

## UNEMPLOYMENT BENEFITS ARE BEING PHASED OUT? HAVE THEY OUTLIVED THEIR UTILITY?



The unemployed, apart from facing physical and emotional problems that come with joblessness are now also dreading the daunting prospect of their unemployment checks running out. The aftermath of the cessation of an income, however small, on which the unemployed are so heavily dependent is something that is changing and turning their lives unalterably. Unemployment checks are approximately half of the person's normal salary. 52-year-old, Laurie Cullinan was suddenly told in April that by June, her \$312 weekly unemployment check would stop coming. Since then, she has used up all her paltry savings, has sought food from the Salvation Army and tried to skimp on electricity by using it as little as possible and lighting candles to dispel the darkness. What next, is in store for her, is the question she often asks herself. She has intensified her search for a job and if she is unable to find one, she faces the prospect of being evicted from her apartment, in Royal Oak, Michigan. She dreads the prospect, which a couple of years seemed highly unlikely, as she had a cushy office-manager job that amply supported her middle-class life style. "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." During the great recession, the government had offered monetary lifelines to millions of people who suddenly found themselves unemployed and unable to find new employment. The government gave unemployed checks to the jobless for varying periods, to tide them over their expected period of joblessness. Some states gave the checks for as many as 99 weeks. However, the government has begun to feel that it is time to reel in this life line and have started phasing out the checks, leaving millions reeling under its withdrawal impact. Around a million long-term unemployed Americans have had their jobless benefits withdrawn or stand to lose them soon. By the end of the year another 2 million will join their ranks. The jobless are saying that given the continued recession and lackluster employment reports, the government could reconsider their decision to phase out the checks and hoping that Congress could renew the program. However, economists are saying that it is unlikely that they will do so. The cutbacks are the result of the implementation of the federal law passed in February and its drastic effects on the people and the economy are already being felt. Some Americans are slowly being elbowed over the thin line that demarcates the haves from the have-nots. Social services are being stressed and reaching breaking point. States and districts are confronted with their own budgetary miseries and the weak economic growth is becoming even more fragile, as those who lose benefits are now having no money to spend, negatively impacting the economy. There are 2 million less jobless now than there was two years ago. The numbers have fallen from over 15 million to around 13 million now. But the proportion of unemployed workers collecting jobless benefits has fallen even more notably. In 2010 it was about two out of three, but it is less than one in two now. National Employment Law Project (NELP) says that it will fall further next year, predicting that only one in four will receive unemployment benefits. "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, however, acknowledged that the Congress has little choice but to scale back the benefits and applauds them for their generosity in spending a staggering \$59 billion on extended unemployment benefits last year. He adds that the up-to-99-week periods of subsidies, are unparalleled in any economic depression and bespeaks of the governments largesse and benevolence. The February legislation was seen as finding middle ground between how long to continue with the payments and when to stop. The legislation had set a target that if unemployment breached that target and fell below that level, than the states eligibility to receive the benefits would automatically cease. Economists are forecasting an increase of 100,000 jobs in July and the unemployment rate staying at 8.2 percent, but as job growth is slowing the cutoffs will remain in place. Unemployment rates rose in 27 states in June. In order to save and postpone the inevitable, some states, amongst them Illinois, Michigan and South Carolina have lessened the number of weeks to 26 or lower, others have reduced the amount of the checks and made only those in dire need eligible and disqualified the others. Florida has made it mandatory for residents to apply online asking them to clear a protracted ability test, failure to clear which automatically disqualifies them from receiving the unemployment insurance. Under the federal February legislation, states are pruning the second phase of benefits that was meant for the long-term unemployed who were jobless between 27 and 79 weeks, subject to their jobless rate falling below certain levels. NELP says that the cutback in the supposed emergency unemployment compensation will affect about 600,000 recipients through December and 2 million more before the year is out. The worst to suffer has been on the concluding phase, known as extended benefits, which provides an additional 13 to 20 weeks to those long-term unemployed who have been unable to find employment for as long as 79 weeks. For them the jobless rate eligibility yardstick is slightly more intricate, arguably to allow them to continue receiving the benefits for as long as possible. For them the formula requires state jobless rates to be higher than the past three years — given the current trend of unemployment and its continual decline, reaching such a target was highly improbable. Till date, more than half a million Americans across the country have lost extended benefits. Idaho, metaphorically the last frontier holding up the program, will end it this month, effectively ending it all over the country. Economists say that it is worrying that by the end of the year all benefits past 26 weeks will have ceased. Irrespective of the ineligibility line being breached, the average jobless workers have been out of work for 40 weeks and there are still three candidates for every job opening. A long-term employee, preferring to remain anonymous said, for us the recession still exists, it's just that it is invisible to those who are employed. "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." According to a study by the Government Accountability Office one out of five workers who lost their jobs to the recession and their benefits by the beginning of 2010, breached the poverty line and 40 percent of them had incomes below 200% of the poverty threshold. The withdrawal of benefits has also reignited the debate of whether such payments dissuade job seekers from seeking a job and encourage them to stay unemployed longer. Chris Edwards an economist at the Cato Institute said "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." Workers have conceded that they did not accept the first job available but buoyed by the checks waited for one of their choice. They have also accepted that after their unemployment checks ran out, they have started job hunting with renewed energy and are now rueing the fact that they overlooked the earlier opportunity. A study by Rothstein last fall, said that fears that extended benefits boosted joblessness were unfounded. At the most it increased by 0.3 percent points and most of it was because the older workers instead of retiring keep looking for jobs to stay eligible for the benefits. Cullinan says she became frantic after she received a notice in April that her benefits a couple of months later. She said that she always measured her new offers with the \$32,500-a-year office-manager job earlier and sought similar jobs, but now would settle for anything. "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." One losing her benefit she says, "I feel like my safety net was dropped out from under me."