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Jobless workers in N.C. need more certainty

Lost Wages Assistance Program is no substitute for federal and state action on Unemployment Insurance.

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

North Carolina received notice on Aug. 26, 2020, that the state's application to participate in the Lost Wages Assistance Program, established through Executive Action by President Trump on Aug. 8, 2020, was approved.

The Lost Wages Assistance Program will run parallel to the Unemployment Insurance (UI) system and was announced by the President after the U.S. Senate failed to agree to an extension of the Pandemic Unemployment Assistance (PUA) which expired the week of July 25th.

The Lost Wages Assistance Program (see Breakout Box, page 2, for more details on the program) will be wholly inadequate to address the income declines resulting from COVID-19's economic impacts on workers and businesses.

Here's why:

- **North Carolina jobless workers will experience a 50 percent decline in income from what was provided through July to stabilize household budgets and local communities.** Under the Lost Wages Assistance Program, the federal program will provide \$300 per week for at least three weeks to jobless workers who have lost work due to COVID-19.
- **North Carolina has one of the lowest average weekly benefits and the method of calculating benefits based on the two last quarters means that those who saw their wages decline before job loss could be at greater risk of ineligibility.** Moreover, those earning low incomes and thus most in need of support through a job loss will be less likely to access this new program. To qualify, workers must be receiving at least \$100 in state UI, which will effectively exclude many low-wage and part-time workers unless the state appropriates non-Trust Fund dollars to meet the match requirement. Estimates suggest that roughly 45,000 North Carolinians receive less than \$100/week in Unemployment Insurance.¹

¹ Special Data Request, Office of State Budget & Management, August 26, 2020.

- **After 2012, the NC General Assembly did not make state level investments in UI administration, which must now stand up a new program to draw down Federal Emergency Management Administration (FEMA) dollars for this program.**² Delays during the creation of PUA systems led to a backlog of unprocessed applications and frustrated workers. From March to June, just 60 percent of initial PUA claims had been paid.³ State funds or staff cannot be used to administer this new program which, in combination with the new eligibility terms, suggest that it could take weeks or months for these benefits to reach jobless workers, reducing their benefits to minimizing poverty and bolstering a flagging economy.⁴

North Carolina needs a long-term fix to secure the recovery. Nationally, the Lost Wages Assistance program would provide just six weeks of benefits if all the jobless workers currently eligible claimed the benefit. The federal government is only approving the first three weeks of payments and thereafter will approve week by week, dependent upon factors including depletion of the funding

HOW THE LOST WAGES ASSISTANCE PROGRAM IS SUPPOSED TO WORK

The Trump Administration established the Lost Wages Assistance Program (LWA) by tapping into FEMA's Disaster Relief Fund. The wisdom of depleting this reservoir of funds at this moment is questionable, as hurricane season is about to switch into high gear, further complicating the benefit's financial picture.

The basics of the program are as follows:

- Total LWA benefit payments are capped at \$44 billion nationally—an amount that would be reduced further if FEMA needs these funds for their intended purpose of natural disaster relief.
- Recipients of state and federal unemployment benefits can be eligible for LWA, but those with underlying benefits of less than \$100 per week are not eligible.
- The federal portion of the benefits is \$300 per week, a painful cut from the now-expired \$600 Federal Pandemic Unemployment Compensation (FPUC) benefit that was helping support workers, their families, and the national economy.
- The Disaster Relief Fund requires a 25 percent match from the states, which would, as initially described, cost each state an additional \$100 per week per unemployed worker. However, subsequent guidance indicates that states are allowed to meet the match with that state's underlying spending on unemployment benefits.
- LWA is a grant-funded program — by FEMA to the states — not a federal entitlement administered by the states. As such, it will need to be administered separately from other unemployment programs, and states will not be allowed to use any congressionally- appropriated administrative grants for UI benefits to administer the payment of LWA benefits.
- Once an agreement is reached with the states, FEMA will allocate three weeks of payments to each state, and after that, will reconsider allocations on a week-by-week basis.

