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# BTC Brief

▶ NC BUDGET & TAX CENTER

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## THE TIME IS NOW: Extending Unemployment Benefits Will Continue to Provide Critical Support

*Timely, accessible,  
and credible  
analysis of  
state and local  
budget and tax  
issues*

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### KEY FINDINGS:

- **Since the start of the Great Recession in December 2007, \$5.6 billion in total unemployment insurance payments were made in North Carolina. Applying an economic multiplier for the impact of unemployment benefits in this recession, these payments have generated \$9.2 billion in economic activity in North Carolina.**
- **Unemployment benefits provide a modest yet critical support to struggling families, bolstering their buying power in local communities. Recent analysis by the National Employment Law Project found that average unemployment benefits nationwide cover just 50 percent of a family's basic necessities—housing, food and transportation. In North Carolina, the average monthly unemployment insurance payment of \$1,144 represents only 32 percent of a living income standard budget for a family of three.**

### Overview<sup>1</sup>

Just as the holiday season begins, Congress will consider extending emergency unemployment benefits that have served as a lifeline to those unemployed workers struggling in a depressed labor market. These emergency unemployment benefits are an important yet modest support for unemployed workers and an essential boost to local economies, as unemployed workers are likely to spend these dollars immediately and close to home.

Since the start of the Great Recession in December 2007, \$5.6 billion in total unemployment insurance payments were made in North Carolina. Research released last week by the U.S. Department of Labor found that for every \$1 in unemployment benefits, \$2.00 is generated in economic activity.<sup>2</sup> Thus, regular unemployment benefit payments have generated \$9.2 billion in economic activity. Emergency Unemployment Compensation, the federally funded program that requires extension by November 30th, represented more than half of the payments to North Carolina families and communities.<sup>3</sup> Absent these payments, the state's economic challenges would be far greater.

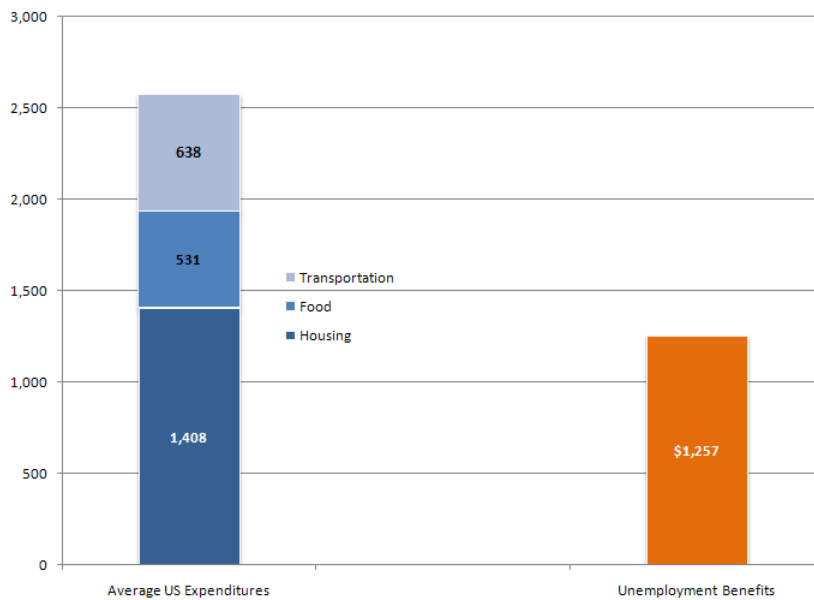
### The Labor Market Has Been Slow to Turn Around

Despite the decline in North Carolina's unemployment rate over the past seven months, the labor market has not improved significantly for the state's working families. Nearly 300,000 jobs were lost in North Carolina since December 2007. Job creation over the past six months has averaged just 4,500 new employment opportunities per month. Such lackluster job creation could prolong the return to pre-recession employment levels for another decade.<sup>4</sup>

<sup>1</sup> This BTC Brief is an update of earlier analysis conducted by John Quinterno, April 2009. *Slowing the Slide: Unemployment payments bolster family's buying power and blunt recession's local impact.* N.C. Budget and Tax Center: Raleigh, NC.

**FIGURE 1**

### Average Monthly Unemployment Extension Amounts Meet Half of Household Expenditures



SOURCE: Riordan et al, October 2010

Meanwhile, in the face of such significant challenges, more than 60,000 North Carolina workers have dropped out of the labor force. Nearly 1 in 5 unemployed workers in the state has been without a job for six months or more. Nearly 1 in 3 workers in the state have taken part-time work because they are unable to find a full-time job.<sup>5</sup> These labor market conditions, driven by slow job creation, will likely lead to a return to double-digit unemployment levels in the coming months and continued long-term unemployment for many North Carolinians.

