



Senate Bills 906, 911, 914, and 932

Wisconsin Senate Committee on Economic and Workforce Development

February 9, 2022

Chase Martin
Visiting Fellow
Opportunity Solutions Project

Chairman Feyen, vice-chair Testin, and members of the committee,

My name is Chase Martin, and I am a visiting fellow at Opportunity Solutions Project (OSP). OSP is a non-profit, nonpartisan advocacy organization dedicated to advancing policies that reduce barriers to work and protect state benefits for the truly needy.

Thank you for hearing this legislation before your committee. I am submitting this testimony in support of four Senate bills related to Wisconsin's unemployment program. SB 906, SB 911, SB 914, and SB 932.

This is a very important package of bills for Wisconsin for three key reasons that I'd like to highlight today. This group of bills will help unemployed people get back to work more quickly, protect the unemployment trust fund from fraud and waste for those that need it, and support Wisconsin businesses in filling positions and fending off future tax increases.

First, these bills will help Wisconsin's economy to bounce back the way it should by including several provisions which are designed to ensure the unemployment program is geared towards its true intent – to serve as a strong reemployment program. These provisions center around strengthening work search activities and verification and making sure that individuals are connected with the more than 200,000 open jobs that currently exist in Wisconsin.ⁱ

Second, these bills protect Wisconsin's Unemployment insurance trust fund, which has been tapped extensively in the last two years. In fact, Wisconsin's trust fund level is down by more than 40 percent compared to January 2020.ⁱⁱ This slide may well continue, putting the trust fund at risk and forcing Wisconsin to borrow funds from the federal government or rob funding from other state priorities.

Finally, these bills support Wisconsin businesses which have had a rough couple of years. It does this first by helping them with their most important crisis – filling open positions. There is absolutely a hiring crisis right now, you have all seen it as you drive around your districts. A help wanted sign in every business window. With 209,000 open jobs across the state, these bills will connect workers with those jobs and get those businesses staffed back up. This is critical, because since 2000, Wisconsin's labor force participation has decreased by 11 percent, down from 73 percent to 66 percent.ⁱⁱⁱ So, Wisconsin businesses need every worker they can get. The provisions in these bills would also protect those businesses from Unemployment tax increases that are inevitable if your Unemployment trust fund is stressed further.

There are many provisions in these four bills that help workers, protect the unemployment funds and support Wisconsin businesses, and I won't go into detail on each one for sake of time, but I'd like to highlight a few key provisions.

SB 906 is a key bill in this group as it makes sure that Wisconsin's unemployment program responds to whatever the current economic conditions are. It makes the program dynamic and responsive to the needs of businesses and workers. It does this by indexing the maximum number of weeks someone can receive benefits to the economic conditions. When times are tough, and unemployment is high, it allows for the current maximum of 26 weeks, half-a-year, of benefits. But when unemployment is very low, and jobs are plentiful, the maximum weeks drop down to correspond with the economic conditions.

Several states have adopted this approach with great success, helping to restore their trust funds, get people back to work, and even lowering taxes on businesses.

For example, Florida, Georgia and North Carolina adopted this approach, and employers in reform states pay approximately \$1.90 in UI taxes for every \$1,000 in payroll, but Wisconsin business pay \$4.40 for every \$1,000 in payroll.⁴

It's worth noting that these states capped benefits at 20 weeks when unemployment is higher, so SB 906 is already a compromise position, in that it maintains a full 26 weeks at the top end.

Next, **SB 911** is a very straightforward bill. It makes sure benefits are protected from fraud and people are getting back to work by requiring claimants to complete the required work search activities or be removed from benefits. Specifically, it requires the Department of Workforce Development (DWD) to investigate when someone turns down a job offer or there is other information indicating they are not eligible for the benefits. It also requires DWD to collect overpayments for fraud and other errors. Together these provisions will ensure that unemployment benefits are going to those who truly need them – those looking for employment opportunities.

In **SB 914**, that theme of reemployment continues very strongly. This is a great bill focused directly on DWD helping to get the unemployed quickly back into the workforce. It makes sure that DWD is truly a “reemployment” agency, not just a benefits agency. It does this by ensuring claimants are connected with open jobs, using their work search activities for things that directly lead to employment, and using reemployment counseling or job workshops when needed. Overall, it changes the tone and tenor of the program by re-naming it and re-focusing it on reemployment assistance versus solely unemployment benefits.

The final bill of the group I'd like to highlight is **SB 932**. This bill makes several key changes across the program, with the goal of protecting the program from fraud, waste, and abuse and making sure Wisconsin lawmakers have an oversight role in new funding. The bill does this by requiring more thorough audits of work search activities, with a random audit of half of reported work search activities. It also would require a commonsense, weekly data crosscheck of publicly-available databases – things like death records, jail records, and employment records. These are policies that have been recommended by the non-partisan U.S. Department of Labor's Inspector General. This has been a popular type of reform around the country, for both democrats and republicans, with nine states passing similar policy into law in the last year or so. Six of those bills passed unanimously, and three of those were signed by democrat governors.

Finally, SB 932 gives more oversight of unemployment funds to the state legislature. If the federal government decides they want to make changes in your Unemployment program, this bill would require that those changes, particularly increases to benefits or new benefits, come before the Joint Committee on Finance for review and approval.

