Session:
Addressing the Long-Term Unemployed

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Long-Term Unemployment

Causes, Consequences, and Solutions

Adam Looney
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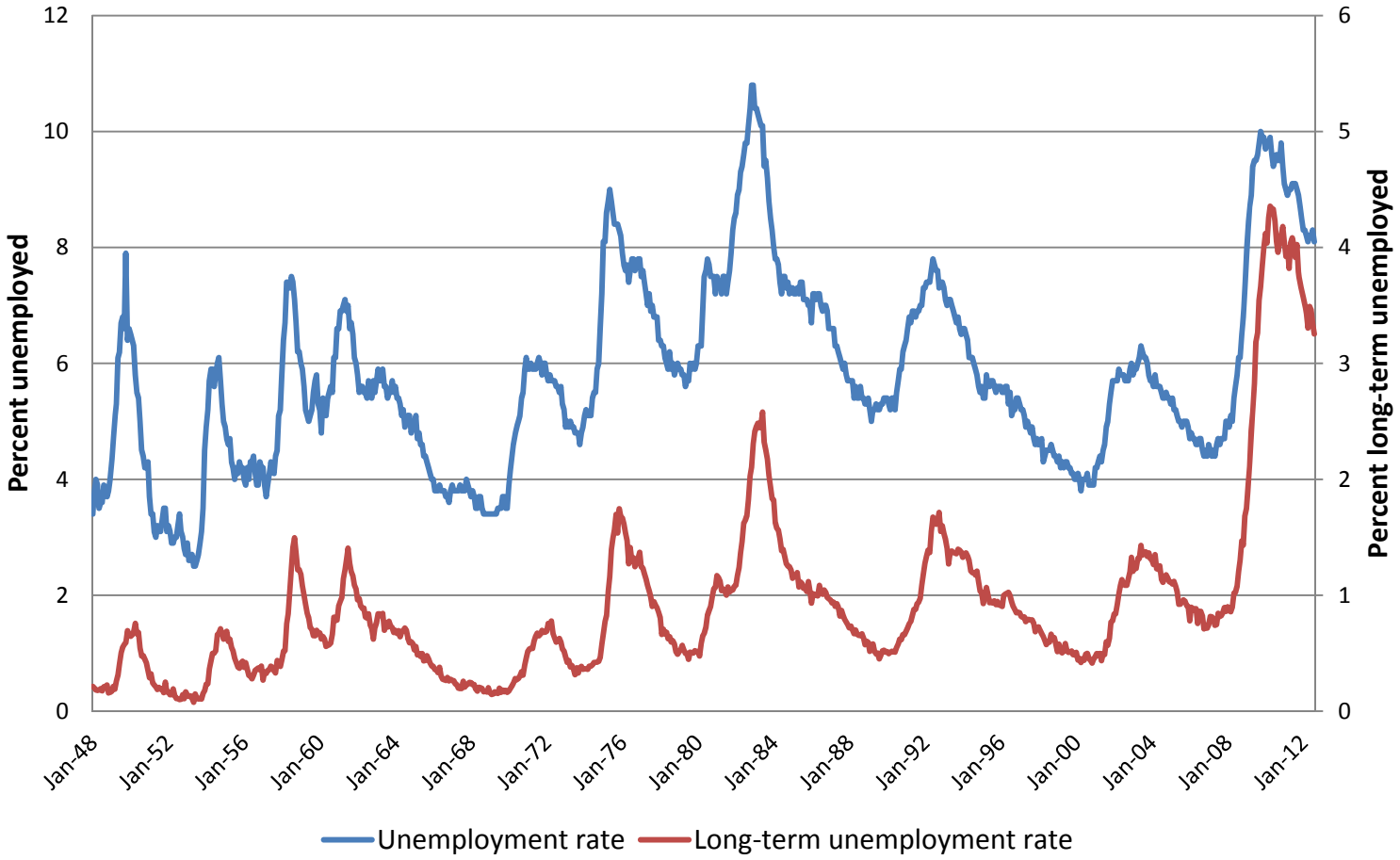
BROOKINGS

Long-term unemployment is extremely high

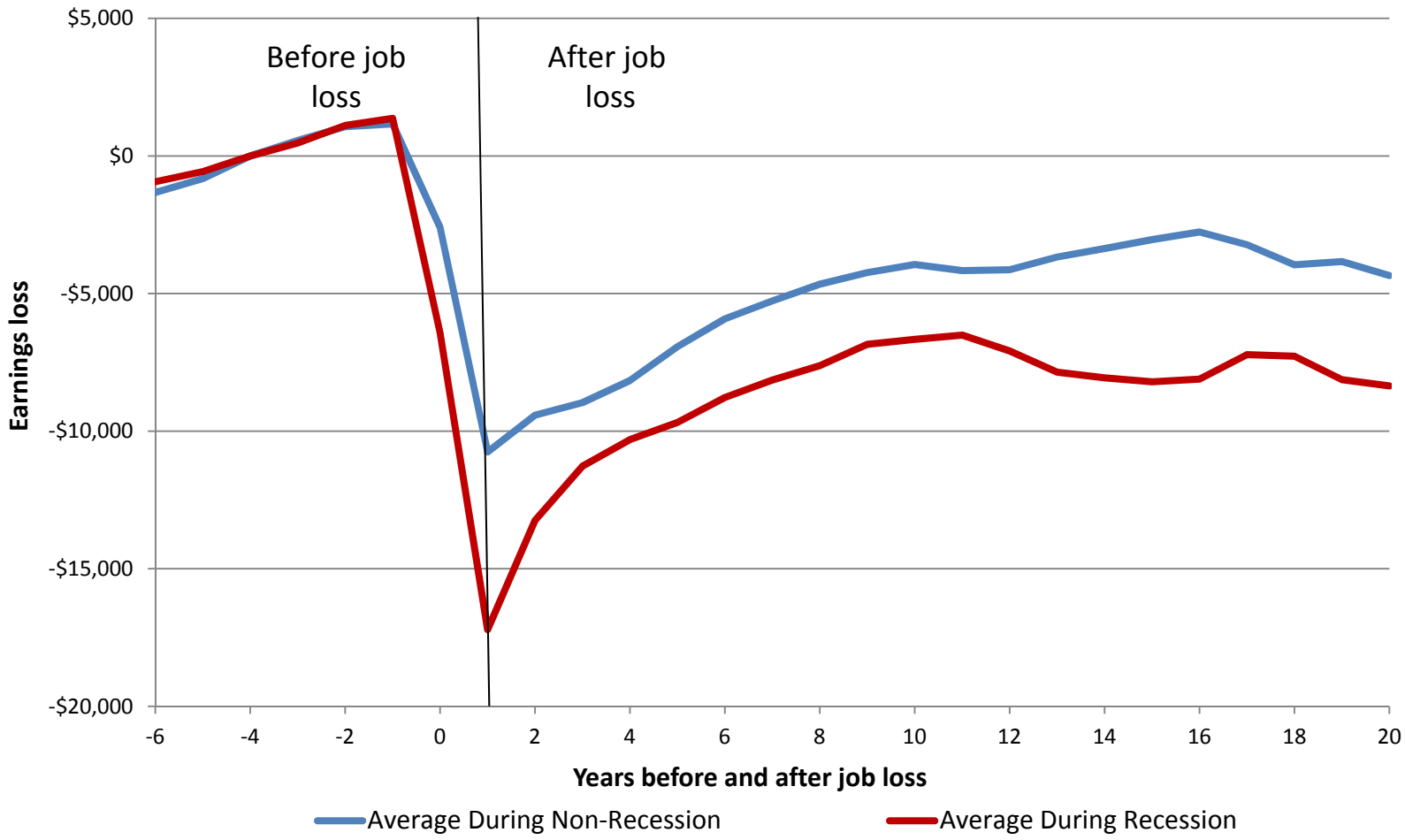
Note: Long-term unemployed are those who have been unemployed for 27 weeks or longer.

