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PLAN TO RECONVENE ON JANUARY 20 UNDERSCORES NEED TO ACT NOW ON TEMPORARY UNEMPLOYMENT BENEFITS

By Isaac Shapiro

A schedule released by the Senate leadership indicates that after the Senate adjourns for the year, the plan is for the Senate to reconvene on January 20.¹ This schedule guarantees that unless Congress acts to extend the Temporary Extended Unemployment Compensation (TEUC) program before it adjourns, large numbers of unemployed workers will be harmed.

In January about 90,000 unemployed workers are likely to exhaust their regular, state benefits each week, but absent Congressional action, none of these people would be eligible for TEUC aid.² Absent Congressional action, starting January 1 workers who exhaust their regular, state benefits will not be eligible for additional federal TEUC benefits. The only people who will continue to receive TEUC benefits will be those already enrolled in the program at the end of this year.

With the leadership in Congress and the President remaining nearly silent about their intentions for the TEUC program, it is possible that Congress will depart for the year without taking any action on it. Some may then assert that the issue of whether to extend the program, and in what form, can be dealt with easily upon Congress' return. From the perspective of many of the unemployed, this approach would be damaging. Available data indicate that in the month of January alone *as many as 400,000* unemployed workers may exhaust their state benefits.³

The precarious financial situation most long-term unemployed people find themselves in means that any delay in receiving TEUC benefits could be quite harmful. Even when workers do receive benefits, they only partially replace their lost income — typically between 30 percent and 50 percent of a worker's previous wages. In addition, the large majority of unemployment insurance recipients do not have substantial enough

¹ CQ Today Midday Update, November 18, 2003.

² In a previous paper, the author noted how starting in January an average of about 80,000 unemployed workers will exhaust their regular benefits each week. This estimate applies to the first half of 2004. But due to seasonal variations, the number of individuals exhausting their regular benefits in a January typically is especially high relative to other months. January 2004 is not expected to be an exception to this rule, with an estimated 90,000 unemployed workers exhausting their regular benefits each week, or 10,000 more than are expected to exhaust their benefits each week for the first half of 2004.

³ The 400,000 estimate reflects the assumption that the rate at which unemployed individuals exhaust their regular benefits will be similar in January 2004 to what it was in January 2003. If the labor market picks up steam between now and January, the level could drop somewhat below 400,000.

savings to sustain their families through a lengthy bout of unemployment. A widely-cited study found that more than 80 percent of workers who become unemployed have savings equal to less than two months of income when they lose their jobs.⁴

Moreover, a survey conducted earlier this year found that 62 percent of those unemployed for nine months or longer had substantially depleted their savings, and just over half had borrowed money to meet basic expenses. The survey also found that more than half of all unemployed workers had cut back on spending on food and more than half had also postponed medical or dental treatment.⁵ So even if Congress were to act in late January to extend the TEUC program, and to make the payments retroactive to the first of the year, the delay of three weeks or more in the provision of TEUC checks is likely to negatively affect the ability of tens of thousands of unemployed workers and their families to meet their basic needs.

The uncertainty unemployed workers will confront will also make planning difficult. Until Congress acts, unemployed workers will not know whether to plan on receiving additional benefits since they cannot be expected to be able to predict what actions Congress will take.

Even in the most optimistic scenario, action on the TEUC extension this January would cause a delay about two weeks greater than occurred in January 2003. In late 2002, Congress also adjourned for the year even though the TEUC program was scheduled to expire entirely at the end of the year.⁶ But it then reconvened very early in the year and the President signed a TEUC extension into law on January 8. This year the Senate schedule would mean it would not be able to act until January 20 at the earliest, or 12 days later than last time.

Waiting until the last minute forestalls a discussion of necessary improvements to the TEUC program. It is possible that right before adjournment Congressional leadership will permit a vote on extending the TEUC program. This scenario may very well put supporters of the program in a “take a clean extension or leave it” position, precluding any real opportunity to debate whether the program should be improved. That would be unfortunate, since the evidence strongly suggests that the program is not providing sufficient weeks of assistance, with three of every four TEUC recipients exhausting their benefits before they are able to find a job. (See the Center analysis, “Approaching the Deadline,” November 18, 2003.)

⁴ Jonathan Gruber, “The Consumption Smoothing Benefits of Unemployment Insurance,” *The American Economic Review*, March 1997, Volume 87, Issue 1.

⁵ Survey by Peter D. Hart Research Associates commissioned by the National Employment Law Project, “Unemployed in America,” conducted April 17-28, 2003.

⁶ As noted, even if Congress does not act on the TEUC program before it adjourns for the year, this year those who are already receiving TEUC benefits at the end of December would continue to receive the full amount of benefits to which they are entitled. A year ago those who were receiving benefits at the end of December would have received no additional weeks of benefits if Congress had not acted.