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Unemployment Compensation

A ray of hope for low-paid workers

SB 355 would expand Unemployment Compensation coverage to 482,000 Ohioans

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Introduction

Everyone who works deserves the security of knowing that if their job ends, they'll be able to get by long enough to find a new one. During the Great Depression, working people and advocates pushed policymakers to create an unemployment compensation system, so when people lose their jobs through no fault of their own, they can afford basic needs while navigating to a new job that matches their skillset.¹ Yet, for too many Ohioans, our state's excessively high pay threshold means that if they lose their job, they could lose everything. Some 840,000 Ohioans — about 15% of the employed workforce — are excluded from eligibility for unemployment insurance, mostly due to low pay. A bill introduced this summer would change that.

Senate Bill 355, sponsored by Sen. Teresa Fedor, would set a new test for how much pay a worker must take home in order to qualify for unemployment benefits.² Individuals would need to be paid at least \$1,500 in a year with \$1,000 in at least one quarter, plus work at least 20 weeks during the year to qualify.³ The bill shares pay requirements with federal legislation now pending before Congress, the Unemployment Insurance Improvement Act.⁴ Policy Matters Ohio modeled the impact of the Unemployment Insurance Improvement Act when it was proposed as an amendment to Build Back Better last fall.⁵ Ohio's bill differs from that proposal by retaining a requirement in existing state law that recipients have worked at least 20 weeks in their base period to qualify.

This report finds that about 482,000 Ohio workers would gain coverage under the strengthened policy. They are disproportionately likely to be women, Black and brown people, and younger workers. The Ohio General Assembly should pass Senate Bill 355.

¹ Chad Stone and William Chen, "Introduction to unemployment insurance," Center on Budget and Policy Priorities, July 30, 2014, <https://www.cbpp.org/research/introduction-to-unemployment-insurance>

² Senate Bill 355, "Reduce monetary eligibility for unemployment," 134th General Assembly, Ohio, <https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA134-SB-355>

³ Ohio unemployment law stipulates that the UC benefits administrator assess a year-long base period ending the quarter before the worker became unemployed to determine eligibility. If the person has not met the work or earnings requirements during that window, the administration looks instead at the one year ending immediately before the person became unemployed.

⁴ S.2865 "Unemployment Insurance Improvement Act," 117th Congress (2021-2022), <https://bit.ly/3qKH9tX>.

⁵ Michael Shields and Zach Schiller, "Unemployment compensation for low-paid workers," Policy Matters Ohio, October 18, 2021, <https://www.policymattersohio.org/research-policy/shared-prosperity-thriving-ohioans/basic-needs-unemployment-insurance/unemployment-insurance/unemployment-compensation-for-low-paid-workers>

Ohioans need more UC protection

COVID-19 destroyed nearly 900,000 Ohio jobs in a matter of weeks.⁶ Over the course of the pandemic, 2 million Ohioans would file a jobless claim at some point.⁷ Emergency relief legislation passed by Congress prevented the crisis from becoming a calamity for countless Ohio families. One of the most vital pillars was expanded unemployment benefits to workers who don't ordinarily qualify. They included contract workers, the self-employed and those who didn't meet state earnings requirements to receive benefits.⁸ Pandemic Unemployment Assistance (PUA) stabilized 1,323,853 jobless Ohioans between March 15, 2020, and October 2, 2022, and kept untold numbers of Ohioans at work by pumping nearly \$11.6 billion into our state's economy and getting it into the hands of those who needed it most.⁹ Most of the payments were made by September 2021, and only previously qualified claims were paid after the program end date that September 6. The Census Bureau found that regular and enhanced unemployment benefits prevented 5.5 million Americans from being pushed into poverty in 2020 when they lost their jobs through no fault of their own.¹⁰

The federal response to COVID-19 drove rapid recovery of some 757,000 Ohio jobs, about 85% of those lost to the pandemic. Though incomplete, the pace of this progress defies Ohio's recent history of slow or non-recovery of jobs lost to recessions. Dragged down by austerity policies, it took more than seven years to recover the jobs lost to the Great Recession. Some of those lost in the early 2000s recession have never returned.