Taken together these four bills represent an important step forward for workers and businesses in Wisconsin. They will help get people back to work more quickly, protect the state's unemployment trust fund, and support businesses in filling many thousands of open positions, while warding off tax increases. We support these bills and believe that Wisconsin lawmakers should as well.

Thank you for your time.

ⁱ U.S. Bureau of Labor Statistics – Jobs opening data by state, Nov 2021. <https://www.bls.gov/news.release/jltst.t01.htm>

ⁱⁱ Treasury Direct, “Unemployment Trust Fund Report Selection,” U.S. Department of the Treasury (2022), <https://www.treasurydirect.gov/govt/reports/tbp/account-statement/report.html>.

ⁱⁱⁱ Jonathan Bain, “The X factor: How skyrocketing medicad enrollment is driving down the labor force,” Foundation for Government Accountability (2022), thefga.org/paper/x-factor-medicad-enrollment-driving-down-labor-force/

^{iv} Jonathan Ingram and Hayden Dublois, “Indexing unemployment in the wake of COVID-19”, Foundation for Government Accountability (2021), <https://thefga.org/paper/indexing-unemployment-in-the-wake-of-covid19/>



MEMO

TO: Senate Committee on Economic and Workforce Development

FROM: Chris Reader, Executive Vice President of IRG Action Fund

DATE: February 9, 2022

RE: Support for SB 906, SB 911, and SB 932, related to improving the UI System

Chairman Feyen and members of the Committee,

Thank you for holding this hearing today on these Unemployment Insurance (UI) reform proposals. My name is Chris Reader, and I'm the Executive Vice President for IRG Action Fund. IRG Action Fund is the advocacy and lobbying partner to the Institute for Reforming Government, a Wisconsin based think tank.

We support all of the bills before the committee this morning, but specifically I am before you to speak in favor of Senate Bills 906, 911, and 932. These bills collectively will help fix a broken Unemployment Insurance system. While many of the issues addressed in these bills have been around for years in Wisconsin, the COVID-19 pandemic has put a bright spotlight on the UI system and the pressing need to fix what is broken.

Unemployment Insurance is vital for those who face tough times. The program offers a lifeline as the claimants seek new employment after the emotional, often unexpected, loss of a job. But to be around to help those who need it most, you as policymakers must be ever mindful of ways to adjust the system, protecting its integrity and ensuring funds are available for those who are out of work due to no fault of their own. By protecting the integrity of the UI fund and ensuring funds are rightfully delivered, these bills will also help ensure the state maintains a healthy UI Fund balance, which is necessary to keep Wisconsin employers in the lowest possible UI tax bracket. For those reasons, we support these bills and applaud the authors for bringing them forward.

Senate Bill (SB) 906 creates a sliding scale for UI benefits. The current UI system doesn't account for changing market dynamics as it should. The available number of jobs is not static, and connected services like UI benefits should also not be static. Today there is a set number of weekly benefits available to claimants, 26, regardless of the current job marketplace. SB 906 brings real world conditions into the UI system, helping ensure that funds continue to be available for those that need them most. It is common sense that the amount of benefits available should adapt to the current market needs. In times of high unemployment, when jobs are scarce, additional weeks of benefits may be needed for individuals seeking their next job opportunity.

But when jobs are plentiful, as they are now with an unemployment rate under 3% and over 130,000 jobs available on the Jobs Center of Wisconsin website, it makes sense to lower the number of weeks of UI benefits available. The goal is not to force people off of benefits, but rather it is a recognition that there are jobs available right now for those claimants to go after. In the bill, the minimum amount of benefits is 14 weeks. 14 weeks to find a job in what is often described as a worker's marketplace, where employers are desperate for workers and "help wanted" signs, many offering hiring bonuses, are literally in store fronts all over the state. Workers are quitting their jobs left and right today in what has been named "the great resignation" because jobs are plentiful, and job seekers are able to command higher pay and better benefits in today's marketplace. UI should recognize this reality.

Senate Bill 932 is an omnibus bill that touches on a number of items within the UI system in order to ensure funds are there for those that need them most, as well as make sure the system is working properly for those in desperate need of help. We witnessed way too many cases during the first wave of COVID-19 of individuals not being able to obtain help submitting claims, leaving our fellow Wisconsinites without benefits when they needed it most. To that end, this bill requires DWD to operate a call center during times of high demand like what we had from the initial claims stemming from COVID-19 shutdowns, and also allowing the state to transfer employees from other agencies to help claims.

The bill also protects the integrity of UI by upgrading the definition of misconduct, requiring the Department of Workforce Development to audit at least 50% of work search actions, requiring an upgrade in identity matching for new claimants, and requiring DWD to provide updated training materials, including videos, for employers and claimant. It also directs DWD to compare claimants to databases that track death, employment, and prison records to search for fraud or erroneous payments, gives authority to approve future federal enhanced benefits to the Joint Committee on Finance, and requires the Legislative Audit Bureau to conduct an audit of DWD's efforts to detect and prevent fraud as well as recover fraud related overpayments. These are all common sense ideas to make sure funds are available for those that need them when they lose their job at no fault of their own.

Finally, but certainly not least, before you today is Senate Bill 911, legislation that cracks down on "ghosting" while still receiving UI benefits. This bill addresses a growing concern that we hear about from employers all over the state, regardless of industry or size. It certainly existed prior to the COVID-19 pandemic, but, like so many other related items, "ghosting" had a bright spotlight put on it during the pandemic. "Ghosting" in this context is when an individual doesn't show up for an interview or new job offer, yet still counts that scheduled interview or job offer as a job search to maintain benefit eligibility.

