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LONG-TERM UNEMPLOYMENT IN THE UNITED STATES

EXECUTIVE SUMMARY

There have been a number of promising signs in the labor market in recent months. The unemployment rate has been below 8% since September 2012, down from the recession high of 10% in October 2009. The most recent data showed it was at 7.6%, the lowest rate in four years. Private-sector employers have added more than 1.2 million jobs over the past six months, and hiring has been widespread throughout the private sector, with nearly all industries adding jobs over the past year.

While the labor market is healing from the Great Recession, the high rate of long-term unemployment continues to pose a significant challenge for workers and the economy. Nearly 40% of the 12 million unemployed workers have been out of work for more than six months and over one quarter of unemployed workers have been jobless for a year or more. The most recent data show there are just over three unemployed workers for every job opening. That ratio has fallen significantly from its peak of nearly seven workers per opening in July 2009, but is still above the pre-recession ratio of fewer than two workers per opening.

This report examines the demographics of the long-term unemployed and looks at differences in long-term unemployment rates across states. It shows that long spells of unemployment reduce the likelihood of finding a job, leave lasting scars on workers, and require that policymakers take actions to create jobs, help workers build new skills and assist workers in targeting their job searches to opportunities aligned with their skills.

While long-term unemployment rose for all groups during the recession and has come down from its peak for nearly all since the recession, some workers have been hit especially hard by long durations of unemployment.

Report highlights include:

- Younger workers (16-24) have the highest long-term unemployment rates—the only age group with rates exceeding 4% in 2012. This high long-term unemployment rate is driven by young workers' high overall unemployment rate, which far exceeds that of other workers.

- Older workers (45-64) have relatively low long-term unemployment rates, but make up a disproportionately high share of the long-term unemployed, as they tend to remain in the labor force seeking work, rather than exiting the labor force for additional training or education.

- Black and Hispanic workers have seen their long-term unemployment rates fall between 2010 and 2012, but progress has been slower than for other racial and ethnic groups.

- More-educated workers are less likely to face long-term unemployment than their less-educated peers. Workers with at least a bachelor's degree now face a long-term unemployment rate of 1.8% compared to 5.9% for those without a high school diploma.

- Construction workers experienced the highest percentage point increase in long-term unemployment during the recession. The long-term unemployment rate in the construction sector remained at 4.5% in 2012. As housing has recovered, nearly 170,000 jobs have been added in construction over the past six months.

The report also finds that workers are staying attached to the labor force longer. Unemployed workers have increased significantly the length of time they search for work before either finding work or dropping out of the labor force. Unemployed workers searched for 38 weeks before leaving the labor force in 2012 compared to 19 weeks in 2007.

States also have experienced widely varying unemployment and long-term unemployment rates as they have recovered from the recession. Eight states and the District of Columbia have long-term unemployment rates at or above 4%. On the other end of the spectrum, twelve states show a long-term unemployment rate below 2%. These states with relatively low long-term unemployment rates enjoy lower than average unemployment rates, relatively healthy manufacturing and construction sectors and are, for the most part, located in the Plains/Midwest.

The persistent high long-term unemployment rate poses a risk to the economic well-being of millions of unemployed workers who continue to search for work and to the broader economy which risks diminished contributions and earnings from these workers for many years to come. There are a number of actions policymakers can take to improve the employment prospects of the long-term unemployed and prevent cyclical unemployment from becoming structural employment. These include:

- Policies that promote economic growth and job creation will increase the odds that the unemployed, and long-term unemployed, return to work.

- Smart investments in workforce training programs that target expanding sectors of the economy can help unemployed workers improve their job prospects.

- Efforts to modernize the community college system can ensure that enrollees are counseled on courses of study that are most likely to prepare them for employment in growing occupations or industries in their local areas.

- Job search programs that focus on opportunities aligned with the unemployed workers' skills can help reduce the amount of time it takes to find a job.