

The Impact of Low Unemployment Rates on Disadvantaged Groups

By Cherrie Bucknor and Dean Baker*

October 2017



Center for Economic and Policy Research
1611 Connecticut Ave. NW
Suite 400
Washington, DC 20009

tel: 202-293-5380
fax: 202-588-1356
<http://cepr.net>

Contents

Executive Summary 2

The Impact of Low Unemployment Rates on Disadvantaged Groups..... 4

The Initial Differences in Employment Rates..... 5

The Impact of the Fall in Unemployment from 2013 to 2015 9

Differences by Gender..... 10

Differences by Educational Attainment..... 12

Conclusion: The Impact of Low Unemployment..... 19

References 20

Appendix..... 21

Acknowledgements

The authors thank Alan Barber, Kevin Cashman, Karen Conner, Daniella Zessoules, and Nick Buffie.

Executive Summary

Over the last year, the unemployment rate has fallen well below most estimates of the non-accelerating inflation rate of unemployment (NAIRU). If these estimates had been correct, one would have seen some uptick in inflation in this period. In fact, the rate of inflation has actually slowed by most measures.

This recent history is important because the Federal Reserve Board continues to allow the unemployment rate to continue to fall, instead of aggressively raising interest rates to slow job growth. This was a controversial decision given the accepted estimates of the NAIRU. Many economists, including some on the Federal Reserve Board's Open Market Committee, wanted the Fed to be more aggressive in raising interest rates.

It now appears that the Fed made the right decision by not acting more aggressively and the country has benefited in the form of having more growth and lower unemployment than would have otherwise been the case (arguably, it acted *too* aggressively with the rate hikes made over the last nine months). Additionally, it is also important to note that the benefits of this additional growth went disproportionately to the most disadvantaged groups in society.

This paper compares employment rates by gender, race and ethnicity, and educational attainment from 2013 to 2015 in the twenty metro areas with the lowest unemployment rates and the twenty metro areas with the highest unemployment rates to get some measure of the disproportionate gains to disadvantaged groups from low unemployment.

The paper finds:

- Employment rates for black men were more than 12 percentage points higher in the metro areas with low unemployment rates in 2013 than in the metro areas with high unemployment rates. For black women, the gap was more than 9 percentage points.
- Employment rates for Hispanic men were more than 8 percentage points higher in the metro areas with low unemployment, and for women, the gap was more than 6 percentage points.
- There were large differences in the gap in employment rates by educational attainment, with the largest gaps occurring for the least educated, generally. The largest gap in employment

rates was an 11.6 percentage point gap between the employment rates of black men with high school degrees or less.

- Blacks had large gains in employment rates between 2013 and 2015 in both metro areas with low unemployment and metro areas with high unemployment rates, 3.2 and 3.0 percentage points, respectively. There were also large gains in total employment, 6.9 percent and 4.1 percent in areas of low and high unemployment, respectively.
- Hispanics saw large gains in total employment, 8.4 percent and 7.0 percent, in areas of low and high unemployment respectively, but only modest increases in employment rates.
- By educational attainment, the biggest gain was a 4.5 percentage point increase in employment rates for black women with a high school degree or less, in the metro areas with low unemployment. This was followed by an increase in employment rates of 4.4 percentage points for black men with a high school degree or less in metro areas of high unemployment.
- Using total employment as the measure, the biggest gains were for Hispanics with college degrees. Employment for this group increased by 13.4 percent in the metro areas with high unemployment and by 14.5 percent in the metro areas with low unemployment.

The analysis in this paper strongly supports the view that relatively disadvantaged groups have been the major beneficiaries of recent declines in unemployment. In all cases, the gains for whites — and especially college-educated whites — were limited. This suggests that if the unemployment rate is allowed to fall further, there can be large additional benefits in employment, hours, and wages for the most disadvantaged groups in the labor force.

The Impact of Low Unemployment Rates on Disadvantaged Groups

The 4.2 percent unemployment rate reported for September 2017 is the lowest level since 2001. It is important to recognize that this figure is well below the unemployment rate that many economists — including those at the Federal Reserve Board and the Congressional Budget Office — consider to be consistent with a stable inflation rate. Just a few years ago, the consensus among most economists was that inflation would begin to spiral upward at unemployment rates below 5.0 percent. In fact, inflation has been slowing slightly over the first half of 2017.

While there have been gains throughout the economy due to the Federal Reserve Board's decision to allow the unemployment rate to continue to fall (as opposed to raising interest rates sharply to slow the pace of job creation), blacks and Hispanics have benefited disproportionately from the drop in unemployment. This can be seen clearly in the aggregate numbers.

Back in 2015, when the overall unemployment rate averaged 5.3 percent, the unemployment rate for blacks averaged 9.5 percent.¹ While the overall unemployment rate has fallen by about a percentage point in the last two years compared to the average in 2015, the unemployment rate for blacks has fallen by 2.5 percentage points with the latest numbers, leading to an average of 7.4 percent over the last three months. The unemployment rate for black teens has fallen by 5.7 percentage points, leading to an average of 23.0 percent over the last three months.

The unemployment rate for Hispanics dropped by 1.5 percentage points over this period to 5.1 percent. The unemployment rate for Hispanic teens dropped by 5.0 percentage points, leading to an average of 13.6 percent over the last three months. In short, these disadvantaged groups were the biggest gainers from the decline in the unemployment rate over the last two years.

