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EDUCATED, EXPERIENCED, AND OUT OF WORK

Long-term joblessness continues to plague the unemployed

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Long-term unemployment—when unemployed workers have been seeking work for six months or more—is the most severe form of joblessness. The consequences of extended periods of joblessness are significant: the long-term unemployed often face financial, personal, and health care hardships as well as the loss of their unemployment insurance benefits. An analysis of long-term unemployment from 2000 to 2003 (a period spanning the recession that occurred between March and November 2001) shows that the number of people without work for six months or more has risen at the extraordinarily high rate of 198.2% over this period.¹ Job seekers with college degrees and those age 45 and older have had an especially difficult time finding work, with long-term unemployment for those groups rising by 299.4% and 217.6%, respectively.

Since the recession ended in November 2001, elevated rates of long-term joblessness among the unemployed have persisted longer than during any similar period in the past 30 years. The long-term unemployment situation continued to worsen between 2001 and 2003 as job creation lagged. A number of important trends emerge from the data on long-term unemployment across this time period:

- **In 2003, 22.1% of all unemployed workers had been out of work for more than six months, an increase from 18.3% in 2002.** This proportion is higher than at comparable points in the recovery periods of the four most recent recessions, and it is the highest annual rate of long-term unemployment since 1983. Despite the continued need for help beyond the regular six months of state unemployment insurance, Congress cut off federal jobless benefits in December 2003, leaving the long-term unemployed without a safety net at a time when prolonged joblessness is at its highest rate in 20 years (see **Table 1**).

TABLE 1
Percent of all unemployed out of work for more than six months

Year	Long-term unemployed	Year	Long-term unemployed
1966	8.3%	1985	15.4%
1967	5.9	1986	14.4
1968	5.5	1987	14.0
1969	4.7	1988	12.1
1970	5.8	1989	9.9
1971	10.4	1990	10.0
1972	11.6	1991	12.9
1973	7.9	1992	20.3
1974	7.4	1993	20.1
1975	15.2	1994	20.3
1976	18.2	1995	17.3
1977	14.7	1996	17.4
1978	10.5	1997	15.8
1979	8.7	1998	14.1
1980	10.7	1999	12.3
1981	14.0	2000	11.4
1982	16.6	2001	11.8
1983	23.9	2002	18.3
1984	19.1	2003	22.1

Source: Bureau of Labor Statistics.

- **College graduates represent 15.3% of total unemployment, but 19.1% of long-term unemployment.** Long-term unemployment among college-educated workers increased by 299.4% between 2000 and 2003, a much faster rate than the increase of 156.1% for workers with a high school degree or less.
- **While long-term unemployment hit all age and occupational groups, more experienced jobless workers had a disproportionately difficult time getting back to work in 2003.** Although job seekers age 45 and older made up 25.7% of the total unemployed population, the rate of long-term unemployment for this group was 35.4%.
- **Workers in the manufacturing industry are the largest share of the long-term unemployed (19%).** In comparison, they represent 13% of total unemployment. The ranks of long-term unemployed manufacturing workers grew by 259% from 2000 to 2003. Workers laid-off from the well-paid professional and business services sector suffered along with those in manufacturing, posting the second highest long-term unemployment share, at 14% (see **Table 2**).

In this persistent jobless recovery, anemic job creation has caused increased long-term unemployment in all employment sectors. The data indicate that the long-term jobless face significant hardship, not because they lack skills, experience, or motivation, but for a reason beyond their control—the absence of available jobs.

