Testimony of
Maurice Emsellem
National Employment Law Project

Before the U.S. House of Representatives,
Committee on Ways & Means,
Subcommittee on Income Security & Family Support

April 10, 2008

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Chairman McDermott and members of the Committee, thank you for this opportunity to testify on the subject of unemployment in today's struggling economy and the need for federal action to extend jobless benefits to help stimulate the economy and serve the growing number of Americans who are actively looking for work for much longer periods of time.

My name is Maurice Emsellem, and I am the Policy Co-Director for the National Employment Law Project (NELP), a non-profit research and advocacy organization that specializes in economic security programs, including unemployment insurance (UI), Trade Adjustment Assistance (TAA) and the workforce development system. We have a long history serving families hard hit by economic downturns by helping them access their benefits and promoting innovative state and federal policies that deliver on the nation's promise of economic opportunity.

As summarized below, our testimony today discusses the importance of extending unemployment insurance benefits to boost the economy overall and to provide critical support to the working families most harshly affected by the downturn.

- The labor market has taken a hard hit as a result of the economic downturn, adding one million new workers to the ranks of the unemployed in the past year and recently generating over 400,000 new unemployment claims in one week (an increase of 26 percent in the last year).
- Compared to prior recessions, a far greater share of workers are unemployed and actively looking for work for much longer periods of time, thus underscoring the need for extended jobless benefits.
- Extended jobless benefits immediately boost the economy (by a factor of $2.15 for every dollar of benefits circulating) while also providing targeted relief to struggling home owners and those communities hardest hit by the foreclosure crisis.
- Unless Congress and the President act to extend unemployment benefits, an estimated three million jobless workers will run out of their limited 26 weeks of state benefits over the coming year, with neither jobs nor federal benefits to rely on to support themselves and their families. Another 1.34 million workers have already exhausted their state benefits in the past six months.
- The Bush Administration's claim that the unemployment rate is not high enough to justify an extension of jobless benefits fails to recognize that the rate has become a lagging indicator of economic recovery. Thus, waiting to extend benefits until after the unemployment rate increases further is akin to closing the door after the recession horse has already left the barn.

The Drumbeat of Recession News

The telltale signs of a national recession are now impossible to ignore, especially in light of the latest Labor Department report documenting three successive months of job losses. The declining job market prompted Federal Reserve Chairman Ben Bernanke to observe for the first time last week that a "recession is possible."[1]

What distinguishes the current economic downturn from prior recessions is the combined and continued uncertainty of the fallout from the sub-prime mortgage collapse, the resulting credit crunch, and the surge in energy prices, none of which show any significant signs of improvement. Given these compelling concerns, many economists are anticipating a more prolonged economic downturn compared to the 2001 recession.

- <u>The Sub-Prime Mortgage Crisis Escalates</u>: Initial foreclosure notices now surpass new home sales by three to one, with 2.2 million foreclosures filed in 2007 and an estimated 3.5 million expected by 2010. While earlier estimates put the losses associated with the sub-prime crisis at $50 billion to $100 billion, a recent report estimates losses will now exceed $400 billion.[2]

- <u>Financial Institutions Restrict Credit:</u> As a result of the exposure due to the sub-prime mortgage crisis, banks and other lenders are now projected to limit their lending and other assets by $2 trillion, thus reducing economic growth by one to 1.5 percentage points.[3]

- <u>Energy Costs Keep Surging, Raising Consumer Prices</u>: Oil prices recently reached an all-time high of $104 a barrel, thus surpassing the prior record set during the oil crisis of the 1980s. A gallon of gas now costs a record $3.28, up 93 cents from the same time last year.[4] As a result of the surge in energy prices, consumer prices increased by 4.1 percent in the past year, the largest increase in 17 years. Meanwhile, workers' real earnings are down in the past year by 1.4 percent.[5]

- <u>Service Industry Now Hard Hit, Not Just Manufacturing</u>: The service sector became the latest casualty of the economic downturn when the index of non-manufacturing business activity recently fell to its lowest level since October 2001.[6] At the same time, manufacturing continued its devastating slide, shrinking at the fastest pace in five years, according to the Institute for Supply Management's latest factory index.[7]

