

**CONGRESSIONAL PANEL ON THE  
FEDERAL BUDGET AND IMPLICATIONS  
FOR THE WORKFORCE DEVELOPMENT  
SYSTEM**

**National Association of State Workforce Agencies  
WINTER POLICY FORUM AGENDA**

**March 19, 2004**

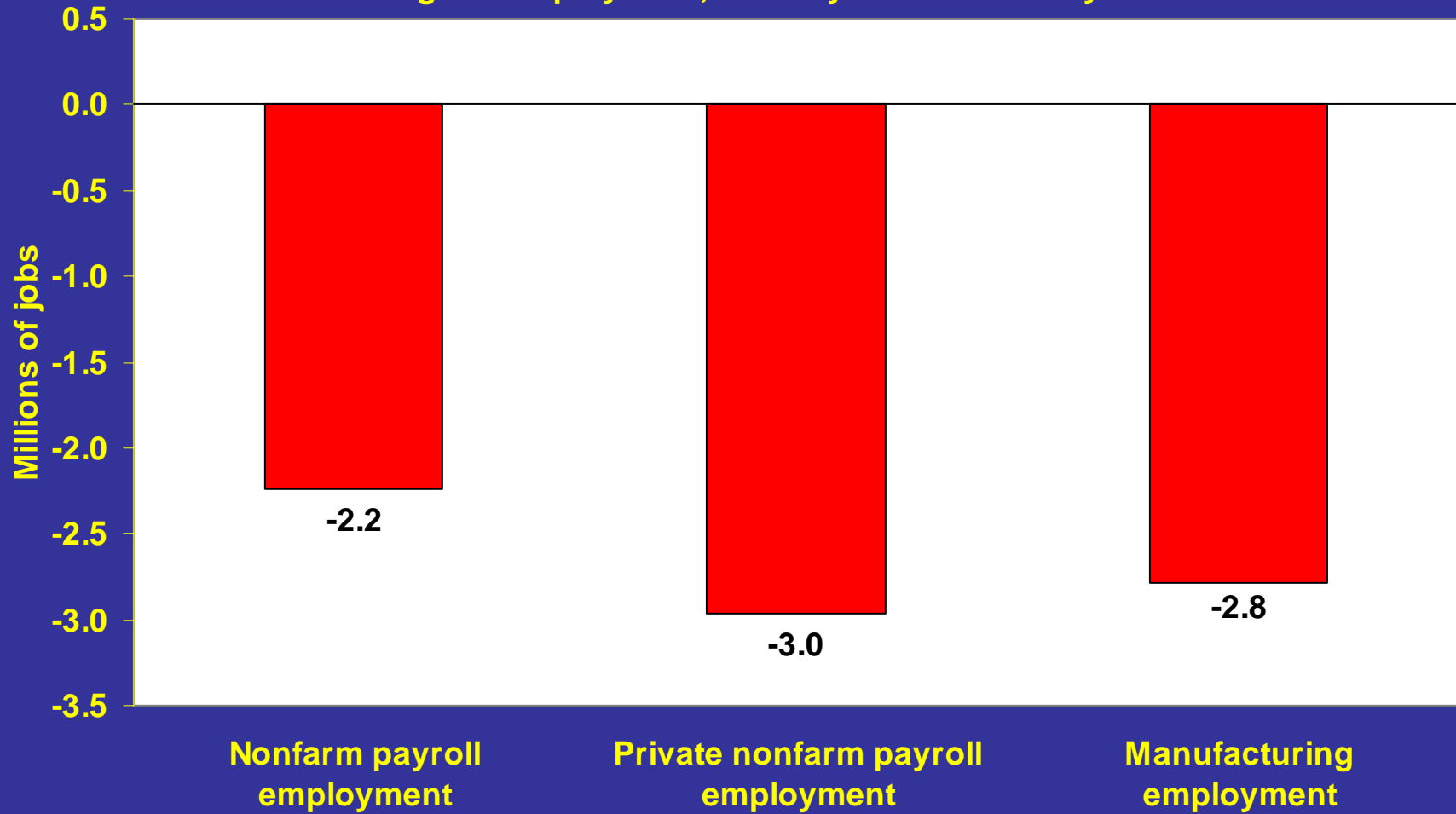
**Wendell E. Primus  
Joint Economic Committee Democrats  
<http://jec.senate.gov/democrats>**

# Plan of Talk

- Bush JOBS Record
- Lack of compassion for long-term unemployed in this recession
- How is the Unemployment Insurance (UI) program performing?
- Challenge to work-force development - a state approach
- Federal budget outlook – the big squeeze

