



# BTC Report

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## State Unemployment Insurance falls short but could be improved

Upgrading a stingy UI after the pandemic would advance equity in employment, stabilizing households and whole communities

By **ALEXANDRA F. SIROTA**, Budget & Tax Center Director

**F**ederal Unemployment Insurance (UI) has kept the economic devastation of COVID-19 in check, but states like North Carolina where state benefits aren't up to the job remain vulnerable in the absence of federal assistance. North Carolina was one of just eight states where income from federal Unemployment Insurance represented 80 percent of total UI income received in the past year. Like North Carolina, these states have systems that offer fewer weeks of state Unemployment Insurance than the national standard of 26 weeks (NC provides for just 12 weeks), provide lower wage replacement, and have higher monetary eligibility requirements, according to new analysis from the Economic Policy Institute.<sup>1</sup>

In North Carolina, like other states that are heavily reliant on federal maintenance of their labor market through Unemployment Insurance, Black workers represent a greater share of the overall labor force. The current outcomes are, in part, traceable to the power wielded by white landowners who dictated the early federal-state design of Unemployment Insurance so that state policy choices could further exclude Black workers.<sup>2</sup> Current implementation of the program and state policy decisions in North Carolina have similar impacts because policy choices tied the weeks of availability to average unemployment rates, created work search

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1 Hickey, Sebastian Martinez, "New Personal Income Data Show the Need for Broad and Permanent Unemployment Insurance Reform" (Economic Policy Institute, April 23, 2021), <https://www.epi.org/blog/new-personal-income-data-show-the-need-for-broad-and-permanent-unemployment-insurance-reform/>.

2 Edwards, Kathryn A., "Racial Disparities in Unemployment Benefits Are by Design – Los Angeles Times," Los Angeles Times, October 3, 2020, <https://www.latimes.com/opinion/story/2020-10-03/racial-disparities-unemployment-benefits>; Edwards, Kathryn A., "The Racial Disparity in Unemployment Benefits," TheRANDblog (blog), July 15, 2020, <https://www.rand.org/blog/2020/07/the-racial-disparity-in-unemployment-benefits.html> and Novello, Amanda, "Who Is Receiving Unemployment Insurance, and Who Just Lost \$600 per Week?," The Century Foundation (blog), August 7, 2020, <https://tcf.org/content/commentary/receiving-unemployment-insurance-just-lost-600-per-week/>.

requirements, and focused heavily on adjudicating claims and punishing claimants for errors.<sup>3</sup>

Federal programs in the past year were important in addressing some of the barriers created by stingy state programs that have blocked greater racial equity in employment and income outcomes, but federal programs are no substitute for a state system that seeks more equitable outcomes on its own.

One year after the pandemic drove unprecedented job loss, data — on the stabilizing role of UI to income and on trends in the labor market and UI claims in all 100 counties — combine to show the critical role of **state Unemployment Insurance** in stabilizing households and communities and its potential to advance equity by race and geography for the employment outcomes in our state.

North Carolina's system continues to fall short in the core purpose of ensuring that job loss doesn't further grow hardship or destabilize broader economic well-being. State policymakers' failure to provide adequate wage replacement and equitable access to UI generates greater uncertainty for the trajectory of the recovery overall, contributes to inequities in the current recovery, and is likely to generate a host of negative outcomes for health and well-being in the long run.

This BTC Report provides a review of three key data trends that demand a response from policymakers:

- Federal UI was critical to stabilizing income in the past year, and without it, many households would have faced even greater hardship.
- Jobs aren't fully recovered, and too many North Carolinians who are faced with barriers like low child-care access, can't rejoin the labor market.
- Unemployment Insurance is playing a critical role for communities that experienced higher economic distress before COVID-19 and for people of color who face greater barriers to employment.

