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States Hard Hit by Rising Unemployment and End of Federal Jobless Benefits: Nearly 800,000 Workers Left Without Assistance Soon After Congress Recesses

By National Employment Law Project

The economy took a serious turn for the worse in August, when the unemployment rate reached a five-year high of 6.1 percent and nearly 9.4 million Americans were officially counted as unemployed and still actively looking for work. Just since the federal program of extended jobless benefits was enacted in June, nearly 900,000 more workers are struggling to find jobs in a rapidly declining economy. At the same time, twice as many states are experiencing especially high levels of unemployment, with nearly a dozen states now exceeding 6.5 percent unemployment.

With unemployment expected to continue growing by early October, nearly 800,000 workers will be left without any additional federal jobless benefits when their limited 13-week federal extension runs out. That number includes more than 330,000 jobless workers in the high unemployment states, such as California, Michigan, Mississippi and Ohio. Given the deteriorating employment prospects and the serious need to stimulate the economy in those states hardest hit by the economic decline, Congress and the President should significantly expand the federal program of extended jobless benefits before the Congressional recess begins at the end of September.

The Limited Federal Program of Extended Jobless Benefits

On June 28th, the President signed into law the Emergency Unemployment Compensation (EUC) program, which provides up to 13 weeks of federally-funded extended jobless benefits to workers beyond the maximum 26 weeks of unemployment insurance (UI) provided by the states.

Coverage under the law reaches back to workers who ran out of their state benefits as of May 2007 and remain unemployed, and extends through to the end of March 2009. Long-term jobless workers whose state benefits expire during this window are eligible to receive 13 weeks of EUC benefits, with the first benefits distributed on July 13th. The EUC law passed with substantial margins in both the House of Representatives and the Senate as part of the war supplemental legislation. However, in response to the President's objections, the final version of the EUC law did not include an additional 13 weeks of EUC for workers in states with especially high unemployment rates (exceeding 6 percent).

The Dramatic Job Market Decline Since EUC Was Enacted In June

Given the dramatic rise in unemployment in recent months, the decision to deprive workers in high unemployment states of an additional 13 weeks of federal benefits has proven fateful. From the perspective of jobs and the labor market, the economy is much worse today than it was when the EUC program passed. Indeed, the job market has declined to the point that, as in prior recessions, Congress should intervene now to provide additional benefits to workers in all states, not just the highest unemployment states.

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Nationally, all the leading indicators show a declining job market since June 28th when the EUC program was enacted:

- **Significant Jump in Unemployment:** According to the May 2008 Employment Situation report, which Congress relied on in enacting the EUC program in June, 8.5 million workers were unemployed and actively looking for work, compared to 9.4 million in August (the latest available figures). That amounts to an increase of 10 percent in just three months. Similarly, the unemployment rate jumped from 5.5 percent in May to 6.1 percent in August, another 10 percent increase.
- **Major Increase in Long-Term Unemployment:** At the same time, the number of workers who found themselves unemployed for more than six months while still actively looking for work increased by nearly 300,000 from May to August, to 1.84 million workers representing 19.5 percent of all the nation's unemployed (up from 18.3 percent).
- **Rising Unemployment Insurance Claims:** For the week ending September 6, 2008, the Labor Department reported new claims for unemployment benefits reached 440,000 (the 4-week average). That is the sixth straight week of UI claims above 400,000, which has not occurred since August 2003. Just one year ago, weekly UI claims were 322,000, and roughly 380,000 as of June 28th. The total number of workers collecting state unemployment benefits stands at 3.43 million (4-week average), the highest number since November 2003.

High Unemployment States Hardest Hit By EUC Program Limits

The national figures are stark, but they understate the even more serious situation facing the states. Far surpassing the rates just three months ago when the EUC program was enacted into law, large numbers of states are now suffering from extreme levels of unemployment.

- **Doubling of High Unemployment States:** When the data were reported in June, only seven state unemployment rates exceeded 6 percent (Alaska, California, Michigan, Mississippi, Rhode Island and South Carolina).¹ When the most recent data was reported in August, the number had more than doubled, to thirteen states (also including Illinois, Kentucky, Missouri, Nevada, North Carolina, Ohio, Tennessee).²
- **Tripling of States Exceeding 6.5 Percent Unemployment:** Not only has the number of states with high levels of unemployment increased, but far more states now also have sustained extreme levels of joblessness. For example, in June, only three states (Alaska, Michigan, Rhode Island) had unemployment rates exceeding 6.5 percent (averaged over three months, as reported by the Labor Department). By August, that number had tripled, including six additional states (California, Illinois, Mississippi, Ohio, South Carolina, Tennessee).

