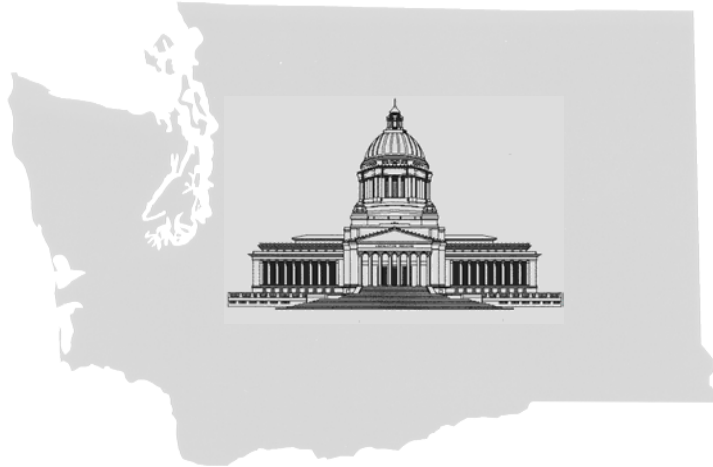


State of Washington  
Joint Legislative Audit and Review Committee (JLARC)



# **Evaluation of Employment Security Department Call Centers**

Report 01-10

September 26, 2001

*Upon request, this document is available  
in alternative formats for persons with disabilities.*

---

**JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE**

506 16<sup>th</sup> Avenue SE  
PO Box 40910  
Olympia, WA 98501-2323  
(360) 786-5171  
(360) 786-5180 Fax  
<http://jlarc.leg.wa.gov>

---

**Committee Members**

**SENATORS**

Darlene Fairley  
Georgia Gardner, Co-Vice Chair  
Jim Horn, Co-Vice Chair  
Bob Oke  
Debbie Regala  
Val Stevens  
Pat Thibaudeau  
Joseph Zarelli

**REPRESENTATIVES**

Gary Alexander, Co-Chair  
Kathy Haigh  
Fred Jarrett  
Tom Mielke  
Mark Miloscia  
Joyce Mulliken  
Val Ogden, Co-Chair  
Phil Rockefeller

**LEGISLATIVE AUDITOR**

Tom Sykes

Established by Chapter 44.28 RCW, the Joint Legislative Audit and Review Committee (formerly the Legislative Budget Committee) provides oversight of state funded programs and activities. This joint, bipartisan legislative committee consists of eight senators and eight representatives equally divided between the two major political parties.

Under the direction of the Legislative Auditor, committee staff conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. Studies focus on the efficiency and effectiveness of agency operations, impact of state programs, and compliance with legislative intent. As appropriate, recommendations to correct identified problem areas are made. The Legislative Auditor also has responsibility for facilitating implementation of effective performance measurement throughout state government.

**EVALUATION OF  
EMPLOYMENT  
SECURITY  
DEPARTMENT CALL  
CENTERS**

**REPORT 01-10**

**REPORT DIGEST  
SEPTEMBER 26, 2001**



STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND  
REVIEW COMMITTEE

**AUDIT TEAM**

Linda Byers

*PRINCIPAL MANAGEMENT AUDITOR*

Heather Moss

*SENIOR MANAGEMENT AUDITOR*

**LEGISLATIVE AUDITOR**

Tom Sykes

Copies of Final reports and Digests  
are available on the JLARC website  
at:

<http://jlarc.leg.wa.gov>

or contact

Joint Legislative Audit & Review  
Committee  
506 16<sup>th</sup> Avenue SE  
Olympia, WA 98501-2323  
(360) 786-5171  
(360) 786-5180 FAX

## UNEMPLOYMENT INSURANCE CALL CENTERS

The Employment Security Department manages Washington's unemployment insurance (UI) benefits program. Historically, a person filing for UI benefits completed an application on paper and brought it in person to a local department office for processing. In 1999, the department phased in the use of three centralized call centers, allowing a person to file an initial application for UI benefits by telephone instead of having to go in person to a local office. In May 2000, the department began offering the option of filing an initial UI benefit claim via the Internet as well.

The department had six goals in making the change to centralized UI call centers:

- Ensuring greater consistency in UI decisions;
- Paying UI benefits in a more timely manner;
- Reducing annual operating costs by \$2.8 million annually (by FY 2005);
- Using staff time more effectively;
- Eliminating the need for claimants to wait in lines; and
- Providing employers with easy access to UI information.

## LEGISLATIVE RESPONSE

At the time Employment Security was contemplating the switch to call centers, state law required initial applications for UI benefits to be in writing. During the 1998 Legislative Session, the department asked the Legislature to change this requirement so that initial claims could be filed by telephone or other means. With the passage of SSB 6420 (C 161 L 98), the Legislature granted the department's requested statutory change but also expressed "serious concerns" that eliminating the face-to-face contact in the local offices could increase the potential for fraud and reduce the likelihood that claimants would use re-employment resources. The Legislature directed JLARC to evaluate the call center approach to unemployment insurance. Specifically, the Legislature directed JLARC to compare the old system with the new call center system with regard to promptness of payments, fraud, and benefit overpayments and underpayments. The same bill also contained new provisions aimed at ensuring that recipients of UI benefits actively seek work.

## JLARC STUDY FINDINGS

- Employment Security is not achieving its projected cost savings with the switch to centralized UI call centers. There are three main reasons for this: (1) the department underestimated call center telecommunications costs, (2) the department overestimated the savings in claims-taking staff and failed to account for the additional FTEs necessary to run the call centers, and (3) the department continues to use UI administrative funds to pay for managers in the WorkSource Operations Division.
- Most UI claimants clearly prefer filing their initial applications by telephone to filing in person at a local Job Service Center. Interaction with the department for most employers is about the same as before the switch to call centers.
- In terms of promptness of payments, first pay timeliness of claimant benefits has declined with the change to call centers as compared to what the department delivered under the old system.

- Employment Security was not meeting the Federal standards for decision quality and timeliness when its adjudicators were located in the Job Service Centers. The change to call centers has exacerbated this existing problem.
- There is no indication that the change to call centers has increased UI benefits fraud. Data on non-fraud overpayments show an increase over time, but there is no clear relationship between this increase and the switch to call centers. UI benefit underpayments have not increased with the change to call centers.
- The department has put in place a **process** by which claimants are referred to re-employment services; however, the extent to which that process is **monitored and enforced** is unclear. Without information about who is meeting requirements and what the results are, the department is unable to determine the adequacy or effect of these efforts to link claimants with re-employment services.
- Employment Security has had success in meeting its call center goals relating to claimant and employer satisfaction. However, the department has not achieved the goals most closely linked to fiscal savings and to decision quality and timeliness. The “box score” table below summarizes the department’s progress to date.

<b>Employment Security Department Goals for UI Call Centers</b>	<b>Achieved?</b>	<b>Comments</b>
Ensuring greater consistency in UI decisions	Partially	Centralizing the adjudicators offers an opportunity to improve the quality and the consistency of their decisions, but continuing poor quality scores indicate the department is not yet reaping the full benefit from this centralization.
Paying UI benefits in a more timely manner	No	The department has not reached the level of first payment timeliness in the call centers that it was delivering before the switch.
Reducing annual operating costs	No	The department is not realizing its projected cost savings.
Using staff time more effectively	Yes	The department is using fewer staff as claims-takers, and their work environment is much more structured.
Eliminating the need for claimants to wait in lines	Yes	Claimants prefer telephone services to filing in person.
Providing employers with easy access to UI information	Yes	Employers who are aware of this option and use it appreciate the direct service.

## RECOMMENDATIONS

This JLARC study focuses mainly on answering the questions posed by the Legislature about the Employment Security Department’s transition to centralized UI call centers. However, five recommendations do emerge from the study. The first three deal with the call centers and operations in the department’s UI Division. First, the department should identify and report on its forthcoming efforts to reduce costs in the call centers. Second, the department should report on the results from implementing its plan to improve decision quality and timeliness and take additional steps if needed to meet the Federal performance standards. Third, the department should monitor and report on the impacts of new tools it now has to detect and collect improper payments.

The fourth and fifth recommendations are targeted more toward the use of UI funds in the local employment offices. If the department continues to use UI administrative funds to pay for personnel in these offices, the department needs to be able to identify clearly the UI services these expenditures provide. Finally, the department needs to be fully implementing and then tracking, monitoring, and enforcing the two new requirements the Legislature mandated to ensure that, with the advent of call centers, UI claimants continue to be linked to re-employment services.

# TABLE OF CONTENTS

---

CHAPTER 1 - UNEMPLOYMENT INSURANCE CALL CENTERS: BACKGROUND AND CONTEXT .....	1
Introduction.....	1
Background on Unemployment Insurance.....	3
A Proposal for UI Call Centers in Washington .....	4
The Transition to Call Centers .....	6
CHAPTER 2 - UI CALL CENTERS: RESULTS FROM THE CHANGE .....	11
Has the Department Saved Money?.....	11
Do Claimants Like It Better? .....	15
Do Employers Like It Better? .....	16
Are More People Filing For Benefits?.....	17
CHAPTER 3 - UI CALL CENTERS: LEGISLATIVE CONCERNS .....	19
Performance in Other Key Related Areas.....	19
The Link to Re-Employment Services.....	26
CHAPTER 4 – UI CALL CENTERS: SUMMARY AND RECOMMENDATIONS.....	31
Revisiting Employment Security’s Goals for UI Call Centers .....	31
Summary and Recommendations.....	33
“Lessons Learned” About Call Centers.....	35
Agency Responses.....	36
Acknowledgements.....	36
RECOMMENDATIONS.....	37
Appendix 1: Audit Scope and Objectives .....	39
Appendix 2: Agency Responses and Auditor’s Comments .....	41
Appendix 3: Comparison of UI Benefit Processing and Job Search Review Costs, 1998 and 2000 .....	65
Appendix 4: “Lessons Learned” About Making the Transition to Centralized Call Centers.....	67

EVALUATION OF EMPLOYMENT SECURITY DEPARTMENT CALL CENTERS

---

# CHAPTER 1 - UNEMPLOYMENT INSURANCE CALL CENTERS: BACKGROUND AND CONTEXT

---

Unemployment insurance provides income to workers who are involuntarily unemployed. Employers provide the funding to pay UI benefits and to administer state UI programs. In Washington, the Employment Security Department manages the state's UI program.

Prior to 1999, an unemployed worker who wanted to file for UI benefits did so in person at a local Job Service Center. In 1998, Employment Security approached the Legislature about a change to allow workers to file an initial application for benefits by other methods such as by telephone. The department identified six goals it wanted to achieve by making the change from in-person filing to the use of centralized call centers. With some reservations, the Legislature agreed to the change. Employment Security phased in the use of its three UI call centers from February to November 1999.

## INTRODUCTION

A call center is a centralized location where a large number of telephone calls can be placed or received. Typically, the facility combines its extensive telephone capabilities with some type of centralized database. As call centers have grown more sophisticated, new linkages have been added such as Internet connections.

Private sector companies have been using centralized call centers for many years for operations such as telemarketing, catalog orders, and airline and hotel reservations. More recently the public sector has expanded its use of call centers. For example, a citizen may use a government call center to report an emergency or reserve a campsite in a state park.

Currently 28 states, including Washington, use call centers to accept initial applications for unemployment insurance (UI) benefits.<sup>1</sup> Washington's Employment Security Department phased in this change from in-person filing to telephone filing in 1999. The department's plans to make the switch to telephone filing prompted this JLARC study. The Legislature authorized the change in 1998, but expressed concerns that moving away from in-person filing at a local office might increase the potential for fraud and reduce the probability that unemployed workers would use the agency's re-employment services. The Legislature directed JLARC to conduct an evaluation of the call center approach to unemployment insurance. In addition to this general direction, the Legislature asked for a comparison of the in-person filing system to the call center approach for specific elements of the UI benefits system.

---

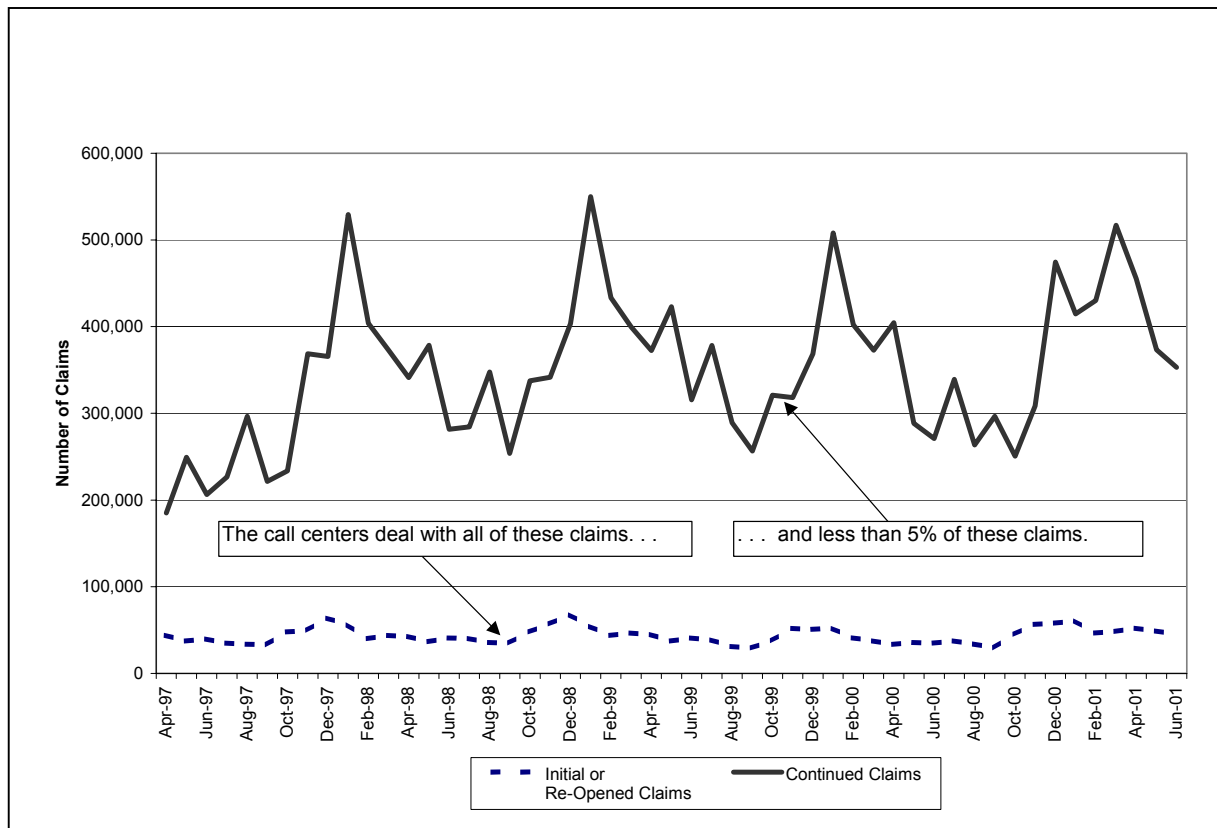
<sup>1</sup> JLARC staff surveyed other states on their current or planned use of centralized call centers in late May/early June 2001. At that time, 27 states, including Washington, used call centers for initial UI claims. By early September, two additional states switched to call centers (Connecticut and Nebraska), while one state (New Hampshire) opted to move away from the call center approach and returned initial claims-taking to the local offices.

## EVALUATION OF EMPLOYMENT SECURITY DEPARTMENT CALL CENTERS

This JLARC report responds to the Legislature's study mandate. It begins with some very basic information about unemployment insurance and a reminder of what the Employment Security Department hoped to achieve in making the switch to call centers. The report then describes the transition to the call centers and reports on the results from making the change. As requested by the Legislature, the report also provides information on the performance of the call centers as compared to the previous system. A separate section discusses the link to re-employment services, which are the services geared to getting unemployed workers back to work. The report then revisits the goals the department had identified in wanting to make the change to call centers and assesses the agency's progress in meeting them. The report concludes with a summary and recommendations.

A clarification about the workload of the Employment Security call centers needs to be made at the outset of this report. If a person wants to file an initial application for UI benefits or wants to re-open an existing claim, that person contacts a call center. Once a person's eligibility has been established, that person files a weekly continued claim for benefits, also by telephone. However, the continued claim calls do not go to a call center. Instead they go into an automated Interactive Voice Response System. A person filing a continued claim is directed to contact a call center only when there is a question about the claimant's eligibility for that week's benefits. Figure 1 illustrates the workload of the call centers in relation to the processing of all UI claims.

Figure 1  
New, Re-Opened, and Continued Unemployment Insurance Claims  
April 1997 through March 2001



Source: JLARC analysis of Employment Security Department data.



## BACKGROUND ON UNEMPLOYMENT INSURANCE

### What Is Unemployment Insurance?

Unemployment insurance provides income to workers who are involuntarily unemployed. Its origins are with the 1935 Social Security Act and the economic disruptions of the Great Depression. UI benefits are intended for people who have a history of working, who are unemployed through no fault of their own, and who actively pursue finding employment again. The UI program provides some economic support for these people while they look for work. Another goal is to prop up the economy during economic downturns by retaining some spending on goods and services by benefit recipients.

### How Is It Administered?

Administration of the UI program is a partnership between the Federal government and state governments. Federal laws govern many aspects of the program. Each state also has numerous policy choices to make within the parameters established by Federal law. These include decisions on who is eligible for benefits, what level of benefits to provide, and how long a claimant can receive them.

Washington's Employment Security Department was created in 1937 to be this state's administrator of UI and related programs. Within the department, the UI Division manages the UI program. The other primary function of the department is to provide employment and training programs and services.

