

## Behind The Low Unemployment Rate

by {ga=jparrott}

Thursday, May 17, 2007 05:03 PM

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Mayor Michael Bloomberg and others are touting the city's low unemployment rate, which dropped to 4.3 percent in March, the latest data at this writing. When he released his Executive Budget on April 26, the mayor [stated](#), "The unemployment rate is at historic lows in the city." While it's not clear if the March unemployment rate is indeed the "lowest level ever," as the mayor's [budget press release](#) claimed, it is the lowest in the Bureau of Labor Statistics series that began in January 1976.

In the 30-year span of recorded unemployment rates, the highest annual levels were 11.1 percent reached in 1976 and 1992. 2006 marked the first time that average rate for the year dropped below five percent (it was 4.9 percent).

For the past several decades, the unemployment rate has been one of the key indicators used to gauge the condition of the economy, particularly the state of the job market and whether it is favorable or unfavorable to workers and job seekers. But the number alone does not tell the entire story. Three main factors enter into the determination of the unemployment rate (see box), and several issues — including whether people are looking for work, racial and age differences and the length of time people remain unemployed — need to be considered to really make sense of what the unemployment rate is telling us.

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### UNEMPLOYMENT STORY IN A NUTSHELL

The quick takeaway on what today's relatively low New York City unemployment rate means is this:

#### UNEMPLOYMENT RATE: THE BASICS

The **unemployment rate** is calculated as the share of **labor force** that is

â€˜ Overall the 30-plus-year low New York City unemployment rate is good news although unemployment is much higher and employment rates much lower among blacks and young people.

â€˜ While it represents a huge improvement over the 1990s, the unemployment rate is low today mainly because of the continued growth in low-wage jobs. The unemployment rate considers simply whether or not a person has a job, not whether the job is a good one. (For more on changes in the city's economy, including the job market, see [related article](#) .

â€˜ While unemployment may be less common than at other times in the past few decades, it still exacts a heavy toll since fewer unemployed workers receive unemployment insurance benefits than 20 or 30 years ago and many of the unemployed, particularly men, blacks and workers 45 and older, experience long spells without work.

The unemployment rate only measures people who either have jobs or are actively seeking work. Statistically, that means the unemployment rate for an area could decline because people leave the labor force. This could happen during an economic downturn if people decided their economic prospects were so grim that looking for work would be a waste of time. A variation of this has occurred in some upstate New York areas hard hit by the steep decline in manufacturing, long their economic backbone. In Buffalo, for example, the unemployment rate dropped from 9.5 percent in March 1999 to 5.4 percent this March. However, the number of people with jobs fell by 12 percent and the number of people in the Buffalo labor force declined

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by almost 16 percent over this period. Sustained, steep job decline has led people to leave the area for communities with brighter job prospects.

### RECORD LABOR FORCE LEVELS

In New York City, the labor force has been growing and jobs are much more plentiful than upstate. In fact, at 3.8 million, the Big Apple's labor force has never been larger. While the city's population of 8.2 million is only slightly bigger than its previous peak of 7.9 million in 1970, many more women are in the workforce today, making the overall size of the city's labor force much greater. Women now constitute nearly 47 percent of the city's workforce.

"The New York City unemployment rate applies to city residents. The number of unemployed used to calculate the rate is derived as the labor force minus an employment measure from the Current Population Survey called *resident employment*. Resident employment is different than the *payroll employment* concept that is usually the basis for reporting the number of jobs. Payroll employment for New York City reflects the number of employees, whether residents or commuters, working in New York City. Resident employment is the number of city residents working, whether in the city or elsewhere, and whether working as employees of someone else, or self-employed.

Because there are 700,000 to 800,000 commuters working in New York City and many fewer city residents working outside the city, the payroll employment count traditionally has been much greater than the resident employment figure. However, the two measures have been converging since the early 1990s. While payroll employment was 300,000 greater than resident employment in the mid-1990s, today the gap between the two has narrowed to 30,000.

