

Bankruptcy By The Numbers

Just Recently Hired: Job Tenure Among No-Asset Chapter 7 Debtors¹

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Income interruption is a powerful form of financial distress.² Even in good times as measured by low unemployment rates and soaring stock markets, job instability for some workers arises from the very changes in business and industrial patterns that also lead to enhanced security and prosperity for others. Displaced workers may find another job after some delay, but there is a real chance that the new job pays less, with lower benefits, than the old one did. For some workers in this situation, whose use of debt may have been based on an assumption of uninterrupted employment, bankruptcy becomes their solution of choice.

Given these factors, it seems that individuals filing bankruptcy should show a higher than expected chance of being unemployed, and that the current job tenure of employed filers should be lower than otherwise expected.

In this article we report on the employment status of debtors who filed 1,931 no-asset chapter 7 petitions during calendar year 2000. The petitions and associated schedules were collected from offices of the United States Trustee Program on four occasions during the year. The number of petitions collected from each office was in proportion to the annual number of filings recorded for that office during the previous year.³

¹ All views expressed in this article are those of the authors and do not necessarily represent the views of the Executive Office for U.S. Trustees or the Department of Justice.

² The authors of the Consumer Bankruptcy Project interpreted their study of bankruptcy filers in 1991 to “suggest that job-related income interruption is by far the most important cause of severe financial distress for middle-class Americans.” Sullivan, Teresa A., Warren, Elizabeth & Westbrook, Jay Lawrence, *The Fragile Middle Class* (2000). P. 75.

³ For a summary of other characteristics of this group of debtors, see Flynn, Ed & Bermant, Gordon, *The Class of 2000*, Amer. Bnkr. Inst. J., October 2001.

Employed or Unemployed?

We used information from Schedule I to determine whether the debtor and spouse, if applicable, were employed at the time of filing. Out of 1,931 petitions, 1,560 primary debtors (i.e. the only or first debtor on the petition, whether a joint petition or not) were employed. Thus 19% of the primary debtors were unemployed at the time of filing.

Table 1 contains a detailed breakdown of unemployment percentages among various categories of debtors: Men are shown separately from women for non-joint filers, and the major categories of marital status are also shown separately. No sub-group displayed a percentage of unemployment less than 9%. For joint filings, the table shows employment for the primary debtor, usually the male spouse.

FILER'S GENDER	MARITAL STATUS	FILING TYPE	TOTAL IN GROUP	PERCENT OF GROUP UNEMPLOYED
Male	Married	Individual	111	22%
Female	Married	Individual	75	25%
	Married	Joint	618	19%
Male	Separated	Individual	41	10%
Female	Separated	Individual	68	15%
	Separated	Joint	43	9%
Male	Divorced	Individual	114	13%
Female	Divorced	Individual	165	15%
Male	Single	Individual	274	17%
Female	Single	Individual	349	22%
Female, Male,?	Widowed, Unknown	Individual	73	51%
		TOTAL	1,931	19%

During calendar year 2000, the official seasonally adjusted unemployment rate for the U.S. hovered around 4%.⁴ Precise comparisons between the official unemployment rate and the percentage of unemployed debtors are not possible because the national unemployment rate counts someone as unemployed only if the person is actively looking for a job; we cannot determine how many of our unemployed debtors were seeking work.

