

The Five Elements of a Modern Unemployment Insurance Transformation



While governments invest billions of dollars in technology and modernization efforts, many modernization efforts fulfill only the immediate needs of the government and constituents. True transformational technology modernization requires an approach and solution that can keep pace with increasing customer demands, constantly advancing technologies, ongoing security threats, and evolving government policies. These essential digital technology solutions must provide constituents continuous access to services in a seamless, equitable, and inclusive manner. Modernization requires a new mindset in developing government technology—building forever-modern solutions, customized to a state’s needs, that meet the needs of today and provide the flexibility to respond to changing requirements over time.

A transformational approach with a forever-modern solution brings a cadence for proactive, well-planned activities and a roadmap to achieve constant outcomes and value for the investment. Technology, economic and policy changes, customer demand, security issues, and agency operations all drive the need to transform fully integrated unemployment insurance benefits, tax, and appeals systems with a forever-modern solution. Five elements drive the need for modernization that transforms the state agency’s operations with enabling technology that dramatically improves target outcomes.

1 Forever-modern solution – Agencies must continuously maintain and update their systems quickly in a rapidly changing environment. Unemployment systems must be interoperable with other state systems and able to scale and pivot quickly, seamlessly, and cost-effectively to meet sudden spikes in demand, changes in technology, or changes in policy.

2 Consumer-grade experience – In today’s digital world, people have come to expect highly reliable and intuitive experiences relevant to their individual needs and expectations. People expect consumer-grade experiences, whether buying a product from an online retailer or filing a claim for unemployment insurance benefits. Consumer-grade experiences are personalized, easy to

understand and use, and provide equitable and inclusive access to government services.

3 Security and fraud risks – Coordinated efforts by groups of organized criminals resulted in unprecedented fraud during the COVID-19 pandemic. As a result, unemployment systems need to assess fraud risk in real-time, allowing agencies to eradicate fraudulent activity and provide constituent benefits quickly and without friction.

4 Return-to-work – No modern unemployment program is complete without a strong connection to re-employment services that help get people back to work. Re-employment services help connect workers with new opportunities, match up employers with job seekers, upskill and re-skill workers, and chart new career paths. Today’s holistic technologies can leverage personality, skill, experience, and interest data to help match people with well-fit, rewarding jobs and careers.

5 Agency operations – Staff capacity and demand for faster response times are challenging unemployment agencies like never before. Modern digital platforms incorporate technologies that dramatically improve efficiency to “lower the water line” and allow the workforce to spend more time on higher-value activities, and less time on transaction processing that computing platforms can do for them.

Forever-modern solution

Meet the needs of today with the flexibility to respond to changing requirements over time

System modernization is a high-risk, high-cost, time-consuming process that states cannot afford to repeat. Today's most effective and efficient solutions are engineered to evolve as the unemployment environment changes. A transformational approach embraces new technologies and process improvements, delivering forever-modern solutions that meet the needs of today and provide the flexibility to respond to changing requirements over time. With the rapid pace of change and constantly evolving customer expectations, it is no longer enough to deploy new technologies; successful transformation also reengineers operations to optimize performance and outcomes on an ongoing basis.

Forever-modern solutions include components that can be upgraded or replaced without disrupting or causing risk to the entire application. A forever-modern solution should be cloud-agnostic, scalable, and flexible, and provide a clear, transparent, consumer-grade user experience. A forever-modern solution allows for continuous technology upgrades, while also accommodating operational changes and modifications to laws and policies.

Automation, robust case management, and artificial intelligence-based chatbot and voicebot are features of a forever-modern solution. A machine-first delivery approach, in which any function that a computer can reasonably perform is not passed to a human, helps to increase efficiency and redeploy staff

Tenets of a forever-modern digital government solution:

- ✓ Flexible
- ✓ Scalable
- ✓ Configurable
- ✓ Cloud-agnostic
- ✓ Secure
- ✓ Easy-to-use and understand
- ✓ Consumer-grade experience
- ✓ Machine-first automation
- ✓ AI-based chatbot and voicebot
- ✓ Robust case management
- ✓ Continuously upgradable

to higher-value activities. By using technology to create more capacity, agents can provide support to the users who need it most, helping to increase individual satisfaction and program outcomes.

