



# Addressing the Negative Cycle of Long-Term Unemployment

Executive Office of the President

January 2014



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*"[G]ive these hardworking, responsible Americans that chance. They need our help, but more important, this country needs them in the game. That's why I've been asking CEOs to give more long-term unemployed workers a fair shot at that new job and new chance to support their families; this week, many will come to the White House to make that commitment real. Tonight, I ask every business leader in America to join us and to do the same – because we are stronger when America fields a full team"*

**– President Barack Obama,  
January 28, 2014**

## Executive Summary

**Even with a strengthening job market and growing economy, the country continues to face a challenge of long-term unemployment – the worst legacy of the Great Recession.**

- There has been strong job recovery from the depths of the recession, when the economy was shrinking at a rate of over 8 percent and the private sector was losing 800,000 jobs a month.
- Over the past year, the private sector has added 2.2 million jobs, and the unemployment rate has fallen 1.2 percentage points – with the short-term unemployment rate falling to its pre-recession average.
- Going forward, one of the most critical remaining challenges that we face is that long-term unemployment remains at historically elevated and unacceptable levels.

**Even as job growth has picked up, long-term unemployment remains at historically high levels**

- The current long-term unemployment rate is 2.5 percent, more than double the pre-financial crisis average of 1.0 percent, and close to the highest rate on record prior to the recession.<sup>1</sup>
- As of December 2013, there were 3.9 million long-term unemployed Americans, those without jobs for 27 or more weeks, about 2.6 million of whom had been looking for work for 52 weeks or more.<sup>2</sup>
- The average length of unemployment stands at 37.1 weeks, down from its peak of 40.7 weeks. By comparison, the highest level on record prior to recession was just 21.2 weeks.<sup>3</sup>
- Long-term unemployed individuals currently make up 37.7 percent of the unemployed. This is down from 46 percent in 2010, but still remains significantly above the pre-recession peak of 26 percent in 1983.<sup>4</sup>

**The long-term unemployed are similar to the short-term unemployed with respect to characteristics like education, but are far less likely to receive consideration for jobs.**

- While older workers and disadvantaged populations may face particular challenges, long-term unemployment affects a diverse group of workers that, in the words of one paper, spans “all industries, education levels, age groups, and among blue- and white-collar workers.”

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<sup>1</sup> Council of Economic Advisors calculations based on U.S. Bureau of Labor Statistics data.

<sup>2</sup> U.S. Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>3</sup> Council of Economic Advisors calculations based on U.S. Bureau of Labor Statistics data. The records on long-term unemployment as a share of the unemployed date back to 1948.

<sup>4</sup> Ibid. The long-term unemployment rate in June 1983 was 2.6 percent.

- Today, the long-term unemployed are slightly *more* educated on average than their recently unemployed peers: 27 percent of the long-term unemployed have postsecondary credentials, compared to 24.5 percent of the short-term unemployed.<sup>5</sup>
- Although older workers are disproportionately counted among the long-term unemployed, 70 percent of the long-term unemployed are younger than 50.
- In addition, the long-term unemployed are not concentrated among any particular industry, and are comparable to the short-term unemployed.

**Though the long- and short-term unemployed have similar credentials overall, research suggests that the long-term unemployed face significant disadvantages in the labor market *simply by virtue of their status as being long-term unemployed.***

- The long-term unemployed are about half as likely as the short-term unemployed to get a callback. Interview “callback” rate for otherwise identical resumes falls sharply as the length of unemployment rises, with callbacks 45 percent lower for those unemployed for eight months compared to those unemployed for just one month.<sup>6</sup>
- To land an interview, the long-term unemployed must apply to 3.5 times as many jobs as the short-term unemployed. Applicants unemployed for seven months need to send an average of 35 resumes to online job postings to receive just one interview, compared to just 10 resumes per interview for those unemployed for only one month.<sup>7</sup>
- Employers may be screening out applicants based on duration of unemployment, and missing the more qualified applicants. Long-term unemployed workers with relevant work experience are less likely to be invited for an interview than recently unemployed job applicants with *no* relevant experience.<sup>8</sup>

**Long-term unemployment has major negative consequences – both financial and otherwise – on individuals and their families, and these consequences persist over time.**

- Even once reemployed, displaced workers face significant earnings losses up to 20 years after being laid-off, with wages about 15 percent lower for laid-off workers after being reemployed compared to workers who were employed continuously.<sup>9</sup>

<sup>5</sup> Internal calculations based on Bureau of Labor Statistics data.

<sup>6</sup> Kory Kroft, Fabian Lange, Matthew J. Notowidigdo, and Lawrence F. Katz, “Duration Dependence and Labor Market Conditions: Evidence from a Field Experiment,” *The Quarterly Journal of Economics*, September 2013.

<sup>7</sup> Rand Ghayad, “The Jobless Trap” Job Market Paper, Working paper, 2013.  
[http://media.wix.com/ugd/576e9a\\_f6cf3b6661e44621ad26547112f66691.pdf](http://media.wix.com/ugd/576e9a_f6cf3b6661e44621ad26547112f66691.pdf)

<sup>8</sup> Ibid.

<sup>9</sup> Justin Barnette and Amanda Michaud, “Wage Scars from Job Loss,” Working Paper, 2012. Laid-off workers, once reemployed, have wages about 15 percent lower than continuously employed workers, 1 to 20 years after layoff, whereas workers displaced by company closings, once reemployed, have wages about 5 to 10 percent lower than continuously employed workers. The wage disadvantage for workers displaced by company closings dissipates 4 to 10 years after separation.

- Unemployment also has been found to have large negative impacts on mental and physical health, showing for example that certain groups of workers experience significantly higher mortality rates after experiencing job displacement.<sup>10</sup>
- The children of parents who lose their jobs are also affected, performing worse in school<sup>11</sup> and eventually obtaining lower paying jobs than they otherwise may have.<sup>12</sup>

**The cycle of long-term unemployment also hampers the economy at large, depressing aggregate demand and resulting in the underutilization of productive resources.**

- Among other lasting harms, the scarring effects of long-term unemployment can result in skills deterioration, and may increase the likelihood that workers drop out of the labor force altogether.
- These effects create the potential that long-term unemployment can have lasting consequences on the productive capacity of the economy.
- Indeed, a wide range of respected economists have concluded that the levels of long-term unemployment currently seen in the U.S. – if left unaddressed – indeed threaten to inflict this sort of lasting damage on the US economy.

**Despite disproportionate barriers to employment for the long-term unemployed, several innovative models are showing promise in helping the long-term unemployed find jobs and re-enter the workforce.**

- Deep employer engagement: Organizations actively engage with local employers, employer representatives, and unions to better understand the needs of the local workforce and to successfully adapt to changes in various sectors, helping ensure training curricula remain relevant.
- Intermediaries that serve as liaisons between employers and training providers: Intermediaries help maintain a clear understanding of the skills employers need and find people that could meet those employer requirements with additional training.
- Work-based learning: Programs provide hands-on technical skills training, internships, and other paid work experiences.

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<sup>10</sup> Daniel Sullivan and Till von Wachter, "Job Displacement and Mortality: An Analysis Using Administrative Data," *Quarterly Journal of Economics*, 2011, [http://www.columbia.edu/~vw2112/papers/sullivan\\_vonwachter\\_qje.pdf](http://www.columbia.edu/~vw2112/papers/sullivan_vonwachter_qje.pdf); Austin Nichols, Josh Mitchell, and Stephan Lindner. "Consequences of Long-Term Unemployment." *Urban Institute*, 2013. <http://www.urban.org/uploadedpdf/412887-consequences-of-long-term-unemployment.pdf>

<sup>11</sup> Ann Stevens and Jesamyn Schaller, "Short-Run Effects of Parental Job Loss on Children's Academic Achievement," *Economics of Education Review*, 2011.

<sup>12</sup> Philip Oreopoulos, Marianne Page, and Ann Huff Stevens, "The Intergenerational Effect of Worker Displacement." *Journal of Labor Economics*, 2008

- Wrap-around services: Organizations provide job seekers with supportive services needed to successfully participate in the training, ranging from childcare and transportation to mentorship and financial counseling.

**There are promising examples of programs that use these approaches to connect the long-term unemployed to work.**

- Skills for Chicagoland’s Future: Skills for Chicagoland’s Future has agreements with employers to help place the unemployed into their firms and coordinates among non-profits to find workers looking for jobs. Since launching in 2012, SCF has placed more than 600 unemployed job seekers into jobs and over 70 percent were long-term unemployed.
- Platform 2 Employment: Platform 2 Employment provides workshops and personal counseling, while placing participants in subsidized work experiences in a field for which they are qualified. Approximately 80 percent of participants to date have moved on to unsubsidized employment.
- Wisconsin Regional Training Partnership: The Wisconsin Regional Training Partnerships works with employers and unions to understand the needs of the manufacturing and construction industries so they can connect workers to those jobs. The program provided training in manufacturing and construction to an over 650 unemployed individuals in 2013 alone.
- NH Works: The State of New Hampshire’s NH Works program uses an on-the-job training (OJT) model that empowers long-term unemployed individuals to identify earn and learn opportunities in their career field.

**The President is committed to taking action to address this challenge.**

- The President is committed to new legislation that will strengthen the economy and help put the long-term unemployed back to work.
  - He has proposed new investments in areas like infrastructure and manufacturing, which will help create jobs now.
  - He has called on Congress to act immediately to pass the critical extension of emergency unemployment benefits -- which keep the long-term unemployed connected to the labor market and provide the support they need to continue their job search or seek additional training.
  - And he called for new steps to better match workers and their skills to currently available jobs, including leading an across-the-board reform of our training programs to make sure they are singularly focused on training Americans with the skills employers need, and matching them to good open jobs.

