

Unemployment Checks Reduce 'Double-Dip' Recessions?

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WASHINGTON (AP) — For jobless Americans struggling to pay their bills and keep their homes, the restoration of unemployment benefits could keep their crisis from getting worse.

The same might be said of the broader economy.

The Senate is expected to vote Wednesday to keep providing unemployment benefits for up to 99 weeks to more than 5 million long-term unemployed. The injection of an estimated \$33 billion into a \$14.6 trillion economy over the next five months won't be enough to energize the recovery. But economists say it could at least help sustain it.

The vote comes as evidence mounts that growth is slowing. Consumers, facing lower home values and high unemployment, are saving more and spending cautiously. The housing market is slumping again after a tax credit expired in April. And the impact of last year's \$787 billion stimulus package has begun to fade.

By extending the unemployment aid, Congress will remove one potential drag on the economy, analysts say.

"It reduces the likelihood of a double-dip recession," said Gus Faucher, an economist at Moody's Analytics.

During the recession, Congress provided up to 73 extra weeks of unemployment aid, paid for by the federal government. They came on top of the 26 weeks customarily provided by the states.

But the extra benefits expired in early June. They had been routinely extended during the worst parts of the recession. But Congress reached an impasse last month. Republicans demanded that the extension be paid for with leftover stimulus money. Democrats countered that unemployment benefits are normally considered an emergency need and paid for by adding to the deficit.

About 2.5 million people ran out of jobless aid during the political battle. They will now have the aid restored retroactively. That could create chaos if state unemployment offices are flooded with people seeking to reapply.

An additional 3 million people were still receiving aid under the extended benefits program. They will be able to keep doing so.

The legislation Congress is expected to approve will inject \$33 billion into the

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economy by renewing the extra benefits through the end of November. That money will likely be spent quickly and generate extra economic activity, economists say. Jobless aid is widely seen as providing more "bang for the buck" than many other stimulus programs.

"It recycles very quickly into the economy," said David Wyss, chief economist at Standard & Poor's. "If that's your only source of money, you're going to spend it."

Moody's Analytics estimates that every dollar of unemployment aid generates \$1.61 in economic activity. Still, that translates into a boost of only \$54 billion — less than one-half of 1 percent of the overall economy.

"It's not going to make or break" the recovery, Faucher said.

Weekly unemployment checks average about \$309, though they vary widely by state. Benefit levels also depend on how much a recipient earned while working. The checks are financed through a tax on employers.

Many of those out of work don't receive unemployment benefits. Only those who have lost jobs through no fault of their own are eligible. Applicants must also have earned certain minimum pay, set by the states.

Partly because of the extensions, about two-thirds of the nearly 15 million unemployed are receiving unemployment aid. That's a greater proportion than in previous downturns. The Obama administration's stimulus package encouraged many states to expand eligibility to part-time workers and other groups.

In recessions, Congress usually adds extra weeks as unemployment rises and hiring slows. The federal government also pays for the extensions to lessen the burden on states, which are required to balance their budgets. Many experts argue that the program, begun in the 1930s, is ill-equipped to handle extended downturns. One result is that the program has been extended in almost every recession and often gets tangled in political fights.

The current benefit extensions are the longest on record.

Of the 2.5 million people whose benefits will be restored, nearly 430,000 are in California, nearly 200,000 are in New York, 175,000 are in Florida and 174,000 are in Pennsylvania, the Labor Department estimates. Georgia, Illinois, Michigan, Ohio and Texas also have more than 100,000 recipients who were cut off.

Unlike with some previous extensions, Congress isn't adding extra weeks. It's just keeping the extended program going.

For those who have exhausted all their 99 weeks, the Senate's vote Tuesday provides little hope. They face the prospect of looking for work even as hiring remains slow, with the unemployment rate at 9.5 percent.

"There's a lot more people than jobs out there right now," Wyss said.

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AP Economics Writer Jeannine Aversa contributed to this report.

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