

DON'T PUSH JOBLESS AMERICANS OFF THE CLIFF

# Three Million Jobless Workers Will Lose **Unemployment Insurance** in Early 2013 if Congress Fails to Renew Federal Benefits

By the National Employment Law Project | November 2012

**WITH ALL THE TALK OF THE IMPENDING “FISCAL CLIFF”** that the country is facing at the end of this year, politicians and the media are paying precious little attention to a true cliff that millions of U.S. workers and their families will face if Congress fails to renew the Emergency Unemployment Compensation (EUC) program before the year's end.

In the midst of this still slow recovery, long-term unemployment continues to impose severe hardship on U.S. families struggling to find work. If Congress fails to reauthorize the EUC program, **two million** workers now collecting federal unemployment benefits will be cut off after payment for the week ending December 29th, and nearly **one million** more workers will run out of state unemployment benefits without access to EUC by the end of the first quarter of 2013. These workers depend on unemployment insurance (UI) to keep their families in their homes, fed, and warm in the winter months. The consequences of inaction will be devastating.

Because over **five million** workers will be unable to collect federal UI benefits next year if Congress fails to act, NELP is calling upon Congress to make this issue a priority during the lame-duck session of the 112th Congress. Not only should Congress reauthorize the EUC program in its current form for the next year, it should also make a modest but high-impact investment in reemployment services. Specifically, NELP proposes a

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Richard Crowe of Wintersville, Ohio, worked for the same steel company for 34 years, before being laid off in May of 2012 when his plant was sold to a scrapping firm. “I’ve worked my whole adult life, helped support my family and put my son through college. Unemployment insurance, and especially the federal benefits extension I’ve been receiving, helps us pay our most critical bills. If we’re cut off at the end of December, we won’t be able to maintain our fuel, heat and utilities, not to mention the payments on the college loans for our son that we still owe. And if we can’t pay that, we could lose our home.”

“I’m engaged in an active job search literally seven days a week, looking and applying for jobs both in my area and out of the area as well. It is very tough, though, especially I think for older workers. It sometimes seems like all my years of experience just don’t matter.”

“Renewing federal unemployment insurance should be a no-brainer for Congress. It would be downright cruel for them to allow so many folks like me to just be cut off while we’re still looking for work.”

new federal commitment of \$1.6 billion to benefit 2.8 million workers served by the under-resourced state and local programs that connect unemployed workers to available jobs. (National Employment Law Project, [Getting Real: Time to Re-Invest in the Public Employment Service](#), October 2012.)

### **EUC Benefits Abruptly End for Two Million Workers in December, and Nearly One Million More in the First Quarter of 2013**

In June 2008, after the recession had begun but before it was declared, Congress authorized and President Bush signed into law the Emergency Unemployment Compensation (EUC) program. At the time, the unemployment rate stood at 5.6 percent. As high unemployment persisted throughout the Great Recession and the nation's slow recovery, EUC was reauthorized on ten occasions, most recently in February 2012 as part of the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96).

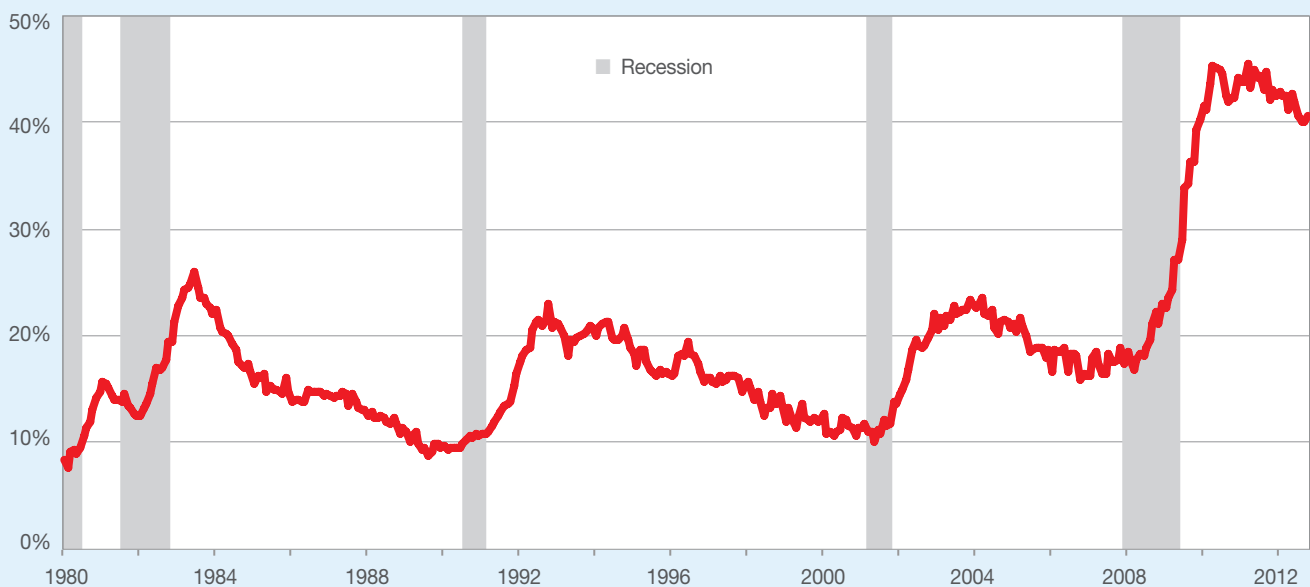
Not only is the unemployment rate more than 40 percent higher today than when the EUC program was first enacted, the crisis of long-term unemployment is also far more severe. In June 2008, about 18 percent of the unemployed were considered long-term unemployed, that is, out of work for more than six months. By contrast, today, an astounding 40.6 percent of all