# Bush Economic Record Net Job Destruction

Change in Employment, January 2001 - February 2004

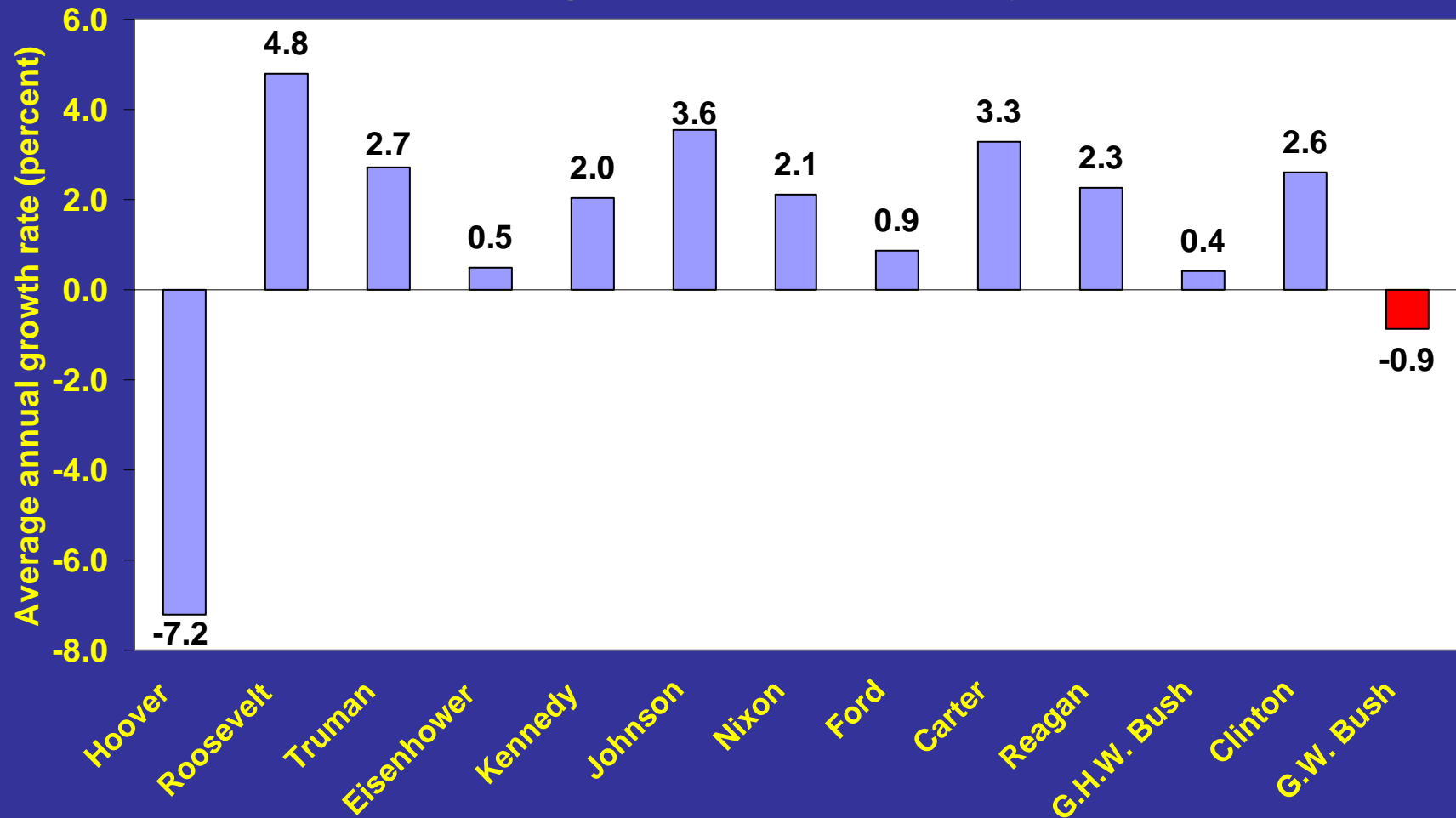


Source: Bureau of Labor Statistics, U.S. Department of Labor.

# Bush Economic Record

## Only Administration in 70 Years with Decline in Private Sector Jobs

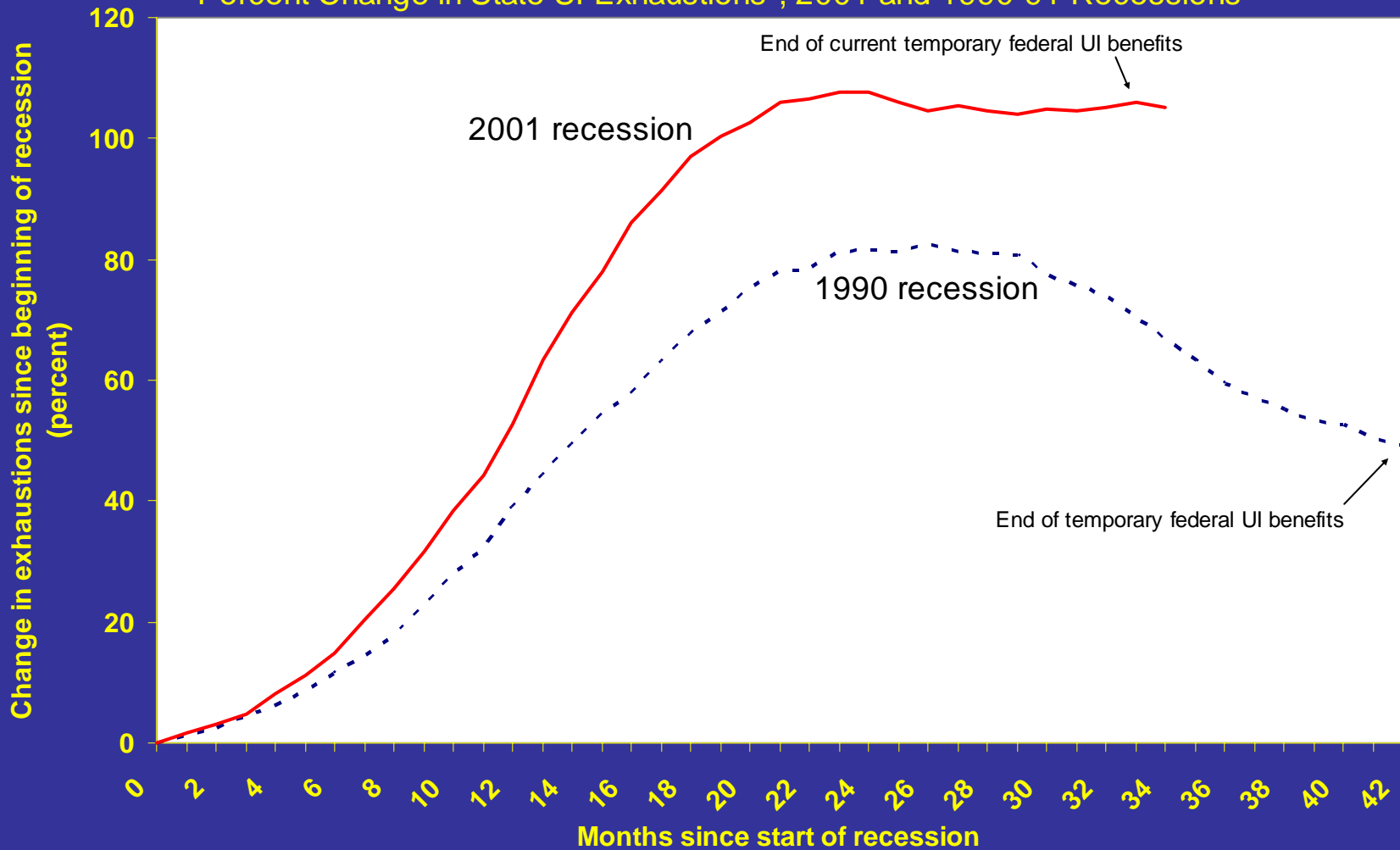
Change in Private Nonfarm Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor.

