

U.S. LABOR MARKET REMAINS IN DISTRESS HIGH LONG-TERM UNEMPLOYMENT & LOW LABOR FORCE PARTICIPATION UNDERSCORE NEED TO RENEW FEDERAL JOBLESS AID

NATIONAL EMPLOYMENT LAW PROJECT
NOVEMBER 2013

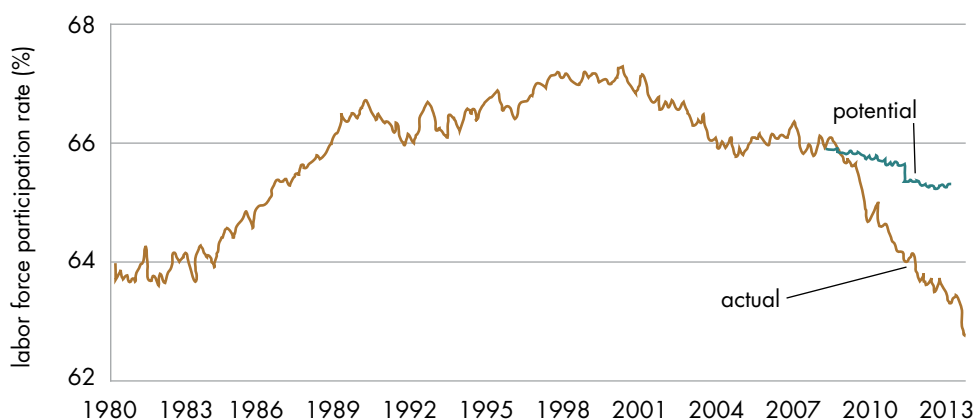
During every economic downturn in the past 50 years, Congress has stepped in to provide additional weeks of unemployment insurance to supplement state programs. The most recent recession was no different, except that the damage done to the economy and the labor market was far worse and longer-lasting than during any of these previous episodes. Federal unemployment insurance has played a critical role during this downturn, boosting consumer spending and keeping unemployed workers and their families out of poverty. **It is imperative that this aid remain available throughout 2014.**

By nearly all measures, labor market conditions today are worse than they were before the Great Recession began in December 2007, and worse than when Congress and President Bush enacted federal Emergency Unemployment Compensation (EUC) in June 2008. After peaking four years ago, the unemployment rate, which currently stands at 7.3 percent, still remains well above pre-recession levels. Yet, many economists believe this benchmark actually overstates the degree to which the labor market has recovered. This issue brief examines a number of alternative measures that underscore the importance of renewing federal unemployment insurance.

“Most economists claim at least one silver lining in the economic downturn: that it was not as bad as the Great Depression. Up until recently, I agreed; I even took to calling the episode ‘the Lesser Depression.’ I now suspect that I was wrong.”

