

# Some Impacts of the National Economic Crisis on the Massachusetts Labor Market

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## Deflation and Job Loss

Triggered by a crisis in the American financial system, the American economy has experienced sharp contractions in overall levels of output, income, and wealth. These losses have impacted the nation's labor market causing sharp declines in payroll employment levels in the nation and most states in the country. Indeed, 48 states have posted net wage and salary employment declines since the beginning of the recession in December, 2007.<sup>1</sup> After the Lehman event triggered the credit crisis in September 2008, payroll employment losses accelerated sharply and every state in the nation has lost jobs since then, in some instances at remarkably rapid rates.<sup>2</sup>

This downturn appears to be different in its nature relative to other recessions over the post World War II period. Households have experienced enormous losses in wealth over the past two years as the values of financial assets have plunged and residential (as well as commercial) real property values have spiraled downward. Households have tightened their belts and sharply reduced spending and increased their savings rates. For the first time since the 1930s Gross Domestic Product (GDP) is expected to decline in nominal terms during 2009—the result of not only sharp decreased in the level of final sales of output in the nation, but also the consequence of declining overall price levels.<sup>3</sup>

The U.S economy appears to be teetering on the brink of deflation characterized by declining output and prices. However, producer costs structures that are typically embodied in a variety of contractual agreements are inflexible in the short run. The result is that as producer revenues decline the price of labor and other inputs used in production do not adjust downward very quickly to the new lower revenue structure. Since the price level of these inputs does not change quickly, firms must adjust to the new revenue environment by reducing the quantity of inputs that they use in production. The result is that in a deflation employers sharply reduce the quantity of labor they employ both

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<sup>1</sup> Only Alaska and North Dakota have experienced payroll employment gains over the past 16 months and these have been quite modest. Together both states increased employment levels by 6,000 jobs.

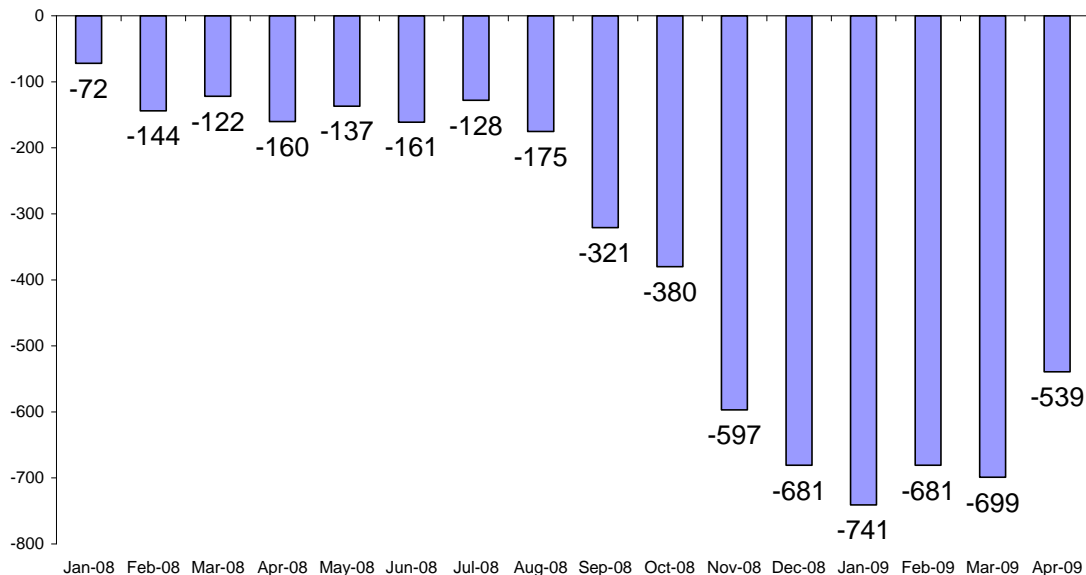
<sup>2</sup> For a clear and insightful discussion of this event see: John Makin "Panic" *Economic Outlook*, American Enterprise Institute, Washington D.C., October, 2008.

<sup>3</sup> The Congressional Budget Office expects nominal GDP to decline by 0.4 percent during 2009, See their most recent economic projections at [www.cbo.gov/FTPdocs/99xx/doc9957/econproj.xls](http://www.cbo.gov/FTPdocs/99xx/doc9957/econproj.xls)

through reductions in the number of workers on their payrolls as well as reductions in the number of hours that the remaining payroll workers are allowed to work. Reduced payroll costs—in the form of lay-offs and reduction of hours—are the primary way that producers have responded to the nation’s economic crisis.

The early stage of the economic crisis did not portend the sharp deterioration in economic activity generally or the rapid deterioration in labor market conditions that we have experienced since September of last year. Indeed, the first eight months of the downturn seemed to indicate that this was a typical post war recession with at least some observers attributing the downturn to the rapid increase in energy prices that occurred during the spring and summer of 2008 acting as a drag on economic activity and triggering a recession.<sup>4</sup> At the national level payroll employment declines between December 2007 (the official start of the recession) and August of last year, averaged 137,000 jobs per month, a modest rate of decline by historical standards. However, after the post Lehman Brothers meltdown in September, 2008 the rate of payroll employment

**Trends in Monthly Payroll Employment Levels in  
the U.S. During the Current Economic Crisis**  
(Seasonally Adjusted)



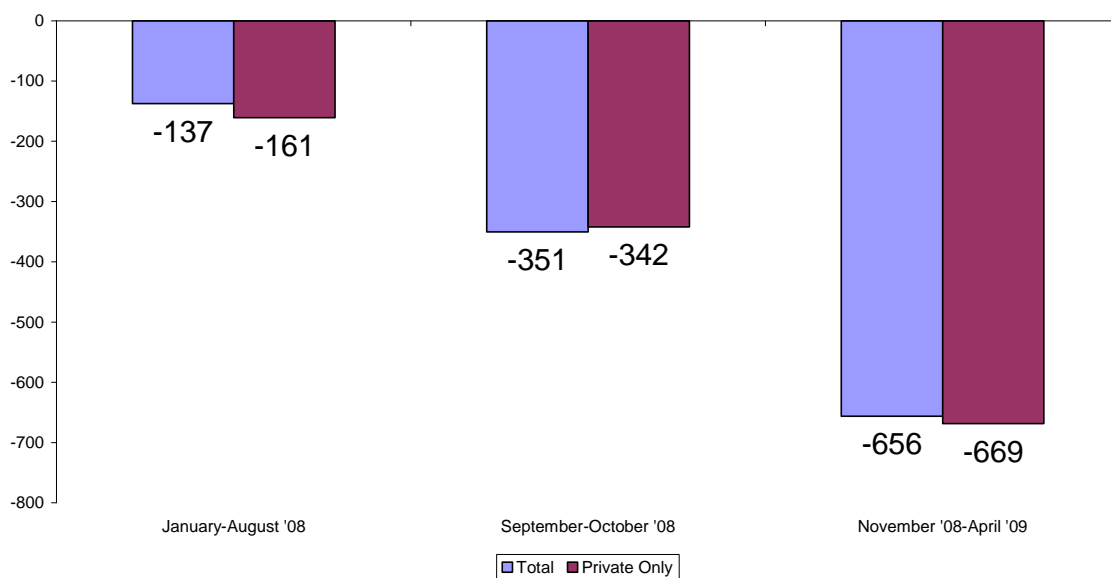
<sup>4</sup> Douglas Elmendorf, *The State of the Economy*, Statement before the Committee on the Budget, U.S. House of Representatives, May 21, 2009 Elmendorf found that between 2003 and 2008 the share of GDP devoted to petroleum exports rose from 1.3 percent to 3.7 percent.

losses mounted sharply as credit dried up, consumption dropped, wealth values plunged, retail sales declined and GDP fell.