# Temporary Federal UI Benefits Allowed to Expire Even Though State Exhaustions Remain High

Percent Change in State UI Exhaustions<sup>1</sup>, 2001 and 1990-91 Recessions



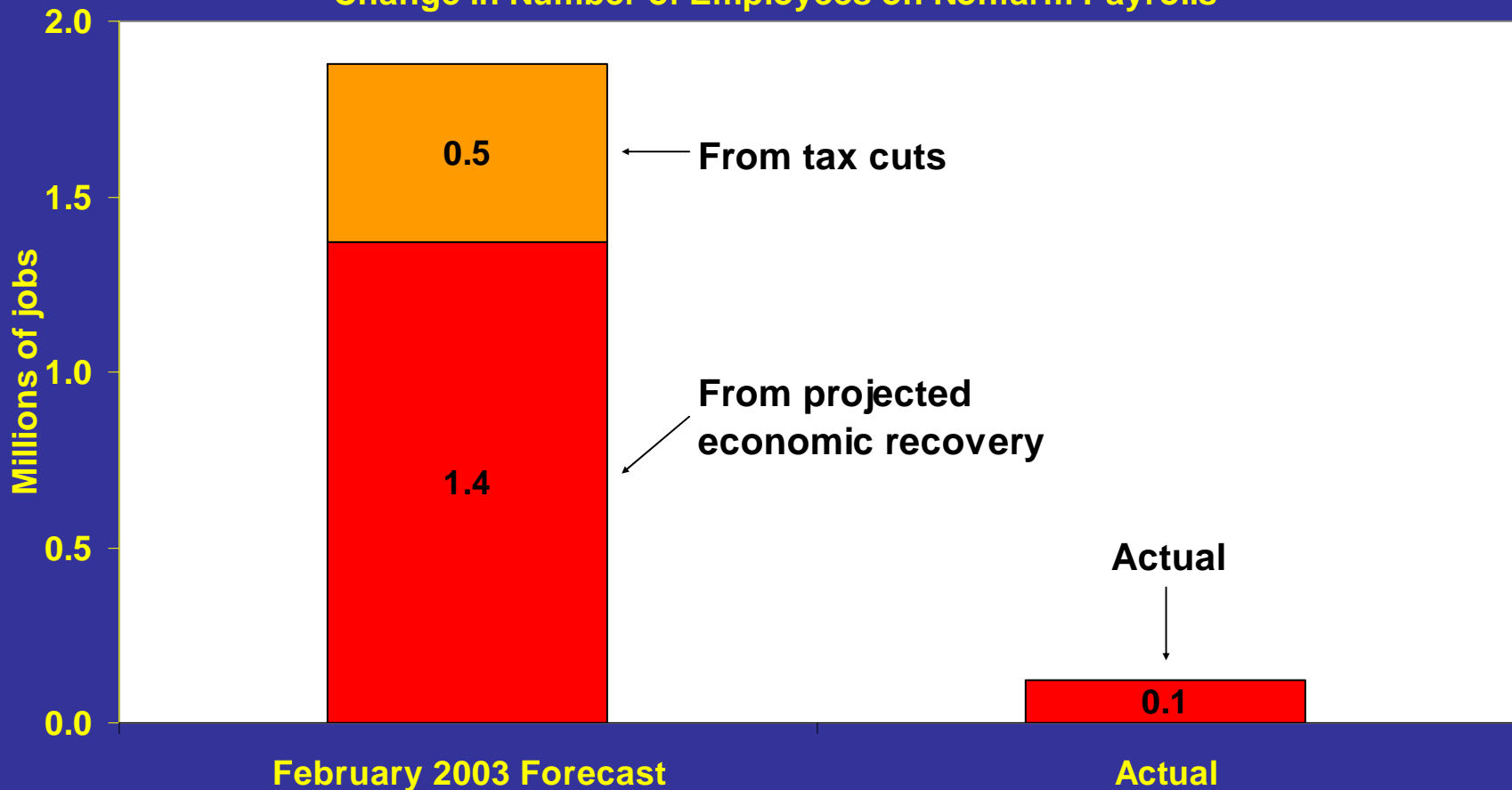
Notes: 1 12-month moving average of regular state unemployment insurance exhaustions

Source: Department of Labor; Projections by Joint Economic Committee Democrats.

# Bush Economic Record

## Promise versus Reality: Job Creation in Second Half of 2003 was 1.8 Million below Forecast

Change in Number of Employees on Nonfarm Payrolls



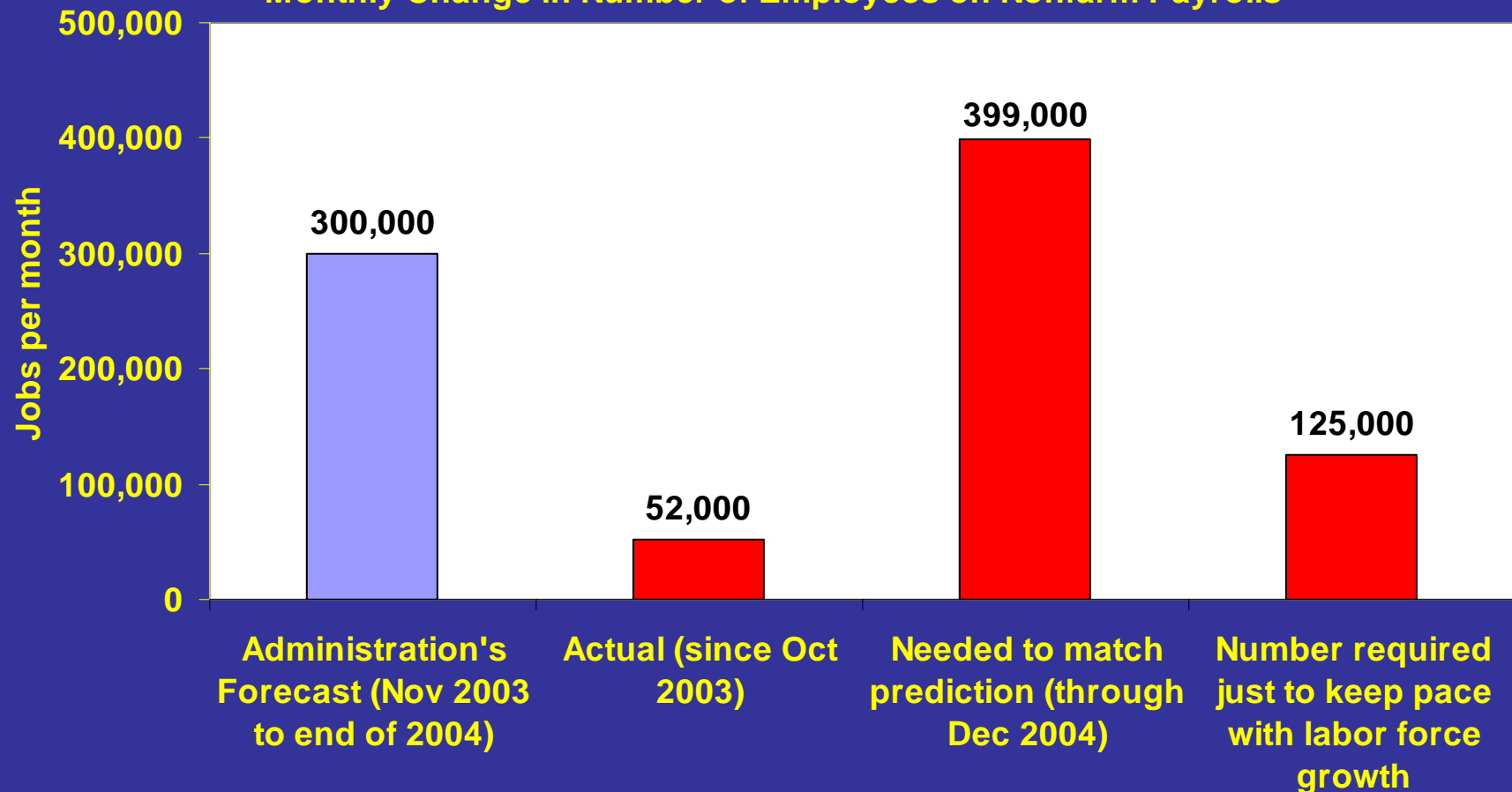
Note: Job creation is measured from the second quarter of 2003 to the fourth quarter of 2003.

