

Senate Interim Committee on Labor and Business

Oregon Employment Department Response to COVID-19 Pandemic

David K. Gerstenfeld, Acting Director September 1, 2020

Our Vision

An Oregon where meaningful work enables the state's diverse people and businesses to realize their full potential, creating prosperity in every community

Our Mission

Support Business · Promote Employment



Our Core Programs

Workforce Operations (WorkSource Oregon Centers)

- Serve businesses by recruiting and referring the best qualified applicants to jobs
- Provide resources to diverse job seekers in support of their employment needs

Workforce and Economic Research

Develop and distribute quality workforce and economic information to promote informed decision making

Paid Family and Medical Leave Insurance

 Build program to help workers and businesses deal with ill employees and family members, new children, and victims of assault and domestic violence

Unemployment Insurance

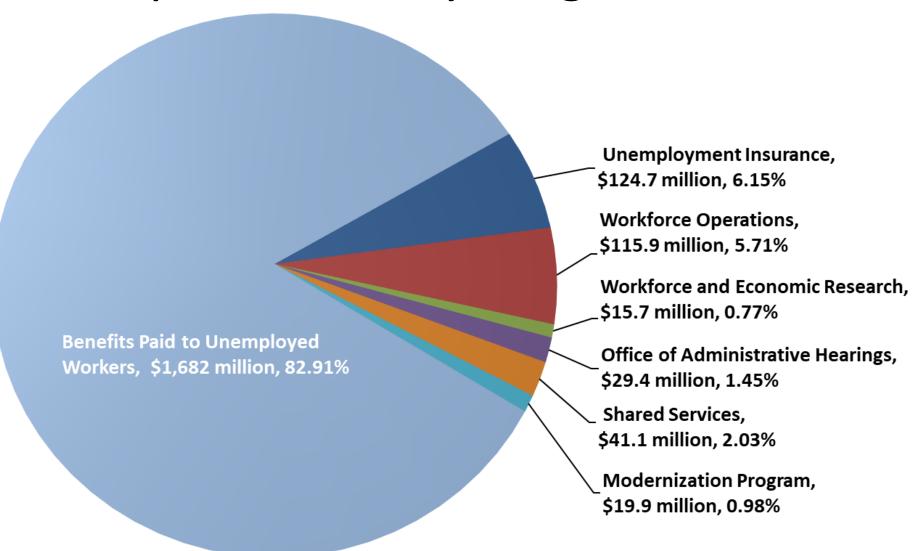
 Support economic stability for Oregonians and communities during times of unemployment through the payment of unemployment benefits



2019-21 Expenditures by Program

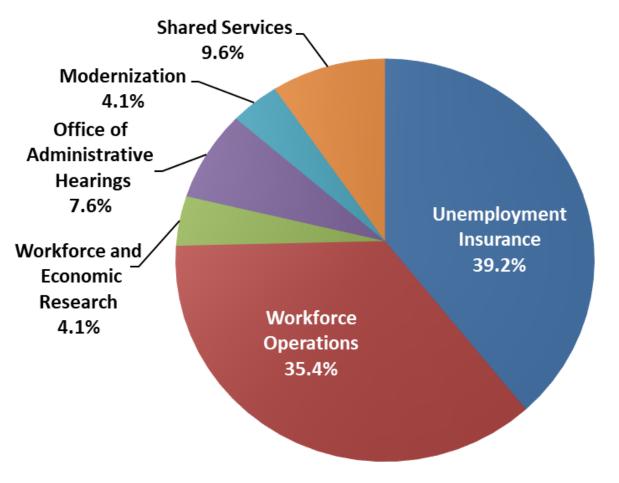
Total Expenditures \$2,028.7 million

Benefit payments make up approximately 83% of expenditures





2019-21 Operational Budget: Positions



Program	2017-19	2019-21
Unemployment Insurance	563	532
Workforce Operations	443	480
Workforce and		
Economic Research	54	55
Office of Administrative		
Hearings	104	103
Modernization	17	55
Shared Services	138	131
Total Agency Positions	1,319	1,356



Unemployment Insurance before COVID-19



Unemployment Insurance is a Federal-State Program

- Oregon employers pay state UI payroll taxes
- Federal government holds that money in the UI Trust Fund for Oregon to pay UI benefits
- If Oregon follows federal requirements, employers have reduced Federal Unemployment Tax Act (FUTA) payroll taxes
- U.S. Department of Labor provides an administrative grant to Oregon to operate the UI program covers about 70-75% of Oregon's costs

Not meeting federal requirements could cost Oregon employers \$1.4 billion a biennium in increased payroll taxes and eliminate \$95 million per biennium in OED administrative funding



UI System Opportunities According to U.S. DOL

Oregon shares many challenges with UI programs nationally

- Inadequate federal administrative funding
- Need to modernize UI systems
- Loss of institutional knowledge and capacity
- Inability to provide desired levels of service

