

Congress of the United States
U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

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,



Benjamin L. Cardin
Ranking Member