### MORE JOBS FOR NEW YORKERS

The main reason for the convergence is the steady upward climb in the number of health, education and social service jobs in New York City -- jobs typically held by city residents. Commuters tend to be highly concentrated in higher-paying financial, information and professional service jobs, which tend to be very cyclical, that is, there are more of them when the economy expands, fewer when it declines. Since the previous peak point for New York City payroll jobs in December 2000, these commuter-intensive jobs have registered a net decline of about 53,000 jobs. The number of jobs in health, education and social service has grown by 81,000 since 2000, after already having grown steadily throughout the 1990s.

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Meanwhile, the number of self-employed New Yorkers has increased by about 50,000 since 2000, further boosting the resident employment numbers. However, some of the reported increase in “[self-employment](#)” may actually represent workers who are correctly or incorrectly considered “independent contractors.”

### **MORE WORKERS BUT EVEN MORE JOBS**

The number of New Yorkers officially considered unemployed dropped to 175,000 in the early part of 2007. This is the lowest level since 1988 (when the labor force had a half million fewer people than it does today) and about 10 percent below the level reached at the previous peak of the business cycle. During the economic downturn early in this decade, New York City unemployment rose to 320,000 -- nearly two-thirds higher than it was before the downturn.

In the three and a half years since the economy's low point in August 2003, the 214,000 resident employment gain has greatly exceeded the 68,000 increase in the labor force. The result is that 146,000 fewer New Yorkers are unemployed, dropping the unemployment rate by four percentage points to 4.3 percent.

### **BLACKS AND YOUNG ADULTS**

Within this, though, the unemployment picture varies widely depending on race and ethnicity. While the overall unemployment rate was 4.9 percent in 2006, the rate among non-Hispanic blacks was 7.4 percent, more than double the rate for white non-Hispanics (3.4 percent). The unemployment rate for Hispanics was 6.0 percent, and for the “other non-Hispanic” category (which is mostly Asians) it was a very low 2.5 percent. (Blacks and Hispanics each account for nearly one-quarter of the city labor force, white non-Hispanics are 38 percent and “other” applies to about 13 percent.)

The drop in unemployment since 2000 has been most pronounced among Hispanics with a decline from 8.1 percent. In 2000, the female unemployment rate was higher than for males in the city. This pattern flipped by 2006 as unemployment fell more for women than for men.

For adults aged 16 to 24, unemployment was 14.5 percent in 2006, more than three times the rate for workers 25 and over. Also, while the unemployment rate had declined for most groups between 2000 and 2006, for young adults, it increased from 12.4 percent in 2000.

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### Measuring New York City's Job Market

By race/ethnicity

| 2006                            | All   | White non-Hispanic | Black non-Hispanic | Hispanic | Other non-Hispanic |
|---------------------------------|-------|--------------------|--------------------|----------|--------------------|
| Unemployment rate               | 4.9%  | 3.4%               | 7.4%               | 6.0%     | 2.5%               |
| Underemployment rate            | 8.7%  | 5.9%               | 12.6%              | 10.8%    | 6.1%               |
| Labor force participation rate  | 59.3% | 61.8%              | 57.3%              | 58.2%    | 58.1%              |
| Employment to population rate   | 56.4% | 59.7%              | 53.0%              | 54.7%    | 56.7%              |
| <b>Change from 2000 to 2006</b> |       |                    |                    |          |                    |
| Unemployment rate               | -0.8% | 0.0%               | -0.2%              | -2.1%    | -1.6%              |
| Underemployment rate            | -0.6% | 0.5%               | -0.2%              | -2.4%    | -1.0%              |
| Labor force participation rate  | -0.6% | 2.9%               | -2.2%              | -2.6%    | -3.8%              |
| Employment to population rate   | -0.1% | 2.8%               | -1.9%              | -1.2%    | -2.7%              |

source: Unpublished Current Population Survey data.

## ALTERNATIVE WAYS TO LOOK AT THE JOB MARKET

Beyond the basics of labor force, employment, and unemployment, some other more technical measures reflect pretty basic notions about how working age adults (those aged 16 to 64) relate to the job market.

