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Unemployment Compensation

Unemployment compensation for low-paid workers

Bill would replace Ohio's stringent earnings test

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Introduction

Late last month, three U.S. senators introduced a bill to begin reforming the nation's unemployment compensation (UC) system.¹ The measure — the Unemployment Insurance Improvement Act — sponsored by Ron Wyden of Oregon, Sherrod Brown of Ohio and Michael Bennet of Colorado, would take several steps to strengthen UC.² One of the proposed changes has special resonance in Ohio: setting a new test for how much one has to earn in order to qualify for benefits. Individuals would need to earn at least \$1,500 in a year and \$1,000 in at least one quarter during that year to qualify.

As this report describes, such a measure would be especially beneficial in Ohio. Nearly 600,000 Ohio workers would gain coverage under the strengthened UC program. Bill sponsors offered it to be included in the Build Back Better package through budget reconciliation as the Wyden Amendment. Congress should include the plan in the budget reconciliation package now being considered or pass it as a stand-alone bill.

Pandemic Unemployment Assistance

COVID relief legislation approved by Congress provided vital support to Ohio workers unemployed after the pandemic struck. Among the relief was an expansion of UC to many workers who don't ordinarily qualify, including contract workers, the self-employed and those who didn't meet state earnings requirements to receive benefits.³ Altogether, the program providing such benefits — Pandemic Unemployment Assistance (PUA) — paid nearly \$11.3 billion between March 15, 2020, and Sept. 26, 2021, to 1,277,502 jobless Ohioans who did not qualify for regular unemployment benefits.⁴ This aid, though often difficult to access, was a crucial support for families. The Census Bureau found that altogether, without unemployment benefits, 5.5 million people would have been pushed below the poverty line last year when they lost their jobs through no fault of their own;⁵ PUA was a key component of that aid. The federal dollars flowed into communities across the state, allowing Ohioans to put food on the table and pay their rent or mortgage. Their spending helped keep businesses afloat and bolstered the state budget. The program also demonstrated the huge gaps that exist in the

¹ A companion bill was introduced October 12 in the House of Representatives. See: "House Democrats Introduce Legislation To Strengthen And Reform Unemployment Insurance," <https://bit.ly/3BHNLKa>.

² U.S. Senate Committee on Finance, "Wyden, Bennet, Brown introduce bill to provide down payment on unemployment insurance reform," Sept. 27, 2021, <https://bit.ly/30iUVvu>.

³ A list of reasons someone could be eligible for PUA is available from the Ohio Department of Job & Family Services: <https://ifs.ohio.gov/ouio/pdf/COVID-19-CARES-Act-Reasons.pdf>

⁴ Ohio Department of Job & Family Services, Presentation to the Unemployment Compensation Modernization & Improvement Council, Sept. 30, 2021, p.4. These numbers are in addition to the nearly 1.1 million Ohioans who receive benefits through the regular unemployment compensation program. The PUA program ended in Ohio Sept. 4.

⁵ United States Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2020," Sept. 14, 2021, <https://www.census.gov/newsroom/press-releases/2021/income-poverty-health-insurance-coverage.html>

traditional UC system, including the many workers misclassified as independent contractors who normally would not be eligible for benefits.⁶

The PUA program was especially helpful in Ohio because for nearly all of the last 20 years, a smaller share of unemployed workers here have received unemployment compensation than in other states. Statistics from the U.S. Department of Labor show that Ohio's "reciprocity rate," as it's called, has been below the national average. The share of those receiving benefits rose dramatically across the country last year,⁷ but the long-term fact is inescapable: Fewer unemployed Ohioans have gotten benefits than their counterparts in other states.

There are several gaps in Ohio's UC system that cause so few workers to be eligible for benefits most of the time. This report focuses on one that is most obvious: Our stringent standard for how much one must be paid to qualify, one of the highest in the country. Policymakers have set that minimum at 27.5% of the state average weekly wage, averaged over at least 20 weeks of work in a year.⁸ This year, that amounts to \$280 a week, or an absolute minimum of \$5,600 in earnings. Only Arizona, North Carolina and Washington state have a higher minimum amount than Ohio. (Maine's is the same.) Many states require far less in earnings. The \$5,600 figure for Ohio is an absolute minimum, based on working 20 weeks. A worker employed all year would need to make at least \$14,560 to qualify. Last year, 16 states had less stringent base period earnings requirements than the Wyden amendment proposes.

