

4. Rural America

■ Rural Population

Today, the United States is primarily metropolitan. People who live in large cities and their suburbs account for 80 percent of the total population. Nonmetropolitan people outside large cities and suburban counties numbered about 52.9 million in 1994.

Although nonmetro population increased in both the 1970's and 1980's, its proportion of the total population fell slightly because the metro population grew even more rapidly.

After 1970, most nonmetro counties that were losing population in the 1960's began to grow again because of job development, commuting, or the development of retirement communities that drew retirees in from other areas. However, after 1980, low farm income conditions and a slump in mining and manufacturing employment led to slow but widespread decline in rural population. From 1980 to 1990, about half of all nonmetro counties decreased in population, generally in the same areas that declined before 1970. Some nonmetro counties, though, grew enough as retirement or recreation areas, or from commuting to metro jobs, to produce overall nonmetro population growth during the decade.

Since 1990, there is evidence once again of increased retention of people in rural areas. From 1990 to 1994, the population of nonmetro counties grew at an annual pace more than double that of the 1980's, with far fewer counties declining. This change has affected all types of counties and most regions of the country.

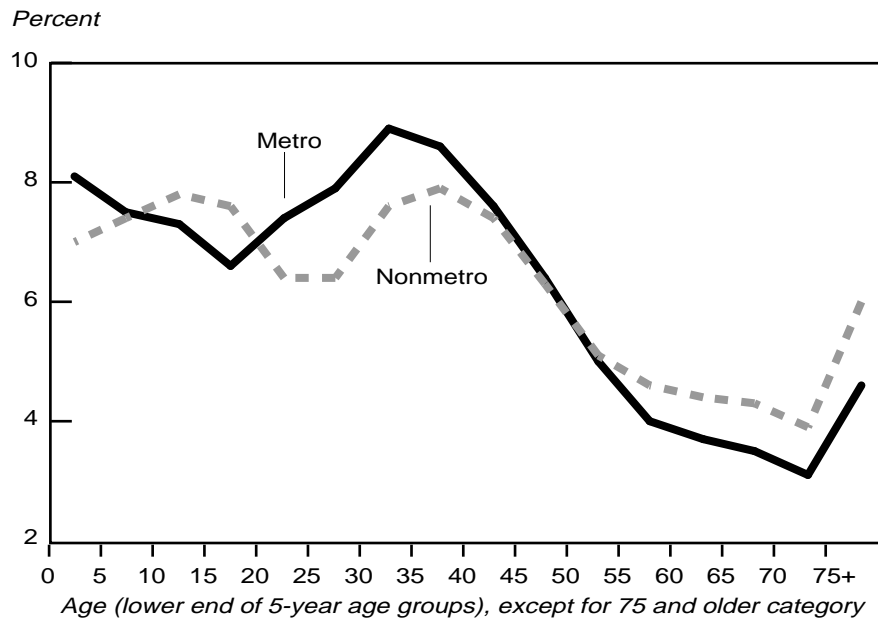
Improvement in rural economic conditions is thought to be generally responsible for this change. But, recreation and retirement counties continue to be the most rapidly developing group. Declining population is still characteristic of areas that are dependent on farming, three-fourths of which have continued to have more people moving out than in.

■ Age and Race

Age distributions reflect past demographic events (births, deaths, and migrations) and provide important clues about future changes in the labor supply and the demand for goods and services. The age distribution of the U.S. population is still dominated by the post-World War II rise in fertility rates known as the baby boom, whose members were born in 1946-64. From the time the youngest baby boomers graduated from high school and began their entry into the labor force in 1982 until

Figure 4-1.

Age distribution of U.S. Metro and Nonmetro population, 1994



the oldest members reach 65 in 2011, the United States has had and will continue to have a favorable balance of people in income-producing age groups. All parts of the country benefit from the current age structure.

A metro area, by definition, must have an urban nucleus of at least 50,000 people, and may include fringe counties that are linked to that nucleus because their workers commute to the central area. All other counties are nonmetro. Because of migration, which always consists primarily of young adults and their children, metro areas captured a much higher percentage of the “baby boomers.” The higher metro percentage of working-age adults has been a persistent pattern for most of this century.

