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# Economic Policy Institute

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## **Federal Action on Unemployment Benefits: Needed in March 2002, needed even more today**

The nation's unemployment insurance system serves three critical purposes. First, it reduces hardship for families of those who become unemployed. It also allows workers more time to find a suitable job that matches their skills. And it serves as an automatic stabilizer for the economy when large job losses occur.

In normal economic times, workers losing their jobs typically receive up to 26 weeks of unemployment insurance benefits. Each state sets its own rules for how workers qualify for benefits and employers pay premiums to fund the system.

In the wake of every recession since the 1950s Congress has stepped in to provide extended unemployment benefits beyond the standard 26 weeks. The most recent federal action came in March 2002, when Congress enacted the Temporary Extended Unemployment Compensation program (TEUC) to give workers who had exhausted their standard benefits another 13 weeks of coverage in most states, and 26 weeks in the few states with the highest unemployment rates. The rationale behind this federal action has been an acknowledgement that when the national labor market deteriorates substantially, it takes unemployed workers longer to find a new job. Labor market conditions that justified the TEUC program in March 2002 have worsened. For example:

- Hardship is more widespread today. The number of workers unemployed longer than 26 weeks, and even longer than 39 weeks, has risen sharply.
- It is taking most people longer to find a suitable job, as evidenced by the unusually long duration of unemployment.
- The need to stabilize spending remains, particularly in communities hit hard by unemployment.

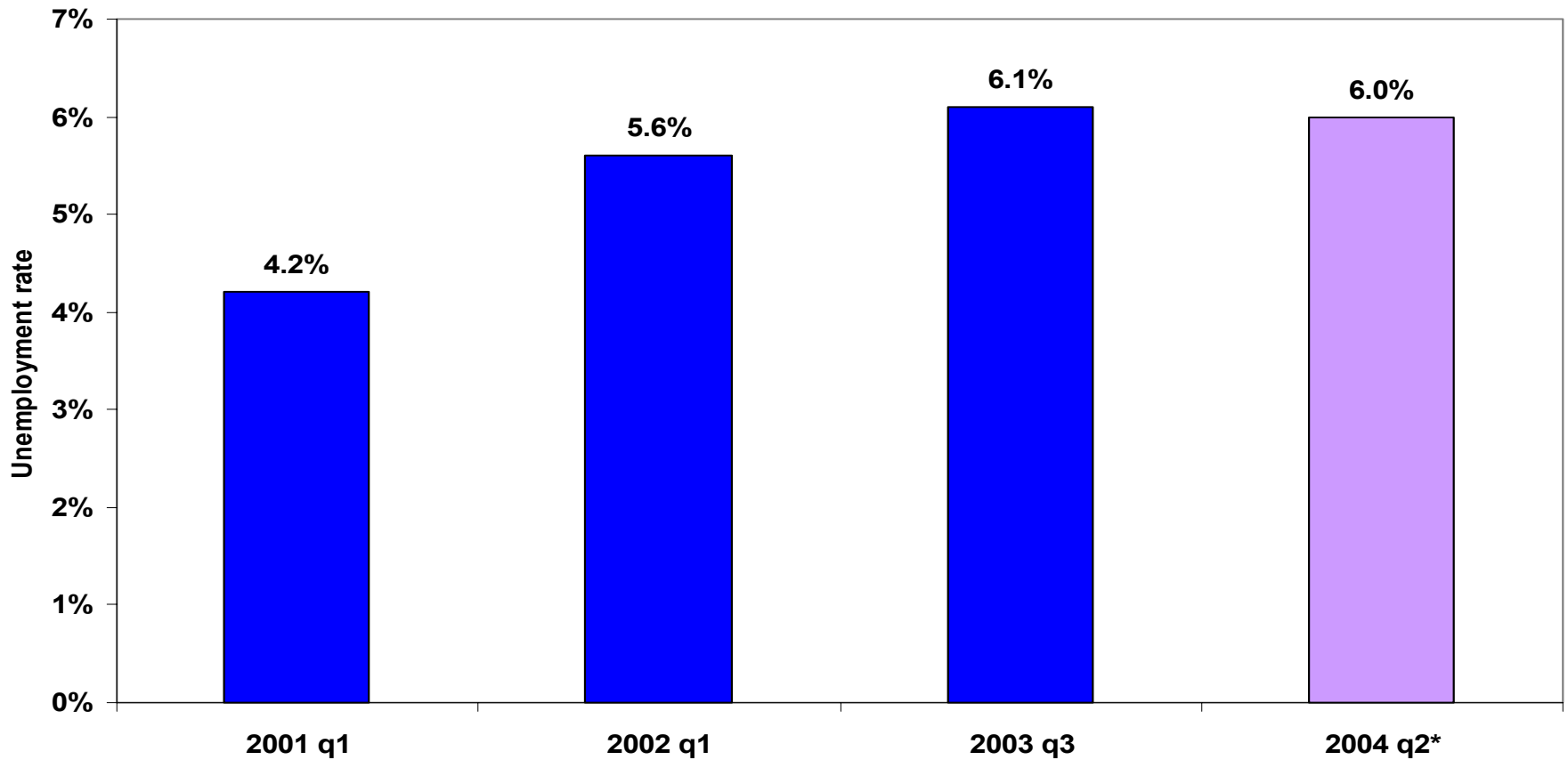
What makes prospects for finding a job today so bleak is a combination of two factors: the supply of unemployed workers and the demand to hire them. Although the supply of unemployed workers remains lower than after prior recessions, the demand for workers has been extraordinarily low. As a result, the unemployment rate alone provides a misleading picture of how difficult it is to land a job in today's labor market. Other indicators point to the exceptionally poor prospects of finding a job today:

- Jobs contracted for two and a half years, an unprecedented length of time, and there has been only a modest increase over the past three months.
- Economic forecasters expect little improvement in unemployment through 2004.
- Three-fourths of TEUC recipients have exhausted all benefits without finding a job.
- The average length of unemployment is now almost five months.
- Job vacancies continue to be low.
- “Help wanted” advertising has declined by more than 20% since early 2002.

