

Joint Economic Committee | Democrats  
Senator Amy Klobuchar, Vice Chair

JANUARY 2014

A photograph of a man and a woman sitting at a table, looking at documents. The man is leaning over the woman, who is holding a pencil. There is a red bowl of fruit on the table in the foreground. The background is slightly blurred, showing a dining area with a window and flowers.

# The Economic Case for Continuing Federal Unemployment Insurance



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Emergency Unemployment Compensation (EUC) is a federal unemployment insurance program that provides a temporary financial lifeline for long-term unemployed workers and their families while they continue to search for work.<sup>1</sup> For most Americans, state-funded unemployment insurance runs out after 26 weeks, yet the average unemployment spell lasts over two and a half months longer. EUC provides between 10 and 47 additional weeks of unemployment insurance to workers who have exhausted their state benefits, depending on the unemployment rate in a worker's home state. Unemployment insurance benefit amounts are determined by state laws, and benefits from EUC are based on a worker's regular, state-funded unemployment insurance.<sup>2</sup>

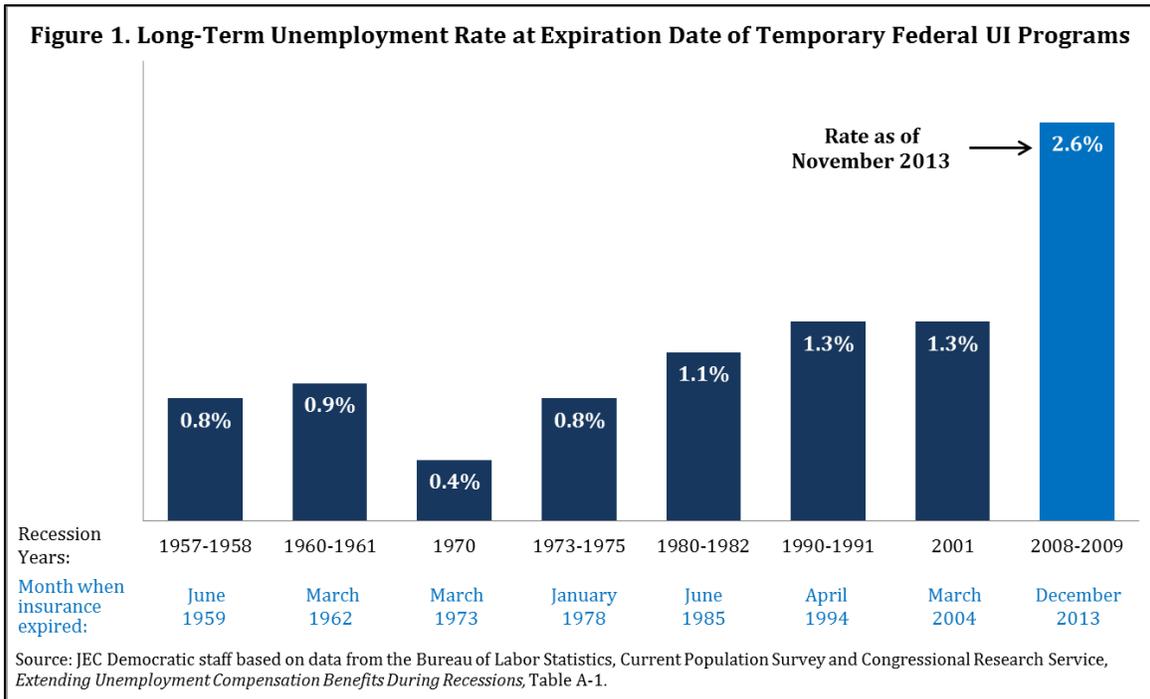
More than four million Americans, 37 percent of the unemployed, have been out of work for more than six months, making long-term unemployment one of the most significant challenges of the economic recovery.

Unemployment insurance (UI) has kept more than 11 million people out of poverty since 2008—including 1.8 million adults and 620,000 children in 2012 alone. People of all demographic and socio-economic backgrounds have been helped by unemployment insurance following a job loss. The program is also a cost-effective tool for boosting economic growth.

