Atlantic and Pacific coasts' labor markets hit hard in early 1990's

Downturns in construction and problems in financial institutions, together with cutbacks in defense-related industries, fueled the 1990's recession in the Northeast and the west coast States

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The recession of the early 1990's hit hardest on the east and west coasts, starting in the Northeast, especially in New England, and then moving down the Atlantic coast. During 1991 and continuing into 1992, the Pacific coast also felt the effects of the recession. The Midwest and the South Central part of the country were much less affected. By contrast, the regions that were ravaged by the deep recession of 1981–82 were the heavily industrialized "rust belt" States of the Midwest and the East South Central States.

This article examines labor market changes in major geographic regions of the country from 1990 through 1992 and compares these developments with those of the 1981–82 recession. It relies primarily on calendar-year averages of employment and unemployment for the 1989–92 period, with occasional references to earlier years. The article utilizes newly available seasonally adjusted data on employment status by census region and division,[1] as well as data on nonfarm wage and salary employment by industry.[2] Seasonally adjusted quarterly data are used when an annual average obscures important changes during a year and when analyzing events during 1992. Conditions in New England are examined in the greatest detail, because the New England States led the Nation into recession and suffered the most severe declines in their labor market conditions.

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The early stages: 1989–90

In the late 1980's and into early 1990, all regions except the Northeast experienced employment growth and declining unemployment. The West led the way with 1988–89 employment growth of about 4 percent, while the Midwest and South each had gains of about 2 percent. However, in the Northeast, signs of weakness had become evident as early as 1989. New England was hit first, as total employment failed to advance over the year. At the same time, the Middle Atlantic States experienced a marked slowdown in employment growth. The weak employment performance in the Northeast between 1988 and 1989 was accompanied by a moderate increase in the unemployment rate, from 4.0 percent to 4.5 percent. In contrast, the other three regions—the South, Midwest, and West—all had small declines in their unemployment rates. (See table 1.)

The reversal of the "New England economic miracle" in the early 1990's has been dramatic. During most of the 1980's, the New England economy expanded very rapidly, with marked job growth taking place in construction, high-technology manufacturing, services, and finance, insurance, and real estate. Total nonfarm payroll employment rose 3 percent in 1987, with construction jobs increasing nearly 11 percent and finance, in-

Table 1. **Employment status by census region and division, annual averages, 1989–92, and seasonally adjusted quarterly averages, 1992**

[Numbers in thousands]

