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The Changing Unemployment Problem and Its Implications for Unemployment Insurance

Saul J. Blaustein
W.E. Upjohn Institute



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Saul J. Blaustein

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The Changing Unemployment Problem and Its Implications for Unemployment Insurance

Some unemployment is inevitable in a free, dynamic society. In an economic system that places a premium on private enterprise and free choice, not all economic activity runs smoothly. Ebbs and flows occur in business, including seasonal and cyclical variations. Business undertakings do not always work out. The same is true for public policies and government programs. Above all there is change, constant change, in the structure and patterns of economic activities. All of these factors can and do result in some unemployment. Decisions of individuals to enter the labor market to seek jobs, or to leave jobs they have held to find other employment, may also lead to unemployment if the demand for workers is less than the supply of labor offered, or if job seekers and employers with openings do not match or do not find each other right away. Even if “full employment” were attained, there would still be some unemployment simply because the labor market requires time to serve its function. Full employment, in the sense that everyone who wants to work is working all the time, does not appear to be likely or necessarily desirable.

A substantial share of involuntary unemployment represents temporary job loss with assured or good prospects for reasonably prompt recall to the same employer. But recall can also be less certain and long delayed, especially during a business recession. Much permanent job loss and subsequent unemployment is a consequence of significant changes that occur constantly in the economy. New products, new technology, altered markets and consumer tastes, increased foreign competition, and shifts in government procurement and regulatory policies all can and do cause dislocations of labor. The ensuing unemployment of displaced workers may be due to their inability to fit into new types of jobs. The search for a new job is often not smooth or easy.

2 The Changing Unemployment Problem

Unemployment insurance is a “first line of defense”¹ against involuntary unemployment, whether it be structural, cyclical, long term, or short term. An understanding of trends in the extent, duration, and nature of unemployment, as well as employment and labor force trends, is therefore of prime importance to those interested in understanding and evaluating the unemployment insurance program.

Labor Force Growth

Unemployment insurance became fully established in the United States during the late 1930s in the wake of the Great Depression. Soon after came World War II, and the economy went on a war footing; unemployment virtually disappeared and civilian labor shortages became a central problem. By 1947, the postwar readjustment was substantially over. Most of the ensuing period was one of prosperity and comparatively full employment. The year 1947, therefore, is a good starting point for the purpose of considering those changes in the labor force that affect the character and operation of the unemployment insurance program. These changes and trends are here reviewed over the next forty-three years—to 1990, the threshold of the closing decade of the century.

Beginning at an average level of 59.4 million persons in 1947, the civilian labor force grew to nearly 125 million by 1990, an increase of 110 percent.² This growth averaged about 1.5 million a year during the

1. This phrase was used early to identify unemployment insurance as the primary and preferred form of income support for involuntarily unemployed workers, with public work relief used as a supplementary form of support, if needed. See, for example, Lampman 1962, p. 229.

2. Labor force data, including employment and unemployment statistics, are developed from sample household surveys (the Current Population Survey) conducted monthly by the U.S. Bureau of the Census and published by the Bureau of Labor Statistics. The data refer to persons 16 years of age and over. The numbers cited for years prior to 1950 generally come from *Handbook of Labor Statistics* (December 1980), hereafter cited as *HLS 12/80*. The numbers cited for years 1950-1953 generally come from *Handbook of Labor Statistics* (June 1985), hereafter cited as *HLS 6/85*. Data for subsequent years are from the January 1991 issue of *Employment and Earnings*, a monthly publication of the U.S. Department of Labor's Bureau of Labor Statistics, hereafter cited as *E&E 1/91*.

entire period, but about 2 million annually after 1965 compared with 840,000 a year before then (*HLS* 12/80, table 1; *E&E* 1/91, table A-1).

One of the most important elements of this growth during the period was the striking rise in the number of women in the labor force. Women accounted for 61 percent of the total increase in the forty-three years after 1947 when their labor force participation rate was only about 32 percent; that rate was 57.5 percent in 1990. By contrast, the male participation rate declined from 87 percent in 1947 to 77 percent in 1990.³ Women made up almost 45 percent of the labor force in 1990 compared with 28 percent in 1947. In 1990, over 58 percent of all married women living with their husbands were in the labor force, compared with about 20 percent in 1947 (*HLS* 6/85, table 50; *E&E* 1/91, table 8).

Unemployed married women who file claims for benefits may present special concerns for the unemployment insurance program. Determining their continued eligibility for benefits can pose difficulty in some cases when uncertainty surrounds their current labor force attachment, i.e., their availability for work. As a group, they have tended to move in and out of the labor market more than other groups. For example, 28 percent of all married women (spouse present) between 25 and 44 years of age who worked at some time in 1987 were out of the labor force for three or more weeks during that year (14 percent were out for twenty-six or more weeks). These figures compare with 8 percent for all men in this age group (3 percent for twenty-six or more weeks), also in 1987.⁴

The higher proportion of wives in the workforce means relatively fewer workers are the sole providers for their families. Insured unemployed workers in 1990 are thus much more likely to be from multi-earner families than was the case in 1947. This change has prompted some question about how critical the unemployment insurance program's role is in alleviating hardship.

Another major component of civilian labor force growth was the increase in the number of young workers, 16 to 24 years of age, from

3. Participation rates from *HLS* 12/80, table 2, and *E&E* 1/91, table A-2. The participation rate for a population group (e.g., women age 16 and over) is the number of that group in the labor force divided by that group's total population.

4. Based on tabulations supplied by the Bureau of Labor Statistics from the March 1988 household survey.

11.7 million in 1947 to 21 million in 1990. Virtually all of this increase occurred after 1960, reflecting the coming of age of the baby boom generation born in the approximately fifteen-year period following World War II. The numbers in this age group leveled off in 1979 and 1980, and declined somewhat since then, as most of that generation was 25 years of age or older by that time. By 1980, the 16-24-year-old age group accounted for 23 percent of the labor force; it was down to 17 percent by 1990, the same proportion as in 1960 (*HLS* 12/80, table 3; *E&E* 1/91, table 3). Young persons also show a greater tendency to move in and out of the labor force than do older workers. Those with enough work experience qualify for unemployment benefits when jobless, but some may stir eligibility questions because of the circumstances of their job separation or the uncertainty of their availability for work, especially if they are also going to school. Most unemployed youths do not qualify for benefits.

Older labor force participants, age 55 and over, increased in number from 10 million in 1947 to 15.4 million in 1990, but their proportion of the labor force fell from 16.8 to 12.3 percent over this period. Older women accounted for most of the increase, more than tripling in number from about 2 million to 6.6 million in this time. The number of men age 65 and over in the labor force declined from 2.4 to 2.0 million, reflecting the strong trend toward retirement since the mid-1950s (*HLS* 12/80, table 3; *E&E* 1/91, table 3). The increase in both the availability and value of pensions, including Social Security, during this period accounted for much of this trend. Dual receipt of pensions and unemployment benefits by some older workers produced a significant issue for the program.

Labor force growth is expected to continue, though at a slower rate, beyond the end of this century. A mid-range projection⁵ sees a workforce of almost 151 million by the year 2005, representing an increase of about 21 percent over the 15-year period, compared to 33 percent growth during the previous fifteen years. Women will continue to account for the majority of the increase—about 58 percent of it—rais-

5. Based on Fullerton (1991, pp. 31-44). This article reviews projections prepared by the U.S. Bureau of Labor Statistics using alternative assumptions about labor force and population changes to derive high, medium, and low growth projections from 1980 decennial census baseline levels; adjustments for a shift to a 1990 census baseline are not expected to affect significantly the medium-level projections.

ing their proportion of the labor force to over 47 percent and their participation rate to 63 percent, from 1990 levels of 45 and 58 percent, respectively. While the number of workers in all age groups will increase, the largest proportionate rise (about 44 percent) is expected in the number of older workers, age 55 and over, increasing from about 15 million in 1990 to 22 million in 2005. Moreover, the labor force participation rate for persons in this age group will rise to 35 percent, reversing a decline in the prior fifteen years. By 2005, baby boomers born in the first years of the post-World War II period will have moved into their later 50s, still in the workforce and not yet at the usual retirement age. Also by 2005, the baby boom generation will account for less than half the labor force and all of them will be over the age of 40. Overall, the labor force will be somewhat older and more experienced than in 1990.

These changes are likely to have broad effects on unemployment insurance. More experienced, prime-aged workers tend to have lower rates of unemployment than their younger counterparts. They are also more likely to qualify for benefits if unemployed. While the rising number of women may increase the concerns associated with unsteady labor force participation, as women workers gain greater experience and acceptance in all kinds of jobs, their steadiness as participants may very well improve. Child care and other family responsibilities may also create fewer interruptions in employment for women as their numbers concentrate increasingly in the older age groups.

Employment Trends

Employment growth roughly paralleled total labor force growth from 1947 to 1990, although changing economic conditions produced more variability in the employment trend. Over the entire period, when employment more than doubled from about 57 million to 118 million, the average annual increase in employment was 1.4 million. During recession years, however, the level of employment declined or, as in 1980, failed to grow to match the rise in the civilian labor force. In general, employment growth did not keep up as well with labor force

increases in the 1970s and early 1980s as it did in the two prior decades.

