

REPORT TO THE LEGISLATURE AND GOVERNOR

Unemployment Insurance Staffing Report

SEPTEMBER 2021



Employment Security Department
WASHINGTON STATE

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Background

In the 2021-23 budget, Engrossed Substitute Senate Bill 5092 directed the Employment Security Department (ESD) to submit a report to the Legislature and the Governor by September 2, 2021 (ESSB 5092, Sec 225(14)). The report is to include the following information:

- The number of full-time equivalent employees of the department who were working in the Unemployment Insurance (UI) program, including those who were reassigned internally to the UI program; the number of full-time equivalent employees that were contracted by the department from other state agencies; and the number of contractors or consultants engaged by the department, on a monthly basis beginning March 1, 2020, through the latest available month.
- A projection of full-time equivalent staffing or contractor needs that would be affordable within anticipated base and above-base federal unemployment administrative revenues.
- A spending plan for anticipated federal unemployment revenues other than base or above-base revenues, including any proposed additional full-time equivalent staff, consultants, contractors, or other investments related to helping the department reduce the backlog of UI claims, appeals, denials, overpayments, and other claimant issues.
- A budget for the UI program, showing expenditures by object and fund source, for fiscal years 2022 and 2023, along with any projected shortfalls in revenues.

This report provides the required information through June 30, 2021 and reflects the best estimate for future staffing needs at this time, based on the regular UI program.

UI Staffing and caseloads

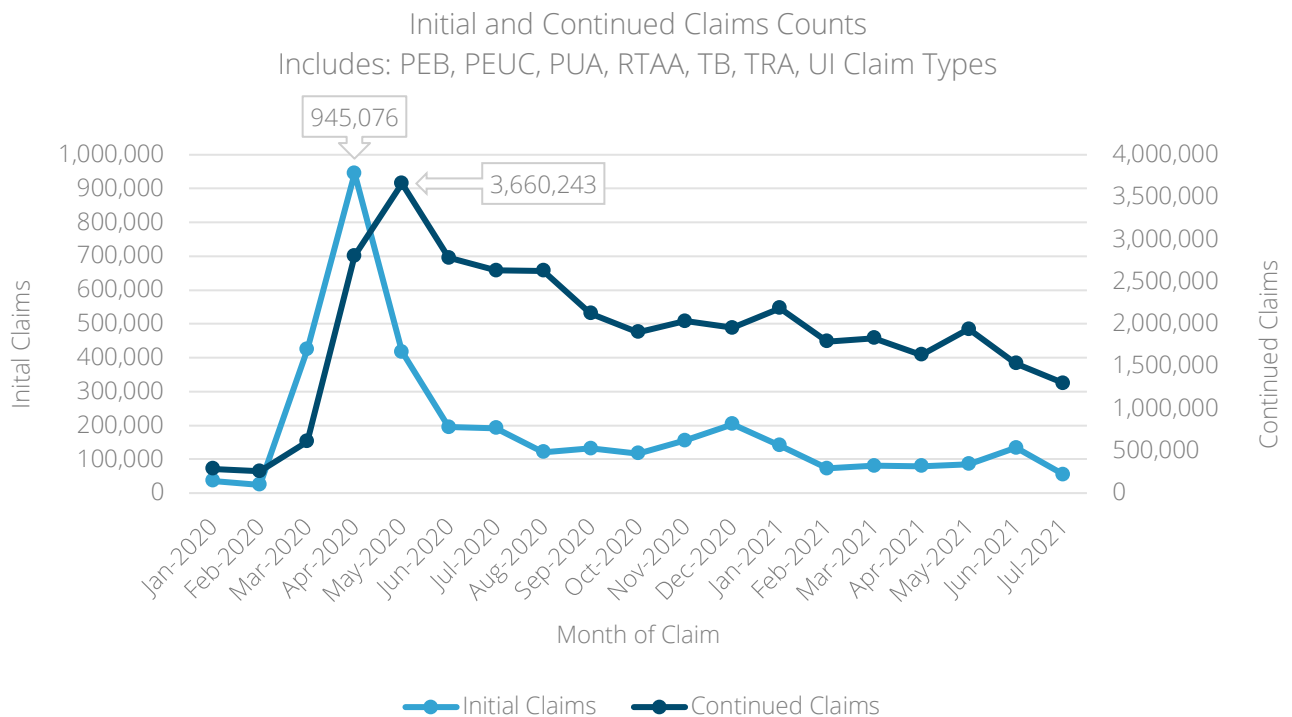
In February 2020, the number of unemployment insurance claimants skyrocketed from 24,074 to 424,304. Similarly, the continued claims increased from 248,535 in February to 609,168, and peaked at 3,660,243 in May. In March, direct call center staffing was at pre-COVID levels and there were only 197 staff available to process claims and respond to questions.

