



Committee on Ways and Means Democrats

Representative Sandy Levin - Ranking Member
Report – November 7, 2013

Millions of Unemployed Americans Will Lose Benefits Unless Congress Acts

Over 3 Million Will Be Cut Off in the Coming Months,
Including 1.3 Million a Few Days After Christmas

Federally-funded unemployment benefits will completely stop at the end of December unless Congress acts. Allowing these benefits to expire for workers who have lost their jobs through no fault of their own will hurt both families that are already struggling and the nation's economic growth.

Americans Will Soon Lose Benefits Unless Congress Acts

The Emergency Unemployment Compensation (EUC) program is scheduled to expire at the end of 2013, with the last payable week ending on December 28th. After changes made to the EUC program in early 2012, there is no longer any phase-out for the program, so that every individual now receiving these benefits will lose them

during the same week. The Department of Labor estimates that the expiration of the EUC program would cut off unemployment benefits to approximately 1.3 million jobless Americans on December 28th.

Many more Americans would lose access to unemployment insurance next year, including nearly another 1.9 million losing benefits during the first six months of 2014. (See Table 1 for state-by-state estimates.) In seven states that have cut regular unemployment benefits (AR, FL, GA, MI, MO, NC, and SC), the expiration of the EUC program would result in jobless individuals receiving fewer weeks of benefits than were available when the national unemployment rate was below 5 percent (the current rate is 7.2 percent).

Cutting Off Unemployment Benefits Will Hurt the Economy

Cutting off unemployment benefits at the end of the year will only further hurt an economy already encumbered by brinkmanship and gridlock in Washington. The Congressional Budget Office estimated that 750,000 fewer jobs will be created or retained in calendar year 2013 because of the budget cuts under sequestration. And the government shutdown cost our economy an additional 120,000 jobs in the first two weeks of October alone, according to the Council of Economic Advisors.

Recent findings suggest that allowing the EUC program to expire would produce yet another self-inflicted wound to the nation's economic growth. The Economic Policy Institute estimates that cutting off extended unemployment benefits would cost our economy 310,000 jobs next year because of reduced consumer demand. Similarly, Michael Feroli, the chief economist at JPMorgan Chase, has indicated that allowing the federal unemployment insurance (UI) program to expire could shave 0.4 percentage point off our economy's growth in the first quarter of 2014.

These estimates are consistent with past findings related to the positive impact that unemployment benefits have on the economy.

For example, Mark Zandi from Moody's Economy.Com testified last 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 also concluded in a 2012 report that assistance for the unemployed has one of the "largest effects on employment per dollar of budgetary cost."

Long Term Unemployment Remains a Significant Problem

The percentage of jobless Americans who have been unemployed for longer than 6 months remains close to historic levels. About 37 percent of the unemployed, or over 4 million people, are now long-term unemployed. By comparison, before the "Great Recession," the highest long-term unemployment rate ever recorded since 1948 was 26 percent.

These long-term unemployed are looking for work in an economy that still has nearly 2 million fewer jobs than when the "Great Recession" started in December of 2007. This jobs deficit leaps to over 8 million when accounting for growth in the potential labor force, according to the Economic Policy Institute.

Claims that UI Benefits Stop People From Looking for Work Are False

A wealth of research clearly refutes any suggestion that unemployment benefits significantly reduce the effort individuals make in finding a new job. In fact, the primary impact of extended UI benefits is to keep people looking for work, rather than dropping out of the labor force. (UI recipients must actively seek work in order to be eligible for benefits.)

A more recent argument that unemployment benefits may reduce job creation by driving up wages seems hopelessly out of touch with the experience of many working Americans who have seen their wages stagnate or go down in real terms. Suggesting that wages must fall further to spur job growth is clearly contrary to the notion that average Americans should benefit from economic growth.

