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HIGH LAYOFFS AND LONG-TERM UNEMPLOYMENT CLOUD JOBS PICTURE

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Since the end of the last recession in March 1991, the total number of payroll jobs has grown by 11.4 million to a total of 119.7 million, and the unemployment rate has declined from 6.8 to 5.4 percent. Despite this good news, many workers continue to be apprehensive about their economic future. In fact, one of every five Americans believes jobs are hard to get, and well over one of every ten believes there will be fewer jobs in the future.¹

A look at the data behind the total number of jobs created and overall unemployment rates reveals why Americans are concerned.

- X Announced job layoffs continue at a rapid pace, with layoffs at near record levels for the 1990s. Displaced workers who did find new jobs did so at an average of 8.2 percent lower wages.
- X Long-term unemployment remains stubbornly high. The percentage of long-term unemployed is at record levels for this stage of an economic expansion.
- X Overall real earnings growth is stagnating, and men's real earnings continue to decline.
- X The number of high-paying manufacturing jobs continues to decline—down 282,000 since March 1995—and weak economic growth is limiting job opportunities for many Americans.

Focusing on just the total number of new jobs and the low overall unemployment rate without taking these sobering facts into account paints a misleading picture of economic growth and job opportunities.² The economy is still failing to perform as well as similar expansions.

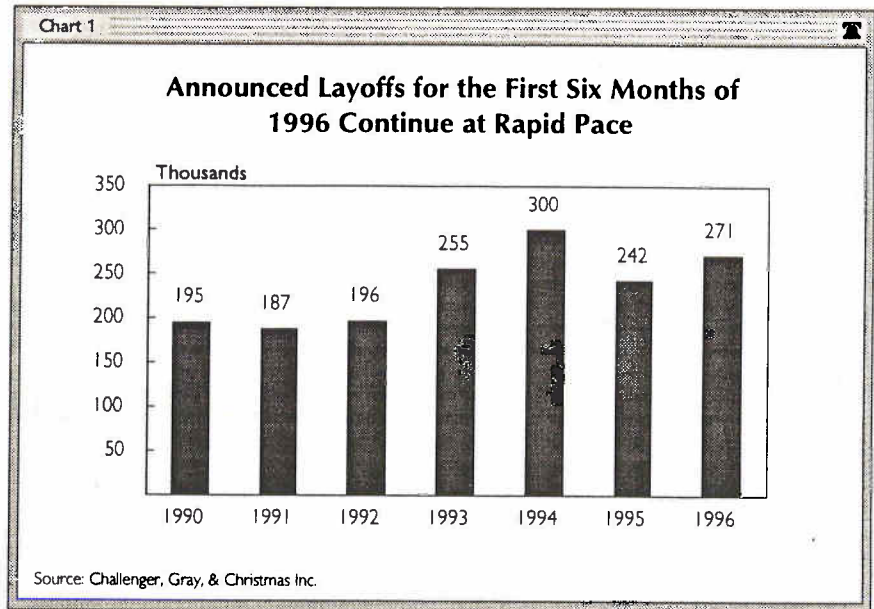
1 The Conference Board, "Consumer Confidence Reaches Six Year High," Consumer Confidence Survey, July 30, 1996. Board analysts cautioned that the measure can be volatile in its monthly pattern; until July, anxiety over job prospects was fairly high.

2 Scott Hodge *et al.*, "Is There a Clinton Crunch?: How the 1993 Budget Plan Affected the Economy," Heritage Foundation *Background* No. 1078, May 1, 1996.

ANNOUNCED LAYOFFS CONTINUE AT RAPID PACE

After a flurry of press attention last winter, the continued pace of corporate downsizing has gone largely unnoticed. Despite this, many workers remain concerned about their job security. One-half of all Americans believe that jobs are not very plentiful,³ and 46 percent believe the economy is getting worse.⁴ New jobs may be available, but they usually pay substantially less and may not have the same benefits.

X Announced job layoffs for the first six months of 1996 were the second-highest this decade (see Chart 1).⁵ Layoffs were 28 percent higher than the first half of 1995 and 6.0 percent ahead of 1993, the largest downsizing year of the decade.



- X So far this year, the telecommunications industry has announced layoffs totaling almost 43,000; the food industry, over 25,000; the computer industry, over 22,000; the retail industry, over 21,000; and the automobile industry, almost 18,000.
- X The median weekly earnings of displaced workers who found new jobs were 8.2 percent less than for their old jobs.⁶ They were over 14 percent less for workers 45 to 55 years old. One of every five displaced workers who found new jobs was no longer covered by group health insurance.

