



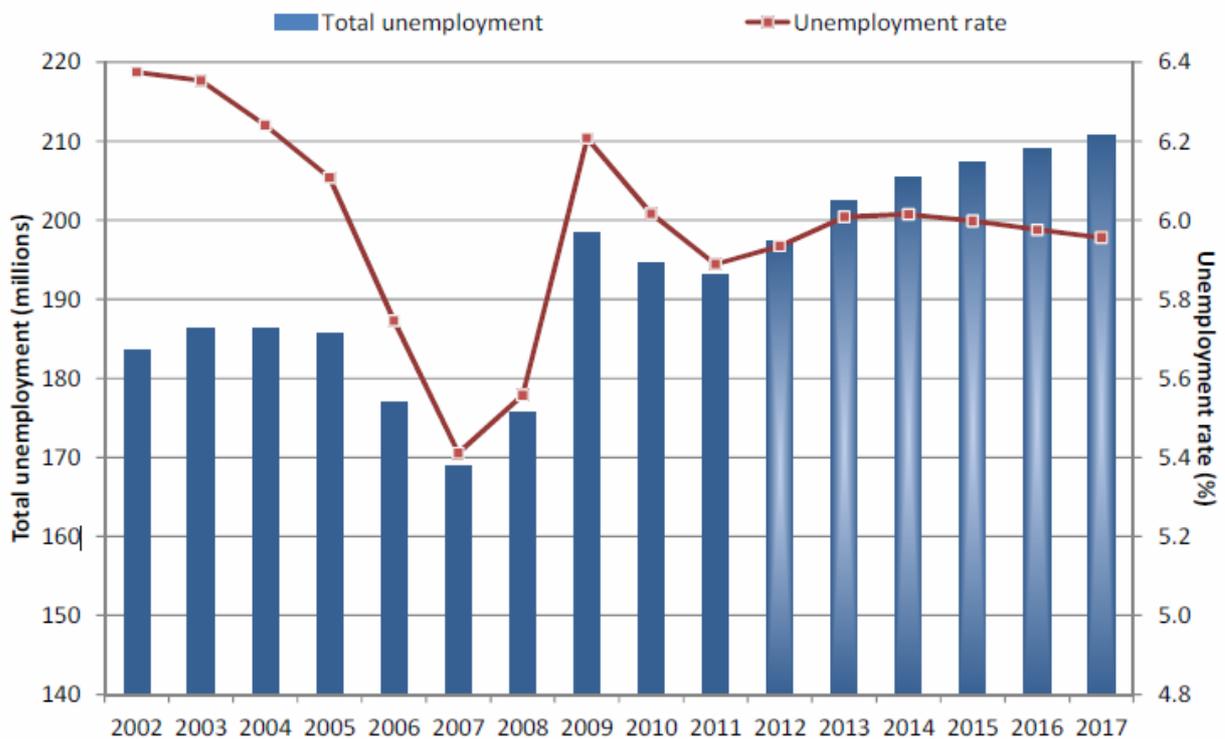
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## When unemployment becomes a long-term condition

*The epicentre of the crisis has been the advanced economies, accounting for half of the total increase in unemployment of 28 million since the onset of the crisis. (ILO Employment Outlook 2013)*

### Trends and Projections

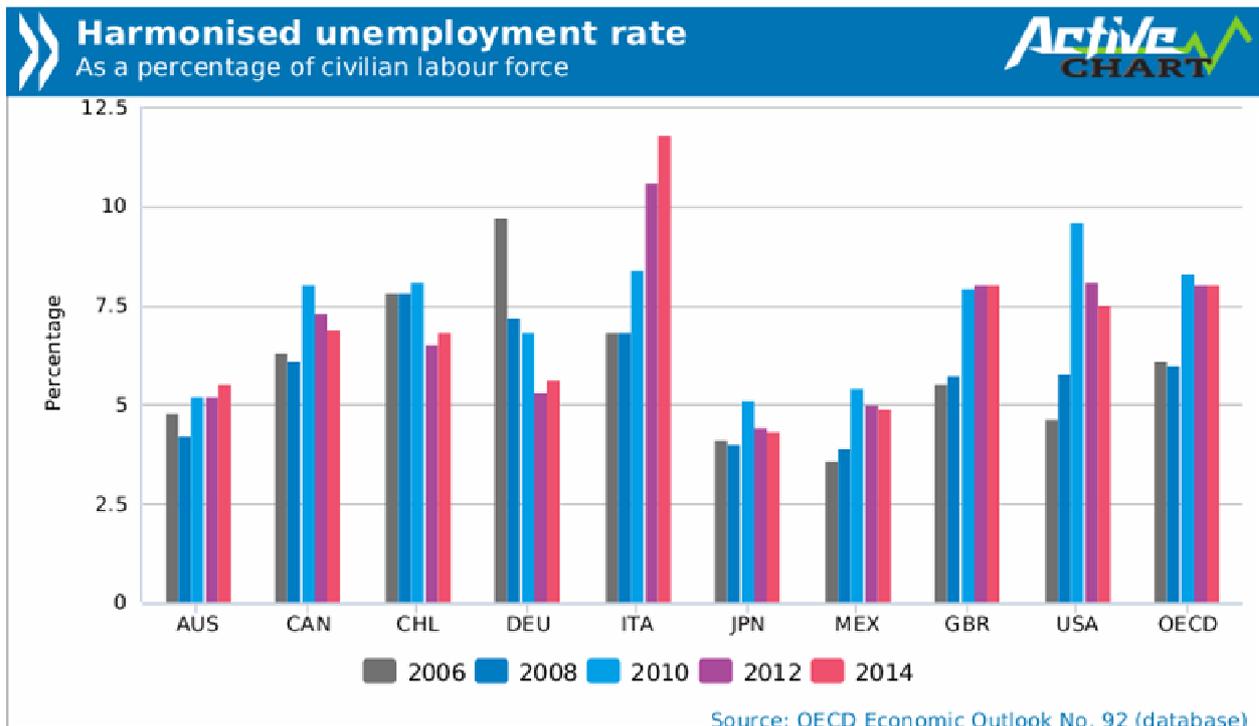
The financial and economic crisis continues to have a profound impact on the labour market. In 2013 the International Labor Organization (ILO) reports that there were “some 197 million people without a job in 2012” and that the jobs gap had widened to 67 million since 2007. With an uneven and hesitant economic recovery projected by the OECD and the IMF, it is unsurprising that the ILO forecasts still growing unemployment, with around eight million more people without a job by 2014.



