



# EXECUTIVE SUMMARY

## OCTOBER 2021

### Unemployment Compensation

#### **Unemployment Compensation for low-paid workers**

Bill would replace Ohio's stringent earnings test

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The Unemployment Insurance Improvement Act, a bill introduced in the U.S. Senate last month by Senators Ron Wyden, Sherrod Brown and Michael Bennet, would take a number of steps to strengthen the system. One in particular 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 the year to qualify for unemployment compensation (UC). Such a measure would be especially beneficial in Ohio because policymakers have set a highly stringent earnings test to qualify for benefits, making it harder to qualify than in all but a handful of states. More than half a million Ohio workers would gain coverage under the UC proposal. Congress should include the plan in the budget reconciliation package now being considered or pass it as a stand-alone bill.

For nearly all of the last 20 years, a smaller share of unemployed workers in Ohio has received unemployment compensation than in other states. Several gaps in our UC system cause so few workers to be eligible, but one of the largest is the tough earnings test. Jobless Ohio workers must have earned 27.5% of the state average weekly wage over at least 20 weeks, or \$280 a week this year. That works out to an absolute minimum of \$5,600. Only three other states have a higher minimum amount. (Maine's is the same.)

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. Moreover, low-paid Ohioans must work many more hours than their better-paid counterparts in order to be covered. 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). 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. Overall, 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 Wyden amendment would make coverage more equitable. Currently, 85.4% of Ohio working men are paid enough to be eligible for UC benefits if they lose their job; only 81.2% of women are. 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. It also would extend coverage to more of those in some of the industries hardest-hit by COVID-19, such as workers in the accommodation and food service industry. Nearly three quarters of workers in that industry now excluded from benefits would become covered.

Many of the working people who lack coverage because of Ohio's earnings requirement are highly connected to the workforce. Workers who would be brought in under the Wyden amendment worked an average of 26 hours per week for 37 weeks in 2019. Moreover, the cost of adding such coverage would not be large. The Wyden plan would boost the number of Ohioans covered by UC by 14.5%. But since this is a low-wage group and benefits for them are half of previous wages, the additional cost would amount to only a portion of that.

Pandemic Unemployment Assistance (PUA), a program instituted by Congress that allowed workers who were unemployed because of COVID-19 to qualify even if they didn't meet the requirements for regular UC, demonstrated how many Ohioans are left out of traditional unemployment compensation. Altogether, 1,277,502 jobless Ohioans received PUA between March 15, 2020, and Sept. 26, 2021. That includes self-employed and gig workers but also many who didn't qualify for regular benefits because of the strict earnings test.

The Wyden amendment doesn't address all the failings of the UC system. 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 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.