## **Federal Unemployment Insurance continues to stabilize households and local economies**

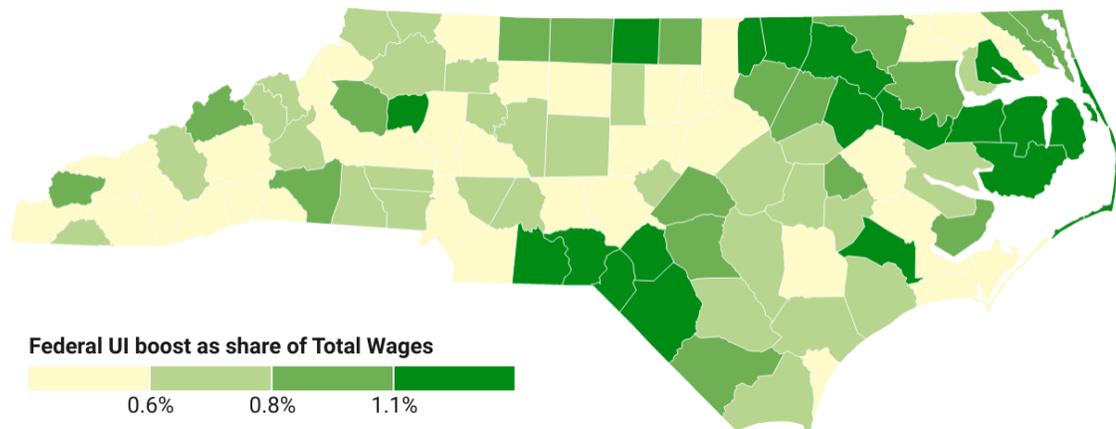
Unemployment insurance works to contain the broader harmful economic effects of job loss by providing wage replacement for jobless workers. Unemployment Insurance ensures that people can drive commerce by paying existing bills like mortgages and utilities and by spending at businesses.

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3 "Slashing Unemployment Benefit Weeks on Jobless Rates Hurts Workers of Color" (National Employment Law Project, May 14, 2021), <https://www.nelp.org/publication/slashing-unemployment-benefit-weeks-on-jobless-rates-hurts-workers-of-color/> and Fields-White, Monee, Graubard, Vivian, Alvarez, Alberto Rodriguez, Zeichner, Nikki, Robertson, Cassandra, "Unpacking Inequities in Unemployment Insurance" (New America Foundation, September 2020), <http://newamerica.org/pit/reports/unpacking-inequities-unemployment-insurance/>.

**Figure 1:** Federal Unemployment Insurance boost benefits rural counties in NC.

Monthly estimate of federal \$300/week as a share of pre-COVID-19 total wages



Calculations are based on author's calculation and Quarterly Census of Employment and Wages, 2020

Map: Budget & Tax Center · Created with Datawrapper

Source: Author's calculation using \$300 per week and 4 weeks of payments and the continued claims data for the month of March 2021 from the NC Department of Commerce, Regional UI Dashboard.

As noted earlier, new research by the Economic Policy Institute shows that federal programs, Pandemic Unemployment Assistance primarily, provided more than 80 percent of the UI income in North Carolina. North Carolina is more reliant on federal policymaking because of the weak system designed by state policymakers.

The American Rescue Plan extension of the number of weeks of UI coverage, along with the \$300 per week boost in payments through Sept. 6, is likely to benefit an estimated 211,000 North Carolinians.<sup>4</sup> It also is providing an estimated \$1.7 billion to the state for the support of local business and economic activity.<sup>5</sup>

In March 2021, the federal boost alone was providing a stabilizing support to many of the state's rural counties, with the total federal UI payments representing slightly more than 1 percent of total monthly wages in 2020.

## **Labor market trends demonstrate importance of stabilizing income, removing persistent barriers to employment**

In April 2021, North Carolina still had 157,000 fewer people employed than before COVID-19 began. The state's population growth means that the number of jobs needed to

4 Unemployment Insurance Data Dashboard, The Century Foundation, accessed at: <https://tcf.org/content/data/unemployment-insurance-data-dashboard/>.

5 Stettner, Andrew, "Fact Sheet: What's at Stake As States Cancel Federal Unemployment Benefits," The Century Foundation (blog), May 13, 2021, <https://tcf.org/content/commentary/fact-sheet-whats-stake-states-cancel-federal-unemployment-benefits/>.

get back to pre-COVID-19 levels of employment is far greater at more than 220,000.<sup>6</sup> The state's level of employment as a share of population remains 8.5 percentage points below the level it was in 2000.

