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Long-term jobless will still struggle

The economy lost 247,000 jobs last month, and that's a substantial improvement over earlier this year. But before we declare the recession over, commentator Justin Wolfers warns not to overlook the problem of long-term unemployment.

TEXT OF COMMENTARY

KAI RYSSDAL: There's pretty broad agreement that the July unemployment report we got last Friday was a good thing. The economy lost 247,000 jobs last month, a substantial improvement over earlier this year. But before we declare the recession over and done, commentator Justin Wolfers says there's a bigger problem to deal with.



Justin Wolfers (Wharton School, Univ of Pennsylvania)

JUSTIN WOLFERS: The latest employment report led many economists to predict that a recovery may be just around the corner. But beneath this good news lies a ticking time bomb. Long-term unemployment has risen sharply. And I worry that it's going to be tough to connect these folks with jobs, even when the economy recovers.

The numbers are startling. Right now, more than half of the unemployed have been out of work for three months or more. That's not only a record, it's double the post-war average. More ominously, nearly three-in-ten unemployed workers have been out of work for more than half a year; that's nearly five million people.

With so many long-term jobless, this recession will be different. Why? Because countless studies document that the longer you are out of work, the harder it is to find.

Prolonged joblessness leads people to lose hope, and to lose heart. You spend less time with other workers, and become less likely to hear about promising job leads. You risk slipping behind in the skills race as you get rusty, while others keep learning. And when the recovery begins, employers won't create new jobs if they can't find job-ready workers.

Historically, American workers shrugged off the ill-effects of recession pretty quickly, and so economic recoveries were usually rapid. It's been easy for U.S. workers to be resilient when they have only been out of work for a month or two. Economists contrast this with Europe, where unemployment spells are measured in years rather than months.

My fear is that this time, our unemployment problem looks European. And so I worry that our recovery may look European too -- gradual and incomplete. Europeans know that a long-term unemployment problem can persist for many years even after the recession ends.

Avoiding a European-style unemployment problem requires aggressive policies to keep the unemployed connected to the world of work. Job-training programs can help keep the unemployed job ready, but the best training program is a real job. Our greatest economic risk is the risk of doing too little to get folks back to work.

RYSSDAL: Justin Wolfers is a professor of business and public policy at the Wharton School at the University of Pennsylvania.