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[1] Excerpts of testimony from Federal Reserve Chairman Ben S. Bernanke before the U.S. Congress Joint Economic Committee, *Los Angeles Times* (April 2, 2008), available on-line at http://www.latimes.com/business/la-fi-bernankebox3apr03,1,7255131.story.
[2] "Study Finds Wider Impact of Mortgage Losses," *Wall Street Journal* (March 1, 2008), A-2.
[3] *Id.*
[4] For gas prices, see http://money.cnn.com/2008/02/24/news/economy/gasprices_0224.ap/index.htm.
[5] "Toxic Economic Mix Feared," *Associated Press* (March 2, 2008).
[6] "Recession Fears Intensify: Service-Sector Index Hits Six-Year Low; Further Rate Cuts Seen as Dow Drops 2.9%," *Wall Street Journal* (February 6, 2008).
[7] "U.S. Economy: Manufacturing, Construction Spending Decline," *Bloomberg News* (March 3, 2008).

- Consumer Confidence Falls to 16-Year Low: These sobering economic forces, combined with the declining job market described below, pushed consumer confidence down to a 16-year low in February 2008.[8] Consumer spending, which represents more than two-thirds of the Gross Domestic Product (GDP), has been flat as incomes grow more slowly because of the declining job market.[9]

The Labor Market is Hard Hit by the Recession

If there was any lingering doubt that a national recession was upon us, the latest jobs report put that question to rest when the job market lost another 80,000 jobs in March, the largest monthly decline in five years. As a result, working families are bracing for more hard times amid troubling signs that layoffs will rise at the same time the nation's economy is failing to create an adequate supply of jobs for all those who want to work.

Major Layoffs, Compounded by Slow Job Growth: For the third straight month, the economy lost jobs in March 2008, with the labor market down by 232,000 jobs since employment peaked in December. The job losses cut across the economy, but construction and manufacturing are taking an especially hard hit. The construction industry lost nearly 250,000 jobs in the past year, and the manufacturing sector suffered the loss of another 48,000 jobs last month, the most since October 2006. The March jobs numbers followed another ominous Labor Department report, which announced in March that mass layoffs the preceding month were at their highest February level since 2003.

While the latest jobs report represents a significant new benchmark of economic distress, the fact is that job growth has been remarkably anemic since the last recession ended in November 2001. Indeed, after the 2001 recession, it took 46 months for employment to recover to pre-recession levels, compared with 31 months after the 1990s recession ended. Prior to the 1990s, on average, jobs returned to pre-recession levels after just 21 months.[10] Thus, it is much harder for unemployed workers to find work in today's "lean" economy, while they are competing for more limited job openings.[11] According to the Department of Labor's most recent report of job openings (Job Opening Labor Turnover Survey), there is now one job available for every two people actively seeking work (1.93).[12]

Today's Unemployment Outpacing the Last Recession: The official unemployment rate in March 2008 was higher (at 5.1 percent) than in March 2001 (4.3 percent), when the last recession began. Over the past year, the ranks of the unemployed increased by one million workers, with 7.8 million people unemployed and actively seeking work in March 2008. In this recession, especially large numbers of workers have also found themselves discouraged from looking for work or they have settled for part-time work because they could not find a full-time job. Taking into account all these workers, the "hidden" rate of unemployment published by

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[8] Reuters/University of Michigan Surveys of Consumers.
[9] "U.S. Michigan Consumer Index Falls to 16 Year Low," *Bloomberg News* (February 29, 2008).
[10] Stettner, Allegretto, "The Rising Stakes of Job Loss: Stubborn Long-Term Unemployment Amid Falling Unemployment Rates" (National Employment Law Project/Economic Policy Institute, 2004).
[11] "Is a Lean Economy Turning Mean: Why It's Now Harder to Find a Job," *New York Times* (March 2, 2008).
[12] U.S. Department of Labor Bureau of Labor Statistics, "Job Openings and Labor Turnover: January 2008," available online at http://www.bls.gov/newsw.release/pdf/jolts.pdf.

the Labor Department was 9.1 percent in March 2008, up significantly from 8.0 percent just one year earlier. By comparison, it took eight months for the hidden unemployment rate to surpassed 9 percent after the last recession began.

