

Recent recessions swell ranks of the long-term unemployed

During the past seven recessions, joblessness lasting more than half a year has far outpaced the overall increase in unemployment and in 1981–82 reached the highest level of the postwar era

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The recent recession in the United States produced the highest unemployment rates in more than 40 years. It also produced unusually long periods of unemployment for a workforce that is normally among the most dynamic in the world.

Millions of Americans move into and out of each labor force category (employed, unemployed, or not in the labor force) every month. Generally, about half of the people who are unemployed in one month are no longer unemployed the next, some finding jobs and others ending their job search for other reasons. These people are then replaced by newly unemployed persons. Short-term unemployment is quite normal in a dynamic economy and, within limits, is necessary for the normal functioning of the job search process.

During 1982, however, as in any recessionary year, fewer unemployed people could find jobs, and, consequently, more remained unemployed from one month to the next. As a result, the number of persons out of work 15 weeks or more rose sharply.

Data on long-term unemployment provide a valuable addition to the more frequently reported unemployment data. This article will briefly investigate long-term unemployment and identify those worker groups most affected by this prob-

lem. Particular emphasis will be placed on the most recent recession.¹

While an assessment of the causes of lengthy unemployment is not the focus of this discussion, a few comments are appropriate. What is being examined here is largely a cyclical condition, that is, the sharp rise in long-duration unemployment brought about by the severe 1981–82 recession. It should be noted, however, that some long-term joblessness is structural in nature, a result of some basic problem in the functioning of labor markets unrelated to cyclical changes. For example, the persistently high unemployment rate and unemployment duration of some groups of racial and ethnic minorities are evidence of such structural unemployment.

It should be kept in mind, then, that in regard to long-term joblessness, both structural and cyclical forces may be at work simultaneously. Some cases are fairly obvious, such as joblessness among blacks. Some are not. For example, prior to the two recessions of the 1980's, the incidence of long-term unemployment among workers in the primary metals industries was quite low—half the national average. More recently, long-term unemployment among these workers has become among the worst of any worker group. While the timing corresponds to a cyclical downturn, considerable evidence indicates that the Nation's steel industry is suffering from some basic problems quite unrelated to cyclical declines in demand. Thus, when structural problems appear

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under the "cloak" of recession, unemployment problems will persist after economic recovery is well under way.

Unemployment duration and the unemployment level should not be viewed as completely separate entities. In fact, the unemployment level is really a function of two factors.² The "incidence" of unemployment refers to the number of people who begin a spell of joblessness. Assuming a constant duration, the number unemployed will decline if the incidence declines. Conversely, assuming a constant incidence (a steady flow into unemployment status), the number of jobless will rise as duration increases, that is, persons remain unemployed longer. Thus, the increase in the unemployment levels during the recent recession (or any recession) was due both to increasing duration and incidence.

The most widely used measures of unemployment duration are the mean and median duration of a spell of unemployment.³ While these indicators generally rise with increases in the unemployment rate (with some difference in timing), they may hide increases in long-term unemployment during certain periods of the business cycle. For instance, early in a recession, when there is extensive job loss, the large number of *newly* unemployed may actually lower these measures. It is not until the number of newly unemployed begins to decline as a proportion of the total that average duration measures begin a sustained rise. Similarly, during recoveries, the number of newly unemployed may begin to decline first, putting upward pressure on the mean and median durations. Thus, the long-term unemployed need to be examined directly.

Duration is key to jobless rise

Table 1 compares the number of newly unemployed (less than 5 weeks) to total unemployment since 1979. The number of persons in the two long-duration categories is also shown. Clearly, the newly unemployed are insufficient to account for the dramatic rise in overall joblessness. Since 1979, the average increase in the newly unemployed never exceeded 13 percent in any year and had totaled 32 percent through 1982. During the same period, total joblessness rose

by 74 percent and, at the extreme, unemployment of longer than half a year more than tripled.

A similar pattern occurs in every period of unemployment increases. During the last seven recessions (starting in the early 1950's), the total of unemployed persons rose, on average, 84 percent from its previous low to its recession high.⁴ However, as table 2 shows, the number unemployed 15 weeks or more rose almost 3 times as fast and the number unemployed more than a half year rose more than 4 times as fast. It should be noted that the recovery from the 1980 recession was so weak (the unemployment rate only improved half a point) that the percentage increase in long-term joblessness in the subsequent (1981-82) recession was somewhat low by historical standards; the actual levels, however, were far higher than those in any previous postwar recession.