### How Is It Funded?

Employers provide almost all of the funding for the UI program. Employers pay into a dedicated state UI Trust Fund, which is the fund used to pay UI benefits. The tax *schedule* in use by the state in a given year is based on the overall balance in the trust fund. The tax *rate* paid by an individual employer is based on the number of job separations the employer has had in the last four years (see RCW 50.29.025). At the end of FY 2000, the trust fund balance was \$1.8 billion.

Employers also pay a Federal tax to fund the administration of 53 UI programs (each of the 50 states, the Virgin Islands, Puerto Rico, and the District of Columbia). The tax is equal to eight-tenths of 1 percent of each employer's federal taxable payroll and is deposited into the Federal Unemployment Tax Account (FUTA). The U.S. Department of Labor awards grants to each state employment security agency from the FUTA funds based on each state's workload and an archaic formula that once represented the "minutes per unit" necessary for each state agency to complete various UI tasks such as processing a claim. During CY (calendar year) 2000, Washington State's UI Division spent \$41.3 million directly administering the state's unemployment insurance program.<sup>2</sup>

---

<sup>2</sup> While this total represents the expenditures for the UI Division, FUTA funds are also used for other program-related functions such as technical support, tax offices, and other administrative support, performed and charged elsewhere in the agency. Total costs to operate the entire UI program for CY 2000 were closer to \$70 million.

Since administrative funding is based on workload rather than efficiency or performance, a state agency's improvements in efficiency cannot save that state's employers any FUTA tax money. Efficiency improvements can, however, allow a state UI program to invest administrative savings to improve some other aspect of its UI program. The Department of Labor has performance measures and standards with which to evaluate how well states are administering their UI programs and, thus, using their FUTA resources.

### What Do UI Claimants Receive?

Eligible UI claimants receive a weekly benefit payment. The amount that a claimant receives is based on what the person was earning in the year prior to becoming unemployed.<sup>3</sup> A claimant's weekly benefit amount is calculated as 4 percent of the average of the two highest quarters in the claimant's base year. Washington also has a maximum and a minimum weekly benefit amount that is adjusted each year based on the average weekly wage of the preceding calendar year. On July 1, 2001, the maximum weekly benefit amount increased from \$478 to \$496, and the minimum increased from \$102 to \$106.

Eligible claimants can collect their weekly payments until they reach a "maximum benefits payable," which is approximately one-third of the claimant's base year wages. For CY 2000, the average length of time an individual drew UI benefits was just over 16 weeks.

### How Many People in Washington Receive UI Benefits?

From 1997 through early 2001, between 17,000 and 39,000 people opened new UI claims each month. For CY 2000, the department reports paying more than \$892 million to almost 287,000 claimants. For perspective, the department estimates the resident civilian labor force in the state in year 2000 as just over 3 million people. Washington's UI workload is very seasonal, increasing each winter as employers in industries such as construction and agriculture lay off workers.

## A PROPOSAL FOR UI CALL CENTERS IN WASHINGTON

### Filing in the Local Offices

Prior to 1999, when a person wished to file for unemployment insurance benefits in Washington, the person went to a local Employment Security Job Service Center. There were 28 of these scattered around the state, as illustrated in Figure 2 on the following page.<sup>4</sup>

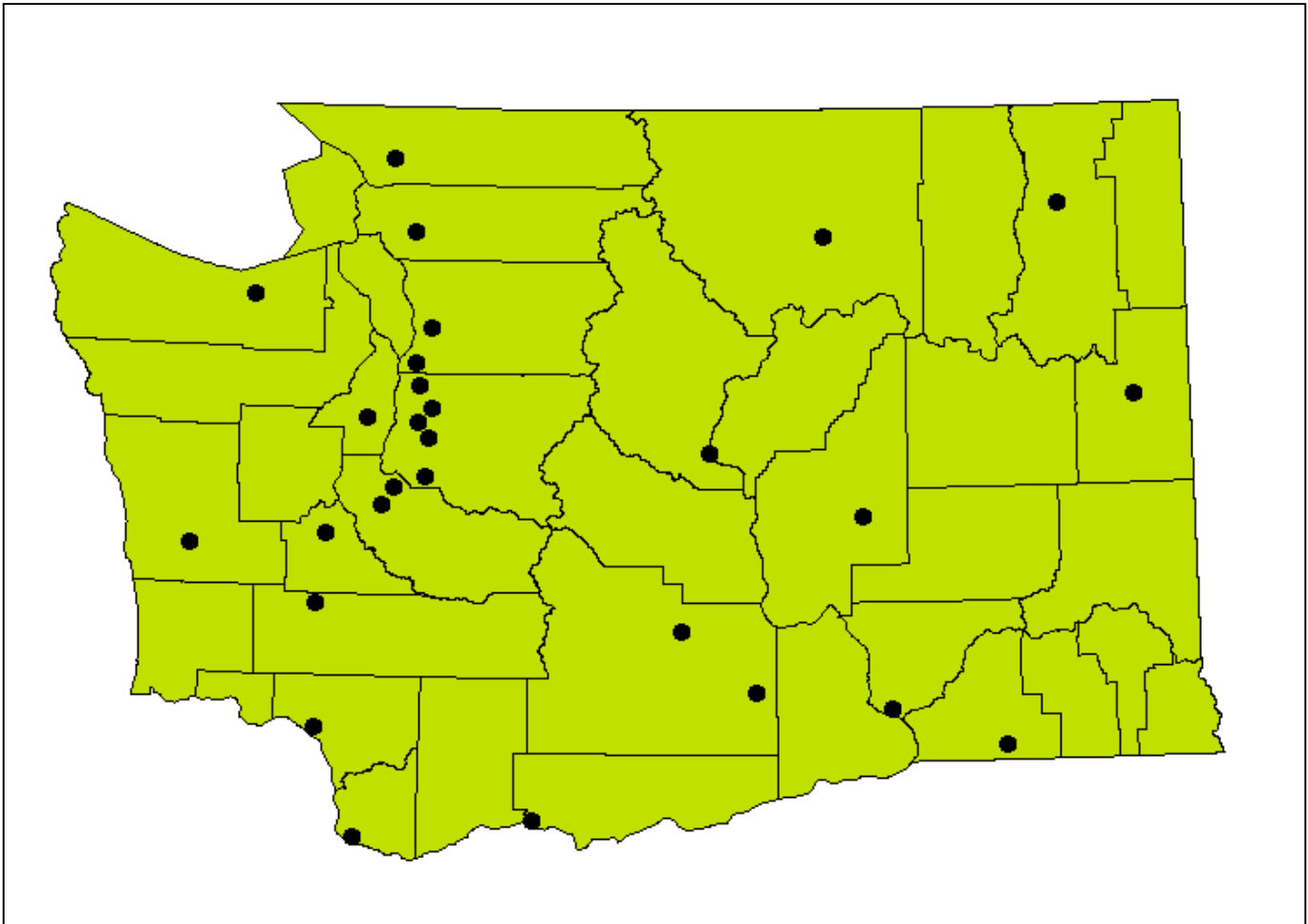
The centers were close for some people, a longer distance for others. The person would first stand in line at the center's front desk. Here, the person would receive a paper application to fill out. After filling this out, the person would be put in a queue to wait to see a Job Service Specialist. This could take anywhere from a few minutes to several hours depending on the day of the week and the number of other people waiting (most people apply on Mondays), the complexity of the application, and the number of claims-takers working in that office.

---

<sup>3</sup> Technically, the amount that a claimant receives is based on what he or she was earning in the first four of the last five completed quarters for a regular base year or the last four completed quarters for an alternative base year.

<sup>4</sup> A 29<sup>th</sup> Job Service Center in Olympia handled interstate initial claims by telephone.

Figure 2  
Prior to 1999, Workers Filed Claims In Person In  
28 Job Service Centers Throughout the State



Source: JLARC representation of Employment Security Department information.

While waiting or after their application was filed, people had an opportunity to review the employment-related information in the Job Service Center including information about job openings and the re-employment services offered by the department. A person who did not speak English would often bring an interpreter to communicate with the claims-taker. A deaf or hearing-impaired person would either bring a person to translate or try to communicate with written notes.

### The Department Proposal

The Employment Security Department began exploring the idea of switching to centralized call centers for taking UI claims in the mid-1990s. Under this proposal, people would file an application for UI benefits by telephone rather than driving to a Job Service Center. The UI call center concept is included as part of the recommendations of a 1995 joint legislative task force. The department explored the idea in more detail in a business process re-engineering study conducted by Pricewaterhouse in 1995. The department then contracted with the Information Technology Support Center (ITSC) in Maryland to select the number and location of call centers

and to estimate the project costs and potential savings. This work was completed in December 1996.

At the time the department was contemplating making the switch to call centers, state law required initial applications for UI benefits to be *in writing*. During the 1998 Legislative Session, the department asked the Legislature to change this requirement so that initial applications could be filed by telephone or by other means such as the Internet.

In presenting its case to the Legislature and others for centralized UI call centers, the department indicated that the change would allow the agency to achieve “significant improvements,” including:

- Ensuring greater consistency in UI decisions;
- Paying benefits in a more timely manner;
- Reducing annual operating costs by \$2.8 million annually (by FY 2005);
- Using staff time more effectively;
- Eliminating the need for claimants to wait in lines; and
- Providing employers with easy access to UI information.

### The Legislative Response

The Legislature approved the department’s requested statutory change in 1998 with the passage of SSB 6420. The Legislature noted, however, that the call center approach raises “serious concerns,” particularly with regard to potential increased fraud and a break in the link to the re-employment services offered in the local offices. To help ease its concerns, SSB 6420 directed the department to ensure that claimants register for job search and to implement a job search monitoring program. The same legislation called for this JLARC study.

## THE TRANSITION TO CALL CENTERS

The department moved ahead with the transition to centralized UI call centers in 1999, gradually phasing in Job Service Center claims-taking in a region into the nearest call center. The department began the transition in February and completed it in November 1999.

### Project Costs

The transition to call centers was a \$12.4 million project. Project dollars were not used to construct or purchase facilities but were used for office furniture and partitions, telecommunications infrastructure, computer equipment, and ramp-up training. Funds for the call center project came from five sources: a federal grant (\$759,000), earnings saved by the division from FUTA grants since 1996 (\$6.58 million), an appropriation of UI penalty and interest monies (\$703,000), a Federal Reed Act appropriation (\$1.2 million) and long-term debt (\$3.1 million). The long-term (four-year) debt is managed by the State Treasurer and will be repaid with future FUTA grant funds.

## Facilities

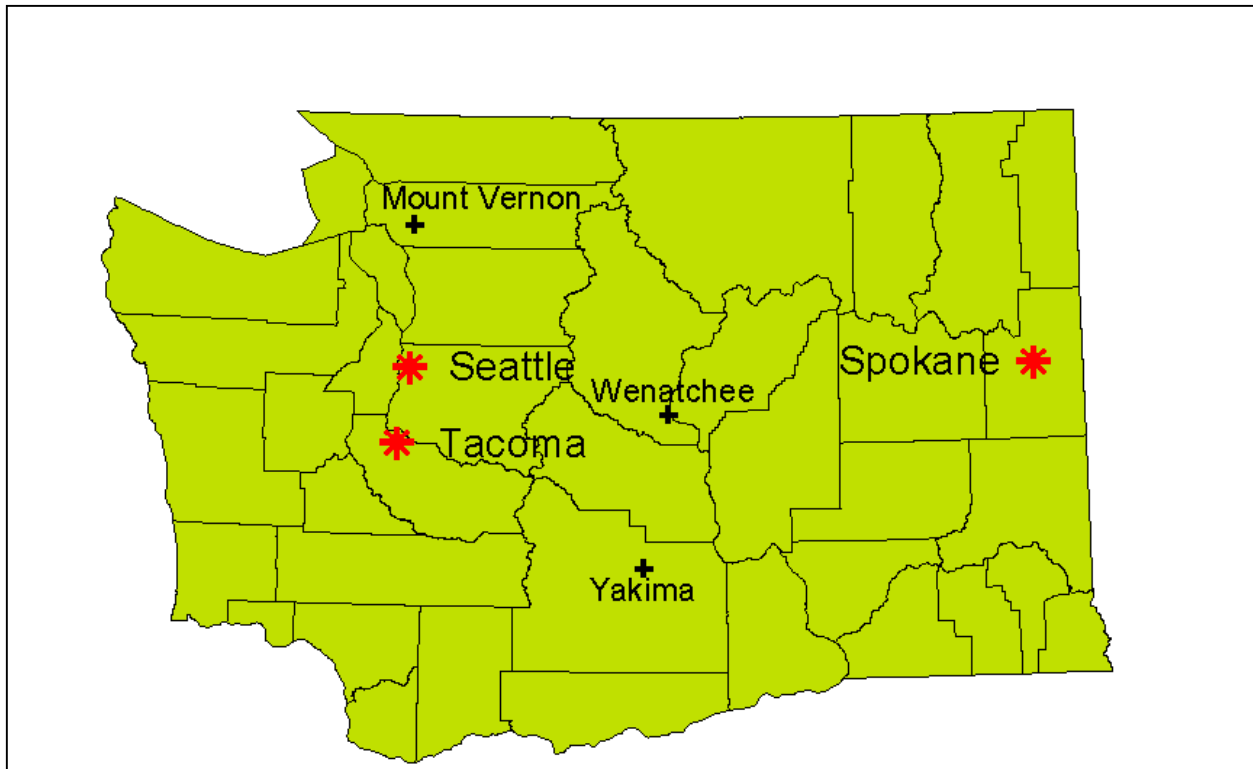
The department opted to go with three call centers: one each in King, Pierce, and Spokane Counties.<sup>5</sup> The department based its choice of the number and locations of the call centers on an ITSC analysis focusing on retention of staff and reduction of calls using the toll-free telephone number.

The King County building is a former Boeing facility, while the Spokane and Pierce County buildings were constructed new as call centers. All three facilities are privately owned and remodeled or constructed to UI Division specifications in return for a long-term lease agreement. The department also established three satellite adjudication offices in Mount Vernon, Wenatchee, and Yakima. These are in portions of existing Job Service Centers. Figure 3 shows the locations of the call centers and satellite adjudication centers.

## Staffing

The staffing changes involved in the transition to call centers were contentious and difficult. Staff involved in UI claims-taking and issue resolution in the local Job Service Centers were

Figure 3  
Locations of Call Centers and Satellite Adjudication Centers



Source: JLARC representation of Employment Security Department information.

<sup>5</sup> For comparison purposes, of the 28 UI call center states, 6 states chose to have one centralized call center; 16 states (including Washington) have between two and four call centers, and 6 states have five or more call centers.

faced with the choice of moving to a centralized call center (sometimes several hours away) or taking some other career path. At the same time, on the employment and training side of the agency, the local offices were in the process of transforming to “one-stop career centers,” where public and private providers offer one-stop shopping for people looking for re-employment services.

The department decided that the fairest way to move people around was through a seniority-based bid process. Staff were allowed to bid on jobs at or below their current level anywhere in the state. Of the 885 employees who participated in the bidding process, 60 percent were placed in their top job selection. Many UI staff bid for jobs in the local Job Service Centers so that they would not have to move. Others retired or left the agency for other jobs. There were 311 jobs up for bid in the centralized call centers; at the end of the bidding process, more than 100 slots were still vacant. This left the agency with the need to quickly hire and train people to fill those slots.

There are two main categories of UI staff who work in the call centers. One group is the staff who actually take the initial applications for benefits. Claims-taking is the task that changed the most with the switch to call centers. In the Job Service Centers, these people met one-on-one with applicants in the local offices. While each was supposed to be collecting the same information, the information that they provided about re-employment services and in response to questions varied from office to office. In the call center environment, the claims-takers talk from a headset while inputting information into a computer. The dialogue with the applicant is carefully scripted so that each applicant hears the same message. Because of the heavy scripting and the computer prompts, this is a job for which a person unfamiliar with UI can be brought in and trained fairly quickly.<sup>6</sup> While it may take some time to become proficient in UI issues and taking more complex claims, a new claims-taker can get the job done in terms of taking basic claims.

In contrast, the other workers involved are called adjudicators. These are the people who must make judgments when there is some question raised about a person’s eligibility for UI benefits. To do their job well, adjudicators must be familiar with the state’s laws, the department’s rules, UI court decisions, and any other policies that impact a decision on eligibility. This is a job where training and UI experience are critical. Most adjudicators come up through the ranks as claims-takers, then spend a period mentoring with a more senior adjudicator. When adjudicators were located in the Job Service Centers much of their business was already conducted by telephone – contacting claimants, employers, and others to gather additional information about a claim. The move to centralized call centers did not really change what they did or how they did it; only the location changed.

The transition took an especially high toll on the number of experienced adjudicators available to staff the call centers. In May 1998 (before the transition), there were 138 people working in the Job Service Centers as adjudicators or lead worker/supervisors. For this study, the department tracked the whereabouts of each of these people as of March 2001. Of the 138 staff, 51 were working in the call centers, only 44 as adjudicators. Of these, 24 were in the satellite offices which were set up with the hope of retaining the adjudicators. Other states that have made the transition to UI call centers report the same loss of their veteran adjudicators.

---

<sup>6</sup> New claims-takers receive four to five weeks of training before taking basic claims. Generally, new claims-takers would not begin learning about complex claims until they have been on the job a minimum of six months.

### Winter of 1999/2000

The department completed the transition to call centers in November 1999, just as the annual winter upsurge in claims began. As claims volumes increased, the call centers were overwhelmed, particularly by an unforeseen volume of calls with questions as opposed to claims. The department struggled to get the new system working correctly. In the meantime, the Job Service Centers were asked to again take initial applications for UI benefits for a few months. The department addressed many of the difficulties from the winter of 1999/2000, and the winter of 2000/2001 went more smoothly.

