

Testimony before
the Committee on Ways and Means Subcommittee on Income Security and Family Support
on Possible Public Policy Responses to Long-term Unemployment

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Thank you, Chairman McDermott and Ranking Member Linder for inviting me here today to testify on possible policy responses to long-term unemployment. My name is Heather Boushey and I'm a senior economist with the Center for American Progress Action Fund.

Today's record-high long-term unemployment is a function of the reality that there simply aren't enough jobs to go around due to a lack of demand. While the economy has been growing for three quarters now, businesses have not yet begun to ramp up hiring. While long-term unemployment creates significant hardships for individual families, it also threatens the nascent economic recovery: The long-term unemployed can't spend what they don't earn and most are limited in what they can borrow due to falling home prices and the credit squeeze, and spending is what keeps our economy humming. Thus, there is a direct link between lack of hiring and future economic growth.

In thinking about a policy agenda to address long-term unemployment, there are some key principles to keep in mind. First, there is a new face of the long-term unemployed, who have new and potentially different problems from prior recessions. Second, at this point in the economic recovery, the costs of inaction far outweigh the cost of action. While we need to keep our eye on a growing federal debt, addressing the scourge of long-term unemployment now will do more to cut future deficits than not.

Congress should focus on three policy goals:

- **Stop adding to the problem of unemployment.** In this recession, once someone has lost their job, they are facing historically low odds of finding a new job. Policy efforts here include expanding work-sharing programs and having the temerity to keep recovery dollars flowing until the recovery actually takes hold. Recovery dollars will be especially useful for the long-term unemployed, as well as budget-constrained states and localities that are, as we speak, adding to our unemployment woes by laying off teachers and police officers.
- **Help the long-term unemployed beat the odds and find work.** We know from decades of research that the displaced and long-term unemployed are more often at the bottom of the hiring queue and often suffer years of lowered earnings. Policymakers should recognize the unique challenges of today's long-term unemployed and improve the basket of services available, including improving employment services, addressing the challenges of the collapse of the housing bubble for those who need to move for work, and supporting workers who need to take lower paying jobs.

- **Fund national jobs programs.** The data are clear here as well: We have a growing problem that is threatening to leave millions of workers out of the labor market, especially younger workers, older workers, and those in declining industries. Congress should consider the need to create and expand jobs programs, including those outlined in the Jobs for America Act, increase funds for our national service programs, and continue the TANF Emergency Funds that are putting people to work.

I want to stress that helping the long-term unemployed is not just about doing right by America's families, although that is certainly important. Getting the long-term unemployed back to work is critical for our economy and the general welfare of our nation. But, we also know that recessions that follow from a financial crisis are deeper and more protracted than typical recessions¹, and right now, there continues to be little wiggle room in terms of monetary policy. Unlike any point in the decades since before World War II, the challenge of laying the foundation for a strong economy lies with you and this body of government. These are unusual times because fiscal policy continues to be the primary lever that the federal government has at its disposal to spur economic growth. I urge you to consider that these extraordinary times call for extraordinary action—continued spending to aid to the long-term unemployed. The sense of imminent collapse of our financial sector, thankfully, now appears behind us, but the fallout for our economy remains and it is just as dramatic and continues to require bold steps.

Poll data continues to confirm that the public prefers Congress to address unemployment over deficit reduction in the short-term. Over the long-term, the public is concerned about deficit spending, but the priority is to get people back to work. In a new poll released earlier this week, the Hart Research Associates found that the majority of Americans believe Congress should continue the health care subsidy and jobless benefits. An overwhelming 74 percent of Americans agreed with the statement “With unemployment close to ten percent and millions still out of work, it is too early to start cutting back benefits and health coverage for workers who lost their jobs.”²

One Fundamental Problem: A Lack of Job Creation

The unemployed face a fundamental problem: a lack of jobs due to a lack of demand. There are nearly five workers seeking a job for every opening available. In typical economic times—before this Great Recession—there was about one and a half job seekers for every job opening.³ Our economy has seen a monthly march of record-high numbers of long-term unemployed—unemployed workers who have been searching for a new job for at least six months—for over a year now. As of last month, nearly half, 46 percent, of the unemployed—6.7 million workers—were long-term unemployed.

This Congress has taken important steps to encourage private sector job creation. The Congressional Budget Office credits the American Recovery and Reinvestment Act signed into law in February 2009 with saving or creating 1.2 to 2.8 million jobs and they estimate that 3.7 million jobs will be saved or created by September 2010.⁴ This legislation kept teachers in schools and police officers on their beats, even as tax revenues fell. It kept money flowing into

the pockets of the long-term unemployed, which in turn has not only helped those individual families hardest hit by the Great Recession, but also helped keep dollars flowing into their local communities. The legislation also helped unemployed workers access health care, undoubtedly mitigating the well-documented negative health effects of unemployment.

Even with the success of the Recovery Act, there are clear indications that in order to address long-term unemployment, Congress will need to engage in more fiscal policy.⁵ Data from the Bureau of Labor Statistics shows that while lay offs have fallen back to pre-recession levels, the pace of hiring has remained flat for a year, rather than rising as we hoped would have happened at this point in the economic recovery. (There has been a small uptick this month due to Census hiring.⁶) Once businesses do begin hiring en masse, it will likely take at least five years to move back to full employment.⁷ Those already in the unemployment queue will continue to struggle to find jobs, leaving millions of long-term unemployed languishing until our economy fully recovers.

The unemployed cannot spend what they don't earn, a fact that threatens economic recovery. On top of this, with the collapse of the housing bubble and the credit squeeze, consumers cannot tap into credit like they were able to over the early 2000s. The single most important thing Congress can do to address long-term unemployment is willingly taking the necessary steps to address this growing scourge on our economy, which threatens not only individual families, but also the path forward for our economy as a whole.

