Issue Brief

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Silence and Inaction in the Face of Ongoing Crisis Threaten Economic Recovery and Family Economic Security

September 2002

FOR WEEKS, ALL THE TALK in the White House, in Washington, D.C., and in the national media has been about war with Iraq. No one doubts or disputes the gravity of this matter or the need for open and informed decision making about it. We say again: America's unions stand foursquare with the president in the war against terrorism. Hundreds of union members already have given their lives in that war, and hundreds of thousands more are in the trenches each day. None has flinched from the fight to protect and preserve all that we value as a nation and a people.

But one of the nation's core values—ensuring economic security for working families—is getting short shrift, notwithstanding the real economic uncertainty and deepening crisis confronting the nation today. Failing to address this crisis is a disservice to the millions of Americans already struggling to hold on in a flailing economy and to a nation constituted not only to "provide for the common defense" but also to "promote the general welfare." Working families deserve more than the silent treatment when their lives and their livelihoods are on the line.

The Economic Crisis is Deepening for Working Families

By now, more than a month has passed since the president hosted the Waco economic forum. No proposed economic remedies came out of that forum except suggestions—since abandoned—for more tax cuts that primarily benefit the well-to-do while providing no help for workers and their families. Meanwhile:

- New data reveal that poverty rose and family incomes fell in 2001. Almost 33 million Americans were officially poor in 2001, 1.3 million more individuals and 400,000 more families than in 2000. Meanwhile, median household income fell by 2.2 percent, from $43,162 in 2000 to $42,228 in 2001.

- Almost 10 million unemployed workers want jobs but cannot find them; more than 4 million individuals are involuntarily working part-time because they cannot get full-time work.

- More than 1 million unemployed workers have run out of their regular state-provided unemployment benefits *and* the emergency unemployment benefits they had received under the temporary federal program Congress passed in March. Many of these workers now have no jobs—and no means of support.

- Declining coverage and rising costs are threatening health and health care for tens of millions of Americans. More than 41 million Americans were uninsured in 2001, an increase of 1.4 million over the preceding year. Almost 80 percent of those without insurance are in families with at least one employed family member.

- A recent survey of employers confirms that workers paid substantially more toward their health coverage in 2002, with premium increases averaging 27 percent for single coverage and 16 percent for family coverage. Three-quarters of large employers said they will pass on still more costs to their employees in 2003.

- For workers who already have lost billions in retirement savings, the careening stock market has brought even more bad news: Since June alone, the value of families' stock and mutual fund holdings has plunged another $900 billion.

- Personal bankruptcies are setting all-time records: During the 12 months ending in June 2002, more than 1.5 million individuals filed for bankruptcy, the highest 12-month level in history and an 8.6 percent increase over the 12 months ending in June 2001.

- Home mortgage foreclosures initiated or in process during the second quarter of this year (April-June) were at the highest level since 1972.

- State governments, which posted almost $40 billion in budget deficits in FY 2002, project even larger deficits—$57 billion—in the next fiscal year. Many states already have responded with cuts in life-saving programs such as Medicaid and the State Children's Health Insurance Program (SCHIP), and almost all contemplate further spending cuts, tax hikes or both to make up the shortfalls.

Economic news of the past two weeks has brought home even more concretely how these broad indicators are playing out in everyday life. On Friday, Sept. 20, Boeing issued its 30,000th post-Sept. 11, 2001 lay-off notice and warned that further cuts may be in the offing next year. That same day, *The Wall Street Journal* reported on the closing of a Furniture Brands International Plant in North Carolina, eliminating 425 jobs. The company previously had closed four factories in Virginia, substituting Asian imports for the work previously done by the factories' 1,100 employees. Friday, Sept. 27 marked the fifth straight week of stock market decline. And the federal Treasury Department announced a year-to-date federal budget deficit of $200.18 billion, compared with a $91.77 billion surplus at the end of the same period last year. For the first time since 1997, the nation is heading toward a year-end deficit, with last year's trillion-dollar tax cut the principal reason for this stunning reversal in fortune. All in all, there is nothing to cheer about—or to remain silent about, either.

The Economic Crisis Demands National Solutions

The economic crisis confronting working families is of national proportions and demands national solutions, but the president and his advisors, along with many other national leaders, are silent in the face of this deepening crisis. Democrats in Congress have tried to move legislation to address the crisis, but their efforts have been stymied by congressional Republicans and the White House. This cannot stand: Congress and the president must turn *now* to meeting the dual and urgent demands of ensuring national defense *and* economic security.

