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Unemployment Insurance Modernization:

Renewing the Primary Safety Net | A Post-Pandemic Playbook

October 2021

Introduction – A *Beyond Normal* Opportunity

Last year, while in the throes of the Pandemic Recession, we suggested that "governments won't be returning to business as usual [and] the willingness of government leaders to embrace new orthodoxies and facilitate the changes needed to go "beyond normal"— maximizing performance in a continually evolving environment, anticipating change, and acting quicklyi [were necessary]." We also indicated "[t]he window of opportunity is open right now, and visionary leaders can make sure the recovery leads to a brighter future."

While what occurred during the pandemic was historic - during 2020 alone, states paid unemployed workers nearly $570 billion in Unemployment Insurance (UI) and Pandemic benefitsii - the UI system in place at the start of 2020 was not ready to handle what it needs to handle most, large, and fast economic shocks. The UI system that has served as the American primary worker safety net for over 85 years is in the spotlight and policy makers are considering:

- Does UI need an overhaul to survive the next recession?
- What role should the federal government play in this unique federal-state partnership?
- What are the insights from the Pandemic Recession, and how can we be better prepared for future economic shocks?

Now that the Pandemic UI-related programs have expired by law, it's time to perform a status check and renew our commitment to the nation's primary economic safety net. Critical areas needing renewed focus, investment, and innovation include:

1. **Policy Complexities & Opportunities.** Over UI's 85-year history each state has developed its own rules, within federal guardrails, which introduces wide variation in levels of support among states and adds to the complexity of administering supplemental federal benefits in times of national emergency. Additionally, as we learned in the early days of the Pandemic recession, up to 57 million "non-employee" workers were at risk of economic devastation when Pandemic shut-down orders were issued precisely because they did not have the benefits that generally come with traditional employment, including UI coverage.[iii] As a result, policymakers are reexamining aspects of the traditional state and federal relationship that has defined the UI program since its inception.
2. **Administrative Funding.** UI administrative funding is countercyclical. This means that during times of economic expansion, UI funding significantly decreases – right during the time UI agencies could modernize its processes and technology. When economic downturns hit, UI funding gradually increases to reflect the higher workload UI agencies must address. As a result, the swings in UI funding have made it challenging, indeed, for UI agencies to budget, forecast, and invest in the UI program's foundational elements to ensure the quick response of the US primary economic safety net in recessions.
3. **Staffing Capacity.** UI agencies need a skilled, flexible, and *scalable* workforce. When the Pandemic hit in February 2020, the U.S. had been in an expansionary period for 128 months, the longest in the history of U.S. business cycles dating back to 1854"[iv], and administrative allocations, driven by workload measures, were low. This also impacted the ability of UI agencies to invest in the kinds of modernization efforts that could cushion

the impact of a recession. The National Association of State Workforce Agencies reported in 2017 that, "[i]nvestment in UI administration is at a 30-year low, and serious disruption in the delivery of UI benefits is at risk in the next economic downturn."[v]

4. **Inflexible Technology.** In February 2020, federal funding for state UI agency technology was also at historic lows. As a result, only about 30 percent of UI Programs were operating on modernized technology. This created challenges in scaling systems to intake and process the enormous claim application surge along with quickly implementing the Pandemic UI-related programs into systems not necessarily designed to accommodate such programs. Moreover, international fraud rings targeted the UI program armed with the personally identifiable information (PII) of hundreds of thousands of individuals available on the "dark web".
5. **Public Expectations for UI Service Delivery.** Public expectations have been set by interactions with commercial entities and will continue to be aligned based on those experiences; UI agencies must reimagine how they deliver UI so that it meets public expectations.
6. **Leadership Void.** Over 50 percent of UI Directors have held their positions fewer than 4 years creating a dearth of experienced and knowledgeable UI leaders. Without experienced leaders steering the UI program through all types of economic conditions, the overall strength of the UI primary economic safety net, including service delivery, operations, and administration, is at risk.

Unemployment Insurance: A New Deal Innovation with Staying Power

Importantly, in the aftermath of the Pandemic Recession, it's time to revisit the UI program's core purpose and fundamentals as the American economic first responder. The UI program has been the primary pillar of the worker safety net in the United States since 1935. UI's fundamentals are simple and succinct - it was designed as an insurance program, with employers paying "premiums" for each employee, and workers collecting on claims when they lose their jobs through no fault of their own.

President Franklin D. Roosevelt made this clear in an address to the Advisory Council of the Committee on Economic Security on November 14, 1934:

> We must not allow this type of insurance to become a dole through the mingling of insurance and relief. It is not charity. It must be financed by contributions, not taxes . . . It is often asked if we can afford unemployment compensation, . . . Unemployment is incalculably expensive. Its cost to workers, to business, to government, and society at large can hardly be exaggerated. But unemployment compensation is not expensive. It simply brings out into the open and more equitably distributes a part of the unavoidable cost of unemployment. This part of the cost, further, is levied at a time when it can most easily be borne. . . (emphasis added).

