

BENCHMARKING CHICAGO 2011-2012: LABOR MARKET PERFORMANCE IN MAJOR CITIES

Austan Goolsbee

Robert P. Gwinn Professor of Economics

University of Chicago, Booth School of Business

5807 S. Woodlawn Ave

Chicago, IL 60637

July 2012

SUMMARY

This economic report compares the job market performance of the largest cities in the United States in the latest twelve months of data (from May 2011 to May 2012) to provide a benchmark for Chicago's progress over that time period. The results indicate that Chicago has significantly improved its relative performance. In the period from 2008-2011, Chicago did worse than most major cities. Since May 2011, Chicago has had the fastest improvement among the large cities in the United States in both unemployment rates and the employment ratio (a standard economic measure of job creation).

INTRODUCTION

This research report makes a comparative analysis of the job market performance of the major cities in the United States during the last year. The most recent year available in the data dates from May 2011 to May 2012.

The report compares Chicago to a peer group of the largest 10 cities in the United States according to the 2010 Census. The data indicate that compared to that peer group of major cities, Chicago's job market improvement has been notable.

ECONOMIC BACKDROP

Certainly, the macroeconomic backdrop for all major cities during the year remained challenging. The wider U.S. economy grew modestly from May 2011 to May 2012 and the national labor market nationally improved slowly. The non-seasonally adjusted unemployment rate from May 2011 to May 2012 fell by 0.8 percentage points—a bit over 9 percent—from 8.7 percent of the work force to 7.9 percent.¹

The total number of employed people in the country rose by around 1.4 percent. These were both slight improvements on the previous year where the unemployment rate fell 0.6 percentage points (about 6.4 percent) and employment rose only 0.8 percent.

REDUCTIONS IN UNEMPLOYMENT IN MAJOR CITIES 2011 TO 2012

Table 1 documents the changes in the unemployment rate among the major cities of the United States. Chicago's unemployment rate fell more over the last year—1.7 percentage points—than any comparable city. The second largest drop was in high-technology

¹ The primary labor market data used in this report come from the Bureau of Labor Statistics—either national or the Local Area Unemployment statistics. Because the city level employment data are not seasonally adjusted, the relevant comparison to the national figures is the less frequently used, non-adjusted data. Since the time periods are year-over-year as of May, the seasonal adjustment is largely irrelevant and, nationally, the seasonally adjusted unemployment rate fell by the same amount (0.8 percentage points) as the unadjusted did.

driven San Jose at 1.5 percentage points and besides them, no other major cities even came close. In percentage terms, too, Chicago's 14.8 percent drop in the unemployment rate was the largest of all large cities.

The overall level of unemployment in May 2012 Chicago remained higher than average, even after the improvement, as Table 1 indicates.

TABLE 1: CHANGES IN THE UNEMPLOYMENT RATE OF MAJOR CITIES

City	Change in Unemp. Rate 2011 to 2012	Unemp. Rate May 2012	Unemp. Rate May 2011
Chicago	-1.7 (-14.8%)	9.8	11.5
San Jose	-1.5 (-14.2%)	9.1	10.6
Houston	-1.1 (-13.4%)	7.1	8.2
Phoenix	-1.0 (-11.8%)	7.5	8.5
Los Angeles	-1.0 (-7.6%)	12.2	13.2
San Diego	-0.9 (-10.7%)	8.8	9.7
Dallas	-0.9 (-9.2%)	7.5	8.4
San Antonio	-0.7 (-9.6%)	6.6	7.3
Philadelphia	-0.6 (-5.6%)	10.1	10.7
New York City	+1.0 (+11.6%)	9.6	8.6

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

RISING UNEMPLOYMENT IN MAJOR CITIES FROM 2008 TO 2011

Chicago's improvement compared to other large cities marked a substantial turnaround for the city's performance. It had not been improving especially well in the run up to May 2011. Table 2 shows the change in the unemployment rate from 2008 to 2011 and Chicago's performance was close to the bottom. Only Los Angeles had a worse trajectory among major cities during the run up. Its improvement from 2010 to 2011 (a fall of 0.4 percentage points) was middling among large cities. Chicago's relative improvement has mainly been concentrated in the last year.

