

An Unstable Recovery

EDI Notes

November 5, 2021



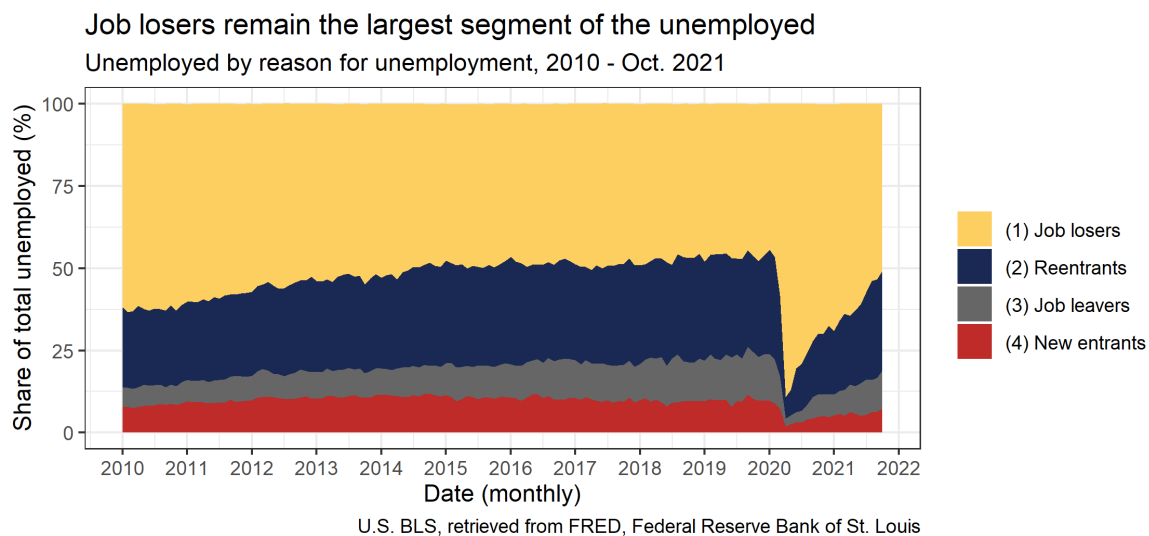
The November 5, 2021 Employment Situation report from the BLS shows a slight decline in the U-3 unemployment rate, which fell from 4.8% in September to 4.6% in October. Dropping from 7.67 million in September, the count of unemployed workers came in at 7.42 million. The total employment level increased by nearly half a million to just over 154 million. The labor force participation rate has remained within a narrow range since mid-2020, fluctuating between 61.4% and 61.7%. In this note, we explore these labor market indicators to show what lies behind these aggregate figures.

Key findings

- Job losers continue to make up the largest share of the unemployed
- The labor force participation rate has stagnated
- While more people are moving from unemployed to employed than from unemployed to not-in-the-labor-force, the ratio is declining.
- Dramatic inequality in unemployment across social groups persists

Makeup of the unemployed

The average number of weeks spent in continuous unemployment by the unemployed in October was 26.7 weeks. Though down from an average of 31.6 weeks in June of this year, and falling ever since, this length is still well above the pre-pandemic average of 21 weeks.



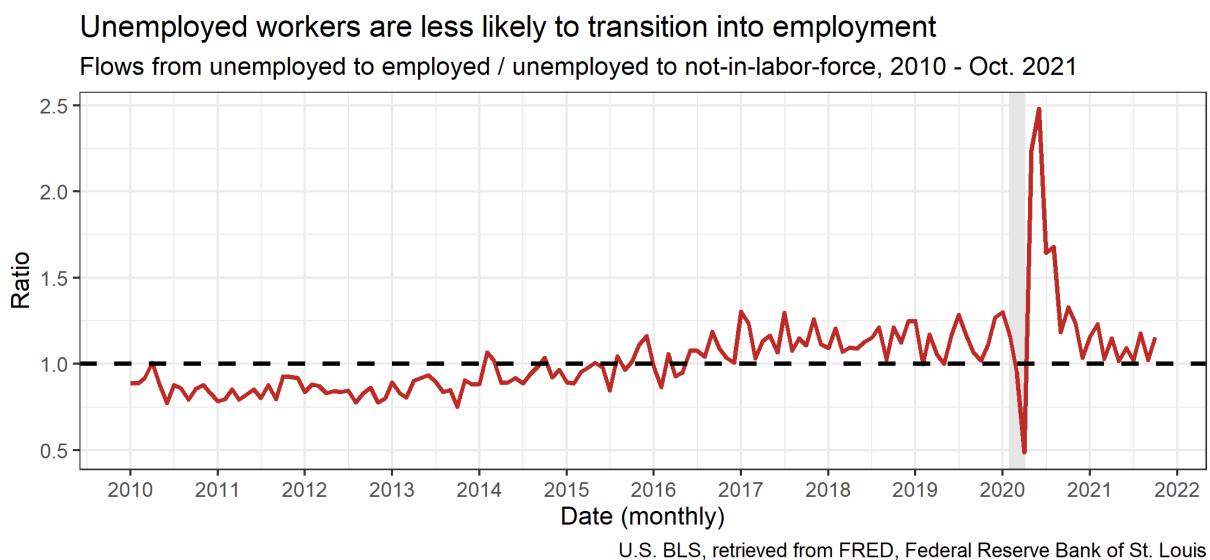
Job losers remain the largest segment of the unemployed (50.9%) when considering the unemployed by reason for unemployment. The share of job leavers amongst the unemployed increased to 11.5% in October.