Recent Surge in Unemployment Claims: Finally, unemployment claims have reached their highest levels since before the surge in claims resulting from Hurricane Katrina, thus reinforcing the point that layoffs have already taken a major toll on the nation's workforce. For the week ending March 22nd, the total number of people collecting unemployment benefits in the U.S. reached 2.86 million (as measured by the 4-week average), the most since September 2004. Moreover, weekly unemployment claims recently surpassed 400,000, the highest number of claims filed since July 2003, and an increase of 26 percent in the past year.

The New Realities of Long-Term Joblessness

The overall picture of jobs and joblessness in today's economy is bleak for America's working families, and points to the need for extended unemployment benefits to boost economic growth. Further underscoring the need for a federal extension of jobless benefits, far more workers remain jobless after actively looking for work for an extended period of time lasting more than six months. These jobless workers and their families are struggling in a punishing economy to maintain their housing in the midst of the worst foreclosure crisis since the Great Depression and to pay skyrocketing costs for basic necessities, like food and gas.

No Comparison to Prior Recessions: In no uncertain terms, the problem of long-term joblessness is far greater today than at the beginning of the last two recessions.

- In March 2001, when the last recession began, the average worker was unemployed for 12.6 weeks before finding new work. And at the beginning of the preceding recession in July 1990, the average duration of unemployment was 11.9 weeks. In sharp contrast, the average duration of unemployment in March 2008 was 16.2 weeks.

- In March 2008, almost 1.3 million workers remained unemployed after actively looking for work for more than six months. That is almost twice the number of workers who were long-term unemployed in both March 2001 (696,000) and in July 1990 (688,000).

- In March 2008, the long-term unemployed accounted for 16.7 percent of all jobless workers, compared to 11.1 percent in March 2001. In July 1990, 11.9 percent of the unemployed were long-term jobless, and the proportion did not reach today's rate until 21 months later (in April 1992).

The Diverse Profile of the Long-Term Jobless: The unemployed who are looking for jobs for longer periods of time are an especially diverse group, although certain workers are over-represented in this category relative to their representation among the unemployed generally.

As detailed in Table 1, men account for 57 percent of the long-term unemployed, compared to 54 percent of all unemployed. While workers 45 and older make up 27 percent of all the nation's unemployed, they represent 37 percent of the long-term jobless. Although nearly two-thirds of the long-term unemployed are White, African-Americans are over-represented among the long-term jobless (28 percent) compared to their share of the unemployed generally (21 percent).

Perhaps not surprisingly given the continued loss of well-paying manufacturing jobs to trade and globalization, manufacturing workers are also somewhat over-represented among the long-term unemployed relative to their share of all unemployed workers (12 percent of the long-term unemployed compared with 10 percent of all the unemployed). However, workers employed in other sectors are significantly represented among the long-term unemployed as well, including higher-paid workers employed in professional and business services (12 percent), and lower-paid workers employed in the wholesale and retail trade sector (15 percent).

Table 1: Demographic Characteristics of the Long-Term Jobless (2006 - 2007)

	Characteristics of All Unemployed	Characteristics of the Long-Term Unemployed
Gender		
Female	46%	43%
Male	54%	57%
Race*		
Black	21%	28%
Hispanic	16%	13%
Other	3%	4%
White	72%	65%
Age		
16 - 24	33%	23%
25-44	40%	41%
45 and over	27%	37%
Education		
Less than High School	26%	23%
High School Graduate	35%	37%
Some College	25%	24%
Bachelor's Degree or More	14%	16%
Industry**		
Construction	11%	9%
Manufacturing	10%	12%
Wholesale and retail trade	15%	15%
Financial activities	4%	5%
Professional and business services	12%	12%
Educational and health services	12%	12%
Leisure and hospitality	13%	12%

** Due to overlap in the Hispanic, Black, and White categories, the total exceeds 100 percent.*
*** The total for industries listed is less than 100 percent because those four categories with statistically insignificant numbers were omitted.*
Source: U.S. Bureau of Labor Statistics (monthly data totaled for 2006-2007).

