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March 11, 2004

Accuracy Alert #1 on Extending Unemployment Benefits: The True Number of Unemployed is Masked by the Increasing Number of People Who Have Given Up Looking for Work

Dear Democratic Colleague:

Over the last few months, you may have heard a number of dubious claims about why jobless workers do not need an extension of unemployment benefits. One such contention is that the labor market is getting better. However, a wealth of data contradicts this assertion.

While the unemployment rate has declined modestly since the middle of last year, so has the relative size of the labor force (the percentage of working-age Americans either working or actively looking for work hit a 15-year low in February). This means the unemployment rate has declined because more people have given up looking for work (and therefore no longer count as unemployed), not because more people are finding jobs. In fact, the Economic Policy Institute estimates the unemployment rate would increase from 5.6% to 7.4% if you account for the decline in the labor force since early 2001.

Other data confirm the ongoing difficulty many of the unemployed are having in finding a job. The number of long-term unemployed (without work for six months or longer) remains at the same level today as it was a year ago (nearly two million, which is almost three times higher than the level in January 2001). Furthermore, exhaustion rates for regular unemployment compensation continue at near record levels. And finally, the economy created only 21,000 new jobs last month (all in state government) – nowhere near enough to keep pace with the growth in the working age population, let alone make a dent in the 2.2 million jobs lost since President Bush came to office.

Over the next few days, I will send out additional responses to other excuses used to defend the Republican leadership's decision to allow the Temporary Extended Unemployment Compensation Program to expire at the end of last year.

Sincerely,

Ben Cardin

Benjamin L. Cardin
Ranking Member

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March 12, 2004

Accuracy Alert #2 on Extending Unemployment Benefits: **The States Cannot Extend Unemployment Benefits Using So-Called Reed Act Distributions**

Dear Democratic Colleague:

Opponents of extending unemployment benefits have said the states can address the problem with funds, known as Reed Act distributions, sent to them in 2002 to improve the solvency of their unemployment insurance (UI) trust funds and to improve UI benefits and coverage. However, this assertion overlooks several important facts.

First, according to the law, and according to guidance issued by the Department of Labor on April 22, 2002, states are not allowed to directly spend their Reed Act funds on extending unemployment benefits (unless the individual has exhausted benefits under the recently terminated federal extended benefits program – meaning it cannot help those now running out of regular benefits).

Second, even if states used their Reed Act funds to somehow free up other monies to extend benefits, at least seven states already have spent every dime of their Reed Act allotment (Illinois, Minnesota, Missouri, New York, North Carolina, Texas, and Wyoming). Many other states have only modest amounts of Reed Act funds available to them. For example, California is now set to join a half dozen other states in requesting a loan from the federal government to pay *regular* unemployment compensation.

And third, a General Accounting Office (GAO) report suggests that as many as 30 states may have to raise taxes on employers if they spend their Reed Act funds (because tax increases are automatically triggered when their unemployment trust funds dip below certain solvency levels). Rather than blaming the states, we should extend benefits with the money already saved just for that purpose in the Federal Unemployment Trust Funds.

Sincerely,

Ben Cardin

Benjamin L. Cardin
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SUBCOMMITTEE ON HUMAN RESOURCES

March 15, 2004

Accuracy Alert #3 on Extending Unemployment Benefits: Past Unemployment Extensions Expired Only After A Full Job Recovery

Dear Democratic Colleague:

You may have heard opponents of extending unemployment benefits suggest that temporary extended benefit programs have expired in the past when the unemployment rate was higher than it is today. While technically true (see accuracy alert #1 on why the unemployment rate is artificially low), it ignores the fact that new jobs were created much more quickly at the end of those recessions compared to today. For example, the extended unemployment benefits program in the early 1990s did not end until the economy had created 2.9 million new jobs compared to pre-recession levels. Today, the economy has 2.4 million *fewer* jobs compared to pre-recession levels.