Source: Bureau of Labor Statistics, U.S. Department of Labor and Council of Economic Advisers.

# Bush Economic Record

## Promise versus Reality: CEA Jobs Forecast Also Unlikely to Be Met

Monthly Change in Number of Employees on Nonfarm Payrolls



Note: Administration Forecast is the average monthly change implicit in Table 3-1 of the 2004 Economic Report of the President. The forecast was an average of 300,000 jobs each month from November 2003 to the end of 2004.

Source: Bureau of Labor Statistics, U.S. Department of Labor and Council of Economic Advisers.

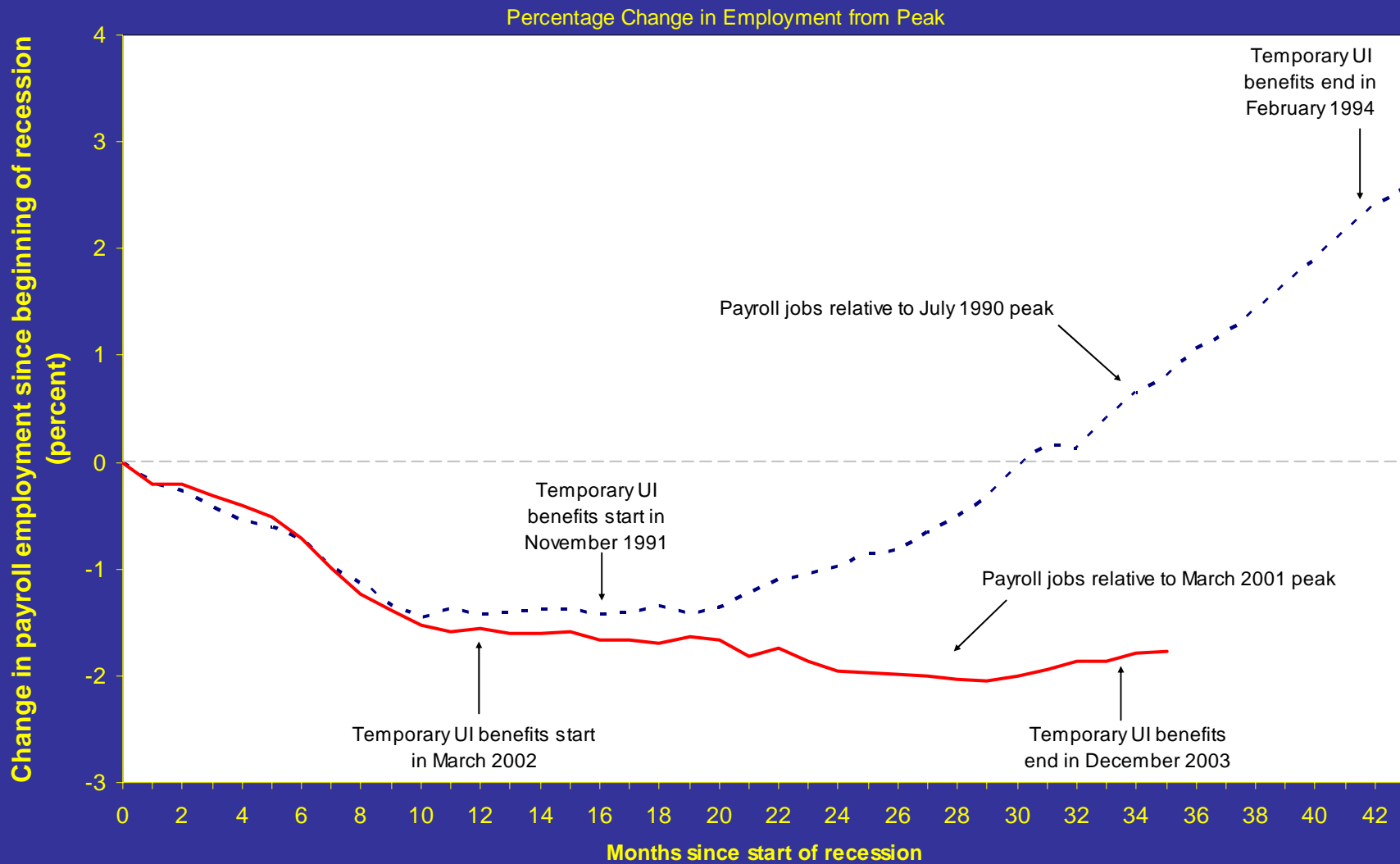
# Issues in the Jobs Debate

- Difficult to control economic forces that govern job creation and outsourcing.
- Trade, technology and economic change benefit almost everyone in the long-run, but hurt some a lot in the short-run.
- Democratic stimulus package of last year would have created more jobs.
- Pain of a recession is borne primarily by unemployed workers.
- Administration has complete control of policies affecting the unemployed.
- This Administration has shown an appalling lack of concern for the unemployed

# Providing a Safety Net for Displaced Workers

- Extend Unemployment Benefits.
- Provide Trade Adjustment Assistance (TAA) coverage to more dislocated workers.
- Better notice to workers who will lose jobs.
- Provide more funds for training unemployed workers.

# Current Jobless Recovery Is Worse Than That of 1990-91 But Temporary Federal UI Benefits Ended Much Sooner



Source: Bureau of Labor Statistics, U.S. Department of Labor; Congressional Research Service.