Jobless Benefits Boost the Economy and the Housing Market

Unemployment benefits provide one of the most effective means available to federal policymakers to immediately stimulate the economy and help prevent or forestall a more serious recession. In fact, a major study of several past recessions found that each dollar of unemployment insurance benefits boosts the nation's GDP by $2.15, and that at their peak, UI benefits saved an average of 130,000 jobs on an annual basis.[13] That is because the benefits are targeted directly to those communities hardest hit by the downturn. The money is quickly recycled through the economy when affected workers spend their benefits on basic goods and services.

As economist Mark Zandi emphasizes, unemployment benefits sustain consumer confidence and consumer spending, which is the backbone of today's economy. "The benefit of extending unemployment insurance goes beyond simply providing financial aid for the jobless, to more broadly shoring up household confidence. Nothing is more psychologically debilitating, even to those still employed, than watching unemployed friends and relatives lose benefits."[14] Mr. Zandi maintains that part of the serious slump in consumer confidence following the 1991 recession was due to the initial refusal of the first President Bush to immediately extend jobless benefits.[15]

In addition to bolstering consumer confidence and sustaining consumer spending, extending unemployment benefits will have a favorable impact on the home foreclosure crisis, widely viewed as the trigger for today's economic downturn. That is because families of jobless workers spend more of their unemployment benefits to cover the costs of their mortgages and rent than for any other household item. According to a state survey, 41 percent of expenditures paid for with unemployment benefits were applied to housing costs.[16]

Of special significance to the present housing crisis, another national study found that unemployment benefits reduced the chances that a worker will be forced to sell the family home by almost one-half.[17] Thus, jobless benefits provide targeted relief to struggling homeowners, in addition to the economy as a whole. After housing, unemployment benefits were spent primarily on transportation (14 percent), food (13 percent), loans (12 percent) and health care (6 percent). In addition, unemployment benefits sustain families during hard times by substantially reducing the likelihood that they will fall into poverty and helping them make the challenging transition to quality jobs with health care and other benefits.[18]

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[13] Chimerine, et al. "Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades," U.S. Department of Labor, Unemployment Insurance Occasional Paper 99-8 (1999).

[14] Zandi, "Washington Throws the Economy a Rope" (January 22, 2008).

[15] According to Mr. Zandi, "The slump in consumer confidence in late 1991, after the 1990-91 recession, may well have been due in part to the first Bush administration's initial opposition to extending UI benefits for hundreds of thousands of workers. The administration ultimately acceded and benefits were extended, but only after confidence had waned. The fledging recovery sputtered and the political damage extended through the 1992 presidential election." *Id.*

[16] State of Washington, Employment Security Department, *Claimant Expenditure Survey, 2005* (January 2006).

[17] Gruber, "Unemployment Insurance, Consumption Smoothing, and Private Insurance: Evidence from the PSID and CEX," Advisory Council on Unemployment Compensation Background Papers, Vol. I (1995), at page 20.