Metro/nonmetro differences among the youngest and oldest have become increasingly large. In a reversal of previous trends, the birth rates in metro areas in the last 5 years have been greater than in nonmetro areas. In large measure, this reversal is due to the delayed childbearing among women in the large metro baby boom cohort. Birth rates for nonmetro women are higher at younger ages, particularly for women in their twenties, an age group not well represented in nonmetro areas.

Increases in life expectancy over the past 50 years and the aging of the large population segment born in the 1920’s increased the proportion of elderly between 1970 and 1990. The percentage of the population over age 75 rose dramatically, especially in nonmetro areas. Retirement migration to nonmetro areas, coupled with historically high levels of nonmetro outmigration of young adults and their children, placed a higher proportion of older people in nonmetro areas; the percentage of nonmetro population aged 55 or older was 23 percent in 1994, compared with 19 percent in

metro areas. For the first time since 1960, metro children 10 years old and younger outnumber metro teenagers. This is not true for nonmetro areas.

In 1990, 8.7 million nonmetro residents belonged to one of four minority groups: Blacks, Hispanics, Asians (including Pacific Islanders), and Native Americans. Blacks made up close to two-thirds of the nonmetro minority population in 1980, but their share declined as other groups grew much faster during the 1980's. Minorities constituted only 14 percent of the total nonmetro population in 1980, but they accounted for 50 percent of the people added during the 1980's. Their 15 percent rate of growth was more than five times the rate for Whites. For all minorities except Native Americans, however, growth rates were even higher in metro areas during the 1980's, so that the percentage of U.S. minorities living in nonmetro areas declined slightly from 16 to 14 percent. Minorities are still much more likely to live in metro areas than Whites, but their presence in nonmetro areas is increasing.

Table 4-1.

Nonmetro population by race and ethnicity, 1980-1990

Race/ethnic group	Population			Share of U.S. population in nonmetro areas		
	1980	1990	Change 1980-90	Change 1980-90	1980	1990
	Thousands			Percent		
White	46,753	47,863	1,110	2.4	25.4	24.7
Minority	7,624	8,688	1,064	14.0	16.5	14.1
Black	4,770	4,923	153	3.2	18.0	16.4
Hispanic ¹	1,786	2,329	543	30.4	12.2	10.4
Native American ²	759	971	212	27.9	49.5	49.6
Asian	309	465	156	50.5	8.3	6.4

¹Hispanics can be of any race.

²Native Americans include American Indians, Eskimos, and Aleuts.

Source: 1980 and 1990 Censuses of Population.

■ Nonmetropolitan Industry and Job Growth

Goods-Producing Industries

Manufacturing, natural resource-based industries such as farming and mining, and other goods-producing industries have historically been the mainstay of the rural economy. Employment gains in rural goods-producing industries were strongest during 1969-79, faltering only during the 1974-75 economic downturn. Much of this growth was attributable to national manufacturing firms that opened branch plants in rural areas and also to booming construction activities. While goods-producing industries normally spring back during economic recovery, in more recent years, over periods of recession and recovery, employment growth has been sluggish. In nonmetro areas during 1979-89, employment in farming declined by 387,000 jobs (1.6 percent annually) and in mining by 120,000 jobs (2.2 percent annually), while manufacturing increased slightly by 17,000 jobs. The loss of nonmetro goods-producing

employment accelerated during 1989-92, reflecting job weakness caused by the 1990-91 recession, with average annual declines of 1.6 percent in farming, 3.0 percent in mining, and 0.6 percent in manufacturing.

Service-Producing Industries

Nonmetro service-producing industries provided steady employment growth during 1969-92, creating almost 5.6 million new jobs in the period. Local consumer activities, business services, recreational services, and retailing accounted for most of the job growth in rural areas. Similar to the goods-producing industries, services grew fastest during 1969-79 and slowed in 1979-89. But nonmetro service industries recovered more quickly from the 1990-91 recession, adding over 1 million jobs during 1989-92.