High, long-term unemployment raises deficits and constrains economic growth. Consumers make up about 70 percent of our economy, and income from employment makes up about 80 percent of the typical family's income.⁸ Without strong job growth, amid the kind of credit-constrained economy households are now experiencing, consumption will stall, which in turn will drag down economic growth. Slower economic growth will mean lower tax revenues, which will increase the federal budget deficit and condemn millions of Americans to the devastation wrought by high unemployment and a lower standard of living.

Criteria for solutions

We have a new face of the long-term unemployed, who have new and potentially different problems from prior recessions. While the best thing we can do is improve the economy overall, there are specific and unique challenges facing today's long-term unemployed. These challenges are in many ways new, and we need "out of the box" thinking on how to address them.

The rise of dual-earner families. The Great Recession is the first major recession where the typical family is a dual-earner household. In this recession, when one partner loses their job, the other one often keeps theirs. More often than not, the situation is that he's lost his job and it's not coming back soon in their local community, but she still has hers.⁹ It is now a classic "bird in the hand is worth two in the bush" situation: Does he keep looking in their local economy, or does she quit her job and they both move and search for work?

If a worker qualifies for unemployment benefits, these benefits travel with them if they move to another state.¹⁰ That is, a worker who lost his job in Michigan and moves to Texas will still receive Michigan benefits. But, the challenge in dual-earner families is often whether the “trailing spouse” can receive unemployment benefits as well if she voluntarily quits her job to look for work with her husband in a different state. The American Recovery and Reinvestment Act provided incentives for states to provide unemployment insurance benefits to those individuals who quit their job to move with a spouse, but only eight states include “to move with a spouse” as a legitimate case for benefit receipt either by law, regulation, or interpretation (Alaska, Arizona, Hawaii, Indiana, Massachusetts, Nebraska, Nevada, and New York). Another 27 states allow some spouses to receive benefits, 18 of which only allow it in the case of military spouses, making unemployment insurance unusable for trailing spouses more generally.¹¹

While on the face of it, it may seem that dual-earner families are better insulated from the economic shock of unemployment, in reality, these families are often more vulnerable. When a dual-earner husband loses his job, his family will have to make ends meet using about 40 percent of their pre-lay off earnings (the typical wife brings home 42.2 percent of earnings in a dual-earner couple).¹² Combined with unemployment benefits (if he even gets them—currently only about half of all unemployed workers actually receive benefits), this often leaves families without the means to cover basics that cannot be “scrimped on” without significant transaction costs, such as the mortgage, car payment, or health insurance.¹³ Compare this to the early 1980s recession when, if the husband lost his job, the family lost 100 percent of its earnings, but both she *and* he could search for work.¹⁴ Even if the wife found a job and earned 59 cents on the male dollar (the typical gender pay gap in 1981), the family had more net income than today’s family (assuming similar probabilities of the husband receiving unemployment benefits across the two time periods).¹⁵

Collapse of the housing bubble limits geographic mobility. Families are less mobile overall because of the collapse in the housing bubble. Recent data shows that geographic mobility fell sharply in 2008 to the lowest rate since the U.S. Census Bureau began tracking this data in 1948, although it bounced up slightly in 2009.¹⁶ Renters are more likely to move than homeowners, and the unemployed are more likely to move than those with jobs. The high share of homeowners who are “underwater” on their mortgages limits the mobility of those who are both unemployed and homeowners. Congress can take steps to improve mobility by addressing the impact of the collapse of the housing bubble.

Sheer numbers. We have never had so many long-term unemployed across such diverse groups.¹⁷ It appears that long-term unemployment is more “equal-opportunity” than unemployment overall.

Figures 1 – 4 show that long-term unemployment is quite common across a variety of factors. Unemployed workers, for example, in management business and financial operations occupations have the highest share of long-term unemployed workers, 52 percent, across all occupations. African-American men and women not only have higher overall unemployment rates, compared to whites, but they are more likely to be long-term unemployed, underscoring the challenges they have in finding employment. Older workers are more likely than younger workers to be among those long-term unemployed.

Youth. The costs of high long-term unemployment are especially high for our youngest workers. Yale economist Lisa Kahn has found that those who graduate from college in an economic downturn suffer persistent negative effects on their earnings. Her work examines the labor market experiences of white male college graduates as a function of economic conditions when they graduated from college. She finds that there is an initial wage loss of 6 to 7 percent for every one-percent increase in the unemployment rate measure used in her analysis, and even 15 years after graduation, the wage is 2.5 percent lower (and this lower wage remains statistically significant). Taken as a whole, the results suggest that the labor market consequences of graduating from college in a bad economy are large, negative, and persistent.¹⁸

The costs of inaction far outweigh the costs of action. There is a growing body of evidence on the deleterious effects of long-term unemployment on individual well-being, including lowered earnings, which can persist for many years after re-employment, as well as increased mortality, poorer health outcomes, greater probability of depression and other mental health issues, and marital instability. I will not summarize that entire literature here, but will provide a few examples¹⁹:

- The average mature worker who loses a stable job will see their earnings fall by 20 percent over 15 to 20 years.²⁰ Research examining the long-term trends for displaced workers—those who lost a full-time job as a result of plant or company closings or moves or abolishment of their job or shift—found that over one-third of the re-employed full-timers in 2004 took a pay cut of 20 percent or more at their new job.²¹
- Chief Economist at the Federal Reserve Bank of Chicago, Daniel Sullivan, and Columbia Professor of Economics, Till von Wachter, have found that job displacement leads to a 15 to 20 percent increase in subject death rates for the following 20 years. Overall, a worker displaced in mid-career can expect to live about two years less than a counterpart who is not displaced.²²
- Krysia Mossakowskie, a sociologist at the University of Miami, found that adults between the ages of 29 and 37 were more likely to be depressed if they were unemployed or out-of-the-labor-force although the effects were stronger for men than for women. Longer durations of unemployment predict higher levels of depressive symptoms among young adults in the United States. These associations were measured independent of demographics, socio-economic status, family background and previous symptoms of depression.²³
- Recent surveys confirm that unemployment is hard on families. A recent Rutgers University survey of the long term unemployed found that over half do not think they will find a new job in the near future even though 73 percent are willing to take a pay cut and 77 percent are willing to change careers in order to get a job. Long-term unemployed reported feelings of anger and despair. More than half borrowed money from family or friends, 45 percent have increased credit card debt, and 70 percent have used money saved for retirement. Additionally, four in ten went without medical care for themselves

or family members, and the same number report having sold personal possessions to make ends meet.²⁴

Much of the current debate centers on the effects of leaving our children with large debts to pay down the line. However, the evidence points to the conclusion that for today's younger workers, the costs of inaction are much higher than the costs of future debts. The money we spend today is an investment in our future. These investments will help young people find jobs today and get on career paths that will put them or keep them in the middle class in the future. In May 2010, the employment rate of 16 to 24 year olds was just 1.1 percentage points higher than January 2010's employment rate of 44.4 percent, the lowest point since the government began collecting this data in 1945, when it was 45.5 percent.²⁵ Not acting today to get young people back to work will condemn many to a lifetime of lower earnings, which means they will be in no position to pay back the smaller debt.

Policy Ideas

Congress should focus on three policy goals:

- **Stop adding to the problem of unemployment.** Expand work-sharing programs and having the temerity to keep recovery dollars flowing until the recovery actually takes hold, especially for the long-term unemployed as well as budget-constrained states and localities that are, as we speak, adding to our unemployment woes by laying off teachers and police officers.
- **Help the long-term unemployed beat the odds and find work.** Policymakers should recognize the unique challenges of today's long-term unemployed and improve the basket of services available, including improving employment services, addressing the challenges of the collapse of the housing bubble for those who need to move for work, and supporting workers who need to take lower paying jobs.
- **Fund national jobs programs.** Congress should consider the need to create and expand jobs programs, including those outlined in the Jobs for America Act, increase funds for our national service programs, and continue the TANF Emergency Funds that are putting people to work.

Stop adding to the problem: If someone has a job, help them keep it.

One of the striking things about the Great Recession is that the market for job seekers is the worst in generations. The best thing to do for the long-term unemployed is to make sure our economy stops creating unemployment. A key piece of that is to keep recovery dollars flowing until the economy recovers. Here are three tested policies to focus on:

Work-sharing. When businesses need to cut back on staffing, they have two options: lay off workers or reduce hours. There are strong incentives in our labor market to simply lay off workers—benefits are often tied to the worker, not their hours.

New evidence from Germany shows that “short-term work programs,” which encourage employers to reduce hours rather than lay off workers, can significantly reduce unemployment. While output fell more in Germany during the Great Recession than it did in the United States (through winter 2010), the German unemployment rate actually *decreased*, while the US unemployment rate has risen 4.7 percentage points. Recent research by the International Monetary Fund points to the importance of the massive expansions to Germany’s short-term work program (*Kurzarbeit*), which led to hours reductions but not unemployment.²⁶

Currently, 17 states have opted into the “short-time compensation” or “work-sharing” program within their unemployment insurance system, which allows workers to receive partial benefits from the unemployment insurance system if their hours have been reduced, not just if they lost their job or their pay is reduced. The unemployment insurance system also provides partial benefits to workers whose wages have been cut (including due to working part-time), but the thresholds are fairly low. The unemployment benefit is typically equal to the difference between the weekly benefit amount and earnings and all states disregard some earnings as an incentive to take short-time work.²⁷ Mark Zandi estimates that the multiplier for the short-term compensation program would be relatively high: for every dollar spent on the program, \$1.69 would be added to our economy’s output.²⁸

Short-term compensation or work-sharing proposals have been garnering wider support over the past year.²⁹ Congress should promote nationwide implementation of the short-term compensation program by encouraging the Department of Labor to provide clear guidance on the program and encourage more states to adopt it.³⁰ Congress could adopt a technical amendment as part of an extension of the federal Emergency Unemployment Compensation program or another vehicle. Enactment of an amendment would send a clear signal that states should adopt short-time compensation laws as an option for employers. Work-sharing bills have been introduced in both the House and the Senate (H.R. 4135 and S. 2831) based on the programs in several states.

Extend benefits to the long-term unemployed and ensure benefits stay on until local economies recover. A critical—perhaps the most critical—piece of fiscal stimulus is to continue to extend unemployment benefits and health care subsidies to the long-term unemployed until the recovery of their local economy. As has been well-documented, providing long-term benefits to the unemployed is one of the most effective means of economic stimulus available. As Mark Zandi, an advisor to McCain’s previous campaign, has shown, the multiplier from extending unemployment benefits is over 1.6. This means that government dollars spent on extending unemployment benefits have a bigger bang for the buck than other policies. This Congress has extended benefits six times already, but for short durations. The Senate is expected to vote on another extension this week as benefits expired at the beginning of June.

Congress should continue to provide support for the long-term unemployed, especially considering the exceptionally long length of time it is taking workers to find a new job, the influx of job seekers, and the pace of job growth. Reforming the system to allow states to cycle off long-term unemployment benefits as they emerge out of the recession rather than having an arbitrary cut-off date would be a good way to make the system more responsive to the labor market.³¹ Among other things, implementing a state-by-state “off trigger” for extended

unemployment benefits would eliminate uncertainty for the states and the cutting off of benefits, as we experienced last week.