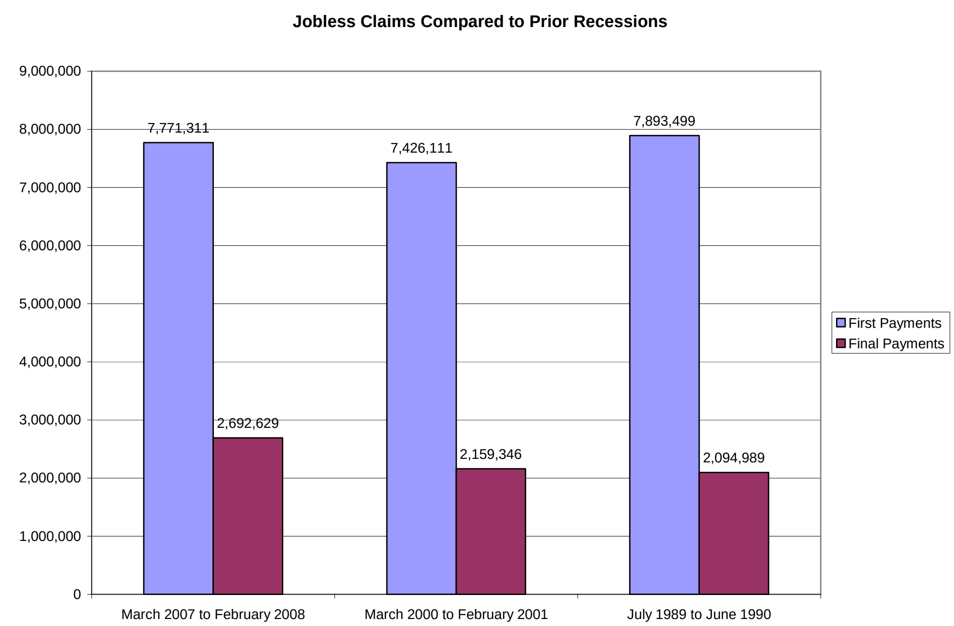
[18] Stettner, Emsellem, "Unemployment Insurance is Vital to Workers, Employers and the Struggling Economy" (National Employment Law Project: December 5, 2002). Boushey, Wenger, "Finding the Better Fit: Receiving

Three Million Workers Will Exhaust Their Jobless Benefits This Year Without Finding New Jobs If Congress Does Not Extend Federal Benefits

If Congress does not promptly extend jobless benefits, we conservatively estimate that three million workers will run out of their state unemployment benefits over the next twelve months with neither a new job nor extended benefits to help support them and their families. (Appendix, Table 2).[19] Another 1.34 million workers have already exhausted their state benefits in the past six months (from September 2007 to February 2008).

Corresponding to the rise in long-term unemployment, today's jobless workers are more likely to exhaust their limited 26 weeks of state unemployment benefits when compared to past recessions. Indeed, over the past year, 36 percent of jobless workers collecting state unemployment compensation exhausted their 26 weeks of benefits without finding jobs. That compares with 32 percent in March 2001, when the last recession began, and 28 percent in July 1990, when the preceding recession began.

The chart below helps illustrate the vast numbers of workers who are now exhausting their state unemployment benefits compared to prior recessions. Already, in the past year (from March 2007 to February 2008), 7.8 million workers have successfully filed for state unemployment benefits (called "first payments"). That is comparable to the numbers who received state unemployment during the 12 months proceeding the last two recessions. <u>However, 2.7 million workers exhausted their state benefits in the past year (called "final payments"), which exceeds both of the prior recessions by well over half a million workers.</u>



Unemployment Insurance Increases Likelihood of Re-Employment with Health Insurance" (Economic Policy Institute: April 14, 2005).

[19] For the six months from March 2008 to August 2008, these estimates for each state take into account the actual number of claims filed by state during the prior six months multiplied by the state's <u>current</u> exhaustion rate. For the next six months (from September 2008 to February 2009), the state estimates assume a 26 percent increase in claims from the prior year, which is the <u>same</u> rate of increase as occurred from March 2007 to March 2008.

Federal Proposals to Extend Jobless Benefits

Congress has enacted a temporary extension of federal jobless benefits during each of the past several recessions. In 2002, three months after the recession officially ended, Congress extended jobless benefits by 13 weeks for all states (called the Temporary Extended Unemployment Compensation program, or TEUC), while providing an extra 13 weeks of federal support to certain states with unemployment rates that exceeded 6.5 percent.[20]

When the Senate took up an extension as part of the stimulus package enacted in January of this year, the initiative fell one vote short of the 60 needed to move the bill (Economic Stimulus Act of 2008). The Senate's measure was nearly identical to the March 2002 TEUC program. However, in contrast, prior federal extensions (including the 1991 and 1975 extension programs) were more generous, providing 20 to 26 weeks of extended benefits for all states, with extra weeks of benefits often available to states with especially high levels of joblessness.