TABLE 2
Composition of long-term unemployment in 2003

	Share of total unemployed	Share of all long-term unemployed	Difference
ALL GROUPS	100.00%	100.00%	
EDUCATION			
High school or less	59.7%	55.6%	-4.1%
Some college	25.0	25.4	0.4
Bachelor's degree	15.3	19.1	3.8
AGE			
16-24	31.3%	19.3%	-12.0%
25-44	43.0	45.3	2.3
45+	25.7	35.4	9.7
OCCUPATION			
Construction and extraction	9.3%	6.8%	-2.5%
Management, business, and financial	7.2	9.9	2.7
Office and administrative support	12.3	13.5	1.2
Production	9.2	11.6	2.4
Professional and related	10.6	12.2	1.6
Sales and related	11.3	10.2	-1.1
Service	19.2	15.2	-4.0
Transportation and material moving	8.5	8.5	0.0
Other ^a	12.4	12.1	-0.3
INDUSTRY			
Construction	10.2%	7.7%	-2.5%
Educational and health services	10.6	9.0	-1.6
Financial activities	3.8	4.7	0.9
Information	3.0	4.2	1.2
Leisure and hospitality	12.2	8.9	-3.3
Manufacturing	13.4	19.0	5.6
Professional and business services	12.8	14.4	1.6
Transportation and utilities	3.7	3.9	0.2
Wholesale and retail trade	14.5	13.9	-0.6
Other ^b	15.8	14.3	-1.5
GENDER			
Women	44.1%	41.4%	-2.7%
Men	55.9	58.6	2.7
RACE			
Black	19.6%	24.5%	4.9%
Hispanic	16.4	12.2	-4.2
White	56.9	54.9	-2.0
Other	7.0	8.4	1.4

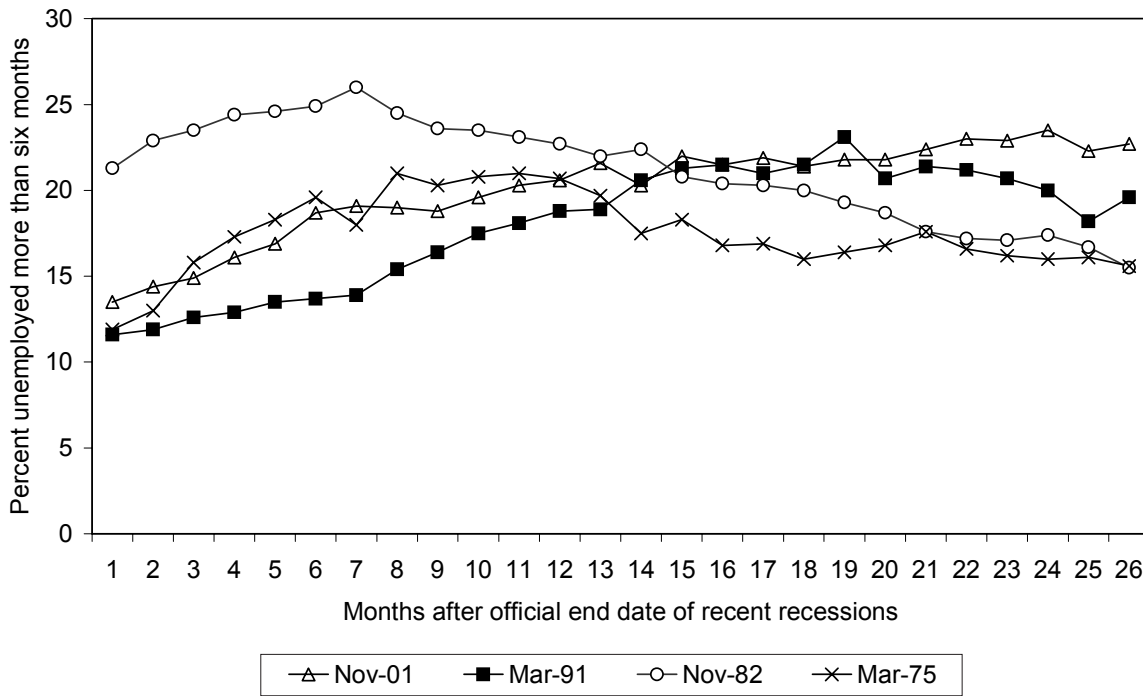
^a Other occupations include: farming, fishing, and forestry; installation, maintenance, and repair; and armed forces.

^b Other industries include: agriculture, forestry, fishing, and hunting; mining; other industries and services; and public administration.

