
An Unemployment Insurance Agenda for Pennsylvania's Next Governor:

*Fix What's Broken and Create a New National Model—
a Trampoline and a Repaired Safety Net*



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Summary

Unemployment insurance (UI) is a vital component of U.S. and Pennsylvania social insurance. It can sustain unemployed workers and their families and strengthen the larger economy during economic downturns by maintaining consumer buying power. It can enable more workers to find good, new jobs that match their skills and meet businesses' needs for skilled workers. For our UI system to reach its full potential, Pennsylvania must fix its delivery system for unemployment benefits. Fragile because of inadequate IT systems and staff cutbacks before 2020, our UI system was overwhelmed by the pandemic, delaying or denying benefits to many hard-working Pennsylvanians and their families. Even with a new IT system implemented in 2021, too many people are unable to get benefits within federal time frame targets set to help workers avoid losing their cars, their homes, and the ability to feed their families. Pennsylvania's next governor should seek to restore basic confidence in our UI system and then modernize it so that more people get both the benefits they deserve—promptly—and more effective assistance landing a good, new job. This white paper provides a road map for accomplishing these goals.

The Challenges of the Pandemic and Their Roots in Earlier UC System Fragility

Since the start of the COVID-19 pandemic, Pennsylvania's unemployment system has paid out more than \$50 billion in benefits. At the same time, our unemployment system has failed too many workers. Congress established **PUA (Pandemic Unemployment Assistance)** to temporarily provide income to gig and other workers who are not employees and are thus ineligible for regular UI, and three other expansions of federal unemployment compensation. In conjunction with the pandemic, these expansions

- increased initial claims by 20 times compared to a year earlier and total claims more than 10 times, overwhelming the administrative system for determining eligibility.
- created confusion that led many workers to wrongly apply for PUA instead of regular UI.
- resulted in some fraud in the PUA program by organized crime and individuals taking advantage of the initial use of "self-certification" to access PUA benefits.
- led to the Unemployment Compensation (UC) system focusing
 - more on fraud with less staff than available to ensure that eligible UI claimants receive benefits quickly and that all people receive fair and rapid resolution of their claims.
 - on recovering PUA "overpayments," including from workers who still have not received regular UC benefits for which they are eligible.

Backlogs in eligibility determinations occur when applications for UC benefits exceed the capacity of the administrative system. Pandemic [backlogs peaked at over 300,000](#). They have been exacerbated by pre-pandemic closure of UC service centers and employment cutbacks, and by continuing high vacancy rates in key positions, even at lower staffing levels. In October 2022, even with claims back to pre-pandemic levels,

- Only 32% of PA UI claimants received first payments within 15 days, ranking 49th out of 50 states.
- Only 56% of PA UI claimants received first payments within 70 days, ranking 48th—i.e., nearly half of unemployed workers wait more than 10 weeks before receiving their first payment.
- PA ranked 44th for the average age of first appeals—244 days versus a U.S. average of 127 days.

Responses to backlogs and due process/fair treatment

- Backlogs have raised concerns about use of "mass adjudication," the automatic rejection of large numbers of claims as fraudulent, based on responses to the confusing online application form, without UC staff examining individual applications.

- In addition, mail communications with claimants when the UC system determines that there has been a federal overpayment—now handled by the IT firm that developed the state’s new UC IT system—contain inaccuracies and create extreme and undue stress for claimants. For example, the state’s IT contractor sends out a confusing and alarming “notice” to UC claimants when the system determines that there has been a “non-fraudulent” federal benefit overpayment saying the overpayments “must be repaid,” which is incorrect. (At most, the UC system can apply one-third of any future UC benefits within three years to repayment with remaining overpayments forgiven at the end of three years).
- The IT contractor then sends out monthly “overpayment billing notices” in cases of non-fraud federal overpayments that threaten to take any IRS tax refund, put liens on claimants’ property, and to pursue criminal prosecution if claimants don’t repay.

Launch of the “Benefit Modernization”—or “BenMod”—online UC application system

- Against advocates’ advice, the state launched the new “BenMod” UC software in June 2021 when roughly 170,000 people were still collecting benefits rather than waiting until federal benefits ended three months later, after which the number of claims fell nearly by half.
- Today, BenMod makes applying for UC benefits extremely challenging, especially for those lacking technological literacy. Even so, most claimants must use BenMod because jammed phone lines prevent filing through UC Service Centers.
- The state’s experiences with BenMod are the latest evidence of the hazards of wholesale contracting of IT systems to for-profit vendors. Pre-Wolf examples include wasting \$170 million on an IBM contract.

UC: A Frayed Safety Net for the Economy of the 1950s

The United States established UI in 1935 so that laid-off workers and their families would not starve and to increase consumer buying power. Today’s UI system performs these original functions poorly and has not been modernized to meet the needs of the current workforce and businesses.

Too few jobless workers receive UC benefits.

- Too many workers, disproportionately people of color and women, fall through the cracks and do not receive UI benefits, even though they pay UI taxes on every dollar of their own earnings.
- The national UC “reciency rate” (share of unemployed workers receiving unemployment insurance) has fallen from about half in the 1950s to about a quarter. Pennsylvania’s reciency rate, while slightly higher, has also trended down. These declines reflect policies aimed at reducing eligibility and an economy in which more people cycling in and out of low-paying jobs do not meet eligibility criteria that require minimum amounts of earnings and numbers of weeks of work.
- Falling reciency rates do not even take into account the growing ranks of “non-employees” not covered by UI: gig workers, misclassified independent contractors, and cash-economy workers.

Benefits are too low.

- The average weekly benefit for ALL Pennsylvania workers was only \$392 per worker in 2021—less than a living wage for most families in most Pennsylvania counties.
- With workers’ benefits set at roughly 50% of their average weekly wage in the high-wage quarter of their base year, the weekly benefit for low-wage workers is even more inadequate.
- Currently, UC benefits are further reduced by a 2.4% cut justified by the low funding level of the Pennsylvania UC Trust Fund. This reduction frustrates and angers Pennsylvania UI recipients.
- Unlike most advanced countries, the United States does not link UI to a universal system of training and reemployment assistance that helps unemployed workers land their next good job.

Employers pay UI taxes on only \$10,000 of each workers' wages.

The inadequacy of UC benefits stems partly from a lack of revenues. Pennsylvania imposes employer UI taxes on only \$10,000 of wages, which is less than 33 states and far below Washington State's \$62,500.

Principles: Unemployment Benefits and New Opportunities for All

The following principles should guide the next governor as he seeks to reimagine our UI system.

Provide quality, timely, transparent, and humane service to workers.

1. Increase system transparency and accessibility: ensure that *all* claimants, including non-English language speakers and the technologically challenged, can access the system and apply for benefits.
2. Ensure timeliness, including prompt benefit payments, determinations, and appeal hearings if necessary.
3. Don't punish claimants who are already victims of fraud and/or identify theft with threats or additional delays.
4. Fully staff UI system operations in Unemployment Compensation Service Centers and appeals systems and make in-person UC services available.
5. Restore due process to the system.

Build a strong financial and technological foundation for unemployment insurance.

6. Create a solvent system without cutting benefits or eligibility by expanding the wage base on which employer UI wage taxes are imposed.
7. Limit and modify use of contractors to provide UI information technology services.

Improve benefits and reemployment supports.

8. Broaden eligibility so that more workers receive unemployment insurance benefits.
9. Increase benefits to replace a greater proportion of wages, especially for lower-paid workers.
10. Make unemployment benefits part of a reemployment system that helps workers land new family-supporting jobs and provides employers with great workers.

How: Recommendations to Achieve a UC System that Honors the Principles

Provide quality service to workers.

- Appoint a Pennsylvania "Quality Unemployment Compensation (UC) Team" (drawn from those using the UC system and their advocates, workers who staff the UC system, and data management and systems experts) to review the system and make recommendations to the next administration to achieve quality service now and in the next downturn or pandemic.
- Adopt best state administrative practices, including from recommendations of a USDOL "Tiger Team" (which will be available to the next governor), one of which provided technical assistance to Pennsylvania in 2022.
 - Renew best practices in communications about overpayments to avoid increasing stress and anxiety among UC claimants who have committed no wrong.
 - Enact administrative and, if possible, statutory reforms to simplify UI administration in Pennsylvania.
 - Limit the use of computer-based ("algorithmic") determinations to deny benefits.
 - Hire adequate staff to make timely eligibility and appeal decisions.
 - Join multi-state advocacy for reform of federal eligibility rules to simplify UC administration.
- Appoint advocates for the unemployed to the Unemployment Compensation Advisory Council and empower that council by implementing its recommendations.

- Explore the potential to waive additional non-fault and non-fraud overpayments through executive action. (“Non-fault” are state overpayments and “non-fraud” are federal overpayments.)
- To increase transparency and public confidence in the UC system, with input from the UC Advisory Council, develop a trusted UC dashboard that provides regular, public updates on system administrative performance; and which provides updates on unresolved claims from the pandemic until all such cases have been dealt with fairly.
- Automate payments of uncontested claims: When employers do not respond to new applications within 14 days as required by law and the applications do not show reason for disqualification, automate immediate payment of the claims.
- Deploy a help desk of specialized customer service representatives for claimants and employers who have technology obstacles.
- Recruit experienced, mission-driven professionals for critical policy and program positions related to UC in the Department of Labor & Industry and in the Governor’s Office.

Build a strong financial and technological foundation for unemployment insurance.

- Increase the wage base on which PA employers pay UI taxes towards Washington State’s \$62,500 and index the wage base subject to employer UI taxes to the growth in the average annual wage.
- Reinvent the state’s approach to UI information technology to avoid overdependency on a single for-profit vendor and add in-house IT capacity.
- Adopt IT modernization best practices such as those summarized on the USDOL Unemployment Insurance Modernization,” <https://www.dol.gov/agencies/eta/ui-modernization>.
- Piggyback on efforts by New Jersey and other states to adopt an open-source, “modular” approach to upgrading UI IT systems that can underpin quality for the long term.

Improve benefits and reemployment supports.

Expand eligibility so that more workers receive benefits.

- Enact UI statutory, regulatory, and administrative reforms to increase eligibility for UC benefits.
 - Seek UI reforms contained in PA House Bill 549 to increase benefit eligibility and levels.
 - Permanently eliminate the “waiting week” that makes claimants ineligible for benefits during the first week of unemployment.
 - Eliminate credit weeks from the process of verifying income, which often causes delays in benefits and confusion amongst employers and claimants.
 - Eliminate severance pay penalties, improving benefits and cutting the number of claims sent to UC examiners for review, reducing delays in claims processing.
 - Streamline the “Shared Work” program to help shared work claimants access benefits in a timelier manner.
 - If prospects for legislative change to expand UI benefits and eligibility are dim, commission an internal memo with input from advocates and outside legal experts on improvements in benefits possible through executive action, including regulations.
- Enact the recommendations of the Pennsylvania Joint Task Force on the Misclassification of Employees, including an ABC test for determining when people are employees or independent contractors.

Increase benefit levels.

- Increase benefit levels towards replacement income levels, particularly for low-paid workers.
 - Provide weekly benefits equal to 90% of prior wages up to the maximum weekly benefit.
 - Provide dependent allowances of \$35 (inflation-adjusted) for every dependent per week.
- Make the maximum weekly benefit two-thirds of the average annual wage as it was from 1980 to 2011, reversing a cut in this maximum benefit of 23.5% by 2021 (and growing)—from \$762 in 2021

(i.e., two-thirds of the average annual wage in 2021) to \$583. This cut especially hammers workers with annual earnings of roughly \$45,000 to \$60,000, the heart of Pennsylvania's middle class.