LONG-TERM UNEMPLOYMENT REMAINS HIGH

How long Americans are unemployed (duration) is just as important as the level of unemployment. An unemployment rate of 7.5 percent with most workers out of work for only a week as they change jobs or are recalled from layoff is significantly better than an unemployment rate of 5.5 percent with many workers still struggling to find work six months after losing their last job. Because of weak economic growth, long-term joblessness has not declined as rapidly as it normally does after recessions.⁷

3 The Conference Board, "Consumer Confidence Reaches Six Year High." According to the July survey, 26.4 percent of Americans believe jobs are plentiful; 50.8 percent believe jobs are not so plentiful; and 22.8 percent believe jobs are hard to get.

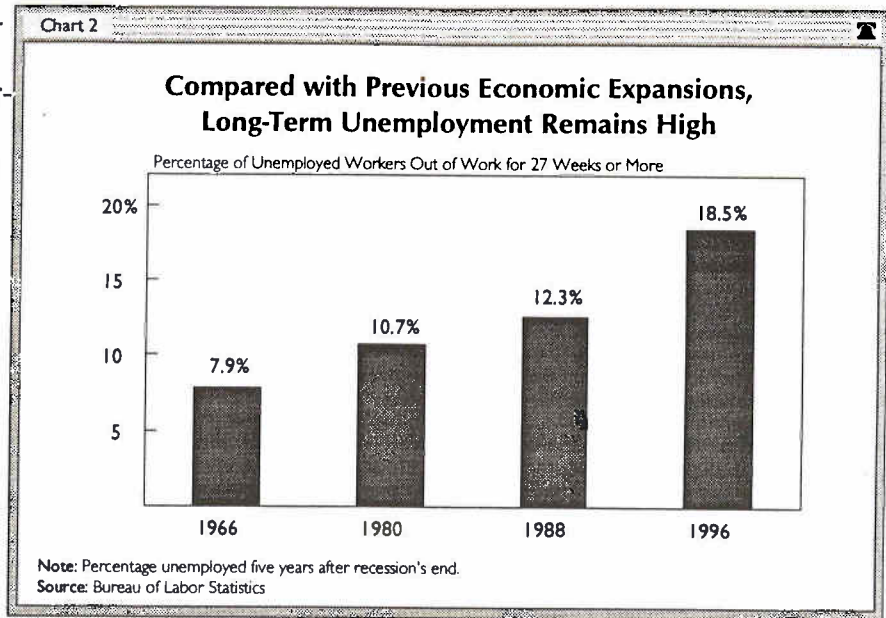
4 CNN/USA Today/Gallup poll, July 21, 1996.

5 Challenger, Gray, and Christmas Inc., Layoff Press Release, July 8, 1996.

6 Jennifer M. Gardner, "Worker Displacement: A Decade of Change," Bureau of Labor Statistics *Monthly Labor Review*, April 1995.

7 Mark Wilson, "Why Americans Are Right to Be Anxious in Clinton's Lackluster Economy," Heritage Foundation *F.Y.I.* No. 96, April 19, 1996.

- X Long-term unemployment remains stubbornly high.⁸ Chart 2 shows that the proportion of Americans unemployed for at least six months remains unusually high after five years of modest economic growth. Since the end of the last recession, the proportion of unemployed who have been out of work for six or more months has not dropped significantly for youths (ages 16 to 24), black Americans, and service workers.



- X After six months of looking for work, almost one of every five unemployed managers and professionals still has not found a job.⁹
- X The overall unemployment rate also does not reveal significant problems facing workers in various age groups, industries, or occupations. While the total unemployment rate was 5.4 percent in July 1996, the rate for all teenagers was 16.4 percent, and the rate for black teenagers was 33.1 percent.

EARNINGS GROWTH STAGNATES, MEN'S EARNINGS STILL DECLINE

Over the past five years of modest economic recovery and expansion, the real median usual weekly earnings for all full-time wage and salary workers has stagnated.¹⁰ For men, real median weekly earnings have declined 5.1 percent. For black and Hispanic Americans, the decline has been even worse: 5.4 percent and 8.2 percent, respectively.

- X After increasing 2.5 percent from the first quarter of 1991 to the first quarter of 1993, the index of real hourly compensation has not increased.
- X Over the past five years, only workers in the finance, insurance, and real estate industries have seen their real average hourly earnings improve substantially.