These labor market trends suggest that while vaccinations may make it safer to reopen more places of employment, there remain persistent losses in the number of jobs available that block a return to pre-COVID-19 employment levels. In one-fifth of North Carolina's counties, employment losses were 5 percent or more of total pre-COVID-19 jobs as of March 2021.

By providing income while people look for jobs or retrain for new careers, Unemployment Insurance ensures people have the resources to afford new certifications, pursue jobs that are a better fit to their existing skills and prior wage rates, and thus make the most long-term contribution to the productivity of the economy. Unemployment Insurance programs can keep jobless workers connected to the labor market in the absence of job openings and safe working conditions.

A look at UI claims in March 2020, July 2020 (one month after the first reopening measures were adopted), and March 2021 as a share of pre-COVID-19 labor force (Figure 2) shows that trends are moving in the right direction. However, UI claims remain persistently high in the counties where job losses and economic hardship have been greatest.

It will take more than Unemployment Insurance to get back to pre-COVID-19 employment levels (see Breakout Box). A pandemic is not like other periods of significant job loss. There are two significant factors blocking people's return to work — the persistent public health risk and the continued closure of schools and child-care providers.<sup>7</sup>

Nationally, researchers have increasingly pointed to the role that child-care responsibilities are playing — not only shrinking the size of the labor force but in keeping women, in particular, from returning to work.<sup>8</sup>

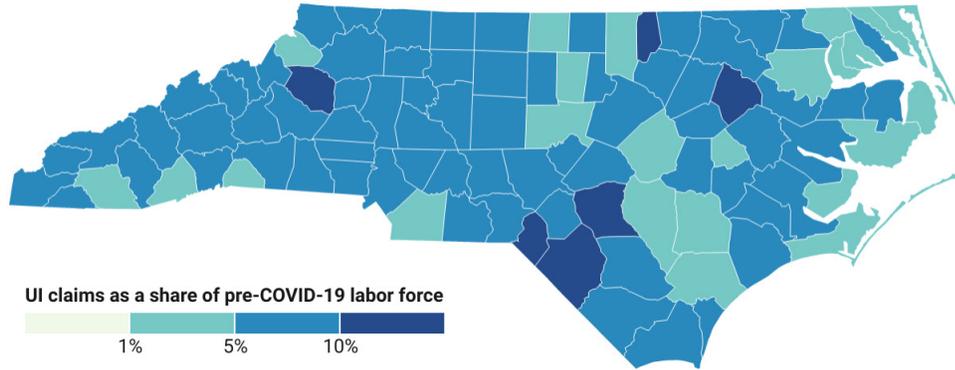
Recent analysis looking at the Household Pulse Survey found that 30 percent of women who reported not working due to COVID-19 were out of a job because they needed to provide

**Unemployment Insurance ensures people have the resources to afford new certifications, pursue jobs that are a better fit to their existing skills and prior wage rates, and thus make the most long-term contribution to the productivity of the economy.**

6 McHugh, Patrick, "New Labor Market Data: NC Still 157,000 Jobs below Pre-Recession Employment," North Carolina Justice Center (blog), April 16, 2021, <https://www.ncjustice.org/new-labor-market-data-nc-still-157000-jobs-below-pre-recession-employment/>.  
7 Nicole Bateman, "Working Parents Are Key to COVID-19 Recovery" (Brookings Institution, July 8, 2020), <https://www.brookings.edu/research/working-parents-are-key-to-covid-19-recovery/>.  
8 Julie Kashen, Sarah Jane Glynn, and Novello, Amanda, "How COVID-19 Sent Women's Workforce Progress Backward" (Center for American Progress, October 30, 2020), <https://www.americanprogress.org/issues/women/reports/2020/10/30/492582/covid-19-sent-womens-workforce-progress-backward/> and Ross Bateman, Nicole Martha, "Why Has COVID-19 Been Especially Harmful for Working Women?" (Brookings Institution, October 2020), <https://www.brookings.edu/essay/why-has-covid-19-been-especially-harmful-for-working-women/>.

