

Long-term Hardship in the Labor Market

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Introduction

For more than two years, long-term unemployment has been at historically high rates. Even as the overall unemployment rate inched down at the end of 2011, more than 40 percent of the 13 million unemployed had been out of work for six months or longer. To put this in perspective, the previous all-time peak in the long-term unemployment rate – in June 1983 – was just 26 percent.

Even so, this standard long-term unemployment rate conceals an important part of the story of long-term hardship in the labor market. Using the terminology of the Bureau of Labor Statistics, in 2011, almost one million people were “discouraged” workers, another 1.5 million were “marginally attached” to the labor force, and many millions more had left the labor force altogether. Over four million workers were stuck in part-time jobs because they could not find full-time work or because their previously full-time hours had been cut. Still others were among the nation’s prison and jail population of two million, who are not counted, by design, in official labor-market statistics. Many of the people in these circumstances had been there for six months or longer, but none were included in the official tally of the long-term unemployed.¹

Whatever its form, long-term, involuntary joblessness takes an enormous toll on those who experience it. In recent Congressional testimony, Columbia University economist Till von Wachter summarized research connecting unemployment with: substantial and long-lasting earnings losses;² enduring employment and earnings instability;³ a higher incidence of poverty;⁴ higher rates of divorce;⁵ reduced physical and mental health;⁶ increased rates of disability;⁷ declines in life expectancy;⁸ and adverse impacts on the children of the unemployed, including poor educational outcomes⁹ and lower adult earnings.¹⁰ “All of these costs,” von Wachter noted, “are likely to be larger for workers unemployed for a longer period of time.”¹¹

Long-term joblessness also inflicts a substantial cost on the rest of society. In addition to the loss of goods and services caused by leaving productive economic resources idle, unemployment, and especially long-term unemployment, also imposes other direct and indirect costs on the economy, including unemployment insurance payments and a deterioration in unemployed workers’ job skills.

In this paper, we attempt to paint a demographic portrait of long-term hardship in the labor market.¹² We display various measures of long-term hardship by race and gender, education, and age. In addition to the conventional long-term unemployment rate, we also show a broader measure that captures further dimensions of long-term hardship. This additional measure is the Bureau of Labor

1 For a more detailed discussion of the limitations of the standard measures of long-term unemployment, see Schmitt and Jones (2012).

2 See Jacobson, LaLonde, and Sullivan (1993) and von Wachter, Song, and Manchester (2009).

3 See Stevens (1997) and von Wachter, Song, and Manchester (2009).

4 See CBO (2004).

5 See Charles and Stephens (2004).

6 See Burgard, Brand, and House (2007).

7 See Rupp and Stapleton (1995).

8 See Sullivan and Wachter (2009).

9 See Stevens and Schaller (2011).

10 See Oreopoulos, Page, and Stevens (2008).

11 Von Wachter (2010), p. 4.

12 For another recent look at some of these same issues, see Allegretto and Lynch (2010).

Statistic's "U-6" alternative unemployment rate, which adds "discouraged" workers, the "marginally attached," and workers who are "part-time for economic reasons" to the official unemployment rate.

"Discouraged workers" are people who are currently not in the labor force, but who want a job, are available to work, and have looked for work in the last year, but have since given up looking because they don't think any work is available. Discouraged workers are a subset of the "marginally attached," a group that also would like to work, is available to work, and has searched for a job in the last year, but has stopped searching, without specifying a lack of jobs as the reason for giving up. Discouraged workers were about one-fourth (26.2 percent) of marginally attached workers in 2007, before the recession, and more than one-third (37.8 percent) of marginally attached workers in 2011. Those who are "part-time for economic reasons" worked fewer than 35 hours per week because their employers cut their hours due to lack of demand or because they were not able to find a full-time job.

We include the U-6 data here because we believe that, under reasonable assumptions, a large share of those fitting this expanded definition of unemployment are experiencing long-term hardship in the labor market. Unfortunately, the BLS does not ask respondents to the official labor-market survey how long they have been "discouraged," or "marginally attached," or working "part-time for economic reasons," – or whether, or how long, they were unemployed before ending up in their current situation. Nevertheless, most discouraged and marginally attached workers were at one time unemployed by the official definition, and many, especially in the current downturn, were likely long-term unemployed before becoming discouraged or marginally attached. In addition, a portion of workers who are part-time for economic reasons will have been in that state for long periods and some may have taken a part-time job after a spell of unemployment during which they were looking for a full-time job. A reasonable guess in the current labor market would be that half of the 8.3 million people who were part-time for economic reasons in 2011 had been in that state (or unemployed before that) for at least six months.

