

Fact Sheet on Expiring Unemployment Benefits

(Updated 11/21/11)

What's at stake?

- Federal unemployment programs will begin to expire at the end of this year. As a result, over 2.1 million Americans are estimated to lose their unemployment benefits by mid-February, and a total of over 6 million will lose benefits next year unless Congress acts.

How will the expiration occur?

- There are nearly 3 million people receiving Emergency Unemployment Compensation (EUC) and over 500,000 individuals receiving Extended Benefits (EB).
- The EUC program expires at the end of the year, meaning no new entrants are permitted in the program after December 31st and existing claimants may only finish their current tier of benefits. EUC has four tiers of benefits: 20 weeks (in every State); 14 weeks (in every State); 13 weeks (in States with at least 6% unemployment); and 6 weeks (in States with at least 8.5% unemployment).ⁱ
- While the EB program is permanent, it too will discontinue in nearly every State near the end of the year because temporary provisions allowing States to access the program are expiring then. The EB program has two tiers: 13 weeks (in States with at least 6.5% unemployment); and 7 weeks (in States with at least 8% unemployment). The expiration of EB benefits is immediate, meaning claimants may not complete their current tier of benefits.^{ii iii}

What's the potential impact on the economy?

- The Economic Policy Institute estimates that allowing these Federal unemployment benefits to expire would hurt consumer demand and thereby cost the U.S. economy 528,000 jobs.
- The Congressional Budget Office has indicated that providing extended unemployment benefits is one of the most effective job creation strategies available during a period of high joblessness, stating "*Households receiving unemployment benefits tend to spend the additional benefits quickly, making this option both timely and cost-effective in spurring economic activity and employment.*"

Has the Federal government ever allowed extended benefits to expire when

unemployment is this high?

- No, the Federal government has never allowed emergency extended benefits to expire when the jobless rate has been anywhere close to its current level of 9.0 percent. In fact, Congress has never allowed an emergency unemployment program to end when the unemployment rate is higher than 7.2 percent.

Why do so many Americans depend on these benefits?

- There are still roughly 6.5 million fewer jobs in the economy today than when the “Great Recession” started in December of 2007.
- This jobs deficit has left over 4.1 unemployed workers for every available job.

Are the unemployed looking for work?

- Yes, Americans receiving unemployment insurance are required to actively look for and accept work, and they have ample incentive to do so given that the average unemployment benefit (\$290 a week) only reaches 67% of the poverty line for a family of four.
- The Wall Street Journal reported in April that “roughly 1 million people in the U.S. were unable to find work *after* exhausting their unemployment benefits over the past year.” This clearly shows that unemployment benefits are not what are deterring people from returning to work.

What impact do unemployment benefits have on reducing hardship?

- The U.S. Census Bureau found that unemployment benefits prevented 3.2 million individuals, including nearly 1 million children living with an unemployed parent, from falling into poverty in 2010.

i. In States that have reduced maximum regular unemployment benefits below 26 weeks (AR, MO, SC, and next year FL, IL and MI) EUC benefits will be lower than these amounts given that EUC is proportional to regular benefits.

ii. In States that have reduced maximum regular unemployment benefits below 26 weeks (AR, MO, SC, and next year FL, IL and MI) EB benefits will be lower than these amounts given that EB (like EUC) is proportional to regular benefits.

iii. States have different time frames for terminating EB, although most end in early January.