

Jobs Becoming Dim Memories For Many

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WASHINGTON (AP) — For more Americans, being out of work has become a semi-permanent condition.

Nearly one-third of the unemployed — nearly 4.5 million people — have had no job for a year or more. That's a record high. Many are older workers who have found it especially hard to find jobs.

And economists say their prospects won't brighten much even after the economy starts to improve and hiring picks up. Even if they can find a job, it will likely pay far less than their old ones did.

The outlook is unlikely to brighten on Friday, when the government will issue its monthly jobs report. Economists predict it will show that employers added a net 56,000 jobs in September.

That's far fewer than needed to reduce unemployment. The unemployment rate is expected to remain 9.1 percent for a third straight month.

Federal Reserve Chairman Ben Bernanke last week called long-term unemployment a "national crisis" and said it should be one of Congress' top priorities.

When people are out of work for a year or more, their skills often decline. Their professional networks shrink. Companies hesitate to hire them. The problem feeds on itself.

"It's a serious threat," said Mark Zandi, chief economist at Moody's Analytics. "A growing proportion of the labor force is becoming disenfranchised."

Long-term unemployment sets this recession and weak recovery apart from any other period since the Great Depression. Though the economy has endured "jobless recoveries" before, in no previous recovery has such a high proportion of the unemployed been out of work this long.

Labor Department figures show that for roughly the past year and a half, one in three of the unemployed have been without a job for at least a year. That's more than double the previous peak after the 1981-82 recession.

Businesses would have to start hiring much faster before a larger proportion of the long-term unemployed would find work. Many employers see them as riskier than other potential hires. Some might need additional training. Companies aren't likely to take such risks until the economy is showing consistent strength.

Long-term unemployment threatens the economy in key ways:

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— It lowers skill levels, making it harder to match the unemployed with available jobs. Harry Holzer, a Georgetown University economist, said that once hiring picks up, employers will likely complain that they can't find people with the skills they need. Companies are already having trouble filling advanced manufacturing jobs, Holzer said, because many laid-off factory workers lack up-to-date skills.

— More people rely on government benefits. Unemployment benefits were extended during the recession to a record 99 weeks in states with the highest unemployment rates. The number of people receiving food stamps topped 45 million in May. That's another record high. Older workers unable to find jobs may draw their Social Security benefits earlier. Many also have health problems and end up on government disability programs.

— The long-term unemployed who do find jobs again will likely do so at lower pay. Studies have found that the long-term unemployed earn on average 20 percent less when they finally find work. And the earnings gap can persist for as long as 15 or 20 years.

During the recession, the proportion of unemployed out of work for more than a year rose, as it typically does during a downturn. Yet even as the economy has modestly recovered, the figure has worsened.

Several factors help explain why. With the economy still struggling just to grow, unemployment has stayed chronically high. The rate has been 9 percent or higher in every month but two since the recession ended in June 2009. That's the longest such stretch since World War II.

Another factor is the aging of the work force. The huge generation of 78 million baby boomers is nearing retirement. Though older workers are less likely to lose their jobs, when they do, they typically struggle more to find work again.

"People in their 50s and older who get laid off have a much harder time finding a job than someone in their 20s," said David Wyss, former chief economist at Standard & Poor's and a visiting fellow at Brown University.

That's because older workers frequently have skills specific to their former jobs, which they typically had held for decades.

"When they get laid off, those skills are not worth as much to a new employer," Wyss said.

President Barack Obama last month proposed steps to try to aid the long-term unemployed. His proposals include a tax break for companies that hire them and a ban on discriminating against them in hiring. But some economists think more drastic action is needed.

Brian Bethune, an economist at Amherst College, favors permanently reducing the Social Security tax, a portion of which employers must pay for each of their workers.

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The tax can make hiring expensive. Bethune would replace it with a sales tax.

"If you want to attack (the problem), you have to do something dramatic," he said.
"It cries out for some fairly significant change."

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