True transformational technology modernization requires a solution and approach that can keep pace with increasing customer demands, constantly advancing technologies, ongoing security threats, and evolving government policies. Transformation requires a new mindset to build forever-modern solutions that meet the needs of today and provide the flexibility to respond to changing requirements over time. A forever-modern solution creates a mindset that brings a cadence for proactive, futuristic, well-planned activities, and a roadmap to achieve constant outcomes and value. Forever-modern is the new normal: modernize once and do it right.

Consumer-grade experience

Meet customers where they are and anticipate future needs

Public systems, including those considered modern, are often plagued by poor customer experiences. Legacy solutions, built with a focus on the technology, barely considered the user. During the COVID-19 pandemic, these technology-focused unemployment insurance systems bowed under pressures of complex federal regulations, unprecedented volumes, and security challenges. Much of this failure resulted from systems that interacted poorly with customers. As a result, customers grappled with pressing questions—whether a claim had been filed successfully, what to expect next, when and if benefits would be paid—and existing technologies could not provide answers. A complex process, lack of transparency, and poor customer experience amplified peoples’ anxieties.

There is no distinction between consumers of commercial products and constituents seeking government services. People expect the same consumer-grade experiences, whether buying a product from an online retailer or filing a claim for unemployment insurance benefits. This includes offering an experience that is equitable and inclusive, personalized, and intuitive. Technology development was easier when customers used only desktop and laptop computers. Now, customers have transitioned largely to mobile devices and expect quick access to information, ease of navigation, and a consistent experience, no matter the device. A forever-modern solution with a consumer-grade user experience meets customers where they are, regardless of location, device, time-of-day, or proficiency with technology. A consumer-grade user experience provides clear and transparent information and easy-

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to-navigate processes, anticipating the user’s next need and delivering a dependable, consistent, curated, and even compassionate experience during a time when people need access to the first line of economic defense against the impact of unemployment. Meeting these expectations requires technology that accommodates all known methods of access, considers users’ state of mind, and anticipates future technological developments.

Human-centric design brings the customer to the forefront, applying usability standards, empathy, user feedback, and data to evaluate the user experience, remove navigation barriers and confusion, and improve operations. Ultimately, human-centric design helps to provide the same ease of interaction with government websites and applications as people experience on social media platforms and shopping applications, for example.

Applying the principles of human-centric design levels the playing field across social and economic groups with a goal of increasing equity and inclusivity, allowing all users ease of access, clarity, and transparency in the unemployment insurance experience. Improving equitable and inclusive access includes creating identical experiences across all devices without compromising functionality or available features.

Fraud prevention

Urgency and impact necessitate solutions that evolve with the changing environment

The infusion of hundreds of billions of federal dollars during the COVID-19 pandemic made the nation's unemployment insurance program a high-value target for fraud by individual criminals and organized crime groups. In September 2022, [the U.S. Department of Labor reported](#) identifying more than \$45 billion in potentially fraudulent claims since the start of the pandemic in March 2020. The Department of Labor-Office of Inspector General (DOL-OIG) has increased investigations 1,000-fold since the pandemic started.¹

Prior to the COVID-19 pandemic, fraud was considered less urgent than paying benefits. However, recent fraudulent activity increases have elevated both urgency and impact, necessitating solutions that evolve with the changing environment.

Fraud prevention can no longer wait until the staff has time; it must be done constantly. The good news is that the technology exists to assist staff in doing this work. Modern unemployment insurance systems address fraud, waste, and abuse with a multi-pronged approach.