Under these circumstances, it makes good economic sense to continue the TEUC program well beyond its currently scheduled expiration of December 2003 and to extend benefits longer than the 13 additional weeks now provided. Continuing the current program for six months would benefit 2.2 million unemployed people and their families, while providing an additional 13 weeks of benefits (26 weeks of TEUC in all) would help more than 4.0 million unemployed.

—Sylvia Allegretto and Lee Price

## Unemployment rate

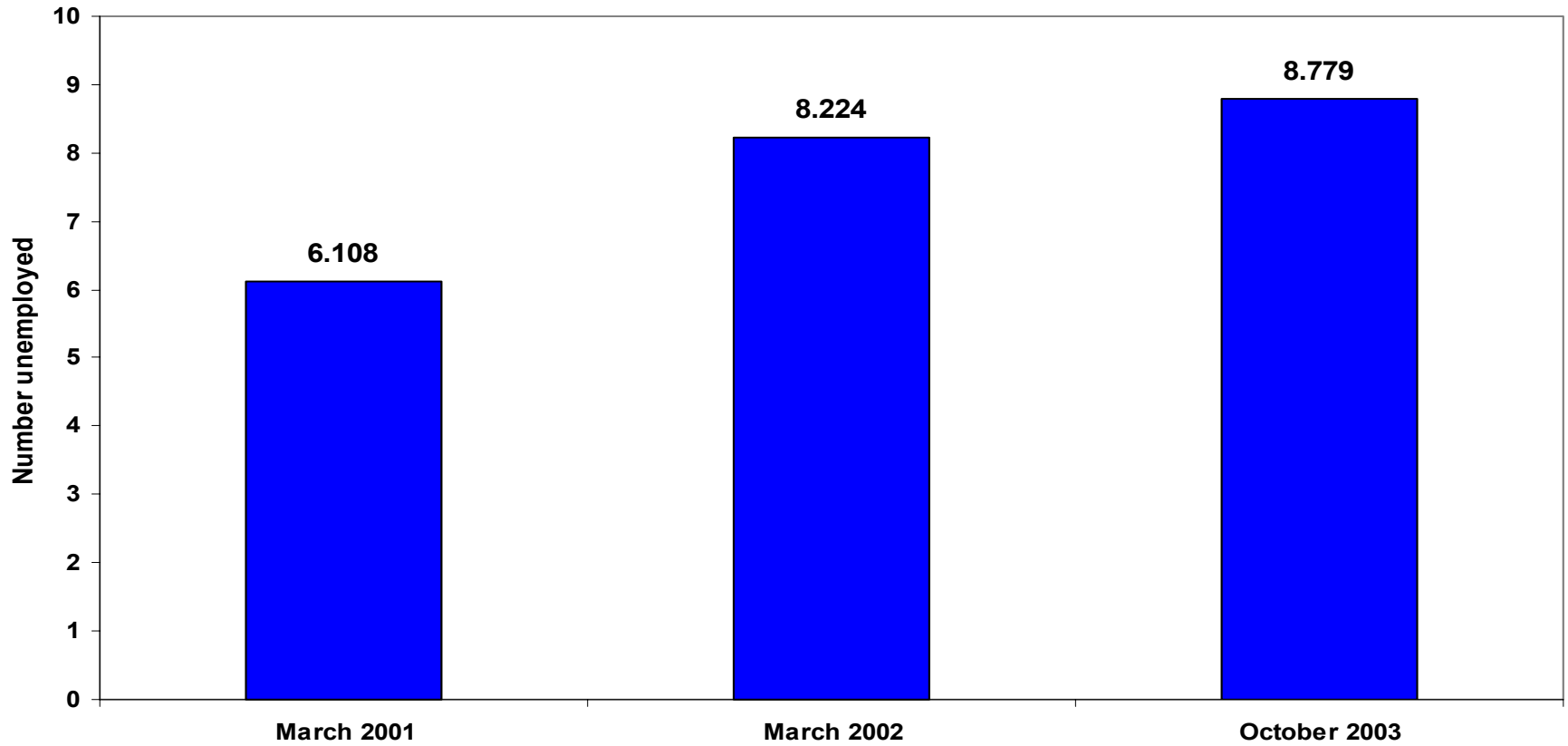


**The unemployment rate rose in the first year after the recession began in early 2001 and has risen further since then. Unfortunately, the Blue Chip consensus forecast through the end of 2004 forecasts unemployment to remain above the level when the TEUC program was enacted in the first quarter of 2002.**

Source: Bureau of Labor Statistics.

