BRIEFING PAPER
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Out in the Cold for the Holidays:

Federal Jobless Benefits Will Be Cut for Two Million Workers in December-- 800,000 Immediately – if Congress Fails to Renew the Emergency Program

by Christine Riordan, Maurice Emsellem, Michael Evangelist and Rebecca Dixon

For 20 years, Ms. K. Webb, a 46-year-old single mother of two, was a dedicated office manager who enjoyed her work and excelled at it, but her employment came to an abrupt halt in October 2008, when she was laid off. Today, Ms. Webb is one of 15 million unemployed Americans still struggling to find work amid the most severe economic downturn since the Great Depression. What's more, she was one of 2.5 million workers who had nowhere left to turn for support when her federal jobless benefits were prematurely cut off this summer due to Congressional gridlock.

By the time Congress finally restored benefits for jobless workers, Ms. Webb had gone nine weeks without this crucial support that she needed and had expected to receive. During that period, she was forced to rely on the local food pantry to feed her family, and she struggled to pay her bills after already having given up her home. Ms. Webb's battle to survive without the jobless benefits she had counted on to support her family while looking for work is a sobering reminder of what's at stake for huge numbers of families if Congress fails once more to renew the federal jobless aid program.

Millions will face the same fate as Ms. Webb unless Congress does what's right and reauthorizes federal jobless benefits. This includes two million workers who will lose their benefits in just one month following the expiration of the current program on November 30th. The program deadline falls in the midst of the holiday season, when unemployed families do their best to put food on the table and hold on to their family traditions. It's also a time when the economy, especially the retail sector, is counting on consumer spending—supported in part by unemployment benefits—to maintain the recovery.

Given distressingly high levels of unemployment that show no signs of subsiding, Congress should respond without delay—during the few days of the legislative session before the Thanksgiving holiday—to continue the program until unemployment and job creation show real signs of recovery.

The following is a more detailed treatment of the key considerations favoring immediate passage of a continuation of the federal program of jobless benefits through November 2011:

- An estimated two million workers in December will be cut off of federal unemployment benefits, beginning in the holiday season, if Congress does not renew the program before it expires on November 30th.
- Nearly 400,000 workers were laid off just in the past six months and now face the end of their state benefits without qualifying for any federal extended benefits.
- 800,000 workers face an immediate "hard" cut-off of their benefits (starting December 4th in nearly half the states) after struggling to find work and pay their bills for over a year in most cases.
- Since the unemployment insurance program was created in response to the Great Depression, Congress has never cut federally-funded jobless benefits when unemployment was this high for this long (at over nine percent for 17 consecutive months). The earliest Congress ever started pulling back on benefits was when unemployment reached the level of 7.2 percent nationwide.
- Businesses and the struggling economy—especially the critical retail sector—will take a major blow if Congress fails to continue the federal jobless benefits during the holiday shopping season.
- In 2009 alone, the increase in the number of people in poverty would have doubled were it not for unemployment insurance benefits.
- With the average unemployment extension check of $290 a week replacing only half of the average family's expenditures on transportation, food, and housing, jobless workers have a major incentive to look for work, notwithstanding the modest assistance their benefits checks provide.
- The 51-day lapse of the federal extension program this summer caused substantial hardship for 2.5 million unemployed workers, underscoring the urgency of renewing the current program for another year until there is strong job growth.

The Basics of Federal Jobless Benefits That Expire November 30th

Federally-funded unemployment benefits have provided a lifeline during this record period of high unemployment, both to the nation's hardest-hit workers and to the struggling U.S. economy. So far, in 2010 alone, nearly 9.5 million workers collected federally funded benefits, contributing an estimated $68 billion to the nation's economy.[1] Yet, the program's survival in Congress faces serious and growing challenges.

