

**Testimony before the
Joint Legislative Budget Hearing**

**Workforce Hearing
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Reforming New York's Partial Unemployment System

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Good afternoon distinguished chairpersons and members of these committees. My name is James Parrott, Director of Economic and Fiscal Policies at the Center for New York City Affairs at The New School. Thank you for the opportunity to testify as this Workforce hearing.

I have been closely examining the impact of Covid-19 on the State's economy and its workforce and have written three extensive reports on the COVID-19 workforce impact in New York City, with a fourth report coming out later this week.¹

While every state across the country has seen significant job losses related to Covid-19, New York State was the early epicenter of cases and has been more cautious than other states in reopening. As a result, the pandemic has taken a greater jobs toll in New York State than in any state except Hawaii. As of early January, over 2.4 million state residents were receiving

¹ See James A. Parrott and Lina Moe, "The New Strain of Inequality: The Economic Impact of Covid-19 in New York City," Center for New York City Affairs, April 15, 2020 (<http://www.centernyc.org/reports-briefs/2020/4/15/the-new-strain-of-inequality-the-economic-impact-of-covid-19-in-new-york-city>) and "The Covid-19 New York City Economy Three Months In: Reopening, and a Continuing Low-Wage Worker Recession," Center for New York City Affairs, June 29, 2020 (<http://www.centernyc.org/reports-briefs/2020/6/29/the-covid-19-new-york-city-economy-three-months-in-reopening-and-a-continuing-low-wage-worker-recession>); and "No Cure in Sight: The Covid-19 Economic Virus in New York City As the End of Summer Approaches," <http://www.centernyc.org/reports-briefs/2020/8/13/no-cure-in-sight-the-covid-19-economic-virus-in-new-york-city-as-the-end-of-summer-approaches>. For other materials, see: <http://www.centernyc.org/covid19-economic-impact>

unemployment insurance (UI) benefits. That's one out of every four New Yorkers in the labor force before the pandemic.

These unemployment numbers capture only part of the plunge in job opportunities. Part-time work by workers who would like to work full-time has soared during the pandemic as business sales recover slowly. There are an estimated 600,000 involuntarily part-time workers in New York with concentrations in the Bronx, Brooklyn, Buffalo, Queens, and Westchester.

New York, like all states, allows workers to keep part of their unemployment benefits if they return to work part-time if that is all their employers need. Partial weeks of unemployment benefits soared to an historical high of 25 percent of all weeks compensated during the last three months of 2020, up from nine percent the year before.

I want to focus my remarks today on the problems with New York's partial UI. Up until two weeks ago, New York had an archaic partial UI law that punished workers for working part-time by reducing their benefits by 25 percent for each day of work, even if they worked for just a couple of hours. Fortunately, Governor Cuomo and his labor commissioner acted to lessen the penalty for workers going back to work part-time.

That was a significant improvement, but it doesn't go far enough, and it was intended just as a temporary fix. (It's temporary because a permanent fix requires re-programming the State's antiquated computer system for administering unemployment benefits needs.)

Governor Cuomo proposed a permanent fix that incorporates a partial benefit credit—an amount of earnings a worker can receive without any benefit reduction. The interim system provides a form of partial benefit credit, but it is applied in a clunky way given the constraints of an antiquated computer program. The Governor's proposed fix provides for a cleaner application of the credit but is not as beneficial to workers as a bill that passed the Senate and the Assembly with overwhelming support in the past two weeks.

The bill sponsored by Assemblymember Albert Stirpe and Senator Jessica Ramos would institute a partial benefit credit equal to 50 percent of a worker's weekly UI benefit. The Governor's approach calls for a 40 percent partial benefit credit. The measure passed 62-1 in the Senate, and by 118-32 in the Assembly.

The difference between a 40% and a 50% benefit credit comes to an average of \$143 each month for the typical unemployed worker, certainly not a trivial amount for a low-income worker struggling to support a family through a pandemic.

In this incredibly lopsided Covid economy, job losses have not been equally distributed across the income spectrum. More than two-thirds of UI recipients worked in low- and moderate-income industries, led by restaurants, hotels, healthcare, social assistance, and retail. Seventy percent are persons of color—Black, Latinx or Asian.

There's another difference between the legislature's bill and the Governor's proposal. The legislature's measure would take effect 30 days after enactment whereas the Governor's bill wouldn't take effect until March 2022.

Time is money for families across the state that are struggling to put food on the table. Given the shortcomings in the interim system now in effect, the 50 percent partial benefit credit endorsed by the legislature would mean \$347 per month for the average low-wage worker working fewer than 20 hours a week. During this pandemic economic crisis, another 11 months is an eternity.

With 600,000 New Yorkers on partial UI benefits, \$347 a month per worker amounts to \$208 million a month statewide, \$2.3 billion over 11 months. Unemployment benefits are an effective stimulus tool generating a \$1.55 return of added economic output for every dollar of benefits. The state needs this added stimulus when recovery is likely to take two to three years.

Governor Cuomo has rightfully insisted on drawing more federal funds to New York. Eighty percent of UI benefits paid in New York are federal dollars. The other 20 percent are paid out of the UI trust fund, not the State budget, financed by an employer payroll tax. It could increase costs to the State's UI Trust Fund after the pandemic, but this additional cost will be marginal in relation to the total benefits paid and to the immediate stimulus provided to New York's struggling economy.

The economy is not poised to snap back once vaccinations are widespread. UI benefits will continue to be a vital element in sustaining hundreds of thousands of un- and under-employed New Yorkers. Albany needs to urgently act to permanently reform our dysfunctional partial UI program to treat workers fairly and to speed the recovery. This issue can and should be dealt with this month, it does not need to be part of the budget. New York workers are counting on you, and our economic recovery will come sooner if you act promptly.