

27 WEEKS *and* COUNTING

LONG-TERM UNEMPLOYMENT
IN AMERICA

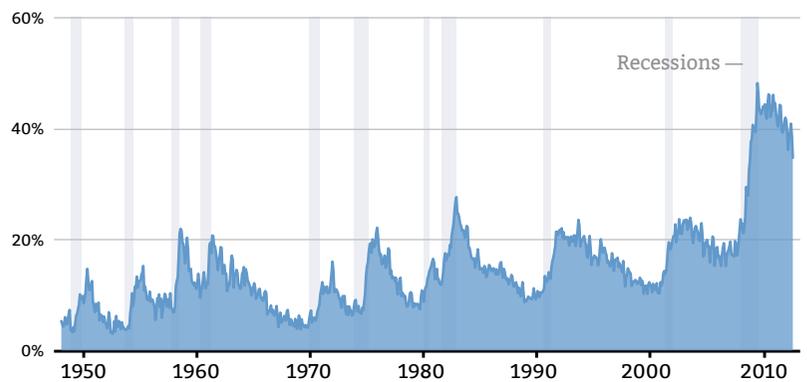
Story by Serena Lei ✧ Photos by Matt Johnson

Four years after the end of the Great Recession, long-term unemployment remains at record-high levels. As of June 2013, 4.2 million people—a staggering 36.7 percent of the unemployed—have been out of work for longer than six months.



Sharon McGregor works on her resume in the kitchen of her Paterson, NJ, home.

Share of Total Unemployed Who Are Long-Term Unemployed



Source: U.S. Department of Labor, Bureau of Labor Statistics.

In 2010, the long-term share of the unemployed peaked at 45 percent, far higher than at any point since the Great Depression. Even at the depths of the 1980s recession, the long-time share of the unemployed was only about 25 percent.

That long-term joblessness remains so high and has persisted for so long “suggests that there is something different about this recession and recovery,” said Gregory Acs, director of the Urban Institute’s Income and Benefits Policy Center.

“There’s a lot of aversion to hiring. That in and of itself is creating longer-term problems because more and more of the labor force has been estranged from the world of work. ...History teaches us that they will carry the scars of that long-term unemployment for a while.”



WHO ARE THE LONG-TERM UNEMPLOYED?

Sharon McGregor, 43, who puts off doctor visits because she has no health insurance. **Shoun Brock**, 44, who worries that employers can't see past the long gap in his work history. **Allison Johnson**, 26, who is trying to get a foothold in the job market. **Pauline Richter**, 72, who feels forced into retirement after being out of work for two years. They've all been job searching for months, in some cases years, wondering if they'll get another chance or if they've been permanently shut out of the job market.

"This is like a nightmare," McGregor said. "You wonder if you are ever going to work again....As far as retirement goes, I have nothing. And I don't see, at this point, how I am going to catch up."

The Bureau of Labor Statistics defines long-term unemployment as being out of work for 27 weeks (more than six months) and actively searching for a job. This category doesn't include people who are underemployed, such as freelance or part-time workers searching for full-time jobs.

Getting a better handle on who the long-term unemployed are can offer insights into the obstacles they face and how public policy can address those barriers. Urban Institute researcher Josh Mitchell compared the long-term unemployed with newly unemployed workers (those out of work for less than five weeks), employed workers, and discouraged workers (those who have given up searching) in 2012.

Mitchell found that long-term unemployment particularly affects minorities and vulnerable populations. Blacks make up a disproportionate share of long-term unemployed workers (22.6 percent) and

