



Long-Term Unemployment: What's the Problem? What's the Solution?

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Conflicting Views about the Long-Term Unemployment Problem

“Political conflict is not like an intercollegiate debate in which the opponents agree in advance on the definition of the issues...the *definition of the alternatives is the supreme instrument of power*. Antagonists rarely agree on what the issues are because power is involved in the definition.” —E.E. Schattschneider, *The Semi-Sovereign People*, 1960

What drives different definitions of the Problem and Solutions?

- Intense partisan/ideological conflict
- Extent of long-term unemployment (LTU) is greater, characteristics of LTUs differ
- Institutional imperatives/zero-sum assessments
- Detailed evidence about the scope of LTU, but...
- Lack of persuasive evidence about effective strategies

Alternative Problems and Solutions

1. Not Enough Jobs

Solutions

EITHER

- Aggressive monetary policy, fiscal stimulus, infrastructure spending, cash transfers, support for the LTU (e.g., Extended UI, SNAP, SSDI etc.)

“It might seem obvious, but the...thing that is needed to help people is jobs. No amount of training will be enough if there are not enough jobs to fill.” —Janet Yellen, Chair, Federal Reserve Board

OR

- Fiscal austerity: Debt and deficit reduction, tax cuts, curb regulations, repeal Affordable Care Act

2. Not Enough Skilled Workers

Solutions

- More and better education and training
- Align programs with labor market demand

“Today, nearly 11 million Americans are unemployed. Yet, at the same time, 4 million jobs sit unfilled”...demonstrating “the gulf between the skills job seekers currently have and the skills employers need.” —Jamie Dimon, JPMorgan Chase and Marlene Seltzer, Jobs for the Future

“While skill requirements are real...the skills manufacturers seek are at the community college level or below, well within the reach of the vast majority of Americans.” —Paul Osterman and Andrew Weaver, MIT

3. Globalization/Cheap Labor/Outsourcing

Solutions

- Renegotiate trade agreements, pressure foreign competitors, restrict immigration (e.g., reduce or eliminate H1B visas)

“Seven in ten employed and unemployed workers blame high levels of unemployment on competition and cheap labor from other countries. Four in ten say illegal immigrants take jobs away from American workers.”
—Carl Van Horn, *Working Scared (Or Not at All)*

4. Discrimination

Solutions

- Persuade employers to change hiring practices
- Provide tax credits to employers; subsidize wages
- Ban discrimination against unemployed workers

5. Mental Health and Lack of Job Search Skills

Solutions

- Mental health counseling, professional support networks
- Better job search assistance, career counseling

6. Dependence on the Social Safety Net

Solutions

- Cut benefits, drug test social program beneficiaries, require recipients to accept any available job

“When you allow people to be on Unemployment Insurance for 99 weeks, you’re causing them to become part of this perpetual unemployed group in our economy.... while it seems good, it actually does a disservice to the people you're trying to help.” —Senator Rand Paul (R-KY), December 8, 2013, Fox News

Shortcomings of Contemporary U.S. Workforce Programs

- Designed for short and shallow recessions
- Emphasize cash transfers rather than return to work
- Underfunded
- Short-term training programs; serves those most likely to succeed
- Financial aid programs for education designed for full-time students seeking college degrees

Recent Policy Trends

- Extended Unemployment Insurance eliminated
- No significant job creation programs
- Reduced spending for workforce programs

However...

- Ready to Work grants to stimulate innovation in services to LTUs
- Innovation in states and communities

Persistent Barriers to Progress

- Proposed strategies are expensive and difficult to implement
- Employers reluctant to hire LTUs
- Competing priorities crowd out “difficult to serve” clients
- Institutions specialize rather than providing holistic services
- Uncertainty about effective strategies

Unanswered Questions

“Long-term unemployment is a ‘very pressing issue’ and there is this great gap in knowledge about what to do about it, both for policy makers and these individuals. Should long-term jobless workers seek out career counseling? Should they accept far lower salaries? Should politicians revamp training programs? To those questions, and to many others, there are too few answers.” —Ofer Sharone, MIT, April 2014.

- “Understanding the labor market and personal hurdles faced by the long-term unemployed should be a priority for future research in order to craft solutions to reduce long-term unemployment.” —Alan Krueger, Judd Cramer, and David Cho, Princeton University, March 2014.

Assessing Strategies for LTU Who Want to Return to Work

CRITERIA

- Value to LTU (likelihood of returning to full-time or part-timework)
- Cost to LTU worker (time and money)
- Cost to government/public
- Difficulty of implementation
- Ability to scale-up/replicate
- Quality of evidence about the strategy—the “but for” test

Assessing Strategies to Assist LTUs to Return to Work

	Value to LTU	Cost to LTU	Cost to Public	Difficulty of Implementation	Scalability	Quality of Evidence
Job Creation Programs/ Infrastructure Projects, etc.	H	L	H	H	M	M
Tax Credits for Employers to Hire LTUs	H	L	M-H	H	M	L
Work-Based Training/ On-the-Job Training	H	L	M-L	H	L	M
Credentials/Industry Certificates	M	M	L	M	M	L
Online Education/Credit for Prior Learning/ Competency-Based	M	L	L	M	M	L

	Value	Cost to LTU	Cost to Public	Difficulty of Implementation	Scalability	Quality of Evidence
Sector Initiatives/ Alignment with Employers	M	L	L	H	L	L
Enhanced Labor Market Information/Online Tools	H	L	M	M	M	M
Better Job Counseling	H	L	H	H	L	L

Legend: L=Low; M=Moderate; H=High

What Should be Done Now?

- **Enrich information for job seekers about...**
 - labor markets
 - job search strategies
 - education and training programs (e.g., scorecards)
- **Develop high-quality, reliable, web-based services**
- **Allocate personalized services to those with greatest barriers to reemployment**
- **Improve labor market counseling (e.g., certify counselors)**
- **Establish regional technical assistance and knowledge exchange centers** (modeled after USDA's agricultural extension service)

Strengthening Evidence/Crafting Solutions

- Resist rush to judge “success” or “failure” of initiatives
- Increase funding for rigorous, independent research on performance and impacts
- Support workforce data quality initiatives and use of administrative data
- Fund research on predictive analytics and application of behavioral science principles in the design and administration of programs
- Establish “**What Works Clearinghouse**” (e.g. Institute of Education Sciences at the U.S. Department of Education)

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