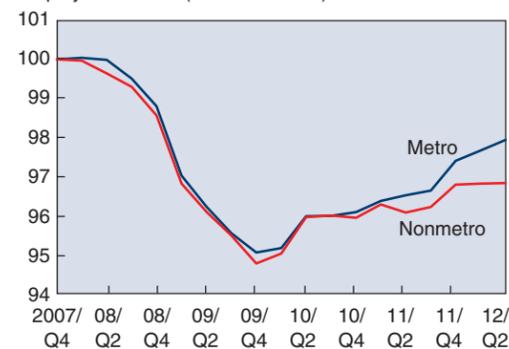
The population of nonmetro areas grew just 0.1 percent in the year ending July 2011. Population growth was uneven across rural and small-town America: over half of the 2,053 nonmetro counties lost population, while in over 350 others, population growth was higher than the national average rate of 0.7 percent. While nonmetro and metro population growth rates showed signs of converging in the early 2000s, the gap widened considerably between 2006 and 2011. Recreation and retirement-destination counties and nonmetro counties adjacent to metro areas showed marked slowdowns in population growth during 2006-2011 after growing at rates far above the nonmetro average for several decades.

Employment growth lagging in nonmetro areas

Nonmetro employment growth slowed in the first half of 2012: after growing by 1.2 percent in 2010 and 0.9 percent in 2011, the level of employment in nonmetro counties rose at a seasonally adjusted annual rate of just 0.1 percent over the first half of 2012. By contrast, metro areas saw the number of jobs rise by 1.1 percent in 2010, 1.4 percent in 2011, and at a 1.1-percent rate over the first half of 2012. After 2 ½ years of job growth, employment in nonmetro areas remained 3.2 percent below its 2007 peak, while employment in metro areas was 2.1 percent below its peak (as of July 2012).

Employment growth lags in nonmetro areas

Employment index (2007 Q4 = 100)



Source: Economic Research Service calculations based on Local Area Unemployment Statistics (LAUS) data from the Bureau of Labor Statistics, seasonally adjusted.

almost 79 percent in 2007 to 74 percent in 2009 and 2010. This rate fell further, to 73 percent, in the second half of 2011, before rebounding to 74 percent in the first 3 quarters of 2012. Thus, it does not appear that aging of the population accounts for much of the stagnation in the employment-to-population ratio in these areas.

Despite slower employment growth in nonmetro areas, 40 States had net nonmetro job growth between the first half of 2011 and the first half of 2012, while 8 (Hawaii, New York, Illinois, Arizona, Minnesota, Missouri, North Carolina, and Alabama) suffered net nonmetro job losses.

At the other end of the growth spectrum, States that saw nonmetro job growth of 2 percent or more include Alaska (2.0 percent), Delaware (2.5 percent), Arkansas (2.6 percent), Montana (2.8 percent), Oklahoma (2.9 percent), and North Dakota (5.8 percent).

The slow rate of job growth in nonmetro areas was driven partly by the poor performance in these areas of three major industries: manufacturing, educational and health services, and leisure/hospitality. According to Current Population Survey (CPS) data, all three of these industries lost employment in nonmetro areas between the first half of 2011 and the same 6 months of 2012, even as they gained jobs in urban areas: if these sectors had grown as rapidly in nonmetro areas as in metro areas, there would have been an additional 239,000 nonmetro jobs in manufacturing, another 205,000 in education and health, and another 173,000 in the leisure and hospitality industries.

Recently, many of the nonmetro counties with the most rapid job growth have been those with large employment shares in agriculture or in mining. High prices for field crops benefited farm-dependent counties, while a boom in oil and gas extraction generated an 11-percent increase in mining employment between 2010 and 2011, or 77,000 jobs, much of which occurred in nonmetro counties.

- Over this period, six States saw employment in mining grow by 15 percent or more: North Dakota (57 percent), Pennsylvania (25 percent), Oklahoma (18 percent), Texas (15 percent), New Mexico (15 percent), and Colorado (15 percent).

Average nonmetro unemployment rate is trending down

In addition to measures such as employment growth or the employment-population ratio, the health of regional labor markets is often gauged by their unemployment rates—the number of people actively seeking employment as a proportion of all who are either working or seeking work. According to CPS data, nonmetro areas fared better by this measure than did metro areas during the recession.

