

From the National Employment Law Project

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Contact: Tim Bradley, 314-440-9936 or Anna Deknatel, 646-200-5311

NEW CBO & DOL STUDIES UNDERSCORE NEED FOR FULL-YEAR RENEWAL OF UNEMPLOYMENT INSURANCE

Stop-Gap Extensions Fall Short of What Economy Needs – Congress Must Act Quickly

Washington, DC – Following a failed vote in the House of Representatives today to renew federal unemployment insurance for only three months, the National Employment Law Project (NELP) reissued its call for a full-year renewal of the existing programs and pointed to a rush of new federal research that supports extending the program through 2011. Just-released studies by the [Department of Labor](#) and the [Congressional Budget Office](#) affirm, yet again, the vital role unemployment insurance has played in combating the recession and rebuilding the economy.

“Everything we know about unemployment, the economy and the costs and benefits of federal unemployment insurance dictates renewing the programs for a full year – and ending the game of chicken Congress has played with America’s unemployed workers, their families and communities for the last several months,” said **Christine Owens, executive director of the National Employment Law Project**.

“Sadly, Congress is once again heading out of town just as the federal unemployment insurance programs are slated to expire, this time right as the holiday season begins. It is critical that a full-year renewal of the program moves to the top of the agenda when Congress returns on November 29th, to minimize the hardship and disruption to families and the economy that will result from the November 30th cut-off,” said Owens.

President Obama also confirmed today his support for a full-year reauthorization of the programs, news reports [indicate](#).

“Several new federal studies are just the latest proof that Congress should enact a meaningful, year-long reauthorization of the federal unemployment insurance programs that expire November 30th, or else the economy – and millions of out-of-work Americans – will take a giant step back,” said Owens. “Short-term stop-gap measures, like the three-month continuation the House defeated today, are ill-advised and however well intentioned could ultimately do more harm than good.”

- On Tuesday the **Department of Labor** issued an independent [study](#) commissioned by the Bush Administration and co-authored by the chief economic advisor to John McCain’s Presidential campaign, finding that since mid-2008, the federal unemployment insurance programs have saved 1.6 million jobs in every quarter – averting 1.8 million layoffs per quarter at the height of the downturn – and that the programs reduced the unemployment rate by 1.2 points.

- The **DOL** study also affirmed the multiplier effect of unemployment insurance: “For every dollar spent on unemployment insurance, this report finds an increase in economic activity of two dollars,” it states.
- A new **Congressional Budget Office** study this week [echoed](#) the DOL findings, saying that “the extensions of unemployment insurance benefits in the past few years increased both employment and participation in the labor force over what they would otherwise have been in 2009.”
- A **Census Bureau** [report](#) in September found that 3.3 million people, including 1 million children, were kept out of poverty with income support provided through unemployment insurance, a NELP [analysis](#) of the study explained.
- **Goldman Sachs** analyst Alec Phillips has [projected](#) that allowing the federal unemployment insurance programs to expire will cut consumer spending significantly and reduce already-languid GDP growth by half a percentage point.
- A **Congressional Budget Office** [report](#) from January ranks unemployment insurance as the most effective stimulus to the economy, generating \$1.90 in economic activity for every \$1 the government spends. The report ranks tax cuts for wealthy Americans as the least effective method of economic stimulus.

“There is a real disconnect in those calling for unpaid-for millionaire tax cuts – adding \$700 billion to the deficit – but then refusing to commit \$65 billion for the long-term unemployed hanging on by a thread, even though the spending on unemployment insurance produces twice its cost in new economic growth. As the CBO has reported earlier, tax cuts to the wealthy are the least effective form of economic stimulus, whereas unemployment insurance is far and away the most effective,” said Owens

These studies parallel strong public support to continue the unemployment insurance programs. A poll released Monday, conducted by Hart Research Associates, found that Americans overwhelmingly believe Congress should continue providing federal unemployment insurance to workers who have exhausted their state benefits and are still unemployed, and that Americans firmly reject the idea that deficit concerns should lead to cuts in support for the jobless when the unemployment rate remains so high. More on the poll [here](#).

President Obama [echoed](#) the logic of the latest federal studies in remarks immediately following the mid-term elections: “It is very important that we’re not taking a whole bunch of money out of the system from people who are most likely to spend that money on goods, services, groceries, buying a new winter coat for the kids. That’s also why I think unemployment insurance is important. Not only is it the right thing to do for folks who are still looking for work and struggling in this really tough economy, but it’s the right thing to do for the economy as a whole,” Obama said.

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