

EXECUTIVE SUMMARY

BACKGROUND

State workforce agencies have been exploring new methods that unemployment insurance (UI) claimants can utilize to file claims for benefits. Until the 1990s, most states required UI claimants to file their claims in-person at local offices that provided both UI and reemployment services. In the early 1990s states began taking initial claims by telephone. More recently, states have implemented UI initial claims taking over the Internet, which is less staff-intensive than traditional methods and more convenient for unemployed workers.

The U.S. Department of Labor (DOL) has supported the use of remote access systems for UI services by awarding grants for developing and implementing telephone and Internet initial claims systems. To date, 32 states have implemented Internet initial claims systems, and 16 are in the process of doing so.

PURPOSE OF THE EVALUATION

The purpose of the Internet initial claims study was to evaluate the effectiveness of fully operational Internet initial claims systems in selected states, and to compare the systems with telephone and in-person claims-taking systems.

The specific areas evaluated were:

1. *Service Delivery*: System designs and processes; the timeliness of issue resolution and payments, compared to those of telephone and in-person initial claims-filing; methods and likelihood of receiving reemployment services; assessment of ways to identify claimants who are likely to exhaust their benefits under the Worker Profiling and Reemployment Services (WPRS) system; methods of informing claimants of their rights and responsibilities; and differences in UI activities and services after the initial claim is filed;
2. *Security*: Systems and processes employed by the states to protect their Internet systems from unauthorized use;
3. *Fraud and Abuse Controls*: Integrity systems and controls, such as states' procedures for verification of the identity of claimants filing for UI; and
4. *Cost Effectiveness*: A comparison of the costs of Internet claims-filing with telephone and in-person claims-filing.

STUDY DESIGN

HeiTech Services, Inc. and Mathematica Policy Research, Inc. conducted on-site visits to six states, in which we studied the design, development, implementation and claimant feedback about the Internet initial claims process. The six study states—Colorado, Missouri, North Carolina, Pennsylvania, Utah, and Washington—were selected to accurately reflect variations in size and geography. In addition, aggregate data were collected from the states' claim records on all regular new initial claims filed during the first quarter of calendar year 2002. Data on characteristics of claims activity, as well as eight demographic variables—sex, race, education level, age, residence (urban or rural), base period earnings, industries, and occupations—were analyzed.

KEY FINDINGS

Major findings of the evaluation are:

Service Delivery:

- Internet initial claims filing was successfully implemented in all six study states. This alternate method of claim filing reduced staff time involved in the initial claims filing process and provided additional options for unemployed workers to access the UI system.
- Based on quantitative and anecdotal data, the promptness of benefit payments is not affected by the claim filing method.
- Aggregate data from three of the study states show that Internet filers are slightly more likely than other filers to have monetary re-determinations. Some state staff believe that this may occur because claims-takers can help resolve some monetary issues that arise during the in-person or telephone initial claim-filing process.
- Internet claim filing appears to enhance the connectivity between UI and employment services compared with telephone filing. In the six study states, claimants filing for UI through the Internet have easier access to information about services than those who filed by telephone. Internet links are available for job service registration, job searching and job matching, labor market information, and information on job training opportunities. All six states provide information about services at One-Stop Career Centers to all UI claimants, regardless of the filing method.
- The WPRS program, which is designed to provide reemployment services to individuals determined most in need of such services, is not affected by the claim filing methods. All six states selected claimants for WPRS orientation after completion of the initial claims process.
- Uniform state-specific information is provided to claimants about their Benefit Rights and Responsibilities during the Internet initial claims process in all six states, which claimants can read at a comfortable pace. (Some state staff questioned whether claimants read all the information provided.) In addition, five of the six study states mail the information to all claimants.

- Two of the six states provided data on the locations from which Internet claims were filed. The data showed that 80 to 85 percent of the claimants filed their claims from a home computer. Some states had expected that a larger portion of claimants would use the computers at the One-Stop Career Centers, but this has not been the case.