**Figure 2: Unemployment Insurance claims have fallen but remain elevated in areas hardest hit.**

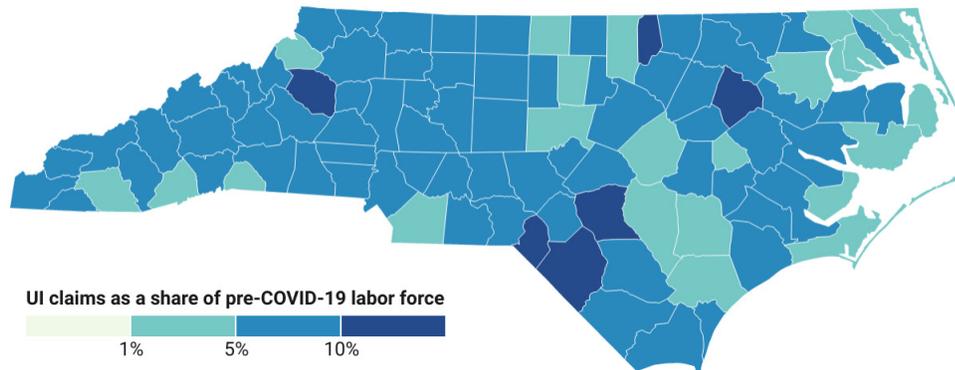
UI claims as a share of pre-COVID-19 labor force, April 2020



Calculations are based on NC Department of Commerce, NC UI Data Dashboard and Local Area Unemployment Survey

Map: Budget & Tax Center • Created with Datawrapper

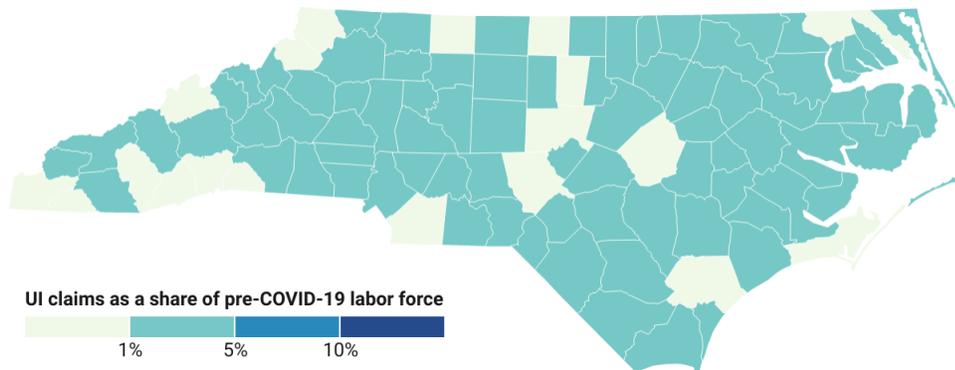
UI claims as a share of pre-COVID-19 labor force, July 2020



Calculations are based on NC Department of Commerce, NC UI Data Dashboard and Local Area Unemployment Survey

Map: Budget & Tax Center • Created with Datawrapper

UI claims as a share of pre-COVID-19 labor force, March 2021



Calculations are based on NC Department of Commerce, NC UI Data Dashboard and Local Area Unemployment Survey

Map: Budget & Tax Center • Created with Datawrapper

Source: NC Department of Commerce, Unemployment Insurance Claims Dashboard, accessed at: <https://bi.nc.gov/t/COM-LEAD/views/RegionalUIDashboard/RegionalUIDashboard?isGuestRedirectFromVizportal=y&embed=y>.

child care.<sup>9</sup> In North Carolina, higher employment levels at the county level are associated with growth from pre-COVID-19 levels in the number of child-care providers operating in a county.

