

# Down and Out

## Measuring Long-term Hardship in the Labor Market

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## Executive Summary

From peak to trough, the United States lost almost nine million jobs in the most recent economic downturn. What was completely unprecedented about the most recent recession, however, was the explosion in long-term unemployment.

The depth and length of the recession pushed the long-term unemployment rate – the share of unemployed workers who have been unemployed for 27 weeks or longer – to over 40 percent throughout the entirety of 2010 and 2011. By comparison, the previous peak, which lasted only one month (June 1983) – was just 26.0 percent.

This official concept of “long-term unemployment,” however, is incomplete and, in some cases, even potentially misleading. As tracked by government statistics, the long-term unemployed are only a relatively small part of the population facing extended, sometimes permanent, spells without work.

We propose rethinking our understanding of long-term unemployment in two ways. First, we encourage shifting from a narrow focus on long-term unemployment toward a broader concept of “long-term hardship” in the labor market. Many workers or potential workers who do not fit the official definition of long-term unemployment – including “discouraged” and “marginally attached” workers and those involuntarily working part-time jobs – face long-term hardship in the labor market, but are not captured in the standard measure of long-term unemployment.

Second, we suggest complementing the standard measure of long-term unemployment, which reports the *share of the unemployed* who have been out of work for 6 months or more, with an alternative measure, which reports the *share of the total labor force* that has been unemployed for 6 months or more. This alternative measure avoids some counter-intuitive properties of the standard statistic and is better for making comparisons across demographic groups.

The official long-term unemployment measure does not count any “discouraged workers,” “marginally attached workers,” those “part-time for economic reasons,” or other potential workers who have left the labor force (or delayed their entry or re-entry into the labor force). Many workers in these other categories have experienced long-term hardship, even if they do not meet the official definition of unemployment (which requires active job search at some time in the most recent four-week period).

A broader view of joblessness suggests long-term hardship is substantially greater than what is captured by the official long-term unemployment measure:

- The share of the working-age population that was long-term unemployed increased five-fold: from only 0.6 percent in 2007 (17.5 percent of all unemployed), to 2.2 percent in 2009 (31.3 percent of the unemployed), to 3.1 percent in 2010 (43.0 percent of the unemployed).
- “Discouraged workers” increased from 0.2 percent of the working-age population in 2007 to 0.5 percent in 2010.

- “Marginally attached” workers (excluding “discouraged workers”) grew from 0.7 percent of the working-age population in 2007 to 1.2 percent in 2010.
- Involuntarily part-time workers almost doubled from 2.2 percent in 2007 to 4.3 percent in 2010.
- The Bureau of Labor Statistics does not track the length of time workers have been discouraged, marginally attached, or part-time for economic reasons. But, if we assume that all of the discouraged and marginally attached workers and half of the workers who were part-time for economic reasons had been in those states (or officially unemployed prior to entering those states) for 27 weeks or longer, then in 2010 an additional 3.9 percent of the working-age population was long-term unemployed. This estimate is substantially larger than the 3.1 percent of the working-age population that was long-term unemployed by the standard definition.
- Under these same assumptions, between 2007 and 2010, long-term unemployment increased almost as much in these unofficial channels (2.0 percentage points of the working-age population) as it did in the more narrow definition (2.5 percentage points). These estimates are likely conservative because they assign none of the 1.4 percentage point increase in the “not in the labor force” category to the expanded long-term unemployment measure.
- Even after we exclude the retirement-age population, about one-fourth of the working-age population was not in the labor force, even before the recession. The share of the population not in the labor force increased over the course of the labor-market downturn, from 24.7 percent in 2007 to 26.1 percent in 2010. These figures exclude discouraged workers and the marginally attached, which suggests that the group that is not in the labor market likely includes an important number of workers facing long-term problems in the labor market and who are not included in the standard measure of long-term unemployment.
- Over 1 percent of the working-age population – and about 2 percent of working-age men – are in prison or jail, a share that did not change significantly over the course of the recession.

## Introduction

In the two years between the end of 2007, when the Great Recession got its official start, and early 2010, when the economy finally started creating new jobs again, the United States lost almost nine million jobs. The depth of the downturn produced unemployment rates not seen since the recession of the early 1980s. But, what was completely unprecedented was the explosion in long-term unemployment. The depth and length of the recession pushed the long-term unemployment rate over 40 percent throughout the entirety of 2010 and 2011. By comparison, the previous historical peak, which lasted only one month (June 1983) – was just 26.0 percent.

The official concept of “long-term unemployment,” while useful, is incomplete and, in some cases, even potentially misleading. As tracked by government statistics, the long-term unemployed are only a relatively small part of the population facing extended, sometimes permanent, spells without work.<sup>1</sup>

This report proposes rethinking our understanding of long-term unemployment in two ways. First, we encourage shifting from a narrow focus on long-term unemployment toward a broader concept of “long-term hardship” in the labor market. Many workers or potential workers who do not fit the official definition of long-term unemployment – including “discouraged” and “marginally attached” workers and those involuntarily working part-time jobs – face long-term hardship in the labor market, but are not captured in the standard measure of long-term unemployment.

