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# LATEST UNEMPLOYMENT INSURANCE DATA AND MARCH EMPLOYMENT REPORT BOTH INDICATE A WORSENING LABOR MARKET

## Indicators Suggest Temporary Federal Benefits Program Should Be Continued

By Jessica Goldberg and Isaac Shapiro

New data from the Labor Department on the number of workers who are running out of unemployment benefits show that the plight of the long-term unemployed is both serious and deteriorating.

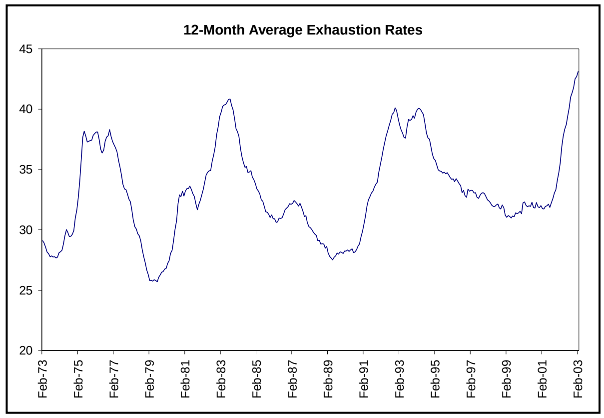
- The proportion of workers who exhausted their regular, state unemployment insurance benefits before finding a job — the "exhaustion rate" that examines how difficult it has been for unemployment insurance recipients to find new jobs — equaled 50 percent in February. This is the highest level for any February on record.

- Nearly one-third of a million workers exhausted their state unemployment benefits in February. The number of "exhaustees" has now increased for 24 straight months when compared to the same months in the previous year.

- Last year Congress created a temporary federal program to provide additional federal benefits to those who have exhausted their state unemployment benefits. Since then, 2.6 million workers have run out of those federal UI benefits. That is more than twice the number of exhaustees than in the first year of a similar program Congress created in the last recession. The current temporary program generally provides fewer weeks of benefits than the federal program in the early 1990s.

Further, the general labor market data released on April 4 as part of the government's monthly employment report contain grim news about job creation. More than 100,000 jobs were lost in March, with the overall number of jobs in the economy dipping to a 40-month low. There are now fewer jobs in the labor market than at any other point in the current downturn. In combination, the unemployment insurance and job loss indicators suggest that the temporary federal benefits program should be strengthened and extended beyond May 31, when under current law the door closes for any additional workers to begin receiving federal benefits.

## Exhaustions of Regular, State-Funded Unemployment Benefits




About 327,000 workers exhausted their state-funded unemployment insurance (UI) benefits in February, the most recent month for which data are available. Since state unemployment benefits typically last for six months, workers who exhausted their benefits in February 2003 generally began receiving unemployment insurance in August 2002.

- Almost twice as many workers exhausted their state UI benefits in February 2003 as in February 2001, the month immediately before the recession began. Exhaustions in February 2003 even exceeded the already-high level for February 2002, which reflected the effects of the recession. (Since exhaustion data are not adjusted to control for seasonal variations in unemployment, we evaluate trends in these data by comparing the same month in different years.)

- February 2003 marked the 24$^{th}$ consecutive month in which exhaustions increased relative to the same month in the prior year. This shows that even workers with significant labor force experience — that is, those who have worked long enough and earned enough to qualify for UI benefits — are having trouble finding jobs.

- Not only is the *number* of workers exhausting their state UI benefits increasing, so too is the *percentage* of recipients who exhaust their benefits. The "exhaustion rate" in February 2003 was 50 percent, a record for a February.[1] Moreover, for the 12-month period ending in February 2003, the exhaustion rate was 43 percent. As the graph below shows, that is the highest 12-month average exhaustion rate ever recorded, with data available back to 1973 and covering three other recessionary periods.

## Exhaustions of Federally Funded Unemployment Benefits

Since it was created in March 2002 the Temporary Extended Unemployment Compensation (TEUC) program has provided vital assistance to most workers who have exhausted their state UI benefits over the past year. In contrast, workers who are still unemployed when their federal TEUC benefits run out are left with neither a paycheck nor any unemployment assistance. (At the same time, it bears noting that neither regular nor federal unemployment benefits provide the same income security as a job. Unemployment benefits

[1] Following the approach used by the Department of Labor, the exhaustion rate is the ratio of the number of individuals exhausting their regular benefits in a month to the number of individuals who first began receiving benefits six months prior.

typically replace only 35 to 50 percent of lost wages, so receipt of a UI check does not guarantee that a family will be able to meet even basic needs such as food and shelter.)

From March 2002 through February 2003, nearly 2.6 million workers ran out of TEUC benefits without being able to find a job. That is more than twice the number of workers who exhausted their federal UI benefits during the first year of the last recession, in the early 1990s; the difference largely reflects the fact that the TEUC program generally provides workers with fewer weeks of benefits than the earlier program and thus less time to find a job before those benefits expire.[2] Of those 2.6 million workers, we estimate that more than one million are still without jobs. (See Table 1 for state-by-state estimates.)

