Who are the Long Term Unemployed in this Recession and What can be Done to Help Them? Executive Summary

Policy analysts have noted that the current recession is different, with more college educated people losing jobs and slow job growth. Analyses in the media offer conflicting claims about who is hardest hit by the recession, as well as whether economic stimulus plans are working. This report analyzes publicly available data from the federal government's Current Population Survey (CPS) to look at who has lost jobs and who is having the hardest time finding work again. Statistics are combined with vignettes of experiences of unemployed people and the workforce development system. The report examines trends starting before the current recession and continuing through first quarter 2011.

Most tables compare data series from 2009 to 2011 for the prime working population of 25 to 64 years. The report analyzes the impact of age, education, gender, disability and type of occupation on unemployment rates, labor force participation and employment to population ratio. Final sections summarize current data on self-employment and provide suggestions to ameliorate unemployment.

General Trends in the Experience of those Unemployed in the Current Recession

Looking at unemployment and labor force experience across age, education, gender, disability and types of employment suggests several general trends during this recession:

- **Employers shed older workers and were reluctant to hire them again.** Across all categories, people 55-64 had the highest unemployment rates and the longest durations of unemployment. For the less educated, Blacks/African Americans, and the disabled, loss of work in greater percentages started at age 45. Older workers with long bouts of unemployment were increasingly likely to drop out of the labor force by 2011.

The percentages of those unemployed more than 27 weeks in 2009 to 2010 shows that nearly 40% of people 25-34 had been unemployed more than six months by November 2010 as compared with 60% of those 55-64. Problems finding work for older workers held true across gender, race and ethnicity. Men and women showed almost no differences in duration of unemployment. Blacks/African Americans and Asians had longer spells of unemployment than Whites across all age groups. By November 2010, nearly 70% of Asians 45-54% had been unemployed more than 6 months. Fifty-five percent of Whites and over 60% of Blacks/African Americans, Asians and Hispanics/Latinos[1] between 55 and 65 had been unemployed over 6 months. Hispanics/Latinos in all other age groups found work more quickly than people in other racial or ethnic groups.

Recent studies of income insecurity and the choices of older workers shows that as these established workers are unable to find comparable work in their fields again, this recession could mean strains on the retirement system. Increasing group of workers find no choice but to retire early or dip into their retirement savings to live.[2] If many take lower paid work below their qualifications, they are likely to contribute less to retirement during an era when both employers and government increasingly shift retirement contributions onto individuals. Lower wages for middle aged and older workers could also lead to lower contributions to the social security system just as the baby boom population retires.

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[1] The term to identify peoples from Spanish speaking countries and territories is a topic of much debate. As in my other publications, I use Hispanics/Latinos – combining the two most common terms used by people from this group.

[2] See Hayes, J and Hartmann, H (2011) *Women and Men Living on the Edge: Economic Insecurity After the Great Recession.* Washington DC: IWPR. and Heidkamp, M, Corre, N and Van Horn (November 2010) *The "New Unemployables" Older Job Seekers Struggle to Find Work During the Great Recession.* The Sloan Center on Aging and Work Issue Brief 25. Boston: Boston College. http://www.bc.edu/agingandwork, 14

Further middle aged parents facing income insecurity report saving less for their children's college education, potentially impacting on education for the next generation.[3]

- **Younger workers, those entering the workforce for the first time, and people with disabilities re-entering the labor force had significant difficulty finding work.** This suggests that employers were reluctant to hire people without recent or previous relevant experience. Unemployment and employment ratios for 2009 show some similarities across education levels, but also clear differences between people who have attended college and those without higher education. Except for BA and MA holders, the highest unemployment rates were for people near the beginning of their careers, indicating that last hired may have been first fired, that people entering the workforce for the first time had trouble finding work, or that employers sought workers with some experience.
- **Unlike many previous recessions, higher education did not protect people from unemployment.** While people without a high school diploma or only a high school diploma had higher unemployment rates than those with post-secondary education, with unemployment rates doubling from before the recession, the percentage of people with associate degrees, college and above unemployed nearly tripled during this recession. Further, those with associate degrees had significantly higher levels of unemployment for the duration of the recession.

