

Research and Evaluation Brief

Facts, figures, and insights for workforce development practice and policy

Volume 1, Issue 5

After the Boom

This brief updates previously reported findings (Volume 1, Issue 1, “Impacts of Recession”) regarding unemployment, underemployment, and labor underutilization based primarily on data from the Current Populations Surveys (CPS).

REPORT FOCUS

Labor Market Problems in Massachusetts from the End of the Labor Market Boom in 2000 through the Early Summer of 2003

Levels and Rates of Unemployment

Unemployment in Massachusetts declined steadily during the 1990s, dropping to a new historical low of 2.6% (seasonally unadjusted) in 2000, the fourth lowest unemployment rate among the 50 states and the District of Columbia. The Massachusetts labor market then began to deteriorate in early 2001 and unemployment rose from 2.6% in 2000 to 5.9% during the first seven months of 2003, more than doubling in just a few years. The number of unemployed in the state rose from an average of 86,000 in 2000 to 206,000 in the first seven months of 2003, an increase of 120,000 or 140%. Unemployment problems during this period also increased more rapidly in Massachusetts than they did nationally and by 2003 the state had moved to the 27th highest unemployment rate in the country. (See Figure 1.)

Rise in Permanent Job Loss

The rising tide of unemployment in Massachusetts since the end of the labor market boom in early 2001 has

been accompanied by a number of important changes in the character of these unemployment problems. For example, an increasing share of the unemployed consisted of those permanently displaced from their jobs. Between 2000 and 2002, the number of unemployed workers in Massachusetts who suffered permanent job loss more than tripled, rising from 26,000 to 83,000. During the first seven months of 2003, the average monthly number of unemployed workers in this category was 81,000, basically the same as in 2002.

Duration of Ongoing Unemployment Doubles

Another key characteristic of joblessness is the average duration of unemployment—the consecutive number of weeks that workers are unable to find a new job. The duration of unemployment is commonly measured in two ways: as a median (midpoint of all values) or mean (arithmetical average) duration.

In recent years (2000-2002), the mean duration of unemployment spells in the U.S. has typically been twice as high as the median, suggesting that there are a large number of workers with very long spells of unemployment. For example, in 2002, the mean duration of unemployment was 16.6 weeks while the median was only 8 weeks. In Massachusetts, both the median and mean durations of ongoing unemployment have doubled over the past three years. In 2000, the mean duration of unemployment in the

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state was two weeks below the national average. However, by the end of the first seven months of 2003, the mean duration of unemployment in the Commonwealth was two weeks higher than the nation's average and was tied with New Hampshire and New Jersey at fifth highest in the nation.

Long-Term and Hard-Core Unemployed

Labor market analysts refer to those who are unemployed for 15 weeks or longer as long-term unemployed, while those continuously out of work for 27 weeks or longer are often classified as the very long-term or hard-core unemployed. In a typical month during the historically low unemployment year of 2000, there were 17,000 long-term unemployed persons in Massachusetts, representing a long-term unemployment rate of only 0.5%. However, during the first seven months of 2003, this number had risen to 87,000, representing a fivefold increase in the number of long-term unemployed since

2000. The long-term unemployment rate of the state was about half that of the national average in 2000 but increased to 2.5% in 2003, identical to that of the nation.

The number of unemployed workers in the state who have been out of work for more than six months skyrocketed from an average of 8,000 in 2000 to 55,000 during 2003. This sevenfold increase over this three-year period far exceeded the tripling in the nation over the same period.