EUC benefits expired on December 28<sup>th</sup>, abruptly cutting off federal UI payments to 1.3 million people.<sup>3</sup> An additional 3.6 million workers will lose access to benefits over the next twelve months, bringing the total number of affected workers to 4.9 million by the end of 2014.<sup>4</sup> Renewing this program would boost demand and strengthen the economy. Congress should move quickly to reauthorize EUC benefits.

### Long-term unemployment remains a challenge

The current long-term unemployment rate of 2.6 percent is twice as high as it was when Congress allowed emergency federal UI programs to expire after the 1990-91 and 2001 recessions.<sup>5</sup> (**Figure 1**) While employment prospects have improved for many jobless Americans (the national unemployment rate is 7.0 percent—the lowest rate in five years), finding work is challenging for the long-term unemployed. More than one-third of unemployed workers (roughly 4 million Americans) have been searching for work for more than 26 weeks, when state-funded UI benefits typically run out, and 2.8 million unemployed people have been searching for work for more than one year.<sup>6</sup>



### Unemployment insurance is a lifeline for unemployed workers and their families

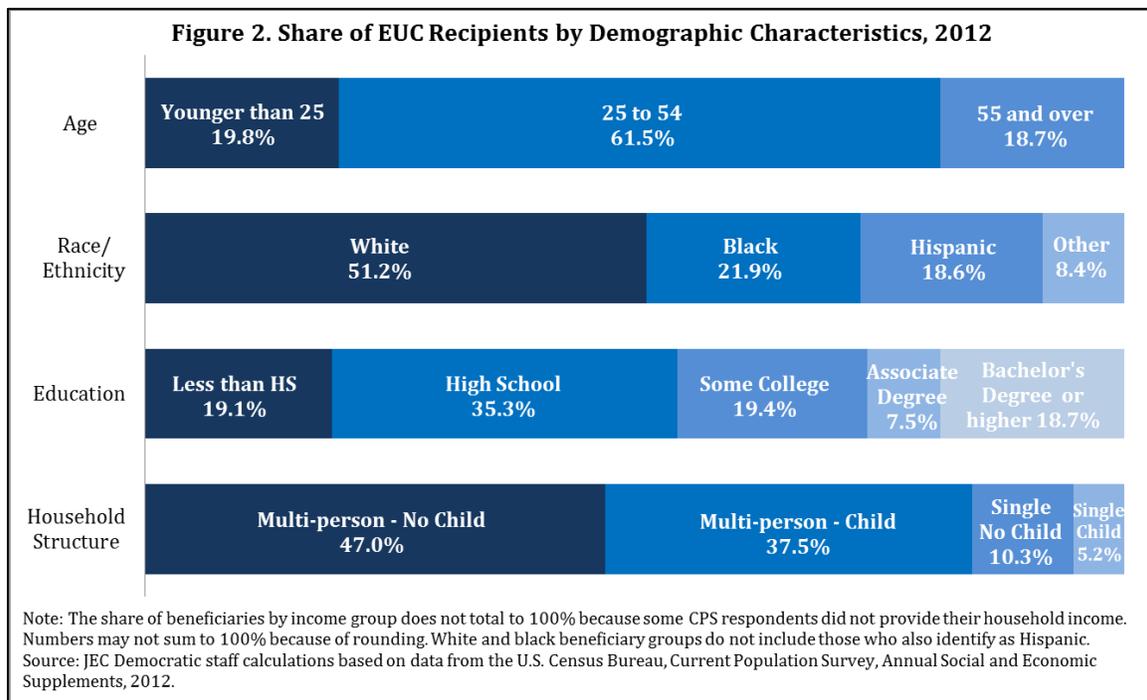
Since the EUC program took effect in July 2008, 23.9 million long-term unemployed workers have directly benefited from federal unemployment insurance benefits made available in response to the biggest economic downturn since the Great Depression.<sup>7</sup> The program has also helped an additional 45 million Americans living with a UI beneficiary, including 16.9 million children, bringing the total number of people who have benefited to 69 million.<sup>8</sup> That means that roughly one out of every five Americans received or is living with someone who received federal UI benefits at some point during the past 5½ years.<sup>9</sup>