Census region and division	Annual average				Quarterly average			
					1992			
	1989	1990	1991	1992	I	II	III	IV
Northeast								
Civilian noninstitutional population	39,304	39,348	39,409	39,490	39,458	39,472	39,496	39,533
Civilian labor force	25,528	25,668	25,566	25,589	25,554	25,546	25,573	25,688
Employment	24,387	24,299	23,716	23,518	23,582	23,468	23,412	23,618
Unemployment	1,141	1,369	1,850	2,071	1,973	2,077	2,162	2,070
Unemployment rate	4.5	5.3	7.2	8.1	7.7	8.1	8.5	8.1
New England:								
Civilian noninstitutional population	10,099	10,131	10,168	10,211	10,195	10,203	10,216	10,230
Civilian labor force	7,001	7,046	7,033	7,062	7,053	7,002	7,062	7,128
Employment	6,730	6,647	6,474	6,500	6,520	6,440	6,506	6,539
Unemployment	271	399	560	562	533	562	556	589
Unemployment rate	3.9	5.7	8.0	8.0	7.6	8.0	7.9	8.3
Middle Atlantic:								
Civilian noninstitutional population	29,205	29,217	29,241	29,279	29,263	29,268	29,281	29,303
Civilian labor force	18,527	18,622	18,533	18,527	18,501	18,544	18,512	18,560
Employment	17,657	17,652	17,243	17,018	17,061	17,029	16,906	17,079
Unemployment	870	970	1,290	1,509	1,440	1,515	1,606	1,481
Unemployment rate	4.7	5.2	7.0	8.1	7.8	8.2	8.7	8.0
South								
Civilian noninstitutional population	63,658	64,346	65,061	65,808	65,525	65,701	65,897	66,110
Civilian labor force	41,749	42,098	42,434	43,098	42,883	43,213	43,194	43,149
Employment	39,377	39,723	39,618	40,011	39,689	40,099	40,057	40,200
Unemployment	2,373	2,375	2,816	3,088	3,195	3,114	3,138	2,949
Unemployment rate	5.7	5.6	6.6	7.2	7.5	7.2	7.3	6.8
South Atlantic:								
Civilian noninstitutional population	32,592	33,069	33,559	34,066	33,873	33,995	34,126	34,267
Civilian labor force	21,589	21,869	22,075	22,440	22,280	22,471	22,497	22,495
Employment	20,555	20,739	20,669	20,847	20,589	20,898	20,852	21,008
Unemployment	1,034	1,130	1,406	1,592	1,691	1,574	1,645	1,487
Unemployment rate	4.8	5.2	6.4	7.1	7.6	7.0	7.3	6.6
East South Central:								
Civilian noninstitutional population	11,516	11,575	11,640	11,710	11,683	11,698	11,718	11,740
Civilian labor force	7,184	7,239	7,236	7,304	7,194	7,280	7,378	7,369
Employment	6,730	6,795	6,710	6,791	6,682	6,757	6,866	6,868
Unemployment	454	444	526	513	512	524	512	501
Unemployment rate	6.3	6.1	7.3	7.0	7.1	7.2	6.9	6.8
West South Central:								
Civilian noninstitutional population	19,550	19,702	19,863	20,033	19,968	20,008	20,053	20,103
Civilian labor force	12,976	12,990	13,123	13,355	13,409	13,461	13,320	13,285
Employment	12,092	12,189	12,239	12,372	12,418	12,445	12,339	12,325
Unemployment	884	801	884	983	991	1,017	981	961
Unemployment rate	6.8	6.2	6.7	7.4	7.4	7.6	7.4	7.2
Midwest								
Civilian noninstitutional population	45,345	45,507	45,689	45,895	45,815	45,860	45,916	45,988
Civilian labor force	30,775	30,818	30,869	31,269	31,222	31,262	31,450	31,220
Employment	29,123	29,100	28,892	29,228	29,164	29,092	29,378	29,344
Unemployment	1,651	1,718	1,977	2,041	2,058	2,170	2,072	1,876
Unemployment rate	5.4	5.6	6.4	6.5	6.6	6.9	6.6	6.0
East North Central:								
Civilian noninstitutional population	31,966	32,085	32,218	32,367	32,309	32,342	32,382	32,434
Civilian labor force	21,516	21,459	21,402	21,729	21,655	21,759	21,890	21,659
Employment	20,280	20,174	19,902	20,146	20,050	20,097	20,261	20,219
Unemployment	1,236	1,285	1,500	1,583	1,605	1,663	1,629	1,440
Unemployment rate	5.7	6.0	7.0	7.3	7.4	7.6	7.4	6.6
West North Central:								
Civilian noninstitutional population	13,379	13,422	13,471	13,528	13,506	13,519	13,534	13,554
Civilian labor force	9,259	9,359	9,467	9,540	9,567	9,503	9,560	9,561
Employment	8,843	8,926	8,990	9,082	9,115	8,995	9,117	9,125
Unemployment	416	433	477	458	453	507	444	437
Unemployment rate	4.5	4.6	5.0	4.8	4.7	5.3	4.6	4.6

Table 1. **Continued—Employment status by census region and division, annual averages, 1989–92, and seasonally adjusted quarterly averages, 1992**

[Numbers in thousands]