Actually, the growth in nonagricultural employment from 1947 to 1990 of 66 million about matched the growth in the labor force, while employment in agriculture declined from 7.9 to 3.2 million. Among nonagricultural industries, the rates of increase were uneven. Wage and salary employment more than tripled, from about 25 million to 85 million in private service-producing industries over the 43-year period, but grew less than 50 percent, from 18.5 million to 25.0 million in goods-producing industries.⁶ Government employment rose from 5.5 million to 18.3 million, mostly in state and local government. As a proportion of all employees, production and nonsupervisory workers declined over the years. Nonproduction workers in manufacturing accounted for about 16 percent of all manufacturing employment in 1947 and 32 percent in 1990. In a number of industries, the employment of production workers actually declined over the period, or rose very little. Production employment in primary metals hovered around 1 million in most years since 1950, but was down sharply in later years to less than 600,000 by 1990. In transportation equipment manufacturing, production worker employment fluctuated between about 1 million and 1.5 million over the years and averaged 1.2 million in 1990. Employment levels declined from 1950 to 1990 in textile mills, food and kindred products, and leather goods manufacturing. Sizable long-term employment declines also occurred in mining, particularly in coal mining, although a temporary surge came in the 1970s and early 1980s with rapid expansion of oil and gas drilling.⁷

Between 1950 and 1990, employment gains were proportionately much larger in the South and West than in the Northeast and North Central states. While nonagricultural employment more than doubled over this period nationally, it increased more than sevenfold in Florida, nearly fourfold in California, and more than threefold in Texas. It doubled in New England and the East North Central states, and it

6. *E&E* (1/91, table B-1). Data for 1990 are preliminary.

7. Most data cited on industry employment are based on monthly surveys of employing establishments. They are published in *HLS* 12/80, tables 72-76; *E&E* 1/81, tables B-1 and B-2; *E&E* 5/88, tables A-1 and B-1; and *E&E* 1/91, tables 65 and 66.

increased somewhat over 50 percent in the mid-Atlantic region.⁸ Increasing industrialization in the more rapidly growing states provided expanding job opportunities which, along with the good climate, attracted workers from elsewhere in the nation. Heavy concentrations of federal defense and space agency procurement contracts in California, Florida, Texas, and a few other states in the South and West contributed strongly to their rapid industrial growth. The energy crises of the 1970s stimulated oil and gas industry expansion in several Rocky Mountain and Gulf Coast states. The areas benefitting from all these developments in turn became more vulnerable to the business cycle, to federal procurement policy changes and budget reductions, and to wide swings in world petroleum prices. As these events occurred during the 1970s and 1980s, many of the "boom" areas experienced their first serious encounter with substantial industrial unemployment. The states involved found it necessary to reexamine the adequacy and solvency of their unemployment insurance programs.

Another notable employment trend with increasingly important implications for unemployment insurance has been the growing popularity of a variety of work patterns as alternatives to full-time and year-round employment. There have always been part-year temporary and seasonal jobs, as well as part-time jobs (less than thirty-five hours per week). Since about the mid-1950s, the number of people who work part time has increased dramatically. This trend reflects the rising labor force participation by women, many of whom cannot or prefer not to work full time. In 1990, 11.5 percent of all men who worked during the year worked at part-time jobs, compared with 27.7 percent of all women who worked; the comparable proportion for teenagers in 1990 was nearly two-thirds (*E&E* 1/91, table 7). Another element in this trend has been the growing interest of older workers in more limited employment, including many who retire early from regular full-time work. Some employers have organized their job arrangements to make possible alternative work schedules. Flextime, job splitting, and other forms of work sharing have emerged as new options for workers (Best 1981).

8. Changes cited based on data in *HLS* 12/80, table 79; and *E&E* 1/90, table B-8. The divisions of states applied are from the standard "Regions and Geographic Divisions of the United States," U.S. Department of Commerce, Bureau of the Census.

The number of persons who work part time by choice grew from an average level of about 5 million in 1957 to 16.7 million in 1990, more than a threefold increase over the period when all employment doubled.⁹ Women accounted for most voluntary part-time workers (about 70 percent during the mid- and late-1980s), and about three-fourths of these women were employed in clerical, sales, and service occupations.¹⁰ The rate of growth in voluntary part-time employment slowed during the 1970 to 1990 period, rising an average of about 2.9 percent a year compared with a 6.2 percent annual rate of increase during the prior thirteen years. The smaller increases, and even decreases, in the number of teenage workers during the later 1970s and 1980s contributed to the slower growth in part-time employment.

Some workers are employed part time not by choice but for economic reasons. They include, for example, persons who worked less than 35 hours a week because of slack work, job changing, material shortages, and inability to find full-time work. They represent the underemployed. Their number fluctuates with economic conditions. During the 1970s, it ranged between annual averages of 2.4 million and 3.7 million; it rose during the 1980s, reaching a high of 5.4 million in 1987, of whom about 32 percent usually worked full time.¹¹ The majority of the latter were men, while most of those who usually worked part time were women.¹²

The implications of these employment trends for unemployment insurance are not entirely clear. For example, should unemployed workers who voluntarily work part time and who qualify for benefits remain eligible if they refuse full-time jobs that are otherwise suitable? When full-time employment is scarce, to what extent should unemployed full-time workers receiving unemployment benefits be urged or required to accept part-time work? Dealing with workers whose

9. Based on workers in nonagricultural jobs. The number in 1957 was 5.2 million but includes 14- and 15-year-olds who are not included in later data. *HLS* 1975, p. 77, table 22; *E&E* 1/91, table A-1, table 1, and table 7.

10. *HLS* 12/80, table 23; *HLS* 6/85, table 20; *E&E* 1/81, table 35, and other January issues for 1984-1990, tables 33 and 34.

11. After 1987, the number of workers employed part time for economic reasons fell slightly to 5.2 million in 1988 and then to 4.9 million in 1989 (*E&E* 1/90, Tables 31 and 33).

12. *HLS* (12/80, table 24 and 25); *E&E* (1/88, tables 31 and 33). Those who usually work part time prefer more work but have been on short-time for so long that they can no longer be regarded as full-time workers.

employers place them on short-time or who are usually employed on a part-time basis may become a more active area of concern for unemployment insurance.

Trends in Unemployment

The annual average level of unemployment in the nation varied from 1947 to 1990 between a low of 1.8 million in 1953 to more than 10.7 million in 1983 (table 1.1). The higher levels of more recent years are due, in part, to the growth of the labor force. Rates of unemployment (the number unemployed as a percent of the total labor force) overcome this effect of labor force growth. The rates are thus useful when assessing the significance of unemployment. Between 1947 and 1990, the annual average civilian unemployment rate has varied over a range from 2.9 percent in 1953 to 9.5 percent in 1982 and 1983.

The pattern of unemployment during the post-World War II era has been largely a cyclical one. Recession year rates ranged from 5.5 percent in 1954 to 9.5 percent in 1982-83. At no time, however, did these rates come close to the levels experienced during the depression of the 1930s, which dominated the economic climate that helped shape the nation's unemployment insurance system. Although the 1954 unemployment rate of 5.5 percent represented a recession peak in that period, it is notable that until 1988, the nation's unemployment rate had not averaged that low for any year after 1970, except for 1973. The annual rate was less than 5.0 percent in fourteen of the twenty-four years from 1947 to 1970; it was more than 6.0 percent in eleven of the twenty years from 1971 to 1990. Indeed, the unemployment rate was never as high as 7.0 percent for any year from 1947 to 1974; the rate averaged 7.0 percent or higher in nine of the sixteen years from 1975 through 1990. While the pattern was generally cyclical throughout, the entire forty-four-year period saw a significant rise in the rate of unemployment along with the cyclical swings. This difference between the earlier and later years of the period is a fairly crucial one for unemployment insurance, considering the various effects on the program of the more serious unemployment of the later period. These effects and

Table 1.1 Average Annual Levels and Rates of Unemployment and Percentage Distribution of the Unemployed by Duration of Unemployment: 1947-1990

Year	Number unemployed (in thousands)	Rate of unemployment	Percentage distribution of the unemployed by duration of unemployment ^a		
			Less than 15 weeks	15 to 26 weeks	27 weeks and over
1947	2,311	3.9	82.8	10.1	7.1
1948	2,276	3.8	86.4	8.5	5.1
1949	3,637	5.9	81.2	11.8	7.0
1950	3,288	5.3	76.2	12.9	10.9
1951	2,055	3.3	85.3	8.1	6.7
1952	1,883	3.0	87.7	7.9	4.5
1953	1,834	2.9	88.5	7.2	4.3
1954	3,532	5.5	77.0	14.0	9.0
1955	2,852	4.4	75.4	12.9	11.8
1956	2,750	4.1	80.6	10.9	8.4
1957	2,859	4.3	80.4	11.2	8.4
1958	4,602	6.8	68.4	17.1	14.5
1959	3,740	5.5	72.2	12.5	15.3
1960	3,852	5.5	75.2	13.0	11.8
1961	4,714	6.7	67.5	15.4	17.1
1962	3,911	5.5	71.4	13.6	15.0
1963	4,070	5.7	73.3	13.1	13.6
1964	3,786	5.2	74.3	12.9	12.7
1965	3,366	4.5	77.6	12.0	10.4
1966	2,875	3.8	81.7	10.0	8.3
1967	2,975	3.8	84.9	9.1	5.9
1968	2,817	3.6	85.4	9.1	5.5
1969	2,832	3.5	86.7	8.5	4.7
1970	4,088	4.9	83.8	10.4	5.7
1971	4,993	5.9	76.3	13.3	10.4
1972	4,840	5.6	76.1	12.3	11.6
1973	4,304	4.9	81.2	11.0	7.8
1974	5,076	5.6	81.5	11.1	7.4
1975	7,830	8.5	68.3	16.5	15.2
1976	7,288	7.7	67.9	13.8	18.3

