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CONGRESSIONAL IMPASSE JEOPARDIZES JANUARY JOBLESS BENEFITS FOR NEARLY TWO MILLION WORKERS

by Hannah Shaw and Chad Stone

Congress's failure to resolve differences over how to pay for renewing the payroll tax cut and federal emergency unemployment insurance (UI) benefits could mean an even colder January for jobless workers. States are already taking action to shut down the provision of federal benefits at the start of the new year, putting 1.8 million Americans in danger of losing benefits in January, according to estimates from the National Employment Law Project (NELP).[1] Table 1 contains a state-by-state breakdown of what will happen.

What's the issue before Congress

Congress has created a federal program to provide additional weeks of UI benefits in every major recession since the 1950s. The reason is simple: job opportunities are scarce in a weak economy and it can take jobless workers longer than the 26 weeks that the regular, state-funded UI programs typically provide to find a job — no matter how hard they look. Assistance for unemployed workers is also one of the most cost-effective policies for generating economic growth and creating jobs in a weak economy; the Congressional Budget Office rated it first among the 11 spending and tax measures that it recently evaluated.[2]

The federal emergency UI programs that Congress enacted in the latest recession are scheduled to expire the first week of January — even though the unemployment rate remains near 9 percent and over two-fifths of the unemployed have been looking for a job for more than 26 weeks.[3] Federal emergency UI programs have always been temporary, ending when the economy is back on track and job opportunities start to open up — but not before then. In fact, the highest unemployment rate at which federal unemployment benefits have ended in previous recessions was 7.2 percent (in March 1985). November's unemployment rate was 8.6 percent.

[1] National Employment Law Project, "Holiday Message from House of Representatives to Long-Term Unemployed: 'Tis Better to Abandon You Than To Compromise," December 21, 2011, http://www.nelp.org/page/-/UI/2011/nelp-uilapse-brief-dec21.pdf?nocdn=1.

[2] Douglas Elmendorf, "Policies for Increasing Economic Growth and Employment in 2012 and 2013," testimony before the Senate Budget Committee, Congressional Budget Office, November 15, 2011, http://www.cbo.gov/ftpdocs/124xx/doc12437/11-15-Outlook_Stimulus_Testimony.pdf.

[3] For a more thorough discussion of the unemployment insurance system, please see Hannah Shaw and Chad Stone, "Introduction to Unemployment Insurance," Center on Budget and Policy Priorities, April 16, 2010, http://www.cbpp.org/files/12-19-02ui.pdf.

Table 1							
Consequences of Expiration of Federal Unemployment Benefits							
	Maximum weeks of UI benefits available		Number of People Cut-Off in January		Maximum weeks of UI benefits available		Number of People Cut-Off in January
	In Dec. 2011	In Jan. 2012			in Dec. 2011	In Jan. 2012	
Alabama	99	26	23,900	Montana	73	28	2,200
Alaska	73	26	3,400	Nebraska	60	26	3,000
Arizona	79	26	21,300	Nevada	99	26	26,800
Arkansas	73 (pre-3/30/11 claims) 71 (thereafter)	25	7,800	New Hampshire	60	26	1,300
California	99	26	295,400	New Jersey	99	26	88,400
Colorado	93	26	28,300	New Mexico	86	26	9,300
Connecticut	99	26	27,300	New York	93	26	126,200
Delaware	93	26	4,800	North Carolina	99	26	70,900
D.C.	99	26	6,800	North Dakota	60	26	700
Florida	99*	22***	118,600	Ohio	99	26	54,900
Georgia	99	26	68,600	Oklahoma	60	26	4,600
Hawaii	73	26	3,000	Oregon	99	26	30,800
Idaho	99	26	11,100	Pennsylvania	93	26	80,200
Illinois	99*	25	84,100	Rhode Island	99	26	8,400
Indiana	99	26	44,300	South Carolina	99 (pre-6/14/2011 claims) 77** (thereafter	20	31,700
Iowa	73	26	6,500	South Dakota	60	26	200
Kansas	86	26	10,900	Tennessee	99	26	39,200
Kentucky	99	26	23,100	Texas	99	26	103,700
Louisiana	73	26	8,000	Utah	73	26	4,600
Maine	86	26	5,200	Vermont	60	26	700
Maryland	86	26	13,500	Virginia	73	26	16,400
Massachusetts	86	30	35,500	Washington	99	26	35,100
Michigan	99*	20	59,100	West Virginia	93	26	6,500
Minnesota	86	26	26,700	Wisconsin	86	26	32,200
Mississippi	79	26	9,400	Wyoming	60	26	900
Missouri	99 (before 4/13/2011) 77** (thereafter)	20	33,300	**United States**			**1.8 million**

Arkansas, Missouri and South Carolina have less than 26 weeks of state benefits available, which reduced the maximum duration of federal benefits available for claimants who filed after the dates indicated.