Census region and division	Annual average				Quarterly average			
					1992			
	1989	1990	1991	1992	I	II	III	IV
West								
Civilian noninstitutional population	38,106	38,847	39,605	40,383	40,091	40,277	40,477	40,688
Civilian labor force	25,843	26,203	26,433	27,025	26,845	26,948	27,170	27,145
Employment	24,476	24,791	24,650	24,841	24,714	24,865	24,951	24,820
Unemployment	1,367	1,413	1,783	2,184	2,130	2,083	2,219	2,326
Unemployment rate	5.3	5.4	6.7	8.1	7.9	7.7	8.2	8.6
Mountain:								
Civilian noninstitutional population	9,791	9,924	10,061	10,204	10,151	10,183	10,220	10,260
Civilian labor force	6,622	6,744	6,775	6,868	6,892	6,887	6,837	6,887
Employment	6,258	6,392	6,396	6,427	6,434	6,439	6,403	6,457
Unemployment	364	352	379	442	458	448	434	430
Unemployment rate	5.5	5.2	5.6	6.4	6.6	6.5	6.3	6.2
Pacific:								
Civilian noninstitutional population	28,315	28,923	29,544	30,180	29,940	30,094	30,257	30,428
Civilian labor force	19,221	19,460	19,658	20,157	19,953	20,061	20,333	20,258
Employment	18,218	18,399	18,254	18,415	18,280	18,426	18,548	18,363
Unemployment	1,003	1,060	1,404	1,742	1,673	1,635	1,785	1,895
Unemployment rate	5.2	5.4	7.1	8.6	8.4	8.2	8.8	9.4

surance, and real estate more than 7 percent. The surge in the New England construction industry was fueled by more than 100,000 new housing units in both 1986 and 1987, following a steady rise from only 38,000 in 1982.[3]

The rapid growth in employment in New England contributed to very low unemployment rates—3.3 percent in 1987 and only 3.1 percent in 1988—far lower than that in any of the other eight census divisions. However, the expansion in New England began to slow in 1988, and by 1989, the economy was stagnant.

Employment in New England peaked in early 1989 and then started a steady and prolonged decline. At the same time, the unemployment rate was rising, from slightly more than 3 percent in early 1989 to 4-1/2 percent by year's end, to almost 7 percent by the fourth quarter of 1990. Nearly 1 in 5 jobs in the construction industry was lost between 1989 and 1990, and less severe reductions took place in manufacturing, wholesale and retail trade, mining, and finance, insurance, and real estate. Other industries, such as transportation and public utilities and services, had positive, but much slower, employment growth than in the mid-1980's.

The sheer magnitude of the collapse of the New England construction industry was notable. In reaction to the overbuilding of the 1980's, the number of new housing starts dropped from its peak of 112,000 units in 1986 to about 36,000 in 1990, slightly below the 1982 low. Nonresidential construction had also slowed dramatically in the late 1980's. The value of nonresidential contracts peaked in 1987 at $3.1 billion; by 1990, the value had fallen to $1.3 billion in 1987 dollars.

Manufacturing employment in New England fell by about 6 percent between 1989 and 1990, with most of the drop coming in the durable goods industries. Massachusetts and Connecticut, which account for almost three-fourths of all durable goods employment in New England, had combined employment losses of about 7 percent during the period. The largest drops occurred in industrial machinery and electronic equipment (about 9 percent in each); smaller losses took place in transportation equipment and fabricated metal products.[4]

As the economy weakened in New England, industries such as trade and finance, insurance, and real estate also turned downward. Trade employment (wholesale and retail combined) dropped about 5 percent in 1990, while finance, insurance, and real estate experienced a modest decline, ending the strong job growth seen in the industry during most of the 1980's.[5]

The expansion lasted a bit longer in the Mid-Atlantic division, which consists of New York, New Jersey, and Pennsylvania. Total employment in these States reached its peak in the first quarter of 1990 (roughly a year after it peaked in New England) and by year's end had dropped nearly 2 percent. From early 1988 until late 1989, the division's unemployment rate remained below 5 percent, but it reached 5.8 percent in the fourth quarter of 1990. As in New England, the construction and manufacturing industries suffered the greatest job losses between 1989 and 1990, while

employment in trade declined slightly. Services, transportation and public utilities, and government all experienced small job gains in this same period.