September and October of last year saw large drops in payroll employment levels in the nation (averaging 350,000 jobs per month) more than doubling the monthly rate of payroll employment declines experienced during the December 2007 to August 2008 period. Over the last six months, the rate of job loss has nearly doubled again. Monthly job losses over the November 2008 to April 2009 period have averaged 656,000 per month, a very large and sustained level of overall payroll employment declines by any historical measure, and a key indicator of the deflationary nature of the current downturn.

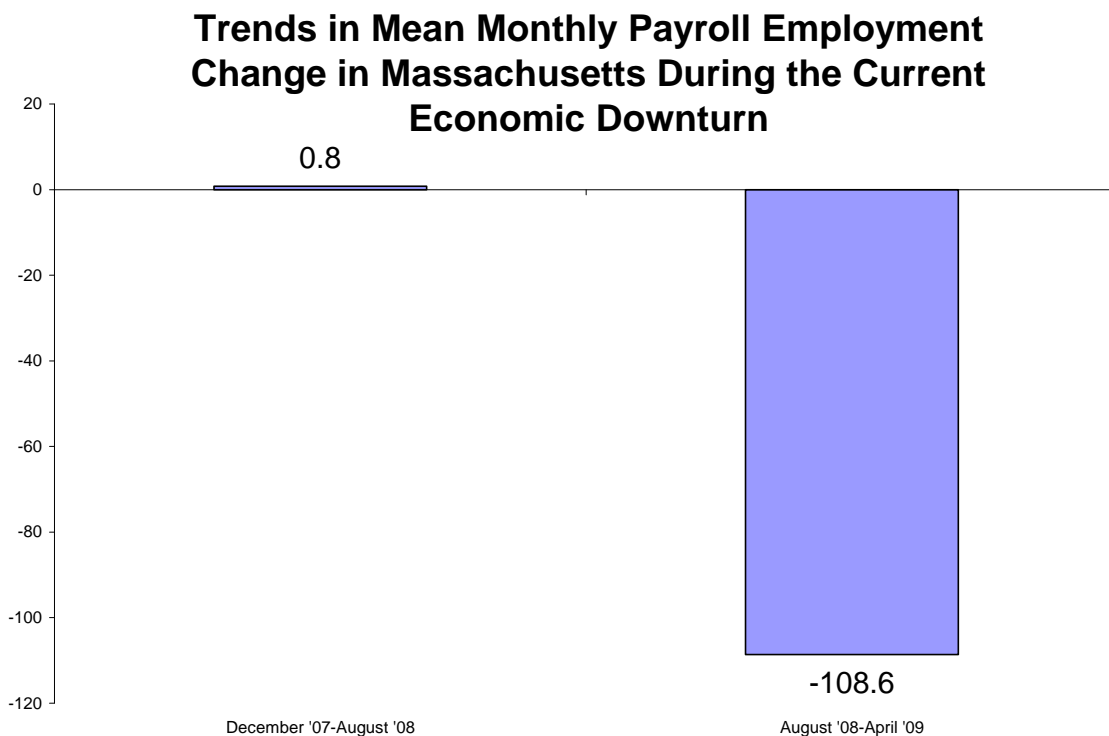
Losses in the private sector (including both for-profit and non-profit establishments) were even greater. Private sector payrolls fell at a more rapid rate than overall payroll employment levels in the nation. Over the course of the downturn overall payroll employment levels in the nation declined by 5.7 million jobs, a loss of about 4.2 percent so far. The private sector lost jobs at a rate equal to about 1.2 times the overall rate of job loss. Private payroll employment levels fell by 5.9 million representing a 5.2 percent decline in the number of jobs in the nation's private sector.

### Trends in Mean Monthly Losses in Payroll Employment in the U.S. during the Current Economic Downturn



## Payroll Employment Declines in Massachusetts

Massachusetts's experience during the early stages of the economic downturn was somewhat different than that of the nation as a whole. During the early stages of the recession, payroll employment levels remained largely unchanged in the Commonwealth, even as the nation was experiencing payroll employment declines each month. Between December 2007 and August 2008 Massachusetts experienced no net losses in overall payroll employment levels. Total wage and salary employment levels remained at about 3.291 million over the first part of the downturn. Thus, the early stages of the recession



produced no employment losses in Massachusetts, a highly unusual status for the Commonwealth which had led the nation in the rate of jobs losses in the last two national economic recessions.

With the exception of Rhode Island, where job losses had begun to mount in late 2006, private sector employment levels among the New England states experienced much more modest losses than occurred in the nation as a whole. Indeed, private sector employment levels fell by just 0.1 percent even as national private sector payroll

employment declined by 1.1 percent. Thus in the early stages of the downturn the state was able to sustain its overall payroll employment levels. However, like virtually all states in the nation, the events of September 2008 led of sharp reductions in payroll employment levels in Massachusetts. Between September 2008 and April 2009

**Table 1:  
Trends in Private Wage and Salary Employment in the U.S. and  
New England during the Early Stages of the Recession (Numbers in Thousands)**

State	December 2007	August, 2008	Absolute Change	Relative Change
U.S.	115,783	114,497	-1,286	-1.1%
New England	6,058.5	6,037.1	-21.4	-0.4%
Connecticut	1,453.5	1,449.0	-4.5	-0.3%
Maine	515.8	512.5	-3.3	-0.6%
Massachusetts	2,856.1	2,854.5	-1.6	-0.1%
New Hampshire	553.9	551.2	-2.7	-0.5%
Rhode Island	424.4	417.7	-6.7	-1.6%
Vermont	254.8	252.2	-2.6	-1.0%

Massachusetts' payroll employment levels fell by over 108,000 jobs, an average pace of loss of more than 13,000 jobs a month.

Private sector payroll employment fell sharply after August of last year. Over the August 2008 to April 2009 period, private wage and salary employment levels in the nation fell by 4.696 million or by 4.1 percent. The pace of private sector job losses in

**Table 2:  
Trends in Private Wage and Salary Employment in the U.S. and New England  
During the Most Recent Stage of the Recession**

State	August 2008	April 2009	Absolute Change	Relative Change
U.S.	114,497	109,801	-4,696	-4.1%
New England	6,037.1	5,813.9	-223.2	-3.7%
Connecticut	1,449.0	1,391.3	-57.7	-4.0%
Maine	512.5	495.9	-16.6	-3.2%
Massachusetts	2,854.5	2,746.0	-108.5	-3.8%
New Hampshire	551.2	537.0	-14.2	-2.6%
Rhode Island	417.7	402.1	-15.6	-3.7%
Vermont	252.2	241.6	-10.6	-4.2%

Massachusetts was nearly equal to that of the nation with private payrolls falling by 3.8 percent after August 2008. Thus, the financial crisis triggered in early September was felt almost immediately in Massachusetts and in much of the rest of New England.

Unlike the recessions of 1988-1991 and 2001-2003, the Massachusetts labor market has been relatively insulated from the worst effects of the economic crisis, at least thus far. A number of large states have experienced extraordinary rates of employment losses since the beginning of the recession that are multiple times larger than the rate of job decline in Massachusetts. Michigan and Arizona lead the nation in payroll employment decline with both states experiencing an 8 percent decline in payroll employment levels. The ten states with the largest relative decline in employment lost on average of 5.9 percent of their payroll employment levels. Massachusetts ranked thirtieth out of the fifty states in its rate of job loss, posting a 3.3 percent job loss over the period.