- Set a minimum benefit amount of at least 30% of the average weekly wage (\$356 in 2020). Calculate benefit amounts for tipped workers and workers who are paid less than the minimum wage based on what they should have earned if they were paid the minimum wage or, for tipped workers, self-reported wages with tips, whichever is greater.

Implement a national model 21st-century reemployment system.

- Research and adopt best state practices for expanding work sharing (through which companies reduce workers' hours and they receive partial UI benefits), lowering peak unemployment in recessions and preserving attachments between high-tenure workers and their employers, benefiting both parties.
- Extend UI benefits and eliminate job search requirements while claimants are in approved training programs.
- Engage business, labor, and other workforce stakeholders to design a "Skills and Career Co-contributions" multi-employer tax credit so that Pennsylvania develops a powerful infrastructure of industry partnerships and group apprenticeships that connect to employers with good jobs. More unemployed Pennsylvanians could then take training that enables them to enter apprenticeship or get another job in companies within industry partnerships.

Our Broken Unemployment Benefits Delivery System

Throughout the deep 1980s recession and into the 1990s, Pennsylvania workers seeking benefits from the unemployment compensation (UC) system went to “unemployment offices” and filed a claim with actual people, state workers who could explain the eligibility rules and translate the information provided by claimants into the terms needed for an application.¹ Over the past several decades, as administrative funding declined, the human interface with unemployed workers has been replaced by an increasingly technological one.² First, a network of call centers scattered throughout the state required unemployed workers to apply by phone, sometimes facing busy signals and/or long wait times to get through. Second, UC Service Centers closed in several urban centers.³ Third, the UC system introduced online application for benefits. While online filing promises efficiencies for the state, limited internet access and technological literacy pose additional hurdles for many unemployed workers who are disproportionately drawn from populations with lower levels of internet access and technological literacy. Moreover, the difficulty of reaching an experienced human being means that many claimants’ questions don’t get answered. This increases the chance that people fail to give answers the system deems correct, leading to incorrect eligibility determinations, appeals, and backlogs.

Well before the pandemic, the call center and online application systems that now dominate the interface with UC claimants in Pennsylvania faced significant challenges—and the solutions advanced across multiple gubernatorial administrations failed to fix those problems. For example, Pennsylvania has been trying to update its computer support system for online applications since at least the Rendell administration from 2003 to 2010. In 2013, the Corbett administration terminated a contract with IBM after the state had already spent \$170 million—and got nothing for it.⁴ After spending \$7.8 million in legal fees, the state reached a settlement under which IBM paid the state \$33 million.⁵ Then the Pennsylvania Department of Labor and Industry (PDL&I) was found not to have used proper accounting methods in documenting the use of another \$178.4 million dollars allocated from workers’ contributions

¹ This paragraph borrows from the opening of Community Legal Services (CLS) of Philadelphia, “Pennsylvania UC System Must Be Rebuilt Strategically After the Pandemic and Benefits Modernization,” February 15, 2022, <https://clsphila.org/wp-content/uploads/2022/02/PA-UC-System-Must-Be-Rebuilt.pdf>.

² Between 1999 and 2019, federal funding for UI administration declined by 30% on an inflation-adjusted basis. See Mariette Aborn, “Administrative Failures Plague State Unemployment Insurance Programs,” Bipartisan Policy Center, July 1, 2020, <https://bipartisanpolicy.org/blog/administrative-failures-plague-state-unemployment-insurance-programs/>. From 2010 to 2019, federal funding for administration fell from approximately \$3.2 billion to approximately \$2.5 billion, a decline of about 21%: see Government Accountability Office (GAO), “Unemployment Insurance: Pandemic Programs Posed Challenges, and DOL Could Better Address Customer Service and Emergency Planning,” June 2022, p. 4, p. 7-8, <https://www.gao.gov/assets/gao-22-104251.pdf>.

³ An Auditor General’s report says Allentown, Altoona, and Lancaster UC service centers closed in December 2016 and (p. 28) that the remaining service centers were Scranton, Erie, Indiana, Pittsburgh, and Harrisburg: see Department of the Auditor General, Commonwealth of Pennsylvania, “Performance Audit: Pennsylvania Department of Labor Industry Service and Infrastructure Fund (SIIF),” April 2017, p. 9, <https://www.paauditor.gov/Media/Default/Reports/Labor%20and%20Industry%20SIIF%20Audit%20Report.pdf>. A Community Legal Services (CLS) report notes that UC service centers in Philadelphia and Allentown closed. Based on the AG’s report, we infer that this means the Philadelphia center closed before December 2016. See CLS of Philadelphia, “Pennsylvania UC System Must Be Rebuilt Strategically,” February 15, 2022.

⁴ Jan Murphy, “Pa. terminates \$170 million project with IBM over failure to deliver computer system it promised,” PennLive, July 13, 2013, https://www.pennlive.com/midstate/2013/07/pa_terminates_contract_with_ib.html.

⁵ Jan Murphy, “IBM paid Pa. \$33M to settle lawsuit over jobless benefits computer project,” PennLive, <https://www.pennlive.com/news/2021/09/ibm-paid-pa-33m-to-settle-lawsuit-over-jobless-benefits-computer-project.html>.

to unemployment insurance through the Service and Infrastructure Fund.⁶

In the pandemic, Pennsylvania’s unemployment compensation infrastructure was overwhelmed by the massive increase in regular unemployment numbers (thanks in part to extended benefits provided by the federal government) and by the temporary establishment of federal “pandemic unemployment assistance” (PUA) to cover gig workers and other self-employed workers not eligible for traditional unemployment compensation. (Box 1 summarizes the federal expansion of UC in the pandemic.) Initial claims from all programs increased as much as 20 times compared to before the pandemic and total claims increased at peak by more than 10 times compared to before the pandemic (figures 1 and 2). These increases were comparable to those nationally and in other states.⁷

Box 1: Expansion of Federal Unemployment Benefits During the Height of the Pandemic

The three biggest federal emergency relief bills expanded U.S. unemployment compensation in four ways in 2020–2021—critical enhancements because of the inadequacy of unemployment insurance before the pandemic.⁸

- Pandemic Unemployment Assistance (PUA) provided unemployment benefits to certain gig workers, the self-employed, and other individuals not otherwise eligible for unemployment benefits (which goes only to people classified as “employees” at their previous job) who were unable to work because of COVID-19.
- Federal Pandemic Unemployment Compensation (FPUC) provided a \$600 supplement to weekly unemployment benefits for all benefit recipients (regular UI, PUA, and PEUC) in 2020 from April through July; a \$300 supplement for the weeks beginning December 26, 2020, until the week ending September 5, 2021.
- Pandemic Emergency Unemployment Compensation (PEUC) authorized, until September 6, 2021, additional weeks of unemployment compensation beyond the maximum number of weeks people may receive benefits in their state (26 weeks in Pennsylvania).
- The Consolidated Appropriations Act was passed in December 2020 and created the Mixed Earner Unemployment Compensation (MEUC program), which was extended until September 2021 by the American Rescue Plan. This was to cover regular UI recipients whose benefits did not account for significant self-employment income and who, before MEUC, might have received a lower regular UI benefit than if they had been eligible for PUA.

⁶ Department of the Auditor General, “Performance Audit: Pennsylvania Department of Labor Industry Service and Infrastructure Fund (SIIF),” April 2017.

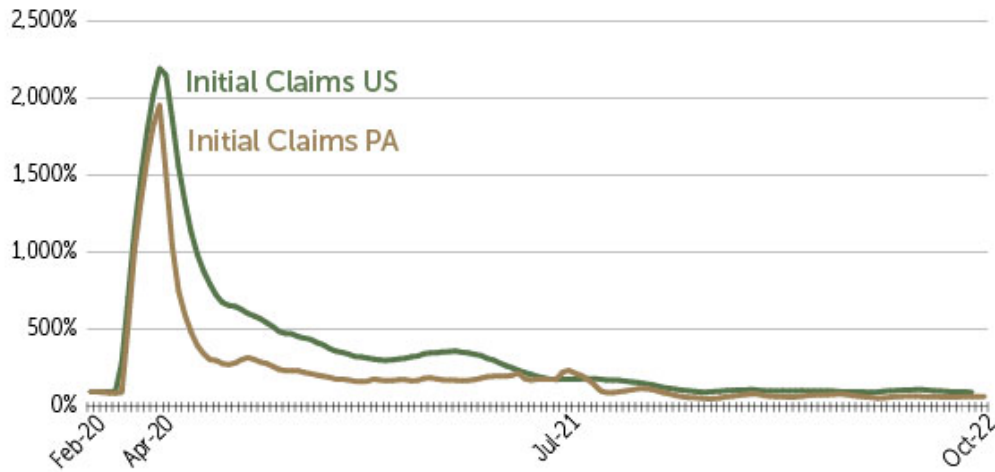
⁷ In six states studied by GAO, “...regular UI initial claims submitted from March 2020 through May 2020 ranged from 10 times to almost 25 times higher than claims submitted during the same 3-month period in 2019.... If PUA claims were also included, the initial claims volumes facing staff in our six selected states during this initial 3-month period of the pandemic ranged from about 11 times to about 33 times higher than what they faced during the same period in 2019.” GAO, “Unemployment Insurance: Pandemic Programs Posed Challenges,” June 2022, p. 12.

⁸ GAO, “Unemployment Insurance: Pandemic Programs Posed Challenges,” June 2022, p. 4.

Figure 1

Initial UC Claims Increased as Much as 20 Times in the Pandemic

Six-week moving average of weekly initial claims as a percent of initial claims in the same six weeks in the year before the pandemic



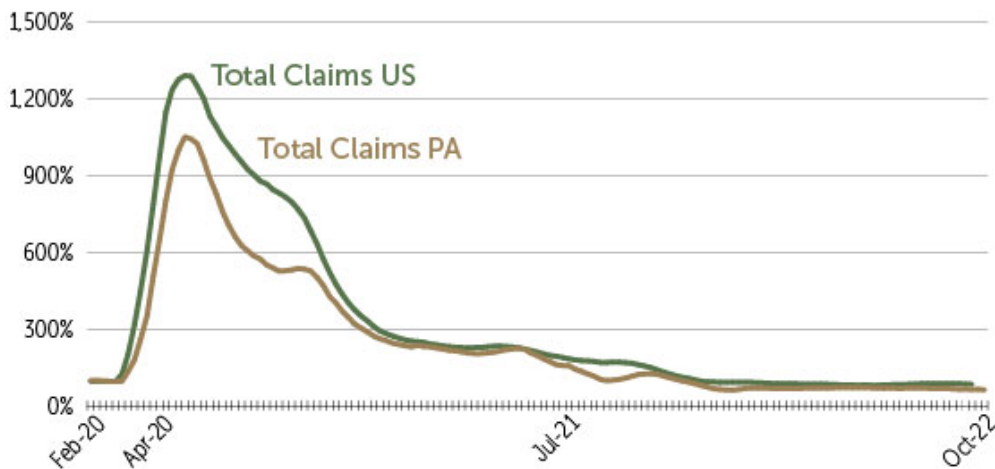
Note: Six-week moving average of weekly initial claims as a percent of initial claims in the same six weeks in the year before the pandemic, with the period labeled as the date of the end of each six-week period. For example, the first data point is February 8, 2020 and equals initial claims in the six weeks ending Feb. 8, 2020 as a percent of initial claims in the six weeks ending Feb. 9, 2019. The ending dates of the six week periods do not match exactly because a year is 52 weeks plus one day (or two in a leap year).