Over time, the UI program has evolved, but the mainstays of the program are the same:

- *Partial wage replacement as a matter of right for workers who lose their jobs through no fault of their own;*
- *Stabilize the economy through maintaining jobless worker purchasing power; and*
- *Encourage continued workforce attachment while upholding labor standards during regular but unpredictable periods of economic uncertainty.*[vi]

Further, over the years, the UI economic safety net has been expanded, mostly, to cover more categories of workers. (See Figure 1.)

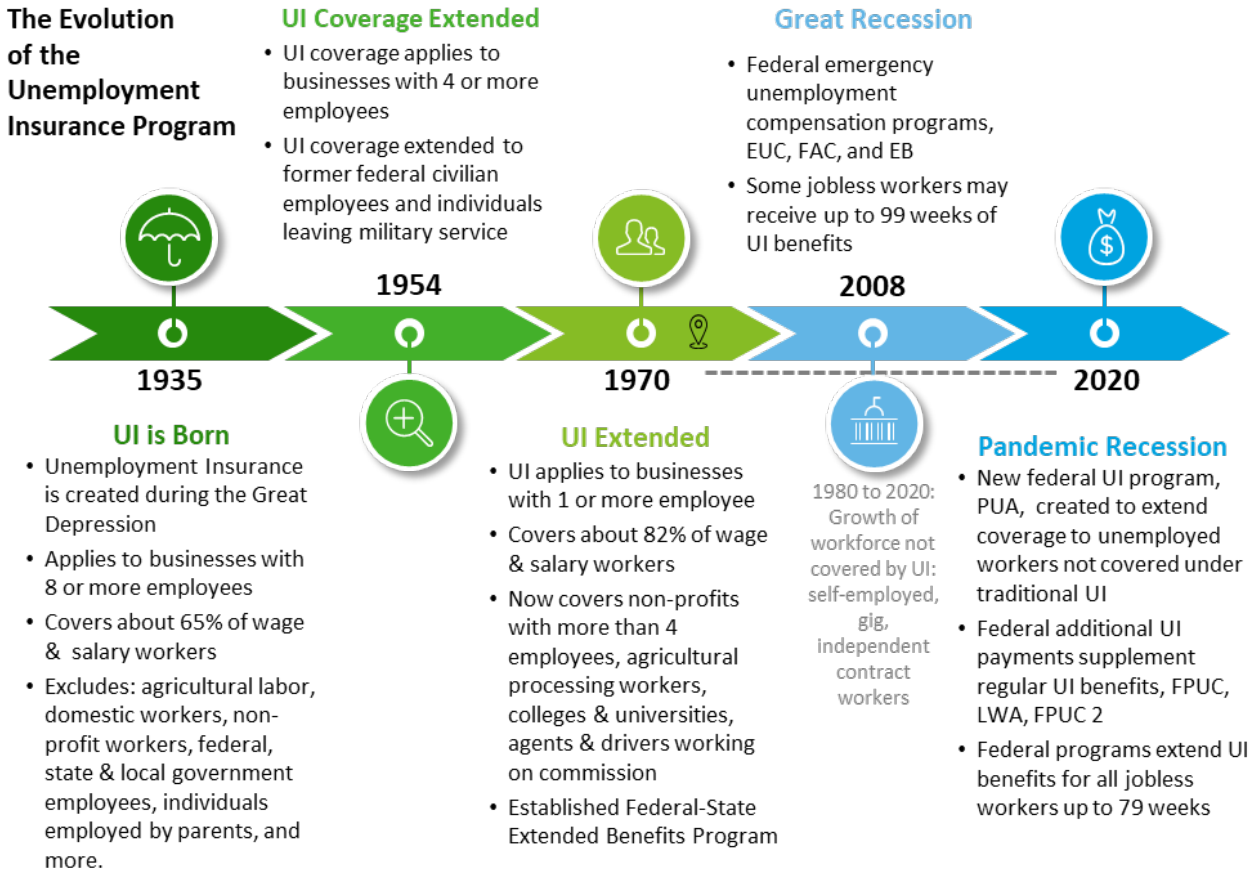

Figure 1. Evolution of the unemployment insurance program over time.

Despite the widening categories of workers covered by UI, the percentage of unemployed workers who are actually covered has fallen in recent years (Figure 2), largely because of the expansion of independent contract workers and, more recently, gig workers. From a company's perspective, one of the reasons to engage these "non-employees" is to keep costs down because they do not have to pay the cost of health benefits, unemployment insurance, sick leave, workers compensation, or family/medical leave. As we learned in the early days of the Pandemic recession, though, up to 57 million of "non-employee" workers were at risk of economic devastation when Pandemic shut-down orders were issued precisely because they did not have the benefits that generally come with traditional employment, including UI coverage.

This issue is not new, but the Pandemic greatly magnified it. Specifically, in the 1980 Report delivered by the National Commission on Unemployment Compensation to Congress, the issue of "non-employee workers" was described as follows:

> The industries potentially affected are barber and beauty shops, consulting services, eating, and drinking, entertainment, home improvement, insurance, logging and timber, medical and health services, real estate, taxicabs, trucking, and warehousing-industries with a total of 15,958,300 workers in 1978. Even if the status of only 10 percent of the workers in these in-dustries were changed, the number affected would be over 1.5 million. . . [and while the loss of federal revenue would be great], . . . ***the most serious implications are for UI [because] [m]ost important would be the removal from UI protection of significant numbers of workers who are now covered."***[vii] (emphasis added).

