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Group Challenges Governor to Live on Proposed Maximum Jobless Benefit

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An advocacy group challenged Gov. Pat McCrory to live off the proposed \$350-a-week maximum jobless insurance benefit proposed as part of a bill to reduce the state's debt to the federal government for borrowing \$2.7 billion for such benefits



AP Photo

An advocacy group has challenged Gov. Pat McCrory to live off the proposed \$350-a-week maximum jobless insurance benefits.

The bill would reduce amount of weekly benefits and the number of weeks of eligibility beginning July 1 – a date that means forgoing \$600 million in potential federal extended benefits but retiring the debt faster.

The group, Action NC, made the challenge in part because McCrory recently approved giving raises of a combined 8 percent so his Cabinet leaders “can afford to live.”

A governor’s spokesman declined to comment unless granted anonymity, a condition the Winston-Salem Journal would not agree to.

Under the proposed bill, the maximum weekly state benefit for workers would fall from \$535 to \$350, while the average benefit would drop from \$290 to \$264 a week. The plan is expected to be submitted Wednesday.

The maximum number of weeks a jobless claimant could receive state benefits would drop from 26 weeks to 20 during times of high unemployment, and as few as six weeks at times of “full employment,” defined by economists as a 5 percent jobless rate. The state unemployment rate was 9.2 percent in December, down from 10.4 percent a year ago.

The N.C. Justice Center, a left-leaning advocacy group, said 155,344 people would be affected if the General Assembly reduced the maximum number of weeks to 20. More than 15,000 Triad residents currently receive federal extended benefits, and some recipients would be eligible for payments July 1. But the federal extended benefits are contingent on a state not changing its benefit amounts.

“They have the votes; there is all kind of time,” said Harry Payne, former N.C. Employment Security Commission chairman and general counsel of the N.C. Justice Center.

“The plan is clearly to run this past the public and our media saying, ‘It’s complicated, it’s tough, comprehensive, no one is happy, gotta do it’ with very little discussion.”

State Rep. Julia Howard, R-Davie, and Gayle Anderson, chief executive and president of the Winston-Salem Chamber of Commerce, support forgoing the federal extended benefits to pay off the debt by 2015 or 2016 – about three years earlier than by not cutting state jobless benefits.

“It’s the best fix I can come up with for an ugly scenario we have to resolve,” Howard said Thursday. “There are no good answers. This (unemployment insurance) is becoming a welfare-dependent program in a lot of cases.”

Under the proposed bill, businesses would see their federal unemployment insurance taxes go up by \$21 for each employee for each year the debt hasn’t been paid off. The companies also would continue to pay a state unemployment tax

surcharge and see minimum and maximum contribution rates go up slightly – eliminating the zero rate that top-rated companies now receive.

Payne said the urgency to make the law effective July 1 is that accepting the extended federal benefits would require going into 2016 to finish paying off the debt. Since the employer tax goes up by \$21 per employee each year with the proposed bill, employers in 2016 would be paying \$84 per employee above what they paid in 2012.

"The additional cost will either come from laid-off workers in lesser benefits or employers in the last year (2016) of additional taxes," Payne said.

Howard and Anderson have said that reducing benefits and the state's debt are crucial to attracting new businesses and new jobs.

Justice Center officials countered: "A business that sees no need to hire new workers will not do so because of a UI tax cut."

John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company, said he includes the unemployment insurance tax rate and benefit profile as part of the due diligence process for clients.

"But it is far overshadowed by other site selection factors, tax-related and otherwise," Boyd said.

"Local property tax rates - which have always been a draw for North Carolina - corporate and personal income tax rates, workmen's compensation rates and related tort climate, and sales tax - especially targeted credits on machinery and equipment and server/software equipment far, far out-distance UI as a corporate location determinant."

Boyd said employees transferring to a new job are more concerned about the possibility of finding work in a related field or within their skill sets in the new market.

"As a general statement, transferees tend to be upwardly individuals more concerned about working than being on the public dole," Boyd said.

Justice Center officials said 54 percent of N.C. unemployment recipients are white, 51 percent are female and 45 percent are 46 years or older. The proposed bill would eliminate eligibility for people who can't accept a shift with new hours because of personal issues such as day care or elder care, advocates told The Associated Press.

Payne said the reason for the federal non-reduction rule is to keep states from shifting claimants onto federal extended benefits too early. "It is not negotiable,

never has been, and for obvious reasons," Payne said. "The inference that our D.C. delegation should have fought for an exemption is absurd."

In the late 1990s, when the state's jobless rate had dropped below 3 percent, the General Assembly gave employers a series of tax cuts.

Even though the state and nation were hit by two recessions in the past 12 years, the unemployment insurance tax was not raised on employers. The state instead borrowed from the U.S. Labor Department to pay state benefits. North Carolina currently owes about \$2.59 billion to the federal agency – the third highest amount among states.

Payne said about 34,000 North Carolina businesses, or one in six, have eliminated more jobs than their contributions to the state unemployment insurance tax could support.

"Five out of six businesses are square on their debt," Payne said. "It's their (employers') credit card, not ours."

"The state erred in the 1990s by giving too many rate cuts on the theory they wouldn't lay that many folks off in the future and a safer buffer wouldn't be needed. It's not this administration or this General Assembly's fault, but they do have an obligation to understand the problem before they dump an inappropriate and unnecessary solution on our most vulnerable population."

Justice Center officials said that in contrast to the proposed maximum of \$350, a family of three needs at least \$874 a week "to afford the actual costs of essential expenses like housing, food, health care and transportation."

To qualify for the current maximum weekly benefit of \$535, an employee would have to make at least \$1,058 a week or \$55,000 a year. At \$350 a week, that employee would be receiving 34 percent of his or her previous wage to maintain household expenses for the short term.

Anderson said some member employers, whom she declined to identify, have had potential employees tell them, "I just applied to keep my unemployment. I'll get a job when my benefits run out."

"Add to that the level of fraud and the fact that actively looking for work only requires applying online for a couple of jobs a week, and you have a broken system that requires employers overall to pay more than they should to provide a safety net for people who, through no fault of their own, lose their jobs," Anderson said.

If the \$350 weekly maximum is approved, North Carolina would rank 40th in maximum benefit. Only seven states pay fewer than 26 weeks, and only Florida has a sliding-scale maximum that goes as few as 12 weeks.

The bill also would require claimants to wait two weeks, instead of one, before getting benefits. Currently, 42 states require one waiting week, while nine require no waiting.

"The federal (repayment) plan skews the payments over the next six years, with the biggest payments in the last four years, which is what they want to avoid," Payne said.

Payne said his comments are strong because they arise out of frustration.

"It is based on thousands of conversations with people desperate to find work who bristle when they are stereotyped by folks who know better," Payne said.

"The test of what this is really about is seen most clearly in the simple fact that after about 2015 – when the debt is paid – the same employers who are the sires of this bill will get a huge and growing tax cut while arguably the most draconian benefit cuts will remain forever ... long after the excuse for them is gone."

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Richard Craver/Winston-Salem Journal