Source: Keystone Research Center analysis of US Department of Labor data on weekly initial unemployment claims accessed from: <https://oui.doleta.gov/unemploy/claims.asp>. We infer from footnote 7 on the most recent state weekly claims release from USDOL (<https://www.dol.gov/ui/data.pdf>), which says "Prior year total includes PUA and PEUC claims," that the numbers above include PUA and PEUC claims.

Figure 2

Total UC Claims Increased by More Than 10 Times in the Pandemic

Six-week moving average of weekly continuing claims as a percent of PA and US in the same six weeks in the year before the pandemic



Note: Six-week moving average of weekly total claims as a percent of total claims in the same six weeks in the year before the pandemic, with the period labeled as the date of the end of each six-week period. For example, the first data point is February 8, 2020 and equals total claims in the six weeks ending Feb. 8, 2020 as a percent of total claims in the six weeks ending Feb. 9, 2019. The ending dates of the six week periods do not match exactly because a year is 52 weeks plus one day (or two in a leap year).

Source: Keystone Research Center analysis of US Department of Labor data on weekly total unemployment claims accessed from: <https://oui.doleta.gov/unemploy/claims.asp>. We infer from footnote 7 on the most recent state weekly claims release from USDOL (<https://www.dol.gov/ui/data.pdf>), which says "Prior year total includes PUA and PEUC claims," that the numbers above include PUA and PEUC claims.

PUA responded to the unique character of the pandemic recession with workers forced to stay home and businesses forced to close to slow the spread of COVID-19. PUA supported hundreds of thousands of jobless workers who would otherwise have had no benefits, pumping billions in federal money into Pennsylvania households. At the same time, it required (or seemed to require) setting up a new parallel delivery system. Moreover, confusion among workers—including because of the advice they received if they managed to get through to the overwhelmed UC system—led many who were eligible for traditional unemployment compensation to apply for PUA instead and to receive as much as \$30,000 in benefits that the state is now trying to reclaim. Some of those same workers should have received similar amounts of regular unemployment benefits but today still have not received those benefits. Some outright fraud of the PUA program by organized crime and by individuals taking advantage of the UI system’s initial use of self-certification to determine PUA eligibility exacerbated the system’s challenges. In response, the Pennsylvania UC system dedicated resources and staff to addressing fraud, leaving it with even less capacity to make sure eligible claimants received benefits quickly and all individuals received fair and rapid resolution of their claims. The end result: many people ended up waiting months or years to get benefits or have their claims addressed.

Pennsylvania’s performance on United States Department of Labor (USDOL) performance measures reported by state UC systems corroborate qualitative evidence from claimants and advocates that the system could not cope with the increased claims it faced during the height of the pandemic (table 1). (A warning: state unemployment insurance experts raise questions about the reliability and consistency across states of these measures. Measures within a particular state should be more consistent over time unless agencies respond to public criticism by reporting less accurately.)

Table 1. Unemployment Insurance Core Measures Definitions and Performance in Pennsylvania							
Measure	Definition	2018		2020		2022 YTD (as of June 30)	
		Measure	Rank	Measure	Rank	Measure	Rank
First Payments in 14/21 Days	Percentage of all first payments made within 14/21 days after the week ending date of the first compensable week must be $\geq 87\%$	87%	30	62%	40	39%	46
Nonmonetary Determinations in 21 Days	Percentage of nonmonetary determinations (separations and nonseparations) made within 21 days of the detection of any nonmonetary issues $\geq 80\%$	65%	43	35%	37	44%	34
Nonmonetary Separation Quality	Percentage of separation determinations with quality scores equal to or greater than 95 points $\geq 75\%$	52%	49	68%	22	23%	48
Nonmonetary Nonseparation Quality	Percentage of nonseparation determinations (sampled) with quality scores equal to or greater than 95 points must be $\geq 75\%$	86%	30	76%	27	60%	43
Quality of Lower Authority Appeals	Percentage of lower authority appeals (sampled) with quality scores = to or $> 85\%$	98%	28	96%	34	96%	26
Average Age of Lower Authority Appeals	The average age of pending lower authority appeals	25.7 days	8	41.4 days	8	176.6 days	41

Average Age of Higher Authority Appeals	The average age of pending higher authority appeals	86.1 days	49	62.2 days	43	196.1 days	47
New Employer Status Determinations	Percentage of new employer status determinations made within 90 days of the last day in the quarter in which the business became liable >= 70%	89%	18	91%	9	90%	12
Average PA rank across all eight measures			36		33		37
<p><i>Note:</i> rankings are constructed so that, on each measure, a ranking of 1 represents the best state performance and a ranking of 50 the poorest.</p> <p><i>Sources:</i> Keystone Research Center analysis of the following data and definition resources; UI Overall Data Dashboard accessed at https://oui.doleta.gov/unemploy/DataDashboard.asp, UI Performance Data Dashboard accessed at https://oui.doleta.gov/unemploy/performance1.asp, Core Measures of UI Definitions accessed at https://oui.doleta.gov/unemploy/pdf/Core_Measures.pdf, State Performance Measures and Rankings accessed at https://oui.doleta.gov/unemploy/ranking.asp.</p>							

Pennsylvania's performance on seven of eight USDOL standards in the first half of 2022 fell below its level in 2018.

- Initial payments made within three weeks fell to 39% from 87%.
- Non-monetary determinations in 21 days declined to 44% from 65%.
- Average age of lower authority appeals rose to 177 days from 26 days.
- Average age of higher authority appeals increased to 196 days from 86.

Pennsylvania's average rank across all eight measures did not change sharply over this period but remained low. PA ranked particularly low on the critical timeliness measures highlighted in yellow in table 1—in the bottom 10 and, for two of them, in the bottom five. Moreover, PA's rankings on two of these key measures have fallen compared to before the pandemic, in one case a lot (from eighth to 41st). The state's rankings remain low in the latest data available.⁹ In October 2022,

- PA made only 32% of first UI benefit payments within 15 days, ranking 49th out of 50 states.
- PA made only 56% of payments within 70 days, ranking 48th—nearly half of unemployed workers wait more than 10 weeks before receiving their first payment.
- The average age of first appeals in Pennsylvania—244 days—continued the accelerating trend increase shown in table 1 since 2020 and was about twice the US average (127 days), ranking Pennsylvania 44th.

We acknowledge the difficulty of responding to a 10-fold increase in claimant volume, but the increased delays and backlogs exacerbate hardships for the unemployed and their families. Moreover, other states' timeliness performance indicates that they weathered the increase in claims volume better than Pennsylvania did.

The delays and backlogs in eligibility determinations corroborated by the 2022 performance measures in table 1 may have been exacerbated by the earlier closure of UC service centers and drastic staff cutbacks, and by high vacancy rates in key positions so that the system is not fully staffed even at its reduced complement level. In early March 2022, PDL&I Secretary Jennifer Berrier noted that system had 956 staff, 500 fewer than in the Great Recession despite handling a much heavier case load.¹⁰ According

⁹ Keystone Research Center computed the rankings in the next three bullets in the text using data downloaded from The Century Foundation, "Unemployment Insurance Data Dashboard: What Do Unemployment Benefits Look Like in Each State?" August 22, 2022; <https://tcf.org/content/data/unemployment-insurance-data-dashboard/>.

¹⁰ Tom Lehman, "Staffing problems, fraud tying up unemployment benefits for thousands of Pennsylvanians," WGAL News, March 1, 2022, <https://www.wgal.com/article/staffing-problems-and-fraud-tying-up-unemployment-benefits-for-thousands-of-pennsylvanians/39284994>.

to the president of SEIU Local 668, interviewed by the authors of this white paper in March 2022, the interviewer and examiner positions in UC service centers in March 2022 had a 26% vacancy rate. The high vacancy rates partly reflected low pay in UC service centers relative to some comparable positions in the state, including within the Department of Health and Human Services. The Commonwealth and the union representing UC service center workers, SEIU Local 668, negotiated an upgrade of service center positions in September of 2022 to make them more comparable with competing state agencies. UC center examiners received increases in pay and the state made 70-90 temporary interviewers permanent, and thus eligible for benefits. In another effort to address staffing within the UC system—and to bring back the option of getting in-person assistance when applying for UI benefits—the state has used a federal “equity grant” to cover the cost of UC service center employees to work at least part time in Pennsylvania CareerLink® offices.

Some of the state’s efforts to cope with unprecedented volumes of claims and the backlog of cases have reduced UC claimants’ rights in the view of advocates for the unemployed. For example, the state’s IT vendor, Geographic Solutions, Inc. (GSI) has resorted to “mass adjudication,” automatically rejecting large numbers of cases as ineligible, and determining that they are fraudulent based on 13 specific responses—some of which could be errors because claimants are confused—on online application forms, without examining individual applications. Challenges of those rejections fall on the overwhelmed appeals system. Further, the UC system’s current notices sent to claimants when the system determines there has been an overpayment are too aggressive (box 2).

Box 2: Non-fault and Non-fraud Overpayment Notices¹¹

Unemployment benefits, including the federal pandemic programs that workers fought for and won, were a lifeline throughout the past two years and kept millions of workers out of poverty. Since 2020, however, the UC system has told many workers who relied on UI benefits to support themselves and their families during the crisis that they must pay back the benefits they received. Many of these so-called overpayments are the result of changing federal and state guidance surrounding the federal pandemic programs and simple mistakes and misunderstandings—such as people applying for pandemic unemployment insurance, rather than for regular unemployment compensation, because they thought of themselves as jobless because of the pandemic. Despite this, the communications between the UC system and claimants about potential overpayments are in many cases aggressive and frightening to workers, as the examples below illustrate.

The terms Pennsylvania uses to refer to overpayments of state and of federal UC benefits differ, but both sets of terms get at the distinction between (a) deliberate stealing and (b) overpayments that are not fraudulent.

- The state classifies overpayments of state-funded UC benefits as either (1) Fault or (2) Non-fault.
- The state classifies overpayment of federally funded UC benefits as either (3) Fraud or (4) Non-fraud.

Once the UC system determines which of the four categories a person’s overpayment falls into, its IT contractor sends claimants a “Notice of Determination”—i.e., this is the first document that claimants get notifying them that the UC system believes they have received an overpayment.

When the UC system determines there has been a “fault” overpayment, the Notice of Determination says “...you are legally required to repay this overpayment,” that “interest will accrue” 15 days from the date of the determination letter, that repayment will be deducted from current or future benefits, and that “The department may intercept your federal income tax refund and file a lien against you to recover the

¹¹ This box is based on interviews with advocates for the unemployed and examination of four “Notices of Determination” (fraud, non-fraud, fault, and non-fault) and two “Overpayment Billing Notices.” There may be additional types of “Notices of Determination” or “Overpayment Billing Notices” that we did not examine.

overpayment. Additionally, criminal and civil penalties may be associated with the overpayment.” When the system determines there has been a “fraud” overpayment, it says “The overpayment must be repaid, unless a waiver is requested and granted, or this determination is reversed on appeal.” (A sample fraud overpayment notice that the authors of this white paper received does not have the language about intercepting federal income tax refunds, liens, and criminal and civil penalties.) Fault and Fraud notices do note that claimants have a “RIGHT OF APPEAL.”