For each of the demographic groups by race and gender, education, and age, we first present the standard and the U-6 unemployment rates. We next display the conventional long-term unemployment rate, which reports the *share of the unemployed* in each group who have been unemployed for six months or longer. Side-by-side, we show an alternative measure of long-term unemployment, which gives the *share of the total labor force* in each group that has been unemployed for six months or longer. As we'll see below, the two measures can give a very different picture of the incidence of long-term unemployment.

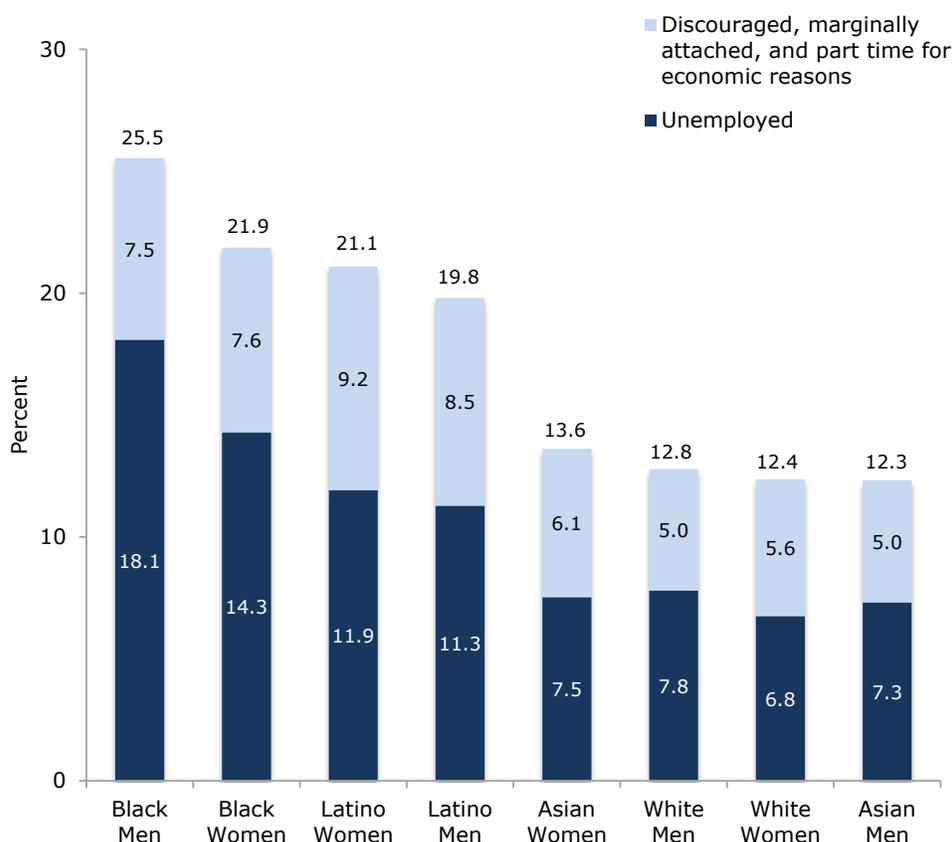
Finally, for each group, we show the demographic composition of the short- and long-term unemployed, the U-6 unemployed, and those who are not in the labor force. By comparing the demographic composition of each of these labor-market categories with the composition of the corresponding, overall population, we can easily see which demographic groups are over- or under-represented in the various categories of labor-market hardship.¹³

13 The demographic data we show below don't include the prison and jail population or, with the exception of data referring to age groups, the population 65 and older. By design, the official Current Population Survey (CPS) data that we analyze here don't include those in the nation's federal and state prisons (which house prisoners serving sentences of one year or longer) or local jails (which typically house inmates serving sentences of less than one year). In the most recent data, incarcerated adults made up over one percent of the working-age population, and two percent of working-age men (Public Safety Performance Project, 2008, 2009; and Schmitt, Warner, and Gupta,

Race and Gender

We start with race and gender. **Figure 1** shows the standard unemployment rate and the broader U-6 measure¹⁴ for eight race or ethnicity and gender groups in 2011. Black men (18.1 percent) and women (14.3 percent) had the highest unemployment rates. Latino women (11.9 percent) and men (11.3) followed. White men (7.8 percent) were next, with a rate that was lower than the national average (9.1 percent). Asian women (7.5 percent) and men (7.3 percent) had unemployment rates that fell between those for white men and white women (6.8 percent), the group with the lowest unemployment rate of these eight race-and-gender categories.

FIGURE 1
Unemployment and U-6 Rates, by Race and Gender, 2011



Source: Authors' analysis of Current Population Survey.