- But President Obama is also committed to taking action to address the long-term unemployed. As a result, he is:
  - *New Best Practices for Hiring and Recruiting the Long-Term Unemployed.* As part of an ongoing effort that began several months ago, the Administration has engaged with America’s leading businesses to develop best practices for hiring and recruiting the long-term unemployed to ensure that these candidates receive a fair shot during the hiring process. Over 80 of the nation’s largest businesses have signed on, including 20 members of the Fortune 50 and over 45 members of the Fortune 200, as well as over 200 small- and medium-sized businesses.
  - *Presidential Memorandum to Make Sure the Federal Government Does the Same.* The President will also lead by example and use his executive authority to sign a Presidential Memorandum to make sure that individuals who are unemployed or have faced financial difficulties through no fault of their own receive fair treatment and consideration for employment by federal agencies.
  - *\$150 Million for “Ready to Work Partnerships” to Support Innovative Public-Private Efforts.* The Administration is launching a grant competition through the Department of Labor to support and scale innovative partnerships among employers and non-profits in states and cities across the country that are helping to prepare and place the long-term unemployed into good jobs

## The crisis of long-term unemployment

In the months before President Obama took office in 2009, the economy was shrinking at a rate of over 8 percent, and businesses were shedding 800,000 jobs a month. At its peak, the unemployment rate reached 10 percent -- twice the unemployment rate at the start of the recession. Across the country, hardworking Americans found themselves out of work, and many never had a real chance at avoiding extended unemployment.

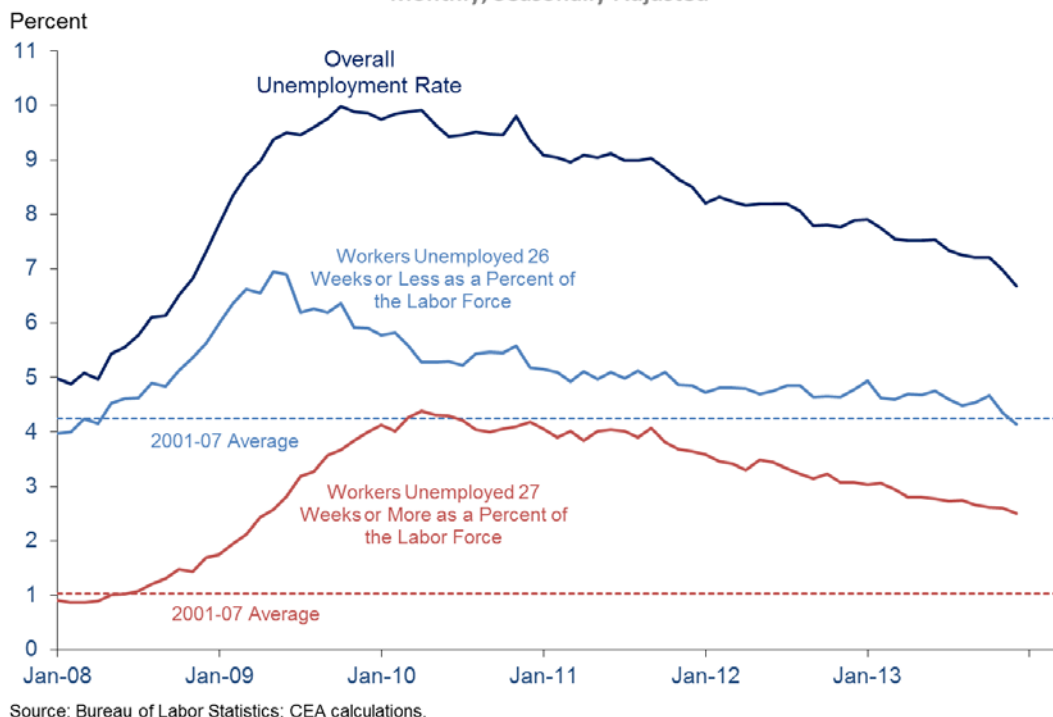
- Many of the long-term unemployed lost their job at a time when the economy was shedding jobs and it was extremely difficult to quickly find new employment – a record one in six workers reported losing a job between 2007 and 2009.<sup>13</sup>
- Only 3 in 10 unemployed workers found jobs within a few weeks of becoming unemployed, and those who remained unemployed for more than six months saw their chance of finding jobs fall below 15 percent.<sup>14</sup>

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<sup>13</sup> Henry S. Farber, “Job Loss In The Great Recession: Historical Perspective From The Displaced Workers Survey, 1984,” NBER Working Paper No. 17040, May 2011, [http://www.nber.org/papers/w17040.pdf?new\\_window=1](http://www.nber.org/papers/w17040.pdf?new_window=1)

<sup>14</sup> Josh Mitchell, “Who Are the Long-Term Unemployed?,” *Urban Institute*, July 2013. <http://www.urban.org/uploadedpdf/412885-who-are-the-long-term-unemployed.pdf>

**Figure 1**  
**Unemployment Rate by Duration**  
 Monthly, Seasonally Adjusted



**Today, we are still struggling with the terrible crisis of long-term unemployment left in the Great Recession’s wake, as data suggest many of the remaining unemployed individuals have been unemployed for very long periods.<sup>15</sup>**

- As of December 2013, there were 3.9 million long-term unemployed who had been out of work for 27 or more weeks,<sup>16</sup> and about 2.6 million of these had been looking for work for 52 weeks or more.<sup>17</sup>
- Long-term unemployment remains 2.5 times higher than the pre-crisis average, while the short-term unemployment rate of 4.1 percent has fallen to its pre-crisis average (Figures 1 and 2).
- The long-term unemployed are 37.7 percent of the overall number of unemployed – well above the pre-recession high of 26 percent reached in 1983.

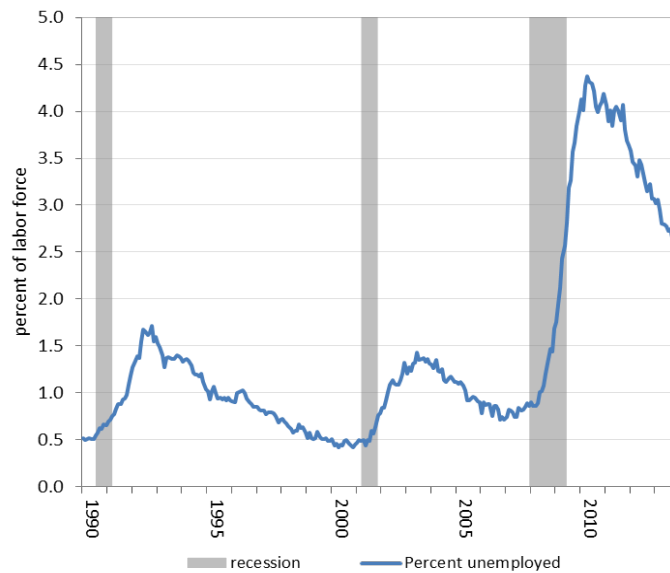
<sup>15</sup> Council of Economic Advisors calculations based on U.S. Bureau of Labor Statistics data. Despite the fall in the overall and short-term unemployment rates, the average duration of unemployment remains elevated, recently rising to 37.1 weeks in December, nearly double the pre-recession high of 21 weeks (though methodological changes by BLS to the weeks unemployed measure make comparison before and after 2011 difficult, since reported durations were topcoded at 2 years prior to 2011).

<sup>16</sup> U.S. Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>17</sup> U.S. Bureau of Labor Statistics, <http://www.bls.gov/web/empsit/cpseea35.htm>



Figure 2: Unemployed 27 weeks or more as a share of the labor force (Jan 1990-Dec 2013)<sup>18</sup>



## Characteristics of the long-term unemployed

As one recent research brief noted, the recession had a deep and lasting effect on workers across “all industries, education levels, age groups, and among blue- and white-collar workers.”<sup>19</sup> This is reflected in data on the observable characteristics of the long-term unemployed – which show that the long-term unemployed and their families are a demographically diverse group of Americans located across the country of varying educations, ages, ethnicities, and occupations.

**The table below indicates the diverse characteristics of long-term unemployed Americans and how they compare to the short-term unemployed and the employed.**

- Although older workers are disproportionately counted among the long-term unemployed, nearly 70 percent of the long-term unemployed are younger than 50.<sup>20</sup> In comparison, 80 percent of the short-term unemployed are younger than 50. While older workers are less likely to experience unemployment, when they do lose their jobs they have a more difficult time finding new employment. Moreover, for these workers unemployment is more likely to be permanent—with too many ultimately exiting unemployment by exiting the labor force.<sup>21</sup>

<sup>18</sup> Council of Economic Advisors calculations based on U.S. Bureau of Labor Statistics data.

<sup>19</sup> Rand Ghayad and William Dickens, “What Can We Learn by Disaggregating the Unemployment-Vacancy Relationship,” Boston Federal Reserve, Public Policy Brief, October 2012.

<sup>20</sup> Council of Economic Advisors calculations based on U.S. Bureau of Labor Statistics data.

<sup>21</sup> While this might be indicative of selectivity against older workers, the long-term unemployed are actually younger, on average, than the existing workforce. This is because older workers are less likely to become unemployed.

