Good Morning Mr. Chairman, Ranking Member Hice, and distinguished members of the Committee. My name is Adrian Haro and I am the Chief Executive Officer of The Workers Lab. I appreciate the opportunity to appear before you to discuss how the federal government can tackle fraud, waste, and abuse in government programs without putting undue burden on the individuals who rely on them.

Over the last year, we brought non-traditional gig and contract workers together with our project partner Steady – a platform that helps gig workers track, understand, and optimize their income – to develop an "income passport" to automate the process of verifying income in the administration of unemployment benefits to gig workers. An estimated 57.3 million Americans generate income from gig work, which represents 35 percent of the U.S. workforce and is expected to grow to 50 percent by 2025.

The U.S. unemployment benefits system was designed to serve traditional workers in nine-to-five jobs, and it has excluded non-traditional gig and contract workers like app-based, farm, freelance, and domestic workers. During the COVID-19 pandemic, gig and contract workers have needed the government's support more than ever. Early in the pandemic, Congress responded to that need by passing legislation that enabled these workers to qualify for unemployment benefits for the first time ever in every state. Quickly, though, we saw that states struggled to process these new benefits, exposing real flaws in the unemployment system's ability to serve all workers. We saw a need to test new solutions that could deliver help quickly.

Pandemic unemployment benefits that covered gig workers – formally, the Pandemic Unemployment Assistance (PUA) and Mixed Earners Unemployment Compensation (MEUC) programs – were established in March 2020 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and in January 2021, respectively. Suddenly, millions of workers who were not previously eligible for jobless benefits were able to apply. From the start demand was immense. Between just March and December 2020, the National Association of State Workforce Agencies reported that state governments made approximately 419 million individual payments for pandemic unemployment benefits to more than 28 million workers. According to the U.S. Department of Labor, as of the end of August 2021 5.1 million workers were still filing weekly claims for pandemic unemployment benefits, nearly twice the number of those claiming traditional state unemployment benefits. (By law, pandemic unemployment programs ended on September 6, 2021.)

For state government leaders, who were trying their best given the circumstances, processing unemployment benefits for gig workers has often been marked by confusion, haste, inefficiency, and threats of fraud. These challenges led to a rapidly changing policy environment that accentuated the need for reliable income verification technology. At the beginning of the programs, states paid out minimum benefits to anyone who gave them their word that they were a gig worker who had lost their job. But workers could only increase their benefit amount if they independently provided proof of income, leaving workers to receive benefits far lower than traditional unemployment. Then, in December 2020, Congress required that anyone seeking to claim benefits in 2021 would have to verify their pre-pandemic employment. This accentuated the challenge to states and workers. The typical approach for states was to verify claims manually, one by one.

The result has been millions of gig workers waiting months without being able to provide for their families. Some have received far less than they deserved and some have been outright denied because the unemployment agencies can't make sense of what the workers are owed. In that environment, income verification tools like the income passport have a key role to play.

Non-traditional gig and contract workers are anyone from Uber drivers and farm workers to freelance workers and domestic workers. The U.S. unemployment benefits system was designed largely to serve workers in traditional nine-to-five jobs, and it has historically excluded people in non-traditional work such as "gig work," in which workers of color are overrepresented compared to the national workforce. Traditionally, employers serve as the trusted providers to report what workers earn to the government so that officials can verify an unemployment application. That doesn't happen with gig workers, since companies classify them as independent contractors. That means the burden to organize and report income data falls on workers, which is uniquely burdensome since gig workers are often paid by multiple sources and potentially multiple times a day to make ends meet.

