



## CASUALTY OF CHAOS: The Cost of Albany's Inaction on Jobless Benefit Increases

A Joint Report of the Fiscal Policy Institute and  
the National Employment Law Project

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### EXECUTIVE SUMMARY

The unemployment insurance (UI) program is more important than ever for New York families, given escalating job loss and unemployment throughout the state. The UI program serves a crucial role in any plan to protect working families from the worst effects of the severe recession that grips the state's economy. After all, hundreds of thousands of workers in New York have been thrown out of work through no fault of their own.

And, UI strengthens the economy generally as well. Those receiving UI benefits spend them directly on necessities such as food, housing, transportation, and medical care. UI benefits thus provide targeted economic stimulus, in precisely those areas that have been hit by high levels of job loss. New York's maximum weekly unemployment insurance benefit has been frozen at \$405 for a decade and has fallen woefully behind nearly every other state in the extent to which it replaces wages lost when workers become unemployed.

### New York's economy continues to falter – in every region, in every industry

New York's unemployment crisis is worsening as the "Great Recession" deepens. The Empire State has lost 216,400 jobs since payroll employment peaked in July 2008. The number of unemployed New Yorkers soared to 802,400 in May 2009 – up by more than 300,000 over the past year, and the highest number on record since 1976.

Workers all across the state, from Long Island to Niagara Falls, have experienced job loss and unemployment. In May, the statewide unemployment rate rose to 8.2 percent: New York City's

unemployment rate jumped to 9 percent, and 55 counties had unemployment of seven percent or higher. Fully 55 percent of the state's unemployed workers reside outside of New York City.

Unemployment is higher among men, blacks and Hispanics. Among black men, the "official" unemployment averaged 15.2 percent for the 12 months through April 2009. However, over this 12-month period, the "real" unemployment rate—one that also includes those who have become discouraged and ceased their job search as well as part-time workers who would prefer full-time employment—was nearly 20 percent for black men. Not merely a downstate phenomenon, these trends are echoed in the big upstate cities.

Virtually every industry and occupation is affected. As of early 2009, the number of those on the UI rolls with a 4-year college degree or better had increased 116 percent over the prior year. Among occupations, blue collar and service workers were the two largest groups receiving UI – but professional workers ranked third in number.

### **Unemployment insurance helps families and the whole economy**

Unemployment insurance provides a vital lifeline for hundreds of thousands of New York workers. Through the middle of June, 800,000 New York workers have filed initial claims for unemployment insurance so far in 2009. That is, every week, on average more than 33,000 workers turn to the UI system for support. As of mid-June, the pace of initial unemployment claims is running 50 percent greater than for the same period a year ago.

Economists see increasing UI benefits as one of the most effective forms of economic stimulus. Every dollar of UI benefits generates \$1.64 in economic activity, supporting not only families that spend benefits on daily needs, but also the local businesses that provide needed goods and services.

### **How other states use UI to stimulate their economies**

Two thirds of states index weekly UI benefits so that they increase automatically with the average weekly wage. More than a third of these states have pegged their maximum benefits to at least two thirds of average weekly wages. Laid-off workers qualify for \$584 per week in New Jersey, \$519 per week in Connecticut, \$558 per week in Pennsylvania, and \$628 per week in Massachusetts. Even states that have significantly lower costs of living, such as Kansas and Arkansas, have maximum benefit amounts that are higher than New York's \$405.

Many of New York's neighboring states also configure their UI benefit systems to raise the wage replacement for low-wage workers.

### **Recommendations**

New York's maximum benefit amount has remained unchanged since 2000. 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 – in the New York City metro area, by 30 percent. And New York's average wages have risen: today, \$405 replaces only 35 percent of average weekly wages in the state. New York's *average* weekly benefit of about \$310 replaces

less than 27 percent of the average weekly wage, putting New York in 49<sup>th</sup> place compared to other states in terms of how well its UI benefits support recipients and their families.

- **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.** Currently, half of the average weekly wage is \$577. At that point, the maximum benefit should be indexed to the average weekly wage so that its purchasing power does not seriously erode as it has during this decade.
- **Legislative action is essential for the UI program to fulfill its role as an economic stabilizer.** Increasing benefits will help families and small businesses in every county: Had the maximum weekly benefit been increased to \$475 a year ago (an amount would be a reasonable first phase increase), nearly \$267 million in additional benefit dollars would have been distributed to about 283,000 New Yorkers. Eleven counties across the state would have seen an increase in benefits of 10 percent or more. Overall, benefit dollars would have risen by 8.7 percent in the first year. The analysis shows that upstate and western counties in particular would see large per capita increases if the maximum benefit were raised - with a benefit increase bringing the largest bang for the buck upstate in Niagara, Wayne and Montgomery counties.
- **New York should configure its UI benefit system 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.
- **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.** 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.

These improvements in New York’s unemployment insurance system will dramatically strengthen the State’s path to economic recovery.

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## NEW YORK’S WORSENING UNEMPLOYMENT CRISIS

New York’s unemployment crisis is worsening as the national “Great Recession” deepens. The state has lost 216,400 jobs since payroll employment peaked in the Empire State in July of 2008.

The number of New Yorkers officially counted as unemployed soared to 802,400 in May 2009, up by more than 300,000 over the past year, and the most officially without work since 1976.<sup>1</sup>

The seasonally adjusted unemployment rate jumped to 8.2 percent in May, from 7.7 percent the month before, and from 5.2 percent in May of 2008. This is the highest unemployment rate for the state in more than 16 years. Job loss and unemployment are affecting workers all across the state, from Long Island to Niagara Falls. During the last downturn from 2001 to 2003, the state's unemployment rate peaked at 6.5 percent. In May of this year, only two out of New York's 62 counties (Saratoga and Tompkins counties) had an unemployment rate that low or lower. Fifty-five counties had unemployment of 7 percent or higher in May.