- Gender differences between the short- and long-term unemployed populations are small, as are differences with respect to marriage and family status<sup>22</sup>
- The long-term unemployed population is approximately 51 percent White Americans, 23 percent African Americans, 18 percent Hispanic Americans, and 5 percent Asian Americans. African Americans and Asian Americans have the two highest shares of long term unemployment as a share of unemployed within a particular ethnicity.<sup>23</sup>
- The long-term unemployed, newly unemployed, and employed are similarly dispersed across large, small, and non-metropolitan areas.<sup>24</sup>

**Personal characteristics of the long-term unemployed, short-term unemployed, and employed<sup>25,26</sup>**

	Long-term Unemployed	Short-term Unemployed	Employed
<b>Age</b>			
16-34 years	41.6%	57.3%	34.2%
35-49 years	27.9%	22.9%	32.4%
50 years and older	30.471%	19.8%	33.5%
<b>Race</b>			
White	50.9%	54.8%	66.2%
Black	23.1%	17.1%	10.6%
Hispanic	18.2%	21.2%	15.6%
Asian	4.6%	3.9%	5.8%
<b>Gender</b>			
Male	55.8%	54.7%	53.0%
Female	44.2%	45.3%	47.0%
<b>Metropolitan Size</b>			
1 million or more	59.7%	53.6%	55.8%
Less than 1 million	24.6%	27.2%	26.5%
Non-metropolitan	12.8%	15.1%	13.8%
<b>Marital Status</b>			
Married	34.3%	33.1%	55.9%
Widowed, Divorced, or Separated	19.0%	13.9%	14.7%
Never Married	46.7%	53.1%	29.5%

**As displayed in the figure below, the long-term unemployed are actually slightly more educated than their more recently unemployed peers across a range of educational categories.**

- Today, the long-term unemployed have similar overall education levels as the short-term unemployed, and are slightly *more* likely to have a college degree: 27 percent of the long-term unemployed have postsecondary credentials, compared to 24.5 percent of the short-term unemployed.<sup>27</sup>

<sup>22</sup> CEA Calculations based on BLS data; an Urban Institute study indicates that while differences in family type, defined as marital status and whether the individual has children, are relatively minor between the short- and long-term unemployed. Josh Mitchell, "Who Are the Long-Term Unemployed?," *Urban Institute*, July 2013.

<sup>23</sup> Ibid. Overall, the long-term unemployed are somewhat less likely to be white, with minorities consisting of 49.1 percent of the population compared to 46.2 percent of the short-term unemployed population.

<sup>24</sup> CEA calculations based on Bureau of Labor Statistics data

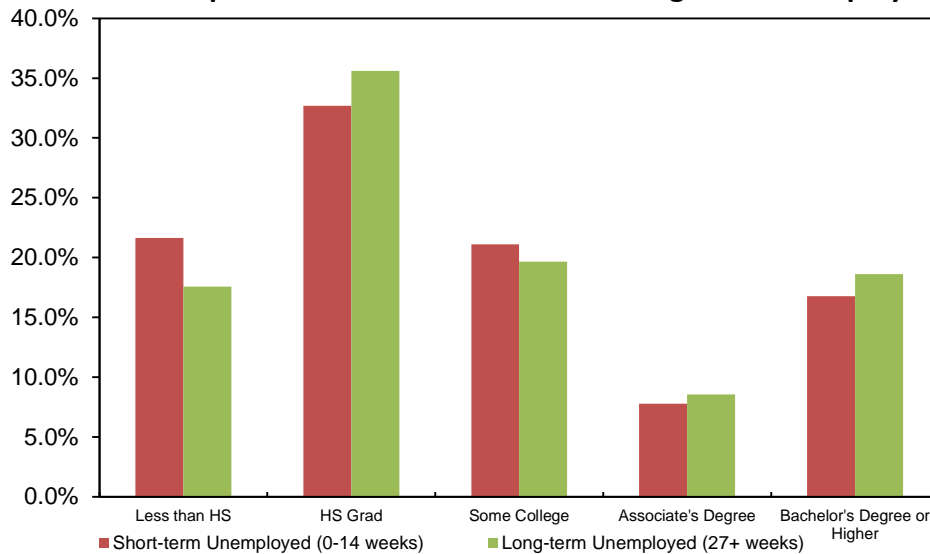
<sup>25</sup> Ibid.

<sup>26</sup> The Hispanic group includes people of all races, while demographic other groups contain only non-Hispanics.

<sup>27</sup> Internal calculations based on Bureau of Labor Statistics data.

- While the employed population are nearly twice as likely as the long-term unemployed to have a bachelor's degree (35 percent of the employed population versus 18.6 percent of the long-term unemployed) , a substantial number of the long-term unemployed are college educated and over a quarter of the long-term unemployed population has postsecondary credentials. And 35.6 percent of the long-term unemployed have only a high school degree.
- Similarly, approximately 17.0 percent of the short-term unemployed have a bachelor's degree or higher, another 7.8 percent have an associate's degree, and 32.7 percent have only graduated from high school.<sup>28</sup>

**Educational Composition of the Short-term and Long-term Unemployed<sup>29</sup>**



Note: Bars represent the percent of the total population of unemployed that have each level of education.

**The long-term unemployed are only marginally more concentrated in certain industries and occupations than the short-term unemployed, indicating that the two groups generally were last employed in similar industries and occupations.**

- Slightly higher percentages of the long-term unemployed were last employed in the manufacturing, the wholesale and retail trade, or professional and business services industries. This differs from the 1970s and 1980s, when the long-term unemployed tended to be more heavily concentrated among blue-collar workers and in the manufacturing sector.<sup>30</sup>
- Among occupations, the long-term unemployed are also slightly more concentrated than the short-term unemployed in production occupations, management, business, and financial

<sup>28</sup> Council of Economic Advisors calculations based on Bureau of Labor Statistics data

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

occupations, office and administrative support occupations, and less concentrated among the construction and extraction occupations.

**Table: Occupational Compositions of Labor Force Groups**

Occupation	Long-term unemployed	Short-term unemployed	Differential
Management, business, and financial occupations	8.2%	6.3%	1.9%
Professional and related occupations	10.3%	10.8%	-0.6%
Service occupations	20.8%	22.2%	-1.4%
Sales and related occupations	10.7%	10.6%	0.1%
Office and administrative support occupations	13.4%	10.6%	2.8%
Farming, fishing, and forestry occupations	0.7%	1.3%	-0.6%
Construction and extraction occupations	7.9%	9.6%	-1.7%
Installation, maintenance, and repair occupations	2.7%	2.3%	0.4%
Production occupations	7.6%	6.2%	1.4%
Transportation and material moving occupations	7.6%	7.8%	-0.2%
Armed Forces	0.5%	0.3%	0.3%

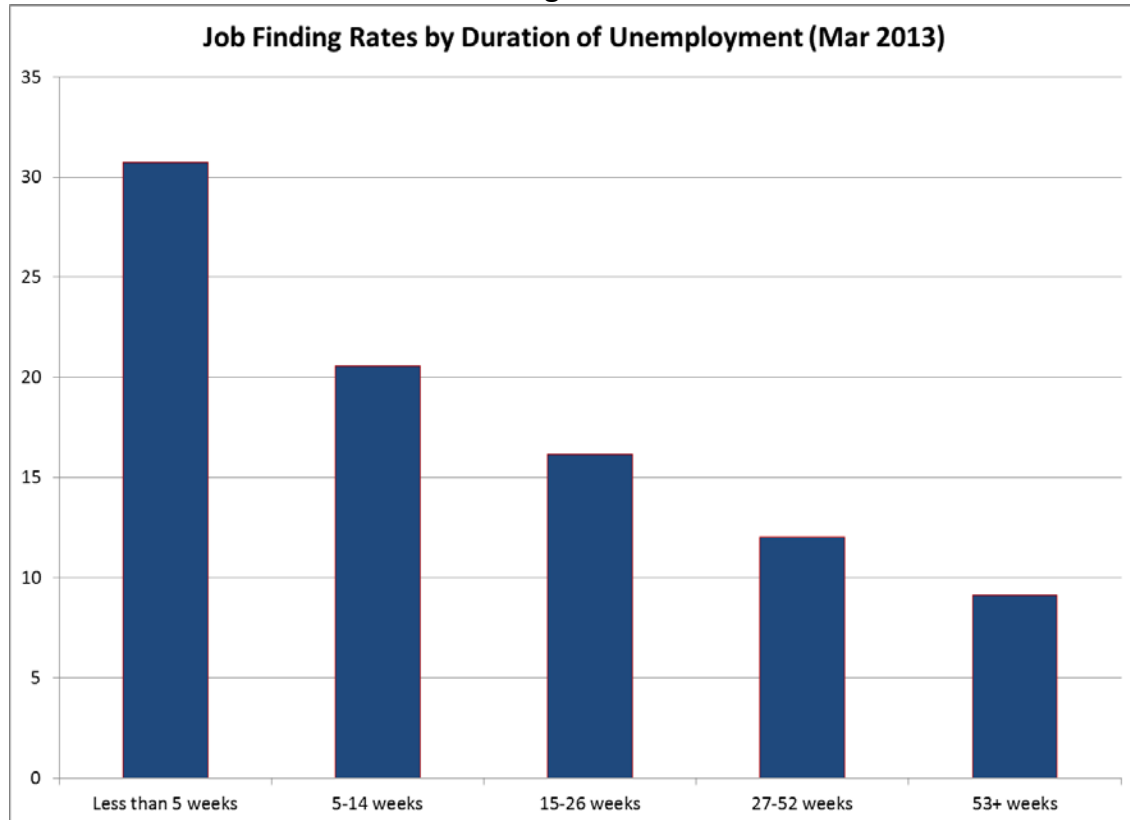
## The Negative Cycle of Long-term Unemployment

Given the data that suggests that the long-term unemployed are similar in many respects to those more recently out of work, the question arises as to why the long-term unemployed face such lower hiring rates relative to the short-term unemployed. **Recent research suggests that the long-term unemployed face significant disadvantages in the labor market *simply by virtue of their status as being long-term unemployed.***

- Even as hiring rates have increased generally, employers have preferred those who recently became unemployed to those with longer spells of unemployment. A policy brief published by the Federal Reserve Bank of Boston observed that, following the recession, the long-term unemployed have not benefitted from job openings to the same degree as the short-term unemployed.
- Typically, as job vacancies rise, unemployment falls in a relationship that remains stable over an extended period of time. The Federal Reserve Bank researchers find however, that during the recent recovery, when controlling for differences in industries, blue-collar vs. white collar work, age, education levels, and length of unemployment, the short-term unemployed are benefiting far more from the increase in the vacancy rate than the long-term unemployed.
- This trend also is reflected in data on job-finding rates, which show that the rate at which the unemployed find jobs declines sharply with the duration of unemployment (Figure 4).

