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Who Are the Long-Term Unemployed?

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Contents

Labor Force Concepts	2
Basic Trends in Long-Term Unemployment	2
Demographic Characteristics of the Long-Term Unemployed	3
Previous Industry and Occupation of the Long-Term Unemployed	5
Geography of the Long-Term Unemployed	6
Recent Changes in the Characteristics of the Long-Term Unemployed	6
Conclusion	7
Bibliography	8
Data Appendix	9
Exhibits	10

Who Are the Long-Term Unemployed?

More than three and a half years since the official end of the Great Recession, the labor market remains severely depressed. As of December 2012, 12.2 million people were unemployed: 7.8 percent of the 155.5-million-person labor force. Even more concerning, 4.7 million, 39 percent of all unemployed workers, have been actively searching for a job for 27 weeks or longer. These long-term unemployed workers are a particular focus of policymakers.

As the economy slowly recovers, a major question is whether long-term unemployed workers will face additional challenges to reentering the labor market. Some argue that most of the current labor market weakness represents fallout from the Great Recession that will disappear once economy-wide demand is finally restored. Others agree that although the initial downturn was demand-driven, workers may suffer permanent earnings losses as a result of being disconnected from jobs for a prolonged period of time. Still others argue that the recent labor market difficulties of the long-term unemployed are really structural in nature, driven by a “mismatch” between current job requirements and obsolete worker skills. Although this report does not explicitly test these competing hypotheses, it is important to note that even if the economy returns to full employment, there are likely to remain many workers facing long-term unemployment challenges.¹ To gain a better understanding of who the long-term unemployed are and what obstacles they face, this report analyzes the demographic composition and labor market history of the long-term unemployed and how they compare with other types of workers—the newly unemployed, discouraged workers, and currently employed workers.

Our main findings are that, relative to currently employed workers, the long-term unemployed tend to be less educated and are more likely to be nonwhite, unmarried, disabled, impoverished, and to have worked previously in the construction industry and construction occupations. However, the long-term unemployed have much more in common with workers who are newly unemployed or workers who have become discouraged and dropped out of the labor force. This suggests that solutions to long-term unemployment may be effective for other workers who have experienced other forms of labor market distress.

¹ The bibliography lists several studies that explore competing hypotheses for high unemployment.

Labor Force Concepts

The Bureau of Labor Statistics classifies individuals as unemployed if they are without a job but have been actively looking for one in the preceding four weeks. If individuals have been searching for a job for 27 weeks or longer, then they are considered long-term unemployed. As a comparison group, we refer to unemployed workers who have been searching for a job for fewer than five weeks as “newly unemployed.” Together, all unemployed and employed workers age 16 and older make up the labor force. Outside the labor force, there are also many workers who have lost their jobs and have given up searching. Although these discouraged workers are not officially considered part of the labor force, many would like to return to work if given the opportunity. Discouraged workers are defined as those not currently in the labor force because they do not believe jobs are available, but who have actively searched for a job in the past year. In the analysis that follows, we compare the long-term unemployed with newly unemployed, discouraged, and employed workers to understand the similarities and differences in the challenges that each group faces. All data are drawn from the Current Population Survey, the same data the Bureau of Labor Statistics uses to compute the official unemployment rate. (For more detail about the data, see the appendix.)

Basic Trends in Long-Term Unemployment

Exhibit 1 depicts the share of unemployed workers and the share of the total labor force that were long-term unemployed (unemployed for at least 27 weeks) from 1948 through 2012. The rise in the long-term unemployment share at the start of the Great Recession was far worse than at any other time in the postwar period, peaking at more than 45 percent of the unemployed. This compares with a rate of 25 percent during the 1983 recession. Even today, the long-term unemployment share remains at 39 percent.