### No evidence that Unemployment Insurance slowed employment gains

There is no evidence that a robust, effective Unemployment Insurance system deters employment or blocks job creation. North Carolina experienced the fastest recovery precisely when the federal government boosted Unemployment Insurance the most. From May to July 2020, North Carolina added 200,000 jobs even as more than 700,000 jobless workers received an additional \$600 per week in Unemployment Insurance.<sup>10</sup>

Beyond the North Carolina experience, researchers looking at data across the nation and the variation in benefits across states found no evidence that Unemployment Insurance was a deterrent to jobs returning or people returning to work.<sup>11</sup>

Moreover, outside of the pandemic context, researchers at the Federal Reserve Bank of St. Louis have found that workers who previously had low wages actually place a higher value on re-employment even in the face of more generous UI benefits.<sup>12</sup> For workers with low wages, it is well documented that barriers such as affordable child care, reliable transportation, and safe and affordable housing near job centers have blocked the return to work in pre-COVID-19 times.<sup>13</sup>

### Policy choices in state UI during the Great Recession compounded harm to rural communities, which is being made worse in the pandemic

While job losses at the start of the pandemic were concentrated in urban areas and regions of the state most reliant on tourism, regional variations have emerged that suggest pre-existing conditions such as the industry mix of the labor market and the public supports available to stabilize local small businesses and keep workers from being pushed into deeper poverty will impact employment growth in the recovery. As of March 2021, there are more people looking for work in 98 counties compared with pre-COVID-19 employment levels.

9 Harris, Logan, "Women's Jobs Disproportionately Impacted by Child Care during COVID-19," Prosperity Watch, North Carolina Justice Center (blog), February 8, 2021, <https://www.ncjustice.org/publications/womens-jobs-disproportionately-impacted-by-child-care-during-covid-19/>.

10 Special Data Request, March 2021, Economic Policy Institute, State UI Claims Analysis.

11 Sirota, Alexandra Forter, "Jobless People Aren't Slacking. They Want to Get Back to Work," The Progressive Pulse (blog), May 6, 2021, <http://pulse.ncpolicywatch.org/2021/05/06/jobless-people-arent-slacking-they-want-to-get-back-to-work/>.

12 Serdar Birinci and Kurt See, "Labor Market Responses to Unemployment Insurance: The Role of Heterogeneity" (Federal Reserve Bank of St. Louis, March 2021), <https://doi.org/10.20955/wp.2019.022>.

13 Edmiston, Kelly D., "Why Aren't More People Working in Low- and Moderate-Income Areas?," Economic Review (Federal Reserve Bank of St. Louis, January 20, 2020), <https://www.kansascityfed.org/research/economic-review/4q19-edmiston-why-more-people-low-moderate-income-areas/> and "Detours on the Road to Employment: Obstacles Facing Low-Income Women" (National Partnership for Women & Families, 1999), <https://www.nationalpartnership.org/our-work/resources/more/economic-security/detours-road-employment.pdf>.

The failure to secure a full recovery for every county in the state after the Great Recession has made the employment losses even more harmful in some communities. For counties that had not recovered to pre-Great Recession employment, the job losses during COVID-19 have kept them further away from meeting the need for work among workers in their communities. Nearly half of North Carolina’s counties never recovered the jobs lost in the Great Recession, and after the losses created by COVID-19, 58 counties out of North Carolina’s 100 counties had fewer people working than before the market collapse of 2008.