Second, we suggest complementing the standard measure of long-term unemployment, which reports the *share of the unemployed* who have been out of work for 6 months or more, with an alternative measure, which reports the *share of the total labor force* that has been unemployed for 6 months or more. This alternative measure avoids some counter-intuitive properties of the standard statistic and is better for making comparisons across demographic groups.

## Labor Market States and Statistics

Economists distinguish between three main labor-market states: employed, unemployed, and “not in the labor force.”<sup>2</sup> The Bureau of Labor Statistics (BLS) calculates the unemployment rate by asking respondents to the Current Population Survey (CPS), a nationally representative, monthly survey, about their recent labor-market experience.<sup>3</sup> The BLS designates a person as unemployed if that person (1) did not work at all (not even one hour) in the survey week; (2) had looked for work sometime in the month before the survey; and (3) was available to work immediately.<sup>4</sup> If a

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1 For another recent discussion of these issues, see Allegretto and Lynch (2010).

2 In the various statistical definitions below, we’ll abbreviate these states as E for employed, U for unemployed, and N for not in the labor force.

3 The CPS is a monthly survey of about 60,000 households. It is the source of the official unemployment rate, poverty rate, and other data on the state of U.S. labor market. For more information, see <http://www.bls.gov/cps/>.

4 The BLS defines “unemployed persons” as: “Persons aged 16 years and older who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the four-week period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.” See <http://www.bls.gov/bls/glossary.htm#U>.

respondent is unemployed according to these criteria, then the BLS asks the person how long he or she has been looking for work. If the answer is 27 weeks or longer, then the respondent is classified as “long-term unemployed.”

This official definition of unemployment is useful, but more restrictive than the popular understanding of unemployment. The lines between unemployment and employment, or unemployment and being “not in the labor force,” are generally fuzzier than the official definitions suggest. Respondents who have been out of work for a long time and have given up searching because they don’t think there are any jobs available, for example, might think of themselves as unemployed, but because they have not been looking for work recently enough, would actually be designated “not in the labor force” under the official definition. Meanwhile, workers who lost their full-time job but who did odd-jobs or baby-sitting for pay for a couple of hours during the survey week, for example, may also see themselves as unemployed, in the sense that they don’t have and are actively seeking a “real” job. Nevertheless, they would count as “employed” in the official statistics because they had done some work for pay during the survey week.

In recognition of these real-world complications, the BLS also collects information on some blurrier labor-market states. Along the border between the unemployed and those “not in the labor force,” the CPS identifies “discouraged workers”: people currently without jobs, but who would like a job and have looked for work sometime in the preceding year, but stopped looking because they didn’t think there were any jobs available.<sup>5</sup> Discouraged workers are a subset of a broader group that the BLS calls “marginally attached workers,”<sup>6</sup> who, like discouraged workers, were looking for work sometime in the preceding year, but have not looked in the most recent four-week period. The “marginally attached” differ from discouraged workers only in that the marginally attached do not specifically cite a lack of available jobs as the reason for giving up their job search.

Most discouraged and marginally attached workers were at one time unemployed by the official definition, and many, especially in the current downturn, were likely long-term unemployed. Unfortunately, the government’s labor-market survey does not ask respondents how long they have been discouraged or marginally attached (and before that how long they were unemployed). As a result, a large group of discouraged and marginally attached workers, who are likely to meet a popular definition of “long-term unemployed,” are not counted in the official long-term unemployment statistics, both because they are not officially unemployed and because we have no clear idea of how long they have been out of work.

The BLS also tries to capture some of the workers who fall ambiguously along the border between unemployed and employed. Most importantly, many part-time workers would like to work full-time, but are not doing so because their hours have been cut or they cannot find full-time work. The BLS

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5 The BLS defines “discouraged workers” as: “Persons not in the labor force who want and are available for a job and who have looked for work sometime in the past 12 months (or since the end of their last job if they held one within the past 12 months), but who are not currently looking because they believe there are no jobs available or there are none for which they would qualify.” See <http://www.bls.gov/bls/glossary.htm#D>. We abbreviate this state as D.

6 The BLS defines “marginally attached workers” as: “Persons not in the labor force who want and are available for work, and who have looked for a job sometime in the prior 12 months (or since the end of their last job if they held one within the past 12 months), but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Discouraged workers are a subset of the marginally attached.” See <http://www.bls.gov/bls/glossary.htm#M>. We abbreviate this state as MA.

classifies these involuntary part-time workers as “part time for economic reasons.”<sup>7</sup> Workers in this category are not unemployed, but they are clearly “underemployed,” and they contribute to the gap between what the economy is currently producing and what it could produce if it were using all available labor resources. Some portion of workers who are part-time for economic reasons will have been in that state for long periods; and some may have taken a part-time job, despite looking for full-time work, after a spell of unemployment. Unfortunately, the BLS does not ask workers who are part-time for economic reasons how long they have been in that state, or whether they entered the state after a period of unemployment (let alone how long that previous spell lasted). Once again, a group that includes at least some workers that we would intuitively think of as long-term unemployed does not appear in the official measure of long-term unemployment, and the structure of the main government labor-market survey does not allow us to incorporate any of these “long-term” underemployed into a less formal measure.