In addition to high claims volumes since March 2020, ESD has implemented several federal and state unemployment program variations, each requiring unique determinations of

eligibility. Some claimants whose claims may have been held up due to issues may have multiple benefits they are eligible for – each with separate rules, time frames and benefit amounts.

While ESD was able to bring up all programs in the desired time frames, new issues arose for some claimants that caused delayed benefits well beyond our normal standard of service. This was due in large part to the complexity of these new programs, changing requirements at the federal and state level, and as a result of stopping and preventing imposter fraud attacks, which took place here and around the country. ESD adapted quickly and utilized numerous strategies to better meet the need of this historic demand for services. Strategies included bringing in staff from other parts of the agency or from other state agencies, utilizing the Washington National Guard, activating a summer intern program, and hiring vendors to help with easing backlogs.

Chart 1 - Unemployment Insurance claims counts



The large claimant base and multiple entitlements resulted in a huge volume of work completed by Unemployment Insurance Customer Support (UICS) staff, staff redeployed from other parts of ESD, staff from other state agencies, and members of the National Guard.

UI Benefits Staff Work Completed March 2020 - July 2021

Type of Work	2020	2021	Total
Non-Monetary Decisions ¹	1,204,881	883,909	2,088,790
Intake Work Items	2,839,206	1,438,086	4,277,292
Appeals Requests	210,286	97,520	307,806
Other Work Items	110,366	41,068	151,434
Inbound Phone Calls Answered	514,352	487,735	1,002,087
Intake Claim Call Backs	58,683	35,601	94,284

Contractors hired under special federal authority to allow non-classified staff to work on unemployment claims answered an additional 539,205 inbound calls from April through September of 2020.

Base-level staffing vs. pandemic level staffing

The UI division typically has about 523 FTEs in its base for the UICS, Tax and Wage (employer services) section, and all program support staff in the division. To avoid repeating the reduction in force for permanent ESD staff, which occurred following the Great Recession, non-permanent claims center staff and adjudication staff were hired. This caused challenges for recruitment and retention as these staff tend to leave for permanent positions. The approved FTEs for SFY 2022, which are supported by the funds included in the enacted UI budget, support about 1,400 total FTEs. This constitutes a roughly 163 percent increase over base-level staffing. The additional staff are only funded for seven months. This level of staffing is needed to remove the backlog of unprecedented work accumulated during the pandemic. When backlog work is completed, average claims should be processed within three weeks. See Table 1 for FTE levels by month from March 2020 – June 2021.

Creating a new fraud prevention division

The UI Division previously included the Office of Special Investigations unit, which dealt with potential fraudulent cases. This year, ESD has established a new division to both resolve claimant issues that are identified as potential fraud and to take aggressive measures to prevent fraud. The Fraud Prevention Division's (Fraud Division) work and caseload is intertwined with the UI program and its ability to remediate cases. Staffing for the Fraud Division is also supported by Unemployment Insurance funding, but caseload needs are not

¹ Non-monetary decisions include decisions made by Office of Special Investigations staff who now are part of a separate division within ESD.

identified in this report. ESD will continue to work on developing a staffing model and estimated costs to inform the governor and Legislature of what is needed to have an effective fraud prevention program.

Redeploying other staff and bringing in staff from other agencies

In addition to UI staff, ESD redeployed staff within the agency and reached out to other agencies with customer facing staff to provide staff resources. For example, when job search centers were closed and the job search requirements suspended, the Employment Connections Division dedicated staff to work the backlog.

