

# Millions wait for delayed jobless checks

## Cracks in unemployment system widen under strain of recession

The Safety Net

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WASHINGTON - Years of state and federal neglect have hobbled the nation's unemployment system just as a brutal recession has doubled the number of jobless Americans seeking aid.

In a program that values timeliness above all else, decisions involving more than a million applicants have been slowed, and hundreds of thousands of needy people have waited months for checks.

And with benefit funds at dangerous lows even before the recession began, states are taking on billions in debt, increasing the pressure to raise taxes or cut aid, just as either would inflict maximum pain.

Sixteen states, with exhausted funds, are now paying benefits with borrowed cash, and their number could double by the year's end.

Call centers and Web sites have been overwhelmed, leaving frustrated workers sometimes fighting for days to file an application.

While the strained program still makes more than 80 percent of initial payments within three weeks — slightly below the standard set under federal law — cases that require individual review are especially prone to delay. Thirty-eight states are failing to make those decisions within the federal deadline.

For workers who survive a paycheck at a time, even a week's delay can mean a missed rent payment or foregone meals.

### 'Terrified'

Kenneth Kottwitz, a laid-off cabinet maker in Phoenix, waited three months for his benefits to arrive. He exhausted his savings, lost his apartment and moved to a homeless shelter.

Luis Coronel, a janitor at a San Francisco hotel, got \$6,000 in back benefits after winning an appeal. But in the six months he spent waiting, there were times when he and his pregnant wife could not afford to eat.

"I was terrified my wife and daughter would have to live on the street," Mr. Coronel said.

Labor Secretary Hilda Solis said: "Obviously, some of our states were in a pickle. The system wasn't prepared to deal with the enormity of the calls coming in."

The program's problems, though well known, were brushed aside when unemployment was low.

"The unemployment insurance system before the recession was as vulnerable as New Orleans was before Katrina," said Representative Jim McDermott, Democrat of Washington, who is chairman of a House panel with authority over the program.

Now the number of unemployed Americans has doubled since 2007 to 15 million and the program is more than tripling in size. About 9.5 million people are collecting benefits, up from about 2.5 million two years ago. Spending is expected to reach nearly \$100 billion this year, about triple what it was two years ago.

Given how suddenly the workload has increased, some analysts say the delays might have been even worse.

"Payments are later than they should be, and later than they used to be, but states have been overwhelmed," said Rich Hobbie, director of the National Association of State Workforce Agencies, which represents the program's administrators. "Considering the significant problems in the program, unemployment is responding well."

The recovery act passed in February provided states an additional \$500 million for administration. It also suspended interest payments through 2011 for states paying benefits with federal loans.

Unemployment insurance began as a New Deal effort with dual goals: to sustain idled workers and stimulate weak economies. States finance benefits by taxing employers, typically building surpluses in good times to cover payments in bad.

In 2007, the average state paid about \$290 a week and aided 37 percent of the unemployed.

As downturns over the last 20 years proved infrequent and mild, states cut taxes, and the federal government, which pays administrative costs, reduced its support by about 25 percent. The states' performance sagged.

In a recent report to the Department of Labor, Ohio said its computer problems "kept the system performance at a snail's pace." Louisiana said its call center was staffed with "temporary workers, with little knowledge" of unemployment insurance.

North Carolina said a wave of retirements had left it "unable to maintain pace or volume of work." Virginia wrote "performance continued to be very stagnant" and called the odds of improvement "bleak."

By 2007, 11 states were paying benefits so slowly they violated multiple federal rules, up from just two at the start of the decade.

While most eligibility reviews can be done by computer, about a quarter require a caseworker — to ensure, say, the applicant was laid off, rather than quit.

In the last year, states processed just 61 percent of these cases within three weeks — well below the federal requirement of 80 percent. More than a half-million cases, 6 percent, took more than eight weeks, and 350,000 took more than 10 weeks.

Of the 12.8 million eligibility reviews that have occurred during the recession, 4.6 million took more than three weeks. That is 2.1 million more than federal rules allow.

Appeals take even longer, with 28 states violating timeliness rules, many of them severely.

Perhaps no state is as troubled as California, which has not met timeliness standards for nine years. As in most other states, its 30-year-old computer runs on Cobol, a language so obsolete the state must summon retirees to make changes.

Yet a major overhaul in California has been delayed for five years, with \$66 million in federal funds still waiting to be spent. In part, the shelved project was meant to upgrade the call centers, which were "completely swamped" last winter, a legislative analyst wrote, with "desperate unemployed Californians dialing and redialing for hours."

Deborah Bronow, who runs the state's unemployment insurance program, said, "The systems were antiquated to begin with," and "we were unprepared."

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