Recent pattern is unusual: unemployment rate vs. long-term unemployment rate

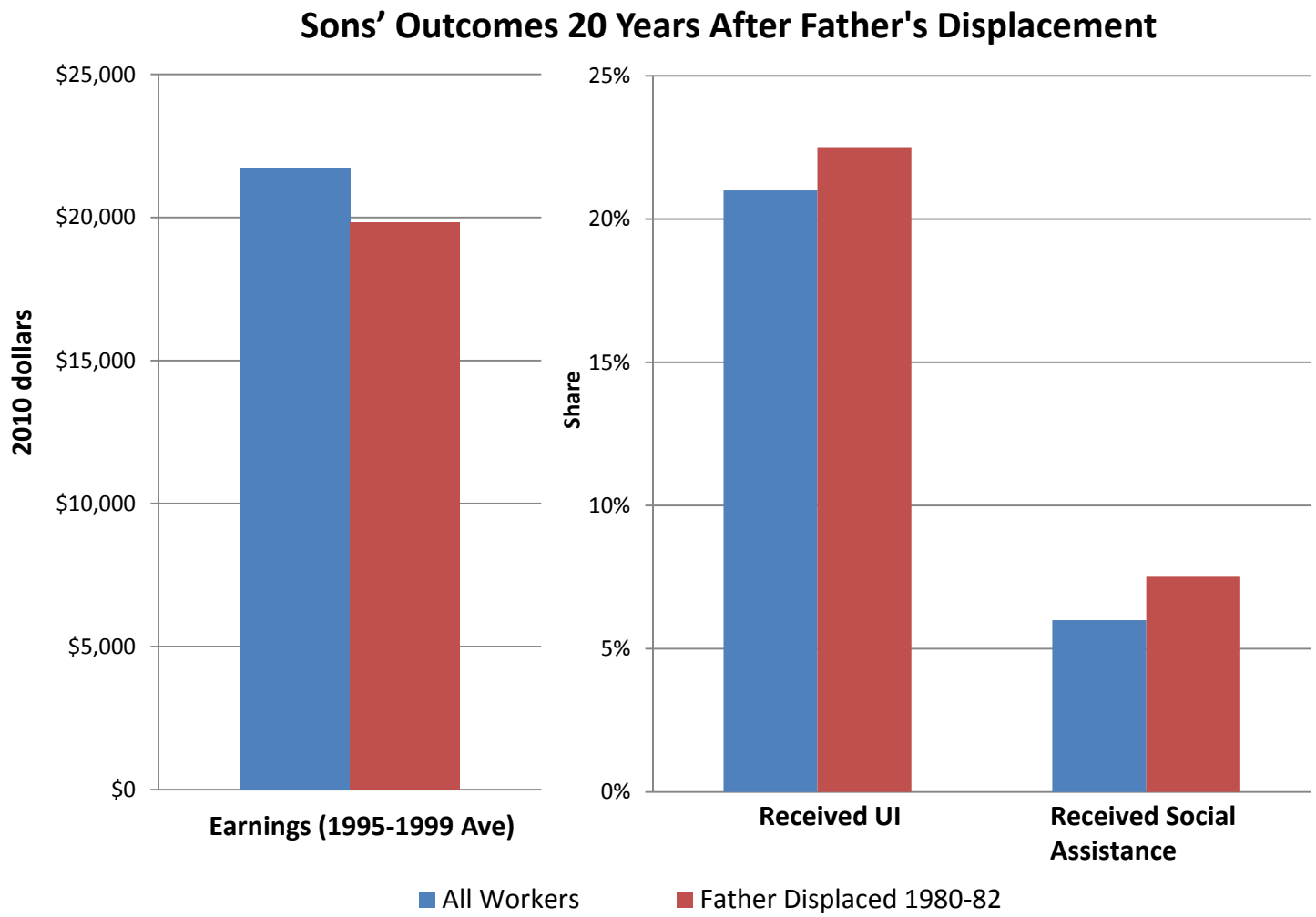


Source: BLS and Haver Analytics

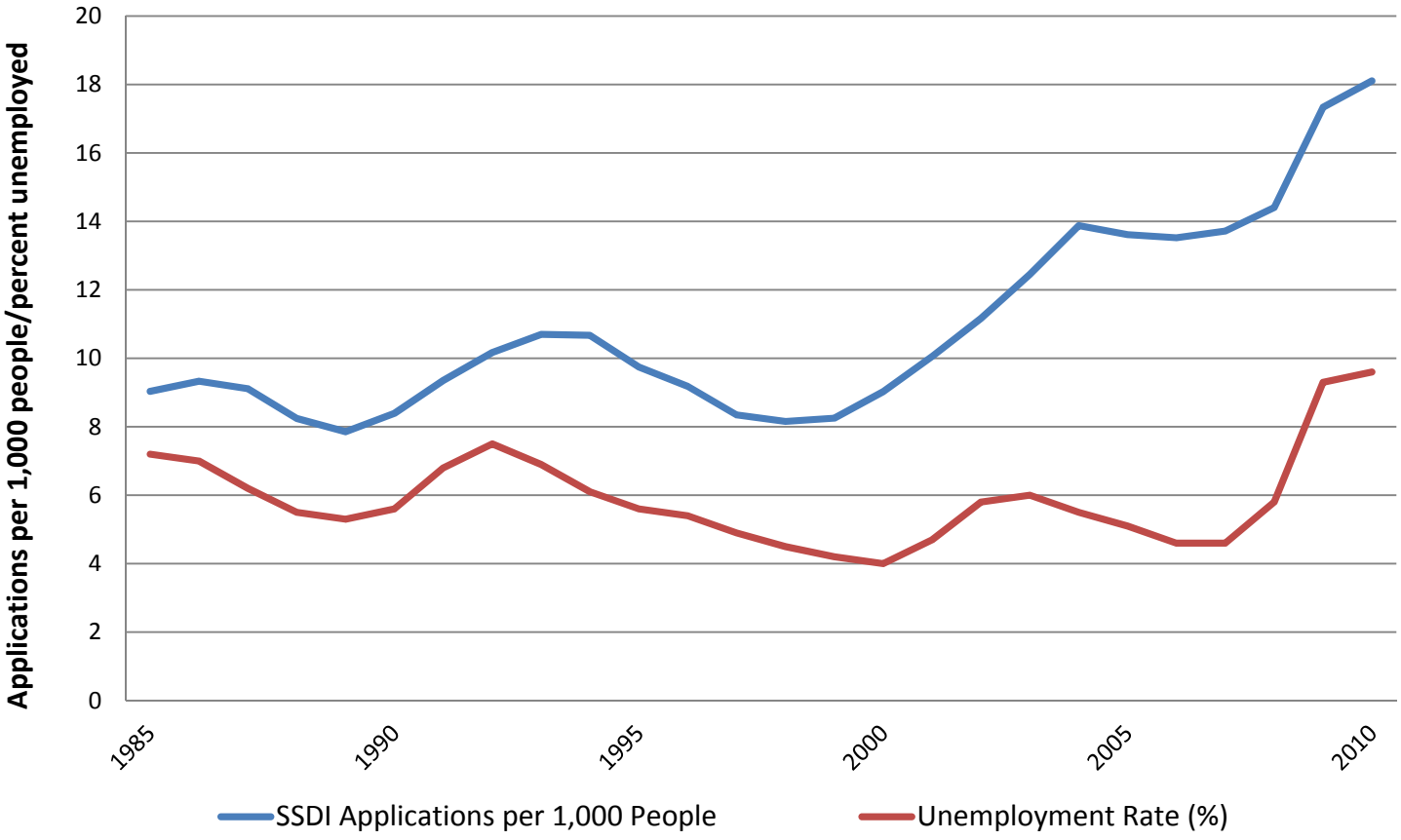
Long-term unemployment is always costly, but more so today



