

What do jobless do when unemployment checks run out?

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Since abruptly losing her \$312 weekly unemployment check in June, Laurie Cullinan has depleted her savings, sought food from the Salvation Army and lit candles to save electricity.

If she can't find a job this month, the Royal Oak resident worries she'll be evicted from her apartment, an unthinkable prospect for the 52-year-old, who enjoyed a solidly middle-class lifestyle until she lost her office-manager job two years ago.

"What am I going to do if I'm homeless?" says Cullinan, who collected unemployment for 1½ years. "My mind won't let me comprehend that."

Cullinan is among about 1 million long-term unemployed Americans whose jobless benefits are phasing out this year as the federal government reels in Great Recession lifelines that provided unemployment checks for as long as 99 weeks in many states. By year's end, another 2 million will see their checks cut off sooner than Cullinan's were, because extended unemployment benefits will end beyond the standard 26 weeks that states pay for. Congress could renew the program, but many economists say that's unlikely.

The cutbacks, required by a federal law passed in February, are already taking a toll. They are nudging some Americans into poverty, straining social services just as states and localities face their own budget woes and further crimping weak economic growth as those who lose benefits spend less.

The number of jobless workers has fallen from over 15 million in early 2010 to about 13 million now, but the share of unemployed workers collecting jobless benefits has dropped more sharply. It was about two out of three in 2010, but it's less than one in two now. Next year only about one in four will receive payments, according to the National Employment Law Project (NELP).

"There's going to be lots of people without any income still unable to find a job," says George Wentworth, a senior staff attorney for NELP. "You're going to see these people not be able to feed their families and not able to pay their mortgages. It will have a devastating impact on a lot of local economies."

Wentworth, like other advocates for the unemployed, does not accuse Congress of acting rashly, and he believes some scaling back of benefits was warranted. The federal government spent \$59 billion on extended unemployment benefits last year and the up-to-99-week periods of subsidies are unprecedented in any economic downturn.

The February legislation was seen as a compromise that kept payments flowing but phases them out as state unemployment rates fall from near-record levels. Yet the cutoffs are coming as job growth has slowed to an average monthly pace of 75,000 in the second quarter from 225,000 in the first quarter. Unemployment rates rose in 27 states in June. The government is expected to report today that the U.S. gained 100,000 jobs in July and the unemployment rate stayed at 8.2%, according to a consensus forecast of economists.

States eye ways to save

Some states, including Illinois, Michigan and South Carolina, have trimmed even initial benefits to less than 26 weeks, and some have cut the size of payments and restricted eligibility. Florida residents must apply online and take a lengthy skills test, keeping some from receiving unemployment insurance.

Under the federal compromise, states are truncating the second phase of benefits, which helps people unemployed from 27 to 79 weeks, when their jobless rate falls below certain levels. The reduction in so-called emergency unemployment compensation will affect about 600,000 recipients through December and 2 million more at year's end, NELP says.

The biggest impact so far has been on the final phase, known as extended benefits, which provides an additional 13 to 20 weeks to those who have been jobless as long as 79 weeks. Benefits in that phase depend on a formula that requires state jobless rates to be higher than the past three years — a tough standard to meet with unemployment falling from recent peaks. So far this year, more than 500,000 Americans in 32 states and Washington, D.C., have lost extended benefits. This month, Idaho will end the program, effectively eliminating it nationwide.

Economists worry most about the likely suspension of all benefits past 26 weeks at year's end. The average unemployed American has been out of work 40 weeks, according to the Labor Department, and there are still about three jobless people for every job opening.

"We're still in a world where you can't expect anybody to find a job within a specific period of time because there aren't enough jobs out there," says Jesse Rothstein, economist at University of California-Berkeley. "I think it still calls for pretty long extensions."

Workers who lost jobs in the recession and exhausted their benefits by January 2010 had a poverty rate of nearly one in five, and about 40% had incomes below 200% of the poverty threshold, according to a Government Accountability Office study this year.

Since jobless people tend to spend virtually all of their income, the phase-out of benefits may cut up to two-tenths of a percentage point off economic growth over the next year, says Mark Zandi, chief economist of Moody's Analytics. Unemployment checks average about \$300 a week and typically pay about half of a recipient's former salary.

Is job-hunting delayed?