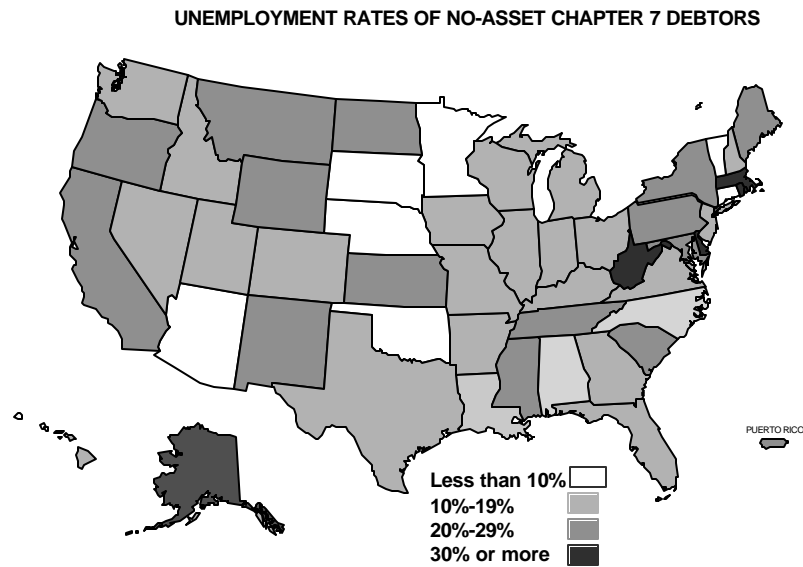
Nevertheless, two facts seem clear: the unemployment percentages for chapter 7 debtors were much higher than the population at large, and chapter 7 debtors were much more likely to be working than not working at the time of filing.

⁴ For a useful review of unemployment statistics, see www.econedlink.org/lessons/index.cfm?lesson=EM219

Geographic Distribution of Unemployment

The map in Figure 1 presents the unemployment percentages of our debtors across the states. Because the numbers of debtors from some states were quite small, the data must be interpreted with care. More than half the states show unemployment percentages of less than 20%. Alaska, Delaware, Massachusetts, and West Virginia debtors had rates of 30% or more.⁵