A significant part of fraud prevention is the ability to continuously analyze and triangulate data, detect patterns, and address potential fraud cases. Artificial intelligence (AI) and machine learning (ML) allow deep investigation

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into data to understand relationships and uncover patterns invisible to humans. This deep data analysis improves the identification and prediction of fraud to stop fraudulent activity before states pay out false claims.

While one of the most effective tools in fraud prevention is deep data analytics, additional tools in a forever-modern solution will also improve fraud detection and prevention. For example, seamless integration with identity verification, state departments of corrections, birth and death, driver's license, and longitudinal databases help states verify legitimate claims in real time.

While it is important to respond quickly to changes in law and policy, it is equally important to respond to new fraud schemes. Criminals continually evolve their methods and try to stay as far under the radar as possible. With the application of artificial intelligence, machine learning, and deep data analytics, forever-modern solutions are poised to respond as fraud techniques evolve.

¹[Labor Watchdog's Pandemic Work Results in More Than 1,000 Individuals Charged with UI Fraud and \\$45.6 Billion Identified in Potentially Fraudulent Pandemic UI Benefits](#)

Alert Memorandum: Potentially Fraudulent Unemployment Insurance Payments in High-Risk Areas Increased to \$45.6 Billion Report Number: 19-22-005-03-315

Return-to-work

Transforming the employment journey

Over the years, employment systems have evolved from one-size-fits-all job boards to data-driven tools that provide better job matches, promoting higher job satisfaction, increasing productivity, identifying training opportunities, and developing long-term, satisfying, meaningful career paths.

Congress, trying to ensure people do not “fall through the cracks,” implemented programs to focus on re-employment of the unemployed. The current program, Reemployment Services and Eligibility Assessment (RESEA), focuses on people likely to exhaust unemployment benefits before they return to work. Profiling models help to identify those likely to exhaust benefits before returning to work, allowing placement programs to focus resources on helping those individuals find job matches. When the RESEA legislation was created, the “likely to exhaust” method may have been the best we could expect. Fortunately, there are better methods now. Holistically evaluating barriers to employment and connecting individuals with right-fit jobs and upskilling opportunities potentially yields better outcomes for job seekers.

Today we can holistically evaluate people’s characteristics, interests, credentials, experience, and to connect job seekers to the right-fit opportunities. The holistic profile approach augments the great work states have done for decades in their placement programs, which historically have used training credentials, employment history, and skills to match people with job opportunities. Twenty-first Century tools add a key element—personal characteristics—to the criteria. For instance, cognitive assessment technology can pinpoint personal working and learning styles, identify the types of activities an individual

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enjoys, determine their fit for a specific work environment, and assess how they interact in group settings. Holistically evaluating a rich data set that includes personal characteristics, experience, and credentials yields better-fit job matches, including new job functions that individuals may not have considered or realized could work for them. This holistic approach to job matching can also better identify skills gaps, connect the individual with training opportunities, and help get job seekers back to meaningful work and gainful employment faster.

A holistic approach to assisting the unemployed in returning to work yields multiple benefits:

- Greater workforce participation
- Happier workers
- Lower turnover rates
- A more stable and attractive workforce for employers
- Less drain on the unemployment trust fund
- Improved tax base
- Decline in employer taxes
- Strengthening the state’s workforce also helps to attract more businesses and workers to the local economy.

Agency operations

Improve efficiency and increase value

Lack of staff and demand for faster response times are challenging unemployment agencies like never before. During the COVID-19 pandemic, some states saw surges in unemployment claims ranging from 10 to 33 times their normal volume. Although many agencies expanded their staff, in some cases, the increase necessary to handle the influx of applications was untenable or impractical.²

Modern technologies and approaches improve efficiency and re-deploy people to higher-value activities, helping agency staff best address constituent and program needs. A “machine-first” operational approach allows computers to handle a significant portion of the transaction processing (sometimes as much as 40-50%), shifting agency employees to focus on tasks where they can add the most value. The machine-first approach results in higher job satisfaction, leaving highly repetitive and mundane tasks to the computer without eliminating jobs.