Table 1.1 (continued) Average Annual Levels and Rates of Unemployment and Percentage Distribution of the Unemployed by Duration of Unemployment: 1947-1990

Year	Number unemployed (in thousands)	Rate of unemployment	Percentage distribution of the unemployed by duration of unemployment ^a		
			Less than 15 weeks	15 to 26 weeks	27 weeks and over
1977	6,855	7.0	72.1	13.1	14.8
1978	6,047	6.0	77.2	12.3	10.5
1979	5,963	5.8	79.8	11.5	8.7
1980	7,448	7.1	75.5	13.8	10.8
1981	8,273	7.5	72.4	13.6	14.0
1982	10,678	9.5	67.4	16.0	16.6
1983	10,717	9.5	60.7	15.4	23.9
1984	8,539	7.4	67.9	12.9	19.1
1985	8,312	7.1	72.3	12.3	15.4
1986	8,237	6.9	72.9	12.7	14.4
1987	7,425	6.1	73.3	12.7	14.0
1988	6,701	5.4	75.8	12.0	12.1
1989	6,528	5.2	78.9	11.2	9.9
1990	6,874	5.4	78.1	11.8	10.1

SOURCES: *Employment and Earnings*, January 1981, table A-1, and January 1991, table A-1; *Handbook of Labor Statistics*, August 1989, table 33, and December 1980, table 38; *Employment and Earnings*, January 1981, table 17; *Employment and Earnings*, January 1986, table A-16, January 1988, table A-16, January 1990, table 13, and January 1991, table 14.

a. Weeks unemployed in current spell of unemployment as of the week surveyed each month.

the response will occupy a great deal of the discussions in later chapters of this book.

Long-term Unemployment

Higher rates of unemployment are accompanied by higher levels of long-term unemployment (table 1.1). In years when the average unemployment rate was below 4.0 percent, the proportion unemployed for fifteen or more weeks (as of the time of the monthly labor force surveys) ranged between 12 and 18 percent of all unemployed persons. It ranged from about 19 to 39 percent in years when the rate exceeded 5.0 percent. Since the higher proportions unemployed for long periods occur when the total number of all unemployed is high, the rise in the number of long-term jobless is even more extreme. For example, in 1969 when unemployment averaged 2.8 million and 3.5 percent of the labor force, long-term unemployment (fifteen or more weeks) averaged less than 400,000 persons, including only about 133,000 unemployed twenty-seven or more weeks. In 1975, when unemployment averaged over 7.8 million (less than three times the 1969 level) and 8.5 percent of the labor force, the number unemployed fifteen or more weeks exceeded 2.5 million, over six times the 1969 level; the number unemployed twenty-seven or more weeks that year was about 1.2 million, almost nine times the 1969 level.¹³

The annual averages in table 1.1 do not convey the full extent of unemployment experienced by labor force members throughout the year. Table 1.1 data are based on a snapshot, a cross-section picture taken by a sample household survey (see footnote 2) of the labor force status of the adult population as of a single week in the middle of each month and averaged for all twelve months of the year. In each monthly cross-section survey, persons are counted as unemployed if that is their status in the week on which the survey focuses, and the duration of their unemployment is measured by the number of successive weeks they have been jobless and seeking work as of the surveyed week. This duration measure, thus, is truncated; it excludes any additional weeks of unemployment the unemployed may continue to have before their current spells end. Nor does the duration measure include unemploy-

13. Even adjusting for a 12 percent increase in the total labor force over the 1969-75 period does not alter the significance of this pattern very much.

ment in other spells they may have in the same year. (Generally, about a third of all persons with any unemployment during a year experience two or more spells of joblessness in that year.¹⁴) Also missed by the monthly surveys are persons with very short spells of unemployment which begin and end between the survey weeks.

By contrast, another view examines the adult population's total labor force experience as accumulated throughout the year. This longitudinal perspective, also provided by a survey,¹⁵ develops counts of the total number of weeks each person was employed and unemployed during the year. The unemployment experience data derived from this information are presented in table 1.2 for each year beginning with 1957, the first for which work experience survey data are available. A comparison of the total number of people experiencing unemployment during the year (table 1.2) with the annual average level of unemployment in the survey weeks of the year (table 1.1) shows that the total runs about 2 to 4 times higher than the average level for the same year. In 1969, for example, a year of relatively low unemployment, 11.7 million people experienced some unemployment, over four times the average level of 2.8 million that year. In 1982, a severe recession year, 26.5 million experienced some unemployment, nearly two-and-one-half times the average unemployment level of 10.7 million that year.

As noted above, the duration of unemployment measured as of the surveyed week is limited to the number of weeks those unemployed in that week had been seeking work in their current spells. The proportion who had been unemployed fifteen or more weeks at that time, therefore, is limited, since additional unemployment beyond the surveyed week or in other spells during the year is not reflected. On the other hand, when duration or the total number of weeks of unemployment is measured on the basis of all experience in the year, the proportion with a total of fifteen or more weeks of unemployment is higher, usually much higher, than the proportion unemployed this long in their current

14. For example, about 5.8 million, over 32 percent of all workers with some unemployment in 1990 (almost 5.9 million, 31 percent in 1991) had more than one spell that year (*Bureau of Labor Statistics News* 1992, table 3).

15. The work experience survey is taken in March of each year as a supplement to the regular household survey for that month. This supplement obtains information about each person's employment and unemployment experience during the preceding calendar year. For further description of the work experience survey, see Mellor and Parks (1988, pp. 13-18).

Table 1.2 Persons with Unemployment During Year and Percentage Distribution by Extent of Unemployment, 1957-1990

Year	Persons with unemployment ^a				
	Number (millions)	Percent of all persons in labor force during year	Weeks unemployed during year (percentage distribution) ^b		
			Less than 15 weeks	15 to 26 weeks	27 or more weeks
1957	11.6	14.7	68.5	17.8	13.7
1958	14.1	17.9	59.6	20.5	19.9
1959	12.2	15.3	65.9	19.1	15.0
1960	14.2	17.2	64.6	19.6	15.8
1961	15.1	18.4	62.3	21.2	16.5
1962	15.3	18.2	64.2	20.7	15.1
1963	14.2	16.7	64.1	21.1	14.8
1964	14.1	16.2	66.8	19.8	13.4
1965	12.3	14.1	71.8	18.3	9.9
1966	11.4	13.0	76.2	15.5	8.3
1967	11.6	12.9	77.5	14.7	7.8
1968	11.3	12.4	78.8	13.9	7.3
1969	11.7	12.5	77.9	14.6	7.5
1970	14.6	15.3	69.1	19.2	11.7
1971	15.9	16.3	63.1	21.5	15.4
1972	15.3	15.4	65.6	20.4	14.0
1973	14.5	14.2	70.5	18.5	11.0
1974	18.5	17.9	66.9	20.6	12.5
1975	21.1	20.2	57.1	24.0	18.9
1976	20.4	19.1	59.0	22.8	18.2
1977	19.5	17.8	62.3	21.9	15.8
1978	17.7	15.8	65.9	20.7	13.4
1979	18.5	15.8	66.7	20.5	12.8
1980	21.4	18.1	58.8	23.4	17.8
1981	23.4	19.5	58.6	24.1	17.4
1982	26.5	22.0	51.6	26.0	22.4
1983	23.8	19.6	52.5	25.0	22.4
1984	21.5	17.4	61.0	23.6	19.4
1985	21.0	16.7	58.3	23.8	17.9
1986	20.7	16.2	57.3	24.3	18.4

Table 1.2 (continued) Persons with Unemployment During Year and Percentage Distribution by Extent of Unemployment, 1957-

Year	Persons with unemployment ^a				
	Number (millions)	Percent of all persons in labor force during year	Weeks unemployed during year (percentage distribution) ^b		
			Less than 15 weeks	15 to 26 weeks	27 or more weeks
1987	18.5	14.3	58.6	23.8	17.6
1988	17.1	12.9	60.9	22.7	16.4
1989	17.3	12.9	63.1	23.0	13.9
1990	19.8	14.7	60.6	24.1	15.3

SOURCES: *Handbook of Labor Statistics*, December 1980, table 49; *Monthly Labor Review*, June 1981, p. 50, table 2; *Handbook of Labor Statistics*, August 1989, table 50; *Bureau of Labor Statistics News*, 1990, p. 5, table 3; and *Bureau of Labor Statistics News*, 1991, p. 5, table 3.

a. Includes unemployed age 14 and 15 years old from 1957 to 1965 and excludes them thereafter.

b. Excludes unemployed who did not work but looked for work during the year.

spells as of the surveyed week. Again, using 1969 and 1982 as examples, the proportions accumulating fifteen or more weeks of unemployment during these years were 22 and 48 percent, respectively, (table 1.2) compared with 13 and 33 percent, respectively, unemployed this long in their current spells as of the time surveyed (table 1.1).

