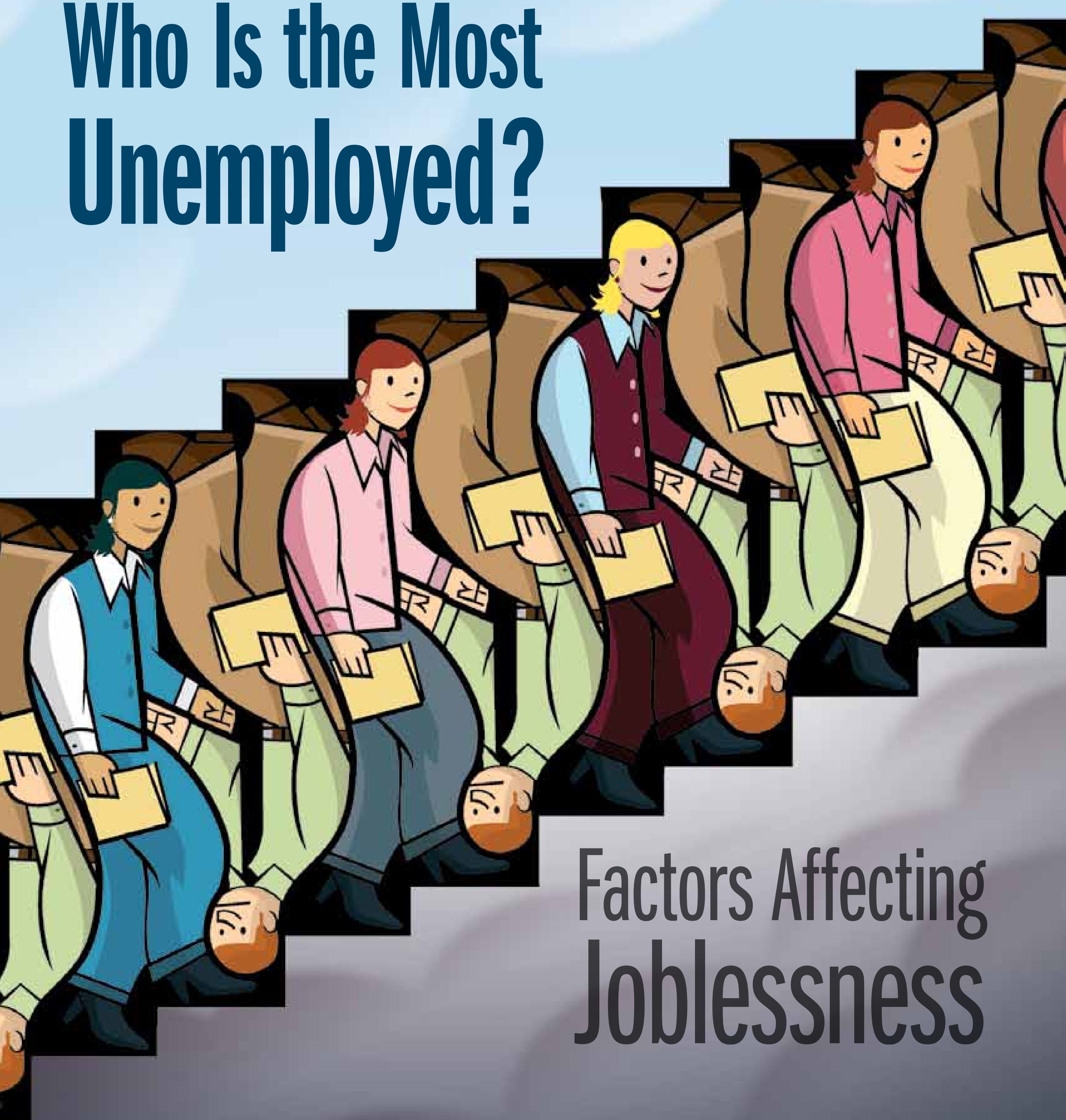
Who Is the Most Unemployed?



Factors Affecting Joblessness

“You could say that it rained, and that everyone got a little wet.” That’s how Nicole Smith, a senior economist at Georgetown University’s Center on Education and the Workforce (CEW), described the employment effects of the 2007–09 recession. And as with most rains, effects were not evenly distributed. Some people got a little wet, and others got caught in a downpour—without their umbrellas.