… and leads to a variety of negative outcomes…



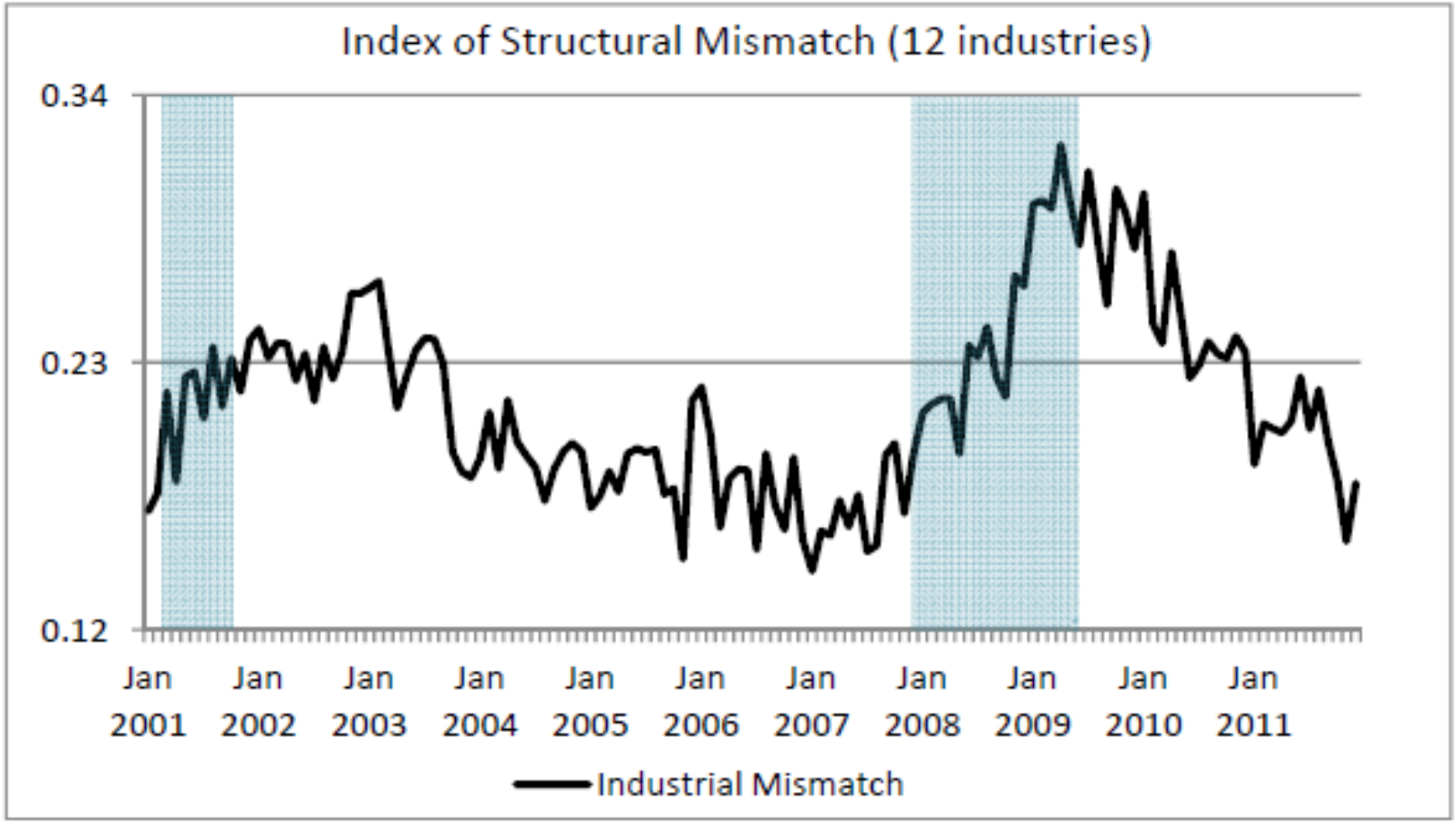
… and long-lasting consequences for the economy at large



Plausible contributors to rise in long-term unemployment

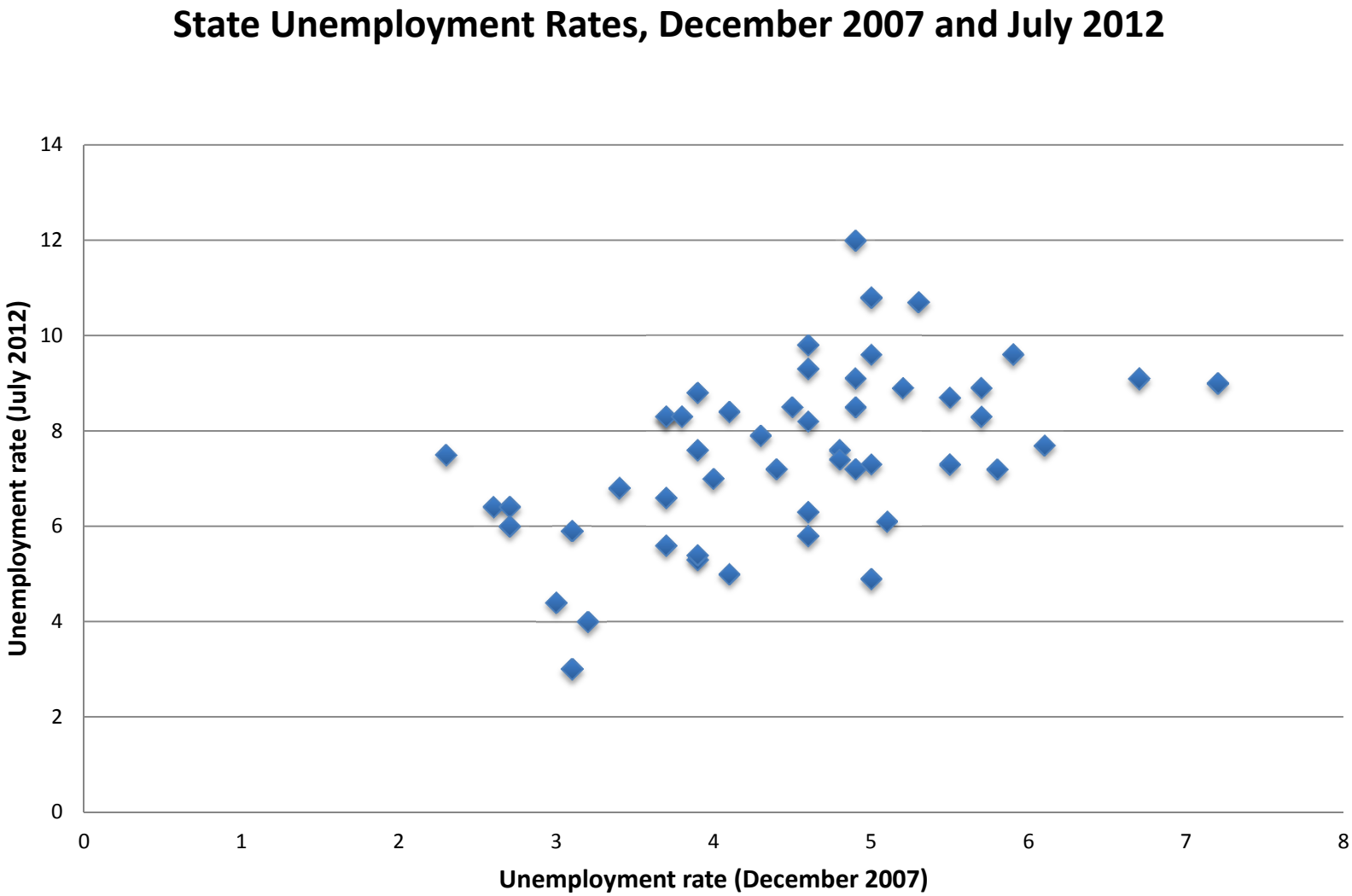
- Hysteresis
  - Erosion of effort
  - Discrimination
  - Skill depreciation
- Unemployment benefits
- “Mismatch”
- Aggregate Demand

Industry mismatch?



