



Recommendations to Set Path for Reform at the Employment Development Department

Prepared by EDD Strike Team Co-Chairs

Secretary Yolanda Richardson, Government Operations Agency

and

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Background and Summary

Since the COVID-19 pandemic began in March, the Employment Development Department (EDD) has faced unprecedented demand for unemployment benefits. EDD has paid more than 12.6 million claims for unemployment benefits, including new federal programs providing pandemic assistance. While millions of claims for unemployment benefits have been processed on time, this record volume of claims produced a workload that challenged EDD's infrastructure and left many thousands of Californians frustrated due to their inability to reach a representative for help or a status update on their claim.

To better serve workers who have experienced job loss during the COVID-19 pandemic, Governor Gavin Newsom announced a strike team – which was to be headed by Government Operations Agency Secretary, Yolanda Richardson and Jennifer Pahlka, who co-founded the United States Digital Response, the United States Digital Service, and founded the Code for America. The strike team was charged with creating a blueprint for improvements at EDD, including a reimagining of their technology systems and provide a report to the Governor in five (5) weeks.

Beginning July 30, the Chairs convened a team of experts with experience in solving complex service delivery and technology problems in government organizations, including HealthCare.gov and the Department of Veterans Affairs, as well as leaders from the California Department of Technology and the Office of Digital Innovation.

The following representatives from the California Government Operations Agency, the California Department of Technology and the California Office of Digital Innovation served on the team:

- Amy Tong, Director and State Chief Information Officer, California Department of Technology
- Richard Rogers, Chief Deputy Director and Deputy State Chief Information Officer, California Department of Technology
- Jennifer (Uyeda) Isertell, California Department of Technology
- Udaya Patnaik, Director, California Office of Digital Innovation
- Eric Hysen, Project Lead, California Office of Digital Innovation
- Dave Guarino, California Office of Digital Innovation
- Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, California Government Operations Agency
- Nolice Edwards, Senior Advisor, California Government Operations Agency

- Amy Palmer, Deputy Secretary of Communications, Government Operations Agency
- Marina (Martin) Nitze, Partner, Layer Aleph
- Matthew Weaver, Partner, Layer Aleph
- Carla Geisser, Partner, Layer Aleph
- Mickey Dickerson, Partner, Layer Aleph

The Strike Team observed processes at EDD offices in Sacramento and Rancho Cordova, reviewed training manuals and materials, analyzed social media posts, reviewed notices, studied call center data and interviewed hundreds of people for their feedback and suggestions including legislative members and staff with a focus on finding ways to make legitimate claims move through the process quicker. At every step of the review, the team collected and extracted data from EDD systems to ensure the solutions recommended are rooted in evidence.

Additionally, the Strike Team met with representatives of contractors that support EDD and investigated relevant solutions from more than a dozen private technology companies. A subset of the Strike Team entertained proposals for vendors for targeted solutions.

As a result of these efforts, the team began sharing advice and solutions immediately with the leadership of EDD, landing on several areas of common understanding and agreement about how to begin to improve processes. Specific suggestions and solutions included developing a data-driven definition of the backlog; accelerating a plan for identity verification; changes to UI-Online; setting up an incident command using dashboards inform a strategy for attacking the backlog; enhancing computing capacity, and streamlining work processes to improve the speed of claims processing and free up resources to address fraud in a more strategic, modern way.

In this report, the Strike Team outlines its recommendations and suggested next steps for the department to address the backlog and improve on future processing of unemployment claims.

Overview of EDD Backlog of Claims

The Backlog – Recommendation #1

The Strike Team found that EDD's IT systems, while limiting, have scaled quite effectively and they have been able to process significantly more claims than in the past -- as long as those claims could go through EDD's automated process. An IT team within EDD known as the "macro team" deserves credit for creative

and effective adaptations in the context of rapidly changing conditions, including the implementation of new federal programs.

By far, the biggest driver of the backlog at EDD is the excessive number of claims flagged for manual processing. The Strike Team determined that a disproportionate number of claims were being checked for fraud when they were simple matters involving the length of a name or addition of a middle initial, for example.

- On average, 40% new claimants who apply today will go into manual processing
- Pre-pandemic, EDD averaged 2,312 manual claims per day, paying 80% within the recommended 21 days.
- During the week ending August 22, 2020, EDD received an average of 60,368 new electronic claims each day, and an average of 40% of those claims were routed for manual processing: 24,147 manual claims per day, a tenfold increase.

An internal dashboard was developed in partnership with EDD to provide a comprehensive overview of present claims processing at EDD using data drawn from multiple EDD IT systems. Using the dashboard to measure and track the backlog will make it possible to see how the backlog is increasing or decreasing on a daily basis, and to project the status of backlog in the future (since claims don't count as backlog until they have been undetermined in the EDD system for 21 days.) As a result, it will be possible to see the results of various actions, and to take further action based on that data, which is critical to the continued improvement in EDD operations. The Strike Team recommends the department track, analyze, and work down the backlog daily, including reporting the numbers publicly each week.