These efforts by the BLS to count discouraged workers, the marginally attached, and those who are part-time for economic reasons give us a much fuller picture of the labor market. The resulting data from official sources, therefore, can also help us to paint a more realistic picture of groups facing long-term joblessness in the labor market. The official government data sources, however, systematically undercount two groups of long-term jobless. The first group is the more than two million people in our nation’s prisons and jails. By design, the government’s official labor-market survey covers only the civilian, non-institutional population, and therefore does not count military personnel or the institutionalized population, which is primarily housed in federal and state prisons and local jails. Together, the incarcerated population comprises about 1 percent of the overall population age 16 to 64, and about 2 percent of the male population in this age range.<sup>8</sup> The vast majority of these overwhelmingly working-age individuals suffer serious, long-term problems in the labor market, in or out of prison and jail.<sup>9</sup>

The second group that appears to be systematically undercounted in official data is jobless youth, particularly young men in racial and ethnic minorities. The BLS makes substantial efforts to ensure that the CPS represents the civilian, non-institutional population, and weights the respondents to the survey to ensure that they are representative of the full population. Analysis suggests that while the CPS generally does an excellent job contacting, interviewing, and appropriately weighting a representative sample, the survey misses, and fails to compensate for missing, an important share of young people without jobs, especially black men and Latino women.<sup>10</sup>

The specific problem is that the BLS assumes that individuals not contacted by the CPS interviewers are generally similar to those who are contacted. The BLS does adjust the CPS weights to reflect systematic differences in survey response rates across demographic groups, but the BLS weight adjustment does not take non-respondents’ employment status into consideration. As Schmitt and Baker demonstrate, CPS non-respondents appear to be systematically less likely to work than respondents are. As a result of this systematic difference and the failure to adjust the CPS weights for this difference, the CPS overstates total employment – or understates non-employment – by

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7 The BLS categorizes workers as “part time for economic reasons” if they “worked 1 to 34 hours during the reference week for an economic reason such as slack work or unfavorable business conditions, inability to find full-time work, or seasonal declines in demand.” See <http://www.bls.gov/news.release/empsit.t08.htm>. We abbreviate this state as PTER.

8 Public Safety Performance Project (2008, 2009) and Schmitt, Warner, and Gupta (2010).

9 Schmitt and Warner (2011).

10 Schmitt and Baker (2006).

about 1.4 percentage points. The size of the overstatement of employment is largest for younger black men and Latino women – in the range of about 8 percentage points. The factors that make some members of these groups less likely to respond to the CPS survey (a high prevalence of criminal records among young black men and a high share of immigrants among young Latinos, for example) are likely to be the same factors that make these respondents less likely to work. The failure to weight responses to account for the lower survey coverage rate for jobless young people reflects a technical flaw in the CPS methodology, which could be, but has not so far been, addressed by the BLS.

## Measuring Long-term Unemployment

One final statistical issue concerns the way that long-term unemployment is typically reported. Following the historical precedent set by the BLS, public discussions of long-term unemployment generally emphasize the share of the unemployed who have been unemployed for 27 weeks or longer. So, if the unemployment rate is 10 percent, and half of those have been unemployed for 27 weeks or longer, the long-term unemployment rate would be 50 percent.

This approach has the benefit of simplicity, but can also be misleading. One problem is related to labor-market dynamics. At the beginning of a downturn, when the economy is deteriorating rapidly, the conventional long-term unemployment statistic will generally “improve.” A spike in layoffs will create a wave of newly unemployed workers, which will increase the number of short-term unemployed, and all else constant, lower the standard long-term unemployment measure – even if the absolute number of long-term unemployed workers remains unchanged. Similarly, as the economy improves and layoffs decline, the long-term unemployment rate will increase, even if the absolute number of long-term unemployed workers remains unchanged or conceivably falls (if it falls more slowly than the decline in short-term unemployment).

A second problem is that comparisons of long-term unemployment across different demographic groups can give a distorted picture of these groups’ experience of long-term unemployment. Imagine two demographic groups that both have 50 percent long-term unemployment rates using the standard statistic. If both groups have similar unemployment rates, then the 50 percent long-term unemployment rate implies that the two groups face similar probabilities of being long-term unemployed. If one group, however, has a much higher unemployment rate, say 10 percent, and the other a much lower unemployment rate, say 5 percent, then even identical, conventionally measured long-term unemployment rates can correspond to very different probabilities for members of the two groups actually experiencing long-term unemployment. The group with a 10 percent unemployment rate, for example, would be twice as likely to be long-term unemployed (50 percent of 10 percent) as the group with only 5 percent unemployment (50 percent of 5 percent) – even though they both have a conventionally measured long-term unemployment rate of 50 percent (half of the unemployed in both groups have been unemployed for at least 27 weeks).

