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THE SLOWDOWN IN NONMETROPOLITAN DEVELOPMENT: THE IMPACT OF  
ECONOMIC FORCES AND THE AFFECT ON THE DISTRIBUTION OF WAGES

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## INTRODUCTION

During the 1960s and 1970s, a largely unanticipated level of economic growth and population expansion took place in the nonmetropolitan U.S. (Henry, Drabenstott and Gibson, 1987; Fuguitt and Beale, 1984; Till, 1981; Garnick, 1984, 1985; Summers and Branch, 1984). A combination of fortuitous economic trends all contributed to an unprecedented surge in nonmetro prosperity. Manufacturing employment moved from metropolitan to nonmetropolitan areas at an accelerated pace; resource-based industries such as agriculture, mining, and energy boomed; the infrastructure for transportation and communications improved; and nonmetropolitan areas became an increasingly attractive place to live, especially for the retired.

As a result, employment opportunities both expanded and diversified. This contributed to an increase in the earnings and family income of nonmetro residents, both absolutely and relative to workers in cities (Hoppe, 1987; Garnick, 1982; Henry, Drabenstott, and Gibson, 1986). Rural women, who had lagged behind their urban counterparts in joining the labor force, began to work in record numbers. For the first time since the start of the industrial revolution, the historic trend of migration from country to city halted.

But just as the boom was not anticipated by many, neither was the sudden decline of nonmetropolitan growth starting in the late 1970s and continuing on into the 1980s.

✓ After an all too brief period of burgeoning growth and economic renewal, nonmetropolitan America is again experiencing the pain of industrial dislocation and population outmigration. The income gap between nonmetropolitan and metropolitan areas, which had narrowed during the 1960s and early 1970s, has again widened.

This paper explores the divergence in nonmetropolitan and metropolitan development over the past decade by addressing three questions. First, what economic forces, both domestic and international, contributed to the slowdown in nonmetropolitan growth over the 1980s? Second, how has the slowdown in nonmetropolitan growth affected the (distribution of earnings) of its workers and what can we learn from examining demographic, regional and industry differences? Lastly and very briefly, what are the likely impacts of national and international economic forces in the future, such as the possibility of a U.S.-Mexico Free Trade Agreement?

#### SOURCES OF THE SLOWDOWN IN NONMETRO GROWTH

What economic factors have contributed to the turnaround in nonmetro development over the past decade? The short answer to this question is that, almost without exception, everything that was going right in the nonmetro U.S. during the 1970s went wrong in the 1980s. While the

traditional nonmetropolitan industries of agriculture, mining, and energy (particularly oil) experienced a simultaneous expansion in the 1970s for a variety of reasons, they all underwent sharp contractions in the 1980s.

For the most part, agriculture's troubles originated in forces outside the industry. These included high real interest rates, in part due to record U.S. budget deficits, which dampened demand from developing countries which relied on credit to purchase imports. An overvalued dollar and international economic stagnation discouraged exports and encouraged imports. Falling oil prices further eroded demand from foreign oil producing nations.

The economic forces affecting agriculture affected the energy, timber, and mining industries as well. The collapse of the oil cartel caused oil and gasoline prices to plummet, resulting in the demise of the energy boom. Problems in the timber industry stemmed, in large part, from a combination of a slowdown in the domestic housing construction market, competition from imports, and a weakened demand for exports. Related nonmetropolitan industries such as farm machinery and wood products came under severe strain, resulting in even fewer opportunities for nonmetropolitan workers.

Nonmetro manufacturing has shared some of the same problems felt by natural resources industries: the high value of the dollar has reduced demand for U.S. manufactured goods abroad, while import competition has reduced domestic

\* *Adjustment strategies*

demand. This heightened competition has spawned new forms of economic adjustment. These adjustment strategies include firms [moving production to low-wage sites overseas], [automating domestic production] to cut labor costs, [demanding lower wages] from their U.S. employees and, in some instances, moving from a product with a mass market appeal to a more [specialized market niche]. Both nonmetropolitan and metropolitan areas have felt the impact of these changes. A sizeable portion of nonmetro manufacturing is tied to industries which have been hit particularly hard: autos, steel, apparel, and textiles. The South in particular is heavily dependent on low-wage manufacturing, and thus particularly vulnerable to low-wage competition abroad. Whereas low-wage industries such as apparel, textiles, wood products, shoes, and a few others represented only 19 percent of total U.S. manufacturing employment in 1984, they accounted for 40 percent of Southern nonmetro manufacturing (Brown and Deavers, 1987).

✓ To a much smaller extent, nonmetro areas have also lost manufacturing jobs to metro areas. For example, the apparel industry has started to move jobs in the fashion industry back to locations such as New York and Los Angeles in order to allow changes in consumer demand to be reflected in altered product lines as quickly as possible. While this trend toward centralization has probably not been responsible for the loss of a large number of manufacturing

jobs, to the extent that it represents the beginning of a longer-term trend it does not bode well for the future of nonmetropolitan manufacturing.

With each of these industries experiencing downturns simultaneously, the slowdown in nonmetro growth spread nationwide, rather than being confined primarily to one or two regions. The new economic prosperity of the 1970s suddenly evaporated for many nonmetropolitan communities. Job losses in one sector often had far-reaching consequences. For example, with roughly sixty percent of farm family income derived from non-farm sources, declining opportunities for off-farm employment added yet another source of instability to the farming sector (Goodwin and Jones, 1986).

In spite of these developments, many nonmetropolitan communities have continued to prosper during the 1980s. Communities with an economic base tied to government, tourism, or retirement have fared much better than those dependent on manufacturing or natural resources. Nonmetro areas still attract urban and suburban migrants, at least to the extent that they are still able to offer a critical mass of amenities which, for all but the retired, must include employment. Thus, the trend toward population deconcentration has counterbalanced the effects of industrial restructuring to a small extent in the nonmetro U.S. as a whole. However, the net effect may look very

deconcentration trend has  
counteracted the restructuring  
trend for small extent

different depending on the community.

