

BARRIERS FACING THE LONG-TERM UNEMPLOYED

Statement of the National Employment Law Project Before the U.S. Senate Committee on Health, Education, Labor and Pensions

December 6, 2011

The National Employment Law Project (NELP) is a 501(c)(3) national non-profit organization that engages in research, education, litigation support and policy advocacy on issues affecting low wage and unemployed workers. In partnership with national, state and local organizational allies, NELP works to maintain strong federal and state programs of unemployment insurance benefits that are providing a lifeline of support for individuals who, through no fault of their own, remain jobless and pumping vital stimulus into local economies. On an ongoing basis, NELP also engages directly with unemployed workers to help them assess and address the problems they are facing in trying to find work in an economy that, though growing modestly, is not creating enough jobs to meet the employment demand. These direct interactions with unemployed workers, particularly those whose unemployment has exceeded six months—the “long-term unemployed”—, combined with our ongoing empirical and policy research informs NELP’s understanding of the barriers the long-term unemployed face in getting back to work.

As we address below, the principal barriers to reemployment include a woeful inadequacy of jobs; discriminatory exclusion of the unemployed from consideration for job openings, simply because of their unemployment status; and the use of employment screening devices such as credit background checks, that have an especially harsh impact on individuals who, because of job loss, experience financial losses resulting in substantial debt, home foreclosures, and personal bankruptcies. Other factors, such as social isolation, depression and anxiety, that often accompany long-term unemployment, as well as limitations on access to tools needed for job search—ready availability of computers and transportation, for example—play a less tangible but nevertheless real role in affecting access to employment opportunities.

The Long-Term Unemployment Crisis

America faces a near-unprecedented crisis of long-term unemployment. Of the 13.3 million officially unemployed workers last month, 43 percent—nearly six million—had been unemployed for six months or longer. Roughly one-third of the long-term unemployed have been without work for a year. Average durations of unemployment in November reached a record high of almost 41 weeks. As NELP recently reported, the rate of long-term unemployment has equaled or exceeded 40 percent for roughly the

last two years, the longest stretch of such high long-term unemployment since this data was first reported in 1948.¹

A recent survey and corresponding report by the John J. Heldrich Center for Workforce Development of workers who had lost jobs during the Great Recession found that 43 percent were reemployed (either full-time or part-time) and 41 percent were unemployed and actively looking for work. Half of those remaining unemployed had been jobless for more than two years. Continuing joblessness among the long-term unemployed was not because they were not looking for work. According to the Heldrich Center report, the unemployed participated in substantial job search activities, with three-quarters having applied for a job within the preceding month and two-thirds having searched newspapers and online job postings. Analysis of survey results showed that “Unemployed workers who received [unemployment insurance] benefits were **more likely** to have been proactive in seeking work than those who did not receive UI” (emphasis in original), with benefits recipients reporting “more hours devoted to the job search and more frequently contact friends and examine job postings.”²

The principle reason for sustained high rates of long-term unemployment, and the greatest barrier to reemployment facing the long-term unemployed, is that employers are simply not creating enough jobs to put Americans back to work. As described below, the nation’s jobs hole is deep and competition for job openings is stiff.

Inadequate job creation is the principle barrier to work for the unemployed

Although job creation has been anemic since job growth resumed in the summer of 2010, the good news is that over the past six months, average job growth has been roughly on par with population growth. Nevertheless the jobs deficit—the hole we need to fill to restore employment levels to pre-recession status—remains deep.

As shown in NELP’s recent analysis, the economy must add another 6.3 million jobs to make up for those lost during and in the aftermath of the 2007 recession, along with an additional 4.6 million jobs to account for growth in the working age population since there. Altogether, this amounts to a deficit of 10.9 million jobs. Closing this gap in three years would require the addition of 400,000 jobs per months on average—a level more than three times greater than average job growth (113,500 jobs) of the past six

¹ National Employment Law Project, “Unemployment Insurance: Jobless Workers and Our Economy Hanging on by a Thread,” October 2011, p. 4 (url: http://www.nelp.org/page/-/UI/2011/NELP_UI_Extension_Report_2011.pdf?nocdn=1)

² John J. Heldrich Center for Workforce Development, “The Long-Term Unemployed and Unemployment Insurance: Evidence from a Panel Study of Workers Who Lost a Job During the Great Recession,” November 2011, p. 2 (url: http://www.heldrich.rutgers.edu/sites/default/files/content/UI_Unemployed_Brief.pdf)

months.³ Plainly, job creation is simply not keeping up with the demand for work, either from the unemployed or from new work force entrants.

