

Who are the Long-term Unemployed in Montana?

By Nick Holom, Economist



Re-employment of displaced workers is critical to continuing Montana’s recovery from the COVID-19 recession. However, the ability of workers to return to work may be affected by the duration of their unemployment. During an unemployment spell, workers often experience loss of skills (human capital depreciation) and loss of social connections (social capital depreciation), which results in increased difficulty finding work. Employers may also discriminate against hiring the long-term unemployed because a longer unemployment spell signals that the worker is less employable. Further, as workers experience material hardship week-after-week, they can face additional barriers to finding employment, such as stress and difficulty paying bills. These difficulties compound over time, making it harder for workers to regain employment. This article discusses economic research on the long-term unemployed and looks at the long-term unemployed across Montana.

What is Long-Term Unemployment?

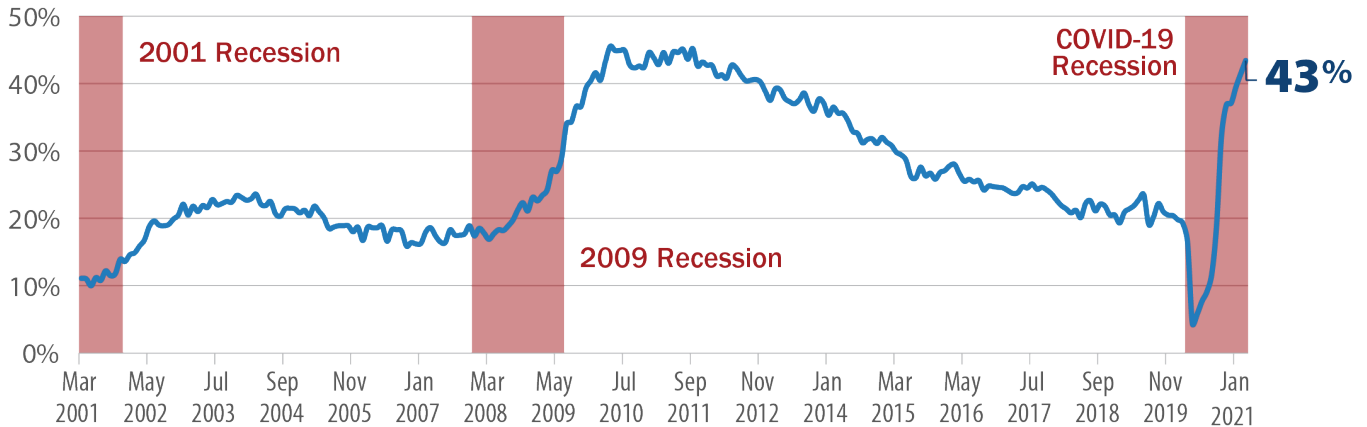


The BLS defines long-term unemployment as unemployment of at least half a year, or 27 weeks.

The Recent Rise in Long-term Unemployment

FIGURE 1
Unemployed 27 Weeks or Longer as a Percent of Total Unemployed

United States - Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Most individuals who experience unemployment are re-employed in fewer than 27 weeks (short-term unemployed), even during recessions. However, the share of the unemployed who remained without a job long-term increased after the 2009 recession.¹ The long-term unemployed started making up a larger share of total unemployment after the 2009 recession, jumping from below 20% to 45% nationally as seen in **Figure 1**. Long-term unemployment remained high well into the recovery, persistently making up more than 30% of unemployment five years after the recession trough. During the COVID-19 recession, long-term unemployment has spiked again, reaching 43% and garnering concern about workers' ability to return to work.

