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The cases for — and against — jobless pay

By [Anjeanette Damon](#) ([contact](#))

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Reno — Post a job opening in Nevada, and you'll likely be flooded with more applications than you can handle.

With 120,000 people out of work statewide and 6,000 a week being knocked off unemployment insurance as a federal bill to extend those benefits languishes in Congress, the situation here has been described by job search experts as desperate.

“For every job opening we have here there are probably at least 50 people applying for it,” said Carolyn Wilson, executive director of [JOIN Inc.](#), a Reno nonprofit agency that helps the jobless find work. “That’s how bad it has gotten.”

Last month, Nevada overtook Michigan as the state with [the highest unemployment rate — 14 percent](#).

Against that backdrop, Republican U.S. Senate candidate Sharron Angle has argued [against the proposed extension of unemployment benefits](#). Bearing the conservative standard, Angle reasons the benefits spoil workers into remaining jobless instead of settling for lower-paying positions.

If elected, she has said, she would not vote to extend benefits.

Her stance has drawn criticism from unemployed workers, and provided fodder for her opponents.

“Sharron Angle has repeatedly said that, if elected, she wouldn’t lift a finger to fight for the jobs of struggling Nevadans — a position that is completely tone-deaf and out of touch with the needs of ordinary Nevadans in these tough economic times,” said Kelly Steele, spokesman for the Reid campaign, in a news release announcing a new television ad attacking Angle on the jobs issue.

Although it isn’t necessarily a popular position politically, a consistent body of economic research indicates Angle is at least partially correct in her claim that benefits create a disincentive for the unemployed to find work. But that doesn’t mean there isn’t a broader economic benefit to paying jobless benefits.

Studies show that for each additional week of benefits, an unemployed worker spends another 1 1/2 to two days out of work, according to Bruce Meyer, an economist at the [Harris School of Public Policy at the University of Chicago](#) who has been studying the effects of unemployment benefits since the 1990s. Research also shows the unemployed are more diligent in their job search as they near the end of their benefits, and almost immediately find work when those benefits expire.

Further, studies show the length of time benefits are paid does not improve a worker’s chances of finding a higher-quality job.

“You shouldn’t believe that it is costless to extend unemployment benefits or that it doesn’t alter

people's choices," Meyer said.

Yet the research also doesn't discount the value some economists see in extending jobless benefits, particularly during a long recession or in a state that has been as hard hit economically as Nevada.

For jobless workers at a time when there are few jobs, it might seem obvious that benefit extensions are a necessity. But these payments can also serve an important macroeconomic function by stimulating the broader economy.

Some economists think every dollar spent by the government on unemployment generates \$1.60 for the economy.

"There aren't that many ways to get money into the economy quickly, and unemployment benefits are one of them," Meyer said.

Gary Burtless, a senior fellow at the [Brookings Institution](#), said, "I can't think of any other group of people who is more likely to spend that money faster."

Jeff Waddoups, an economist at UNLV, added that unemployment checks are spent largely on local goods and services, preserving purchasing power when it's needed most in a recession.

"They get their benefits, and they go right to the store to buy food or get a haircut," Waddoups said. "They're not putting it under the mattress or buying a lot of imports with it."

Conservative economists argue that the stimulus effect of unemployment benefits is somewhat blunted. First, some say, an unemployed worker likely saves a portion of the benefit. Family members may not work as hard to make up for the lost income from an unemployed spouse if the family is receiving unemployment benefits. And the drag on the economy is intensified by the deficit spending to finance those benefits.

"Only about 50 cents of that unemployment dollar represents new spending," said James Sherk, a senior fellow at the [Heritage Foundation](#), a conservative think tank.

But Burtless said it's ridiculous to assume the average worker who has been out of a job for more than six months, which is when federal extensions kick in, is in a position to save a significant portion of his or her unemployment check.

Mike Tanner, a senior fellow at the [Cato Institute](#), a libertarian think tank, said continuously extending benefits could "be making the situation worse," especially when the government has to borrow money to finance those benefits.

"If you are doing this with borrowed money, are you making it harder to create the jobs in the state to solve the problem?" he said. "The answer in the long run is to create jobs, not make unemployment more comfortable."

In arguing her opposition to extending unemployment benefits, Angle has gone further to say that entry-level jobs exist despite record unemployment, but that the unemployed refuse to take these jobs because their benefits pay more.

Statistics, however, don't seem to bear that out. Nationally, there is an average of five unemployed workers for every job opening, according to [U.S. Bureau of Labor Statistics](#). Nevada officials describe the job climate here as even more dire.

“The number of entry-level jobs is not nearly enough to cover the number of people who are unemployed,” Waddoups said. “It just doesn’t make sense. One of the purposes of unemployment benefits is to finance a good job search so you can take a job that is suitable to your skills and interests.”

A worker who takes a higher-quality job is more productive and less likely to leave employment after a few months. That leads to a more productive economy, Waddoups said.

Wilson acknowledged that some workers receiving unemployment benefits don’t “actively look or halfheartedly look for a job” because they are getting a check each week. But in this economy, she said, her agency is dealing with more professionals and blue-collar workers who have never been unemployed and are desperately looking for work.

Some with professional degrees have accepted jobs driving trucks, for example, she said.

“There are a lot of people who are getting very desperate,” she said. “They got laid off and thought, ‘I’ve got unemployment,’ and they very methodically searched for work. And they very methodically got doors closed in their faces. It’s just the nature of the economy right now.”

Even if statistically the number of jobs matched the number of people unemployed, Wilson said the problem would persist. “Part of the problem with unemployment now is that the unemployed are not necessarily a fit for the jobs available. Many of the job categories from which people have been laid off have shrunk or disappeared.”

In Nevada, for example, the construction industry has shed jobs at a fast clip. The real estate and financial industries have also been particularly hard hit, Wilson said.

Extended benefits don’t necessarily produce a lazy job hunter, economists said. But they do encourage workers to delay a decision that ultimately must be made.

In many cases, that isn’t whether to take an entry-level job. Instead, especially in industries where the jobs are forever gone, it may mean moving to another state, or building new skills to start a different career.

Ultimately, benefits will run out and the sooner a worker makes that decision, the better off he or she will be in finding a higher-paying, more satisfying job, Sherk argued.

“Think of construction,” Sherk said. “That housing bubble is not coming back. For a lot of those construction workers, there’s no market for them or their skills. They are going to have to move to a different industry. Eventually they will have to make that decision.”

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