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Social Impacts of Long Term Unemployment

Joblessness Weighs On Individuals, Families, Communities & Collective Psyche

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The Great Recession technically ended in mid-2009. Recovery since then has been slow, uneven and oftentimes painful. The recession and slow recovery have ravaged the nation's labor force. Over 12 million Americans were unemployed in November 2012. Another 8.2 million were working part time because they couldn't find full time employment. Still another 2.5 million were marginally attached to the work force and another 979,000 were discouraged workers who believe there is not a job available for them. Add them up and 22.7 million Americans are either unemployed or under-employed. The November headline unemployment rate of 7.7% suddenly soars to an under-employment rate of 14.4% — nearly double the headline rate.

Unlike most other recessions, many, if not most, of today's job losses are permanent rather than cyclical. Many people are not likely to be called back to the positions they left and that may mean a need for re-training at best or long term joblessness — and its consequences — at worst. As of November, over 40% of the unemployed, some 4.8 million people have been unemployed long term which, by BLS definition, is more than 27 weeks. That is among the highest rates since 1948 when the Bureau of Labor Statistics began tracking that demographic.

The U.S. labor market remains in a hole over 4.4 million jobs deep. That is approximately the number of jobs that still need to be created to bring the unemployment rate down to its pre-recession level of around five-percent. Through good time and bad, the nation's unemployment rate has averaged 5.7% since 1948 although it appears likely that the post-Great Recession rate will pose a new normal. Economist Edmund Phelps, who won a Nobel Prize for his work on the natural rate of unemployment, estimates that the new floor for unemployment will be between 6.5 and 7.5%. While the recession has loosened its financial grip, the scars on the nation's psyche — and on millions of Americans — will remain evident for years, even after the economy recovers. While the labor market will recover, unemployment and under-employment are likely to remain permanently higher than historical norms.

Sociologists, behavioral economists and others have been studying the effects of long term employment on individuals and society for years. Several trends are evident and effects of long term unemployment are well documented.

According to the Bureau of Labor Statistics, 23.7% of teenagers, 16-19 years old (male and female) are unable to find jobs. Prolonged joblessness has left many idle and discouraged. Instead of becoming productive citizens, the start of their most productive and innovative years has been postponed by the recession. They are unable to learn the life skills so critical to becoming responsible and self sufficient adults. Faced with long term unemployment, they quickly lose their youthful enthusiasm and the "I can do anything I set my mind to" attitude many have and parents often instill in their teenagers. Household formations have declined throughout the U.S. Marriage and parenthood are being delayed by the slack economy in general and the mediocre employment situation in particular. Additionally, according to Pew Research, growing numbers of young adults are moving back with their parents.

Even newly minted college graduates are feeling the pain of prolonged unemployment. Evidence shows that young people who do not develop strong roots in the labor market within a year or two of graduation have difficulty righting themselves. They also face competition from new classes of graduates who do not need to explain the absence of employment soon after graduation. Long term and widespread unemployment often have profoundly negative human, interpersonal and social impacts.



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Unemployment always affects individuals but too often it affects marriages, children, relationships, inter-generational relationships, communities, innovation and more. The following is a look at several significant impacts.

Krysia Mossakowski, a sociologist at the University of Miami discovered that people who have long periods of unemployment in their late teens and early 20s are more likely to develop long lasting changes in behavior and mental health. They are far more likely to develop a heavy drinking habit (defined by Mossakowski as five or more alcoholic drinks daily). They are also more prone to experience serious bouts of depression in middle age according to Mossakowski. If this era of high and prolonged unemployment continues much longer, it has the potential to alter the life course of a generation of young adults and quite possibly the generation behind them due to the indelible impact of the experience.

The impact of The Great Recession has fallen squarely on young men theoretically about to embark on higher education or enter the workforce. Over 31% of young men 16 and 17 years old were unemployed at the end of November. That rate stays above 23% through the teenage years and over 12% through the mid 20s. Women have fared better with unemployment 5-7% lower than their male counterparts in nearly every age cohort.

