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# **The Pandemic Unemployed Microloan Program (PUMP) for the State of North Carolina**

The Greater Good Initiative  
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## POLICY BRIEF

### The Problem

As a result of the coronavirus pandemic, the federal, state and local economies were forced to shut down in order to curb the spread of the novel disease. Across the State of North Carolina, thousands lost their sources of income, causing unemployment claims to rise dramatically. According to the North Carolina Department of Employment Security, between March 2020 and June 2020, over 998,000 North Carolinians, filed for unemployment<sup>1</sup>. The forced closure of businesses and employers due to public health concerns caused an economic slowdown and thus, a surge in unemployment claims. Much uncertainty has arisen from the coronavirus pandemic, leaving employment forecasts unreliable and unoptimistic. Recent federal stimulus packages have released over \$1.7 billion dollars towards unemployed workers across North Carolina; however, professional consensus is pointing towards continued economic volatility, meaning that existing funding will be insufficient. The pre-pandemic unemployment rate of as low as 3.6 percent will be hard to achieve again in the coming months<sup>2</sup>. The National Association for Business Economics forecast sees an unemployment rate of nearly 10% at the end of 2020, and 6% through 2021. If a 6% unemployment rate consistently holds for 19 months, around 4 million people in the entire country would be left jobless for a considerable amount of time.<sup>3</sup> Some experts predict that the economic downturn will force some businesses,

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<sup>1</sup> North Carolina Department of Employment Security. (2020, June 4). COVID-19 Information. Retrieved June 4, 2020, from <https://des.nc.gov/need-help/unemployment-claims-data>

<sup>2</sup> Rhodes, David. "North Carolina February unemployment figures released." North Carolina Department of Employment Security. (2020, March 27).

<sup>3</sup> Schneider, H. (2020, April 10). Economists see uneven jobs recovery, high U.S. unemployment through 2021. Retrieved June 4, 2020, from <https://www.reuters.com/article/us-health-coronavirus-usa-forecast/economists-see-uneven-jobs-recovery-high-u-s-unemployment-through-2021-idUSKCN21S0BL>

both large and small to close for good, potentially eliminating thousands of jobs. As a result of foreseeable and widespread economic instability, workers in North Carolina will need immediate opportunities to advance their skills in order to be more competitive in a shrinking employment field.

### **The Solution**

To ensure that all North Carolinians are able to find higher paying jobs, especially those on unemployment, we propose a short-term microloan program for those unemployed by COVID-19 for educational or professional development courses. These loans, which would be between \$2,000 and \$10,000, would be exclusively for those who filed for unemployment after the March 13th economic shutdown. The purpose of this program would be to provide these loans as a means of obtaining an education or professional development certification in hopes of enabling the unemployed person to find a job or provide them skills to be competitive in the revamped job market.

Currently, nearly all microloans offered domestically are for those who are attempting to open a small business. Private lenders are given funding by the Small Business Administration to provide these low interest loans wholly within one state. However, this program would be administered by the State of North Carolina itself and would not be under federal control or private influence. The feasibility of this program is enabled by North Carolina's essential and relatively large public Community College System, which has 58 campuses and offers yearly tuition rates for less than \$3,000<sup>4</sup>. This means that if awarded the full amount of \$10,000, a

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<sup>4</sup> Community College Review. "North Carolina Community Colleges by tuition cost." (2020, June 4) <https://www.communitycollegereview.com/tuition-stats/north-carolina>

North Carolina resident could afford to take two years of classes, as well as purchase books, supplies and other materials.

From the financial perspective, this policy is not realistic if the nearly one million North Carolinians participated. However, we propose that the program would only or primarily be for those without a GED or undergraduate degree and thus have lower skill, less technical jobs. If the highest priority is given to those without a GED certificate, roughly 13% of the unemployment filers would be given highest priority, representing over 129,740 people<sup>5</sup>. This would substantially lower the initial cost, and would prioritize those who need further education. Eventually, the loans would be repaid by the lendeer, and the state would recoup this investment and be able to reinvest it in the future. If all North Carolinians unemployed by COVID-19 applied for this program and were awarded the full amount, the burden on the state and its relatively small budget would be enormous. Even if the 129,740 people unemployed because of COVID-19 who do not have a GED applied and were awarded the full amount, the burden would still be too great. That is why the State of North Carolina would apply for, and hopefully receive a \$60,000,000 grant under the National Dislocated Worker Grant through the Employment and Training Administration in the Department of Labor. Because of demand, the Department of Labor stated that they would only honor a third of the requested amount, therefore, The State of North Carolina must request \$60 million in funding in order to receive \$20 million to allow the State to pay for 2,000 people unemployed by COVID-19 to attend community college or other professional development programs. Additionally, it would provide FEMA, the Department of

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<sup>5</sup> Town Charts. "North Carolina Education Data." (2020).  
<https://www.towncharts.com/North-Carolina/North-Carolina-state-Education-data.html>

Labor, and other government agencies the opportunity to experiment with this type of disaster relief for future crises.

