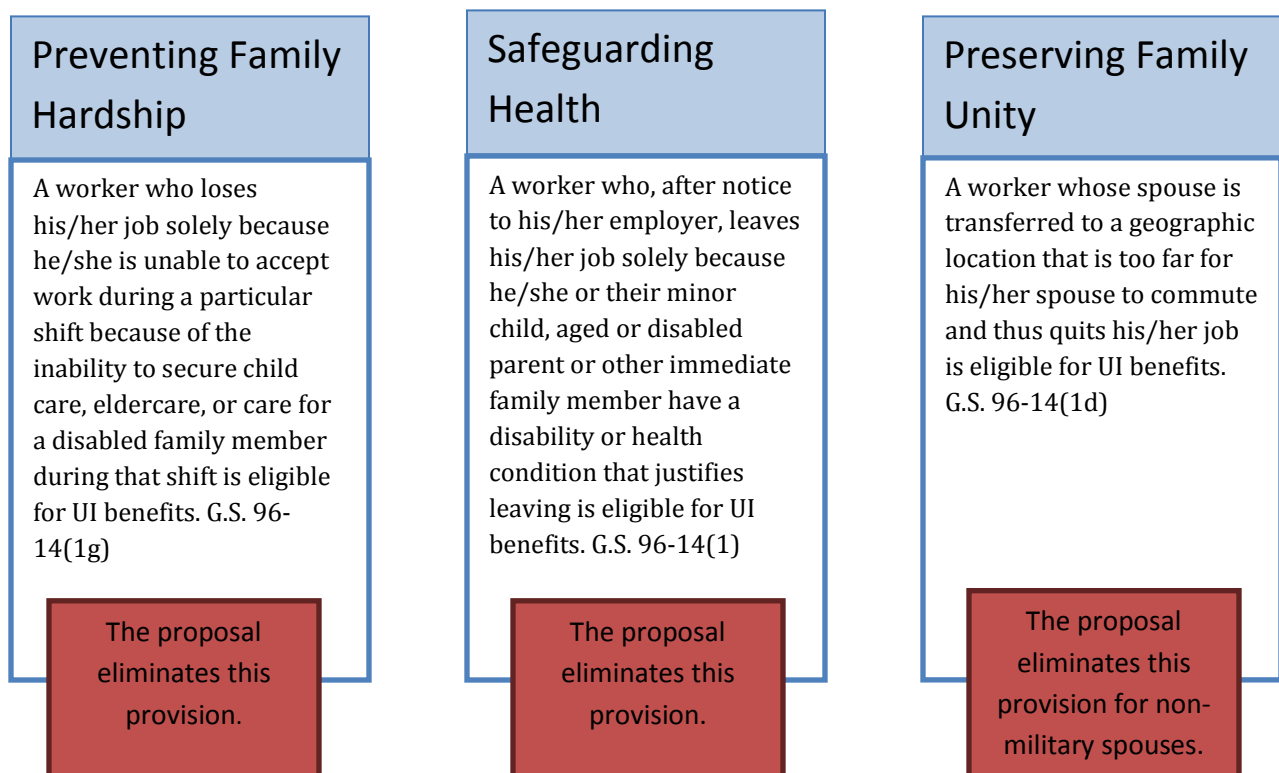


Unemployment Insurance: What's on the chopping block?

The General Assembly's proposal to overhaul the state's unemployment insurance system includes changes to the benefits structure that will drastically reduce unemployment insurance benefits for workers at a time when unemployment remains high, jobs are scarce, and workers are struggling to find work. The proposal includes:

- **A reduction in benefit amounts.** The proposal revises the benefit calculation, which would lower the already modest average weekly benefit amount of \$296/week. The new calculation is based on earnings from the last two quarters. There is no precedent nationally for calculating benefits using this formula.
- **A reduction in the maximum benefit amount.** The proposal seeks to reduce the current maximum of \$535 by one-third to \$350. No other state has ever cut the maximum rate so severely.
- **Reduction of weeks.** The proposal reduces the maximum weeks of benefits from 26 weeks to a sliding scale of 12-20 weeks. Only one other state (Florida) begins its sliding scale at such a low number of weeks.

What else is on the chopping block?