Last year, Oregon received only 71% of the federal funding needed to administer unemployment insurance

We have avoided problems other states face, by having

- Solvent, well managed UI Trust Fund
- Strong safety net for unemployed workers with more comprehensive coverage than many other states



UI basics

- Claims are valid for up to 52 weeks, but usually provide 26 weeks worth of benefits
- Required to address claims individually
- A week-by-week program
- Federal law requires complex reporting and following US Department of Labor guidance
- Annual and quarterly work cycles



Three layers to getting benefits

Claim processed as valid

- Enough recent work history covered by UI system
- As an "employee"
- Not used for another claim
- No claim in another state

Not disqualified

- Fired for misconduct
- Quitting without good cause
- Refusing work without good cause
- Prior fraud

Weekly eligibility

- Claim filed
- Able to work
- Available for work
- Actively seeking work
- Not too much earnings

Claim processing

Clarification or adjudication of issues



"Regular unemployment insurance" is a collection of different programs



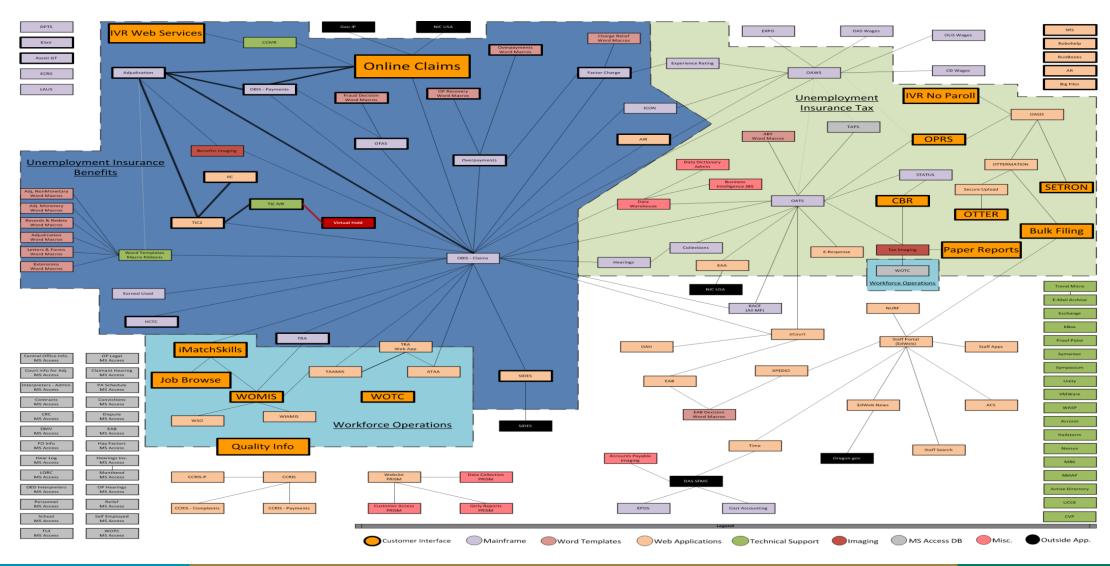


Oregon's UI Trust Fund is solvent

- Oregon's Trust Fund has a balance of \$4.36 billion (as of August 19, 2020)
- As of August 25, 2020, 13 states borrowed a combined \$24.4 billion to pay regular UI benefits
- There is a lot of economic uncertainty, but Oregon's UI Trust Fund is projected to remain solvent throughout this recession



Pre-COVID-19 IT environment





Challenges of current systems

- Some UI systems are more than 30 years old
- Form letters in mainframe very hard to modify
- Many things require overnight processing
- We have outgrown many built-in limits that are difficult to change
- Making modifications can be difficult, takes a long time, and requires extensive testing
- State mainframe has processing and maintenance times when it is not accessible