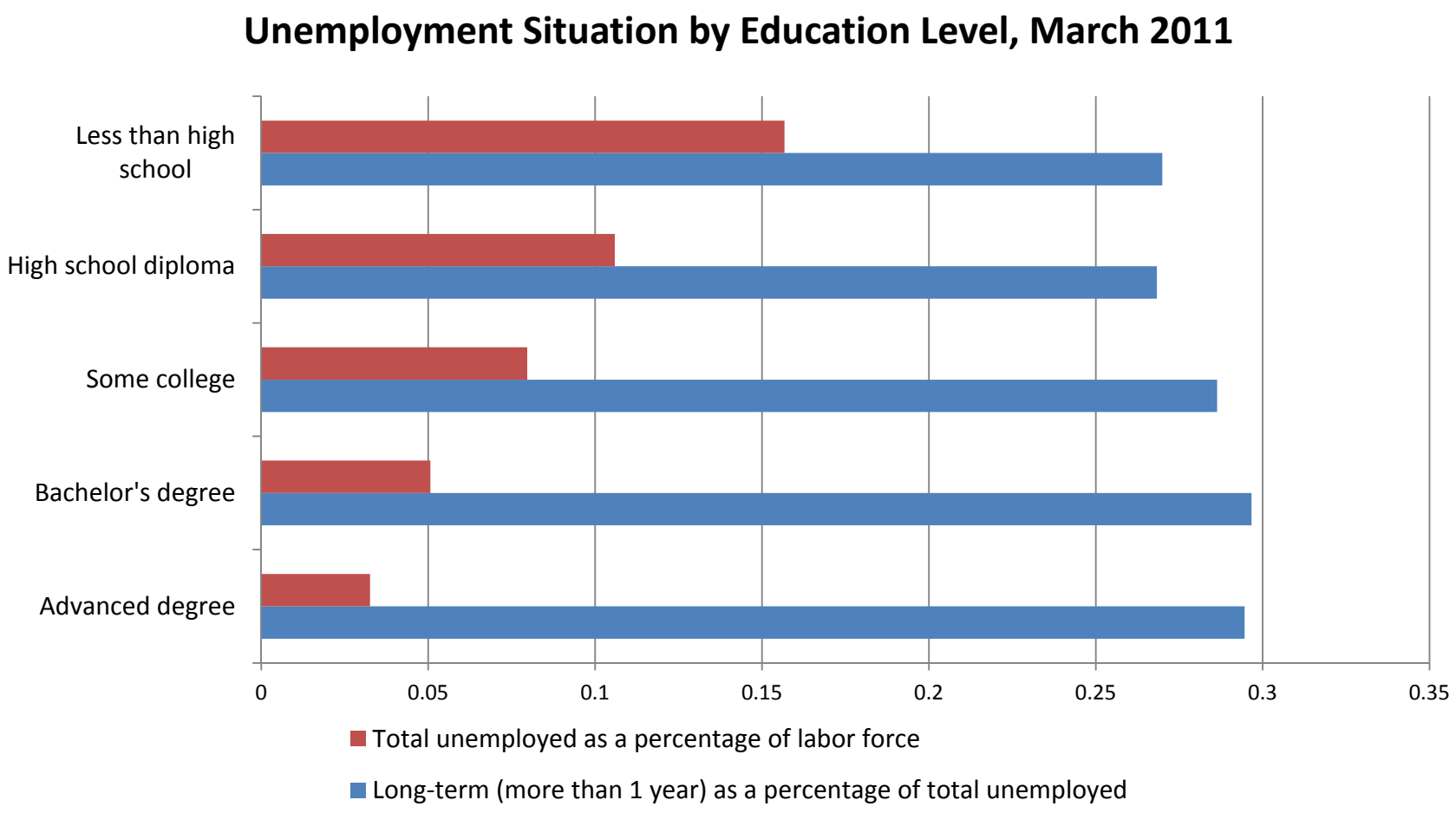
Source: Lazear and Spletzer 2012

Geographic mismatch?



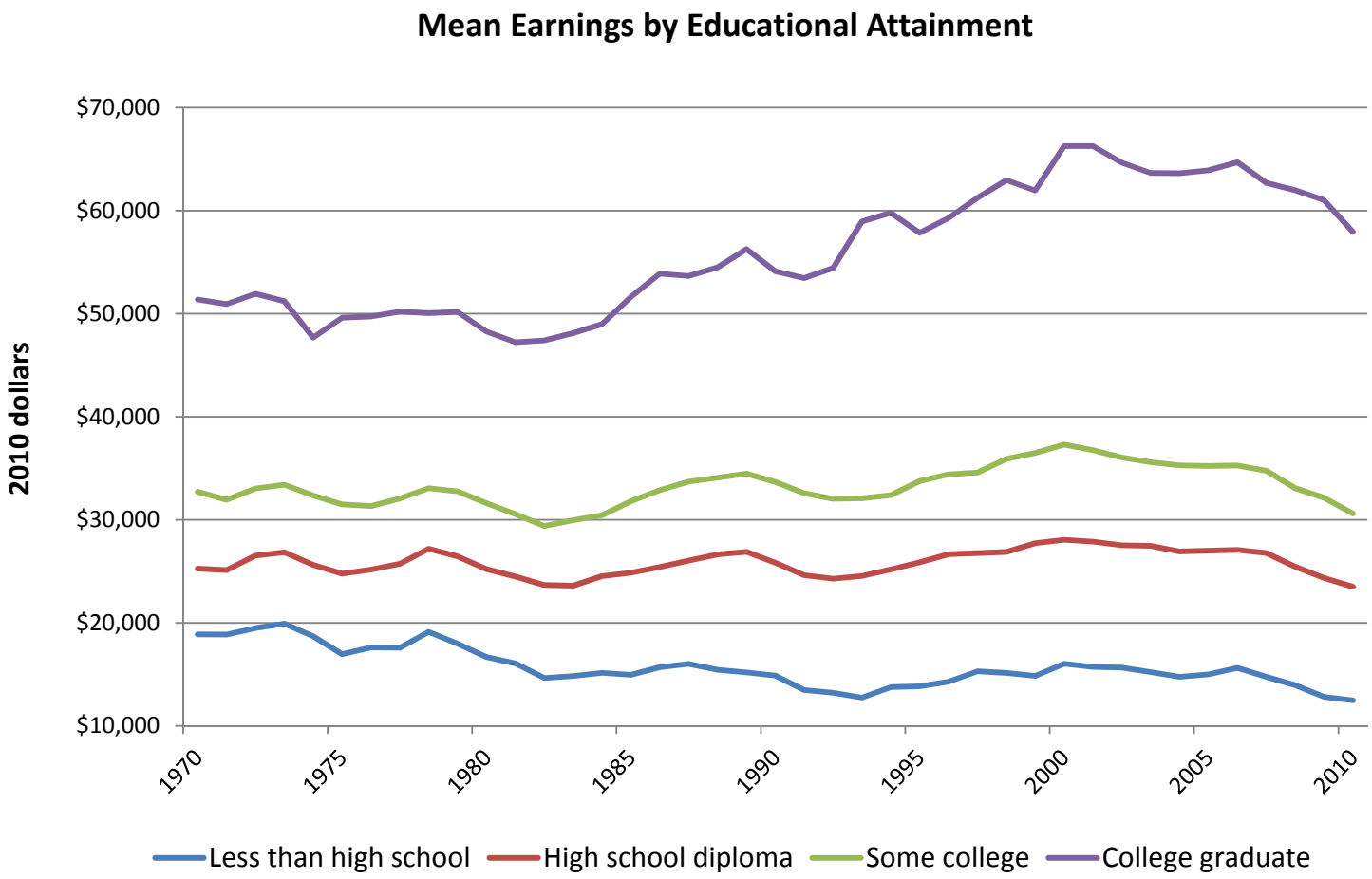
Source: BLS

Educational mismatch?