The argument as to why one would expect to see this pattern is that many employers would prefer to hire white workers. However, in periods of low unemployment, there are fewer white workers looking for jobs. This means that employers have little choice but to add blacks, Hispanics, or other people of color to their payroll to get the labor they need. For this reason, these disadvantaged groups are the main beneficiaries of low rates of unemployment.

¹ These data are taken from the Bureau of Labor Statistics (2017).

In order to get a better perspective of how the drop in the unemployment rate affected different demographic groups in areas of high and low unemployment rates, one can look at the changes in employment rates from 2013 to 2015 in the 20 metropolitan areas with the lowest unemployment rates and the 20 areas with the highest unemployment rates, using data from the American Community Survey (ACS).² The first group had an average (unweighted) unemployment rate of 3.9 percent in 2014. The second group had an average unemployment rate of 9.4 percent in 2014. This analysis is focused on employment rates rather than unemployment, since the latter figure may be skewed by the decision of unemployed workers to give up looking for work even when they still want a job.³

The Initial Differences in Employment Rates

Before examining how employment rates changed over this two-year period, and the differential impact across demographic groups, it is worth looking at the initial differences in 2013, the base year for this analysis. This is shown in **Table 1**. Looking at the totals, the difference in employment rates overall was 7.0 percentage points. This is somewhat larger than the 5.5 percentage point gap in unemployment rates. The difference is not surprising since a drop in the number of people who are unemployed is typically accompanied by a number of people entering the labor force who had not previously been counted as unemployed.⁴

The gap in employment rates between the low unemployment metro areas and the high unemployment metro areas is much larger for those with the least education. For people with a high school degree or less the gap was 6.5 percentage points whereas it was just 3.9 percentage points for people with college degrees. This is consistent with much other work showing that low unemployment disproportionately benefits the least educated. There is a simple intuition behind this. When the economy weakens, employers are most likely to layoff retail clerks, assembly line workers, and others with relatively few skills. They will keep the most skilled workers as long as possible since there are high costs involved in finding these workers and training them. Also, employment in many occupations that require more educated workers, like doctors and teachers, tends to vary little over the business cycle. There is little increase in demand in an upturn and only modest falloffs in a downturn.

2 The metro areas analyzed in this report were chosen from amongst the 100 largest metro areas in the U.S. The list of metro areas in each group is in the Appendix in Table A1.

3 Employment rates are defined as employment-to-population ratios, often shortened to EPOP ratios.

4 This issue is complicated somewhat by the fact that the populations are not stable. People are likely to move to metro areas with low unemployment rates in search of jobs and leave areas with high unemployment rates. This will tend to increase the employment rates of the former and lower the employment rates of the latter.

TABLE 1

Employment Rates In Metro Areas of High and Low Unemployment, 2013

(percent and percentage points)

| | | High School or Less | Some College | College | Total |
|--------------|------------|---------------------|--------------|---------|-------|
| Whites | | | | | |
| Men | High 20 | 50.7% | 65.0% | 75.3% | 63.3% |
| | Low 20 | 58.1% | 72.3% | 79.9% | 70.6% |
| | Difference | 7.4 | 7.3 | 4.6 | 7.3 |
| Women | High 20 | 36.6% | 56.9% | 68.4% | 53.5% |
| | Low 20 | 43.2% | 61.3% | 71.6% | 59.6% |
| | Difference | 6.7 | 4.4 | 3.2 | 6.1 |
| Total | High 20 | 43.5% | 60.7% | 71.8% | 58.3% |
| | Low 20 | 50.7% | 66.4% | 75.7% | 65.0% |
| | Difference | 7.2 | 5.7 | 3.9 | 6.6 |
| Blacks | | | | | |
| Men | High 20 | 36.7% | 58.5% | 73.3% | 49.4% |
| | Low 20 | 48.2% | 69.2% | 81.5% | 61.8% |
| | Difference | 11.6 | 10.8 | 8.2 | 12.4 |
| Women | High 20 | 35.1% | 56.6% | 72.7% | 50.5% |
| | Low 20 | 42.2% | 66.7% | 78.6% | 59.6% |
| | Difference | 7.1 | 10.1 | 6.0 | 9.1 |
| Total | High 20 | 35.9% | 57.4% | 72.9% | 50.0% |
| | Low 20 | 45.2% | 67.8% | 79.8% | 60.6% |
| | Difference | 9.3 | 10.4 | 6.9 | 10.6 |
| Hispanics | | | | | |
| Men | High 20 | 65.2% | 73.1% | 83.5% | 68.7% |
| | Low 20 | 74.5% | 80.1% | 85.0% | 76.9% |
| | Difference | 9.3 | 7.0 | 1.5 | 8.2 |
| Women | High 20 | 41.5% | 62.3% | 75.4% | 50.6% |
| | Low 20 | 48.0% | 67.4% | 76.9% | 56.9% |
| | Difference | 6.6 | 5.1 | 1.6 | 6.3 |
| Total | High 20 | 53.7% | 67.4% | 79.0% | 59.6% |
| | Low 20 | 62.1% | 73.4% | 80.6% | 67.1% |
| | Difference | 8.3 | 6.0 | 1.6 | 7.4 |
| Other | | | | | |
| Men | High 20 | 47.1% | 61.9% | 77.0% | 63.8% |
| | Low 20 | 53.8% | 68.0% | 84.5% | 70.4% |
| | Difference | 6.8 | 6.0 | 7.6 | 6.6 |
| Women | High 20 | 35.2% | 55.3% | 66.1% | 53.2% |
| | Low 20 | 42.0% | 60.6% | 68.0% | 57.0% |
| | Difference | 6.8 | 5.3 | 1.9 | 3.8 |
| Total | High 20 | 40.5% | 58.4% | 71.3% | 58.1% |
| | Low 20 | 47.3% | 64.1% | 76.0% | 63.3% |
| | Difference | 6.8 | 5.7 | 4.8 | 5.2 |
| Total | | | | | |
| Men | High 20 | 54.5% | 65.7% | 76.2% | 63.2% |
| | Low 20 | 61.3% | 72.6% | 80.9% | 70.7% |
| | Difference | 6.8 | 6.9 | 4.7 | 7.5 |
| Women | High 20 | 38.1% | 57.9% | 69.1% | 52.4% |
| | Low 20 | 44.2% | 62.8% | 72.2% | 58.9% |
| | Difference | 6.1 | 4.9 | 3.0 | 6.6 |
| Total | High 20 | 46.3% | 61.5% | 72.5% | 57.6% |
| | Low 20 | 52.9% | 67.4% | 76.4% | 64.6% |
| | Difference | 6.5 | 5.9 | 3.9 | 7.0 |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 data.