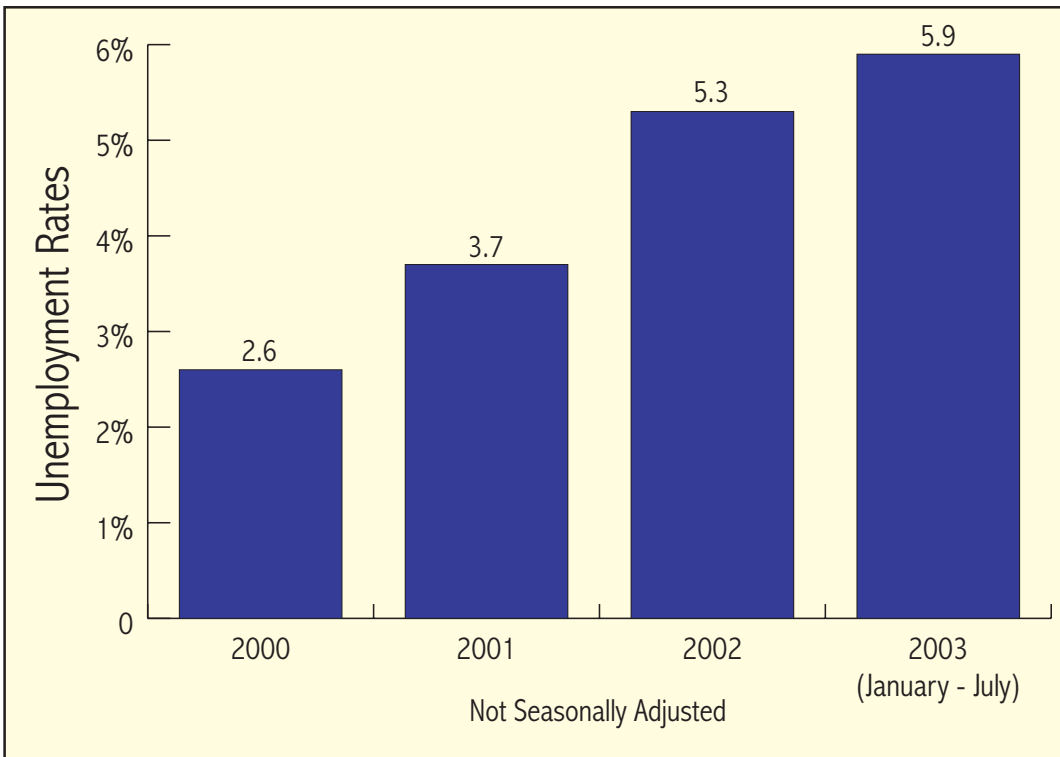
The Rise in Underemployment Problems

Underemployment can occur when workers are unable to find full-time work or experience a cut in their regular work hours. Persons in this situation typically average only 21-22 hours of work per week, which substantially reduces their weekly wages.

On average, only 1.9% of all Massachusetts workers, or 57,000, were working part-time for economic reasons in 2000.

This rate of underemployment was 25% lower than that of the nation during the same year (2.6%). In 2002, this number rose to 89,000, then fell slightly to 85,000 in 2003. Over the past three years, underemployment rose faster in Massachusetts than in the rest of the nation (49% vs. 41%). Approximately 2.7% of the employed in our state in the first seven months of 2003 were underemployed.

Figure 1: Trends in Unemployment Rates in Massachusetts 2000-2003



The Labor Force Reserve

Those not actively participating in the labor force who respond “yes” or “maybe” to CPS survey questions about their desire to work are classified as members of the labor force reserve. The size of the labor force reserve has been found to be cyclically sensitive, rising during periods of increasing unemployment and falling job opportunities, and declining during periods of strong job growth and declining unemployment.

Since the end of the labor market boom in early 2001, the number of working-age members of the labor force reserve in Massachusetts has risen to nearly 90,000, an increase of 25,000 or nearly 40% since 2000. Depressed labor market conditions in recent years may have discouraged a growing number of working-age adults from actively seeking employment. There is a growing volume of hidden unemployed in the state whose numbers are not captured by official unemployment statistics.

A Broader View of Labor Underutilization Problems

In Massachusetts during 2000 (in an average month) 86,000 persons were unemployed; 57,000 were working part-time for economic reasons (i.e. underemployed); and another 64,000 were members of the labor force reserve. The combined number experiencing one of these three labor market problems in calendar year 2000 was 207,000, representing 6.0% of the adjusted resident civilian labor force. By 2003, the pool of unemployed persons had more than doubled to 206,000, those working part-time for economic reasons had increased by 50% to 85,000, and the labor force reserve rose by 25,000 to just under 90,000. This combined total of 380,000 means that nearly 1 of every 9 members of the state’s adjusted labor force was experiencing an underutilization problem in 2003.

Labor Underutilization Problems by Educational Attainment

In Massachusetts, the incidence of underutilization problems varied quite considerably across educational subgroups, ranging from a low of 6.4% among those persons holding a bachelor’s or higher degree to 12.3% for high school graduates and to a high of just under 24% for those lacking a high school diploma/GED certificate. Teens and adults lacking a high school diploma were twice as likely as high school graduates to experience labor underutilization and four times as likely to do so as college graduates. Similar patterns prevailed for U.S. labor force participants. (See Figure 2.)

