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House Government Accountability and Oversight Committee

House Bill 382 - Testimony

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Chairman Blessing, Ranking Member Clyde and members of the House Government Accountability and Oversight Committee, my name is Tim Burga, President of the Ohio American Federation of Labor and Congress of Industrial Organizations (Ohio AFL-CIO). I am here today on behalf of our union members and Ohio's working families to testify in opposition to House Bill 382.

The Unemployment Compensation program was created in 1935 in the wake of the Great Depression as a counter cyclical economic stabilizer. Unemployment Compensation provides a temporary cash benefit to assist displaced workers and their families during periods of unemployment. These modest benefits also support the local economy by providing some preservation of purchasing power during the displacement. The first Unemployment Compensation program and subsequent changes to the program were negotiated by business and labor and implemented by the legislature in the best interest of all stakeholders.

For well over a decade the issue of solvency of the unemployment compensation trust fund has been a major topic of debate. In 2007 the state commissioned an independent study, which concluded that additional and steady revenue was urgently needed to stabilize the fund. Due to legislative inaction and the subsequent economic realities of

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globalization, automation and workforce divestment, massive job losses, especially in manufacturing, rippled through all sectors of the economy. Ohio's trust fund was not prepared to handle the ensuing recession and became insolvent, as predicted by the study. It remains to be in the best interest of the state and its workforce to find solutions to fix the unemployment trust fund solvency issues and I will continue to put forth a good faith effort to work toward this goal.

To this end, I want to thank the sponsor of the bill for seeking input from the key stakeholder organizations and the work group meetings that were conducted in search of common ground. I believe the work group had positive discussions around a couple of key issues. First, agreement was reached on a new minimal safe level threshold for trust fund solvency, and two, a target time frame to reach that level. To advance a fair solution, it is our belief that the focus should be centered on the facts that demonstrate Ohio's solvency challenge is due to a lack of revenue, and not because of atypical benefit costs.

Looking at the revenue side, Ohio employer taxes have been lower than the national average for 19 out of the last 21 years. In fact, employers pay a state tax percentage into the system on the first \$9,500 an employee earns, well below the current national average of \$13,782. For the year ended June 2017, Ohio employers paid an average of 54 cents on every \$100 in wages, less than in every neighboring state, and well below the national average of 63 cents. Data from the U.S. Department of Labor show that on average, Ohio employers paid \$251 per employee last year in state unemployment taxes, vs. a national average of \$337.

With regard to benefits, over the last reporting year, Ohio's average benefit paid per week was \$359, well in line with the national average of \$349 per week. Moreover,

because Ohioans draw benefits for a shorter period of time than the national average, the overall amount paid per claimant is a little below what it is for the country. Also important for this committee to note is that Ohio has allowed fewer unemployed workers to qualify for benefits than in other states, largely because of our stringent earnings requirements.

Over the last several years of debate and discussion, these facts alone have not been enough to realize a positive legislative outcome that bolsters the trust fund, while not punishing workers who are laid off through no fault of their own. Therefore, given the importance of securing a solvent trust fund for future displaced workers, and to prevent loss of eligibility or benefits to those most in need, I remain open to ideas on how to generate the additional needed revenue. While House Bill 382 is an improvement over previous proposals, it does not satisfy our standard for worker well being, economic stability or certainty of administrative outcomes.

In particular, the benefit cuts are harsh and unwarranted, including an extended freeze on maximum benefits through 2028, limitation of the dependency benefit and a reduction in weeks for a vast majority of displaced workers. Benefit costs are not the driver of the funds insolvency, and these cuts simply limit the purchasing power of laid off individuals at a time they can least afford. Adding to our concerns is the vague language surrounding the implementation and administration of allowing some workers to qualify for additional weeks because of weather related layoffs and the dependency income provisions in the bill.

We are encouraged that the bill addresses the need for additional and steady revenue by raising the employer taxable wage base, however the mechanics of the employee contribution is unclear and confusing. The concept of asking employees to pay based on

a percentage of what the employer pays seems overly complicated, and raises additional questions: What is meant by ten percent of the premium paid by employers? How would it be administered? What are the revenue projections associated with the new employee contribution? At a minimum, these questions need addressed prior to action from this committee.

Additionally, the employee contribution raises serious concerns for those that work for employers that do not pay the unemployment tax quarterly, but instead reimburse the state. More than 1 million Ohioans work for such employers, like government entities or non-profit organizations, and these employees could be subject to a large annual contribution.

We will continue to engage with the sponsor and the General Assembly in search of common ground to ensure that the Unemployment Compensation system remains a reliable safety net to assist workers when they need it the most. Although House Bill 382 is an improvement over former proposals, the aforementioned flaws in the bill and the many uncertainties that remain are reasons for our opposition.

Thank you for the opportunity to testify. I would be happy to take any questions you may have.