



## **UNEMPLOYMENT: BLESSING OR BURDEN FOR HR?**

Normally, when the economy is growing in a constant manner, unemployment extensions should disappear. However, a study done in 2016 by the National Bureau of Economic Research has discovered that even though the economy has been progressing, high unemployment rates remained persistent due to these extensions. Long-term benefits offer workers the option of either to seek employment or to extend their benefit period. Due to these choices, HR departments may end up being forced to raise wages to encourage people to start working again. Consequently, business profits drop and job creation is proactively discouraged. The obvious conclusion here is that unemployment benefits extensions have a long-term unfavorable impact on the workforce market and it also helps to develop an unending cycle of reduced demand for workers. Inherently, Americans take pride in their work and they generally prefer to have a job rather than collecting benefits. But this issue should not be considered insignificant, because HR recruitment has become one of the most important activities in most companies.

### **Long-Term Unemployment Stigma**

To be perfectly clear, there are people who desire to work but cannot find anything near their area. In this type of scenario, the extensions do serve their purpose. But as the economy continues to grow and the recruitment process has started to generate some speed, long-term unemployed people find it difficult to get a job. If a person is out of work for more than 26 weeks, then their chances of employment drop considerably due to the fact that organizations are more and more reluctant on hiring such individuals. This is another issue that the HR department has to address. In general, recruiters or hiring managers follow their instinct and have somewhat fixed ideas of what makes a good candidate. Most of them believe that if the candidate is good at what they do, they should not be dealing with unemployment and thus stigma instills. HR needs to recognize this issue and solve it as soon as possible. Given the fact that numerous long-term unemployed candidates have a strong will and desire to work and succeed, they could represent a perfect fit for many companies.

### **Unemployment Compensation Costs**

Organizations with a high employee turnover have to pay annual compensation costs to the employees they lose. Many of these companies believe it is the price of doing business, but they could not be any more wrong. The unemployment tax varies due to the number of claims an organization receives. In layman's terms, fewer claims mean a lower tax rate. HR managers can make sure these claims are handled with care or even reduce these unemployment costs. If the unemployment extension continues, it can become a serious burden to companies in the future as they will struggle to reduce costs and make ends meet. Unfortunately, as long as the debate is still held up in Congress, many Americans will continue to fight hard in order to get a job.

**Downside of Low Unemployment** On a national level, the Department of Labor has discovered that unemployment levels have reached a 9-year low of only 4.6%, but given America's population the number is continuously problematic. As the US economy has grown, more jobs have become available, but, at the same time, many unemployed workers have opted to stop looking for work. Interestingly enough, this will only make the rates go even further down given the fact the unemployment rate is only taking into consideration people who are actively searching for a job. Historically, low unemployment levels have impacted companies in various ways. As mentioned earlier, low rates of unemployment are associated with a strong growing economy, but there are plenty of downsides to all of this.



1. **Reduced loyalty when problems arise** – even with short-term problems this may affect your company. When unemployment is low, people feel that they can find a new place to work almost instantly. This leads to a high turnover and to many employees leaving giving shorter notices as they feel pressured to hit the ground running at the new workplace.
2. **Harder to find replacements** – Given the fact that there are fewer applicants for your empty position, this means it will take your organization a longer period of time to find the right person who meets all the requirements.
3. **The inability to fill available roles leads to customer dissatisfaction** – Organizations may end up losing valuable business if proper solutions cannot be found in the necessary time frame. Consequently, companies may eventually have to turn down new business opportunities because they won't be able to keep up with the rising demands.
4. **Growth will slow down over time** – There is a possibility that the unemployment levels are only artificially low due to the simple fact that many workers opted for jobs with fewer hours and less pay. This affects the natural growth of wages and it can also incapacitate the economic growth since employees are also customers and they spend less and less.
5. **Bigger training budgets** – The skill gap will certainly become a problem resulting from candidates who lack the prerequisite skills in order to do their jobs. Obviously, the profit margins will suffer.

The decrease in numbers in the labor market is also due to retired Baby Boomers. Plus, the changing times that we are all experiencing. In the past, young people have already begun work, but now they are focused on finishing their degrees. Which is not necessarily a bad thing given the fact that this translates into a highly skilled workforce for the future. All in all, the unemployment level is very peculiar and problematic. The short-term figures are at a historic low, whilst HR departments are facing major difficulties in recruiting which suggests the labor market is strained. In order for companies to progress, HR specialists have to innovate in terms of their respective recruitment processes in order for the labor market to stabilize.