Source: Author's analysis of Current Population Survey, 2003.

FIGURE 1

Long-term unemployment after the official end of recent recessions



Source: Bureau of Labor Statistics. Dates in legend represent National Bureau of Economic Research end dates. Current data are through January 2004.

The harsh consequences of a jobless recovery

The long-term unemployed face a particularly daunting array of hardships: after six months of unemployment, many workers have eroded their savings, increased their levels of family stress, and even been forced to move out of their homes. Simply put, unemployment lasting six months or more is a prolonged burden on job seekers that detrimentally affects all areas of life, even more so than short spells of joblessness. While the prospect of any period of unemployment is disconcerting for many workers, the threat of long-term unemployment during the current economy’s failure to generate the necessary number of jobs has elevated anxiety levels among U.S. workers.

In 2001 alone, at a time when the United States was in the midst of a recession, the economy lost about 1.8 million jobs. The subsequent recovery period that began in November 2001 has been referred to as a “jobless” recovery because the decline in payroll jobs continued throughout 2002 (-563,000) and 2003 (-53,000). A close examination of the long-term unemployed reveals the casualties of the jobless recovery in 2003.

Figure 1 tracks the percentage of the unemployed who are classified as long-term unemployed (that is, those looking for work for six months or more) in the last four recoveries. With job creation falling short, high rates of long-term unemployment carried on far longer in 2003 than in any of the previous post-recession periods in the 1970s, 1980s, and 1990s.

In January 2004, 22.7% of the unemployed were out of work for more than six months, higher than at other comparable points 26 months after the official end of recent recessions; previous rates of long-term unemployment had hit 19.6% in May 1993, 15.5% in January 1985, and 15.6% in May 1977. Thus, long-term unemployment has persisted longer in this post-recessionary period than during any similar period in the past 30 years. This unprecedented level of long-term unemployment is the human consequence of the nation's job woes.

Tracking the rise of long-term unemployment in the jobless recovery

From 2000 to 2003, long-term unemployment increased from 649,119 to more than 1.9 million, a staggering 198.2% increase (see **Table 3**). Across 2002 and 2003 alone, long-term unemployment swelled by 26.1%, reflecting a high level of long-term unemployment that persisted longer than in any of the three prior recovery periods. In 2000, long-term unemployment accounted for 11.4% of all unemployment. That percentage nearly doubled in 2003 to 22.1%. By 2003, long-term unemployment—measured as a proportion of all jobless workers—was higher than in any year since 1983, when long-term unemployment averaged 23.9%.

An analysis of microdata from the Current Population Survey, which is used to calculate the official unemployment numbers, illustrates the characteristics of workers who were more likely to find themselves among the ranks of the long-term unemployed in 2003. Comparing the share of long-term unemployed to the share of the total unemployed (Table 2, columns 1 and 2) indicates which subgroups of jobless workers are over-represented among the long-term unemployed. In other words, subgroups of unemployed workers that are over-represented are likely to find themselves unemployed for a period of six months or more, whereas subgroups that are under-represented as a share of the long-term unemployed are likely to be unemployed for shorter periods of time. The numbers in the third column of Table 2 indicate whether a subgroup's share of long-term unemployment is over-represented (a positive number) or under-represented (a negative number) compared to its share of total unemployment. For example, within occupational groups, service occupations are 19.2% of the total unemployed, but only 15.2% of long-term unemployed. Therefore, unemployed workers from service occupations are under-represented as a share of the long-term unemployed. Unemployed persons from management, business and financial occupations, on the other hand, are over-represented as a share of long-term unemployed (9.9%) as compared to their share of total unemployment (7.2%).

Highly educated and experienced workers are increasingly the victims of unemployment

Perhaps the most striking conclusion shown in Table 2 is that the most educated, well-paid, and experienced workers are not insulated from the consequences of this prolonged weak labor market. These data illuminate the nature of the current economic situation—sluggish job creation is keeping workers of all ages, education levels, and occupations from contributing to the U.S. economy.