**Table 1: Unemployment has soared in New York State over the past year, both in New York City and in the rest of the State**

|                             | May 2009 | May 2008 | Change from May 2008 to May 2009 |
|-----------------------------|----------|----------|----------------------------------|
| <b>Unemployment Rate</b>    |          |          |                                  |
| New York State              | 8.2%     | 5.2%     | 3.0%                             |
| New York City               | 9.0%     | 5.1%     | 3.9%                             |
| Rest of the State           | 7.7%     | 5.2%     | 2.5%                             |
|                             |          |          |                                  |
| <b>Number of Unemployed</b> |          |          |                                  |
| New York State              | 802,437  | 500,360  | 302,077                          |
| New York City               | 361,062  | 202,225  | 158,837                          |
| Rest of the State           | 441,375  | 295,135  | 146,240                          |

*Source:* New York State Department of Labor. The unemployment rate and the number of unemployed are seasonally adjusted.

New York City's unemployment rate jumped from 8 percent to 9 percent in May, the highest it has been in nearly 12 years. The unemployment rate for the balance of the state was lower than in New York City, at 7.7 percent in May. However, that is the highest unemployment has been in the rest of the state in 26 years (since 1983). Fifty-five percent of the state's unemployed workers reside outside of New York City.

### Demographic Trends in Unemployment

Whatever the overall unemployment rate, certain demographic groups are usually hit much harder by job loss and the difficulty of finding employment. In New York in recent years, unemployment has been higher among men than among women, and it has been much higher among blacks and Hispanics than among non-Hispanic whites. The first column of Table 2 shows the official unemployment rates for various demographic groups for the 12 months through April 2009.<sup>2</sup>

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<sup>1</sup> New York payroll employment change computed on a seasonally adjusted basis by the Fiscal Policy Institute. Unemployment data in this and the following two paragraphs from the New York State Department of Labor.

<sup>2</sup> Because of the limited sample size for New York State of the monthly Current Population Survey, the survey used by the U.S. Labor Department to calculate the monthly unemployment figures, several months of data need to be pooled

**Table 2: Unemployment is much higher among men, blacks and Hispanics, and “real unemployment” rates are much higher when discouraged and under-employed workers are taken into account<sup>3</sup>**

| New York State             | Official Unemployment Rate<br>(May 2008 - April 2009) | Real Unemployment Rate*<br>(May 2008 - April 2009) |
|----------------------------|---|--|
| All Workers                | 6.4%  | 11.3%  |
| Male                       | 7.1%  | 12.1%  |
| Female                     | 5.8%  | 11.0%  |
| White, non-Hispanic male   | 5.5%  | 8.6%   |
| Black, non-Hispanic male   | 15.2%   | 19.9%  |
| Hispanic male              | 7.7%  | 12.0%  |
| Asian and other male       | 6.4%  | **   |
| White, non-Hispanic female | 4.6%  | 7.8%   |
| Black, non-Hispanic female | 8.7%  | 13.2%  |
| Hispanic female            | 7.4%  | 13.0%  |
| Asian and other female     | 4.5%  | **   |

\*“Real Unemployment Rate” is the U.S. Department of Labor’s U-6 Definition: “Total (‘official’) unemployed, plus all marginally attached (including ‘discouraged’) workers, plus total employed part-time for economic reasons, as a percent of the civilian labor force, plus all marginally attached workers.”

\*\* The Current Population Survey does not provide a sufficient sample size to determine the “real” unemployment rate for the “Asian and other” demographic group.

*Source:* Current Population Survey. Analysis by Fiscal Policy Institute.

What is most astounding from the data in Table 2 is the extremely high level of official unemployment among black men. At 15.2 percent in New York State (and about the same level in New York City), black male unemployment during this May 2008-to-April 2009 period was higher than for the nation overall (13.9 percent). For May 2009, the latest month for which data are available, black male unemployment in the U.S. was 16.8 percent. This suggests that it might be about the same, if not higher, in New York State.

The extremely high black male unemployment rate is not limited to New York City. For the 12 months through April 2009, black male unemployment was 15.0 percent in New York City, suggesting that, since the statewide black male unemployment rate was 15.2 percent for that period, it is very likely about the same, or higher, in the balance of the state. In fact, data from the latest year (2007) of the Census Bureau’s American Community Survey suggest black unemployment rates are very high in most of the other large cities in New York.<sup>4</sup>

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to analyze unemployment for specific demographic sub-groups within the New York labor force. For the analysis summarized in Table 2, 12 months of data for May 2008 through April 2009 were analyzed by the Fiscal Policy Institute.

<sup>3</sup> Note that for May 2009, New York State’s official, seasonally adjusted unemployment rate for all workers was 8.2 percent. This table averages 12 months of data in order to analyze demographic detail.

<sup>4</sup> For the cities of Yonkers and Buffalo, the American Community Survey for 2007 indicated that the black unemployment rate was about twice the white unemployment rate, while for the cities of Rochester and Syracuse, the

Many analysts understand that the “official” unemployment rate understates the true picture of unemployment since it does not include workers who have become so discouraged about their prospects for finding work that they have stopped looking, or workers who are underemployed at part-time jobs although they want full-time employment. Table 2 contrasts the “real” unemployment rate that factors in discouraged and underemployed workers with the official unemployment rate for New York for the same demographic groups.

For all New York workers, the real unemployment rate for the past year has been 11.3 percent, nearly twice the official unemployment rate of 6.4 percent. Real unemployment rates for both men and women were in double digits, and for black males, the real unemployment rate over this 12-month period was nearly 20 percent. In New York City, the real black male unemployment rate for this period was 23.3 percent.

### Job Loss among New York’s Industries and Occupations

Job loss and unemployment are affecting workers in virtually every industry and occupation. For example, as of February, the number of unemployed New Yorkers receiving unemployment insurance (UI) benefits was nearly 310,000, representing a 77 percent increase over the prior 12 months.<sup>5</sup> While over half of UI recipients had only a high school education or less, there had been a 116 percent increase over the prior year in the number of those with a 4-year college degree or better on the UI rolls. Among occupations, blue collar and service workers were the two largest groups receiving UI, but professional workers ranked third in number.<sup>6</sup>

And although last fall there were numerous news reports predicting that finance sector workers would soon be joining the unemployment rolls in large numbers, the biggest increases among industries in representation on the UI rolls are led by manufacturing, followed by professional services, wholesale trade, transportation, and retail trade.

