



**Written Testimony of Secretary Nancy A. Walker
Department of Labor & Industry
Before House Labor and Industry Committee
March 19, 2024**

Chairman Dawkins, Chairman Mackenzie, members of the House Labor and Industry Committee, thank you for the opportunity to speak with you today about Unemployment Compensation.

Much of my focus in 2023 was on improving the Unemployment Compensation (UC) system – both for Pennsylvanians who rely on this critical safety net and on the back end for our UC workers. When Governor Shapiro took office, he promised to make fixing the UC system a priority. The Governor committed his Administration to enhancing the system’s functionality; processing claims in a more efficient and timely manner; optimizing and improving customer service at all levels; and bolstering the system’s resilience during times of low or high unemployment. Fourteen months into Governor Shapiro’s term, we have made good on his promise.

By leveraging the Service Improvement and Infrastructure Fund (SIIF), L&I has increased staffing levels to adequately and efficiently address the needs of claimants and employers alike. Since January 2023, we have hired more than 380 additional UC interviewers to staff service centers and answer calls. This hiring has doubled the capacity of trained staff who can provide real-time status updates about individual claims and help claimants navigate their dashboard.

The impact of that investment is clear. In January 2023, about 40,000 claims filed between March 2020 and November 2021 remained unresolved, and there were about 34,000 open fraud reports. In just seven months, by August of 2023, we completely eliminated that pandemic backlog, and resolved all pandemic-era fraud reports. This was a promises made, promises kept scenario.

Over the past year, we have diversified our customer-service options and made them more accessible to Pennsylvanians. We extended the UC Connect program that offers in-person UC assistance at PA CareerLink® locations across the Commonwealth. Through the UC Connect program, claimants can schedule in-person appointments with UC staff at all PA CareerLink® locations.

So far, L&I has served more than 64,000 individuals through this in-person service since its inception in May 2022. This program has facilitated more equitable access among Pennsylvanians to the UC system, especially for those in historically underserved communities. For L&I, it has empowered our staff to engage on a deeper level with your constituents and provide the effective customer service that Pennsylvanians deserve and expect.

Claimants can now connect directly with UC staff without picking up the phone. In 2023, L&I served more than 74,000 individuals through UC Live Chat. UC staff have been and are still responding to emails in real time, and the wait times for phone assistance have been cut in half since March 2023.

To put this into perspective, the day before Thanksgiving in 2022, the average claimant had to call UC 20 times before they spoke to UC staff. In 2023, on that same day, most claimants needed to call only once to reach a live person. Correspondingly, in November 2022, UC staff had the capacity to handle 37,532 phone calls. In November 2023, UC staff answered more than double that – 80,855 calls.

To further diversify the means by which claimants can seek assistance, the Office of Vocational Rehabilitation within L&I has just launched a help desk staffed by 50 individuals with disabilities, including veterans, to help people one-on-one over the phone with straightforward tasks related to the UC process, like uploading documents and resetting passwords.

The increase in the ability of UC staff to answer calls and chats dramatically reduced claimants' need to seek out help from legislative offices. In November 2022, UC worked with legislative offices on 4,644 requests for assistance through LegWeb. Compare that to November 2023, where the number of such requests was down more than 2,000 – to 2,378.

To maintain the current customer service levels – and continue system improvements – L&I needs to General Assembly to reauthorize SIIF. Without the requested SIIF funding, UC expenses will outpace revenues and L&I will be forced to realign UC programs with the minimum funding provided by the federal government. Such realignment would return UC's staffing complement to pre-pandemic levels and would immediately reduce customer service. Such actions would leave Pennsylvania and the UC system unprepared to deal with economic crisis.

Without SIIF funding, L&I would have to discontinue programs such as UC Connect, UC Chat, and LegWeb – the very areas where we have seen dramatic, long overdue improvements. Correspondingly, the wait times on phone and email would increase dramatically, and constituents will resume contacting all of you, at your legislative offices, for assistance with UC claims, as they did in 2020 and 2021.

SIIF funding is an appropriate resource to maintain customer service improvements because employee contributions fund SIIF. To that end, our current budget request asks for \$139,105,000 in reauthorization of the SIIF, which includes an increased authorization of \$68 million. This will allow L&I to maintain its complement and continue to reduce both the call wait time for claimants and the time it takes to issue determinations.

Over the past several years, we at L&I have heard your frustrations about the UC system. We heard you, the Governor heard you, and we took bold action to change the system and right its course. We are hopeful that you, the General Assembly, will approve our most recent funding requests, so that the hardworking women and men of the UC system can continue to serve the people and employers of Pennsylvania promptly, adequately, efficiently, and satisfactorily.

Thank you for the opportunity to testify today and provide a status report on the UC program. I have no doubt that working together, we can continue to provide the level of service that UC claimants deserve, and legislators have asked for. I am pleased to take your questions at this time.

Executive Summary

Pennsylvania's annual average total unemployment rate decreased from 4.5 percent in 2022 to 3.8 percent in 2023. Annual average resident employment increased from 6.1 million in 2022 to 6.3 million in 2023.

In 2023, a maximum of 26 weeks of regular UC benefits were available to qualified claimants. No extended benefits (EB) or pandemic emergency unemployment compensation benefits (PEUC) were available in 2023.

The status of the UC program in Pennsylvania for 2023 is summarized below. Program details and projections for 2024 through 2026 are included later in this report.

Benefit costs

- Annual benefit costs increased from \$1.22 billion in 2022 to \$1.66 billion in 2023.
- The number of individuals who received UC benefits increased from 260,000 in 2022 to 326,000 in 2023.
- The average duration of benefits decreased from 14.4 weeks in 2022 to 13.9 weeks in 2023.
- The average weekly benefit amount increased from \$432.67 in 2022 to \$453.22 in 2023.
- The minimum weekly benefit amount for 2023 was \$68 and the maximum benefit amount was \$605.

Employer and Employee Contributions

- Total employer plus employee contributions increased from \$2.24 billion in 2022 to \$2.32 billion in 2023.
- The average tax rate for employers was 3.49 percent for 2023, compared to 3.35 percent for 2022.
- The interest tax rate for 2023 was 0 percent.
- The employee tax rate for 2023 was 0.07 percent.

UC Trust Fund

- The UC Trust Fund balance increased by \$679 million in 2023, from a beginning balance of \$255 million to the year-end balance of \$934 million.
- Pennsylvania's loan balance stood at \$0 at the beginning and end of 2023.
- The Trust Fund solvency percentage – i.e., the Trust Fund balance minus the outstanding bond balance – on June 30, 2023, was 45 percent. The solvency percentage is expected to increase to 109% in 2024, 136% in 2025, and 151% in 2026.