## PRELIMINARY REPORT

### **What is the problem that you're trying to fix?**

Most sectors of the economy have shut down due to restrictions in place caused by the coronavirus pandemic. As such, thousands of people have been laid off, which has increased the unemployment rate. North Carolina's unemployment rate during the month of April 2020 was 12.3%, an increase of 3 times compared to last year.<sup>6</sup> In April, the number of workers employed within the state declined by 676,373 to 4,090,238, while those unemployed jumped by 372,497 to 585,304. Since April 2019, 781,342 workers have lost their jobs, and the unemployed has increased 406,392.<sup>7</sup> While recent federal stimulus packages have pumped trillions of dollars into propping up small businesses and unemployed workers for the time being, these efforts likely wouldn't be enough for the long run. According to the National Association for Business Economics, they forecast a 10% unemployment rate by the end of 2020, and a 6% rate through 2021. If a 6% rate lasts for 19 months, around 4 million people would be out of work for a considerable amount of time.<sup>8</sup> Therefore, workers must find opportunities to improve their skills in a rapidly changing labor market.

### **What is the solution proposed?**

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<sup>6</sup>State Employment and Unemployment Summary. (2020, May 22). Retrieved June 4, 2020, from <https://www.bls.gov/news.release/laus.nr0.htm>

<sup>7</sup>North Carolina's April Employment Figures Released [PDF]. (2019, May 17). North Carolina Department of Commerce.

<sup>8</sup>Schneider, H. (2020, April 10). Economists see uneven jobs recovery, high U.S. unemployment through 2021. Retrieved June 4, 2020, from <https://www.reuters.com/article/us-health-coronavirus-usa-forecast/economists-see-uneven-jobs-recovery-high-u-s-unemployment-through-2021-idUSKCN21S0BL>

To help unemployed citizens return to the workforce after COVID-19 and make them more marketable on applications, the government of North Carolina would provide microloans of \$2,000 to \$10,000 for the purpose of education. Microloans would serve as a temporary solution to help provide income to those who have filed for unemployment and have received or are awaiting a stimulus check. These microloans would be distributed by the Small Business Association North Carolina District Office and priority would be provided to citizens without a GED.

### **Why was this specific issue chosen?**

This specific issue was chosen because, despite numerous state and federal programs, including state unemployment benefits and the federal Pandemic Unemployment Assistance programs, very few of these programs address the development of career and technical skills that may be necessary to ensure employment when the market begins to reopen.<sup>9</sup> Sectors such as travel, manufacturing in the automobile and airplane industries, hospitality, real estate, fossil fuels, and services are suffering losses while sectors such as technology, communication, healthcare, and pharmaceuticals are growing.<sup>10</sup> Because of these effects of the pandemic, the United States' economy will fundamentally change. However, programs already in place will not adequately adapt unemployed North Carolinians to this new market. As of June 8, 1,014,502 North Carolinians have filed unemployment claims with only 682,172 claimants paid.<sup>11</sup>

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<sup>9</sup>North Carolina Division of Employment Security. (n.d.). Retrieved June 8, 2020, from <https://des.nc.gov/>

<sup>10</sup>Kelly, J. (2020, March 19). The Coronavirus Effect: Here Are The Jobs That Will Be Added And Lost. Retrieved June 8, 2020, from <https://www.forbes.com/sites/jackkelly/2020/03/19/the-coronavirus-effect-here-are-the-jobs-that-will-be-added-and-lost/>

<sup>11</sup>Unemployment Benefits Data. (n.d.). Retrieved June 8, 2020, from <https://des.nc.gov/need-help/unemployment-benefits-data>

Additionally, North Carolina recently received a 6 million dollar federal grant from the U.S. Department of Labor as Dislocated Worker Grants, which are funded under the Coronavirus Aid, Relief and Economic Security (CARES) Act.<sup>12</sup> This money will be put towards training and government employment opportunities for unemployed workers, but the development of a more robust program is necessary to give meaningful support to unemployed North Carolinians.

### **What were the broad questions that guided research into this issue?**

*What are the benefits of career and technical education over or in addition to traditional unemployment benefits?* Because of the Covid-19 pandemic, the distribution of jobs over various sectors of the economy will change. Traditional brick and mortar establishments will experience a drop in jobs available as consumers turn to online retailers or platforms. It is predicted that almost 80 million, or half of, jobs in the United States could be jeopardized, with a more probable 10 million jobs experiencing fewer hours, furloughs, or layoffs.<sup>13</sup> As a result, many workers will have to enter new fields or acquire the skills necessary to be competitive in their existing field.