In addition to considering long-term unemployment, it is informative to examine a more detailed distribution of unemployment durations (see exhibit 2). In December 2012, newly unemployed workers (those who have been unemployed for five weeks or less) made up 22.6 percent of the unemployed. Job seekers who had been unemployed for between 5 and 14 weeks made up another 23.1 percent of the unemployed, and those who had been unemployed for 15 to 26 weeks made up 15.4 percent of the unemployed. Some of those who had been unemployed for fewer than 26 weeks in December 2012 were, however, destined to remain unemployed for many

more months and join the ranks of the long-term unemployed. In fact, the longer someone spends unemployed, the harder it becomes to find a new job. In the immediate aftermath of the Great Recession, about 3 in 10 unemployed workers found jobs within a few weeks of becoming unemployed, but those who remained unemployed for more than six months saw their chance of finding jobs fall below 15 percent (Konczal 2011).

Demographic Characteristics of the Long-Term Unemployed

Exhibit 3 compares the long-term unemployed with three other groups: the employed, the newly unemployed, and the discouraged. Workers are divided into five education groups (less than high school, high school graduate, some college, college graduate, and advanced degree), five age groups (ages 16–25, 26–35, 36–45, 46–55, 56–65), four race/ethnicity groups (white, black, Hispanic, and other), two marital groups, and two gender groups.

Education

Long-term unemployed workers are much less educated than employed workers but actually somewhat more educated than newly unemployed and discouraged workers. Specifically, 18.1 percent of the long-term unemployed are high school dropouts compared with 9.0 percent of employed workers, but 24.2 percent of the newly unemployed and 25.0 percent of discouraged workers are also high school dropouts. A similar pattern holds for the highest educated workers: 17.2 percent of the long-term unemployed hold a college degree or higher compared with 34.0 percent of the employed, 15.5 percent of the newly unemployed, and 14.5 percent of the discouraged, suggesting that increasing the education and skills of the long-term unemployed could help them find new jobs.

Age

The age distribution is also notable because the long-term unemployed, employed, and discouraged all follow a similar pattern. For example, 14.8 percent of long-term unemployed workers, 15.7 percent of employed workers, and 17.8 percent of discouraged workers are age 56 to 65. In contrast, only 8.1 percent of the newly unemployed are age 56 to 65. Overall, the long-term unemployed are spread fairly evenly across the entire age distribution in contrast to the newly unemployed, where 40.5 percent of those job seekers are age 16 to 25. This suggests that the youngest job seekers are

likely to experience shorter official spells of unemployment; if they cannot secure a job, then they drop out of the labor force, either as a discouraged worker or possibly to return to school.

Race

Turning to racial/ethnic differences, we see that blacks, relative to other groups, are disproportionately represented among long-term unemployed and discouraged workers. They make up 22.6 percent of the long-term unemployed, 10.5 percent of the employed, 25.9 percent of discouraged workers, and 15.0 percent of newly unemployed workers. Hispanics make up a somewhat smaller share of the long-term unemployed (19.0 percent), the employed (15.7 percent), and the discouraged (20.2 percent) than of the newly unemployed (23.1 percent).

Family Type

Another important demographic dimension is family type. Single parents are disproportionately likely to be long-term unemployed: They represent 13.3 percent of the long-term unemployed but only 7.6 percent of the employed. Single individuals without children are also disproportionately represented among the long-term unemployed, as well as among discouraged workers. Long-term unemployment among unmarried individuals is particularly worrisome because there is no spouse to ensure against the lack of labor market earnings.

Gender

In contrast to racial and family disparities, there are few gender differences between the long-term unemployed and other workers. Men make up 53 to 55 percent of the employed, the newly unemployed, and the long-term unemployed. However, discouraged workers are somewhat more likely to be men (59.8 percent) than are those in other worker groups.

Health Limitations

Health limitations are an important potential obstacle to reemployment. Among the long-term unemployed, 6.5 percent have a work-limiting disability, compared with 1.8 percent of the employed. Discouraged workers have an even higher disability rate of 7.5 percent, whereas the newly unemployed have a somewhat lower rate of 5.0 percent. The long-term unemployed and discouraged workers with work limitations may ultimately turn to the Disability Insurance program

or the Supplemental Security Income program for support. Once adults enter those programs, they are unlikely to work again (Liu and Stapleton 2011).