Although the share of job leavers has grown since April 2020, 11.5% is still lower than in the years immediately preceding the pandemic.

According to the BLS, fewer than one million job leavers are to be found within the unemployed population, a level hardly distinguishable from the 2014-2019 average. Unemployed reentrants, a term referring to those who have started actively searching for work (unsuccessfully so far) after a spell out of the labor force altogether, make up 30.2% of the unemployed. The remaining share of unemployed workers is made up of new entrants to the labor market (7.4%).

Labor force flows

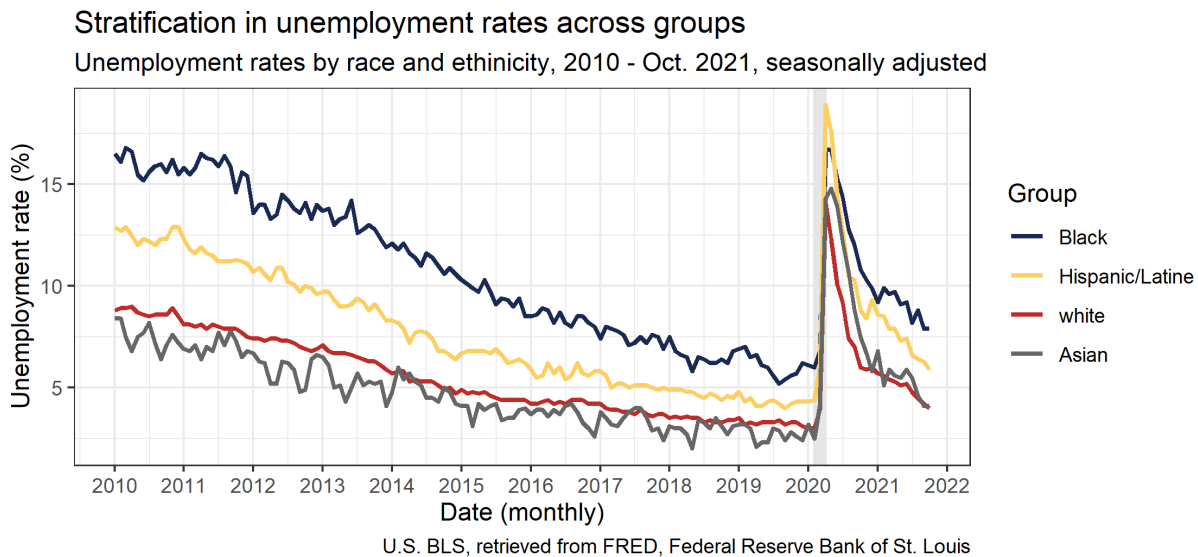
Examining labor force flows often reveals a more dynamic picture of the employment situation than the stock measures discussed above. For example, comparing the flows from unemployment to employment to those from unemployment out of the labor force indicates whether unemployed workers are more likely to end up employed from one month to the next or to transition out of the labor force entirely. Either transition contributes to a lower unemployment rate though the implications for assessing the employment situation are quite distinct. This ratio stood at 1.15 for the September-October period. In other words, for every unemployed worker in September who had transitioned out of the labor force by October, 1.15 were employed the following month. On the whole, unemployed workers are still more likely to transition into employment rather than 'non-participation,' those not as likely as in the years before the pandemic. However, as is generally the case, the unemployed in any given month are by far most likely to be unemployed in the following month rather than employed or out of the labor force.



Unsurprisingly, when we disaggregate the unemployed-to-employed (UE) and unemployed-to-out of the labor force (UN) ratio by social groups, we see staggering disparities in the flow of workers from unemployment into employment across groups.