WEAK ECONOMIC GROWTH LIMITS JOB OPPORTUNITIES FOR AMERICANS

Although total employment and unemployment numbers are significant, they often do not convey important information about problems various age groups, industries, or occupations may be having. There actually are fewer manufacturing jobs now than when the economic recovery began five

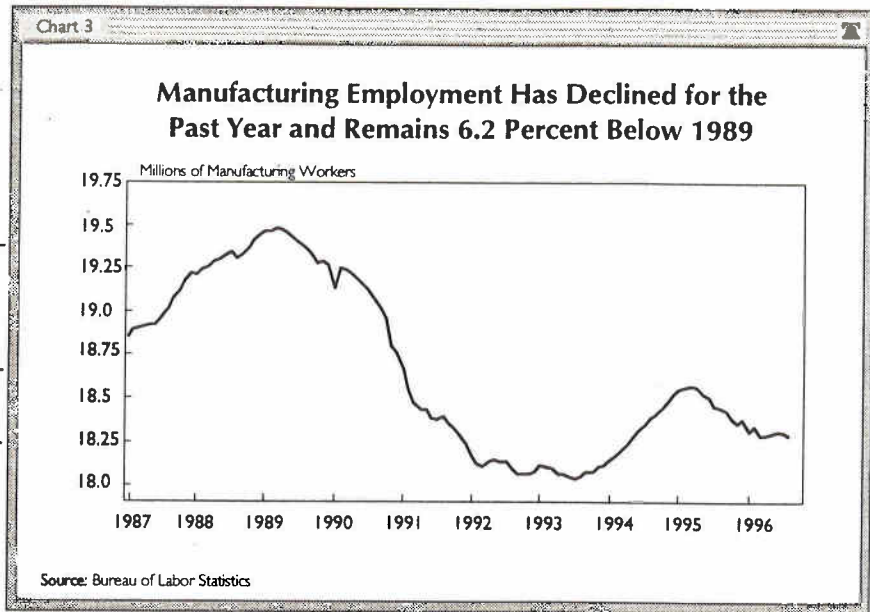
⁸ Bureau of Labor Statistics, "Long-Term Unemployment Remains High During Recovery," *Issues in Labor Statistics*, Summary 95-11, September 1995.

⁹ *Ibid.*

¹⁰ Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers: Second Quarter 1996," July 18, 1996, and various years. Real median weekly earnings have declined slightly from \$489 to \$486 per week (1996 dollars).

years ago, and the dismal pace of economic growth has meant no substantial improvement in job opportunities for men and minorities. Workers in some occupations have not yet regained the ground they lost in the last recession. For example:

X Since March 1991, the percentage of the population employed has increased 1.4 percentage points to 63.2 percent.¹¹ The percentage of men employed, however, has increased only 0.5 percentage points and still remains well below its 1989 peak of 72.8 percent.



- X The employment-population ratio for white teenagers has increased 0.7 percentage points to 48.0 percent since March 1991 but remains well below the rate of 53.4 percent reached in August 1989.¹² Likewise, the employment-population ratio for black teenagers has increased 2.0 percentage points to a disappointing 25.8 percent since March 1991 but remains well below the pre-recession rate of 32.4 percent reached in July 1989.
- X The number of manufacturing jobs has declined 282,000 to 18.3 million since March 1995, and is down almost 1.2 million since its peak in 1989 (see Chart 3).¹³ Durable goods manufacturing employment has increased only 55,000 over the past five years and remains below its 1989 peak by 794,000 jobs. Manufacturing workers have regained only one of every five jobs lost between 1989 and 1993.
- X The number of Americans working in high-skilled technician and related occupations has declined 478,000 since July 1992, and the number of workers in administrative support and clerical occupations has declined by 298,000.¹⁴
- X The number of Americans working in precision production, craft, and repair occupations has declined 13,000 to 13.4 million from March 1991 to July 1996 and remains 519,000 below the peak of 14.0 million reached in March 1990.

11 Bureau of Labor Statistics press release, "The Employment Situation," July 5, 1996, and various months.

12 *Ibid.*

13 *Ibid.* Since the end of the last recession in March 1991, the number of manufacturing jobs has declined by 180,000.

14 Bureau of Labor Statistics, "Employment and Earnings," various months. These occupations include clinical laboratory technologists, dental hygienists, emergency medical technicians, surgical technicians, and licensed practical nurses as well as aircraft pilots, air traffic controllers, computer programmers, and engineering technicians.

CONCLUSION

Despite the creation of 11.4 million additional jobs since the end of the last recession, workers continue to be concerned about their economic future. The average annual growth rate of the past seven years has been the worst economic performance since the end of World War II.¹⁵ Layoff announcements for the first half of this year were the second-highest this decade, long-term unemployment remains high, and real earnings growth has stagnated for the past five years. Focusing only on total job growth and the low unemployment rate without taking these facts into account paints a misleading picture of economic growth and job opportunities.

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15 Daniel J. Mitchell, "The Historical Lessons of Lower Tax Rates," Heritage Foundation *Backgrounders* No. 1086, July 19, 1996.