The temporary program of federal jobless benefits, called Emergency Unemployment Compensation (EUC), was created in July 2008, when the unemployment rate was 5.8 percent and rising fast. After several expansions of the program, EUC benefits now provide 34 to 53 weeks of benefits, depending

[1] 2010 extension recipients and benefits paid based on reported data from the Department of Labor covering January-August 2010. Estimates for September and October 2010 completed by NELP.

on the state's unemployment rate, to supplement the basic 26 weeks of assistance provided by the states.[2]

Most states also provide another 13 to 20 weeks of benefits under a separate permanent federal program called Extended Benefits (EB). Normally, states are required to share 50 percent of the EB costs, which is why only a small minority of states have typically chosen to take part in the program. However, under the Recovery Act, Congress authorized full federal funding of EB benefits, creating a powerful financial incentive for qualifying states (those with unemployment rates over 6.5 percent) to take up the optional program.

Both the EUC and the EB "federal sharing" programs expire on November 30th unless Congress acts in time to renew them. Absent congressional action, nearly five million current EUC and EB beneficiaries risk having their benefits cut over the next several months before collecting the maximum weeks of benefits they had expected. Since July 2008, the EUC program has been continued by Congress seven times, typically for a limited stretch of three or four months. These short-term stop-gap measures have plagued the program, making it all the more difficult to avoid a lapse in benefits given the vagaries of the legislative process.

Indeed, the federally-funded benefits have been allowed to lapse twice by Congress, most recently in June when they were suspended for a total of 51 days, leaving 2.5 million long-term jobless workers without the modest assistance unemployment benefits provide to help feed and shelter their families. When the benefits were finally reinstated in late July, Congress also eliminated major features of the Recovery Act's safety net, including a health care subsidy that benefited as many as two million households experiencing joblessness and a $25 boost in weekly state and federal unemployment benefits that pumped nearly $17.5 billion of stimulus into the economy since February 2009.

On November 15th, Congress is scheduled to return for only one week, with only three or four likely voting days, before taking off again for the Thanksgiving holiday. After then, Congress will return for two days, only one of which is likely to be a voting day, before the federal unemployment programs expire on November 30th. This is obviously a narrow window for Congress to act to keep the programs going. Today's unemployed families and the nation's economic recovery urgently need for Congress to prioritize reauthorization of the federal UI programs during this brief window. Neither jobless workers nor the economy can afford another round of prolonged debate and destructive delay, yielding another lapse in benefits.

Federal Jobless Benefits Have Never Been Cut When Unemployment Was as High as It Is Today

The current jobs crisis, already the most severe and sustained since the Great Depression, shows no sign of letting up. The positive economic improvements during 2010—including rising corporate profits and massive accumulations of corporate assets—have done virtually nothing to alleviate the hardships suffered by millions of working families still reeling from anemic job growth and record spells of unemployment. With only one job opening for every five unemployed workers and the national unemployment rate exceeding nine percent for the past 17 months, the jobs crisis is far from

[2] The EUC program is divided into four "tiers" of benefits, which increase according to the state's unemployment rate. Tier I (20 weeks) and Tier II (14 weeks) are available to all states, followed by Tier III (13 weeks) which is available to those states with an unemployment rate of 6 percent or higher, and Tier IV (6 weeks) which is available to those states with over 8.5 percent unemployment.

over.

The sheer magnitude of the number of workers affected by the dearth of jobs shows how inadequate recent economic recovery really is: currently, more than *one in six* working-age adults—or 26.8 million people—are either unemployed or underemployed. Of these, nearly 15 million are jobless through no fault of their own, and an additional 9.5 million are forced to work part time even though they want full-time work.

Taken together, these groups of unemployed and underemployed workers, as well as those marginally attached to the labor force—people who are available for work, have looked for work in the past year, and still can't find jobs—result in a "real" unemployment rate of at least 17.1 percent, a much more stark and worrisome measure than the already-staggering 9.6 percent unemployment rate that has persisted for the past two months. At the same time, the unemployed are experiencing record periods of joblessness: nearly 42 percent of the 15 million jobless workers are "long-term unemployed"—that is, out of work for six months or longer. Since the Labor Department began tracking this data, typical spells of unemployment have never lasted for so long, nor has long-term unemployment affected so many millions of people.

