Millions of unemployed finding US safety net in shreds

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The prospect of mass unemployment once again threatens the American working class. Officially 7.7 million people were out of work in the US in October, an increase of 2.2 million over the same month in 2000, according to Labor Department statistics. With the pace of layoffs accelerating as the economy moves into recession, economic forecasters predict that another 1.5 million jobs may be slashed over the next three quarters.

What will laid-off workers face in a new slump, after two decades of unrelenting bipartisan attacks on social programs carried out by the government at every level? Welfare benefits were effectively gutted through welfare "reform" presided over by President Clinton in 1996. Unemployment Insurance (UI), the principal program for jobless workers, has emerged as the most significant element of what remains of the social safety net, particularly for low-wage workers. However, since the Reagan years of the 1980s this program, initiated in 1935, has been systematically undermined.

Fewer than 40 percent of jobless workers received jobless benefits last year. To make life more difficult for the unemployed, 19 states have raised the minimum earnings requirement since 1996 and some states—such as Alabama—have more than doubled the amount a worker must earn to qualify for UI benefits. In 1982 the federal government also ceased making zero-interest loans to states with insolvent UI trust funds, raising their cost of borrowing and effectively forcing states to reduce spending on the program. To make matters worse, workers must also pay taxes on their meager benefits.

"I feel like I am a hamster on a treadmill," said Roger, an unemployed worker from the steel mill town of Mckeesport, Pennsylvania, who is ineligible for benefits. "I go from one job to another, none of them pay enough to live on or have any benefits. Now the mill is slowing down and there is nothing to get off onto."

According to a report issued by the Institute for Women's Policy Research, each state sets its own earnings requirements for UI. These requirements, the report states, "tend to shut low-wage workers out of the system. In most states, income qualifications are based on overall earnings rather than the number of hours worked," meaning lower paid workers must be on the job longer to qualify for benefits.

The amount of earnings required to qualify for UI benefits varies from state to state, ranging from a low of $130 in Hawaii to a high of $3,400 in Florida in a year. The average requirement is $1,681. Therefore a minimum-wage employee would have to work 326 hours in a year to meet the average earnings requirement. In Florida the same worker would have to be employed 660 hours to qualify for the state's minimum benefit of $32 a week.

Through its onerous requirements and miserable benefits, the state of Alabama virtually guarantees that an unemployed worker will live in poverty. To qualify for maximum benefits, a worker has to earn $9,120 in a year, with $4,560 earned in a single quarter during that period. Moreover, the worker has to meet other requirements: working in an industry covered by UI, not being self-employed and not having been fired for cause or having quit. If he or she survives that bureaucratic obstacle course, the worker is entitled to the maximum benefit of a princely $190 a week!

Even if a worker meets the eligibility requirements for UI, the next problem is the utter inadequacy of the benefit amount. According to the Economic Policy Institute (EPI), "Since 1990, the percentage of lost income replaced by UI benefits across the 50 states has fallen five percentage points, so that, in 1999, UI benefits replaced only 33 percent of an average worker's lost earnings.... In 12 states, real maximum benefit amounts were lower in 2000 than in 1990." The worst states—Alabama, Arizona, California, Mississippi and South Dakota—had maximum weekly benefit levels of $230 or less. UI benefits are provided for no more than 26 weeks.

The EPI study continues: "Since UI benefits, even when combined with the earnings of a spouse employed part-time, will not cover the family budget, families must find other ways to make ends meet. The hard tradeoffs include increasing the hours worked by the part-time spouse, drawing down any existing savings, or going into debt. In a recession, however, it may be difficult for part-time workers to increase hours of work, and single-parent families do not have access to this possibility at all. As for relying on some sort of emergency 'nest egg,' most families have none (note also that basic family budgets do not include any 'spending' for savings). Savings rates for American families are at historic lows, and many were deeply in debt before the current recession. The current average outstanding consumer debt per worker is nearly $5,000, making going into further debt an impossibility for many families.

"Making cuts in the family budget would mean living with inadequate food, eliminating health insurance, or doing without other necessities such as transportation, clothing, or utilities," the report adds.

Dave Losi lost his job from a small family-owned printing business in Pennsylvania in October. He had worked at the company for three years, earning only $9.75 an hour. "Just getting that was like pulling teeth," he said. Although David will most likely qualify to collect unemployment insurance, he will receive only about $200 per week. "It would be real hard to live off of unemployment. Luckily my wife is working or we would be in real trouble. How can you pay for your home, utilities and buy food on that?"

Part-time workers, who account for at least 20 percent of the workforce, are the most at risk in the UI system. Workers exclusively pursuing part-time work are deemed ineligible for benefits in at least 30 states. This restriction disproportionately affects women.

Social and economic issues that affect employment and earnings are not considered in state eligibility criteria. "[M]any states do not allow workers to receive UI if they left their jobs because of inadequate child care, sexual harassment, or domestic responsibilities," states the Institute for Women's Policy Research.

"I did not qualify for any unemployment benefits," said Angela Perkins, an unemployed young mother of a two-year-old son who lost her job at a Shop-and-Save supermarket in the Pittsburgh area over the summer. "I worked there for four months, I worked just 24 hours a week at the minimum wage. I would take home about $100 a week. Can you imagine trying to support yourself and a child on $100 a week?"

Angela was forced onto welfare, receiving $316 a month in cash benefits and another $250 a month in Food Stamps. "This is not enough to live on, I had to wait a month before I started receiving any benefits," she said.

Angela's mother took care of her son while she trained to become a certified nurse's assistant. "If I had to pay for child care I don't know what I could do. Day care costs so much that I would not be able to afford it."

Various studies concur that former welfare recipients driven from the rolls after 1996 and now working at low-paid jobs will fare the worst in a new recession. Reports indicate that no more than 20 percent of former unemployed welfare receivers would be eligible for UI in a downturn.

In 1996 welfare was terminated as an entitlement program. As a result, every state has narrowed the eligibility requirements and drastically reduced the benefit amounts. Most legal immigrants or adults under 45 who do not have dependent children are ineligible for assistance in a majority of states. All states require that those receiving welfare seek employment. Time limits were imposed on the length of time a family could stay on welfare, generally less than the federal limit of two consecutive years with a five-year lifetime maximum.

Between August 1996 and December 1999, approximately 2.1 million families left Temporary Assistance for Needy Families (TANF) and entered the job market. These workers were generally employed in low-paying jobs most vulnerable to a recession, such as travel, restaurant, hotel and entertainment.

In the wake of September 11 the Bush administration has proposed an economic stimulus package that would provide only token assistance to unemployed workers. It is largely a further tax cut for big business and the wealthy. The administration originally proposed to extend unemployment benefits for an additional 13 weeks only in the three states most affected by the terrorist attacks and in those where unemployment rates increased by 30 percent or more. In addition the extended benefits would have only applied to workers who lost their jobs after September 11 and would not have started until March of next year.

Bush is now backing a Congressional proposal, which gives money to state governments without requiring them to increase the amount or duration of benefits. Having cut unemployment tax rates during the years of economic expansion, and now facing a sharp loss of income because of the economic downturn, most states will likely use the funds as a stopgap to maintain their present level of benefits. Currently many states lack sufficient UI funds to weather a minor economic downturn, much less a serious recession.

The Senate has yet to vote on the economic stimulus measure, but current proposals in circulation contain slightly more benefits than the Congressional plan. Even the most generous of these, however, falls far below the estimated $35 billion needed to fund the same level of UI benefits obtainable during the 1991 recession, which in turn were far below what was available during the recessions of the mid-1970s and early 1980s.