



Committee on Ways and Means Democrats

Representative Sandy Levin - Ranking Member

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Opposition to Helping the Long-term Unemployed Misreads History and Overlooks Benefits to the Economy

3.6 Million Have Now Lost Their Unemployment Benefits Due to Termination of Federal Assistance

Overview

Evidence proves that federal unemployment benefits played a critical role in preventing the recession from collapsing into a depression and should be part of the nation's effort toward continued economic recovery. The positive impact of unemployment insurance (UI) in the recession was substantial - improving consumer spending, job creation, labor force attachment, poverty, and the rate of home foreclosures. Unfortunately, 3.6 million long-term unemployed Americans have been denied the value of this program since December and

our economic recovery has suffered as a result.

The Role of Unemployment Benefits in Preventing Recessions from Turning into Depressions

The near collapse of the U.S. financial system, a major drop in real estate values, a substantial cut back in consumer and business spending, and economic troubles around the globe all conspired to make the last recession one of the worst downturns in recent history. But even as this pain still lingers for too many Americans – with nearly one in three job-seekers unemployed for longer

than six months – it is clear that the outcome would have been much worse if Congress had failed to act to help the victims of this economic distress. A 2010 [analysis](#) from Alan Blinder of Princeton University and Mark Zandi of Moody's Analytics found that government's total policy response to the recession had "*probably averted what could have been called Great Depression 2.0*" by preventing the loss of an additional 8.5 million jobs.

One action in particular – providing federally-funded unemployment benefits – played a key role in preventing a bad recession from turning into a devastating depression. Congress enacted the Emergency Unemployment Compensation (EUC) program in mid-2008 in response to growing economic turmoil and subsequently expanded and extended the program as the economic crisis widened. Between 2008 and 2013, [nearly 69 million workers and family members benefitted from the federally-funded unemployment insurance](#) provided by the EUC Program and the temporarily expanded Extended Benefits Program, according to the President's Council of Economic Advisers (CEA). Even with these benefits, the recession meant severe hardship for Americans who lost their jobs since the average weekly UI benefit equals only one-third of the average weekly

wage. But without unemployment benefits, the recession would have resulted in near immediate and total destitution for millions of Americans.

According to a CEA review of data from the Census Bureau, [11 million Americans would have fallen into poverty between 2008 and 2012 in the absence of unemployment benefits](#). Even after the EUC program had been scaled back, UI benefits still prevented another 1.2 million people from sinking below the poverty line in 2013 alone, according to the Census Bureau. (The number of weeks of federally-funded unemployment benefits was scaled back in 2012.)

Unemployment insurance prevented not only a savage blow to unemployed workers, but also to the entire U.S. economy. Without federal and state unemployment benefits, over \$550 billion in direct spending from unemployed Americans would have been pulled out of the U.S. economy over the last six years. This crushing dent in consumer spending would have led to more failing businesses, more unemployed Americans, and more home foreclosures.

The positive impact of unemployment benefits on consumer spending, and hence economic growth, is well documented. In a 2012 report, the non-partisan Congressional Budget Office (CBO) declared: "[the increase](#)

[in the amount of UI benefits during the past several years...has raised consumer spending, \[economic\] output, and employment.](#)” Similarly, Alan Blinder and Mark Zandi reported that “*Additional unemployment insurance produces very high economic activity per federal dollar spent. Most unemployed workers spend their benefits immediately; and without such extra help, laid-off workers and their families have little choice but to slash their spending.*”

The support provided by unemployment benefits also mitigates other problems that produce economic, social, and governmental costs. For example, a recent study from researchers at the Federal Reserve System and Northwestern University finds that [federal EUC benefits helped prevent 1.4 million home foreclosures between 2008 and 2012](#). The authors estimated that this impact prevented the federal government from being hit with \$46 billion in costs associated with foreclosures. Additionally, their report finds that federal UI benefits reduced delinquency risk and therefore increased access to credit.

The Role of Unemployment Benefits in Promoting Continued Recovery

The economy has made major strides since the depths of the Great

Recession – with the **private sector adding 10 million jobs over 54 straight months of job growth**. But even with this substantial progress, long term unemployment remains at levels never recorded before the Great Recession, with nearly one-third of the jobless without work for over 6 months.

Despite this fact, the Emergency Unemployment Compensation program was allowed to expire at the end of 2013. As a result, over 3.6 million Americans have had their unemployment benefits cut off through September of this year, according to estimates from the Department of Labor (see table for state-by-state impact). [About one in 10 of those losing unemployment benefits are veterans](#).