**Table 3:  
Ranking of States by their Rates of Payroll Employment Losses  
During the Current Economic Downturn (Numbers in Thousands)**

Rank	State	December 2007	April, 2009	Absolute Change	Relative Change
1	Michigan	4,242.0	3,900.8	-341.2	-8.0%
2	Arizona	2,673.6	2,460.7	-212.9	-8.0%
3	Nevada	1,292.8	1,200.9	-91.9	-7.1%
4	Florida	7,951.3	7,451.0	-500.3	-6.3%
5	Idaho	657.8	617.7	-40.1	-6.1%
6	Oregon	1,738.1	1,634.6	-103.5	-6.0%
7	North Carolina	4,172.0	3,947.4	-224.6	-5.4%
8	Ohio	5,418.7	5,133.5	-285.2	-5.3%
9	Georgia	4,154.2	3,936.9	-217.3	-5.2%
10	California	15,189.3	14,411.4	-777.9	-5.1%
30	Massachusetts	3,290.8	3,183.0	-107.8	-3.3%

## Industry Sources of Job Losses

Payroll employment declines were experienced in most major industry sectors in the state after the financial crisis began to exert radical adverse pressure on labor market conditions across the nation. Unsurprisingly, the most rapid reductions in payroll

employment levels in the state occurred in construction and the administrative and waste management sectors. Sharp reductions in home values resulted in rising residential inventories sharply curtailing construction employment activities. Indeed, over the past year new housing permits have dropped by 49 percent, after declining considerably in the year prior to that.<sup>5</sup> Commercial construction activities have also declined at a record pace in the most recent quarter, also placing added downward pressure on construction employment levels throughout the nation.<sup>6</sup> Construction industry payrolls in Massachusetts fell by 11.2 percent over the last 8 months. This loss is on top of a longer term decline in the construction sector that began in April 2006 and resulted in a loss of additional 11,000 jobs prior to the onset of the financial crisis in September. Thus since mid-2006 construction industry payrolls have declined by about 26,000 jobs, representing a loss of one in five construction industry payroll jobs over the last two years.

The administrative and waste management industry has posted large absolute and relative losses since last August. Payrolls in the industry have dropped by almost 20,000 positions, a near 12 percent decline in employment in a very short period of time. Like the construction industry the administrative and waste management sector is very cyclically volatile. This volatility is largely the product of the employment services and temporary help industries that are classified within the administrative and waste management sector. Temporary help employment has plummeted in recent months as workers have quickly shed temps in an effort to cut payroll costs.

Manufacturing industries in the state continued their long term decline, but at a much accelerated pace during the downturn. Overall manufacturing payrolls in the state fell by 13,000 jobs, representing a 4.5 percent decline over the past eight months. Most of these losses were concentrated among the state's durable goods producers. The trade, transportation, and utilities sector posted 8 month jobs losses in excess of 23,000. Reflecting the sharp reductions that have occurred in consumer spending about most of

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<sup>5</sup> "New Residential Construction in April 2009," U.S. Census Bureau News, Washington D.C., May 19, 2009, see also Justin Lahart, "Sentiment Soars, but Home Prices Continue to Slide" *The Wall Street Journal*, May 27, 2009

<sup>6</sup> Mark Vintner and Anika Khan, "Commercial Real Estate Quarterly: First Quarter, 2009" *Wachovia Economics Group: Special Commentary*, May 12, 2009

these losses were concentrated in retail and wholesale trade firms with only small losses occurring among the states utilities.

**Table 4:  
Trends in Wage and Salary Employment in Massachusetts, August 2008  
to April 2009, by Major Industry Sector (Numbers in Thousands)**

Industry Sector	August 2008	April 2009	Absolute Change	Relative Change
Total, Nonfarm	3,292	3,183	-109	-3.3%
Construction	131.7	117	-14.7	-11.2%
Manufacturing	285.8	272.8	-13.0	-4.5%
Trade, Transportation and Utilities	569.8	546.6	-23.2	-4.1%
Information	89	85.1	-3.9	-4.4%
Financial Activities	220.7	209.1	-11.6	-5.3%
Professional/Scientific Services	259.1	249.8	-9.3	-3.6%
Management of Companies	61.1	59.2	-1.9	-3.1%
Administrative/Waste Management	166.4	146.9	-19.5	-11.7%
Education and Health Services	643.6	646	2.4	0.4%
Leisure and Hospitality	305.1	296.7	-8.4	-2.8%
Other Services	120.8	115.7	-5.1	-4.2%
Government	437.1	437	-0.1	0.0%

Construction, temporary help, manufacturing and trade employment in the state (and the nation as a whole) have staffing structures that tend to be dominated by blue-collar and clerical workers who have lower levels of educational attainment. Collectively employment in these industries has declined by more than 70,000 jobs across the state, representing a 6.1 percent rate of decline over the eight month period. Much of the rest of employment in the state is concentrated in the information, finance, professional and scientific services, education and health services and the government sector. These industries have staffing patterns that tend to be dominated by workers with higher levels of educational attainment. Collectively these industries posted losses of about 38,000 jobs, a relative decline of 1.7 percent. Thus, blue-collar and clerical occupation dominated industries in the state experienced a rate of job loss since last August that was 3.5 times greater than the employment losses posted by industries that were dominated by white-collar professional, managerial and high level sales workers with higher levels of educational attainment.

These findings imply that much of the employment loss in the state was concentrated among those with fewer years of schooling. While we are unable to produce any direct evidence of this at the state level, the national data on employment trends by

**Table 5:  
Trends in Employment by Educational Attainment (25+) in the  
U.S. During the Economic Downturn**

Educational Attainment	December 2007	April 2009	Absolute Change	Relative Change
High School Dropout	11,356	10,251	-1105	-9.7%
High School Graduate	36,928	35,086	-1842	-5.0%
Some College	35,071	34,207	-864	-2.5%
College Graduate	43,606	43,466	-140	-0.3%

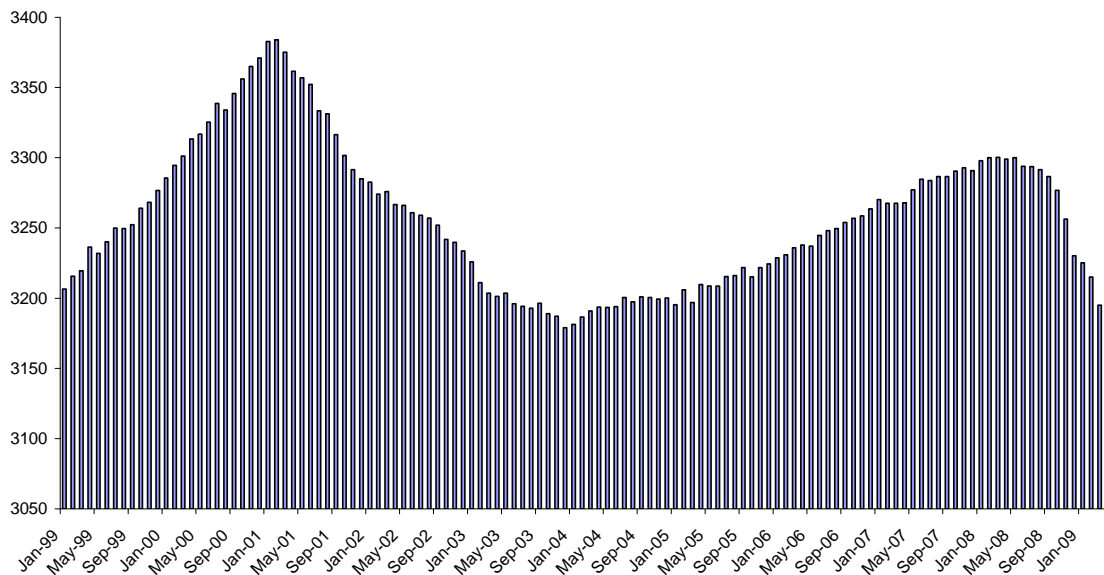
educational attainment provide some support to this interpretation. Between the beginning of the national downturn in December 2007 and April of this year, employment losses among adults have been greatest among those with no post secondary education. Over the course of the downturn, employment levels among adult dropouts fell by nearly 10 percent, while the number of employed high school graduates with no college fell by 5 percent. In contrast, employment levels among adults with a college degree remained unchanged. Given that the industrial structure of job losses in the nation are largely mirrored in Massachusetts, it seems probable that the impacts of employment declines observed nationally across educational groups are also at reflective of the educational impacts of job loss that have occurred in the state over the past eight months.