The need to protect Ohioans from economic crisis if they lose their jobs remains. Today despite a comparatively rapid partial recovery, Ohio was still missing 124,000 jobs as of August. Policymakers could halt this recovery in its tracks if the Federal Reserve engineers a new recession by overreaching in its efforts to tamp down inflation, turning the COVID recession into another recession from which Ohio does not easily recover. While Ohio policymakers should demand fuller accountability from the federal government in choosing an inflation control strategy that minimizes harm to working people, they must also take steps to protect Ohioans who lose their jobs through no fault of their own.

Ohio makes it harder than most states to qualify for UC benefits

For nearly all of the last 20 years, a smaller share of unemployed workers in Ohio have received unemployment compensation than in most other states. Statistics from the U.S. Department of Labor show that Ohio's "reciprocity rate," as it's called, has been below the

⁶ From February to April 2020.

⁷ Michael Shields, "State of Working Ohio 2021," Policy Matters Ohio, September 6, 2021, <https://bit.ly/3Dazixe>. (See note 16.)

⁸ A list of reasons someone could be eligible for Pandemic Unemployment Assistance is available from the Ohio Department of Job & Family Services: <https://ifs.ohio.gov/ouio/pdf/COVID-19-CARES-Act-Reasons.pdf>

⁹ Figures provided by Ohio Department of Job & Family Services to Policy Matters Ohio by request.

¹⁰ 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>

national average. The share of those receiving benefits rose dramatically across the country during COVID-19,¹¹ but over the long term, fewer unemployed Ohioans have gotten benefits than their counterparts in other states.

While several gaps in Ohio's UC system severely limit the number of workers who are typically eligible for benefits, one of the largest barriers is our stringent standard for how much one must be paid to qualify. Ohio's pay barrier is 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.¹² This year, that amounts to \$298 a week, or an absolute minimum of \$5,960 in annual pay. That minimum is for a worker employed just 20 weeks. Because the pay is averaged over all the weeks worked, a person who worked the full year would have to be paid \$15,496 to qualify. According to the Strategic Services on Unemployment and Workers' Compensation (UWC), only three states had a higher minimum pay amount than Ohio in 2021 — including Washington, which has no formal pay requirement, but whose 680 work hours requirement effectively exceeds Ohio's pay threshold.¹³ Last year, 11 states plus Puerto Rico and the Virgin Islands had less stringent base period pay requirements than the \$1,500 SB 355 proposes. Oklahoma matched the \$1,500 threshold.¹⁴

Low paid Ohioans must work more hours, or aren't covered at all

Ohio's stringent pay threshold means that many of the Ohioans who need jobless benefits most are barred from them. The problem predates COVID-19. In 2019, 10.2% of those who applied for benefits were denied because they lacked sufficient wages.¹⁵ During COVID-19, the share was substantially higher, though federal benefits stood in for many of those excluded from Ohio benefits.¹⁶ By the first half of this year, when federal benefits were no longer available, Ohio denied 30.1% of claims due to low pay or too few work hours, barring 72,409 people from collecting benefits from January to June.¹⁷ These are the same workers most likely to face food insecurity, lose their homes, or experience other crises due to the income disruption of losing a job. Reciprocity figures are records provided by the Ohio Department of

¹¹ Serious questions have been raised about the reliability of reciprocity data early in the pandemic. However, reciprocity fell dramatically in 2021. As of the second quarter of 2022, just 19.7% of unemployed Ohioans were receiving benefits, ranking the state 36th among the 53 jurisdictions tracked by the U.S. Department of Labor (including the District of Columbia, Puerto Rico and the Virgin Islands). See U.S. Department of Labor, Employment & Training Administration, Unemployment Insurance Data, UI Data Summary at https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

¹² Ohio Revised Code Section 4141.01 (R)(1) <https://codes.ohio.gov/ohio-revised-code/section-4141.01>

¹³ For state monetary eligibility requirements, see Highlights of State Unemployment Compensation Laws 2022, Table 17 – Qualifying Requirements, pps 50-51, UWC. Washington's 680 hours requirement makes for an effective \$9,853.20 monetary threshold given Washington's minimum wage of \$14.49 per hour in 2022, an extreme outlier among states. See the Economic Policy Institute's Minimum Wage Tracker at https://www.epi.org/minimum-wage-tracker/#/min_wage/Washington

¹⁴ Oklahoma Employment Security Commission, "Frequently Asked Questions, Who is eligible to file for unemployment?" <https://bit.ly/3szRATM>. Accessed October 19, 2022.