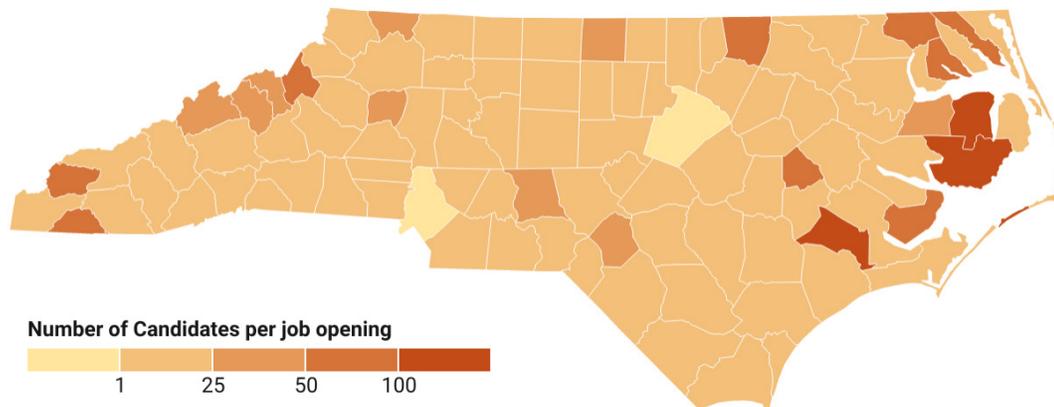
Counties with high unemployment rates face a higher barrier in the return to work because of a state Unemployment Insurance policy that ties the weeks of duration of weeks to the statewide average unemployment rate, ignoring the variation in labor market realities for local communities. The result of this policy is that many counties with high unemployment rates are not providing wage replacement to jobless workers for the time it realistically takes to find work, particularly in a downturn.

A look at the ratio of job openings to candidates in each county shows there are more candidates than there are job openings in all but one North Carolina county.<sup>14</sup> Without addressing the ways in which the current state UI disadvantages counties with high unemployment, policymakers will once again be driving the state toward a more uneven recovery.

**After the losses created by COVID-19, 58 counties out of North Carolina’s 100 counties had fewer people working than before the market collapse of 2008.**

**Figure 3:** Too few job openings for the number of candidates.

Number of candidates per job opening



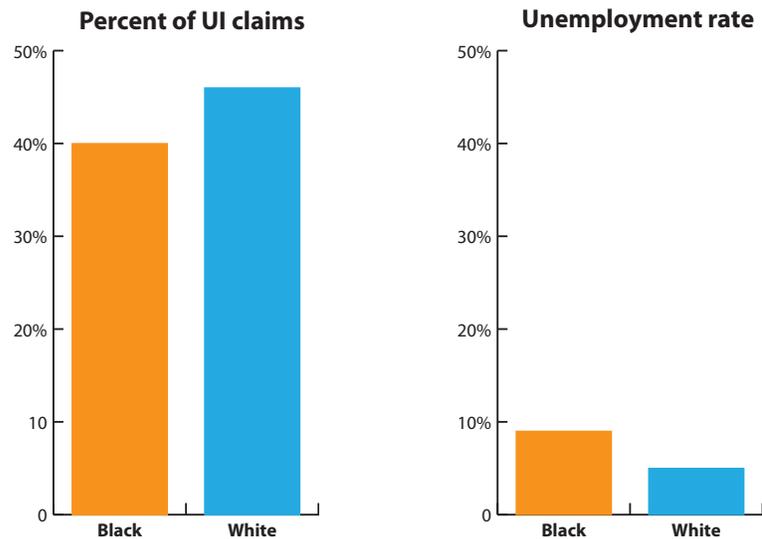
*Calculations are based on NC Department of Commerce, Labor Market Information Analysis*

Map: Budget & Tax Center • Created with Datawrapper

Source: NC Department of Commerce, Labor Market Information Dashboard. Candidates represent the number of posted resumes in the NC Works system, as do job openings.

14 NC Works, Job Opening and Candidate Area Distribution from Labor Market Information Dashboard.

**Figure 4:** Black workers represent a smaller share of total UI claims despite a higher rate of unemployment.



Source: NC Department of Commerce, Labor Market Analysis, Unemployment Insurance Data Dashboard, and Local Area Unemployment Survey.

## Failing to address inequities in employment outcomes now will compound economic harms moving forward

Nationally, researchers have found that states providing weak wage replacement and short duration are also states with higher concentrations of Black workers.<sup>15</sup> As a result, racial inequities from the impacts of COVID-19 are compounded and grow nationally. At the state level, UI policy choices also compound the barriers to economic security for Black workers and other workers of color.

