

New York City's Low Labor Force Participation

In 1982, New York City's unemployment rate of 9.6 percent was slightly below the national average. This has been seen as a dramatic improvement over 1976, when the city's rate was substantially higher, and greatly exceeded the national rate. But celebration of an economic "turnaround" for the city must be tempered by the fact that other measures of labor market conditions tell a very different story. For example, New York City's *employment ratio* remains well below that of the rest of the country and showed a smaller improvement than the unemployment rate.¹

The two statistics tell different stories because New York City has an unusually low *labor force participation rate*. In fact, New York City's rate is lower than those in forty-nine states (all but West Virginia) and in all thirty metropolitan areas for which the Bureau of Labor Statistics (BLS) publishes data.

New York City's labor force participation rate may not be all that unusual for a large city, however. Of the ten

¹The employment ratio is defined as the percentage of the civilian noninstitutional population over 16 years of age with jobs; the labor force participation rate is the percentage of the civilian noninstitutional population over 16 years of age either working or looking for work.

Selected Labor Force Participation Rates and Population Shares, New York City and United States, 1982

In percent

Population group	New York City		United States	
	Participation rate	Population share	Participation rate	Population share
Total	55.2	100	64.0	100
White men	69.0	32.0	77.4	41.3
White women	42.2	38.6	52.4	45.4
Black men	67.8	10.6	70.1	4.8
Black women	47.0	14.6	53.7	6.0
White, 16-19 years	33.2	5.4	57.5	7.6
Black, 16-19 years	18.1	3.0	36.6	1.3
Hispanic men	68.6	8.4	80.0	2.6
Hispanic women	35.0	10.7	48.6	2.8
Married, spouse present	59.7	46.6	65.6	59.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment* (1982)

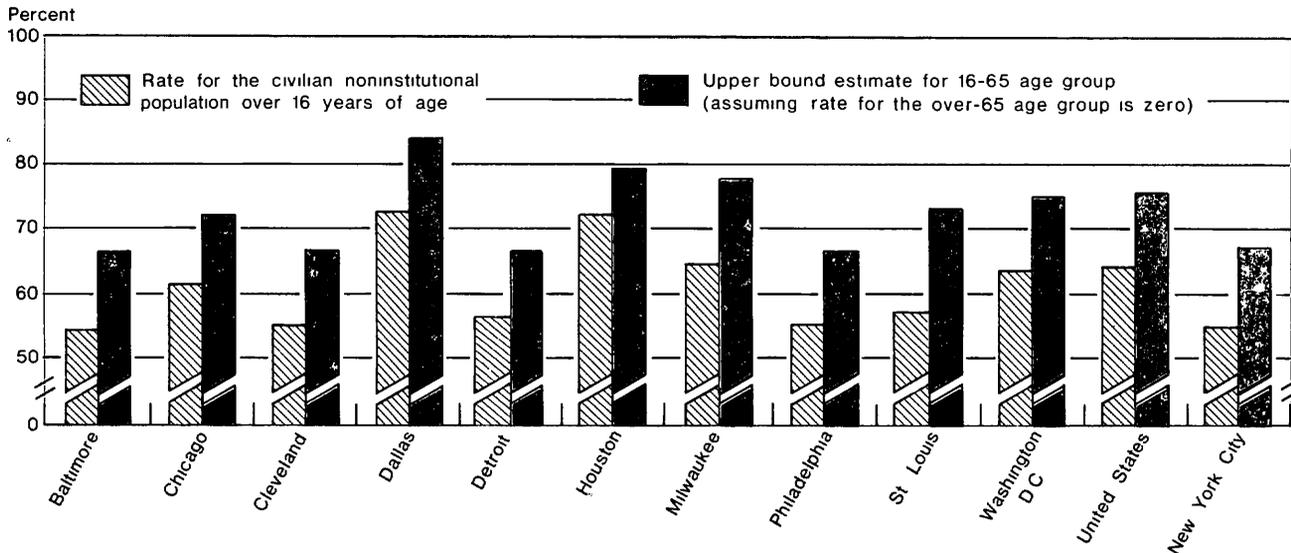
other cities for which the BLS provided labor force data, half had rates within 2 percentage points of New York's (chart).²

From a quick glance at the chart, it may appear that low participation rates are a general characteristic of large northern cities. But the story is more complicated. Chicago, Milwaukee, and Washington, D.C. have substantially higher participation rates than New York City, despite northern locations and double-digit unemployment rates. Thus, it is necessary to determine the characteristics that distinguish these cities and the traits the other northern cities have in common.

A typical first guess involves the demographic composition of cities. The nonwhite proportion of the population over 16 years of age in New York City was 29.4 percent, for example, compared with a national average of 13.3 percent. But demographics do not explain New York's low rate. In every demographic category for which the BLS provides a breakdown, New York's participation rate lies below the national average (table). And, if New York City had the same demographic breakdown by sex and race as the United States (but its own actual participation rates for each group), then the city's rate would be virtually unchanged. Likewise, if the United

²These labor force statistics were reported in *Geographic Profile of Employment and Unemployment*, (1982). The data are based on the Current Population Survey and are subject to some sampling error.

Labor Force Participation Rates for Selected Cities, 1982



Sources: *Geographic Profile of Employment and Unemployment* (1982), and staff calculations using Census Bureau data

States had New York City's broad demographics, its rate would only fall from 64.0 percent to 63.0 percent. Teenage population shares and the marital status distributions also have little effect on the gap between the participation rates.

Northern cities tend to have higher than average population proportions over age 65. The BLS does not publish regional participation rate data on the elderly, but it is possible to approximate the effects of age composition on labor force participation. An *upper bound* for the participation rate of the 16-65 age group can be obtained by assuming a zero rate for the over-65 group. Except for St. Louis, however (which has an unusually high percentage of the elderly), the derived upper bounds for northern cities remain well below the national average (chart). High concentrations of elderly people do not explain low labor force participation rates in northern cities.

One possible explanation with some support from the data involves educational attainment. The northern cities

Milwaukee and Washington, as well as Houston and Dallas, have both relatively high participation rates and higher than average percentages of high school graduates. New York and three other cities score relatively low on both counts. It is not clear to what extent the local educational systems affect these numbers (10 percent of New Yorkers in 1980 lived elsewhere in 1975), but they suggest a broad relationship between the possession of skills and incentives to look for work.

New York City's good news of an improved unemployment rate must be interpreted in the context of relatively low employment rates and labor force participation rates. The low rates cannot be explained away on the basis of broad urban demographics. New York's participation rate would still be well below the national average even if the city had the nationwide population composition by age, sex, and race. One possible explanation for New York's poor performance by this measure is the relatively high proportion of high school dropouts in the population.

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