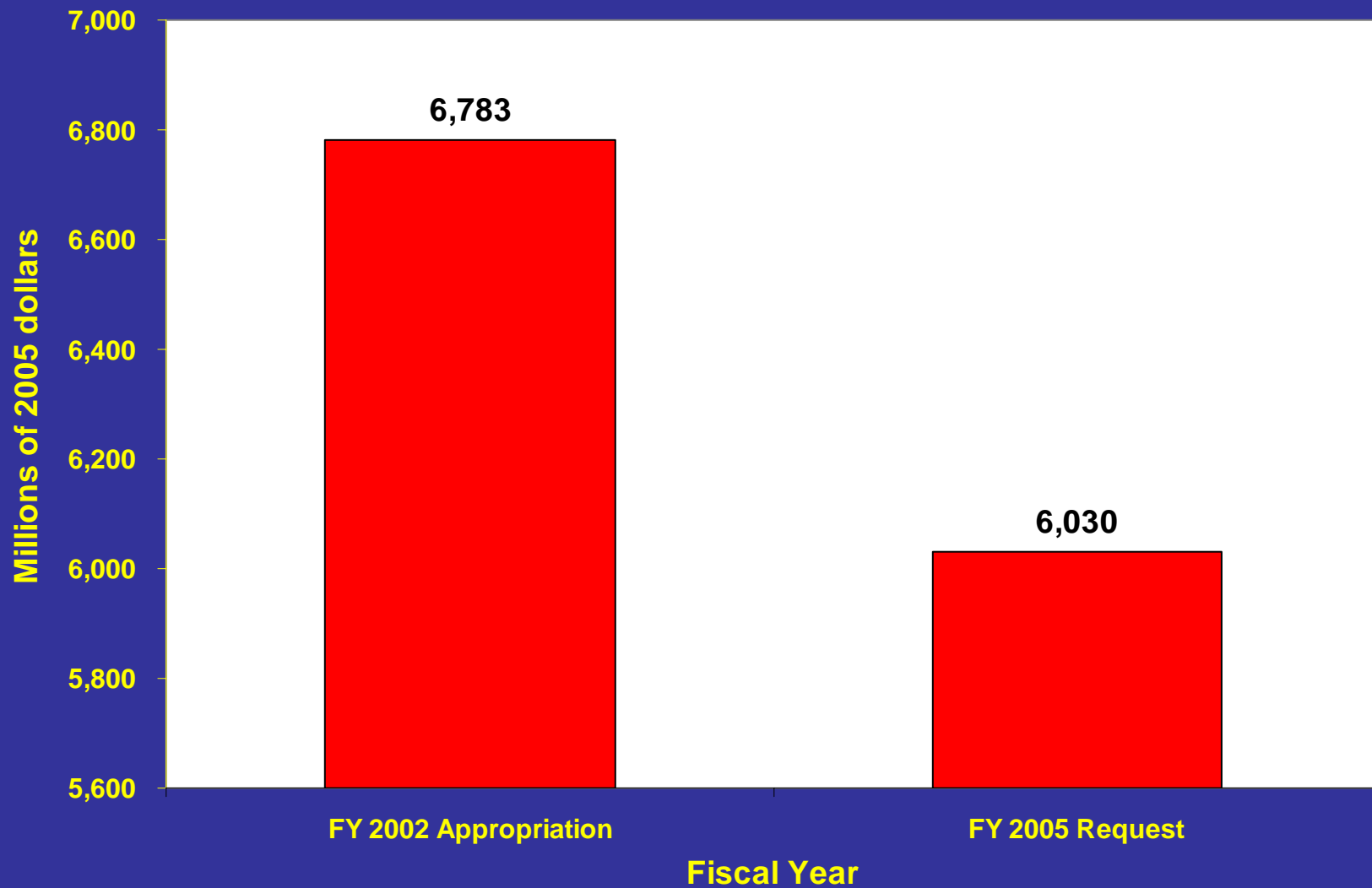
# Facts Supporting UI Extension

- Record number of workers (350,000 in January and 2 million over the first half of 2004) will exhaust regular UI benefits without qualifying for additional assistance.
- 1991-94 program lasted 27 months; current one: 22 months
- 1991-94 program continued for 11 months after the jobs deficit was erased, current program expired with a jobs deficit of 2.2 million.
- Regular UI exhaustions have not yet fallen.
- Long-term unemployment as a share of the unemployed has remained over 20 percent for 17 months.
- 1991-94 program cost \$48 billion; current one: \$23.1 billion
- Percentage of jobs lost today is 1.8 percent, still higher than peak reached in 1990-91 recession.
- Republican contention that 5.6% unemployment rate is low and therefore UI extension is not needed is misleading. Look at change in unemployment rate, not level, and number of discouraged workers.

# Trade Adjustment Assistance

- TAA is projected to spend about \$1 billion in 2005, more than double from 2002.
- TAA eligibility is limited and usually only available where the workers can demonstrate increased imports occurred.
- Service workers who lose their jobs due to outsourcing are not eligible for TAA.
- Workers who lose their jobs because of shifts in demand or technological change not eligible for TAA.
- In 2002, nearly 4.3 million workers exhausted their regular state UI benefits, but only 245,000 workers were certified to receive TAA.
- Displaced workers often lose ground economically. Of those who *had* found another job, almost half were earning less than before, and 3 in 10 had earnings declines of 20 percent or more.

# Total Funding for WIA and Employment Service



Source: Congressional Research Service, March 1, 2004 memorandum.

## Regular UI / (Losers & Leavers)

State	1985-1989	1996-2000	change	1991	2002	change
California	0.68	0.71	0.03	0.70	0.72	0.02
Florida	0.30	0.42	0.12	0.39	0.42	0.03
Georgia	0.43	0.38	-0.05	0.63	0.50	-0.13
Illinois	0.46	0.66	0.19	0.53	0.67	0.13
Indiana	0.34	0.53	0.18	0.39	0.60	0.20
Massachusetts	0.90	0.89	-0.01	0.61	0.82	0.22
Michigan	0.55	0.75	0.20	0.58	0.72	0.14
New Jersey	0.70	0.75	0.05	0.67	0.75	0.08
New York	0.65	0.62	-0.03	0.67	0.65	-0.02
North Carolina	0.55	0.61	0.06	0.59	0.57	-0.02
Ohio	0.45	0.52	0.07	0.56	0.64	0.08
Pennsylvania	0.66	0.86	0.20	0.73	0.88	0.15
Texas	0.33	0.46	0.13	0.38	0.43	0.05
Virginia	0.34	0.39	0.05	0.38	0.56	0.18
Washington	0.64	0.86	0.22	0.83	0.74	-0.09
Balance of states	0.52	0.64	0.12	0.60	0.71	0.11
National	0.53	0.63	0.11	0.59	0.66	0.07