Moreover, men of all ages suffered roughly three-quarters of the 8.0 million recession driven job losses since 2008. Industries that tend to be male dominated such as construction, finance and manufacturing have been especially hard hit while female dominated employment, including education and healthcare, held up better. It would not be unreasonable to expect that women may dominate the U.S. work force within the next few years.

This trend is not new but it has intensified. Manufacturing employment growth has been flat since the 1970's. Over time, construction became the "new manufacturing" and now it too has crashed coincident with "The Great Recession." The faux demand for housing and commercial real estate during the boom era of the middle 2000s created thousands of construction, finance and real estate related jobs. Today, many of those jobs have been eliminated and won't be replaced anytime soon. The demand drivers are simply not there and are not likely to return for perhaps a decade. Even with the mid decade boom years, the 2000's were a lost decade for employment overall and this decade is shaping up in the same fashion. During the 2000s, percentage job growth was negative (-0.8%). While the U.S. population grew by 30 million, the economy created a mere 400,000 jobs.

Social consequences of long term male unemployment. In addition to the economic impact, the high level of male dominated long term unemployment often has severe personal consequences. Jacksonville, Florida based biological psychiatrist, Herbert Wagemaker, M.D. commented that "long term unemployment often leads to a loss of identity followed by hopelessness and helplessness." "That in turn makes men susceptible to alcohol or drug abuse and to serious depression." Unlike women, men tend to identify themselves with what they do rather than who they are. "Men are more prone to depression but ironically they are treated

less frequently than women," he added.

The body of knowledge on this subject is lengthy. Some forty years ago, Glen Elder, a socialist at the University of North Carolina discovered consistent traits among men (but not women) who suffered hardship by prolonged unemployment during the Great Depression when they were in their 20s and 30s. Elder wrote that these men came across as "beaten and withdrawn," "without ambition, direction and confidence" in themselves. Men who did not experience the same early adult life difficulties and unemployment rarely displayed such traits.

More recently, in Japan, researchers from the *Productivity Center for Socio-Economic Development* reported that workers who began their careers during Japan's lost decade of the 1990s and are now in their 30s make up six out of 10 cases of depression, stress and work related mental illness.

Physical health also tends to deteriorate during periods of unemployment. That is most likely the result of inadequate financial resources for healthcare and greater emotional stress. Till Von Wachter, an economist at Columbia University and Daniel Sullivan of the Federal Reserve Bank of Chicago recently studied mortality rates of young men who had experienced periods of unemployment during the 1970s and 1980s. Their study concluded that life spans of workers who had lost their jobs in their 30s were shorter than those who had lost a job later in life and about 1.5 years shorter than those who had never lost a job.

Researchers have also long studied the impact on children caused by a long term parental job loss and discovered that a job loss is not a short term singular event but rather an event that will have long term emotional, and economic consequences which are often carried from one generation to the next. Even generational income can be affected. In a 2005 research paper by Marianne Oreopoulos and Anne Stevens published by the National Bureau of Economic Research (NBER), the researchers discovered that a father's job loss had not only current generational consequences but the next generation had earnings some 9% less than similar children whose father did not experience a job loss.

Innovate or stagnate. The U.S. has a long and storied history of leading the world in innovation. Not including the current recession, the nation has endured 10 recessions since World War II. The average duration was 10 months; the average employment decline 2.7% and the average jobless rate increase was 3.2%. The Great Recession has been like none of the post war down turns. Many economists (including the writer) believe the recession in Florida and other sunbelt states actually started as much as a year earlier. Moreover it has been twice as severe as measured by GDP, job losses and the jobless rate.

This recession has had a profoundly negative impact on innovation. Not only has the downturn been severe, it has been accompanied by a credit crisis and the near collapse of the U.S. financial system in late 2008, the effects of which linger to this day. The severity plus the combination of events has constrained both university level and private research and development which are likely to have a long term adverse effect on the broader economy.