Total Employment

Nonmetro areas gained employment at a rate comparable to that of metro areas during 1969-79 but lagged behind afterward. Nonmetro areas suffered more in the two recessions of the early 1980's, and benefited less from the 1982-89 recovery, than did metro areas. As a result, employment growth was considerably slower in nonmetro (1.0 percent annually) than in metro areas (2.3 percent annually) during 1979-89. More encouraging is the most recent performance of rural areas. In contrast to the 1980's trend, rural areas weathered the 1990-91 recession better than urban areas. In nonmetro areas, total employment grew 1.5 percent annually during 1989-92; in metro areas growth was only 0.5 percent annually. The strength of the nonmetro job growth was in service-producing industries, which increased 2.9 percent annually.

Table 4-2.

Nonmetro and metro employment growth in selected industries, 1969-92

<i>Industry</i>	<i>1969</i>	<i>1979</i>	<i>1989</i>	<i>1992</i>	<i>Change</i>
					<i>1989-92</i>
		<i>Thousands</i>			<i>Percent</i>
Nonmetro total	17,811	21,831	23,994	25,057	4.4
Goods-producing	7,486	8,580	8,253	8,094	-1.9
Manufacturing	3,608	4,241	4,258	4,182	-1.8
Services-producing	7,144	9,589	11,694	12,713	8.7
Services	2,687	3,593	4,852	5,534	14.1
Government	3,180	3,663	4,047	4,250	5.0
Metro Total	73,067	91,132	112,420	114,232	1.6
Goods-producing	22,681	24,583	24,587	22,677	-7.8
Manufacturing	16,936	17,253	15,772	14,498	-8.1
Services-producing	37,485	51,675	71,121	74,356	4.5
Services	5,155	20,126	31,143	34,701	11.4
Government	12,902	14,873	16,711	17,201	2.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 4-3.

Nonmetro employment growth by industry, 1969-92

Industry	1969	1979	1989	1992	Change
					1989-92
					Thousands
					Percent
Nonmetro total	17,811	21,831	23,994	25,057	4.4
Goods-producing	7,486	8,580	8,253	8,094	-1.9
Farming	2,544	2,358	1,971	1,874	-4.9
Forestry, fishing, and agric. services	166	242	364	413	13.5
Mining	362	552	432	393	-9.0
Construction	806	1,187	1,228	1,232	0.3
Manufacturing	3,608	4,241	4,258	4,182	-1.8
Services-producing	7,144	9,589	11,694	12,713	8.7
TCU*	733	916	993	1,044	5.1
Wholesale trade	428	761	792	824	4.0
Retail Trade	2,558	3,257	3,945	4,191	6.2
FIRE**	738	1,062	1,112	1,120	0.7
Services	2,687	3,593	4,852	5,534	14.1
Government	3,180	3,663	4,047	4,250	5.0

*Transportation, communications and public utilities **Finance, insurance, and real estate.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

■ Nonmetropolitan Employment and Wages

In 1993, 27 million people 16 years old and older were in the nonmetropolitan work force, either at work or looking for work. On average, 6.5 percent or 1.8 million of these workers were unemployed during the year. Unemployment rates are particularly high among nonmetro minorities and teenagers. In 1993, 17.1 percent of teenagers, 12.3 percent of blacks, and 9.4 percent of Hispanics in nonmetro areas were unemployed. The official unemployment rate ignores those jobless people not actively seeking work because they believe jobs are unavailable (discouraged workers) and part-time workers who want full-time jobs. The nonmetro adjusted unemployment rate, which includes discouraged workers and one-half of involuntary part-time workers, was 10.3 percent.

Nonmetro unemployment fell from 7.1 percent in 1992 to 6.5 percent in 1993, as rural areas participated in the continuing national economic recovery from the 1990-91 recession. The national unemployment rate continued to fall during 1994 and rural unemployment probably fell as well (a separate nonmetro unemployment rate cannot be calculated for 1994). During the 1980's, unemployment rates were consistently higher in nonmetro areas than in metro. By 1993, however, the 6.5 percent nonmetro unemployment rate was slightly lower than the 6.9 percent metro rate. The nonmetro and metro adjusted unemployment rates show a similar pattern except that the nonmetro adjusted unemployment rate in 1993, at 10.3 percent, was still slightly higher than the 10 percent metro adjusted unemployment rate.

