



## *New York's unemployment insurance system: A vital safety net for New York workers and their families during economic downturns*

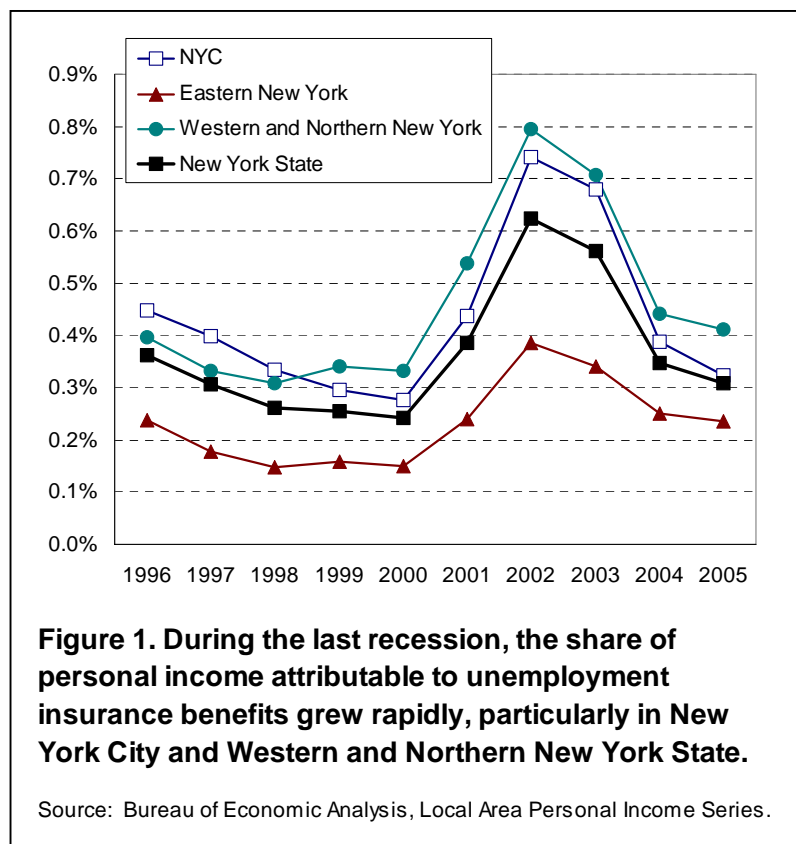
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The unemployment insurance system serves as government's first responder to economic problems. During economic downturns, the unemployment insurance system boosts communities and families and helps displaced workers find new jobs. During the last recession state unemployment benefits increased by \$2.6 billion between 2000 and 2002, accounting for a sixth of the net growth in total personal income during that period.

Unemployment benefits work to mitigate the impact of recessions in every county of New York State. As a percentage of personal income, unemployment insurance benefits can increase rapidly in response to an economic downturn, as shown in Figure 1. At peak unemployment levels in 2002-2003, they constituted over one percent of personal income in 18 upstate counties. (See Figure 2, page 3.)

But New York's unemployment insurance system could do more to adapt to a changing economy and workforce. From 2000 to 2002, unemployment insurance payments increased faster in the United States than in New York (165 percent vs. 159 percent), despite the fact that New York's job losses during the recession and downturn were nearly twice that of the nation. New York is getting less economic charge from the program than it could.

- Only 41 percent of the jobless receive unemployment insurance benefits, with hundreds of thousands left out each year, either because they do not apply for benefits or because they do not meet the eligibility requirements.
- Benefits in New York are set at 50 percent of the a worker's average weekly wage, up to a statutory maximum of \$405. On average, New York's weekly benefit is \$296, only 26.9 percent of the state's average weekly wage. Only two states (Alaska and Arizona) and the District of Columbia provide a lower average level of protection against the financial impact of job loss.



- Maximum unemployment insurance benefits have not kept pace with even modest increases in wages; New York has not increased its \$405 weekly maximum benefit since September 2000.
- Unlike 13 states and the District of Columbia, New York does not provide any additional benefits to workers with children.
- An arbitrary \$20 million annual cap on the extension of benefits for workers participating in approved training programs leaves thousands of unemployed people unable to develop the new skills needed to advance their careers.

There is growing evidence that the national and state economies are entering a recession:

- New York's job growth tapered off during the latter part of 2007, with the number of jobs increasing only 0.1 percent on a seasonally adjusted basis in January. New York State's unemployment rate rose to 5.6 percent in January 2008, up by 0.6 percentage points from 5.04 percent a year earlier.
- There were 536,600 New Yorkers unemployed in January 2008, 61,900 more than a year ago. As shown in Figure 3, both the number of unemployed and the unemployment rate is rising faster in New York than nationally. Figure 4 shows that the number of unemployed went up by more than 12 percent in 21 of New York's 62 counties.