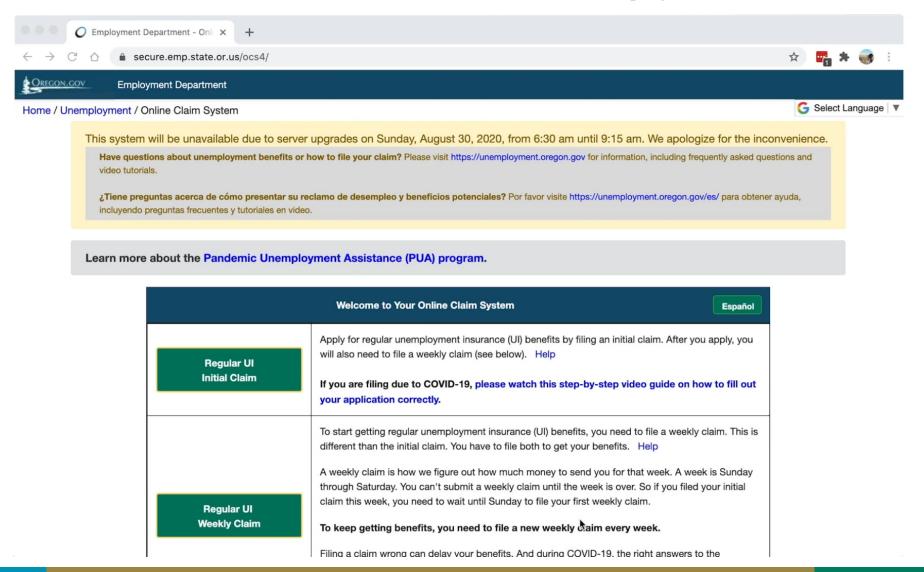
Employee technology tools

- Requires using multiple programs at once – mainframe, imaging system, word processor, and more
- Usually multiple screens of some programs at the same time
- Not intuitive to learn or use
- Limits on what data is tracked and how





Customer technology tools





Phone system

- Separate phone system for the UI program links main office and two UI contact center locations
- Complex environment with multiple vendors, sub-vendors, and products
- About 650 lines pre-COVID-19; complex phone trees
- Interactive voice response system allowing automated filing over the telephone
- Failover features in two separate locations, 3rd party monitoring, call recording, reporting, telephone trees, outbound autodialing
- Presents our employees some information about the claim of the person calling



Modernization Program Goals

Enhance customer experience

Modernize technology

Transform business processes

Improve security

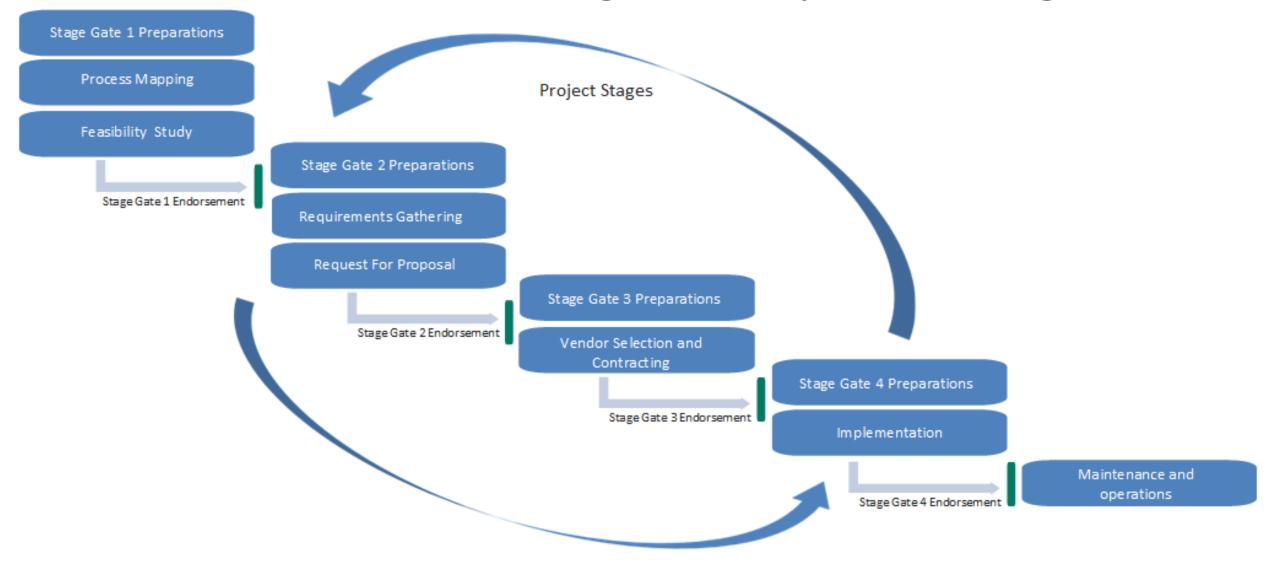


Unemployment Insurance Project Scope

UI Modernization Project Scope Measures		
Legacy systems to be replaced	31 systems	
Legacy systems impacted	48 systems	
External data transfers	128 total (126 data transfers 2 interfaces)	
Internal data transfers	234 total	
External system accesses	58 access points, 24 stakeholders	
Mandatory reports	113 (66 state and federal reports 47 financial reports)	
Business requirements	1565	
Technical requirements	198	