During the 1980's and early 1990's, nonmetro wages failed to keep pace with inflation. The inflation-adjusted, average nonmetro wage fell 11.8 percent between 1979 and 1993, from \$10.88 to \$9.60 per hour (1993 dollars). Average metro wages fell a smaller 3.4 percent between 1979 and 1993. As a result, the metro/nonmetro average hourly wage gap grew by 47.8 percent, increasing from \$1.78 to \$2.63 (1993 dollars).

An increasing share of rural workers hold jobs paying so little that they would not earn enough to raise a family of four above the poverty line even if they worked full time, year round. In 1993, 42.9 percent of nonmetro workers received wages below this threshold (\$7.39/hour), an 8.9 percentage point increase since 1979. During the same period, the share of metro workers earning poverty level wages rose a smaller, but still substantial, 5.9 percentage points, to 32.3 percent.

Table 4-4.

	<i>Nonmetro</i>		<i>Metro</i>		<i>United States</i>	
	<i>1993</i>	<i>1993</i>	<i>1993</i>	<i>1993</i>	<i>1993</i>	<i>1994¹</i>
	<i>Thousands</i>					
Civilian labor force	27,264	100,777	128,040	128,040	131,056	131,056
Total employment	25,480	93,827	119,306	119,306	123,060	123,060
Unemployed	1,782	6,951	8,734	8,734	7,996	7,996
	<i>Percent</i>					
Unemployment rate						
All civilian workers	6.5	6.9	6.8	6.8	6.1	6.1
Men	6.5	7.2	7.1	7.1	6.2	6.2
Women	6.6	6.5	6.5	6.5	6.0	6.0
Teenagers	17.1	19.6	19.0	19.0	17.6	17.6
White	6.0	6.0	6.0	6.0	5.3	5.3
Black	12.3	13.7	12.9	12.9	11.5	11.5
Hispanic	9.4	10.7	10.6	10.6	9.9	9.9
Adjusted unemployment rate ²	10.3	10.0	10.1	10.1	NA	NA

¹Separate metro and nonmetro estimates are not available for 1994.

²Unemployment rate adjusted to include discouraged workers and one-half of all workers employed part-time for economic reasons.

Source: Current Population Survey, Bureau of the Census.

Table 4-5.

	<i>Average hourly wage</i>		<i>Change</i>
	<i>1979</i>	<i>1993</i>	<i>1979-93</i>
	<i>1993 dollars</i>		<i>Percent</i>
United States	12.09	11.66	-3.6
Metro	12.66	12.23	-3.4
Nonmetro	10.88	9.60	-11.8
Rural wage gap	1.78	2.63	47.8

Source: Current Population Survey, Bureau of the Census.

Table 4-6.

Share of low-wage¹ workers, 1979-93

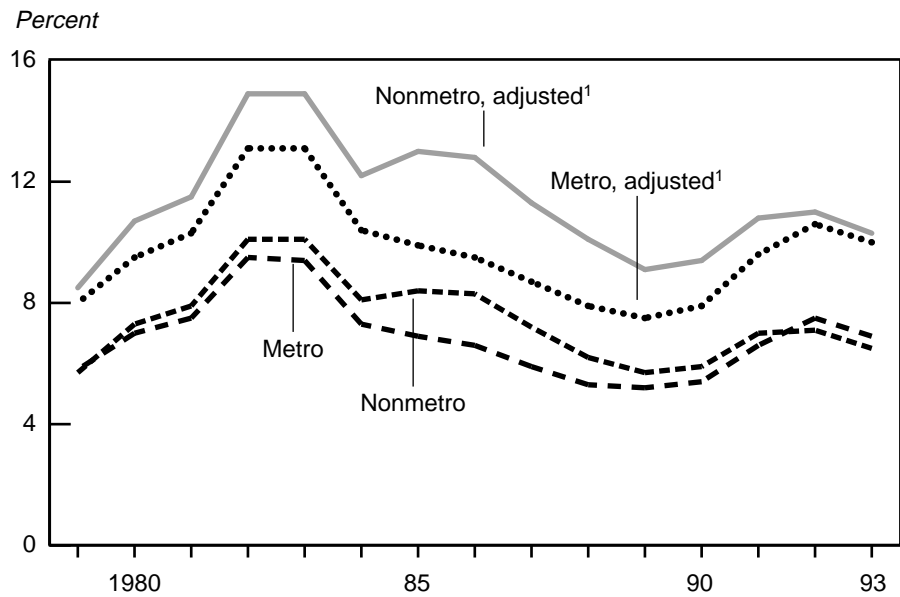
	Nonmetro		Metro	
	1979	1993	1979	1993
	<i>Percent</i>			
All workers	34.0	42.9	26.4	32.3
Sex				
Women	54.2	56.7	41.1	40.6
Men	18.9	30.2	14.9	24.7
Race/ethnicity				
White	32.5	41.4	25.9	31.2
Black	53.2	60.8	30.7	40.3
Hispanic	41.4	42.4	33.8	48.4
Other high risk				
Teen (ages 16-19)	78.5	95.7	78.0	94.9
High school dropout	49.4	66.0	43.5	63.8