The widespread character of New York job losses in this recession is clearly reflected in Table 3, which shows the decline in payroll employment by major industry sectors since last July’s peak employment level. Manufacturing tops all sectors in the job loss column with a decline of nearly 40,000 jobs between July 2008 and May 2009. The Finance and Insurance sector is second with a decline of 26,200 jobs, but it is closely followed by losses in Construction (25,900), Administrative Support Services (25,300), and Retail Trade (25,100). The Government sector is next in line with the loss of 22,300 jobs. Among the sectors (besides Manufacturing, Construction, and Administrative Support Services) that have lost proportionately more jobs than the Finance sector are Wholesale Trade, Transportation, and the Arts, Entertainment and Recreation sector.

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black unemployment rate was about three times the white unemployment rate. For example, in Syracuse, the white unemployment rate was 6.0 percent while for blacks it was 18.3 percent. American Community Survey, 2007.

<sup>5</sup> Recipient figure is for the regular (state) UI program only. As of the week ending June 20, there were 527,179 total UI recipients in New York through the regular state program as well as the federal Emergency Unemployment Compensation and Extended Benefits programs combined. Source: New York State Department of Labor.

<sup>6</sup> Data on characteristics of UI beneficiaries provided by the New York State Department of Labor.

**Table 3: Job losses widespread across most sectors in New York State since the July 2008 peak**

| Sector                             | Change from July 2008 - May 2009 | Percent Change from July 2008 - May 2009 |
|------------------------------------|----------------------------------|--|
| Total Nonfarm                      | -216,389                         | -2.4%                                    |
| Construction                       | -25,942                          | -7.1%                                    |
| Manufacturing                      | -39,552                          | -7.4%                                    |
| Wholesale Trade                    | -19,998                          | -5.7%                                    |
| Retail Trade                       | -25,139                          | -2.8%                                    |
| Transportation and Utilities       | -12,090                          | -5.3%                                    |
| Information                        | -10,632                          | -4.0%                                    |
| Finance and Insurance              | -26,193                          | -4.9%                                    |
| Real Estate                        | -5,024                           | -2.7%                                    |
| Professional and Business Services | -17,026                          | -2.9%                                    |
| Management of Companies            | 665                              | 0.5%                                     |
| Administrative Support Services    | -25,349                          | -5.8%                                    |
| Educational Services               | 14,789                           | 3.9%                                     |
| Health Care and Social Assistance  | 13,395                           | 1.1%                                     |
| Arts, Entertainment and Recreation | -7,700                           | -5.3%                                    |
| Accommodation and Food Services    | -5,428                           | -0.9%                                    |
| Other Services                     | -2,091                           | -0.6%                                    |
| Government                         | -22,304                          | -1.5%                                    |

*Source:* NYS Department of Labor, seasonally adjusted by the Fiscal Policy Institute

As bad as the net payroll job loss numbers are, they significantly understate the real picture of people losing jobs in a recessionary economy. Some industries, like private educational services and health care, have kept adding jobs, and even in sectors showing a net decline, some businesses may be adding jobs – and both possibilities mask a greater magnitude of actual layoffs. And often, the payroll survey gets revised many months later, usually showing an even greater extent of job loss during a downturn.

Even if the national economy “bottoms out” this fall, as many economists project, most economists also expect unemployment to continue rising for several months and for high unemployment to persist for even longer, possibly through the next two to three years. Unemployment is a lagging indicator, meaning that it typically continues to rise even after an economic recovery technically gets underway.<sup>7</sup> And if this is a jobless recovery like the last one, significant job growth will not begin until several months after the economy bottoms out.

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<sup>7</sup> In part, this results from the fact that in the early stages of recovery, the number of people re-entering or entering the labor force exceeds the number of new jobs added, increasing the number of unemployed.

## NEW YORK'S FAILING SAFETY NET FOR THE UNEMPLOYED

### New York's Unemployment Insurance Program: the "First Responder" to Job Loss and the Recession

Due to this expected long-term rise in unemployment, it is imperative that New York has a sufficient safety net in place as families throughout the state continue to experience joblessness.

Unemployment insurance provides a vital lifeline for literally hundreds of thousands of New York workers. Through the middle of June, 800,000 New York workers have filed initial claims for unemployment insurance so far in 2009. That's an average of over 33,000 workers turning to the UI system for support each and every week this year. And the pace of initial claims this year is much greater than last year. As of mid-June, the 12-week moving average of initial unemployment claims is running 50 percent greater than for the same period a year ago.<sup>8</sup>

Unemployment insurance serves a crucial function in ameliorating the severe effects of the recession on working families in the state by alleviating hardship. Families that receive UI benefits spend them directly on necessities such as food, housing, transportation, and medical care. In this way, UI benefits also stabilize local economies and provide economic stimulus, particularly in local areas that have been hit by high levels of job loss. In fact, a recent analysis found that every dollar of UI benefits generates \$1.64 in economic activity, supporting not only families that spend benefits on daily needs, but also the local businesses that provide needed goods and services.<sup>9</sup>

These goals are undermined when benefit amounts are kept low through statutory caps or legislative inaction. When benefit levels are inadequate and consumer spending falters further, local businesses lose out on prospective consumers, and economic recovery weakens. This is exactly the case of the UI program in New York: the state's UI program has been severely weakened by a low statutory cap on maximum benefits – currently at \$405 per week – that has not been increased for nearly a decade. This has resulted in not only low overall benefit amounts, but also a decline in the purchasing power of benefits. As such, the UI program's role as an economic stabilizer is jeopardized, exacerbating the recession and job loss. In the end, the state will remain on a much weaker path to economic recovery without a sufficient increase in benefit levels that more effectively meets the needs of unemployed New Yorkers and helps sustain consumer spending in local communities throughout the state during the recession.