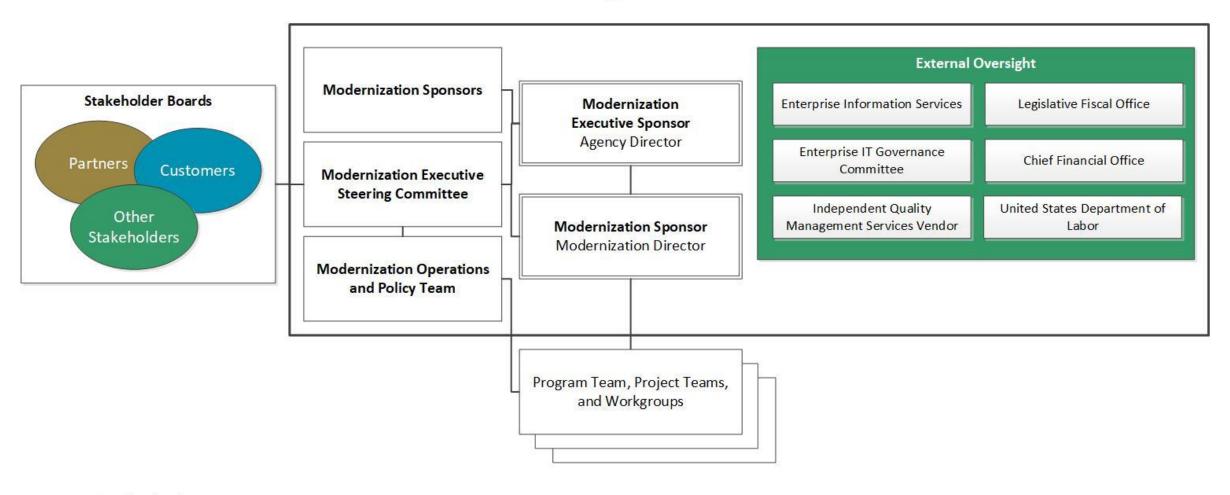


Modernization Program Steps and Stages





Modernization Program Governance



Revised: 8/30/2020

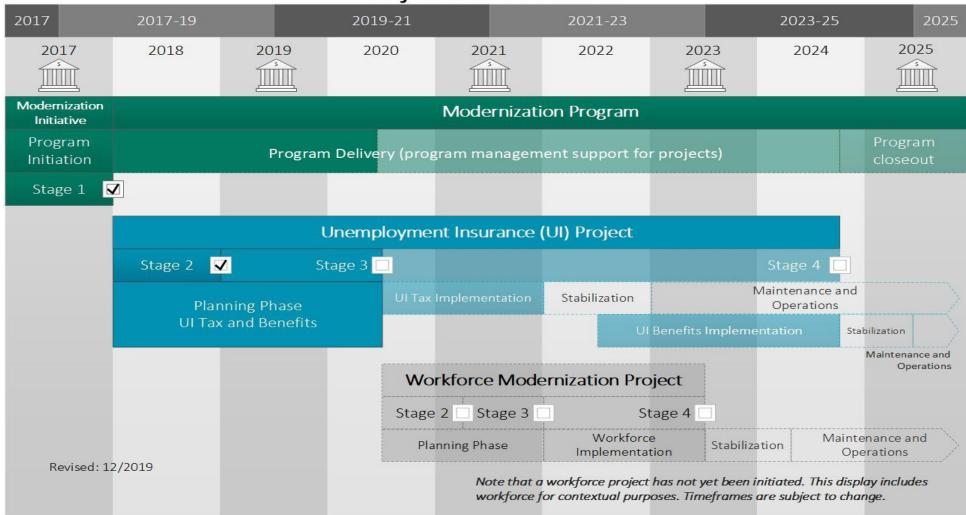


Priorities for 2019-2021

- Request For Proposal execution
 - Selecting vendor
 - Contract negotiations
- Hire and onboard additional staff including for Modernization program team, UI Modernization and legacy technical teams, and UI Modernization business team
- Complete UI Modernization project artifacts and submit for Stage Gate 3 approval
- Begin Unemployment Insurance project implementation with solution vendor
- Pre-planning for the Workforce project
 - Meetings with stakeholders
 - Request for Information



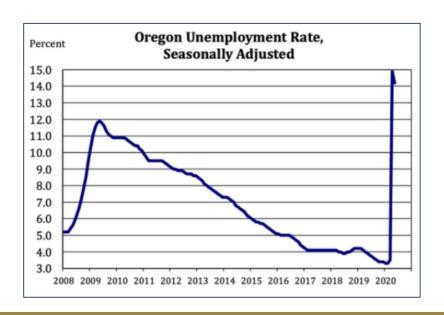
Modernization Program Projected Timeline





The COVID-19 Pandemic

Oregon went from its lowest ever unemployment rate to its highest almost overnight

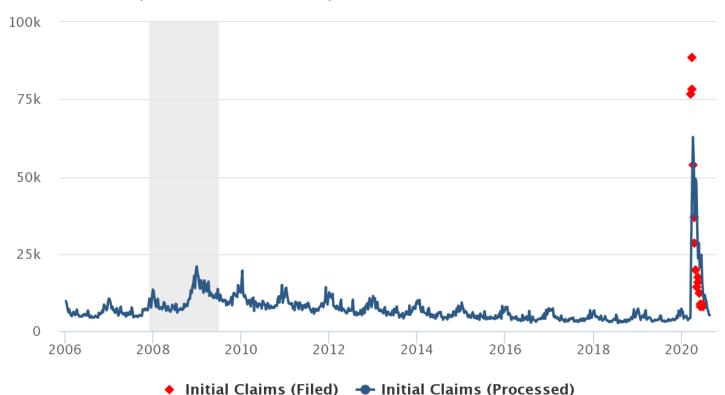




Oregon's initial claims for unemployment benefits increased by almost 17x between the second and third weeks of March.