For all of these same groups, U-6 rates were much higher than the standard unemployment rate. More than one fourth of black men (25.5 percent) were unemployed or underemployed by this

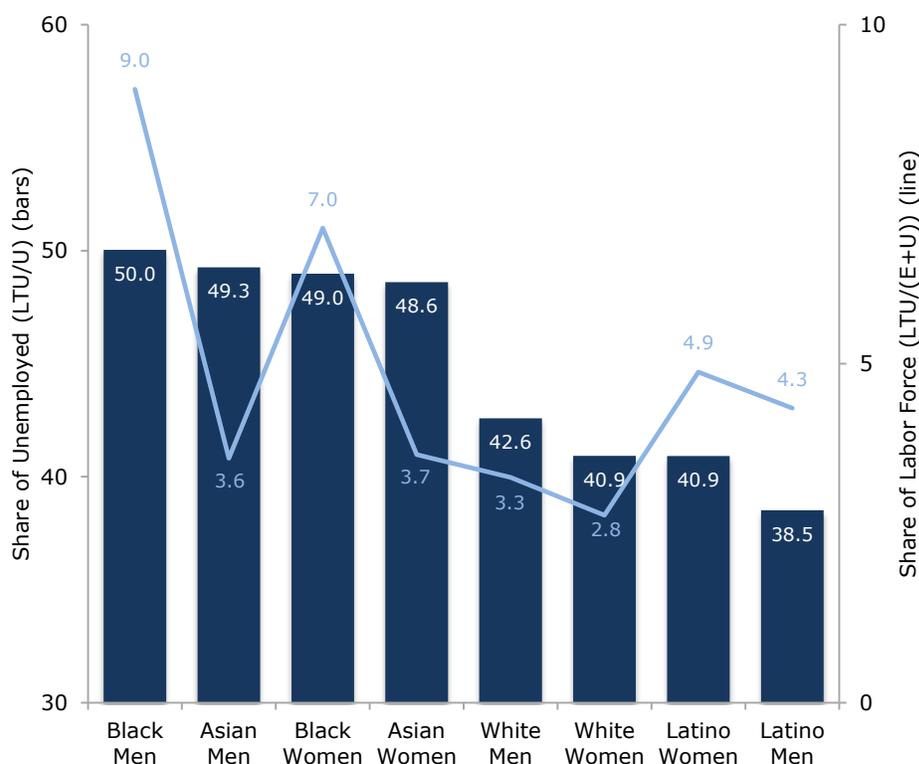
2010). Even after release, this group faces enormous challenges in the labor market (Schmitt and Warner, 2011). In order to isolate any retirement-related effects, we also exclude those 65 and older, except when we explicitly look at differences across age groups.

14 The unemployment rate in Figure 1 is expressed in the conventional way as a share of the total labor force; the U-6 rate is expressed as a share of the total labor force expanded to include the marginally attached. For ease of presentation, both measures are presented on the same axis in Figure 3 (and below), even though the denominators differ slightly.

broader definition. U-6 rates were almost as high for black women (21.9 percent), Latino women (21.1 percent), and Latino men (19.8 percent). Rates were lower for Asian women (13.6 percent), white men (12.8 percent), white women (12.4 percent), and Asian men (12.3 percent), but still substantially higher than the corresponding conventional unemployment rates.

For these eight race-and-gender groups, **Figure 2** looks at two different measures of long-term unemployment (LTU): the standard measure, which gives the share of the unemployed who have been out of work for more than six months (LTU/U, where U refers to the unemployed, the dark blue bars in the chart); and the alternative measure, discussed earlier, which gives the share of each group's total labor force that has been out of work for six months or longer (LTU/(E+U), where E refers to the employed, the light blue line). Using the standard measure, black men (50.0 percent) and Asian men (49.3 percent) had the highest long-term unemployment rates, followed closely by black women (49.0 percent) and Asian women (48.6 percent). Rates were somewhat lower, but still high by historical standards, for white men (42.6 percent), white women (40.9 percent), and Latino women (40.9 percent) and men (38.5 percent).

