

Between Rock Bottom and a Hard Place

As the recovery falters, state and federal governments are reducing benefits for the unemployed.

KAT AARON | June 7, 2011 | web only



Last week, the housing market took another dive. Unemployment remained at about 9 percent, where it's hovered since January, and the economy added just 54,000 jobs -- far fewer than expected. The private sector added 83,000 new jobs, but continued government layoffs pushed the net number down.

But you won't hear much about the housing and hiring crisis from politicians in Washington and in statehouses across the country, which remain focused on cutting deficits rather than addressing -- or even mentioning -- these problems. They are cutting programs meant to jump-start the economy as well as programs on which struggling people depend: unemployment benefits, welfare benefits, retraining funds,

and child-care subsidies. This will leave American workers across the country stranded and could hamper the faltering recovery.

Cuts to unemployment benefits

Unemployment benefits are on the chopping block, at both the state and federal levels. They're certainly not cheap: With 14 million people officially unemployed as of May, the price tag for unemployment benefits is projected at \$129 billion for 2011, according to a report from the [Pew](#)

Also by Kat Aaron:

Fiscal Analysis Initiative. Since the recession, benefits have been extended to a maximum of 99 weeks, thanks to both federal and state add-ons.

Now, as the *Huffington Post's* Arthur Delaney **has extensively tracked**, many states are cutting back. Michigan, Missouri, and Arkansas have shrunk the number of weeks people can receive state aid. A similar bill in Florida awaits the governor's signature, and more states are likely to follow. And the federal bills creating the 99 weeks max all expire at the end of 2011, so people still unemployed come January will be abruptly bumped down to their state limits.

"If we withdraw these unemployment benefits that families need and rely on and that are pumped back into local economies, that might do more harm than good," says Christine Owens, executive director of the National Employment Law Project. For every dollar spent on unemployment benefits, two dollars in economic growth are generated, Owens says, **citing** Department of Labor research. The cuts are "likely to have a negative impact on the economic recovery, not to mention the impact on the families that are losing the support they need."

Retraining programs

Government spending can also help people get hired for the jobs that are available -- **some 3.1 million as of March**. Employers consistently complain that there's a mismatch between workers' training and the jobs on offer, says Rachel Gragg, federal policy director at the National Skills Coalition, which advocates for job training. Job training can help people move from one industry or another and also help the long-term unemployed regain any skills they've lost.

But Congress cut more than \$1 billion from job training in the current budget, leaving the assortment of programs with about \$6.5 billion in funding. The original budget passed by the House had more than \$4 billion in cuts, and Gragg expects to see similarly deep cuts proposed for fiscal 2012. "If the assumption is that as part of an economic recovery, we're going to bring jobs back on line, we need to make sure people have the skills for those jobs," she says.

Retraining is also the idea behind the Trade Adjustment Act, which provides training support for people who lose their jobs to international trade. But the TAA too has turned into a budget battleground. Since the program's inception in 1974, it has exclusively served workers in "article producing" industries -- people who make objects. The stimulus act made retraining available to people in the service sector for the first time: workers in call centers, back-office support, computer programmers. It also expanded the program to people who lose jobs to China and India, not just countries where the U.S. has a trade deal. Tens of thousands of newly eligible workers applied for aid. That expansion ended in February, with legislators saying it's too costly to continue. The administration is battling this one out with Congress, holding up pending trade agreements with Korea and Colombia unless the expanded training gets reinstated.

Shrinking assistance to families

People who can't find work, with or without training, and who exhaust unemployment benefits will find that the programs formerly known as

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