Taken from: <https://tcf.org/content/commentary/trumps-lost-wage-assistance-program-no-substitute-federal-unemployment-benefits>

2 Sirota, Alexandra with Leila Pedersen, June 2020. Unemployment Insurance will strengthen recovery from COVID-19. NC Justice Center, Raleigh, NC accessed at: https://www.ncjustice.org/wp-content/uploads/2020/06/BTC-Report-UI-Claims_FINAL.pdf

3 Stettner, Andrew and Michele Evermore, August 2020. Trumps Lost Wage Assistance Program no Substitute for Federal Unemployment Benefits, accessed at: <https://tcf.org/content/commentary/trumps-lost-wage-assistance-program-no-substitute-federal-unemployment-benefits/>

4 Stettner, Andrew and Michele Evermore, August 2020. Trumps Lost Wage Assistance Program no Substitute for Federal Unemployment Benefits, accessed at: <https://tcf.org/content/commentary/trumps-lost-wage-assistance-program-no-substitute-federal-unemployment-benefits/>

source, which also must be available to rebuild communities from natural disasters like hurricanes. Jobless workers need greater certainty over a longer time horizon to plan for how to pay bills and shop for basic needs.

Federal and state action on Unemployment Insurance needed to secure the economic recovery, which depends on the well-being of workers

North Carolina will lose out on an estimated \$2.1 billion in support to nearly 600,000 jobless workers through Sept. 30 because of Congressional inaction on the Pandemic Unemployment Assistance even with the Lost Wages Assistance program in place.⁵

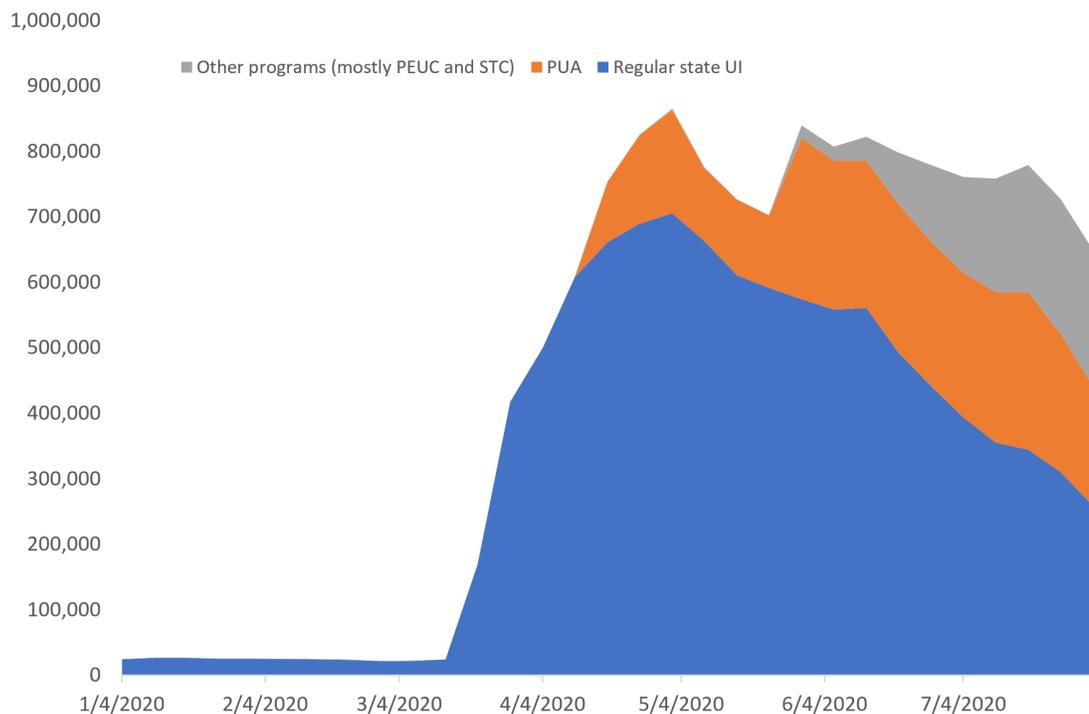
This lost income will have real impacts on household budgets as families delay or miss payments on rent or mortgages, miss meals, and seek to bridge the gap by taking on more debt, diminishing savings or connecting with other programs to support basic needs if possible. The loss of \$300 a month is nearly one-third of fair market rent in North Carolina or one month of groceries for a family of two on a low-cost food budget.⁶