FIGURE 2
Long-term Unemployed, by Race and Gender, 2011



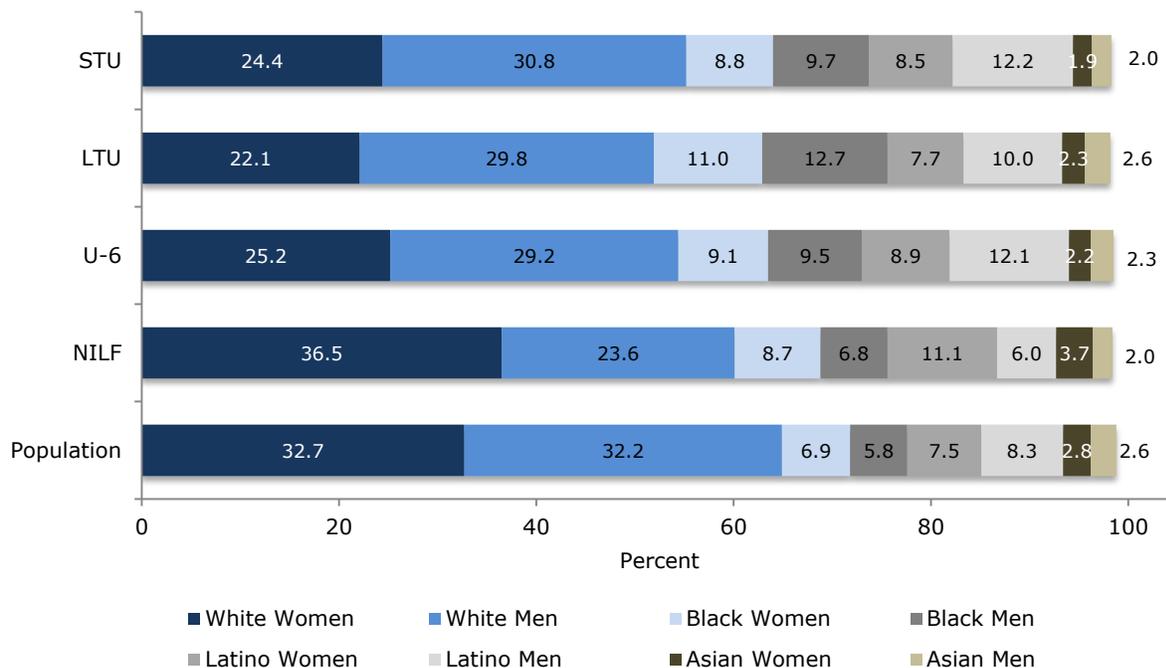
Source: Authors' analysis of Current Population Survey.

The alternative measure of long-term unemployment shows greater variation in the experience of long-term unemployment. Using the conventional measure of long-term unemployment, the race-and-gender groups cluster between roughly 40 and 50 percent. Using the alternative measure, black men were substantially more likely to experience long-term unemployment (9.0 percent) than all other groups; black women (7.0 percent) had the next-highest rate. Despite having the lowest share of long-term unemployment under the standard measure, Latinos' higher overall unemployment rate

meant that Latino women (4.9 percent) and men (4.3 percent) were more likely to experience long-term unemployment than Asian women (3.7 percent), Asian men (3.6 percent), white men (3.3 percent), and white women (2.8 percent).

Figure 3 displays the composition of the short-term unemployed (STU), the long-term unemployed, the U-6 unemployed, and the “not in the labor force category” (NILF) by the same eight race-and-gender categories. For comparison purposes, the figure also shows the distribution of these same categories in the civilian, non-institutional population between the ages of 16 and 64. The figure illustrates that black and Latino women and men are all over-represented in the pool of the short-term unemployed, long-term unemployed, and the U-6 unemployed. White women and men are under-represented in the pool of short-term unemployed, long-term unemployed, and the U-6 unemployed. Asians are under-represented in the short-term unemployed and U-6 unemployed. Asian women are also under-represented in long-term unemployed, while Asian men are perfectly represented in this category.

FIGURE 3
Labor-market Status, by Race and Gender, 2011



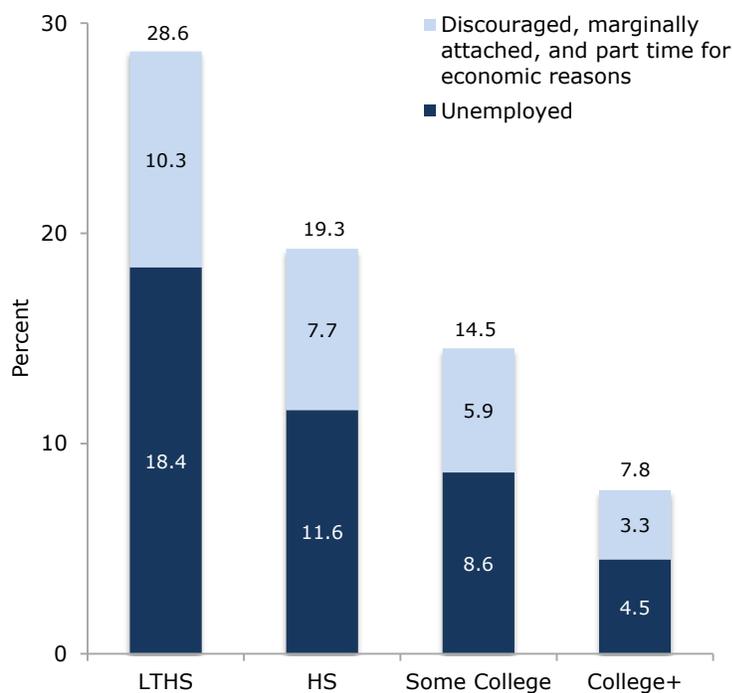
Source: Authors’ analysis of Current Population Survey.