Oregon's Initial Claims for Unemployment Insurance, Weekly





Source: U.S. Department of Labor, Oregon Employment Department

Largest number of initial weekly claims:

Great Recession = 20,900 COVID-19 Recession = 88,600

Oregonians filed more than 21,000 new, initial claims for benefits for seven consecutive weeks



Weekly claims for unemployment benefits remain historically high

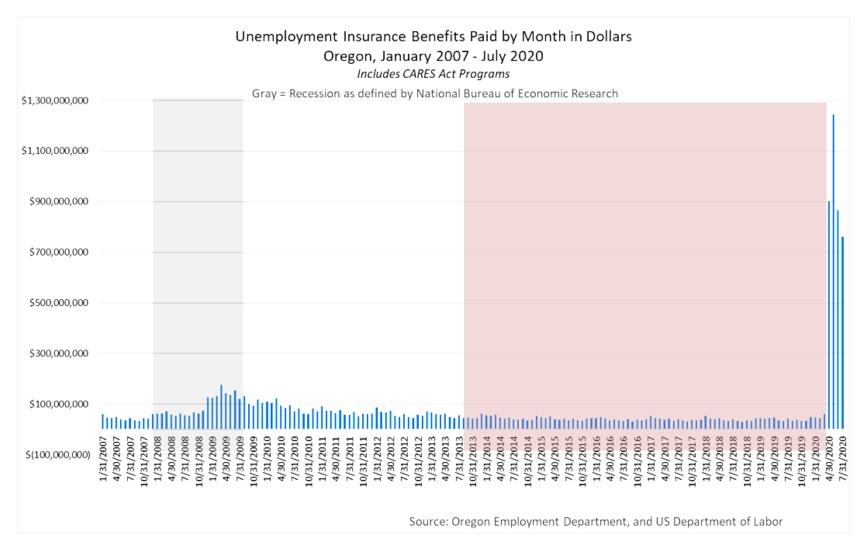
Oregon Continued Claims for Unemployment Insurance, Weekly

Gray = recession as defined by National Bureau of Economic Research (Excludes UI Extensions Available 2008-2013)





In the last 5 months alone the department paid out over \$4B in UI benefits



Before the pandemic it took 92 months (7.6 years) to pay out \$4B. That would span all the way back to August of 2013.

During this pandemic we reached the peak volume in claims in two months. The Great Recession took 27 months to reach the peak volume of unemployment claims.



IT supporting employees during the pandemic

- Expanded infrastructure, including three new work locations
- Procured, configured, and deployed equipment for hundreds of new employees
- Gave new access to systems for hundreds of existing employees
- Implemented virtual phone technology allowing more types of work to be done from home



Phone system work during the pandemic

- Added hardware to phone system to handle increased capacity needs (47,000 calls in February; over 20 million in April)
- Increased from 650 phone lines to over 1,300, with ability to quickly add hundreds more
- Added more than 1,000 telephones to the UI phone system
- Created new phone queues for Pandemic Unemployment Assistance (PUA) program
- Constant troubleshooting with multiple vendors to support record numbers of calls



System changes during pandemic

- Greatly expand document imaging systems and enhanced automated document handling
- Greatly expanded how many claims are processed automatically
- Created alternate identity validation method when Social Security Administration's system was overwhelmed by state UI systems
- Created new work queues to allow more targeted work assignments
- Multiple enhancements to Online Claim System
- Multiple changes to stop claims from being held up in various situations
- Constant adjustments to systems and fixing newly identified issues
- Migrated to Office 365 and implemented additional security measures



Implementing New Programs

CARES Act passed March 27, 2020

Federal Pandemic Unemployment Compensation (Extra \$600) - April 10, 2020

Pandemic Unemployment Assistance (PUA) - April 28, 2020

Disaster Unemployment Assistance (for February storms and related events in Umatilla County) – May 7, 2020

Pandemic Emergency Unemployment Compensation (13 week UI benefit extension) – May 21, 2020

Extended Benefits (20 week UI benefit extension) – June 30, 2020

New online PUA filing system – July 17, 2020



Major IT projects still to be done

- Federally required reporting for already implemented programs
- Implement Lost Wages Assistance benefits
- Pay the Waiting Week
- Implement SB 1701 (increase to \$300 amount that can be earned without impacting weekly benefits)



