

Renewing Federal Unemployment Insurance Boosts the Economy

THE ISSUE

Unless Congress promptly reauthorizes Emergency Unemployment Compensation (EUC), more than two million long-term unemployed workers and their families will be cut off federal unemployment insurance at the end of 2012. Losing this lifeline during the holiday season will be devastating to individuals and families for whom EUC provides a small measure of economic security and a bridge to reemployment. In all likelihood, these families are already cutting back on spending, even as the holidays are approaching, knowing that unemployment insurance may not be there next year. Reauthorizing EUC for 2013 is the right thing to do for our unemployed family members, friends, and neighbors. It is also the responsible course of action as far as our local communities and the broader economy are concerned.

We are in the midst of a fragile economic recovery that could be derailed by a sharp curtailment of federal spending. Because unemployed workers spend unemployment benefits quickly, EUC is an important stabilizer when the economy is weak. Dollar for dollar, EUC supports more jobs and offers a far greater economic boost than most alternatives, including extending the Bush-era tax cuts for high-income households. The elimination of federal unemployment insurance would reduce economic growth next year by \$48 billion dollars, resulting in a loss of business income and hundreds of thousands of jobs ([Economic Policy Institute](#)).

THE FACTS

- Industries that rely on consumer spending, such as retail trade and food services, can ill afford another hit to customer demand. After adjusting for inflation, retail trade and food services sales have yet to return to pre-recession levels (see figure). However, without federal



Chris Adams, a 52-year-old father of two from Avon Lake, Ohio, has nearly 30 years of experience in engineering and manufacturing operations, but was laid off in a management restructuring in May 2012.

“Looking for work is itself a full-time job, and it really has been a challenge. I have applied directly for more than 65 positions and am networking day and night, attending professional networking and job-seeker meetings. But it’s tough. The unemployment insurance has helped with almost a third of my monthly bills, including the mortgage and COBRA health payments. The benefits have helped me keep up with necessities and help support my sons during a difficult time to search for work.”

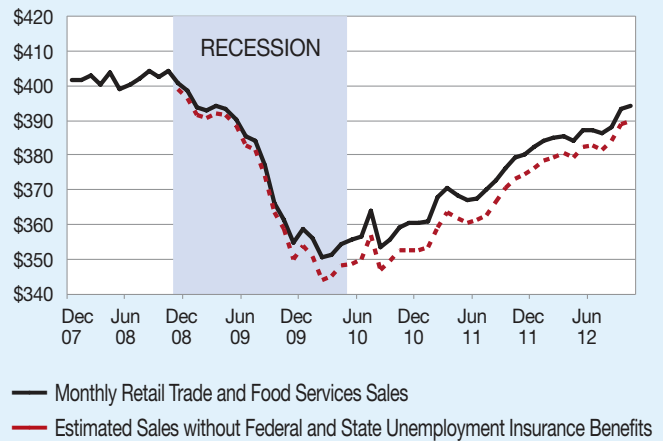
“I’ve spent those benefits on groceries and winter clothes for my sons, and am thankful that I can buy them holiday presents as well.”

“If I am still looking for work in December, the federal unemployment benefits I would start receiving would be cut off right before New Year’s. If Congress fails to act and I lose access to those benefits (if I am still in need of them in 2013), it would be an economic setback—for me, for millions of other Americans, and for the whole economy.”

and state unemployment benefits to lift consumer spending, retailers would have lost an estimated \$80 billion of sales in 2010 and a combined \$280 billion since the recession began (2011 dollars). Even though the federal UI program is substantially smaller than it was in past years, eliminating EUC could cost retailers over \$16 billion in 2013.

- Reauthorizing EUC will boost family income of unemployed workers by an estimated \$30 billion in 2013 ([Congressional Budget Office](#)). 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."
- Increased spending as a result of federal unemployment insurance will increase output by \$48 billion, supporting 300,000 to 400,000 jobs in 2013 ([Congressional Budget Office](#) and [Economic Policy Institute](#)). In comparison, extending the Bush-era tax cuts for the wealthy will cost an additional \$22 billion next year, but support only a quarter as many jobs ([Economic Policy Institute](#)).

Federal and State Unemployment Insurance Lifted Retail Trade and Food Services Sales During the Downturn (billions of 2011 dollars)



During the previous two downturns, federal unemployment insurance remained available until the labor market was far stronger than it is today. The current unemployment rate of 7.9 percent far exceeds the jobless rate following the 2001 recession and is greater than the peak unemployment rate of 7.8 percent—which persisted for just one month—during the early-1990s downturn. As a vital support for the families of unemployed workers and a critical component of any economic recovery plan, EUC should remain in place until the labor market has recovered and the economy is on stronger footing.

CONGRESS MUST ACT

Congress should immediately renew the Emergency Unemployment Compensation program through 2013, and provide additional funding to support model programs that address the employment needs of the long-term unemployed.

About NELP and UnemployedWorkers.org

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. NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. [UnemployedWorkers.org](#), a project of NELP, is a grassroots online campaign and informational portal that serves, engages, and informs unemployed workers. For more about NELP, please visit www.nelp.org.