**CHAIRMAN KEVIN BRADY**

**JOINT ECONOMIC COMMITTEE**

**APRIL 24, 2013**

***Long-Term Unemployment:***

***Consequences and Solutions***

The Joint Economic Committee is operating during this Congress with both the Chairman and Vice Chair selecting hearing topics.  I congratulate Vice Chair Klobuchar for selecting today’s topic: *Long-Term Unemployment*.  This is an acute problem for our country, and I’m confident that today’s hearing will be a bi-cameral, bi-partisan search for solutions.

The United States suffers from a growth gap.  This recovery is the weakest since World War II.  Compared with an average post-war recovery, our economy is missing 4.2 million private sector jobs and $1.3 trillion in real GDP. Every American is short nearly $3,000 in real disposable income and since the recession bottomed out, more Americans have been forced onto food stamps than have found a job.

Moreover, many economists fear that our anemic recovery has created a ‘new normal’—a reduced potential for economic growth in the future.  The Congressional Budget Office (CBO) recently lowered its estimate for potential real GDP in the future by one percentage point to 2.3 percent.

One percent may not seem like much, but its consequences are huge over time.  Our economy would be $31 trillion smaller in 2062, and the Treasury would collect $97 trillion less in tax revenues over the next half-century.

The growth gap is a major contributor to the significant problem of long-term unemployment.  While the official unemployment rate has fallen from a cyclical high of 10.0 percent in October 2009 to 7.6 percent in March of this year, this improvement is deceiving.

Much of this improvement is due to workers leaving the labor force.  The labor force participation rate has fallen from 66.0 percent at the start of the recession in December 2007 to 63.3 percent last month - a low not seen since Jimmy Carter was president.  Without the decline in the labor force participation rate since President Obama took office, the unemployment rate would have actually increased to 11.0 percent.

The CBO expects the official unemployment rate to remain above 7.5 percent through 2014, which would be the sixth consecutive year with the unemployment rate exceeding 7.5 percent, and the longest period of high unemployment in the past 70 years.

According to the President’s recently released budget, the unemployment rate will not return to its pre-recession levels before 2023.  Let me repeat that: according to the White House it will take at least a decade before America’s unemployment rate returns to its level before the recession.  That’s more than disheartening.

One of the characteristics of our weak labor market is a very long average period of unemployment for workers who lose their jobs.

The average number of weeks for unemployment is currently 37.1—very close to the all-time peak of 40.7 weeks in November and December of 2011.  In contrast, the previous peaks in the average number of weeks of unemployment were much shorter:  16.9 weeks in June 1976 after the severe 1973-75 recession, and 21.2 weeks in July 1983 after the equally severe 1981-82 recession.

According to Dr. Janet Yellen, vice chairman of the Board of Governors of the Federal Reserve System, three million Americans have been looking for work for one year or longer, comprising one quarter of all unemployed workers.  Long-term unemployment not only causes economic distress but may cause deterioration in workers’ skills and the prospects for future jobs and earnings.

Worse still, those categorized as long-term unemployed mask a larger problem because the category excludes discouraged workers, marginally attached workers, and those working part-time for economic reasons.

Policymakers should address the problem of long-term unemployment in two ways.  First, this Committee has shown the close relationship between new jobs along Main Street and business investment in buildings, equipment and software. Washington must resolve the policy uncertainty that has deterred job-creating business investment during this recovery.

This means enacting pro-growth tax reform; giving the Federal Reserve a single mandate for price stability; gradually bringing our federal budget into balance by reforming our unsustainable entitlement programs; returning common sense and balance to our regulatory process; and opening new markets around the world for American exports.

Second, we must identify structural problems with our labor market that make some unemployed workers difficult to re-employ— even if our economy were booming.  In particular, we must identify whether a significant gap has emerged between the skills that some of the long-term unemployed possess and the skills that employers are seeking.

Congress funds numerous job training programs.  Some appear to be working more successfully than others.  Let’s identify the programs that succeed, fund them, and then save taxpayer dollars by eliminating the inefficient and wasteful programs.

Our witnesses include three noted economists: Dr. Harry Holzer, Professor of Public Policy at Georgetown University; the Honorable Keith Hall, former Commissioner of the Bureau of Labor Statistics; and Dr. Kevin Hassett, Senior Fellow and Director of Economic Policy Studies at the American Enterprise Institute.  Our other witness in the field is Mr. Randy Johnson, Executive Director of Workforce Development, Inc.

With that, I look forward to their testimony.