Poverty

A final household characteristic and consequence of long-term unemployment is poverty. Among the long-term unemployed, 34.1 percent live in households that are below the poverty line, starkly higher than the 6.9 percent rate for the employed. The rate for discouraged workers is the highest, at 40.9 percent, but that for the newly unemployed is much lower, at 23.0 percent.

Previous Industry and Occupation of the Long-Term Unemployed

Discussions of the long-term unemployed often focus on whether individuals are unable to find new jobs because they lack appropriate skills in a changing labor market environment. Exhibit 4 examines differences in the previous industry of newly unemployed and long-term unemployed workers relative to currently employed workers.²

The similarity in industry distributions between the newly unemployed and the long-term unemployed is striking. Moreover, the differences between unemployed and employed workers are generally not substantial. For example, the long-term unemployed are somewhat more likely to have previously worked in manufacturing (11.4 percent) than the employed (10.3 percent) and the newly unemployed (8.1 percent). However, the main difference between job seekers and employed workers is in the construction sector, where both the long-term unemployed (11.5 percent) and the newly unemployed (12.8 percent) have much higher representation than the employed (6.4 percent). The flip side of the collapse of construction sector is the growing health services sector, where only 10.1 percent of the long-term unemployed and 9.0 percent of the newly unemployed last worked in that sector compared with 13.7 percent of all employed who work in that industry.

Exhibit 5 examines another job characteristic: occupation. The long-term unemployed look similar to the newly unemployed along this dimension, but there are some important differences when compared with currently employed workers. Occupations that generally require higher levels of skill make up a larger share of the currently employed workforce. For example, professional

² Most discouraged workers are not asked their previous industry or occupation, so we must exclude them from this part of the analysis.

occupations make up 11.8 percent of the long-term unemployed and 12.6 percent of the newly unemployed, but 22.0 percent of the employed. Once again, construction occupations are highly represented among the long-term unemployed (10.6 percent) and the newly unemployed (11.8 percent) compared with the employed (5.0 percent). Overall, to the extent that there is elevated industry/occupation skill mismatch, it appears concentrated in the construction sector.

Geography of the Long-Term Unemployed

Exhibit 6 depicts patterns of labor market distress across four geographic regions. The proportions of long-term unemployed, newly unemployed, and discouraged workers tend to be similar across regions. Relative to the share of employed workers (22.9 percent), it appears the west has somewhat higher long-term unemployed (26.8 percent) and newly unemployed (27.1 percent) than other regions. Geographic differences in labor market outcomes might also arise between metropolitan and nonmetropolitan areas. Once again, relative to the share of employed workers in metropolitan areas (85.9 percent), there are not proportionally large differences in the composition of long-term unemployed (87.7 percent), newly unemployed (85.0 percent), or discouraged workers (86.4 percent). Because these regional differences are not large in magnitude, it suggests that the problem of labor market distress remains a truly national one.

Recent Changes in the Characteristics of the Long-Term Unemployed

Through the course of the recession, there have been some subtle shifts in the characteristics of the long-term unemployed. Exhibits 7 through 10 show how demographic characteristics, prior industry and occupation, and locations of the long-term unemployed changed from the periods before (2007), during (2009), and after (2012) the Great Recession. The long-term unemployed in 2012 were somewhat more educated than before the Great Recession: Workers with less than a high school degree now make up 18.1 percent of job seekers who have been out of work more than six months, rather than 23.5 percent as was the case in 2007. Meanwhile, those with some college but no degree are making up an increasing share of the long-term unemployed. In addition, blacks make up a lower proportion of the long-term unemployed today than in 2007 (22.6 percent now versus 27.0 percent in 2007), whereas Hispanics make up a greater share (19.0 percent now versus 14.1 percent in 2007). There has also been a decline in the share of long-term unemployed who are

unmarried and childless (49.8 percent now versus 54.1 percent in 2007). The distribution of industries and occupations of previous employment have remained remarkably steady over this time period. Finally, long-term unemployed workers are now much more likely to live in the west (26.8 percent now versus 19.9 percent in 2007) and slightly more likely to live in the south (34.8 percent now versus 31.7 percent in 2007) instead of in the midwest (18.9 percent now versus 29.1 percent in 2007). The new regional pattern is not necessarily surprising, given that the collapse of the housing market was concentrated in states like Arizona, California, Florida, and Nevada.