Education

The experience of long-term labor-market hardship varies substantially by education level. **Figure 4** presents the standard unemployment rate and the broader U-6 measure for four educational categories: less than a high school degree (LTHS), a high school degree (HS), some college (including an associate degree), and a four-year college degree or more. The unemployment rate decreases substantially with education. Workers with less than a high school degree had the highest

unemployment rate (18.4 percent), followed by those with only a high school degree (11.6 percent). Education past high school, but short of a four-year college degree, was also associated with a reduction in unemployment (to 8.6 percent). Workers with a four-year college degree had an unemployment rate in 2011 (4.5 percent) about equal to the overall unemployment rate in 2007, before the recession began. The much higher unemployment rate for less-educated workers is a long-standing feature of the labor market, which holds in better economic times as well. Less-educated workers tend to have fewer of the skills that can give workers bargaining power with respect to employers. As a result, less-educated job seekers face the highest degree of competition in the labor market (with other less-educated workers), a predicament that is exacerbated in bad times when more-educated workers may begin to compete with the less-educated for available jobs.

FIGURE 4
Unemployment and U-6 Rates, by Education, 2011



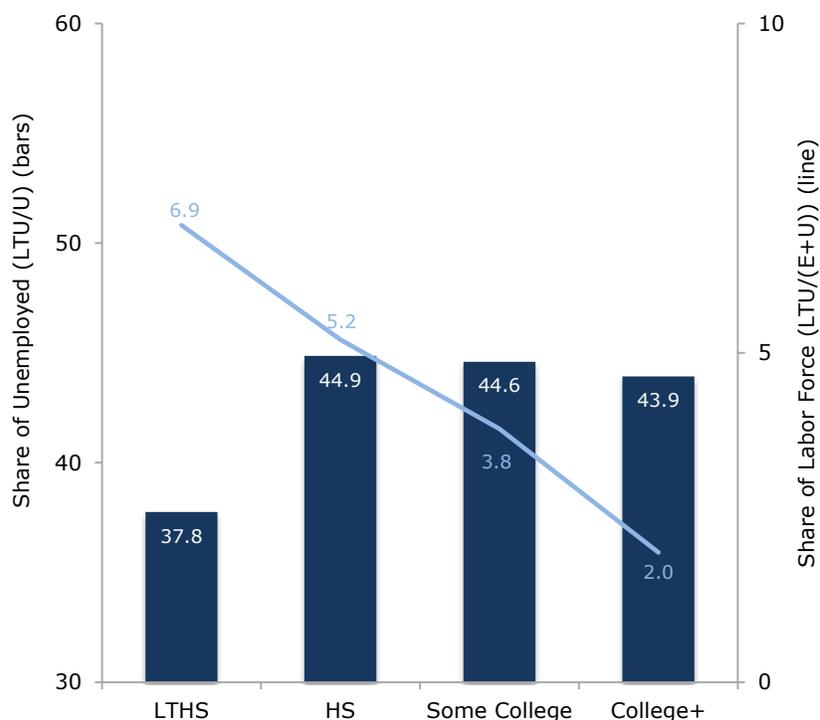
Source: Authors' analysis of Current Population Survey.

Once again, the broader U-6 measure shows much higher rates of unemployment and underemployment than the standard unemployment rate. The U-6 rate ranges from about one-in-thirteen workers with a college degree or more (7.8 percent), to one-in-five with only a high school degree (19.3 percent), and more than one-in-four without a high school diploma (28.6 percent).

Figure 5 displays data on the two measures of long-term unemployment for the same education categories. The conventional measure of long-term unemployment – the share of the unemployed who have been unemployed for more than six months – shows no obvious pattern by education. All the rates, except for those without a high school diploma, fall within a few percentage points of the 2011 national average of 43.3 percent. In fact, the group that is least likely to experience long-term unemployment by the conventional measure are those with less than a high school diploma. At first glance, it may seem odd that the group with the highest unemployment rate also has the lowest *long-*

term unemployment rate. The apparent contradiction though is fairly easy to untangle. Workers with less than a high school degree are much more likely to be unemployed, but they are also more likely to give up looking for work when they lose their job. Less-educated workers typically have fewer resources to finance job searches (they are less likely to qualify for unemployment insurance and typically have lower savings); they may also realistically conclude that there are indeed few jobs available for them when the overall unemployment rate is high.