While economic transformation is nothing novel in and of itself, the exact form it takes changes from one decade to the next, benefitting some groups, industries, regions, and countries at the expense of others. One indicator of how well the nonmetropolitan U.S. has fared during this latest period of economic turbulence is whether the earnings of its workers have improved. In the following section, the impact of the economic shifts of the past decade on the distribution of earnings in nonmetropolitan areas will be explored.

#### NONMETRO, METRO AND REGIONAL WAGE TRENDS

The economy of the nonmetropolitan U.S. has experienced some profound shocks over the 1980s. As manufacturing, farm and other natural resource-based industries have declined, what has been the impact on the earnings of different groups in the nonmetropolitan labor force? How has this varied by region? And how does this compare to what has happened in metropolitan areas, often themselves going through major structural transformations such as the shift from manufacturing to services?

My analysis of earnings trends (conducted with Bennett Harrison of Carnegie Mellon University) uses the March Current Population Survey for the years 1979 and 1987.<sup>1</sup> I



define "low earners" to be individuals whose hourly wage and salary incomes (WSI) would leave them below the official poverty line for a family of four persons, even though they worked the equivalent of a year round/full time job. By this definition, in 1987 a low earner made \$11,611 or less in annual earnings.<sup>2</sup>

One problem in comparing workers' wages is that people's work experience varies enormously over the course of the year. Some people work year round and full time, others only part time or part year. How can these differences in work time be incorporated into an analysis of wages that gives an indicator that can be meaningfully compared across labor force groups?

The procedure is straightforward. From the CPS tapes, each individual's annual wage and salary income (WSI) is known. This is divided by the number of weeks the respondent works, and then again by the number of hours the respondent "usually" worked per week. The resulting figure of hourly earnings is then multiplied by (52 weeks \* 40 hours) to arrive back at a work experience-adjusted estimate of "annualized" WSI --, what I refer to as the equivalent of a year round/full time job. Such an indicator allows seasonal, occasional, and part-time workers to be incorporated into a comprehensive count of how many workers are low earners and to compare their earnings to an annual poverty level.

To begin, let's consider how nonmetropolitan workers were doing compared with metropolitan workers in 1979, the start of the 1979 to 1987 time period. In 1979, 31.9 percent of nonmetropolitan workers earned below the poverty level for a family of four, compared with 23.4 percent of metropolitan workers. Thus despite the economic prosperity experienced by many nonmetropolitan areas in the 1970s, nonmetropolitan workers were still 36 percent more likely to be earning low wages than metropolitan workers. By 1987, the nonmetropolitan/metropolitan gap had widened considerably. The percentage of nonmetropolitan low earners in 1987 had risen to 42.1 percent, an increase of over 10 percentage points. While metropolitan workers also experienced a rise in the percentage of low earners, the increase was just over half that for nonmetropolitan workers -- an increase of 5.5 percentage points from 23.4 to 28.9 percent. Thus, in 1987, nonmetropolitan workers were over 45 percent more likely to be earning low wages than metropolitan workers.

Why have nonmetropolitan areas been harder hit generally than metropolitan areas? One cause is that, during the 1980s, nearly all the major industrial sectors found in nonmetropolitan areas -- agriculture, mining, manufacturing, timber and other natural resource-based industries -- experienced almost simultaneous recession and loss of employment. Because nonmetropolitan local economies

are less diverse than the economies of cities, a downturn in even one of these sectors could have a major impact on nonmetropolitan employment and earnings. The cities which have felt the biggest shocks -- Detroit, Flint, Youngstown, Houston, and so on -- are also cities where the economic base is heavily tied to one industry.

A second answer lies in the different role that services play in nonmetropolitan and metropolitan economies. Services has been the big growth sector of the 1980s, providing an engine of economic renewal for cities such as Boston and Chicago. While the services sector has also grown in nonmetropolitan areas, by and large it has been in industries such as retail sales or food and entertainment -- industries which are at the lower end of the wage spectrum. The sparseness of population in nonmetropolitan areas also means that services industries are less diversified than in metropolitan areas. Thus services rarely provide the same stimulus to development in nonmetropolitan areas that they do in cities, nor are they as likely to offer the same opportunities for replacing better-paying jobs at a comparable wage.

#### Differences Between Men and Women

This disparity in job opportunities between metropolitan and nonmetropolitan areas emerges plainly when

examining differences in the earnings of men and women.

While the gap in the percentage of low earners between men and women widened slightly in nonmetropolitan areas over the past decade, it actually narrowed in metropolitan areas. Is this because the opportunities for metropolitan women have improved, those for nonmetropolitan women have deteriorated, or for some other reason?

To answer this question, let's begin by looking at how job market opportunities have changed for nonmetropolitan men and women between 1979 and 1987. First, it's important to keep in mind how important women are to the nonmetropolitan economy. Based on the CPS sample, in 1987 women comprised almost half (47 percent) of the nonmetropolitan labor force. Women's labor, both paid and unpaid, has always been of vital importance in maintaining the living standards of nonmetropolitan families. With economic opportunities narrowing and many women becoming the sole source of support for their families, this is now especially true.

Have nonmetropolitan men and women been affected equally by the economic turmoil of the past decade? The answer is, yes and no. For women, the share of workers with low hourly earnings rose 10.2 percentage points between 1979 and 1987, whereas for men it rose by 9.4 percentage points. By this measure, then, women have fared somewhat worse than men but the difference is not dramatic. However, whereas

the share of low earners rose from 22.2 percent to 31.6 percent for men, it rose from 43.7 to 53.9 percent for women. Thus in 1987, less than a third of nonmetropolitan men workers were low earners compared with over half of all women workers. Nonmetropolitan women have always been at a disadvantage in the labor force vis a vis nonmetropolitan men. In spite of two decades of affirmative action and nonmetropolitan women entering the labor force in record numbers, this continues to be true.