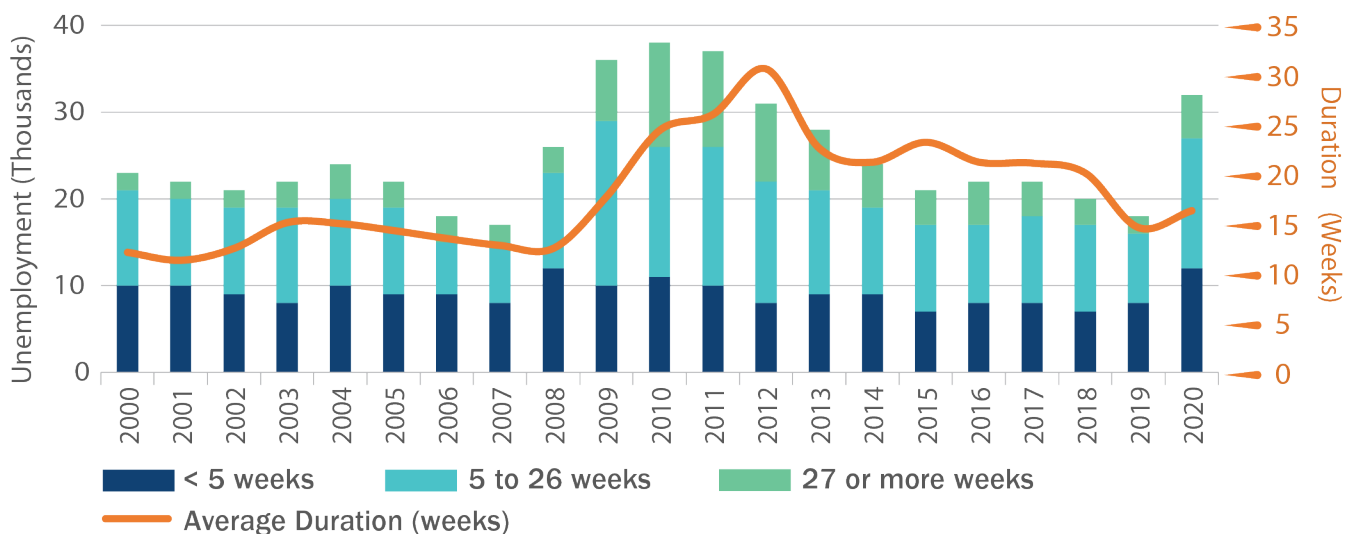
Figure 2 illustrates the unemployment duration among the unemployed in Montana. A monthly average of roughly 12,000 people were long-term unemployed at the height of the 2009 recession, which was about a third of Montana's unemployed. Prior to 2008, around 2,000 to 3,000 people were long-term unemployed, or roughly 10% of unemployment. By comparison, an average of 5,000 people (16% of unemployment) were long-term unemployed in Montana during the last year.² Most layoffs in Montana occurred in April 2020,

which means many Montanans did not become long-term unemployed until later in the year. From 2019 to 2020, the average unemployment duration increased from 14.6 weeks to 16.3 weeks. According to Montana unemployment claims, the total number of unemployment claimants who were long-term unemployed or underemployed (working part-time and collecting partial benefits) at any point during 2020 reached 32,200 claimants, or roughly 20% of all 2020 unemployment claimants.

Consequences of Long-term Unemployment

Long-term unemployment can negatively impact workers and families in various ways. During the 2009 recession, family incomes decreased by 40% or more for half of workers who were long-term unemployed.³ Loss in employment leads to other material hardships, such as missing rent and mortgage payments and foregoing dental and medical visits due to expenses.⁴ The long-term unemployed fill the gap in income by spending savings and borrowing money from friends and family, which has additional costs.⁵ In addition to the costs incurred by workers and their families, long-term unemployment can also have economic costs if it leads to permanent detachment from the

FIGURE 2
Montana Unemployment by Duration & Average Duration Unemployed



Source: BLS CPS unemployment by duration. 2020 data is preliminary.

labor force. During the 2009 recession, about a third of the long-term unemployed stopped looking for work after being unemployed for 21 months.⁶ Fewer workers available for hire means that businesses may not be able to expand operations when positive economic conditions return.