Nonfarm job growth in other sections of the country continued at a fairly strong pace throughout 1989 and much of 1990. In 1990, payroll employment grew by about 3-1/2 percent in the West South Central and Mountain divisions. Both divisions were still rebounding from the energy and natural-resource-based downturns that had plagued them in the middle to late 1980's. In the West South Central States, employment climbed about 6 percent in construction and services in 1990; in the Mountain States, employment rose strongly in mining and services. (See table 2.)

Gains in payroll employment in 1990 were much smaller in the Midwest and parts of the South than they had been in the 1987–89 period. In both divisions of the Midwest, as well as in the South Atlantic and East South Central divisions, employment increases slowed to 1-1/2 to 2 percent in 1990 from about 3 percent or more in 1988 and 1989. The slowdown was marked in the South Atlantic, where job growth dropped from more than 4 percent in 1988 to 3 percent in 1989 and to less than 2 percent in 1990.

A spreading, deepening recession: 1991

The recession that hit New England as early as 1989 continued to deepen during 1990 and 1991, at the same time spreading to other parts of the country. The New England unemployment rate increased from 5.7 percent to 8.0 percent between 1990 and 1991. Nonfarm job losses occurred in all parts of New England's economy, with employment dropping about 5 percent in 1991, following a 3-percent reduction the previous year. As is common during recessions, construction and manufacturing were the hardest hit industries. In New England, both industries experienced large job losses for the second straight year.

The uncommonly poor performance of the service-producing industries in the early 1990's distinguishes that period from other recessionary periods.[6] The phenomenon was especially evident in New England. Trade, which was hurt by sluggish retail sales between 1990 and 1991, lost more than 100,000 jobs (about 7 percent). Job growth in services had slowed but always remained positive during previous recessions, but between 1990 and 1991, New England actually lost almost 50,000 jobs in the service industry.

Table 2. **Percent change in private nonfarm wage and salary employment in selected industry divisions, 1989–92**

Census division	1989–90	1990–91	1991–92	1989–90	1990–91	1991–92	1989–90	1990–91	1991–92
	Total nonfarm			Manufacturing			Construction		
New England	–3.2	–5.1	–2.1	–6.2	–6.5	–3.8	–18.4	–21.2	–9.9
Middle Atlantic	–.3	–3.3	–2.0	–4.4	–5.6	–3.7	–5.5	–13.3	–9.4
East North Central	1.5	–1.3	.0	–1.2	–3.7	–.4	2.7	–7.2	–.9
West North Central	2.1	–.1	.8	.6	–2.2	–.6	3.3	–3.7	1.6
South Atlantic	1.8	–2.0	–.3	–1.5	–4.2	–.7	–2.2	–13.7	–7.3
East South Central	1.9	–.2	.8	.1	–2.2	.6	.9	–5.7	–1.8
West South Central	3.6	1.1	1.1	2.1	–.5	–.2	6.1	2.6	1.3
Mountain	3.4	1.6	1.6	.9	–3.2	–1.9	2.6	–.9	6.2
Pacific	2.6	–1.8	–1.0	–.8	–4.7	–3.8	2.7	–11.5	–5.7
	Trade			Finance, insurance, and real estate			Services		
New England	–5.0	–7.0	–3.1	–1.0	–3.4	–2.6	.3	–2.6	.5
Middle Atlantic	–1.5	–4.2	–2.9	–.6	–2.9	–1.5	2.4	–1.3	.1
East North Central	1.1	–1.3	–.6	1.9	.3	.1	3.8	.6	1.4
West North Central	1.0	–.5	.2	2.3	.5	.4	4.0	1.5	2.3
South Atlantic	.5	–2.9	–1.4	1.0	–1.7	–1.4	4.8	.6	1.6
East South Central	6.1	–.6	.9	.8	.1	–.1	4.2	2.6	2.4
West South Central	1.7	.8	.7	–.1	–.8	.5	6.4	1.9	2.8
Mountain	2.6	1.7	1.5	1.7	.6	1.4	5.5	3.6	2.4
Pacific	1.9	–2.5	–1.5	1.5	–1.4	–1.0	4.7	.6	.8

NOTE: Data represent percent changes of 1989–90 and 1990–91 annual averages and of 1991–92 January–November averages.