The development also has renewed a debate about whether such payments encourage job seekers to stay unemployed longer while hunting for a position most to their liking. Some studies have found that extended benefits increase unemployment by a half to one percentage point or even more.

"If we start reducing unemployment benefits, I think workers will make tough decisions they have to make to either reduce their wage demands or move to states like North Dakota where the economy is doing better," says Chris Edwards, an economist at the conservative Cato Institute.

Hank Finke, 54, of Westborough, Mass., concedes that after he lost his job as a sales vice president, he was unwilling to accept anything less than a national sales manager position and 75% of his former pay. But after his unemployment benefits ran out last year, he started considering regional sales head jobs and a 50% pay cut. He still hasn't found work.

Cullinan says her job search grew more desperate after she received a notice in April that her benefits would end in June, 20 weeks earlier than she had anticipated. Michigan cut maximum benefits from 99 to 79 weeks earlier this year because the state's unemployment rate was no longer rising. When Cullinan lost her \$32,500-a-year office-manager job, she first sought similar positions but quickly decided she'd settle for being a part-time cashier at McDonald's or a Starbucks barista.

"I can't even get a job doing that," she says.

Cullinan supports a partner who hasn't worked since a job-related injury four years ago. Faced with losing her benefits, "I went into pure panic mode," she says, seeking jobs as a warehouse worker, gas-station cashier, hospital janitor or food server. "I would take any job that's offered to me. You want me to dig a ditch, and pay me, I would do that."

But Cullinan rejects the idea that losing benefits makes her more likely to land a job, observing that if she can't pay her \$635 monthly rent and is evicted from her apartment, she'll have no Internet service. "All the ways I have of looking for work — if I lose my home, I no longer have that," she says. "I feel like my safety net was dropped out from under me."

Till Von Wachter, a labor economist at the University of California-Los Angeles, says unemployment compensation's negative economic effects matter less in tough times when there are fewer jobs. They are likely outweighed by the financial hardships people suffer after losing their benefits, he says. "The debate has gone a little bit too far," he says. "It's very hard to pretend that all these people just didn't want to work."

A study by Rothstein last fall, one of the few to examine the effects of expanded benefits in the recent downturn, found they boosted joblessness in early 2011 by only about 0.3 percentage points. Just over half the increase was due to older workers who kept seeking jobs, as they must to be eligible for benefits, staying in the labor force longer rather than retiring.

Indeed, many older workers who lose benefits do drop out of the labor force and [retire](#). That lowers unemployment but also could hurt consumer spending and the economy.

Patricia Kirby, 62, is considering retiring early and tapping Social Security benefits after her \$450-a-week unemployment payment was cut off after 79 weeks in May. Kirby, who lives in Studio City, Calif., lost her job as managing director of an opera training company in 2010, and has had no luck finding similar jobs or even part-time retail sales positions. When her benefits ended, Kirby largely stopped looking. "I took a break because it gets so depressing," she says.

Kirby and her husband, Terry, who does sporadic work to help film studios with location shoots, are hurting but not in dire shape. They've stopped donating to charities and dismissed the housekeeper. They're also drawing thousands of dollars from savings monthly.

Many others who exhaust benefits apply for Social Security disability benefits, which are for people who can no longer work for health reasons. In a 2011 study, economist Matthew Rutledge of the Center for [Retirement](#) Research found that the jobless are significantly more likely to apply for disability when their unemployment checks stop. That further strains disability fund reserves, which are projected to be inadequate to provide full benefits to all beneficiaries by 2016.

Joe Sangataldo, 54, of Vineland, N.J., is healthy and eager to work, making his grinding two-year job hunt even more frustrating. Sangataldo says he was more selective when he first lost his job — as an unemployment office worker who monitored benefit recipients' job searches — in October 2010. "You try to avoid taking the worst job in the world while you have the time to shop for maybe a new career," says Sangataldo, who recently got an associate degree in accounting to go along with a bachelor's in [human resources](#).

But his search for civil-service jobs proved fruitless. He lived off jobless benefits for about 21 months until the \$407 weekly check stopped July 7. Sangataldo has sought jobs as a front-desk clerk in Atlantic City, a server at a cookie stand, and a bathroom janitor. With Vineland area unemployment at 13%, he still has come up empty.

Sangataldo, who is single and lives in his deceased mother's house with no mortgage, has applied for food stamps and will seek Medicaid. He plans to sell many of his and his mother's clothes at a yard sale.