Given the ongoing challenges in the labor market, unemployment insurance benefits provide workers seeking new employment opportunities with an essential support. A failure to extend the federally funded Emergency Unemployment Compensation (EUC) program will result in 2 million Americans losing benefits in December 2010.<sup>6</sup> Due to the high unemployment rate in North Carolina, unemployed workers can be moved to the permanent Extended Benefit program. While this results in

fewer immediate cut-offs, there will be a greater cost to the state and greater numbers of long-term unemployed will lose benefits in the new year.

### An Important Yet Modest Support

Unemployment insurance plays an important role in the broader economy by supporting a level of consumer spending that can encourage businesses to expand. These payments also support families impacted by job loss by providing resources to meet basic needs.

Recent analysis by the National Employment Law Project found that average unemployment benefits nationwide cover just 50 percent of a family's basic necessities—housing, food and transportation (See Figure 1). In North Carolina, the average monthly unemployment insurance payment of \$1,144 represents only 32 percent of a living income standard budget for a family of three.<sup>7</sup>

### The Local Dimension of Unemployment Insurance: County-Level Impact

The following figure summarizes unemployment insurance payments and their economic impacts by county. The figure includes regular payments, and emergency and extended benefits. The economic impact is also measured as if all dollars are spent locally, which might not necessarily be the case.

The economic activity impact in terms of total dollars is the greatest in urban areas. However, the impact measured as a percent of total 2009 annual wages in a county, finds that unemployment insurance payments have a relatively greater impact in rural counties.

2 Vroman, Wayne and Jacob Benus. July 2010. *The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession*. IMPAQ International.

3 Employment Security Commission NC, Monthly Activity Reports, July 2008 to October 2010. Regular UI benefit payments totaled \$5.8 billion while Extended benefits paid by the federal government totaled \$220 million and those paid by the state totaled \$41 million.

