

370,000 WORKERS EXHAUST TEMPORARY FEDERAL UNEMPLOYMENT BENEFITS IN SEPTEMBER ALONE

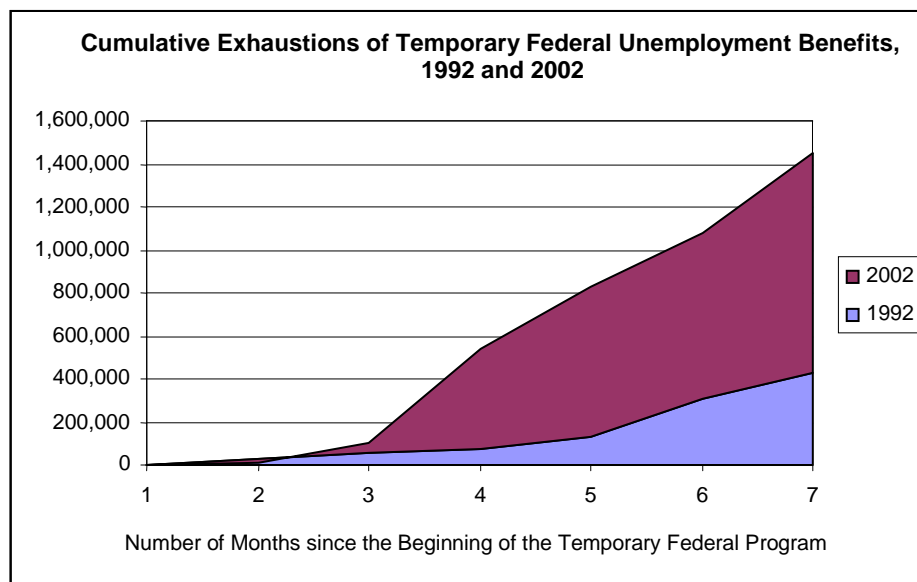
Total Exhaustees Hit 1.5 Million Mark, With the Pace of Exhaustion Much Faster Than In Last Recession

By Wendell Primus, Isaac Shapiro, and Jessica Goldberg

According to new Department of Labor data, in September more than 370,000 people ran out of temporary federal unemployment benefits before finding work. That brings the total number of people who have run out of temporary federal benefits to nearly 1.5 million.

Approximately 95 percent of those who exhaust these benefits, which are provided under the federally-funded Temporary Extended Unemployment Compensation program established in March, do not qualify for any additional unemployment insurance assistance.¹ They receive neither a paycheck nor any further unemployment benefits to help them make ends meet until they can secure a new job.

Much larger numbers of workers are now exhausting their temporary federal unemployment benefits than did so under the comparable federal program in place during the recession of the early 1990s. In the first seven months that the current program has been in operation — the period from March through September 2002 — *three times as many* workers exhausted their federal unemployment benefits as did so during a comparable period of time in the early 1990s.



¹ The other five percent live in North Carolina, Oregon, and Washington, where workers who exhaust their TEUC benefits and remain unemployed currently qualify for up to 13 additional weeks of benefits under the permanent federal-state Extended Benefits program. Currently the EB program is only “triggered on” in those three states.

One reason that many more workers are exhausting their benefits before finding work today than exhausted such benefits in the previous recession is that federal unemployment benefits are now provided for a substantially shorter period of time than they were in the early 1990s. Currently, unemployed workers in all but three states receive only *up to 13 weeks* of federal benefits after their regular, state-funded unemployment benefits run out. In the remaining three states, which are classified as “high unemployment states,” such workers can receive up to 26 weeks of federal unemployment benefits. By contrast, during the first seven months of the temporary federal unemployment benefits program in place during the previous recession, the provision of federal unemployment benefits for *up to 26 weeks* was the norm rather than the exception, and “high unemployment” states provided benefits for up to 33 weeks. The number of weeks for which benefits were provided during the downturn of the early 1990s was gradually scaled back as the economy recovered, but even after being scaled back, for the first 22 months of the program the minimum number of weeks provided exceeded the minimum number provided today. Also, considerably more states qualified as “high unemployment” states under the EUC program than qualify under the TEUC program.

In nearly every state, workers are now exhausting their federal unemployment benefits in very substantial numbers. By the end of September 2002, more than 50,000 workers had run out of all of their unemployment benefits before finding work — including their additional weeks of federal unemployment benefits — in 11 states: California, Florida, Georgia, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas. Table 1 provides information on the number of workers who have exhausted their federal unemployment benefits in every state.

