Long-term unemployed fear loss of jobless benefits

Updated 1h 45m ago

By **Paul Wiseman**, USA TODAY

By By Alan Ward, Livingston County (Mich.) Daily Press & Argus

Joyce Smith weeds a garden in the backyard of her Conway Township, Mich., home, July 2. She expects to soon run out of jobless benefits.

After losing his job a year and a half ago, Ed Zibrida sold his '99 Chrysler, moved in with his elderly father and started screening calls to weed out bill collectors.

He also put out countless résumés. The response: near total silence. He got by on a weekly unemployment check.

Then, on June 7, Zibrida's financial lifeline vanished. U.S. senators couldn't agree to extend jobless benefits before leaving Washington, D.C., for their July 4 recess. "I just want to scream," says Zibrida, 54, of Matteson, Ill. "For every job, there are five applicants. What does Congress not get?"

By July 17, more than 2.5 million jobless Americans will be floundering along with Zibrida. Without congressional action, their unemployment benefits expire at week's end. The figure will swell to 3.2 million by the end of July, according to the National Employment Law Project.

BENEFITS AT RISK: More is spent on jobless in U.S., but benefits near end

BOOST OR DRAIN? The debate over unemployment benefits

WHERE ARE THE JOBS? Forecast for 384 metro areas, 50 states

Now that senators are back in the Capitol, Majority Leader Harry Reid, D-Nev., is trying to round up the 60 votes needed to overcome a Republican filibuster and extend the benefits through November. He's facing near-unanimous opposition from GOP senators balking at the measure's $33.9 billion price tag at a time of frightening federal deficits.

"It is astonishing that extending unemployment benefits is caught in the crossfire of deficit politics," says Rep. Carolyn Maloney, D-N.Y., chair of Congress' Joint Economic Committee. "These benefits help those struggling most pay for basic needs like food and housing."

After the recession hit, Congress extended unemployment benefits to an unprecedented maximum 99 weeks: 26 weeks of traditional benefits from states; up to 53 weeks of emergency benefits; an additional 13 weeks of extended benefits in states where unemployment exceeded 6.5%; and 20 weeks in states where it passed 8%. Lawmakers also

added $25 to the average $295 weekly unemployment check.

But funding for those expanded benefits started phasing out at the end of May.

The extraordinary measures reflect extraordinary times: Last month, 6.75 million Americans had been out of work for 27 weeks or longer — 45.5% of the overall unemployed and just shy of May's record 46%. According to Labor Department statistics, there were nearly 4.7 unemployed workers for every job opening in May. The average unemployed American has been out of work more than 35 weeks, the longest dry spell on record.

Supporters of extending jobless benefits say they help desperate families — the median jobless American enters unemployment with less than $250 in net savings, according to Harvard University economist Raj Chetty — and stimulate the economy in bad times.

"If you want to get more spending in the economy, one of the best things you can do is give some money to an unemployed person," says Larry Mishel, president of the liberal Economic Policy Institute. "You give them money, and they're not paying down their debts, they're not saving; they're going to spend it."

The President's Council of Economic Advisers calculates that every $1 spent on unemployment benefits boosts economic output by $1.60. Similarly, the Congressional Budget Office says unemployment checks offer the biggest bang for the buck of any government policy designed to jump-start economic growth — anywhere from 70 cents to $1.90 for every $1 spent on benefits. Mark Zandi, chief economist at Moody's Analytics, pegs the figure at $1.61.

In a report out Thursday, the Economic Policy Institute tallies up the economic benefits of jobless people spending their unemployment checks and concludes that expanded unemployment benefits, including health insurance subsidies, are responsible for adding 1.15 million jobs since 2007, partly offsetting the 8 million jobs lost since the recession began. The institute also says spending by the jobless has allowed thousands of other Americans to work more hours. Extending jobless benefits is "compassionate, but it's also good economics," Mishel says.

Does aid impede self-reliance?

But critics say there are downsides to writing checks to the jobless. "This is presented as a no-brainer. The reality is much more complex," says Michael Tanner, senior fellow at the libertarian Cato Institute.

Economists worry that months of jobless benefits discourage workers from finding work. Researchers at the Federal Reserve Bank of San Francisco calculated this year that extended jobless benefits kept the unemployment rate about 0.4 percentage points higher than it otherwise would have been — a figure that translates into more than 600,000 extra people on the unemployment rolls. Still, they called the impact "relatively modest."