When looking at the workforce in total, there is a greater difference by education in the metro areas with low unemployment and the areas with high unemployment for women than men. Going from those with a high school degree or less to those with a college degree, there is a 3.1 percentage point difference for women compared to a 2.1 percentage point difference for men. This is due to the very low 3.0 percentage point gap in unemployment rates for women with college degrees, as compared to a 4.7 percentage point gap for men with college degrees. The gap for men with high school degrees or less is 6.8 percentage points, which is larger than the 6.1 percentage point gap between the metro areas with low unemployment rates and the areas with high unemployment rates for women with high school degrees or less.

Looking at the differences across racial and ethnic groups, low unemployment makes somewhat less of a difference for whites than the labor force as a whole. For whites overall, the difference in employment rates between the low unemployment metro areas and the high unemployment metro areas is 6.6 percentage points. The difference is larger for men (7.3 percentage points) than for women (6.1 percentage points). As with the overall numbers, low unemployment disproportionately benefits white workers with less education. The gap is 7.2 percentage points for white workers with less than a high school degree, compared to 3.9 percentage points for white workers with a college degree. Here also the difference by education levels is larger for women than for men, 3.5 percentage points for women (going from those with a high school degree or less to those with a college degree) compared to 2.8 percentage points for men.

The difference in employment rates between the low unemployment metro areas and the high unemployment metro areas is largest for blacks, with a gap of 10.6 percentage points. It is much larger for black men (12.4 percentage points) than for black women (9.1 percentage points). For blacks, the gap is larger for less-educated workers; however, it is largest for those with some college experience, 10.4 percentage points, compared to a gap of 9.3 percentage points for those with a high school degree or less and 6.9 percentage points for those with a college degree.

This pattern in differences by education levels is driven by the employment rates of black women. The gap in employment rates for women with a high school degree or less is just 7.1 percentage points. This gap reflects low employment rates in both metro areas with low and high unemployment rates. The gap in employment rates for black women with college degrees is 6.0 percentage points, almost double the difference for white women with college degrees.

The largest gap in employment rates for any group is for black men with a high school degree or less, with a gap of 11.6 percentage points between metro areas with low unemployment rates and those with high unemployment rates. However, even for black men with a college degree, the gap is 8.2

percentage points, far larger than the 7.4 percentage point gap for white men with a high school degree or less.

At 7.4 percentage points, the overall gap in employment rates for Hispanics is much closer to the gap for whites than for blacks. It is considerably larger for Hispanic men (8.2 percentage points) than Hispanic women (6.3 percentage points). The gap is also largest for those with the least education, going from just 1.6 percentage point for those with a college degree to 8.3 percentage points for Hispanics with a high school degree or less.

In the case of Hispanics, the difference in the size of the gap by education levels is larger for men than women. While the gap in employment rates for those with college degrees is almost identical for men and women — 1.5 percentage points for men and 1.6 percentage points for women — the gap for those with a high school degree or less is far larger for Hispanic men (9.3 percentage points) than for women (6.6 percentage points).

The gap in employment rates between metro areas with low unemployment and those with high unemployment is considerably lower for those in the “other” category than for the population as a whole. The gap in the “other” category, which includes Asian Americans, Pacific Islanders, and Native Americans, was 5.2 percentage points overall, with a 6.6 percentage point gap among men and a 3.8 percentage point gap for women.

For those in the “other” category, educational attainment mattered far more for women than men. This is primarily due to a very low gap of just 1.9 percentage points in employment rates for college-educated women in the low unemployment metro areas versus the high unemployment metro areas, compared with a 7.6 percentage point gap for college-educated men. For those in the “other” category with just a high school degree, the gap between the employment rate in low unemployment and high unemployment metro areas was identical at 6.8 percentage points for both men and women.

The overall story in this 2013 snapshot is that the largest benefits from low unemployment rates accrue to the most disadvantaged. This is clear in the differences between the employment rates for blacks in low unemployment metro areas and high unemployment metro areas. It also shows up clearly by education levels, with the less-educated seeing the largest gains in employment rates in the metro areas with low unemployment.

