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CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

**State Innovation: Re-employment Focus in the Unemployment
Insurance Program**

Submitted by Michelle Beebe
Unemployment Insurance Director
Utah Department of Workforce Services
mbeebe@utah.gov

To the House Committee on Ways and Means
Subcommittee on Human Resources
U.S. House of Representatives

On September 7, 2016
Hearing on Challenges and Strengths of Today's Unemployment Insurance Program



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Chairman Buchanan, Ranking Member Doggett, Members of the Subcommittee:

Thank you for the opportunity to discuss the challenges and strengths of today's Unemployment Insurance (UI) system, specifically as it relates to the State of Utah.

INTRODUCTION

My name is Michelle Beebe and I serve as the UI Division Director for the Utah Department of Workforce Services. The 220 individuals in my division are committed to serving the more than 77,000 employers and 1.3 million workers in the State of Utah. We provide temporary assistance to eligible individuals who are unemployed while they actively seek re-employment. We connect such individuals with job referrals and resources in these re-employment efforts. Employers invest in this program because it retains a skilled local workforce and keeps purchasing power in our economy.

The average individual in Utah qualifies for about 22 weeks of unemployment benefits at \$375 per week and stops filing after 12.3 weeks, generally because they have returned to work. Our average duration and exhaustion rates are among the 10 lowest states in the country, even with our relatively high wage replacement rate. Our state Unemployment Trust Fund, with a balance of \$936 million, was one of only 15 states to retain solvency during the most recent recession and is currently ranked as the 5th healthiest in the nation by the U.S. Department of Labor (USDOL).

The conversations surrounding administration of the UI program during its more than 80 years of existence have certain fundamental themes: facilitating a swift return to re-employment, minimizing tax burden on employers, providing sufficient level of benefits to fulfill the program mission, increasing program integrity, achieving a sustainable funding model and efficiently handling workload volume.

The emphasis in these conversations shifts depending on the status of the economy. During times of escalated workload, as we experienced from 2009 to 2011, we have an all-hands-on-deck approach to simply processing claims and getting money back into the economy. As workload decreases, the conversation of accessibility rises to saliency and brings with it questions of impact on program integrity. If we make benefits easier to pay, we may lose opportunities to prevent improper payments. There are interdependencies in these themes.

The recently enacted Workforce Innovation and Opportunity Act of 2014 (WIOA) highlights existing program strengths and identifies areas for enhancement. There are constraints with diminishing program funding and an imbalance in the federal-state partnership that impact the ongoing mission of the UI



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program to provide economic security for individuals facing involuntary unemployment and preserving a skilled workforce for employers.

ROLE OF THE UI PROGRAM IN WIOA IMPLEMENTATION

The foundational purpose of WIOA is to increase access to and opportunities for the employment, education, training and support services that individuals need to succeed in today’s labor market.¹

Workforce Services currently administers four of the six core partners identified in the WIOA legislation. These include youth workforce investment activities, adult and dislocated worker employment and training activities, and employment services under the Wagner-Peyser Act. In October 2016, our agency will absorb a fifth partner with the Vocational Rehabilitation program. Additionally, our agency administers the Temporary Assistance for Needy Families (TANF) program, Supplemental Nutrition Assistance Program (SNAP), housing and community development grants, childcare and refugee services.

UI is explicitly identified as one of the required partners tasked with providing access through the one-stop delivery system.² In Utah, the UI program is at the table and actively engaged in these conversations.

- Utah has a solid re-employment strategy in place with demonstrable results, starting with the offering of online service options to all individuals and moving to targeted staff-assisted options for those that need the extra help in getting back to work.
- Utah leverages technology to provide meaningful assistance to individuals, recognizing that a centralized service delivery model for the standardized claims filing process allows staffing resources to be directed to those services that benefit from a more localized approach.
- Utah sees value in having more robust labor market information to measure performance. Identifying the right level of detail requires consideration of the burden it places on employers and the burden it places on state agencies to accommodate the additional requirements.