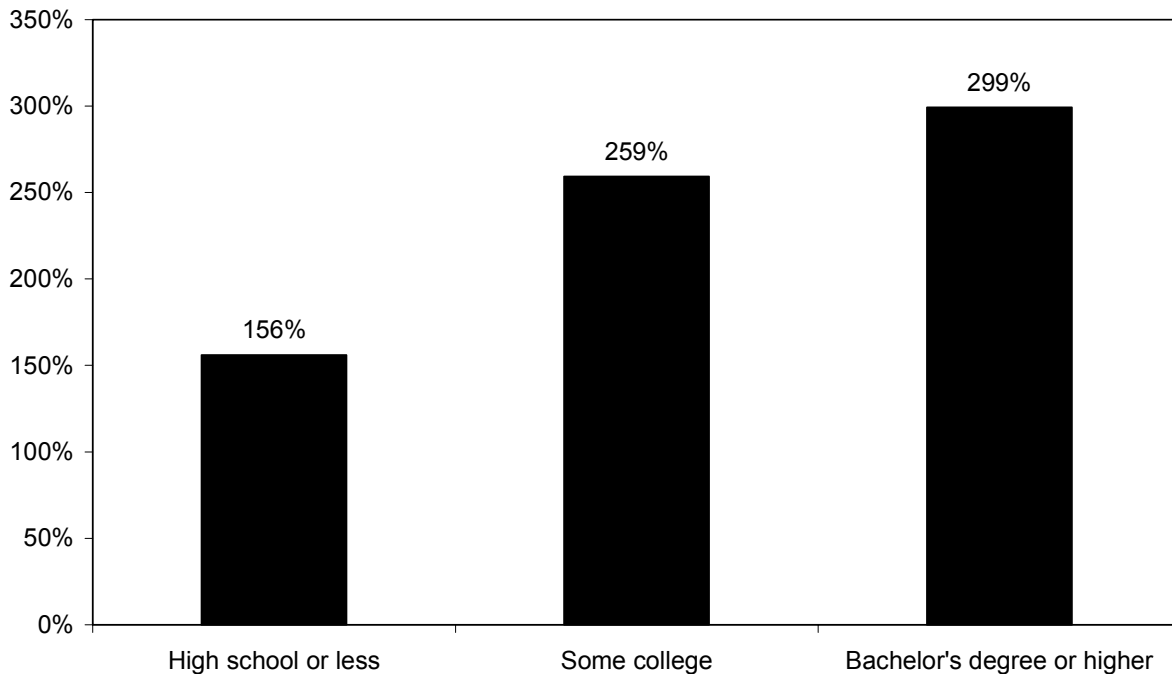
TABLE 3
Long-term unemployment growth, 2000-03

	2000 totals	2003 totals	Percent change, 2000 to 2003
ALL GROUPS	649,119	1,935,814	198.2%
EDUCATION			
High school or less	420,002	1,075,552	156.1%
Some college	136,698	491,146	259.3
Bachelor's degree or higher	92,418	369,115	299.4
AGE			
16-24	153,219	374,065	144.1%
25-44	280,085	876,362	212.9
45+	215,815	685,387	217.6
OCCUPATION			
Construction and extraction	46,147	130,774	183.4%
Management, business, financial	47,090	192,369	308.5
Office and administrative support	91,804	261,922	185.3
Production	81,647	224,619	175.1
Professional and related	53,922	236,800	339.2
Sales and related	59,549	197,196	231.1
Service	127,746	295,175	131.1
Transportation and material moving	58,728	163,637	176.6
INDUSTRY			
Construction	51,605	149,895	190.5%
Educational and health services	66,542	173,562	160.8
Financial activities	32,875	91,028	176.9
Information	17,990	81,601	353.6
Leisure and hospitality	72,058	172,042	138.8
Manufacturing	102,311	367,323	259.0
Professional and business services	72,103	277,844	285.3
Transportation and utilities	28,848	75,716	162.5
Wholesale and retail trade	83,486	268,470	221.6
GENDER			
Women	287,558	801,811	178.8%
Men	361,561	1,134,002	213.6
RACE			
Black	181,407	475,229	162.0%
Hispanic	116,054	235,402	102.8
White	309,100	1,063,284	244.0
Other	42,557	161,898	280.4

Source: Author's analysis of Current Population Survey Data. Selected subgroups sums do not necessarily equal overall totals.

