

# The Nass Report



## Wisconsin State Government and the 11th Senate District

May 28, 2020

### Wisconsin's Unemployment Crisis

*The Curve Created by Government that Needs Immediate Flattening!*



As Chairman of the Senate Labor and Regulatory Reform Committee, I conducted the first of several legislative oversight hearings on Wisconsin's unemployment crisis on May 27, 2020. During this hearing, the committee heard from invited speakers including Professor Noah Williams of the Center for Research on the Wisconsin Economy (CROWE), Department of Workforce Development (DWD) Secretary Caleb Frostman, staff at DWD responsible for processing unemployment insurance claims, and representatives from both employers and labor that sit on the DWD's Unemployment Insurance Advisory Council.

The main focus of this first oversight hearing was the bureaucratic tragedy unfolding inside DWD in handling regular unemployment insurance claims and pandemic unemployment assistance for the self-employed and independent contractors.

A link to view the video of this hearing can be found [here](#).

#### **DWD – Bureaucracy and the Unemployed**

Since March 15<sup>th</sup> through May 23<sup>rd</sup>, the state has received unemployment applications from 577,213 people. In total these applicants, have filed more than 2.4 million weekly claims for unemployment benefits. DWD has paid out about 1.7 million of these weekly claims for benefits.

As of May 23<sup>rd</sup>, there were 728,487 weekly benefit claims that have gone unpaid by DWD for various reasons. The impact of this massive backlog is that thousands of Wisconsin citizens desperately in need of assistance have gone unpaid for multiple weeks. Most of the reasons for the backlog fall squarely on the slow and less than energetic response of the department's leadership and Governor Evers.

While DWD is facing historic challenges and some delays initially might have been reasonable, we are now two months into this crisis and Secretary Frostman confirmed that his agency has only recently taken steps to expand service hours and increase staffing in the Unemployment Insurance Division. Under questioning from Senators, Secretary Frostman admitted that his plan to fix the issues causing the backlog could take until October to provide relief to all impacted citizens. That is totally unacceptable by any standard.

Senators asked why other states have been able to better address their backlogs in paying unemployment insurance and in one case hire or reassign more than 900 employees to get the job done. Secretary Frostman stubbornly stuck to his slow approach to hire and contract for more staff over the next couple of months. There was simply no interest from the leadership staff at DWD in finding more immediate solutions. In their defense, the lack of urgency, low energy and minimal experience has been a hallmark throughout Governor Evers' Administration.

### **Already in Recession – Heading to a Depression**

In Wisconsin, we are already at 577,213 people suffering from unemployment and many times that facing reduced hours and slashed wages or salaries. Across the United States, we are now at over 40 million unemployed.

Wisconsin's official unemployment rate is sitting at 14%, but Professor Noah Williams informed the committee that the official calculation is often behind the real numbers on the ground. He estimated that Wisconsin's real unemployment rate is a stunning 22%; a level not seen since the Great Depression. During the Great Recession (2008-2009), Wisconsin saw a high of about 11% unemployment at the worst point in that economic downturn.

Based on numerous economic forecasts and analysis of actual data, it is now feared that about 40% of the people currently unemployed will face that circumstance on a permanent basis through the remainder of this year and possibly into 2021. This long term unemployment will be caused primarily by the massive number of business closures. In several sectors of the economy, permanent business closures have already hit 15-20% and will increase to about 35-40% by the end of 2020.

While small businesses will be hit the hardest, the economic crisis currently unfolding will also swamp many medium and large size businesses in the coming months. There

will also be significant pain for businesses that find a path to survival including the need to cut costs and reducing the number of employees necessary to operate.

Nationally, in the first quarter (January-March) of 2020 our gross domestic product (GDP) declined by 5% and the second quarter (April-June) will be far worse in large part due to the excessive government shutdowns across the country. Less economic activity will have devastating impacts on tax revenues available to all levels of government. Projected loss of revenues by some state governments has already reached 7-10% of their annual budgets. Some local governments in other states are reportedly facing up to a 25% loss in annual revenues.

In Wisconsin, the situation for governments is not much better but precise numbers are still being calculated. However, Governor Evers sent a letter in April to President Trump's Administration estimating at that time the state's revenue loss would be at least \$2 billion and growing. The nonpartisan Legislative Fiscal Bureau (LFB) is required to provide an estimate of the state's budget condition by the end of June. Currently, it is believed the LFB report will show a significant loss in state revenues that could trigger the state law mandating a budget repair bill to balance expenditures compared to actual revenues.

### **Closing Observations**

The crisis in paying unemployment insurance in Wisconsin will only get better when two things occur:

(1) The people rise up and demand Governor Evers take responsibility and fix it; and

(2) Legislators of both parties exert pressure on Governor Evers and DWD leadership to adopt more immediate solutions for getting unemployment benefits paid in a timely manner. So far, my Democrat colleagues have remained silent on the plight of the unemployed. They must be fine with people waiting until October to get benefits past due for months.

Covid-19 and excessive government shutdowns has already had a ruinous effect on the private sector. The public sector of this country and our state will soon be facing the same destructive consequences in terms of program cuts and reduction in employees in the coming months and years.

The reliance by elected officials on terribly flawed Covid-19 modeling and the deference to unqualified public health bureaucrats in taking control of our society will go down as one of the most monumental failures of government in American history.

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