October Jobs Report Brief
November 5, 2010

# A Long Road Ahead:
## Why Federal Benefit Extensions are Crucial to the Economy in 2011[i]

With sluggish economic recovery, continuing high unemployment, and a lack of available jobs, keeping federal benefit extensions in place through 2011 should be a critical part of Congress' plan to get the economy on track. Yet the existing package of extensions, which have pumped about $6.8 billion into the economy each month in 2010, is currently set to expire on November 30. Congress urgently needs to act, not only to support millions of working families relying on the extensions but also to keep our economy moving and household spending up, particularly around the holidays.

Today's employment report, released by the Bureau of Labor Statistics, is yet another reminder that the unemployment crisis will not be solved any time soon. The unemployment rate, remaining at 9.6 percent, is in its eighteenth consecutive month above 9 percent. Long-term unemployment continues to affect nearly 42 percent of the nation's 14.8 million jobless workers, with the average spell of joblessness growing to 33.9 weeks in October. And anemic job growth in the private sector has produced only 860,000 jobs in 2010, contributing to a stagnant jobs market that has been marked by public sector layoffs.

Given the dire state of the economy and jobs market, here's why federal benefit extensions are crucial during 2011:

### 1. As we head into 2011, we are deep within a jobless recovery.

While the official end of the recession was declared in June 2009[ii], and the nation has been in recovery for five consecutive quarters (as measured by the output of goods and services), the recovery has been essentially jobless. The nation's payrolls are only 823,000 jobs higher than when the economy started growing again in the third quarter of 2009 – and that's not even enough job growth to incorporate young people entering the labor force, let alone bring down the unemployment rate. Economic growth itself has slowed from 5.0 percent in the fourth quarter of 2009 to 2.0 percent in the third quarter of 2010 - putting less pressure on firms to add workers to their payrolls. This marks the third consecutive jobless recovery following a recession, and

Business and industry research groups anticipate a slow jobs market into the next year: **"As employment lags changes in the economy, and with GDP forecasted to slow even further in early 2011, we may see negative jobs numbers next year."**

*--Gad Levanon, Associate Director, Macroeconomic Research, The Conference Board. "Employment Trends Index Declines." Oct.12, 2010 http://www.conference-board.org/data/eti.cfm*

demands a strong safety net until growth heats up and generates jobs.

This low growth, economists agree, is not sufficient to generate the demand needed to push down unemployment, as the effect of the federal stimulus weakens and state and local governments cut back budgets.[iii]

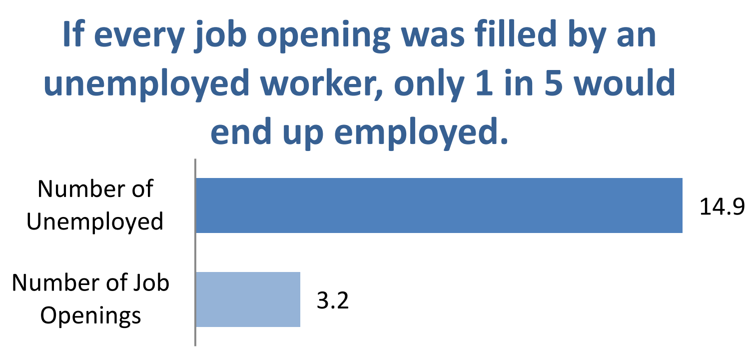
## 2. Unemployment will remain high through 2011 and beyond.

The lack of jobs generated by recent economic recovery, coupled with massive job loss of nearly 8.1 million jobs since December 2007, means that unemployment will remain high for some time.

- The Congressional Budget Office projects that the unemployment rate will remain at around 9.5 percent for 2010 and 9.0 percent in 2011.[iv]
- Further, the CBO projects that unemployment will not return to its pre-recession levels (around 5 percent) until the end of 2014.
- Other economists agree with the CBO's outlook. The latest Blue Chip Economic Indicators report was in line with the CBO's projections, noting that the unemployment rate in 2010 will stay at 9.6 percent, and will fall to just 9.0 percent by the end of 2011.[v]

## 3. There are not nearly enough jobs to go around.

During August 2010, the latest month for which the relevant data is available, there were 3.2 million job openings. This pales in comparison to the number of unemployed workers at that time, 14.9 million. Essentially, there is not enough work to go around: even if every job opening was filled by an unemployed worker, there would still be four left jobless for every one that ended up employed—more than 11 million workers would remain unemployed.




Bureau of Labor Statistics, Job Opening and Labor Turnover Survey and Current Population Survey, August 2010

## 4. Hiring is slow and inadequate, and signs point to a weak hiring outlook in the near future.

Employers often respond to initial increases in demand from consumers by increasing the hours of their current employees, rather than hiring new ones right away. During economic recoveries, then, the average number of hours worked every week by employees in the private sector usually increases as the economy improves, gradually giving way to new hiring as demand rises.