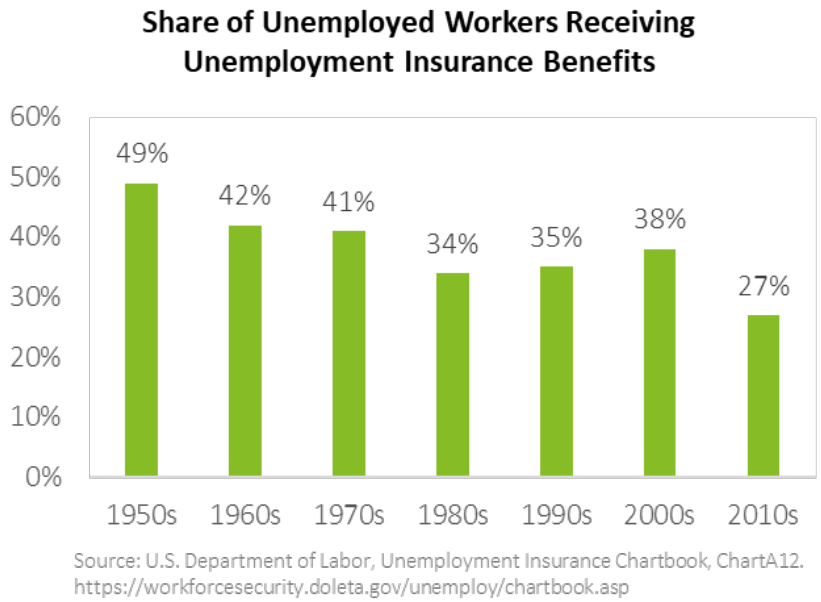

Figure 2. Number of workers covered under UI has generally fallen over the years.

Changing economic circumstances have prompted reexaminations of the UI program in the past, with Congress issuing reform reports in 1980, referenced above, and 1996.[viii] The Pandemic Recession exposed areas that should be reevaluated to fortify the unemployment insurance program as part of the overall worker safety net, such as covering non-employee workers, and as set forth below.

Policy Complexities & Differences: Revisit and Renew the Worker Safety Net for the New Economy

In addition to the three main pillars of UI: Income maintenance, economic stabilization and worker retention, there are features of the existing UI program that have proven their value over time. These include:

- Collecting funds in advance of the next recession to provide counter-cyclical stimulus/stabilization during a recession.
- Partial wage replacement with continuous incentives to work.
- Flexibility of states to establish their own benefit levels—and associated business taxation levels.

- Knowing clearly who is and isn't covered. Since employers are charged per employee, and in some states, employees pay a premium too, it is clear who is covered by UI.

These bedrock features of the UI program were challenged during the Pandemic. Large infusions of federal dollars, new programs, suspension of work search requirements and expansion of eligibility to non-traditional workers all forced agencies to quickly adapt. The implementation of these measures has raised the visibility of a number of policy issues that will need to be addressed by Congress and state legislatures:

- **Should gig, contract, and temporary workers be "covered" by UI, i.e., identify in advance who is covered and pre-fund benefits?**
  - Broadly, the mainstays of the UI program apply, i.e., gig, contract and temporary workers could benefit from partial wage replacement as a matter of right when they lose their jobs through no fault of their own; UI benefits paid to these unemployed workers would serve to stabilize the macro economy through maintaining jobless worker purchasing power; and encourage continued workforce attachment while upholding labor standards during regular but unpredictable periods of economic uncertainty. The key issues that must be thoroughly examined:
    - Who pays the UI premiums for these workers since they do not have a traditional employer(s)?
    - How to determine if they're out of work through no fault of their own?
- **Are the administrative differences that create state variations and significant operational challenges true policy differentiators and essential?**
  - What are the ramifications of states having different formulas, fixed, floating, etc., for wage base calculations and taxable wage levels? For example, Tennessee, Arizona, Florida, and Puerto Rico have the lowest taxable wage base at $7,000, Rhode Island has a "two-tier" taxable wage base at either $24,000 or $25,000 and the Pacific Northwest states of Washington at $52,700, Oregon at $42,100, and Idaho at $41,600 were the highest.
- **What about the federal taxable wage base and rate?**

At the beginning of the UI program, the federal unemployment tax was 1.0 percent of the total wages of a worker. By 1940 it had increased to 3.0 percent on wages up to $3,000. Since then, the rate has increased several times, with some increases occurring on a temporary basis. In 1985, the federal unemployment tax reached 6.2 percent on taxable wages. On July 1, 2011, the federal unemployment tax was reduced to 6.0 percent, where it stands today. The taxable wage base increased to $4,200 in 1972, $6,000 in 1978, and $7,000 in 1983, where it stands today.[ix] In July 1980, notably, the National Commission on Unemployment Compensation recommended a phased-in approach to raise the federal taxable wage base to approximately $16,100 by 1990.[x]

- **Should there be a universal agreed-to regular base period and alternate base period?**

Most states use a base-period consisting of the first four of the last five completed calendar quarters results in a lag of up to six months between the end of the base-period and the date an individual becomes unemployed/files a claim. For individuals failing to qualify under the regular base-period, many states use an Alternate Base Period (ABP) reviewing employment in the last four completed calendar quarters.