During periods of extended joblessness, workers depend on UI benefits to pay their bills and put food on the table. Many UI recipients have insufficient savings to carry them through long unemployment spells and cover fixed financial obligations such as a mortgage or rent payment and utilities, so they often spend their benefits shortly after receiving them.<sup>10</sup> Unemployment insurance payments average about \$300 a week and replace roughly one-third of an individual’s average weekly wage.<sup>11</sup> Still, UI benefits are an effective tool for keeping families from falling into poverty when confronted with an unexpected job loss. Since 2008, 11 million people have been kept out of poverty, including 2.5 million people (1.8 million adults and 620,000 children) in 2012 alone.<sup>12</sup>

### Unemployment insurance supports people of all backgrounds

The 23.9 million Americans who have directly benefited from the EUC program since 2008 include people of all demographic and socio-economic backgrounds. As **Figure 2** shows, in 2012, more than 60 percent of recipients were between the ages of 25 and 54. The remaining recipients were about evenly split between those younger than 25 and those 55 and older. More than half of recipients in 2012 were white, while 22 percent were black, and 19 percent were Hispanic. The

vast majority (85 percent) lived in households with more than one adult, and 43 percent lived in households with at least one child.<sup>13</sup> People of all levels of education have received EUC benefits. The majority of recipients in 2012 had earned a high school diploma, and almost one-fifth held a 4-year college degree.



### Emergency unemployment insurance helps the economy

According to the non-partisan Congressional Budget Office (CBO), extending emergency UI benefits offers the greatest “bang-for-the-buck” among a range of policy options designed to boost economic activity.<sup>14</sup> Workers receiving UI payments spend their benefits quickly. This spending has a ripple effect throughout the economy, helping to foster economic growth: every dollar spent on UI benefits increases gross domestic product by as much as \$1.90.<sup>15</sup> CBO recently estimated that continuing EUC benefits through 2014 would boost GDP by 0.2 percentage point and increase employment by 200,000 jobs.<sup>16</sup> Similarly, the Council of Economic Advisers estimated that not extending federal UI benefits would cost the economy 240,000 jobs.<sup>17</sup>

### Need for EUC is widespread across states

The current employment situation varies greatly across the United States. While some states continue to experience low levels of unemployment (North Dakota, South Dakota and Nebraska), unemployment remains high in others, including Nevada, Rhode Island, Michigan, Illinois and the District of Columbia (DC). **(See Table 1)** Long-term unemployment rates also differ across states, ranging from a low of 0.6 percent in North and South Dakota to a high of 4.1 percent in DC and Rhode Island.<sup>18</sup> Nevada and New Jersey have long-term unemployment rates of 3.9 percent. **(See Map)**

In several states, high long-term unemployment is masked by a lower overall unemployment rate. Over the past 12 months, the national unemployment rate has averaged 7.5 percent, while the long-term unemployment rate has averaged 2.8 percent, meaning that 37.7 percent of unemployed workers were long-term unemployed nationwide. The long-term share of total unemployment is higher than the U.S. average in 15 states and DC. That ratio is highest in DC (46.8 percent), New Jersey (46.6 percent), Florida (46.4 percent), Rhode Island (44.9 percent), New York (44.7 percent) and North Carolina (44.0 percent). For unemployed workers in these states, renewing EUC benefits is particularly important because they are most likely to suffer long periods of joblessness.

Without UI benefits, many jobless workers and their families would fall into poverty during periods of unemployment. In California, 680,064 people, including 205,612 children, were kept above the poverty line annually by UI benefits. In Texas, 225,965 people, including 56,264 children, were kept above the poverty line annually. Even in the states with the lowest unemployment rates in the country, unemployment insurance has kept thousands of people out of poverty each year: without UI payments, an additional 1,242 people in North Dakota, 9,328 people in Nebraska and 2,881 people in South Dakota would have been in poverty.

