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UNMET NEED HITS RECORD LEVEL FOR THE UNEMPLOYED

New Data Show End of Temporary Unemployment Benefits Program Is Causing Record Number of Jobless Workers to Go Without Aid

By Isaac Shapiro

With the ending of the federal Temporary Extended Unemployment Compensation (TEUC) program, jobless workers whose regular, state-funded unemployment insurance benefits run out before they can find a job no longer qualify for any federal unemployment aid. An estimated 375,000 unemployed individuals are exhausting their regular unemployment benefits in January without qualifying for any further assistance — and are receiving neither a paycheck nor unemployment benefits. Based on the latest data, nearly two million unemployed workers are expected to be in this situation during the first six months of 2004. (This analysis also includes state projections for the first half of 2004.)

In no other month on record — and in no other six-month period for which data are available — have so many unemployed workers exhausted their regular unemployment benefits without being able to receive additional aid. This finding holds even if the number of exhaustees in previous years is adjusted upward to reflect the growth in the labor force since then. (See the text box on page 3 for an explanation of this adjustment.)

These findings are based on Labor Department data from 1973 through 2003, and projections based on these data for the first half of 2004. The projections assume modest improvement in the labor market in the first six months of 2004.

In particular, these projections are based in substantial part on just-released Labor Department data for December 2003. Those data show that 395,000 jobless workers exhausted their regular unemployment benefits in December. Most of them qualified for federal unemployment assistance under the Temporary Extended Unemployment Compensation program; that program did not begin to phase out until the week after December 20. Had the TEUC program *not* been in effect in December, the number of unemployed workers who exhausted their regular benefits without being able to receive further assistance would have been the highest on record.

The number of unemployed workers who will exhaust their regular benefits in January will be similar to the number who exhausted benefits in December. None of the workers whose regular benefits run out in January will be able to receive TEUC aid.

- An estimated 390,000 unemployed workers will exhaust their regular benefits in January. About 15,000 of these workers live in states that qualify to provide additional weeks of unemployment benefits under a permanent, but extremely limited, federal/state program known as the Extended Benefits program. As a result, the number of unemployed workers who will exhaust their regular benefits

in January without qualifying for further unemployment assistance is 375,000. As noted, this level of exhaustion would be higher than any other month on record.

- This analysis emphasizes comparisons of the number of unemployed workers whose regular unemployment benefits are running out in January — and who will receive no further unemployment assistance — to the number of such workers in January of earlier years. Such comparisons are emphasized because these data are not adjusted for seasonal patterns in the labor market; data for a January of one year can thus best be compared to data for January of another year.
- The estimated 375,000 unemployed workers who will go without further assistance is, by far, the largest number of such workers for any January on record. (See table below.)
- Even after adjusting for growth in the labor force, 2½ times as many unemployed workers will exhaust their regular benefits without qualifying for additional aid in January 2004 as in the average January from 1973 through 2003.

Number of Unemployed Exhausting Their Regular Benefits Without Receiving Additional Aid		
	Actual <u>Number</u>	Adjusting for growth <u>in labor force</u>
January, 2004 estimate	375,000	375,000
Next highest January	265,000	336,000
Average January (1973-2003)	123,000	151,000

The number of individuals exhausting their regular benefits without obtaining further assistance is likely to remain exceptionally high for some time. In the first half of 2004, nearly two million unemployed people are expected to exhaust their regular benefits without qualifying for further unemployment assistance. That would be larger than the number in any other six-month period on record even, again, with an adjustment for labor force growth.

This analysis also includes state-by-state projections of the number of jobless workers who will exhaust their regular benefits and be left with neither a paycheck nor unemployment benefits. In 28 states, the number of unemployed workers who exhaust their regular benefits during the first half of 2004 without receiving further assistance is expected to be the first, second, or third largest such number on record, once again after adjusting for growth over time in the labor force.

For many of the unemployed, the consequences of going without a paycheck or an unemployment check are likely to be harsh. A survey conducted in April 2003 found that more than half of unemployed workers had cut back on spending on food. Similarly, more than half had postponed medical or dental treatment.¹

¹ Survey by Peter D. Hart Research Associates commissioned by the National Employment Law Project, “Unemployed in America,” conducted April 17-28, 2003.

Adjusting for Growth in the Labor Force

This analysis emphasizes figures that are adjusted for growth in the labor force over time. We adjust figures on the number of workers who exhausted their benefits in prior years in order to reflect the growth that has occurred in the labor force since those years. The adjusted figures tell us how many exhaustees there would have been in those earlier years if the labor force had been as large then as it is today.

