

What Does the Unemployment Rate Mean for Government Spending?

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Federal Government Spending by Type

- Government Consumption (27%)
- *Government Investment (4%)
- Grants-In-Aid to S&L Govt (12%)
 - Spending by Share 2007 2012
 - General public service 0.7% 0.6%
 - National defense 1.0% 1.0%
 - Public order and safety 1.4% 1.6%
 - Economic affairs 3.3% 3.5%
 - Housing & community services 5.4% 4.1%
 - Health 57.0% 59.7%
 - Recreation and culture 0.1% 0.1%
 - Education 10.5% 10.0%
 - Income security 20.5% 19.5%
- Other Transfer Payments (47%) – Total Transfers are 60% of fed govt spending
- Interest Payments (8%)

Programs Targeting the Unemployed

- Unemployment Insurance
 - Unemployment Compensation
 - Up to 26 weeks of income support
 - May be extended by the temporarily authorized Emergency Unemployment Compensation program
 - May also be extended for up to 13 or 20 weeks by permanent Extended Benefit program depending on economic conditions within stat of residence
 - Trade Adjustment Assistance (TAA)
 - Income support for those whose job loss due to foreign competition
 - Disaster Unemployment Assistance
 - Provides benefits for workers whose unemployment attributed to declared major disaster and only if not eligible for regular unemployment compensation.
- Health Care Assistance
 - Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
 - Allows continuation of employer health insurance coverage under certain circumstances
 - Health Coverage Tax Credit
 - Allows certain TAA participants to receive tax credit for health insurance,.
- Job Search Assistance
 - Workforce Investment Act (WIA) of 1998
 - One-Stop Career Centers provide services and partner programs to provide job search assistance, career counseling, labor market information, and other employment services.
 - Funds for training to individuals unable to obtain or retain employment through other services

- Wagner-Peyser Act of 1933
 - Core labor exchange services designed to match job seekers and employers
- See CRS Report RL34251, "Federal Programs Available to Unemployed Workers", 1/9/2013

Unemployment Compensation

- Rising over time but with significant recession Effects
- Emergency Unemployment Compensation
 - Created for 8th time in June of 2008.
 - Duration of benefits depends on state unemployment rate.
 - Max potential duration is 47 weeks (in addition to the weeks of regular UC benefits):
 - Tier I -- up to 14 weeks, available in all states.
 - Tier II -- up to 14 weeks of benefits and is available in states with an unemployment rate of at least 6%.
 - Tier III -- up to 9 weeks in states with UR of 7% (or insured unemployment rate of 4%).
 - Tier IV -- up to 10 weeks in states with UR of 9% (or an IUR of 5%).
 - All tiers are temporary and expire in the week ending on or before January 1, 2014.
- Extended Benefits
 - Permanently authorized, triggered by state UR or IUR.
 - All states pay up to 13 weeks of EB if the IUR for the previous 13 weeks was 5% and is 120% of rates for same 13-week period each two previous years.
 - Two optional thresholds:
 - Option 1: -- additional 13 weeks if IUR is 6%
 - Option 2: -- additional 13 weeks if UR is 6.5% and 110% of TUR for same 13-week period in either of previous two years; additional 20 weeks if UR is 8%.
 - In addition to usual state requirements, requires claimants to have 20 weeks of full-time insured employment and to conduct a systematic and sustained work search.

Means Tested Programs

- Large number of federal programs (126)
 - Federal Spending in FY2011 was about \$800 billion
 - State and Local Government Spending in 2011: \$284 billion
- Largest programs (billions)
 - Medicaid – \$417.3
 - Supplemental Nutritional Asst Program (SNAP) –\$74.6
 - Supplemental Security Income – \$52.6
 - Earned Income Tax Credit -- \$56.6
 - Child Tax Credit – \$28.3
 - Federal Pell Grants - \$41
 - Temporary Assistance for Needy Families (TANF) – \$21
- See Tanner, Michael D. "The American Welfare State: How We Spend Nearly \$1 Trillion a Year Fighting Poverty--And Fail." (2012).