



TESTIMONY

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Unemployment Compensation

Testimony before Franklin County Common Pleas Judge Michael J.

Holbrook on unemployment compensation

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My name is Zach Schiller and I am research director at Policy Matters Ohio, a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus, whose mission is to create a more vibrant, equitable, inclusive and sustainable Ohio. I spent more than 20 years as a business reporter following companies in Ohio and the state economy for Business Week magazine and The Plain Dealer before joining Policy Matters Ohio in 2001. I have written numerous reports on Ohio's unemployment compensation (UC) system starting at that time, participated in discussions at the Unemployment Compensation Advisory Council about the solvency of the system and testified numerous times before state legislative committees on Ohio's unemployment compensation system. I have reviewed current research and publicly available data on the Ohio economy and unemployment compensation system. This qualifies me to help answer the questions posed by the 10th District Court of Appeals, namely, 1) would any third parties be unjustifiably harmed if a preliminary injunction were granted and 2) would the public interest be served by an injunction. I was asked by attorneys for the Relators to appear. I am not receiving any compensation to do so.

Federal Pandemic Unemployment Compensation (FPUC) was one of three major UC programs established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to assist states in providing economic aid to working people affected by the COVID-19 pandemic. It is clearly in the public interest to restore the FPUC program, both to provide relief to families, thus supporting unemployed workers in seeking work, and to bolster the Ohio economy. These have been the two purposes of the UC program since it was established under the Social Security Act in 1935, and FPUC is important in supporting both in the midst of a continuing public health crisis. Resuming FPUC payments will help Ohio employers by boosting purchases of goods and services by unemployed workers. At the same time, it will not unjustifiably injure employers or other parties. Recent data and research have shown that the withdrawal of additional unemployment benefits has had little effect on hiring. States that previously withdrew from FPUC and other federal UC programs have not shown greater employment growth than those that did not. This illustrates that there is no significant harm to third parties in restoring these benefits.

Reinstating FPUC benefits is in the public interest

This case is vital to the interests not only to the plaintiffs and the hundreds of thousands of unemployed Ohioans who need FPUC, but also for the Ohio economy and thus all Ohioans. Cutting benefits to the 223,000 unemployed people who, according to the Ohio Department of Job and Family Services were receiving the additional \$300 in unemployment compensation benefits as of the week ended July 31, means that nearly \$67 million a week is not being spent on goods and services provided by Ohio businesses.¹

Moreover, Alan Blinder, a former vice chair of the Federal Reserve Board, and economist Mark Zandi of Moody's Analytics found that during the last recession, every dollar of unemployment insurance resulted in a \$1.61 increase in economic output, because as benefits are spent, they have a multiplier effect, allowing businesses to hire or add hours for existing workers.²

During the pandemic, more than \$11 billion in FPUC benefits have been paid to claimants in Ohio.³ This has played an important role in keeping the economy afloat—and the withdrawal of these dollars conversely will hurt Ohio businesses, which will not see the spending that would have resulted, and the Ohio economy.

The Ohio Department of Job & Family Services has agreed on this point. “UI benefits allow the unemployed to maintain more of their previous consumption than they otherwise would be able to,” the agency noted in a 2014 filing. “When the unemployed cut back on spending, the business owners that serve them lose. By cushioning the fall in these families’ incomes, unemployment insurance not only helps the families that receive it, but also prevents further production cuts and layoffs.”⁴

Unemployment benefits ensure that unemployed workers have the resources necessary to seek and maintain long-term employment. Benefits ensure that workers can afford the necessities, so they have the time and resources to search for jobs. Moreover, without the ability afford reliable internet access or transportation costs, searching for and interviewing for a job becomes near impossible. The supplemental benefits at issue

¹ Email received from Tom Betti of Ohio Department of Job & Family Services, Aug. 4, 2021

² Blinder, Alan and Mark Zandi, The Financial Crisis: Lessons for the Next One (Oct. 15, 2015), <https://bit.ly/3s3NL8g>.

³ Ohio Department of Job & Family Services, Presentation (July 29, 2021), Unemployment Compensation Modernization and Improvement Council

⁴ Ohio Department of Job & Family Services, Business Impact Analysis under the Common Sense Initiative, Regulation/Package Title 41421-15 Contribution Rates, Rule Numbers 4141-15-01, 4141-15-07, April 29, 2014. ODJFS also noted that, “Generally, the rules in Chapter 4141 of the Ohio Administrative Code help to support an Unemployment Insurance (UI) system that has been found to have a net positive impact on the economy, with substantial benefits to the business community as a whole.”

herein alleviate these concerns by ensuring workers can afford these expenses and, in turn, have the resources necessary to find reemployment.

The Ohio economy has been improving in recent months. However, COVID-19 is unrelenting. As of the week ended August 24, 2021, every county in Ohio except Ashtabula was reporting “high” community spread.⁵ The crisis that prompted the federal government to expand unemployment compensation and provide a higher wage replacement rate than regular state benefits for the hundreds of thousands of people displaced by this pandemic has not ended.