Here is what we heard from one employer, AriensCo. from Brillion, on this issue and their experience with "ghosting" by job candidates (letter attached):

In a highly competitive talent landscape with attractive unemployment benefits, AriensCo has been impacted by candidates "ghosting" our career opportunities. This consistently occurs for candidates for both professional and production positions.

On the production side within the past year, we have had 53 candidates in 2021 not show up for work on their first day and requiring us to rescind their offers of employment. Additionally, 140 candidates did not show up for interviews in 2021, and there were 401 candidates that applied for positions with AriensCo in 2021 that we could not contact/did not respond to us after applying.

While we have been accustomed to candidates for our entry-level/weekly-paid positions ghosting us, the problem is expanding to the pool of professional/salaried level candidates and is becoming more common place. This even extends to candidates for Human Resources positions, which is a population that directly knows the impact of ghostings to organizations. For example, within the past few weeks we have a candidate for an HR Manager position ghost us for a scheduled interview, and we had a Recruiter ghost us after being extended an offer.

Furthermore, once candidates are hired, we have employees ghost us when they leave our organization. Within the past calendar year, job abandonment remains our top voluntary termination reason with 35% (338 employees). In a recent follow-up survey to reach out to former employees who have left us due to job abandonment, we received less than a 10% response rate from this group.

When ghosting occurs, our standard practice is to contact the candidate or employee – we make at least 2 documented attempts to reach out to the individual through 2 different forms of communication - written communication (email or text) and through phone calls and leave a message. We seldom receive a response from the candidate or employee.

That story is not unique to AriensCo. It's what we hear from employers throughout the state. I'm certain you have employers in your home districts struggling with the issue as well. As it relates to UI integrity, the issue of concern is not simply the headache that such issues cause for hiring managers. The issue is when those individuals not showing up for interviews or job offers are still counting that as a job search and collecting benefits. Employers are unable to report the interview no-shows to the department today, meaning there is no repercussion for this activity. AB 939 allows employers to report no-shows, and also allows the department to disqualify individuals for benefits in a week when they are found to have committed "ghosting." This is a common sense reform that again ensures benefits are in place for those that need it – and not for those that are attempting to manipulate the system by not showing up for scheduled interviews and job offers while still claiming that action as a job search.

Thank you again for your time today. These three bills are common sense ideas, and we encourage you to forward them on to the full Senate before session wraps up this Spring.



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To: The Senate Committee on Economic and Workforce Development
From: Sen. Dan Feyen
Re: Senate Bill 906

Hello committee members. Thank you for taking the time to listen to testimony on Senate Bill 906.

Wisconsin is experiencing a workforce shortage. Our state has record low unemployment levels yet we also have increasing job vacancies in every sector. We need more people in the workforce and the COVID-19 pandemic has shown that our unemployment system needs reform.

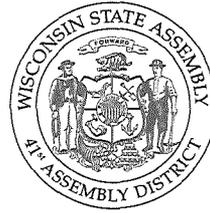
Currently in Wisconsin, an individual eligible for unemployment can receive up to 26 weeks of compensation, no matter the current workforce conditions. This can inhibit people from returning to work.

Senate Bill 906 would change the way our state determines how long a person is eligible for unemployment. Instead of the blanket 26 weeks, this bill would index the compensation length to the current unemployment rate in Wisconsin. For example, if the state's unemployment rate is less than 3.5%, an individual would only be eligible for 14 weeks of UI. The length would max out at 26 weeks if the state's unemployment rate was over 9%.

Numerous other states have already made this change and have seen dramatic decreases in the number of weeks individuals are on unemployment. These states have also seen decreases in unemployment insurance taxes and healthier unemployment funds. The indexing formula used in this legislation was modeled off the other states that have already made this change. This bill also makes these changes to the number of supplemental and extended benefit weeks a person is eligible for.

Unemployment insurance is meant to be temporary. When there are a lot of jobs available, there is no reason why a person needs to be on unemployment for 26 weeks. This common-sense change will incentivize individuals to get back to work quicker.

Thank you again for listening to my testimony on Senate Bill 906 and I look forward to any questions the committee has.



ALEX A. DALLMAN

STATE REPRESENTATIVE • 41ST ASSEMBLY DISTRICT

Testimony in favor of Senate Bill 906

Senate Committee on Economic and Workforce Development

February 9th, 2022

Thank you, Chairman Feyen and committee members, for allowing me to testify before you concerning Senate Bill 906, relating to the amount of benefits received under unemployment insurance. I would also like to thank Chairman Feyen for his leadership on this legislation.

Our current unemployment program provides for 26 weeks of unemployment no matter the current economic conditions and availability to employment. This bill would fix the problem of prolonged unemployed benefits that are keeping people out of the workforce. Benefit weeks would max out at 26, if the unemployment rate was over 9%. The amount of weeks would be reduced according to the table included in the bill all the way down to 14 weeks if unemployment levels reach 3.5%.

The pandemic has proven that our unemployment program is in need of reform. Our current programs provide for a prolonged stay on welfare programs, when we should be encouraging people to get back to work. States such as Florida, Georgia, North Carolina, and Tennessee that have implemented reforms such as this bill, have yielded more financially stable unemployment funds, 71% lower benefit costs, 59% lower unemployment insurance taxes, and enrollees moving off of the unemployment benefits and back into the workforce twice as fast.

