

## ***The Crisis of Long Term Unemployment and the Need for Bold Action to Sustain the Unemployed and Support the Recovery<sup>1</sup>***

Among the various narratives describing the current recession – a housing market bubble, the collapse of the financial sector, and now, the beginning of a recovery – the story around jobs has come through loud and clear: this country is experiencing an unemployment crisis unlike any in nearly 70 years, with record-breaking job loss and extreme spells of unemployment affecting every demographic of worker and job sector. Although recent months have brought positive job growth and other signs of recovery, jobs and hiring have been slow and not nearly at the scale needed in order to ameliorate the worsening trends of long-term joblessness, which grow deeper and more severe every month.

### ***Aid to the Unemployed at a Crossroads***

Despite the record levels of long-term joblessness, Congress's commitment to the long-term unemployed is wavering. In February 2009, the American Recovery and Reinvestment Act put forth a comprehensive set of UI provisions - including funding for two benefit extensions programs (Emergency Unemployment Compensation and Extended Benefits), an additional \$25 per week in all recipients' benefit checks, and COBRA subsidies for unemployed workers - that aimed to keep families afloat while stimulating the economy. Depending on the state's unemployment rate, jobless individuals could receive between 60 and 99 weeks of benefits, combining federal and state programs.

However, since the Recovery Act's provisions originally expired at the end of 2009, Congress has only been able to muster the will to extend this package of provisions three times for a period of one or two months each. In fact in March and April of this year, the provisions were allowed to expire, and then Congress re-enacted them retroactively. Now again in June, Congress has gone into recess without extending the program.

Without Congressional action, the program of federal extended benefits will quickly phase out; workers will be allowed to finish their current tier of benefits, but will not be able to reach the full 99 weeks even if they live in high unemployment states. By the end of June, 1.2 million workers will be cut off jobless benefits, and the number will grow to more than five million by the end of the year. (State by state estimates of this impact are available at [http://waysandmeans.house.gov/media/pdf/111/Impact\\_Delayed\\_Extension.pdf](http://waysandmeans.house.gov/media/pdf/111/Impact_Delayed_Extension.pdf))

While the U.S. House of Representatives voted to continue jobless benefits before the recess, its package dropped the vitally important 65 percent federal subsidy for COBRA health care benefits. A

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report by the U.S. Department of the Treasury indicates that 15% of unemployment insurance recipients were relying on COBRA benefits.<sup>i</sup> If Congress does not renew this assistance, as many as 150,000 workers each month could lose out on the subsidies that they need to be able to afford this coverage. This cut-off of health care assistance combined with statements from members of Congress expressing concerns about the deficit and questioning the need for continuing aid to the unemployed have made it clear that federal aid for the unemployed is at crossroads. The purpose of this paper is to demonstrate that with long-term unemployment so severe, and affecting such a wide swath of the labor force, there remains an immediate and vital need to continue all of the Recovery Act provisions assisting the unemployed for the remainder of 2010.

***With the Unemployment Situation Still Extremely Severe Despite Recent Job Gains, Now is Not the Time to Cut Aid for the Jobless***

Because of cascading job losses starting in 2007, payrolls are now down by nearly 7.4 million jobs even with recent jobs gain. Job losses resulted in a peak unemployment rate of 10.1 percent in November 2009 – the highest in over 26 years. Although the current unemployment rate declined slightly in the beginning of 2010, it has remained at a current level 9.7 percent. This is significantly higher than the 8.2 percent unemployment rate when the Recovery Act was first enacted in February 2009. Moreover, the unemployment rate is expected to remain above 8 percent until 2012.<sup>ii</sup> All told, the number of unemployed workers has nearly doubled over the course of the recession to 15.0 million by May 2010.

Regular state unemployment benefits only last six months (26 weeks). When the job market weakens to the point that unemployed Americans cannot find work within this time frame, Congress has been forced to step in and enact emergency federal extensions of jobless benefits. In May 2010, nearly 6.8 million – or 46.0 percent – had been unemployed for six months or longer. This group of workers, considered to be the long-term unemployed, has skyrocketed to unprecedented levels: by comparison, the previous peak in long-term unemployment was at 26 percent (or nearly 2.9 million people) in 1983, and the current figure far surpasses any levels since this record-keeping began in the late 1940s.

