

Alexa Tapia

National Employment Law Project

Supporting Senate Bill 10: Unemployment Insurance Dependent Allowance

Hearing before the Vermont House Committee on Commerce and Economic Development

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Alexa Tapia

Unemployment Insurance Campaign Coordinator

National Employment Law Project

1350 Connecticut Ave NW, Ste 1050

Washington DC, 20036

Atapia@nelp.org

Thank you, Committee Chair Marcotte, Vice Chair Kimbell and members of the committee for allowing me to testify on this important matter today.

My name is Alexa Tapia and I am the Unemployment Insurance Campaign Coordinator with the National Employment Law Project (NELP). I joined NELP in December from the Kansas Department of Labor. Today, I am testifying in support of the dependent allowance in Senate Bill 10.

NELP is a nonprofit research, policy, and capacity building organization that for more than 50 years has sought to strengthen protections and build power for workers in the U.S., including people who are unemployed. For decades, NELP has researched and advocated for policies that create good jobs, expand access to work, and strengthen protections and support for underpaid and jobless workers both in the workplace and when they are displaced from work. Our primary goals are to build worker power, dismantle structural racism, and ensure economic security for all.

Creating a dependent allowance is a small step forward in vital unemployment insurance (UI) reform. This crisis has exacerbated existing systemic race and gender inequities and disproportionately harmed Black and Indigenous People of Color. For Vermont to position itself for a swift, just, and equitable economic recovery, it's imperative to invest in workers and now is the time. Enacting the dependent allowance will allow struggling mothers and their children, who could be receiving as little as \$72 a week, additional support for their survival. While tenuous and short-term additional federal programs exist, Vermont has the opportunity to adopt permanent solutions to a long-term problem and invest in workers now—and generations to come.

Mothers and their families have borne the brunt of this crisis. In November 2020, almost 74 percent of Vermont UI recipients were women. According to national data from the Census Household Pulse Survey, 30 million adults live in households who point to UI as a key income source, and 14 million adults live in households who have kids and point to UI as a key income source. Another recent analysis from the University of Chicago found that 41 percent of unemployed people in October 2020 who had lost their jobs have kids.

I have experienced this economic insecurity firsthand, as a single mother of color, insufficient policies and benefits like these force women and their families into the margins and perpetuate poverty. Even before the COVID-19 economic crisis, nearly one in ten children in America lived in deep poverty, although that figure was closer to one in five for Black children. This is due to existing systemic race and gender inequities, which is further compounded by occupational segregation, meaning women, predominately women of color, were paid less, which means lower UI benefits. In Vermont, the lowest unemployment benefit is \$72 a week, with the average weekly benefit amount being \$387.12. While the maximum weekly benefit for unemployment is around \$500 (which falls short of the national wage replacement rate recommendation), we need to plan for our most marginalized Vermonters because studies have shown by lifting them up, we lift everyone. Without vital benefit support, it has led to increased food and housing insecurity, especially considering UI benefits already are typically insufficient to cover the cost of rent alone. Knowing every \$1 of unemployment

generates a \$1.61 into state and local economies, this is an opportunity to provide immense and immediate relief. As of 2020, not accounting for current state efforts to expand benefits, Vermont would join the 13 other states that currently have dependent benefits.

Next, I want to caution on the fraud components of Senate Bill 10. The long waits that workers have had to endure to access and receive benefits can be partly attributed to a system that has been overly calibrated to prevent fraud, even to the detriment of paying benefits accurately and timely. This emphasis on fraud unfairly targets BIPOC and exacerbates systemic racism embedded within these systems. When identity theft software adoption became required in 2020, most states did not couple this adoption with policies that center equity. This resulted in Black workers being overly flagged for fraud. As a result, workers can be flagged simply because of how and where they file for benefits, their name, their darker skin color, and other discriminatory measures.

