Nonmetro Employment Decline Began in 2007 and Accelerated in Late 2008

After several years of steady growth, nonmetro employment began to decline in the fourth quarter of 2007. According to seasonally adjusted Local Area Unemployment Statistics data, preceding the national economic downturn that began in late 2007, nonmetro employment losses accelerated in the second half of 2008 as the recession deepened:

- Seasonally adjusted nonmetro employment in the second quarter of 2008 was down 64,000 from the end of 2006, an annual rate of decline of 0.2 percent.
- During the second half of 2008 and the first half of 2009, nonmetro employment fell a further 694,000, an annual rate of decline of 3.0 percent.

Nonmetro employment declines began later than nonmetro decreases. Metro employment grew slowly through 2007 and into early 2008. The subsequent decline in employment, however, was sharper in metro than in nonmetro areas:

- Metro employment in the second quarter of 2008 was 826,000 above its 2006 year-end level, for an annual growth rate of 0.5 percent.
- Metro employment declined at an annual rate of 3.8 percent in the second half of 2008 and the first half of 2009, a loss of 4.6 million jobs.

In both metro and nonmetro areas, employment declines were steepest in the first quarter of 2009, but they abated in the second quarter:

- A few sectors played leading roles in the employment decline in the 12-month period from second quarter 2008 through second quarter 2009:
  - In both metro and nonmetro areas, the sharpest employment declines were in the two large employment sectors of manufacturing (-11.1 percent) and construction (-10.1 percent). Five other metropolitan sectors (professional and business services, financial activities, transportation and utilities, information, and mining) experienced declines greater than 5 percent over this 12-month period.
  - In nonmetro areas, large employment declines were widespread between second quarter 2008 and second quarter 2009, with manufacturing (-9.8 percent) and transportation and utilities (-8.1 percent) leading declines over 5 percent. Wholesale and retail trade (-7.2 percent), fell below the national average, and professional and business services (-5.2 percent).

Metro and nonmetro employment change, first quarter 2003 to second quarter 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1 2003</th>
<th>Q1 2004</th>
<th>Q1 2005</th>
<th>Q1 2006</th>
<th>Q1 2007</th>
<th>Q1 2008</th>
<th>Q1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>10.03</td>
<td>10.04</td>
<td>10.05</td>
<td>10.06</td>
<td>10.07</td>
<td>10.08</td>
<td>10.09</td>
</tr>
<tr>
<td>Nonmetro</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Regional nonmetro employment declines were sharpest in the Southeastern United States and in industrial areas, such as the Great Plains and intermountain West, and in scattered counties elsewhere:

- In metro areas, the relative employment declines in employment were largely due to drops in the two large employment sectors of manufacturing (-11.1 percent) and construction (-10.1 percent). Five other metropolitan sectors (professional and business services, financial activities, transportation and utilities, information, and mining) experienced declines greater than 5 percent over this 12-month period.

Change in unemployment rates, second quarter 2008 to second quarter 2009

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>-0.3</td>
</tr>
<tr>
<td>Nonmetro</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in unemployment rate</th>
<th>2008 to 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>Nonmetro</td>
</tr>
</tbody>
</table>

Nonmetro Unemployment Surged, Along With Metro Unemployment

As the number of jobs in nonmetro areas fell, the nonmetro unemployment rate rose to 9.2 percent in the second quarter of 2009, up from 5.2 percent a year earlier. This was the highest second-quarter nonmetro unemployment rate since 1983 and the largest second-quarter percentage-point increase since the beginning of the ERS data series in 1975. Metro unemployment rose at a similar rate, from 5.3 percent to 9.1 percent.

The largest increases in both metro and nonmetro unemployment rates since mid-2008 have occurred in the Southeast, the Great Lakes region of the Midwest, and the Pacific Northwest.

- The nonmetro adjusted unemployment rate, which also includes workers who are marginally attached to the job market (those who want to work and were available but had not actively searched for a job in the past 4 weeks) or who work part-time because they cannot find full-time work, increased markedly from 2.2 percent in the second quarter of 2008 to 7.5 percent in the second quarter of 2009.

Child Poverty Persistent and Widespread

Despite 6 consecutive years of economic growth, the national poverty rate for all persons was higher in 2017 than during the 2001 recession. This marks the first time on record that poverty rose during a period of economic expansion. That increase was greatest in nonmetro areas and for children below 18 years of age, for whom poverty has been the most persistent:

- The national poverty rate (with poverty defined in 2007 as an annual income of less than $21,027 for a household with two adults and two children) was 12.5 percent in 2007 compared with 11.7 percent in 2001. The increase was greater for nonmetro areas (from 14.2 percent to 15.4 percent) than for metro areas (from 11.1 percent to 11.9 percent).