Dealing with longer-term unemployment, especially during recession, has been one of the most difficult of all problems faced by unemployment insurance. The program's response over the years through liberalized benefit duration provisions and extended benefits during high-unemployment periods has probably altered the structure and reach of the system more than any other factor.

Characteristics of the Unemployed

Reflecting labor force and employment trends, the unemployed became younger and increasingly female over the years through the 1970s, though somewhat less so in the 1980s. Table 1.3 indicates these changes. Since the mid-1960s, women have averaged over 40 percent of the unemployed; they were closer to a third of the unemployed in the

early 1950s. Their rising rate of labor force participation has also affected the family circumstances of unemployed men. In 1990, for example, about 69 percent of unemployed husbands had wives in the labor force, compared with about 32 percent in 1958.¹⁶

Teenagers (age 16-19) and young adults (age 20-24) together also comprised over 40 percent of the unemployed from the mid-1960s, but less than this share after 1982. Teenagers alone were about 30 percent of the total in the late 1960s, compared with less than 20 percent in the 1950s and after 1981. The young adult group's share of unemployment peaked in the 1970s. Older workers, age 55 and over, as a proportion of the unemployed, declined from about 15 percent in the early 1950s to less than half that level by the end of the 1970s. Early retirement has contributed to this trend, especially among men. Except in recession years 1975-76, new entrants and reentrants to the labor force made up about 40 to 45 percent of the unemployed during the 1970s, reflecting the high concentration of women and teenagers. This proportion fell below 40 percent in the 1980s with the declining size of the teenage group.

New entrants and reentrants typically do not qualify for unemployment insurance. Nor do workers who leave their jobs voluntarily. The latter group accounted for another 10 to 15 percent of the unemployed.¹⁷ For those reasons alone, about half the unemployed are not likely to be eligible to receive unemployment benefits. Other factors, such as unemployment continuing beyond the duration limits of unemployment insurance, further reduce the proportion of the unemployed who receive benefits. New entrants, reentrants, and job leavers tend to make up smaller proportions of the unemployed during recession periods when involuntary layoffs of regular established workers mount steeply.

Total year unemployment experience data also show the increasing importance of women and youths over the years. The proportion of women among all persons experiencing any unemployment during the year rose from about 33 percent in 1957 to about 43 percent in 1990

16. *HLS* (6/85, table 57); *E&E* (1/91, table 8). 1958 is the first year for which this information is available.

17. Data for new entrants, reentrants, and job leavers based on *HLS* 12/80, table 39; *HLS* 8/89, table 37; *E&E* 1/86, table 12, 1/88, table 12, and 1/90, table 12.

Table 1.3 Women and Selected Age Groups as Percentages of All Unemployed, Selected Years, 1950-1990

Year	Percentage of all unemployed (annual averages) ^a			
	Women (age 16 and over)	Teenagers (16-19)	Young adults (20-24)	Older workers (55 and over)
1950	31.9	15.6	17.1	15.4
1955	35.0	15.8	13.9	16.6
1960	35.5	18.5	15.1	13.4
1965	43.6	26.0	16.5	12.6
1970	45.3	27.0	21.1	10.1
1975	44.1	22.4	23.3	8.6
1976	45.6	23.3	22.9	8.9
1977	46.8	24.0	23.0	8.6
1978	49.5	25.8	23.6	7.6
1979	49.4	25.6	23.1	7.4
1980	44.2	22.0	23.7	6.5
1981	44.7	21.3	23.9	6.6
1982	42.1	18.5	22.4	7.1
1983	41.6	17.1	21.7	7.4
1984	44.4	17.6	21.5	7.8
1985	45.6	17.7	20.9	7.4
1986	45.0	17.7	20.0	7.0
1987	44.8	18.1	19.6	6.6
1988	45.5	18.3	18.8	6.9
1989	46.0	18.3	18.7	7.2
1990	44.7	16.7	17.8	7.3

a. Percent calculations based on data in: *Handbook of Labor Statistics*, December 1980, table 30, and August 1989, table 27; *Employment and Earnings*, January 1981, table 15, January issues of 1985-1991, table 17.

(HLS 12/80, table 49; *Bureau of Labor Statistics News* 1991, p. 5, table 3). Teenagers and young adults (age 20-24) together accounted for about 28 percent of all persons with unemployment in 1959, increased to about 43 percent of the total in 1978, and diminished to 32 percent in 1987.¹⁸

How individuals with unemployment during the year are distributed by their household or family status gives some sense of the significance of their unemployment in family terms. Table 1.4 summarizes this information for the 18.5 million who experienced any unemployment in 1987, the latest year for which such information was available as of 1992. Almost one-fifth lived alone or with unrelated individuals and, for the most part, were self-supporting. The rest of the unemployed lived in families. Nearly one in three of all unemployed were family heads, if we assume that husbands headed husband-wife families. Only about 10 percent of this group were under 25 years of age. Wives of husband-wife families were 18 percent of all unemployed, with about one out of seven under age 25. The remaining groups consisted of other family members, mostly the children of family heads. These groups accounted for about 30 percent of all persons with unemployment during the year; over two-thirds of them were teenagers or young adults. Combining persons who lived alone with all family heads, 52 percent of individuals experiencing unemployment in 1987 were the sole or principal providers for their households. The rest were wives and other family members, nearly half of whom were under 25 years old. As noted earlier, to the extent that these latter groups consisted of new entrants and reentrants to the labor force, or persons who tended to quit their jobs or leave the labor force, their eligibility for unemployment benefits would have been limited or nil. Those who received benefits were more likely to be concentrated among the unemployed who lived alone, were family heads, or wives of heads.

Not included in the unemployment counts based on the monthly surveys are persons who indicate that they want to work but have not looked for a job for a month or more because they think they cannot

18. Cooper (1960, tables 6 and 9). The 1959 figure includes 14- and 15-year-olds while the teenagers in the 1978 and 1987 figures do not. Data for 1978 are based on Young (1979, table C-1). Data for 1987 are based on tabulations supplied by the Bureau of Labor Statistics from the March 1988 household survey.

Table 1.4 Persons with Unemployment During 1987 by Family Status and Age

Family status	Total with unemployment		Percentage distribution		
			By family status	By years of age ^b	
	Number (thousands)	Incidence rate ^a			16-24 years
All unemployed	18,535	14.3	100.0	31.6	68.4
Unrelated individuals ^c	3,581	16.1	19.3	27.3	72.7
Family heads	6,061	12.0	32.7	9.7	90.3
Husbands ^d	4,472	10.8	24.1	7.8	92.2
Other family heads ^e	1,589	17.3	8.6	15.1	84.9
Non-head family members	8,893	15.5	48.0	48.2	51.8
Wives ^d	3,412	10.4	18.4	14.8	85.2
Other non-heads	5,481	22.2	29.6	68.9	31.1

SOURCE: Based on tabulations supplied by the Bureau of Labor Statistics from the March 1988 household survey.

- a. Number with unemployment as a percent of all persons who worked or looked for work during year.
- b. Percentage distributions by the two age groups shown are for each family status category and add horizontally to 100.0 percent.
- c. Lived alone or with unrelated persons in households.
- d. In husband-wife families.
- e. Persons without a spouse present but with children or other relatives in household; women comprised 78 percent of this group in 1987.

obtain one given current labor market conditions or personal factors which they feel deter employers from hiring them. These “discouraged workers” averaged almost 1.4 million in recession year 1982; they averaged about 850,000 in 1990. Women accounted for 57 percent of this group in 1990 (*Bureau of Labor Statistics News* 1991, table A-12).

Types of Unemployment

Any classification of unemployment by type is necessarily arbitrary. For convenience, however, unemployment will be discussed under the headings of short-term unemployment, cyclical unemployment, and unemployment due to structural and technological developments. Short-term unemployment includes unemployment from several sources—frictional unemployment, short-term layoff (a temporary state without loss of the employment relationship), and seasonal unemployment.

The way the unemployment insurance program responds to the unemployed depends to a fair degree on the type of unemployment generating the claims for benefits. The ensuing discussion will refer to how or why a particular type of unemployment makes a difference for unemployment insurance. It should be understood that the program does not necessarily identify the unemployed individual by type of unemployment to determine benefit rights. Moreover, it often is not possible to clearly classify the unemployed by type, especially at the outset of their unemployment. General analysis of unemployment by type can be useful, however, in helping to evaluate program policies and in guiding administration of eligibility rules regarding the current availability for work and job search of unemployment benefit recipients.

