Unemployment Compensation

Testimony before the Unemployment Compensation Modernization & Improvement Council

Zach Schiller

Chairs Fraizer and Hackett, members of the committee, thank you for the opportunity to speak to the council today. My name is Zach Schiller and I am research director of Policy Matters Ohio, a nonprofit, nonpartisan research institute with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. We appreciate the work the council has done to investigate the Ohio unemployment compensation (UC) system and to provide an outlet for Ohioans to learn more about this important program. However, we believe that the council should take a more assertive stance and help see to it – as its enabling legislation says – that the system works better for claimants.

House Bill 614 that created this council states that, "The council shall examine the process by which an individual files a claim and receives benefits under this chapter, and any changes made to that process after the effective date of this section." It then laid out the scope of that examination, citing four areas in particular. Among them were "Possible improvements that will maximize responsiveness for individuals and employers."[1] The council's draft report contains several recommendations aimed at making it easier for claimants to file claims and access benefits. It calls for "ensuring that all Ohioans can understand the documents" and improving access to alternative forms of communications (such as multi-lingual documents). It says claimants should be involved in the development of future communications and system changes "to ensure issues individuals may face are learned prior (to) changes going public." The report recommends evaluating the possibility of tracking claims in real time and publicly displaying call wait times on the website.

What progress is being made on each of these recommendations, and the larger objective laid out in House Bill 614? The only legislation that has emerged, Senate Bill 302 (and its companion, House Bill 568), does none of these things. In fact, the bill consists nearly entirely either of ways to tighten identity verification procedures or codify in law those that already exist.[2]

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[1] Substitute House Bill 614, 133rd Ohio General Assembly, p. 2, available at https://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_133/bills/hb614/EN/05?format=pdf
[2] See Zach Schiller, "Testimony on Senate Bill 302 to the Senate Insurance Committee," Policy Matters Ohio, May 18, 2022, at https://www.policymattersohio.org/research-policy/shared-prosperity-thriving-ohioans/basic-needs-unemployment-insurance/unemployment-insurance/testimony-on-senate-bill-302-before-the-senate-insurance-committee and November 16, 2022

Commendably, the Department of Job & Family Services is taking steps toward using more plain language in UC documents and is looking to make more translation services available for those who are less proficient in English, examine how well the UC system is working for different demographic groups and provide access to UC contacts through 25 Ohio Means Jobs centers. These and other efforts stem from a grant to improve equity in the UC system from the U.S. Department of Labor. The council should ask ODJFS to come in and provide details on the work it intends to do under the grant, monitor progress, and also ask the agency what it hopes to gain from a "Tiger Team" of DOL experts taking a look at the Ohio system, as they are in many other states.

Too many UC claimants are not receiving their first payments on a timely basis. In October, only 77.3% of Ohio claimants received first payments within 21 days, below the 87% U.S. standard and far below the 99.7% the state was achieving in March 2020 as the pandemic struck.[3] Why is this true, when the agency was meeting this standard prior to the pandemic? Clearly, one factor is the fraud flags now being applied to thousands of new claims each week, which have slowed down the payment of benefits. Asked whether the additional ID verification required for those claimants flagged for fraud has contributed to not meeting the federal timeliness standard, the agency responded: "The additional verification associated with flagged claims does impact how quickly their determinations are made. However, identifying potentially fraudulent claims actually helps us focus first on those claims more likely to be legitimate."[4]

While the agency's anti-fraud efforts have cut down on organized efforts to defraud the agency and obtain benefits, they also have meant that tens of thousands of legitimate claimants are being flagged for possible fraud and are not receiving benefits on as timely a basis.[5] The council's latest draft report (see p. 20) states that 53% of the claims approved between Jan. 1 and mid-October, more than 50,000 in total, were flagged for fraud. This seems like an exceptionally high number—and makes you wonder about the criteria being used to flag claimants for possible fraud and the basis for algorithms being employed. The council should investigate this issue to understand whether the fraud flags are appropriate – and nondiscriminatory.