Based on this year's state minimum wage of \$8.80 an hour, the \$280 weekly earnings requirement means a minimum-wage worker working 31 hours a week will never qualify for benefits. A significant share of restaurant workers and others most hard-hit by the pandemic recession found themselves in just this position. For instance, nonsupervisory workers in Ohio's retail trade industry averaged 29.7 hours a week last year.⁹ Unfortunately, data are not available on how many Ohio workers qualified for PUA because they didn't meet the state's stiff earnings requirement for regular UC benefits. However, in 2019, 10.2% of those who applied for benefits were denied because they lacked sufficient wages.¹⁰

Ohio's high earnings requirement doesn't just affect minimum-wage workers. A worker making \$10 an hour working 25 hours a week, or someone making \$13 an hour working 20 hours a week, also would never meet the earnings test. Moreover, low-paid Ohioans must work many more hours than their better-paid counterparts in order to be covered.

⁶ National Employment Law Project, "Independent contractor misclassification imposes huge costs on workers and federal and state treasuries," Oct. 26, 2020, <https://bit.ly/3AHXrrC>.

⁷ Serious questions have been raised about the reliability of recent reciprocity data. However, reciprocity has fallen dramatically this year.

⁸ Ohio Revised Code Section 4141.01 (R)(1)

⁹ Ohio Department of Job & Family Services, Office of Workforce Development, Bureau of Labor Market Information, "Average Weekly Hours of Production or Nonsupervisory Employees, 2020," <https://ohiolmi.com/?page85481=1&size85481=48>.

¹⁰ That figure includes some who wouldn't qualify under the Wyden plan, while it excludes others who lacked sufficient wages to qualify and didn't apply. According to the Ohio Department of Job & Family Services, 809,464 out of 2,222,869 agency determinations on new claims between April 1, 2020, and June 30, 2021, or 36.4%, were found to have insufficient employment and earnings. However, a substantial number of new claims were denied because of attempted fraud, making it hard to tell how valid such numbers are. Ohio Department of Job & Family Services, UC 207 Form, Quarterly Determinations, Redeterminations, & Appeal Decisions, <https://ohiolmi.com/home/Ulclaims#c3>, and U.S. Department of Labor, Employment & Training Administration, Data Downloads, "ETA 218 Benefit Rights and Experience," <https://bit.ly/3iwR4IL>.

Table 1 shows the number of hours Ohioans in several cohorts must work in order to qualify for unemployment benefits in case they are laid off. An Ohioan paid the 10th percentile wage — less than 90% of all workers — must work 26.8 hours per week to qualify for unemployment benefits under Ohio’s current rules if they are laid off. This is more than four times the hours a highly paid worker at the 90th percentile would have to work (5.9 hours). The typical (median) Ohioan would have to put in 13.5 hours per week to qualify for unemployment compensation if they are laid off.

This also means that women, Ohioans of color, and others who face low pay are less likely to be covered by unemployment compensation, and must work more hours to be eligible. The typical Ohio woman would have to work 2.5 hours more than her male counterpart to qualify for benefits. The typical Black Ohioan would have to work four hours more than their white counterpart.

Table 1

Hours Ohio workers must work to qualify for UC benefits		
Low-paid workers must work much more to qualify		
	Wage	Weekly hours needed to qualify
Pay group		
10th percentile	\$10.04	26.8
Median	\$19.99	13.5
90th percentile	\$45.37	5.9
Group		
	Median wage	Hours needed to qualify
Race		
White	\$20.98	12.8
Black	\$16.02	16.8
Gender		
Women	\$17.94	15.0
Men	\$21.52	12.5

Source: Wage data from Economic Policy Institute analysis of Current Population Survey 2020. Hours estimates from Policy Matters Ohio based on \$269 per week, the minimum pay threshold to qualify in 2020.

Methodology

Policy Matters Ohio analyzed data from the 2019 American Community Survey to determine who in Ohio is eligible for UC coverage, and who would become eligible under the Wyden amendment. Our ACS data extract is from the Center for Economic and Policy Research, available at: <https://ceprdata.org/acs-uniform-data-extracts/acs-data/>.¹¹ Data include 2019 labor force members only. CEPR cleans the dataset, organizes responses into variables used in this analysis, and makes figures available to researchers. Respondents were excluded from analysis if they lived in institutional group housing (mostly prisons); were classified as self-employed, members of the military, or unpaid workers; or were paid an hourly wage less than

¹¹ Center for Economic and Policy Research. 2021. ACS Uniform Extracts, Version 1.6. Washington, DC.