The notices of determination for “non-fraud” overpayments say, appropriately, that “You may voluntarily repay the overpayment so that it does not reduce your future benefits.” The “non-fraud” notice, however, has the same language as the “fraud” notice—“The overpayment must be repaid, unless a waiver is requested and granted, or this determination is reversed on appeal.” *This is incorrect.*

After the initial notices, claimants then receive “Overpayment Billing Notices” and “Payment Coupons” each month. Even the non-fraud “Overpayment Billing Notices” make it seem as if claimants must repay. Near the top of page one, in capital letters, there is a prominently boxed “BALANCE DUE,” which has the total amount of the overpayment—as much as \$40,000 or more. Right below that, the first text following the claimant’s name begins “This notice is concerning the balance due on your [NAME OF PROGRAM THAT OVERPAID] unemployment assistance.... Depending on your overpayment, the department can take action to recover the amount due, including taking your future UC benefits, intercepting your federal income tax refund, filing a lien against you and/or pursuing criminal prosecution.” On the back of the first page, an “Account Activity” table shows “Amount Due at Beginning of Statement Period”—which is the full amount due. Another line in the table shows “Total Amount Still Due” and then repeats the full amount. A small table below the “Account Activity” table states, “Previous Balance” and “Current Balance”—repeating the full amount due in the many cases when claimants have not begun to repay. On page one, the end of the first paragraph does say “The department recommends a minimum monthly payment of \$100.00,” and that recommended minimum payment amount is also listed on the detachable payment coupon to be returned with any payment.

The UC system may see itself to be between a rock and a hard place, having legal and ethical obligations to promptly pay unemployment benefits for which workers qualify, while at the same time having an obligation to taxpayers to rein in fraud and recapture overpayments, especially, but not only, when fraudulent. As box 2 illustrates, however, the initial and monthly notices that Pennsylvania UC claimants receive about overpayments currently tilt too strongly towards demanding repayments and threatening clients—even when the system determines that the cases are not fraudulent. This balance is especially questionable given that many overpayments result from the UC system’s administrative overload and inability to provide clients with timely assistance, if any—leading to claims filed with the wrong program, or erroneous initial decisions that someone is eligible and hence to an overpayment. The balance of the language in notices to claimants is also questionable because language that stresses out law-abiding UC claimants, and sometimes leads them to repay more than they have a legal obligation to, likely has zero impact on actual fraudsters. The next governor needs to oversee a comprehensive examination of notice language used by different states to communicate with claimants when the UC system determines there has been an overpayment. Pennsylvania should seek to develop notice language that is humbler, acknowledging more clearly the UC system’s potential culpability if there has been an overpayment; highlights more clearly the possibility of appeal (“to ensure that the right determination has been made”); highlights that non-fraud, non-fault overpayments do *not* have to be repaid; (although one-third of current or future UC benefits may be used for repayment); and is less threatening.

The administrative challenges since the pandemic have been exacerbated because, against expert advice, the state launched a new online application software in early June 2021—“BenMod,” short for “benefit modernization,” developed by the vendor GSI, while about 170,000 people were still collecting benefits rather than waiting until federal benefits ended three months later, after which claims declined

by nearly half. As well as increasing barriers faced by technologically challenged claimants and those without internet access, tens of thousands of claimants who accessed BenMod struggled to maintain benefits (claimants are required to report earnings and employment availability on a weekly basis) because they couldn't understand how to answer on the new online form. BenMod also brought to the whole UC IT system vulnerability to fraud earlier experienced on the application system for PUA benefits designed by GSI. The Commonwealth's "solution" to this vulnerability to fraud (i.e., with PUA and then BenMod) was, first, to layer on top another contractor's online identification system (ID-me); then to require multi-factor authentication; and, finally, a policy decision to require identification by either ID-me with multi-factor authentication or in person at a CareerLink® *before* a claimant can apply for benefits. However these systems and policies work in the long run, in the short run, they exacerbated challenges faced by eligible claimants to get or maintain their benefits after BenMod was implemented.

The technological challenges experienced for the past 15 years—such as the IBM contract and BenMod—reflect underlying hazards of wholesale contracting of IT systems to for-profit vendors.¹² These vendors do not appear to have sufficient interaction with users when designing software. They have failed to translate complex federal eligibility rules into simple language that can't be misinterpreted (in English, never mind other languages). They are reluctant or simply unwilling to customize "off-the-shelf" programs developed for other states to Pennsylvania's eligibility rules and are slow and expensive when it comes to implementing necessary changes. As discussed in the recommendations below, Pennsylvania needs a new approach to its UC IT contracting and needs to partially turn back the clock by making in-person assistance available to UC claimants who cannot successfully navigate the system without such assistance.

¹² Elliot Sclar has written extensively about the hazards caused when governments contract out entire information technology systems. Failing to retain significant IT responsibilities and staff, internally, means that governments cannot evaluate the quality or cost of vendors' services. The vendor then has the government client over a barrel. The uncertain but potentially large transition costs of changing vendors—and inclination to stay with "the devil you know"—makes governments vulnerable to cost overruns, delays, and low-quality service. See, for example, Elliot Sclar, *You Don't Always Get What You Pay For The Economics of Privatization*, Economic Policy Institute, 2000, https://www.epi.org/publication/books_privatization2000/.

In Their Own Words: PA Workers on Accessing UC Benefits

Specific examples may help convey the consequences of Pennsylvania's overburdened UC system for workers and their families. Below are four such examples.

A Machinist

My name is Don Cannon and I've been working for decades as a machinist. I've been able to provide for my family, raising two sons and working for several different corporations.

I've had to deal with layoffs in the past, including when one of my employers closed our plant and it forced me to move to a new job. Before 2021, I never had much trouble getting the unemployment benefits I was entitled to receive.

In 2020, my employer of 15 years, Trigon Corporation, was experiencing COVID-related reduced demand and offered a voluntary layoff opportunity. I decided to take that offer, let younger workers keep working, and applied for and started receiving regular unemployment benefits. Then, in June of 2021 my UC checks stopped. I tried calling and emailing with my wife Karen's help. We couldn't reach anybody because of constant busy signals plus the email responses didn't address my questions. I couldn't understand why after a year of collecting, suddenly the system wasn't working anymore. I later understood that my online continuing claim form required every two weeks got rejected after the Department put in place a new computer-based or "mass adjudication" approach to evaluating eligibility. The computer didn't like one of my answers. I still don't know which one.

After several weeks of trying to get my UC payments I gave up and decided to retire. At least I could get a small pension and Social Security and that was better than staying in the workforce and waiting maybe forever for my UC benefits.

Then, in March of 2022, I got a scary notice that said I did something wrong when I applied for benefits in 2020, accused me of committing fraud and saying I owed \$42,827, everything I had received since 2020. I later found out that this same notice had been sent to hundreds of thousands of claimants, all saying we hadn't made a valid application for benefits and accusing us of fraud.

Then I started getting monthly overpayment notices with payment coupons that said that the department could take my IRS income tax refund, file a lien on my home and that they might criminally prosecute me. I was scared. My one son was finishing college, and my wife and I were helping with tuition and my other son was getting married and now the state UC system said I was a fraudster and had to repay everything that I'd gotten in benefits. Again, I called and emailed and tried to find out why I was being denied two years after I'd been determined eligible for UC benefits.

I was getting ready to go end my retirement and get a new job and looking to see if I had enough credit cards available to pay back the money I'd received from the system since they said I'd committed fraud. My wife started planning to work until she was much older than we had hoped.

I appealed the benefit denial. The paperwork was so confusing, it didn't make sense to me. The debt weighed on me every day, I couldn't stop thinking about what my wife and I would do, the stress was terrible. I'd never been accused of fraud in my life and now I might even go to jail.

We finally reached the Mon Valley Unemployed Committee for advice and heard that this determination had gone out to hundreds of thousands of others, all saying that people were fraudsters and could lose their homes and go to jail. Mon Valley's assurance that it would help us fight to fix the issue was the only thing that kept my wife and I sane through this awful time. Mon Valley also helped me figure out that as my case moved towards an appeal, there was a second determination by an examiner—not a computer—that I wasn't eligible because I went on a permanent voluntary separation. Mon Valley says that a court decision found that people in my situation should receive benefits.

I'm still waiting for an appeal hearing to try to clear my name and stop the UC system threats to take back the unemployment benefits I received.

A Bartender and Self-Employed Photographer

My name is Heather Mull and I have been a self-employed photographer for 15 years. Before the pandemic, I picked up some part-time work as a bartender at a brewery to help supplement my income and give me something to do when there was downtime between photography jobs.

In 2020, a few weeks before the mandated shutdowns took place, I lost my bartending job at the brewery. When the mandates were put in place, and everything closed, I lost the ability to continue my photography work. In March, the government announced a new unemployment program (PUA) for those who were self-employed. I read all the requirements and felt that I fit the requirements for PUA since I had a combination of part-time wages from an employer and my full-time self-employment wages, so I went ahead and applied for PUA in April when the application became available.

I filed many weeks without receiving any benefits. At first there was no phone line for PUA and when trying to verify what program I should be on I was told to refer to the handbook. At that time there was no handbook for PUA, only for the regular unemployment program. As soon as the new phone line was open for help with PUA I tried calling. It was impossible to get through to the helpline and my emails were going unanswered. After not being able to get through I reached out to my state representative and state senator to try and get assistance on finding out why I was not getting paid. I was told by one legislative office that unemployment wasn't even responding to their calls.

Filing for months without answers, I depleted my savings, and it was really stressful not getting paid and waiting forever. Finally in August 2020—about five months after I first filed for UC benefits—I received two checks in the mail for all the weeks I filed up to that point. The next day I received a phone call from an examiner who told me I was on the incorrect program. The examiner was a little unsure about the PUA program and how to read my Schedule C that included my self-employment income, but she moved forward and set me up a claim on regular unemployment based off my part-time bartending job. My weekly benefit went from \$195 PUA benefit to \$79 a week. (KRC note: This was half Heather's weekly pay in the highest quarter of her base year.)

After the examiner set me up on regular unemployment, I was extremely overwhelmed with all the documents that were sent to me. After waiting months and months for my benefits the state then turned around and issued me overpayment notices for the money I received from PUA. The overpayment notices had confusing and intimidating language. After August 2020, I was afraid to continue filing after I had so many bumps on the road.

I then received notice that my regular unemployment claim was denied because the brewery that I had worked for was fighting my claim. With the help of the Mon Valley Unemployed Committee, I appealed that denial and was ultimately found eligible after my hearing.

From the beginning there was no guidance, no phone number, no response to emails, the application questions were confusing, even for someone with an English degree, and when you did get to speak to someone, they did not have answers for complex cases like mine that included mixed wages. I continue to have anxiety today when receiving mail from PA Unemployment.

A Local Union President

As an officer of my local union I feel a lot of responsibility for my members. And when we get laid off at least a couple times every year, I expect that they will be able to get their unemployment benefits just like we have for decades.

Now, with this new unemployment system, most of my members can't even begin to sign up or reopen their claims. Whether it's that your "username" or "password" that doesn't work or your ID.me identity won't recognize you or you can't get into the system to sign up for your weeks—the system isn't working now.

And I know because I'm just like my members, trying to sign up for my unemployment checks. My ID.me wouldn't work until I went to Harrisburg to the state unemployment oversight committee, the UC Advisory Council. I went up to an ID.me manager there and got a call back to fix my problem in a few minutes. My fellow officer brought a couple more names of our members still struggling weeks after being laid off and took them up to the chair of that meeting, who promised to fix our members' problems. He even called back personally that night to say he'd get them paid.

My 30 laid-off members eventually did get their benefits. Our bills were overdue, but no one lost their homes. But how about everybody who doesn't have the opportunity to talk to the people running this disastrous unemployment system?