In contrast to prior extensions, Congressman Jerry Weller has introduced legislation (H.R. 5688) that fails to extend benefits nationally in response to the recession. Never in the history of the program has there been a temporary extension of unemployment benefits that did not cover all states. Instead, the bill would offer just five weeks of benefits to "high unemployment" states provided these states can afford to pay for 50 percent of the benefits. Currently, no states would qualify for the program either because their unemployment rate has not reached the required 6-percent threshold or because the rate has not increased over the past two years as required by the bill.

Thus, even the three states with unemployment rates exceeding 6 percent (Alaska, Michigan, Mississippi) do not qualify because their rates have been consistently high over the past two years. For example, despite an unemployment rate above 7 percent for the past 19 months, Michigan does not qualify for the limited five weeks of benefits under Congressman Weller's bill. Moreover, the states with sustained high levels of unemployment are not in a position to pay for 50 percent of the extended benefits because their state unemployment trust funds have been depleted due to the economic downturn. Thus, Congressman Weller's bill would further compromise the state economies at a time when they need the federal support most.

Indeed, the federal system was specifically designed to generate reserves in the federal unemployment trust funds (funded by the federal unemployment tax of $56 per worker) to help boost the economy during tough times. As described by the bi-partisan Advisory Council on Unemployment Compensation, the objective of the system is the "accumulation of adequate funds during periods of economic health, thereby promoting economic stability by maintaining

[20] The TEUC the program was limited to states with unemployment rates above 6.5 percent, plus the state had to have experienced a significant increase of unemployment in either of the past two years. As a result, while 14 states qualified for the full 26 weeks of TEUC benefits, they did so only for a few months before they "triggered off" the program because their unemployment rate did not continue to rise as required by the 2002 federal law. National Employment Law Project, "Nation's Highest Unemployment States Face Major Cuts in Unemployment Benefits Due to Flawed Extension Program," (November 4, 2003).

consumer purchasing power during economic downturns."[21] The federal unemployment trust funds have now accumulated nearly $35 billion in reserves, and they generate another $6 billion to $7 billion annually. Thus, there are ample reserves to pay for an extension of benefits, which will cost $1 billion to $2 billion a month depending on the scope of the program according to the Congressional Budget Office.[22]

Challenging the Position that Unemployment Benefits Discourage the Jobless from Looking for Work

It is important to respond to the questionable argument by some critics that jobless benefits should not be extended because they discourage the unemployed from looking for work. The reality is that the effect of unemployment benefits on the time spent unemployed is generally overstated, especially during recessions when the competition for jobs is most intense. In addition, the argument too often ignores how jobless benefits improve the quality of jobs the unemployed eventually secure.

First, with regard to the research, the extent of the impact of unemployment benefits on the duration of unemployment is a subject of significant debate. While some researchers have found that a 13-week extension of benefits is associated with a two-week increase in the duration of unemployment,[23] others have recently concluded that the outcome varies significantly depending on the study design.[24] Still other studies have concluded that increases in the length of time workers are unemployed while on benefits is more a function of other factors, including the increase in manufacturing layoffs, not more generous unemployment benefits.[25]

Second, and perhaps most important, the argument conspicuously fails to account for the favorable impact on the quality of jobs that unemployed workers are able to secure with the help of their unemployment benefits. As described by a group of leading authorities assembled by the U.S. Department of Labor to evaluate the UI program, a primary objective is to allow workers "the time needed to locate or regain employment that takes full advantage of [their]

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[21] Advisory Council on Unemployment Compensation, *Defining Federal and State Roles in Unemployment Insurance* (January 1996), at pages 7-8.
[22] Congressional Budget Office, *Options for Responding to Short-Term Economic Weakness* (January 2008), at page 17.
[23] Woodbury, Rubin, "The Duration of Benefits" (in Unemployment Insurance in the United States: Analysis of Policy Issues: Upjohn Institute for Employment Research, 1997).
[24] Card, Chetty, Weber, "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?" (National Bureau of Economic Research: February 2007), at page 5 ("With respect to behavior at point of exhaustion, some (but not all) of the studies using survey data to measure job starts find evidence of a spike in the re-employment hazard, while most (but not all) of the studies using administrative data on job starts finds a relatively smooth hazard. Overall, the literature suggests that spikes in the exit rate around benefit exhaustion are generally smaller when duration is measured as time to next job rather than time unemployed.")
[25] Needles, Nicholson, "Any Analysis of Unemployment Insurance Durations Since the 1990-1992 Recession (Mathematica Policy Research, Inc., March 1999), at pages 6-7 ("The aggregate analysis concludes that changes in weekly benefit amounts or in average potential duration at the state level cannot explain the increase in average UI duration relative to historical patterns.")