How accurate is the “mancession”?

There has been a deluge of stories in the media about the plight of men in this past recession. Commentators even coined the term “mancession” to describe the relatively worse labor market outcomes men faced during and immediately following the downturn. According to data from the U.S. Bureau of Labor Statistics (BLS), by the end of the recession, men accounted for about three-quarters of job losses, or roughly 4.6 million jobs. This severe drop in male employment was disproportionate to their share of the labor force, which stood at roughly 54 percent at the end of 2007.

The unemployment rates for men and women also showed considerable variations, with the jobless rate for men peaking at 11.2 percent in 2009, compared to the 9 percent peak for women more than a year later. Though men’s unemployment was especially dramatic in the recent downturn, this is not the first time they have been caught in the storm. Indeed, men have experienced higher rates of unemployment during or immediately following recessions since the early 1980s (see chart 1).

One of the most important factors behind the unemployment gender gap is that men are overwhelmingly represented in sectors that are typically hit hard. In construction and manufacturing, for example, from December 2007 to June 2009, employment fell 20 percent and 15 percent, respectively. Women, on the other hand, are heavily concentrated in sectors that are usually more resistant to ups and downs in the business cycle. A prime example is the education and health services sector, where employment actually grew 3.4 percent during this past recession. In addition, women are nearly 50 percent more likely than men to work in the public sector, which also added jobs in the downturn.

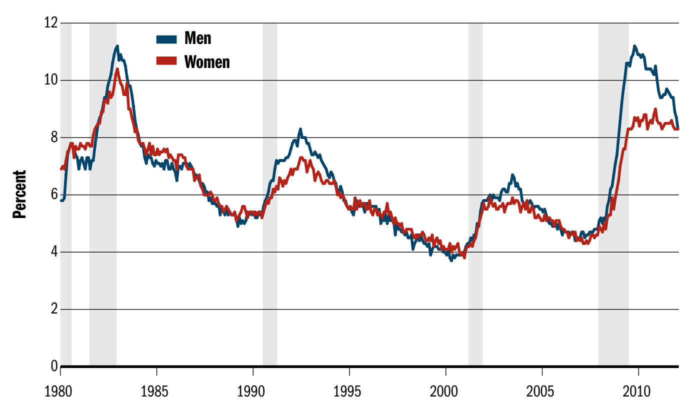
From “mancession” to “mancovery”

Women fared better during the recession, but they’ve been losing jobs in the recovery. A July 2011 study by the Pew Research Center highlighted this trend, noting that the current recovery is the first since the 1970s in which the unemployment rate for women has risen even as the rate for men has declined. Indeed, although both men and women had 8.3 percent unemployment in January 2012, they took different paths to get there. After peaking above 11 percent in October 2009, the male unemployment rate has declined slowly but steadily. Meanwhile, the jobless rate for women continued to rise until November 2010 and has declined less than a percentage point since then.

Men appear to be gaining more jobs in the recovery for one of the same reasons they were hit harder during the recession—the sectors in which they work. Male-dominated industries such as manufacturing and professional and business services are starting to recover, helping to bring down the male unemployment rate. From the end of the recession to January 2012, the manufacturing sector has added 135,000 jobs, and the professional and business services sector has gained roughly 1.2 million. The female-dominated public sector, on the other hand, is just starting to feel the brunt of declining tax revenues and budget cuts. From

Chart 1

Unemployment Rate by Gender

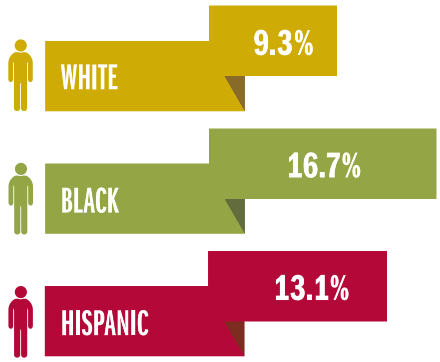


Note: Data are from January 1980 through January 2012. Gray bars indicate recession.
Source: U.S. Bureau of Labor Statistics

