North Carolina Approves Steep Benefit Cuts for Jobless in Bid to Reduce Debt

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By ROBBIE BROWN

North Carolina lawmakers approved deep cuts to benefits for the jobless on Wednesday, in a state that has one of the nation’s highest unemployment rates.

In a debt-reducing effort, the Republican-controlled legislature voted to cut maximum weekly benefits to $350 from $535, a 35 percent drop; reduce the maximum number of weeks for collecting benefits to between 12 and 20 weeks from 26 weeks; and tighten requirements to qualify. The cuts would begin with new jobless claims on July 1.

If the bill is signed by Gov. Pat McCrory, as expected, North Carolina would be the eighth state to roll back jobless benefits under the growing financial burden of the recession.

The measure’s sponsors said it would spur job growth by paying down $2.5 billion in debt to the federal government. The bill passed the State Senate by a vote of 36 to 12.

“North Carolina owes the federal government $2.5 billion because of a broken unemployment insurance system,” said Mr. McCrory, a Republican. “We’re going to pay down that debt, make the system solvent and provide an economic climate that allows businesses, large and small, to put people back to work.

But critics warned of dangerous consequences. The state has the nation’s fifth-highest unemployment rate, at 9.2 percent, compared with the national average of 7.9 percent.

“We have a jobs crisis — there are about three unemployed workers for every job,” said Bill Rowe, the director of advocacy for the North Carolina Justice Center, which aids low income workers. “We’re turning down money to make cuts for what are not really legitimate reasons.”

The bill also disqualifies 170,000 unemployed people — 39 percent of the 438,000 jobless — from federal emergency extended benefits because it reduces the number of weeks people can receive benefits to below 26. The federal government has set 26 weeks as the national requirement for receiving federal funds.

“Families struggling to secure their place in the middle class will suffer a grievous blow, and the state’s economy will lose $780 million in federal funds that are vital to reducing North Carolina’s high unemployment rate,” said Seth D. Harris, the acting labor secretary.

Since the recession began, seven other states have reduced unemployment benefits: Arkansas, Florida, Georgia, Illinois, Michigan, Missouri and South Carolina. But North Carolina’s cuts would be the “harshest yet,” according to the National Employment Law Project, an employment-rights advocacy group, since the reduction in benefits is bigger than in other states.

North Carolina was forced to borrow $2.5 billion from the federal government starting in 2008, after its unemployment fund went bankrupt. The bill would allow the fund to be out of debt by 2015 instead of 2018.