Short-term Unemployment

Most unemployment is of short duration. The proportion varies with business conditions, but usually about 70 to 85 percent of the unemployed have been out of work less than 15 weeks, and from 40 to 55 percent have been unemployed less than five weeks, as reported in the

monthly surveys. The proportion with less than fifteen weeks of unemployment tends to run lower when experience is reported and totaled over a full year. It has usually ranged from about 60 to 75 percent, but fell below 60 percent during most of the 1980s and in recession years (tables 1.1 and 1.2).

Much short-duration unemployment is what is sometimes referred to as "frictional" unemployment. It simply may take a little time for qualified job seekers and employers with openings to find each other. Some frictional unemployment is a necessary ingredient of a dynamic economy and represents people who enter or reenter the labor market to look for work they soon find, or who are idle for a short period while changing from one job to another. Such mobility of labor characterizes a healthy economy if the jobless periods are short. Some of this unemployment can be reduced or shortened through improved labor market information and organization; not all of it can be eliminated. Workers terminated from jobs through no fault of their own and who have another job lined up to begin in a short time or good prospects for one, may draw unemployment benefits in the meantime to compensate for lost wages.

The bulk of short-term unemployment, however, is caused by constant changes in the need for labor during the year due to temporary changes in consumer demand, inventory adjustments, model changeovers, seasonal factors, and a host of other reasons. Work reduction usually takes the form of short layoffs after which the workers return to their former jobs. These workers typically draw unemployment benefits during such layoffs.

An important component of short-term unemployment is the result of pronounced seasonal reductions in employment. Outdoor work, food processing, and other activities affected by the weather are examples of seasonally oriented employment patterns. Consumer demand for and production of apparel is also markedly seasonal, as is the use of vacation, travel, and holiday-related services. Swings in employment levels follow these seasonal variations. It is possible for seasonal unemployment to last or accumulate to fifteen or more weeks for some workers, as in construction work. The seasonal adjustment factors used by the U.S. Bureau of Labor Statistics to eliminate seasonal variations in the monthly levels of unemployment during 1989-90 ranged from 0.875 in September 1989 to 1.186 in February 1990 for males age 20

and over. This means that adult male unemployment resulting from seasonal influences alone may cause the unemployment level of this group to fluctuate from nearly 13 percent below the annual average in September to almost 19 percent above the average in February. The range is narrower for unemployed adult women but much wider for teenage unemployment.¹⁹

Compensation of seasonal unemployment has always been an issue for unemployment insurance. Concerns include fears about potentially heavy drains on funds since benefits paid to the seasonally unemployed may substantially exceed the taxes paid into the funds by their employers. Concerns also include uncertainty about the unemployed worker's availability for work and the administrative agency's ability to test or monitor availability and job search adequately during the off season. There is some evidence that the availability of unemployment compensation has actually increased worker attachment to seasonal employers and some types of seasonal unemployment (Lester 1962, pp. 49-50; Hamermesh 1977, pp. 64-72).

Some states have attempted to identify specific industries or occupations as seasonal and pay benefits only to employees laid off during the normal season of operation, but without significant results (Murray 1972). Federal law prohibits the payment of benefits to professional school employees, under specified conditions, during summer or other between term breaks, and to professional athletes in their off season. Although the bulk of seasonal employment is covered by unemployment insurance, some industries that operate for only a short season are excluded under state laws that cover only employers who operate for twenty or more weeks in the year. The minimum amount of past employment or earnings required of unemployment insurance claimants to qualify for benefits works to exclude some seasonally employed workers from drawing any benefits.

Cyclical Unemployment

When it occurs, cyclical unemployment caused by business recessions generates national concern. Although it may vary in intensity

19. *E&E* (7/89, table 1, and 1/90, table 1). Reported monthly unemployment counts are divided by the adjustment factors to "deseasonalize" the data to permit month-to-month comparisons unobstructed by regular seasonal influences.

across regions, cyclical unemployment is usually nationwide in impact and more in the public view than other types of unemployment. Total unemployment levels run comparatively high, and long-term unemployment accumulates more than usual.

Most business recessions since World War II have been relatively mild and of short duration. Those occurring in 1957-58 and in 1974-75 were quite severe. The recession of 1981-82 was also very serious and came soon after the brief recession of 1980, which was more regional in nature. Unemployment rates in 1982 and in 1983 averaged higher than in any year since the 1930s. During recessions, unemployment tends to concentrate heavily in manufacturing, particularly in the durable goods manufacturing industries. Employment declines during these periods in manufacturing, construction, and trade, however, may be partially offset by continuing employment gains in government and in the finance and service industries. For example, between July 1974 and July 1975, when total nonagricultural employment (seasonally adjusted) declined by about 2.1 million, the employment drop of 2.9 million in the first three industry groups noted above was partially offset by a gain of nearly 1 million in the last three. Between mid-1981 and mid-1982, the corresponding offset was far less significant, largely because of a decline in government employment.²⁰

As table 1.5 shows, unemployment levels and rates rise sharply when the economy slips into recession. There were eight recessions between 1947 and 1989.²¹ The percentage increases in unemployment to peak year averages from the previous year range from 22 to 93 percent. The latter, occurring in 1954, reflects the very low level of unemployment of the prior year; the 1954 peak unemployment level and rate were actually lower than those of any other recession year. The low end of the range of percent increases in unemployment represents the opposite situation in 1961 when unemployment rose from a relatively high level in 1960, reflecting incomplete recovery from the 1958 recession. The short and less widespread recession of 1980 produced a com-

20. Based on data in *Monthly Labor Review* (September 1975, p. 87, table 11); *E&E* (7/82 and 7/83, table B-1).

21. During late 1990, the ninth recession since 1947 began.

paratively limited rise of 25 percent in average unemployment over the 1979 level. The weak and faltering recovery in 1981 did not prevent further unemployment increases that year, near the end of which began the next recession. While unemployment averaged only 29 percent higher in 1982 than in 1981, the rise from 1979 to 1982 came to nearly 80 percent. The unemployment rate in 1982 and in 1983 averaged 9.5 percent, the highest level of the entire post-World War II era and well above the previous high of 8.5 percent in 1975. The 1975 unemployment level was 54 percent above that of 1974, but 82 percent above the level in 1973 when unemployment began its rise. If the increases are measured from low to peak months of unemployment during recession, the swings are considerably larger. For example, unemployment (seasonally adjusted) rose from a low of 4.1 million in October 1973 to a peak of over 8.5 million in May 1975, an increase of 108 percent (*E&E* 6/74 and 6/75, table 1).

Table 1.5 Percentage Increases in Number and Rate of Unemployment in Recessions, 1947-1991

Recession year ^a	Percentage increase from prior year	
	Number unemployed	Unemployment rate
1949	59.8	55.3
1954	92.6	89.7
1958	61.0	58.1
1961	22.4	21.8
1970	44.5	40.0
1975	53.8	51.8
1980	24.4	22.4
1982	29.1	27.6
1991	22.6	21.8

SOURCES: Recession years based on periods designated by the National Bureau of Economic Research, Inc. as given in Zarnowitz (1992, table 11.7); percentages based on the *Economic Report of the President*, February 1975, table C-25 and C-26; and the *Economic Report of the President*, February 1992, table B-37 and B-33.

a. Calendar year of peak unemployment.

The large and rapid rise in unemployment as a recession develops brings on very heavy use of unemployment insurance. It is then that the reserve funds, if sufficiently accumulated during low unemployment periods, can come into play to help compensate for the extensive loss of wage income. The program serves two of its vital roles by helping to brace so many workers against the financial shocks of job loss and hard-hit communities against serious loss of purchasing power.

During recessions, unemployment increases not only in number but also in duration. The average proportion unemployed fifteen or more weeks at the time of the monthly surveys rose 61 percent from 1957 to 1958, 71 percent from 1974 to 1975, and 61 percent from 1979 to 1982 (18 percent from 1981 to 1982). The proportion unemployed 27 or more weeks increased 71, 105, and 91 percent, respectively (19 percent from 1981 to 1982). Long-term unemployment sometimes continues to rise beyond the peak recession year. The proportion out of work 27 or more weeks rose another 20 percent from 1975 to 1976 and 44 percent more from 1982 to 1983.²² As noted earlier, the combination of much heavier concentrations of unemployment in the long-term categories and the much higher levels of unemployment produce very large increases in the number of long-term unemployed in recessions.

The impact of the rise in long-term unemployment in recessions has fallen heavily on unemployment insurance. The program's response to this problem, involving adjustments in its benefit duration limits, is a major development that has altered some of the character of the program over the years. How unemployment insurance deals with long-term unemployment, particularly in recession periods, constitutes one of its major policy issues.