### Internet Filing

The statutory language that the Legislature approved in 1998 allows for initial applications for UI benefits to be filed by “other means as determined by the Commissioner.” In May 2000, the department began offering the option of filing initial applications over the Internet. Approximately 15 percent of initial claims are now being filed in this manner. Currently, claims-takers must manually re-key certain information that comes in on an Internet application into the UI payment database. The department has just secured Federal funding to modify its system so that this process will be completely automated. As of June 2001, Washington is one of seven states that offer Internet filing for claimants, while another ten states report intentions to offer this option within the next six to nine months.





# CHAPTER 2 - UI CALL CENTERS: RESULTS FROM THE CHANGE

---

Employment Security projected immediate cost savings from the switch to UI call centers, ramping up to a savings of \$2.8 million per year by FY 2005. However, the department is not achieving its projected administrative cost savings. There are three main reasons for this: (1) the department underestimated call center telecommunications costs, (2) the department overestimated the savings in claims-taking staff and failed to account for the additional FTEs necessary to run the call center system, and (3) the department continues to use UI funds to pay for managers in the WorkSource Operations Division.

Most unemployed workers do prefer filing their initial applications for UI benefits by telephone rather than filing at a local office. Groups that represent claimants who are having difficulty with the UI system would like someone available in the local offices to help claimants get answers to their UI questions and use the initial and continued claims telephone systems. Employers and third-party administrators report that their interaction with the UI system is largely unchanged by the switch to call centers.

## HAS THE DEPARTMENT SAVED MONEY?

The short answer to this question is, “No.” The department estimated that it would begin to see cost savings almost immediately after the change to call centers, ramping up to a savings of \$2.8 million per year by FY 2005. As Figure 4 on the following page indicates, the department is not realizing the projected savings in administrative costs. Figure 4 compares spending in CY 1998 (the last year initial applications were taken in the Job Service Centers) with CY 2000 (the first full year after the transition).<sup>7</sup> Rather than savings, costs in real dollars increased by 5 percent between the two years, while average workload decreased 2 percent. The finding of increased administrative costs in Washington is consistent with the results from a call center study by Needels, et al.<sup>8</sup> In their examination of the change in administrative costs in four other states that made the switch to UI call centers, total administrative costs increased in three of the four states. The major reasons impeding Washington’s Employment Security Department from reaching its projected cost savings fall into three categories: (1) telecommunications costs, (2) staffing for the call centers, and (3) staffing outside of the call centers.

---

<sup>7</sup> In order to obtain comparability for the two years, it was necessary to include expenditures in both years for FTEs beyond just the claims-takers and adjudicators. See Appendix 3 for details.

<sup>8</sup> Karen Needels, Walter Corson, Tim Meier, Ira Harley and Karen Blass, “Evaluation of the Impact of Telephone Initial Claims Filing.” Final report prepared by the Information Technology Support Center and Mathematica Policy Research, Inc., March 2000. A copy of the article is available on the U.S. Department of Labor website at <http://wdr.doleta.gov/owsdrr/00-3/00-3.pdf>.

EVALUATION OF EMPLOYMENT SECURITY DEPARTMENT CALL CENTERS

Figure 4  
 UI Benefit Processing and Job Search Review Costs, 1998 and 2000  
 (Year 2000 Costs Adjusted to 1998 Dollars)

Expense Category	1998	Cost/claim	2000	Cost/claim	% change
Salaries and Benefits	\$15,933,539	\$34.61	\$16,042,307	\$35.53	1%
Facility Rent and Maintenance	\$ 2,406,124	\$ 5.23	\$ 2,283,440	\$ 5.06	-5%
Communications	\$ 504,436	\$ 1.10	\$ 1,962,677	\$ 4.35	289%
Supplies	\$ 189,212	\$ 0.41	\$ 192,910	\$ 0.43	2%
Other *	\$ 379,743	\$ 0.82	\$ 181,658	\$ 0.40	-52%
Equipment Rent and Maintenance	\$ 152,882	\$ 0.33	\$ 118,393	\$ 0.26	-23%
Capital Purchases	\$ 315,195	\$ 0.68	\$ 96,809	\$ 0.21	-69%
Travel	\$ 102,147	\$ 0.22	\$ 84,661	\$ 0.19	-17%
<b>Grand Total</b>	<b>\$19,983,278</b>	<b>\$43.41</b>	<b>\$20,962,855</b>	<b>\$46.42</b>	<b>5%</b>
Weighted Workload	460,322		451,559		-2%

\* "Other" includes repair/maintenance costs, depreciation, and staff development.

Source: JLARC analyses of Employment Security Department data.

### Telecommunications Costs

Telecommunications is an area where the department expected costs to rise but underestimated the extent of the increase. Figure 5 on the following page illustrates the increase in communications costs from 1998 through 2000. The department projected an increase in communications costs of approximately 68 percent or \$363,000 per year.<sup>9</sup> As Figure 4 above indicates, communications costs between 1998 and 2000 increased by 289 percent. Figure 6 on page 13 provides additional detail on CY 2000 telecommunications costs.<sup>10</sup>

One major reason for the increase over the Job Service Center telephone costs is that, like most other states with UI call centers, the department offers to callers who are beyond the range of a local call, the use of a toll-free number. The toll-free number usage and the dedicated lines for the toll-free calls account for 45 percent of CY 2000 telecommunications costs.

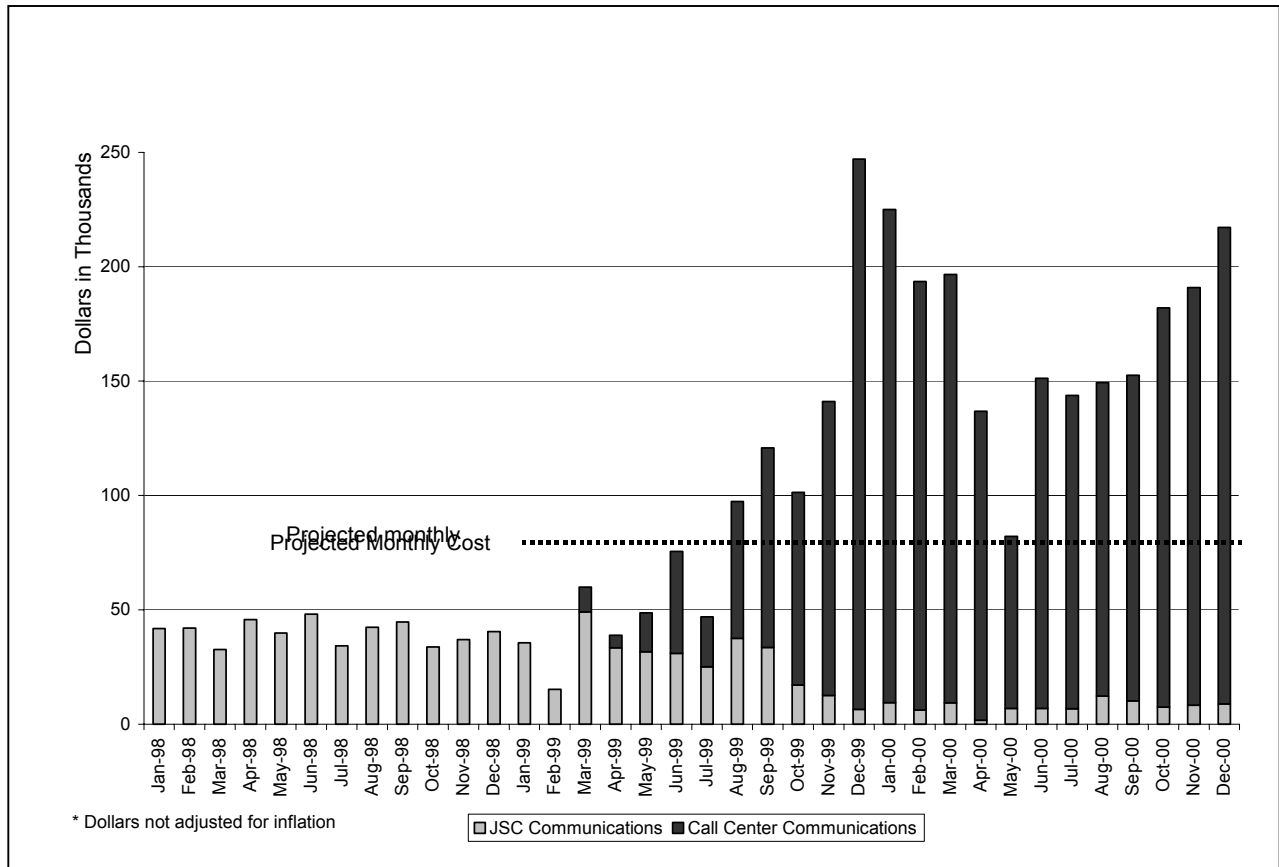
Another major telecommunications cost component that was not included in the original cost projections is the use of the AT&T Language Line. The Language Line offers reliable on-demand translation services in more than 100 languages; the cost per minute to the UI Division varies depending on the language requested. A claims-taker or adjudicator can tap into the Language Line when an applicant or claimant does not speak English. This service was not available when claims-taking and adjudication took place in the Job Service Centers. The service is expensive, however, accounting for 31 percent of total telecommunications costs in CY 2000. The Language Line and toll-free charges combined for CY 2000 are almost four times the department's projected increase of \$363,000 per year in communications costs.

<sup>9</sup> The "projected monthly cost" line shown in Figure 5 indicates the total monthly average telecommunication cost expected, based on an increase of 68 percent.

<sup>10</sup> The telecommunications costs in this table do not match the communications costs listed in Figure 4 because this table reflects usage, while Figure 4 reflects payment. There is typically a lag between when the charges are incurred and when the bills are paid. Also, this table does not include costs for SCAN charges or equipment maintenance and repair.

EVALUATION OF EMPLOYMENT SECURITY DEPARTMENT CALL CENTERS

Figure 5  
Job Service Center and Call Center Communication Costs 1998-2000\*



Source: JLARC analysis of Employment Security Department data.

Figure 6  
Telecommunication Costs for all Call Centers, CY 2000

	CY 2000	% of total
Regular telephone lines	\$ 266,733	15%
<b>Toll free call charges</b>	<b>\$ 767,657</b>	<b>42%</b>
<b>Toll free telephone lines</b>	<b>\$ 52,478</b>	<b>3%</b>
<b>AT&amp;T Language Line</b>	<b>\$ 569,426</b>	<b>31%</b>
AT&T Management Tools	\$ 5,605	less than 1%
Networking circuits (to link all call centers)	\$ 121,968	7%
All other costs	\$ 49,688	3%
<b>Total</b>	<b>\$1,833,555</b>	

Source: JLARC analysis of Employment Security Department data.

## Staffing for the Call Centers

The department's largest projected cost savings were in the call centers themselves. The department estimated that it would save 40 FTEs in claims-taking by making the change to the centralized facilities. Instead, staffing levels have not decreased to the extent projected. Intake and adjudicator staffing levels decreased by seven FTEs between 1998 and 2000.<sup>11</sup> In addition, the department had not included in its cost projections the additional FTEs necessary to support call center operations. These included six FTEs in Information Technology technical support, six FTEs for UI trainers, three new FTEs in the administrative services division to deal with the additional telecommunication infrastructure and the large increase in mail associated with a change to call centers, and three positions for overall call center management in the Olympia central office. The addition of these 18 FTEs has outweighed the FTE savings in the claims-taking staff.

Further, staff salaries and benefits for the call centers are higher than the estimates used in the project cost projections because the department requested and received a reclassification that provided pay increases for the claims-takers and adjudicators. The reclassification affected 258 call center positions. The reclassification increased 1999-01 biennial costs by \$500,000 and is projected to increase costs by \$1.8 million in the 2001-03 biennium. In its fiscal impact statement to the Office of Financial Management, the department indicated that the costs of the reclassification would be absorbed through various efficiency measures and future reductions in staffing levels.

## Staffing Outside the Call Centers

The third component interfering with the department's achieving its projected cost savings relates to the management of the UI benefits operations under the old system. Prior to 1999, claims-takers and adjudicators in the Job Service Centers were supervised by the department's Field Operations Division rather than by the UI Division. The Field Operations Division also supervised staff in the district UI tax offices. UI funds paid for a portion of the salaries and benefits for managers in the Field Operations Division.

As part of the transition to call centers, management responsibility for the claims-takers and adjudicators transferred to the UI Division. The call center cost projections did not include funding for Field Operations Division (now WorkSource Operations Division) management staff. In fact, the UI Division continues to fund approximately 26 FTEs of WorkSource managers. The 26 FTEs include .5 FTE of a manager in each local employment office (a total of 15 FTEs), 8.5 FTEs for regional director management staff, and 2.1 FTEs in central office WorkSource staff.<sup>12</sup> CY 2000 costs for these 26 FTEs totaled just over \$2 million.

The department indicates that the 10.6 of the 26 FTEs of WorkSource managers in the regional and central offices are funded with UI monies because they continue to have supervisory responsibility for the local UI tax offices and the staff in the local employment offices conducting job search reviews. The department reports that the 15 management FTEs in the

---

<sup>11</sup> From 317 to 310 FTEs.

<sup>12</sup> Under the previous system, the UI Division also funded 36 FTEs in the local offices who conducted eligibility reviews and/or other UI-related tasks. The UI Division continues to fund 36 FTEs in the local offices, who now conduct job search reviews. These 36 FTEs are in addition to the 26 FTEs discussed above.

local employment offices serve as a “proxy” for the continued UI workload in these local offices. Under a “90/10” service delivery model agreement between the UI and WorkSource Divisions, the field offices are supposed to be assuming 10 percent of the UI workload by providing services such as supplying general UI information to people who come into the local offices, providing work search assistance, helping claimants use the call center telephones located in the local offices, mobilizing for mass layoffs, and assisting patrons who insist on “special services.” As indicated in a forthcoming section on claimant views, there is some disagreement from claimants that this type of UI help is actually available in all of the local employment offices. Obviously, the unanticipated funding of 26 FTEs outside the call centers has had a negative impact on the call center project costs.

### Department Actions to Reduce Costs

The department is taking some steps to try to reduce the costs of the change to the call center system. To help reduce the AT&T Language Line costs, the department is trying to hire additional bilingual claims-takers. The department has linked the Spanish skill sets in the three call centers to better leverage its Spanish-speaking claims-takers. This allows a Spanish-speaking applicant calling the local telephone number in Pierce County to be routed to an available Spanish-speaking claims-taker in Spokane. The department hopes that increased use of the Internet filing option will reduce costs on the toll-free numbers. The department also plans to expand the use of scanning and imaging software to reduce paper management costs and the costs of printing supplies. The exact savings, if any, that these endeavors will achieve is not yet known.

### DO CLAIMANTS LIKE IT BETTER?

The short answer to this question is, “Yes!” Most unemployed workers filing their initial applications for UI benefits prefer filing by telephone to filing in person at the local Job Service Centers.

This conclusion is based on two claimant satisfaction telephone surveys that the department sponsored in May and November/December 2000. Applicants who had filed a claim within the last three years were asked which filing method they preferred. Applicants participating in the November/December survey also had the option to select Internet filing as their preferred alternative. The results from the two surveys are presented in Figure 7 on the next page. This finding is consistent with the views from other states that have made the switch to UI call centers: the majority of claimants like it better.

The results are not surprising given the changes in filing procedures from the claimants’ perspective. Rather than having to drive to a local office, an applicant can make the call from his or her home. The claimant answers four *yes/no* questions using an Interactive Voice Response System and then goes into the queue. More than half of the survey respondents indicated that they got through to the call center on their first or second try and that they waited in the queue five minutes or less, with the ease of getting through and the wait time improving in the less busy time of the year. Deaf and hearing-impaired callers have their own toll-free TDD number to use to file a claim. The use of the Language Line referenced above means applicants are receiving professional translation services from an independent third party, something that was not available for many languages in the Job Service Centers.

Figure 7  
 Claimant Responses When Asked,  
 “How do you prefer filing your claim?”

Method of Filing	Applicants in May 2000	Applicants in Nov/Dec 2000
By telephone	82.7%	71%
In person	16.1%	18%
By Internet	N/A	11%
Don't Know	1.2%	--

Source: JLARC summary from surveys conducted by Hebert Research, Inc. (for May 2000) and Northwest Research Group (for November/December 2000).

***The bottom line is that the department is offering an improved service to UI benefit applicants, but without the promised cost savings.***

To complement the information gathered in the claimant satisfaction surveys, JLARC staff also solicited the views of representatives from groups that help people who are struggling with UI issues. Initial contacts came through the department’s UI Advisory Committee. Many of the claimants that these groups work with speak little or no English.

Representatives from these groups reported issues related not so much to the call centers themselves, but rather to the withdrawal of the UI presence from the local offices. What these groups wish for is someone in the local offices who can help people get answers to their UI questions or help them use the telephone initial and continued claims systems. The amount of help being offered apparently varies from local office to office. Each local office has a telephone connected directly to the call center. Some Job Service Center staff report that they will help answer UI questions and will help walk a person through his or her first time contacting the call center or the continued claims number. The groups representing claimants, however, are reporting to the contrary – that UI claimants coming into the local offices are having difficulty getting help. Because the solicitation of this information was purely qualitative in nature, this study cannot present a precise estimate of the extent of this problem.

## DO EMPLOYERS LIKE IT BETTER?

Employers and third-party administrators contacted for this study (also through the UI Advisory Committee) report that their interaction with the UI benefits claim process remains largely unchanged with the switch to call centers. They still receive written notification when an employee has filed for benefits and have the same opportunity to notify the department if they disagree with the cause of separation the former employee lists. If an adjudicator contacts them for further information about an application, that contact is still by telephone as it was in the Job Service Centers. Many employers were not aware that the department had made the change.

