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LABOR MARKET CONDITIONS WORSE THAN WHEN TEMPORARY FEDERAL UNEMPLOYMENT BENEFITS PROGRAM CREATED, EXTENDED

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Six key indicators of the labor market are worse now than when the federal Temporary Extended Unemployment Compensation (TEUC) program — which provides additional weeks of unemployment insurance benefits to individuals who have exhausted their regular unemployment benefits — was first enacted in March 2002, and when it was extended in January 2003. Several of the indicators are at their worst levels in a number of years.

- The number of unemployed (8.79 million) is at the highest level in nearly a decade.
- The number of jobs is at the lowest level in 41 months; that is, at a lower point than at any other time during the current slowdown.
- The rate at which people are exhausting their regular unemployment benefits before they find a new job was at its highest level ever recorded in February and at its second highest level ever recorded in March. (The latest “exhaustion rate” data are for March; the data go back to 1973.)

Table 1. Comparison of Labor Market Indicators

	Latest Data	Situation when TEUC was Extended	Situation when TEUC was Enacted
Unemployment rate	6.0%	5.7%	5.7%
Unemployment level	8.79 million	8.30 million	8.22 million
Number of jobs	130.35 million	130.87 million	130.70 million
Long-term unemployed	1.90 million	1.68 million	1.32 million
Workers who exhausted regular UI benefits in previous 12 months	4.38 million	4.36 million	3.22 million
Exhaustion rate, average over previous 12 months	42.9%	42.7%	36.9%

Note: Latest data for unemployment rate, level, number of jobs, and long term unemployed are from April 2003. Latest data for exhaustion level and rate go through March 2003.

These findings are especially noteworthy since under current law the TEUC program is scheduled to phase down sharply at the end of this month. As discussed in a Center on Budget and Policy Priorities report released yesterday, Congress needs to move quickly to extend and strengthen this program, both to assist the unemployed and because it would be perhaps the single best step Congress could take to inject additional demand into the economy. (See “Nearly

Four Million of the Long-term Unemployed Will Be Directly Affected by Upcoming Legislative Decisions,” May 1, 2003.)

General Labor Market Indicators

Unemployment rate. According to the new labor market data released today for April 2003, the unemployment rate rose to 6.0 percent. This compares to a rate of 5.7 percent both when the TEUC program was enacted (in March 2002) and when the program was extended (January 2003).

Number of unemployed. The number of unemployed rose to 8.79 million in April. This is up by 570,000 from when the TEUC program was enacted and by 490,000 from when the TEUC program was extended. The last time the number of unemployed exceeded the April 2003 level was in July 1993, or nearly a decade ago.

Number of jobs. In April the number of payroll jobs fell for the third straight month, hitting its lowest level since November 1999. Not only has employment fallen since the TEUC program was enacted and when it was strengthened, it is now 2.1 million below its level when the downturn began.

Indicators of Long-term Unemployment

The TEUC program is designed to assist those experiencing long spells of unemployment. One way to measure those in need of assistance is to look at the number of the unemployed who have been out of work for more than 26 weeks; this is the traditional measure of long-term unemployment. The need for the TEUC program can also be measured more directly, by examining the number of workers who are exhausting their regular, state benefits before they find job (this is the pool of workers who may then receive TEUC benefits) as well as the rate at which unemployed workers are exhausting their regular benefits.

Number of long-term unemployed. In April, long-term unemployment, as measured by the Current Population Survey of the Bureau of Labor Statistics, increased to 1.9 million people. This is up by 220,000 from when the TEUC program was extended and by more than a half-million people — 44 percent — from when the program was enacted.

Number exhausting regular benefits. We examine 12 months of data for this program as the monthly data, which are not survey-based but come directly from program usage statistics, are not “seasonally adjusted” (that is, they are not adjusted to account for fluctuations due to seasonal labor market patterns). Over the past year, 4.38 million workers had their regular benefits run out before they were able to find work, up in this case only very slightly from the number of workers exhausting their regular benefits in the 12 months ending in January 2003 but substantially higher than the number of exhaustees in the 12 months ending in March 2002.

Of further interest, the number of “exhaustees” increased for 24 straight months, from March 2001 through February 2003, when compared to the number of exhaustees in the same

month of the previous year. The March 2003 figure was virtually the same as the March 2002 figure.

Exhaustion rate. The percentage of workers beginning to receive regular unemployment benefits who subsequently exhaust those benefits without finding work is at exceptionally high levels, with the current level slightly higher than in January and much higher than when the TEUC program was enacted. This exhaustion rate was at the highest level ever recorded in February and at the second highest level ever recorded in March. (As noted, these data go back to 1973.) This measure is a prime indicator of how difficult it is for unemployment insurance recipients to find new jobs.