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1.1 MILLION “EXHAUSTEES” LEFT OUT OF EXTENSION OF TEMPORARY FEDERAL UNEMPLOYMENT BENEFITS

Those without Paychecks or Unemployment Checks in Especially Difficult Straits

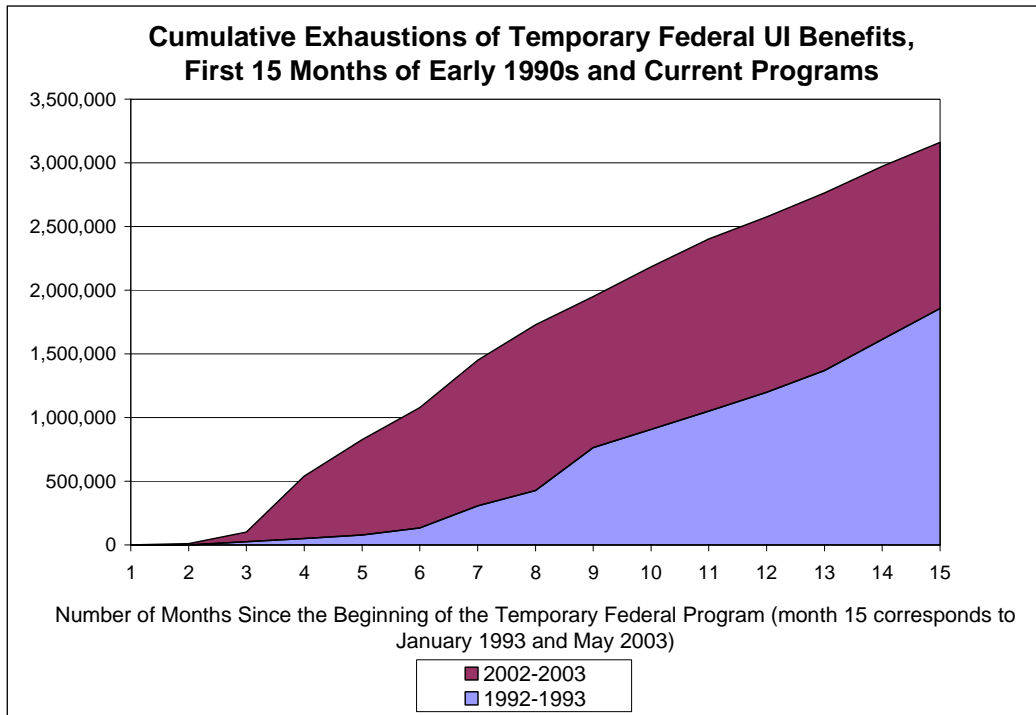
By Isaac Shapiro and Jessica Goldberg

A bill (H.R. 2185) that extends the Temporary Emergency Unemployment Compensation (TEUC) program through the end of the year was approved last night by the House, passed today by the Senate, and expected to be signed into law by the President. This extension is needed, but so is an essential improvement in the program that was not included. There is a large category of unemployed individuals who have already used up *all* their unemployment benefits and are still without a job. These “exhaustees” are especially likely to have fallen into poverty and into debt, and would have been helped by alternative plans¹ offered and defeated in both the House and Senate. The extension approved by Congress fails to provide them with additional assistance, even though a main reason so many workers have exhausted all their benefits is that the number of weeks of benefits provided under the current TEUC program is less than the number provided under earlier programs.

- **There are an estimated 1.1 million workers whose TEUC benefits have run out and who remain unemployed.** From the start of the TEUC program in March 2002 through the end of this May, an estimated 3.2 million workers will have exhausted their TEUC benefits before finding work. Based upon recent employment patterns and assumptions made by the Congressional Budget Office about the rate at which unemployed workers find new jobs, our estimate is that about 1.1 million of these exhaustees will still be unemployed as of the end of May.² A state-by-state breakout of this group can be found at the back of this analysis.
- **70 percent more workers have exhausted their federal benefits than during the recession of the early 1990s.** As the graph on the next page shows, 70 percent more workers have run out of temporary federal benefits without finding

¹ In the House, a “motion to recommit” that would have sent the unemployment benefits extension bill back to Committee to add extra weeks of benefits for exhaustees failed. In the Senate, a unanimous consent request from Senator Kennedy for a bill that would have provided additional weeks of benefits to exhaustees was denied.

