

# U.S. METRO ECONOMIES | JUNE 2007

LABOR MARKETS IN 2007: UNEMPLOYMENT AND METRO ECONOMIES

## Key Findings

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### *Unemployment*

- **At 4.5% in May 2007**, the national unemployment rate has consistently declined from its high this decade of 6.3% in June 2003. The last time the labor market tightened to a 4.5% unemployment rate as a result of a sustained economic expansion was 1998.
- In May of 2007, employment growth was almost one-half less than US job growth nine years ago. **This “job growth gap” translates to more than 100,000 fewer jobs being generated each month.**
- In April 2007, 141 of 361 metros had unemployment rates lower than 4%; 32 metros were under 3%. More than half of the metros (205) had rates less than the US average of 4.5%. **48 metros had unemployment rates exceeding 6%, and 24 exceeded 7%.**
- **Billings, Montana (1.8%), and Logan, Utah-Idaho (2.0%) had the nation’s lowest unemployment rates in April.** Among the largest metros, Birmingham (AL), Washington (DC) and Salt Lake City (UT) had rates under 3%.
- **Missoula, Great Falls, Provo, Idaho Falls, Salt Lake City (all in the Mountain West region) and Honolulu all have less than 2.5% unemployment.**
- Though it is a marked and significant improvement in economic health that the unemployment rate has declined so dramatically since 2003, **we conclude that the US labor market cannot currently be characterized as tight.** It has been becoming tighter to be sure, continuing a process begun roughly three years ago, but at a subdued pace that leaves it plenty of room to grow.

### *The US Labor Force*

- **The US labor force grew by only 1.0% annually from 2000 to 2006**, compared to last decade’s rate of 1.3% (1990 to 2000).
- The overall labor force participation rate -- the percentage of the civilian non-institutionalized population aged 16 and over in the labor force -- peaked at 67.3% in 2000 and dropped to 66.0% in May 2007. **If the participation rate had not fallen off, the US labor force would have an additional 3.1 million members today.**
- The slowing US labor force participation has been largely affected by two factors: 1) retiring baby boomers; and 2) declines in labor force participation by youths and prime age workers.
- Between 2000 and 2006, **youth participation rates dropped the most: from 65.8% to 60.6%**, an average decline of 1.4%. For those aged 16-19, the decline averaged 4.2%. One factor is that school attendance has increased, a trend that is typical of economic downturns like the recession and jobless recovery of 2001-2003.
- **US labor force growth this decade has been led by the fast growing Sun Belt and Mountain metros, with St. George, UT, the fastest at a 7.7% annual rate.** Rapid employment growth and low unemployment characterize the leaders. The same is true among the large metro leaders of Las Vegas, Phoenix, Orlando, and Raleigh.

### *Occupational Labor and Wage Gap*

- The decline of the unemployment rate since 2003 is most notable in **management, professional, and related occupations, reaching a 1.9% unemployment rate in May.** These occupations represent one-third of total US jobs.
- **Natural resource, construction, and maintenance occupations (10% of US jobs) saw the largest unemployment drop, from 11.1% in early 2003 to 5.8% now.**
- **The top five occupations with the lowest unemployment rate** (1.6%) are clustered in the skilled positions: legal (1.3%); healthcare practitioner and technical (1.4%); architecture and engineering (1.7%); management (1.8%); life, physical, and social science (1.8%).
- **The bottom five occupations with the highest unemployment rate** (6.8%) include farming, fishing, and forestry (9.5%); food preparation and serving (7.2%); building & grounds cleaning and

maintenance (7.0%); construction and extraction (6.8%); and transportation and material moving (6.2%).

- For someone who works in one of the top five occupations, the average pay is nearly three times that of the bottom five (\$35.56 vs. \$12.86). Thus, “**the opportunity pay gap**” is almost **\$23 dollars an hour**. Over this coming decade and years beyond, US businesses will need the younger generation to fill these skilled jobs -- many that require a higher level of education -- left behind by those retiring

### *Job Growth*

- **310 metro areas have gained jobs in the past 12 months, with only 49 showing declines**. These losses occurred primarily in the Midwest, led by Detroit and Cleveland.
- **Rates of job gains continue to be very robust (3% plus) in large metros** such as Phoenix, Riverside-San Bernardino, Houston, Dallas and Seattle. In the Northeast, New York has generated more new jobs in the past year (70,000) than all but Dallas, Houston, and Phoenix.
- **Some metros have yet to see a net new job created this decade**. Through 2006, 85 metros have seen net jobs losses this decade.
- Through the end of 2006, 87 metros had employment levels that had yet to match their 2000 or 2001 peaks, attained before the sharp declines of the last recession. Moreover, the report projects that **74 of them will not have rebounded by the end of 2007, and 49 metros will not have done so by the end of the decade, 29 of which are in the Midwest**.
- **45 metros have seen a decrease in their labor force since 2000**. Most of these have high unemployment rates (they average 5.6%), but there are significant exceptions, most notably San Francisco and San Jose, which experienced dramatic business cycle peaks and troughs, with sharp net job losses, but unemployment rates that have returned to normal from very low rates in 2000.

### *Real Estate Troubles*

- **The national average for subprime delinquencies was 14.7% in 2006**. Cleveland, OH’s delinquency rate is more than 10 percentage points higher than the national average.
- **Eight of the ten metro areas with the highest percentage of delinquent subprime loans are located in the Midwest**. Many of the Midwest metros have had their labor markets hampered by layoffs from the automotive industry.