



# Long-Term Unemployment: Conditions, Consequences, and Strategies

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## The Scope and Persistence of Long-Term Unemployment

Long-term unemployment rates are higher than at any time since at least 1948.

At the beginning of 2014:

- 3.9 million Americans were unemployed for more than 26 weeks — nearly 40% of unemployed workers; more than **double** the pre-recession average.
- 2.6 million Americans were unemployed for more than 52 weeks; more than **one in four** unemployed workers.

## A Persistent Problem

The long-term unemployed currently make up 37.7% of the unemployed — down from 46% in 2010, but **significantly above** the pre-recession peak of 26% in 1983!

The problem **persists** even through the unemployment rate has declined consistently and millions of jobs have been created. In 2013, the nation added 2.2 million jobs, the unemployment rate declined by 1.2%, and the **short-term unemployment rate** fell to its pre-recession level.

While **unemployment rates** in 29 states are at post-recession lows, **long-term unemployment** (six months or more) remains above pre-recession levels in 41 states. The share of the unemployed who are among the long-term unemployed is lowest in the Dakotas and highest in New Jersey, the District of Columbia, and Florida, where it is 45%.

## Who are the Long-Term Unemployed (LTU)?

- Diverse in education levels, income, age, occupations, and industries.
- Slightly **better educated**, on average, than the short-term unemployed (27% of the LTU have college degrees whereas 24.5% of the short-term unemployed are college educated). One-half of LTU are white, non-Hispanic.
- Older workers are less likely to be reemployed and make up a disproportionate share of the LTU, but 70% are younger than 50 years of age.

## Why Do We Have Such High Levels of Long-Term Unemployment and Why are Certain Individuals Unemployed for So Long?

- A deep recession and sluggish recovery are by far the most important factors.
- Lower voluntary quit rates among the employed also means there are fewer vacancies than prior to the recession.
- Mismatches between workers' skills and employers' needs, workers' inability to move to where the jobs are located, and the work disincentives of unemployment insurance programs are far less important factors.
- The long-term unemployed are often "victims" of random economic circumstances: where they live, the company they worked for, the lack of skills that can be transferred to available jobs.

- Long-term unemployed workers are also stigmatized by employers who assume that their skills have atrophied. Employers may conclude that a job applicant's long-term unemployment indicates a characteristic that makes them less desirable employees, even when they have the same qualifications as job seekers who have never been unemployed.
- Some older workers experience age discrimination.
- Job search skills of many long-term unemployed workers are outdated. Often, they do not use social media effectively and lose contact with personal networks.

## Consequences of Long-Term Unemployment

- Diminished retirement and savings accounts; increased debt from credit cards, home equity loans, borrowing from family/friends; reduced spending on essentials, such as doctor visits.
- Increased levels of early retirement; greater likelihood of dropping out of the labor market; more bankruptcies and home foreclosures.
- Higher rates of illness and mortality, stress, anxiety, depression, drug and alcohol abuse. Negative impacts on spouses and children. One in four seeks professional help, yet many unable to obtain it.
- Increased consumption of government programs, SNAP (Food Stamps), SSDI, emergency room visits, etc.
- Loss of tax revenues and reduced aggregate demand in economy.
- Among the reemployed, nearly half accept jobs below education and experience levels, and most take significant pay cuts. Earnings losses may persist for up to 20 years.

## Potential Strategies for Assisting the Long-Term Unemployed

Contemporary public workforce development programs and services, such as UI and WIA, were not designed to combat long-term unemployment during deep recessions, slow growth, and rapid structural changes, but rather for short, shallow recessions and less volatile labor markets.

What state policymakers can do **without significant additional resources**:

1. Targeted job search assistance to those with high probability of long-term unemployment and robust “rapid response” strategies.
2. Short-term compensation programs — partial UI benefits for those whose hours are reduced while still employed.
3. Better matching of demand and supply through improved LMI, technology, and integration of sector strategies with employers and economic development initiatives.

4. Improving training strategies, including industry-sponsored or recognized skills training credentials, paid internships, on-the-job training, and close collaborations with community colleges through TAACCCT grants and AACC 50 Plus.
5. Encouraging employers using state-financed customized training funds to support training programs that produce recognized credentials.
6. Engaging long-term unemployed in professional networking and volunteerism.
7. Enhancing professional counseling for mental health needs and financial management.
8. Improving access to federal benefits, such as Food Stamps.
9. Encouraging employers to reach out to the long-term unemployed when hiring workers.

## Potential Policy Changes at Federal and/or State Levels

1. Extend UI during training and condition assistance on effort
2. Reform Pell grants to assist part-time workers
3. Create lifelong learning accounts
4. Expand career navigation and counseling resources
5. Public infrastructure and public service employment
6. Payroll tax credits to employers for hiring long-term unemployed
7. Expand UI eligibility for low-wage, part-time workers
8. Improve data quality and knowledge about effective/efficient programs

## Resources

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