The most recent data on the state’s labor market and UI claims demonstrate that joblessness

5 Stettner, Andrew and Michele Evermore, August 2020. Trumps Lost Wage Assistance Program no Substitute for Federal Unemployment Benefits, accessed at: <https://tcf.org/content/commentary/trumps-lost-wage-assistance-program-no-substitute-federal-unemployment-benefits/>
6 Kennedy, Brian, 2019. The Living Income Standard for all 100 Counties, NC Justice Center, Raleigh, NC. Accessed at: <https://www.ncjustice.org/wp-content/uploads/2019/04/Living-Income-Standard-2019.pdf>

Figure 1: Historic scale of reach of Unemployment Insurance demonstrates the power of this program to stabilize incomes

Total currently receiving unemployment benefits or waiting for approval in N.C. since Jan. 2020



Source: Economic Policy Institute Analysis of U.S. Department of Labor data, August 20, 2020.

remains at a historically elevated level.⁷ Initial UI claims increased week-over-week by over 15 percent for the week ending Aug. 15, and jobless claims are more than 4.5 times higher than the same time last year.⁸ The state's recovery is far from underway and economists project that elevated unemployment is likely to last well beyond 2021 and possibly through the decade.⁹

The federal boost to UI provided critical support to jobless workers and, in turn, the economy by stabilizing incomes and supporting consumer spending. Each week, an estimated \$356 million is lost to North Carolina communities that supports not only households but businesses and local economies.¹⁰

Every county in North Carolina has been impacted by job losses from COVID-19 but hard-hit communities were also areas that hadn't experienced a full employment recovery in the last expansion and, or have been important employment anchors for regions. (See Appendix 1).

Estimates suggest that 4.8 percent of the labor force pre-COVID-19 is now receiving regular Unemployment Insurance statewide and an additional 2.2 percent are accessing Pandemic Unemployment Assistance.¹¹ Looking across counties with available data from the NC Department of Commerce, the total claims in July 2020 as a share of the pre-COVID-19 labor force are 10 percent or more in nine counties including Caldwell, Cumberland, Edgecombe, Halifax, Lee, Richmond, Robeson, Scotland and Vance.¹²

7 "Recovery stalls in July, federal inaction could make August even worse." August 21, 2020, accessed at: <https://www.ncjustice.org/recovery-stalls-in-july-federal-inaction-could-make-august-even-worse/>

8 US Department of Labor, Unemployment Insurance Weekly Claims Report Release, accessed at: <https://www.dol.gov/ui/data.pdf>

9 Congressional Budget Office, July 2020. An Update to the Economic Outlook: 2020 to 2030, accessed at: <https://www.cbo.gov/system/files/2020-07/56442-CBO-update-economic-outlook.pdf>

10 Stettner, Andrew and Michele Evermore, August 2020. Trumps Lost Wage Assistance Program no Substitute for Federal Unemployment Benefits, accessed at: <https://tcf.org/content/commentary/trumps-lost-wage-assistance-program-no-substitute-federal-unemployment-benefits/>

11 Economic Policy Institute, Analysis of US DOL Weekly Unemployment Insurance Claim Data, August 20, 2020. Note the numbers on regular state UI and PUA should be non-overlapping but it is possible that in reporting to the federal government, the state is double counting some of these claims.

12 Author's analysis of NC Department of Commerce, Regional Dashboard, accessed at: <https://bi.nc.gov/t/COM-LEAD/views/RegionalUIDashboard/RegionalUIDashboard?isGuestRedirectFromVizportal=y&embed=y> and Local Area Unemployment Statistics, February 2020 and July 2020, Labor Force Population.