FIGURE 5
Long-term Unemployed, by Education, 2011



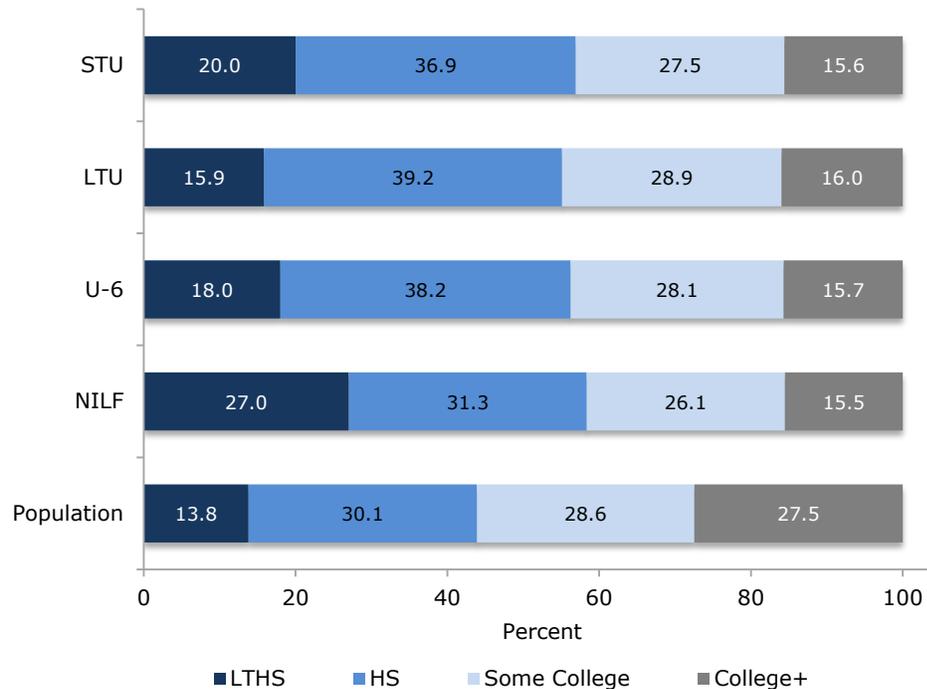
Source: Authors' analysis of Current Population Survey.

The alternative measure of long-term unemployment, which we generally prefer to the standard measure, sheds further light on the apparent paradox. The likelihood that any given worker in the labor force is long-term unemployed – which is what the alternative long-term unemployment statistic measures – does vary strongly with education. Only 2.0 percent of workers with a college degree or more were long-term unemployed, compared to 3.8 percent of workers with only some college education, 5.2 percent of workers with only a high school degree, and 6.9 percent of workers with less than a high school degree. So, even though a smaller *share of unemployed* less-educated workers have been out of work for more than six months, a much higher *share of all workers* who are less-educated have been out of work for that long.

Figure 6 presents the educational composition of the various unemployment measures, alongside the educational composition of the working-age population, for purposes of comparison. Workers with less than a high school diploma are over-represented among the short- and long-term unemployed, as well as the U-6 expanded unemployment rate. The over-representation of less-than-high-school educated workers in the pool of the unemployed reinforces our conclusion that the alternative measure of long-term unemployment is a more reliable way of representing the problem

of long-term unemployment. Workers with a high school degree are also over-represented in short-term, long-term, and U-6 unemployment. Meanwhile, workers with a four-year college degree or more are strongly under-represented in all of the unemployment categories.