In metropolitan areas, in contrast, the male/female gap in the percentage of low earners actually narrowed slightly between 1979 and 1987, declining from 16 to 13.4 percentage points. To keep this in perspective, however, in 1987 metropolitan women were still over a third again as likely to be earning low wages as men. Also, as with their nonmetropolitan counterparts, for both metropolitan men and women the percentage of low earners increased between 1979 and 1987 (from 16.2 to 22.6 percent for men and from 32.2 to 36.0 percent for women). To get back to our earlier question about why the gap had narrowed between metropolitan men and women, then, it was purely a result of men doing relatively worse than women over the decade, rather than of women doing better in absolute terms.

Not only did the gap between nonmetropolitan men and women widen between 1979 and 1987, so did the gap between nonmetropolitan and metropolitan men and between

nonmetropolitan and metropolitan women. The widening of the nonmetropolitan/metropolitan gap wasn't nearly as dramatic for men as for women. For men the gap increased from 6 to 9 percentage points, whereas for women it increased from 11.5 to 17.9 percentage points. Thus in 1987, the nonmetropolitan/metropolitan gap for women was nearly twice that for men.

These differences in metropolitan and nonmetropolitan opportunities for women are reflected in the percentage of women who received high hourly wages (equal to \$35,000 on a year-round/full time basis in 1987) in 1979 and 1987. In 1979, only 2.9 percent of nonmetropolitan women were high wage earners compared with 5.0 percent of metropolitan women. By 1987, the share of women high wage earners had dropped to 2.3 percent in nonmetropolitan areas, but had risen to 6.3 percent in metropolitan areas. Unfortunately for nonmetropolitan women workers, there appears to be little on the horizon in the way of employment growth trends which would diminish these differences in the near future.

While my focus has been on the low wage end of the earnings distribution, let me say a little more about the high wage end lest anyone feel that they are only getting half of the picture. The problem of a decline in the percentage of high wage earners is not confined to nonmetropolitan women. In fact, metropolitan women (whether White, Black, or Hispanic) are the one exception to the rule

that the percentage of high earners has declined in both metropolitan and nonmetropolitan areas among all labor force groups (divided by race, age, and education). Thus, whatever forces are driving up the share of low wage earners may also be driving down the share of high wage earners.

### Growing Racial Inequality

If the past decade did little to boost the earnings prospects for nonmetropolitan men and women, it did even less for nonmetropolitan Blacks and Hispanics. Nonmetropolitan areas have never offered great job opportunities to minority workers and this was even more true in 1987 than it was in 1979. In 1979, 30 percent of nonmetropolitan Whites, 40 percent of nonmetropolitan Hispanics, and almost 50 percent of nonmetropolitan Blacks earned below poverty level for a family of four. By 1987, these percentages had increased to 40 percent for Whites, 57 percent for Hispanics, and over 60 percent for Blacks. Thus all three race groups showed a substantial increase in their percentage of low earners in nonmetropolitan areas -- 9.9 percentage points for Whites, 11.5 percentage points for Blacks, and an dramatic 16.5 percentage points for Hispanics. Whereas nonmetropolitan Hispanics had a considerably lower percentage of low earners in 1979 than

Blacks, by 1987 the position of Hispanics had deteriorated to the point where it almost matched that of Blacks.

The percentage of low earners not only increased for all race groups in nonmetropolitan areas from 1979 to 1987 but in metropolitan areas, as well. The largest increase was among metropolitan Hispanics (from 30.3 to 41.0 percent) followed by Blacks (from 30.0 to 36.8 percent) and Whites (from 22.1 to 26.4 percent). For all three race groups, the nonmetropolitan/metropolitan gap has also increased significantly, again because the position of nonmetropolitan workers has deteriorated so dramatically. In 1987, nonmetropolitan workers of each race group were roughly 50 percent more likely to be earning low wages than their metropolitan counterparts.

Taking the analysis one step further, I divided each nonmetropolitan and metropolitan racial group into men and women (Table 1). Here again, an increase in the percentage of low earners between 1979 and 1987 for all groups, a growing nonmetropolitan/metropolitan gap, and a greater increase in low earners among nonmetropolitan workers than among metropolitan workers is evident. However, some important differences between Black and Hispanic men and women emerge out of these results.

For White men and all racial groups of women, the percentage point increase in low earners in nonmetropolitan areas is two to three times that for metropolitan areas.



Table 1 Percentage of Low Earners\*, Rural and Urban Workers  
by Race and Sex, 1979-87

<i>RURAL LABOR FORCE GROUP</i>	<i>1979</i>	<i>1987</i>
<i>White Men</i>	<i>20.2</i>	<i>29.2</i>
<i>Black Men</i>	<i>41.5</i>	<i>52.3</i>
<i>Hispanic Men</i>	<i>29.5</i>	<i>48.5</i>
<i>White Women</i>	<i>42.1</i>	<i>52.1</i>
<i>Black Women</i>	<i>58.4</i>	<i>69.0</i>
<i>Hispanic Women</i>	<i>58.0</i>	<i>69.8</i>
<i>URBAN LABOR FORCE GROUP</i>		
<i>White Men</i>	<i>14.8</i>	<i>19.4</i>
<i>Black Men</i>	<i>23.1</i>	<i>32.9</i>
<i>Hispanic Men</i>	<i>22.5</i>	<i>36.6</i>
<i>White Women</i>	<i>11.2</i>	<i>17.9</i>
<i>Black Women</i>	<i>21.7</i>	<i>28.5</i>
<i>Hispanic Women</i>	<i>16.4</i>	<i>22.6</i>

\* Annual Earnings Adjusted for Weeks and Hours of Work

Source: Author's estimates from Census Bureau Data

For Black and Hispanic men, however, the percentage point increase in low earners in metropolitan areas between 1979 and 1987 was much closer to that for nonmetropolitan areas (10.8 compared to 9.8 percentage points for nonmetropolitan and metropolitan Blacks, respectively, and 19.0 compared with 14.1 percentage points for nonmetropolitan and metropolitan Hispanics). This is an indication that Black and Hispanic men have not only fared poorly in nonmetropolitan areas, but are also being left behind by the new metropolitan economy. In spite of this, however, the percentage of low earners among metropolitan Black and Hispanic men was still significantly lower in 1987 than for metropolitan Black and Hispanic women.