This means of course the unemployed have much more limited job prospects than in the past. Consider for a moment that over the last three years the working age population has grown by 4.8 million, while the number of jobs has shrunk by 2.4 million – leaving unemployed workers facing a jobs deficit of 7.2 million. It is no wonder that exhaustion rates for regular unemployment compensation (the percentage of people running out of benefits without finding work) have hit record levels.

The simple truth is that Congress has done much better by the unemployed in the past than we have today. The program in the early 1990s was both more generous and longer lasting than the recently expired extended benefits program. We should rectify this mistake and extend unemployment benefits for workers who have lost their jobs through no fault of their own.

Sincerely,

Ben Cardin

Benjamin L. Cardin
Ranking Member

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March 16, 2004

Accuracy Alert #4 on Extending Unemployment Benefits: Extended Unemployment Benefits Do Not Increase Unemployment

Dear Democratic Colleague:

Some of our Republican colleagues have argued that Congress should not extend unemployment benefits because such an extension would increase unemployment. They seem to believe that workers are eager to sit at home and receive an unemployment check that is less than half of their previous wages (the average unemployment benefit is only $260 a week).

Unemployment benefits do allow jobless Americans time to search for a new job after they have been laid-off. However, any disincentive to return to work is minimal when jobs are hard to find. Federal Reserve Chairman Greenspan said as much when he suggested "*restraints on the unemployment insurance system almost surely ought to be eased to recognize the fact that people are unemployed because they couldn't get a job, not because they don't feel like working*" during times when jobs are scarce. Last month's employment report, which showed the economy unable to produce any private sector jobs (while adding only 21,000 new jobs in state government) clearly illustrates that unemployed workers continue to find themselves in just such a dismal labor market.

Data from the Department of Labor's Job Openings and Labor Turnover Report suggests there are now three unemployed workers for every available job. This reflects the fact that the unemployed want to return to work, but many of them cannot find a job. In fact, according to the Congressional Budget Office (CBO), dislocated workers are more than willing to accept work that pays less than their old job. A March 2004 CBO report found those returning to work earned on average 15% less than they earned in their previous employment. The CBO analysis also found that unemployment benefits reduced the poverty rate by more than half for jobless Americans. This statistic highlights the importance of extending unemployment benefits for laid-off workers and their families.

Sincerely,

Ben Cardin

Benjamin L. Cardin
Ranking Member

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March 17, 2004

Accuracy Alert #5 on Extending Unemployment Benefits: Experts Say the Huge Job Losses Are Real

Dear Democratic Colleague:

When responding to concerns about the economy or demands to extend unemployment benefits, some Republicans have suggested the jobs picture might not be as bad as it appears. They point to a survey, known as the household survey, which has shown more jobs being created than the traditional indicator of job creation, known as the establishment or payroll survey. However, a variety of experts agree the payroll survey, which shows the U.S. economy losing 2.2 million jobs since President Bush assumed office (or 2.4 million jobs since the recession started in March 2001), is the most accurate indicator of the current employment situation.

For example, the head of the Department of Labor's Bureau of Labor Statistics has said: "It is our judgment that the payroll survey provides more reliable information on the current trend in wage and salary employment. The payroll survey has a larger sample than the household survey – 400,000 business establishments covering about one-third of total nonfarm payroll employment. Moreover, the payroll survey estimates are regularly anchored to the comprehensive count of nonfarm payroll employment derived from the unemployment insurance tax records."

A report from the Congressional Budget Office (CBO) last year agreed, stating "The establishment (or payroll) survey better reflects the state of labor markets, the Congressional Budget Office believes, not only because other indicators also imply rather weak labor-market conditions but because larger revisions or misreporting appears less likely for the establishment than for the household data."

And finally, Federal Reserve Chairman Greenspan recently testified that the payroll survey was "assuredly more accurate" than the household survey in depicting job creation and losses. It seems like everyone is agreement, except for those who would rather blur the hard truth.

Sincerely,

Ben Cardin

Benjamin L. Cardin
Ranking Member