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USVI Labor Commissioner Proposes Slashing Unemployment Benefits by 50 Percent to Spur People Back to Work

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In 2022, the unemployment rate in the U.S. Virgin Islands fell by half — from 8.4 percent in January to 4.2 percent by the end of the year. Now, V.I. Dept. of Labor Gary Molloy believes that employment numbers could be boosted even more by slashing unemployment benefits by up to 50 percent.

Mr. Molloy hailed current employment statistics as welcome news during last week's Spring Revenue Estimating Conference, but highlighted a U.S.V.I. labor participation rate of just 49.2 percent as something that could be improved. The commissioner believes that not enough people are returning to the workforce post-pandemic, a scenario which hampers the potential for revenues to grow even further.

“Simply put there are many Virgin Islanders in our community that are still at home and not looking for work,” Mr. Molloy said.

Part of the reason for this, the commissioner believes, is that unemployment benefits of $642 a week are currently too generous. Unemployment insurance currently lasts for 26 weeks, resulting in a total payout of $16,692. Mr. Molloy reported that the department’s observations are that unemployed people on government safety net programs tend to receive the benefits up to the maximum length of the program.

He believes that removing that safety net of unemployment insurance earlier will spur people back to searching for work. Cutting the maximum time frame in half, from 26 to 13 weeks, Mr. Molloy argues, would not only save the government over $8,000 in benefits per individual, but also would work to lower unemployment figures even more.

“Based on the numbers from both the labor force participation rate and the unemployment rate as of 2022, we see that there are more persons that should be either actively working and/or actively looking for work,” Mr. Molloy told Consortium journalists. “Therefore, this is the right time to implement the proposal to reduce the number of weeks for unemployment insurance benefits, as individuals will be expected to return to the workforce within three months.”

This change in the payout duration, he said, will need to be decided upon and made by senators in the 35th Legislature.

The VIDOL commissioner argues that the proposed measure could help whittle the unemployment rate down to zero.

“The unemployment rate for the St. Thomas/St. John district is as low as 3.5 percent, and the Frenchman’s Reef Resort is not online yet. On St. Croix, the rate is as low as 5 percent without the refinery being online. Therefore, statistically speaking, we should have a 0 percent unemployment rate,” Mr. Molloy said. “The supply and demand is real and for the most part we currently have more job openings being posted than we have jobseekers.”

Zero percent unemployment has widely been agreed among economists to be all but unattainable, as structural factors and the slack time between people leaving one job and taking up another all but guarantee some level of unemployment at any specific point in time, even in scenarios of full employment. At 4.2 percent, the territory’s unemployment rate hovers slightly above the national average of 3.6 percent, both numbers within the realm of what could be considered full employment. However, a big differentiator is that the U.S.'s participation rate is much higher than the USVI's. According to the U.S. Bureau of Labor Statistics, the U.S. labor force participation rate, in the twelve months ending Feb. 2023, ranged between a low of 62.1 percent and a high of 62.5 percent. That's compared to the USVI's 49.2 percent.

Mr. Molloy acknowledged that job market conditions and cost of living issues are causing people to flee the territory, which affects the employment pool. People are migrating out of the U.S. Virgin Islands for several reasons, according to Commissioner Molloy, including but not limited to healthcare, education, the opportunity for higher wages, and the high cost of living in the VI that affects quality of life.

He added that based on VIDOL data, the primary reason for emigration is the opportunity to earn higher wages, with the high cost of living in the territory being the second most significant factor in people’s decision to leave.

For those that remain in the territory and continue trying to find work, Consortium journalists asked the commissioner whether reducing unemployment benefits would end up hurting those who need them the most.

“No, not at this time,” said Mr. Molloy, referencing his earlier comment about the possibility of a zero percent unemployment rate once the eligible individuals can get back to work as soon as possible.

“Also, in the event of another disaster, depending on the type and length of disaster, the unemployment insurance system has some built-in provisions that will be available to assist those persons who qualify,” Mr. Molloy added. “For example, one of the system provisions built in is the Extended Benefits period or EB. …This is triggered by [the] United States Department of Labor on the VI unemployment insurance system once the unemployment rate goes above a particular stated rate, based on the event and the number of claims received in a particular period.”

Mr. Molloy explained that the “EB” establishes an additional 13 weeks of unemployment benefits at the maximum weekly amount, once triggered. Overall, reducing the timeframe in which unemployment insurance can be collected should be one policy the USVI should consider as it deals with all the ramifications an ongoing labor shortage brings, the Labor Commissioner argues.

“We know that there are a number of individuals in our community that should be included in both the participation rate (to make it higher) and the unemployment rate (to make it lower),” Mr. Molloy told Consortium journalists, saying he hopes to accomplish the two aims in the not too distant future.