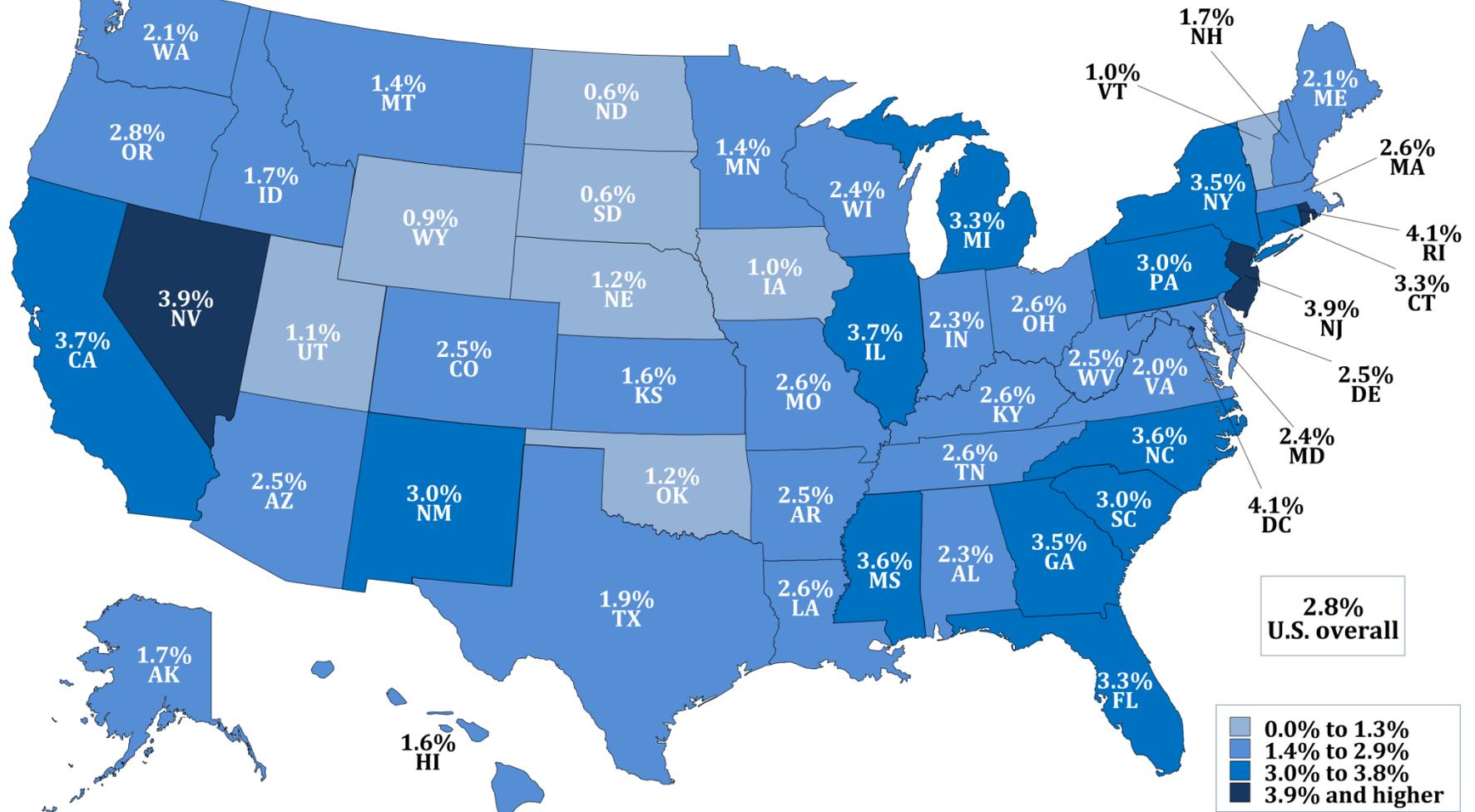
## **Conclusion**

The expiration of EUC has cut off benefits to 1.3 million long-term unemployed workers, and that number could reach 4.9 million by the end of 2014 unless Congress acts. Unemployed workers of all backgrounds are being harmed by the expiration of benefits. Nearly 24 million Americans have received benefits since the EUC program took effect in July 2008; these benefits have kept 11 million Americans out of poverty.