Also, real estate-related businesses and banks were hurt by the falloff in both residential and commercial building. As the real estate market slumped and construction weakened, banks which had loaned money to builders found that a growing number of their loans were turning bad. In the fourth quarter of 1991, 49 percent of the commercial banks in New England lost money.[7] These developments resulted in the loss of about 3-1/2 percent of the jobs in finance, insurance, and real estate.

The recession spread next to the Middle Atlantic and the Pacific divisions, giving it a "bicoastal" cast. The unemployment rate in the Middle Atlantic States rose from 5.2 percent in 1990 to 7.0 percent in 1991, and total employment dropped about 400,000. In the Pacific division, the unemployment rate rose steadily throughout 1991, to 7.4 percent in the fourth quarter from its 1990 average of 5.4 percent, and employment growth came to a halt.

Nonfarm payroll job losses were large and widespread in both the Mid-Atlantic and Pacific States. Overall, payroll employment dropped 3.3 percent in the Middle Atlantic division between 1990 and 1991, with all major industries experiencing cutbacks. Again, construction and manufacturing industries were the most severely affected, but, as in New England, employment losses also took place in the service-producing sector. Total trade employment decreased about 4 percent, partly reflecting flat retail sales[8] and consolidation and bankruptcies of department stores. Employment in finance, insurance, and real estate, which had grown strongly during most of the 1980's, edged down in 1990 and then fell about 3 percent in 1991. The services industry, which experienced large gains throughout the 1980's, slowed in 1990 and then actually lost 60,000 jobs between 1990 and 1991. The Middle Atlantic division joined New England as the only divisions with declines in service industry jobs in 1991.

Job losses in the Pacific States were not as severe as in the Northeast. Overall, the Pacific division lost 300,000 jobs between 1990 and 1991, a drop of 1.8 percent. While losses occurred in most industries, the largest decreases again took place in construction and manufacturing. Trade and finance, insurance, and real estate lost jobs as well. Job growth in the services industry came to a virtual halt in 1991, after the industry had added more than 200,000 jobs (a 4.7-percent rise) between 1989 and 1990. Like the Northeast, the Pacific division's problems reflected a downturn in real estate, a weakening in financial services, and cutbacks in defense industries. California, which dominates the division, was especially hard hit in the real estate and financial services sectors. Moreover, Alaska, Hawaii, and Washington, as well as California, were heavily dependent on defense-related activity.[9]

While both coasts were being hit with severe and pervasive job losses, the center of the country sidestepped the most serious effects of the recession. Job markets in the States between the Mississippi River and the Pacific coast (West North Central, West South Central, and Mountain divisions) were the least affected by the recession; unemployment rates in these three interior divisions rose only slightly (around one-half percentage point) from 1990 rates. In the West North Central States, the 1991 unemployment rate was 5.0 percent, much lower than the rates in the other eight divisions.

The relatively strong economic performance of States in this part of the country, compared with the huge slowdowns in the Northeast and on the west coast, stems partly from the difficulties these States had in the 1985–87 period. While the coastal economies surged after the 1980 and 1981–82 recessions, the natural-resource-based States of the West South Central and Mountain divisions experienced a substantial downturn.[10] States dependent on oil and gas production, such as Texas, Louisiana, Oklahoma, Wyoming, and Colorado, were hurt severely by a plunge in oil and natural gas prices in the mid-1980's. (Annual average oil prices dropped from $24 to $12 per barrel between 1985 and 1986 and even fell to $9 per barrel in July 1986.[11] By contrast, many forecasters had expected prices to reach $50 per barrel.)