To obtain the adjusted figures, we simply increase the number of exhaustees in any given year by the percentage growth in the labor force since that year. In January 1974, for example, the number of unemployed workers who exhausted their regular benefits without receiving any further aid was 146,800. The labor force has grown by 63.5 percent since then. Increasing the 146,800 figure by 63.5 percent produces an *adjusted* number of unemployed workers who exhausted their regular benefits in January 1974 of 240,000. Appendix Table 1 includes the actual, unadjusted figures for January 1973 to January 2003; Appendix Table 2 includes the figures, as adjusted for labor force growth.

In addition, a major Congressional Budget Office study conducted prior to the recent downturn showed that unemployment benefits are essential to prevent long-term unemployed workers from falling into poverty. CBO found that without unemployment insurance benefits, 46 percent of the long-term unemployed workers receiving such benefits would be in poverty; with unemployment benefits, only 19 percent were poor.² Another widely cited study found that four of every five workers who become unemployed have savings at the time they lose their jobs that are equal to less than two months of income.³ Such savings are likely to be depleted quickly.

These findings, coupled with the meager number of jobs the economy has created in recent months,⁴ suggest Congress should reconsider its decision to allow the TEUC program to end. These findings also suggest the Administration should break its longstanding silence on this matter, take a position on it, and call for a temporary resumption of the program until the job market improves considerably.

The remainder of this analysis examines the data and projections in more detail. It also includes a discussion of whether a temporary resumption of the TEUC program is affordable.

Exhaustions in December

² *Family Incomes of Unemployment Insurance Recipients and the Implication for Extending Benefits*, Congressional Budget Office, February 1990.

³ Jonathan Gruber, "The Consumption Smoothing Benefits of Unemployment Insurance," *The American Economic Review*, March 1997, Volume 87, Issue 1.

⁴ Since the economy began creating jobs five months ago, an average of only 56,000 jobs have been created per month, and just 1,000 jobs were created in December. For a detailed analysis of whether current labor market conditions warrant ending the TEUC program, see "Do Recent Improvements in the Labor Market Justify Ending the Federal Unemployment Benefits Program," Center on Budget and Policy Priorities, January 9, 2004.

The TEUC program was established in March 2002 to provide additional weeks of federally-funded unemployment benefits to jobless workers who have received all of their regular, state-funded unemployment benefits but still have not found a job. Its enactment was consistent with actions the nation has taken during other periods of labor-market weakness, when temporary federal unemployment benefit programs have been established in recognition of the fact that it takes longer to find jobs during such periods and additional weeks of unemployment benefits are needed.

The TEUC program, which began operating in March 2002, provided up to 13 weeks of benefits to most workers who participated in it. The program was extended on two occasions. The most recent extension ended in late December 2003.

- Individuals who exhausted their regular unemployment benefits prior to December 21, 2003 can continue to receive TEUC benefits.⁵ For example, an individual who had received four weeks of TEUC benefits prior to December 21 is eligible to receive his or her nine remaining weeks of benefits, so he or she can receive the full complement of 13 weeks of benefits.
- But none of the unemployed whose regular benefits ran out *after* the week of December 21 are eligible for TEUC benefits.

As noted, the new Labor Department data show that 395,000 jobless workers exhausted their regular benefits in December 2003. Some 39,000 of these 395,000 unemployed workers would have qualified for additional benefits even if the TEUC program had not been in effect, because they live in one of a handful of states in which the extended unemployment benefits program was in operation. (The extended benefits program is a permanent federal/state program that provides additional weeks of unemployment aid in states that meet certain highly restrictive criteria.) If the TEUC program had not been in effect in December, the remaining 356,000 unemployed whose regular benefits ran out that month would not have qualified for any additional aid, which would have constituted a record.

The January Story

Since we know the number of people who began receiving regular unemployment benefits in recent months, and since we also know the extent to which unemployed workers have been able in recent months to secure jobs before their unemployment benefits run out, we can estimate with considerable reliability the number of jobless workers who will exhaust their regular unemployment benefits before finding work in January and during the first half of 2004.

- An estimated 390,000 unemployed workers will exhaust their regular benefits in January. Unless the TEUC program is reinstated, none of these individuals will qualify for TEUC benefits.⁶

⁵ There was a marginally different cut-off date — December 22 — in New York.

