



# ***NEWS from the Fiscal Policy Institute***

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Contact: James A. Parrott, Ph.D.  
Deputy Director and Chief Economist  
212-721-5624 office, 917-880-9931 mobile, [parrott@fiscalpolicy.org](mailto:parrott@fiscalpolicy.org)

## **Job losses rise, straining state unemployment insurance**

*Unemployment up by 56,000 in the first half of 2008;  
In 25 counties, increase is over 20 percent*

Job losses are mounting in New York State, putting increasing pressure on an underfunded state employment insurance system, according to a report released today by the Fiscal Policy Institute.

The report, *New York's Rising Unemployment: The Other Crisis in Albany*, indicates that as of July 2008, the latest data available, half a million workers in New York State were unemployed. From the first half of 2007 to the first half of 2008, the number of New York workers without jobs jumped by 56,000. With the year-over-year increase in new claims for unemployment insurance running 20 to 25 percent ahead of last year, New York's unemployment rolls are clearly headed higher.

"Each week, 20,000 New Yorkers are filing new claims for unemployment insurance. New York's job losses are mounting by the day with every indication they will rise further in the months ahead. This is particularly disturbing since the current downturn comes on the heels of a period of weak recovery and a shaky expansion from 2003 to 2007," said James Parrott, chief economist of the Fiscal Policy Institute and principal researcher on the report.

The New York State unemployment rate was 5.2 percent in July, up from a low-point of 4.3 percent in 2006. Higher still is the rate of underemployment (8.1 percent in 2007, the latest data available), which includes people who are so discouraged that they have stopped looking for work, and workers who would like to work full time but can only find a part-time job.

Unemployment rates for black and Hispanic New York workers are roughly double the rates for whites. In 2007, when the overall New York State unemployment rate averaged 4.6 percent for the year, unemployment among white workers was 3.5 percent, while for Hispanic workers it was 6.5 percent and for black workers it was 7.5 percent. Blacks and Hispanics together account for well over a quarter of the New York State workforce.

Unemployment is a growing concern in most regions of the state. Twenty-five New York counties experienced 20 percent-plus increases in their unemployment rolls in the first half of this year compared to a year ago. Nassau, Suffolk and Westchester have seen unemployment climb by 21 to 23 percent, and all of the counties containing major upstate cities have seen unemployment grow by at least 18 percent. By mid-August, first-time unemployment claims were up by 25 percent in New York City compared to last year.

All this has put a huge strain on New York's already troubled and outdated unemployment insurance system, according to the Fiscal Policy Institute's report. The report finds that benefits are too low and not as widely available as they should be. The maximum weekly unemployment insurance benefit level has remained unchanged at \$405 since 2000, which means its inflation-adjusted value has declined by 25 percent. The average benefit was just \$302 in the first quarter of 2008, 21 percent lower than in Massachusetts and 17 percent below New Jersey's. New York also has a much lower percentage of unemployed workers who receive benefits compared to our neighboring states. Part-time workers—who make up 21 percent of New York's workforce—are penalized by some of the unemployment insurance system's rules, as are low-wage workers.

On the funding side of the system, the report points out that the state's unemployment insurance fund is significantly underfinanced. New York ranks 49<sup>th</sup> out of 50 states in the U.S. Department of Labor's index of the solvency of state insurance funds. The problem, according to the report, is that New York has a very low ceiling on the wages on which employers must pay unemployment taxes. New York's taxable wage base for Unemployment Insurance is just \$8,500, well below the national average, about half the level of Connecticut, and only a third the level of New Jersey.

"The growing number of people filing for unemployment insurance is running headlong into the chronic shortcomings of the unemployment system," noted Parrott. "That's bad news for workers, who don't receive the benefits they deserve. And it's a serious concern for the state economy, which receives a well-timed stimulus from unemployment insurance payments that offsets some of the decline in local wages." The report includes county-level data showing the impact of unemployment benefits in the last downturn.

Parrott added, "New York's projected budget gaps have received considerable attention in Albany. The state's growing unemployment is the other crisis to which Albany must also turn its attention."

*The Fiscal Policy Institute (FPI) 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.*

FPI reports are available at <http://www.fiscalpolicy.org>.