

Addendum: A Year or More: The High Cost of Long-Term Unemployment

January 27, 2011

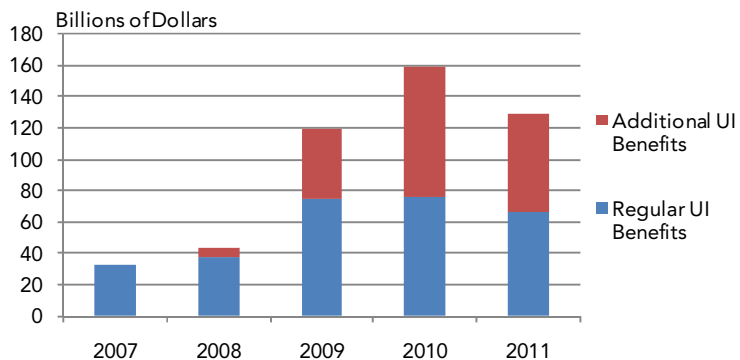
As of December 2010, 30 percent of the 14 million Americans who were unemployed had been jobless for a year or more, according to data produced by the U.S. Department of Labor's Bureau of Labor Statistics. That percentage is the highest since World War II, and it translates into more than 4.2 million people, roughly equivalent to the total population of Kentucky.

The problem of long-term unemployment has grown worse in the last year, even as the economy has improved. *A Year or More: The High Cost of Long-Term Unemployment*, a report released by the Pew Fiscal Analysis Initiative last April, found that in December 2009, 23 percent of the 14.7 million unemployed had been out of work for a year or longer. (The long-term unemployment rate has not increased since August 2010, as Pew found in the October 2010 Addendum.)

The high percentage of long-term unemployment has affected federal spending on unemployment benefits:

- Federal spending on unemployment benefits is projected to total \$129 billion in fiscal year 2011, roughly four times more than spending in each of the years immediately preceding the recession, according to the Congressional Budget Office's January 2011 *Budget and Economic Outlook* (see Figure 1). In each fiscal year between 2005 and 2007, federal spending on unemployment benefits ranged between \$31 billion and \$33 billion.
- Of this \$129 billion, regular unemployment benefits (up to 26 weeks) account for \$66 billion, while the cost of extended benefits (beyond 26 weeks) is expected to total \$63 billion.
- The \$129 billion total is \$30 billion less than what was spent in fiscal year 2010. This change is due to several factors, including the expiration of a \$25 weekly supplemental benefit and an expected decline in claims as the economic recovery continues.

Figure 1: Federal Spending on Unemployment Insurance Benefits, Fiscal Years 2007-2011

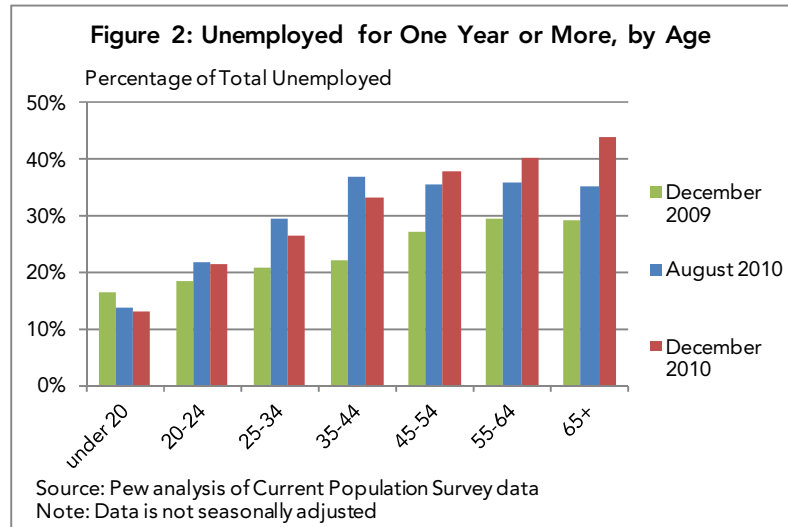


Source: Pew analysis using data from Congressional Budget Office
Note: Amounts for 2011 are projections

Pew's analysis of the latest unemployment data, which was released in January 2011 by the U.S. Department of Labor's Bureau of Labor Statistics, illuminates the scope of America's unemployment problem:

- The number of people unemployed for a year or longer increased by about 25 percent between December 2009 (3.4 million people) and December 2010 (4.2 million people).

- Long-term unemployment is occurring among people of all ages. But the new data show that once they lose their jobs, older workers are the most likely to remain out of work for a year or longer. More than 40 percent of unemployed workers older than 55 have been out of work for at least a year (see Figure 2).



- Once a person is out of work, a high level of education provides only limited protection against a long period of unemployment. Thirty-one percent of unemployed workers with a bachelor's degree have been without work for a year or longer, compared to 36 percent of unemployed high school graduates and 33 percent of unemployed high school drop-outs (see Figure 3).