One challenge of bringing outside staff into this work is the level of training and experience necessary to perform the work effectively. In lieu of extensive time for training, the work was triaged so that outside staff would work the less complicated issues while UI staff were expected to perform the more complicated tasks. At the same time, the more knowledgeable UI staff were required to take on new roles as trainers, leads and supervisors, which allowed those most efficient and skilled to move cases quickly.

ESD greatly appreciates the support of its partner agencies. This level of cooperation is unprecedented in Washington state government, especially at a time when all agencies were experiencing significant challenges to performing their work due to COVID. See Tables 2 and 3 for details.

Help from the Washington National Guard

The Washington National Guard assisted in reducing the backlog in June and July 2020. Based on the success of that strategy, Governor Inslee again engaged the National Guard to support ESD in spring 2021. The National Guard effectively delivered every task they took on and resolved specific caseloads. The work done by the team was challenging, and they not only performed their mission with grace, but also with success. ESD is grateful for the dedicated work of the National Guard, who were able to help so many claimants.

Volunteer overtime

In addition to bringing in more staff from within our agency, enlisting other state agencies and utilizing the National Guard, ESD solicited volunteers to work overtime. These volunteers were able to work on specific backlog issues, including identity verification, wage verification, and SharedWork. See Table 4 for details.

Summer interns

In the summer of 2020, ESD also utilized interns to assist with claimant backlog activities. These students and recent graduates came from across Washington and lent not only service and help, but energy and enthusiasm during this historic period. They worked primarily in the UICS division, but interns were used by teams across the agency who needed additional support for the increased workload. Some interns have since been hired to the agency, carrying their experience and service forward into a full-time job. See Table 5 for details on the summer intern program.

Vendors

The UI Division also engaged three contractors to assist with claim volumes. This strategy was possible due to a waiver that the U.S. Department of Labor (USDOL) gave to states to perform functions normally limited to merit system staff. The waiver will no longer be available effective September 2021. ESD had received funding for SFY 2021 and SFY 2022 to use contracted staff for fact-finding and chose not to move forward to comply with the USDOL policy change. See Table 6 for details.

Table 1: Total UICS full-time equivalent (FTE) staff since March 2020

Month	UICS All Staff	Claim Center staff	Claim Center line staff
March 2020	436	252	197
April 2020	592	395	336
May 2020	735	533	463
June 2020	783	572	499
July 2020	910	606	508
August 2020	995	678	564
September 2020	1074	755	641
October 2020	1002	711	612
November 2020	977	689	587
December 2020	977	698	595
January 2021	962	688	586
February 2021	963	688	581
March 2021	994	713	601
April 2021	987	690	577
May 2021	950	655	543
June 2021	942	650	546

Note: Totals exclude part-time employees. Call center (CC) staff include leads and supervisors; CC line staff are direct call center staff excluding other positions.

Table 2: Staff from other state agencies

Agency	Staff	Start Date	End Date	Support
Liquor Control Board	6	4/1/2020	6/30/2021	Chat
Department of Licensing	45	4/21/2020	5/21/2020	COVID-19 toll-free number
Department of Social and Health Services	30	4/29/2020	5/8/2020	Chat, COVID-19 toll free number
Health Care Authority	249	4/16/2020	6/30/2020	COVID-19 toll-free number
Department of Enterprise Services	2	4/2/2020	9/30/2020	Claims Center
Labor and Industries	25	4/14/2020	10/12/2020	COVID-19 toll-free number
Commerce Department	5	7/1/2020	3/30/2021	Data Analysis
National Guard 1.0	54	6/15/2020	7/31/2020	Claims Center
National Guard 2.0	50	3/30/2021	9/21/2021	Claims Center
Total	378			

Table 3: Staff from other ESD Employment Connections (EC) WorkSource Division

Month	EC Full Time Equivalent (FTE)
March 2020	7.5
April 2020	118.4
May 2020	293.4
June 2020	309.8
July 2020	303.1
August 2020	239.8
September 2020	122
October 2020	28.6
November 2020	68.8
December 2020	132.7
January 2021	98
February 2021	91
March 2021	46.7
April 2021	9.5
May 2021	9
June 2021	8.2

Table 4: Agency volunteer overtime staff

Type	# of Volunteers	Staff Duration	Fiscal Year
Identity Verification	390	June	FY 2020
Wage Verification	698	April – June	FY 2020
Shared Work	21	July	FY 2021

Table 5: Summer interns

Month	Interns
July 2020	63
August 2020	63
September 2020	54
October 2020	3
November 2020	1
December 2020	1
January 2021	1

Note: On July 16, 2021, ESD onboarded 25 of 30 planned interns for Summer 2021 to continue the work on backlogs.