We need to move our focus of public benefits from “unemployment insurance” to “re-employment insurance”. In the economic climate we have right now, there is no reason for a person to need half of a year to procure a high-paying, quality job.

Thank you again, Chairman Feyen, for the opportunity to testify before this committee today and I would be happy to answer any questions you may have.

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TO: Senate Committee on Economic and Workforce Development
FROM: Abby Bar-Lev Wiley, Legislative Director, Legal Action of Wisconsin
RE: Impact of SB 906/AB 937 on Legal Action's Clients
DATE: February 9, 2022

Thank you for the opportunity to provide comments on AB 937/SB 906. Legal Action of Wisconsin (LAW) is the largest non-profit law firm providing high-quality, free civil legal aid to low-income people in 39 of Wisconsin's southern counties. Our broad reach and expertise mean that we see what poverty looks like over a wide swath of the state, from urban and rural areas, from farmworkers to construction workers. One of our priority areas focuses on helping clients secure and maintain the government benefits necessary to meet their most basic needs including food, shelter, health, and income. Legal Action has serious concerns about how AB 937/SB 906 would impact our low-income clients.

People with low incomes want to find family-sustaining jobs

AB 937/SB 906 is a misguided attempt to get people to work, but would have a devastating impact on Wisconsin's most economically vulnerable families, including our low-income clients. The bill makes a false assumption that people prefer to continue collecting unemployment insurance benefits instead of accepting jobs that pay a family-sustaining wage. We have never encountered this issue with our low-income clients at Legal Action. People want the dignity of working to maintain their families and to create a future for themselves and those they love. When they lose employment through no fault of their own and begin applying for unemployment benefits, they face a bewildering and glacial bureaucracy. They must satisfy onerous and confusing work search requirements. The system works slowly, and benefits are often delayed. Given a choice between a safe, well-paying job and unemployment benefits, our clients would choose work every time. Under Wisconsin law, they are already required under most circumstances to accept offered employment that is comparable to the employment they have lost. Most unemployment compensation recipients are thus simply individuals—and their families struggling to get by—trying to get back into the workforce under tremendous financial stress.

AB 937/SB 906 would harm the economy, increase reliance on state benefits, cast more families into crisis and therefore make it harder to obtain employment

The purpose of unemployment insurance benefits under Wisc. 108.01 recognizes the perilous economic impact of unemployment: "The decreased and irregular purchasing power of wage earners in turn vitally affects the livelihood of farmers, merchants and manufacturers, results in a decreased demand for their products, and thus tends partially to paralyze the economic life of the entire state. *In good times and in bad times unemployment is a heavy social cost, directly affecting many thousands of wage earners.*" (emphasis added). Unemployment insurance programs support not only the individuals who receive the benefits, but the business supported by those consumers, and the economy at large.

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Creating artificial requirements to “speed up” this process has historically had profound negative consequences. Benefit cliffs that tie unemployment insurance availability to average state unemployment rate, like the ones this bill proposes, generally create higher rates of food insecurity and housing instability, disproportionately impacting people of color.¹ Right now, the maximum amount someone can receive in unemployment insurance benefits in Wisconsin is \$370 per week. That is a *maximum* of \$1,480 per month, which must be split among utility bills, rent, groceries, childcare, medical bills, car payments, and more. As people search for family-sustaining employment, their unemployment insurance benefits are often the sole reason they can keep the lights on, the heat running, the rent paid, and buy new socks or shoes or clothes for growing children. Time and again, unemployment insurance has been found to aid the economy by ensuring that workers who lose employment through no fault of their own can continue to contribute to the economy. During the Great Recession, for example, every \$1 of unemployment insurance generated \$1.61 into local and state economies.² Research “shows definitively” that “spending falls much further in those households afflicted by job loss when they do not receive UI benefits.”³ Had Congress’s \$600 boost to unemployment insurance benefits in the CARES Act been extended through mid-2021, the Economic Policy Institute estimated that the extension would have provided “an average quarterly boost to gross domestic product (GDP) of 3.7% and employment of 5.1 million workers.”⁴ Slashing the number of weeks that someone can get unemployment benefits would not ensure that all our clients will immediately become reemployed. But it would insure that money is taken out of the economy, that more people would be in need of other state benefits, and that more families would fall deeper into financial crisis. Those impacts would make it more difficult for individuals to get good jobs. The unhoused, the hungry, and those in other financial crisis often cannot pay for transportation, maintain access to cell phone and the internet, or provide employers with an address to be contacted at.

State unemployment rate is not an accurate tool for measuring need

AB 937/SB 906 reflects a fundamentally flawed assumption about basic economic principals. The rationale appears to be that when the economy seems to be doing well, i.e., when the state average unemployment rate is lower, people need fewer weeks of unemployment insurance benefits because they should be able to find decent jobs more quickly. That rationale ignores the obvious truth that general trends, state-wide and nationwide, disguise extreme local and regional differences. Some populations or areas of the state experience dramatically different

¹ Nzingha Hooker & Alexa Tapia, Slashing Unemployment Benefit Weeks Based on Jobless Rates Hurts Workers of Color Most, Nat’l Employment Law Project (May 2021), available at <https://s27147.pcdn.co/wp-content/uploads/UI-Indexing-Policy-Brief-05-14-2021.pdf>.