Extensions for the long-term unemployed should also continue to help the unemployed pay for their health insurance coverage through COBRA. The most recent extension cut off this important benefit, leaving millions without access to health care when their families are already suffering from unemployment.

Not providing income support to the long-term unemployed is what economists call a “pro-cyclical” policy because it exacerbates the recession, rather than ameliorates it. Every person who is unemployed—in particular long-term unemployed—will spend less since they have lost their earnings and they will pay much less in taxes than they had when they were employed, which worsens the budget deficit.

We also now have new research—which Professor von Wachter will undoubtedly discuss—that demonstrates that long-term unemployment benefits do not contribute to rising joblessness, but rather, they provide needed liquidity to families and, in turn, their local communities.³² The argument that helping the long-term unemployed encourages them to remain unemployed rather than seek work ignores the reality that there are nearly six job seekers for every one job opening.

Aid to the states. Additional aid to states, local governments, and school districts is, in many ways, the most efficient and effective way for the federal government to quickly increase the demand for labor. As of May 2010, 37 percent of those unemployed who had jobs in the public administration industry have been out of work and searching for a job for at least six months.³³

The recession has had a devastating impact on states’ fiscal health. Unlike the federal government, states cannot deficit spend and have to make difficult choices amid declining revenue and a weak economy. According to the National Governor’s Association and National Association of State Budget Officers, 40 states so far have made \$22.0 billion worth of mid-year budget cuts to their fiscal 2010 budgets.³⁴ All but two states had or still have shortfalls for fiscal year 2010, totaling \$200 billion. These fiscal problems are set to continue into FY2011, which starts on July 1 in most states, as well as through 2012. The combined shortfall for 2011 and 2012 is estimated to be at least at \$260 billion.³⁵

These shortfalls have led, and will lead, to budget cuts that result in widespread state and local government jobs. State and local governments shed 190,000 jobs between May of this year and May 2009, and 83 percent of the losses were at the local level, with almost half of those (49 percent) in the education sector. Simply put, schools are laying off teachers, public universities are trimming their staffs, and community colleges are cutting back. These cutbacks are one of the most unfortunate outcomes of the fiscal crisis precipitated by the Great Recession and constitute not just lost jobs now, but also eventually worse educational outcomes for tens of millions of students across the country—consequences that will have long-term negative effects on the economy.

Additional aid to state and local governments and school districts boasts clear advantages over many of the alternatives. First, the added resources will immediately and directly boost

employment in a very hard hit sector. Distinct from the private sector, job cuts are being forced exclusively by impossible budget situations, not by a lack of demand for services. Ameliorating those budget dilemmas will result in more jobs. Second, additional aid will prevent further cuts to state and local education systems—investments that will pay dividends far beyond the current recovery.

There are a number of ways that Congress can deliver additional assistance to state and local governments. Congress could direct additional resources to struggling states by extending the increased Federal Medical Assistance Percentage enacted under ARRA into 2011. FMAP is the share of Medicaid costs paid for by the federal government, which when increased, frees up state funds for other expenditures. However, the higher FMAP is set to expire at the end of 2010—right in the middle of most states’ fiscal year. As a result, many states, expecting a large drop-off in federal support, are planning accordingly by restricting services and laying off public employees. Alternatively, or in addition, Congress could provide funding through a state stabilization fund as was also done under ARRA.

Help the long-term unemployed beat the odds and find a new job.

With more than five job seekers for every job available, to get the long-term unemployed into jobs, they need to be able to “beat the odds.”

Improve employment services. Research shows that employment services and job search assistance can be helpful to unemployed workers.³⁶ Currently, the Workforce Investment Act systems are not designed to stay with a worker over time; they are instead focused on quick job placement. For the long-term unemployed, it may be challenging to get them into a job quickly and Congress should provide the one-stops with flexibility and funding to provide professional career counseling services.

Improvements to employment services can be done through WIA and Wagner-Pizer Act funding. One idea is to require that one-stop career center partners include opportunities to provide career guidance across agencies as part of their Memorandum of Understanding for co-location at the center.³⁷

Make it easier for underwater borrowers to refinance (and possibly sell) their homes. In a recent paper, Andrew Haughwout, Richard Peach, and Joseph Tracy examine the challenges faced by homeowners with negative equity. Because these homeowners are in homes that they cannot sell without losing money, they are more likely than others to be “trapped” in their local labor market, unable to move for better employment opportunities. The problems for these families have increased as banks have largely been unwilling to do short sales, particularly for borrowers who are current on their loans. The authors conclude that the effectiveness of mortgage modification programs that reduce the principal balance on the mortgage will be appreciably more effective in supporting homeownership than those that simply lower the interest rate and extend the term of the loan.³⁸

The Obama administration's new program under the Home Affordable Modification Program incentivizes servicers to modify loans using principle reductions. As my colleague Andrew Jakabovics testified in April, the HAMP program needs significant process improvements, which Congress should encourage:

“The Servicer Participation Agreement contains no real penalties for noncompliance, save withholding incentive payments.... Treasury must consider transferring servicing rights from servicers unable to meet their obligations to Treasury under the participation agreements to those who have demonstrated capacity to get it right.”

“Changes to the program and overall throughput and compliance would be much easier if Treasury developed and maintained a single point of contact for borrowers and participating servicers. Specifically, they should develop a HAMP portal where borrowers and their advocates could securely submit applications for modification.”³⁹

Provide subsidies for those re-employed at lower wages. One of the challenges of long-term unemployment is that many workers will become re-employed at far lower wages than their prior job and some workers will not or cannot afford to accept work at lower wages. Sen. Al Franken has introduced a bill, “Strengthening Our Economy through Employment and Development” (SEED) that proposes direct federal subsidies to businesses to help pay the wages of new workers, and requires that the jobs created will pay reasonable wages.

