

7.13: Patterns of Unemployment

Learning Objectives

- Explain historical patterns and trends of unemployment in the U.S.
- Evaluate global unemployment rates

The Historical U.S. Unemployment Rate

Let's look at how unemployment rates have changed over time and how various groups of people are affected by unemployment differently. Figure 1 shows the historical pattern of U.S. unemployment since 1948. While it clearly fluctuates over time, the unemployment rate seems to return to a range of 4% to 6%. There does not seem to be a long-term trend toward the rate moving generally higher or generally lower.

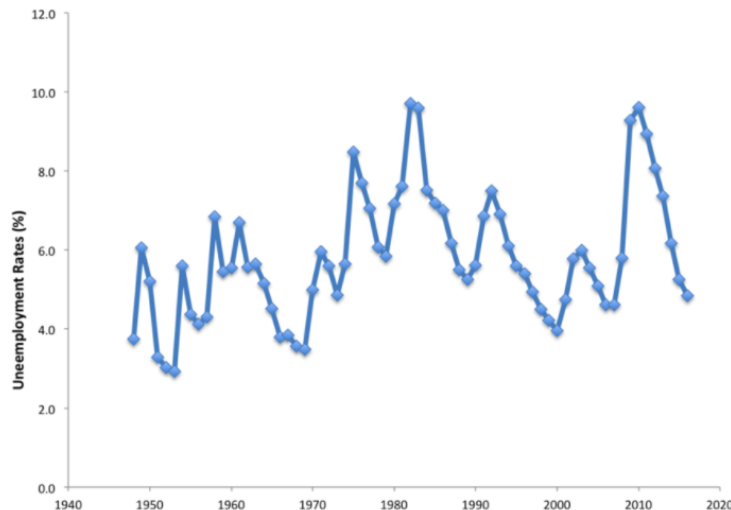


Figure 1. The U.S. Unemployment Rate, 1948–2016. The U.S. unemployment rate moves up and down as the economy moves in and out of recessions. (Source: www.census.gov/cps).

As we look at this data, several patterns stand out:

1. Unemployment rates do fluctuate over time. During the deep recessions of the early 1980s and of 2007–2009, unemployment reached roughly 10%. For comparison, during the Great Depression of the 1930s, the unemployment rate reached almost 25% of the labor force.
2. Unemployment rates in the late 1990s and into the mid-2000s were rather low by historical standards. The unemployment rate was below 5% from 1997 to 2000 and near 5% during almost all of 2006–2007. The previous time unemployment had been less than 5% for three consecutive years was three decades earlier, from 1968 to 1970. It has returned to this level in 2016.
3. The unemployment rate never falls all the way to zero. Indeed, it never seems to get below 3%—and it stays that low only for very short periods. (Reasons why this is the case will be discussed later.)
4. The timing of rises and falls in unemployment matches fairly well with the timing of upswings and downswings in the overall economy. During periods of recession and depression, unemployment is high. During periods of economic growth, unemployment tends to be lower.
5. No significant upward or downward trend in unemployment rates is apparent. This point is especially worth noting because the U.S. population nearly quadrupled from 76 million in 1900 to over 314 million by 2012. Moreover, a higher proportion of U.S. adults are now in the paid workforce, because women have entered the paid labor force in significant numbers in recent decades. Women composed 18% of the paid workforce in 1900 and nearly half of the paid workforce in 2012. But despite the increased number of workers, as well as other economic events like globalization and the continuous invention of new technologies, the economy has provided jobs without causing any long-term upward or downward trend in unemployment rates.

Unemployment Rates by Group

Unemployment is not distributed evenly across the U.S. population. Figure 2 shows unemployment rates broken down in various ways: by gender, age, and race/ethnicity.