In addition to providing a lifeline to long-term unemployed workers during their job searches, unemployment insurance is one of the most cost-effective tools for boosting economic activity and creating jobs. Keeping long-term unemployed workers attached to the labor force increases future economic growth. Failing to reauthorize EUC with the long-term unemployment rate still high will harm long-term unemployed workers who depend on these benefits and slow the pace of economic growth. Congress should continue to provide this critical support for long-term unemployed workers and their families.

# Long-Term Unemployment Rates Vary Across States

12-month average, December 2012 to November 2013



Source: JEC Democratic staff calculations based on data from the Bureau of Labor Statistics.

**Table 1. Unemployment Data by State**

	Unemployment Rate (November 2013)	Long-Term Unemployed as a Share of the Unemployed Population	Number of People Who Received EUC Benefits Through September 2013	Number of People Lifted Out of Poverty by UI Annually	Number of Children Lifted Out of Poverty by UI Annually	Number of People Who Would Lose EUC Benefits Through the End of 2014
<b>United States*</b>	<b>7.0%</b>	<b>37.7%</b>	<b>23,894,795</b>	<b>2,458,295</b>	<b>618,788</b>	<b>4,856,400</b>
Alabama	6.2%	33.7%	277,375	47,327	15,158	48,100
Alaska	6.5%	26.2%	50,682	3,702	1,061	23,300
Arizona	7.8%	30.5%	389,899	84,119	15,851	67,000
Arkansas	7.5%	31.8%	172,392	16,864	7,285	40,300
California	8.5%	40.6%	3,158,520	680,064	205,612	836,100
Colorado	6.5%	37.4%	356,003	56,572	14,899	72,800
Connecticut	7.6%	43.6%	330,342	55,934	13,486	85,100
Delaware	6.5%	34.8%	68,468	11,406	3,874	13,800
District of Columbia	8.6%	46.8%	60,992	5,815	1,380	18,200
Florida	6.4%	46.4%	1,566,719	153,816	40,692	260,400
Georgia	7.7%	41.4%	853,334	79,531	22,494	164,700
Hawaii	4.4%	33.7%	69,946	21,420	7,272	13,300
Idaho	6.1%	25.4%	100,075	20,758	5,066	20,300
Illinois	8.7%	41.3%	1,117,929	184,494	50,086	230,500
Indiana	7.3%	28.9%	602,157	76,232	18,701	69,300
Iowa	4.4%	20.4%	228,738	25,450	8,725	35,500
Kansas	5.1%	28.6%	203,610	26,909	9,444	35,300
Kentucky	8.2%	32.0%	213,260	41,745	9,647	53,200
Louisiana	6.3%	35.4%	174,083	23,380	5,182	30,400
Maine	6.4%	31.3%	80,965	12,660	2,935	18,100
Maryland	6.4%	35.9%	188,429	34,825	9,271	82,600
Massachusetts	7.1%	37.4%	655,380	79,199	19,860	141,000
Michigan	8.8%	38.1%	960,474	164,046	44,520	189,700
Minnesota	4.6%	27.9%	397,998	40,703	11,303	65,500
Mississippi	8.3%	39.3%	185,212	23,431	4,786	37,600
Missouri	6.1%	40.2%	399,192	32,536	7,484	84,500