**While we might expect some differences in skills and other differences between those groups of workers, the broad similarities between the short and long-term unemployed suggests that there is still more at play.** And indeed, experimental research confirms that one reason the long-term unemployed are hired at such lower rates than other groups is that they are not getting a fair shot at new jobs: the long-term unemployed face significant stigmatization that is not grounded in their skill levels and experience.

Figure 4



The crisis of long-term unemployment is both exacerbated and perpetuated by the stigma attached to having been out of work for extended periods of time. This research has shown that long-term unemployed job applicants are frequently overlooked and sometimes excluded from job opportunities—even when they may have identical or even superior resumes and skills to other candidates.

- **A 2013 study submitted 12,000 fictitious resumes to real online job postings in more than 100 U.S. cities, finding otherwise comparable applicants who saw their interview callback rates fall significantly as their length of unemployment rose.** Researchers from the University of Toronto, McGill University, and the University of Chicago Booth School of Business quantified the negative effects of long-term unemployment for job-seekers.<sup>31</sup> The 12,000 fictitious resumes each indicated a prior period of unemployment of 1 to 36 months. They found that the average interview “callback” rate for otherwise identical resumes falls sharply as the length of unemployment rises; callbacks are 45 percent lower for those unemployed for eight months compared to those unemployed for just one month. The authors also found that the negative relationship between duration of unemployment and the callback rate was much stronger in cities where unemployment was lower, suggesting

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<sup>31</sup> Kory Kroft, Fabian Lange, Matthew J. Notowidigdo, and Lawrence F. Katz, Duration Dependence and Labor Market Conditions: Evidence from a Field Experiment," *The Quarterly Journal of Economics*, September 2013.

that the long-term unemployed are at risk of being permanently left behind as the overall economy recovers.<sup>32</sup>

- **This often-unintended bias against the long-term unemployed has been confirmed by other studies, including one finding that, compared to recently unemployed job seekers, otherwise comparable long-term unemployed individuals needed to send 3.5 times as many resumes to receive an interview.** This study by MIT Institute for Career Transitions researcher Rand Ghayad found that applicants unemployed for just one month needed to send an average of only 10 resumes to receive an interview, while those unemployed for seven months needed to send 35 resumes. The study also investigated whether an applicant's duration of unemployment may outweigh industry experience, finding that those who are long-term unemployed with relevant experience are less likely to be invited for an interview than a recently unemployed worker with no relevant experience.<sup>33</sup>

This evidence suggests that the long-term unemployed face a stigma from many potential employers, even when they have industry-specific experience. This may take the form of filters or procedures that are used in recruiting and hiring processes, or advertising strategies that may discourage or effectively screen out unemployed individuals.

## Long-term unemployment causes deep and lasting damage for individuals and their families

The damage caused by long-term unemployment is first and foremost to the person who is unemployed and his or her family.<sup>34</sup> A job loss can place a family in a position of acute financial need<sup>35</sup> – under stresses that leave a family in ever greater financial need as an unemployment spell becomes longer, particularly as UI benefits are eventually exhausted and savings depleted.

**But the costs of unemployment do not end when unemployment ends.** In fact, the financial costs of unemployment accumulate with time, especially following long periods of unemployment.

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<sup>32</sup> Stefan Eriksson and Dan-Olof Rooth "Do Employers Use Unemployment as a Sorting Criterion When Hiring? Evidence from a Field Experiment," Working Paper, 2013; Felix Oberholzer-Gee, "Nonemployment Stigma as Rational Herding: A Field Experiment," *Journal of Economic Behavior & Organization*, January 2008. Eriksson and Rooth (2012) find little effects of unemployment duration up to six months in a similar study for Sweden but the results at nine months suggest long-term unemployment may be a negative signal, on the other hand, while Oberholzer-Gee (2008) has a similar study design for Switzerland, but measures the impact of being out of the labor force rather than being unemployed. Neither of these studies correlates the impact of unemployment on an individual with the overall unemployment rate.

<sup>33</sup> Rand Ghayad, "The Jobless Trap" Job Market Paper, Working paper, 2013.  
[http://media.wix.com/ugd/576e9a\\_f6cf3b6661e44621ad26547112f66691.pdf](http://media.wix.com/ugd/576e9a_f6cf3b6661e44621ad26547112f66691.pdf)

<sup>34</sup> See Austin Nichols, Josh Mitchell, and Stephan Lindner. "Consequences of Long-Term Unemployment." *Urban Institute*, 2013.  
<http://www.urban.org/uploadedpdf/412887-consequences-of-long-term-unemployment.pdf>. This section draws on the work of the Urban Institute's recent summary of the literature on the impact on of long-term unemployment, *Consequences of Long-Term Unemployment* (2013).

<sup>35</sup> Jonathan Gruber, "The Consumption Smoothing Benefits of Unemployment Insurance." *The American Economic Review*, March 1997.

- It is well established in economics literature that workers who lose their jobs suffer considerable earnings losses when they return to work.<sup>36</sup> In summarizing empirical work on displaced workers, Hamermesh (1989) finds that re-employed workers, about half of whom are typically unemployed for six months or longer, earn about 5-15 percent less than similar workers who did not lose their jobs; half of displaced workers finding jobs in some samples had been unemployed for as long as nine months.<sup>37</sup> Making matters worse for the long-term unemployed, there is some evidence that the earnings loss increases with the duration of unemployment.<sup>38</sup>
- A recent longitudinal study by economists Davis and von Wachter (2011) found evidence that episodes of unemployment are associated with lasting income effects: drawing on Social Security data from 1974 to 2008, they find that workers who lose their jobs when unemployment is high experience a reduction in permanent earnings of approximately 8 percent, relative to those who are displaced when unemployment is low.
- Additionally, Barnette and Michaud (2012) have found that the effect of unemployment on laid-off workers *not* displaced by company closings is especially large and far into the future.<sup>39</sup>

**Unemployment also has serious consequences for one’s physical and mental health, as well as that of one’s family.**

- Financial pressure, combined with the stigma of job loss and the negative social consequences, can lead to worsening mental health for the unemployed.<sup>40</sup>
- In addition to the negative impact on one’s mental health, there is also evidence for a negative impact on physical health. Sullivan and von Wachter (2009) find that, among male workers with at least three years of job tenure, the mortality rate is 50 to 100 percent higher

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<sup>36</sup> Louis S. Jacobson, Robert J. LaLonde, and Daniel G. Sullivan. “Earnings Losses of Displaced Workers,” *The American Economic Association*, September 1993.

<sup>37</sup> Daniel S. Hamermesh, “What Do We Know About Worker Displacement in the U.S.?” NBER Working Paper 2402, 1987, <http://www.nber.org/papers/w2402>.

<sup>38</sup> Johannes F. Schmeider, Till M. von Wachter, and Stefan Bender, “The Causal Effect of Unemployment Duration on Wages: Evidence from Unemployment Insurance Extensions.” NBER Working Paper No. 19772, December 2013, <http://www.nber.org/papers/w19772>. Schmieder et al.’s (2013) rigorous study of middle-aged Germans with close prior attachment to the labor force shows this, though the results of other papers are mixed.

<sup>39</sup> Justin Barnette and Amanda Michaud, “Wage Scars from Job Loss,” Job Market Paper, Working paper, February 2011, <http://www.uakron.edu/dotAsset/2264615.pdf>. Laid-off workers, once reemployed, have wages about 15 percent lower than continuously employed workers, 1 to 20 years after layoff, whereas workers displaced by company closings, once reemployed, have wages about 5 to 10 percent lower than continuously employed workers. The wage disadvantage for workers displaced by company closings dissipates 4 to 10 years after separation.

<sup>40</sup> Sarah A. Burgard, Jennie E. Brand, James S. House. “Toward a Better Estimation of the Effect of Job Loss on Health” *Journal of Health and Social Behavior*, December 2007; Timothy J. Classen, and Richard A. Dunn “The Effect of Job Loss and Unemployment Duration on Suicide Risk in the United States: A New Look Using Mass-Layoffs and Unemployment Duration.” *Health Economics*, March 2012. Research in this area faces the challenge of selection bias. Some researchers have attempted to address selection by using more rigorous methods.

a year after job loss than it otherwise would have been, and remains 10 to 15 percent higher for the next 20 years.<sup>41</sup>

- Research has found that children of a parent losing a job perform worse in school, as a result of either the financial loss associated with parental unemployment, or with unemployment-specific factors such as parental depression or parental loss of self-esteem.<sup>42</sup>
- The impact on the family is also intergenerational: the children of workers who lose their job eventually obtain lower paying jobs than they would otherwise have done,<sup>43</sup> possibly due to their worse school performance in the aftermath of the parent's layoff.<sup>44</sup>

## Long-term unemployment also results in lasting damage to our labor force and the economy at large

**Among other lasting harms, the scarring effects of long-term unemployment can result in skills deterioration,<sup>45</sup> and may increase the likelihood that workers drop out of or become excluded from the labor force altogether.<sup>46</sup>**

- In a recent paper, three Federal Reserve Board researchers concluded: “Long-term unemployment is of particular concern because individuals out of work for extended periods of time may find that their skills, reputations, and networks deteriorate, resulting in a persistently higher level of structural unemployment or a steeper downtrend in the labor force participation rate.”<sup>47</sup>

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<sup>41</sup> Daniel Sullivan and Till von Wachter. “Job Displacement and Mortality: An Analysis Using Administrative Data.” *Quarterly Journal of Economics*, 2011, [http://www.columbia.edu/~vw2112/papers/sullivan\\_vonwachter\\_qje.pdf](http://www.columbia.edu/~vw2112/papers/sullivan_vonwachter_qje.pdf).