#### Reason for Concern? What Differences by Age and Education Tell Us

While the distribution of earnings has clearly slumped to the bottom over the past decade in nonmetropolitan areas (as it has to a lesser extent in metropolitan areas), we must now ask -- should we be worried? Could this be a short-term aberration which will soon correct itself?

One such argument is that the growing percentage of low wage workers is due to the entrance of large numbers of baby boom workers into the job market. This influx of new

workers results in an "oversupply" of workers. With the pressure off to compete for workers, employers can afford to offer lower wages. If this argument is correct, we shouldn't see an increase in the percentage of low earners in older groups of workers who are past the baby boom bulge, nor in the very youngest groups of workers whose absolute numbers were actually declining in the 1980s, even creating labor shortages in some areas.

Contrary to the baby boom argument, all age groups of nonmetropolitan workers show an increase in the percentage of low earners between 1979 and 1987 (Table 2), as do all age groups of metropolitan workers. In fact, nonmetropolitan workers age 16-24 (the post baby boom group) showed an increase in low earners of an overwhelming 21.6 percentage points. In 1987, nearly three quarters of all young nonmetropolitan workers earned less than the poverty level for a family of four, compared with just half in 1979. We would expect young workers to have a higher percentage of low earners than older workers, both because we expect experience to be rewarded and because of seniority provisions. However, this does nothing to explain the huge increase in the share of young low earners between 1979 and 1987. At a time when it is essential to convince youth that the traditional labor market -- as opposed to the underground economy -- has something to offer, these earnings trends for young workers are particularly

*Table 2 Percentage of Low Earners\*, Rural and Urban Workers  
by Age, 1979-87*

<i>Rural Labor Force Group •</i>	<i>1979</i>	<i>1987</i>
<i>Age 16-24</i>	<i>51.0</i>	<i>72.6</i>
<i>Age 25-34</i>	<i>23.5</i>	<i>38.5</i>
<i>Age 35-54</i>	<i>23.1</i>	<i>29.8</i>
<i>Age 55 and over</i>	<i>31.9</i>	<i>38.4</i>
<i>Urban Labor Force Group</i>		
<i>Age 16-24</i>	<i>44.8</i>	<i>59.6</i>
<i>Age 25-34</i>	<i>15.8</i>	<i>23.0</i>
<i>Age 35-54</i>	<i>14.8</i>	<i>17.7</i>
<i>Age 55 and over</i>	<i>19.4</i>	<i>25.0</i>

*\* Annual Earnings Adjusted for Weeks and Hours of Work  
Source: Author's estimates from Census Bureau Data*

distressing. Nonmetropolitan areas will have a difficult time holding on to their most talented young people, a problem which will only hobble their efforts to revitalize their economies.

The earnings trends for workers with different levels of education provide another reason to be concerned about the ability of nonmetropolitan areas to revitalize their economies. Not only do nonmetropolitan high school dropouts and high school graduates show a sizeable increase in their percentage of low earners, workers with some college or with four years of college or more do as well (Table 3). In 1987, over a quarter of all nonmetropolitan workers with four years of college or more earned less than the poverty level for a family of four, up from 17.8 percent in 1979. While metropolitan workers in all four education categories also experienced an increase in the percentage of low earners over the past decade, the absolute levels have been much lower to begin with and, with one exception I'll return to in a moment, the percentage point increases have not been nearly as dramatic as those for nonmetropolitan workers. Clearly, the earnings trends of the past decade are not providing better-educated nonmetropolitan workers with an incentive to stay.

The one exception to the general rule that nonmetropolitan workers have experienced a greater increase in the percentage of low earners than their metropolitan

*Table 3 Percentage of Low Earners\*, Rural and Urban Workers  
by Education, 1979-87*

<i>Rural Labor Force Group</i>	<i>1979</i>	<i>1987</i>
<i>High School Dropout</i>	<i>47.3</i>	<i>57.1</i>
<i>High School Graduate</i>	<i>29.2</i>	<i>43.4</i>
<i>Some College</i>	<i>22.4</i>	<i>33.6</i>
<i>Four Yrs College or More</i>	<i>17.8</i>	<i>25.5</i>
<i>Urban Labor Force Group</i>		
<i>High School Dropout</i>	<i>39.9</i>	<i>53.7</i>
<i>High School Graduate</i>	<i>22.3</i>	<i>30.7</i>
<i>Some College</i>	<i>16.8</i>	<i>21.4</i>
<i>Four Yrs College or More</i>	<i>14.1</i>	<i>16.2</i>

*\* Annual Earnings Adjusted for Weeks and Hours of Work  
Source: Author's estimates from Census Bureau Data*

counterparts concerns high school dropouts. Unlike the other three education groups (and in fact unlike the results for any of the other groups examined so far), for high school dropouts the percentage point increase in low earners was greater in metropolitan areas than in nonmetropolitan areas. The difference is sizeable -- a 13.8 percentage point increase for metropolitan high school dropouts compared with a 9.8 percentage point increase for those in nonmetropolitan areas. Also, unlike any of our other results so far, between 1979 and 1987 the nonmetropolitan/metropolitan gap for high school dropouts actually declined, a result of the deteriorating position of metropolitan high school dropouts.

The fact that the percentage of low earners among metropolitan high school dropouts is fast approaching that in nonmetropolitan areas brings us back again to a consideration of industrial change. The loss of manufacturing jobs in cities has eliminated a major source of better-paying jobs for metropolitan workers with less education in the same way that the loss of agriculture, mining, and manufacturing jobs has hurt the earnings of nonmetropolitan workers. In both metropolitan and nonmetropolitan areas, services may provide a replacement job but high-paying services jobs are not plentiful for workers in this education group.

