


Background on Unemployment, Jobs and Unemployment Insurance (UI)



Prepared by Ways and Means Republican Staff

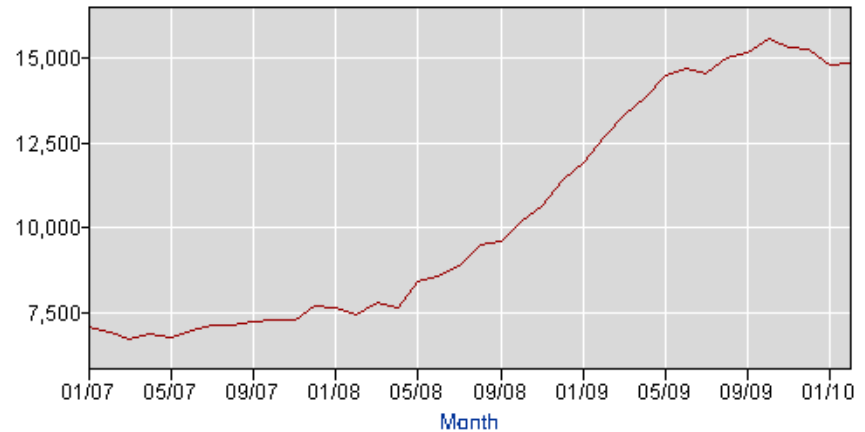
March 2010

Unemployment Doubled Since Democrats Took Charge in 2007

Unemployed

January 2007: 7.0 million

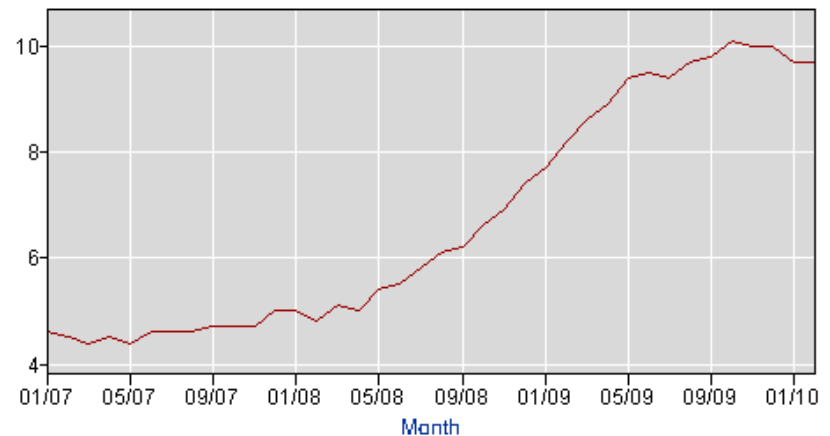
