

# **Long-Term Unemployment and the 99ers**

**An Emerging Issues Report from the**



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## Long-Term Unemployment and the 99ers

### The Issue

Long-term unemployment has been the most stubborn consequence of the Great Recession. In October 2011, more than two years after the Great Recession officially ended, the national unemployment rate stood at 9.0% , with Connecticut’s unemployment rate at 8.7%.<sup>1</sup>

Americans have been taught to connect the economic condition of the country or their state to the unemployment rate, but the national or state unemployment rate does not tell the real story. Concealed in those statistics is evidence of a substantial and challenging structural change in the labor market. Nationally, in July 2011, 318% of unemployed people had been out of work for at least 52 weeks. In Connecticut, data shows 37% of the unemployed had been jobless for a year or more. By August 2011, the national average length of unemployment was a record 40 weeks.<sup>2</sup>

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Many have been out of work far longer, with serious consequences. Even with federal extensions to Unemployment Insurance (UI), payments are available for a maximum of 99 weeks in some states; other states provide fewer (60-79) weeks. Millions of Americans—known as 99ers—have exhausted their UI benefits, and their numbers grow every month. By October 2011, approximately 2.9 million nationally had done so. Projections show that five million people will be 99ers, exhausting their benefits, by October 2012. The table below shows similar data for Connecticut and The WorkPlace’s home region of Southwestern Connecticut.<sup>3</sup>

Current and Projected 99ers in Connecticut and SW Connecticut			
	People with Exhausted UI Benefits, May 2010-Oct 2011	People Exhausting UI Benefits Weekly	People Exhausting UI Benefits by June 2012
State of Connecticut	60,826	550-650	78,000
SW Connecticut	11,338	100-125	15,000

Source: CT Department of Labor

The WorkPlace has examined the data on long-term unemployment, discussed its causes and effects with area employers and job seekers, and developed a pilot program called Platform to

<sup>1</sup> U.S. Bureau of Labor Statistics; CT Department of Labor

<sup>2</sup> U.S. Bureau of Labor Statistics; CT Department of Labor; National Employment Law Project

<sup>3</sup> U.S. Bureau of Labor Statistics; CT Department of Labor

Employment (P2E) to put 99ers back to work. This white paper presents overviews of both the national situation and The WorkPlace's response to the challenges of the long-term unemployed.

## The National Situation

Long-term unemployment rates following the Great Recession are significantly higher than those of the previous decades. The U.S. Department of Labor defines long-term unemployment as 27 weeks or longer. The percentage of unemployed people without a job for at least 27 weeks had not exceeded 26% since World War II—it was 43% in November 2011. For the second quarter of 2007, before the recession began, 9.5% of the unemployed had been out of work for 52 weeks or more. As noted above, the rate in July 2011 was 31.8%. 99ers are setting unacceptable records. In the June 2011 Employment Report, the number of 99ers exceeded 2 million for the first time since being tracked by the Bureau of Labor Statistics.<sup>4</sup>

For the unemployed, the main emergency resource is Unemployment Insurance (UI) benefits. The length of time one is eligible to collect UI benefits varies from state to state. Most states provide 26 weeks. The federal government provides an extra 34-53 weeks through the Emergency Unemployment Compensation (EUC) program enacted temporarily in 2008. In some states with cooperative unemployment laws and high unemployment rates, the Extended Benefits (EB) program provides another 13-20 weeks. The exact number of weeks available through EUC and EB depends on the state's unemployment rate. If an unemployed worker receives the maximum benefits from all three programs, s/he is eligible for 99 weeks. Anyone who has exhausted their eligibility, no matter how many weeks were available, is considered a 99er.

For the long-term unemployed, even these benefits are under threat. Some states are reducing the base number of weeks people are eligible for UI from 26 to 20. Budget issues in Washington D.C. could derail renewal of the extended federal benefits, which are scheduled to expire at the end of December, 2011 (pending further budget negotiations).

