CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org ww.cbpp.org

November 14, 2002

NEW HOUSE UNEMPLOYMENT INSURANCE PROPOSAL IS EXTRAORDINARILY LIMITED

by Isaac Shapiro, Jessica Goldberg, and Wendell Primus

The Temporary Emergency Unemployment Compensation (TEUC) Program — the program created in March to provide federally-funded unemployment benefits to workers who have exhausted their regular, state-funded benefits — is scheduled to expire on December 28, 2002. Legislation crafted by the House Republican Leadership, H.R. 5063, to extend limited parts of the program is expected to come to the House floor for a vote later today.

The House Leadership proposal would provide an extremely limited amount of additional aid. It not only would fail to make necessary improvements to the program, it would also fail even to extend the program in its current form. *In the vast majority of states, it would provide no additional weeks of federally-funded unemployment benefits to workers who exhaust their regular, state unemployment benefits after December 28 and cannot find work.*

Under this proposal, large groups of unemployed workers who will need additional weeks of unemployment benefits before job growth picks up would go without further assistance. Between now and February 2 an estimated *1.8 million jobless workers in need of assistance would fail to receive it under the Leadership plan.*

The House Leadership bill includes two principal provisions. First, those individuals who begin to receive TEUC benefits *prior* to December 28 but have not received their full complement of benefits by that date would be able to receive up to five more weeks of aid. This provision would replace the current "*hard* cut-off" in the program, under which no TEUC benefits whatsoever would be paid after December 28, with a provision under which those receiving TEUC benefits prior to December 28 could receive benefits until February 2.

Under the bill's other main provision, which would also expire February 2, the vast majority of unemployed workers who exhaust their regular state unemployment benefits *after* December 28 would be shut out and receive no TEUC benefits. Under this provision, the only unemployed workers who would be eligible for TEUC benefits if they exhaust their regular benefits after December 28 would be workers residing in one of the small number of states that meet the restrictive "high unemployment" trigger in the TEUC law. Only three states currently meet this criterion — Alaska, Oregon, and Washington. (It is possible that a few other states will meet this criterion early next year, but in all likelihood the vast majority of states will not.)

In addition, the Leadership bill would not provide any additional weeks of benefits to the large numbers of jobless workers who already have exhausted their TEUC benefits but have not been able to find work, or to those workers who will exhaust their TEUC benefits between now and the end of December. The Leadership bill represents an approach to providing temporary federal unemployment benefits in the wake of a downturn that is without precedent in recent economic cycles in terms of its parsimony.

Altogether, we estimate that 1.8 million unemployed workers who are or will be in need of assistance by the beginning of February would be left out altogether by the bill. The 1.8 million figure assumes that the only states that will qualify as high unemployment states during this period are the three states that now fall into this category under the restrictive TEUC criteria for determining when a state is to be considered a “high unemployment” state. (Of note, the 1.8 million figure does not include the sizable number of workers who would receive *some* assistance from the Leadership bill but would receive *more* assistance from other proposals that were introduced in September.)

The 1.8 million workers fall into three categories.

- **An estimated 950,000 workers whose TEUC benefits ran out by the end of October and who remain unemployed.** From the start of the TEUC program last March until the end of October, an estimated 1.7 million workers exhausted their TEUC benefits before finding work. Based upon recent employment patterns, an estimated 950,000 of these workers remained unemployed as of the end of October. The Leadership bill does not provide these workers any additional weeks of benefits while they continue to look for work.

- **Another 380,000 jobless workers who will exhaust their TEUC benefits in the final two months of the year.** In November and December, an estimated 380,000 workers will exhaust their TEUC benefits without securing employment. They, too, would receive no assistance under the Leadership bill.

- **About 470,000 workers who will exhaust their regular unemployment benefits between December 28 and February 2.** Except in a few “high unemployment” states, workers exhausting their regular unemployment benefits after December 28 would receive no further assistance. Current data and trends suggest that approximately 496,000 workers will exhaust their regular unemployment benefits from December 28 until the beginning of February. An estimated 22,000 of these workers live in the three states that now qualify as “high unemployment” states. The remaining 474,000 workers live in states that currently do not qualify as high unemployment states and thus would not receive any assistance through TEUC.