## The Regional Picture

A final way that we can gain perspective on how concerned to be about the trend toward an increasing percentage of low earners is to consider how universal it is geographically. We know that in nonmetropolitan areas nationwide, each labor force group we've examined based on sex, race, age, and education has shown an increase in the share of workers earning below the poverty level. If we divide the country into nine subregions do we find the same trend?<sup>3</sup>

Each region in the country shows the same increase in the percentage of low earners among its nonmetropolitan workforce between 1979 and 1987 (Table 4). The biggest increase occurred in the West North Central region -- the traditional farm belt states of Iowa, Minnesota, Missouri, Kansas, Nebraska, North Dakota and South Dakota. Somewhat surprisingly, however, the metropolitan workforce in this same farm region showed the second smallest increase in the share of low earners (Table 4). So while the farm belt's nonmetropolitan workforce has been hard hit by the troubles of farming and other natural resources-based industries such as mining and timber, its metropolitan workforce appears to have emerged relatively unscathed.

If we look at which regions have the highest absolute share of nonmetropolitan workers earning below poverty, the



West South Central (Texas, Oklahoma, Arkansas, and Louisiana) and the East South Central (Kentucky, Tennessee, Mississippi, and Alabama) regions topped the list in 1987, as they did in 1979. Historically, these regions have had high concentrations of nonmetropolitan poverty and the last decade has done little to change that. The region with the lowest percentage of low earners in 1987 was New England, although even this region of extraordinary economic growth showed a sizeable increase in its share of nonmetropolitan low wage workers.

Have metropolitan workers in different regions fared better than nonmetropolitan? With the exception of New England, the metropolitan workforce of each region has increased its share of low wage workers. However, workers in metropolitan areas in every region also show a considerably lower percentage of low earners than do workers in nonmetropolitan areas. The position of nonmetropolitan workers also declined more dramatically between 1979 and 1987 so that, in each region, the gap between nonmetropolitan and metropolitan areas widened. The region showing the largest increase in its nonmetro/metro gap is the West North Central -- again the traditional farm belt. Because of the declining fortunes of its nonmetropolitan areas, this region also had the largest nonmetro/metro gap of any region in 1987.

*Table 4 Percentage of Low Earners\*, Rural and Urban Workers  
by Region, 1979-87*

	<i>Rural</i>		<i>Urban</i>	
<i>Region</i>	<i>1979</i>	<i>1987</i>	<i>1979</i>	<i>1987</i>
<i>New England</i>	26.8	31.0	24.7	23.0
<i>Middle Atlantic</i>	26.3	37.3	20.8	23.9
<i>East North Central</i>	27.6	39.0	21.3	29.2
<i>West North Central</i>	32.8	45.0	25.8	28.7
<i>South Atlantic</i>	33.4	43.1	26.2	31.0
<i>East South Central</i>	35.4	46.4	27.4	38.0
<i>West South Central</i>	38.6	47.0	26.8	34.1
<i>Mountain</i>	32.6	43.9	26.6	31.8
<i>Pacific</i>	26.8	36.4	21.8	27.6

*\* Annual Earnings Adjusted for Weeks and Hours of Work  
Source: Author's estimates from Census Bureau Data*

## The Role of Industrial Change

We now turn to examine more specifically what role industrial restructuring has played in changing the distribution of nonmetropolitan wages. Is the growth in the percentage of nonmetropolitan low earners between 1979 and 1987 due to shifts of employment between industries, for example the decline of manufacturing and the growth of services?

From the evidence presented in Table 5, which analyzes employment categorized into eight major sectors, the answer to the above question would have to be no. The distribution of nonmetropolitan employment among these eight sectors remained remarkably constant between 1979 and 1987 (columns 2 and 3 in Table 5). While the share of workers employed in both durable and nondurable manufacturing declined slightly and the share of both business and distribution (B&D) services and consumer and social (C&S) services employment increased slightly, these shifts were not great enough to account for the 10.2 percentage point increase in the overall share of nonmetropolitan low earners. Instead, we find that the share of low earners increased in all eight industry sectors. Thus, the growing problem of low earners is more the outgrowth of changes within industries rather than of employment shifts between industries.

Again looking at the results presented in Table 5, we

Table 5 Rural Low Wage Employment\* by Industry, 1979-1987

Industry	% Rural Employment		% Low Earners in Industry		% of all Rural Low Earners	
	1979	1987	1979	1987	1979	1987
Agric	4.1	4.5	71.2	76.2	9.3	8.1
Nat'l Res	2.0	1.7	9.6	18.7	0.6	0.8
Construc	7.0	6.4	21.6	30.2	4.8	4.6
Dur Mftg	13.9	12.0	14.2	22.0	6.2	6.3
Nondur Mftg	11.8	10.9	25.3	36.5	9.3	9.5
Bus/Dist Serv	14.3	15.9	20.3	32.3	9.1	12.2
Cons/Soc Serv	41.9	43.9	43.8	53.7	57.7	56.0
Public	4.9	4.8	19.2	22.0	3.0	2.5

\* Annual Earnings Adjusted for Weeks and Hours of Work

Source: Author's estimates from Census Bureau Data

see that the percentage of low earners working in agriculture (71.2 percent in 1979 rising to 76.2 percent in 1987) exceeded that in any other sector by some margin in both years. Thus, for those workers able to remain employed in agriculture in 1987, more than three out of every four attained only poverty level earnings. The consumer and social services sector had the second highest percentage of low earners (53.7 percent in 1987). Since this is one of the few sectors with expanding employment in nonmetropolitan areas, this does not bode well for nonmetropolitan areas being able to reduce their dependence on low wage jobs. While business and distribution services, the other sector of employment expansion, had a lower percentage of low earners in 1987 than did consumer and social services, still close to 1 out of every 3 workers were low earners, up from 1 out of 5 in 1979. Compared to the other seven sectors, the public sector appears relatively stable -- an increase in the percentage of low earners between 1979 and 1987 of less than 3 percentage points.

The growth in the percentage of low earners within industries is not peculiar to nonmetropolitan areas, but is found in metropolitan areas as well.<sup>4</sup> Except for very slight declines in the share of low earners in the natural resources and public sectors, all metropolitan industrial sectors also showed a growing share of low wage earners between 1979 and 1987.

