Policy Matters Ohio

TESTIMONY
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Unemployment Compensation

Testimony on HB 614 before the House Ways & Means Committee

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Good morning, Chairman Merrin, Ranking Member Rogers and members of the committee. My name is Zach Schiller and I am research director of Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify. We strongly support the efforts of the committee to get to the bottom of why Ohio's unemployment compensation system responded so poorly when the COVID-19 pandemic hit. While the excruciating difficulties experienced by so many Ohioans also extended to unemployed workers across the country, state policy has contributed to these struggles.

Ohio policymakers have not made the provision of unemployment benefits a priority. That is the unfortunate but simple fact. Instead, they too often have made it harder for applicants to receive UC benefits. Such a system is not likely to be one that can dispense benefits as readily as it should when recession arrives. To be sure, no one could have predicted that more than 1.2 million Ohioans would file for benefits in just a nine-week period. No state was well equipped to process the huge increase in claims that came with the pandemic. However, Ohio's leaders had not done enough to be prepared for a major upsurge in claims.

Some of you have asked previously why the system doesn't allow a claimant who calls in to leave their phone number and receive a call back if the wait was going to be long. Ironically, this was available at one time for claimants attempting to file their weekly claims. The Department of Job & Family Services (ODJFS) shut down the interactive voice response (IVR) system that once included that feature in July 2017, requiring instead that weekly claimants call in to live operators. ODJFS told us at the time that this was done for financial reasons – the automated system would have required an investment to update and had ongoing maintenance costs of $175,000 a year. The budget tightness, we were told, was due to declining caseloads and to a much smaller extent the loss of call work the agency was doing for Medicaid.

Admittedly, federal support for administration of the unemployment compensation program – the main source of funding for it – has not been sufficient. In Fiscal Year 2003, the U.S. provided $96.26 million to the state for UC administration. In today's dollars, that's over $130 million, compared to the $73 million the agency received last fiscal year. From 2004 to 2015, federal support was more than $100 million a year in nominal dollars, peaking at $197 million in 2011. After that, however, it fell steadily, as it is based on caseloads. Though the state has supplemented that with General Revenue Fund dollars, it's clear that administration of the system was not adequately supported prior to the crisis (though thankfully Congress has provided more support in recent legislation). The overhaul of the tax and benefit systems under way at the time the pandemic struck was long overdue.

Nor has the General Assembly modernized benefits to meet the realities of today's workforce. It turned down $176 million in federal funds in 2011 rather than upgrade the UC system to do two of four things:

1) Allow those seeking part-time work to qualify for benefits,
2) Provide extended benefits to individuals in approved training,
3) Provide benefits to individuals who leave work for compelling family reasons (domestic violence, transfer of a spouse, or illness of an immediate relative); or
4) Establish a minimum $15/week dependent allowance, up to $50 a week.

Most states took advantage of the offer. But the legislature rejected efforts to do so, including one from then-Sen. Karen Gillmor (R-Tiffin).

Policymakers didn't just reject efforts to modernize the system and allow more unemployed workers to qualify. They also tightened up on work-search requirements. In 2013, the General Assembly approved House Bill 2. UC claimants already had been required to keep a record of their work searches, to make at least two employer job contacts a week and submit that when they filed for weekly benefits. Under HB 2, they had eight weeks to create or upload a new resume at OhioMeansJobs.com, and as ODJFS directed, by the 20th week, they had to complete a "Career Profile" questionnaire. A third requirement, to complete three "Core Assessment" tests by the 14th week, was scrapped only after significant complaints by claimant advocates.

One of the reasons ODJFS rejected many jobless Ohioans when they applied for unemployment compensation recently was that they failed to meet the earnings requirement, which is one of the most stringent in the nation. At 27.5% of the state average weekly wage, it works out to a minimum of $269 a week, averaged over at least 20 weeks. This means that restaurant workers and others employed as many as 30 hours a week at the minimum wage were not eligible and received denials.

The exclusion of many Ohioans who are paid low wages is one reason that Ohio has persistently provided UC benefits to a smaller share of jobless workers than most states over the last two decades (this is known as the "recipiency rate"). In the 4th quarter of 2019, just prior to the pandemic, only 21.2% of unemployed Ohioans – 47,120 out of 223,000 – received benefits, ranking us 35th in the country by that measure. Ohio also has long ranked low by another measure: The share of UC recipients who exhaust their full amount of benefits. In 2019, just 23.7% of Ohio UC recipients exhausted their benefits, ranking us 45th in the country.

Under the Families First Coronavirus Response Act passed by Congress, states are required to document progress toward improving their recipiency rates. This includes a "description of the steps the State intends to take to increase such recipiency rate." Given Ohio's poor record on recipiency, it is especially important that ODJFS respond fully to this mandate and inform Ohioans how it is doing so.

Let’s get back to those restaurant and other workers who were not paid enough to qualify. They also were not directly informed that they might be eligible for the new federal Pandemic Unemployment Assistance (PUA) benefits. That’s in contrast to some other states, which instead of asking workers likely to qualify for PUA to apply again when new computer systems to handle the benefit were operating, allowed workers to apply and simply held their applications until they could be processed.

Michigan, drawing on its experience providing Disaster Unemployment Assistance (DUA) benefits, began providing PUA benefits in April. At least 29 states started paying PUA benefits before Ohio finally did in the middle of this month. According to a May 21 ODJFS release, 161,000 Ohioans had applied for PUA benefits as of the week ended May 16. Ohioans need to know why the agency was unable to directly inform tens of thousands of unemployed workers that they might qualify for PUA benefits, why it required claimants to apply again to get PUA, and why it took as long as it did before they were able to apply and have their claims processed.

ODJFS has added substantial resources to handle the huge volume of claims since mid-March, and employees there have worked hard to provide Ohioans benefits. However, policymakers’ mindset needs to change. Unemployment compensation not only is a lifeline for families, but a crucial support to the economy. The $2.8 billion paid out to Ohio claimants in the nine weeks after the shutdown orders began rippled out through our communities, helping businesses. Economists Alan Blinder and Mark Zandi found that every dollar spent in the last recession on unemployment benefits produced $1.61 in economic activity. To provide this especially vital support when times are bad, the unemployment compensation system needs support even when the economy is doing better. As you consider responses to the operational problems that besieged Ohioans seeking UC benefits, we hope you will reexamine Ohio’s overall approach to UC so that more jobless Ohioans can readily access the benefits they and their communities so badly need.

Thank you for this opportunity to testify.