Two key factors unique to gig work complicated the expansion of unemployment benefits and negatively impacted gig workers:

1. **Workers struggled to access, organize, and report complicated income and expense information, forcing many to receive minimum benefit amounts even when they were eligible for more.** Unlike traditional employees, gig workers may be paid multiple times a day from multiple sources. Some income lands in bank accounts immediately while other income is paid out over time. Gig workers applying for unemployment benefits must also report their expenses, as federal programs required state labor departments to use net income to determine benefit amounts. Since many gig workers rely on personal resources for work (such as phones, cars, gas, and insurance), it's especially difficult to estimate work-related expenses on a weekly basis.
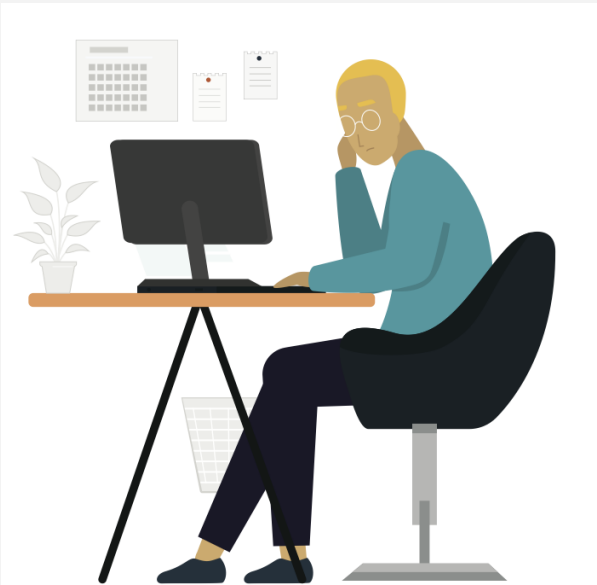
   Gig workers who rely on multiple app-based platforms face additional challenges, as different platforms report tips and reimbursements (such as for tolls) on different timelines, and some platforms limit access to past income data. Accounting for true net income in a format acceptable to state labor departments can be an immense task.

2. **States were unable to verify applicants' identity and income, which delayed initial claims and created months-long backlogs.** For traditional workers, employers share wage data with state labor departments regularly, making identity and income verification straightforward. By contrast, states have limited trusted data on what gig workers earn, putting the onus on these workers to provide documents confirming their income. The National Employment Law Project and NORC at the University of Chicago found that this negatively and disproportionately affected workers of color. Errors in the application process can be perceived as indications of potential fraud, delaying approval and endangering the worker's access to benefits. Widespread instances of fraud committed by organized criminal groups made states even more hesitant to increase benefits for workers. As early as May 2020, the United States Secret Service issued a memo suggesting that an international fraud ring was targeting state unemployment systems. And a ProPublica investigation revealed that much of the fraud has indeed been organized — both in the U.S. and abroad. Fraudsters have used bots to file online claims in bulk. While others, located as far away as China and West Africa, have organized low-wage teams to file phony claims.

   When pandemic unemployment benefits were first introduced, workers waited on average 38 days for their first payment. Based on a December 2020 survey of gig workers, one-third of those who had lost all of their income during the pandemic waited at least 110 days – 16 weeks – to receive benefits. Many states struggled to adapt to new unemployment rules and developed large backlogs of applications that left hundreds of thousands of workers in limbo. In September 2020, California's

backlog became so large – with 600,000 first-time unemployment applicants and 1 million continuing applicants in process – that the state halted new applications for two weeks.

While pandemic unemployment benefits' newness and staff shortages contributed to the challenges, outdated technology also slowed processing times, delayed payments, and created vulnerabilities for fraud by organized criminal enterprises. For workers, this translated into hours-long hold times at state-run call centers, crashing application portals, and delayed or inaccurate benefits.

Worker	State Employee
Imagine losing your job in the middle of a pandemic, unable to provide for yourself and your loved ones safely for months. Then imagine being required to spend hours each week piecing together a complex set of income and expense documents to qualify for unemployment benefits, with little to no official guidance. What might be going through your mind?	Imagine working at a state labor department. More than one in five people in your state are out of work, and the volume of applications is like nothing you've ever seen. You're working tirelessly to get through thousands of applications, but you're being asked to calculate benefits off of income and expense documents you've never seen and have no way of verifying. What might be going through your mind?
"Will I receive benefits? When? Will it be enough?"	
"How do I access earning information on three different platforms? How do I calculate expenses?"	*"I want to help this person, but we're behind on applications, and they keep mounting up."*
"What if I enter information incorrectly and my application is rejected?"	*"How do I piece together income and expenses from multiple screenshots, receipts, and forms?"*
	"What if I approve this application and it turns out to be fraudulent?"