Recent CPS data shows that, while a greater percentage of people with lower education become unemployed, many with advanced education and strong skills lose their jobs and have trouble finding new ones. Nearly the same percentage of people with less than high school educations worked in 2000 and 2010, while 5% fewer of those with college educations held jobs in 2010 than 2000, and 7% fewer of those with some college were employed. These comparisons indicate that the current recession has meant significant job loss for people with college educations, with proportionally more impact on the middle and upper middle class than in previous economic downturns.

Comparing unemployment rates before and after the recession shows the mixed impact of education on unemployment. As in previous recessions, the already high unemployment rates for people without a high school diploma doubled and increased three fold for those with only a high school diploma. However, the group that experienced the greatest proportional increase in job loss was people with an associates degree or some college. The unemployment rate in 2010 of 8.44% for people with some college, but less than a BA, was over three times the rate of less than 3% in 2000. People who had completed a college education or advanced degree fared almost as badly, going from near full employment levels of less than 2% in 2000 to 4.74% in 2010, or nearly three times pre-recession unemployment levels.

- **Economic trends mattered more than gender in determining who lost jobs in this economy.** This analysis found that men had higher unemployment rates from 2009 through the first quarter of 2011 than women, primarily because industries generally employing more men experienced greater economic upheaval while traditionally female occupations like education have so far been shielded from significant layoffs due to stimulus funds. However, patterns are more complex when looking closely at age and education.

Occupations experiencing high unemployment were in fields associated with housing, banking, hospitality and manufacturing. Social welfare support positions began to disappear as the recession led to lower donations and less funding for non-profits, and is likely to deepen as government at all

[3] See Hayes, J and Hartmann, H (2011) *Women and Men Living on the Edge: Economic Insecurity After the Great Recession.* Washington DC: IWPR

levels lays of workers affiliated with safety net programs.[4] Unemployment in these sectors of the economy included everyone from managers to front line workers. Even in sectors of the economy experiencing less unemployment, companies shed people working in assistant positions, from secretaries and paralegals to health care and social service aids, crossing guards, and lab technicians. Some of these changes may reflect permanent changes in work patterns rather than the recession.

Comparing men to women shows that women had lower unemployment rates until examining people with professional degrees and PhDs, where unemployment levels for women exceeds that of men. Some of the differences are due to which sectors of the economy lost jobs during this recession and which have so far been shielded from job loss by recovery act stimulus funds. Economic downturns in construction and manufacturing meant significant unemployment in many predominantly male occupations from construction trades to architects and engineers. Stimulus funds for highway projects and some energy efficiency and conservation projects have put more men in these fields to work. Recent GAO reports indicate that 15% of the Recovery Act funds went to transportation projects and another 10.5% to energy and environment projects. While more than 40% of highway funds had been spent by the end of July 2010, most energy projects were in the early stages.[5]

In contrast, jobs for many women with education above the high school level have been relatively insulated so far because the bulk of stimulus funds have gone to education initiatives. The GAO reports that over 35% of Recovery Act funds went to education, with the majority of dollars used to retain teachers and other positions in local schools. After these funds are used up, education and other local and state government positions may disappear as budget cuts across all levels of government hit hardest on programs for human needs and education that employ more women than men, unemployment rates for college educated women are likely to increase significantly. While some rebound in the service sector and hospitality have brought lower educated women into the economy, their ability to successfully find work remains slim. Both of these potential trends suggest that cuts to government budgets may significantly increase unemployment for women at all levels of education, and mean that those with the least income have even fewer places to turn for support.