jobless workers (5.0 million people) are long-term unemployed. And this figure has improved only slightly since the last time Congress reauthorized EUC in February 2012. At that time, 5.4 million workers were long-term unemployed, representing 42.6 percent of all the unemployed.

For the first time since the program was created in 2008, the February 2012 law imposed an immediate cut-off of EUC to take effect at the end of the year, in the midst of the winter and holiday seasons. The abrupt termination of the EUC program differs from the phase-out rules for each of the ten prior EUC enactments, in which workers were able to finish the tier of benefits they were then collecting. As a result, a staggering number of workers will feel the pain of the year-end deadline, at the same time that they contemplate how to feed, shelter and care for their families during the most challenging season of the year. The threat of such a cruel cut-off will also inevitably impact these families' holiday spending.

Were EUC to expire this year, 2.1 million workers will see their benefits cease immediately after December 29, 2012, and over 930,000 more will be unable to collect any sort of federal benefits in the first quarter of 2013, including 400,000 in January alone. And assuming the economy continues to produce jobs at

## **Long-Term Unemployment as a Percentage of Total Unemployment**



the current rate of growth, by the end of 2013, up to 5.7 million claimants who exhaust state benefits without finding work will face sustained unemployment without any federally funded jobless benefits if Congress fails to reauthorize the EUC program at its current levels.<sup>1</sup>