The effect of these price reductions was widespread. In 1986, consumer confidence in the West South Central division was lower than it had been during the 1981–82 recession. In the Mountain States, it hit a 5-year low in 1987.[12] New housing starts in the West South Central division plunged from 360,000 in 1983 to about 60,000 in 1988. The Mountain division went through a similar, though less severe, reduction in new housing starts. The value of nonresidential construction also dropped by large amounts in both divisions.

Unemployment in the two divisions increased dramatically during the mid-1980's. The rate in the West South Central States jumped from 7.0 percent in 1984 to 9.5 percent in 1986. In the Mountain States, the rate increased from 6.2 percent in 1984 to approximately 8 percent in late 1986 and the beginning of 1987. Both labor markets bottomed out during the 1986–87 period.

By the end of 1989, however, conditions had changed. With oil prices rising, consumer confidence was up considerably, reflected in improving retail sales and housing starts that no longer were falling. The States in the West South Central and Mountain divisions had gone through the stream-

lining that recession often imposes, and they were starting to forge a recovery. Thus, when the overall U.S. economy entered the recession, and most of the rest of the country began cutting back to increase efficiency, the West South Central and Mountain States had essentially been through that process.

Payroll employment figures illustrate graphically that the three interior divisions fared relatively well in 1990 and 1991. Employment on nonfarm payrolls was flat in the West North Central States between 1990 and 1991, after having risen slightly the previous year. In the other two divisions, payroll employment actually increased slightly between 1990 and 1991. But these increases were down considerably from the 3.5-percent growth the divisions posted between 1989 and 1990.

Mixed developments: 1992

Following 3 years of sharp deterioration, the labor market in New England bottomed out in late 1991 and was essentially unchanged in 1992. In contrast, most of the rest of the country—especially the Pacific and Mid-Atlantic States—continued to feel the effects of the recession. Even the central parts of the country, which had held up fairly well during 1990 and 1991, weakened somewhat in 1992.

More than 1-1/2 years after the official end of the recession,[13] both coasts continued to be severely affected. The unemployment rate in the Northeast, at 8.1 percent in the fourth quarter of 1992, was up sharply from 5.0 percent in the second quarter of 1990, just before the start of the recession. However, labor market developments in the two divisions that comprise the Northeast differed markedly in 1992 from what they were in the 1989–90 period. In New England, employment held steady in 1992, following declines the previous 2 years. Moreover, after 3 years of marked increases, the unemployment rate remained unchanged in 1992. In contrast, in the Mid-Atlantic States, employment continued to fall during 1992, and the unemployment rate rose to 8.7 percent in the third quarter, before easing off to 8.0 percent in the last quarter. Both New York and New Jersey had jobless rates above 9 percent for several months in mid-1992, but by the fourth quarter, they had fallen to about 8-1/2 percent.

In the Pacific States, employment was little changed for the third year in a row in 1992, but unemployment rose rapidly. In the fourth quarter of 1992, the unemployment rate in the division averaged 9.4 percent, by far the highest of the nine census divisions. The deterioration was most marked in California, where the unemployment rate averaged 9.9 percent in the fourth quarter, up from 7.5 percent in 1991 and only 5.1 percent in 1989.

With the national economy failing to sustain a strong recovery, unemployment began to rise slightly in the central parts of the country as well. For example, the jobless rate in the heavily industrialized East North Central States, which had remained close to 7 percent throughout most of 1991, rose to about 7-1/2 percent in the first three quarters of 1992 and then declined to 6.6 percent in the fourth quarter. Even the Mountain and the West South Central States experienced moderate unemployment increases between 1991 and 1992. Only the largely agrarian West North Central States remained relatively immune, with an unemployment rate averaging 5 percent in the first half of 1992 and dipping to 4.6 percent in the third and fourth quarters.