*What programs are already in place by the government of North Carolina and the federal government to provide unemployed North Carolinians with education?* North Carolina currently has a program funded by grants from the US Department of Labor under the CARES Act which is administered by the North Carolina Department of Commerce's Division of Workforce Solutions (DWS). It is a 6 million dollar program which will provide on-the-job training,

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<sup>12</sup>North Carolina Receives Federal COVID-19 Employment and Training Grant. (2020, May 29). Retrieved June 8, 2020, from <https://governor.nc.gov/news/north-carolina-receives-federal-covid-19-employment-and-training-grant>

<sup>13</sup>Isidore, C. (2020, March 17). More than half of American jobs are at risk because of coronavirus. Retrieved June 8, 2020, from <https://www.cnn.com/2020/03/16/economy/job-losses-coronavirus/index.html>

temporary employment, and occupational skills training and supportive services, specifically in fields in which jobs have increased due to the pandemic such as pandemic response for the government. In this program, the North Carolina government is partnering with 14 localities across the state to administer this service.<sup>14</sup>

*For how long with the effects of the pandemic on employment extend into the future?*

Sources from the World Economic Forum based on modeling of current economic conditions suggest that the US economy could take until the year 2023 to recover if the country experiences a second wave of Covid 19 and may take a shorter amount of time if the current virus response is successful at preventing this second wave. Sectors such as international travel industries, automotive industries, insurance, and oil and gas, and apparel and fashion, however, may take much longer to recover.<sup>15</sup> Therefore, a response is necessary that extends unemployment-related benefits past 2020. Although, the CARES Act \$600 extra unemployment benefits are slated to end in July, 2020, and from then on states will be responsible for unemployment benefits.<sup>16</sup>

### **What is the relevance of the issues to the (state at hand) and its citizens?**

Since the economy has been drastically affected, and the burden will soon fall to the states to distribute unemployment benefits, North Carolina must develop a sustainable program to reach all of its unemployment claimants and prepare them for the changing job market of the

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<sup>14</sup>North Carolina Receives Federal COVID-19 Employment and Training Grant. (2020, May 29). Retrieved June 8, 2020, from <https://governor.nc.gov/news/north-carolina-receives-federal-covid-19-employment-and-training-grant>

<sup>15</sup>Oliver, L. (2020, March 30). It could take three years for the US economy to recover from COVID-19. Retrieved June 8, 2020, from <https://www.weforum.org/agenda/2020/03/economic-impact-covid-19/>

<sup>16</sup>Stewart, J. (2020, June 5). When does the expanded COVID-19 unemployment insurance run out? Retrieved June 8, 2020, from <https://www.marketplace.org/2020/06/05/when-does-the-expanded-covid-19-unemployment-insurance-run-out/>

future. As of June 8, 1,014,502 North Carolinians have filed unemployment claims.<sup>17</sup> Additionally, more than 535,000 people are employed by North Carolina's leisure and hospitality sector, and more than 163,000 people work in other services, according to the Bureau of Labor Statistics.<sup>18</sup> These are the jobs particularly at risk because of the pandemic and many more have been affected, as seen by over a million people filing for unemployment after March 15. Therefore, North Carolina needs to craft a policy that meets the needs of unemployed people and prepares them for potentially a new career in the future.

### **Why is this an issue that requires governmental response?**

North Carolonians who have been affected economically from the coronavirus will not be able to recover without governmental assistance. Although the federal government's stimulus checks of \$1,200 were not designed to replace total income lost due to the virus, it is not even enough for many adults to cover one month of expenses. Where the stimulus checks fall short, unemployment would bridge that disparity under the Federal Pandemic Unemployment Compensation Program that provides an additional \$600 per week if collecting unemployment compensation.<sup>19</sup> Based on North Carolina tax return data from 2017, 92% of North Carolina single filers were reported to have an AGI below \$75,000 which would qualify them for the full stimulus payment.<sup>20</sup> However, due to the historic amount of unemployment claims filed by May

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<sup>17</sup>Unemployment Benefits Data. (n.d.). Retrieved June 8, 2020, from <https://des.nc.gov/need-help/unemployment-benefits-data>

<sup>18</sup>North Carolina Economy at a Glance. (n.d.). Retrieved June 8, 2020, from <https://www.bls.gov/eag/eag.nc.htm>

<sup>19</sup>U.S. Department of Labor Provides Additional Guidance to States On the Federal Pandemic Unemployment Compensation Program. (2020, May 9). Retrieved June 8, 2020, from <https://www.dol.gov/newsroom/releases/eta/eta20200509>

<sup>20</sup>Tippett, R. (2020, April 16). How many North Carolina households might be eligible for federal stimulus checks? Retrieved June 8, 2020, from <https://www.ncdemography.org/2020/04/16/how-many-north-carolina-households-might-be-eligible-for-federal-stimulus-checks/>

30th that total to 42.6 million claims, the current system is not sustainable.<sup>21</sup> In order to help North Carolinians endure the coronavirus economically, the state government must issue educational microloans to citizens to increase their education and be successful when returning to the workforce with priority to North Carolinians who do not have a GED.