And then there's the next time. Last week there was another temporary layoff. Now many of my members have a new problem. One of the questions on the application is "Do you still work for our company, Union Electric Steel?" These guys expect to return to the company when the temporary layoff ends so they checked "yes"—and the online application stopped, and they couldn't go back on their application and change that answer. They were directed that they must call the UC system and talk with a staff person by phone. Do you know how impossible that still is?

My members are only laid off for a few weeks each year. It must be so hard for people who have to fight to get benefits when they've lost their jobs entirely and wait the months we have had to wait.

One of my fellow union leaders who represents seasonal construction workers laid off every year with lots of experience in getting unemployment decided to quit and go on his pension years before he wanted to, so he didn't have to fight to get his benefits. Probably the saddest thing I've seen is several members have cancelled summer vacations with their families so they can take the vacation time when our plant lays them off later this year as they always do. They can't count on getting paid for their vacation time.

A Philadelphia Human Service Worker¹³

I was laid off on 3/31/22 when my grant funded job ended and I should have been able to receive unemployment, but the Department of Labor failed me. Prior to my lay off, sometime between September-November 2021, I was the victim of identity theft/unemployment fraud and my employer, and I reported it. However, the fraud investigation left me unable to apply for benefits in April 2022 and froze my unemployment case, preventing me from even accessing the online portal. In early April, I was told my case would need to be investigated, but I was not given a timeframe for completion and told that I would need to wait until someone in fraud investigations contacted me to help me apply for unemployment. It took a full 25 weeks to receive a call. It also took many inquiries from the Philadelphia Unemployment Project (PUP) with PUP being told only that my case was with the fraud division. Resolving my case took me contacting a PA State Representative, who sent an inquiry to a legislative portal, and then me having to escalate my story to the PA Lt. Governor and the PA Governor. Once the Lt Governor's office made an inquiry on my behalf, it took just one week to get a call from unemployment. This week I hope to receive my benefits and finally put this nightmare behind me. (Note: this claimant's unemployment benefits were finally received at the end of October, about 31 weeks after her layoff.)

In reaching out to the Governor and Lt Governor, I shared that after 24 weeks of waiting, without income, I was now in financial crisis. My emergency savings were gone, my credit cards maxed out, bills were overdue, and I had shut-off notices. I shared that I was only able to stay afloat by borrowing money from my elderly parents to keep my mortgage payments current, and that I continued to apply for jobs daily. Finding a job has been difficult because I now live in a rural area where my expertise in human services is not in demand, my master's degree isn't valued but seen as an overqualification, and most jobs do not pay a living wage or hire full time. Also, many jobs in my industry take several months of vetting, multiple interviews and weeks verifying necessary clearances before a job offer can be solidified. So finding a decent job can be a lengthy process.

I am here today because your help is needed. My case clearly fell through the cracks. There's no method to contact Labor and Industry as they don't have a physical office to enter. There's no policy that I'm aware of that states issues such as mine must be addressed in a timely manner. It should be illegal not to have a reasonable timeframe and protocols in place to ensure families don't become destitute after being victimized by identity theft. There seems to be no accountability for these oversights, and I experienced a lack of transparency throughout the last six months of waiting. I feared that I would never resolve my case and had I not reached out to top leaders in PA government, I know I would still be waiting. And there are others working with PUP that have been waiting longer than me. Some other issues I have experienced include that the customer service number is consistently busy from the day's start to the day's end. In the improbable event that you can get through, wait times are several hours just to either get disconnected or be told they couldn't help because my case was assigned to the fraud department, and they couldn't tell me who it was assigned to or when I'd get a response. I read in an article there are only 21 fraud investigators for the entire state of Pennsylvania and that there are likely thousands of backlogged cases.

Each waiting case is a person, with a family and a life that they are trying frantically to hold together through recession, inflation nightmares and an endlessly evolving post pandemic environment. Many like me, waiting for unemployment benefits, are at the mercy of a failing system and in absolute

¹³ This example is a slightly shortened version of testimony to the State Advisory Council on Unemployment Compensation.

financial crisis. This system has no empathy. I was just a backlogged case amongst countless others. But I'm not a number or case, I'm a single mother of four who worked consistently for 20 years up until my layoff. I am not someone that doesn't want to work. I worked full-time through my chemo and cancer treatments, and I even worked right up until the births of my children; returning to work when my youngest three were each about three weeks old, to be able to support them on my single income because partial pay that we call maternity leave wasn't going to support my family. I also worked full-time through earning a master's degree while completing an internship. And for the past 20 years, I have been an advocate for low-income families and youth through my work in human services.

Now, I need you to advocate for me and others like me, to change this broken system. I need you to address the gaps in this system that allowed someone to be able to apply for benefits in my name and to steal money that I worked so hard earning...I need you to demand that the Department of Labor and Industry properly inform impacted workers of who is assigned to their fraud case, offer a viable method of how to contact those workers for updates, and a reasonable response time for the completion of an investigation...I also think that if there are not enough customer service workers to handle the phones, that the state should contract with nonprofits and outsource some phone tasks so that UC workers can focus on other more complex tasks. There also need to be in-person services available, especially for complex cases like mine.

PA's UI System: A Frayed Safety Net Designed for the 1950s

The Social Security Act of 1935 established the U.S. unemployment insurance system nearly a century ago in the depth of the Great Depression. At that time, a central priority was to put money in the pockets of jobless workers. That would enable workers to support their families and boost their purchasing power, helping to stem the vicious circle of layoffs and declining consumer demand that economists believed led to unemployment levels of over 25% in the 1930s. Unemployment insurance was seen as most relevant to male manufacturing workers. Once the economy fully recovered during and after World War II, laid-off manufacturing workers were expected to go back to their old company, and often their old job, when the economy rebounded. For that reason, retraining was not seen as needed.

The core of U.S. unemployment insurance has remained unchanged since its early decades. It consists of partial income replacement for employed workers laid off from a job. (Box 3 contains additional basic background information on UI in Pennsylvania.) Shifts in the economy since the 1950s and the conservative drift of national policy since the Reagan administration have made unemployment insurance, while still a lifeline for unemployed workers and their families, a less adequate support system. Manufacturing workers now make up less than one in 10 Pennsylvania workers, and female labor force participation and wage and income inequality have increased, with the consequence that many workers who lose jobs today are paid poorly. Fifty percent of a unionized manufacturing job in the 1950s might have enabled families to pay the mortgage and put food on the table. Fifty percent of a near-minimum-wage job does not do that today. Among employees potentially eligible for unemployment compensation, low-paid, intermittently employed workers who most need benefits—disproportionately women and people of color—are the least likely to meet the required thresholds for “credit weeks” and for earnings. In addition, traditional unemployment compensation does not cover gig workers or other self-employed or independent contractors, expanding categories of the workforce in the modern economy.

Box 3: Pennsylvania Unemployment Benefits: the Basics

- Traditional UI in Pennsylvania provides benefits to “employees” who meet both monetary criteria that demonstrate sufficient work experience and additional, non-monetary eligibility.¹⁴
- On the monetary front, employees who lose jobs in Pennsylvania must have earned at least \$116 in 18 or more (“credit”) weeks in their “base year” with at least 37% of earnings outside the high-earning quarter in that base year.¹⁵
- Reflecting the origin of UI in the New Deal, when information on wages prior to losing a job would take time to collect, the base year is generally the first four of the last five completed calendar quarters prior to the date people apply for benefits (technically prior to the Sunday of the week people apply for benefits).
- Pennsylvania non-monetary eligibility rules, shaped by state statute, regulations, and court decisions, result in most people who quit jobs not being eligible for unemployment compensation. While some states

¹⁴ See the eligibility rules here: <https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/Pages/am-I-eligible.aspx>, where you can click through to find more details about financial eligibility (<https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/financial-eligibility/Pages/Financial-Eligibility.aspx>), nonfinancial eligibility (<https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/benefit-eligibility/Pages/benefit-eligibility.aspx>), and what is required to maintain eligibility (<https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/maintaining-eligibility/Pages/default.aspx>).

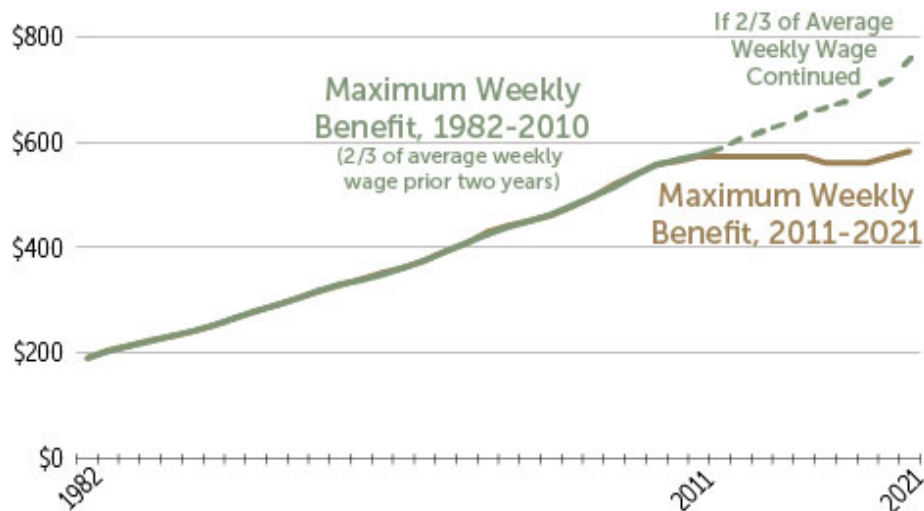
¹⁵ Financial Eligibility – The Notice of Financial Determination, PA Office of Unemployment Compensation, <https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/financial-eligibility/Pages/Financial-Eligibility.aspx>.

have regulations or statutes with “good cause” exceptions, which allow people who quit for a good reason to receive benefits, Pennsylvania makes few such exceptions, primarily allowing claimants with certain health problems to be eligible for benefits.

- Unemployed workers receive benefits equal to half their average weekly wage in the highest quarter of their base year up to the state’s maximum weekly benefit.
- After cuts in Pennsylvania’s maximum weekly benefit level by the state legislature (see box 4 and figure 3), Pennsylvania has the 12th highest maximum benefit, \$594 per week, closer to the average (\$484) and median (\$450) for all 50 states than to the highest state (Massachusetts at \$974).¹⁶
- Pennsylvania finances unemployment benefits through contributions from employers and employees. Employers pay UI taxes on the first \$10,000 of wages for each of their employees. Thirty-three states collect employer contributions on more than the first \$10,000 in wages.¹⁷ Whenever the Unemployment Insurance Trust Fund is at low levels, as it has been for most of the past two decades, employees pay a small employee UI tax on their entire wages.¹⁸
- Currently, with the Pennsylvania UC Trust Fund balance at low levels, workers’ UC benefits are reduced by 2.4%, which is viewed by unemployed people as an unfair “tax.”¹⁹

Figure 3

Pennsylvania’s Maximum Weekly Benefit \$179 Lower in 2021 Because of 2011-12 Cuts



Sources: Keystone Research Center based on Pennsylvania Department of Labor & Industry, “Actuarial Evaluation 2021: Financial Operations of the Pennsylvania Unemployment Compensation Program,” Table A1, p. 27; online at [https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation\(ActuarialEvaluation.pdf](https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation(ActuarialEvaluation.pdf); and PDL&I, Actuarial Evaluation 2007, “Weekly Benefit Rates and Earning Requirements,” p. 39.

¹⁶ 2022 to 2023 Maximum Weekly Unemployment Insurance Benefits and Weeks By State, Saving to Invest, updated November 6, 2022, <https://savingsinvest.com/maximum-weekly-unemployment-benefits-by-state/>.