The new Labor Department data confirm an earlier Center on Budget and Policy Priorities projection that the number of workers running out of federal unemployment benefits would reach approximately 1.5 million by the end of September.² While some of those who have exhausted their benefits have since found new jobs, it is estimated that more than half of the 1.5 million workers whose benefits have run out continue to be out of work.³

How the Current Federal Unemployment Benefits Program Works

The Temporary Extended Unemployment Compensation (TEUC) program was established by Congress in the March 2002 stimulus legislation. It provides up to 26 weeks of federally financed unemployment insurance benefits to workers who have exhausted their regular, state-funded unemployment benefits in states designated as “high unemployment” states and up to 13 weeks of such benefits to workers in all other states.

Unless Congress acts to extend the TEUC program, it will expire at the end of the year, with no benefits paid after December 28. Workers who otherwise would receive additional weeks of TEUC benefits will have these benefits cut off on that date. Workers who exhaust their regular, state-funded unemployment benefits after December 28 will receive no further unemployment benefits of any sort.

² Wendell Primus and Jessica Goldberg, “Number of Workers Exhausting Federal Unemployment Insurance Benefits Will Reach an Estimated 1.5 Million by the End of September and Exceed Levels in the Last Recession,” Center on Budget and Policy Priorities, Revised September 19, 2002.

³ Wendell Primus, Isaac Shapiro, and Jessica Goldberg, “The Price of Inaction,” Center on Budget and Policy Priorities, October 1, 2002.

Current Program Slated to Expire

The Temporary Extended Unemployment Compensation program (TEUC), the program that was established by the March 2002 stimulus legislation and provides additional weeks of federally funded unemployment benefits to workers whose regular, state-funded unemployment benefits have run out, is slated to expire on December 28. If Congress does not take action either to extend the program beyond the end of December or to provide additional weeks of benefits to workers who have exhausted their TEUC benefits and still are out of work, more than three million unemployed workers will be left with neither a paycheck nor unemployment benefits for at least part of the next five months.⁴ This figure includes workers whose TEUC benefits have run out and who are still unemployed, workers whose TEUC benefits will run out between now and the end of 2002, and workers whose regular, state-funded unemployment benefits will run out during the first quarter of 2003 and who will qualify for no TEUC benefits because the program will have ended.

Before it recessed, Congress considered — and in the Senate attempted to pass — legislation to extend and revise the TEUC program. The box on page 4 examines the two major proposals that were under discussion at the time Congress adjourned in mid-October. These proposals are likely to be a focus of further discussion when Congress reconvenes for a lame-duck session later this year.

Unprecedented Exhaustion Rate of Regular Unemployment Benefits

In addition to the 370,000 workers who exhausted their TEUC benefits in September, nearly 350,000 unemployed workers exhausted their *regular*, state-funded unemployment benefits that month. The likelihood that recipients of state unemployment benefits are having these benefits run out before they find a new job is exceptionally high. The “exhaustion rate” — the ratio of workers exhausting state unemployment benefits to those who first received benefits six months ago — was 44 percent in September.

The exhaustion rate was higher in September than in any previous September on record, including the Septembers during the recession of the early 1990s and during the severe recession of the early 1980s.⁵ The exhaustion rates in July and August 2002 were the highest levels on record for July and August as well.

Since those who exhaust their regular unemployment benefits consist overwhelmingly of individuals who have been out of work for at least six months, these data on exhaustion rates provide strong evidence that long-term unemployment remains at substantial levels and does not show signs of abating.

⁴ *Ibid.* This figure does not include the significant number of unemployed workers who failed to qualify for any unemployment benefits — regular or state — to begin with.

⁵ These data are available back to 1980.

Comparison of the Two Major Proposals to Extend Federal Unemployment Benefits

Before Congress recessed for the election, two major alternatives for extending the Temporary Emergency Unemployment Program were being considered. The first alternative (S. 3009) was introduced in September by the late Senator Paul Wellstone, joined by Senators Edward Kennedy, Hillary Clinton, Gordon Smith, and other senators. Companion legislation was introduced in the House as H.R. 5491 by Representatives Charles Rangel, Ben Cardin and members. The second alternative was introduced in the House in October as H.R. 5587 by Rep. Phil English and others, and was recommended to the House Republican Leadership for floor consideration by Rep. Bill Thomas, chairman of the House Ways and Means Committee.

