

W. Frank Barton School of Business

Center for Economic Development and Business Research

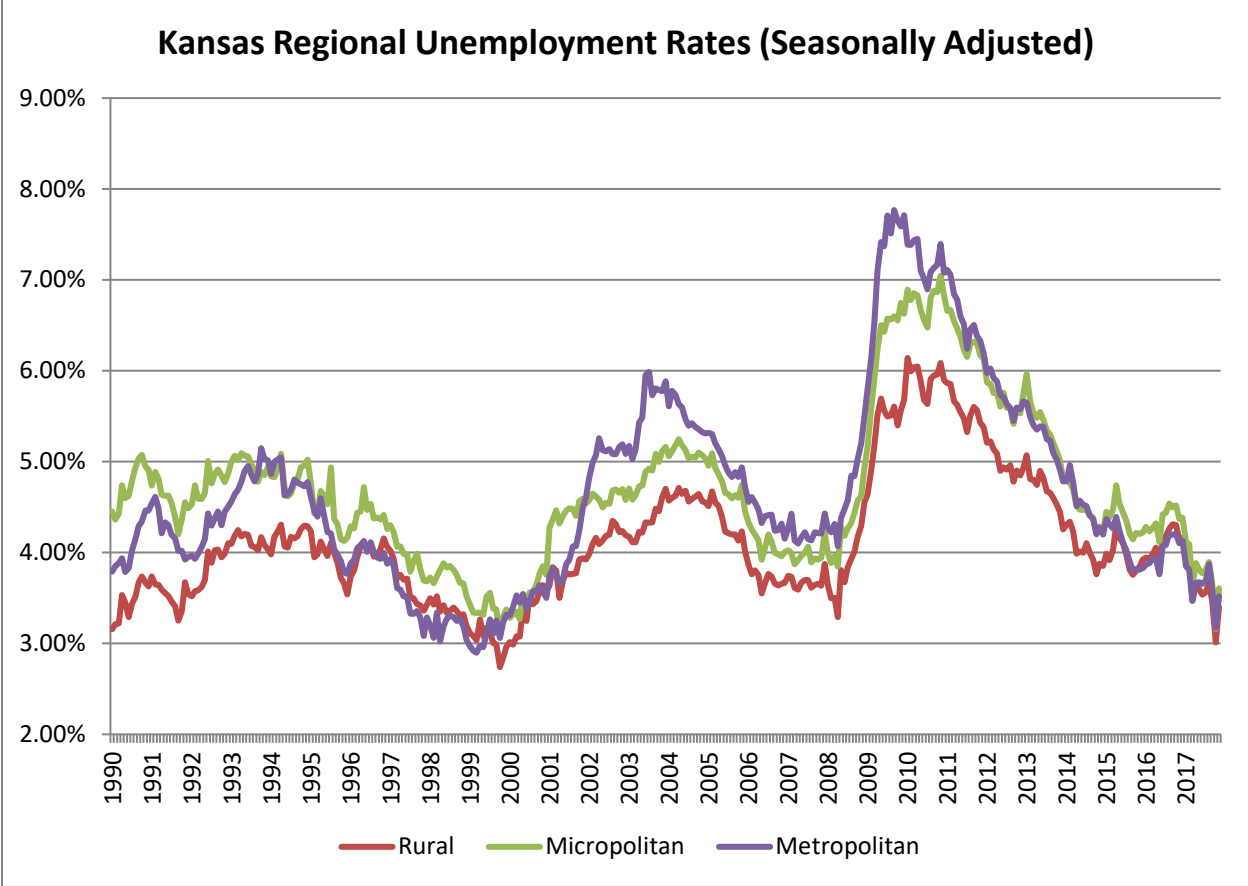
Analysis of Kansas Metropolitan & Rural Unemployment Rates



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In Kansas, the unemployment rate has declined for the past seven years, reaching a low of 3.7 percent in 2017 after peaking at 7.1 percent in 2010. Throughout this expansion, Kansas has consistently had a lower unemployment rate than the national average. However, there has been substantial regional variation within both Kansas and the U.S. in the change in unemployment rates. Recent research has shown that U.S. unemployment rates have declined more rapidly in metropolitan areas than rural areas during the most recent expansion. In 2017, the average U.S. major metropolitan unemployment rate was over one percentage point lower than the U.S. non-metropolitan unemployment rate¹.