Conclusion

This report has shown that the long-term unemployed tend to be quite different from workers currently in the job market along such dimensions as education and family composition, but less different in terms of industry and occupation. The long-term unemployed also bear many similarities to discouraged workers and the newly unemployed. This suggests that solutions that remove barriers to reemployment for the long-term unemployed will also be beneficial for other workers facing some degree of labor market distress.

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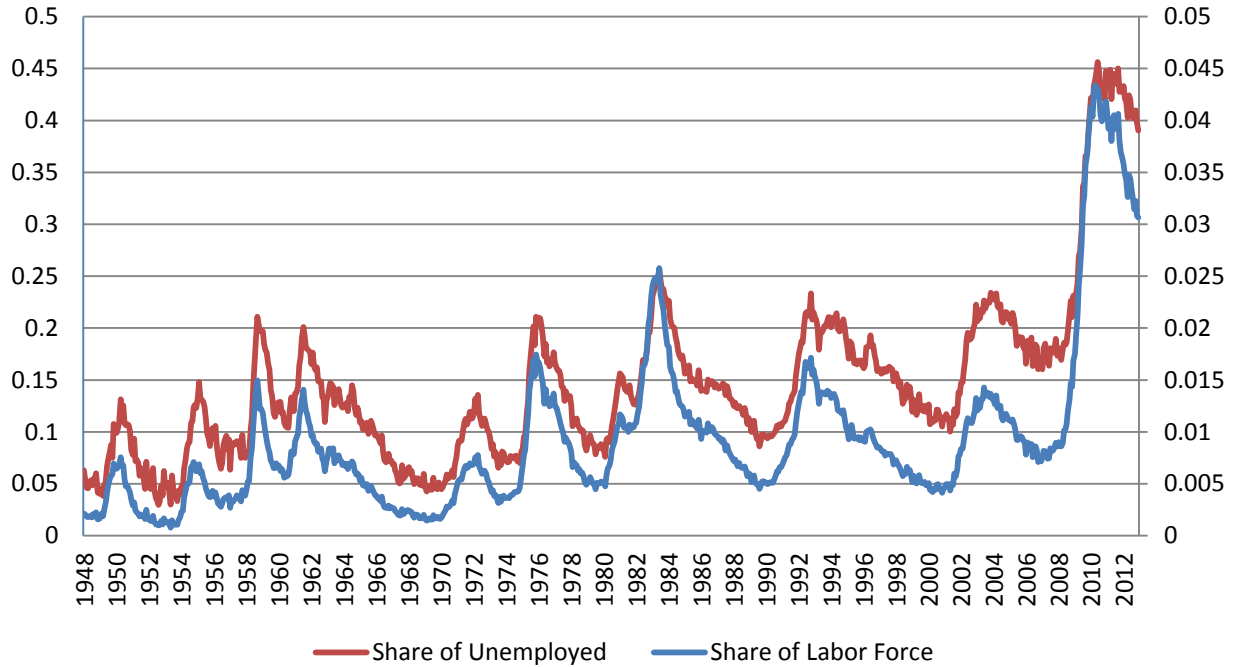
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Data Appendix

The Current Population Survey (CPS) collects labor market and demographic data from a monthly sample of approximately 60,000 households representing the civilian noninstitutionalized population. The CPS is used to measure the official unemployment rate as well as related labor market concepts, such as long-term unemployment and discouraged workers. All 12 months of CPS data from 2012 are pooled to provide a more precise breakdown of labor market distress across demographic, industry, occupation, and regional groups. Throughout the analysis, we restrict the sample to workers ages 16 to 65. We also analyze income-to-needs ratios and health limitations, which are collected in the CPS as part of the Annual Social and Economic Supplement in March 2012.