TABLE 2: UNEM 2008 UNEM 2011 CHANGE IN UNEM 2008-2011 TOP 10

City	Change in Unemp. Rate 2008 to 2011	Unemp. Rate May 2011	Unemp. Rate May 2008
San Antonio	+3.3	7.3	4.0
Dallas	+3.4	8.4	5.0
Phoenix	+3.5	8.5	5.0
Philadelphia	+3.8	10.7	6.9
New York City	+3.8	8.6	4.8
Houston	+3.9	8.2	4.3
San Diego	+4.3	9.7	5.4
San Jose	+4.6	10.6	6.0
Chicago	+4.6	11.5	6.9
Los Angeles	+5.8	13.2	7.4

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

JOB CREATION AND EMPLOYMENT IN MAJOR CITIES 2011-2012

Though unemployment rates remain the most commonly cited measure of labor market performance, economists have frequently noted their drawbacks. Most importantly, if people stop looking for work, they cease to count as unemployed and are not counted in the unemployment statistics. They are instead counted as ‘not in the labor force.’

In absolute numbers, the number of people employed in Chicago rose by almost 28,000 and the number unemployed fell by almost 20,000 during the past year. As Table 3 documents, the 27,946 jobs created exceeded every city in America except for Houston at 33,164 and the reduction in unemployment exceeded every city but Los Angeles, though none of these measures accounts for population growth differences across cities.

TABLE 3: CHANGES IN THE NUMBERS OF EMPLOYED AND UNEMPLOYED PERSONS IN MAJOR CITIES, 2011-2012

City	Change in Employment (in 000s)	Change in Unemployment (in 000s)
Houston	+33.2	-9.4
Chicago	+27.9	-19.4
San Jose	+17.4	-6.0
San Diego	+11.5	-6.4
Dallas	+10.6	-4.8
Phoenix	+9.8	-7.1
Los Angeles	+9.3	-20.5
San Antonio	+7.5	-3.9
Philadelphia	+4.7	-3.4
NYC	-14.6	+44.6

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

Because of that, economists often look at the share of the population that is actually employed—known as the employment ratio. This is the ratio of total employment to population for the city. In the employment ratio, dropping out of the labor force counts as ‘unemployment.’² Clearly demographic shifts like more people retiring or more

² The measure in each year is total employment divided by total population. The Bureau of Labor Statistics releases the total employment for each city in addition to the unemployment rate. For population, in 2011 the calculation uses the estimate from the Census bureau. Census has not yet reported an estimate for the 2012 population so the ratio projects the same percentage increase in population for the city that the Census Bureau reported from the 2010 decennial census to their 2011 estimate to get a 2012 population. The reported numbers are the percentage change in this ratio rather than the raw percentage point difference. This is only to make things easier to understand. The percentage point difference in Chicago was the largest of all the major cities, too.

people having small children can influence the employment ratio over time but changes to the ratio remain one of economists' standard measures of job creation. It gets away from the problems of discouraged workers and of differences in population growth across locations.

To look at the job creation side of the job market (as opposed to just the reduction in unemployment), Table 4 looks at the change in the employment ratio in percentage terms.

The table shows that Chicago's employment ratio improved by more than 2 percent from 2011 to 2012. That was the highest of all the large cities. Again, San Jose was in second and no other major city was even close. Indeed, in literally half of the largest cities, the employment ratio actually got worse over this time.

TABLE 4: PERCENTAGE CHANGE IN THE EMPLOYMENT RATIO
FOR MAJOR CITIES 2011-2012

City	Percent change in the share of the city population that is employed
Chicago	+2.10%
San Jose	+1.92%
Houston	+1.35%
Phoenix	+0.36%
Los Angeles	+0.16%
San Diego	-0.06%
Dallas	-0.11%
San Antonio	-0.16%
Philadelphia	-1.08%
New York City	-1.15%

Source: Author's calculations using Bureau of Labor Statistics, Local Area Unemployment Statistics and population growth rates from the Census Bureau

As a side note, even comparing to much smaller cities (where percentage changes can often be much larger and more variable), Chicago's employment ratio performance was notable. Its 2.1 percent improvement in the employment ratio was the second largest among the 40 largest cities in the country.

CONCLUSION

While the last year was a challenging economic environment across the board, the major cities in the United States did show improvement in their job markets. Chicago stood out among those cities, however, as having the most rapid improvement in its job market of all the big cities.

The BLS data do not allow for examining which industries have driven the city's recovery but they show the city's labor market improving at an impressive rate.