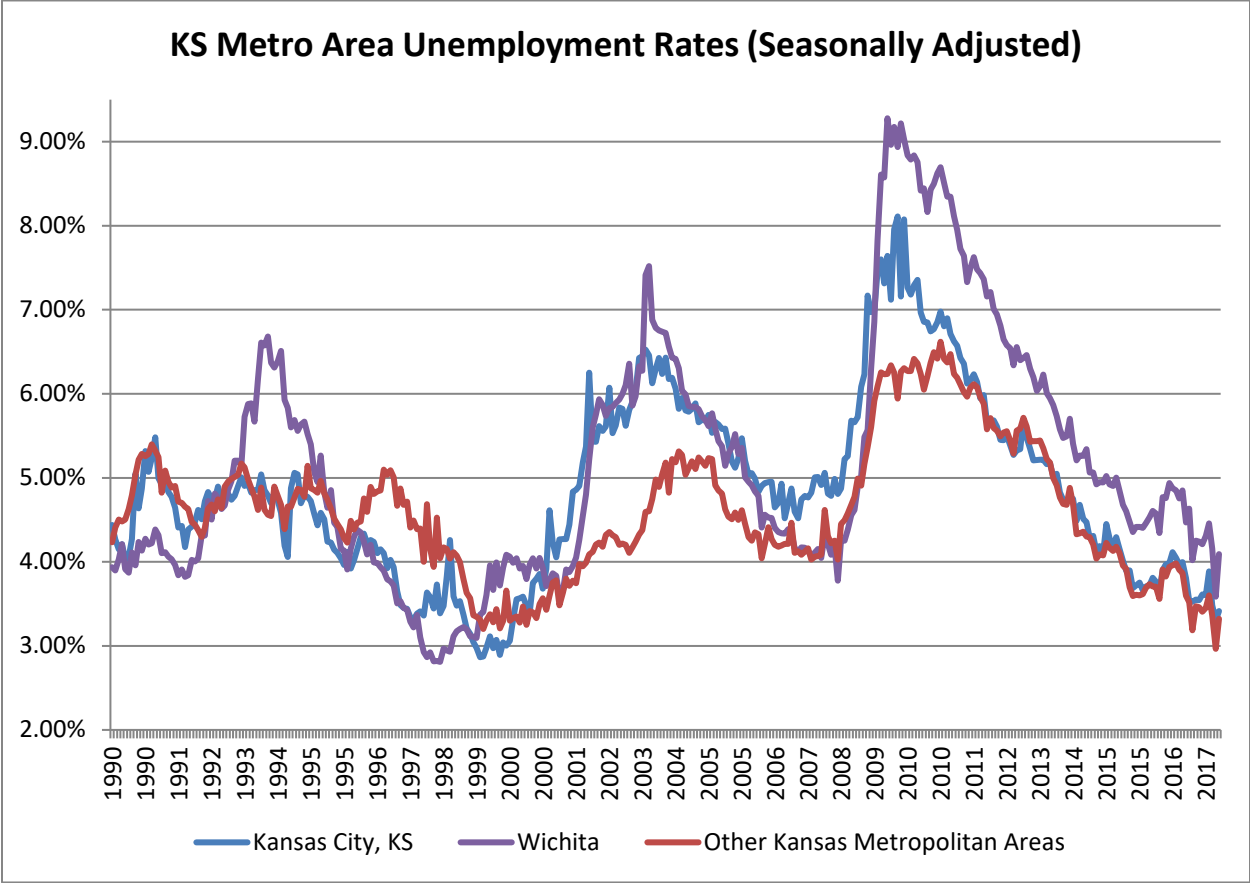
Historically in Kansas, rural areas have tended to have the lowest unemployment rates, while micropolitan and metropolitan areas’ unemployment was typically 0.5 to 1 percentage point higher than the rural areas². During recessionary periods the gap tends to become even larger, while during prolonged expansions it tends to shrink.

¹ Alison Weingarden, “Labor Market Outcomes in Metropolitan and Non-Metropolitan Areas: Signs of Growing Disparities”, *FEDS Notes*, Federal Reserve System <https://www.federalreserve.gov/econres/notes/feds-notes/labor-market-outcomes-in-metropolitan-and-non-metropolitan-areas-signs-of-growing-disparities-20170925.htm>

² Metropolitan areas include a core urban area with a population of 50,000 or higher and the surrounding counties with strong economic connections to the core, while micropolitan areas Kansas contains five micropolitan statistical areas, as defined by the U.S. Census Bureau: Wichita, Manhattan, Topeka, Lawrence, and the Kansas portion of the Kansas City metropolitan area. Micropolitan areas include a core urban area with population

In late 2017, the unemployment rates for Kansas rural, micropolitan, and metropolitan areas all converged, with all three unemployment rates approximately 3.5 percent. This was the first time rural, micropolitan, and metropolitan rates converged since 2000. In late 2017, the micropolitan and metropolitan unemployment rates were also at their lowest levels since 2000. These low and converging unemployment rates across the state could be an indication that the state is approaching its natural rate of unemployment, which would be the lowest level an unemployment rate can remain at for any long length of time.

Following the 2008-9 recession, unemployment rose sharply across Kansas, with the largest increase in the metropolitan areas, where the unemployment rate increased 3.5 percentage points. In rural areas the unemployment rate increased only by 2.5 percentage points. Unemployment rates across all geographies in the state consistently declined starting in 2010, with the gap between rural and metropolitan areas consistently declining as well.



Among Kansas’ metropolitan areas, there is considerable variation in how each area’s unemployment rate reacts to the business cycle. The Wichita area tends to be the most volatile, with sharp increases during recessionary periods and the lowest unemployment during expansionary peaks. Since 2009, the

between 10,000 and 50,000 and surrounding counties with strong economic ties. Unemployment rates were computed and seasonally adjusted by CEDBR using employment and unemployment data from the U.S. Bureau of Labor Statistics Local Area Unemployment Statistics program.

Wichita area has had the highest unemployment rate of the metropolitan areas in Kansas. In 2012, the unemployment rate gap between Wichita and the other metro areas in the state declined to 0.7 percentage points, and the gap has remained approximately that size since.

The Kansas City, KS metropolitan area typically had a higher unemployment rate than the smaller Kansas metropolitan areas in the 2000s, but in 2011, the unemployment rates of all the Kansas metropolitan areas converged, except Wichita, and have consistently declined together since then. In 2017, the Kansas City, KS metro area's unemployment rate declined to its lowest level since 1999. The smaller Kansas metropolitan areas reached their lowest recorded level of unemployment in 2017, dropping below 3 percent.