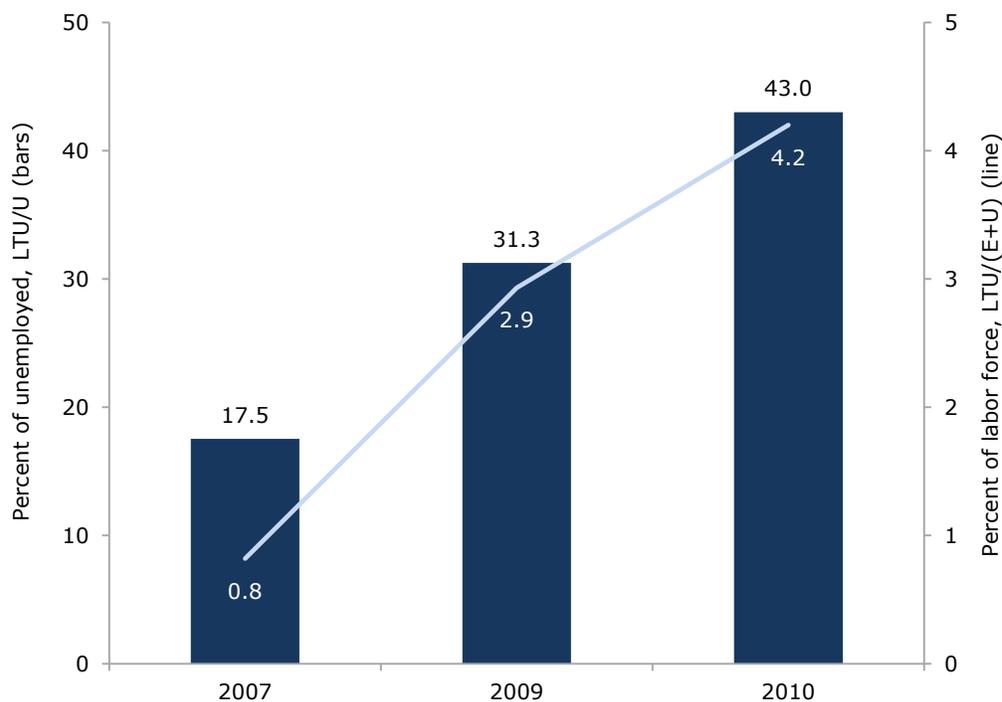
One way to side-step both of these issues is to report the long-term unemployment (LTU) rate as a share of the total labor force –  $LTU/(E+U)$  – rather than as a share of the unemployed –  $LTU/U$  – which is the current convention. This alternative is not subject to any of the distortions associated with labor-market dynamics. An influx of short-term workers into unemployment, for example, lowers the conventional measure of long-term unemployment, but has no effect on this alternative.

The alternative measure is also directly comparable across demographic groups with different levels of unemployment. Our discussion of the demographics of the long-term unemployed below, therefore, presents both measures.

## Recent Trends

These various labor-market states and statistics allow us to paint a much more complete portrait of long-term hardship. **Figure 1** starts with the most straightforward measure of long-term hardship: long-term unemployment. The figure shows two measures of long-term unemployment for each of three recent years: 2007, before the economy tanked; 2009, when the labor market reached its lowest point; and 2010, the most recent complete year of data currently available. The first measure is the conventional long-term unemployment rate: the share of all unemployed who have been out of work for at least 27 weeks (LTU/U). By this definition, long-term unemployment increased from 17.5 percent of the unemployed in 2007, to 31.3 percent in 2009, when the economy reached a trough, and continued to rise, to 43.0 percent, in the first full calendar year of the recovery in 2010. Using the second definition, which expresses the long-term unemployed as a share of the labor force (LTU/(U+E)), long-term unemployment was just 0.8 percent of the labor force in 2007, before rising to 2.9 percent in 2009, and then to 4.2 percent in 2010.

