



Unemployment Insurance

Background

Unemployment insurance provides financial support for workers who have lost their jobs through no fault of their own. Unemployment benefits help families avoid financial disaster and give workers time to seek new employment.

- More than **800,000 Americans avoided poverty** in 2014 because of unemployment insurance.
- **Only about 1 in 10 unemployed workers in North Carolina receive unemployment insurance, the lowest level in the nation.** Workers who do receive unemployment insurance, receive roughly a third of what they were earning at their previous jobs.

Funding for unemployment insurance comes from federal and state payroll taxes and is saved in the Unemployment Insurance (UI) Trust Fund. The system should have a forward-financing design—employers pay into the system in good times so money is available to pay out benefits when the economy slows, unemployment claims grow and employer contributions shrink.

However, North Carolina significantly cut employers' contributions to the trust fund during the boom times of the 1990s, resulting in a severe shortage of needed funds now. In 2013, policymakers undertook the most drastic cuts to a state's unemployment insurance system in the country: reducing the number of available weeks, changing the way benefit amounts were calculated, capping the maximum amount a jobless worker could receive to an arbitrary amount, restricting eligibility and eliminating funding for job search and training supports.

Current Status

In an economy that is still producing too few jobs for those who want to work, the cuts to the unemployment insurance system are creating significant harm to North Carolina families, communities and the economy.

- **Lower Benefits to Jobless Workers:** The amount of unemployment insurance the average unemployed worker receives is now \$234 per week, ranking the state 46th in the nation. Jobless workers will struggle to meet basic needs, cut back on spending and rely on other public programs to bridge the gap as they search for work and thus won't be able to stabilize the economy. Every dollar in unemployment benefits can translate into \$2 in stabilizing effect in the economy.
- **Fewer Weeks for Jobless Workers:** The state still has too few jobs for those who want to work despite positive job creation over the past year. The drop in the unemployment rate does not reflect an improved labor market and yet it now dictates the maximum number of weeks that a jobless worker can receive. The maximum weeks in North Carolina for unemployment insurance is now 13 weeks compared to the prior maximum of 26 weeks, the standard nationally. The result for workers is that they will lose a critical support even while the jobs are not there and the unemployment insurance will fail to fulfill its function of keeping jobless workers connected to the labor force in a tough market.
- **Trust Fund Solvency:** Jobless workers paid down employer's Trust Fund debt. At least two-thirds of the savings that gets the state's trust fund solvent was paid through the cuts to unemployment insurance and eligibility. Employers paid just 0.7 percent more in state taxes and have now been given tax cuts despite persistent questions about whether the Trust Fund is sufficient to respond effectively in the next downturn.

Questions for Candidates

- *How will you reduce the harm that is being done to jobless workers with cuts made to unemployment insurance in 2013?*
- *What would you do on the tax side to shore up North Carolina's Unemployment Insurance Trust Fund so that future downturns do not require significant borrowing from the federal government?*
- *How would you improve services for jobless workers to ensure they connect to jobs when employment picks up? What ways will you put forward to ensure that jobless workers can better access and be supported particularly as they retrain or build skills for the jobs of the future?*
- *Are you concerned about the announced layoffs in Eden, NC and Salisbury, NC and how would you make sure that the unemployment insurance is an effective part of the response to job loss through no fault of these workers own?*