FIGURE 1

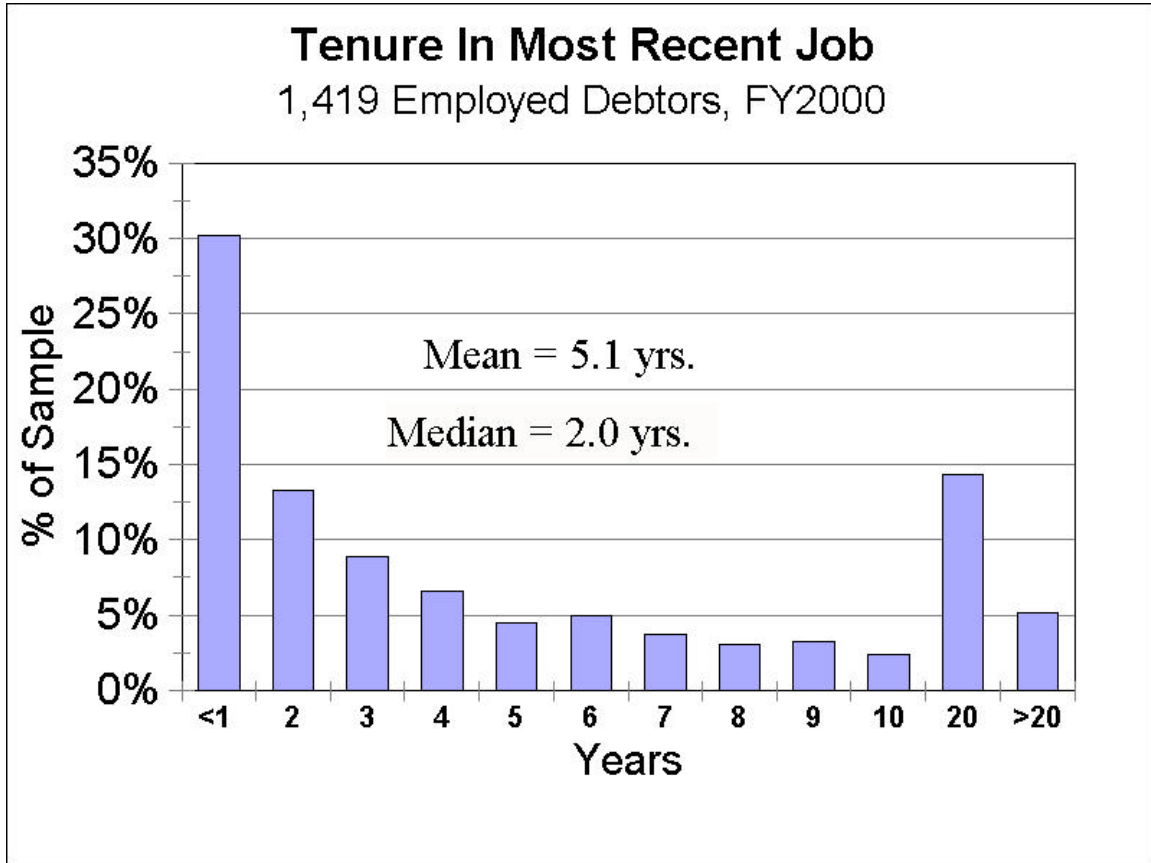


Job Tenure of the Primary Debtor

We turn next to the question of how long the debtors had been in the jobs they had at the time they filed for relief. We could establish most recent job tenure for 1,419 of the 1,560 employed primary debtors in our study population. The distribution of tenure for the group is shown in Figure 2.

⁵ Alabama and North Carolina are not served by the U.S. Trustee Program. A problem with the data prevented us from including Louisiana in this analysis.

FIGURE 2



The figure shows that 30% of primary debtors had been employed for less than one year prior to filing. Half of the population had been employed for less than two years. At the other extreme, 20% had been employed continuously for more than 10 years, including 5% for more than 20 years.

For comparison, note that in February 2000, the Bureau of Labor Statistics reported that employed wage and salary workers 25 years and older had median job tenure of 4.7 years.⁶ The equivalent number for our bankrupt population, 2.0 years, was only 43% of the national value.

⁶ www.bls.gov/news.release/tenure.t01.htm

TABLE 2 JOB TENURE FOR INDIVIDUAL AND JOINT FILERS						
TENURE IN YEARS	MEAN	STANDARD DEVIATION	25 th PERCENTILE	MEDIAN	75 th PERCENTILE	NUMBER OF DEBTORS
MALE	5.4	7.0	0.6	2.0	8.0	408
FEMALE	4.7	6.1	0.7	2.0	6.0	512
JOINT	5.4	6.4	0.8	3.0	8.0	485

Table 2 breaks the tenure data down by gender of the primary filer.⁷ Men and women filing individually displayed the same median tenure of 2 years, while the primary debtors in joint filings were more stably employed, with a median of 3 years.

Job Tenure of Spouses

We identified 647 petitions filed by married debtors: 499 were joint filings and 148 by one spouse filing individually. Information on spousal employment was presented in enough cases to allow some comparisons. The unemployment rates and job tenures of the spouses in these two groups differed markedly, as shown in Table 3.

TABLE 3 UNEMPLOYMENT RATES AND JOB TENURES OF SPOUSES			
GROUP	NUMBER OF DEBTORS	SPOUSE UNEMPLOYED	MEDIAN TENURE OF EMPLOYED SPOUSES (YRS.) ⁸
Joint Filers	499	35%	2.5
Individual Filers	148	57%	2.0

As might be expected, the data indicate that spouses in joint filings are more likely to be employed, and if employed, to have been in their jobs somewhat longer, than

⁷ The total of debtors shown in the table was reduced by our inability to discern gender in some cases. For a comparison of the values in our table with values based on a 1981 sample of debtors, see Sullivan, Teresa A., Warren, Elizabeth & Westbrook, Lawrence Jay, *As We Forgive Our Debtors* (1989). Table 8.2 at page 154.

⁸ Information on job tenure was provided by 286 of 322 working spouses in joint filings and by 25 of 33 working spouses in individual filings.

the spouses of married debtors filing singly. The joint filing indicates a greater participation of the spouse in the earning power of the household.

Conclusions

Eighty percent of a sample of no asset chapter 7 debtors in calendar year 2000 were employed at the time of filing. Half of these debtors had been in their current jobs 2 years or less, which was 43% of the nationwide median job tenure during that year. Unemployment rates of debtors by state varied from less than 10% to more than 30%. Spouses in joint filings were more likely to be employed, and to have been employed longer, than the spouses of debtors filing individually.