MORE THAN TWO MILLION UNEMPLOYED WORKERS WILL LOSE JOBLESS AID BY EARLY 2014 IF CONGRESS ALLOWS FEDERAL BENEFITS TO SHUT DOWN AT YEAR'S END

ISSUE BRIEF

NATIONAL EMPLOYMENT LAW PROJECT

NOVEMBER 2013

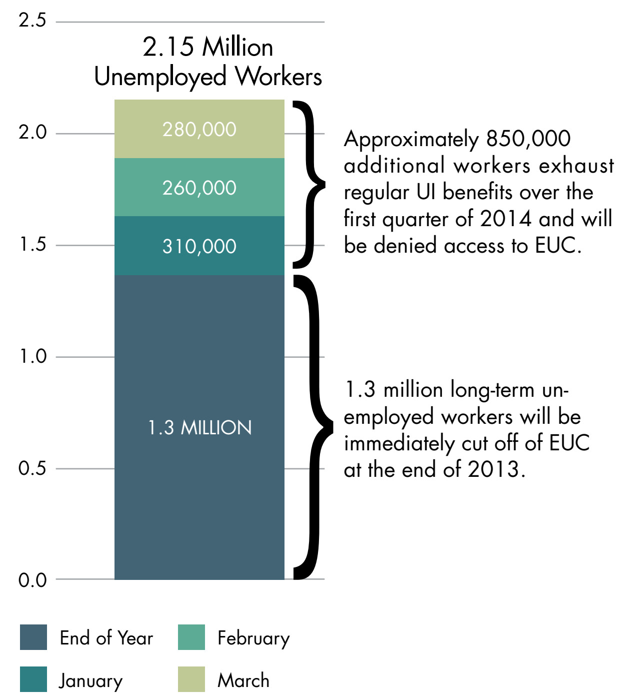
In the wake of October's harmful government shutdown, we now face another critical looming deadline – the shutdown of federal unemployment insurance for long-term unemployed workers at the end of December. As detailed below, with unemployment still unacceptably high, labor market conditions persistently weak and long-term unemployment remaining at crisis levels, Congress must act to avert a shutdown of federal jobless aid and swiftly renew the program for 2014.

Shutting Down Federal Unemployment Insurance Will Hurt More than Two Million Workers and Their Families

If Congress fails to reauthorize the federally-funded Emergency Unemployment Compensation (EUC) program, more than two million unemployed job-seekers will lose federal jobless aid by the end of March 2014. In the week between Christmas and New Year's, the 1.3 million workers currently receiving federal EUC will be abruptly cut off. Another 850,000 workers will run out of state unemployment insurance in the first three months of 2014, with no access to federal EUC.

Moreover, the most recent data show that nearly half of workers receiving state jobless aid are still looking for work when that state aid ends; absent the federally-funded EUC benefits, they would be without any additional means of income support. Thus, failure to renew federal EUC would have devastating consequences for millions of unemployed workers and their families over the course of the entirety of 2014 (Figure 1).

Figure 1. UNEMPLOYED WORKERS CUT OFF OF EUC



Source: USDOL-ETA, EUC Weekly Continuing Claims and Monthly Program and Financial Data for the regular State UI program (state UI program exhaustees are estimated based on earlier average rates of decline in final payments).

NELP
National Employment Law Project

Federal Unemployment Insurance Remains Critical Because the Labor Market Is Still Weak

First enacted in June 2008, when the national unemployment rate was 5.6 percent, federal EUC has been reauthorized and/or expanded 11 times – most recently on January 2, 2013 – to help ensure that eligible unemployed job-seekers retain a modicum of income support beyond the 26 weeks of coverage typically afforded by regular state unemployment insurance.

