

Delaying UC Benefit Modernization is the Right Choice for Pennsylvania's Workers

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My name is Julia Simon-Mishel and I currently serve as the Supervising Attorney for the Unemployment Compensation Unit at Philadelphia Legal Assistance. Our unit has represented over 1000 low-wage workers since the COVID-19 pandemic hit Pennsylvania. Thank you for inviting me to provide testimony on the Department of Labor and Industry's Benefit Modernization Project and the Benefit Modernization Advisory Committee's recommendation that we delay implementation of the project. I look forward to speaking with you alongside my Committee counterpart, Geoff Moomaw, at the upcoming hearing.

UC Benefit Modernization Advisory Committee History

Our Committee, established by Act 60, P.L. 1191, has been in place since appointments were made in January 2018. In our yearly reports, the Committee has already reviewed the process undertaken by the Department of Labor and Industry (hereafter "Department") to integrate us into the Project. We have appreciated the significant access provided by the Department and its openness to the feedback provided by Committee members. The Department has been intentional about informing stakeholders of project development.

In our annual report to the legislature this past June, the Committee first raised its concerns about the project's timeline, highlighting the impact of COVID-19 on Department staff. We also mentioned two specific issues with the current proposed timeline: the capacity and competency of the private vendor, Geographic Solutions Inc., and the lack of time to integrate appropriate user testing of the new system.

Status of UC Benefit Modernization Project: Trending Red

The Modernization Project, according to Project leadership, has been consistently trending "yellow" for the last year, in large part due to the slow response of the vendor to changes requested by the Department. At the most recent meetings of the Committee, the project leadership informed us that the project is now trending "red."

I believe the Department has remained committed to the Project and done everything in its power to move forward, but the workload resulting from the pandemic, combined with slow responses from GSI, has hampered progress.

Any effort to complete and implement the Project by the current October deadline would be rushed, and would inevitably result in cutting corners. This has been the experience of almost every other state that has gone live based on a pre-set deadline, rather than when the system and staff are ready for implementation. There will be problems with claims, especially if the system goes live at its

current stage. In normal times it can be difficult for claimants and employers to reach the Department with questions or information about their claims – during the COVID-19 pandemic it has been nearly impossible. There could not be a worse time to spring a new system on users.

Pennsylvania is Not Alone: A National Perspective

I have spent the last two years, in partnership with the National Employment Law Project and The Century Foundation, leading a national study of state efforts to modernize their unemployment benefit systems. Our upcoming report, “Centering Workers – How to Modernize Unemployment Insurance Technology,” is the first of its kind to detail how modernization projects have altered the worker experience. Our recommendations are based on dozens of interviews with state officials and in-depth case studies of three modernization projects.

Unemployment systems have been chronically underfunded, and the resulting search for efficient technology solutions is one of the principal motivators behind benefit modernization projects across the country. Administrative grants are tied to the amount of unemployment insurance claims paid out by the state and therefore drop when there are improvements in the economy and declines in UI reciprocity. As a result, federal grants for the administration of unemployment insurance have declined significantly. Underinvestment in these systems has caused every state to struggle to meet the needs of workers during the COVID-19 pandemic.

As of 2019, only twenty-two states had completed modernization projects for their UI benefits systems. Most of these projects encountered significant problems, including numerous payment delays, issues with testing, data conversion errors between legacy and new systems, data loss and security issues, and poor training of staff who interact with claimants. This is the situation we have been trying to avoid with the Pennsylvania project.

One of the main implementation recommendations in our upcoming report is for states to set realistic timetables that “allow ample time for planning and design, including user testing and refinement,” before rolling out a new system. While the original timetable with the October go-live date was reasonable, COVID-19 has limited the ability of the Department to do vital user testing.

Our report also highlights the importance of training and supporting staff before going live and continuing the training after go-live. The Department was only able to start training staff on September 14, and the Committee has concerns about staff being prepared and supported during the roll-out, especially given their current daily workloads due to COVID-19.

Of final note, our research highlighted the need for a robust community engagement plan that involves deploying Service Center staff to local workforce development centers (PA CareerLinks). The restrictions placed on the Department, and our communities, by COVID-19 have hampered community outreach and engagement plans, and have severely limited any ability to utilize person-to-person outreach at CareerLinks.

GSI is Not Currently Up to the Task

In 2017, the Department executed a contract with GSI for its “custom off-the-shelf (COTS) product, Geographic Unemployment Solutions.” As I learned in my research, and what I believe has become clear to the Department, is that there is no such thing as a true COTS product for an unemployment system, given the specificity of state unemployment law and agency business practices.

Throughout the project, the Department has held GSI accountable for the deliverables and delayed payment points when appropriate. However, the project has been trending yellow, and now red, in part due to GSI’s slow response to requested changes by the Department.

However, what has most concerned me about GSI’s ability to complete this project and make necessary changes post-go live is its handling of the Pandemic Unemployment Assistance (PUA) system. GSI is the developer and host of Pennsylvania’s PUA system, a program that has been glitchy and problematic from the start, and most recently has been cutting off benefits to claimants without due process. I do not have a single client who has received their benefits without interruption, or inaccuracy, from the PUA system.