**What are the arguments for the creation of the programmatic or policy response to issues that will be proposed?**

Providing microloans for the use in furthering recipients' educational or professional development goals serves a varied purpose. Microloans were created to supply borrowers without stable employment, collateral, and valid credit history, which would be the sections of society that the state would be loaning to, if this program is implemented. As thousands of people have lost employment during the current pandemic, it would be necessary for them to gather new career skills and expertise in new areas, for an ever-changing labor market. For instance, getting a GED would increase chances of receiving job interviews, as according to ResumeGO, applicants with work gaps are 45% less likely to earn an interview. Applicants who disclosed a work gap reason are able to gain 60% more interviews than those who didn't, and those who provided a work gap reasoning of receiving additional training or education had the highest callback rate of 8.5%, from the list of 5 researched in the study.<sup>22</sup> Furthermore, the microloans would be paid back as government investments, to ensure a balanced budget for the state. For this fact, and that basic expenses and necessities are already covered by the CARES

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<sup>21</sup>News Release [PDF]. (2020, June 18). U.S. Department of Labor Employment and Training Administration.

<sup>22</sup>Yang, P. (2020, June 7). Resume Employment Gaps. Retrieved June 9, 2020, from <https://www.resumego.net/research/resume-employment-gaps/>

Act and other unemployment benefit programs, this policy focuses on providing North Carolina financing to pursue professional development goals for a competitive and contracted economy.

**What is the basic form of your policy response?**

This policy is operated under the discretion of the Governor of North Carolina and should be completely funded by the National Dislocated Worker Grant through the Employment and Training Administration of the U.S. Department of Labor. The provision providing for PUMP would be added to § 96-14.1 of the North Carolina General Statutes. This specific code outlines benefit eligibility conditions, which describes the conditions that an unemployed person must meet in order to receive benefits from the North Carolina Department of Employment Security in reacquiring a job. The current code should be amended for an additional provision:

*For claims filed effective March 12th, 2020 and thereafter until one year following the governor's announcement concluding the State of Emergency declaration, any person that was unemployed specifically due to the COVID-19 Pandemic, as defined by §96.15.01 Unemployment Code, and does not have a General Education Development (GED) Credential or high school diploma equivalent will be given preference for a microloan, which will assist in providing education, professional, and career development resources. The loans will be given out based on an unemployed individual's need in terms of education or wage, and are distributed for the purpose of enhancing one's skills or learning a new trade.*

This provision would immediately be available to the governor once enacted. He would be able to institute it at his discretion, allowing microloans to be given to unemployed North

Carolinians until the conclusion of a one-year sunset period, which will commence once the governor declares the COVID-19 State of Emergency to be over. After such a period, the proposed provision will no longer be in effect.

**What ongoing questions do you have?**

*What purpose would financing people's professional development have?* Because the pandemic and subsequent economic downturn are expected to last for an extended period of time, thousands of individuals would be out of work for a long period of time, which wouldn't hold well for potential employers looking at their resumes during the future opening up of the economy.

*For how long should this program be offered?* Because of the extended shutdown of the economy, many small businesses have closed, and larger employers have operated on lower finances. Since after the economic upturn, unemployment would likely decrease slowly, there should be a sunset period for the program, preferably a year to a year and half after the shutdown has ended.

*Why only fund educational or professional development ventures?* Microloans for business ventures are already given by the Small Business Administration, through private lenders. As well, the educational system is more stable and far less volatile than the economic market, meaning that these loans would be at a lower risk.

*Should loan forgiveness be implemented within this program?* Due to the unstable labor market, we should not expect everyone to pay their loans on time. As such, loan forgiveness, or

loan restructuring should fall into the guiss of current programs, such as the North Carolina State Loan Repayment Program,<sup>23</sup> and the Forgivable Education Loans for Service.<sup>24</sup>

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<sup>23</sup>State Loan Repayment Program. (n.d.). Retrieved June 8, 2020, from

<https://www.ncdhhs.gov/divisions/orh/north-carolina-state-loan-repayment-program>

<sup>24</sup>Scholarship Information. (n.d.). Retrieved June 8, 2020, from <https://www.cfnc.org/FELS>

## **POLICY PROPOSAL AND ANALYSIS**

### **What is the programmatic or policy response to the problem that was chosen?**

Through the National Displaced Workers Grant of the Department of Labor, the North Carolina Department of Employment Security will grant microloans between \$2,000 and \$10,000 to applicants who filed for unemployment between March 13 and June 10, 2020. These microloans will be used to pay for career and technical education primarily through the North Carolina Community College System, with the Department of Employment Security deciding if loans can be used for education outside of the NCCCS. The microloans will have no more than a 10% interest rate, and the duration of the loan will be 5 to 10 years. Alternative payment plans will be granted by the Department of Employment Security to loanees who fail to repay the loan within 10 years, default on 2 or more payments, or declare bankruptcy.

