

Rural Per Capita Income Grows Slightly Faster than Urban

During 1996, rural real per capita income increased slightly faster than urban income. Income in rural minority counties also increased, but per capita income in all types of rural areas continues to lag urban income.

According to the most recent estimates, real per capita income (in 1996 dollars) increased 2.4 percent, from \$18,096 to \$18,527, in rural areas during 1995-96. In urban areas, real per capita income increased by 2.1 percent, from \$25,405 to \$25,944. With rural income growing slightly faster than urban, the ratio of rural to urban income improved from 71.2 percent in 1995 to 71.4 percent in 1996.

Income is comprised of earnings, capital returns (dividends, interest, and net rent), and transfer payments. Rural per capita income grew faster than urban because rural earnings and transfer payments grew at faster rates than those components of urban income did. Per capita earnings and transfer payments grew by 2.5 and 2.1 percent in rural areas, compared with 2.1 and 1.7 percent in urban areas (table 1). Capital returns grew faster in urban than in rural areas, 2.9 versus 2.4 percent, but capital returns are a much smaller source of income than earnings and about the same size as transfer payments.

As discussed in the article on earnings per nonfarm job (pp. 55-58), earnings in most industries increased modestly during 1995-96, generally growing faster in urban than in rural areas. If nonfarm earnings per job and per capita earnings measured the same thing, we would have found that urban per capita earnings grew faster than rural. But earnings per job measure the average amount earned at the place of work, while per capita earnings measure the average amount of earnings of area residents, no matter where they earned their income. Increasing earnings per job does account for some of the increase in per capita earnings. Other contributing factors include faster job growth than population growth during 1995-96, which means that there were more earners relative to the population over which we divide earnings to obtain the per capita amounts. Farm earnings were much improved in 1996, compared with 1995, especially in rural areas, contributing to per capita earnings growth. And, more rural workers may have held jobs in urban areas in 1996 than in 1995. With the average earnings of urban jobs much higher than those of rural jobs, rural residents working in urban jobs probably bring home relatively high earnings. Those earnings from urban jobs are considered part of the total earnings of rural residents in the per capita earnings calculations. In sum, employment, population, and earnings growth and changes in commuting and industry of employment all play roles in per capita earnings and the faster rural than urban growth during 1995-96.

Rural Minority County Incomes Have Improved Since the Last Recession

Rural counties where minorities account for high proportions of residents are the special topic of this issue of *Rural Conditions and Trends*. Looking at the income status of Black, Native American, and Hispanic counties since 1989 shows what has happened to the economic status of those areas since the last year of growth before the 1990-91 recession. These per capita amounts reflect the average status of all residents of these areas, not just the minority residents.

Per capita income is much lower in rural minority counties than in all rural areas. In 1996, rural counties where one-third or more of the population is Black had per capita income of \$16,489, Native American counties had per capita income of \$13,843, and Hispanic counties had per capita income of \$14,876 (table 1). While all three types of minority counties lag the rural average, the Black counties recently have had much more income growth than the other two types. Per capita income grew slightly in all three types of minority counties during the 1990-91 recession, while overall rural and urban per capita income declined. During the recovery and growth since the recession, income in rural Black counties grew faster than income in the other minority counties and overall income in rural and urban areas. Growth in earnings, capital returns, and transfer payments all contributed to the Black counties' income growth.

Table 1

Real per capita income, by source and place of residence, selected years

Earnings and capital returns recently grew more in nonmetro Black counties than in other nonmetro minority counties; transfer payments grew more in Native American counties

Income source and residence	1989	1991	1996	Annual average rate of change		
				1989-91	1991-96	1995-96
	1996 dollars			Percent		
Per capita income:						
Nonmetro	17,091	17,009	18,527	-0.2	1.7	2.4
Black	14,387	14,717	16,489	1.1	2.3	2.5
Native American	12,557	12,908	13,843	1.4	1.4	1.3
Hispanic	14,406	14,504	14,876	.3	.5	1.2
Metro	24,151	23,859	25,944	-.6	1.7	2.1
United States	22,699	22,462	24,436	-.5	1.7	2.2
Earnings:						
Nonmetro	10,612	10,366	11,224	-1.2	1.6	2.5
Black	9,074	9,037	9,927	-.2	1.9	2.3
Native American	8,214	8,349	8,497	.8	.4	-.4
Hispanic	8,909	9,039	8,775	.7	-.6	.5
Metro	16,380	15,950	17,200	-1.3	1.5	2.0
United States	15,193	14,812	15,985	-1.3	1.5	2.1
Capital returns: ¹						
Nonmetro	3,314	3,141	3,240	-2.6	.6	2.4
Black	2,221	2,178	2,268	-1.0	.8	2.9
Native American	1,451	1,347	1,337	-3.6	-.2	1.9
Hispanic	2,637	2,294	2,242	-6.7	-.5	2.2
Metro	4,603	4,429	4,726	-1.9	1.3	2.9
United States	4,338	4,167	4,424	-2.0	1.2	2.9
Transfer payments:						
Nonmetro	3,166	3,501	4,064	5.2	3.0	2.1
Black	3,091	3,502	4,294	6.4	4.2	2.9
Native American	2,892	3,212	4,009	5.4	4.5	4.6
Hispanic	2,860	3,171	3,859	5.3	4.0	2.3
Metro	3,168	3,479	4,018	4.8	2.9	1.7
United States	3,168	3,484	4,027	4.9	2.9	1.8

Note: Earlier years' incomes were converted to 1996 dollars using the chained-type personal consumption expenditures price index.

