

KEY QUESTIONS AND ANSWERS REGARDING UNEMPLOYMENT INSURANCE

Q: Who Is Affected by the December 28th Cutoff?

A: Approximately 780,000 unemployed workers will prematurely lose federal unemployment insurance (UI) benefits at the end of this week. In March 2002, Congress created a temporary federal UI program to provide 13 weeks of UI benefits (more to workers in high-unemployment states) to workers who exhaust their regular state UI benefits without finding work. Congress created a similar program in every recent recession. The federal program — called the Temporary Emergency Unemployment Compensation program — expires December 28, which means, for example, that a worker who exhausted state UI benefits at the start of December will receive only 4 weeks of federal benefits before being cut off, rather than the full 13 weeks.

Beginning next week, an additional 95,000 workers per week will exhaust their state benefits, for a total of 1.2 million in the first three months of calendar year 2003. Except in three states, these workers will not receive any additional assistance if the federal program is not restarted. (Those three states — Alaska, Oregon, and Washington — qualify for 13 weeks of benefits under a permanent feature of UI law that provides extended benefits in states with exceptionally high unemployment.)

In addition, approximately one million workers already have exhausted all state and federal UI benefits and remain out of work. These workers could be helped if the federal program is restarted and strengthened (see below).

Q: Why Was the Program Allowed to Expire?

A: The House of Representatives adjourned last month before acting on a Senate-passed bill that would have provided a 13-week extension of the full federal program. While the House also passed a UI bill, it was extremely limited and would only have extended the program intact in three states. The President did not call for action until his December 14th radio address, well after Congress adjourned. At that time, moreover, the President did not indicate whether he supported scaling the program back dramatically (the House approach) or a full extension of the program (the Senate approach).

Q: What Should be Done?

A: Immediately when Congress reconvenes, it should fully extend the temporary federal UI program in all states as well as provide additional weeks of benefits to the one million workers who have exhausted all state and federal UI benefits. Legislation of the nature that would last for 13 weeks would cost about \$8 billion, but sufficient funds exist in federal unemployment accounts. And it is an excellent form of fiscal stimulus: most economists argue that UI benefits provide a greater “bang for the buck” than any other form of economic stimulus because unemployed workers will spend the funds quickly for such purposes as paying rent and buying groceries. In addition, UI benefits are targeted on workers who have borne the brunt of the downturn — they lost their jobs through no fault of their own.

Q: Why Should Benefits be Extended?

A: UI benefits should be extended because long-term joblessness is still rising. In the past recession, the temporary federal UI program lasted 30 months, much longer than the 9.5 months this program will have lasted as of December 28. (In the last recession, President Bush Sr. signed the bill creating the temporary program and two bills extending it, while President Clinton signed two other bills extending the program further.) Moreover, the earlier program generally provided more weeks of benefits than the current one does. While critics of the current program argue that the present unemployment rate (6.0 percent) is not very high, more workers have lost their jobs in this downturn than in the last one, and long-term joblessness is just as severe. Furthermore, the unemployment rate is higher today than when the temporary federal UI program was created in March. When the last temporary federal program ended, in contrast, unemployment had fallen a significantly from its peak in that recession and long-term joblessness had fallen for 19 consecutive months.