² *Id.* at 3.

³ Josh Bivens, *Cutting off the \$600 boost to unemployment benefits would be both cruel and bad economics*, Economic Policy Inst., June 26, 2020, <https://www.epi.org/blog/cutting-off-the-600-boost-to-unemployment-benefits-would-be-both-cruel-and-bad-economics-new-personal-income-data-show-just-how-steep-the-coming-fiscal-cliff-will-be/>.

⁴ *Id.*

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unemployment rates than the state average, which vary by race, geography, and labor sector. For example, Jackson County's unemployment rate in December 2021 was 3.2% while the state average was 2.8%; nationwide, nationwide, agricultural work is facing a 9.8% unemployment rate⁵; and in June 2020, Wisconsin's economy ranked last in racial equity among all 50 U.S. states, including that the state's racial gap in unemployment rates surpassed that of 47 other states.⁶ The state average unemployment rate is simply an inadequate tool to determine on-the-ground need for unemployment insurance. Secondly, if someone is unemployed when the unemployment rate is low, it can be particularly difficult to secure employment given that, presumably, there are fewer open positions. It does not make sense to prematurely cut off an individual's unemployment insurance benefits just because the unemployment rate is low.

AB 937/SB 906 does not help people obtain jobs

Unemployment insurance is a critical safety net that allows people to make ends meet while they are searching for a job. AB 937/SB 906 does nothing to help create better-paying jobs. Nor does it help struggling families who live in job-deserts or who cannot, because of the economic crisis of the last two years, afford a job, find safe housing, or secure daycare for their children. Instead, AB 937/SB 906 threatens to increase the economic pressure on families trying desperately to get by. Ironically, it would also increase dependence on public benefits as people lose unemployment insurance benefits before they are able to obtain family-sustaining employment. At Legal Action, we know that people desperately prefer to find good jobs than stay on unemployment. Unfortunately, AB 937/SB 906 is a solution in search of a problem, while making lives harder for families who have fallen on hard times.

Thank you for your consideration.

⁵ See Staista Research Dept., *U.S. unemployment rate by industry and class of worker December 2021*, Jan. 11, 2022, available at <https://www.statista.com/statistics/217787/unemployment-rate-in-the-united-states-by-industry-and-class-of-worker/> (data is not seasonally adjusted).

⁶ Asha Prihar, *Wisconsin's Economy Rife With Racial Inequity, Study Finds*, Milw. J. Sentinel (June 20, 2020), (citing to a study of wealth and employment gaps between Black and white residents) available at <https://www.jsonline.com/story/news/2020/06/20/wisconsin-economy-ranks-worst-racial-inequity-study-says/3222916001/>.

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Tony Evers, Governor
Amy Pechacek, Secretary-designee

Date: Wednesday, February 9, 2022

To: Chair Feyen, Vice-Chair Testin, and Members of the Senate Committee on Economic and Workforce Development

From: Department of Workforce Development Secretary-designee Amy Pechacek

Written Testimony Regarding SB 906, SB 911, SB 914, and SB 932

Chair Feyen, Vice-Chair Testin, and Committee Members, thank you for the opportunity to provide written testimony for information only on SB 906, SB 911, SB 914, and SB 932, which propose significant changes to Wisconsin's unemployment insurance (UI) law and UI program. With more than 130 years of experience analyzing labor market data for employers, policymakers, educational institutions, and job seekers, the Wisconsin Department of Workforce Development is focused on creating and sustaining a thriving economy. Through the leadership of Governor Evers, resilience of state employers, and dedication of Wisconsin's workforce, the state has bounced back from the economic downturn caused by the COVID-19 pandemic and is now stronger than ever. Given our state's current economic conditions and the lessons learned during the pandemic, the Department does not believe the bills before you today would strengthen the workforce, nor create lasting benefits for employers, job seekers, or current employees.

The preliminary December 2021 jobs report showed a record-low unemployment rate of 2.8% and the number of people counted as unemployed dropped to 86,200—the lowest number of unemployed Wisconsinites in state history. Meanwhile, the 66.4 percent labor force participation rate, which is a measure of the population actively working or seeking work, remains 4.5 percentage points above the national rate and is among the best in the nation.

Yet with this record-breaking recovery has come a labor market quantity challenge, driven by demographic trends that have been building for decades:

- An aging workforce and the volume of Baby Boomers retiring;
- Lower birth rates in the younger generations means there is not an equal workforce replacement rate; and
- Net zero immigration and migration into Wisconsin.

It is important to note that Wisconsin is not alone in facing the worker quantity challenge. It affects the U.S. as a whole and many other industrialized nations. The challenge is particularly acute here in the Midwest, which consistently posts the highest regional labor force participation rate in the nation.

Wisconsin's efforts to effectively address the labor quantity challenge build on DWD's historic success and partnerships with new "talent traction" strategies to remove barriers to employment and bring existing underutilized talent pools fully into the workforce. Key among these efforts is Governor Evers' \$130 million commitment to invest in solutions to address the workforce challenges we face as a state. These investments build on regional partnerships across the state and include an innovative combination of providing job training, equipment, educational opportunities, affordable childcare for working parents, and mentoring to produce tailored and strategic workforce development solutions.