¹⁷ For details about PA UI taxes, see <https://www.uc.pa.gov/employers-uc-services-uc-tax/information/pages/default.aspx>.

¹⁸ Pennsylvania workers contribute to funding unemployment insurance: six one-hundredths of 1% of all wages or \$6 for every \$10,000. This approach was negotiated by the PA AFL-CIO and PA Chamber of Business and Industry in the 1980s with workers’ contributions becoming a third alternative to making the system financially sound at employers’ expense (by raising taxes) and at unemployed workers’ expense (cutting benefits/eligibility). Workers’ funding adds flexibility as well as resources because employees’ contributions are not subject to the same constraints as employers’ contributions, which can only be used for benefits for eligible unemployed.

¹⁹ <https://www.uc.pa.gov/unemployment-benefits/benefits-information/Pages/Potential-Reductions.aspx>.

Last, while it still happens in comes cases, most unemployed workers today do not go back to their old job. Yet unless their job loss is certified as the result of “trade,” most unemployed workers get little or no assistance finding and/or retraining for their next new job.²⁰ In fact, the United States is an extreme outlier among countries in the Organization for Economic Co-operation and Development because it spends so little on helping unemployed workers retrain and search for their next job—0.11% of gross domestic product in 2019 compared to the OECD average of 0.45% and 1.88% in Denmark.²¹

On the financing and solvency side, the Pennsylvania unemployment system is one of the most underfunded in the nation. This is primarily because employer UI taxes are collected on only the first \$10,000 of wages.²²

One indicator of the atrophy of the unemployment compensation system is the decline in the share of unemployed U.S. workers receiving unemployment insurance—also called the “reciency rate” (figure 4).²³ This rate fluctuated at around half of all U.S. workers in the 1950s, about four of 10 workers in the second half of the 1960s and 1970s, fell to around a third of workers in the 1980s, and just about a quarter of workers in the 2010s—roughly half the reciency rate of the 1950s. Pennsylvania’s ranked first for reciency rate in 1976 (the first year in which state-level data are online at USDOL), at 56%; 11th in 2019 (pre-pandemic) at 37%, and 11th in 2021 (at 44%).²⁴ Keep in mind, also, that these declining reciency rates are among the officially unemployed: if we also considered the expanding ranks of gig workers, misclassified independent contractors, and underground/cash economy workers, the erosion of coverage would be larger still. Pennsylvania’s reciency rate, its maximum benefit rate, and its benefit levels for workers receiving partial unemployment benefits while working part time all eroded because of cuts in UI benefits and eligibility enacted in 2011 and 2012 in Governor Corbett’s first term (figure 4, figure 4, and box 4).

²⁰ An exception is the Reemployment Services and Eligibility Assessment (RESEA) program discussed at the end of this brief.

²¹ These figures are for what the OECD, and economists, call “active” labor market policies (category 210 in the OECD source). Even if you add active and “passive” measures—the latter consisting mostly of income maintenance in the form of unemployment benefits—the U.S. is an outlier on the low side in non-recessionary periods, spending only 21-25 percent of the OECD average from 2013 to 2018 (these figures are for category 200 in the OECD source). Source: <https://www.oecd.org/els/emp/employmentdatabase-labourmarketpoliciesandinstitutions.htm>; select data next to “Public expenditure as a percentage of GDP and in millions of national currency units.”

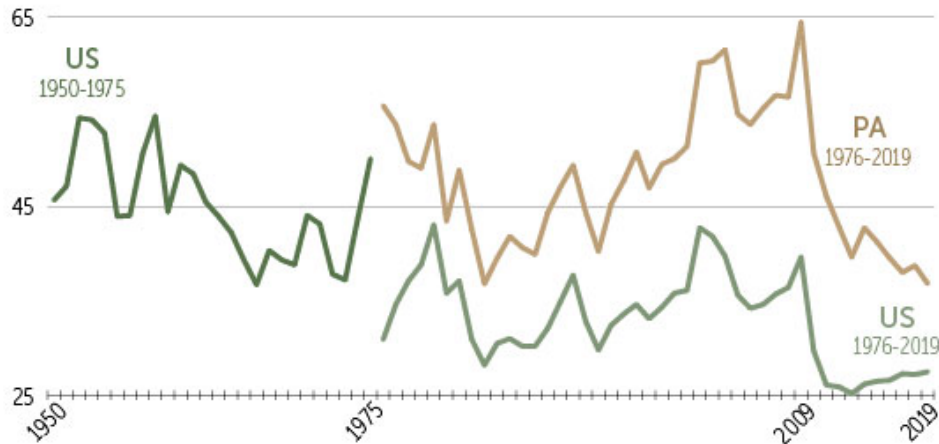
²² On the overall solvency of Pennsylvania UC Trust Fund, see U.S. Department of Labor, Office of Unemployment Insurance Division of Fiscal and Actuarial Services, “State Unemployment Insurance Trust Fund Solvency Report 2022,” <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2022.pdf>.

²³ The reciency rate data for the US dating back to 1950 is sourced from the US Department of Labor’s UI Chartbook Option 13. Other publications on this subject use a similar chart but from different sources such as the Current Population Survey. The rates used in some of these publications differ slightly from the current USDOL figures. For more information and figures using national reciency rate, please see page 38 of *Unemployment Insurance Reform: Fixing a Broken System*, published in 2018 by the Upjohn Institute and authored by Stephen Wandner or *Unemployment Insurance: Measuring Who Receives it*, July 1997, by Stephen Wandner and Thomas Stengle, <https://stats.bls.gov/mlr/1997/07/art2full.pdf>.

²⁴ Keystone Research Center calculations based on USDOL data accessible online at <https://oui.doleta.gov/unemploy/Chartbook/a13.asp>.

Figure 4

The Share of the Unemployed Receiving UI Benefits Falls Over Time in Pennsylvania and the United States
 Pennsylvania, 1976-2019 and US, 1950-2019



Note: As noted in the source, we use the same data series for the United States and Pennsylvania ("option 13") for the period 1976-2021. Since this data series starts in 1976, we use a different series ("option 12") for the US from 1950-1975. For the 1976-2021 period in which both the option 13 and option 12 measures are available for the US, the two measures are within 1.3% percentage points with two exceptions. The two exceptions: 1976, in which the difference is nine percentage points and 1977 when the difference is three percentage points. The use of different series for the 1950-75 and 1976-2021 periods for the US results in the break in the series in the figure (i.e., between the two shades of green).

Source: online data available at <https://oui.doleta.gov/unemploy/chartbook.asp>. For PA and the US after 1976, choose option 13 at this link, "Reciprocity Rate, by state" data years 1976-2021. For the US (before 1976), choose option 12 "Regular Program Insured Unemployment as a Percent of Total Unemployment," United States, 1950-2020.

Box 4: Pennsylvania Weakens UI as a Safety Net and an Automatic Stabilizer of the Economy

In 2011 and 2012, the Pennsylvania Legislature and Governor Corbett, through Act 6 of 2011 and Act 60 of 2012, increased the solvency of the Pennsylvania UC system on the backs of unemployed workers—i.e., first, by reducing the number and share of workers who qualify for unemployment insurance benefits and, second, by reducing benefit levels for those workers who still qualified for benefits.²⁵ This experience is a cautionary tale for Pennsylvania's new governor and legislature: in a UC system in which the share of the unemployed who receive benefits and the generosity of benefits have both fallen substantially over time, further cuts in eligibility and benefit levels is not the way the system should seek to achieve solvency in 2023 and beyond.

According to the actuarial reports issued in advance of implementation of the Acts 6 and 60 changes, these bills were projected to produce an estimated average annual "saving"—i.e., reduction in benefits—of \$385 million per year for the UC trust fund and more than \$150 million in interest costs savings for employers from 2012 to 2019.²⁶ The bills reduced eligibility by

²⁵ "Act 6 of 2011," <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2011&sessInd=0&act=6> and "2012 Act 60," <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2012&sessInd=0&act=60>.

²⁶ The breakdown of the changes from both acts can be found on pages 3 through 5 of the actuarial evaluations for 2011 and 2012. See Pennsylvania Department of Labor and Industry (PDL&I), Center for Workforce Information and Analysis (CWIA), "Actuarial Evaluation 2011: Financial Operations of the Pennsylvania Unemployment Compensation Program," 2011, <https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation/2011%20Actuarial%20Eval.pdf> and PDL&I, CWIA, "Actuarial Evaluation 2012: Financial Operations of the Pennsylvania Unemployment Compensation Program," 2012, <https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation/2012%20Actuarial%20Eval.pdf>.

- freezing the maximum weekly benefit at \$573 for five years, with only small increases in the maximum benefit since (see figure 3).²⁷ Previously, the maximum benefit equaled two-thirds of the average weekly wage. The departure from this longstanding rule resulted in a 24% cut by 2021 and much more by 2022 (and, likely, 2023) because of more rapid (nominal) wage increases and inflation.
- raising the minimum weekly benefit to \$70 from \$35—i.e., unemployed workers with earnings that would have resulted in a benefit from \$35 to \$69 no longer receive benefits.
- increasing minimum earnings required to qualify as credit weeks from \$50 to \$100 in 2013 and to \$116 in 2015. To receive UC benefits, PA workers must have 18 credit weeks in their base year.
- reducing the weeks of benefits workers received for those with 18 to 25 credit weeks to their number of credit weeks, whereas previously all workers with the required 18 weeks would receive 26 weeks of benefits.
- decreasing the share of base year wages that may be earned in one calendar quarter from 63% to 50.5%. Thus, some unemployed construction and other seasonal workers whose earnings concentrate in a single quarter lost eligibility. For unionized construction workers previously eligible for the maximum benefit, including one operating engineer interviewed by the authors, this could amount to nearly \$15,000. (That is, \$573 times 26 equals \$14,898.) The Legislature subsequently reversed this change later in the decade.
- reducing UI benefits for workers that receive severance pay exceeding 40% of the Pennsylvania average annual wage. In many cases. A numerical example on the Department of Labor and Industry website shows that a worker who receives \$42,000 in severance pay may receive no UI benefits in the first 18 weeks instead of the maximum benefit, a loss in benefits of \$10,000.²⁸
- reducing unemployment benefits received by part-time workers.²⁹

This lightning speed overview of the history of unemployment insurance lays the foundation for the principles and recommendations below. It underscores that unemployment insurance

- needs to cover more workers, especially low-paid and precarious income workers (gig workers, misclassified workers).
- needs to replace a higher share of lost wages, especially for low-wage workers.
- needs to be more accessible to workers, especially those without internet access or who aren't able to use this technology and those with limited English proficiency.
- needs to be complemented by additional "reemployment tools," including but not limited to training, which would benefit employers as well as workers.

²⁷ The maximum weekly benefit remained at \$573 from 2011 to 2016. It declined further to \$561 in 2017 to 2019 and rose to \$572 in 2020 and to \$583 in 2021. See PDL&I, CWIA, "Actuarial Evaluation 2021: Financial Operations of the Pennsylvania Unemployment Compensation Program," Table A1, p. 27, <https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation/ActuarialEvaluation.pdf>.

²⁸ Office of Unemployment Compensation website, "Miscellaneous Issues," <https://www.uc.pa.gov/unemployment-benefits/Am-I-Eligible/benefit-eligibility/Pages/Miscellaneous.aspx>.