February 2010: 14.9 million



Unemployment Rate

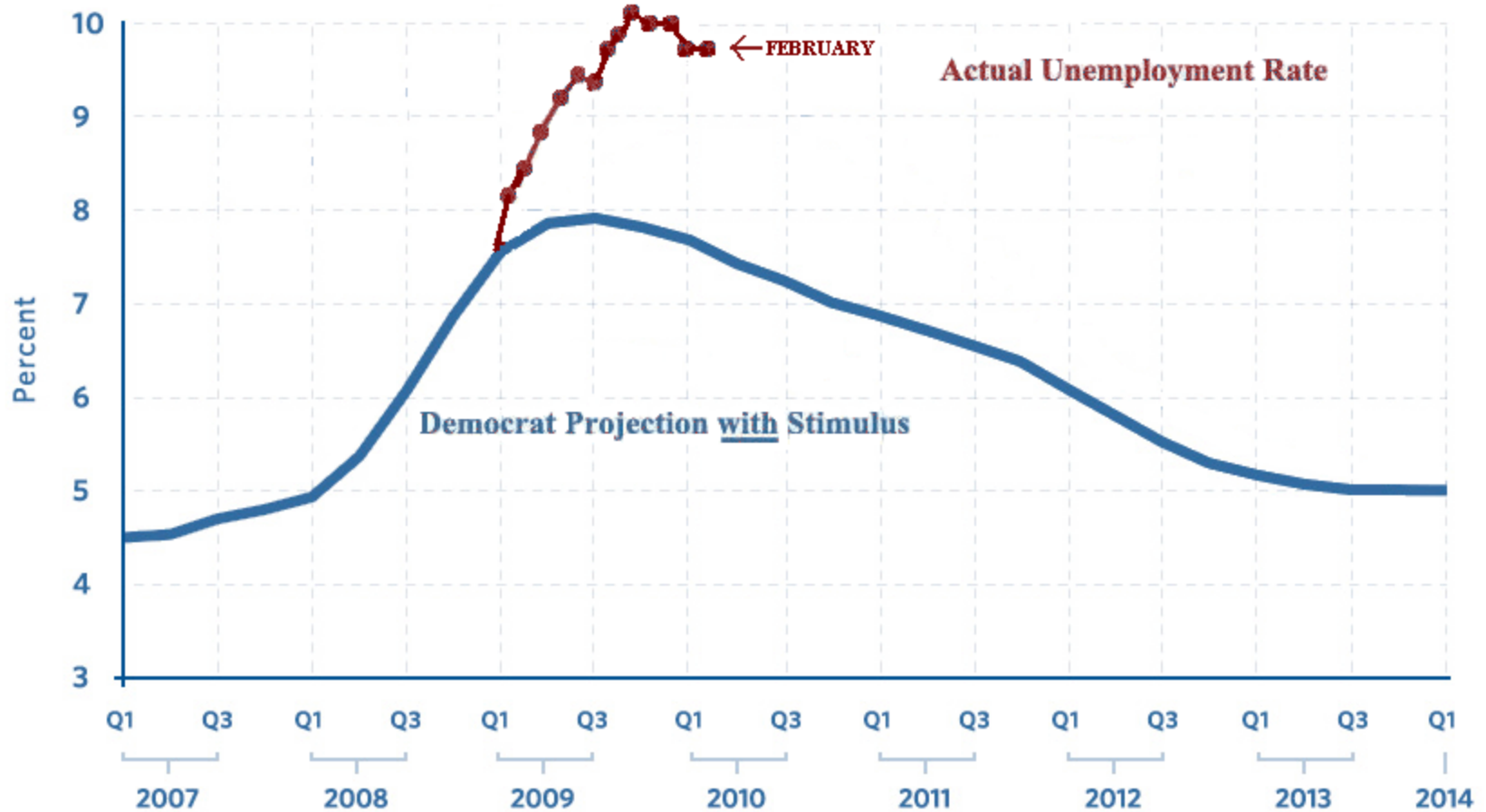
January 2007: 4.6%

February 2010: 9.7%

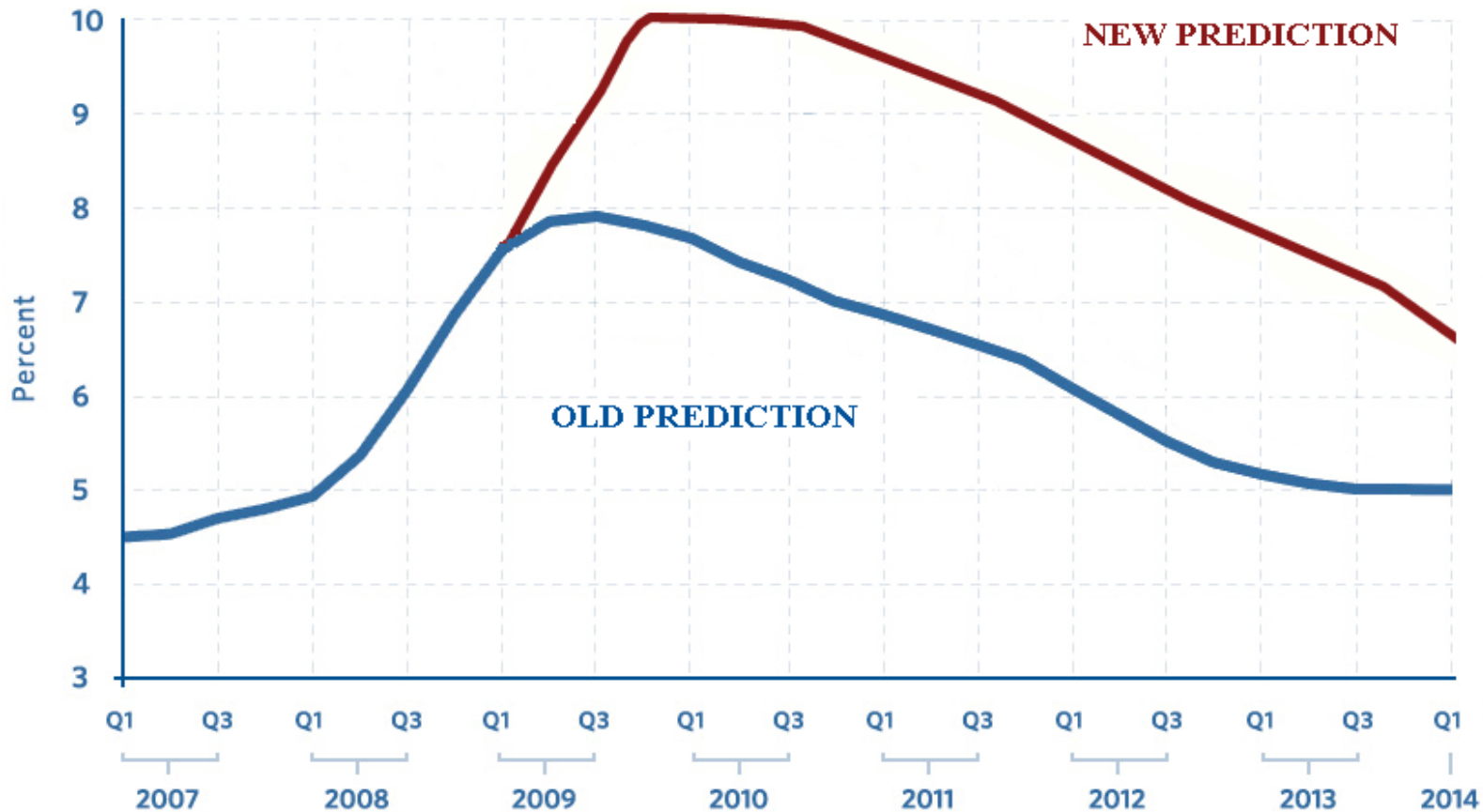


Administration Forecast for Unemployment Rate Following 2009 Stimulus Was Disastrously Wrong