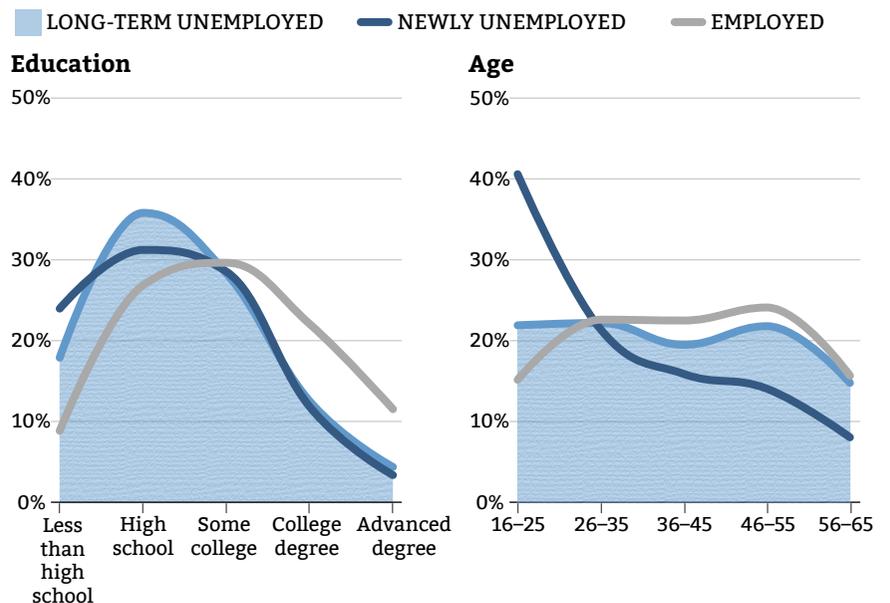


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Sharon McGregor

A Look at the Long-Term Unemployed

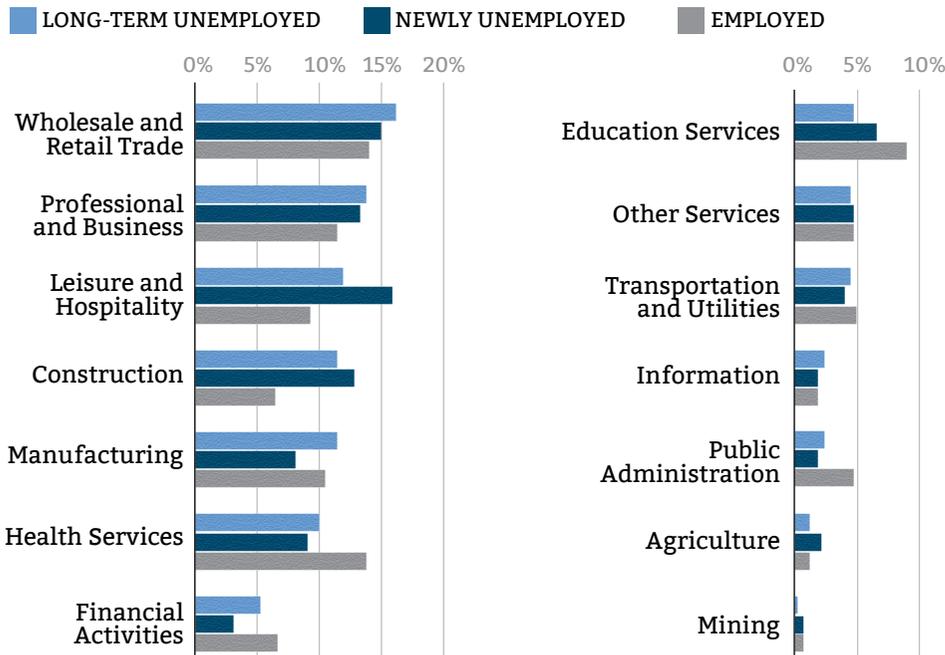
The long-term unemployed tend to be less educated than workers who currently have jobs. Persistent joblessness affects workers of all ages.



Source: Josh Mitchell, "Who Are the Long-Term Unemployed" (Washington, DC: The Urban Institute, 2013).

Most Recent Industry of Employment

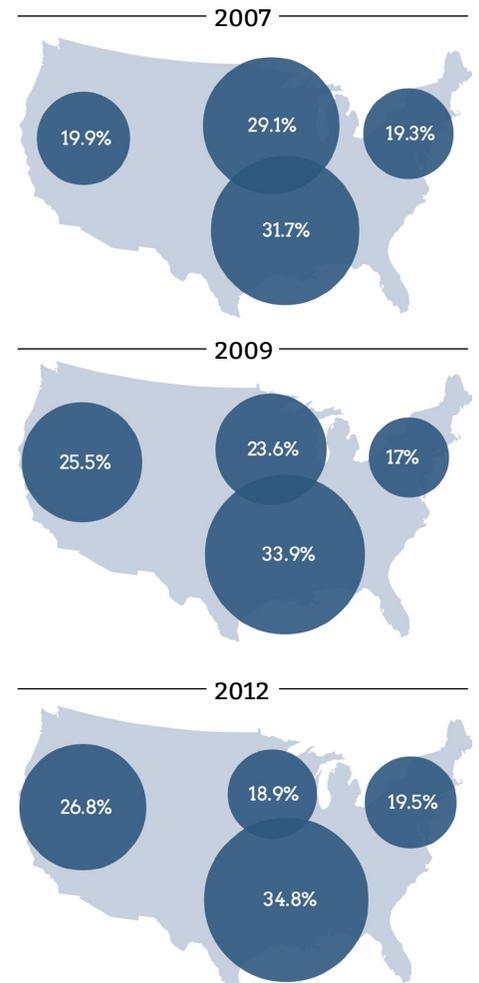
A much larger share of workers in the construction industry is unemployed than employed.