¹Hourly wages such that full-time, year-round employment is insufficient to bring a family of four above the poverty line.

Source: Current Population Survey, Bureau of the Census.

Figure 4-2.

Unemployment rates by residence, 1979-93



¹Includes discouraged workers and half of the workers employed part-time for economic reasons.

Source: Current Population Survey.

Note: Beginning in 1985, estimation procedures for Current Population Survey are based on the 1980 Census.

Female, minority, young, and low-educated workers were especially likely to hold low-wage jobs. Among nonmetro workers, 56.7 percent of women earned poverty level wages in 1993, as did 60.8 percent of blacks, 95.7 percent of 16-19 year-olds, and 66 percent of high school dropouts. Of course, many of these workers are members of families that have additional earners or other sources of income. For example, many younger workers have lower income needs than older workers, because they live with their parents.

Table 4-7.

Race/ethnicity	1993 household income		Nonmetro-metro gap ¹	Real change, 1989-93	
	Nonmetro	Metro		Nonmetro	Metro
	Dollars			Percent	
Total	25,256	33,212	24.0	-3.2	-8.5
White	26,463	37,330	29.1	-5.4	-6.2
Black	14,183	20,601	31.2	+0.3	-9.6
Hispanic ²	20,246	23,231	12.8	+0.5	-10.8

Note: Nonmetro-metro difference is statistically significant in each category. Change in household income from 1989 to 1993 is significant for all race-ethnic groups in metro areas and for nonmetro whites.

¹Percent by which nonmetro income is lower than metro. ²Hispanics may be of any race.

Source: Current Population Survey

Table 4-8.

Household type	1993 household income		Nonmetro-metro gap ¹
	Nonmetro	Metro	
	Dollars		Percent
Married-couple household	33,836	47,120	28.2
Male householder with family	25,372	31,147	18.5
Female householder with family	15,209	19,418	21.7
Male living alone	19,205	25,976	26.1
Female living alone	10,625	16,458	35.4

Note: Nonmetro-metro difference is statistically significant in each category.

¹Percent by which nonmetro income is lower than metro.

Source: Current Population Survey, Bureau of the Census.

■ Rural Income and Poverty

Between 1989 and 1993, rural median household income declined 3.2 percent after adjusting for the effects of inflation, falling to \$25,256. This decline continued the trend of generally stagnant-to-declining incomes experienced by rural households since the late 1970's. Urban income declined even more abruptly, falling 8.5 percent since 1989. As a result, the gap between rural and urban incomes narrowed, although the median income of rural households was still 24 percent less than

that of urban households. Incomes were substantially lower for rural minorities, for families headed by women, and for women living alone.

The poverty rate in rural America increased 1.5 percentage points during the period 1989-93 to stand at 17.3 percent. This percentage was substantially higher than the urban rate of 14.6 percent. The rural-urban poverty gap narrowed, however, because urban poverty increased even more rapidly in the early 1990's than did rural poverty.

Over half of the rural poor (51 percent) live in the South, a disproportionate concentration compared with the South's 43 percent of the total rural population.