Democrat Projection of Unemployment Rate with Stimulus vs. Actual Unemployment Rate

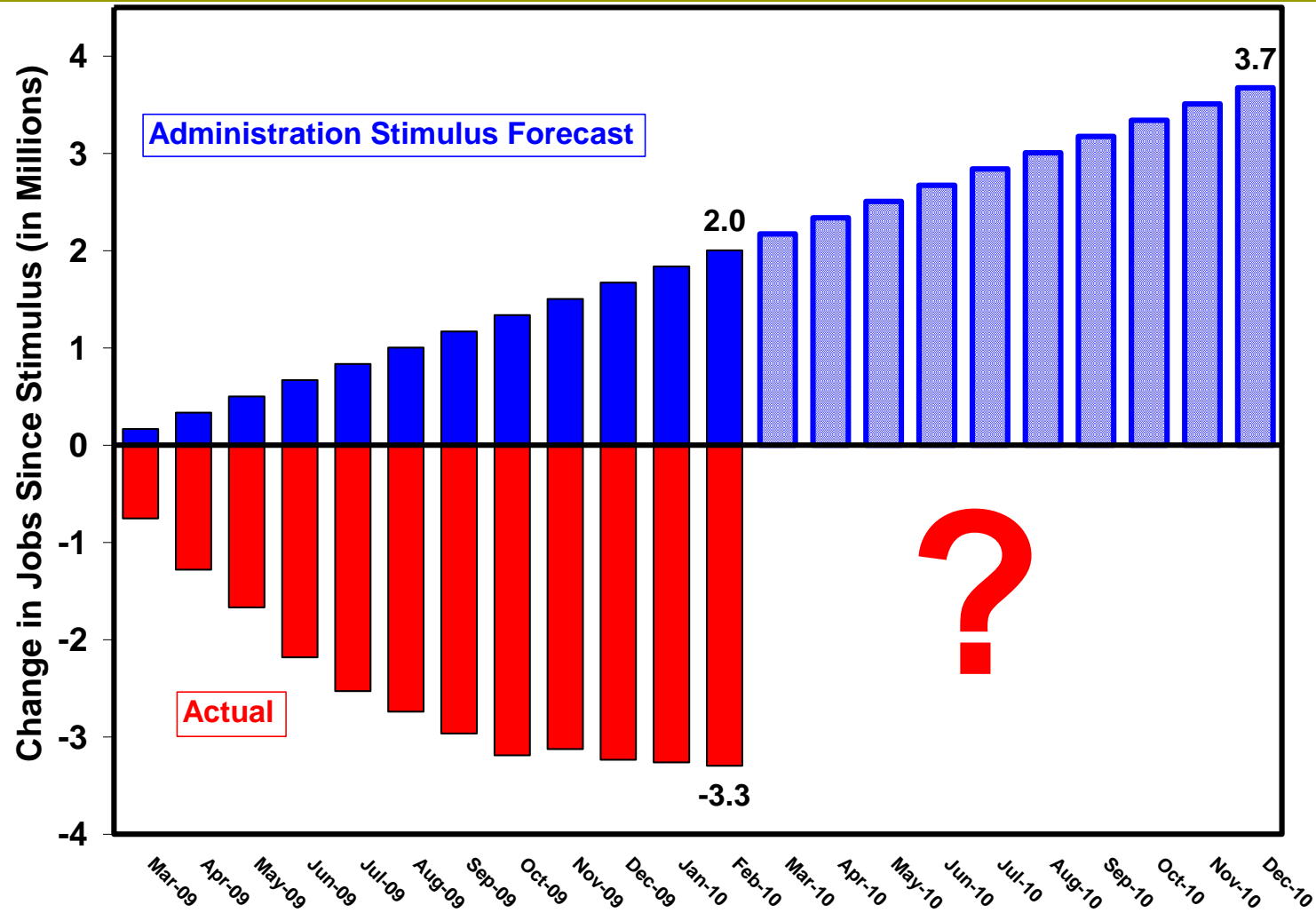


White House Now Predicts “High” (i.e. 6%+) Unemployment through at least 2014