**FIGURE 1**  
Long-term Unemployed, Age 16-64, Selected Years

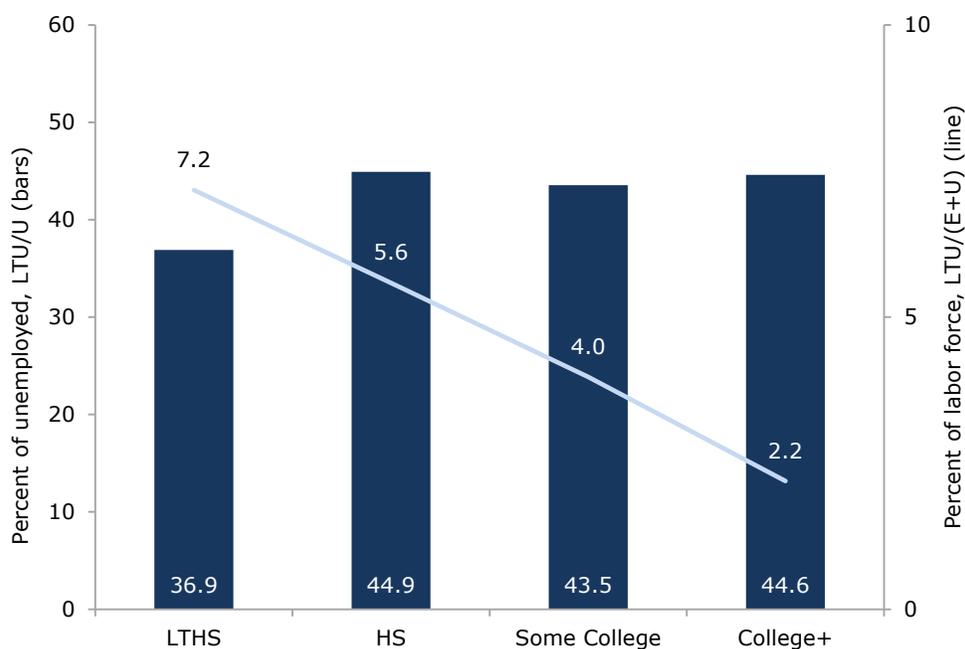


Source: Authors' analysis of Current Population Survey.

The two measures of long-term unemployment show similar trends in the aggregate data in Figure 1. But, even over this same period, the conventional measure of long-term unemployment can give a distorted picture of long-term unemployment for some groups in the population. The bars in

**Figure 2** show the standard long-term unemployment rate (LTU/U), by education level, in 2010. This official measure shows little difference in long-term unemployment by education. Across all levels of education, about 40 percent of the unemployed were out of work for at least 27 weeks. The share is actually somewhat lower for those with less than a high school degree (about 37 percent) than it is for workers with more education (43-45 percent). Nevertheless, as the solid line in the same figure demonstrates, a worker without a high school degree is more than three times more likely to be long-term unemployed – 7.2 percent of the labor force with less than a high school degree – than is the case for a worker with a college degree or more – 2.2 percent of the labor force with a college degree or more. The solid line traces out an inverse relationship between education and long-term unemployment using this alternative measure of long-term unemployment (LTU/(U+E)).

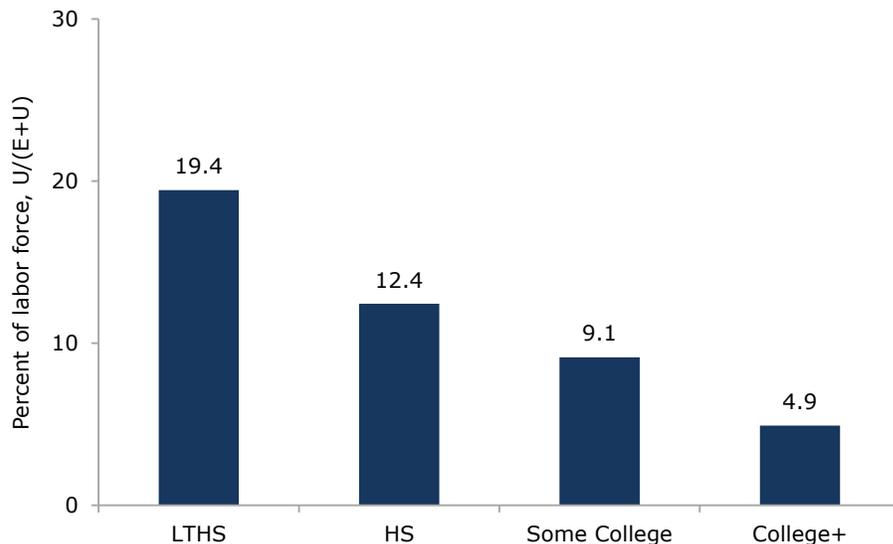
**FIGURE 2**  
Long-term Unemployed, by Education Level, 2010



Source: Authors' analysis of Current Population Survey.

**Figure 3** explains why the two measures of long-term unemployment differ so much. Workers with less than a high school degree are almost four times as likely to be unemployed than workers with a college degree are. So, even though a smaller share of *unemployed* workers with less than a high school degree have been out of work for 27 weeks or longer, a much higher share of *all* workers with less than a high school degree actually face long-term unemployment.

