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OPINION:

New York needs an update for unemployment benefits

BY ANDREW STETTNER

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Andrew Stettner is deputy director of the National Employment Law Project. If you had asked the average person something about unemployment benefits last year you would have gotten a blank stare. But nowadays, everyone seems to know someone who is laid off, and New Yorkers don't like what they are finding out.

The maximum unemployment benefit in New York State is \$405 a week - while in Pennsylvania it's \$539, in New Jersey it's \$584, and in Connecticut, \$576. In terms of the share of lost wages that the state's unemployment insurance fund provides to the newly laid off, New York ranks 49th. That's a stunning failure for a state reputed to be worker-friendly.

Unemployment benefit levels have been frozen since 2000. And now, while New York's jobless rolls have more than doubled over the past year, unemployed workers are forced to rely on an insurance program that has been broken for years.

Washington has done its part to boost jobless workers in the state. Federal aid now raises unemployment benefits to a maximum of \$430 a week, but for most New Yorkers, this \$25 increase is one very short trip to the grocery store. It's hardly going to cover a medical emergency or stave off a foreclosure.

Altogether, Washington has sent more than a billion dollars to Albany for benefit extensions and a \$430 million grant to improve the program. Now it's Albany's turn to step up to the plate.

Before this week's meltdown in the state capital, some legislators were making progress toward passing reforms to bring the program into the 21st century. The goal is to gradually raise benefits to cover half of the average weekly wage. This modest step would still leave New York behind many other states, but the proposals would end an unfair loophole that keeps workers laid off from schools and colleges from receiving benefits - which leaves cafeteria workers, groundskeepers and adjunct faculty members with nothing to live on between terms.

The proposals are fiscally responsible. New York's unemployment insurance fund is now

at such severely low levels that the state has to borrow from the federal government to pay benefits. Absent action, employers and New York State will face stiff penalties and interest in the next few years. But this proposal would generate enough revenue to steer us clear of prolonged debt to the federal government and replenish the fund.

Under this proposal, too, the increase in benefits would start almost immediately, but allow employers to phase in modest tax increases - starting with \$54 per employee per year in 2010 - as the economy improves.

A major cause of the current shortfall is New York's outdated formula, which requires employers to pay the fund only for an employee's first \$8,500 in yearly earnings. The national average for this figure, known as the taxable wage base, is \$11,800 - and it's more than \$14,000 in Connecticut, Massachusetts and New Jersey. Raising this base, which has not changed in a decade, even as the average wage of workers and the cost of living have risen, would go a long way toward restitching New York workers' safety net.

The safety net, by the way, should not be defined by the maximum benefit, small as it is, but by the amounts given to low-income and middle-income workers. Consider a single mother of two who loses her \$8-an-hour job. If she lives in New Jersey, she would receive \$213 a week in unemployment insurance benefits; if she's a New Yorker, she'd collect \$160 a week.

Unemployment insurance is not welfare. The benefits fund is financed mostly by employers and, indirectly, by workers who sacrifice in their paychecks for their employers' expenditures. Each dollar paid in unemployment benefits generates \$2.15 in economic activity, most of it going to local grocers and shops, mechanics and contractors, restaurants and hospitals.

New York can't afford to let the confusion about leadership in the State Senate delay action to fix unemployment benefits. Not only would unemployment reform deliver badly needed relief to the struggling economy and its workers, but failing to act would allow the unemployment fund to fall further into the red.

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