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## Causes of Long-Term Unemployment

Unemployment can have several causes, including a downturn in the economy. The long-term unemployment following the Great Recession, however, shows many signs of being the result of changes in the labor market's structure. The Bureau of Labor Statistics has even changed the

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<sup>4</sup> U.S. Bureau of Labor Statistics; David Leonhardt, "For Those With Jobs, a Recession With Benefits," New York Times, August 10, 2010; Michael Thornton, "Millions of Long-Term Unemployed Are Living Desperately on the Edge," Rochester Unemployment Examiner, July 22, 2011

duration a person can be counted as unemployed. Before February 2011, someone without a job for two years was assumed not to be job hunting and no longer included as unemployed—because one is only considered unemployed while actively seeking work. Now the maximum length one can officially be unemployed is five years. In other words, the Bureau of Labor Statistics no longer assumes that job hunters will find a position within two years or quit trying. They are allowing for the possibility of much longer periods of unemployment among people who want to work.

It is true that the American economy is not generating enough jobs. Some employers, however, report difficulty finding employees with the necessary skills. The low number of open jobs and the lack of workers prepared to fill them reflect an array of labor market changes.<sup>5</sup>

On average there are more than four unemployed workers for every available job.

Changes in the **labor force** include:

- Job requirements are higher, creating more competition for highly skilled workers but decreasing demand for others.
- The workforce has aged with many consequences. Unemployment rates among workers aged 55 and over have been at record highs.<sup>6</sup> Employers tend to perceive that older workers tend to have higher salary demands, higher health care costs, and lower technology skills—though these perceptions are debatable. At the same time, seniority is becoming less important in determining who keeps their jobs. A high proportion of 99ers are workers aged over 55, because these perceptions increase the difficulty of reentering the workforce.
- A large supply of poor performers. In the bottom-line economy, less productive workers are fired first and have the most difficulty finding a new job. In a vibrant economy with a low unemployment rate, marginal workers find employment more easily than in the post-recession years.

Changes in the **job market** include:

- Many of the jobs lost were in declining industries and are unlikely to return. Growing industries have not produced new jobs at the same rate.
- The loss of jobs has been particularly acute in the mid-wage levels. The National Employment Law Project estimates that, from early 2008 to spring of 2010, 60% of the jobs lost were in mid-range occupations.<sup>7</sup>
- Globalism has made it easier to move jobs overseas.
- Technology is replacing jobs, such as support roles, so fewer employees are needed.

<sup>5</sup> U.S. Bureau of Labor Statistics; Philly.com, “DN Editorial: Unemployed? Don’t Apply,” August 17, 2011

<sup>6</sup> Richard W. Johnson and Corina Mommaerts, Urban Institute Retirement Policy Program, “How Did Older Workers Fare in 2009,” March 2010.

<sup>7</sup> Anastasia Christman and Christine Riordan, National Employment Law Project, “Filling the Good Jobs Deficit,” October 2011.

Changes in **employers** include:

- Employers are investing more in equipment than people. The Commerce Department found that post-recovery business spending on equipment and software rose 26% while spending on employees grew 2%.<sup>8</sup>
- Companies are holding cash reserves rather than hiring new workers. Hiring is a risk, one companies view as unnecessary in a time of slow demand for their products and services.
- Companies have concerns about future regulation and healthcare expenses.
- Hiring and firing are based increasingly on the bottom line, less on loyalty and other traditional values.

### Implications of Long-Term Unemployment

For the long-term unemployed, especially the 99ers, the changing labor market has terrifying consequences. For the nation, it presents significant policy challenges.