The real difference between nonmetropolitan and metropolitan industry wage trends lies not in whether the share of low earners increased between 1979 and 1987, but rather in how much it increased and in how high the levels were in both years. All nonmetropolitan industrial sectors showed a substantially higher level of low earners than metropolitan industries in 1987, and the increase in low earners between the two years was on the order of 50 percent higher in nonmetropolitan than in metropolitan areas. In fact, in 1979 the percentage of low earners in the natural resources sector was lower in nonmetropolitan areas than in metropolitan areas. By 1987, however, it had climbed to a level in nonmetropolitan areas approximately 80 percent higher than that in metropolitan areas.

The bottom last two columns of Table 5 show the share of all nonmetropolitan low earners found in each industry. For example, while the durable goods sector accounted for 12 percent of nonmetropolitan employment in 1987, it was responsible for only 6.3 percent of nonmetropolitan low earners. The consumer and social services sector, on the other hand, employed just under 44 percent of all nonmetropolitan workers but was responsible for 56 percent of all low earners. Thus, low earners are "under-represented" in durable goods manufacturing but "over-represented" in C&S services.

A development strategy based solely on minimizing low

wage work should concentrate on expanding employment in those sectors where low earners are under-represented -- natural resources, construction, durable goods and nondurable goods manufacturing, business and distribution services, and the public sector. With the exception of a small increase (1.6 percentage points) in the share of nonmetropolitan workers employed in B&D services, however, each of these sectors accounted for a declining share of nonmetropolitan workers between 1979 and 1987. Since services are the growth sector in both nonmetropolitan and metropolitan areas, at least at present, a development strategy which would result in a higher share of better-paying jobs must either emphasize the expansion of higher wage B&D services industries or increase the percentage of better-paying jobs in all services industries. The latter could be accomplished by greater unionization, raising the minimum wage substantially, and improving the education and skills of the workforce to improve productivity.

The data in Table 6, which shows high wage employment by sector, confirm the importance of the business and distribution services sector in providing better jobs to nonmetropolitan workers. Unfortunately as shown in columns 4 and 5, all of our eight industry sectors experienced a decline in the percentage of high earners between 1979 and 1987 (roughly \$35,000 or more in 1987 dollars). However, the B&D services sector increased its share of

Table 6 Rural High Wage Employment\* by Industry, 1979-1987

Industry	% Rural Employment		% High Earners in Industry		% of all Rural High Earners	
	1979	1987	1979	1987	1979	1987
Agric	4.1	4.5	2.7	2.7	1.1	1.8
Nat'l Res	2.0	1.7	30.9	19.1	6.2	5.0
Construc	7.0	6.4	16.4	8.2	11.6	7.9
Dur Mftg	13.9	12.0	13.1	7.9	18.3	14.4
Nondur Mftg	11.8	10.9	9.4	7.4	11.1	12.2
Bus/Dist Serv	14.3	15.9	15.2	10.8	21.8	26.1
Cons/Soc Serv	41.9	43.9	5.7	3.8	23.9	25.5
Public	4.9	4.8	12.0	9.6	6.0	7.0

\* Annual Earnings Adjusted for Weeks and Hours of Work  
Source: Author's estimates from Census Bureau Data



nonmetropolitan employment over the same period to 15.9 percent of all nonmetropolitan employment and it had the second highest percentage of high wage workers (10.8 percent). As a result, by 1987 this sector accounted for more than 25 percent of all nonmetropolitan high wage workers.

The consumer and social services sector employed an additional 25 percent of all nonmetropolitan high wage workers in 1987. This is not because it is a relatively high wage industry like B&D services, but simply because it employs such a large number of nonmetropolitan workers. However, because the percentage of high earners is so much lower in this sector, to get the same number of high wage jobs would require creating three times the number of consumer and social services jobs as business and distribution services jobs. Since the B&D services sector is linked to other industries, of course, it is not as simple as choosing to encourage the development of this sector over others. But being aware of the consequences of growth in one sector versus another in terms of wages (and thus family incomes) can only enhance local planning efforts.

#### The Impact on Sex and Race Inequality

Lastly, in an earlier section I discussed the growing

percentage of low earners among nonmetropolitan men and women and among nonmetropolitan Whites and Blacks, as well as the widening gap between White and Black workers. What insight into these trends can we gain by examining industrial change?

Beginning with an examination of the earnings trends among men and women, let's look at how the distribution of employment by industry differs for these two groups (Table 7).<sup>5</sup> The first thing to note is the concentration of women in the consumer and social services sector, an industry with a high percentage of low wage workers. The C&S sector employed over 60 percent of nonmetropolitan women workers in both 1979 and 1987, over twice the percentage of nonmetropolitan men. Not only were nonmetropolitan men more evenly distributed across industries in both years, they were much more likely to find jobs in the higher-paying sectors of durable manufacturing and business and distribution services.

Looking at Table 7, it's clear that for both men and women, the composition of employment between industries has not undergone dramatic change. Both durable and nondurable goods manufacturing show a small drop in their share of nonmetropolitan workers among both men and women, while both services categories show small increases. However, these shifts between industries are not large enough to account for the large growth of low earners among both.

nonmetropolitan women and men.

As was the case for all nonmetropolitan workers, the key to understanding the growth in the percentage of women and men low earners lies more in changes within industries, rather than in changes between them. Table 8 shows the change in the percentage of low earners within industrial sectors for nonmetropolitan and metropolitan men and women. Within each industry, the share of women low earners grew substantially between 1979 and 1987, the most dramatic increases being found in B&D services (18.7 percentage points) and in nondurable manufacturing (12.8 percentage points). Nonmetropolitan women workers also had a much higher absolute level of low earners in each of these five sectors than did nonmetropolitan and metropolitan men or metropolitan women.

Turning now to a discussion of differences between Blacks and Whites<sup>6</sup>, we again start by looking at where both groups are employed in nonmetropolitan industries (Table 9). A larger share of nonmetropolitan Blacks are employed in the durable and nondurable manufacturing sectors, while Whites are more heavily concentrated in business and distribution services. Roughly an equal share of both Blacks and Whites worked in consumer and social services.