Role of Enterprise Information Services

- Most OED systems reside in and are supported by Data Center Services
- Oversight of large IT projects
- Provided additional support during this crisis
 - Led external team of experts to do OED assessments and make recommendations
 - Review of waiting week estimate and potential approaches
 - Helped with vendor to implement new Google based online PUA forms
 - Assist with escalated needs with external vendors



More changes needed

- Automated, dynamic information-gathering from people seeking benefits
- Ability to more easily modify questions asked and information provided via automated systems
- More 'self-help' like the ability to claim retroactive weeks of benefits, resetting PIN, etc.
- Secure messaging portal
- Allow Work Share to be filed online currently very manual



Communications

Every communication channel OED had, or created, was immediately overwhelmed



Communication with the public

- Automated communications did not match current conditions and could not be readily changed
- Multiple new programs with new federal requirements and different time periods to inform people about
- Record numbers of people, in widely varying circumstances, needing benefits, answers to questions, and other resources
- Frequent changes of federal standards
- Many new employees needed continual training and support



Improvements

- Expanded telephone hours (Monday Friday, 7 am 6 pm)
- Created mailing inserts, additional automated notices about claim status, FAQs, videos
- Created two new websites with more information newest is more accessible and searchable; has eligibility quiz, hundreds of Q&As, less jargon
- Greatly expanded alternate language access for non-English speakers
- Messaging campaigns about program changes (emails, recorded phone messages, mailings)



More improvements

- Webinars live and recorded
- Regular social media posts about changes, common questions
- Began responding to general (not claim specific) questions on social media
- Began using media to help get information to the public
- Updated voicemails, email autoreplies, online language
- Strengthened DHS/211 partnership
- Increased engagement with policy makers



Direct claim related communications

- Phones have been, and remain, a big frustration. Work continues, we are answering 5x as many calls a day as in March, but it is still not enough
- WorkSource phones also became overwhelmed
- Existing and newly created email boxes became overwhelmed
- Individual phone numbers and emails circulate on social media
- "Contact Us" form on new website is our best current tool



More work needed

- Continue to bolster telephone system
- Make more robust claim status information available to claimants online
- Dynamic help screens for people using our systems
- New communication channels text messaging, live chat, etc.
- Have phone system show it is the Employment Department calling
- Currently working on an automated "chatbot"



Reports and data

- Our systems were built to report on federally required standards.
 This does not get us the data we, and you, need for example, how many people are waiting for adjudication
- Ongoing implementation of new programs creates more data challenges
- Interplay between new programs, like UI and PUA, makes it more difficult
- Not everyone meets statutory requirements to get benefits



Claims status – regular UI

- 552,600 regular claims filed from March 15 August 22
- As of August 27, under 500 claims were not processed.
 Most of those were filed the prior day
- About 538,000 people filed for regular UI
 - 345,000 people paid regular UI
 - 94,000 people do not have a valid claim or are otherwise not eligible
 - 78,000 people either have not claimed any weeks or only claimed the waiting week
 - About 21,000 people remaining



Claim status - extensions

Pandemic Emergency Unemployment Compensation and Extended Benefits

Week of August 8 – 15

- 16,275 people claimed benefits under an extension
- 15,350 people were paid benefits under those extensions



Claim status - PUA

- PUA data is most difficult and least validated
- About 104,000 PUA claims in our system
- Over 46,000 people paid PUA benefits
- About 26,000 people who applied for PUA are receiving regular UI



Adjudication is the biggest current challenge

- Federal law requires us to adjudicate most issues that could impact someone's benefits, including
 - Reason for quitting
 - Reason for being fired
 - Turning down an offer of work

- Being unavailable for work
- Being unable to work
- School break related issues

- Multiple strategies being used to address this
 - Process changes
 - Benefits While You Wait

- Hiring hundreds of adjudicators
- Contracted resources



Having enough trained staff is key

- Most of agency redeployed to help people get benefits
- Aggressive hiring and training
- Vastly modified training to get more work done more quickly.
 Initially most people are very specialized
- Supplemented with National Guard, contractors, and employees from other agencies



Staffing numbers

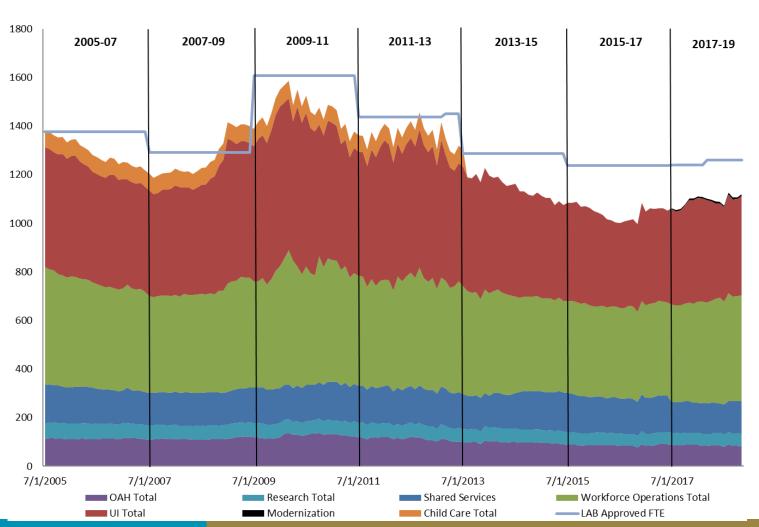
 Early March, about 100 people doing UI claims. Now over 1,100 people

