Committee on Ways and Means Democrats

Representative Sandy Levin - Ranking Member

Report – November 12, 2012

Congress Must Act to Continue Federal Unemployment Benefits

Over Two Million Americans At Risk of Losing Benefits After Christmas

Federally-funded unemployment benefits will immediately and completely stop on December 29, 2012, unless Congress acts. Maintaining these benefits for workers who have lost their jobs through no fault of their own is critically important to the economic security of millions of Americans, and more broadly, to the continued recovery of the U.S. economy.

Over Two Million Workers Will Immediately Lose Benefits

The Emergency Unemployment Compensation (EUC) program is scheduled to expire at the end of 2012, with the last payable week ending on December 29th. After changes made earlier this year, there is no longer any phase-out for the EUC program, so that every individual now receiving these benefits will lose them during the same week. The Department of Labor estimates that over two million Americans will have their EUC benefits cut off during the last week of December unless Congress acts to continue the program. [See Table 1 for a state-by-state impact.]

Hurting Families and the Economy

The Census Bureau reported that unemployment benefits (both state and federal) reduced the number of Americans living in poverty last year by 2.3 million, including over 600,000 children. A recent analysis from the Congressional Research Service found that in 2011 unemployment insurance reduced the poverty rate for families receiving it by 40 percent. This data makes it painfully clear that cutting off unemployment benefits for two million Americans will substantially increase hardship and poverty.

It is equally certain that immediately terminating federal UI benefits in December will have a chilling effect on the nation's economic recovery.

Mark Zandi from Moody's Economy.com projects that allowing EUC benefits to end this year will reduce economic growth next year by $58 billion. Zandi testified earlier this year that "*Emergency UI provides an especially large economic boost, as financially stressed unemployed workers spend any benefits they receive quickly*." The Congressional Budget Office (CBO) similarly concluded in a report this year that assistance for the unemployed has one of the "*largest effects on employment per dollar of budgetary cost*."

Long-Term Unemployment Still a Huge Problem

The percentage of jobless Americans who have been unemployed for longer than 6 months remains near historic levels. 40 percent of the unemployed, or 5 million Americans, are now long-term unemployed. By comparison, before the "Great Recession," the highest long-term unemployment rate ever recorded since 1948 was 26 percent. [See Table 2 for the historic rate of long-term unemployment.]

The CBO reported earlier this year that "*slack demand for goods and services...is the primary reason for the persistently high levels of unemployment and long-term unemployment*." Recovering all of the jobs lost because of this drop in demand is a steep climb. Even with the 5.4 million new private-sector jobs created over the last 32 months, there are still nearly 4 million total fewer jobs in the economy now than compared to the beginning of the recession. This jobs deficit leaps to 9 million when accounting for growth in the potential labor force, according to an analysis from the Economic Policy Institute. [See Table 3 on the jobs shortfall.]

The improvement in the economy over the last few years has improved the ratio of unemployed workers to job openings. However, with 3.4 unemployed workers for each available job, this job-seekers ratio remains worse than during any part of the 2001 recession.

Federal Unemployment Benefits Already Significantly Reduced

In February, the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) extended but also phased down federally-funded unemployment benefits. In a three-step process, the law reduced the availability and number of weeks provided by the four tiers of the Emergency Unemployment Compensation program.

Under the current EUC program, all states are eligible to provide 14 weeks of benefits under tier 1 (compared to 20 weeks under prior law), only states with unemployment rates at or above 6 percent are eligible for 14 weeks of benefits under tier 2, only states with unemployment rates at or above 7 percent are eligible for 9 weeks under tier 3, and only states with unemployment rates at or above 9 percent are eligible for 10 weeks under tier 4.

Additionally, a second program known as Extended Benefits (EB) has shut down in every state except one because the last UI extension failed to expand the program's 3-year look back requirement. Under the EB look back, states must meet not only a test of high unemployment, but also must have increasing unemployment compared to at least one of the most recent three years. This requirement effectively ends EB benefits in states with consistent rates of high unemployment.

