

UNEMPLOYMENT ISN'T WORKING

TOO MANY OHIO WORKERS ARE LEFT UNINSURED

Strapped for cash in the 1980's, Ohio, like many states, tightened regulations on its unemployment insurance (UI) system, making it especially difficult for low-wage workers to qualify for benefits. With some of the strictest eligibility standards in the nation, Ohio's UI system has not adapted to meet the needs of today's workforce or to fill voids left by welfare reform. At the same time, large amounts of Ohio employers have not had to pay unemployment tax in recent years. Outdated features of UI need to be changed if the system is to succeed in stabilizing struggling households and the economy as a whole.

QUIZ: WHO QUALIFIES FOR UNEMPLOYMENT INSURANCE IN OHIO?

1. When her husband James was transferred from Cincinnati to Toledo, Michelle had to leave her secretarial job. Was she eligible for Unemployment Insurance (UI)?
2. Raymond supported his wife Angela and their one and three-year olds on his \$600/week job at Mr. Coffee. When he was laid off, was his family eligible for dependent benefits?
3. Sam worked thirty hours a week, earning the minimum wage at a Youngstown convenience store. When he was laid off, was his family eligible for UI?
4. After four years in an abusive marriage, Lucy got the courage to take her two boys, leave her abusive husband, and go live with her mother in Marietta. Was she eligible for UI from her four years working in Lima?
5. Desmond works twenty hours a week earning \$8.00 an hour at a Columbus men's clothing store. When the store had to let him go, did Desmond qualify for benefits?
6. When Susan lost her \$15/hour, full-time job as a nurse, could she maintain herself, her six-year old, and her four-year old twins above the poverty level on her UI benefits?
7. How many Ohio employers paid no state unemployment taxes in 2001?

Answers on the back.

WHAT'S GOING WRONG?

The percentage of Ohio's unemployed who qualify for UI benefits has consistently lagged behind other states—running in the range of 30 percent for the last two decades. Under the third highest earnings requirements in the nation, Ohio workers must make \$172 per week for at least 20 weeks out of the year (\$3,440 per year) in order to qualify for UI. Ohio is one of only 5 states nationwide where a worker making minimum wage all year for 20 hours a week would not qualify for benefits. Neither would the typical Ohio part-time worker making \$8.00 an hour for 20 hours a week.

Under current standards, a full-time minimum wage worker would get \$103 a week in unemployment benefits, far below the federal poverty level for one person, much less a family. Although average unemployment benefits are higher in Ohio than

most states, benefits for minimum wage workers are less than in most states. Ohio offers additional benefits for dependents, but only if an employee used to make close to the state average wage of \$628 a week. Additionally, Ohio does not allow UI benefits for people who have left work to handle pressing family problems (sick family members, domestic violence, relocation for a family member's job, etc.). In effect, Ohio UI is leaving behind a growing portion of its workforce: part-time workers, temporary workers, low-wage workers, and women.

WHERE DOES THE MONEY COME FROM?

Money for unemployment benefits comes from taxes on employers. In 2000, after three straight years of cross-the-board tax cuts for Ohio employers, tax rates reached their lowest point in 30 years. By 2001, 35,000 employers (more than 15 percent of those in the state) paid nothing into the UI fund. Why?

Tax limits are built into the Ohio UI system. First, Ohio employers only pay taxes on the first \$9,000 of an employee's earnings, leaving 70 percent of employee earnings untapped for benefits in 2000. As in other states, employers pay taxes according to past experience, but because Ohio automatically cuts employer taxes when UI reserves reach a high enough point, the fund has not built up as it otherwise would to endure a deep recession. According to U.S. Department of Labor standards, Ohio UI is the eighth least likely fund in the nation to weather a long period of high unemployment.

Quiz Answers: 1. No, 2. No, 3. No, 4. No, 5. No, 6. No, 7. 35,000

KEEPING UNEMPLOYMENT AFLOAT

Policy Matters Ohio makes several recommendations for increasing UI eligibility for low-wage workers and strengthening the tax base to do it:

- Determine UI eligibility by hours worked, not by earnings. At minimum, allow minimum wage workers who worked 20 hours a week for 20 weeks to qualify.
- Increase benefits for low wage workers from 42 percent to 60 percent of their previous salary.
- Allow additional benefits for low-wage workers with dependents, as already allowed for those who previously made average wages.
- Allow workers who leave their jobs for family reasons to be eligible.
- Ensure that former part-timers seeking part-time work can qualify.
- Index the taxable wage to wages, so that as wages and UI benefits increase, taxes do too. 17 other states already do this.

Ohio unemployment insurance can afford to open benefits to a changing workforce, going a long way toward steadying unemployed workers and the economy.

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