- In 2007, 18.0 percent of children below age 18 were poor, compared with 10.9 percent for people 18 to 64 years old and 9.7 percent for people 65 and older. In 2001, the poverty rate for children below age 18 was 16.1 percent, while it was 10.1 percent for 2007.

- The 2007 child poverty rate reflects an upward trend since 2000 and is the highest child poverty rate since 1998, when the rate was 18.9 percent.

Nonmetro Areas Are Not Immune to National Housing Market Trends

After more than a decade of steady growth, the rate of homeownership across the Nation peaked in 2004 at 69 percent. Nonmetro area homeownership reached a high of 76.3 percent in 2004, declining to 75.2 percent in 2008.

This general growth trend was accompanied by a rise in the subprime mortgage market and an increase in high-cost loans compared with 44 percent for metro residents.

- Data from the U.S. Department of Housing and Urban Development (HUD) show that aggregate metro and nonmetro foreclosure rates from the start of January 2007 to mid-2008 were higher than for any previous recession. However, 56.1 percent of nonmetro counties had foreclosure rates higher than that value, compared with 38.3 percent of metro counties.

- Foreclosure rates represent the estimated number of foreclosures begun during the period divided by the estimated number of outstanding mortgages in 2008.

According to the HUD risk index (comprising rates of foreclosure, vacancy, unemployment, housing price decline, and high-cost loans), the risk of future foreclosure and abandonment at the start of 2009 was greater in nonmetro areas than in metro areas:

- In 2009, 28.3 percent of nonmetro counties had a very high risk of foreclosure or a abandonment and 26.9 percent were at high risk. In comparison, metro areas with very high and high foreclosure risks made up 18.8 percent and 25.3 percent of all metro counties.

Child Poverty Persistent and Widespread

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonmetro</td>
<td>25.3</td>
</tr>
<tr>
<td>Metro</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Home ownership rate, total U.S. and in nonmetro areas, 1994-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Total U.S.</th>
<th>Nonmetro</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>65.2</td>
<td>69.3</td>
</tr>
<tr>
<td>1997</td>
<td>67.0</td>
<td>71.1</td>
</tr>
<tr>
<td>2000</td>
<td>69.2</td>
<td>73.4</td>
</tr>
<tr>
<td>2003</td>
<td>70.4</td>
<td>74.6</td>
</tr>
<tr>
<td>2006</td>
<td>71.8</td>
<td>75.4</td>
</tr>
<tr>
<td>2008</td>
<td>72.1</td>
<td>76.3</td>
</tr>
</tbody>
</table>

Foreclosure rates represent the estimated number of foreclosures begun during the period divided by the estimated number of outstanding mortgages in 2008.
Nonmetro Population Affected by a Drop in Nationwide Migration Rates

Though child poverty was widespread in 2007, it was more pervasive in nonmetro than in metro counties, particularly in areas with concentrations of racial and ethnic minorities.

- The nonmetro child poverty rate was 22.5 percent, higher than the metro rate of 17.2 percent.
- In 2007, 58.9 percent of all nonmetro counties had child poverty rates of 20 percent or more compared with 46.0 percent in 2001. The share of metro counties with high child poverty rates also grew, from 22.4 percent in 2001 to 33.7 percent in 2007.
- The highest child poverty rates were found in counties in the Mississippi Delta, counties containing Native American reservations, and counties along the U.S. border with Mexico.

For more research on rural America at ERS see:


Data Resources

- USDA’s Economic Research Service (ERS) analysis ongoing changes in rural areas and assesses Federal, State, and local strategies to enhance economic opportunity and quality of life for rural Americans. Included in this report are current indicators of social and economic conditions in rural areas. The following recent publications feature research on rural America:

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- Information on rural America can be found at the ERS website at http://www.ers.usda.gov/briefing/rurality/

- To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

Nonmetro areas have been affected by a nationwide rise in births, fueled by international immigration and the coming of age of the so-called “baby boom echo” cohort, which has increased the number of women in their childbearing years. The number of births increased by 8 percent between 2004 and 2008 in nonmetro areas, and the number of counties experiencing natural decrease (more deaths than births) fell for the first time in decades.

- However, the metro rate of natural increase remains twice as high as the rate in nonmetro areas, and U.S. births overall will likely resume their long-term downward trend as the baby boom echo cohort ages.

Nonmetro net migration by rate of foreclosure, 2004-08

Source: USDA Economic Research Service, using data from the U.S. Census Bureau and the Department of Housing and Urban Development.

Net migration out of nonmetro areas


Net migration to nonmetro areas