The combination of these legislative reductions in benefits and the recent improvement in the unemployment rate (upon which certain benefits are based) significantly reduced the number of weeks of unemployment compensation now available to dislocated workers. The Congressional Research Service (CRS) finds <u>the total number of weeks of unemployment benefits available to jobless Americans has been **reduced** by an average of 31% across the States over the last year.</u> While many states were once eligible to provide up to 99 weeks of total unemployment benefits (federal and state), no state provides such a level now, and states currently provide an average of 58 weeks of total benefits. [See Table 4 on the maximum benefits available in each state now compared to last year.]

Additionally, the share of the jobless receiving unemployment benefits has dropped – from 64% two years ago to only 43% this September.

If the unemployment rate continues to drop, the duration of EUC eligibility will fall even further because States will increasingly fail to meet unemployment thresholds required to provide a certain level of benefits. For example, <u>under an extension of the *current* EUC program, average benefits across the states would drop by nearly five weeks if every State's 3-month average unemployment rate fell by only one percentage point next year</u> according to CRS.

Conclusion

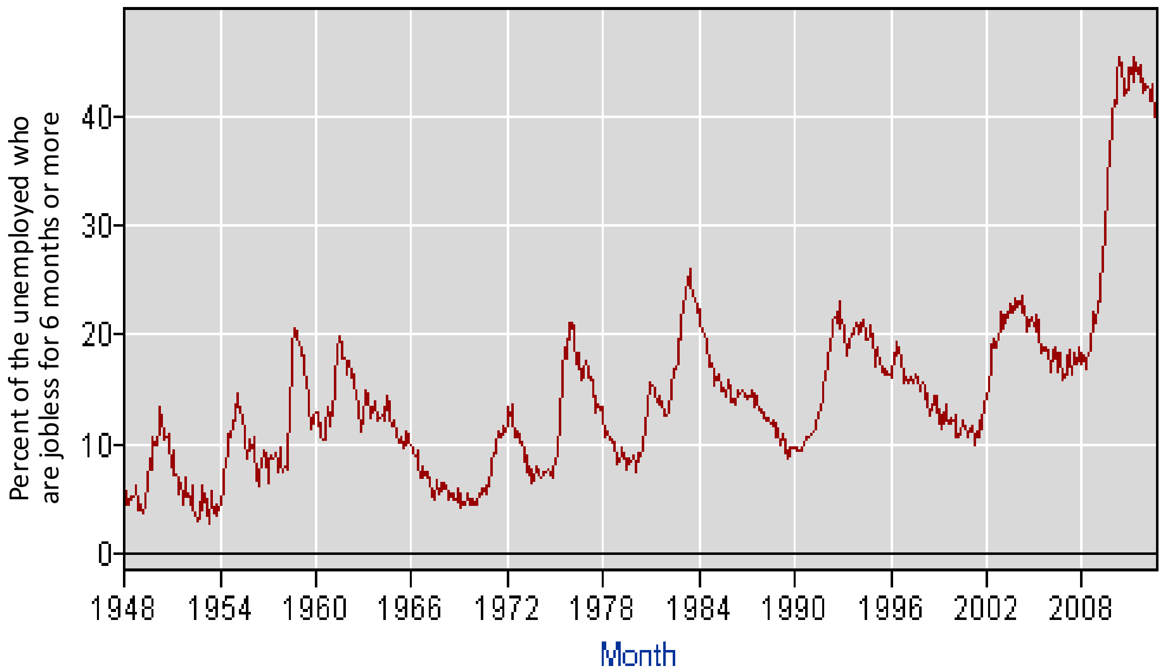
While federally-funded extended unemployment benefits have been significantly reduced over the last year, these benefits remain a critical support for Americans struggling to find work in a difficult economy. If Congress fails to act quickly, over two million workers will immediately lose this vital assistance a few days after Christmas. This would deal a devastating blow to already hard-hit families still looking for work as well as undercut the nation's economic recovery. Congress must act promptly to continue this economic lifeline.