<sup>42</sup> Ann Stevens and Jesamyn Schaller. “Short-Run Effects of Parental Job Loss on Children’s Academic Achievement.” *Economics of Education Review*, 2011.

<sup>43</sup> Philip Oreopoulos, Marianne Page, and Ann Huff Stevens, “The Intergenerational Effect of Worker Displacement.” *Journal of Labor Economics*, 2008.

<sup>44</sup> Ibid.

<sup>45</sup> Per-Anders Edin and Magnus Gustavsson “Time Out of Work and Skill Depreciation,” *Industrial and Labor Relations Review*, 2008; Christopher A. Pissarides, “Loss of Skill During Unemployment and the Persistence of Employment Shocks.” *Quarterly Journal of Economics*, 1992.

<sup>46</sup> Olivier J. Blanchard and Lawrence H. Summers, “Hysteresis and the European Unemployment Problem,” *NBER Macroeconomics Annual*, vol. 1, 1986, <http://www.nber.org/papers/w1950>. In a seminal 1986 paper, Olivier Blanchard and Larry Summers describe the damaging effects of hysteresis, “the substantial persistence of unemployment and the protracted effects of shocks on unemployment.” They identify this as the result of disenfranchised outsiders being cut out of labor markets, noting that “shocks that lead to reduced employment change the number of insiders and thereby change the subsequent equilibrium wage rate...”

<sup>47</sup> Dave Reifschneider, William L. Wascher, David Wilcox, “Aggregate Supply in the United States: Recent Developments and Implications for the Conduct of Monetary Policy” International Monetary Fund’s 14th Jacques Polak Annual Research Conference, November 2013, <http://www.imf.org/external/np/res/seminars/2013/arc/pdf/wilcox.pdf>



- In a 2012 speech, Chairman Bernanke described the effects of long-term unemployment, which “imposes important economic costs on everyone, not just the unemployed themselves.” As he described:
  - “People unemployed for a long time have historically found jobs less easily than those experiencing shorter spells of unemployment, perhaps because their skills erode, they lose relationships within the workforce, or they acquire a stigma that deters firms from hiring them. [This] loss of skills and lower rates of employment reduce the economy’s overall productive capacity over the longer term.
  - “Even if the primary cause of high long-term unemployment is insufficient aggregate demand, if progress in reducing unemployment is too slow, the long-term unemployed will see their skills and labor force attachment atrophy further, possibly converting a cyclical problem into a structural one.”<sup>48</sup>

**A range of respected economists have concluded that the current levels of long-term unemployment – if unaddressed –threaten to inflict lasting damage on the US economy.**

- In his 2012 speech, Chairman Bernanke suggested that “the currently high level of long-term unemployment might in itself be a reason that further progress in reducing the unemployment rate, and thus in achieving a more complete recovery, could be slow.”
- Recently, Goldman Sachs Chief Economist Jan Hatzius wrote that “declines in the labor force participation rate over the past year have coincided with deteriorating participation among older workers. ... This pattern is not typically associated with coincident labor market weakness, and could be indicative of hysteresis (i.e. irreversible) effects from the Great Recession.”<sup>49</sup>
- Former Treasury Secretary Larry Summers, in a conversation last year with New York Times Magazine, was reported as saying that “the crisis that demands our attention now is long-term unemployment. ... Millions of Americans have been out of work for more than half a year, many for much longer; not only are they suffering, but the overall economy is poorer without their contribution.”

## Connecting the Long-term Unemployed Back to Work

Unquestionably, addressing the challenge of long-term unemployment requires strong economic growth that allows employers to dig deeper into the labor market, to increase their hiring of the long-term unemployed. The Administration has put forward a legislative agenda that includes critical

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<sup>48</sup> Chairman Ben S. Bernanke, “Recent Developments in the Labor Market,” National Association for Business Economics Annual Conference, Arlington, Virginia, March 26, 2012, <http://www.federalreserve.gov/newsevents/speech/bernanke20120326a.htm>.

<sup>49</sup> Jan Hatzius, “US Daily: Recent Decline in Participation Looks Less Cyclical (Dawsey),” Goldman Sachs Global Macro Research, January 14, 2014.

steps to spur job creation, as well as calling for an extension of Emergency Unemployment Compensation and new investments in job training, as outlined in the box below.

While an important part of the recovery is accelerating job growth, it is essential that all of the unemployed are able to benefit in the recovery. Too many workers have found themselves unable to find work quickly enough to avoid sinking into the quicksand of long-term unemployment with its attendant difficulties in getting calls, interviews, and chances to reenter the workforce. That's why it is crucial that employers, intermediaries and others help connect the long-term unemployed to work take important steps to help these workers.

Employers can take steps to improve their hiring process by removing screens that might disadvantage long-term unemployed workers – even unintentionally. Working with experts like the Society for Human Resource Management, the Administration developed a set of “best practices” that are focused on removing these barriers to hiring and recruiting the long-term unemployed. As of publication of this report, over 80 of the nation’s largest businesses have signed on, including 20 members of the Fortune 50 and over 45 members of the Fortune 200, as well as over 200 small- and medium-sized businesses. In the coming months, the President will encourage other business leaders to adopt these practices.

Those who have been out of work for an extended period may also need additional services and supports to prepare them for reemployment. Over 20 million people received reemployment services over the past year from the Department of Labor’s programs. Reemployment services include access to public labor exchanges—computer systems that match job seekers up with employers—job search assistance, resume workshops, career guidance, and other services. These are the services that the unemployed are most likely to receive, making the quality of these services critical in reducing unemployment duration. Research has generally shown that reemployment services are low-cost and effective. The What’s Working (1995) report from the Department of Labor reviewed evidence on reemployment services. Based on a 5-state evaluation of high-quality job search assistance, they conservatively estimate that job search assistance reduces joblessness by 2.8 weeks. Reductions ranged from one-half to 4 weeks, and in all five states, the program was cost-effective. More recent evidence from quasi-experimental studies in Oregon and Washington estimate that job development programs reduce unemployment by 3.8 weeks.<sup>50</sup> An evaluation of the public labor exchange system in six states by Westat reviewed the evidence and concluded that the effect of a referral to employment services is around 3.5 weeks.<sup>51</sup> That evaluation also found that benefits exceeded cost in all six states by more than twenty percent.

There is also evidence emerging from a number of promising employment programs that should help inform our efforts to connect the long-term unemployed to work, including connecting those who need training to the programs that will quickly return them to good jobs. Early results from these programs suggest that intensive front-end assessment and counseling, strong employer engagement,

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<sup>50</sup> Louis Jacobson and Ian Petta, *Measuring the Effect of Public Labor Exchange (PLX) Referrals and Placements in the Washington and Oregon*, Prepared for the Washington State Employment Security Department, 2000.

<sup>51</sup> Louis Jacobson, Ian Petta, Amy Shimshak, and Regina Yudd, “Evaluation of Labor Exchange in the One-Stop Delivery System Environment.” ETA occasional Paper 2004-09. U.S. Department of Labor, 2004.

and access to a range of support or “wrap-around” services can increase employment and earnings of the unemployed.

## Job-Driven Sector Strategies

One set of training strategies that have been rigorously studied and found to be particularly impactful are sectoral employment strategies, or sector-based strategies, that organize employers in specific sectors such as health care or manufacturing occupations to understand employment demands in those sectors and train qualified workers along all parts of the career ladder. An evaluation of training strategies, three programs—Jewish Vocational Services in Boston (JVS Boston), Per Scholas in New York, and the Wisconsin Regional Training Partnership—found that individuals admitted to these programs earned about \$4,500 more (18%) over the course of two years than non-participants.<sup>52</sup> Earnings were lower for participants than nonparticipants in the first year, likely because they were still in training, but during the second year monthly earnings averaged an additional \$337 per month, about 30 percent more than nonparticipants.<sup>53</sup>

These programs in the sectoral study had some common features that are particularly helpful for the long-term unemployed and other groups facing barriers to employment:

- **Deep employer engagement:** The organizations were actively engaged with local employers. Collaboration with individual employers, employer representatives, and unions allowed them to better understand the needs of the local workforce and to successfully adapt to changes in various sectors. They were able to consistently meet a company’s hiring needs and to ensure that training curricula were relevant.
- **Intermediaries that serve as liaisons between employers and training providers:** As intermediaries, the organizations were able to maintain a clear understanding of the skills employers need and find job-seekers who could meet those employer requirements with additional training.
- **Work-based learning:** Hands-on technical skills training in a particular sector was a key component of each program. JVS Boston and Per Scholas also used internships to help students master coursework and to provide students the skills to successfully enter the workforce.
- **Wrap-around services:** All three of the organizations provided job seekers with supportive services needed to successfully participate in the training. Targeted support services varied in the manner of delivery and type of services, ranging from childcare and transportation to mentorship and financial counseling.

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<sup>52</sup> Carol Clymer, Maureen Conway, Joshua Freely, Sheila Maguire, and Deena Schwartz, “Tuning In to Local Labor Markets: Findings From the Sectoral Employment Impact Study,” *Public/Private Ventures*. July 2010.  
[www.issuelab.org/click/download1/tuning\\_in\\_to\\_local\\_labor\\_markets\\_findings\\_from\\_the\\_sectoral\\_employment\\_impact\\_study](http://www.issuelab.org/click/download1/tuning_in_to_local_labor_markets_findings_from_the_sectoral_employment_impact_study).