### New York's Maximum Benefit: Unchanged for Nearly a Decade

New York's maximum benefit amount has remained unchanged, at \$405 per week, since 2000.<sup>10</sup> At the time the maximum was set, in 1999, \$405 replaced half of the average weekly wage in New York – meaning that most UI recipients who qualified for the maximum benefit would see approximately half of their paychecks replaced with UI benefits.

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<sup>8</sup> Data on initial unemployment claims from the New York State Department of Labor, analysis by the Fiscal Policy Institute.

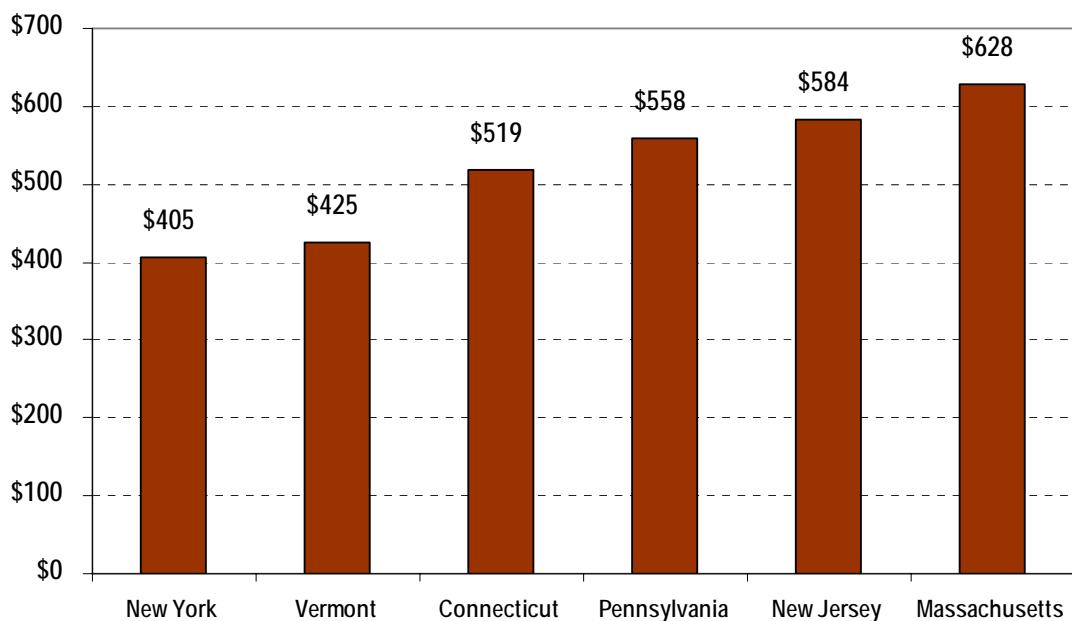
<sup>9</sup>Zandi, Mark. *Assessing the Macro Economic Impact of Fiscal Stimulus 2008*. Moody's Economy.com

<sup>10</sup> During 2009, UI recipients receive an additional \$25 per week in their benefit checks, bringing New York's total maximum benefit to \$430. This addition is federally-funded and made possible through the American Recovery and Reinvestment Act.

In the time that has lapsed, however, consumer prices have increased by 25 percent nationally (and by 30 percent in the New York metro area). While New York's average wages have also risen, its maximum benefit level has remained stagnant, resulting in a weekly amount that effectively replaces a smaller portion of the average weekly wage. Today, \$405 replaces only 35 percent of average weekly wages in the state, leaving UI recipients with less income support at a time when it is needed most. If benefit levels had kept pace with wages, New York's current maximum amount would now be \$577, 42 percent greater than the existing maximum.

New York's maximum benefit amount also fares poorly when compared to that of surrounding states. In fact, New York's maximum is lower than that of *all* of our neighboring states: laid-off workers qualify for \$584 per week in New Jersey, \$519 per week in Connecticut, \$558 per week in Pennsylvania, and \$628 per week in Massachusetts. Even states that have significantly lower costs of living, such as Kansas and Arkansas, have maximum benefit amounts (\$423 and \$431, respectively) that are higher than that of New York.

**Table 4: New York's maximum UI benefit amount fare poorly when compared to those of its neighboring states**



*Source:* US Department of Labor Employment and Training Administration, Office of Workforce Security Significant Provisions of State Unemployment Insurance Laws January 2009

During the 12-month period through March 2009, the *average* benefit amount in the state (\$309.77) replaced only 26.8 percent of the average weekly wage. Only one other state – Alaska – replaces a lesser portion of wages.<sup>11</sup> New York therefore ranks 49th out of all 50 states in terms of how well its UI benefits are actually able to support recipients and their families, based on workers' prior wages before losing their job.

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<sup>11</sup> US Department of Labor, Employment and Training Administration, Office of Workforce Security, Division of Fiscal and Actuarial Services. *UI Data Summary 1<sup>st</sup> Quarter CY 2009*.

## Proposed Legislation Brings New York's Maximum Benefits Up to Par

Proposed legislation in both the Assembly and Senate seeks to address these failures of New York's UI program by raising the maximum benefit amount and eventually indexing it to the average weekly wage. The maximum benefit, under the current proposal, would increase in the increments shown in Table 5.

**Table 5: Proposed increases bring New York's benefits up to par**

|                         |                       |
|-------------------------|-----------------------|
| Current Maximum Benefit | \$405                 |
| July 2009               | \$475                 |
| July 2010               | \$525                 |
| July 2011               | \$575                 |
| July 2012               | \$625                 |
| July 2013               | ½ Average Weekly Wage |

The proposals also call for indexing the maximum benefit amount, to one-half of average weekly wages, in 2013. Doing so will guarantee that New York's benefit amounts do not fall seriously out-of-date, thus compromising the role of the UI program, in the future. Thirty-four states and the District of Columbia - including New York's neighboring states, mentioned above - have already indexed their maximum benefit amounts to a set percentage of their average wages each year. Moreover, 11 states and the District of Columbia have indexed their maximum benefits to at least two-thirds of average weekly wages, setting the cap at a sufficient level to assure that low- and moderate-wage workers receive fair jobless benefits. Indexing the maximum benefit will not only result in more meaningful income support for families who are experiencing joblessness, but will also prevent the extremely low replacement rates and comparatively dismal benefit amounts that plague the state's program today. For a full list of states that currently index their maximum benefits amounts, see Appendix A.