Shoun Brock, 44, of Washington, DC, works on his résumé. Brock has not had a steady job in more than two years.

Regional Distribution

Long-term unemployed workers are much more likely to live in the West and slightly more likely to live in the South now than in 2007, a new pattern that Mitchell finds unsurprising “given that the collapse of housing markets was concentrated in states like Arizona, California, Florida, and Nevada.”



discouraged workers (25.9 percent). Long-term unemployed workers are much more likely to be poor than employed workers (34.1 percent versus 6.9 percent). And with poverty comes a host of potential work barriers, including unreliable transportation, out-of-reach child care costs, and poor health.

Disabilities also can hold workers back: 6.5 percent of the long-term unemployed have a disability that limits their ability to work, compared with 1.8 percent of employed workers.

Unmarried workers, who are less likely to have a second person’s income to fall back on, are disproportionately likely to be long-term unemployed.

The long-term unemployed tend to be less educated than employed workers (18.1 percent are high school dropouts vs. 9.0 percent of those with jobs) but are somewhat more educated than newly unemployed and discouraged workers. “This suggests that increasing the education and skills of the long-term unemployed could help them find new jobs,” Mitchell writes.

Mitchell also compared characteristics of the long-term unemployed in 2007, 2009, and 2012: before, during, and after the recession. He found that the long-term unemployed in 2012 were somewhat more educated than the long-term unemployed in 2007. Blacks made up a smaller share of the long-term unemployed in 2012 than in 2007, while Hispanics made up a greater share. And a smaller fraction of the long-term unemployed are single and childless now than before the recession.



WHAT ARE THE CONSEQUENCES?

After being laid off, Pauline Richter searched diligently for work. She combed through job boards, sent out dozens of résumés, and reached out to her network of contacts looking for leads. She lives in Skokie, Illinois, and had worked in Chicago as the director of an older adult mental health program for nearly 24 years, managing a \$1 million budget. She has two master's degrees. But after a year and a half passed without an offer in her field, she began applying for part-time jobs at Costco and the Container Store.

"I used to be a really good contributor to the economy," Richter said. "I have 40 years of knowledge in my field that nobody is using. ...[Now] I can't even get a job as a cashier."

She knows employers see her age as a barrier. She was 70 when she lost her job, but had been hoping to work for another five years to build up her retirement savings. In December, Richter's unemployment benefits are set to expire.

"I worry about everything. I have no idea how realistic it is," she said. "I'm not destitute, but some of the things that I had wanted to do after all my years of work, I simply can't do."

“

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Pauline Richter



An abandoned factory sits vacant in Paterson, NJ

Richter is financially stable, but many long-term unemployed workers struggle to get by. During the Great Recession, family incomes for most of the long-term unemployed fell 40 percent or more.¹

And loss of income isn't the only consequence of unemployment. Being out of work for a long time can lead to permanently lower wages and career setbacks, worse mental and physical health, and higher mortality rates. Workers' skills may erode while they're out of a job, and they may begin to lose touch with the business contacts that could help them find work.

Then there's the stigma of being unemployed, which gets worse the longer someone is out of a job. "When people see that you haven't been working for a while, they feel as though...you are lazy," said Shoun Brock. "I see it in their faces when I go on the interview."

Brock hasn't had a permanent job in two years, though he worked briefly about seven months ago. Research has shown that employers are less likely to hire applicants who have been out of work for a long time. The chance of being called for a job interview falls by 45 percent as unemployment lengthens from one to eight months.²

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Sharon McGregor's home in Paterson, NJ. McGregor provides care for a sick neighbor in exchange for reduced rent. Without that arrangement, she would not be able to keep her house.