4 Economic Policy Institute, Job Watch Data, September 2010.

5 Economic Policy Institute analysis of Current Population Survey.

**FIGURE 2: County Level Impact**

County	Unemployment Insurance Benefits Paid Since December 2007 (in 2009 \$)	Estimated Economic Impact (in 2009 \$)	Impact as % of Total Annual Wages	County	Unemployment Insurance Benefits Paid Since December 2007 (in 2009 \$)	Estimated Economic Impact (in 2009 \$)	Impact as % of Total Annual Wages
Alamance	\$90,897,894	\$181,795,787	9.8%	Johnston	\$89,630,343	\$179,260,686	12.5%
Alexander	\$30,821,560	\$61,643,119	25.4%	Jones	\$4,429,305	\$8,858,610	18.3%
Alleghany	\$5,436,049	\$10,872,098	12.8%	Lee	\$41,543,183	\$83,086,366	9.1%
Anson	\$14,817,012	\$29,634,023	13.3%	Lenoir	\$29,986,673	\$59,973,345	7.4%
Ashe	\$18,688,783	\$37,377,566	17.6%	Lincoln	\$61,831,067	\$123,662,135	19.9%
Avery	\$8,409,161	\$16,818,321	7.1%	Macon	\$18,678,689	\$37,357,377	12.0%
Beaufort	\$25,249,663	\$50,499,325	9.5%	Madison	\$9,933,754	\$19,867,507	18.1%
Bertie	\$8,136,950	\$16,273,900	7.7%	Martin	\$13,419,821	\$26,839,641	10.4%
Bladen	\$20,081,923	\$40,163,846	10.7%	McDowell	\$36,068,451	\$72,136,902	17.2%
Brunswick	\$58,704,956	\$117,409,912	13.1%	Mecklenburg	\$589,260,336	\$1,178,520,672	4.2%
Buncombe	\$107,824,404	\$215,648,808	5.5%	Mitchell	\$10,179,305	\$20,358,611	13.7%
Burke	\$57,920,224	\$115,840,447	12.9%	Montgomery	\$14,606,866	\$29,213,733	11.6%
Cabarrus	\$117,858,218	\$235,716,436	10.7%	Moore	\$34,429,298	\$68,858,596	6.8%
Caldwell	\$66,298,260	\$132,596,519	17.9%	Nash	\$58,213,862	\$116,427,725	8.5%
Camden	\$2,833,119	\$5,666,238	7.1%	New Hanover	\$107,168,978	\$214,337,957	5.8%
Carteret	\$27,269,783	\$54,539,565	8.7%	Northampton	\$7,320,434	\$14,640,868	0.0%
Caswell	\$12,725,358	\$25,450,717	28.0%	Onslow	\$34,980,869	\$69,961,738	43.2%
Catawba	\$132,472,676	\$264,945,351	10.0%	Orange	\$36,331,905	\$72,663,811	5.4%
Chatham	\$29,478,028	\$58,956,056	12.7%	Pamlico	\$4,518,429	\$9,036,858	0.3%
Cherokee	\$14,927,612	\$29,855,224	14.0%	Pasquotank	\$13,655,059	\$27,310,118	34.3%
Chowan	\$7,527,478	\$15,054,956	10.0%	Pender	\$28,038,023	\$56,076,046	10.6%
Clay	\$4,363,497	\$8,726,995	17.1%	Perquimans	\$4,602,754	\$9,205,507	3.2%
Cleveland	\$82,122,467	\$164,244,933	16.7%	Person	\$28,330,315	\$56,660,630	110.2%
Columbus	\$33,619,579	\$67,239,157	13.9%	Pitt	\$77,268,526	\$154,537,052	49.1%
Craven	\$41,287,164	\$82,574,327	5.8%	Polk	\$7,149,910	\$14,299,820	0.6%
Cumberland	\$96,187,534	\$192,375,068	4.5%	Randolph	\$92,407,527	\$184,815,053	130.2%
Currituck	\$9,279,742	\$18,559,485	11.7%	Richmond	\$26,647,893	\$53,295,787	4.0%
Dare	\$31,305,792	\$62,611,583	12.2%	Robeson	\$61,257,230	\$122,514,461	30.6%
Davidson	\$115,089,977	\$230,179,954	18.8%	Rockingham	\$36,323,942	\$72,647,883	6.4%
Davie	\$29,443,890	\$58,887,781	20.5%	Rowan	\$114,012,291	\$228,024,582	26.9%
Duplin	\$20,998,421	\$41,996,842	7.3%	Rutherford	\$49,166,796	\$98,333,592	5.8%
Durham	\$114,800,515	\$229,601,029	2.1%	Sampson	\$24,067,496	\$48,134,991	8.9%
Edgecombe	\$37,906,022	\$75,812,043	11.6%	Scotland	\$23,913,546	\$47,827,092	8.3%
Forsyth	\$180,713,265	\$361,426,529	4.9%	Stanly	\$43,128,998	\$86,257,996	22.3%
Franklin	\$30,823,285	\$61,646,569	15.8%	Stokes	\$28,841,532	\$57,683,064	10.6%
Gaston	\$162,926,491	\$325,852,982	15.2%	Surry	\$44,820,076	\$89,640,152	44.9%
Gates	\$1,668,708	\$3,337,415	7.8%	Swain	\$9,006,092	\$18,012,184	2.2%
Graham	\$8,033,287	\$16,066,575	28.9%	Transylvania	\$12,315,682	\$24,631,364	10.5%
Granville	\$27,798,566	\$55,597,132	7.6%	Tyrrell	\$1,952,783	\$3,905,566	1.5%
Greene	\$8,044,926	\$16,089,852	13.6%	Union	\$113,285,237	\$226,570,474	786.7%
Guilford	\$287,487,513	\$574,975,026	5.5%	Vance	\$25,135,403	\$50,270,807	2.8%
Halifax	\$29,823,493	\$59,646,986	12.0%	Wake	\$446,724,799	\$893,449,598	194.3%
Harnett	\$52,806,575	\$105,613,150	16.0%	Warren	\$8,060,020	\$16,120,041	0.1%
Haywood	\$29,158,459	\$58,316,919	11.5%	Washington	\$8,186,869	\$16,373,738	16.1%
Henderson	\$46,378,579	\$92,757,159	8.4%	Watauga	\$15,766,716	\$31,533,431	38.4%
Hertford	\$7,176,173	\$14,352,347	5.0%	Wayne	\$41,290,117	\$82,580,234	13.3%
Hoke	\$14,010,504	\$28,021,007	12.3%	Wilkes	\$45,538,478	\$91,076,955	6.7%
Hyde	\$2,487,206	\$4,974,412	8.9%	Wilson	\$52,271,430	\$104,542,860	16.4%
Iredell	\$124,417,768	\$248,835,535	11.0%	Yadkin	\$21,620,715	\$43,241,429	3.2%
Jackson	\$18,759,944	\$37,519,887	9.3%	Yancey	\$10,295,115	\$20,590,230	8.1%

SOURCE: Employment Services and Unemployment Insurance Operations, Monthly Reports, Table 4 for December 2007 to August 2010. An economic multiplier of \$2.00 was applied to UI benefits paid column. Annual wages in 2009 from Quarterly Census of Employment and Wages.