

From the Fiscal Policy Institute and the National Employment Law Project

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## **REPORT: ALBANY INACTION COSTS JOBLESS NEW YORKERS \$267 MILLION**

*Upstate NY Counties Have Most to Gain – And Lose – By Failure to Increase Unemployment Benefits*

### **Frozen Since 2000, NY's Jobless Benefit Lags Behind Dozens of States**

New York – A joint report released today by the Fiscal Policy Institute and the National Employment Law Project finds that Albany's failure to increase the state's unemployment insurance benefit has prevented \$267 million in additional benefits from reaching approximately 283,000 jobless New Yorkers over the past year. The report finds that legislation to increase the maximum weekly unemployment benefit from \$405 to \$475 would have brought a particular boost to jobless workers and local economies in upstate New York, at a time when the state has its highest unemployment rate in 16 years. Outside of New York City, unemployment in the state is at a 26-year high.

“New York's unemployment crisis is worsening as the recession deepens, and that means workers in every region and industry are suffering. Unemployment insurance provides a vital lifeline for hundreds of thousands of New York workers, as well as critical stimulus for local economies. The inaction and recent turmoil in Albany will only further expose the need to update New York's unemployment insurance benefit, which hasn't changed in nearly a decade,” said **James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute** and a co-author of *Casualty of Chaos: The Cost of Albany's Inaction on Jobless Benefit Increases*.

The report is available at <http://www.nelp.org/page/-/UI/NELPFPIMaxBenefitReport.pdf>

While the weekly benefit increase – which gained increasing support from the Assembly and Governor in the final weeks of the legislative session – would help all regions and industries in the state, today's report finds that unemployment insurance payments to 11 counties would increase by 10% or more – Dutchess, Livingston, Nassau, Ontario, Orange, Putnam, Saratoga, Suffolk, Tioga, Wayne and Westchester. On a per capita basis, Wayne, Niagara, Genesee, Oswego, Wyoming, Livingston, Lewis and Montgomery counties are losing the most from Albany's inaction, as a color-coded map in the report demonstrates.

“A serious casualty of the chaos in Albany is that unemployed workers, in all industries, are being forced to scrape by with benefits far less than what many other states consider acceptable. Upstate New York particularly stand to lose from the inaction in Albany, as they had the most to gain,” said **Andrew Stettner, Deputy Director of the National Employment Law Project**, and another co-author of the report.

Through the middle of June, 800,000 New York workers filed first-time claims for unemployment insurance in 2009, for an average of over 33,000 workers turning to the UI system each week this year. This pace of claims is 50 percent greater than the same time a year ago, according to the report.

Unemployment insurance in such times supports not only families that spend benefits on daily needs, but also local retailers and businesses that provide needed goods and services. A recent analysis found that every dollar of UI benefits generates \$1.64 in economic activity.

The FPI-NELP report makes the following recommendations:

- **New York should phase in an increase in the maximum weekly benefit until it reaches half the state's average weekly wage, and then index the maximum so that its purchasing power does not erode over time.** Today's maximum benefit amount replaces significantly less than half of the average weekly wage, meaning that families relying on UI benefits during a spell of joblessness struggle to get by on less. Thirty-four states and the District of Columbia have already indexed their maximum benefit amounts; it's time for New York to do the same.
- **New York should configure its UI benefit systems so that lower wage workers – those making less than \$15 an hour – qualify for higher wage replacement rates.** New Jersey, for example, provides a single mother with two dependents laid off from an \$8 per hour job with \$213 in weekly benefits compared to just \$160 in New York. Increasing the benefit amount for low-wage workers translates into a cost of only 5.9 percent of all benefits paid in New York over the course of the past year.
- **New York needs to update the financing of the UI system so that sufficient benefits can reach unemployed New Yorkers and the UI Trust Fund is put on a path to long-term solvency.** UI benefits are paid out of a trust fund that is separate from the state budget and financed entirely by taxes levied on employers. For the last decade, taxes on New York employers have remained low, even when the economy was strong – resulting in out-of-date financing that jeopardizes the delivery of *adequate* benefit amounts to unemployed New Yorkers. By increasing what is known as the “taxable wage base” – the amount of wages, per employee, on which an employer must pay a UI tax – New York can not only cover the cost of a benefit increase but also build long-term sustainable financing.

While \$25 per week was temporarily added to the benefit under the American Recovery and Reinvestment Act, New York State's maximum unemployment benefit of \$405 per week pales in comparison to its neighbors: in Pennsylvania it is \$539, in New Jersey it is \$584, and in Connecticut it is \$576.

At the time the maximum was set, in 1999, \$405 replaced half of the average weekly wage in New York. Since then, the consumer price index has increased by 25 percent – and by 30% in the New York City metropolitan area. And because wages have risen since 1999, New York's *average* weekly benefit of \$310 replaces less than 27 percent of the average weekly wage. In terms of the share of lost wages that the state's unemployment insurance fund provides to laid off workers, New York ranks 49th.

Unemployment rose to 8.2 percent statewide in May, and 55 out of New York's 62 counties have an unemployment rate of 7 percent or higher. Fully 55 percent of the state's unemployed workers reside outside of New York City.

“The unemployment crisis is not going away anytime soon – nor is the struggle for thousands of jobless New Yorkers who are not getting the help from Albany they need,” said Stettner.

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