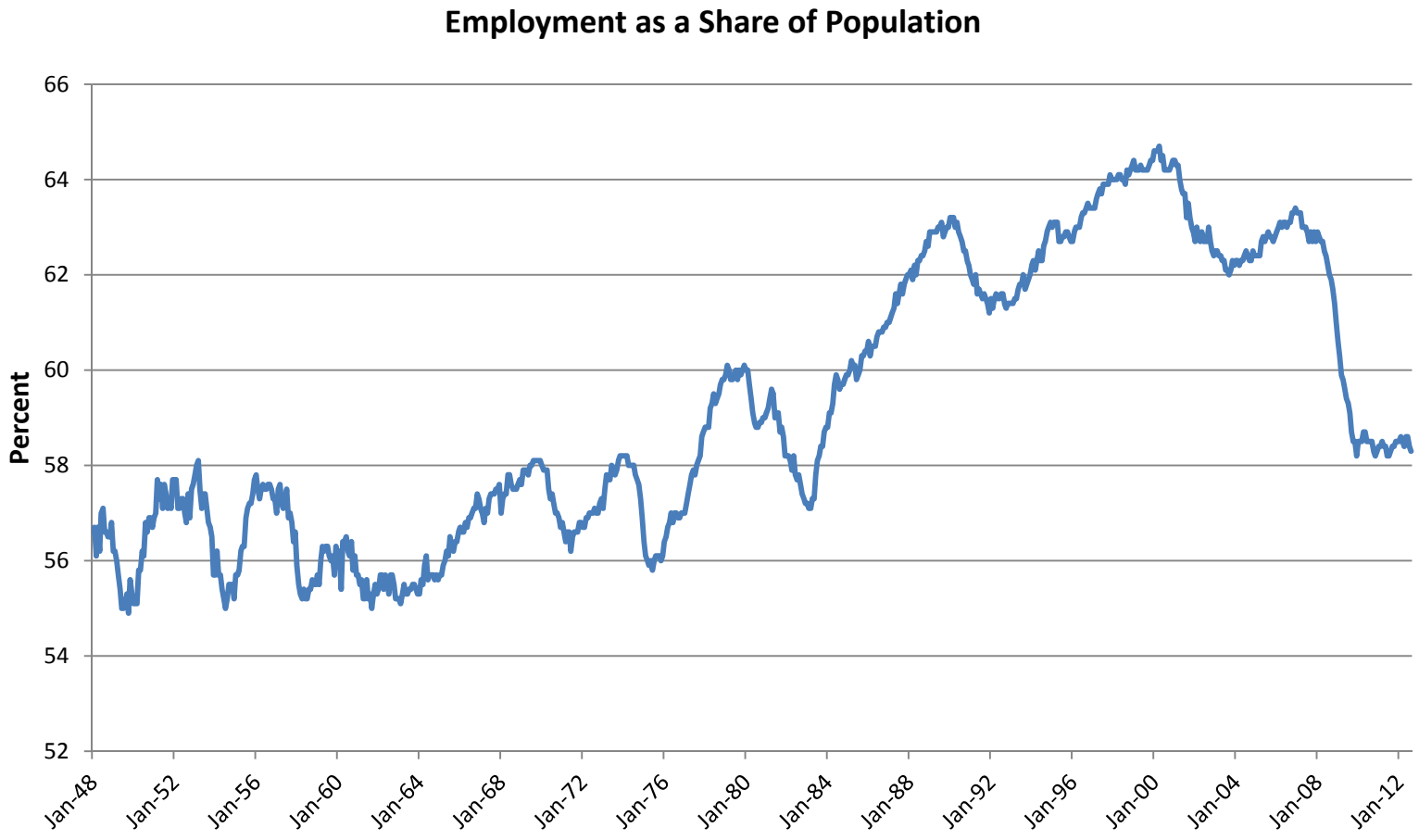
Source: CPS and author's calculations

Structural change is important



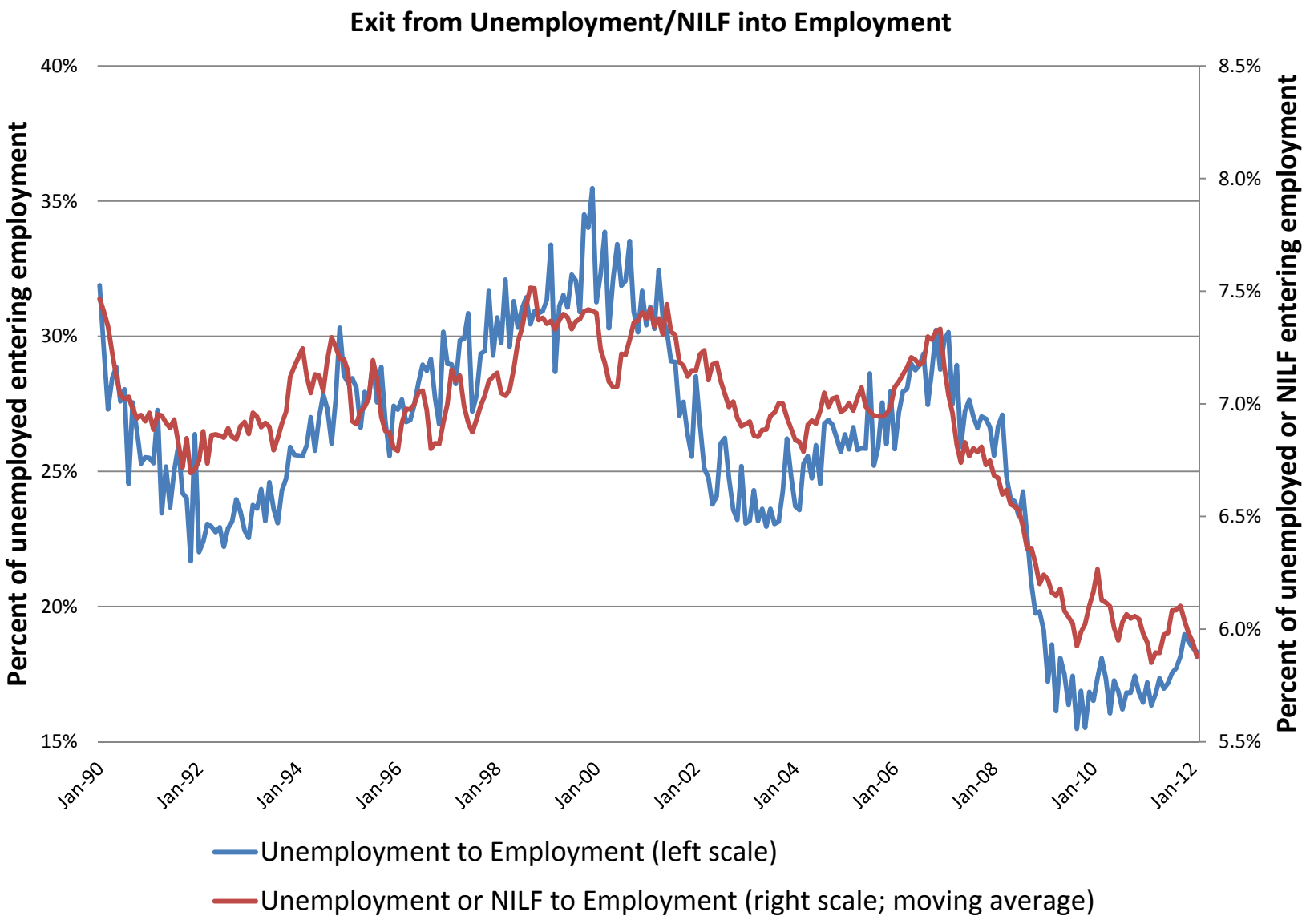
Notes: Data include Americans of both sexes between the ages of 25 and 64. Earnings data are adjusted using the CPI Research Series. Source: CPS, Census, and ACS