About half of Sen. Franken's SEED money, drawn from bank repayments for federal TARP funds, pays small and midsized businesses and nonprofit organizations 50 percent of the hourly wage for a new worker for one year, although only jobs paying a minimum of \$9 or \$10 an hour would qualify with a cap of \$12 an hour in federal dollars in most cases. Another \$1 an hour in federal funds would be available to subsidize health care coverage. To qualify for the full wage subsidy, an employer would need to keep the new worker on payroll for 15 months, and employers could not use the program to replace existing workers or to fill existing vacancies.

Provide assistance for unemployed workers who want to start their own businesses. Unemployed workers who seek to start their own businesses will often not qualify for unemployment benefits because instead of “job searching,” they may be engaging in business start-up. Congress could encourage states to allow potential entrepreneurs to qualify for unemployment benefits as they prepare to be small-business owners.

For those left in the unemployment queue, directly create jobs

The literature is clear: The long-term unemployed suffer greater and are at risk of never regaining as strong a foothold in the labor market. Many who cannot find work will end up moving from unemployment benefits to Social Security Disability Insurance, an even greater likelihood if unemployment benefits for the long-term are not restored.⁴⁰ Especially for younger workers, the lifetime costs of unemployment can be startlingly high. Four policy ideas can get these folks to work now:

Pass the Local Jobs for America Act of 2010, introduced by Rep. George Miller (D-CA), which would create approximately 1 million jobs by providing \$100 billion in funds to be used over two years to protect state and local government jobs and create local government and nonprofit-sector jobs. This legislation would provide a critical interim solution to create jobs and boost local economies to help the private sector recover.

Invest more in national service programs such as AmeriCorps, VISTA, YouthBuild, and the youth service and conservation corps, which could create full-time positions for young people. These investments would in most cases be paid for jointly, by public and private resources. Investing \$625 million in supplemental fiscal year 2010 funds for these programs could create 42,000 new jobs. An additional \$830 million in fiscal year 2011 could create 60,000 more jobs. Most of these jobs would be in non-profit organizations.⁴¹

Invest in a Summer Youth Employment Program. The Summer Youth Employment Program does more than provide hundreds of thousands of youth with seasonal employment opportunities; it has the potential to change the long-term employment prospects of disadvantaged youth who might otherwise be disconnected from the labor market. Youth get the experience and support they need to access entry-level jobs as they transition to adulthood through training in hard and soft jobs skills and exposure to services offered by community organizations. The House has already voted on this, but the Senate has yet to act.

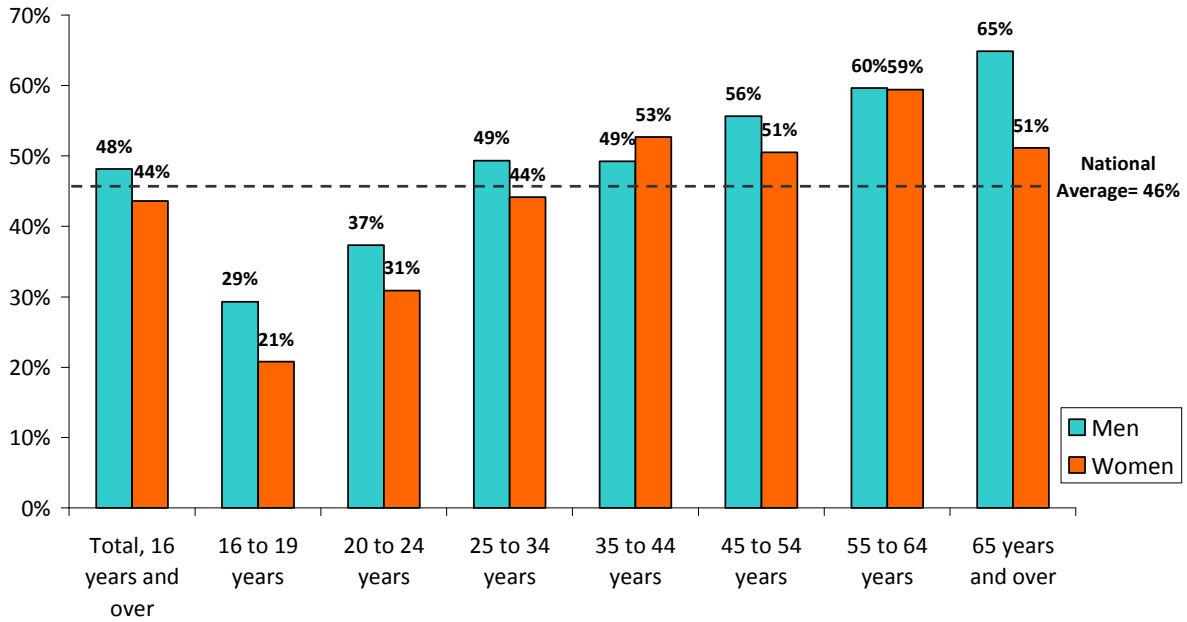
Maintain TANF Emergency Funds. This program was funded through the American Recovery and Reinvestment Act but is set to expire on September 30th of this year. It has led to partnerships with the business community to create 185,000 new jobs for low-income and long-term unemployed workers. Extending this program for another year would continue to create thousands of jobs for long-term unemployed workers.