² Indeed, because the unemployed have been having greater difficulty finding work than CBO assumed when developing its methodology, the number of workers who will have exhausted all available federal benefits and will still be unemployed as of the end of May might be as high as 1.4 million.



jobs at this stage of the TEUC program than at the same stage of the temporary federal program Congress created during the recession of the early 1990s.³

- Larger number of exhaustees reflects weaknesses in the TEUC program compared with the earlier program.** The primary reasons why more of the unemployed are exhausting their benefits today are that compared to the earlier program, TEUC (a) provides fewer weeks of benefits in all states, and (b) allows fewer states to qualify as “high unemployment” states, which triggers the provision of additional weeks of benefits. For instance, in the early 1990s, the temporary federal benefits program then in place provided at least 20 weeks of assistance in all states. The current program provides only 13 weeks of benefits in the large majority of states. The current program offers less assistance than the earlier program even though the decline in the labor markets were similar, with recent data suggesting, in fact, that private sector job loss has been more serious in the current period.

The workers who have already exhausted both their state and federal unemployment benefits and are still unemployed are among the hardest hit by the recession. These workers, many of whom have been unemployed for nine months or longer, have neither paychecks nor unemployment insurance benefits to spend upon basic living expenses.

³ After adjusting for the increase in the number of workers covered by the unemployment insurance system between the early 1990s and the present, 42 percent more workers exhausted benefits since the start of the TEUC program than in a comparable period during the early 1990s.

- **Few unemployed households have much in savings to cushion them.** More than 80 percent of workers who become unemployed have savings equal to less than two months of income when they lose their jobs, according to a study by Massachusetts Institute of Technology economist Jonathan Gruber.⁴ Since unemployment benefits typically replace less than half of lost wages, many workers have to draw upon their savings even before they exhaust their unemployment benefits and therefore have depleted their already meager savings when their benefits run out.
- **A new survey documents the tremendous financial pressure faced by unemployed workers.**⁵ The survey found that more than half of all unemployed workers had cut back on spending on food. More than half had also postponed medical or dental treatment; one-third of those who had health care coverage lost it since they became unemployed. Longer spells of unemployment did translate into increased hardship among the surveyed workers: 62 percent of those unemployed for nine months or longer have substantially depleted their savings, and just over half have borrowed money to meet basic expenses. *Of workers who have run out of all unemployment benefits, nearly 7 in 10 report that exhausting their benefits has had a major impact on their financial situation.*
- **Earlier studies indicate that unemployment insurance keeps many people out of poverty.** A 1990 Congressional Budget Office study found that without unemployment insurance benefits, 46 percent of long-term unemployment insurance recipients would be poor; with unemployment insurance benefits, only 19 percent were.⁶ Similarly, a study of the temporary federal unemployment insurance program created during the 1970s recession found that 22 percent of households receiving benefits were lifted above the poverty line by those benefits.⁷

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 *Family Incomes of Unemployment Insurance Recipients and the Implication for Extending Benefits*, Congressional Budget Office, February 1990.

⁷ Walter Corson and Walter Nicholson, *The Federal Supplemental Benefits Program: An Appraisal of Emergency Extended Unemployment Insurance Benefits*, Upjohn Institute, 1982.

Table 1. Number of Workers Left Out of the House UI Bill

	Estimated Number of Workers Who Will Have Exhausted TEUC Benefits and Still Be Unemployed, End of May 2003
Alabama	14,600
Alaska	4,800
Arizona	13,600
Arkansas	7,300
California	150,400
Colorado	15,900
Connecticut	11,900
Delaware	2,500
DC	2,100
Florida	58,200
Georgia	28,200
Hawaii	2,400
Idaho	4,700
Illinois	53,100
Indiana	18,200
Iowa	9,800
Kansas	7,800
Kentucky	10,300
Louisiana	10,400
Maine	2,700
Maryland	11,800
Massachusetts	32,700
Michigan	53,600
Minnesota	17,500
Mississippi	9,700
Missouri	19,700
Montana	2,900
Nebraska	4,200
Nevada	6,500
New Hampshire	1,900
New Jersey	51,000
New Mexico	4,800
New York	103,100
North Carolina	34,400
North Dakota	1,200
Ohio	36,500
Oklahoma	7,200
Oregon	17,200
Pennsylvania	77,900
Rhode Island	4,700
South Carolina	15,800
South Dakota	600
Tennessee	25,100
Texas	69,200
Utah	6,600
Vermont	2,200
Virginia	16,800
Washington	20,400
West Virginia	3,900
Wisconsin	14,400
Wyoming	1,300
Total	1,103,900