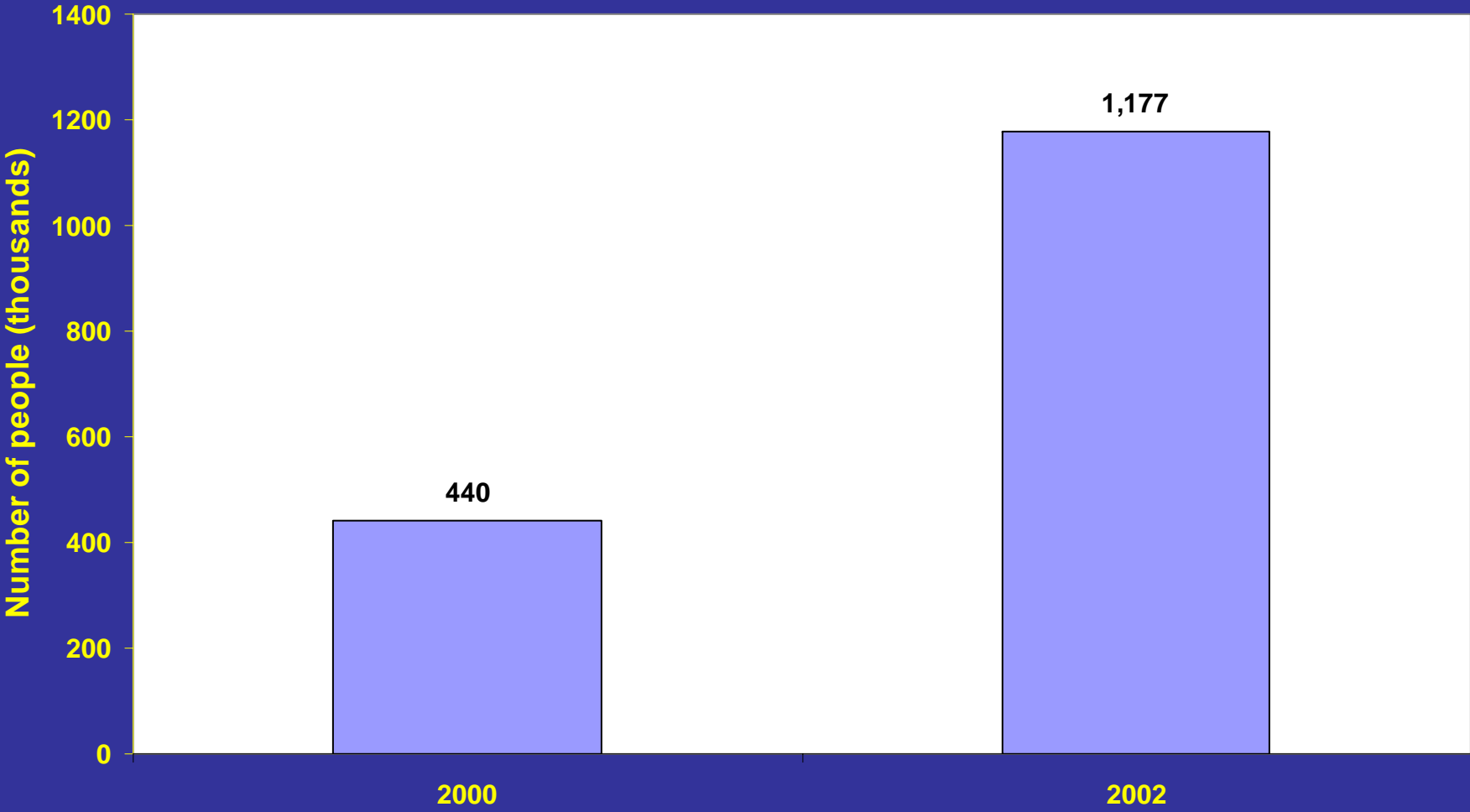
## Regular UI / (Total Unemployed)

	1985-1989	1996-2000	change	1991	2002	change
National	0.32	0.36	0.04	0.34	0.43	0.09

Source: JEC Democrats' calculations based on data from the U.S. Department of Labor.

# Unemployment Insurance Provides an Important Safety Net, Especially During Economic Downturns

Number of People Removed from Poverty Due to Unemployment Insurance



Source: JEC Democrats' calculations using Current Population Survey, Census Bureau, U.S. Department of Commerce.

# New CBO Study Confirms Importance of the UI Safety Net

- “When UI recipients lost their job, their income – excluding UI benefits – dropped by almost 60 percent. With UI benefits included, the income loss was about 40 percent.”<sup>1</sup>
- “UI helps prevent the middle class from falling into poverty. Half of UI recipients had monthly incomes below the poverty line, if their UI benefits are not considered. Their UI benefits reduce their poverty rate dramatically. Few of the unemployed were poor before they lost their jobs.”<sup>2</sup>
- “Three months before their long-term UI spell began, only about 7 percent had family income below the monthly poverty threshold...During their long-term spell, by contrast, nearly one-quarter of the UI recipients had monthly family income below the poverty threshold. That figure rises to one-half when UI benefits are excluded.”<sup>3</sup>
- “Individuals who exhaust their regular UI benefits and are not able to find jobs are more than twice as likely to be poor and to lack health insurance as they were when they were employed.”<sup>4</sup>

Source: <sup>1,3</sup> Congressional Budget Office, *Family Income of Unemployment Insurance Recipients*, March 2004. The study focused on long-term UI recipients: “defined as unemployed workers who received unemployment insurance (UI) benefits for a spell of at least four consecutive months in 2001 or early 2002.”

<sup>2,4</sup> Shapiro, Isaac, *New CBO Report Demonstrates Value of the Income Support Provided by Unemployment Insurance, and Confirms High Level of UI Exhaustions*, Center on Budget and Policy Priorities, March 15, 2004.