**Table 1. Unemployment Data by State (continued)**

	Unemployment Rate (November 2013)	Long-Term Unemployed as a Share of the Unemployed Population	Number of People Who Received EUC Benefits Through September 2013	Number of People Lifted Out of Poverty by UI Annually	Number of Children Lifted Out of Poverty by UI Annually	Number of People Who Would Lose EUC Benefits Through the End of 2014
Montana	5.2%	25.3%	79,523	7,607	2,070	14,300
Nebraska	3.7%	28.8%	104,795	9,328	3,083	16,700
Nevada	9.0%	40.8%	302,539	38,380	10,860	60,300
New Hampshire	5.1%	31.6%	57,386	6,891	1,139	8,500
New Jersey	7.8%	46.6%	1,071,279	165,059	42,817	260,100
New Mexico	6.4%	41.1%	97,328	20,517	7,290	25,500
New York	7.4%	44.7%	1,735,848	215,057	51,689	383,000
North Carolina	7.4%	44.0%	1,058,734	136,319	39,979	0
North Dakota	2.6%	20.2%	25,336	1,242	251	7,900
Ohio	7.4%	34.2%	790,103	97,448	30,163	128,600
Oklahoma	5.4%	21.8%	175,711	13,603	3,445	33,000
Oregon	7.3%	35.3%	378,035	58,125	14,022	76,100
Pennsylvania	7.3%	39.4%	1,438,326	196,262	48,194	262,500
Rhode Island	9.0%	44.9%	99,688	18,395	5,472	21,700
South Carolina	7.1%	37.5%	394,018	32,737	10,993	52,400
South Dakota	3.6%	16.8%	11,101	2,881	732	1,600
Tennessee	8.1%	31.9%	451,007	81,999	22,798	79,000
Texas	6.1%	29.6%	1,201,076	225,965	56,264	285,200
Utah	4.3%	24.4%	131,828	21,147	6,829	20,200
Vermont	4.4%	22.8%	33,326	5,323	913	5,100
Virginia	5.4%	34.9%	363,830	34,559	11,491	69,900
Washington	6.8%	30.5%	276,078	96,395	19,737	94,100
West Virginia	6.1%	36.7%	97,734	17,298	6,257	24,700
Wisconsin	6.3%	34.9%	428,126	56,974	13,157	99,000
Wyoming	4.4%	20.5%	31,542	4,549	991	6,700

\*The U.S. totals for the number of people who received EUC benefits and who would lose benefits in 2014, do not equal the sum of the 50 states and the District of Columbia because the totals include Puerto Rico and the Virgin Islands. The total number of people and children in the U.S. lifted out of poverty by UI is a one-year estimate for 2012.

For each state and the U.S., the share of the unemployed population that is long-term unemployed is calculated over the twelve-month period ending in November 2013. State-level estimates of the number of people and children lifted out of poverty are three-year annual average estimates used in order to develop appropriate sample sizes. According to JEC Democratic staff calculations based on data from the U.S. Census Bureau, Supplemental Poverty Measure, the total number of individuals kept out of poverty in 2012 was 2.5 million. Using the official poverty thresholds, the number kept out of poverty in 2012 was 1.7 million.

Sources: JEC Democratic staff calculations of people lifted out of poverty are based on data from the U.S. Census Bureau, Current Population Survey, Supplemental Poverty Measure. Unemployment rates by state are based on data from the Bureau of Labor Statistics. The number of people who have received benefits and the number who would lose them in 2014 are based on data from the Council of Economic Advisers and the Department of Labor, *The Economic Benefits of Extending Unemployment Insurance*, Tables 2 & 3. The number of people who will lose benefits at the end of 2013 are based on data from the U.S. Department of Labor.

## Sources:

<sup>1</sup> Federal UI programs include Extended Benefits (EB) and Emergency Unemployment Compensation (EUC). Currently, no state meets the necessary criteria to qualify for EB. For more information on federal UI programs enacted in response to the 2008 – 2009 recession, see Congressional Research Service (CRS) Report RL33362, “Unemployment Insurance: Programs and Benefits,” November 20, 2013. <http://crs.gov/pages/Reports.aspx?PRODCODE=RL33362&Source=ibc>, and CRS Report R42936, “Unemployment Insurance: Legislative Issues in the 113<sup>th</sup> Congress,” December 11, 2013. <http://crs.gov/pages/Reports.aspx?PRODCODE=R42936&Source=search>.

<sup>2</sup> For the most recent report of how many weeks of EUC are available in each state, see Employment and Training Administration’s latest EUC 2008 trigger notice, available at [http://www.oui.doleta.gov/unemploy/claims\\_arch.asp](http://www.oui.doleta.gov/unemploy/claims_arch.asp).