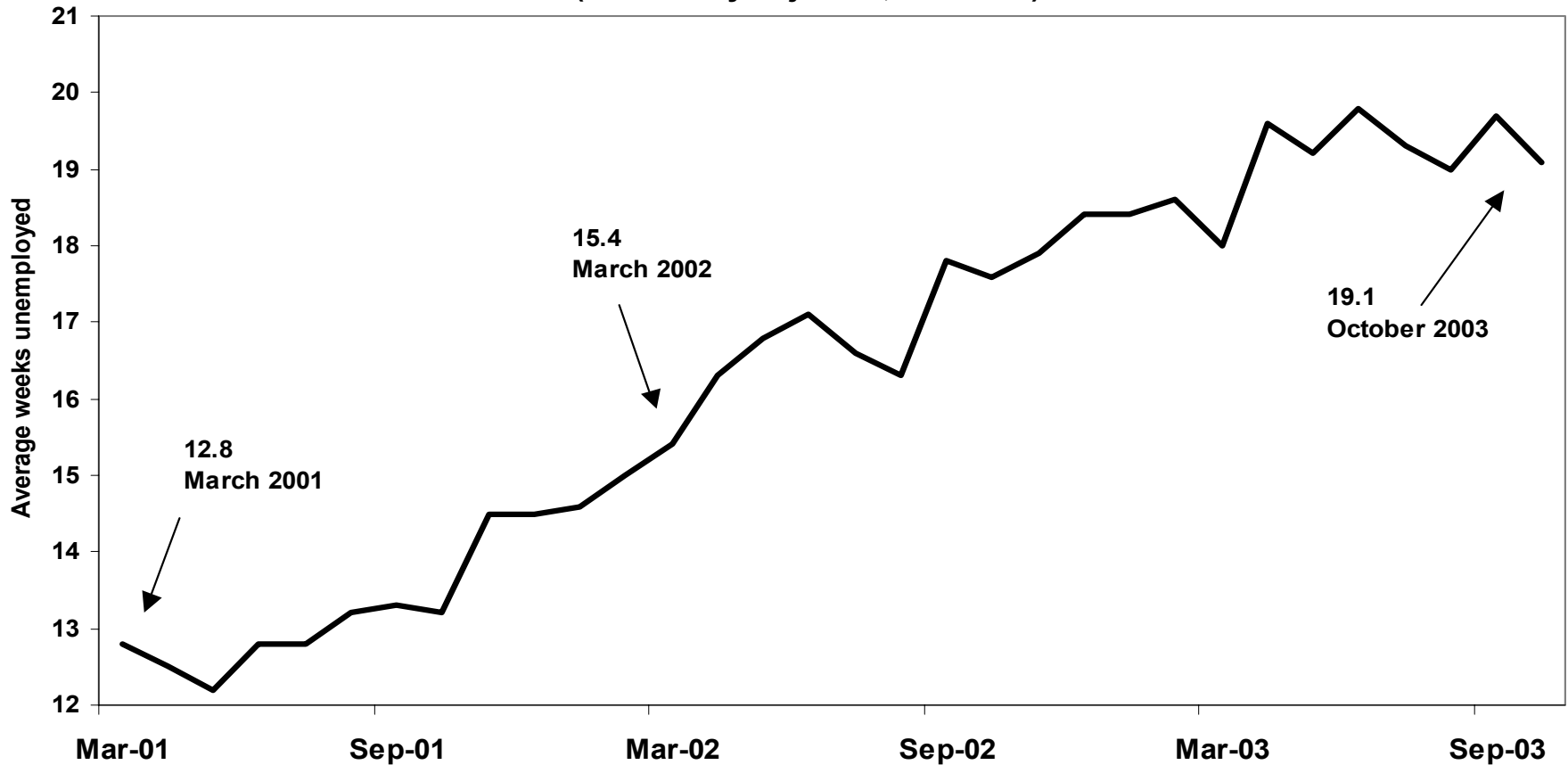
\*Blue Chip consensus.

**Number of unemployed  
(seasonally adjusted, in millions)**



**Almost nine million people remained unemployed in September 2003.  
That reflects an increase of more than half of a million people since  
TEUC was first enacted.**

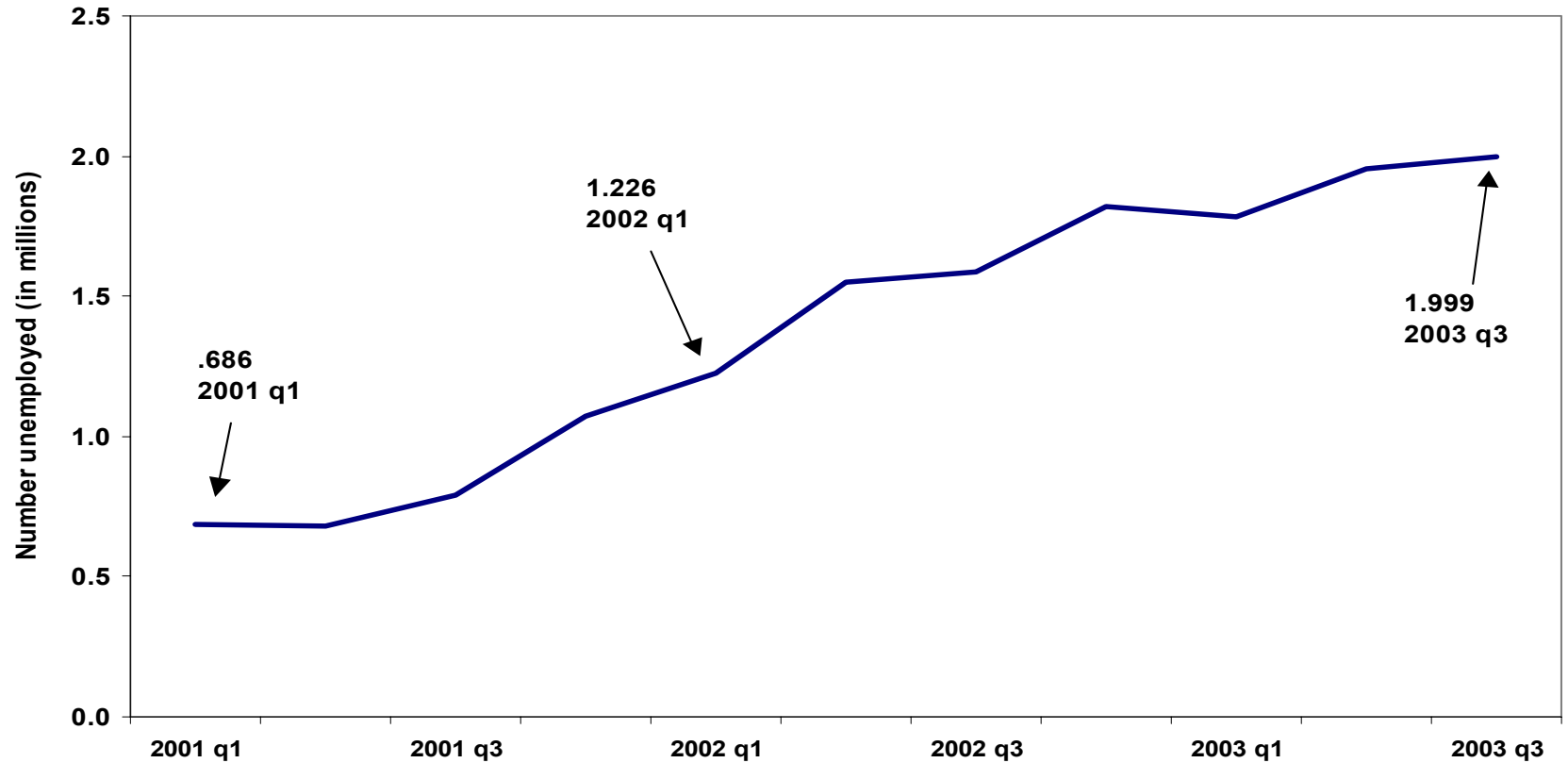
## Average duration of unemployment (seasonally adjusted, in weeks)