Comparing new job openings to official unemployment levels underscores the gap between the supply of individuals who want to work and the opportunities available to them. In September (latest comparative data available), there were more than four officially unemployed workers (13.9 million) for every new job opening (3.4 million). Under the best of circumstances, job competition would be stiff when the ratio of applicants to openings is greater than four to one. But even this figure understates the real level and intensity of job competition as it relates to the unemployed. Official unemployment counts do not include the under-employed—those who want full-time hours but are able only to get part-time work—or individuals “marginally attached” to the labor force, that is those who want to work and have looked for jobs in the past year but not in the preceding month. Including these individuals in official unemployment counts (raising the September count from 13.9 million to 25.6 million) would nearly double the number of potential unemployed or under-employed applicants for each vacancy. In addition, in the most recent employment report (for November), labor force participation declined by more than 300,000, and adding these individuals to the official counts of the unemployed would further increase the ratio of unemployed workers to job openings. Of course, anecdotal evidence suggests there are numerous applicants for every job opening, with thousands showing up at job fairs.

Thus, the principal barrier the unemployed, particularly the long-term unemployed, face in finding work is the sheer absence of jobs. This is not a crisis likely to be ameliorated anytime soon: The Federal Reserve Board’s most recent analyses project that unemployment will not fall below 8.5 percent by the end of 2012 and that even at the end of 2014, the economy will not have returned to full employment (which the Fed posits as a rate between 5.2 and 6.0 percent—though NELP believes that is still an unacceptably high rate).⁴

Discrimination against the unemployed because of their unemployment status limits job opportunities

Stories suggesting systematic exclusion, often blatant, of unemployed workers from consideration for jobs began to emerge early in the summer of 2010. In May and June 2010, local media in Atlanta along with the *Huffington Post* and *CNNMoney.com* reported that Sony Ericsson, a global phone manufacturer that was expanding operations in Georgia, had posted a job announcement for a marketing position that

³ National Employment Law Project, “Economy faces deficit of 10.9 million jobs,” December 2, 2011 (url: <http://www.nelp.org/page/-/UI/2011/NELP.jobs.deficit.november.2011.pdf?nocdn=1>)

⁴ Board of Governors of the Federal Reserve, Press Release and accompanying charts, November 2, 2011 (url: <http://www.federalreserve.gov/newsevents/press/monetary/20111102b.htm>)

explicitly said “No Unemployed Candidates Will Be Considered At All.”⁵ Similar documented accounts of such exclusions reported around the same time included:

- An ad posted on **The People Place** (a job recruiting website) by an anonymous Angleton, Texas electronics firm seeking a “quality engineer;” the ad specified the company would “not consider/review anyone NOT currently employed regardless of the reason;”⁶
- A Craigslist posting advertised for assistant restaurant managers in Edgewater, N.J., flatly requiring that applicants “Must be currently employed;”⁷
- Numerous listings for grocery store managers throughout the Southeast posted in the spring by a South Carolina recruiting firm, Latro Consulting, which included restrictions against considering unemployed applicants; the restrictions were removed after *CNN Money.com* inquired about the practice.⁸

Subsequent press reports confirm the practice of ads excluding unemployed workers has continued.⁹ In July 2011, NELP published the results of an informal sampling it undertook over a four-week period in the spring on four job-listing websites: CareerBuilder.com, Indeed.com, Monster.com and Craigslist.com. In that survey, NELP identified roughly 150 job ads that included exclusionary language that implicitly or explicitly barred unemployed candidates, particularly the long-term unemployed, from applying for openings—simply because of their unemployment status and without regard to their qualifications for the position.¹⁰ Indeed.com has since announced that it will not include such restrictions in job postings on its website.