Early March, about 80 adjudicators. Now about 300 adjudicators

 Early March, about 15 people doing Work Share and other special programs. Now over 100 people



Staffing numbers



Currently 2,100 working for the agency, not including the National Guard and new adjudication support contract



State changes to address COVID-19

- Temporary rules March 17 and March 26
 - Changed criteria for being disqualified from benefits to reflect COVID-19
 - Changed weekly eligibility criteria to reflect COVID-19
 - Made it easier for some business owners to opt in to getting regular UI benefits
 - Now looking at permanent rule-making to allow these measures to continue through emergency
 - These significantly reduced the number of issues that require adjudication
- Flexibility with penalties and interest for employer quarterly payroll payments
- SB 1701 Increases amount many can earn before impacting weekly benefits to \$300



Federal changes

- Families First Coronavirus Relief Act March 18, 2020
 - Additional administrative funding for UI programs \$12.7 million for Oregon
 - Gave states some additional flexibility in setting weekly eligibility requirements
 - Grants available to improve Work Share programs
- CARES Act March 27, 2020
 - Created several new benefit programs states could contract with US Dept. of Labor to administer – federal funding to administer them
 - Provided federal funding for Work Share benefits and ½ of benefits paid by "reimbursing" employers
 - Provides some funding for waiving the waiting week
 - Gives states some additional flexibility around staffing restrictions
- US Dept. of Labor temporarily allowed states to stop some federal quality control programs



Implementing new programs

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Implementing PUA - challenges

- New federally funded program, separate from regular UI programs
- Brand new program for Oregon new to people seeking benefits and our employees
- Covers many groups of people hard to make a process fit all situations
- Federal law requires first determining if the person is eligible for regular UI before allowing PUA benefits
- Hybrid workers often want to be covered by PUA but are not allowed to under federal law
- It was hard to know what program to file an application under



Implementing PUA – more challenges

- Benefit amount depends on prior gross earnings if you were an employee, prior net earnings if you were self-employed.
 For most PUA applicants, we do not have earnings information
 - SB 1703 will help; most PUA claims that will be filed already have been
 - Focused on getting at least some benefits to people as quickly as possible. Many people received the minimum weekly benefit of \$205 until we determine if they could receive a higher amount
 - Those weekly benefit adjustments were a low priority early on, and it has taken us time to get quicker at processing them

