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When North Carolina politicians say it's up to businesses to hire again so the economy can recover, they mean people such as Cindy and Dave Schulz.

The Schulzes have worn the designation of small-business owner with pride, but now they say the pressure on their shoulders is getting too heavy.

Their unemployment taxes have gone up the past two years as the federal government seeks to collect from employers what it has been unable to collect from the state. The rates will continue to climb each year until the state settles its \$2.5 billion debt to the federal government for jobless benefits. And because the Schulzes laid off workers during the recession, their state tax rate climbed, too.

"It seems the only people suffering are the employers willing to put these people to work," Cindy Schulz said.

The Schulzes took a risk in 1999 and opened a steel fabrication business. Dave had worked in the industry for years, and Cindy was a seasoned bookkeeper. The couple hired a handful of employees at first, and as the economy grew in the mid-2000s, so did their payroll. As companies in Research Triangle Park erected massive new buildings, the Schulzes' teams installed the steel framing. By 2008, they had 45 employees.

As the recession arrived, companies put building projects on hold. Cindy Schulz said the company waited as long as it could before laying off employees.

"When you lay someone off, you feel like you've let three or four people down," she said. "At a company this small, you come to know their wives and their kids, too."

‘Not hiring’

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Industries such as construction were among the hardest-hit during the recession. Laborers who earned between \$13.84 and \$21.13 an hour — considered mid-wage earners — accounted for 60 percent of those laid off during the recession. Jobs in that salary range have been the slowest to rebound, according to the National Employment Law Project, accounting for only 22 percent of recovery growth.

Schulz Iron Works' unemployment insurance rate increased with the layoffs and is now at 3.24 percent, up from less than about 2 percent before the recession. The company pays nearly \$25,000 to the state in unemployment tax annually.

Unlike state and federal income taxes, the unemployment tax is not withheld from workers' paychecks but is instead paid directly by employers. With the new law expected to pass this spring, the Schulzes' business is likely to see another slight increase in state unemployment tax — about .06 percent, or about \$440.

State Rep. Julia Howard, a Mocksville Republican and chairwoman of the House Finance Committee, said she sympathizes with the plight of small businesses handling these taxes in a tough economy. But she said the debt belongs to businesses, not the state as a whole.

“It was like we used a debit card, except when running out of money, we just kept going on constant credit,” she said.

Angry about waste

When she filled out the company's tax form in 2011, Schulz saw that her company didn't qualify for its usual federal unemployment tax exemption. She was certain there was a mistake.

It wasn't a devastating amount — less than \$1,000 — but the timing was bad. The

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she had no idea the hardship it would bring for businesses down the road. The state cut the unemployment tax rate for businesses during good economic times in the 1990s and 2000. A year after the recession hit in 2008, the fund was nearly depleted, forcing the state to rely on the federal government to cover unemployment benefits.

“If I had of known, I would have asked someone why they were cutting it to the bare bones,” she said.

Schulz suspects the reduction in benefits to the unemployed will pinch many working families, but she believes the limits may offer the extra incentive to find work more quickly. Mostly, though, she believes there is waste in the system.

This month, the state Division of Employment Security mailed Schulz an update on the unemployment system. In the report, state leaders said they were trying to collect more than \$50 million in benefits they believe were paid erroneously to unemployed workers.

“I have no control over the state's spending,” Cindy Schulz said. “Yet I end up paying because of all the state's mistakes.”

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