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Report: Badly Outdated & Underfunded, States' Unemployment Systems Buckled as Jobless Claims Grew

Jammed phone lines, unreliable online claims systems & delayed payments persist, despite falling unemployment

NEW YORK—Most state unemployment offices are still relying on mainframes and other 1970s and 1980s technologies to process jobless claims thanks to decades of federal underfunding, says a new report from the National Employment Law Project. Since the recession, thousands of unemployed workers have borne the brunt of this neglect in the form of unnecessary payment delays and other application headaches, according to the report.

The report documents a failure-prone unemployment insurance (UI) system in such disrepair that the average benefit payment technology is more than 25 years old. The current infrastructure problems plaguing many state UI systems are largely a result of chronic federal underfunding. Nearly $200 million in possible FY2014 budget cuts as a result of sequestration would only compound the problem.

"Federal underinvestment in state unemployment IT systems doesn't save money in the long run. Not only do unemployed workers suffer when systems fail, but the government misses out on productivity gains and cost savings," said **Rebecca Dixon, policy analyst with the National Employment Law Project** and the report's lead author. "Because a majority of these systems still run outdated programming languages, there is a significant cost to their ongoing maintenance. Worse still, these legacy systems increase the likelihood of problems such as benefit overpayments," said Dixon.

For decades, Congress has neglected to adjust state UI administrative funding for inflation, employment growth, or the need for continuing capital investments such as information technology infrastructure upgrades. Without a reliable source of funding to replace their outdated systems, states have made do by cobbling together networks of computer programs and hardware that complicate reprogramming and scaling up during claims surges.

Inadequate federal funding also makes it difficult for states to hire enough staff to pay benefits in a timely fashion. It makes them especially vulnerable to reductions in funding, such as the decreases in funding they have experienced as the economy has improved. Thus, with federal funding on the decline, compounded by the sequestration cuts, more states are laying off critical UI staff, even though 2012 caseloads were still 155 percent higher than they were when the recession began in 2007.

The report documents how fewer states are making timely UI payments since the recession. In 2007, before jobless claims increased, 84 percent of states met federal standards for timely UI payments; by 2009, only 43 percent of states met the standard, and in 2012, only 41 percent met the standard, despite a decrease in jobless claims.

Even as the demand for unemployment benefits has declined from record levels, thousands of workers have faced significant challenges accessing their UI benefits. The report profiles case studies of recent service disruptions in **California, Pennsylvania, Rhode Island, Tennessee, and Nevada**.

In California during fiscal year 2011-12, for example, call volumes were such that 17 million out of 72 million calls (24 percent) were not even able to access the automated phone system. Of the nearly 30 million callers who requested to speak with an agent, only 4.8 million callers were successful.

The report calls on Congress to provide additional funding for staffing and information technology upgrades. To address access issues such as jammed phone lines, the report recommends more aggressive federal oversight through customer service standards and targeted enforcement. Not only would these measures facilitate prompt payment for laid-off workers trying to re-enter the labor market, but they would also improve efficiency and increase states' ability to prevent and detect waste, fraud, and abuse.

DOWNLOAD THE REPORT: [Federal Neglect Leaves State Unemployment Systems in a State of Disrepair](#)

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The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit www.nelp.org.