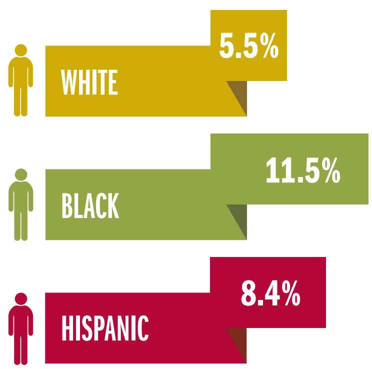
PEAK UNEMPLOYMENT RATES FOR WOMEN DURING RECESSIONS

Source for data on pp. 8-11: U.S. Bureau of Labor Statistics

RECESSION: DEC. 2007–JUNE 2009



RECESSION: MARCH 2001–NOV. 2001



Note: Figures indicate peaks.

June 2009 to January 2012, the government sector shed 578,000 jobs, many of which included local government cuts to teaching positions and other public education personnel. These losses have had a disproportionate impact on women because they make up roughly 57 percent of government workers.

The recovery has not been kind to women, but longer-term trends could favor females. For one, employment projections by the BLS forecast that occupations requiring a master's degree will grow 21.7 percent, faster than any other education category—and the share of master's degrees earned by women has risen from 58 to 60 percent in the decade to 2008, according to the U.S. Department of Education. For another, the same BLS projections place several female-dominated sectors among the fastest growing, including those in the health care and social assistance and educational services sectors.

The young and the jobless

Young adults were also caught in the downpour and have continued to struggle in the recovery. Today, 16- to 24-year-olds make up approximately 14 percent of the labor force but account for more than 25 percent of the unemployed. Further, this group experienced some of the highest jobless rates during the recession, reaching a post–World War II high of 19.6 percent in the spring of 2010. Since then the rate has declined slowly, falling to 16 percent in January 2012.

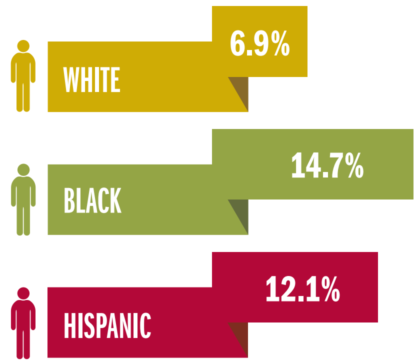
There were also markedly different outcomes within the young adults group. For instance, teens fared significantly worse than their slightly older counterparts, averaging 24.4 percent unemployment in 2011 compared to 14.6 percent for 20- to 24-year-olds. And when this group is further broken down by race or ethnicity, black teens were the hardest hit, with a peak unemployment rate of 48.7 percent.

Young workers typically have higher unemployment rates than other groups, even under more favorable economic conditions. This is in part because younger people usually aren't as settled in their careers and tend to switch jobs more frequently. In addition, they are often the first to be let go because they lack the experience of older workers. However, certain aspects of the recent recession made young workers even more vulnerable to job losses, according to *The Kids Aren't Alright—A Labor Market Analysis of Young Workers*, a 2010 report by Kathryn Anne Edwards and Alexander Hertel-Fernandez of the Economic Policy Institute. The authors point to the housing crash and financial crisis as a factor—these conditions caused a tremendous decline in household wealth, prompting many older workers to delay retirement and reenter the labor force, so "not only are there fewer jobs in the economy, but also fewer workers retiring and opening up positions."

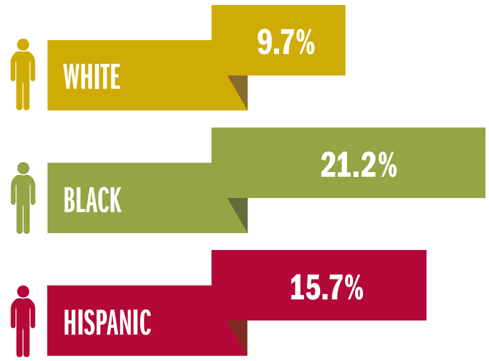
Researchers and policymakers alike express concern about the long-term implications of high joblessness among young workers. This group typically has fewer financial commitments to uphold, but they are facing ever-rising levels of student debt. According to the most recent report from the Project on Student Debt, an initiative of the nonprofit group the Institute for College Access & Success, the average student loan balance for graduating college seniors in 2010 was $25,250, up 5 percent from the previous year. A February 2012 survey by the Pew Research Center

