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LATEST LABOR MARKET DATA SUGGEST 13 WEEKS OF TEMPORARY FEDERAL BENEFITS REMAINS APPROPRIATE

By Isaac Shapiro

Among those who support the resumption of the Temporary Extended Unemployment Compensation program — the federal program that provides additional weeks of unemployment assistance to those who have exhausted their regular aid — there is disagreement as to how many weeks of additional assistance should be provided. The latest available labor market data suggest 13 weeks of additional benefits remains an appropriate level. Consider:

- **When the TEUC program was ending, three of every four TEUC recipients were still exhausting their aid before finding a job.** Perhaps the single best indicator of the appropriate length of TEUC benefits is whether recipients are able to find employment before their benefits end. By this indicator, in each month from September 2003 through February 2004 (the latest month for which this indicator is reliable), the TEUC program was providing insufficient weeks of benefits for three of every four recipients. Depending on the month, between 76 percent and 78 percent of TEUC recipients received all the benefits to which they were entitled and still had not found employment.
- **More recent labor market data suggest spells of unemployment remain exceptionally long.** In March, at the same time overall employment growth was robust, the number of long-term unemployed, if anything, appeared to increase (the increase was not statistically significant). The share of the unemployed consisting of the long-term unemployed hit its highest level in more than 20 years. The number of individuals exhausting their regular, state unemployment insurance but not qualifying for further federal aid reached the largest monthly level on record (with data available back to 1971).
- **13 weeks of benefits would be less than was provided at a similar stage under early 1990s program.** The exhaustion rate under the TEUC program has been significantly larger than occurred under the temporary federal program in effect in the early 1990s. In part, this reflects the larger number of weeks provided under the earlier program. The earlier program, for instance, still provided 20 weeks or more of benefits in each state until after the number of jobs lost during the downturn had been more than regained. By contrast, there are still two million fewer jobs than there were when the downturn began in early 2001.

- **Latest data are largely inconsistent with the theory that TEUC benefits lengthen unemployment spells.** The exhaustion rate for the regular benefits program has continued to drop modestly (a trend that began the middle of last year, before the TEUC program phased out), but remains at a very high level. Meanwhile, the average duration of unemployment spells, of unemployment insurance spells, as well as the number of long-term unemployed, all have *increased* since the phase-out of the TEUC program began. These increases all run contrary to the theory that the availability of TEUC benefits is significantly responsible for the length of unemployment spells.

If the next several months of labor market data show sustained, robust job growth that begins to reduce the number of long-term unemployed significantly, then a scaled-back TEUC program might be appropriate. Until that evidence is forthcoming, however, providing at least 13 weeks of benefits is advisable.