



## SUPPORT JOBLESS WORKERS' CONNECTION TO WORK, CAREERS

While North Carolina's unemployment rate has dropped in recent years, there are still fewer employed people as a share of the population as there were before the recession started and, in many communities, there are more jobless workers than there are job openings.

**The lack of good, quality jobs for North Carolina's growing workforce is a serious and pervasive problem.** It hurts jobless workers as they seek to maintain their skill set and stay connected to the labor force. It hurts their families as they struggle to make ends meet without earnings and are forced to draw down savings meant to secure their retirement and future generations' mobility. And it hurts the broader community and economy because fewer workers spending their earnings reduces the demand for goods and services.

In order to help boost our economy, North Carolina's policymakers must prop up jobless workers as they look for jobs, including providing support so that workers stay connected to the labor market and skills training for new careers.

### North Carolina's unemployment insurance provides *too few* jobless workers with *too little* benefits for *too short* a time to stabilize local economies

The unemployment insurance system is supposed to work by providing temporary, partial wage replacement at a level that ensures there is not a drop off in consumer spending, further destabilizing the broader economy. Lawmakers failed to design the system to cover a significant share of those who have lost their job through no fault of their own and to provide payment that is relative to the wages earned through prior work. This failure means the system is simply not as effective at ensuring jobless workers can meet basic needs and stay attached to the labor market, thus reducing demand for businesses goods and services.

**Changes to the state's unemployment insurance system in February 2013 has been one of the biggest blows to North Carolina's jobless workers and communities affected by persistently high unemployment and mass layoffs.** As a result:

- **Too few jobless workers receive unemployment insurance:** Just 1 in 10 unemployed workers in North Carolina receive unemployment insurance, the lowest level in the nation.
- **Too little in benefits goes to jobless workers:** The amount of unemployment insurance the average unemployed worker receives is now \$241 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 in turn won't be able to stabilize the economy. Every dollar in unemployment benefits can translate into \$2 in stabilizing effect in the economy.

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- Too short a duration 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 of benefits a jobless worker can receive. The maximum weeks in North Carolina for unemployment insurance is now 12 weeks compared to the prior maximum of 26 weeks, the national standard. The result? Workers will lose a critical support during a time when 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.

### Public policies that support jobless workers and keep them connected to work boost the economy

Economists have estimated that in the current recession and recovery period, unemployment benefits have had an increased multiplier effect on economies, such that roughly \$1 in unemployment benefits translates into \$2 in economic activity.<sup>1</sup> But **more than unemployment insurance is needed to minimize the economic scarring – and often poverty – that results from high levels and long periods of unemployment.**<sup>2</sup> We are in critical need of public policies that minimize the impact, such as providing access to food assistance and foreclosure prevention to those who have lost their job. Policies that offer skill-building opportunities to workers and improve the connection of low-wage workers to employment opportunities in high-wage industries can help increase earnings and, in turn, dollars circulating locally, as well as have generational impacts on children's chances for opportunity.

### Policy Recommendations

North Carolina must seek to ensure that good, quality jobs are available across the state to those who are seeking work. But that alone won't ensure jobless workers can connect to work and good, quality careers. Here are a few solutions that will help support jobless workers:

- Reduce the damage of temporary layoffs to workers and employers.**  
 By establishing a work sharing program, North Carolina would provide employers with the option of reducing employees' hours instead of implementing layoffs when business is slow. For instance, an employer can choose to reduce all employees' hours by 10 percent rather than laying off one-tenth of the workforce. Through work sharing programs, employees with reduced hours receive pro-rated unemployment benefits to supplement their paychecks.
- Work sharing programs help employers during business slowdowns by temporarily reducing payroll costs while preserving a skilled workforce.**  
 At the same time, employees can maintain their income and, in many cases, health and retirement benefits. Twenty-five states have already adopted work sharing programs; these established programs have been shown to save hundreds of thousands of jobs. As an added incentive, temporary federal subsidies are available to states that establish work sharing programs.

**SUPPORT JOBLESS WORKERS' CONNECTION TO WORK, CAREERS****3. Ensure the unemployment insurance system works for jobless workers and local economies.**

The first steps in fixing the state's unemployment insurance system should include returning to the national standard of 26 weeks of unemployment insurance, as well as using the previous high periods of earnings to calculate benefit amounts. Additional changes should be pursued to tie the maximum benefit amount to the the maximum benefit amount to two-thirds of the average weekly wage in the state.

**4. Increase access and range of skills training options statewide.**

For many North Carolina workers, it's unclear whether they will be able to return to the same career. For those workers and the countless others who need additional skills training for better paying careers, it is critical that the state commit to making training slots available to workers in every county and ensure such training is affordable. Investment in the SNAP employment and training program is one way to commit to this goal and draw down federal matching dollars. Investment in the community college and community-based organizations that can deliver tailored skills training is also critical to ensure the geographic accessibility of training options.

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1. See CLASP, 2012. "Work Sharing: An Alternative to Layoffs."
  2. CLASP and NELP, 2012. "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012."