Security of the Internet Initial Claims Process:

- All six states follow security policies and use security network devices. State networks and systems were modified to secure the Internet initial claims servers and protect sensitive data.
- All six states encrypt the data that passes between the claimant and the Web server.
- Four of the six study states offer 24-hour service for claimants to file via the Internet, while the other two states were “down” less than two hours per week. While some states had reduced system availability due to hacker or virus attacks, no state reported any security breaches unique to the Internet initial claims systems.

Fraud and Abuse Controls/Verification of Claimants’ Identities:

- Most states limit the amount of time allowed for claimants to complete their Internet initial claims due to concerns about confidentiality and fraud and the possibility that personal data could be compromised, particularly at public locations.
- States use a combination of internal and external informational cross-matches for the purposes of identity verification. For example:
 - Internal cross-matches include verification of (1) data the claimants submit about employers, compared with state wage records; and (2) claimant’s name, birth date, and Social Security Number against claims data for a prior benefit year.
 - External cross-matches with the Social Security Administration (SSA) are conducted in two states—one using real time, the other batch processing.
- All of the six states require claimants to visit a local One-Stop Career Center. This requirement allows the states’ staff to meet with the individual claimants and ensure that claimants are able and available for work, seeking work as appropriate and are provided necessary reemployment services. Claimants are required to report to the One-Stop Career Center within a specific period of time after the initial claim-filing date, or when selected for a UI Eligibility Review or for referral to services through the WPRS program.
- State data indicate that Internet filing has not led to higher rates of overpayments or fraud, than telephone or in-person filing. Aggregate data about overpayments indicate that Internet filers, in fact, tend to have slightly fewer instances of overpayments than non-Internet filers. This could be a result of lower detection rates; however, states’ procedures for detecting and investigating UI fraud are generally consistent across filing methods. Additional research would be needed to determine the effect that different claim filing methods have on overpayment rates.

Cost Effectiveness:

- Internet initial claims reduce the amount of time staff spend handling initial claims, since claimants enter the initial claims information themselves. The extent of staff time necessary to collect accurate employment information for monetary determinations appears to be a key factor influencing the cost of processing the claim. None of the states tracked costs separately by claims-filing method but states that provided cost estimates noted that Internet initial claims took less staff time, on average.
- Efficiencies in the non-monetary determination process, which states indicate is normally staff-intensive, can occur on the Internet. When a well-designed fact-finding process is built into the system, the staff time required to obtain claimant information about non-monetary issues is reduced.
- Some states reported reduced telecommunications costs, resulting from individuals utilizing the Internet rather than the telephone to file their claims.

Customer Satisfaction:

- Based on data from three states, most Internet filers are satisfied with the Internet initial claims filing process, although some states reported an increase in the number of inquiry calls from claimants to check on the status of their claim.
- The overwhelming majority, more than 80 percent, of the respondents filed their claims from home and reported that the Internet initial claims system was easy to understand and use.

Claimant Characteristics:

- Quantitative data showed that claimants using the Internet to file their UI claims tended to be more highly educated, white, younger, highly paid in high-skill occupations and industries, and more likely to reside in urban areas.

SUMMARY OF FINDINGS AND CONCLUSIONS

- Internet initial claims filing systems provide convenient access to UI claim services, and Internet initial claims filers are satisfied with the services.
- Claimants filing over the Internet are provided adequate information about their benefit rights and responsibilities.
- Internet filing does not appear to be linked to higher rates of erroneous payments.
- States' system security measures appear to be adequate.
- Anecdotal information, and estimated data from some state managers, indicate that the administrative cost of Internet-filed claims is lower than the costs of in-person or telephone claims.

- Claims filed by Internet are paid as promptly as claims filed using other methods.
- UI claimants have a greater opportunity to connect with reemployment services through Internet filing.
- Internet filers tend to be younger, better educated, more affluent, more likely to classify themselves as white, and more likely to reside in an urban area.

Internet initial claims filing systems appear to be a convenient and cost-effective method of providing claims services to a certain segment of the UI claimant population. Internet initial claims filers receive payments as promptly as those using other filing methods, and Internet initial claims filing appears to strengthen claimants' opportunities to link with reemployment services. Although there was no evidence in the states that Internet initial claims filing led to an increase in erroneous payments or system security breaches, states will have to be vigilant to protect these systems from both fraudulent exploitation and system security compromises.