<sup>3</sup> The EUC program expired on January 1, 2014. In most states, the last payable week of EUC benefits was the week ending December 28, 2013.

<sup>4</sup> Council of Economic Advisers and U.S. Department of Labor, “The Economic Benefits of Extending Unemployment Insurance,” December 2013, <http://www.whitehouse.gov/sites/default/files/docs/uireport-2013-12-4.pdf>. Those 3.6 million people would be eligible for EUC benefits once they exhaust their state-funded UI benefits, but they will not receive those benefits unless the EUC program is reauthorized.

<sup>5</sup> JEC Democratic staff calculations based on data from the Bureau of Labor Statistics, CPS, November 2013. Over the past 12 months (December 2012 – November 2013), the long-term unemployment rate has averaged 2.8 percent.

<sup>6</sup> Bureau of Labor Statistics, Current Population Survey (CPS), November 2013. For a list of the number of weeks available by state, see Center on Budget and Policy Priorities, “Policy Basics: How Many Weeks of Unemployment Compensation Are Available?” December 9, 2013. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3164>.

<sup>7</sup> This count includes all recipients of EUC during that time period.

<sup>8</sup> Council of Economic Advisers and U.S. Department of Labor, “The Economic Benefits of Extending Unemployment Insurance,” December 2013, p. 4. <http://www.whitehouse.gov/sites/default/files/docs/uireport-2013-12-4.pdf>.

<sup>9</sup> JEC Democratic staff calculations based on U.S. Census Bureau’s Population Clock, <http://www.census.gov/popclock/>.

<sup>10</sup> Chetty, Raj, “Should Unemployment Benefits be Extended? An Economic Framework and Empirical Evidence,” Presentation at EPI, May 2010. The median unemployed person has less than \$250 in net savings prior to job loss.

<sup>11</sup> U.S. Department of Labor: Employment and Training Administration, “Unemployment Insurance Data Summary 3<sup>rd</sup> Quarter 2013.” [http://workforcesecurity.doleta.gov/unemploy/content/data\\_stats/datasum13/DataSum\\_2013\\_3.pdf](http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum13/DataSum_2013_3.pdf).

<sup>12</sup> U.S. Census Bureau data as referenced in: Council of Economic Advisers and U.S. Department of Labor, “The Economic Benefits of Extending Unemployment Insurance,” December 2013. <http://www.whitehouse.gov/sites/default/files/docs/uireport-2013-12-4.pdf>. Data includes all UI benefits (state and federal). The number of children and adults lifted out of poverty by UI benefits in 2012 is a JEC Democratic staff estimate based on U.S. Census Bureau data.

<sup>13</sup> Multiple person households include those with adults who are not married. Using this methodology for analyzing household structure understates the number of single earners who receive EUC benefits.

<sup>14</sup> Statement of Douglas Elmendorf, Director of the Congressional Budget Office, “Policies for Increasing Economic Growth and Employment in 2012 and 2013,” before the Committee on the Budget, United States Senate, November 15, 2011. [http://www.cbo.gov/ftpdocs/124xx/doc12437/11-15-Outlook\\_Stimulus\\_Testimony.pdf](http://www.cbo.gov/ftpdocs/124xx/doc12437/11-15-Outlook_Stimulus_Testimony.pdf).

<sup>15</sup> *Ibid.*

<sup>16</sup> Letter from Douglas Elmendorf, Director of the Congressional Budget Office to the Honorable Chris Van Hollen, “Re: How Extending Certain Unemployment Benefits Would Affect Output and Employment in 2014,” December 3, 2013. <http://www.cbo.gov/sites/default/files/cbofiles/attachments/44929-UnemploymentBenefits.pdf>.

<sup>17</sup> Council of Economic Advisers and U.S. Department of Labor, “The Economic Benefits of Extending Unemployment Insurance,” December 2013, p. 4. <http://www.whitehouse.gov/sites/default/files/docs/uireport-2013-12-4.pdf>.

<sup>18</sup> State-level long-term unemployment rates are an average over the twelve-month period ending in November 2013. The national long-term unemployment rate averaged 2.8 percent over that period.