Unemployment in the Louisville Regional Economy
Executive Summary

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Overview of Unemployment

There are two authoritative sources for unemployment data at the subnational level. The first is published by the Bureau of Labor Statistics (BLS) and uses current and historical data from Current Population Survey (CPS), the Current Employment Survey (CES) data and the state unemployment insurance programs to produce state unemployment estimates. Sub-state (MSA, county) unemployment rates are derived using econometric models of current and historical state CPS data along with state unemployment insurance records. Sampling-based estimates of unemployment are only produced for the entire United States.

The second source of unemployment information is the American Community Survey (ACS) administered by the Census Bureau on a continual or "rolling" basis. It is a sample with a known margin of error, published approximately one year after the sample is drawn. The BLS estimate is timely, published quarterly at the subnational level, but is not comprehensive. The ACS estimate is comprehensive, providing detail regarding characteristics of the unemployed, but it is not timely.

The two data sources frequently produce different estimates. In 2012 the BLS estimate was 0.4% higher than the ACS estimate. The difference can be explained by the way each survey defines unemployment and the number and types of questions asked of the respondent. It is not possible to compare the two on accuracy, as only one is a survey and the other is an econometric model that combines national survey data with state administrative records. The ACS has a known margin of error; the estimate published by BLS does not.

State, Regional and Local Unemployment

Kentucky's unemployment rate is consistently about a percentage point higher than the national rate, as is Jefferson County's rate. Louisville MSA is about half a percent higher than the national rate. ACS data reveal that differences in employment and labor force participation vary with age, race, poverty status and especially educational attainment. Table 1 presents the data by these and other categories. Of special concern is that the demand for workers with a Bachelor's degree exceeds the supply, but in all lesser education categories, the supply of Louisville area workers exceeds demand.

Explaining High Unemployment

The education gap and skills mismatch are related. Skills mismatch arises when the skills of individuals looking for jobs and the skills employers are looking for in an employee are not compatible. The result is that workers take longer to find jobs and open positions go vacant longer. Some labor economists theorize that skills mismatch explains the rise in long term unemployment. Economists are enjoying a lively debate over whether cyclical or structural factors (like skills mismatch) account for high unemployment.

National fiscal and monetary policy has been predicated on cyclical explanations. Proponents say aggregate demand for goods and services has not rebounded enough to induce employers to hire at a level that returns the economy to pre-recession levels of employment. The cyclical arguments are powerful, and constitute a consensus view among macroeconomists. The consensus does not spread to whether the economy would have been better off self-correcting without a stimulus, whether the recession would have been much worse without a stimulus, or whether the stimulus was worth the tradeoff in national debt.

Proponents of structural explanations suggest that employers may have substituted technology for labor so as to make re-hiring laid-off workers unnecessary. New hires will operate the technology, leaving the laid off to pursue other companies or other careers. If there are not enough workers with the skills needed to operate the technology a skills mismatch occurs.

History will likely judge both the structural and cyclical camps to be right to some extent. The following are some issues that have emerged from the research that are important to understand regional and local unemployment.

- Aggregate demand remains sluggish despite the federal stimulus and uncertainty remains high about economy's path to full recovery.
- Employers may inflate qualifications (i.e., require a Bachelor's degree when one is not needed for the position) on the erroneous assumption that high overall unemployment rates means a large pool of unemployed workers with college degrees.

- Similarly, employers may assume that qualified workers at all education levels are willing to work for below-market rates based on the overall unemployment rate, when unemployment rates for skilled workers may actually be very low.
- Employers may discriminate against the long-term unemployed. Technology allows employers to quickly eliminate certain applicants from their hiring pool, including persons who do not have the desired levels of education and the long-term unemployed.
- Unemployed workers may have unrealistic expectations about achieving the same wages, benefits and working conditions as they had before the recession.
- The extension of unemployment benefits and expansion of other assistance programs increased the reservation wage, inducing some workers to delay their jobs search in hopes that the economy would recover quickly. This decision may have put them into the category of "long term unemployed" which reduced their marketability to potential employers.
- Distortions in the housing market may have created "house lock" for some workers, making it difficult or impossible to relocate for a new job.
- Skills mismatch is more evident at the local level than the national level, and it may explain why certain workers have more difficulty finding employment than others.

Summary and Conclusions

Annual employment data produced by the ACS demonstrates that unemployment rates are not equally distributed over the local population. Educational attainment appears to be the driver of employment disparities, especially in Kentucky and the Louisville regional economy. Certain groups of citizens, especially young people who do not finish high school, are especially at risk.