<sup>53</sup> Ibid.

These three sectoral programs originally evaluated are still operating, and a primary population they serve is the long-term unemployed individuals. In 2012 and 2013 Per Scholas provided IT training to 387 students in its IT-ready programs, and nearly one-third of those served were long-term unemployed. The Wisconsin Regional Training Partnership provided training in manufacturing and construction to over 650 unemployed individuals in 2013 alone. JVS Boston recently implemented a new track to serve the long-term unemployed through the *Bridges to College and Careers program* (Bridges) that JVS Boston operates in partnership with Quincy College and funded through a U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant.

Over the years, many sector partnerships have been developed across the country, creating effective training and related strategies that can help the unemployed, including the long-term unemployed, get back to work. In 2007, a dozen national foundations created the National Fund for Workforce Solutions (NFWS), which has been a primary driver of the recent growth of sector partnerships. NFWS is a collaborative network of 30 rural and urban communities that have organized more than 100 industry partnerships involving 3,000 employers and serving nearly 50,000 workers and job seekers. These partnerships have helped thousands of unemployed and low-skill workers by investing public and philanthropic resources in demand-driven training projects leading to industry-recognized credentials. Some sector partnerships are profiled in the Appendix.

## New Job-Driven Models

Other models focus in particular on partnering with employers to identify their needs, and train and connect workers to fill them, sometimes through subsidized employment opportunities that remove some of the risks of hiring to encourage employers to take on previously unemployed workers.

- **Skills for Chicagoland's Future:** One example of a demand-driven partnership with employers is Skills for Chicagoland's Future (SCF). Like the successful programs evaluated above, Skills for Chicagoland's Future is an intermediary for a number of businesses who have hiring needs.
  - SCF works with over 25 Chicago-area employers, including United Airlines, JPMorganChase, and Seaton Corp, to understand their hiring needs. Some of these employers make commitments to interview and hire the unemployed; SCF has received 750 such commitments in 2013.
  - Leveraging relationships with the workforce board and with community-based organizations, SCF finds unemployed individuals who meet these qualifications or can meet those needs with short-term hiring. Since launching in 2012, SCF has placed more than 600 unemployed job seekers into jobs and over 70 percent were long-term unemployed. More than 150 of those jobseekers were enrolled in short-term training resulting in immediate employment upon completion of the program.

- **Platform 2 Employment:** Established by The WorkPlace, one of nine Regional Workforce Development Boards in Connecticut, Platform to Employment (P2E) was designed specifically to help the older long-term unemployed and younger unemployed veterans and currently works with businesses in 8 regions across the country to fill job openings.
  - , P2E programs for the unemployed start with 21st century job readiness strategy sessions four days per week for five weeks; these workshops and personal counseling help individuals regain the ability to be competitive in today’s labor market, build self-confidence, organize for a job search, and learn to market themselves.
  - The P2E experience is enhanced with financial counseling and credit rebuilding assistance, so participants are better equipped to face the financial challenges many families confront during extended periods of unemployment. Once participants successfully complete the five-week P2E job readiness component, they are eligible for a work experience in a field that they are qualified for. P2E staff work with participants to match them with employers that have open positions.
  - The employer, by selecting a P2E participant, fills an open position with a supported candidate at no cost. P2E eliminates the employer risk in hiring, as the participant is on the payroll of the WorkPlace during the eight-week work experience. The expectation is that if a participant is successful they will be hired by the employer; approximately 80 percent of participants to date have moved on to unsubsidized employment.
  
- **Recent federal efforts to support subsidized employment:** Most recently, the federal government encouraged subsidized jobs programs funded by \$5 billion in funding for the Temporary Assistance for Needy Families (TANF) Emergency Fund from the American Recovery and Reinvestment Act. Subsidized employment has a long history of success, particularly for workers facing difficulties in finding jobs.
  - The program served tens of thousands of low income families by providing funding to states to reimburse 80 percent of the increased costs in three areas: basic assistance, short-term benefits and services, and subsidized jobs for members of low-income workers, many of whom were receiving unemployment insurance, allowing states to fund basic income assistance and services, and subsidized jobs for workers in low-income.<sup>54</sup>
  - In Florida, the researchers were able to design an evaluation that compared participants in subsidized employment to similar individuals that were not able to participate because of the application deadline. The program provided a subsidy that covered 80 to 95% of the total cost of employing a worker and required for-profit firms to retain workers after a 6-month subsidy period. Long-term unemployed

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<sup>54</sup> White House Middle Class Task Force, “Subsidized Jobs: Helping Americans Get Back To Work,” 2010, Middle Class Task Force White Paper, [http://www.whitehouse.gov/sites/default/files/rss\\_viewer/mctf\\_report\\_subsidized\\_jobs.pdf](http://www.whitehouse.gov/sites/default/files/rss_viewer/mctf_report_subsidized_jobs.pdf)

workers who participated in subsidized employment positions had significantly higher employment rates and average earnings in the year after the program than those who had not participated. Participants saw an average increase in earnings of \$3,949, compared to just \$1,478 for non-participants. The long-term unemployed saw an increase in earnings of \$8,473 on average, relative to long-term unemployed non-participants, who saw only a \$6,195 increase.<sup>55</sup>

## Integrating Promising Practices into the Workforce System

A number of federally funded programs have built on the effective practices highlighted above, including work-based approaches such as subsidized employment. Workforce investment agencies across the country are implementing innovative strategies to help support the long-term unemployed.

- For example, the State of New Hampshire's NH Works program uses an on-the-job training (OJT) model that empowers long-term unemployed individuals to identify earn and learn opportunities in their career field, while also providing them with a competitive advantage that helps level the playing field, especially when they are competing against workers who are employed or short-term unemployed.
- The City of Los Angeles' HealthWorks Initiative is another innovative model that operates as a sector partnership, aligning the public workforce system with community college training providers and major healthcare employers to help address shortages in three high-growth occupations: nursing, allied health, and health information technology. Participants receive a combination of classroom training and on-the-job work experience along with counseling, coaching, and supervision provided by a career counselor at an American Job Center (AJC).

Workforce development programs like these are working to serve the long-term unemployed, but also face severe resource constraints. With additional funding, these organizations would be able to provide additional services to the long-term unemployed. More time could be devoted to specific issues facing the long-term unemployed such as limited basic or soft skills and low self-confidence due to being out of the labor market for long periods of time.

This need motivated the Department of Labor to devote \$150 million in existing funds to support high performing partnerships between employers, non-profit organizations and America's public workforce system that will help provide long-term unemployed individuals with the range of services, training, and access they need to fill middle and high-skill jobs. These funds are intended to support existing partnerships to target their programs to the needs of the long-term unemployed and can incentivize new collaborations to connect long-term unemployed workers with jobs for which companies are hiring.

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<sup>55</sup> Anne Roder and Mark Elliot, "Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs," Economic Mobility Corporation, September 2013, <http://economicmobilitycorp.org/uploads/stimulating-opportunity-full-report.pdf>.

This competition builds on past grants in which the Department of Labor has directly supported and driven other efforts to help the long-term unemployed through two specific recent grant programs designed to meet the varying needs of the long-term unemployed: a) On-the-Job Training National Emergency Grants (OJT NEGs), and b) H-1B Technical Skills Training (H-1B TST) Grants. Through these two programs, DOL has invested nearly \$443 million through 134 separate grants to local, public-private partnerships led or coordinated by Workforce Investment Boards (WIBs). The partnerships supported by these grants often focus on a single sector or cluster of sectors in a particular region. Several features include comprehensive, up-front vocational assessments, intensive on-the-job training where employers can be reimbursed for up to 90% of the training and employment costs, and one-on-one career advisement, mentoring, and counseling.

## Conclusion

Today's long-term unemployment crisis is perhaps the worst legacy of the financial crisis and ensuing recession. While the United States' economy has steadily recovered and continues to create more private sector jobs, much work remains to break what has become a self-perpetuating cycle of long-term unemployment for many Americans. Research indicates that employers' hiring practices often unfairly disadvantage the long-term unemployed for reasons unrelated to the applicant's qualifications.

That is why the Administration is taking steps to work with the private sector to identify best practices that remove barriers that might disadvantage the long-term unemployed in the hiring process. At the same time, the Department of Labor is seeking to fund new programs that build on models that have shown success in helping the long-term unemployed find employment through innovative partnerships and proven strategies, including job-training, subsidized employment, and sector-based strategies.

To solve our country's long-term ongoing long-term unemployment challenge, these efforts by employers, workforce intermediaries, and government must be brought to a greater scale that can support all those in need of a fair chance at employment.

## The President's Legislative Proposals to Address Long-Term Unemployment

The President has put forward critical investments to strengthen the middle class and create jobs— including new investments in manufacturing, research, clean energy and infrastructure. These proposals could boost economic growth in the near-term, supporting new hiring and making it easier for the long-term unemployed to find work.

One immediate step the President has called for that would both strengthen the economy and help the long-term unemployed is the extension of Emergency Unemployment Compensation.

- Since these benefits expired at the end of 2013, 1.6 million people have already been cut off from unemployment benefits and an additional 3.3 million will lose benefits over the course of the year if they are not extended.
- Emergency unemployment insurance provides a crucial financial bridge for those actively seeking employment, while connecting the long-term unemployed to the labor market.
- Rothstein (2011) finds that extended unemployment benefits help to keep people in the labor force, actively looking for work.

The Department of Labor and the Administration have also made sure that unemployment insurance supports individuals returning to work as quickly as possible.