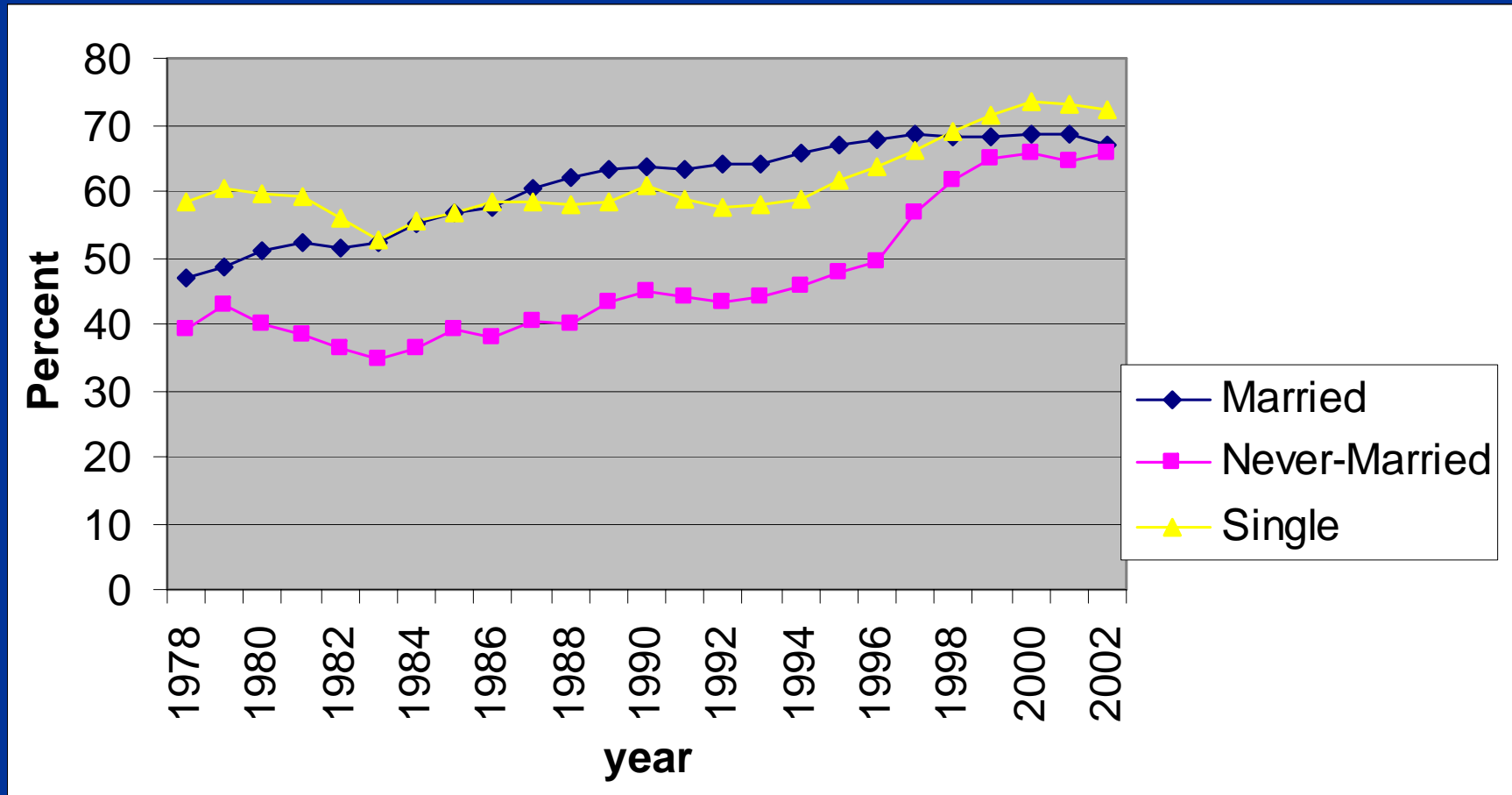
# However, States Could Still Improve Their UI Program By:

- Covering more recently hired workers (39 states)
- Cover part-time workers who are seeking part-time work (31 states)
- Insure that full-year minimum wage workers at 20 hours per week are eligible for UI (8 states)
- Maximum benefit exceeds poverty for 3-person family (8 states)
- Cover family-related reasons for stopping work (spousal abuse, traveling spouse, child care)
- Improve interaction with TANF
  - Stop clock
  - Treat UI as wages for purposes of calculating TANF benefit
- Fund UI system better – should not have to raise taxes in a recession or prolonged jobs slump

# Workforce Development System

- Tremendous Variation in Population
  - Age
  - Work experience
  - Employment barriers
  - Work supports (job training, fatherhood, education, health insurance)
- Would question whether voluntary system works in all cases

# Percent of Married, Single, and Never-Married Mothers Working, 1978-2002



Source: Gary Burtless based on published and unpublished data from Bureau of Labor Statistics, U.S. Department of Labor.

## The Bad News: Labor Force and Employment Participation by Black Young Males Declined Significantly During the 1990s

	1979	1989	2000
<b>Labor Force Participation (percent)</b>			
Black Young Males (ages 16-24)	82.0	77.1	68.4
ages 16-19	73.1	64.8	56.3
ages 20-24	87.6	82.3	75.5
Never Married Mothers	54.0	54.7	73.9
<b>Employment Rate (percent)</b>			
Black Young Males (ages 16-24)	62.5	59.3	52.0
ages 16-19	49.6	47.4	40.0
ages 20-24	70.6	66.0	59.1
Never Married Mothers	79.3	78.7	89.0

## This National Trend has Become More Pronounced Recently: New York City as an Example

(Numbers are the percent of the population 16 through 64 who are employed)

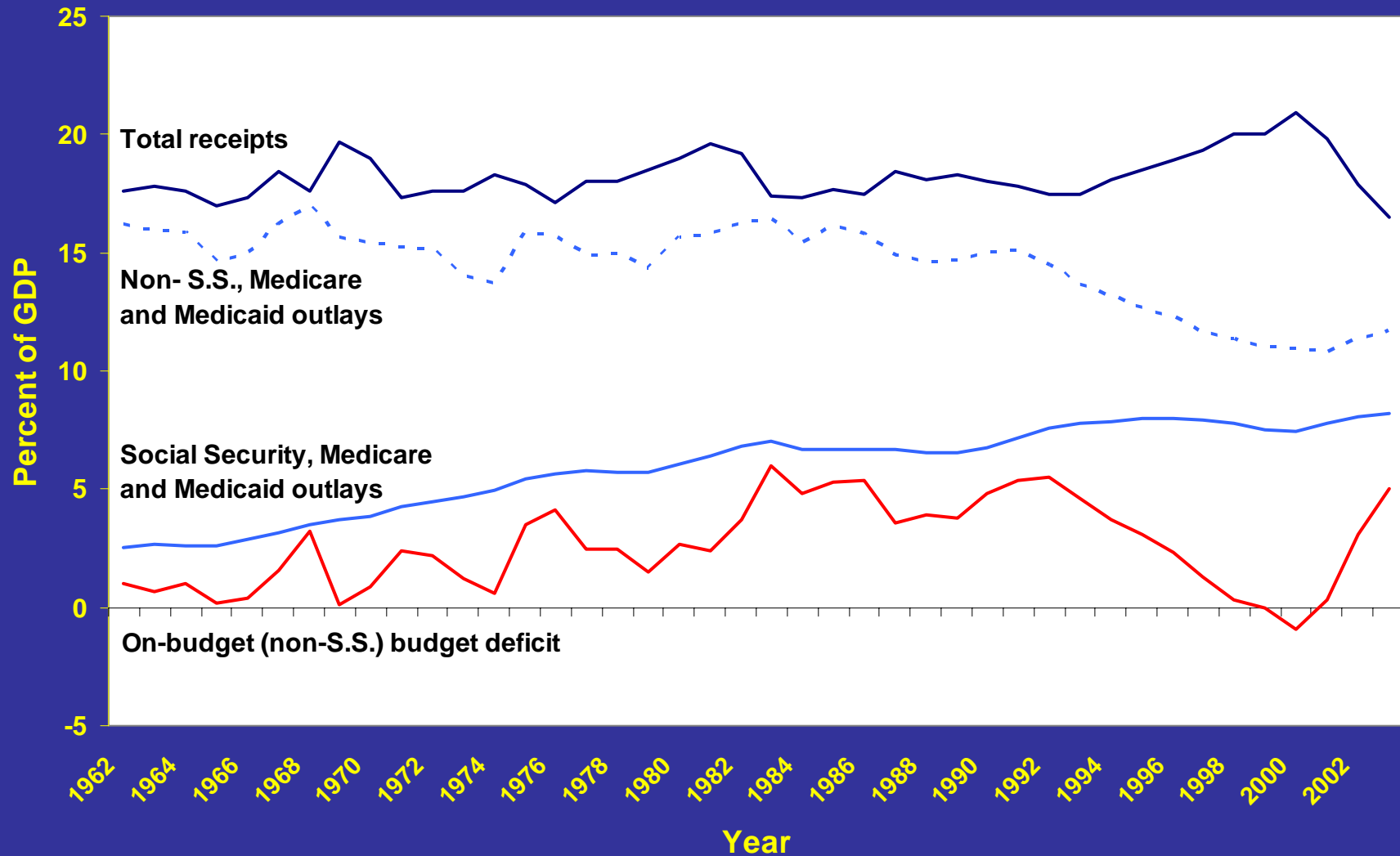
	Average 2000	Average 2003	Percent Change
<b>Males</b>			
<i>All</i>	72.9	67.5	-5.4
<i>Age 16-24</i>	46.7	35.1	-11.6
<i>Age 25-64</i>	80.1	75.4	-4.7
<i>Non-Hispanic White</i>	77.8	75.7	-2.1
<i>Non-Hispanic Black</i>	64.0	51.8	-12.2
<i>Hispanic, Any Race</i>	72.8	65.7	-7.1
<b>Females</b>			
<i>All</i>	58.1	55.9	-2.2
<i>Age 16-24</i>	41.4	38.3	-3.1
<i>Age 25-64</i>	62.0	60.2	-1.7
<i>Non-Hispanic White</i>	64.0	61.4	-2.6
<i>Non-Hispanic Black</i>	58.9	57.1	-1.8
<i>Hispanic, Any Race</i>	51.9	47.7	-4.2

