

Chattanooga Metro Employment, 1990-2023: Decline, Recovery, & Transformation

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Summary

Over the past decade, the Chattanooga economy has undergone a manufacturing-led resurgence and has experienced job growth that has been significantly higher than the national average. Over the period, the manufacturing sector changed from one dominated by non-durable goods such as food to one dominated by durable goods such as automobiles. This recent resurgence is in contrast with the overall performance of the Chattanooga economy since 1990. Between then and the end of 2023, the total number of non-farm jobs grew by about 75 thousand but would have grown by almost 90 thousand if the area had grown as fast as the rest of the country. Other than the COVID recession, Chattanooga was hit harder by recessions than was the rest of the country, and it even had its own recession in the mid-1990s.

This paper is a short summary of the employment experience of the Chattanooga Metropolitan Statistical Area (MSA) since 1990.¹ Specifically, it looks at how growth in payroll employment (the number of nonfarm jobs) in the Chattanooga MSA compares to the United States as a whole, with particular attention to the past decade and to changes in sectoral composition (See the inset for a description of the data and how it is produced). Although data are provided monthly, the charts and discussion below use data that are aggregated to the quarterly or annual level. For small and mid-sized metro areas, monthly data tend to have a good deal of statistical noise, which can make broader trends less obvious to the naked eye.

Long-Run Job Growth

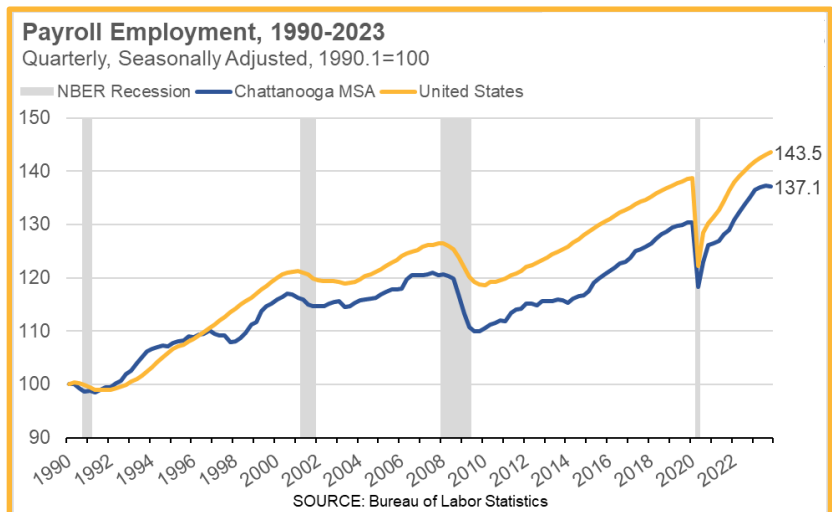
The figure below illustrates how the levels of employment in the United States and Chattanooga have changed compared to the start of 1990, the first year for which there are MSA-level data. Nationally, employment had grown by 43.5 percent by the end of 2023. Growth was interrupted by short recessions in 1990-91 and 2001, the Great Recession of 2008-09, and the COVID recession of 2020. Chattanooga tended to follow the national economy but had a period of sustained job losses in the late 1990s

What is “Employment”?

Estimates of the number of jobs in the United States are provided by the Bureau of Labor Statistics (BLS) and are based on the BLS’s Current Employment Statistics (CES) program. Each month, about 122,000 businesses and government agencies are asked how many employees they have on their payrolls. The CES is often called the “establishment survey” and its output is often called “payroll employment” or simply “jobs.” The BLS also surveys households with its Current Population Survey (CPS), which asks 60,000 households about the labor market status of household members. The main output of the CPS is the unemployment rate, but it also used to estimate the number of people employed, referred to as “household employment.”

Payroll and household employment to move together over time, but their levels necessarily differ. The CES surveys nonfarm establishments, so payroll employment does not include farm employees or the self-employed. Despite its narrower base, payroll employment is usually considered the more reliable indicator the broad health of the economy.

