



Advocates for Ohio's Future
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House Bill 394: Response and Recommendations

Advocates for Ohio's Future (AOF) is a coalition of over 475 organizations that promotes health and human service budget and policy solutions so that all Ohioans live better lives. We believe in investing in our state's most valuable resource, our people, to ensure that they are safe, have jobs that pay reasonable wages, and can afford life's basics. Ohio should be a great place for all Ohioans to live and work.

In an economy where more working families are standing in foodbank lines, the proposed House Bill 394 (HB 394) hurts working Ohioans and their families by severely limiting the unemployment benefits available for those who lose a job.

The purpose of unemployment insurance is to stabilize our economy and alleviate personal hardship stemming from involuntary job loss. Unemployment benefits are earned by employment and job loss through no fault of the worker. The state unemployment compensation fund needs to be solvent in order to ensure this critical poverty-prevention tool remains intact. AOF supports a long-term and balanced approach to solvency that protects all of Ohio's workers.

HB 394 goes farther than any other state to limit benefits available to the unemployed and create barriers to accessing unemployment insurance (UI) compensation. For years, a smaller share of the unemployed in Ohio have qualified for benefits than in the nation as a whole – just 21 percent in the third quarter of 2015 – and that percentage would only get smaller under HB 394.

HB 394 Reduces Benefits Available to the Unemployed

- HB 394 creates a sliding scale based on unemployment levels under which Ohioans would receive a maximum of 12 weeks of benefits, **tying Ohio with North Carolina for lowest in the country**. In that state, just 11 percent of the jobless are receiving unemployment benefits. This provision discriminates against rural counties and cities with high unemployment and makes it difficult for jobless Ohioans to get the training they need for new jobs.
- The bill eliminates dependency classes, which provide additional support to families with children. These reductions increase the likelihood that working Ohioans will fall into poverty after a job loss.

HB 394 Creates Barriers to Accessing Unemployment Compensation

- HB 394 mandates that employees work during at least three quarters of the year, in addition to the current requirement for 20 weeks. **No other state has such a requirement.**

- The bill requires additional waiting weeks before a worker who is laid off more than once can collect benefits. **Only North Carolina has such a practice.** In today's work world, jobs are often intermittent, yet this provision would penalize workers who accept short-term employment or find themselves laid off multiple times.
- It expands the definition of "just cause" for discharge to make it harder for workers to prove eligibility.
- The bill disqualifies from UI benefits any employee who violates their employee handbook, regardless of the circumstances of the violation and without a showing of fault. **No other state does this.**
- HB 394 harms older unemployed workers and workers with disabilities by reducing UI benefits based on the amount of Social Security income workers receive. **This offset was eliminated by unanimous votes in both Ohio's House and Senate in 2007.** Legislators recognized that it penalized seniors working to supplement their income. Under HB 394 jobless workers who receive Social Security disability benefits would be disqualified for UI benefits even if they become unemployed during a trial work period.

The stringent earnings requirement in Ohio's current unemployment compensation system already prohibits many low-wage workers from qualifying. Further limiting eligibility, as HB 394 would do, would make it more difficult for jobless workers to find productive employment and drive more Ohio families into poverty.

Alarming Trends for Ohio's Workers

Many working families in Ohio are not making enough to consistently afford basic expenses. In Ohio half of low-income households have at least one member who has been employed in the past year. Of low-income households, 46 percent report that the longest-employed person in their household worked part-time. Having a job does not mean making a living for too many Ohioans.

One significant indicator is the need for food assistance. Alarming trends in Ohio show that the demand for help from Ohio's statewide food network rose 40 percent from 2010 to 2014. This figure comes from the Hunger in Ohio 2014 study, conducted every four years and part of the largest study of its kind in the nation. Recent media reports also state that jobs have returned but hunger remains a problem in Ohio.

The USDA Economic Research Service recently released the 2014 Household Food Security study. The study found that Ohio's food insecurity rate is now 16.9 percent, ranking Ohio sixth nationally for the highest rate of food insecurity. In addition, many of the households served by foodbanks are struggling to supplement their modest retirement benefits and/or Social Security benefits. In fact, 16 percent of the households served include grandparents who are responsible for raising their grandchildren.

Lacking a Balanced, Long-Term Approach to Achieving Solvency

The proposed cuts and eligibility barriers in HB 394 are intended to address funding issues with Ohio's UI system, but they do so at the expense of Ohio's jobless workers while effectively reducing the rates employers are required to contribute. According to the Legislative Service Commission Fiscal Analysis, the bill will result in **savings to employers of an average of \$313 million annually** through 2025, while **reducing benefits to employees by an average of \$475 million annually** in the same period. This produces a net positive gain to the fund, a net savings to employers, and a huge net loss to employees.

The current status of the unemployment compensation fund did not occur overnight and the best solution is not one designed to shift the problem to the unemployed who are least able to bear the burden.

Recommendations

If passed, HB 394 will dismantle one of Ohio's most effective poverty prevention programs. AOF strongly recommends that the Ohio General Assembly should not move forward with HB 394 at this time.

Instead, the Ohio General Assembly should thoroughly analyze the current trends of low-wage, temporary, and part-time employment and the negative long term implications for workers, their families, the economy, and Ohio's state budget.

The best path for this proposed legislation is to start over. Create a committee of stakeholders that includes the state, counties, employers, and employees to make recommendations on the unemployment insurance system. Requiring stakeholders to sit down together, understand the problems of each party, and recommend solutions that are supported by all groups will ensure a balanced and reasonable path for a sustainable unemployment insurance system in Ohio.