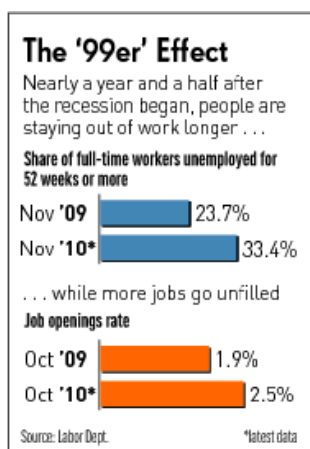


Are We Subsidizing Unemployment?

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The Dole: The stimulus plan may have actually worsened unemployment. New data suggest a large share of those without jobs remain on the sideline because of increasingly generous jobless benefits.

The same day the White House cut a deal for 13 additional months of unemployment aid, the Labor Department released data showing that more than 3 million jobs are going unfilled. These are jobs employers are actively trying to fill, not just slots they're leaving open until business improves.

Why are so many jobs going begging when so many Americans are begging for jobs? Because many don't have to take them — thanks in part to 99 weeks and counting of unemployment benefits.

Add to that record food stamp payments and other welfare, and the unemployed have been perversely incentivized to keep holding out for better jobs, rather than take less-than-desirable or lower-paying ones. Until their benefits start running out, many long-term unemployed are in no rush to take another job. They can pass on offers requiring long commutes or relocation.

The latest job vacancy numbers bear this out.

At the end of October, there were 3.4 million job openings — a 12% increase from September and a 32% jump from a year earlier.

Since the recession's end in July 2009, openings have soared 44%. This defies previous post-recession trends. Normally the job vacancy rate goes down after a recession, as the job market stabilizes. But millions of jobs are going unfilled now — especially in heavily unionized industries, such as manufacturing, education and health care.

Since President Obama's stimulus extended federal jobless benefits, and bribed states to do the same, the median duration of unemployment has nearly tripled, hitting 26 weeks this summer.

Fully a third of full-time workers have been unemployed for 52 weeks or more, while 47% of jobless Americans have been out of work for at least 27 weeks — the highest since the government began keeping records in the 1940s.

Studies show extending jobless benefits — which now pay people 50% to 60% of their previous wage to stay home for two years — just ends up subsidizing more unemployment.

"When you subsidize something, you get more of it," Cato Institute economist Alan Reynolds observes.

Bruce Meyer of the University of Chicago and Lawrence Katz of Harvard found that "a one-week increase in potential benefit duration increases the average duration of the unemployment spells by 0.16 to 0.20 weeks."

This flies in the face of White House claims. In urging Congress to extend jobless benefits another 13 months, it argues they help stimulate the economy and that without them, the unemployment picture would darken.

About 2 million unemployed workers will run out of benefits this month if they're not renewed. The White House figures 7 million will be affected if payments aren't extended for a year.

If the administration gets its way, the so-called "99ers" will become 155ers and keep the nation's high jobless rate artificially elevated. Studies show longer unemployment translates to higher unemployment. University of Chicago economist Robert Shimer estimates that generous jobless benefits alone account for as much as 1.5 points of our 9.8% jobless rate.

"The relatively small numbers of newly unemployed are added to stubbornly large numbers of those who lost their jobs more than six months ago," says Reynolds.

Washington ought to learn from Sweden, one of the few European nations to lower unemployment. After suffering chronically high joblessness in the 1990s, it cut the duration for its generous jobless benefits — and watched as the jobless rate plunged.

If our own unemployment remains elevated, it's because Democrats at both ends of Pennsylvania Avenue insisted on extending unemployment and welfare benefits.

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