Unlike the deeply troubling questions about national security, the national agenda for economic security is simple and straightforward—but also urgent. Without delay, the president and Congress must:

- Pass an extension of emergency unemployment benefits to help those still struggling in a jobless "recovery," and enact additional reforms in the nation's unemployment insurance program to ensure a prompter and more effective response to downturns;

- Pass meaningful health care cost reforms, providing a prescription drug benefit under Medicare and closing loopholes that enable big pharmaceutical companies to keep more affordable and equally effective generic drugs off the market;

- Pass real 401(k) reform legislation that gives workers a say in how their 401(k) plans are managed, ensures genuine choice and opportunity to diversify retirement savings and revokes special privileges for corporate executives;

- Abandon any proposal to privatize Social Security, in whole or part;

- Pass reform to give workers priority in bankruptcy when their companies go belly-up;

- Provide financial relief to struggling state governments; and

- Raise the minimum wage.

Action on these fronts will help shore up working families and the national economy. Failure to act—and to act quickly—on these bread-and-butter issues will only further undermine the economic stability of working families as well as their confidence in the economy and the officials they elected to strengthen and protect it.

A Summary of Economic Markers

THE FOLLOWING DISCUSSION updates a summary of economic markers published by the AFL-CIO on Aug. 12, 2002, immediately prior to the president's August 14 economic summit. As this update reflects, the economy has continued to unravel over the past month, with real costs and consequences for working families.

Unemployment Remains High

Unemployment today stands at 5.7 percent, compared with 4.9 percent in August 2001. While the August rate dipped slightly from July's 5.9 percent level, the U.S. Labor Department describes unemployment as essentially unchanged over the past several months. Most recently (Sept. 19), the department reported an uptick in initial unemployment insurance claims. The four-week moving average for such claims rose to 418,500 in the week ending Sept. 14, up by 7,250 persons over the preceding four-week average. Final data on total unemployment in September will not be available until the first Friday in October, but if this trend holds, unemployment will inch up again.

In August, 8.1 million workers were officially counted as unemployed. Another 1.4 million workers wanted jobs and were available for work but were not counted as unemployed because they had not actively looked for jobs recently. Altogether, 9.5 million people want to work but cannot find jobs. An additional 4.3 million people are "under-employed," that is, they want to work full-time but are working part-time because full-time work is not available.

Almost all states had higher jobless rates in August than a year earlier and 17 states had unemployment rates at or above the August 2002 national rate of 5.7 percent. Alaska reported the highest rate, 7.3 percent in August. Two other states, Washington and Oregon, had rates of 7.1 percent and 7.0 percent, respectively. (See Table 1 for August 2001 and 2002 state rates.)

Long-Term Unemployment is Up, and Workers are Running Out of Benefits

The unemployed are enduring longer periods off the job than during comparable periods last year. Today, more than 1.5 million have been unemployed for at least six months—more than twice as many as a year ago. More than 1.3 million workers now have been looking for work for between three and one-half and six months, half again as many as a year ago.

As reported by the AFL-CIO, the Center on Budget and Policy Priorities and the National Employment Law Project earlier this month, record numbers of unemployed workers are exhausting their regular, state-provided unemployment benefits and their emergency unemployment benefits under the Temporary Emergency Unemployment Compensation (TEUC) program Congress passed in March. Close to 430,000 workers ran out of their regular unemployment benefits in July, up 67 percent from July 2001. Preliminary data from the Department of Labor indicate that exhaustions of regular unemployment benefits ran at about the same level in August, with a substantial year-to-year difference over exhaustions in August 2001. Regular benefit exhaustions were up by about 50 percent or more, compared with August 2001, in at least half of the states.

Among the jobless who are receiving federal TEUC benefits, more than 800,000 had exhausted these benefits by the end of July. Preliminary Labor Department data indicate that an additional 200,000 workers exhausted TEUC benefits in August, bringing the year-to-date total to more than 1 million unemployed workers who have exhausted their emergency benefits without finding replacement jobs.

According to the Center on Budget and Policy Priorities, a very significant share of all TEUC recipients—more than 60 percent—are using up their emergency benefits before finding replacement jobs. If current trends persist, roughly 2.2 million workers will exhaust their temporary emergency benefits by the time the nine-month TEUC program expires in December. In contrast, 1.4 million workers exhausted similar federal benefits over a roughly 12-month period under the more generous emergency unemployment benefits program former President George Bush signed off on during the recession of the early 1990s.

Unemployment is Fueling Spikes in Personal Bankruptcies and Mortgage Foreclosures

In addition to the day-to-day struggles to put food on the table and attend to emergency needs, families relying on unemployment benefits to tide them over during economic downturns often fall behind in mortgage payments or other financial responsibilities. Recent reports on home mortgage foreclosures and payment delinquencies as well as personal bankruptcy filings bear testament to the dramatic effect the current downturn has had on the working families most directly affected by it.

Earlier this month, the American Bankruptcy Institute reported that bankruptcies are reaching all-time highs. During the 12-month period that ended on June 30, 2002, 1.5 million bankruptcies were filed; most were personal bankruptcies. This is the highest 12-month level in history and represents an increase of 8.6 percent over the 12-month period that ended in June 2001. Bankruptcy filings during the second quarter of 2002 (April-June) similarly set a record high. Altogether, 400,686 bankruptcies were filed during the quarter, and most—390,991—were personal bankruptcies.