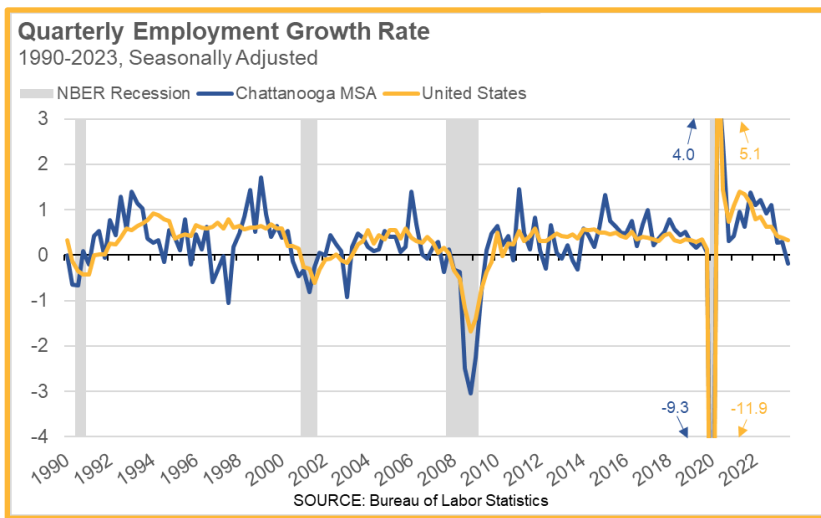
The CES survey is used also to estimate employment for states and metro areas. These estimates rely on much fewer observations than do those for the country as a whole, so their data can be noisier and less detailed. For the Chattanooga MSA, employment data are provided for broad supersectors such as manufacturing, retail trade, and financial activities, with little disaggregation.



¹ The Chattanooga MSA includes six counties, three in Tennessee (Hamilton, Marion, and Sequatchie) and three in Georgia (Catoosa, Dade, and Walker).

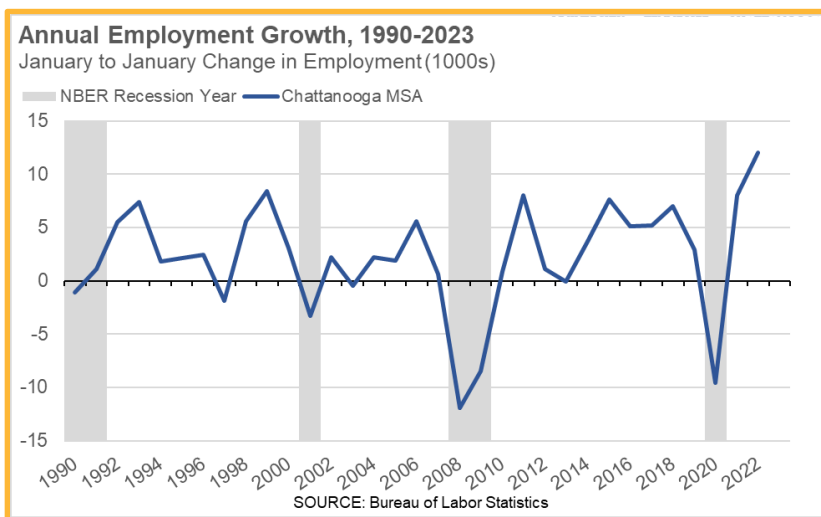
that was unrelated to a national recession. Overall, the metro area experienced a 37.1 percent increase in jobs over the period: Chattanooga employment stood at about 205 thousand in the first quarter of 1990 and had risen to about 280 thousand by the fourth quarter of 2023. If growth in Chattanooga had kept up with the rest of the country, its total employment would have been about 294 thousand by the end of 2023.