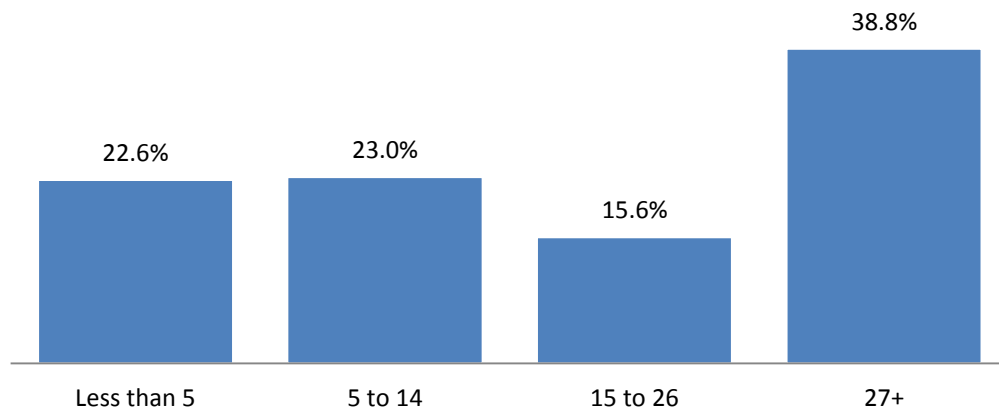
Exhibits

Exhibit 1. Long-Term Unemployment Share



Source: Bureau of Labor Statistics.

Exhibit 2. 2012 Distribution of Weeks of Unemployment Duration



Source: Author's calculations from the December 2012 Current Population Survey.

Exhibit 3. 2012 Demographic Characteristics of Long-Term Unemployed, Newly Unemployed, Discouraged, and Employed Workers (percent)

	Long-term unemployed	Newly unemployed	Discouraged	Employed
Education				
Less than high school	18.1	24.2	25.0	9.0
High school	36.1	31.5	37.5	27.1
Some college	28.6	28.8	23.0	29.9
College graduate	12.7	12.0	11.0	22.3
Advanced	4.5	3.5	3.5	11.7
Age				
16–25	21.9	40.5	28.6	15.2
26–35	22.2	21.4	19.9	22.6
36–45	19.5	15.9	14.7	22.5
46–55	21.8	14.1	19.0	24.1
56–65	14.8	8.1	17.8	15.7
Race				
White, non-Hispanic	50.8	55.3	46.6	66.2
Black, non-Hispanic	22.6	15.0	25.9	10.5
Hispanic	19.0	23.1	20.2	15.7
Other	7.2	6.6	7.3	7.5
Family type				
Married w/o children	19.8	14.7	20.1	27.7
Married with children	17.1	17.7	12.8	28.1
Single w/o children	49.8	56.2	58.6	36.6
Single with children	13.3	11.4	8.5	7.6
Gender				
Male	54.8	54.5	59.8	52.9
Female	45.2	45.6	40.2	47.1
Health limitation				
Work-limiting disability	6.5	5.0	7.5	1.8
Material hardship				
Income below poverty	34.1	23.0	40.9	6.9

Source: Author's calculations from the 2012 Current Population Survey and 2012 Annual Social and Economic Supplement.

Exhibit 4. 2012 Most Recent Industry of Long-Term Unemployed, Newly Unemployed, and Employed Workers (percent)

	Long-term unemployed	Newly unemployed	Employed
Agriculture	1.2	2.3	1.4
Mining	0.4	0.8	0.7
Construction	11.5	12.8	6.4
Manufacturing	11.4	8.1	10.4
Wholesale and retail trade	16.1	15.0	13.9
Transportation and utilities	4.5	4.2	5.1
Information	2.4	1.9	2.1
Financial activities	5.4	3.2	6.6
Professional and business	13.7	13.4	11.5
Education services	4.7	6.7	9.1
Health services	10.1	9.0	13.7
Leisure and hospitality	11.8	15.9	9.4
Other services	4.6	4.8	4.9
Public administration	2.4	1.9	4.8

Source: Author's calculations from the 2012 Current Population Survey.