The COVID-19 recession may be different due to the unprecedented action taken by Congress. The CARES act bolstered unemployment insurance benefits and provided economic impact payments, thus mitigating financial hardship for unemployed workers who receive benefits (compared to those who applied for but did not receive benefits).⁷ Despite the pandemic-related recession, Montana's per capita personal income increased from \$49,600 in 2019 to \$59,000 in 2020, mostly due to government payments.⁸ These factors likely decreased the impact of long-term

unemployment on workers. On the other hand, higher UI benefits and concerns about the virus may have also disincentivized the return to work, prolonging unemployment spells. For Montana, the \$600 increase in unemployment benefits from April 2020 to July 2020 meant workers were getting 151% of previous weekly wages replaced. More recently, unemployment benefits comprised 85% of previous wage amount in March 2021, still higher than the 48% of wages replaced in February before the pandemic.⁹ One study found that changes to UI policies through the CARES act raised unemployment by 3.7 percentage points on average from April 2020 to December 2020, but also reduced cumulative death by 4.7% over the period.¹⁰ As the economy recovers and more of the population gets vaccinated, it is important to balance benefits of reducing financial hardship for workers and the potential work disincentives of increased unemployment benefits. The Gianforte Administration recently announced that Montana's unemployment insurance program will be ending early (June 26) in an attempt to reduce these disincentives, also providing claimants with a \$1,200 return-to-work bonus.

Long-Term Unemployed Are Less Likely to Get a Callback

Studying the impact of unemployment duration on reemployment is difficult because the long-term unemployed likely differ in unobservable ways that affect their unemployment duration, such as job search skills and productivity. One study attempted to tease apart the effect of unemployment duration on employer's likelihood to callback by sending out resumes with varied durations of unemployment and tracking the callback rate. The study found that the likelihood of getting a callback decreases rapidly in the first eight months. Workers who have been out of work for longer than eight months were almost half as likely to receive a callback. However, unemployment duration had less of an effect on callbacks when unemployment was high.

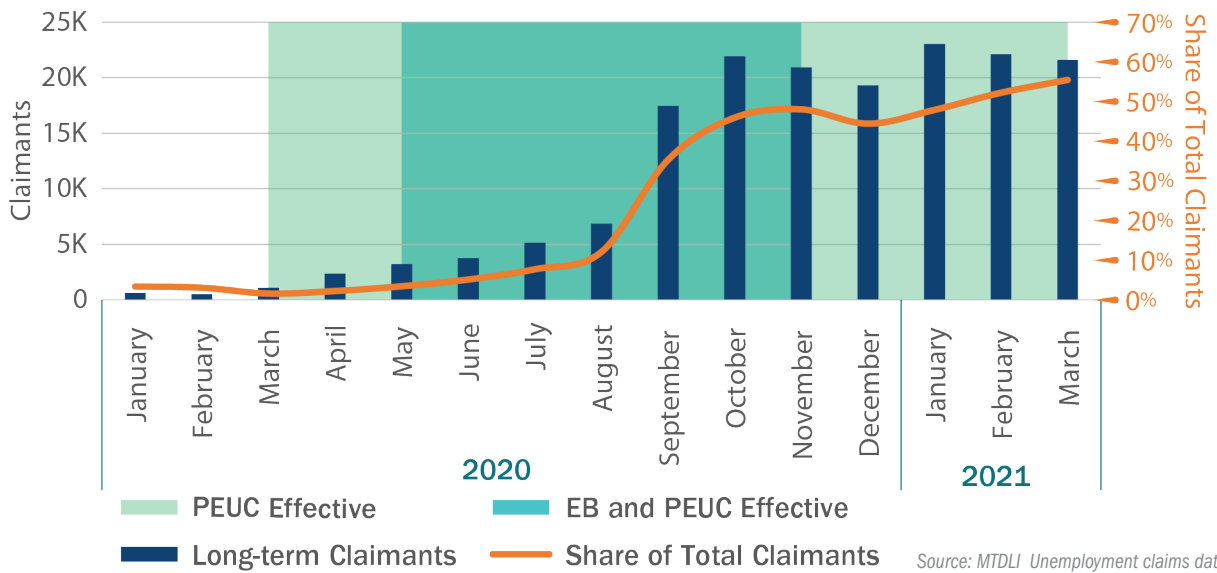


Source: Kroft et al. (2013). Duration Dependence and Labor Market Conditions: Evidence from a Field Experiment. *The Quarterly Journal of Economics*. <https://doi.org/10.1093/qje/qjt015>.