The Impact of the Fall in Unemployment from 2013 to 2015

The year-round average unemployment rate fell from 7.4 percent in 2013 to 5.3 percent in 2015. As noted in the national data, this drop in unemployment disproportionately benefited blacks and Hispanics. The unemployment rate for blacks fell by 3.5 percentage points. For Hispanics, it dropped by 2.5 percentage points.

It is important to remember that there are two different processes taking place during this period in response to the nationwide drop in unemployment. On the one hand, in general, there is a rising employment rate as an increased share of the population in any given area is likely to be employed. The other process is a movement of people to areas with low unemployment. Both of these effects are important and the second one can be more important than the first.

There is a similar pattern in both the high unemployment and low unemployment metro areas examined in this analysis. The data show that the vast majority of the gains in employment in both areas went to non-whites. Whites had very modest gains in employment rates and little change in total population in these areas (both high and low unemployment) for little overall gain in employment. Blacks had increases of 3.2 percentage points and 3.0 percentage points in overall employment rates in the low unemployment and high unemployment areas, respectively. However, with a sharp increase in the number of people in the low unemployment metro areas, employment of blacks rose by 6.9 percent over this two-year period.⁵

The increase in employment rates was more modest for Hispanics in both the high and low unemployment metro areas. However, there was a much larger inflow of Hispanics to the low unemployment metro areas. Employment of Hispanics in the low unemployment metro areas increased by 8.4 percentage points over this period. The “other” category showed modest gains in employment rates and large increases in population in the low unemployment metro areas. The growth of total employment in the “other” category for areas with low unemployment was 7.8 percentage points between 2013 and 2015. **Table 2** shows the changes in employment rates and employment between 2013 and 2015 for each group.

5 The numbers for employment just take raw employment data from the ACS, without person weights. This should not lead to bias, but will likely lead to somewhat different numbers than if the weights had been used.

TABLE 2**Changes in Employment Rates and Total Employment from 2013 to 2015, by Metro Areas of High and Low Unemployment**

| | Employment Rate (percentage points) | Total Employment (percent) |
|-----------|--|-------------------------------|
| Whites | | |
| High 20 | 0.4 | 0.5 |
| Low 20 | 0.0 | 1.3 |
| Blacks | | |
| High 20 | 3.0 | 4.1 |
| Low 20 | 3.2 | 6.9 |
| Hispanics | | |
| High 20 | 1.8 | 7.0 |
| Low 20 | 0.3 | 8.4 |
| Other | | |
| High 20 | 0.4 | 3.4 |
| Low 20 | 0.7 | 7.8 |
| Total | | |
| High 20 | 1.1 | 2.9 |
| Low 20 | 0.5 | 3.5 |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 and 2015 data.

Age composition explains part of the differences in Table 2. Taking the country as a whole, the white population is on average older, with some people moving into retirement over this two-year period. The Hispanic and “other” populations are younger, with many new entrants to the labor force. The black population is between these two groups in its age distribution. This helps to explain in part why they had the largest gains in employment rates over this period in both the high and low unemployment metro areas, while other groups had larger increases in total employment. As expected, in each case there is more employment growth in the low unemployment metro areas than in the high unemployment metro areas, as people move towards the former.

Differences by Gender

While there are minor differences in changes in employment rates or total employment by gender, within demographic groups there are large differences. **Table 3** compares the change in employment rates and total employment from 2013 to 2015, by race and gender in the 20 metro areas with the highest unemployment rates and the 20 metro areas with the lowest unemployment rates.

As noted earlier, because the employment rates for whites were already high, there is relatively little change for either men or women. There is a 0.5 percentage point increase in employment rates for white men in the metro areas with high unemployment and 0.2 percentage point increase for white women. There is essentially no change in employment rates for both genders in the metro areas with

low unemployment. There is a 1.2 percent rise in employment for white men in the metro areas with high unemployment and a 1.8 percent increase in the areas with low unemployment. This suggests some limited movement to areas of low unemployment. For women, there is a small drop of 0.3 percent in employment in the metro areas with high unemployment and increase of 0.8 percent in the areas of low unemployment.

TABLE 3
Changes in Employment Rates and Total Employment from 2013 to 2015, by Metro Areas of High and Low Unemployment and Race/Ethnicity and Gender

| | | Employment Rate (percentage points) | Total Employment (percent) |
|--------------|---------|--|-------------------------------|
| | | Whites | |
| Men | High 20 | 0.5 | 1.2 |
| | Low 20 | 0.1 | 1.8 |
| Women | High 20 | 0.2 | -0.3 |
| | Low 20 | -0.1 | 0.8 |
| | | Blacks | |
| Men | High 20 | 3.9 | 5.0 |
| | Low 20 | 3.7 | 7.2 |
| Women | High 20 | 2.2 | 3.4 |
| | Low 20 | 2.8 | 6.6 |
| | | Hispanics | |
| Men | High 20 | 1.8 | 6.4 |
| | Low 20 | 0.3 | 7.5 |
| Women | High 20 | 1.9 | 8.0 |
| | Low 20 | 0.6 | 9.7 |
| | | Other | |
| Men | High 20 | 0.5 | 2.5 |
| | Low 20 | 1.0 | 8.0 |
| Women | High 20 | 0.3 | 4.2 |
| | Low 20 | 0.4 | 7.4 |
| | | Total | |
| Men | High 20 | 1.3 | 3.1 |
| | Low 20 | 0.6 | 3.8 |
| Women | High 20 | 0.9 | 2.7 |
| | Low 20 | 0.4 | 3.3 |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 and 2015 data.