Bipartisan legislation that passed the Senate in April would have extended these benefits for part of 2014, while also fully offsetting the cost of that extension. However, the Republican leadership of the House of Representatives refused to allow consideration of the measure. [Speaker Boehner](#) seemed to offer a justification for House Republicans blocking a UI extension when he recently suggested that many unemployed Americans think they “*really don’t have to work*” and that they would “*rather just sit around.*” This statement sharply conflicts with data highlighting the desperation of

the long-term unemployed, including a recent survey from the Rutgers University Heldrich Center on Workforce Development which found that [more than 4 in 10 of the long-term unemployed sold some of their possessions to make ends meet](#), nearly a third missed a mortgage or rent payment, and two-thirds experienced family stress.

Unemployment benefits can and should play an important role in supporting continued economic recovery. [The Congressional Budget Office has estimated that the continuation of federal unemployment benefits in 2014 would boost employment by 200,000 jobs](#) because *“Recipients of the additional benefits would increase their spending on consumer goods and services... [and] that increase in aggregate demand would encourage businesses to boost production and hire more workers.”*

Federal extended unemployment insurance also produces another very important but often overlooked benefit – preventing people from giving up their search for work. To be eligible for UI benefits, an individual must actively look for work. Additionally, these benefits provide gas money and other resources to help in the search for employment. Highlighting this fact, a [recent paper](#) from Katherine Bradbury, an economist at the Federal Reserve Bank of Boston, warns that

the termination of federal unemployment benefits in December is pushing more Americans out of the labor force. Her report also suggests that *“there will be no corresponding improvement in employment rates for the long-term unemployed who lose these UI benefits.”*

Michael Strain of the conservative-leaning American Enterprise Institute came to a similar conclusion arguing that [eliminating federal UI benefits will mean “that more long-term unemployed workers will simply quit looking for a job and exit the labor force.”](#) Strain says such an outcome is *“worse for them, worse for the economy, and more expensive for the federal government over the long term.”*

Finally, [a study](#) earlier this year by Alan Krueger, Judd Cramer and David Cho of Princeton University found that even in a strong economy, the long-term unemployed face formidable challenges finding full-time, steady jobs. They suggest that without extended benefits it is more likely that the long-term unemployed will give up looking for work.

Conclusion

Despite the clear and substantial gains that have come from helping the unemployed, assistance for job seekers has been drastically cut back, even as long-term unemployment

remains a significant problem. More than 3.6 million Americans have now lost their unemployment benefits since the federal EUC program expired late last year. Opposition by House Republicans to helping these

job-seeking Americans seriously misreads recent history. A strong unemployment insurance system will help the economy, just as it helps those who are actively looking for work.

Estimated Number of People Cut Off Emergency Unemployment Compensation through Sept. 2014

STATE	Number Cut off Dec. 28*	Number Cut off Since Dec. 28**	Total
AK	6,100	13,300	19,400
AL	12,400	24,400	36,800
AR	9,200	19,400	28,600
AZ	13,800	33,500	47,300
CA	240,100	460,700	700,800
CO	18,300	37,200	55,500
CT	23,700	40,000	63,700
DC	4,300	9,900	14,200
DE	3,400	6,600	10,000
FL	60,200	108,600	168,800
GA	54,300	64,100	118,400
HI	2,000	7,400	9,400
IA	5,000	20,900	25,900
ID	2,300	9,200	11,500
IL	81,400	113,800	195,200
IN	19,900	29,900	49,800
KS	4,600	20,900	25,500
KY	17,100	21,000	38,100
LA	6,700	13,800	20,500
MA	37,700	63,700	101,400
MD	24,100	41,100	65,200
ME	3,300	10,700	14,000
MI	43,900	87,800	131,700
MN	9,500	40,400	49,900
MO	21,300	42,300	63,600
MS	11,700	14,600	26,300
MT	1,800	7,500	9,300
NC***	-	0	0
ND	700	6,300	7,000
NE	2,000	8,800	10,800
NH	1,300	4,200	5,500
NJ	74,100	121,300	195,400
NM	6,000	13,700	19,700
NV	16,400	25,200	41,600
NY	123,900	160,000	283,900
OH	39,000	52,600	91,600

OK	4,100	17,000	21,100
OR	20,200	32,100	52,300
PA	84,500	108,800	193,300
PR	21,000	31,300	52,300
RI	5,300	11,000	16,300
SC	14,500	18,100	32,600
SD	300	800	1,100
TN	17,600	31,100	48,700
TX	75,000	150,800	225,800
UT	2,800	11,400	14,200
VA	9,400	39,200	48,600
VI	1,500	1,000	2,500
VT	700	2,800	3,500
WA	29,300	45,400	74,700
WI	24,200	44,300	68,500
WV	6,100	12,500	18,600
WY	800	3,400	4,200
Total:	1,318,800	2,315,800	3,634,600

Source: US Dept. of Labor Office of Unemployment Insurance

* Estimated Claimants Cut Off EUC at Program Expiration 12/28/2013

** Regular UI exhaustees that would have potentially been eligible for EUC were it available. Includes actual regular exhaustees through August and estimated exhaustions for Sept, 2014.

*** Estimates exclude NC who ended their EUC08 program in July 2013.