Recent private-sector job growth has been grossly inadequate to bring down these dire rates of joblessness. In fact, the Bureau of Labor Statistics recently reported that job *loss* over 2009 and 2010 may have been even worse than initially reported, with 366,000 more jobs lost as of March 2010,[3] resulting in 8.1 million total jobs lost over the course of the downturn. Given this, as well as weak jobs growth in 2010, the U.S. needs 11.5 million jobs to reach pre-recession levels of employment,[4] a shocking number when considering that layoffs temporarily increased over the summer and are now overwhelming the public sector as state and local government budgets are being slashed and federal hiring for the 2010 Census has come to an end.

Never in the history of the program have unemployment benefits been eliminated, or even reduced, when unemployment rates were so high. The only other time in the past 60 years that the unemployment rate has remained so high for so long was during the early 1980s. At that time, Congress did not cut federal unemployment benefits until the national unemployment rate had fallen to 7.2 percent—a far cry from our current rate of 9.6 percent.

[3] Bureau of Labor Statistics. "The Employment Situation – September 2010." 8 October 2010. The BLS' preliminary revision of employment estimates during April 2009-March 2010 shows that 366,000 more jobs were lost than initially reported. A final revision will be released with the January 2011 Employment Situation.

[4] Shierholz, Heidi. "Fifteen months since recession's official end, economy short 11.5 million jobs." Economic Policy Institute. 8 October 2010.

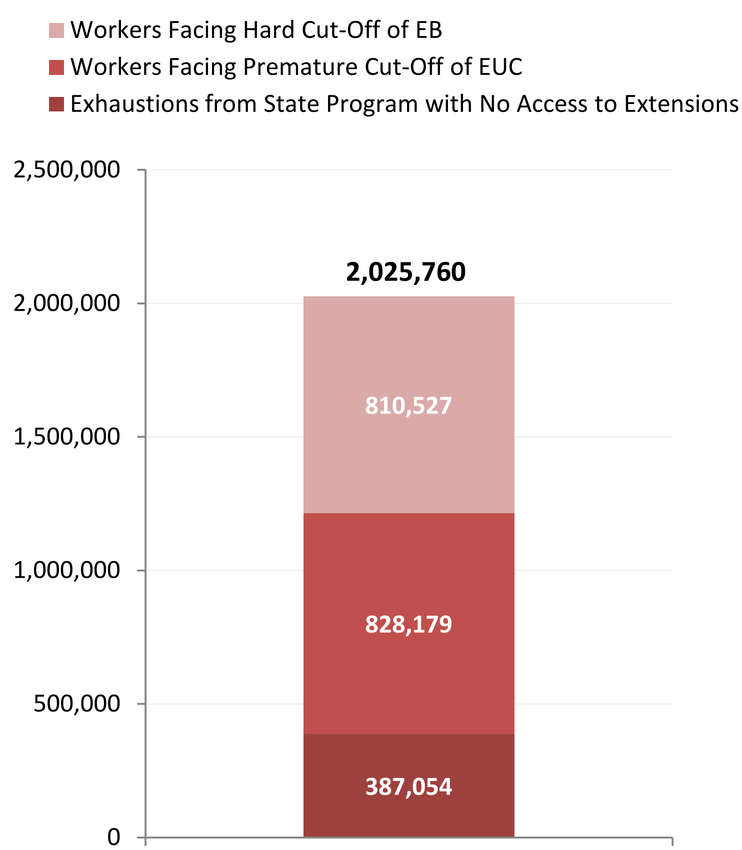
Expiration of Federal Unemployment Extensions during Prior Recessions

Expiration Date	Unemployment Rate, Prior Month	Citation
April 1, 1959	5.6	PL 85-441
April 1, 1962	5.6	PL 87-6
March 31, 1973	5.0	PL 92-329
November 1, 1977	6.8	PL 95-19
March 31, 1985	7.2	PL 98-135
February 5, 1994	6.6	PL 103-152
December 21, 2003	5.8	PL 108-26
November 30, 2010	9.6 *(Sept.2010)*	

Two Million Workers to Run Out of Jobless Benefits During the Holidays if the Program Lapses

Unless federal programs are reauthorized before the November 30th deadline, the current expiration date will cause a cascade of unemployed workers to fall off the unemployment rolls, prematurely cutting benefits for some and making any form of an extension completely unavailable for others. In December alone, two million people are expected to face cut-offs of federal benefits that would have otherwise been available to them, just as the holiday season kicks into high gear (state figures are attached to this report).