Similarly, as a recession comes to an end, long-term unemployment continues to increase. Employers first stop laying off new workers and then begin recalling those workers most recently laid off. This helps to reduce unemployment of short and medium duration. Those workers who had become unemployed early in the downturn often have the least skills and the least seniority, and it typically requires a sustained period of recovery for them to obtain employment.

Thus, there is generally a time lag between when the unemployment rate peaks and when the number of long-term unemployed peaks. The nature of that lag, however, has changed. The following shows the number of months the high in long-duration unemployment followed the peak unemployment rate in the business cycles since 1948:

<i>Peak year</i>	<i>Unemployed 15 weeks and over</i>	<i>Unemployed 27 weeks and over</i>
1949	1	1
1954	0	1
1958	1	2
1961	2	2
1971	1	8
1975	2	6
1980	5	6
1982	0	6

Table 1. Total unemployed by selected duration, with percent change from previous year, 1979-82 annual averages
 [Numbers in thousands]

Characteristic	1979		1980		1981		1982	
	Number	Percent change	Number	Percent change	Number	Percent change	Number	Percent change
Total	6,137	-1.0	7,637	24.4	8,273	8.3	10,678	29.1
Unemployed less than 5 weeks ..	2,950	3.0	3,295	11.7	3,449	4.7	3,883	12.6
Unemployed 15 to 26 weeks	706	-7.8	1,052	49.0	1,122	6.7	1,708	52.2
Unemployed 27 weeks and over ..	535	-17.4	820	53.3	1,162	41.7	1,776	52.8

Through the early 1960's, the number of long-term unemployed peaked within 1 or 2 months of the unemployment rate peak. The recessions were followed by relatively rapid and strong recoveries; the unemployment rate declined at least a percentage point, but generally much more, within 6 months of its peak. The recessions since 1970, however, have generally been followed by slower recoveries. In 1971, for instance, the rate did not fall a full point from its peak for a year and a half. After the 1980 recession, the rate did not even fall by as much as a full point (it recovered only six-tenths of a point). These weak recoveries do not provide many job opportunities for people who have experienced considerable unemployment. Thus, the ranks of those jobless at least 15 weeks have not tended to decline sufficiently

fast to offset those who become unemployed just prior to the unemployment peak and who subsequently join the ranks of the long-term unemployed. Movement out of the very long-term unemployed (27 weeks and over) is very slow, and hence this group sometimes peaks more than 3 months after the 15-week-and-over group peaks.

Recovery speeds jobless decline after lag

The 1983 recovery was somewhat different than those that preceded it. While the fall in the jobless rate was fairly slow for the first half year, long-term joblessness continued to rise until June. This pattern was similar to the three previous recoveries. In the second half, however, the recovery gained momentum, and by December the 12-month unemployment decline was faster than any previous recovery since the 1960–61 recession. Very long-term joblessness also declined rapidly in the second half to 2.1 million at yearend, compared with a peak of 2.9 million.

The extent of long-duration unemployment during the most recent recession is demonstrated here by comparing data for June 1983 with June 1979. Even though the recession bottomed in November 1982 (according to the National Bureau of Economic Research) and unemployment began to decline in January 1983, the June data are used because they represent the peak of unemployment of 27 or more weeks' duration. June 1979 is used for comparison because it is near the low point in unemployment between the 1975 and 1980 recessions. Because data for specific worker groups are not seasonally adjusted, the same month in any 2 years being compared should be used. This is particularly important in analyzing long-duration unemployment, which has a strong seasonal component. A date between the 1980 and 1982 recessions was not chosen because the recovery from the former recession was so weak, particularly in regard to long-term joblessness, that it could hardly be used as a comparison between relatively good and bad times. In fact, long-term joblessness in mid-1979 was half of what it was at its lowest point in 1981.

No single statistic adequately reflects the extent of long-term unemployment experienced by different labor force groups. For this reason, three types of measures are used which address different aspects of the problem.

1. The long-term unemployed as a proportion of a group's total unemployed answers the question, "If a person was unemployed, what was his or her likelihood of having been jobless at least 15 (or 27) weeks?"
2. The long-term unemployed as a proportion of a group's labor force combines two factors—the likelihood of being unemployed and the likelihood of the unemployment reaching long term. A group could have a high proportion of long-term unemployed under measure 1 (above) but have a low unemployment rate. (See, for example, persons age 55 and over in column 4, table 3.)