FIGURE 6
Labor-market Status, by Education, 2011



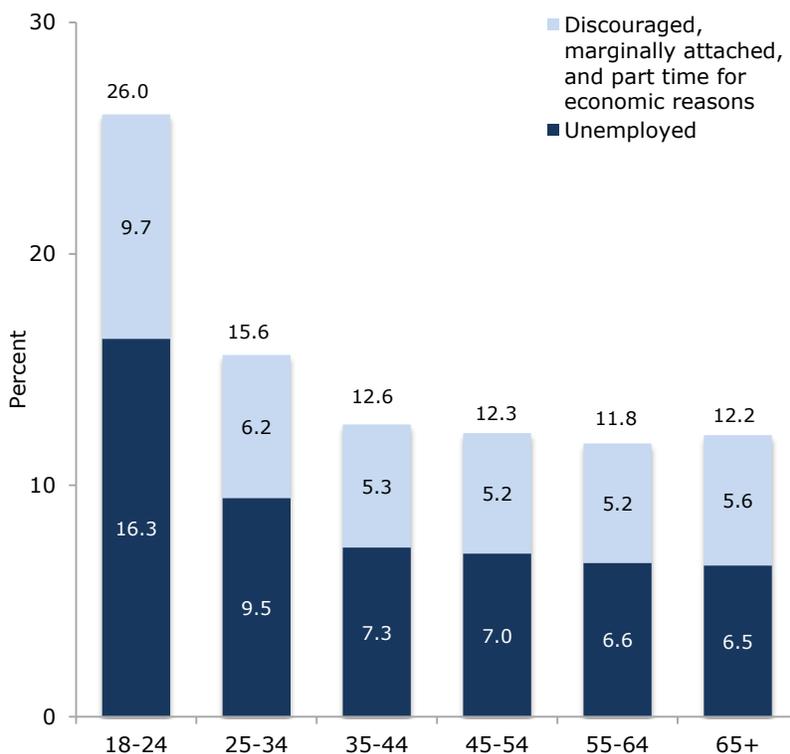
Source: Authors' analysis of Current Population Survey.

Age

All the unemployment measures also vary systematically with age. As **Figure 7** demonstrates, younger workers, those ages 18 to 24, are more than twice as likely (16.3 percent) to be unemployed as older workers are (7.3 percent for 35 to 44 year olds, 7.0 percent for 45 to 54 year olds, 6.6 percent for 55 to 64 year olds, 6.5 percent for those over 65).¹⁵ A similar two-to-one ratio also roughly holds for the U-6 measure, with almost 10 percent of 18 to 24 year olds experiencing U-6 unemployment, compared to just over 5 percent of workers 35 and older. Workers ages 25 to 34 fare marginally better than the youngest cohort and slightly worse than older cohorts.

¹⁵ Those over the age of 65 are included in only this portion of the analysis and have been excluded elsewhere.

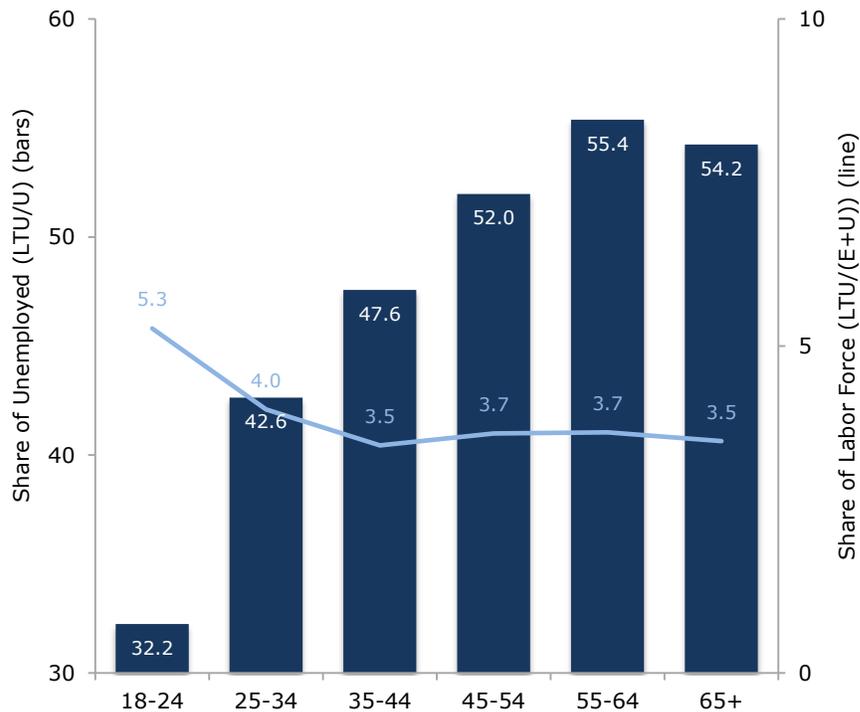
FIGURE 7
Unemployment and U-6 Rates, by Age Group, 2011



Source: Authors' analysis of Current Population Survey.

As **Figure 8** shows, workers age 18 to 24 are also more likely (5.3 percent) than older workers are to be long-term unemployed (3.7 percent for 45 to 54 year olds and 3.7 percent for 55 to 64 year olds). The age gap, however, is much smaller for long-term unemployment than it is for the official unemployment rate or for the U-6 measure in Figure 7. As was the case for workers with less than a high school degree, the youngest age group has the highest unemployment rate, the highest U-6 rate, the highest rate of long-term unemployment by the alternative measure, but also has the *lowest* long-term unemployment rate using the conventional long-term unemployment measure. As with less-educated workers, younger workers are the group most likely to give up looking for work after they become unemployed. As a result, the share of unemployed 18 to 24 year olds who have been unemployed for six months or longer is lower than for older age groups. But, because so many 18 to 24 year olds are unemployed, a higher share of all 18 to 24 year olds in the labor force are actually unemployed than is the case for older workers.

