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FEDERAL EXTENSION OF UNEMPLOYMENT COMPENSATION IS SIGNED INTO LAW: IMPACT ON GROWING NUMBER OF UNEMPLOYED AMERICANS

by ANGIE ROBERTSON

Every Monday since April 2008, a small group of seasoned Chicago-area business people have met to discuss career development issues.¹ These events, which may appear to outsiders as typical corporate board meetings, are actually job-search strategizing sessions of the Executive Network Group of Greater Chicago section for unemployed white-collar workers.² Jim Moor-

man, who arranged for the group to meet at his church, lost his job 16 months earlier as a senior engineer at Motorola, where he worked for 33 years and was making more than \$100,000 annually.³

Unfortunately, unemployed workers like the ones in this group are no longer a rarity. The most recent figures from the U.S. Bureau of Labor Statistics indicate that the number of long-term unemployed, those jobless for 27 weeks or more, nearly doubled between February 2008 and February 2009, increasing from 1.3 million to a total of 2.9 million.⁴ In Illinois, the total number of unemployed in December 2008 was 505,300, exceeding 500,000 for the first time since February 1992.⁵

FEDERAL LEGISLATIVE RESPONSES & STATE REACTIONS

On November 20, 2008, former President George W. Bush signed the Unemployment Compensation Extension Act of 2008 (Act), which increases the weeks of benefits available to workers who run out of their state unemployment insurance benefits.⁶ The Act was introduced in the House on September 8, 2008 and swiftly passed by a 368 to 28 majority on October 3, 2008.⁷ The urgency behind the Act continued as it survived an 89 to 6 vote in the Senate on November 20, 2008 and was signed by former President Bush on the same day.⁸

The new legislation allows an extension from 27 weeks to 33 weeks of unemployment benefits to those who qualify under their state laws.⁹ Since unemployment benefits are primarily addressed through state agencies, qualification standards vary from state to state.¹⁰ Funding for unemployment is raised through state and federal unemployment insurance taxes on employers.¹¹ State tax rates vary from state to state, as does the amount of each worker's income that is subject to the tax.¹² Twenty states with industries that have been hit particularly hard by the recession are having trouble funding unemployment insurance, and six states are already borrowing from the federal government to pay benefits to laid-off workers, reports Rick McHugh, Midwest Coordinator for the National Employment Law Project, a group advocating for modernizing the unemployment compensation system.¹³ With revenues vanishing, the states collectively face a \$70 billion budget gap this year.¹⁴ To address this gap, half of all states have already started cancelling infrastructure projects, cutting health-care benefits or laying off workers.¹⁵

Implementation of the Act will require additional federal money be contributed to state unemployment funds.¹⁶ Emergency funding to state unemployment funds was approved as a part of the recently-passed economic stimulus plan.¹⁷ However, some Republican governors, such as Governor Bobby Jindal of Louisiana and Governor Charlie Crist of Florida, have stated that they may not accept the funds due to ideological disagreement with the current Democratic leadership.¹⁸ These governors contend that increased government spending will spur the increase of business taxes and, thus, increase lay-offs of employees.¹⁹

WHITE-COLLAR UNEMPLOYMENT

Meanwhile, white-collar unemployment rose to 4.6 percent in December of 2008, up from 3 percent the year before.²⁰ Lawrence Mishel, president of the Economic Policy Institute, says white-collar unemployment has risen faster in the past year than in any other recession dating to at least the 1970s.²¹ White-collar workers also tend to form a disproportionate share of the long-term unemployed.²² Thomas Lam, Economist at the Singapore-based United Overseas Bank, explains that current white-collar workers who lose their job have just a 22 percent chance of landing a new job within the same month that they lost their previous job.²³ Figures like this indicate that this is the worst market for job seekers than any since the 1990s.²⁴

Unfortunately for many white-collar workers, many jobs will not be replaced.²⁵ For example, the U.S. has been producing too many MBAs for decades and not enough health-care employees.²⁶ Meanwhile, the financial sector is shrinking and there is a large need for health-care workers.²⁷ With few jobs available, “people are moving down the pay scale,” says Dean Baker, Co-Director of the Center for Economic and Policy Research, a think tank in Washington, D.C.²⁸