Structural Unemployment

Perhaps the most serious type of unemployment is structural unemployment, the result of basic change that is taking place all the time in many aspects of the economy. The sources of such change are numerous. They include technological modifications in industrial production, the replacement of old products and services by new ones that serve

22. These increases based on data in table 1-1. The comparatively limited increase from 1981 to 1982 in the proportion unemployed long term reflects the higher levels of long-term unemployment lingering after the 1980 recession.

their purposes more effectively or at less cost, the geographic relocation of production facilities, the closing of obsolete and inefficient plants, shifts in consumer tastes and preferences, the substitution of new materials or new forms of energy for those that are more costly or which have become less available, shifts in various policies of government that affect private economic activity, and the impact of foreign competition.²³

The list of causes of structural unemployment can be extended; all have their effects on employment. Old jobs may disappear entirely and new job opportunities may emerge. Workers who have worked regularly in the same occupations or for the same employers, sometimes for many years, may suddenly face transformed situations which require substantial adjustment on their part to meet new work conditions or which simply eliminate their jobs with no comparable employment alternatives available. For many workers, permanent layoffs induced by any of these factors may be the beginning of long periods of unemployment or of unstable employment. Regaining steady employment may call for difficult adjustments, such as retraining or relocation, or the willingness to try something quite different, often at lower pay or under less favorable working conditions. Some affected workers may never go back to work, or to a regular job. They may choose early retirement instead, if they can, or simply leave the labor force convinced after prolonged and futile job search that they cannot find work. Another employment effect of structural change is the curtailment of job opportunities for new entrants to the labor force who have particular skills and training for which there is less demand, or no skills at all in a labor market in which more skills are in demand.

Structural changes and their effects on employment have ranged from limited, isolated instances that attract little but local attention to major events affecting thousands of workers. The latter can take on the proportions of a national crisis and may affect entire industries. Some changes occur suddenly while others may develop over an extended period with substantial accumulation of employment effects.

Several examples are worth noting briefly to illustrate various kinds of structural unemployment. The twentieth century witnessed a major

23. Racial, ethnic, sex, and age discrimination by employers in their hiring practices may be considered another source of structural unemployment.

shift from reliance on coal to reliance on petroleum as the principal source of energy. Employment in the coal mines declined from an average level of 438,000 in 1945, already less than half the peak level of 1923, to 133,000 in 1969 (*Historical Statistics of the United States* 1979, p. 608). This trend reversed itself somewhat in the 1970s, a result of the Arab oil embargoes, skyrocketing petroleum prices, and the recognition of an energy crisis in which coal, especially low sulphur coal, regained some favor. By 1980, coal mining employment had increased to 246,000, approaching twice the 1969 level. Many Appalachian coal fields, long the prime examples of depressed areas awash with structural unemployment, showed signs of revival in the 1970s. However, few of the miners left stranded by the earlier mine closings benefitted from the new employment opportunities. It was a new generation of younger workers which filled the demand. Moreover, mining technology has changed greatly, raising productivity and requiring different skills. New coal fields were developed in the West. The structure of the industry and its location have altered dramatically. In the 1980s employment in coal mining subsided to less than 200,000 again as oil became plentiful and lower in price.²⁴

The shift of the textile industry from New England to the South left in its wake widespread and lasting depression in the former mill towns. Only decades later did New England show strong signs of economic revival with the development of its electronics and other high technology, often defense-related industries to significant levels. But a large part of a whole generation was left stranded in the meantime.

The rise of trucking, automobile, and air transportation sent the nation's railroads into a steep, long decline, wiping out hundreds of thousands of jobs in that industry. Foreign imports have captured significant shares of American markets for many products—steel, television sets, and automobiles, to name a few. The result has been substantial losses of jobs in these import-sensitive domestic industries. Employment in the automobile industry plunged from a peak average of over 1 million in 1978 to 70 percent of that level in 1982. Besides the foreign competition, the shift of car production to more automated

24. Data on employment in coal mining for the years 1980 to 1990 from January issues of *Employment and Earnings*, each following the year of reference, table 30 for the first three years and table 28 for the next seven years.

processes and to concentration on smaller, more fuel-efficient vehicles led to the general expectation that with diminishing labor intensity in this industry, employment may not regain former high levels at least for many years. In the mid-1980s, average employment did move up toward 900,000, but then fell to about 800,000 in 1990. The story for the nation's steel industry has been even grimmer. From an average level of almost 600,000 in 1965, employment at blast furnaces and steel mills fell over the years to about 200,000 by 1990.²⁵

Successful foreign competition has stemmed, in part, from a major shift in government policy, dating back to the early 1960s, to cooperate with other countries in lowering tariffs and other trade barriers on a wide range of goods in order to promote trade expansion for all. Firms and jobs in some industries in the United States have been adversely affected as a result, while other industries have gained. Other policies and actions by the federal government have also produced employment effects in certain industries leading to structural unemployment. Deregulation of the airlines and restrictions on the lumber industry in the cutting of California redwood trees are but two cases in point.

Ups and downs in military procurement usually have strong effects on employment. A well-known example was the cutback in government purchases of military aircraft around 1970. The effect on aircraft manufacturing, particularly in the State of Washington, was devastating. Employment there fell deeply and rapidly. Despite the exodus of many workers, unemployment remained high in the Seattle-Tacoma area for some years. Structural unemployment was not confined to the workers laid off by the aircraft plants, but also included workers laid off by supplier subcontractors, as well as many in the area's secondary services and trade industries that depended heavily on the health of the primary aircraft industry. Yet, several years later that industry recovered handsomely with the booming demand for new planes from the commercial airlines. The cold war's dramatic end at the close of the 1980s has set off a major reevaluation of the nation's huge defense budget. The likely results are significantly reduced outlays for military procurement, base closings, and cutbacks in service personnel, all producing serious employment dislocation in the coming years.

25. Employment trends were examined using Bureau of Labor Statistics (1991) page 148 for blast furnaces and steel mills and page 331 for the auto industry.

These examples emphasize several important points about the employment effects of structural change. One is that while the change leads to loss of jobs in a particular industry or location, there are often contrary forces that result in new jobs elsewhere. Over time, the aggregate level of employment may not decline; it may even rise. The aggregate, however, hides the painful dislocation and usually long-term unemployment of workers whose jobs have disappeared. Because of a mismatch of skills and location, those workers are not the ones likely to reap the advantage of the new jobs created by the change. Sustained or higher total employment levels also obscure the effects of the replacement of lost high-wage, full-time factory jobs by more low-wage or part-time trade and service jobs. From 1982 to 1990, a period of substantial structural change and concern about displaced workers, about 18 million jobs were added, a gain of 18 percent in employment. Despite productivity improvements, the average earnings of workers over this period could hardly keep pace with inflation; indeed, for most workers real earnings fell.²⁶

Another point to be noted is that the decline that may occur in a particular industry or area because of a shift in demand, as for coal and military aircraft, can eventually reverse itself with subsequent shifts. The passage of time, however, is critical for those workers initially affected.

A third point is that structural unemployment is often the handmaiden of cyclical unemployment. It is when business in general turns down that the weakest and most marginal elements of the economy suffer most. Obsolete and cost-inefficient plants closed, many never to open again. Distinguishing between cyclical and structural unemployment at such times is difficult. If the recovery is strong and subsequent economic growth is vigorous, then unemployment will fade, including long-term unemployment. But the period of recession and subsequent recovery is usually the occasion for improvements in efficiency of operations, for applications of new technology, and for building new

26. See *E&E* (1/92, table A-1) for employment data, and (1/92, table C-1) for earnings data. The latter shows an increase of 29 percent in the average weekly earnings of production and nonsupervisory employees on private nonagricultural payrolls from 1982 to 1990; over this time, consumer prices rose 34 percent. See *Monthly Labor Review* (1991, p. 80, table 33) for Consumer Price Index.

modern plants in new locations. What remains are stubborn pockets of clearly structural unemployment, unrelieved by these developments.

Structural unemployment is the most difficult and most worrisome type of unemployment of all. Its total number may not account for a very large share of all unemployment nationally (and how to define the structurally unemployed for counting purposes is itself a debated question), but it can be quite significant for an affected community or industry, and it is a substantial component of long-term unemployment. The financial hardship for individual workers and their families can be severe and steadily worsening. Deterioration of morale, of mental and physical health, and even of the social fabric of a community is not an uncommon consequence of structural unemployment. The fears generated by the announcement of a permanent plant closing with mass layoffs, or the introduction of new technology that will replace labor, can arouse strong resistance and unrest among the affected workforce. Government involvement is frequently the result as efforts to forestall or ease the problem turn political. The political response has ranged from the establishment of public programs, such as those provided under the Area Redevelopment Act of 1961, the Manpower Development and Training Act of 1962, and many successor, including the Job Training Partnership Act of 1982. Other legislative efforts were designed to regulate the timing of plant closings and employer responsibility for effects on workers and communities. The 1962 legislation was a response to the widespread fears of automation's effects on jobs at that time. Other legislation has provided for special unemployment benefits and adjustment assistance for workers dislocated because of the adoption of particular government policies, most notably with regard to foreign imports or industry regulation (see Rubin 1980).

Unemployment insurance comes into play at the outset of structural layoffs, buying time to work out alternative possibilities and vocational readjustments. The time needed, however, may be more than unemployment insurance alone can provide. Advance warning of plant shut-downs and of permanent mass layoffs, therefore, appears desirable (Freedman 1980, p. 15). At least sixty days advance notice of plant closings by large employers (100 or more employees) and of mass layoffs, permanent or very long-term (six months or longer), became a mandatory federal requirement in 1988 after many years of unsuccess-

ful legislative effort.²⁷ Concern persists about potential workforce dislocations portended by widening prospects for the application of computerized electronic or robotic operations to many factory and office processes in coming years.²⁸ Structural unemployment seems destined to be a continuing problem for our society.