While discrimination against the unemployed is sometimes overtly reflected in ads, at NELP we also hear regularly from unemployed workers—mostly older workers—who

⁵ 11Alive.com, “Job Listing: Unemployed Need Not Apply,” http://www.11alive.com/rss/rss_story.aspx?storyid=144719, May 31, 2010; Laura Bassett, “Disturbing Job Ads: ‘The Unemployed Will Not Be Considered,’” *The Huffington Post*, http://www.huffingtonpost.com/2010/06/04/disturbing-job-ads-the-un_n_600665.html, June 4, 2010, updated Aug. 8, 2010; Chris Isidore, “Looking for work? Unemployed need not apply,” *CNNMoney.com*, http://money.cnn.com/2010/06/16/news/economy/unemployed_need_not_apply/index.htm, June 16, 2010.

⁶ Bassett, “Disturbing Job Ads,” op. cit.

⁷ Ibid.

⁸ Isidore, op. cit.

⁹ See, for example, “Outlook poor for long-term unemployed,” *The Atlanta Journal Constitution*, October 4, 2010 (<http://www.ajc.com/business/outlook-poor-for-long-657702.html>); “Employers Continue to Discriminate Against Jobless, Think ‘The Best People Are Already Working,’” *Huffington Post*, October 8, 2010 (http://www.huffingtonpost.com/2010/10/08/employers-continue-to-dis_n_756136.html); “Long-term unemployed face stigmas in job search,” *USA Today*, January 23, 2011 (http://www.usatoday.com/money/economy/employment/2011-01-23-longterm-unemployed_N.htm); “How Employers Weed Out Unemployed Job Applicants, Others, Behind The Scenes,” *Huffington Post*, January 14, 2011 (http://www.huffingtonpost.com/2011/01/14/unemployed-job-applicants-discrimination_n_809010.html).

¹⁰ National Employment Law Project, “Hiring Discrimination Against the Unemployed: Federal Bill Outlaws Excluding the Unemployed From Job Opportunities, as Discriminatory Ads Persist,” July 12, 2011, p. 2 (url: <http://www.nelp.org/page/-/UI/2011/unemployed.discrimination.7.12.2011.pdf?nocdn=1>)

despite years in the labor force and significant directly relevant experience are nevertheless told they will not be referred or considered for employment, once recruiters or potential employers learn they are not currently working.

That happened to 53-year-old Michelle Chesney-Offutt from Illinois, who earlier wrote NELP that after working successfully for 19 years as an IT help supervisor, she was laid off in 2008 due to the downturn. Many months into her job search, a headhunter contacted her, excited about her qualifications for a position he was retained to fill. The excitement faded, however, when he learned she had been unemployed for more than a year. As Ms. Chesney-Offutt put it, “When he realized this, he was very apologetic, but had to admit to me that he would not be able to present me for an interview due to the ‘over 6 month unemployed’ policy that his client adhered to.” The headhunter, she told NELP, explained to her that his client expressly prohibited him from referring workers who had been unemployed for six months or more. When we last spoke to Chesney-Offutt, she was still unemployed, had exhausted all unemployment benefits, was restructuring her mortgage, and had applied for SNAP (food stamps) and welfare—a first for her.

Kelly Wiedemer, a 45-year-old former operations analyst in Colorado, wrote describing a similar experience. She responded to a local staffing firm’s November 2010 posting for a financial systems analyst experienced in implementing a software package she had put in place in her previous job. The agency called her immediately but after the recruiter learned of Ms. Wiedemer’s unemployment, her enthusiasm cooled. The recruiter told Wiedemer that she would submit her resume but that her “long employment gap was going to be a tough sell.” Wiedemer later followed up to express her continuing interest but was not called for an interview.

Similarly, 44-year-old Angela Smith of Texas, an experienced pharmaceutical sales rep who had posted her resume online, wrote to share an email she had received from an executive recruiter for a bio-pharmaceutical company seeking a specialty sales rep. The recruiter had sent the email after seeing Ms. Smith’s resume—but the outreach was of little value to Ms. Smith, since the email included an express caveat, required by the employer, that “Candidates must be currently employed in pharmaceutical sales, or have left the industry within the last six months.” Finally, there’s 55-year-old Ginger Reynolds from California, who wrote to tell us about receiving a call from a recruiter for a six-month contract position as a software systems engineer. The recruiter thought Ms. Reynolds was a good fit for the job but upon learning of her unemployment, told her she could not submit her resume because she had not worked in the past six months.