**Among the nearly nine million unemployed in October 2003, the average length of unemployment was 19.1 weeks. That represents an increase of 3.7 weeks since TEUC was enacted.**

**Between 1948 and 2002, the average unemployment spell had scaled such heights only for eight months in 1983 and 1984. During the first of those eight months, the unemployment rate was 10%.**

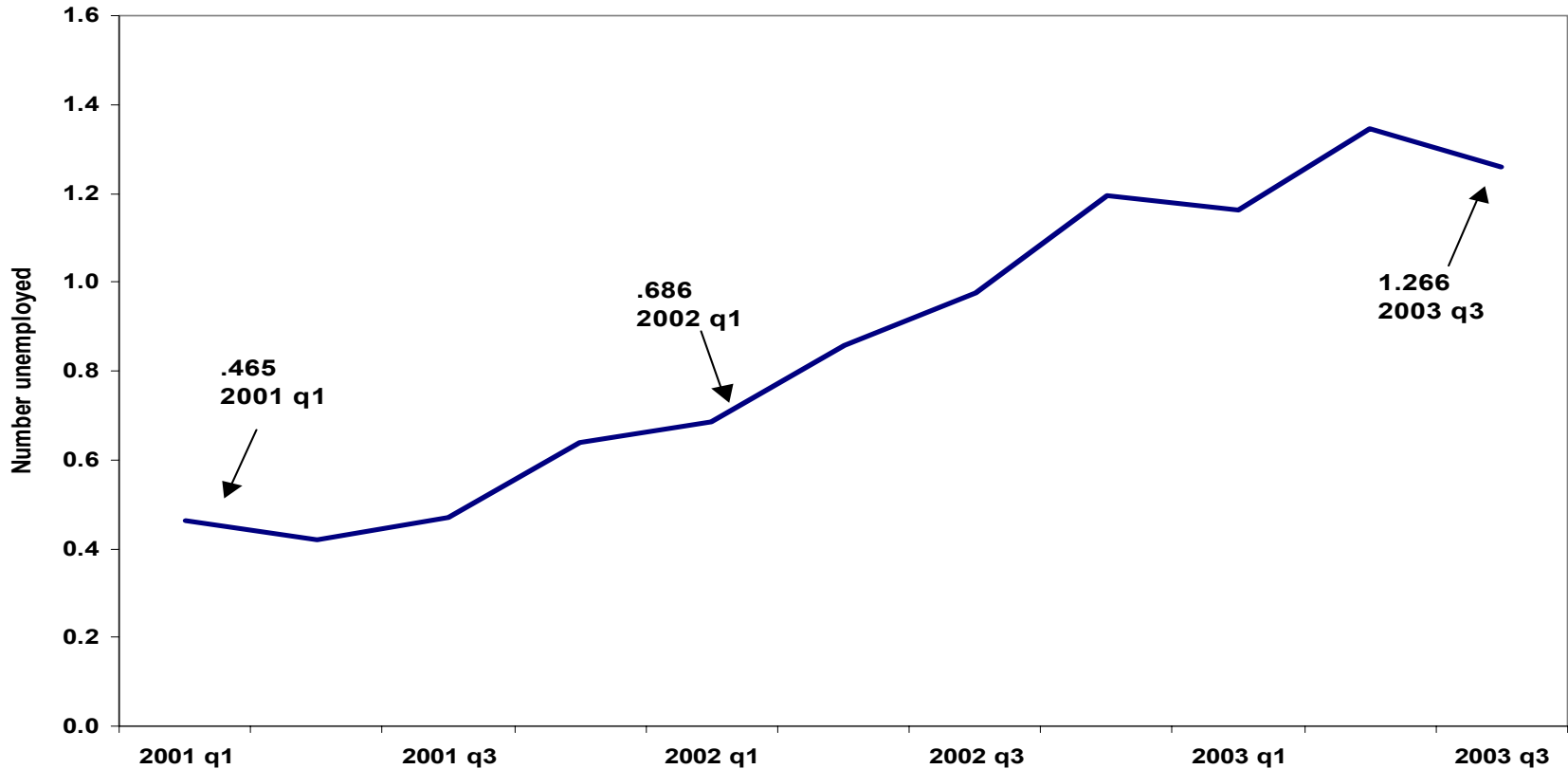
**Number unemployed longer than 26 weeks  
(seasonally adjusted, in millions)**