Table 6: Vendors in 2020

Vendor	May	June	July	August	September	FTE
Alorica	128.2	126.9	124.2	134.2	48.6	492
Faneuil/OMNI	208	287.3	284			502

Unemployment insurance customer support

The UICS Division administers unemployment compensation claims and processes payments in accordance with state and federal laws. Services provided by the division include:

- Operating claim centers in Spokane, Lacey, and a virtual claim center, where claimants access services by phone and the web.

Special programs including Training Benefits, SharedWork, Trade Readjustment Act and Disaster Unemployment Act grant programs.

- Training, technology, and planning services.

The UI Division also administers the state's unemployment insurance tax system. Tax and Wage staff help employers remain in compliance with unemployment tax law, ensuring that all employers pay their unemployment taxes. Staff are responsible for maintaining systems that deposit and record employers' tax filings and statements in an accurate and timely manner. Core services include the administration of rates and registration, tax accounting, account management, audit, and collections.

The Unemployment Insurance program is supported by several other agency divisions that provide support services necessary to operate the program. The agency typically bills all activities that support the program directly to the UI funding. Other services provided for the benefit of all activities within the department are paid for by the agency indirect rate (which was approved by the USDOL). The indirect rate is paid for by all allowable funding sources and is based on agency FTEs.

Federal unemployment administrative grant

The Unemployment Insurance program is primarily funded with the federal Unemployment Insurance Administrative Grant (119-02). This grant is based on a complicated formula set out by the federal USDOL. A description of this funding is provided below. It should be noted, that for the last two quarters, USDOL has arbitrarily reduced reimbursing the costs for UI by 25 percent for all states. This means that a different funding source is needed to pay for the costs of the program that have already been incurred. The USDOL cites the reduction is due to their estimate of fraudulent cases. Current data provided on claims identified that less than 1 percent of claims reported to the federal government for administrative funds may be fraudulent.

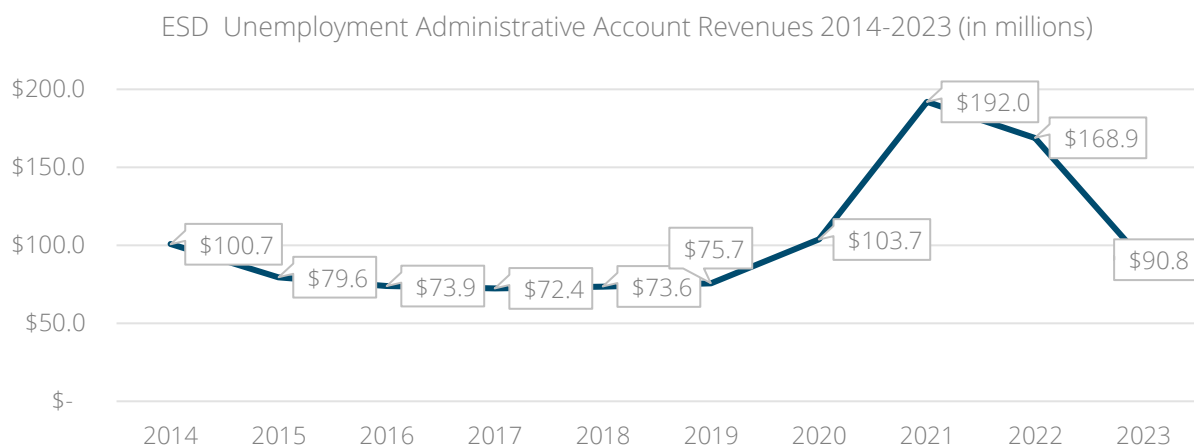
Unemployment Insurance (119-2) Fund 119 includes UI Administrative Grant funds, Reed Act funds, and other federal grant funds, such as the Disaster Unemployment Assistance Act, the