If you look closely at the chart above you can see that there were differences across time periods in the average steepness of the lines, showing differences in trend growth rates. Most notably, the line for the United States was much steeper during the 1990s than during other periods, while the line for Chattanooga was much steeper after about 2013. To tease out these differences, the chart below shows the data in terms



of quarterly employment growth rates. While the national economy saw sustained high growth during the mid-to late-1990s, Chattanooga experienced several periods of job losses, thereby missing much of the 90s boom. Also, national recessions tended to have hit Chattanooga much harder than they hit the country as a whole, primarily due to the relative prevalence of recession-

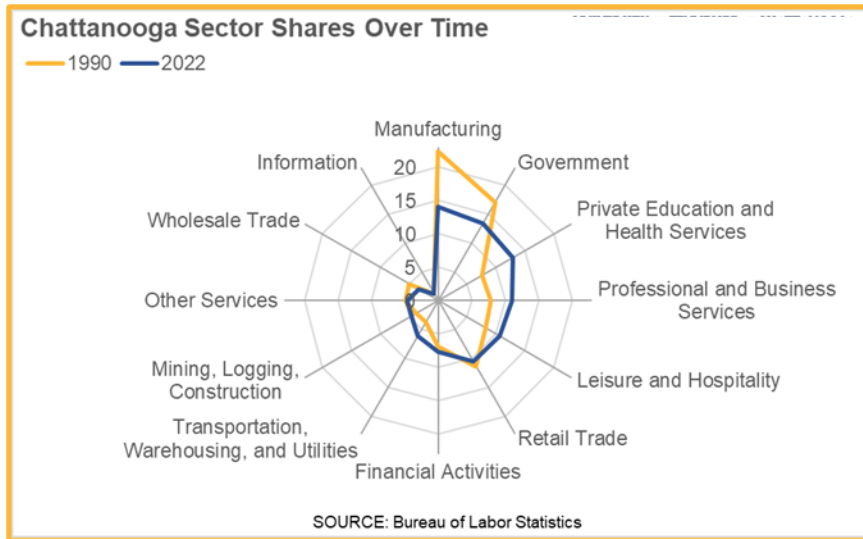
sensitive manufacturers. The COVID recession was the exception because it hit customer-facing industries like retailing and restaurants much harder. The good news in this chart is that Chattanooga tended to outperform the rest of the country before and after the COVID recession.



It is common to look at employment growth in terms of the number of jobs gained or lost over a period, so the next chart shows annual changes in Chattanooga’s employment (January to January). As a rule of thumb, annual growth of 5,000 or more jobs shows a very good year, which was experienced seven times after 2014.

The Sectoral Composition of Employment

The U.S. economy has become much more service-oriented in recent decades: Since 1990, the share of U.S. employment in the manufacturing sector has fallen by roughly half while the shares in the professional and business services sector and the private education and health sector increased by about the same proportion. As shown in the chart and table, Chattanooga experienced this trend also: In 2023, manufacturing