Some concerns that employers who were aware of the change raised about the call centers include:

- No longer having individual contacts with UI staff such as a particular adjudicator, and therefore being less confident about the information they receive;
- Wishing that some of the work processes could be accomplished through faxes and e-mail rather than being so dependent on the telephone; and
- Compared to other states, finding Washington's process to be paper-intensive, and the department's paper management system inefficient.

On the positive side, employers report that they like having the new dedicated toll-free "Employer Help Line" just for their questions and that decision consistency seems to be improving as compared to the decisions made from the local offices.

### ARE MORE PEOPLE FILING FOR BENEFITS?

One of the main reasons for a state to make the change to telephone filing of initial UI claims is so that it is easier for claimants to file. So, if filing is easier, are more people filing new claims? JLARC's statistical analysis of the data shows no significant positive relationship between the volume of new UI claims being filed and the switch to use of call centers. This same finding holds true for Internet filing as well.

Another frequent question is whether claimants collect UI benefits longer with the switch to call centers. In fact, the average duration of receiving UI benefits declined in the year 2000 as compared to 1998 and 1999.<sup>13</sup> However, the speed with which people move off unemployment benefits is likely more related to factors such as the state of the economy and a worker's efforts to find a new job or use re-employment services than to the method the worker uses to file an initial application for UI benefits.

---

<sup>13</sup> The average duration of receiving UI benefits in Washington was 16.2 weeks in CY 2000, as compared to an average of 18.4 weeks in both CY 1998 and 1999.





# CHAPTER 3 - UI CALL CENTERS: LEGISLATIVE CONCERNS

---

The Legislature raised several concerns about Employment Security's proposed change to UI call centers and directed JLARC to compare the old and new systems with regard to several factors. This study finds that:

- First payment timeliness has declined with the transition to call centers, as has the timeliness in resolving issues about a worker's separation from his or her job;
- The department was not meeting a Federal standard for decision quality prior to the transition to the call centers, and the change to call centers has exacerbated this existing problem;
- There is no indication that the change to call centers has increased UI benefits fraud. Data on non-fraud overpayments show an increase over time, but there is no clear relationship between this increase and the switch to call centers. UI benefit underpayments have not increased with the change. The department has three new tools to detect benefit overpayments and underpayments that were not available when claims-taking took place in the Job Service Centers.

The transition to call centers removed the final required face-to-face contact between each UI claimant and the Employment Security Department. In response, the Legislature mandated that the department develop two new initiatives, automatic registration and job search review, in order to make sure that claimants would access re-employment services. The department has developed the processes for these activities but does not routinely monitor or enforce them.

## PERFORMANCE IN OTHER KEY RELATED AREAS

The Legislature specifically directed JLARC to compare the prior in-person claims-filing system to the new call center approach with regard to: promptness of payments, fraud, and overpayments and underpayments. This portion of the report summarizes these evaluations.

The U.S. Department of Labor (DOL) evaluates the performance of all state employment security agencies using a program called "UI Performs." The program contains standards for the timeliness and quality of first payments, nonmonetary determinations, lower authority appeals, higher authority appeals, new employer status determination, and timeliness of some financial transactions involving UI monies. If the state agency does not perform up to a Federal standard, it must develop a corrective action plan to fix the problem. DOL sanctions, including loss of administrative funding, are possible if a state continually performs below the acceptable levels and is not moving to correct the situation. For those aspects of UI performance where a Federal standard is being phased in, a Federal "desired level of achievement" serves as a target for states. When available, the Federal UI Performs standards are used here to evaluate Washington's performance in those areas requested by the Legislature.

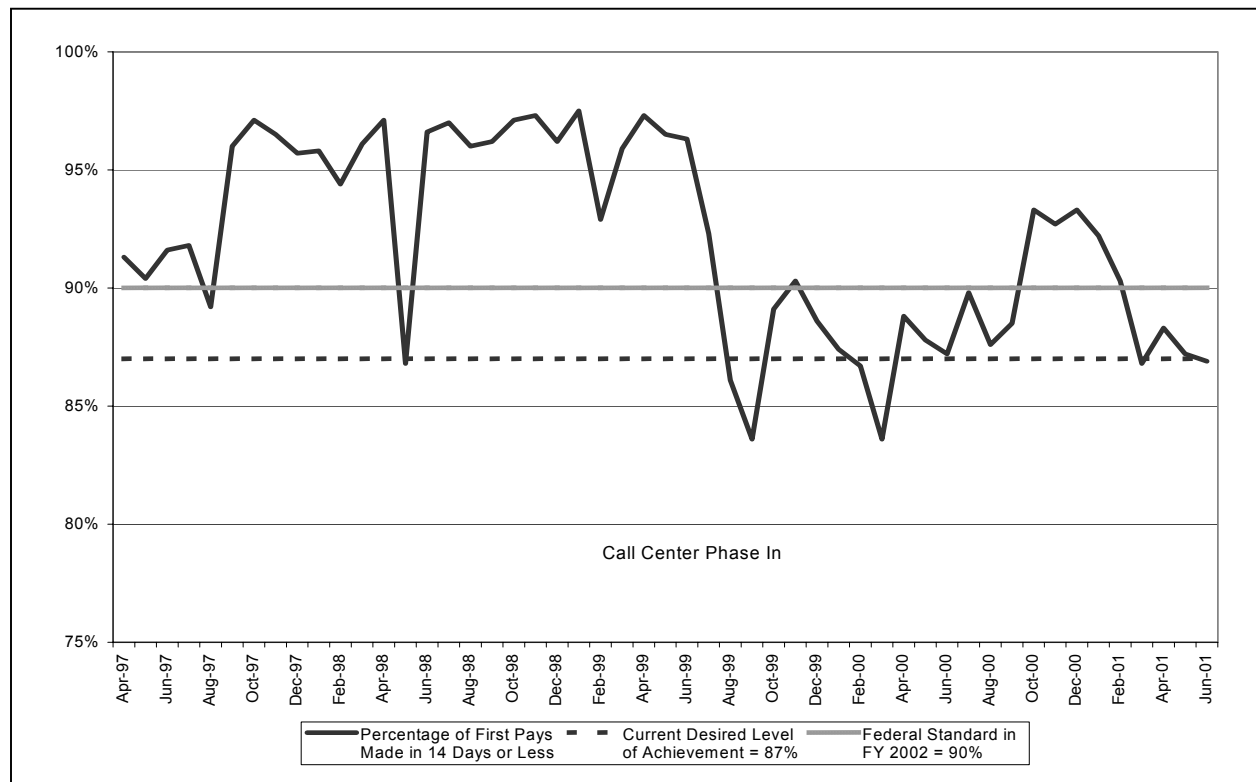
### First Payment Timeliness

The JLARC study mandate asks specifically about promptness of payments. The UI Performs measure to assess promptness of payments is called “first payment timeliness.” The Department of Labor currently asks states to deliver 87 percent of UI first payments to eligible claimants within 14 days for states like Washington that have a waiting week. In Federal fiscal year 2002, the standard is scheduled to increase to 90 percent of first payments delivered within 14 days. This is a performance measure that gauges how quickly eligible unemployed workers receive their first benefit checks.

Figure 8 provides an illustration of the department’s performance in meeting the Federal standard for first payment timeliness. For several months in 1997, 1998, and early 1999, the department achieved first payment timeliness measures in excess of 95 percent. As the call centers were phased in, first payment timeliness declined, dipping below the Federal standard in the late summer of 1999 and then again during the winter of 1999/2000. Since that time, the department has improved first pay timeliness to a level above the current Federal standard, though not to the levels the agency achieved in 1997-98.

Another aspect of timeliness that can have an impact on first payment timeliness is the speed with which adjudicators resolve issues about eligibility that arise in either an initial application or a continued claim. The Department of Labor has desired levels of achievement for how quickly adjudicators resolve different types of issues. The department did not always meet the Federal

**Figure 8**  
**First Payment Timeliness**  
 with Reference to the Current and Forthcoming Federal Standard



Source: JLARC analysis of Employment Security Department data.

timeliness standards for making separations determinations (resolving issues about the reason that the applicant is separated from his job) when claims-taking took place in the Job Service Centers. However, the department has had a serious decline in the timeliness of its separation determinations since the change to call centers. The department will have to improve this aspect of its operations in order to improve overall first payment timeliness.

Employment Security now faces the challenge of improving first pay timeliness to the new, higher FY 2002 standard, at a time when the state's unemployment rate is rising and initial claims volume is increasing.

### Nonmonetary Quality

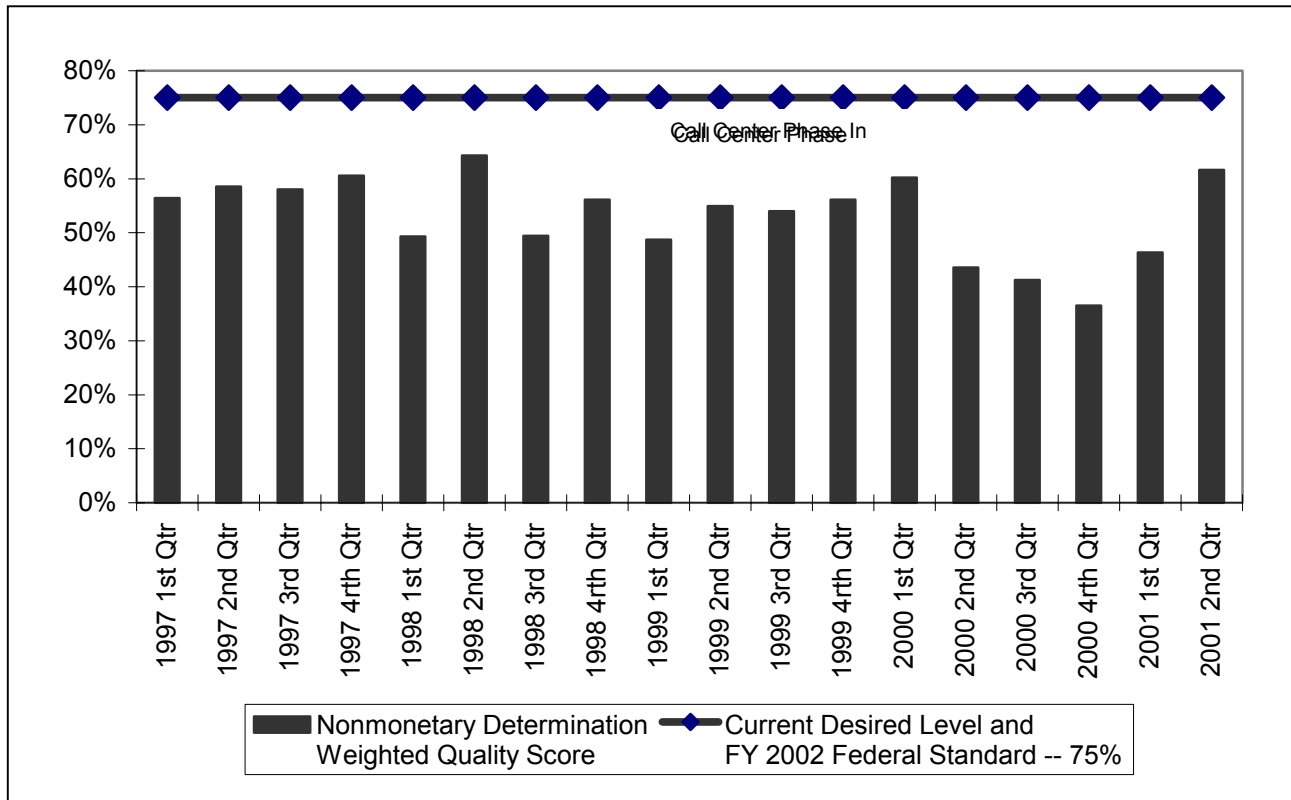
In addition to making determinations quickly, the Department of Labor also expects state employment security agencies to make them well. DOL has a system in place to evaluate the quality of each state's "nonmonetary" decisions. Nonmonetary decisions are judgments about separations issues as mentioned above and about non-separation issues such as whether a claimant is able to and available for work. The quality evaluations are conducted quarterly. In the review process, separate samples of claims with separation and non-separation issues are drawn and evaluated by an independent team with regard to (1) the claimant information, (2) the employer information, (3) information and facts gathered from other sources, (4) opportunities for rebuttal, (5) application of that state's laws and policies, and (6) the written determination itself. Each nonmonetary determination in the samples receives a quality score on a scale of zero to 100. The Department of Labor has a desired level of achievement that 75 percent of each state's nonmonetary determinations receive a passing score, which is a score greater than 80 points. Beginning with Federal FY 2002, the desired level of achievement becomes the new Federal standard.

Figure 9 on the following page shows the department's nonmonetary weighted quality scores for the second quarter of 1997 through the second quarter of 2001. There is indeed a dip in scores following the transition to the call centers, which does not seem surprising in light of the number of new adjudicators put in the position of making nonmonetary judgments. Scores in CY 2001 show improvement.

The more compelling finding illustrated in Figure 9 is the persistent low scoring throughout the period relative to the level expected by the Federal government. While the transition to call centers initially exacerbated the problem somewhat, the department was not performing adequately in this area when adjudication activities were being carried out in the Job Service Centers.

The department recognizes the need to improve the quality of its nonmonetary determinations. The department has launched a "continuous improvement plan" to improve adjudication quality as well as timeliness. Elements of the plan include additional training of adjudicator supervisors on the evaluation process used in scoring the decisions, modifications to the agency's fact-finding templates and interview tools to help adjudicators collect all of the information that is needed for a quality decision, and development and implementation of adjudicator training on the resources that are now available to them electronically at the call centers. These searchable resources include the state's UI laws, the department's rules, the agency's procedure manual and benefit guide, court opinions, and commissioner decisions. The agency plans to attain the Federal standard for nonmonetary quality by the third calendar quarter of 2002. The department

Figure 9  
Nonmonetary Determinations Weighted Quality Scores



Source: JLARC analysis of Employment Security Department data.

is going to have to achieve rather dramatic improvements in a short time if it is going to attain this goal. The department’s performance to date in CY 2001 shows a move in the right direction.

### Fraud and Non-Fraud Overpayments

A benefit overpayment occurs when a person receives UI benefits when he or she should not have received them. This may result from a claimant losing an appeal on a determination, or it may happen when a claimant, an employer, or a department staff person makes a mistake. Overpayments may also result from a person deliberately trying to defraud the system. The 1998 legislation expresses the concern that the move away from face-to-face contact in the Job Service Centers might increase the potential for fraud. The Legislature specifically asked JLARC to look at the level of fraud and overpayments in the previous system versus the call center system.

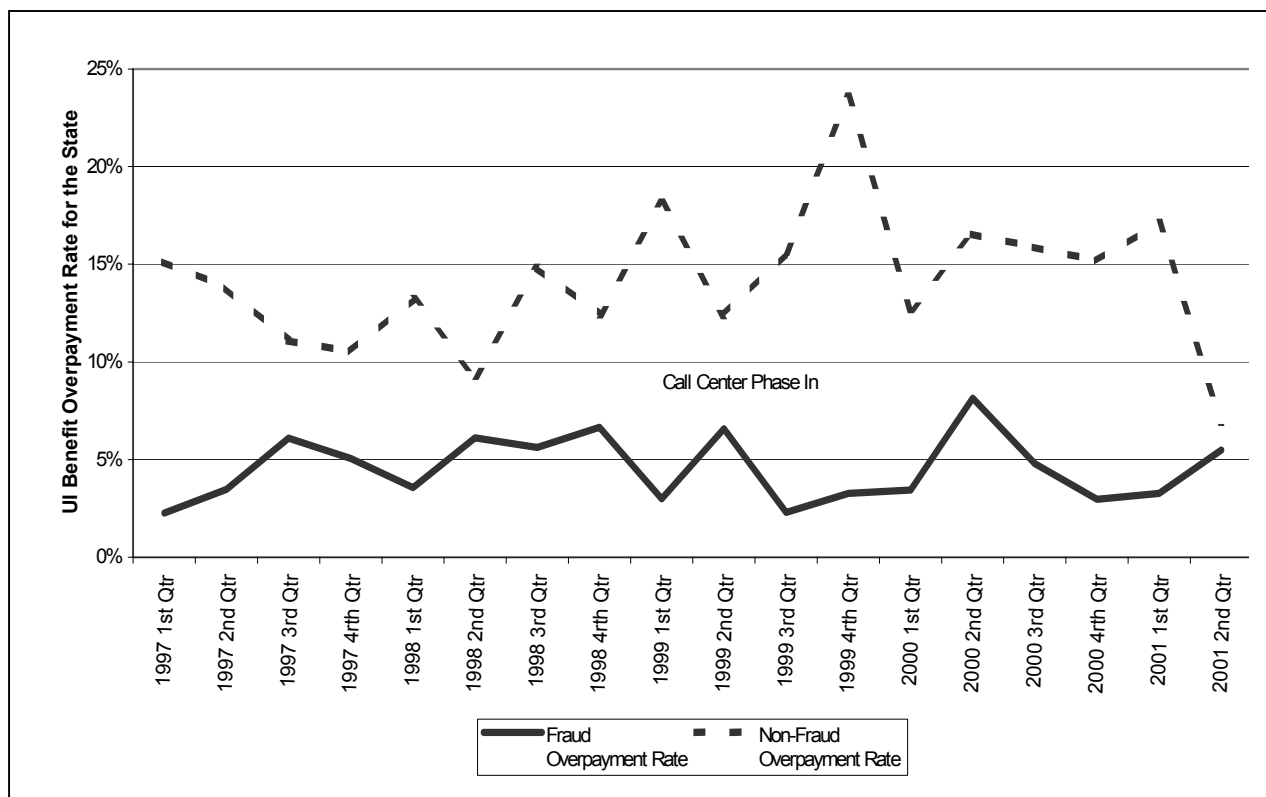
Two data series were used to make this comparison. One is the Benefit Accuracy Measurement program operated by the department’s Quality Control unit, and the other is a wage/benefit cross-match system operated by the department’s Office of Special Investigations.