The Insured Unemployed

The discussion thus far has dwelt on employment and unemployment trends based on data reported from the monthly household labor force surveys and the yearly work and unemployment experience surveys. Trends in employment covered by unemployment insurance programs and in insured unemployment have not closely followed the total employment and unemployment patterns all of the time. To obtain a firmer grasp of the unemployment insurance system and the role it plays, it is important to understand the differences in these trends and the reasons they have been different.

Covered employment has increased proportionately much more over the years than has total employment. In 1990, it is estimated that an average of about 111 million jobs were covered under all state and federal unemployment insurance programs. That number compares with average covered employment of 34 million in 1950 (*Economic Report of the President* 1981, table B-34; *Economic Report of the President* 1992, table B-40). The 226 percent increase over this period was more than double the percentage increase in all employment over the same period. The difference is due to the extension of unemployment insurance coverage, through state and federal legislation, from very limited beginnings to where about 97 percent of all wage and salary jobs are now covered. Employment that was not covered as of 1990

27. Public law 100-379 specifies that sixty days advance notice must be given to employees of firms with 100 or more employees when a plant closing is expected to result in at least fifty workers losing their jobs. Furthermore, the law requires that sixty days advance notice be given when 50 or more workers, amounting to at least 33 percent of a firm's workforce, will be laid off for six months or more. A similar rule applies to six-month layoffs of 500 employees regardless of the firm size.

28. See, for example, Norman (1981, pp. 30-32); and Hunt and Hunt (1983).

consisted mainly of self-employment, domestic household service, agricultural employment on small farms, and employment of elected government officials.

The insured unemployed are workers who file claims for unemployment benefits for a week of unemployment. Each week the number of claims is compiled from all local claims offices throughout the nation and aggregated to state and national totals.²⁹ The total of all insured unemployment ranged between annual averages of about 1.8 million and 4.9 million during the 1970s and from 2.1 million to 4.6 million between 1980 and 1990 (table 1.6). During the two decades prior to 1970, that total exceeded two million only in recession years. In nonrecession years, insured unemployment was less than half of all unemployment. Federally mandated programs which extend the duration of unemployment benefits when unemployment is high have become a significant factor in swelling the insured unemployed total in those times.

A number of reasons explain the large differences between total and insured unemployment levels. The most important is that total unemployment includes new entrants and reentrants into the labor force who have not yet found jobs. Lacking recent work experience, they do not qualify for unemployment benefits. As noted earlier, they accounted for about 40 to 45 percent of all unemployed during the 1970s and 35 to 40 percent during most of the 1980s. Others among the unemployed who are not insured include (1) workers from jobs not covered by unemployment insurance, a more significant group in earlier years; (2) those who exhaust their unemployment benefits and remain unemployed, an important group in recession periods; (3) unemployed workers who leave their jobs voluntarily and therefore, in most cases, are disqualified from receiving benefits, a group that usually accounts for from 10 to 15 percent of all unemployed; (4) jobless workers who for various reasons do not qualify or are determined to be ineligible for benefits; and (5) unemployed workers who do not file for benefits even though they are eligible. On the other hand, a small percentage of the insured unemployed receive partial unemployment benefits because they currently have some limited employment and earnings while

29. For a description of the compilation and uses of these data, see Blaustein (1979).

Table 1.6 Total and Insured Unemployment, 1970-1990 and Selected Years, 1950-1965 (Numbers in thousands)

Year	Total unemployment (number)	Insured unemployment				Rate ^b
		All programs ^a		State programs		
		Number	Percent of total unemployment	Number	Percent of all programs	
1950	3,288	1,605	49	1,513	94	4.5
1955	2,852	1,399	49	1,265	90	3.4
1960	3,852	2,071	54	1,908	92	4.7
1965	3,366	1,450	43	1,328	92	2.9
1970	4,088	2,070	51	1,805	87	3.4
1971	4,993	2,608	52	2,150	82	4.1
1972	4,840	2,192	45	1,848	84	3.0
1973	4,304	1,793	42	1,632	91	2.5
1974	5,076	2,558	50	2,262	88	3.4
1975	7,830	4,937	63	3,986	81	6.1
1976	7,288	3,846	53	2,991	78	4.4
1977	6,855	3,308	48	2,655	80	3.7
1978	6,047	2,645	44	2,359	89	2.8
1979	5,963	2,592	43	2,434	94	2.9
1980	7,448	3,837	52	3,350	87	3.9
1981	8,273	3,410	41	3,047	89	3.5
1982	10,678	4,594	43	4,061	88	4.7
1983	10,717	3,775	35	3,396	90	3.9
1984	8,539	2,565	30	2,474	97	2.7
1985	8,312	2,693	32	2,611	97	2.8
1986	8,237	2,746	33	2,650	97	2.8
1987	7,425	2,401	32	2,000	97	2.3
1988	6,701	2,135	32	2,081	98	2.0
1989	6,528	2,205	34	2,158	98	2.1
1990	6,874	2,575	37	2,522	98	2.4

SOURCES: Total unemployment—Table 1.1. Insured unemployment (All Programs)—*Economic Report of the President, 1981*, p. 272, *Economic Report of the President, 1988*, p. 295, and *Economic Report of the President, 1992*, p. 343, table B-40.

a. Includes federal unemployment compensation programs for veterans (UCV), ex-servicemen (UCX), federal civil service employees (UCFE), the railroad unemployment insurance program, the federal-state extended benefit programs, temporary extension programs, and state regular unemployment insurance programs. Does not include federal supplemental benefits program.

b. State insured unemployment as a percent of employment covered by state unemployment insurance programs.

awaiting return to full-time employment; they are not included in the total unemployment count.

Insured unemployment varies during the year because of seasonal factors, but in patterns that do not coincide entirely with those for total unemployment. Levels are high in the winter months for both, but relatively more so for the insured. As a result, insured unemployment tends to be a much higher proportion of all unemployment in those months than at other times. Total unemployment levels rise sharply in May and June when large numbers of students leave school and look for summer work, but these new entrants or reentrants into the labor market add few, if any, claimants to the insured unemployment count. The insured-total ratio tends to be the lowest in these months. During 1977, for example, that ratio ranged between 39 percent in June and 56 percent in the winter (Blaustein 1979, p. 221). In 1986 and 1987, the monthly ratios reached their lowest levels in late summer and fall, rather than in May or June, perhaps reflecting the accelerating economic activity at the time unrelated to seasonal factors and which especially limited layoffs and unemployment of insured workers (*Economic Report of the President* 1988, table B-42).

The insured-to-total unemployment ratio was lower in the 1980s than in prior years (table 1.6). It was only 43 percent in 1982, a severe recession year; normally, the ratio exceeds 50 percent at such times. In the recession of 1975, the ratio averaged 63 percent; including recipients of the Federal Supplemental Benefits program enacted at the time for the very long-term unemployed, the ratio was 78 percent. During the eight years following 1982, the ratio dropped off sharply to between 30 and 37 percent. The ratio had averaged less than 40 percent in only one year between the end of World War II and 1982.

The low ratios of the 1980s have stirred debate about the reasons for the decline and their implications concerning the effectiveness of the unemployment insurance system. Attempts have been made to explain the various factors accounting for the difference between insured and total unemployment and for the ratio's decline in the 1980s. Not all of the difference can be accounted for or measured. There is recognition, however, that statutory changes adopted early in the 1980s affecting extended benefits during high unemployment periods made those ben-

efits available later and terminated them sooner than had been the pattern during previous recessions. These changes helped to keep insured unemployment, including extended benefit recipients, unusually low in 1982 and 1983. Moreover, increased qualifying requirements and stiffened disqualification rules backed by their closer administration also appear to have barred more unemployed workers during the 1980s than before from eligibility for unemployment insurance, although it has been practically impossible to measure these effects.³⁰

Insured unemployment levels have generally increased over the long span of years, reflecting rising employment levels, wider coverage by unemployment insurance, and longer duration of benefits, among other factors. Insured unemployment can and does at times fluctuate considerably from year to year because of cyclical factors. The fluctuation is more readily apparent in the insured unemployment rate (IUR)—insured unemployment computed as a percent of covered employment.³¹ Table 1.6 shows annual IURs, based on state unemployment insurance programs, for the 1970s, 1980s, and selected earlier years. The annual rates ranged between 2.0 and 6.1 during the 1970s and 1980s. They were below 2.5 in the late 1960s, above 4.0 in the early 1960s, and varied from 2.7 to 6.5 during the 1950s (*Unemployment Insurance Financial Data, 1938-1982*). Total unemployment rates (TURs) show similar fluctuations though at higher levels (table 1.1).³² The relative swings in IURs tend to be larger. For example, the

30. Studies of declining insured unemployment relative to total unemployment have noted other factors. These include a rise in the incidence of exhaustion of regular benefits as long-term unemployment has worsened; changes in the demographic and industrial mix of the unemployed resulting in greater concentrations among those less likely to qualify for benefits; the treatment of unemployment insurance as taxable income since 1979 probably discouraging some filing for benefits; and the new restrictions on benefits payable to pensioners beginning in the 1980s. For further discussion, see Burtless (1983, pp. 225-249); Burtless and Saks (1984); and Corson and Nicholson (1988).