2 Million Face Cut-Off of Federal Unemployment Benefits in December 2010

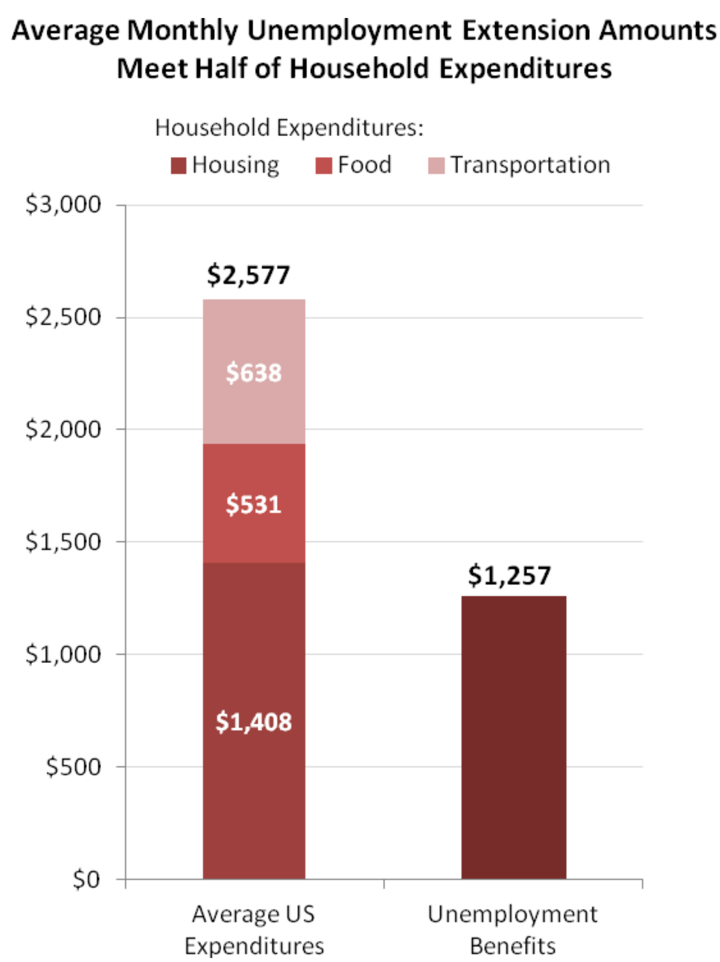


Of these two million workers, a large number (387,000) were laid off just in the past six months, which underscores the point that the economy is still shedding jobs at an alarming rate. These workers are now coming to the end of their 26 weeks of state unemployment benefits. They will have no other benefits available to them after the federal extensions expire. This means that in most states, recently laid-off workers will receive only six months of benefits or less, even though unemployment is as high or higher than it was when the current federal programs were first enacted and much higher than it was during earlier federal programs. Another 828,000 will lose out on weeks of a federal extension that would otherwise be available to them. These are workers who are currently receiving Emergency Unemployment Compensation (EUC). However, once they finish their current "tier" of benefits (there are four tiers, providing 34 to 53 weeks of benefits) they will not be permitted to move on to the next available tier. For example, if a worker runs out of her first 20-week tier of benefits, she cannot then qualify for the next 14-week tier if the program has not been reauthorized by November 30th. In many states, these also include individuals completing the final tier of EUC benefits but who won't be able to start the EB program if Congress fails to act.

Finally, there is a third group of workers who have been unemployed the longest and now face an immediate cut-off of their benefits, not a phased in elimination as provided the workers who finish out their "tier" of EUC. These workers are collecting the additional 13 to 20 weeks of assistance provided by the Extended Benefits (EB) program, which are typically provided after workers have collected their maximum EUC benefits. However, in nearly half the states, these benefits will "sunset" once the federal funding for the program ends. In most of the states, the benefits terminate on December 4th, but in some cases the "hard cut-off' is later in the month. In total, these workers account for about 800,000 of the two million workers who will see their benefits end in December if Congress does not reauthorize the program.

