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RISING NUMBER OF LONG-TERM UNEMPLOYED SHOWS NEED TO REFORM UNEMPLOYMENT INSURANCE

Long-Term Unemployment Growing among White-Collar Workers; Current System Is Ill-Equipped to Help Displaced Workers Retrain for New Jobs

ANNANDALE-ON-HUDSON, N.Y.--Despite the recent uptick in U.S. employment, the ranks of the long-term unemployed are on the rise and the current unemployment insurance system is failing this growing population, according to a new study from The Jerome Levy Economics Institute.

"The percentage of long-term unemployment relative to total unemployment has risen by more than 50 percent over the last two decades," according to Levy Institute Resident Scholar Oren Levin-Waldman, author of the Public Policy Brief ***Making Unemployment Insurance Work***. "A growing number of these people are older and more highly educated, likely casualties of downsizing and the large scale shift to a postindustrial economy," Levin-Waldman says. "Clearly, the current unemployment insurance system is not helping a substantial segment of the long-term unemployed adjust to a changing economy."

"The current unemployment insurance system was based on the assumption that most layoffs were temporary and that in most cases workers would be recalled by their employers or find comparable jobs," Levin-Waldman explains. "But in today's economy, where many of these jobs are lost forever, a system designed to tide workers over until they are recalled is ill equipped to assist workers in their transition to reemployment."

While the percentage of long-term unemployed peaks during recessions, it has rarely returned to prerecession levels, says Levin-Waldman, noting over the last four years the percentage of the total unemployed population that failed to find work within 26 weeks has remained between 17 and 21 percent. "This is an indication that the current problem is not just cyclical, but structural and growing," he says.

According to the new study, there are significant differences between the short-term and long-term unemployed. "There's a common assumption that the long-term unemployed have a lower overall level of education; in fact, the opposite appears to be true," Levin-Waldman says. "The percentage of the long-term unemployed who have received a college or higher

degree is greater than among the short-term unemployed," he says, citing data based the Current Population Survey's demographic profile. He also notes that while manufacturing industries account for the largest number of both short-term and long-term unemployed, in the managerial, professional, and specialty occupations the percentage of long-term unemployed is 5.3 percent higher than that of the short-term unemployed.

To address this rising tide of long-term unemployment, Levin-Waldman suggests reforming the unemployment insurance system to improve worker retraining and to cut the number of layoffs. He proposes a two-tiered system that distinguishes between short-term and long-term unemployed. On the first tier, the system would continue to function as an insurance program for 26 weeks to allow workers to search for employment that matches their current skill level. The second tier would make receiving unemployment benefits beyond 26 weeks contingent upon workers' enrolling in a training program. The system would seek to identify those early in their unemployment who are likely to remain unemployed and to direct them to appropriate retraining and job search services.

Levin-Waldman also contends that an improved system of experience rating unemployment insurance premiums, in which premium rates would be linked more closely to a firm's layoff history, might reduce the incidence of layoffs and also provide additional sources of funding to finance worker retraining.

"Reforming the unemployment insurance system would not only achieve greater efficiency in facilitating reemployment and easing worker anxiety. It would also enhance a core value of American society: work," Levin-Waldman says.

[Public Policy Brief No. 26, *Making Unemployment Insurance Work, Reforming Unemployment Insurance: Toward Greater Employment*, 1996](#)