31. Rates are computed each week by dividing the number of insured unemployed for the week by the level of covered employment averaged over a period of four calendar quarters lagged from six to nine months before the week involved. An annual rate is also calculated for average state insured unemployment for a year taken as a percent of average employment covered by state programs during the same year.

32. Total unemployment rates are not truly comparable with insured rates, not only because of differences between the two measures of unemployment noted above, but also because the total rate is based on the total labor force (the employed plus the unemployed) while the insured rate is based on covered employment only.

percentage increase in the IUR from 1974 to 1975 was 79 percent compared with 52 percent for the TUR; from 1969 to 1970 the corresponding increases were 62 and 40 percent; and from 1957 to 1958 they were 81 and 58 percent. The increases in the 1954, 1961, and 1982 recessions were not so different between the two rates.

It is noteworthy that the IURs for the years 1987 to 1990 were less than 2.5 percent. The only other period since 1947 when they were equally low was from 1966 to 1969. It may be conjectured that the low rates of the late 1980s may reflect the more restrictive tendencies in state unemployment insurance laws in recent times, especially as the TURs of the late 1980s exceeded 5.0 percent while those of the late 1960s were 4.0 percent or less.

Since unemployment insurance is mostly operated on a state basis, it is important to know something about the geographic distribution of unemployment. IURs permit comparisons among states with regard to their insured unemployment which varies greatly in number because of state-size differences. The range of insured unemployment *rates*, however, is also quite wide among the states (see table 1.7). With a national rate of 4.7 in the recession year 1982, state IURs ranged from 2.0 in Texas and 2.3 in South Dakota to 7.4 in Oregon and 7.6 in Michigan (leaving Puerto Rico aside, which is not typical because of its relative underdevelopment). In the comparatively low unemployment year of 1989, insured unemployment dropped to a national rate of 2.1, but ranged from 0.9 in Virginia and 1.1 in South Dakota, Nebraska and Hawaii to 3.1 in Idaho and Rhode Island (again leaving aside Puerto Rico and also Alaska with its very high winter unemployment).

In short, insured unemployment rates can be several times as high in some states as in others. This diversity is due partly to differences among state unemployment insurance laws, particularly with respect to provisions that affect the duration of benefits and qualifying requirements. It is mainly due, however, to interstate differences in economic characteristics and economic conditions, differences that are also important factors for the financing of unemployment insurance benefits.

As compared with all unemployed in recession year 1982, proportionately more of the insured were male and less were under twenty-

**Table 1.7 Rate of Insured Unemployment by State, 1982 and 1989
(Annual averages)**

	1982	1989
United States	4.7	2.1
Alabama	5.5	2.2
Alaska	6.2	4.4
Arizona	4.1	1.7
Arkansas	5.7	2.9
California	5.3	2.5
Colorado	2.9	1.6
Connecticut	3.4	1.8
Delaware	3.5	1.2
District of Columbia	3.9	1.7
Florida	2.5	1.1
Georgia	3.4	1.4
Hawaii	3.6	1.1
Idaho	7.3	3.1
Illinois	5.7	2.1
Indiana	5.0	1.2
Iowa	4.6	1.6
Kansas	4.1	2.0
Kentucky	6.0	2.1
Louisiana	4.5	2.5
Maine	4.7	2.2
Maryland	4.3	1.5
Massachusetts	3.9	2.8
Michigan	7.6	2.9
Minnesota	4.2	1.9
Mississippi	6.0	2.5
Missouri	4.4	2.1
Montana	5.3	2.7
Nebraska	2.8	1.1
Nevada	4.8	1.6
New Hampshire	2.8	1.1
New Jersey	4.7	2.3
New Mexico	3.8	2.1
New York	3.8	2.3

Table 1.7 (continued) Rate of Insured Unemployment by State, 1982 and 1989

	1982	1989
North Carolina	4.7	1.4
North Dakota	3.6	2.0
Ohio	6.1	1.9
Oklahoma	2.9	1.6
Oregon	7.4	2.8
Pennsylvania	6.8	2.6
Puerto Rico	9.1	4.7
Rhode Island	6.1	3.1
South Carolina	5.7	1.6
South Dakota	2.3	1.1
Tennessee	5.1	2.0
Texas	2.0	1.6
Utah	4.6	1.3
Vermont	5.1	2.0
Virginia	2.6	0.9
Virgin Islands	4.7	1.7
Washington	6.8	3.0
West Virginia	7.3	2.8
Wisconsin	5.9	2.2
Wyoming	3.7	2.0

SOURCES: *Unemployment Insurance Financial Data, 1938-1982* and annual supplements.

Table 1.8 Selected Characteristics of the Insured Unemployed and of All Unemployed, 1982

Characteristic	Percentage distribution within each characteristic	
	Insured unemployed ^a	All unemployed
Sex		
Male	64	58
Female	33	42
Information not available	2	—
Age		
Under 25 years	17	41
25 to 44 years	52	43
45 years and over	26	16
Information not available	4	—
Duration of current spell of unemployment		
Less than 5 weeks	33	36
5 to 14 weeks	43	31
15 or more weeks	24	33
Industry of last employment ^b		
Construction	17	10
Manufacturing	34	26
Trade and services	20	33
Other industries	16	10
Gov't. workers, no prior work experience	0	21
Information not available	13	—

SOURCES: Data for all unemployed based on *Economic Report of the President, 1992* (tables B-31 and B-39); and *E&E* (1/83, tables 12 and 15). Percentages for the insured unemployed based on data supplied by the Unemployment Insurance Service, U.S. Department of Labor; the data represent weighted averages of percentage distributions in the mid-months of the four calendar quarters of the year.

NOTE: Totals may not add to 100 percent due to rounding.

a. Under state unemployment insurance programs.

b. For all unemployed, only wage and salary workers identified by industry.

five years old (table 1.8). Larger proportions of the insured had worked in construction and manufacturing, and smaller proportions had been unemployed for more than fifteen weeks. The considerable numbers of new entrants and reentrants included in the all-unemployed total account for most of these differences since they are predominantly women and youths, many with little or no prior work experience.³³

Concluding Observations

The flourishing economic climate during much of the half century following the establishment of the federal-state unemployment insurance system contrasted sharply with that of the depressed 1930s when the system was formed. Strong employment growth and moderate unemployment, compared with depression levels, made the demands on the program much lighter than originally anticipated. Although cyclical recessions temporarily increased unemployment, recoveries usually proceeded well enough to avoid seriously prolonged national stagnation, at least until the 1970s. Unemployment insurance gradually extended its coverage of the workforce and the duration of benefit protection of the insured employed. Long-term unemployment, particularly the very high levels common during recession periods, posed one of the foremost challenges for unemployment insurance. The response led to a major addition to the program's structure.

As the nation prospered in the decades following World War II and avoided sliding back into depression, numerous changes accumulated which altered much of the economic context in which unemployment insurance operated. Prominent among them were changes in the composition of the workforce, in the patterns of employment, in the industrial make-up of the economy, and in its industrial geography. These and other related developments influenced the levels and character of employment and unemployment. In turn, the program was affected and under pressure to react appropriately.

33. Similar data for the insured unemployed in 1990 or the late 1980s are inadequate for comparison because information about these characteristics was not available for very significant proportions of the insured unemployed.

A different tone distinguished the character of the economy after the 1960s. Growth slowed, faltered, and at times, stalled. Recessions marked the early and mid-1970s and early 1980s. Recoveries between recessions were weak. The resulting heavy unemployment fallout in these years placed severe strains on unemployment insurance and produced a financial crisis for the system. The ensuing pressures on the program to adjust were substantial. It is not yet time to gauge the full consequences for unemployment insurance of these circumstances or of the adjustments that have been made thus far, but it is clear that the program has become more restrictive.

Economic recovery and expansion in the 1980s persisted longer than usual. Employment grew steadily and the unemployment rate declined to pre-1980 levels. A sense of unease, however, lingered about the future. Concerns have continued with the eventual impact of many successive years of huge federal budget deficits, of unending trade deficits, and of heavy corporate and consumer debt. The unemployment insurance system was generally solvent as of early 1990, but how long it can remain so given a substantial and widespread rise in unemployment is a troubling question. Also troubling is the large gap between total and insured unemployment and the doubt it casts on whether the approximately two-thirds of the unemployed in recent years who have not received benefits are appropriately excluded, or whether they include many barred from benefits because the program has grown overly restrictive.³⁴

Economic developments, although significant, are not the only factors that influence unemployment insurance. This book considers how the program evolved in response to these various factors and to the controversies that emerged in the process. Unemployment insurance operates in a dynamic setting; change is constant, a phrase that seems to be an oxymoron. The program must adapt and adjust in order to continue relevant, viable, and faithful to its purposes.

34. Recession conditions reappeared in the early 1990s. Although by many measures, this recession did not seem as serious as that of the early 1980s, a persistent underlying public perception of fundamental weaknesses in the economy has served to undermine the confidence required for a good recovery and restored economic vigor.