The average weekly benefit in Ohio under the regular unemployment compensation program for the first six months of 2021 was \$378.43.⁶ This means that the average weekly benefit under the regular state program is below the federal poverty level this year of \$21,960 for a family of three.⁷ Based on the average annual wage for the year ended June 30, 2020, and considering the additional \$300 a week, the average weekly benefit for those on regular UC in Ohio would be under two-thirds of the average wage.⁸

Many of those receiving Federal Pandemic Unemployment Assistance, another temporary federal benefit for self-employed and others who would not qualify for regular Ohio state benefits because their employers pay too little or offer too few hours, are getting just \$189 a week without the \$300 supplement.⁹ Besides allowing families to cover basic living costs as well as expenses associated with job-seeking, FPUC is a support to Ohio’s economy because it stabilizes spending and allows for better job matching across the labor market.

FPUC was functioning as designed. The benefits provided a higher-than-normal wage replacement value to more people to meet the once-a-generation scope of this crisis. The program kept hundreds of thousands both out of poverty and out of danger.

Reinstating FPUC benefits would not unjustifiably harm third parties

Some businesses in Ohio are having trouble attracting workers. But many workers are concerned about their health and that of their loved ones and may not be able to serve in public-facing jobs that expose them to COVID-19, especially as the Delta variant unfortunately has ramped up the number of cases. Others are unable to find child care for their children, with the closing or reduction in operations of centers and family care across the state. Between June 2020 and a year later, there was a 24.46% loss of family

⁵ Centers for Disease Control and Prevention, COVID Tracker, Aug. 24, 2021, <https://covid.cdc.gov/covid-data-tracker/#county-view> (Aug. 26, 2021)

⁶ Ohio Department of Job & Family Services, Summary of activities under regular Ohio unemployment compensation law, June 2021, <https://bit.ly/37xNilc> (Aug. 9, 2021)

⁷ U.S. Department of Health & Human Services, Office of the Assistant Secretary for Planning and Evaluation, 2021 Poverty Guidelines, at <https://bit.ly/3AmUexS> (Aug. 9, 2021)

⁸ See Inter-Office Communication from Coretta Pettway, Bureau Chief, Labor Market Information, to Kimberly Hall, Director, Ohio Department of Job & Family Services, Nov. 9, 2020

⁹ See, Ohio Department of Job and Family Services, Expanded Eligibility FAQ, <https://bit.ly/3CyAUzP>, (Aug. 9, 2021).

childcare homes in 28 Appalachian counties, according to data from the Corporation for Ohio Appalachian Development.¹⁰ In these rural areas, where population density won't support center-based options, this makes it difficult for many to go to work.

In fact, the share of working-age Ohioans in the labor force has not returned to pre-pandemic levels: The state's labor force participation rate was just 60.5% in July 2021, down from 63.7% in February 2020.¹¹ By definition, those not in the labor force are not employed or unemployed and seeking work—meaning they are not collecting unemployment benefits. The economic crisis is not over for Ohio—the state has 269,000 fewer jobs than it did in February 2020.¹²

The overall statewide unemployment rate of 5.4% is masking the ongoing statewide unemployment crisis. When the statewide rate is disaggregated, and examined regionally, the ongoing crisis of unemployment is clear. Those people living in areas of Ohio that have not experienced a job growth rebound, primarily in North and Southeastern (Appalachian) Ohio, are at risk of real economic harm from Governor DeWine's decision to end FPUC.¹³ Black workers in Ohio also are more likely to be harmed by the termination of FPUC. The unemployment rate among black workers in Ohio was 11.0% in the second quarter of 2021, compared to 4.2% for white workers.¹⁴

Some observers have claimed that difficulties some businesses are having recruiting workers is a result of the federal pandemic unemployment benefits. But such claims are belied by the data. Data from the U.S. Department of Labor show that in the 12 months ended March 31, much of which time unemployed workers were eligible for an additional \$300 or \$600 a week in benefits, just 19.5% of Ohio claimants for unemployment compensation exhausted the full amount of benefits to which they could have been entitled (generally 26 weeks). That was the third-lowest rate of any state in the country, after South Dakota and New Hampshire.¹⁵ On average, UC claimants in Ohio received benefits for 14.63 weeks, well below the national average and far less than the length of time for which benefits are available. This illustrates that unemployed Ohioans are hardly sitting around collecting UC checks instead of going back to work.

