A Drop in the Long-Term Unemployed

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Off the Charts

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THE long-term unemployment rate, which soared in 2009 to heights not seen since the Great Depression, is finally declining rapidly. The proportion of the work force that has been unemployed for at least 27 weeks has fallen to 1.98 percent, less than half the record high of 4.4 percent reached in 2010.

Since the end of 2013, “the long-term unemployment rate dropped 0.5 percentage point, thereby accounting for almost the entire decline” in the overall unemployment rate, pointed out two Federal Reserve Board economists, Tomaz Cajner and David Ratner, in a note published by the Fed this week.

As a result, for the first time in five years, less than a third of all unemployed workers have been out of work for at least six months. In the first six months of 2014, that figure dropped at the fastest rate in more than half a century.

“The improvement in the labor market is reaching the long-term unemployed,” said Heidi Shierholz, an economist at the Economic Policy Institute. “They are benefiting from the modest but measurable improvement in the labor market.”

And yet the level of long-term unemployment remains high by historical standards. During the double-dip recessions of the early 1980s, the overall unemployment rate peaked at 10.8 percent, well above the 10 percent peak in the recent recession. And now, more than six years after the recession began, the overall unemployment rate of 6.1 percent is significantly lower than at a comparable point after the 1980s downturns began. But the long-term
unemployment rate remains much higher than it was at this point in the earlier cycle.

The problem of long-term unemployment has not been limited to only certain kinds of workers. “It is not just the problem of people who don’t have any skills and can’t find work,” said Katharine G. Abraham, a former commissioner of the Bureau of Labor Statistics who now is a professor at the University of Maryland.

The bureau, which collects the statistics through its monthly survey of households, produces detailed figures for various groups each month but does not estimate what they would be when adjusted for seasonal factors. The lower two sets of charts show 12-month averages, ending in the month shown, for each group. The higher set of charts shows seasonally adjusted figures for the entire work force and therefore reflects changes in conditions more rapidly.

As might be expected, the long-term unemployment rate is lower for those with the most education. But over the most recent 12 months, about 37 percent of unemployed workers with advanced degrees had been out of work for more than six months — a figure that was almost identical with every other level of education except one. Only 32 percent of unemployed high school dropouts had been unemployed for that long.

Similarly, there seems to be little difference among age groups, with the exception of the youngest workers, aged 16 to 24. They have a higher long-term unemployment rate, but a smaller percentage of young unemployed workers have been jobless for an extended period.

But race does appear to make a difference. Whites are far less likely to face long-term unemployment than blacks, with Hispanics somewhere in between. Even after falling recently, the black long-term unemployment rate of 5.1 percent over the last 12 months is considerably higher than the 3.4 percent peak rate for whites, reached in 2010.

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