## **Labor Market Adjustments**

A commonly accepted name has not yet emerged for the current decade. In the past we referred to the ‘sixties’ or the ‘eighties’ both evoking an image of that decade of the twentieth century. Given the performance of the national and state economies in generating wage and salary employment opportunities and real earnings increases for working Americans we would argue that referring to the 2000 to 2009 decade as the ‘naught’ decade is appropriate. Indeed, after the state lost more than 5 percent of its jobs over the course of the recession of 2001 to 2003, it was unable to recover those jobs before the onset of the current recession. At the peak of the recovery from the 2001 to

2003 recession in Massachusetts, in May 2008, payroll employment levels were still 84,000 below their 2001 peak employment level. A look at the chart below reveals that the recession at the beginning of the decade generated 36 months of job losses that were steeper in relative terms than any state in the nation. The data also reveal a shallow sloped, that is, a gradual job recovery through 2008, followed by a sharp decline in payroll employment levels during the last eight months.

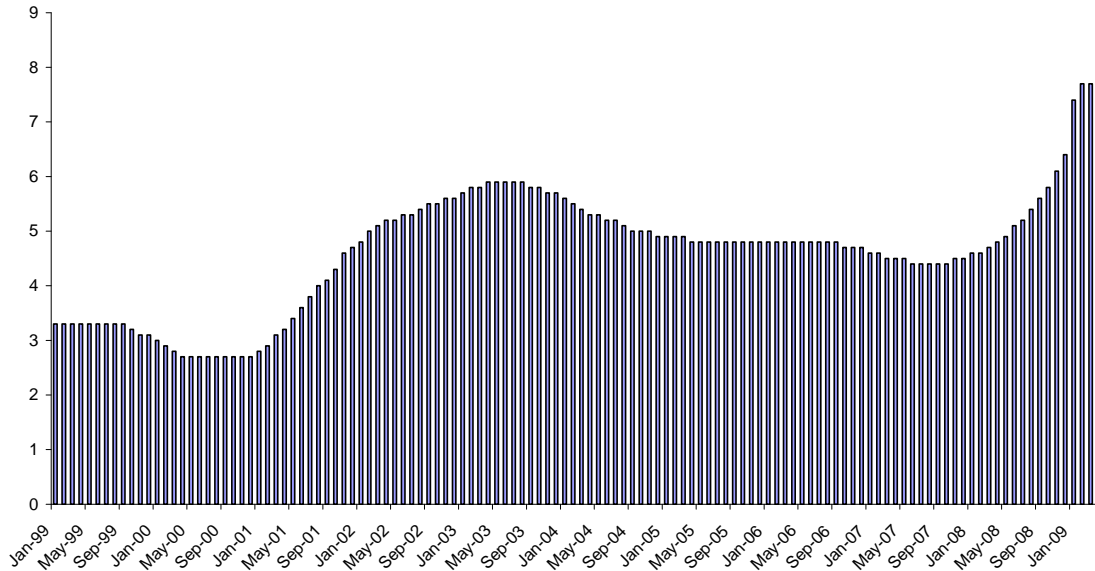
### Trends in Wage and Salary Employment in Massachusetts, 1999 to 2009 (Seasonally Adjusted)



A look at the data on trends in the state unemployment rate over this time reveals important insights. First, just prior to the recession of 2001, unemployment rates in Massachusetts were quite low—at the full employment level of less than 3 percent. Even as the state shed payroll jobs at a rapid pace for a prolonged period of time, the unemployment rate in the state never reached 6 percent—even at the very bottom of the earlier downturn that occurred the fall of 2003. In contrast, the current economic downturn has already shot the state unemployment rate up to 8 percent in April of this year, a very sharp rise from the state’s pre-recession unemployment rate of 4.5 percent and one third higher than the highest monthly unemployment rate reached in the last

recession. Indeed, this monthly rate of unemployment was last reached in Massachusetts in May of 1993.

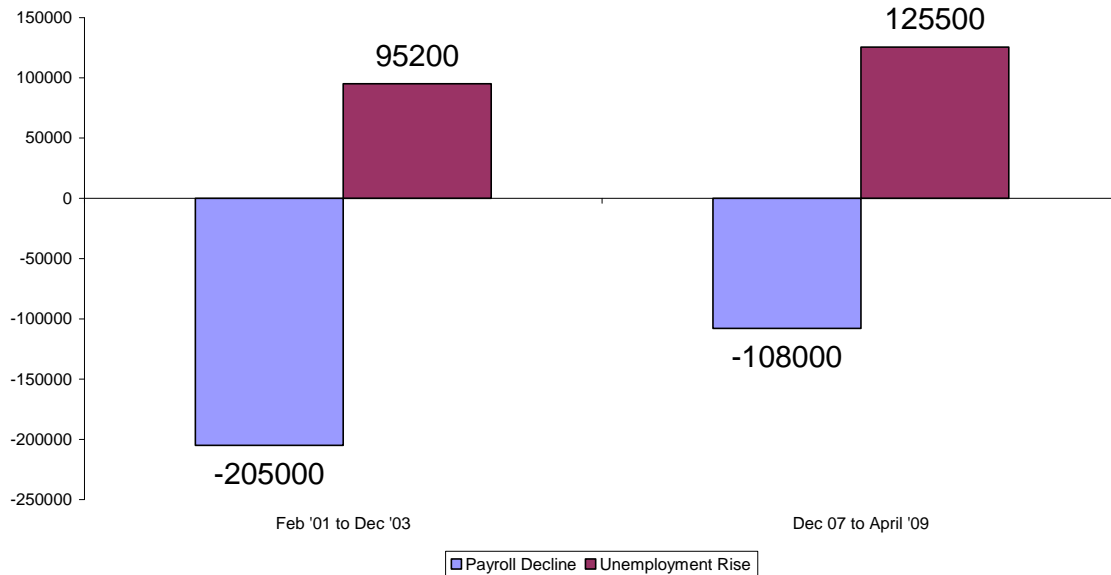
### Trends in the Monthly Unemployment Rate in Massachusetts, 1999 to 2009 (Seasonally Adjusted)



Given the job losses that occurred during the 2001 to 2003 period, why did the unemployment rate peak at 5.9 percent, yet with a smaller job loss so far in the current downturn, we have already reached a monthly unemployment rate of 8.0 percent.