Table 1: Number of People Losing Unemployment Insurance in December if Congress Fails to Act

Estimated Number of Claimants Losing EUC Benefits After the Week Ending December 29, 2012	
AK	7,100
AL	15,600
AR	12,000
AZ	27,900
CA	362,800
CO	25,800
CT	33,600
DC	5,800
DE	4,800
FL	113,900
GA	114,800
HI	5,500
IA	7,900
ID	6,100
IL	88,800
IN	34,600
KS	9,800
KY	24,000
LA	12,600
MA	50,100
MD	33,700
ME	6,400
MI	92,900
MN	16,000
MO	32,400
MS	22,100
MT	3,600
NC	77,100
ND	400
NE	3,900
NH	2,400
NJ	119,600
NM	7,300
NV	23,200
NY	204,100
OH	51,500
OK	7,500
OR	32,400
PA	115,300
PR	30,200
RI	8,700
SC	30,000
SD	500
TN	31,900
TX	110,400
UT	4,100
VA	15,800
VI	400
VT	1,300
WA	45,300
WI	43,300
WV	8,700
WY	1,200
Total	2,147,100

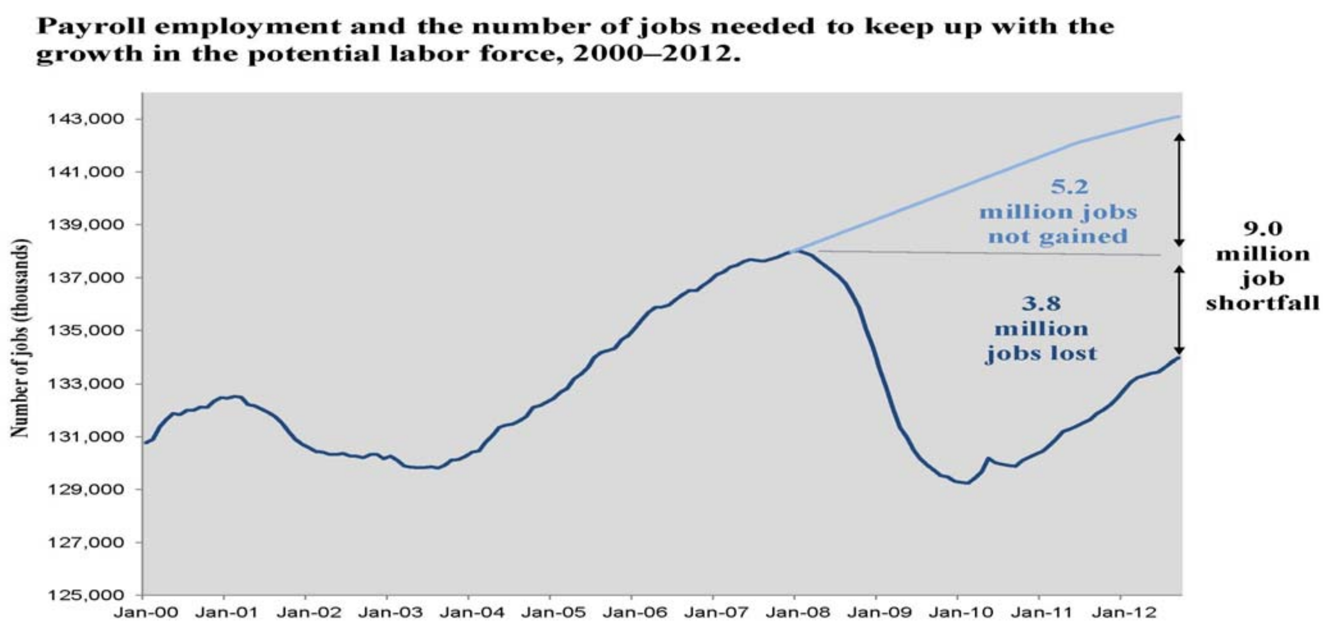
Source: Department of Labor, November 9, 2012.

Table 2: Long Term Unemployment



Source: Bureau of Labor Statistics, November 2, 2012.

Table 3: Jobs Deficit



Source: Economic Policy Institute, November 2, 2012.