- **Stimulus funding saved jobs while it lasted, but the end of stimulus dollars is likely to create additional unemployment.** Perhaps the first indicator of the role of stimulus dollars comes when looking at the low unemployment among people involved in road construction during 2010, followed by nearly 48% unemployment for people working in road paving positions by first quarter 2011. While unemployment for teachers remained low, news reports of layoffs as the stimulus funds end suggest that unemployment will rise in these previously protected positions. The same is true for local and state government employees. As these layoffs commence, the previously lower unemployment rate for women than men may reverse.
- **Self-employment and opening small businesses is less of an option in this recession than in previous economic downturns.** The report summarizes recent reports on self-employment that note that while self-employment increased during the recession, many small businesses found less work, worked part-time and were unable to hire workers given economic conditions.[6] Lack of credit impeded self-employment and business development**.**

[4] See Giving USA Foundation (2011) *Giving USA 2011: The Annual Report on Philanthropy for the Year 2010.* Retrieved from www.GivingUSAreports.org for discussion of the impact of the recession on human services non-profits. Numerous reports document increasing need and decreasing funding for basic needs through reports of increased use of food pantries and other emergency services. Hayes and Hartmann cited above also includes similar data.

[5] See GAO Recovery Act reports http://www.gao.gov/recovery/ for details on recovery act allocations and spending.

[6] See Hipple, Steven (2010) Self-Employment in the United States. *Monthly Labor Review,* September.

Taken together, these patterns suggest that employers shed any group of workers, and then were reluctant to hire potential employees, that were perceived to be more expensive or considered less productive than their ideal workforce. This included older workers who generally use more health care benefits and have higher salaries, the disabled who are often believed to cost more due to accommodations and health costs, and people new to the workforce like younger workers and recent veterans who may require training. Employers were also unlikely to consider employees different from themselves, with women having a harder time finding work in the professions while men in social services faced higher unemployment rates and longer bouts of unemployment. Since veterans benefits proved little incentive to hire returning soldiers and those tracking unemployment for older workers describe rampant age discrimination, current incentives and legislative policy seems to yield little results among employers at present. Funding like stimulus dollars does seem to make a difference, however. This may suggest that solutions to unemployment that worked in previous recessions may need to be retooled or expanded in order to work in this economy.

Suggestions for Policy

These statistics suggest that re-employment programs need to focus both on solutions for people who have completed college or more as well as continued programs for those with less education. The fact that those with an associates degree or some college experienced significant job loss shows that focusing training dollars primarily on short term programs like certificates or associate degree programs may simply add to this pool of workers struggling to find jobs.

Job losses for older workers and challenges they face finding work suggests that states and the federal government need to develop a series of incentives and policies encouraging companies to hire and retain their seasoned workforce. Given that a significant proportion of the unemployed already have completed college and advanced degrees, focusing on training or retraining will do little for a significant portion of the unemployed. Instead, incentives like tax credits and health care cost supports for employers, combined with stronger enforcement of age discrimination statutes may make a difference for this group.

Taken together, this brief outline of policy strategies suggests that some of the standard approaches already tried by government in this recession need to be retooled or expanded, and some other strategies should be tried as well. Many of these are already proven techniques, which could be applied to improve the economy and help put people back to work:

- **Tax incentives to hire older workers combined with educational campaigns to encourage hiring and discourage discrimination.** This recession has hit workers over age 54 the hardest and these workers are having the most trouble finding work again, with age discrimination starting at 45 for some occupations. While tax incentives for workers over age 62 have been proposed, I suggest legislating tax incentives for companies hiring anyone over age 50. In order for tax incentives to work, paper work needs to be simplified and programs need to be combined with public education campaigns to promote their use. Wage insurance for workers taking lower paying jobs, particularly older workers, should help these workers maintain their retirement and other family obligations.[7]

  However, none of these initiatives will succeed if employers continue to see older workers as competition for their younger staff or a burden on their pension and health care systems. Since older workers are most likely to lose their jobs, public education campaigns against age

[7] See http://www.whitehouse.gov/the-press-office/2011/09/08/fact-sheet-and-overview for an overview of the proposed jobs legislation.

discrimination and increased enforcement of current age discrimination statutes are also necessary to curb current hiring and lay off trends.

