Five American Cities Back From the Dead

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The Great Recession was hard on most of the country, but few areas were hit harder than the rust belt. Since the end of the recession, however, many of the region's cities have rallied, adding jobs as their economies improve.

Based on a review of data published by the Bureau of Labor Statistics, 24/7 Wall St. identified five cities that had some of the worst unemployment rates before and during the recession but also some of the most dramatic recoveries in recent years.

As recently as 2010, the unemployment rates in these five cities were exceptionally high, even when compared to the national unemployment rate of nearly 10%. In Muskegon, Michigan, for example, 13.5% of the workforce was unemployed in 2010, among the worst rates in the nation. In Kokomo, Indiana, the unemployment rate exceeded 12%.

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As of August, however, the unemployment rates of all of these cities were less than or equal to the national unemployment rate of 6.1%. In Kokomo, the unemployment rate was 5.7%, or 8.8 percentage points lower than its former peak rate. Similarly, the unemployment rate in Indianapolis fell from a high of 11.3% in 2010 to just 6.1% this August.

These metro areas have also had a broad resurgence in economic activity. Nationwide, economic output fell by 1.9% between 2006 and 2009 and rebounded by 8.2% from 2009 through last year. By comparison, real gross metropolitan product (GMP) in Toledo, Ohio fell by 6.5% from 2006 through 2009, and rose by 9.4% in the four years that followed. No metro area has had larger swings in economic output than Kokomo. From 2006 to 2009, Kokomo's GMP shrank at a compounded annual rate of more than 15%, or by a total of more than 40% in that time. From 2009 to 2013, however, Kokomo's GMP rose at a compounded annual rate of roughly 12.7% — for a total increase of more than 61%.

One major reason for the resurgence in these areas has been a growth in manufacturing jobs. From 2009 to 2013, manufacturing employment in Toledo and Indianapolis rose by more than 9%. In Kokomo, employment in the sector was up 7% in that time. A number of developments in recent years have contributed to manufacturing growth. For one, President Barack Obama has championed manufacturing through the White House's Advanced Manufacturing Partnership, which aims to foster innovation and improve the business climate for manufacturers. Another development was the drop in natural gas prices, which has lowered manufacturing costs for a broad range of products.

The revitalization of the car industry has also been a boon to most of these cities. Each of the five metro areas reviewed is located in one of three states: Indiana, Michigan, or Ohio. All of these states are home to a large number of automotive industry jobs. According to the Alliance of Automobile Manufacturers, a trade group representing some of the largest carmakers in the industry, nearly 22% of Michigan's job force works for an automaker, supplier, or dealer. In Ohio and Indiana, 12.4% and 13.9% of workers do, respectively. These three states alone account for nearly a third of all automotive sector jobs in the U.S.

To determine the five metro areas that are back from the dead, 24/7 Wall St. looked at unemployment rates from the Bureau of Labor Statistics (BLS). To be considered, a metro area had to have an unemployment rate of at least 6.0% in 2006, or roughly 30% above the national average. By 2010, unemployment must have risen to at least 11% before recovering to an unemployment rate equal to or below the national average of 6.1% in August. The labor force also could not have contracted more than 2.8% between 2010 and 2014. We reviewed average weekly wages by metro area through August 2014. For job growth data, we used three month moving averages.

In addition to BLS figures, we reviewed annual economic output data from the Bureau of Economic Analysis through 2013. From the U.S. Census Bureau, we looked at median home values, educational attainment, poverty rates, and the percent of employees by industry. Census Bureau data are as of 2013.

Here are five cities that are back from the dead.

Toledo, Ohio
> **Decline from peak:** 6.6 percentage points
> **Peak unemployment:** 12.2%
> **Unemployment, August:** 5.6%
> **GMP change, 2009-2013:** 9.4%

Toledo's unemployment rate rose by more than six percentage points between 2006 and 2009, peaking at 12.2%. By comparison, the national unemployment rate rose 4.7 percentage points over the same period, from 4.6% to 9.3% . As unemployment rose, economic output fell. In fact, GMP dropped by more than 6.5% between 2006 and 2009, well below the nation's 1.9% decline. However, the unemployment rate in Toledo soon began to fall. In August, just 5.6% of the metro area's labor force was unemployed, making Toledo's drop in unemployment rate one of the largest in the country over that period.