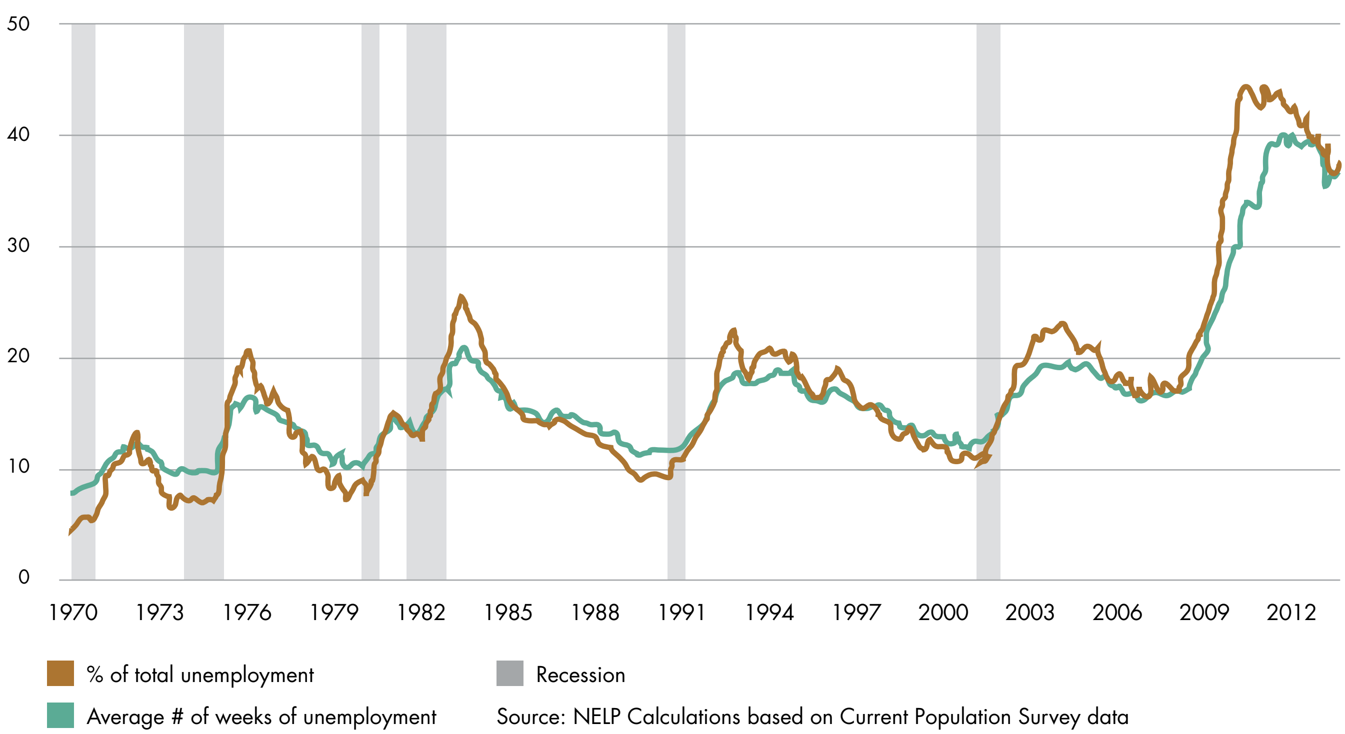
Nearly six years after the start of the Great Recession, and more than four years since a painfully slow recovery began, federal EUC benefits remain a critical lifeline for substantial numbers of long-term unemployed workers who are struggling and looking for work for six months or more.

The national unemployment rate has experienced a modest decline in 2013 as the economy has improved incrementally, but the decline has been driven in no small part by discouraged job-seekers leaving the labor force. At 7.2 percent, unemployment remains 44 percent higher than it was at the start of the Great Recession and nearly 30 percent higher than when the EUC program was enacted.

Indeed, nearly every relevant economic indicator points to deep underlying weakness in labor market conditions and to the continuing crisis of long-term unemployment, thus making clear the need to reauthorize the program of federal benefits through 2014:

- The number of long-term unemployed workers in September 2013 – 4.1 million – is still higher than in any month during the Great Recession, which ended in June 2009; the figure has stayed above 4.0 million for more than four years.
- The share of jobless workers who are long-term unemployed (i.e., out of work for six months or more) – currently 36.9 percent – remains near the historic highs of the last three years (Figure 2).

Figure 2. LONG-TERM UNEMPLOYMENT (1970 - September 2013)



Source: NELP Calculations based on Current Population Survey data

- At 36.9 weeks in September 2013, the average duration of unemployment is still more than 20 weeks longer than pre-recession levels and only 1.2 weeks less than in December 2012.