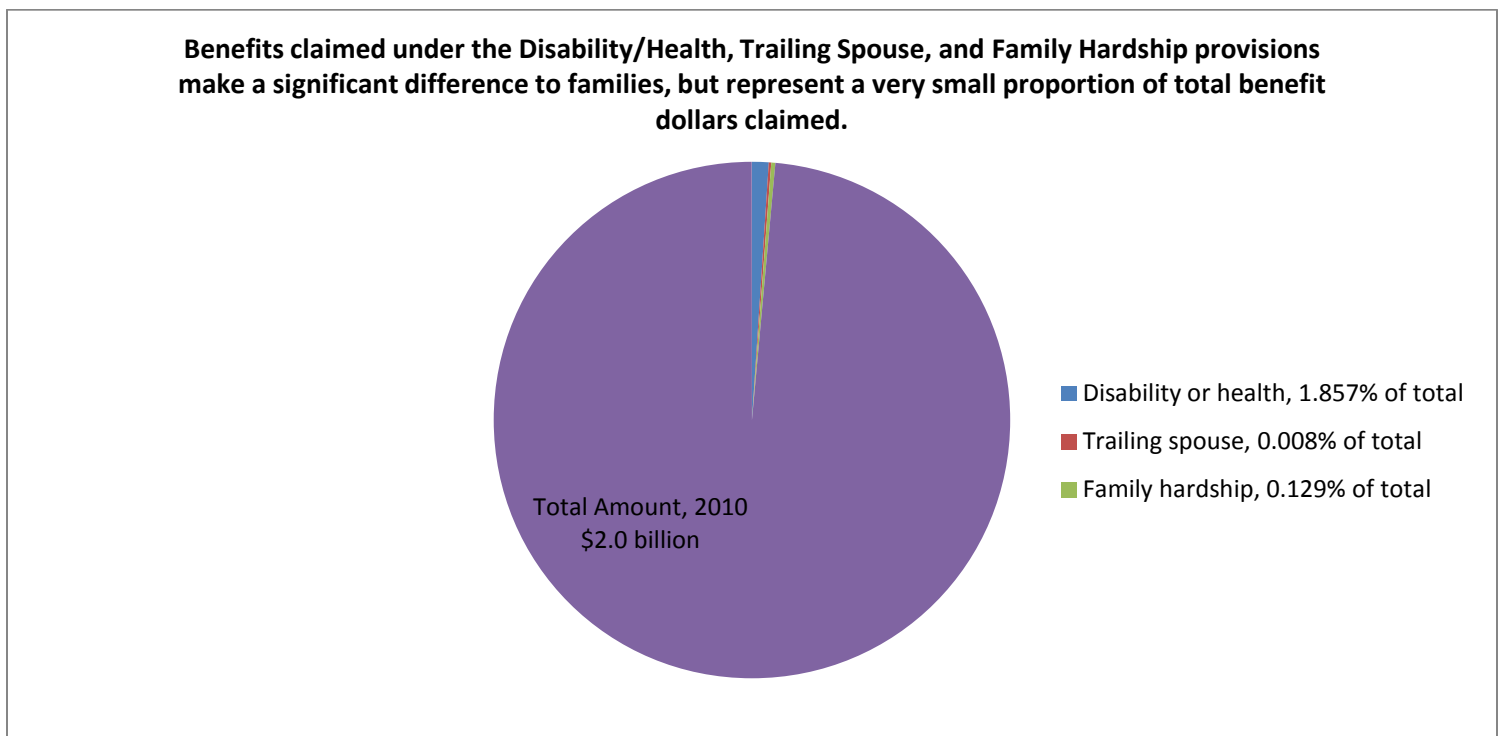


*In order to be eligible for Unemployment Insurance benefits, workers must be able and available to work.

These provisions allow workers to maintain economic security when they lose their jobs due to serious and unexpected life events. Leading authorities, including the bi-partisan Advisory Council on Unemployment Compensation, have emphasized the importance of modernizing the unemployment insurance system to meet the needs of today's workforce. Low-wage workers, women, part-time workers, and the long-term unemployed often have the greatest need for unemployment benefits with the least amount of access. The provisions currently on the chopping block in North Carolina represent a small portion of the annual UI benefits paid out, but make a huge difference in the lives of working families.

The majority of states have implemented these best practices. In 2009, the American Recovery and Reinvestment Act (ARRA) made \$7 billion available to states to address longstanding gaps in the unemployment insurance program, including the ability to apply for Unemployment Insurance when quitting for “compelling family reasons.” The majority of states (24 and 26, respectively) now have a “disability/health” and “trailing spouse” provision. North Carolina had already implemented some of these best practices, but with the ARRA funding ensured that workers would not be punished for leaving their jobs for a range of family and health reasons. (For more information, see NELP’s Modernizing Unemployment Insurance: Federal Incentives Pave the Way for State Reform).

Eliminating provisions will not make a dent in the current debt. The tax cuts of the 1990s in combination with two successive downturns in the 2000s drove the unemployment insurance trust fund debt. The General Assembly’s proposal relies heavily on benefit cuts to achieve loan repayment and a positive trust fund balance. The approach being pursued is out of balance—asking more from workers than employers-- and is not a long-term fix. Eliminating the family hardship provisions would not even begin to fix the problem.



Source: NC Employment Security Commission, 2010 Data.



As the effectiveness of wage replacement is reduced with cuts to benefit amounts, eligibility and duration, so too is the potential of unemployment insurance to stabilize demand in the economy - and in so doing support businesses.

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