



FACT SHEET: LONG-TERM UNEMPLOYMENT BENEFITS

June 9th, 2014

The U.S. economy has made progress in the recovery from the Great Recession, which officially ended in 2009. However, despite 10 consecutive quarters of GDP growth, the job market recovery has been slow and many Coloradans are still trying to regain their footing in the workforce.

The Emergency Unemployment Compensation (EUC) program, authorized by Congress in 2008, provided crucial support to the economy and to millions of Americans who lost jobs through no fault of their own, namely the long-term unemployed.

Access to unemployment insurance (UI) gives those families hit the hardest by the tough job market basic economic security and the ability to take care of themselves and their families while they look for work. Jobless benefits allow these unemployed workers to continue paying for basic needs during the job search, creating more jobs and boosting the economy for all.

Unfortunately, EUC benefits expired in December 2013. Failing to extend UI benefits will result in more workers who become discouraged and stop looking for work. This will reduce “official” unemployment numbers but will do little to strengthen the economy as a whole. Instead, it would put a dent in job-seekers’ income and the economy, costing 240,000 jobs in 2014.

Congress should restore emergency unemployment compensation while focusing on policies that help people get back to work.

State of Unemployment in the United States and Coloradoⁱ

United States

- The current unemployment rate is 6.3 percent (June 2014)
- Long-term unemployed are 34.6 percent of total unemployed (June 2014) compared to under 19 percent pre-recession.

Colorado

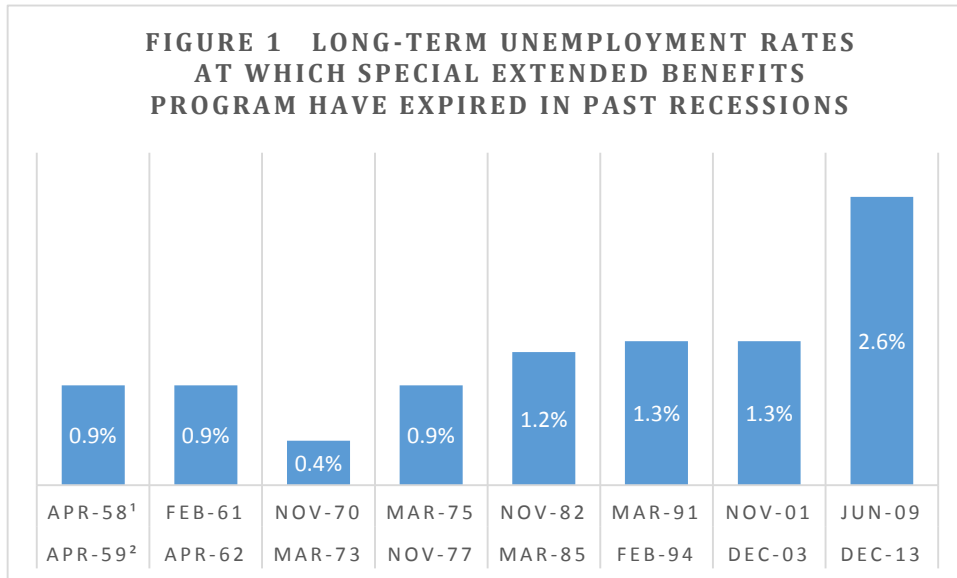
- The current unemployment rate is 5.8 percent (June 2014)
- Long-term unemployed are 36.7 percent of total unemployed (April 2014).

“Like many others, I am older, 49, have a master’s degree and many years of excellent experience, but no one will hire me for the obvious reason of discrimination in the form of ‘too old and expensive to hire,’ even though I would work for whatever someone was willing to pay. I have been told by interviewers on multiple occasions that I have an impressive resume and skill set, but I’ve yet to receive an offer. I have yet to get a response from any of the part-time, lower wage jobs, so I am not sure what I can do to change this situation. It appears I am not alone.”

Individual from Castle Rock, Colo.,
Source: Center for Effective Government.

Long-term Unemploymentⁱⁱ

- Workers who have been unemployed for 27 weeks or more.
- The BLS found that more than 22 percent of men experienced at least one long-term spell of unemployment from their labor market entry through 2009.
- The same study found that hourly wages begin to trend upward the year following the first 27 weeks of unemployment.
- At six months after the first 27 weeks of unemployment, 49 percent of men returned to work. Almost 72 percent of the men started working 12 months in. By 24 months, 87 percent of men returned to work.



¹ Official End of Recession

² Month in Which Special Extended Benefits Program Expired

Source: Department of Labor, and CEA Calculations.

Emergency Unemployment Compensationⁱⁱⁱ

- A federal program that was authorized by Congress in 2008 and expired on Dec. 28, 2013.
- Provided a maximum of 28 weeks of additional benefits for those who had lost a job, through no fault of their own, were unable to find work and had exhausted regular state benefits.
- The program had no phase-out period. In Colorado, 20,237 individuals immediately lost UI in December 2013, with an estimated 1,123 additional individuals losing UI per week for the first half of 2014. Another 1.3 million lost benefits nationwide.^{iv}
- By the end of 2014, 3.5 million workers, and their families, will exhaust all benefits nationwide. Approximately 72,800 Coloradans will lose benefits.^v

"I've always worked, since the age of 15. I am now 46 and have never had a problem finding a job. I was terminated due to no fault of my own and have been struggling since. I have sold almost all of my possessions I own. I recently just sold my vehicle for half its worth, just to make ends meet. Thank God for my sister and brother-in-law. I at least have a place to live. I live in her basement, and at least I have Medicaid for now. I have several injuries from a car accident and lost my insurance along with my job. I know there are worse off people than myself, and I pray that they can all get help."

Individual from Windsor, Colo.,
Source: Center for Effective Government

- UI programs are par for the course during a recession. However, long-term unemployment rates were higher at the end of December 2013 than at the expiration of any previous extended UI benefits program (Figure 1).^{vi}

- Some studies estimate that the "official" unemployment rate will decrease 0.25 to 0.5 points due to the number of workers that will become discouraged and drop out of the job market entirely.^{vii}

For more information:
Thamanna Vasan
Economic Policy Analyst
Colorado Fiscal Institute
720-379-3019
vasan@coloradofiscal.org

ⁱ <http://www.cbpp.org/cms/index.cfm?fa=view&id=3252> and <http://www.epi.org/publication/long-term-unemployment-record-levels-virtually/>

ⁱⁱ Donna S. Rothstein, "Long-term unemployment over men's careers," Beyond the Numbers: Employment & Unemployment, vol. 2, no. 21 (U.S. Bureau of Labor Statistics, August 2013), <http://www.bls.gov/opub/btn/volume-2/long-term-unemployment-over-mens-careers.htm>

ⁱⁱⁱ Press release CFI

^{iv} <http://democrats.waysandmeans.house.gov/press-release/new-estimates-show-state-state-breakdown-72000-additional-americans-lose-unemployment>

^v <http://www.cbpp.org/cms/?fa=view&id=4060>

^{vi} Council of Economic Advisors

^{vii} <https://markets.jpmorgan.com/research/EmailPubServlet?action=open&hashcode=-8e34srs&doc=GPS-1269809-0.pdf>