**The average spell of unemployment has lengthened because the number of workers experiencing very long spells has increased faster than total unemployment.**

**The number of people unemployed for more than 26 weeks has increased by 773,000 -- 63% -- since TEUC was enacted.**

**Number unemployed longer than 39 weeks  
(seasonally adjusted\*, in millions)**



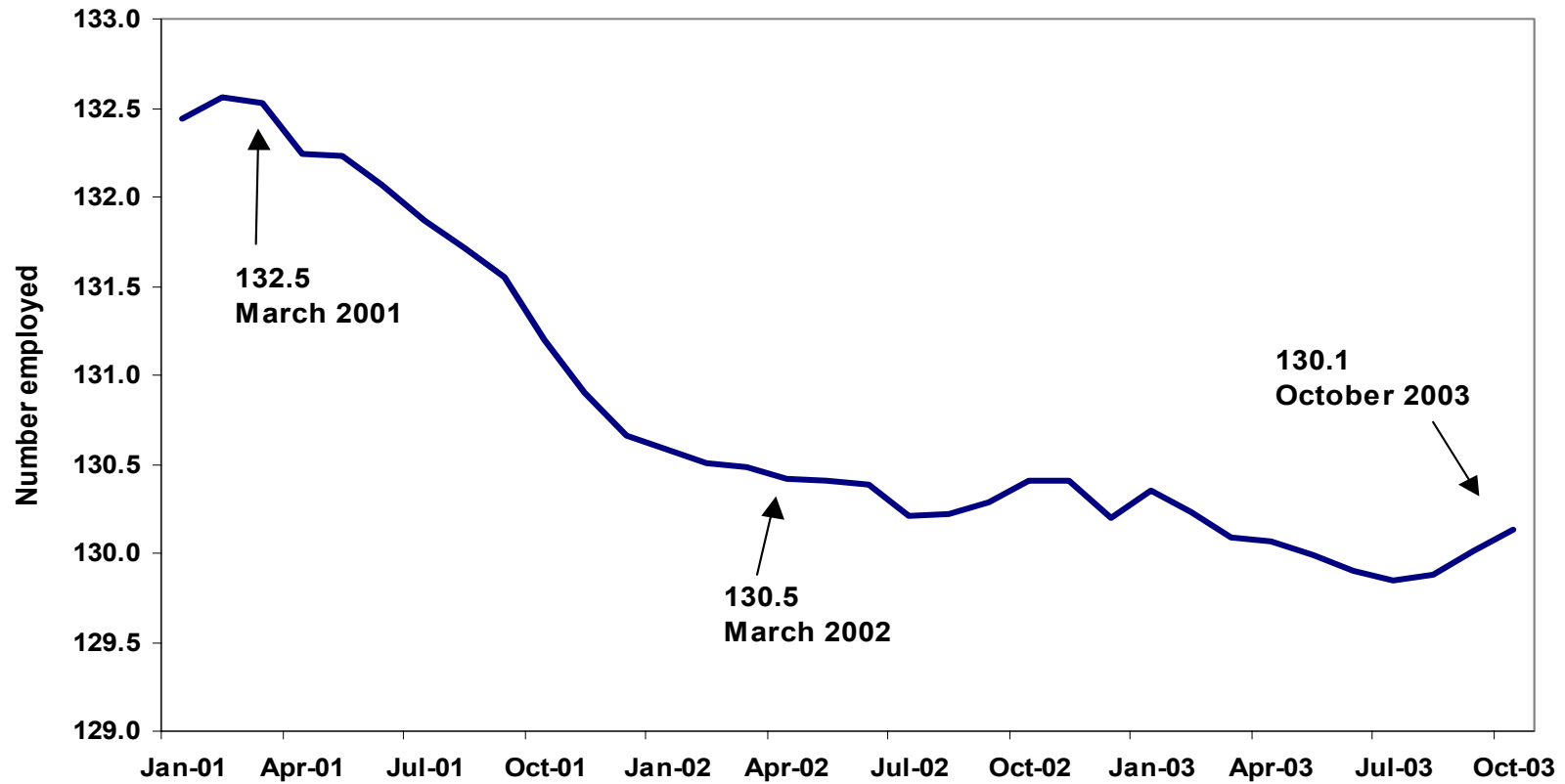
**Many more people are facing the hardship of exhausting both their 26 weeks of regular state UI benefits and 13 weeks of TEUC benefits. The number of people out of a job longer than 39 weeks and still looking for work has increased by 85% since the TEUC took effect.**

**These numbers greatly understate the extent of recent hardship because many more workers have become discouraged, have given up looking for work, and no longer get counted as unemployed.**

Source: EPI analysis of Current Population Survey data.