- At the end of 2007, nonmetro and metro unemployment rates were identical at 4.8 percent. Since the third quarter of 2009, however, the nonmetro (seasonally adjusted) unemployment rate has been about 0.5 percent below the metro unemployment rate, and both have followed similar downward trends.
- In the third quarter of 2012, the seasonally adjusted unemployment rate was 7.7 percent in nonmetro areas (8.2 percent in metro areas), almost unchanged from the previous quarter.

The unemployment rate has fallen both because jobs are being created and because discouraged jobseekers are leaving the labor force or retiring, while many younger people are delaying entry into the labor force. As a result, the rate of labor force participation (the number employed or unemployed as a share of the population) has declined since the economy went into recession:

- In nonmetro areas, the labor force participation rate fell by 2.3 percentage points between the end of 2009 and the third quarter of 2012, to 59.6 percent.
- For prime working-age individuals, the decline in labor force participation was 1.4 percentage points. If this decline had not occurred, an additional 250,000 prime working-age people would have been seeking work in nonmetro areas, and the unemployment rate would have been 1 percentage point higher.

The severity of the recession, coupled with slow job growth during the recovery, has driven the long-term unemployment rate (the number of people who have been unemployed for more than 6 months as a proportion of the total labor force) to its highest level since the Great Depression:

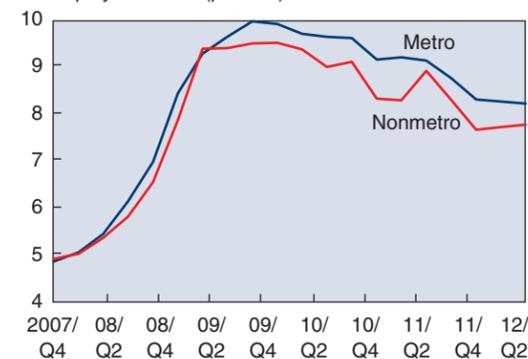
- Two-fifths of the unemployed (or 3.5 percent of the labor force) have been out of work for more than 6 months (as of the first half of 2012), while one-quarter (2.0 percent of the labor force) have been looking for work for over a year.
- The share of the labor force that has been unemployed for more than 1 year is slightly lower in nonmetro areas (1.6 percent) than in metro areas (2.1 percent).

Unemployment rates vary dramatically by age, gender, and race/ethnicity, with similar patterns in nonmetro and metro areas.

- Nonmetro teenage unemployment stood at over 22 percent in the first half of 2012, up from 15 percent in 2007.

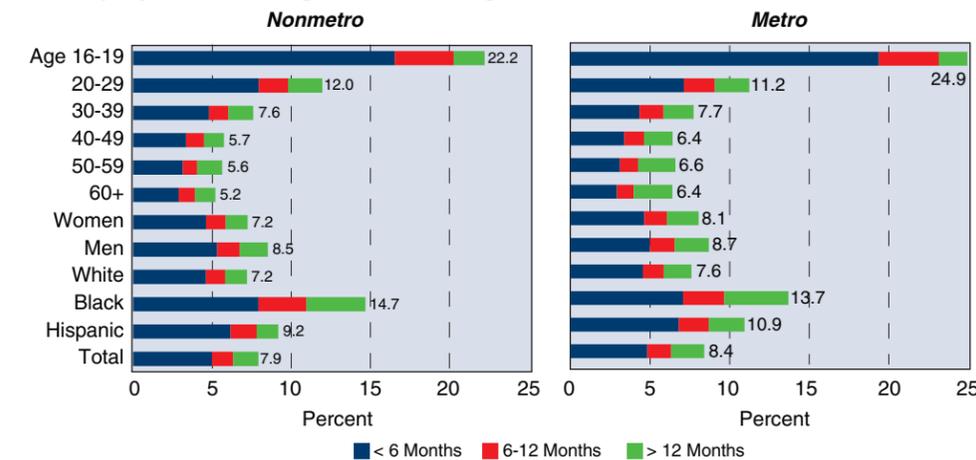
Nonmetro counties have had lower average unemployment rates than metro areas since 2009

Unemployment rate (percent)



Source: Economic Research Service calculations based on Current Population Survey data from the Bureau of Labor Statistics, seasonally adjusted.

