By Zach Schiller

The Ever-Shrinking Safety Net

Lost your job? Well, it better have been a good one

ONE WOMAN WORKED AT A SOUTHEASTERN OHIO RESTAURANT for most of last year, averaging $174.68 a week. Another sold magazines over the phone in Cincinnati, working 20 to 25 hours a week all year, ending up at $7.50 an hour. When they lost their jobs and applied for unemployment insurance, they were told the same thing: They didn't qualify because they didn't make enough money.

Like the two women, thousands of unemployed Ohioans can't get unemployment insurance because they didn't earn enough when they were employed. If you work year-round at the minimum wage for 34 hours a week, you will not qualify for unemployment insurance in Ohio. It's the only state where that is true. Not just minimum-wage workers are excluded; part-timers who earn considerably more per hour also may not be able to get benefits, even if they work year-round. For instance, someone working 20 hours a week at $8.50 an hour cannot get unemployment benefits in Ohio.

Here's how it works: You must work at least 20 weeks during a year, and average $176 a week during the weeks you work, in order to receive unemployment insurance. It doesn't take much to realize that higher-paid workers don't have to work nearly as long each week in order to receive benefits.

Earnings requirements were nowhere near as high until the early 1980s, when a deep recession caused very high unemployment and the system ran out of money. That's when the state tightened up on eligibility to save money. But long after the crisis passed and the solvency of the fund was restored, these earnings requirements were not relaxed. Every year, the earnings required are adjusted upward in proportion to average wages in the state. Meanwhile, the minimum wage has not gone up since 1997, so more and more of the lowest-paid workers are unable to qualify.

Unemployment insurance goes back to the 1930s, when the Great Depression made millions of families destitute. The system was set up to provide a minimum level of support while workers were out of a job. If a worker qualifies, Ohio pays half of his or her previous wages, up to maximum amounts that vary based on how many dependents one has. The top benefit for those without any dependents is $315 a week; for those with three or more dependents, it is $424 a week. Benefits are paid through employer taxes, from a fund completely separate from the state budget.

Ohio's system does have some good features. For instance, unlike that of most states, it allows workers to use their most recent earnings when determining eligibility. But the amount the worker has to make is among the highest in the country. Only Florida, North Carolina and Washington State have higher earnings requirements.

The Ohio Department of Job & Family Services, which runs the state's unemployment insurance system, recently took a look at how much more it would cost if the earnings threshold was lowered to what a minimum-wage worker would make over 20 weeks working 20 hours each week (that would be $103 each week). The additional annual cost: $4.8 million to $6 million, depending on how long each person received his or her benefits.

To put that in perspective, the fund paid out more than $1.2 *billion* in benefits in 2001, the year the department used to make its calculations. That works out to an increase of less than half of 1 percent.

Low-wage workers aren't the only ones who may be excluded from getting unemployment insurance in Ohio. Part-timers who lose their jobs and seek jobs with similar hours often are not eligible. Workers also don't qualify if they quit their jobs because of pressing domestic concerns, although many states now permit workers who leave their jobs because they are victims of domestic violence to collect benefits, and others provide benefits for those who quit work to care for an ailing child or parent, or to follow a spouse to a new location. A survey of states in 2000 by the investigative arm of Congress, the General Accounting Office, found that Ohio was one of the most restrictive states in the country in barring workers from receiving benefits because of personal circumstances. All of this contributes to why fewer people in Ohio receive benefits, relatively speaking, than in other states.

Yet on average, Ohio employers pay less in unemployment insurance taxes than businesses in most other states. Employers pay such taxes at different rates, depending on how much they have been paying into the fund and how much in benefits their workers have received. Taxes are paid only on the first $9,000 that each employee makes, an amount that hasn't gone up since 1995. After an across-the-board tax cut in 1999, when the economy was booming and unemployment was low, tens of thousands employers paid no such state taxes at all. That continued through 2000 and 2001. Had there been no such cut, employers would have paid an additional $42.6 million in 1999, and similar amounts in 2000 and 2001, into the system.

Employers also got a break after Ohio received $343 million last year in a special distribution from a federal unemployment fund to all the states. Some of this money is being spent to help administer and upgrade the state's unemployment insurance system and operate One Stop Employment and Training centers. But most of it is still simply sitting in the fund, where it has helped keep taxes from rising as much as they would otherwise. None of it has gone to improve benefits.

Because so many Ohioans have been unemployed, the amount of benefits being paid out is far higher than it was in the late '90s. Now, as one would expect with a system that links taxes to benefits that are paid out, businesses are beginning to pay more. At the same time, the rates will rise according to a formula that increases taxes when the amount in the Ohio fund dips below a certain level. All this is exactly how the system is supposed to work. The system isn't working, though, for some of those who need it most, workers who earn little to begin with and have little to fall back on when they lose their jobs. **UD!**

ZACH SCHILLER *is a research director for Policy Matters Ohio, with more than two decades of experience researching and writing about the Ohio economy as a business reporter for The Plain Dealer and Business Week. He has examined the Ohio unemployment insurance system, Cleveland school vouchers, and, more recently, the state's corporate franchise tax.*