At the same time, DWD is undertaking comprehensive modernization efforts to improve external customer service access, unemployment insurance infrastructure, fraud prevention, and accounting controls and tools that match job seekers with employers. Challenges highlighted during the pandemic and recovery, which SB 906, SB 911, SB 914, and SB 932 propose to address, are being remedied through DWD's modernization efforts, including a responsive call center, better usability for job seeker and employer reporting, and verification for UI claims processing. These unprecedented modernization efforts, combined with the administration's workforce development strategies, are producing results that include greater equity and economic opportunity for the people of Wisconsin.

SB 906, SB 911, SB 914, and SB 932 do not account for the data-driven economic realities of Wisconsin's labor market and the trends that have been decades in the making, including regional economic differences. Further, the bills would add costly and confusing reporting burdens for employers.

Finally, the bills, which include unnecessarily punitive measures would reverse recent progress in bringing harder-to-employ populations into the labor force while not addressing the barriers to employment that disproportionately affect veterans, people of color, individuals who were justice-involved, and individuals with disabilities. SB 906, SB 911, SB 914, and SB 932 undermine partnerships that have been developed over multiple administrations, diminish efforts to train and connect workers with employers, and impose burdens on business and government that would set back customer-service-driven modernization efforts.

SB 906

This bill would change the maximum number of weeks that a regular UI claimant who lost their job through no fault of their own could receive benefits. The bill creates a formula for determining the number weeks a claimant may be eligible for UI benefits depending on the seasonally adjusted statewide average unemployment rate of the first or third calendar quarter preceding the start of the claimant's benefit year depending on when they file their initial claim. This means that for claimants who start their benefit year on or after January 1, the number of weeks that they would be eligible for UI benefits would be determined on the average unemployment rate of July, August, and September of the previous year. Claimants who start their benefit year on or after July 1 would be eligible for the number of weeks as determined by the average unemployment rate of January, February, and March of that year.

This method of calculating maximum UI benefit duration is concerning in that the unemployment rate is volatile and can rise very quickly. During a recession it can easily increase multiple percentage points month to month. The bill mechanisms will not be responsive to, or reflective of, current economic situations as it looks back to a previous economic situation to determine benefits.

For example, in March 2020, the unemployment rate was 3.2 percent and the April 2020 unemployment rate was 14.8 percent. Had the bill been in effect at the start of the COVID-19 pandemic, individuals filing for UI in April 2020 would have had their maximum number of benefit weeks calculated based on the average unemployment rate for third quarter 2019 (3.1 percent). Under this hypothetical scenario, individuals that lost their job through no fault of their own in April 2020 would have been eligible for only 14 weeks of UI benefits. In July 2020 (14 weeks from April 2020), the unemployment rate was still at 7 percent. Although many workers had been able to return to work within that time, the public health risks facing certain industries did not allow them to recover as quickly, meaning their workers with certain skills and experience remained out of work through no fault of their own. As evident by our state's labor force participation rate, Wisconsinites are hard workers. However, the unemployment rate did not recover to pre-pandemic levels until October 2021. Fourteen weeks of UI would not have been long enough for individuals to weather the economic recovery and the recovery of jobs.

In addition, SB 906 is not sensitive to local employment rates. A brief look at county-by-county unemployment rates shows that unemployment is higher in the northern part of the state and lower in and around Dane County. The bill could disadvantage individuals in rural areas with fewer local job opportunities by reducing the number of benefit weeks to claimants with eligible employment. The bill is also not sensitive to unemployment rates by industry sector. Re-entering the job market may be easier in some sectors (and in

certain times of the year) than others. Because the benefit durations for partial claims are determined the same as regular claims, the impact on claimants filing for partial claims would be the same.

DWD estimates that over one third of claimants would be affected by the proposed change. For example, for benefit years beginning in 2018 (covering payments in 2018 and 2019), 35 percent of claimants (36,513) would have been affected, experiencing an UI benefit decrease of \$84.4 million. And, for benefit years beginning in 2019 (covering payments made in 2019 and 2020), 38 percent of claimants would have been affected (43,610), experiencing an UI benefit decrease of \$102.3 million. In addition, the proposed changes would have sizable and negative impact on short and medium run economic activity in Wisconsin. It is estimated that for each dollar paid in UI benefits there is a \$1.70 increase in economic activity. So, using the example of 2018 and 2019 benefit years, this would relate to a reduction of \$143.48 million and \$173.74 million in economic activity in Wisconsin respectively. Given carryover pandemic claims, it is difficult to estimate who in the current claiming population would be impacted.

SB 911

There are already requirements in place to address the possibility that job seekers are committing the types of UI fraud that SB 911 proposes to combat. Further, some proposed reporting requirements may not be permissible under federal law. Pursuant to Wis. Stats. s. 108.04(2), UI claimants must be able and available for work, register for work (registration is through the Job Center of Wisconsin), and conduct at least four allowable work search actions per week, among other criteria. All individuals receiving UI must file weekly claims certifications that require claimants to answer several questions, such as whether they are able and available for work, whether they have refused any job offers or referrals to a job, and whether they are actively looking for work. Claimants are responsible for any inaccurate or incomplete information that they provide. Failure to correctly report all work, earnings, or other eligibility requirements could result in overpayments and penalties.

In addition, the required four work search actions each week must be valid, and any required documentation must be provided. Weekly claims certifications that raise any eligibility issues, such as able and available issues, are investigated by DWD's claim specialists. UI laws and policies, including those listed above, are in place to help address the concerns that are the basis of the bill.