Trade Assistance Act, the Alternate Trade Adjustment Assistance and Reemployment Trade Adjustment Assistance. These funds are used to administer unemployment insurance programs for eligible workers, including unemployment compensation for federal employees or ex-service members. The Federal Unemployment Tax Act (FUTA) is a 0.6 percent employer tax on the first \$7,000 of each worker's earnings per year. These funds are paid to the federal government and distributed to states based on an allocation methodology for UI administrative costs. Federal UI Administrative funds have two components:

1. Base funding – distributed to states through a complex formula that includes population, number of people covered by UI law, cost of administration and other specified elements. This is granted at the beginning of the federal fiscal year and is apportioned to states quarterly. Washington's base allocation is around \$72 million.
2. Above base funding – additional federal funds are available on a quarterly basis for claims-related workload. A primary concern about above-base funding is that it is retroactive and not all caseload-related costs incurred by ESD are reimbursed.

Chart 2, below, identifies the expected funding for the UI Administrative grant. This chart does not include the additional 6 percent ESD typically requests authority to cover minor fluctuations in funding. The amount for SFY 23 also assume that USDOL will not continue with the arbitrary 25 percent reduction in funding.

Chart 2 – UI Administrative Account including base and above base funding



The following table identifies the FTEs attributed to the UI division and the Fraud Division, since both are primarily funded with UI administrative funds. The proposed budget for SFY 23 rebases the employees to previous levels. SFY 2022 includes funding for non-permanent staff to reduce the backlog and reduces to the base budget of 532 FTEs ongoing (for UI customer

service, employer service and the UI management and infrastructure). Similarly, the budget for fraud activities (which were formerly in the UI division) reduces to 43 FTEs ongoing.

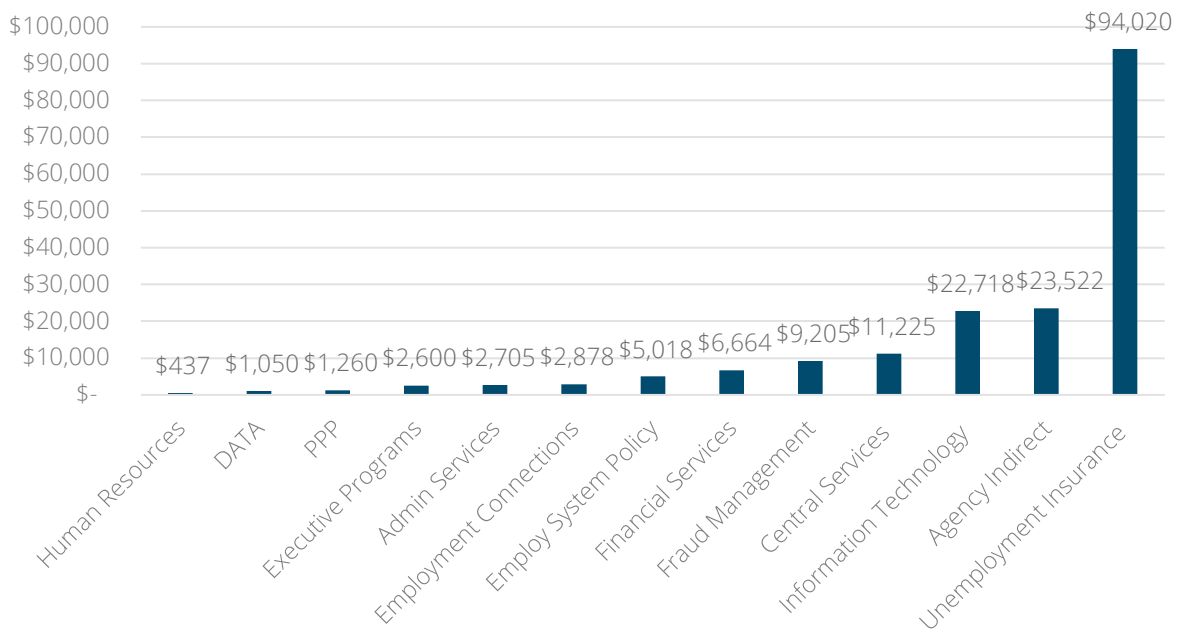
Table 7 - Historical Summary and Projection of UI FTEs

