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Unemployment Insurance that serves workers is critical

A sound system that keeps workers out of hardship and stabilizes the economy is more important than ever.

By **ALEXANDRA FORTER SIROTA**, Budget & Tax Center Director

North Carolina's **Unemployment Insurance** (UI) program provides unemployment benefits to eligible workers who become unemployed through no fault of their own and meet other eligibility requirements. It is a key tool available to protect workers from being pushed into economic hardship and poverty and to contain the ripple effects of job losses in the economy.

Unemployment insurance is one of the most effective stabilizing policies in an economic downturn. **Mark Zandi of Moody's Economy.com (January 2008) found a \$1.64 per dollar multiplier effect for \$1 UI compared to \$1.02-\$1.29 for tax cuts.**¹

As COVID-19 begins to have employment impacts, particularly for hourly and low-wage workers, both the federal and state government have a role to play in ensuring that the UI program is effectively responding. For example, in past downturns, the federal government, recognizing that people who have to care for family might need to leave work, has improved access by boosting the amount of UI received by workers and extended the duration available in recognition of the loss of job opportunities in the labor market.²

As economists assess the risk of a potential economic downturn from COVID-19, there is a real public health need to ensure people who are sick can stop work and not face hardship. North Carolina must adopt changes to our UI program that will restore the program's effectiveness to ensure people in the state aren't harmed by the loss of a job that is no fault of their own. This will in turn provide a critical role in

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¹ See for Zandi analysis: https://www.epi.org/publication/webfeatures_snapshots_20081022/

² <https://www.nelp.org/publication/unemployment-insurance-helps-mitigate-job-loss-during-pandemics-options-for-policy-makers/>

stabilizing the state's economy.

Achieving the greatest economic boost from UI requires that the NC General Assembly increase the number of workers able to access the program and improve the adequacy of the benefits to replace lost wages. Legislators should also return the provision that allowed people to access the system if they face illness or must care for a sick family member. Taken together, a comprehensive set of changes to the state's UI policy can ensure that workers aren't disproportionately hurt in this moment and the future. Such changes should include:

- Use the highest quarter or the average of the two highest quarters in the calculation of UI benefits for every worker;
- Remove the cap of \$350 on maximum UI benefits to calculate based on the average weekly wages in the state;
- Eliminate the waiting week so that dollars are immediately available to workers without earnings from work; and
- Ensure workers can receive UI for 26 weeks, which is the national standard.

North Carolina's Unemployment Insurance system is less able to keep workers from being pushed into deeper economic hardship or stabilize the economy.

According to the Bureau of Labor Statistics, Summary of Unemployment Insurance Statistics for the last quarter available, 4th Quarter of 2019, North Carolina's UI system provides too little in payments to too few jobless workers for too short a duration.³ The result is that the state has the second highest rate of exhaustions by jobless workers of UI payments, nearly 47 percent of jobless workers receiving Unemployment Insurance lose access to the program before they find work.

- Workers receive an average weekly benefit of \$277.
- Workers receive those benefits for an average duration of just 8.7 weeks, ranking N.C. second to last in the country.
- Less than 10 percent of jobless workers in North Carolina receive UI benefits, ranking N.C. last in the country.⁴

Now that the Trust Fund is solvent with nearly \$4 billion and the state must put together plans to prepare for an economic downturn, it's time to restore the program to adequate levels for workers like we see in other states. This is critical to do given that \$4 billion is more than double the reserve ratio recommended by the US DOL.

However, state legislators should ensure that their work is complemented by swift and bold federal commitments to keep the Unemployment Insurance system adequate and sustainable over the long-term should the ripple effects of the coronavirus pandemic continue to be felt in the labor market.

The Unemployment Insurance is a system that — when adequately supported and designed to serve workers, businesses, and the community — should be a key tool not just in the immediate response to the loss of wage income from the coronavirus pandemic but in the long-term promotion of an economic system that supports people's well-being.

3 https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

4 https://oui.doleta.gov/unemploy/data_summary/DataSumTable.asp