Table 4: Reduction in Available Weeks of Unemployment Insurance

Maximum Weeks of UI Benefits Available: October 2011 and October 2012									
	October 2011				*October 2012*				*Oct 2011 to Oct 2012: % Change*
State	Regular	EUC	EB	Total	Regular	EUC	EB	Total	
Alabama	26	53	20	99	26	37	0	63	-36.4%
Alaska	26	47	0	73	26	37	0	63	-13.7%
Arizona	26	53	0	79	26	37	0	63	-20.3%
Arkansas	25	46	0	71	25	35.75	0	60.75	-14.4%
California	26	53	20	99	26	47	0	73	-26.3%
Colorado	26	53	20	99	26	37	0	63	-36.4%
Connecticut	26	53	20	99	26	37	0	63	-36.4%
Delaware	26	47	20	93	26	28	0	54	-41.9%
District of Columbia	26	53	20	99	26	37	0	63	-36.4%
Florida	26	53	20	99	19	27.17	0	46.17	-53.4%
Georgia	26	53	20	99	19	34.58	0	53.58	-45.9%
Hawaii	26	47	0	73	26	28	0	54	-26.0%
Idaho	26	53	20	99	26	37	0	63	-36.4%
Illinois	26	53	20	99	25	35.75	0	60.75	-38.6%
Indiana	26	53	20	99	26	37	0	63	-36.4%
Iowa	26	47	0	73	26	14	0	40	-45.2%
Kansas	26	47	13	86	26	28	0	54	-37.2%
Kentucky	26	53	20	99	26	37	0	63	-36.4%
Louisiana	26	47	0	73	26	37	0	63	-13.7%
Maine	26	47	13	86	26	37	0	63	-26.7%
Maryland	26	47	13	86	26	37	0	63	-26.7%
Massachusetts	26	47	13	86	26	28	0	54	-37.2%
Michigan	26	53	20	99	20	36.4	0	56.4	-43.0%
Minnesota	26	47	13	86	26	14	0	40	-53.5%
Mississippi	26	53	0	79	26	47	0	73	-7.6%
Missouri	20	41.6	16	77.6	20	28.6	0	48.6	-37.4%
Montana	26	47	0	73	26	28	0	54	-26.0%
Nebraska	26	34	0	60	26	14	0	40	-33.3%
Nevada	26	53	20	99	26	47	0	73	-26.3%
New Hampshire	26	34	0	60	26	14	0	40	-33.3%
New Jersey	26	53	20	99	26	47	0	73	-26.3%
New Mexico	26	47	13	86	26	28	0	54	-37.2%
New York	26	47	20	93	26	37	20	83	-10.8%
North Carolina	26	53	20	99	26	47	0	73	-26.3%
North Dakota	26	34	0	60	26	14	0	40	-33.3%
Ohio	26	53	20	99	26	37	0	63	-36.4%
Oklahoma	26	34	0	60	26	14	0	40	-33.3%
Oregon	26	53	20	99	26	37	0	63	-36.4%
Pennsylvania	26	47	13	86	26	37	0	63	-26.7%
Puerto Rico	26	53	0	79	26	47	0	73	-7.6%
Rhode Island	26	53	20	99	26	47	0	73	-26.3%
South Carolina	20	41.6	16	77.6	20	36.4	0	56.4	-27.3%
South Dakota	26	34	0	60	26	14	0	40	-33.3%
Tennessee	26	53	20	99	26	37	0	63	-36.4%
Texas	26	47	20	93	26	37	0	63	-32.3%
Utah	26	47	0	73	26	28	0	54	-26.0%
Vermont	26	34	0	60	26	14	0	40	-33.3%
Virgin Islands	26	53	0	79	26	47	0	73	-7.6%
Virginia	26	47	0	73	26	14	0	40	-45.2%
Washington	26	53	20	99	26	37	0	63	-36.4%
West Virginia	26	47	20	93	26	37	0	63	-32.3%
Wisconsin	26	47	13	86	26	37	0	63	-26.7%
Wyoming	26	34	0	60	26	14	0	40	-33.3%
National Average	25.8	47.8	11.6	85.2	25.4	32.5	0.4	58.3	-31.2%

NOTES: "October 2011" refers to the week beginning October 23, 2011. "October 2012" refers to the week beginning October 21, 2012. Three states--Arkansas, Missouri, and South Carolina--enacted state laws to reduce the maximum duration of regular unemployment benefits (i.e., to make regular benefits payable for fewer than 26 weeks) prior to October 2011. An additional four states--Florida, Georgia, Illinois, and Michigan--made similar reductions in regular benefit duration that were effective prior to October 2012. The "National Average" row at the bottom of the table is a unweighted average of the number of weeks available in each State.

SOURCE: Compiled by Congressional Research Service using U.S. Department Labor trigger notices for EUC08 and EB (available online at http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp)