Recent Trends in Unemployment Duration
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The Great Recession’s severity is clearly reflected in two of New Mexico’s most prominent economic indicators: seasonally adjusted nonfarm payroll employment, which tumbled 6.0 percent from a series-high 850,200 in April 2008 to a 68-month low 799,500 in September 2010, and the seasonally adjusted unemployment rate, which swelled 135 percent from a series-low 3.4 percent for March through May 2007 to a more than 23-year high 8.0 percent for June through October 2010. As the economy stalled and job losses mounted, displaced workers faced increased competition for fewer employment opportunities. Not surprisingly, unemployment duration—the number of weeks individuals are classified as unemployed—increased sharply over the past several years and has only recently shown signs of finally peaking and beginning to drift slowly downward. This article, which updates and expands on analysis presented in the July 2011 Labor Market Review, describes recent trends in unemployment duration data using estimates from the Bureau of Labor Statistics’ Current Population Survey (CPS). The data are presented as annual averages to increase the reliability of estimates and eliminate the effects of seasonality.

Chart 1a depicts the annual average distribution of unemployment duration in the U.S. for 2007 (prior to the onset of the national recession), 2009, 2011, and the 12 months ended June 2012. The changes from 2007 to 2011 were quite dramatic, with the share of those unemployed less than five weeks declining from 35.9 percent to 19.5 percent and the share of those unemployed 52 weeks or more increasing from 9.9 percent to 31.3 percent. The percentage of those classified as long-term unemployed (defined as out of work for 27 weeks or more) rose nearly 150 percent from 17.6 percent in 2007 to 43.8 percent in 2011. As shown in Chart 1b, New Mexico’s unemployment duration distribution for the same period was similar to that of the U.S., with the share of those unemployed less than five weeks declining from 43.5 percent to 21.3 percent and the share of those unemployed 52 weeks or more increasing from 8.7 percent to 27.3 percent. The percentage of long-term unemployed more than tripled from 12.6 percent in 2007 to 40.4 percent in 2011. The most recent data (for the 12 months ended June 2012) were little changed from annual average 2011 estimates. The U.S. distribution showed a one percentage point shift in share...
from long-term unemployment (down from 43.8 percent to 42.8 percent) to short-term unemployment (up from 56.2 percent to 57.2 percent), while the New Mexico distribution shifted just one-tenth of a point in the opposite direction, from short-term unemployment (down from 59.6 percent to 59.5 percent) to long-term unemployment (up from 40.4 percent to 40.5 percent).

Chart 2 shows the changing shares of total unemployment represented by the five duration ranges over time, along with the median duration calculated as the average of the monthly median duration for each time period. CPS unemployment ballooned from less than 40,000 through the four quarters ended September 2008 to more than 70,000 for nearly all subsequent periods. In fact, the most recent CPS unemployment estimate was only slightly below that threshold, at 67,700 for the four quarters ended June 2012. Median unemployment duration likewise expanded from a low of 5.8 weeks for the periods ended September 2008 and December 2008 to a high of 22.0 weeks for the period ended March 2011. Median duration has thus far eased only slightly from this peak, remaining at 20.0 weeks for the most recent four-quarter period. By the time CPS unemployment finally reached an initial peak, in the quarter ended March 2010, the labor force participation rate

had fallen 2.9 percentage points from a high of 64.0 percent for the March 2009. Worker discouragement thereafter continued to increase, with CPS labor force participation falling to a low of 58.5 percent for the quarter ended December 2011. Chart 3 presents unemployment duration for each of the five ranges with percentage of the total on the vertical axis, highlighting the respective changes in share for each range following the start of the national recession in December 2007.

Unemployment duration in New Mexico remains significantly elevated three full years after the national recession officially ended, reflecting the state’s massive job loss and so-far muted recovery. As the pace of expansion increases, job growth will return to more typical levels, and labor market conditions will improve for job seekers. The long-term unemployed, however, will likely continue facing hardships the short-term unemployed do not. Some may have experienced skills erosion, making it difficult to compete in the ever-changing job market, and even otherwise qualified candidates may struggle to overcome the stigma some prospective employers associate with prolonged joblessness. Because high unemployment duration has persisted so long (more at the national level than in New Mexico), economists are debating the extent to which its causes are structural (prompted primarily by the skills mismatch mentioned above) versus cyclical (resulting from the business cycle). The relative impact of these factors will become clearer as the economy gains strength, and the Economic Research and Analysis Bureau (ER&A) will continue to monitor available data on unemployment duration and report on evolving trends.