- **Should there be consistent eligibility waivers, across state lines, for similarly situated workers?**

For example, should manufacturing workers, who are laid off due to supply challenges or necessary retooling, be waived from having to search for work for 45, 60, or 90 days? Or what is the average amount of time it takes for

employers to resolve supply chain or retooling issues so that the trained workforce does not disperse to take new jobs?

- **What does "partial wage replacement" mean and should there be agreement? What are the consequences of having such large disparities between weekly benefit amounts and the maximum duration of benefits between states?**

This presented quite a challenge during the Pandemic Recession because the disparity in the wage replacement rate UI benefits represented a considerable range between states. In Mississippi, for example, the highest weekly benefit amount payable now is $235 per week and Louisiana is $247 per week, while states like Washington currently pay a maximum weekly benefit amount of $844 and other states, which include dependent's allowances, like Massachusetts currently max out at $1,282 per week. Further, the maximum duration of benefits that a jobless worker is eligible to receive remained stable at 26 weeks for most states until some states decreased the maximum duration allowable after the Great Recession.

- **What should the role of the federal government be relative to federally enhanced UI benefits?**

During periods of federally enhanced UI benefits, is there agreement that program benefit levels should at least meet, but not exceed the UI program core fundamental of "partial wage replacement?" What does that mean for states with vastly different wage ranges? In the 1980 Commission on Unemployment Compensation report, the Commission set forth the generally accepted rule that, "[t]he claimants' weekly benefit amounts are tied directly to their normal weekly wages since the generally accepted purpose of the benefit amount is to replace a portion (usually 50 percent) of wages lost through involuntary unemployment."[xi]

Finally, the Pandemic accelerated and forced all states to review processes and design for scalable execution. This should certainly continue. The Pandemic showed that staff-intensive, adversarial processes in place were ill-equipped to handle the demand surge of the pandemic. While this was an extraordinary event, state staff and systems can be swamped by demand even during more typical recessions —at precisely the time you want benefits to be going out as quickly as possible to maintain unemployed worker purchasing power and stabilize the economy.

Administrative Funding: Sufficient Investment - Improved Response During Economic Crises

For at least 45 years, questions have been raised regarding the adequacy of UI administrative funding. Regardless of the various reasons cited over time,[xii] the adequacy of UI administration has led to regular public frustration with the UI program's responsiveness especially during recessionary periods.

In 2017, the National Association of State Workforce Agencies (NASWA) once again focused a spotlight on administrative funding for the UI program in a report citing, "Investment in UI administration is at a 30-year low, and serious disruption in the delivery of UI benefits is at risk in the next economic downturn."[xiii] NASWA requested to "Increase the annual state UI Administrative base allocation by 25% at a minimum, while holding the Average Weekly Insured Unemployment (AWIU) base workload constant, to meet employer and claimant expectations for acceptable customer service [;] Provide a minimum investment level of at least $300 million/year to modernize antiquated state UI IT systems and maintain current systems [; and] Adjust the set aside for UI Contingency investment to $28 million annually (inflation adjustment)."[xiv]

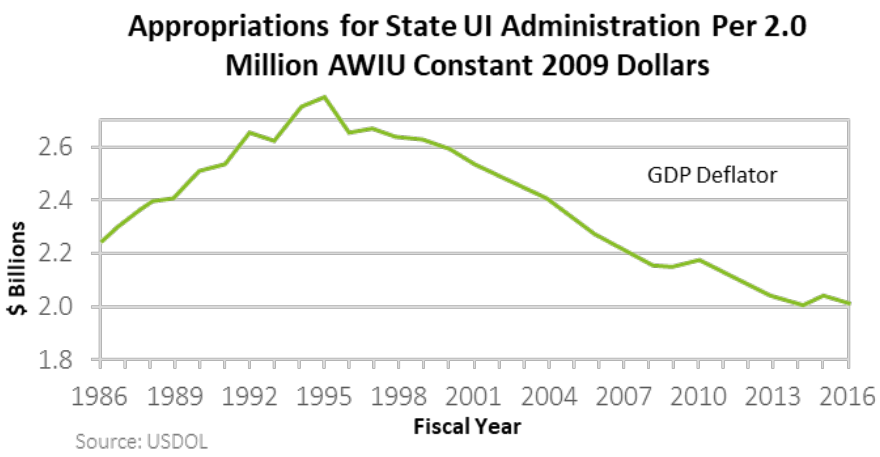

Figure 3. UI Administrative funding has fallen even in the 2001 and Great Recessions.

In the wake of the pandemic, the current funding formula needs to be reexamined with respect to whether it can provide consistent, appropriate, and sufficient funding to improve UI program responsiveness during economic crises.