- **Tax incentives and education campaigns to encourage hiring people with disabilities.** People with disabilities have the lowest labor force participation rates of any group of potential workers, even though many would prefer to support themselves through employment. ADA accommodations and the nature of disability are perhaps the least understood issue among U.S. employers. While some education campaigns currently exist for employers, education for the general public and employers on the full range of disabilities occurs infrequently. While tax incentives to hire people with disabilities have been proposed, they should be widely available and advertised to encourage employment of this population.
- **Tax incentives and on-the-job-training (OJT) programs to employ returning veterans.** My earlier research on people using public assistance systems found that many veterans were unable to find work and had training in the military that did not translate to civilian settings. This study indicates that recent veterans have high unemployment rates. These numbers are likely to increase as the number of combat soldiers returning to civilian life as part of planned troop withdrawals rises. Given that current veteran's preferences and incentives appear not to be working, creating new tax incentives and on-the-job training programs, and effective GI bill college opportunities, appear necessary to move this population into the civilian workforce.
- **Tax supports for increased health care costs for more expensive workers.** Some research suggests that employers are cautious about hiring or keeping older and disabled workers because they think they will cost more in health benefits. While most employer costs for health insurance are already deductible, adding some form of tax incentive related to health costs may improve employer willingness to hire workers perceived to use more health care.
- **On-the-job training incentives for workers entering or re-entering the workforce.** On the job training usually includes some form of payment or tax rebate for employers who hire workers with limited experience or no recent work experience for a given position and provide training. Effective OJT programs require employers to keep successful trainees on the job for at least a year after the training program ends. Research on training systems suggests that OJT, or OJT combined with formal classroom training, is the most effective form of workforce development over time. Since younger workers, returning veterans, disabled people re-entering the workforce and the long term unemployed all appear to have extra difficulty finding work, creating OJT opportunities in a wide range of fields may prove effective in moving people into the workforce.
- **Targeted training for a wide range of occupations with expanding employment.** Targeted training generally involves a community college or training provider working directly with an employer or group of employers to develop training programs for occupations needing workers that combine training created to meet the specific needs of the job and some form of OJT. Graduate certificate programs for people who already have completed college can also serve as targeted training if employers are involved in design and implementation. While targeted training has generally proven more successful than generalized training, the most successful targeted training positions include an OJT component and an employer guarantee that they will hire successful trainees on completion of the program. This administration has encouraged training more generally with Pell grants and some funds for its priority occupations. However, to effectively address the mismatch between employer needs and employee qualifications, creating greater funding and promoting true targeted training initiatives would be most effective.

- **New Strategies for Work Search Assistance.** A wide range of research suggests that people find work through connections and in some cases job search and job placement assistance. While the currently proposed jobs bill calls for additional assistance for the long term unemployed through the one stop system, it is likely that understaffed state employment services are more likely to simply require verification of job searches by the unemployed rather than offer useful assistance. This is currently occurring in Maryland's extended unemployment system. The one stop systems are generally self-service centers with few staff equipped to provide job search guidance and limited formal placement systems. Further, most job development systems are designed for blue collar or service sector workers, not the large number of college educated workers among the current long term unemployed. In order to create effective work search assistance I suggest:
  - **Emphasizing increased links to employers and job placement through funding both public and non-profit job placement services.** This may include contracts with recruiters and employment services in the private sector as well as fostering stronger connections to employers by the state employment systems.
  - **Creating mentoring and social network systems to assist people in connecting to employers with jobs.** Given that most people find jobs through connections, assisting those out of work to expand their connections by fostering connections to working professionals in their fields may significantly assist in successful job placements, especially for college educated professionals. This would involve job search and placement systems recruiting volunteers from the private sector who are currently working to provide connections, resume review and information on potential openings for their peers who have lost work. This networking may serve to break down the current assumptions among employers that older professionals are not appropriate for openings by creating more personal connections to those working in the field.
- **Continue stimulus initiatives and expand them to address industries that continue to contribute to the weakened economy.** Current stimulus programs have succeeded in providing jobs in construction and infrastructure development as well as maintaining jobs in education. While additional funds to create jobs or pay for public works may face hurdles in the current congress, job creation initiatives can put people back to work, create needed infrastructure upgrades, and improve the weakened economy if targeted properly. Given analysis of industries with high unemployment and current economic indicators and government priorities, I suggest the following priorities:
  - **Continued support for education.**
  - **Continued infrastructure improvement support.** Numerous studies report deteriorating roads, bridges, schools and public buildings as well as needs for expanded transportation. Funding these projects could continue to improve employment for architects, planners and their staffs as well as construction workers.
  - **Fix the mortgage modification programs and fund neutral contractors to implement them, with priority given to hiring the unemployed for those positions.**