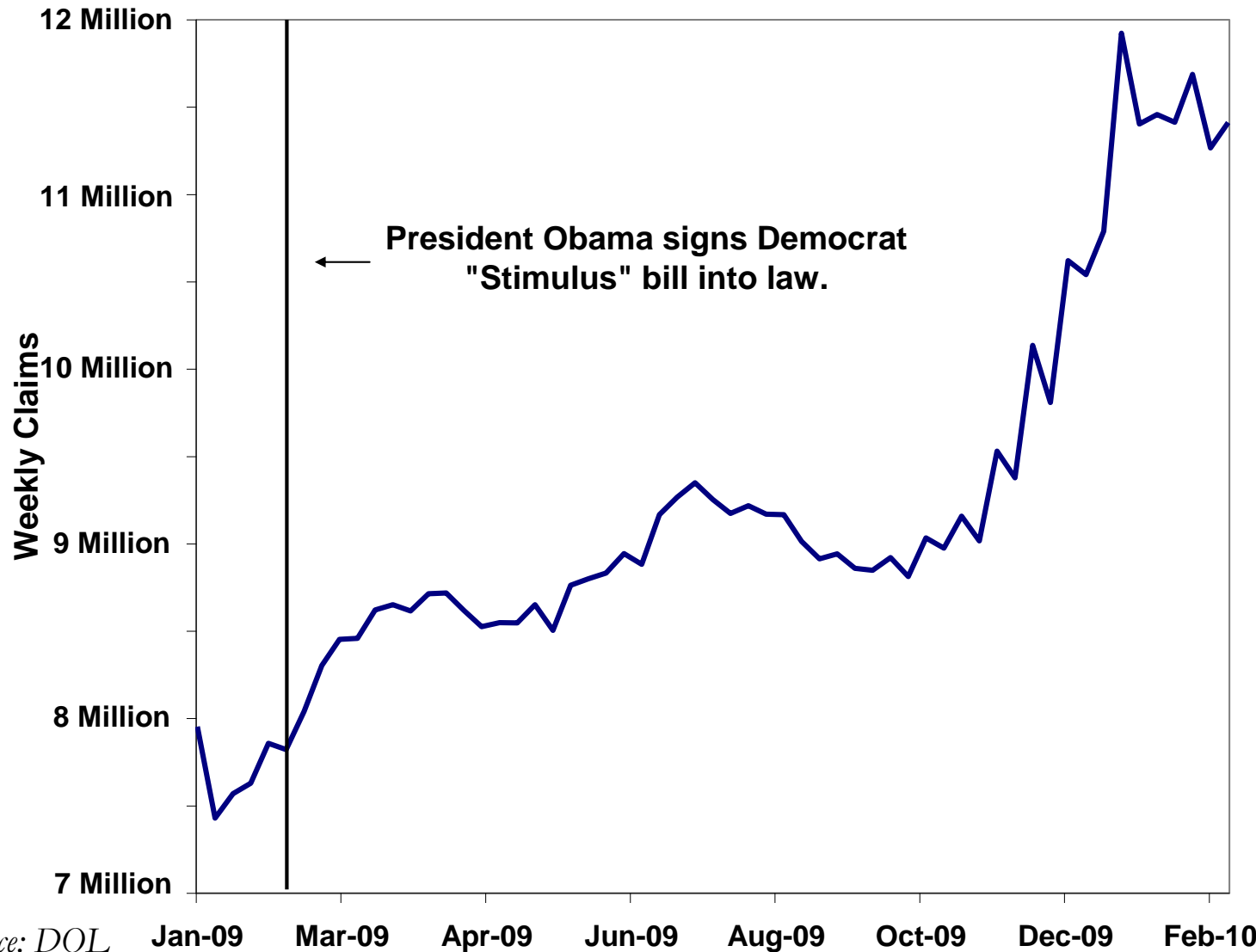
Source: January 2009 Romer/Bernstein report, DOL data and economic assumptions in the President's FY 2011 Budget, Table S-13.