The severity of long-term joblessness is further reflected in its duration: on average, current unemployed workers are without work for 34.4 weeks, or over 8 months. The average duration of unemployment has increased by nearly 110 percent since the start of the recession, and has continued to climb steadily in recent months, despite positive job growth.

**Table 1. Unemployment since December 2007**

	December 2007	May 2010
Unemployment Rate	5.0	9.7
Number of Unemployed	7.7 million	15.0 million
Number of Long-Term Unemployed	1.3 million	6.8 million
Long-Term Unemployed as a Percent of All Unemployed	17.5 percent	46.0 percent
Average Duration of Unemployment, in Weeks	16.6 weeks	34.4 weeks

The primary cause of long-term unemployment is the tremendous shortage of jobs. In order to make up for the jobs lost over the course of the recession, as well as jobs that *should* have been added to account for normal labor force growth, nearly 11 million jobs are needed.<sup>iii</sup> Although certain positive indicators show that job market is finally starting to reap the gains of the recovery in overall demand – temporary

hiring has been positive for the last eight months, and the economy has added jobs for the last five months – the jobs hole is simply too large to expect that millions of unemployed jobseekers will be able to find work in the short term. As it stands, there are nearly 5.6 unemployed workers for every one job opening nationally, indicating that long-term unemployment will continue to be a serious problem that, as the analysis below shows, affects workers across various groups and industries.

***Growth in Jobs Falls Far Short of Levels Needed to Pick Up the Long-Term Unemployed, Making Continued Unemployment Benefits Vital for Jobless Workers and Their Communities***

Just as long-term unemployment cuts across various demographic groups, it also stems from the loss of jobs in nearly all sectors. Over the two-year period starting December 2007, industries such as construction, manufacturing, and wholesale and retail trade, among others, have lost over a million jobs apiece. Recent job growth over the first four months of 2010 has generated employment and hiring in some sectors that have suffered huge losses – professional and business services, for example, gained 172,000 jobs after losing nearly 1.6 million during the prior two years. Sectors such as education and health, which fared well during the recession, have also continued to grow. Notably, some major industries have also continued to lose jobs during 2010, such as construction (-71,000), transportation and utilities (-48,500), information (-24,000), and financial activities (-46,000).

**Table 2. Job Change, by Major Private Industry, from December 2007 - Present**

<b>Sector</b>	<b>Job Change, December 2007 – December 2009</b>	<b>Job Change, January 2010 – May 2010</b>
<b>Construction</b>	(1,795,000)	(45,000)
<b>Manufacturing</b>	(2,192,000)	104,000
<b>Wholesale &amp; Retail Trade</b>	(1,679,900)	64,100
<b>Transportation &amp; Utilities</b>	(376,400)	61,000
<b>Information</b>	(275,000)	(17,000)
<b>Financial Activities</b>	(570,000)	(36,000)
<b>Professional &amp; Business Services</b>	(1,563,000)	152,000
<b>Education &amp; Health</b>	(791,000)	124,000
<b>Leisure &amp; Hospitality</b>	(544,000)	83,000
<b>Other Services</b>	(200,000)	17,000

Although recent growth is a positive sign of economic recovery, the number of new jobs does not nearly fill the hole created by two years of significant job loss. Table 3 shows long-term unemployment by industry of last job as compared to job gains in these workers' former industry of employment. Comparing these makes clear there are simply not enough jobs to restore employment opportunities for job losers. For example, although manufacturing has added about 104,000 jobs in the first five months of 2010, the industry accounted for nearly 829,000 long-term unemployed workers at the end of 2009 (and over 2.0 million of the total unemployed). At this rate of growth, it would take over *three years* to re-employ the long-term unemployed population within this sector. Similarly, the largely white collar professional and business services sector accounted for 669,000 long-term unemployed workers at the end of the year but has only gained 152,000 jobs in the first five months of 2010.