Part of the answer is found in the nature of the adjustment alternatives that are available to labor force participants during a downturn. During the downturn of 2001-2003 while the state lost 205,000 payroll jobs, the number of unemployed persons increased by only 95,200 between February 2001 and December 2003. Thus for every 100 payroll jobs lost over that time period, the number of unemployed workers increased by just 50 workers. In contrast during the current downturn as we lost 108,000 payroll jobs, the number of unemployed residents in the state rose by 125,000. During the current recession for every 100 payroll jobs lost in the state, the number of unemployed workers has increased by 116.

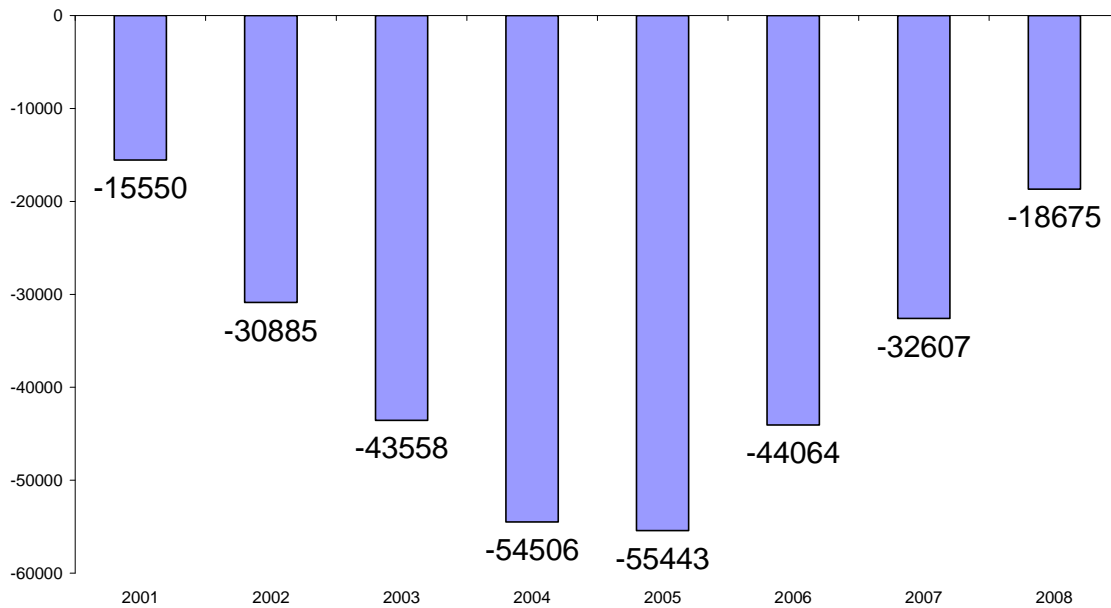
## Relationship Between Unemployment Increases and Job Losses During Two Economic Recessions in Massachusetts.



One of the most important ways that unemployed workers can respond to job losses is through geographic mobility that is, moving to other states or regions where job prospects are better. During the previous economic downturn in the state, the rate of net domestic out migration rose sharply with the rate of job loss. Indeed, in an analysis we conducted for Jobs for Massachusetts, we found a very strong correlation between net domestic out migration flows and the level of job losses in Massachusetts. During the recession of 2001-2003 Massachusetts ranked first in the nation in its rate of job loss. Thus all other states in the nation had relatively better labor market prospects compared to the Commonwealth. Indeed, 14 states were able to post net job gains over the course of that downturn and an additional 10 states had rates of job loss over the recession that were less than 1.0 percent.

We suspect that a primary reason that the unemployment rate in Massachusetts (and the nation as a whole) has risen so sharply relative to the rate of job loss is associated with a sharp reduction in the rate of geographic mobility and net domestic out migration among all states. The U.S. Bureau of the Census tracks geographic mobility at the national level with the Current Population Survey. The most recent findings indicate

## Trends in the Size of Net Domestic Outmigration in Massachusetts, 2001 to 2008



that the rate of geographic mobility fell sharply between 2007 and 2008 and the mobility rates in the Northeast were especially low. Mobility across state lines had the largest decline over past year falling by half.<sup>7</sup> The rate of geographic mobility in the nation during 2008 was the lowest rate measured since the CPS survey was begun in 1948. The reduced rate of mobility is likely the product of two factors: First, rapid decreases in housing prices have reduced the willingness and ability of homeowners to move. Second, substantial job losses have occurred in most states of the nation since the beginning of the downturn and the rates of loss have been much steeper than was the case in the prior downturn. As we noted earlier, all 50 states have experienced job declines since August of last year and all but three of those states have rates of job loss over the last 8 months in excess of 1 percent.

<sup>7</sup> “Residential Mover Rate in U.S. Lowest Since Census Bureau Began Tracking in 1948”, U.S. Bureau of the Census, Census Bureau News, April 22, 2009, and Sam Roberts, “Slump Creates Lack of Mobility for Americans,” *New York Times*, April 23, 2009

For Massachusetts residents, our rate of job loss is in the middle of the pack placing us at rank number 25 in the overall rate of payroll employment declines across all 50 states in the nation. Unlike the downturn of 2001-03 when the other 49 states were in better economic shape than Massachusetts, and 14 states had a positive job growth, the job prospects outside Massachusetts in the current recession are not any better than inside the state. Consequently, the number of unemployed per job lost has spiked dramatically, as the option of moving to another state to find work has been sharply curtailed. Reducing or removing the geographic mobility safety valve in the labor market means higher unemployment rates at the individual state level and thus higher overall unemployment per lost job and higher unemployment rates in the nation.

As the number of payroll jobs fall and the number of unemployed workers in the state rise sharply, the prospects for a given unemployed worker finding a job is also reduced. Unsurprisingly, as payroll employment levels fall the number of job vacancies in the labor market also decline. The decline in job vacancies occurs as the number of unemployed workers increase resulting in excess labor supply in a given labor market segment.

Beginning in 2002 Massachusetts began to conduct a job vacancy survey that measured the number of unfilled jobs at business establishments in the state in a way that was conceptually comparable to the measure of unemployment. The survey conducted twice a year since then, allows us to assess the relationship between the number of unemployed persons, those who are jobless and actively engaged in finding work, with the number of unfilled jobs for which firms are actively recruiting workers outside of their organizations.

The unemployment to job vacancy ration  $U/V$  is quite volatile over the business cycle. At the end of 2002, the Massachusetts job vacancy survey found only 45,600 unfilled jobs in the state, while 190,600 persons were unemployed at that time. This meant that there were about 4.2 unemployed workers for each unfilled job. This implies that about three-quarters of all unemployment in the state during that recession is a consequence of demand deficiencies. Skills gaps and labor market friction accounted for only about one quarter of all unfilled jobs. As the state labor market slowly began to

