COVID-19

NCJC WRP WORKERS' RIGHTS PROJECT

Unemployment insurance changes needed in North Carolina

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As North Carolina enters a period of economic recession brought on by the COVID-19 pandemic, it will be imperative for the state to make significant adjustments and improvements to its unemployment insurance (UI) system in order to meet the needs of the hundreds of thousands out of work across the state.

At present, North Carolina UI benefits are near the bottom of the 50 states, with an average weekly benefit of $277 (and a maximum of $350) and the maximum term of eligibility capped at a nationwide low of 12 weeks (most states provide up to 26 weeks of benefits). Most troubling is that under 9 percent of unemployed workers receive UI benefits in North Carolina, a by-product of the state's limits on duration.

The recent congressional action in the CARES Act establishes the federal government to cover 100 percent of the cost of an array of extended and improved benefits. However, in order to maximize the impact of these changes, state lawmakers should take several additional actions.

Here's how the CARES Act changes UI:

The new federal law basically creates three UI programs all paid for by the federal government, with all claims being "non-charged," meaning employers' UI tax rates on employers will not be impacted:

1. **Pandemic Unemployment Assistance (PUA)** – This will cover workers not eligible for UI under current law, like independent contractors, small business owners, and workers who have exhausted all benefits. Benefits will be available for up to 39 weeks, which includes PUC & PEUC (see below).

2. **Pandemic Unemployment Compensation (PUC)** – Workers will get $600 per week on top of the miserly amount North Carolina currently pays. Once a worker exhausts under North Carolina's duration limit (12 weeks currently), they move to PEUC.

3. **Pandemic Emergency Unemployment Compensation (PEUC)** – PEUC provides 13 weeks of benefits to workers who have exhausted regular UI benefits under PUC – all too easy to do with the state's duration currently at 12 weeks. Once the worker exhausts the 13 weeks of PEUC, they may be eligible for PUA and can receive benefits for a cumulative total of 39 weeks.

It appears workers will move to the particular program when they exhaust benefits, with PUA being the last program to provide assistance.

All three programs provide an additional federal benefit of $600 per week until July 31. The duration of all benefits is a cumulative 39 weeks for PUA, PUC, and PEUC.

Need for Changes to North Carolina's Unemployment Insurance Program

BACKGROUND

North Carolina's way of calculating the weekly benefit amount–no other state does it our way–will shortchange workers in the three federal programs. The $600 per week add-on ends on July 31, so we should both change the manner of calculating benefits and increase the maximum benefit amount of $350 to help workers after this date. When that supplemental benefit ends, workers will then receive an average weekly benefit amount of **$277** with a maximum limit of $350 unless the law is changed.

Kansas, Georgia, and Michigan have changed their duration to 26 weeks – **click here** to learn more. If indeed COVID-19 becomes cyclical as many public health professionals suggest and should a full recession in the national and state economy occur, it is critical that jobless workers in North Carolina have the same duration as most workers in states across the country—26 weeks—so that they don't get pushed into poverty and can consider retraining and new careers.

Recommended changes to North Carolina UI laws:

For North Carolina workers to get the maximum benefit from the CARES Act, the following changes will be necessary:

1. **Allow "attached claims" to be filed by employers.** In 2013, changes made to North Carolina's UI laws severely restricted the ability of employers to file attached claims for their workers. Allowing "attached claims" will be more efficient and allow greater access to benefits.

2. **Change North Carolina's weekly benefit calculation.** This will put more benefits in workers' pockets and will be most needed after July 31 when the federal weekly supplement of $600 ends. Before 2013, North Carolina based benefits on a worker's *highest* quarter wages – a system that appears to be in use, for example, in Florida and South Carolina. **North Carolina should base benefits on** either the **highest quarter wages** or **the average of the two highest quarters**.

3. **Increase the maximum benefit amount, putting more money in workers' pockets after July 31 when the federal add-on of $600 ends.** North Carolina set its maximum benefit at $350 in 2013. It was not indexed in any way to increase

over time. Before 2013, the state's maximum weekly benefit amount was 66.7 percent of the state's average weekly wage. Currently, 40 states have higher maximum amounts than North Carolina, including Kentucky, Virginia, West Virginia, and Arkansas. **North Carolina should set the maximum weekly benefit at 50 percent of the state's average weekly wage, $850, so the maximum would be $425 and would increase as wages increase over time**.

4. **Increase the maximum duration someone can receive benefits, as Georgia and Michigan have recently done.** North Carolina has a sliding scale of 12-20 weeks. Most states have a maximum duration of 26 weeks.

5. **Address roadblocks created by the state's low "earnings disregard."** At a recent House Committee meeting, lawmakers discussed the problem of employees who have their hours cut but are denied benefits because of North Carolina's low "earnings disregard" (1/5 of wba or $70). For instance, if a worker makes $750 a week and has their hours cut so that they make only $420, they would receive $0 in UI because North Carolina's maximum weekly benefit amount is $350 ($420-$70=$350). **Lawmakers should increase the earnings allowance and increase the maximum weekly benefit amount.**

6. **Adopt Work-Sharing/Short-Time Compensation Option for Employers.** Work-Sharing/Short-Time Compensation allows an employer to reduce the hours of all or some workers instead of laying off a portion of the workforce. Workers with the reduced hours are then eligible for partial unemployment benefits to supplement their paychecks. For example, instead of laying off five workers, an employer can reduce the schedules of 25 workers by 20 percent. Approximately 40 states provide this option to their employers. The CARES Act provides $100M in grants to states to implement, improve, and promote Work-Sharing. Recent Guidance from the U.S. Department of Labor recommended states adopt Work-Sharing. **Click here** for more information.

For more information, contact:

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