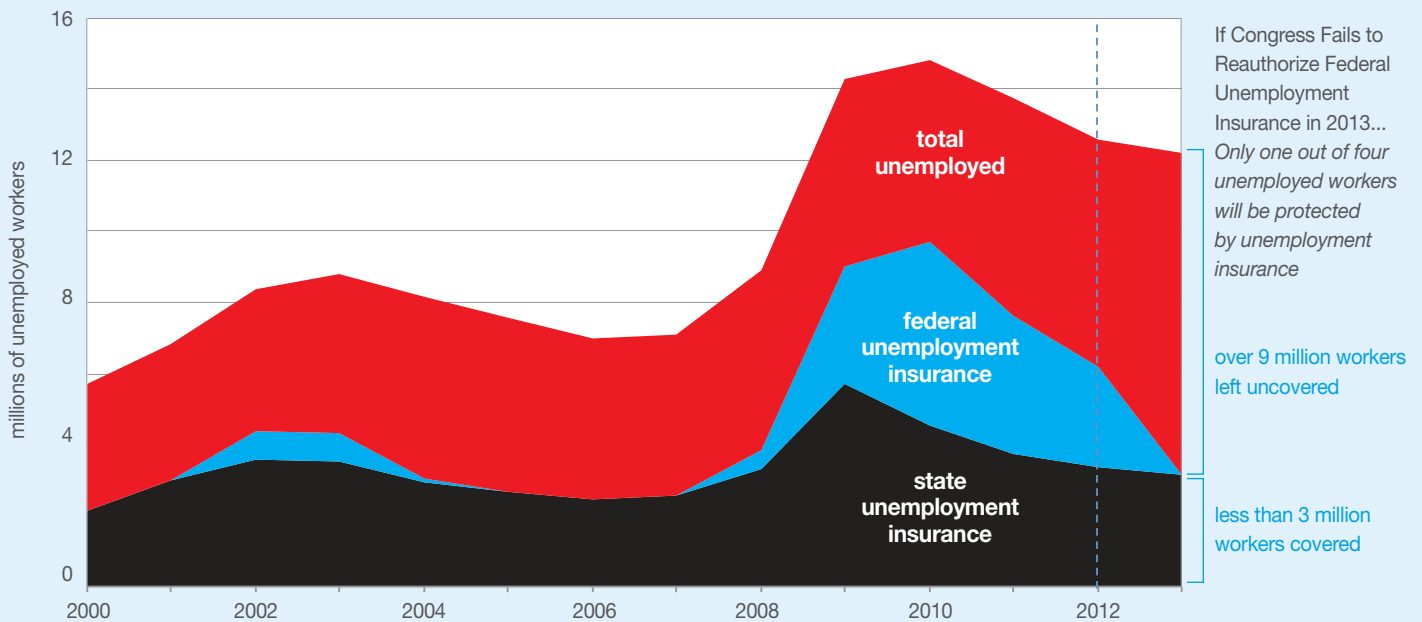
### The Downsized Federal Program

Between November 2011 and February 2012, Congress extensively debated the amount of federal unemployment insurance to provide to this nation's long-term unemployed. Those protracted negotiations resulted in a bipartisan compromise that kept the EUC program up and running, but scaled it back significantly, tailoring it more narrowly to the rates of unemployment in the individual states. These federal benefits, which now range from 14 weeks to 47 weeks depending on the unemployment rate in the state, supplement the 26 weeks of state unemployment insurance provided by most states.

- Only 7 states qualify for the maximum 47 weeks of EUC available to states with over 9 percent unemployment. Before the program was scaled back in February, 17 states qualified for the maximum 73 weeks of EUC that were available based on an unemployment rate of 8.5 percent or higher.<sup>2</sup>

- In 44 states, federal EUC benefits are now limited to 37 weeks or less.<sup>3</sup> At the beginning of the year, 29 states qualified for 60 weeks or more.
- Today, unemployed workers in 10 states receive just 14 weeks of EUC (the minimum authorized by the federal law). In February 2012, all states received at least 34 weeks of federally funded benefits.
- Not surprisingly, the February 2012 restructuring of the EUC program (and the virtual elimination of the Extended Benefits program) also contributed to a dramatic reduction in the number of workers receiving federally funded unemployment benefits. Since February, roughly 1.2 million fewer workers accessed federal unemployment benefits, even though the national unemployment rate has dropped less than half a percentage point and the number of unemployed workers has decreased by only 550,000.
- If the EUC program is not reauthorized, the share of jobless workers receiving unemployment insurance in the United States will likely decrease to approximately one in four.

## Minority of Unemployed Workers Will Receive Unemployment Insurance in 2013



The benefit reductions imposed by the February 2012 law have already produced a decline in the number and share of unemployed workers receiving EUC benefits disproportionately greater than the actual decline in long-term unemployment. Given the ongoing national crisis of long-term unemployment, the EUC program should remain in place for another year without further cuts in benefits. If renewed, the weeks of EUC benefits available will naturally decrease as each state's economy improves.

### **Federal Benefits Prove Invaluable to Workers, Families and the Economic Recovery**

As is well documented, EUC has provided a lifeline to struggling workers, families and the national economy.

**Helping Families Get Back to Work:** A primary goal of unemployment insurance has always been to provide partial income replacement during the period between the loss of one job and the securing of a new job. During the past four years, the ratio of unemployed workers to job openings has been very high; currently, there are 12.1 million unemployed Americans looking for work while in any given month there are typically fewer than 4 million available job vacancies. Unprecedented unemployment and few job openings may explain in part why long-term unemployment is endemic.

Only about 40 percent of the unemployed (about 5 million workers) are currently receiving either state or federal unemployment insurance. Both state and federal UI laws require that claimants be able to work, available for work and actively seeking work. By ensuring attachment to the labor market, UI laws encourage people to get back to work, and allow them to conduct a work search geared toward finding new employment that is not too far below where they fell off the economic ladder. The John J. Heldrich Center for Workforce Development at Rutgers University has found that unemployed workers receiving UI actually engage in more work search activities than those who do not benefit from UI.

About 53 percent of all workers receiving state UI find new employment in less than 26 weeks. Of those who do not find work and go on to file for EUC, about

a third, on average, finds employment while on the first tier of federal benefits. In February, Congress established a new requirement that all EUC claimants participate in a reemployment assessment (REA) interview soon after becoming EUC-eligible, further reinforcing the work search requirements of the program.

Under the existing scaled-down EUC program, all states must provide at least 14 weeks of federal benefits, which when coupled with the typical 26 weeks offered under state law, will mean a total of 40 weeks of income protection. This is a rational and practical policy response to a labor market in which the average unemployed American has been out of work for 40 weeks. Most unemployed workers are looking hard for a job that will enable them to provide for their families and be contributing members of their local communities and economies. The national economy is beginning to improve but in most of the country, the labor market is still tough and people still need a little more help to get to that next job. Keeping the existing EUC program in place for another year will provide that necessary level of support.