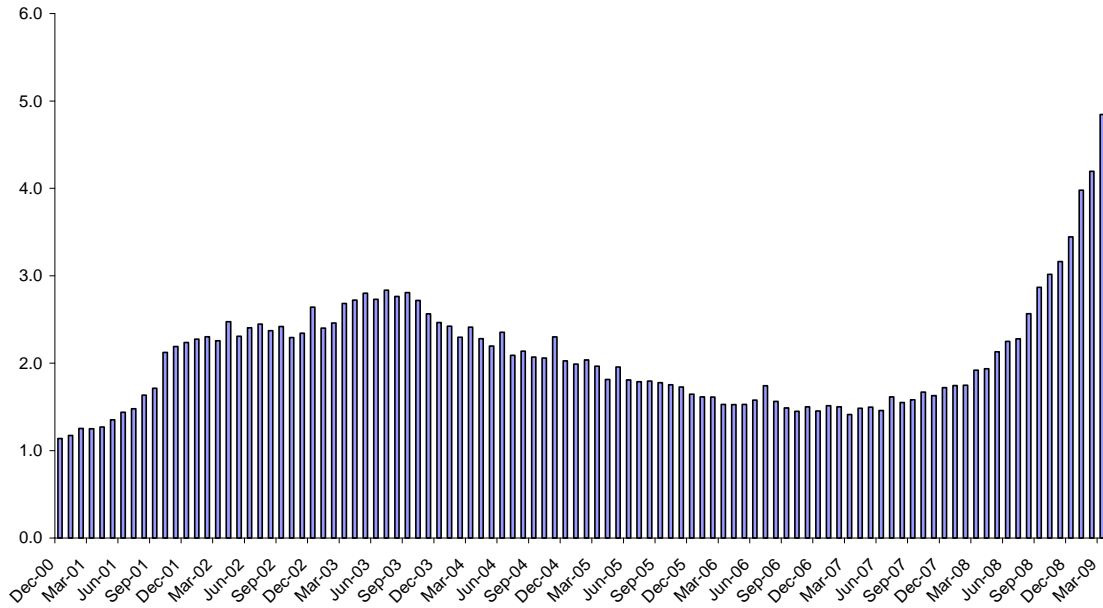
**Table 6:  
Trends in the Number of Unemployed and the Number of Job  
Vacancies in Massachusetts, 2002 to 2008**

Quarter	Job Vacancies	Unemployed	Ratio of Unemployment to Job Vacancies
2002 IV	45,611	190,651	4.2
2003 II	54,548	199,847	3.7
2003IV	64,926	194,652	3.0
2004 II	59,891	179,108	3.0
2004 IV	71,934	167,921	2.3
2005 II	72,813	162,560	2.2
2005IV	74,305	163,357	2.2
2006 II	86,296	163,137	1.9
2006IV	89,620	161,055	1.8
2007 II	83,852	152,829	1.8
2007IV	92,021	152,139	1.7
2008 II	74,971	169,012	2.3
2008 IV	54,606	208,786	3.8

rebound, the U/V ratio fell sharply by the end of the expansion in the fourth quarter of 2007. At that time the U/V ratio had fallen to 1.7 as the number of job vacancies doubled and the number of unemployed workers in the state fell by about one-fifth. This meant that by the end of 2007, skills gaps and labor market friction accounted for about 60 percent of all unemployment in the Commonwealth.

Since then the economic crisis and accompanying deterioration in labor market conditions has led to a sharp reversal in the size of the U/V ratio in the state. By the end of 2008, the size of the U/V ratio had more than doubled from its prior year low rising to 3.8 unemployed persons for each job opening. If, as we suspect, payroll employment levels continue to decline and geographic mobility remains at reduced levels, the U/V ratio in Massachusetts will rise at a very rapid pace in the coming months. The sharp rise in the national U/V ratio, which reached 4.8 in March 2009, indicates very large labor demand deficiencies throughout the American economy, further lending support to the view that geographic mobility has become a much less effective adjustment mechanism to respond to state level job loss.

## Trends in Ratio of the Number of Unemployed Workers and Job Vacancies in the U.S.



Labor market conditions in Massachusetts have deteriorated rapidly since the end of 2007 as measured by the change in the state's unemployment rate. However, most

**Table 6:  
Trends in Overall Unemployment Rates  
of States in the U.S., 2001 to 2009**

Rank	State	Jan-01	Jun-03	Dec-07	Apr-09	Absolute Change '07-'09	Relative Change '07-'09
1	Michigan	4.7	7.3	7.3	12.9	5.6	77%
2	Oregon	5.2	8.5	5.3	12.0	6.7	126%
3	South Carolina	4.1	6.9	5.8	11.5	5.7	98%
4	Rhode Island	4.3	5.4	6.0	11.1	5.1	85%
5	California	4.7	6.9	5.9	11.0	5.1	86%
6	North Carolina	4.4	6.6	5.0	10.8	5.8	116%
7	Nevada	4.9	5.3	5.2	10.6	5.4	104%
8	Ohio	4.0	6.3	5.8	10.2	4.4	76%
9	Indiana	3.6	5.4	4.5	9.9	5.4	120%
10	Tennessee	4.2	5.8	5.3	9.9	4.6	87%
25	Massachusetts	2.8	5.9	4.5	8.0	3.5	78%
	United States	4.2	6.3	4.9	8.9	4.0	82%

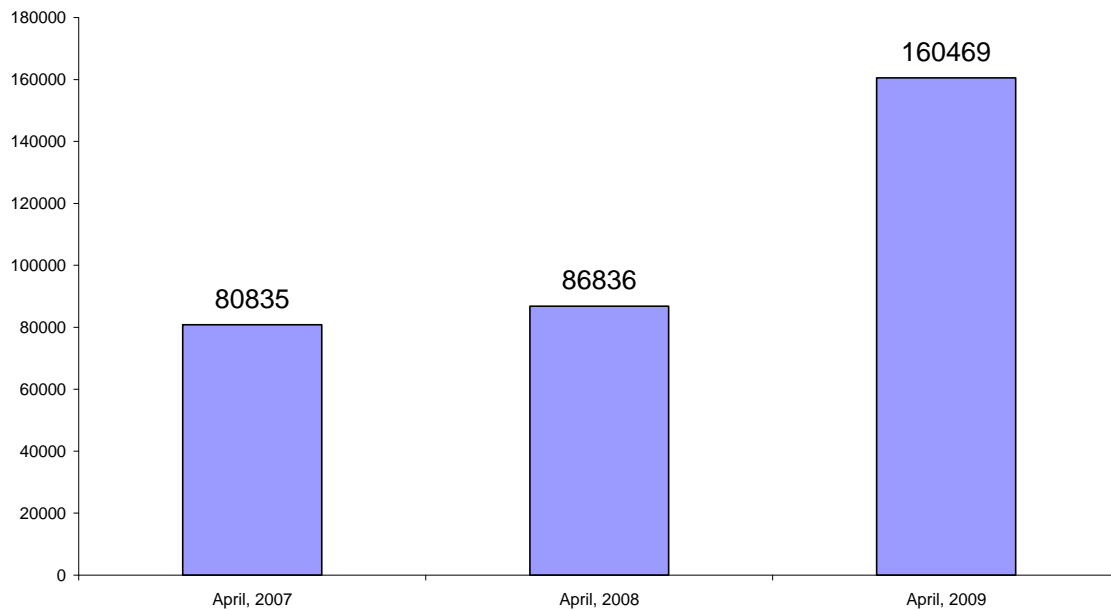
states in the nation also experienced very rapid increases in their unemployment rates. The state's April 2008 unemployment rate of 8.0 percent represented a 78 percent increase compared to the unemployment rate in December 2007. However, compared to developments in other states, the sharp rise in unemployment rates in Massachusetts was slightly below the average rate of increase across states in the nation. Our unemployment rate of 8.0 percent ranked us 25<sup>th</sup> in the nation with respect to the overall rate of unemployment.

While data on the overall trends in unemployment rates and levels are important in appraising labor market conditions, information on the characteristics of all unemployed workers in the state can provide important insights into the kinds of industries and occupations in which the rise in unemployment occurred. While up-to-date information is available on the labor force characteristics of the non institutional population at the national level, such data are not available at the state level. Consequently, in the following section we rely upon information about the insured unemployed in the state to gain insights, albeit somewhat limited, into unemployment issues in Massachusetts.