To solve these problems, The Workers Lab started by asking the question: "What if gig workers didn't have to patch together tax forms, screenshots, and spreadsheets or jump through hoops to fill out state unemployment benefit applications?" We then teamed up with our trusted partner Steady to help them develop and test a tech solution that solves the challenge of verifying income from gig work and paves the way for state employees to more easily deliver timely and accurate benefits to gig workers. As importantly, we ensured that workers were involved at every step of the process to ensure the final product fully met their needs.

Here's how our tech solution helps gig workers and government leaders

| Gig workers sign up with Steady | Steady securely links accounts, verifies income | Streamlined income report generated for submission | State analyzes and makes benefits decision | Gig workers get accurate and timely benefits |

1. Gig workers go to a state website set up by Steady. They consent to safely and securely link the Steady app to their gig platform and financial accounts for the sole purpose of receiving unemployment benefits.

2. Steady's cutting-edge tech analyzes and organizes all sources of income from gig work and related expenses.

3. Gig workers receive from Steady a streamlined income report that is ready to submit to the state – and ready for state employees to understand.

4. The state analyzes and verifies income from gig work with substantially greater ease, accuracy, efficiency, and integrity.

5. Gig workers get their unemployment benefits faster and more accurately.

Our solution has also been built with the help of gig workers, including workers and leadership from the Philadelphia Drivers Union, an independent union representing thousands who work in Pennsylvania in the app-dispatched transportation industry; Gig Workers Rising, a national campaign to support app-based workers; and Julia Simon-Mishel's invaluable support as the supervising attorney and labor law expert at Philadelphia Legal Assistance. Our partners used, tested, and informed the development of the technology so that it addressed their problems, rather than creating new ones.

We sought insights and advice on gig work and safety net benefits from others as well. Donald Lowman, Jr., an app driver and gig work advocate and expert, shared his invaluable perspective on the gig worker experience

and helped us refine our solution. Andrew Stettner, senior fellow at The Century Foundation, provided guidance on unemployment policy and technology based on his more than 20 years of experience in this field

And of course, we are indebted to our tech partner Steady. Steady is a financial technology company that builds tools that make it easier for workers to manage, track, and stabilize their incomes. Its technology to help gig and low-wage contract workers gain economic stability and build wealth is already tested and used by 4.5 million workers and vetted by major financial institutions.

The income passport works because it was developed with workers. The solution is the direct result of The Workers Lab's groundwork establishing strong partnerships among a tech startup and a union and bringing them all together around the common goal of making workers' lives better. By placing workers' voices and experiences at the center of the development process, we helped Steady make major improvements to its original prototype and create a product that it could confidently pitch to states and workers as a solution to flaws in today's unemployment system. We believe this kind of cross-sector collaboration is the pathway to meaningful and long-lasting impact.

These are the features that we built into the solution in direct response to workers' experiences and feedback:

What Workers Told Us	How Worker Input Improved the Income Passport
Gig income shows up in many forms. Workers can choose to be paid by the gig platforms many different ways – for example, through scheduled weekly transfers or user-initiated "instant" transfers – with different implications for how to account for earnings in unemployment applications. In some instances, bank data doesn't even name the gig platform that issued the deposit. Plus, not all workers have bank accounts or are willing to share their bank's information.	**To get the full picture of a worker's gig income, our solution connects both to a worker's financial institutions and their gig platform accounts.** Comparing these two sources whenever possible allows our solution to have the fullest, most accurate understanding of a worker's earnings.
Platforms limit what data workers can see. Workers told us that they have never been able to track their income and expenses easily because gig platforms make it hard to see past work and earnings. This feeling of frustration and disempowerment means that workers had a harder time assessing their weekly earnings and presenting it to the government for benefits.	**The solution provides workers with unprecedented access to their past income from multiple sources** as well as their expenses in a format that is intuitive for them to understand.

