

Long-Term Unemployment On a Par with Prior Recessions, But Unemployment Benefits are Not— Will Lawmakers Fix the Federal Extended Benefits Program?

By

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In early March, Congress passed, and President Bush signed, a temporary federal extension of unemployment insurance benefits. The Temporary Extended Unemployment Compensation (TEUC) program extended benefits for up to 13 weeks for laid off workers exhausting regular unemployment insurance (UI) benefits. The TEUC program ends on December 31, 2002. After that, long-term unemployed workers will face a tight labor market without an unemployment insurance safety net.

Accordingly, immediate action should be taken by Congress and the Bush Administration to extend and repair the federal unemployment program. As described below, every effort should be made by Congress to expedite UI legislation in light of the severe hardship suffered by record numbers of unemployed workers. For unemployed workers, the situation is now comparable to, if not more severe, than the recent recessions that produced far broader unemployment benefit extensions.

Why Action Is Needed Before the October Congressional Recess

When the federal extension was enacted in March, many observers were saying the recession was already over. Clearly, these predictions were off the mark. As with most prior recessions, Congress needs to provide laid off workers with additional extended benefits in order to tide families over until jobs return, bolster consumer confidence, and stimulate our economy (see box for specific reforms). Time is of the essence – here's why:

1. Joblessness will remain persistently high well into 2003. According to the recent economic forecast of the Congressional Budget Office, the unemployment rate is expected to remain near 6% at least until the second half of 2003. Every month since the federal extension was enacted in March, more than 8 million workers have remained unemployed.

2. Long-term unemployment keeps climbing, surpassing the March 2002 levels. In the past year, the number of workers looking for work for at least six months has increased by 80%, totaling about 1.5 million workers in August. Since the federal extension was enacted in March 2002, the number of workers unemployed long-term has *increased* by over 140,000. As of August, the average unemployed worker failed to find work for 16.2 weeks, which is three weeks longer than just one year ago.

3. Some 400,000 workers a month have run out of regular state unemployment benefits since March, making clear the need to extend the December deadline of the TEUC program. From March through July, 2 million workers exhausted their 26 weeks of regular state unemployment benefits, averaging about 400,000 a month. That compares with about 217,000

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exhaustees a month for the same period last year (an 84% increase). With new claims for state benefits still averaging over 350,000 a week, the number of unemployed workers unable to find work and living without a safety net will continue to climb well into 2003.

4. More than one million workers have exhausted all federal extended benefits, which will increase to over 2 million workers by the time the program is scheduled to end in December. During the three months from May to July, nearly one million workers exhausted all federal extended benefits. According to a recent analysis of the Center on Budget and Policy Priorities, another 300,000 workers are expected to run out of federal extended benefits each month until the program expires in December, totaling more than 2 million workers over the course of the program.

5. Of the 11 states with unemployment rates over 6%, only two qualify for another 13 weeks of federal extended benefits available to “high unemployment” states. Because of a fundamental flaw in the TEUC law (it fails to count the long-term unemployed in designating “high unemployment” states), only two states (Washington and Oregon) now qualify for 13 extra weeks of TEUC. Every other state with especially high unemployment, such as Illinois (6.7%), Mississippi (6.5%) and North Carolina (6.8%), is limited to the basic 13 weeks of TEUC.

6. Due to the struggling economy, far more unemployed workers are competing for substantially fewer jobs. As of July 2002, more than 8.3 million workers were unemployed and looking for work while employers reported only 3.2 million job openings during the same period. That is a “jobs gap” of 2.6 unemployed workers for every available position. By comparison, there were 6.4 million unemployed workers seeking to fill 4.1 million job openings in July 2001 (1.6:1 ratio), a remarkable jump over the period of just one year.

7. Without federal extended benefits, hundreds of thousands of families are experiencing severe economic hardship. According to a Mathematica Policy Research study, extended benefits enacted during the recession of the early 1990s “kept a substantial portion of families from experiencing poverty-level incomes.” Without federal extended benefits, 77% of the unemployed who applied for UI would have ended up with family incomes below poverty (earning an average of just \$183 a week).