Cyclical factors: The recent recession was unusually deep and prolonged

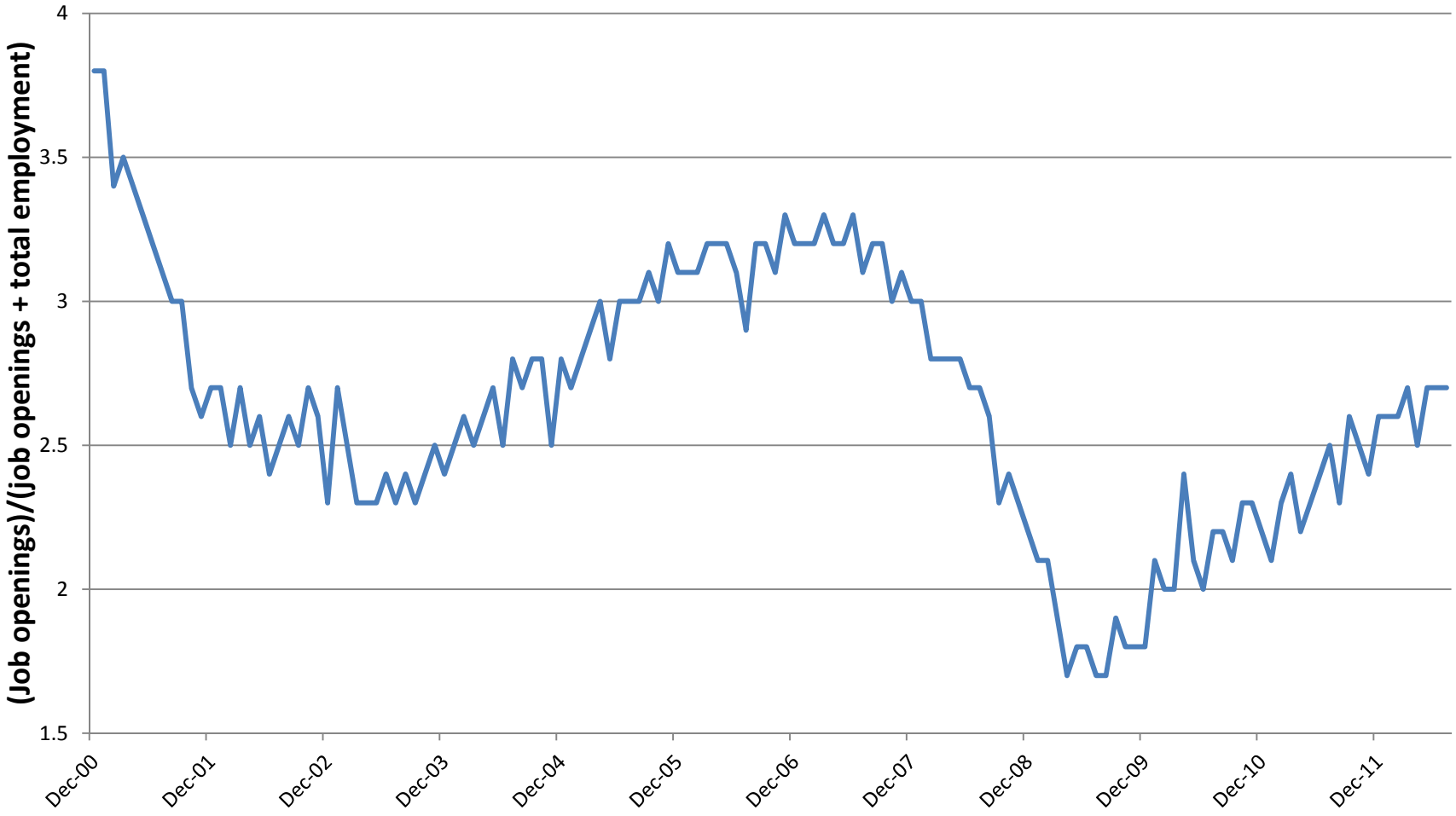


Source: BLS and Haver Analytics

Job-finding rate is far below historical levels

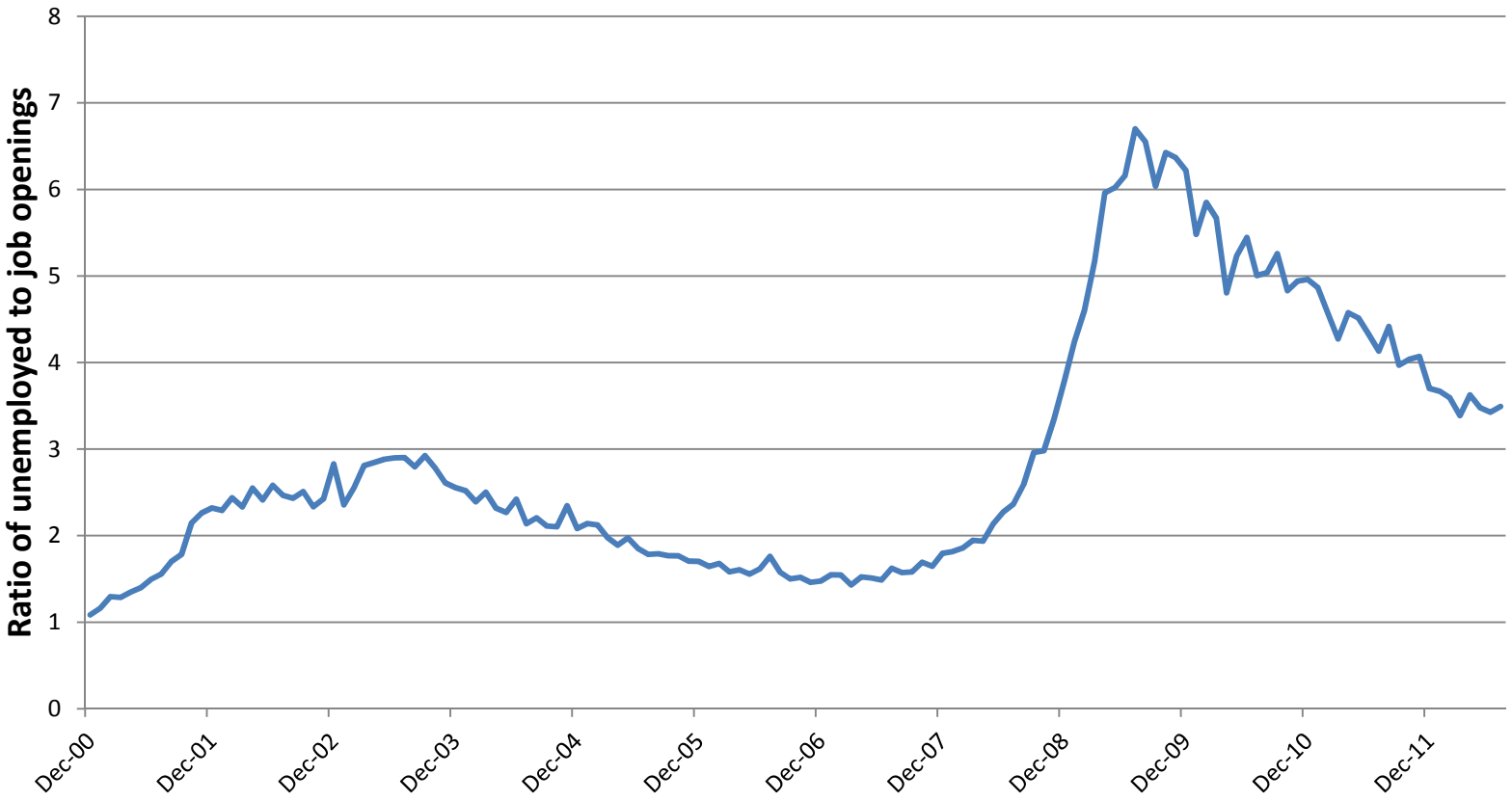