Trust is fundamental. Workers have to trust that the solution is representing their work correctly, especially when gig companies don't always give them access to the full picture of their own data. When they have the opportunity to understand and clean their data, they can generate more accurate reports they can rely on. Ensuring this trust is fundamental to our solution, as we know workers are eager for reliable ways to improve the unemployment benefits application process. Steady learned through a survey of 256 workers associated with Gig Workers Rising in California that 9 out of 10 of those workers would be willing to share data from their gig or work app accounts if it would lead to faster and more accurate benefits.	**Workers are able to manually validate and annotate their data, adding notes to explain what may not be clear from the raw platform data.** Rather than relying solely on third-party information, this extra step puts workers in control of how they account for their gig work and provides additional content for reviewers at state labor departments.
Accounting for expenses is complex. Workers have to distinguish between gross and net earnings for unemployment applications, meaning they need to subtract expenses such as car payments, gas, and insurance. Because many gig workers work for multiple platforms at once, figuring out exactly how much they earned after expenses for each platform can be tricky – and have a big impact on the benefits they receive. Workers also told us that what qualifies as an "expense" depends on the individual gig platform and whether they have vehicle lease or insurance agreements with it, so having the worker's direct input here is crucial.	**Our solution makes accounting for expenses simple and straightforward.** We included a series of prompts that workers complete to identify expenses from their financial accounts and out-of-pocket spending, and we account for these expenses in the overall earnings in workers' custom income report.
Applying for benefits for the first time is intimidating. Unemployment benefits are complicated and figuring out how to apply can be intimidating. This is especially true for first-time applicants like gig workers, who became eligible for the first time ever during the pandemic. Challenges are even greater for workers who have less experience using technology or who don't speak English as their primary language. When potentially life-saving benefits are at stake, workers need a process that is as accessible as possible.	**We made the solution's language and design simple and easy to understand for all users.** The simple design also makes it easier to translate the solution into other languages to reach any state's population. Every aspect of the solution, including the instructions and step-by-step "how to" tutorials, were designed with this in mind and tested through multiple iterations of worker feedback.

Not everyone has a personal computer.	Our solution is designed to be accessible however a worker might use it, whether via a computer or a mobile device.
Workers have a range of familiarity with and access to digital tools. While not everyone has access to a personal computer, most tend to have at least some comfort with smartphones.	

As we were partnering with workers on improving the income passport, we were also talking to state governments about testing it in their states. Since the fall of 2020 we've had conversations with leaders in more than half of the nation's states. We learned about the difficulties they faced in implementing pandemic unemployment programs, about how the solution could support their processes, and about its potential to provide better access to government services far beyond the pandemic. We also learned how much unemployment systems vary across states – everything from the quality of application portals to the clarity of information provided to workers to the type of information that workers must report. For us, this reinforced the need for solutions like ours that are informed by workers and that provide a level of clarity and reliability that is often missing today.

Our team formed partnerships with departments of labor in both Alabama and Louisiana, enabling us to run test programs using the tech solution to process assistance claims in real time. In Alabama, we helped the state reduce its backlog of PUA claims by inviting workers stuck in the backlog to use the tech solution on the state's website. In Louisiana we helped the state process its backlog of Disaster Unemployment Assistance (DUA) and MEUC claims.

We had four main goals in these tests with states:

1. To understand the impacts that the income passport could have on how the state verifies income from non-traditional gig and contract workers in benefit applications
   a. Key Research Question: Does the tech solution help state staff to perform their work more easily, efficiently, and effectively?
2. To understand how implementing the income passport in the state system impacts workers' lives by getting them relief.
   a. Key Research Question: Does the income passport help gig workers submit their benefits claims more easily and accurately?
3. To better understand how the government can integrate new tech tools that improve the social safety net and public service delivery overall.
   a. Key Research Question: How can technology help deliver to more gig workers the help they need?
4. To understand how governments can innovate not only to make gig workers' lives easier today, but also to make the country's safety net and systems more equitable, accessible, and inclusive for workers that have historically been excluded from it.
   a. Key Research Question: How can partnerships between states, technology companies, and workers lead to better outcomes for all?