### **Outline the process your policy proposal will take once implemented. Explain any systems that will be in place, administrative changes, agency authority changes, etc.**

As the program is considered by the General Assembly, the Department of Employment Security should apply for a \$60,000,000 grant under the National Dislocated Worker Grant through the ETA in the U.S. Department of Labor. Even though this is the amount that should be requested, the ETA only will provide 33% of what is requested.<sup>25</sup> Therefore, in order to obtain \$20,000,000 in funding, the DES should apply for a \$60,000,000 grant. Even though an effective \$20,000,000 amount would exceed the highest grant given thus far, the state must proceed with this request in order to remain as proactive as possible. Without considering

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<sup>25</sup> U.S. Department of Labor Employment and Training Administration . (2020, June 8). COVID-19 Dislocated Worker Grants. Retrieved June 10, 2020, from <https://www.dol.gov/agencies/eta/dislocated-workers/grants/covid-19>

additional expenses to PUMP, a \$20,000,000 grant will be enough to give \$10,000 to 2,000 displaced workers. Ideally, any amount that will fund a program capable of helping at least 1,000 workers will reap many benefits for those most at-risk by a contracting economy.

On March 18th, 2020, the ETA released to all state workforce agencies a National Dislocated Worker Grant Program guidance letter outlining how such agencies could apply for the grant.<sup>26</sup> The State should apply for an Employment Recovery Displacement Worker Grant (DWG), which “provides resources to states and other eligible applicants to respond to major economic dislocations.”<sup>27</sup> The qualifying layoff event can be classified under “community impact.” This classification is justified with “multiple dislocations occurring over a period of up to 12 months that have significantly increased the number of unemployed individuals in a regional or local workforce area.”<sup>28</sup> Applications are usually required to be submitted 120 days of a qualifying layoff event; however, “grant applications may be submitted under emergency status for sudden or unexpected mass layoff events.”<sup>29</sup> This emergency application is required to be submitted 15 days after the qualifying event. Although the North Carolina State of Emergency started on March 12th, 2020, it is still ongoing; therefore, the “qualifying event” is still taking place. After the NCDES is awarded the grant, they will need to submit a full application within the next 60 business days.

The grant can be completely used to fund PUMP for career services, as described in WIOA Section 134(c)(2); 20 CFR Part 680; and TEGL 16-16 Section C. Several services for the purpose of achieving reemployment and education goals fall under this definition, including but

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<sup>26</sup> Employment and Training Administration. (2020, March 18). National Dislocated Worker Grant Program Guidance Letter. Retrieved June 20, 2020, from [https://wdr.doleta.gov/directives/attach/TEGL/TEGL\\_12-19.pdf](https://wdr.doleta.gov/directives/attach/TEGL/TEGL_12-19.pdf)

<sup>27</sup> Ibid., pg. 8

<sup>28</sup> Ibid., pg. 8

<sup>29</sup> Ibid., pg. 11

not limited to “outreach, intake, labor exchange services, initial comprehensive assessments, development of an individual employment plan, referral, provision of labor market information, provision of information on eligible training providers, and provision of information on the availability of supportive services.”<sup>30</sup> Eligible participants to PUMP will be outlined by the definitions in WIOA Section 3(15) and the North Carolina General Statutes § 96-15.01.

*(Appendix IV, sections A & B).*

In the March 18th letter, the ETA also gave guidance on the factors considered in awarding DWGs and award amounts, which are awarded at the Secretary’s discretion. There are “no firm requirements” that need to be met, although “the ETA may consider the level of expenditure of the applicant’s *prior* program year total available DW formula funds (including Rapid Response and carry-in).”<sup>31</sup> They will also consider the quality of the proposed project and the severity of job loss qualifying events. In this case, PUMP provides a fundamentally strong plan to help alleviate the long-term unemployment crisis in North Carolina, and the COVID-19 pandemic is a more than sufficient basis for a qualifying event.

Assuming a grant is awarded by the ETA, and PUMP is enacted by the General Assembly and Governor Cooper, necessary procedures for the program should be established. Taking example from the similarly structured Commonwealth of Virginia Workforce Innovation and Opportunity Act (WIOA) Combined State Plan, which was released on February 21st, 2020, PUMP would be administered by multiple entities and officials. Administrative oversight should be conducted by the governor, and the North Carolina Board of Workforce Development. An administrative organization chart of PUMP is provided in *Appendix IV, section C*.

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<sup>30</sup> Ibid., pg. 11

<sup>31</sup> Ibid., pg. 12

By rule, the microloans should only be first given to workers unemployed by the COVID-19 pandemic who do not have a high school equivalency education. This will ease the process for the committee and will require less funds compared to a program that offers this opportunity to any unemployed North Carolina. Moreover, this measure will ensure that those at the highest risk of long-term work displacement can become more competitive in a smaller job market. The NCDES should establish guidelines for loan payments. Recommendations have been provided in *Appendix II (sections E - J)* on loan payments, interest rates, and loan forgiveness. PUMP will remain in effect until the conclusion of a one-year sunset period that begins at the end of the governor's COVID-19 State of Emergency.

