

[Front Page](#) [News](#) [Arts](#) [Sports](#) [Opinions](#) [Blogs](#) [Contact](#) [Archives](#) [Marketplace](#)[The Brown Daily Herald](#)

R.I. unemployment hits 12.8%

Ben Schreckinger
Senior Staff Writer

Published: Tuesday, October 13, 2009



Updated: Tuesday, October 13, 2009

Rhode Island's unemployment remains among the highest in the nation as a recent report ranks the state's business tax climate one of the worst countrywide.

Rhode Island ranked 44th in the 2010 State Business Tax Climate Index released last month by the Tax Foundation, a Washington think tank.

According to the most recent data from the United States Bureau of Labor and Statistics, the state's unemployment rate in August was 12.8 percent — lower only than that of Michigan and Nevada.

The state lost 2,400 jobs that month, according to the Rhode Island Department of Labor and Training.

Tax laws are "one of the few things that legislators can have a direct impact on," said Kail Padgitt, a staff economist at the Tax Foundation and the report's author. Lawmakers cannot significantly boost a state's infrastructure or human capital within a short time frame, he said.

"We have strong evidence that there is a strong correlation between a state's business tax climate and the overall business climate in the state," Padgitt said. Last month, Forbes Magazine ranked Rhode Island last in a special report on "The Best States for Business."

But in an e-mail to The Herald, Jennifer Leigh, director of communications at Rhode Island College's Poverty Institute, wrote, "Much of the analysis we have done shows that lowering taxes on business, especially during a recession, is not a cost-effective strategy for economic development."

State and local taxes account for just 3 percent of the average business's expenses, she wrote. Instead, businesses are attracted by a skilled workforce and quality infrastructure.

The Tax Foundation ranking represents a modest rise from last year, when Rhode Island was ranked 46th.

A comparison between the Tax Foundation's rankings and current unemployment figures — one indicator of a state's economic health — yields mixed results.

South Dakota comes in first in the organization's rankings and has the country's second lowest rate of unemployment. But Nevada has the fourth best tax climate for businesses according to the rankings, while its unemployment stands at 13.2 percent — second worst in the nation.

Padgitt pointed to Michigan's poor showing in the index and the state's stagnant economy as evidence of a correlation between the index and actual economic vitality. Like Rhode Island, Michigan has yet to recover from the loss of manufacturing as the foundation of its economy.

Rhode Island could lower its tax rate but offset consequent revenue losses by eliminating "a lot of exemptions," which would broaden the tax base, Padgitt said. Exemptions, such as tax credits for job creation and research, "sound like a nice idea" but turn into a "zero-sum game" when all states offer them, Padgitt said. At that point the exemptions lower tax revenue without offering any state a competitive edge.

According to Leigh, the economic downturn in Rhode Island "should be used to invest in training," rather than focusing on the tax code. She cited a study by the Workforce Alliance that found that more than 40 percent of openings in coming years will be for "jobs that require more than a high school diploma, but

less than a four-year degree.”

“If Rhode Island seeks real economic recovery and long-term prosperity, we must ensure our workforce has the necessary education and training to meet the labor demands of the future,” Leigh wrote.

News

Campus News
Features
Metro

Arts

Sports

Opinions

Columns
Editorials
Cartoon
Comics

Blogs

Post-
News
Opinions
Sports

About

Masthead
Join
Comments Policy
Letters Policy

Contact Us

Letters
Tips
Questions
Alumni

Advertising

Media Kit
Classifieds

Donate

*Copyright 2009 by
The Brown Daily Herald,
Inc. All rights reserved.*