

Highly Educated, Unemployed and Tumbling Down the Ladder

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In the upside-down, topsy-turvy world of jobs these days, even an advanced degree can't protect some Americans from tumbling down the economic ladder.

The conventional wisdom that more education bears fruit in the labor market gets turned on its head when it comes to unemployment. For people with masters and even doctoral degrees, long-term unemployment is especially insidious. At best, these formerly high-earning professionals face the prospect of a years-long climb back to their former level of income and stature, while they delay retirement to rebuild their decimated nest eggs.

Others won't be that lucky. Debt, foreclosure and evaporated savings push them out of the middle class, and some just keep falling.

"Most of these people in this long-term unemployed category are experiencing downward financial mobility," said Carl Van Horn, distinguished professor of Public Policy and director of the John J. Heldrich Center for Workforce Development at Rutgers University.

Nearly half of the long-term unemployed in a Rutgers survey published last month estimate it will take up to a decade to rebuild their finances. More than 20 percent say it will take more than a decade, or that they'll never recover. The highly educated are "actually in worse shape because they had farther to fall and had greater financial liability," Van Horn said.

42 and Living With Roommates

“I’ve had to seriously downgrade my living situation,” said Alex Gomez, a 42-year-old with a master’s degree in entrepreneurship. Gomez lost his last full-time job in 2009 and has been looking for work since a short-term contract position ended in 2012.

Gomez’s home was foreclosed on, so the Tampa resident lives with three roommates in a college neighborhood. He drained his 401(k) trying to save his house, and he has around \$150,000 in student loans. His mother is tapping her 401(k) to pay his rent. Gomez subsists on that and about \$200 a month in food stamps.

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“I have been applying and looking for pretty much anything at this stage,” he said. Although he’s looking for work in engineering or data management, “I applied to a supermarket as a deli clerk because I used to be a deli clerk as a teenager,” he said. He was told he was overqualified and turned down.

“Even though jobs have been slowly recovering, these are mostly low-pay, low-wage jobs,” said Ofer Sharone, a professor at the Massachusetts Institute of Technology’s Sloan School of Management and founder of the Institute for Career Transitions, a platform that helps the older professional unemployed reenter the work force. “We don’t have enough jobs that require those levels of education right now.”

In a survey of 800 jobless professionals conducted by the Institute for Career Transitions, about 10 percent of the short-term unemployed had doctoral, law or MBA degrees. Among the pool of long-term unemployed, more than 18 percent held such degrees.

“I’ve seen clients who had to downsize, sell their homes, move into a smaller apartment, take in boarders... it changes everything,” said David

Blustein, a professor at Boston College's Lynch School of Education. "The financial consequences of long-term unemployment are hugely significant and very painful."

Wiped Out by Student Loans

Student loans are an especially thorny issue. The U.S. Government Accountability Office finds that 3 percent of households headed by someone age 65 and older carry student loan debt, and the amount of outstanding federal student debt carried by this age group shot up from \$2.8 billion in 2005 to \$18.2 billion last year.

"The reality is a lot of people have gone back to school later in life, gotten MBAs or other degrees later in life, and the student loans are still there," Blustein said.

"Financially, I've been sort of wiped out," said Brian Maimone, an equity researcher in New York who, despite his MBA, has been unable to find work since being laid off five years ago. "I'm at a point now where I'm working at a car wash on weekends for cash flow purposes. Any job is a real job as far as I'm concerned," he said. "Anything that could be liquidated has already been liquidated."

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Reclaiming professional and financial stability is a long journey. "If you've been out of work for a year or longer, your road back is not a one shot deal," said Joe Carbone, president and CEO of job training and education provider the WorkPlace Inc. "You have to look at it from the standpoint of two or three years."

"For those individuals who have very advanced degrees and a good length of experience, it does become more difficult," said Patricia Malone, executive director of the Corporate Education and Training program at

Stony Brook University, which trains out-of-work professionals in project management. “They are competing against people who are 10 years younger,” she said. “It takes longer.”

Wayne Little can attest to this. An MBA who worked in sales at IBM for more than three decades, the 60-year-old has been looking for work after being laid off more than two years ago.

Little said he has sent out “well over 1,000” resumes and regularly logs five to six hours a day working on his job search. “I hadn’t looked for a job for 30 years,” Little said. “The world has changed... I was not prepared for the new world of searching for jobs.”

Little’s family is leaning on his wife’s income, but with three kids around college age, he has tens of thousands of dollars in student loans, and he estimates about half of his 401(k) has been drained to pay basic expenses. Little said keeping their heads above water means cutting out “frills,” middle-class niceties most Americans take for granted, until they’re gone.

“The front walk is falling apart... Some of the things in the house we’d normally take care of, we’re not.” Little’s car has well over 200,000 miles on it; his wife’s has 150,000. They don’t spend money on entertainment or gifts anymore. Maintenance around the house has been deferred, he said.

“We’re not desperate, but we will be,” he said. “I’ve looked at jobs that pay half of what I was making at IBM and I would’ve taken them in a second.”

“I was making six figures at one point, and now I’m making \$13 an hour temping,” said Lisa Casino-Schuetz, a single mother with a master’s degree who has taken a string of low-paying jobs to provide for her two college-aged kids.

The Psychological Toll

“In a nutshell, it’s devastating,” Blustein said. “The psychological

consequences are enormous... As people have to take lower level positions, it does confront their own sense of worth in a pretty negative way.”

Even working, Casino-Schuetz makes so little that she rents out a room in her house to a boarder for \$500 a month. Her home and a condo she owns are both in foreclosure, and she has had her electricity shut off in the past.

The elimination of emergency extended unemployment last year made things worse, since long-term jobless professionals have to start liquidating their assets sooner.

“Across the board, the people who exhaust long-term benefits get a lot poorer,” said Josh Bivens, director of research and policy at the Economic Policy Institute. New EPI research finds that only about a quarter of jobless Americans are drawing unemployment payments, down from a high of about two-thirds in the immediate aftermath of the recession.

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Without unemployment benefits, the long-term unemployed must draw down their assets, which presents its own set of serious consequences. Once that money is gone, these families have no financial security today or for retirement.

“Some of them will never get back into the work force,” Van Horn said. “Those people... especially folks in their mid-50s and up, they're going to be in very bad shape financially because they can't even take Social Security already,” he said. What's more, the benefits they eventually will be able to draw will be less than if they had worked through retirement without interruption.

“You'll basically have more low-income older Americans,” he said, who will rely more on safety net programs like food stamps and heating assistance.

“Right now, retirement’s out of the picture,” Maimone said. “I probably won’t retire. I probably will be working until the end the way things look now.”