

National Economic Trends



Finally Falling: Unemployment Duration

The median duration of unemployment measures one facet of the severity of unemployment. The median is the point that splits the distribution of unemployment duration in half. For example, in May 1998, half of all unemployed individuals had been without a job for less than 5.9 weeks and half had been without a job for more than 5.9 weeks.

The chart indicates the behavior of the unemployment rate and the duration of unemployment over the past 30 years. The unemployment rate exhibits a cyclical pattern—rising during economic contractions and falling during expansions. The median duration of unemployment has closely followed the path of the unemployment rate throughout most of this period. During the current expansion, however, duration has shown a clear break from this pattern. Although the unemployment rate has been on a downward trend since it peaked at 7.8 percent in June 1992, the median duration of unemployment had remained stuck at about eight weeks. Equally striking is the sharp drop in the median duration of unemployment that has occurred since November 1997—falling from 7.8 weeks to 5.9 weeks.

Why didn't the duration of unemployment fall in conjunction with the decline in the unemployment rate from mid-1992 through the end of 1997? What accounts for the subsequent drop in duration? The answers to these questions can be found by examining more detailed statistics on the duration of unemployment.

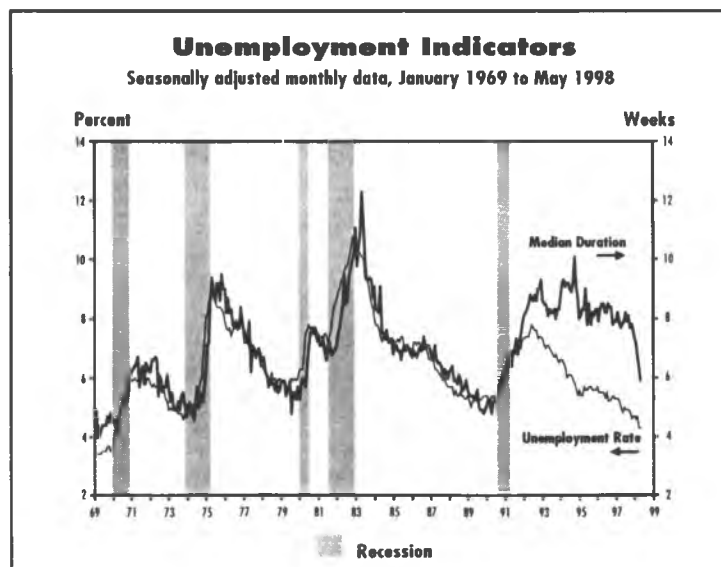
The Bureau of Labor Statistics provides data on the number of individuals who have been unemployed for less than five weeks, five to 14 weeks, 15 to 26 weeks, and 27 or more weeks. When the economy is expanding, it becomes easier to find a job, and when the economy is contracting, it takes longer to find a job. Thus, the percentage of the unemployed who have been

without jobs for less than five weeks generally falls during a recession and rises during an expansion, while the percentage of the unemployed who have been out of work for 15 weeks or more follows the opposite pattern.

During most of the current expansion, the long-term unemployed as a percentage of total unemployment showed only a slight downward trend, causing the stickiness in the duration of unemployment. In recent months, the number of long-term unemployed has fallen, leading to the sharp drop in the median duration of unemployment.

The decline in the duration of unemployment does not necessarily imply that the long-term unemployed are finding jobs. It is possible that an increasing number of these job seekers have become discouraged and have dropped out of the labor force. However, the number of individuals who are not in the labor force because of discouragement over their job prospects has fallen over the past year. Thus, the data provide some support for the notion that the longer-term unemployed are finding jobs.

—Patricia S. Pollard



Views expressed do not necessarily reflect official positions of the Federal Reserve System