\$4.30 per hour, half the 2019 minimum wage.¹² Because many survey respondents were excluded from the analysis, our findings produce conservative results in all categories. A complete methodology is available from Policy Matters Ohio.

More than half a million would be covered

Currently, the earnings requirement in Ohio law excludes more than 15% of all workers — nearly 750,000 Ohioans — from unemployment compensation if they lose their job. Based on census survey data, Policy Matters Ohio estimates that 591,000 Ohio workers who wouldn't currently qualify for benefits because they don't meet the stiff earnings test would be covered under the Wyden amendment. It would extend coverage to four in five of the Ohioans currently left out (12.3% of Ohio workers) if they are laid off. The bill also would bolster coverage of women and Black workers, who are more likely to lack eligibility now because of the strict earnings test.

The share of workers currently excluded from unemployment coverage in Ohio varies with workers' characteristics. The Wyden amendment would make coverage more equitable. Currently, 85.4% of Ohio working men make enough to be eligible for UC benefits if they lose their job; only 81.2% of women do. Under the Wyden amendment, 96.4% of working women and 97.1% of working men would qualify. Racial disparities also exist. Based on earnings, eligibility ranges from 80.2% for Black Ohio workers to 85.4% for white. The Wyden amendment would cover 96.1% of Black Ohio workers and 96.9% of white workers. Currently, a substantial majority of prime age workers are eligible, but many older and younger workers are not. All age cohorts from 25-64 have eligibility rates around 90% or higher. That falls to just 73.0% for older workers aged 65+, and 65.5% for those aged 20-24. The Wyden amendment would cover nearly 99% of prime age Ohio workers and more than 94% of both older and young adult workers. For teens, just over a fifth are now eligible; that share would rise to seven in 10.

Table 2 gives full breakouts of Ohio UC coverage by gender, race, and age cohort. Latinx Ohioans are approximated by Hispanic Ohioans, a largely overlapping category with Latinx.¹³ Ohioans of other races are grouped together due to small sampling sizes; they include Indigenous people, Asian Ohioans, and many others.

¹² Excluding respondents paid less than half the minimum wage follows the method outlined by Eve Perry, Sarah Thomason and Annette Bernhardt, "Data and Methods for Estimating the Impact of Proposed Local Minimum Wage Laws," Center for Wage and Employment Dynamics, June 1, 2016, <https://laborcenter.berkeley.edu/data-and-methods-for-estimating-the-impact-of-proposed-local-minimum-wage-laws-3/>. Hourly wages in the ACS are calculated from annual wages using weeks and hours worked, and tend to skew low. Perry et. al have noted that this appears to stem from errors in reporting of hours and weeks worked. Despite these data imperfections, the ACS provides the best available data source to run this analysis. Grouping of most respondents into status as currently covered, newly eligible under the Wyden amendment, or excluded is not affected by this issue.

¹³ The term "Hispanic" is used in Census Bureau surveys to describe a person from — or whose ancestors were from — a Spanish-speaking land or culture, whereas "Latinx" describes individuals of Latin American origin. "Hispanic" is not always embraced by members of the community, both because it excludes some Latin Americans — Portuguese is spoken in Brazil — and due to the association with Spanish imperialism. "Latinx" is the gender-inclusive term for "Latino" and "Latina." In this dataset, Hispanic people are identified as those who reported belonging to a specific Spanish-speaking nationality or "Other Spanish/Hispanic/Latino." Shown here as a separate category, Hispanic people may be white, Black, or another race.