Administration Job Creation Claims Don't Match Reality, Either



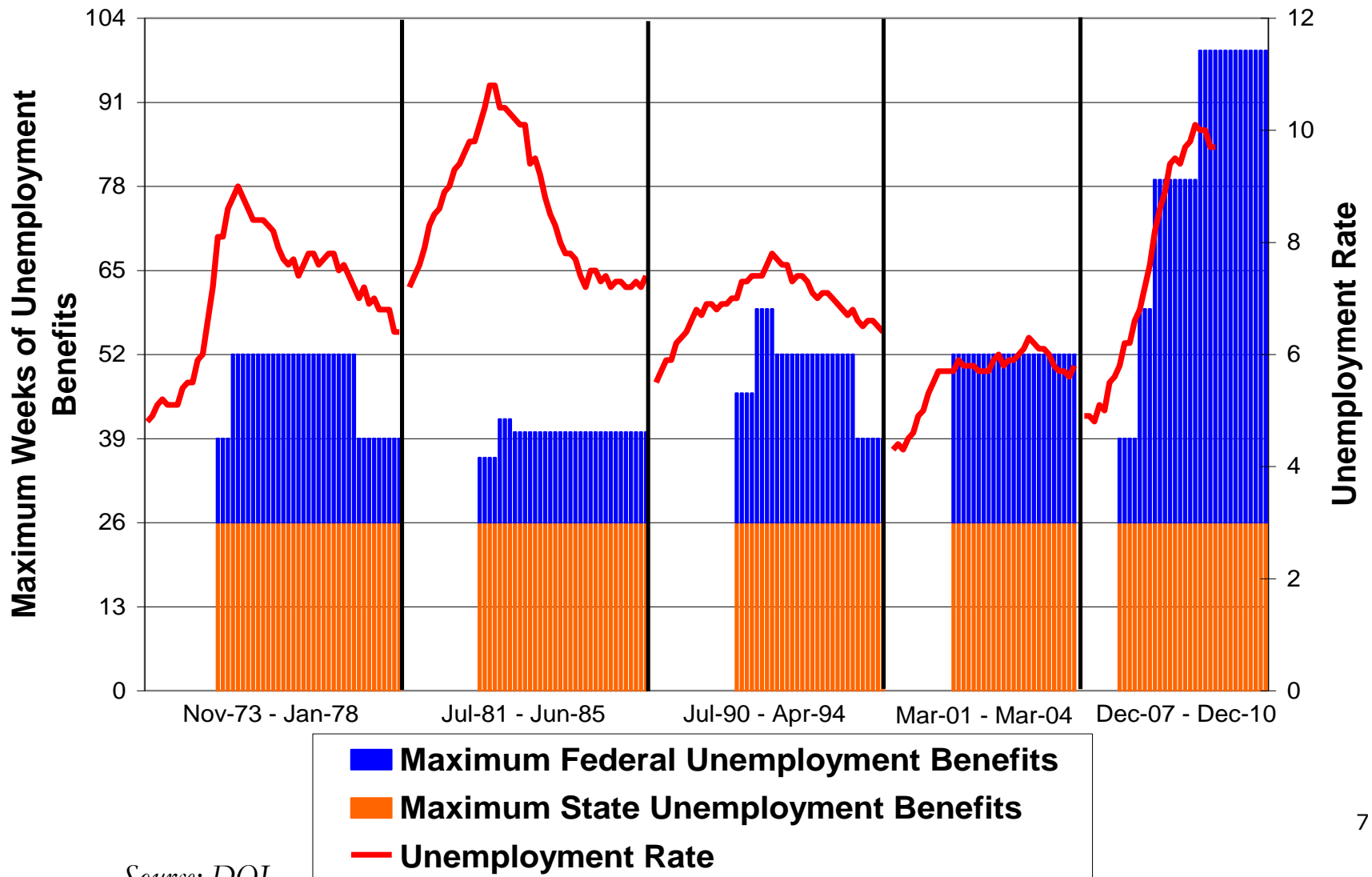
Source: January 2009 Romer/Bernstein report and Ways and Means Republican Staff Calculations based on DOL data

Receipt of Unemployment Insurance (UI) Benefits Soars past 11 Million



Source: DOL

Record Total of 99 Weeks of UI Benefits Per Person Available Today



Source: DOL

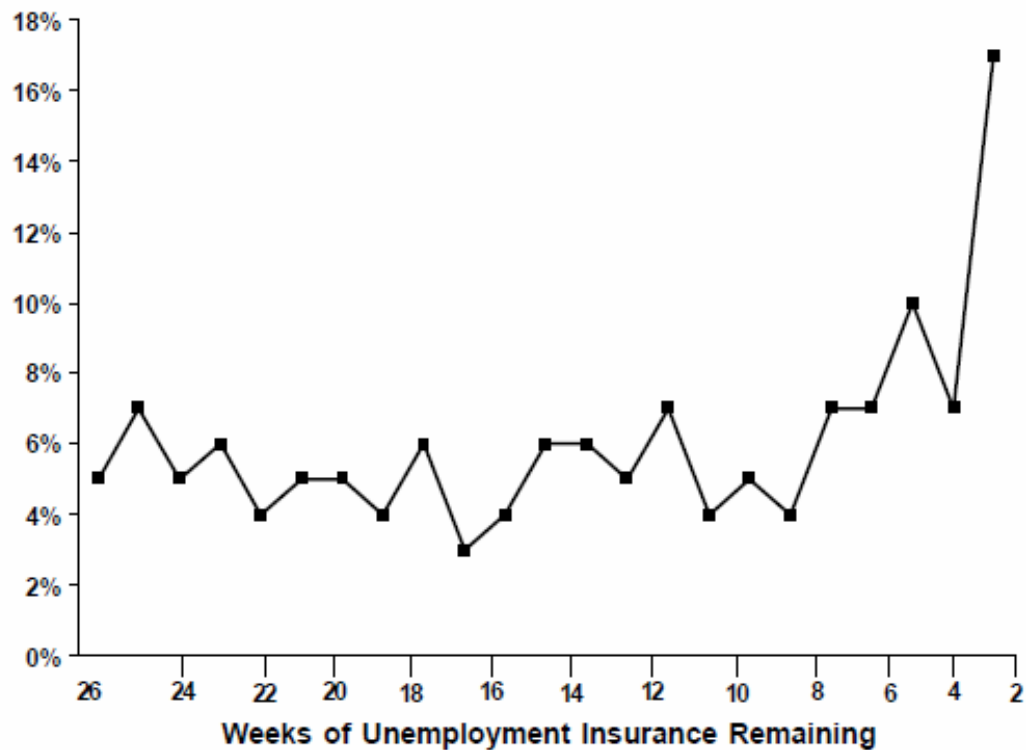
Breakdown of Current 99 Weeks of UI Benefits