- Reflecting the difficulties in finding work, the employment-population ratio, which indicates the share of the working–age population that is employed, fell dramatically during the Great Recession; at 58.6 percent, it remains more than four points below pre-recession levels, and is the same as it was in both December 2012 and December 2011.

- The percentage and number of prime-age workers (age 25 to 54) with a job – key indicators of the ability of the economy to generate sustained higher rates of growth – are both still far below pre-recession levels for the last two recessions and have shown virtually no improvement in the last year.

- Unemployed workers still vastly outnumber job openings in every industry sector.[1] And despite job openings increasing, actual hiring remains comparatively weak. Since July 2009, when the recovery began, monthly job openings increased 67 percent based on three-month averages through August 2013, while average monthly hires only increased 15.9 percent.

Federal Cuts Have Already Reduced Benefits to Large Numbers of Workers

The share and numbers of long-term unemployed workers receiving federal unemployment benefits have declined dramatically under the scaled-down EUC program reauthorization enacted in February 2012 and renewed in January 2013. Since March 2012, the average number of long-term unemployed receiving EUC benefits has declined 50 percent, twice the rate of decline in the number of long-term unemployed workers.

The number of weeks of unemployment benefits available under EUC has already been significantly reduced in the states. As the table below shows, in May 2012, just as phased-in EUC cuts began, all 50 states and the District of Columbia offered up to 34 weeks of federal benefits, with 40 states providing up to 47 weeks, and 15 states offering a maximum of 53 weeks of EUC. By comparison, today, 49 states and the District of Columbia offer up to 14 weeks, with 36 states offering up to 28 weeks, 27 states providing up to 37 weeks, and only two states offering the current maximum of 47 weeks of EUC.

Table 1. CHANGES TO FEDERAL LAW AND DECLINING UNEMPLOYMENT RATES RESPONSIBLE FOR SCALE-BACK OF EMERGENCY UNEMPLOYMENT COMPENSATION (EUC)

	May 27, 2012			October 27, 2013		
	Required Unemployment Rate	Cumulative Number of Weeks	Number of States*	Required Unemployment Rate	Cumulative Number of Weeks	Number of States
Tier 1	None	20	51	None	14	50**
Tier 2	None	34	51	6.0%	28	36
Tier 3	6.0%	47	40	7.0%	37	27
Tier 4	8.5%	53	15	9.0%	47	2

* The District of Columbia is included in the number of states.

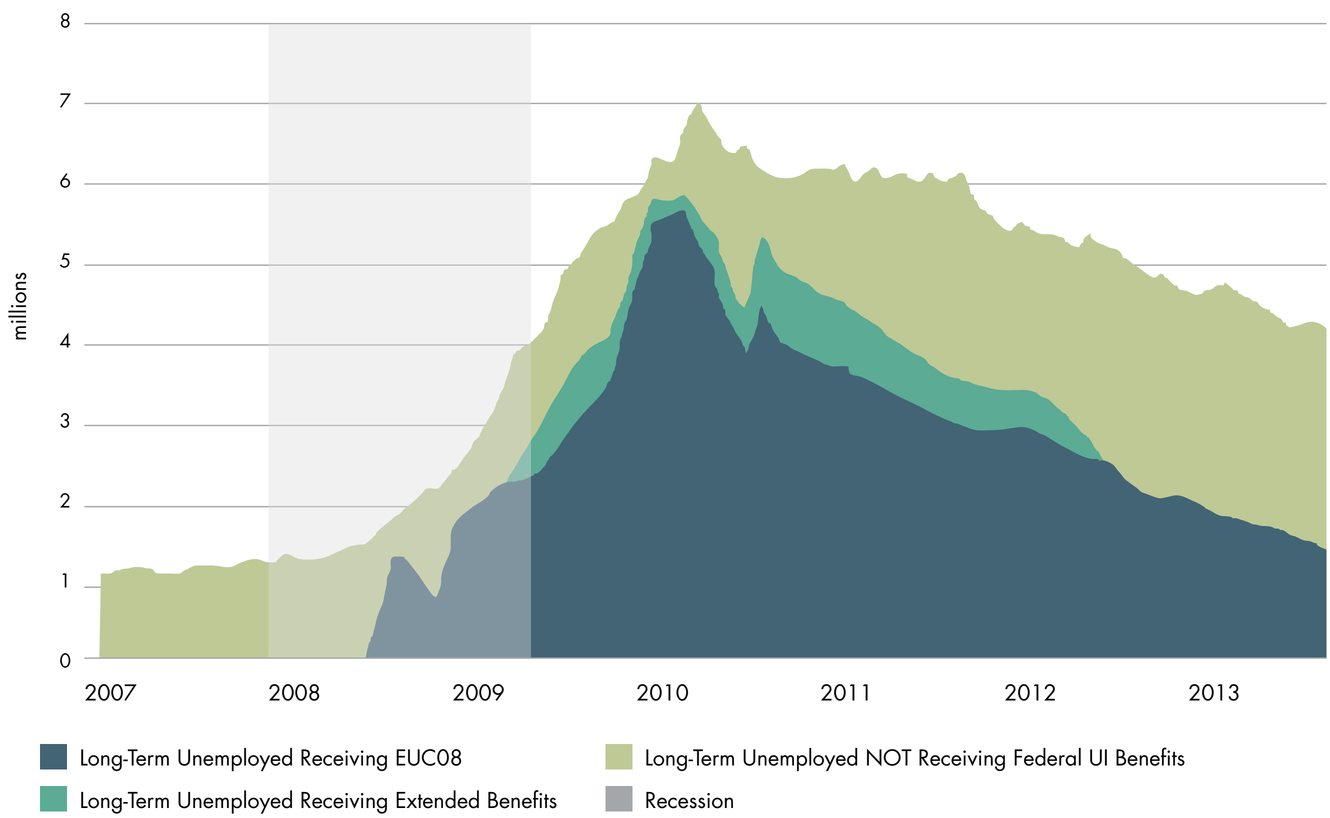
** North Carolina's EUC benefits were terminated in July 2013 as a result of a change to state law that reduced the maximum weekly benefit amount.