## **Characteristics of the Insured Unemployed**

Most workers employed on business establishment payrolls are covered by the state's UI system though UI payroll taxes made by their employers. However, only a fraction of those officially classified as unemployed through the Local Area Unemployment Statistics (LAUS) federal-state cooperative statistical program are continuing claimants receiving unemployment insurance weekly benefits. The ratio of the number of Massachusetts continuing UI claimants to total unemployed measured by LAUS in April of this year was about .60. New entrants and re-entrants to the labor market who are classified as unemployed are generally not eligible for benefits nor are persons with inadequate payroll earnings prior to a job loss. Thus, while information about the insured unemployed provides some insights into the characteristics of unemployment, it is somewhat limited, since many of those classified as unemployed in the state are not beneficiaries of the state's unemployment insurance system.

## Trends in the Number of UI Continued Claimants in Massachusetts, April 2007 to April 2009



The pattern of change in unemployment insurance claims activities in Massachusetts has largely been reflective of the declines in payroll employment levels presented in the previous section of this paper. A look at the number of continued claims dating back to April 2007 reveals that there were only modest increases in the number of UI continued claims between April 2007 and April 2008.<sup>8</sup> This was at the beginning of the national economic recession a period during which Massachusetts experienced little to no payroll employment losses. However, over the past year, UI continuing claims have skyrocketed, increasing from 86,800 to 160,500 in just twelve months as wage and salary employment levels plunged.

The largest rise in UI claims was concentrated in the Route 128-495 area. The Metro North and Metro South West regions led the state in the rise in the number of claims. The Metro South West region saw claims jump by 117 percent followed by a rise of 107 percent in the Metro North region. In contrast, the New Bedford and Cape Cod and Islands region had much slower increases in the number of UI claims over the last

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<sup>8</sup> The continued claims data are not available on a seasonally adjusted basis. To account for this seasonal variation we compare data for the same months in different years.

**Table 7:  
Trends in the Number of UI Continued Claims  
by WIB Area in Massachusetts, 2008 to 2009**

WIB Area	April, 2008	April, 2009	Absolute Change	Relative Change
Berkshire	2,009	3,460	1,451	72.2%
Boston	6,646	13,181	6,535	98.3%
Bristol	9,602	17,027	7,425	77.3%
Brockton	3,598	6,399	2,801	77.8%
Cape Cod and the Islands	4,093	6,377	2,284	55.8%
Franklin/Hampshire	2,077	3,408	1,331	64.1%
Hampden	7,190	11,709	4,519	62.9%
Lower Merrimack	7,105	13,249	6,144	86.5%
Metro North	7,371	15,268	7,897	107.1%
Metro South West	6,121	13,280	7,159	117.0%
New Bedford	4,023	6,082	2,059	51.2%
North Middlesex	3,715	7,263	3,548	95.5%
North Worcester	3,873	6,879	3,006	77.6%
South Coastal	6,359	11,775	5,416	85.2%
South Essex	5,021	9,877	4,856	96.7%
South Worcester	8,083	15,215	7,132	88.2%
Total	86,886	160,449	73,563	84.7%

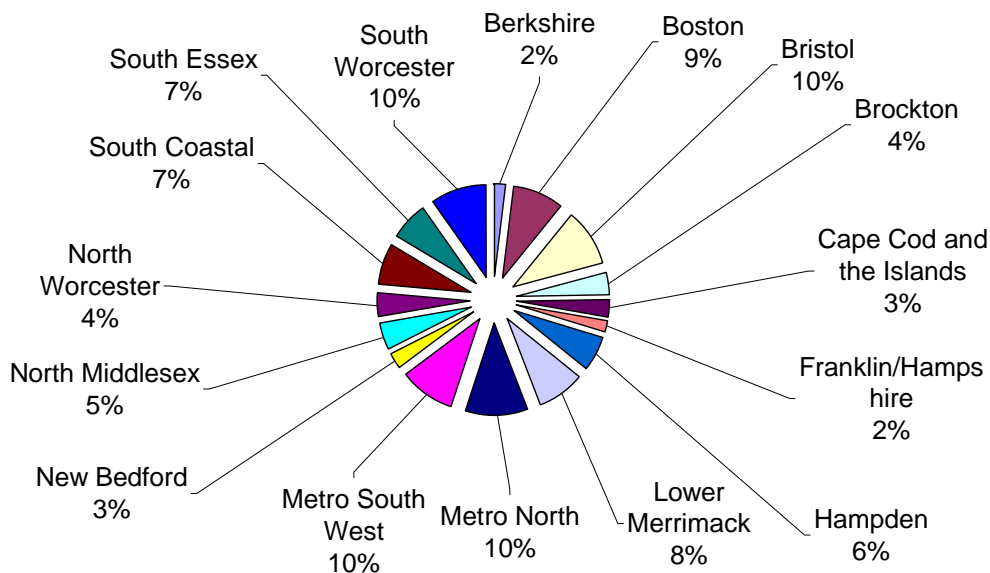
year. New Bedford experienced a 51 percent increase in claims, while the Cape and Islands area saw a rise of 56 percent in the number of residents with continued claims over the year.

One way to measure the disparate geographic impact of the rise in unemployment is to compare the distribution of claims across areas prior to the impact of the downturn to the distribution of the increase in the number of claims across regions. The findings in Table 8 reveal that both the Metro South West and Metro North regions had disproportionately large increases in UI claims compared to all the other regions in the state. The Metro South West region accounted for 7.0 percent of all continued UI claims in the state in April 2008 and 9.7 percent of the increase in UI claims between April 2008 and April 2009. This means that the increase in UI claims in the region between April 2008 and 2009 was nearly 1.4 times its April 2008 share of all UI claims. Similarly, the

**Table 8:  
A Comparison of the Percentage Distribution of All UI Claims in April 2008, and  
the Increase in UI Claims Between April 2008 and April 2009, by WIB Area**

WIB Area	Col. 1 April 2008	Col. 2 April 2008 Percent Distribution	Col. 3 April '08 to April '09 Change	Col. 4 April '08 to April '09 Percentage Distribution	Col. 5 Ratio of Col 4 to Col 2
Berkshire	2,009	2.3%	1451	2.0%	0.85
Boston	6,646	7.6%	6535	8.9%	1.16
Bristol	9,602	11.1%	7425	10.1%	0.91
Brockton	3,598	4.1%	2801	3.8%	0.92
Cape Cod and the Islands	4,093	4.7%	2284	3.1%	0.66
Franklin/Hampshire	2,077	2.4%	1331	1.8%	0.76
Hampden	7,190	8.3%	4519	6.1%	0.74
Lower Merrimack	7,105	8.2%	6144	8.4%	1.02
Metro North	7,371	8.5%	7897	10.7%	1.27
Metro South West	6,121	7.0%	7159	9.7%	1.38
New Bedford	4,023	4.6%	2059	2.8%	0.60
North Middlesex	3,715	4.3%	3548	4.8%	1.13
North Worcester	3,873	4.5%	3006	4.1%	0.92
South Coastal	6,359	7.3%	5416	7.4%	1.01
South Essex	5,021	5.8%	4856	6.6%	1.14
South Worcester	8,083	9.3%	7132	9.7%	1.04
Total	86,886	100.0%	73563	100.0%	1.00

**Geographic Source of the Over the Year Rise in UI  
Claims in Massachusetts**



Metro North region and the city of Boston saw their UI claims rise at a disproportionate pace. Thus the downturn seems to have the greatest adverse impact in the Metropolitan Boston area. A look at the data suggests that regions in the Western Massachusetts and South Coastal regions were less adversely impacted by the downturn.