¹Capital returns include dividends, interest, and net rent.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

As shown in the earnings per job article, pp. 55-58, many of the Black counties have manufacturing-dependent economies and many have high levels of commuting to other counties for work. Almost none of the Native American or Hispanic counties are manufacturing-dependent or have high commuting. With manufacturing paying higher wages than most other rural industries and access to higher wage work in neighboring counties, higher earnings per capita in Black counties than in the other minority counties is understandable. But, all three minority county groups have low proportions of transportation, wholesale trade, and financial sector jobs, suggesting that they generally have smaller, less diverse economies than rural areas overall do.

Per Capita Income Varies Less Among Rural Black Counties

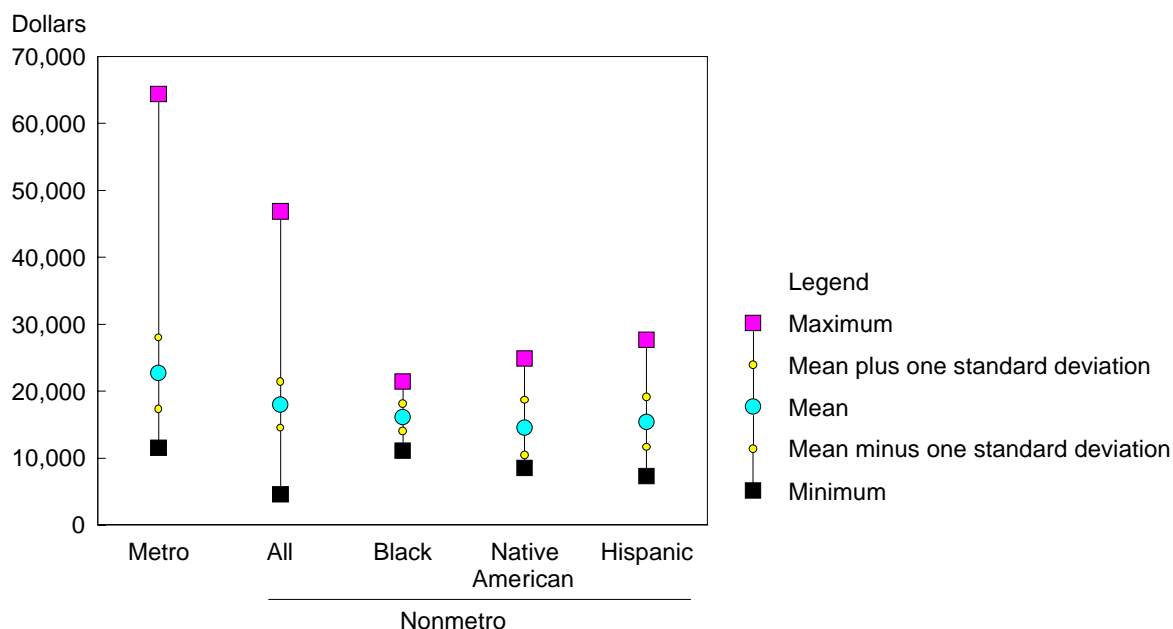
Even with income growth during the 1990's that has been comparable with or even better than overall rural growth, per capita income in the three minority groups remain well below the rural average. Examining the range of incomes of individual counties within each group provides additional insight into the economic status of the groups. The Black counties' per capita incomes fall within a very small range, from \$11,033 to \$21,364 (fig. 1). The income range of Native American counties is somewhat wider, from \$8,508 to \$24,832. And, the income range of Hispanic counties is even wider, from \$7,233 to \$27,648. Although the worst off Black county has per capita income nearly \$4,000 higher than the worst off Hispanic county, the best off Hispanic county has a per capita income more than \$6,000 higher than the best off Black county. The manufacturing bases and high commuting of many Black counties appear to provide a higher income floor, but not a higher income ceiling.

Another way to investigate the diversity in per capita income among minority counties is to look at trends for the substantial (one-third up to one-half minority) and predominant (one-half or more minority) subgroups of counties within each minority group. Within each minority county group, the substantial minority subgroup has higher per capita income than the predominant minority subgroup (see app. table 10, p. 130). But the gap between the substantial and predominant Black counties' incomes is much narrower (\$1,865 in 1996) than between the other minority county subgroups (\$3,075 between the Native American subgroups and \$4,010 between the Hispanic subgroups). The substantial and predominant Black counties each had higher per capita income in 1996 and faster growth during 1995-96 than their counterparts in the Native American and Hispanic county groups. [Linda M. Ghelfi, 202-694-5437, lghelfi@econ.ag.gov]

Figure 1

Ranges of per capita incomes among counties, by racial/ethnic status, 1996

Although the group of Black counties averages higher income than the other minority groups, a few Native American and Hispanic counties have higher per capita incomes than any of the Black counties



Note: Two-thirds of Black counties and about three-quarters of the counties in each of the other categories have per capita income within plus or minus one standard deviation of the mean.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.