As a result of the reduced availability and duration of benefits, there is a growing divide between the number of long-term unemployed workers and those who qualify for federal unemployment insurance. In September 2013, 1.4 million workers, or only 34 percent of all the long-term unemployed, received federally-funded unemployment benefits, down from about 2.2 million workers one year ago when the share of long-term unemployed receiving federal benefits was 45 percent. That means that long-term unemployed workers are now more likely not to receive unemployment benefits, and the coverage for benefits is falling much faster than the need for these benefits represented by the number of long-term jobless. Indeed, two in three long-term unemployed workers currently receive no federal benefits (Figure 3).

And, of course, if the EUC program is allowed to expire, the already-wide gap in benefits coverage for long-term unemployed workers will worsen dramatically. Only one in four jobless workers would have any protection under the unemployment insurance system if Congress allows the federal EUC program to shut down.

Moreover, the weekly federal benefit amounts have declined significantly as well, thanks largely to the sequester cuts, which reduced the average benefit by $39 per week. Currently, the average worker collects just $269 per week in EUC, compared to $296 about a year ago.

Figure 3. MONTHLY NUMBER OF LONG-TERM UNEMPLOYED RECEIVING FEDERAL UI BENEFITS, JANUARY 2007 TO SEPTEMBER 2013



Source: NELP Analysis of UI Weekly Claims Data and Bureau of Labor Statistics Current Population Survey public data (not seasonally adjusted).

Renewing Federal EUC: The Right Thing to Do

Despite its reduced scope and coverage, federal unemployment insurance remains a critical lifeline for substantial numbers of unemployed workers who need to feed their families, keep their lights on and heat their homes in winter. As the federal government's core policy response to the persistent crisis of long-term unemployment, it is crucial that EUC benefits remain available to help long-term unemployed workers who are struggling to find jobs in our still-weak labor market.

Allowing a shutdown of EUC would be an unprecedented and unconscionable policy choice, perpetrated right in the middle of the holidays. Congress must act to prevent more harm to America's workers who are trying to get back on their feet and back on the job. Lawmakers should do the right thing and renew federal Emergency Unemployment Compensation (EUC) for 2014.

1 Source: http://stateofworkingamerica.org/charts/unemployed-and-job-openings-by-industry/ (Economic Policy Institute)

For more than 40 years, the National Employment Law Project has worked to restore the promise 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 information about this report, please contact NELP Access and Opportunity Advocate Mitchell Hirsch at mhirsch@nelp.org