Note: The chart displays past trends and projections for 2012 onwards for global unemployment (rate and absolute number). Source: ILO, *Global Employment Trends 2013: Recovering from a second jobs dip*.



Although this forecast paints a somewhat bleak employment outlook, the challenges for improving labour market participation are different across countries. As the chart below from the OECD highlights, for some countries, such as Canada (CAN), Germany (DEU), Japan (JPN), Mexico (MEX) and the United States of America (US), unemployment has been in decline since 2010, and from 2006 in the case of Germany. For other countries, unemployment trends are more uncertain, such as in Australia (AUS) and Chile (CHL) or with a continuous increase in unemployment, as in the case of Italy (ITA) and Great Britain (GBR).



### Effects of Long-Term Unemployment

For some countries labour market challenges centre around increasing participation amongst specific groups, whilst for others the challenges are focused on reducing unemployment, especially long-term unemployment. Evidence has emphasized that long-term unemployment has 'scarring' effects, harming the entire employment career particularly of the young, as well as consequences for the well-being of individuals and families, and wider social and economic effects. People that have been without a job for one year or longer are running a higher risk of suffering sleep problems, struggling with feelings of shame and guilt, and of developing serious health issues that usually come together with reduced financial possibilities to afford or access medical treatment. A current survey in the USA has found that the mortality rate among workers laid off at least one year ago is over 50% higher than the average.



The economic effects of long-term unemployment, especially the truly persistent kind, are equally devastating. Globally the percentage of the workforce that has withdrawn from the labour market, because they see no chance to ever re-join it, is estimated to be 6%. Over 40 million people are thus not available for the job-market world-wide and are invisible for employers. That's only the measurable part of the skills waste. Even if those potential workers are activated to re-enter the market, their condition can continue to have a negative influence on self-confidence in work performance and on the negotiation of salaries. According to McKinsey Consulting, the average long-term unemployed can expect to get at least a 20% lower income over the next 15-20 years after reemployment.

### **The Situation in Europe and the USA**

The drop in labour force participation is particularly severe in developed economies. In the European Union a third of the unemployed can be considered to be long-term. Around two million have been out of work for longer than 48 months. The reasons for an enlarged labour-market absence are almost always related to education and skills level. Age and sex play a role too, but to a lesser extent. Migrants are strongly affected as well, but employers declare their profiles as not matching with the jobs they offer usually through a lack of (recognized) skills.

EU-workers in manufacturing and industry as well as the construction sector have experienced an increased risk of becoming long-term unemployed, especially if they are semi-skilled or without education. Even in countries like Germany and Austria that are navigating more smoothly through the crisis, those job-seekers with lower education levels have suffered heavily from long periods without work. In 2011 the unemployment rate among low-skilled in Germany was over 13%, more than five times higher than that of high-skilled workers. This pattern is not limited to EU countries. In Serbia for example, the share of long-term unemployed among the least educated amounts to 88.8%, the highest in Europe.

The USA has seen the deepest economic downturn since the Great Depression in the 1930s. More than 20 million Americans have lost their jobs, many of them for years to go. The "99ers", those unemployed who have exhausted 99 weeks of unemployment benefit payments, are hardest hit. The current level of long-term unemployment is the highest in the last 60 years. It often goes hand in hand with poverty, especially in big cities and rural areas. Some 15% of US Americans live below the poverty line (11,702 USD for an individual per year or 23,200 USD for a family of four), a high number of them being unemployed or working poor with little opportunity to reach significantly better working conditions.