Division	2017	2018	2019	2020	2021	2022	2023
Unemployment Insurance	479.4	490.0	491.7	542.9	1063.1	1,004.4	523
Fraud Division	21.2	21.3	31.5	31.4	163.7	151.1	50-

Unemployment administrative grant expenditures

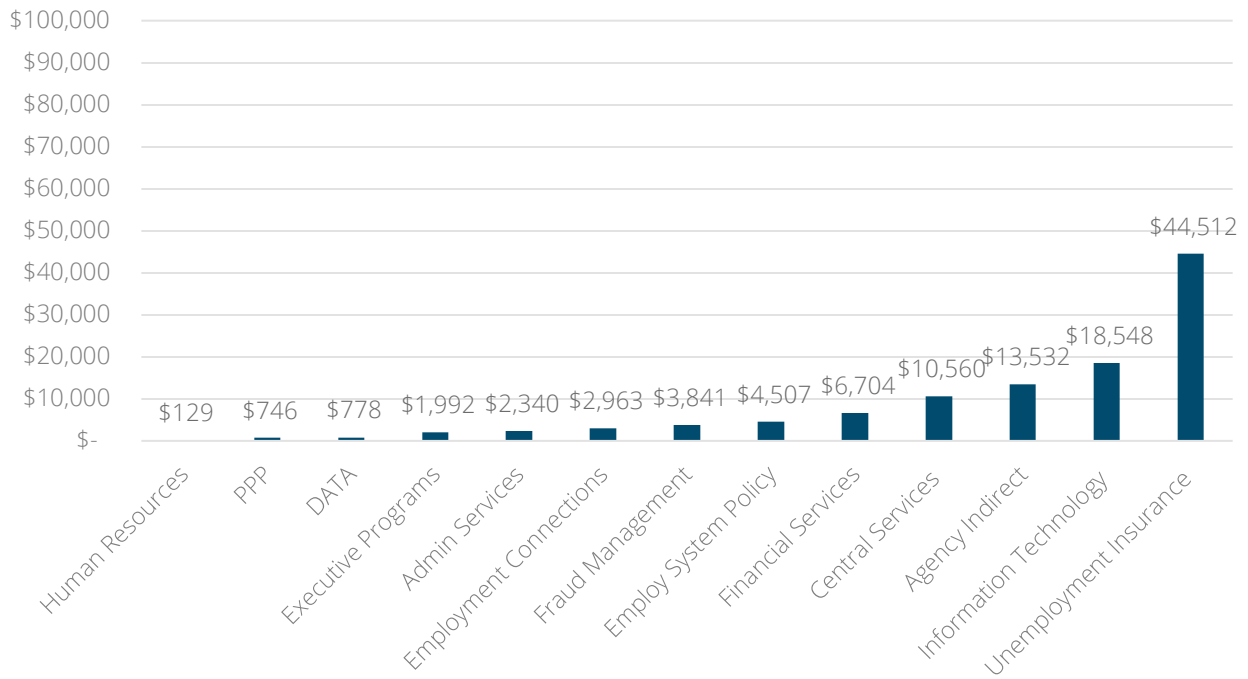
Funding for the Unemployment Insurance (UI) program supports multiple programs in the agency. Except for indirect agency costs, which are paid for by all funding sources, the costs are directly attributable to UI work.

Chart 3 – UI Administrative Funding SFY 22 in thousands



In SFY 2023, UI revenue is expected to decrease significantly, and the agency will no longer have the carryforward dollars used to cover costs in SFY 2022. For example, available funding for the UI customer service and employer services programs will reduce from \$94 million to \$45 million. These funds do not include the American Rescue Plan Act (ARPA) funds or the Coronavirus Relief Funds, which reduces the available funding even further.