In closing, I would like to underscore the urgency of Congress continuing to address long-term unemployment. Last month, Christine Romer, Chair of the Council of Economic Advisers said:

It would be penny-wise but pound-foolish to try to deal with our long-run problem by tightening fiscal policy immediately or foregoing additional emergency spending to reduce unemployment. Immediate fiscal contraction would inevitably nip the nascent economic recovery in the bud—just as fiscal and monetary contraction in 1936 and 1937 led to a second severe recession before the recovery from the Great Depression was complete. And nothing would be more damaging to our fiscal future than a protracted recession and permanently higher unemployment.⁴²

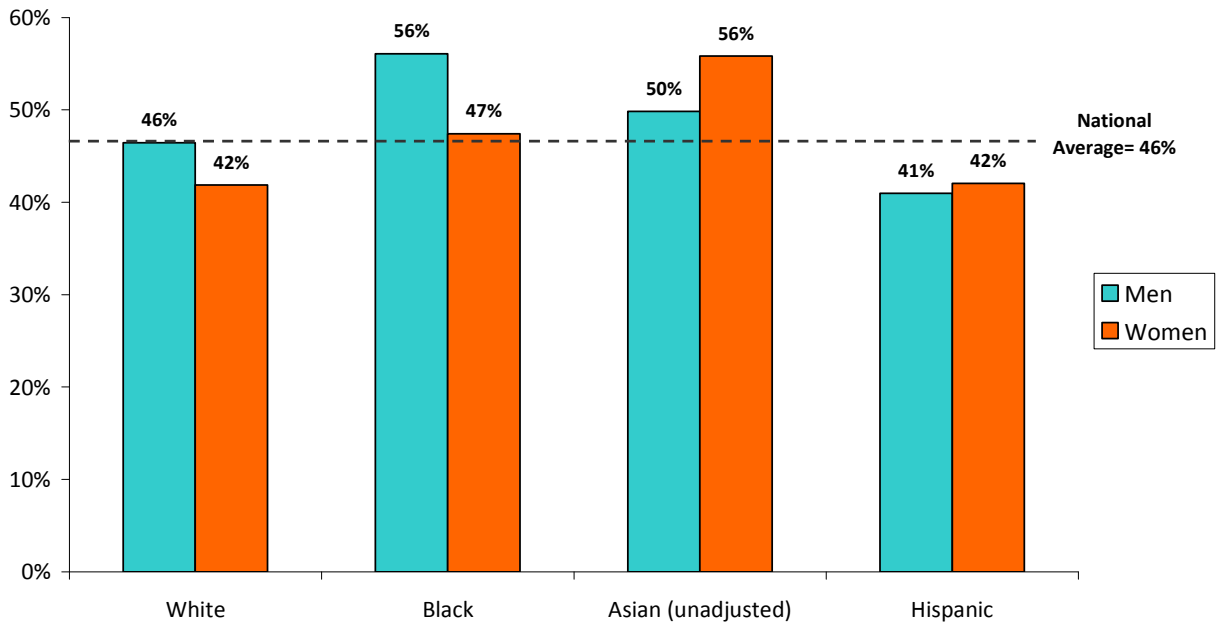
Addressing the deficit is certainly an important concern, but economists are largely in agreement that cutting back on government spending before the recovery has fully taken hold is not the right policy. In fact, it could exacerbate unemployment. Record-high long-term unemployment will remain until employers begin hiring in much larger numbers than they are today. Because we are in the unusual situation of a recession following a financial crisis and because policymakers have already tapped into expansionary monetary policy as far as they can, using the “power of the purse” is necessary to push the economy into a self-sustaining recovery. If we do that and lay the foundation for a strong recovery, we will be in a much better situation to address the deficit in the years to come.

Figure 1. Share of the unemployed who are long-term unemployed, by age and gender, May 2010



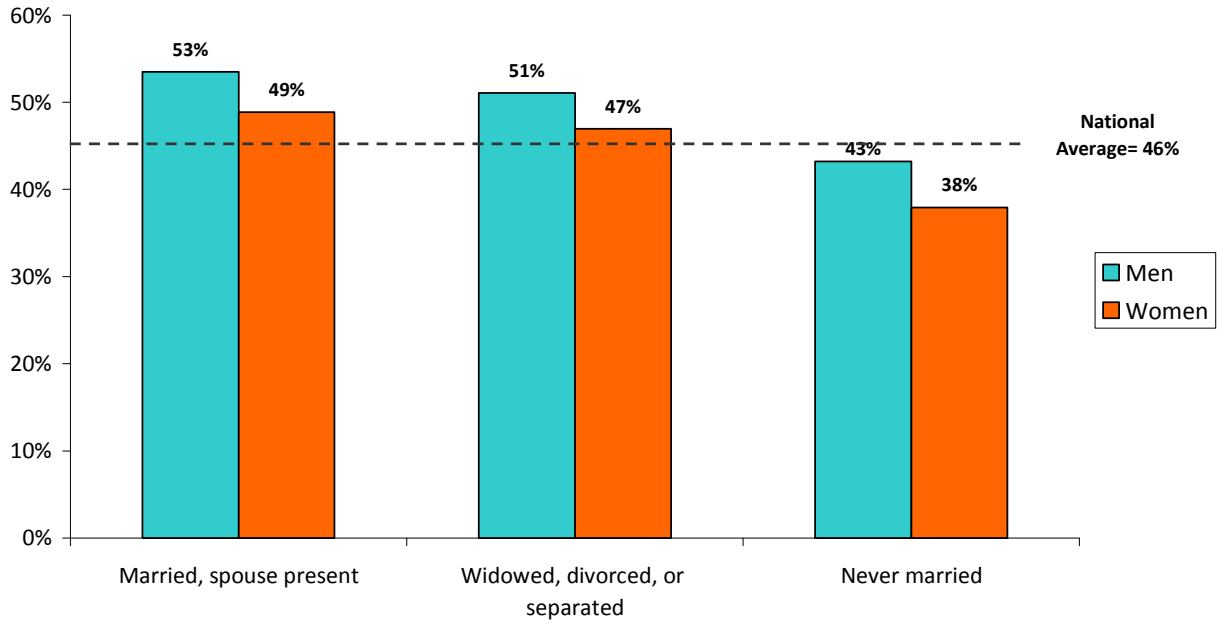
Source: Bureau of Labor Statistics Current Population Survey.