The most recent job reports from states underline that the cessation of FPUC benefits, ordered by governors in 26 states (along with other federal pandemic unemployment benefits in many of these states), has not brought additional job growth. Between April and July, states that cut UC benefits averaged overall job growth of 0.9%, compared to

¹⁰ Email from George Goddard, Corporation for Ohio Appalachian Development, Aug. 2, 2021

¹¹ U.S. Bureau of Labor Statistics, <https://beta.bls.gov/dataViewer/view/timeseries/LASST3900000000000006>

¹² Shields, Mike, "Ohio adds jobs in July," Policy Matters Ohio, Aug. 20, 2021, at <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/job-watch/jobwatch-ohio-adds-jobs-in-july>

¹³ See, Ohio Labor Market Information, July 2021, Unemployment Rates Map, https://ohiolmi.com/_docs/LAUS/ColorRateMap.pdf (Aug. 26, 2021).

¹⁴ Economic Policy Institute, State unemployment by race and ethnicity, 2021 Q1 and Q2, Updated July 2021, at <https://www.epi.org/indicators/state-unemployment-race-ethnicity/>

¹⁵ U.S. Department of Labor, Quarterly UI Summary, https://oui.dol.eta.gov/unemploy/data_summary/SummaryTables.pdf

1.6% growth in states that maintained full federal UC benefits. States that cut UC saw their unemployment rates decline, on average, by 0.2 percentage points; states that retained federal UC saw a decline of 0.4 percentage points. States that cut these benefits saw no change overall in labor force participation, while those that kept the benefits saw a 0.1 percentage point increase.¹⁶

The leisure and hospitality industry was especially hard-hit by the pandemic. Following the same pattern as stated above for employment overall, leisure and hospitality jobs grew faster overall between April and July in states that retained FPUC benefits (6.5%) than in those that didn't (3.2%).

While data varies from state to state and is subject to later revision, one cannot conclude based on this data that the FPUC benefits are hindering economic recovery. They do not cause significant harm to Ohio employers.

Several research studies over the past year also have concluded that additional benefits from FPUC did not keep large numbers of unemployed workers from returning to work.¹⁷

Researchers from the University of Chicago and the JPMorgan Chase Institute (JPMCI) investigated the question using administrative data from JPMCI on 800,000 benefit recipients from 10 large states. “We conclude that unemployment supplements are not the key driver of the job-finding rate through April 2021 and that U.S. policy was therefore successful in insuring income losses from unemployment with minimal impacts on employment,” the authors found.¹⁸

The most recent study,¹⁹ based on banking records for predominantly low-income workers who were receiving UC benefits as of early April, found a slightly higher number of unemployed low-wage workers who were working as of early August in states that had cut benefits. But it was heavily outweighed by the income loss from the unemployment benefits. According to the authors’ summary, “In our data through August 6, we find that ending pandemic UI increased employment by 4.4 percentage points while reducing UI recipiency by 35 percentage points among workers who were unemployed and receiving UI at the end of April 2021. Through the first week of August,

¹⁶ Hickey, Sebastian and David Cooper, “Cutting unemployment insurance benefits did not boost job growth,” Economic Policy Institute, Aug. 24, 2021, at <https://www.epi.org/blog/cutting-unemployment-insurance-benefits-did-not-boost-job-growth-july-state-jobs-data-show-a-widespread-recovery/>

¹⁷ See for instance Nicolas Petrosky-Nadeau and Robert G. Valletta, Federal Reserve Bank of San Francisco, working Paper 2021-13, “UI Generosity and Job Acceptance: Effects of the 2020 CARES Act,” June 2021, at <https://www.frbsf.org/economic-research/files/wp2021-13.pdf> and Joseph Altonji et. al., Tobin Center for Economic Policy, Yale University, “Employment Effects of Unemployment Insurance Generosity During the Pandemic,” July 14, 2020, at [https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF\(1\).pdf](https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF(1).pdf)

¹⁸ Ganong, Peter, Fiona Greig, Pascal Noel, Daniel M. Sullivan and Joseph Vavra, “Micro and Macro Disincentive Effects of Expanded Unemployment Benefits,” July 29, 2021, at https://cpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/1/801/files/2018/08/disincentive_effects_of_expanded_ui.pdf

¹⁹ Coombs, Kyle, et. al., « Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment and Consumption,” Aug. 20, 2021, at <https://files.michaelstepner.com/pandemicUlexpiration-paper.pdf>

average UI benefits for these workers fell by \$278 per week and earnings rose by \$14 per week, offsetting only 5% of the loss in income. Spending fell by \$145 per week, as the loss of benefits led to a large immediate decline in consumption.”

Aaron Sojourner, a labor economist and associate professor at the University of Minnesota Carlson School of Management, found that the number of continued unemployment claims in regular state programs “seems to be declining just as fast in not-cutting as in cutting states.”²⁰

The pandemic has disrupted the labor market just as it is causing a shortage of microchips for carmakers and supply issues for items ranging from furniture to school supplies. It is unrealistic to expect an immediate return to the pre-pandemic job market.

Reinstating the FPUC benefits would serve the public interest and would not unjustifiably harm any third parties.

²⁰ Sojourner, Aaron, Twitter thread <https://twitter.com/aaronsojourner/status/1420118208825151499>, July 27, 2021.