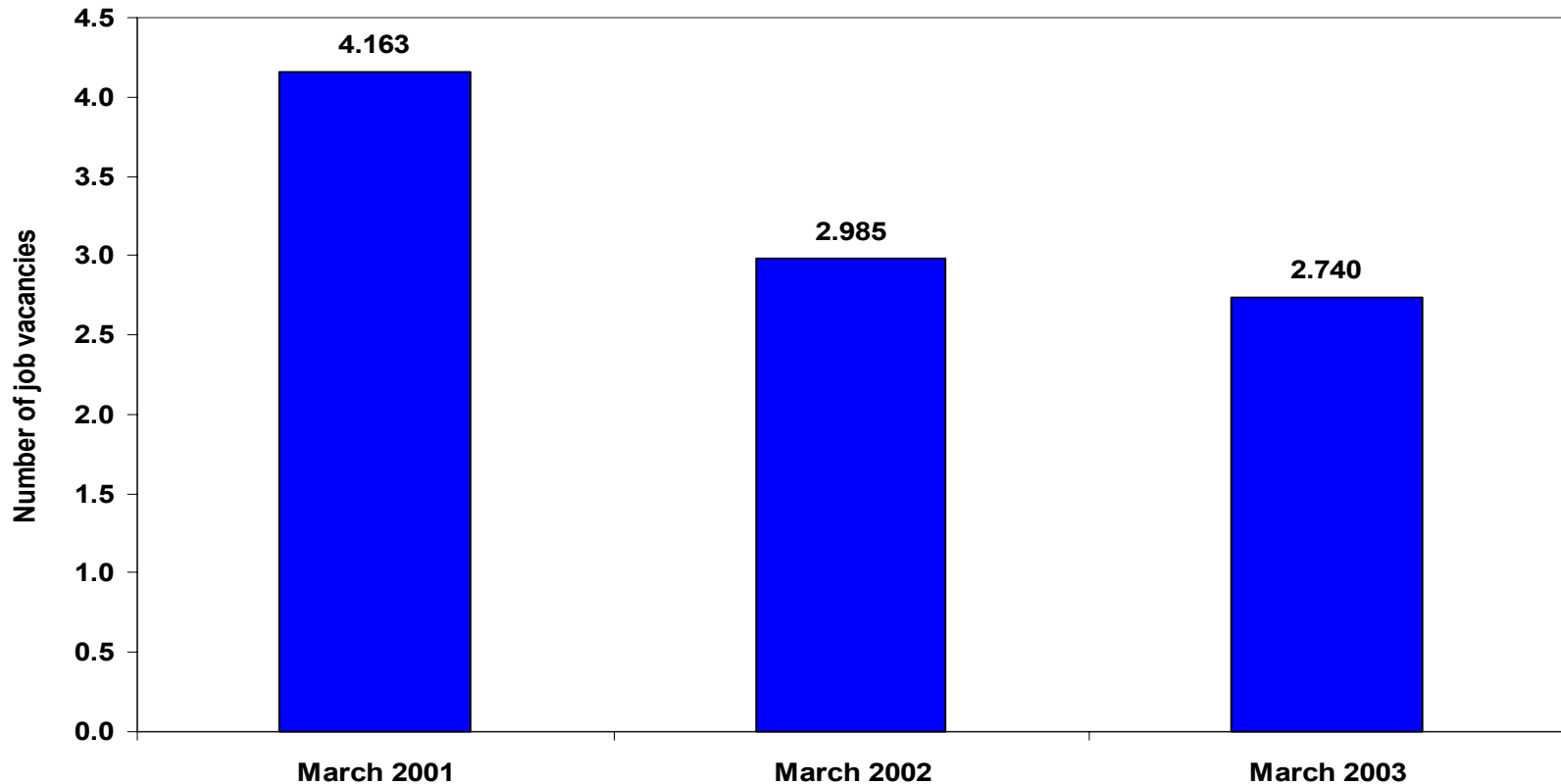
\*EPI-applied seasonal adjustment extrapolated from Bureau of Labor Statistics unemployment duration of 27+ weeks.

**Total payroll jobs**  
(seasonally adjusted, in millions)



**Evidence of the difficulty in finding work comes from many sources. Most prominently, the number of jobs has declined not just since the recession began 30 months ago but since it ended 21 months ago. With one exception in the early 1990s, jobs had always fully recovered their previous peak within 30 months. The only exception came in the early 1990s when it took 32 months for jobs to surpass their previous peak.**