Following the passage of this bill, the North Carolina COVID-19 Pandemic Unemployment Microloan Program would be formed under the jurisdiction of the Department of Employment Security. The state government will notify applicants who filed for unemployment assistance between March 13<sup>th</sup> to June 10<sup>th</sup>, 2020, future applicants, and others who haven't filed for unemployment of this opportunity. The program will prioritize applicants who haven't earned a General Education Degree, those who have claimed more than 4 dependents, and those who have obtained some credit hours from an accredited college or university.

As outlined in the law, the principal amounts of the loans will be between \$2,000 to \$10,000, and the interest rates will not exceed 10% of the principal. Loanees will use the money given to enroll and pay for courses provided by the North Carolina Community College System and affiliates. If the loanee believes that the best usage of the loan should be outside of the NCCCS, the Department of Employment Security would be the sole arbiter on if that alternative

is sustainable. Payment of principal and any interest incurred will be sent to the Department of Employment Security.

Loan lengths will not last less than 5 years and no more than 10 years after its issuance. If the loanee is unable to pay back the principal and the interest incurred in 10 years, defaults on 2 or more payments, or declare themselves bankrupt or financially insolvent, the Department of Employment Security will have the power to enroll the loanee in an alternative payment program that will not last more than 2 years of the statutory loan term limit. Finally, the Department of Employment Security will have the ability to apply and lobby the federal Department of Labor for the National Displaced Worker Grant for the amount of \$60,000,000 since the grant has previously stated only 33% of the requested amount will be awarded.

**Why is this something that should be addressed at the state level?**

This policy needs to be addressed at the state level because North Carolina does not benefit economically from federal jobs reopening compared to states with the most federal civilian employees such as Virginia, California, or Texas. Without state funding and involvement, it is not sustainable for the federal government to be responsible for each individual state's response to the employment shortfall. Instead, this needs to be addressed on a more local level to ensure as many people can benefit and receive professional development.

**Are there alternative responses that should be taken into account?**

The North Carolina government already has systems in place to address unemployment and education. This program is funded by the U.S. Department of Labor through Dislocated

Worker Grants, which are funded under the Coronavirus Aid, Relief and Economic Security (CARES) Act. Through its community college system, North Carolina is providing grants for education, job training, and even planning on employing people in temporary government pandemic response positions. However, the funding for this plan is only \$20,000,000, not the \$60,000,000 dollars the Department of Employment Security would be seeking from the National Department of Labor. Additional alternative responses could include reforming existing student loan and unemployment payment policies.

**Why is the policy you have proposed the appropriate/best response to the problem you have identified?**

The policy is the best response to the employment shortfall caused by the pandemic as it is a preparedness measure. Once shutdown orders end, and businesses are allowed to reopen, it will take time for the employment shortfall to decrease, meaning that many unemployed people will not be able to find work soon. Providing an opportunity for those workers to increase their knowledge and credentials in their own or other fields would greatly improve employers' view of their resumes during the job search, strengthening their chances of finding employment in the currently unstable labor market.

**What are the resources that will be needed to carry out this programmatic or policy response?**

For this program, the most important commodity needed is the \$20,000,000 from the National Displaced Workers Grant via the Department of Labor. The NC Department of

Employment Security will also need appropriate staff, office space, and resources for these workers, however, appropriate funds will not likely exceed \$1,000,000, and shall be appropriately budgeted by the legislature.

**What criteria are you using to determine if your policy is successful?**

We will declare our policy successful if the people who receive the loans are able to go to school or a professional development program, get the credits they need, and find a better job. While not everyone will, if just a quarter or a third of the recipients of the loans are able to find better employment, the policy will be successful because it will have helped 2,500-3,300 people find better jobs in a recovering job market.

**What would happen with the problem if no action is taken and the problem were to continue on unchanged and undisturbed?**

If no action is taken to help unemployed workers adjust into the post COVID-19 workforce, it will be more difficult for those unemployed to find work immediately. This will result in the North Carolina economy taking longer to economically recover. Due to the record number of unemployed and resulting massive decline in demand as a result of COVID-19, many employees who previously worked in small businesses that will not be able to endure the pandemic will have to apply for new jobs. If no action is taken, these employees could potentially be less marketable on job applications and remain reliant on unemployment benefits that will not be enough to subsidize the economic shortfall.

## CONCLUSION

Upon passing, the Pandemic Unemployed Microloan Program (PUMP) Act will present members of the labor force recently unemployed due to the economic impact of COVID-19 with the ability to seek out higher education. This program will offer microloans between \$2,000 and \$10,000 to members of the labor force who filed for unemployment as a result of the pandemic between March 12, 2020 and June 10, 2020 under an amendment to § 96-14.1 of the North Carolina General Statutes. These funds will be used by loanees to enroll in courses in the North Carolina Community College System and to gain certifications.