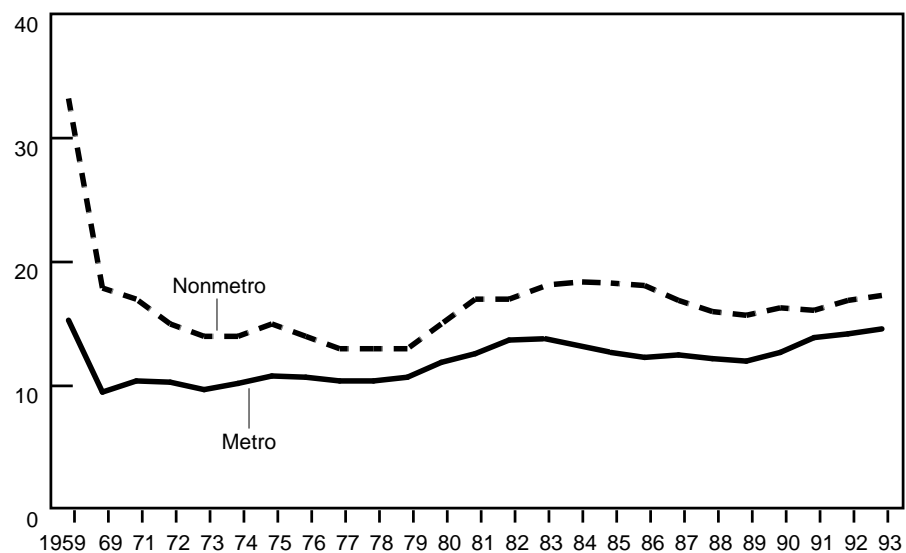
Families headed by women experience the highest poverty rate of all family types. A higher proportion of families headed by women are poor in rural areas (43.4 percent) than in urban areas (38.2 percent).

Poverty among blacks in inner cities receives much more public attention than does that among rural blacks, yet the 1993 poverty rate for rural blacks (40.7 percent) was substantially higher than that for central city blacks (35.6 percent). More than half of all rural black children (53.5 percent) live in families with incomes below the poverty level.

Figure 4-3.

Poverty rate by residence, 1959-1993

Percent poor

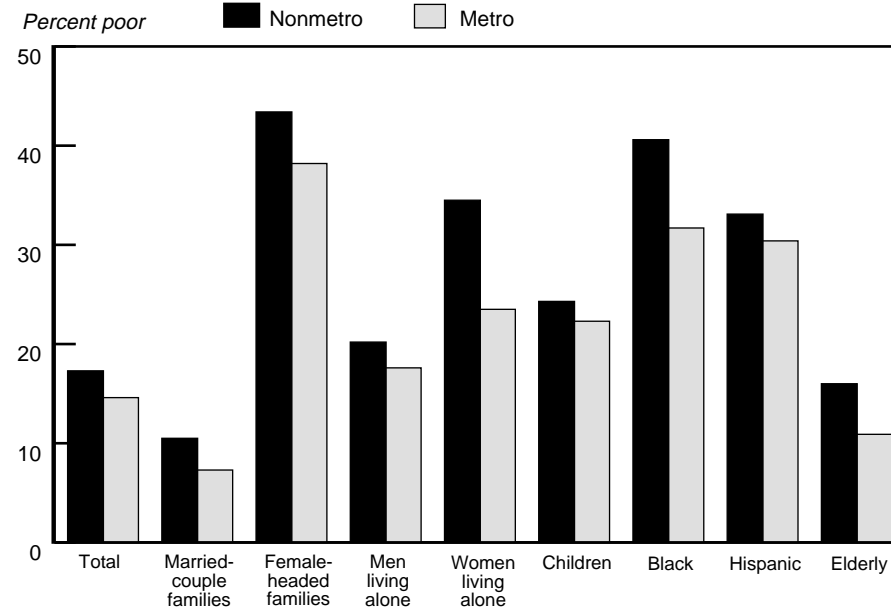


*Poverty estimates for 1989 and 1992 are based on reweighting of the respective CPS based on 1990 decennial census data. This makes them comparable to the 1993 estimates.
Source: U.S. Bureau of the Census P-60 series 1974-1994.

Figure 4-4.

Poverty rates by population group, 1993

Nonmetro residence increased poverty risk for all groups.



Source: U.S. Bureau of the Census Current Population Survey

Local Governments

In 1987, there were 91,186 local government units serving the Nation. These local governments employed the equivalent of 8.4 million full-time workers and spent over \$458 billion providing public services and constructing and maintaining public facilities. The majority of these government units were located outside Metropolitan Statistical Areas (MSA's).