Benefit Accuracy Measurement

The current version of the Benefit Accuracy Measurement (BAM) quality control program has been in place since 1996. Independent reviewers evaluate the accuracy of a sample of paid intrastate UI claims. The review includes a detailed assessment of a designated “key week” in the continued claim to evaluate whether the claimant was indeed available for work, looking for work as recorded in the work search log, and accurately reporting any earnings. Importantly for this study, the BAM evaluators also go back to review the initial determination. This includes a review of the monetary and nonmonetary factors involved in the original determination as well as a check on the wage and hour data reported by the employer. If the BAM evaluators find an overpayment or an underpayment, they rectify the situation as an adjudicator would from a call center. All state employment security agencies operate a BAM program, using a case sampling process overseen by the U.S. Department of Labor. The BAM quality reviewers in Washington must analyze at least 480 cases per year, distributed across the four quarters.

Figure 10 provides information on the fraud and non-fraud overpayment rates estimated by the Benefit Accuracy Measurement program. These figures represent estimates of the overpayment rates for the paid UI claims in Washington State. The good news is that the BAM quality control review does not find an increase in fraud overpayments associated with the switch to call centers.

Figure 10  
 Fraud and Non-Fraud Overpayment Rates  
 As Estimated by the Benefit Accuracy Program



Source: JLARC analysis of U.S. Department of Labor and Employment Security Department data.

The fraud overpayment rate has hovered around the 5 percent level both before and after the change to call centers.

BAM reviewers detected a marked increase in non-fraud overpayments in the winter of 1999. The disruption to the system during this period was mentioned earlier in this report. Non-fraud overpayments, as estimated by BAM, have since declined.

### Wage/Benefit Cross-Match

Another program that is used to detect fraud and non-fraud overpayments that has been operating before and after the change to call centers is a “cross-match” program. The Office of Special Investigations uses a tool called the Benefit Automated Reporting and Tracking System (BARTS) to scan for unreported earnings of people who are collecting UI benefits. BARTS uses social security numbers to compare the information in the quarterly wage file with the information in the claimant payment history file. The BARTS tool assigns a probability index to all the potential overpayments identified in the comparison. The Office of Special Investigations mails out a wage verification form to each employer of all of the higher probability cases as well as a subset of the remaining cases. The employer wage verification information is then compared to the earnings reported by the claimant. The office mails out between 32,000 and 39,000 of these wage verification forms each quarter. The wage/benefit cross-match is used across the country as an important tool to detect UI benefits fraud.

Figure 11 on the following page is a time series on fraud and non-fraud overpayments identified by the Office of Special Investigations, primarily through BARTS.<sup>14</sup> Because of the delay in getting the employer wage verification, information is available only through the first three quarters of year 2000. However, the Office of Special Investigations was able to provide a much longer time series for the period before the transition to call centers. Fraud overpayments detected by the Office of Special Investigations vary between about 500 and 1800 cases per quarter without a clear trend or seasonal pattern. Non-fraud overpayments have generally increased over the period, eclipsing fraud overpayments beginning in 1997. The data from the Office of Special Investigations do not show an increase in fraud or non-fraud overpayments associated with the transition period or the post-implementation period of the call centers.

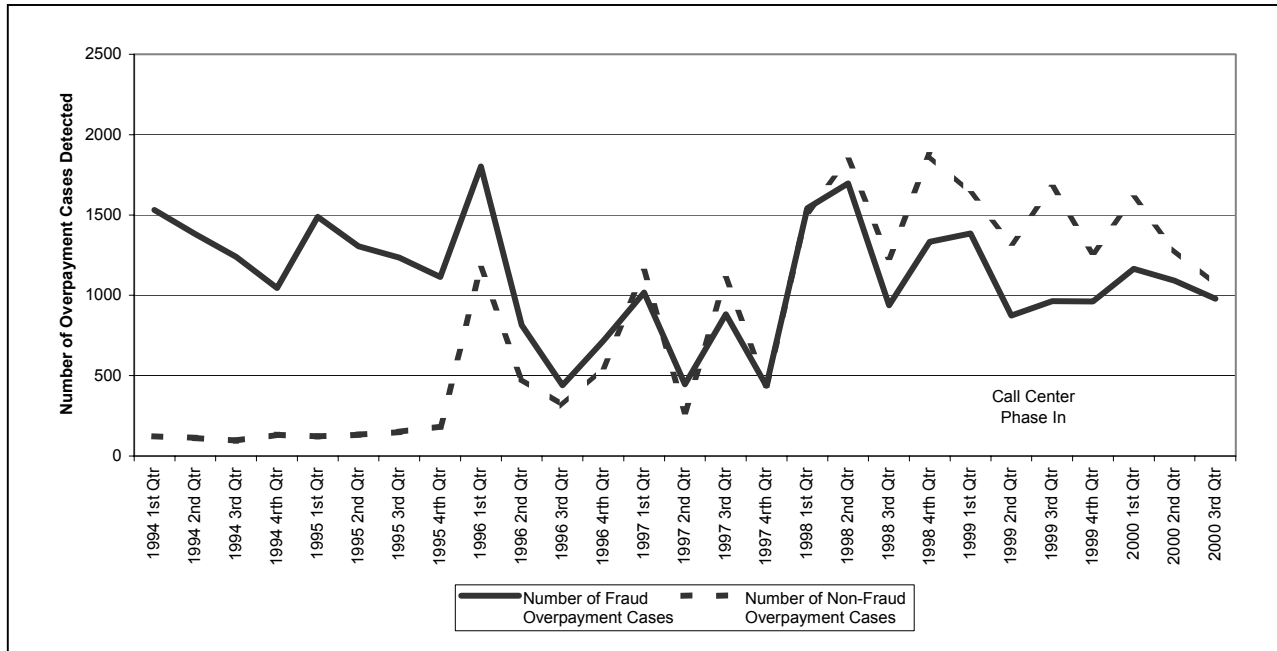
### New Tools to Look For Fraud and Non-Fraud Overpayments

The department has two new tools in its arsenal for detecting fraud and non-fraud overpayments that were not available when claims were taken in the Job Service Centers. The first of these new tools is called “New Hire.” The Department of Social and Health Services (DSHS) maintains a database that is used to facilitate collection of child support payments. All employers in the state report information on new or re-hired employees to DSHS’ Child Support Division. Once a week, Employment Security’s Office of Special Investigations runs a cross-match between the New Hire database and the UI claimant payment history file. When there is a match, the Office mails a wage verification letter to the claimant. If the claimant does not respond, the Office sends a wage verification letter to the new employer. Although the New Hire

---

<sup>14</sup> The data series does include a small percentage of cases identified by means other than BARTS, for example, through anonymous tips.

Figure 11  
 Number of Fraud and Non-Fraud Overpayment Cases  
 First Quarter 1994 Through Third Quarter 2000  
 Cases Identified by the Office of Special Investigations, Excluding “New Hire” Cases



Source: JLARC analysis of Employment Security Department data.

program has only been operating for about 20 months, it has already identified more than 5000 fraud and non-fraud overpayments.

A second new tool was just approved by the Legislature in the operating budget adopted in June 2001. The Employment Security Department requested, and the Legislature appropriated, UI overpayment interest monies for a cross-match program with the Federal Social Security Administration. The main use for this new tool will be to detect people applying for UI benefits who are not working legally in the United States or who are filing for UI benefits using another person’s social security number. The department is working now to install the social security number cross-match.

In the late 1990s, the department also took steps to improve on its collection of UI benefit overpayments. As a result of a re-engineering study of the overpayment collection process, the garnishment staff and the collections staff have been combined, and the collection processes have been improved. The department also reports that it is pursuing overpayments more proactively than before the re-engineering effort.

### UI Benefit Underpayments

The Legislature also asked JLARC to compare UI benefit underpayments before and after the change to call centers. An underpayment can occur if a claimant’s benefit payment was calculated incorrectly. This is an error that the Benefit Accuracy Measurement or the New Hire program could pick up and correct. A claimant inspecting his wages and hours statement following his initial application might also detect such an error. However, another type of

underpayment occurs when an applicant who is denied benefits is actually eligible for them. In this situation, the department's regular tracking devices for benefit payments cannot be used because the first benefit payment is not made.

Though the department does not currently have a regular tracking system for underpayments, department staff were able to query the centralized system to generate some information for this study. The department identified cases where benefits were initially denied and then eventually granted, due to one of three situations: (1) the applicant requested a redetermination before a final decision was made on an initial application, (2) benefits were granted by a decision from the Office of Administrative Hearings, or (3) benefits were granted by a decision of the Commissioner of Employment Security. The number of denials that were redetermined or reversed on appeal ranged between 600 and 1800 cases per month for the period April 1997 through March 2001, and the pattern of the cases follows the regular seasonal pattern of new UI claims. There is no apparent upswing in these kinds of denials in the period following the switch to call centers.

Beginning in July 2001, a new quality control program will shed additional light on the magnitude of underpayment cases in Washington and around the country. Each state's UI Quality Control unit will use the basic methodology of the Benefit Accuracy Measurement program to analyze a set of claims where benefits were denied. At least 450 cases will be analyzed per year, and the sample will include denials based on monetary, separation, and non-separation issues. Parties with an interest in denied claims will want to track this new quality control assessment.

### THE LINK TO RE-EMPLOYMENT SERVICES

Prior to the transition to call centers, unemployed workers were required to apply for their UI benefits *in person* at the local "unemployment office." These local offices typically housed both the UI program and various re-employment services, such as job referral information, employment search workshops, and individual re-employment counseling. While filing for benefits at the local office, UI claimants had opportunities to access these re-employment services. With the advent of call centers, this coincident potential for accessing services was gone, and the Legislature and employers were concerned that the necessary links to re-employment services would become weaker.

The 1998 legislation that authorized the switch to call centers expressed this concern and also included two new statutory requirements to help alleviate the risk of a weakened connection between UI claimants and re-employment services. First, the Legislature directed the department to ensure that claimants register for job search in an electronic labor exchange system. Second, it directed the department to implement a job search monitoring program.

For this evaluation, audit staff reviewed how call centers currently make the connection between UI claimants and the various re-employment services offered, and then examined the extent to which the department implemented the two new legislative requirements.



## How the Call Centers Connect Claimants with Re-employment Services

Call centers provide some linkage to re-employment services. The call center script informs applicants of their obligation to seek re-employment, and claims-takers tell the applicant the location of the nearest local employment office. This information is reinforced with written material that the call center mails to the applicant after the initial application is filed and on a quarterly basis. In the May and November/December 2000 claimant satisfaction surveys, the majority of applicants indicated that the oral and written instructions they received from the call centers about work search requirements and re-employment services were very clear.

## Job Search Monitoring

The 1998 legislation directed the department to implement a job search monitoring program. The intent was to enforce a requirement that claimants look for work by making regular employer contacts. All claimants that are otherwise not “attached” to the workforce<sup>15</sup> and who have received five or more weeks of UI benefits “must provide evidence of seeking work...*for each week* beyond five in which a claim is filed” (RCW 50.20.240).

To implement this mandate, the department created a job search review program that is **required** of all claimants who receive more than five weeks of benefits, but is **reviewed** for only a small percentage. For every week beyond five, all claimants are required to keep a detailed log listing the contacts made or the other job search activity. The UI computer system pulls a random sample of 15 percent of claimants who are somewhere in their sixth to tenth week of receiving benefits.<sup>16</sup> The claimants in this sample are then sent a letter telling them to report to their local office for a review of their job search log *for the one week in question*. They are also told that failure to comply could result in the loss of benefits. During the review, the job search review staff<sup>17</sup> look for the required weekly contacts and counsel claimants on how to improve their job search. Of the 15 percent called in for review, 10 percent are again randomly selected for job search verification by the UI Quality Control unit. If staff find that claimants are not complying with the job search requirements (by failing to report, not making enough employer contacts, or providing false contact information), they are subject to sanction.<sup>18</sup> The local office staff are

---

<sup>15</sup> A claimant is “attached” to the workforce when he or she is participating in commissioner-approved training, receiving partial wages, or is affiliated with a union. According to the department, approximately 30 percent of UI claimants are “attached” and are therefore not held to the re-employment requirements.

<sup>16</sup> A smaller percentage of claimants receiving additional weeks is randomly selected for review as well. Eight percent of claimants in the 11<sup>th</sup> to 15<sup>th</sup> weeks and 5 percent of claimants receiving more than 15 weeks of benefits can also potentially be called in for review. Although it is unlikely, it is possible that a claimant could be called in at two different times.

<sup>17</sup> Job search review staff are positions housed and supervised within the local office, but funded by UI dollars. There are approximately 36 job search review staff in the local offices, and each office has at least one. These staff positions were funded by UI prior to the implementation of job search review (to conduct eligibility reviews and provide other assorted UI services); now, however, the UI division is more prescriptive about the tasks performed.

<sup>18</sup> According to state statute, the sanction associated with failure to comply is limited to denying UI benefits for that particular week (RCW 50.20.044). This equates to a maximum “fine” of \$496 for the highest-earning claimants and does not affect future eligibility for UI benefits in the remaining weeks of the claim.

supposed to report claimants who fail to comply with the job search requirements. The call center staff then determine whether the claimant should be denied benefits for that week.

Central office staff periodically request *ad hoc* reports that list by local office the number of review interviews conducted and the number of claimants who did not appear as requested. However, the department report provided to JLARC did not include the total number of claimants selected for review, nor did it identify how many of the claimants were not in compliance with requirements or how many were sanctioned for lack of compliance. Department staff indicate that this information can be obtained through central data systems, but that it is not routinely pulled out or reviewed by management. **This information is crucial to understanding whether the job search review requirement compels claimants to look for work.** The department purports that the “threat” of having to report employer contacts that might be verified makes claimants more inclined to look for work while receiving UI and thus leads to more rapid employment. However, Employment Security does not track the real effect that job search review actually has on UI claimants, and therefore the department does not know the extent to which this job search review impacts UI usage or re-employment rates.

### Automatic Registration in a Labor Exchange System

The 1998 legislation also directed Employment Security to ensure that, within a reasonably short period of time, claimants register for job search in an electronic labor exchange system. The intent was twofold: match claimants to specific job openings, and provide an electronic database of claimants available to employers “for the purpose of selecting job applicants” (RCW 50.20.230).

The department implemented this mandate by creating an automatic link between a claimant’s initial benefit application and the department’s existing electronic job bank, “JobNet.” JobNet then “registers” claimants for access to the department’s various re-employment services, such as a job search line. Additionally, JobNet runs a weekly match between all “unattached” claimants and all job openings. The match is made by comparing the job classification code assigned to a claimant and the job classification code assigned to the open position, e.g. welding jobs for claimants who indicated in their initial claim application that they were welders. Claimants hear about their matches with current job openings via a recorded telephone message when they call in their weekly claims.

Due to problems with the coding system, however, many of the matches are not legitimate. The coding system is flawed for three primary reasons: (1) the local office staff set the occupational codes for the jobs, and the claims-takers set the codes for the claimants, and these two groups may have different coding conventions; (2) the coding system itself is overly detailed with thousands of specific codes, which lessens the potential accuracy of the matches; and (3) claimants are matched with openings which may be in their previous line of work, but at a much different experience level than they are trained for (e.g., a hotel chef matched with a drive-in fry cook position).

## EVALUATION OF EMPLOYMENT SECURITY DEPARTMENT CALL CENTERS

---

Because the automatic JobNet matches often lead to job referrals that are not good matches, the department has resisted requiring claimants to follow-up with these job leads.<sup>19</sup> The department points out that the current JobNet matches do provide some potential job leads, and they may serve as a reminder to claimants that they need to be looking for work. The current automatic matching process does not necessarily provide legitimate matches between claimants and job openings. Further, the legislative mandate that employers be able to access a claimant database to review and select job applicants has not yet been implemented.

---

<sup>19</sup> According to state statute, the department has to ability to disqualify from benefits any claimant that fails to “apply for available, suitable work when so directed by the employment office” (RCW 50.20.080).



# CHAPTER 4 – UI CALL CENTERS: SUMMARY AND RECOMMENDATIONS

---

## REVISITING EMPLOYMENT SECURITY’S GOALS FOR UI CALL CENTERS

The UI call centers have been completely phased in for a little over a year and a half. At this point in their operation, it seems worthwhile to revisit the goals for call centers that the department had identified to the Legislature when it first proposed making the change (summary in Figure 12):

Figure 12  
UI Call Center Goals “Box Score”

<b>Employment Security Department Goals for UI Call Centers</b>	<b>Achieved?</b>	<b>Comments</b>
Ensuring greater consistency in decisions	Partially	Centralizing the adjudicators offers an opportunity to improve the quality and the consistency of their decisions, but continuing poor quality scores indicate the department is not yet reaping the full benefit from this centralization.
Paying UI benefits in a more timely manner	No	The department has not reached the level of first payment timeliness in the call centers that it was delivering before the switch.
Reducing annual operating costs	No	The department is not realizing its projected cost savings.
Using staff time more effectively	Yes	The department is using fewer staff as claims-takers, and their work environment is much more structured.
Eliminating the need for claimants to wait in lines	Yes	Claimants prefer telephone services over filing in person.
Providing employers with easy access to UI information	Yes	Employers who are aware of this option and use it appreciate the direct service.

Source: JLARC analysis.