The stigma of being long-term unemployed or poor makes the way back into the domestic labour market challenging. A recent study by Bullhorn, one of the global leaders in online recruiting, suggests that people with criminal records but holding down a job are more likely to be hired by US employers than people that have been out of their jobs for two years or more.



### **Informal Labour Markets**

Latin America has a higher employment rate than most OECD countries. The number of unemployed workers has been constantly reduced over the last 22 years and is at 6.4% today. More than 30 million jobs were created, often securing high participation rates for women. Traditional emigration countries from the Southern Cone no longer rely on exporting skills to the USA or Europe but attract large foreign investors like China to boost the economy at home.

Long-term unemployment and its negative consequences, as in most Asian and African countries, do not usually appear on statistics, or are publicly recognized, they are however there - as a lack of decent work. Even if people work, they do so in precarious and vulnerable conditions of low pay and with a lack of protection. Half of the jobs in Latin America do not contribute to the social security scheme, almost one third of inhabitants are poor. Job changes are very frequent in these informal markets, but people who move out of a low-paid job usually find another one that probably has worse conditions or makes them drop out of legal work altogether. In this way, in parts of Latin-America, Asia and Africa labour markets, rather than being a path to social integration, can in fact be a source of exclusion, just as long-term unemployment is.

### **Employment service strategies**

A number of efficient and effective labour market measures are in place to ease the burden of long-term unemployment and approach affected unemployed to the labour market. In recent years, subsidized programs for work share in large companies, but also in short and medium-sized enterprises, have avoided mayor lay-offs in industries that would have produced a serious number of long-term unemployed, such as the automotive industry in Central Europe. Employment subsidies, in general, do have a positive effect on employability, especially for job-starters or workers with a low experience profile.

Other traditional employment policy measures have occasionally proved counter-productive to the decrease of long-term unemployment. The decision of some governments to lower their country's unemployment rates by declaring the long-term part of it as non-available for labour has contributed to a situation of hiding and devaluating skills. Benefit systems that focus on compensation (for heating, housing etc.) rather than income support might create a scenario of work dis-incentivation, as the cost of losing the compensation money is higher than that of not earning a salary.

Labour market practitioners, especially public employment services dealing with long-term unemployed on a daily basis, should be, and are, offering further measures to fight tenacious unemployment. Two approaches seem to be notably successful.

One is the promotion of skills. Asian countries like Vietnam or Malaysia have identified the shortcoming of their agricultural workers to follow technological development as a main source for "hard-to-place" conditions of unemployed or underemployed farmers. Targeted skills trainings by employment services help. The public employment service in Chile is training people that are far away from the labour market in finding and using their entrepreneurial skills. A general change of the mind-set, that only high (academic)



skills prepare people well enough for the labour market is needed to assure quality in vocational education and a life-long-learning concept beyond universities. Indeed, it is noticeable that in Germany, a country with a dual education system where vocational education is available to school-aged people, youth unemployment was only 8.2% in the third quarter of 2012 (compared to an OECD average of 16.1%).

The second success factor in the integration of long-term unemployed is cooperation with employers. If it is true that long-term unemployed are hidden from the view of employers, they should certainly not be hidden from policy makers and practitioners and public employment services can help them get visible to employers again.

The Canadian employment service in Ontario has a placing system for long-term unemployed that strives for the long-term retention of the worker after job-entry. They accompany the employment process of the candidate which starts with the initial matching of the relevant skills and ends with the development of the actual work experience. The employer is an active partner in this process. The placement of a long-term unemployed becomes a business case rather than a temporary burden.

Employers in the United States are offering their employees more home-office tasks and are repatriating low-skill jobs from offshore back into the country. Both measures can be a good door-opener for long-term unemployed with limited mobility and education. The public employment service could be a good agent in facilitating this process.

Decent work and the formalization of work conditions should be an integral of the communication with employers. The countries of Latin America with the best record in improving precarious job conditions like Argentina, Uruguay and Brazil are those where employers are involved in social dialogue.

Nor should the role of other partnerships, including trade unions and the social economy/third sector be overlooked. Trade unions can contribute to supporting workers as they re-enter work and in gaining skills, with innovative examples from the UK and Belgium highlighting how by working together trade unions, employers and public employment services can address the needs of the unemployed and the at-risk of unemployment in developing the skills needed to enter and stay in the workforce. The social economy/third sector is also playing a vital role in many countries in helping the long-term unemployed re-enter the labour market through training, mentoring and work integration activities.

Strong collaborative relationships between a wide-range of employment, economic and social actors are crucial to tackling the many barriers which the long-term unemployed confront on their path back into employment.

The long-term unemployed suffer the heaviest penalties from recessions. To neglect them means not only to disdain social responsibility, but also to waste an enormous resource of skills – with significant economic and social costs. For all actors in the labour markets, including public employment services, it should be crucial that steps are taken to reduce long-term unemployment and to seek to stop it from becoming a persistent problem. Focusing on the development of skills and the fostering of employment partnerships has both proved to be successful steps.