Payroll employment increased slightly in four divisions in 1992 (based on January–November averages), and decreases in the other divisions were smaller in 1992 than in 1991. New England is a prime example of the latter phenomenon: total nonfarm employment fell by about 5 percent between 1990 and 1991, but the year-to-year decrease slowed to 2 percent in 1992. Job losses in construction, which had been massive in both 1990 and 1991, moderated in 1992. Permits for new housing starts were up 22 percent in the first 9 months of 1992, compared with the same period in 1991, although the 1991 level was less than half of the record highs reached in the mid- and late 1980's. Employment reductions in trade slowed, partly reflecting a small increase in retail sales in the first half of 1992. In contrast, retail sales (in nominal dollars) had remained virtually unchanged in New England between 1989 and 1991.[14]

In sum, then, no division of the country experienced robust gains in nonfarm employment. In addition to New England, the Mid-Atlantic, South Atlantic, East North Central, and Pacific States all had smaller job decreases in 1992, and the other four divisions actually had small job gains. Furthermore, most regional jobless rates in the second half of the year were at or near their highest points since the recession began. The notable exception was the West North Central States, where jobless rates in the second half of 1992 were down somewhat from highs earlier in the recession.

Two recessions, different patterns

As noted, the recession of the early 1990's had its greatest impact on the two coasts—first (and longest) in the Northeast and then on the west coast. In contrast, the 1981–82 recession hit hardest in the central part of the country, especially the industrial heartland of the East North Central and East South

Table 3. **Annual average unemployment rates by census division, just before the last two recessions and 3 years later**

Census division	1979	1982	1989	1992
United States	5.8	9.7	5.3	7.4
New England	5.4	7.8	3.9	8.0
Mid-Atlantic	7.0	9.4	4.7	8.1
South Atlantic	5.5	8.7	4.8	7.1
East South Central	6.1	12.1	6.3	7.0
West South Central	4.7	7.5	6.8	7.4
East North Central	5.5	12.5	5.7	7.3
West North Central	6.1	7.8	4.5	4.8
Mountain	5.0	8.7	5.5	6.4
Pacific	6.4	10.2	5.2	8.6

Central divisions. The highest unemployment rates in 1982 and 1983 were concentrated in a band of States just east of the Mississippi and running from the Great Lakes south to the Gulf of Mexico.[15] In 1992, by contrast, the highest jobless rates were on the Pacific coast—especially California—and in the Mid-Atlantic States.

For the Nation as a whole, the 1981–82 recession was sharper and deeper than the recession a decade later. But there were some comparable aspects. For example, the construction industry lost jobs at a similar pace in both downturns. Manufacturing employment, however, was hit much harder in the early 1980's than in the early 1990's. The employment changes in the early 1980's represented, for the most part, a classic goods-producing recession, and the effects of this recession therefore devastated the heavily industrialized parts of the country. The unemployment rate in the East North Central States jumped from 5.5 percent to 12.5 percent between 1979 and 1982. Similarly, in the heavy manufacturing States of the East South Central division, the rate rose from 6.1 to 12.1 percent. (See table 3.)

During and after the recessions of the early 1980's, many businesses in the "rust belt" States went through painful restructuring and downsizing. These States also experienced outmigration, as workers moved to regions that they felt afforded better opportunities.[16] As a result of the changes, States in the industrial heartland (the East North Central and East South Central divisions) were better positioned to weather the latest downturn than they had been a decade earlier. Unemployment rates in these divisions, which had doubled in the early 1980's, rose by about 1 to 1-1/2 percentage point between 1989 and 1992.

Unlike the 1980's, the recession of the early 1990's was severe in the service-producing sector. Trade, finance, insurance, and real estate, and the service industries all had moderate to substantial employment gains from 1979 to 1982, but not in the early 1990's. Employment in trade decreased markedly in the latter period, while employment in finance, insurance, and real estate was virtually unchanged. Moreover, in the early 1990's, the service industries grew at only about half the pace of the early 1980's.