3. The percent distribution of the long-term unemployed provides the demographic and industry make-up of this group but is as much a function of the size of the labor force and the unemployment rate of a group as it is a function of the probability of becoming unemployed 15 weeks or more.

Demographic characteristics

In "good times," the long-duration unemployed are composed disproportionately of black workers and workers under 25 years of age, reflecting these groups' high unemployment rates. As a share of the unemployed, the long-term jobless are more likely to be male and over 25 years of age. As the economy worsens, some of these relationships intensify and others moderate. The complexity of these relationships is illustrated by focusing on men.

Once unemployed, men have a higher probability of staying unemployed at least 15 weeks, particularly those of prime working age and older. (See table 3.) This is due to several factors, including their greater likelihood (except for those in the oldest age groups) to be persistent in their job search. The lower duration of unemployment among young workers and women is not a result of their more successful job search. Rather, it is due to their greater tendency to end a period of job search by withdrawing from the job market. For instance, in 1979, 27 percent of women age 25 to 54 who were unemployed in 1 month had left the labor force the next. A comparable figure for persons age 16 to 24 was 25 percent. However, only 11 percent of men 25 to 54 left the labor force from unemployment in any given month. (For 1982, comparable percentages were 22 for women, 23 for youth, and 8 for men.)

For older unemployed persons, the high probability of long-term unemployment reflects the particularly low chance of finding a job for those who do persist in their job search. An unemployed man age 25 to 54 had a 50-percent better chance of finding a job in 1979 than did one age 55 and over. Even when many prime-working age men were out of work during the 1981–82 recession, they still stood a 25-percent better chance of finding a job in 1982 than their older counterparts.⁵

Table 2. Percent change in unemployment¹ between recession peak and previous low, 1954 to 1982

[In percent]			
Peak year	Total unemployed	Unemployed 15 weeks or longer	Unemployed 27 weeks or longer
Average, 7 recessions	84	246	394
1954	146	505	846
1958	102	297	471
1961	50	130	150
1971	92	266	466
1975	104	289	483
1980	43	117	149
1982	53	119	174

¹Based on seasonally adjusted data.

The situation for blacks is somewhat different. The problem of long-duration unemployment for blacks is a result of their higher probability of becoming unemployed in the first place. Because the likelihood of reaching 15 (or 27) weeks of unemployment, once jobless, is roughly the same for blacks and whites (columns 5 and 6, table 3), the labor force differences (columns 7 and 8) are proportionate to the white/black differences in their unemployment rates. In both 1979 and 1982, blacks were from 2 to 3 times as likely to be long-term jobless as were whites, roughly the same as the relationship for overall unemployment.

Variations by industry

The statistics by industry show the effects of the recession most dramatically. In 1979, there was little difference among industries in the probability of a worker becoming unemployed for a long time. This probability was generally between 1 and 2 percent for 15 weeks or more and about 0.5 percent for 27 weeks and over. By 1983, there were dramatic differences in the long-term unemployment situation among the major industry groups. Finance and services continued to experience relatively low levels of long-term joblessness, although the levels were triple those in 1979. But some of the changes in other industry statistics were striking, most notably the cyclically sensitive construction and durable goods industries.

While about 4 percent of the civilian labor force was unemployed at least 15 weeks in June 1983, more than 7 percent of the construction and durable goods labor force had reached that level. And while the average worker was 5 times as likely to have been unemployed more than 6 months in June 1983 compared to 4 years earlier, workers

in construction were 8 times as likely and those in durable goods, 9 times. In primary metals (largely steel), a worker was nearly 20 times as likely to be jobless for 15 (or 27) weeks as 4 years earlier. Nearly three-fourths of all jobless workers in this industry had been jobless at least 15 weeks and 6 of 10 were jobless more than one half year. These figures demonstrate the combined effects of both cyclical and structural problems in the employment situation in steel. It should also be noted that auto manufacturing experienced a marked improvement in its unemployment situation during the first half of 1983. The long-term duration figures shown for June 1983, as bad as they are, actually represent a 50-percent improvement over February, the industry's worst month. These developments make it clearer why prime working age men (25-54 year-olds) were hardest hit by long-term unemployment. These men accounted for half of the wage and salary employment in durable goods and construction in 1979, compared with only one-third of wage and salary employment in the service-producing sector.