Statewide, the rise in unemployment insurance continued claims over the past 12 months varied considerably across industry sectors. The state's manufacturing sector experienced an extraordinary increase in the number of its workers in continued claims status in the state's unemployment insurance system. Between April 2008 and April 2009, UI continued claims from unemployed manufacturing workers rose from 8,829 to 22,195, representing a 175 percent increase in just one year. The state's manufacturing sector accounted for one fifth of the total rise in UI claims over the last year.

Construction also posted a large absolute increase in the number of UI claimants. Historically, the construction sector in Massachusetts has accounted for a very high share of UI claims relative to its share of the state's overall payroll employment. For example in April 2008 workers who lost their jobs in the construction sector accounted for 22 of all UI continued claims, but just 4 percent of overall statewide payroll employment levels. Since April of 2008 the number of continued claims originating from the state's construction sector has increased by more than 9,500 persons and was the second largest source of increase accounting for 13 percent of the overall rise in claims. While construction and manufacturing together account for just 12 percent of payroll employment, one third of the total rise in UI claims over the last year came from these two goods producing sectors of the state's economy.

Retail trade, administrative and waste management, and professional, scientific and technical service industries each accounted for about 10 percent of the rise in UI continued claims. Retail trade, an industry dominated by a number of clerical and managerial occupations, saw a doubling of UI claims over the year. Administrative and waste management, dominated by the temporary help services industry also experienced a large rise in claims accounting for 10.2 percent of the increase over the year. A large share of the UI claims increase also came from the high-end professional, scientific and technical industry. This industry saw its claims rise at a very sharp pace and accounted

for 10 percent of the overall rise in claims but just 7.8 percent of statewide payroll employment levels.

**Table 9:  
Trends in UI Continued Claims in Massachusetts,  
By Major Industry Group, April 2008 to April 2009**

Industry	2008	2009	Absolute Change	Relative Change	Share of Change
Construction (NAICS 23)	18,072	27,336	9,555	53.7%	13.2%
Manufacturing (NAICS 31-33)	8,829	22,195	14,146	175.7%	19.5%
Wholesale Trade (NAICS 42)	4,007	8,254	4,742	135.0%	6.5%
Retail Trade (NAICS 44-45)	7,401	13,822	7,009	102.9%	9.7%
Transportation and Warehousing (NAICS 48-49)	2,246	3,971	1,974	98.8%	2.7%
Information (NAICS 51)	1,690	4,035	2,484	160.2%	3.4%
Finance and Insurance (NAICS 52)	3,082	6,998	4,480	177.9%	6.2%
Real Estate and Rental Leasing (NAICS 53)	1,349	2,239	985	78.5%	1.4%
Professional, Scientific, and Technical Services (NAICS 54)	4,629	11,913	7,608	176.7%	10.5%
Management of Companies and Enterprises (NAICS 55)	199	526	366	228.8%	0.5%
Admin and Support and Waste Mgt and Redemption Svs. (NAICS 56)	9,468	16,032	7,360	84.9%	10.2%
Educational Services (NAICS 61)	795	1,485	713	92.4%	1.0%
Health Care and Social Assistance (NAICS 62)	4,701	7,321	2,960	67.9%	4.1%
Arts, Entertainment and Recreation (NAICS 71)	1,444	2,158	737	51.9%	1.0%
Accommodation and Food Services (NAICS 72)	4,485	7,572	3,554	88.5%	4.9%
Other Services Except Public Administration (NAICS 81)	2,842	4,277	1,728	67.8%	2.4%
Public Administration	1,040	1,795	908	102.4%	1.3%
No NAICS Code	3,231	4,169	1,022	32.5%	1.4%
<b>Total</b>	<b>80,433</b>	<b>147,116</b>	<b>72,417</b>	<b>96.9%</b>	<b>100.0%</b>

In part reflecting the industry sources of the rise in UI claims over the past year, there was also considerable variability in the occupational sources of the overall increase in UI claims. The largest rise in UI claims were concentrated in three occupational areas: office and administrative support, blue collar production jobs and construction occupations. Claims from office and clerical workers, including cashiers, accounted for

15 percent of the total rise in the number of UI continued claims over the last year. Similarly, blue-collar construction occupations along with installation workers and mechanics experienced a combined rise in claims of 11,300, accounting for an additional 15 percent of the total change in claims over the year. UI claims among blue-collar production and transportation worker occupations increased by 13,200 over the year

**Table 10:  
Trends in UI Continued Claims in Massachusetts,  
By Major Occupational Group, April 2008 to April 2009**

Occupation	April 2008	April 2009	Absolute Change	Relative Change	Share of Change
Management (SOC 11)	8925	19429	10504	117.7%	14.3%
Business & Fiscal Operations (SOC 13)	2820	6700	3880	137.6%	5.3%
Computer and Mathematics (SOC 15)	1834	5200	3366	183.5%	4.6%
Architecture and Engineering (SOC 17)	1489	4775	3286	220.7%	4.5%
Life, Physical & Social Sciences (SOC 19)	570	1336	766	134.4%	1.0%
Community & Social Services (SOC 21)	647	1158	511	79.0%	0.7%
Legal Occupations (SOC 23)	630	995	365	57.9%	0.5%
Education, Training & Library (SOC 25)	867	1320	453	52.2%	0.6%
Arts, Design, Entertainment, Sports & Media (SOC 27)	1354	3563	2209	163.1%	3.0%
Health Practitioners & Technical (SOC 29)	1189	2329	1140	95.9%	1.6%
Healthcare Support (SOC 31)	1635	2247	612	37.4%	0.8%
Protective Services (SOC 33)	729	1348	619	84.9%	0.8%
Food Preparation & Serving (SOC 35)	4141	6640	2499	60.3%	3.4%
Bldg and Grounds Cleaning & Maintenance (SOC 37)	3391	4624	1233	36.4%	1.7%
Personal Care & Service (SOC 39)	1411	2187	776	55.0%	1.1%
Sales & Related (SOC 41)	6055	11781	5726	94.6%	7.8%
Office & Administrative Support (SOC 43)	12276	23374	11098	90.4%	15.1%
Farming, Fishing and Forestry (SOC 45)	561	522	-39	-7.0%	-0.1%
Construction and Extraction (SOC 47)	18067	26891	8824	48.8%	12.0%
Installation, Maintenance, and Repair (SOC 49)	3916	6394	2478	63.3%	3.4%
Production Occupations (SOC 51)	7965	17406	9441	118.5%	12.8%
Transportation and Material Moving (SOC 53)	6322	10092	3770	59.6%	5.1%
Total	86820	160337	73517	84.7%	100.0%

accounting for 18 percent of the overall rise in claims. Indeed, blue collar occupations accounted for one-third of the overall increase in claims over the year. Blue collar and clerical occupations account of over one half of the total rise in claims over the last year.

However, it is important to note that white collar occupations were also an important source of increase in UI claims over the past year. Management jobs, which cover a very broad spectrum of education and skill levels accounted for 14 percent of the total rise in claims over the year. The similarly diverse sales occupations accounted for about 8 percent of the total statewide increase in UI claims. At the professional level, engineering and computer science occupations—heavily concentrated in both manufacturing and the professional, scientific and technical industries together accounted for 9 percent of the total increase in claims over the last year.

Thus it appears that the rise in UI claims in Massachusetts, while heavily concentrated in blue collar and clerical fields, was also partially the consequence of increases in white collar job losses, even in high end engineering and information technology areas.