Governments have focused their efforts on supporting small businesses to prevent more job loss, and the national government has provided one-time stimulus checks and other unemployment benefits which are set to expire in July. These measures do not take into account the impending changes to the structure in the economy, with the hospitality and leisure sectors expected to take much longer to return to their pre-pandemic state. Also, people are changing their habits as consumers, exacerbating the shift from brick-and-mortar establishments to online retailers. These changes require that laborers unemployed during the pandemic not only receive short-term benefits but the education necessary to help them adapt to a changing market, either making them more competitive in their chosen field or giving them the tools necessary to enter a new one.

The pandemic may end shortly, but the economic impacts will be long-lasting. Therefore, it is necessary that the government of North Carolina endows its unemployed citizens with the resources necessary to ensure economic stability for both themselves and the state. The PUMP

Act provides an opportunity for this security for the hundreds of thousands of North Carolinians unemployed due to COVID-19 and will strengthen the state for the future.

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## APPENDIX I

### Code Amendments:

#### **Addition to North Carolina General Statutes § 96-14.1**

*For claims filed effective March 12th, 2020 and thereafter until one year following the governor's announcement concluding the State of Emergency declaration, any person that was unemployed specifically due to the COVID-19 Pandemic, as defined by §96.15.01 Unemployment Code, and does not have a General Education Development (GED) Credential or high school diploma equivalent will be given preference for a microloan, which will assist in providing education, professional, and career development resources. The loans will be given out based on an unemployed individual's need in terms of education or wage, and are distributed for the purpose of enhancing one's skills or learning a new trade.*

## APPENDIX II

### Proposed Bill

North Carolina General Statutes Chapter 96. Employment Security § 96-14.1. COVID-19  
Pandemic Unemployment Microloan Program

- a. Be it established, the North Carolina COVID-19 Pandemic Unemployment Microloan Program
- b. WHEREAS, a program, available to persons filing with the State of North Carolina for unemployment assistance and insurance under § 96-14.1 between the periods of March 13th, 2020, and June 10th, 2020 and identified COVID-19 as the primary, underlying, cause or influence in unemployment
- c. This program, shall provide loans of lengths no shorter than 5 years, and no longer than 10 years after the issuance of the loan, with loan principal amounts no more than \$10,000 and no less than \$2,000.
- d. The Department of Employment Security shall categorize applications of those who have filed for unemployment assistance between March 13th, 2020 and June 10th, 2020. The highest priority for the loans shall be given to those without a General Education Degree, as outlined by § 115C-83.15. A General Education Degree and the qualifications required to obtain such, shall be outlined in § 115C, the State Board of Education, and subsequent additional requirements imposed by the County School Board as designed. Secondary priority shall be given to those with more than 4 dependents claimed on unemployment assistance, as prescribed by § 96-14.1, or those who have obtained some credit hours from an accredited University, Community College, or College.
- e. The loanee shall make monthly payments to the State Department of Employment Security in order to fully repay the principal of the loan, with interest, in the time prescribed by officials from the Department of Employment Security.
- f. Interests for those receiving this loan, shall be adjudicated by officials within the Department of Employment Security, in accordance with loan industry standards, solely on the basis of financial situation. The interest rates shall not exceed 10% of principal of the loan.
- g. The loanee shall receive the principal of the loan, and have permission from the State for the sole purpose of enrolling, paying for, and financing courses and programs operated by the North Carolina Community College System and its affiliates. Should a loanee determine that the best usage of the loan is outside of the NCCCS or designated affiliates, officials with the State Department of

Employment Security shall make the determination and judgement that the loanee has a suitable alternative. The process required to alter the spending destination in its entirety shall take no more than 10 business days from the receiving of the request to the court-appealable decision.

- h. In the circumstance that the loan recipient is unable to pay the principal of the loan and appropriate interest back to the Department of Employment Security within the 10 year term length, or the loanee defaults on two or more loan payments, the Department shall have 30 days to notify the recipient of the loan, and enroll the loan recipient in an alternative payment program, that shall last no more than 2 years past the end of the statutory loan term length, for a maximum potential length of 12 years.
- i. Should a loan recipient declare themselves bankrupt or financially insolvent, the loans issued in accordance with this program shall not be able to be discharged via bankruptcy processes or litigation. Should a loan recipient enter into bankruptcy before the expiration of the loan term length, the Department shall follow the procedures stated in Part H, and enroll the loan recipient in an alternative payment program for no more than 2 years past the expiration of the original loan term length.
- j. Should a loan recipient declare themselves bankrupt or financially insolvent during an alternative payment program, the Department should follow the procedures outlined in Part H, and have 30 days notify the recipient of the loan, and enroll the loan recipient in a new alternative payment program, lasting for one year.
- k. The Department of Employment Security shall have the authority and power to apply for the United States Department of Labor's National Displaced Worker Grant. The Department of Employment Security shall use all funds not required for appropriate staffing and expenses to provide unemployment educational loans to those unemployed between March 13th, 2020 and June 10th, 2020. The Department shall have the authority to lobby the Department of Labor and the National Displaced Worker Grant for the amount of \$60,000,000, and shall have all State and county resources available to secure the National Displaced Worker Grant.