skills and experience."[26] Indeed, the research conclusively shows that those collecting unemployment benefits receive more in pay and better benefits in replacement jobs, including health care, which is of special significance in today's economy.[27]

Finally, consider the fact that unemployment benefits only average $290 a week. Given these limited benefits, it is simply unfair and unreasonable to conclude that a typical unemployed worker, faced with seeking employment during a recession while also having to pay for the rising costs of housing, food, gas and home heating, would find the benefits themselves sufficient to reduce the aggressiveness of their job search. Indeed, a national poll of unemployed workers conducted during the last recession found that they applied for an average of 29 jobs a month, which is certainly an active and intensive effort to find work.[28]

In fact, during periods of recession, it is especially unconvincing to argue that extra benefits will negatively influence the job search of large numbers of workers. As former Federal Reserve Chairman Alan Greenspan argued in testimony before Congress in 2002, "[W]hen you get into a period where jobs are falling, then the arguments that people make about creating incentives not to work are no longer valid and hence, I have always urged that in periods like this, the economic restraints on the unemployment insurance system almost surely ought to be eased to recognize the fact that people are unemployed because they couldn't be in a job, not because they don't feel like working."[29]

The Unemployment Rate Does Not Adequately Capture the Need for Federal Extended Benefits

Treasury Secretary Henry Paulson, the administration's chief economic spokesman, parted ways with leading national economists when he opposed an extension of jobless benefits to help stimulate the economy. According to Mr. Paulson, "with unemployment at 4.9 percent, to extend unemployment benefits would be unprecedented."[30] Subsequent statements by the President and others in his administration echo Mr. Paulson's views.

The administration's reliance on the national unemployment rate to refuse to extend jobless benefits is misplaced. First, this rationale fails to take into account the stark new realities of slow job growth and greater long-term unemployment, neither of which is adequately captured by the overall unemployment rate—and both of which are powerful reasons to extend unemployment benefits.

Second, as Professor Rebecca Blank has documented, the shifting age distribution of the civilian labor force has reduced the unemployment rate as the baby boom generation has grown

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[26] Blaustein, *Unemployment Insurance in the United States: The First Half Century* (1993), at page 47 (quoting the U.S. Department of Labor, Committee on Unemployment Insurance Objectives, 1969)
[27] See footnote 18.
[28] Peter D. Hart Research Associates, "Unemployed in America" (poll commissioned by the National Employment Law Project, April 2003).
[29] Testimony of Chairman Greenspan, quoted in "Senate Proposal to Add Unemployment Insurance Benefits Improves Effectiveness of Stimulus Bill" (Center on Budget and Policy Priorities, January 31, 2008).
[30] "Official Urges Senate to Pass Stimulus Plan," *Bloomberg News* (February 6, 2008).

while the share in younger age groups has fallen.[31] Thus, the unemployment rate has been lower in recent years because the growing population older workers tend to be more often employed compared younger workers. Indeed, when Professor Blank weighted the January 2008 unemployment rate to reflect the age distribution of the workforce in July 1990, the recent rate was a half a percentage point higher (5.4 percent in January 2008, not 4.9 percent).

The administration's argument ignores the fact that the unemployment rate has lagged farther and farther behind in relation to recent economic recoveries. Thus, the unemployment rate does not increase substantially until the economy is already well into a recession. Excluding the last two cycles, since 1948 it took, on average, 1.6 months into an economic recovery for unemployment rates to peak.[32] In contrast, following the 1990-91 recession, it took 15 months for unemployment to peak. The lag was even longer for the 2001 recession, when it took the unemployment rate 19 months before it peaked.

