

Time to rebound: Cutting unemployment weeks hurts job seekers, employers and communities

By Hannah Halbert

House Bill 394, the controversial bill that would slash unemployment compensation in Ohio, puts us all at risk. In Ohio the average duration of Unemployment Compensation (UC) benefits is just 14.6 weeks and a smaller share of recipients exhausts all their benefits than in 45 other states. While most UC recipients quickly move on to new jobs, some struggle to find employment in an economy that still has fewer jobs than it had sixteen years ago.

For many communities technology, trade, and global competition block workers from returning to jobs in the same field or occupation. Many jobs require certification and skill documentation. Research shows that when workers exhaust their benefits they are more likely to stop participating in the labor force and not get work. Cutting weeks of available benefits make it harder to get training or find new jobs before families are pushed into deep crisis. Instead, we need a balanced approach that addresses inadequate funding of UC.

Under the proposal, the maximum duration of UC would be based on the state's unemployment rate in the preceding six months. Ohioans could claim between 12 and 20 weeks. If the proposal were in place today, unemployed Ohioans would have just 12 weeks to find work. This would make Ohio's unemployment compensation system one of the weakest in the nation. Even less draconian proposals to cut weeks are likely to do more harm than good. Research on North Carolina's cuts shows that cutting duration led to increased labor force dropouts rather than increased employment.

Ohio workers do not prefer UC benefits to work. The majority of claimants (66 percent) have earnings in the calendar quarter following their initial claim. But many need additional support and more time to find employment. Nearly 70,000 Ohioans claimed more than 20 weeks in UC benefits last year. While the unemployment rate in the state has improved, cutting weeks ignores continuing challenges, like 10 unemployed Ohioans for every 6 jobs posted. Ohio's recovery has not been broadly shared. Many regions in the state are struggling. In Appalachian Ohio, there are about 5 job postings for every 20 job seekers, and more than 20 percent of those job postings fall into one of just three occupations: truck driving, retail, and retail supervisor.

Key Findings

Cutting the number of weeks Ohio workers can claim unemployment benefits will make us more vulnerable in the next recession and ignores challenges in our labor market:

- The majority (66 percent) of Ohio UC claimants are working in the calendar quarter following their initial UC claim.
- There are 10 unemployed Ohioans for every 6 online job postings.
- Older workers are a growing share of UC claimants; cuts will leave these job seekers with little support in face of discriminatory hiring.

Cuts to weeks will make us less resilient. Instead we should better connect unemployed workers to in-demand training. In Nevada this strategy set job seekers up for success, rather than hardship.

Improvements included:

- UC duration reduction of 3.5 weeks
- Reduction in average benefits of \$877
- Participants on average earned more when returning to work.

Cutting weeks also ignores the realities older workers face when seeking reemployment. Not only are there health and longevity consequences from job loss later in life, many face age discrimination. Not surprisingly, these workers often need more time to get reemployed. Older workers are an important part of the Ohio workforce and since the 2007 recession, they have made up a growing share of our UC claimants. Cutting weeks would disproportionately harm these workers. HB 394 also proposes to create a 50 percent Social Security offset, which would slash support for older workers.

It is crucial that unemployment last long enough for laid-off workers to find new positions. Cutting the maximum number of benefit weeks will weaken the positive role UC plays in our labor market and economy, and the change is unlikely to generate significantly more employment. Instead, Ohio should improve our reemployment and retraining services system. Research out of Nevada shows that early assessment and individualized reemployment services can reduce duration an average of 3.5 weeks, and average benefits by \$877. Unlike cuts, reemployment services can set participants up for increased earnings when they return to work. In the twelve months ending March 2015, only 7.5 percent of the adults exiting Ohio's workforce development system were UC claimants. Ohio is implementing a reemployment model based on the successful Nevada model. Cutting weeks will cut short this effort, when the state should be prioritizing its success and building better connections to the workforce development system.

We know how to help people get back to work more quickly and permanently. Doing so requires more meaningful investment in retraining and re-employment. Arbitrarily slashing benefit weeks to make our unemployment compensation program among the stingiest in the country will do little to increase employment and it won't make the fund solvent. What it will do is cause downward spirals in our community as workers are more quickly driven to poverty and businesses lose a critical source of stable spending. Unemployment compensation provides the most basic benefits to workers who lose their job through no fault of their own. It lets these workers keep the rent paid and the lights on for a short time, while they find a new position. Letting workers get real help with retraining and re-employment will do more to increase solvency while maintaining the shared benefits and important economic protections provided by unemployment compensation.