Specifically, UI administrative funding is countercyclical. This means that during times of economic expansion, UI funding significantly *decreases* – just when UI agencies could focus on process and technology modernization. When downturns hit, UI funding *gradually* increases to reflect the higher workload UI agencies must address, but agencies are challenged to take on any major modernization efforts. As a result, the swings or highs and lows of UI funding have made it challenging, indeed, for UI agencies to budget, forecast, and invest in the UI program's foundational elements to effectively respond to recessions.

Further, a recent study by the Information Technology Support Center concluded, "State UI agencies are ill-prepared to maintain the continuity of their operations and to manage the operational requirements of an [Mass Unemployment Event] MUE. The deficiencies will significantly impede the state UI agencies from the timely and efficient completion of their unemployment insurance functions in a disaster."[XV]

Because of the nation's experience during pandemic, renewing the American primary economic UI safety net must be a priority. This will require not only discussion and review but also investment. The 21st Century economy and those who depend on it, require a UI program that quickly responds to businesses and jobless workers during economic expansions and downturns. For UI program responsiveness to improve, adequate investment in the people, technology, and tools used to deliver and administer the UI program is essential.

Staffing Capacity: People - Scalable through Ready - Equip - Deploy

The Pandemic further underscored the need for a trained and scalable workforce that UI agencies can call upon when there are mass unemployment events and/or quick, deep economic downturns. The bottom line is this - many jobless workers want to talk to an unemployment insurance representative or advisor when they are out of work irrespective of their technological proficiency.

The flexibility introduced during the Pandemic for states to augment their staffing cohorts by partnering with the private sector proved invaluable and should continue precisely because UI is the first responder of the economic safety net. As such, the entire UI system must be ready and able to rapidly respond to jobless worker claim applications so that the purchasing power of jobless workers is maintained, i.e., they have money to spend on necessary goods and services, which, in turn, stabilizes the economy.

States, with the help of the federal government, should consider a strategy for accelerated training and broad cross training along with the technological support necessary to rapidly deploy and scale teams of UI first responders. For example, during the Pandemic Recession, the federal government granted states flexibility and

necessary funding to partner with the private sector, which across-the-board, heeded the call to action by quickly onboarding, training, and deploying surge UI contact centers. Additionally, states activated National Guard contingents with core transferrable skillsets that also allowed for quick training and deployment to UI surge call centers. In all such cases, however, it's crucially important to enhance contact center capabilities through implementing Customer Relationship Management or CRM solutions that include knowledge management components.

Technology such as Intelligent process automation (IPA) or bots and Intelligent Optical Character Recognition (IOCR) should also be continuously updated and permanently deployed to augment staffing capabilities. Further, predictive analytics paired with AI should be explored as tools to help make adjudication and hearings more accurate, consistent, and quicker. In sum, the 20th Century model state agencies used to periodically hire temporary or intermittent staff in response to workload spikes no longer meets the needs of the 21st Century UI safety net.

Again, if you compare UI to homeowners' or even auto insurance, at some point in the claim process, you know you may need to talk to an insurance representative or claims adjuster. So, despite all efforts to push employers and unemployed workers to interact with state UI agencies through technology and the internet, the Pandemic has reinforced the point that making a claim for UI is an inherently personal and emotional experience. As such, UI agencies must be provided with the proper funding, flexibility, and support to regularly train/upskill their core UI staff and to "ready, equip, and deploy" private sector, National Guard, and other state agency personnel to serve as UI surge staff to work in scalable Digital UI Call Centers.

Inflexible Technology: 21st Century Tech for A 21st Century Economy

There isn't much debate that the technology platforms of state UI agencies need a substantial upgrade, and the Pandemic further exposed these IT shortcomings. States require new technology to support the full range of UI claims processing and collection of contributions. As noted earlier, UI continues to be a very high touch program.

Unfortunately, many states still remain bound by legacy mainframe technologies that cannot be easily adapted in response the dynamic changes required by federal and state policy and changing economic conditions. To meet the needs of the 21st Century primary UI safety net, inflexible technologies must be replaced by new, modern architectures that feature:

Cloud Capabilities	The pandemic sharply illustrated the need for cloud-enabled solutions that allow for easy scaling in times of high demand, and to reduce resources (and costs) when claim volumes fall in times of economic expansion. Cloud-enabled solutions permit rapidly creation of new environments, if necessary, which can be done in minutes or hours instead of weeks or months.
Effective Portal Capabilities	The pandemic exposed the need for claimant portal capabilities that do more than simply collect basic claims data. Inline fact-finding designed to collect the necessary information needed to support prompt issue adjudication is key to speed claims and scale operations in responsive to claims increases. Portals should support prompt issue detection, and present electronic fact-finding, not simply trigger the mailing of forms.
Workflow—Enabled Adjudication	The most staff-intensive, expensive part of UI claims administration is the adjudication of issues on a claim. The traditional "case worker" model is not scalable in recessions and leads to backlogs of pending cases when fact-finding is returned, misalignment of issue types with adjudicator skills, and weak throughput that leads to delayed adjudications and poor measures of timeliness. A modern, workflow enabled adjudication approach - married to online fact-finding, routes issues to an adjudicator with the right skills when fact-finding is collected. Timeliness is enforced through automatic triggers and system actions. Staff can be easily redirected to work queues if they grow too large. And comprehensive reporting allow management to act to keep the work flowing, even in the face of massive claims increases.