Joblessness and extended unemployment also contribute to mortgage delinquencies and foreclosures. At the end of June, foreclosures were started on 0.4 percent of all mortgages and 1.3 percent of mortgages were somewhere in the process—both record highs for the past 20 years.

Poverty is Rising, Incomes are Falling and Wages are Stagnant

Poverty rose and household incomes fell in 2001. Almost 33 million Americans were officially poor in 2001—1.3 million more individuals and 400,000 more families than in 2000. Ten percent or more of the population in 32 states was poor.

Meanwhile, median household income fell by 2.2 percent, from $43,162 in 2000 to $42,228 in 2001. Incomes fell in 12 states while rising in just three. This marked the first time household incomes had fallen since the recession of the early 1990s.

Real hourly wages have been essentially flat for months and lag dramatically behind worker productivity increases. Over the past year ending in the second quarter, productivity rose by 4.8 percent, but average hourly earnings rose by only 1.2 percent in real (inflation-adjusted) dollars, a level 5 percent below that of the early 1970s. In real dollars, neither hourly wages nor weekly wages have grown since December 2001 (and weekly wages were actually down slightly in August compared with December). Income inequality has increased steadily since the 1970s. In the late 1970s, the richest 20 percent of families had average incomes 7.4 times greater than the poorest 20 percent, according to the Economic Policy Institute. By the late 1980s, that ratio had increased to 9.3. Although strong wage growth in the 1990s for low-income workers had helped narrow the gap, the ratio increased further to 10.0 at the end of the decade.

Retirement Security Has Been Destroyed for Millions

In May, the Economic Policy Institute issued a disturbing report about future retirement security prospects for working families. Among other things, the report found that more than 40 percent of families with mid-life workers would be unable to replace half of their pre-retirement income when they retire, and that 20 percent would be in poverty.

While workers should—and some could—save more for retirement, the retirement security of many of today's workers is compromised by two factors over which they have little or no control. Workers have been profoundly hurt by the long-term trend away from employer-provided guaranteed pension plans ("defined-benefit" plans) in favor of defined-contribution savings plans, funded by workers and their employers or workers alone. In 1979, 37 percent of all private-sector workers had guaranteed pension plans and 7 percent had only defined-contribution plans. By 1998 (the most recent year for which data are available), these numbers had changed substantially: 27 percent had only defined-contribution plans, while the share with defined-benefit plans had fallen to 21 percent.

The shift away from guaranteed pensions to defined-contribution retirement savings plans has made many workers' retirement security completely vulnerable to the perils of the stock market. At the end of June 2002, nearly two-thirds of all 401(k) assets were invested in stocks. The Institute for America's Future estimates that Americans lost $175 billion in 401(k) savings in 2001, including $18 billion in California, $11 billion in New York and $11 billion in Texas. Since June of this year alone, the value of families' stock and mutual fund holdings has plunged another $900 billion.

Between 1999 and 2001, the average 401(k) account balance fell 20 percent, from $45,681 to $36,390. During the first seven months of this year, the broad-market Standard & Poors 500 index fell 20.6 percent, a worrisome trend for Americans who are counting on 401(k) savings to help them in retirement: Since its peak, the value of stock in collectively bargained retirement funds has declined by about $1.5 trillion. The potential under-funding problem for defined-benefit plans could be as much as $100 billion to $150 billion.

When Main Street workers receive their quarterly 401(k) statements in October, they are likely to be in for even more bad news from Wall Street: Friday marked the fourth consecutive week in which the market closed down. In mid-September, the Dow Jones Industrial Average stood at 23 percent below its 52-week high of 10,700.

The severe downturn in the stock market and low bond interest rates are creating tremendous retirement insecurity for older workers. Assuming the stock market values and interest rates from mid-August hold through the end of the year, a 62-year-old worker expecting to retire at the beginning of 2003 would get nearly 46 percent less in lifetime retirement income from a private retirement account (invested half in stocks, half in bonds) than someone who retired in 2000. Someone fully invested in stocks would see a 56 percent cut. Many workers facing this prospect will have to delay retirement or do with much less than they expected.

Privatizing Social Security—introducing private accounts into the program, as the president advocates—would undermine workers' future retirement security further. According to an analysis by the incoming president of the American Economics Association and a Brookings Institution expert on retirement income, privatization proposals developed by the president's privatization commission would require future cuts in guaranteed benefits for *all* Social Security participants (retirees, survivors and people with disabilities) in order to provide long-term solvency for the program and to finance the costs of setting up private accounts. Individuals who chose to participate in the private accounts program would be subject to further cuts in guaranteed benefits. Depending on market conditions and other factors, retirees electing private accounts easily could end up with less in monthly benefits than retirees who chose to remain in the conventional Social Security program.