Over the last 25 years, local government activity increased dramatically in metro and nonmetro areas alike. However, most of the growth occurred in the 1960's and early 1970's. During the late 1970's and 1980's, inflation-adjusted spending grew more slowly, reflecting relatively slow economic growth and slow growth in inter-governmental aid.

During the mid-1980's, when metro economies were outperforming nonmetro economies, local governments in metro counties (metro governments) were able to increase their locally raised revenues more than local governments in nonmetro counties (nonmetro governments). Although nonmetro governments received somewhat larger increases in intergovernmental aid than did metro governments, this was not enough to offset their slower growth in locally raised revenue. Consequently, by 1987 metro governments surpassed nonmetro governments in per capita expenditures, but the difference was slight (about 1 percent).

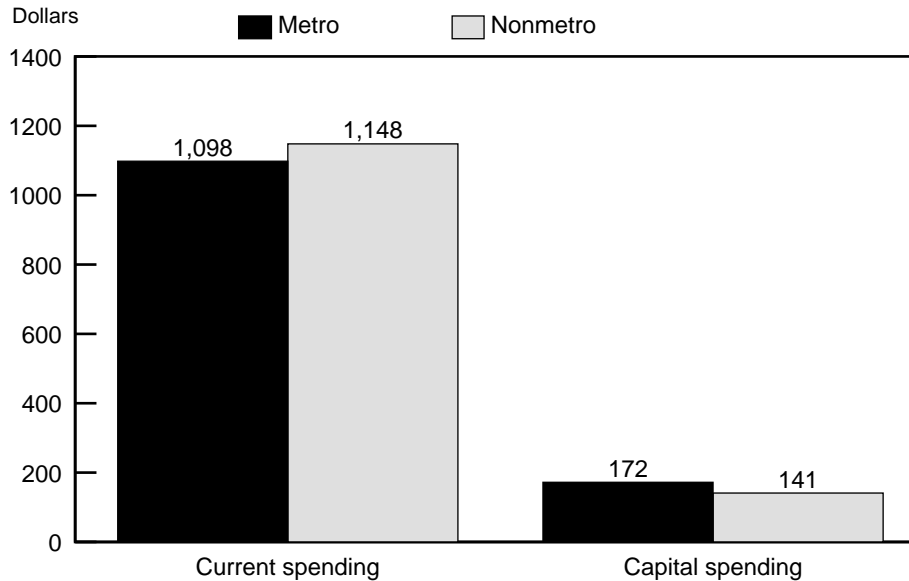
Although overall per capita spending levels are roughly the same for metro and nonmetro governments, nonmetro residents pay a substantially higher share of their income to maintain these services. In 1987, locally raised government revenues consumed 6.8 percent of income in nonmetro counties compared with 5.9 percent of income in metro counties.

A closer look at per capita expenditures, by type, sheds light on additional difficulties facing nonmetro local governments. In 1987, nonmetro governments spent 5 percent more on current services, and 22 percent less on capital projects (long-term investments, for example in roads and buildings), than did metro governments. The relatively high nonmetro current spending totals reflect the high costs of providing services in highly rural areas that are unable to take advantage of economies of scale. Many of these places (especially farming areas) lost population during the 1980's, further increasing their per capita cost of providing ongoing local government services. To compensate, many of these places had to postpone or cancel capital investment projects, reducing their capacity to provide services in the future.

In addition, nonmetro local governments in the 1990's must comply with a growing array of Federal and State mandates, such as more stringent environmental regulations. EPA estimates that the per capita compliance cost for many of these regulations is substantially higher for small communities than for large communities. This could present a significant challenge for nonmetro local governments already confronted with relatively high tax burdens, high costs of current services, and deferred capital spending.

Figure 4-5.

Local government expenditures per capita, 1987¹



Note: Per capita amounts are county averages. ¹Latest available data.
Source: Bureau of Census, 1987 Census of Government

■ Rural Public Services

Rural local governments face special problems in providing services for their citizens. The following are rural characteristics that affect ways in which rural local governments provide services:

- **Isolation**, the geographic separation of rural areas from metropolitan centers, leads to low utilization rates for rural public services, inadequate response times for emergency services, and the detachment of service delivery professionals from their colleagues.
- **Low population density** means higher per unit costs of some services and the inability to supply specialized help (for example, for the handicapped) because the area cannot support the services for so few clients.
- **A lack of fiscal resources** puts many rural communities in a financial squeeze with resulting service deprivation for local residents.
- **The lack of an adequate supply of trained personnel** has several implications for service delivery in rural communities. Critical functions may go understaffed, scarce employees are often overworked, service quality and quantity suffer, and long-range planning becomes difficult.