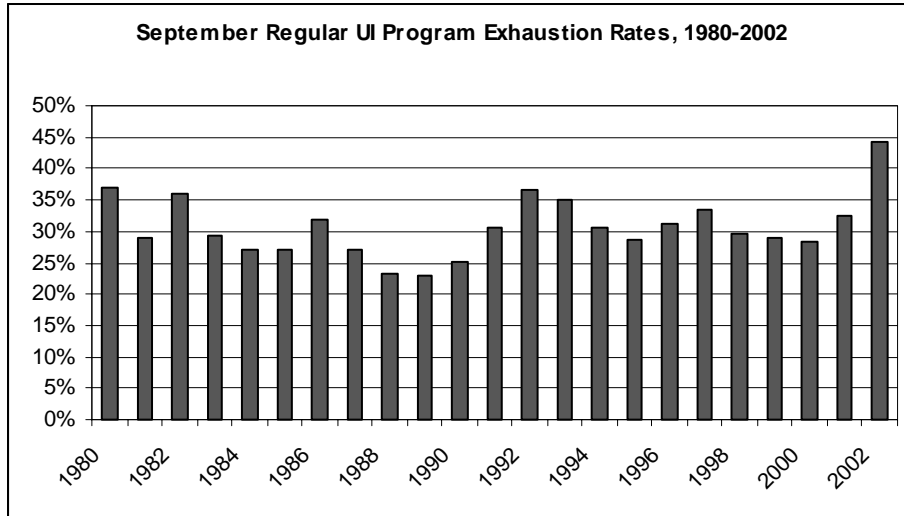
The Thomas/English proposal would extend limited parts of the current TEUC program through April 1, and would be of significant help in only a few states. S. 3009/H.R. 5491 would extend the TEUC program in all states and do so through July 1. It also would expand the benefits the TEUC program provides.

The alternatives are similar in only one respect. Under current law, all TEUC benefits end on December 28; under both proposals, workers who begin to receive TEUC benefits prior to December 28 but have not received their full number of weeks of benefits at that point would be able to receive their full complement of benefits in subsequent weeks.

The differences between the proposals are large and include the following:

- The Thomas/English proposal provides no additional benefits to unemployed workers who have exhausted their TEUC benefits and remain out of work (or to workers who exhaust their benefits between now and the end of December). By contrast, S. 3009/H.R. 5491 would provide additional benefits to such workers in all states. The additional benefits would be provided for up to 13 weeks in the majority of states and for up to 20 weeks in states classified as “high-unemployment” states.
- Under the Thomas/English proposal, unemployed workers who exhaust their regular, state-funded unemployment benefits *after December 28* would not be eligible for any federal TEUC benefits, unless they resided in one of a very small number of states classified as having “high unemployment.” Under S. 3009 and H.R. 5491, workers who exhaust their regular unemployment benefits during the first half of 2003 would be eligible for federal TEUC benefits in all states.
- In determining which states are categorized as “high unemployment” states — the only states that would be allowed under the Thomas/English proposal to provide TEUC benefits to unemployed workers whose regular unemployment benefits run out after December 28 — the proposal maintains the highly restrictive criteria used to define “high unemployment” under the current TEUC program. Under these criteria, only three states are classified as “high unemployment” states today. (Due to seasonal fluctuations, a few additional states might meet these criteria early next year.) In contrast, S. 3009 and H.R. 5491 would revise the criteria that the TEUC program uses in determining which states have “high unemployment” (and thus which states can provide benefits for a longer number of weeks). A principal change involves counting long-term unemployed workers when determining the level of unemployment in a state. (The long-term unemployed are those who have been out of work for at least six months and are still out of a job.) Under the current TEUC criteria, the long-term unemployed are *excluded* from the measure used to determine if a state has “high unemployment,” which causes some states in which large portions of the unemployed have been out of work for half a year or more to appear not to have sufficient levels of unemployment to qualify as having “high unemployment.” If the criteria that S. 3009 and H.R. 5491 would apply were in effect today, 14 states would currently be classified as high unemployment states, rather than three.

The magnitude of the differences between the proposals can be seen in one statistic. Over the next five months, we estimate that S. 3009/H.R. 5491 would assist *more than two million more workers* than would the Thomas/English proposal.



The number of workers exhausting their regular, state benefits remains far higher than in 2000, before the recession began. In every state in the nation, the number of unemployed workers who exhausted their regular unemployment benefits in the most recent three-month period — the months from July through September 2002 — was greater than the number of workers who exhausted their regular unemployment benefits during the comparable three-month period of 2000. (See Table 2.) In 34 states, the number of workers who exhausted their regular unemployment benefits between July and September of 2002 was more than double the number who exhausted their benefits in the same three months of 2000.