## Raising the Maximum Benefit Amount: What it Means for New York's Counties and Local Businesses

Increasing the maximum benefit amount will result in economic stimulus for counties and local businesses throughout the state, a key element to lessening the already severe impact of the recession. The local significance of a benefit increase is illustrated through an analysis of the first proposed increase of 17 percent – from \$405 to \$475 – and its potential economic impact, by county, based on benefit levels for the twelve-month period ending March 2009.

In total, nearly \$267 million in additional benefit dollars would have been distributed to about 283,000 of the 673,000 UI recipients throughout the state had the maximum amount been \$475 during the last year. This would have represented an 8.7 percent increase in the total benefit dollars distributed to New Yorkers. Table 6 presents county-level data on the results of the first increase in terms of the number of UI recipients receiving higher benefit amounts, the total additional benefit funding distributed, and the percent increase in total benefits paid.

**Table 6: Gains of a maximum benefit increase are widespread throughout the state<sup>12</sup>**

| County      | Number of Recipients | Maximum Benefit Increase | % Increase in Total Benefits Paid | County       | Number of Recipients | Maximum Benefit Increase | % Increase in Total Benefits Paid |
|-------------|----------------------|--------------------------|-----------------------------------|--------------|----------------------|--------------------------|-----------------------------------|
| Albany      | 3,643                | 3,442,612                | 9.4%                              | Niagara      | 4,834                | 4,567,751                | 9.1%                              |
| Allegany    | 624                  | 589,856                  | 7.8%                              | Oneida       | 2,928                | 2,766,985                | 8.6%                              |
| Broome      | 2,863                | 2,705,601                | 9.0%                              | Onondaga     | 7,040                | 6,653,256                | 9.5%                              |
| Bronx       | 12,254               | 11,580,211               | 5.4%                              | Ontario      | 1,735                | 1,639,942                | 10.0%                             |
| Cattaraugus | 1,322                | 1,249,385                | 8.2%                              | Orange       | 5,643                | 5,332,334                | 10.3%                             |
| Cayuga      | 1,417                | 1,338,953                | 9.3%                              | Orleans      | 738                  | 697,094                  | 8.7%                              |
| Chautauqua  | 2,147                | 2,029,016                | 9.9%                              | Oswego       | 2,412                | 2,279,722                | 8.1%                              |
| Chemung     | 1,301                | 1,229,282                | 9.8%                              | Otsego       | 742                  | 701,094                  | 7.6%                              |
| Chenango    | 851                  | 804,625                  | 7.7%                              | Putnam       | 1,742                | 1,646,311                | 11.0%                             |
| Clinton     | 1,567                | 1,481,093                | 9.4%                              | Queens       | 25,059               | 23,681,172               | 7.2%                              |
| Columbia    | 815                  | 769,759                  | 9.7%                              | Rensselaer   | 2,399                | 2,267,118                | 9.4%                              |
| Cortland    | 852                  | 804,847                  | 7.8%                              | Richmond     | 7,194                | 6,798,267                | 9.8%                              |
| Delaware    | 527                  | 497,638                  | 6.4%                              | Rockland     | 3,895                | 3,680,989                | 9.9%                              |
| Dutchess    | 4,593                | 4,340,247                | 10.3%                             | Saratoga     | 3,380                | 3,194,358                | 10.6%                             |
| Erie        | 15,668               | 14,806,133               | 9.5%                              | Schenectady  | 2,194                | 2,073,064                | 9.2%                              |
| Essex       | 532                  | 503,065                  | 8.0%                              | Schoharie    | 532                  | 503,081                  | 8.0%                              |
| Franklin    | 631                  | 596,486                  | 7.0%                              | Schuyler     | 321                  | 302,967                  | 8.4%                              |
| Fulton      | 899                  | 849,736                  | 7.9%                              | Seneca       | 423                  | 400,099                  | 8.3%                              |
| Genesee     | 1,113                | 1,051,447                | 9.2%                              | St. Lawrence | 1,687                | 1,594,048                | 7.6%                              |
| Greene      | 739                  | 698,013                  | 8.5%                              | Steuben      | 1,730                | 1,634,910                | 9.3%                              |
| Hamilton    | 74                   | 70,174                   | 6.7%                              | Suffolk      | 28,081               | 26,536,745               | 10.4%                             |
| Herkimer    | 904                  | 854,508                  | 7.5%                              | Sullivan     | 1,069                | 1,010,568                | 7.8%                              |
| Jefferson   | 1,444                | 1,364,352                | 7.4%                              | Tioga        | 906                  | 855,962                  | 10.4%                             |
| Kings       | 26,623               | 25,158,749               | 6.5%                              | Tompkins     | 898                  | 848,847                  | 9.9%                              |
| Lewis       | 494                  | 466,777                  | 7.5%                              | Ulster       | 2,585                | 2,443,102                | 9.2%                              |
| Livingston  | 1,204                | 1,137,727                | 10.0%                             | Warren       | 1,204                | 1,137,814                | 8.4%                              |
| Madison     | 1,116                | 1,054,587                | 9.1%                              | Washington   | 894                  | 845,231                  | 9.1%                              |
| Monroe      | 11,547               | 10,911,779               | 9.7%                              | Wayne        | 1,978                | 1,868,923                | 10.3%                             |
| Montgomery  | 1,050                | 991,790                  | 7.6%                              | Westchester  | 14,916               | 14,096,083               | 10.3%                             |
| Nassau      | 22,000               | 20,789,678               | 10.6%                             | Wyoming      | 864                  | 816,234                  | 8.9%                              |
| New York    | 31,154               | 29,440,428               | 9.5%                              | Yates        | 286                  | 269,806                  | 8.1%                              |

