



National Employment Law Project



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## Record Surge in NYS Unemployment in December

### *Lagging Benefits Expose Holes in Safety Net for Jobless NYers*

New York, New York—Today, the New York State Department of Labor released new figures revealing that the state’s unemployment rate jumped to 7.0 percent in December, the highest figure recorded in the state since 1994. Over 671,000 New Yorkers were unemployed in December, an increase of 229,000 (52 percent) from December of 2007. The national recession began in December 2007.

New York’s 7.0 percent unemployment rate last month was up from November’s revised level of 6.0 percent. The U.S. unemployment rate was 7.2 percent in December and 6.8 percent in November 2008. [All figures in the first two paragraphs are seasonally adjusted.]

Both the one-month unemployment increase of 1.0 percent and the 229,000 12-month increase in the unemployed count are all-time highs in the 32-year official Labor Department series.

“While New York State lagged the nation in entering the recession, we are catching up with a vengeance,” stated James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute. “New York City’s unemployment rate also surged in December to 7.4 percent from 6.3 percent in November, putting the city’s rate higher than the national unemployment rate.”

“With companies slicing payrolls, more New Yorkers are depending on an unemployment check to keep their family afloat and avoid poverty. Yet, the economic security provided by the benefit is lacking,” said Andrew Stettner, Deputy Director of the National Employment Law Project.

The dismal jobs report puts a spotlight on the need for immediate improvements to New York’s jobless safety net:

- The maximum weekly unemployment benefit is just \$405 per week, and has been frozen at that level since 2000. Meanwhile, the average weekly wage has risen over 42 percent since 1999, when the maximum unemployment benefit was set at one half of the average weekly

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wage. If the maximum benefit level had been adjusted annually to keep pace with changes in the average weekly wage as is done in 32 other states, it would now be \$577.

- New York fares very poorly compared to other states. New York's unemployment benefit replaces just 26.6 percent of the average worker's paycheck. That's lower than every state except Alaska.
- New York's benefits are particularly paltry compared to other states impacted by the financial crisis and the recession. Jobless workers laid off in New Jersey can qualify for \$560 per week, and in Connecticut, \$519 per week. Other neighboring states like Pennsylvania (\$560 per week) and Massachusetts (\$628 per week) pay even more.

Stettner urged state lawmakers to reform the program by passing two bills introduced in the state legislature last June (A.11637 and S.8718). "Fixing New York's unemployment insurance program should be high on the agenda for reform in Albany as the legislative session begins next week. Albany can pick up on good work started at the end of last session that would have bolstered benefits and the trust fund's solvency," Stettner said.

New York is poised to get federal help for the purpose of modernization under the terms of the stimulus plan proposed by the U.S. House of Representatives in concert with President Obama. Under the plan, New York would qualify for an immediate distribution of \$403 million—the most of any state—giving New York additional resources to fix the state's safety net.

New York's December unemployment surge means that the state will now qualify for an additional 13-week extension in federally-funded unemployment benefits. This provision was included in federal legislation enacted last November. New York workers are now eligible for a total of 33 weeks of extended benefits. Workers will be able to file for benefits starting February 22, 2009.

In addition to being an important part of the safety net for workers losing their jobs, unemployment benefits pump spending power into local economies across the state. Thus, unemployment benefits provide an important boost to local businesses during a recession, helping to stave off further job losses.

During the previous recession earlier in this decade, unemployment benefits paid in New York State increased by \$2.6 billion between 2000 and 2002—fully 18 percent of the growth in total incomes over these two years, according to FPI's Parrott. In some parts of the state, the benefits were even more important, he said. "In the Southern Tier region of the state, unemployment benefits were 88 percent of income growth during the recession. In New York City, over one third (36 percent) of income growth came from the increase in unemployment benefits paid out."

"The unfortunate failure to adjust New York's maximum weekly unemployment benefit to keep pace with the growth in average wages is costing New York's businesses hundreds of millions of dollars in consumer purchases, and ultimately worsening the state's already bleak job picture," Parrott said.

*The National Employment Law Project ([www.nelp.org](http://www.nelp.org)) works to promote policies and programs that create good jobs, strengthen upward mobility, enforce hard-won worker rights, and help unemployed workers regain their economic footing through improved benefits and services.*

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is a nonpartisan research and education organization that focuses on the tax, budget, and economic public policy issues that affect the quality of life and the economic well being of New York State residents.*