The absolute size and the differences are both considerably larger in the case of blacks. The employment rate for black men increased by 3.9 percentage points in the metro areas with high unemployment and by 3.7 percentage points in the areas with low unemployment. For black women, the increase was 2.2 percentage points in areas with high unemployment and 2.8 percentage points in the areas of low unemployment. The differences in employment growth between the two areas were much larger. Employment of black men in the metro areas with high unemployment rose by 5.0 percent, compared to 7.2 percent in the areas with low unemployment. For black women, the figures were 3.4 percent and 6.6 percent in the high unemployment and low unemployment areas, respectively. This indicates a relatively substantial shift in black workers to areas with low unemployment.

There is an even more pronounced difference among Hispanics. There are relatively small gains for both Hispanic men and Hispanic women in employment rates in the low unemployment metro areas: 0.3 percentage points and 0.6 percentage points, respectively. The gains in the high unemployment metro areas are somewhat larger, at 1.8 and 1.9 percentage points. However, there are large gains and large differences in the case of total employment. For Hispanic men, total employment increased by 6.4 percent in the metro areas with high unemployment and 7.5 percent in the areas with low unemployment. For Hispanic women, the gains in employment were 8.0 percent and 9.7 percent, respectively.

The “other” category also had relatively little change in employment rates. The employment rate for men in the high unemployment metro areas increased by 0.5 percentage points, compared to 1.0 percentage points in the low unemployment areas. For women, the increase was 0.3 percentage points in the high unemployment areas and 0.4 percentage points in the low unemployment areas. By comparison, the increase in employment for men was 2.5 percent in the high unemployment areas and 8.0 percent in the low unemployment areas. For women in the high unemployment areas, the gain in employment was 4.2 percent. In the low unemployment areas, it was 7.4 percent.

These data indicate there were large gains in employment rates for both black men and women as unemployment fell, with little difference between the areas of high unemployment and low unemployment. However, there were substantial differences for blacks, as well as Hispanics and people in the “other” category in the growth of total employment between the areas of high unemployment and the areas of low unemployment. In each case, there is considerably more rapid growth of employment in the latter, as would be expected with people moving from areas of high unemployment to areas of low unemployment.

Differences by Educational Attainment

The differences in the impact of the drop in unemployment between 2013 and 2015 by educational attainment are somewhat ambiguous. By employment rates, the largest gains were for workers with a high school degree or less, with the impact being larger in the metro areas with high unemployment. However, by percent increase in employment, the biggest gainers were college-educated workers, with the largest gains in the metro areas with low unemployment. In both cases, there were large differences by race, gender, and ethnicity. It is also important to recognize that the underlying demographics could

make a big difference for these more narrow categories. In particular, there was likely a large percentage point increase in the number of Hispanics with college degrees over this period.

Overall, workers with high school degrees or less had a 1.3 percentage point increase in their employment rates in areas of high unemployment and a 0.9 percentage point increase in employment rates in areas of low unemployment, as shown in **Table 4**. This reverses when looking at gains in employment, with a gain in employment of 1.6 percent in areas of high unemployment compared with an increase of 2.8 percent in areas of low unemployment (**Table 5**).

TABLE 4
Changes in Employment Rates In Metro Areas of High and Low Unemployment from 2013 to 2015
(percentage points)

| | | High School or Less | Some College | College | Total |
|--------------|---------|---------------------|--------------|---------|-------|
| | | Whites | | | |
| Men | High 20 | 0.6 | 0.7 | -0.5 | 0.5 |
| | Low 20 | -0.1 | 0.3 | -0.3 | 0.1 |
| Women | High 20 | -0.2 | -0.7 | 0.3 | 0.2 |
| | Low 20 | 0.0 | -1.0 | -0.1 | -0.1 |
| Total | High 20 | 0.2 | 0.0 | -0.1 | 0.4 |
| | Low 20 | 0.0 | -0.4 | -0.2 | 0.0 |
| | | Blacks | | | |
| Men | High 20 | 4.4 | 3.2 | 2.1 | 3.9 |
| | Low 20 | 3.9 | 3.5 | 0.9 | 3.7 |
| Women | High 20 | 1.9 | 2.6 | -0.6 | 2.2 |
| | Low 20 | 4.5 | 1.2 | 1.6 | 2.8 |
| Total | High 20 | 3.1 | 2.8 | 0.4 | 3.0 |
| | Low 20 | 4.2 | 2.2 | 1.3 | 3.2 |
| | | Hispanics | | | |
| Men | High 20 | 2.2 | 1.0 | 0.0 | 1.8 |
| | Low 20 | 0.3 | -1.7 | 0.9 | 0.3 |
| Women | High 20 | 1.2 | 2.9 | 1.1 | 1.9 |
| | Low 20 | 0.3 | 1.4 | -0.4 | 0.6 |
| Total | High 20 | 1.6 | 2.0 | 0.6 | 1.8 |
| | Low 20 | 0.1 | 0.4 | 0.3 | 0.3 |
| | | Other | | | |
| Men | High 20 | -0.2 | 1.9 | -0.7 | 0.5 |
| | Low 20 | 2.5 | 1.8 | -0.9 | 1.0 |
| Women | High 20 | 0.3 | 0.1 | -0.4 | 0.3 |
| | Low 20 | 1.0 | -1.1 | 0.3 | 0.4 |
| Total | High 20 | 0.1 | 0.9 | -0.6 | 0.4 |
| | Low 20 | 1.8 | 0.2 | -0.3 | 0.7 |
| | | Total | | | |
| Men | High 20 | 1.8 | 1.3 | -0.3 | 1.3 |
| | Low 20 | 0.9 | 0.8 | -0.2 | 0.6 |
| Women | High 20 | 0.7 | 0.8 | 0.2 | 0.9 |
| | Low 20 | 0.9 | 0.3 | 0.1 | 0.4 |
| Total | High 20 | 1.3 | 1.0 | 0.0 | 1.1 |
| | Low 20 | 0.9 | 0.2 | -0.1 | 0.5 |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 and 2015 data.