The National Health Care Crisis is Further Undermining Economic Security for Working Families

Despite the nation's vast riches and our medical system's capacity to deliver the best health care money can buy, access to good and affordable health care continues to elude shameful numbers of Americans.

Even in the boom years of the late 1990s, when tight labor markets encouraged employers to maintain or expand health coverage for their employees, nearly 40 million Americans were uninsured. Today, that number tops 41 million, an increase of 1.4 million since 2000. The overwhelming majority, roughly 80 percent, are in families with at least one worker.

Whether insured or not, a surprising share of Americans had medical needs they could not meet, even as the economy soared between 1997 and 2001. In 1997, 3.9 percent of insured

Americans and 13.5 percent without insurance reported they had unmet health care needs or had to delay seeking care; by 2001, these shares had actually increased, to 4.4 percent for the insured and 15 percent for the uninsured. Nearly two-thirds (62.4 percent in 1997 and 62.6 percent in 2001) cited cost as the main reason they had to postpone care or were unable to get it at all.

Fast forward to 2002, and rising unemployment, skyrocketing health care costs and more limited resources for public health care programs are making matters even worse. According to a nationwide survey reported in June, more than one in five Americans have had to delay seeking care and have had difficulty paying medical bills; more than one in 10 have been unable to get needed treatments or medications; and nearly 10 percent have been unable to get health insurance.

Health care premium costs have increased an average of 13 percent to 16 percent this year and are expected to grow by a comparable amount next year. A Hewitt Associates survey found that many employers are likely to pass along at least 25 percent to 30 percent of these price hikes to their employees. The Kaiser Family Foundation's recent survey of employer-provided health benefits similarly found that employers have passed along significant new health care costs to their employees already in the form of higher premiums, co-pays and deductibles. On average, worker premium costs increased by 27 percent for single coverage and 16 percent for family coverage over the past year. Three-quarters of the surveyed employers said they are likely to pass along even more costs to workers in 2003.

Health care cost-shifting inevitably adds to the ranks of the uninsured: An earlier AFL-CIO study found that between 1989 and 1996, premium cost-shifting accounted for 75 percent of the decline in employment-based coverage.

Prescription drugs represent the fastest growing share of overall health cost hikes. Since 1995, national spending on drugs has grown by more than 10 percent annually, a rate more than double that of other aspects of health care spending (such as hospital care or physician and clinical services). About 11 million seniors and 26 million non-elderly adults have no prescription drug coverage. For many of them, needed medications—especially newer, more costly treatments—are completely out of reach or force wrenching choices between basic life necessities.

Rising drug costs are also likely to lead to deep cuts in or elimination of retiree health coverage. Drug costs constitute 40 percent to 60 percent of employers' retiree health care costs, and steep price hikes are prompting employers to eliminate drug benefits, cap their contributions or drop retiree coverage altogether. The Kaiser Family Foundation survey found the share of large employers offering retiree coverage declined from 66 percent in 1988 to 34 percent in 2002. (Only a minor share of small firms—5 percent—offers retiree coverage). A significant share of employers that continue to provide retiree coverage have passed along substantial cost increases to retirees.

Reductions in funding for public programs are also threatening health care coverage, especially for low-income children. According to the federal Office of Management and Budget (OMB), enrollment in SCHIP (the children's health care program) is likely to fall by 900,000 over the next three years as previously planned funding cuts take effect. This enrollment decline is more than twice as great as OMB predicted just last year. Moreover, some states are responding to their financial crises by cutting Medicaid and SCHIP coverage and benefits. The National Conference of State Legislatures reports that 12 states are cutting Medicaid in response to their FY 2003 budget shortfalls.

The Pummeling of Manufacturing Continues

The manufacturing crisis has continued, with the loss of an additional 68,000 jobs in August compared with an average of 18,000 lost jobs during recent preceding months. Manufacturing employment (16.7 million) is down by 2.2 million since April 1998, the pre-recession manufacturing peak, and down by almost 1 million in the past 12 months alone. In just over four years, the United States has lost nearly one in nine manufacturing jobs. That includes one in five jobs in primary metal industries and in motor vehicles and equipment, one in three in apparel and other textile products and more than one in four jobs in textile mill products.

Every state lost manufacturing jobs in the past year (see Manufacturing Job Loss Map, page 17, for state-by-state numbers). Losses ranged from 200 workers in Nevada and North Dakota to almost 76,000 workers in California. Tens of thousands of manufacturing jobs were lost in each of the following states: Washington, Arizona, California, Colorado, Texas, Minnesota, Missouri, Arkansas, Wisconsin, Illinois, Michigan, Indiana, Ohio, Tennessee, Florida, South Carolina, North Carolina, Virginia, Pennsylvania, New Jersey, New York and Massachusetts.