Type of Benefit	Maximum Weeks of UI Benefits Available		Unemployment Rate Trigger?	States* Where Available
	Tier	Total		
State UI	26 weeks	NA	No	53
Federal Extended I (EUC)	20 weeks	46 weeks	No	53
Federal Extended II (EUC)	14 weeks	60 weeks	No	53
Federal Extended III (EUC)	13 weeks	73 weeks	6% or above	49
Federal Extended IV (EB)	13 weeks	86 weeks	6.5% or above	37
Federal Extended V (EB)	7 weeks	93 weeks	8% or above	31
Federal Extended VI (EUC)	6 weeks	99 weeks	8.5% or above	30

* “States” include DC, PR, USVI. EUC is the “temporary” Federal Emergency Unemployment Compensation program. EB is the “permanent” Federal/State Extended Benefits program.

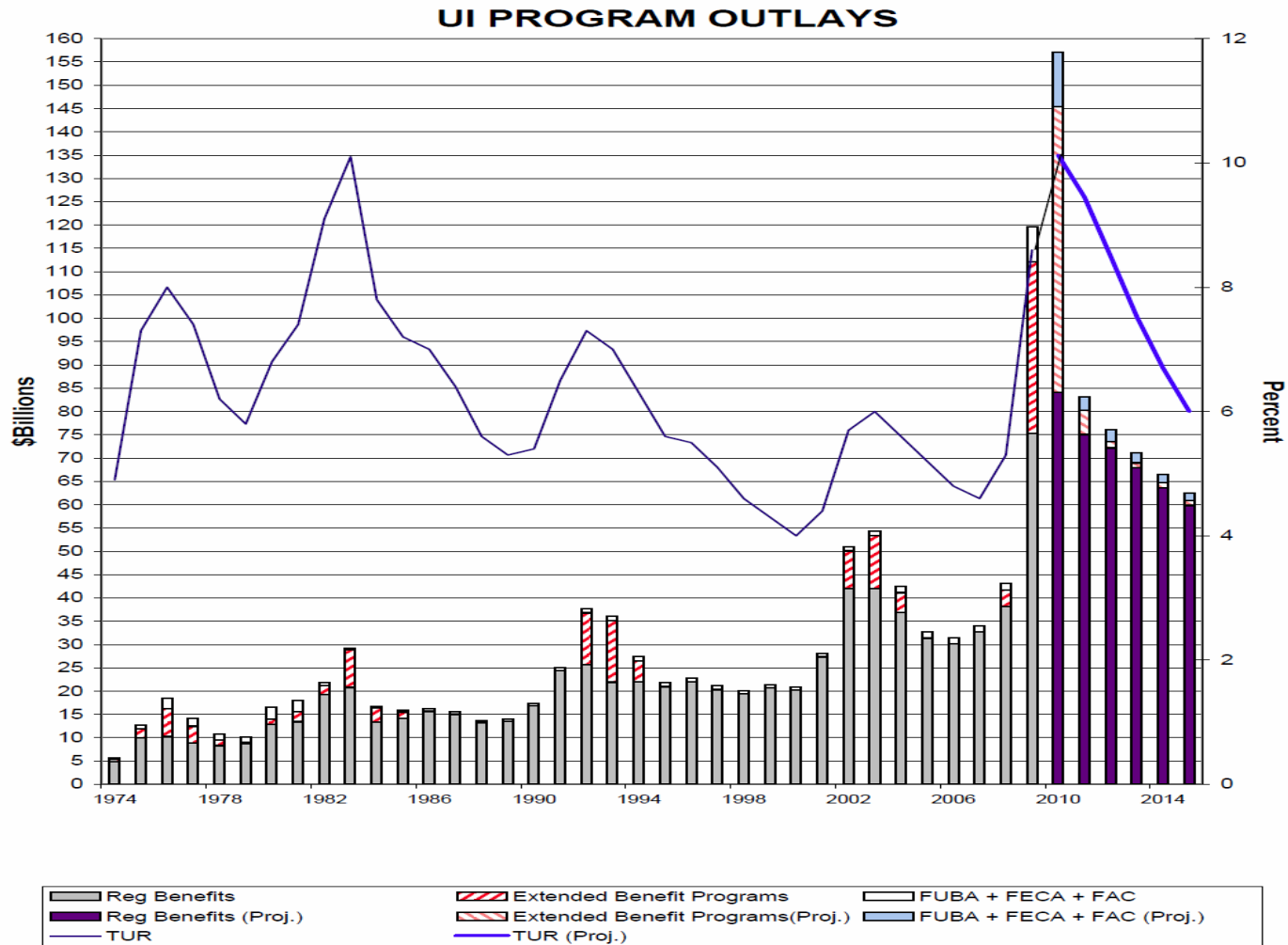
Likelihood of Returning to Work Rises as UI Expires