Analysis by the National Employment Law Project

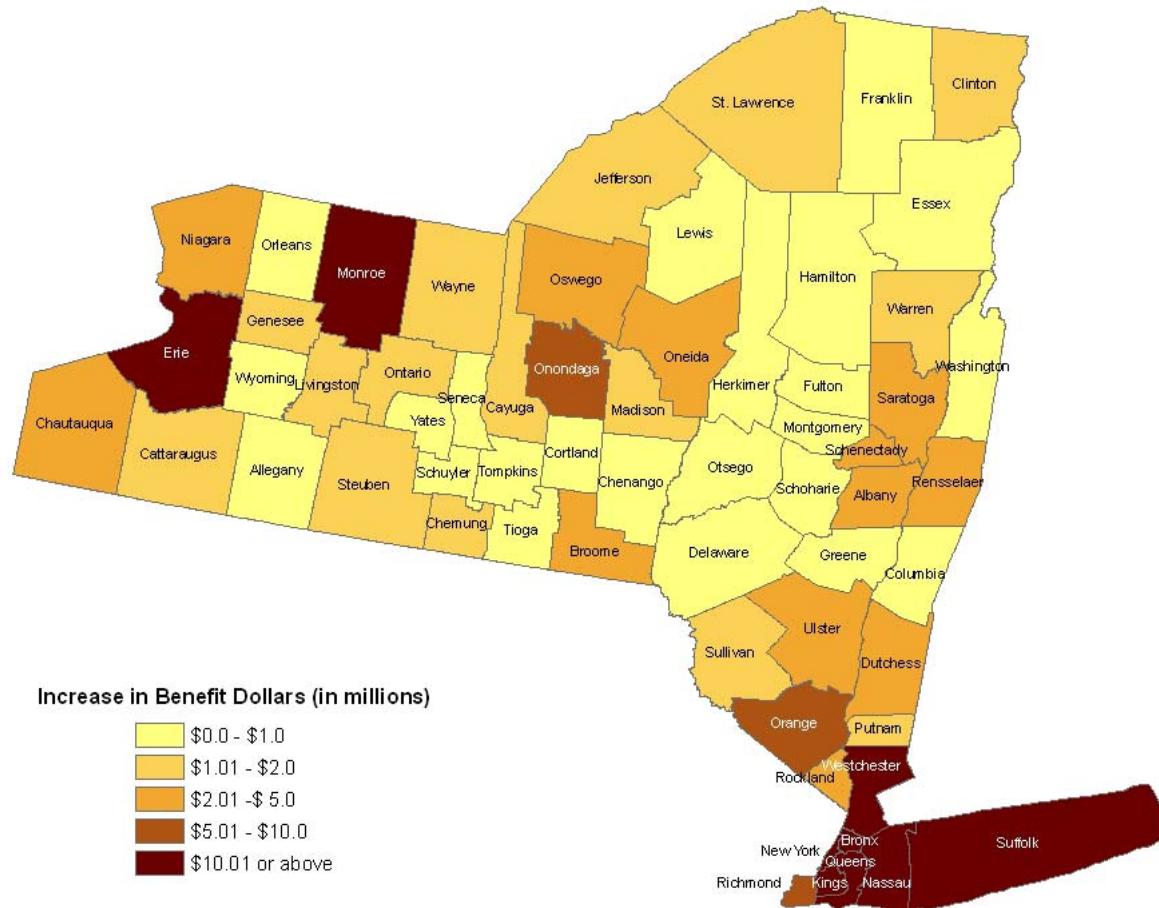
The benefits of an increased maximum UI allocation are spread throughout the state. In many counties – such as Nassau, Suffolk, Tioga, Wayne, Dutchess, Ontario, Westchester and Livingston – the total benefits distributed would have increased by 10 percent or more. The distribution of absolute dollars throughout the state can also be seen below. While many counties with dense populations, that also have more unemployed persons and more UI recipients – such as those in the metropolitan area of New York City – would see some of the largest dollar increases, many counties in western and upstate New York would have also received UI distribution increases of \$2

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<sup>12</sup> Estimates are based on data regarding the number of first payments, and total benefits paid, through the regular state UI program by county. Beneficiaries of the maximum benefit increase (43% of all UI recipients throughout the state) are assumed to be those making \$42,000 per year or more, which puts them at earnings qualifications high enough to receive the increased maximum amount. County-level recipiency and income data were used to estimate the number of beneficiaries and related increase in total benefits paid from April 2008-March 2009 levels. All UI Program data from the NYS Department of Labor, Division of Research and Statistics.

million or more with a higher maximum benefit amount - such as Erie, Niagara, Monroe, Chautauqua, Oneida and Oswego counties.