A job loser was far more likely to remain unemployed for long periods than was a job leaver or a labor force entrant. This makes sense, given the voluntary nature of a quit and the more marginal job market commitment of entrants as a group. Moreover, job losers are likely to have come from the cyclically sensitive goods-producing sector. Between June of 1979 and 1983, job losers had risen from one-half to almost three-fourths of the long-term jobless.

Work experience data

The duration measures discussed thus far come from the responses to the monthly Current Population Survey questionnaire. Another measure of unemployment duration ob-

Table 3. The long-term unemployed by selected characteristics, June 1979 and June 1983, not seasonally adjusted

(Numbers in thousands)

Characteristic	Total unemployed		Unemployed 15 weeks or longer						Unemployed 27 weeks or longer									
	June 1979	June 1983	Total		Percent of unemployed		Percent of labor force		Percent distribution		Total		Percent of unemployed		Percent of labor force		Percent distribution	
			June 1979	June 1983	June 1979	June 1983	June 1979	June 1983	June 1979	June 1983	June 1979	June 1983	June 1979	June 1983	June 1979	June 1983		
Total	6,235	11,570	1,085	4,447	17.4	38.4	1.0	3.9	100.0	100.0	492	2,842	7.9	24.6	.5	2.5	100.0	100.0
Men	2,993	6,498	601	2,939	20.1	45.2	.9	4.6	55.4	66.1	288	1,934	9.6	29.8	.5	3.3	58.5	68.1
Women	3,242	5,072	484	1,507	14.9	29.7	1.1	3.1	44.6	33.9	204	908	6.3	17.9	.5	1.9	41.5	31.9
16 to 19 years	2,034	2,527	136	313	6.7	12.4	1.2	3.2	12.5	7.0	44	148	2.2	5.9	.4	1.5	8.9	5.2
20 to 24 years	1,441	2,478	233	814	16.2	32.8	1.5	4.9	21.5	18.3	91	458	6.3	18.5	.6	2.7	18.5	16.1
25 to 54 years	2,372	5,780	589	2,889	24.8	50.0	.9	4.0	54.3	65.0	284	1,938	12.0	33.5	.5	2.7	57.7	68.2
55 years and over	389	785	128	431	32.9	54.9	.9	2.9	11.8	9.7	73	299	18.8	38.1	.5	2.0	14.8	10.5
White	4,677	8,598	790	3,317	16.9	38.6	.9	3.4	72.8	74.6	329	2,104	7.0	24.5	.4	2.1	66.9	74.0
Black	1,421	2,599	273	997	19.2	38.4	2.6	8.3	25.2	22.4	119	657	8.4	25.3	1.1	5.5	24.2	23.1
Hispanic origin	432	896	70	240	16.2	26.8	1.4	3.8	6.5	5.4	26	155	6.0	17.3	.5	3.0	5.3	5.5
Construction	456	919	97	438	21.3	47.7	1.6	7.0	8.9	9.8	32	262	7.0	28.5	.5	4.2	6.5	9.2
Manufacturing	1,158	2,500	304	1,429	26.3	57.2	1.3	6.4	28.0	32.1	128	1,006	11.1	40.2	.6	4.5	26.0	35.4
Durable goods	611	1,602	182	993	29.8	62.0	1.3	7.5	16.8	22.3	84	703	13.7	43.9	.6	5.3	17.1	24.7
Primary metals	32	195	10	142	31.3	72.8	.8	14.0	.9	3.2	7	115	21.9	59.0	.5	11.4	1.4	4.0
Autos	54	137	18	91	33.3	66.4	1.3	8.4	1.7	2.0	7	73	13.0	53.3	.5	6.7	1.4	2.6
Nondurable goods	547	898	121	436	22.1	48.6	1.3	4.9	11.2	9.8	44	303	8.0	33.7	.5	3.4	8.9	10.7
Trade	1,304	2,243	195	816	15.0	36.4	1.0	3.8	18.0	18.3	71	448	5.4	20.0	.4	2.1	14.4	15.8
Finance	1,462	2,434	258	860	17.6	35.3	.8	2.4	23.8	19.3	134	542	9.2	22.3	.4	1.5	27.2	19.1
Job losers	2,096	6,135	577	3,314	27.5	54.0	—	—	53.2	74.5	265	2,173	12.6	35.4	—	—	53.9	76.5
Job leavers	823	748	143	231	17.4	30.9	—	—	13.2	5.2	61	143	7.4	19.1	—	—	12.4	5.0
Entrants	3,314	4,686	363	884	11.0	18.9	—	—	33.5	19.9	165	522	5.0	11.1	—	—	33.5	18.4

