OCTOBER 7, 2020

Overseeing Improvements at the Employment Development Department During COVID-19

Background

- ***Many Claims for Unemployment Insurance (UI) Have Not Been Processed.*** Since the pandemic began, more than 6 million workers have filed UI claims with the Employment Development Department (EDD). As of late September, more than 1.6 million outstanding claims have not been paid. This includes about 600,000 applications that have not been processed and about 1 million ongoing claims that have been interrupted.

- ***In Response, Governor Announced New Strike Team to Address Backlog.*** On July 29, the Governor announced the formation of a "strike team" to immediately modernize EDD's UI technology and improve customer service.

- ***Strike Team Report Offers Exhaustive, Critical Assessment.*** In mid-September, the strike team published an exhaustive, critical assessment of delays at EDD and issued key recommendations to address the delays. The strike team also made dozens of additional recommendations to improve EDD processes going forward.

- ***Department Lays Out Plan to Adopt Recommendations, Work Down Backlog by January.*** In response to the strike team's report, EDD released its plan to adopt the report's near-term recommendations—most notably, a two week reset to (1) institute a new ID verification software and (2) allow experienced staff to focus on processing pending claims. In its plan, the department estimates that by following the strike team recommendations it will be able to eliminate the backlog by January 27, 2021.

LAO Perspective on Key Themes of the Strike Team Report

- Led by the California Government Operations Agency (GovOps), the strike team report is an exhaustive, critical assessment of the delays and backlog at EDD.

- The report's findings generally are consistent with our understanding of the major causes of the processing delay and backlog.

- In our assessment, the report contains three major, recurring themes:
  - Institutional focus on fraud provided little benefit at great cost.
  - Veteran staff hampered by perfect storm of remote work, sudden surge in claims, and training new hires.
  - Backlog due primarily to operational shortcomings, not outdated technology.

- Going forward, the report's technology, operational, and staffing recommendations seem logical.

- State's primary focus now must be to ensure full and timely implementation of recommendations.

Institutional Focus on Fraud Provided Little Benefit at Great Cost

- A longstanding institutional focus on fraud led staff to manually scrutinize roughly 40 percent of all UI applicant's identity information.

- When workload is low, EDD has just enough experienced staff to complete this complex, time-intensive review process.

- When workload is high, claims that need manual review before they can be paid accumulate and become a workload bottleneck. During the early summer, EDD redirected more than 1.3 million claims to manual identity verification.

- In addition, according to the strike team, the state's manual review process failed to meaningfully capture fraudulent claims—for each 500 claims EDD staff flagged for more thorough review, one fraudulent claim was uncovered.

Veteran Staff Hampered by Perfect Storm of Remote Work, Sudden Surge in Claims, and Training New Hires

- Since the pandemic began, EDD has hired more than 5,000 employees and diverted some experienced staff to oversee onboarding and training of new employees.

- As a result, fewer experienced staff were available to field incoming phone calls or work through the backlog of manual claims.

- In addition to these demands, most EDD claims staff have worked remotely during the pandemic, resulting in some loss in workflow productivity.

- As one example, according to the strike team, one key workflow process—recomputations, when a claimant's benefit amount is recalculated following the manual verification process—takes between two and five times longer to complete now as a result of remote work and diverted staff.

Backlog Due Largely to Operational Shortcomings, Not Outdated Technology

- Without question, the department's reliance on outdated technology hindered EDD's response to the pandemic by limiting the department's ability to make quick program changes and leading to a high degree of manual claims processing.

- However, the large backlog and broad frustration felt by workers also can be linked to inefficient work processes that faltered under the heightened workload and the department's focus on fraud prevention.

- Key policies and inefficiencies identified by the strike team as having hampered EDD's ability to respond to recent workload include:

  - Call center staffing and limitations.

  - Manual processing and identity verification.

  - Management of multiple claims.

  - Outbound communication.

  - Internal workload queues.

  - Incoming document scanning and mail sorting.

Broad Recommendations and Accessibility Findings Warrant Legislative Attention

- ***Responsibility of Carrying Out Many Recommendations Falls on Administration...*** Many of the strike team's recommendations are urgent and administrative in nature. For now, the onus for implementing and overseeing these changes primarily falls on the administration.

- ***...But Report's Broader Recommendations and Accessibility Findings Warrant Legislature's Attention.*** A few of the strike team recommendations, however, relate to accessibility or affect the broad direction of the department going forward and therefore warrant closer Legislative involvement. In our view, the following strike team findings and/or recommendations warrant Legislative attention:

  — EDD UI website is not accessible to people with disabilities.

  — EDD provides limited language access to people who do not speak English.

  — Longstanding prioritization of policies to prevent overpayments, potentially at the expense of issuing benefit payments promptly.

  — Strike team recommendation to restart the Benefit Systems Modernization project, EDD's major information technology upgrade.

  — Strike team recommendations to address worker confusion about forms, requirements, and eligibility certification.

Ensuring Legislative Oversight Going Forward

- ■ *Require the Administration to Maintain a Progress Tracker.* The strike team report includes several major near-term recommendations, but also dozens of longer-term recommendations to improve EDD processes going forward. To ensure these improvements occur, we recommend the Legislature require the administration to build and maintain a table that lists the report's recommended tasks, the department's current progress on each task, and when the department expects to finish each task.

- ■ *Request That GovOps Provide Operational Guidance at EDD Until the Backlog is Eliminated.* Based on our conversations with the administration, the California Department of Technology and the Office of Digital Innovation will continue to work with EDD on technology improvements, but GovOps will not oversee EDD's efforts to implement the report recommendations. As discussed above, however, many, if not most, of the department's fundamental challenges relate to operations, not technology. We therefore recommend the Legislature request that GovOps provide operational guidance, at least until the backlog is eliminated, of EDD's progress in adopting and implementing the report recommendations that remain outstanding.

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