**FIGURE 3**  
**Unemployed, by Education Level, 2010**



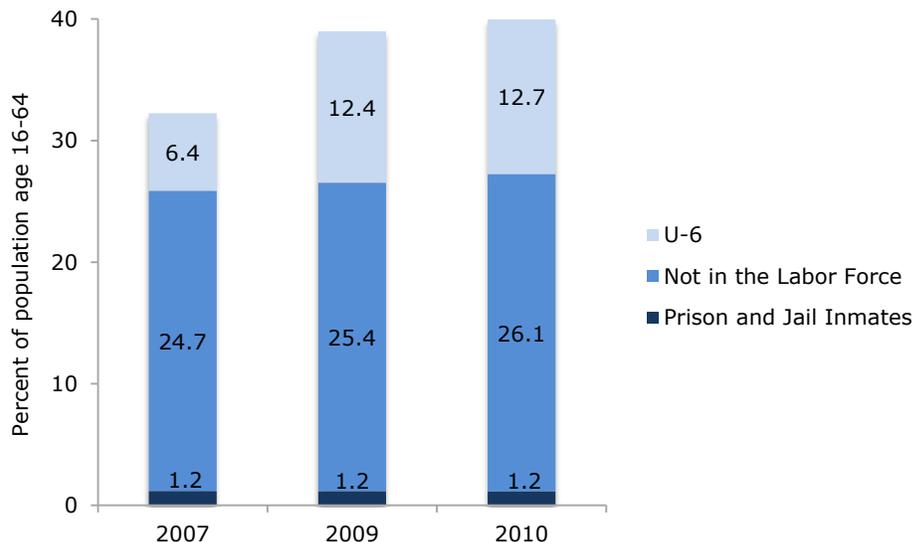
Source: Authors' analysis of Current Population Survey.

**Figure 4** takes a broader view of the labor market. For the same years, the figure shows trends for three broad categories (from bottom to top): the prison and jail population (dark blue); those “not in the labor force” (blue); and – grouped together – the officially unemployed, discouraged workers, the marginally attached, and those working part-time for economic reasons (light blue), a single statistic referred to as U-6 by the BLS.<sup>11</sup> The figure displays each of these three broad categories as a share of the civilian, non-institutional population age 16 to 64.<sup>12</sup>

11 U-6 is calculated as  $(U+MA+PTER)/(E+U+MA+PTER)$ , where U = unemployed, MA = marginally attached, PTER = part time for economic reasons, and E = employed. The denominator for U-6 differs from the denominator for the standard unemployment rate, which is calculated as  $U/(U+E)$ . Note that the denominator in Figure 4 is the total population ages 16 to 64 ( $U+E+N$ ), not the standard denominator for the official unemployment rate ( $U+E$ ) or for U-6 ( $E+U+MA+PTER$ ), so percentages are not directly comparable with published unemployment and U-6 rates.

12 The “not in the labor force” category excludes discouraged workers and the marginally attached; the marginally attached include the subset that are discouraged workers.

**FIGURE 4**  
**U-6, Not in the Labor Force, and Prison and Jail Inmates, as Percent of Population Age 16-64, 2010**



Source: Authors' analysis of Current Population Survey.

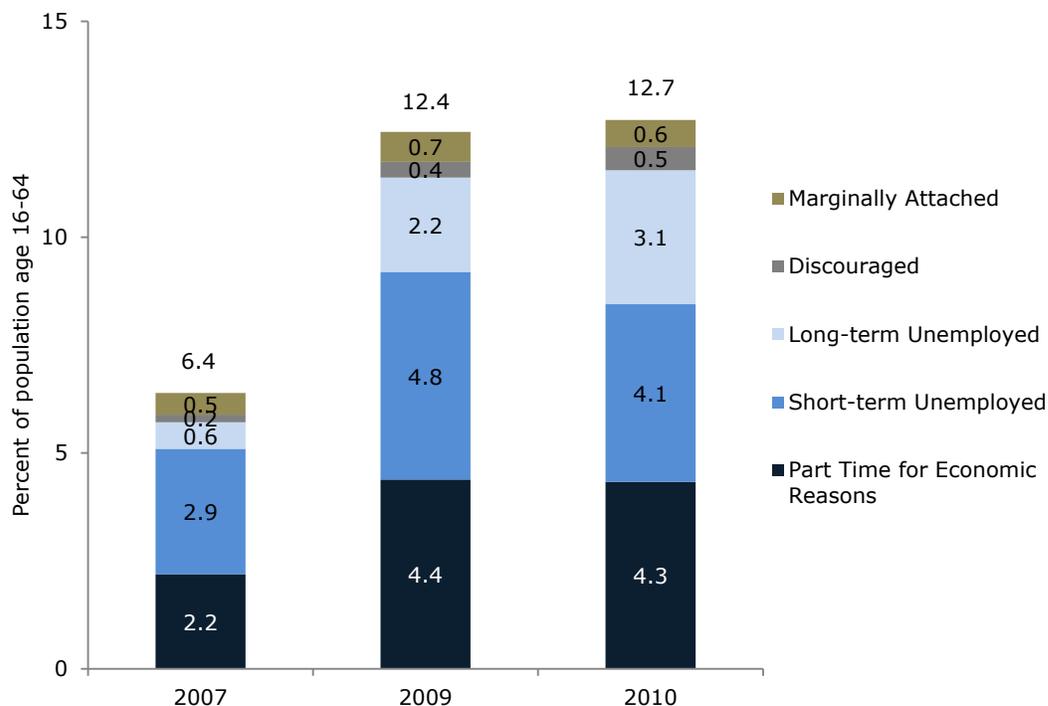
Several features of this expanded view of the labor market stand out. First, even after we exclude the retirement-age population, about one-fourth of the working-age population was not in the labor force, even before the recession. The share of the population not in the labor force increased over the course of the labor-market downturn, from 24.7 percent in 2007 to 26.1 percent in 2010. This increase occurred even after we exclude explicitly discouraged and marginally attached workers, which suggests that the group that is not in the labor market likely includes an important number of workers facing long-term problems in the labor market and who are not included in the standard measure of long-term unemployment. Second, over 1 percent of the working-age population is in prison or jail, a share that did not change significantly over the course of the recession. Third, the share of workers who were (1) officially unemployed, or (2) not in the labor force but discouraged or marginally attached, or (3) working part-time but would like full-time work was large – together, were about 6.4 percent of the working-age population in 2007 – even before the recession. This group expanded substantially in the downturn – to about 12.7 percent of the working-age population by 2010.

