



Written by [Bob Adelman](#) on July 23, 2010

Temporary Unemployment Benefits – Permanent Welfare?

The White House on July 21 extolled the extension of unemployment insurance by the Senate, claiming it was “not only the decent thing to do but one of the most effective ways to boost our economy.” President Obama signed the extension into law immediately, saying that this was “desperately needed assistance to two and a half million Americans who lost their jobs in the recession...Americans who...will finally get the support they need to get back on their feet during these tough economic times.”



Alan Reynolds of the Cato Institute [strongly disagrees](#) that such action was “decent” or “effective,” stating flatly that such extension of benefits will not only increase the amount of unemployment in the workforce, but also the length of time those workers will stay unemployed. “When the government pays people 50-60 percent of their previous wage to stay home for a year or more, many of them do just that,” according to Reynolds. “Extending unemployment benefits [is] guaranteed to leave many more people unemployed for many more months.”

He adds, “The unemployment rate has been rising because unprecedented numbers of those who became unemployed six to 19 months ago are remaining ‘on the dole’ until their benefits are nearly exhausted.” Assistant Secretary of the Treasury Alan Krueger and Bruce Meyer of the University of Chicago, in a 2002 survey, confirmed that “unemployment insurance and worker’s compensation insurance ... tend to increase the length of time employees spend out of work.”

[Elsewhere](#), Reynolds points out another flaw in the White House announcement: “Whether the government pays people to work or to stay on the dole, it has to get the money by taxing, borrowing or printing money - all of which *reduce* [his emphasis] real income and employment opportunities in the private sector. To imagine that borrowing from Peter to pay Paul is a way to create [a job for] Paul is to forget that Peter expects his money back, with interest.”

There’s another negative impact from the government’s generosity: how long it takes for an unemployed worker to find another job. The Bureau of Labor Statistics just announced that the “median duration of unemployment” is now more than 25 weeks, the highest since the BLS started charting this figure in 1968. [Gary North](#) says, “We have not seen anything like this in my lifetime.” He is 71. North adds, “It is likely that this statistic ... will go much higher. This is really serious. It means that no one will hire these people. If some people are out of work for a year or more ... employers will not want to hire them again...Congress has placed them on permanent welfare.”

There is another negative, too: These “welfare clients have lost their sense of calling. They used to work. Now they are on welfare. They used to regard welfare recipients as bums and freeloaders. Now they face new careers as bums and freeloaders.”

Some who have found themselves on unemployment “welfare” have fought their way back. Mike



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Rogers, in his [Confessions from Inside the Welfare State](#), discovered that he couldn't hold down a job and still get good grades in school. Rogers said, "I had to quit my job and devote more time to study. My boss ... told me that instead of quitting, he'd have me 'laid off' [so that] I could still get paid money from the government." After completing the paperwork, Rogers said "Finally a check came in the mail. I was stunned. The State of California was paying me *more money* [emphasis added] a week in unemployment benefits than my former employer ... was paying me to work!" Rogers then asked: "What kind of an insane system is that? I felt bad about it ... and stopped filing ... because I thought it was, frankly speaking, dishonest on my part to do so."

In a [study just released](#) by Pew Research, there are other negative impacts from long-term unemployment, including workers' finances, their emotional well-being as well as long term future career prospects. "Major changes" were reported by almost half of those out of work for at least six months, including being in much worse financial shape, suffering strained family relations, and losing contact with close friends. Unemployed workers also lost some self-respect, and many reported having to seek professional help for depression and other emotional issues. For many, their unemployment difficulties have had a "big impact" on their long-term career goals, and many reported changing their careers or at least considering such a change. And long-term unemployment has affected their attitude as well, many reporting being "significantly more pessimistic" about their chances of finding a job as good as the one they lost.

The *Washington Times* [opined](#) that with each extension of benefits, "the so-called insurance program becomes less and less 'temporary' and closer to a typical welfare program intended to encourage permanent dependence on the government." The *Times* added: "No nation can thrive on a policy of a debt-fueled redistribution of wealth from the active to the inactive. Only by reducing the crushing tax burden on individuals and businesses will the economy have the room it needs to grow and prosper."



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