



Fact Sheet

U.S. Department of Labor | August 11, 2021

Unemployment Insurance Modernization

American Rescue Plan Act Funding for Timely, Accurate and Equitable Payment in Unemployment Compensation Programs

UI Modernization and Supporting Workers As They Return to Work

The unemployment insurance (UI) system is a cornerstone of our economic infrastructure. It supports workers who have lost their jobs through no fault of their own with critical benefits while stabilizing the economy during crises. Over the last year alone, the UI system has helped nearly 53 million workers stay afloat during a pandemic and economic crisis and put nearly \$800 billion into the economy – staving off an even deeper recession.

At the same time, this crisis only further exposed longstanding challenges in UI. While states mobilized quickly to implement new crucial pandemic unemployment programs, they were hamstrung by outdated technology and a lack of resources that made them vulnerable to fraud from international crime rings as well as recent policy changes in many state laws that were designed to make it more difficult to access UI. Taken together, this all made it difficult for states to deliver benefits to unemployed workers quickly and equitably. Even as economic conditions have improved, states continue to face significant backlogs that have delayed benefits to workers, and have struggled to address fraud perpetrated by sophisticated crime rings that are continuing to use new techniques to attack UI systems.

While the core of these challenges will need to be addressed through comprehensive UI reform, we aim to address the most acute challenges states have faced over the last year with the \$2B allocated as a part of the American Rescue Plan Act (ARPA).

The President's 2022 Budget includes a set of principles that should serve as the basis for any major reform of the UI system and thinking about modernizing UI. Those principles include:

- Ensuring adequate benefit levels and duration for unemployed workers;
- Ensuring the UI system can ramp up quickly and automatically in response to recessions;
- Addressing the lack of access to UI for workers misclassified as independent contractors, low-income and part-time workers, and workers with non-traditional work histories;
- Ensuring the long term solvency of UI trust funds;
- Investing in expanded reemployment services; and
- Improving UI program access and integrity.

This Biden-Harris administration is focused on fixing both:

- Short-term issues with the Unemployment Insurance system - regarding equitable access, timeliness, and rooting out the fraud plaguing the system while also
- Creating a framework, using the principles outlined above, for a more resilient and equitable system for the long term.

The Biden-Harris administration is also committed to ensure that the millions of Americans who remain unemployed, can find safe, quality jobs as quickly as possible. Over the first three full months of the Biden-Harris administration, the economy added more than 3 million jobs. Despite this progress, there's more work to do to climb out of the economic crisis brought on by the pandemic while at the same time bringing the unemployment insurance infrastructure up to date so that we don't face the same structural challenges highlighted this year by the UI system overload.

The Department of Labor is doing all it can to support these workers and ensure that they have access to quality reemployment services that can help workers transition back into the labor market. This includes:

- Continuing to offer individualized reemployment services through the Reemployment Services and Eligibility Assessment (RESEA) to unemployment insurance claimants;
- Expanding States' Reemployment Services thru issuing over \$43 million grants via the CAREER dislocated worker grant program and issuing guidance to states on how to ramp up reemployment services in American Job Centers;
- Investing over \$400 million in proven workforce strategies through grants initiatives;
- Working closely with the Workforce Development Boards to provide the maximum level of possible individual career services to those who need it; and
- Making available \$100M in grants and issuing guidance to states on how to implement state short-time compensation (or "workshare") programs.

This administration is also deeply concerned by the widespread inherited fraud in the UI system perpetrated by a new wave of criminal syndicates. Dealing with this issue has been a top priority for this Administration and the department has taken numerous steps to help detect and fight multi-state fraud and identity theft. One example of this is the improvements to data sharing that were a significant change in policy from the prior administration, whereby the department has provided the Inspector General direct access to UI data for the entirety of the pandemic relief period and made the continuation of such access a condition of the fraud grants.

Ultimately, we aim to have a UI system that is efficient, scalable and makes the right benefits available to qualified workers when they need them. The unemployment system will be able to meet its promise of providing countercyclical benefits to protect workers and the economy in steep downturns, paying benefits quickly when people need them and keeping workers attached to the workforce while they are involuntarily unemployed so periods of unemployment do not result in dramatic income reductions.

