



WSLC

JANUARY 16, 2009

Legislative Update

Vol. XXIV — No. 2

A weekly report from the Washington State Labor Council, AFL-CIO



Stimulate spending, not bottom lines

Boosting unemployment benefits gets the best economic bang for each buck

This week, the Senate Democratic Caucus and Gov. Chris Gregoire announced their proposals for stimulating our state economy. Both are focused on creating jobs, both aim to facilitate and speed infrastructure investment and public works projects, and both have elements that are strongly supported by organized labor.

But one of the most important ingredients of any stimulus must involve helping this recession's biggest victims: people who have lost their jobs through no fault of their own and the businesses that rely on their patronage to stay afloat.

That's why we have Unemployment Insurance (UI). It's not merely an exercise in government compassion for people who are down on their luck, nor is it some kind of government handout. It is an important temporary safety net, not just for laid-off workers and their families, but for our state's economy. UI benefits provide a critically important measure of economic stability to communities devastated by layoffs. This money is not saved or invested out-of-state. It's spent immediately—and locally—on necessities like housing, food and transportation.

The Economic Policy Institute estimates that every \$1 of UI benefits creates \$1.64 of economic benefits as it ripples through local economies. The U.S. Department of Labor estimates an even higher multiplier effect of UI benefits: \$2.15 of purchasing power for every \$1 in benefits.

That means that during the last recession in 2002, \$2 billion in state and federal UI benefits paid in Washington state created purchasing power on Main Street of \$4.3 billion. That money kept a significant number of small businesses afloat and kept the damage from being far worse.

In contrast, the Bush administration tax rebates proved to have very little economic stimulus benefit on Main Street. A CNN poll of Americans found that the majority who re-

ceived tax rebates in 2008 planned to put the money into savings or to pay off debt. Just 21% polled said they planned to spend the money.

The Washington State Labor Council is supporting a real stimulus for our state economy — one that provides needed assistance to families victimized by layoffs and immediately injects money into struggling local economies. The WSLC is asking the Governor and Legislature to include the following UI benefit changes in their economic stimulus plans:

- Increase every benefit check by \$50 in 2009. It is estimated that this would increase Main Street purchasing power by up to a half a billion dollars in the first nine months.
- Increase the benefit formula from 3.85 to its historic level of 4.0. This will increase weekly unemployment checks for 70% of the unemployed — all those receiving benefits between the minimum and maximum level.
- Allow full "quit-to-follow" spouse benefits, so that workers can go to where jobs are while keeping families intact.
- Remove all restrictions on looking for part-time work while receiving UI benefits. This will qualify our state for federal Reed Act dollars when the UI Modernization Act passes in the 2009 session of Congress.
- Remove the current 60-day timeline on dislocated workers applying for training benefits.
- Increase our reciprocity rate, which is the number of unemployed who actually receive benefits. Only one in three unemployed workers in Washington state currently receives UI benefits.

During the last recession in 2002, \$2 billion in unemployment benefits paid in Washington state created \$4.3 billion in purchasing power on Main Street. That money helped many businesses stay afloat and kept the damage from being far worse.

Gov. Gregoire's stimulus plan unveiled Thursday includes temporary UI benefit increases and UI tax cuts worth \$400 million. Benefits would be increased by

(CONTINUED ON BACK)

(CONTINUED FROM FRONT)

\$45 a week to every unemployed claimant. This \$200-a-month increase will help keep the lights on, pay car payments, and provide adequate food for struggling Washington families.

It will also pump money into local economies. From May to December 2009, the Governor's proposed increase would pump another \$19.4 million of purchasing power into Yakima, \$28 million into Spokane, \$23 million into Clark County and \$102 million into King County.

The Governor's plan also includes a \$200 million UI tax reduction for the entire year of 2009. While a far smaller multiplier effect results from tax reductions, there is also no doubt that temporarily lowering this tax will help many businesses on Main Street.

The Senate Democrats' stimulus package includes an investment in the green economy through energy audits and retrofitting of residential and commercial buildings. This would reduce our carbon footprint, allows us to train thousands of new workers in pre-apprenticeship and apprenticeship programs, and can be paired with programs for putting local community members on a path to family-wage jobs, such as Sound Alliance's SustainableWorks program.

Both the Governor's and the Senate Democrats' proposals also include some enhanced UI retraining benefits targeted to careers in health care and other expanding industries.

It is important to note that the Governor's stimulus plan on UI is scaled in such a way to leave enough reserves in the UI Trust Fund to deal with the federal UI conformity issue that legislators will address later in the session. (The U.S. government has ordered changes in how Washington pays for UI benefits to conform with federal laws.) A permanent resolution of this problem will allow our state to "right-size" the trust fund, provide enhanced benefits and lower taxes. This is what the Governor is referring to when she announced that, in addition to the temporary UI changes associated with the stimulus package, she is also considering permanent benefit increases and tax changes.

With more than \$4 billion in reserves, our UI Trust Fund is among the best-funded in the country and can certainly afford the 10% drawdown proposed by the Governor. The federal government recommends that states have 12 to 15 months of benefits in the bank in the case of a recession. The Department of Employment Security reports that Washington currently has enough for 21 months of benefits.

"We are very fortunate," Gregoire said. "Some of the unemployment trust funds around the nation are literally bankrupt. We are among the healthiest in the nation."

The Association of Washington Business and business-funded think tanks have already announced opposition to the idea of increasing UI benefits. Their tasseled lobbyists choose to ignore the immediate benefit of

injecting purchasing power and consumer demand into local communities, and instead worry that businesses might have to pay higher taxes down the road if benefits are increased today. The conservative Heritage Foundation even goes so far as to argue that enhanced or extended UI benefits have no economic stimulus benefit because it discourages people from looking for work.

That's not only ridiculous, it's insulting. People who've lost their jobs stand to lose their cars, homes and prospects for retirement next. The idea that they would deliberately avoid looking for permanent work because they are getting a few extra bucks a week in UI benefits is absurd.

This kind of thinking is what caused the recession in the first place. Government has spent, let's see, exactly eight years now granting every tax cut and deregulation proposal sought by business lobbying groups, and promising us that the benefits would eventually trickle down in the form of good jobs. Instead, jobs continue to migrate overseas and corporate greed and malfeasance has driven our economy into the ditch we're in now.

It's time for some new thinking. It's time to lift this economy from the bottom up for a change.

Scheduled next week...

Following are some hearings of interest:

MONDAY, Jan. 19—3:30 p.m. in Senate HR 4, the Ways and Means Committee hears public testimony on the Governor's budget proposal.

TUESDAY, Jan. 20—3:30 p.m. in Senate HR 4, the Ways and Means Committee hears a continuation of testimony on the Governor's budget proposal. **—3:30 p.m.** in House HR A, the Ways and Means Committee holds a work session on state-funded health benefits for state and K-12 employees.

WEDNESDAY, Jan. 21—8 a.m. in Senate HR 4, the Health & Long-Term Care Committee hears stakeholder testimony on addressing the budget deficit in health programs.

THURSDAY, Jan. 22—3:30 p.m. in Senate HR 4, the Labor, Commerce & Consumer Protection Committee hears SB 5046, placing symphony orchestras, operas, and performing arts theaters under the jurisdiction of the Public Employment Relations Commission for purposes of collective bargaining.

For more information, visit www.wslc.org.