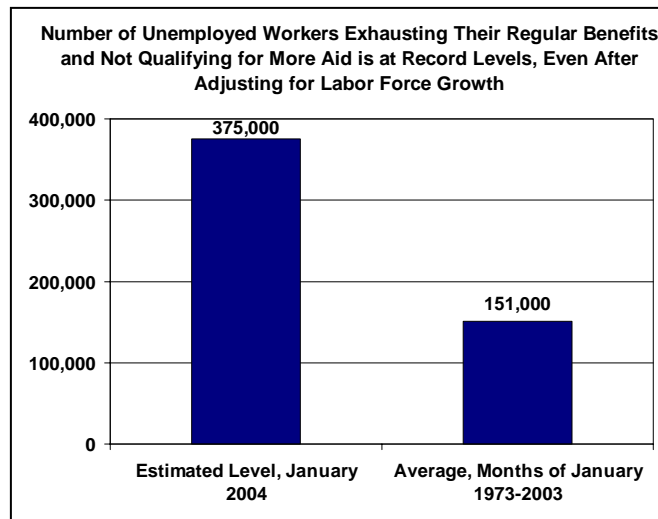
⁶ It is also of interest to compare this January to Januaries in which a temporary national benefits program existed. Some 391,698 unemployed workers are expected to exhaust their regular benefits in January 2004. In every previous January of the past thirty-plus years in which a comparable number of workers exhausted their regular unemployment benefits, a federal program was in place to provide additional weeks of benefits. In fact, the number of workers (adjusted for growth in the labor force) who exhausted their regular benefits in Januaries in which such a

- A modest number of these exhaustees — about 15,000 — are qualifying for additional unemployment aid through the extended unemployment benefits program. In Alaska, that program will be in effect through all of January. It was in effect during the first part of January in three other states (Michigan, Oregon, and Washington), but those states have since “triggered off” of the program.⁷
- As a result, the number of jobless individuals who will exhaust their regular benefits in January without qualifying for additional aid will total about 375,000.

In no other month on record have so many jobless workers exhausted their regular benefits and not qualified for further aid. The estimated 375,000 unemployed workers who will exhaust their benefits is far above normal levels for a January.

- During Januaries from 1973 to 2003, an average of 151,000 unemployed workers exhausted their regular benefits without qualifying for additional assistance.
- The number of individuals exhausting their regular benefits without qualifying for additional aid this January thus is more than twice as large as in the average January of the past 31 years.

Appendix Table 1 presents information for every January since 1973 on the number of jobless workers who exhausted their regular unemployment benefits without qualifying for additional aid. Appendix Table 2 presents the same information, with the figures adjusted



upward to account for growth in the labor force over this period.

federal program was in operation averaged 385,912. In short, January 2004 fits the profile of previous Januaries in which a program like TEUC was in effect, but is very different than — and has much a larger number of exhaustees than — previous Januaries in which a TEUC-like program was *not* in operation.

⁷ The extended benefits program triggered off in Michigan on January 17. It triggered off in Oregon and Washington on January 10.

Estimates for the First Half of 2004

The estimate presented here of the number of unemployed who will exhaust their regular unemployment benefits in the first half of 2004 is based on the actual number of jobless workers who began receiving regular unemployment benefits in the latter half of 2003. It is these workers whose benefits could run out in the first half of 2004. The estimate also reflects the assumption that the economy will improve somewhat in the months ahead and it will become modestly (although not dramatically) easier to find a job over the coming half year.

- The number of unemployed workers expected to exhaust their regular benefits in the first half of 2004 before finding work totals 2 million.⁸
- Only 1.5 percent of these workers — or 24,000 — will qualify for extended unemployment benefits. (This calculation assumes that the one state currently qualifying to provide extended benefits, Alaska, will continue to qualify, but no state will newly qualify.)
- An estimated 1.97 million unemployed workers thus are expected to exhaust their regular benefits without qualifying for further aid.
- In no other six-month period on record have so many unemployed workers exhausted their regular benefits without qualifying for additional weeks of unemployment assistance. (Again, this finding remains true after adjusting for labor force growth.)