Unemployment was highest for teenagers and Blacks in the first half of 2012



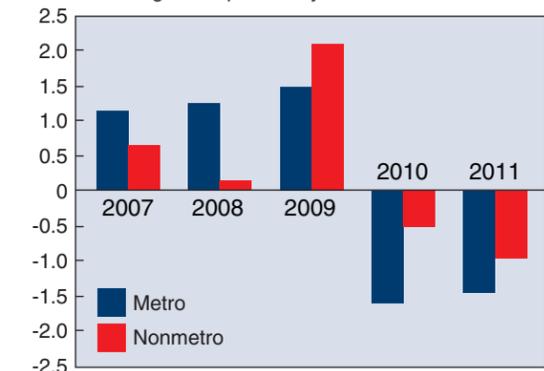
Source: Economic Research Service calculations based on Current Population Survey (CPS) data from the Bureau of Labor Statistics, seasonally adjusted.

- Very long-term unemployment (greater than 1 year) was especially high among African Americans (4 percent in nonmetro and 3.7 percent in metro areas).
- The nonmetro unemployment rate for men was 1.3 percentage points higher than for women.

Weak labor demand has put downward pressure on hourly wages, although wage declines have been smaller in nonmetro than metro areas. Real hourly wages grew through 2009, but fell in 2010 and 2011. The median hourly wage for all workers (excluding the self-employed), measured in constant 2011 dollars, was estimated at \$14.53 in nonmetro counties and \$17.04 in metro areas in 2011, down by \$0.19 and \$0.52, respectively, from 2009.

Real median hourly wages fell by 0.9 percent in 2011 in nonmetro areas

Percent change over previous year



Source: Economic Research Service calculations from analysis of Current Population Survey wage data by the Center for Economic and Policy Research (2012).

Income inequality widens, high poverty persists

From 2006 to 2011, economic well-being declined across metro and nonmetro areas, and economic inequality widened. Average family income fell for all income quintiles from 2006 to 2011, but particularly for lower income families. Declines for each quintile were smaller in nonmetro than in metro areas.

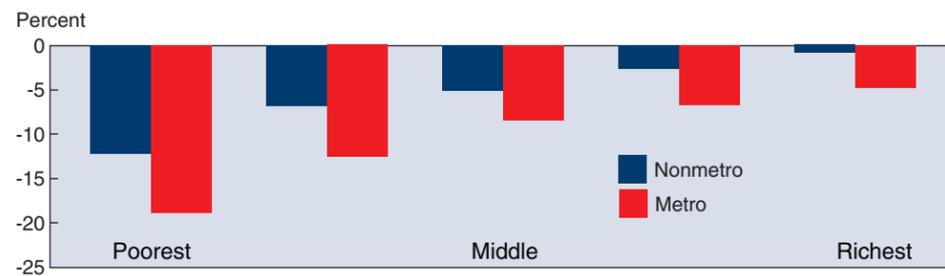
- The average income of the poorest 20 percent of nonmetro families fell 11.9 percent from 2006 to 2011; for the poorest 20 percent of metro families, it fell 19.2 percent.
- The disproportionate decrease in average income for families in the poorest quintile was consistent with the long-term trend toward declining compensation for low-skill workers, as well as historical patterns of income change in the wake of a recession.

As measured by the ratio of the average real income of families in the poorest quintile to families in the richest quintile, income inequality increased in both nonmetro and metro areas.

In 2006, the ratio was 1 to 13.8 for nonmetro areas and 1 to 16.3 for metro areas. So for every \$1 in income received by the typical nonmetro family in the lowest quintile, the typical nonmetro family in the highest quintile received \$13.80.

Between 2006 and 2011, the ratio grew by 11.1 percent in nonmetro areas and by 13.1 percent in metro areas, signifying growth in the nonmetro-metro income inequality gap.

Change in average income, 2006-2011, by income quintile and residence



Source: Economic Research Service calculations based on Current Population Survey (CPS) data from the Bureau of Labor Statistics, March supplements, 2007 and 2012.

- Recent increases in income inequality are consistent with the long-term trend towards growing inequality since the late 1970s.

The nonmetro poverty rate was 17.0 percent in 2011, up from 16.5 percent in 2010 and the highest rate since 1993. In contrast, the metro area poverty rate dropped slightly to 14.6 percent in 2011, equal to its rate in 1993. Metro poverty rates have historically been lower than nonmetro rates.