## The March Unemployment Situation

According to Department of Labor data released on April 4, some 108,000 jobs were lost in March. Those losses follow sharp declines in February, and bring the total number of jobs lost in the two years since the recession began to nearly 2.1 million.

The private sector lost 68,000 jobs in March, bringing the total number of private sector jobs to about 109 million. While some government jobs have actually been created since the recession began, private sector job losses have been particularly steep. Some 2.6 million private sector jobs have vanished between March 2001 and March 2003. The number of private sector jobs in the economy is currently the lowest since August 1999.

## Conclusion

After May 31, no new workers will be assisted by the TEUC program, though workers already receiving benefits as of that date generally will receive all the weeks of aid for which they originally qualified. The 40-month low in the number of jobs available and the continued growth in the number of workers exhausting their state UI benefits suggest the TEUC program needs to be extended. Indeed, the large number of workers exhausting their TEUC benefits suggests the program should also be strengthened to provide additional weeks of benefits.

These conclusions are very likely to hold even if the labor market begins to turn stronger between now and the end of May. In all probability, a month or two of positive data will not signal an improvement that is sufficiently dramatic — or sustained — to make the TEUC program unnecessary. It is worth noting that Congress repeatedly extended the temporary federal unemployment benefits program it created in the early 1990s recession; that program did not end until after the number of people exhausting their regular benefits had declined for 19 consecutive months (again measured on a month-over-month basis).

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[2] For a more complete discussion of this issue, as well as other TEUC issues, see Jessica Goldberg and Isaac Shapiro, *Looking Back and Looking Forward: An Assessment of the Temporary Federal Unemployment Benefits Program and the Needs of the Long-term Unemployed*, Center on Budget and Policy Priorities, March 7, 2003.

**Table 1. Exhaustions of TEUC Benefits During the First Year of the Program**

| | Total number of workers who have exhausted TEUC benefits | Estimated number of workers who have exhausted TEUC benefits and are still unemployed at the end of February |
|---|---|---|
| Alabama | 28,100 | 13,600 |
| Alaska | 8,800 | 4,400 |
| Arizona | 24,600 | 10,400 |
| Arkansas | 19,100 | 9,500 |
| California | 303,200 | 118,600 |
| Colorado | 37,000 | 16,600 |
| Connecticut | 34,200 | 16,200 |
| Delaware | 5,500 | 2,000 |
| District of Columbia | 8,300 | 2,600 |
| Florida | 138,100 | 55,900 |
| Georgia | 93,300 | 22,500 |
| Hawaii | 7,000 | 3,100 |
| Idaho | 8,500 | 4,100 |
| Illinois | 140,400 | 53,600 |
| Indiana | 47,500 | 21,100 |
| Iowa | 19,500 | 9,200 |
| Kansas | 15,900 | 8,300 |
| Kentucky | 32,400 | 16,300 |
| Louisiana | 22,600 | 11,700 |
| Maine | 7,000 | 3,100 |
| Maryland | 30,400 | 11,100 |
| Massachusetts | 89,900 | 35,000 |
| Michigan | 114,400 | 47,600 |
| Minnesota | 41,300 | 17,000 |
| Mississippi | 22,700 | 8,000 |
| Missouri | 42,100 | 15,600 |
| Montana | 5,100 | 3,300 |
| Nebraska | 8,700 | 3,600 |
| Nevada | 18,900 | 7,600 |
| New Hampshire | 3,700 | 1,500 |
| New Jersey | 123,500 | 50,500 |
| New Mexico | 7,500 | 2,600 |
| New York | 273,600 | 88,600 |
| North Carolina | 78,600 | 42,200 |
| North Dakota | 2,500 | 1,500 |
| Ohio | 88,700 | 41,900 |
| Oklahoma | 19,400 | 7,800 |
| Oregon | 25,000 | 16,000 |
| Pennsylvania | 122,100 | 39,300 |
| Rhode Island | 10,800 | 4,900 |
| South Carolina | 42,000 | 19,600 |
| South Dakota | 900 | 500 |
| Tennessee | 64,700 | 25,300 |
| Texas | 175,200 | 58,200 |
| Utah | 16,500 | 7,900 |
| Vermont | 2,900 | 1,500 |
| Virginia | 39,500 | 15,900 |
| Washington | 46,800 | 39,000 |
| West Virginia | 7,700 | 3,600 |
| Wisconsin | 46,300 | 22,700 |
| Wyoming | 3,100 | 1,300 |
| **Total** | **2,575,300** | **1,043,900** |

Note: Data from the Department of Labor. Number of workers still unemployed as of the end of February are Center on Budget and Priorities estimates based on Department of Labor data and estimated rates of reemployment.