Recommendations to Prevent Further Growth of the Backlog

A commercial identity verification tool should be implemented immediately to enable automatic processing of more claims to get payments into the hands of claimants faster and slow the growth of the backlog. Due to the urgency of this improvement, the Strike Team did not wait for the full 45 days to elapse but began working with EDD to seek vendors through a competitive process, acquire the tool and begin implementing it.

This identify verification tool can reduce the number of claims requiring manual attention to about 3,500 per day -- a number that is within the Department's

capacity to complete. This will dramatically lower the growth of EDD's backlog starting October 5.

How the Identity Verification Tool was Selected

Upon discovery of the volume of claims going through the manual process to verify identity, leaders from the California Department of Technology (CDT) and the Office of Digital Innovation (ODI) issued a problem statement to 16 vendors to identify potential solutions. Additionally, officials from the Department of Motor Vehicles were consulted to learn more about their identity verification tool and market research was conducted as well to review tools used by the federal Social Security Administration and the states of Arizona, Nevada, Georgia, Florida and Indiana. Fourteen vendors, following CDT's standard procurement process, provided solutions to an evaluation panel consisting of staff from EDD, CDT and ODI resulting in the selection of ID.me.

The benefit of the ID.me solution is that many more – potentially hundreds of thousands – of EDD claimants will have their identity validated immediately without being flagged for manual verification, delaying the processing of their claim.

The Backlog - Recommendation #2: Two-week Reset

Experienced claims processors are key to clearing the backlog, and EDD has a limited pool of experienced claims processors. The complexity of the policies, processes, and systems makes it nearly impossible for new employees to perform essential tasks. For example, in recomputations, it takes three years of experience, schooling, and formal testing to progress from an entry-level Accounting Tech to an Accountant I, and an additional three years to progress to each subsequent tier.

New employees are taking up almost all the bandwidth of the experienced employees. Experienced staff have been redirected to train new employees and are unable to focus their efforts on the processing of manual claims. Since new employees are unable to assist in this essential effort to decrease the backlog due to their lack of experience, the Strike Team recommends reassigning all experienced Employment Program Representatives (EPR's) to focus exclusively on processing claims.

The Strike Team also recommends that the new staff be reassigned to other essential tasks such as processing mail and making outbounds calls to unemployment insurance (UI) claimants currently suspended in the process.

To begin this process, the Strike Team recommends a two week “reset” in accepting new applications directly into EDD’s IT systems. The rationale being: four of every ten new claimants who apply today will go into manual process, ending up in the backlog 21 days later and possibly waiting months for their claim to be processed. However, if that same claimant waited until the identity verification tool implementation is complete, they would be far more likely to be automatically validated, go through the automated process, and receive a timelier payment. Further, the new system will do a more accurate job of identifying claimants’ identities, freeing up Departmental resources to focus on the backlog and other program integrity steps aimed at stopping modern forms of fraud.

During the reset period, the Strike Team has proposed a process that includes diverting new claimants to a “pre-application” web form, that collects their name and email address, provides them with guidance about what documents to gather and communicates reasons for the temporary process. When the new identity verification tool integration is complete, EDD can reopen the application form in UI Online and email everyone who filled out the form inviting them back to apply. CDT staff is already creating this digital form, as additional resource augmentation to EDD.

During this time, continuing claims would not be affected. Anyone already receiving UI or PUA would still be able to recertify and receive their checks as before. While the application will be delayed, given EDD’s normal two-week waiting period for payment, the reset will make no difference in the speed with which claimants get paid. New claimants will be able to certify within the 2-week timeframe required as normal.

The Strike Team has provided EDD with a model for calculating the benefits of a pause under varying timeframes should the decision be made to go forward with this recommendation.

Establishing an Outbound Call Strategy

The Strike Team recommends the following:

- Shift to an outbound call strategy, in which experienced claims processors actively call claimants if they need to speak to them to resolve their claim, until the backlog is significantly reduced. It is critical to keep experienced claims processors focused on the tasks only they can perform. Colorado has taken this approach, so there is precedent.

- The Technical Assistance Line sometimes referred to as Call center 1.5 will remain open, but it should be retooled to set appropriate expectations with callers so that fewer claimants spend less time needlessly on hold, and so that the activity of this call center stops reducing the productivity of the experienced claims processors. Outbound messages must be carefully crafted to quickly direct callers whose needs can be resolved elsewhere (such as Bank of America).
- Reassign new call center employees to opening, sorting, and processing inbound mail and other tasks that help reduce the backlog and stop hiring any new ones.
- Continue the transition to the Verizon product “Virtual Contact Center” (VCC) so experienced claims representatives can make outbound calls while working remotely.
- Short of this, update call center welcome messages so the order of the options track with the most common reasons callers call.

Given EDD’s current capacities, retooling the call centers in this way and redirecting efforts to outbound calls is the best option for resolving backlogged claims as quickly as possible.