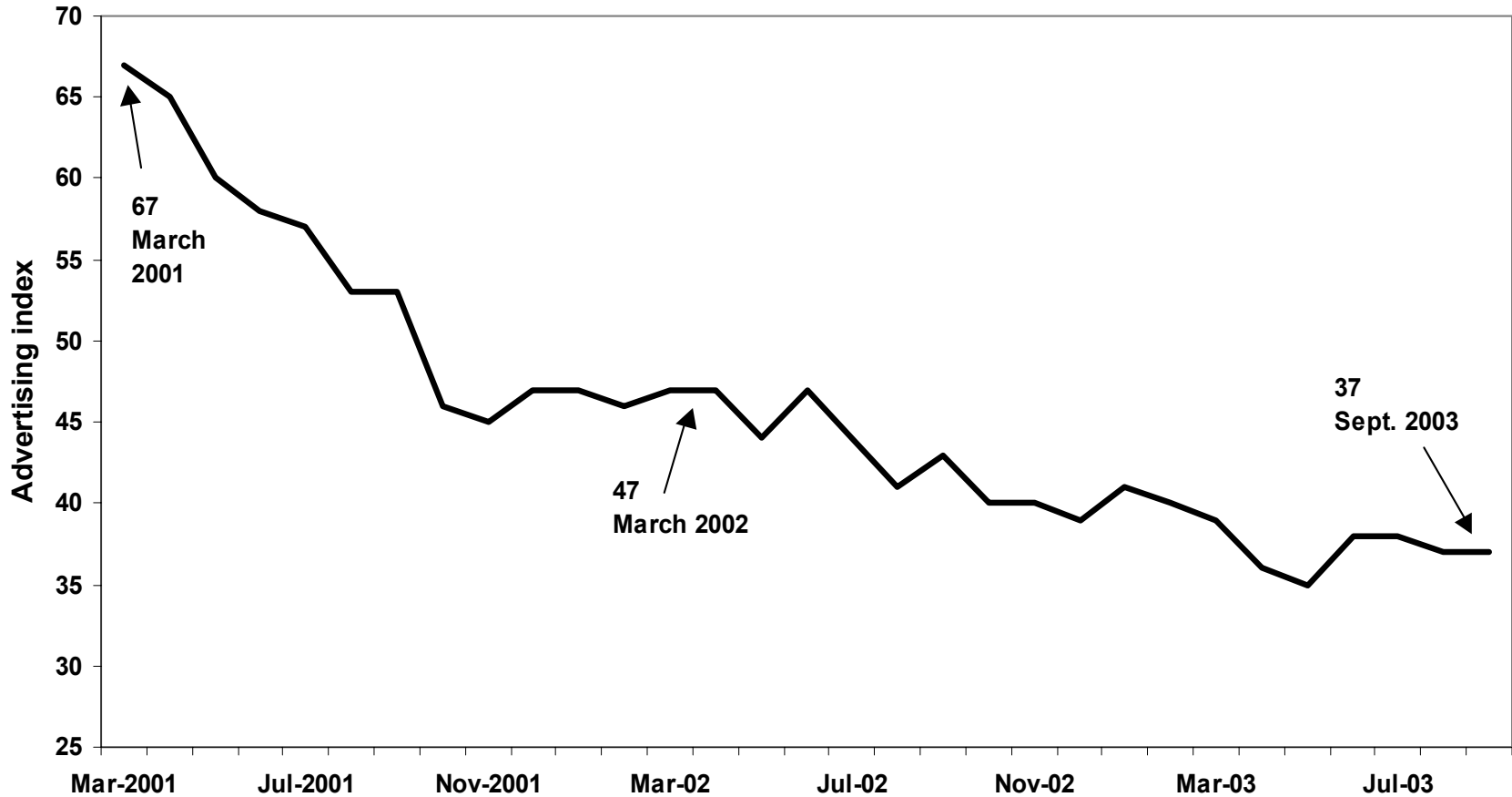
## Job vacancies (not seasonally adjusted, in millions)



**In recent years, the BLS has started a new data series on the number of job vacancies that employers have available. This series shows that -- even as the number of unemployed has soared -- the number of job vacancies has diminished. Vacancies fell most sharply in the first year after the recession began, but have continued to fall since then.**

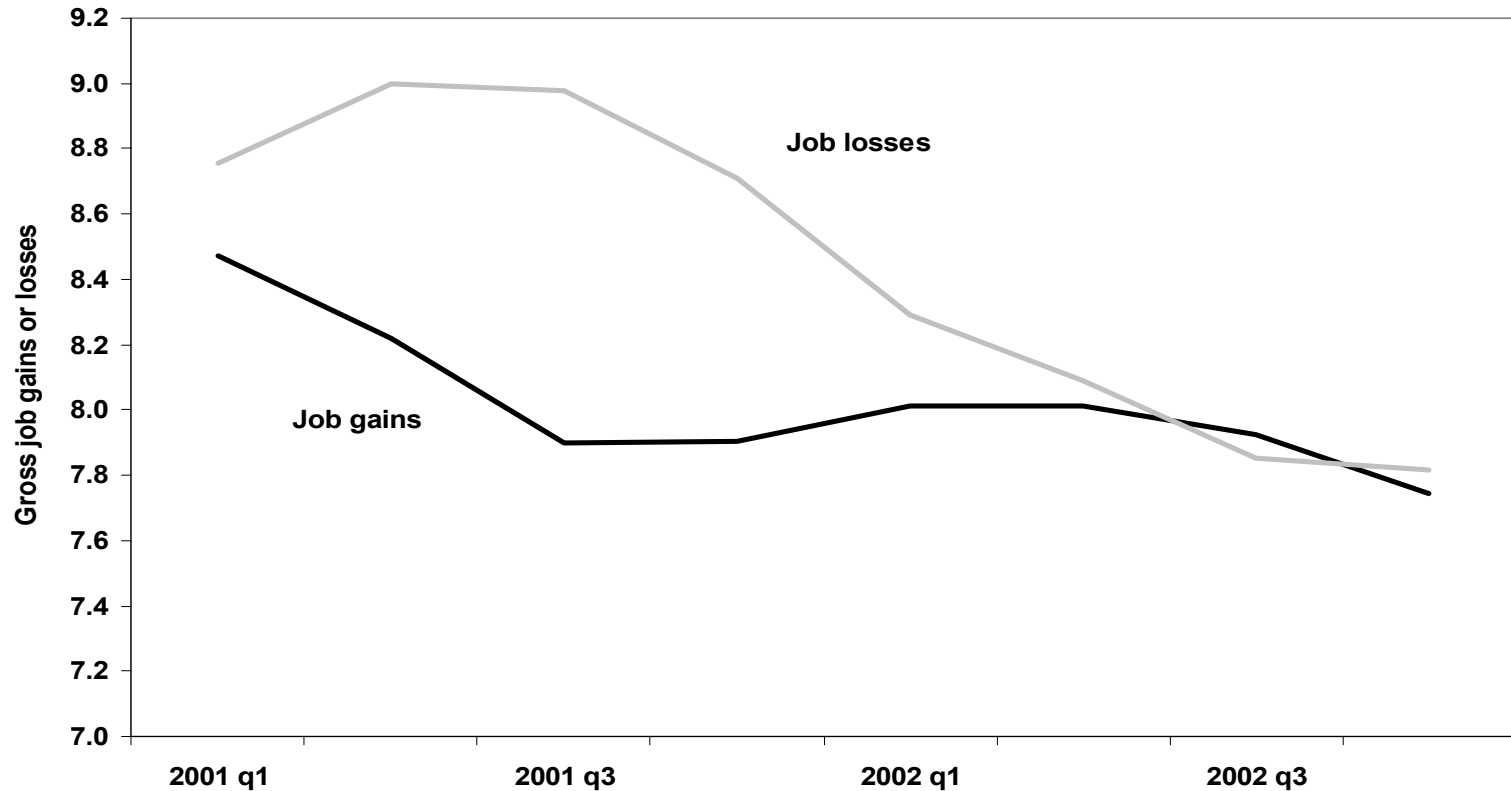
**(Because these data are too new for seasonal adjustment, comparisons must be made for the same month of the year. The year over year change for the last available month also shows a decline in vacancies. )**