The latest available data on unemployment rates by race and ethnicity show that by the end of 2020, Black North Carolinians experienced unemployment rates of 8.8 percent while white North Carolinians experienced rates of 5.2 percent.<sup>16</sup> Yet jobless Black workers are half as likely to receive Unemployment Insurance as white jobless workers.<sup>17</sup>

Researchers have suggested that many workers of color are less likely to engage with the system due to lack of information.<sup>18</sup> Policy barriers like high wage thresholds and limits on access for part-time workers also are factors in driving inequitable access to Unemployment Insurance. By fixing these issues with the state UI system now, North Carolina can ensure that all workers have access to the wage replacement power of Unemployment Insurance.

15 Hickey, Sebastian Martinez, "New Personal Income Data Show the Need for Broad and Permanent Unemployment Insurance Reform" (Economic Policy Institute, April 23, 2021), <https://www.epi.org/blog/new-personal-income-data-show-the-need-for-broad-and-permanent-unemployment-insurance-reform/>.

16 McHugh, Patrick, "COVID-19 Recession Has Created Higher Unemployment for People of Color," Prosperity Watch, NC Justice Center (blog), May 10, 2021, <https://www.ncjustice.org/publications/covid-19-recession-has-created-higher-unemployment-for-people-of-color/>.

17 NC Department of Commerce, Unemployment Insurance Claims Dashboard, accessed at: <https://bi.nc.gov/t/COM-LEAD/views/RegionalUIDashboard/RegionalUIDashboard?.isGuestRedirectFromVizportal=y&.embed=y>.

18 Wayne Vroman, "An Introduction to Unemployment and Unemployment Insurance," The Urban Institute, Perspectives on Low-Income Working Families, October 2005, 8.

## Fixing state Unemployment Insurance is the foundation for a just recovery

North Carolina's recovery from the Great Recession was slow and uneven. Although the recovery of jobs lost from the pandemic is already different in pace than that downturn, a return to the current state UI system without policy repairs will harm labor force participation, efforts to get people back to work, and long-run wage levels.

Absent action by state leaders, North Carolina risks losing a stabilizing force to sustain a recovery that reaches all communities in September 2021. Many of the workers eligible for federal Pandemic Unemployment Assistance are not eligible for state Unemployment Insurance, and wage replacement would fall to the state average weekly benefit amount, a 56 percent decline, that would ripple out as economic activity is dampened.

Our state UI system must do more to address inequities and inadequacies in wage replacement and improve access to the system overall.

More than 466,000 jobless workers have already received their final state UI payment since March 2020 without moving back to employment.<sup>19</sup> It is incumbent upon state leaders to align the number of weeks with the national standard of 26 weeks and calculate the average weekly benefit based on the formulas that other states use, which are based on the highest quarter of prior earnings, and ensure that all workers who lose work hours or income have access to wage replacement.

Without such action, North Carolina's leaders will increase inequities in opportunity, and the sustainability of the economy will remain precarious.

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<sup>19</sup> US Department of Labor, Monthly Program and Financial Data, March 2020 to March 2021.

## APPENDIX

County	Number of Initial Unemployment Insurance Claims (March 2021)	Unemployment Insurance Claims as a Share of Pre-COVID-19 Labor Force (March 2021)	Percent Claims from Women (March 2021)	Share of Claims from Black Workers (March 2021)
Alamance	1281	1%	57%	41%
Alexander	469	1%	50%	3%
Alleghany	53	1%	53%	n/a
Anson	167	2%	51%	67%
Ashe	126	1%	42%	n/a
Avery	90	1%	54%	n/a
Beaufort	264	1%	54%	46%
Bertie	111	2%	n/a	76%
Bladen	186	1%	57%	47%
Brunswick	692	1%	56%	16%
Buncombe	2160	1%	55%	11%
Burke	545	1%	47%	8%
Cabarrus	1575	1%	57%	36%
Caldwell	736	2%	48%	9%
Camden	27	1%	n/a	n/a
Carteret	294	1%	60%	9%
Caswell	82	1%	n/a	50%
Catawba	1664	1%	53%	17%
Chatham	207	1%	58%	27%
Cherokee	104	1%	60%	n/a
Chowan	82	1%	51%	48%
Clay	39	1%	59%	n/a
Cleveland	759	2%	58%	39%
Columbus	266	1%	56%	45%
Craven	582	1%	56%	40%
Cumberland	3122	2%	60%	57%
Currituck	109	1%	61%	9%
Dare	327	3%	60%	3%
Davidson	907	1%	57%	21%
Davie	240	1%	52%	16%
Duplin	263	1%	57%	47%
Durham	2526	1%	53%	59%
Edgecombe	643	3%	58%	77%
Forsyth	2991	1%	55%	46%

