The Fourth District’s unemployment rate rose slightly to 5.8% in June after falling to 5.6% in May, the lowest point on the downward trajectory from its 6.2% peak in early 2003. The U.S. unemployment rate for June, by comparison, remained at 5.6% for the third consecutive month. Unemployment rates for the District and U.S. tend to track one another closely, typically showing only small month-to-month differences.

The picture across the District, however, is more varied. Unemployment rates tend to be lower in metropolitan areas, where approximately 85% of the District’s population lives. (The Census Bureau defines a metropolitan area as a large population core combined with adjacent communities that have a high degree of social and economic integration.) These areas also tend to have average or below-average unemployment rates compared with the nation. Within metropolitan areas, however, the central cities usually have higher jobless rates than the outlying areas.

The Cleveland metropolitan area stands out because its unemployment rate is about \( \frac{3}{4} \) to \( \frac{1}{2} \) percentage points higher than any of the other five major metropolitan areas in the Fourth District—a pattern that has appeared only in recent years. Throughout the 1990s and until the most recent recession, the Cleveland area’s jobless rate was comparable to the national average. Since then, however, the Cleveland area’s jobless rate has tended to be about a percentage point higher than the national average.

Total nonfarm payroll employment increased in June for every Fourth
District state except Ohio. The same was true of service-providing employment. Manufacturing employment declined in all four states; it fell 11,000 (0.1%) nationally. There were essentially no employment declines in the education and health services category for District states.

On a year-over-year basis, June employment in all nonagricultural establishments increased in Pennsylvania and Kentucky, though by less than the national average, and declined in both Ohio and West Virginia. Manufacturing firms’ employment fell in all Fourth District states and in the nation. In percentage terms, the declines were about three times more severe in Ohio and Pennsylvania than they were nationally. In the District states where service-providing employment increased, the gains were somewhat less robust than in the U.S. in percentage terms.

Among the District’s metropolitan areas, nonfarm employment increased significantly in Lexington on a year-over-year basis, but declined sharply in Toledo and Dayton. The manufacturing sector was notable for the breadth of employment declines across the District’s major metropolitan areas.

While declines in manufacturing employment have been especially pronounced since the beginning of this decade, the share of manufacturing-sector employment has been falling for half a century, from around 30% in 1950 to more than 10% today. Given the growing importance of non-manufacturing employment, some thought that a new employment classification system was needed.

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The North American Industrial Classification System (NAICS) was introduced as recently as 1997. It replaced the old Standard Industrial Classification (SIC) system and was meant to improve cross-country comparisons and to categorize economic activity in more meaningful ways, especially in the service sector of the economy. NAICS groups together economic units that use like processes to produce goods or services; this results in the creation of 20 broad categories, an increase from the 10 that were used by the SIC system.

These 20 groupings suggest the continued validity of a long, commonly held belief: the Fourth District portion of the Midwest is more manufacturing-intensive than the U.S. as a whole. Certainly, manufacturing is the region’s dominant activity in terms of employment. This differs from the U.S. as a whole, where the health care and social assistance category employs slightly more people than manufacturing. Health care and social assistance includes institutions such as hospitals and doctors’ offices, as well as continuing care retirement communities and community food service providers.

In general, however, employment shares for the Fourth District and for the U.S. tend to be similar for the 20 groupings. In manufacturing, where the gap is greatest, the difference in employment share for the Fourth District and the nation is almost 5%. The education services category shows a gap of almost 3% in favor of the U.S., while the differences for the remaining categories are never much greater than 1%.