Job openings remain depressed



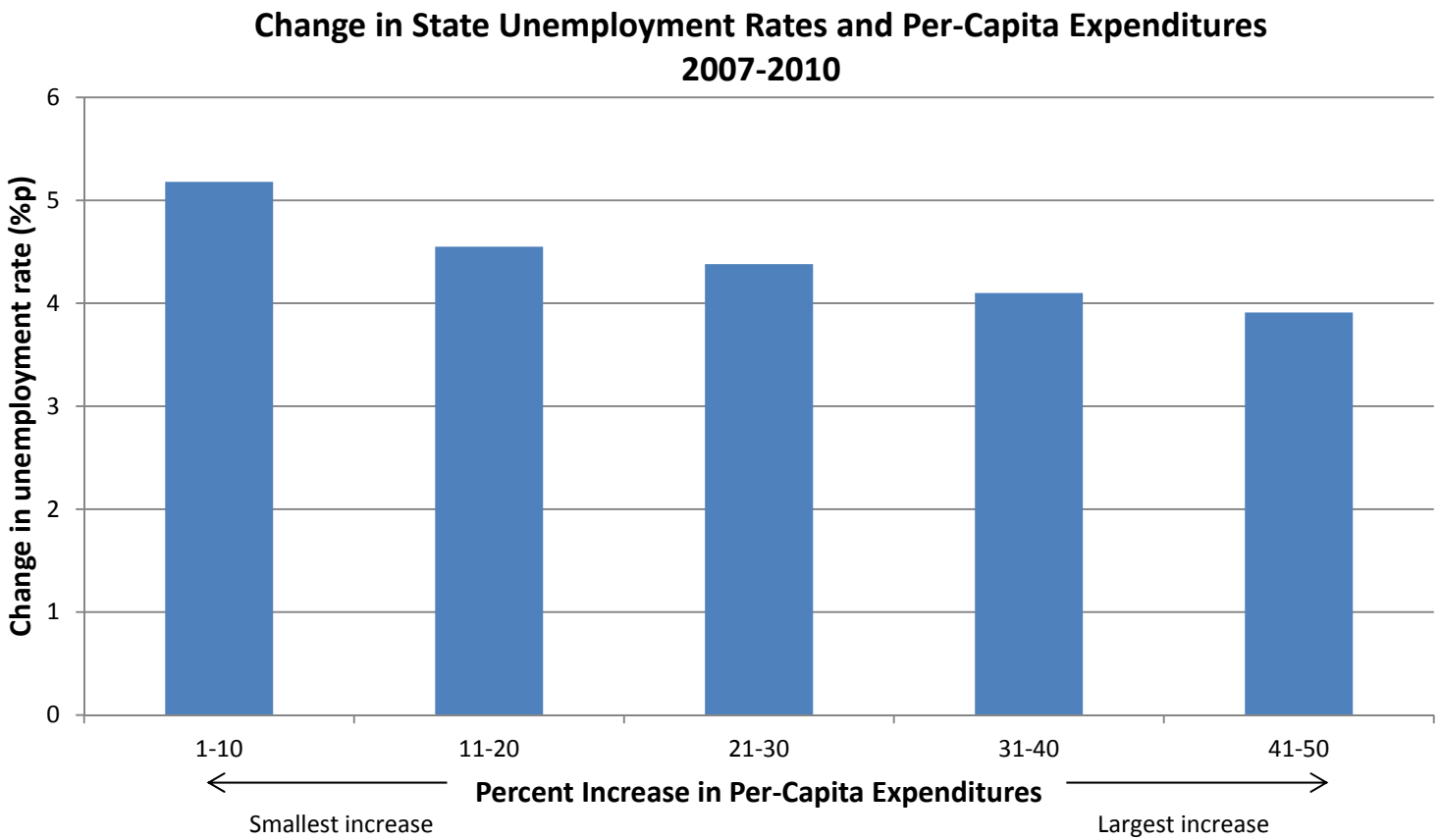
Note: The job openings rate is the ratio of the job openings level to the sum of total employment and the job openings level. Source: BLS and Haver Analytics