**Map 1: Counties throughout New York receive UI increases of \$2 million or more with a benefit increase**

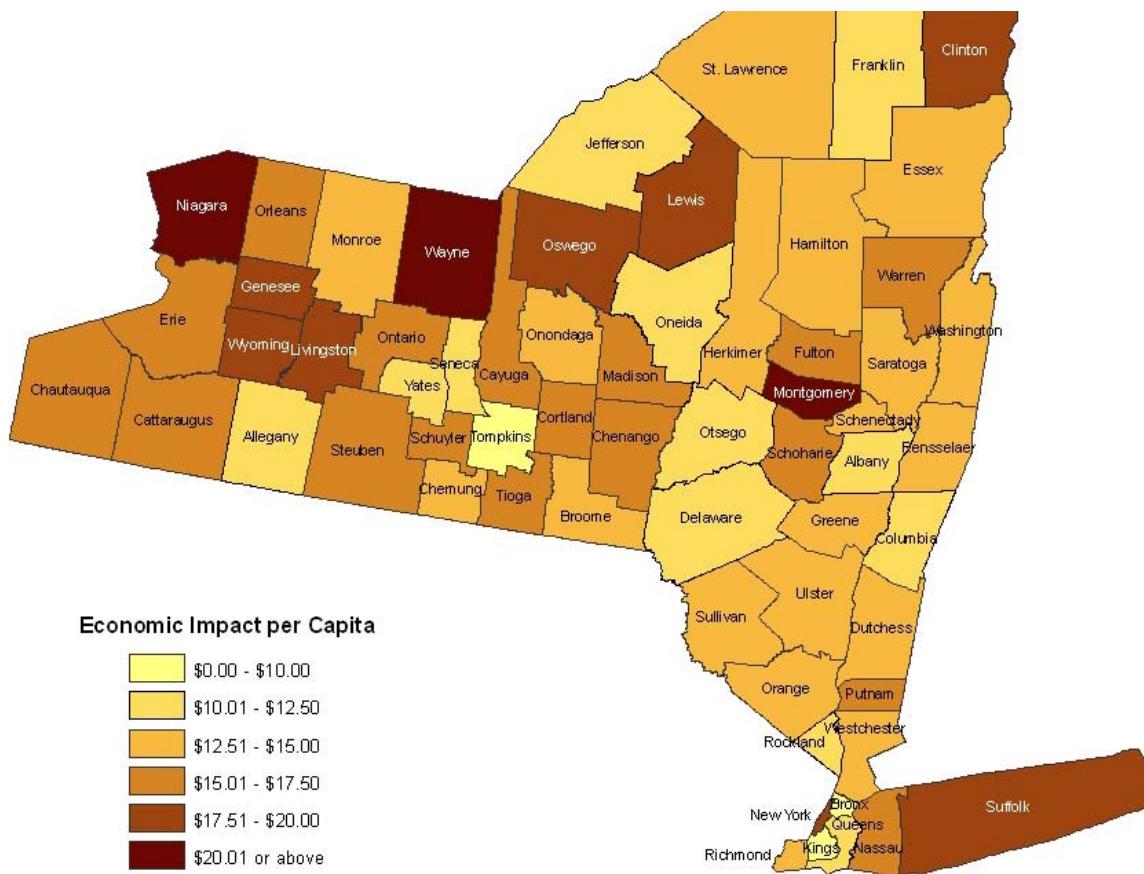


### Western and Northern New York Lose Out the Most from Low UI Benefits

Once differences in population are taken into account, it is clear that western and northern New York counties have lost out the most from New York's low benefit amount. Map 2 plots the increase in benefits on a per capita basis. In numerous counties, particularly in western and upstate New York, the increase in the maximum benefit amount to \$475 would have translated into \$15 or more, per person, in UI funding. There are only three counties in the state – Niagara, Wayne, and Montgomery, all in western and northern New York - where the UI benefit increase would be worth over \$20 per person. Moreover, in six other largely suburban/rural upstate counties – Genesee, Wyoming, Livingston, Oswego, Clinton, and Lewis – the benefit increase would be worth more than \$17.50 in economic stimulus delivered per person. Only two other counties – Suffolk and Manhattan, in the New York City and Hudson Valley areas – would have benefited as much.

These increased funds become a vehicle to sustain local businesses and economies as consumer spending is increased and benefits are used for food, housing, and other necessities. Unfortunately, upstate New York has already lost out on positive economic stimulus that would have been delivered if Albany had not let UI benefits amounts become outdated. But with unemployment rates outside of New York City at a 26-year high, it is not too late for policymakers concerned about the impact of the economic downturn on New York to act and limit the economic damage of the recession.

**Map 2: UI benefit increases per capita are greatest in western and upstate New York**



### Increasing Wage Replacement for Low-Wage Workers

While New York's maximum benefit amounts remain significantly outdated, benefits for lower-wage earners, who do not qualify for the maximum benefits because of their earnings, are also in need of serious revision. As New York considers an increase in the maximum weekly UI benefit, it follows that lower wage workers should receive an increase as well.

As stated, one purpose of unemployment insurance is to meet an unemployed family's basic needs. From this perspective, the experience of unemployment is particularly acute for low-wage

workers, who spend almost all of their paycheck on basic needs such as food, rent, clothing, and transportation.

New York lags behind neighboring states and the rest of the nation in terms of wage replacement for low-wage workers. For example, consider a hypothetical single mother with two dependents who was laid off from a full-time \$8 per hour job. Under New Jersey rules, such a family would receive \$213 per week in UI, compared to just \$160 in New York. This difference—more than \$200 per month—would make a huge difference in the ability of such a low-income family to maintain its living standards while on UI.

To remedy this inequity, proposed legislation raises the benefit formula for low-wage workers with earnings less than \$8,000, from 1/26th of high quarter wages to 1/22nd of high quarter wages. This change would guarantee that workers earning less than \$15.50 per hour (the equivalent of \$8,000 or less per quarter) would be eligible for the more favorable benefit formula. Statewide, this 18 percent increase in benefits paid to low-wage workers costs New York only 5.9 percent of what it distributed in total benefits during the last 12 months.

**Table 7: Increasing UI benefits for low-wage workers comes at a minimal cost to New York State**

|   |                 |
|---|-----------------|
| Total Annual Benefits Paid to Low-Wage Workers (under \$15.50/hour) | \$1,193,094,547 |
| Cost of Increasing Benefits to These Workers                        | \$211,675,138   |
| Total Benefits Paid (Statewide)                                     | \$3,577,884,828 |
| Percent Increase in Benefits (Low-Wage)                             | 17.7%           |
| Percent Increase in Benefits (Statewide)                            | 5.9%            |

Analysis by National Employment Law Project

### **Financing of New York's UI Program: How Will the State Pay for Benefit Increases?**

As benefit increases are considered in New York, so must be the financing of the state's UI program. UI benefits are not paid from the state budget or from the general revenues of New York State. Normally, regular state UI benefits are paid from a trust fund financed by employer payroll contributions. The state's trust fund has had to borrow from the federal government repeatedly because New York has an extremely low "taxable wage base". That is, employer payroll contributions in New York apply to only the first \$8,500 of an employee's salary. This is barely above the federal lower limit of \$7,000 -- while other states have much higher taxable wage bases. New Jersey, for example, has a taxable wage base of over \$28,000. This cap on contributions has remained in place for nearly a decade, and currently results in contributions that average only \$377 per employee per year.

