The increased supply of underutilized labor from 2006 to 2014

Four BLS measures of labor underutilization are used to analyze changes in the supply of labor from just before the 2007–2009 recession to June 2014; the results indicate that (1) the increase in the number of people marginally attached to the labor force over the period studied may have been due to either inadequate demand or structural factors but in either case had a small impact on the decline in the labor force participation rate and (2) the concomitant unprecedented increase in the number of long-term unemployed could result in structural unemployment if workers’ skills erode because of their ongoing failure to find a job.

The supply of labor and worker productivity are major sources of a nation’s long-term growth in economic output. The supply of labor depends on the size of a country’s population and the country’s labor force participation rate.\footnote{A country’s population size can be affected by its fertility rate, life expectancy, and international migration. In 2012, the fertility rate in the United States was the lowest since data collection began in 1920.\footnote{But life expectancy at birth has been rising for a century or more, while the population has increased because of international migration.}}

In the United States, the labor force participation rate for men has been falling for several decades. The participation rate for women increased for several decades until 1999, but has fallen since.

During a recession, a country’s actual economic output typically falls below its long-term potential output; recovery from a recession generally brings the economy back to its potential output.\footnote{The recession that officially began in the United States in December 2007 and ended in June 2009 was the longest, and one of the deepest, since the Great Depression.\footnote{Because of a slow recovery, the unemployment rate was higher in mid-2014 than it was during the year before the recession, raising concerns about the effect of the recession and the subsequent slow recovery on long-term potential output.}}

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Overview

This article uses four measures of labor underutilization from the U.S. Bureau of Labor Statistics (BLS) to analyze changes in the supply of labor from the years before the 2007–2009 recession to June 2014. The article characterizes people classified according to these four measures as the supply of underutilized labor.

Two of the four measures of labor underutilization encompass people who are not in the labor force. The article analyzes how changes in their number may have affected the labor force participation rate during and after the recession. The article also analyzes the main reasons for the increase in their number from the year before the recession to June 2014.

Finally, the article examines selected characteristics—including gender, age, education, and occupation—of the increased supply of underutilized labor.

Data

The data presented are from the monthly Current Population Survey (CPS), a household survey conducted by the U.S. Census Bureau for BLS. The CPS is the source of the monthly national unemployment rate and other labor market information.

The CPS asks those ages 15 and older about their activities during the survey reference week, which is generally the week that includes the 12th of the month. People are classified as either employed, unemployed, or not in the labor force. People are classified as employed if they did at least 1 hour of work for pay, worked in their own business or profession, or worked 15 or more hours as an unpaid worker in a business operated by a member of the family, or if they were not working but had a job or business from which they were temporarily absent. People are classified as unemployed if they were not working, they actively looked for work, and they were available to work. People actively looked for work if they engaged in specific job search activities during the 4 weeks before they were interviewed. The labor force consists of the sum of those classified as either employed or unemployed.