PEAK UNEMPLOYMENT RATES FOR MEN DURING RECESSIONS

RECESSION: JULY 1990–MARCH 1991



RECESSION: JAN. 1980–JULY 1980 AND JUNE 1981–NOV. 1982



Note: Figures indicate peaks.

highlighted some other ways in which the tough job market is affecting young people: more than 35 percent report going back to school because of the economy, 24 percent say they've taken an unpaid job to gain work experience, and nearly 25 percent report moving back in with their parents.

Another consequence is that unemployed young adults are losing out on valuable work experience at a time when they typically learn critical life and work skills, researchers say. Further, a number of studies show that teens who don't work during high school are more likely to be disconnected from the labor market as adults. The federal government cited similar concerns recently when it announced the Summer Jobs+ program, a joint initiative between the federal government and private-sector employers that aims to create 250,000 summer jobs for low-income 16- to 24-year-olds.

Who spends more time out of work?

The situation is somewhat different at the opposite end of the age spectrum. Although unemployment rates for workers aged 55 and older reached historical highs during the downturn, they remained well below the rates of younger workers. At its peak in August 2010, the jobless rate for older workers was 7.3 percent, up more than 4 percentage points from the start of the recession. When it comes to long-term unemployment, however, older workers have been left in the rain. Despite having lower unemployment rates than other age groups, they are spending more time out of work. The median duration of unemployment for older workers was nearly 35 weeks in 2011 (not seasonally adjusted), significantly longer than the 21 weeks spent out of work for all age groups and the median length of 10 weeks for 16- to 19-year-olds.

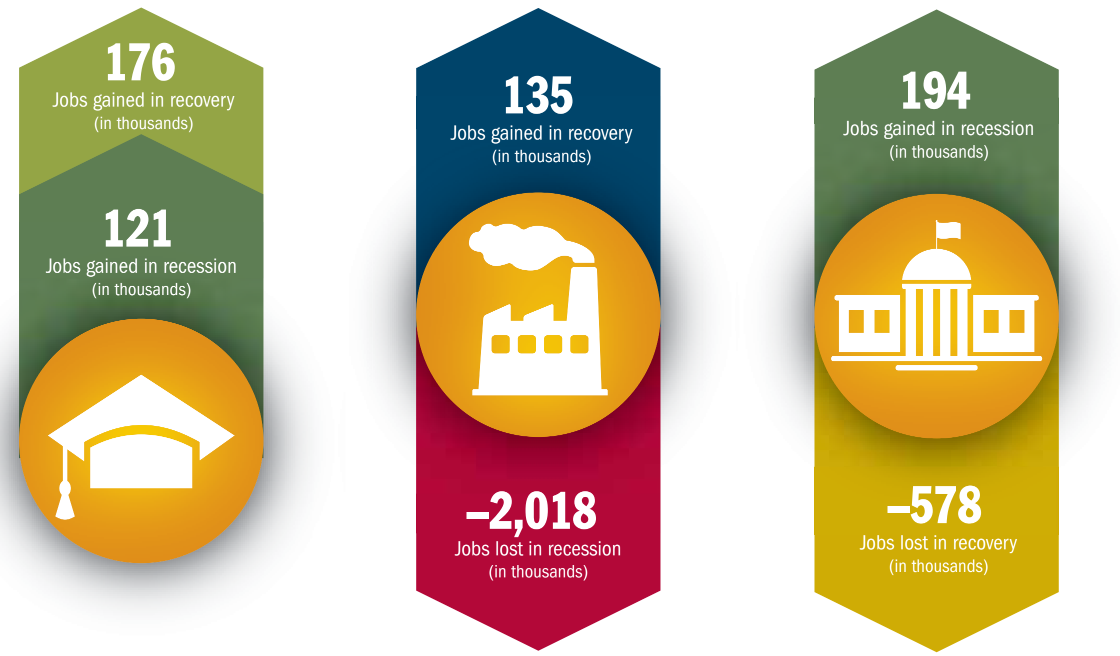
Further, unlike most other groups, the labor force participation rate for older workers has been rising during much of the recession. BLS economist Emily Suk explored this issue in a 2010 report, noting that the growing participation rates among older workers is likely part of a long-term trend that coincides with changes in retirement funding as more employers shifted from employer-funded pensions to defined-contribution plans such as 401(k)s. The recent declines in retirement balances and the drop in home values may have accelerated this trend.