Toledo's recovery is likely attributable to the rebound in manufacturing jobs. In 2009, nearly one in 10 manufacturing jobs was lost. But since 2011, manufacturing employment growth has hovered near 2% annually. The return of manufacturing jobs also helps explain the 17.9% increase in average weekly wages between 2010 and 2013. By 2013, manufacturing workers in Toledo earned nearly twice as much as average manufacturing employee in the U.S., on average. However, many Toledo residents are still struggling. In 2013 19.5% of residents lived below the poverty line, nearly four percentage points above the national rate of 15.8%.

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Muskegon, Mich.
> **Decline from peak:** 8.4 percentage points
> **Peak unemployment:** 14.5%
> **Unemployment, August:** 6.1%
> **GMP change, 2009-2013**: 11.7%

Muskegon's unemployment rate peaked at 14.5% in 2009 before falling to 6.1% in August. This 8.4 percentage point drop was the third largest drop in the country during that period. As the unemployment rate fell, the labor force grew modestly, at 0.7% between August 2010 and August 2014, further reinforcing the strength of Muskegon's rebound. Employment growth in the financial and manufacturing sectors, which together accounted for nearly 30% of Muskegon's workforce, likely drove the area's rebound. In 2012 and 2013, employment in finance grew by more than 6% a year, while manufacturing employment grew around 4% annually. While employment growth in the financial sector has recently slowed, job growth in the manufacturing sector has surged. The number of jobs in the manufacturing sector has risen by nearly 5% since the beginning of 2014.

Indianapolis-Carmel-Anderson, Ind.
> Decline from peak: 5.2 percentage points
> Peak unemployment: 11.3%
> Unemployment, August: 6.1%
> GMP change, 2009-2013: 9.9%

As the host of the Indianapolis 500 for over 100 years, the Indianapolis metro area has been associated with the automotive industry since its early days. When the automobile industry began falling apart in 2008, Indianapolis's fortunes waned as well. In 2009, employment in two of the metro area's largest sectors — manufacturing and trade, transportation, and utilities — shrunk 13% and 5%, respectively. Between 2007 and 2010, average weekly wages fell 7% and unemployment rose by nearly five percentage points, from 6.4% to 11.3%.

Since then, the Indianapolis economy and job market have improved, driven partially by growth in manufacturing employment. The area's unemployment rate was 6.1% in August, equal to the national rate. The recovery is even more evident in the area's rise in wages, which grew nearly 14% between 2010 and 2014.

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Battle Creek, Mich.
> Decline from peak: 6.0 percentage points
> Peak unemployment: 11.5%
> Unemployment, August: 5.5%
> GMP change, 2009-2013: 7.9%

Food giant Kellogg's decision to move some of the employees from its headquarters in Battle Creek to nearby Grand Rapids, Michigan, may be one reason employment in the area fell significantly during the recession. However, there were sources of new jobs as well. The 15% decline in trade, transportation, and utilities jobs in late 2009 was nearly offset by the rise in public administration employment. Interestingly, this surge can be largely attributed to 1,500 new jobs at FireKeepers Casino. Because the casino is run by a sovereign Native American tribe, its workers are classified as government employees. Employment growth in the public administration and trade, transportation, and utilities sectors has stabilized in recent years. Further, employment in the leisure and hospitality sector surged, increasing by more than 15% at the end of 2012.

Kokomo, Ind.
> Decline from peak: 8.8 percentage points
> Peak unemployment: 14.5%
> Unemployment, August: 5.7%
> GMP change, 2009-2013: 61.3%

Much like Indianapolis, Kokomo's economy is closely tied to the auto industry. When U.S. car production slumped in 2008 and 2009, employment in Kokomo's manufacturing sector collapsed by more than 10%. With nearly one in four Kokomo residents working in the manufacturing sector, the area was hit hard, with unemployment reaching 14.5% in 2009. As car production and manufacturing picked up, the area's unemployment rate dropped precipitously from 14.5% in 2009 to 5.7% as of August. This was the second largest percentage point drop in the country during that time.

Large drops in the unemployment rate are often due to people leaving the labor force. In Kokomo, however, the labor force grew 5.5% between August 2010 and August 2014, further strengthening the area's recovery. Economic output tells a similar story of the area's recent volatility. Between 2006 and 2009, GMP fell by more than 40% in the region before rebounding by over 60% between 2009 and 2013. Not all of the news is good, however. Between 2007 and 2014, average weekly wages in Kokomo collapsed roughly 50%, as jobs that once offered a living wage returned, but paying less than they had historically.

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