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Ohio Still Excludes Many from Unemployment Compensation

Ohio is one of the most restrictive states in the country in its earnings requirements to qualify for unemployment compensation. The state is:

- One of only three states in the country where a minimum wage worker employed 29 hours a week all year would not qualify for unemployment compensation.
- Along with Kansas and Michigan, one of only three states in which a worker making \$9 an hour all year for 20 hours a week would not qualify.
- One of only six states where a minimum wage worker working 20 hours a week all year long would not qualify.

Those are the key findings of an analysis by Policy Matters Ohio on how Ohio's monetary eligibility standard compares with that of other states. The analysis, which is available at http://www.policymattersohio.org/UCompOhioExcludes2007_12.htm, updates an earlier one done by the National Employment Law Project, which also assisted in this research. "Ohio's unemployment compensation system discriminates against low-wage, part-time workers," said Zach Schiller, research director at Policy Matters Ohio. "A fairer system would be based on the number of hours worked, so all workers would be treated equally."

Every state sets its own standard for how much one must earn in order to qualify for unemployment compensation. This year, Ohio requires workers to earn on average at least \$200 a week for at least 20 weeks of work to qualify for benefits. Most states require claimants to earn a minimum amount in a calendar quarter. In addition, they set a minimum for the amount earned in a year, which is often a multiple of the earnings in the highest quarter.

Recent state minimum wage increases and the boost to \$5.85 an hour in the federal minimum have allowed more workers around the country to qualify for unemployment compensation. This is true in Ohio, where the state minimum wage increased to \$6.85 last January. Previously, a minimum-wage worker could work as much as 37 hours a week and not be eligible. Now, that amount is 29 hours. However, the state's unemployment compensation system is still out of step with the nation in its treatment of lower-paid workers. This contributes to the low share of unemployed Ohioans who receive benefits – just 30 percent in the 12 months ended in

September, or 40th in the nation, according to the U.S. Department of Labor. The national average, which also has been criticized as too low, was 36 percent during the same period.ⁱ

Ohio requires annual earnings of at least \$4,000 in the base year used to determine eligibility. Only Michigan, North Carolina and Washington require higher minimum earnings during the base year of employment. Yet in Ohio, workers can make as much as \$10,000 a year and not be eligible if they average less than \$200 each week. Employers pay taxes on the first \$9,000 of wages in Ohio whether or not their workers make enough to qualify.

Reducing the eligibility standard to the equivalent of 20 hours a week at the minimum wage for 20 weeks would bring Ohio closer to the mainstream. Previous research has shown that the cost of such a change would be modest in comparison with the overall amount of benefits paid out annually. The fairest standard is one that links eligibility to hours worked, instead of to a minimum dollar amount, which discriminates against low-wage workers. Three states – New Jersey, Oregon and Washington – use hours of work as one basis for establishing monetary eligibility.

Data in the study cover eligibility requirements as of January 1, 2007, as compiled by the U.S. Department of Labor. In those states where requirements increase during the course of the calendar year, the current amounts have been calculated (see notes to table). Data cover minimum-wage laws as of July 24, 2007, when the federal minimum went up to \$5.85 an hour.

Next year, Ohio's weekly average wage requirement will rise to \$206 (the amount is calculated based on 27.5 percent of the state average weekly wage). Meanwhile, the minimum wage will rise to \$7 an hour. Those earning the minimum wage will see little change in the minimum number of hours they must work to qualify because the minimum wage is indexed.

Policy Matters Ohio is a nonprofit institute with offices in Cleveland and Columbus that does research on issues that matter to low- and middle-income Ohioans. National Employment Law Project is a nonprofit organization based in New York City that has advocated on behalf of low-wage and jobless workers for over 35 years.

ⁱ See Unemployment Insurance Data Summary, 3rd Quarter 2007, U.S. Department of Labor, Employment and Training Administration, <http://workforcesecurity.doleta.gov/unemploy/content/data.asp> accessed Dec. 7, 2007.