Chart 4 – UI Administrative Funding SFY 23 in thousands



Proposed spending plan

Background

ESD’s spending plan is based on the enacted legislative budget. However, to meet legislative directives, ESD will need to submit a decision package to replace federal funds that are no longer available. The original funding source was based on the typical allocation that ESD would receive during a distribution. The USDOL retained the funds that were expected to be distributed to states. Whenever possible, ESD will submit applications for the specific purposes that these funds are to be used for, such as fraud prevention and improving the equitable delivery of services. Activities funded include backlog reduction for UI, fraud and Office of Administrative Hearings as well as migrating the telephony system to the cloud and implementing chat and translation of documents sent to claimants. ESD will request a portion of the state COVID funding that was not allocated, so we can comply with legislative mandates.

The proviso directs ESD to estimate the necessary funding for caseloads. To achieve this, assumptions were made that the backlog would be resolved before January 1, 2022. We also assumed that no additional federal program changes would be made, such as offering new

benefits or extending current benefits, which would affect both the caseload and our ability to resolve the backlog. ESD also assumes no additional staff to improve responsiveness.

Initial projections and anticipated adjustments

This projection provides information on UI Administrative funding in FY 22 and FY 23 and assumes replacement of the original funds included in the ESD budget for ARPA related items. In addition, ESD would seek updated proviso language to reflect the modifications to implement the intent of the proviso. For example, the funding for the fact-finding staff can no longer be contracted due to changes in USDOL regulations, limiting work to merit system staff. The numbers provided below include the costs of funding the National Guard, replacing the call center technology, and funding fraud prevention activities. If another funding source is not provided, steep reductions in staff would be necessary and backlogs in processing claims would occur.

Table 8 – 22-23 UI Funding by Object

Object	Object Title	SFY 22	SFY 23
A	Salaries	\$60,936,608	\$30,347,333
B	Benefits	\$24,324,456	\$12,121,952
C	Contracts	\$10,644,251	\$0
E	Goods and Services	\$14,482,821	\$3,315,414
G	Travel	\$62,744	\$60,400
J	Capital Outlays	\$44,450	\$44,450
T	Intra-Agency Reimbursements	\$0	\$56,440
	Totals	\$110,495,330	\$45,945,989

Note: spending plan includes all fund sources, including replacement of fund sources in Supplemental

The projections for the 2022 and 2023 budgets, excluding the addition of customer service staff required to keep up with staffing needs identified in the next section, result in the following:

Source	SFY 22	SFY 23
Unemployment Insurance Administrative Fund 119-02	\$(2,210,786)	\$(13,535,809)
Cares Act Implementation and Administration	\$11,823,969	\$0
Potential Carryforward / Balance	\$9,613,183	\$(3,922,626) ²

² \$3.9 million of replacement is being requested with Coronavirus State Fiscal Relief Funds, which will resolve the potential funding deficit.

Note: Cares Act Implementation must be spent by 6/30/22, so these funds would be used for SFY 22 allowable expenditures and UI Administration Account would be freed for carryforward. The actual amount that will be received and spent in SFY 22 is not certain as the federal Pandemic Unemployment Assistance Program (PUA) ends in early September.

Unemployment administration staffing needs and key assumptions

The agency has a claims center staffing model that uses projected workload to estimate the number of staff required to keep current with incoming work on a month-to-month basis. To project workload through July 2023, ESD made several of key assumptions:

- The volume of incoming work will decrease after the expiration of federally funded benefits in September 2021.
- The backlog of work generated during the COVID crisis will be completed by the end of calendar 2021.
- The unemployment rates for 2022 (4.32 percent) and 2023 (4.07 percent) projected by the Forecast Council are accurate and not affected by a new wave of pandemic economic dislocation.
- The volume of incoming work in calendar year 2022 and 2023 will be very similar to the actual volume of work seen in calendar year 2019, since the projected unemployment rates in 2022 and 2023 are very similar to the actual unemployment rate in 2019 (4.2 percent).

The staffing model incorporates permanently funded base positions to estimate available capacity to meet workload demands. Claims center workload is cyclical. Demand for staff to work phones, claims processing and to adjudicate eligibility issues increases sharply in October, peaking during the months of November, December, and January. Demand for services starts falling in February and reaches a low during the summer months.

Forecasting a staffing shortage

The UI benefits staffing model forecasts an overall staffing shortage. Additional funds would be needed to manage claims without creating further backlogs. Meeting performance goals – that is, to complete all incoming work within the month – will depend upon being able to flex capacity to high demand months.