Modest Jobless Benefits Provide an Economic Lifeline to Workers and Families

Despite the latest hype about workers living the highlife on their unemployment benefits, the fact is that the program provides a modest income that, while holding the line against destitution for millions of hard-working families, is certainly not enough to deter individuals from working.



Currently, the average worker receives just $290 in weekly unemployment benefits with the extensions. To help put the benefit levels in their proper perspective, consider how they compare to the expenditures of the average U.S. family on basic necessities. As illustrated to the right, the average monthly benefit of $1,257 represents only about 50 percent of the income needed to cover the most basic necessities of food ($531), housing ($1,408) and transportation ($638) as measured by the annual Consumer Expenditures Survey.[5]

However, consistent with President

[5] These monthly figures for selected expenditures are derived from the 2009 annualized data reported by the Bureau of Labor Statistics. See, Bureau of Labor Statistics, Consumer Expenditures Survey News Release (October 5, 2010).

Roosevelt's vision when the unemployment insurance program was created 75 years ago, the benefits have made all the difference in the lives of millions of families hardest hit by today's jobs crisis. Indeed, according to the recently-released 2009 Census figures, unemployment benefits kept 3.3 million Americans out of poverty in 2009.

Were it not for unemployment benefits, the increase in the number of Americans in poverty would have nearly doubled from 2008 to 2009, from 3.6 million to 6.9 million people. Significantly, children accounted for nearly one-third (29 percent) of all those who were kept out of poverty thanks to their unemployment benefits (956,000 in total). Thus, the federal investment in unemployment benefits has both an immediate payoff for those kept out of poverty. But the benefits also produce long-term dividends for children and families given the social costs associated with child poverty and severe economic hardship.

Breakdown of People Kept Out of Poverty by Unemployment Insurance, 2007- 2009

Year	Total for All Ages	Children Under 18	Percent of Total	Adults 18-64	Percent of Total	Adults 65 and Older	Percent of Total
2007	488,000	164,000	34%	309,000	63%	14,000	3%
2008	905,000	292,000	32%	595,000	66%	18,000	2%
2009	3,322,000	956,000	29%	2,265,000	68%	101,000	3%

Federal Jobless Benefits Provide a Lifeline to the Economy, Especially Holiday Retail Sales

> *No form of the fiscal stimulus has proved more effective during the past two years than emergency UI benefit.*
>
> *-- Mark Zandi, Chief Economist, Moody's Analytics, April 14, 2010*[6]

Today's economy and the prospects of a strong recovery are driven first and foremost by robust consumer spending. Since the recession began in 2007, Americans spent far less on basic necessities and household goods. Indeed, for the first time since the Great Depression, personal consumption expenditures fell for two straight years in 2008 and 2009. If not for an expansion of unemployment benefits, it could have been worse.

That is because unemployment benefits provide individuals and families the resources they need to continue spending on necessities, despite temporarily losing wages—meaning banks receive mortgage payments, utility bills are paid, and grocery stores in hard-hit communities still have customers. These businesses pay suppliers and employees who in turn spend income elsewhere in the economy—creating what is known as the multiplier effect.

Economists estimate that each dollar spent on unemployment insurance is responsible for an additional $1.61 of economic activity.[7] The expansion of unemployment insurance and related programs since 2007 increased Gross Domestic Product (GDP) by $244.8 billion in early 2010 and was

[6] Mark Zandi, "Using Unemployment Insurance to Help Americans Get Back to Work: Creating Opportunities and Overcoming Challenges," testimony before the Senate Finance Committee, April 14, 2010, http://finance.senate.gov/imo/media/doc/041410mztest.pdf.