The education gap and skills mismatch are intertwined. Even though the Louisville economy has a mix of high, medium and low skill jobs, evidence that the demand for workers with a bachelor's degree or higher will exceed the supply in the Louisville regional labor market but that the supply of workers without a bachelor's degree will exceed local demand is concerning.

In early 2014 the Urban Studies Institute will complete a comprehensive report on skills mismatch in the Louisville regional economy sponsored by Kentuckiana Works. The results will help define the skills that will be demanded of the regional workforce in future years. It will also describe the current capacity of the regional secondary and higher education systems to produce graduates with those skills. The report should be useful as policymakers look for ways to stimulate economic growth based on a balanced and productive regional labor force.

Employment Status by Age, Race and Origin, Gender, Disability Status and Educational Attainment for Jefferson County and Louisville MSA, 2012.

	Total		In Labor Force		Employed		Unemployment Rate	
	County	MSA	County	MSA	County	MSA	County	MSA
Population 16 years and over	597,240	1,030,747	65.80%	65.3%	59.30%	59.3%	9.60%	9.0%
AGE								
16 to 19 years	36,281	66,323	42.6%	43.6%	31.4%	32.2%	26.4%	26.2%
20 to 24 years	50,418	84,594	80.9%	80.0%	69.9%	68.8%	13.1%	13.5%
25 to 44 years	202,239	342,557	85.1%	84.2%	76.8%	76.7%	9.40%	8.4%
45 to 54 years	107,107	193,078	79.8%	80.0%	72.8%	74.0%	8.70%	7.4%
55 to 64 years	97,168	168,547	63.3%	62.1%	59.3%	58.2%	6.30%	6.3%
65 to 74 years	55,524	98,691	27.2%	25.2%	26.1%	24.0%	4.20%	4.7%
75 years and over	48,503	76,957	5.50%	5.6%	5.00%	5.3%	8.30%	5.4%
RACE AND ORIGIN								
White	452,228	855,426	66.1%	65.6%	60.9%	60.3%	7.70%	7.8%
Black or African American	116,376	133,521	63.9%	63.3%	52.9%	52.6%	16.90%	16.4%
Asian	13,165	16,666	69.1%	69.7%	66.2%	66.3%	4.10%	4.5%
Two or more races	11,129	15,889	68.6%	62.7%	56.7%	52.3%	15.40%	14.8%
Hispanic or Latino	23,754	36,180	78.8%	76.4%	66.8%	65.8%	14.20%	13.0%
White, not Hispanic or Latino	434,838	829,999	65.6%	65.2%	60.6%	60.1%	7.40%	7.6%

	Total		In Labor Force		Employed		Unemployment Rate	
	County	MSA	County	MSA	County	MSA	County	MSA
Population 20 to 64 years	456,932	788,776	78.8%	78.0%	71.4%	71.2%	9.1%	8.4%
SEX								
Male	222,701	387,320	82.0%	81.4%	74.0%	74.0%	9.3%	8.6%
Female	234,231	401,456	75.7%	74.7%	68.9%	68.5%	8.9%	8.2%
With children under 6 years	35,250	60,812	74.9%	75.4%	64.5%	67.2%	13.6%	10.7%
POVERTY STATUS PAST 12 MONTHS								
Below poverty level	73,048	113,215	55.1%	53.5%	35.4%	35.7%	35.4%	33.0%
DISABILITY STATUS								
With any disability	59,586	101,906	40.5%	40.8%	31.5%	32.6%	22.1%	19.9%
EDUCATIONAL ATTAINMENT								
Population 25 to 64 years	406,514	704,182	78.5%	77.8%	71.6%	7.5%	8.6%	7.7%
Less than high school graduate	35,519	66,639	52.9%	53.3%	42.2%	43.7%	20.4%	18.0%
High school graduate (GED)	108,147	214,979	74.6%	73.9%	64.3%	66.2%	13.8%	10.4%
Some college or associate's degree	128,314	221,966	80.5%	80.8%	73.5%	74.4%	8.3%	7.5%
Bachelor's degree or higher	134,534	200,598	86.5%	86.6%	83.4%	83.4%	3.3%	3.4%

Notes:

1. The American Community Survey is a rolling survey, which means that some of the respondents would have been interviewed in 2011 for the 2012 1-year estimates.
2. Characterizes of the respondent for which the entry was “N” were removed from the table. An “N” entry for the estimate and margin of error indicates that the data cannot be displayed because the number of sample cases was too small.

Source: 2012 ACS 1-year Estimates, Census Bureau