As was true for both men and women, the distribution of employment among these four industries between 1979 and 1987 has not changed dramatically, for either Blacks or Whites,

*Table 7 Distribution of Rural Employment by Sex  
1979-1987*

	% in Industry			
	Women		Men	
Industry	1979	1987	1979	1987
Dur Mftg	8.2	7.1	18.5	16.3
Nondur Mftg	12.2	10.8	11.4	11.0
Bus/Dist Serv	11.1	12.6	16.9	18.9
Cons/Soc Serv	60.8	61.1	26.5	28.4
Public	3.9	4.5	5.8	5.0

*Source: Author's estimates from Census Bureau Data*

*Table 8 Percentage of Rural and Urban Low Earners by Industry  
By Sex, 1979-1987*

<i>Industry</i>	% Low Earners							
	<i>Rural Men</i>		<i>Rural Women</i>		<i>Urban Men</i>		<i>Urban Women</i>	
	1979	1987	1979	1987	1979	1987	1979	1987
<i>Dur Mftg</i>	10.0	18.4	25.8	31.3	7.0	10.5	18.6	22.4
<i>Nondur Mftg</i>	13.1	23.0	39.1	51.9	11.7	14.4	30.4	36.0
<i>Bus/Dist Serv</i>	16.0	23.5	28.4	47.1	12.4	17.5	21.8	25.9
<i>Cons/Soc Serv</i>	31.7	42.4	50.2	59.6	26.1	34.5	38.5	42.9
<i>Public</i>	15.0	15.2	26.8	30.5	6.8	7.7	20.8	17.1

\* *Annual Earnings Adjusted for Weeks and Hours of Work*

*Source: Author's estimates from Census Bureau Data*

*Table 9 Distribution of Rural Employment by Race  
1979-1987*

	% in Industry			
	Whites		Blacks	
Industry	1979	1987	1979	1987
Dur Mftg	13.8	12.0	16.9	13.8
Nondur Mftg	11.6	9.7	14.5	23.3
Bus/Dist Serv	14.8	17.0	9.6	7.5
Cons/Soc Serv	42.1	44.1	40.5	41.5

*Source: Author's estimates from Census Bureau Data*

with one exception. The share of Black workers employed in the nondurable manufacturing sector increased 8.8 percentage points over this period, at the same time that the share of White workers employed in the industry declined slightly. If nondurable manufacturing were a high wage sector, this shift would bode well for improving racial equality in wages. However, as we can see from Table 10, nondurable manufacturing has a high percentage of low earners, particularly for Blacks. Moreover, the likelihood of earning low wages in the industry if you were Black increased substantially from 1979 to 1987 -- from 45 to 55 percent. While the share of White low earners in the industry also increased, still less than a third of Whites in the industry were earning low wages in 1987.

A second disturbing trend for nonmetropolitan Blacks is that the share of workers finding employment in the business and distribution services sector showed a slight decline of 2.1 percentage points between 1979 and 1987, while the share of Whites rose 2.2 percentage points over the same period. This is troubling not only because this is a relatively high-paying sector, but also because it is one showing growth in nonmetropolitan areas. For both Blacks and Whites, the share of low earners in the industry rose substantially -- by roughly 12 percentage points for both groups. But for Blacks who were employed in this sector in 1987, over half were low earners, compared with less than a

*Table 10 Percentage of Rural Low Earners\* by Race  
1979-1987*

	% Low Earners			
	Whites		Blacks	
<i>Industry</i>	<i>1979</i>	<i>1987</i>	<i>1979</i>	<i>1987</i>
<i>Dur Mftg</i>	<i>12.4</i>	<i>19.7</i>	<i>27.5</i>	<i>39.4</i>
<i>Nondur Mftg</i>	<i>23.1</i>	<i>32.0</i>	<i>45.2</i>	<i>55.0</i>
<i>Bus/Dist Serv</i>	<i>18.9</i>	<i>31.1</i>	<i>40.1</i>	<i>52.4</i>
<i>Cons/Soc Serv</i>	<i>42.1</i>	<i>51.8</i>	<i>61.5</i>	<i>73.9</i>

\* *Earnings Adjusted for Weeks and Hours of Work*  
*Source: Author's estimates from Census Bureau Data*



third of Whites.

While the shift of Blacks out of durable manufacturing and business and distribution services and into nondurable manufacturing is certainly responsible for some of the increase in the growing gap between Black and White workers, I would argue that changes within each of these sectors is equally, if not more, important. Again in Table 10, we see that in each sector, the percentage of low wage Black workers increased and that these increases matched or exceeded the increases for Whites.

These industry wage trends for Blacks and Whites carry a number of implications for efforts to reduce racial wage inequality in nonmetropolitan areas. First, efforts to increase the share of Blacks earning better wages need to place equal emphasis on strategies for changing where Blacks are employed both within and between industries. Strategies within industries include more vigorous implementation of affirmative action, training and education programs which are tied to specific ladders for upward mobility within firms and industries, and increased employee organizing and unionization.

Improving higher wage opportunities could also mean doing an assessment of the industrial structure of a specific area and identifying which segments of an industry's activities provide better-paying jobs. Then, opportunities for expanding these activities can be pursued,

such as export promotion or assisting local firms to produce goods and services which are currently being imported from outside the area. Of course, such a strategy must be coupled with a strong affirmative action program if it is to benefit Black (and women) workers.

In addition to these within-industries strategies, increasing employment opportunities for Blacks in the better-paying segments of the services sector should be a priority. Barring a major reversal in the decline of manufacturing employment in the U.S., services will continue to be the area of employment growth for both nonmetropolitan and metropolitan areas. This means increasing the share of Blacks employed in the business and distribution services sector. In 1987, only 7.5 percent of Blacks worked in the B&D services sector, compared with 17 percent of Whites.

#### SPECULATION ON THE SHAPE OF THINGS TO COME

It is unlikely that the economic prosperity found in the nonmetro U.S. during the 1970s will return to the same degree in the short term. However, the economic situation does appear to be stabilizing somewhat, although the current recession will definitely hinder whatever progress is being made.