## APPENDIX III

### Press Release



#### **The Greater Good Initiative: “Pandemic Unemployed Microloans Program (PUMP)” Ensures Job Advancement and Marketability in the Immediate Future**

**Fairfax County, VA (July 6th, 2020)** — As government restrictions and guidelines, coupled with public fear, force businesses to operate with limited capacities, the State of North Carolina has experienced a dramatic increase in unemployment claims over the last three months. Even with federal stimulus checks under the CARES Act and numerous local, state, and federal grant programs keeping some businesses in operation, there lacks a state-wide effort directed towards unemployed individuals. With many businesses either reducing the size of their payrolls or shutting down altogether, North Carolinian workers are facing the reality of having to find opportunities in a smaller job market.

The Greater Good Initiative proposes an additional provision to the North Carolina Code that would allow the North Carolina Department of Employment Security to begin issuing microloans between \$2,000 and \$10,000 to unemployed workers without a GED certificate or a high school diploma seeking to advance, certify, or learn skills through the North Carolina Community College System and its affiliates. With an unpredictable job market looming over the nearly 900,000 unemployed North Carolinians, it is paramount that the Commonwealth provide the opportunity for those with the lowest credentials or apparent skills to enhance their job marketability in order to become more competitive during and following the COVID-19 State of Emergency. Additionally, The Greater Good Initiative proposes that the State apply for the United States Department of Labor’s National Displaced Worker Grant in order to fund PUMP. The amount of \$60,000,000 should be lobbied for in order to provide a new approach that can help ease the economic crisis of the COVID-19 pandemic by directly and immediately affording educational opportunities to those with the most significant barriers to finding new jobs.

**About The Greater Good Initiative:** The Greater Good Initiative (GGI) is a youth-led, nonpartisan policy think tank working to create sustainable solutions to our nation’s most pressing issues. Currently focusing on addressing issues related to the COVID-19 pandemic in economic, public health, education, environmental, and civil rights sectors, GGI has coordinated with local, state, and federal legislators, policy professionals, and community leaders to craft realistic and effective policies that actively respond to the public’s greatest concerns.

## APPENDIX IV

### Supplementary Materials

#### A) WIOA Section 3(15) — Definition of Dislocated Worker

DISLOCATED WORKER.—The term “dislocated worker” means an individual who— (A)(i) has been terminated or laid off, or who has received a notice of termination or layoff, from employment; H. R. 803—8 (ii)(I) is eligible for or has exhausted entitlement to unemployment compensation; or (II) has been employed for a duration sufficient to demonstrate, to the appropriate entity at a one-stop center referred to in section 121(e), attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a State unemployment compensation law; and (iii) is unlikely to return to a previous industry or occupation; (B)(i) has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise; (ii) is employed at a facility at which the employer has made a general announcement that such facility will close within 180 days; or (iii) for purposes of eligibility to receive services other than training services described in section 134(c)(3), career services described in section 134(c)(2)(A)(xii), or supportive services, is employed at a facility at which the employer has made a general announcement that such facility will close; (C) was self-employed (including employment as a farmer, a rancher, or a fisherman) but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters; (D) is a displaced homemaker; or (E)(i) is the spouse of a member of the Armed Forces on active duty (as defined in section 101(d)(1) of title 10, United States Code), and who has experienced a loss of employment as a direct result of relocation to accommodate a permanent change in duty station of such member; or (ii) is the spouse of a member of the Armed Forces on active duty and who meets the criteria described in paragraph (16)(B) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

#### B) § 96-15.01 Definition of Unemployment

(b) Unemployed. – For benefit weeks within an established benefit year, a claimant is unemployed as provided in this subsection: (1) Totally unemployed. – The claimant's earnings for the week, including payments in subsection (c) of this section, would not reduce the claimant's weekly benefit amount as calculated in G.S. 96-14.2. (2) Partially unemployed. – The claimant is payroll attached and both of the following apply: a. The claimant worked less than three customary scheduled full-time days in the establishment, plant, or industry in which the claimant is employed because of lack of work during the payroll week for which the claimant is requesting benefits. b. The claimant's earnings for the payroll week for which the claimant is requesting benefits, including payments in subsection (c) of this section, would qualify the

claimant for a reduced weekly benefit amount as calculated in G.S. 96-14.2. (3) Part-totally unemployed. – The claimant has no payroll attachment during all or part of the week, and the claimant's earnings for odd jobs or subsidiary work would qualify the claimant for a reduced weekly benefit amount as calculated in G.S. 96-14.2.

### C) Organizational Structure of PUMP