Similar to Voter ID laws, this places additional onerous and arbitrary requirements on claimants where they must fight to prove their innocence and eligibility to receive benefits. Additionally, after states have implemented increased anti-fraud measures, the amount of people who are eligible to receive UI that receive these benefits (also known as reciprocity rate), dramatically drops. Before the pandemic, Vermont's reciprocity rate was 46.8%, ranking third nationally. Given the difficulties Vermonters had, and continue to have, with the Vermont UI system, instead of allocating increased resources to a misguided fraud approach, this could be an opportunity to focus on how to best help workers in crisis.

The fraud that has invaded UI systems this past year primarily is identity theft that has been committed by large-scale international and national organized crime— an outside criminal enterprise using other data breaches to access benefit systems. These criminal acts produce three kinds of victims in UI - the people whose identity is used to access benefits who may experience difficulty getting real benefits now and, in the future,, people who were getting benefits but who are flagged for potentially being a fraudster and who have to wait weeks or months for the UI agency to verify their identity, and the people who are still in line waiting for benefit approval in the first place. While updated fraud detection mechanisms are necessary to prevent future identity theft, not all methods are effective and equitable. It has been well-documented that some fraud detection systems over flag innocent workers and do not catch actual fraudsters. For example, in Michigan, a couple years after the 2013 legislature increased the penalty for fraud, the state's new IT system called MiDAS flagged over 40,000 workers for fraud using a faulty algorithm that was 93% inaccurate. We need to ensure these flags are conducted in a way that does not disproportionately harm BIPOC and ensures the right claimants make it through the system.

Additionally, on the overpayment provision, this pandemic has led to many new claimants interacting with UI, new federal programs, and an increased burden on already under-resourced state agencies. This has shown how many workers have fallen through the cracks over the years and has also contributed to mistakes being made by both claimants and the agency.

Outside of the pandemic, most overpayments are due to two common errors. The first is that workers get an extra week of benefits after returning to work because they do not immediately report to the state agency they have resumed employment. Of course, since workers rarely get their first week's pay immediately, it is probably logical to change the law to just allow previously unemployed workers to legally get that extra week of benefit, because workers do experience economic pain at the end of an unemployment spell. The other main reason for overpayment is for failing to properly report work searches. In the past decade, states have ramped up work search requirements and made reporting increasingly difficult. A better way to address overpayments for improper work search would be to establish more appropriate work search rules and offer workers assistance in completing and reporting their efforts.

As a result of the Continued Assistance to Unemployed Workers Act of 2020, additional federal guidance was issued on overpayments for the Pandemic Unemployment Assistance program (PUA) to waive overpayments if, "i) the overpayment was without fault on the part of the individual and ii) that repayment would be contrary to equity and good conscience." This presents an opportunity to adopt similar discretion afforded by the federal government into state law and consequently state UI benefits.

We are not out of this crisis and it will take years to return to pre-pandemic employment levels and trends. The national March unemployment rate was 6.0%. Because of systemic racism, Black and Latinx have been disproportionately harmed by this health and economic crisis. Black and Latinx unemployment remains high at 9.6% and 7.9% respectively. The unemployment rate for Asians increased to 6%. White unemployment remains lower around 5.4%. The long-term unemployment rate increased, around 40% of unemployed workers have been out of work for at least 6 months. With respect to who is receiving unemployment insurance, a recent analysis using national survey data from the National Opinion Research Center at the University of Chicago, revealed that "13% of Black people out of work from April to June received unemployment benefits, compared with 24% of White workers, 22% of Hispanic workers and 18% of workers of other races." This is a strong indicator we are still in crisis and need to keep our foot on the gas. We are going to need to continue to support our workers by expanding critical benefits and improving access. This is the moment to increase access and expand benefits--a dependent allowance is one piece of larger UI reform needed. It will also put Vermont in step with pro-worker reforms being adopted by surrounding states. This is a strong indicator we are still in crisis and need to keep our foot on the gas. We are going to need to continue to support our workers by expanding critical benefits and improving access. This is the moment to increase access and expand benefits--a dependent allowance is one piece of larger UI reform needed. It will also put Vermont in step with pro-worker reforms being adopted by surrounding states.

Thank you to the committee for the opportunity to testify today, and for consideration of this important legislation.

I can now stand for questions.