There is no official data on how frequently unemployed workers are denied consideration for jobs because of their employment status, but the openness of the exclusionary ads noted above and the experiences jobless workers shared with NELP suggest the practice may be fairly common. That suspicion is borne out by comments of

human resource consultants and recruiters willing to go on record about the practice. Rich Thompson, vice president of learning and performance for Adecco Group North America, the world's largest staffing firm, told *CNNMoney.com* last June that companies' interest only in applicants who are currently working "is more prevalent than it used to be...I don't have hard numbers," he said, "but three out of the last four conversations I've had about openings, this requirement was brought up."¹¹ Similarly, Lisa Chenofsky Singer, a New Jersey human resources consultant specializing in media and publishing jobs, commented that, "Most executive recruiters won't look at a candidate unless they have a job, even if they don't like to admit it." According to Ms. Singer, the first question she is generally asked when recommending a candidate is whether the candidate is currently working—and if the candidate is unemployed, the recruiter is not interested.¹²

A January 2011 article posted on **The Ladders**, an online job search resource site, further corroborates the widespread exclusion of jobless workers from employment opportunities.¹³ According to one quoted source, Matt Deutsch, communications coordinator at TopEchelon.com, the tendency to exclude the unemployed is "growing." Deutsch said:

Not all companies are doing this, but it certainly has become an issue. What's startling are the lengths to which companies and recruiters are going to communicate this, such as including the phrase 'Unemployed candidates will not be considered' right in the job posting.¹⁴

Deutsch speculates that some companies may rationalize the exclusion on the assumption that the best candidates are likely to be those who are currently working. But in an economy with such high unemployment, he notes, it is simply not "100 percent true" that being employed is a proxy for suitability for a position. More likely, Deutsch says firms are inundated with applications and screening out the unemployed is "a pretty simple metric that can easily reduce their workload..."¹⁵

Other staffing firm industry specialists similarly confirm that the unemployed need not apply. Amherst Healthcare headhunter Isang Inokon told the *Huffington Post* at the end of last year that "he has trouble placing jobless pharmacists because the reality of today's job market is that employers 'want somebody who's wanted'" —that is, already

¹¹ Isidore, op. cit.

¹² Ibid.

¹³ "Uninterested in the Unemployed," (<https://recruit.theladders.com/recruiter-resource-center/uninterested-in-unemployed>)

¹⁴ Sharon L. Florentine, "Uninterested in the Unemployed," *The Ladders*, <https://recruit.theladders.com/recruiter-resource-center/uninterested-in-unemployed>, Jan. 2011.

¹⁵ Ibid.

employed.¹⁶ Another executive recruiter who has worked for major staffing firms for 20 years said, “There’s a lot of dirty stuff going on, a lot of hush-hush discrimination, I can assure you. As a recruiter,” he said, “you get an HR director on the phone, and they tell you point blank, ‘We want somebody ... [who] currently has a job. We don’t want to see a resume from anyone who’s not working.’ It happens all the time.”¹⁷

An informal survey reported in October 2011 by SmartRecruiters, which markets free recruiting software, found that “82% of recruiters, hiring managers, and human resources professionals, report the existence of discrimination against the unemployed.” Among those surveyed by the company, “55% of recruiters and HR managers have ‘personally experienced resistance when presenting qualified yet unemployed candidates to clients/colleagues.’”¹⁸

In sum, a review of job postings, press accounts (including interviews with recruiters and HR professionals), and the personal experiences related by jobless workers indicates that discriminatory exclusion of applicants for jobs simply because they are unemployed is a barrier to employment—and may be a significant one—for many. Legislation supported by NELP is pending in both houses of Congress that would preclude employers and job recruiters from excluding the unemployed from job consideration simply because of their unemployment status.¹⁹

Employers’ increased use of on credit background screening for employment limits job opportunities for the unemployed