¹⁵ Ohio Department of Job and Family Services, "New and continued claims determinations, redeterminations and appeals under regular Ohio unemployment compensation law, fourth quarter 2019," <https://bit.ly/3Whc4vm>

¹⁶ Reciprocity numbers were also highly irregular early in the pandemic. 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/UIclaims#c3>, and U.S. Department of Labor, Employment & Training Administration, Data Downloads, "ETA 218 Benefit Rights and Experience," <https://bit.ly/3iwR4IL>.

¹⁷ Ohio Department of Job and Family Services, "New and continued claims determinations, redeterminations and appeals under regular Ohio unemployment compensation law, Second quarter 2022," <https://bit.ly/3U4br9v>



Job and Family Services Bureau of Labor Market Information. It is not clear why the share of Ohioans denied benefits has tripled from 2019 to the first half of 2022.

Based on this year’s state minimum wage of \$9.30 an hour, the \$298 weekly earnings requirement means a minimum-wage worker working 32 hours a week will never qualify for benefits.¹⁸ Ohio’s high earnings requirement doesn’t just affect minimum-wage workers. A worker making \$11 an hour working 25 hours a week, or someone making \$14 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 to be covered.

Table 1 shows the number of hours Ohioans in several cohorts must work 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 25.5 hours per week to qualify for unemployment benefits under Ohio’s current rules. This is more than four times the hours a highly paid worker at the 90th percentile would have to work (6.2 hours). The typical (median) Ohioan would have to put in 13.9 hours per week to qualify for unemployment compensation if they are laid off — up nearly half an hour from the requirement last year.¹⁹

Table 1

Hours Ohio workers must work to qualify for UC benefits		
Low-paid workers must work much more to qualify		
Group	Wage	Weekly hours needed to qualify
People paid in the 10th percentile	\$10.99	25.5
People paid median wages	\$20.17	13.9
People paid in the 90th percentile	\$44.95	6.2
White	\$21.26	13.2
Black	\$16.92	16.5
Women	\$18.14	15.4
Men	\$22.51	12.4

Source: Wage data from Economic Policy Institute analysis of Current Population Survey 2021. Hours estimates from Policy Matters Ohio based on \$280 per week, the minimum pay threshold to qualify in 2021.

Because women and Ohioans of color are more likely to be paid low wages, they are less likely to be covered by unemployment compensation and often must work more hours to be eligible. As shown in Table 1, the typical Ohio woman would have to work three hours more per week than her male counterpart to qualify for benefits. The typical Black Ohioan would have to work 3.3 hours more than their white counterpart.

¹⁸ Ohio Revised Code Section 4141.01 (O)(1) <https://codes.ohio.gov/ohio-revised-code/section-4141.01>

¹⁹ Michael Shields and Zach Schiller, “Unemployment compensation for low-paid workers,” Policy Matters Ohio, October 18, 2021,” <https://www.policymattersohio.org/research-policy/shared-prosperity-thriving-ohioans/basic-needs-unemployment-insurance/unemployment-insurance/unemployment-compensation-for-low-paid-workers>

Methodology and analysis

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 Senate Bill 355. Our ACS data extract is from the Center for Economic and Policy Research, available at: <https://ceprdata.org/acs-uniform-data-extracts/acs-data/>.²⁰ 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 \$4.30 per hour, half the 2019 minimum wage.²¹ The share of workers covered is scaled to the workforce employed as of August 2022, using Current Population Survey data for worker demographic profiles, and Current Employment Statistics for industry of employment. A complete methodology is available from Policy Matters Ohio.

