

Indiana's Unemployment Rate Changed—and Stayed the Same

The October unemployment rate for Indiana was reported at 2.5%. This was the same rate the state enjoyed in April of 1999. But the statewide figure hid an improving situation in the state.

In April, 49 of Indiana's 92 counties had unemployment rates greater than the statewide figure of 2.5%. By October, although the statewide figure remained unchanged, only 41 counties were over 2.5%.

Perhaps more importantly, the unemployment rate improved in 54 counties during those six months. Higher unemployment was recorded in just 23 counties, and 15 remained unchanged. (See Fig. 1).

Question: How can there be no change in the state's unemployment rate while the employment situation in most counties improved?

The unemployment rate is the percentage of persons in the labor force who are unemployed and seeking work. The labor force is the sum of those employed (E) plus those unemployed (U). The unemployment rate (R) is the result of dividing the number of persons unemployed by the total number of persons in the labor force (E + U).

$$R = \frac{U}{E+U}$$

The statewide unemployment rate uses the number of persons in the state labor force: the sum of those in every county who are either employed or unemployed. The rate for each county uses the comparable numbers just in that county. The statewide rate, therefore, is not the average of the individual county rates. The statewide rate is a computation based on the total Indiana labor force, without regard to the counties in which they work.

The statewide rate reflects the fact that our counties are of very different sizes. Marion County has a labor force

(457,670) that is 166 times the size of the labor force in Ohio County (2,750).

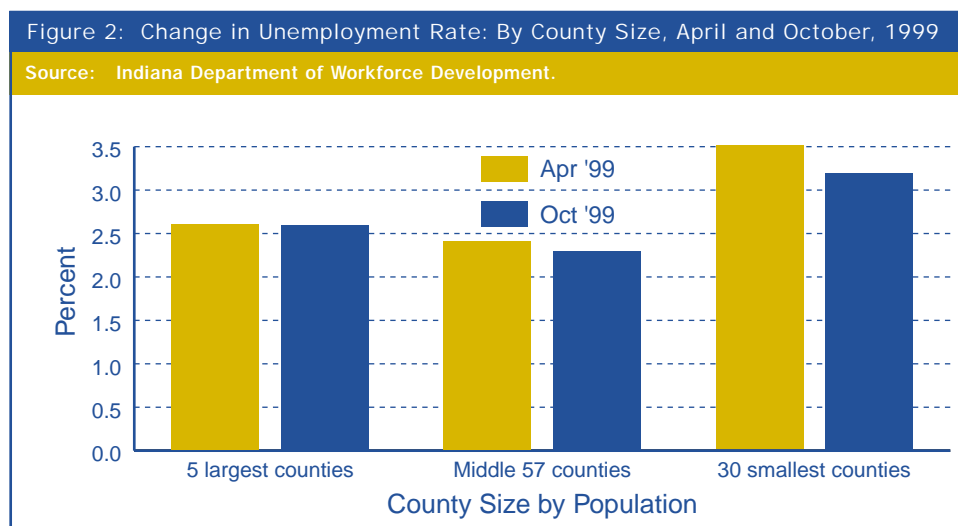
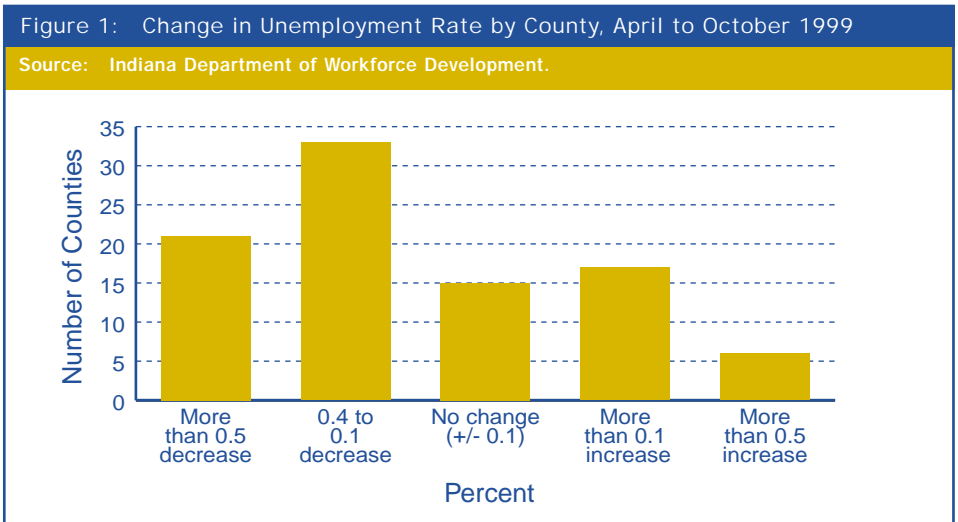
Hence, a percentage point change in the Marion County unemployment rate will have much more impact on the statewide figure than a comparable change in Ohio County.

Casual examination of these findings suggests that, while the statewide figure was at 2.5% in both April and October, the rates for smaller counties improved more dramatically than the rates for more populous counties (see fig. 2). The five largest counties in Indiana (with a combined labor

force of 1,092,020 workers - about one-third the state's total) showed no change in their aggregate unemployment rate (2.6%). In contrast, the 30 smallest counties (with 243,215 workers) saw their collective unemployment rate fall from 3.5% to 3.2%.

The 57 middle counties in labor force size edged down from 2.4% to 2.3%.

Since policy is often geographically specific, even if it phrased as being geo-neutral, it helps to understand that a single statewide average may hide, if not distort, our understanding of the unemployment situation.



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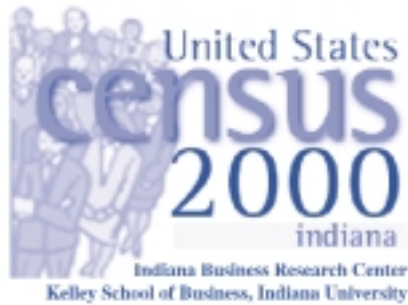
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