Leading researchers have been clear that extended UI benefits are not the reason for high unemployment, saying:

- ✓ *...policy makers can extend unemployment benefits to provide assistance to those out of work without substantially increasing unemployment rates.*
Raj Chetty, Harvard University, October 20, 2013

- ✓ *Any negative effects of the recent unemployment insurance extensions on job search are clearly quite small, too small to outweigh the consumption-smoothing and equity-promoting benefits of UI.*

Jesse Rothstein, University of California, Berkeley, October 16, 2011

- ✓ *The major effect of extended [unemployment] benefits is... providing income to job losers who would have exited the labor force otherwise.*

...extended [unemployment] benefits do not delay the time to re-employment substantially...
Henry Farber, Princeton University and Robert Valletta, Federal Reserve Bank of San Francisco, April 2013

- ✓ *... UI supports and encourages job search among people who would otherwise drop-out of the labor force.*

Christobal Young, Stanford University, July 2012

Federal Unemployment Benefits Already Greatly Scaled Back

While federal unemployment benefits remain a vital economic lifeline, they are now much less generous than in the recent past.

Total weeks of unemployment benefits (both state and federal benefits) have dropped by over a third over the last two years according to an analysis by the Congressional Research Service (see Table 2 for the state-by-state analysis).

In some states, the number of maximum weeks of unemployment benefits has dropped by more than 50 percent, including in Florida, Georgia, Kansas, Michigan, Minnesota, and North Carolina.

No state now provides anywhere close to the 99 weeks available in a number of states two years ago – with the current average amount of maximum weeks equaling just above half that amount.

Under current law, the EUC program provides: 14 weeks of benefits in all states under Tier 1 (except in NC); 14 weeks of benefits in states with unemployment rates at or above 6 percent under Tier 2 (covering 36 states as of 11/3/13); 9 weeks of benefits in states with unemployment rates at or above 7 percent under Tier 3 (covering 27 states as of 11/3/13); and 10 weeks of benefits in states with unemployment rates at or above 9 percent under Tier 4 (covering 2 states as of 11/3/13). A second program providing additional unemployment benefits in the past, known as Extended Benefits, is not currently providing benefits in any state.

In addition to the decline in the duration of unemployment benefits, the weekly dollar amount provided by federal UI also has dropped due to sequestration. The average weekly benefit amount for EUC Tier 1 benefits declined from \$298 a week in April of this year to \$256 a week in July (the most current month on record).

Conclusion

Without prompt action by Congress, well over a million Americans will have their entire unemployment compensation immediately eliminated just after Christmas, and many more will lose those benefits next year. Federal unemployment benefits have already been significantly reduced over the last two years, but they remain a financial lifeline for Americans who are searching for work. Eliminating these benefits will not only cause needless harm to many families, but also put yet another hurdle in front of the nation's economic growth.

Table 1: Number of People Losing Unemployment Benefits If the EUC Program Expires

Estimated Impact if EUC is not Extended beyond 12/28/2013			
State	EUC08 Claimants Cut Off Dec. 28*	Regular UI Exhaustees With No EUC08 Available Through June 2014**	Total Claimants Impacted
AK	4,300	11,200	15,500
AL	12,100	18,800	30,900
AR	9,300	17,000	26,300
AZ	17,100	22,500	39,600
CA	214,800	325,800	540,600
CO	17,900	29,200	47,100
CT	26,000	28,700	54,700
DC	4,600	6,800	11,400
DE	3,600	4,800	8,400
FL	73,000	95,300	168,300
GA	54,400	57,100	111,500
HI	1,900	5,800	7,700
IA	4,300	18,200	22,500
ID	2,600	11,000	13,600
IL	64,300	89,100	153,400
IN	19,200	25,400	44,600
KS	4,400	16,500	20,900
KY	18,000	17,600	35,600
LA	6,800	12,400	19,200
MA	33,000	54,800	87,800
MD	22,900	28,500	51,400
ME	3,000	8,900	11,900
MI	43,800	86,500	130,300
MN	8,500	33,900	42,400
MO	19,000	35,400	54,400
MS	13,400	12,200	25,600
MT	1,400	8,100	9,500
NC***	-	-	-
ND	300	5,400	5,700
NE	1,200	8,300	9,500
NH	1,300	3,900	5,200
NJ	90,300	89,100	179,400
NM	6,000	9,700	15,700
NV	17,600	21,900	39,500
NY	127,100	132,800	259,900
OH	39,100	48,800	87,900
OK	4,500	14,900	19,400
OR	20,900	29,000	49,900
PA	86,900	92,900	179,800
PR	30,700	23,600	54,300
RI	4,900	8,900	13,800
SC	15,400	19,200	34,600
SD	200	800	1,000
TN	19,500	31,000	50,500
TX	68,900	106,900	175,800
UT	2,500	9,700	12,200
VA	9,700	31,900	41,600
VI	1,300	1,200	2,500
VT	600	2,300	2,900
WA	24,500	37,600	62,100
WI	23,700	41,800	65,500
WV	6,300	9,700	16,000
WY	600	3,700	4,300
Total:	1,307,600	1,866,500	3,174,100