Re-employment Services

Each state establishes a service delivery model that is tailored to their geographical and economic profile. Utah successfully facilitates re-employment with a “triaged approach” by offering a self-service option to all individuals and strategically allocating limited staffing resources for mediated services. Individuals filing a claim in Utah who are not job attached or enrolled in approved training are currently required to

¹ WIOA Sec. 2 under 29 USC 3101

² WIOA Sec. 121 under 29 USC 3151(b)(1)



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Written Testimony: State Innovation: Re-employment Focus in the Unemployment Insurance Program

make at least four new job contacts each week and report the details of each contact weekly before payment is released.

Self-Service Option – Worker Profiling Model and Application

All individuals who file a claim for unemployment, regardless of their eligibility, will receive a Resource List with information for conducting a work search and finding childcare, health insurance, mortgage assistance and other supportive services.

Individuals who are not job attached are required to complete an Online Work Registration and Assessment within 10 business days of filing a claim. This includes creating a profile with our state labor exchange and answering 24 straightforward questions that are designed to identify their need for basic re-employment services. Based on the answers, the individual may be referred to a selection of up to five online workshops. Failure to complete the registration, assessment, or subsequent workshop referrals without showing good cause will result in a denial of benefits. This approach has proven to be a cost effective service delivery option.

- Individuals completing the registration process have a higher likelihood of re-employment, as demonstrated by a 26 percent increase in hire rate compared to individuals who failed to complete the process.
- Individuals appear to find value in the workshops, as demonstrated by voluntarily completing 27.8 percent more online workshops than is required.
- Approximately 12.8 percent of claimants failed to complete their online workshops and are now ineligible for benefits.

At the end of the registration process, an individual is automatically provided with individualized labor market information detailing local job openings and the average wage expectations in different geographic areas for related occupations.

A certain portion of individuals will find work regardless of additional services that may be offered. The key is to identify who amongst those filing for unemployment benefits would best be served by an investment in mediated engagement.

Utah's current Worker Profiling Model, required by federal law,³ was developed in 2008 and analyzes the status of an individual at the time of initial filing, including an evaluation of their level of education,

³ Sec. 303(a) of the Social Security Act at 42 USC 503(j)



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tenure in previous employment, wage replacement rate, high quarter earnings and industry. We are in the process of creating a new model that will analyze the data and automatically learn from its experience to become more robust.

Staff-Assisted Services

Individuals who continue to file for unemployment benefits may be selected to participate in Utah's Re-employment Support Services (RSS) program. This program allows employment services staff to select individuals to attend an in-person re-employment activity based on their geographic location, occupational skills and other parameters. Such in-person group activities include workshops discussing professionalism, job search skills and hiring fairs. Failure to participate in the RSS referral without showing good cause will result in a denial of benefits.

- Individuals participating in the RSS program have a higher likelihood of re-employment, as demonstrated by a 17.9 percent increase in hire rate compared to individuals who failed to participate.

Nothing prevents an individual from participating in these workshops, both online and in-person, on their own. Such services are advertised on the Resource List, via our website jobs.utah.gov, and through the local one-stop centers.

Mediated and Individualized Approach where it counts – RESEA Program

Utah began participating in the original Re-employment and Eligibility Assessment (REA) program in September 2010, and migrated to the Re-employment Services and Eligibility Assessment (RESEA) model in July 2015. This expanded the program statewide, eliminated the requirement to select a control group, and focused Utah's mediated outreach efforts on individuals recently separated from military service and individuals identified through the initial profiling model as most likely to exhaust their benefits.

The RESEA program requires that selected individuals complete an eligibility review of their recent work search activities. The individual then meets with a re-employment counselor in-person to review these activities, connect with available government and community resources, and develop a plan for re-employment. This generally occurs within the first two months of filing a claim for benefits and after the individual has already completed the Online Work Registration and Assessment and Online Workshops. Utah also conducts a follow-up appointment over the phone for individuals that are still collecting benefits after three months.



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Written Testimony: State Innovation: Re-employment Focus in the Unemployment Insurance Program

During the five years that Utah participated in the original REA program, the following outcomes were observed:

- Individuals participating in the REA program have drawn an estimated \$10.9 million less in state unemployment benefits compared to the control group.
- Individuals participating in the REA program experienced a 10.2 percent lower exhaustion rate and 3.4 percent lower average duration than the control group.
- Accounting for \$5.1 million in administrative costs, Utah generated an estimated \$5.8 million net positive return to the state Unemployment Trust Fund.
- While not quantified, additional savings accrued due to decreased dependence on other federal/state support programs.