* The duration of state benefits will be reduced in Florida and Illinois from January 1, 2012, and in Michigan from January 15, 2012, which will reduced the maximum duration of federal benefits available for claimants who file after these dates if the program is continued.

** Includes an additional final week with reduced benefits.

*** Beginning in 2012, the maximum duration of regular benefits in Florida will be determined on a sliding scale: 12 weeks of benefits will be available when the state unemployment rate is 5 percent or lower, and an additional week will be provided for each 0.5 percentage point increase in the state's unemployment rate (up to a maximum of 23 weeks when the unemployment rate is over 10.5 percent). The unemployment rate that will determine benefits in January is 10.3 percent, calling for 22 weeks of benefit.

Sources: CBPP analysis of Department of Labor Employment and Training Agency data, National Employment Law Project and Bureau of Labor Statistics

The duration of benefits available in any particular state depends on the unemployment rate and unemployment insurance laws in the state where the person worked. Currently, workers in any state who exhaust their regular UI benefits can receive up to 34 additional weeks of benefits through the temporary federal Emergency Unemployment Compensation (EUC) program, enacted in 2008.[4] That number rises to 53 additional weeks in states with especially high unemployment rates. Workers in high-unemployment states who exhaust their regular UI and EUC benefits can receive up to 20 more weeks of benefits through the permanent federal-state Extended Benefits (EB) program if their state's unemployment insurance laws allow it. (The top map in Figure 1 shows the number of weeks of benefits now available through the regular state UI programs and the federal emergency programs.[5])

What happens if Congress fails to act

Authorization for EUC expires on December 31, 2011,[6] and full federal funding of EB — which allowed many hard-hit states to temporarily expand their programs[7] — ends on January 4, 2012. (Another provision that was enacted last December — the so-called 3-year "lookback" that allowed states with protracted periods of high unemployment to elect to continue providing EB — also expires on December 31.[8])

Without the federal programs, jobless workers can draw no more than 26 weeks of benefits. And in six states, in the absence of the federal program, unemployed workers will receive *fewer* than the 26 weeks of benefits that state UI programs have historically provided, due to unprecedented cuts these states made to their regular UI programs this year.[9] (See Table 1 and the bottom map in Figure 1.)

[4] Fewer weeks of federal benefits are available in states with reduced regular benefits.

[5] See "Policy Basics: How Many Weeks of Unemployment Compensation Are Available" (updated weekly) for further information on the maximum duration of UI by state: http://www.cbpp.org/files/PolicyBasics_UI_Weeks.pdf.

[6] Technically, it is scheduled to expire "the week ending on or before January 3, 2012." This means January 1, 2012 in New York state (because of how state law defines benefit weeks), but December 31, 2011 everywhere else.

[7] Many states have temporarily changed their EB laws to take advantage of the full federal funding by adopting an optional unemployment rate trigger that allows them to provide EB, but they have written their laws so that the optional trigger is no longer in effect once full federal funding ends.

[8] According to permanent law, EB is "on" in states that have adopted the optional unemployment rate triggers if the state unemployment rate rises above certain unemployment rate thresholds *and* if the state unemployment rate is at least 10 percent higher than it was at a comparable time in one or both of the past two years. This "lookback" provision did not anticipate a recession in which large numbers of states would experience as protracted a period of very high unemployment as in the current downturn. As a result, when full-federal funding for the program was re-authorized at the end of 2010, Congress accorded states the option of adopting a three-year "lookback," which many did. If the three-year lookback is not continued, EB will "trigger off" in every state.

[9] While most states offer up to 26 weeks of regular UI benefits, the maximum is 28 in Montana, 30 in Massachusetts, 25 in Arkansas, and 20 in Missouri and South Carolina. Three states will reduce the maximum number of weeks of regular UI benefits in January 2012: Michigan (to 20 on January 15th), Illinois (to 25 on January 1st), and Florida (to 22 on January 1st with further reductions down to as few as 12 weeks if the state's unemployment rate falls below 5 percent).

NELP's estimate that 1.8 million workers will lose critical UI benefits in January without the federal emergency UI programs is composed of:[10]

- *Almost 425,000 workers who became unemployed within the last six months and are receiving benefits through their state's regular UI system.* Once their regular UI benefits run out in January, these workers will have no access to *any* federal unemployment benefits.
- *Over 700,000 workers who have been unemployed for more than six months and have been receiving benefits through EUC.* EUC provides benefits in "tiers" of weeks; people receiving EUC when the program expires at the beginning of the year will be allowed to complete their current tier but *not* to move on to the next tier. NELP estimates that over 700,000 workers will reach the end of their current tier in January and not be allowed to move on to the next tier, meaning they will receive no further benefits.
- *Over 620,000 workers who have been unemployed for over six months (most for over a year) and who are receiving benefits through EB.* Without congressional action, this program will not be available in any state after the first week of January, and all EB recipients will be cut off immediately.

