

Testimony of Jon Honeck, Ph.D.  
Senior Researcher  
Policy Matters Ohio

[jhoneck@policymattersohio.org](mailto:jhoneck@policymattersohio.org)

U.S. Senate Committee on Health, Education, Labor & Pensions  
“Midwest Jobs Picture: Strategies to Rebuild Communities” Hearing

Sinclair Community College  
Dayton, Ohio  
October 8, 2008

Good afternoon Chairman Brown, and members of the Senate Committee on Health, Education, Labor, and Pensions. Thank you for extending the invitation to speak before you this afternoon. It is a pleasure to be here to present the views of Policy Matters Ohio on strategies that can help Ohio and other Midwestern states overcome some of their current economic challenges. Policy Matters Ohio is a non-profit, non-partisan research institute with offices in Cleveland and Columbus that conducts research on workforce development, tax policy, economic strategy, clean energy, and education.

Mr. Chairman, there is no doubt that we come here today at a critical moment. If present trends continue, the first ten years of the twenty-first century will be remembered as a “lost decade” in Ohio’s economic history. We are one of only two states, the other being Michigan, that have not recovered all of the jobs that we lost during the 2001 recession. In fact, Ohio today has about the same number of jobs that we did in 1997. It is not a coincidence that Ohio and Michigan are in the same boat. They both depend heavily on manufacturing, and we live in an era in which the large parts of the domestic manufacturing industry are undergoing a painful restructuring process. Since 1998, over 4 million U.S. manufacturing jobs have been lost, a reduction of almost one-fourth. Over 278,000 of these job losses occurred in Ohio. It is noteworthy that these losses occurred even as the national economy recovered and grew, albeit at a slower pace than in the 1990s. Federal trade and economic policies have severed the traditional link between national economic growth and rising employment in manufacturing. This link was the key to Ohio’s economic prosperity. We need to find a way to restore this connection and stabilize manufacturing, and to become leaders in other economic sectors.

Unfortunately, we have no immediate prospects of restoring Ohio’s overall job total even to what it was eight years ago. On the contrary, economists now acknowledge that the national economy is in a recession, having shed over three-quarters of a million jobs this year. Ohio’s economy is floundering as well, having lost 11,900 jobs since December 2007 (on a seasonally adjusted basis). Ohio’s unemployment rate now stands at 7.4 percent, which is more than a full percentage point above the national average.

As our national government takes steps to confront the financial crisis, it is time that we redirect investment and ingenuity to boosting the real economy, rather than financial

speculation. Long-term prosperity must be built on an internationally competitive economy where people make quality products and provide quality services. We believe that the only way to do this is by restoring the social compact between employers and employees that lets workers share in the productivity gains made by companies. Rather than being reactive as we have in the current crisis, it is time to develop a long-term plan to move forward.

No one has all of the answers, but there are some realistic actions that we can take now. Some of these actions will make it easier to address the current economic crisis, and others will take longer to bear fruit. Federal policy can make a huge difference in helping states like Ohio make the transition to a healthy economy.

One of the important long-term actions we must take is to modernize unemployment insurance for the 21<sup>st</sup> century. We commend Congress for passing a much-needed extension of unemployment benefits for 13 weeks. With the growth in long-term unemployment, the Senate should act to further extend benefits, as the House voted to do last week. Beyond that, the agenda must move forward to a more strategic, long-term approach.

Ohio's unemployment insurance system has both structural financial problems and poor benefit coverage, problems that also occur in many other states. The federal government should seize this opportunity to make a historic bargain with the states that would offer help with their financial crisis in return for fundamental reforms to eligibility. The House of Representatives last year approved H.B. 3920 which included important changes that would begin to address this issue. The Senate should approve S.B. 1871, which further expands upon the House bill.

Poor benefit coverage is due in part to eligibility rules that are tailored to full-time, year-round work. But two trends in our economy make it less likely that people will be working full time, when compared to previous generations. First, because wages have been stagnant, many families have sent an additional adult into the workforce who juggles paid work with parenting or caring for elderly relatives. These newer workers – often women – may work less than full time so that they can better balance their multiple responsibilities. But secondly, many workers are involuntarily part-time because employers – particularly retailers but others as well – have tried to avoid paying benefits by manipulating schedules. So ironically, workers sometimes juggle two part-time jobs, neither of which provide benefits, and work even more hours than one full-time job would require. In the 12 months ended June 30, only 37 percent of jobless U.S. workers were receiving unemployment benefits. This percentage is lower than it was a generation or more ago. In many parts of the economy, full-time work is no longer the norm for many people. This is especially true in the service sector and in transportation, the parts of our economy that are adding jobs.

Ohio's eligibility threshold for unemployment benefits exacerbates this problem. It requires that a person make an average of at least \$206 a week during 20 weeks of the previous year. This means that someone working 20 hours a week at \$10 an hour would

not qualify; nor would someone working 29 hours a week at the minimum wage. For this reason, it has been estimated that as many as 1,400 part-time workers at the DHL Wilmington air freight hub will be ineligible for benefits when they are laid off, even though they may have worked steadily for years.<sup>1</sup> The state is seeking federal aid for many of these workers. But more broadly, Ohio should reduce its earnings requirement. And in the future, Congress should consider steps to ensure that earnings thresholds like Ohio's do not leave workers struggling without unemployment benefits.