The 2011 poverty rates reflect changes that took place over the course of the most recent economic recession and subsequent slow recovery, which has had a greater impact on the metro area poverty rate than on the nonmetro area poverty rate.

- Between 2006 and 2011, the nonmetro area poverty rate increased by 1.8 percentage points, versus 2.8 percentage points for metro areas.
- The change in the nonmetro poverty rate relative to the metro rate decreased the gap between the two from 3.4 percentage points in 2006 to a record low of 1.6 percentage points in 2010; however, in 2011 the gap rose to 2.4 percentage points.

Nonmetro population growth slows in recent years

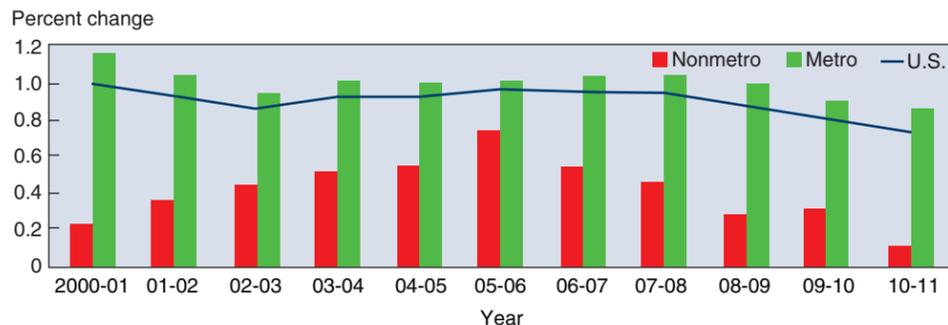
Nonmetro America had just over 51 million residents in July 2011, a 0.11-percent increase in population over the previous year compared with a 0.86-percent increase in metro areas. The rate of population growth in nonmetro America has slowed dramatically since the onset of the housing mortgage crisis in late 2006 and the recession a year later. After nonmetro and metro population growth rates showed signs of converging in the early 2000s, the gap widened considerably between 2006 and 2011.

- The nonmetro population grew by fewer than 50,000 between July 2010 and July 2011, after increasing by over 250,000 during the same 12-month period 5 years earlier. Part of this sharp drop-off reflects a slowdown in U.S. population growth overall due to dramatically lower immigration rates since 2007. Experts believe net immigration from Mexico is now zero or negative. Nonmetro counties have also experienced lower rates of natural population change (births minus deaths) and domestic net migration.
- As usual, population growth was uneven across rural and small-town America during 2010-2011. Over half of the 2,053 nonmetro counties lost population, some from net out-migration, some from natural decrease (more deaths than births), and some from both. At the same time, population growth was higher than the national rate of 0.7 percent in over 350 nonmetro counties during 2010-11.
- There were significant regional shifts in population growth patterns during the past decade. Nonmetro areas in the Great Plains showed a rebound in population since 2007 after lagging most other areas for several decades. This demographic turnaround largely reflects renewed growth in the energy sector affecting many communities in the region. After average population declines of roughly 13,000 people a year in the first half of the 2000s, the nonmetro Great Plains has gained over 18,000 people a year since 2007.
- Recreation-retirement destinations and nonmetro counties adjacent to metro areas showed marked slowdowns in population growth during 2006-2011 after growing at rates far above the nonmetro average for several decades. Population growth in the nonmetro West, where many retirement and recreation counties are located, fell from 1.6 percent in 2005-06 to

0.3 percent in 2010-11. In the 10 years before 2006, high rates of population growth in high-amenity and metro-adjacent counties went hand-in-hand with a housing-market boom driven by debt-financed consumption and subprime mortgage lending, so these counties were especially vulnerable to the housing market decline.

- The Northeast, Great Lakes, and Corn Belt regions showed steadily declining annual population growth rates since 2000 and lost nonmetro population over the past 4 years. Many nonmetro counties in these regions have an aging population and continue to lose young adults through out-migration to nearby metro centers and Sun Belt destinations.

Annual population growth rates, 2000-2011



Note: Adjustments to county population estimates following the 2010 Census may partly explain the reported nonmetro uptick in 2009-10. There has likely been a steadier decline in nonmetro population rates since 2008-09, in line with national trends.

Source: Calculations by the Economic Research Service, using data from the U.S. Census Bureau.