Economic indicators suggest that continued problems with the housing industry, high foreclosure rates, and consumer credit issues related to mortgage lending continue to impact the entire economy. Reports on federal mortgage modification programs show significant problems related both to implementation of the programs by the industry itself and the design of the program. This report suggests that professionals and clerical staff in the lending industry have been particularly hard hit by this recession.

Using data driven analysis to understand the limited impact of the current home modification programs and the full range of borrowers in need of assistance would be required before creating any new programs. However, if government could create a program that offered modifications to a full range of borrowers in need, run through a government entity focused on consumers rather than the industry like HUD or the new Consumer Financial Protection Bureau and implemented by proven contractors rather than the industry itself, government could both begin to fix the housing crisis and address unemployment. Targeting employment in this program toward unemployed people with related experience could address the unemployment issue. Perhaps this program could be funded either through financial industry bail out profits or charges to the industry which has so far failed to successfully run modification programs.

  - **Continue funding for human needs at pre-recession levels.** Funding for human needs such as welfare, training, youth, the elderly and related programs takes up roughly 2% of the federal budget, yet these programs are the first to be cut in a recession. 2011 budget negotiations follow the same patterns. Yet these programs are proven to fill genuine needs that years of research have shown can not be provided by the private sector. In fact, studies of non-profits show them cutting back as both their private and public funding sources dwindled with the poor economy. Funding recreation, food, clothing and health care also reduces costs for police and prisons made necessary as crime increases in poor economies. Returning funds for these initiatives to pre-recession levels and targeting employment toward the unemployed would both improve employment and yield long term economic dividends in many ways.

- **Fix consumer and small business credit through initiatives that address current economic trends.** A wide range of economic indicators and reports suggest that limited lending and tight credit policies have hurt both consumers and multiple sectors of the economy. This report suggests that self-employment is limited by current credit policies as well. Analysis suggests that not only are financial institutions refusing to lend, with encouragement from government they have returned to credit policies from the 1950s and earlier. These include only lending to people with stable jobs and requiring 20% home equity or down payments for housing loans. In a job market where an increasing percentage of the workforce is employed in small firms and change jobs often, where more workers are employed part time or self-employed, credit policy that limits credit to an increasing portion of the population will lead both to limited job creation and lower consumption.

While I would not advocate returning to the policies that lead to the credit crisis, new policy needs to reflect current economic realities. Using current labor market, housing costs and economic data on what constitutes low risk borrowers to create policy would go a long way toward successfully revamping the credit system. Providing incentives for financial institutions to offer low-interest loans of all forms to borrowers with strong credit histories regardless of income source and income to asset ratio could both increase consumption and pave the way for more successful self-employment and small businesses.

These policy suggestions may provide some improvement in employment, but none of the tax credits and other employer targeted mechanisms will work if business confidence does not improve. Addressing these issues are beyond the scope of this report, but impact on any initiative to increase hiring.