## Ensuring Greater Consistency in UI Decisions

The centralized call centers do offer the opportunity for greater consistency in decisions than when adjudicators were scattered in 28 different offices. The department is reaping some of the benefits of this consolidation as it moves to train its adjudicators on implementing the UI policy changes the Legislature made in the 2001 Session. However, the department's decisions need to be consistently of high quality, and the dip in nonmonetary quality scores indicates that the department has not yet realized the full potential benefits from centralizing the adjudicators. The department's plan for improving nonmonetary determination quality and timeliness targets the third quarter of calendar year 2002 as the time it plans to meet the Federal quality standard. Employment Security will have to improve the program markedly to attain this target.

## Paying Benefits in a More Timely Manner

As the record on first payment timeliness indicates, the department has not reached the level of first payment timeliness in the call centers that it was achieving in the Job Service Centers. The department faces the challenge of meeting a new higher Federal standard on first payment timeliness beginning in Federal FY 2002 (October 2001).

## Reducing Annual Operating Costs

As the cost analysis indicates, the change to call centers is not yielding the administrative cost savings that the department projected. The major reasons impeding Washington's Employment Security Department from reaching its projected cost savings fall into three categories: (1) telecommunications costs, (2) staffing for the call centers, and (3) staffing outside the call centers.

## Using Staff Time More Effectively

The department can probably make a solid case that it is using its claims-takers more effectively in the structured environment of the call centers. The department is taking claims with fewer claims-takers than before. With the computer screen prompts and the heavy scripting, there is much greater consistency in the information that is delivered to people applying for UI benefits. There is intensive monitoring of work hours, lunch hours, and break times to ensure adequate telephone coverage, and claims-takers only have a 10-to 30-second pause between calls.

## Eliminating The Need For Claimants To Wait in Lines

The results from the department's claimant satisfaction surveys from May and November/December 2000 indicate that the majority of UI applicants clearly prefer being able to file their initial applications by telephone rather than filing in person at a local office.

## Providing Employers With Easy Access to UI Information

Employers now have their own toll-free number to use to contact a call center when they have questions. Those employers who are aware of this option report that they like this service.

## SUMMARY AND RECOMMENDATIONS

### Summary

The Legislature asked JLARC to look into a number of different issues associated with the Employment Security Department's switch to the use of the centralized call centers for the filing of initial applications for unemployment insurance benefits. The following summarizes the conclusions from the JLARC study:

- Employment Security is not achieving its projected administrative cost savings from the switch to call centers. There are three main reasons for this: (1) the department underestimated call center telecommunications costs, (2) the department overestimated the savings in claims-taking staff and failed to account for the additional FTEs necessary to run the call centers, and (3) the department continues to use UI funds to pay for managers in the WorkSource Operations Division.
- Most UI claimants clearly prefer filing their initial applications by telephone to filing in person at a local Job Service Center. Interaction with the department for most employers is about the same as before the transition.
- In terms of promptness of payments, first pay timeliness of claimant benefits has declined with the change to call centers as compared to what the department delivered under the old system.
- Employment Security was not meeting the Federal standards for adjudicator decision quality and timeliness when the adjudicators were located in the Job Service Centers. The change to call centers has exacerbated this existing problem.
- There is no indication that the change to call centers has increased UI benefits fraud. The data used in the analysis do show an increase over time in non-fraud overpayments, but there is no clear relationship between this increase and the change to call centers. UI benefit underpayments have not increased with the change to call centers.
- The department has put in place a **process** by which claimants are referred to re-employment services; however, the extent to which that process is **monitored and enforced** is unclear. Without the information about who is meeting requirements and what the results are, the department is unable to determine the adequacy or effect of these efforts to link claimants with re-employment services.
- Employment Security has had success in meeting its call center goals relating to claimant and employer satisfaction. However, the department has not achieved the goals most closely linked to fiscal savings and to decision quality and timeliness.

### Recommendations

This JLARC study focuses mainly on answering the questions posed by the Legislature about the transition to the Employment Security call centers. However five recommendations do emerge from the analysis, three pertaining to the UI Division and its call centers, and two targeted more to WorkSource operations using UI funds.

The first recommendation is related to the costs of operating the call centers. In retrospect, it is evident that the department's projections about call center savings were unrealistic. The department is not likely to be able to achieve the cost savings that it advertised anytime in the near future, if ever. However, to the extent possible without compromising performance, the department should continue to try to reduce costs in the call centers. Examples of such cost reduction efforts include hiring more bilingual claims-takers to reduce the expensive AT&T Language Line costs and more aggressively promoting the Internet claims-filing option to reduce the use of the toll-free telephone line.

***Recommendation #1. Employment Security should identify and report on (a) the specific efforts it plans to undertake to reduce costs in the call centers, (b) the projected savings from and timelines for implementing these efforts, and (c) the actual savings achieved once the agency has completed these efforts.***

The second recommendation addresses the on-going quality and timeliness problems with the adjudicator decisions. This was an issue before the change to call centers, though performance in these areas has declined further with the transition. The department has recognized this problem and is in the process of implementing a plan that is supposed to improve decision timeliness and quality. The second recommendation is intended to encourage the department to monitor the impact of its plan closely and to take further steps if performance still does not meet the Federal standards.

***Recommendation #2. Employment Security should report on the results from implementing its plan to improve the quality and timeliness of adjudicator decisions, and the department should identify and undertake additional actions if, after implementing its plan, performance continues to fall below the U.S. Department of Labor standards for decision timeliness and quality.***

The third recommendation goes back to the concern the Legislature expressed about fraud and non-fraud overpayments and UI benefit underpayments. As this study has indicated, in addition to its existing tools, the department now has three new tools for detecting benefit overpayments and underpayments that were not previously available. The department also reports that it is stepping up its efforts to collect overpayments. This recommendation asks the department to report on the outcomes of all of these efforts.

***Recommendation #3. Employment Security should monitor and report on trends in fraud and non-fraud overpayments and underpayments and on the impact of its existing and new tools for detecting UI benefit overpayments and underpayments. The agency should also monitor and report on its efforts to collect UI benefit overpayments.***

The fourth recommendation relates to the UI monies paying for personnel in the WorkSource Operations Division. These are businesses' UI tax dollars; the department should be able to show that these FUTA funds are being used to pay for the administration of UI services. Traditionally, UI dollars have been used to pay for the FTEs conducting eligibility reviews (now job search reviews), and the department plans to continue this practice. However, the UI service being performed by the other recipients of UI dollars in the WorkSource Division is less obvious.

Currently the department is spending approximately \$2 million of UI administrative funds for managers in the WorkSource Operations Division. If the department is going to continue to



spend these dollars in the WorkSource Division, the connection to UI services must be clear. Claimant representatives have expressed an interest in having someone in the local offices who can answer UI questions and help claimants use the call center and continued claim telephone systems. Business interests and the Legislature have made clear their interests in ensuring that claimants are looking for work.

***Recommendation #4. The department should re-think its expenditure of UI administrative tax dollars on salaries and benefits for managers in the WorkSource Division. If the department is going to continue to use UI tax dollars to fund personnel in the WorkSource Division, the department should be able to identify clearly the UI services that those personnel are providing.***

The fifth and final recommendation is in response to the Legislature's expressly-stated concern that the change to UI call centers might reduce the probability that claimants will use re-employment resources. As explained in the report, the Legislature created two new requirements to help alleviate this risk: mandatory job search registration and job search review. The department has not monitored or fully enforced these new legislative provisions.

Assembling this information will allow the department to learn about whether the current requirements and sanctions are adequate and will help set the stage to determine what re-employment efforts are most effective for claimants.

***Recommendation #5. Employment Security should fully implement and enforce the re-employment activities required of UI claimants and should regularly monitor and report on compliance and enforcement activities. Specific tasks should include (a) improving the automated job matches made through JobNet and require claimants to pursue the referral, (b) enforcing fully and consistently the various re-employment requirements such as reporting to a local office and making job contacts, and (c) tracking the number of claimants selected for job search review, the number who report to a local office as requested, the number who fulfilled the employer contact requirements, and the number who were sanctioned for either not appearing or for not meeting the requirements.***

Employers and claimants have a vested interest in the department's follow-through on these recommendations. Since these interests are represented on the department's UI Advisory Committee, the department should keep the Advisory Committee informed on its progress in implementing all of these JLARC recommendations.

## **“LESSONS LEARNED” ABOUT CALL CENTERS**

Other state agencies in Washington are considering a switch to centralized call centers for the delivery of services. The last element in this study's objectives is to pull together some of the lessons learned from the Employment Security Department and agencies in other states that recently made the change to call centers. This information is summarized in Appendix 4.

## AGENCY RESPONSES

We have shared the report with the Department of Employment Security and Office of Financial Management and provided them an opportunity to submit written comments. Their written responses and Auditor's comments are attached as Appendix 2.

## ACKNOWLEDGEMENTS

We appreciate the assistance of numerous staff members with the Employment Security Department who provided information and data for this study. We would like to recognize in particular the efforts of Doug Gough, Darrell Wallace, and Wayne McMahon.

We would also like to acknowledge the efforts of our independent advisor and reviewer, Dr. Stephen Woodbury, Professor in the Economics Department at Michigan State University and Senior Economist with the W. E. Upjohn Institute for Employment Research. Dr. Woodbury's suggestions, criticisms, and answers to our many questions about unemployment insurance have been invaluable in our completion of this study.

Thomas M. Sykes  
Legislative Auditor

On September 26, 2001, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Gary Alexander  
Co-Chair

# RECOMMENDATIONS

---

## ***Recommendation 1***

Employment Security should identify and report on (a) the specific efforts it plans to undertake to reduce costs in the call centers, (b) the projected savings from and timelines for implementing these efforts, and (c) the actual savings achieved once the agency has completed these efforts.

Legislation Required: None

Fiscal Impact: None

Completion Date: Interim reports April and October 2002

Final Report July 2005

## ***Recommendation 2***

Employment Security should report on the results from implementing its plan to improve the quality and timeliness of adjudicator decisions, and the department should identify and undertake additional actions if, after implementing its plan, performance continues to fall below the U.S. Department of Labor standards for decision timeliness and quality.

Legislation Required: None

Fiscal Impact: None

Completion Date: Report in October 2002. Additional reporting may be necessary if the department is not meeting the Federal Standards for adjudicator decision timeliness and quality by this time.

## ***Recommendation 3***

Employment Security should monitor and report on trends in fraud and non-fraud overpayments and underpayments and on the impact of its existing and new tools for detecting UI benefit overpayments and underpayments. The agency should also monitor and report on its efforts to collect UI benefit overpayments.

Legislation Required: None

Fiscal Impact: None

Completion Date: Reports in April and October 2002

***Recommendation 4***

The department should re-think its expenditure of UI administrative tax dollars on salaries and benefits for managers in the WorkSource Division. If the department is going to continue to use UI tax dollars to fund personnel in the WorkSource Division, the department should be able to identify clearly the UI services that those personnel are providing.

Legislation Required: None

Fiscal Impact: None

Completion Date: The department plans to implement this change by October 1, 2001. The department can report any changes in costs or FTEs due to the change in the reports filed for Recommendation 1.

***Recommendation 5***

Employment Security should fully implement and enforce the re-employment activities required of UI claimants and should regularly monitor and report on compliance and enforcement activities. Specific tasks should include (a) improving the automated job matches made through JobNet and require claimants to pursue the referral, (b) enforcing fully and consistently the various re-employment requirements such as reporting to a local office and making job contacts, and (c) tracking the number of claimants selected for job search review, the number who report to a local office as requested, the number who fulfilled the employer contact requirements, and the number who were sanctioned for either not appearing or for not meeting the requirements.

Legislation Required: None

Fiscal Impact: Minimal

Completion Date: As soon as possible, with a detailed report on the various steps identified by the department by October 2002.

# APPENDIX 1: AUDIT SCOPE AND OBJECTIVES

---

## Scope

As directed by SSB 6420, JLARC's study will review the performance of the call center approach to administering unemployment insurance benefits. The study will include a review of the department's processing of initial UI claims, its resolution of issues that arise during the processing of initial and on-going weekly claims, and the department's efforts to address benefits fraud and erroneous payments. JLARC's study will also include an assessment of the link that call centers provide to reemployment services. The study will not address UI tax issues or the overall performance of the Employment & Training Division of the Employment Security Department.

## Objectives

1. Evaluate the cost differences between the former in-person UI claims application system and the new call center system, and identify possible changes to make the new system more cost-effective;
2. To the extent possible, identify the satisfaction of claimants and employers with regard to the transition to call centers;
3. Assess the impact of the switch to call centers on benefit payment timeliness and the quality of UI benefit decisions using the U.S. Department of Labor UI performance measures and benchmarks for these factors;
4. Describe the department's efforts to address benefits fraud and erroneous payments, and examine the role of the call centers with regard to benefits fraud and benefits overpayments/underpayments. This objective will include consideration of the Legislature's concerns that the shift to call centers could encourage more fraud; it will also include an assessment of the department's performance in these areas according to the U.S. Department of Labor's UI performance measures and benchmarks;
5. Evaluate the role of call centers in linking UI applicants to reemployment services; and
6. Document the "lessons learned" in making the transition to call centers for the possible application to any future proposals to adopt the call center approach in other areas of state government.



## APPENDIX 2: AGENCY RESPONSES AND AUDITOR'S COMMENTS

---

- Employment Security Department
  - Auditor's Comments
  
- Office of Financial Management







RECEIVED  
SEP 10 2001  
JLARC

STATE OF WASHINGTON  
EMPLOYMENT SECURITY DEPARTMENT  
*PO Box 9046 • Olympia, WA 98507-9046*

September 10, 2001

Mr. Thomas M. Sykes  
Legislative Auditor  
Joint Legislative Audit and Review Committee  
506 16<sup>th</sup> Avenue SE  
Olympia, WA 98504-0910

Dear Mr. Sykes:

Thank you for giving ESD the opportunity to comment on the Evaluation of Employment Security Department Call Centers. We are pleased the evaluation found that our customers-- employers and claimants -- prefer having Unemployment Insurance (UI) services delivered through our TeleCenters and Adjudication sites and that they are satisfied with the services we provide. We are also pleased that the review confirmed that there is no indication that unemployment insurance fraud has increased since the change. Finally, we noted that your review supports our conclusion that the TeleCenters have no effect on the number of claims filed.

Despite these positive findings, we agree that in several critical areas – cost, decision quality and timeliness and reemployment activities required of claimants – ESD must take steps to improve performance and efficiency. We appreciate your recognition of the steps we are already undertaking to improve our service and to reduce costs. We found particularly helpful your recommendations related to setting up reporting processes and management information systems for monitoring and measuring the effects of such initiatives.

We will adopt your recommendations.

The attached response details our implementation plans and explains the effect these recommendations will have on the Department. I would, however, like to emphasize some of the points made in that response.

1. Cost

The cost of establishing and staffing the TeleCenters was greater than estimated. These additional costs were due to higher than expected telecommunication costs, increased facility costs and the failure to achieve projected staff savings.



As explained in our response to Recommendation 1, we are working to control our costs for telecommunication translation services. We expect to achieve a reduction of 20% by October 31, 2002. We will report our preliminary results by April 30, 2002.

We agree it is helpful to view the costs for staff and facilities in terms of cost per claim. As demonstrated by data from the first six months of 2001 that cost has now been reduced by 2.8% as compared to the base period (calendar year 1998). This comparison, however, is sensitive to volume and must be evaluated over a longer period before any conclusions are drawn. Also, because the methodology is new to us we believe further work is necessary to confirm the validity of this model. Lastly, we believe any evaluation of cost must also consider the level of satisfaction of our customers – employers and claimants.

## 2. Timeliness & Quality

We are meeting the current payment timeliness standards established by the United States Department of Labor and are close to meeting the higher standard established for Fiscal Year 2002. We expect no difficulty in reaching that target, and will report on our performance in April 2002.

We have, as have many states, struggled to meet federal standards for eligibility decisions. These standards examine the timeliness and technical sufficiency of those decisions. They do not evaluate whether a correct result was reached.

The transition to TeleCenters worsened our performance on these measures because of the large numbers of staff losses in this highly complex area and because staff devoted to these functions were temporarily moved to initial claims during the start-up.

We have undertaken an intensive effort to improve our performance. This effort includes an aggressive training effort and the implementation of the findings of a continuous quality improvement team focused on eligibility decisions. The improvement plan is described in detail in our UI State Quality Service Plan that we are preparing for the federal government, due September 2001. Our continuing efforts appear to be taking effect. During the last quarter our score for decision quality improved by 20 percentage points.

## 3. Management Reporting

We appreciate your recommendation to set up better internal management reporting. We concur fully with your recommendations and are designing appropriate monthly and quarterly reports. A schedule of when reports will be available is included under each recommendation.

Mr. Thomas M. Sykes

September 10, 2001

Page 3

I will be sharing your report with the Unemployment Insurance Advisory Committee and will discuss your recommendations and our response with them after the final report has been accepted by JLARC.

We appreciate the opportunity to provide these comments, and look forward to meeting with the committee September 26.

Sincerely,

A handwritten signature in black ink, reading "Annette M. Copeland". The signature is written in a cursive style with a large, looping initial "A".

Annette M. Copeland  
Assistant Commissioner  
Unemployment Insurance Division

***Recommendation 1: Employment Security should identify and report on (a) its specific efforts it plans to undertake to reduce costs in the call centers, (b) the projected savings from and timelines for implementing these efforts, and (c) the actual savings achieved once the agency has completed these efforts.***

Legislation required:           None  
Fiscal Impact:                 None  
Completion Date:               October 31, 2002  
Agency Response:             Concur

We concur with this recommendation and will provide an interim report on our efforts by April 30, 2002 and a full report of our cost reduction efforts and associated savings by October 31, 2002. As pointed out by the report, there is a legitimate question about whether the department will achieve the projected 2005 cost savings from the transition to TeleCenters. The ability to achieve savings in the TeleCenters depends, in a large measure, on controlling the costs of telecommunications (specifically the cost of translation services), and increasing staff productivity.