**Figure 5** takes a closer look at the data for the broad unemployment category at the top of each bar in Figure 4: the unemployed by the official definition, the marginally attached (MA; which includes discouraged workers), and the part-time for economic reasons (PTER). The figure divides the unemployed population into those who are short-term unemployed (STU; 26 weeks or less) and those who are long-term unemployed (LTU; 27 weeks or longer). The total unemployed population rose from about 3.5 percent of the working-age population in 2007 (4.7 percent of the labor force),<sup>13</sup> to 7.0 percent of the working-age population in 2009 (9.4 percent of the labor force), to 7.2 percent of the working-age population in 2010 (9.8 percent of the labor force). As the unemployed share of the population increased, the share of the overall population that was long-term unemployed

<sup>13</sup> The unemployment shares reported here are lower than the officially reported rates because, for reasons of comparability across a range of labor-market statistics, we have expressed unemployment as a share of the total population age 16 to 64 (E+U+N), rather than the more usual share of the total labor force (E+U), 16 and older.

increased five-fold: from only 0.6 percent in 2007 (17.5 percent of all unemployed), to 2.2 percent in 2009 (31.3 percent of the unemployed), to 3.1 percent in 2010 (43.0 percent of the unemployed).

**FIGURE 5**  
Components of U-6 as Percent of Population Age 16-64, Selected Years

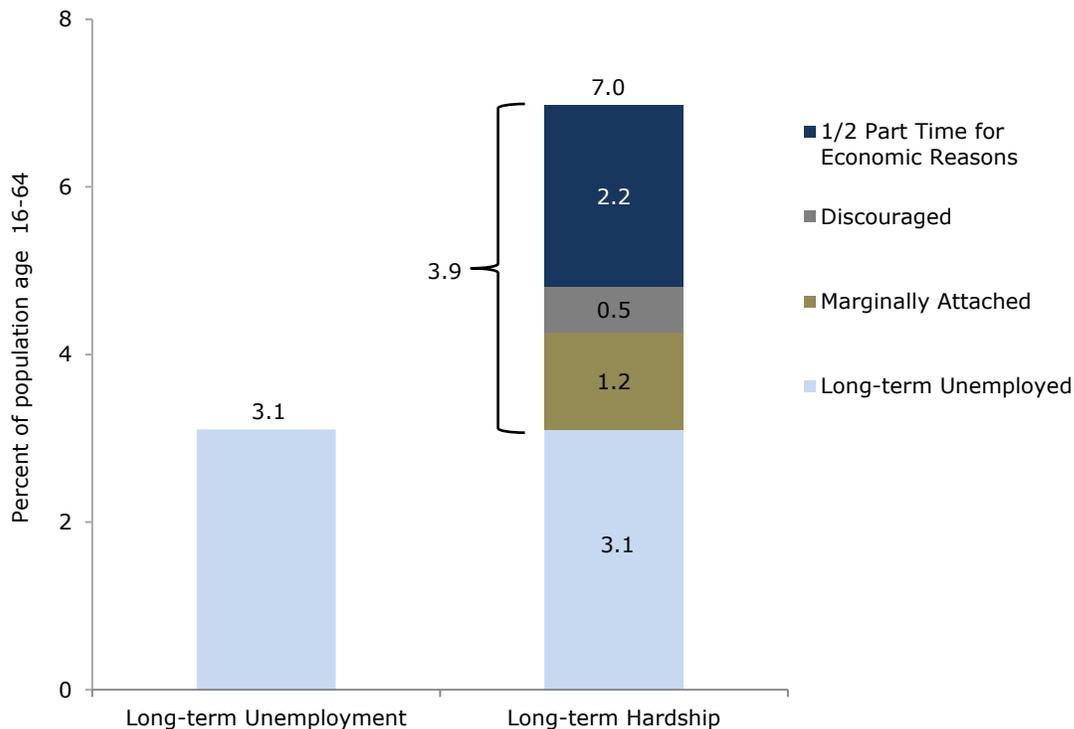


Source: Authors' analysis of Current Population Survey.

