

January 2014

TO: Interested Parties
FROM: Alicia Mazzara, Policy Advisor
RE: Renew Emergency Unemployment Compensation: 4 Facts about Unemployment Benefits

On December 28, Congress allowed the Emergency Unemployment Compensation (EUC) program to expire in the face of persistently high levels of unemployment. For the 1.3 million Americans who immediately lost their benefits, this was a harsh ending to the holiday season. And if Congress does not act to renew the EUC program in 2014, another 3.6 million jobseekers will be denied federal emergency benefits.¹

Unemployment benefits are vital to preserving the American economy. Since 2008, unemployment insurance programs like EUC have kept 11.4 million people out of poverty during the deepest economic downturn since the Great Depression.² Failure to renew the program will create a further drag on our fragile economic recovery by weakening job growth and leaving unemployed workers out to dry. Below we outline four key reasons why Congress should renew the Emergency Unemployment Compensation program.

#1: Unemployment benefits provide an important boost to the economy.

- Although the average beneficiary receives only about \$300 a week in unemployment benefits, this money provides an important and immediate stimulus to the economy. Here's why: lacking a steady source of income, unemployed workers typically use their benefits to cover basic living expenses, putting money back into economy soon after it is received. The purchase of goods—from groceries to gas—helps spur economic activity, create jobs, and generate tax revenue through sales and payroll taxes.³
- According to projections by the Department of Labor and the Council of Economic Advisors, the expiration of the EUC program will lead to 240,000 fewer jobs created in 2014.⁴ Job growth will slow in every state (see Table 1).
- The expiration of EUC benefits is also projected to lower overall economic growth. JP Morgan estimates that GDP growth could fall approximately 0.4 percentage points in the first quarter of 2014 thanks to a loss of \$20-25 billion in annual consumer spending by EUC recipients.⁵

#2: Ending EUC benefits is not an effective way to get people back to work. Instead, it could force jobseekers out of the workforce entirely.

- Critics of unemployment insurance argue that it encourages people to stay out of work longer. However, programs like EUC actually require jobseekers to keep searching for a job in order to qualify for the benefit.⁶ Unfortunately, because today's labor market is still weak, evidence suggests that many of these workers will drop out of the labor force when their benefits run out.⁷
- In July, North Carolina cut its unemployment benefits from 99 weeks down to 19.⁸ Since last year, the state's labor force has contracted by over 95,000 people, with 39,000 of those losses occurring since July.⁹
- JP Morgan estimates that the lapse of the EUC program will lower the unemployment rate by 0.25 to 0.50 percentage points, primarily through reduced labor force participation.¹⁰ While lowering the unemployment rate is an important policy goal, ending EUC benefits won't get people into jobs if the jobs simply aren't there.

#3: Failing to renew the EUC program would be unprecedented. The unemployment rate is still well above pre-legislation levels.

- When the EUC program was enacted, the unemployment rate stood at 5.6%. In November 2013, the unemployment rate was 7.0%, 25% higher than it was when the law was passed in June 2008.¹¹
- The recovery has been characterized by extraordinarily high levels of long-term unemployment,* topping out near 7 million people in 2010.¹² The last three times Congress let unemployment benefits expire, the long-term unemployment rate was at or below 1.3%. As of November 2013, the long-term unemployment rate was twice as high at 2.6%.¹³ That's over four million people—nearly 40% of all unemployed workers—that have been out of work for six months or more.¹⁴

#4: Without the EUC program, millions of workers will exhaust their benefits before they can find work.

- In most states, unemployment insurance runs out after 26 weeks; in some states, it is as little as 18 weeks.¹⁵ As of November 2013, the average length of unemployment was 38 weeks long, just shy of last year's historical high of 42 weeks.¹⁶ The EUC program provides an important lifeline for many Americans who are still struggling to find a job after 26 weeks. Over one million jobseekers have already lost benefits as of December 28. If Congress fails to renew the program, an additional 3.6 million out-of-work Americans will be denied unemployment benefits once their state benefits run out.¹⁷

* Long-term unemployment refers to persons who are unemployed for 27 weeks or longer.

- A diverse cross-section of unemployed middle class workers relies on EUC benefits. These beneficiaries live across the country, as every state except North Carolina participates in the program (see Table 1). Over 40% of new beneficiaries in 2012 had a household income between \$30,000 and \$75,000 before losing a job.¹⁸ In 2012, a quarter of recipients had a bachelor's degree or higher and over half had completed at least some college. Finally, EUC benefits often support a family: 78% of recipients in 2012 lived in a household with at least one other adult, and nearly 40% lived in a household with children.¹⁹

Conclusion

With the economy improving, there will come a time when Congress should let the EUC program expire. This is not that time. For reasons of economic recovery, for reasons of economic reality, and for reasons of basic human compassion, Congress should renew the Emergency Unemployment Compensation program through 2014.