Meaningful Assistance

The second point of WIOA impact on the UI program is the requirement that one-stop centers provide information and assistance on filing unemployment claims.⁴ As many government services shift towards an online self-service delivery system, WIOA raises an interesting question about the need to locate UI-specific staff within local one-stop centers. The UI workload is inherently seasonal. In addition to following the business cycle of up and down turns in the economy, Utah's program experiences a winter influx of claims, as well as a weekly uptick on Mondays as more individuals contact the department towards the beginning of the week to receive their weekly payments.

Since Utah centralized UI operations in 1997, we have benefited from economies of scale and significant technology improvements. Instead of providing a claims taker in each of the 31 one-stop centers across Utah and adding additional staff to heavy traffic areas, and accommodating for leave coverage and lunch breaks in the more rural areas, centralization allows us to operate with a claims staff of approximately 25.

Utah supplements its phone and online customer service delivery model with the availability of an online Live Chat feature and an internal UI Help Desk, where staff in the one-stop centers can reach a claims taker in less than a minute for those escalated situations. For the 12-month period ending June 2016, more than one in five customer interactions was conducted via online chat, more than a quarter of all claims filed were processed online outside of traditional business hours and more than 99 percent of weekly claims were filed online. By providing many of our services online, the hours of coverage and convenience of access is increased significantly.

⁴ WIOA Sec. 134 under 29 USC 3174(a)(2)(A)(x)



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Information Sharing (UI Wage Records)

The third point of WIOA impact is the reliance on quarterly wage records collected by the UI program to assess WIOA performance accountability of the core partners and approved training providers.⁵ The definition of quarterly wage records includes: (1) employee's wages, (2) employee's social security number and (3) identifying information for the employer.⁶ As collaboration is strengthened across public and private entities, WIOA requires an examination of the benefit in including additional details in UI wage records to offer a more precise picture of the economy. This includes proposals to add elements such as occupational title, rate of pay and hours worked to each individual wage record.

Utah's more than 77,000 active employers contact Workforce Services every quarter and report 6.3 million employee wage records over the course of a year. Such reports are generally submitted through an online file upload or by mailing in a paper form that must then be keyed into the UI software by a technician. Through increased outreach over the last two years, Utah has achieved a 12.6 percent increase in the amount of employers filing through our website, which provides an easily accessible and historical record of information reported to the department and an automated and accurate calculation of tax liability. Nine out of every 10 employers currently file online.

Utah, in collaboration with the Workforce Information Council, conducted a survey about wage record enhancements in summer 2015, using approximately 22,000 unique email addresses representing employers and payroll service providers. More than 1,600 responses were received. Employers were asked to indicate if their payroll systems currently have Standard Occupational Codes (SOC) available for quarterly reporting. Of those that responded, 80 percent indicated that they either do not have SOC codes available or believe this to be inapplicable to their business operations. Of the respondents that prepare their own payroll, the addition of SOC codes was rated as being "very difficult."

Respondents were asked to rate their level of support for wage record enhancement given the benefits and concerns listed, with 59 percent reporting that they either "strongly oppose" or "somewhat oppose" the initiative. Respondents were asked to describe additional concerns and 286 provided comments. The most common response groups include: unnecessary government burden, unclear value to business, uncertain commercial software capabilities and increased reporting complexity.

Standardizing the definition of wage records and adding in additional reporting elements has the potential of imposing an unfunded mandate on public and private sector employers. This also requires that states update their existing data collection tools to accommodate the increase in volume and new formatting for

⁵ WIOA Sec. 116 under 29 USC 3141(i)(2)

⁶ 20 CFR 603.2(k)



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*Written Testimony:
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Unemployment Insurance Program*

additional elements. It is clear that the value of having more robust labor market information has not yet been effectively demonstrated to all employers that would be impacted. Utah supports finding the least-burdensome way to collect additional information from employers in order to provide more robust labor market information that will facilitate re-employment.