On the heels of these alarming job loss numbers, the Federal Reserve reported on Tuesday, Sept. 17, that the nation's industrial production had fallen in August (0.3 percent) for the first time in eight months.

With manufacturing job losses linked strongly to trade imbalances, it is little wonder that the number of workers certified for Trade Adjustment Assistance during the first six months alone of 2002—153,000—exceeds the 143,000 workers certified during all of 2001.

The loss of manufacturing jobs is a major blow for working families and their communities. Traditionally, manufacturing jobs pay better and provide benefits superior to jobs in other sectors; many industrial workers, often long-term employees of a single manufacturer, cannot find comparable replacement jobs. In addition, every manufacturing job supports creation of roughly three additional jobs. The nation's manufacturing crisis thus not only reduces the standard of living for workers in that sector but also has a spillover effect on workers in the jobs supported by manufacturing. Not surprisingly, whole communities suffer when their local manufacturers are in decline.

Trade Deficit is Up While U.S. Foreign Debt Threatens Economic Stability

The *trade deficit* in goods and services—the difference between what we buy from vendors in other nations and what we sell to them—totaled $37.2 billion for June and $206 billion for the first six months of 2002. Both figures ran well ahead of comparable figures for 2000 and 2001, years of record trade deficits. At this rate, the full-year trade deficit will hit a mammoth $412 billion.

The U.S. Commerce Department announced recently that the U.S. *current account deficit,* which includes investment income flows as well as trade in goods and services, grew by 16 percent to $130 billion in the second quarter. This deficit represents a stunning and unsustainable 5 percent of Gross Domestic Product.

Between year-end 2000 and 2001, the U.S. *net foreign debt*, which represents the accumulation of annual trade and investment deficits, soared by 45 percent, to $2.31 trillion, or 23 percent of the nation's GDP. Years of unsustainable deficits cause the foreign debt to grow—eventually reaching an unstable and unsustainable point. At a minimum, mounting foreign debt imposes a growing burden on Americans to service this debt—by paying dividends, interest and rents to foreign investors—in the years ahead. But it also puts U.S. economic stability at the mercy of foreign investors and their willingness to remain invested in the United

States. If foreigners were to lose confidence in American markets and sell these assets abruptly, the value of the dollar—instead of declining gradually as it has in recent months—would plummet and interest rates would skyrocket. A steep recession and serious economic dislocations would be almost inevitable.

The nation's trade deficit is largely a product of our flawed trade policies. These policies cost American jobs, put downward pressure on U.S. wages and working conditions and erode the ability of governments to protect public health and the environment. Instead of fast-tracking trade agreements that do more harm than good, Congress and the president should put radical reform of our trade policies on a fast track to family-supporting jobs for America's workers.

States Face Even Greater Budget Crises in FY 2003 Than in 2002

The states face urgent budget crises, brought on in part by the recession and exacerbated by last year's federal tax cut. Some 43 states had budget shortfalls in FY 2002, totaling $37.2 billion. California led the states with a $7.2 billion shortfall for FY 2002; as a percentage of FY 2002 state budgets, Alaska's shortfall was the greatest, at 32 percent.

Last year's bad news from the states has gotten worse this year, with projections of $57 billion deficits in FY 2003. California's projected shortfall—a stunning $23.7 billion—is the largest, both in sheer dollars and as a share (28 percent) of its FY 2003 general fund budget. Other states projecting deficits that take a huge bite (more than 10 percent) from their general fund budgets include Alaska, Arizona, Iowa, Kansas, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Oregon, Rhode Island and Virginia.

Budget shortfalls are forcing states to make painful choices among budget cuts, tapping rainy day funds and increasing revenues through tax hikes. Vital governmental functions face cuts or freezes. In addition to the measures states took in FY 2002, states already have decided on the following measures to close the gap in FY 2003: 26 will cut spending, 23 will tap various state funds, 16 will use funds from the tobacco settlement, 16 will increase taxes, 12 will tap rainy day funds and 10 are planning to raise state fees.

At the same time that job loss has reduced state revenues, it has contributed to increased demands on states to provide health care and other services to the newly unemployed. Rapid growth in Medicaid and health care costs, particularly the rise in prescription drug costs, are principal culprits in adding to the pressures on state budgets. Medicaid spending, which represents 20 percent of state budgets, rose by 11 percent in FY 2001 and by 13 percent in FY 2002. Such spending in FY 2003 is expected to rise by 6 percent, four times faster than state spending overall.

A recent Kaiser Commission on Medicaid and the Uninsured survey of Medicaid directors conducted by Health Management Associates found, among other things, that 41 states project a Medicaid budget shortfall in fiscal 2003; 40 states plan to implement prescription drug cost controls in 2003, up from 32 in fiscal 2002; 29 states are either reducing or freezing some of their provider payment rates in fiscal 2003; 18 states are reducing or restricting Medicaid eligibility, including four states (Missouri, New Jersey, Nebraska and Massachusetts) that are eliminating eligibility for thousands of people; and 15 states are increasing co-pays for services other than prescription drugs.