- While the number of hours worked by employees has gone up, workweeks are still shorter than they were at the beginning of the recession, with a recent gain in October after months of relatively flat hours over the summer. Small increases make significant difference: for example, an increase in the current workweek of 34.3 hours to the pre-recession average of 34.7 hours a week would be the equivalent of an additional 1.2 million jobs added to the economy. Shorter workweeks mean that employers are still waiting for the economy to pick up, meaning that, overall, hiring is dragging.

## 5. Federal benefit extensions are key to generating jobs and household spending, which are critical in addressing the unemployment crisis in 2011.

Unemployment benefits aid consumer spending, which in turn keeps existing jobs in place and spurs job growth. Benefit payments, while modest, provide individuals and families with the means to continue paying for essential items, such as food and housing, allowing businesses that provide these items to pay suppliers and employees, who in turn spend income elsewhere in the economy (known as the multiplier effect).[vi] It is estimated that every dollar spent on unemployment insurance generates an additional $1.61 of economic activity.[vii]

The extensions have played a significant role in buoying consumer spending throughout the recession:

- Since the extensions were initially enacted in July 2008, they have distributed nearly $120 billion to recipients in all states, and in 2010 averaged $6.8 billion per month. These funds are spent immediately by families, which helps generate business and jobs.
- In fact, the expansion of unemployment insurance since 2007 increased GDP by $244.8 billion in early 2010 and added approximately 1.15 million full-time positions.[viii]
- It is estimated that continuing the extension programs will add another $104 billion in GDP to the economy, and generate 723,000 full-time equivalent positions.[ix]

Failing to reauthorize the extension would reduce available income that families have to spend, thus endangering what little recovery we have experienced and setting our economy even further back. The impact of this would be felt immediately by families and communities across the country:

- Currently, over 8.7 million recipients rely on unemployment benefits, 5 million of which are currently receiving some form of the federal extensions.[x] These numbers will remain high with continued, elevated unemployment levels.
- If Congress fails to reauthorize the federal extension programs, an estimated 2 million recipients will face premature cut-offs of their benefits in December 2010, reducing spending

and hurting businesses during the busy holiday season.  This number will only to continue to grow throughout 2011. To get state-by-state estimates of the numbers being cut off from jobless benefits please click here.

## 6. Congress has never cut federal benefit extensions when unemployment is expected to remain so high for years to come.

Congress has never cut federal benefit extensions when unemployment was so high. In fact, the unemployment crisis today is significantly worse than when the current package of extensions was initially enacted in July 2008:

| Unemployment Measure | October 2010 | July 2008 | Highest Measure has been when Congress Ended Extensions | |
|---|---|---|---|---|
| | Current | EUC08 (Current Federal EUC Extensions) Enacted | Measure | Month/Year |
| Number of Unemployed | **14.8 million** | 8.9 million | 8.6 million | February 1994 |
| Unemployment Rate | **9.6** | 5.8 | 7.2 | March 1985 |
| Number of Long-Term Unemployed[1] | **6.2 million** | 1.7 million | 1.9 million | December 2003 |
| Long-Term Unemployed as a Percent of Unemployed | **41.8** | 19.1 | 23.1 | December 2003 |
| Average Duration of Unemployment (in weeks) | **33.9** | 17.1 | 19.8 | December 2003 |
| U-6: the "Real Unemployment Rate"[2] | **17.0** | 10.5 | 11.4 | March 1985 |
| Number of Job Openings per Unemployed Worker (data available 2000-present) | **4.8** | 2.3 | 2.5 | December 2003 |

*Note: See* Out in the Cold for the Holidays *for all dates of past extension cut-offs.*
*All data from the Bureau of Labor Statistics.*

[1] *Long-Term Unemployed*: those out of work 27 weeks or longer
[2] *U-6*: Alternative measure of labor underutilization. Includes: the unemployed; those employed part-time for economic reasons; and the marginally attached (those who are not working and are not looking for work, but are available for a job and have searched for work sometime in the past year).

[i] This fact sheet was authored by Christine Riordan with assistance from Claire McKenna and Rebecca Dixon. For more information contact criordan@nelp.org

[ii] National Bureau of Economic Research, "US Business Cycle Expansions and Contractions." http://www.nber.org/cycles/cyclesmain.html

[iii] Federal Reserve Bank of San Francisco. "FedViews." 14 October 2010. http://www.frbsf.org/publications/economics/fedviews/fv20101014.pdf

[iv] Congressional Budget Office. "The Budget and Economic Outlook: An Update" August 2010. (http://www.cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf)

[v] Reuters. "Economists cut U.S. growth forecast again." 9 September 2010. http://www.reuters.com/article/idUSTRE6880KI20100909

[vi] NELP. "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." 25 October 2010. http://www.nelp.org/page/-/UI/2010/november.extension.report.pdf?nocdn=1?nocdn=1

[vii] 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

[viii] 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

[ix] "Further extending unemployment insurance benefits will generate over 700,000 full-time-equivalent jobs while saving millions from poverty," Issue Brief 288 (October 2010) http://www.epi.org/page/-/IssueBrief288.pdf

[x] Department of Labor. "Unemployment Insurance Weekly Claims Report." Data for week ending October 16, 2010. 4 November 2010. http://www.ows.doleta.gov/press/2010/110410.asp