[7] See Mark Zandi "Using Unemployment Insurance to Help Americans Get Back to Work."

responsible for boosting payrolls by 1.15 million—jobs that may not have existed without unemployment benefits.[8]

The multiplier may seem abstract, but the concept has implications for consumers and firms operating in the real world. For example, analysts at the investment bank William Blair and Company noted in a recent report on one of the nation's largest retailers (Dollar General) that "the company has been a significant beneficiary of government stimulus." However, as unemployment benefits are scheduled to expire over the next year, "the lift from unemployment insurance benefits will diminish, and this could represent a several-percentage-point drag on comp[arable] store sales."[9]

Retail sales, boosted by unemployment insurance benefits, ensure that companies can afford to hire and retain employees. If job seekers begin to lose benefits this December and can no longer pay for basic goods and services, there is a real chance that retailers will be forced to reduce purchases from suppliers and lay off employees. Unfortunately, the multiplier can work against the economy when government spending is pulled away too early—before consumers have the confidence and means to resume spending.

As far as retailers and the economic recovery are concerned, there is no worse time to cut job seekers off extended unemployment benefits than during the holiday season. The retail industry accounts for 13.4 percent of the nation's private sector workforce. Department stores, electronics chains, and discounters count on holiday sales for over one-fifth of their total annual revenues.

In 2008, before the existing extended unemployment program was fully in place, holiday sales dropped by nearly four percent from the previous year—the first holiday decline since the Department of Commerce began tracking retail sales in 1992.[10] Lackluster sales that year meant that retailers hired only 231,000 workers over the holidays, or less than half the 618,000 hired just a year earlier.[11] Holiday sales last season increased by 0.4 percent—well below the historical average.[12]

Thus, the overall health of the retail industry may hinge on whether the 2010 holiday season is a repeat of the disastrous 2008 experience. Cutting off unemployment benefits in November will certainly leave a lump of coal in the stockings of workers and retailers alike.

Conclusion

It should be no surprise to the newly-elected Congress that the economy and unemployment are the paramount concerns of the American public. Indeed, in a recent national poll, the issue of unemployment far surpassed all other economic concerns, exceeding the federal budget deficit by nearly three to one.[13]

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[8] Lawrence Mishel and Heidi Shierolz, "Two for the Price of One: Providing Unemployment Insurance Both Assists the Unemployed and Generates Jobs," Issue Brief 281 (July 2010), http://www.epi.org/page/-/pdf/ib281.pdf.

[9] William Blair & Company, Equity research report on Dollar General Corporation, September 27, 2010.

[10] National Retail Federation, 2010 Holiday Survival Kit, October 2010, http://www.nrf.com/modules.php?name=Documents&op=showlivedoc&sp_id=5545.

[11] National Retail Federation.

[12] National Retail Federation.

[13] CNN/Opinion Research Poll (September 21-23, 2010). According to the poll, 57 percent of Americans ranked unemployment as their top economic concern, compared to 18 percent who ranked the federal budget deficit first.

While federal jobless benefits are costly (roughly $5 billion a month), their payoff to the economy and to the well-being of U.S. families far outweighs their cost. Moreover, as many experts have noted, job creation is the best and only practicable solution for the long-term structural deficit. In the meantime, valuable short-term investments in programs like extending federal unemployment benefits will actually help keep the deficit from worsening.

As Concord Coalition President Robert Bixby puts it, "As a deficit hawk, I wouldn't worry about extending unemployment benefits. It is not going to add to the long-term structural deficit, and it does address a serious need. I just feel like unemployment benefits wandered onto the wrong street corner at the wrong time, and now they are getting mugged."[14]

When it returns to work on November 15th heading into the Thanksgiving holiday, Congress has a unique opportunity to set aside partisanship and come together in support of hardworking Americans on the extension of unemployment benefits. Never before in the history of the program have federal jobless benefits been cut when unemployment was this high for this long. Now is *not* the time to change course, when the economy and working families need the help most.

Recognizing the severity of the jobs crisis, now is the time to continue the federally-funded jobless benefits until the job market shows strong signs of recovery and the economy is back on track.

[14] "Go long, Senator Brown," *The Boston Globe* (July 7, 2010). The Concord Coalition's Chief Economist, Diane Lim Rogers, put it more bluntly, as follows: "Hey, let's get real: extended unemployment benefits are an effective form of stimulus spending, and although they do add to the short-term deficit; they are not part of the longer-term deficit problem . . . . Let's face it: those who use their 'worry' about our longer-term fiscal outlook as a reason to oppose extended unemployment benefits don't want to reduce the deficit as much as they want to get rid of unemployment benefits." *EconomistMom Blog*, "Unemployment Benefits Are Getting An Underserved 'Mugging'" (July 7, 2010).