On a personal level, the most immediate burdens are financial, caused by loss of income. Only a few states offer UI maximum payments exceeding \$500 per week. The 99ers no longer qualify for UI payments. 99ers are depleting their savings and retirement funds and are living on crisis budgets. Many do not have the financial literacy or resources to retain their assets (including homes and cars) or maintain credit ratings. Whether or not the long-term unemployed find jobs, their income will probably decline. The Hamilton Project at the Brookings Institution found that the income of workers who lost their jobs during the recession fell 48%, even when including those who were reemployed.<sup>9</sup>

The stigma of unemployment is another burden. Long-term unemployment destroys self-confidence. People unemployed for 18 months or two years see their own skills atrophy, their knowledge fall out of date, and their marketability decline. Some employers refuse applications from the long-term unemployed, making the 99ers functionally unemployable. If being denied job after job is frustrating, ineligibility even to apply in your field of experience is devastating.

99ers commonly suffer from depression and/or physical ailments. Short on cash, they may skip doctor or dentist appointments, even when ill. Financial stress combined with depression or other behavioral changes can easily lead to family crises.

At the policy level, substantial long-term unemployment threatens national economic prosperity.

One threat to prosperity is a shrinking labor force. A key measure of the labor market is the *labor participation rate*, the percentage of adults aged 16+ who work, are willing to work, or are actively

In other words, around 2% of America's working-age population quit trying to find a job since the Great Recession.

<sup>8</sup> U.S. Department of Commerce; Catherine Rampell, "Companies Spending on Equipment, Not Workers," New York Times, June 9, 2011

<sup>9</sup> Michael Greenstone and Adam Looney, "Unemployment and Earnings Losses: A Look at Long-Term Impacts of the Great Recession on American Workers," Brookings, Up Front Blog, November 30, 2011

looking for work. The labor participation rate is declining rapidly and was down to 64% in November 2011. It was 66% in 2008, 67.3% in 2000, and at 64% is currently the lowest since 1980. Many if not most of these are 99ers who have become functionally unemployable while being unable to receive UI benefits. With people dropping out of the workforce, a participation rate of 63% instead of 66% means five million fewer potential workers—five million more people and their families are drawing on the economic safety net without contributing productivity or tax revenue.<sup>10</sup>

A broader measure of unemployment includes everyone willing to take a job if offered—that rate is about 16%.

The longer one is unemployed, the less likely s/he will find a job. The unemployment rate usually reported in the media is understated, because it does not include people who have stopped job-searching. A broader measure of unemployment includes everyone willing to take a job if offered—that rate is about 16%.<sup>11</sup> If one in six potential American workers is jobless, the danger is an evolution from long-term unemployment to a dependent class of permanently idle workers. This has already occurred in Europe.

The economic consequences come from a combination of lost revenues and dependent costs, whether the subject is long-term unemployment or permanently idle workers. Unemployed people stop earning income and spend less, putting downward pressure on consumer spending. They generate no income taxes and fewer sales taxes. Their contribution to local, state and national economies is minimized. Their public costs, however, are high. They collect UI benefits (until becoming 99ers). Both the long-term unemployed and 99ers are more likely to use food stamps, Medicaid, Social Security Disability, and other social services, increasing the cost of such programs. Unemployed people tend to have lower credit ratings and buy less, so lenders become more cautious and the credit markets become tighter with high unemployment.

Allowing the long-term unemployed (including the 99ers) to remain jobless has extremely high costs, both for individuals and society. It is essential to prevent populations from becoming permanently dependent on the nation's safety net of services and losing the American promise of opportunity for all. The 99ers especially face new, difficult challenges in returning to work. Policies and practices to assist them must be identified and implemented urgently.

## Local Background—Platform to Employment

In the absence of national programs to assist the 99ers, The WorkPlace began searching for solutions in 2010. The WorkPlace launched a pilot program called Platform to Employment (P2E) in the fall of 2011. P2E is a replicable model which responds to the plight of the long-term unemployed.

As noted above, 99ers in Connecticut faced conditions reflective of the national situation. Demand for benefits was so high that the state's UI Trust Fund was insolvent by October 2009, so

<sup>10</sup> U.S. Congress Joint Economic Committee, Addressing Long-Term Unemployment After The Great Recession: The Crucial Role of Workforce Training, August 2011.