Last year's trillion-dollar tax cut exacerbates the states' budget crises. Many states link their state estate and bonus depreciation taxes to the federal estate and bonus depreciation taxes. Hence, cuts in those federal taxes automatically lead to cuts at the state level, unless states specifically elect to decouple from the federal cut. Cuts in capital gains taxes, as the president has publicly contemplated, would further undermine the tax base for many state governments.

More than half of the states have decoupled their state tax rules from application of the new federal bonus depreciation rules and nine have decoupled from the estate and inheritance tax changes. The remaining states that should but do not decouple will experience additional revenue losses from what is essentially a federally imposed state tax cut.

Conclusion

The economic picture for working families that framed the president's August economic summit in Waco has not improved at all. The situation has worsened, and prospects for real recovery any time soon are even more uncertain.

On Wall Street and on Main Street, the hammering of working families continues as the economy sputters, layoffs mount, unemployment benefits run out, health care costs escalate and coverage erodes, retirement security ebbs and federal and state deficits hamstring the capacity of governments at every level to respond to the crises confronting working families. Real reforms that will help real people—health care, pension security, unemployment benefits, a minimum wage increase and bankruptcy changes to give workers priority—languish. At the same time, CEOs of failed corporations walk away with rich severance packages while the workers victimized by corporate failures—or worse—are pushed onto the street nearly empty-handed. And most working families already have gotten every bit of the benefit they will ever see from last year's trillion-dollar tax cut, while the top 1 percent stands to reap nearly one-half trillion dollars in tax advantages throughout the decade as a result of last year's tax changes.

Against this backdrop of economic calamity for millions of working Americans, the silence of the president and many members of Congress is deafening—and telling. For now, many politicians would prefer to forget and obscure the economic crisis that ordinary working families confront every day. But on this Election Day, working families will not forget the politicians who chose to forget them.

Sources: AFSCME; American Bankruptcy Institute; Mortgage Bankers Association; *The New York Times; The Washington Post;* Brookings Institution; Bureau of Labor Statistics; BNA *Daily Labor Report; Business Week;* Center on Budget and Policy Priorities; Center for Studying Health System Changes; Citizens for Tax Justice; Economic Policy Institute; Kaiser Commission on Medicaid and the Uninsured; Kaiser Family Foundation; *Financial Times;* Hewitt Associates; Institute for Supply Management; Institute for America's Future; Lee Hecht Harrison; NPR/Kaiser Foundation/Kennedy School; U.S. Commerce Department; U.S. Department of Labor.

For more information, contact the AFL-CIO Public Policy Department at 202-637-5172.

Table 1.
Unemployment Rates and Exhaustion Numbers, by State

	Unemployment Rates		**Exhaustion Numbers, August 2002**		
State	*Aug. 2001*	*Aug. 2002*	*Regular Benefits*	*Change from Aug.2001*	*TEUC Benefits*
Alabama	5.4	5.7	3,720	14%	—
Alaska	6.3	7.3	1,234	33%	1,562
Arizona	4.7	5.7	5,369	53%	2,008
Arkansas	5.2	5.0	3,084	32%	2,199
California	5.5	6.2	63,299	72%	1,562
Colorado	3.8	5.1	4,698	75%	4,075
Connecticut	3.6	4.0	4,204	70%	2,885
Delaware	3.3	3.8	880	46%	547
Dist. of Col.	6.7	5.9	—	—	—
Florida	4.9	5.3	13,944	39%	12,561
Georgia	3.9	4.6	8,246	36%	11,572
Hawaii	4.3	4.0	913	52%	869
Idaho	4.9	5.3	1,220	82%	1,156
Illinois	5.5	6.2	17,076	41%	13,303
Indiana	4.6	5.2	6,082	17%	4,121
Iowa	3.4	3.7	2,282	30%	2,201
Kansas	4.3	4.5	2,826	93%	1,661
Kentucky	5.6	5.2	3,051	32%	2,074
Louisiana	5.6	5.9	2,968	48%	1,726
Maine	4.2	4.0	893	65%	643
Maryland	4.1	4.3	3,859	49%	2,425
Massachusetts	4.0	5.2	12,093	91%	10,752
Michigan	5.5	6.2	14,183	33%	11,071
Minnesota	3.7	4.3	4,992	70%	3,847
Mississippi	5.5	6.1	2,309	10%	1,959
Missouri	4.8	4.7	5,800	36%	3,611
Montana	4.5	4.0	561	11%	—
Nebraska	3.1	3.4	1,330	43%	—
Nevada	5.3	5.1	2,765	41%	1,932