“The longer you’re out, the harder it is to get back in,” Acs said. “As the economy recovers, as people are getting jobs, there’s more of a tendency to say ‘Oh, if you’re not working, there’s something wrong with you.’”

To get by, jobless workers have borrowed money from friends, spent down savings, and missed mortgage or rent payments.³ Many have gone without needed health care: in 2011, 63 percent of long-term unemployed or underemployed workers skipped dental visits, 56 percent put off health care, and 40 percent did not fill their prescriptions.⁴ In each case, roughly half as many full-time employed workers reported cutting back on health costs.

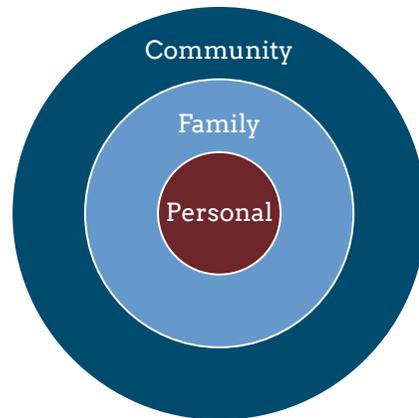
The consequences of long-term unemployment aren’t contained; they can spill over into families and can harm whole communities. Kids whose parents are unemployed for a long time tend to perform worse in school than their peers with employed parents. It’s not entirely clear why, but family stress, lack of health insurance, and reduced income may all play a role.

High rates of long-term unemployment in one community can strain public services and lower the tax base. And less tax revenue can mean fewer resources for public school, police, and other services. Communities with a high concentration of long-term unemployed workers tend to have higher rates of crime and violence.

Long-term unemployment may get overlooked as the economy recovers, but the long reach of its consequences will be hard to ignore.

The Far Reach of Long-Term Unemployment

Consequences of being long-term unemployed extend far beyond the personal level. Families are impacted and, in turn, communities are affected.





Sharon McGregor takes advantage of free wireless Internet at a local restaurant while she looks for job openings.



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WHY IS LONG-TERM UNEMPLOYMENT SO HIGH?

Why have so many people been unemployed for so long? What’s different this time? Is the rapid pace of technology leaving behind workers whose skills don’t match employers’ needs? Did the housing collapse keep unemployed workers from moving to areas with more jobs? Or are too-generous unemployment benefits to blame?

According to Acs, who examined several possible explanations, none of these is the primary driving force behind the rise in long-term unemployment. Measurements of industrial and occupational skills mismatch have returned to pre-recession levels, while persistent joblessness remains high. The housing collapse may have affected how much people moved around during the recession, but it had little impact on unemployment.

As for unemployment benefits, research suggests that benefit expansions (from the standard 26 weeks to 99 weeks in some states) likely account for less than a quarter of the increase in the length of unemployment.⁵ In fact, unemployment benefits may have kept more recipients in the labor force, actively searching for jobs as required, rather than giving up.

And while long-term unemployment can be self-perpetuating—as workers’ skills erode and long stretches of unemployment stigmatize applicants—this was already the case before the recession.

So why is long-term unemployment so high? Because the recession was so devastating and the recovery too weak. The changing nature of jobs and other explanations may have made matters worse, but sluggish economic growth is the real culprit. Employers are hiring, but too slowly to make up for the tremendous job losses during the recession.

A real concern here, Acs said, is that what could have been a temporary problem—where people laid off during a recession are rehired when the economy improves—is becoming a permanent problem. People can be out of work for so long that employers perceive them as “un-hireable,” leaving them shut out of the workforce even as jobs return.

Larger Losses, Slower Gains

Job losses were steeper during the Great Recession than during the early 1980s recession. The recovery has been weaker too.



Source: U.S. Department of Labor, Bureau of Labor Statistics.

HOW CAN WE HELP?

In June, 15 students graduated from STRIVE DC's four-week customer service training course. The Washington, DC, nonprofit offers training, job placement assistance, and supportive services for the unemployed. Staff and many of the graduates said that the recession has made competition in the job market worse, so that even low-wage jobs require more and more qualifications.

"It's hard, but at the same time, I'm trying," said Michael Jackson, 19, one of STRIVE DC's graduates. "I pray that I make it, but I understand it's not easy....I'm not the only one that's filling out applications for that job."