TABLE 5

Change in Employment In Metro Areas of High and Low Unemployment from 2013 to 2015

(percent)

| | | High School or Less | Some College | College | Total |
|--------------|---------|---------------------|--------------|---------|-------|
| | | Whites | | | |
| Men | High 20 | -1.1 | 1.5 | 2.2 | 1.2 |
| | Low 20 | 0.2 | 1.6 | 2.8 | 1.8 |
| Women | High 20 | -4.5 | -2.1 | 3.7 | -0.3 |
| | Low 20 | -2.0 | -2.1 | 4.3 | 0.8 |
| Total | High 20 | -2.7 | -0.3 | 2.9 | 0.5 |
| | Low 20 | -0.8 | -0.2 | 3.5 | 1.3 |
| | | Blacks | | | |
| Men | High 20 | 8.2 | 1.5 | 4.9 | 5.0 |
| | Low 20 | 5.5 | 6.7 | 10.0 | 7.2 |
| Women | High 20 | 2.2 | 3.2 | 3.4 | 3.4 |
| | Low 20 | 9.9 | 4.9 | 6.6 | 6.6 |
| Total | High 20 | 5.3 | 2.5 | 4.0 | 4.1 |
| | Low 20 | 7.6 | 5.7 | 8.0 | 6.9 |
| | | Hispanics | | | |
| Men | High 20 | 4.9 | 8.3 | 11.2 | 6.4 |
| | Low 20 | 6.0 | 6.3 | 16.2 | 7.5 |
| Women | High 20 | 4.8 | 10.3 | 15.3 | 8.0 |
| | Low 20 | 7.7 | 11.2 | 12.9 | 9.7 |
| Total | High 20 | 4.8 | 9.2 | 13.4 | 7.0 |
| | Low 20 | 6.6 | 8.7 | 14.5 | 8.4 |
| | | Other | | | |
| Men | High 20 | -0.5 | 4.5 | 2.3 | 2.5 |
| | Low 20 | 10.2 | 2.0 | 10.7 | 8.0 |
| Women | High 20 | 0.4 | 0.4 | 8.3 | 4.2 |
| | Low 20 | 5.1 | 2.1 | 11.8 | 7.4 |
| Total | High 20 | -0.1 | 2.4 | 5.4 | 3.4 |
| | Low 20 | 8.0 | 2.1 | 11.2 | 7.8 |
| | | Total | | | |
| Men | High 20 | 2.6 | 3.3 | 3.2 | 3.1 |
| | Low 20 | 3.1 | 2.8 | 4.9 | 3.8 |
| Women | High 20 | 0.4 | 1.8 | 5.6 | 2.7 |
| | Low 20 | 2.5 | 0.9 | 5.9 | 3.3 |
| Total | High 20 | 1.6 | 2.5 | 4.4 | 2.9 |
| | Low 20 | 2.8 | 1.9 | 5.4 | 3.5 |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 and 2015 data.

Less-educated men saw larger gains than less-educated women by both measures. The employment rate for less-educated men rose by 0.9 percentage points in areas of low unemployment and 1.8 percentage points in areas of high unemployment. For less-educated women, the gains were 0.9 percentage points and 0.7 percentage points, respectively. Less-educated men had an increase in employment of 2.6 percent in the metro areas with high unemployment and 3.1 percent in areas of low unemployment. For less-educated women, the gains were 0.4 percent in areas of high unemployment and 2.5 percent in areas of low unemployment.

For white men with less education, the drop in unemployment over this period appeared to have a substantial impact, while for most other groups of white workers this does not appear to have been

the case. In the metro areas with high unemployment, the employment rate for white men with a high school degree or less rose by 0.6 percentage points over this two-year period. For white men with some college experience in these metro areas, the increase was 0.7 percentage points. By contrast, employment rates for men with college degrees fell by 0.5 percentage points in metro areas with high unemployment.

The gains for other categories of white workers were small. For white men in metro areas with low unemployment rates, the largest increase was a 0.3 percentage point rise in employment rates for those with some college experience, while there was a decrease of 0.3 percentage points for workers with a college degree. For white women, there was a 0.7 percentage point drop in employment rates for those with some college experience in the metro areas with high unemployment and a 1.0 percentage point drop in employment rates for those with some college experience in the metro areas with low unemployment.