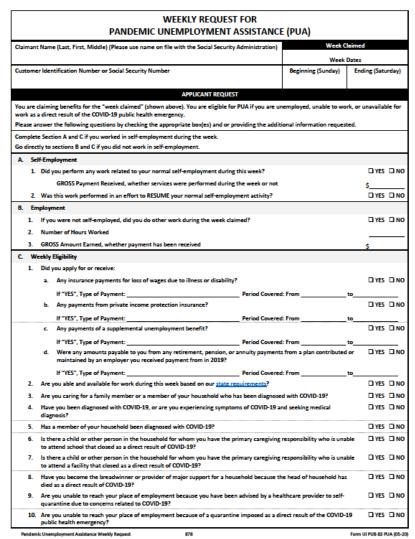


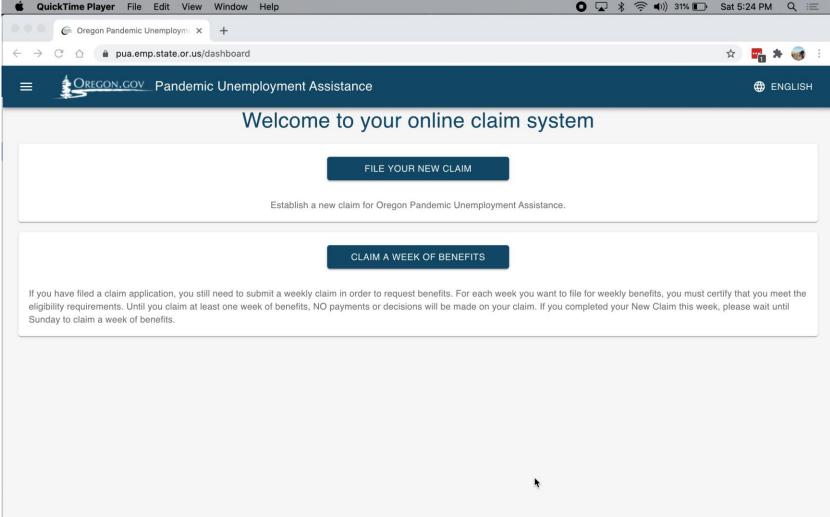
Implementing PUA iteratively

- First payments two weeks after FPUC very manual process. Not userfriendly for claimants or us
- Had to build the program while hiring its employees and creating training materials
- Contracted to have a new online filing form. Launched July 17. Provided some automation, prevented common errors, but still has challenges
- Had to continually update how to run the program. Repeatedly got new USDOL guidance after program was already underway and learned how to improve it
- July 21, US Dept. of Labor issued new guidance letting Oregon have a more generous definition of "earnings" for self-employed PUA claimants – requires retroactive adjustments



Old and new PUA weekly claims







Three layers to getting benefits

Claim processed as valid

- Enough recent work history covered by UI system
- As an "employee"
- Not used for another claim
- No claim in another state

Not disqualified

- Fired for misconduct
- Quitting without good cause
- Refusing work without good cause
- Prior fraud

Weekly eligibility

- Claim filed
- Able to work
- Available for work
- Actively seeking work
- Not too much earnings

Claim processing

Clarification or adjudication of issues



Initial claim processing

- Validate person's identity
- Validate legal authorization to work in the U.S.
- Confirm no claim in Oregon or any other state
- Determine if enough recent (base year) covered employment to have a valid claim
- If wages from another state, have to wait to get information from that state
- If federal or military employment, have to wait for federal government to provide information
- We are required to issue either notice the claim is not valid, or that it is and how much
 in benefits the person can potentially receive these are appealable
- For PUA similar, but we also have to determine if the person is unemployed as a result of a federally defined COVID-19 reason



Employee or Independent Contractor

- Key decision—independent contractors are not covered by UI, can be covered by PUA
- Test (ORS 670.600) requires looking at multiple variables, and no one is determinative. Case by case review. Type of tax document you received does not tell you the answer.
- Review at the amount of direction and control over the work the person does
- "Gig economy" is not a definition for UI



Potential disqualifications

- Examine 'work separations'
 - Even if it is not the most recent reason the person is unemployed, unless the person has 'requalified' by earning enough wages
- Usually raised by information the worker or employer gives us
- Some can be resolved based on simple information, others require adjudication



Weekly eligibility

- Able to work, Available for work, Actively seeking work
- Usually raised by information the worker provides or other data sources
- Compute weekly benefits based on how much they earned that week
- There are many, many types of issues that require examination
- Systems have been created to flag claims that have potential issues, so employees look at them before payments go out that has been a big challenge in this pandemic
- Can sometimes be clarified with simple information, other times it requires adjudication
- If someone is found ineligible, we issue an appealable decision explaining why
- For PUA similar, but have to confirm the person was unemployed, that week, due to a federally defined COVID-19 reason



Appeals

- People can appeal our decisions to the Office of Administrative Hearings (OAH) which conducts an independent hearing
- Can request a hearing by email at <u>OED_UI_HEARINGSREQ@Oregon.gov</u>
 - Or by mail or fax or if you have particular needs over the telephone
- We review hearing requests to see if we can resolve the issue without a hearing. If not, we send to the OAH so an Administrative Law Judge can hold a hearing
- For most issues, either side can then appeal the OAH decision to the Employment Appeals Board which reviews the evidence and decision from the hearing
- Further appeals are to the Oregon Court of Appeals



Some try to defraud the UI system

- Increasingly large, sophisticated criminal schemes
- Many states hit with hundreds of millions of dollars in fraudulent claims
- We have seen many fraudulent claims filed; have been successful at stopping most of those with no or few payments being issued
- Increased benefits, more programs, retroactive programs all make this more of a challenge



Fighting fraud

- We are a national leader working with the National Association of State Workforce Agencies Integrity Center of Excellence
 - Oregon UI Director is on Steering Committee
 - Using all available tools; early adopter of new ones
- Ongoing increased staffing
- Report suspected identity theft or other fraud through our new webpage – <u>www.unemployment.oregon.gov</u>
- Despite all efforts, there will be increased fraud and overpayments during this pandemic



Federal discussions

- Potential new federal programs
- Federal funding of CARES Act programs
- End of year deadline regarding FPUC payments to go with waiting week
- Benefits While You Wait
- Increased oversight regarding improper payments from US Department of Labor
- Ongoing with National Association of State Workforce Agencies



Benefits impact during pandemic

- March 15 August 22: over \$4 billion in benefits paid including
 - Regular unemployment: \$1.3 billion
 - FPUC: \$2.4 billion
 - PUA: \$127 million
 - PEUC: \$58 million
 - Work Share: \$54 million
- If the benefits paid are looked at as payroll, the Employment Department would be the largest employer, and the largest industry, and the third largest industry sector in Oregon.