In each and every major economic sector, the story is the same – job growth is not nearly enough to pick up former workers and won't do so for months or years to come. With employment so limited, jobless

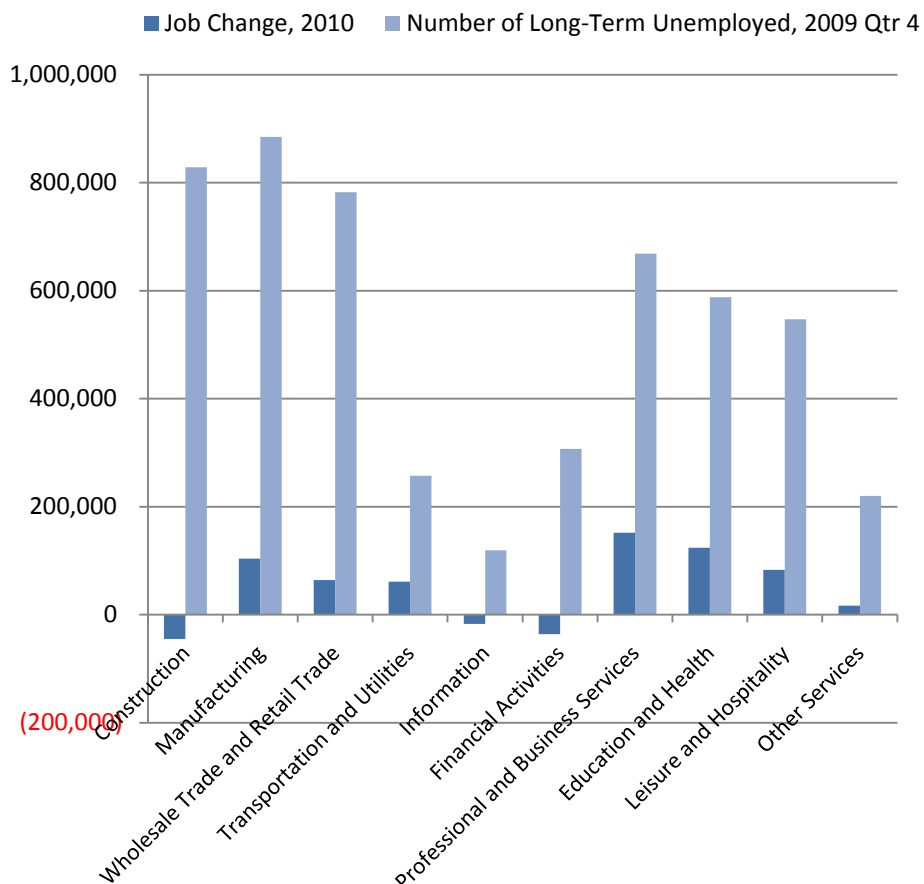
workers need to be able to count on unemployment benefits and health care assistance to tide themselves over until the economy improves enough to increase their odds of finding work again.