Nearly half a million more would be covered

Currently, the pay requirement in Ohio law excludes more than 15% of all working people — some 840,000 Ohioans — from unemployment compensation if they lose their job. Based on census survey data, Policy Matters Ohio estimates that 482,000 Ohio workers who wouldn't currently qualify for benefits because they don't meet the high pay threshold would be covered under Senate Bill 355. It would extend coverage to six in 10 of the Ohioans currently left out (8.9% of Ohio workers) if they are laid off. The bill also would bolster coverage of women and Black workers, who are more likely to be paid low wages and blocked from UC.

The share of working Ohioans excluded from unemployment coverage varies by race, gender and age. Senate Bill 355 would make coverage more equitable. Currently, 87.6% of Ohio working men are paid enough and work enough hours to be eligible for UC benefits if they lose their job, but only 81.2% of women are. Under SB 355, 92.7% of working women and 93.9% 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. SB 355 would cover 91.4% of Black Ohio workers and 93.8% of white workers, improving coverage for both cohorts and narrowing the coverage gap. Hispanic workers' coverage rate would rise from 81.8% to 90.8%, and workers of other races would see coverage rates rise from 83.8% to 93.9%. The "other races" category groups workers of many diverse backgrounds, but for whom the survey sample includes a small number of people; about three-quarters are Asian Ohioans.

²⁰ Center for Economic and Policy Research. 2021. ACS Uniform Extracts, Version 1.6. Washington, DC.

²¹ 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://irle.berkeley.edu/files/2016/Data-and-Methods-for-Estimating-the-Impact-of-Proposed-Local-Minimum-Wage-Laws.pdf>. 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 SB 355, and excluded is not affected by this issue.

Most prime-age workers are currently 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 73.0% for older workers aged 65+, and 65.5% for those aged 20-24. For teens, just over a fifth are now eligible; that share would rise to two in five.

Table 2 gives full breakouts of Ohio UC coverage by gender, race, and age cohort. Hispanic Ohioans are identified in the dataset, and largely overlap with Latinx people.²² Ohioans of other races are grouped together due to small sampling sizes; they include Indigenous people, Asian Ohioans, and others.

Table 2

UC coverage eligibility							
Majority of excluded workers would be covered under SB 355							
	Newly covered		Currently covered		Remains ineligible		All workers
	Workers	Percent	Workers	Percent	Workers	Percent	Workers
All workers	482,001	8.9%	4,599,200	84.5%	360,678	6.6%	5,441,879
Gender							
Women	300,758	11.6%	2,102,720	81.2%	187,827	7.3%	2,591,304
Men	181,243	6.4%	2,496,480	87.6%	172,852	6.1%	2,850,575
Race							
White	365,183	8.4%	3,704,128	85.4%	269,452	6.2%	4,338,764
Black	76,750	11.2%	549,447	80.2%	59,249	8.6%	685,446
Hispanic	19,142	9.0%	173,490	81.8%	19,502	9.2%	212,134
Other	20,925	10.2%	172,135	83.8%	12,475	6.1%	205,535
Age							
16-19	86,347	35.5%	51,308	21.1%	105,661	43.4%	243,315
20-24	123,431	21.9%	368,862	65.5%	70,825	12.6%	563,117
25-39	105,642	5.8%	1,639,818	89.9%	79,678	4.4%	1,825,138
40-54	63,256	4.0%	1,466,165	93.1%	44,728	2.8%	1,574,149
55-64	52,829	5.6%	857,824	91.1%	30,563	3.3%	941,217
65+	50,496	17.1%	215,223	73.0%	29,222	9.9%	294,942

Source: Policy Matters Ohio analysis of ACS 2019. Data extract from Center for Economic and Policy Research. Data scaled to the current workforce using CPS August 2022 preliminary.

²² 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.