Research from the 1970s and '80s found that about a third of unemployed workers took jobs as soon as their unemployment benefits ran out. But Harvard economist Lawrence Katz has said the old findings were distorted because factories often timed temporary layoffs so they could bring employees back to work when their checks ran out.

Regardless, the political squabble in Washington isn't really about the effectiveness of jobless benefits: Lawmakers in both parties say the long-term unemployed need federal help. The fight is about money. Republican opponents in the Senate (and Democratic Sen. Ben Nelson of Nebraska) want Congress to offset the $33.9 billion cost of renewing extended unemployment with budget cuts

Print Powered By FormatDynamics™

elsewhere. They say that a government running a $1.4 trillion annual deficit can't afford to simply write more checks and that Democrats have rejected their proposals to offset the cost.

"Enough is enough," says Mike Reynard, spokesman for Sen. Jim Bunning, R-Ky. Opponents have used a filibuster to block the jobless benefits bill, meaning that supporters have to find 60 votes to get it passed. The last time they tried — June 30 — they fell one vote short of the required super-majority. The House of Representatives has already approved the extension.

Democrats note that it's a longstanding bipartisan tradition to forego pay-as-you-go rules on jobless benefits when unemployment is sky-high, as it is now (9.5% in June). "If 15 million people out of work isn't an emergency, I don't know what is," says Sen. Debbie Stabenow, D-Mich.

They also note that the senators blocking the legislation aren't consistent budget hawks. Most senators opposing the jobless benefits bill on June 30, for instance, approved a budget-busting $410 billion Medicare prescription benefit when Republicans controlled Congress in 2003; they didn't pay for the benefit with offsetting cuts.

Bunning, who voted against extending jobless benefits in June and for the expensive drug benefit in 2003, concedes that he "wishes that we would have spent less and paid for more when Republicans were in charge," Reynard says. "He's said there are some votes he wishes he could have back."

Even now, Stabenow notes, Republicans want to extend former president George W. Bush's tax cuts — adding hundreds of billions of dollars to the deficit — without paying for them.

Seeking votes

Majority Leader Reid is hoping to get the 60th vote he needs next week, when West Virginia's governor is expected to appoint a Democrat to replace Sen. Robert Byrd, who died June 28. If the bill passes, benefits will be retroactive, helping those who missed checks while Washington argued. But the legislation has been pared down: The House eliminated subsidies to help jobless workers buy health insurance coverage; the Senate dropped the extra $25-a-week payment.

Meanwhile, millions of jobless are trying to get by. Mike Runels, 61, of Alexandria, Va., who lost his job as a government contractor in April, received his l ast unemployment check last week. "With unemployment, I can keep paying my mortgage," he says. "Without it, I am going to have to make some decisions, and one of the decisions is going to be saying: 'Sorry, Bank of America.' "

"There are no jobs out there," says Joyce Smith, 62, of Conway Township, Mich. She lost her administrative job at an engineering and architectural firm in 2009 and will lose her unemployment check this month unless Congress acts. "This is what kept us afloat," she says. "I'm not freeloading, if that's what they think. Let them lose their jobs and see what they think."

Melissa Carr, 41, lost her job at a Raleigh, N.C., travel agency more than a year ago. She moved 150 miles west to Boonville to be near family and to find cheaper housing. Living on $135 a week in unemployment benefits, she got a Pell grant and enrolled in school to train as a substance-abuse counselor. Now that her benefits are running out, she fears that "I am going to lose my home and most likely, my possessions" because she won't be able to afford an apartment or storage space for her belongings.

In Matteson, Ill., Zibrida is frustrated. Before he lost his job, he was earning $37,000 a year as a sound technician on a casino boat. Now unemployed, he recently waited an hour and a half to interview for a

Print Powered By FormatDynamics™

job installing home theater systems for a big electronics retailer, only to be told the job had just been filled. He lost his weekly $342 unemployment check, $130 of which went to child support for his 8-year-old twin girls. "Now, my daughters are being dragged into this. That's what hurts most."

Unemployed accountant Liz Stanley, 56, of Wendell, N.C., stopped getting her $271-a-week benefit check June 2. "My bank account will close soon," she says. "Our stupid government needs to quit making a political football out of people's lives. We are running on empty out here."

What you get for a buck:

Print Powered By FormatDynamics™