In Alabama, a total of 182 gig workers participated in our test by completing and submitting their PUA applications using our tech solution. Here are some key results of the test:

- **The income passport helped resolve employment verification issues before they required manual review.** Out of 182 total claims processed during the test, Steady data cleared a third of instances of employment verification issues automatically.
- **The income passport drastically improved the state's workflow by automating previously manual processes.** Prior to using our tech solution, state staff self-reported taking anywhere from 15 minutes to an hour to review and adjudicate a claim. With our tech solution, processing could take as little as 1-2 minutes.
- **Gig workers found the income passport simple and easy to use, reducing the stress of applying for unemployment.** Workers noted that it was easy to link both their gig and financial accounts with our tech solution.

Our test in Louisiana included 1,014 DUA applicants and 395 MEUC applicants. Here are some key results of the test.

- **The income passport enabled the state to pay claimants for unemployment benefit claims significantly faster, even during moments of crisis.** As our test overlapped with the onset of Hurricane Ida in 2021, our team also coordinated with the state to have our tech solution assist with the backlog of DUA claims. After receiving a verified income report from our tech solution, the state could pay qualified MEUC claimants in under 24 hours. With the previous manual approach, this would take approximately three weeks.
- **The income passport automated the decision-making process for the state.** For the MEUC program, our tech solution accelerated the state's ability to process their claim backlog and conclude the program, reducing the total workload on staff.
- **The income passport drastically reduced the amount of time claimants could spend collecting their income information for unemployment assistance.** Prior to our tech solution, it could take a claimant hours to document all of their earnings, before even starting to go through the state's process. The median time it took for an applicant to complete the income verification process via our tech solution was 22 minutes.

Here's what we're learning about how automating the process of verifying income can help mitigate improper payments:

1. **The income passport reduces the potential for fraud.**
   Because the solution safely and securely pulls income data directly from trusted sources and then transmits that income data directly to the state, it leaves very little room for fraudulent activity.
2. **The income passport increases accuracy in the determination of benefit amounts.**
   The state has access to a trusted and tailored record of income generated from gig work, and gig workers have unprecedented access to see past income and expenses from multiple sources and thus more control over how their income is reported.
3. **The income passport optimizes speed and efficiency.**
   For states, the manual income verification process is reduced from as much as one hour to one to two minutes. For workers, it simplifies the income reporting process and can allow for a benefits payout in less than 24 hours.

Finally, we are learning that the income passport holds promise beyond unemployment insurance to automate the process of verifying income across the entire menu of public benefit programs in states all around the country. In our meetings with state labor and technology departments, with governor's offices, and with

national organizations, we consistently heard how transformative a new income reporting solution would be for other parts of the safety net, like Medicaid, accessing nutrition assistance for children and families, family and medical leave, disaster relief, and more. So, our teams are exploring the value and applicability of our tech solution in various public benefits programs in states all across the country. For the first time, both gig workers and state employees could have a simple way to verify gig income across a wide range of benefits. The income passport could also be used to automate ongoing income reporting, reducing the strain on workers and state employees who otherwise need to report and review updates weekly or monthly.

The federal government can do three things to help states enable this innovation.

1. First, it should use its greater resources and technical capacity to evaluate potential technology solutions for their merits and support states that want to test them, providing funding and advice to ensure that states can take advantage of innovation.
2. Second, it can also establish guidelines and requirements that incentivize states to adopt more innovative worker-centered technologies.
3. And third, it can facilitate the sharing of best practices, lessons learned, and successful technologies across states, and help effective solutions be adopted at scale through funding and other resources and incentives.

As government leaders continue to show interest in extending access to safety net benefits for gig workers through portable benefits proposals and initiatives like draft Senate legislation that would modernize the unemployment system and permanently offer benefits to gig workers, we can continue to lay the groundwork in multiple states.

We look forward to demonstrating that the government can innovate not only to make gig workers' lives easier today, but also to make the U.S. unemployment insurance system more equitable, accessible, and inclusive of workers that have historically been excluded.