### Labor Force Participation

As noted above, working age adults are considered part of the labor force if they are either employed or looking for work. There may be various reasons why someone is not looking for work and thus not counted as part of the labor force. Beyond giving up on finding a job, these include family responsibilities (caring for a child, parent or other family member), attending school, disability or retirement.

The labor force participation rate measures the portion of the working age population that is in the labor force. The overall labor force participation rate in the city was 59.3 percent in 2006, down slightly from 2000. It was highest for white non-Hispanics and lowest for black non-Hispanics. (See the table below.)

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While the overall New York City labor force participation rate declined only slightly from 2000 to 2006, there were some striking differences among age groups. For young adults, ages 16 to 24, labor force participation fell from 50 percent to 40 percent. At the other end of the age spectrum, those 65 and older, labor force participation jumped from about 10 percent to 15 percent. And among those age 45 to 64, labor force participation rose from a little less than 66 percent to a little more than 69 percent.

### Employment to Population Ratio

A related concept is the employment to population ratio, also known as E-POP. As the name suggests, this allows one to directly consider employment in relation to the entire working age population, including the employed, the unemployed and those who are not in the labor force. Many analysts consider the E-POP to be a more useful gauge of job market conditions than the unemployment rate.

As the table indicates, there is an even greater spread between the E-POP for non-Hispanic whites and non-Hispanic blacks than for the unemployment rate. The spread between white non-Hispanics and Hispanics is also considerable. The main reasons for the lower black and Hispanic E-POPs are that more adult blacks and Hispanics attend school, their disability rates are higher, and for Hispanics, more have family responsibilities that keep them out of the workforce. Retirement as a reason for being out of the labor force is less of a factor for blacks and Hispanics than for white non-Hispanics, while slightly more blacks and Hispanics cite discouragement as a reason for not looking for work.

For many years, the city's labor force participation rate has trailed that of the nation. In looking at the reasons for this, family responsibilities stands out, followed by higher school attendance among adults and to a lesser extent, higher rates of disability and discouragement.

### Underemployment

Another measure that can be used as a job market gauge is underemployment. This includes those working part time who would prefer full-time work and the discouraged. Since blacks and Hispanics are more likely to be working part-time when they would prefer full-time work, the gap between underemployment rates for blacks and Hispanics on the one hand, and white

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non-Hispanics on the other, is even greater than the gap in unemployment rates. For 2006, the black non-Hispanic underemployment rate was 12.6 percent, and the Hispanic underemployment rate was 10.8 percent while for white non-Hispanics the underemployment rate was 5.9 percent.

### Long-Term Unemployment

While unemployment in the city has declined during the economic recovery and is slightly below where it was in 2000, a much greater proportion of those who are without jobs have been unemployed for a long period of time. Overall, the share of those unemployed who have been out of work for more than six months increased from 24 percent to 30 percent between 2000 and 2006. Long-term unemployment is particularly severe for males (nearly 35 percent of those unemployed are long-term unemployed), black non-Hispanics (34 percent), other non-Hispanics (36 percent), workers age 45-64 (39 percent) and those with less than a high school education (43 percent).

### A TATTERED SAFETY NET

The unemployment insurance system provides a safety net for unemployed workers. New York was one of the pioneers among states when it instituted an unemployment insurance program in 1931 under then-Governor Franklin D. Roosevelt. It was intended to help families of workers who had lost their job to sustain themselves and to serve as an “automatic stabilizer” by injecting money into the economy during periods when layoffs rise and wage income falters. For example, during the aftermath of 9/11 and the downturn following it, unemployment insurance was the main source of compensation for workers dislocated by the World Trade Center attacks, far greater than the assistance to workers provided by post-9/11 federal funding.

However, the state’s system has not kept pace with changes in the economy. As a result, a smaller proportion of unemployed workers receive benefits now than in the 1970s and 1980s. In 2005, only 41 percent of New York’s unemployed received the payments compared to an average of 53 percent in surrounding states. New York’s maximum weekly benefit is also far lower than in neighboring states. The [National Employment Law Project](#) monitors state unemployment insurance programs and has documented changes needed to gear New York’s program more closely to today’s economic challenges.

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