- Long-term unemployment continues to cut across nearly every industry and occupation. More than 20 percent of unemployed workers in every non-agricultural industry, from financial services to information technology, have been out of work for a year or more.

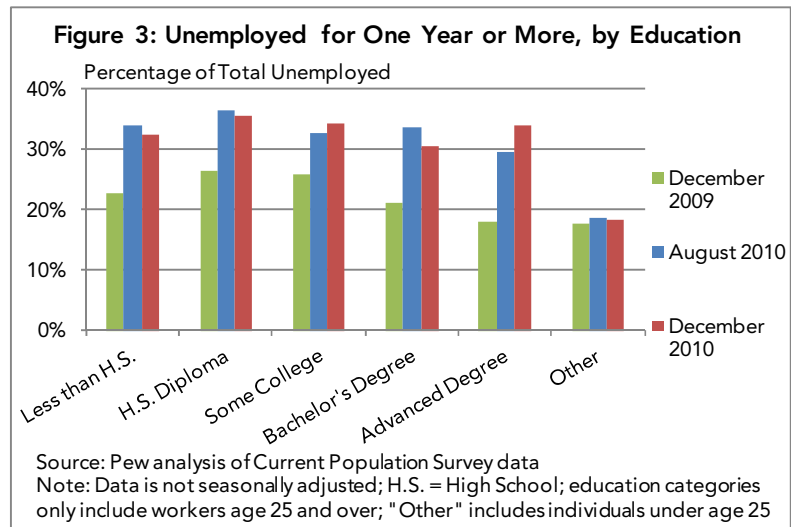


Table 1: Unemployment by Age

	<u>under 20</u>	<u>20-24</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65+</u>	<u>Total</u>
In Thousands								
Employed	4,116	12,611	30,384	30,528	33,244	21,901	6,376	139,159
Unemployed								
Less than 26 weeks	970	1,336	1,965	1,340	1,281	697	206	7,796
27-51 weeks	125	306	451	391	417	229	60	1,979
52 weeks or more	167	448	875	860	1,037	626	209	4,221
Total	1,262	2,090	3,291	2,591	2,735	1,552	475	13,997
Labor Force								
	5,378	14,701	33,675	33,119	35,980	23,452	6,851	153,156
As Percentage of Labor Force								
Unemployed	23.5%	14.2%	9.8%	7.8%	7.6%	6.6%	6.9%	9.1%
Less than 26 weeks	18.0%	9.1%	5.8%	4.0%	3.6%	3.0%	3.0%	5.1%
27-51 weeks	2.3%	2.1%	1.3%	1.2%	1.2%	1.0%	0.9%	1.3%
52 weeks or more	3.1%	3.0%	2.6%	2.6%	2.9%	2.7%	3.0%	2.8%
As Percentage of Unemployed								
Unemployed								
Less than 26 weeks	76.9%	63.9%	59.7%	51.7%	46.8%	44.9%	43.4%	55.7%
27-51 weeks	9.9%	14.6%	13.7%	15.1%	15.3%	14.7%	12.7%	14.1%
52 weeks or more	13.2%	21.4%	26.6%	33.2%	37.9%	40.3%	43.9%	30.2%
Source: Pew analysis of Current Population Survey data, December 2010								
Notes: Data is not seasonally adjusted; numbers may not sum to totals due to rounding								

Table 2: Unemployment by Education							
	Less than High School	High School Diploma	Some College	Bachelor's Degree	Advanced Degree	Other	Total
In Thousands							
Employed	9,924	34,470	33,869	27,991	16,179	16,727	139,159
Unemployed							
Less than 26 weeks	1,029	1,936	1,463	799	263	2,306	7,796
27-51 weeks	218	486	441	295	108	431	1,979
52 weeks or more	603	1,338	990	483	191	615	4,221
Total	1,850	3,761	2,894	1,577	562	3,352	13,997
Labor Force							
	11,773	38,231	36,763	29,569	16,741	20,079	153,156
As Percentage of Labor Force							
Unemployed	15.7%	9.8%	7.9%	5.3%	3.4%	16.7%	9.1%
Less than 26 weeks	8.7%	5.1%	4.0%	2.7%	1.6%	11.5%	5.1%
27-51 weeks	1.9%	1.3%	1.2%	1.0%	0.6%	2.1%	1.3%
52 weeks or more	5.1%	3.5%	2.7%	1.6%	1.1%	3.1%	2.8%
As Percentage of Unemployed							
Unemployed							
Less than 26 weeks	55.6%	51.5%	50.6%	50.7%	46.7%	68.8%	55.7%
27-51 weeks	11.8%	12.9%	15.2%	18.7%	19.2%	12.9%	14.1%
52 weeks or more	32.6%	35.6%	34.2%	30.7%	34.0%	18.3%	30.2%
Source: Pew analysis of Current Population Survey data, December 2010							
Note: Data is not seasonally adjusted; education categories only includes workers age 25 and over; "Other" includes individuals under age 25; numbers may not sum to totals due to rounding							