Table 1: Projected Number of People and Jobs Affected by the Expiration of the Emergency Unemployment Compensation Program

State	Estimated number of persons losing EUC benefits through end of 2014	Estimated number of jobs saved by renewing the EUC through end of 2014
Alabama	48,100	1,083
Alaska	23,300	1,212
Arizona	67,000	1,938
Arkansas	40,300	2,088
California	836,100	46,441
Colorado	72,800	3,571
Connecticut	85,100	5,788
Delaware	13,800	505
District of Columbia	18,200	993
Florida	260,400	10,109
Georgia	164,700	5,876
Hawaii	13,300	585
Idaho	20,300	522
Illinois	230,500	13,345
Indiana	69,300	3,406
Iowa	35,500	824
Kansas	35,300	846

Kentucky	53,200	3,151
Louisiana	30,400	726
Maine	18,100	675
Maryland	82,600	3,462
Massachusetts	141,000	7,067
Michigan	189,700	8,450
Minnesota	65,500	1,078
Mississippi	37,600	1,412
Missouri	84,500	2,456
Montana	14,300	295
Nebraska	16,700	456
Nevada	60,300	2,953
New Hampshire	8,500	225
New Jersey	260,100	19,660
New Mexico	25,500	989
New York	383,000	19,826
North Carolina	0	7,629
North Dakota	7,900	146
Ohio	128,600	6,535
Oklahoma	33,000	659
Oregon	76,100	3,829
Pennsylvania	262,500	15,200
Puerto Rico	80,200	1,691
Rhode Island	21,700	1,284
South Carolina	52,400	1,892
South Dakota	1,600	31
Tennessee	79,000	2,276
Texas	285,200	11,766
Utah	20,200	542
Vermont	5,100	118
Virgin Islands	3,500	238
Virginia	69,900	1,477
Washington	94,100	6,183
West Virginia	24,700	1,173

Wisconsin	99,000	5,185
Wyoming	6,700	134
US Total	4,856,400	240,000

Source: Council of Economic Advisers and the Department of Labor.²⁰

Endnotes

¹ United States, Council of Economic Advisers and the Department of Labor, "The Economic Benefits of Extending Unemployment Insurance," Report, December 2013. Accessed December 18, 2013. Available at: <http://www.whitehouse.gov/blog/2013/12/05/new-report-economic-benefits-extending-unemployment-insurance>.

² Thomas Gabe and Julie M. Whittaker, "Antipoverty Effects of Unemployment Insurance," Congressional Research Service, report, October 16, 2012. Accessed January 2, 2014. Available at: <http://digital.library.unt.edu/ark:/67531/metadc122208/>; See also United States, Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2012", report, September 2013. Accessed January 2, 2014. Available at: <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2012/index.html>.

³ United States, Council of Economic Advisers and the Department of Labor, "The Economic Benefits of Extending Unemployment Insurance," p. 26.

⁴ Ibid, p. 1.

⁵ Michael Feroli, "US unemployment benefits, participation, and the Fed", JP Morgan Chase Bank, economic research note, November 27, 2013. p. 2. Accessed December 18, 2013. Available at: <https://markets.jpmorgan.com/research/EmailPubServlet?action=open&hashCode=-8e34srs&doc=GPS-1269809-0.pdf>.

⁶ Chad Stone, "Congress Should Renew Emergency Unemployment Compensation Before the End of the Year", Center for Budget and Policy Priorities, memo, November 20, 2013. Accessed December 18, 2013. Available at: <http://www.cbpp.org/cms/?fa=view&id=4053>.

⁷ Feroli, p.1.

⁸ Evan Soltas, "North Carolina Shows How to Crush the Unemployed", *Bloomberg*, December 17, 2013. Accessed December 18, 2013. Available at: <http://www.bloomberg.com/news/print/2013-12-17/north-carolina-shows-how-to-crush-the-unemployed.html>.

⁹ United States, Bureau of Labor Statistics, "Local Area Unemployment Statistics", database. Accessed December 30, 2013. Available at: <http://www.bls.gov/lau/data.htm>.

¹⁰ Feroli, p. 1.

¹¹ United States, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," seasonal unemployment rate, November 2013. Accessed December 30, 2013. Available at: <http://data.bls.gov/timeseries/LNS14000000>.

¹² United States, Federal Reserve Bank of St. Louis, "Civilians Unemployed for 27 Weeks and Over", December 6, 2013. Accessed December 30, 2013. Available at: <http://research.stlouisfed.org/fred2/series/UEMP27OV>.

¹³ Stone, p. 4.

¹⁴ United States, Bureau of Labor Statistics, "A-12. Unemployed persons by duration of unemployment, seasonally adjusted", December 6, 2013. Accessed December 30, 2013. Available at: <http://www.bls.gov/web/empsit/cpseea12.htm>.

¹⁵ United States, Council of Economic Advisers and the Department of Labor, "The Economic Benefits of Extending Unemployment Insurance," p.18.

¹⁶ United States, Federal Reserve Bank of St. Louis, "Average Weeks Unemployed," December 6, 2013. Accessed December 30, 2013. Available at: <http://research.stlouisfed.org/fred2/series/LNU03008275>.

¹⁷ United States, Council of Economic Advisers and the Department of Labor, "The Economic Benefits of Extending Unemployment Insurance," p. 18.

¹⁸ Ibid, p. 4.

¹⁹ Ibid, pp. 11-12.

²⁰ Ibid, p. 19 and p. 21.