An additional tangible barrier limiting employment opportunities for jobless workers is employers’ increased reliance on credit background checks to screen applicants for employment. Data from the Society for Human Resource Management (SHRM) indicates that credit background screening has exploded in recent years, rising from 25 percent of employers in 1998 to 60 percent in SHRM’s most recent survey, reported in December 2010.²⁰

Credit screening has a harsh impact on the ability of unemployed workers to get jobs. As described in congressional testimony by the National Consumer Law Center and

¹⁶ Laura Bassett, “Employers Won’t Hire The Jobless Because of the ‘Desperate Vibe,’” *The Huffington Post*, http://www.huffingtonpost.com/2010/12/03/employers-wont-hire-the-u_n_791710.html, Dec. 3, 2010, updated Feb. 2, 2011.

¹⁷ Laura Bassett, “How Employers Weed Out Unemployed Job Applicants, Others, Behind the Scenes,” *Huffington Post*, http://www.huffingtonpost.com/2011/01/14/unemployed-job-applicants-discrimination_n_809010.html, Jan. 14, 2011.

¹⁸ See <http://www.prleap.com/pr/182495/> <http://www.prleap.com/pr/182495/>

¹⁹ The Fair Employment Opportunity Act of 2011 was introduced in the House of Representatives on July 12, 2011 (H.R. 2501) and in the Senate on August 2, 2011 (S. 1411).

²⁰ Society for Human Resource Management, “Background Checking: Conducting Credit Background Checks SHRM Poll,” December 2010, slides 2 and 7 (url: http://www.shrm.org/Research/SurveyFindings/Documents/Background%20Check_Credit_FINAL.pptx)

press accounts the testimony cites, use of credit screening to weed out job applicants is a perverse Catch-22 for the unemployed: A bad credit rating undermines employability, but in order to maintain or restore solid credit, one needs a job.²¹

Unemployment status has a significant impact on individuals' financial situations and their credit ratings. The Institute for Financial Literacy reports that bankruptcy filings among the unemployed rose 23 percent between 2008 and 2010, while the percentage of Americans reporting reduction in income and/or job loss as a cause of financial distress rose by 24 percent and 21 percent, respectively, between 2006 and 2010.²² In the recent Heldrich Center survey of workers who had lost jobs during the Great Recession, many reported they were struggling financially and 45 percent described their economic situation as poor. Large shares of all the unemployed in the survey, and even more of the long-term unemployed, have been forced to cut back on medical care, reduce other spending and borrow money from family and friends to make ends meet. At least a quarter of the long-term unemployed in the survey have missed credit card payments, taken on credit card debt and missed mortgage payments because of their job loss and corresponding decline in income—all likely unavoidable practices given the realities of their situation but nevertheless harmful to their overall credit rating.²³

Conclusion

The sheer dearth of jobs, discrimination against applicants simply because of their unemployment status, and credit screening are the principle reasons that unemployed jobseekers are unable to find work. Other factors—such as the social isolation, anxiety and depression associated with long-term unemployment, inability to afford the costs of job search (e.g., gas for cars), or limited access to computers—also are barriers to workforce re-entry.

Long-term unemployed workers cannot find jobs because the jobs aren't there—not because they are not looking, not willing to accept pay cuts, or unwilling to relocate for work. The ongoing crisis of long-term unemployment and as-yet inadequate job creation underscore the urgent need for Congress to reauthorize the programs of federal unemployment benefits slated to expire at the end of the year.

²¹ National Consumer Law Center, Testimony Before the U.S. House Committee on Financial Services, Subcommittee on Financial Institutions and Consumer Credit, "Use of Credit Information Beyond Lending: Issues and Reform Proposals," May 12, 2010, p. 2 ([url http://www.nclc.org/images/pdf/credit_reports/testimony-credit-report-use-05-10.pdf](http://www.nclc.org/images/pdf/credit_reports/testimony-credit-report-use-05-10.pdf))

²² Institute for Financial Literacy, "2010 Annual Consumer Bankruptcy Demographics Report, A Five-Year Perspective of the American Debtor," September 2011, http://www.financiallit.org/PDF/2010_Demographics_Report.pdf

²³ Heldrich survey, *supra* n. 2, p. 20.