Recommendations for Transforming the Customer Experience

Californians’ experiences trying to get unemployment insurance over the last 6 months have been marked by delays, uncertainty, unanswered questions, confusion and frustration such as:

- People don’t know and cannot learn from EDD if their applications are being worked on, so they have filed multiple requests.
- Systems can’t verify claimants’ identity because of conflicting information in different federal and state databases.
- Electronic and paper communications are written in complex, inaccessible policy language.
- EDD instructs claimants to call into the already overloaded contact centers or make copies and mail in documents that then sit waiting to be opened and scanned before the claim can be approved.
- Californians who can only access the internet on low-data, low-end mobile phones must awkwardly zoom in and out on their screens to fill out forms because the website isn’t mobile friendly, causing unnecessary errors, costing them money and wasting their time.

Modern digital practices and tools can certainly help. But many of the changes that we can make to improve claimants' experiences have more to do with the rules and policies put into place, not the technology.

The Strike Team recommends that EDD revisit deadlines and procedures for when claimants have to submit paperwork, expand line worker discretion to resolve claim issues, revise online and paper forms with simple instructions and revisit the triggers that push claimants into time-consuming manual review and paper submittals.

EDD should make their new electronic document upload system mobile friendly so that is easier for claimants to send in requested information. It should also make the unemployment benefits application site mobile-friendly so pages can be read, and forms can be filled out easily on small screens. UI-Online also should be accessible by all Californians, including people with different visual, auditory, cognitive and physical abilities.

The Future of EDD Systems

The stresses placed on the EDD system during the COVID-19 epidemic have revealed the disconnect between the way the state provides unemployment benefits and the way the public interacts with other services in their daily lives. It has also revealed a great deal about what must be done now to change course for a better experience in the future.

EDD must begin the process of truly transforming claimants' experiences. This means rethinking the state's plans for the Benefit Systems Modernization (BSM) at EDD and planning for changes that place a higher priority on claimants' experiences integrated into the Department's technology tools.

- A next-generation unemployment benefits system should include a parallel modernization effort based on areas of critical need, including changes to rules, policies and technology.
- For claimants, the new system should anticipate what claimants need and proactively reach out to offer services. It should ask claimants only the questions it needs to ask, in a way that makes sense to them, and that treats them with dignity and respect. It should leverage other state data sources to make verification of eligibility and wages and other tasks easier in a way that also respect their privacy and information security.
- It should auto-register Californians so that most people would not have to create a new account to become a claimant.
- Claimants should be able to fill out an application in less than 10 minutes on a mobile phone with ease.

- EDD's system of the future should give real-time updates to claimants on the status of their claim and accurately estimate when they can expect payments.
- If there are no problems, payments should be approved, and money transferred to the claimant's account within 24 hours of being eligible.

The current system and the existing scope of the BSM project do none of these things.

Today, the BSM project is three years into requirements-gathering. A contractor has not been selected, and software code has not been written. For this reason, it is appropriate to pause that effort and reimagine it for the future in ways that prioritize claimants' needs and make their experiences with EDD easy, fast and reliable.

Recommendations for Implementation

The Strike Team recommends the following:

- Direct EDD to utilize the data dashboard developed by the Strike Team to report their progress to the public on a weekly basis and use the information to improve operations, especially after the identity verification tool is installed and the workload changes.
- Direct EDD to reconfigure their call center and focus on outbound calling for maximum effectiveness.
- Direct EDD to pause the implementation of the BSM project as planned and focus department energy on eliminating the backlog.
- Once the backlog is reduced and the team working on BSM presently are no longer required to process claims, begin a bold, cross-disciplinary modernization project involving an overhaul of administrative rules and procedures, operations and technology, with a central focus on improving the experience of those filing for unemployment benefits. We believe this project will also result in lower administrative costs to taxpayers in the delivery of these benefits.

Broader Lessons for State Leaders

EDD leadership is not alone in being challenged with the operation of old, legacy processes and systems to accomplish their core mission. The COVID-19 crisis revealed a system unable to manage the sudden volume of claims, compounded by a lack of understanding of how to pull data from the systems, analyze that data, and adjust operations to solve critical problems, including talking to employees at all levels of the organization to uncover problems, barriers and resource needs.

In many cases, state government leaders are being expected to operate with a level of sophistication for which they have had limited training and may have little exposure to what modern technology tools can do and how technology, operations, and policy work together to drive measurable outcomes.

In the future, the state needs hybrid tech-policy teams who actively bring the worlds of regulations, requirements and programs together with operations, technology and systems to better serve Californians.

We need to practice modern techniques like agile development, user-centered design and data-grounded decision making. We need to find creative solutions and support iteration, moving quickly and constantly making improvements over time.

This shift is going to mean historic changes in the way California has done business for years, and requires a re-thinking of how technology is designed, procured, deployed and maintained.

Good government in 2020 that is responsible to its citizens requires people who know how to integrate new technology tools into departmental operations and programs, with policies and processes that are revisited and updated constantly to achieve the desired programmatic goals. Departments need to put systems in place where everyone – executive leadership, managers, supervisors, vendors, front-line employees, user-experience experts and IT support teams – have a well-developed, common focus on their primary objectives. In this way, departments like EDD will be less dependent on large vendors and large, inflexible systems, and more able to adjust to accomplish their department's mission and serve the public well.