## "Help wanted" advertising index



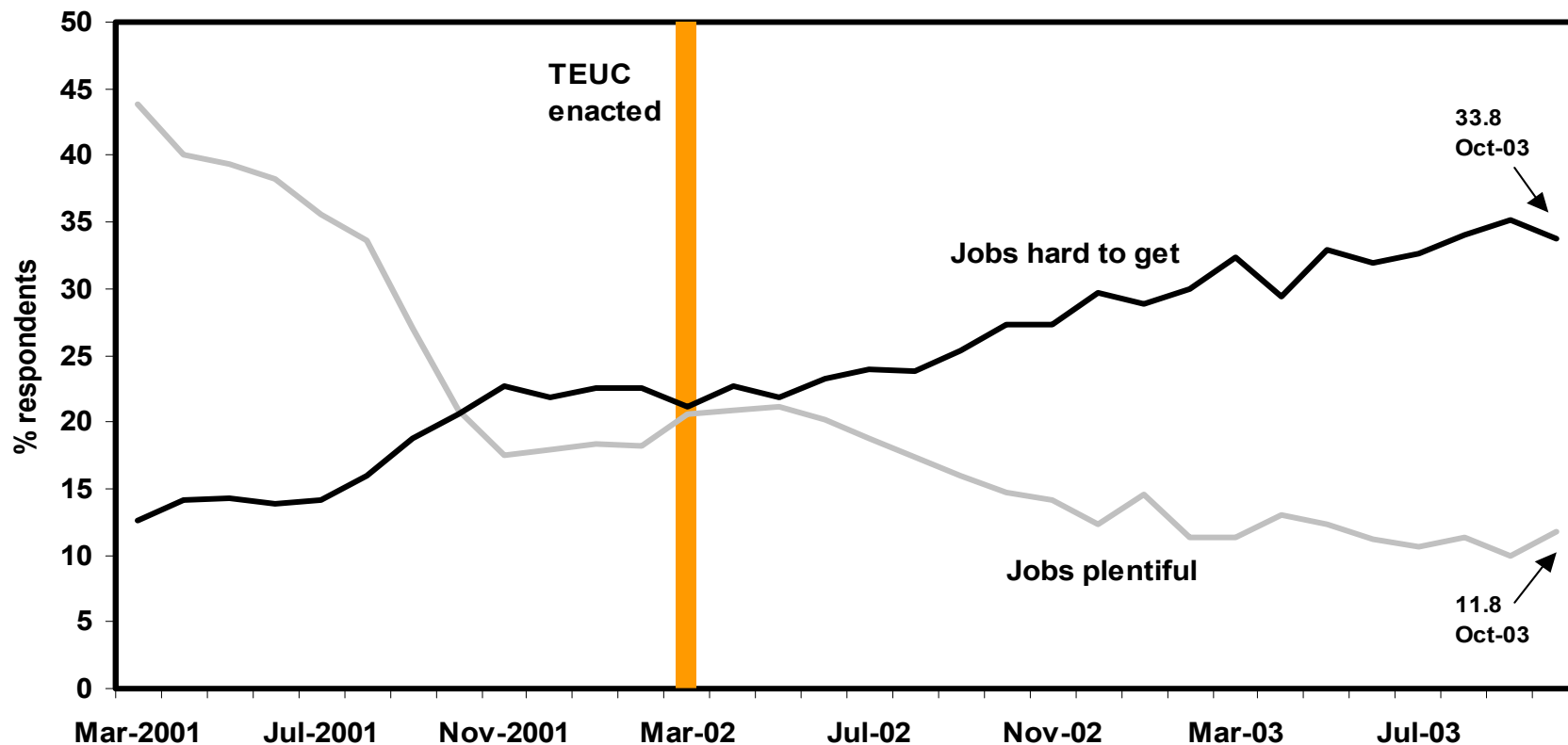
**Yet another indicator of the further weakening of the labor market since March 2002 comes in the index of “help wanted” advertising. Those ads fell steeply during the recession of 2001, stabilized for half a year, but have further declined since then. In the most recent month, employers were placing fewer than 80% as many job ads as they placed in March 2002.**

### Gross job gains and gross job losses (seasonally adjusted, in millions)



**Another revealing new data series from the BLS confirms the absence of job opportunities for unemployed workers. The BLS totals all jobs added at places of work that increased jobs and totals the job reductions at places cutting jobs. While new job cutting has slowed since the recession ended, employers have also reduced the creation of new jobs since the recession ended.**

## Job Related Questions in the Consumer Confidence Survey (seasonally adjusted)



Since TEUC was enacted the number of people finding jobs hard to get has increased by 65% and the number finding jobs plentiful has been nearly cut in half. In October, almost three times as many people found jobs hard to get than found them plentiful.