Figure 2. Share of the unemployed who are long-term unemployed, by race/ethnicity and gender, May 2010



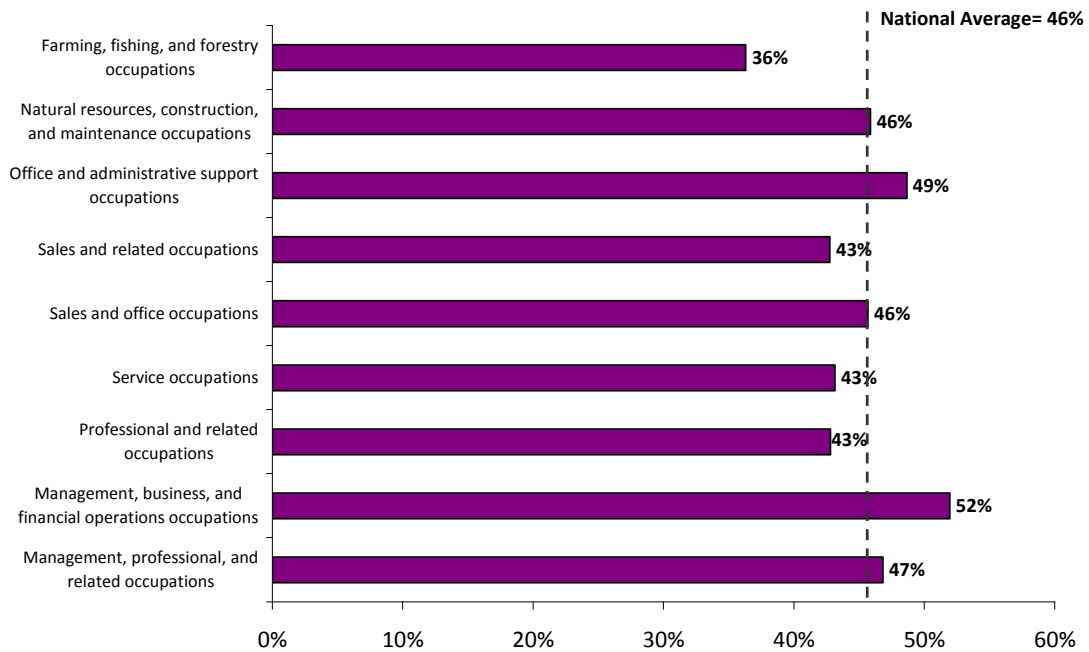
Source: Bureau of Labor Statistics Current Population Survey.

Figure 3. Share of the unemployed who are long-term unemployed, by marital status and gender, May 2010



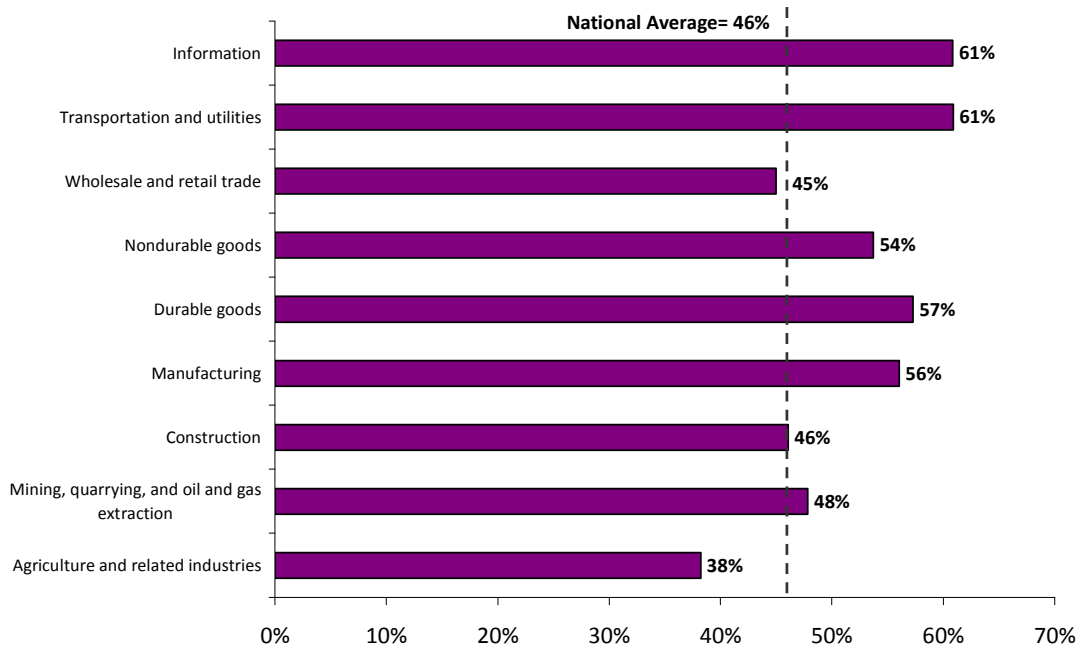
Source: Bureau of Labor Statistics Current Population Survey.

Figure 4. Share of the unemployed who are long-term unemployed, by occupation, May 2010



Source: Bureau of Labor Statistics Current Population Survey.

Figure 5. Share of the unemployed who are long-term unemployed, by industry, May 2010



Source: Bureau of Labor Statistics Current Population Survey.

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¹ Carmen M. Reinharta and Kenneth S. Rogoff, “The Aftermath of Financial Crises,” *American Economic Review*, 100 (2)(2010).

