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STILL UNEMPLOYED AFTER ALL THESE YEARS: Long-Term Unemployment and the Importance of the Unemployment Insurance System

KEY FINDINGS:

- **Nearly half of North Carolina's workers without jobs have been out of work for six months or more.**
- **Long-term unemployment impacts workers lifetime earnings, families and the economy.**
- **Unemployment insurance payments provide a modest yet critical support to workers struggling to find jobs in a jobless recovery and supports consumer spending at local businesses.**

Persistent joblessness drives unemployment figures

In July, North Carolina's job deficit—the number of jobs required to make up for those lost in the downturn and keep up with the state's growing population—topped half a million.¹ It is this lack of jobs that continues to be the primary driver of persistently high unemployment across the state and the country.

For North Carolina, the lack of jobs—and continued unemployment—has led to high rates of long-term unemployment. When workers are without work for more than six months, it is not just a drain on their families but also a drag on economic recovery. These workers are likely to draw down their savings, face significant challenges meeting basic family needs, and encounter greater hurdles in ultimately finding work.² The economy as a whole is also impacted as businesses see decreased demand for goods and services and are less willing to innovate and invest for future expansion.

Long-term unemployment impacts earnings and the broader economy

Nearly half of North Carolina's workers without jobs have been out of work for more than six months.³ At the same time, the average duration of unemployment has climbed from 13.7 weeks at the start of the Great Recession to 18.1 weeks in July 2011.⁴ The more time out of work, the greater the loss in earnings for workers and the greater the strain on the finances of a household.

Continued long-term unemployment can also lead to a growth in discouraged workers and a decline in the labor-force participation rate. In North Carolina, these negative labor-market impacts are already playing out; the size of the labor force declined by 1 percent in the past year.

Unemployment Insurance is critical to supporting working families, local economies

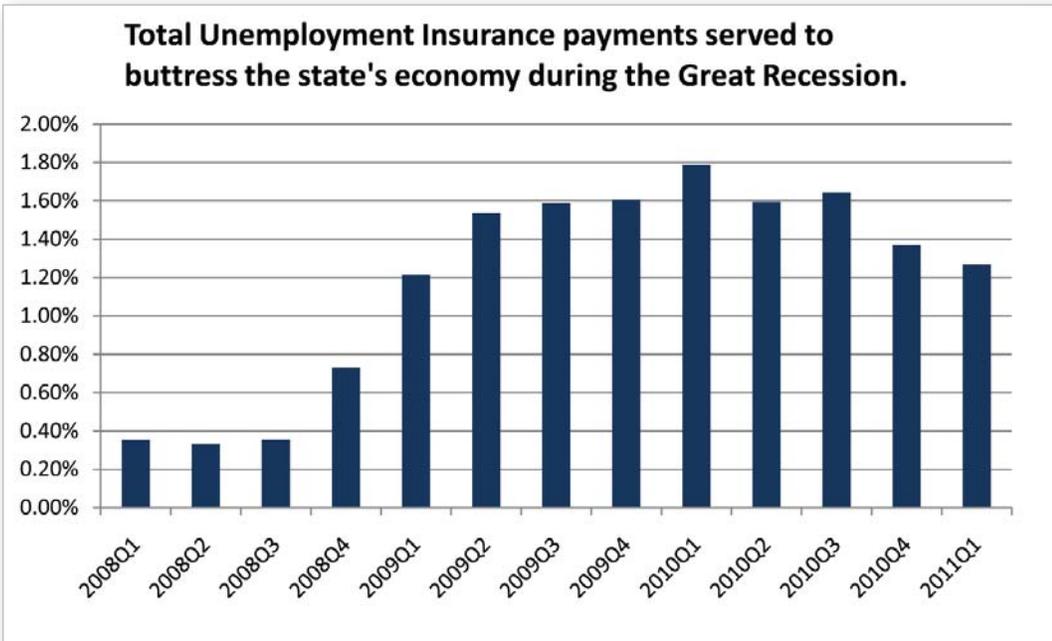
Unemployment insurance plays an important role in the broader economy by supporting a level of consumer spending that can encourage businesses to expand. These payments also support families dealing with job loss by providing modest resources to meet basic needs.

During a prolonged downturn and jobless recovery, unemployment insurance payments serve as a

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countercyclical force to support the rebuilding of the economy. Unemployment insurance payments have represented a growing share of the state's total personal income over the period of the Great Recession. By comparison, the total personal income of workers in furniture manufacturing, textile manufacturing, building construction and nursing and residential care facilities were each less than 1 percent of state personal income.

From June 2009 to July 2011, \$14.2 billion in total unemployment insurance payments

SOURCE: Special Data Request to Employment Security Commission of NC for total UI payments and total state personal income by quarter.

from state and federal sources were made in North Carolina. Research by Moody's.com found that for every \$1 in unemployment benefits, \$1.64 is generated in economic activity.⁵ Thus, unemployment benefit payments have generated an estimated \$23.3 billion in economic activity in North Carolina communities.⁶ This economic activity sustains private businesses and supports working families.

Supporting North Carolina's Jobless Workers and Economic Recovery

Continuing unemployment insurance payments for workers facing long-term unemployment will help sustain the economic recovery. However, the current emergency unemployment insurance programs are set to expire in December 2011. These federally paid benefits reduced the costs to states and represented nearly half of all benefits paid out in North Carolina during the Great Recession. As unemployment remains high, and has even increased in recent months, these emergency unemployment insurance programs are critical to support those who are without work through no fault of their own.

Another critical effort must be made to help those workers without jobs who have exhausted their rights to unemployment insurance payments. These workers, called "99ers" for the number of weeks of unemployment insurance they received, would benefit the most from an additional tier of unemployment benefits. Barring that, a focused effort to create jobs for this pool for workers through infrastructure projects, for example, could re-engage them in the labor market.

Conclusion

Without greater attention to the persistent joblessness of North Carolina's workers and its main driver—a lack of jobs—it will be difficult for North Carolina to sustain a trajectory toward recovery. More importantly, hundreds of thousands of North Carolina workers and their families will continue to struggle to make ends meet, and the impacts of long-term unemployment will be felt for years to come.

1 Economic Policy Institute analysis of Current Population Survey data for July 2011.
 2 Irons, John, September 2009. "Economic scarring: the long-term impacts of the recession." Economic Policy Institute; Washington, DC and
 3 Economic Policy Institute analysis of Current Population Survey data for 2010.
 4 Employment Security Commission of North Carolina, July 2011, Monthly Activity Report.
 5 Research by Mark Zandi at Moody's.com. Analysis released by the Bureau of Labor Statistics found that unemployment benefits paid out since December 2007 provide \$2 in economic activity for every \$1 paid out. Thus, the estimates in this report are conservative.
 6 Author's calculation based on Moody's multiplier.