



Jim Powell

Why Long-Term Unemployment Has Doubled Under President Obama

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The media has focused on prolonged unemployment over 8 percent, while generally downplaying a shocker: the soaring number of people unemployed for more than 6 months.

According to the Bureau of Labor Statistics, back in January 2009 when [Barack Obama](#) was sworn in, there were 2.6 million people unemployed for more than 6 months. By June 2012, the ranks of the long-term jobless soared more than 100 percent to 5.3 million.

has promoted long-term unemployment by adopting policies that make it harder and more expensive for employers to hire people. He has relentlessly pushed for higher taxes, higher energy costs, compulsory unionism and, of course, Obamacare. One doesn't need a Harvard degree to figure out that when government makes hiring more difficult and expensive, there's likely to be less of it.

Obama's policy of extending and re-extending unemployment benefits is another culprit. Many academic studies show how unemployment benefits undermine the urgency of finding a job. People can afford to be more picky, and as a result they're out of work longer. But the longer they're out of work, the more out of touch they're likely to be and the harder to find a another job.

From an employer's point of view, it's always difficult to determine whether a job seeker will be able to do what he or she is supposed to. Calling references often doesn't reveal much, since an employer might be sued for making candid comments about a former employee's performance. An employer might be willing to confirm only that a particular individual was an employee at the firm. Moreover, many washouts have had glowing resumes. It's no wonder employers seem to feel more comfortable making an offer to somebody who has a job rather than somebody who lost a job.

As extended unemployment benefits finally expired, large numbers of out-of-work people have applied for Social Security disability benefits.

Stephen Goss, Chief Actuary of the Social Security Administration acknowledged that "when people become unemployed, they seek a way to continue having income. So, we

had an increase in the number of applications and the number of people receiving benefits.”

The Social Security Administration reported that in May 2012, the latest period for which statistics are available, more than 10 million people were receiving disability benefits at an annual rate of about \$130 billion. These people, incidentally, aren't counted among the unemployed – another way the unemployment rate under-states the severity of our current crisis.

Reportedly many of the applications for disability benefits have been based on claimed mental illness. It's difficult to independently verify such claims. Even when a claim is about a physical condition, there is no medical test for pain – doctors must rely on what patients report. During the last calendar year, there were 2.9 million applications, and about 35 percent were awarded benefits.

To the extent that disability benefits create incentives to exaggerate real or imagined problems like mental illness, they're surely making people even less employable than they were before.

In addition, by signing up for extended unemployment benefits and disability benefits, large numbers of people have created a forbidding “hole” in their resume. Many employers might wonder whether an applicant with such a hole was in prison during the unexplained time. If an applicant doesn't volunteer a convincing explanation, an employer might be reluctant to ask, since the result could be an anti-discrimination lawsuit.

No surprise, then, that disability benefits are a factor reducing participation in the labor market. MIT economist David H. Autor pointed out that “the program provides strong incentives to applicants and beneficiaries to remain out of the labor force permanently.”

The surge of disability claims has caused financial problems for the government, too. According to Autor, “the program's expenditures on cash transfers and medical benefits – exceeding \$1,500 per U.S. household – are extremely high and growing unsustainably.”

The 2012 annual report of Social Security trustees acknowledged as much: “The Disability Insurance (DI) program satisfies neither the long-range test nor the short-range test [of solvency]. The Trustees project trust fund exhaustion in 2016, two years earlier than projected last year.”

The issue isn't whether some people need a helping hand. The issue is how government programs create perverse incentives that multiply rather than solving problems.

*[Jim Powell](#), a Senior Fellow at the Cato Institute, is the author of *FDR's Folly*, *Bully Boy*, *Wilson's War*, *Greatest Emancipations*, *Gnomes of Tokyo*, *The Triumph of Liberty* and other books.*