Table 2

UC coverage eligibility							
Most excluded workers would be covered under Wyden amendment							
	Newly covered		Currently covered		Remains ineligible		All workers
	Workers	Percent	Workers	Percent	Workers	Percent	Workers
All workers	591,465	12.3%	4,071,259	84.5%	154,483	3.2%	4,817,207*
Gender							
Women	350,599	15.3%	1,861,349	81.2%	81,901	3.6%	2,293,849
Men	240,866	11.5%	2,209,910	85.4%	72,582	2.9%	2,523,358
Race							
White	442,613	11.5%	3,278,932	85.4%	119,173	3.1%	3,840,718
Black	96,914	16.0%	486,376	80.2%	23,474	3.9%	606,764
Hispanic	26,864	14.3%	153,575	81.8%	7,344	3.9%	187,783
Other	25,074	13.8%	152,376	83.8%	4,492	2.5%	181,942
Age							
16-19	104,101	48.3%	45,418	21.1%	65,866	30.6%	215,385
20-24	144,560	29.0%	326,520	65.5%	27,397	5.5%	498,477
25-39	141,394	8.8%	1,451,584	89.9%	22,653	1.4%	1,615,631
40-54	82,081	5.9%	1,297,864	93.1%	13,508	1.0%	1,393,453
55-64	63,419	7.6%	759,355	91.1%	10,401	1.3%	833,175
65+	55,910	21.4%	190,518	73.0%	14,658	5.6%	261,086

Source: Policy Matters Ohio analysis of ACS 2019. Data extract from Center for Economic and Policy Research. *Note that the total number of workers estimated here, 4,817,207, is less than the size of the overall employed workforce (as reported from the CES in table 3). Our analysis excludes many survey respondents as discussed in our methodology.

Industry

Ohioans in certain industries hard-hit by COVID-19 were more likely to be excluded from regular UC state benefits based on earnings. The accommodation and food service industry comprised a quarter of all jobs destroyed by COVID-19 between February 2020 and April 2020 (230,000 jobs), and a fifth of those still missing by August 2021 (56,400 jobs). Yet based on the American Community Survey, workers in accommodation and food services are nearly three times as likely to be excluded from unemployment benefits: 44.5% are left out, compared with 15.5% of workers overall. Three quarters of accommodation and food service workers now excluded from benefits would become covered under the Wyden amendment. Table 3 gives the breakout of industries for Ohio jobs destroyed by COVID-19 and still missing today, and for Ohio workers excluded from UC benefits.

Table 3

Ohio workers excluded from UC most likely to lose jobs to COVID-19									
UC coverage status by industry									
	Jobs destroyed by COVID-19		Jobs still missing by August 2021		Excluded from UC		Income eligible under Wyden rule		All workers*
	Jobs	Percent	Jobs	Percent	Workers	Percent	Workers	Percent	
Agriculture, forestry, fishing, hunting	NA		NA		4,163	18.1%	3,604	15.7%	
Mining	1,000	0.1%	1,900	0.7%	799	5.7%	649	4.6%	8,700
Construction	36,900	4.2%	8,400	3.2%	20,399	8.1%	17,695	7.0%	223,600
Manufacturing	110,300	12.4%	31,400	11.9%	51,637	5.9%	44,660	5.1%	662,600
Wholesale trade	19,000	2.1%	12,200	4.6%	10,108	7.3%	9,056	6.5%	223,200
Retail trade	92,300	10.4%	6,700	2.5%	153,118	25.8%	122,754	20.7%	546,000
Transportation, warehousing, utilities	15,900	1.8%	13,900	-5.3%	25,985	9.7%	20,212	7.5%	260,500
Information	6,900	0.8%	3,400	1.3%	8,508	12.1%	6,845	9.7%	65,200
Finance, insurance, real estate	10,600	1.2%	5,900	2.2%	18,764	5.7%	16,678	5.1%	302,100
Professional, scientific, management, technical services	17,600	2.0%	6,400	2.4%	20,831	7.6%	16,826	6.2%	263,500
Administrative, support, and waste management	62,200	7.0%	14,100	5.3%	40,875	22.1%	32,636	17.6%	306,400
Education	17,700	2.0%	12,000	4.5%	57,810	22.9%	41,610	16.5%	104,100
Healthcare	98,900	11.1%	37,500	14.2%	91,770	11.4%	78,340	9.8%	792,400
Arts, entertainment, recreational services	48,400	5.4%	15,200	5.8%	29,061	39.0%	19,453	26.1%	71,200
Accommodation	230,000	25.9%	56,400	21.4%	164,208	44.5%	123,055	33.3%	432,000
Other services	68,300	7.7%	21,500	8.1%	42,572	22.6%	32,915	17.5%	189,700
Public administration	43,300	4.9%	39,800	15.1%	4,915	4.7%	4,078	3.9%	755,200
Total	888,500	100.0%	264,000	100.0%	745,523	15.5%	591,066	12.3%	5,345,900

Source: UC coverage estimates from Policy Matters Ohio analysis of ACS 2019. Data extract from Center for Economic and Policy Research. Job loss figures from Current Employment Statistics (CES) February 2020, April 2020, and August 2021. *All workers column from CES. This figure differs from the estimate of total workers described in our UC eligibility analysis because we excluded some respondents from that analysis. See our methodology for details.