- In 2012, President Obama signed the Middle Class Tax Relief and Job Creation Act into law, which included major reforms to the UI system.
- One primary reform was to make funds available to states to provide reemployment services and eligibility assessments (REA) to long-term unemployed individuals entering onto extended unemployment benefits.
- The Department of Labor had also already been investing in these services for all UI claimants in forty states based on the evidence of their effectiveness. In the most recent study of REA effectiveness covering the period of July 2009 through September 2011, IMPAQ International determined that the Nevada's REA claimants had 3.13 fewer weeks of unemployment insurance compared to individuals in a control group, saving \$873 in benefits payout per REA participant, exceeding the cost associated with REA by more than four times.<sup>1</sup>

The President has also put forward targeted policies to connect the long-term unemployed to work.

- The President has proposed a *Pathways Back to Work Fund* in the American Jobs Act to provide hundreds of thousands of low-income youth and adults with subsidized employment opportunities to work and to achieve needed training in growth industries. This would build on the success of the American Recovery and Reinvestment Act, in which the President heavily invested in training.
- The President has also proposed the *The Universal Displaced Worker Program* designed to provide all displaced workers who lose their job out of no fault of their own, with the skills and reemployment services they need to get back to work through a universal suite of services.
- The President has also proposed increased investment in counseling and case management services to give participants better information about training programs that are effective and have good track records; incentives and performance standards for both participants and training providers; and robust evaluation of what works.



## Appendix: Key intermediaries helping to connect the long-term unemployed to work<sup>56</sup>

### **District 1199C Training & Upgrading Fund**

District 1199C Training & Upgrading Fund (1199C), an affiliate of the National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO, negotiated the Training & Upgrading Fund to assist its members and the community in upgrading out of dead-end jobs and keeping pace with increasing technological demands. The Training and Upgrading Fund's Learning Center in Center City, Philadelphia provides basic and job skills training to over 2,000 students per year.<sup>57</sup>

1199C received a federal H-1B grant to provide employment and training services to people experiencing unemployment for at least 27 consecutive weeks at any time since January 1, 2008, the beginning of the great recession. Working through their healthcare industry partnership—an employer-led partnership that includes acute care hospitals, long-term care facilities, community health centers, public health, physician practices, and relevant academic and workforce development organizations—1199C provides on-the-job training (OJT) to Nursing and Health Information candidates. Of the 79 enrollees to date, 55 were long-term unemployed and 24 were unemployed but not unemployed for more than 27 weeks. Because they work closely with employers to develop curriculum and link training to the skills employers are looking for, 1199C has not faced significant challenges in serving the long-term unemployed. The vast majority of candidates have succeeded in OJT and have continued on the job beyond the original training period.

### **Jackson Area Manufacturers Association**

As a membership-based organization of advanced manufacturers in Jackson, Michigan, Jackson Area Manufacturers Association (JAMA) runs apprenticeship and short-term certificate programs in a variety of advancing manufacturing fields such as Computer Numerical Control (CNC) machinist, tool and die making, and welding. Trainees can earn college credits at Jackson College and Baker College of Jackson. Seventy member manufacturing companies, secondary schools, colleges, and other community stakeholders play an active role in designing the curriculum and hiring trained program participants.

Since April, 2005, JAMA has graduated a total of 74 individuals from the four-year DOL-registered apprenticeships offered via their Academy for Manufacturing Careers. In addition to that, they currently have 107 active enrolled apprentices. In 2013 through the Academy, JAMA offered a total of 95 classes, serving 260 companies and enrolling/training a total of 1,179 individuals (335 of which were sponsored into training using one or more federal funding sources leveraged through their region's WIB, the South Central MI Works!).

Using federal Workforce Investment Act (WIA), Trade Adjustment Assistance (TAA), and Temporary Assistance for Needy Families (TANF) funds, JAMA serves the long-term unemployed through certificate programs which typically run for six to nine months. WIA funding makes up thirty percent of JAMA's training budget thanks to the strong partnership the organization enjoys with South

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<sup>56</sup> Information in this appendix is based in part by information submitted to the National Economic Council.

<sup>57</sup> District 11993C Training & Upgrading Fund. 2007. Web. Accessed 27 Jan. 2014. <http://www.1199ctraining.org/aboutus.htm>

Central Michigan Works, the local workforce investment board. In some cases, JAMA will train workers for a particular company, and the company in turn makes a commitment to hire newly trained workers and reimburse JAMA for the training costs.

### **Jane Addams Resource Corporation**

Founded in 1985 as an economic development agency concentrated in the Ravenswood Industrial Corridor in Chicago, IL, Jane Addams Resource Corporation (JARC) focuses on job training and workforce development. JARC's job training programs target strategic skills gaps in the manufacturing and information technology (IT) sectors, such as Computer Numerical Control (CNC) machinist, welder and computer specialist.

Using Workforce Investment Act (WIA), Community Development Block Grant (CDBG), state, and private foundation funding, JARC provides employment and training services to individuals experiencing long-term unemployment through their Careers in Manufacturing Program. Using a sector-based training model, JARC collaborates closely with manufacturing employers, community-based organizations, community colleges, and state workforce and social service agencies to ensure that the long-term unemployed receive the services and supports they need to re-enter the labor market. In addition to occupational skills training JARC provides assistance with resume writing, interview skills, and workplace behavior, financial counseling, public benefits screening, and computer literacy skills. JARC also refers participants out to partner agencies if they need assistance with housing, childcare, counseling, or other needs. Since 2010, JARC has placed an average of 65 graduates each year; approximately ninety percent of individuals completing the program are placed in training-related jobs with family-sustaining wages and career paths.

### **Jewish Vocational Service of Greater Boston**

Jewish Vocational Service of Greater Boston (JVS Boston) was founded in 1938 during the Great Depression to assist Jewish immigrants struggling to enter the American workforce and support their families. Today, they serve a diverse clientele that represent over 67 nations and speak 59 languages, helping them to secure financial independence through a variety of educational and employment services. They provide incumbent worker services for more than 25 healthcare, life science, retail, and hospitality/food service companies and place individuals in more than 250 different companies annually across all major sectors.

JVS Boston provides both generalized and targeted services to the long-term unemployed, including career planning, job search, and job readiness services through their American Job Center, *The Work Place*, and their professional career division, *Career Moves*. JVS Boston also recently designed and implemented a new track to serve the long-term unemployed through the *Bridges to College and Careers program* (Bridges) that JVS Boston operates in partnership with Quincy College and funded through a U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant. Bridges prepares individuals to successfully enter credit-bearing college programs in allied health, IT, and accounting/business. The new track, designed in partnership with, is preparing students to enter a biotech compliance and manufacturing certificate and associate's degree program. The first cohort of 12 students will finish Bridges in December and enter Quincy College in January. More than half of these students are long-term unemployed individuals transitioning from the previous occupations into a new industry.

JVS Boston has also very recently engaged in a partnership with the Institute for Career Transitions, an organization that assists long-term unemployed professionals. As part of this partnership, JVS Boston career counselors will participate as two of the 40 Boston area career professionals donating their services to assist long-term unemployed candidates using two approaches, a strictly 1:1 model as well as an 8-week cohort approach followed by 1:1 assistance. The intent of this partnership is to identify and compare the outcomes of various service delivery models for the long-term unemployed.

### **Jewish Vocational Service San Francisco (JVS SF)**

Jewish Vocational Service San Francisco (JVS SF) was founded in 1973 to aid recent Jewish college graduates who were having trouble finding work. As the leader of San Francisco's Healthcare Academy, JVS SF's partnerships in the healthcare sector are extensive, but JVS SF also works with nearly 200 employer partners in business, finance, marketing, and retail. Furthermore, just last year, JVS San Francisco worked with over 700 clients who had been out of work for 6 months or more. Their partners include University of California San Francisco, Alameda Health Systems, Chabot College, City College of San Francisco, In-Home Supportive Services, and Arriba Juntos, another local community training organization.

JVS SF has seen a strong correlation between older workers and long-term unemployment. In general, the long-term unemployed are perceived as having diminished or atrophied skills, and that perception only intensifies for older workers. To be competitive in today's challenging job market, the long-term unemployed need to build and refresh hard skills, develop new job search skills, and cultivate an online presence utilizing technology to maximize their job search. JVS SF has developed a cohort-based Job Club model, in which clients with a similar goal or industry sector orientation can develop their skills as a team. Participants also meet with employers through JVS SF Employer Spotlights and volunteer events, during which employers help clients with mock interviews and do resume collection. JVS SF also offers 60 workshops each month that teach such skills as using technology and social media to apply for a job, developing networking skills, and behavioral interviewing.

### **Per Scholas**

Founded in 1995 as a neighborhood effort to increase access to personal computers, Per Scholas has grown to become New York City's largest professional IT workforce development programs. Per Scholas primarily prepares workers for entry level IT positions, but it is expanding its reach into middle-skills training for jobs in software testing and network administration. One of the hallmarks of the Per Scholas approach is that it is employer-driven, with employer partners that include Barclays, Bloomberg, Cablevision, JPMorgan Chase, Neuberger Berman, NYSE Euronext, Pomeroy, Time Warner and many others.

In addition to providing training, Per Scholas also offers career development curriculum for the long-term unemployed, which is layered on top of the 12-15 week IT training programs it offers. Clients meet weekly for career development sessions, which include coaching on resume development and interview skills. These services include assistance for the long-term unemployed to explain gaps on their resumes and adequately and confidently address long periods of unemployment in an interview

setting. Per Scholas also uses these sessions to help the long-term unemployed—many of whom have become discouraged after going through a long period of unemployment—develop a positive attitude which they can then display in an interview. Per Scholas has served nearly 5,000 people to date and all of its services are free.

In 2013, with funding generously provided by foundations, corporate partners and state and local government agencies, Per Scholas enrolled 387 students in its IT-Ready programs. Nearly a third -- 32 percent -- had been out of work for 6 months or longer. Of those long-term unemployed, 74 percent graduated, and so far, 57 percent have found employment. Another 20 percent are strongly expected to be employed within the next 3 months.