<sup>11</sup> Wells Fargo Securities, Employment Signals, August 11, 2011.

Connecticut was actually paying benefits from federal loans. After 26 weeks of unemployment, 45% of the state's unemployed workers had exhausted their state UI benefits without finding a job. In addition, 62,000 unemployed residents collected federal (EUC and EB) benefits in 2010. The federal government also estimated 50% of Connecticut's unemployed workers were long-term. Connecticut's unemployment rate in October 2011 was still 8.7% after staying above 9% since December 2009. In such a labor market, preliminary research indicated only about 25% of those who exhausted benefits later found work.<sup>2</sup>

These 99ers represent all demographic groups. They include skilled trades' people, credentialed workers and educated leaders.

Similar data tells the story in Southwestern Connecticut. In July 2011, the unemployment rate was 8.7% in a labor force that shrank by over 1% in the previous two years. With 100-125 people per week exhausting their benefits, the region is forecast to have 15,000 99ers by June 2012. These 99ers represent all demographic groups. They include skilled trades' people, credentialed workers and educated leaders. Many have years of professional experience in industries as diverse as business and financial services to construction and manufacturing.<sup>3</sup>

## Program Principles

In 2010-11, The WorkPlace conducted a series of interviews and discussion groups with employers and 99ers. State and federal legislators (including U.S. Representative Rosa DeLauro and U.S. Senator Richard Blumenthal) have attended The WorkPlace's sessions with 99ers. Four keys to a solution arose from these discussions:

- Even the most socially responsible employers must minimize risk, especially in a difficult economy. An effective program should engage socially responsive employers by offering the opportunity to try out workers, at no cost and with no risk. At the same time, the worker should have the expectation of permanent employment if successful.
- Many 99ers lose hope. Having faced rejection for two years or more, they need assistance that establishes a direct path to a job. Traditional services for the unemployed—coaching on resume writing and interviewing skills, basic skills training—are necessary but insufficient. Behavioral health programs are essential new services for a responsive one-stop system.
- Government action alone is not enough. Extended benefits are an essential lifeline for the long-term unemployed, but they run out. Social programs cannot rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time. Strong corporate citizens are essential partners in leading

<sup>2</sup> National Employment Law Project; CT Department of Labor.

<sup>3</sup> CT Department of Labor.

the long-term unemployed back to work, especially in today's ever-changing business environment.

- It requires broad community engagement. Many social components are needed for the 99ers to succeed, and community leaders must generate substantial support for the effort.

Based on these principles, The WorkPlace launched Platform to Employment (P2E) in fall 2011 as a response to Southwest Connecticut's rising long-term unemployment and UI benefits exhaustion. P2E's primary objective is to provide an even playing field for the long-term unemployed. They deserve an equal opportunity to compete for jobs with employers realizing a risk-free opportunity to evaluate quality talent.

### How P2E Works

The goals for each participant are:

- Develop new networking contacts in field of interest
- Complete a self-assessment and build confidence
- Learn new skills
- Develop effective job-search strategies
- Complete the eight week assignment
- Enter into unsubsidized employment

P2E also provides important wraparound services via preparatory workshops and other means. People out of work for long periods often require assistance beyond job-specific training. They need to regain self-confidence, organize for a job search, and learn to market themselves. Personal and financial issues may need solutions to prepare for regular employment. P2E's preparatory workshops are conducted three days per week for five weeks.

Beyond the classroom work, participants receive an MP3 player with the instructional information, a workbook, and access to a web site for self-assessment. Participants can use these on their own schedules to reinforce or practice the lessons. In addition, participants and their families meet with a behavioral counselor at least once, with additional, optional counseling sessions available to the job-seeker and his/ her family.