**Table 3. Jobs Gained in 2010, Compared to Number of Unemployed and Long-Term Unemployed, by Major Industry Sector**

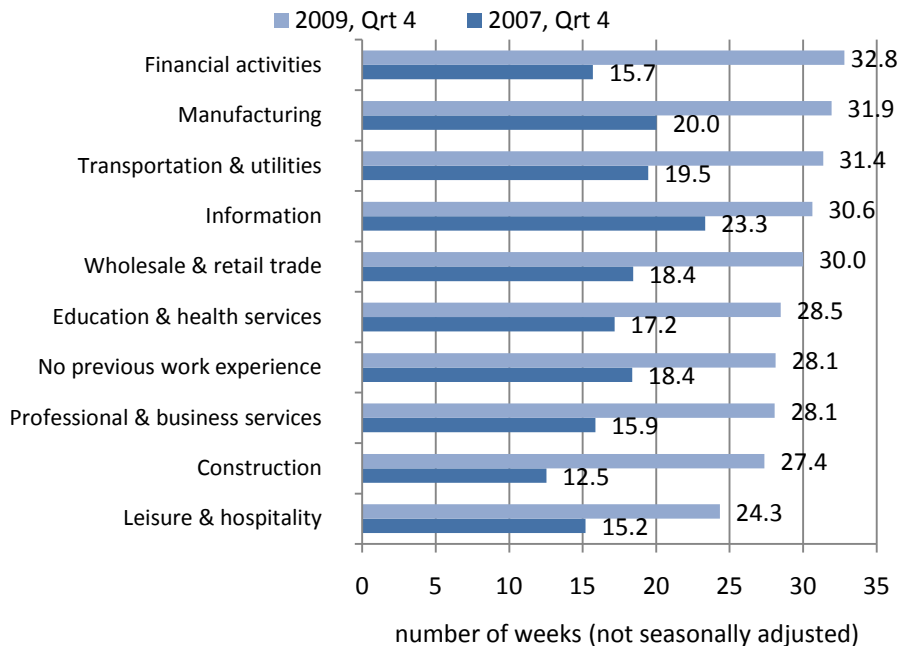
Sector	Job Change, January 2010 – May 2010	Number of Unemployed, 2009 Qtr.4	Number of Long-Term Unemployed, 2009 Qtr.4
Construction	(45,000)	2,085,120	828,789
Manufacturing	104,000	1,876,884	885,173
Wholesale & Retail Trade	64,100	1,955,329	782,361
Transportation & Utilities	61,000	562,364	257,444
Information	(17,000)	268,920	119,141
Financial Activities	(36,000)	688,769	307,103
Professional & Business Services	152,000	1,644,070	668,698
Education & Health	124,000	1,560,639	587,822
Leisure & Hospitality	83,000	1,690,869	547,293
Other Services	17,000	548,980	220,275

These trends signal that levels of long-term unemployment across sectors will remain high for some time:

**Graph 1. Number of Long-Term Unemployed, as of 2009 Qtr. 4, and Jobs Gained in 2010**



**Graph 2. Average Duration of Unemployment by Industry**



In some industries, the average duration of unemployment has doubled over the two years of heavy job loss, contributing to skyrocketing rates of long-term joblessness. An unemployed worker in the financial sector, for example, has been out of work for nearly 32.8 weeks on average, compared to 15.7 weeks at the beginning of the recession. Such prolonged periods of joblessness add yet another barrier for workers seeking reemployment, who are faced with the possible necessity of retraining or searching for work in different industries.

***Long Term Unemployment Has Skyrocketed Among All Demographic Groups***

Over the two-year period beginning in December 2007, the number of long-term unemployed increased nearly five-fold, starting at about 1.2 million during the last quarter of 2007 and reaching nearly 5.4 million over the last quarter of 2009.<sup>iv</sup> While some groups of workers have experienced much more rapid growth in long-term unemployment than others, all have at least tripled in size due to the magnitude of the long-term unemployment crisis.

For example, men currently account for 6 out of all 10 workers who have been out of work for six months or longer. This marks a dramatic increase from the beginning of the recession, when men accounted for slightly over half of the long-term unemployed. The pool of all unemployed has also become more heavily composed of men, although their representation in the pool of long-term unemployed has grown slightly more rapidly.

**Table 4. Demographics of Long-Term Unemployed, 2009 Quarter 4**

	Unemployed	Long-Term Unemployed
<b>Total Number</b>	13,464,182	5,390,999
<b>Gender</b>		
Male	59.8%	60.1%
Female	40.2%	39.9%
<b>Age</b>		
16-24	20.5%	13.9%
25-34	23.6%	22.7%
35-44	21.3%	21.1%
45+	34.6%	42.2%
<b>Education</b>		
Less than High School	18.2%	16.5%
High School Graduate	36.4%	37.5%
Some College	28.7%	29.5%
College	16.7%	16.5%
<b>Race</b>		
White	75.3%	72.1%
Black	17.8%	20.8%
Asian	3.7%	4.3%
<b>Hispanic Origin</b>		
Hispanic	19.0%	17.2%

Workers older than 45 make up the largest share of both the unemployed and long-term unemployed pool, although their representation among long-term unemployed is greater (42.4% compared to 34.6%). Slightly over half of the pool of long-term unemployed is made up of those who have a high school diploma or less, while the number of long-term unemployed with some college has increased more rapidly than other groups in terms of education levels. Long-term unemployment has also affected certain racial groups more than others; Blacks, for example, make up 17.8% of the pool of unemployed workers but 20.8% of the long-term unemployed.