¹ These figures (Trigger Notice No. 2008-23, effective June 22, 2008) refer to the three-month average state unemployment rates reported by the U.S. Department of Labor as part of the weekly notice indicating the states that qualify for the permanent federal program of "Extended Benefits." The three-month average state unemployment rate was also used to identify "high unemployment" states that qualify for additional benefits under the prior temporary extensions of unemployment benefits and under the federal legislation debated in 2008.

² Trigger Notice No. 2008-33, effective August 31, 2008.

- **Surge in States with Spiking Unemployment:** Among the states with unemployment rates exceeding 6 percent, the average state increase since June was more than 0.6 percentage points, even in those states with especially high levels of unemployment. The most significant increases in unemployment were experienced by Illinois (up 1 point, to 6.8 percent), Rhode Island (up 1 point, to 7.5 percent), Mississippi (up .9 points, to 7.2 percent), Michigan (up .9 points, to 8.5 percent), Ohio (up .8 points, to 6.7 percent), and Tennessee (up .8 points, to 6.6 percent).

**High Unemployment States
(Three-Month Average Rates)**

State	June	August	Increase
Alaska	6.7%	6.9%	3%
California	6.4%	7.0%	9%
D.C.	6.2%	6.5%	5%
Illinois	5.8%	6.8%	17%
Kentucky	5.8%	6.4%	10%
Michigan	7.6%	8.5%	12%
Mississippi	6.3%	7.2%	14%
Missouri	5.6%	6.0%	7%
Nevada	5.9%	6.4%	8%
N.Carolina	5.5%	6.1%	11%
Ohio	5.9%	6.7%	14%
Rhode Island	6.5%	7.5%	15%
S.Carolina	6.0%	6.5%	8%
Tennessee	5.8%	6.6%	14%

- **Major Increase in State Unemployment Claims:** Corresponding with the dramatic rise in unemployment rates, new claims for benefits (4-week averages) are also up. For the week ending August 23, 2008, claims were up, on average, 28.5 percent compared to a year earlier. Roughly half of the states experienced significant jumps: 13 states reported 50 percent more claims than one year earlier, and another nine reported 33 percent more.

More Than One Million Workers Exhausting EUC in 2008

As described above, the EUC program provides only 13 weeks of assistance, even in states with especially high unemployment. For those workers who exhausted their state unemployment benefits and were still jobless when the states started paying EUC benefits on July 13th, their EUC will end on October 5th, just after Congress recesses for a final month of campaigning before the election.

By the October deadline, an estimated 775,000 workers will exhaust their 13 weeks of EUC benefits (Table 1).³ By the end of the year, the total will exceed 1.1 million workers exhausting their EUC benefits. The high unemployment states account for the largest share of those who will be left without any additional assistance when the EUC benefits expire. Workers in these 13 states (plus the District of Columbia) account for 43 percent (330,000) of all those exhausting their EUC in October and nearly half of the total exhausting by the end of the year (494,000).

³ In Alaska and Rhode Island, at least some of the workers exhausting EUC benefits may be eligible for help under the permanent federal extended benefits program (EB).

Expand EUC Benefits Before the Congressional Recess

As documented above, there is a compelling case that Congress should expand the EUC program before the Congressional recess begins in late September.

First, the job market has clearly deteriorated since the EUC program was enacted in June, and the situation is not expected to improve for at least another year.⁴ Second, as former Treasury Secretary Lawrence Summers recently concluded in testimony before Congress, the economy is in serious need of a second stimulus to help boost consumer spending, the backbone of the nation's economy.⁵ Third, the states hardest hit by unemployment are struggling to balance their budgets and generate revenue. Thus, an expanded extension of EUC will provide targeted relief in those states where the help is needed most.

Certainly, precedent exists to expand the EUC program under the present circumstances. The March 2002 extension of jobless benefits provided 13 weeks of extra benefits for high unemployment states, on top of the 13 weeks of benefits provided all states. Over the two-year life of the program, 13 states qualified for extra federal benefits with unemployment rates exceeding 6.5 percent. Today, just three months into the EUC program, 11 states already have unemployment rates exceeding 6.5 percent.

