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A Glance at Long-Term Unemployment in Recent Recessions

Bureau of Labor Statistics

A Glance at Long-Term Unemployment in Recent Recessions

Abstract

[Excerpt] Following the official end of the 2001 recession in November 2001, unemployment continued to rise for some 19 months. The unemployment rate reached a peak of 6.3 percent in June 2003 before trending down to 5.0 percent in June 2005. Even when the overall unemployment rate started to decline, however, there was no immediate improvement in the number of unemployed who had been jobless for 27 weeks or more, often referred to as the long-term unemployed. Indeed, it was late 2003 before long-term unemployment peaked and early 2004 before it began to recede. In fact, in the aftermath of each of the last two recessions, long-term joblessness continued to climb far longer than it did during the downturns of the mid-1970s and early 1980s.

This report compares the severity and length of long-term joblessness associated with each of the last four downturns. In the analysis that follows, the long-term jobless rate is defined as the proportion of the labor force (rather than of unemployment) that has been unemployed for 27 weeks or longer.

Keywords

unemployment, long-term, recession, joblessness, downturn, contraction, labor market

Comments

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A glance at long-term unemployment in recent recessions

Following the official end of the 2001 recession in November 2001, unemployment continued to rise for some 19 months. The unemployment rate reached a peak of 6.3 percent in June 2003 before trending down to 5.0 percent in June 2005. Even when the overall unemployment rate started to decline, however, there was no immediate improvement in the number of unemployed who had been jobless for 27 weeks or more, often referred to as the long-term unemployed. Indeed, it was late 2003 before long-term unemployment peaked and early 2004 before it began to recede. In fact, in the aftermath of each of the last two recessions, long-term joblessness continued to climb far longer than it did during the downturns of the mid-1970s and early 1980s.

This report compares the severity and length of long-term joblessness associated with each of the last four downturns. In the analysis that follows, the long-term jobless rate is defined as the proportion of the labor force (rather than of unemployment) that has been unemployed for 27 weeks or longer.[1]

In November 1975, the share of persons jobless for more than half a year peaked at 2.1 percent of the labor force, 8 months after the end of the 1973–75 recession.[2] In June 1983, 7 months after the official end of the 1981–82 recession, the long-term jobless rate peaked at 3.1 percent, the highest recorded in the post-World War II era. Although the downturn of 1990–91 more closely resembled that of the mid-1970s in terms of the magnitude of the long-term unemployment rate—just over 2 percent in October 1992—the rate did not peak until 19 months after the official end of the recession (March 1991). Following the 2001 downturn, the long-term jobless rate peaked at 1.4 percent in September 2003, 22 months after the official end. (See chart.)

The most obvious reason for the slow improvement in long-term unemployment following the two most recent contractions was the relatively slower pace of job growth. Following each of the recessions of the mid-1970s and early 1980s, employment rose by 1.5 percent within a year. In contrast, employment was virtually unchanged in the year following the 1990–91 and 2001 recessions. As shown in the accompanying table, even by the time long-term unemployment had started to decline, employment had risen by 1.0 percent or less. Also, in contrast to the recessions of the mid-1970s and early 1980s, the employment-to-population ratio continued to decline far longer following the recessions of 1990–91 and 2001.

For additional information on long-term unemployment and a technical description of the Current Population Survey from which the data used in this report were derived, contact Randy E. Ilg, Office of Employment and Unemployment Statistics, Bureau of Labor Statistics, Washington, DC 20212. Telephone: (202) 691-6378.E-mail: ilg.randy@bls.gov.

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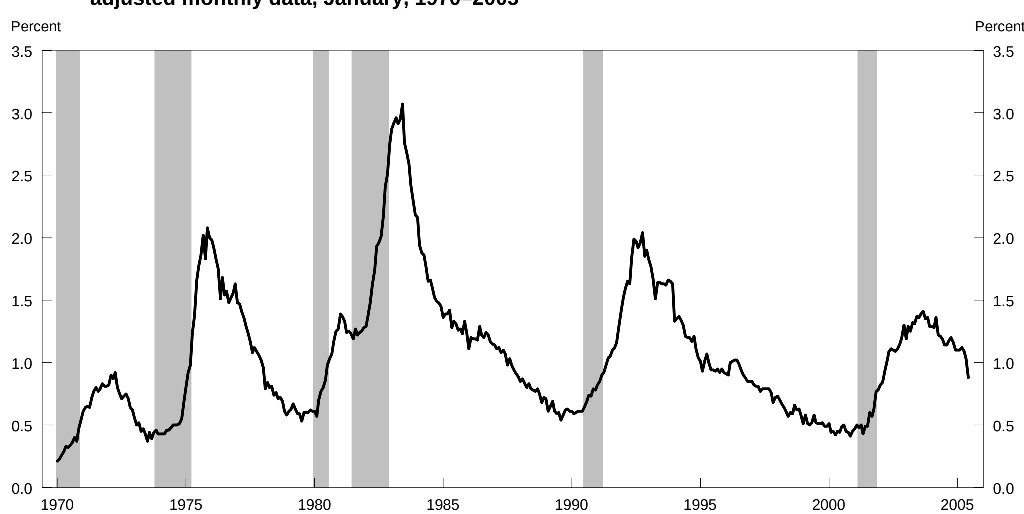
Footnote

[1] The labor force is used as the basis in this analysis because employment has trended up over the period from 1970 forward (largely reflecting population growth), whereas unemployment has risen and fallen cyclically.

[2] The historical comparison of long-term unemployment was affected by the introduction of a new questionnaire and survey methodology in January 1994. In particular, several changes to the questionnaire—both definitional and operational—resulted in differences in the way the unemployed are distributed among the categories designating the reason for unemployment. Research at the Bureau of Labor Statistics has shown that the new methodology significantly increased the proportion of the unemployed classified as reentrants and decreased the proportion of the unemployed in the other categories. Thus, adjustments have been made to the data prior to 1994 to make it more comparable with post-1994.

Chart 1. **Persons unemployed 27 or more weeks as a percent of the civilian labor force, seasonally adjusted monthly data, January, 1970–2005**



NOTE: Shaded areas represent recessions from December 1969 through November 1970, November 1973 through March 1975, January 1980 through July 1980, July 1981 through November 1982, Juyl 1990 through March 1991, March 2001 through November 2001.

Table 1. **Change in employment and employment-to-population ratio from official end of recession to peak in long-term unemployment, last four major recessions, seasonally adjusted**

Official recession trough to peak in long-term unemployment	Number of months	Change in employment (In thousands)	Percent change in employment	Percentage-point change in employment-to-population ratio
March 1975 to November 1975	8	1,269	1.5	0.0
November 1982 to June 1983	7	1,521	1.5	+0.5
March 1991 to October 1992	19	1,197	1.0	–0.5
November 2001 to September 2003	22	834	0.6	–0.9

NOTE: Employment changes during the 1990–2003 period are calculated from a CPS employment series smoothed to reflect adjustments to population controls.

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