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⁵ Wide arrays of economists agree with this sentiment. See: Mark Zandi, Testimony before the Senate Finance Committee, April 14 2010.; Lawrence H. Summers, Remarks at John Hopkins Univeristy, “Reflections on Fiscal Policy and Economic Strategy,” May 2010.

⁶ Bureau of Labor and Statistics, “Job Openings and Labor Turnover – April 2010” (2010).

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⁸ Sources: Bureau of Economic Analysis, National Income and Product Accounts (2010) and Council of Economic Advisors, 2010.

⁹ Heather Boushey, “Women Breadwinners, Men Unemployed” (Washington: Center for American Progress, 2009).

¹⁰ Employment and Training Administration, “Comparison of State Unemployment Laws” (2010), available at <http://workforcesecurity.doleta.gov/unemploy/uilawcompar/2009/comparison2009.asp>

¹¹ Employment and Training Administration, “Comparison of State Unemployment Laws”(2010). In total, 35 states were listed as having some type of “good cause” provision for moving to be with a spouse. The criteria listed here are not mutually exclusive: eight states generally include “to move with spouse” as a legitimate good case either by law, regulation, or interpretation; 18 states allow with caveat of including military spouses only; 3 states allow with the caveat that the move must make a commute to the former place of work impractical/unreasonable; 6 states allow but with special disqualification for issues, such as the amount of how it relates to an individual’s wages; 1 state (ME) allows with the caveat that ‘spouse’ be defined as a person to whom the claimant is legally married, or a person to whom the claimant was legally married within 14 days of arrival at the new place of residence; 1 state (MO) allows with the caveat that the individual is eligible only if the spouse is also employed by the federal government; 1 state (OR) allows with the caveat that the individual is eligible only if “reasonable” alternatives to quitting are pursued; and 1 state (PA) allows it with the caveat that an individual is eligible only if reason for move was beyond spouse’s control and there were insurmountable economic circumstances.

¹² Heather Boushey and Ann O’Leary, eds., *The Shriver Report: A Woman’s Nation Changes Everything* (Washington: Center for American Progress, 2009).

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¹⁴ Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003).

¹⁵ U.S. Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2008” (2009).

¹⁶ U.S. Census Bureau, “Geographical Mobility, 2009” (2010), available at <http://www.census.gov/population/www/socdemo/migrate.html>.

¹⁷ Sylvia Allegretto and Andrew Stettner, “The Server Crisis of Job Loss and the Accompanying Surge in Long-term Unemployment,” (Washington: National Employment Law Project and the Institute for Research on Labor and Employment, 2009);

¹⁸ Lisa B Kahn, “The Long-Term Labor Market Consequence of Graduating from College in a Bad Economy,” *Labour Economics* (2010).

¹⁹ See also John Irons, “Economic Scarring: The Long-Term Impacts of the Recession” (Washington: Economic Policy Institute, 2009).

²⁰ Henry Farber, “What Do We Know About Job Loss in the United States? Evidence from the Displaced Workers Survey, 1984-2004,” *Federal Reserve Bank of Chicago: Economic Perspectives* 2 (2005).

²¹ John Schmitt, “The Rise in Job Displacement, 1991-2204: The Crisis in American Manufacturing,” (Washington: Center for Economic and Policy Research, 2004).

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²³ Krysia Mossakowski, “The Influence of Past Unemployment Duration on Symptoms of Depression among Women and Men in the United States,” *American Journal of Public Health* (2009).

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- ²⁴ Debbie Borie-Holtz, Carl Van Horn, and Cliff Zukin, “No End in Sight: The Agony of Prolonged Unemployment,” *Worktrends: Americans’ Attitudes about Work, Employers, and Government* (New Brunswick: John. J. Heldrich Center for Workforce Development, 2010)
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- ²⁸ Mark Zandi, Testimony before the Joint Economic Committee, October 29, 2009.
- ²⁹ Mark Zandi, Testimony before the Senate Finance Committee, April 14, 2010; Paul Krugman, “Free to Lose,” *The New York Times*, November 12, 2009, p. A31; Kevin A. Hassett, “Prospects for Employment Growth: Is Additional Stimulus Needed?” Testimony before the House Committee on Financial Services, February 23, 2010. Dean Baker has also proposed a new tax credit to encourage shorter workweeks: Dean Baker, “Job Sharing: Tax Credits to Prevent Layoffs and Stimulate Employment” (Washington: Center for Economic and Policy Research, 2009).
- ³⁰ The short-term compensation program was established as a temporary program in 1982 and made permanent in 1992. However, there were discrepancies in the 1992 legislation that created an “administrative muddle” about what exactly states are allowed to do. The 1982 legislation had required that any employer who participated must continue health insurance and retirement benefits, and that the program must have the consent of bargaining representatives in unionized shops. The 1992 legislation, however, did not include those provisions, which has led to a lack of clarity about the program requirements.
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- ³² Till von Wachter, “Long-term Unemployment: Causes, Consequences, and Solutions: Testimony before the Joint Economic Committee, April 29, 2010; Chetty, Raj., “Moral Hazard vs. Liquidity and Optimal Unemployment Insurance,” *Journal of Political Economy* 116,(2) (2008): 173-234.
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- ³⁴ National Governor’s Association and National Association of State Budget Officers, “The Fiscal Survey of States” (2010).
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- ³⁷ Louis Soares, “Moving from Short-Term Jobs to Long-Term Skills: Priorities for Workforce Investment Act Reauthorization,” (Washington: Center for American Progress, 2010), available at http://www.americanprogress.org/issues/2010/05/wia_reauthorization.html
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- ⁴² Christina D. Romer, “Back to a Better Normal: Unemployment and Growth in the Wake of the Great Recession,” Speech given at the Woodrow Wilson School of Public and International Affairs, Princeton University Princeton, N.J., 2010.