Issue Brief: New Jersey’s Long-Term Unemployment Crisis

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More than five years after the official end of the Great Recession, New Jersey’s economic growth is stalled, lagging far behind the recoveries of the nation and our neighbors. One harrowing byproduct of this soft recovery is that the share of jobless New Jerseyans who have been out of work for six months or more remains at historically high levels.

The long-term unemployment crisis is a national problem. In fact, across almost all states – as well as demographic groups and education levels – American workers are experiencing “dramatically elevated” long-term unemployment long after the Great Recession’s end. This is due to one of the recession’s strongest legacies: there’s simply not enough spending by households, businesses and governments (demand) to spur employers to ramp up hiring quickly enough to substantially reduce the rate of long-term unemployment.¹
That said, the problem is especially acute in the Garden State.

New Jersey’s long-term unemployment problem is more severe than all other states except one, and the nation as a whole. Nearly half of New Jersey’s unemployed residents (46.3 percent) are long-term unemployed, just barely the second highest percentage of the 50 states (Florida is at 46.5 percent).

New Jersey’s share of long-term jobless is not just higher than in most other states and the nation, it is far higher than it has been at this point in the past three economic recoveries.

This long-term unemployment crisis is not talked about as much as the unemployment rate, but it is an important problem – and one that is being largely ignored by policymakers.

Unfortunately, Congress failed to take the one step that could have had the greatest positive impact on the long-term unemployed when it did not renew federal emergency unemployment benefits at the end of 2013. In this year alone, this benefit cut is harming about 250,000 out-of-work New Jerseys and tens of thousands of their children, as well as the state’s economy – $250 million was estimated to be lost just in the first two months of the year.
That benefit cut exacerbated an already severe problem: most people who are out of work for extended periods are seeing their unemployment benefits expire before getting another job. Overall, 65 percent of Americans who experienced long-term unemployment at some point in the last five years lost benefits before finding a new job. That has risen to 83 percent for the currently long-term jobless, according to a summer survey conducted by Rutgers University’s John J. Heldrich Center for Workforce Development.

The persistently high levels of long-term unemployment in the Garden State is immediately damaging for New Jersey’s families and the state’s economy and threatens economic opportunity for both the long-term unemployed and their children.

Long-term unemployment often becomes a trap that’s hard to escape from, as the negative consequences of long-term joblessness build over time and make it more difficult for workers to obtain appropriate employment. Even after finding a new job, many of the long-term unemployed lose that job and return to the ranks of the long-term jobless.

Since the beginning of the Great Recession, about 1 in 4 long-term unemployed workers in a given month landed a job within three months. But a year later more than one-third of that group was unemployed again or out of the labor force – and of those that remained employed, steady work was not easy to come by. Forty-one percent were part-time for at least one of four months, and an additional 22 percent were unemployed for at least one of those four months. In the end, just 11 percent of workers who were long-term unemployed in a given month had found steady full-time work a year later.

What’s more, two-thirds of the laid-off workers surveyed by the Heldrich Center who were lucky enough to find a new job said their new jobs paid either less (46 percent) or the same (21 percent) as their old job. This led nearly half (44 percent) of these workers to say their new job was a step down, career-wise, from what they were doing 5 years before. Only a quarter said their new job was a step up, and only a third reported receiving higher pay.

Being out of work for six or more months limits the economic opportunity and social mobility of the jobless, their families and their communities. Beyond the devastation of lost income that compounds over time, the long-term unemployed tend to earn less if they find new jobs. They also tend to have more health problems, and their children tend to have poorer academic performance, than similar workers who’ve avoided unemployment. Communities with larger shares of long-term jobless residents also tend to have higher crime and violence rates.

While Congress’ failure to renew federal emergency unemployment benefits was a devastating blow to millions of long-term jobless Americans, it is not too late for it to reverse course and do the right thing. It is clear that the nation’s long-term unemployment crisis is not going anywhere. Neither should the benefits that were meant to ease the pain of that crisis.
Endnotes

7 Ibid 5