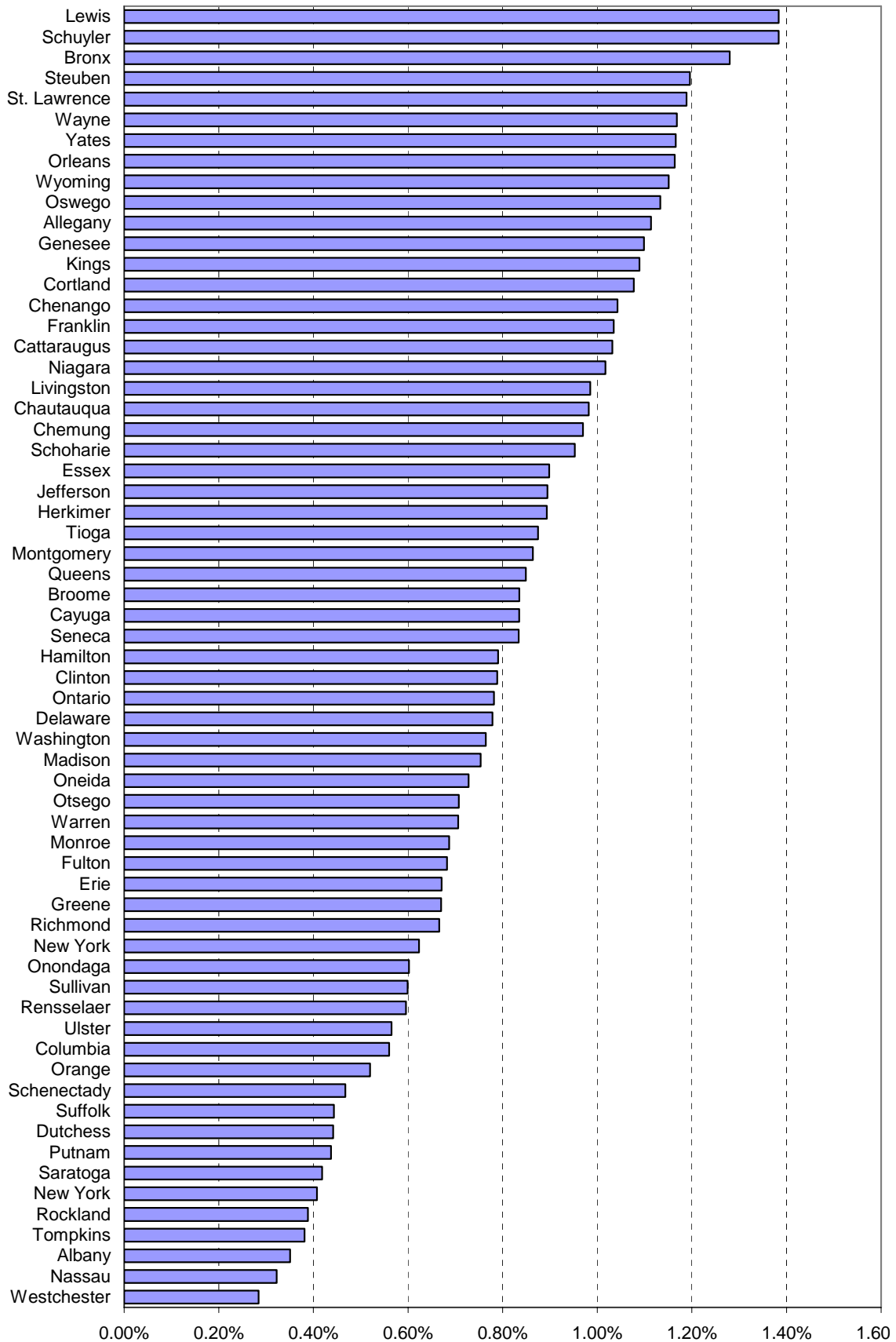
With a recession looming for the national economy, a federally funded extension of unemployment benefits beyond 26 weeks would serve as an effective and efficient way to provide a significant short-term economic stimulus. An extension of unemployment insurance benefits will put money in the hands of families guaranteed to spend it quickly, providing a needed immediate boost to consumer demand. Mark Zandi of Moody's Economy.com found that extending unemployment benefits so that workers' benefits don't run out before they can find a new job generates fully \$1.64 in increased activity per dollar of cost. An extension of benefits would be particularly helpful to New York, which has 98,000 workers unemployed for more than 26 weeks—the fourth highest share of long-term unemployed.

In the long run, strengthening the New York State unemployment insurance system remains a state responsibility:

- The weekly maximum benefit should be restored to half the average weekly wage, and to prevent future erosion, should be indexed to changes in wages.
- Funding should be increased for Section 599 of the Unemployment Insurance law, to enable more displaced workers to access training opportunities.
- The taxable wage base should be increased, and indexed for inflation. New York's current wage base (\$8,500) is among the lowest in the nation. As a result, New York's trust fund is chronically under-funded. Over the past five years, New York has needlessly paid \$36 million in interest and penalties by borrowing when the trust fund was depleted.
- The State Department of Labor should and implement administrative reforms that would increase the percent of initial applicants found eligible and simplify the appeals process.