State-by-state Data

This analysis includes state-by-state projections for the period from January through June 2004. While some state labor markets are stronger than others, the state-by-state estimates demonstrate that in states across the country, an exceptionally large number of unemployed workers are exhausting their regular benefits without finding work and are receiving neither a paycheck nor unemployment benefits. (See Appendix Table III for these state-by-state data. For 28 states, the state data are available back to 1973. The data go back to 1976 for the remaining states.) After making state-by-state adjustments to reflect growth over time in the labor force, we find:

- In nine states that cover most regions of the country — Arkansas, Idaho, Indiana, Michigan, North Carolina, Oregon,⁹ Pennsylvania, South Carolina, and Vermont — the number of unemployed workers projected to exhaust their regular benefits between January and June 2004 without receiving any further assistance is larger than the number for any previous January-June period on record. (The state data lend themselves only to comparing similar parts of the year.)

⁸ For the first half of 2004, the precise estimate obtained is that 1.995 million jobless workers will exhaust their regular benefits.

⁹ In Oregon, some additional aid will be provided through special state programs that it funds.

The most dramatic story is in North Carolina. The 61,600 unemployed workers who are expected to exhaust their regular benefits without being able to receive further aid is 50 percent higher than the next highest level on record.

- In 10 other geographically dispersed states, including many of the nation's largest — Arizona, California, Connecticut, Illinois, Nevada, New Jersey, New York, Ohio, Texas, and Wisconsin — the number of unemployed workers expected to exhaust their regular benefits without being able to receive further assistance will be the second highest on record for the months of January through June. (In one of these states, New York, the number of jobless workers expected to run out of benefit is barely below the highest level on record. An estimated 157,100 unemployed workers in New York are projected to exhaust their regular benefits in the first six months of 2004 without receiving further aid. This is only a tiny bit lower than the 157,600 workers who exhausted their regular benefits without receiving further aid during the first half of 1991.)
- Only in Alaska, where the extended unemployment benefits program is assumed to remain in effect through the first half of 2004 is the number of individuals who will exhaust their regular benefits and go without further aid expected to be lower than has historically been the case for the months of January through June. In all other states, more unemployed workers are projected to exhaust their regular benefits and go without further benefits than has typically been the case, going back over the past three decades.

Is A Resumption of the TEUC Program Affordable?

Given the enormity of the federal deficit problem, any proposal to increase spending or reduce revenue should be scrutinized carefully. A temporary resumption of the TEUC program passes such scrutiny.

The most worrisome aspect of current deficit projections is the magnitude and persistence of the projected deficits over the long run; the likelihood of large deficits as far as the eye can see poses a long-term threat to the economy. The *current* deficit, by contrast, is of less concern, given the continued weakness in the labor market.

Resuming the TEUC program would entail only short-term costs, not long-term costs. TEUC benefits would end once the economy — and the job market — recovered sufficiently. In every past economic downturn in recent memory, temporary federal unemployment benefits have been provided while the economy was weak and terminated when the job market recovered. The TEUC program should surely end when the labor market has regained its health, but the data discussed in this analysis indicate this condition has not yet been met.

Policies that would increase short-term deficits also should be judged by whether they represent an effective response to ongoing labor-market problems. If the goal is to aid unemployed workers, unemployment insurance is much better targeted than, for example, generalized tax cuts. In addition, a study by Economy.com of the effects of various ways to stimulate a weak economy found that for each dollar of cost to the federal Treasury, federal

unemployment insurance benefits are the single most effective stimulus mechanism examined — and are far more effective than various tax cuts.

In this vein, it may be noted that the tax cuts enacted in recent years, promoted in no small part in the name of job creation, will cost \$264 billion in 2004. This is about 40 times the cost of resuming the TEUC program for six months.

Finally, there is no risk of depleting the federal unemployment insurance trust fund by resuming the TEUC program for a temporary period. Under current law, the trust fund is projected to contain about \$20 billion by the end of fiscal year 2004. The cost of resuming the TEUC program would be less than \$1 billion a month. One of the principal purposes for which taxes are paid into the trust fund in the first place is to provide federal unemployment benefits when the job market is weak.

Appendix Table 1
January Exhaustees, Without Considering Labor Force Growth

Year	Number of Unemployed Exhausting Their Regular Benefits	Number of Regular Program Exhaustees Not Qualifying For Additional Aid
Jan-73	152,352	0
Jan-74	146,800	146,800
Jan-75	228,900	210,436
Jan-76	332,476	0
Jan-77	260,923	0
Jan-78	210,648	11,784
Jan-79	183,756	162,021
Jan-80	215,329	188,495
Jan-81	309,149	25,023
Jan-82	257,550	220,237
Jan-83	420,953	0
Jan-84	268,820	0
Jan-85	237,208	0
Jan-86	235,008	228,972
Jan-87	230,062	218,966
Jan-88	176,239	175,783
Jan-89	168,218	168,218
Jan-90	202,851	196,783
Jan-91	265,339	265,339
Jan-92	359,458	0
Jan-93	292,879	0
Jan-94	270,499	0
Jan-95	250,670	242,144
Jan-96	267,366	261,181
Jan-97	244,052	244,052
Jan-98	210,812	204,893
Jan-99	200,536	195,218
Jan-00	210,013	210,013
Jan-01	229,167	229,451
Jan-02	373,170	0
Jan-03	387,357	0
Jan04est.	391,618	377,279
avg 1973-2003	251,566	122,768