## APPENDIX (continued)

County	Number of Initial Unemployment Insurance Claims (March 2021)	Unemployment Insurance Claims as a Share of Pre-COVID-19 Labor Force (March 2021)	Percent Claims from Women (March 2021)	Share of Claims from Black Workers (March 2021)
Franklin	355	1%	57%	41%
Gaston	1755	1%	55%	34%
Gates	24	0%	n/a	58%
Graham	48	2%	56%	n/a
Granville	359	1%	53%	55%
Greene	90	1%	62%	63%
Guilford	5200	2%	57%	54%
Halifax	438	2%	56%	68%
Harnett	649	1%	59%	37%
Haywood	376	1%	57%	3%
Henderson	624	1%	53%	7%
Hertford	135	1%	58%	76%
Hoke	303	2%	60%	59%
Hyde	24	4%	n/a	n/a
Iredell	1177	1%	58%	25%
Jackson	178	1%	58%	4%
Johnston	1036	1%	57%	33%
Jones	63	1%	51%	54%
Lee	502	2%	52%	34%
Lenoir	386	2%	58%	60%
Lincoln	486	1%	54%	10%
Macon	149	1%	65%	n/a
Madison	106	1%	n/a	n/a
Martin	142	2%	n/a	66%
McDowell	298	1%	n/a	6%
Mecklenburg	10617	1%	56%	54%
Mitchell	67	1%	57%	n/a
Montgomery	124	1%	52%	41%
Moore	541	1%	55%	33%
Nash	893	2%	60%	68%
New Hanover	1751	1%	57%	26%
Northampton	110	2%	59%	76%
Onslow	923	1%	57%	26%
Orange	681	1%	52%	30%

## APPENDIX (continued)

County	Number of Initial Unemployment Insurance Claims (March 2021)	Unemployment Insurance Claims as a Share of Pre-COVID-19 Labor Force (March 2021)	Percent Claims from Women (March 2021)	Share of Claims from Black Workers (March 2021)
Pamlico	54	1%	56%	33%
Pasquotank	223	1%	65%	57%
Pender	261	1%	54%	21%
Perquimans	54	1%	72%	35%
Person	242	1%	50%	49%
Pitt	1340	1%	57%	64%
Polk	73	1%	n/a	11%
Randolph	799	1%	53%	16%
Richmond	397	2%	57%	47%
Robeson	1157	3%	61%	34%
Rockingham	533	1%	52%	36%
Rowan	867	1%	56%	35%
Rutherford	375	2%	54%	22%
Sampson	325	1%	59%	42%
Scotland	313	3%	59%	54%
Stanly	374	1%	59%	25%
Stokes	192	1%	n/a	n/a
Surry	440	1%	50%	7%
Swain	104	2%	57%	n/a
Transylvania	131	1%	n/a	n/a
Tyrrell	28	2%	64%	68%
Union	1191	1%	56%	27%
Vance	475	3%	61%	72%
Wake	8144	1%	55%	40%
Warren	83	1%	58%	67%
Washington	88	3%	61%	70%
Watauga	193	0%	55%	5%
Wayne	712	1%	55%	52%
Wilkes	347	1%	52%	9%
Wilson	724	2%	57%	72%
Yadkin	197	1%	56%	n/a
Yancey	87	1%	59%	n/a

Source: NC Department of Commerce, Unemployment Insurance Claims Dashboard, accessed at: <https://bi.nc.gov/t/COM-LEAD/views/RegionalUIDashboard/RegionalUIDashboard?:isGuestRedirectFromVizportal=y&embed=y>. Note: Data are not available for all counties when the sample size is too small.