~ Brad DeLong, *Foreign Affairs*
July/August 2013

Figure 1. LABOR FORCE PARTICIPATION IS WELL BELOW POTENTIAL



Source: NELP analysis of data provided by the Economic Policy Institute

Six million workers are “missing” from the labor market

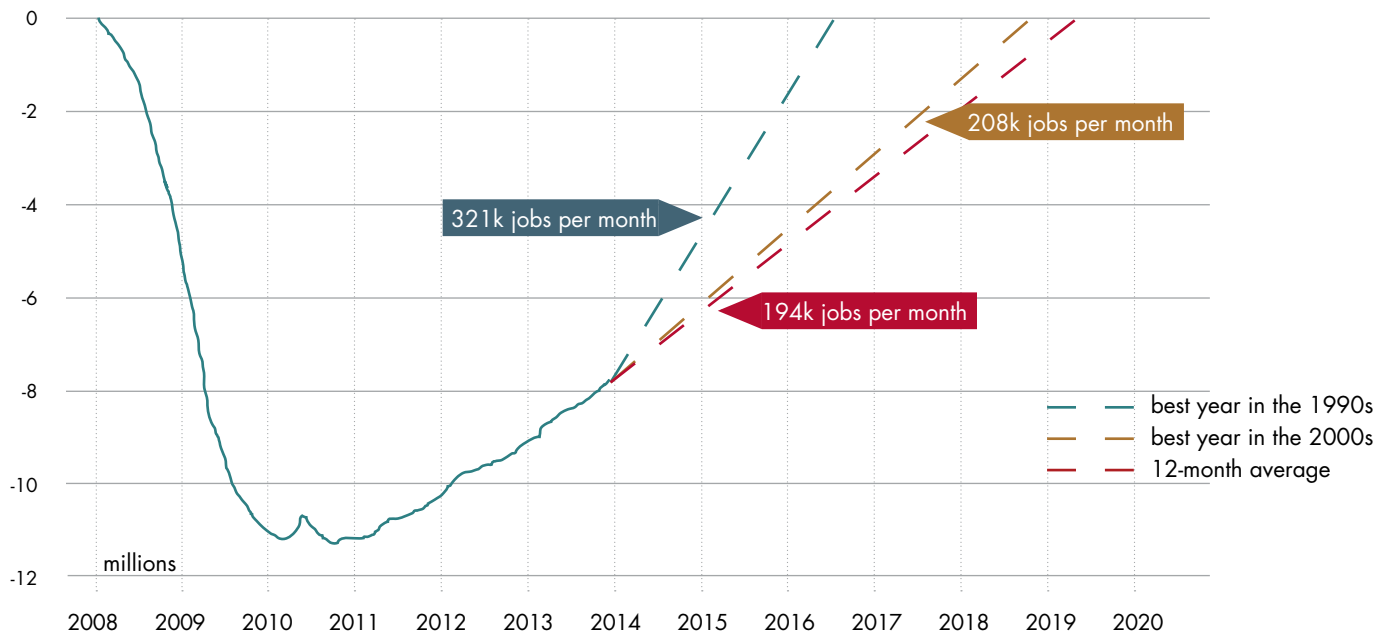
One reason why economists are skeptical about the validity of the unemployment rate as a barometer of current economic conditions is because much of the improvement in recent years is the result of individuals leaving the labor market, rather than entering employment. Indeed, the percentage of the working-age population that is either employed or looking for work is at a 35-year low. Economists agree that most of this decline is the result of a weak economy and that labor force participation is substantially lower today than it should be based on demographic trends (figure 1).

Retiring baby boomers account for some of the decline in the size of the labor force, but cannot explain similar patterns among 25- to 54-year-olds. Of the estimated [six million](#) “missing” workers who would be either employed or searching for work in a more healthy economy, well over half are prime age. If all missing workers were to reenter the labor market today, the unemployment rate would rise to nearly 11 percent.

Federal Unemployment Insurance Keeps Long-Term Unemployed Workers Attached to the Labor Market

A [well-documented](#) benefit of EUC is that the program offers unemployed workers an incentive to remain in the labor market looking for work. Indeed, during the downturn, individuals who were out of work for over a year, went from being the most likely to drop out of the labor force in a given month to the least likely to exit in 2010. The number of long-term unemployed workers has come down recently, but much of the improvement is the result of unemployed workers leaving the labor force—a trend that coincides with a reduction in the availability of EUC benefits in all states.

Figure 2. CLOSING THE JOBS DEFICIT



Source: Adapted from The Hamilton Project at the Brookings Institution and the Economic Policy Institute

Employment Must Increase by Eight Million to Return the Labor Market to Pre-Recession Health

Our shrinking labor force is the result of weak employment growth that is failing to put unemployed workers back on the job and is unable to draw those who gave up looking for work back into the labor force. After 44 months of consistent but modest private sector job growth, the economy must add an additional eight million jobs to make up for losses during the downturn and to account for new labor market entrants. At the recent rate of employment gains, the nation will not close this gap until 2019 (figure 2).

Sequestration, the federal shutdown, and political brinksmanship continue to work against closing the nation's jobs deficit, costing the economy three [million jobs](#) since 2010. Ending EUC would be the latest in a series of bad policymaking decisions that would further reduce consumer demand by billions and increase the jobs deficit by over [300,000 jobs in 2014](#).