New Hampshire	4.0	4.7	613	na	383
New Jersey	4.3	5.3	15,362	42%	17,220
New Mexico	4.7	6.1	1,299	60%	616
New York	5.0	5.8	33,508	38%	24,396
North Carolina	5.7	6.3	10,465	69%	7,626
North Dakota	2.8	3.2	208	59%	113
Ohio	4.4	5.5	11,609	37%	8,356
Oklahoma	4.0	4.2	2,409	76%	1,700
Oregon	6.7	7.0	6,036	45%	473
Pennsylvania	4.8	5.3	—	—	—
Rhode Island	4.7	4.8	1,461	30%	969
South Carolina	5.7	5.4	4,717	51%	3,474
South Dakota	3.4	2.6	151	107%	92
Tennessee	4.4	4.6	6,068	8%	5,467
Texas	5.1	6.1	24,143	35%	16,639
Utah	4.4	5.0	2,185	79%	2,183
Vermont	3.7	4.2	584	198%	236
Virginia	3.7	4.1	5,754	126%	3,472
Washington	6.5	7.2	8,721	58%	3,707
West Virginia	4.8	5.9	988	25%	604
Wisconsin	4.5	5.2	6,149	45%	4,949
Wyoming	4.0	3.6	282	106%	267
Puerto Rico	12.0	12.1	6,805	30%	6,411

Source: U.S. Department of Labor

Table 2.
401 (k) Losses and Personal Bankruptcy Filings

State	401(k) Losses Dec. 2000-2001 (in $ billions)	Personal Bankruptcy Filings 2nd Quarter 2002
Alabama	2.69	10,140
Alaska	0.37	336
Arizona	2.42	7,603
Arkansas	1.35	5,592
California	18.20	37,113
Colorado	2.65	5,416
Connecticut	2.52	3,099
Delaware	0.55	816
District of Columbia	—	602
Florida	7.17	23,534
Georgia	5.25	17,465
Hawaii	0.77	1,105
Idaho	0.74	2,366
Illinois	8.66	19,996
Indiana	4.49	13,839
Iowa	2.18	3,100
Kansas	1.93	3,970
Kentucky	2.56	6,800
Louisiana	2.23	6,665
Maine	0.93	1,122
Maryland	3.80	8,839
Massachusetts	4.27	4,581
Michigan	7.67	13,475
Minnesota	4.12	4,658
Mississippi	1.48	5,265
Missouri	4.17	8,325
Montana	0.52	1,206
Nebraska	1.24	1,994
Nevada	1.08	5,240
New Hampshire	0.94	978
New Jersey	5.56	10,719

New Mexico	0.91	2,131
New York	10.78	18,589
North Carolina	5.02	8,735
North Dakota	0.46	492
Ohio	8.27	19,787
Oklahoma	1.79	6,215
Oregon	2.19	6,194
Pennsylvania	8.65	13,614
Rhode Island	0.70	1,289
South Carolina	2.52	3,708
South Dakota	0.52	650
Tennessee	3.37	14,986
Texas	11.47	18,606
Utah	1.24	5,389
Vermont	0.43	441
Virginia	4.87	10,937
Washington	3.90	9,804
West Virginia	0.97	2,443
Wisconsin	4.40	6,677
Wyoming	0.32	617

Sources: Institute for America's Future; America Bankruptcy Institute.