Workers who exhausted TEUC by the end of October and remain unemployed	Workers who will exhaust TEUC in November and December without finding work	Workers who will exhaust regular unemployment benefits from December 28 to February 2 and do not live in a state now categorized as “high unemployment”	Estimated total number of workers who would receive no further assistance
951,000	376,000	474,000	1.8 million

The table at the end of this analysis provides state-by-state estimates of the number of workers in these three categories who would receive no assistance under the Leadership bill. (The table assumes that the same three states that now qualify as having high unemployment will be the states that qualify as having high unemployment in the first quarter of next year.)

Jobless Assistance Already Much Weaker than in Previous Recessions

The TEUC program is considerably weaker than the emergency federal unemployment benefits program typically established during previous recessions.

- The number of workers who are now running out of their TEUC benefits before finding work is substantially larger than the number of jobless workers who exhausted their additional weeks of federally-funded benefits in a comparable time period in the wake of the recession of the early 1990s. Primarily because fewer weeks of unemployment benefits are provided to unemployed workers today than were provided in the last downturn, unemployed workers are more likely now than were their counterparts in the early 1990s to have their benefits run out before they find jobs.

  By not providing additional weeks of benefits to those who have exhausted their TEUC benefits, the Leadership bill would ensure that the TEUC program remains considerably weaker than the comparable program in the previous downturn.

- Many fewer states are qualifying to provide a second, more ample tier of federal unemployment benefits today than in the early 1990s. Under the statute that governs TEUC, only Alaska, Oregon, and Washington currently are classified as "high unemployment" states, a status that permits workers in these states to receive up to 26 weeks of TEUC benefits rather than up to 13 weeks of benefits. The small number of such states reflects a major deficiency in the trigger the TEUC program uses to determine which states qualify as having high unemployment: the trigger mechanism fails to include the long-term unemployed (those out of work for at least six months and still looking for a job), the very population that the TEUC program is intended to help.

  Under the House Leadership bill, the deficient high unemployment trigger would remain unchanged.

The large differences in the adequacy and scope of the federal unemployment assistance provided in the course of this downturn and the assistance provided in the last downturn are especially noteworthy, given that by a number of key measures, the current economy is hitting workers as hard as, and in some cases harder than, the economy of the early 1990s. As just noted, more workers are exhausting their regular unemployment benefits at this stage of the downturn than during a comparable period in the early 1990s. In addition, both the number of unemployed workers and the unemployment rate have increased about as much in this recession as in the previous one, and the unemployment rate among workers with recent work experience (a measure that screens out new entrants and re-entrants to the labor market) has increased *more* during the current economic slump than in the last one.

Missed Opportunity for Providing Immediate and Well-Targeted Economic Stimulus

The failure to provide additional weeks of benefits to those who have already exhausted their TEUC benefits constitutes a missed opportunity to provide a dose of immediate, well-targeted economic stimulus. Providing additional benefits now provides additional stimulus now. Moreover, those who have already exhausted their TEUC benefits have a propensity to reside where the job market is especially weak and consumer demand is lagging, so aiding them assists the hardest-hit areas. Further, unemployment benefits go to workers who are likely to spend them quickly, as many of these workers are facing economic hardship and require additional income to meet immediate household needs. Boosting consumer spending quickly is widely viewed as one of the most effective ways (if not the most effective way) to sustain and strengthen the economic recovery.

$23 Billion in Trust Fund Resources Would Remain Unused

The federal unemployment insurance trust funds will have an estimated surplus of approximately $24 billion at the end of this year. As a result, reforms that extend and strengthen the TEUC program do not require raising unemployment insurance taxes.

The House Leadership bill is estimated to cost $900 million. If it is adopted, federal trust fund surpluses of at least $23 billion will remain. In other words, some $23 billion would sit unused amidst an economic slump while several million jobless workers go without benefits. This approach seems inconsistent with a basic purpose of the unemployment insurance trust funds: the trust funds built up large resources when times were good, as they were intended to do, for the express purpose of being able to meet the needs of jobless workers when the economy weakened and unemployment climbed.