Over the course of the two-year period following the onset of the recession, many demographic groups experienced a three- to five-fold increase among their ranks of long-term unemployed. Men, for example, saw their long-term unemployment numbers increase five-fold. The number of long-term unemployed workers older than 45 has increased nearly five-fold between 2007 and 2009, reflecting the difficulty this group faces when seeking employment in an anemic jobs market where competition for jobs is stiff and a lower probability of retirement translates into fewer job openings. Long-term unemployment among unemployed workers with some college education grew by a factor of 5.3, while those with a college degree increased their level of long-term unemployment by a factor of 5. Other groups, such as Hispanics, saw their long-term unemployed ranks increase by 5.6 over this two-year period.

**Table 5. Increase in Long-Term Unemployment by Demographic Group, 2007 Quarter 4 and 2009 Quarter 4.**

	<b>2007 Long Term Unemployed (LTU)</b>	<b>2009 Long Term Unemployed (LTU)</b>	<b>LTU Population Increased by a Factor of:</b>
<i>Total Number</i>	1,118,541	5,390,999	4.5
<b>Gender</b>			
Male	624,890	3,241,156	5.2
Female	563,651	2,149,843	3.8
<b>Age</b>			
16-24	206,775	751,314	3.6
25-34	233,549	1,223,090	5.2
35-44	267,553	1,139,779	4.3
45+	480,663	2,276,815	4.7
<b>Education</b>			
Less than High School	236,208	889,458	3.8
High School Graduate	436,084	2,021,511	4.6
Some College	301,504	1,590,569	5.3
College	214,745	889,461	5.0
<b>Race</b>			
White	783,908	3,887,153	5.0
Black	304,596	1,120,743	3.7
Asian	53,616	229,920	4.3
<b>Hispanic Origin</b>			
Hispanic	165,565	925,390	5.6

## ***A Weak Job Market and Severe Long-Term Unemployment Require a Strong Safety Net***

As the above analysis shows, long-term unemployment has reached unprecedented levels beyond those experienced during any previous recession and affecting every corner of the labor force. Unemployed workers are remaining out of work longer than ever before, and despite emerging signs of recovery, the long-term unemployment crisis has only worsened. Recent job growth is not an adequate answer for the long-term unemployment crisis: the potential for a jobless recovery means that this group of workers, already faced with significant challenges in seeking employment or becoming re-employable, may be left further behind.

The breadth of the unemployment crisis makes Congressional action on federal unemployment provisions, including COBRA subsidies, all the more urgent. Not only do federal extensions keep families afloat during periods of unemployment, they also stimulate local economies that have been hard hit by job loss. In fact, the Congressional Budget Office estimates that every dollar of UI benefits results in \$1.90 of economic activity, making unemployment insurance one of the most effective forms of short-term stimulus.<sup>v</sup> Without Congressional action and a commitment to keeping a strong safety net in place for the rest of the year, our economic recovery will be severely jeopardized, and both the employed and unemployed will suffer.

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<sup>i</sup> “COBRA Insurance Coverage Since The Recovery Act: Results From New Survey Data,” U.S. Department of the Treasury, Office of Economic Policy available at <http://www.ustreas.gov/offices/economic-policy/cobra%20final%20report.pdf>

<sup>ii</sup> “The Budget and Economic Outlook: Fiscal Years 2010 to 2020.” Congressional Budget Office, January 2010.

<sup>iii</sup> See Economic Policy Institute, “Large jump in private-sector jobs, but unemployment increases to 9.9%.” May 2010 [http://www.epi.org/publications/entry/jobs\\_picture\\_20100507/](http://www.epi.org/publications/entry/jobs_picture_20100507/)

<sup>iv</sup> Demographic and industry information is based on Current Population Survey data from the Bureau of Labor Statistics. At this time, 2010 data regarding demographics and industries of this particular group are not available from the BLS. Analysis was done using the latest calendar quarter of data available (2009.4), comparing it to the same period two years earlier.

<sup>v</sup> “Policies for Increasing Economic Growth and Employment in 2010 and 2011.” Congressional Budget Office, January 2010.