In November 1991, when another extension of jobless benefits was enacted, 15.4 percent of the unemployed were long-term jobless, totaling 1.34 million workers. By February 1992, the unemployment rate had jumped 0.4 percentage points (to 7.4%), and long-term unemployment had increased to 18.1 percent of the unemployed, accounting for 1.7 million workers. As a result, Congress intervened in February to provide a basic 26 weeks of extended benefits for all states, and up to 33 weeks for high unemployment states. Today, while the unemployment rate is much lower than in 1991, the surge in unemployment has been more significant and the current incidence of long-term joblessness exceeds the levels that existed when the federal program was expanded in 1992.

In response to the recent surge in unemployment and the need for further stimulus to address the continued economic decline, Congressmen Charles Rangel and Jim McDermott, the chairs of the committees with jurisdiction over the unemployment insurance program, have proposed to expand the EUC program (H.R. 6867).⁶ The bill, which is expected to be included in the Democratic leadership's broader economic stimulus package, would provide 20 weeks of benefits for all states (up from the current 13 weeks), and up to 33 weeks of total EUC in those states with unemployment rates exceeding 6 percent. The package is well within the precedent set by prior federal extensions, and deserves strong bi-partisan support.

With the September 26th Congressional recess fast approaching, Congress should act without delay to enact H.R.6867, providing urgently needed assistance for those workers and those communities hardest hit by the latest surge in joblessness and the struggling economy.

⁴ According to the latest Conference Board report, "the pace of decline points toward job losses and rising unemployment extending well into 2009." Press Release, "The Conference Board Employment Trends Suggest No Turnaround in the Job Market Anytime Soon" (September 8, 2008).

⁵ "Summers Backs Second Stimulus Amid Deficit Warning," *Wall Street Journal* (September 8, 2008).

⁶ Press Release, "Rangel, McDermott Seek Extension of Unemployment Benefits" (September 11, 2008).

Estimated Number of Workers Exhausting the 13-Week Emergency Unemployment Compensation (EUC) Program

	October 2008	November-December 2008	Total 2008
Alabama	8,142	2,978	11,120
Alaska	4,015	1,737	5,752
Arizona	10,646	4,977	15,623
Arkansas	8,246	2,646	10,892
California	130,709	70,221	200,929
Colorado	8,045	4,159	12,204
Connecticut	11,091	4,725	15,816
DC	2,630	1,039	3,669
Delaware	2,259	990	3,249
Florida	45,883	20,829	66,712
Georgia	23,067	9,273	32,340
Hawaii	1,638	767	2,405
Idaho	3,878	2,010	5,888
Illinois	35,988	16,968	52,955
Indiana	21,262	11,146	32,408
Iowa	6,123	2,636	8,759
Kansas	5,029	2,699	7,728
Kentucky	7,050	2,697	9,748
Louisiana	5,936	2,809	8,745
Maine	2,834	1,477	4,311
Maryland	9,917	4,485	14,401
Massachusetts	21,432	11,041	32,474
Michigan	42,628	15,366	57,994
Minnesota	13,759	6,002	19,761
Mississippi	4,926	1,925	6,851
Missouri	12,105	6,203	18,309
Montana	1,986	959	2,944
Nebraska	3,652	1,845	5,497
Nevada	9,356	4,597	13,954
New Hampshire	1,350	669	2,019
New Jersey	39,263	16,834	56,097
New Mexico	3,648	1,621	5,269
New York	45,908	24,517	70,426
North Carolina	29,841	12,931	42,772
North Dakota	1,110	464	1,574
Ohio	22,478	11,911	34,389
Oklahoma	4,211	1,900	6,111
Oregon	12,191	6,017	18,208
Pennsylvania	38,986	17,478	56,465
Rhode Island	4,749	2,432	7,181
South Carolina	12,814	5,334	18,147
South Dakota	224	107	331
Tennessee	14,897	5,731	20,628
Texas	31,411	12,887	44,298
Utah	2,616	1,055	3,672
Vermont	1,213	542	1,756
Virginia	10,905	5,018	15,923
Washington	9,970	5,015	14,985
West Virginia	2,718	1,359	4,077
Wisconsin	19,171	9,229	28,400
Wyoming	813	395	1,208
US Total	774,721	362,652	1,137,373

Source: Estimates prepared by the National Employment Law Project based on U.S. Department of Labor data. The state estimates account for the number of workers receiving EUC based on the average take-up rate for the federal extension that was in place during the last recession (i.e., 35 percent for those were unemployed over the prior year and exhausted their regular state benefits). This state number was then multiplied by the average rate that workers exhausted the last federal extension of unemployment benefits (i.e., 70 percent) to arrive at the estimated number exhausting the current EUC program.