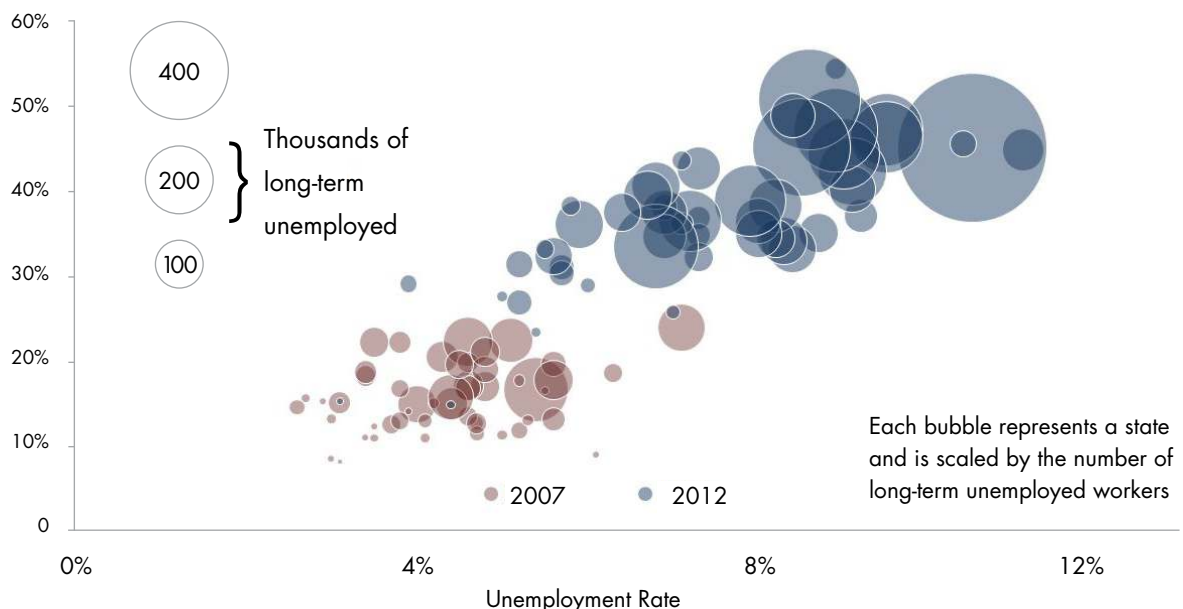
Long-term Unemployment Remains Higher than During Any Other Downturn Since the Great Depression

As documented in a [previous NELP brief](#), long-term unemployment is a defining characteristic of this economic downturn. Today, both the percentage of unemployed workers out of work for six months or more and the median duration of unemployment are approximately double what they were prior to the recession and remain at unprecedented levels. As a result of declining state unemployment rates and the scaling back of EUC in 2012, only about a third of long-term unemployed workers are protected by unemployment insurance today, and none will be covered in 2014 if Congress allows the program to expire.

Long-term Unemployment Remains a Problem Even in States with Relatively Low Unemployment Rates

State unemployment rates may be on the decline, but long-term unemployment remains a problem in all states. As figure 3 illustrates, relative to 2007 (red bubbles), the percentage of unemployed workers who are long-

Figure 3. LONG-TERM UNEMPLOYMENT REMAINS A PROBLEM EVEN IN LOW-UNEMPLOYMENT STATES



Source: Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2012 and 2009

term unemployed was substantially higher in 2012 (blue bubbles). Individuals who have been out of work the longest are not benefiting from the recovery in those states that are doing well and still make up a significant proportion of the unemployed in states with struggling economies. Because Congress introduced new unemployment-rate requirements for EUC in 2012, the drawdown of federal unemployment insurance is outpacing the decline in long-term unemployment, leaving millions of workers uncovered. Averaged across all states, there are [30 fewer weeks](#) of federal and state jobless aid than there were two years ago. As long-term unemployment remains a significant problem in all states, it would be unwise to make further reductions to EUC.

Conclusion

Unless Congress reauthorizes the EUC program, unemployment insurance will end for [1.3 million](#) long-term unemployed workers at the end of 2013, while an additional [1.9 million](#) individuals will lose benefits during the first six months of 2014. Lackluster job growth, “missing” workers, and persistent long-term unemployment all point to a weak economy and the need to maintain the EUC program through 2014. The House of Representatives is scheduled to adjourn for the holidays on December 13th, leaving Congress only 10 voting days in 2013 (as of November 20th) to reauthorize EUC.

For more than 40 years, the National Employment Law Project has worked to restore the promise of economic opportunity for working families across America. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing.

For more information about this report, please contact NELP Access and Opportunity Advocate Mitchell Hirsch at mhirsch@nelp.org