FIGURE 2

The percentage increase in long-term unemployment, by education (2000-03)



Source: Author's analysis of Current Population Survey data.

- **Age:** The nation's most experienced workers were hit disproportionately hard by long-term unemployment in 2003. Workers age 45 and older represented more than one-third of all the long-term jobless (35%) but only one-quarter of the total unemployed. The 9.7% discrepancy between older workers' share of total and long-term unemployment is the largest of any subgroup in Table 2. This suggests that companies may be averse to investing in experienced older workers, presumably in an attempt to keep labor costs low.
- **Education:** Although they are less likely to be laid-off in the first place, educated unemployed workers encountered more trouble re-entering the labor force, with the impact most dramatic on workers who have a bachelor's degree or more. A full 19.1% of all long-term jobless were four-year college graduates, compared to just 15.3% of all unemployed workers. This 9.7% over-representation in the ranks of the long-term unemployed is more than all other educational groups (see Table 2, column 3). However, workers at all education levels saw an increase in long-term unemployment of more than 100% between 2000 and 2003: prolonged joblessness rose by 156% among workers with a high school degree or less, 259% among workers with some college education, and 299% among four-year college graduates (see **Figure 2**).
- **Occupation:** As shown in Table 3, the number of long-term unemployed grew faster among high-salary occupational groups—such as management, business, and financial occupations (308%) and

professional occupations (339%)—than among service occupations (131%) or office and administrative support (185%). Additionally, blue-collar production occupations show disproportionately high shares of long-term unemployment (see Table 2, column 3).

Manufacturing industry is particularly hard hit

The United States has been losing manufacturing jobs for 43 straight months. Long-term unemployment in this sector increased by 259%, far exceeding industries such as leisure and hospitality, educational and health services, and construction (Table 3, column 3). With this growth in the jobless rate of the manufacturing industry, workers laid off from manufacturing jobs represented the largest share of the long-term unemployed (19.1%), although they comprised only 13.4% of the total unemployed. Lower-paying industries, however, were more likely to be under-represented as a share of the long-term unemployed. For example, the retail industry (combined with intermediate wholesalers) was the industry with the largest share of the nation's jobless in 2003, but represented only the third largest share of the long-term unemployed.

With an average hourly wage of \$15.81 in January 2004, the manufacturing industry provides better-paying opportunities than other industries to workers without a college degree. With some jobs permanently lost through trade and job growth slowing as companies delay investment or new production, more and more of these well-paid workers have found themselves without jobs for long periods of time.

Other industries have also been hit hard, as demonstrated by sustained long-term unemployment. In the information industry, there was a 354% increase in long-term unemployment. The second largest increase in long-term unemployment was for the professional and business industry (285%). The weak recovery has invaded every industrial sector, not only hurting the blue-collar industries that have traditionally suffered unemployment woes, but also leading to widespread joblessness among white-collar workers.

Workers in industries that had not been as affected by long-term unemployment through 2002 experienced significant increases in joblessness in 2003. For instance, long-term unemployment grew faster among workers from the educational and health services field (33%) than any other industry, as jobs in this sector fell victim to state and local budget cuts. Conversely, growth in long-term unemployment among workers laid off from manufacturing jobs slowed in 2003 as compared to 2000 through 2002. Due to the persistent job losses in high-tech industries, long-term unemployment in the information industry (30%) continued to grow faster than the national average of 26% (see Table 4).