Minorities may be the majority in joblessness

Some racial and ethnic groups have also been especially challenged in the recent recession and recovery. To illustrate, the unemployment rate peaked at 16.7 percent for blacks, 13.1 percent for Hispanics, and 9.3 percent for whites. These trends, with blacks and whites at opposite ends of the unemployment spectrum and Hispanics in between, are longstanding, according to the U.S. Department of Labor (DOL).

Although blacks and Hispanics experienced higher unemployment rates than whites during the recent downturn, they were actually hit harder in the back-to-back recessions of the early 1980s. Then, the unemployment rate peaked at 21.2 percent for blacks and 15.7 percent for Hispanics. This stands in contrast with other demographic groups, many of which experienced tougher conditions in this recession than previous ones.

These figures depict how five major components of the employment sector—education, manufacturing, government, health care, and construction—fared during the recent recession (December 2007 through June 2009) and in the ensuing recovery (July 2009 through January 2012, the most recent data available from the U.S. Bureau of Labor Statistics).



Blacks faced gloomier job prospects in the downturn regardless of age, education, or gender, a trend that continued into the recovery. Today, blacks make up roughly 12 percent of the labor force yet account for 20 percent of the unemployed. In comparison, Hispanics also account for roughly 20 percent of the unemployed, but their share of the labor force is slightly higher, at around 16 percent.

Black labor force outcomes typically lag those of whites, even under more robust economic conditions. "There's no crisp, clean explanation for this gap," noted University of California-Berkeley Labor Center's Steven Pitts. However, according to a 2011 DOL report, *The Black Labor Force in the Recovery*, one factor that may partly explain why blacks fared worse during the recent downturn is that, similar to the male demographic, they are heavily represented in such hard-hit sectors as manufacturing, wholesale and retail trade, and construction. Blacks also make up a disproportionate share of public-sector workers and, as such, have been negatively affected by job losses at all levels of government. Indeed, the public sector is one of the most important sources of jobs for blacks, notes Pitts in a recent briefing paper. More than 20 percent of black workers were public employees between 2008 and 2010, compared to roughly 16 percent of nonblack workers, he writes. Pitts also noted that in previous cycles, the peak and decline in unemployment for whites and blacks happened at the same time. "That didn't happen in the recent recession, which could be attributed to the decline in public-sector employment," he explained.

ECONSOUTH NOW PODCAST

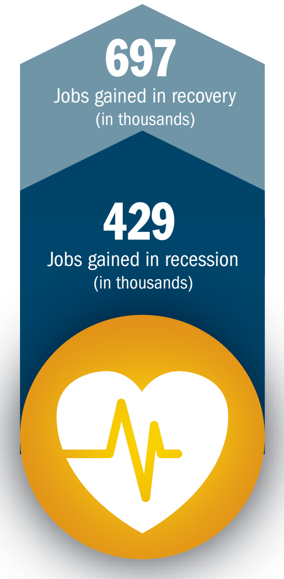
Nicole Smith of Georgetown University discusses the recession's impact on the labor force and its relationship to educational attainment. On frbatlanta.org, select "Podcasts."

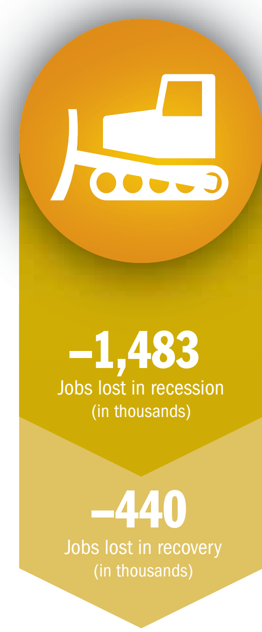
Education also factors into the disparate labor market outcomes among minorities. On average, blacks and Hispanics have lower levels of educational attainment than whites. While the share of black college graduates has risen over the past decade, the 10 percentage point gap in the share of whites and blacks graduating from college has not narrowed. During the same time period, the gap between the share of Hispanic and white graduates actually widened.