Using employment as a measure, the largest changes were for white women. There was a drop in employment of 4.5 percent for women with high school degrees or less in metro areas with high unemployment and 2.0 percent in areas of low unemployment. By contrast, there was an increase of 3.7 percent in employment for women with college degrees in the high unemployment metro areas and 4.3 percent in the low unemployment metro areas. Employment of white men with high school degrees or less fell by 1.1 percent in the metro areas with high unemployment and rose by 0.2 percent in the metro areas with low unemployment. For men with college degrees, employment rose by 2.2 percent in the areas with high unemployment and 2.8 percent in the areas of low unemployment.

The relatively small changes in employment rates indicate a population that is likely close to full employment, in the sense that relatively few white workers are out of work and looking for jobs. (Aging does matter most for this group, so all other things being equal one would see a lower employment rate for whites in 2015 than in 2013 since a larger share will have reached retirement age.) The relatively small differences between the areas of high unemployment and low unemployment suggest a relatively immobile population. Part of this is likely attributable to high employment rates. Someone who is more secure in their jobs is less likely to move than someone who is unemployed or unhappy at their current job. Age also is a factor in mobility; workers in their 40s and 50s are less likely to move across the country than workers in their 20s and 30s.

By contrast, the drop in the unemployment rate seems to have had a large impact on the employment prospects for blacks, both in terms of increasing their employment rates and in the percentage increase in employment. Also, there is a sharper difference in employment growth in the low unemployment

metro areas and the high unemployment metro areas, indicating a considerably higher degree of mobility.

Among blacks, the least educated were by far the biggest gainers by both measures. In the metro areas with high unemployment, men with a high school degree or less had an increase in employment rates of 4.4 percentage points. In areas with low unemployment, the increase was 3.9 percentage points. For black women with a high school degree or less the rise in employment rates in areas of high unemployment was 1.9 percentage points, compared to 4.5 percentage points in areas of low unemployment. For men with college degrees, the increase in employment rates was 2.1 percentage points in areas of high unemployment and 0.9 percentage points in areas of low unemployment. For women with college degrees, there was a drop in employment rates of 0.6 percentage points in areas of high unemployment and an increase of 1.6 percentage points in areas of low unemployment.

The largest growth in employment was among black men with college degrees, which rose by 10.0 percent in metro areas with low unemployment and 4.9 percent in areas of high unemployment. The former is driven primarily by people moving into the metro area, as there was only a 0.9 percentage point increase in the employment rate. By contrast, the increase in employment in the high unemployment metros was driven primarily by the 2.1 percentage point rise in employment rates. Employment of black men with a high school degree or less rose by 8.2 percent in the areas of high unemployment and by 5.5 percent in the areas of low unemployment. There was an increase in employment of 2.2 percent for black women with a high school degree or less in areas of high unemployment and a 9.9 percent rise in areas of low unemployment.

These numbers show that the drop in unemployment over this two-year period had very large labor market benefits for blacks at all education levels, with the least educated seeing an especially large increase in employment rates. There is evidence of considerably more mobility than with the white population, as employment rose much more in the low unemployment metro areas than in the high unemployment metro areas, 6.9 percent compared to 4.1 percent.

The pattern of gains by educational attainment for Hispanics is difficult to assess. Overall employment rates rose most rapidly for those with high school degrees or less for men and for those with some college experience for women. The increase in the employment rate for men with a high school degree or less in areas of high unemployment was 2.2 percentage points, compared to no gain for men with a college degree in these areas. In areas of low unemployment, the increase in employment rates for Hispanic men with a high school degree or less was just 0.3 percentage points. It actually fell by 1.7 percentage points for men with some college experience.

By contrast, Hispanic women with some college experience were the biggest gainers, with an increase in employment rates of 2.9 percentage points in the metro areas with high unemployment rates and 1.4 percentage points in the areas with low unemployment. The employment rate for women with a high school degree or less rose by 1.2 percentage points in the high unemployment metro areas and 0.3 percentage points in the low unemployment metro areas.

As noted earlier, those with college degrees were the biggest beneficiaries as measured by the percent increase in employment. Employment increased by 11.2 percent for Hispanic men with a college degree in the cities with high unemployment rates and 16.2 percent in the metro areas with low unemployment rates. For Hispanic women with college degrees, employment rose by 15.3 percent in the areas of high unemployment and 12.9 percent in the areas of low unemployment. Overall there was more rapid growth in employment for Hispanics in areas of low unemployment than high unemployment, although for those with some college experience this situation is reversed. In the areas of high unemployment, employment for Hispanics with some college experience rose by 9.2 percent, compared to an increase of 8.7 percent in the areas of low unemployment.

The overall picture for Hispanics indicates very large gains from the improvement in the labor market over this two-year period. However, these gains are more evident in the data on total employment than in the rise in employment rates. Part of this reflects continuing immigration to the United States which is expanding the size of the working-age population, as well as a large number of people finishing school and entering the labor force for the first time. It is likely that measurement error could also be a factor, especially with a population that likely includes a substantial number of undocumented workers.