By increasing the taxable wage base, New York can build a stronger trust fund that will be able to adequately cover the costs associated with a higher benefit amount. This is especially important as the trust fund is currently relying on loans from the federal government to pay benefits, and will have to be replenished as the economy recovers. Proposed legislation calls for incremental increases in the taxable wage base that will gradually increase employer contributions over time:

The increased contributions that result from these proposed changes will have minimal impact on employers throughout the state. Employers who are currently taxed at the average tax rate, for example, will pay an increase of only \$54 per employee during 2010. Moreover, because the proposed increase in contributions will not go into effect until January 2010, employers will not make any increased payments until after the first quarter of wages are paid out – in April 2010. This is a wise policy approach that injects immediate economic stimulus into the economy – given that proposed benefit increases are effective in July 2009 - and then sets out a plan for how to pay for the increase and replenish the trust fund as the economy recovers.

**Table 8: Proposed Increases in New York's Taxable Wage Base**

|                           |          |
|---------------------------|----------|
| Current Taxable Wage Base | \$8,500  |
| As of Jan. 1, 2010        | \$9,750  |
| As of Jan. 1, 2011        | \$11,500 |
| As of Jan. 1, 2012        | \$13,000 |

These increased contributions will actually pay for the increase in the maximum benefit amount, with *total* additional revenue coming into the UI Trust Fund between 2010 and 2012 actually exceeding the total cost of the maximum benefit increase. The increase in benefits, therefore, is a realistic goal that New York can meet with nominal financial effects on employers.

**Table 9: Revenues generated by employer contributions will pay for the benefit increase**

| Total Cost of Benefit Increase: \$2,036,593,395 |                          |                                |
|---|--------------------------|--------------------------------|
| Year  | Proposed Maximum Benefit | Total Cost of Benefit Increase |
| 2009-10   | \$475                    | \$351,806,374                  |
| 2010-11   | \$525                    | \$564,395,253                  |
| 2011-12   | \$575                    | \$713,892,805                  |
| 2012  | \$625                    | \$406,498,962                  |

| Total Revenue Generated by Increase in Taxable Wage Base: \$3,236,766,492 |               |                 |
|---|---------------|-----------------|
| Year  | Taxable Wages | Added Revenues  |
| 2010  | \$8,500       | \$380,412,831   |
| 2011  | \$9,750       | \$954,830,572   |
| 2012  | \$11,500      | \$1,901,523,089 |

Analysis by National Employment Law Project

## RECOMMENDATIONS

New York's Unemployment Insurance system is failing to meet its purpose by maintaining outdated caps on benefit amounts. The program's role as a safety net for families facing joblessness, as well as an economic stabilizer, is compromised by a low cap on maximum benefit amounts and an outdated formula for calculating benefits for low-wage earners. Below are concrete steps that New York can take to update its UI program, provide a stronger safety net for unemployed New Yorkers during the recession, and set New York on a stronger path to economic recovery.

- **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.** Currently, half of the state's average weekly wage is \$577. Today's \$405 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. Further, the maximum benefit should be indexed to the average weekly wage so that its purchasing power does not seriously erode as it has during this decade. 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. Eleven states, and the District of Columbia, index their maximum benefit to two-thirds of the average weekly wage.
- **Legislative action is essential for the UI program to fulfill its role as an economic stabilizer.** Increasing benefits will help families and small businesses in every county: Had the maximum weekly benefit been increased to \$475 a year ago, nearly \$267 million in additional benefit dollars would have been distributed to about 283,000 New Yorkers. Eleven counties across the state would have seen an increase in benefits of 10 percent or more. Overall, benefit dollars would have risen by 8.7 percent in the first year. The analysis shows that upstate and western counties in particular would see large per capita increases if the maximum benefit were raised - with a benefit increase bringing the largest bang for the buck upstate in Niagara, Wayne and Montgomery counties.
- **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.** 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.

## Appendix A

### States with Indexed Maximum Weekly Benefits

| State         | Percentage of State Average Weekly Wages | State          | Percentage of State Average Weekly Wages |
|---------------|--|----------------|--|
| Arkansas      | 66 2/3%                                  | North Carolina | 66 2/3%                                  |
| Colorado      | 55%                                      | North Dakota   | 62%                                      |
| Connecticut   | 60%                                      | Ohio           | Tracks % Increase in State AWW*          |
| Washington DC | 66 2/3%                                  | Oklahoma       | Ranges: 60% to 50% of AWW**              |
| Hawaii        | 75%                                      | Oregon         | 64%                                      |
| Idaho         | 60%                                      | Pennsylvania   | 66 2/3%                                  |
| Illinois      | 49.50%                                   | Rhode Island   | 67%                                      |
| Iowa          | 53%                                      | South Carolina | 66 2/3%                                  |
| Kansas        | 60%                                      | South Dakota   | 50%                                      |
| Kentucky      | 62%                                      | Texas          | 47.60%                                   |
| Louisiana     | 66 2/3%                                  | Utah           | 62 1/2%                                  |
| Maine         | 52%                                      | Vermont        | Tracks % Increase in State AWW           |
| Massachusetts | 57 1/2%                                  | Virginia       | 50%                                      |
| Minnesota     | 66 2/3%                                  | Washington     | 70%                                      |
| Montana       | 67 1/2%                                  | West Virginia  | 66 2/3%                                  |
| Nevada        | 50%                                      | Wisconsin      | 66 2/3%                                  |
| New Jersey    | 56 2/3%                                  | Wyoming        | 55%                                      |
| New Mexico    | 53 1/2%                                  |                |  |

\* OH also pays dependency allowance only to those eligible for maximum Weekly Benefit Amount.

\*\* Maximum varies depending upon OK trust fund balance and tax schedule in effect.

Source: US DOL *Comparison of State Unemployment Insurance Laws* (2008) Table 3-6, supplemented by NELP legal research

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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.