north carolina
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FACT SHEET

Second Quarter 2016 Update

North Carolina's unemployment insurance fails standards that make the program effective in insuring against deep, prolonged downturns.

Unemployment insurance changes made in 2013 continue to play out poorly in communities across the state. Jobless workers have lost access to a system designed to provide temporary support while they seek new jobs, and communities facing significant job loss and persistently high unemployment have lost a stabilizing resource in their local economies.

A review of performance metrics collected by the U.S. Department of Labor for the Second Quarter of 2016[1] shows changes made to the state unemployment system in 2013 have led to a stark new reality. North Carolina's unemployment insurance now reaches **too few** jobless workers for **too short** a time period and provides **too little** in payments to stabilize their spending in the economy.

Too Few

One in 10 jobless workers in North Carolina received unemployment insurance in the Second Quarter of 2016, ranking North Carolina last in the country. Prior to changes made in the Second Quarter of 2013, North Carolina ranked 24th, with 4 out of 10 jobless workers receiving unemployment insurance.

North Carolina now has the second highest exhaustion rate in the country, with half of those receiving unemployment insurance losing benefits before they find a job.

Too Short

The average duration of unemployment insurance in North Carolina is just 10 weeks, ranking North Carolina last in the country. This short duration is, in part, a function of the state's arbitrary sliding scale that ties the number of weeks of benefits to the state unemployment rate. Even as the state unemployment rate falls there are still more unemployed workers than prior to the recession and the majority of counties have more jobless workers than job openings.

Too Little

North Carolina ranks 46th in average weekly benefits, providing just $241 each week on average to jobless workers and a fixed maximum of $350. This is despite the fact that the average weekly wage in the state is $888. The state is therefore roughly providing just 25 cents for every $1 earned, circulating far fewer dollars than recommended by economists who typically seek a replacement rate of at least 50 percent. Prior to the 2013 changes, North Carolina ranked 25th with a wage replacement rate of 36.5 percent.

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[1] All data points for North Carolina were accessed in the Unemployment Insurance Data Summary at http://workforcesecurity.doleta.gov/unemploy/content/data.asp

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All For Naught?

The unemployment insurance system is financed through an employer tax as the program serves to benefit both an employer's bottom-line as well as the broader economy. It achieves this by lessening the reduction in spending and minimizing increases in poverty that result from job losses caused by downturns in the market.[2]

Proponents of the benefit cuts argued that such measures were necessary to pay down employer's debt. This debt was caused by a poorly financed system due to tax cuts in good times, leaving the state ill-prepared for the Great Recession's historic job loss–could be repaid.[3]

Today, North Carolina's unemployment insurance trust fund represents 1.25 percent of total wages earned in the state. The suggested standard for this measure is 2 percent of total wages.[4] Thus, even with this meagre program for jobless workers, their communities, and the economy, North Carolina's unemployment insurance tax system is not adequate to achieve solvency.

Failure to rebalance the approach to insuring our state's economy against the damaging effects of cyclical job loss will leave North Carolina doomed to repeat past mistakes: cutting taxes in good times and raising taxes and cutting benefits in tough times.

Now is the time to fix the state's unemployment insurance system.

[2] http://pulse.ncpolicywatch.org/2016/09/19/new-research-points-to-critical-role-of-unemployment-insurance-in-lessening-hardship-from-job-loss/
[3] http://tarheelworkers.org/wp-content/uploads/2013/01/BTC-Brief-UI-Trust-Fund-Insolvency_0.pdf
[4] http://www.nelp.org/content/uploads/2015/03/SolvencyUpdate2010.pdf