Exhibit 5. 2012 Most Recent Occupation of Long-Term Unemployed, Newly Unemployed, and Employed Workers (percent)

	Long-term unemployed	Newly unemployed	Employed
Management and business	9.4	6.1	15.7
Professional	11.8	12.6	22.0
Service	21.1	25.1	18.0
Sales	11.8	11.9	10.8
Office and administrative	14.4	11.0	12.4
Farming	0.8	2.0	0.7
Construction and extraction	10.6	11.8	5.0
Installation and maintenance	3.3	2.8	3.4
Production	8.2	7.3	6.0
Transportation	8.6	9.4	6.0

Source: Author's calculations from the 2012 Current Population Survey.

Exhibit 6. 2012 Regional Distribution of Long-Term Unemployed, Newly Unemployed, Discouraged, and Employed Workers (percent)

	Long-term unemployed	Newly unemployed	Discouraged	Employed
Region				
Northeast	19.5	16.3	19.6	18.2
Midwest	18.9	21.2	18.4	22.2
South	34.8	35.4	38.4	36.6
West	26.8	27.1	23.7	22.9
Metropolitan status				
Metropolitan	87.7	85.0	86.4	85.9
Nonmetropolitan	12.3	15.0	13.6	14.1

Source: Author's calculations from the 2012 Current Population Survey.

Exhibit 7. Demographic Characteristics of Long-Term Unemployed Over Time (percent)

	2012	2009	2007
Education			
Less than high school	18.1	19.6	23.5
High school	36.1	37.1	36.5
Some college	28.6	27.5	24.2
College graduate	12.7	12.0	11.4
Advanced	4.5	3.9	4.5
Age			
16–25	21.9	22.5	25.6
26–35	22.2	22.6	21.6
36–45	19.5	20.6	19.6
46–55	21.8	22.0	22.2
56–65	14.8	12.4	11.1
Race			
White, non-Hispanic	50.8	54.3	52.3
Black, non-Hispanic	22.6	22.0	27.0
Hispanic	19.0	17.2	14.1
Other	7.2	6.4	6.6
Family type			
Married w/o children	19.8	19.6	18.0
Married with children	17.1	18.2	16.0
Single w/o children	49.8	51.7	54.1
Single with children	13.3	10.5	12.0
Gender			
Male	54.8	59.7	56.3
Female	45.2	40.3	43.7

Source: Author's calculations from the 2007, 2009, and 2012 Current Population Surveys.

Exhibit 8. Most Recent Industry of Long-Term Unemployed Over Time (percent)			
	2012	2009	2007
Agriculture	1.2	1.2	1.3
Mining	0.4	0.5	0.2
Construction	11.5	14.4	11.3
Manufacturing	11.4	15.8	13.4
Wholesale and retail trade	16.1	14.9	15.9
Transportation and utilities	4.5	4.4	5.2
Information	2.4	2.8	2.7
Financial activities	5.4	5.8	4.8
Professional and business	13.7	13.1	12.7
Education services	4.7	3.5	4.1
Health services	10.1	7.2	8.3
Leisure and hospitality	11.8	11.0	13.4
Other services	4.6	4.1	4.1
Public administration	2.4	1.5	2.6

Source: Author's calculations from the 2007, 2009, and 2012 Current Population Surveys.

Exhibit 9. Most Recent Occupation of Long-Term Unemployed Over Time (percent)			
	2012	2009	2007
Management and business	9.4	9.5	7.1
Professional	11.8	10.2	11.1
Service	21.1	18.1	22.7
Sales	11.8	11.9	12.7
Office and administrative	14.4	13.4	12.8
Farming	0.8	0.9	1.2
Construction and extraction	10.6	12.7	10.1
Installation and maintenance	3.3	3.8	2.9
Production	8.2	11.0	9.8
Transportation	8.6	8.6	9.7

Source: Author's calculations from the 2007, 2009, and 2012 Current Population Surveys.

Exhibit 10. Regional Distribution of Long-Term Unemployed Over Time (percent)			
	2012	2009	2007
Region			
Northeast	19.5	17.0	19.3
Midwest	18.9	23.6	29.1
South	34.8	33.9	31.7
West	26.8	25.5	19.9
Metropolitan status			
Metropolitan	87.7	86.7	84.7
Nonmetropolitan	12.3	13.3	15.3

Source: Author's calculations from the 2007, 2009, and 2012 Current Population Surveys.