Although employers officially pay unemployment insurance taxes, most economists agree that these taxes actually are mostly borne by workers in the form of lower wages than they otherwise would receive. When the economy hits one of its periodic downturns and large numbers of workers lose their jobs and remain unemployed for long periods of time, the reserves that have accumulated in the federal unemployment insurance trust funds — which essentially represent taxes that workers have paid — should be used to provide additional weeks of unemployment benefits. This is one of the fundamental purposes for which these trust funds were established, and these taxes collected, in the first place.

Estimated Number of Workers in Each State Who Will Be Affected by the Failure to Extend the TEUC Program

	Estimated Number of Workers Who Exhausted TEUC Benefits by the End of October and Remain Unemployed	Estimated Number of Workers Whose TEUC Benefits Will Run Out in November and December	Estimated Number of Workers Who Will Exhaust Regular UI Benefits from December 28 to February 2 and Will Receive no Additional Assistance*	Total Number of Workers Affected
Alabama	8,100	3,300	4,700	16,100
Alaska**	2,600	0	0	2,600
Arizona	9,500	5,300	4,700	19,500
Arkansas	8,500	3,900	3,600	16,000
California	79,200	47,800	78,500	205,500
Colorado	16,800	7,400	7,700	31,900
Connecticut	14,100	5,500	4,900	24,500
Delaware	1,900	900	1,000	3,800
DC	4,200	2,300	1,700	8,200
Florida	62,000	21,200	22,100	105,300
Georgia	57,200	13,000	18,500	88,700
Hawaii	1,900	600	1,100	3,600
Idaho	2,300	900	2,600	5,800
Illinois	59,800	21,200	23,600	104,600
Indiana	21,800	6,400	10,400	38,600
Iowa	7,600	2,500	3,300	13,400
Kansas	5,300	2,500	4,100	11,900
Kentucky	9,800	3,100	3,400	16,300
Louisiana	7,300	2,900	4,700	14,900
Maine	2,500	900	1,200	4,600
Maryland	10,400	3,600	5,000	19,000
Massachusetts	16,100	6,000	14,700	36,800
Michigan	48,200	15,700	17,900	81,800
Minnesota	17,700	6,800	6,800	31,300
Mississippi	8,500	2,300	3,400	14,200
Missouri	17,200	6,000	8,300	31,500
Montana	1,500	400	1,100	3,000
Nebraska	3,100	1,100	1,900	6,100
Nevada	10,300	2,600	4,400	17,300
New Hampshire	1,400	300	500	2,200
New Jersey	33,800	14,500	24,200	72,500
New Mexico	3,100	900	1,600	5,600
New York	118,200	37,900	52,300	208,400
North Carolina***	23,100	22,200	10,800	56,100
North Dakota	500	100	800	1,400
Ohio	45,700	16,600	12,400	74,700
Oklahoma	8,000	4,900	3,100	16,000
Oregon	6,200	3,900	0	10,100
Pennsylvania	35,400	13,100	24,800	73,300
Rhode Island	5,300	1,800	2,000	9,100
South Carolina	19,100	5,300	5,300	29,700
South Dakota	300	100	200	600
Tennessee	28,000	9,900	7,700	45,600
Texas	52,600	20,400	43,700	116,700
Utah	6,300	4,000	2,900	13,200
Vermont	1,000	400	500	1,900
Virginia	16,900	5,600	6,500	29,000
Washington	9,000	9,000	0	18,000
West Virginia	2,400	1,100	1,500	5,000
Wisconsin	18,000	7,500	7,100	32,600
Wyoming	1,000	200	600	1,800
Total	**950,700**	**375,800**	**473,800**	**1,800,300**

Note: *Currently, only Alaska, Oregon, and Washington qualify to provide the second tier of TEUC benefits. This column assumes that no other states meet the trigger requirement, and that these three states remain qualified. **Alaska became eligible for the second tier of TEUC benefits on November 10. Therefore, essentially no workers are expected to exhaust their TEUC benefits in Alaska during November or December. ***North Carolina adopted the optional TUR trigger in early October, and qualified at that time to provide up to 26 weeks of benefits. It will trigger off of the second tier of benefits as of November 16. However, though arrangements with the Department of Labor, North Carolina will pay benefits retroactively to all workers who would have received such benefits had North Carolina adopted the optional trigger in late May. The numbers in this table are adjusted for that situation.