

State and Federal Unemployment Benefit Cuts Cost Millions for Workers and Florida's Economy

As of October Florida's unemployment rate was 10.3%, the lowest unemployment level since mid- 2009. This unemployment rate represents 955,000 jobless people out of a labor force of 9,228,000. Unemployment has been consistently decreasing since the end of 2010, but labor force participation rates have been decreasing as well. At the end of 2010, the labor force participation rate was 62.7%, but by October 2011, the percentage of working-age population in Florida looking for jobs decreased to 61.8%. This means that the down-trending unemployment rate underestimates the bad conditions of the labor market. Unemployment levels would basically be equally as high if discouraged workers would have kept looking for jobs.

Long-term unemployment has not decreased substantially in the nation and it is near its historically highest levels. During 2010, half of the unemployed workers in Florida were unemployed for more than half-a-year (27 weeks or more). As of November 2011, 43% of unemployed workers in the nation had been jobless for more than half-a-year; this represents about 5.7 million people.

This December unemployed Floridians face imminent cuts to their benefits both from the state and federal governments. Workers who have exhausted their state benefits, previously a maximum of 26 weeks, have been eligible for federally funded benefits up to an additional 73 weeks. However if congress does not renew the Extended Benefits (EB) and Emergency Unemployment Compensation (EUC) programs by January 1, 2012, tens of thousands of Floridians currently receiving unemployment benefits funded by the federal government will be cut off. Approximately 131,000 Floridians¹ would be cut off from benefits, representing the loss of \$30 million per week² for the state's economy. Never before has congress cut back on federally-funded unemployment insurance when unemployment was as high as it is currently.³

A proposal currently before the House would renew only some of the federal benefits, dramatically reducing the number of weeks that would be available with a renewal of the

¹ National Employment Law Project, *Hanging On By a Thread: Renew Federal Unemployment Insurance to Aid Families, Boost Stalled Economy; Nearly Two Million Jobless Workers Face Premature Cut-Off in January 2012*. Briefing Paper, October 11, 2011. Available on-line at: http://www.nelp.org/page/-/UI/2011/NELP_UI_Extension_Report_2011.pdf?nocdn=1

² Florida's average weekly benefit was \$231.37 in the second quarter of 2011.

³ NELP, p. 6.

current plan. Instead of 73 weeks of federally funded benefits, the elimination of two tiers of EUC benefits and the expiration of EB in May of 2012 would mean that Floridians would only be eligible to receive 33 weeks, a cut of 40 weeks.⁴ This loss of weeks would amount to a loss of \$9,254 to an unemployed worker, but aggregating the impact would also mean a big loss to the state's economy. In the most recent 12 months of data available,⁵ 137,360 people in Florida exhausted their EB, and if each one received a total of 40 fewer weeks of benefits the total impact to the state would be about \$1.27 billion for the year.

In addition to the loss of federally funded unemployment benefits, Floridians will lose weeks of state benefits. Last spring the Florida legislature reduced the maximum number of weeks of unemployment from 26 weeks to 23 weeks, depending on how high the unemployment rate is.⁶ Starting January 1, the approximately 15,000 people per week who file initial claims for unemployment benefits will be eligible for only 23 weeks of benefits. The state estimates this change will save the Unemployment Compensation Trust Fund \$103 million annually, representing a savings to employers but a loss to families and businesses which depend on UC benefits.⁷

Whatever Congress decides to do, the changes to Florida's law will further reduce the number of weeks of federally funded benefits that unemployed workers will be eligible for. The number of weeks of EUC a worker is eligible for is defined as a percentage of the state's maximum number of weeks, resulting in a greater overall loss in benefits for workers than just the state cut.⁸ In Florida's case, reducing the maximum number of weeks from 26 to 23 would result in an overall cut of 9.8 weeks if Congress decides on full renewal of federal benefits. If Congress goes with the more drastic cuts, the changes to Florida's law would mean an additional 6.1 weeks cut on top of the federal cuts, effectively cutting the current maximum number of weeks almost in half.

⁴ National Employment Law Project, *House Leadership Bill Slashes Unemployment Insurance Proposal Reduces Federal Jobless Benefits by More than Half for Unemployed Workers in Highest Unemployment States*, Legislative Update, December 12, 2011. Available on-line at: http://www.nelp.org/page/-/UI/2011/Leg_Update_House_UI_Bill.pdf?nocdn=1

⁵ U.S. Department of Labor, *Unemployment Insurance Data Summary*, 3rd Quarter 2011. Available on-line at: http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf

⁶ Florida Department of Economic Opportunity, "Changes to Unemployment Compensation Law, June 27, 2011." Available on-line at: <http://www.floridajobs.org/job-seekers-community-services/unemployment-compensation-benefits-center/file-a-claim/hot-topics>

⁷ Ibid.

⁸ Katelin P. Isaacs, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, Congressional Research Service, R41859, July 8, 2011.

Impacts of State and Federal Reductions in Unemployment Compensation in Florida

	Current (through Dec. 2011)	Reduced State Benefits (Effective Jan. 2012)	Reduced State and Federal Benefits	Change
Regular State Benefits	26	23	23	-3
Tier I (Lesser of 20 weeks or 80% of maximum # weeks)	20	18.4	18.4	-1.6
Tier II (Lesser of 14 weeks or 54% of maximum # weeks)	14	12.4	0	-14
Tier III (Lesser of 13 weeks or 50% of maximum # weeks)	13	11.5	11.5	-1.5
Tier IV (Lesser of 6 weeks or 24% of maximum # weeks)	6	5.5	0	-6
Total EUC	53	47.8	29.9	-23.1
Extended Benefits (Lesser of 20 weeks or 80% of maximum # weeks)	20	18.4	0	-20
Total	99	89.2	52.9	-46.1

These losses of weeks will have a significant impact on out of work Floridians, and on the state's economy. At an average weekly benefit of \$231.37, the impact of the state changes and the reduction of federal weeks it will trigger amounts to a loss of \$2,776 per individual, or \$311 million a year based on the number of exhaustions in the most recent 12 months. If Congress decides to dramatically reduce the amount of federally funded weeks as well, the impact could be over \$1.5 billion in 2012.

Economic Impact of Reductions in State and Federal Unemployment Benefits

	Per worker ¹	Annual ²
3 weeks reduced state benefits	\$694	\$206 million
9.8 weeks total lost with reduced state and full federal renewal	\$2,267	\$311 million
46.1 weeks total lost with reduced state and federal benefits	\$10,666	\$1.5 billion

¹ Based on \$231.37 Average Weekly Benefit for Florida in 3rd quarter 2011.

² Based on number of exhaustions in the last 12 months from 3rd quarter 2011. There were 296,563 exhaustions from the regular state program and 137,360 from Extended Benefits.