Many of the working people who lack coverage because of Ohio’s earnings requirement are highly connected to the workforce. Table 4 shows the weeks and hours worked by Ohioans now eligible for state unemployment benefits should they lose their jobs, those who would be newly covered under the Wyden amendment, and those who would remain excluded. Workers who would be brought in under the Wyden amendment worked an average of 26 hours per week for 37 weeks in 2019.

Table 4

More Ohio part-time workers excluded from UC				
Typical worker newly eligible under Wyden rule worked 26 hours, 37 weeks				
	Estimate	Percent	Weeks worked per year	Hours worked per week
Remains excluded	154,483	3.2%	20	14
Newly covered	591,465	12.3%	37	26
Currently covered	4,071,259	84.5%	50	41
All workers	4,817,207	100.0%	48	39

Source: Policy Matters Ohio analysis of ACS 2019. Data extract from Center for Economic and Policy Analysis.

While the typical Ohioan who would gain unemployment protections under the Wyden amendment works part time, it’s clear that they are also deeply connected to the workforce. People work part time for a number of reasons. Some are unable to find full-time work. Others juggle paid work with other time commitments including caring for children or aging parents; these caregiving responsibilities are especially likely to fall on women.

The cost of adding this coverage would not be large. Currently, if they qualify for benefits, Ohioans who made less than \$996 a week are eligible this year for half of their previous wages. Those newly covered under the Wyden proposal made \$214 at the median. For them, the typical benefit would amount to \$107 a week. While a median benefit amount for those already receiving benefits isn’t immediately available, the average weekly benefit paid in the first eight months of 2021 was \$377.39.¹⁴ The Wyden plan would increase the share of workers covered by 14.5%. Given the much lower pay of newly covered workers, even if they were somewhat more likely to become unemployed and stay on UC benefits a bit longer than those receiving them now, the cost to Ohio’s UC system of including them would be much less than 14.5%.

Recommendations & conclusion

Ohio’s UC system needs to be modernized for today’s economy and labor force. In a variety of ways, it does not meet today’s needs. Workers who must leave work to care for ill family members, or are victims of domestic violence, or who must leave their jobs because they are following their spouse to a new job elsewhere, are not covered by Ohio’s UC system, as they are in many other states.¹⁵ Uber, Lyft and other drivers are explicitly barred from regular UC

¹⁴ Ohio Department of Job & Family Services, Summary of Activities Under Regular Ohio Unemployment Compensation Law, December 2019, at https://ohiolmi.com/docs/UC/Monthly/UC199_1912.pdf Median figures are not available.

¹⁵ U.S. Department of Labor, Employment & Training Administration, Comparison of State Unemployment Laws 2020, at <https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2020.asp>



coverage under a law approved in 2015.¹⁶ At the same time, employers pay taxes on only the first \$9,000 in each employee’s wages, an amount that hasn’t changed in more than 25 years. This has undercut the solvency of the system.

The Wyden amendment is not a total overhaul of the UC system that will address these failings. However, in addition to its more reasonable earnings test, it includes other needed reforms, such as requiring that all states provide at least 26 weeks of benefits, as Ohio and the vast majority of states do. This would restore that standard across the country, which was eroded after the last recession when some states reduced benefit terms. It would also bolster access to benefits through a variety of means, including a mandate that online claims-filing systems can be readily understood, including by those with limited English proficiency. The provision reducing the minimum earnings threshold to \$1,500 per year with \$1,000 in at least one quarter — analyzed in this report — is the single most important provision for Ohio.

Congress should include the plan in the reconciliation package now being considered or pass it as a stand-alone bill, protecting the UC program and expanding it to cover many of those who temporarily gained access through the PUA program.

The report authors thank Zane Mokhiber of the Economic Policy Institute for reviewing our research methodology and code.

¹⁶ Ohio Revised Code Section 4925.10. Some unemployed drivers received PUA benefits.