Data Sources and Definitions

Data sources:

Current Population Survey, Bureau of Labor Statistics, U.S. Department of Labor.
Local Area Unemployment Statistics, Bureau of Labor Statistics, U.S. Department of Labor.
Population Estimates, Census Bureau, U.S. Department of Commerce.

Definitions and additional information:

For more on the 2003 definitions of metropolitan and nonmetropolitan areas, see <http://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural.aspx>
For more on ERS county types, such as farm-dependent and retirement destination counties, see <http://www.ers.usda.gov/data-products/county-typology-codes.aspx>
For more on the Local Area Unemployment Statistics program, see <http://www.bls.gov/lau/home.htm>
For more on the definition and measurement of poverty, including the identification of poor individuals and households, see <http://www.census.gov/hhes/www/poverty/>
For more on the measurement of family incomes and income inequality <http://www.census.gov/hhes/www/income/>
For the definition of adjacency to a metro area, see <http://www.ers.usda.gov/data-products/rural-urban-continuum-codes/documentation.aspx>
For more on nonmetro population trends, see <http://www.ers.usda.gov/topics/rural-economy-population/population-migration.aspx>

ERS Web Site and Contact Person

Information on rural America can be found on the ERS website at www.ers.usda.gov/topics/rural-economy-population. For more information, contact **Lorin D. Kusmin** at lkusmin@ers.usda.gov or 202-694-5429.

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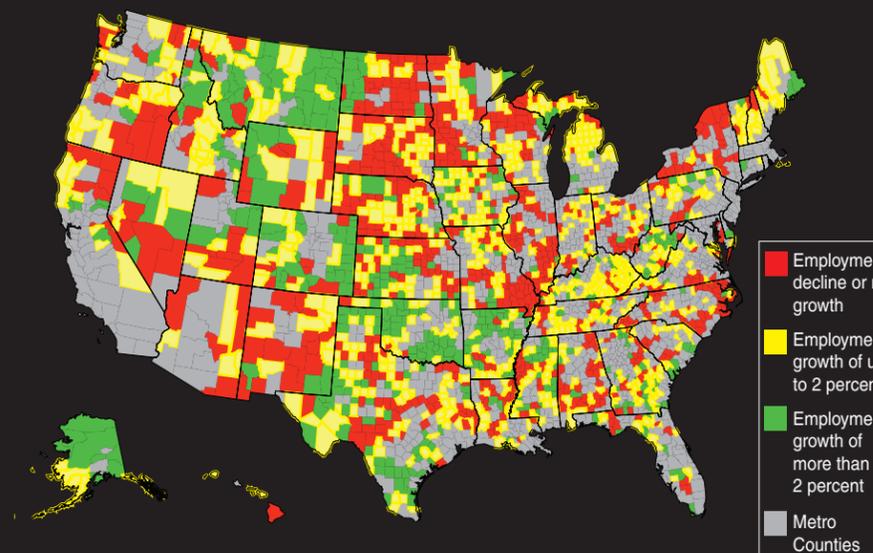


After 2 years of economic recovery, improvements in nonmetro labor markets remain limited. While the 2007-09 recession was less severe in nonmetro areas, the subsequent economic recovery appears to be slower than in metro areas. Employment in nonmetro areas remains 3 percentage points below its 2007 peak, and the nonmetro employment-to-population ratio for prime working-age adults has changed little since 2010. Employment growth in nonmetro areas has been slowed by lagging nonmetro employment trends in the manufacturing, education and health, and leisure/hospitality sectors.

The nonmetro unemployment rate has fallen steadily since peaking at 9.5 percent in late 2009, dropping to 7.7 percent in the third quarter of 2012, and has remained lower than the metro rate for the past 3 years, despite slower nonmetro employment growth. Unemployment declines reflect not only growth in employment, but also the departure of discouraged jobseekers from the labor force, as well as delayed entry into the labor force by many younger people. In the wake of the recession and slow recovery, the long-term unemployment rate has reached the highest level since the Great Depression.

Weak labor demand has put downward pressure on hourly wages. Real median hourly wages grew through 2009, but fell in 2010 and 2011 in both nonmetro and metro areas. Income inequality grew in both nonmetro and metro areas between 2006 and 2011, but the increase in inequality was much less in nonmetro areas. Income declines were also lower in nonmetro areas for all income quintiles.

Nonmetro employment change, first half 2011 versus first half 2012



Source: Economic Research Service, USDA using data from the Bureau of Labor Statistics.