



Extended Unemployment Benefits Can Provide a Critical Boost for Wisconsin's Jobless Workers and the State's Economy

Families across Wisconsin are struggling. The state unemployment rate is now at 7.4%, up from 4.3% in early 2008.¹ A massive loss of jobs has resulted in strained family budgets and increased poverty. Nationwide, there are more than four unemployed workers for every job opening. Given the fragile state of our economy, unemployment benefits serve as a critical safety net for families affected by job loss, allowing them to pay for food and other bills as they search for employment. In fact, the median worker has no financial wealth, comparing assets to debts, before they become unemployed.²

Despite the value of unemployment benefits to families across the state, Wisconsin is one of the small minority of states³ that have not made a simple change in state statutes to provide an additional 13 weeks of federally-funded extended unemployment benefits to those who have exhausted what's currently available. This change would provide badly needed assistance to those having the most difficult time finding a job, and it would provide an estimated \$89 million infusion of federal aid into the Wisconsin economy.

Recently, some in the business community and state capitol have expressed opposition to taking the step to provide extended benefits, suggesting that those benefits lead to the unemployed being unwilling to take available jobs and choosing instead to stay jobless. The evidence suggests, however, that extending benefits plays a limited role in lengthening the period of unemployment, and that any small effect of that sort is far outweighed by the advantages of providing benefits to unemployed workers.

Laid off workers have strong incentives to find another job. Wisconsin unemployment benefits pay a maximum of \$363 per week, equal to just \$9 an hour working full time, and the average over the last year was just \$277 per week (versus about \$299 nationally).⁴ This compares poorly to wages for skilled manufacturing positions, which typically pay more than \$20 per hour. It's in the best interest of workers to apply and accept job offers for these positions rather than staying on unemployment.

While current unemployment benefits in Wisconsin provide up to 73 weeks of benefits and these federally-funded extended benefits would provide an additional 13 weeks, those on unemployment in Wisconsin receive on average only 17.3 weeks of benefits.⁵ So while extended benefits serve as a vital lifeline for those that need it, most unemployed workers in the state are not without a job long enough to need them.

Further, to receive unemployment benefits one must be actively looking and applying for jobs. Wisconsin law requires that unemployed workers contact two employers every week to apply for a job in order to continue receiving benefits. Workers cannot collect benefits without committing to an active job search.

Research indicates that providing unemployment benefits to the jobless plays a limited role in how long a worker stays unemployed. Economists from the Federal Reserve Bank of San Francisco found that unemployed workers receiving benefits stayed unemployed only slightly longer than those not eligible for benefits⁶, and the effect has been diminishing.⁷

Providing the unemployed with benefits is good for the economy. Mark Zandi, Chief Economist at Moody's Analytics, has found that every dollar spent in unemployment benefits increases economic activity by \$1.61.⁸ This multiplier effect ripples out into our communities as the unemployed spend their benefits on essentials, supporting all workers and families throughout the state in addition to those directly receiving the unemployment benefits.

In addition, Wisconsin families and our economy benefit from policies that allow workers to find the best job for which they're qualified. One can imagine a scenario in which no unemployment benefits existed. A worker earning nearly \$20 an hour as a welder would likely have to take the very first job he or she found in order to support themselves and their family. This new job may pay significantly less than the previous job – many service workers make less than \$9 an hour. The worker would have less buying power than before, reducing consumer demand and slowing economic growth. Mortgages may no longer be paid in full, leading to homelessness and blighting our communities. Both the worker and the economy as a whole would lose out because the worker's previously learned skills would not be put to use in the new job.

And while some Wisconsin businesses are experiencing a skilled labor shortage, this is not due to the presence of extended unemployment benefits. Instead, as leaders in government and business will attest, better linkages between education, training, and employment need to be made. The existence of an additional 13 weeks of unemployment benefits is unlikely to have more than a negligible effect, especially since the skilled workers who are in short supply can make far more by working.

Unemployment benefits provide a crucial safety net for families at risk of falling into poverty. Providing for extended benefits would not cost the state a cent, but would provide an economic stimulus as workers receiving those benefits spend their money on goods and services. Policymakers in Wisconsin should recognize the full scope of advantages to providing unemployment benefits as they consider whether to provide for federally funded extended benefits.

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¹ Wisconsin Department of Workforce Development, <http://dwd.wisconsin.gov/uistats/>, retrieved 6-22-11. U.S. Census Bureau, Local Area Unemployment Statistics. The Wisconsin seasonally adjusted unemployment rate was 4.3% in Feb, March, and April of 2008.

² Jonathan Gruber, *The Wealth of the Unemployed*, 2000. <http://econ-www.mit.edu/files/102>

³ As of June 4, 2011, extended benefits were available in 33 states and the District of Columbia. Some of the other states had unemployment rates too low to qualify. Wisconsin appears to be one of nine states that could get the federally funded extension but has chosen not to do so or has yet to act on the issue.

⁴ These weekly figures are averages for the 12-month period ending March 31, 2011, and they come from the Dept. of Labor data source cited below.

⁵ U.S. Department of Labor, 2011. http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_1.pdf

⁶ Rob Valletta and Katherine Kuang, 2010. <http://www.frbsf.org/publications/economics/letter/2010/el2010-12.html>

⁷ While a more significant connection between available benefits and length of unemployment has been found in the past, this was often the result of employers intentionally timing layoffs and rehires during business slowdowns (or during the off-season) with the duration of time workers were eligible for benefits, and that does not appear to be a significant business practice during the current downturn.

⁸ Testimony to Senate Finance Committee, 4-14-2010, <http://www.economy.com/mark-zandi/documents/Senate-Finance-Committee-Unemployment%20Insurance-041410.pdf>