Legacy technology in the unemployment insurance domain was not designed for deep dives into data at the point of claim filing to understand workflows and how to free up agency resources. Modern platforms use robotic process automation (RPA), or “bots,” automated workflows, and artificial intelligence (AI) to handle many of the repetitive processes and analytics performed by staff in legacy environments. These tools now allow states to adopt a machine-first approach, increasing efficiency and re-deploying staff to activities that require human intervention.

Using technology to serve customers also improves the amount of time and capacity available to state staff to support higher quality service to constituents who face challenges accessing technology. This can free up valuable staff time to personally interact with constituents, address individual constituent needs that cannot be fulfilled through self-service tools, and perform higher-value activities for the agency.

Transformational approach, forever-modern solution

The costs of modernizing an unemployment system may not be so high considering the cost of doing nothing. A transformational approach with a forever-modern solution will meet the demands of citizens, legislation, and operations today, while helping states avoid the need for another costly modernization effort in the near term or even a decade from now. The benefits of implementing a forever-modern solution include:

- Frictionless and uninterrupted service to citizens
- Transparent and clear electronic interaction with customers
- Higher security for both information and funds
- Ongoing ability to respond quickly to changes or threats to system integrity

Forever-modern solutions enable states to use scarce resources more efficiently. Investing in and implementing a forever-modern solution may cost about the same as deploying a typical system which will be obsolete in a few years. However, taking a transformative approach with a forever-modern solution will require fewer

²Unemployment Insurance: Pandemic Programs Posed Challenges, and DOL Could Better Address Customer Service and Emergency Planning, United States Government Accountability Office (GAO),

June 2022 – p. 17, p. 19, <https://www.gao.gov/assets/gao-22-104251.pdf>

massive changes in the future. This approach will allow for faster and easier maintenance, the ability to remain relevant in rapidly changing times, a reduction in total cost of ownership, and perpetual delivery of greater value to the state and its constituents. Forever-modern solutions typically will not require extended downtime and can save months and millions of dollars in the coding, testing, and deployment process. This ability to rapidly scale and adopt changes also helps to protect against federal non-conformity, which can lead to funding loss.

The pandemic resulted in new awareness of the user experience and a particular focus on equity and inclusivity, with states and the federal government realizing the system may not be as equitable and inclusive in the payment of unemployment benefits as it should be. For decades, people who typically used the unemployment insurance system had some familiarity with the system, processes, and related terminology. With sudden and unexpected job losses, coupled with Congress allowing non-traditional “gig” workers to receive benefits, unfamiliar users found unemployment insurance systems difficult to navigate. Leveraging human-centric design concepts and tools to remediate this failure will undoubtedly result in unemployment insurance platforms that are easier to use, whether by

“traditional” customers or non-traditional customers of the future.

Exponential increases in fraudulent activity during the pandemic brought to light the fragility of many states’ unemployment insurance funds. In most states, the burden of replacing stolen funds must come in the form of a tax increase to businesses or future benefit cuts. Neither is an acceptable solution to addressing fraud. States should expect fraudulent activities to continue and even increase, and prepare to foil those attempts in order to maintain solvency and continue to provide the first line of economic defense to constituents in the case of job loss. Securing a state’s unemployment insurance system and implementing extensive fraud prevention measures will reduce the state’s target status.

Antiquated, inefficient unemployment insurance technology solutions, whether recently implemented, or implemented years ago, place workers, business, government, and the entire unemployment system at risk. Transforming unemployment insurance with a forever-modern solution will deliver a consumer-grade, equitable and inclusive user experience, lower total cost of ownership, improve fraud prevention, and empower government employees with the capacity to deliver greater value to customers.

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Tata Consultancy Services (TCS) US Public Services

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