We believe, however, that the effectiveness of the TeleCenters must be viewed in terms of the capacity to meet service demands during times of moderate and high unemployment, the satisfaction of business and claimants with the services provided, and the cost per claim.

Based on our experience for the first six months of 2001, we are finding that the TeleCenters give us the capacity to react to increased unemployment at a lower cost per claim than we experienced in either 1998 or 2000.

### ***Savings Strategies***

#### **Translation Costs**

Three steps are being taken to control translation costs.

First, we are exploring alternatives to our current translation provider (AT&T). We currently have an open-ended contract with AT&T that can be terminated after thirty days notice. A number of state agencies share our concern about containing translation costs and a request for proposal (RFP) is being developed for a statewide contract for telephone translation services. This is a joint effort between DSHS, Labor and Industries and our department.

We believe that through this competition, and favorable pricing through a future statewide contract, we should save approximately 10% of our current translation costs (\$50,000 per year). We will continue to track translation costs on a monthly basis.

Second, we are increasing the number of bilingual staff. We have recently hired new intake agents speaking: Spanish (12), Russian (3), Vietnamese (6) and Japanese (1). This will now make a complement of bilingual agents in the TeleCenters as follows:

41	Spanish
5	Russian
8	Vietnamese
1	Cambodian
3	Korean
1	Laotian
1	Japanese

We expect this step will save an additional 10% or \$50,000.

Third, we are working to increase alternatives to the use of vendor provided translation services by hiring college students as part-time translators. This effort, which is being piloted in the Spokane Telecenter, will start October 15<sup>th</sup> and continue until the end of February 2002. At that point, we will evaluate the results and make a determination whether to continue or to expand this strategy.

We should note that the expected "cost reductions" assumes no dramatic increase in caseload that would drive costs up.

#### Staff Productivity

A "Telecenter Operations Assessment" has just been completed. Our contractor looked for ways to improve the overall performance of the TeleCenters. The recommendations include ways to reduce call volumes, increase staff productivity and improve management tools. Action plans implementing these recommendations will be developed by the end of October and will be pursued in the coming months.

We are actively pursuing other avenues to increase productivity. We are promoting the use of the Internet to file initial claims. We have just begun an extensive marketing campaign to direct the public to our "go2UI.com" website to file their claim (instead of calling the TeleCenters). We were recently awarded a federal grant to automate an interface between an Internet claim and GUIDE, our benefit payment system. Implementation of this interface will save staff time and the costs of toll-free calls. Implementation is currently scheduled for December of 2002.

It is our intent to direct the net savings from this initiative into our efforts to improve eligibility determination quality and timeliness.

Even more promising for cost savings are initiatives that we are exploring that will utilize front-end Interactive Voice Response (IVR) technology to capture data from the claimant, preparatory to the connection with an intake agent, and then interface with our GUIDE system through Computer Telephony Integration (CTI) to pre-fill screens in GUIDE necessary to process the claim. This has tremendous potential to save staff time by reducing call duration. These proposals are being refined for submission in our state supplemental budget request, utilizing resources that we have received from the federal government for this effort. No state general funds will be required.

***Cost Per Claim Update***

We concur with the report's focus on cost per claim as a relevant measure of cost effectiveness for the TeleCenters. The weighted averages for the claims workload used in the review are an important tool for our use in comparing costs over time.

The TeleCenters were built to be able to respond to claims volumes associated with moderate to high levels of unemployment. Because of the fixed costs involved, the cost per claim will decrease as claims volumes increase.

We have used the weighted average methodology contained in the report to calculate the cost per claim for the first six months of 2001. We found:

<u>1998 Baseline Values</u>	
Average Monthly Weighted Workload (derived)	<b>38,360.00</b>
Cost Per Claim	<b>\$43.41</b>
 <u>January 2001 to June 2001</u>	
Total Costs	\$11,761,147.00
Adjust to 1998 Values (Price Deflator)	11,337,746.00
Six Month 2001 Average Monthly Weighted Workload	<b>44,774.00</b>
Six Month 2001 Cost Per Claim	<b>\$42.20</b>
 <u>Change from 1998 Baseline to 2001</u>	
Average Monthly Workload Change	<b>16.7%</b>
Cost Per Claim Change	<b>-2.8%</b>

The analysis of the first six months of 2001 reveals that the TeleCenters processed 16.7% higher workload than the average in calendar year 1998, at a 2.8% reduction in cost per claim.

We believe that utilizing the cost per claim approach, as suggested by your report, will provide an important tool for measuring the cost effectiveness of TeleCenter operations. We will continue to refine this tool, and if effective, will use this measure for evaluating telecenter performance.

***Recommendation 2: Employment Security should report the results from implementing its plan to improve the quality and timeliness of adjudicator decisions, and the department should identify and undertake additional actions if, after implementing its plan, performance continues to fall below the U.S. Department of Labor standards for decision timeliness and quality.***

Legislation required:	No
Fiscal Impact:	No
Completion Date:	See comments below
Agency Response:	Concur

We appreciate the report's recognition of our efforts to improve the quality and timeliness of eligibility decisions and concur with the recommendation. While the move to TeleCenters has improved the consistency of our decisions, we continue, however, to have difficulty meeting both decision timeliness and the federal quality standard. The Unemployment Insurance Division has placed high priority on the improvement of quality and timeliness of eligibility decisions.

We currently are engaging in an intensive training effort, and are implementing the results of a continuous quality improvement effort. The agency is also preparing a corrective action plan detailing the steps we will take to improve our service.

### ***UI Benefit Adjudication Training***

The move to TeleCenters resulted in the loss of many of our long-time experienced adjudicators. Intake staff were the only pool of staff available to send to adjudication training--but there was a need to balance adjudication requirements with the need to file initial claims over the telephone.

Accordingly, we were forced to operate with fewer adjudicators than was required by our workload. With the increase in trained intake staff, we have been able to conduct additional adjudication training classes.

All TeleCenter adjudication trainers have attended two separate weeklong sessions on eligibility timeliness and quality sponsored by the Department of Labor. The material covered best practices from other states that allowed our trainers to learn how other states handle different aspects of adjudication. Much of this information is being incorporated into our training modules.



### *Continuous Quality Improvement*

We are in the midst of a multi-year plan to improve adjudication quality and timeliness. A continuous quality improvement (CQI) team studied the best practices of other states that take claims by telephone, made recommendations for implementation during FY 2001 and FY 2002. Based on that report we are undertaking the following activities:

- A number of automated tools will be implemented to assist adjudicators. Examples are an automated scheduler that will be used to schedule fact-finding interviews, and a fact-finding interview tool that will help guide the adjudicator in asking the right interview questions leading to the correct decision.
- A new management initiative will identify adjudicators that are not meeting productivity standards and coaching and training will be provided to correct deficiencies. Staff will be held accountable for meeting the standards and downgrades will result for staff who fail to improve.
- In addition to the corrective action plan, we are looking at cutting down on the number of paper documents we mail. This will decrease the amount of paperwork handled and allow adjudicators more time to actually write decisions.
- We are also reviewing the questions asked during the filing of the initial claim to determine if there are repetitions that could be eliminated or questions that are asked in a manner that creates confusion for the claimant and results in erroneous issues being set on the claim.

Our goal for eligibility decision timeliness and quality is to achieve the federal performance standard by the last quarter of 2002. Each quarter, the scores are being carefully examined to identify areas that need improvement and to monitor progress.

***Recommendation 3: Employment Security should monitor and report on trends in fraud and non-fraud overpayments and underpayments and on the impact of its existing and new tools for detecting UI benefit overpayments and underpayments. The agency should also monitor and report on its efforts to collect benefit overpayments.***

Legislation required: No

Fiscal Impact: No

Completion date: See comments below

Agency Response: Concur

### ***Overpayments***

As the attached graphs indicate, collections of fraud and non-fraud overpayments are steadily increasing. Reports on the collection of benefit overpayment are reviewed internally on a monthly and quarterly basis. A report on fraud and non-fraud overpayment trends will be provided by April 30, 2002.

### ***Underpayments***

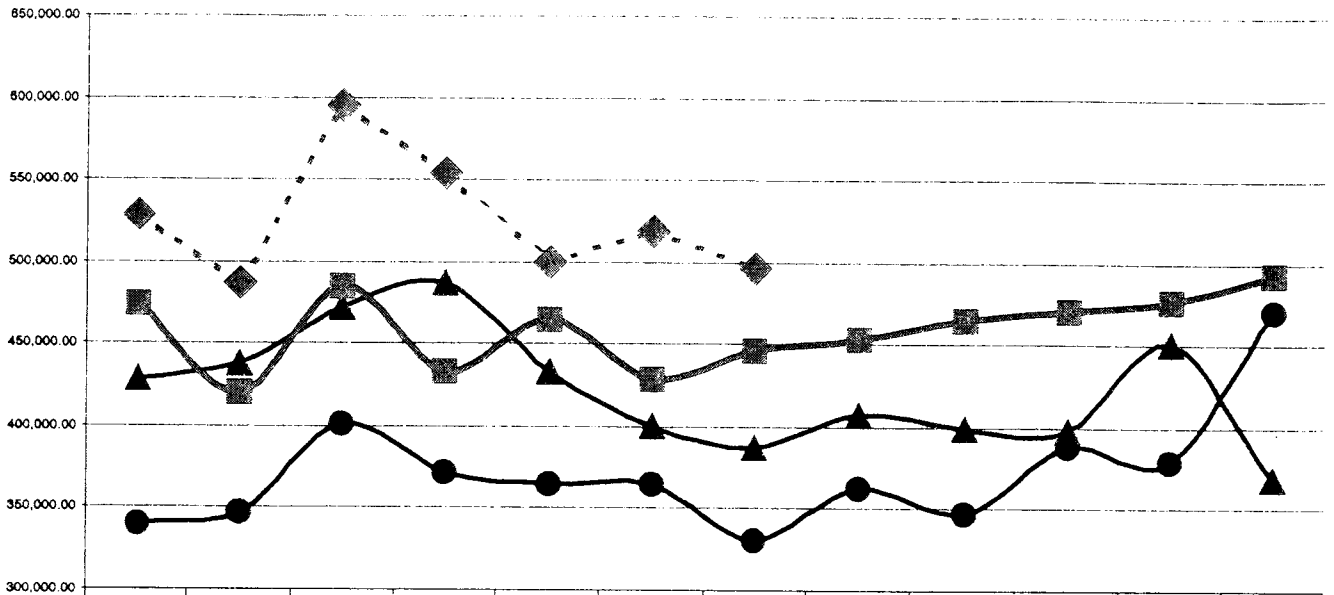
The Benefit Accuracy Measurement (BAM) unit began a study on underpayments on August 6, 2001. We expect to have a preliminary report on underpayments by October 1, 2002. This is the earliest date that U.S. Department of Labor staff expects national numbers to be available.

### ***Other Fraud Detection Efforts***

We also will report on two additional initiatives to control fraud. First, the New Hire project will provide an update based on use of the New Hire Directory for early detection of fraudulent claims. This directory allows states to crossmatch information about who is drawing benefits with data provided by employers on their new hires. (New hires must be reported within 30 days from the workers' start date.) This new crossmatch identifies potential overpayments six months earlier than crossmatches using wage records. A full year of data should be available by January 31, 2002 allowing us to examine trends.

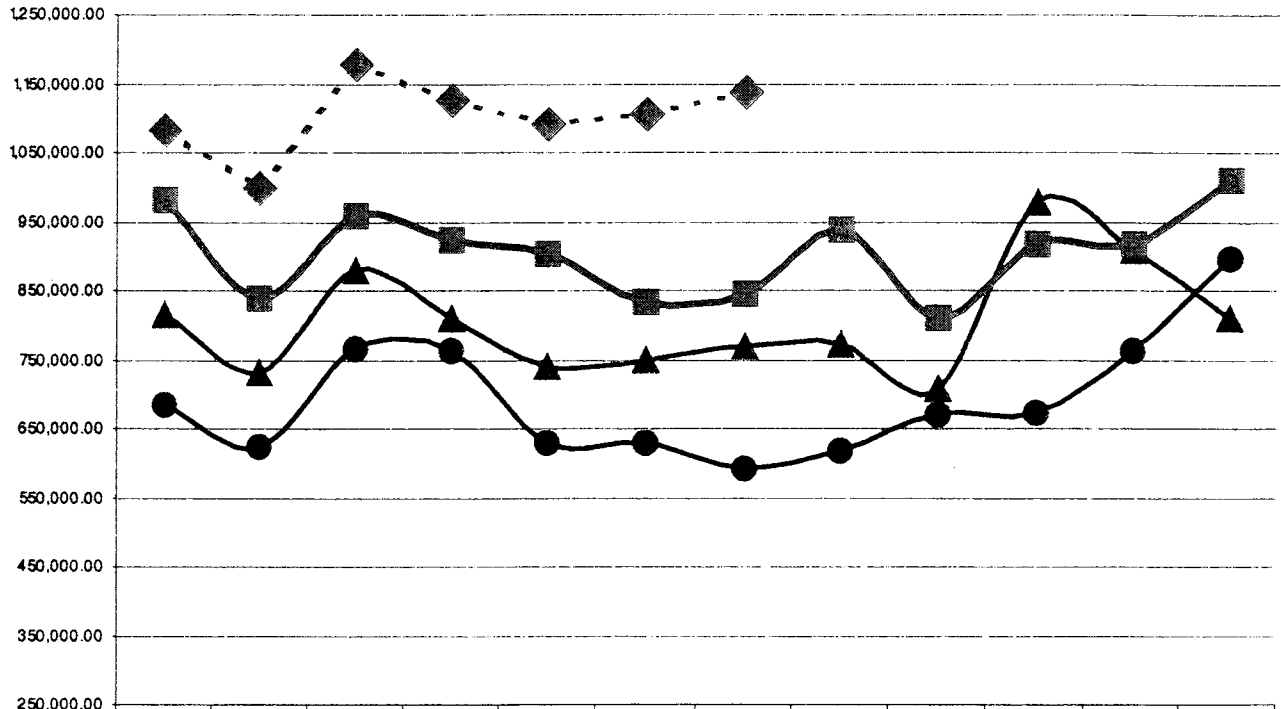
Second, a verification of social security numbers using Social Security Administration data is being adopted. The information from the Social Security Administration will identify invalid social security numbers being used to establish unemployment claims and/or numbers being used that belong to another person. A project manager to implement this crossmatch process will be hired in October 2001. Implementation of the new process is expected to take nine months.

### Total Fraud Dollars Recovered



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
● 1998 Fraud	339,404.00	347,041.00	401,143.00	371,956.00	364,104.00	364,104.00	330,647.00	362,715.00	347,094.00	368,428.00	378,739.00	470,851.00
▲ 1999 Fraud	427,493.00	437,809.00	472,064.00	486,852.00	433,025.00	399,987.00	386,853.00	407,382.00	398,296.00	397,729.00	449,964.00	368,294.00
■ 2000 Fraud	473,702.00	420,235.00	484,816.00	433,009.00	463,919.00	427,913.00	445,713.00	452,856.00	464,217.00	470,068.00	475,805.00	492,430.00
◆ 2001 Fraud	527,548.00	486,287.00	594,582.00	553,456.00	499,943.00	518,051.00	496,247.00					

### Total NonFraud Dollars Recovered



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
●—● 1998 NonFraud	683,822.00	622,812.00	764,734.00	762,547.00	630,959.00	630,959.00	593,307.00	618,675.00	670,361.00	673,376.00	763,183.00	896,626.00
▲—▲ 1999 NonFraud	815,648.00	731,249.00	878,716.00	809,952.00	739,569.00	748,742.00	769,332.00	772,010.00	707,954.00	976,365.00	909,205.00	809,837.00
●—● 2000 NonFraud	979,428.00	839,232.00	957,505.00	923,183.00	903,536.00	833,369.00	844,077.00	937,784.00	810,802.00	918,069.00	917,091.00	1,010,548.00
◆- - 2001 NonFraud	1,080,746.00	998,147.00	1,176,918.00	1,126,535.00	1,090,424.00	1,104,536.00	1,136,727.00					

***Recommendation 4: The department should re-think its expenditure of UI tax dollars on salaries and benefits for managers in the WorkSource Division. If the department is going to continue to use UI tax dollars to fund personnel in the WorkSource division, the department should be able to identify clearly the UI services that those personnel are providing.***

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	October 1, 2001
Agency Response:	Concur

We concur that the expenditures of UI funds by WorkSource Operations should be clearly related to UI services.

During the transition to TeleCenters we recognized that UI services were still being sought by claimants at WorkSource offices. Accordingly we funded some WorkSource managers as a proxy for the expense of the actual services being delivered. Activity reports that tallied UI services delivered by WorkSource staff were captured at strategic points in time during this transition. These reports are being used to benchmark the service expectations beginning October 1, 2001, the new federal fiscal year.

Beginning October 1, 2001, UI will fund specific direct UI services to claimants at the line staff level, rather than continuing to fund the managers as a proxy for those services. A group has identified the direct UI service needs in each WorkSource site and the level of services and funding that would be available to meet those expectations. Service level agreements are being negotiated to provide funding that reflects the expected work.

We also will provide 5 FTEs for the administration of our District Tax offices by the WorkSource Operations Division.

These offices are operated by the WorkSource Operations Division and will report through that Division.

We feel the transition to line staff funding will eliminate any issues concerning the link between UI funding and the services provided in the WorkSource Operations Division.