Source: U.S. Department of Labor, and Center on Budget and Policy Priorities calculations

Appendix Table 2
January Exhaustees, With an Adjustment for Labor Force Growth

Year	Adjusted Number of Unemployed Exhausting Their Regular Benefits	Adjusted Number of Regular Program Exhaustees Not Qualifying For Additional Aid
Jan-73	259,431	0
Jan-74	239,977	239,977
Jan-75	364,951	335,513
Jan-76	520,282	0
Jan-77	398,722	0
Jan-78	310,698	17,380
Jan-79	262,760	231,680
Jan-80	300,478	263,033
Jan-81	425,178	34,415
Jan-82	350,511	299,730
Jan-83	563,682	0
Jan-84	355,927	0
Jan-85	307,290	0
Jan-86	299,281	291,595
Jan-87	287,327	273,469
Jan-88	216,359	215,799
Jan-89	202,532	202,532
Jan-90	239,786	232,613
Jan-91	312,984	312,984
Jan-92	418,991	0
Jan-93	338,508	0
Jan-94	307,308	0
Jan-95	281,938	272,348
Jan-96	299,119	292,199
Jan-97	267,098	267,098
Jan-98	227,946	221,546
Jan-99	213,704	208,037
Jan-00	218,597	218,597
Jan-01	235,862	236,155
Jan-02	383,000	0
Jan-03	391,888	0
Jan04est.	391,618	377,279
Avg. 1973-2003	316,197	150,539

Source: U.S. Department of Labor, and Center on Budget and Policy Priorities calculations. See text box on page three for an explanation of the labor force adjustment that was made.

**Appendix Table 3
State Estimates**

State	Number of Regular Program Exhaustees Not Qualifying For Additional Aid, Estimates for First Half of 2004	After Adjusting for Labor Force Growth, How the 2004 Estimate Compares to Other Years on Record*
Alabama	19,321	above average
Alaska*	0	tied for lowest
Arizona*	23,159	2nd highest
Arkansas*	18,849	highest
California	314,344	2nd highest
Colorado	28,972	3rd highest
Connecticut	25,787	2nd highest
Delaware*	4,574	above average
District of Columbia	5,752	above average
Florida	66,097	3rd highest
Georgia	51,733	above average
Hawaii*	3,794	above average
Idaho*	11,650	highest
Illinois	91,928	2nd highest
Indiana	46,746	highest
Iowa*	17,061	3rd highest
Kansas*	16,943	3rd highest
Kentucky	18,116	above average
Louisiana	23,915	above average
Maine*	6,445	above average
Maryland	20,244	above average
Massachusetts	55,259	3rd highest
Michigan	88,328	highest
Minnesota	33,109	above average
Mississippi*	11,632	above average
Missouri	35,581	above average
Montana*	5,884	above average
Nebraska*	10,388	3rd highest
Nevada*	14,713	2nd highest
New Hampshire*	3,335	3rd highest
New Jersey	99,206	2nd highest
New Mexico*	7,849	above average
New York	157,093	2nd highest
North Carolina	61,596	highest
North Dakota*	3,675	above average
Ohio	57,191	2nd highest
Oklahoma	15,326	above average
Oregon	34,017	highest
Pennsylvania	90,830	highest
Rhode Island*	8,758	above average
South Carolina	27,741	highest
South Dakota*	909	above average
Tennessee	37,781	3rd highest
Texas	125,370	2nd highest
Utah*	11,567	above average
Vermont*	4,336	highest
Virginia	29,634	3rd highest
Washington	46,163	above average
West Virginia*	6,502	above average
Wisconsin	44,230	2nd highest
Wyoming*	1,913	above average

Source: U.S. Department of Labor, Center on Budget and Policy Priorities calculations.

*The states with a * after them are states for which data are available back through 1976; in these states 29 years of data are available. In the other states, data are available back through 1973, so 32 years of data are available.