Montana's Long-Term UI Claimants

Unemployment claims data provides information on workers who are unemployed and underemployed, meaning they work part-time at a low enough wage that they can still collect partial UI benefits. **Figure 3** shows Montana's long-term claimants by month. The number of long-term claimants reached approximately 21,900 claimants in October, which was roughly 46% of total claimants during the month. Of the 105,700 claimants who filed a claim during the peak unemployment month of April, 21% remained long-term claimants in October. The Extended Benefits program triggered off in mid-November, which resulted in fewer long-term claimants in November and December. As of March 2021, the number of long-term claimants remains high at 21,600 claimants, or 55% of all claimants. Thirty-six percent of long-term claimants

FIGURE 3
Long-Term Unemployed Claimants



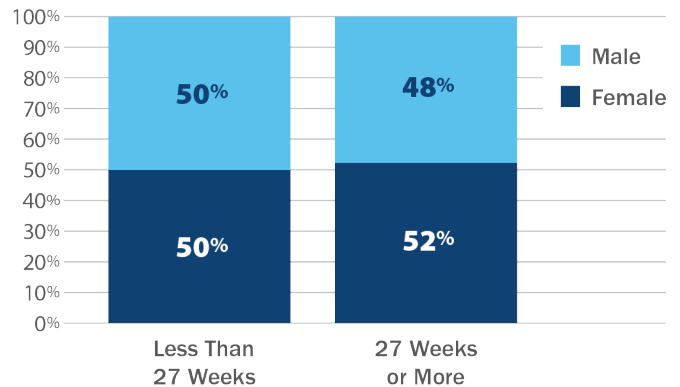
were working part-time in March compared to 27% of short-term claimants.¹¹ Although total unemployment claims have continued to decrease every month in 2021, the share of claimants who are long-term claimants has trended slightly upward, suggesting the short-term claimants are leaving unemployment at a faster rate than the long-term claimants.

Characteristics of Montana's Long-term Claimants

A key feature of the pandemic is that it affected workers and sectors of the economy in different ways. Sectors of the economy that were shutdown to reduce the spread of the virus (such as leisure and hospitality) were more female dominated. Further, the shutdown of schools and licensed childcare facilities exacerbated the existing childcare shortages, drawing parents out of the workforce.¹² These factors contributed to women being more likely to receive unemployment benefits long-term.

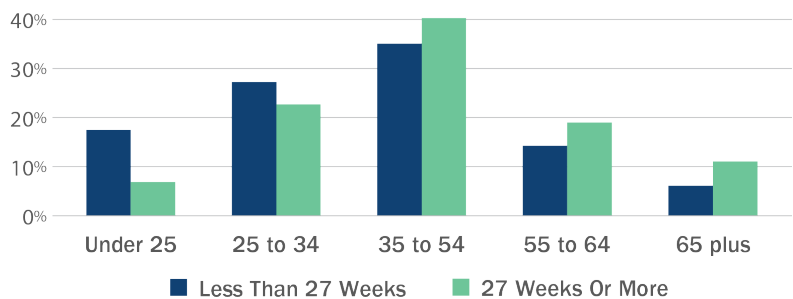
Figure 4 shows that women made up 52% of the long-term claimants, but only 50% of short-term claimants.

FIGURE 4
Share of Claimants by Gender & Claim Duration



Source: MTDLI unemployment claims data. Includes claimants whose first benefit week was before 10/03/2020, allowing for 27 possible claim weeks.

FIGURE 5
Share of Claimants by Age Group & Claim Duration



Source: MTDLI unemployment claims data. Excludes PUA. Includes claimants whose first benefit week was before 10/03/2020, allowing for 27 possible claim weeks.

Older workers tended to receive unemployment benefits for longer during the pandemic. Older workers faced a higher risk of serious health consequences from the virus, which possibly influenced their employment decisions. In addition, older workers typically have higher savings than younger workers, and may be less likely to seek entry-level positions, which may extend claim duration. **Figure 5** shows that older claimants made up a larger proportion of the long-term claimants. Claimants 65 and older made up roughly 11% of the long-term claimants while comprising only six percent of the short-term claimants. Workers ages 35 to 64 also made up an outsized portion of the long-term claimants.