Severe Economic Hardship On a Par with Prior Recessions, But Far Less Federal Support for Unemployed Workers

While every recession produces substantial economic and family hardships, unemployed workers have taken an especially hard hit as result of the latest economic slowdown. Meanwhile, the March extension of unemployment benefits provides far less protection to unemployed workers compared with programs enacted during previous recessions. For example, the Emergency Unemployment Compensation (EUC) program enacted during the recession of the early 1990s was extended *four* times by Congress, helping workers unemployed for a period of *two and half years* (from November 1991 until April 1994). When it was first expanded (just three months after the original law was enacted), the program provided 26 weeks of extended benefits to all workers, and 33 weeks for workers in about 20-designated “high unemployment” states.

1. Long-term joblessness is more severe at this stage since the recession began compared to most of the recent recessions. When this recession began in March 2001, 11.3% of the unemployed had been searching for work for more than six months. That rate was higher than three of the four prior recessions, excluding only the most severe recession that began in July 1981 when unemployment rose to its highest level since the Depression (10.8%). 18 months into each of these recessions -- bringing us up August 2002 in the case of the current recession -- the percent of unemployed workers who were out of work long-term (18.2% in August 2002) is still higher than all of the recent recessions with the exception of the 1981 economic crisis.

2. Record numbers of workers have exhausted their state unemployment benefits compared to several recent recessions. In July, over 429,000 workers exhausted regular state unemployment benefits, an increase of almost 90,000 from the month before (the largest one-month jump since April 1975). After the number of exhaustees rose to over 300,000 in December 2001, it spiked to more than 400,000 in April (444,509) and again in July. The number exhausting regular unemployment benefits has only exceeded 400,000 during two other periods since the data were first collected in 1971: from May-August 1975 (peaking to the record 487,191 in July 1975) and from December 1982-April 1983 (peaking at 469,973 in March 1983).

3. Far more workers are running out of federal extended benefits compared with the last recession. According to a recent analysis of the Center on Budget & Policy Priorities, 2.2 million workers will exhaust their federal extended benefits by December. Over a comparable period during the last recession, the number was much lower. 1.4 million workers exhausted their federal unemployment benefits during the last recession, reflecting the fact that the TEUC program provides far fewer weeks of UI compared with the prior EUC program.

Key Extended Benefits Reforms

The permanently authorized federal-state Extended Benefits (EB) program has not worked for many years due to outdated definitions of unemployment designed to “trigger” the extension and other restrictive features of the law adopted in the early 1980s. As a result, Congress has passed temporary federal extensions during our last four recessions, including the TEUC program. In order guarantee a reliable federal program that serves the needs of workers and bolsters the economy without delay, the following combination TEUC and EB reforms is essential:

- Extend the scheduled expiration of the TEUC program for nine months until September 30, 2003.
- Provide 26 weeks of TEUC benefits for all workers (up from 13), in addition to the current 13 weeks of extra TEUC for workers in “high unemployment” states.
- Adopt lower EB and TEUC triggers reflecting current lower levels of unemployment rather than higher 80s levels of unemployment.
- Use a combination of standard unemployment rates and average “insured unemployment rates” for EB and TEUC triggers, rather than only using the obsolete rates that fail to count the long-term unemployed.
- Provide the same number of weeks of TEUC and EB benefits regardless of the state rather than paying the *lesser* of 13 weeks “or one half of regular benefits,” thus denying several weeks of extended benefits to hundreds of thousands of workers.
- Repeal EB job search, monetary eligibility, waiting week, and disqualification provisions that are often more onerous than state laws, as recommended by the Advisory Council on Unemployment Compensation.
- Keep these EB restrictions out of the TEUC program and pay TEUC retroactively to the thousands of workers who qualified for state UI but were denied all federal extended benefits as a result of the extra weeks of work required to qualify for the program.