

***Reconnected to Work: Policies to Mitigate
Long-term Unemployment and Its
Consequences by Lauren
D. Appelbaum.
A Review***

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Reconnecting to Work: Policies to Mitigate Long Term Unemployment and Its Consequences (from here on *Reconnecting to Work*) is a compilation of presentations made at a conference, *Reconnecting to Work*, held by the Institute for Research on Labour and Employment at the University of California, Los Angeles in April 2011. The focus of the conference was on the long-term consequences of prolonged unemployment, from national and international perspectives, but particularly in the United States. The keynote speech to the conference by economist Richard B. Freeman is formalised in *Reconnecting to Work* as the “Forward” and “sets the stage” for and for the most part the sentiment of this volume. An inclusive overview of its themes is provided by the editor’s “Introduction” (Chapter 1).

In accordance with the focus of the original conference there is much that is common in the six subsequent chapters of *Reconnecting to Work* but each has a unique take on the common issue it addresses. In order to acquaint the reader with the distinctive approaches this review provides sequential synopses of each of the chapters. Chapter 2 “Job Displacement in Recessions: An Overview of Long Term Consequences and Policy

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Options” by Till von Wachter of the University of California, Los Angeles draws on the literature on previous recessions to identify and analyse the consequences of layoffs and unemployment. The consequences include: earning substantial reductions for 15 to 20 years, and an instability of employment that leads to declines in health and life expectancy (a prediction on the effects of unemployment on mental health is researched by Diette et al. in Chapter 4), and also affects the wellbeing of family members. After an exhaustive evaluation of the range of possible policy measures and mechanisms Von Wachter concludes that the long-term costs of job loss and unemployment make “preventive measures to avoid massive layoffs [...] a policy option worth considering”. An interesting observation in this chapter is that job loss interrupts the intrinsically and extrinsically beneficial phase of a worker’s early career of up to ten years of searching and finding a suitable employment match.

Chapter 3 “Labor Market Policy in the Great Recession: Lessons from Denmark and Germany” by John Schmitt of the Centre for Economic and Policy Research reviews the experience of 21 OECD economies and seeks possible explanations of the different unemployment experiences in the Great Recession. Its main observation is that, “Once a negative demand shock has hit and macroeconomic policy has been deployed in response, the path of employment and unemployment depends largely on the labour market”, in the case of Denmark one of so labelled *flexicurity* with active labor market policies (ALMPs) endorsed by unions and employers. However the onset of the Great Recession caused the Danish system “to suddenly lose its lustre”. Denmark’s numerical labour market flexibility paradoxically helped to increase unemployment. In contrast, in Germany with an inflexible labour market, when the Great Recession hit unemployment dropped “because labour market adjustment fell entirely on hours, not employment (or wages)”. This phenomenon is attributed to several institutional features of the German labor market including short time working (STW). The lessons (for the US) of these two countries experiences are highly qualified, although that of Germany “looks to offer a better way forward”.

Whether the poor mental health of the unemployed is caused by their unemployment is the issue that Chapter 4 “Causality in the Relationship between Mental Health and Unemployment” by Timothy M. Diette and Arthur H. Goldsmith of Washington and Lee University, Derek Hamilton of The New School and William Darity Jr. of Duke University aims to try and resolve. By drawing on two large national data sources the authors estimate “the impact of both short term and long-term unemployment on a broad measure of emotional health”. Referring to the “extensive

empirical literature...that documents a negative association between unemployment and psychological health” Diette et al. caution that unemployment “can be the consequence of poor mental health”, i.e. reverse causality. In their analysis of the data they distinguish “resilient” and “vulnerable” jobless and find that long-term but not short-term unemployment most likely generated psychological distress among resilient individuals.

The authors of Chapter 5 “Work Together to Let Everyone Work: A Study of the Cooperative Job-Placement Effort in the Netherlands” by Hilbrand Oldenhuis and Louis Polstra of the Centre of Applied Labour Market Research and Innovation at the Hanze University of Applied Sciences pose the research question of “which factors determine employers” willingness to cooperate with social services (in the Netherlands) and provide unemployed people with jobs? As a framework they apply the social psychology theory of planned behaviour (TAB), a theory of intent to do something. Unsurprisingly perhaps, they found that large companies based their intent on economic considerations while small ones based theirs on personal ones.

Chapter 6 “Stabilizing Employment: The Role of Short-Time Compensation” by Vera Brusentsev of Swarthmore College and Wayne Vroman of Urban Institute reflect on the increased reliance on short-time compensation (STC) linked with unemployment insurance benefits – for example by work-sharing – in several OECD countries to stabilize employment in the wake of the Great Recession, and the potential of an expanded STC for future recessions. An analysis of the relatively low use of STC in the United States is followed by comparisons of its use in Canada where it was broadened with the onset of the Great Depression, Germany where its utilization was high during the Great Recession, Belgium where STC operates in conjunction with other benefit schemes, and a belief that “STC needs to be more widely utilized in the United States in both equity and efficiency grounds”.

The purpose of the final chapter, Chapter 7 “Labour Market Measures in the Crisis and the Convergence of Social Models” by Michele Tiraboschi and Silvia Spattini of the University of Modena and Reggio Emilia is to “identify whether there were particular legal devices and policies that helped some EU member states [...] better than others”. It applies the EU conceptual language of “social partners” and “social dialogue” not found in the other chapters that focus on the United States. After analysing the effectiveness of labour market measures – to create employment and to promote reintegration, to support the incomes of the unemployed, to maintain employment – this chapter gives consideration

to EU members' social models and their relationship to labour market performance. A distinction is made between those members social model is a welfare system and those who use the flexicurity system. The authors conclude that the adjustment to the "crisis" resulted in a convergence of the two social models.

Reconnecting to Work mostly addresses the economic and human problems of long-term unemployment in the United States. In doing so it offers and invites comparisons with the recessional unemployment and how it is addressed in other economies. It is apposite that the chapter by Tiraboschi and Spattini raises the concept of convergence in what otherwise might be a list of apparently disparate national responses. *Reconnecting to Work* deserves to be read by all who are concerned with the workings of labour markets.