Fraud Detection and Prevention	The pandemic taught everyone that UI programs (new and old) are ripe for fraud, and fraudsters are working hard to stay a step ahead of states, even for traditional UI. The proliferation of stolen identifies available for purchase, coupled with elaborate schemes to defraud UI programs, have made it increasingly difficult to tell a legitimate claim from a fraudulent claim. It is imperative that states invest in a UI solution that: • Can detect patterns of potential fraud, which can be quickly investigated, so if the pattern is determined to be fraudulent activity, the UI solution can promptly stop payments on all claims with that pattern, for both new *and* existing claims. • Allows for monitoring a series of key performance metrics to look for anomalies that may be related to fraud. If, for example, claim volumes spike during a period of steady or falling unemployment, it raises questions about what is happening and creates an opportunity to dig deeper into the numbers to see what they can reveal. • Can be integrated with any number of ID verification services, including but not limited to ID.me, Experian, and LexisNexis, to help provide identify proofing services and reduce fraud. Incorporates "nudging", which works behind the scenes when a claimant is filing a claim or a continued claim. If the claimant's history or behavior suggests a likelihood that they may need additional guidance to complete their claim accurately, targeted messages can promote truthful compliance with UI law.
Built-In Security Features	Pandemic fraud also exposed the need to Invest in UI solutions that contain built-in security features, such as: • Identity Management and Proofing • Multi-Factor Authentication (MFA) • integration with a secure Identity Access Management (IAM) solution • Robust Single Sign On (SSO) • Platform controls that block access from foreign and suspect IP addresses, and that can blunt the impact of bot-enabled fraud and denial of service attempts. A record of established interfaces with, for example, the Integrity Data Hub, SSA, NDNH, etc., so that standard crossmatches are run without interruption

Figure 4. UI Administrative funding has fallen even in the 2001 and Great Recessions.

A 2017 study by the Department of Labor found that there are about 110 UI call centers operating across 47 states which are a frequent point of contact for claimants. Inquiries include everything from applicants wanting to know if they correctly filed their claims to applicants asking how to reset their personal identification number. As we offered in the 2020 Pandemic Recovery Playbook and which bears repeating, smart technology, such as chat bots paired with predictive analytics, can be used to triage easy and predictable customer service inquiries, and resolve basic customer questions via self-service channels, including both IVR/Call Center and Web. To assist with the surge of Pandemic UI claims, several UI agencies quickly deployed chat bots, which use natural language processing to conduct a conversation through auditory or textual methods (e.g., chat assistant on a webpage, text messaging) that helped UI claimants reset PINs and answer FAQs without human intervention.

Chat bot technology also includes continuous learning and sentiment analysis, which means chat bots can detect when a user is using emotionally charged language and will transfer the conversation to the next available live chat or call center agent for resolution. As we all know, chat bots can work 24/7 to process rote, tedious tasks so that crucial staff time can be directed to resolve more complex issues and matters requiring higher-touch interaction. Chat bots were deployed to resolve the most common, simple, and repetitive, inquiries including:

- Self-Guided FAQs: revised and updated for the Pandemic, jobless workers' easy questions were quickly answered through IPA or self-guided FAQ flows without requiring jobless workers to wait in long call center queues to speak to a staffer.
- Claimants seeking verification they correctly filed and the status of the claim: quickly confirmed claims were filed and, in process, often providing an expected benefit payment date.
- Claimants seeking confirmation of their first UI benefit payment date.

- Claimants asking how to navigate single-sign-on processes, reset their personal identification number (PIN), or update banking direct deposit information to file their continued claims.

Further, UI agencies should look to augment claims processing capacity and tax collections through Intelligent Optical Character Recognition (IOCR). IOCR enables automatic reading and extracting of undigitized data (e.g., identifying and reading scanned SSNs, applications, correspondence, and forms), and importantly, includes data validation and continuous learning for increased accuracy. Innovative states quickly deployed IOCR and RPA to read specific fields on submitted documents and move those forms into the appropriate processing queues saving the state significant time and staff work. States deployed artificial intelligence paired with chatbots to triage frequent customer inquiries and resolve basic questions during the Pandemic.

These solutions, however, must constantly be revisited and updated to make certain they are diverting claimant calls away from contact centers and not inadvertently causing confusion, thus, inadvertently driving more calls to the contact centers.

