COVID-19

NCJC WRP WORKERS' RIGHTS PROJECT

Unemployment insurance changes needed in North Carolina

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Once upon a time, North Carolina's Unemployment Insurance program provided not only critical assistance to laid off workers and their families, but also helped to shore up the economy when times got hard. Families' rents, mortgages, utilities, and other necessities got paid for with unemployment insurance benefits while they weathered the downturn.

Now, at a time when the state and nation face an ongoing economic and public health crisis due to the COVID-19 pandemic, this assistance is no longer available at the scale that is needed to both protect workers from further harm and contain the ripple effect of the pandemic's shock to our economy.

Background

In 2013, North Carolina lawmakers passed House Bill 4 to achieve solvency for the state's Unemployment Insurance Trust Fund, which is funded by taxes on employers and pays unemployment benefits to laid off workers. **The bill achieved solvency by permanently cutting the amount, duration, and eligibility for benefits for all unemployed workers, the most severe cuts ever enacted by any state during Unemployment Insurance's 80-year history existence.** At the time, legislators claimed that when the Trust Fund was solvent, these draconian cuts would be revisited.

That time has come. While the federal debt has been paid off, the temporary tax on employers has been lifted, the Trust Fund balance is now at $2.7 billion as of December 2020, and employer's taxes are the 4th lowest in the country. **However, North Carolina's system remains near the bottom of the rest of the nation in terms of its capacity to assist workers.** Prior to HB 4, the Tax Foundation ranked North Carolina's Unemployment Insurance program 5th most favorable for businesses in the U.S.

The cuts made in 2013 resulted in three enormous problems and deficiencies for the state's program:

1. **Just 9 percent of jobless workers before COVID-19 in North Carolina received Unemployment Insurance**.
   (NOTE: This percent even for state UI was 46 percent in 2020)
2. The average duration of Unemployment Insurance in North Carolina is just **9.6 weeks, ranking 45th 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. North Carolina ranks last in the country for the percentage of workers exhausting benefits.

3. North Carolina provides just **$216 each week** on average to jobless workers and a fixed maximum of $350, despite the average weekly wage in the state being $1,002. The state is replacing just **23 cents for every $1 in lost income**, circulating far fewer dollars than recommended by economists who typically seek a replacement rate of at least 50 percent.

Recommended changes to North Carolina Unemployment Insurance laws

1. **Increase the maximum duration for receiving benefits,** as Georgia and Michigan have recently done, to 26 weeks, like the majority of states.

2. **Increase the maximum benefit amount, putting more money in workers' pockets after March 14, 2021, when federal supplement of $300 ends.** North Carolina set its maximum benefit at $350 in 2013. It was not indexed, as other states provide, to increase over time. Before 2013, the maximum weekly benefit amount was 66.75 percent of the state's average weekly insured wage. Currently, 39 states have higher maximum amounts than North Carolina, including Kentucky, Virginia, West Virginia, and Arkansas. North Carolina should set the maximum weekly benefit to 50 percent of the state's average weekly insured wage ($1,002) so the maximum would reach $500 and continue to increase as wages go up.

3. **Change the way North Carolina calculates weekly benefits — a method used by NO other state.** Changing the benefit calculation will put more benefits in workers' pockets. Before 2013, North Carolina based benefits on a worker's *highest* quarter wages. North Carolina should return to basing benefits on the highest quarter wages.

4. **Address roadblocks that prevent part-time workers from receiving benefits.** Thousands of workers have had their hours cut due to the pandemic and are struggling to make ends meet. North Carolina only allows a part-time worker to earn up to 20 percent more than their benefit amount to qualify for part-time benefits. With benefits at the bottom of the country, few workers qualify. The earnings allowance should be increased, and benefits need to be increased, similar to what has been done in Idaho.

5. **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 30 states provide this option to their employers. The CARES

Act provides $100 million in grants to states to implement, improve, and promote Work-Sharing, while recent guidance from the U.S. Department of Labor recommends states adopt Work-Sharing. **Click here** for more information.

6. **Stop charging unemployed workers with an overpayment of benefits when they are not at fault for the overpayment.** Prior to 2013, if a worker received benefits based on a determination by the state Department of Employment Security and did not commit fraud or provide misleading information, they were NOT charged with an overpayment. This was changed in 2013.

7. **Restore spousal relocation, undue family hardship, and health reasons as good cause for leaving employment.** Prior to 2013, a worker could qualify for benefits if they: left a job because of a health condition; needed to care for a family member or could not accept a particular shift because of childcare or the care of an aged or disabled parent; or had to move because their spouse had employment in another location that made commuting impossible.

For more information, contact:

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