Likelihood of Unemployment Insurance Recipients Becoming Employed



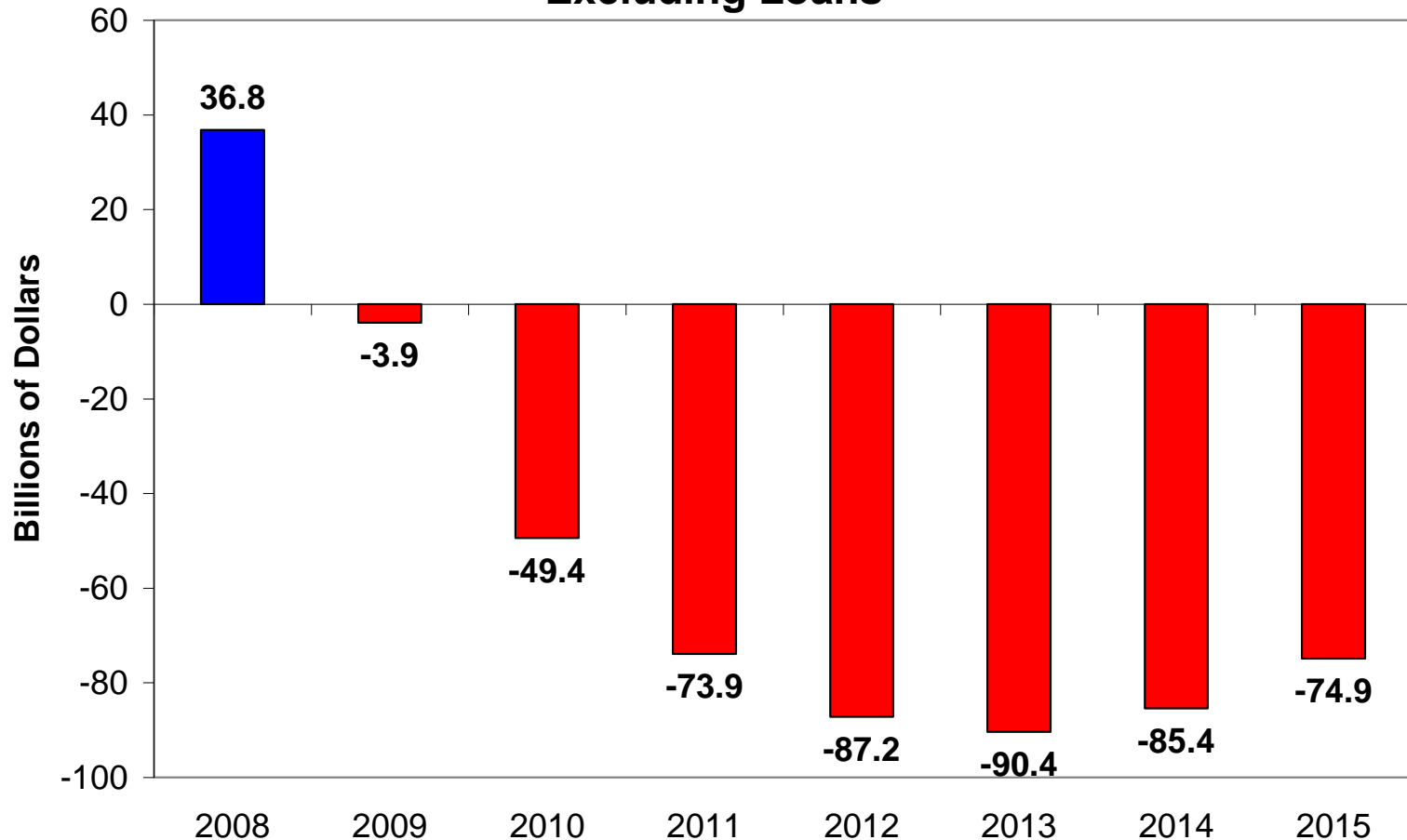
Source: Bruce D. Meyer, "Unemployment Insurance and Unemployment Spells," *Econometrica*, 58(4), July 1990, pages 757-82.

Unprecedented \$156B in UI Spending in 2010: *Four Times* the 2008 Level



Massive State UI Spending Leads to Massive Debt...