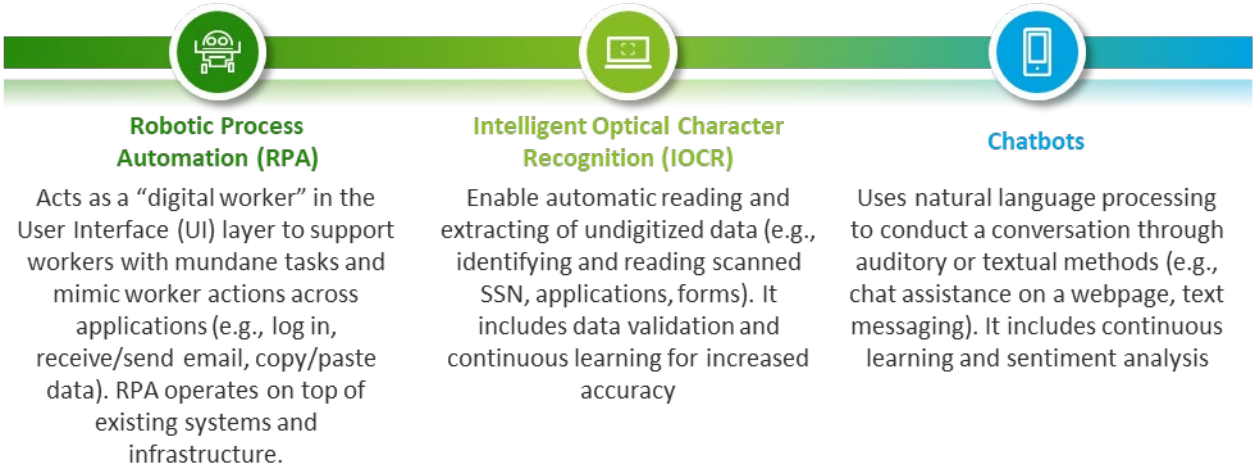

Figure 5. Technology solutions that help worker production.

Public Expectations: A 21st Century Experience for A 21st Century Customer

The Pandemic accelerated the dawning realization that the public's expectations for their interactions with government have been set by commercial experiences with companies such as Amazon, Intuit TurboTax, Apple, Domino's Pizza and more. Even though it is understood that government is not a for-profit enterprise, it really doesn't matter when it comes to people's expectations. Everything from applying for a mortgage, buying a gift, ordering a pizza, picking up a rental car, and going to a sporting event or concert is driven by a fast, touchless, and mobile-centric experience. We also expect a seamless handoff to integral partners, such as PayPal, when purchasing that special gift online.

The entire experience is personalized, efficient, and hassle-free, unless, of course, an issue arises. If that happens, as a customer, we expect to be informed of the issue via SMS text and/or email alerts. We also expect to be provided with a reasonably quick way to resolve our issue and, again, proactively informed, via SMS text or email alert, that the issue has, indeed, been resolved. If we need to take an unanticipated action, we expect to be able to talk to an empowered customer service representative, within a reasonable wait time, who will listen, understand, and solve our problem in one, and only one, phone call.

In all, these commercial experiences set the expectation that as a public sector customer, we too will have a mobile-centric, efficient, and personalized digital experience. Simply put, we do not think we should be required to read a lot of dense text or scroll through a myriad of unrelated screens, and we expect a seamless hand-off to partner entities, such as registering for the job service or scheduling a career services appointment to help build our resume.

Self Service Driven by Human Centered Design Principles

Human Centered Design (HCD) principles should be used when designing, building, and enhancing your UI solution. This is important because our customers, both claimants and employers expect to be able to self-serve for most all transactions. Further, one of the biggest ways to reduce staff workload is by driving claimants and employers to self-service. HCD encourages adoption, by both external and internal customers, by helping to make sure the solution is as easy to use as possible.

Implementing wizards in your solution, which is another component of HCD, will walk claimants through both the initial claim and continued claim processes and helps to continuously improve self-serve adoption. The other benefit of moving people to self-service is your solution then validates all information that is being collected, and in many cases, can automatically act on it, often eliminating the need for staff intervention.

Overhauling UI in a manner that enables a similar customer experience, meets public expectations, and provides for scalable execution in the near term will be critical. On the front end, this includes a human-centered redesign of UI application processes to make it possible for novice filers to know they have quickly and successfully filed a claim without human intervention. It also means human-centered redesign of the fact-gathering process so that UI applicants and their employers can quickly and safely provide relevant information to state agencies to be used in the claim determination process. On the back end, it means streamlining and automating access to prior wage information, possibly by integrating access with revenue agencies, and rethinking the contentious determination process, including deploying technology when appropriate.

UI Leadership Void: Invest – Cultivate – Grow - Dynamic Experienced Leaders

In March 2021, a year after the Pandemic recession crashed over the UI program, a quick analysis revealed a concerning scarcity of experienced UI leadership across the nation, i.e., between 50-60 percent of UI Directors have held their positions fewer than 4 years. This is particularly troubling for several reasons not the least of which is that UI is the United States' primary economic safety net arising out of decades of federal and state law, rules, and administrative policy. UI serves as a crucial lifeboat for both U.S. workers and businesses during unpredictable, but regular economic downturns. Accordingly, building an experienced team of UI leaders and bench of knowledgeable UI apprentices must be a top priority.