In partnership with the Creating IT Futures Foundation, Per Scholas recently opened new training centers in Cincinnati and Columbus. Its fourth site, in Silver Spring, MD, will open in February 2014. Per Scholas also anticipates opening at least two additional sites in Dallas (Fall 2014) and Atlanta (2015) over the next two years.

### **Platform to Employment**

Platform to Employment (P2E) was established by The WorkPlace as a solution, through wide-ranging services, to support the long-term unemployed (LTU) re-entering the workforce. The program demonstrates that with targeted job readiness programming combined with financial and strong support services the long-term unemployed can return to the workforce.

The first 100 P2E participants were selected from a pool of 394 applicants who responded to a mailing to over 1400 unemployment insurance exhaustees. After completing all phases of P2E, the placement rate for participants is nearly 70%. We gathered information about the 294 individuals that applied to P2E but were not selected due to funding. In the 3rd quarter of 2012, only 21% (62) of the 294 had entered employment; 15 had full-time employment and 47 had part-time employment. In the 4th quarter of 2012, the rate was 32% (94) with 58 employed full time and 36 with part-time earnings.

Based on the success of P2E's pilot program in southwestern Connecticut, The WorkPlace launched the P2E national program. In early 2013, The WorkPlace received funding from the Wal-Mart Foundation, Citi Community Development and the AARP Foundation to expand the initiative to ten major cities including Dallas, Cincinnati, Detroit, Chicago, San Diego, San Francisco, Orlando, Minneapolis, Newark and Denver.

Tested across multiple cohorts that have included participants from all socio economic and ethnic backgrounds, P2E has placed 186 people into work experience opportunities, or 80% of its program participants, with 167 of these individuals moving on to unsubsidized full-time employment. Its Cincinnati effort is in partnership with the Southwest Ohio Region Workforce Investment Board (SWORWIB), which also develops strategies to engage employers, employees, government, education, organized labor, and community-based organizations in a partnership to strengthen and expand the workforce resources of the region. They have created and continue to support sector-based training in a number of industries, including healthcare, construction, manufacturing, and information technology.

### **Skills For Chicagoland's Future**

Launched in September 2012, Skills for Chicagoland's Future (SCF) is a signature initiative of Chicago Mayor Rahm Emanuel and Cook County Board President Toni Preckwinkle designed to close the workforce skills gap, drive business growth and get unemployed Cook County residents back to work. The organization is led by an engaged Board of Directors that is chaired by Glenn Tilton (Chairman of the Midwest – JPMorgan Chase) and comprised of 20 regional CEOs and CHROs and a team of experienced professionals dedicated to working with employers, workforce partners and unemployed Cook County job seekers.

SCF is a public-private partnership that is funded by the City of Chicago, Chicago Cook Workforce Partnership (WIB), and the State of Illinois as well as many private and corporate foundations. Free services provided by this organization include recruitment, placement and training. SCF strives to deliver customized training with the goal that candidates come out with the skills that they need to perform from their first day on the job. This is accomplished through partnerships that are fostered by SCF – they collaborate with local employers to identify their hiring needs and secure commitments to hire the unemployed. Next, SCF pairs job seekers with appropriate employers in Cook County. These partnerships result in a marked increase of the likelihood that a job seeker obtains employment as they have an immediate connection with a business that has committed to hire.

### **Wisconsin Regional Training Partnership**

Wisconsin Regional Training Partnership/BIG-STEP (WRTP/BIG-STEP), a Milwaukee-based workforce intermediary, brings together employers, local workforce boards, technical colleges, labor unions, and community-based organizations to develop training systems that ease skill gaps for workers throughout the Milwaukee metropolitan region. Through the development of its community workforce partnership model, WRTP/BIG-STEP has been able to leverage relationships with local community-based organizations to better identify the long-term unemployed and ensure they receive assessments and pre-employment training necessary to be successful in its technical training programs. WRTP/BIG-STEP develops and administers training programs leading to credential attainment and job placement for laid off workers, people of color, women, and youth. Since 1992, WRTP has placed more than 4,000 Milwaukee [long-term unemployed] residents into family-supporting jobs, with average annual earnings raised by 165 percent in the first year of the job and a 12-month retention rate of over 70 percent.<sup>58</sup> In 2013 WRTP/BIG STEP served over 290 employers and labor partners throughout Wisconsin and connected over 650 individuals to employment and careers at an average wage of \$17.15.

Since the Great Recession, the long-term unemployed represent an overwhelming portion of WRTP/BIG-STEP's training participants. Public funds from the U.S. Department of Labor's Green Jobs Innovations Grant, Wisconsin Department of Transportation, Workforce Investment Act (WIA), and the City and County of Milwaukee, as well as private funding from industry leaders and philanthropic partners allow WRTP/BIG-STEP to run pre-employment training certificate programs, training

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<sup>58</sup>Matt Vidal, "Reconstructing the Local Labor Market: The Wisconsin Regional Training Partnership and BIG STEP." *International Labor Brief*, (2009). ([http://www.cows.org/\\_data/documents/1143.pdf](http://www.cows.org/_data/documents/1143.pdf))

certificate programs for trades such as carpentry, machining, welding, heavy highway construction, underground construction, utility line construction, and individualized tutoring services for apprenticeship exams. Through the development of its community workforce partnership model, WRTP/BIG-STEP has been able to leverage relationships with local community-based organizations to better identify the long-term unemployed and ensure they receive assessments and pre-employment training necessary to be successful in its technical training programs.

### **Hiring Our Miners Everyday**

In the summer of 2012, the Eastern Kentucky Concentrated Employment Program – the Workforce Investment Board serving most of the counties of Eastern KY – launched the Hiring Our Miners Everyday (HOME) initiative to retrain and reemploy dislocated coal miners and their spouses, including the many long-term unemployed coal miners. Through HOME, which is funded by a Department of Labor National Emergency Grant, EKCEP is implementing a full menu of services to assist these workers, ranging from skills and on-the-job training, to linkages with employers in different industries and across the region, to various forms of counseling and peer support to forge a new career path. This latter component is an especially important intervention given the role coal mining has played in Eastern KY where multiple generations of family members have worked as coal miners. EKCEP has developed a strong relationship with Toyota Motor Manufacturing Kentucky, which has made a concerted effort to train and hire former coal miners and to leverage their extensive supply chain across the state to do the same. EKCEP has implemented other creative solutions, including telework opportunities and relocation assistance, in some cases. To date, nearly 2,000 former coal miners and their spouses have enrolled in HOME, many of whom have been jobless for more than six months. Of that total, more than 500 have entered classroom or on-the-job training and work internships, and nearly 500 others have been placed in new jobs.

### **New Hampshire On-the-Job Training National Emergency Grant Program**

In June 2012 the Department of Labor awarded National Emergency Grants to 14 states to continue an innovative on-the-job training (OJT) program that was initiated under the Recovery Act. One of the more successful OJT NEG programs serving long-term unemployed individuals is run by the State of New Hampshire. The New Hampshire program primarily partners with small and medium sized businesses across the state, offering a six-month OJT position. The OJT “earn while you learn” opportunity has proved beneficial for both the long-term unemployed workers with skills gaps who might otherwise have not been able to secure a position and the employers who through the OJT reimbursement of up to 90 percent of the participant wages for up to six months have been able to bring on additional staff to sustain and grow their businesses contributing to the general health of our local economy. The average participant is 46 years old with 21 percent in their 50s and 60s, many of whom have been out of work over a year and 68 percent are long-term unemployed. A total of 250 people were enrolled through the end of September, 2013.

OJT Agreements have been established with over 170 NH companies statewide in numerous industries including manufacturing, service, information technology, telecommunications, engineering, medical, construction, energy and administration industries. All OJTs constitute full-time employment with benefits and are targeted to result in permanent full-time employment. Currently, 96 percent of exited participants have met that target with 86 percent employed with the OJT employer or OJT related employer.

### **New Jersey PHARMA National Emergency Grant**

The PHARMA NEG is a Department of Labor funded effort of the State of New Jersey that provides a range of interventions to dislocated pharmaceutical workers. One of the projects within the PHARMA NEG is the Lead Your Career program run by the BioNJ Talent Network. A contemporary and innovative program, Lead Your Career provides unemployed industry professionals with tools and resources to perform a job search in today's market. Lead Your Career is designed to teach professionals how to run their career as a business, learn how to adapt their skills and experiences to new industries or firms, and connect with companies beyond their direct networks.

The course combines the best of "High Tech" and "High Touch" techniques, emphasizing its key ingredients which include: classroom sessions, networking opportunities, individual coaching and direct referrals to employers. Over the course of eight weeks, participants significantly transform their search and career strategies, with a focus on action-oriented results. So far, this innovative program has experienced an overall success rate of 67 percent. More than 40 percent of participants are very long-term unemployed (12 months plus).

### **Managed Career Solutions Los Angeles HealthWorks Initiative**

The Los Angeles HealthWorks Initiative is a grantee of the Department of Labor's H-1B Technical Skills Training Grants. The HealthWorks Initiative is run by Managed Career Solutions (MCS) and the City of Los Angeles. The program operates as a sector partnership with MCS playing the role of intermediary, bringing together community college training providers and major healthcare employers across Los Angeles. The program also uses an OJT model across three types of occupations: nursing, allied health, and health information technology. In many cases, participants are earning Associates and other degrees, as well as state licenses and credentials. The OJT model provides the necessary level of training and supervision required during the early stages of employment in these healthcare jobs, which helps to overcome employers' tendencies to prefer job candidates who already have the work experience to hit the ground running. The close supervision provided to participants, including personal support and encouragement, has helped long-term unemployed workers build their confidence and find renewed success in the workforce. The program has served more than 670 long-term unemployed participants to date. The average starting wage for participants is \$17.87.