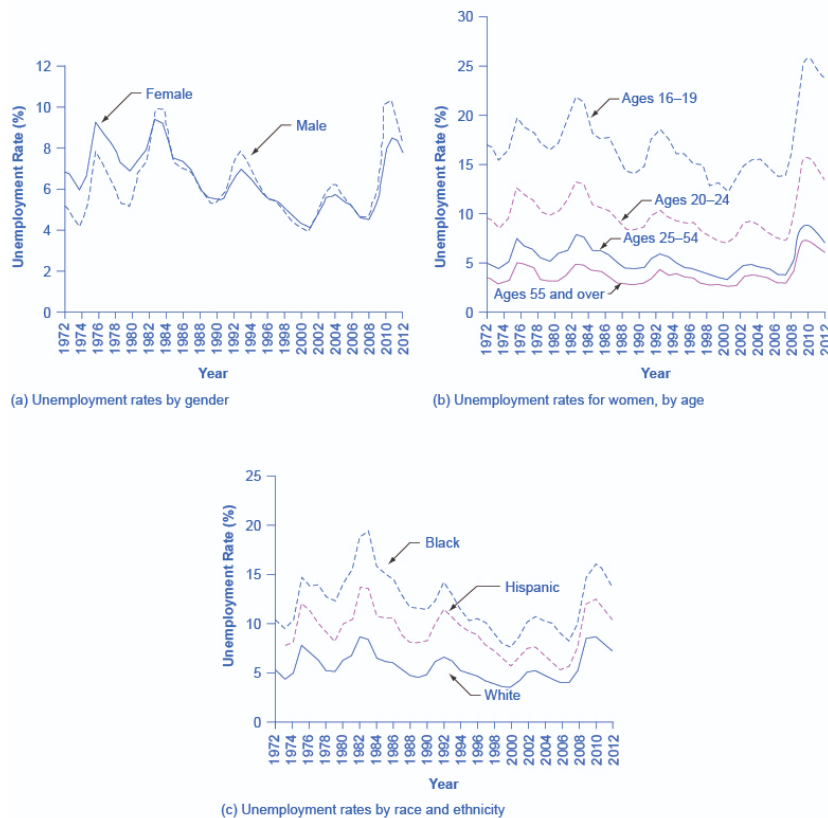


Figure 2. Unemployment Rate by Demographic Group. (a) By gender, 1972–2012. Unemployment rates for men used to be lower than unemployment rates for women, but in recent decades, the two rates have been very close, often with the unemployment rate for men somewhat higher. (b) By age, 1972–2012. Unemployment rates are highest for the very young and become lower with age. (c) By race and ethnicity, 1972–2012. Although unemployment rates for all groups tend to rise and fall together, the unemployment rate for whites has been lower than the unemployment rate for blacks and Hispanics in recent decades. (Source: www.census.gov/bls).

The unemployment rate for women had historically tended to be higher than the unemployment rate for men, perhaps reflecting the historical pattern that women were seen as “secondary” earners. By about 1980, however, the unemployment rate for women was essentially the same as that for men, as shown in 2(a). During the recession of 2008–2009, however, the unemployment rate climbed higher for men than for women.

LINK IT UP

Read this BLS [report](#) for detailed information on the recession of 2008–2009. It also provides some very useful information on the statistics of unemployment.

Younger workers tend to have higher unemployment, while middle-aged workers tend to have lower unemployment, probably because the middle-aged workers feel the responsibility of needing to have a job more heavily, in addition to having more experience. Younger workers move in and out of jobs (and in and out of the labor force) more easily. Elderly workers have extremely low rates of unemployment, because those who do not have jobs often exit the labor force by retiring, and thus are not counted in the unemployment statistics. Figure 2(b) shows unemployment rates for women divided by age; the pattern for men is similar.

The unemployment rate for African-Americans is substantially higher than the rate for other racial or ethnic groups, a fact that surely reflects, to some extent, a pattern of discrimination that has constrained blacks’ labor market opportunities. However, the gaps between unemployment rates for whites and for blacks and Hispanics diminished in the 1990s, as shown in Figure 3(c). In fact, unemployment rates for blacks and Hispanics were at the lowest levels for several decades in the mid-2000s before rising during the recent Great Recession.