In the area of macroeconomic policy, which wreaked such havoc in the early '80s, real interest rates are still high

by historical standards but they have moderated over the last half of the decade and the value of the dollar against foreign currencies has declined substantially. The budget deficit remains a major problem but, even here, the deficit reduction agreement reached in 1990 does signal progress. Each of these developments has contributed to a revival in the agricultural trade balance in 1988 and 1989. While the merchandise trade deficit was still strongly negative in 1988 and 1989, it also has moderated since its peak in 1986 and 1987. A substantial forgiveness of third world debt would improve our export position still further but such a move does not appear imminent.

The decline in real and nominal interest rates will not necessarily lead to greater credit availability in nonmetro areas, however. First, a combination of financial deregulation and the banking crisis has left many communities without a credit institution, and thus without the institutional memory and face-to-face interaction which can ease lending restrictions. Second, the precarious financial position of many credit institutions has tightened lending restrictions, as well as resulted in some banks trying to recoup profits by not lowering their own interest rates in response to a drop in the discount rate. The net effect of these positive and negative developments in the financial sector is difficult to gauge.

Elsewhere on the trade front, the proposal for a

U.S./Mexico Free Trade Agreement also raises the possibility of both positive and negative impacts on the nonmetro economy. While very little research exists which estimates specific effects of such an agreement, it would almost certainly affect both rural manufacturing and agriculture. In agriculture, an expected rise in exports would benefit the industry while at the same time, imports of winter fruits and vegetables would hurt some regions. In manufacturing, the effects would also be mixed. The increased trade would likely benefit manufacturing in border states while simultaneously hurting manufacturing in other regions by drawing jobs away. If the jobs lost are primarily in nonmetro areas while those gained in the border states are in metro areas, however, as was the case recently with an AT&T plant closing in rural West Virginia and expanding in both Mexico and Dallas, then the consequences for nonmetro development will be very negative. Since nonmetro manufacturing often competes on the basis of lower wages, it seems likely that at least some manufacturing jobs would be lost to Mexico. Increased imports of textiles to the U.S. is also expected to hurt nonmetro manufacturing.

Even though the economic turbulence experienced in nonmetro communities over the past decade may be calming somewhat, the effects of economic dislocation are still substantial. What can be done to help nonmetro areas adjust to these new economic realities? Since the future of

nonmetro development will primarily be tied to services, greater investment in education, training, and telecommunications infrastructure is essential. More advanced telecommunications will enable nonmetro communities to take greater advantage of the trend to decentralize services functions. Without the added investment in education and training, however, upgrading telecommunications may benefit new residents migrating into nonmetro areas to a much greater extent than they will benefit existing residents struggling to cope with economic dislocation.

Unfortunately, rural jurisdictions will be unlikely to receive much assistance from the federal government in making necessary investments, not only because of the budget deficit but also because of a more general philosophical mood against federal government intervention. Since many rural communities lack the resources to achieve substantial change on their own, they will have no choice but to team up with other jurisdictions for cooperative ventures. However, this is an adequate solution at best for those communities which have been most devastated.

#### CONCLUSION

The economic turbulence of the 1980s has created terrible difficulty for nonmetropolitan America. This is

reflected clearly in the tremendous growth in the share of nonmetropolitan workers earning too little to raise a family of four above poverty, regardless of their region, sex, race, age, or educational attainment.

Equally disturbing is the fact that we appear to be moving farther away from the goal of economic equality. The nonmetropolitan/metropolitan gap in earnings has widened, as has that between nonmetropolitan men and women, between Whites, Black, and Hispanics, between age groups, and between those with and without any college education.

One expected consequence of these developments is that more nonmetropolitan workers lived in poor families in 1987 than did in 1979 -- 9.4 percent of all nonmetropolitan workers in 1987 compared with 6.6 percent in 1979. This represents a 20% increase in the number of nonmetropolitan workers living in poor families in less than a decade. As disheartening as this statistic is, it significantly understates the extent of the problem because it excludes all those nonmetropolitan workers who are unemployed or who have left the labor force altogether.

The broader economic changes which have contributed to this turmoil in nonmetropolitan America do not show signs of a reversal in the short-term, though certainly the nonmetro economy became much more stable at the close of the decade than it was at the beginning. Certainly having global economic trends swing back even further in favor of the

nonmetropolitan economy would help. But rather than wait for such uncertain developments, we would be better off to assist nonmetropolitan workers and communities to make whatever adjustments they can make now. But first we must acknowledge that creating a society of growing inequality runs counter to our deepest aspirations as a nation and that active intervention is called for.

1. In an effort to minimize distortions caused by the business cycle, the year 1979 was chosen as a starting point because it was the last business cycle peak. The year 1987 was the latest year of continued economic growth for which CPS data were available at the start of the research project.

2. The poverty line standard for both 1979 and 1987 was adjusted for inflation by the now-standard CPI-X1 deflator of the U.S. Census Bureau.

3. The nine Census subregions of the U.S. consist of New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut); the Middle Atlantic (New York, New Jersey, Pennsylvania); the East North Central (Ohio, Michigan, Indiana, Illinois, Wisconsin); the West North Central (Minnesota, Iowa, Missouri, Kansas, Nebraska, North and South Dakota); the South Atlantic (Maryland, Delaware, District of Columbia, Virginia, West Virginia, North and South Carolina, Georgia, Florida); the East South Central (Kentucky, Tennessee, Alabama, Mississippi); the West South Central (Arkansas, Louisiana, Oklahoma, Texas); Mountain (Montana, Wyoming, Idaho, Colorado, Utah, Nevada, New Mexico, Arizona); and Pacific (Washington, Oregon, California, Alaska, Hawaii).

4. See Gorham and Harrison, 1990.

5. Because of the limitation of sample size, the agriculture, natural resources, and construction sectors could not be included in the analysis.

6. Due to inadequate sample sizes, it was impossible to compare Blacks and Whites in all eight industrial sectors or to include Hispanics in the analysis.



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