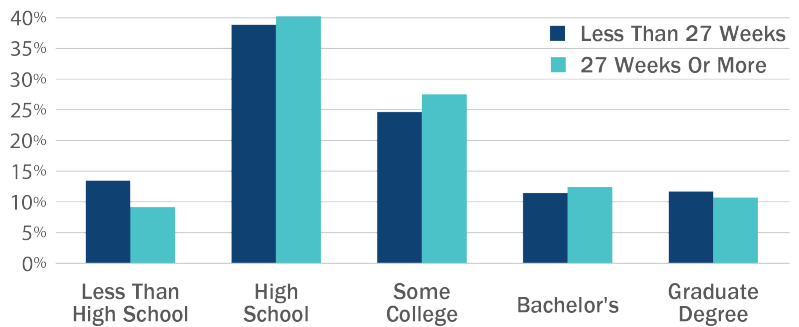
Education also plays a factor in claim duration. **Figure 6** shows that most long-term claimants have a high school education, some college, or a bachelor's degree. Individuals with less than high school and those with graduate degrees made up a larger share of the short-term claimants versus long-term claimants.

Previous income levels are associated with claim duration. **Figure 7** shows that income groups below \$30,000 made up a larger share of long-term claimants. By contrast, short-term claimants were more often from the highest income groups. Without the benefit increases from the FPUC program, Montana has a maximum benefit amount of \$552. This means workers with previous wages that are above the wage required to receive maximum benefits get less of their previous wages replaced.

Unemployment Extensions During the Pandemic

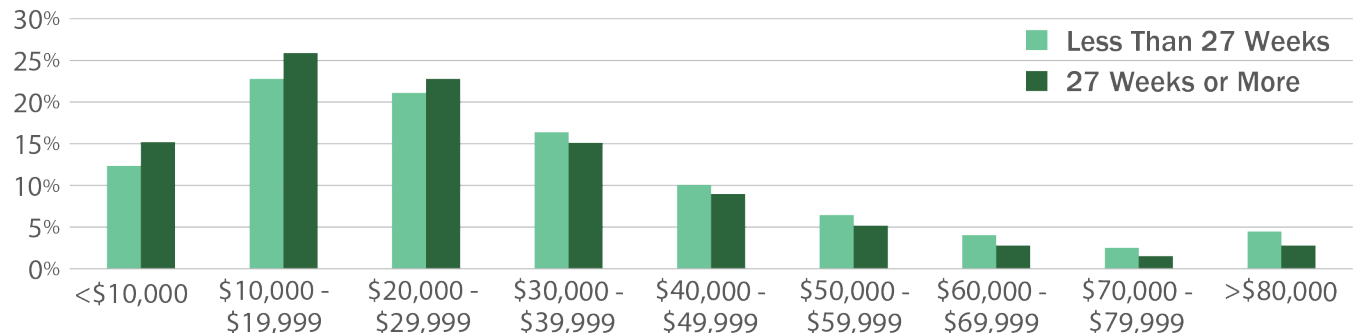
Claimants in Montana are normally eligible for 28 weeks of benefits. However, during periods of high unemployment, claimants can file for Extended Benefits (EB) which provide up to 13 weeks of additional benefits. Benefits periods were extended further through the CARES Act which created the Pandemic Emergency Unemployment Compensation (PEUC) program. PEUC was extended further to offer up to 53 additional weeks of benefits through Sept. 6, 2021. Governor Gianforte recently announced that the Montana extensions will end earlier, on June 26, in order to address worker shortages in the state.

FIGURE 6
Share of Claimants by Ed. Attainment & Claim Duration



Source: MTDLI unemployment claims data. Includes claimants whose first benefit week was before 10/03/2020, allowing for 27 possible claim weeks.

FIGURE 7
Share of Claimants by Previous Income & Claim Duration



Source: MTDLI unemployment claims data. Includes claimants whose first benefit week was before 10/03/2020, allowing for 27 possible claim weeks.