Finally, those with less education typically suffer higher unemployment. In early 2013, for example, the unemployment rate for those with a college degree was 3.7%; for those with some college but not a four-year degree, the unemployment rate was 6.0%; for high school graduates with no additional degree, the unemployment rate was 7.6%; and for those without a high school diploma, the unemployment rate was 10.3%. This pattern may arise because additional education offers better connections to the labor market and higher demand, or it may occur because the labor market opportunities for low-skilled workers are less attractive than the opportunities for the more highly-skilled. Because of lower pay, low-skilled workers may be less motivated to find jobs.

Breaking Down Unemployment in Other Ways

The Bureau of Labor Statistics also gives information about the reasons for being unemployed as well as the length of time individuals have been unemployed. Table 1, for example, shows the four reasons for being unemployed and the percentages of the unemployed that fall into each category.

Table 1. Reasons for Being Unemployed, May 2013	
Reason	Percentage
New Entrants	10.8%
Re-entrants	28.5%
Job Leavers	8.1%
Job Losers: Temporary	8.5%
Job Losers: Non Temporary	44.1%

Table 2 shows the length of unemployment.

Table 2. Length of Unemployment, May 2013	
Length of Time	Percentage
Under 5 weeks	23.2%
5 to 14 weeks	22.8%
15 to 26 weeks	16.7%
Over 27 weeks	37.3%

Link It Up

Just for fun, watch this [Ted talk](#) on the impact of droids on the labor market and what that means for the way we think about jobs.

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International Unemployment Comparisons

From an international perspective, the U.S. unemployment rate typically has looked a little better than average. Table 3 compares unemployment rates for 1991, 1996, 2001, 2006 (just before the recession), and 2011 (somewhat after the recession) from several other high-income countries.

Table 3. International Comparisons of Unemployment Rates					
Country	1991	1996	2001	2006	2012
United States	6.8%	5.4%	4.8%	4.4%	8.1%
Canada	9.8%	8.8%	6.4%	6.2%	6.3%
Japan	2.1%	3.4%	5.1%	4.5%	3.9%
France	9.5%	12.5%	8.7%	10.1%	10.0%
Germany	5.6%	9.0%	8.9%	9.8%	5.5%
Italy	6.9%	11.7%	9.6%	7.8%	10.8%
Sweden	3.1%	9.9%	5.0%	5.2%	7.9%
United Kingdom	8.8%	8.1%	5.1%	5.5%	8.0%

However, cross-country comparisons of unemployment rates need to be treated with care, because each country has slightly different survey tools for measuring unemployment and also different labor markets. For example, Japan's unemployment rates appear quite low, but Japan's economy has been mired in slow growth and recession since the late 1980s, and Japan's unemployment rate probably paints too rosy a picture of its labor market. In Japan, workers who lose their jobs are often quick to exit the labor force and not look for a new job, in which case they are not counted as unemployed. In addition, Japanese firms are often quite reluctant to fire workers, and so firms have substantial numbers of workers who are on reduced hours or officially employed, but doing very little. This Japanese pattern is perhaps best viewed as an unusual method for society to provide support for the unemployed, rather than a sign of a healthy economy.

Comparing unemployment rates in the United States and other high-income economies with unemployment rates in Latin America, Africa, Eastern Europe, and Asia is very difficult. One reason is that the statistical agencies in many poorer countries lack the resources and technical capabilities of the U.S. Bureau of the Census. But a more difficult problem with international comparisons is that in many low-income countries, most workers are not involved in the labor market through an employer who pays them regularly. Instead, workers in these countries are engaged in short-term work, subsistence activities, and barter. Moreover, the effect of unemployment is very different in high-income and low-income countries. Unemployed workers in the developed economies have access to various government programs like unemployment insurance, welfare, and food stamps; such programs may barely exist in poorer countries. Although unemployment is a serious problem in many low-income countries, it manifests itself in a different way than in high-income countries.

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