Impact by industry

It has been two-and-a-half years since COVID-19 destroyed nearly 900,000 Ohio jobs. Despite significant progress, by August 2022, only four industries had fully restored the lost jobs, and only one experienced substantial job growth during the COVID period. 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 lost many jobs to COVID-19						
UC coverage status by industry						
	Jobs still missing by August 2022	Excluded from UC		Income eligible under SB355		All workers*
	Jobs	Workers	Percent	Workers	Percent	Workers
Agriculture, forestry, fishing, hunting	NA		18.1%		10.4%	
Mining	-1,600	515	5.7%	64	0.7%	9,000
Construction	400	18,792	8.1%	6,576	2.8%	233,100
Manufacturing	-10,300	40,525	5.9%	15,069	2.2%	682,500
Wholesale trade	-2,200	17,034	7.3%	10,302	4.4%	233,100
Retail trade	-10,000	140,122	25.8%	91,570	16.9%	542,900
Transportation, warehousing, utilities	37,300	27,183	9.7%	11,795	4.2%	281,200
Information	1,700	8,491	12.1%	5,862	8.3%	70,300
Finance, insurance, real estate	-1,000	17,646	5.7%	10,281	3.3%	308,300
Professional, scientific, management, technical services	3,600	20,885	7.6%	9,205	3.4%	274,300
Administrative, support, and waste management	-12,900	67,693	22.1%	34,460	11.2%	306,400
Education	-1,400	26,399	22.9%	14,024	12.2%	115,300
Health care	-48,700	89,310	11.4%	56,927	7.3%	781,800
Arts, entertainment, recreational services	-16,800	26,996	39.0%	12,198	17.6%	69,300
Accommodation	-21,400	209,724	44.5%	130,067	27.6%	471,600
Other services	-2,100	47,895	22.6%	30,660	14.5%	212,000
Public administration	-38,100	35,862	4.7%	13,469	1.8%	757,100
Total	-124,200	850,888	15.5%	488,574	8.90%	5,489,600

Source: UC coverage estimates from Policy Matters Ohio analysis of American Community Survey 2019. Data extract from Center for Economic and Policy Research. Job loss figures from Current Employment Statistics (CES) refer to jobs lost between February 2020 and April 2020, then regained or still missing by August 2022. *All workers column from CES. This figure differs from the estimate of total workers described in Table 2, because that figure used an estimate of employed workers from the Current Population Survey. The CES provides the most accepted data on workers employed by industry. Percent columns refer to share of jobs within industry.

With a few exceptions, nearly all industries have job shortfalls today. Industries that lost some of the most jobs include some in which workers are least likely to qualify for jobless benefits.

The accommodation and food service industry comprised a quarter of all jobs destroyed by COVID-19 between February 2020 and April 2020 (229,700 jobs) and was still missing some 21,000 jobs by August 2022: 44.5% of those working in accommodation and food services today would be left without benefits if they lost their jobs tomorrow, some 210,000 people. Under SB 355, more than half of those now excluded would become eligible for jobless benefits if they are laid off (130,000 workers). The retail industry is still missing 10,000 jobs. It excludes 140,000 people from unemployment insurance, 92,000 of whom would be protected by SB 355.

Recommendations & conclusion

By reducing the minimum pay threshold to \$1,500 per year with \$1,000 in one quarter, SB 355 would bring the security of jobless benefit coverage to some 482,000 Ohioans who lack protection now. In retaining the requirement to work 20 weeks during the year, the measure ensures that all of those newly qualified are Ohioans who are deeply connected to the workforce.

Because the workers who would be newly covered under this bill receive lower pay during their base period, the cost of extending coverage to them would be small by comparison to the increase in Ohioans protected by UC. The average weekly benefit paid in the first five months of 2022 was \$429.32, but the newly eligible workers would take home substantially less: \$149 a week at most. SB 355 would extend coverage to 8.9% of the employed workforce, an increase of 10.5% over the share now covered. It is not clear whether low-paid workers newly qualified for UC would receive benefits for a longer duration of time than their better-paid counterparts, but all Ohio workers are limited to receiving benefits for no more than 26 weeks. Because of their lower pay, the overall cost increase to the UC system would be only a fraction of that.

Everyone who works for a living deserves the security of knowing that if they lose their job, they will have the resources to cover the basics until they can find a new one that matches their skills. Ensuring that all Ohioans have access to unemployment insurance protects their families if working people lose their job through no fault of their own; it protects the economy from recession by ensuring that those families keep spending on basic needs, providing a needed source of revenue for Ohio businesses. It benefits everyone by ensuring that out-of-work Ohioans have the resources they need to navigate to a new job where their skills are fully utilized. The Ohio General Assembly should pass Senate Bill 355.