Unemployment across social groups

Unemployment is unevenly distributed amongst the working population. The ratio of Black to white unemployment continues to move back to the persistent pre-pandemic ratio of 2:1. The unemployment rate for white workers is down to 4.0%, with unemployment rates among Black workers the same as last month at 7.9%. The unemployment rate among Hispanic or Latine workers has moved down to 5.9%.



The unemployment rate among Black men increased three percentage points to 8.3%. More Black men found employment month-over-month, and more were not able to find a job, with an overall increase in the labor force participation.

Youth unemployment

Youth unemployment (16-19 year olds) has been somewhat of an anomaly in the current recession, at least in comparison to those of the past. Unlike unemployment rates for most other groups, that for workers aged 16-19 has been lower in the past few months than before the onset of the pandemic. Similarly, the employment for this group is more or less back to its pre-pandemic level. In fact, the 5.47 million 16-19 year olds employed in May 2021 was the highest level for this group since 2009. The October employment data shows a stall in this pattern. Youth unemployment increased from 11.5% in September to 11.9% while the employment level fell slightly to 5.3 million. Yet despite the similarity in employment levels and unemployment rates for this group to pre-pandemic times, youth unemployment rates remain in the double-digits, a calamity by any measure. Also, gains in youth employment are not evenly distributed across social groups. Black youth employment levels are down, along with an increase in the Black youth unemployment rate.

Employment levels

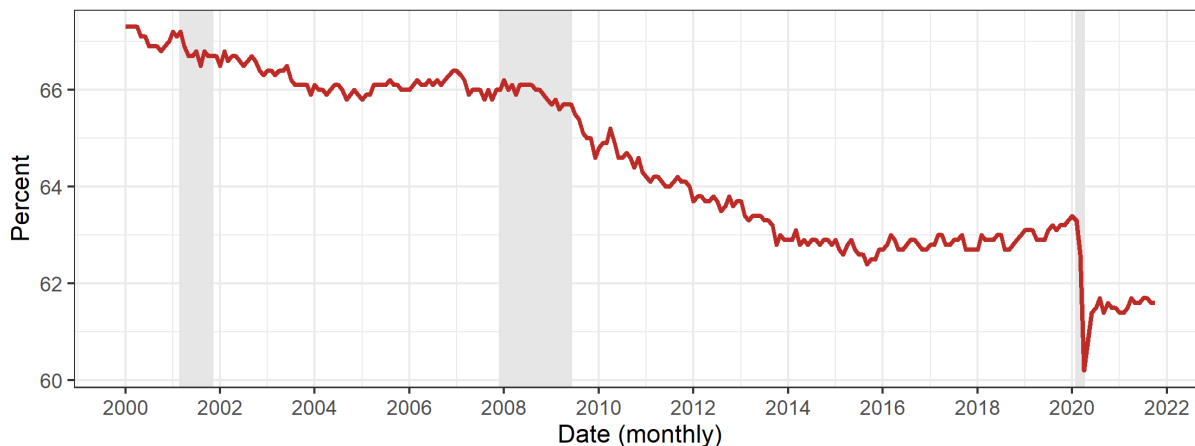
Total employment increased by about half a million people to just over 154 million. Just like unemployment, the distribution of employment gains differs substantially across the population. As in July of this year, the Black employment level once again declined slightly in October. White, Hispanic/Latino, and Asian employment levels all rose. Part-time workers make up about 16% of all those employed, a share which is similar to that in 2019 and lower than most of the years following the 2007-09 recession.

Labor force participation

Finally, the unemployment and employment data should be considered in the context of overall labor force participation. For well over a year now, the labor force participation rate has remained within a narrow range, fluctuating between a lower bound of 61.4% (June 2020 and January/February 2021) and an upper bound of 61.7% (August 2020 and April/July/August 2021). It was 61.6% in September. The labor force participation rate for October 2021 remained within the band, coming in once more at 61.6%. On the eve of the pandemic, the labor force participation rate was generally well above 63%, having failed to return to the 66% range recorded in the years prior to 2008.

An unchanging labor force participation rate

Labor force participation rate (civilian), 2000 - Oct. 2021, seasonally adjusted



U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis

High shares of job losers amongst the unemployed, a labor force participation rate that won't budge, and only a slightly higher likelihood of unemployed workers transitioning into employment instead of out of the labor force – collectively these features of the October Employment Situation point towards a sputtering recovery. While the fall in the headline unemployment rate and growth in employment are encouraging, there are many ongoing disparities in the recovery. Crucially, a more robust recovery in employment requires safe and healthy workplaces. Far too many have already suffered over the past two years from exposure to unsafe environments and dangers at work. EDI will be closely monitoring these data in the coming months and releasing regular updates in addition to other commentary on the U.S. labor market.