2 Million Face Cut-Off of Unemployment Benefits in December 2010
Due to Congress's Failure to Reauthorize Federal Extensions

National Employment Law Project, October 27, 2010

State	Workers Exhausting State Benefits with No Access to Federal Extensions	Workers Facing Premature Cut Off from "Emergency Unemployment Compensation"	Workers Facing a Hard Cut Off from "Extended Benefits"	Total
Alabama	5,368	11,134	10,391	26,892
Alaska	0	0	0	0
Arizona	10,919	21,745	19,970	52,634
Arkansas	3,382	4,490	0	7,872
California	74,295	151,341	185,058	410,695
Colorado	7,842	13,404	19,773	41,019
Connecticut	0	0	0	0
Delaware	1,285	3,036	2,483	6,804
District of Columbia	1,423	3,257	3,336	8,017
Florida	33,880	73,637	0	107,518
Georgia	14,247	30,737	44,987	89,971
Hawaii	1,815	1,624	0	3,439
Idaho	2,663	6,224	6,273	15,159
Illinois	22,820	58,727	46,220	127,767
Indiana	8,665	23,915	34,190	66,769
Iowa	3,830	4,909	0	8,739
Kansas	0	0	0	0
Kentucky	3,666	12,053	17,296	33,015
Louisiana	4,707	6,047	0	10,754
Maine	1,351	2,841	2,637	6,829
Maryland	6,144	7,771	0	13,915
Massachusetts	9,857	19,361	23,285	52,503
Michigan	12,463	37,266	41,965	91,695
Minnesota	0	0	0	0
Mississippi	4,126	5,179	0	9,304
Missouri	7,847	17,801	19,260	44,908
Montana	1,221	2,796	0	4,017
Nebraska	2,399	1,435	0	3,834
Nevada	5,634	14,535	17,793	37,961
New Hampshire	1,188	806	0	1,994
New Jersey	0	0	0	0
New Mexico	0	2,190	0	2,190
New York	27,715	49,878	82,753	160,346
North Carolina	0	0	0	0
North Dakota	541	291	0	832
Ohio	11,928	37,190	39,412	88,530
Oklahoma	3,533	4,060	0	7,593
Oregon	0	7,387	0	7,387
Pennsylvania	21,976	58,642	52,448	133,065
Rhode Island	0	3,015	0	3,015
South Carolina	6,170	16,557	21,477	44,204
South Dakota	251	171	0	422
Tennessee	8,949	19,412	29,052	57,414
Texas	30,336	40,389	57,203	127,927
Utah	2,897	3,629	0	6,526
Vermont	630	939	0	1,569
Virginia	7,402	12,651	10,818	30,871
Washington	0	0	0	0
West Virginia	1,733	4,855	4,376	10,964
Wisconsin	9,132	16,941	18,074	44,146
Wyoming	825	1,208	0	2,033
United States	***387,054***	***828,179***	***810,527***	***2,013,058***

Methodology Note: The ten states listed in the table as having zero (0) workers exhausting benefits in either the regular or extended program currently qualify for the permanent Extended Benefits (EB) program after the November 30th expiration (Alaska, Connecticut, Kansas, Minnesota, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island and Washington). Although in most cases, remaining on EB will result in no premature exhaustions (anyone facing a cut-off of EUC can be put on the EB program), some of these states will have relatively small numbers of cut-offs in December 2010 only. This is because such states moved unemployment recipients to EB during the June-July lapse in the federal extension programs, and many kept the workers on EB for the full allotment of weeks before moving them back to EUC after the programs were reauthorized. By keeping the workers on EB, they potentially will run out of Emergency Unemployment Compensation (EUC) in December, even though a later tier is available in their state, leaving them with no additional federal extensions after then. This is assumed for NM, OR, RI. At the time of this release, New Jersey did not have reported EB data from this period which we could use to estimate potential cut-offs. All other states either had no reported increases in EB during the June-July lapse, or moved all claimants back to EUC after the program was reauthorized.