*EUC claimants whose last week of benefits is the week ending December 28 -- based on current claims levels.
**Regular UI exhaustees starting the week ending December 28 who have no EUC available.
***Estimates exclude NC who ended their EUC08 program in July 2013. US Dept. of Labor, Office of Unemployment Insurance.

**Table 2: Reduction in Available Unemployment Benefits
Over the Last Two Years**

Maximum Weeks of UI Benefits Available: October 2011 and October 2013									Oct 2011 to Oct 2013: % Change
State	October 2011				October 2013				
	Regular	EUC	EB	Total	Regular	EUC	EB	Total	
Alabama	26	53	20	99	26	28	0	54	-45.5%
Alaska	26	47	0	73	26	28	0	54	-26.0%
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	37	0	63	-36.4%
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	37	0	63	-32.3%
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	18	25.74	0	43.7	-55.9%
Hawaii	26	47	0	73	26	14	0	40	-45.2%
Idaho	26	53	20	99	26	28	0	54	-45.5%
Illinois	26	53	20	99	26	47	0	73	-26.3%
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	14	0	40	-53.5%
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	28	0	54	-37.2%
Maryland	26	47	13	86	26	37	0	63	-26.7%
Massachusetts	26	47	13	86	30	37	0	67	-22.1%
Michigan	26	53	20	99	20	28.6	0	48.6	-50.9%
Minnesota	26	47	13	86	26	14	0	40	-53.5%
Mississippi	26	53	0	79	26	37	0	63	-20.3%
Missouri	20	41.6	16	77.6	20	28.6	0	48.6	-37.4%
Montana	28	47	0	75	28	14	0	42	-44.0%
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	37	0	63	-36.4%
New Mexico	26	47	13	86	26	28	0	54	-37.2%
New York	26	47	20	93	26	37	0	63	-32.3%
North Carolina	26	53	20	99	18	0	0	18	-81.8%
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	37	0	63	-36.4%
South Carolina	20	41.6	16	77.6	20	28.6	0	48.6	-37.4%
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	28	0	54	-41.9%
Utah	26	47	0	73	26	14	0	40	-45.2%
Vermont	26	34	0	60	26	14	0	40	-33.3%
Virgin Islands	26	53	0	79	26	37	0	63	-20.3%
Virginia	26	47	0	73	26	14	0	40	-45.2%
Washington	26	53	20	99	26	28	0	54	-45.5%
West Virginia	26	47	20	93	26	28	0	54	-41.9%
Wisconsin	26	47	13	86	26	28	0	54	-37.2%
Wyoming	26	34	0	60	26	14	0	40	-33.3%
<i>National Average</i>	25.8	47.8	11.6	85.2	25.3	28.4	0.0	53.7	-36.4%

Source: Congressional Research Service. Note: "October 2011" refers to the week beginning October 23, 2011. "October 2013" refers to the week beginning October 20, 2013.

