



News from the Fiscal Policy Institute

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New report:

<http://www.fiscalpolicy.org/SOWNY2009.html>

New Data on Great Recession in New York *Real unemployment rate hits 14.1 percent statewide* *Real unemployment for black men a startling 27 percent*

In a report released today, the Fiscal Policy Institute examines the effect of the current economic downturn on New York State, finding that job loss and wage declines are hitting New Yorkers hard—with some groups experiencing staggering levels of unemployment. Joblessness in New York State has increased by almost 400,000 since early 2008.

The report, *The State of Working New York 2009*, comes out as the country hobbles through the worst economic crisis since the 1930s. The steepest economic drop and the longest period of job loss since the 1930s has justly earned the name “The Great Recession.” Over 850,000 New Yorkers are unemployed. The state’s official unemployment rate is 8.6 percent as of July 2009—the most recent data available—and it is expected to continue rising for several months to come. In New York City the unemployment rate is 9.6 percent.

The report found that consumer spending by New Yorkers fell by 8.6 percent in the 10 months following last September’s financial market meltdown. The drop in consumer spending is closely tied to plummeting earnings. New Yorkers’ total wages are projected to decline by 4.8 percent and their personal income by 2.7 percent in 2009. Both would be record declines.

The overall unemployment rate is just the tip of this economic iceberg. The official unemployment rate for black men jumped from 8.4 percent in the first half of 2008 to 18.3 percent in the first half of 2009. “Black men typically have higher unemployment rate than other groups,” said James Parrott, chief economist at the Fiscal Policy Institute and principal author of the report. “But this jump of ten percentage points is an eye-

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popping increase from just a year ago. Black men are clearly bearing a disproportionate impact of the job loss in New York.”

And, the official unemployment rate is far from the end of the story. The “real unemployment rate” includes people forced to work shorter hours or who are so discouraged they have given up looking for a job. Using the same methodology as the Bureau of Labor Statistics, FPI found that the real unemployment rate for New Yorkers overall is 14.1 percent. For men in New York State it is 12 percent for whites, 17 percent for Hispanics, and 14 percent for Asian and others. For black men, however, the real unemployment rate is a staggering 27 percent. For women in the state, the rates are 11 percent for whites, 18 percent for blacks, 19 percent for Hispanics, and 11 percent for Asian and others.

Some parts of the safety net, like food stamps, are responding effectively to the economic downturn, but others, particularly New York State’s unemployment insurance system, are not. The maximum benefit to workers today is just \$405 per week—lower than all our neighboring states, and New York has one of the country’s lowest wage replacement rates (the ratio of average unemployment benefits to average wages.) Making matters worse, New York does not follow the good example of several other states by providing a special allowance for low-wage workers that raises their wage replacement rate. “New York’s unemployment insurance system is in urgent need of modernization,” said Frank Mauro, executive director of the Fiscal Policy Institute. “New Yorkers should be able to maintain a decent standard of living while they look for a new job, as a matter of basic dignity, and to avoid creating a pool of job-seekers so desperate that they pull down wages for all workers.”

The report documents that New York State has been hit less badly than other states, but notes that this is little cause for celebration for the more than 850,000 New Yorkers who are currently out of work.

The federal stimulus package—the American Recovery and Reinvestment Act (ARRA)—has helped keep the Great Recession from being even worse. Two components of the stimulus plan—state/local fiscal relief and aid to the unemployed, needy individuals, seniors and people with disabilities—are having particularly beneficial effects in New York. The Empire State will receive about 10 percent of ARRA’s overall \$140 billion in state/local fiscal relief, and has used the first portions of that in the spring to close nearly one third of the state’s \$20 billion budget gap for fiscal years 2009 and 2010.

FPI estimates that New Yorkers will also receive nearly \$5 billion under four major ARRA programs that provide temporary payments to the unemployed and needy individuals. Citing an analysis by the Center on Budget and Policy Priorities, the FPI report notes that these programs, together with three individual tax reduction provisions, will prevent an estimated six million Americans, including 419,000 New Yorkers, from falling below the federal poverty line in 2009.

The report also identifies significant ways in which the federal and state governments can build on the successes of the recovery efforts to date.

“This has been a devastating recession,” Parrott said, “and there is still a long way to go before we see a robust and sustainable recovery. Housing must be stabilized, regulation of financial markets must be reformed, and a new round of federal stimulus funding should be targeted to high unemployment communities. Far greater attention needs to be paid to policy changes that set the stage for sustained increases in workers’ wages.”

Parrott added: “Given pervasive economic insecurity and household debt the economy will only grow for any sustained period of time if average workers start to see their wages rise. The only alternative scenario for growth is another bubble, and I don’t think anyone wants that.”

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

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