A seven-year economic expansion has brought U.S. unemployment to 4.3%, its lowest rate since the 1960s. The change has been felt throughout the nation. When the economy began its current expansion in March 1991, the vast majority of states (39) had unemployment rates of 5.4% or higher, while only two had unemployment rates at or below 3%. By the end of 1998, only eight states had unemployment rates at or above 5.4%, while nine had rates of 3% or lower. This general decline in unemployment rates is not purely a business-cycle phenomenon. Even at the peak of the previous expansion (at that time the longest peacetime expansion on record), 27 states had unemployment rates at or above 5.4%.

The states with the lowest unemployment rates in 1998 typically have had lower-than-average rates for extended periods. Several of these states are in the upper Midwest, where moderate employment growth has been matched with even lower growth in the working-age population. In contrast, Virginia has relied on robust jobs growth to keep its unemployment rate low while its population expanded. Even states with historically higher unemployment rates have seen sizable reductions, with the exception of Hawaii, which was adversely affected by the weak Japanese economy. West Virginia is a good example: Despite having one of the highest unemployment rates in the country, it had the third-largest unemployment rate decline during this period, almost six percentage points. Even California and New York, states where the previous recession lingered long beyond its official trough, have almost regained their pre-recession unemployment rates.