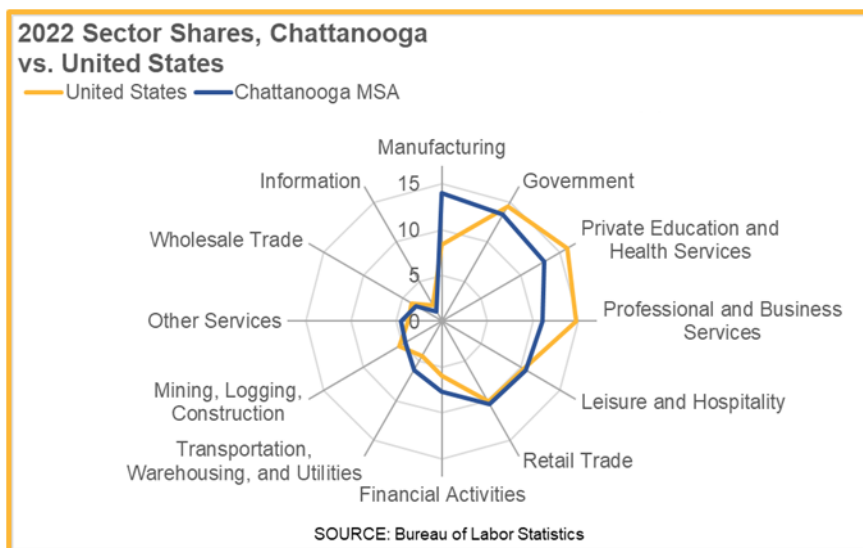


	1990	2022
Manufacturing	22.3	14.0
Government	17.0	13.4
Private Education and Health Services	7.7	12.9
Professional and Business Services	7.9	11.0
Leisure and Hospitality	8.3	10.6
Retail Trade	11.3	10.4
Financial Activities	6.8	7.6
Transportation, Warehousing, and Utilities	3.6	6.1
Mining, Logging, Construction	3.8	4.6
Other Services	4.9	4.6
Wholesale Trade	5.1	3.3
Information	1.3	1.2

accounted for 14 percent of the metro area’s employment, having accounted for 22 percent in 1990.

Professional and business services, private education and health services, and leisure and hospitality picked up the slack and saw large gains in their shares of local employment.

Chattanooga’s sectoral composition differs a great deal from that of the country as a whole. As shown in the chart and table below, despite the decline of manufacturing in the metro area, the sector still provides a



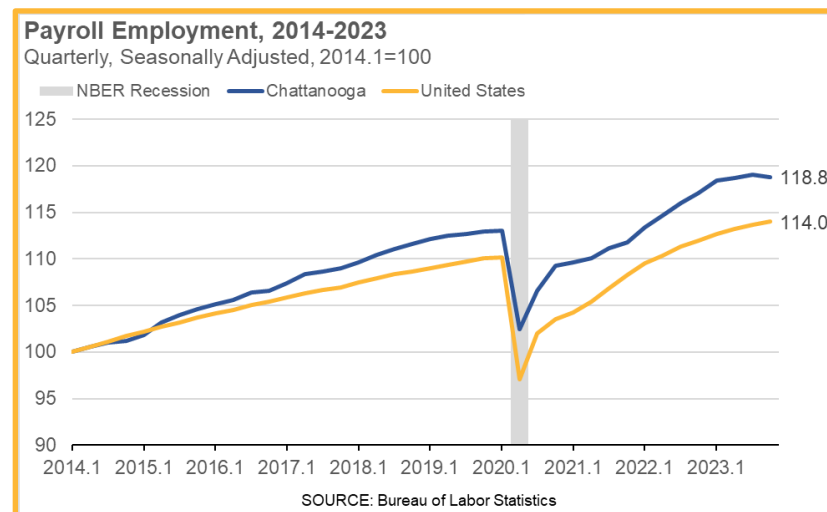
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Wholesale Trade	3.3	5.1
Information	1.2	1.3

much larger share of jobs than it does for the United States. And despite the increasing share of jobs in the service sectors, the metro area’s shares in private education and health services and professional and business services stayed well below their national shares. On the other hand, the financial activities and transportation, warehousing, and utilities sectors are significantly overrepresented in Chattanooga.