***Recommendation 5: Employment Security should fully implement and enforce the re-employment activities required of UI claimants and should regularly monitor and report on compliance and enforcement activities. Specific tasks should include (a) improving the automated job matches made through JobNet and require claimants to pursue the referral, (b) enforcing fully and consistently the various re-employment requirements such as reporting to a local office and making job contacts, and (c) tracking the number of claimants selected for job search review, the number who report to a local office as requested, the number who fulfilled the employer contact requirements, and the number who were sanctioned for either not appearing or for not meeting the requirements.***

Legislation Required:	No
Fiscal Impact:	Undetermined
Completion Date:	Varied dates as noted below
Agency Response:	Concur

We concur with this recommendation.

First, we are developing a new monthly management report for Job Search Monitoring and Verification. The report will include information on the number of claimants scheduled to report to the WorkSource office, the number who reported as required, the issues detected and referred to adjudication, and the results of the adjudication i. e. whether the issue resulted in a denial of benefits, was cleared, remains open or was allowed. The initial draft of this report has been reviewed and we are making modifications to ensure it is useful to all levels of management. (A copy of the draft is attached.)

This report will allow us to track (by office and statewide) the number of claimants who were selected for job search review, reported to their local office, fulfilled the employer contact requirements and who were penalized either for not appearing or for not meeting requirements. It will be used both by local offices and statewide to monitor the program and ensure that our program is operating as intended.

Second, we are adopting changes to ensure that we take consistent action anytime a claimant fails to report to a WorkSource Center without "good cause" or reports with inadequate job search information. In such cases an adjudicator will be alerted and will interview the claimant to determine whether a denial of benefits is appropriate. Supervisors will receive reports on these cases to ensure consistency. Management will use both this report and the first report described above to make sure claimants are held accountable.

Third, we will review the job search monitoring program both internally and with the UI Advisory Committee. This review will include the number of people sampled and the procedure for following up on scheduled interviews.

Fourth, we will seek to improve the quality of job matching. This effort, however, is complicated by the Federal government's requirement to move to a system of broader job classifications that make automated matches more difficult. For example, under the new system there is only a single code for nursing while under the old system there were a series of codes that identified the individual's nursing specialty. Washington State will convert to this new mandated system in December 2001.

We are examining options to improve the quality of our automated matches within this new system. These options include both changes in our existing job matching systems and changes in related systems including "Go2WorkSource.com". We expect to complete this analysis by June 2002.

The steps outlined above will help us ensure that claimants are actively pursuing "suitable" referrals.

\*\*\*DRAFT\*\*\* WASHINGTON STATE EMPLOYMENT SECURITY DEPARTMENT \*\*\*DRAFT\*\*\*  
 UI DIVISION WORKSEARCH MONITORING REPORT  
 Month ending:

LEC	LEC by ERI					LEC by DNR		TOTAL
	SCHEDULED	ERI COND	EXCUSED	ERI-DNR	UNKNOWN	ERI OPEN	DNR DENY	
310								
360								
370								
380								
390								
480								
520								
530								
640								
550								
560								
570								
571								
610								
613								
620								
630								
640								
690								
660								
670								
771								
790								
790								
781								
792								
810								
830								
840								
860								
870								
920								
940								
950								
960								
990								
TOTAL								
PERCENT								

Refer: Kevin Hill, UI Research, 902-9203  
 \*\*\*DRAFT\*\*\* \*\*\*DRAFT\*\*\* \*\*\*DRAFT\*\*\*  
 September 10, 2001



# AUDITOR'S COMMENTS

---

We are pleased that the Employment Security Department has concurred with the report recommendations, and is taking steps to implement them. We are also pleased that the department has taken the first steps to design a new monthly management report for Job Search Monitoring and Verification. While the report is still in the design phase, we want to make sure that the following three elements are included in the monitoring and tracking of this program in addition to what the department discusses in its response.

First, the department has indicated that, while the number of claimants receiving UI benefits varies in a seasonal pattern (increasing in the winter months), the resources allocated to job search monitoring remain fixed. In the busier months, the department's sampling process may identify 15 percent of claimants for job search review, but the department's fixed resource base may prevent it from calling in the full 15 percent sample for an interview. The department needs to track the number of claimants identified to be called in as well as the number actually called in for interviews in order to determine the true size of the sample being checked.

Second, the department should monitor whether the staff conducting the job search monitoring interviews continue to check only one week of a claimant's job search activities, or if more checks are made. A place in the report to indicate the number of weeks checked should address this issue.

Third, at the August 2001 JLARC meeting, Deputy Commissioner Trause noted the department's intention to do a better job of follow-up on a claimant's job search activities in those situations where an interview with the claimant reveals that the claimant has not made a sufficient number of job contacts. The new reporting tool will need to be able to account for or track the department's follow-up efforts to review the claimant's job searches in subsequent weeks.

We look forward to reviewing the Employment Security Department's progress in implementing the report's five recommendations in future months. We will be particularly interested in reviewing the agency's progress in implementing Recommendation 5, and in analyzing the new monthly Job Search Monitoring and Verification management reports in October 2002.



# APPENDIX 3: COMPARISON OF UI BENEFIT PROCESSING AND JOB SEARCH REVIEW COSTS, 1998 AND 2000

---

*This appendix refers to the data presented in Figure 4 on page 12 of this report and is intended to explain how the comparison of costs was made between the two years, what it includes, and why certain costs are not isolated.*

The original intention of this part of the analysis was to compare the costs of only the claims-taking and adjudication operations in the Job Services Centers in 1998 to the similar costs of the call centers in 2000. However, it was not possible to isolate just those costs from the data for 1998 because the expenditure categories and position titles did not distinguish between some functions.

In order to make a valid comparison, the following items have been added to the column representing the year 2000. First, the data for 1998 include Job Service Center processing of the small percentage of continued claims that come in by mail. Responsibility for this task was transferred to the central office in Olympia with the change to call centers, and these central office costs are included in the column for 2000. Second, the UI Division pays for a portion of regional director costs in the WorkSource Operations Division, and this cost is reflected in both years. Third, the 1998 data include the UI Division's funding of 36 FTEs who used to conduct "eligibility reviews" and perform other UI-related tasks in the Job Service Centers. The UI Division continues to fund a like number of FTEs in the local employment offices. These FTEs now conduct job search reviews. The cost of these 36 FTEs is reflected in both columns.

To arrive at unit costs for the two comparison years, JLARC staff worked with UI division staff to create weighted workload measures that would be comparable between the two years. The actual totals of various workload outputs were weighted with time factors that indicate the relative level of effort involved in the work. For example, in 1998 there were 3,988,235 weeks claimed and 147,947 non-monetary determinations made. *Weeks claimed* each equal just over one minute of "workload", while *non-monetary determinations* each equal just over one hour of workload. Adjusted then, the numbers reflect a 67,800 "weighted workload" for weeks claimed and a 155,344 weighted workload for non-monetary determinations.

While this approach ensures the comparability of costs between the two years, it is important to note that it does not then only portray the specific costs of operating the call centers in calendar year 2000.



## APPENDIX 4: “LESSONS LEARNED” ABOUT MAKING THE TRANSITION TO CENTRALIZED CALL CENTERS

---

The main body of this report evaluates the Washington Employment Security Department’s transition from taking initial applications for unemployment insurance benefits in person at 28 dispersed Job Service Centers to taking these applications by telephone and the Internet at three centralized call centers. Other state agencies in Washington may be contemplating a similar move. For example, the state operating budget adopted in June 2001 assumes that the Department of Social and Health Services will save 275 FTEs this biennium by using centralized call centers to determine and review client eligibility for programs such as food stamps, medical assistance, child care, general assistance, and Temporary Assistance to Needy Families.

Companies in the private sector have been operating call centers for a number of years, and there are numerous publications available on how to manage call centers effectively once the call center system is operating.<sup>20</sup> There are a number of companies that will contract with a private or public entity contemplating a change to call centers to help design and implement a call center system. There are also numerous vendors of hardware, software, telecommunication and the other equipment that might be needed for a call center system.

Less accessible is free information geared to public agencies that are at the earliest stages of making decisions about a transition to call centers. As experience shows, the decisions made at this very early stage have a significant impact on the costs and operations of a call center system once that system is fully operational.

The Employment Security Department learned a number of lessons in making the transition to call centers. Their counterpart agencies in the other 26 states also shared with JLARC staff the lessons they learned in making the transition. The purpose of this appendix is to pull together some of those lessons learned for the benefit of other agencies that may be contemplating a switch to call centers. The lessons are posed in the forms of questions for an agency to answer. This list is not intended to be exhaustive; any agency making a change to call centers will have to make a host of decisions about the new system. Rather, the list represents some questions that the agencies in Washington and other states indicated that they wished they had asked themselves or that they had answered more accurately.

---

<sup>20</sup> For example, an August 2000 report from the U.S. General Accounting Office provides a summary of good human capital management practices in both public and private call centers and includes a number of references to books and studies on call center management. “Human Capital Management at Selected Public and Private Call Centers,” Report to the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, GAO/GGD-00-161. The Information Technology Support Center also has a white paper more specifically geared to UI call center management issues: “Unemployment Insurance Telephone Initial Claims Call Center Management Issues,” by Tim Meier et al., September 2000.

1. *What exactly are you trying to achieve with a change to call centers?*

A switch to call centers is an expensive and disruptive change; an agency contemplating such a change should be clear about the end goal or goals motivating the change. These are the goals that policy makers will use to evaluate the success of the agencies making the switch. Even within the field of UI, agencies in different states had different motivations for changing to call centers. Some focused on the improvement in ease of filing for the claimants. Others noted that, when UI services were delivered in small offices across the states, the agency had to provide a UI person when there was less than an FTE's worth of work, so they made the transition to call centers to use their claim-takers more efficiently. An agency could contemplate the change to save money or to downsize staff. Whatever the motive, the agency should be clear about what it intends to accomplish by moving to call centers.

2. *How many call centers should you have, and where should they be?*

This is a critical question. However, before an agency can answer this question, the agency has to answer a series of additional questions.

3. *Do you have a desire or an obligation to retain existing staff?*

In order to answer this question, the agency will have to examine the different jobs that will be transferred to the call centers and determine if their existing staff will have the skills necessary to function in the new environment. The agency will also have to examine any legal or other obligations it carries regarding staff, for example, through civil service rules or a collective bargaining agreement. If the agency wants to or must attempt to keep its existing staff, then the agency has to take this factor into account when determining the number and the location of its new call centers.

4. *What percentage of the existing staff is willing to move to the call centers?*

The flip side to question 3 relates to staff's willingness to make the transition to call centers. The answer will depend in part on the back-and-forth conversations of where the call centers may be. Many employees are established in their communities and are not interested in moving to another part of the state to be a customer service representative in a call center. Others are turned off by the call center environment itself and so do not wish to make the move even if the call center is relatively near by. If existing staff are not willing to make the transition, then this becomes less of a factor in determining the number and location of the call centers. The agency may instead want to consider locating its call centers in areas where it is relatively easy to recruit and retain qualified new employees.

5. *Will you pay the long-distance charges for calls into the call centers, or will the callers pay for long distance?*

For many government services, callers will have an expectation that they will not be charged for contacting a call center. However, as Washington's Employment Security Department and the other UI state agencies operating call centers will attest, it is quite expensive to operate a toll-free telephone number. If the agency is going to absorb the

long-distance charges by using a toll-free number, then the agency needs to consider locating its call centers near enough to groups of callers so that at least some of the calls are placed as local calls rather than using the toll-free number.

6. *Is it essential that your service is not disrupted?*

There certainly are some efficiencies to be gained by having only one call center: there's only one facility to pay for, training is completely centralized, there is no risk of inconsistencies in policies between call centers, etc. However, natural and human-made disruptions occur, be it from fire, flood, or (as we know all too well) earthquake. The agency needs to consider whether it is critical to maintain the call center service at all times or whether a single center could be down for a few days. If it is critical to maintain the service, then the agency may want to consider having at least two call centers so that workload can be shifted to one center in the event that service at the other is disrupted. The California UI agency was grateful for its multiple call centers and its ability to divert calls from one center to another during the recent rolling electricity blackouts.

7. *Is there someone on your team who "speaks technology?"*

In a shift to a high-tech call center, the agency is going to have to make a whole host of technology-related decisions on equipment, telecommunications, and services. In making these myriad choices, it is important for the agency to have someone representing its interests who speaks the same language as the technology vendors to insure that the agency acquires the tools that it needs. This person must have a clear understanding of what the agency does and how it does it. The departments surveyed for this study also highly recommend visiting a place that is using the system or systems the agency is contemplating buying so that it can see first-hand to see if the system really does what the agency thinks it does.

8. *How are you going to make the transition?*

Once a state agency has determined how many call centers to have and where to put them, the agency must determine how to make the physical transition. None of the state employment security agencies found an easy answer to this question. A switch to call centers usually involves the consolidation of many separate smaller offices into fewer larger ones. In addition to the challenges associated with the staff changes, a public service agency will likely have numerous records, open cases, etc., that must be transferred and relocated in some organized fashion so that work can continue in the new environment. The agency must face up to the difficulties associated with making the move.

9. *When are you going to make the transition?*

Some agencies, like employment security agencies, have a highly seasonal pattern in workload. An agency needs to take this into account when timing its transition to the new call center system. An agency may also wish to avoid making the transition at a time when the Legislature or some other policy-making body has made major policy changes that the agency is trying to implement. The downside of dragging out a transition period for too long is that the agency has to operate dual systems during the transition.

10. *How are you going to deal with callers who do not speak English?*

Washington has a diverse population; Employment Security's call centers have received calls in some 80 different languages and dialects. An agency making the switch to call centers will have to make choices about how to deal with callers who speak little or no English. One choice is to require the caller to provide an English translator, in which case the agency has to do little else in this area. However, if part of the motivation for making the change to call centers is to enhance customer service, the agency may wish to provide the ability to take calls in at least some languages other than English. The agency may also have legal obligations to provide such a service. This service is provided primarily in two ways: a less expensive choice may be to have bilingual customer service representatives, while a more expensive option is a translation service such as the AT&T language line. The agency will need to have a firm grasp on what languages its clients speak and how it plans to address those language needs.

11. *How are you going to handle all the mail?*

If the agency is one that has clients fill out forms and provide copies of documents and other information, then it is likely that the call centers will see a large influx of mail as compared to the mail in the more dispersed office settings. Part of the increase is due simply to the consolidation of several smaller offices' mail into a centralized point. However, other increases are due to mail and faxes replacing the exchange of information that once took place in person at the local offices. Claimants and businesses in Washington anxious to be certain that a UI call center has received a document will sometimes fax the document twice, then mail hard copy. Washington's Employment Security Department struggled to handle and distribute the larger-than-anticipated volume of mail, and getting the paper under control continues to be an issue in the UI call centers. An agency making the transition needs to be prepared for and have a plan to deal with the increased mail and fax load.

12. *How are you going to handle all the question calls?*

Another consistent pattern that the agencies reported once they had made the change to call centers is a large volume of question calls. For the UI agencies, question calls reportedly sometimes run two to three times the number of calls to file claims. Part of this increase is because of the change to a new system, but part is also due to the new ease of being able call when a question arises. Sometimes efforts to reduce call volume may initially backfire; for example, the Minnesota employment security agency began offering Internet filing as a way to reduce demand on the telephone claims lines, only to have most Internet filers call to see if their filings had been received (Internet filers can now receive e-mail confirmations that their filings have been received). The employment security agencies are employing different tactics to try to deal with question calls. For example, some offer a separate number to call, while others try to put the answers to the most common questions on an automated question response system. Callers with questions will have the same expectations for having the telephone answered quickly, and question calls on the same telephone lines as the agency service calls (like filing a claim) creates longer delays for everyone in the queue. An agency making the move to call centers needs to correctly



anticipate the number of question calls that will be coming in and have a plan to deal with these calls.

13. *How are you going to handle call center staff turnover?*

As the GAO report cited earlier verifies, turnover is a regular part of call center operations in both the public and private sectors. Transitioning staff from the local offices to the new call centers is a major management challenge, but the challenge doesn't end there. The managers of the call centers will need again to have a plan in place to deal with recruiting, hiring, and training new customer service representatives on an on-going basis.

14. *How are you going to handle training?*

One of the advantages of having centralized call centers rather than dispersed offices is the opportunity to provide group training. As indicated in question 13, the agency will need to provide training on a continuing basis to deal with staff turnover. Public agencies will also need to provide training in situations where the agency is implementing a policy change, for example, implementing a new law. To take full advantage of the enhanced training opportunities that call centers offer, the agency needs good planning for training facilities, materials, equipment, and trainers.

15. *Are you being realistic about your estimates of cost savings and/or improved efficiency?*

An honest appraisal of the questions above will help an agency determine if it is being sufficiently conservative in its estimates of savings in terms of dollars and FTEs. What several of the state employment security agencies (including Washington) discovered was that they had overestimated savings in part by underestimating the resources that would be required for call center equipment, mail, question calls, and training.

16. *What about the clients who continue to go to the pre-call center offices?*

For some public agencies, clients may have a long tradition of going in person to a local office. Sometimes a switch to call centers leads to closing these local offices completely. In other cases, such as with the UI call centers, the local offices remain open to offer different services while the UI claims-taking service is withdrawn. Old habits die hard, and people continue to come to the local offices seeking UI services. The state employment security agencies surveyed for this project essentially divided on how to address this issue. About half advocated having someone in the local offices who could help walk-ins get answers to their questions and also help them learn to use the telephone systems. The other half preferred having all issues directed to the call centers for resolution, using a telephone in the local office provided for that purpose. If clients are still able to venture into a local office, the agency will need to work with the staff remaining in the local offices to develop a consistent strategy to address this situation.