UI is a high-pressured, complex administrative safety net program, so state executives must be thorough, supportive, and have a longer-term view when recruiting individuals to lead state UI agencies and programs. It is imperative that state executives carefully recruit service-oriented individuals, not just those they view as "good managers." UI state agency heads who have successfully led their agencies to sustained performance excellence, through recessions, expansions, organizational change, and transformational projects, share characteristics such as:

- **Fully Engaged & Invested Leader:** Knowledge of and experience with supervisory principles and techniques with strong interpersonal skills, tact, and discretion to maintain strong and effective working relationships across all of UI's functional areas. Fosters commitment, inclusivity, and team spirit, while exhibiting ethical, honest, and responsible behavior to maintain the confidence of their constituents.
- **Complex Administrative Experience:** History of success in complex administrative environments managing people, financial, technology, and informational resources within the domain of State or Local government

programs, policies, and procedures. Ability to oversee a diverse group of functional areas in an agency that is geographically dispersed.

- **Strategic Thinker / Change Agent:** Ability to influence and bring about strategic change both internally and externally to the organization while establishing an organizational vision to proactively manage a continuously changing environment.
- **Data-Driven Decision Maker:** UI is an 85-year-old program that is data and reporting rich. UI leaders must be skilled in synthesizing information about people, data, and technical knowledge, while managing many variables to determine solutions, specific courses of action, and key decisions.
- **Stakeholder Management & Communications:** Aptitude for oral and written communication skills with the ability to advise, consult, and work collaboratively with a variety of audiences from all levels, with varying points of view, inside and outside of the organization. This includes preparing concise and accurate reports, negotiating agreements, securing cooperation, handling media-sensitive matters, and face-to-face interactions.

For state UI agency heads to have the capacity and a fair prospect of success, importantly, state executives must give them the support, time, and resources required to not only steer a large administrative organization, but also strengthen the programmatic fibers that comprise the UI safety net. Moreover, it is important to regularly assess state UI organizational structures to lean into leadership strengths, address challenged areas, and continuously develop and engage junior staff through stretch opportunities and regular professional development. By seeding, cultivating, and growing a knowledgeable, dynamic, and stable UI leadership team, state UI agencies will have the one intangible, yet essential component it needs to fortify the American primary economic safety net.

Putting it all together – Renewing the UI Primary Safety Net

As the dust settles from the 2020 Pandemic Recession, there must be calls to explore changes to update UI and the primary worker safety net. A fact-based review of what happened during the pandemic can help keep the focus where it belongs—building a resilient worker safety net that can handle future challenges. By recognizing public expectations, investing in people and flexible technology, along with simplifying UI policy and process, it should be possible to deliver a system that can scale quickly to accurately deliver benefits while at the same time limiting fraud. While there will always be some tradeoffs between employer contribution rates and jobless worker benefit levels, there should be universal agreement that renewed and sustained investment in a more efficient system can benefit jobless workers and businesses alike and, also, allow state workforce agencies to be successful in their mission in good times and bad.

Finally, in the words of the chair of the National Unemployment Compensation Commission, which are just as relevant today as they were in July 1980:

> There is still an urgent need to make further incremental progress promptly and extensively. No one knows in which State or community or industry the unemployment of tomorrow will occur. No one can predict the unemployment that will occur to particular families. . . [this is because t]he volatile and corrosive effect of uncompensated unemployment can cost society much more than the cost of a reasonably improved unemployment compensation system.[xvi]

i "Transforming government post COVID-19: How flipping orthodoxies can reinvent government operating models," Deloitte Insights, A Report from the Deloitte Center for Government Insights, (June 11, 2020), p. 20

ii NASWA's 2021 State of the Workforce Report: Responding to the Pandemic at p. 6.

iii The "on demand" or contract workforce has grown significantly in recent year, and according to 2019 estimates by Upwork, there were 57 million freelancers in US comprising 35% of the workforce—who aren't generally covered by UI. Deloitte analysis DOL data

iv NBER Determination of the February 2020 Peak in Economic Activity, that U.S. in a recession, (June 8, 2020)

v "Unemployment Insurance Administrative Funding," (June 2017), NASWA, Jim Van Erden PhD, Julie Squire, Hillary Hewko

vi "Unemployment Insurance: Then and Now: 1935-85," Daniel N. Price, Social Security Bulletin, Vol. 48, No. 10, (October 1985).

vii See, Commission on Unemployment Compensation, Final Report, July 1980, p.26

viii https://oui.doleta.gov/dmstree/misc_papers/advisory/acuc/collected_findings/adv_council_94-96.pdf = 1996 report and https://oui.doleta.gov/dmstree/misc_papers/advisory/ncuc/uc_studies_and_research/ncuc-final.pdf = 1980 report.

ix https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/financing.pdf: Most Recent Comparison of State UI Laws

x See, Commission on Unemployment Compensation, Final Report, July 1980, p. 85.

xi Id., at 16.

xii Id. at 126-130 and 1989 U.S. General Accounting Office Report referenced in endnote v.

xiii "Unemployment Insurance Administrative Funding," (June 2017), NASWA, Jim Van Erden PhD, Julie Squire, Hillary Hewko, pp. 2-3.

xiv Id.

xv Information Technology Support Center's Report, "National Unemployment Insurance (UI) Disaster Preparedness Effort," at ES-3.

xvi Id., at xi, Chairman's Introductory Statement.

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