Isolated rural communities often suffer from medical services and facilities that are of lower quality than those found in metro areas. Even if medical care services were evenly distributed across the Nation, and were of equal quality, it is likely that nonmetro residents with chronically low incomes would still have serious difficulty receiving adequate care in a complex medical system where access is based mainly on the ability to pay.

Because many rural communities are small and isolated, and lack financial resources and trained personnel, similar problems are encountered in the provision of other rural public services. Various approaches have been taken to deal with these problems:

- Some communities contract with private-sector firms to provide services. For example, 36 percent of rural localities contract out legal services to for-profit firms rather than perform such services themselves.
- Some communities that want to attract new residents and businesses may find it beneficial to cooperate with other towns and share in the cost of furnishing services they cannot afford by themselves. Rural communities can work together in a variety of ways, and mutual aid is one way. Such an approach is commonly used for fire and police protection.
- Another approach is for one community to sell a particular service to another. About 23 percent of isolated rural governments contract with other governments for solid waste disposal, about 19 percent for the operation of libraries, and 18 percent for tax assessing.
- Still another method of cooperation is joint action, especially for large projects such as building and operating hospitals or airports. Various methods of dividing costs and creating joint committees or governing boards are worked out for such projects.

Although most rural community residents do not enjoy the same level of public services available to urban area residents, much progress has been made in improving

some rural services over the last 30 years. Rising incomes and increased aid from higher level governments have made possible more and better programs for rural governments.

The management capacity of rural governments to plan and carry out these programs has improved. For example, in the 1960's and 1970's a nationwide system of multicounty substate regional agencies was developed to help rural communities plan for and manage their new population growth.

Still, the institutional base of rural governments is more fragile than that of urban areas, and these isolated governments remain more vulnerable to external changes than do metropolitan governments.

■ Federal Funding for Rural Area Development

Federal funds going to rural areas and small towns grew about as rapidly in the early 1980's as did Federal funding in metropolitan areas. In 1990, Federal funds reaching nonmetro counties averaged \$3,270 per person, up 60 percent from 1980. Funding to metro counties averaged \$3,823 per person, up 61 percent from 1980. After adjusting for inflation, these values were nearly unchanged between 1980 and 1990.

Federal funding includes payments, loans, and other transfers of money to support Federal, State, and local programs in agriculture, forest management, housing, transportation, education, health, public assistance, Social Security, veterans' benefits, defense, energy, and so on. It also includes interest on the national debt, but this has been excluded for analytic purposes. Figures on the metro-nonmetro distribution of funds are based on the share of Federal funds that can be reliably traced to county levels, and that can be compared from 1980 to 1990.

Nonmetro counties received a much larger share of their funds for income security programs, especially retirement and disability programs. About 41 percent of nonmetro funds were for such programs, compared with 30 percent of metro funds.

Nonmetro areas received much less defense funding than metro areas, but funding of nondefense programs in nonmetro and metro areas was similar in 1990. Excluding loans, nondefense funding going to nonmetro areas was \$2,665 per person, compared with \$2,630 per person in metro areas.

Table 4-9.

Federal funds per capita, FY 1990

<i>Object class of funds</i>	<i>All counties</i>	<i>Metro counties</i>	<i>Nonmetro counties</i>
All Federal funds, including loans	3,696	3,823	3,270
Salaries and wages	580	646	357
Defense	276	307	170
Nondefense	304	339	187
Procurement contracts	648	757	281
Defense	477	571	159
Nondefense	171	185	122
Direct payments to individuals	1,775	1,738	1,899
For retirement	1,206	1,163	1,349
Other than retirement	569	574	550
Other direct payments	30	8	103
Grants	358	359	354
Loans	306	315	276
Direct loans	35	16	96
Guaranteed loans	271	298	180
All expenditures, excluding loans	3,391	3,508	2,994