Finally, the role of extended benefits is to stimulate the economy, thus forestalling or helping to minimize a recession. Waiting, as the administration proposes, to extend unemployment benefits <u>until</u> after unemployment has risen sharply—signaling a recession is well underway or has ended—is akin to closing the door after the horse has left the proverbial barn.

For example, consider the experience of the last several recessions, when Congress and the President did not extend benefits until 12 to 16 months <u>after</u> the recessions began, thus failing to take advantage at the front end of the opportunity to avert or minimize the downturn. Indeed, in the case of the last extension, Congress waited until March 2002, four months after the recession ended to enact extended benefits. By that time, the unemployment rate had reached 5.7 percent, the number of workers exhausting unemployment benefits had increased from 192,000 (at the beginning of the recession) to 372,000 a month, and a total of 3.5 million long-term jobless workers had been left without any additional jobless benefits to support their families.

Conclusion

The latest jobs report clearly indicates that a national recession is a reality for today's hard-working families. Jobs are scarce and literally millions of workers are running out of their limited state unemployment benefits, while also struggling to keep their homes and cover the record costs of basic necessities, including food and gas. Congress now has a fundamental choice that will significantly influence the nation's economy and these struggling families – whether to further delay extending jobless benefits, thus causing more economic hardship, or act now to provide the economic boost that the unemployment system was intended to deliver to prevent a more serious economic downturn. We urge Congress to immediately extend jobless benefits.

[31] Testimony of Rebecca Blank before the U.S. Congress Joint Economic Committee (March 7, 2008).
[32] "The Rising Stakes of Job Loss," at page 3.

State	Estimated Number of Workers who Will Exhaust State Jobless Benefits (March 2008 - August 2008)	Estimated Number of Workers who Will Exhaust State Jobless Benefits (September 2008 - February 2009)	Estimated Total
Alabama	14,869	15,518	30,387
Alaska	8,902	7,274	16,176
Arizona	18,678	24,380	43,058
Arkansas	17,572	15,665	33,237
California	253,602	273,805	527,407
Colorado	16,364	15,919	32,283
Connecticut	22,611	20,330	42,941
Delaware	4,854	4,235	9,089
D.C.	4,919	5,765	10,684
Florida	87,740	98,098	185,838
Georgia	49,751	42,554	92,305
Hawaii	3,023	3,432	6,455
Idaho	8,480	5,279	13,759
Illinois	76,340	64,913	141,253
Indiana	45,826	37,139	82,965
Iowa	13,770	9,702	23,472
Kansas	9,449	9,562	19,011
Kentucky	14,024	12,605	26,629
Louisiana	12,847	13,163	26,010
Maine	5,844	5,050	10,894
Maryland	19,567	17,636	37,203
Massachusetts	42,537	43,764	86,301
Michigan	82,978	81,361	164,339
Minnesota	28,105	22,972	51,077
Mississippi	8,980	10,634	19,614
Missouri	22,703	22,255	44,958
Montana	4,733	2,919	7,652
Nebraska	8,159	7,505	15,664
Nevada	18,986	17,345	36,331
New Hampshire	2,346	2,434	4,780
New Jersey	75,919	80,938	156,857
New Mexico	6,893	7,694	14,587
New York	93,450	99,386	192,836
North Carolina	56,965	58,953	115,918
North Dakota	2,481	1,578	4,059
Ohio	46,780	40,841	87,621
Oklahoma	7,559	9,175	16,734
Oregon	26,492	21,971	48,463
Pennsylvania	76,749	73,509	150,258
Rhode Island	9,325	8,892	18,217
South Carolina	25,304	24,492	49,796
South Dakota	487	364	851
Tennessee	27,439	29,503	56,942
Texas	50,316	67,184	117,500
Utah	5,451	3,711	9,162
Vermont	2,605	2,115	4,720
Virginia	20,930	21,539	42,469
Washington	21,419	18,160	39,579
West Virginia	5,905	4,824	10,729
Wisconsin	40,769	34,751	75,520
Wyoming	1,763	1,413	3,176
Total	1,533,560	1,524,206	3,057,766