FIGURE 8
Long-term Unemployed, by Age Group, 2011

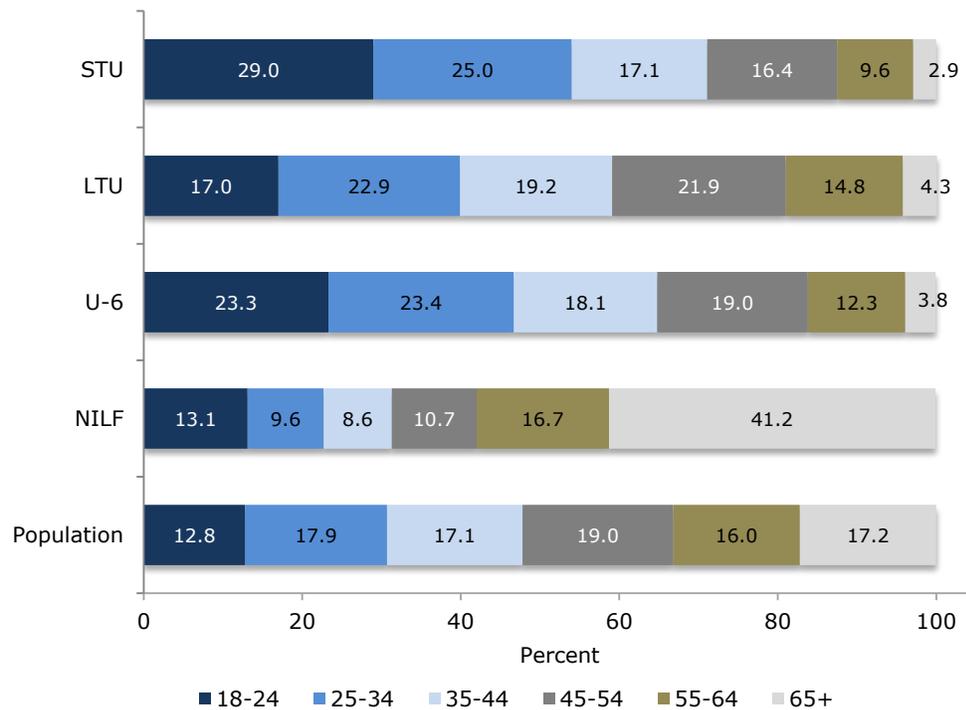


Source: Authors' analysis of Current Population Survey.

As **Figure 9** shows, workers age 18 to 34 are over-represented in all of the unemployment categories (and the “not in the labor force” category). Older workers ages 55 and over are under-represented in long-term unemployment, standard unemployment, and the U-6 measure.¹⁶

¹⁶ We also analyzed differences in unemployment, long-term unemployment, and the U-6 rate by four major U.S. regions and by nativity (U.S. versus foreign born). Differences in these measures were generally small across regions and nativity. Workers in the West fared slightly worse than those in the rest of the country. Immigrants had almost identical unemployment and long-term unemployment rates as the U.S.-born, but somewhat higher U-6 rates (primarily because immigrants were more likely to be working part-time for economic reasons).

FIGURE 9
Labor-market Status, by Age Group, 2011



Source: Authors' analysis of Current Population Survey.

Conclusion

More than two years of historically high long-term unemployment rates have already exacted a substantial individual and societal cost. The recovery – officially underway since the summer of 2009 – has provided almost no relief for those experiencing long-term hardship, even as the overall unemployment rate has started to fall. The available data suggest, however, that even this bleak picture is too rosy. The standard measure of long-term unemployment ignores large groups of workers experiencing long-term hardship, including “discouraged workers,” the “marginally attached,” and many of those who are in part-time work, but want to work full-time. Measures such as the U-6 rate, which incorporate these workers and potential workers, show that “long-term hardship” in the labor market is even more widespread than the official measure of long-term unemployment suggests.

Moreover, by whichever measure – the standard long-term unemployment rate or an expanded “long-term hardship” measure, based on the U-6 rate – the data also show that the burden of long-term joblessness is borne unevenly. Blacks and Latinos, less-educated workers, and younger workers are all much more likely to be unemployed, long-term unemployed, “discouraged,” “marginally attached,” or involuntarily part-time, with terrible consequences for these groups’ current and future economic, social, and health outcomes.

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