Here are some examples of GSI’s programming issues:

- The PUA system incorrectly set the PUA application start to a time prior to many claimants’ last day of work. This automatically made claimants ineligible for the first few weeks when they correctly reported full time work. Claimants were never given notice of the issue, they just did not receive any benefits, even for the weeks when they were fully unemployed. This mistake caused more work for the Department, as it forced a claim examiner to eventually look at the issue – but **only** if it was raised to the Department by the claimant or an advocate, as the PUA system did not notify DLI examiners there was an issue that had to be determined.
- A large portion of PUA claimants were not able to file for the majority of their claim weeks after losing work, because the PUA system only let them file for the first and most recent weeks. This “missing sandwich” week issue took GSI two months to fix, during which claimants suffered significant financial harm.
- After discovering significant fraud in the PUA system, many legitimate claimants have been flagged for fraud and seen their claims stop payment and go “in progress,” without any notice from GSI. Many claimants have waited 4-6 weeks for their claims to be restarted after providing the proof of identity that they were asked for. Despite requests by the Department for GSI to provide lists of these individuals, and to also display the issue preventing them from receiving benefits on their dashboard, GSI has not made any changes.
- Claimants are having their benefits suspended for other potential eligibility issues without any notice or opportunity to be heard. The lack of due process is not just a legal nicety. Our clients who have been told why their benefits have been stopped have been able to correct the issue. But without this information, many have waited for weeks and months for something to happen, often becoming desperate.

- GSI was incorrectly offsetting benefits for overpayments, caused by GSI's own error, at a higher rate than allowed under PUA and took several weeks to address the problem.
- Despite many requests from DLI for the PUA system to issue Notices of Determinations to claimants whose benefits have been terminated, GSI has not yet programmed the system, *5 months after it went live*, to issue determinations. This fundamental violation of due process puts the State at legal risk.

The significant inadequacies of GSI's response to problems with the PUA system, including problems that have led to the violation of claimants' constitutional rights, raises significant concerns about their ability not only to finish the Project, but to react and make changes when issues arrive after go-live.

Impact of COVID-19

Even considering all of the above, my primary concern at this time is that implementation is scheduled to happen in the midst of an unpredictable pandemic that has caused unprecedented unemployment in our state. The Department's primary concern has been, and should continue to be, the processing and payment of unemployment claims. Implementing the new system now would not only disrupt the workflow of Department staff, who have already been working around the clock, but will throw jobless workers into disarray who finally feel stable navigating their unemployment claims. The Committee therefore formally recommended delaying the project for the following reasons:

- **Preventing disruption of benefits.** Implementing the project requires moving millions of current claims to the new system, as over **2 million** claims have been filed since March 2020. This requires converting an extraordinary amount of data between the legacy mainframe system and the modernized system, and if there are issues with even 10% of claims, that could impact over 200,000 claimants. Furthermore, no matter how much preparation and planning has gone into the project, no implementation will be without problems. Because of the high number of claims, those problems will inevitably interrupt benefits for a large number of Pennsylvania workers.
- **Limited outreach and education opportunities.** A massive change to the unemployment system requires significant outreach and education among workers, employers, social service organizations, partner agencies, local officials, and legislative offices. We are a month out from the planned implementation date, and due to the heavy and vital current workload of the Department, minimal outreach has been completed. It is also challenging to train community partners on the new system given current social distancing requirements.
- **Controlling confusion.** Workers are already experiencing significant confusion between the various unemployment programs, and applications, currently available. Implementing the new system will only cause more confusion, especially when PA's new UC product looks very similar to the current PUA product. The

Department's telephone and chat lines are already overwhelmed and workers have struggled to get through with questions despite the significant addition of staff by the Department. Finally, there is very little support, or computer access, for workers who must understand the new system, given that there is minimal in person access to CareerLink locations, libraries, or legislative offices.

At a time when few work opportunities are available and unemployment benefits are the only lifeline for many Pennsylvania workers, our Commonwealth cannot afford the disruption and upheaval that will result from the implementation of the new UC system. Comparatively, last October there were **at most 85,549 claims** in continuing claims status per week, whereas there were **673,093 continuing claims** filed the week ending August 8, 2020. When previously considering implementation dates, the Department was careful not to schedule implementation during our "high quarter" (Jan-March) given the typical increase in claim numbers during those months. At the highest point in January 2019, there were 148,930 continuing claims in a week. Right now, our UC system is experiencing a 500% increase in claim volume over last year. Implementing a new system, and the unavoidable disruptions that come with it, does not make sense for the Department at this time and it certainly does not make sense for our workers.

Moving Forward

The Committee believes that metrics are needed to evaluate the appropriate time to deploy the new system. These metrics can be used to evaluate when the Department is internally ready to implement the project, and when the community and workforce impacts of COVID-19 will not cause undue disruption of benefits.

The Committee recommends it develop these metrics with the Department and re-evaluate the project's deployment at the beginning of the 2021.

Finally, to support the flexibility needed by the Department during this time, the Committee continues to support legislation that will allow the Department to move the allocated project money between calendar years.