Source: CSS tabulations for the Current Population Survey. "A Crisis of Black male Employment: Unemployment and Joblessness in New York City, 2003," Community Service Society, Annual Report, February 2004.

# What To Do?

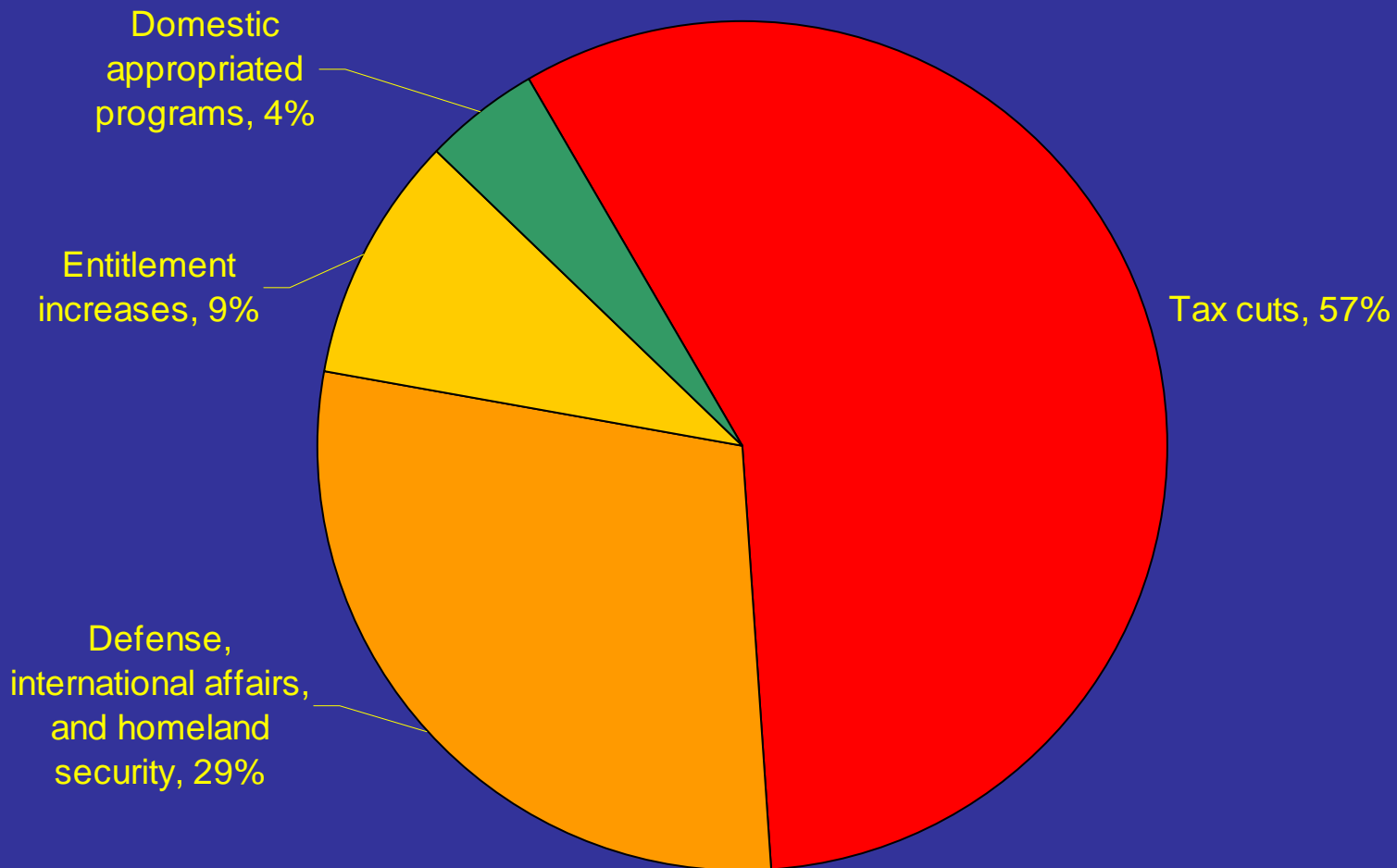
- Large demonstration project involving:
  - Transitional jobs
  - Reform of child support for low-income males
  - Earning subsidy like EITC for dads who pay child support
  - Removal of employment barriers
- Workforce agencies need to partner with child support agencies and criminal justice system
  - May need to be mandatory programs
  - Close integration and exchange of information

# Spending, Revenue and Deficit as a Share of GDP



Source: Office of Management and Budget, "The Budget of the U.S. Government, Fiscal Year 2005"

# Tax Cuts Account for Most of the 2004 Costs of Legislative Changes Enacted during the Bush Administration



Note: The total cost in 2004 of legislation enacted during the Bush Administration is \$494 billion.

Source: Center on Budget and Policy Priorities, "Deficit Picture Grimmer Than New CBO Projections Suggest", Richard Kogan, David Kamin, and Joel Friedman, January 2004