**Net State UI Trust Fund Balances, End of FYs,
Excluding Loans**



Source: DOL FY 2011 UI Outlook

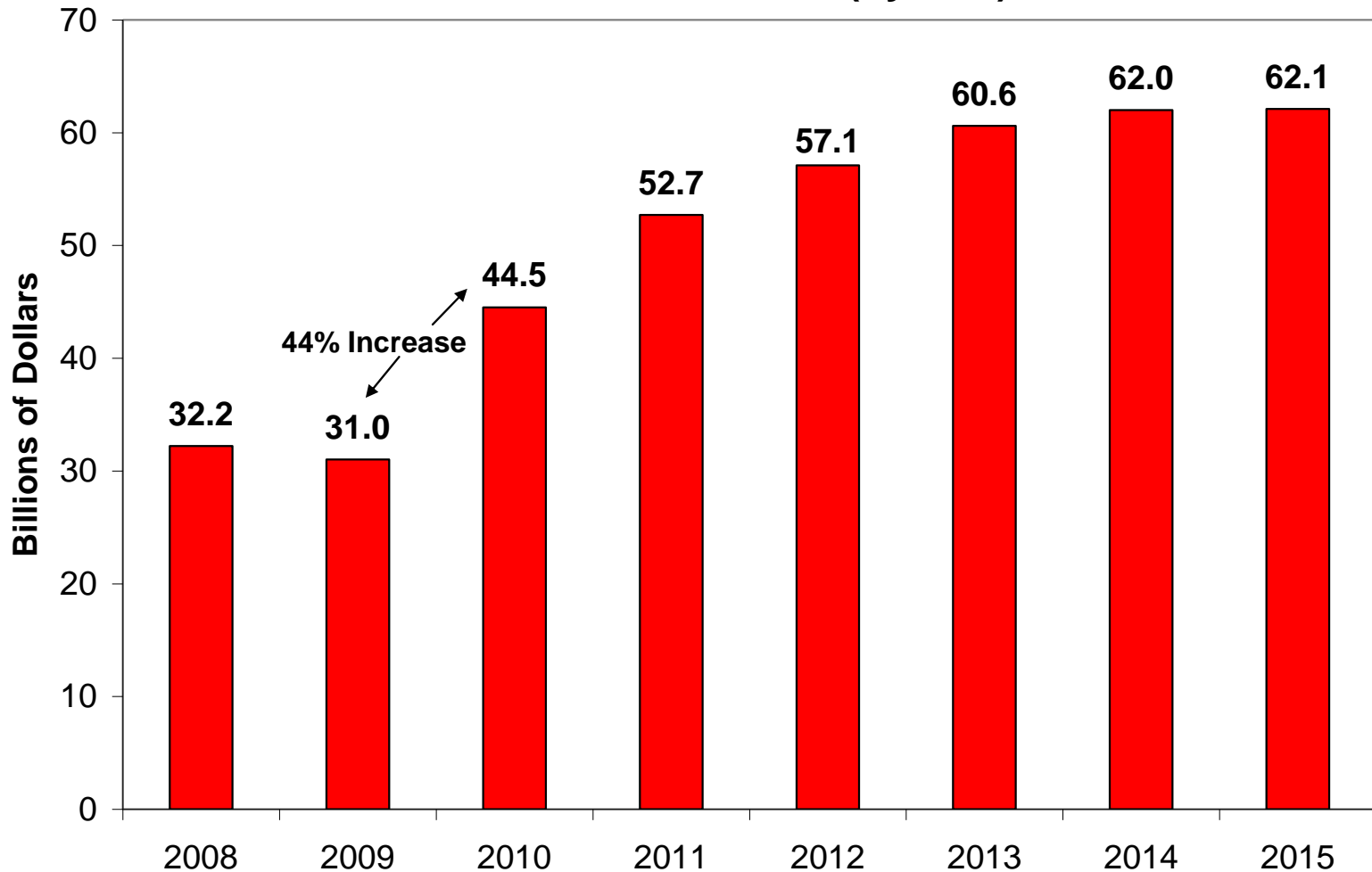
... and Massive State Tax Hikes This Year

- *“Businesses will get hit this year with the bill for the unemployment benefits paid to out-of-work employees, as hard-pressed states hike taxes on companies to fund those benefits. A recent survey found 35 states expect to collect more unemployment taxes this year than last, with states citing increases ranging from 2.5% to 600%.”*
- 35 States with UI Tax Hikes in 2010: AK, AL, AR, CO, FL, GA, HI, IA, ID, IL, IN, KS, LA, MA, MD, ME, MI, MN, MT, ND, NE, NH, NJ, NY, OH, OR, PA, RI, SD, TN, VA, VT, WI, WV, and WY.

Source: <http://www.treasuryandrisk.com/News/2009/Pages/Surge-in-Jobless-Claims-Spurs-Tax-Hikes.aspx>

State UI Taxes Increase 44% in 2010, More to Come

State UI Tax Collections (by FYs)



Source: DOL FY 2011 UI Outlook and Employment and Training Administration

Not the End: Even with Massive Current Tax Hikes, States Need Enormous Federal Loans

- ❑ “Very large amounts of borrowing from the Federal Unemployment Account (FUA) are projected over the next few years. The balance of outstanding loans is projected to increase from \$17.4 billion at the end of FY 2009 to a peak end-of-year balance of \$93 billion in FY 2013. A total of 35-40 states are projected to borrow.”
- ❑ Federal loans have to be paid back by States – generally by future tax hikes.