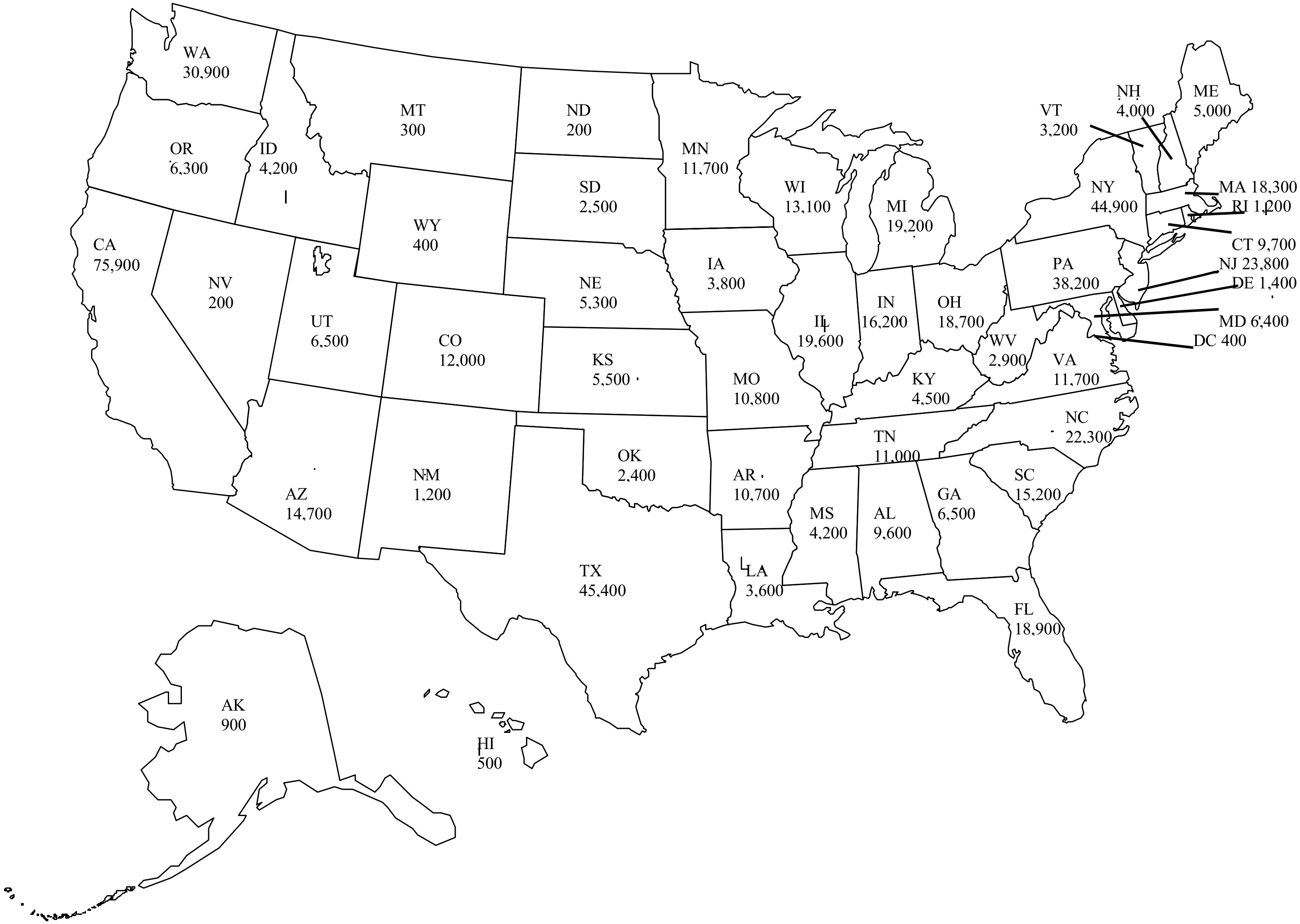
TABLE 3
State Budgets: FY 2003 Estimated Shortfalls

	Budget Shortfall (in millions)	% of FY 2003 General Budget
Alabama General Fund	$5.0	0.4%
Alabama Education Trust Fund	$45.0	1.0%
Alaska	$842.7	35.0%
Arizona	$931.3	14.7%
Arkansas	$0.0	0.0%
California	$23,700.0	28.0%
Colorado	$437.6	7.0%
Connecticut	$944.8	7.8%
Delaware	$41.8	1.7%
Florida	$0.0	0.0%
Georgia	$80.0	0.5%
Hawaii	$162.0	4.6%
Idaho	$75.0	3.5%
Illinois	$1,000.0	4.0%
Indiana	no response	no response
Iowa	$492.9	10.7%
Kansas	$704.4	15.8%
Kentucky	no response	no response
Louisiana	$0.0	0.0%
Maine	no response	no response
Maryland	$572.6	5.5%
Massachusetts	$2,300.0	15.0%
Michigan General Fund	$380.0	4.1%
Michigan School Aid Fund	no response	no response
Minnesota	$1,690.0	11.5%
Mississippi	$0.0	0.0%
Missouri	$848.3	10.7%
Montana	$118.0	8.4%
Nebraska	$250.0	9.3%
Nevada	$199.0	9.7%

New Hampshire	$54.6	4.4%
New Jersey	$6,000.0	25.6%
New Mexico	$30.0	0.8%
New York	$5,100.0	13.0%
North Carolina	$1,700.0	11.0%
North Dakota	$7.6	0.9%
Ohio	$1,941.6	8.4%
Oklahoma	$290.0	5.7%
Oregon	$1,322 (Biennial amount)	12.2% (Biennial amount)
Pennsylvania	$1,800.0	8.8%
Rhode Island	$300.0	11.2%
South Carolina	$0.0	0.0%
South Dakota	$36.1	4.1%
Tennessee	$800.0	8.2%
Texas	$0.0	0.0%
Utah	$173.1	4.6%
Vermont	$38.0	4.2%
Virginia	$1,200.0	10.0%
Washington	$920.0	8.0%
West Virginia	$0.0	0.0%
Wisconsin	$1,117.3 (Biennial amount)	5% (Biennial amount)
Wyoming	$0.0	0.0%

Source: National Conference of State Legislatures, "State Budget & Tax Actions 2002—Preliminary Report: Executive Summary," Aug. 28, 2002.

The Crisis in Manufacturing
Job Losses by State, August 2001 – August 2002



Between August, 2001 and August, 2002, every state experienced job losses, many of them very significant, in manufacturing.

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