P2E matches participants and employers after a three-step assessment:

- Basic Needs
- Educational Levels
- Vocational Strengths



These assessments determine whether participants have the prerequisites (as defined by the employer) to work in an industry they have selected. Employers are given the opportunity to interview selected candidates to ensure a proper match.

To attract employer partners, P2E eliminates the risk in hiring by subsidizing wages during the eight-week period. The employer fills an open position with a supported candidate at no cost for the first four weeks and at partial cost for the second month. The WorkPlace acts as a no-cost outplacement agency. The WorkPlace's expectation is that a participant, if successful, will be hired to the employer's payroll. A significant additional benefit for employers is the absence of government bureaucracy. Because funding for this project was raised privately, participants can be employees of The WorkPlace during the subsidy period.

Strong corporate citizens are essential partners in leading the long-term unemployed back to work, especially in today's ever-changing business environment.

P2E is supported by funds from a private-public alliance. Many stakeholders have joined The WorkPlace in this initiative, including individual investors, regional employers and foundations. The pilot version of P2E is underway at this writing. The WorkPlace raised over \$500,000 to support the pilot. This covered the cost of initial screening and assessment, mandatory workshops, career counseling, employer matching, and eight weeks of subsidized employment, and administration. The pilot will serve 100 participants in five cohorts of 20. The WorkPlace expects to have results from the pilot project by early 2012.

P2E is being evaluated by the Harvard Business School Club of Connecticut Community Partners. A team of Harvard Business School alumni will examine a number of variables to determine if P2E is a factor in reducing payments made by government and social services agencies to support the community "safety net." The evaluation includes data on the wraparound services, which The WorkPlace will use to establish metrics and improve the program for future cohorts.

The WorkPlace believes the P2E model can be replicated nationwide in communities willing to address long-term unemployment. P2E is a public-private partnership relying on features found in numerous supportive communities. Many employers are eager to be good corporate citizens through a program that accounts for their economic needs. P2E provides flexible options for finding and training the right employees. It is an opportunity to make an investment in the community and prevent a growing burden on society's safety net.

## Conclusion

Five million 99ers will have exhausted UI benefits by the summer of 2012. Even those who find work are likely to have incomes far below what they were earning before the Great Recession. National, state and local leaders need to understand that long-term unemployment transcends workforce issues. Being shut out of the job market diminishes freedom and opportunity, two pillars of American prosperity, for both workers and their families.

P2E is a local solution, but it cannot be the only one. The future of millions of American families is in jeopardy. Facing an unprecedented labor-market phenomenon, our workforce

institutions and business leaders must develop and deploy effective responses before millions more find themselves at risk.

### **About bluegreen Research Institute**

bluegreen Research Institute, a program of The WorkPlace, provides a variety of consulting services to non-profit, for-profit, start-up businesses and governmental agencies. bluegreen's goal is to help clients make intelligent, practical and professional decisions related to their industries. bluegreen has helped a variety of clients from many disciplines, including education, housing, mental health, social services, manufacturing, construction, health care, and technology.

bluegreen provides grant writing, research, market analysis, target identification, and workforce/ economic intelligence to allow for data-driven decision-making. bluegreen also provides businesses and organizations with a variety of training and Technical Assistance (TA) services, including board development, fundraising, fund development, financial management and strategic planning.



For more information, please visit [www.bluegreenresearch.org](http://www.bluegreenresearch.org).

### **About The WorkPlace**

The WorkPlace is a company of ideas and actions, resources and initiatives – all designed to strengthen the workforce. “Think it forward” is our corporate culture. Every discipline within our organization is encouraged to innovate and activate as we put ideas into motion for the greater good of the economy...and society as a whole.

From job training to ongoing education, The WorkPlace is the yardstick by which all workforce development efforts across the country will be measured. Funded by state and federal agencies, private foundations and corporations, The WorkPlace and its partners, community leaders and allies fully leverage the positive impact of our programs.



For more information, please visit [www.workplace.org](http://www.workplace.org).

This is the first in a series of summary reports on emerging issues.