EMPLOYED PART-TIME FOR ECONOMIC REASONS

The Executive Network Group of Greater Chicago section for unemployed white-collar workers co-leader Bob Roeder has two children and was laid off two years earlier from a sales management position worth almost six figures, but has now taken up part-time work plowing snow.²⁹ An increase in the

number of Americans working part-time makes unemployment benefits less available to the current workforce than during the last major job recession in the early 1990's.³⁰ Nearly two-thirds of part-time workers are ineligible for unemployment benefits under state unemployment laws.³¹ In February 2009, the number of people who worked part-time for economic reasons raised nationally by 787,000 since the previous month and 3.7 million since February 2008, reaching a national total of 8.6 million.³² This category includes people like Mr. Roeder, who would like to work full-time, but are working part-time because their hours had been cut back or because they were unable to find full-time jobs.³³

The 33-week extension for the workers who qualified for the Unemployment Compensation Extension Act ends in March or April of 2009, when benefits will discontinue unless Congress passes additional legislation to continue lengthen the extension. While career changes and job retraining may be necessary for some workers after a recession, extensions of unemployment benefits continue to be the most logical economic solution during difficult times, explains Loyola University of Chicago Graduate School of Business Economics Chair Marc Hayford.³⁴ "Extending of unemployment benefits during a recession is not only the humane thing to do," he states, "but it helps dampen the drop in spending and is good for the economy."³⁵

NOTES

1 Michael Lou, *For Growing Number of White-Collar Jobless, Support With a Touch of the Spur*, N.Y. TIMES, Jan. 24, 2009, at A16.

2 *Id.*

3 *Id.*

4 Press Release, *The Employment Situation February 2009*, U.S. Bureau of Labor Statistics, (Mar. 6, 2009) <http://stats.bls.gov/news.release/pdf/empisit.pdf>.

5 Press Release, *Economic Recession Triggers Further Job Losses in Illinois*, Ill. Dep't of Employment Sec. (Jan. 23, 2009) <http://www.ides.state.il.us/economy/cps.pdf>.

6 Unemployment Compensation Extension Act of 2008, Pub. L. No. 110-449, 122 Stat. 88 (2008).

7 *Id.*; (Bill status summary including voting records is available online the Library of Congress website, www.thomas.gov).

8 *Id.*

9 Unemployment Compensation Extension Act, *supra* note 6, § II(1),(2).

10 Lou, *supra* note 1.

11 National Unemployment Law Project, *Question & Answer The Unemployment Insurance Modernization Act: Filling The Gaps In The Unemployment Safety Net While Stimulating The*

- Economy*, <http://www.nelp.org/page/-/UI/uima.fact.sheet.jan.09.pdf?nocdn=1> (last visited Apr. 2, 2009).
- 12 *Id.*
- 13 *Id.*
- 14 *Id.*
- 15 *Id.*
- 16 National Unemployment Law Project, *supra* note 11.
- 17 The American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009).
- 18 *Id.*; See also Yvonne Zipp, *Extra Aid Buys Laid-off Workers a Little Time*, CHRISTIAN SCIENCE MONITOR, Mar. 5, 2009, <http://features.csmonitor.com/economyrebuild/2009/03/05/extra-aid-buys-laid-off-workers-a-little-time/>.
- 19 *Id.*
- 20 Lou, *supra* note 1.
- 21 *Id.*
- 22 Stephen Gandel, *How Bad (Really) is 8% Unemployment?* CNN.COM Dec. 22, 2009, http://m.cnn.com/cnn/archive/archive/detail/217020;jsessionid=3BAACD61B0497BFEBB249F29600E9903.live7i#__1__.
- 23 *Id.*
- 24 *Id.*
- 25 *Id.*
- 26 *Id.*
- 27 National Unemployment Law Project, *supra* note 11.
- 28 *Id.*
- 29 Lou, *supra* note 1.
- 30 *Id.*
- 31 Press Release, *The Employment Situation February 2009*, *supra* note 4.
- 32 *Id.*
- 33 *Id.*
- 34 Interview with Marc Hayford, Economics Chair, Loyola University Chicago Graduate School of Business, in Chi., Ill. (Mar. 30, 2009).
- 35 *Id.*