



# Economics Group

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## Employment: Beyond the Sound Bites—Reading the Signals III

*We must deal with workers—not jobs. The old jobs are gone. For workers, the loss of relevant, up-to-date skills is aggravated by the duration of unemployment and the decline in labor force participation rates.*

### Longer Unemployment: Lower Skills

More than two years after the recession ended, the unemployment rate remains staggeringly high at 9.1 percent. The depth of employment losses, at 8.8 million jobs, has made for a lengthy recovery (top chart). Only 1.9 million jobs have been recouped, leaving employment 5 percent below its prerecession level. This has not only cost workers in wages, but in skills.

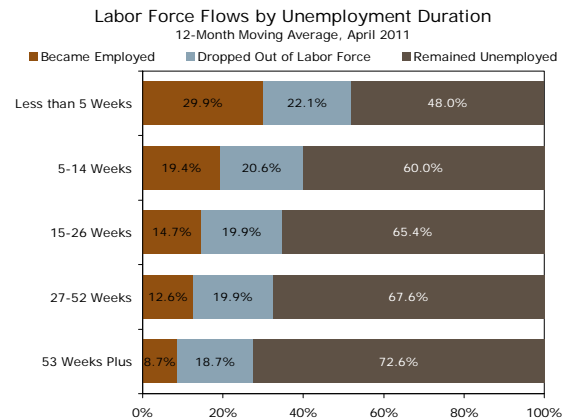
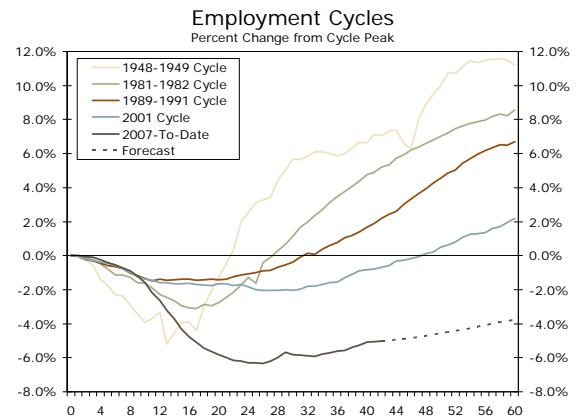
Yet the headline unemployment rate does not fully capture the severity of the unemployment experience for millions of Americans. Of the 13.9 million unemployed, nearly half have been out of work for more than six months. The average duration of unemployment is at its highest mark in history at more than 40 weeks. Meanwhile, the median duration of unemployment has edged higher to 21 weeks, but the discrepancy between the mean and average duration suggests that a small fraction of workers face severely long spells of unemployment. With long durations of unemployment, workers are less likely to find employment (middle chart). Employers are more apt to hire workers who have been recently employed as their skills are less likely to have atrophied from joblessness. Furthermore, as unemployment spells become increasingly long, networks also deteriorate and reduce additional avenues of finding employment.

### Longer Job Search, Less Probability of Success

Of course, the rise in the unemployment rate only tells part of the story. At 63.9 percent, labor force participation has declined to its lowest level since 1981 (bottom chart). The fall is worrisome as less of the population is engaged in the economy and is more reliant on other means of income, such as government transfer payments or support from family and friends. However, the decline in participation since the onset of the recession has not been for a lack of searching. The BLS finds that the average length of time an unemployed worker searched for employment before dropping out of the labor force was 20 weeks in 2010 compared to 8.5 weeks in 2007. Many of these workers would still accept a job were it available, driving the broadest measure of unemployment, U-6, to over 16 percent.

### Underemployed: Hidden Skill Losses

Also not reflected in the headline unemployment rate is the number of workers who are underemployed. Given the severity of job cuts in this past recession and the slow recovery of those jobs, many workers have been reduced to part-time work. The number of part-time workers looking for full-time work has skyrocketed more than 100 percent since the start of the past recession, which is a steep increase compared to the 28 percent and 47 percent jumps exhibited in the 1990 and 2001 recessions, respectively. With the number of long-term unemployed and underemployed at historic highs and the participation rate at a 30-year low, the labor market has even further to go than headline unemployment would suggest.



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