Regarding the bill's proposed increase to employer reporting requirements, employers are currently able to report suspected claimant fraud, including fraud related to work search activities such as attending interviews, turning down job offers, and failing to return to employment or turning down employment offers. DWD already relies on employers to verify information provided by claimants and to bring other eligibility issues to our attention. They may call or write to DWD at any time to raise an eligibility issue, using Employer Assistance Line and the online Help Center. Any employer that suspects that someone on UI is committing fraud can also report it on DWD's website. DWD investigates all reports and fraud referrals.

Regarding the job refusal reporting requirement proposed in the bill, employers may already report a job refusal (such as a quit due to "no show") to DWD. When an eligibility issue is raised, a fact-finding investigation is conducted, and the claimant is always given an opportunity to give a statement about the issue. After DWD receives all the information about the job refusal, and if the individual is receiving UI benefits, DWD would adjudicate the issue and determine whether benefits should be denied. A claimant's failure to correctly report work, which includes a new job or job quit, may result in penalties. The claimant could appeal that determination.

The bill's proposed reporting requirements will create unnecessary administrative burdens on employers in Wisconsin. As it is likely that reporting employers would not have the personal identifying information for job applicants that do not attend interviews to effectively allow DWD to match UI records accurately. It is unclear in the bill to what extent employers will submit information on individuals' interest in job opportunities. Employers would not know the job applicant's UI status in some situations covered under the proposed language and reporting individuals' lack of interest in an opportunity may not be an employer's priority for their administrative staff time. In addition, there are confidentiality requirements in both state and federal law

which restrict information about "actions taken" and their effect on claimants' eligibility. The proposed language in SB 911 requiring information being reported related to actions may not be permissible under federal law.

SB 914

DWD has significant concerns about this proposal due to the anticipated reporting burden for employers, potential costs, bureaucratic requirements, and lack of sustainable funding. While DWD already is performing a number of key functions noted in the proposal, other requirements in the bill appear to be based on an inaccurate read of Wisconsin's real labor market challenges.

DWD is already effectively serving job seekers, employers, and employees as DWD's primary responsibilities include providing job services, training, and employment assistance to people looking for jobs while working with employers to find the necessary workers to fill current job openings. DWD's six divisions, Employment and Training; Vocational Rehabilitation; Unemployment Insurance, Worker's Compensation, Equal Rights, and Administrative Services, coordinate closely to connect job seekers with employment opportunities; ensure that Wisconsin's diverse workforce is equipped with in-demand skills; and administer funds, including the \$1.1 billion Unemployment Insurance Trust Fund.

Wisconsin's proactive approach to workforce development already delivers results. Wisconsin's innovative responses and recent investments in workforce development are effectively connecting job seekers with employers and engaging previously underrepresented and underemployment populations with jobs. The Division of Employment and Training's Bureau of Job Service currently functions as a "Reemployment Division," working in the community, connecting online, supporting Department of Corrections job labs, providing services in hard-to-reach locations through the mobile career lab, and working in schools and libraries to help people get their next job. The [Job Center of Wisconsin website](#) currently hosts more than 46,000 resumes and functions to connect job seekers and employers.

Other ways DWD is already performing the functions proposed in the bill include:

- DWD works to prevent layoffs at Wisconsin companies. Through the Work-Share program, instead of laying off workers, a qualified employer can plan to reduce work hours for at least 20 employees, thus aiding the employer to retain its valued, skilled and/or trained employees.
- DWD's Job Service administers the Re-employment Services and Eligibility Assessment (RESEA) program. The program serves 20,000 to 25,000 UI claimants a year with an employment plan, job search assistance, work search review, employment counseling with Job Service licensed career counselors, referrals to training programs, career exploration.
- Work Registration is already a requirement. UI claimants are required to register for work (including the completion of a resume) with the Wisconsin Job Service online within 14 days of their initial application for UI benefits.
- Re-employment Services are also already a requirement. Again, claimants that are registered with Wisconsin Job Service are required to seek work, and complete an online orientation and assessment.
- DWD's Job Service is currently undertaking a comprehensive program evaluation of the RESEA program to identify the interventions that provide the best possible employment outcomes and reduce the duration of benefits. The evaluation will continue through 2024.

Creating new and burdensome reporting requirements for employers, erecting more barriers for job seekers, diminishing access to funds invested for people experiencing job loss, and creating more challenges for those suffering from substance abuse disorder as proposed in SB 914 would hinder the state's economic progress, not help. At the same time, establishing complex programs with unsustainable funding, creating additional bureaucratic mandates, shuffling existing division responsibilities, and changing the name of a DWD division as called for in the bill would only increase costs with no clear benefits.

SB 932

The bill proposes that UI benefit augmentations, such as the federal programs that provided critical supports for Wisconsinites during the pandemic, will require review by the Joint Committee on Finance (JFC). If

federal programs and extended benefits are needed at future date, this proposed change could delay benefits to Wisconsin citizens, negatively affecting Wisconsin's economy by withholding funding that could be used by claimants for good and services.

Additionally, depending on how the federal programs are structured, there is the potential for the state of Wisconsin to lose benefits and administrative funding should participation in those federal programs be delayed, like Wisconsin experienced early in the pandemic when legislative delay on the waiting week waiver cost Wisconsin hundreds of millions of dollars in federal reimbursement of those funds. If such a review had been required when DWD was implementing the Federal Pandemic Unemployment Compensation (FPUC) program, just a two-week delay for JFC review of the administration of FPUC funding would have resulted in \$362 million of lost funds.

