

Administrative Fixes Are Necessary to Bring Unemployment Insurance into the 21st Century

In response to the economic crisis sparked by the coronavirus pandemic, changes made to the Unemployment Insurance (UI) system played a critical role in preventing a deep recession by helping workers who had lost their jobs replace lost income. At the onset of the pandemic, Congress acted quickly to create new, emergency UI programs to ensure that all affected workers would be able to claim UI and that the money they received would be sufficient to meet their needs.

Swift action to enhance UI during the pandemic worked: Without UI, [4.7 million more people](#) would have been in poverty, and the overall poverty rate would have been nearly 13% higher.

However, the need to create new UI programs from scratch in the middle of a crisis meant that antiquated state UI systems were overwhelmed, making it difficult for workers to access income support and leaving the system vulnerable to fraud by organized crime.

To ensure the UI system is capable of meeting people's needs in the future, structural reforms are necessary. By providing more guidance to the more than 50 state and territories' UI programs that make up the UI system, the Department of Labor can help improve the customer service problems workers experienced. In addition, improving staffing levels on an ongoing basis and permanently changing eligibility criteria to ensure that all workers are able to access UI when they need it will not only improve workers' economic security but also reduce the chances of fraud in the future.

Improving UI program guidance is key to ensuring workers across the country can consistently access the income support they need

While the Unemployment Insurance system is often conceptualized as a single program that covers all workers who lose their jobs through no fault of their own, the reality is far more complicated. The U.S. unemployment insurance system is a patchwork of more than fifty individual state and territorial programs governed by standards set by the Department of Labor.

This patchwork of 50-plus programs means that individual workers' ability to access the income support they need in an efficient and seamless manner varies wildly from state to state.

Therefore, one of the top recommendations of a recent [GAO](#) report is that the Office of Unemployment Insurance at DOL should provide more guidance on customer service best practices to states in order to improve consistency of experiences across programs. Those best practices could include: fixing trained staff shortages, shortening helpline wait times and examining additional ways to modernize and streamline processes so that getting UI benefits is less complex for both workers and claims administrators.

Adequately staffing state employment offices would dramatically improve workers' experiences with the program and the speed of benefits delivery

The pandemic recession in 2020 led to an unprecedented surge in UI claims that shined a new light on perils of under-resourced staff. These staffing issues illustrate the need to sufficiently staff and resource the system on an ongoing basis, so that programs are capable of meeting people's needs when demand is high. The need to implement and test administrative reforms outside the pressure of a surge in claims demand is a [repeated](#) finding among UI researchers.

A shortage of experienced workers made it difficult to quickly respond to the high volume of UI claims during the pandemic. This shortage of staff combined with old IT systems meant that workers were unable to quickly solve UI claims issues or identify solutions to problems, resulting in long wait times for people who needed income support quickly.

The staffing shortages were due to state budget cuts in the years before the pandemic, which reduced unemployment office staff when the labor market was strong. Although states hired more staff to respond to the unprecedented increase in claims, the inherent complexity of UI claims processing meant that employment office staff still struggled to meet the higher volume. UI forms, websites and call-in systems can be complex and [inaccessible](#). This particularly hurts lower-wage workers who need income support quickly but struggle to navigate the complex system without additional support from customer service staff.

Delaying structural changes to UI eligibility is a future fraud risk

The emergency expansions of UI were essential to stabilizing the economy through the worst of the pandemic and laying the foundation for a strong recovery. Expanded UI ensured that workers were able to continue to pay their bills. It also helped contain the economic fallout across the economy by [maintaining](#) consumer demand. However, the need for real-time emergency expansions to broaden eligibility and ensure adequate benefits—changes necessitated by the failure to reform the UI system in better economic times—resulted in increased susceptibility to [fraud](#).

Overwhelmingly, international [crime syndicates](#) and professional fraudsters—not individuals—committed the vast majority of UI fraud during the coronavirus pandemic. These organized attacks on the UI system run contrary to public perception that individual claimants are the system's primary fraudsters. It is estimated that these syndicates and professional criminals stole the majority of the [\\$163 billion](#) that was improperly paid.

Fraud prevention should be centered around securely ensuring that workers who are excluded from regular UI are made eligible for benefits (and contribute to the program) on a permanent basis. This expansion would help limit fraud by stabilizing the claimant pool and eliminating the addition of millions of new beneficiaries applying through a non-traditional claim format at a time when the system is also overwhelmed with regular program applicants. During the pandemic, the UI program most vulnerable to fraud, the Pandemic Unemployment Assistance program, served [approximately](#) 40% of all claims. The beneficiaries of those claims were those who previously were excluded from the UI program because its eligibility rules failed to [keep up with](#) the modern labor market.

Reforms to UI now are necessary to prevent fraud and worker economic insecurity in the future

A strong Unemployment Insurance system is necessary for [both](#) individual workers' economic security and a stable U.S. economy. At the onset of the coronavirus pandemic, Congress acted quickly to make emergency changes to UI to ensure that workers who had lost their jobs would be able to get the support they needed during the unprecedented crisis. This huge surge in need for UI strained programs across the country, which struggled to meet the high volume of claims while simultaneously implementing emergency expansions of the system. Overwhelmed programs were vulnerable to organized crime and professional fraudsters, which exploited the system to steal taxpayer dollars.

The coronavirus pandemic illustrated deep vulnerabilities in state UI systems. These weaknesses in the system demonstrate the need to make changes to UI guidance, resources and eligibility when there is not a crisis, so UI is able to meet workers' needs and stabilize the economy in the future when needed.

Suggested reading

- [“Wyden Statement on GAO Reports on Unemployment Insurance,”](#) United States Senate Committee on Finance, June 7, 2022
- [“Neal Statement on Unemployment Insurance GAO Reports,”](#) Ways and Means Committee, June 7, 2022
- [“New GAO Reports on Unemployment Insurance During the Pandemic Highlight Urgently Needed Reforms,”](#) National Employment Law Project, June 7, 2022
- [“U.S. watchdog warns unemployment benefits are at ‘high risk’ of fraud, abuse,”](#) Tony Romm, *The Washington Post*, June 7, 2022