²⁹ In a formula for computing UI benefits for part-time workers (<https://www.uc.pa.gov/unemployment-benefits/benefits-information/Pages/Partial-Benefit-Credit.aspx#:~:text=You%20may%20work%20part%2Dtime,are%20subtracted%20from%20that%20total>), Pennsylvania lowered the "partial benefit credit" from 40% to 30%. It may help to consider a simple case of a worker earning \$500 per week in the base year and so is ordinarily eligible for a weekly benefit rate (WBR) of \$250. If that worker now works half time, earning \$250 per week, their UI benefit with a PBC of 40% would be \$100 per week—i.e., \$250 (WBR) + (\$100) (PBC = 40% of WBR) - \$250 (weekly or "Sat-Sun" earnings) = \$100. When the PBC declines to 30% of WBR (i.e., \$75 instead of \$100), the weekly partial UI benefit declines to \$75 per week. In this example (and, perhaps, in general), the change in the law results in partial UI benefits making up 30% of the loss in earnings instead of 40%.

Fixing Pennsylvania’s Broken UC System

Now that we have outlined challenges faced by the Pennsylvania UC system—both those exacerbated by two years of a pandemic, the implementation of the new UC system by GSI and the long-term challenges of UC in the United States and its erosion over four decades—the rest of this white paper looks forward and focuses on solutions. We start by outlining a set of principles that we recommend the next governor use as a guide for Pennsylvania UC policy from 2023-26. We then discuss the “how” — policies that could create a UC and reemployment system that honors the principles.

Principles: unemployment benefits and new opportunities for all

A plan for Pennsylvania’s unemployment compensation system going forward needs to be guided by values and principles. What process (e.g., efficient and respectful treatment when seeking UC benefits and related services) and substantive (coverage, wage replacement, system solvency, etc.) standards should Pennsylvania workers, UC claimants and employers reasonably expect our unemployment compensation system to meet? Box 5 details 10 basic principles, informed by both the standards that have NOT been met in recent times and by a more aspirational vision of a modern reemployment system.

Box 5: Principles—Unemployment Benefits and New Opportunities for All

Provide quality—timely, transparent, humane—service to workers

1. Increase system transparency and accessibility: ensure that ALL claimants (including non-English language speakers and the technologically challenged) can access the system and apply for benefits; that all communications (online and by mail) from the UC system be readable at a “newspaper” level; that notices of benefit denial be specific enough so that claimants understand why they are denied and, when the denial is for a lack of information or other reason claimants can address, claimants are allowed to fix that issue without waiting for an appeal hearing.
2. Ensure timeliness including prompt benefit payments so that ALL claimants receive eligibility determinations and appeal decisions within time periods that meet USDOL performance standards or that benefits be paid until such decisions are made with payment of non-fault, non-fraud benefits retained by claimants if benefits are ultimately denied.
3. Don’t penalize claimants who are victims of fraud and/or identify theft: when fraud occurs because claimants have their identity stolen, and the claimant can prove their identity, benefits should be restored immediately, and claimants made whole for any benefits stolen. In non-fraud, non-fault overpayment cases, overpayment notices and “reminders” should be non-threatening and make clear if repayment is voluntary.
4. Fully staff UI call centers and make in-person, individualized services available to all in the state CareerLink centers. Develop contingency plans to maintain this level of service in any future pandemic or recession.
5. Restore due process to the system.

Build a strong financial and technological foundation for unemployment insurance

6. Create a solvent system without cutting benefits or eligibility by expanding the employer wage base on which UI wage taxes are imposed.
7. Limit and modify contracting out of UI services to make the state less dependent on vendors insensitive to UI claimants’ experiences and looking to use the state’s dependence to maximize their profits without being accountable for service quality.

Improve benefits and reemployment supports

8. Broaden eligibility—i.e., seek statutory, regulatory, and/or administrative changes in line with best-practice states to increase the share of jobless workers who receive benefits including “gig” workers and other self-employed, independent contractors, part-time workers, and others.³⁰
9. Increase benefits towards wage replacement, especially for lower-wage workers. People who have earnings in their high-wage quarter cannot afford to receive only 50% of that low amount when unemployed.
10. Make unemployment benefits part of a reemployment system that helps workers land new family supporting jobs and provides great workers for Pennsylvania employers.

How: Recommendations to achieve a UC system that honors the principles

We now turn to specific recommendations to Pennsylvania’s next governor to achieve a UC system that honors the principals above. We start with an optimistic observation: Pennsylvania’s challenges with UI administration are not unique to our state. The Biden Administration U.S. Department of Labor is assisting states—including Pennsylvania—to address those challenges. Further, the National Association of State Unemployment Insurance Agencies is seeking to encourage more peer learning and sharing of best practices to improve administration. Pennsylvania’s UI system CAN BE fixed with the leadership of a new governor.

UI Administration

- Appoint a PA “Quality Unemployment Compensation (UC) Team” (drawn from those using the UC system and their advocates, workers who staff the UC system, and data management and systems experts) to review the state system and make recommendations to the next administration to make whole those still struggling to get benefits owed from the last few years and make UI accessible to everyone, now and in the next economic downturn or pandemic.

Pennsylvania is one of the first dozen states to receive direct technical assistance to its UC system from USDOL through a “tiger team”—a multi-disciplinary team of experts including fraud specialists, equity and customer service experience specialists, UI program specialists, behavioral insights specialists, business intelligence analysts, computer systems engineers/architects and project managers. These teams “deploy to states to conduct intensive discovery assessments, provide resources for identification verification and propose solutions to address fraud and equitable access.”³¹ The findings of these tiger teams are not public, a USDOL decision based on the view that confidentiality can better assure state agency cooperation and openness about problems. These findings, however, will be accessible to the next governor and the next leadership team at PDL&I and should be part of the foundation for the next

³⁰ As Governor Wolf discovered in implementing new minimum wage regulations and a higher PA salary threshold below which PA salaried workers would automatically be eligible for overtime, many labor policy changes can be accomplished through regulations. Thus, one of the early policy tasks for a new governor supportive of these principles will be determining, if the state legislature is unwilling to change Pennsylvania statutes, which principles can be achieved through regulation. A similar detailed analysis would be needed to determine whether additional federal waivers are possible that would advance these principles.

³¹ For USDOL’s own short description of tiger teams, which is paraphrased in the text, see <https://www.dol.gov/newsroom/releases/eta/eta20210811>. On Pennsylvania’s status as one of the first dozen Tiger Team states, see <https://news.bloomberglaw.com/daily-labor-report/dols-tiger-teams-eye-unemployment-fixes-in-six-more-states>.

governor's independent assessment of the UC system and how to fix it with the help of a PA quality UC team.

- Adopt best state administrative practices including recommendations from PA's USDOL-funded tiger team recommendations.
 - Piggyback on efforts by New Jersey and other states to adopt a “modular” approach to upgrading UI information technology systems, avoiding “reinventing the wheel” and avoiding a replay of past dependency on vendors for completely new UI systems with huge cost overruns and impenetrable user interfaces.
 - Join other states in advocacy for reform of federal eligibility rules to make them more compatible with heavy reliance on online applications and speedy automated approval of eligibility.
 - Enact state statutory and administrative reforms to simplify UI administration and make it more compatible with computer-based approval of eligibility.

An emerging UI state IT (information technology) best practice, championed currently by the National Association of State Workforce Agencies, is to “modularize” the computer systems that support unemployment insurance, avoiding wholesale contracting out of the entire UC IT infrastructure to a single vendor—an approach that has proved a nightmare for Pennsylvania multiple times.³² The logic of modularization is simple enough and is consistent with the classic research on privatization by Columbia Professor Elliot Sclar cited earlier. If an agency relies on a single vendor and, in addition, has little or no internal capacity, the agency cannot evaluate when it is and when it isn't being taken to the cleaners. How much Pennsylvania can shift towards a more modular approach, versus being stuck with doing its best to improve the terms of its contract with BenMod developer GSI, is one of the questions Pennsylvania's own PA quality UC team will need to evaluate.

- Appoint unemployment advocacy representatives including community-based organizations that assist unemployed people to the Unemployment Compensation Advisory Council and empower that Council by implementing its recommendations.

In recent years, UC IT companies and labor agencies have too often had dysfunctional relationships with unemployed people and their advocates. In the business world, the importance of user-friendly design, informed by extensive engagement with customers, has been a well-known best practice for decades. As far as Pennsylvania workers and advocates can tell, however, these best practices were ignored in the design of the off-the-shelf BenMod system and in the arrogant refusal of GSI to customize its system to Pennsylvania's UC rules and regulations. For example, in one early meeting that included the president of the PA AFL-CIO in his role as a member of [PA's UC Board of Review](#), GSI declared that to make its system work, Pennsylvania would have to change a raft of UC statutes. At first blush, the state's 2,500-page contract with GSI has eye-popping terms that are favorable to the vendor (e.g., a requirement to destroy the prior Pennsylvania IT system once BenMod was implemented). Going forward, the next governor should use transparency as part of shaming GSI and its representatives into giving Pennsylvania a better deal and cooperating with modularity and other approaches that reduce the state's vulnerability to profiteering by GSI.

³² This paragraph is based, in part, on an interview with New Jersey Labor Commissioner Robert Asaro-Angel, whose biography is online at [https://www.nj.gov/labor/aboutlwd/#:~:text=Commissioner&text=Robert%20Asaro%2DAngelo%20\(Uh%2D,services%20to%20New%20Jersey%20workers](https://www.nj.gov/labor/aboutlwd/#:~:text=Commissioner&text=Robert%20Asaro%2DAngelo%20(Uh%2D,services%20to%20New%20Jersey%20workers).

- Transparency and public confidence: working with the Unemployment Compensation Advisory Council, develop a trusted dashboard that is a publicly accessible reporting system on UI system administrative performance, updated whenever new data become available and with the goal of restoring trust among workers, advocates, and the PA UI system. Until all such claims have been dealt with fairly—and not forgotten or brushed under the rug—transparency should include regular reporting on still-unresolved claims filed in the pandemic from 2020-2022 from DL&I officials and contractors. This should include analysis of how many claimants may have given up continuing to seek benefits because of the delays and confusion of the last three years.
- Automate payments of uncontested claims: PDL&I should adapt its new “benefits modernization” technology to automatically pay claims to which employers have not responded within 14 days, as required by Pennsylvania’s UC Law.³³ As soon as the 14-day period has elapsed without employer responses, PADL&I would review applications, to ensure that the reasons for employment separations presented by the claimant permit UC eligibility. Currently, employer non-response often leads to claims being put aside and long delays. As Community Legal Services notes “Harnessing the power of technology to pay claims immediately when an employer has not responded is a no-brainer.” Uncontested claims would be paid more quickly. Other claims would as well, because of the reduction in the number of cases requiring adjudication. More broadly, the stress on PDL&I’s limited staff resources would be relieved. And Pennsylvania’s poor timeliness rankings and performance should improve.
- To restore the option of in-person individualized service, locate UC customer service staff in every CareerLink® in the state. The state has begun to hire such staff with resources from an “equity grant” provided by USDOL to “promote equitable access to UC programs, which includes eliminating administrative barriers to benefit applications, reducing state workload backlogs, improving the timeliness of UC payments to eligible individuals, and ensuring equity in fraud prevention, detection, and recovery activities.”³⁴
- Adequately staff UC service centers, capitalizing on the potential to recruit more easily, and improve retention, because of the negotiation of better compensation for service center staff. As part of adequately staffing UC service centers, deploy a help desk of specialized customer service representatives for claimants and employers who have technology obstacles.
- Recruit experienced, mission-driven professionals for critical policy and program positions related to UC in DL&I and in the Governor’s Office. Solicit input to find good candidates from current Biden administration and former Obama administration officials and their networks, national advocacy organizations like the National Employment Legal Project and The Century Foundation, and community- and legal services-based unemployed advocates.