The other proposed changes in SB 932 are, in many ways, already current DWD practices or would have little of the intended effect on the UI program, such as:

- Regarding the proposal that all out-of-state claimants register with a job center, this is UI's current practice. UI already requires out-of-state claimants to register with a job center.
- The changes to the misconduct and absenteeism under UI law would only result in a minor reduction in UI operation costs (for claims adjudication). In addition, the change would not have much effect in finding individuals ineligible for UI as the change in policy would not add reasons for ineligibility, it would simply shift claim denials from "substantial fault" to "misconduct."
- Identity Proofing - UI already performs substantial identity verification. If the identity proofing measures require uploading of identifying documents, this would be a barrier to users, and additional staff time could be needed to help claimants with additional technological requirements. An initial estimate is that the proposed identity proofing standards would require a significant cost investment in annual vendor costs and technology development costs. Current UI processes use targeted identification logic. If extended to every claimant, vendor costs would be increased significantly.
- Work Search Audits - UI currently uses a targeted approach to work search audits. UI has balanced the efficacy of assuring work searches are audited with the available staff time.
 - In addition, work search audits are labor intensive. Every additional audit of two claimant work searches requires 45 minutes of staff time. The proposed requirement would require a substantial investment. Also, additional denials of claims will result in additional appeals.
 - The bill does not allocate any funding to cover the likely significant costs to increasing staff to conduct such extensive auditing, as well as the cost of appeals.
- Regarding the training requirements proposed in SB 932, UI already has external training and training videos in place.
- This provision regarding claimant data matching with death, incarceration, and other databases is unnecessary as UI already matches to three of the four databases mentioned in the bill, with the fourth in the process of being implemented. While UI would not have barriers to complying with the proposed language now, codifying the names of the databases creates a future problem as database types and technology changes.
- Regarding the bill's proposed Legislative Audit Bureau's (LAB) audit of DWD's UI fraud detection and prevention efforts, LAB has conducted extensive audits of all of DWD's UI functions, including fraud detection and prevention efforts. It is unnecessary to legislate the need for an audit. Audits can be accomplished within existing authorities. For example, see LAB Reports 21-11 and 21-9.
- Transfer of staff to DWD to assist UI Operations - Staff transfers can be accomplished, and have been accomplished, within existing authorities. In addition, such mandatory transfers of staff can have a negative impact on the operations of other critical programs. During the height of the COVID-19 pandemic, the administration was able to work with the current flexibilities to strategically transfer staff to assist UI operations while ensuring other critical functions remained online.

Lastly, the bill proposes expanding UI call center operations during a declared state of emergency. As demonstrated throughout the course of the COVID-19 pandemic when DWD did expand the hours of the call center, this is a function the Department has done and is able to do at any time based on the need of the people of Wisconsin. However, DWD was limited by the antiquated IT system that required the mainframe to

be unavailable during certain times of day. That is why the Evers Administration's efforts to modernize our UI system continue to be a key solution in ensuring folks are able to get connected and receive support in a timely fashion. Examples of how the antiquated system affected the call center hours are available below:

- UI uses a COBOL Mainframe to process UI claims. The Mainframe is unavailable during certain periods to allow for batch processing and maintenance.
- The required overnight "batch" processing must occur for UI payments to be made.
- Batch processing is required to calculate, process and record payment amounts for claims and generate files for bank processing so that the payments can be deposited into claimants' bank accounts or issued to debit cards.
- When the batch process is running each night, the online mainframe application is not available for making adjustments/corrections to the claims.
- Currently the Mainframe is available for staff to use during the hours of 6:00AM and 6:00PM, Monday through Friday, and from 6:00AM to 3:00PM on Saturday.
- Staff do not process claims on Sundays as that day is reserved mainly for weekly claim taking and preparing files for processing for payment.
- Weekend and evening hours would require staff costs of 40-45 people plus overtime costs. IT changes would be needed for the batch cycle and maintenance windows, and staffing would need to be added for IT and other areas that support the call center for weekend hours.

In addition, the proposed requirement to maintain a call center as well as have extended call center hours during a statewide emergency and/or a 300 percent increase in calls compared to the prior year does not take into consideration increasing use of other technologies to apply for UI and receive help on a claim, such as an improved online filing process and DWD's newly implemented artificially intelligent (AI) chat bot. DWD has made tremendous strides over the past year with the modernization of its call center, including contracting with Nice CXone, a cloud-based Customer Contact Center, to provide call center services. By partnering with this vendor, DWD has been working to implement a call center that offers a way to efficiently track and manage customer contacts while adding additional channels for communication.

To date, DWD has transitioned one third of the UI call center phone numbers to this new solution, which provides increased mechanisms for communicating with claimants and provides an opportunity for the integration of an AI chatbot. The CXone platform provides a sound, proven platform that is engineered to meet DWD's capacity needs as DWD's weekly call volume can be as low as 12,000 calls per week to over 6 million calls per week (experienced at the start of the pandemic). The new call center platform monitors capacity regularly and has an architecture that allows for a capacity increase to meet DWD's needs at all hours and without having to expand traditional "call center" hours.

Thank you for the opportunity to provide this information.