Another crucial reform to the unemployment insurance system is to extend benefits for workers who are in an approved training program. Under the Workforce Investment Act (WIA), the federal government provides tuition assistance for unemployed workers through local workforce investment boards. All too often, however, workers cut short their training experiences or decide not to enter training at all because they must start a job search. This economic reality prevents individuals from reaching their full potential because they cannot enter higher-skilled occupations that can support a middle class standard of living. States that are leaders in moving large number of unemployed workers into training, such as Washington and New Jersey, have implemented extended UI benefits on their own, realizing that it is a smart long-term investment in human capital.

The WIA program, which is the premier federal employment and training program for low-income and unemployed adults, is also in need of an overhaul. The law mandates a "sequence of services" that allows some local workforce boards to create a series of hoops that delay participants' entry into training. The upshot is that some individuals become discouraged and never make it to training. Congress should scrap the sequence of services in favor of rapid, effective assessment of an individual's needs and labor market prospects.

The WIA system should be reoriented to support long-term training if workers want to pursue this option. In a well-known study of community college students in Washington state, researchers found that one year of post-secondary education and a credential were necessary to create a "tipping point" that substantially improved labor market outcomes for low-skilled adult students.<sup>2</sup> This means WIA should provide enough funds for supportive services such as transportation or child care to enable participants to persist in training. It also means revising WIA performance standards to include long-term employment and wage results.

WIA also needs to become more tightly integrated with employers' needs, but without giving up its traditional funding streams. The traditional employer-led WIA board has not been enough to ensure the involvement of employers in some areas. Sector strategies

---

<sup>1</sup> John Nolan, "Part-timers at DHL Wilmington may not qualify for benefits," *Dayton Daily News*, August 20, 2008.

<sup>2</sup> Prince, David and Jenkins, Davis. "Building Pathways to Success for Low-Skill Adult Students; Lessons for Community College Policy and Practice from a Longitudinal Student Tracking Study. (The "Tipping Point" Research)." Washington State Board for Community and Technical Colleges. April 2005. Available at [http://www.sbctc.ctc.edu/docs/data/research-reports/resh\\_06-2-tipping\\_point.pdf](http://www.sbctc.ctc.edu/docs/data/research-reports/resh_06-2-tipping_point.pdf)

are the best way to do this. The SECTORS Act of 2008, which brings together a wide variety of stakeholders to build career ladders, can help to put talent pipelines into place. Unemployed workers can then be directed toward these career ladders if they need to change occupations.

Providing income support for workers in training would give all unemployed workers an opportunity to access a benefit that is already available to participants in the Trade Adjustment Assistance (TAA) program. TAA participants also have access to a federal health care tax credit, so unemployed workers generally prefer to go this route if they intend to enter training. Thousands of Ohio workers have entered the TAA program in recent years. Ohio is one of the leading states for TAA activity. Since January 2001, the U.S. Department of Labor has certified 68,094 workers at Ohio companies as eligible to apply for TAA because they have lost their jobs due to international trade. This number includes 9,703 workers in 2007, and 7,296 from January through August 2008.

There is widespread acknowledgement that the TAA program does not cover all of the affected workers in manufacturing. Supplier certifications do not go past the first tier of affected companies, and workers in many smaller workplaces lack awareness of the program. Moreover, restricting the program to the manufacturing sector no longer makes sense. Large parts of the service sector, including jobs in legal and health care fields, now can be moved overseas with a speed that was unthinkable a generation ago. TAA program rules must take this into account and allow workers in the service sector to become eligible for benefits. The federal government should increase funding for the program commensurately.

The TAA application process should also be reformed. Rather than the cumbersome workplace-by-workplace approach, it is time to recognize that in some sectors of the economy the loss of market share has been so pervasive that a sector-wide certification process should be contemplated, and communities that have been severely impacted by international trade should be eligible for special economic development assistance.

Of course, workers would be better off if they kept their jobs and did not have to use the TAA program. A better trade policy would help to stabilize the manufacturing sector. Public confidence in manufacturing as a career has now become so widespread that it affects the ability of employers to fill available jobs that pay good wages and benefits. Workforce development policy alone cannot address this situation.

As we develop strategies to make our economy more competitive, it is readily apparent that the federal government has under-invested in key programs to help our manufacturing base, even as manufacturing has struggled in recent decades. The other side of the TAA program, TAA for firms, is funded at a paltry \$11 million per year. The Manufacturing Extension Partnership program, which can help any small manufacturer, has been funded for years at or below \$100 million annually. These programs are important, especially for small companies that lack the time or expertise to effectively modernize their facilities or undertake extensive market research to launch a new product. Textbook economic models often assume that most companies are making

optimal use of new technologies and the latest management techniques. In reality, there are variations in productivity levels among firms, creating a wide gap between best practice and reality. Many firms can make substantial improvements to their performance by adopting best practices, and without making enormous investments in capital equipment.

Finally, we should seize the opportunity afforded by bi-partisan support for a new national energy policy to merge it with a rejuvenated workforce and economic development strategy. Here in Ohio we have a successful solar panel industry and we can make many of the components that are needed for wind turbines. Energy efficiency and green building projects are also becoming more commonplace. Federal policy should ensure that low and middle income citizens have the opportunities to enter these growing fields, and to move up the career ladder. In some cases this might mean a traditional community college experience, in others it might mean “pre-apprenticeship” programs that build basic math and literacy skills necessary to succeed in a training program for a skilled trade. Congress should start by funding the Green Jobs Act and its Pathways out of Poverty Program.

Thank you, Mr. Chairman and members of the committee for the opportunity to testify today. I would be pleased to answer any questions that you may have.