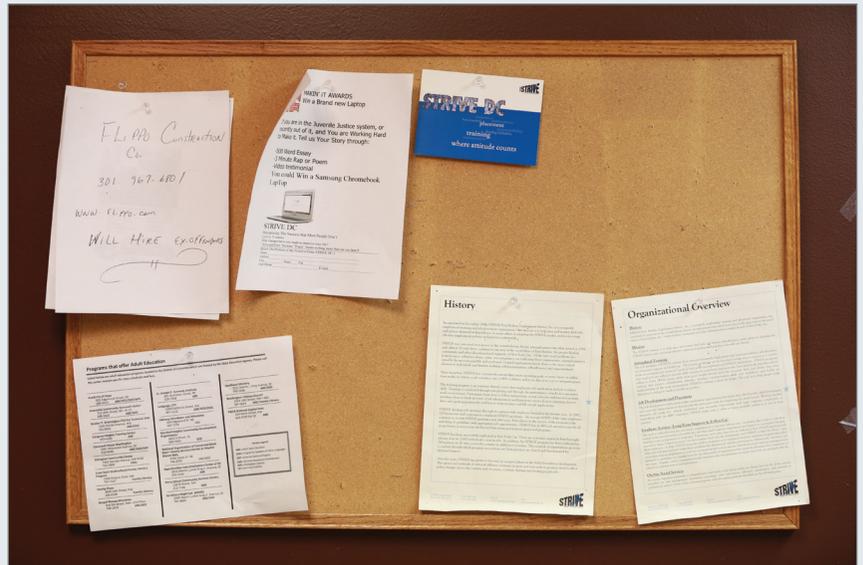
While strong economic growth is the most effective way to put people back to work, there's no guarantee that employers will fill new jobs with long-term unemployed workers. Beyond economic growth, there are policies that can help workers find jobs, keep workers from becoming unemployed for long spells, and help families dealing with the consequences of long-term unemployment. AcS examined several approaches.

Workforce development programs generally benefit workers with little education and experience. To really help the long-term unemployed, training should reflect the needs of local employers. Another key to success is offering credentials—such as STRIVE DC's customer training certifications. "We need to seriously take on the idea of lifetime learning," AcS said.

Meanwhile, large-scale public works programs can temporarily stop long-term spells of unemployment, helping workers retain their skills and develop new ones.

"A lot of the problems associated with unemployment come at the start of unemployment," AcS said. "So keeping people in their jobs and helping them make job-to-job transitions would help us out in the future."

To keep long-term unemployment from growing, policies can help vulnerable workers stay in jobs and help the recently unemployed find new ones quickly. Potential strategies include expanding short-time compensation programs, which provide partial unemployment benefits to workers who've had their hours cut. This could encourage employers to cut workers' hours rather than have layoffs—and part-time work still allows people to stay connected to their professional networks and avoid the stigma of unemployment. Also, job search assistance targeted to newly unemployed workers may speed their return to work.



Top: Michael Jackson speaks at the STRIVE DC customer service training graduation event.

Bottom: Local businesses advertise on a STRIVE DC bulletin board.

Changes to unemployment insurance requirements could help more low-income workers make ends meet after a job loss. Low-wage workers often don't have a long enough work history to qualify for unemployment benefits, but they are among the most in need of a safety net. AcS also recommends disability insurance reforms that would allow people to move on and off the program more easily, rather than discouraging them from returning to work when they can.

While policymakers debate which levers to pull, Pauline Richter and other long-term unemployed workers continue to look for jobs. After two years of searching, Richter says she's disheartened but hasn't given up just yet. "I just found another networking link," she said, "and some more job possibilities are coming in, so we'll see." ■

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This brief summarizes the findings of four Urban Institute papers on long-term unemployment: "Who Are the Long-Term Unemployed?" by Josh Mitchell; "Consequences of Long-Term Unemployment" by Austin Nichols, Josh Mitchell, and Stephan Lindner; "Assessing the Factors Underlying Long-Term Unemployment during and after the Great Recession" by Gregory Acs; and "Responding to Long-Term Unemployment" by Gregory Acs. These papers were prepared for the Rockefeller Foundation under grant 2013 SRC 105. For more information, please visit <http://www.urban.org/LongTermUnemployment>.

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