The President's Council of Economic Advisers estimates that up to 5 million people will lose benefits over the course of 2012 if the federal programs expire on December 31.[11]

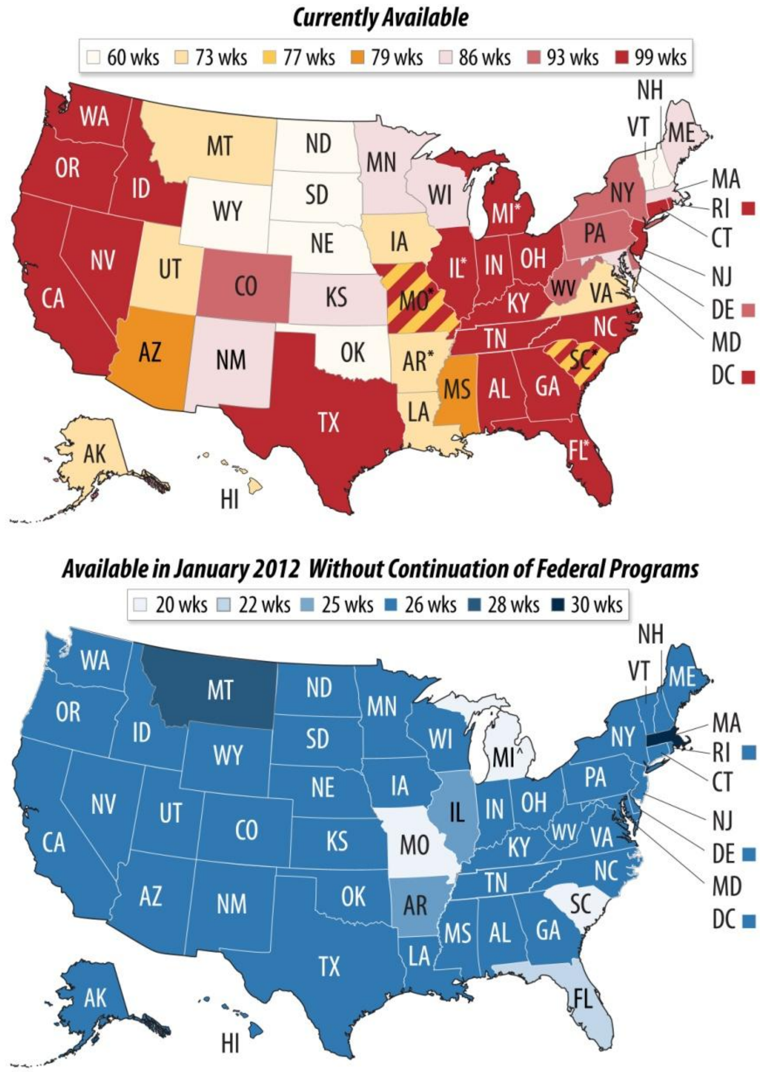
Conclusion

Unemployment insurance remains critical for both unemployed workers and the economy. Current economic conditions justify continuing the program as it is, and even those who seek to scale back the duration of benefits are not calling for the federal emergency programs to end entirely. But if Congress doesn't act, that is exactly what will happen — at least temporarily — starting the first week of January. The knowledge that benefits will likely be paid retroactively if Congress eventually reauthorizes the program will be cold comfort to a family whose mortgage is foreclosed or who has to skimp on groceries or other basics because its UI payment was delayed.

[10] Unpublished estimates from the National Employment Law Project (update of National Employment Law Project, "Hanging On By a Thread," October 11, 2011, http://www.nelp.org/page/-/UI/2011/NELP_UI_Extension_Report_2011.pdf?nocdn=1).

[11] Executive Office of the President, "Unemployment Insurance Extensions and Reforms in the American Jobs Act," December 2011, http://www.whitehouse.gov/sites/default/files/ui_report_final_121511.pdf.

Figure 1
Duration of UI Benefits Will Be Curtailed Sharply if Congress Fails to Extend Programs Before End of Year



Note: Top map shows regular benefits, all tiers of EUC, and EB. Bottom map shows regular benefits in each state.

* In 2011, Missouri, South Carolina and Arkansas reduced the maximum duration of regular benefits available through their state UI programs; these changes will shrink the number of weeks of both regular *and* federal UI benefits available to workers who file for UI in these states after the changes take effect (workers who filed before the changes take effect aren't affected). Reductions in the number of weeks of benefits available in Florida and Illinois will take effect on January 1, 2012; in Michigan, the reduction takes effect on January 15, 2012. For more information on the benefits available in each state please, see Table 1.

^ Michigan's benefit reduction will take effect January 15, 2012.

Source: CBPP analysis of Department of Labor Employment and Training Administration data from 12/18/11