Long-term unemployment in 2003: The gender and race story

- **Gender:** With the male-dominated manufacturing industry hit hard by unemployment, it is not surprising that men are more susceptible to long-term joblessness. However, the gender gap was narrower in 2003 than at a similar point during the last job slump in the early 1990s. In 1992, women represented 35.7% of all of the long-term jobless and 42.5% of the total unemployed, indicating an under-representation of -6.8%. By 2003, women made up 41.4% of the long-term unemployed, but represented 44.1% of the total unemployed; while women were still under-represented as a share of the

TABLE 4
Long-term unemployment growth among selected groups, 2002-03

	Percent change, 2002 to 2003
ALL GROUPS	26.1%
EDUCATION	
High school or less	24.2%
Some college	25.9
Bachelor's degree or higher	32.5
AGE	
16-24	23.5%
25-44	26.4
45+	27.2
OCCUPATION	
Construction and extraction	20.1%
Management, business, financial	14.3
Office and administrative support	12.2
Production	14.3
Professional and related	38.3
Sales and related	21.0
Service	31.0
Transportation and material moving	40.9
INDUSTRY	
Construction	23.6%
Educational and health services	32.6
Financial activities	24.2
Information	30.0
Leisure and hospitality	23.4
Manufacturing	25.2
Professional and business services	29.6
Transportation and utilities	11.0
Wholesale and retail trade	16.8
GENDER	
Female	20.5%
Male	30.4
RACE	
Black	28.2%
Hispanic	23.2
White	22.8
Other	50.7

Source: Author's analysis of Current Population Survey, 2003. Selected subgroups sums do not necessarily equal overall totals.

jobless population, this difference (2.7%) was much smaller than in previous years (see Table 2). Increasingly, long-term unemployment is a problem for women.

- **Race:** Both black and Asian workers experienced above average long-term unemployment in 2003. Black workers are significantly over-represented among both the long-term and total unemployed. Similar to other periods of economic decline, black workers have been harmed more than other racial groups.

Policy and labor market implications of long-term joblessness

In 2002 and 2003, college graduates, workers age 45 and older, and workers in the information and manufacturing sectors entered the ranks of the long-term unemployed at alarming rates; however, no industry or demographic group has escaped the effects of the jobless recovery. Large numbers of workers will likely not return to their previous jobs. Many companies have either reorganized production to make do with a smaller workforce or made arrangements with foreign contractors to accomplish the tasks previously done by workers in the United States. The prevalence of long-term unemployment among skilled and educated workers indicates that no group is immune from the devastating impact of this shift in business practices as the labor market responds to the lack of job growth.

Although the effects of the jobless recovery can be seen in nearly every industry, age, and education group, in December 2003, Congress allowed the federal extension of unemployment benefits to expire. Until that point, the Temporary Extended Unemployment Compensation (TEUC) program had provided additional unemployment benefits to those workers who had been out of work for more than six months and had thus exhausted their regular state unemployment insurance benefits. With long-term unemployment continuing to grow through the end of 2003 and persisting longer than in any recovery period in the last 30 years, there is a clear need to continue these federal benefits.

The characteristics of the long-term unemployed and the causes of the severe jobless rates were discussed during the debate in Congress over whether to extend TEUC. Some members of Congress argued that the long-term unemployed needed “tough love”—i.e., if their benefits were cut off they would be forced back to work. However, the data presented here strongly refute this point. The long-term unemployed have a proven record of job experience and a strong attachment to the labor market. But with only one job for every three unemployed workers, finding a job in this economy is unusually difficult. Unemployment benefits average just \$265 per week and replace less than half of the average worker’s prior salary. Therefore, workers accustomed to relatively high wages are unlikely to find unemployment insurance benefits generous. Rather, such benefits are a modest source of income support that these workers (and all long-term unemployed) need when the job market cannot deliver.

The National Employment Law Project is a national advocacy organization for the unemployed and the working poor. NELP can be contacted at 55 John St., 7th Floor, New York, N.Y 10038, (212) 285-3025, or at www.nelp.org.

Endnote

1. This time period includes the recession from March 2001 to November 2001, and a pre- and a post-recessionary period. The post-recessionary period extends two years after the economy officially moved from recession to recovery in November 2001.