Protecting Your State UI Program in 2014: Responding to Likely Challenges

National Employment Law Project
North Carolina Justice Center

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Webinar Presenters

- Rebecca Dixon, Policy Analyst and UI Technical Assistance Coordinator, NELP
- Rick McHugh, Senior Staff Attorney, NELP
- Alexandra Sirotta, Director, NC Budget and Tax Center
Webinar Overview

- Highlights of NELP 2014 Toolkit for Advocates—Rick McHugh
- Lessons from North Carolina—Alexandra Sirota
UI Financing Context

- 8.2 M 1st payments; 3.7 M exhaustions
- State UI Benefits--FY 14 $40.5 B
  (FY 09 Peak $75 B)(EUC $25.7 FY 13)
- State UI Payroll Taxes--FY 14 $50.5 B
- 16 States Owe $21 B in Federal Loans and 8 States Owe Est. $10 B in bonds
  (Calif. Debt = $10 B)
Protecting Our UI Lifeline: A Toolkit for Advocates

National Employment Law Project

2014 UI Advocates’ Toolkit

- Updated to End of 2013 State Sessions
- New Topics
  - Misconduct Discharge
  - Work Sharing
- Updated and Revised
  - Drug Testing
  - Seasonal Work

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States Cut Benefit Weeks

- 12 states slashed the basic 26 weeks of UI
- IL and AR (25 weeks)
- SC, MI, and MO (20 weeks)
- Sliding scales: NC (12-20), Kansas (16-26), GA (14-20), FL (12-23)
- NC rejects 47 weeks of EUC (starting in July 2013)
States Cut Benefit Amounts

- NC cuts weekly maximum by one-third (to $350/week)
- AR freezes weekly benefit; RI reduces average benefits by $100
- WI and DE add waiting week
States Restrict UI Eligibility

- AZ doubles “high quarter" earnings
- IN benefits based on worker’s annual wage rather than highest quarter of earnings
- PA cuts 10% of claimants with earnings required in 3 quarters outside “high quarter”
Rollbacks of UI Modernization

- KS, TN eliminate “alternative base period”.
- TN repealed Part-time work eligibility, and dependent allowance
- WI repealed Extended Benefits While Training
- NC repealed illness and disability and restricted spouse relocates to military
Drug Testing Legislation

- AZ, TN, IN, MI, AR adopt “suitable work” rule for pre-employment drug failure or refusal
- MS and TX pass bills based on Middle Class Tax Relief Act of 2012 (P.L. 112-96)
- KS passes non-conforming bill testing all claimants
2013 Legislative Proposals

- Misconduct
- Drug Testing
- Waiting Weeks
- Repeals of UI Modernization
- Cuts to Benefits or Weeks
- Large-scale UI Reform (NC and WI)
Policymakers respond by permanently cutting UI benefits, failing to fix financing

• Reduces maximum weekly benefit amount to flat $350/week from $520/week

• Changes formula to calculate benefits to one based on last two completed quarters of an individual’s base period, a formula no other state uses.

• Reduces maximum duration of benefits from 26 to 20 weeks with a sliding scale that could go as low as 12 weeks.

• Eliminates provisions that allowed benefits if must leave a job because of health conditions, because of family care duties or because spouse is transferred.

• Requires a laid off worker to accept almost any job even if pay is substantially lower that previous job.
Produced publications and analyses.

The State of Working North Carolina: Unemployment and the Jobs Deficit

September 2012

North Carolina working families lost financial ground and experienced diminished opportunities through the decade of the 2000s due to several economic trends, including a dramatic increase in income inequality and the decline of the manufacturing industry. The outlook for workers worsened during the Great Recession and its aftermath. North Carolina ranked 6th in the nation for most jobs lost since the start of the Great Recession, and the unemployment rate is still nearly twice pre-recession levels.

Jobs lost since start of recession

During the Great Recession, North Carolina’s employment rate fell faster and farther than in any recession in the last 30 years. As a result, at its current pace, the state’s labor market will take at least twice as long to return to pre-recession employment levels.

North Carolina’s Jobs Deficit Continues to Grow

Source: Author’s analysis of Economic Policy Institute data
Dear friends,

The Associated Press recently wrote that North Carolina policymakers are nearing a deal on reforming the unemployment insurance system that will likely include cuts to the amount of benefits and duration of weeks that folks out of work can claim unemployment insurance. The "deal" has been worked out between select legislators and the Chamber of Commerce with no input from workers or worker advocates.

Will you sign our petition calling on members of North Carolina's Revenue Laws Committee to not vote on any proposal to reform the unemployment insurance system at their next meeting on December 5th?

A proposal this important to tens of thousands of North Carolinians
Conducted a public awareness campaign — website, social media & educational materials.
Collected and deployed stories from unemployed workers.
Trained and mobilized partners.
Informed media coverage & disseminated information through traditional and social media tools

NEWS RELEASE

Statement from Bill Rowe, Director of Advocacy at the North Carolina Justice Center: New unemployment insurance proposal will cause grave harm to North Carolina families

RALEIGH (December 5, 2012) – Policymakers unveiled a proposal this morning that will cause extreme harm to unemployed families and North Carolina’s economy for years to come by severely cutting unemployment benefits, eligibility, and the duration of benefits, all while doing nothing to address the long-term financial footing of the unemployment insurance system.

North Carolina’s unemployment insurance system has had to borrow $2.5 billion from the federal government in order to pay benefits – a debt caused by a whopping series of tax cuts given to employers in the 1990s and the historic levels of unemployment from two successive recessions in the 2000s.

The unemployment insurance tax cuts for businesses occurred in robust economic times, but this proposal, if enacted, will require unemployed workers and their families to pay for them at a time when they have lost their job through no fault of their own and are struggling to make ends meet.

The proposal is the most extreme reduction of benefit amounts, duration, and eligibility that any state has enacted or seriously considered. It puts North Carolina out of line with...
Impact #1:

170,000 North Carolinians lost federal emergency unemployment compensation

$600 million in federal EUC

$1.2 billion in economic activity
Impact #2: NC experienced a historic decline in our labor force and held back the country’s labor market.
Impact #3: The average weekly benefit declined by $52 a week from June to December.
Impact #4: The recipiency rate declined by 13.2 percentage points in North Carolina over the year.
Impact #5:

To achieve solvency, benefits were cut by 75 percent and employer’s state taxes increased by 0.7%.
North Carolina’s “Experiment” Failed

- Jobless North Carolinians aren’t moving to employment but instead are leaving the labor force in record numbers.
- Jobless workers are receiving $221 less each month to meet their most basic needs for food and shelter and help with their job search.
- Fewer unemployed workers are receiving unemployment insurance because of eligibility restrictions and shorter duration of weeks.
- Two-thirds of the savings to the Trust Fund from this legislation was achieved through benefit cuts, employers will pay just 0.7 percent towards solvency under the permanent state tax changes.
Questions
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