The number of unemployed per job opening remains elevated



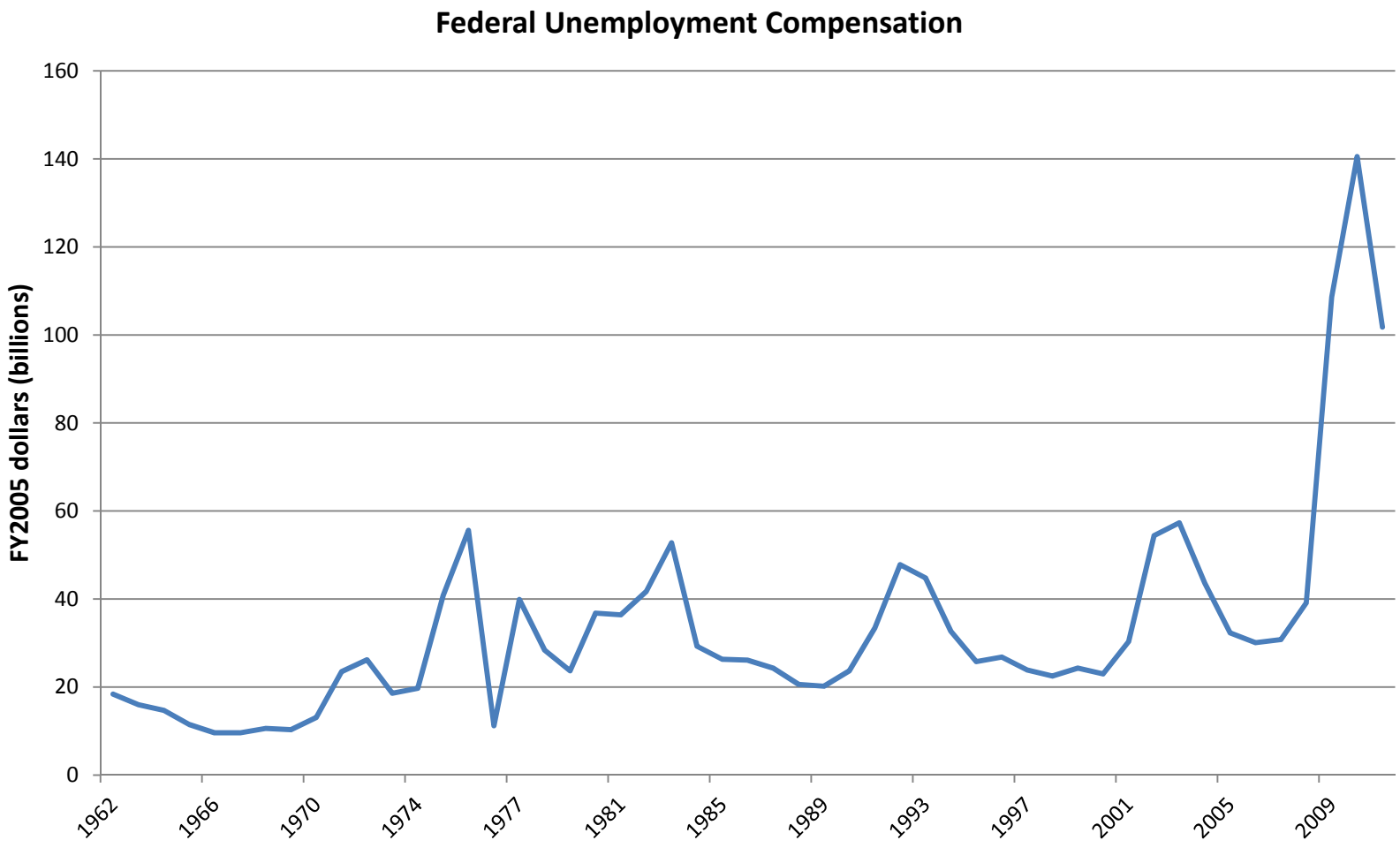
Source: BLS and Haver Analytics

Increasing Aggregate Demand: Evidence on Stimulus



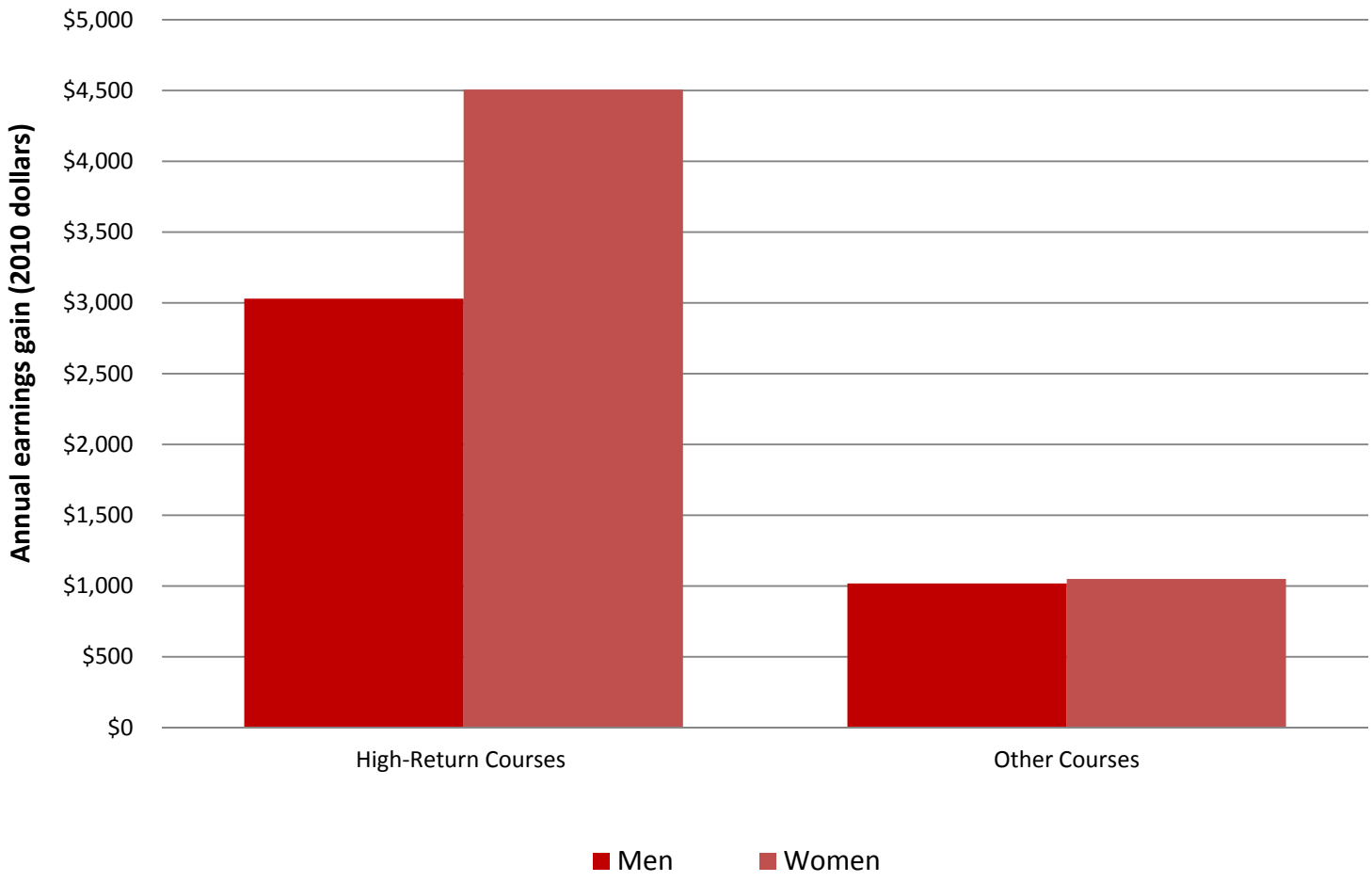
Source: BLS and Census

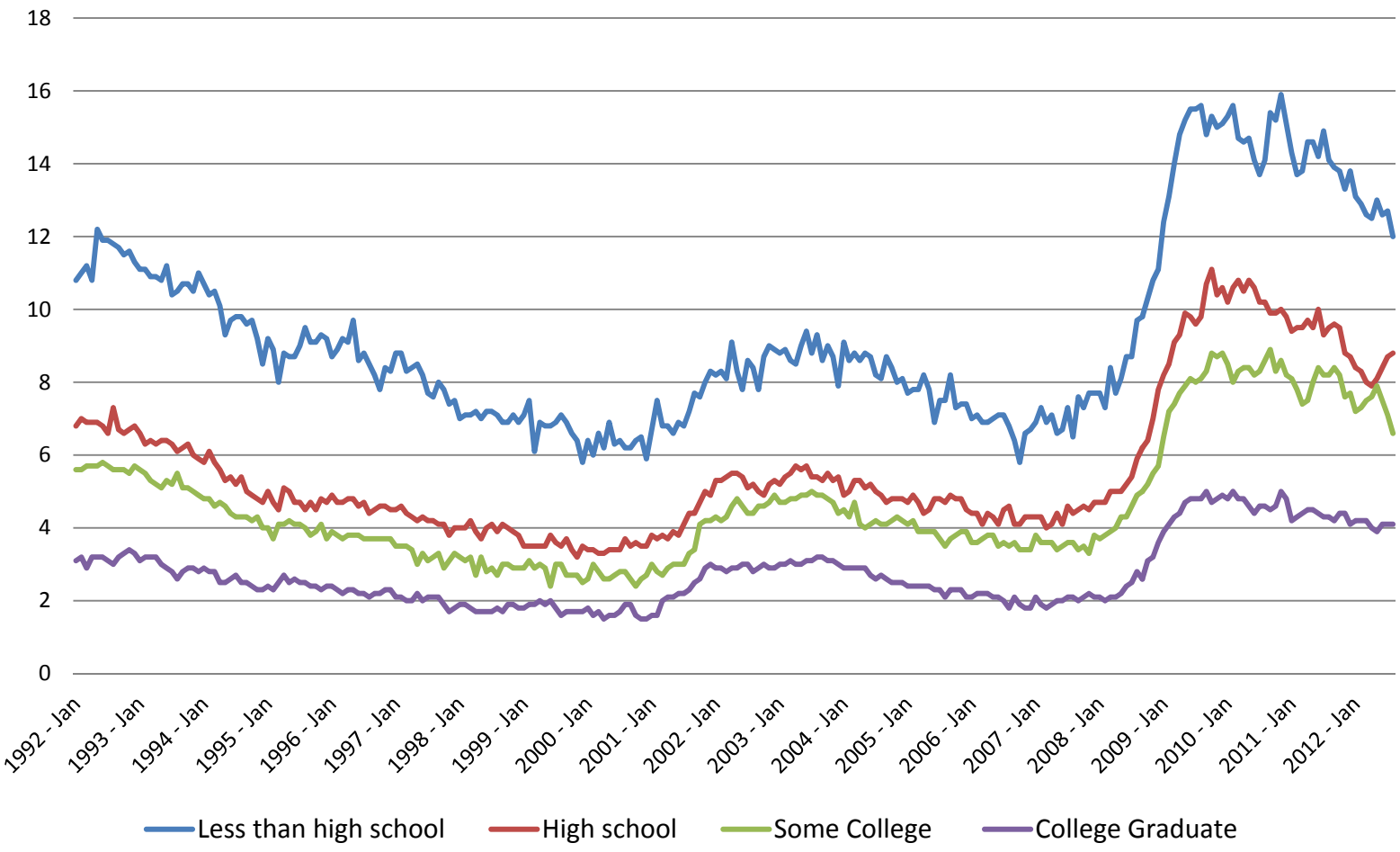
The Role of Social Insurance



Source: OMB

Earnings gains from training in technical vs. other fields



Increase skills

Unemployment rate by education