With the state's biennial budget coming up soon, the council also should review whether the agency is appropriately staffed, in particular, if claims should increase substantially in the next year. Is administrative funding for the system adequate, and is the strategic

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at https://www.policymattersohio.org/research-policy/shared-prosperity-thriving-ohioans/basic-needs-unemployment-insurance/unemployment-insurance/testimony-on-amendments-to-senate-bill-302-before-the-senate-insurance-committee

[3] U.S. Department of Labor, Employment & Training Administration, Benefits: Timeliness and Quality Reports, All First Payment Timeliness, at https://oui.doleta.gov/unemploy/btq/btqrpt.asp

[4] Email to Zach Schiller from Bill Teets, ODJFS, Nov. 14, 2022

[5] In response to questions from Policy Matters Ohio, ODJFS said that between Jan. 1 and Nov. 8, 2022, 182,172 out of 376,990 initial claims were flagged for further verification (Email to Zach Schiller from Bill Teets, Nov. 14, 2022). The agency estimated that 74% of such claims are denied or disallowed. Thus, more than a quarter of these claims – some 47,000 in total – likely were held up though they were legitimate. These data differ somewhat from the numbers shown in the council's report, but the point is the same.

staffing plan developed by the agency in response to House Bill 614 realistic and sufficiently funded? Specifically, does the state need to resume providing dollars from the General Revenue Fund to ensure a responsive system?

Keep in mind the thousands of Ohioans who called legislative offices during the pandemic to complain about their difficulties with navigating Ohio's UC system, a key reason why the council exists. Have you followed up to answer their concerns? The share of unemployed Ohioans receiving UC benefits has trailed the national average for most of the last two decades, and most recently stood at just 12.3%, 43rd in the country.[6] Let me repeat that: Only one in eight unemployed Ohioans is receiving unemployment benefits. This should be a focus for the council.

ODJFS had no reason to know that two key officials in the overhaul of the information technology for the UC system would be indicted in federal court, as they were in August, causing the agency to shut down Sagitec's work on the project. However, this has highlighted the need for transparency, public monitoring and accountability in that effort. One way to ensure that would be take a lesson from our neighbor, Pennsylvania, whose legislature created a Benefit Modernization Advisory Committee including IT experts and representatives of employer and claimant interests. In the interim, the modernization council should ensure that the agency follows through on your recommendation regarding claimant involvement in system changes. This would be in keeping with one of HB 624's explicit provisions that the council's examination should include, "The technological infrastructure used to file claims and pay benefits and the experience had by individuals and employers participating in the process."

Most other states have "equity and good conscience" rules so that many recipients of nonfraud overpayments who experience financial hardship do not have to repay them.[7] The council should take this up and it should be included in legislation.

The council also should ask the agency about its application due early next year to secure federal funds to support shared work, which was expanded under last year's budget bill and represents a major opportunity that hasn't been fully tapped. Employers and workers alike could benefit from this underused program that allows employers to voluntarily reduce work hours for up to 60% of employees and for them to receive pro rata UC benefits for the hours they don't work.[8]

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[6] U.S. Department of Labor, Employment & Training Administration, Quarterly UI Data Summary at https://oui.doleta.gov/unemploy/data_summary/DataSum.asp
[7] U.S Department of Labor, Employment & Training Administration, Comparison of State UI Laws 2021, Chapter 6, at https://oui.doleta.gov/unemploy/pdf/uilawcompar/2021/overpayments.pdf
[8] See Zach Schiller, "Avoid layoffs with Shared Work Ohio," Policy Matters Ohio, May 15, 2020, at https://www.policymattersohio.org/files/research/policymattersworkshare5.13.20.pdf and https://jfs.ohio.gov/ouio/SharedWorkOhio/

In short, the council needs to do more to ensure that it makes good on the legislation that created it and ensure that Ohio's unemployed can access UC benefits.