tainable from the CPS comes from responses from a set of supplemental questions asked each March regarding the respondent's work experience during the prior calendar year. Each measure has advantages and disadvantages. The duration measure from the monthly CPS relates to a single, continuous spell of unemployment, while the March supplement counts the total weeks of unemployment over the course of a year regardless of the number of spells. The March data, therefore, understate the duration of unemployment for spells that begin before, or continue after, a calendar year. The monthly survey, by contrast, provides more reliable estimates of unemployment primarily because it does not entail the problems of recall associated with work experience questions. However, the monthly CPS may also understate the duration of unemployment when it is broken by a brief period of employment or labor force withdrawal.⁶

While neither the monthly nor the annual work experience data on duration of joblessness are without limitations, when combined, they provide a fairly thorough view of the problem. For a cyclical perspective, the monthly survey is generally better. To assess the extent of the problem on an individual basis, the work experience questionnaire is quite helpful. In this case, unemployment duration for 1982 will be compared to 1979, a year of relatively low unemployment.

Data from the work experience tabulations demonstrate much the same demographic patterns as the monthly surveys. In 1982, being male and being black each added 10 percentage points to the proportion of those jobless 15 weeks or more in each group. (See table 4.) In other words, the proportion of black women and white men jobless this long was about 10 points higher than the lowest group, white women, while the proportion of black men was 20 points higher. Hispanic men and women experienced long-term joblessness in proportions between their white and black counterparts.

Half of all unemployed persons reported at least 15 weeks

Table 4. Proportion of unemployed who experienced at least 15 weeks of unemployment during 1979 and 1982, by sex, race, and Hispanic origin

Characteristic	Duration of unemployment			
	15 weeks and over		27 weeks and over	
	1979	1982	1979	1982
Total	33.4	49.6	13.7	25.5
Men	35.9	54.1	14.9	27.6
White	33.8	52.6	13.3	26.0
Black	48.8	62.8	24.7	36.1
Hispanic origin	38.8	57.8	15.2	26.6
Women	30.5	43.2	12.3	22.6
White	28.2	41.3	11.1	21.5
Black	41.1	52.5	18.4	28.0
Hispanic origin	34.7	47.9	13.5	25.3

of unemployment in 1982. This figure is higher than the figure from the monthly CPS largely because it counts all spells of unemployment. The proportion unemployed 27 weeks or longer is severely limited by the time frame of the March supplement questionnaire—the half-year period had to fall entirely within the particular calendar year.

WHILE SHORT-TERM JOBLESSNESS is often part of the normal functioning of a market economy, long-term joblessness can have profound consequences for the individual and family—financial, emotional, and even physical. The 1981–82 recession resulted in levels of long-term unemployment far higher than any experienced since the Great Depression.

The hardest hit workers were men, who typically work in cyclically sensitive industries and who tend to persevere in their job search. Racial minorities, whose overall joblessness is extensive, experience a similarly large share of long-term unemployment.

Long-term unemployment is a critical policy area not only during recessions but also during expansions, when the focus shifts to the hard-core, or structurally, unemployed. This aspect of the unemployment picture receives less attention than the overall jobless rate or level but bears directly on the question of economic hardship. □

—FOOTNOTES—

¹The source of data is the Current Population Survey, a monthly survey of about 60,000 households, conducted by the Bureau of the Census for the Bureau of Labor Statistics.

²The mathematical relationship between flow, duration, and the unemployment rate is discussed in Ronald S. Warren, Jr., "Measuring the flow and duration as jobless rate components," *Monthly Labor Review*, March 1977, pp. 71–72.

³For a discussion of the issues involved in measuring the duration of unemployment, see Norman Bowers, "Probing the issues of unemploy-

ment duration," *Monthly Labor Review*, July 1980, pp. 23–32.

⁴The 1949 recession is not included here because BLS data, dating to 1948, cannot be used to identify the "prerecession low."

⁵Data on the probability of labor force withdrawal and of finding a job come from the Current Population Survey gross flows data. Annual averages are used to improve the reliability of the estimates.

⁶In the monthly CPS, a period of 2 weeks or more during which a person is either employed or ceases job search is considered a break in a spell of unemployment.