INNOVATION IN ACTION: ADDRESSING WORK SEARCH REQUIREMENTS

Utah is currently engaged in two different partnerships for re-employment pilots to test the effectiveness of alternative work search strategies. The first pilot is testing the hypothesis that an individual taking personal responsibility for developing their own Re-employment Plan will be more likely to return to work than an individual being held accountable only to reporting the minimum number of weekly job contacts. This uses the Worker Profiling Model in an attempt to identify the population that falls somewhere between (a) those who will find a job regardless of our intervention and (b) those with a high probability of exhaustion that are participating in the RESEA program. The second pilot is testing the effectiveness of using a network-based online approach to work search in facilitating a quicker return to employment. This pilot is focused on RESEA customers. Results for both pilots are pending.

Positive outcomes from these pilots could drive changes to Utah's work search policy and lead to investment in technology enhancements, provided funding is available.

CHALLENGES FACING THE UI PROGRAM

Funding Constraints

The Resource Justification Model (RJM) is currently used to justify the allocation of UI administrative funding based on a "cost per unit" methodology, using workload projections and operational costs.⁷ The total amount for each state is rolled up into the congressional budget request. However, the amount requested by states is consistently decreased in the final base allocation appropriated by Congress. Additionally, costs have not been adjusted to include inflationary increases.

This underfunding has shifted the purpose of the RJM from having states provide justification of resource levels to instead using it to proportionally distribute base funds among the states, essentially having states compete with each other for a larger piece of the same diminishing pie. As economic conditions improve and workloads decline, the funding for one-time SBR grants also declines. This leaves states with limited means to fund continued administration and pursue innovation.

⁷ U.S. Department of Labor Employment & Training Administration webpage on Resource Justification Model at <http://www.ows.doleta.gov/rjm/>



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Recognizing State Roles in Pursuing Innovation

Congress designed the UI program as a federal-state partnership, a structure in which the federal government provides over-arching support in ensuring conformity and compliance within the framework of federal law. States are provided with the latitude to adopt their own laws towards accomplishing the goals of the program, tailored towards their unique economic and geographic landscapes. This ensures that the voice of local employers, who fundamentally support the UI program structure, is heard. This also provides states with the agility to address changes in the dynamics of local labor markets.

One such example of proposed alternative funding with an imbalance in the federal-state partnership is found in the opportunity for demonstration projects through The Middle Class Tax Relief and Job Creation Act of 2012.⁸ This allowed for 10 states to apply for demonstration projects that improved the effectiveness of re-employing individuals collecting unemployment benefits. With approval, these states could waive certain provisions of the Federal Unemployment Tax Act (FUTA) and Social Security Act in order to conduct an impact evaluation and evaluate the extent to which re-employment was improved without increasing the net cost to the state's Unemployment Trust Fund.

However, the overly prescriptive nature of this legislation and subsequent interpretation by USDOL⁹ made pursuit of such an opportunity unrealistic. The experimental nature of a demonstration project was severely limited with legislation that specified "direct disbursements to employers who hire individuals receiving unemployment compensation, not to exceed the weekly benefit amount for each such individual, to pay part of the cost of wages that exceed the unemployed individual's prior benefit level" and the Secretary of Labor's requested assurances, including what appears to be the guarantee of success. In the end, no states applied.

CONCLUSION

Administrative funding is limited and states need flexibility within the federal-state partnership to continue along the path of sustainability and innovation. States should be held accountable by their employer base, and by extension the federal government, to spend responsibly and with demonstrable impact, though such latitude should not come with overly burdensome compliance requirements that negate the benefit.

There are inherent risks in changing the institutional structure of the UI program. There are also significant gains to be had by making strategic changes that retain the relevancy of the program in

⁸ Sec. 305 of the Social Security Act at 42 USC 505

⁹ USDOL ETA Unemployment Insurance Program Letter (UIPL) 15-12, including Changes 1 and 2



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protecting workers during periods of involuntary unemployment and protecting employers by preserving the skills of such a workforce. Flexibility in how funding is used and realigning the balance of this federal-state partnership to recognize the value of state innovation can facilitate this process.

Thank you to the Committee for creating an environment where we can have these discussions and move important policy forward that serves the employers and employees of our country.