³³ This recommendation comes from Community Legal Services of Philadelphia, “Timeliness of UC Payments Should Be Improved By Automated Payment of Claims with No Timely Employer Responses,” November 2022. As this report went to press we learned that some progress on this recommendation may be in the offing.

³⁴ Susan G. Levine, Acting Assistant Secretary, Employment and Training Administration, “Advisory: Unemployment Insurance Program Letter No. 23-21 to State Workforce Agencies: Grant Opportunity for Promoting Equitable Access to Unemployment Compensation (UC) Programs,” August 17, 2021.

Increase UI Eligibility

- Enact UI statutory and administrative reforms to increase eligibility for UC benefits.
 - Make permanent the option of using an “alternative base period,” which allows UI applicants to count their most recently completed quarter of wages when applying for benefits.
 - Strengthen and broaden eligibility for UI when people quit for a good reason such as compelling family circumstances, including the illness or disability of a family member, a spouse who must relocate because of work, and domestic violence.³⁵ The state could also broaden "good cause quits" to include more employment-related reasons, such as cases when an employer has violated anti-discrimination, wage and hour, or workplace safety laws. Many states have work-connected good cause provisions.³⁶
 - Expand coverage for part-time workers by allowing them to seek employment to replace the part-time work they lost and not requiring them to seek full-time work.
- Encode in regulations the PA Supreme Court ruling that established criteria for gig workers (in that case, drivers for Uber and Lyft) to be eligible for UC benefits, including food delivery gig workers.
- Rein in the misclassification of workers as independent contractors, which denies people access to unemployment insurance by enacting the recommendations of the Joint Task Force on the Misclassification of Employees—including the simple “ABC test” for determining employment status, which is recognized as a state best practice—by statute if possible and regulations to the extent possible if necessary.³⁷
- Survey and consider enacting policies from other states and localities that expand the reach of unemployment insurance including gig workers.

Increase Benefit Levels

These bullets are based in part on an Economic Policy Institute report on reforming unemployment insurance.³⁸

- Increase benefit levels towards replacement income levels, particularly for low-paid workers.
 - Provide weekly benefits equal to 90% of prior wages for workers up to the maximum benefit level). This follows the model of the Washington State paid leave program, where the

³⁵ We say “strengthen” because Pennsylvania does give some people who quit access to unemployment benefits: e.g., for a limited set of health care reasons and a limited set of circumstances when a spouse must relocate. The next administration should review current court decisions (mostly) and regulations related to this eligibility and then develop recommendations for additional regulations, administrative reforms, and statutory changes.

³⁶ For examples, see U.S. Department of Labor, Employment and Training Administration, OUI/DL, “The Comparison of State Unemployment Insurance Laws,” 2021; table 5-1; <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2021/complete.pdf>.

³⁷ The task force recommendations are online at <https://www.dli.pa.gov/Individuals/Labor-Management-Relations/llc/Documents/Act%2085%20Annual%20Report%202022.pdf>.

³⁸ Josh Bivens et al., “Reforming unemployment insurance: Stabilizing a system in crisis and laying the foundation for equity,” Economic Policy Institute, June 2021, <https://files.epi.org/uploads/Reforming-Unemployment-Insurance.pdf>. See especially “Section V. Benefit Levels—increase UI benefits to levels working families can survive on,” <https://www.epi.org/publication/section-5-benefit-levels-increase-ui-benefits-to-levels-working-families-can-survive-on/>.

maximum benefit is \$1,327 per week. (So, a person earning \$1,474 per week receives \$1,327 per week, equivalent to \$69,004 annually.)³⁹

- Eliminate the waiting week which delays the start of UC benefits.
 - Eliminate the severance benefit penalty (see box 4).
- Increase the maximum weekly benefit by reversing the impact of freezing of the maximum benefit level because of Act 6 of 2011 and going beyond that towards the Massachusetts maximum weekly benefit of \$974.
 - Establish a minimum weekly UC benefit rate based on the Pennsylvania cost of living and not on wages received in the base year.
 - Help alleviate food and housing insecurity when parents or caregivers lose a job—provide a minimum dependent allowance of \$35 (inflation-adjusted) per dependent per week.
 - Pennsylvania should also implement three other recommendations from the Economic Policy Institute:⁴⁰
 - “Treat subminimum wage earners fairly by calculating benefit amounts based on what they should have earned if they were paid the prevailing minimum wage or, for tipped workers, wages with tips, whichever is greater.”
 - “Support rather than discourage part-time work as a bridge back to employment by implementing an earnings disregard that keeps part-timers’ UI benefits, combined with their part-time earnings, from falling short of their pre-layoff average weekly wage.”
 - “Support job seekers who are newly entering or reentering the labor market with an allowance of \$200 per week or 20% of the state’s average weekly wage, whichever is greater.”

Create a Solvent PA UI System

- Increase the taxable wage base on which Pennsylvania employers pay UI taxes towards the \$62,500 level in Washington State. Alternatively, since Pennsylvania workers pay employee UI taxes currently on all their wages, employer UI taxes could be imposed on the entire wage base.

Increasing the taxable wage base for employer UI taxes should go along with a reduction in UI employer rates—but a smaller one than the increase in the wage base. Thus, if the wage base increased 10 times, to \$100,000, the tax rate should remain at more than one-tenth of the current rate so that larger total employer contributions move the system towards solvency.

Make Unemployment Benefits a “Trampoline” and a Stronger Safety Net

Implement unemployment benefits and new opportunities for all from 2023 forward as a model for a 21st-century national reemployment system that presidential candidates and campaigns could run on in 2024 or 2028.

³⁹ Washington State Paid Family & Medical Leave website, <https://paidleave.wa.gov/question/how-much-money-will-i-receive/>.

⁴⁰ Bivens et al., “Reforming unemployment insurance,” EPI, June 2021.

Our last category of recommendations aims to modernize the Pennsylvania unemployment insurance system so that, in addition to providing workers with income during periods of joblessness, it provides them with non-punitive support such as career coaching, job search assistance, and training to help workers land a new job that's at least as good as their old job.

Existing U.S. programs offer some guidance for such a system: e.g., the Trade Adjustment Assistance program under which trade-dislocated workers get extended unemployment benefits and access to long-term training, job search and relocation supports; and the Reemployment Services and Eligibility Assessment (RESEA) program under which the federal government provides support for states to identify people with a high likelihood of running out of unemployment benefits and then requires them to participate in career counseling sessions designed to increase their chances of landing a job.⁴¹

- Expand the use of work sharing under which workers cut back from full-time to part-time and receive partial unemployment benefits.

European countries, such as Belgium and Germany, demonstrate the potential of work sharing to drive down peak unemployment rates in recessions and to maintain the attachment of workers to firms when their skills and experience are highly valued. Since the Great Recession 15 years ago, and with some support from the U.S. Congress and USDOL, many states, including Pennsylvania, have sought to expand work sharing. In Pennsylvania, however, work sharing's use has been limited. The state can and should do more, marketing work sharing to make more employers and unions aware of work sharing and distilling best practices from other states that have expanded work sharing the most.⁴² Keystone Research Center can assist the Pennsylvania governor examine work sharing because we have created a user-friendly data base with all available data on work sharing over time from USDOL.

- Extend UI benefits while claimants are in approved training.

Another modest tweak to the current Pennsylvania UC system would be to permit employees in approved training to maintain their unemployment compensation beyond the maximum number of weeks (e.g., 26 weeks in Pennsylvania when the federal government is not providing extended unemployment insurance).

- Make permanent the Pennsylvania "Reemployment Fund" as a source of flexible state training funds for Pennsylvania.

While employer UC taxes must be used for unemployment compensation under the Federal Unemployment Tax Act, employees' contributions have few restrictions. The flexibility has allowed the state to use employees' contributions in the last dozen years to finance new information technology for unemployment insurance through the "Service and Infrastructure Improvement Fund." In addition, Act 60 of 2012 established a Reemployment Fund to which up to 5% of employee contributions to

⁴¹ Pennsylvania participates in this program and, in response to a federal requirement, recently issued an RFP to select a contract who will evaluate Pennsylvania's RESEA program.

⁴² On work sharing, see Stephen Herzenberg and Claire Kovach, "COVID-19 relief should extend CARES Act work-sharing provisions," December 7, 2020, <https://www.epi.org/blog/covid-19-relief-should-extend-cares-act-work-sharing-provisions/>. For more detail about Pennsylvania's use of work sharing, see Mary Madsen and Stephen Herzenberg, "Shared Work, Shared Benefits: Why Expanding Work Sharing Would Pay Off for Employees, Employers, and Pennsylvania in the COVID Recession and Beyond," Keystone Research Center, October 2020, https://krc-pbpc.org/wp-content/uploads/Work-Sharing-Brief-KRC_Final.pdf.

unemployment insurance may be contributed each year. In most years since 2013, workers' contributions to UC have exceeded \$200 million per year and the Reemployment Fund (5% of more than \$200 million) has thus exceeded \$10 million. The fiscal code bill passed with the 2022 state budget extended the reemployment fund through the end of 2024. Given the value of having at least a small amount of flexible state training funds that can finance employer and labor-management sectoral training partnerships (also called industry partnerships) and group apprenticeships with strong connections to employers with good jobs, Pennsylvania's next governor should seek to make the reemployment fund permanent in Pennsylvania's UC law or in a future fiscal code bill.

Enact a "Skills and Career Co-contributions" multi-employer tax credit so that Pennsylvania develops a more powerful infrastructure of industry partnerships and group apprenticeships with connections to employers with good jobs.

Our most far-reaching recommendation in this category is that Pennsylvania's next governor should work with business, labor, and other workforce stakeholders to design and enact a multi-employer training tax credit or "Pennsylvania Learning and Career Infrastructure Co-contributions" statute. Keystone Research Center is working on a separate working paper that will elaborate this concept in more detail. Our goal here is to convey the core concept, which is also explained in [this op-ed co-authored with Congressman Dwight Evans](#).⁴³

- Registered/accredited group apprenticeships, industry partnerships, career education partnerships and other business-led education and training intermediaries would qualify for reimbursement (in the form of a tax credit) of a portion of their documented education and training expenses.
- Reimbursement would work the same way as with Pennsylvania's \$65 million research and development tax credit—i.e., not first come, first served but rather pro-rated based on intermediaries documenting qualifying expenses. For example, if the Legislature authorizes \$65 million the first year and multi-employer groups document \$130 million or less in qualifying expenses, then the member firms of the multi-employer groups would receive an amount equal to half their contribution to group apprenticeship/industry partnership expenses—a 1:1 sharing of the total costs. If multi-employer groups document \$260 million in qualified expenses, employers collectively would get back the full \$65 million available and so receive 25 cents in state funding for each dollar spent.
- This co-contributions proposal should be made "refundable" so that non-profit organizations can also benefit.

With a better funded infrastructure of employer-connected intermediaries, unemployed Pennsylvanians and the workforce system would have better information on standards required to access jobs and upgrade training that would lead to actual placement. At scale, the existence of such multi-employer partnerships could enable Pennsylvania's workforce system to go beyond "train and pray"—a situation in which good training programs don't necessarily increase chances of landing a good job—to "train and place."

⁴³ Dwight Evans and Stephen Herzenberg, "Build a learning infrastructure for a competitive, resilient workforce," June 14, 2021, <https://www.goerie.com/story/opinion/2021/06/14/op-ed-build-learning-infrastructure-competitive-resilient-workforce/7655428002/>.