Appendix 1

LOSS OF FEDERAL \$600/WEEK IMPACTS WORKERS IN EVERY COUNTY

UNEMPLOYMENT INSURANCE CLAIMS AND INCOME BY COUNTY

Geography	Total Claims, July 2020	Weekly Unemployment Insurance Income	Economic Impact of \$600/week	UI Claims as Share of Pre-COVID 19 Labor Force
Alamance	6494	\$6,333,705.99	\$10,197,266.64	7.8%
Alexander	1514	\$1,476,629.33	\$2,377,373.22	8.3%
Alleghany	220	\$214,569.65	\$345,457.14	5.0%
Anson	1039	\$1,013,353.95	\$1,631,499.85	9.4%
Ashe	730	\$711,981.12	\$1,146,289.60	5.6%
Avery	415	\$404,756.39	\$651,657.79	5.6%
Beaufort	1166	\$1,137,219.15	\$1,830,922.84	5.9%
Bertie	391	\$381,348.79	\$613,971.55	4.9%
Bladen	1077	\$1,050,415.98	\$1,691,169.72	7.2%
Brunswick	2966	\$2,892,789.03	\$4,657,390.34	5.5%
Buncombe	9386	\$9,154,321.59	\$14,738,457.76	6.6%
Burke	2892	\$2,820,615.60	\$4,541,191.12	6.9%
Cabarrus	7261	\$7,081,773.82	\$11,401,655.85	6.5%
Caldwell	3702	\$3,610,622.05	\$5,813,101.49	10.0%
Camden	112	\$109,235.46	\$175,869.09	2.4%
Carteret	1146	\$1,117,712.82	\$1,799,517.64	3.6%
Caswell	411	\$400,855.12	\$645,376.75	4.1%
Catawba	6698	\$6,532,670.57	\$10,517,599.63	8.4%
Chatham	1102	\$1,074,798.89	\$1,730,426.21	3.0%
Cherokee	699	\$681,746.30	\$1,097,611.55	6.2%
Chowan	273	\$266,261.43	\$428,680.90	4.9%
Clay	215	\$209,693.07	\$337,605.84	5.2%
Cleveland	3953	\$3,855,426.51	\$6,207,236.69	8.0%
Columbus	1499	\$1,461,999.58	\$2,353,819.32	6.4%
Craven	2367	\$2,308,574.39	\$3,716,804.76	5.6%
Cumberland	13538	\$13,203,836.11	\$21,258,176.13	10.5%
Currituck	336	\$327,706.38	\$527,607.27	2.4%
Dare	875	\$853,402.02	\$1,373,977.26	4.9%
Davidson	4867	\$4,746,865.88	\$7,642,454.07	5.9%
Davie	1448	\$1,412,258.43	\$2,273,736.08	6.9%
Duplin	1226	\$1,195,738.15	\$1,925,138.42	4.7%
Durham	10978	\$10,707,025.61	\$17,238,311.24	6.3%

Geography	Total Claims, July 2020	Weekly Unemployment Insurance Income	Economic Impact of \$600/week	UI Claims as Share of Pre-COVID 19 Labor Force
Edgecombe	2715	\$2,647,984.56	\$4,263,255.15	12.6%
Forsyth	16263	\$15,861,573.84	\$25,537,133.88	8.5%
Franklin	1712	\$1,669,742.02	\$2,688,284.65	5.3%
Gaston	9318	\$9,088,000.06	\$14,631,680.10	8.2%
Gates	110	\$107,284.83	\$172,728.57	2.1%
Graham	203	\$197,989.27	\$318,762.72	6.6%
Granville	1415	\$1,380,072.99	\$2,221,917.51	4.6%
Greene	385	\$375,496.89	\$604,549.99	4.0%
Guilford	24813	\$24,200,530.75	\$38,962,854.51	9.3%
Halifax	2034	\$1,983,793.96	\$3,193,908.28	9.8%
Harnett	2873	\$2,802,084.59	\$4,511,356.18	5.3%
Haywood	1921	\$1,873,583.19	\$3,016,468.93	6.3%
Henderson	3115	\$3,038,111.20	\$4,891,359.04	5.6%
Hertford	504	\$491,559.57	\$791,410.90	5.4%
Hoke	1400	\$1,365,443.24	\$2,198,363.61	6.9%
Hyde	76	\$74,124.06	\$119,339.74	4.2%
Iredell	6187	\$6,034,283.79	\$9,715,196.91	6.8%
Jackson	1099	\$1,071,872.94	\$1,725,715.44	5.6%
Johnston	4676	\$4,560,580.41	\$7,342,534.47	4.6%
Jones	234	\$228,224.08	\$367,440.78	5.2%
Lee	2610	\$2,545,576.32	\$4,098,377.88	10.0%
Lenoir	1994	\$1,944,781.30	\$3,131,097.89	7.1%
Lincoln	2719	\$2,651,885.83	\$4,269,536.19	6.1%
Macon	759	\$740,265.30	\$1,191,827.13	4.9%
Madison	576	\$561,782.36	\$904,469.60	5.6%
Martin	638	\$622,251.99	\$1,001,825.70	7.0%
McDowell	1321	\$1,288,393.23	\$2,074,313.09	6.4%
Mecklenburg	49072	\$47,860,736.11	\$77,055,785.13	7.7%
Mitchell	387	\$377,447.52	\$607,690.51	6.4%
Montgomery	928	\$905,093.80	\$1,457,201.02	7.9%
Moore	2474	\$2,412,933.26	\$3,884,822.55	5.7%
Nash	4094	\$3,992,946.15	\$6,428,643.31	9.4%
New Hanover	7468	\$7,283,664.36	\$11,726,699.61	5.9%
Northampton	482	\$470,102.60	\$756,865.19	6.1%
Onslow	3777	\$3,683,770.79	\$5,930,870.97	5.7%
Orange	3227	\$3,147,346.66	\$5,067,228.13	4.0%

