

JOHN BUELL

Justice for the Unemployed

With the official unemployment rate nearly 10%, now is no time to let talk of recovery deter us from concern for the suffering of the unemployed. The unemployment rate continues to grow and will likely do so even if a modest growth in statistical GDP is under way. Paul Krugman points out that "comparing actual GDP since the recession began with what it would have been if the economy had continued growing at its 1999-2007 trend, we're something like 8% below where we should be. That translates into lost output at a rate of well over a trillion dollars per year (as well as mass unemployment). And we'll keep suffering those losses, even if GDP is now growing, until we have enough growth to close that gap. Since there's nothing in the data or anecdotal evidence suggesting any gap-closing in progress, this is a continuing tragedy."

To this day, much of the mainstream media underplay the human tragedy here. The unemployed face not only economic distress but the erosion of skills and the deterioration of morale. Since the stock market has rebounded at least partially, it becomes easy to assume that the worst is now behind us. Only a small minority of US workers, however, has any significant stake in the market, which itself has historically been a poor predictor of economic trends.

Conventional analysts assume that the unemployed are receiving unemployment compensation from the government and therefore can't be suffering too much. These optimistic sentiments emanate from comfortable, affluent pundits. Many not only failed to foresee severe economic decline but also even denied its possibility. In addition, many of those same pundits have fought to — and succeeded in — reducing

the scope and adequacy of the unemployment insurance system. As the ranks of the unemployed continue to rise, it is all the more imperative as a matter of both social justice and long-term economic growth to reform and expand the unemployment insurance system. Even if the government were to, as it should, embark on far more ambitious job creation, the number of the unemployed will remain high for months if not years.

The *New York Times* recently reported that the number of Americans seeking work equaled about six times the number of job openings. As this figure only continues to get worse, the number of workers whose unemployment has been prolonged and who have or shortly will exhaust their benefits continues to grow as well.

The House of Representatives has recently passed legislation that would enable states with an unemployment rate of 8.5% or above to extend benefits for another 13 weeks. A growing number of states stand to gain if the Senate approves this legislation.

This would be a modest positive start, but it just begins to address the limits of the system. In 1975, over half of unemployed workers qualified for benefits. By 2008, that figure had fallen to 37%. With more employers relying on part time employees and more workers able to work only part time, the limitation of UI to full time workers is a grave injustice to today's work force. My home state of Maine covers part time workers, but many other states do not. (See the September/October issue of *Dollars and Sense* for a thorough discussion of unemployment insurance.)

The wide variation in benefits by state highlights another aspect of the system requiring reform. The existing system was crafted as part of a New Deal era compromise to obtain enough Southern Democrat votes for passage of the original Social Security system. The legislation exempted agricultural and domestic labor from Social Security and granted considerable flexibility to the states in administering welfare and unemployment compensation. In practice this compromise has led to extreme disparities in amounts paid and in eligibility requirements and has worked to the

disadvantage of women and minorities.

Now is a propitious time to make long-term improvements of the system. These should include at a minimum expanded benefits for dependents, discounting or providing healthcare, requiring coverage of part time workers, and ending taxation of unemployment benefits.

Conservatives often argue, as did Georgia Republican Rep. John Linder, that UI "only encourages people to stay unemployed, rather than take even low-paying jobs." Yet since the levels of compensation as a percentage of employment income is small and the number of jobs for each active seeker very limited, this argument is hard to advance with a straight face. Historically, the Federal Reserve has taken the least threat of inflation as a reason to raise interest rates and slow the economy. The US has seldom enjoyed real full employment, and the cause is government policy, not worker attitudes.

Unemployed workers are a far greater drag on economic efficiency than modest inflation. If Congress mandated full employment, funded job training for the temporarily unemployed and if more employers provided living wages and better working conditions, arguments like Linder's would be even harder to sustain. All of these reforms could be achieved within the framework of a capitalist economy.

More broadly, how can Congress worry so much about the purportedly corrupting influence of UI when the safety net it provides investment bankers is hundreds if not thousands of times more generous? When those bankers are lazy or careless, they do vastly more harm than any unemployed clerk or janitor.

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