Over the 2007-2010 period, the share of other categories associated with long-term hardship in the labor force also increased substantially. Discouraged workers increased from 0.2 percent of the working-age population in 2007 to 0.5 percent in 2010. Other marginally attached workers grew from 0.5 percent of the working-age population in 2007 to 0.6 percent in 2010. Involuntarily part-time workers almost doubled from 2.2 percent in 2007 to 4.3 percent in 2010.

As mentioned earlier, the BLS does not track the length of time workers have been discouraged, marginally attached, or part-time for economic reasons. If we assume that all of the discouraged and marginally attached workers and half of the workers who were part-time for economic reasons had been in those states (or officially unemployed prior to entering those states) for 27 weeks or longer, then in 2010 an additional 3.9 percent of the working-age population was long-term unemployed. This estimate is substantially larger than the 3.1 percent of the working-age population that was long-term unemployed by the standard definition (see **Figure 6**) in the same year.

**FIGURE 6**  
**Alternative Measures of Long-term Labor Market Hardship, 2010**

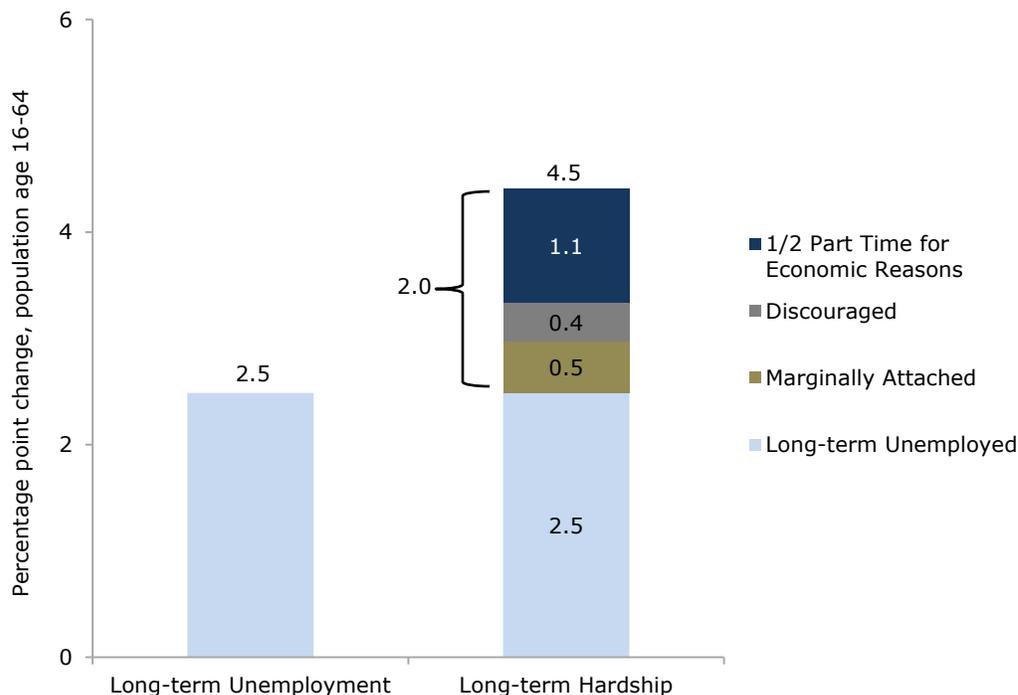


Source: Authors' analysis of Current Population Survey.

Under the same assumptions, between 2007 and 2010, long-term unemployment increased almost as much in these unofficial channels (2.0 percentage points) as it did in the more narrow unemployment-only measure (2.5 percentage points) (see **Figure 7**). These estimates are likely conservative for three reasons. First, they assign none of the 1.4 percentage point increase in the “not in the labor force” category to the expanded long-term unemployment measure.<sup>14</sup> Second, they don't include any portion of the more than 2 million prison and jail inmates, who together account for more than 1 percent of the working-age population. Finally, these estimates do not adjust for under-counting of the non-employed in the CPS.

<sup>14</sup> In Figure 3, the “not in the labor force” category excludes discouraged and other marginally attached workers.

**FIGURE 7**  
**Change in Alternative Measures of Long-term Labor Market Hardship, 2007-2010**



Source: Authors' analysis of Current Population Survey.

## Conclusion

The Great Recession produced an unprecedented rise in long-term unemployment. The official measure of long-term unemployment, however, captures only part of long-term hardship in the labor market. A large portion of “discouraged” and “marginally attached” workers, as well as at least some portion of others “not in the labor force” by the official definition, would likely be counted as “long-term jobless” by most intuitive definitions. Similarly, given the persistence of high rates of involuntarily part-time workers, many of those currently classified as “part-time for economic reasons” are probably experiencing long-term labor-market hardship.

Under reasonable assumptions about the length of time workers have been “discouraged,” “marginally attached,” or “part-time for economic reasons” (including the recognition that workers may enter these states from spells of unemployment or long-term unemployment), the share of the working-age population facing long-term hardship may be more than twice as large (7.0 percent) as the share that is long-term unemployed by the standard measure (3.1 percent).

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