



NEWS RELEASE

Feb. 25, 2010
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FOR IMMEDIATE RELEASE — THURSDAY, FEBRUARY 25, 2010
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ARRA Benefits for Jobless Also a Boost for Economy

IOWA CITY, Iowa (February 25, 2010) — Federal recovery dollars for Iowa's unemployment insurance system boosted the Iowa economy by over \$500 million and more than 3,700 jobs in 2009, with continuing benefits into 2010, new analysis of the recovery act shows.

“More and longer unemployment benefits have helped Iowans most affected by the recession meet their basic living needs while they search for new jobs. It also has saved jobs for Iowans who, but for the stimulus, might have also found themselves without work,” said Andrew Cannon, a co-author of the report for the nonpartisan Iowa Fiscal Partnership (IFP).

Cannon, a research associate at the nonpartisan Iowa Policy Project, part of IFP, joined Iowa State University economic analyst David Swenson and Iowa Policy Project Research Director Peter Fisher in the analysis. IFP has been analyzing Iowa impacts of the American Recovery and Reinvestment Act (ARRA), commonly known as the federal stimulus package.

Unemployment insurance typically replaces, on average, 38 percent of wages for up to 26 weeks for eligible workers who lose their job through no fault of their own. Through ARRA, the size of each UI payment rose by \$25 in Iowa, and allowed an additional 47 weeks of emergency coverage through the end of 2009. That emergency coverage is scheduled to end Sunday unless Congress extends it.

According to the researchers, ARRA direct spending for unemployment insurance, along with ripple effects from that spending, produced \$501.7 million increased economic activity and \$112.1 million in income in 2009, while creating or saving 3,727 jobs.

For the current year, the researchers — using Swenson's economic model — also found direct and indirect benefits but in lower amounts, \$314.6 million activity, \$68.6 million income and 2,258 jobs.

“Rather than drawing upon savings or relying on credit, unemployment insurance recipients can use those funds for their basic needs — housing, food, clothing and child care,” Swenson said. “Because recipients of those benefits spend the money on a host of goods and services, businesses benefit, and so do their employees.

“The federal unemployment benefits cycle through the economy — which is the point of economic stimulus.”

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The analysis broke down the direct and indirect impact of ARRA unemployment insurance funding in both the 2009 and 2010 state fiscal years.

The report found that every \$100 million in federal dollars invested in Iowa's unemployment insurance system sustains 1,001 jobs earning \$30.1 million in labor incomes in Iowa's economy.

The Iowa Fiscal Partnership is an initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. Reports are available at www.iowafiscal.org.

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