The projection for this biennium staffing needs to meet workload demands was approached in two ways. The first was to cost out using an average of staff needed to meet workload demand over the course of a year, which results in fewer staff needed. The model includes direct staff and their supervisors to support the direct line staff.

FY22 Staffing Model for Budget Projections – Average FTEs Needed

Job Class	FTE	Salary	Benefit	Goods & Services	Indirect	Total
UIS4 - Adjudication	6.7	\$344,594	\$137,838	\$101,505	\$92,834	\$676,771
UIS3 - Intake	20.3	\$946,873	\$378,749	\$307,545	\$255,088	\$1,888,255
UIS5 - Lead	2.25	\$121,743	\$48,697	\$34,088	\$32,798	\$237,326
UIS6 - Supervisor	2.25	\$127,926	\$51,170	\$34,088	\$34,463	\$247,647
Totals	31.5	\$1,541,136	\$616,454	\$ 477,226	\$415,183	\$3,049,999

FY23 Staffing Model for Budget Projections - Average FTEs Needed

Job Class	FTE	Salary	Benefit	Goods & Services	Indirect	Total
UIS4 - Adjudication	2	\$102,864	\$41,146	\$30,300	\$27,712	\$202,022
UIS3 - Intake	13.1	\$611,036	\$244,414	\$198,465	\$164,613	\$1,218,528
UIS5 - Lead	1.25	\$ 67,635	\$27,054	\$18,938	\$18,221	\$131,848
UIS6 - Supervisor	1.25	\$71,070	\$28,428	\$18,938	\$19,146	\$137,582
Totals	17.6	\$852,605	\$341,042	\$266,641	\$229,692	\$1,689,980

The following two charts identify what would be needed if ESD staffed for the highest point of demand, December of each year.

December 2022 Staffing Model for Budget Projections - Highest Need

Job Class	FTE	Salary	Benefit	Goods & Services	Indirect	Total
UIS4 - Adjudication	11.4	\$586,325	\$234,530	\$172,710	\$157,956	\$1,151,521
UIS3 - Intake	85.4	\$3,983,398	\$1,593,359	\$1,293,810	\$1,073,127	\$7,943,694
UIS5 - Lead	8.06	\$436,110	\$174,444	\$122,109	\$117,488	\$850,151
UIS6 - Supervisor	8.06	\$458,259	\$183,304	\$122,109	\$123,455	\$887,127
Totals	113	\$5,464,092	\$2,185,637	\$1,710,738	\$1,472,026	\$10,832,493

December 2023 Staffing Model for Budget Projections - Highest Need

Job Class	FTE	Salary	Benefit	Goods & Services	Indirect	Total
UIS4 - Adjudication	6.4	\$329,165	\$131,666	\$96,960	\$88,677	\$646,468
UIS3 - Intake	74.4	\$3,470,314	\$1,388,126	\$1,127,160	\$934,903	\$6,920,503
UIS5 - Lead	6.73	\$364,147	\$145,659	\$101,960	\$98,101	\$709,867
UIS6 - Supervisor	6.73	\$382,641	\$153,056	\$101,960	\$103,083	\$740,740
Totals	94.3	\$4,546,267	\$1,818,507	\$1,428,040	\$1,224,764	\$9,017,578

Ongoing work to increase efficiency

ESD is currently researching requirements to replace our existing interactive voice response system, the technology that supports claims centers operations. We are optimistic that a new phone system will provide more self-service options for claimants, allowing them to get answers to many of their most common questions without staff intervention. This will free up staff capacity to respond to more complex requests that need staff assistance.

ESD is also exploring industry standard call center staffing software that provides better estimates of staff required to reduce call wait times and answer all calls forecast during peak demand periods. These new estimates will provide a clear picture of the gap between federal funding available and what it costs to meet service goals common for businesses, typically well under one minute.

Conclusion

ESD will continue to improve integration of caseload and workload projections and determine what additional funding may be needed to meet caseload performance standards in the future. We will develop a similar staffing model for fraud prevention activities. The fraud division is also exploring new technology to identify imposter fraud more quickly. ESD's first goal is to obtain funding to shore up the gaps in federal authority in the current enacted budget. If so, sufficient funds would be available to meet the average staffing projections charts.