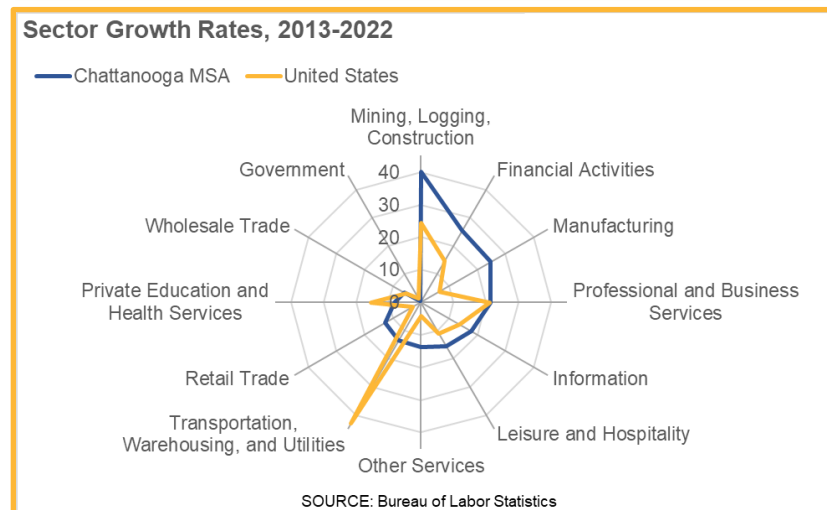
A Manufacturing-Led Resurgence

Looking at the past 33 years, Chattanooga seems like a long-run jobs laggard that has been overly reliant on manufacturing. That impression gets turned on its head, however, if one looks at the manufacturing-led resurgence of the last decade, as illustrated by the chart below. Chattanooga has outperformed the country in job creation by more than one-third since 2014, and it did so with strong growth across many sectors.

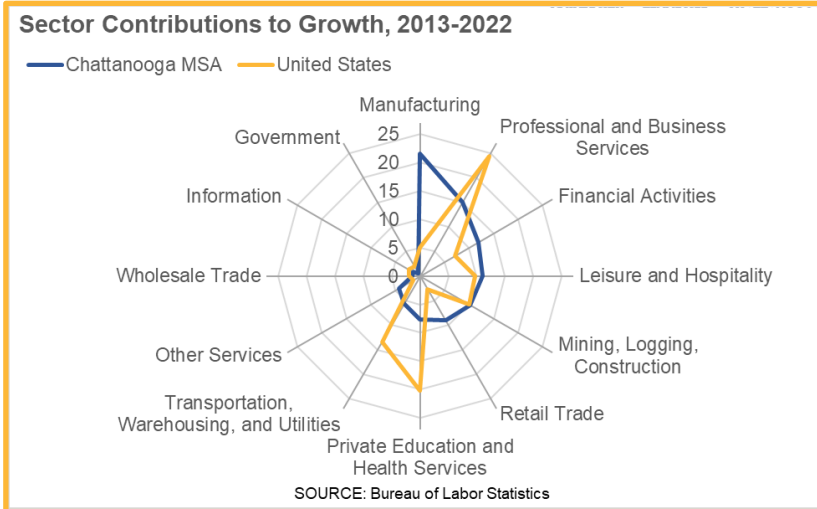
The bottom chart orders the sectors according to their Chattanooga growth rates, which were much higher than the country’s in mining, logging, and construction (almost all of which is construction employment), financial activities, and manufacturing.



business services—where the region has lagged historically. Chattanooga had much less growth in transportation, warehousing, and utilities, but that sector had already been over-represented locally. If there has been a weak spot over the past decade, it is the private education and health services sector (which is mostly health services). For decades, this sector has made up a much smaller share of employment than it had nationally, and that gap has grown over the past 10 years.



Given the 25 percent growth in manufacturing jobs in Chattanooga between 2014 and 2023, and the sector’s already large share of



employment, manufacturing was easily the largest contributor to job growth over the past decade, accounting for 21.5 percent of growth. As the inset below describes, this trend was driven by durable-goods manufacturing and a dramatic change in the type of manufacturing done in Chattanooga. In contrast, manufacturing accounted for only 5 percent of job growth in the

United States over the period. The chart below orders sectors by their contributions to Chattanooga job growth and shows how professional and business services was a significant contributor to local growth, but not nearly as significant as at the national level. The contributions of the financial activities and retail trade sectors were much larger locally. The opposite was true for education and health services and transportation, warehousing, and utilities.