In a volatile economy with frequent layoffs and job changes, it is critically important that unemployed workers have the support they need to tide them over while they look for a new job. A strengthened unemployment insurance program can help boost the economy of every county in the state.

**Figure 2. At the height of the previous recession in 2002, unemployment insurance benefits were a significant share of personal income in every county.**



Source: Bureau of Economic Analysis, Local Area Personal Income series.

**Figure 3. The number of unemployed New Yorkers grew by 85,000 last year.**

Area	Number of unemployed December 2007	Unemployment rate December 2007	December 2006 to December 2007			
			Change in number of unemployed		Change in unemployment rate	
			Number	Percent	Percentage point increase	Percent change
<b>United States</b>	<b>7,371,000</b>	<b>4.8%</b>	<b>880,000</b>	<b>13.6%</b>	<b>0.5%</b>	<b>11.6%</b>
<b>New York State</b>	<b>448,000</b>	<b>4.7%</b>	<b>85,000</b>	<b>23.4%</b>	<b>0.9%</b>	<b>23.7%</b>
<b>Metropolitan Areas</b>						
New York City	198,400	5.2%	44,700	29.1%	1.2%	30.0%
Putnam-Rockland-Westchester	25,600	3.7%	4,100	19.1%	0.6%	19.4%
Nassau-Suffolk	56,300	3.8%	8,900	18.8%	0.6%	18.8%
Albany-Schenectady-Troy MSA	18,400	4.1%	3,100	20.3%	0.7%	20.6%
Binghamton MSA	5,800	4.7%	900	18.4%	0.7%	17.5%
Buffalo-Niagara Falls MSA	30,100	5.2%	4,100	15.8%	0.7%	15.6%
Elmira, NY MSA	2,000	4.8%	300	17.6%	0.5%	11.6%
Glen Falls, NY MSA	3,300	5.1%	500	17.9%	0.9%	21.4%
Ithaca MSA	1,700	3.1%	100	6.2%	0.2%	6.9%
Kingston MSA	4,000	4.3%	800	25.0%	0.8%	22.9%
Poughkeepsie-Newburgh-Middletown MSA	13,300	4.1%	2,300	20.9%	0.7%	20.6%
Rochester MSA	25,200	4.8%	4,700	22.9%	0.9%	23.1%
Syracuse MSA	15,000	4.6%	1,700	12.8%	0.6%	15.0%
Utica-Rome MSA	6,700	4.8%	1,000	17.5%	0.8%	20.0%
<b>Non-Metro Counties</b>						
Allegany	1,500	6.2%	400	36.4%	1.4%	29.2%
Cattaraugus	2,400	5.7%	500	26.3%	1.1%	23.9%
Cayuga	2,200	5.2%	400	22.2%	1.0%	23.8%
Chautauqua	3,300	5.0%	700	26.9%	1.0%	25.0%
Chenango	1,400	5.7%	300	27.3%	1.3%	29.5%
Clinton	2,200	5.5%	200	10.0%	0.6%	12.2%
Columbia	1,400	4.3%	400	40.0%	1.0%	30.3%
Cortland	1,300	5.5%	100	8.3%	0.6%	12.2%
Delaware	1,200	5.1%	400	50.0%	1.5%	41.7%
Essex	1,200	6.7%	200	20.0%	1.1%	19.6%
Franklin	1,400	6.3%	200	16.7%	1.2%	23.5%
Fulton	1,700	6.4%	400	30.8%	1.5%	30.6%
Genesee	1,800	5.3%	400	28.6%	1.0%	23.3%
Greene	1,200	5.1%	100	9.1%	0.7%	15.9%
Hamilton	200	8.2%	-	0.0%	1.7%	26.2%
Jefferson	3,000	6.3%	500	20.0%	1.0%	18.9%
Lewis	800	6.0%	200	33.3%	1.2%	25.0%
Montgomery	1,400	5.8%	200	16.7%	1.0%	20.8%
Otsego	1,500	4.8%	300	25.0%	0.9%	23.1%
St. Lawrence	2,800	5.7%	300	12.0%	0.8%	16.3%
Schuyler	600	6.3%	100	20.0%	1.2%	23.5%
Seneca	800	4.9%	100	14.3%	0.8%	19.5%
Steuben	2,600	5.9%	500	23.8%	1.1%	22.9%
Sullivan	2,000	5.6%	300	17.6%	0.8%	16.7%
Wyoming	1,300	5.7%	300	30.0%	1.1%	23.9%
Yates	600	4.7%	100	20.0%	0.8%	20.5%

Source: New York State Department of Labor.





*The Fiscal Policy Institute is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.*

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