American Rescue Plan Act Unemployment Insurance Funding

The \$2 billion as a part of the American Rescue Plan Act grants broad authority to the Department of Labor to help states address these challenges by using the funds to prevent and detect fraud, promote equitable access, and ensure timely payment of benefits. The department is using the funds to tackle common problems facing the system in the short-term while also working to address long-term challenges by improving state processes and building a modern, modular IT system that will make the UI system easier to access, better prepared to prevent fraud, and more resilient to prepare for future surges in initial claims. Other reforms to the UI system will need to be handled through comprehensive legislation, using the principles laid out above.

The Department of Labor has begun to spend this funding by carrying out work on four tracks to address systemic shortcomings in access, based on proven strategies:

- I. Direct assistance to the states through "Tiger Teams":** States are facing acute – and varied – challenges that need to be better identified and addressed around the process of preventing and detecting fraud, promoting equitable access, eliminating backlogs and ensuring timely payment of benefits. The department is addressing these challenges by sending experts directly to the states, to work hand in hand with states to identify solutions. Despite ongoing efforts to add staff, deploy innovations and address

backlogs – many states’ backlogs are persisting. With this funding the department will be able to support states more comprehensively to address these issues. Deploying these teams and resources will help states zero in on what’s working and should be shared and what’s not, and should be addressed. The department has begun deploying teams of experts, or “Tiger Teams” into an initial six states on a voluntary basis – Colorado, Washington State, Kansas, Wisconsin, Virginia and Nevada – to help identify process improvements that can speed benefit delivery, address equity, and fight fraud. The department will expand the Tiger Team supports to additional states throughout the year.

- II. Tools to states to help address immediate fraud concerns by facilitating more effective ID verification:** Identify verification is a critical tool in paying unemployment benefits to eligible individuals. Yet too few states have the resources, expertise, and capacity needed to address effectively the wide-ranging attacks that the UI system has experienced from organized criminal enterprises. The nature of fraudulent activity in UI will continue to be highly dynamic and states will require additional support and continuous monitoring for evolving threats. The department plans to take a more active role in helping states improve their identification verification processes. This will cut down on fraud, which is contributing to large backlogs and the hijacking by fraudsters of benefits that workers need, instead allowing states to focus resources on serving legitimate claimants. To that end, the department recently made identification verification services available to states to purchase.
- III. Developing IT solutions to modernize antiquated state technology by centrally developing open, modular technology solutions that can be adopted by states as needed:** The pandemic has only underscored states’ desperate need for technological support and improvements. Many state systems are operating on outdated technology, which made it difficult for them to respond rapidly to changes in law and economic conditions. This problem will be addressed by centrally developing open, modular technology solutions that states may adopt as part of ongoing modernization and improvement efforts. Shared IT solutions will be designed to integrate with state systems and will focus on the needs that are shared across states, while supporting states to implement and continue operating state specific elements. The department hopes to provide software to support end-to-end administration of UI, including benefit delivery, employer tools and appeals.
- IV. Providing direct grants to states to promote timeliness and equity and fight fraud:** States lack the resources they need to manage the current volume of claims quickly, accurately and equitably. As a result, far too many workers, underrepresented populations, those with limited English proficiency, or low-income claimants face barriers in accessing unemployment insurance. To address that challenge, the department plans to make \$700 million in grants to states available to promote equity and fight fraud. These grants will be designed to help states improve their UI systems to ensure benefits go to workers who need them.

These funds are an important down payment; the longstanding problems this pandemic further exposed can be addressed only through comprehensive UI reform.

Unemployment Insurance is a lifeline for millions of workers, providing critical support to help them through difficult times. The Department of Labor is committed to strengthening the Unemployment Insurance system to ensure that it works for all workers, and to ensuring that unemployed workers have access to quality reemployment services that can help workers transition back into the labor market and into quality jobs.