The changes for the “other” category look similar to that for whites in terms of employment rates and to Hispanics for changes in employment. For both men and women with high school degrees or less, there was a large increase in employment rates in the low unemployment metro areas, with little change in the high unemployment metro areas. For men, the increase in employment rates in the low unemployment areas was 2.5 percentage points, while for women it was 1.0 percentage points. By contrast, the employment rate for men in the high unemployment areas fell by 0.2 percentage points, while it rose just 0.3 percentage points for women. There was a large rise in employment rates for men with some college experience in both the high unemployment and low unemployment areas, 1.9 and 1.8 percentage points, respectively. For women with some college experience, there was little change in employment rates in the areas with high unemployment, a 0.1 percentage point increase, and a 1.1 percentage point drop in the areas with low unemployment. For men with college degrees, there was a 0.7 percentage point decrease in employment rates in the areas with high unemployment and 0.9

percentage point decrease in the areas with low unemployment. For women, there was a decrease of 0.4 and an increase of 0.3 percentage points, respectively.

By contrast, there were large increases in employment, especially in the areas of low unemployment. In areas with low unemployment, employment of men with high school degrees or less increased by 10.2 percent, while it rose by 10.7 percent for men with college degrees. The corresponding changes in the areas of high unemployment were -0.5 percent and 2.3 percent. In the areas of low unemployment, there was an increase in employment of 5.1 percent for women with high school degrees or less and 11.8 percent for women with college degrees. In areas of high unemployment, the increases were 0.4 percent and 8.3 percent, respectively.

As with the Hispanic population, measurement error is likely to be substantial for the “other” category. Nonetheless, the data do indicate a substantial migration to areas with low unemployment associated with a large rise in employment. It also indicates that the drop in unemployment over this two-year period especially benefited the least educated workers in terms of raising their employment rates.

Conclusion: The Impact of Low Unemployment

This analysis reinforces the findings in other recent research that low unemployment rates disproportionately benefit the most disadvantaged. These benefits show up very clearly in the sharp rise in employment rates for blacks, especially those with less education, between 2013 and 2015, as well as the strong increases in employment over this period for Hispanics in the metro areas with low initial levels of unemployment. It also shows up in the variations found in the initial differences in employment rates for blacks between the metro areas with low unemployment rates and the metro areas with high unemployment rates.

Although this analysis only considers employment rates, it is likely that tighter labor markets for disadvantaged groups also allowed these workers to work longer workweeks if desired. By increasing their bargaining power, they also likely saw more rapid wage growth. To determine for certain the impact of the tightening of the labor market on hours and wages it would be necessary to do a more complete analysis, but it is likely that the drop in the nationwide unemployment rate in this period led to substantial gains in these areas.

This brief snapshot of employment rates for different demographic groups strongly supports the view that disadvantaged groups in society benefit enormously from a low unemployment rate. This should be a strong argument for pushing the unemployment rate as low as possible until there is real evidence that higher inflation is likely to pose a serious problem.

References

- Bureau of Labor Statistics. 2017. “Databases, Tables & Calculators by Subject: Employment.” Washington, D.C.: Bureau of Labor Statistics. <https://www.bls.gov/data/#employment>.
- U.S. Census Bureau. 2017. “American Community Survey (ACS).” Suitland, MD: U.S. Census Bureau. <https://www.census.gov/programs-surveys/acs>.

Appendix

TABLE A1

Top 20 Metro Areas with Highest and Lowest Unemployment, 2013

| Highest Metro Areas | Lowest Metro Areas |
|--|---|
| Fresno, CA Metro Area | Omaha-Council Bluffs, NE-IA Metro Area |
| Stockton-Lodi, CA Metro Area | Provo-Orem, UT Metro Area |
| Bakersfield, CA Metro Area | Urban Honolulu, HI Metro Area |
| McAllen-Edinburg-Mission, TX Metro Area | Salt Lake City, UT Metro Area |
| Riverside-San Bernardino-Ontario, CA Metro Area | Oklahoma City, OK Metro Area |
| Detroit-Warren-Dearborn, MI Metro Area | Des Moines-West Des Moines, IA Metro Area |
| Las Vegas-Henderson-Paradise, NV Metro Area | Ogden-Clearfield, UT Metro Area |
| Chicago-Naperville-Elgin, IL-IN-WI Metro Area | Minneapolis-St. Paul-Bloomington, MN-WI Metro Area |
| Los Angeles-Long Beach-Anaheim, CA Metro Area | Madison, WI Metro Area |
| Providence-Warwick, RI-MA Metro Area | Austin-Round Rock, TX Metro Area |
| Scranton--Wilkes-Barre--Hazleton, PA Metro Area | Tulsa, OK Metro Area |
| Sacramento--Roseville--Arden-Arcade, CA Metro Area | Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area |
| Memphis, TN-MS-AR Metro Area | San Antonio-New Braunfels, TX Metro Area |
| Greensboro-High Point, NC Metro Area | Seattle-Tacoma-Bellevue, WA Metro Area |
| Spokane-Spokane Valley, WA Metro Area | Wichita, KS Metro Area |
| Augusta-Richmond County, GA-SC Metro Area | Boise City, ID Metro Area |
| Toledo, OH Metro Area | Houston-The Woodlands-Sugar Land, TX Metro Area |
| Palm Bay-Melbourne-Titusville, FL Metro Area | Richmond, VA Metro Area |
| Lakeland-Winter Haven, FL Metro Area | Boston-Cambridge-Newton, MA-NH Metro Area |
| Deltona-Daytona Beach-Ormond Beach, FL Metro Area | Dallas-Fort Worth-Arlington, TX Metro Area |

Source and notes: Authors' analysis of American Community Survey (ACS) 2013 data. The metro areas analyzed in this report were chosen from amongst the 100 largest metro areas in the U.S.