

THE ISSUE: Unemployment Compensation Reform

House Bill 168, passed in 2021, repaid Ohio's pandemic-related unemployment loan saving employers \$100 million. This is another example of efforts by the Ohio General Assembly and administrations to find ways to repay federal loans to stop or prevent tax increases. NFIB is grateful for saving employers millions of dollars. However, these repayments do not fix the decades-long problem of Ohio's insolvent unemployment system. Structural reform in our unemployment system is desperately needed to break the repeating cycle of borrowing, tax increases, and eventual repayment of loans. With Ohio's unemployment rate at a two-decade low and nearly half of our members having open positions, now is the time to modernize our system. The reforms listed below will better position Ohio to weather the next economic downturn and begin the long march to solvency.

SOLUTIONS:

- 1) Eliminate Dependency Benefits:** Ohio is in the minority of states paying more in benefits to those that have dependents, and administration of this benefit is costly. Only individuals that are high-wage earners and have dependents are eligible for this benefit. *This issue has no relation to employment and should be removed from the system.*
- 2) Evaluate Taxable Wage Base:** Ohio's taxable wage base has not been adjusted for nearly two decades. Contributions are on the first \$9,000 (Ohio was temporarily at \$9,500 a few years ago) of wages, with the national average over \$17,000. A modest increase helps balance the reforms and will keep Ohio competitive with neighboring states. *An adjustment in the wage base does not necessarily mean an increase in taxes particularly when coupled with benefit reforms.*
- 3) Reduce Eligibility Weeks:** Multiple states have reduced the number of eligibility weeks for claimants as part of their solvency packages. Ohio currently sits at a maximum of 26 weeks. Weeks of eligibility should be reduced to at most 20, like in Michigan. Pre-pandemic, the average duration of unemployment in Ohio was 14.5 weeks. *With the low unemployment rate and plenty of job openings, reducing the number of weeks will incentivize a quicker return to work.*
- 4) Stop the Cycle of Tax Increases:** Any unemployment reform should have the goal of putting Ohio in a position to be able to repay any federal loans within two years (before penalties and interest kick in). *Achieving long-term solvency will take years if not decades to achieve with the modest reforms above but we need to start the process.*

RED HERRING:

- 1) Employee Contribution:** On its face, an employee contribution may appear to be a viable part of a solvency package. However, requiring a tax on employees, of which 87 percent will never benefit, serves to only further subsidize industries that use the unemployment system as part of their business model. *In addition, the paperwork and tracking created for employers as workers move from job to job would no doubt be costly and time-consuming.*