



Unemployment Compensation

Testimony on Senate Bill 228 before the Senate Insurance Committee

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Good morning Chair Hackett, Ranking Member Craig and members of the committee. My name is Zach Schiller and I am research director at Policy Matters Ohio, a nonprofit, nonpartisan research institute with the mission of creating a more vibrant, equitable, sustainable and inclusive Ohio. We oppose Senate Bill 228 and urge you to do the same.

The federal pandemic unemployment benefits approved by Congress and by both the Trump and Biden administrations were a crucial aid to both Ohio families and the Ohio economy. According to the Ohio Department of Job & Family Services (ODJFS), between March 15, 2020, and September 26, 2021, more than 2.3 million Ohioans received a total of nearly \$24 billion in unemployment benefits. More than four-fifths of that was federal benefits paid by the federal government out of general revenues.

This unemployment compensation was critical in allowing Ohioans to pay the rent or mortgage, make the car payment, keep the Internet on, and keep food on the table. 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.¹

ODJFS has agreed that unemployment benefits have a secondary ripple effect on the economy. "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."²

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

¹ United States Census Bureau, "Income, Poverty and Health Insurance Coverages in the United States: 2020," Sept. 14, 2021, at <https://www.census.gov/newsroom/press-releases/2021/income-poverty-health-insurance-coverage.html>.

² 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."

benefits are spent, they have a multiplier effect, allowing businesses to hire or add hours for existing workers.³

For a working person to qualify for unemployment compensation, they must be paid enough to meet Ohio's stringent pay threshold, which is higher than in all but a handful of states in the country. This year, a worker must be paid an average of \$280 a week for at least 20 weeks. This means that a minimum-wage worker employed 31 hours a week and laid off would not qualify for benefits. Many restaurant and other workers who found themselves jobless early in the pandemic were in exactly this situation – and thankfully, Congress created Pandemic Unemployment Assistance (PUA), which allowed many of them to qualify for federally-paid benefits. Ohio was not among the first to implement the program; the state didn't get it started till mid-May 2020, even though Gov. DeWine signed an agreement with the U.S. Department of Labor covering the benefits on March 28, 2020, immediately after Congress approved the benefits.

Unemployment benefits are intended to stabilize the economy during times of crisis. These benefits not only ensure families are not wiped out due to economic situations beyond their control, but they keep our entire economy from deeper recession and depression spirals. When policymakers end supports too soon or fail to cover enough workers, the economy suffers. It is no surprise that job growth in Ohio has trailed behind the national average since Gov. DeWine announced he would cut off Federal Pandemic Unemployment Compensation (FPUC), the \$300 weekly supplemental benefit paid for by the federal government. The Associated Press analyzed state-by-state data through September and “found that workforces in the 25 states that maintained the \$300 payment actually grew slightly more from May through September ...than they did in the 25 states that cut off the payment early, mostly in June.”⁴ The large majority of the 7.6 million unemployed workers who saw their benefits cut off in early September have not yet found jobs. And Ohio employment as of October was still 228,600 jobs short of the level in February 2020.⁵

Numerous studies over the past year have concluded that the additional \$300 or \$600-a-week benefits paid out under the FPUC program did not keep large numbers of unemployed workers from returning to work.⁶ Two of the biggest news organizations in

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

⁴ Associated Press, “States that cut off of jobless aid see no surge in job seekers,” Oct. 22, 2021, <https://www.pbs.org/newshour/economy/states-that-cutoff-of-jobless-aid-see-no-surge-of-job-seekers>

⁵ Shields, Mike, “Ohio adds jobs in October,” *Policy Matters Ohio*, Nov. 9, 2021, at <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/job-watch/ohio-adds-jobs-in-october>

⁶ 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>, 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), Peter Ganong, 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 and 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>

Ohio, the Columbus Dispatch and Cleveland.com, have reached the same conclusion about the \$300 benefit cut. The headline in the Dispatch said, “Loss of extra pandemic unemployment benefits did little to bring Ohioans back to work.” Cleveland.com said: “Jobless Ohioans didn’t surge back to work after state cut extra \$300 unemployment, data suggests.”⁷

The national 61.8% labor force participation rate in November was still 1.5 points lower than it was in February 2020. In Ohio, that rate in October, the latest month reported, was 61.2%, down more than 225,000 from February 2020.⁸ By definition, these Ohioans are not receiving unemployment benefits; they are not seeking work. There are many reasons why businesses are experiencing labor shortages – continued health concerns about the pandemic, inadequate or unaffordable day care, reevaluation by some workers of their careers. But additional federal unemployment benefits weren’t, and aren’t, one of them. While some might have thought that last spring, additional federal unemployment benefits have been gone since early September and still the ‘we’re hiring’ signs are everywhere.

In fact, the vast majority of UC claimants in Ohio don’t use the full amount of benefits to which they are entitled (usually 26 weeks). Data from the U.S. Department of Labor show that in the 12 months ended June 30, much of which time unemployed workers were eligible for an additional \$300 or \$600 a week in benefits, just 18.9% of Ohio UC claimants exhausted their full amount of benefits. That was the fifth-lowest rate of any state in the country.⁹

The idea that the Ohio General Assembly was somehow “disallowed” from “participating in governing its own state,” as one proponent testified, is preposterous. In fact, it was the General Assembly that wisely decided in the very section of the law this bill seeks to amend that when the federal government makes additional unemployment benefits available through a variety of different programs, Ohio should participate in them. As it is, because of our antiquated UC computer systems, Ohio took longer than several other states to start up the Pandemic Unemployment Assistance (PUA) program, which has subsequently paid benefits to more than 1 million jobless workers. When the next recession arrives and Congress extends additional benefits, unemployed Ohio workers should not experience delay in receiving them as they wait for the General Assembly to act.

⁷ Williams, Mark, “Loss of extra pandemic unemployment benefits did little to bring Ohioans back to work,” The Columbus Dispatch, Dec. 1, 2021, at <https://www.dispatch.com/story/business/2021/12/01/ohio-unemployment-ended-early-workers-didnt-return/6371704001/> and Sean McDonnell, “Jobless Ohioans didn’t surge back to work after state cut extra \$300 unemployment, data suggests,” Cleveland.com, Dec. 2, 2021, at <https://www.cleveland.com/business/2021/12/jobless-ohioans-didnt-surge-back-to-work-after-state-cut-extra-300-unemployment-data-suggests.html>

⁸ Ohio Department of Job & Family Services, Employment and Unemployment Statistics - :LAUS, https://ohiolmi.com/Home/DS_Results_LAUS

⁹ U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Data, UI Data Summary, 2nd Quarter 2021, https://oui.dola.gov/unemploy/data_summary/SummaryTables.pdf

Ohio's unemployment trust fund is fundamentally insolvent. That has nothing to do with federal pandemic unemployment benefits, which were paid for by the federal government, not Ohio businesses. Ohio has underfunded its UC program for decades; the system has not met the U.S. Department of Labor solvency standard since 1974. Our benefit levels have been below the national average as a share of wages for the past decade, including during 2020. Only the first \$9,000 in employee wages is taxed, an amount that hasn't changed since 1995 and is well below the national average. While steps need to be taken to improve the solvency of the unemployment trust fund, this bill will do nothing to achieve that.

Senate Bill 228 could delay critical benefits to Ohio workers. We urge you to shelve this legislation. Thank you for the opportunity to testify.