Education has also helped narrow the gap in labor market outcomes, at least among college graduates. For instance, at 3.2 percentage points in 2011, the gap between white and black unemployment was at its narrowest among college graduates. In comparison, the gap for those with less than a high school diploma widened to nearly 12 percentage points. The connection between higher educational attainment and improved job prospects holds for all racial and ethnic groups, notes the DOL report. However, the report continues, "even when comparisons are made between those with similar educational backgrounds racial disparities remain."

What larger role does education play?

Education has also influenced labor market outcomes on a broader level than race. Although workers at all education levels have faced a much more difficult job market in recent years,

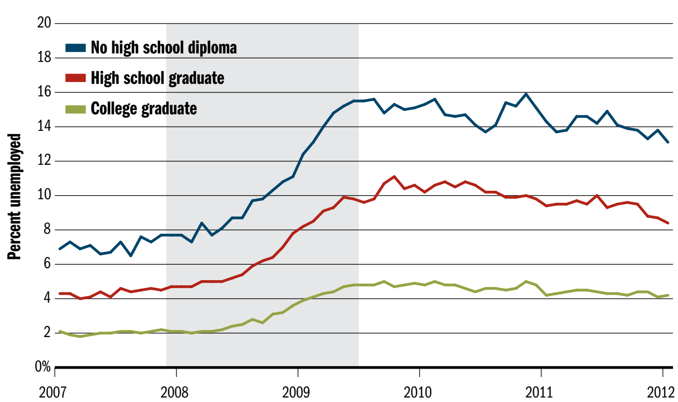




college graduates have experienced far lower levels of unemployment than their less-educated counterparts. As Smith, the CEW economist, explained, the unemployment rate for college graduates at the height of the recession hovered around 5 percent, roughly a third of the rate for those with a high school degree, which peaked at 15.9 percent in November 2010 (see chart 2). This gap has continued throughout the recovery. In January 2012, the unemployment rate for 25-year-olds and older with less than a high school diploma was 13.1 percent, significantly higher than the 8.4 percent rate for high school graduates and the 4.2 percent rate for college graduates.

Chart 2

The Influence of Education on Joblessness



Note: Data are from January 2007 through January 2012. The gray bar indicates recession.
Source: U.S. Bureau of Labor Statistics

College-degree holders were faring better than less-educated workers even before the recession, in part due to the changing relationship between education and labor market outcomes. This shift has played out over the past several decades, both in terms of earnings and employment. Several factors help explain the evolving relationship between education and the labor market, explained Adam Looney, a senior fellow at the Brookings Institution. They include technological changes, trade and globalization, and changes in many unions. These shifts have placed skilled, educated workers in high demand, while many of the jobs lost during the recession—the ones filled by less-skilled workers—are not expected to return.

The recent labor market experiences of young workers illustrate the important role of postsecondary training and education. Looney and colleague Michael Greenstone recently examined data from a sample of 23- to 24-year-olds—the "Class of the Great Recession"—and found that 88 percent of college graduates were employed in 2010, compared to 79 percent of those with some college and 64 percent of those with only a high school diploma.

Although experts assert that education is not the sole determinant of labor market success, there is still an important relationship between the two. In some ways, education has served as an umbrella during this and previous recessions, helping to shield workers from a raging economic storm. A 2010 report by Georgetown University's Center for Education and the Workforce elaborates, arguing that "postsecondary education carries with it one important advantage in today's economy: protection. Workers with college degrees had the lowest unemployment rates over the past three years, thus receiving the best possible shelter from the Great Recession of 2007. They also have the greatest prospects for getting hired in the recovery." As the CEW's Smith explained, "In this recession, the ability to bounce back from job loss was substantially improved if you had some type of postsecondary training and education."

As the recent recession and recovery have demonstrated, the storms and lulls in the labor market are rarely felt evenly among its participants. A variety of factors, including education and industry concentration, mean that some groups will remain vulnerable to job losses. However, as the economic recovery gains speed, the employment prospects for all workers should continue to improve. ▮

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