Multiple Job Holding

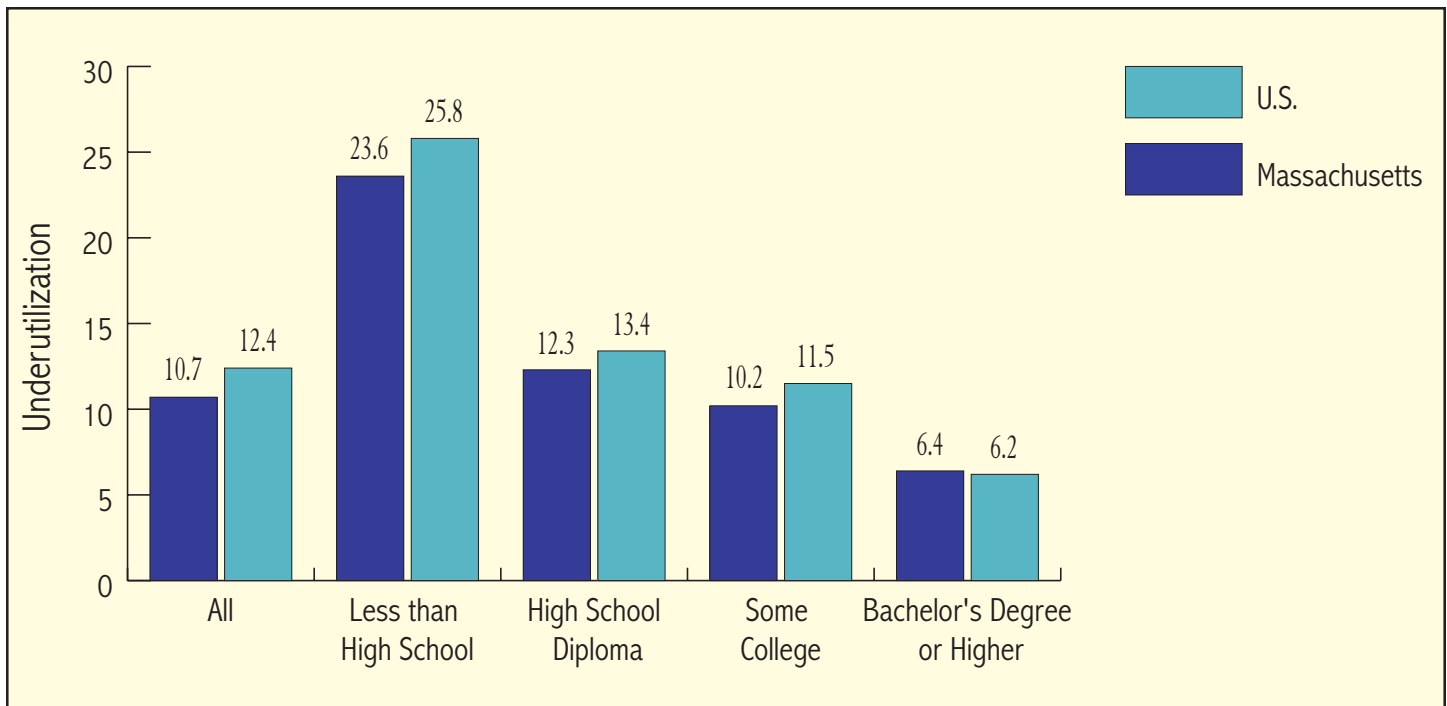
During calendar year 2000, 5.8% of Massachusetts workers were estimated to hold two or more jobs, slightly above the U.S. rate of 5.6%. Since 2000, the multiple job holding rate of Massachusetts workers declined, falling below 5.0% in both 2001 and 2002 and to 4.5% during the first seven months of 2003, slightly below that of the U.S. The decline in the multiple job holding rate in the state since 2000 is equivalent to a drop of approximately 42,000 multiple job holders. One possible explanation is that fewer jobs are available, but more in-depth study is required to confirm this and identify any other possible reasons.

Workforce Development Implications

The deterioration in Massachusetts labor market conditions over the past three years has had and will continue to have a number of important implications for the state’s workforce development system. First, the sharp rise in the pool of underutilized labor has placed greater demands on the workforce development system to provide intensive services, especially occupational training, at a time when most federal and state resources for providing such services has diminished. Second, the substantial

Since the end of the labor market boom in early 2001, the number of working-age members of the labor force reserve in Massachusetts has risen to nearly 90,000, an increase of 25,000 or nearly 40%.

Figure 2: The Incidence of Underutilization Problems of Massachusetts and U.S. Labor Force Members by Educational Attainment, 2003 (January - July Average)



increase in the number of UI claimants combined with their rising benefit durations and shrinking UI tax receipts has generated financial strains on the state's UI system.

Third, despite a few months of net new job growth in the spring and early summer of this year, the number of non-farm wage and salary jobs in the state in August 2003 (seasonally adjusted) was 42,000 below its level in August of 2002 and nearly 154,000 below its peak in January 2001. Massachusetts' job losses in percentage terms were the highest in the nation. Fourth, findings of a recent job vacancy survey by the Massachusetts Division of Employment and Training revealed a vacancy rate of only 1.7%, one of the lowest in the nation. Still, there are some industries and occupations where vacancy rates are high. More efficient job matching could improve employment prospects for some of the state's

current jobless. Continued, expanded job vacancy surveys would improve our knowledge of available openings, their industrial and occupational characteristics, and their locations. Finally, the persistence of high levels of long-term unemployment can generate adverse consequences for the state's future labor force. Long-term unemployed individuals are more likely to withdraw from active labor force participation and to migrate out of the state, reducing the state's future labor supply. This occurred during the recession of 1989-92. Immediate and sustained job creation and high levels of support for re-employment will be essential to overcome these human resource problems.

For more information, contact Johan Uvin, juvin@commcorp.org. Please visit the Center for Research and Evaluation's web site at www.commcorp.org/wss/re for additional workforce development findings.