**Reducing Family and Child Poverty:** A recent Congressional Research Service (CRS) study concluded that in 2011, UI benefited 26 million workers and their families, lifting 2.3 million people out of poverty, over one-quarter of whom (26.8 percent) were children. CRS concluded that UI produced a "markedly higher impact on poverty in the most recent recession than in the previous two recessionary periods." (Congressional Research Service, *Antipoverty Effects of Unemployment Insurance*: October 4, 2012, Summary Page, <http://www.fas.org/sgp/crs/misc/R41777.pdf>.)

**Sustaining the Fragile Economic Recovery:** Shutting down the EUC program in the midst of the holiday season and at the onset of winter—indeed, even the threat of doing so—would send a dangerous shock to our fragile economic recovery. According to Mark Zandi, chief economist for Moody's Analytics, "There was arguably no more effective form of government support during the recession than the emergency UI benefits provided to workers.... Emergency UI provides an especially large economic boost, as financially stressed unemployed workers

spend any benefits they receive quickly.” (Testimony of Mark Zandi before the U.S. Congress, Joint Economic Committee, February 7, 2012.)

In the average week, unemployed workers collect over \$750 million in federal benefits, generating an additional \$1.61<sup>4</sup> to \$2.00<sup>5</sup> in economic activity for every dollar allocated. This boost from UI benefits is even more critical during the period EUC benefits are currently slated to end. The National Retail Federation reports that holiday sales were just under 20 percent of total sales for the retail industry in 2011 (see: [http://www.nrf.com/modules.php?name=Pages&sp\\_id=1140](http://www.nrf.com/modules.php?name=Pages&sp_id=1140)). Draining the consumption EUC benefits enable from the economy at the most critical time of the year is economic malpractice.

At an estimated cost of \$30 billion in 2013, the federal program of EUC support is a solid and timely investment that will help sustain and strengthen the economic recovery.

## **ACT NOW TO RENEW UNEMPLOYMENT INSURANCE AND AID REEMPLOYMENT**

Given the ongoing challenges facing the record numbers of long-term unemployed hardest hit by the most severe jobs crisis since the Great Depression, Congress must quickly reauthorize the EUC program when it comes back into session, and should invest

in proven reemployment initiatives targeting these vulnerable workers.

Indeed, the Obama Administration has already expressed public support for a renewed EUC program. In July 2012, during a town hall meeting in Cincinnati, Ohio, the 12-year-old daughter of an unemployed construction worker asked President Obama whether her father will have a job before his unemployment benefits run out. After discussing job creation, the President said that “*as long as the economy is weak and somebody is willing and able to work, and looking for work actively—which is what’s required if you want unemployment insurance—then we should be there for them to make sure that they can pay the rent and look after their families.*” <http://www.whitehouse.gov/the-press-office/2012/07/16/remarks-president-campaign-event>.

Congress has many important and pressing issues facing it during the lame-duck session. But Members must remember that protecting the unemployed is a non-negotiable responsibility, and to that end, they must ensure the renewal of the EUC program, and authorize a modest but effective investment in reemployment services for unemployed workers. Together, these actions will go a long way to aid the unemployed in returning to work and ensure a strong and broad-based economic recovery.

### **About the National Employment Law Project**

*The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more than 40 years, NELP has sought to ensure that work is an anchor of economic security and a ladder of economic opportunity for working families across America. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. For more about NELP, please visit [www.nelp.org](http://www.nelp.org).*

<sup>1</sup> U.S. Department of Labor, Employment & Training Administration, Office of Unemployment Insurance.

<sup>2</sup> In 2011, Arkansas, Florida, Illinois, Michigan, Missouri, and South Carolina reduced the maximum duration of regular benefits from the standard 26 weeks, meaning new claimants as of the effective dates of the changes also received fewer federal weeks; at the same time, claimants who moved to a subsequent tier, or level, of federal UI were also affected. The numbers of federal weeks cited here reflect the maximum for new regular claimants as of the effective dates of the changes. For more information, please see, “Unraveling the Unemployment Insurance Lifeline” (NELP, 2011).

<sup>3</sup> As a result of changes made in the February legislation, New York is the only remaining state in the country where workers qualify for 20 additional weeks under the Extended Benefits (EB) program.

<sup>4</sup> Zandi, Mark. Testimony before the Senate Finance Committee. April 14, 2010.

<sup>5</sup> Vroman, Wayne. Urban Institute. “The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession” (ETAOP 2010-10), November 16, 2010.