Conclusion

The unusually high proportion of unemployed workers who are exhausting their regular unemployment benefits before they can find work, as well as the surprisingly large number of workers whose additional weeks of federally funded unemployment benefits are running out before they secure employment, underscore the need for adequate unemployment insurance support at this time. These data demonstrate the need for Congress both to extend and to strengthen the current TEUC program before it expires at the end of the year.

Table 1. Number of Workers Who Exhausted Federal TEUC Aid Before Finding Work

	September 2002	Total, March-September 2002
Alabama*	1,924	15,442
Alaska	1,156	4,661
Arizona	2,518	15,717
Arkansas	2,199	11,705
California	72,842	118,424
Colorado	4,018	20,826
Connecticut	3,353	19,243
Delaware	646	2,994
DC	602	4,987
Florida	11,727	86,772
Georgia	9,725	61,815
Hawaii	723	4,764
Idaho	1,148	4,288
Illinois	11,869	82,906
Indiana	4,093	30,150
Iowa	1,589	11,685
Kansas	2,096	7,774
Kentucky	2,003	15,820
Louisiana	2,158	13,875
Maine*	621	4,200
Maryland	2,606	18,717
Massachusetts	26,122	51,012
Michigan	20,376	70,736
Minnesota	3,702	24,863
Mississippi	1,583	14,383
Missouri	3,195	25,531
Montana	291	3,293
Nebraska	789	5,091
Nevada	1,953	15,417
New Hampshire	392	2,166
New Jersey	35,425	59,632
New Mexico	542	4,113
New York	21,149	156,141
North Carolina**	8,510	45,041
North Dakota	144	1,461
Ohio	7,632	52,017
Oklahoma	1,768	11,202
Oregon	9,702	10,714
Pennsylvania	39,718	69,948
Rhode Island*	1,109	6,903
South Carolina	4,238	26,366
South Dakota	97	511
Tennessee	5,351	41,584
Texas	15,084	109,296
Utah*	1,623	9,513
Vermont	315	1,596
Virginia	3,415	22,593
Washington	14,040	21,739
West Virginia	587	4,370
Wisconsin	4,559	27,528
Wyoming	209	1,456
Total	373,236	1,452,981

*Exhaustions data for September were not reported in these states. September data were estimated based on exhaustion patterns for earlier months.

**In North Carolina, workers are reported as exhausting temporary federal benefits in September after the first 13 weeks because the state only began to qualify for a second tier of 13 weeks in early October.

Table 2. Number of Workers Who Exhausted *Regular* State Unemployment Benefits Before Finding Work

	September 2002	Total, July-September 2002	Percentage Increase, July-Sept. 2000 to July-Sept. 2002
Alabama	3,438	12,657	100%
Alaska	1,457	4,169	44%
Arizona	5,346	15,938	112%
Arkansas	3,470	10,449	103%
California	53,456	184,303	119%
Colorado	5,344	15,362	217%
Connecticut	5,238	14,966	145%
Delaware	757	2,635	125%
DC	909	4,128	89%
Florida	15,220	46,392	103%
Georgia	7,687	27,882	181%
Hawaii	898	3,029	91%
Idaho	1,105	4,080	106%
Illinois	16,251	55,391	130%
Indiana	6,055	20,037	152%
Iowa	2,219	7,709	129%
Kansas	2,332	8,333	98%
Kentucky	3,317	10,211	110%
Louisiana	3,718	10,188	85%
Maine	788	2,847	94%
Maryland	4,597	13,741	102%
Massachusetts	10,480	36,912	185%
Michigan	14,502	46,966	174%
Minnesota	4,862	16,035	202%
Mississippi	2,145	7,141	76%
Missouri	5,258	18,161	96%
Montana	442	1,786	42%
Nebraska	1,629	4,723	137%
Nevada	3,150	9,764	92%
New Hampshire	539	1,971	NA
New Jersey	15,840	51,422	100%
New Mexico	1,352	4,489	121%
New York	27,560	98,989	101%
North Carolina	11,994	35,640	249%
North Dakota	248	843	67%
Ohio	9,839	35,095	176%
Oklahoma	2,832	7,917	164%
Oregon	6,212	20,253	139%
Pennsylvania	15,151	52,757	112%
Rhode Island	1,437	4,651	51%
South Carolina	5,189	16,283	200%
South Dakota	170	498	374%
Tennessee	7,374	21,341	90%
Texas	21,910	71,620	76%
Utah	2,537	7,134	174%
Vermont	551	1,756	288%
Virginia	5,260	17,685	188%
Washington	9,894	28,812	125%
West Virginia	1,239	3,659	54%
Wisconsin	6,782	20,415	134%
Wyoming	208	767	67%
Total	340,188	1,119,932	123%