Geography	Total Claims, July 2020	Weekly Unemployment Insurance Income	Economic Impact of \$600/week	UI Claims as Share of Pre-COVID 19 Labor Force
Pamlico	179	\$174,581.67	\$281,076.49	3.3%
Pasquotank	866	\$844,624.17	\$1,359,844.92	5.2%
Pender	1340	\$1,306,924.24	\$2,104,148.03	4.6%
Perquimans	213	\$207,742.44	\$334,465.32	4.2%
Person	1145	\$1,116,737.50	\$1,797,947.38	6.1%
Pitt	6438	\$6,279,088.26	\$10,109,332.10	7.1%
Polk	390	\$380,373.47	\$612,401.29	4.3%
Randolph	4191	\$4,087,551.86	\$6,580,958.50	6.2%
Richmond	1617	\$1,577,086.94	\$2,539,109.97	9.6%
Robeson	5714	\$5,572,959.04	\$8,972,464.06	11.2%
Rockingham	3323	\$3,240,977.06	\$5,217,973.06	8.2%
Rowan	4170	\$4,067,070.21	\$6,547,983.05	6.2%
Rutherford	1957	\$1,908,694.58	\$3,072,998.28	7.6%
Sampson	1466	\$1,429,814.13	\$2,302,000.75	4.9%
Scotland	1528	\$1,490,283.76	\$2,399,356.86	13.0%
Stanly	1796	\$1,751,668.61	\$2,820,186.46	5.8%
Stokes	1324	\$1,291,319.18	\$2,079,023.87	6.0%
Surry	2098	\$2,046,214.22	\$3,294,404.90	6.1%
Swain	555	\$541,300.71	\$871,494.15	8.2%
Transylvania	584	\$569,584.89	\$917,031.68	4.0%
Tyrrell	81	\$79,000.64	\$127,191.04	6.1%
Union	5947	\$5,800,207.81	\$9,338,334.57	4.7%
Vance	2026	\$1,975,991.43	\$3,181,346.20	11.6%
Wake	36456	\$35,556,141.90	\$57,245,388.46	6.0%
Warren	492	\$479,855.77	\$772,567.78	7.3%
Washington	329	\$320,879.16	\$516,615.45	7.4%
Watauga	1187	\$1,157,700.80	\$1,863,898.29	4.0%
Wayne	3273	\$3,192,211.23	\$5,139,460.07	6.2%
Wilkes	1688	\$1,646,334.42	\$2,650,598.41	5.8%
Wilson	2865	\$2,794,282.05	\$4,498,794.11	8.2%
Yadkin	1438	\$1,402,505.27	\$2,258,033.48	8.0%
Yancey	491	\$478,880.45	\$770,997.52	5.8%

Note: The share of statewide UI claims for each county in July 2020 was used to apportion the statewide total of lost income in The Century Foundation UI Data Dashboard reported for the week of August 1, 2020. These data were multiplied by the \$600/boost to get a weekly estimate of UI income in each county and by \$1.61 based on established economic multipliers for UI.