Unemployment Duration Edges Downward
Tracy Shaleen, Economist

New Mexico’s economy was operating near full capacity during the mid-to-late 2000s, with key indicators reaching historic levels: the statewide unemployment rate dipped to a series-low annual average of 3.5 percent for 2007, while nonfarm employment grew to an all-time high of 846,800 a year later. Conditions changed rapidly, however, as effects of the Great Recession took hold, erasing a significant portion of recent labor market gains. By the second half of 2010, the unemployment rate had climbed to a more than 22-year high of 8.0 percent, and nonfarm employment had fallen to a five-and-a-half-year low of 798,000. Against this gloomy backdrop, displaced workers and new job seekers faced increased competition for limited employment opportunities, significantly boosting unemployment duration—the number of weeks an individual is officially classified as unemployed. This article updates analysis presented in the July 2012 Labor Market Review describing recent trends in unemployment duration from the Bureau of Labor Statistics’ Current Population Survey (CPS). The data are presented as 12-month averages to increase the reliability of estimates and eliminate the effects of seasonality. Because the 12-month moving averages incorporate lagged periods, they may not fully reflect current labor market conditions for a given month. Detailed information regarding subnational estimates derived directly from CPS data is available at http://www.bls.gov/gps/notescps.htm.

Chart 1 depicts the rapid increases in New Mexico’s CPS unemployment and median unemployment duration associated with the economic downturn. From January 2008 through October 2010, the unemployment estimate ballooned 129.9 percent, from 34,400 to 79,100. This flood of job seekers into the labor market, combined with persistent weakness in the demand for labor, pushed the median number of weeks spent jobless (calculated as the average of the monthly CPS median) to a nearly fourfold increase, from 5.8 weeks in December 2008 to 22.6 for April 2011. Since reaching their respective peaks, unemployment and median duration have trended slightly downward while remaining at elevated levels. For the 12 months ended June 2013, CPS unemployment was down 12.3 percent, to 69,400, and median duration was down 16.4 percent, to 18.9 weeks.

The declining trend in New Mexico’s median unemployment duration is reflected in the relative share changes for the long-term unemployed (27 or more weeks) and the short-term unemployed (26 or fewer weeks) presented in Chart 2a. For calendar year 2007, short-term unemployment represented 87.4 percent and long-term unemployment 12.6 percent of the total. Those numbers were virtually unchanged the following year, before effects of the national recession began to rapidly extend New Mexico’s median duration. The share of long-term unemployment reached a peak of 40.8 percent in 2010, with short-term unemployment dipping to 59.2 percent. Improving conditions began to slowly reverse duration trends over the subsequent two years, with 2012 shares at 62.1 percent for the short-term unemployed and 37.9 percent for the long-term unemployed. However, data for the most recent 12-month period—July 2012 through June 2013—show a slight increase in duration levels: long-term unemployed represented 39.6 percent and short-term unemployed 60.4 percent of the total. Because of the inclusion of lagged months—half of the observations for the 12 months ended June 2013 total are included in the calendar year 2012 averages—calendar year 2013 annual averages, when available, may look very different from the mid-year estimates. Similar short- and long-term unemployment trends are evident in the U.S. duration data presented in Chart 2b. Here, though, the improving trends continued through the most recent 12-month period, in contrast to the New Mexico data.

The sharp increase in unemployment duration and its persistently high levels in New Mexico through the most recent 12-month period are reflected in the distribution ranges presented in Chart 3. For calendar year 2007, those unemployed for fewer than five
weeks accounted for 43.4 percent of the total, and nearly three quarters of jobless New Mexicans were out of work for fewer than 15 weeks. Just 8.7 percent were unemployed for a year or more. In contrast, data for the 12 months ended June 2013 show 19.2 percent were unemployed for fewer than five weeks and less than half for fewer than 15 weeks. For the year ended June 2013, more than a quarter of unemployed residents were out of work for at least a year—a slightly larger share than in 2010, when total long-term unemployment was at its highest level. While unemployment duration diminished between the two periods for the 27 to 51 week aggregation, it actually increased for those out of work for 52 or more weeks.

Although the national recession officially ended four full years ago, New Mexico’s still-tepid job growth has only slightly reduced unemployment and median duration from their recent peaks. Even when employment opportunities begin to increase as the recovery gains momentum, many of the long-term unemployed will likely continue facing difficult challenges specific to their circumstance, such as a skills mismatch—where job seekers do not possess the skills currently demanded in the job market—and the stigma associated with being out of work for an extended period. Long-term unemployment remains a serious problem both nationally and in New Mexico, and the Economic Research and Analysis Bureau (ER&A) will continue to monitor data and provide updated analysis on evolving trends.