

Testimony in Opposition to House Bill 382

To: Ohio House of Representatives Government Accountability and Oversight Committee

From: Graham Bowman, Attorney, Ohio Poverty Law Center

Date: January 9, 2018

Chairman Blessing, Vicechair Reineke, Ranking Member Clyde, and members of the committee,

My name is Graham Bowman. I am an attorney with the Ohio Poverty Law Center. The Ohio Poverty Law Center is a nonprofit law office that advocates for evidenced-based policies aimed at protecting the rights of low-income Ohioans living, working, and raising their families in poverty. We work closely with legal aid agencies that represent thousands of families every year across the state in promoting access to healthcare, family stability, and expanded access to justice and opportunity.

Members of the legal aid community are concerned that HB 382 attempts to achieve solvency primarily through reducing benefits for laid off workers that will harm low-income workers without fully addressing underlying structural problems affecting the program's solvency. Specifically, we have four main concerns we would like to focus on today:

1. Eligibility criteria

HB 382 contains no change to the monetary eligibility criteria for unemployment benefits which currently requires that unemployment claimants make 27.5% of the statewide average weekly wage. The 2017 qualifying amount is \$256 per week. This means a worker who earns minimum wage must work more than 30 hours per week to qualify for unemployment benefits. Unfortunately, many low wage workers work for employers who offer less than 30 hours per week. Such workers include home health aides, day care workers, and retail workers who work all hours that they are assigned, based on the employer's changing needs. These workers would continue to be excluded from the unemployment compensation system under HB 382, even though these low wage workers are least likely to have savings to tide themselves over if they lose their jobs.

This legislation should be revised so that more low wage workers obtain coverage from the unemployment system. We suggest that the monetary eligibility requirement should be changed so that a minimum wage worker who works at least 20 hours a week qualifies for unemployment benefits. This would put Ohio more in line with other states. And since such workers earn so little, the cost would not be great.

2. Employee co-insurance

Employee co-insurance is a welcome addition to the legislation to improve the solvency of the

unemployment fund. However, one provision of the proposed employee co-insurance proposal will cause problems for low wage workers who worked for multiple employers.¹ Many of these employees will have worked enough cumulative hours to qualify for benefits but not enough at any single employer in order to trigger a co-insurance withholding from their paycheck. This creates a situation where the employee would qualify for benefits but has not yet paid in.

To solve this problem the bill requires that when such employees who worked for multiple employers are found to have sufficient qualifying weeks, ODJFS would calculate the coinsurance owed by the unemployed worker. This sum would then be deducted from the individual's unemployment benefits until the required contribution was met. This would result in the worker filing weekly claims but not receiving benefits until the contribution was paid.

A better approach would have the employee coinsurance paid based on a certain percentage of wages set by statute and to have that deduction begin with the first pay check. This would be much easier for employers to calculate since they already deduct federal, state, and local taxes based on such a formula. As noted above, I suggest that the monetary eligibility criteria be changed so that a minimum wage worker who worked 20 hours per week would qualify for unemployment benefits.

Low wage workers who still did not earn enough to qualify could receive a refund of their contribution when they are determined to be ineligible for benefits. This would be easy for ODJFS to administer. Employers currently pay their premiums quarterly, listing weeks and wages earned by each employee in that quarter. The employer would presumably list the coinsurance payments on the same form. ODJFS would be able to easily calculate the amount that the low wage worker had paid into the system during their base period and could refund these contributions to the worker if their application was denied.

3. Benefits cuts and wage base

We are further concerned that HB 382 attempts to achieve solvency of the unemployment fund by cutting benefits and freezing the benefit amount for 10 years, while only raising the employer's taxable wage base to \$11,000.

HB 382 would freeze benefits for 10 years.² A freeze for such a long period would make it increasingly difficult for unemployed workers to pay their mortgages or their rents as the cost of living inevitably rises in the intervening years. Benefits were already frozen for two years beginning this year. If the benefit freeze is to be extended, it should be for a similarly short period.

The employer's taxable wage base ought to be increased beyond \$11,000. While it is an improvement to raise the employer's taxable wage base to \$11,000, detailed analysis by Policy Matters Ohio shows that this increase is not sufficient.³ Further study is needed to develop a plan to index the taxable wage base which will allow the fund to reach and retain solvency over time. The taxable wage base has remained at \$9,000 since 1995, with a temporary, two-year increase to \$9,500 for 2018 and 2019. Had this number been indexed to increases in the statewide average weekly wage, the fund's solvency would have been improved.

¹ RC 4141.252(C)(3) [lines 3462-3472]

² Lines 4461 to 4466

³ Lines 1229 to 1231

4. Reducing benefit weeks

Reducing benefit weeks below 26 weeks would cause hardship to many unemployed workers. The proposal to have the maximum number of weeks reduced to 24 weeks will harm workers who live in regions of the state with a higher unemployment rate. Moreover, workers, who lack transferable skills and who in towns or regions where a major employer shuts down often need more time to find another job. Rather than cutting the maximum number of weeks, the state should focus on improvements to the workforce development system so that unemployed workers can find new suitable employment more rapidly.

Thank you for your consideration and I am available to answer any questions.

Sincerely,

Graham Bowman
Attorney
Ohio Poverty Law Center
1108 City Park Avenue
Columbus, Ohio 43206