IN CONCLUSION, the plunge in real estate prices and construction activity, severe problems in the banking and savings and loan industries, increased debt, and the resulting cutback in consumer spending all contributed to the recession of the early 1990's. The concentration of the finance, insurance, and real estate and the construction sectors on the two coasts and cutbacks in defense industries are the major reasons that the recession of the early 1990's hit hardest in the Northeast and the Pacific coast States. □

Footnotes

[1] The States (and the District of Columbia) that make up the four census regions and nine divisions are as follows:

Northeast
New England
Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont
Middle Atlantic
New Jersey
New York
Pennsylvania

South
South Atlantic
Delaware
District of Columbia
Florida
Georgia
Maryland
North Carolina
South Carolina
Virginia
West Virginia
East South Central
Alabama
Kentucky
Mississippi
Tennessee
West South Central
Arkansas
Louisiana
Oklahoma
Texas

Midwest
East North Central
Illinois
Indiana
Michigan
Ohio
Wisconsin
West North Central
Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

West
Mountain
Arizona
Colorado
Idaho
Montana
Nevada
New Mexico
Utah
Wyoming
Pacific
Alaska
California
Hawaii
Oregon
Washington

[2] The two primary sources of data are the Current Population Survey (CPS) of about 60,000 households and the Current Employment Statistics (CES) survey of about 350,000 nonfarm establishments. State data from the CES are not cur-

rently available on a seasonally adjusted basis; therefore, the first two sections of this article utilize CES annual averages, while the third section uses January–November averages for 1991 and 1992.

[3] Data on housing units and the value of nonresidential construction are from the Bureau of the Census Building Permit Survey and are based on special tabulations of published data from the C–40 series. Data on the number of units actually started are not available at the census division level. However, nearly all units authorized by permit become starts.

[4] Not all New England States publish data for these four durable goods industries, due to BLS or State agency disclosure standards. Therefore, the employment changes cited refer only to Massachusetts and Connecticut.

[5] See Edward Moscovitch, "The Downturn in the New England Economy: What Lies Behind It?" *New England Economic Review*, July/August 1990, pp. 53–65.

[6] See Joseph R. Meisenheimer II, Earl F. Mellor, and Leo G. Rydzewski, "Job market slid in early 1991, then struggled to find footing," *Monthly Labor Review*, February 1992, pp. 3–17.

[7] Data obtained from the Federal Deposit Insurance Corporation (FDIC). The 49-percent figure refers to the number of FDIC-insured commercial banks reporting negative net income for the fourth quarter, 1991, and is a combined total for the six New England States.

[8] U.S. Bureau of the Census, Current Business Reports, Series BR/91–RV, *Revised Monthly Retail Sales and Inventories, January 1982 through December 1991*, and *Monthly Retail Trade, Sales and Inventories, June 1992*.

[9] Based on these States' defense share of employment in 1991. See *After the Cold War: Living with Lower Defense Spending*, OTA–ITE–524 (Office of Technology Assessment, February 1992), p. 158.

[10] For a discussion of regional conditions at this time, see Richard M. Devens, Jr., "A movable beast: changing patterns of regional unemployment," *Monthly Labor Review*, April 1988, pp. 60–62.

[11] First purchase price per barrel of crude petroleum. See *Historical Monthly Energy Review, 1973–1988*, DOE/EIA–0035(73–88) (Energy Information Administration, September 1991), p. 213.

[12] Index of Consumer Confidence, as measured by The Conference Board, New York, NY.

[13] The National Bureau of Economic Research identified July 1990 as the peak month of the business cycle, that is, the official start of the recession, and March 1991 as the trough month, or end, of the recession.

[14] U.S. Bureau of the Census, *Revised Monthly Retail Sales* and *Monthly Retail Trade*.

[15] See Susan Elizabeth Shank, "Changes in regional unemployment over the last decade," *Monthly Labor Review*, March 1985, pp. 17–23.

[16] For indepth analyses of developments in the Midwest, see various issues of the *Chicago Fed Letter*—in particular, "The ordeal of change: Working it out in the Midwest," September 1987; and "Midwest manufacturing: Shining up the Rustbelt," April 1989.