Claim Duration by Industry

Median weeks claimed may vary by industry due to characteristics of workers, availability of jobs in that industry, and the effects of the shutdown. Self-employed workers and other workers that did not qualify for regular unemployment were able to receive benefits through the PUA program, which had the highest median weeks claimed at 20 weeks. Industries with the shortest median weeks claimed included trade and transportation, education and health services, financial services, and manufacturing which all had a median duration of six weeks. Though agriculture is a relatively small industry in terms of total claimants, it had the second highest median weeks claimed at 12 weeks, followed by construction, which both typically experiences layoffs in the winter months. Leisure activities, which made up the largest share of claimants overall during the period, had a median of 10 weeks claimed.

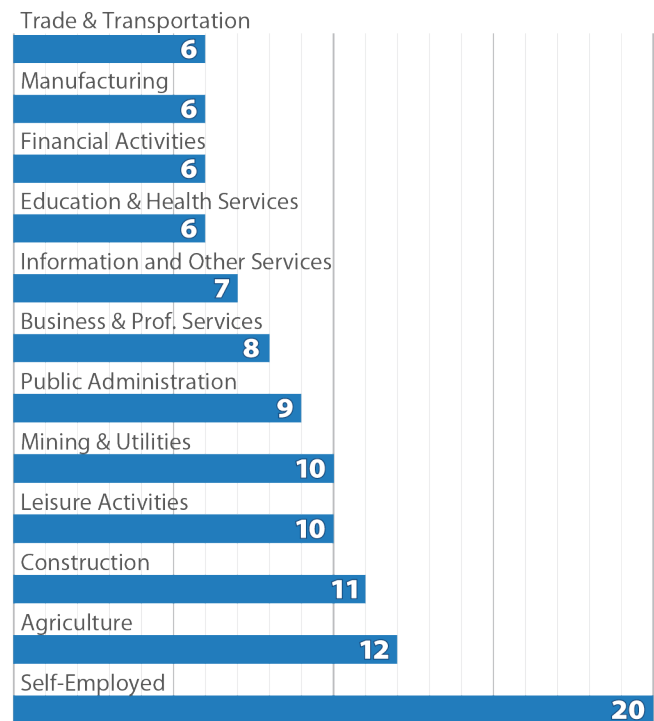
Conclusion

With over 370,000 Montanans fully vaccinated, Montana is getting closer to a return to normal. As Montanans go back to work, it's important to recognize that the long-term unemployed often face additional barriers to finding employment. Increased unemployment benefits likely dampened the impact of financial hardships for these workers. Montana job service offices stand ready to help all individuals seeking work with resume assistance, and career and training resources. Visit wsd.dli.mt.gov or call your local Job Service Montana office for more information.

Endnotes

- 1 Kroft et al. (2019). *Long-term Unemployment and the Great Recession*. NBER. <https://www.nber.org/reporter/2019number3/long-term-unemployment-and-great-recession>
- 2 The Bureau of Labor Statistics' 2020 estimate is preliminary.
- 3 Johnson and Feng (2013). *Financial Consequences of Long-Term Unemployment During the Great Recession and Recovery*. Urban Institute. <https://www.urban.org/research/publication/financial-consequences-long-term-unemployment-during-great-recession-and-recovery>
- 4 Nichols et al. (2013). *Consequences of Long-term Unemployment*. Urban Institute. https://www.urban.org/sites/default/files/publication/23921/412887-Consequences-of-Long-Term-Unemployment.PDF?source=post_page
- 5 Ibid
- 6 Krueger et al. (2014). *Who Are the Long-term Unemployed and What Happens to Them?* Brookings Institute. [https://www.brookings.edu/interactives/who-are-the-long-term-](https://www.brookings.edu/interactives/who-are-the-long-term-unemployed-and-what-happens-to-them/)

FIGURE 8
Median Weeks Claimed By Industry



Source: MTDLI unemployment claims data. Includes claimants whose first benefit week was before 10/03/2020, allowing for 27 possible claim weeks. Includes claims from January 1, 2020 to April 3, 2021.